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Western European Indicators and Insights

December 14, 2011

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EUROZONE: Output stabilizes?

Still no freefall!

Coming in largely as expected, Eurozone industrial production edged down just 0.1%% M/M in October, a clear contrast to the abrupt 2.0% slump of the previous months, the latter itself a reversal of the clear gains in August and September. The sector break-down also brought mixed messages in October, with a bounce in capital and non-durable consumer goods production of some note. Meanwhile, in Y/Y terms, output growth slowed from 2.0% in September to 1.3%, still the lowest since the end of 2009.

Notably, there was also worse news regarding output in only some of the peripheral economies, with strength in Ireland and resilience in Portugal contrasting with bleaker numbers in Italy, Spain and especially Greece.

It could be argued that the October bounce is merely a continuation of the clear M/M volatility in the series. However, a clearly weaker undertone is very much evident, with October output already down almost 1% below the Q3 average, auguring poorly for current-quarter production and GDP. Even so, the October data merely underscore the very high likelihood that the Eurozone has entered recession, but is far from being in freefall.

In other words, while downside risks may be amassing, the extent to which they may actually be materializing is still limited, with it notable that these official production updates have yet to corroborate the much more downbeat picture seen in much of the survey data, especially the manufacturing PMI updates. All of which will concentrate minds ahead of next batch of (apparently more up-to-date) business survey updates due in coming days.