

## Eurozone industrial production recovers quickly, but is it enough?

Yes, eurozone industry is experiencing a boost from reopening after the lockdown. No, it's not going fast enough to expect a V-shaped recovery



A factory in the Netherlands

Eurozone industrial production grew by 12.4% in May. We're starting to get used to big numbers for the reopening months now, which means that there's no need to be particularly impressed with the industrial production reading. The current level of output is still 20.9% below production levels seen in May last year, which puts industrial production well behind retail sales in terms of its recovery (just 5.1% below May 2019 sales figures).

The retention of incomes thanks to short-time work programmes has caused significant pent-up demand spending, while industrial output is slower out of the gate due to weakness in orders. It may take some time before new orders start to come in again as uncertainty and weaker demand for some product categories weigh on the outlook. The consumption spree is also noticeable in industry though as May saw durable consumer goods production increase by more than 50%. That does come on the back of steeper declines than in most other production categories though.

By country, we see that Italy experienced the fastest recovery, at 42.1%, followed by France and

Spain at 20 and 15.1%, respectively. Germany saw production grow at just under 10%, which brings all large eurozone economies to production levels of around a quarter less than last year. This means that the smaller economies are outperforming the larger ones in terms of industry. The decline has been milder and the initial recovery has also been smaller, but with more ground to recover, it does seem that the larger industrial economies are at a disadvantage.

All in all, the big numbers in May don't tell us all that much yet about the actual state of eurozone industry. June will probably still experience a boost from reopening and with about 20% less output than before the crisis, it is important that it does. The rapid recovery will fade out though and if orders do not return quickly, many businesses will continue to struggle. That leads us to believe that there is still a long road ahead towards full recovery.

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