

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.

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>.