

Eurozone PMI ticks up in December and signals easing inflation pressures

Some good news for once, with the eurozone PMI ticking up in December. Inflation pressures continue to fade due to lower demand and moderating supply chain problems. For the ECB, the latter adds to doubts about yesterday's hawkish tone



The composite PMI improved from 47.8 to 48.8 in December. This still signals contraction, but as the quarter comes to a close, we can conclude that the contraction in the eurozone economy was likely mild. The easing of contraction was noted in both the manufacturing and services survey.

For manufacturing, output fell less in part because the drop in new orders also eased a bit. Very importantly though, delivery times improved for the first time since the start of the Covid-19 pandemic. This indicates that supply chain problems are quickly fading at the moment due to a combination of low demand for inputs and improvements in production. For services, new business continued to contract at a similar pace to last month but recreation saw an uptick in activity again.

For price growth, the easing of supply problems is adding to disinflationary pressures. Businesses reported a significant improvement in input cost inflation as they rose at the slowest pace since May 2021. Selling prices still increased at a fast pace, but the pace has been slowing. This is related

to the declining need to price through higher costs to consumers and because of discount sales related to lower demand, according to the survey.

For the ECB, this must be quite a difficult survey to interpret. Yesterday, the central bank revealed a [particularly hawkish take](#) on the economic situation and ECB President Christine Lagarde noted that a mild recession is unlikely to be enough to tame inflation. While the downturn seems to be easing according to the survey, we also see that inflationary pressures continue to cool. For the doves on the governing council, the latter will likely fuel concern that the ECB could end up doing too much.

Author

Bert Colijn

Chief Economist, Netherlands

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>.