

ECONOMIC ANALYSIS

Eurozone: Germany's performance helps the eurozone's GDP grow more than expected in Q4

Europe Unit

Eurozone: The GDP grew by 0.3% QoQ in 4Q14 (BBVA Research and consensus: 0.2% QoQ).

The preliminary estimate of GDP shows that the quarterly growth in the euro area was moderate, but somewhat higher than expected. This surprise is mainly explained by the extraordinary performance in Germany and to a lesser extent in Spain, while activity in France has slowed more than expected. While we are still waiting for the data breakdown, our estimates and the information published suggest that exports continued to grow at a robust pace in the last quarter of 2014 (consistent with national data), but also with an increase in the contribution of domestic demand, and pointing to some improvement in investment. GDP growth in the eurozone as a whole in 2014 was 0.9%.

Although data for the first quarter of 2015 are basically limited to confidence data for January, our MICA-BBVA short-term model, also incorporating the GDP growth just published, estimates that the growth rate would remain stable at the beginning of the year (about 0.3-0.4% QoQ), in line with our scenario of 1.3% growth in 2015.

Germany: Surprising GDP growth of 0.7% QoQ (BBVA Research: 0.2% QoQ; consensus: 0.3% QoQ).

Although the breakdown of growth is still unknown, the press release anticipates that the evolution of the components of domestic demand was the main determinant of growth in 4Q14. In particular, private consumption has increased significantly and investment has recovered in machinery and equipment, especially in the construction sector. Net exports may have contributed slightly to quarterly growth, since the substantial increase in foreign sales could have been offset by a similar increase in imports. Should the provisional estimate be confirmed, the latter figure would imply that, in 2014 as a whole, GDP grew by 1.6%, one-tenth more than advanced in mid-January.

France: Growth slowed in 4Q14 (0.1% QoQ), slightly more than expected (BBVA Research: 0.2% QoQ; consensus: 0.1% QoQ).

In the fourth quarter a moderation in private consumption was observed (0.2% after 0.3% QoQ), and the contraction in investment was maintained (-0.5% after -0.6% QoQ). Exports improved substantially in 4Q14 (2.3% after 0.7% QoQ), more than imports, resulting in a positive contribution of net external demand (+0.1pp after -0.1pp). However, inventories drained 0.2pp from growth after a positive contribution in 3Q14 (0.3pp). As a result, GDP growth in 2014 was 0.4%, as in 2013.

Italy: GDP remains stagnant in 4Q14 (BBVA Research: -0.1% QoQ; consensus -0.1% QoQ).

Preliminary estimates indicate that GDP stagnated in 4Q14 (0.0% QoQ). Incorporating the data into the quarterly series, Italy moderated the decline in its GDP (-0.4% in 2014 after -1.9% in 2013). Pending the data being broken down by component, behind this evolution in Q4 was a negative contribution of domestic demand, hampered by the poor performance of the manufacturing sector, while external demand growth continued to support.

Portugal: GDP surprised to the upside with growth of 0.5% QoQ (BBVA Research and consensus 0.3% QoQ).

GDP growth in Portugal was mainly due to a strong recovery in net external demand, driven by robust growth in exports and falling imports. On the other hand, according to the press release, private consumption would have slowed. With this data, our growth forecast of 0.9% for the whole of 2014 (-1.4% in 2013) is confirmed.

Chart 1

GDPs in the Eurozone

	Observed				BBVA
	2013	2Q14	3Q14	4Q14	
Eurozone	-0,4%	0,1%	0,2%	0,3%	0,2%
Germany	0,2%	-0,1%	0,1%	0,7%	0,2%
France	0,4%	-0,1%	0,3%	0,1%	0,2%
Italy	-1,9%	-0,2%	-0,1%	0,0%	-0,1%
Spain	-1,2%	0,5%	0,5%	0,7%	0,5%
Portugal	-1,4%	0,3%	0,3%	0,5%	0,3%
Austria	0,3%	0,0%	-0,1%	0,1%	
Belgium	0,3%	0,1%	0,3%	0,1%	
Netherlands	-0,7%	0,6%	0,2%	0,5%	
Finland	-1,2%	0,4%	0,2%	-0,3%	

Sources: Eurostat and BBVA Research

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