

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.

Author

Bert Colijn

Senior Economist, Eurozone

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>.