

# Power shock: Euro zone enters recession on German revision

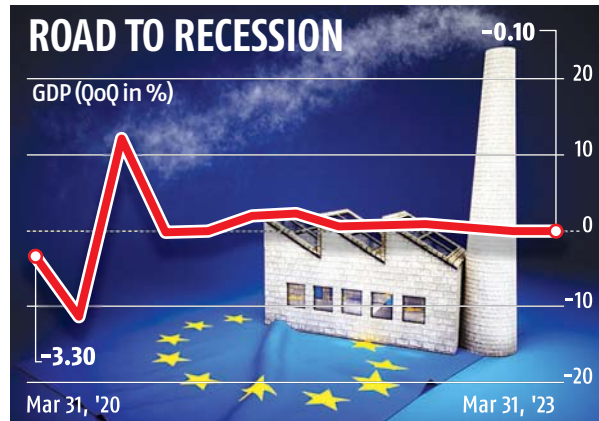
Along with Germany, GDP also declined in Greece, Ireland, Lithuania, Malta, and the Netherlands

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The euro zone economy was in a technical recession in the first three months of 2023, data from European statistics agency Eurostat showed on Thursday, after downward revisions of growth in both the first quarter and the final quarter of 2022.

Gross domestic product (GDP) for the 20-country euro zone fell by 0.1 per cent in the first quarter compared with the fourth of 2022 and was 1.0 per cent up from a year earlier, Eurostat said in a statement.

That compared with flash estimates of growth of 0.1 per cent and 1.3 per cent published on May 16. Economists polled by *Reuters* had forecast



on average respectively zero and 1.2 per cent expansion.

The revision was principally due to a second estimate from Germany's statistics office showing that the euro zone's largest economy was in

recession in early 2023.

The contraction in Ireland's economy widened to 4.6 per cent from a preliminary estimate of 2.7 per cent, although this negative was due to the impact of large multina-

tionals on growth there.

The euro zone figure for the fourth quarter of 2022 was also cut to -0.1 per cent from a previous reading of zero.

A recession had been expected towards the end of last year as the euro zone wrestled with high energy and food prices and as a post-pandemic spending boom faded, but initial estimates had suggested the region had avoided this.

Capital Economics said the outlook for the euro zone economy was poor, with a contraction likely again in the second quarter as the impact of higher interest rates fed through. S&P Global Market Intelligence said it forecast a pick-up in the second quarter, led by the service sector, followed by a subsequent slowdown and a risk of a new reces-

sion in late 2023, or early 2024, as tighter financial conditions took effect.

Along with Germany and Ireland, GDP also declined quarter-on-quarter in Greece, Lithuania, Malta and the Netherlands.

Eurostat said that household spending stripped 0.1 percentage points, public expenditure 0.3 points and inventory changes 0.4 points from quarterly GDP. Gross fixed capital formation added 0.1 points and net trade a further 0.7 points as imports declined.

Conversely, employment growth accelerated at the start of 2023, rising to 0.6 per cent in the first quarter from 0.3 per cent in the fourth quarter of 2022, in line with earlier estimates. That was 1.6 per cent up year-on-year.

REUTERS