

Flash Comment

Euro area GDP: investments beginning to pick up

Euro area GDP was confirmed at 0.1% q/q in Q3, which is a slight decline from Q2, when growth was 0.3%.

Even though growth was weaker than in Q2, we see some promising signals for domestic demand in the details as the lower growth rate was due primarily to a negative impact from net exports due to high import growth. Both private consumption and investments increased for the second quarter in a row and growth in investments seems to have picked up. There was a positive contribution to growth of 0.3pp from inventories, which increases the risk of a soft Q4 GDP print.

The second quarter of growth in investments suggests that investments, which were postponed during the crisis, are starting to be initiated. There is still plenty of pent-up demand in investments and, looking ahead, we expect it to boost growth.

There is also pent-up demand in durable consumer goods and it seems that consumers have again started to spend money on more expensive goods such as cars.

Retail sales decreased for the second month in a row in October but there is still an upward trend and the improvement in consumer confidence suggests higher growth in private consumption.

We expect growth of 0.3% q/q in Q4 and 1.3% in 2014. The higher growth in 2014 should come as fiscal tightening is set to decrease and credit contraction should become less of a headwind.

The end of the recession in the euro area reflects an overall improvement across most countries. Only three countries (France, Italy and Cyprus) saw growth contract in Q3. Growth figures for Greece are not available yet.

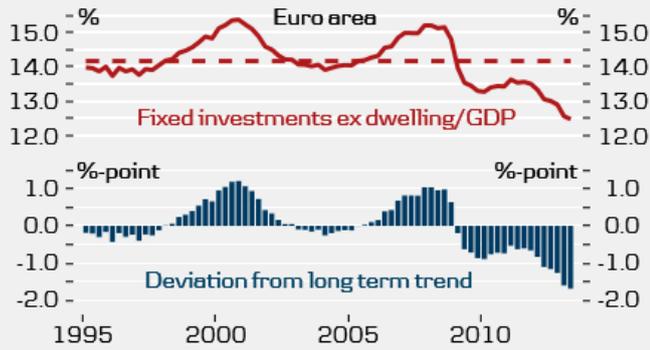
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Pent-up demand for investment...



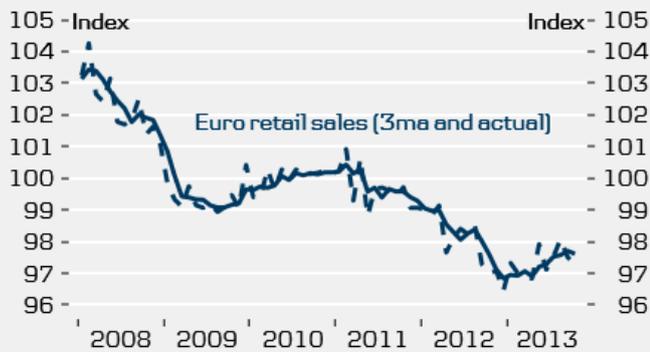
Source: Macrobond

...and durable consumer goods



Source: Macrobond

Retail sales still on an upward trend



Source: Macrobond

Consumer confidence points to higher private consumption



Source: Macrobond

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