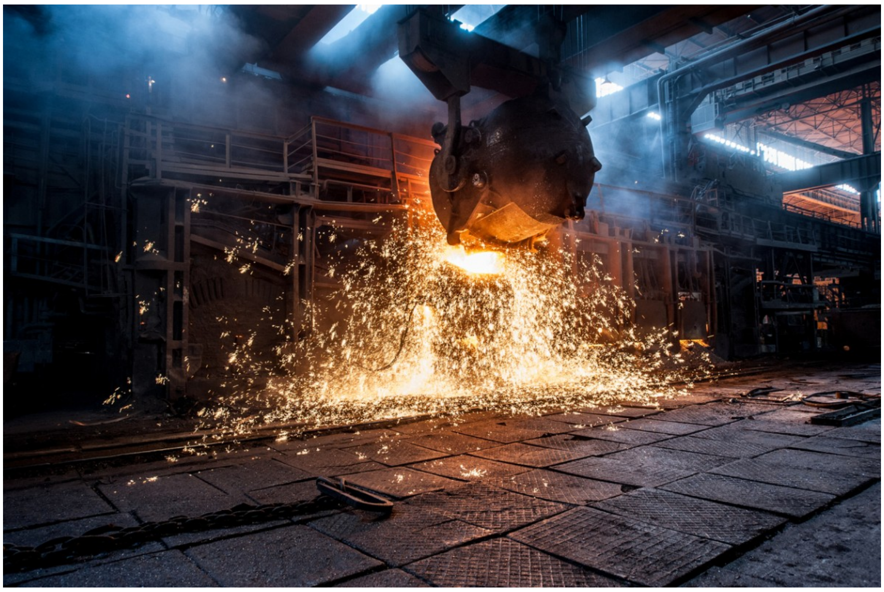
Eurozone industrial production picks up

At last, the Eurozone industry shifts into second gear as industrial production grew to the highest level since September 2008



Source: iStockphoto

The 1.3% MoM growth in industrial production in May outpaced expectations and this acceleration of production growth has been widely expected for months now. New orders have been very strong over recent months, the manufacturing PMI is at a 74-month high and capacity utilisation has been increasing, we were seeing the industrial recovery everywhere but in the production numbers until now. The jump in output was broad-based as consumer, capital and intermediate goods production all improved in May. On an annual basis, production is now up 4%, with capital and durable goods production even experiencing annual growth of over 6%. This is a strong sign for investment in the second quarter and adds to our view of above 2% annualised growth in Q2.

2%

GDP growth

We expect Eurozone GDP growth to come in at 2% for 2017

While Eurozone industry is now producing at a pace last seen at the peak of the 2008 financial crisis, it is still more than 6% below the 2007 production peak. The extraordinarily long drag on production from the crisis is fading though and this means that the outlook for production remains strong for the summer months. Recovery has now also started in the countries where manufacturing was hit the hardest during the crisis such as Italy, which sees annual growth of production of 2.8% at the moment. Malta and the UK are the only EU countries that experience annual declines in production according to Eurostat. While we have become used to heated summers for the Eurozone economy over the past crisis years, this one remains very rosy for now.

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