

## Eurozone industrial production continued its declining trend in July

Production fell by 0.3% month-on-month, which is quite the poor start to the third quarter. Forward-looking indicators don't show much of a turnaround, adding to worries about decelerating GDP growth in the eurozone



Well, this is what Mario Draghi was [talking about](#). Eurozone production once again fell in July, which means that the declining trend in production that started in September 2022 continues. Draghi released a 400-page plan to improve European competitiveness, which includes a comprehensive industrial strategy. Today's weak production data illustrates the concerns well.

Production dropped for capital, intermediate and durable consumer goods, while non-durable and energy production was up. Current weakness relates more and more to lacking demand. New orders continue to come in weak. That holds good for both domestic and export orders. But at the same time, input costs remain elevated due to higher labour costs and factors like transport costs being up due to Middle East disruptions.

For the coming months, it does not look like a turnaround is happening. Surveys have remained weak for manufacturing, suggesting further contraction. This means that the eurozone economy

remains reliant on service sector growth to maintain GDP growth recovery. The first two quarters of the year were better than expected, but the uptick may have been short-lived. With manufacturing performing poorly, a GDP growth rate of 0.3% may be the top of what can be expected for the eurozone for the foreseeable future.

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