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Western European Indicators and Insights

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EUROZONE: Output stabilizes?

Coming in a little better than expected, Eurozone industrial production edged down just 0.1% M/M in November, similar to the revised 0.3% drop of the previous month, albeit with both accentuating the abrupt 2.1% drop seen in September, the latter itself a reversal of the clear gains in August and September. The sector break-down also brought mixed messages in November, with a bounce in energy being offset by further weakness in durable consumer goods production. Meanwhile, in Y/Y terms, output growth turned negative at -0.3%, still the lowest since the end of 2009.

Notably, there was also worse news regarding output in only some of the peripheral economies, with bleaker numbers in Spain in particular.

It could be argued that a clearly weaker undertone is very much evident, with October/November output already down over 1% below the Q3 average, auguring poorly for production and GDP last quarter. Indeed, the production data merely underscore the very high likelihood that the Eurozone entered recession last quarter, but also that activity 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, albeit with it notable that those business surveys have stopped hemorrhaging further.