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Q1 GDP DATA CONFIRM CYCLICAL RECOVERY...

...BUT MARKET VOLATILITY SHOWS QE IS NOT A ONE-WAY STREET

EUROZONE ECONOMIC CHARTBOOK, MAY 2015

DATA AS AT MAY 13TH | CLAUD VISTESEN, CHIEF EUROZONE ECONOMIST

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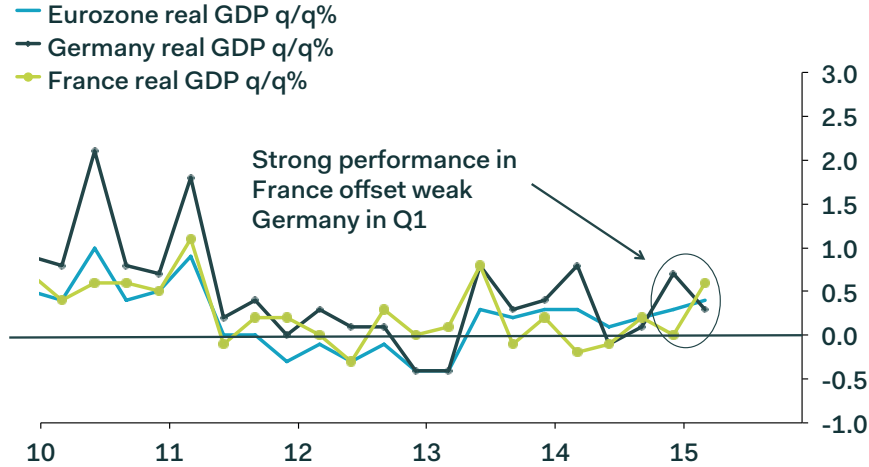


RECOVERY ON TRACK IN Q1, BUT NO ROOM FOR COMPLACENCY

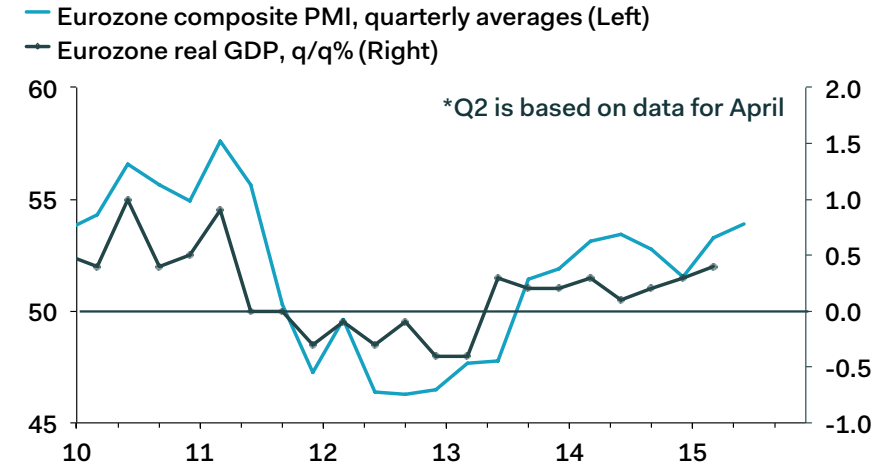




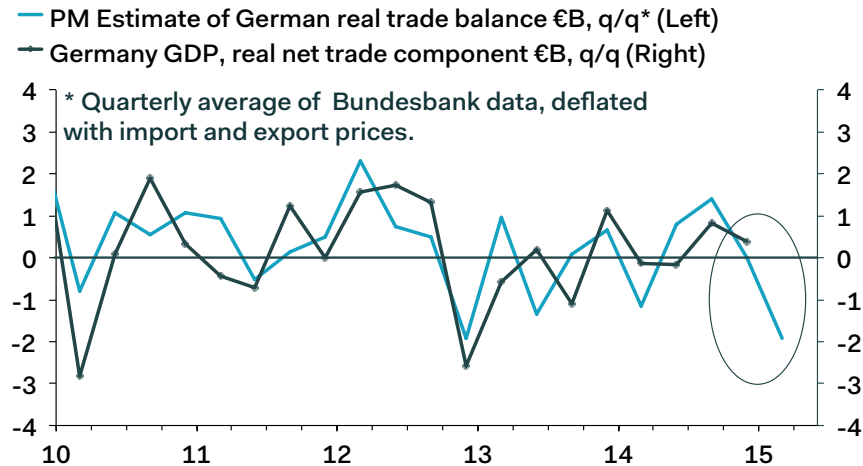
1. FRANCE OUTPERFORMS GERMANY IN THE FIRST QUARTER ...



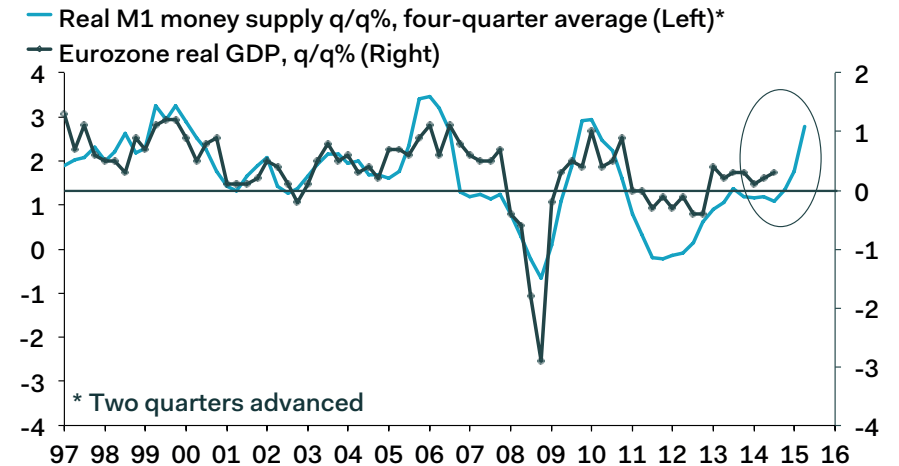
3. SURVEY DATA POINT TO A DECENT ACCELERATION IN GDP GROWTH...



2. ...AS NET EXPORTS PLUNGE IN THE EUROZONE'S LARGEST ECONOMY

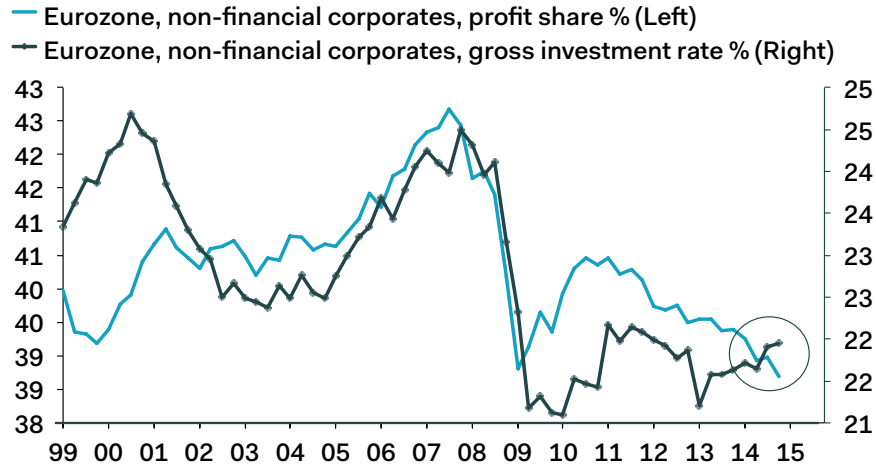


4. ...AND NARROW MONEY GROWTH IS ALSO SENDING A STRONG SIGNAL

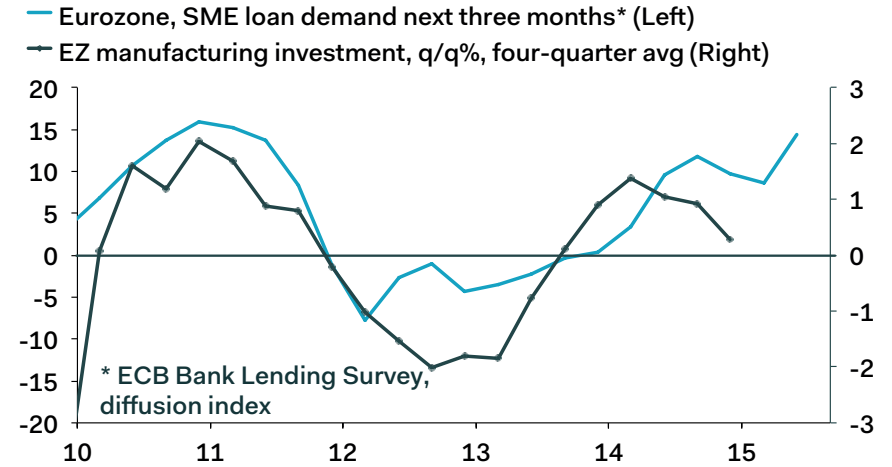




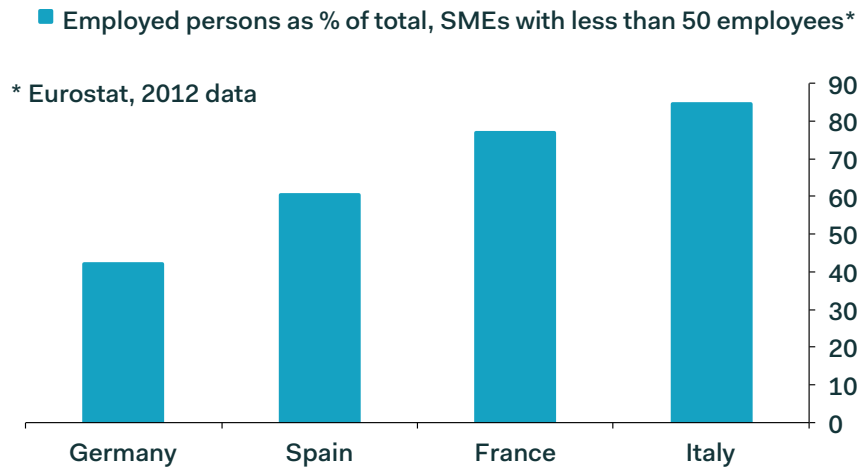
5. PRIVATE INVESTMENT NEEDS A BOOST IN THE EUROZONE...



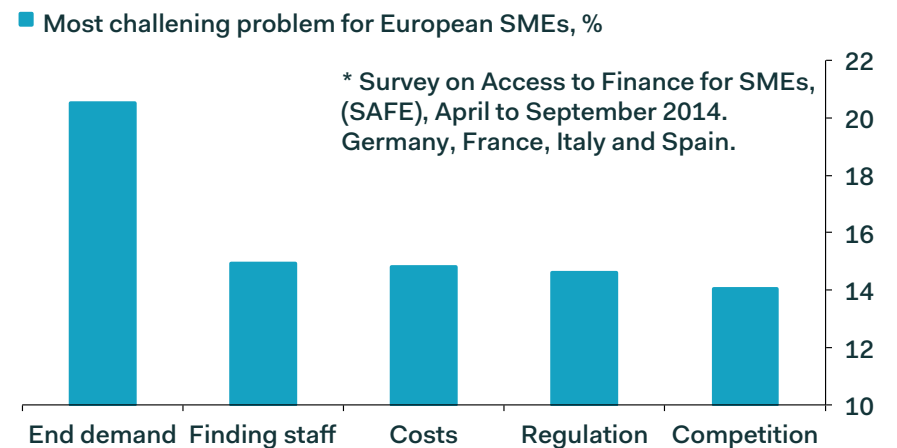
7. A CYCLICAL UPTURN FOR SME FINANCING IS ENCOURAGING...



6. ...ESPECIALLY IN THE SME SECTOR, WHICH DRIVES EMPLOYMENT

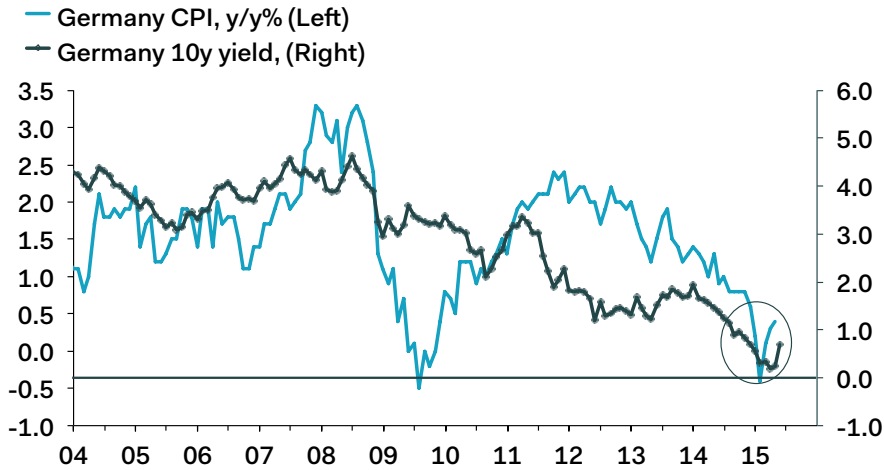


8. ...BUT IS ACCESS TO FINANCE THE BIGGEST CHALLENGE FOR SMES?

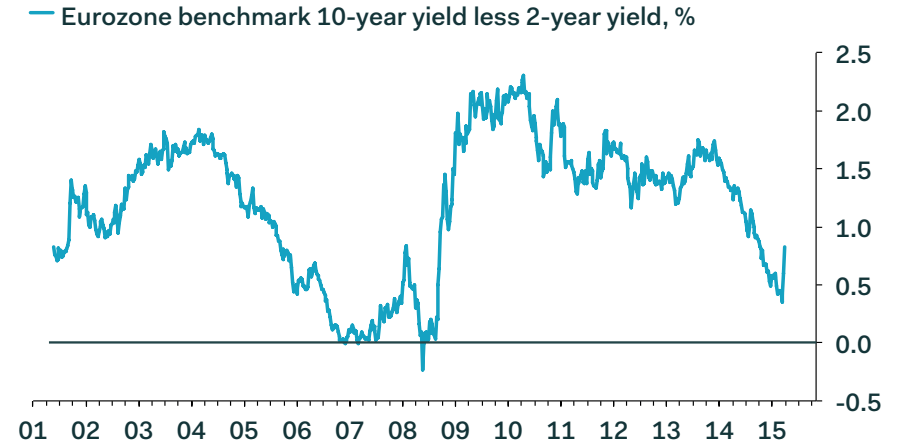




9. BUND YIELDS FINALLY REACTING TO HIGHER INFLATION?



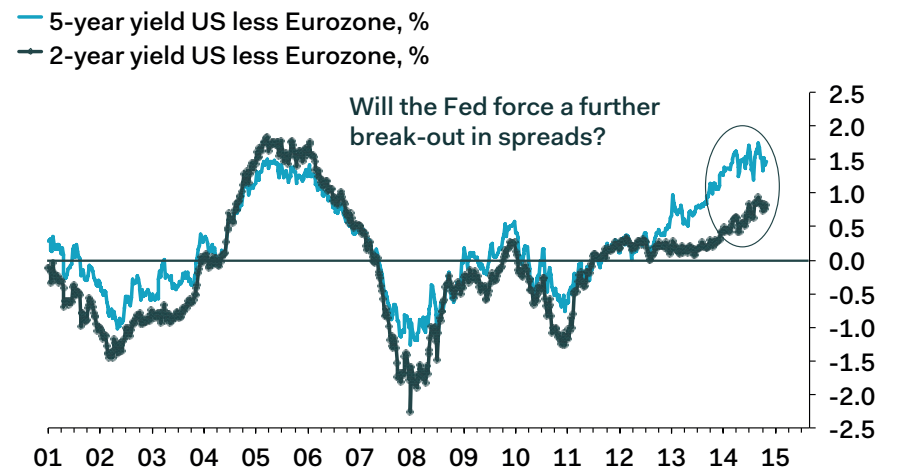
11. A STEEPER CURVE IS CONSISTENT WITH QE AND HIGHER GROWTH



10. BUT SHORT TERM INTEREST RATES SPREADS ARE CALM, FOR NOW



12. SHORT-TERM SPREADS COULD WIDEN AS FED HIKES LATER THIS YEAR





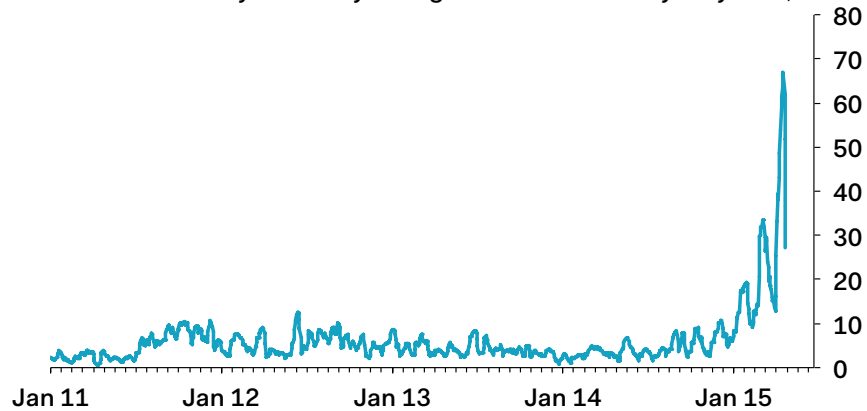
13. ECB BALANCE SHEET IS FINALLY STARTING TO EXPAND...

— ECB Balance Sheet, €B



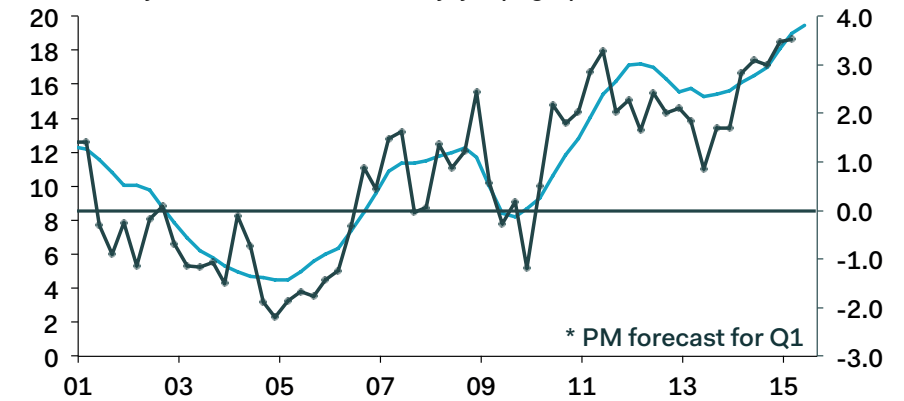
14. ...BUT THIS IS NO GUARANTEE OF LOW VOLATILITY IN BONDS

— 12-week volatility of weekly changes in Eurozone 10-year yields, %



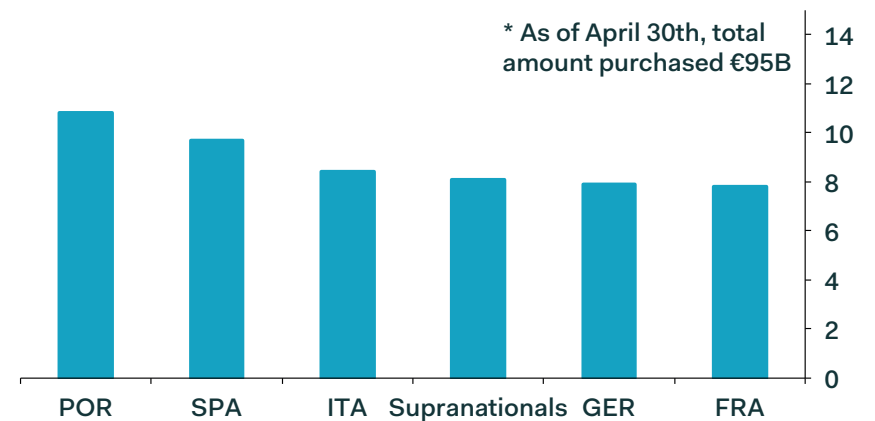
15. GERMAN LABOUR MARKET WILL EVENTUALLY CHALLENGE QE ...

— Vacancies as a share of unemployment, % (Left)
— Germany real consumer income, y/y% (Right)*



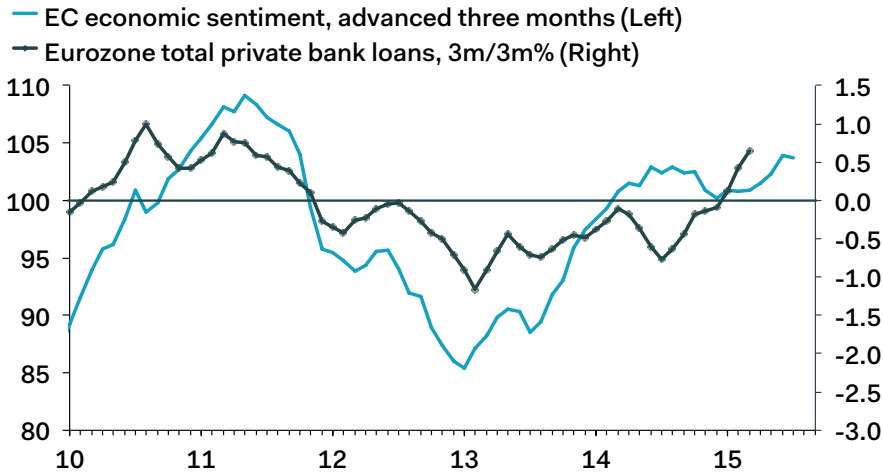
16. BUT THE ECB IS HELPING THE PERIPHERY LOCK-IN LOW RATES

■ Average maturity of ECB purchases by country

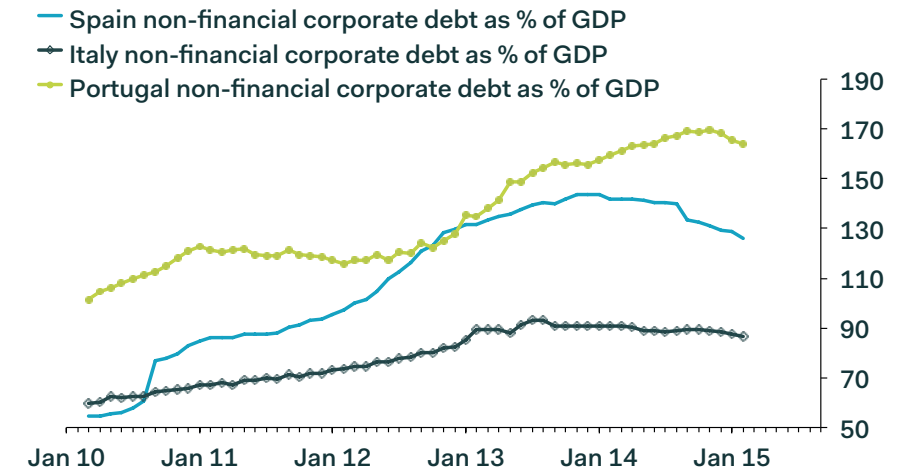




17. EUROZONE CREDIT CYCLE IS FINALLY TURNING UP...



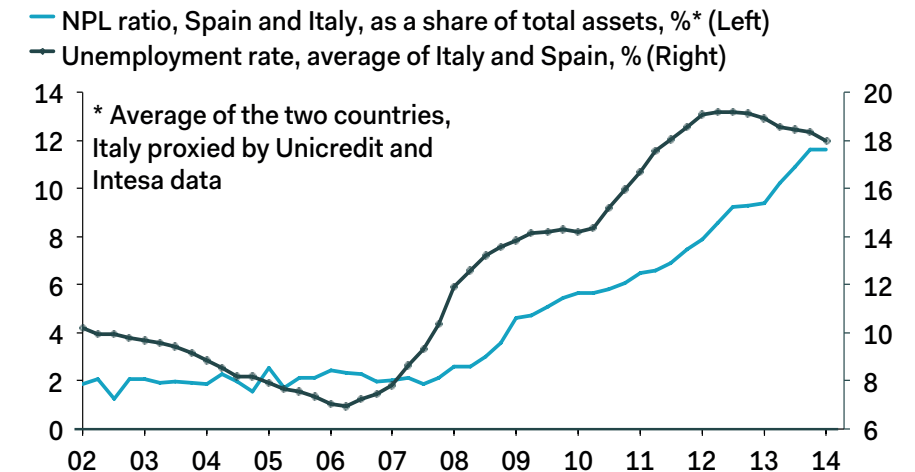
19. CORPORATES REMAIN OVER LEVERED IN PERIPHERAL ECONOMIES...



18. ...BUT DIVERGENCE BETWEEN CORE AND PERIPHERY IS A KEY STORY

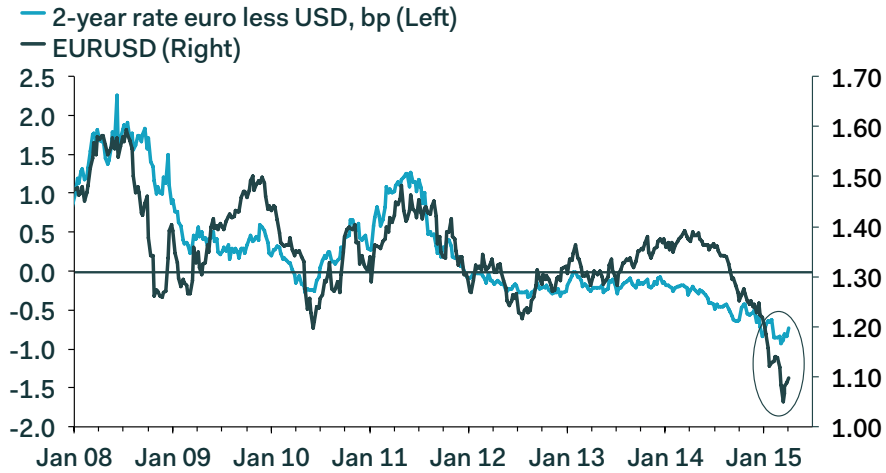


20. ...AND UNDERLYING PROBLEMS WITH BAD LOANS ARE UNRESOLVED

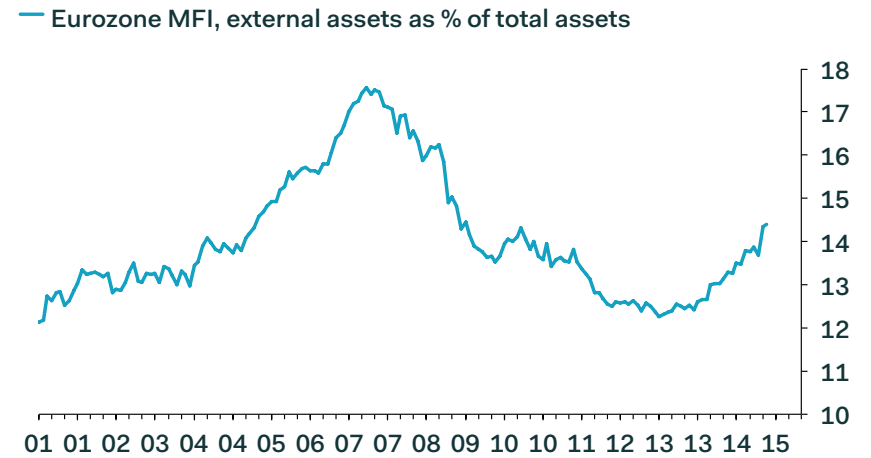




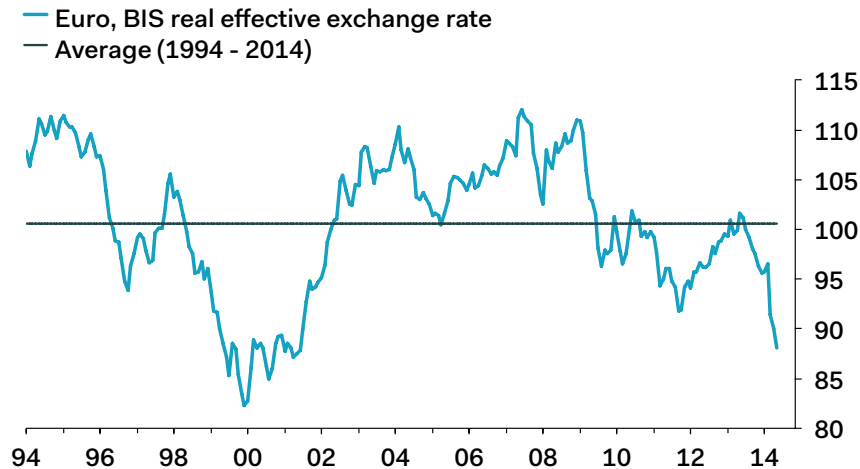
21. RECENT JUMP IN THE EURO IS CONSISTENT WITH SHORT-TERM SPREADS



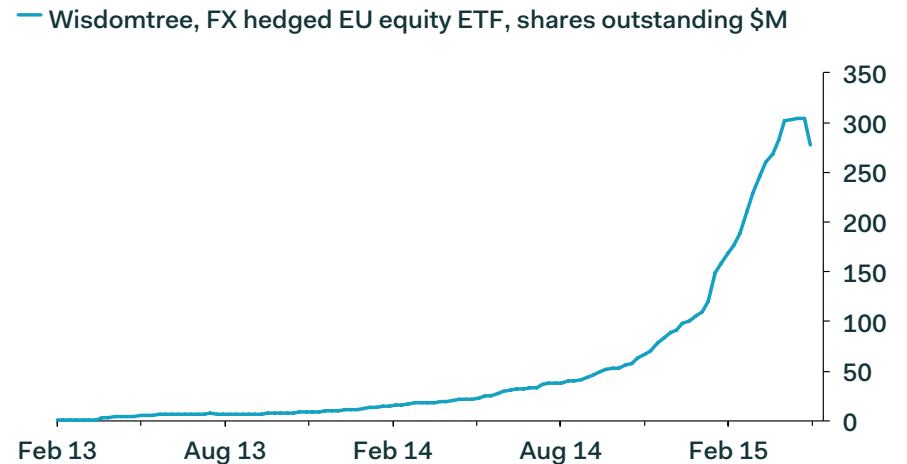
23. BUT OUTFLOWS REMAIN A NET DRAG ON THE SINGLE CURRENCY



22. AND FUNDAMENTALS ARE ALSO BECOMING MORE SUPPORTIVE

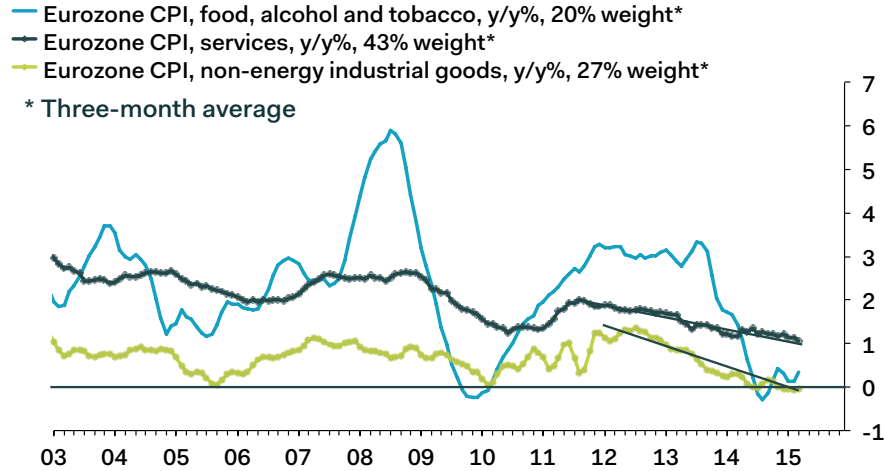


24. AND RECENT EQUITY INFLOWS HAVE BEEN LARGELY HEDGED

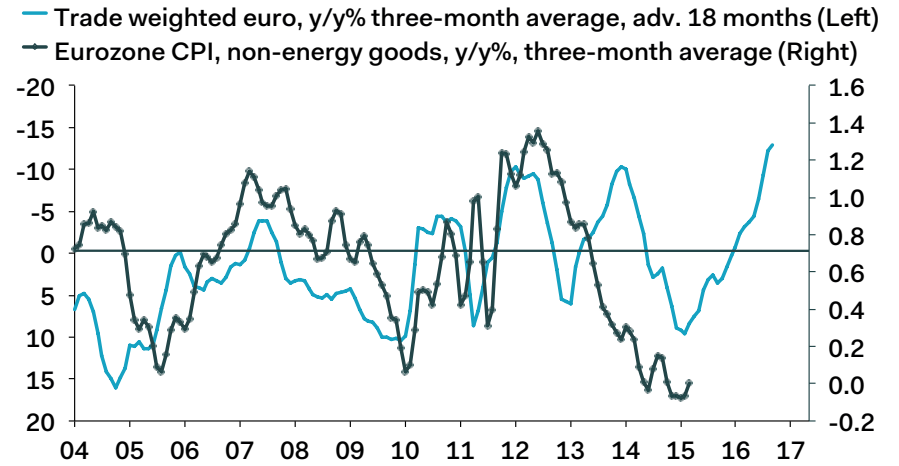




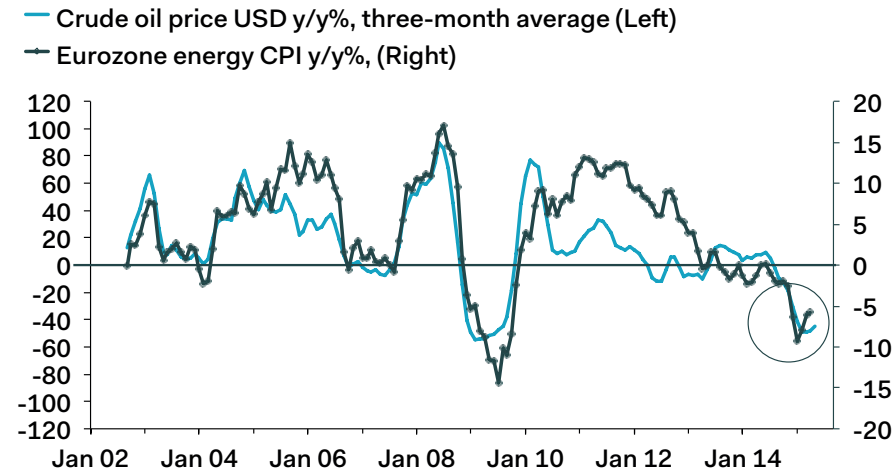
25. PRICE PRESSURES REMAIN SUBDUED IN THE EUROZONE...



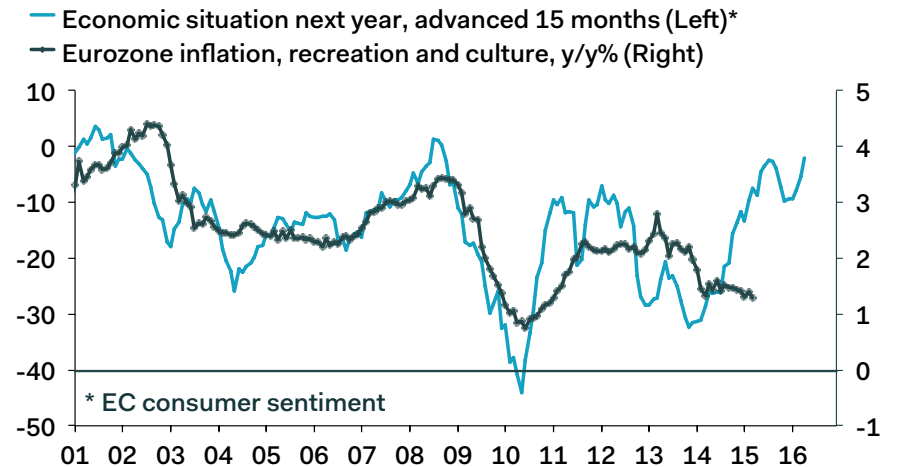
27. A WEAKER EURO POINTS TO HIGHER CORE GOODS INFLATION...



26. .BUT HAS HEADLINE INFLATION REACHED A TROUGH?

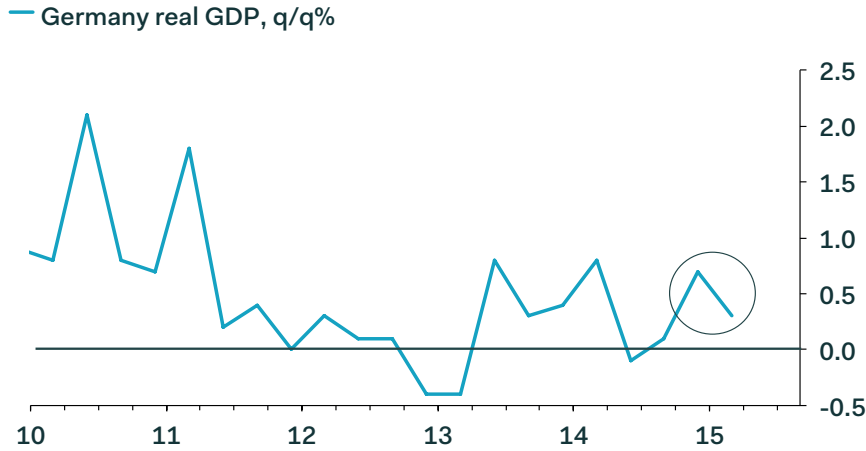


28. AND SERVICES INFLATION SHOULD RESPOND TO HIGHER SENTIMENT

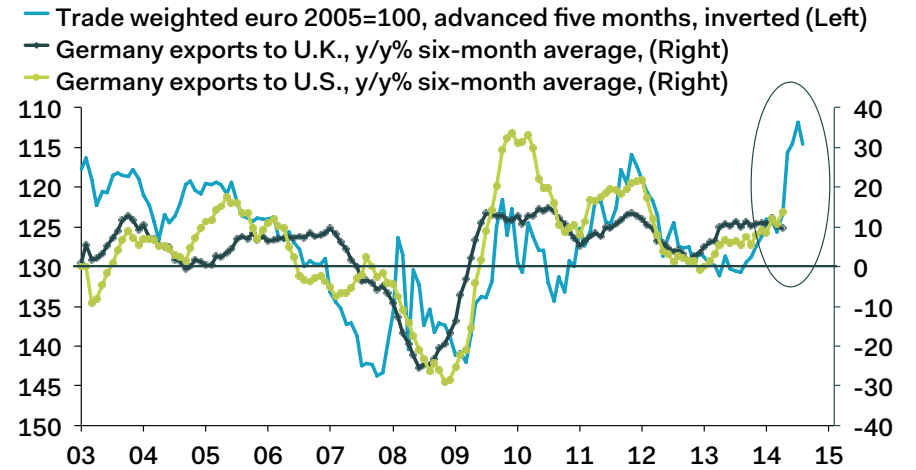




29. GERMAN GDP GROWTH DISAPPOINTED IN THE FIRST QUARTER?



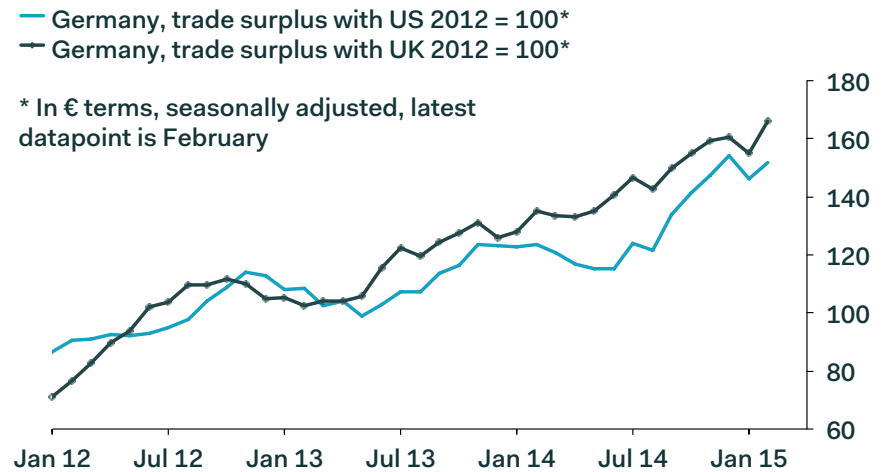
31. AND HIT FROM NET TRADE SHOULD REVERSE STRONGLY IN Q2



30. ...BUT LEADING INDICATORS ARE TURNING UP, MODESTLY

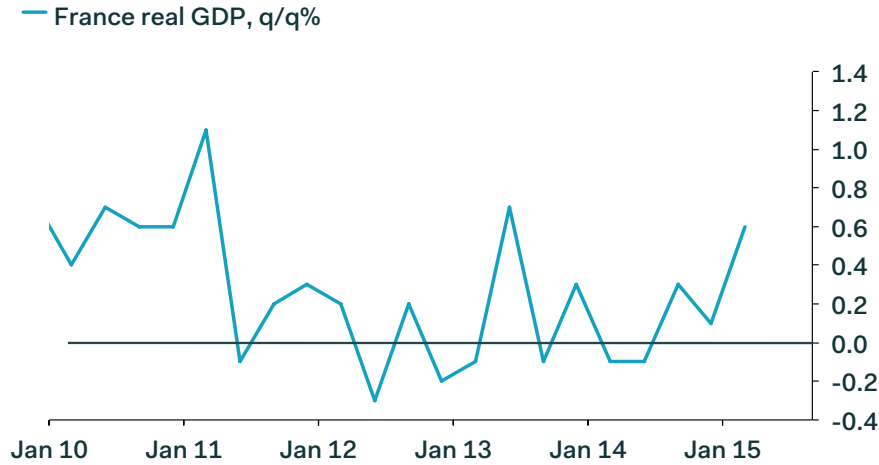


32. DEMAND IN THE U.S. AND THE U.K. ARE KEY TO EXTERNAL DEMAND

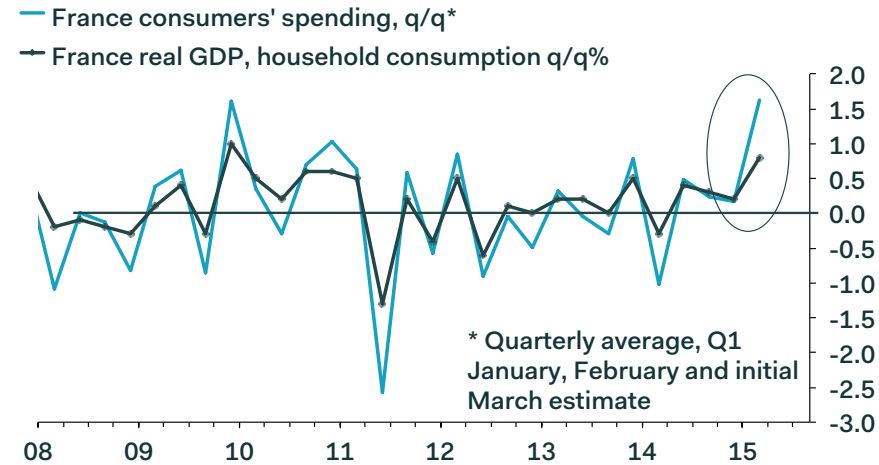




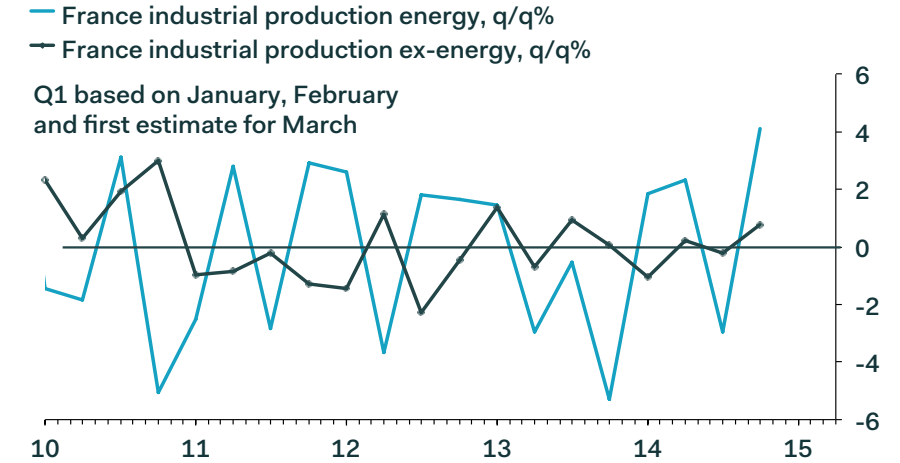
33. SOLID INCREASE IN FRENCH Q1 GDP GROWTH ...



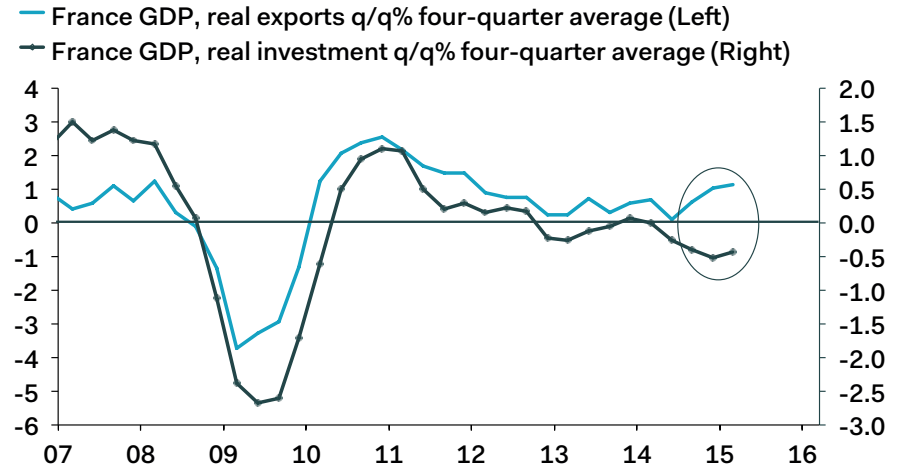
34. ...AS CONSUMERS' SPENDING SURGES AT FASTEST PACE SINCE 2011



35. A JUMP IN ENERGY OUTPUT ALSO HELPED THE HEADLINE

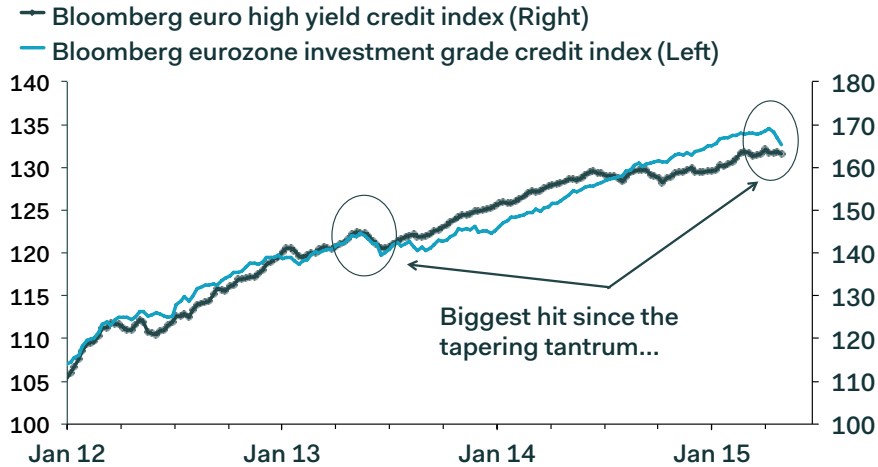


36. FINALLY, A CYCLICAL RECOVERY IN PRIVATE INVESTMENT?

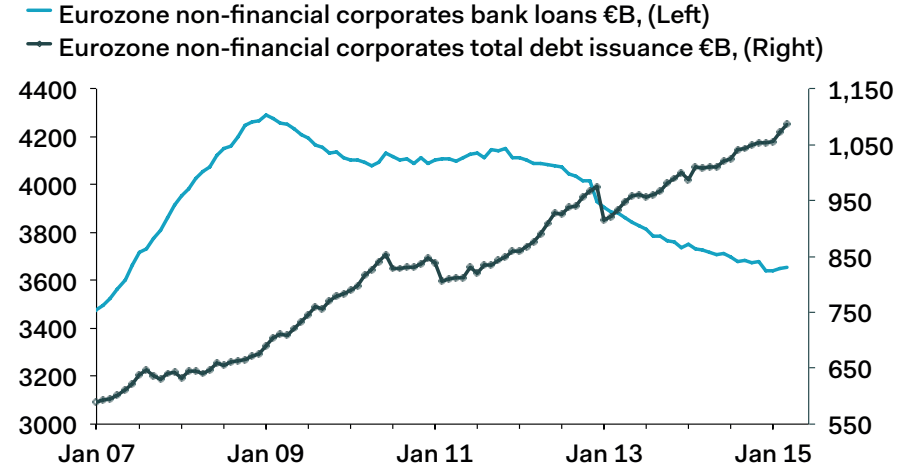




37. RECENT BOND MARKET VOLATILITY HAS HURT CREDIT MARKETS...



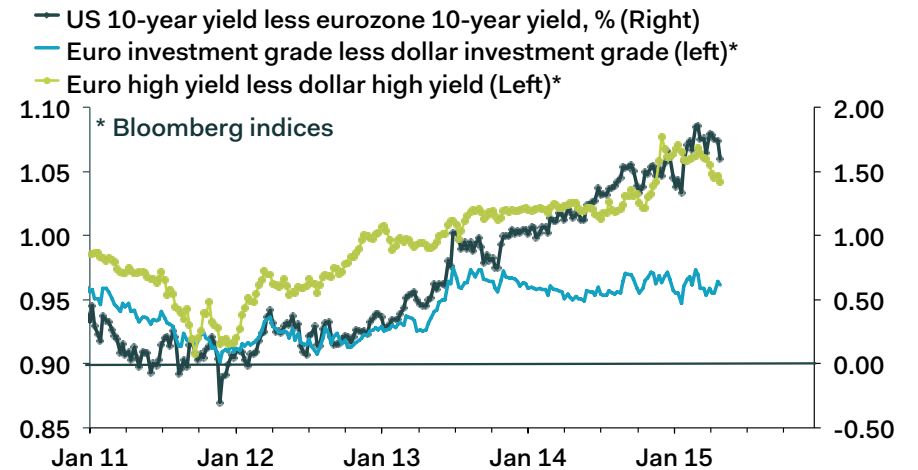
39. AND THE TREND IN CORPORATE BOND ISSUANCE REMAINS SOLID



38. ...BUT DEMAND FOR DURATION AND YIELD REMAINS STRONG

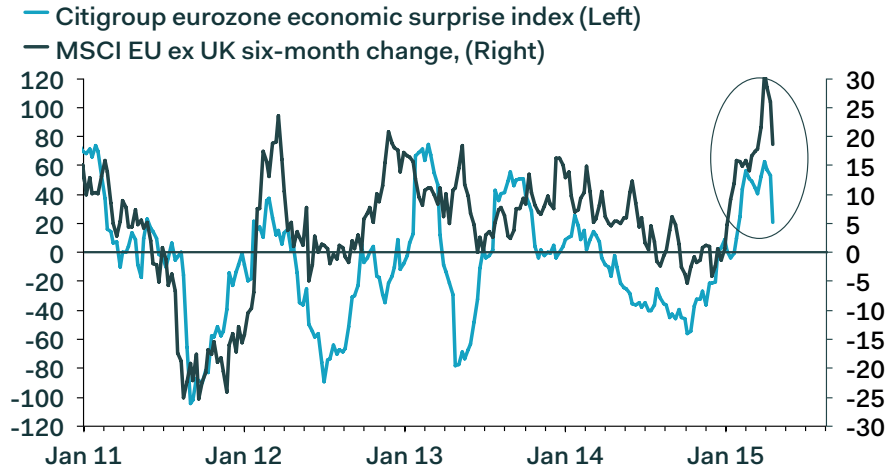


40. IF THE FED HIKES, EUROZONE CREDIT WILL LIKELY OUTPERFORM





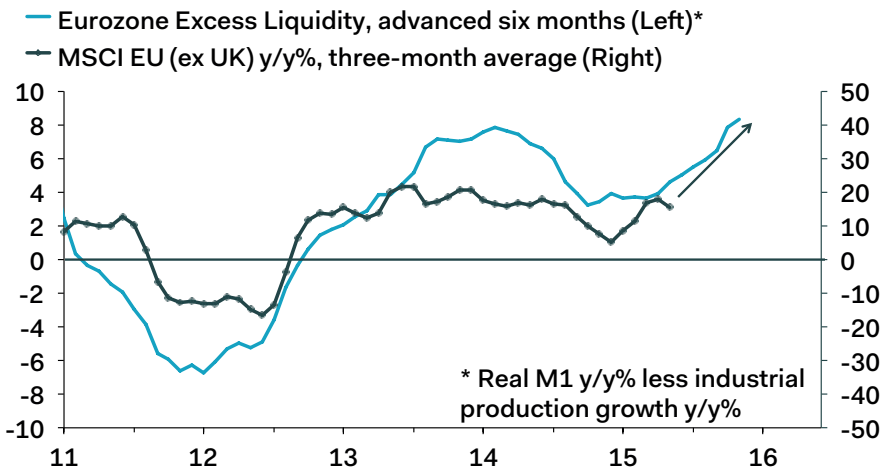
41. EUROZONE EQUITIES FINALLY CORRECT AFTER A STRONG RUN...



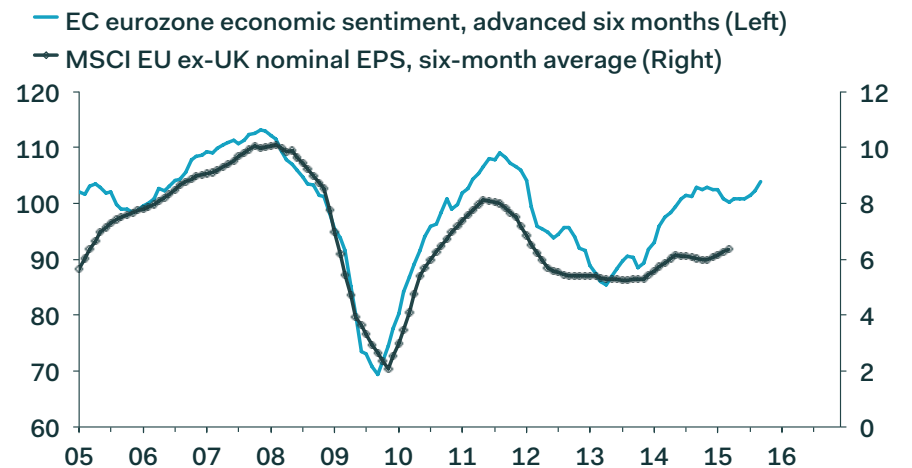
43. MULTIPLES HAVE BEEN TAKEN TO UNPRECEDENTED LEVELS BY QE...



42. BUT EXCESS LIQUIDITY REMAINS FAVORABLE FOR HIGHER RETURNS



44. ...BUT EARNINGS SHOULD RECOVER MODERATELY THIS YEAR





Economic Activity (y/y%)	2013	2014	2015	2016	2017
Eurozone GDP	0.5	0.9	1.5	1.5	1.3
Contribution of Household Consumption	0.3	0.4	0.7	0.6	0.4
Contribution of Government Consumption	0.1	0.1	0.2	0.1	0.1
Contribution of Investment	-0.1	0.2	0.4	0.7	0.6
Contribution of Net trade	0.3	0.1	0.2	0.2	0.2
Germany GDP	1.1	1.5	1.8	1.9	1.8
France GDP	0.8	0.7	1.2	1.0	0.8
Italy GDP	-1.1	-0.1	0.8	1.0	0.5
Spain GDP	-0.2	1.6	1.7	1.2	0.8

Labor Market and Prices

Eurozone unemployment (end of year)	11.8	11.4	10.8	10.7	10.7
Eurozone CPI y/y% (end of year)	0.8	0.0	0.6	0.9	1.1
Eurozone labour productivity growth y/y%	0.7	0.8	0.9	0.7	0.7

Other

Eurozone current account, % GDP	2.2	2.5	3.0	2.7	2.3
Eurozone budget deficit, % GDP	-2.9	-2.8	-2.6	-2.9	-3.0
Government debt, % GDP	90.9	92.0	95.0	97.0	99.0
ECB refi rate, Q4 average	0.25	0.05	0.05	0.05	0.05
10-year benchmark rate, Q4 average	1.6	0.7	1.1	1.2	0.8
Eurostoxx, Q4 average	3109	3170	4100	4300	4100