

Eurozone PMI drops ahead of ECB meeting

The Eurozone PMI surprised on the downside in October as it dropped to 55.9, but underlying data should encourage ECB



Source: iStock

55.9

 Eurozone Composite PMI

Worse than expected

The weak headline for the October PMI should not worry the ECB too much as businesses indicate the fastest job growth since the survey started in 1997 and selling prices have increased at the most rapid pace since June 2011.

While the drop in the composite PMI could point to a somewhat slower GDP growth in the last quarter of the year, it does seem that growth will remain healthy and the economy could weather slower asset purchases by the ECB. With new orders increasing and export demand picking up, the

underlying detail provided enough encouragement for another robust start to the quarter.

The jump in selling prices is in line with other recent surveys about price growth, adding to the view that pipeline inflation pressure is undoubtedly building. The question remains of course how quickly this will translate into higher headline inflation figures, but it does build confidence that the inflation target is reachable in the medium term.

This is in line with the message of ECB speakers in past weeks, which shows that the ECB has confidence in its target ahead of the tapering decision of coming Thursday.

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