

Eurozone: Lower cruising speed confirmed

A number of one-off effects weighed on first-quarter growth in the Eurozone. But as industrial production saw only a limited rebound in March, the acceleration of growth in 2Q should remain limited



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The flash estimate for first quarter GDP growth in the Eurozone was confirmed at 0.4% quarter-on-quarter. Year-on-year growth came out at 2.5%, a clear deceleration from the 2.8% reached in the last quarter of 2017.

To be sure, there have certainly been one-off effects dragging down growth. An unusual cold spell in March might have negatively affected construction activity in the first quarter. At the same time, the European Centre for Disease Prevention and Control reported a very long influenza season this year, probably also hurting activity and consumption. Apart from that, strikes in Germany and the timing of the Easter holiday period, which was earlier than usual in several countries, had a dampening effect. The high oil price, which turned out to be more persistent than we anticipated, probably also weighed on consumption.

That said, the second quarter didn't start on a very strong footing, as the rebound expected in industrial production in March remained muted. Industrial production recovered by a weaker-

than-expected 0.5% after a 0.9% decline in February. The carry-over effect for the second quarter is therefore very limited.

The data flow for the Eurozone is not bad, but it's also not so great anymore. All in all, the weaker first quarter might be the new normal, with growth hovering around 0.4% on a quarterly basis. This would still yield a yearly growth of 2.2% for 2018, but for 2019, GDP is likely to fall back to 1.8% at best.

Author

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

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