

## Eurozone industrial production drops more than expected

Eurozone industry is off to a false start, with the decline in industrial production of 1% in January dominated by a drop in energy production while the manufacturing outlook remains quite bright



Production declined by 1% month-on-month and annual growth weakened to just 2.7% in January, which was well below expectations. This was mainly due to a drop in energy production, often related to weather conditions. Compared to last January, energy production dropped by -10.4%, while all other production categories increased between 3% for non-durable consumer goods and 8.5% for capital goods. This shows that while January may have been a weak month, the recovery of production still maintains a relatively strong pace. The question is whether this pace can be sustained in 2018 as well.

Although still signalling strong growth, the somewhat weaker PMI data in February begs the question whether the acceleration of production might stop before it properly started. New orders came in weaker, which dragged down the indicator. As backlogs of work in the manufacturing sector are still very significant though, it seems unlikely that weaker orders will impact production much before summer. If indeed weaker orders persist, this could slow down industrial output growth in the second half of the year. A mild slowdown in the manufacturing sector would be in

line with our forecast of somewhat moderating GDP growth as the year progresses.

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