

Snap | 29 November 2019

## Eurozone inflation jumps more than expected in November

The increase in both headline and core inflation was driven by strong growth in services prices. Still, don't assume this has implications for the European Central Bank, given weak underlying economic developments



Vasco da Gama shopping center in Lisbon, Portugal

Going by all the advertisements for today's Black Friday sales you would expect the eurozone to be going through significant deflation in November. Instead, inflation increased from 0.7 to 1% this month and core inflation jumped from 1.1 to 1.3%. Except for energy prices, all the underlying series increased, with the largest jump happening in services prices.

The question is whether this is the start of a more sustained increase. Indeed, core inflation has been rising for three months in a row now and wage growth for the third quarter does suggest that upward pressure on prices is increasing. Then again, as businesses continue to lack confidence to push higher input costs onto the consumer, it is unlikely that this will lead to materially higher core inflation in the months ahead. In fact, selling price expectations for the months ahead declined again this month in both services and industry and haven't been this low all year.

We would need to see much more optimism among businesses or substantially higher wage

growth to see inflation rise sustainably. What a lovely environment to buy holiday gifts. All in all, for the ECB this increase in inflation seems to be good news for the hawks on the surface, but more evidence of a sustained increase is unlikely to follow unless business confidence increases substantially. As the economic environment is unlikely to be strong enough to see inflation move sustainably towards 2% over the course of 2020, this means that the forward guidance in place since September could keep ECB President Christine Lagarde's first full year in office somewhat dull if economic circumstances don't deteriorate.

## Author

### Bert Colijn

Senior Economist, Eurozone

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.