

# Eurozone

## Industrial production falls at double-digit rate in December

### Key findings

- **Official data indicated unprecedented drop in industrial production at end of 2008**
- **PMIs suggest sector remained drag on economy in early 2009**

Data released today highlighted a record drop in Eurozone industrial production, with output down 11% on a year ago – a record contraction and the first double digit year-on-year decline seen since data were first available in 1985.

The Eurozone PMI Manufacturing Output Index, which has proven to be an accurate predictor of trends in the official data, with a correlation between the two series of 0.85, had pointed to an historically steep fall in production in December. *As we noted in our press release from 2 January:*

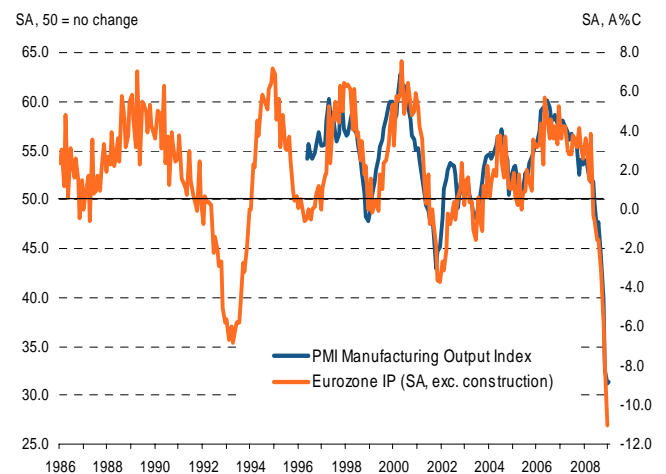
*“The final PMI data indicate that industrial production fell by around 12% on a year ago in December, representing a doubling in the rate of decline from the latest published official rate of 5.6% seen in October.”*

As chart 1 indicates, the PMI manufacturing output index for December had fallen to a survey low and was consistent with a record contraction in official industrial production at the end of the year.

PMI figures for January showed little improvement, with the survey-based data again consistent with very steep contractions in official EZ industrial output. Moreover, trends in production are likely to remain subdued in the near-term, with new orders, export orders and backlogs

all contracting severely in January, suggesting that the sector will remain a significant drag on the EZ economy in the first months of 2009 at the very least.

**Chart 1: PMI data & Eurozone Industrial Production**



Sources: Markit Economics, Eurostat

At the margin, the official and survey-based data will re-enforce pressure on the ECB to cut rates as expected at its next meeting.

By then, policy-makers will have a further insight into how sector performance is developing in Q1, with the next snapshot of Eurozone manufacturing activity set to be released via flash PMI data on February 20<sup>th</sup> 2009.

---

## Paul Smith

### Senior Economist

Markit

Tel: +44 1491 418 638

Email: [paul.smith@markit.com](mailto:paul.smith@markit.com)

For further information, please visit [www.markit.com](http://www.markit.com)

The intellectual property rights to this report provided herein is owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.