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Eurozone PMI shows continued decent growth... outside of France

The decrease in the composite PMI from 53.1 to 51.9 still leaves the index at a level associated with decent growth. Growth concerns seem mostly centred around France while input costs are rising across the eurozone again



So far, economic growth has remained resilient in the eurozone despite the energy shock. Third quarter GDP growth was likely still decent, judging from sentiment data, although industrial output did disappoint in July. But the start of 3Q still benefited from the temporary dip in energy prices, while concerns about France only emerged towards the end of the quarter.

The October PMI shows that the economy remained resilient amid higher energy prices. France is the notable exception though, where the PMI dropped from 51.1 to 48.4, a level associated with contraction. While the reading should not necessarily be taken at face value, the direction of travel is clearly negative for the eurozone's second-largest economy.

Input prices rose sharply again across the eurozone, which was mainly due to higher energy costs, with manufacturing particularly affected. While selling prices were more muted, according to the survey, the impact does reflect the fact that the energy shock is impacting

the cost base for businesses.

With growth indicators remaining relatively resilient, some hawkish pressure on the European Central Bank is likely to remain. But the weakness in France's PMI illustrates the conundrum facing the central bank, as we described here. For next week's meeting, we expect rates to remain on hold.

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