

Snap | 12 April 2018

## Spluttering industrial production dampens hopes of stronger Eurozone growth

Weak industrial production figures point to some growth deceleration in the first quarter. While there's no reason to panic yet, it seems as if GDP growth is already past its peak.



The revival of the industrial sector was one of the drivers behind the strong Eurozone growth story in 2017. However, after a 0.6 % month-on-month decline in January, industrial production fell a further 0.8% in February. That said, year-on-year growth was still 2.9%. With both the PMI and the European Commission's economic sentiment indicator having eased further in March, it doesn't look as if industrial production figures for March are going to surprise on the upside.

It seems as if the upbeat economic figures for the Eurozone have left for a Spring break vacation. Indeed, as most indicators have undershot expectations over the past two months, the risk of a growth deceleration in the first quarter is now very real. To be sure, we still believe that 1Q GDP growth will come out close to 0.5%, but the growth momentum is clearly slowing. As the stronger euro might start to bite and the spectre of a trade war could weigh on business confidence, a

growth acceleration is definitely not in the cards. As a matter of fact, we expect the Eurozone's growth pace to fall below 2.0% on an annual basis in the course of 2018.

While inflation is off lows, the moderation in the growth momentum is not likely to push the annual growth in consumer prices towards the ECB's target anytime soon. In these circumstances the ECB is unlikely to become more hawkish. We expect a first rate hike at the earliest in June 2019.

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