

## A strong start to the eurozone's fourth quarter but winter weakness still likely

Industrial production in the eurozone picked up strongly in October. However, with the new Covid-19 wave some weakening seems likely during the winter. Manufacturing could still end up as an important growth driver next year



Workers at a Renault car plant in France

### Some relief in supply side problems

Eurozone industrial production grew by 1.1% month-on-month in October, giving us 3.3% year-on-year growth. This was the first uptick after two months of falling production. Even though it's far from over, the softening of the summer Covid-19 wave in South-East Asia has caused some easing in supply-side problems. Indeed, according to the European Commission's survey, inventory levels have improved in industry since the record low in July and maritime transport prices have slightly softened, although they remain extremely high. No surprise that the industries most affected by the shortages of inputs put in strong growth: production of capital goods rose by 3.0%, durable consumer goods by 1.7%, while non-durable consumer goods grew 0.4% and energy by 0.1%. Production of intermediate goods fell by 0.6%.

## Winter weakness

The current level of industrial production is still below the level reached at the beginning of this year. And let's not forget that the Covid-19 infection rate was relatively low in October. The new Omicron wave could hamper production during the winter as factories are confronted with a growing number of workers who are absent because of illness or quarantine. That is why we still see weaker growth in 4Q 2021 and 1Q 2022, notwithstanding the strong start of the current quarter.

That said, we believe that manufacturing will be one of the big growth drivers in 2022. The assessment of order books remains at a historically high level. As supply-side issues are likely to dissipate gradually in the course of next year, industrial production should be able to catch up with swelling order books, giving a significant boost to GDP growth.

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