

ECONOMIC ANALYSIS

Eurozone: GDP growth moderates slightly more than expected

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- **Growth moderates in the Eurozone to 0.3% QoQ, slightly more than expected, according to the preliminary estimate**
- **France stagnated in 2Q16, but due to temporal factors, while Spain slows down by 0.1pp to 0.7% QoQ**
- **Today estimates are in line with a 1.6% growth this year, although we are cautious because of the possible effect of *Brexit* on confidence during the second half of the year**

Growth in the second quarter moderates to 0.3% QoQ after 0.6% QoQ in 1Q16

GDP growth in the Eurozone moderated to 0.3% QoQ, somewhat more than what we expected (BBVA Research: 0.4% QoQ; Consensus: 0.3% QoQ). Although we do not yet know the breakdown of GDP, the data available so far suggests a reversion of the transitory factors which supported domestic demand growth in the first quarter, especially in France and Germany. Nevertheless, the moderation of internal demand was partly offset by the improvement in net exports. Meanwhile, investment recovery continued, but at a slower pace than in the first quarter (see [Short-term Indicators 2Q16](#)).

Although data available for 2Q16 are basically confined to confidence data for July, our MICA-BBVA short-term model, which also incorporates the new GDP growth figure, now projects a rate growth in the third quarter of around 0.3% 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 a 1.6% growth for the Eurozone in 2016, although with a slight downward bias due to today's downwards surprise and the uncertainty regarding *Brexit* spillovers on Eurozone confidence (which by the moment has not been affected significantly) and exports to the United Kingdom in the second half of the year.

Although the first GDP growth estimate for Germany is yet to be published, we project that the pace of growth decreased from 0.7% in 1Q16 to around 0.2% QoQ due to the slowdown of both investment (which increased strongly in the first quarter due to the reception of refugees) and private consumption. In Spain, growth has decreased with respect to the first quarter of the year (0.7% after 0.8% in the previous semesters, see [Flash Spain](#)).

GDP growth in France has stagnated after registering 0.7% in 1Q16 (BBVA Research: 0.3% QoQ; Consensus: 0.2% QoQ), pushed by a strong moderation in private consumption explained by temporal factors (0% after 1.2% QoQ in 1Q16) and a fall in investment (-0.4% QoQ) after increasing strongly three consecutive months. Meanwhile, public consumption grew by 0.4% QoQ. With all this, the contribution of domestic demand to growth has been null in 2Q16 (1Q16: 1.0pp), despite inventories dragging -0.4pp off quarterly GDP growth. On the other side, the lower dynamism of consumption has been reflected in the fall in imports (-1.3% QoQ after 0.5% QoQ), while external sales decreased slightly (-0.3% QoQ), and in consequence net exports contributed 0.3pp to growth (1Q16: -0.2pp).

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