

Snap | 12 July 2019

Eurozone production up in May, but outlook remains meagre

Industrial production bounced back by 0.9% in May after a weak start to the year. Still, with more sluggishness on the cards, the question remains whether the European Central Bank will act soon or sooner



Source: Shutterstock

The May data surprised somewhat on the upside, mainly due to a strong performance in France and some recovery in Germany and Italy. The growth was broad-based, with only production in intermediate goods declining on the month, while consumer goods production grew at above 2% for both durable and nondurable goods production.

It was some much needed good news as the data since Mario Draghi's dovish speech in Sintra has largely disappointed. Still, industrial production is a very volatile indicator and after the poor April data, industry also needs to have grown at a decent pace in June in order for a contraction to be averted over the whole of 2Q.

For the ECB, this rounds out a batch of data that will have brought mixed feelings about the state of the eurozone economy. It seems likely that growth will have slowed significantly in 2Q, making 1Q a positive exception more than the rule when looking at the recent growth path. While May production may look like a green shoot, as [we argued this morning](#), it looks like weakness in global demand and trade uncertainty will dampen the industrial outlook for the second half of the year.

With somewhat confusing messages coming in from the data front, the more traditional approach would be to wait for some more data to come in before deciding on stimulus, but the question is if the ECB can afford to wait until September given the dovish communication and possible Fed

action.

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>.