

# Europe's economy bounces back from a double-dip recession

A strong showing from southern European countries helped drive better-than-expected results for the European economy on Friday.

EU countries emerged from a double-dip recession in the second quarter with a growth of 1.9% more than the quarter before, according to figures released by Eurostat. The economy in the 19 countries that use the euro currency grew by 2%.

Italy, which saw 128,000 pandemic deaths and a deep recession, was a major positive surprise, growing 2.7% as consumer spending revived.

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Portugal boomed with 4.9%.

Meanwhile, growth returned in major economies France, which grew 0.9% compared to the previous quarter, and Germany, which saw growth of 1.5% after a sharp drop of 2.1% in the first quarter.

German car companies, in particular, have shown strong profits despite a shortage of semiconductor components as global auto markets recover, particularly for the higher-priced vehicles sold by Mercedes-Benz and by Volkswagen's Audi and Porsche luxury brands.

The stronger performance in southern Europe may be the result of stronger spending by households as restrictions are eased, said Andrew Kenningham, chief Europe economist at Capital Economics. Spain, with growth of 2.8% and consumer spending up 6.6%, both illustrated the rebound and underlined how far it has to go. Gross domestic product remains 6.8% below where it was before the pandemic.

Lagging vaccinations held back the European economy in the first part of the year but have made steady progress since. Yet the spread of the more contagious delta variant has led to predictions that it may slow, though not derail, the economic upturn. Travel and tourism, key for places like Spain and Greece, are recovering but remain subdued.

“Given its reliance on tourism, the Spanish economy looks especially vulnerable to the delta variant that is forcing several regions in the country to impose new restrictions, while foreign governments are discouraging trips to the Iberian Peninsula,” said Edoardo Campanella, an economist at UniCredit Bank in Milan.

Official figures Friday also showed eurozone unemployment at 7.7% in June, down from 8.0% in May. Inflation rose to 2.2% in July from 1.9% in June.