

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

Agustín García / Miguel Jiménez / Eduardo Gutiérrez

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.

This document has been prepared by BBVA Research Department, it is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance. This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

In regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions in the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. It is forbidden its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process, except in cases where it is legally permitted or expressly authorized by BBVA.