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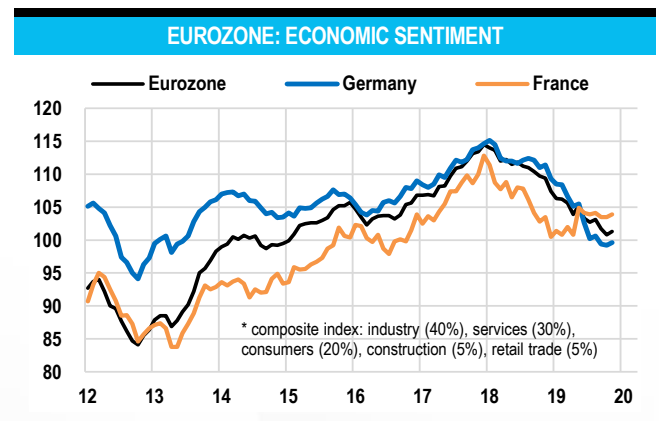
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Global economy: stabilisation, stability, opacity

- Based on business surveys, the cyclical environment, globally, seems to have stabilised. A similar picture emerges for the eurozone and China, whereas in the US it is mixed
- ‘Stability’ characterises the monetary policy outlook. After the announcements in September, the ECB can afford to wait before making a judgment of the effectiveness of its policy stance. For the Federal Reserve, it seems that the bar for envisaging a change in the federal funds rate is high, even more so when it’s about considering a rate hike
- Stabilisation of economic data and a stable, very accommodative monetary stance provide reasons for being hopeful, but this supposes that uncertainty doesn’t increase again. In this respect, unfortunately, the situation remains very opaque. Shifting to a higher gear in terms of growth then becomes more complex.

Recent data releases confirm the signs registered one month ago of a tentative stabilisation of the global cyclical environment. For the eurozone as a whole, the European Commission’s economic sentiment index, increased slightly in November and thus remains above its long-term average. This index covers industry, services, consumers, construction and retail trade. The Commission’s business climate index remained stable. The purchasing managers’ index (PMI) for the manufacturing sector increased further in November and is now close to the level seen in August. The services index on the other hand, declined slightly, to 51.9. Back in August, it was still at 53.5. This development has raised concerns: after a protracted decline of the manufacturing indices, one could fear that the services sector could become a major drag on growth. However, the historical record shows that when the manufacturing sentiment has stabilised, as indeed has been the case as of late, the services sector also tends to see a stabilisation.

Survey data for Germany have rebounded slightly and this has brought relief after a very long and considerable decline in the industrial sector. The PMI manufacturing has rebounded firmly from its low point reached in September and is now close to levels last seen in May. Yet, at 44.1, it remains well below 50, so the contraction continues, albeit at a slower pace. The services PMI has basically been stable in recent months, after the big drop observed in September. The ifo business climate index improved a little in November. Focussing on the expectations component, one observes a rebound in industry, services and trade. The rebound of export expectations in October, from a very low level, was short-lived: November saw a renewed weakening. In France, the business climate, after softening last year, had rebounded in the early part of the year. In recent months it has stabilised at a level well above the long term average. Labour market conditions improved further in November, which bodes well for household spending. In Italy, the manufacturing PMI has been edging down slowly to a low level of 47.6 but services dropped significantly in November (from 52.2 to 50.4). In Spain, both series improved somewhat in November but at 47.5, manufacturing remains under pressure. Services are doing better at 53.2.



Source: European Commission, BNP Paribas

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Economic scenario

ECONOMIC RESEARCH DEPARTMENT



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As far as the US is concerned, the picture is mixed. Having troughed at 50.3 in August, the manufacturing sector Markit PMI has improved in the following months, reaching 52.6 in November. The equivalent index of the Institute for Supply Management (ISM), had dropped below 50 in August. In November it declined an additional 0.2 percentage point to 48.1. The ISM non-manufacturing index had increased significantly in October to 54.7 but declined in November to 53.9. However, the Markit PMI for the services sector saw an improvement (from 50.6 to 51.6). Finally, in China, the Caixin manufacturing PMI has beaten expectations in November (51.8 after 51.7 the month before) whereas the National Bureau of Statistics PMI, which is tilted towards larger companies and state-owned enterprises, picked up to 50.2 (49.3 in October). This has triggered hope of a stabilisation of growth.

As mentioned in the introduction, all in all, these survey indicators point towards a stabilisation of the business climate. This obviously brings relief but the real question is whether there is room for some pick-up in growth. The monetary environment is clearly supportive and will continue to be so. The buzzword seems to be 'monetary stability'. The ECB, after its additional easing measures announced in September, can now afford to wait before making a judgment of the effectiveness of its policy stance. For the Federal Reserve, it seems that the bar for envisaging a change in the federal funds rate is high, even more so when it's about considering a rate hike.

Stabilisation of economic data and a stable, very accommodative monetary stance provide reasons for being hopeful. A renewed increase of uncertainty could turn this into an illusion. In this respect, the situation remains opaque and the latest news on the US-China trade negotiations, where the US administration claims it is not in hurry, as well as the threat of US trade measures targeting Argentina, Brazil and France are there to remind us that the perception of progress in one week can be turned around the next one. Fluctuations in uncertainty instil an attitude of 'wait and see' and reduce the effectiveness of monetary policy. Shifting to a higher gear in terms of growth then becomes more complex.

William De Vijlder

MANUFACTURING PMI

SERVICES PMI

	Developed Markets																			Emerging countries															
	WD	NA										Europe									LATAM	Eurasia			Middle East & Africa				Asia						
		World	USA	CANADA	EURO ZONE	AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE		BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	LEBANON	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA
Jan-19	50.7	53.0	54.9	50.5	52.7	50.3	51.2	49.7	53.7	52.6	47.8	55.1	52.4	54.8	52.8	52.5	52.8	50.3	50.7	52.7	50.9	49.0	48.2	50.9	44.0	48.5	46.5	56.2	50.3	55.8	48.3	48.2	53.9	49.9	51.9
Feb-19	50.6	52.6	53.0	49.3	51.8	51.7	51.5	47.6	54.2	54.0	47.7	52.7	49.9	55.4	52.1	54.0	53.4	48.9	50.4	53.4	52.6	48.6	47.6	50.1	46.4	48.2	46.9	56.6	49.0	53.4	49.9	48.4	54.3	50.1	51.2
Mar-19	50.5	50.5	52.4	47.5	50.0	46.3	49.7	44.1	54.7	53.9	47.4	52.5	50.9	50.3	55.1	51.0	51.6	49.2	50.8	52.8	49.8	47.3	48.7	52.8	47.2	49.9	46.3	56.8	48.5	55.7	50.8	48.0	52.6	51.2	51.9
Apr-19	50.4	49.7	52.6	47.9	49.2	57.6	50.0	44.4	56.6	52.5	49.1	52.0	51.8	48.5	53.1	54.8	52.7	50.2	50.3	51.5	50.1	46.6	49.0	51.8	46.8	50.8	46.7	56.8	48.0	57.8	50.2	48.4	51.8	50.4	52.5
May-19	49.8	49.1	50.5	47.7	48.3	48.6	50.6	44.3	54.2	50.4	49.7	52.2	50.1	48.6	49.4	52.7	50.2	49.8	49.9	50.2	50.0	46.6	48.8	49.8	49.3	48.2	46.3	57.3	48.2	59.4	50.2	46.9	52.7	51.6	52.0
Jun-19	49.4	49.2	50.6	47.6	47.5	48.2	51.9	45.0	52.4	49.8	48.4	50.7	47.9	47.7	48.0	49.4	51.1	49.3	49.6	51.0	49.2	45.9	48.4	48.6	47.9	49.2	46.3	57.4	49.2	57.7	49.4	47.9	52.1	50.6	52.5
Jul-19	49.3	50.2	50.4	46.5	47.0	49.1	49.7	43.2	54.6	48.7	48.5	50.7	48.2	44.7	48.0	51.3	48.2	49.4	49.8	49.9	49.8	43.1	47.4	49.3	46.7	50.3	47.7	56.6	50.2	55.1	49.9	43.6	52.5	49.6	52.6
Aug-19	49.5	49.1	50.3	47.0	47.9	48.7	51.1	43.5	54.9	48.6	48.7	51.6	48.8	47.2	47.4	53.1	48.6	49.3	49.9	52.5	49.0	44.9	48.8	49.1	48.0	49.4	47.8	57.0	46.5	51.6	50.4	40.8	51.4	49.0	51.4
Sep-19	49.7	51.0	51.1	45.7	45.1	50.5	50.1	41.7	53.6	48.7	47.8	51.6	47.7	44.6	48.3	54.7	48.8	48.9	49.5	53.4	49.1	44.9	47.8	46.3	50.0	49.5	46.4	57.3	45.1	51.1	51.4	41.5	51.4	49.1	50.5
Oct-19	49.8	51.2	51.3	44.9	45.6	50.0	50.7	42.4	53.5	50.7	47.7	50.3	46.8	49.4	49.6	51.6	52.6	48.4	49.6	52.2	50.4	43.0	49.6	47.2	49.0	49.2	48.3	57.4	48.1	51.1	51.7	39.0	50.6	47.7	50.0
Nov-19	50.3	51.4	52.6	46.9	46.1	53.0	51.7	44.1	54.1	49.7	47.6	49.6	47.5	48.8	48.9	48.1	48.9	49.8	52.9	48.0	43.5	46.7	45.6	49.5	47.9	37.0	58.3	47.7	51.8	38.9	51.2	48.2	51.0		



Source: Markit, BNP Paribas

	World	USA	EURO ZONE	FRANCE	GERMANY	IRELAND	ITALY	SPAIN	UK	AUSTRALIA	JAPAN	BRAZIL	RUSSIA	LEBANON	CHINA	HONG KONG	INDIA
Jan-19	52.6	54.8	51.2	47.8	53.0	54.2	49.7	54.7	50.1	45.2	51.6	52.0	54.9	46.5	53.6	48.2	52.2
Feb-19	53.3	56.0	52.8	50.2	55.3	55.9	50.4	54.5	51.3	46.7	52.3	52.2	55.3	46.9	51.1	48.4	52.5
Mar-19	53.7	55.9	53.3	49.1	55.4	55.3	53.1	56.8	48.9	45.9	52.0	52.7	54.1	46.3	54.4	48.0	52.0
Apr-19	52.7	53.0	52.8	50.5	55.7	54.7	50.4	53.1	50.4	47.6	51.8	49.9	52.6	46.7	54.5	48.4	51.0
May-19	51.6	50.9	52.9	51.5	55.4	57.0	50.0	52.8	51.0	52.3	51.7	47.8	52.0	46.3	52.7	46.9	50.2
Jun-19	51.9	51.5	53.6	52.9	55.8	56.9	50.5	53.6	50.2	51.4	51.9	48.2	49.7	46.3	52.0	47.9	49.6
Jul-19	52.5	53.0	53.2	52.6	54.5	55.0	51.7	52.9	51.4	44.4	51.8	52.2	50.4	47.7	51.6	43.8	53.8
Aug-19	51.8	50.7	53.5	53.4	54.8	54.6	50.6	54.3	50.6	52.3	53.3	51.4	52.1	47.8	52.1	40.8	52.4
Sep-19	51.4	50.9	51.6	51.1	51.4	53.1	51.4	53.3	49.5	51.8	52.8	51.8	53.6	46.4	51.3	41.5	48.7
Oct-19	51.0	50.6	52.2	52.9	51.6	50.6	52.2	52.7	50.0	55.2	49.7	51.2	55.6	48.3	51.1	39.9	49.2
Nov-19	51.6	51.9	52.2	51.7	53.7	50.4	53.2	49.3	53.7	50.3	55.6	37.0	53.5	38.5	52.7		



Source: Markit, BNP Paribas