

## Eurozone industry still disappoints

Eurozone industrial recovery remains somewhat cautious as strong growth in May has been followed by a 0.6% drop in June.



### Industrial production disappointment

We see the Eurozone boom of 2017 everywhere except in the industrial production numbers. While the growth in new orders for manufacturing has been well above 6% YoY for several months, industrial production has dropped back to 2.6% year-on-year growth, which is not much better than what we've seen since 2014. It is somewhat disappointing that production has yet to recover to its pre-crisis level. With the start of the crisis now ten years ago, industrial production is still 6.5% below its peak. After this lost decade for Eurozone industry, a stronger recovery could be expected. Production data is notoriously volatile and subject to revisions, so a break in trend often only emerges after a few months of data.

*Most indicators point to accelerating growth in production, but data for June suggests that any acceleration from the trend of recent years has yet to happen.*

### We remain optimistic

Due to strength in orders and businesses noting strong improvements in production, it seems that an improved trend for production is still on the cards. This would indicate the surprising growth in the Eurozone could continue in the second half of the year. But while a weaker June reading

actually makes an acceleration in the third quarter easier, the manufacturing PMI fell to a six-month low in July. This false start to the quarter was also seen in other surveys, which could mean that 3Q GDP will be a touch weaker than the first half of the year, but that would still lead to a healthy 2% annual GDP growth rate for 2017. No need to become pessimistic about the Eurozone just yet.

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