December’s data indicates a clean sweep of good growth across UK, Europe and US. 2016 went out with a bang.

On a high. The UK service sector rounded the year off full of festive cheer. At 56.2 in December the services PMI recorded its highest reading since July 2015 and was above its long-run average. Survey respondents are being inundated with new business. Indeed, excluding the Brexit bounce-back of August last year, the month-on-month rise in new business was the strongest for four years. The UK economy stands ready to take on 2017 with a fair wind at its back.

Makers, too. The UK manufacturing PMI was similarly robust, reaching its highest level since mid-2014. Companies reported rising new orders from both domestic and overseas customers, the latter aided by the fall in sterling. Such is the pick-up in activity that firms are ready to take on more staff. The employment sub-component reached its highest level in over a year.

All rise. The downside in the UK PMIs is the spectre of higher inflation with the input price component of the services PMI close to its highest level since 2011. Food, fuel and packaging are all rising on the back of sterling’s fall. But firms are also reporting higher IT costs and wages. Unsurprisingly firms are looking to pass on the burden. The prices charged component reached its highest level since April 2011. Similarly, manufacturers are reporting higher input and costs and selling prices.

Racking it up. Borrowing by UK households rose by 4% in the year to November, to reach just over £1.5trn. The vast bulk of this debt, mortgages, is growing at a steady 3% but unsecured debt is rising much faster. Lending through credit cards is up 9% on a year ago and other forms of consumer debt (loans, overdrafts, car finance) are racing away at almost 12%. Regulators won’t be content to watch consumers’ borrowing grow in double digits forever. 2017 may well test those limits.

A step in the right direction. The final estimate of Q3 UK GDP nudged growth up to 0.6%. Compared to earlier estimates the statisticians now think consumer spending was even more important expanding by 0.7%, whilst business investment grew by just 0.4%. This growth means that GDP is now 8% higher than its pre-crisis peak. Output per head meanwhile exceeded its 2008 level by just 1.5%. Q3’s 0.4% increase in productivity helped prevent that gap from yawning even wider but the reality is that only now are living standards starting to surpass their pre-crisis levels.

High five. The Eurozone economy ended the year on a high, or rather a 5½ -year high. At

54.4 in December, the composite PMI posted its fastest rate of expansion since May 2011. All of the Eurozone ‘big-four’ economies saw the pace of growth accelerate last month with Spain & Germany leading the way. Service sector firms, notably travel and tourism related, are also benefiting from a weaker currency. But the flipside of this is inflation. Higher fuel and oil prices coupled with a weak exchange rate pushed input cost inflation to a 5½-year high. Expect this trend to continue in 2017.

Inflate here. Between October 2013 and November 2016 Eurozone consumer price inflation was stuck in the range -0.6% to +0.7%, below the ECB’s ‘close to but below 2%’ target with central bankers earning the reputation for being serial under-shooters. But December saw a jump to 1.1% y/y with the equivalent figure in Germany surging to 1.7% y/y. A weaker euro, higher oil prices and base effects are all responsible. The ECB will argue its monetary policy has had the desired effect. If so, German calls for winding down the current bond buying programme and interest rate hikes will grow louder in 2017.

Firing on all cylinders. Confidence is catching, even across oceans as far as Europe and the US are concerned. American firms in the ISM surveys reported scores of 57.2 for services and 54.7 for manufacturing, both substantially higher than the 50-mark that separates expansion from contraction and indicating above-trend growth for December. Services firms were buoyed by new orders whilst manufacturers weren’t discouraged by the recent strength of the dollar. The Fed will be hoping this indicates industry is robust enough to handle a few rate hikes this year.

Handover. When President Obama took office in 2009 the US unemployment rate stood at 7.3% and rising. The economy had shed a staggering 3.5 million jobs in the previous year. He bequeaths to Donald Trump a labour market in far better condition. 156k jobs were added in December and over two million in 2016. Unemployment stands at just 4.7%. But most feted in December’s jobs report was the 2.9%y/y rise in hourly earnings, giving hope that the tighter labour market is finally sparking higher wages. The problem is that inflation, although still low, is on the rise, too. In real terms wage growth has been declining since early 2015. Improving on modest gains in living standards in recent years is the big challenge for US policy.