

ECONOMIC NEWS

Eurozone: GDP Ticks Up Slightly

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HIGHLIGHTS

- ▶ According to today's preliminary flash estimate, eurozone real GDP grew a non-annualized 0.1% in the first quarter of 2023. The uptick follows a flat fourth quarter and a 0.4% gain in the third quarter of 2022.
- ▶ France's real GDP expanded 0.2% in the first quarter after stalling late last year.
- ▶ Germany's real GDP was unchanged after contracting 0.5% in the fourth quarter.
- ▶ Italy's real GDP grew a healthy 0.5% in the first quarter after declining 0.1% the quarter before.
- ▶ Spain also saw a 0.5% advance in real GDP following a 0.4% increase in the fourth quarter.
- ▶ Ireland (-2.7%) and Austria (-0.3%) were the only eurozone countries to post real GDP declines in the first quarter of 2023.

COMMENTS

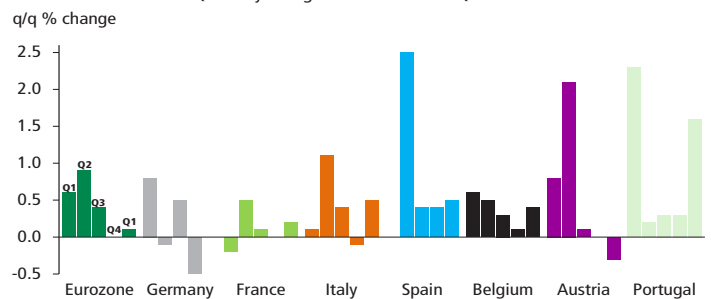
Economic activity has slowed sharply in the eurozone since the start of the war in Ukraine. The uncertainty created by the conflict, the rising cost of living (especially energy prices), higher interest rates and slower global growth have all curbed real GDP expansion. And while at times it seemed a recession was inevitable, the eurozone has so far avoided one. Lower energy prices and an unseasonably warm winter provided some relief for consumers and businesses. It remains to be seen whether this will continue over the coming quarters as interest rate hikes start to bite.

Economic resilience has been uneven across major eurozone countries. Spain already has carryover growth of 1.6% for 2023, while Germany's is -0.2%. The eurozone's largest economy is bearing the brunt of the fallout of the war in Ukraine and the supply chain issues plaguing the manufacturing sector.

GRAPH

The Eurozone Economy Is Expanding Slightly, but Results Are More Mixed across Major Countries

Quarterly change in real GDP since Q1 2022



Sources: Eurostat and Desjardins Economic Studies

Meanwhile France and Spain—two of the top performing economies in the first quarter—posted slower real spending growth in the first three months of 2023. But both reported higher net exports, which supported quarterly real GDP growth.

IMPLICATIONS

Economic growth was quite slow in the eurozone in the first quarter, albeit uneven across member countries. While the currency union has so far avoided a recession, economic activity remains fragile and will continue to be in 2023 as the European Central Bank continues to raise interest rates.