

ECONOMIC NEWS

Euro zone: Real GDP Pulls Back in the Fourth Quarter

HIGHLIGHTS

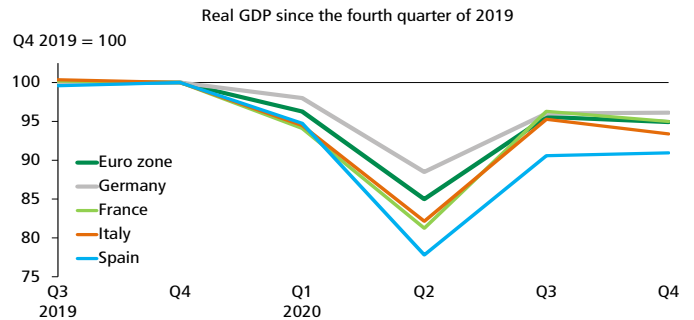
- ▶ The euro zone's real GDP declined 0.7% (non-annualized) between the third and fourth quarters of 2020 according to the preliminary estimate of national accounts. This decrease follows on the heels of a 3.7% drop in the first quarter, an 11.7% decline in the second and a 12.4% jump in the third.
- ▶ Euroland real GDP for all of 2020 was down 6.8%, after gaining 1.3% in 2019.
- ▶ This preliminary version of the euro zone's national accounts does not provide any details on the GDP's components.
- ▶ France's real GDP shrank 1.3% in the fourth quarter, for a total decline of 8.3% for all of 2020.
- ▶ Germany's real GDP grew only 0.1% in the fourth quarter but declined 5.3% overall in 2020.
- ▶ Italy's real GDP fell 2.0% in the fourth quarter, down 8.9% in total for all of 2020.
- ▶ Spain's real GDP was up 0.4% in the fourth quarter but fell 11.0% overall in 2020.

COMMENTS

It was clear that the increase in the number of COVID-19 cases in the fall and the reintroduction of public health measures to combat it would have an adverse impact on economic activity. That said, the decreases in GDP generally proved to be less serious than might have been feared. In the euro zone, but also the United States and Canada, the economy adapted to the reality of the pandemic, with some sections of the economy continuing to advance in spite of the public health measures. In addition, the government-ordered closures were less extensive than during the first wave. This is especially evident in manufacturing, where the recently released PMIs for January remain at levels that suggest growth, even though they collapsed in the spring.

GRAPH

The euroland economy remains well below its pre-pandemic level



Sources: Eurostat and Desjardins, Economic Studies

However, the euro zone's situation remains unclear as we start 2021. The vaccination campaign has begun, but later than elsewhere. Although there have been fewer new cases of COVID-19 recorded since November (except in Spain), the level remains high. In France, there's even a new upward trend. Several stringent public health measures remain in place, meaning growth may still be weak in the first quarter of 2021. It will be a long time before the euro zone's real GDP returns to its pre-pandemic level. In the fourth quarter of 2020, the shortfall was 5.1%.

IMPLICATIONS

The drop in the euro zone's real GDP at the end of 2020 reflects the difficulties caused by the rise in the number of COVID-19 cases in the fall. These difficulties could continue into early 2021. Still, there as elsewhere, the economy should pick up speed once the vaccination campaign begins to take effect.

Francis Généreux, Senior Economist

François Dupuis, Vice-President and Chief Economist • Mathieu D'Anjou, Deputy Chief Economist
Hélène Bégin, Senior Economist • Benoit P. Durocher, Senior Economist • Francis Généreux, Senior Economist

Desjardins, Economic Studies: 514-281-2336 or 1 866-866-7000, ext. 5552336 • desjardins.economics@desjardins.com • desjardins.com/economics

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

IMPORTANT: This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on such factors as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document's authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2021, Desjardins Group. All rights reserved.