

# Europe Flash

## Eurozone: Stagnation in Q1 confirmed by second GDP estimate

- Unrevised, flat GDP growth during Q1, with persistent country divergences**

Eurozone economy escaped a fall back in recession in the first quarter of 2012, after contracting by -0.3% q/q in Q4-2011. Thus, GDP remained unrevised and was in line with our expectation (0.0%). There was a divergence in the quarterly growth rates across countries, with Germany on the one side of the spectrum growing by 0.5%, while Italy on the other extreme contracting by -0.8%.

- External demand once again the driver of growth**

The detailed breakdown by component further reveals that net exports made the only positive contribution to growth, beating expectations. The trade expansion observed was a result of a stronger rise in exports than imports (1.0% and 0.1% respectively). On the domestic side, public consumption increased by 0.2%, private consumption remained unchanged after contracting in Q4 and investment weakened further to -1.4%. Looking forward, after taking into account data released so far for the quarter, we expect economic activity to weaken in Q2 (MICA-BBVA: -0.2% q/q), while we continue seeing net exports as the only force supporting activity.

Table 1

### Eurozone: GDP growth (%q/q) and contributions by component

	Q4-2011	Q1-2012	BBVA Q1-2012
GDP	-0.3	0.0	0.0
Private consumption	-0.5	0.0	-0.1
Public consumption	-0.1	0.2	-0.1
Real GFCF	-0.4	-1.4	-0.8
Domestic demand (*)	-0.7	-0.4	-0.2
Exports	-0.7	1.0	0.6
Imports	-1.7	0.1	0.3
Net exports (*)	0.4	0.4	0.1

Note: (\*) contribution to growth

Source: Eurostat and BBVA Research

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