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# Eurozone activity remains lacklustre as price pressures ease

The composite PMI increased from 48.5 to 49.5 in June. This still marks sluggish economic activity for the bloc, but the easing of price pressures indicated by the survey is encouraging. The combination of sluggish growth and fading inflation concerns marks a dovish reading for the ECB

Frankfurt skyline, Germany

Despite most survey responses coming in before the Middle East deal was signed, the PMI had already ticked up a bit. But the increase to 49.5 would still indicate slightly declining activity according to the survey. After already signalling contraction in business activity in April and May, this surely rounds out a weak quarter for economic growth in the eurozone.

The survey further indicated that – thanks to energy prices already moderating ahead of the deal – inflationary pressures had been softening. Both manufacturing and services experienced a slower pace of increase in their input costs and also increased their own prices less quickly than in May. And with energy prices now substantially lower thanks to the US-Iran deal, it could well be that this trend continues in the months ahead (if the deal holds, of course).

For the ECB, this is dovish news. If the environment which the PMI paints persists in the coming weeks, it will deter the ECB from hiking forcefully, as the inflationary environment would not be strong enough to require significant monetary tightening.

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