

Europe Flash

Eurozone

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Economic Analysis

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Industrial production in the Eurozone improves in April

Industrial production suggests that business activity is already recovering in the second quarter of the year

- **Industrial production increased in April more than expected, which points to positive GDP growth in the second quarter**

The Industrial Production Index (IPI) in the eurozone surprises on the upside in April rising by 0.4% m/m (figures always in seasonally adjusted terms) (BBVA and Consensus: -0.2%), though an upwards bias was somewhat expected after the strong figure published last week for Germany, which also came as a positive surprise. April is the third month in a row of increasing industrial production. Following the +0.2% of the first quarter with regard to 4Q12, the April level is 1.0% above the 1Q13 average, which points to a recovery of the business activity in the second quarter. Taking into account the data published today, our MICA-BBVA model estimates a GDP growth of 0.2% q/q in 2Q13 with respect to 1Q13, against a previous estimate of 0.1% q/q.

By components, the considerable increase in the production of capital goods (2.7% m/m) for the third month in a row indicates a progressive recovery of investment, linked to the strength of exports. Intermediate goods have remained broadly stable so far this year, whereas durable consumer goods dropped sharply in April after having increased in 1Q. The production of non-durable consumer goods recovered in April by 0.7% MoM, after having decreased in 1Q.

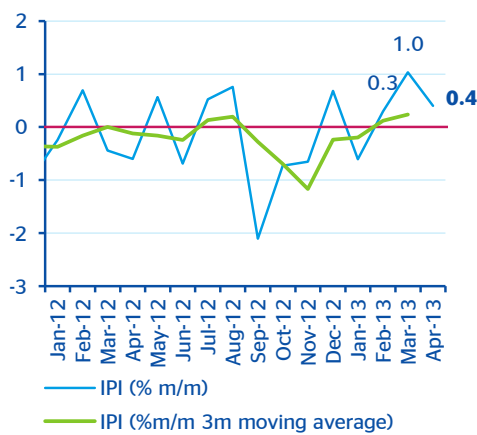
- **German and French figures industries were strong again...**

Industrial production in April showed a divergent performance across countries in the Eurozone: while there was improvement in Germany and France, production in the peripheral countries declined. In particular, industrial production in Germany continued to improve in April (1.2% m/m, higher than expected), after having recorded a 0.3% q/q increase in the first quarter over 4Q. In France, IP also increased sharply in April (+2.3% m/m), after being broadly stable in 1Q with regard to 4Q12. However, industrial production in the Netherlands, plummeted in April (-4.3% m/m), although this data comes after strong increases in February and March; such that the level in April was only -1.7% below the first-quarter average.

• ... while the peripheral countries continue to show signs of weakness

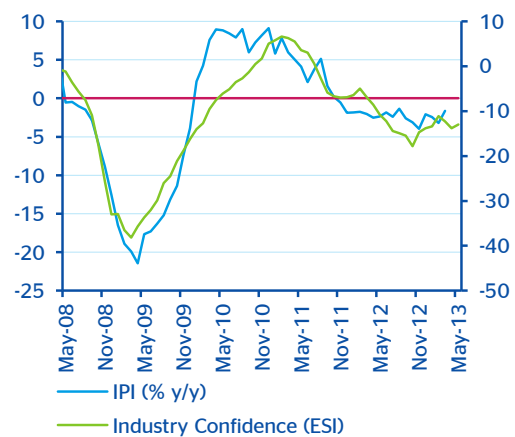
Industrial production fell in the periphery in April. Production in Italy diminished by -0.3% m/m, in line with expectations, easing slightly after the sharp declines of February and March (-0.9% in both months). The trend therefore continued to be negative. Industrial production in Spain fell by -0.9% m/m, after decreasing by -0.3% q/q in 1Q. Lastly, IP in Portugal showed a very negative performance in April (-3.6%), which may be due to an adjustment following the substantial increases in the three preceding months.

Chart 1
IP in the Eurozone



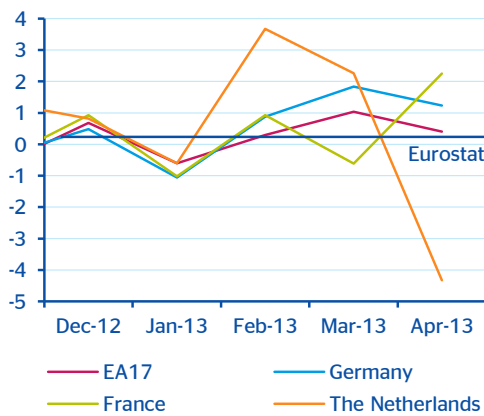
Source: Eurostat

Chart 2
IP vs. Confidence in the industry



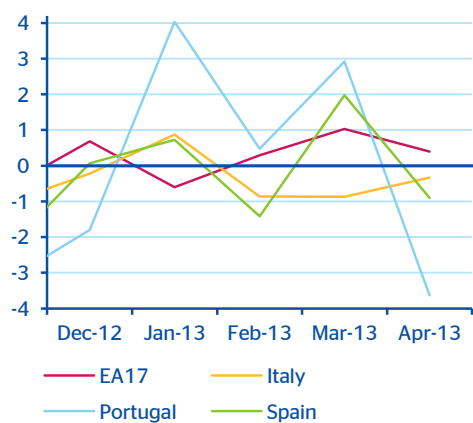
Source: European Commission and Eurostat

Chart 3
IP in the core countries (% MoM)



Source: Eurostat

Chart 4
IP in the peripheral countries (% MoM)



Source: Eurostat

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