



EcoBrief

Eurozone: no recession in 2023 but mixed fortunes among Member States

The eurozone narrowly escaped economic contraction in the last quarter of 2023, but the picture is mixed among countries. According to preliminary figures from Eurostat, real GDP in the euro area remained stable in Q4, following a slight decline of 0.1% q/q in Q3. Quarterly growth surprised to the upside in Spain (+0.6%), Italy (+0.2%), while the data for France (0.0%) and Germany (-0.3%) were in line with the consensus. The largest decline in the euro area came from Ireland (-0.7%) while Portugal's growth rose the most (+0.8%).

Today's figure brings annual growth to 0.5%, in the euro area for 2023 which is in line with our forecast and gives a flat carry-over for 2024. As in 2022, Southern European countries were the main drivers to growth in the euro area in 2023. Conversely, a quarter of Member Countries saw their activity contract on an annual average in 2023: Germany, the Czech Republic, Austria, Latvia, and Ireland. Apart from Ireland – where the GDP data are volatile due to the activity of multinationals operating on the territory – the other four economies, which are relatively more industrialised than the rest of the Member States, have, among other things, suffered from the greater slowdown in demand in this sector.

That said, Government expenditures remains an important driver of activity in several countries – rising 4.7% in France and 3.9% in Spain in 2023 – and masks some fragility in private domestic demand.

The expected decline in inflation in the euro area in the first quarter of 2024 should allow activity to recover a little in Q1 (+0.1% according to our forecasts) before a more solid recovery in Q2 (+0.3% q/q) and *a fortiori* in the second half of the year, thanks to the start of the ECB's key rate cut.

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