

Snap | 15 January 2020

Eurozone industrial production rises, but there's no trend yet

The fourth quarter is set up for another contraction in production. The industrial recession is set to continue for a little while longer, but green shoots are noteworthy



A factory in the Netherlands

Eurozone industrial production increased by 0.2% in November, which came after a large decline in October. While German and Spanish production rebounded nicely with 0.9 and 1.1% growth respectively, it was mainly due to sharp declines in smaller countries that the eurozone average growth pace disappointed somewhat. Better energy and capital goods production masked declines in consumer goods and intermediates production, indicating that the small uptick was not at all broad-based.

Eurozone trade data showed a decline in seasonally adjusted exports for November, which was met by a smaller decline in imports, therefore reducing the trade balance to 19.2 billion euros. The decline in exports was in part due to a wind-down of exports to the UK due to stock building ahead of the initial October 31 Brexit deadline. Overall, the exports environment remained subdued in November.

News around eurozone production and trade has become slightly more upbeat

The news around eurozone production and trade has become slightly more upbeat recently. The phase one deal between China and the US is set to bring relief to world trade as expectations of no further escalation will boost confidence and help global purchases. Besides that, as the Achilles' heel of eurozone industry is the car sector, the fact that car tariffs have not been imposed by the US are helpful to the outlook for eurozone industry.

Still, today's data, although positive, does confirm that it is too early to call an end to the eurozone industrial recession. The December manufacturing PMI still indicated that new orders and current production were falling markedly, which shows that the November industrial data should not be considered to be the start of a recovery. While confidence in the future among industrial businesses has started to improve on the positive news on trade, current conditions are still too weak to call a break from trend.

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 <http://www.ing.com>.