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EUROPE

Euro Zone Officially in Recession

Since the onslaught of the global credit crunch the word recession has been popping up more and more often. That label now can officially be applied in the euro zone.



Germany, the euro zone's biggest economy, is also officially in recession

The 15-member euro zone officially slumped into recession after figures out Friday, Nov. 14, showed its economy contracting by 0.2 percent for a second quarter in a row.

The euro zone's latest GDP estimates were published just one day before heads of state and government from the world's 20 leading economies were due to meet in Washington to discuss the global financial crisis, which experts say is partly to blame for Europe's economic slowdown.

According to flash estimates from the European statistical office, Eurostat, gross domestic product in two of the euro area's biggest economies, Germany and Italy, fell by 0.5 percent in the third quarter of 2008, after falling by 0.4 percent in the second.

Another euro zone heavyweight, France, saw its GDP grow by just 0.1 percent in the third quarter, after contracting by 0.3 percent in the previous three months.

Recession in Germany

The Eurostat figures confirmed that Europe's economic locomotive, Germany, had entered into recession for the first time in five years on the back of falling exports.

The German parliament has just approved a 12-billion-euro (\$15-billion) economic-stimulus package put together by Chancellor Angela Merkel amid concerns that the slump will continue in 2009.

In Italy, business confidence dropped to its lowest level in almost 15 years in October, with officials expecting the economy to stagnate in 2009.

GDP in the euro zone's fourth-largest economy, Spain, contracted for the first time in 15 years in the third quarter, by 0.2 percent, with analysts attributing the slowdown mainly to the collapse of the country's key construction sector.

While European Union GDP also fell by 0.2 percent in the third quarter, economic growth in the 27-member bloc was stuck at zero percent in the second quarter.

Car sales down in Europe

Economists' technical definition of a recession is two consecutive quarters of negative economic growth.

However, there were more signs Friday that the EU was also suffering, with sales of new passenger cars plunging by 14.5 percent in October, compared to the same month last year, according to the European car manufacturers' association, ACEA.

The sharpest drops in demand were found in Latvia (-37.7 percent), Spain (-23.8 percent) and Ireland (-18.2 percent).

European carmakers have long been lobbying governments to introduce financial incentives to boost sales as they try to fulfil the EU's request for less-polluting vehicles.



A drop in car sales also indicates recession

The only good economic news of the day came from inflation figures, with Eurostat confirming that consumer prices in the euro zone had slowed to 3.2 percent in October, compared to 3.6 percent in September.

Inflation in the EU was also down, from 4.2 percent in September to 3.7 percent in October, thanks mainly to a drop in oil prices.

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» German Economy Slumps Into Recession

Europe's biggest economy and the world's top exporter fell into a recession for the first time in five years, new data shows. The OECD added to the gloom as it cut economic output forecasts for the eurozone and the US. (13.11.2008)

» Expert Panel: No Growth Ahead as Germany Nears Recession

Zero – that's the amount of growth five leading economic institutions say Germany can expect in 2009. They recommend more deficit spending, but can that turn around an economy on the verge of recession? (12.11.2008)

» Euro Zone Automakers Call for Help as Credit Crunch Continues

Euro zone leaders say they are working together to coordinate an aid package for European carmakers hit hard by the financial crisis. (11.11.2008)

» G20 Finance Ministers Call for Growth and Stability

Finance ministers of the world's 20 leading economies have agreed that global stability and growth must be the cornerstones of any plan to bring volatile markets under control and fight off worldwide recession. (10.11.2008)

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