

Snap | 15 January 2020

## Eurozone industrial production rises, but there's no trend yet

The fourth quarter is set up for another contraction in production. The industrial recession is set to continue for a little while longer, but green shoots are noteworthy



A factory in the Netherlands

Eurozone industrial production increased by 0.2% in November, which came after a large decline in October. While German and Spanish production rebounded nicely with 0.9 and 1.1% growth respectively, it was mainly due to sharp declines in smaller countries that the eurozone average growth pace disappointed somewhat. Better energy and capital goods production masked declines in consumer goods and intermediates production, indicating that the small uptick was not at all broad-based.

Eurozone trade data showed a decline in seasonally adjusted exports for November, which was met by a smaller decline in imports, therefore reducing the trade balance to 19.2 billion euros. The decline in exports was in part due to a wind-down of exports to the UK due to stock building ahead of the initial October 31 Brexit deadline. Overall, the exports environment remained subdued in November.

## *News around eurozone production and trade has become slightly more upbeat*

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The news around eurozone production and trade has become slightly more upbeat recently. The phase one deal between China and the US is set to bring relief to world trade as expectations of no further escalation will boost confidence and help global purchases. Besides that, as the Achilles' heel of eurozone industry is the car sector, the fact that car tariffs have not been imposed by the US are helpful to the outlook for eurozone industry.

Still, today's data, although positive, does confirm that it is too early to call an end to the eurozone industrial recession. The December manufacturing PMI still indicated that new orders and current production were falling markedly, which shows that the November industrial data should not be considered to be the start of a recovery. While confidence in the future among industrial businesses has started to improve on the positive news on trade, current conditions are still too weak to call a break from trend.

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