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Europe recovery picking up steam

BY **PAN PYLAS**
The Associated Press

LONDON – Further evidence emerged Monday that the economic recovery across the 18-country eurozone is accelerating and spreading to the bloc's debt-laden laggards.

Financial information company Markit, which publishes a closely watched monthly survey of economic conditions across the region, even suggested that the economic recovery is running at a near three-year high. It is now forecasting quarterly economic growth of 0.5 percent, which equates to an annualized increase of a little more than 2 percent. In the fourth quarter of 2013, the eurozone grew by a quarterly 0.3 percent.

The forecast improvement will help ease worries that the recovery from recession isn't gaining traction. The eurozone emerged from its longest-ever recession last spring.

Markit's relatively upbeat guidance came despite a modest decline in its purchasing managers' index — a broad gauge of business activity — to 53.2 points in March from February's 32-month high of 53.3. Markit said the figure rounds off the eurozone's best three-month period since the second quarter of 2011. Any reading above 50 indicates expansion.

Germany, Europe's largest economy, continues to spearhead the growth and that the recovery is spreading to France and beyond to those economies, such as Greece and Spain, that have been weighed down by government-imposed austerity programs for years.

"The rest of the region also enjoyed its best quarter for three years, providing further evidence that the 'periphery' is staging a robust-looking recovery," said Chris Williamson, chief economist at Markit.

Ratings agency Standard & Poor's sounded a relatively optimistic note too, and raised its growth forecasts modestly. It now reckons the eurozone economy will grow by 1 percent this year and by 1.5 percent next. However, it cautioned that slower growth in emerging economies and the geopolitical impact of the crisis in Ukraine could weigh on the outlook.

"The key question is whether this initial revival in eurozone growth will gain fresh impetus from the private sector through stronger consumption and more buoyant investment, or remain overly dependent on foreign trade," said Jean-Michel Six, S&P's chief economist for Europe, Middle East and Asia.

As well as helping to cap the rise in unemployment, economic growth is important for a region that is still operating at way below the level it would have been were it not for the global financial crisis and the ensuing debt crisis. The lost output has kept a lid on price increases by reining in the power of businesses to raise prices or workers to demand higher wages.

As a result, inflation levels have dropped sharply and in some cases, such as in Greece and Cyprus, prices are actually falling.