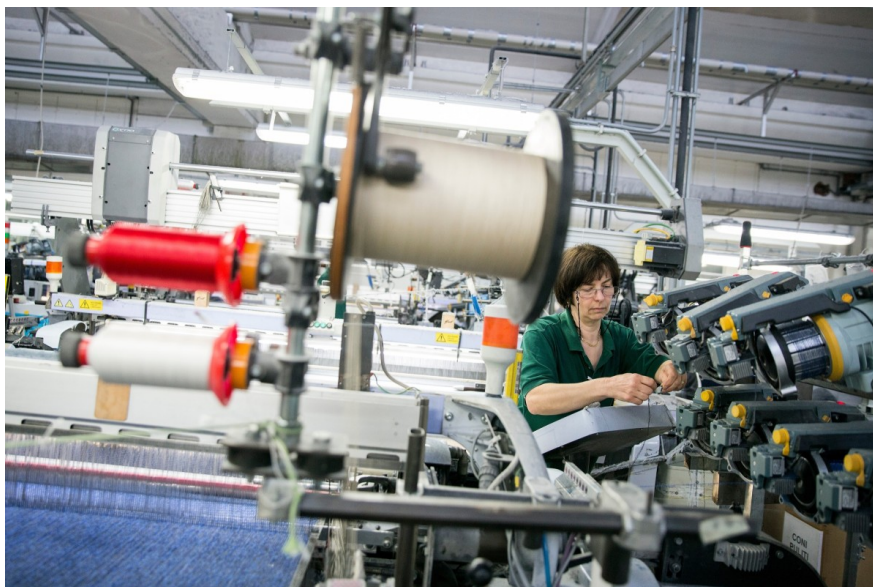


Eurozone PMI remains solid as economy continues modest growth

The composite PMI was unchanged in January at 51.5, with services growth slowing slightly and manufacturing output receiving a boost, according to the survey



With the 10% Greenland tariffs off the table, a further trade war escalation in the short run is avoided. The economy can do without extra turbulence, because surveys still indicate only moderate GDP growth is ahead despite increased investment plans.

While industrial production growth has been decent in recent months, the manufacturing PMI has been rather downbeat in recent months. Slipping well below 50 at the end of the year, the January jump back to 50.2 comes as a pleasant surprise. New orders continue to perform well, which is an encouraging sign for the months ahead. Despite all the global uncertainty and continued weak export orders, the manufacturing outlook is showing domestic green shoots clearly coming through.

Interestingly, with the economy indicated to show modest growth, hiring expectations have been more downbeat in January. This indicates expected productivity gains in the eurozone economy, which would be a welcome development after some stalling in recent quarters.

Even though inflation has remained remarkably benign in recent months despite all the economic turmoil, the PMI does indicate increasing price pressures again. That being said, the moves are not nearly enough to sway the ECB from its expectations to hold rates for the foreseeable future.

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