

Eurozone

Industrial production jumps 1.0% in March

- **1.0% March rise pushes production up 0.2% in first quarter**
- **Rise masks strong divergences with the region**
- **PMI suggest upturn will be short-lived**

Eurozone industrial production rose surprisingly strongly in March, but divergent trends within the region and recent weak business surveys suggests there is scant evidence to suggest that the region is staging any sort of sustained industrial-led recovery.

Official data showed Eurozone industrial production rising 1.0% in March, well above expectations of a mere 0.4% increase, according to a Reuters poll.

The March rise in production was the largest since July 2011, but was in part buoyed by a 3.8% surge in energy production. The upturn also masked worryingly strong variations within the single currency area: production surged 1.7% higher in Germany but fell by 0.9% and 0.8% in France and Italy respectively.

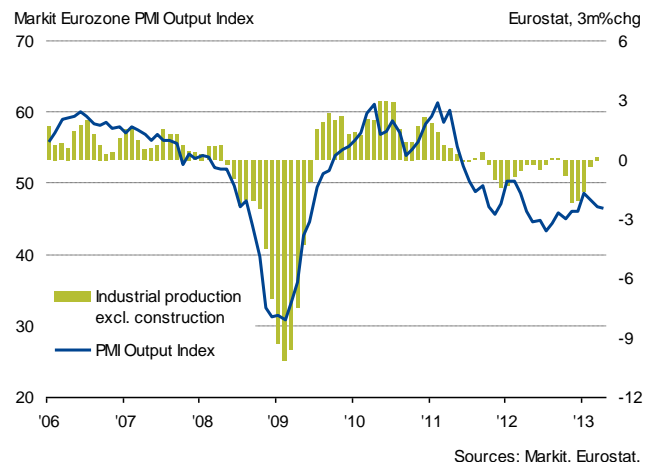
The upturn nevertheless pushes eurozone production 0.2% higher over the first quarter as whole, which compares well with a 2.1% decline in the fourth quarter. The data therefore bode well for GDP to show a significantly weaker decline than the 0.6% contraction seen at the end of last year, and even raises the possibility of the recession having ended. However, any improvement or respite from recession looks likely to be short-lived, as the business surveys have already started signalling a renewed weakening.

Most importantly, Markit's PMI data had indicated a German-led easing in the industrial sector's woes earlier in the year, but have more recently signalled that the downturn deepened again at the start of the second quarter. The PMI surveys are now once again registering contraction in all major eurozone countries (see charts on page 2). Although some easing in the rate of decline was signalled for Italy, Spain, France and Greece, Germany saw the steepest deterioration for four months in April, contrasting with the growth

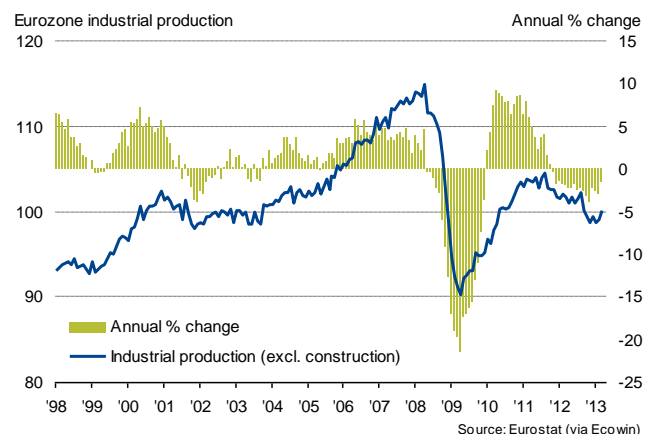
seen in the region's largest economy earlier in the year.

The latest upturn leaves euro area industrial production 1.6% below levels of a year ago, the weakest annual rate of decline since January 2012. Production is nevertheless still 4.2% below the post-crisis peak seen in August 2011 and some 12.9% below the peak reached prior to the onset of the crisis in April 2008.

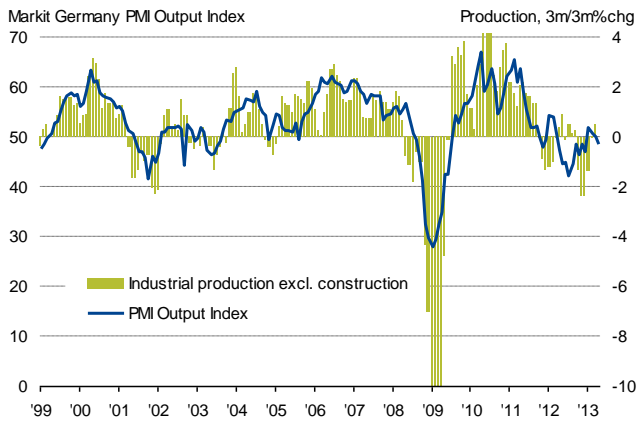
Industrial production v PMI



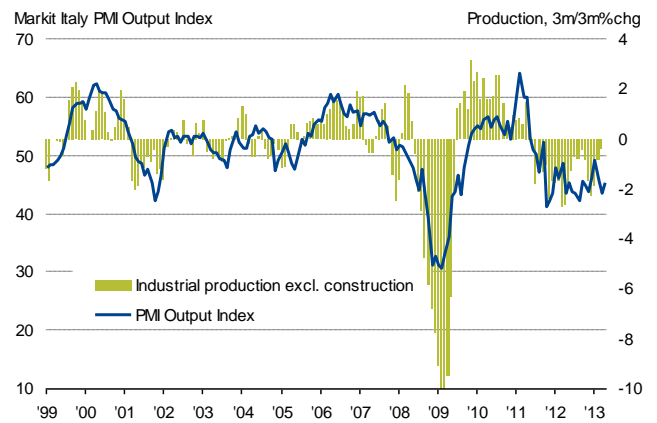
Industrial production since 1998



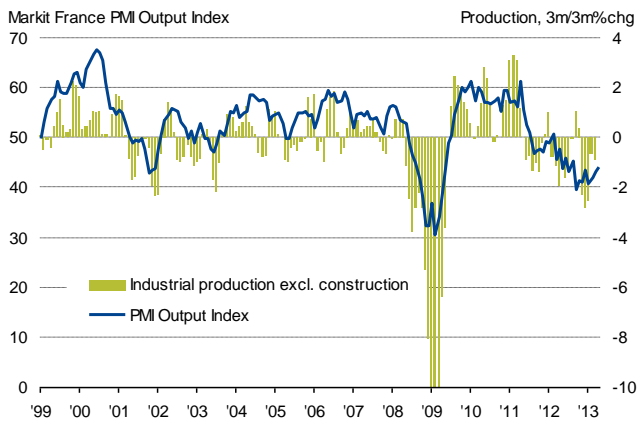
Germany



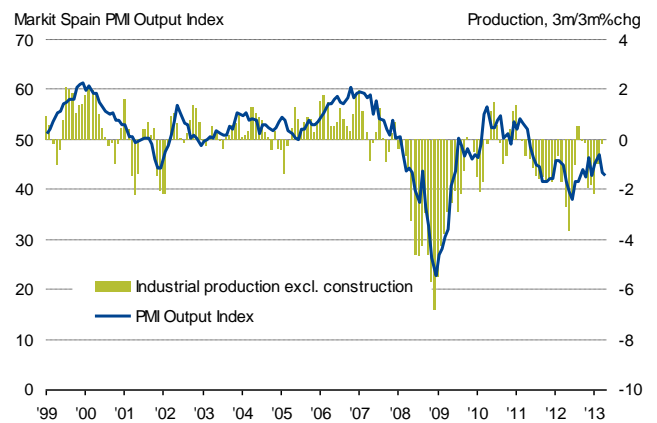
Italy



France



Spain



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