

Snap | 13 February 2025

## Eurozone industrial production contracted more than expected in December

Last year ended on a downbeat note for the eurozone industry as production dropped by 1.1% in December compared to November. This continues the downward trend seen in industry since early 2023. Don't expect a quick turnaround with weak global demand, high energy prices and tariff uncertainty



The December decline exceeded expectations, yet aligns seamlessly with the recessionary trend that the industry has experienced for nearly two years. The correction in December was driven by declines in intermediate and capital goods production, while consumer goods and energy production increased. By country, strong declines in Germany and Italy drove the overall drop.

Even though the manufacturing PMI improved slightly in January, the output index reading of 47.1 still corresponds with contraction. Export orders still fell, but less so than in recent months. Then again, a looming trade war hangs over the sector like Damocles' sword for the moment, resulting in more uncertainty and possibly slowing export orders. And energy prices have continued to rise,

which hurts European energy-intensive industries.

For the moment, it is difficult to see what could drive a swift turnaround for manufacturing production. We are looking for further reductions of inventories, lower interest rates and stronger domestic consumption towards the second half of the year, but don't expect too much support for stronger production in the coming months.

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