

Snap | 12 October 2022

## Surprise jump in eurozone industrial production in August

The strong August reading does not fully reverse the losses from July, and expectations for manufacturing in the months ahead continue to weaken. Still, for the ECB this is another argument not to pivot towards a more dovish stance in the short run



Industrial production increased by 1.5% in August after a -2.3% drop in July. This was much better than expected but still does not erase losses from July. Ireland is experiencing very volatile production at the moment, which is affecting total eurozone numbers, but among the large industrial economies we see similar – though more muted – moves. France, Italy and Spain all experienced decent to strong growth in August, while Germany remained the exception with another month-on-month loss in production. This is the third consecutive month of declines in German production.

Industrial production is generally volatile from month to month and therefore we do not think this is to be taken as the start of a recovery. All survey data and anecdotal evidence point toward a more significant slump ahead as demand is weakening and high energy costs are forcing businesses to slow production or stop it altogether in certain energy-intensive sectors. The upside risk to that view comes from improving supply chains, which could unlock some backlogs of

production. Still, our base case is for the manufacturing sector to contract in the months ahead.

Overall, while the outlook for production is weakening, this data in itself is no reason for the ECB to change tack in terms of its rate hike strategy. For a dovish pivot, the ECB would need to see evidence that the economy is contracting quickly. While a quarterly contraction in manufacturing is definitely a possibility, these August data are far from alarming. A 75bp hike in October is therefore very much on the table at the moment.

## 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 <http://www.ing.com>.