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Western European Indicators and Insights

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Germany: Orders fall clearly.

Coming in below expectations for once, manufacturing orders dropped 2.8% M/M in July. This drop was the first in four months and the steepest since that seen at the end of 2010, facts that underscore that the July weakness cannot be taken as clear evidence that the German economy has take a turn for the worse.

Indeed, while the fall was very much export-related, this drop in foreign orders only served to unwind some of the marked bounce in this area seen in the previous month. In addition, the weakness was confined to capital goods orders, much of which was a due to a fall in what are very volatile bulk-item orders. As a result, while the July data clearly is consistent with orders momentum having weakened in recent months, a clear upswing remains in place. The question is whether the adverse message from surveys mean that this uptrend will soften further.