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Eurozone industrial production strikes another high note

Stronger-than-expected industrial production suggests that Eurozone GDP growth remains comfortably above potential



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Industrial production strikes another high note in an already jubilant data flow coming out of the Eurozone. Indeed, industrial production grew by a stronger than expected 1.0% in November (consensus +0.8%) after 0.2% in October. Year-on-year, the growth rate came in at 3.2%. With capital goods production growing by 6.2% year-on-year and durable consumer goods production expanding by 4.6%, the underlying growth trend seems to be solid. We expect the December growth figure to be strong again, as the “production trends observed in recent months” component in the European Commission’s survey jumped to a historic high last month. Moreover, with the assessment of order books at the highest level in 10 years, the industrial revival seems to have legs.

To be sure, total industrial production (with construction included) only comprises about a quarter of GDP, while the manufacturing sector alone is good for approximately 17% of the Eurozone economy. However, it is the most cyclical component of GDP, which makes it a harbinger for overall GDP growth. In that regard, the current industrial production growth rate is pointing to GDP growth comfortably above 2.0% on an annual basis.

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