

Eurozone industry supports broad-based growth

GDP growth in the Eurozone was confirmed at 0.6% QoQ with all economies that have released data expanding. Industrial production surprised in December with 5.2% annual growth



Source: Shutterstock

Growth in the Eurozone economy was broad-based. Germany and Spain maintained strong economic growth with 0.6% and 0.7% QoQ respectively, although this was slightly lower than in Q3 for both economies. Italy disappointed somewhat with just 0.3% growth and continues to lag the Eurozone average despite optimistic data released during the quarter. This rounds out a year in which the Eurozone economy was helped by strong tailwinds and the question is how long these growth rates can be maintained. Even though the ECB has reduced asset purchases, the euro has appreciated against the dollar and politics remains a factor of uncertainty, leading indicators are still pointing to a very strong start to the year.

Eurozone industry is a good example of a sector with still has a lot of upside left. As manufacturing surveys have been jubilant recently, industrial production was due to surprise positively. December saw a jump to 5.2% annual growth led by capital- and durable consumer goods production. The acceleration of production growth is unlikely to be a one-off as the outlook for industry remains

rosy. Manufacturing businesses are indicating that production for almost four months has been assured by current orders, which is around record highs. Growth in new orders has accelerated over the past six months, which means that expectations for production at the beginning of 2018 are high. Given the current backlog of work in industry, it is no surprise that hiring and investment in capital goods are high on the list of businesses. This adds to the strong economic picture for the start of 2018.

Author

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.