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## Latest eurozone production figures are weak, but the future looks bright

Industrial production in the eurozone is being held up by input shortages at the moment. This will lead to weaker growth in the first quarter, but underlying demand is strong and that makes us upbeat about prospects for the bloc as it reopens later in the year



A woman works on a car production line in Turin, Italy

February industrial production showed a decline of 1% compared to January. Production had fully recovered to pre-pandemic levels at the start of the year but dipped back later. The decline will mean that the manufacturing contribution to GDP may disappoint a bit given the strong performance seen in the fourth quarter, adding to our view of another GDP contraction in 1Q before the economic rebound starts.

In general, the manufacturing supply chain is showing signs of strain as demand has come surging back while issues related to the pandemic still trouble supply not least due to shipping problems and input shortage hick-ups. Auto production, which is hindered by chip shortages right now, was a significant drag on production in January and saw another sharp decline in February too. Motor vehicle production is now 16% lower than in November, contributing significantly to the February tick down in total industrial output.

Don't let the weak February data throw you off though; the manufacturing rebound is still in full swing as surveys for March have shown. The PMI showed the strongest reading in nearly 24 years, supported by strong inflows of new orders and improving production itself. While shortages may hinder production from month to month as supply issues pop up, the trend remains one of strong growth as the global economy recovers from the crisis.

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