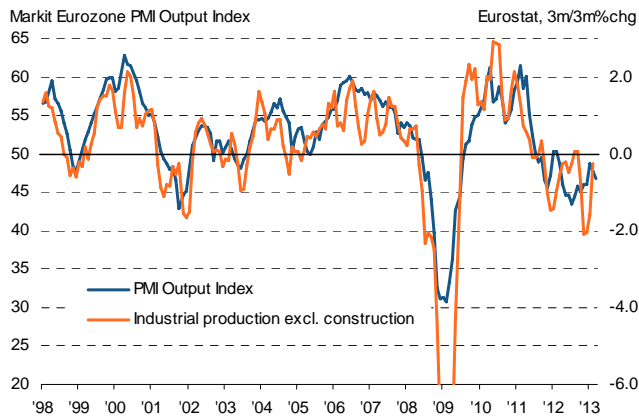


Eurozone

Industrial downturn shows signs of easing in first quarter

- Euro area industrial production rose 0.4% in February
- Sector to act as drag on economy in Q1, but less so than Q4
- PMI suggests downturn could gather momentum again in Q2

Eurozone industrial production



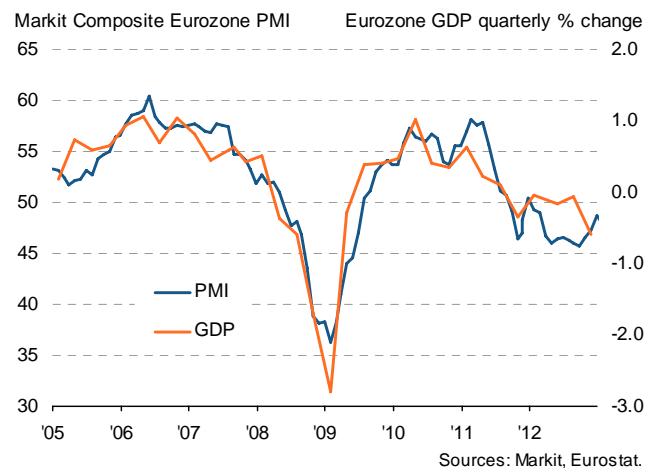
Eurozone industry picked up in February, but the underlying trend in the official data is still one of a sector in decline and in line with the PMI, which suggests the industrial downturn has eased compared to late last year but gathered momentum again in March. Any further downturn in the Eurozone PMI in the second quarter could be the trigger for policy action from the ECB, which stands ready to act – possibly with a cut in interest rates - if business conditions deteriorate further.

Official data showed Eurozone industrial production rising 0.4% in February. While this was better than the 0.1% increase expected by analysts, it failed to make up for the 0.6% decline seen in January and suggests the sector's underlying trend remains one of contraction.

“However, the downturn is clearly easing: output is down just 0.2% in the three months to February compared to a steep 2.1% decline seen in the fourth quarter, meaning industry will have exerted less of a drag on the Eurozone economy in the first quarter

compared to late last year. This is broadly in line with the PMI survey data, which are available up to March and suggest that GDP will have fallen in the first quarter by less than the 0.6% decline seen in the fourth quarter, but may still have dropped by 0.3%. This will have extended the region's second recession since the financial crisis into its sixth consecutive quarter. A further downturn in the PMIs in March also suggests that the rate of decline could accelerate again in the second quarter.

Eurozone GDP and the PMI



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