

Eurozone industry underperforms as tariff worries loom

In April, eurozone industrial production ticked down by 0.1% compared to March. This means that production is now 3% lower than a year ago. Risks to the outlook remain, not least from politics, but some bottoming out is starting to show with a cautious recovery possible for the second half of the year



Eurozone industry has been in a recessionary trend since early 2023 and the latest data shows no imminent sign of recovery. The economy has started to pick up since the start of the year, but industry is lagging the recovery. The April production data showed a small tick down, mainly driven by Ireland and Italy. Expectations of a recovery have been growing, but so far the data still doesn't show much of it.

This comes just as the European Commission has announced higher tariffs on Chinese electric vehicles as of early July, a move that could, in the first instance, boost the prospects of European car makers in their home market but also increases the risk of a tit-for-tat trade war type scenario. Tariff threats – even without actually materialising – could dampen investment as we have learnt from the US-China trade war. While it looks like Chinese retaliation would mainly hit small symbolic industries, worries about retaliation will hang over eurozone industry as yet another risk to the recovery, along with energy uncertainty and possible weakening global demand, for

example.

Risks abound, but there are signs of gradual cyclical improvement in the sector. New orders have been bottoming out for some time now and production is not declining as quickly as it was at the end of 2023. Recent months have shown some bottoming out in actual production figures, too. With consumers in the eurozone seeing purchasing power improve and investment possibly positively impacted by lower rates, industry might just be able to pull off some recovery in turbulent times.

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 www.ing.com.