

## Eurozone industrial production ticks up in January

Production rose 0.7% between December 2022 and January 2023 but maintains a broad trend of stagnation. Strong German and Irish production figures mask weakness elsewhere in Europe. The outlook remains very uncertain with weak orders but improving supply chain problems and lower energy prices



The weakest industry in January was pharmaceuticals

Industrial production increased by 0.7% in January, which was slightly better than expected. German production increased by 1.8%, while Ireland saw an increase of 9.3% (Ireland has become notorious for large swings in recent times). The other large manufacturing countries – Italy, France, Spain and the Netherlands – posted losses.

By sector, it was a mixed bag. Overall, the more energy-intensive industries saw an uptick in production, but nothing close to a big bounce back. Growth of around 2% for the chemical, paper and basic metals sectors does not nearly make up for the losses seen in recent months as the energy crisis hit. The top performers were heavy users of semiconductors like electrical equipment producers, which saw growth boosted by easing shortages. The weakest industry in January was pharmaceuticals, while growth in the auto sector production was also negative. These sectors had been strongholds in production growth in the fourth quarter of last year.

The current environment for industry is an odd one. Backlogs of orders are being fulfilled now that supply chain problems have eased, and energy-intensive production is doing better due to recent lower market prices for energy. At the same time, the eerie reality is that new orders continue to suffer at the moment, which makes the production uptick likely to be short-lived or at least limited. A continuation of the current trend of broad stagnation is therefore a decent bet for the months ahead.

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