

Eurozone industry experiences a Cinderella moment

Manufacturing in the eurozone had a very strong start to the year as production shot up by 2.6% in March in the first quarter. A lot of the strength is likely related to US frontloading of eurozone products, which means that we don't expect this to continue. Underlying weakness still remains



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How about this for a whopping first-quarter industrial production figure: growth in the first quarter amounted to 4.7%, which is the highest on record outside of the recovery from the first lockdown in 2020. This has definitely boosted the strong 0.4% GDP growth figure in 1Q and seems to be particularly related to US frontloading of European products ahead of Trump's tariffs coming into place.

US import data suggests that Americans imported significant amounts of pharmaceutical products, which coincides with a massive jump in pharmaceutical production in the eurozone in the past two months. Between January and March, pharma production grew by 23.2%, notably in Ireland, an important production hub. Other sectors with notable jumps were auto, machinery, equipment and furniture.

So, eurozone manufacturing seems to have experienced a Cinderella moment in the first quarter. But when the clock struck Liberation Day, it is likely that eurozone ballgowns turned back into rags.

In other words, we expect weakening demand for eurozone products to be a theme again, thanks to tariffs and large economic uncertainty. This means that while the manufacturing sector has seen a remarkable upturn in the first quarter, we don't think this is sustainable. Then again, a cautious trend of recovery compared to late 2024 seems to be in the making once uncertainty subsides and inventories normalise. Just don't bet on these first-quarter numbers to be sustained.

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