

## Eurozone industrial production jumps close to pre-crisis levels in November

Production increased by 2.5% in November, defying the second wave once more and providing an important counterbalance to the severe contraction in the service sector



A factory in the Netherlands

Industry continues to recover from the first wave despite all of the second wave problems that the economy is currently facing. At the moment, production is less than one percent below pre-coronavirus levels, which is a remarkable feat in and of itself. Especially encouraging was the strong surge in capital goods production, which leapt by 7% month-on-month. While investment has been very weak over the course of 2020, this is an encouraging sign for the end-of-year performance.

The quick recovery in demand for goods after the first wave, together with the continued recovery of export demand, has helped industry to diverge from the weak service sector performance so far. Consumer goods production underperformed in November though with declines of -1.2 and -1.7 for durable and non-durable goods, respectively. This is not yet a concern given that production figures are generally volatile, but could indicate a softening in demand for consumer goods after some above-trend months following the first reopening of economies.

So the industrial picture has been rather upbeat for the start of 4Q and surely helps to alleviate the GDP shock that the second wave caused compared to the first one. But the months ahead remain very uncertain as restrictions are lengthened, which could cause second round effects on manufacturing as well. Even tighter measures cannot be ruled out in the coming weeks, which may directly affect industrial production. For now though, industry has turned out to be the eurozone's dark horse, cushioning the fourth quarter blow from the second wave substantially.

## Author

### Bert Colijn

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

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