



Contraction of Eurozone Economy

Why in News

The **Gross Domestic Product (GDP)** of the Eurozone **reduced by 12.1% in the April-June 2020 quarter**, compared to the previous quarter.

- The **Eurozone consists of 19 members of European Union (EU)**, which uses the **Euro** as their official currency. **8 EU members** (Bulgaria, Croatia, Czech Republic, Denmark, Hungary, Poland, Romania, and Sweden) **do not use the euro**.
 - The 27-country **European Union** saw a decline of 11.9% in its economy for the same period.

Key Points

- This is the **largest drop on record** in the eurozone's economy, as **Covid-19 lockdowns** shut businesses and hampered consumer spending.
- No country escaped the impact of the pandemic. **Spain suffered the region's heaviest drop** at 18.5%.
- European governments are countering the recession with massive stimulus measures. They have stepped in with **loans** to keep businesses continuing and **wage support programmes** that pay workers' salaries.
- The European Union leaders have agreed on a **750 billion euro recovery fund** backed by common borrowing to support their economy from 2021.
- The **European Central Bank** is pumping **1.35 trillion euro** in newly printed money into the economy, a step which helps keep borrowing costs low.
 - The European Central Bank is an official EU institution and the **central bank of the Eurozone countries**.

Source: TH

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