

## Last Eurozone data confirming the slowdown before ECB meets

Industrial production declined more than expected in July, already confirming continued industrial weakness in 3Q. It is now up to the ECB to show what it is willing to do to counter eurozone growth concerns



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Industrial production fell by -0.4% month on month, and -2% on an annual basis in July, confirming the declining trend that has been in place since December 2017. The poor start to the third quarter will make it difficult to see a positive contribution from manufacturing to GDP growth in 3Q, which confirms prolonged slowdown concerns in the eurozone.

The breakdown of production by type of good makes it quite clear that consumer demand is currently crucial in keeping GDP growth in the positive territory as the production of consumer goods, both durable and non-durable continues to grow on an annual basis, while intermediate and capital goods production is currently -3% and -3.4% lower than in July 2018.

Out of the larger countries, Germany is by far the worst performer with -5.3% annual growth in production. However, other large economies are not experiencing strength in industrial performance like France. Italy is experiencing negative annual growth rates and Spain saw production slow from 1.3% to 0.3% in July. While some of the issues facing the industry are

impacting Germany more than other countries, it seems unlikely that many of the larger economies are isolated from those concerns.

For the ECB, the already wrapped up staff projections will be more important than today's production figures, but today's figures do come as a confirmation of the sluggish environment that the ECB is trying to battle. If minds have not been made up until now whether QE will be included in today's package or not, perhaps these disappointing production figures may play a small role in the decision after all.

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