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Western European Indicators and Insights

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EUROZONE: Output slumps.

Coming in largely as expected, Eurozone industrial production slumped by 2.0% M/M in September, thereby very much unwinding the rises of the two previous months, including the 1.4% August increase. The sector break-down revealed broad-based weakness re-emerging, albeit led by a slump in capital goods production. Meanwhile, in Y/Y terms, output growth slowed from 6.0% in August to 2.2%, the lowest since the end of 2099. Notably, over and beyond the marked weakness seen (and already reported) for the three largest Eurozone economies, there was also worse news regarding output in the peripheral economies, Greece being the exception.

It could be argued that the September weakness is merely a continuation of the clear M/M volatility in the series. Indeed, despite the abrupt September reading, Q3 output jumped 0.9% Q/Q, a clear improvement on the 0.3% Q2 reading and something that augurs well for GDP data due on Tuesday, at least in some of the Eurozone economies.

More likely, though, the September data does suggest that the ill omen hints from survey data are now starting to be corroborated by official activity data; after all, this M/M drop is the worst outcome since early 2009, ie within the last and deep recession. As a result, whatever resilience emerges in terms of Q3 GDP may be unwound clearly in this and the coming quarter, with this September result providing a very negative base effect for activity into Q4 (the final month of the quarter was actually some 1% below the full quarter average).