

# The NewsLine

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## EUROZONE

# Economy going from strength to strength

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Today's sentiment indicators provide another positive surprise and point to at least four years of above-potential growth in the eurozone. The expansion is on a broad footing, in terms of both GDP components as well as individual countries.

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The composite purchasing managers' index for industry and services climbed to the highest level for a long time of 57.5 points. Overall, the survey results show that resource utilization – capacity utilization and employment – is increasing steadily.

In Germany the composite index rose from 56.6 to 57.6, largely thanks to the manufacturing sector where the index reached its highest level for 6 ¾ years at 62.5 points. Incoming orders from abroad in November registered the second best result since the survey was introduced. This suggests that the world economy is humming nicely.

The French purchasing managers' index jumped in November from 57.4 to 60.1 points, its highest level for 6 ½ years. Particularly encouraging is the best survey return for employment growth in France since March 2001.

Today's sentiment indicators suggest that sequential growth in the eurozone in the final quarter 2017 will be at least just as strong as in the third quarter. This provides a sound launching pad for next year. Growth is currently being buoyed by a host of important factors: Alongside a healthy global backdrop, ongoing loose monetary policy together with a broadly neutral fiscal policy provide a stimulating policy mix. But particularly striking is the fact that economic growth is broad-based, in terms of both GDP components as well as member states. Private consumption is benefiting from the positive

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development on the labor market and investment is being lifted by favorable financial conditions. France and Italy are no longer a drag on eurozone growth, rather it is mutually reinforcing among the member states. All in all, after a 2.3% increase in GDP this year, we now expect 2018 eurozone growth to top 2% again – that would be the fourth year running with above-potential growth.

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