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Euro Area Business Cycle Network

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The latest findings of the CEPR-EABCN Euro Area Business Cycle Dating Committee (EABCDC)

Euro Area Business Cycle Dating Committee:
Continued stagnation in the euro area

14 March 2024

The CEPR-EABCN Euro Area Business Cycle Dating Committee deliberated on 13 March 2024 to assess the state of euro area economic activity, relying on data through the fourth quarter of 2023. GDP growth was a whisper below zero in the last two quarters of 2023.

The committee, using a broad array of information, including its output gap measures, does not label the current period as a recession. The overall pattern of stagnation persists, with limited movement across sectors or components of domestic final expenditure. The output stagnation is taking place amid continued growth in employment, which has nudged the unemployment rate lower from an already historically low level. Given the evolution of output and employment, labour productivity moved further along its negative trajectory in 2023.

Overall growth is close to zero

Economic activity as measured by GDP growth has been almost flat over 2023 (Figure 1). In terms of GDP components (Figure 2), tepid but nonetheless positive growth in fixed investment, private consumption and government consumption balanced declining inventories and net exports.
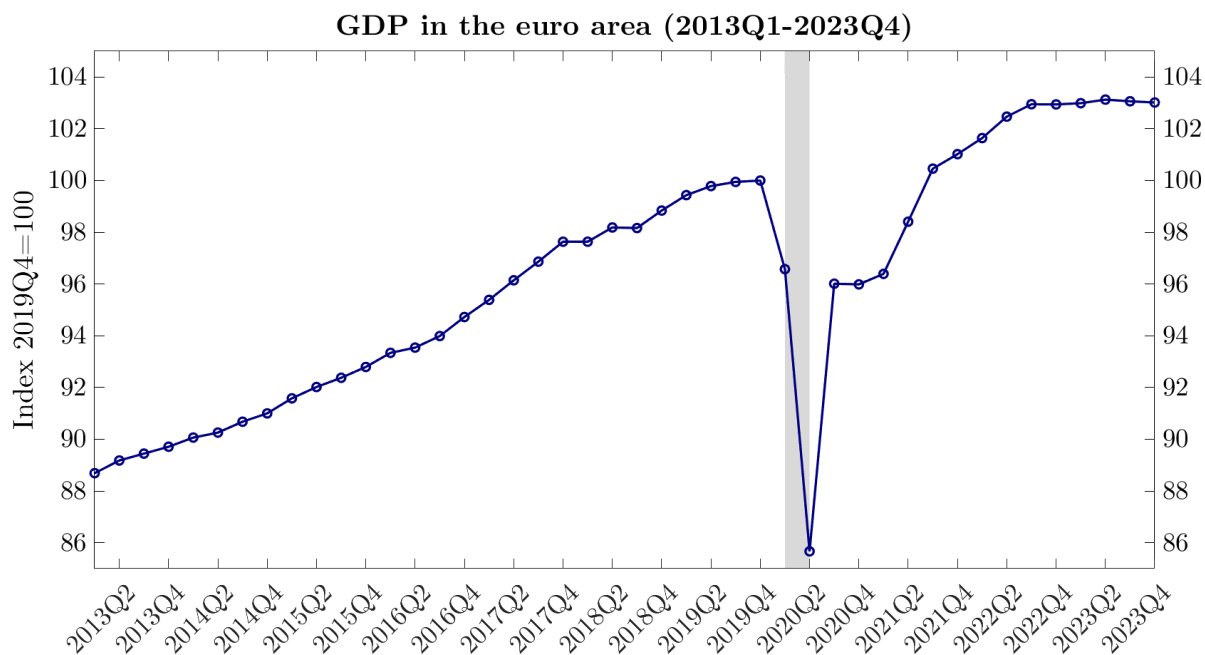
GDP in the euro area (2013Q1-2023Q4)

Figure 1. GDP at market prices. Chain-linked volume index, base 2019Q4=100. The data are seasonally and calendar adjusted. Grey bands are recessions (peak excluded) as dated by the Committee. *Source:* [Eurostat]
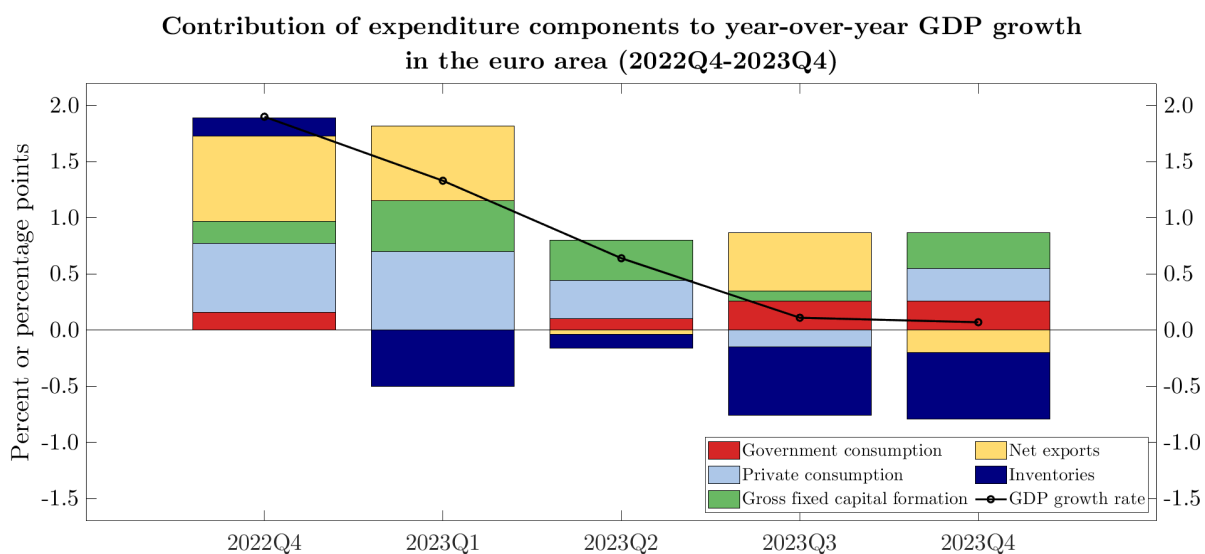
Contribution of expenditure components to year-over-year GDP growth in the euro area (2022Q4-2023Q4)

Figure 2. GDP growth is in percent; contributions are in percentage points. Solid black line is year-over-year GDP growth rate. Inventories are changes in inventories and acquisition less disposals of valuables. The data are seasonally and calendar adjusted. *Source:* [Eurostat]

Output in most sectors is flat

During the pandemic and then the initial recovery from the pandemic, sectoral performance varied widely, with some sectors declining rapidly and then rebounding more quickly. But over the past year, growth in most sectors has hovered around zero. The information and communications sector is an exception in that it has continued its strong pattern of growth since the pandemic (Figure 3).
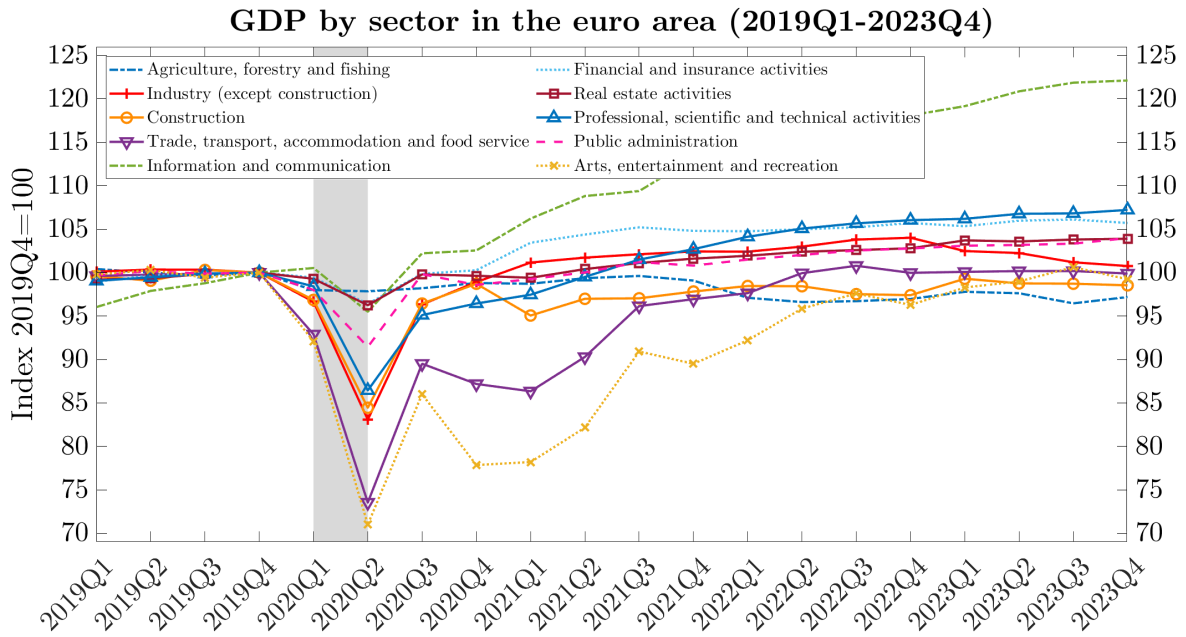
Figure 3. [NACE Rev. 2](#) sectors. Quantity indices, base 2019Q4=100. The data are seasonally and calendar adjusted. Grey bands are recessions (peak excluded) as dated by the Committee. *Source:* [[Eurostat](#)]

Employment continues to expand

Despite no output growth over the past year, employment (measured either by number of persons or by hours worked) has continued to increase (Figure 4). The employment growth was broad-based but especially noticeable in the public sector (Figure 5).
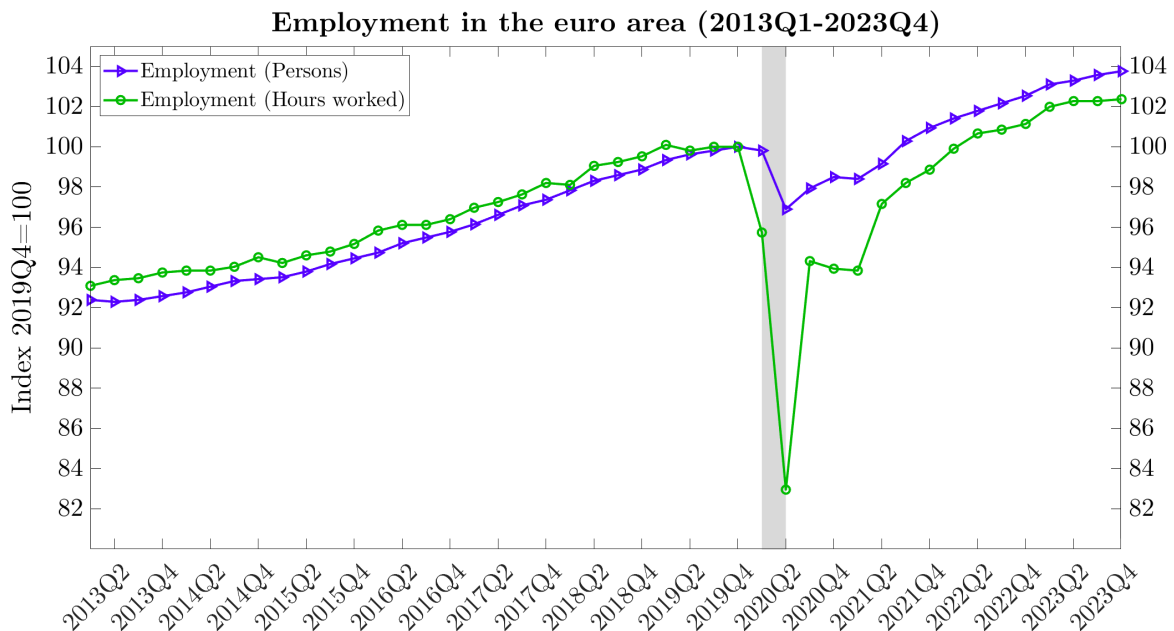

Figure 4. Employment covering all persons engaged in some productive activity within the production boundary of the national accounts. Quantity indices, base 2019Q4=100. The data are seasonally and calendar adjusted. Grey bands are recessions (peak excluded) as dated by the Committee. *Source:* [[Eurostat](#)]

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**Contributions of sectors to year-over-year employment change
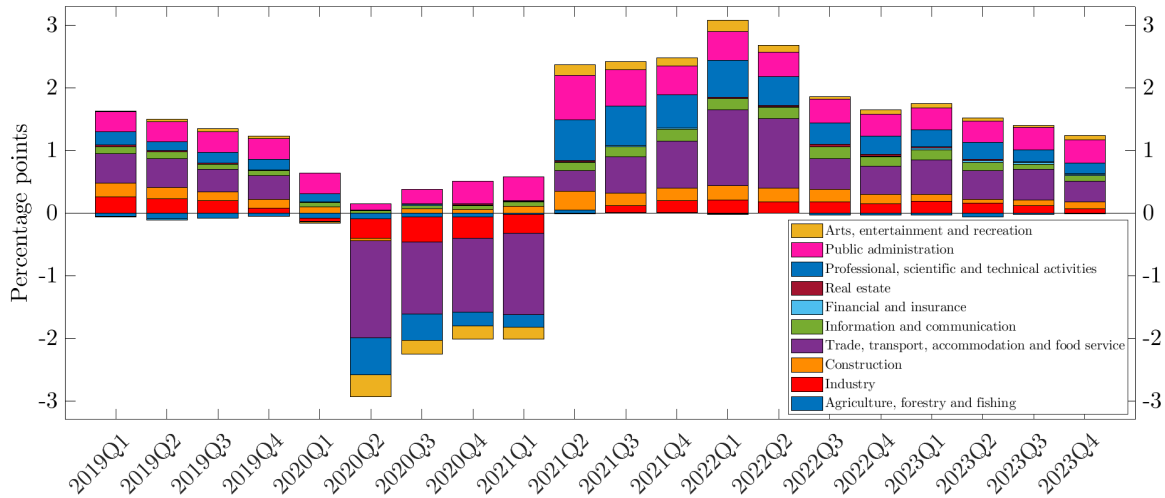in the euro area (2019Q1-2023Q4)**

Figure 5. Contributions are in percentage points. NACE Rev. 2 sectors. The data are seasonally and calendar adjusted. *Source:* [Eurostat]

The unemployment rate ticked down to 6.4 percent, which is the lowest rate since the creation of the euro area. Overall, unemployment has followed a clear downward trend since the end of the Covid recession (Figure 6).

Unemployment rate in the euro area (January 2000-January 2024)

Figure 6. Unemployed individuals are between 15 and 74, and their total number is expressed as a percentage of the total labour force. The data are seasonally adjusted but not calendar adjusted. *Source:* [Eurostat]

As explained in our previous report, with sustained growth in employment and hours worked but stagnant output, labour productivity continued declining in the last two quarters of 2023.

With regards to productivity, France has been notably lagging, with output per hour well below pre-pandemic levels. Excluding France, euro area productivity is about 2 percent above its pre-pandemic level (Figure 7).
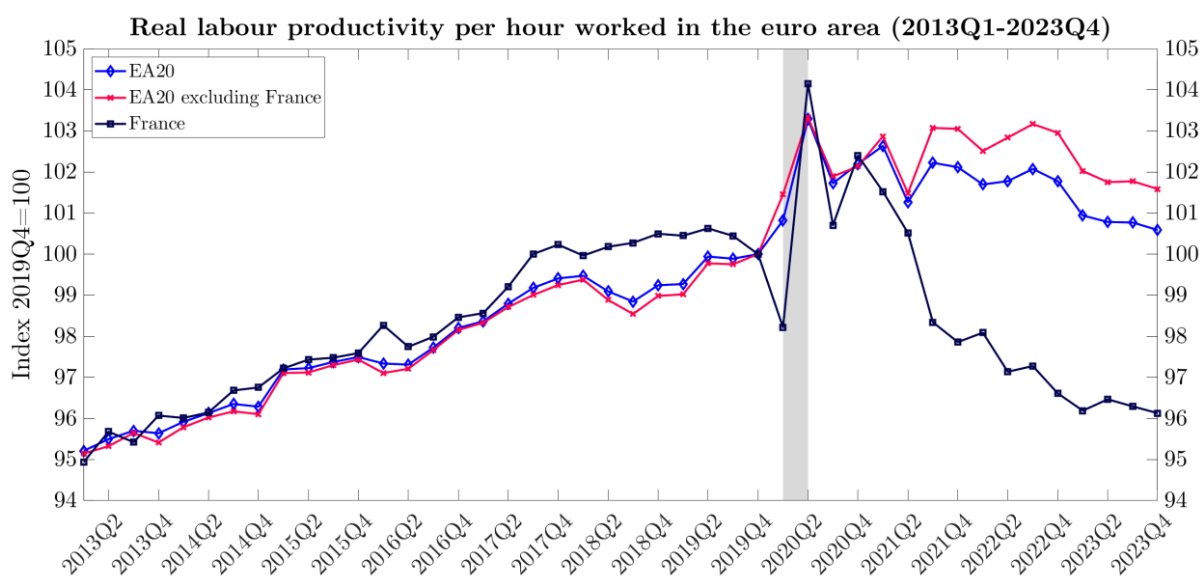
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Real labour productivity per hour worked in the euro area (2013Q1-2023Q4)

Figure 7. Index, base 2019Q4=100. The data are seasonally and calendar adjusted. Grey bands are recessions (peak excluded) as dated by the Committee. *Source:* [Eurostat] and authors' calculations.

Why not call this a recession already?

A recession is a broad-based slowdown in economic activity. Two quarters of negative growth by itself is not an adequate measure of that. The euro area economy has been stagnant for some time. Small deviations from this path can lead to negative growth rates, without noticeable changes in overall economic activity. Despite the low growth rates, employment, in particular, has remained strong.

If economic activity slows further and such a slowdown is visible across a range of indicators, leading also to increased unemployment, the Committee may declare a recession. In that case, the announced turning point may well be in the past. Yet, if growth picks up, this will be seen as a period of anaemic growth but not a recession.

The committee will continue monitoring and commenting on developments.

About the Euro Area Business Cycle Dating Committee

The CEPR-EABCN Euro Area Business Cycle Dating Committee establishes the chronology of recessions and expansions of the eleven original euro area member countries plus Greece for 1970-1998, and of the entire euro area from 1999 onwards.

It also comments, in the spring and in the fall, on the current state of aggregate economic activity in the euro area and launches research initiatives designed to better monitor and understand aggregate economic developments in the euro area.

Dating activities and bi-annual statements on the state of euro area economic activity are conducted in total independence of EABCN. Research initiatives launched and pursued by

the Committee are subject to the approval and evaluation of the EABCN Scientific Committee.

The Committee is currently composed of the following members

John Fernald, INSEAD, Federal Reserve Bank of San Francisco and CEPR
Refet S. Gürkaynak (Chair), Bilkent University and CEPR
Evi Pappa (Vice-chair), Universidad Carlos III de Madrid and CEPR
Giovanni Ricco, CREST - École Polytechnique, University of Warwick and CEPR
Silvana Tenreyro, London School of Economics and CEPR

The Committee's research assistant and rapporteurs are Mahmut İpek and Senem Turan, Bilkent University.