

## Eurozone industry gets brief respite from supply disruptions

Industrial production was stable in January. The recovery of production has been decent in recent months, but industry should brace itself for a fresh round of supply chain disruptions



A factory in the Netherlands

Production in January was flat as the strong improvement in non-durable consumer goods production was cancelled out by shrinking capital goods production and modest declines in other categories. Strong growth in Germany and France – in part thanks to improving availability of semiconductors – was cancelled out by a large decline in Italy. Overall, the trend in the past months has been positive as production has been rebounding since autumn of last year.

Things were partly on the up in recent months because supply chain disruptions were becoming somewhat less frequent and inputs that had been short in supply were becoming available again. While this seemed to be a marginal effect, it did cause the manufacturing PMI to improve markedly as businesses started to produce more. We, therefore, expect February production to come in stronger than January.

From here on, things are getting dicey again. The war in Ukraine is causing disruptions of a different nature and for different types of inputs. This is already resulting in new production

hiccups for eurozone industry. At the same time, new lockdowns in China – most notably in key manufacturing hub and harbour, Shenzhen - caused by the Omicron variant of the coronavirus are likely to result in further disruptions of the kind we saw in 2021. This leads to concern about manufacturing performance from here on, leading to a weakening outlook for eurozone industry.

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