

Snap | 12 October 2018

## Eurozone industrial production bounces back in August

Production increased by 1% MoM after two consecutive declines, which will keep the industry on track for a small positive contribution to growth in Q3. But this hardly moves the needle on the cruising speed of Eurozone GDP



Source: Shutterstock

Broad-based improvement in industrial production is a bit of a relief in a year in which industry is the Achilles' heel of the Eurozone economy.

Production peaked in November last year and has struggled to improve among concerns about tariffs, input prices and falling confidence. The jump in August doesn't wipe out concerns about the performance of the European industry but does give the industry a fighting chance of achieving growth in the third quarter.

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*The improvement in production in August provides some relief but doesn't move the needle on the cruising speed of Eurozone*

## GDP

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Most countries saw production grow in August, apart from Germany. Italy's manufacturing PMI fell rapidly over recent months, sparking concerns over a possible industrial recession, but experienced strong growth of 1.7% month on month in August. This provides some relief in nervous times about the Italian budget and state of its economy.

However, both Italy and Germany are still below the level of production of August 2017, while most other Eurozone economies have positive annual growth rates.

The improvement in production in August provides some relief but doesn't move the needle on the cruising speed of Eurozone GDP. It seems consistent with the cautious growth path of 0.4% GDP growth for the second half of 2018.

With a fair bit of downside risk clouding the outlook, that would already be a decent result for the Eurozone this year.

### Author

#### Bert Colijn

Chief Economist, Netherlands

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

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