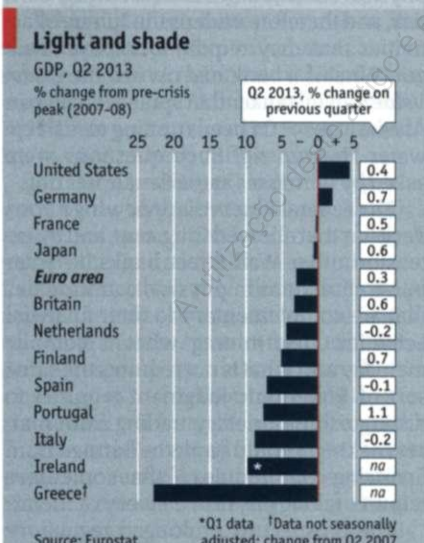
Euro-zone economies

Mirabile dictu

A recovery at last, but no revelation

THE prayed-for recovery in the euro area has finally come to pass. After a dismal 18 months in recession, euro-zone GDP rose by 0.3% (an annualised rate of 1.1%) in the second quarter from its level in early 2013. That outcome was a bit stronger than expected, although the outlook for growth remains weak.

The upturn was led by Germany, whose GDP increased by 0.7%. France did surprisingly well, with output up by 0.5%. There was also some encouraging news from southern Europe. Output continued to fall in Italy and Spain but the rate of decline slackened to 0.2% and 0.1% respectively. And there was a sharp rebound in Portugal, which has suffered a deep recession: its GDP grew by 1.1%.



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The pickup still leaves GDP across the euro area 0.7% lower than a year ago. The output declines since the second quarter of 2012 have been biggest in tiny Cyprus, where GDP is down by 5.2%, and in Greece, where it has fallen by 4.6%. Despite its performance in the second quarter, the Portuguese economy is 2% smaller than a year ago.

The record of the euro-zone economy since the peak reached before the global financial crisis five years ago is even more depressing. Output is 3% lower; in America it is more than 4% higher (see chart). Among the big euro-zone economies only German GDP now exceeds its pre-crisis peak, by 2%. The economies on the periphery of the single-currency club have suffered drastic falls, although Greece is in a league of its own with a shrinkage of 23%.

Even with so much lost ground to make up, the medium-term outlook is for a lacklustre recovery in the euro area, which will continue to be held back by its dodgy banks. Forecasters recently surveyed by the European Central Bank expected on average that euro-zone GDP for the whole of 2013 would be 0.6% lower than in 2012; and that it would grow by only 0.9% in 2014. A tepid recovery is unlikely to do much for the unemployed, especially those in southern Europe where joblessness rates are extraordinarily high. The end of the recession will give fresh heart to European leaders, who can (again) proclaim that the worst of the crisis is over. But weak growth will still leave the euro area vulnerable to social and political discontent.

Fonte: The Economist, London, v. 408, n. 8849, p. 60, 17 a 23 Agu. 2013.