Is the German Economy Performing Better than the French Economy?

by Laurent Chalard
ECIA Fellow
European Centre for International Affairs

Executive Summary

Recently several analysts have pointed out how the German economic performance is showing brighter results than the French economic system. Is this gap going to be bigger and bigger? On the basis of the GDP variations from the beginning of the global crisis till recent days, it is possible to observe the economic stagnation of Western Europe and the huge differences among the countries. To this end the author divides European countries into four groups, based on the economic growth.

Issues

Since several years, European leaders and media are concerned by the emergence of a gap_between Germany and France. The first country shows much brighter results than the second, i.e. an higher economic growth rate, some higher trade surpluses and a lower unemployment rate. According to some analysts, this situation could lead to a geopolitical change in the European Union, causing a weakening of the French power against an hegemonic Germany. The french development model based on a strong service sector at the expense of the industry, is subsequently challenged. However, does the study of data about the evolution of GDP since the beginning of the «Great Recession» in 2008 confirms this?

The use of statistics about Western Europe provided for the past five years (2008-2013) by the reference website *Trading Economics* gives enlightening and relevant analysis. Indeed, it is appropriate to compare the volume of GDP the last known trimestre to the level it had reached before the beginning of the crisis, in order to limit the biases due to the phenomena of strong rebound following a deep depression. Overall, the GDP of the countries surveyed decreased by 1% between 2008 and 2013, while it increased by 12.6% in the United States over the same period, indicating the economic stagnation of Western Europe on the world stage.

However, significant differences appear between the states, since the rates of change range from - 16% to + 40%! Indeed, the crisis seems to have accentuated the growth differences in the western part of the continent. It is possible to distinguish three groups of countries.

Keywords

Germany, France, economic gap, crisis, hegemony, geopolitical change

Quotables

- The emergence of a gap_between Germany and France could lead to a geopolitical change in the European Union, causing a weakening of the French power against an hegemonic Germany.

- The GDP of the countries surveyed decreased by 1% between 2008 and 2013, while it increased by 12.6% in the United States over the same period, indicating the economic stagnation of Western Europe on the world stage.

- The crisis seems to have accentuated the growth differences in the western part of the continent.

- It is possible to distinguish three groups of countries: 1) countries whose economy has shown a sustained growth; 2) states that have seen their GDP increase slightly between 2008 and 2013; 3) countries whose GDP has declined more or less significantly since 2008.

Abstract

Since global crisis begun, European economies have showed different economic performances. In particular, it is possible to observe the emergence of a gap between Germany and France, that is growing more and more.
Statistical data on the different GDP variations concerning the period 2008-2013, show not only the increase of the USA despite the overall European decrease, but also deep differences among the economic performances of the EU's member States. On this basis, the author provides four groups in which he divides European growth differences.

Implications

The first group consists of four countries whose economy has shown a sustained growth, i.e. an increase of more than 10% of their GDP between 2008 and 2013: Switzerland, Norway, Luxembourg and Sweden. The majority of them are located outside the Eurozone and benefit from a significant rent, whether financial (banks in Luxembourg and Switzerland) or energical (hydrocarbons in Norway). Their economy continues to grow and their currency is strengthening. To give an idea, the GDP of Switzerland, which increased more than 40% since 2008, is greater than those of Saudi Arabia and Iran, countries much more populated and having important oil revenues! It is not surprising to see the French youth rushing there, especially in the francophone regions. Sweden has its own model of development, which has nonetheless some negative effects, such as the Spring 2013 riots have revealed.

The second group consists of seven states that have seen their GDP increase slightly between 2008 and 2013, i.e. a more favorable evolution than the rest of Western Europe: Germany, France, Portugal, Belgium, Denmark, Austria and Finland. To our surprise, France and Germany are at the same level, with respectively a 1 and 2% growth rate, a negligible difference. Consequently, the discourse on the best economic performance of Germany must be moderated, it does, so far, just regain the ground lost during the peak of the crisis.

The third group consists of five countries whose GDP has declined more or less significantly since 2008: Italy, Spain, Ireland, the Netherlands (very slightly) and the United Kingdom. It includes three of the five largest economies of Western Europe, explaining the low overall performance. These countries have suffered from mismanagement (Berlusconi's Italy is a caricature in this area) and risky development strategies (real estate in Spain, finance in the UK). Ireland was the most affected with a decrease of 16% of its GDP, something to put in perspective because it followed two decades of Asian growth. This is an adjustment of an economy that was probably too inflated.

Recommendation

This brief study shows that one must be careful with comparisons of economic performance between European countries. The overall impression does not necessarily reflect the reality. European leaders tend to focus too much on short-term variations, i.e. cyclical, which is not relevant.

Author
Laurent Chalard

Correspondence
ECIA
23, Rue de la Tourelle
1040 Brussels, Belgium
chalard@european-centre.org

Biographical note
Laurent Chalard is Fellow at ECIA. He is a French geographic consultant. His work concerns France, Europe and the world. He is an expert on political demography issues. He tries to show how demography can explain geopolitical evolutions of the world.

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