

Eurozone

Manufacturing output trends higher at fastest rate since April 2011

- Official data confirm PMI message of recovering industrial sector
- Output rises 1.3% in three months to January
- Germany leads broad-based recovery

Manufacturing output in the euro area rose 0.3% in January, according to the official statistics body Eurostat. The increase took output 1.3% higher over the latest three months, its strongest increase over any three month period since April 2011. The latest rise followed a 1.5% increase in November and a flat December.

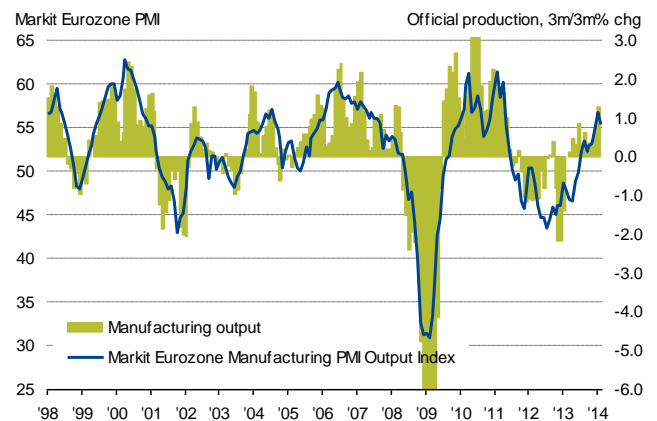
The upward trend in the official data corroborates PMI survey evidence which has provided an early indication of a recovering manufacturing sector. The survey has signalled a continuous increase in output since last July, with the rate of growth rising to a 33-month peak in January. The survey suggests that the rate of growth slowed slightly in February, but remained robust.

The consistent picture of recovery painted by the official and survey data, and especially signs of improvement in the domestic services economies of the main euro member states, suggest that the European Central Bank is unlikely to sanction any further measure to stimulate growth unless either the survey data deteriorate markedly, or inflation continues to fall.

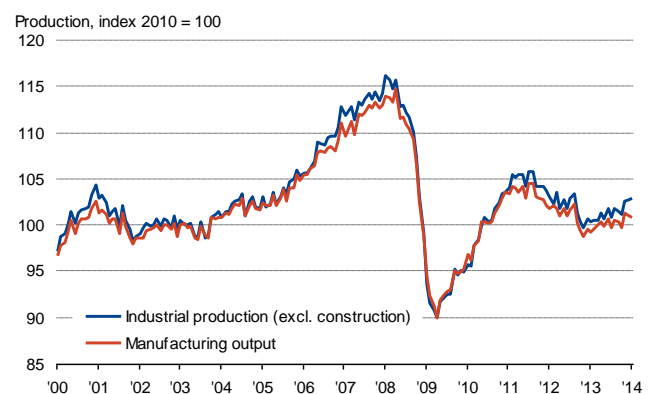
At its [recent press conference](#), at which the Central Bank held policy unchanged, ECB head Mario Draghi cited the improving PMI, singling out the services PMI, as a reassuring signal of recovery:

“The reasons for today’s Governing Council decisions are the following. First of all, we saw our baseline scenario by and large confirmed. There is a continuation of a modest recovery. In the last quarter of last year we had an increase in GDP of 0.3%, after two consecutive quarters of positive growth. The news that has come out since the last monetary policy meeting is also, by and large on the positive side. Just let me give you a few data, not all of them. The composite PMI data that have just come out are the strongest in two and a half years. The PMI for services also was quite good. That’s quite important because job creation takes place mostly in the services sector.”

Eurozone manufacturing



Production levels



Sources: Markit, Ecowin.

Deflation, meanwhile, is perhaps becoming less of a concern, after companies participating in [Markit’s Global Outlook Survey](#) reported that they are on balance expecting to hike prices over the coming year to the greatest extent since mid-2011.

In the detail of the latest official release, the wider measure of industrial production fell 0.1% during January, though it is thought that the weakness stemmed from weather-related energy sector disruptions. Even with the latest decline, industrial production has risen 0.8% in the past three months, the joint-largest rise seen over such a period since March 2011.

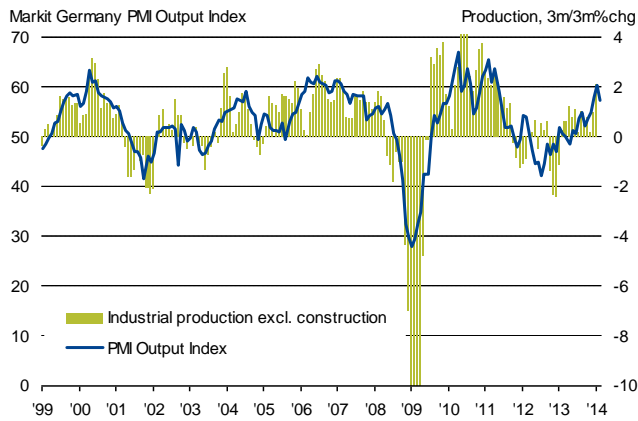
As a reminder of the scale of recovery still needed, however, industrial production and manufacturing

output are still 12.1% and 11.3% below their respective pre-crisis peaks.

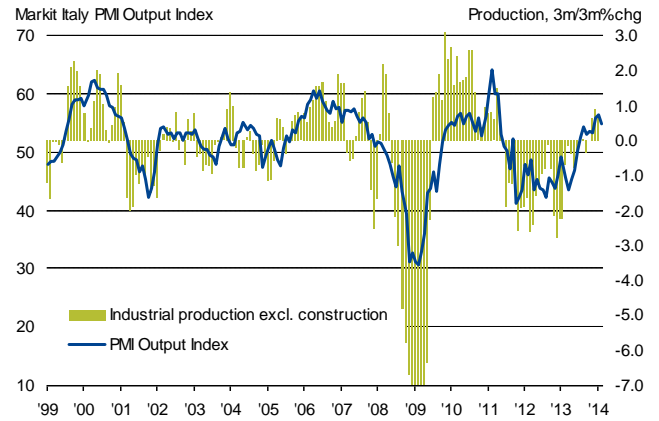
Like the PMIs, the official data are showing signs of a broad-based recovery across the region, led by Germany.

In the three months to January, production in Germany rose 2.1%, the strongest increase since May 2011, while production in Italy grew 0.7%, down only slightly on the 32-month high of 0.9% seen in December. Production meanwhile grew a more modest 0.4% in France and 0.3% in Spain over the same periods.

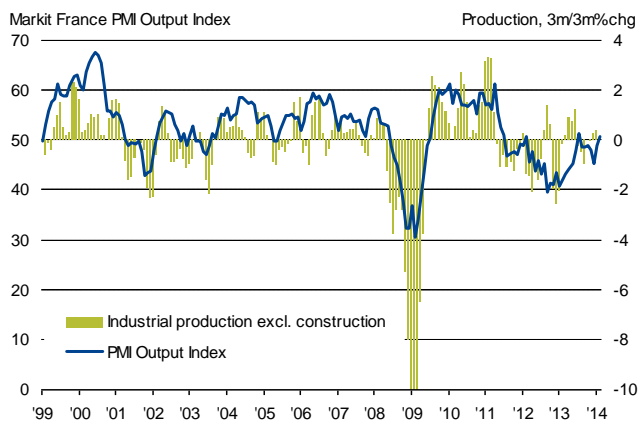
Germany



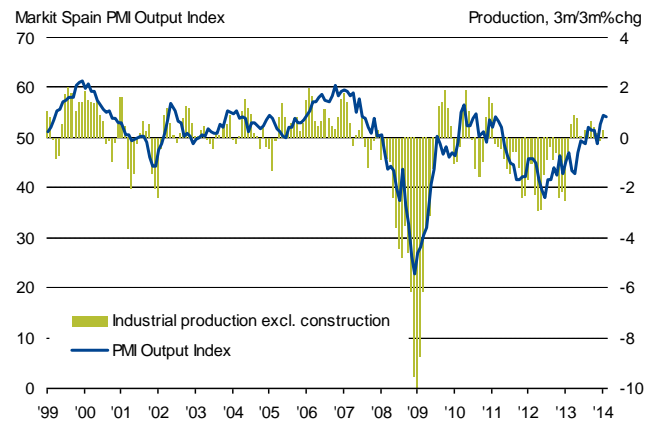
Italy



France



Spain



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