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Western European Indicators and Insights

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UK: Manufacturing less weak?

Better Export signs?

Coming in above expectations even more clearly this time around, the headline manufacturing PMI for December was far less weak, albeit still remaining modestly below the key 50 mark. Indeed, the headline rose 1.9 points (to 49.6), thereby helping unwind the acute 3.0 point slump seen in October which brought about the lowest reading since June 2009. Even so, the index has still some 12 points since its peak last February.

Notably, the December data suggested that the manufacturing sector showed signs of stabilization at the end of last year. Indeed, production was broadly unchanged in December, following contractions in previous months while the rate of decline in new orders slowed as the trend in new exports actually strengthened, the latter underpinned by new work from Germany, Eastern Europe and China. Elsewhere, the PMI data also pointed to falling input costs and muted selling price inflation.

Perhaps not too much should be made of this somewhat better PMI reading, especially as it clashes with a gloomier view from other alternatively-sourced survey data (such as those from the CBI). In addition, even the PMI details suggest that manufacturers are currently relying heavily on backlogs of work to prop up production, something that obviously cannot provide anything but a temporary bulwark to the sector.

Even so, the thrust of the data is that manufacturing may be stabilizing, or at least not falling any further or faster, albeit with some hope stemming from the better export signals.