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The eurozone's industrial recovery is gaining momentum

The battered eurozone industry is showing signs of life, with a growth acceleration in October. While structural headwinds remain, the cyclical recovery will reinforce the ECB's conviction that no further rate cuts are needed



Despite structural headwinds, the industrial recovery is gaining momentum

Eurozone industrial production rose by 0.8% in October, up from 0.2% in September, with annual growth reaching 2.0%.

The eurozone's manufacturing sector has had a rough time since 2022 on the back of high energy prices following the Russian invasion of Ukraine. On top of that, this year has brought additional headwinds, such as the trade war, a strengthening euro and intensifying Chinese competition. However, declining oil and gas prices have offered some relief, and reduced inventories are gradually giving way to increased production.

We expect the recovery in manufacturing to continue in 2026, now that the German government is finally making some progress with the implementation of its higher defence

and infrastructure plans. We must also not forget that the remaining money from the EU's recovery fund will have to be spent in 2026.

It would be a mistake to believe that, because of the current cyclical upturn, all the eurozone's industrial structural problems have been solved. But today's data confirms the ECB's belief that risks to the eurozone economy in the coming year are no longer skewed to the downside. This will only reinforce the idea that no further rate cuts are needed, even if inflation undershoots temporarily due to lower energy prices.

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