

Eurozone industrial recovery almost stalled in August

Growth in production dropped from 5% to 0.7% month-on-month in August. The strong rebound seems to be behind us as the fourth quarter brings only more uncertainty for industry



A factory in the Netherlands

The small gain in August leaves us with the impression that the first months of rapid recovery from the lockdown period are behind us. Production is now 6.7% lower than it was in February, before the Covid-19 crisis began. The slowdown in production was mainly due to a decline in capital and non-durable consumer goods production, which was the first decline in the subcategories of production since the last full lockdown month (April).

Production of durable consumer goods continued to pick up and is now already well above pre-crisis levels, indicating that the recovery in production is becoming increasingly lopsided towards durable goods consumption.

Survey data on manufacturing has so far continued to indicate an accelerated recovery for eurozone industry, making today's release a bit of a disappointment. Then again, industrial production is a volatile indicator, which means that September figures could come in somewhat stronger again.

The big question however, is how industry can continue to perform in the fourth quarter of the year. With rebound effects fading, second waves emerging and restrictive measures becoming more intrusive for business, there is no doubt that the rosy figures related to the rebound from the first lockdown are a thing from the past. After the strong growth figures for the third quarter, eking out small gains in 4Q looks like a pretty good result at the moment.

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>.