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The euro plunged today after the eurozone revealed GDP grew by a lower-than-expected 0.1 per cent in the fourth quarter, dragged down by Germany, the biggest economy of the 16-nation collective.

Official figures showed that the single-currency economy grew by just 0.1 per cent between October and December, below forecasts of 0.4 per cent and a third quarter rise of 0.4 per cent.

Eurozone GDP missed expectations after Germany failed to grow in the fourth quarter following a 0.7 per cent increase in output between July and September.

The figures emerged one day after Angela Merkel, the German Chancellor, refused to commit to a bailout of Greece at a one-day European summit in Brussels. Instead, EU leaders made a general pledge to take "determined and co-ordinated action if needed" to prop up the euro.

Greece’s economy fell by 0.8 per cent, while Spain, which has the highest rate of unemployment in the eurozone at 19.5 per cent, contracted by 0.1 per cent. Italy’s economy also shrank by 0.2 per cent.

France’s economy grew by 0.6 per cent in the final three months of 2009, helped by robust consumer spending and beating forecasts of 0.5 per cent, official GDP figures showed.

However, the slump in eurozone growth sent the volatile euro down against the dollar from last night’s close of $1.5702 to $1.5603 by mid-afternoon trading.

Today’s data is likely to place considerable strain on the prospects for a Greek bailout, especially the stagnation in growth from Germany — the EU’s main paymaster.

Greece has been hit by strikes and street protests in recent days over moves to cut public spending as part of an austerity plan as it battles a 12.7 per cent budget deficit.

The International Monetary Fund (IMF) today joined the EU in supporting Greece. John Lipsky, managing director of the IMF, said: "We stand willing and able to support Greece in ways that the Greek authorities think is appropriate."

Jean-Claude Trichet, President of the European Central Bank (ECB), weighed in to help Greece and draw up “necessary additional measures”. He said: “I confirm that the ECB will work with the European Commission in monitoring the implementation of the recommendations by Greece.”

Yesterday, Alistair Darling firmly ruled Britain out of providing monetary support to Greece.

He said: "It is really for Greece to try and resolve its problems, for Greece to deliver on all the promises that it has made," he said. "The euro area is managing that area and they will be discussing this ... with a view to trying to resolve the matter and I am sure we'll be able to make progress."

Year-on-year, the German economy shrank by 1.7 per cent in the fourth quarter, following a 4.7 per cent drop in the three months to September.

Germany, along with France, emerged from the recession in the second quarter of 2009, with growth of 0.3 per cent.

However, the UK only just exited the longest slowdown in post-war history in the fourth quarter of 2009, with unexpectedly low growth of 0.1 per cent. This followed six consecutive quarters of contraction.

Howard Archer, chief UK and European economist of IHS Global Insight, said: “The very disappointing fourth-quarter 2009 GDP data reinforces our suspicion that the eurozone will find it difficult to grow by more than 1.0 per cent in 2010.”

http://business.timesonline.co.uk/tol/business/economics/article7024558.ece