

Eurozone optimism as output rises again

EU figures extend V-shaped recovery

By Ralph Atkins in Frankfurt

Eurozone industry has reported a fourth consecutive monthly rise in production, pointing to a robust third-quarter growth rebound right across the 16-country region.

Industrial production in August was 0.9 per cent higher than the previous month, reported Eurostat. The European Union's statistical office also revised up July's data to show a 0.2 per cent rise rather than a 0.3 per cent fall, as reported originally.

The latest data extended the V-shaped recovery in eurozone industrial production since April. Just as the region was worse hit than other parts of the world from repercussions of last year's Lehman Brothers failure, the eurozone was benefiting disproportionately from the subsequent revival in global growth prospects, analysts said.

Much of the region's industrial sector was highly cyclical, said Robert Barrie, European economist at Credit Suisse. "In a downswing, that is a big prob-

lem, but as things start to recover it makes for a lot of upside."

The latest upbeat data did not ease fears, however, that the pace of economic recovery would slow later this year and in 2010, as the effects globally of emergency stimulus measures wore off, and eurozone exports were hit by the strength of the euro. At the same time, the eurozone is still a long way off pre-crisis levels of activity: industrial production in August was still 15.4 per cent lower than a year ago.

Recent months' production data have been volatile, perhaps distorted by summer factory shutdowns. But the eurozone's revival appears to be widespread. Italy reported a 7 per cent rise in production in August alone, compared with the 1.5 per cent rise in Germany and 1.9 per cent increase in France.

The eurozone recovery might also assist Spain, which was badly hit by falling house prices and high unemployment. Spanish industrial production was up by 1 per cent in August. However, Ireland, where data have been volatile, saw production fall by almost 17 per cent month on month.

