

Eurozone

Growth picks up but price fall adds to odds of further ECB stimulus

- Eurozone PMI rises to highest since May 2011
- Growth slows in France but accelerates in Germany and rest of region
- Further drop in selling prices adds to scope for ECB action at December meeting

Eurozone businesses reported the fastest rates of growth in business activity and employment for four-and-a-half years in November, but the improvement appears insufficient to deter policymakers from taking further steps to boost the economy next month.

The Markit Eurozone *PMI*® rose from 53.9 in October to 54.4, according to the preliminary ‘flash’ reading, indicating the fastest rate of expansion of output since May 2011.

The data are signalling GDP growth of 0.4% in the closing quarter of the year, with 0.5% in sight if even just a modest uptick is seen in December.

France hit by attacks

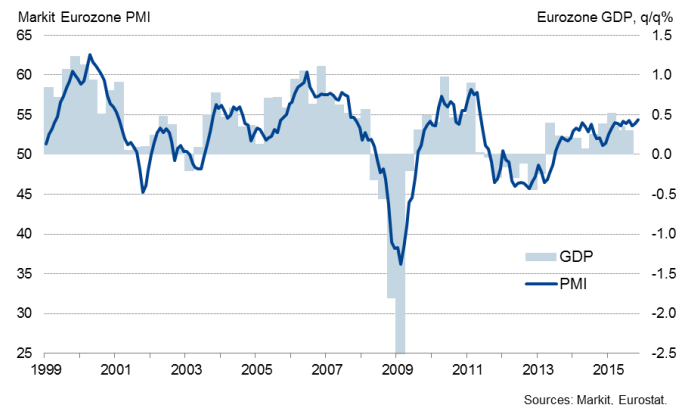
The improved performance in terms of economic growth and job creation seen in November are all the more impressive given the terrorist attacks in Paris, which subdued economic activity in France – especially in the service sector.

Business activity rose at the slowest rate for three months in France, largely reflecting weaker service sector growth. Manufacturing output growth also slowed despite a slightly faster rise in new orders. The French PMI data are signalling GDP growth of approximately 0.2% in the fourth quarter.

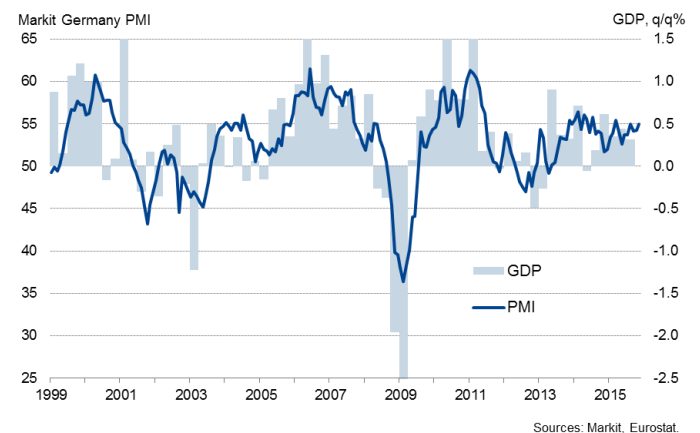
German order book growth at 2-year high

Growth meanwhile accelerated to a three-month high in Germany, fuelled by the biggest monthly improvement in new business for two years. Stronger gains in business activity and new orders in the service sector were partly offset, however, by a slowdown in manufacturing. An upturn in job creation was reported across both sectors, nevertheless, resulting in the largest jump in overall employment for nearly four years. The German PMI data are consistent with an upturn in GDP growth to 0.5% in the fourth quarter.

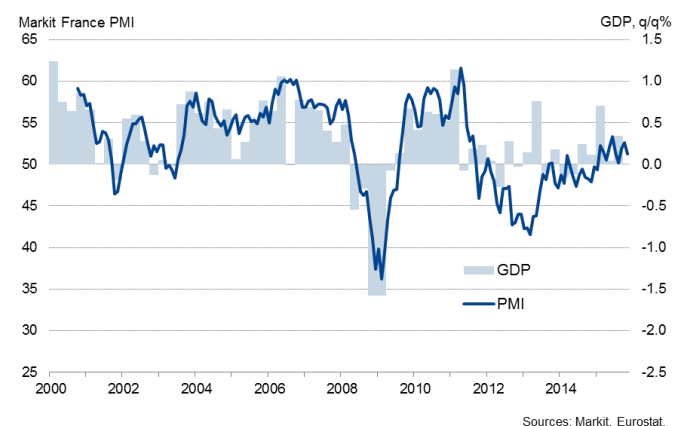
Eurozone economic growth and the PMI



German economic growth and the PMI



French economic growth and the PMI



Continued...

‘Periphery’ jobs surge

The strongest rate of expansion was seen outside of the eurozone’s two largest economies, where the survey recorded the second-steepest rise in output since the global financial crisis. Employment in the rest of the currency bloc meanwhile showed the joint-largest gain since July 2007.

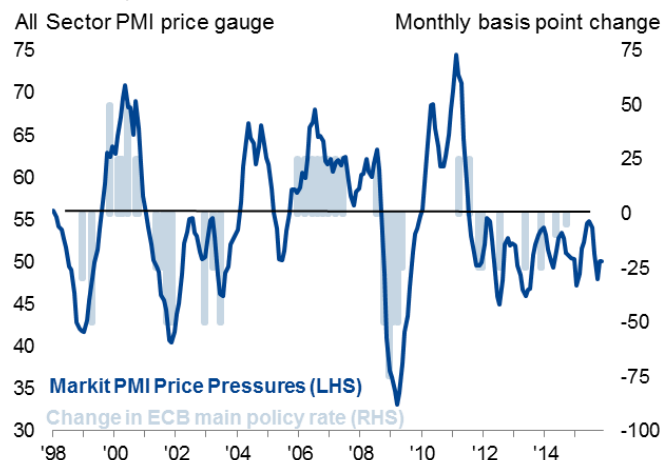
ECB on course for more stimulus

With recent comments from ECB chief Mario Draghi highlighting how the central bank remains disappointed with the strength of the upturn at this stage of the recovery, November’s slightly improved PMI reading will do little to dissuade policymakers that more needs to be done at their December meeting to ensure stronger and more sustainable growth.

The price data meanwhile add to the case for further stimulus. Despite the upturn in the pace of output growth and hiring, the survey showed ongoing deflationary pressures. Average prices charged for goods and services fell marginally, at a rate unchanged on October, while average input costs once again barely rose, linked primarily to falling global commodity prices.

Expectations are therefore rising that the ECB will cut the deposit rate further from its current 0.2% at its December 3rd meeting and also expand its asset purchase programme beyond the current €60bn per month.

ECB policy and PMI prices



Chris Williamson

Chief Economist

Markit

Tel: +44 207 260 2329

Email: chris.williamson@markit.com

[Click here](#) for more PMI and economic commentary.

For further information, please visit www.markit.com

Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited.