Data Insights: Euro Area Recovery Monitor
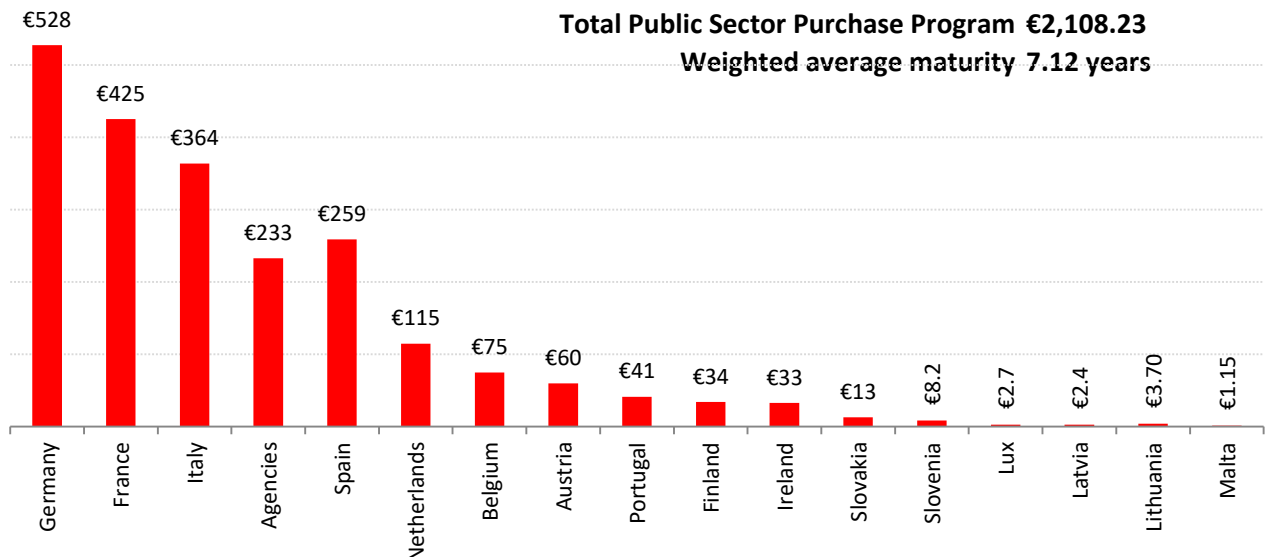
Thursday, January 23, 2020

Euro-QE: its *baaack!* (€ billions)

Private sector €187.07

Covered bonds 2 €2.91

Public sector €2,108.23

Securities Markets Programme €47.91

Asset Backed Securities €28.57

Covered bonds 1 €1.72

Covered bonds 3 €265.01

€528 — Germany
€425 — France
€364 — Italy
€233 — Agencies
€259 — Spain
€115 — Netherlands
€75 — Belgium
€60 — Austria
€41 — Portugal
€34 — Finland
€33 — Ireland
€13 — Slovakia
€8.2 — Slovenia
€2.7 — Lux
€2.4 — Latvia
€3.70 — Lithuania
€1.15 — Malta

Total Public Sector Purchase Program €2,108.23
Weighted average maturity 7.12 years
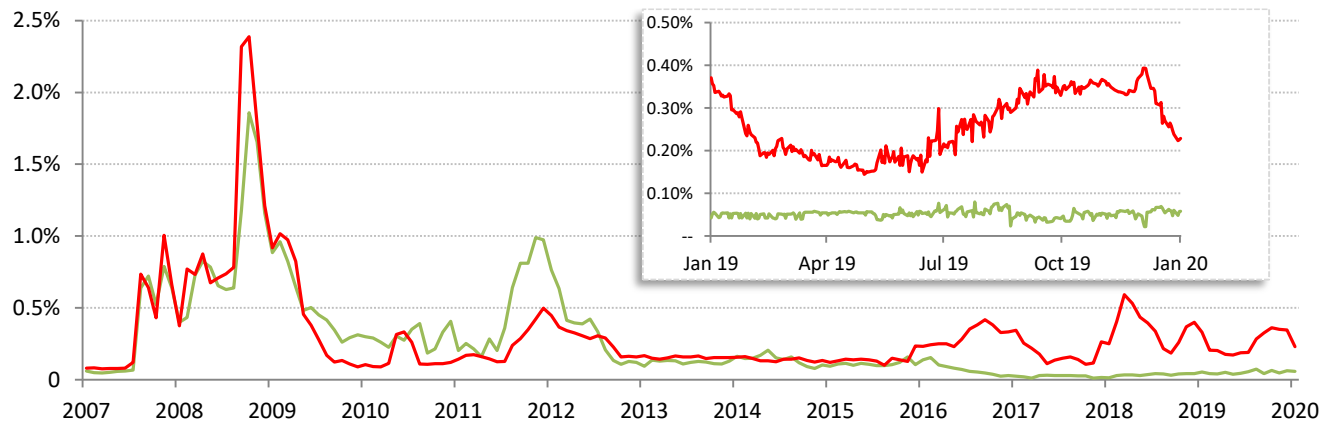
Source: ECB, TrendMacro calculations

Banking system dependency: borrowing from the ECB (€ billions)

··· Total LTRO ■ Spain ■ Italy ■ Portugal ■ Ireland ■ Greece ■ France ■ Germany ■ Other
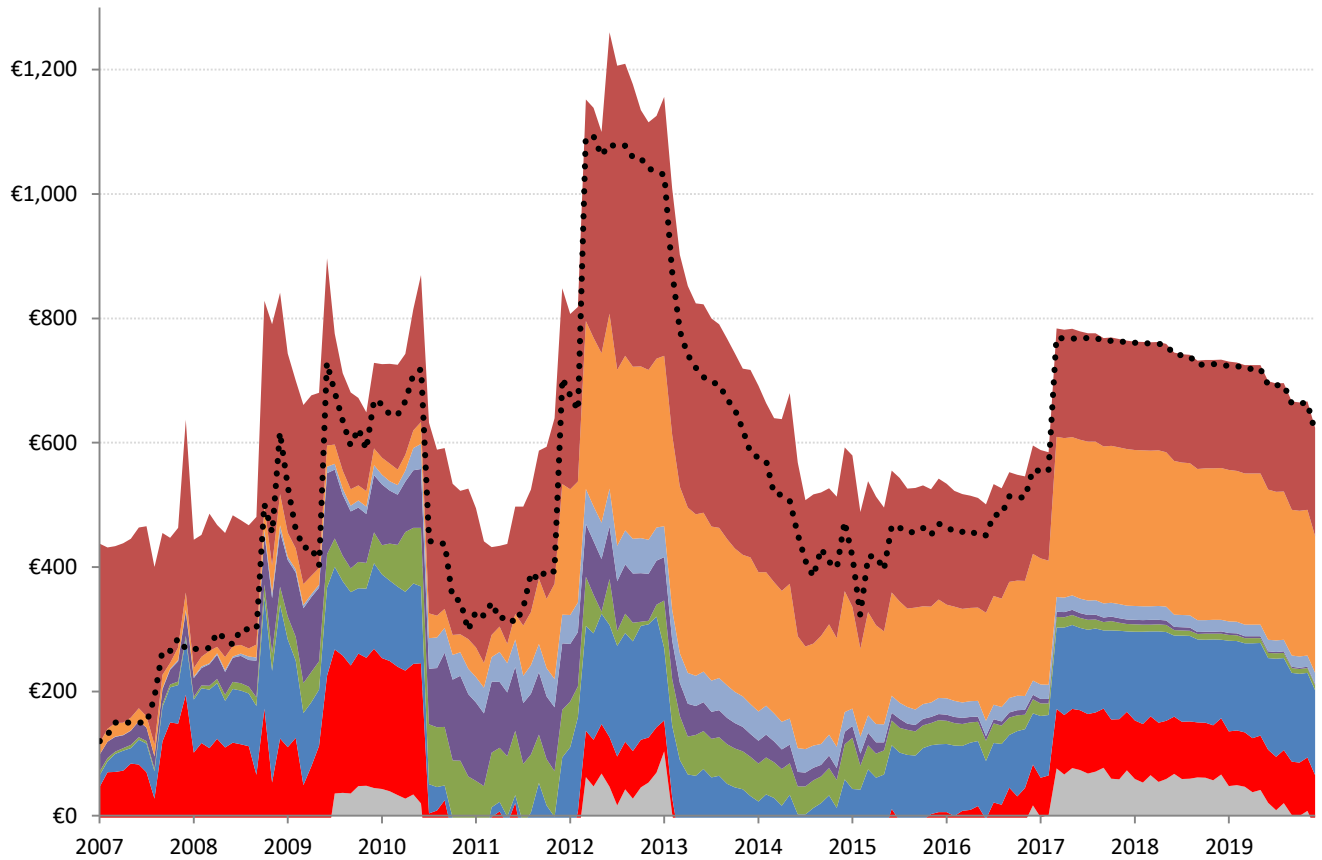
Source: ECB, National central banks, TrendMacro calculations
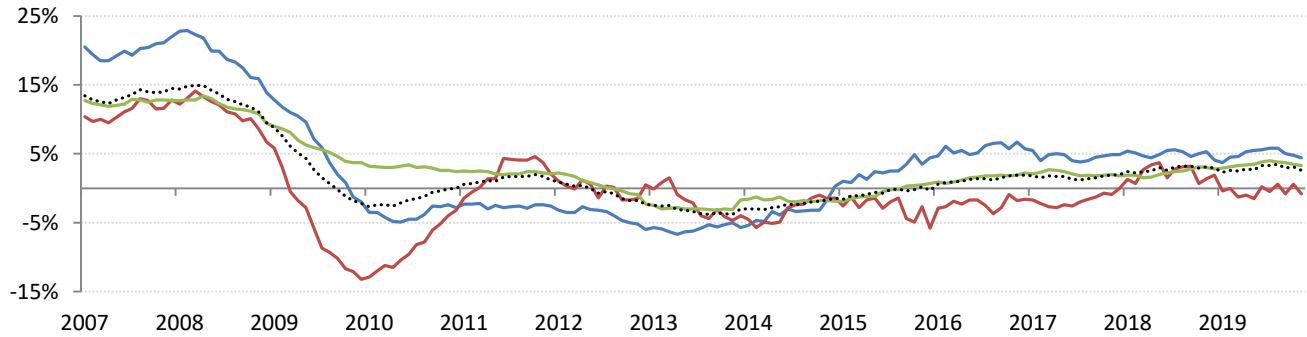
Bank stability: 90-day LIBOR/OIS spreads — USD — EUR

Source: Bloomberg, TrendMacro calculations

2

The credit drought: loans to non-financial businesses (YOY growth)
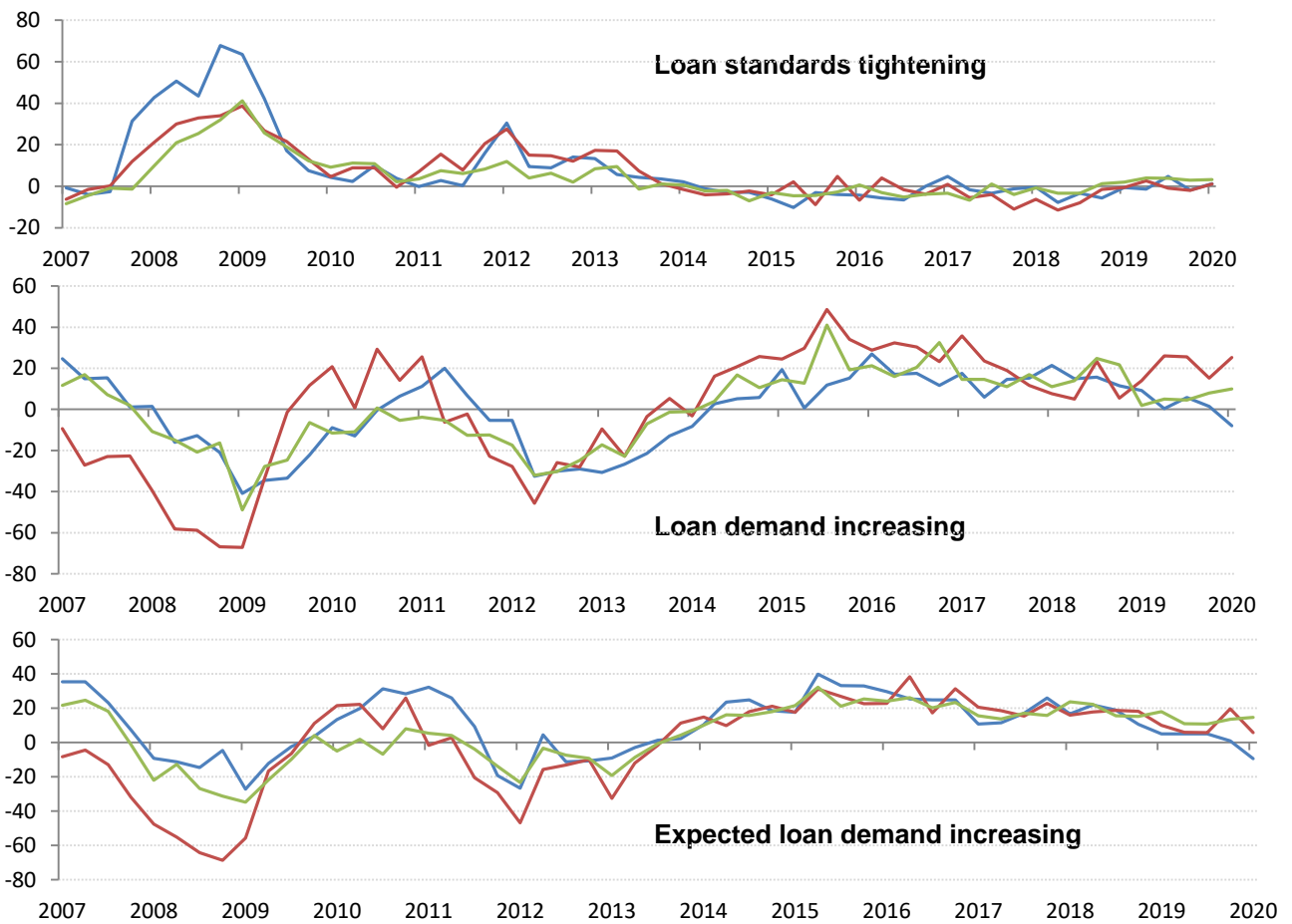
— Loans to 1 year — Loans 1-5 years — Loans 5 years plus ··· Total

Source: ECB, TrendMacro calculations

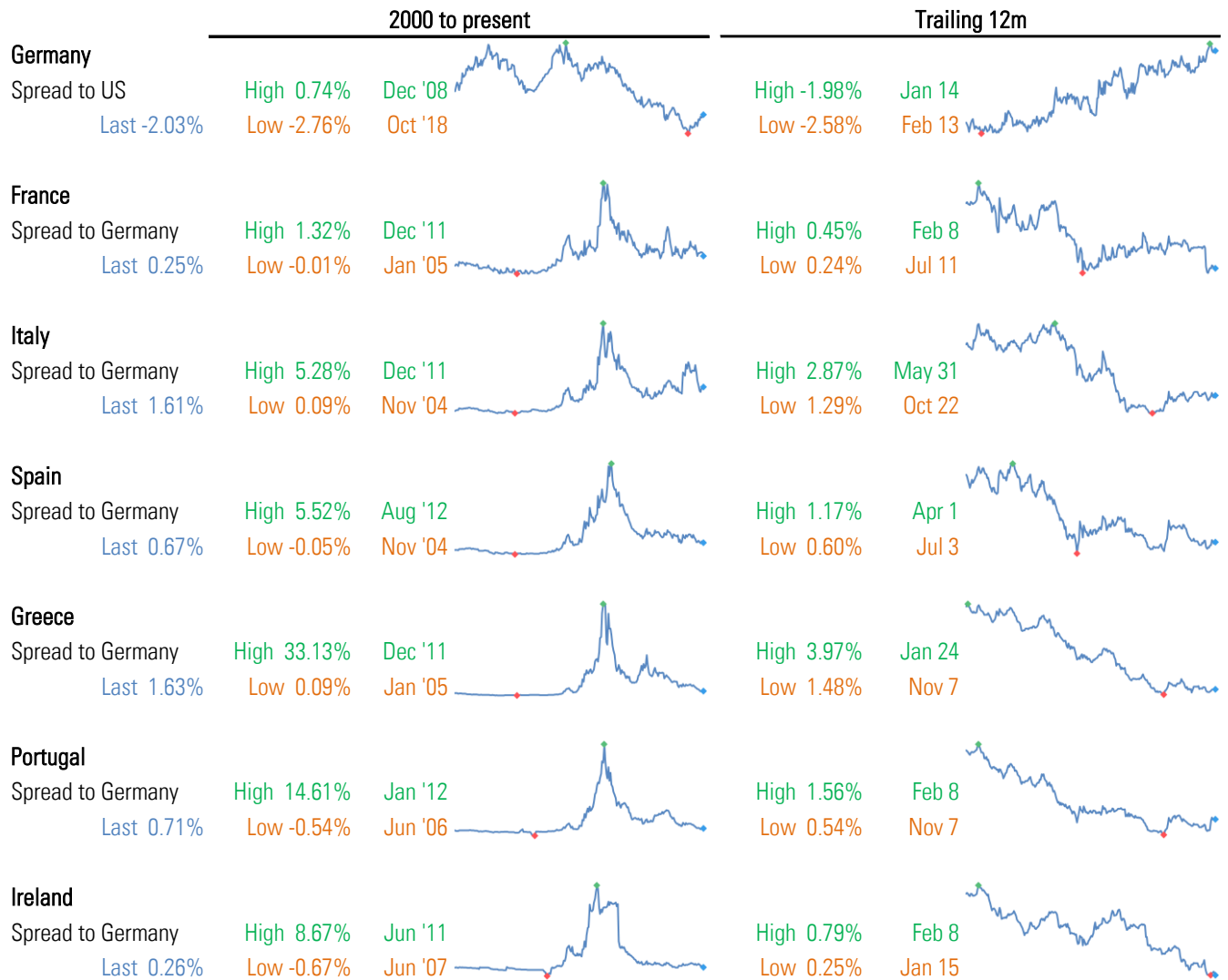## Supply and demand for lending: ECB Bank Survey

Net number of banks reporting for: — Enterprises — Home mortgage — Consumer

Loan standards tightening

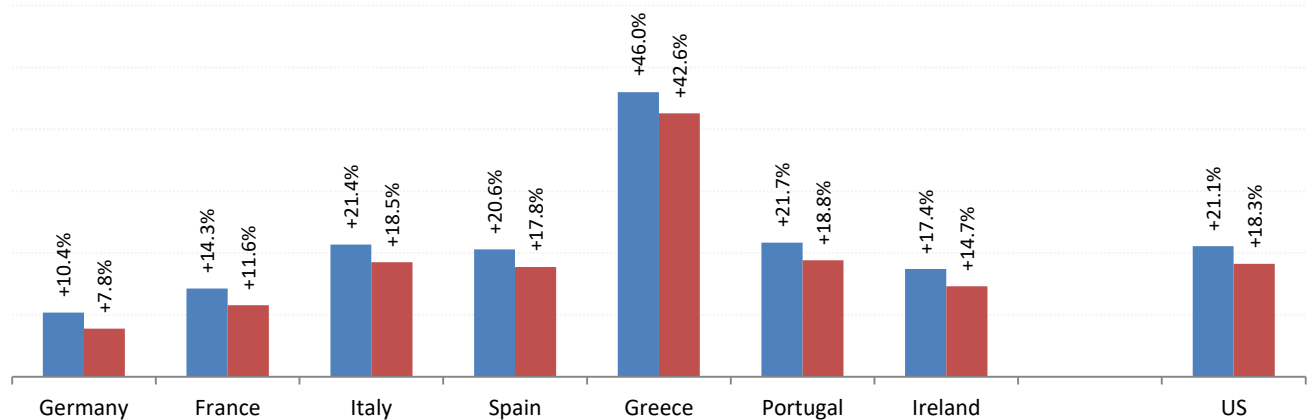**Loan demand increasing**

Expected loan demand increasing

Source: ECB, TrendMacro calculations

Sovereign stress monitor: 10-year bond spreads   · High · Low · Last

	2000 to present	Trailing 12m

Germany
Spread to US   High 0.74%   Dec '08   High -1.98%   Jan 14
Last -2.03%   Low -2.76%   Oct '18   Low -2.58%   Feb 13

France
Spread to Germany   High 1.32%   Dec '11   High 0.45%   Feb 8
Last 0.25%   Low -0.01%   Jan '05   Low 0.24%   Jul 11

Italy
Spread to Germany   High 5.28%   Dec '11   High 2.87%   May 31
Last 1.61%   Low 0.09%   Nov '04   Low 1.29%   Oct 22

Spain
Spread to Germany   High 5.52%   Aug '12   High 1.17%   Apr 1
Last 0.67%   Low -0.05%   Nov '04   Low 0.60%   Jul 3

Greece
Spread to Germany   High 33.13%   Dec '11   High 3.97%   Jan 24
Last 1.63%   Low 0.09%   Jan '05   Low 1.48%   Nov 7

Portugal
Spread to Germany   High 14.61%   Jan '12   High 1.56%   Feb 8
Last 0.71%   Low -0.54%   Jun '06   Low 0.54%   Nov 7

Ireland
Spread to Germany   High 8.67%   Jun '11   High 0.79%   Feb 8
Last 0.26%   Low -0.67%   Jun '07   Low 0.25%   Jan 15

10-year sovereign bond total returns, trailing 12-months   ■ EUR   ■ USD

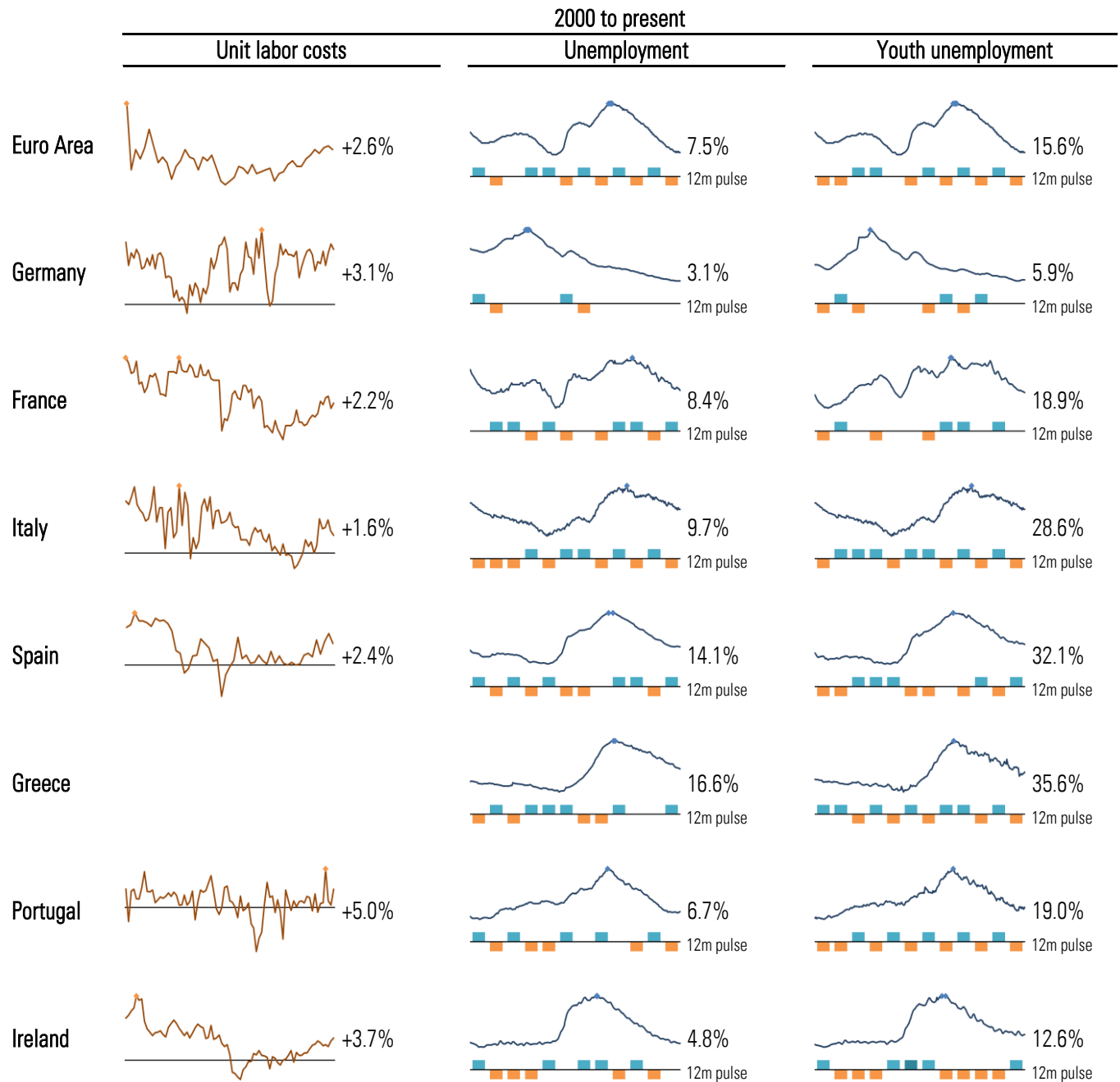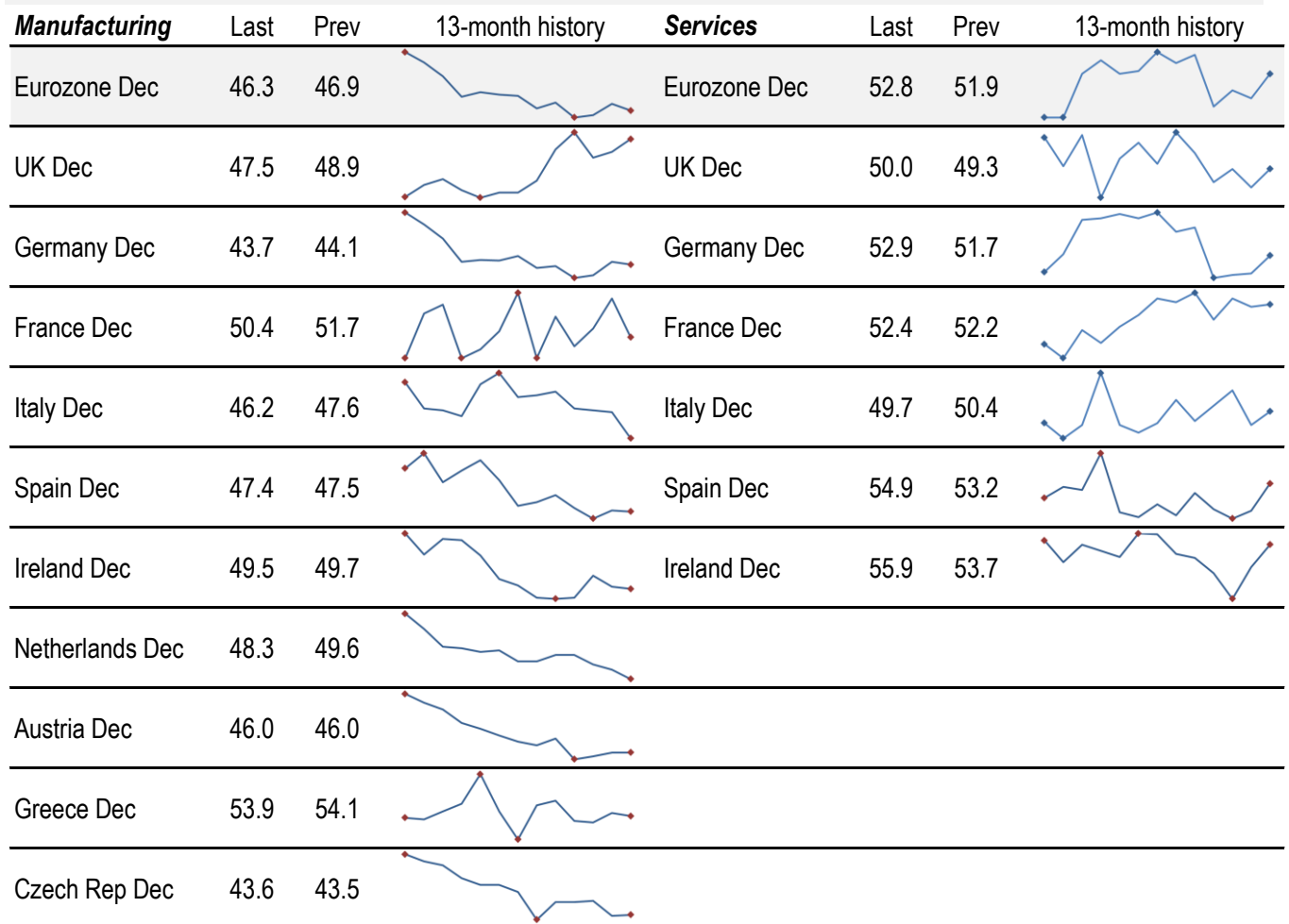| Country	EUR	USD
Germany	+10.4%	+7.8%
France	+14.3%	+11.6%
Italy	+21.4%	+18.5%
Spain	+20.6%	+17.8%
Greece	+46.0%	+42.6%
Portugal	+21.7%	+18.8%
Ireland	+17.4%	+14.7%
US	+21.1%	+18.3%

Source: Bloomberg, TrendMacro calculations

Labor market in intensive care

ULC: Nominal, quarterly YOY   UE: · High   12m pulse: monthly ■improvement or ■worsening in rate of change

	2000 to present	
Unit labor costs	Unemployment	Youth unemployment

Euro Area — Unit labor costs +2.6% | Unemployment 7.5% · 12m pulse | Youth unemployment 15.6% · 12m pulse

Germany — Unit labor costs +3.1% | Unemployment 3.1% · 12m pulse | Youth unemployment 5.9% · 12m pulse

France — Unit labor costs +2.2% | Unemployment 8.4% · 12m pulse | Youth unemployment 18.9% · 12m pulse

Italy — Unit labor costs +1.6% | Unemployment 9.7% · 12m pulse | Youth unemployment 28.6% · 12m pulse

Spain — Unit labor costs +2.4% | Unemployment 14.1% · 12m pulse | Youth unemployment 32.1% · 12m pulse

Greece — Unemployment 16.6% · 12m pulse | Youth unemployment 35.6% · 12m pulse

Portugal — Unit labor costs +5.0% | Unemployment 6.7% · 12m pulse | Youth unemployment 19.0% · 12m pulse

Ireland — Unit labor costs +3.7% | Unemployment 4.8% · 12m pulse | Youth unemployment 12.6% · 12m pulse

Source: Eurostat, TrendMacro calculations

Purchasing Manager Indices

| Manufacturing	Last	Prev	13-month history	Services	Last	Prev	13-month history
Eurozone Dec	46.3	46.9		Eurozone Dec	52.8	51.9	
UK Dec	47.5	48.9		UK Dec	50.0	49.3	
Germany Dec	43.7	44.1		Germany Dec	52.9	51.7	
France Dec	50.4	51.7		France Dec	52.4	52.2	
Italy Dec	46.2	47.6		Italy Dec	49.7	50.4	
Spain Dec	47.4	47.5		Spain Dec	54.9	53.2	
Ireland Dec	49.5	49.7		Ireland Dec	55.9	53.7	
Netherlands Dec	48.3	49.6					
Austria Dec	46.0	46.0					
Greece Dec	53.9	54.1					
Czech Rep Dec	43.6	43.5					

Source: Markit, TrendMacro calculations

Regional currency flight — Euro vs Swiss franc ···· Swiss National Bank floor ■ SNB FX reserves
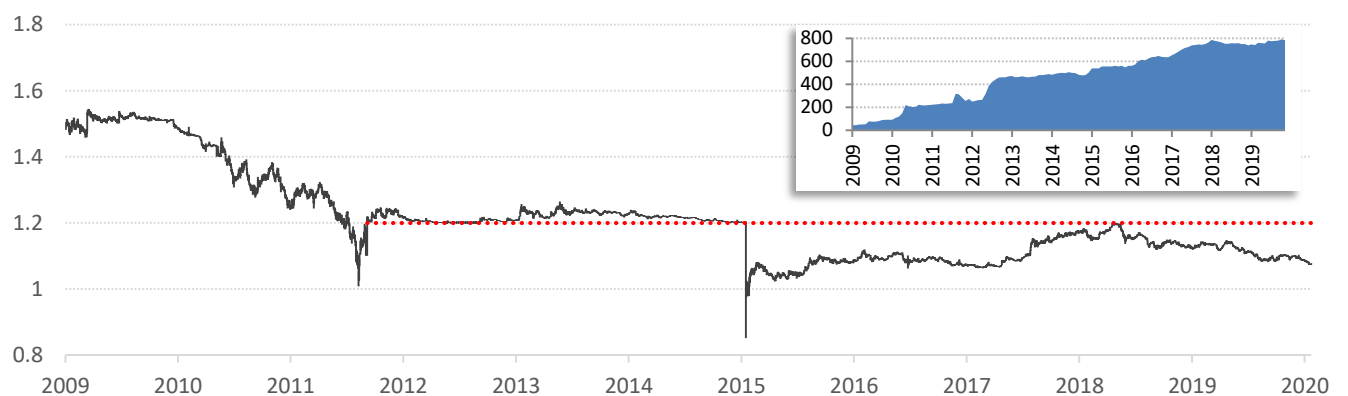
Source: Bloomberg, TrendMacro calculations

Euro area consumer inflation, year on year
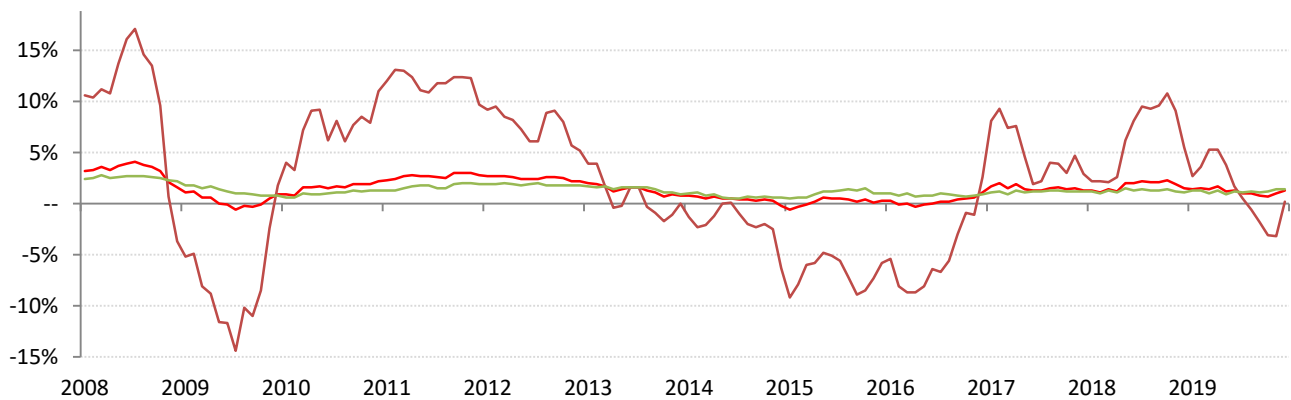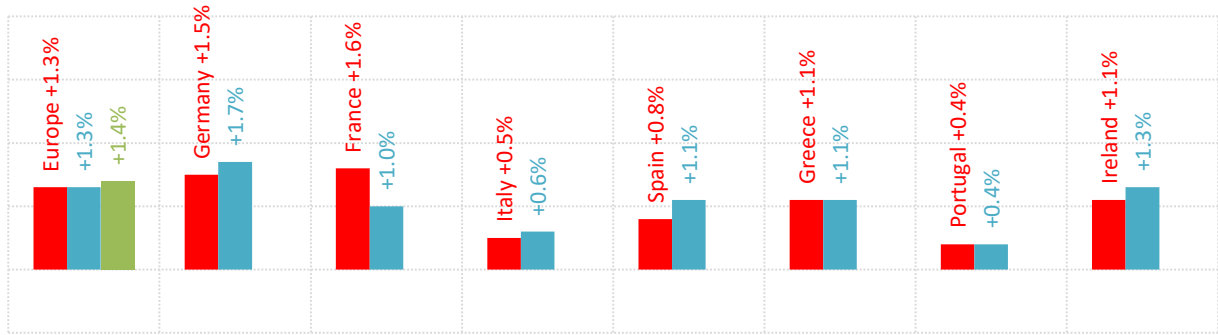
Source: Eurostat, TrendMacro calculations

Draghi's old dashboard:
swap-implied inflation expectations since "Whatever it takes"

— 5-year inflation-swap rate, 5 years forward

Source: Bloomberg, TrendMacro calculations