

Eurozone: Industrial production plummeted in December

As expected, the industrial decline continued at the end of the year although this decline was much worse than expected. A mixed picture has emerged for the start of 2020, but a fast recovery of growth seems unlikely



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Eurozone industry ended the year on a miserable note as production fell by 2.1% in December. The contraction in production, which has now completed its second full year, has left production 6.9% lower than it was at its December 2017 peak. November production had shown a slight uptick, but December indicates that it is too soon to call an end to the eurozone industrial recession.

Declines were found across the monetary union as Germany, France, Italy and Spain all experienced a contraction in production that was larger than 2%. In part thanks to this deep decline, eurozone GDP growth slowed markedly to just 0.1% in the fourth quarter. While some had expected a bottoming out to happen towards the end of the year, these December numbers actually show a deepening of the industrial recession.

Despite declining production, optimism has been on the rise among manufacturers. This is mainly

because of the phase one trade deal between China and the US and a cooling down of trade tensions between the US and EU. The decline in new orders also seems to have been halted in January, suggesting that a soft recovery should be in the making sometime in the first quarter.

But uncertainty about the impact of the coronavirus on the global supply chain has put a spanner in the works. While it is very difficult to estimate the impact of the virus on European production, it is likely to delay and subdue the recovery of industrial production somewhat more.

Author

Bert Colijn

Senior Economist, Eurozone

bert.colijn@ing.com

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