

Snap | 23 November 2022

## Eurozone PMI remains in contraction territory but inflation pressures fade

The eurozone composite PMI came in at 47.8 in November, slightly better than in October but nonetheless confirms a contraction in the business economy. The good news is that inflation pressures are fading on the back of easing supply problems and the imminent recession



The slight increase in the November PMI was mainly driven by the manufacturing PMI

American economist Robert Solow famously said that the computer age was everywhere but in the productivity statistics. At the moment, we can say that the recession is everywhere except for in the GDP statistics. While the eurozone economy still eked out positive growth in the third quarter, it seems inevitable that a recession has started in the current quarter and today's PMI figures confirm that.

The slight increase in the PMI was mainly driven by the manufacturing PMI, which saw an uptick from 43.8 to 45.7. This is still showing a sharp contraction, but slightly less than last month. New orders continue to decline, meaning that current production is coming from a lot of previously built-up backlogs. The pace of decline in services was similar to October and fierce by historical standards. New orders continue to decline here too, and businesses are becoming increasingly reluctant to hire on the back of sluggish economic activity.

The upside to the clearly recessionary environment is that inflationary pressures are fading. Weaker demand, lower energy prices than in August, and easing supply-side problems are all contributing to a softening of price pressures. While energy prices remain volatile and businesses are likely to still price through some of the higher costs incurred, these factors do point to a turning point in the inflation rate around the turn of the year.

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