Eurozone Industrial Output Down For 3rd Month

Pan Pylas, Associated Press

LONDON (AP) — Industrial output across the 17 European Union countries that use the euro fell in November for the third straight month, official figures showed Monday, raising fears that the recession in the region has continued into the last three months of 2012.

The 0.3 percent monthly decline reported by Eurostat, the EU's statistics office, was worse than expected and felt across the whole economy. The consensus in the markets was that output would increase a modest 0.1 percent during the month.

Even though the rate of decline had eased following the 2.3 percent and 1 percent drops reported in September and October, respectively, the figures are likely to cement market expectations that the recession in the eurozone has deepened. Year-on-year, industrial production in the eurozone was down by 3.7 percent.

"November's eurozone industrial production data provided further strong signs that the recession in the region as a whole intensified in the final quarter of last year," said Ben May, European economist at Capital Economics.

The prevailing view is that the eurozone economy shrank further in the fourth quarter of 2012, with most economists predicting a bigger decline than the 0.1 percent drop recorded for the third quarter. A recession is defined as two consecutive quarters of economic contraction.

According to Eurostat figures last month, seven countries in the 17-country bloc are in recession, including all five at the front-line of Europe's debt crisis as their governments enact tough austerity measures, such as cuts to spending, to get their public finances back into shape. In Italy and Spain, industrial production was down over 7 percent over the year to November.

Industrial output is particularly important in the eurozone, not least in Germany, Europe's largest economy, where output rose by a monthly rate of 0.1 percent.

Though the increase in Germany was a turnaround from big falls in the previous two months, it's clear that the country's high-value exporters, such as its major car manufacturers, are struggling in a tough European marketplace.

The recent weakness in German industrial production has also raised concerns that Germany will suffer at least one quarter of negative economic output.

The difficult European conditions were evident in sales figures earlier from Volkswagen AG. The car giant reported a 6.5 percent drop in sales in western Europe, excluding Germany, to 1.85 million vehicles. German sales fared moderately better, rising 1.9 percent to 1.18 million vehicles.

The hope for Europe's manufacturers going into 2013 is that the recent improvement in financial markets, not least in the dramatic falls seen in the borrowing rates of some of the euro's more embattled members, will continue and help reduce uncertainty.

"If that happens, businesses may become more prepared to place manufacturing orders that had been delayed or cancelled," said Howard Archer, chief European economist at IHS Global Insight. "It may also foster a pick-up in business investment."

Archer said it was notable that the figures showed both the sale of durable goods, such as cars, and non-durable goods, such as day-to-day consumer goods, were both down.

He said that "ties in with evidence that hard-pressed eurozone consumers remain unwilling or unable to spend, particularly on big-ticket items."