

## 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



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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.

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