

## Eurozone growth at cruising speed

The European Commission's economic sentiment indicator stabilised in April after 3 consecutive declines. Eurozone growth has now reached cruising speed, though there is no indication yet of a re-acceleration



The soft patch in Eurozone economic data is not worsening anymore, though it's probably too early to talk of an improvement. Indeed, the European Commission's economic sentiment indicator (ESI) stabilized at 112.7 in April, above the 112 consensus expectation. The more cyclical Business Climate Indicator fell to 1.35, the fourth consecutive decline.

There was a sentiment improvement in industry (+0.1) and consumer confidence (+0.3), while services (-1.0), retail trade (-1.3) and construction (-0.7) disappointed. Forward-looking indicators such as order books declined slightly. Employment plans were also revised downwards in industry and construction, while they remained broadly unchanged in services and the retail sector. So while the level of economic activity remains satisfactory, a re-acceleration is not yet in the offing.

The inflation story remains a mixed bag. Though higher energy prices might start to affect inflation expectations, this is not yet the case. As a matter of fact, selling price expectations decreased significantly in construction and industry and more slightly in retail, while they increased in services. Overall the pipeline inflation pressures that were visible at the end of 2017, seem to be softening somewhat. Consumer price expectations remained flat. These figures don't suggest a

rapid pick-up in underlying inflation. Core inflation might even fall back when the upward price impact of the early Easter holidays disappears again.

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*As for a first rate hike, it pretty much remains Waiting for Godot*

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At yesterday's ECB press conference Mario Draghi blamed the recent unexpected weakening of economic indicators on one-off factors like the weather, strikes and the timing of the Easter holidays. While the bank remains confident, it has also become a bit more cautious, following closely the stream of economic data. Today's figures probably haven't made the Governing Council any wiser. Economic growth has fallen back to cruising speed, with little indications of short-term acceleration. With inflation still very low, the ECB seems in no hurry to announce a QE exit. We still expect a short lengthening of the asset purchase programme until December 2018, to allow some further tapering. As for a first rate hike, it pretty much remains "waiting for Godot": June 2019 seems the earliest possible date, but chances are high that it will even be later.

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