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Western European Indicators and Insights

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Eurozone: Some resilience?

According to Federal Statistics Office data, German real retail sales (excluding auto and petrol sales) slumped 2.9% in M/M terms in August, a much weaker-than-expected outcome albeit only after the jump of 4.0% M/M in June and the small 0.3% July increase. Very clearly, the data remains highly volatile, with still little sign of any firm uptrend, despite the Y/Y rate of growth swinging back to the positive at 2.2%.

Even so, the data imply a clear jump in sales occurred in Q3 (the Aug/Jul aggregate was up 0.8% from the Q2 average). Especially with output data also pointing to a decent start to the early part of Q3, the likelihood remains that Q3 may see a clear pick-up in GDP growth, admittedly from the anemic 0.1% Q/Q Q2 outcome.

Meanwhile in France, and surprising little, household spending on goods in August increased by 0.2% M/M, exactly unwinding the drop seen in July. The break-down showed the recovery to be far from broad-based. Regardless, Y/Y household consumption growth recovered, swinging back to the positive albeit only to the tune of 0.3%.

As with Germany, French official data is still consistent with a decent Q3 GDP reading, but also only after the poor (flat) Q2 outcome. Household spending so far in Q3 is up clearly from the Q2 average, as is industrial production. However, surely the risk is that should both France and Germany show a decent Q2 reading, the weakness in surveys of late suggest that it will be a 'last hurrah'.