Reports confirm deepening recession in Europe

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A series of new reports confirm that the policy of austerity dictated by the troika—the European Commission, European Central Bank, International Monetary Fund—after the financial crisis of 2008 is plunging Europe ever deeper into recession.

On Tuesday the European Union's statistics agency issued a report stating that in the month of May, imports to and exports from the euro zone both fell over 2 percent. Euro zone exports to the rest of the world fell by 2.3 percent in May after a sharp decline the previous month.

The decline in both imports and exports reflects the contraction of the European economy as a whole. After years of austerity, social spending cuts and growing mass unemployment, the broad mass of European consumers can no longer afford many commodities they took for granted only a few years ago.

The drop in imports to the continent was most pronounced in those countries which have been subjected to the harshest austerity measures. While imports to Germany fell by one percent and France by 2 percent, Spanish imports fell 4 percent and imports to Italy a whopping 6 percent.

The dramatic fall in domestic demand for European products is most clearly reflected in the current slump affecting the auto industry. According to figures published by the European Automobile Manufacturers' Association new auto sales in Europe fell by 5.6 percent in June, the lowest June figure since 1996.

In the first half of this year, car sales in Europe fell by 6.7 percent, to a total of 6.44 million vehicles. This is the lowest figure for the industry since 1993.

Significantly, auto sales fell in all of continental Europe's biggest economies. Sales in the leading economy, Germany, fell by 4.7 percent, in France by 8.4 percent, and in Italy by 5.5 percent.

Shrinking domestic demand is matched by a decline in euro zone exports to the rest of the world. The fall in exports expresses slackening demand for European products from economies in Asia and North and South America, which are either in recession or facing sharply declining growth.

The danger confronting Germany's key industries, at home and abroad, is reflected in the fall of a key index produced by the Zew Centre for European Economic Research. It indicated a sharp fall in German business expectations in June on the part of investors and analysts.

The deepening recession in Europe means that the continent's already record levels of unemployment are to rise even further. According to the latest OECD survey, the crisis of unemployment in Europe is expected to worsen significantly over the next 18 months.

The report notes that the total number of jobless in the 34 states in the OECD has risen by a staggering fifty percent in the course of the past five years, from 32 million to 48 million.

Declaring that such high levels of unemployment could assume a long-term, structural character, the OECD report warns of dangers to social cohesion: "Concerns are growing in many countries about the strains that persistently high levels of unemployment are placing on the social fabric. More than five years have passed since the onset of the global financial and economic crisis, but an uneven and weak recovery has not generated enough jobs to make a serious dent on unemployment in many countries."

Inside Europe, the OECD predicts that unemployment rates will reach new heights in the next 18 months, exceeding well over a quarter of the workforce in several countries. The report also states

that the “pain” of unemployment has not been shared evenly, leading to a sharp rise in the inequality in household incomes. “Job loss has been concentrated among low-paid workers”, the report observes, adding that inequality will likely become more extreme as crisis-hit countries cut unemployment and welfare benefits.

Once again, young workers suffer most from employment. Sixty percent of young workers are already unemployed in Greece, 56 percent in Spain and approximately forty percent in Portugal and Italy. The OECD report indicates that these figures will rise in coming months.

The OECD report is a devastating indictment of the EU and its constituent governments, which recently met in Berlin to shed a few crocodile tears about the plight of unemployed youth, while urging more “structural reforms.” These would only serve to further undermine workers’ living standards.

The flurry of recent reports predicting further economic decay, growing unemployment and misery for hundreds of millions across the globe coincided with steep rises in global stock markets—fueled by the near interest-free credit made available to financial markets by the central banks, including the ECB. In Europe and America, stock markets have either broken through or are approaching their record highs reached before the 2008 crash.

Another indication of the flourishing fortunes of the financial elite came Monday in a report of the European Banking Authority (EBA). The report notes that over 3,000 leading European bankers took home salaries of 1 million euros or more in the year 2011.

The best-paid financiers were to be found in Spain, where 125 bankers averaged an income of 2.4 million euros. The biggest number of millionaire bankers was to be found in Great Britain, where 2,346 raked in over a million in annual salary.

The EBA report relates that a total of £13 billion (€16 billion) were paid in bonuses across the entire British banking industry in 2011, approaching the record sum of £19 billion paid out in 2007-8 before the crisis broke.

In response to new EU rules aimed at capping bonuses, leading UK banks are already drawing up plans to increase their leading bankers’ basic salaries—along with a slate of other measures designed to bypass the capping legislation.