

Eurozone industry shows strong production growth in February

Strong industrial production figures for February boost first-quarter GDP expectations, as lower energy costs and fading supply chain problems provide a tailwind for industry. Still, with demand remaining relatively weak, we are cautious to call this the start of a fast rebound



Eurozone production increased by 1.5% in February after January already saw a 1% improvement. Industrial production has been broadly stagnant since the start of 2022 as negative effects from the energy crisis and positive effects from reopening after lockdowns have broadly kept each other in check. Today's numbers suggest that fading supply chain problems have helped industrial output improve recently. Expect production to contribute positively to first-quarter GDP.

The improvement in production in February was broad-based but led by Germany which saw production increase by 2.1%. Out of the larger economies, only Italy saw a small decline of -0.2%. All production categories also experienced higher output.

The Purchasing Managers' Index (PMI), which gives an indication of economic trends, suggested that output ticked up slightly in March, but we are careful to overinterpret that reading. Broadly speaking, it looks like manufacturing production is not set for a fast rebound in the months ahead

as signs about new orders coming in remain weak. Fading supply chain problems and lower energy costs are a clear boon to production, but demand for goods remains weak for now.

Author

Bert Colijn

Senior Economist, Eurozone

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>.