

Snap | 2 December 2025

## Slight uptick in eurozone inflation makes December decision easy for the ECB

Headline inflation increased from 2.1 to 2.2% in November, while core inflation remained stable at 2.4%. For now, disinflationary and inflationary drivers of prices seem to keep each other in check at a level too high for further rate cuts



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Once again, inflation remains within 0.2ppt of the 2% target in the eurozone. The higher inflation rate was mainly due to a smaller negative contribution from energy prices. Food and core inflation remained stable at 2.3 and 2.4% respectively, although services inflation – the largest component of core inflation – contributed more than last month with an increase from 3.4 to 3.5%.

Despite a muted growth environment, falling wage growth and declining import prices, businesses do expect that prices will grow faster in the months ahead. This is especially the case for services. Still, with disinflationary pressures abounding, we expect that inflation will likely hold around the current level for the foreseeable future.

Markets hadn't been pricing a rate cut, and today provides little reason to change that view. The stability of the short-term inflation outlook makes the European Central Bank projections far more interesting. We expect that inflation can fall below target in the months ahead, but for the medium term, there seems to be enough inflationary drivers around for the ECB not to

tilt too dovish. Still, much depends on whether ambitious domestic fiscal agendas can be realised.

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