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Western European Economic Indicators and Insights

August 7, 2012

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UK: Manufacturing Succumbs?

Surprising to the upside, June manufacturing output still slumped 2.9% M/M, more than unwinding the little-revised bounce of 1.2% seen in the previous month, the latter being only the second rise so far this year. Y/Y growth was much more negative at -4.3%. The June slump was largely broad-based however. Indeed, despite cool and wet weather during the month, energy/utility production was clearly down afresh. As a result, overall industrial production dropped 2.5%% in M/M terms.

How Clear is the Underlying Weakness

Clearly, the swings in the overall production data of late reflect not only the impact of swings in the weather, but also (more recently) the impact of the Royal Jubilee celebration which meant that June had one fewer working day, a contrast to the backdrop seen in May data.

All of which will make the interpretation of the key manufacturing backdrop all the harder to discern, albeit it clear that a much weaker undertone is being highlighted by factory sector surveys, albeit with different sourced versions of the later pointing to different scales of downside risks.

Less Weak Q2 GDP?

Regardless, the production data are less weak than envisaged in the Q2 GDP report, enough to mean that a circa-0.1 percentage point upward revision may be in the offing. Indeed, the upward revision may be more sizeable if June construction data (due Friday) also prove to be less weak than envisaged in the national account numbers.

DE View: While a less sizeable drop in Q2 GDP than the existing 0.7% Q/Q plunge may emerge when revised data arrive on August 24, a further hole will surely still be evident. However, given the array of distortion and revisions the numbers may not affect BoE thinking duly as the Inflation Report due tomorrow may highlight. Even so, the BoE is likely to scale back its GDP projection for this year to around zero.