

14 November 2008

Economic News

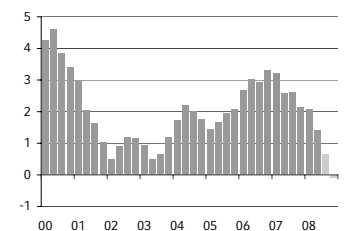
GDP IN EUROZONE

Economic activity contracting across the board

Economic activity in the Eurozone continued to slow in the third quarter, with GDP down a seasonally adjusted 0.2% q/q. In Germany and Italy, the slowdown was particularly pronounced at -0.5%. In Spain, GDP was 0.2% down on the previous quarter. The economies of France, Austria and Belgium grew marginally, all being 0.1% up on the previous quarter. Gross domestic product stagnated in the Netherlands and Portugal. The Greek economy registered the highest rate of growth at 0.5% q/q.

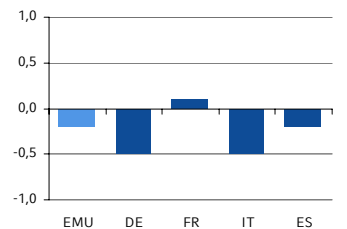
- Following the fall in output witnessed in Q2, GDP in the **Eurozone** has contracted again in Q3. It was down 0.2% on Q2, which itself witnessed a similar drop. This means that the Eurozone has slipped into its first recession since the inception of the single currency. Detailed figures will not be published until 3 September, but both private consumption (retail sales contracted) and lower investments are likely to have curbed growth. The sentiment indicators suggest there will be an accelerated slowdown in economic output in the fourth quarter; we expect GDP to be down by -0.4%. This seems to suggest that the ECB will continue to cut interest rates aggressively.
- In **France**, GDP increased by 0.1% in Q3. France is therefore the only one of the five major EMU countries whose economy has grown in Q3. The detailed figures show that once again growth was supported by domestic demand. Having contracted in the first half of the year, private households' consumption has started to grow once again and is up by 0.2%. Capital expenditure was down, but the figure of -0.3% q/q was less pronounced than in Q2. The contribution to GDP growth from domestic demand therefore stood at 0.2%. Unlike in Q2, foreign trade only slightly curbed growth.
- In **Spain** GDP fell for the first time in 15 years (-0.2% q/q). This therefore probably heralds the start of the recession in Spain: The real estate crisis has triggered a dramatic slowdown investment activity. More stringent lending conditions area also likely to put a brake on investment and consumption, which hitherto has been heavily debt financed. With 0.5% q/q decline in GDP following on from a drop of -0.3% in Q2, **Italy** is already in recession. Detailed figures have not been released yet, but it can be assumed that domestic demand has shrunk once again.

Eurozone – GDP
% y/y



Source EcoWin, WestLB Research

Comparison of EMU countries
GDP in % q/q



Source EcoWin, WestLB Research

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