

Eurozone economy

Eurozone growth revised down to 0.4% in fourth quarter, in line with PMI

- GDP expanded 0.4% in three months to December, revised down from 0.5%
- Further steady expansion signalled at start of 2017
- Spain sees ongoing strong growth
- Greece contracts by 0.4%

Eurozone economic growth was revised down in the final quarter of last year, but the region still enjoyed a decent, steady pace of expansion that looks set to be sustained in the first quarter of 2017.

Revised data from Eurostat now show GDP rising 0.4% in the three months to December compared to an earlier preliminary estimate of 0.5%.

Encouragingly, the new estimate is in line with the signal from the business surveys, which point to this steady growth rate being sustained at the start of 2017.

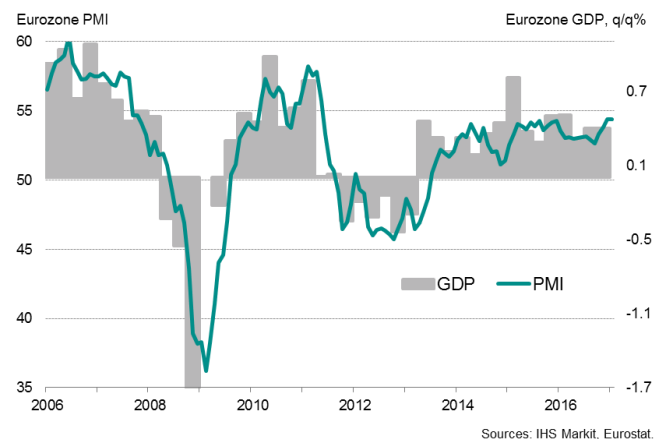
IHS Markit's [PMI data](#) in fact showed business activity rising in January at rate identical to December's five-and-a-half-year high, with business optimism about the year ahead climbing to the highest since the series began in July 2012. Jobs are also being created at a rate not seen since early-2008, which should also bolster consumer spending. Note that consumer confidence is also running at its highest since April 2015. We should therefore see at least 0.4% growth achieved again in the first quarter.

However, there are clearly many risks to the outlook further ahead, notably including elections in the Netherlands, France, Germany and possibly Italy, as well as Brexit and Italy's banking problems, all of which have the potential to create additional economic uncertainty and subdue growth.

It therefore seems likely that the eurozone will struggle to see growth in 2017 match the 1.7% expansion recorded in 2016. However, an expected further depreciation of the already weak euro compared to the US dollar as well as ECB stimulus will both act as significant tailwinds and should help deliver another year of steady but unspectacular growth.

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Eurozone economic growth and the PMI



By country Germany, France and Belgium grew 0.4% in the final quarter of 2016, according to Eurostat, while Spain enjoyed a 0.7% expansion, and Austria and Portugal both outperformed with 0.6% growth. The Netherlands notched up a respectable 0.5% increase. However, Italy saw a subdued 0.2% expansion in GDP, while Greece's economy contracted by 0.4%.

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