

Europe Flash

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Economic Analysis

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Eurozone GDP growth reached 0.3% in 4Q13, as we expected

Germany and France surprised slightly to the upside in the quarter

- **Eurozone: GDP growth of 0.3% QoQ (BBVA Research: 0.3% QoQ; consensus: 0.2% QoQ)**

Growth was in line with our expectations, and follows on from 0.3% in the second quarter and 0.1% in the third, thus confirming a recovery trend after six quarters of recession centred on 2012. Germany (0.4% QoQ) continued to lead the growth, with a slight upside surprise, although France also grew slightly more than expected and at the same pace as Spain (0.3%), and growth in Italy was also positive. Although we do not have the disaggregated data, our estimates and the partial information published today suggest that exports made a return to positive growth in the last quarter of 2013. The contribution made by internal demand could have moderated slightly, particularly given the disappearance of the boost from inventories, while private consumption could have been slightly stronger.

- **France grew 0.3% QoQ in 4Q13 (BBVA Research and consensus: 0.2% QoQ)**

Quarterly growth in 1Q13 and in 3Q13 has also been revised upwards slightly, by -.1pp to 0% QoQ, which means that for 2013 as a whole, GDP growth reached 0.3% after stagnating in 2012.

Growth in the fourth quarter was sustained by domestic demand, especially private consumption (to 0.5% QoQ from 0.1% QoQ) and investment (to 0.6% QoQ from -0.3% QoQ). However, inventories detracted 0,3pp from growth, resulting in internal demand making a contribution of around 0.2pp. Additionally, exports recovered (to 1.2% QoQ from -1.6% QoQ), while import growth decelerated (to 0.5% from 0.8%), resulting in another positive contribution from net exports (0,2pp vs. -0,7pp).

- **Germany grew 0.4% QoQ in 4Q13 (BBVA Research and consensus: 0.3% QoQ)**

Although the breakdown by component has not yet been published, the Destatis press release highlighted that net export growth was the main driver in 4Q13, while the performance of the various components of domestic demand was more diverse: stable public consumption, a slight deceleration in private consumption and stronger growth in investment. As a result, GDP growth for 2013 as a whole reached 0.5% (sa).

- **Italy grew 0.1% QoQ en 4Q13, in line with expectations**

The preliminary estimate for GDP growth confirms expectations for a slight improvement in 4Q13 (0.1% QoQ) (BBVA Research and consensus: 0.1% QoQ). Incorporating this data in the quarterly series shows that the contraction in GDP moderated in 2013 (to -1.9% YoY in 2013 vs. -2.6% YoY in 2012). Although the breakdown by components is not yet available, we forecast that internal demand will have detracted less from growth than in 2012, and that external demand will have continued to support growth.

- **Portugal: GDP growth surprised to the upside at 0.5% QoQ in 4Q13 (BBVA Research: 0.2% QoQ, consensus: 0.1% QoQ)**

Portugal's GDP growth (+0.5% in 4Q13) confirms the upside risks. This surprise was principally due to a strong recovery in internal demand, thanks to a good private consumption print. Meanwhile, the contribution from the external sector was positive thanks to accelerating exports. The Portuguese statistics agency (INE) also revised slightly upwards the figure for growth in the previous quarter (0.3% QoQ in 3Q13 vs. 0.2% QoQ previously), such that the contraction in GDP for the year as a whole moderated (-1.4% YoY in 2013 vs. -3.2% YoY in 2012), broadly in line with our forecasts (BBVA Research -1.5% YoY).

Tabla 1
Eurozone GDP

	Actual				Consensus (4Q13)	BBVA (4Q13)
	2013	2Q13	2Q13	2Q14		
Eurozone	-0.4%	0.3%	0.1%	0.3%	0.2%	0.3%
Germany	0.5%	0.7%	0.3%	0.4%	0.3%	0.3%
France	0.3%	0.6%	0.0%	0.3%	0.2%	0.2%
Italy	-1.9%	-0.3%	0.0%	0.1%	0.1%	0.1%
Spain	-1.2%	-0.1%	0.1%	0.3%	0.3%	0.3%
Portugal	-1.4%	1.1%	0.3%	0.5%	0.1%	0.2%

Source: Eurostat and BBVA Research

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