

Europe Flash

Eurozone

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Economic Analysis

Europe

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Eurozone growth confirmed at 0.1% q/q in 3Q13 with weak exports

Our MICA-BBVA model still projects growth at 0.3% for 4Q13

- **GDP grew at 0.1% q/q in 3Q13 supported by domestic demand, especially inventories, while the net exports contribution faded**

The second estimation by Eurostat confirmed that the eurozone GDP grew at 0.1% q/q in 3Q13, somewhat lower than anticipated three months ago (0.2% q/q), and slowing from 0.3% q/q in 2Q13 as some transitory factors vanished. Underlying this performance, net exports weighed negatively on quarterly growth (-0.3pp after +0.3pp in 2Q13; BBVA Research: 0.1pp) due to the strength of imports and the stagnation of exports. This downward surprise was offset by the larger contribution of domestic demand (0.4pp after 0pp in 2Q13; BBVA Research: 0.1pp), with both private consumption and investment growing mildly, in line with expectations, and an upside surprise stemming from public consumption (0.2% q/q) and, especially, a strong support of inventories (0.3pp).

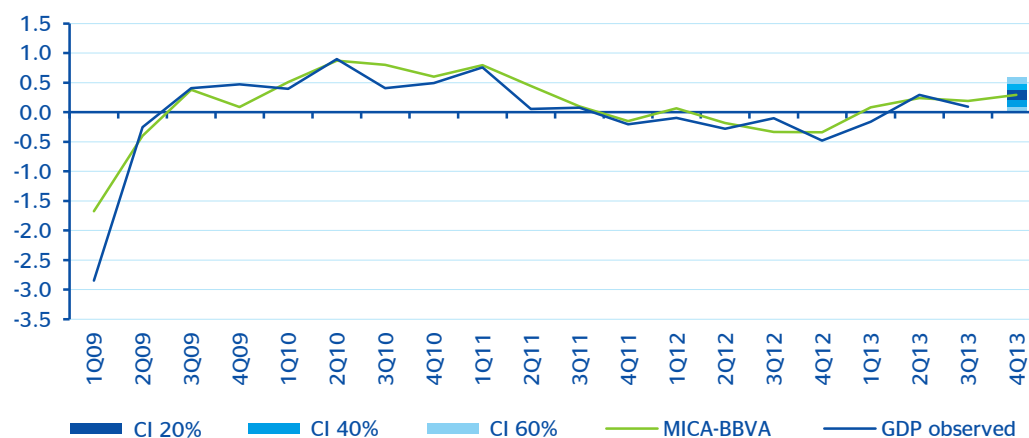
Although this stronger support from domestic demand is welcome, concerns rise about its sustainability in coming quarters and if it could take over the support of net exports.

- **Although data are still very limited for 4Q13, the MICA-BBVA model suggests that the mild recovery continues by year-end**

Confidence indicators up to November, despite slight downside surprises from PMIs, were consistent with the slow recovery in the monetary union by year-end, which is still led by Germany, while French figures disappointed. Nonetheless, retail sales in October (also released today) were somewhat disappointing, raising doubts about the sustainability of the dynamism of domestic demand in coming quarters, while leading indicators of exports from survey are more optimistic about the performance of the foreign sector in coming months.

Overall, our MICA-BBVA model projects a quarterly GDP growth of around +0.3% q/q in 4Q13 (Chart 1).

Chart 1
EMU: MICA-BBVA and GDP observed (% q/q)



Source: Eurostat and BBVA Research

Table 1
EMU: Quarterly GDP growth (%) and components

	4Q12	1Q13	2Q13	3Q13	
				Observed	BBVA Research
GDP	-0.5	-0.2	0.3	0.1	0.2
Private consumption	-0.5	-0.1	0.2	0.1	0.2
Government consumption	0.0	0.3	0.0	0.2	0.0
Investment	-1.2	-1.9	0.2	0.4	0.2
Change inventories (1)	-0.2	0.1	-0.1	0.3	0.0
Domestic demand (1)	-0.7	-0.3	0.0	0.4	0.1
Exports	-0.5	-1.0	2.1	0.2	1.1
Imports	-0.9	-1.2	1.6	1.0	1.0
Net exports (1)	0.2	0.1	0.3	-0.3	0.1

(1) Contributions to quarterly GDP growth.
Source: Eurostat and BBVA Research

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