

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



Source: Shutterstock

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.

Author

Bert Colijn

Chief Economist, Netherlands

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>.