

## 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.

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