

Snap | 22 November 2024

## Eurozone PMI sounds the alarm about growth once more

The composite PMI dropped from 50 to 48.1, once more stressing growth concerns for the eurozone. Hard data has actually come in better than expected recently – so ahead of the December meeting, the ECB has to figure out whether this is the PMI crying wolf or whether it should take this signal seriously. We think it's the latter



The eurozone's November PMI is another wake-up call for policymakers that the region's economy continues to show signs of weakness

At the October European Central Bank meeting, President Christine Lagarde said that everything was heading in the same direction: downwards. She put a lot of emphasis on the PMIs, which had just dropped below 50 – signalling contraction – in September. Since then, the most important indicators have actually gone up, including GDP and inflation.

The November PMI is another wake-up call for eurozone policymakers that the economy continues to show signs of weakness. But after the third-quarter GDP figures showed an acceleration, the question is how seriously this signal will be taken. The boy who cried wolf comes to mind. But don't be mistaken, the underlying message is in line with GDP growth slowing markedly. We expect the fourth quarter to show stagnation with 0% growth.

According to the survey, the services PMI also dropped below 50 and signalled contraction. New

business is weakening again for both manufacturing and services with export orders in particular being down sharply as the eurozone economy battles weak demand from abroad. Businesses also became gloomier about the outlook for the year ahead.

For prices, there was a small uptick in input cost inflation for the service sector, likely related to wage growth. Output prices also rose a bit compared to last month, but remain below last year's average. Ultimately, price pressures remain muted and with demand continuing to come in weaker, worries about persistent above target inflation should fade. Amid a lot of noise around the direction of the eurozone economy, that sign is something to take seriously.

## Author

### Bert Colijn

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto: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>.