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5 Minutes for Business

How Europe Got Her Groove Back

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Poor Europe! She suffered years of economic stagnation and austerity. Costly government bailouts and a drawn-out banking crisis sapped her confidence. Terrorism and an unprecedented surge of migrants poisoned political debate and encouraged extremists. The final insult came when the British voted to leave her.

By the end of 2016, popular wisdom was that Europe's politics were so shattered and her people so fed up, that upcoming elections [would see right-wing extremists swept to power](#) from France to the Netherlands, Austria and Italy. Even the gentle Scandinavians were [eager to elect loons!](#)

Except that didn't happen. The elections came and went. The Austrians and the Dutch elected moderates by healthy margins. The Trudeau-like French centrist Mr. Macron won the French presidency by a staggering 30%, in a victory so crushing that his opponent Mme. Le Pen announced her intention to change the name of her political party. Far from a wave of Trumps, Europe is governed by sensible moderates (with the exception of [Orban in Hungary](#)).

And recently Europe's economy has gone from strength to strength. [All 28 members of the EU saw growth last year, and this will continue through 2017 and 2018.](#)

In the first quarter of 2017, the European Union's economy grew at a healthy 1.9%, more than double the U.S. quarterly growth of 0.7%. European business confidence is near an all-time high for manufacturers and services. More importantly, business is spending – European investment will grow by 3% this year and 3.5% next year. And best of all: European consumers are a happy bunch with low debt levels and money to burn. Last week, [consumer confidence hit the highest level since June 2007](#). Happy days are here again!

Canadian businesses see the opportunities. [Hudson's Bay will invest \\$570 million in Europe](#) this year and are targeting sales growth of 20%. The CEO Jerry Storch says profits will grow even faster than sales.

So far in 2017, some of Canada's fastest growing export markets can be found in Europe. Exports to Germany are up 9%, sales to France are up 14% and the Netherlands are up 10%. And Canada's investments in Europe are even larger. The total sales by Canadian-owned companies operating in Europe exceeds \$100 billion. That's more than triple the value of Canada's direct exports to the region.

Investors have noticed that Europe has her confidence back, and she's even got a bit of swagger. When Mr. Trump promoted Brexit to other EU countries, the President of the European Commission Jean-Claude Juncker said "[I'm going to promote the independence of Ohio and Texas.](#)" [Europe has also started flexing her muscles and is about to embark on a new defence spending spree.](#)

And thanks to far-sighted trade ministers, Ed Fast and Chrystia Freeland, the [Comprehensive Economic and Trade Agreement \(CETA\) will come into force soon.](#) We've all been so focused on the NAFTA renegotiation and those fabulous 3 a.m. tweets. Let's not lose sight of a spectacular opportunity for Canadian business. With 500 million people and GDP of \$18.5 trillion, the EU is the world's largest economy, so a return to stability and growth will have a stimulating effect on the whole global economy. Welcome back Europe!

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