

The following offers a succinct look at the main macroeconomic developments across inflation, activity indicators and the labour market since the last ECB decision. It's part of the full MNI ECB Preview ([here](#)) ahead of Thursday's decision although includes an update for today's final November HICP report.

Macro Developments Since The Oct ECB Decision: A Beating Of Tepid Expectations

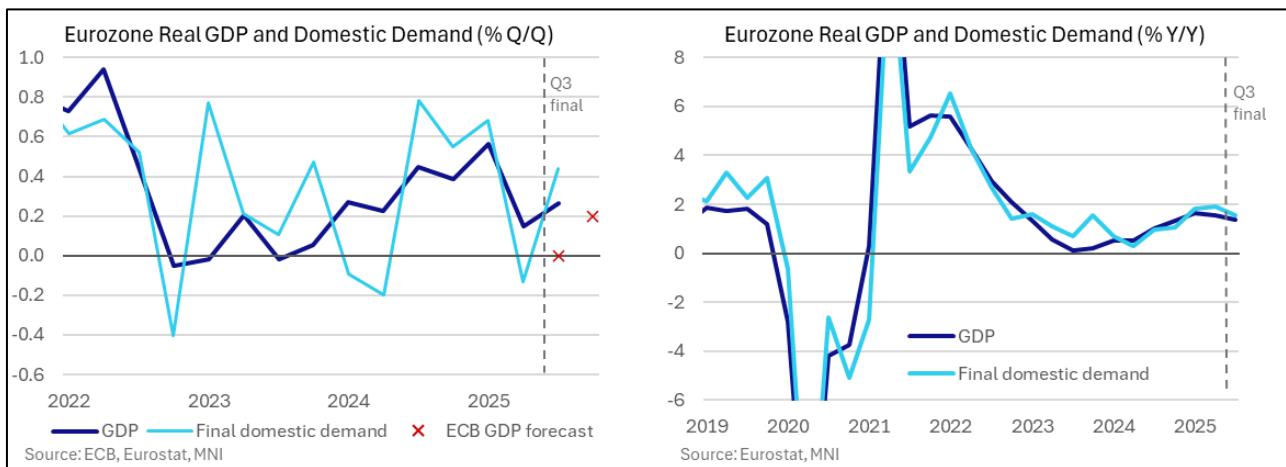
Dec 17, 2025 – By Chris Harrison

Whilst there haven't been any blowout surprises in Eurozone data, the main releases haven't prevented a shift from a mild easing to a very mild hiking bias. Real GDP growth has been stronger than expected, although the December services PMI gave back the past two months of improvement in its preliminary release two days out from the ECB decision. Services inflation has helped see core HICP inflation a little stronger than expected but saw a contribution from volatile items such as package holidays. Finally, there was another upward revision to the unemployment rate in October but the latter remains close to historical lows when looking at the bigger picture.

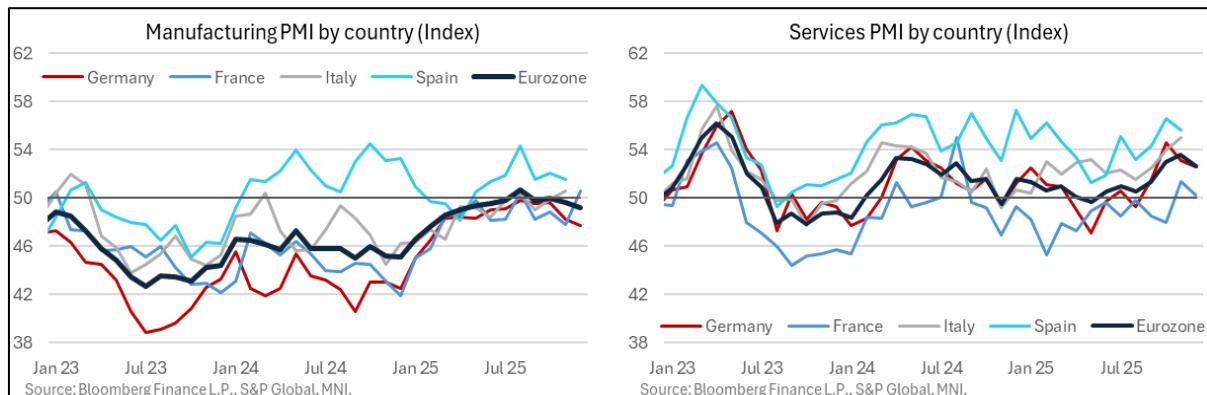
Growth: Better Than Low Expectations But Preliminary December PMIs Reverse Prior Improvement

Eurozone real GDP growth was revised higher in the final Q3 release to 0.26% Q/Q non-annualized for further above the 0.0% the ECB forecast for Q3 at its September projection round. It continues a favourable set of Q3 GDP results after the initial advance originally surprised higher with a rounded 0.2% on the second day of the two-day ECB meeting in late October. Final domestic demand was robust as well at 0.44% Q/Q after an average 0.28% in 1H25 over two volatile quarters of -0.13% in Q2 and 0.69% in Q1. The ECB's September forecast then pencilled in an acceleration to 0.2% Q/Q in Q4. For a better sense of trend, real GDP growth has eased a couple tenths to 1.4% Y/Y from the recent peak of 1.6% in 1H25 but it's still proven surprisingly robust. Final domestic demand paints a similar picture, with 1.5% Y/Y in Q3 after a recent peak of 1.9% in Q2 at what was its highest since 3Q22.

Quarterly GDP growth may have been resilient in Q3 then, and driven by domestic demand, but retail sales have slowed through Q3 and initially into Q4, with monthly volume flat on average in the four months to October (in a range of -0.1% to 0.1% M/M). Industrial production has also disappointed on balance in the latest two months of data with a slow to appear bounce in October after a heavy decline back in August in the latest in a long line of volatile readings. For a slightly longer trend, industrial production was flat in Q3 after a small contraction in Q2 although has at least started Q4 on a stronger note.

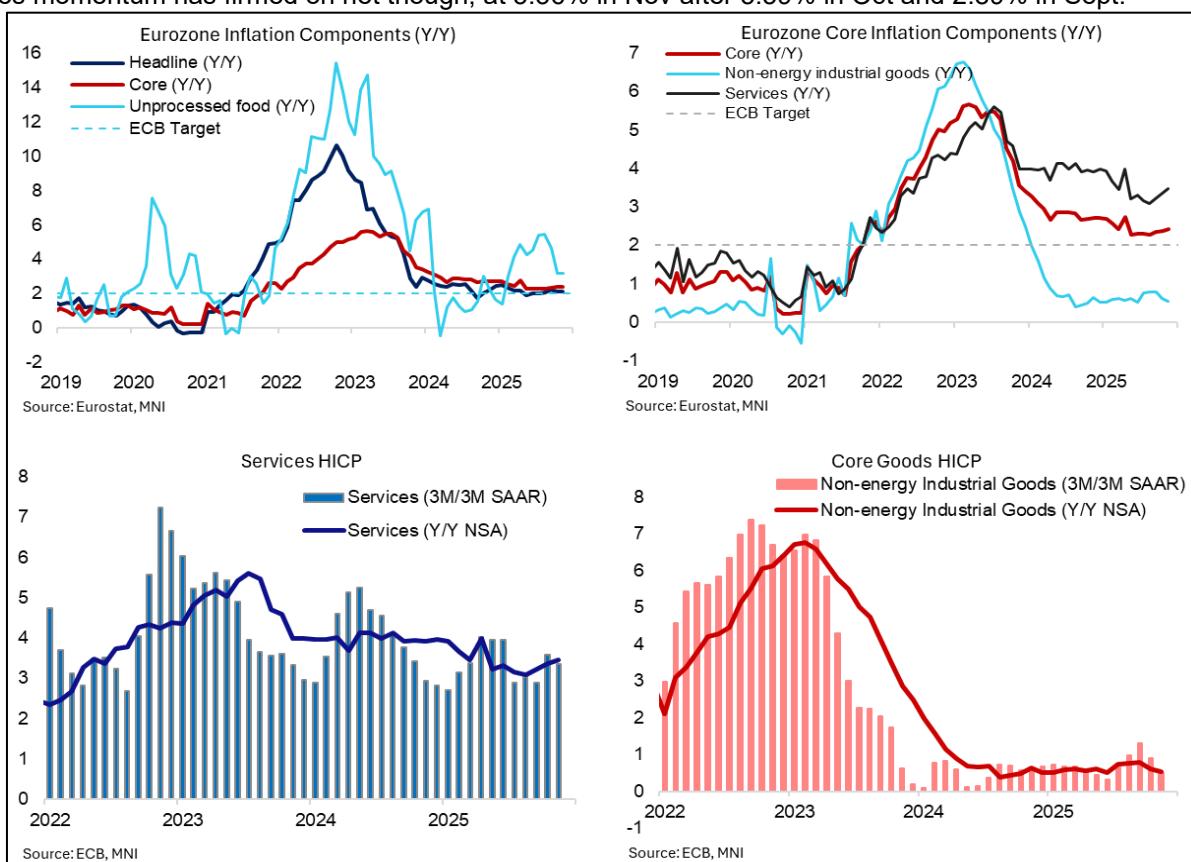


PMI surveys had on balance improved although throughout November but gave this back in Tuesday's preliminary December release to leave implied activity at best similar to that ahead of the late Oct meeting. The manufacturing PMI has dipped further to 49.2 in the preliminary Dec reading from 49.6 in Nov and 50 in October, for its lowest since April as it starts to imply contractionary manufacturing again after an average of 49.9 in the previous six months. Context is important though, following heavy declines implied in 2024 (average 45.9) and 2023 (45.0). The services PMI had pushed higher again to 53.6 in November (highest since May 2023) but has dipped to 52.6 in the preliminary Dec reading for back to where it was in the flash October reading prior to the October meeting. France finally improved in November with a service PMI of 51.4 before holding onto some of this gain at 50.2 in December, the first >50 readings since Aug 2024 but still firmly a laggard in level terms.



Inflation: Services A Littler Firmer But Likely Helped By Volatile Components

The ECB has received a reasonable amount of new information on HICP inflation since its last meeting although it's unlikely to have materially altered its outlook. Headline HICP inflation has modestly cooled since September (from 2.24% Y/Y to 2.10% in Oct and 2.14% in today's final November data) whilst core has firmed slightly (from 2.35% to 2.37% in Oct and 2.41% in Nov). Headline was trimmed very slightly from 2.16% in the flash release whilst core was completely unchanged at 2.41%. Further within the details, services inflation accelerated to 3.47% Y/Y in November from 3.24% in September for its fastest since April, a little higher than consensus but mostly outweighed by core goods inflation undershooting at 0.55% Y/Y. Details within the final November report confirmed as generally expected that package holidays had played a role in the further services acceleration, jumping from 0.91% to 4.42% Y/Y in November. Other travel-related categories were more mixed, with accommodation firming from 3.14% to 3.41% but airfares swinging from 1.66% in Oct to -2.74% in Nov (national level data were unclear on the extent to which this reversed). As for more recent 3M/3M trend rates, core inflation momentum was 2.35% annualised in November, a pullback from 2.62% in October to leave it unchanged from the 2.35% the ECB had seen for September ahead of the last meeting (a figure that currently shows as 2.31% in the latest vintage). Services momentum has firmed on net though, at 3.36% in Nov after 3.59% in Oct and 2.89% in Sept.



Labour Market: U/E Rate Higher After Further Upward Revision But Still Near Lows

The Eurozone unemployment rate was higher than expected in October at 6.4% in the single monthly update since the October meeting, unchanged after an upward revised 6.4% September (initially 6.3%). Revisions have been a theme over the past year, and generally to the upside, with this year's low currently seen at 6.3% in multiple months vs an initially reported 6.1% in February for example. A 6.4% rate is still clearly historically low however, up from the series low of 6.2% in Nov 2024 before broadly moving sideways since then. The unemployment rate for those aged 25 years and above tells a broadly similar story at 5.5% for a third consecutive month versus series lows of 5.4% through most of 2H24. Back to latest data, the level of unemployment was a little more encouraging as it decreased slightly by 13k after two monthly increases.

Meanwhile, revisions to the ECB wage tracker, released as usual the Wednesday after the ECB decision, saw a marginal upward revision for negotiated wages ex one-off payments for 4Q25 from 3.13% to 3.15% Y/Y. New projections for 3Q26 point to this ex one-off payment metric easing to 2.37% Y/Y after a projected 2.49% Y/Y in 2Q26. The wage tracker has generally seen marginal upward revisions over time (note the case in the prior September update) although these projections should continue to give the ECB confidence that wage-driven inflationary pressures remain on a disinflationary trajectory. That was especially so after realized negotiated wages growth subsequently surprised lower in Q3 at 1.87% Y/Y vs consensus of 2.45%. However, this was more recently countered by the December national accounts update showing far stronger than expected compensation per employees growth of 4.0% Y/Y in Q3, unchanged from 4.0% in Q2 vs the ECB's forecast of a moderation to 3.2%.

