

## Eurozone: sharp drop in industrial production

July industrial production fell by 2.3%, reversing gains made in May and June. While Irish volatility plays a large part in recent swings, we expect manufacturing weakness to continue over the second half of 2022 – mainly due to an environment of slowing new orders and continued supply-side problems



While we saw a decent end to the second quarter for manufacturing, data confirms that industrial production in July was flat at best, and is likely to decline. Looking at production categories, capital goods production saw a large drop which was mainly related to big Irish swings that relate to large multinational activity.

Other goods saw more of a mixed bag in terms of production. Durable consumer goods production was down, which is also true for intermediate goods. Non-durable consumer goods production partially reversed a large decline seen in June. In terms of the larger countries, Germany, Spain and France all saw production decrease significantly in July. Italy and The Netherlands saw a modest improvement at the start of the third quarter.

For the months ahead, the outlook remains relatively bleak. The energy crisis has started to result

in production cuts across the eurozone for the most gas-intensive producers and other supply problems have faded but not disappeared. On top of that, demand for goods is also weakening. Businesses reported that new orders slowed again in August, which means that inventories are rising and backlogs of work are falling. Overall, this suggests modest production expectations for the second half of the year in manufacturing for now.

## Author

### Bert Colijn

Senior Economist, Eurozone

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

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