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Eurozone PMI ends 2017 with a bang

A superb year for Eurozone businesses ends on a high with PMI increasing to 58 from 57.5 and manufacturing PMI reaching an all-time high.



Fourth quarter GDP growth is set up to be a beauty, at least according to December's PMI figures. The survey indicates acceleration in the fourth quarter, from an already strong 0.6% quarter on quarter growth rate.

Manufacturing output and new orders haven't been this strong since 2000, which shows that the modest industrial production numbers for October are set to be followed by booming activity in the latter part of the quarter. The service sector PMI also improved significantly as employment gains are improving disposable income for European households, boosting domestic demand.

Even though current inflation readings from the survey disappoint, today's PMI will mostly contribute to the positive sentiment about the economy

Despite the signs of acceleration in the economy and capacity constraints, inflation eased again in

December according to the survey. Even though the current price growth is faster than seen earlier in the year and businesses are indicating increased price pressures, the pace at which this passes onto the consumer remains modest.

Later today, the ECB will publish their updated staff projections and the ones for inflation will be critical to watch. With stronger growth, inflation expectations could pick up, fueling the debate about the exit strategy from the current loose monetary policy.

Even though current inflation readings from the survey disappoint, today's PMI will mostly contribute to the positive sentiment about the economy. Both the current situation and expectations provide plenty of ammunition for Mario Draghi to pat himself on the back.

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