Macro economy in europe report examples

Business, Marketing

The crisis in Europe has exposed the deep gap in the European countries' competitiveness. Southern European countries are lagging far behind other European nations such as Germany and France. Principally, Europe must address the two macro-economic imbalances which is at the heart of this long standing crisis. These are the external and fiscal problems. (Farhi, Gopinath & Itskhoki, 2012)

The consumer confidence, as of June 2012, decreased by 0. 5 point to -19. 8, while it remained for almost a year below its long-term average of -12. 8. This weakening is based on the EU consumers' more negative assessment of their general economic situation over the year and the rise of employment fears in the future. In yearly comparison, private consumption declined by 0. 7% during the first quarter. This is a second negative reading after a -0. 7% fall in the Fourth Quarter of 2011. (European Commission, 2012)

The unemployment rate in the Euro area slighly rose by 0. 1% to 11. 1% in May 2012. This is the highest rate since the creation of the eurozone. The rate had been at 10. 0% since May 2011. On a yearly basis, investment contracted at a sharp -2. 6%. This is the initial plunge since the first quarter of 2010. Investments are the main drag on growth in the First Quarter of 2012 (both -0. 3 pp.).

The balance of extra-euro area trade showed its eights consecutive surplus (6. 2 bn euro) in April 2012. Over the same period, the current account balance achieved a 4. 6 bn euro as surplus. Net trade in the first quarter made a positive contribution to GDP growth (0. 4%) as the exports exzpanded by 1. 0% compared to the growth of the imports (0. 2%). This manifested surpluses for goods, services and income. However, part of these were offset by the current transfers' deficit. (Ibid.)

According to Péléraux (2012), the negative effect of the long standing debt crisis in Europe is not over. There is stagnation in the real GDP during this year and it will decline by 0. 1%. The European economy is still at the edge of a recession and the future recovery still seems nil. There is also a deterioration in the survey results of the European industries. This makes a not so attractive outlook for the telecommunications industry. On a regional basis, this industry seems to benefit from a relatively stable macroeconomic environment in Northern Europe. (Milmo, 2012) However, the modern banking industry has also attracted greater business diversification. It has the opportunity to lead the promising telecom markets of Germany, Norway and Netherlands just like its dominance in the Indian market. (Ibid.)

During the First Quarter, the stocks index has also plunged. There is also a downward pressure in the construction industry and there is a dampen consumer confidence for overall consumer goods and services. However, there is a positive sign in the depreciation of the Euro vis a vis the dollar (in real terms). (Péléraux, 2012)

The positive recovery of the economy as enhanced by the recovery of the Greek economy was short lived. (Ibid.) Its debt restructuring in the earlier part of the year did not salvage the overall EU economy. Conversely, the debt crisis soon spread to Italy and Spain. (Ibid.) these uncertainties was reduced by the agreement concluded at the European summit in Brussels on June 29, 2012. (Ibid.) The positive reaction of this development in the prices of EU stocks heads for a positive direction.

The Euro-area GDP in the First Quarter of 210121 remained stable compared to the previous quarter. Shortly after a strong showing in early quarters of 2011, the European economies face the future of an evident slowdown as global growth has weakened, aversion to risk has heightened and the strains in Europe’s sovereign debt and financial markets have widened. It is important to note that the downside risks are significant and a continuous deepening of the Euro area crisis would impact not only advanced Europe, but also the emerging European economies. This is due to the tight economic and financial ties in the continent. (Péléraux, 2012)

The cross-country experience in the last ten years have shown that the difference in the good policies can boost growth in the whole of Europe, with some of the region’s well developed economies growing faster than the emerging ones. (Ibid.) Across Europe, countries have witnessed an extensive variation in per capita GDP growth over the last ten years. Growth rates have ranged from close to zero in Italy and Portugal to more than 4 percent in Ukraine, Russia, Estonia, Albania, Moldova, Latvia, and Lithuania. (Ibid.)

Among the largest European economies, only Germany achieved considerable growth in the first quarter of 2012 by 0. 5% (quarter over quarter). France’s GDP is stable while it plunged in Italy and Spain (-0. 8% and -0. 3% respectively). (European Commission, 2012)

The growth bottlenecks in countries that are catching up are different from those countries which are at the heiaght of technological advancements. To illustrate, policies promoting macroeconomic stability, flexible labor markets and a very educated workforce support growth in both sets of nations. Those at the technological frontiers are enhanced by the policies which strengthen product market competition, improved protection of property rights and legal security, and more innovative growth enhancements. (Ibid.)

The fear for the collapse of the Eurozone has already waned. However, the fundamental problems still remain for most European economies. The single euro zone monetary policy may be proving a very good advantage for Germany but it is restricting the growth of other European countries such as those located at the peripheral. These problems are complicated by the " austerity fatigue" in weaker EU economies and " support fatigue" in stronger EU economies, which is inherently dividing the Euro zone. (Ibid.)

The EU and its member countries have pursued vital economic actions and measures that will fortify economic and budgetary integration for the EU in general and for the Euro area in particular. As an outcome, the EU's inter-dependent economies will be better positioned to direct itself towards growth and job creation. (Economic and Financial Affairs Website, 2012) The foundation of the EU response is embodied in the new set of rules on enhanced EU economic governance which took effect in December, 2011. (Ibid.) Its four main aspects are:

Stronger preventive action through a strengthened Stability and Growth Pact (SGP) and more extensive fiscal coordination.

Stronger corrective measures via a fortified SGP.

Minimum requirements for country-wide budgetary frameworks.

Macroeconomic and competitiveness imbalances prevention and correction.

These macro economic developments can lead to the following:

R&D in new mobile technologies.

Tapping of the emerging markets such as Russia and Latin America and

Africa.

EU regulations on cross border cellular phone usage which will affect its customers.

Increased customer base by cost reduction strategies.

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