Global Economic Crisis: Europe Slides Deeper into Recession

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According to figures released Monday by the European Union statistics agency, Eurostat, industrial output across the 17 countries of the euro zone fell in November for the third successive month.

The 0.3 percent decline for November was worse than forecast by financial analysts, who had anticipated a slight recovery. Compared to the same month in 2011, industrial production in the euro zone was down by 3.7 percent.

Separate figures released Monday revealed that Europe's biggest economy, Germany, suffered a sharp contraction in the final quarter of 2012. The German economy, which accounts for 28 percent of all gross domestic product (GDP) in the euro zone, contracted by 0.5 percent. This slashed Germany's growth rate for all of 2012 to just 0.7 percent, down sharply from the country's growth rate of 3.0 percent in 2011.

The most significant expression of the economic downturn in Germany is the slump in investment by German companies in plant and machinery. Despite benchmark interest rates close to zero as set by the European Central Bank, investment in plant and machinery fell by 4.1 per cent during 2012. This compares to a 7.3 percent growth in such investment one year earlier.

In line with the latest figures, the German government has cut its forecast for economic growth in 2013 from an already meager 1.0 percent to just 0.4 percent.

The decline in investment in plant and machinery is the clearest indication that German executives expect the contraction in the country's key economic markets in Europe to continue and deepen. German exports to Europe declined by 2.0 percent in 2012. A full-scale disaster was prevented only by increased German exports to North America, Mexico and the Far East.

Germany's export industry is also threatened by the rise in the value of the euro, which has gained 8 percent against the US dollar in the past six months. At a meeting of business leaders in Luxembourg at the start of this week, the outgoing head of euro-area finance ministers, Jean-Claude Juncker, expressed concern over the rise in the value of the euro for European exports.

Germany is currently the only major European country to be experiencing even a minimal level of growth. According to figures from the French Central Bank, the continent's second largest economy, France, barely avoided sinking officially into recession by posting 0.1

growth in the third quarter of 2012. In both the second and fourth quarters the national economy contracted.

Inside the euro zone itself, seven countries are officially in recession, with Greece, Portugal, Spain and Italy mired in deep slumps. Outside the euro zone, Great Britain is expected to slide into a “triple dip” recession in 2013.

The increasingly precarious nature of the European economy is underscored by the situation of one of its key industries—auto. Although some German companies, in particular Volkswagen, were able to expand their sales in some parts of the world, auto markets in Europe are shrinking dramatically. VW sales dropped by 6.5 percent in Western Europe, excluding Germany.

According to the region’s biggest car makers, new car registrations in the European Union fell by 8.2 percent in 2012 to a little more than 12 million units, the lowest level since 1995. In Germany, the drop in car sales was relatively modest—2.9 percent in 2012 compared with the previous year, but in other European countries the slump was far more pronounced.

Auto sales in Spain fell by 13.4 percent, in France by 13.9 percent and in Italy by 19.9 percent. Auto registrations in Greece slumped by over 40 percent compared to 2011.

The recession in the auto industry is worsening. December was the worst month for new car registrations in 2012, declining by 16.3 percent across the EU. Auto sales have now been falling for the past 15 months.

Auto makers have responded to the downturn in sales with a new wave of job cuts. A month ago, GM-Opel announced it was winding down its operations at its German plant in Bochum.

Just last week France’s Peugeot-Citroen reported a 16.5 percent fall in sales worldwide, blaming “the crisis affecting the European automobile market,” and on Tuesday, Renault announced plans to cut 7,500 jobs in France by 2016.

Across the channel, the Japanese carmaker Honda issued a statement Friday announcing 800 job cuts at its UK plant near Swindon, citing the fall in demand across Europe.

The economic and social catastrophe enveloping Europe is being intensified and exploited by the European ruling class to slash the wages and social conditions of the continent’s workers to a level approaching those in the special economic zones of China and the Far East.

Fully aware of the dire social implications, European leaders are determined to intensify austerity measures. In his discussions Monday with Alexis Tsipras, leader of the Greek SYRIZA movement, German Finance Minister Wolfgang Schäuble declared once again that there is no alternative to austerity in Europe.

The lack of profitable returns in European industry combined with the readiness of the world’s leading central banks to make virtually interest-free credit available to the banks is fueling a new junk bond bubble. The *Financial Times* on Monday noted that the year 2012 was characterized by a “dash for trash in global markets,” and, in a reference to the financial crash of 2008, evoked a “sense of déjà vu.”

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