

Snap | 12 November 2020

## Eurozone: Small decline in industrial production does not reflect trend

Industrial production declined in September but this was only due to a drop in Italy. The overall trend remains one of cautious recovery ahead of the fourth quarter, where manufacturing is unlikely to be immune to service sector lockdowns



A factory in the Netherlands

Yes, this was worse than expected but no, it was not because second wave problems started to be felt in September. Eurozone industry continued to recover at a modest pace, but September production figures were distorted by a specific Italian effect. After production rose sharply in August, thanks in part to some specific one-offs, there was a decline noted in September for Italy, which was the only large country that did not post solid gains. Germany, France and Spain recorded increases of 1.7, 1.5 and 0.6% respectively, indicating that underlying developments remain solid.

As lockdowns are starting to bite across the eurozone, the impact on industry is relatively mild for now. Surveys have indicated continued solid performance in manufacturing, and new orders suggest that there will be continued growth through the first weeks of the renewed lockdowns. This is mainly because lockdowns have centred around the service sector, while manufacturing remains open in all eurozone countries. Even for countries that never closed manufacturing sites

the outlook is better for production than in the first wave. As hospitalisations are lower and schools are still open, work is unlikely to be as disrupted this time around.

Even though the impact on manufacturing seems smaller than during the first wave, it is not immune to second wave effects and one can expect that the recovery of production will be significantly hampered in the fourth quarter. While that's the case, it will likely remain an outperformer compared to services in the second wave economy.

## Author

### Bert Colijn

Chief Economist, Netherlands

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