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Western European Indicators and Insights

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EUROZONE: Output surprisingly rises.

Output surprisingly rises, albeit boosted by energy.

Coming in a higher than expected, Eurozone industrial production rose afresh in February, climbing 0.5% M/M, albeit the upside surprise tempered by downward revisions to past data including a paring of the small rise previously envisaged for January to what is now a flat outcome. Even so, the February rise is the first since August, since when output has fallen a cumulative 3.5%.

More notably, the rise in February was hardly broad-based, instead coming from a surge in energy output that very likely reflected the impact of cold weather through the month. Admittedly, that same poor weather may have been responsible for much of the continued weakness in much of the rest of the data, albeit making the modest M/M recovery in capital goods production all the more respectable.

Notably, there was also generally some worse news regarding output in the peripheral economies. Regardless, a still clearly weaker undertone is still very much evident, with Jan/Feb output down 0.6% below the Q4 average, auguring poorly for GDP in the last quarter, albeit less negative than the knock seen in the final quarter of last year. Regardless, while the production data help underscore the very high likelihood that the Eurozone remains in recession, activity is far from being in freefall. In other words, while downside risks may be marked, the extent to which they may actually be materializing is still limited.