

## Data Show Weakening in Euro Zone Economy

By DAVID JOLLY and MELISSA EDDY

PARIS — Germany's chancellor and the leaders of five international economic organizations called on government leaders Tuesday to take "decisive action" to help spur growth in the 17 euro zone countries and elsewhere in the global economy.

The chancellor, Angela Merkel, said the officials, during two hours of talks in Berlin, focused on strategies that included economic policy overhauls and investment in education and infrastructure.

"To restore confidence and to improve growth and employment prospects, decisive action has to be taken to ensure fiscal consolidation at an appropriate pace, coupled with structural reforms," the leaders said in a joint statement.

It was the fifth such meeting, held at the chancellor's request, of the leaders of the Organization for Economic Cooperation and Development, the World Trade Organization, the International Labor Organization, the International Monetary Fund and the World Bank.

The meeting came at a crucial time for the euro currency union. Data released Tuesday showed continued weakness in the Spanish economy and in the German labor market, suggesting that the broader euro zone economy was continuing to falter. And on Wednesday, euro zone finance ministers plan to hold a conference call for yet another discussion of whether to extend more time or money to Greece.

Spain's gross domestic product contracted 0.3 percent in the third quarter from the second quarter, the National Statistics Institute reported from Madrid. The Spanish economy has now contracted for four consecutive quarters.

A collapse in real estate prices after the 2008 financial crisis and austerity measures to balance the public-sector budget have inflicted severe pain on the country, driving unemployment to 25 percent.

In Nuremberg, Germany, the Federal Labor Agency said the number of Germans without jobs rose by 20,000 in October after seasonal adjustments, leaving the unemployment rate at 6.9 percent, unchanged from September.

Eckart Tuchtfeld, an economist with Commerzbank in Frankfurt, noted that, perhaps more worrying, the number of employed people fell in September for the first time since early 2010.

“The ‘labor market miracle’ many observers had proclaimed is likely to continue taking a breather for now, in view of the poor economy,” Mr. Tuchtfeld wrote. “Only in the second half of 2013 do we expect the trend to point up again.”

The dismal jobs data in Germany served as a reminder that a continued German focus on budget cutting in the euro zone could be an impediment to renewed economic growth.

At the meeting Tuesday in Berlin, the head of the I.M.F., Christine Lagarde, emphasized the importance of growth as one of main solutions to the most pressing problems in the euro zone, including persistently high unemployment, especially among young people.

“Growth is a clear factor to achieve these goals,” Ms. Lagarde said.

“What is needed is concerted action, and a partnership between the monetary authorities,” Ms. Lagarde said.

Ms. Merkel acknowledged Germany’s role and pledged that Berlin would seek to strengthen its domestic market in an effort to spur growth.

The Spanish and German gloom were underscored by a report from the European Commission, which said in Brussels that its index of business and consumer sentiment fell 0.7 point this month, to 84.5 from a revised 85.2 points in September.

An index value below 100 indicates that more respondents are pessimistic than optimistic.

“Marked decreases” in sentiment in the euro zone’s industrial and construction sectors outweighed improvement in retailing, though service sector and consumer confidence were stable, the commission said. It took note of a hopeful sign: the rate of decline in the indexes was slowing.

The decline in sentiment shows that the 17-nation euro zone began the fourth quarter “on a very weak note,” Jennifer McKeown, an economist in London with Capital Economics, wrote in a note. She said the sentiment data were “consistent with annual contractions in euro zone G.D.P. of around 2.5 percent. That implies very steep quarterly falls in G.D.P. in the next few quarters.”

She also predicted that the euro zone economy would shrink about 2.5 percent next year.

More than three years after Greece’s disclosure that it had been fudging its government finance statistics, touching off a run on the sovereign debt of several euro zone governments, the region’s crisis has become a grinding, chronic affair.

The meeting comes ahead of the latest report, expected in the next few weeks, on Greece’s financial situation by the so-called troika of international lenders: the I.M.F., the European Central Bank and the

European Commission. Germany has made the troika report a precondition for making any decisions on further assistance to Athens.

Nevertheless, discussions over how Germany might best help Greece to cover its growing financing gap have gathered speed in recent days. While the idea that Greece might need more time to pay back its debts remains open for debate among German lawmakers, both the chancellor and her finance minister have rejected the idea of a taking a loss on official loans to Greece.

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