

Eurozone is likely in a shallow technical recession

The November PMI does not provide much evidence that eurozone GDP growth will turn positive in the fourth quarter, but the good news is that the downturn is not deepening. We're currently likely in a very shallow technical recession



The eurozone composite PMI ticked up from 46.5 to 47.1 in November, which still indicates a contraction in business activity. New orders continue to fall as backlogs of work are being depleted. This is more so the case for manufacturing, where the downturn is deeper than for services. Still, new orders fell slightly less in November than in October. This confirms the view that the downturn is not worsening at the moment, but there is little evidence of recovery either. Overall, it looks like this is a shallow technical recession.

The employment outlook continues to deteriorate. Services job growth had kept overall employment growing up till now but the survey suggests that employment in this sector is now growing at a snail's pace. With manufacturing shedding jobs, this is resulting in a marginal downturn. To us, this fits into the bigger picture of a labour market weakening on the back of a few quarters of negative growth.

Inflation is on a solid downward trend, but the PMI indicates that input cost pressures remain and that selling price inflation ticked up in November compared to last month. This is mainly coming from services as prices in manufacturing continue to fall. This serves as a warning that inflation pressures are not over yet, even though inflation does continue to move in the right direction with demand having weakened materially.

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 www.ing.com.