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Western European Indicators and Insights

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Andrew Wroblewski
Chief Economist, Eurozone and UK

London
+44 20 7959 3244
awroblewski@decisioneconomicsinc.com

Eurozone: Mixed data.

More signs of peripheral weakness!

As markets digest the very much as-expected Greek PSI deal came another reminder of peripheral weakness in the Eurozone. Surprising clearly to the downside, Italian January industrial production slumped 2.5% M/M, more than unwinding the positive readings of the two previous months, including the 1.2% December bounce. Notably, this fresh fall was broad based. As a result, Y/Y work-day adjusted growth turned more negative at -5.0%. The data very clearly still suggest a further hole has emerged in current-quarter activity that may echo the 2.2% Q/Q slide seen in industrial production during Q4.

Admittedly, slightly better signals were evident in France. Indeed, coming in a little below already-subdued expectations, French manufacturing output edged up by 0.2% in M/M terms in January, unwinding little of 1.3% drop posted in the previous month. The M/M rise reflected still broadly weaker developments save for energy. Overall output rose by 0.3% in January.

Very clearly, French production data are still showing some volatility, albeit with a weaker trend evident through the end of last year. However, no clear slump is yet evident, with these official numbers painting a far less downbeat message from most business surveys, albeit with some exceptions as to the latter.