

The NewsLine

May 15, 2019

MACROECONOMICS

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EUROZONE

Consumer shelters economy from external woes – for now

After a bit of a dry spell in the second half of 2018, economic momentum has shifted up a gear in the Eurozone in Q1 2019 with GDP growing by 0.4% q/q. Whereas the situation in industry has stabilized, domestic demand - and in particular private consumption - is likely to have saved the day in most Eurozone countries. However, higher than expected inventory building is also likely to have pushed up GDP growth in Q1, which offers potential for a negative correction in the coming quarters as incoming order data remains sluggish.

Going forward the consumer will remain the key pillar of the economic expansion in the Eurozone thanks to the favorable labor market trend. Don't expect a helping hand from the external sector given that the stimulus bazooka in China has yet to prove its success and escalating trade tensions between the US and China are posing a clear downside risk to global trade. All in all we expect Eurozone GDP to expand by 1.2% in 2019 and hence below the potential rate for the first time in five years.

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