Euro zone contracts for sixth consecutive quarter

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The Euro zone economy contracted for the sixth consecutive quarter in the first three months of this year, according to figures released Wednesday by Eurostat, the statistics office of the European Union. The data points to the escalation of the European financial crisis and the deepening global slump.

The euro area economy contracted by 0.2 percent in the first quarter, worse than the 0.1 percent contraction that economists had expected. This makes the current contraction the longest since the euro was introduced in 1999, and deeper even than the slump that lasted from 2008-2009.

Officials responded to the disastrous figures by restating their commitment to austerity and making the working class pay for the crisis. “We have engaged in reforms [to address] competitiveness and we will continue,” said French President François Hollande Wednesday. By “competitiveness” is meant the driving down of wages and the slashing of social programs throughout the continent.

Stocks rose following the release of the disastrous figures, as financial firms rallied at the prospect that the worsening economic situation will lead central banks to take further measures to expand the global money supply.

The EU economy grew moderately from 2009-2011, as the economic disaster in Greece and other ‘periphery’ countries was offset by an expansion in Germany. But Wednesday’s figures underscored the fact that the crisis has definitively spread into the region’s main economies: Spain, France, Germany and Italy.

France’s economy officially entered recession after posting its second consecutive quarterly contraction, shrinking 0.2 percent in the first three months of the year. The French national statistics office noted that consumers’ purchasing power fell by 0.9 percent last year, the worst fall in three decades, adding that production was at a “dead stop” and the investment was “folding up.”

The German economy—accounting for a third of the euro area’s output—just barely avoided an economic contraction in the first quarter, after shrinking 0.7 percent in the last quarter of 2012.

The economic downturn—coupled with mass layoffs of public workers throughout the continent—has led to a vast expansion of unemployment. Earlier this month, Eurostat said that unemployment in the Euro zone hit another record in March, climbing for the 23rd consecutive month. The official unemployment rate in the euro area hit 12.1 percent, up 1.1 percentage points from a year earlier.

Over the past year, the number of unemployed people in the euro area has grown by 1.72 million, to 19.21 million. Greece, Spain and Portugal have Depression-era unemployment rates, with 27 percent of the population of Greece officially unemployed, followed by Spain with 26.7 percent and Portugal with 17.5 percent.

Last week, Greece’s statistics service said that the country’s youth unemployment rate reached a staggering 64.2 percent—nearly two thirds of the entire population of youth. This is up from 54.1 percent in March 2012.

The disastrous European economic figures came together with the announcement of further mass layoffs throughout the continent. ThyssenKrupp, the German heavy manufacturing conglomerate, announced plans to lay off 3,000 of its 15,000 administrative employees over the next three years. This comes on top of 2,000 job cuts that ThyssenKrupp’s European steel production division announced earlier this year.

Meanwhile HSBC, the British bank, announced plans to cut as many as 14,000 jobs over the next three years. This would reduce its total number of employees to 240,000 by 2016. In April, the bank said it would cut over one thousand jobs at British branches, on top of 30,000 job cuts announced in 2011.

Stock indexes rose throughout the world despite the dismal news. The US S&P 500 closed up by half a percentage point, setting a new record for the fourth day in a row. The British FTSE 250 rose by 0.68 percent, while the all-Europe FTSE Eurofirst 300 shot up 0.73 percent.

The Japanese Nikkei 225 rose 2.29 percent, closing above 15,000 points for the first time in five years, driven by the devaluation of the yen and the Japanese central bank's dramatic expansion of the money supply announced last month.

The vast rise in global stock markets is bankrolled by the unprecedented printing of currency by world central banks, led by the US Federal Reserve, which, in addition to its near-zero interest rate policy, is injecting $85 billion per month into the global financial system via its "QE3" program.

Earlier this month the European Central Bank took a major move in the Federal Reserve's direction by cutting its benchmark interest rate 0.25 percentage points, to 0.5 percent.

The vast handout of cash to the banks is coupled with renewed demands from the political establishment for an even more drastic slashing of social services and workers' pay. Jacques Attali, a former adviser to President François Mitterrand, told the French newspaper *Les Échos* in response to Wednesday's figures that President Hollande "should have gone faster" in his restructuring program, adding that "[A] presidency, it's like fast-setting concrete, the more you wait the harder it is to act," adding that "he should accelerate the tempo."