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Snap

## Eurozone industry rebounds in January

The month-on-month increase of 1.4% for Eurozone industrial production was better than expected, but with worries about global demand very much alive the industrial outlook is clouded by uncertainty

After substantial declines in November and December, this was the rebound in industrial production many had been hoping for at the start of 2019. Spain, France, Italy and the Netherlands all showed strong bounce backs in production at the start of the year, giving some hope the slowdown in the Eurozone economy could still be halted. All production categories saw output increase in January, with the strongest growth in energy and non-durable consumer goods production.

While this is positive news, there are some downsides. For example, Germany saw production decline, adding to doubts about the temporary nature of production weakness. Moreover, industrial production is a volatile indicator and surveys have already indicated continued weakness in February as well, with the PMI even indicating contraction in manufacturing in February. In that sense, Q1 industrial production is likely going to come in weak, before things may actually get better.

Expectations of a structural rebound in industrial output remain alive, as the downward drag from temporary factors should fade out over the coming months. That leaves the negative impact from global economic factors that have been weighing on Eurozone industry and have caused new export orders to contract.

With Brexit and the US-China trade deal coming down to the wire, largely diverging production impacts can be expected with especially a 'no-deal' Brexit causing significant Eurozone production disruption. The outlook for industry, therefore, remains clouded by uncertainty.

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