

Snap | 14 June 2023

## Eurozone industrial production up in April but with lots of underlying weakness

The production increase in April underwhelms and leaves a good chance of negative overall production growth in the second quarter. The economy, therefore, remains in a stagnation environment as the second quarter is unlikely to show much of a bounceback in economic activity



The 1% increase in production in April came on the back of a -3.8% decline in March. While this is a disappointing bounceback, the underlying data look worse. Growth was mainly down to a 21.5% increase in Ireland, which has notoriously volatile production data these days. The large countries experienced poor output developments in April. German production was flat according to the European definition, France posted a small 0.8% increase, but Italy, Spain and the Netherlands experienced a contraction of -1.9, -1.8 and -3.5% respectively.

Industrial dynamics provide a mixed picture at best for the sector. New orders have been weak for some time now. Domestic demand for goods has been declining for a while and global activity has also disappointed. Besides that, the catch-up effects from supply chain disruptions have been fading. On the other hand, lower energy prices should work favourably from a production perspective, but overall this is not yet resulting in stronger activity.

This release does not bode well for second-quarter GDP. The small increase in production in April leaves industrial output well below the first-quarter average. Given that May surveys of the sector continue to be downbeat, it is likely that production will contract on the quarter. With retail sales sluggish in April and May surveys pessimistic, don't expect much of a second quarter in terms of economic recovery after two quarters of negative growth.

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