

ECONOMIC ANALYSIS

The eurozone economy stagnated in the second quarter

Europe Unit

Eurozone: GDP stagnated, against expectations of slight growth (BBVA Research: 0.2% QoQ; consensus: 0.1% QoQ).

The preliminary GDP estimate revealed stagnation in QoQ GDP growth in 2Q14 in the eurozone, despite positive readings in Spain, Portugal and the Netherlands (0.6% QoQ, 0.6% QoQ and 0.5% QoQ, respectively). This stagnation is explained by the worse than expected performance in the core economies (Germany, France and Italy). By components, net exports and investment seem to have drained growth, while consumption should have increased slightly.

Although the available data for the third quarter is limited to July's confidence indicators, these point toward the recovery picking up slightly during the second half of the year, but the negative surprise in 2Q14 could pose downside risks of about 0.1-0.2pp to our forecast for the year as a whole (1.1%).

Germany: Activity contracted more than expected (BBVA Research: 0.2% QoQ; consensus: -0.1% QoQ).

GDP contracted 0.2% QoQ, due mainly to the performance of the external sector and investment. Net exports should have a negative impact on growth, since, as explained in the press release, exports grew less than imports throughout the quarter. Investment, especially in construction, contracted after strong growth in 1Q14 due to an exceptionally mild winter. Both private and public consumption increased slightly.

France: The economy stagnated in 2Q14 (BBVA Research: 0.2% QoQ; consensus: 0.1% QoQ).

GDP remained stable (0.0% QoQ) for a second consecutive quarter. Domestic demand contributed positively, with private and public consumption compensating for the decrease in investment. Changes in inventories drained some growth. Lastly, stagnation in exports and a minor moderation in import growth explain the slight negative contribution of net external demand.

Portugal: GDP expanded by 0.6% QoQ, more than expected (BBVA Research: 0.4% QoQ; consensus 0.5% QoQ).

After contracting in the first quarter of the year, the Portuguese economy recovered in 2Q14, slightly more than expected. The driver of this expansion was principally an increase in exports of goods and services. Internal demand could have made a positive contribution to growth, especially the investment component, as the temporary factors dragging activity in the first quarter have disappeared.

Table 1

GDPs in the Eurozone

	Observed				BBVA
	2013	4Q13	1Q14	2Q14	
Eurozone	-0.4%	-0.2%	0.3%	0.0%	0.2%
Germany	0.4%	0.4%	0.7%	-0.2%	0.2%
France	0.2%	0.2%	0.0%	0.0%	0.2%
Italy	-1.8%	0.1%	-0.1%	-0.2%	0.2%
Spain	-1.2%	0.3%	0.4%	0.6%	0.5%
Portugal	-1.4%	0.5%	-0.6%	0.6%	0.4%
Austria	0.3%	0.4%	0.1%	0.2%	
Belgium	0.2%	0.3%	0.4%	0.1%	
Netherlands	-0.8%	0.6%	-0.4%	0.5%	
Finland	-1.4%	-0.3%	-0.3%	0.1%	

Sources: Eurostat and BBVA Research

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