

Snap | 14 January 2019

Eurozone industrial production plummets in November

A decline in production shatters hopes of a bounce back in growth after an already weak Q3, as fears of a technical recession in some large Eurozone economies are mounting



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Fears of a technical recession in large Eurozone economies are mounting as industrial production in November provided a harsh reality-check for economists.

The third quarter slowdown to just 0.2% GDP growth was expected to be followed by a bounce back in Q4, but the evidence is mounting that this is unlikely. Surveys have been dismal throughout the quarter, and actual production data is now confirming that bleak view on the Eurozone economy. Industrial production declined by -1.7% MoM in November and by -3.3% compared to November last year. Consumption looks to have performed somewhat better, but concerns about a technical recession in Germany and Italy are nonetheless rising.

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growth for the year

Production declined significantly in France as well, which did not see its economy contract in Q3 but is experiencing negative economic effects from the 'yellow vest' protests. In Germany, it is not just the car industry disruption that causes the negative effects. Supply-side constraints and weaker demand have caused a broader decline across the industry. That seems to be exemplary for total Eurozone production. Weaker global demand and supply-side constraints have caused broad-based weakness in production. On an annual basis, all kinds of production experienced declines, from energy to capital goods.

If GDP growth does not improve from last quarter's 0.2%, it will become difficult for the ECB to maintain its forecast of 1.7% growth for the year.

Doubts about the first rate hike will therefore only grow with an economy that does not seem to be able to catch a break and downside risks continuing to feature prominently in the global economy.

But the first few weeks without QE haven't left much room for any celebration for the hawks.

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