



4Q GDP: US continues to grow while Eurozone stagnates

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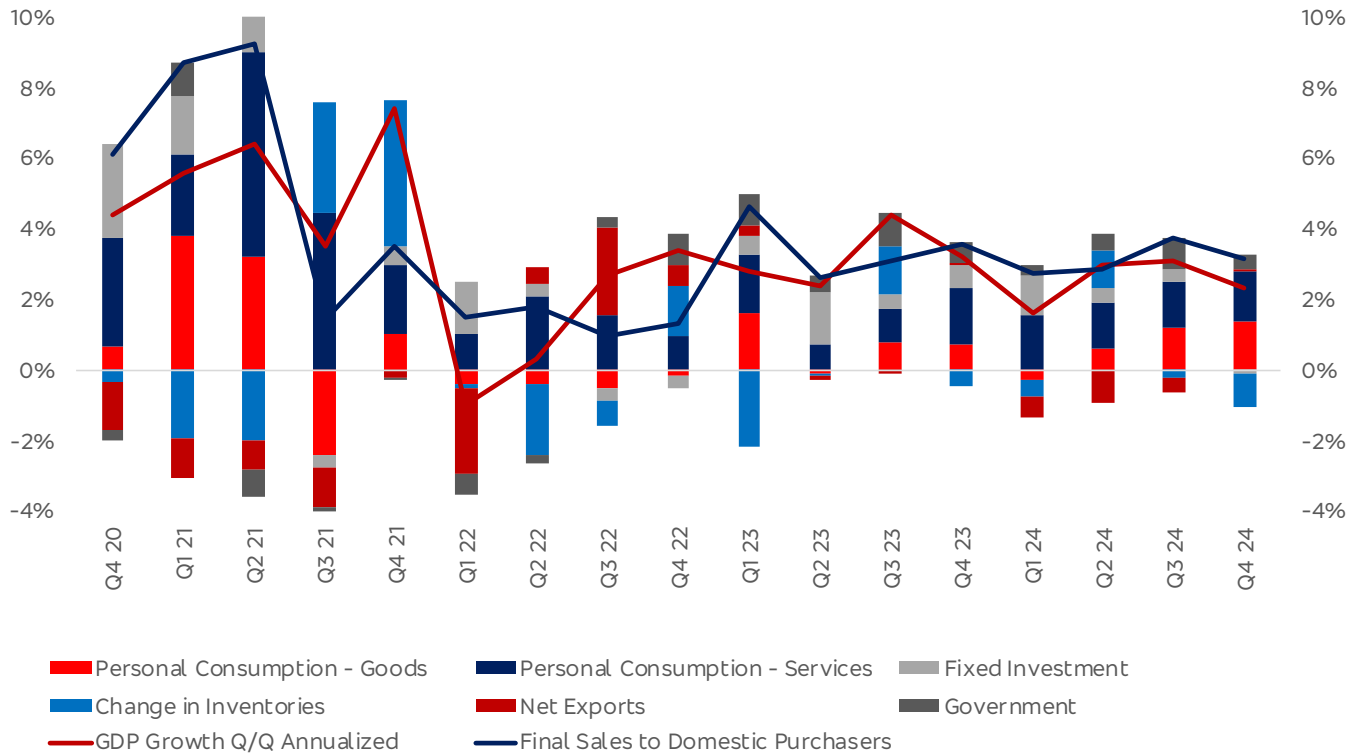
Fourth quarter GDP data was released today for the US and Eurozone which showed a continuation of trends since the pandemic of US expansion driven by consumer spending and Eurozone stagnation.

US GDP grew by 2.3% quarter-on-quarter annualized, which was a slowdown from the very strong 3.1% of the third quarter. However, much of the slowdown was due to a drawdown in inventories which actually reflected strong underlying consumption. In fact, Personal Consumption grew at a 4.2% QoQ annualized pace, which was the strongest since the beginning of 2023, as Goods Consumption grew 6.6% and Services Consumption grew 3.1%. Goods consumption was driven by 14% growth in Motor Vehicles, likely due to a strong push by auto manufacturers to increase sales before the start of possible tariffs this year. On the negative side, Private Domestic Investment contracted by 5.6% during the quarter, but much of this was due to a 14% decline in Transportation Equipment which reflected the impact of the Boeing strike. Final Sales to Domestic Purchasers, which strips out the changes in inventories and net exports from the overall figures to understand the underlying demand of the economy, grew at a very respectable 3.1% pace.

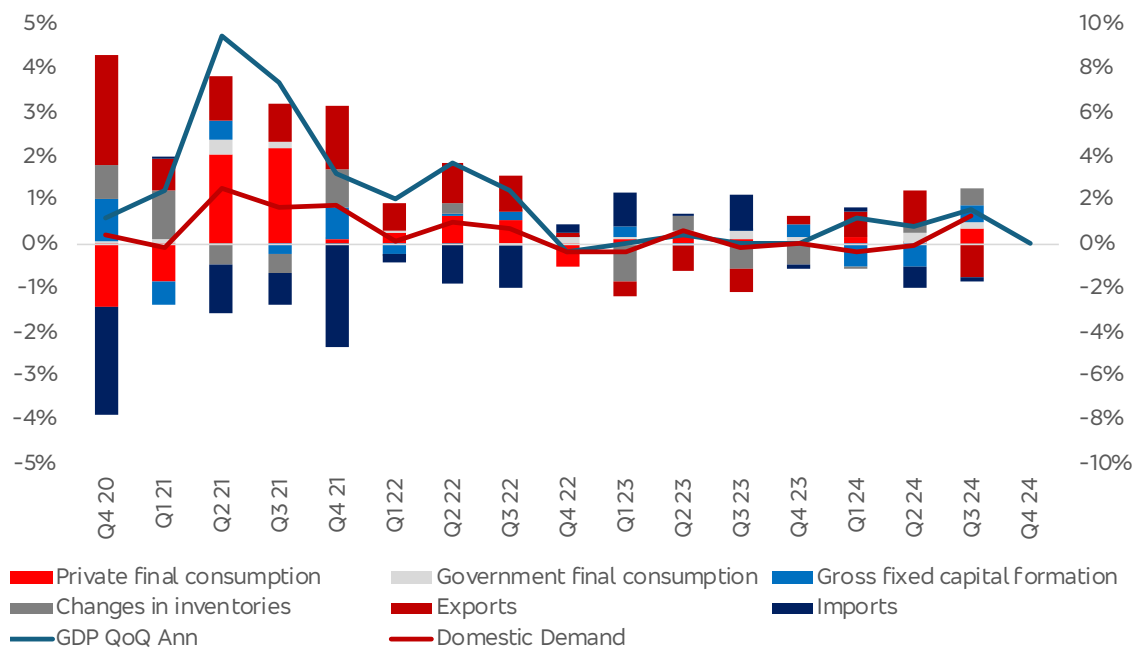
In Europe, the economy did not grow on a quarter-on-quarter basis as both Germany and France contracted. This continues very disappointing GDP growth data of the past two years as the Eurozone economy has barely expanded. For the full year 2024, initial estimates are that the Eurozone grew by 0.7%, versus nearly 3% growth in the US. In Europe, private consumption has been weak, especially compared to the free-spending Americans. In the US, consumer spending is up 15% since pre-pandemic levels while in the Eurozone it was up just 5% (as of the 3rd quarter). Detailed data for Europe for the 4th quarter is not yet available but we expect little change to the European consumer spending data.

Going forward, we expect US economic growth to slow somewhat in 2025 from 2024 levels but to still remain in the 2-2.5% range. And in Europe, we expect GDP growth to remain below 1%. Europe faces a difficult future due to the combination of potential tariffs from the US and a slowing China. Political uncertainty, especially in France and Germany, may be contributing to the economic weakness and this may not be resolved in the short-term.

US GDP grew by 2.3% in Q4 as personal consumption grew by 4.2%



Eurozone GDP stagnates with 0% growth in the 4th quarter



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