

Snap | 12 November 2021

## Eurozone industrial production continues its downward trend due to supply problems

September production data showed a small decline of -0.2%, which is in line with a downward trend over the past few months. As orders continue to come in hot, supply problems are likely to mainly affect industrial goods' prices, a big theme for the ECB in the coming quarters



Industrial output in the eurozone has been sliding over the past few months and September was no exception. It's a small drop, but a fall nonetheless as production in Italy and Spain increased somewhat, which could not help the aggregate from falling as Germany and France both experienced month-on-month declines of 1.4 and 1.3% respectively. Germany continues to be most troubled by car sector problems due to computer chip shortages, but the problem is spreading to other countries as more sectors are now experiencing serious production problems due to input shortages. Think of electronics, but chemicals and plastic production is suffering more.

Demand for goods remains strong though, despite all of the delays and shortages that the

consumer is now experiencing. Both domestic and export orders remain high according to the Economic Sentiment survey, which weirdly leaves the production outlook quite benign. Intermediate and durable consumer goods order books, in particular, are showing unprecedented strength, while investment goods orders also continue to come in hot.

This leaves price pressures mounting, which makes non-energy industrial goods inflation the most serious threat for high inflation in 2022. Energy inflation is set to abate as energy futures suggest a drop in market prices for next year, but ongoing price pressures in manufacturing are likely to be increasingly priced through to the consumer over the course of next year. With input shortages and transportation problems only set to fade over the course of the year, expect goods inflation to push higher for quite some time.

## Author

**Bert Colijn**

Chief Economist, Netherlands

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

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).