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Snap

## Eurozone soft patch deepens ahead of ECB meeting

Industrial production declined by 0.9% in April, further extending the weak spell in economic data. The uncertainty about the eurozone's economic performance ahead of QE decision time makes tomorrow's ECB meeting a nail-biter

Is this eurozone soft patch still a series of unfortunate events? Or is there permanence to the slowdown? Weather impact, strikes and holiday timings have been troubling eurozone data over recent months, but that impact has become smaller. The drop in industrial production came after some encouraging data for March, but the sharp decline in April brings industrial output back to the lowest level since July last year. Energy production plunged in April, but most production categories saw declining output. Only capital goods production increased by 1.9%.

While there is still enough to like about the eurozone economy to remain upbeat about the outlook for industry, the combination of decreasing future expectations and significant capacity constraints is curbing the production outlook for the moment. If confidence were to improve again, production would likely rebound, as the order book remains well filled and credit conditions for investment remain favourable.

Even though uncertainty about Italy seems to have faded after an interview with Italian minister of finance Giovanni Tria over the weekend, there are still enough worries for the ECB to puzzle over. The looming trade war with the United States and the soft patch of economic data will play a role in determining whether the ECB announces the fate of the asset purchase programme tomorrow or whether it will wait another month. Tomorrow's meeting will no doubt be a nail-biter.

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