

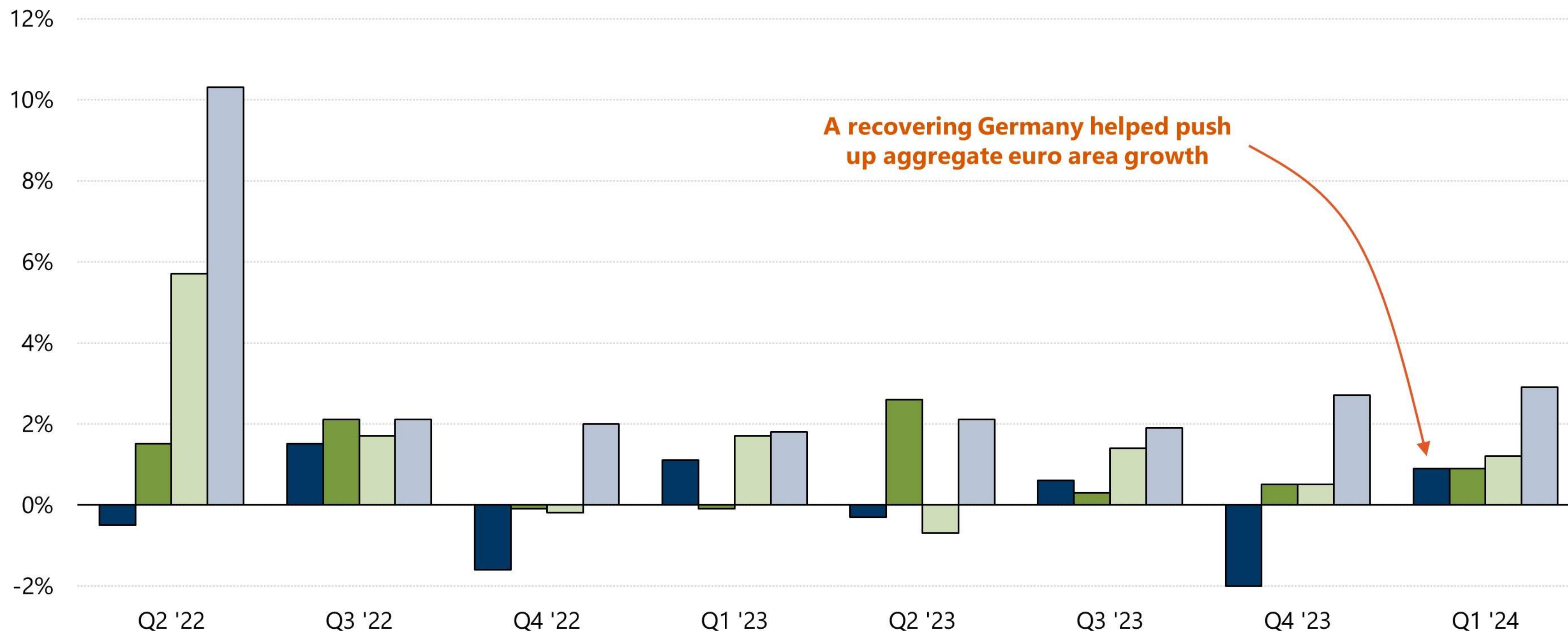
Go Your Own Way

Real GDP Growth Of Major Euro Area Economies

For The Week Ending 05/03/2024

Quarter-Over-Quarter
Annualized Change

■ Germany ■ France ■ Italy ■ Spain



Source: Eurostat

While traveling in Europe last week, we fielded questions about the impressive resilience of the U.S. economy, especially relative to Europe. Indeed, the U.S. economy grew 3.1% in 2023, while the growth in the euro area was almost flat. One possible reason for the divergence is that U.S. households have been more insulated from higher rates than their European counterparts. However, data released in Europe this week showed the euro area real GDP increased at a 1.3% annualized rate in Q1, which was above expectations and the fastest growth rate since Q3 of 2022. Notably, Germany, where growth contracted in Q4 2023, bounced back (+0.9% annualized), while Italy and Spain continue to post solid growth. What's more, April inflation data showed that euro area core inflation continues to cool. Consequently, the ECB likely cuts rates this summer. If the ECB goes its own way while the Fed stays on hold, will the euro suffer? Better economic growth should boost the currency and offset downward pressure caused by rate differentials.