

## The eurozone economy finally exits stagnation and enters recovery

Eurozone GDP grew by 0.3% in the first quarter, and that's the strongest growth since the third quarter of 2022 when the energy crisis started. While there is no vigorous rebound in the making, the eurozone economy has clearly entered a better phase with economic recovery, low unemployment and more moderate inflation



People in Rome, Italy

The eurozone economy finally showed some meaningful growth again in the first quarter of 2024 after a long period of stagnation since the energy crisis started in the second half of 2022. The economy is profiting from a more stable energy supply, with costs having substantially eased, resulting in lower inflation. Wage growth, in turn, has accelerated to make up for lost purchasing power, which is currently benefiting consumers.

We have yet to get the details, but judging from what's happening in France, we see that household consumption led the way. In Spain, stronger investment data boosted economic activity. Overall, southern Europe looks to have outperformed the north again, with Spain and Portugal registering 0.7% growth in the quarter while Italy accelerated to 0.3%. Germany and France both grew at 0.2% quarter-on-quarter, which isn't great but it's an improvement, nonetheless.

We shouldn't overdo the 'starting economic recovery' story, though. Unlike after the pandemic, there is no vigorous rebound in the making, as the economy still suffers from weak global demand, real wages have not recovered to 2021 levels, and it is still adjusting to higher interest rates.

The European Commission's Economic Sentiment Indicator indicated that April was again disappointing, with moderate service sector activity and weakening manufacturing output. The PMI for April was better, but the overall takeaways so far seem to be that the economy is a mixed bag at the start of the second quarter.

After today's encouraging GDP data for 1Q, the continued modest recovery is putting the eurozone on track for a better-than-expected growth rate for 2024. With inflation remaining relatively benign at the moment and unemployment at record lows, the economic environment in the eurozone is looking up.

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