

The NewsLine

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EUROZONE

Economy enjoying golden autumn

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Today's survey results confirm that the eurozone economy has not lost steam in the third quarter either. In Germany and France already-high momentum moved up a further gear in September – accompanied by strong employment growth – while the robust upswing in the other eurozone member states continued at only a marginally slower pace. Given the rosy growth outlook and the build-up of price pressures, the ECB is clearly receiving a green light to announce a reduction in its QE purchases from early 2018 at its October meeting.

The composite purchasing managers' index for manufacturing and services in the eurozone rose again slightly in September and, at 56.7 points, reached a four-month high. The improvement was driven by the good performance in Germany and France, whereas momentum in the other eurozone countries covered by the survey eased slightly. Particularly encouraging is the renewed acceleration in jobs growth in the eurozone. Manufacturing led the way here, with the survey showing the strongest rise in employment for 20 years. All told, we continue to expect GDP growth of 2.1% in the eurozone this year. From the economic side, given rosy growth prospects and the build-up of price pressures, the ECB is receiving the green light to announce a further reduction of its monthly bond purchases from the beginning of 2018 at its upcoming meeting in October.

In Germany the composite index rose further in September to 57.8 (+2 points), reaching its highest level since the spring of 2011. Manufacturing saw an especially sharp rise to 60.6 points from 59.3 points in the previous month. But the development in the services sector was also positive – the index reached a

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six-month high of 55.6 points after 53.5 in August – having faltered slightly in recent months. The situation on both the jobs growth and new orders front improved again in September. Today's survey results suggest that growth momentum in Q3 2017 has weakened only slightly at most and support our forecast of 2% German economic growth this year.

The French purchasing managers' index rose strongly again in September and at 57.2 points is at its highest level since May 2011. The services sector saw a particularly marked improvement to 57.1 points from 54.9 in the previous month. By contrast, the PMI for the services sector recorded only a moderate increase of 0.2 points to 56.0 points. Alongside buoyant increases in new orders, the main driver behind the renewed improvement in the economic situation in France was a further pickup in jobs growth. We are sticking with our forecast of 1.7% GDP growth in France this year.

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