

Eurozone Industrial Production

Eurozone Manufacturing PMI signals rise in industrial production, backed up by official data

Key findings

- **Second successive rise in manufacturing output in September.**
- **August IP data point to strengthening Eurozone economy.**

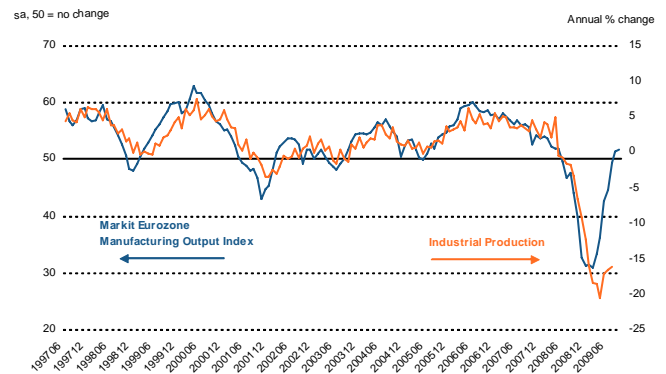
PMI data points to higher industrial production in the Eurozone

Eurozone Manufacturing PMI data for September, released on 1st October, signalled a second consecutive rise in manufacturing output in the single-currency area. Moreover, the rate of expansion accelerated to its fastest since May 2008, supported by growth of new orders. Should the Eurozone PMI Output Index continue its strong relationship with official industrial production (IP) data then IP could well have stabilised on a year-on-year basis by the end of 2009. However, this would still leave industrial output well below levels seen prior to the downturn.

National IP data backs up PMI

The latest official IP data for the Eurozone signalled a 16.2% drop in the year to July. However, national production data for August has been far more positive. Italian industrial output rose by 7% month on month, while French, German and Spanish IP also rose in August by 1.8%, 1.5% and 1.1% respectively. These data indicate that the August Eurozone IP data to be released next week will show a rise in output over the month, in line with PMI data.

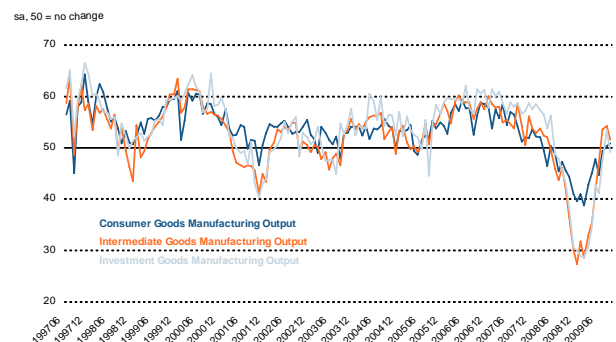
With further monthly gains suggested by the PMI for September, it appears that industrial production in the major Eurozone economies is gathering strength, potentially leading to a sustainable upturn. However, the extent to which the recent improvements are based on aid provided by governments (such as through car scrapping incentives) will determine whether recent



gains will continue once stimulus packages come to an end.

Sector data signals broad-based upturn

PMI sector data for September indicate that the recent upturn in manufacturing has been recorded throughout the different parts of the sector. The data highlight that while re-stocking at intermediate goods producers has occurred, it hasn't been the only driver of recovery, with production at investment goods manufacturers also improving substantially from the steep declines seen around the turn of the year.



The next insight provided by the PMI into Eurozone economic conditions will be the Flash Eurozone PMI published on Friday 23rd October. To find out how to receive the data please contact economics@markit.com

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