

Eurozone enters double-dip recession

The eurozone economy performed marginally better than expected in the first quarter of the year but it wasn't enough to prevent the single currency area from officially falling into a double-dip recession.

The eurozone's gross domestic product (GDP) contracted by 0.6 percent in the first three months of the year, compared with the previous quarter.

The figure was dragged lower by its biggest economy, Germany, falling by 1.7 percent over the same period. Spain and Italy also posted negative figures, but France's economy beat expectations by growing 0.4 percent over the first quarter - France's current lockdown measures only began in April.



Germany's lockdown restrictions have hurt the economy more than expected.
/Reuters/Fabian Bimmer

A recession is generally defined as two quarters of negative economic growth. This now applies to the eurozone because its economy also shrank by 0.7 percent in the last quarter of 2020.

The wider European Union, which includes countries that do not use the bloc's single currency, also contracted but performed slightly better.

For months, economists have warned the gloomy figures were "totally certain" due to problems with the European Union's vaccination campaign and the measures needed to be taken to tackle the third wave of coronavirus infections sweeping across Europe.

Last year, the pandemic plunged the eurozone into its worst recession since its records began in 1995.

The eurozone's GDP recovered some ground last summer as lockdown restrictions were eased, but the respite proved to be temporary. The eurozone has now returned to recession for a second time, known as a "double-dip."

That said, the worst could be over.

Some economists think the eurozone is now on the path to recovery, especially as the European Union begins to distribute its recovery fund worth more than \$800 billion.



Italy's Prime Minister Mario Draghi has unveiled how he plans to spend EU recovery funds. /Reuters/Alberto Pizzoli

Other countries appear to be further along in their economic recovery from the pandemic. This week, the U.S. reported economic growth of 1.6 percent compared with the previous quarter.

China grew by 0.6 percent over the same period, but it posted a record jump of 18.3 percent when compared with the same period one year earlier.

Source(s): Reuters

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