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Eurozone PMI shows economy close to stagnation

The Eurozone economy weakened further in November as services become more affected by the slowdown, and that's sparking more growth concerns



Eurozone PMI decreased slightly in November, from 50.6 to 50.3. As a reading below 50 indicates contraction in the business economy, it seems that growth is slowing to a snail's pace in the fourth quarter. Spillover effects from the manufacturing recession to the service sector are at the heart of the decline as employment growth is slowing, which is negatively affecting domestic demand.

France remains a frontrunner in terms of growth in the fourth quarter as Germany saw its PMI in contraction territory again. Other country data has not yet been released, but the rest of the Eurozone must have also been below the 50 mark indicating contraction.

The service sector slowdown is, in turn, impacting price growth as businesses indicate that prices charged rose at the slowest pace in three years, which also reflects weaker input costs. For the ECB, this means that little upside to the inflation outlook can be expected in the coming months.

All in all, as risks to the global trade outlook remain; we still have no signatures under the phase one deal between the US and China and elections in the UK could determine the fate of the Brexit

deal. Without some of these threats off the table, it is tough to see the Eurozone rebounding in the coming months. The winter months will, therefore, be a nail biter for Eurozone growth.

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