

Snap | 26 May 2021

Eurozone nowcast indicator shows clear momentum building

The ING Weekly Economic Activity Indicator (WAI) has returned to levels last seen in the summer of 2020. This confirms expectations of a strong rebound upon reopening of economies and shows upside potential to our current 1.4% quarter-on-quarter GDP growth forecast for 2Q



Eurozone GDP was boosted by very strong Irish activity, which is known to be volatile

Our nowcast index has been trending upwards for quite some time now. In the week ending 8 May, the index reached 102.1, which was the highest reading since early March 2020, so around the start of the pandemic in Europe. It dropped slightly to 99.8 in the week after, but remains at levels last seen before the second wave.

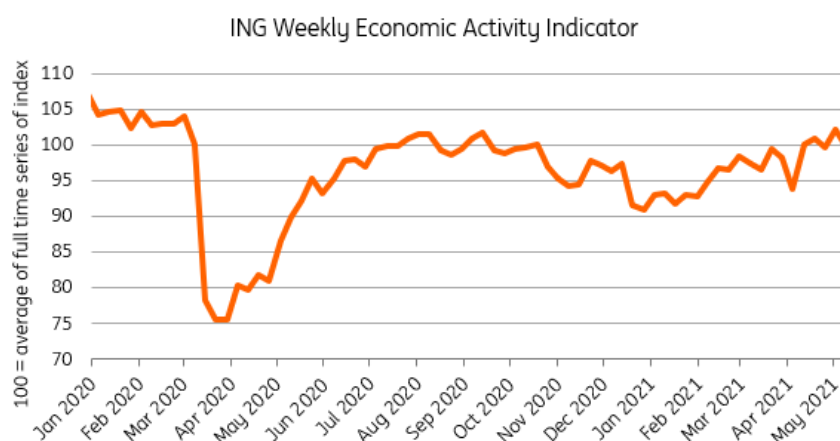
The turning point already occurred in January after which activity has steadily been on the rise. It is quite remarkable that this has happened despite a lack of substantial easings in Covid-19 restrictions in the months leading up to May. As vaccination programmes have picked up speed and more easings are expected, there is further upside to the indicator and to our forecast for second quarter GDP.

Looking at the variables comprising the index, we see that Google searches for unemployment and

benefits have fallen back to the pre-pandemic trend. That indicates that the labour market is improving and that confidence in maintaining employment is rising among people in the eurozone. Electricity use has increased significantly over the first few months of the year, while NO2 emissions remaining below pre-pandemic levels.

Mobility data shows that daily trips to retail and recreation sites has increased quickly in the past four weeks as restrictions eased, and the number of visits to workplaces has reached the highest level since October. The number of trips to essential retail like supermarkets has already surpassed pre-pandemic levels.

The ING WAI has increased to levels last seen before the second wave



Source: ING Research

In a crisis that is evolving 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 high-frequency 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, click [here](#).

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