

Eurozone | Modest growth in Q3, supported by consumption

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Eurozone: growth moderates to 0.3% QoQ, supported by consumption and with uncertainties about the investment

GDP growth in the entire Eurozone slowed down by a tenth to 0.3% QoQ, compared with our forecast that it would remain at the same level as the previous quarter (BBVA Research and consensus: 0.4 % QoQ).

Although we do not yet know the breakdown of GDP by component, the data available so far, along with the information provided on the preliminary estimates by country, which in some cases are themselves broken down, suggests that growth was based on private consumption while net exports ended up by weighing on activity and investment has not taken off.

In any case, growth is showing signs of steadiness since late last year, based on domestic factors and therefore showing some resistance to the worsening global economy. The October data and some national data signals continue to point to a relatively limited slowdown in the impact on emerging economies, while our MICA-BBVA model continues to estimate growth of 0.4% QoQ in 4Q15. Today's results are in line with our forecasts for growth in 2015 at 1.5%, while next year's has been revised slightly downwards (by one tenth) to 1.8% due to the impact of global demand slowdown (see [Europe Economic Outlook](#)).

Germany: somewhat less growth but relatively stable, sustained by consumption

GDP growth slowed by a tenth to 0.3% in 3Q15 (BBVA Research: 0.4% QoQ; consensus: 0.3% QoQ), but the recovery has continued to advance at a sustained speed during the last year and a half (about 1.6% annualised). Although detailed figures are not yet known, the press release suggests that the growth was supported by increased consumption, both private and public. By contrast, investment contracted slightly, while net exports subtracted from growth.

Today's data are in line with our growth forecast for 2015 (1.6%), as the strength of domestic fundamentals will lead to a greater contribution from domestic demand in the second half, which should offset the moderation in exports.

France: moderate recovery supported by domestic demand

GDP grew by 0.3% QoQ in the third quarter (BBVA Research: 0.2% QoQ; consensus: 0.3% QoQ), after stagnating in the previous quarter, supported by the contribution from domestic demand. Private consumption increased again (in 2Q15 0.3% QoQ after 0%), while public consumption rose at a relatively steady rate (0.4% QoQ). By contrast, investment continues without showing any signs of recovery and stagnated so far this year. In addition, inventories contributed significantly (by 0.7pp) to the quarterly GDP growth, resulting in a contribution by domestic demand of 1pp. The dynamism of consumption, along with inventories, was reflected in the increase in imports (1.7% QoQ after 0.5% QoQ), while foreign sales were down (-0.6 % QoQ) after the good performance observed since late last year, which according to the press release was due to fall in transport equipment sales (which are quite volatile). In all, net exports subtracted 0.7pp from quarterly growth.

Beyond the irregular growth of GDP in the first half, the recovery progresses at a slow pace - and somewhat disappointingly since the end of 2014. The gradual trend of improvement in recent months, along with the maintenance of some stimulus (lower oil prices, euro depreciation, improving financial conditions) suggests that recovery might gradually gain momentum from 4Q15.

Italy: more signs that the recovery is still modest

GDP growth in Italy slowed by a tenth to 0.2% QoQ (BBVA Research and consensus: 0.3% QoQ).

According to the press release, such slight upswing responded to the positive contribution of domestic demand, while net exports subtracted from growth again.

However, the data suggest that the modest recovery is consolidating, supported by lower oil prices, the depreciation of the euro, low interest rates, the improving labour market and the neutrality of the fiscal policy.

Portugal: surprise as the economy stagnated

The Portuguese economy stagnated in 3Q15 (0.0% QoQ, BBVA Research: 0.4% QoQ, consensus 0.5% QoQ) after growing 0.5% QoQ during the previous three quarters. According to the press release from INE, the biggest surprise could come from the negative contribution of domestic demand and, in particular, the fall in investment. The increased uncertainty could have been decisive on the choices taken by the agents, and this could be extended into the coming months. By contrast, the major decline in imports over exports has resulted in a positive contribution from net exports. We will shortly publish a note with our new forecasts for the Portuguese economy.

GDPs in the Eurozone

	Observed				BBVA (2Q15)
	2014	1Q15	2Q15	3Q15	
Eurozone	0,9%	0,5%	0,4%	0,3%	0,4%
Germany	1,6%	0,3%	0,4%	0,3%	0,4%
France	0,2%	0,7%	0,0%	0,3%	0,2%
Italy	-0,4%	0,4%	0,3%	0,2%	0,3%
Spain	1,4%	0,9%	1,0%	0,8%	0,7%
Portugal	0,9%	0,5%	0,5%	0,0%	0,4%
Austria	0,5%	0,7%	0,3%	0,1%	
Belgium	1,3%	0,3%	0,5%	0,2%	
Netherlands	1,0%	0,6%	0,1%	0,1%	
Finland	-0,4%	-0,1%	0,2%	-0,6%	

Sources: Eurostat and BBVA Research

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