

ECONOMIC NEWS

Real GDP in the euro zone ticks up in Q4

HIGHLIGHTS

- ▶ Real GDP in the euro zone increased 0.5% (non-annualized) in the fourth quarter of 2016, based on the advance estimate of the national accounts—on the heels of a 0.4% gain last summer (upgraded from 0.3%) and a 0.3% advance in the spring. The increase in Q4 is 2.0%, annualized.
- ▶ For 2016 as a whole, real GDP in the euro zone advanced 1.7%, a slowdown from the 1.9% rise recorded in 2015.

COMMENTS

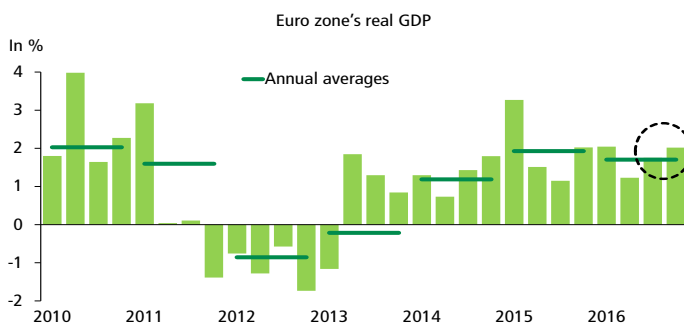
Real GDP growth in the euro zone last fall was somewhat stronger than expected, as the consensus forecast had called for a 0.4% increase. Combined with the upgrade to the previous figure, this gain slightly helped to outpace the expected annual change for 2016 set at 1.6%.

The preliminary version of the national accounts released today does not provide any details on the growth of GDP components nor on the results by the countries that form the euro zone. We do know, however, that the French economy also accelerated in the fourth quarter with an annualized real GDP gain of 1.7%, after a more tepid 0.8% uptick last summer.

The slight real GDP run-up in the euro zone in the last few months of 2016 reflects improvements in several other indicators, especially in terms of consumer and business confidence. A fairly steady decline in the unemployment rate was also noted. The data released today show that the unemployment rate in December 2016 was 9.6%, while this rate was 10.5% one year earlier. If the labour market and confidence levels continue to improve, we can expect Europe's economy to keep expanding at a somewhat more vigorous pace.

GRAPH

Euroland's economy ramps up as year ends, but growth in 2016 was slower than in 2015



Sources: Eurostat and Desjardins, Economic Studies

IMPLICATIONS

The stronger growth recorded in Euroland's economy is good news. Combined with faster inflation growth (at 1.8% in total, but stable at 0.9% for the core index), it could prompt the European Central Bank to settle for the accommodating measures it previously announced. That said, Europe's economy will have to face several uncertainties in the next few quarters, including elections in the Netherlands, France and Germany as well as the start of the Brexit negotiations.

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