

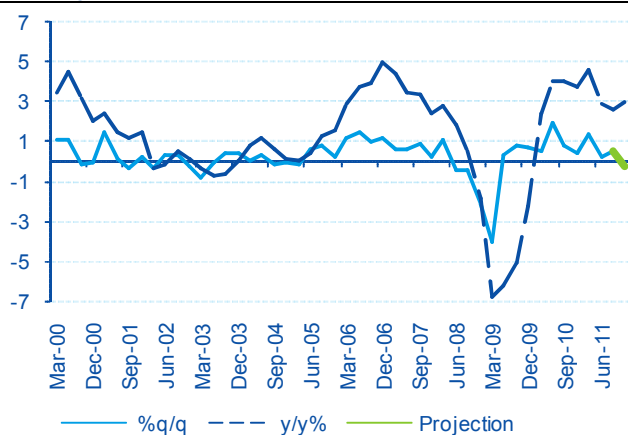
# Europe Flash

## German GDP: 3% in 2011, but probable fall in Q4

**Bottom line:** Germany registered a growth of 3%, with strong domestic demand, while GDP growth in Q4 is expected to have turned negative. At the same time Germany saw its public finances improving, with a small deficit for 2011 (1%). For the Eurozone as a whole, we continue to forecast a fall of -0.2/-0.3% q/q at the end of the year, and after today's revision of the Q3 figure, we now expect annual growth in 2011 to be 1.5% instead of 1.6%.

- In 2011, the German economy expanded by +3%, in line with expectations.**  
According to the first estimate of Destatis, the main driver of growth was domestic demand. The strength came both from private consumption, which increased by a five year record high of 1.5%, and from investment (6.5%), with capital formation in equipment and construction up by 8.3% and 5.4%, respectively. Growth in public consumption eased, but remained positive, at 1.2%. Thus, 2.2pp of GDP growth is attributed to domestic demand, while net external demand accounted for a more moderate 0.8pp (1.5pp in 2010), as the strong rise in exports (+8.2%) was almost matched by imports (+7.2%).
- This is consistent with a fall of -0.2% q/q in Q4,**  
as our short-term forecast model suggests, although the annual number could also be the result of revisions to previous quarters, which we will know only when detailed quarterly data is published in February. For a comparison with France, the BoF estimated yesterday that French GDP remained flat in the last quarter of the year, as suggested by the monthly index of business activity (BoF business survey).
- The German government deficit shrank to -1% of GDP,**  
after -4.3% in 2010. This -1% is in line with official forecasts and was achieved despite growing government consumption, compensated with stronger revenues due to higher than expected growth.
- Eurozone GDP figure for Q3 was revised downwards to 0.1% q/q,**  
by 0.1pp, mainly due to the revision of France's growth rate in Q3 from 0.4% q/q to 0.3% q/q. Thus, we now anticipate an annual GDP growth of 1.5% instead of 1.6% for 2011 as a whole.

Chart 1  
Germany: Growth rates



Source: Deutsche Bundesbank & BBVA Research

Table 1  
Germany: GDP growth contributions

YoY rate	2008	2009	2010	2011
Private consumption	0.6	-0.1	0.6	1.5
Public consumption	3.1	3.3	1.7	1.2
Gross Fixed Capital Formation	1.7	-11.4	5.5	6.5
Inventories (*)	0.0	-0.9	0.6	-0.1
<b>Domestic Demand (*)</b>	<b>1.1</b>	<b>-2.5</b>	<b>2.2</b>	<b>2.2</b>
Export	2.7	-13.6	13.7	8.2
Import	3.3	-9.2	11.7	7.2
<b>Net export (*)</b>	<b>0.0</b>	<b>-2.6</b>	<b>1.5</b>	<b>0.8</b>
<b>GDP</b>	<b>1.1</b>	<b>-5.1</b>	<b>3.7</b>	<b>3.0</b>

(\*) Contribution to growth  
Source: Destatis & BBVA Research



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