

Snap | 12 February 2020

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



Source: Shutterstock

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

Chief Economist, Netherlands

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.