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Western European Economic Indicators and Insights

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Eurozone: Upbeat Messages

Output Data Surprise on the Upside, Defying Downbeat Survey Messages

Exceeding expectations for a second successive month and even more clearly so, French manufacturing output jumped 1.8% in M/M terms in August, accentuating the upwardly revised 1.0% rise seen in the previous month, also being the third successive rise. Overall industrial production, however, rose a slightly more modest 1.5%, as energy production dropped back further.

Very clearly, production data are still showing some volatility and with some caution needed in regard to August data when the impact of swings in the timing of holidays may make the numbers all the more unreliable. Nevertheless, *while a weak trend is still evident so far this year, the omens for the last quarter are promising with the July/Aug aggregate up 0.7% over the Q2 average,* the latter being a quarter in which production fell further.

Indeed, by signaling that no clear slump is yet evident, *these official numbers are painting a far less downbeat message from most business surveys*, albeit with some exceptions as to the latter and certainly not suggesting any sizeable drop in Q3 GDP lies in store. It is notable that the divergence between (very downbeat) survey data and official industrial data is increasingly evident in many countries, including the likes of Sweden and the UK as well as elsewhere in the Eurozone such as Italy.

Indeed, and surprising even more to the upside this time around, August industrial production in Italy rose for the first time in three months, with the 1.7% seasonally adjusted M/M jump the strongest reading in almost two years. Of note, this surprise rise in August was relatively broad based, the main exception being a fresh slippage recovery intermediate goods. Regardless, Y/Y work-day adjusted growth turned less negative at -5.2%.

The data very clearly still suggest a further, albeit less sizeable clear hole emerging into Q3 regarding economic activity.