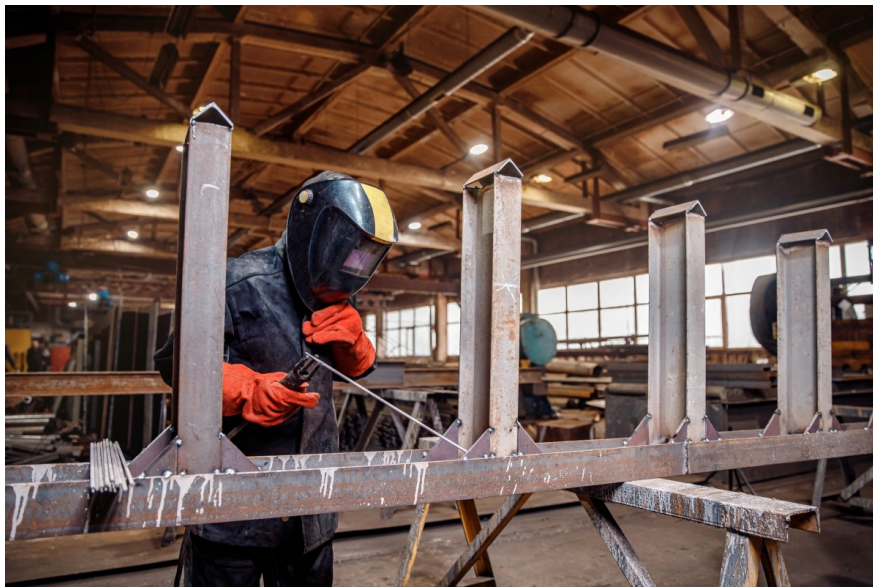


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Eurozone industry shows strong production growth in February

Strong industrial production figures for February boost first-quarter GDP expectations, as lower energy costs and fading supply chain problems provide a tailwind for industry. Still, with demand remaining relatively weak, we are cautious to call this the start of a fast rebound



Eurozone production increased by 1.5% in February after January already saw a 1% improvement. Industrial production has been broadly stagnant since the start of 2022 as negative effects from the energy crisis and positive effects from reopening after lockdowns have broadly kept each other in check. Today's numbers suggest that fading supply chain problems have helped industrial output improve recently. Expect production to contribute positively to first-quarter GDP.

The improvement in production in February was broad-based but led by Germany which saw production increase by 2.1%. Out of the larger economies, only Italy saw a small decline of -0.2%. All production categories also experienced higher output.

The Purchasing Managers' Index (PMI), which gives an indication of economic trends, suggested that output ticked up slightly in March, but we are careful to overinterpret that reading. Broadly speaking, it looks like manufacturing production is not set for a fast rebound in the months ahead

as signs about new orders coming in remain weak. Fading supply chain problems and lower energy costs are a clear boon to production, but demand for goods remains weak for now.

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