

ECONOMIC NEWS

The Eurozone Managed to Avoid a Q4 Contraction in Real GDP

By Francis Généreux, Principal Economist

HIGHLIGHTS

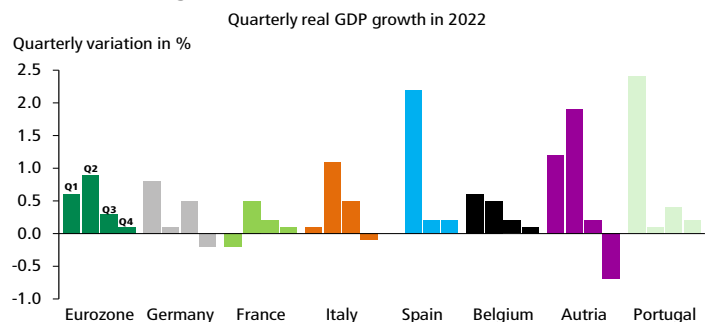
- ▶ Eurozone real GDP grew 0.1% (non-annualized) in the fourth quarter of 2022, according to advance GDP estimates. The small uptick comes after growth of 0.6% in Q1, 0.9% in Q2 and 0.3% in Q3.
- ▶ For the year, eurozone real GDP grew by 3.5% in 2022, after rising 5.3% in 2021 and falling 6.3% in 2020.
- ▶ These advance estimates don't include a breakdown of GDP components.
- ▶ France's real GDP picked up 0.1% in Q4 for overall growth of 2.6% for the year.
- ▶ Germany saw a Q4 gain of 0.2%, with real GDP growth for 2022 coming in at 1.9%.
- ▶ Italy lost 0.1% in Q4 and has posted 3.9% real GDP growth for 2022.
- ▶ Spain's real GDP was up 0.2% in Q4, bringing 2022 growth to 5.5%. It's the only country whose real GDP growth for 2022 isn't below its 2021 level (also +5.5%).

COMMENTS

Since the start of the war in Ukraine, Europe's economy has felt like it's on the rocks. Soaring inflation, primarily driven by skyrocketing energy prices, shook consumer confidence, eroded real incomes and sent businesses reeling, with a fresh wave of supply chain disruptions. That meant expectations of a sharp deterioration of the economic environment. And while real GDP growth has indeed slowed since the post-lockdown recovery, there are also signs of resilience. The fact that the overall eurozone hasn't yet recorded a quarterly contraction is certainly good news. But of the 10 countries that have already published

GRAPH

The Eurozone Avoids an Economic Contraction, but Results are Mixed in its Largest Countries



Sources: Eurostat and Desjardins Economic Studies

real GDP results for Q4, half of them are showing quarterly contractions. And with Germany and Italy among them, it signals that caution is still warranted and a recession probably won't be avoided.

IMPLICATIONS

Between continued economic growth and favourable weather conditions so far in 2023, the eurozone economy may prove to be more robust than recently thought, and there may be less of a gap than expected between the US and European economies. That could limit a potential slide in the euro over the coming months. However, the resilience of eurozone growth could also embolden the European Central Bank to press on with its monetary tightening, which will only end up weakening European economic conditions sooner or later.