

The eurozone economy is bottoming out

European stock markets have been rallying as if a strong recovery is in the offing. The November Economic Sentiment Indicator and monetary aggregates paint a more mixed picture for the time being, though there is hope for improvement



Workers building a new ICE train in Berlin

Sentiment up, but employment perspectives down

With a US-China trade deal expected and hopes that a hard Brexit will be avoided, financial markets entered the last quarter in a rather upbeat mood. The underlying economic story is, however, a bit less straight forward.

The European Commission's Economic Sentiment Indicator rose to 101.3 from 100.8 in October, and that was slightly better than expected. All sectors, except for construction, saw a confidence improvement. However, there is no reason to get overexcited just yet. Despite the increase in economic sentiment in November, we are still below September's level. The more cyclical business climate indicator even decreased to -0.23 from -0.20 in October. This chimes with a further fall in the assessment of order books in the industrial sector.

Employment expectations actually declined in all sectors, which might have a dampening effect on consumption. Selling price expectations fell in both industry and services, a sign that eurozone

businesses still have little pricing power.

The eurozone economy in purgatory

The latest batch of data gives the feeling that the economy is still in some kind of purgatory, with the jury still out as to whether the next phase will be heaven or hell. The good news is that the eurozone economy doesn't seem to be weakening any further. But that doesn't mean that a strong upturn is in the offing, certainly not in the short-term. That said, looking at the monetary aggregates for October that were also published today, there is hope for improvement in the course of 2020. As a matter of fact, M1 growth, which is one of the better leading indicators for the eurozone economy, increased to 8.4% in October from 7.9% in September.

Bottom line: near term weakness is still likely, but the hope for improvement in 2020 has not been squandered by today's figures.

Author

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@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>.