

Eurozone economy on its way to a strong Q4

Eurozone PMI increased from 56 to 57.5 in November, supporting the view that the Eurozone economy will keep strong growth towards the end of the year, with potential for further acceleration.



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Surging November PMI

After a slightly disappointing October reading, Eurozone PMI surged in November. This was hardly a surprise, given the underlying strength in employment, new orders and backlogs of work that businesses have been reporting. In November, hiring increased to the highest level in 17 years, indicating that unemployment could drop quicker than expected. New orders for manufacturing also increased at their fastest pace in 17 years, indicating that the industrial output recovery could accelerate in Q4. Backlogs of work increased to their highest level since 2006, meaning that the current improvements in orders are likely going to spill over into output growth in Q1.

Capacity constraints

The increasing backlogs of work are a positive indication for investment growth in the months ahead, which suggests that the Eurozone economy is likely to continue to fire on all cylinders. The

fact that limits to capacity are being reached is impacting prices as well. Average selling prices increased at their fastest pace since 2011, although we have yet to see recent survey indications of increased selling prices in the official inflation figures.

2018 looking strong

All in all, there are no signs of stopping the Eurozone economy at the moment and 2018 is likely to start on a strong footing. Even the return of political uncertainty and a fading of ambitious Eurozone reform plans have not had much impact on businesses, despite optimism about the coming year subsiding slightly in November. With continued monetary support and some expected improvements in global growth in 2018, the Eurozone economy is set for another year of surprising growth.

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