

## Euro Area: Q1 GDP Above Expectations at +0.4%, Softer Details

**BOTTOM LINE:** According to Eurostat's preliminary flash estimate, Euro area real GDP increased by 0.4% in Q1, above consensus expectations for a 0.2% uptick. Based on the limited details available, the print appears firm but softer than the 0.2pp beat on the headline number would suggest. Growth in Ireland, at +3.2% – most likely reflecting strong exports – contributed around 12bp to the unrounded +0.35% area-wide growth rate. Across major member states, GDP growth surprised expectations to the upside in Italy at +0.3% but was softer than consensus expected – although still firm – in Spain at +0.6%. A 0.5pp contribution from inventories supported French real GDP growth but household demand and investment growth were weak. German GDP growth was in line with expectations at 0.2%.

### KEY NUMBERS:

*Note: All numbers are qoq, non-annualised.*

**Euro area GDP (Q1, first estimate):** +0.35%; GS: +0.2%; Consensus: +0.2%; Previous (Q4): +0.2%.

**Germany GDP (Q1, first estimate):** +0.21%; GS: +0.2%; Consensus: +0.2%; Previous (Q4): -0.2%.

**France GDP (Q1, first estimate):** +0.13%; GS: +0.1%; Consensus: +0.1%; Previous (Q4): -0.1%.

**Italy GDP (Q1, first estimate):** +0.26%; GS: +0.1%; Consensus: +0.2%; Previous (Q4, revised): +0.2%.

**Spain GDP (Q1, first estimate):** +0.57%; GS: +0.6%; Consensus: +0.7%; Previous (Q4, revised): +0.7%.

### MAIN POINTS:

**1.** According to Eurostat's preliminary flash estimate, Euro area real GDP increased by 0.4% in Q1 2025, beating our and consensus expectations for a 0.2% increase. Based on the limited details available, the print appears firm but softer than the beat on the headline number would suggest given that Ireland's growth at +3.2% – most likely reflecting strong exports – contributed around 12bp to the unrounded +0.35% area-wide growth rate. The expenditure breakdown of Euro area GDP will not be available until June 6th.

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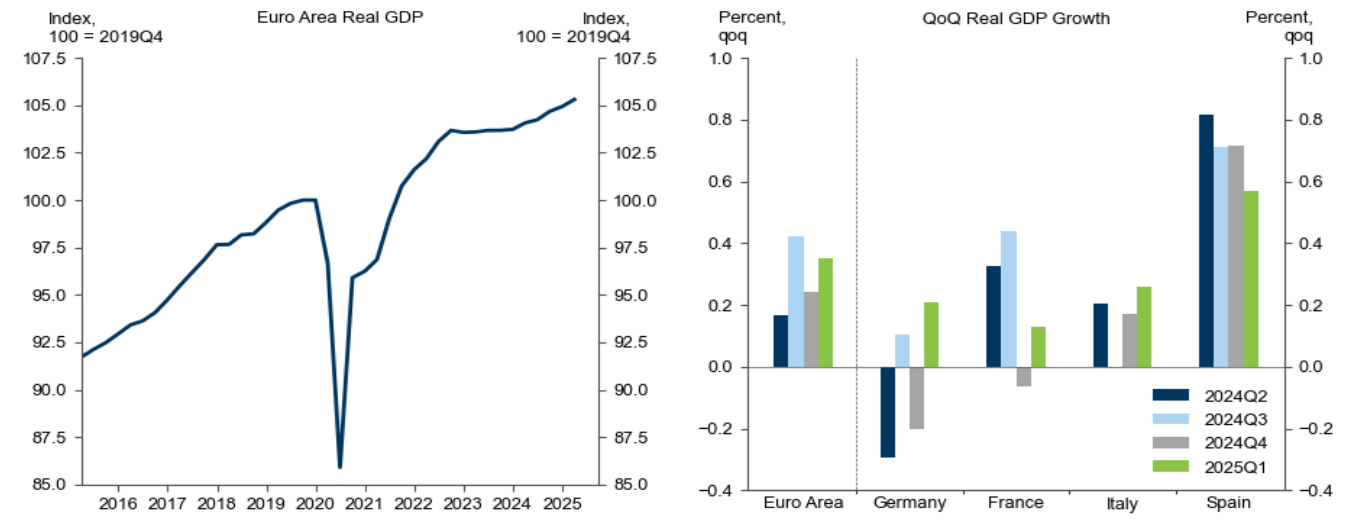
## 2. Across the largest Euro area economies, the first estimates of Q1 GDP showed that:

- **Germany:** Real GDP edged up by 0.2%qoq, in line with expectations. The press release noted that “both household final consumption expenditure and capital formation were higher than in the previous quarter.”
- **France:** Real GDP edged up by 0.1%qoq, in line with expectations. On the expenditure side, the press release noted that final domestic demand (ex inventories) was flat (vs. +0.2% in Q4) as household consumption stalled (vs. +0.2%) and public consumption growth moderated to +0.1% (vs. +0.4%). Investment growth remained in negative territory for the third quarter in a row at -0.2%. Net trade contributed -0.4pp to real GDP growth as real exports fell by 0.7% and real imports rose by +0.4%. Offsetting weakness in both domestic final demand and net trade, changes in inventories contributed +0.5pp to real GDP growth. On the production side, gains in the services sector offset flat growth in industry and an ongoing contraction in construction.
- **Italy:** Real GDP increased by 0.3%, above expectations for a more moderate uptick. The press release noted, on the expenditure side, a positive contribution from domestic demand (gross of the change in inventories) and a negative contribution from net exports. On the production side, growth was positive in the primary and industrial sectors but flat in the services sector.
- **Spain:** Real GDP increased by 0.6%qoq, below consensus expectations. The press release showed a moderation of household consumption growth to +0.4% from +0.9% in Q4, while government consumption growth was unchanged at +0.2%. Investment growth also slowed to a still-healthy +1.1% from a very elevated +3.5% in Q4, reflecting slower investment growth for machinery and equipment. On net, domestic demand contributed +0.6pp and net trade contributed +0.2pp to quarterly real GDP growth. On the production side, the press release showed strong growth in industry (+1.1%qoq) but softer growth in the services and construction sectors following a strong Q4.

**3.** In the first quarter of 2025, area-wide quarterly real growth surprised expectations to the upside by 0.2pp at +0.4%. Based on the limited country details available, the print appears firm but softer than the beat on the headline number would suggest. Strong growth in Ireland, at +3.2% (non annualised), which likely reflected a sharp rise in exports, contributed around 12bp to the unrounded +0.35% area-wide growth rate. Across major member states, GDP growth surprised consensus to the upside in Italy, likely reflecting domestic strength and construction activity. Growth was softer than consensus expected but still firm at +0.6% in Spain and in line with expectations in Germany. A 0.5pp contribution from inventories supported French real GDP growth but household demand and investment growth were weak. Frontloading activity ahead of US tariffs likely supported growth by boosting exports in Ireland, while private consumption and investment growth slowed in Q1 in the major economies that already reported an expenditure breakdown. We continue to expect real GDP growth to slow over the course of the year reflecting a drag from US tariffs, elevated uncertainty, tighter financial conditions, and a weaker global growth backdrop.

Giovanni Pierdomenico

Exhibit 1: Real GDP Growth in the Euro Area Increased by 0.4% in Q1



Source: Goldman Sachs Global Investment Research, Eurostat, Istat, INE, Destatis, INSEE

# Disclosure Appendix

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