

Snap | 15 February 2021

MANUFACTURING, CONSTRUCTION AND RETAIL

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.

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.