

## Caution advised on latest eurozone production figures

Eurozone industrial production was up 2.6% Month-on-Month thanks to an apparent barnstorming performance from Ireland. But be careful! There's often a lot of volatility in Ireland's figures. Most big manufacturing themes see a downtrend in production although we are seeing some early signs of a recovery



Eurozone production figures were boosted by a huge number from Ireland. Dublin is pictured

Eurozone industrial production saw a curious jump in December thanks to an increase in Irish production of 23.5%. Contract manufacturing and outsourcing have become dominant features of the Irish economy in the past decade, which has added to significant monthly volatility of production numbers. Therefore, it is debatable how much we should read into these numbers as this result gave us the strongest production level in the whole of last year.

Excluding Ireland, we estimate that production grew by 0.3% in the eurozone, still defying continued German weakness, where production declined by 1.2% in December. France and Italy experienced growth of 1.1%, and the Netherlands saw production improve by 6.6%. But while that is an encouraging note at the end of 2023, the overall trend for the eurozone excluding Ireland remained down.

The inventory cycle gives little hope for an imminent production pickup, and supply chain problems related to the Red Sea are adding to struggles for the manufacturing sector. And while energy prices have developed favourably despite disruptions, price levels seem to remain unattractive for a rebound in production as global competitiveness is under pressure.

Some green shoots are to be noted though. While the turnaround of manufacturing is a long process, surveys do indicate some first signs of improvement. The eurozone manufacturing PMI has cautiously been increasing – although it remains well below 50 – and businesses are getting slightly more upbeat about orders. That means that a bottoming out seems to be getting closer for the battered backbone of eurozone competitiveness.

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