



# Eurozone

## A lower growth profile

- The national accounts released have confirmed that the pace of growth weakened in the second half of 2015.
- The first assessment of European external trade in 2015 as a whole underlines the softening in demand from emerging markets.
- We now project growth of 1.3% this year in the Eurozone.

The preliminary estimate indicated that Eurozone GDP grew by 0.3% q/q in Q4 2015, as it did in Q3. Accordingly, growth throughout the second half clearly ran at a notch below the pace seen in the first part of the year (0.5% q/q in Q1 and 0.4% q/q in Q2). This is a sign that the abrupt slowdown in activity in emerging economies is indeed taking its toll on European growth. The national breakdowns available to us so far support this view. French exports, which were very brisk in the first half, almost ground to a halt in volume terms in the second six months of 2015. Worse, they decreased in Germany in the fourth quarter, according to the federal statistics office.

The initial European external trade figures for 2015 released this week by Eurostat show the same pattern. These figures reflect the value of trade and are thus also impacted by the large exchange rate swings seen last year. Nonetheless, shipments by all EU countries to the United States were 19% higher in 2015 than they were in 2014, compared with a rise of 4% in exports to China and reductions of 6% to Brazil and 28% to Russia. As a result, German exports rose more rapidly last year to the EU28 countries (7%) than to non-EU economies. The same applies for Spain, which does a lot of trade with Latin America. Its exports to the EU rose by 6%, with its non-EU exports up just 1%. These trends were particularly concentrated in the second half of the year, with growth in extra-EU exports for the entire Eurozone slipping from 8.2% y/y (3m mov. avg.) in June 2015 to 3.2% in December (figure 1).

### Fragile growth prospects

In the end, Eurozone GDP grew by 1.5% last year. At first glance, the range of performances on a country-by-country basis (figure 2) is disconcerting, with the three leading economies in the region (Germany, 1.4%, France 1.1%, and Italy 0.6%) performing close to in certain cases, but consistently below the Eurozone average. Of the leading countries, Spain (3.2%) and, to a lesser extent, the Netherlands (2.0%) stood out. Lastly, Ireland, still in full catch-up mode after the crisis (see focus on the next page), has held onto top spot in the rankings of the most dynamic Eurozone economies.

Recent trends suggest that these trends are set to continue in 2016. Just as OECD did this week (see Editorial on 1<sup>st</sup> page), we revised our growth forecast downwards and now project growth of around 1.3% for the Eurozone this year (compared with our December forecast of 1.6%). We will explain more thoroughly this

### Exports at a standstill

— Exports outside the Eurozone (EU-19), in value terms, % y/y — 3m mov. avg.

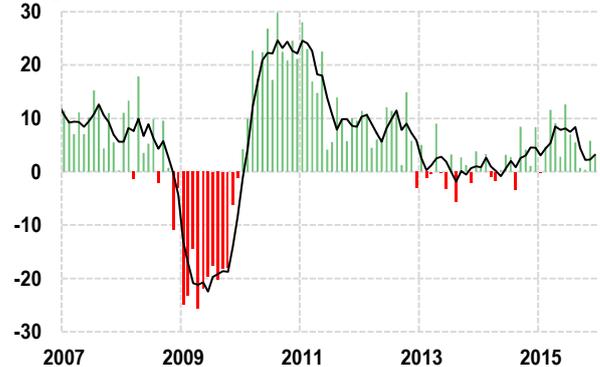


Figure 1

Source: Eurostat

### A mixed bag

GDP growth in 2015, in %

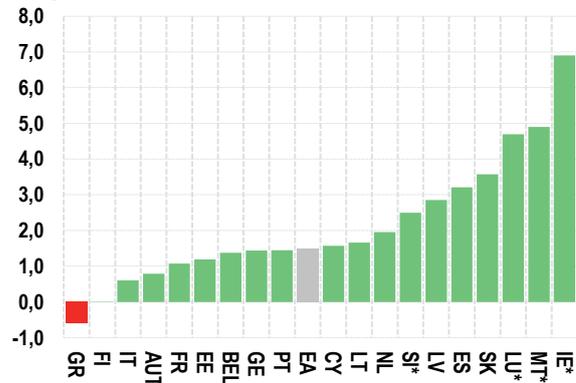


Figure 2

Source: Eurostat (\*) EC forecasts

outlook over the next few weeks, including the detailed picture in countries, but it already appears that the region's economies will continue to feel the knock-on effects of the problems facing the major emerging economies, especially via the sluggish level of trade.