Economic News
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EURO ZONE

Europe's economy accelerates a little more

HIGHLIGHTS

- The euro zone's real GDP grew 0.4% (not annualized) in the first quarter of 2015. On an annualized basis, real GDP grew 1.6%.
- However, Germany's economy slowed in the first quarter, posting annualized real GDP growth of 1.1% after its more robust 2.8% performance in the fall of 2014.
- France's economy accelerated, rising an annualized 2.2%, its best performance since the spring of 2013.
- Spain also posted solid real GDP growth, coming in at an annualized 3.6%. The Italian economy has started to grow again, showing an annualized 1.3% gain. This is its first increase since the summer of 2013. In contrast, Greece has relapsed into recession with a second straight contraction, at -0.9% following the fall's -0.7%.

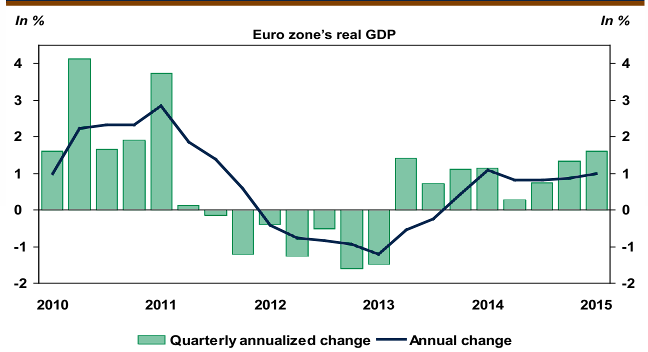
COMMENTS

We cannot yet talk of fast-paced growth, but Euroland's economy is improving steadily. The string of non-annualized real GDP gains in the last year demonstrates the trend: 0.1% in the spring of 2014, 0.2% last summer, 0.3% last fall and now 0.4% for the winter of 2015. Numerous confidence indexes are doing better which, along with the level the PMI indexes are at and the upswing in credit, suggest that growth will continue.

We still do not have the details on the evolution of the GDP components for the euro zone or most of the countries. France's data show a strong improvement in consumption, which posted its best growth since the end of 2009. Investment there is still down and net exports made a negative contribution (despite the weak euro).

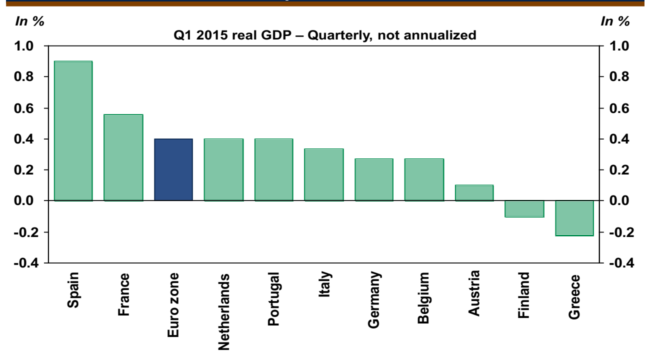
Greece clearly continues to struggle; it is currently in negotiations over another round of financial assistance. This contrasts with the other countries that were weakened by the crisis, particularly Spain, whose economic growth has beaten growth for the zone as a whole for a sixth straight quarter.

The economy continues to strengthen



Sources: Eurostat and Desjardins, Economic Studies

Spain and France got 2015 off to a good start, but Greece slips back into recession



Sources: Eurostat and Desjardins, Economic Studies

Implications: Economic growth is improving in the euro zone. However, the gains are not nearly strong enough yet to generate inflation or to nudge the European Central Bank into easing back on its stimulating policies.

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