

## Eurozone GDP soars as rebound takes hold

GDP came in at 2% quarter-on-quarter with most large economies, except for Germany, beating expectations. While the Delta variant and supply chain problems are significant risks to the outlook, we do expect the rebound to maintain this brisk pace in the third quarter



A strong GDP figure confirms that the economic rebound is underway. It probably already started at some point in the first quarter as lockdowns have generally been eased since then, but the eurozone economy has experienced a bumpy ride. The Alpha variant which caused a tightening of restrictions, a weak start to the vaccination rollout and supply chain problems resulting in production hiccups all dampened the growth pace achieved in 2Q. That being said, it can be considered a strong start to the reopening and shows that demand has been very resilient.

Most large economies outperformed expectations except for Germany, which was plagued by supply chain problems more than other countries given the size of its car industry, which has been particularly hard hit. Countries that are further behind pre-pandemic levels like Italy and Spain saw impressive growth rates of 2.7% and 2.8%, respectively.

Looking ahead at 3Q, we would note that the Delta variant is causing some delays in the easing of

restrictions and that supply chain problems continue to weigh on manufacturing production. Still, we expect growth to come in very strong - currently pencilled in at 2% quarter-on-quarter - as domestic and foreign demand remain very robust. The first July surveys confirm this picture of soaring demand with sentiment indicators reaching all-time highs.

Despite all of the greening efforts, the eurozone economy continues to perform like a diesel engine: it takes a while to get going but don't underestimate it once it's picked up steam.

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