

## Eurozone economic activity remained on downward trend at the turn of the year

Our new [nowcasting indicator](#) suggests continued economic weakness at the start of 2021, as lockdowns in large eurozone economies substantially diminish economic activity



The final week of 2020 saw a sharp drop in economic activity according to our new weekly activity indicator for the eurozone, coming on the back of a few weeks of slightly higher economic activity at the beginning of December. We notice a temporary increase at the beginning of the holiday shopping period after modest declines over the course of October and November. From there on, inactivity due to holidays, as people stayed home for celebrations in small groups, and new lockdowns have caused the index to drop again. Seasonally adjusted data on NO2 emissions also indicate sharp contractions in traffic and industrial production, suggesting that after a strong start to the final quarter, industrial activity also slowed down in the final weeks of the year. Still, compared to the first lockdown, the economic impact of the second wave has been mild so far. Output has been much higher than during the March/April period, on average. While the downturn has been milder, the activity indicator does suggest that the duration of subdued activity is going to be longer, making a dip over the course of two quarters and therefore a technical recession more likely.

## Chart 1: ING Weekly Activity Indicator points to very subdued activity at end of year



Source: ING Research

Index, average=100

In a crisis that evolves more by the day than by the quarter, economists have been scrambling to make sense of economic activity with more than the usual monthly or quarterly data sources. As a snapshot indicator, we combine some of the more useful nowcast indicators into a weekly activity index for the eurozone and follow the example of several national central banks, which have come up with similar indicators in recent months. This indicator is in our view particularly useful for the coronavirus crisis as it is designed to detect bigger swings more than small differences in growth rates. For more on the methodology, [please read here](#).

### Author

**Bert Colijn**

Senior Economist, Eurozone

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person

for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.