

## Eurozone Super Tuesday: Four things to look out for

The Eurozone economy has been the positive surprise story for 2017 but keep your eyes peeled for Eurozone data deluge tomorrow



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The European statistics office Eurostat will release three of their most important indicators of the European economy tomorrow. GDP for the third quarter, inflation for October and unemployment for September will give a snapshot of the state of the Eurozone economy 11 am CET. Here are the four things we'll be looking for.

### 1 Is the Eurozone still on upward trajectory?

The Eurozone economy has picked up speed since the end of 2016, and most data points for the third quarter have pointed to continued strength. Industrial production surged in August which means that manufacturing growth could even be stronger than in the second quarter.

Survey data dipped early in the quarter but recovered in September, leading to expectations for another quarter of robust growth. We expect growth to come in at 0.6% quarter-on-quarter, which is slightly below the 0.7% for Q2.

## 2 Check for revisions to GDP growth

These days, the most interesting data point are sometimes not the ones just released, but instead the previous figures. There have been large upward revisions to GDP over the past few quarters, making the economic picture even more favourable than expected.

This has also led to increased expectations of annual growth, which we now expect to come in at 2.3% for 2017. Any further upward revisions could have significant implications for the annual growth rate.

## 3 Don't mind headline inflation, will we see an uptick in core inflation?

The inflation rate will be influenced by energy base effects, which is likely to drive the rate down from 1.5%. More interesting will be the core inflation rate, which is less affected by volatile components like energy and food prices. It came down in September and stands at 1.1%, well below the ECB target.

While a swift recovery to around 2% seems very unlikely, underlying price pressures have been mounting, meaning that some upward moves in core inflation should be seen before the end of the year. A small increase to 1.2% could happen, but as German core inflation was stable in October, another month of 1.1% is possible.

## 4 Has the unemployment rate continued to stagnate?

Often overlooked by markets, the Eurozone unemployment release has become more critical over the past year as labour market dynamics are expected to drive the inflation recovery.

While hiring expectations have reached decade highs, the unemployment rate has stalled at 9.1% over the summer months. In fact, the number of unemployed was 20 thousand higher in August than in June. Have the surveys been wrong or will unemployment catch up with the hiring expectations of businesses? We expect the unemployment rate will come down to 9% in September but further stagnation would be a disappointment and a worrying sign for price growth in 2018.

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