Weekly Europe Briefing — November 20, 2026

1. Snapshot

Major economies

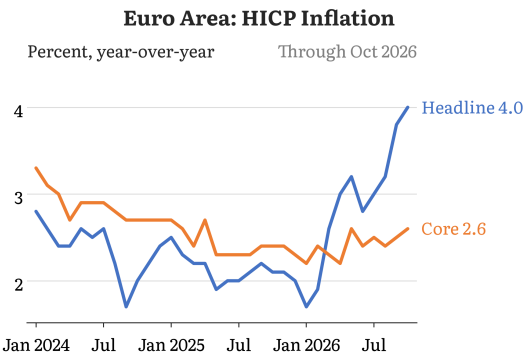
Country	GDP (y/y)	Inflation	Core infl.	Unemp.	Policy rate	10y yield
Euro Area	1.3%	4.0%	2.6%	6.6%	2.50%	3.37%
Germany	1.2%	2.9%	2.3%	4.1%	2.50%	3.37%
France	-0.1%	3.7%	1.9%	8.5%	2.50%	4.87%
Italy	0.8%	5.6%	2.3%	6.3%	2.50%	4.68%
Spain	2.7%	4.9%	3.6%	10.3%	2.50%	4.07%
United Kingdom	1.9%	3.6%	2.8%	4.6%	4.00%	5.27%
Switzerland	3.0%	1.5%	0.9%	—	0.00%	0.51%

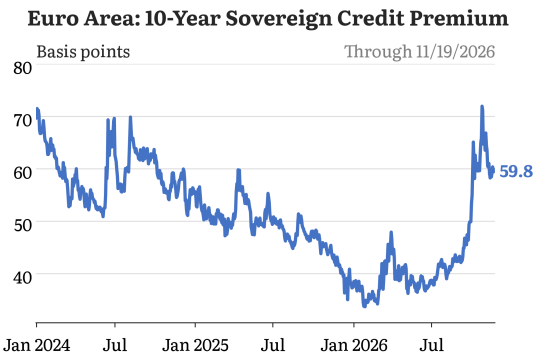
Real GDP and inflation are year-over-year; euro-area members share the ECB policy rate. UK inflation (headline and core) and Swiss headline inflation are national CPI; Swiss core and the others are HICP. Unemp. is Aug 2026 for the United Kingdom, Sep 2026 for the rest. Policy rate is the Oct 2026 end-of-month rate for Switzerland and current for the rest. 10y yield is the Oct 2026 average for Italy, Spain, and Switzerland and the latest daily close for the rest.

Additional Euro Area and UK Data

Metric	Latest	As of
Real GDP (q/q)	0.4%	Q3 2026
Labor productivity (y/y)	0.6%	Q2 2026
Negotiated wages (y/y)	2.6%	Q3 2026
ECB main refi rate	2.65%	20 Nov 2026
EUR/USD	1.103	13 Nov 2026
GBP/USD	1.321	13 Nov 2026







Eurostat, the ECB, the Bundesbank, the Banque de France, the Bank of England, the ONS, the BIS, the OECD, the IMF and the Federal Reserve, via FRED and the agencies' own APIs; author's calculations.

2. Euro Area Macro

The euro area ended the week with headline inflation at 4.0%, its highest in three years, but the composition of that number matters more than its level. Energy is running at 21% and accounts for almost all of the rise. Services held at 3.3%, non-energy industrial goods at 1.2% and food at 1.5%. The final release revised core up a tenth to 2.6%. Negotiated wages grew 2.57% in the third quarter, inside the 2.5 to 2.6% band they have held all year, and compensation per employee is only slightly above 3%. That is not an economy where an energy shock is feeding into pay. Lane said the ECB expects inflationary pressures to broaden over the next two quarters, and German producer prices rose 8.1% on the year in October. The Commission's autumn forecast frames the trade-off. It sees euro-area growth of 1.2% in both 2026 and 2027, a headline inflation peak above 4% between late this year and early next, and unemployment just above 6%. Growth is mediocre and inflation is high, but it is far from a stagflationary spiral.

The policy call is converging on a December 17 hike to 2.75% that marks the end of the cycle. SGH calls the December move all but certain and leaves a March hike to 3% open if second-round effects appear. Goldman and Berenberg both see 2.75% as the peak. This week's evidence favors the one-and-done camp. Core is drifting up, but wages are not, and the activity data give the ECB little reason to keep going. Consumer confidence rose a point to -16.9 in November, still deeply depressed. Industrial production rose 0.2% in September after a 0.5% fall. The manufacturing PMI is at its highest since 2022.

In Germany, the ZEW expectations index jumped to a nine-month high of 35.6. Current conditions rose to -33.2, the best since April 2023 but still negative. GDP grew 1.0% over the first three quarters after flatlining from 2022 to 2025. The third-quarter flash, a 0.9% annualized gain, sits awkwardly against real retail sales down 1.5% on the year, so next week's final release is worth watching. After its September state-election defeats, the coalition agreed to a one-year household electricity-tax cut and a soft fuel-price cap. Felix Heilmann at Dezernat Zukunft puts the electricity-tax cut at about €5bn a year, or roughly €80 per household. The cut is secured only for 2027, so it does little for electrification. Its financing quietly assumes that high gas prices will cut renewable-subsidy needs by €5 to 6bn. Budget gaps already exceed €26bn in

2028. In the Netherlands, the minority government's survival hangs on a divisive tax plan.

Hernández de Cos, by deal rather than design

Spain's Pablo Hernández de Cos is now on track to succeed Lagarde when she leaves on February 7, 2027. Berlin agreed to back him in exchange for Markus Brunnermeier as chief economist, and Paris has signaled it may go along. Boone is slated for market operations. The package is aimed at the November 26 to 27 summit, with European Parliament hearings penciled in for December 7. Hawks such as Vujčić are already arguing for further hikes in 2027, which sets up a test of the new president early in his term.

Marcel Fratzscher at DIW argues that politicians are increasingly trying to instrumentalize the ECB. On his reading, the succession is about the bank's independence rather than a personnel choice. A presidency settled by trading posts among capitals fits that worry. Robin Brooks goes further. He argues that the ECB's implicit yield caps for high-debt countries create moral hazard, and he proposes stripping Governing Council seats from members with debt above 100% of GDP.

Two elections and a spread

France's fiscal and political stress has become a pricing factor for the whole currency area, not just a spread story. The euro slid to an 18-month low against the dollar this week as markets looked ahead to next year's French presidential election. The French economy has contracted a cumulative 0.3% this year. Polls make Marine Le Pen the front-runner in every second-round pairing, though her candidacy depends on an outstanding court ruling. The parliamentary outcome is much harder to call. Her party's pension proposal ties retirement to the age of labor-market entry, carries a stated gross cost of €18.6bn by 2032, and adds a mandatory funded pillar for younger workers. S&P reviews France's A+ stable rating on Friday.

Italy adds a second ballot to the same calendar. The new electoral law grants a majority bonus to any bloc above 42% in both chambers. The governing parties' combined polling has fallen from about 47 to 48% to roughly 41%, with Futuro Nazionale taking 6 to 7%. With the 10-year BTP-Bund spread around 105 basis

points, the risk for 2027 is two large sovereigns with uncertain governments going to the polls in the same year.

3. United Kingdom

The data this week came in a touch softer than the Bank of England had expected. October CPI rose to 3.6% from 3.5%, with core steady at 2.8% and services at 3.7%, all slightly below the Bank's November projections. Household energy bills did most of the work. Restaurant and hotel prices fell on the month, and there is little sign yet of second-round effects. The labor market looks softer than the headline unemployment rate suggests. Unemployment fell to 4.6%, below the 5.0% natural rate NIESR estimates. However, payrolled employees fell 34,000 in October's flash estimate and are down 95,000 on the year. The claimant count rose, and vacancies are down 5% on the year. The Office for National Statistics warns that quarterly changes partly reflect rotation in the Labour Force Survey sample. Private-sector regular pay growth was 3.1%, in line with the Bank's projections, against 5.4% in the public sector. Retail sales rose 0.7% in October.

In a speech this week, Governor Bailey stressed a meeting-by-meeting approach. He acknowledged that 2027 inflation may peak a little below the Bank's near-5% projection, but said a longer Middle East conflict would require higher rates. He also cited a Bank proxy showing AI build-out accounted for a fifth of GDP growth this year. That contribution tailed off in August and September. Markets put the odds of a December hike to 4.25% at roughly three in four. SGH reads Bailey as the fifth vote and calls the hike a done deal. Goldman, Moody's and Evercore ISI expect the next move in February. J.P. Morgan also sees February, with risk of another hike in the second quarter, and tracks fourth-quarter GDP at 1.5% annualized. November CPI arrives the day before the decision. Absent a renewed energy spike, it is more likely to argue for waiting than for moving. On the fiscal side, October borrowing came in at £17bn, helped by stronger income-tax receipts.

Burnham's first policy tests

Andy Burnham's government endorsed the Milburn Review on young people out of work. The review pairs roughly £5.9bn of youth-services spending with £3.6bn of benefit cuts and promises 440,000 more young people in jobs. Lindsay

Judge at the Resolution Foundation calculates that this implies about £13,000 per additional job, against roughly £30,000 for past schemes. The program would therefore have to be more than twice as effective as anything tried before. Youth unemployment for 18-to-24-year-olds is 13.0%, so the need is real, but the arithmetic depends on that untested assumption. The UK-EU deal announced Friday covers food and drink standards, emissions-trading linkage and youth mobility, though a dispute over tuition fees has left parts of it unsettled. The Treasury puts the gain at about 0.5% of GDP, which is small next to the long-run cost of Brexit. Burnham has nonetheless opened a broader debate about closer ties, a shift in tone from his predecessors.

4. Rest of Europe Macro

- **Switzerland:** The week brought little on the SNB. KOF projects Swiss healthcare spending rising from CHF 97.2bn in 2024 to CHF 114.5bn in 2028, or 12.1% of GDP. That is a slow-moving fiscal pressure, and U.S. drug-pricing policy is an upside risk to it.
- **Hungary:** The National Bank of Hungary held at 5.5% for a third month but turned dovish. Governor Varga said a cut was discussed and the vote was divided, and the statement noted increasing room for easing. October inflation rose to 2.0% and services remain near 6%. J.P. Morgan expects a cut to 5.25% in December and one more to 5% in the first quarter.
- **Romania:** The current-account deficit reached €22.9bn over the first nine months, up from €22bn a year earlier.
- **Ukraine:** The Kiel Institute finds budget support on course to fall about 25% this year. Disbursements under the Ukraine Facility are running about €9bn behind schedule because of stricter conditions. That could leave a funding gap in 2027 even with the new €45bn EU loan.

5. Interesting Research

- **What to expect from the Timms Review**: Eduin Latimer and Matthew Oulton at the Institute for Fiscal Studies set out the arguments for and against the review's emerging recommendations on the Personal Independence Payment, the main UK disability benefit. The final report lands in a tight Spending Review. The government is already counting on welfare savings to fund the Milburn package, so how the review treats disability spending will shape the fiscal arithmetic.

- **Brejoin would bring back uncertainty, but less than the first time around**: Sophie Hale at the Resolution Foundation estimates that Brexit has already cut UK GDP by 4 to 10%, more than the roughly 4% productivity hit the Office for Budget Responsibility assumes. She argues that reopening the question would create less uncertainty than 2016, provided the process is quick rather than open-ended. With the Prime Minister now pushing the debate, this is the clearest framework for weighing what rejoining would cost and gain.
- **Water Withdrawal Rights for Commercial Use: Regional Auctions Could Make Allocation More Efficient**: Pio Baake and co-authors at DIW Berlin propose that German regions auction commercial groundwater withdrawal rights instead of handing them out administratively. As droughts make water scarce, pricing it would steer it toward its most valuable uses. It is a clean application of market design to a resource Europe has so far treated as free.

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