

## Eurozone | Upward surprise in GDP in 1Q16, with transitory factors playing a key role

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**Eurozone: growth accelerates to 0.6% QoQ in 1Q16 after the 0.3% QoQ of the previous quarter, but the rebound could be partly explained by transitory factors.**

GDP growth in the entire Eurozone accelerated to 0.6% QoQ, somewhat more than expected (BBVA Research and Consensus: 0.4% QoQ), after the 0.3% figure posted in 4Q15. Although we do not yet know the breakdown of GDP, the data available so far suggests that growth was based on internal demand, while net exports ended up weighing on activity again. This acceleration could be partly explained by transitory factors (early Easter this year, rebound of consumption in France after the terrorist attacks of November), although the positive news is the gradual recovery of investment.

Even if we have yet to learn the data for every country and taking into account the upward surprise in France, the acceleration in the whole of the Eurozone points to a good performance of the German economy in the first quarter (BBVA Research: 0.6% QoQ).

Although the data available for the second quarter of 2016 are basically confined to confidence data for April, our MICA-BBVA short-term model, which also incorporates the new figure for GDP growth, now estimates growth in the second quarter of this year at around 0.3%-0.4% QoQ. However, given the volatility observed during the last few quarters due to transitory factors, the degree of uncertainty of our forecast is high. In addition, the flash published today is available 15 days earlier than usual, incorporating less information, and may be subject to a second revision. In any case, we still expect higher growth than the Consensus for the whole euro zone in 2016 (1.6%).

**France's GDP increases by 0.5% QoQ in 1Q16, somewhat more than expected, supported by the rebound of private consumption.**

GDP growth accelerated to 0.5% QoQ early this year from 0.3% registered in 4Q15, pushed by a strong rebound in private consumption of 1.2% QoQ, after slowing down -0.1% QoQ in 4Q15. Although a rebound was anticipated after the November terrorist attacks, it has surprised upwards. Investment also grew somewhat more than in the previous quarter (0.9% QoQ after 0.7% QoQ) and public consumption increased 0.4% QoQ. Domestic demand contributed 0.9 pp. to growth (0.2 pp. in 4Q15), despite inventories taking -0.2 pp. off quarterly GDP growth. Net exports also drained -0.2 pp. (-0.4 pp. in 4Q15) due to a slight drop in exports (-0.2% QoQ from 1% QoQ), while imports grew at a more moderate pace (0.5% QoQ after 2.1% QoQ).

In summary, the data is slightly better than expected, but largely due to transitory factors, so there will probably be some correction in the second quarter, in line with our scenario. The most positive news is the gradual improvement in investment. Beyond the volatility of these data (and of those observed during the first half of last year), the French economy appears to be growing at a moderate pace of around 0.3%-0.4% since mid-2014.

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