

Eurozone

Mood improves among manufacturers despite output drop in September

- **Industrial production grows 0.4% in third quarter despite dip in September**
- **PMI survey point to best output growth for 2½ years in October**
- **Business outlook survey highlights improving mood among Eurozone producers**

Euro area industrial production fell in September, according to official data, though the third quarter as a whole saw production grow at a steady pace. Business surveys meanwhile suggest the industrial sector saw stronger performance at the start of the fourth quarter, and the overall outlook is the brightest for over a year.

Data from Eurostat showed industrial production dropping 0.8% in September, led down by a 1.0% drop in manufacturing output. However, the official data have been extremely volatile in recent months, making it unwise to place too much emphasis on one month's data. Production and manufacturing output had risen 1.8% and 2.1% respectively in August, revising from 0.7% declines in July.

It's therefore better to look at the trend over the past three months as a whole, which shows industrial output up 0.4% in the third quarter and manufacturing up 0.5%. In both cases, this represents marked improvements on the 0.3% declines seen in the second quarter.

The suggestion that industry picked up in the third quarter is supported by Markit's Eurozone PMI survey data, which have shown an improving trend in recent months. The average PMI reading for manufacturing output in the third quarter was the highest since the fourth quarter of last year.

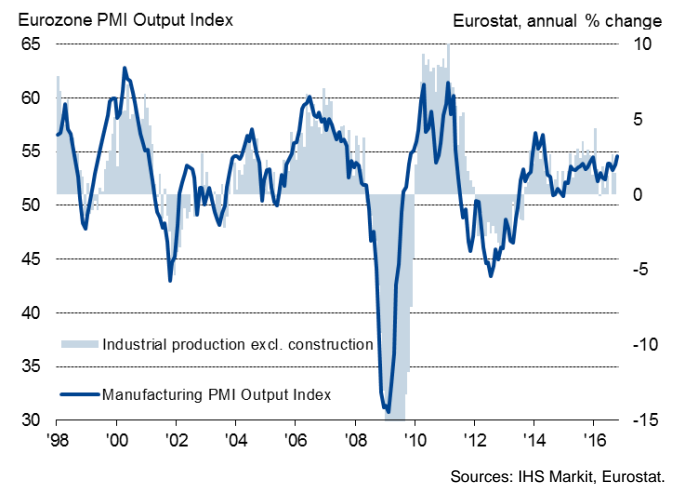
Ever firmer growth is signalled at the start of the fourth quarter. The October PMI manufacturing output index reading was the highest since April 2014.

The upbeat mood is further highlighted by Markit's October Business Outlook survey, which showed Eurozone manufacturers reporting the brightest 12-month outlook for business activity since June 2015. Hiring intentions were the highest since February 2011 and expected selling price inflation hit a three-year

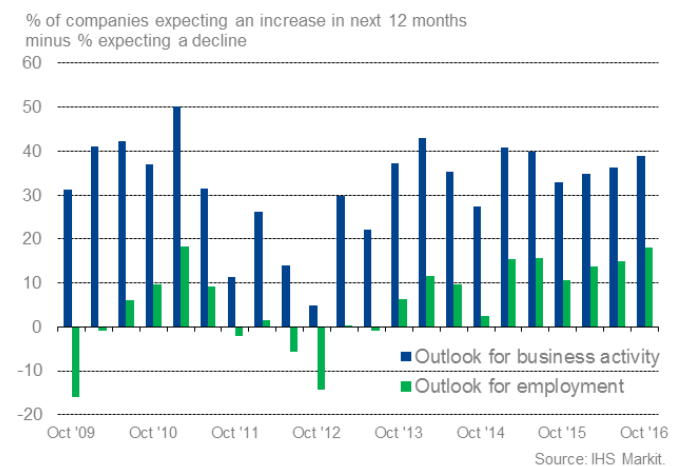
high. However, capex and profits expectations fell compared to the summer, hit in part by worries about rising costs.

The survey forms part of the global outlook survey which showed the improving mood among Eurozone manufacturers bucking a wider trend of worldwide business confidence ebbing to its joint-lowest in seven years.

Eurozone manufacturing output



Business outlook: Eurozone manufacturing



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