

Snap | 12 July 2019

## Eurozone production up in May, but outlook remains meagre

Industrial production bounced back by 0.9% in May after a weak start to the year. Still, with more sluggishness on the cards, the question remains whether the European Central Bank will act soon or sooner



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The May data surprised somewhat on the upside, mainly due to a strong performance in France and some recovery in Germany and Italy. The growth was broad-based, with only production in intermediate goods declining on the month, while consumer goods production grew at above 2% for both durable and nondurable goods production.

It was some much needed good news as the data since Mario Draghi's dovish speech in Sintra has largely disappointed. Still, industrial production is a very volatile indicator and after the poor April data, industry also needs to have grown at a decent pace in June in order for a contraction to be averted over the whole of 2Q.

For the ECB, this rounds out a batch of data that will have brought mixed feelings about the state of the eurozone economy. It seems likely that growth will have slowed significantly in 2Q, making 1Q a positive exception more than the rule when looking at the recent growth path. While May production may look like a green shoot, as [we argued this morning](#), it looks like weakness in global demand and trade uncertainty will dampen the industrial outlook for the second half of the year.

With somewhat confusing messages coming in from the data front, the more traditional approach would be to wait for some more data to come in before deciding on stimulus, but the question is if the ECB can afford to wait until September given the dovish communication and possible Fed

action.

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