

Snap | 14 November 2017

Eurozone economy keeps up its strong performance

Eurozone GDP growth for the third quarter was confirmed at 0.6% and the future looks bright despite a dip in industrial production



0.6% Eurozone GDP growth
3rd Quarter

A robust labour market recovery, growing export markets, an accommodative monetary stance, improving lending conditions and modest inflation are but a few of the tailwinds that the Eurozone economy is experiencing at the moment. Because of that, this could well be its strongest year for growth since 2007. The Eurozone will likely outpace both the US and UK in terms of GDP growth in 2017.

Eurozone GDP growth for the third quarter was confirmed at 0.6%. Industrial production disappointed with just 3.3% annual growth in September, but the outlook for industry remains bright.

Healthy growth was seen across the Eurozone. German growth accelerated to 0.8%, showing the unusually long expansion has not lost momentum yet. Italy also did well. Unlike its national football team, the Italian economy is outperforming expectations. GDP grew by 0.5% in Q3, ahead of analyst estimates of 0.4%. Dutch growth was in line with expectations at 0.4% after a huge jump in output in the second quarter. With 3.3% growth on an annual basis, growth in the Netherlands remains among the strongest in the Eurozone.

Industrial production disappointed in September after surging output in August. The decline was mainly due to Germany and Italy, whereas French industrial output increased. Given the volatility of industrial data, it is perhaps more useful to look at annual rates, which shows that all production categories, except for energy production, recorded healthy growth. Production of durable consumer goods even grew by 6.9% annually.

Overall, the outlook for production in Q4 remains strong. New orders for manufacturing surged in August and businesses are reporting large backlogs of work according to the PMI survey. That should result in continued strength in industry in the final quarter of the year, adding to the possibility that our estimate for GDP growth in 2017 of 2.3% could still be too low.

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