

## 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.

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