

Activity is running out of steam in Europe, the 5th wave is the explanation

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The uncertainty linked to the new variant of the Covid weighs on economic activity in December.

All the survey indicators for the month are deteriorating. This is particularly the case for indices linked to services.

This dynamic is in line with what has been happening since the start of the health crisis since health constraints first apply to services.

In France, the business climate index fell by almost 4 points while remaining well above the average at 100. The level of 109.6 in December still reflects a sharp increase in activity. Nevertheless, the level of this indicator is below its quarterly average, effectively showing a downturn in activity. However, its average level in the last quarter is higher than its average for the 3rd quarter. The hypothesis of a positive growth rate in Q4 cannot be called into question with regard to this indicator even if the profile is no longer at acceleration, as shown in the second graph.

The inflection of activity can be seen when we compare the composite indicators (calculated on the production of the manufacturing and service sectors).

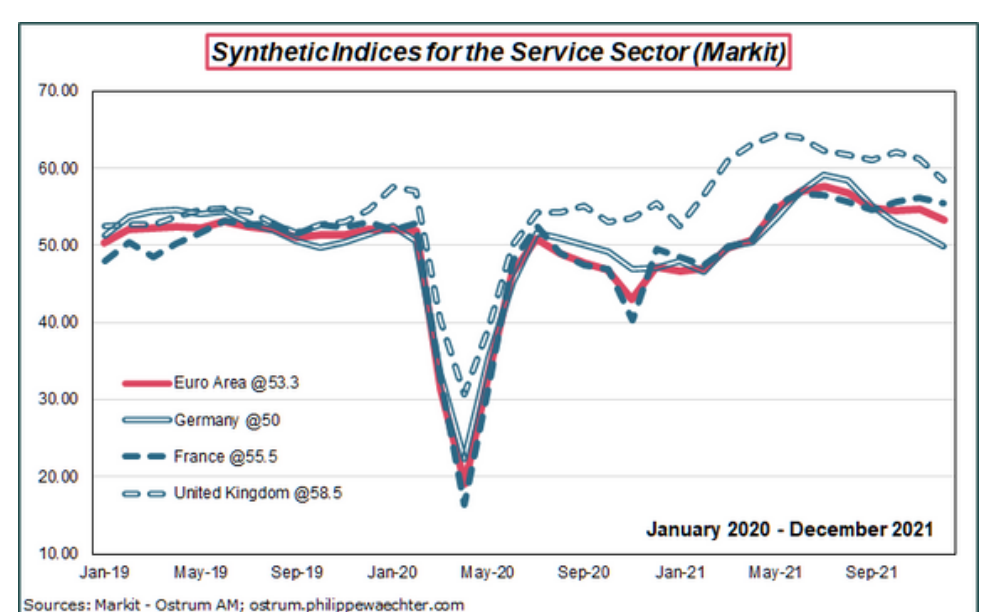
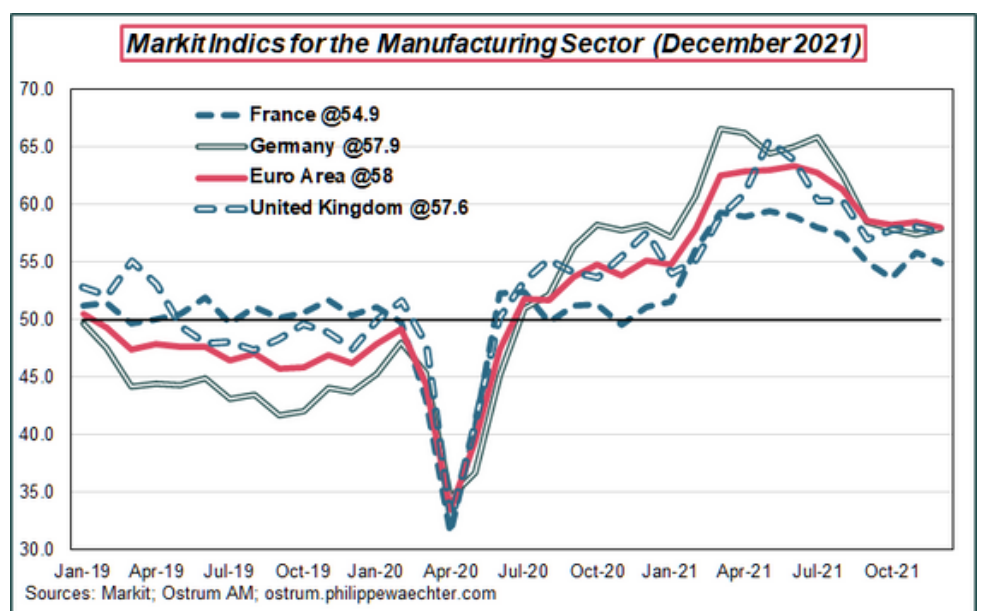
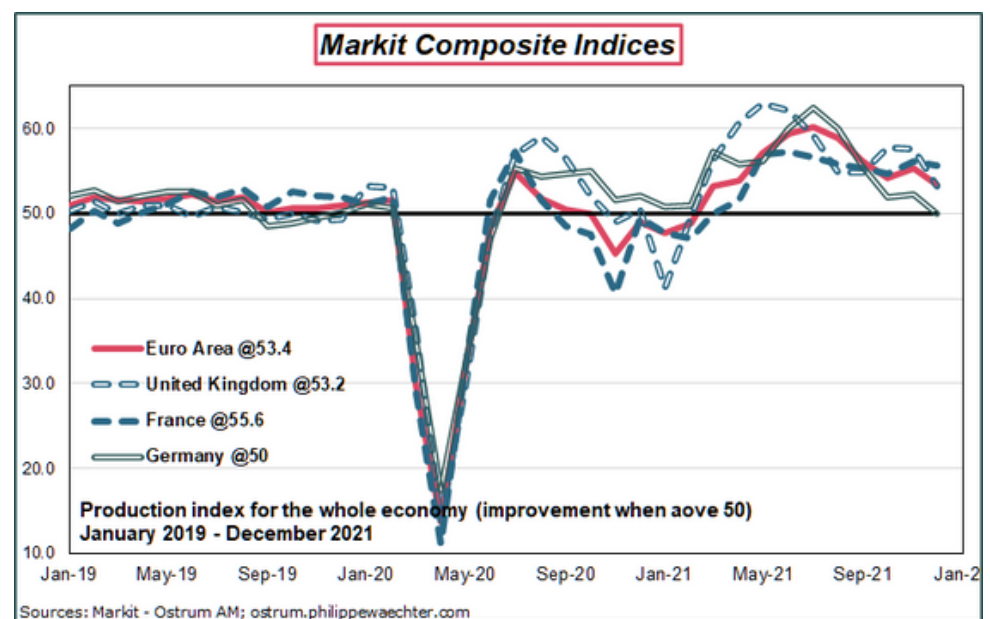
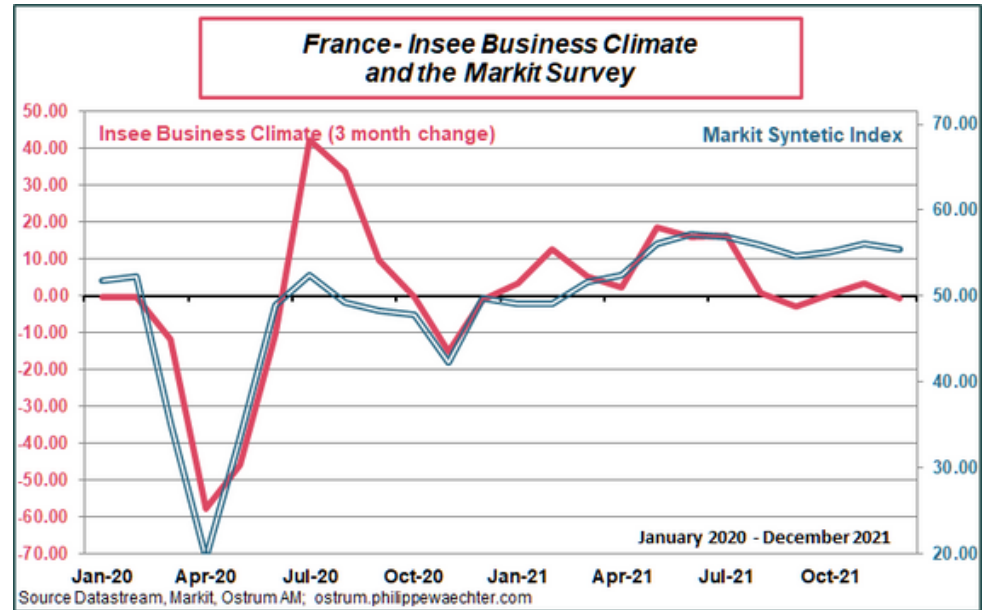
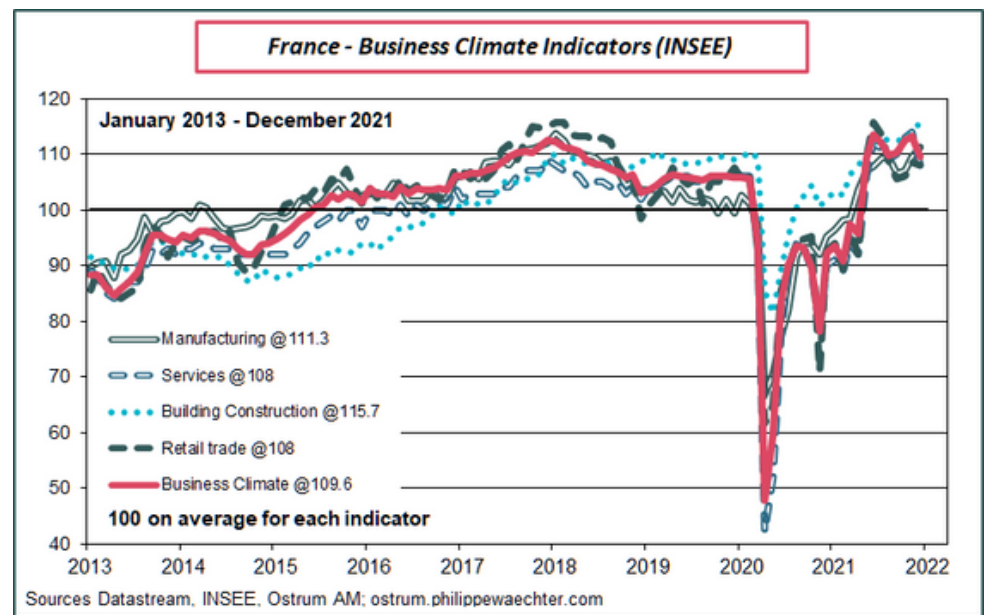
The movement is particularly strong in Germany. The composite index is at 50. It reflects the impact of the lower increase in the manufacturing index. This shows the smaller impetus from China since last summer (this is also well observed via the IFO (which we will have tomorrow)).

In services, due to the very high incidence rates since November, activity is slowing down sharply.

The synthetic index of services which is a weighted average of different measures of activity in services fell to 50 in December. The synthetic index of the manufacturing sector fell sharply in Q4 to 57.7 against 62.3 during the summer and for the services index, the decline was even stronger to 51.5 in the last quarter against 57.6 during the summer. **German GDP growth momentum in Q4 will be low.**

While the French indicators are rather stable in the Markit survey, the European indices are pulled down by Germany.

The British mystery remains. The optimism of business leaders continues to surprise me !!!



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