

# Eurozone economic growth

## GDP rebounds in Q1 with lop-sided growth surge

- Eurozone PMI indication of 0.8% GDP rise in Q1 confirmed by official data.
- Germany and France continued to lead a subdued periphery.
- Eurozone growth outpaces UK and US.

Our analysis of flash Eurozone PMI data on 24 March estimated that the survey was “consistent with GDP rising 0.8%” in the first quarter. We noted that “Germany continued to lead the pack in Q1, expanding by possibly as much as 1.5%”.

These predictions were accurate according to preliminary estimates of GDP for Q1, which showed the Eurozone economy expanded 0.8%. The Eurozone is therefore significantly outperforming all other major developed economies at the moment, which is one of the main reasons why the markets are pricing in higher interest rates over the next year compared to the United States and United Kingdom.

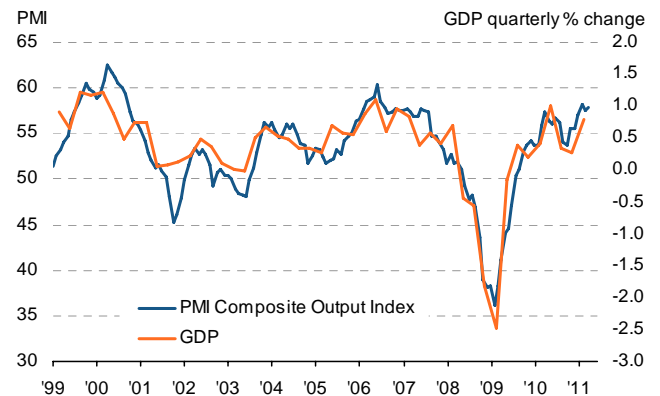
However, like the surveys, the GDP data also highlighted the increasingly lop-sided nature of the recovery. As we had anticipated, Germany beat the consensus view by growing 1.5% - almost double that of the Eurozone as a whole - with France and the Netherlands not far behind with growth of 1.0% and 0.9% respectively (French growth was stronger than our expectation of 0.8%).

In sharp contrast, Portugal has slid back into a technical recession (contracting 0.7%), Italy's economy barely grew (managing just 0.1% growth) and Spain saw a lacklustre 0.3% gain – which was driven by exports. The Greek economy posted a surprise 0.8% expansion, but we do not view this as a sea-change in the country's growth momentum.

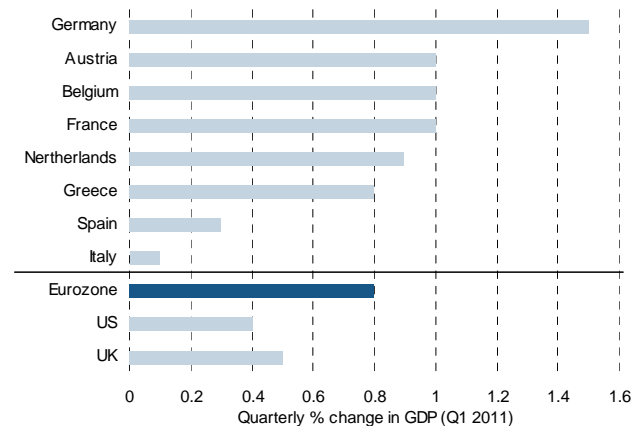
Looking ahead, with the Eurozone PMI signalling a slight upturn in the rate of growth in April, the prospects look good for another strong expansion in the second quarter. However, with austerity measures hitting domestic demand and poor competitiveness restricting growth in peripheral countries, it seems that

the two-speed recovery will be a feature of the Eurozone economy for quite some time to come.

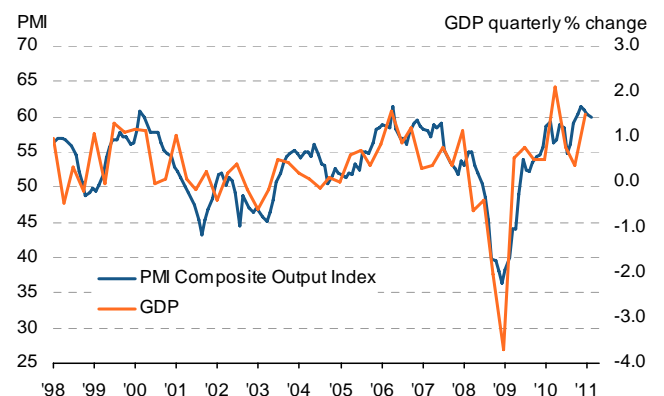
### Eurozone GDP



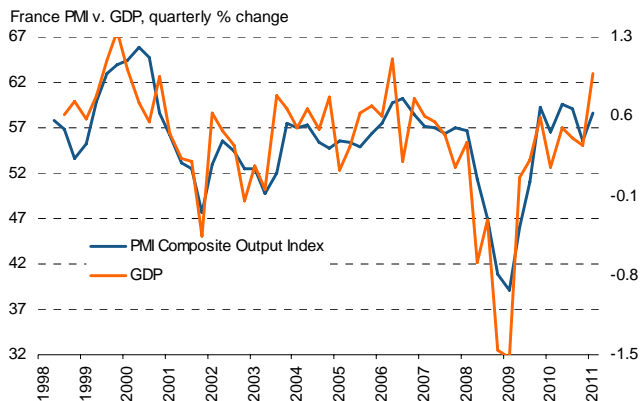
### Economic growth in Q1



### Germany



**France**



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