

## Eurozone industry looks decent despite noise in data

Supply chain problems continue to heavily impact industry in the eurozone, but November production figures show a decent rebound. This does not yet mark the end of disruptions, but there is light at the end of the tunnel later in the year



The French president visiting a factory in Saint-Etienne last year

Industrial production increased by 2.3% month-on-month after a -1.3% decline in October. The jump was in part related to Irish statistical issues, resulting in a 37.3% increase in Irish production after a -32.1% fall last month. That makes the eurozone numbers particularly noisy and hard to interpret.

Looking through that noise, we see German and French production falling modestly and Spanish and Dutch production increasing. Most production categories have been trending up in the first two months of the quarter, indicating that production may eke out positive growth for the quarter once Ireland irons out its seasonal adjustment problems.

Eurozone industry continues to see order books fill up and production expectations among industrial corporates remain at high levels. The outlook for production is therefore still mainly limited by supply-side problems related to material and labour shortages. The question is how long

this will last.

Don't expect immediate improvements in the first quarter though. The surge in new coronavirus cases is going to put further strain on labour availability, and supply chain problems may have come slightly off their peak but the system remains incredibly strained and disruption to production is likely to last until mid-year. That dampens production expectations, but the light at the end of the tunnel suggests that industry is in for a decent 2022.

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