

Eurozone industrial production surged in August

A strong 1.8% month-on-month increase in production provides some support for third-quarter growth expectations after some dismal survey readings, but longer term issues for the industry sector have yet to be resolved



Finally a strong number out of eurozone industry. The production boost was driven by Germany, which saw production increase by 3.3% in August, erasing losses from the 3.3% decline in July. France and the Netherlands also experienced fast growth at 1.4 and 2.2% month-on-month. This mid-quarter growth spurt will be helpful in supporting economic activity in the quarter, which has been under pressure judging from weakening survey data evidence on economic growth.

Still, expectations about industry remain lacklustre for the rest of the year. The list of concerns for eurozone industry is long at the moment, and ranges from increased competition from China to volatile energy costs, labour shortages and supply chain uncertainties. This means that it's pretty hard to see the start of a vibrant recovery for the sector at this point.

At the same time, the runoff of inventories is underway, which at some point should support activity. We don't think the strong August production data is the start of this though. In fact, it

looks like improvements in the inventory cycle will be more of a story for next year. For the manufacturing sector, this means that we don't expect a sustained recovery to start before 2025.

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