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Western European Indicators and Insights

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UK: Manufacturing gets hit.

Surprising to the downside somewhat, October manufacturing output dropped 0.7% M/M, more than reversing the token 0.1% bounce seen in September, instead extending the impact of three successive falls in prior months. Indeed, the three-month rate of growth for manufacturing turned clearly negative at -0.7%, the weakest reading in over two years. Perhaps of more note, but little surprise, the drop in October was broad-based. Otherwise, oil and utility production were mixed, a result that meant that overall industrial production also fell 0.7% in M/M terms albeit after a flat September reading.

Such data suggest clear hole appearing in Q4 factory production: even without any further weakness in the quarter, Q4 industrial production would fall about 0.5% Q/Q, albeit undermining overall GDP only slightly. Indeed, the limited messages from other parts of the economy still suggest the likes of services and construction are growing modestly, albeit (so far) by enough to avert any overall GDP contraction.