

Snap | 13 March 2025

Eurozone industrial production jumped in January as hopes for sustained revival grow

Production increased by 0.8% month-on-month in January, confirming hopes that the decline in output over the past two years may be bottoming out. While optimism for a strong recovery is rising, the timing remains uncertain. In the short term, however, even a bottoming out is a positive sign



While volatile, the January industrial production data does suggest that industrial activity may be stabilising after a long decline that started in 2023. The January production level was the highest since August last year and has been mainly driven by stronger capital and intermediate goods production while energy and consumer goods production posted declines. By country, the increase was mainly driven by stronger German production while France and Spain saw declines.

Surveys have recently become less negative about the eurozone manufacturing sector, although there is little to cheer about for now. The February manufacturing PMI reached the highest level in two years, although firms still indicated that orders were dropping and employment levels were

coming down. But some stabilisation seems to be in the making, which would be in line with the January production data. At this point, even signs of bottoming are positive after two years of industrial recession.

The outlook for industrial production is shifting, but the question is when real relief is going to come. In recent weeks, more pan-European defence spending and German infrastructure investment have become likely. At the same time, these investments typically require time before their impact is reflected in the numbers. For 2025, a large rebound seems unlikely although some early investments could come through. Overall, the light at the end of the tunnel has become stronger, but the question of when the end will be reached remains as unclear as ever.

Author

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

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