

## Eurozone: The industrial production recovery hasn't started yet...

Even though industry contributed positively to GDP growth, thanks to a strong January, the declining trend in production has not abated



Industrial production fell by 0.3% in March, which was in line with weak survey readings for the eurozone manufacturing sector. A strong reading for January had provided hope for a swift recovery from one off negative factors, but after declines in February and March, it seems that the upside remains limited. The strong January figure did boost quarterly growth in production to 0.8%, which has helped eurozone GDP to surprise on the upside.

As businesses in industry continue to indicate that new orders are coming in weak and production expectations are sluggish, it is likely that industrial production will come in modest at best for the spring months. The intensifying trade conflict between the US and China will have a dampening effect on export orders, which have already been coming in at a slower pace.

On the other hand, the weaker trade-weighted euro and some stronger global growth figures are bright spots to the industry outlook, for which a modest recovery does still seem to be in the offing over the course of the year. For eurozone GDP growth later in the year, this seems important, as prolonged weakness in manufacturing could start to negatively impact the strong performance of eurozone services.

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