Focus

The monthly published purchasing managers' index, the PMI, decreased in recent months in the Eurozone. In September 2019, for example, the PMI reached 50.4, the lowest level in six years time. According to some analysts, this decrease signals a significant slowdown in economic growth in the Eurozone and might indicate the beginning of a new recession. But what exactly does the PMI say about the current state of the economy?

The PMI reflects purchasing managers' confidence in the economy. A panel of purchasing managers is asked to fill in a questionnaire on a monthly basis. The questionnaire is used to collect data on the current situation of companies in the Eurozone and focuses on a list of indicators. The five major indicators examined are the order portfolio, production, stocks, deliveries from suppliers and employment.

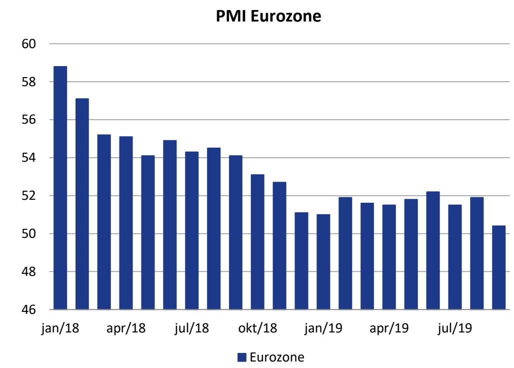
Because the index is based on quantitative data, the development and movement of the PMI is often seen as an effective indicator for measuring economic health. A score of 50 indicates that there has been no change in economic activity compared to the previous period, a score above 50 means more economic activity and a score below 50 indicates a contraction.

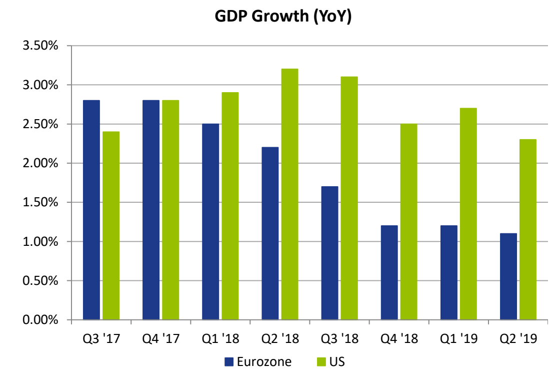
The PMI is a useful tool for measuring confidence in the economy. Investors often use PMI surveys as leading indicators of economic health given their understanding of sales, employment, inventory and pricing. Central banks use the results of PMI surveys in their assessment of the current state of the economy, in order to formulate monetary policies.

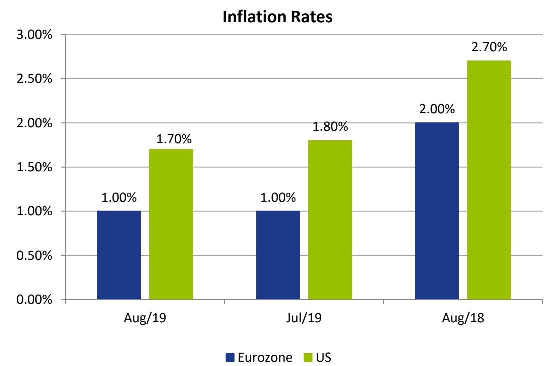
Despite the popularity of the PMI, PMI’s are not conclusive and perfect tools. The perspective of consumers, for example, is not taken into account in PMI’s. To create a total view you need to use several economic indicators when determining economic health. The economic health can therefore not only be derived from the purchasing manager's index, but certainly offers a perspective.

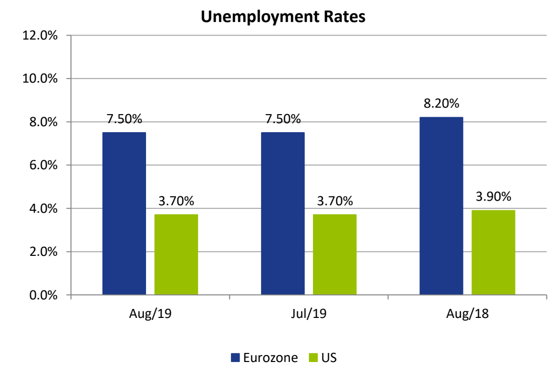
Upcoming publications of macroeconomic indicators

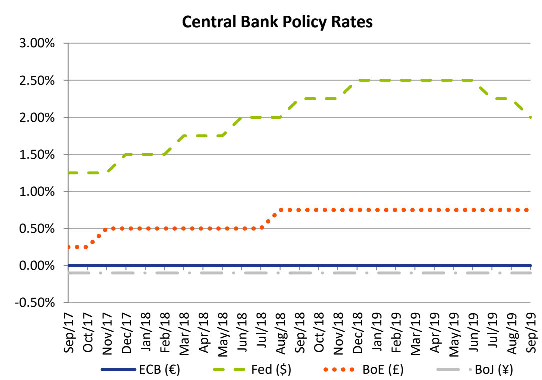
04 October 2019:	Unemployment rates US
08 October 2019:	Producer price index US
16 October 2019:	Consumers Price Index EU
17 October 2019:	Gross Domestic Product China
24 October 2019:	Interest rate decision ECB
30 October 2019:	Interest rate decision Fed











Country Ratings	S&P	Moody's	Fitch
Netherlands	AAA	Aaa	AAA
Germany	AAA	Aaa	AAA
France	AA	Aa2	AA
United Kingdom	AA	Aa2	AA
Russia	BBB-	Baa3	BBB-
United States	AA+	Aaa	AAA
Japan	A+	A1	A
China	A+	A1	A+
Australia	AAA	Aaa	AAA

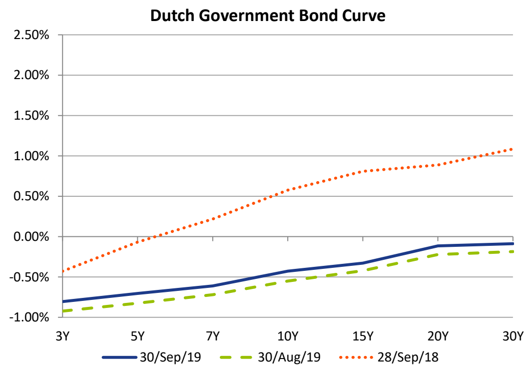
ZANDERS
TREASURY ▪ RISK ▪ FINANCE

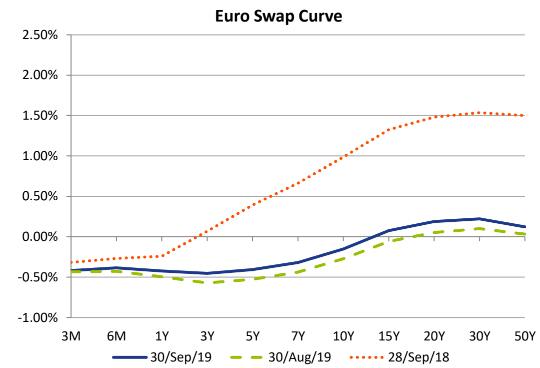
Review & Outlook

In September 2019, the European Central Bank (ECB) and Federal Reserve (Fed) both adjusted their monetary policies. While the ECB kept the refinancing rate, constant at 0.00%, the ECB did resume their QE programme at a rate of EUR 20 billion per month. The ECB also lowered the deposit rate from -0.4% to -0.5%. According to president of the ECB Mario Draghi, the measures are necessary to stimulate inflation as the world economy cools down, as a result of Brexit, Trumps 'escalating' trade wars and a possible recession in Germany. The measures were criticized by Germany and the Netherlands. For example, Klaas Knot, president of De Nederlandsche Bank, and Jens Weidmann, president of the Bundesbank, both indicated that the side effects will be far-reaching, while it is uncertain whether the measures will achieve the intended objective. Draghi will be succeeded in November by Christine Lagarde, who is not expected to pursue a rigorously different policy than her predecessor.

The Federal Reserve (Fed) lowered its main policy rate for the second time in a row on 18 September to a bandwidth between 1.75% and 2.00%. Chairman of the Fed Jerome Powell stated that lowering the rate is "an insurance" against adverse economic developments. President Trump lashed out at Powell in a reaction. According to him, interest rates are not decreasing fast enough, leading to unfair competition between the dollar and the euro. In his speech, he indicated that he would also like to see negative interest rates in the US. However, a majority of the Federal Open Market Committee indicated in the last meeting that they did not want to lower the interest rate further this calendar year.

In September, the Organization for Economic Cooperation and Development (OECD) announced that economic growth in OECD countries fell slightly in Q2 of 2019. According to a preliminary estimate, growth fell from 0.7% in Q1 to 0.6% in Q2 2019. China also presented disappointing economic figures. For example, industrial production rose by 4.4% on an annual basis in August, the lowest increase since 2002. According to analysts, this is a sign that the monetary easing measures taken by the Chinese central bank are not sufficient to offset the effects of the trade war with the US. Meanwhile, negotiations with the US on a new trade agreement have not been running smoothly. A new round of official negotiations is planned for October 2019.





Bank Ratings	S&P	Moody's	Fitch
Rabobank	A+	Aa3	AA-
ING Bank	A+	Aa3	AA-
ABN AMRO	A	A1	A+
BNG Bank	AAA	Aaa	AAA
NWB Bank	AAA	Aaa	n.a.
Deutsche Bank	BBB+	A3	BBB
BNP Paribas	A+	Aa3	AA-
Barclays Bank	A	A2	A+
Credit Suisse Int.	A+	A1	A-

Currencies	30/Sep/19	30/Aug/19	28/Sep/18
EUR/USD	1.090	1.098	1.160
EUR/GBP	0.887	0.904	0.890
EUR/CHF	1.088	1.089	1.140
EUR/JPY	117.795	116.825	131.930
EUR/DKK	7.466	7.458	7.457
EUR/SEK	10.725	10.799	10.316
EUR/CAD	1.443	1.462	1.498
EUR/AUD	1.615	1.632	1.607
EUR/CNY	7.791	7.866	7.971