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Eurozone PMI casts doubt on 4Q bounce back

As the eurozone economy continues to show weakness in the fourth quarter, a quick bounce back in growth is unlikely and the recovery could be more spread out. This means that annual growth for 2018 is unlikely to get to 2%



Source: Shutterstock

The PMI is painting a rather bleak picture for end of year growth. The composite PMI dropped to an almost four-year low in November, from 53.1 to 52.4. Growth in new orders remains slow, indicating that the cruising speed of the eurozone economy has weakened. This was mainly because of weakening export orders, which has happened across both industry and services.

The service sector is performing better than industry, underpinned by recent job growth. A worrying factor, therefore, is that businesses are indicating that employment growth is slowing. With new orders weak for a few months already and an outlook clouded with uncertainty, businesses are not taking on as many workers anymore.

Germany saw GDP growth fall to -0.2% in 3Q after a few negative one-off factors brought it into negative territory. There are hopes for a bounce back in 4Q but the German PMI also dropped to an

almost four-year low in November, indicating that a swift recovery may not be in the making and that a recovery could be more spread out. We, therefore, expect GDP growth to come in at just 1.9% for this year.

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