

Eurozone inflation remains negative ahead of ECB meeting

Inflation in the eurozone remains stable at -0.3% in November. But with inflation this low for quite some time and not much improvement expected ahead, the ECB will certainly take action next week



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The inflation rate has been stable at -0.3% since September in the eurozone and the same holds for core inflation at 0.2%. The underlying differences between October and November were small, but some things are worth highlighting.

After months of declining services inflation, November saw a pick up from 0.4 to 0.6% year-on-year. Not too much to read into as a significant part of services inflation has been influenced by the low reliability of the data due to Covid-19 restrictions. It's hard to measure restaurant prices when they are all closed!

Non-industrial goods inflation ticked down in November, from -0.1 to -0.3%, which could be due to the prolonged Black Friday sales period, meaning that prices have been dampened by the longer sale prices.

Still, the overall trend is clear, inflation will remain depressed. With a vaccine around the corner,

there is room for recovery but unemployment has been trending up, which makes the outlook for inflation recovery slow at best. The lengthening of lockdown measures into December or in some cases even January certainly does not help.

The message is clear for the ECB

Given that core inflation is stubbornly low and will recover even more slowly than previously expected due to the second lockdown- this will be reflected in the macroeconomic projections that the ECB will present next week.

As this has been the base case for some time now, it will without a doubt make the ECB loosen policy once again.

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