

## Eurozone industrial production resilient thanks to exports

Production dropped by 1.6% in December, but the general manufacturing environment remains robust. Exports have recovered to pre-crisis levels and this supports the 1Q GDP outlook, which is otherwise plagued by extended lockdowns



A factory in the Netherlands

Due to an oddity in the Irish numbers last month, the industrial production figures have jumped around a bit. Probably best to look at levels and not monthly growth rates here, which show that industrial production is now 2.3% below pre-crisis levels. This means a strong outperformance of the total economy as the second wave has so far been defied.

It's not like industry doesn't have problems of its own though. Production is increasingly impeded by supply chain delays. This is curbing the recovery of production somewhat and indeed growth has slowed over the course of 4Q. Still, given the adverse domestic economic environment, the slowing of growth has been better than expected.

Exports play a strong role in the recovery of manufacturing. With the rest of the world much more open than we saw during the first wave, exports of goods have continued to recover. In fact, exports data for December show a full recovery of nominal exports of goods for the eurozone. The

same holds true for the trade balance, which is now higher than in January and February despite the stronger euro. This stresses the importance of exports for the manufacturing recovery.

So despite supply chain problems and the second wave of the coronavirus, manufacturing is showing resilience. New orders for manufacturing continue to grow quickly and the rest of the world continues to recover, which bodes well for the start of 1Q in terms of exports and production. With lockdowns being extended, domestic demand continues to weigh on the economy though. This makes manufacturing the bright spot in an otherwise downbeat short-term outlook.

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