

Snap | 29 November 2017

## Eurozone economic sentiment at highest level in 17 years

No signs of slowing for the Eurozone economy as the Economic Sentiment Indicator increases to 114.6 in November.



Source: istock

The Eurozone economy has become a stable factor in advanced economy growth, who would have thought this about a year ago? Growth has become self-sustaining over the past year, with labour market recovery and investment boosting domestic demand. The ESI, the most detailed monthly thermometer for the Eurozone economy, paints a continued rosy picture for growth. In November, manufacturing businesses indicated the strongest readings for production, new orders, exports and employment in at least nine months. Service sector confidence increased slightly in November. Expectations of future demand improved, which is in line with booming consumer confidence.

Even though the outlook for demand remains positive and businesses are indicating they are more constrained by capacity than in recent years, selling price expectations are not yet booming everywhere. In manufacturing, higher input costs and supply constraints are causing higher selling price expectations, as the ESI notes the highest reading of industrial selling price expectations in a while, although the reading is still below its January level. For services, selling price expectations even dropped in November. This indicates that not much is to be expected of inflation in 2018,

even with improving economic conditions.

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