

## Eurozone inflation: no sign of upward pressure ahead of September ECB meeting

Headline inflation is at 1%, with core inflation at 0.9% in August and unemployment falling by just 16,000 in July. These are the final readings the ECB will get before the important stimulus decision. Don't expect the ECB to hold back.



European Central Bank HQ, Frankfurt

Source: Shutterstock

Headline inflation had been elevated for some time thanks to energy price growth, but recent developments in the oil price and a downward base effect have brought headline inflation more or less in line with core. The fact that this is happening at around 1% is indicative of rather anemic economic growth and is cause for the activist ECB speeches that seem to be the prelude to significant action in September.

While core inflation has not moved out of the 1% range for quite some time now, drivers of inflation have not provided much reason for optimism about a quick core inflation recovery in the months ahead. Producer price growth has fallen significantly in recent months and wage growth,

while justifying a much higher core inflation rate than 1%, has dropped back from 2.25% to 2% YoY. Businesses also indicate a stagnation of selling price expectations at the moment as downside economic risks remain top of mind.

The job market has remained an important reason for growth to remain positive and has provided some much needed upward pressure on inflation, even though they have so far not materialized. One of the crucial questions surrounding the economy at the moment is whether the labour market can continue to provide enough job growth to maintain wage pressure and boost household consumption.

The July unemployment numbers saw just a minor decline, with 16,000 fewer people unemployed. While these numbers are volatile, a slowing labour market would raise red flags about economic growth and inflationary pressures. Taking all of this into account, there's good reason not to expect the ECB to hold back next month.

## Author

### Bert Colijn

Chief Economist, Netherlands

[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 [www.ing.com](http://www.ing.com).