Eurozone: Nowcast indicator suggests weak start to 2021

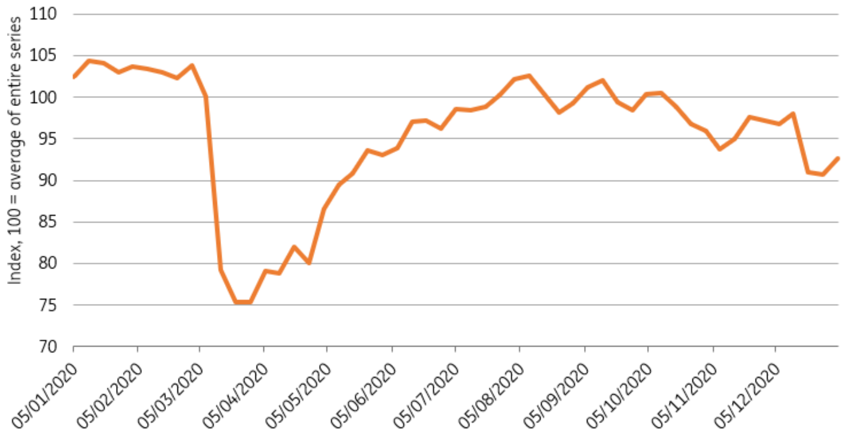
Our ING Weekly Economic Activity Indicator suggests that activity ticked up just slightly from the holiday weeks at the start of January. Don't be fooled, though; there's no break from the trend which continues to point to a slow start to the first quarter

A lone woman walks down the usually bustling Champs-Elysées in Paris

The first full week of January saw a slight uptick in the index, from 90.8 in the week starting December 28 to 92.6 in the one beginning January 4. An improvement in activity was to be expected given the downward impact of the holiday period. Searches for unemployment and benefits increased again, which was also the case for mobility, providing opposing signals for our index. The improvements were also notable in electricity usage and nitrogen dioxide emissions.

Overall, the slight increase in the index does not show a break from the trend. After the August peak in activity, there has been a steady decline in the Weekly Economic Activity Indicator, which has continued into the new year. The level of activity is still much higher than during the first lockdown though, which makes the impact of the second wave on the economy one that is milder but longer lasting.

ING Weekly Economic Activity Indicator points to very subdued activity at end of year



Source: ING Research

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 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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