



High Frequency Model for Eurozone

Monthly rates of economic activity

SUMMARY

Slowdown in expectations for 2017

Incorporating the latest data of the different indicators included in our high frequency model have barely made significant changes in growth estimates for this year 2016. However, the projections made on these indicators for next year 2017 are somewhat less favourable than those presented in the previous months, what has led to some downward revision of expectations for GDP growth in the Eurozone next year.

So, our new forecasts for GDP growth rate in 2017 are 1,4 instead of 1,6 in previous month, that means two tenths lower than the 2016. Indeed, if we analyse the evolution of the different indicators over the third quarter of this year, we can see that while the "hard indicators" linked to real activity (industry turnover, new cars registration, industrial production, or steel

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"The indicators point to a change in the cyclical position "

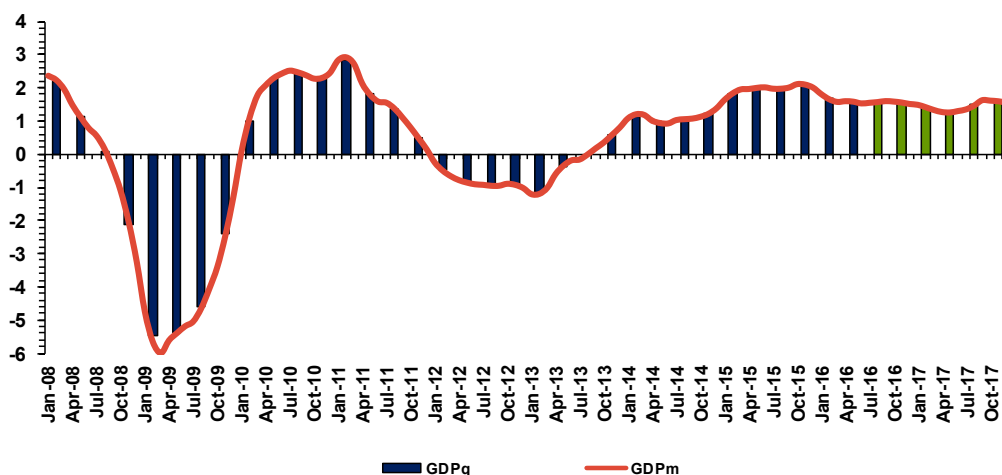
production) seem to be reaching cyclical highs in recent months, the "soft indicators" linked to the evolution of expectations, have already initiated a certain path of slowdown in the third quarter of the year.

Oct. 2016

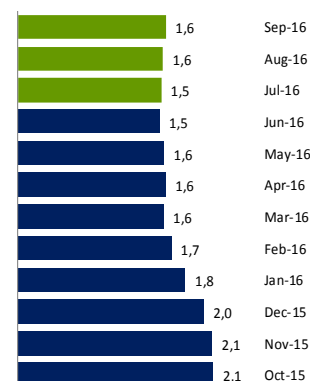
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Euro Area GDP growth rate (yoy)
Euren/CEPREDE High Frequency Model



GDP growth (yoy)



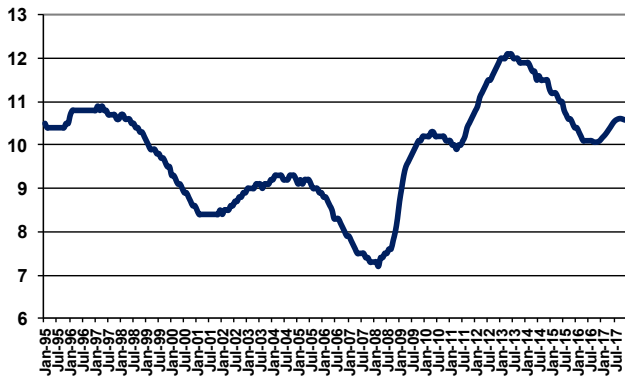
Source: CEPREDE. Sep-2016

The High Frequency Model analyses the main trends shared by a group of selected business indicators which recent evolution is displayed in following tables and graphs.

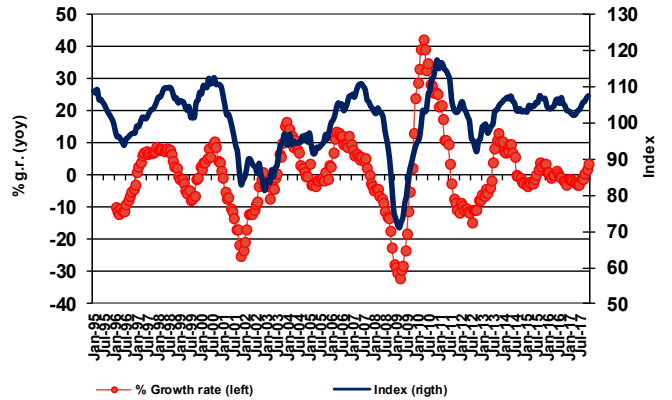
Those common trends are extracted through Principal component analysis and the extracted factors are forecasted with automatic ARIMA models.

After that, those forecasts are used both, to get specific forecasts on individual indicators (Dynamic Factor analysis), and to get a monthly GDP growth rate through temporal desegregation techniques (Chow-Lin).

Harmonised Unemployment Rate



Economic Sentiment Indicator: Germany



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Upcoming relevant data	Euro Area
Oct 24	Quarterly data on government deficit and debt (Q2/2016)
Oct 31	Flash Estimate Euro area inflation
Nov 11	Interest rates (3 months)
Nov 14	Industrial production
Nov 15	Flash Estimate EU and euro area GDP (Q3/2016)

The programming publications High Frequency Model for Eurozone during this year 2016 is included in the table at right.

Closing date: Oct 19, 2016

Publication date in 2016	
January 25	July 26
February 22	September 26
March 18	October 24
April 25	November 21
May 23	December 23
June 20	

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