

## EURO ZONE

### Europe's economy grows a little faster than forecast

#### HIGHLIGHTS

- The euro zone's real GDP grew 0.3% (not annualized) in Q4 2014 after smaller gains of 0.1% in Q2 and 0.2% in Q3. On an annualized basis, real GDP grew 1.4%.
- For 2014 as a whole, the euro zone's real GDP advanced 0.9%, following contractions of 0.4% in 2013 and 0.7% in 2012.
- Germany's economy rebounded in the fourth quarter, posting an annualized 2.8% increase to its real GDP. This is much better than last spring's 0.3% dip and the summer's tepid 0.3% rise.
- In France, the economy instead slowed, going up an annualized 0.3% after a stronger 1.2% gain last summer.
- Real GDP in Spain recorded a solid 2.8% annualized increase. Italy contracted slightly (-0.1%), while Greece's real GDP contracted after rising for three straight quarters.

#### COMMENTS

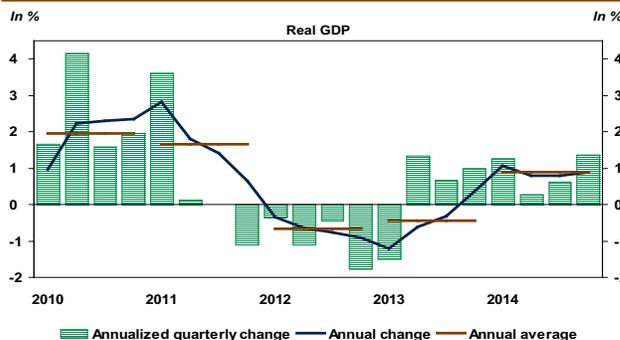
The first estimate of Euroland's fourth-quarter national accounts has delivered some good news. The economy's growth is not stellar, but is showing some acceleration after two disappointing quarters. With this uptick, real GDP has posted the strongest quarterly growth since the European crisis began in 2011.

The details on the components of real GDP for the zone as a whole are not yet known. However, we can assume that both consumption and foreign trade made positive contributions to growth. These factors were respectively helped by the drop in oil prices and euro's depreciation.

Growth has accelerated in the zone's largest economy—Germany—which is good news. Its mid-2014 weakness was a major source of concern. However, the French economy is still struggling, while Italy is not managing to emerge from its recession.

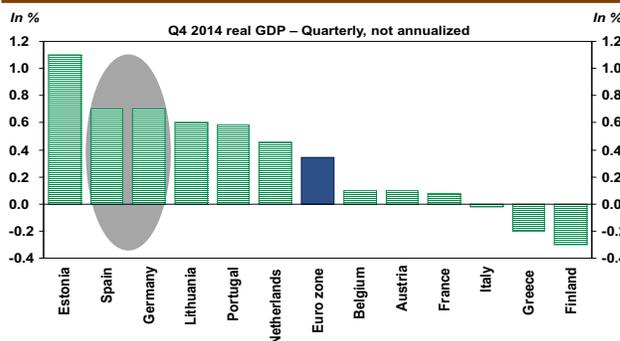
**Implications:** Growth is improving, but remains weak in the euro zone. The economy is not moving quickly enough

#### Economic growth showing slight signs of improvement



Sources: Eurostat and Desjardins, Economic Studies

#### Germany and Spain posted solid growth at the end of 2014



Sources: Eurostat and Desjardins, Economic Studies

to generate inflation, confirming that the European Central Bank had a duty to announce quantitative easing measures.

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