ECONOMIC RESEARCH

The NewsLine

August 14, 2019

MACROECONOMICS | FINANCIAL MARKETS | ECONOMIC POLICY | SECTORS

Katharina Utermöhl
Phone +49.69.24431-3790
katharina.utermoehl@allianz.com
Allianz SE

Allianz Research
https://twitter.com/AllianzResearch

GERMANY

In reverse gear

After a good start to the year, the German economy has gone in reverse gear. In the second quarter, seasonally adjusted GDP shrank by 0.1%. The weak foreign trade performance and declining construction investment proved sufficient to bring the German economy to its knees, despite continued positive consumption impulses. In view of the subdued outlook for world trade and the automotive industry and lingering elevated political uncertainty around trade, Italy and Brexit, at best mini-growth rates can be expected in the coming quarters. It is particularly worrying that the weakness in industry is increasingly affecting domestic demand. After all, the German economy has so far been kept afloat primarily by private consumption and construction investment. Due to the very weak start to the third quarter, the recession risk is now at a high level.

Calls for fiscal easing are likely to grow louder in view of the gloomy economic outlook. However, it may be harder than expected to find an answer: an infrastructure investment program will take some time to take effect and would have to struggle with ongoing capacity bottlenecks in the construction industry. A cash-for-clunkers rebate focused on promoting e-mobility could be quickly introduced, however, in view of the car scandals of recent years, such a step could be politically controversial and would also require a certain degree of legal and regulatory certainty. Tax cuts could also be implemented swiftly, but in an environment of increased uncertainty, there is a risk that the additional net income will be saved rather than spent.

ABOUT ALLIANZ

The Allianz Group is one of the world's leading insurers and asset managers with more than 92 million retail and corporate customers. Allianz customers benefit from a broad range of personal and corporate insurance services, ranging from property, life and health insurance to assistance services to credit insurance and global business insurance. Allianz is one of the world's largest investors, managing around 673 billion euros on behalf of its insurance customers. Furthermore our asset managers PIMCO and Allianz Global Investors manage more than 1.4 trillion euros of third-party assets. Thanks to our systematic integration of ecological and social criteria in our business processes and investment decisions, we hold the leading position for insurers in the Dow Jones Sustainability Index. In 2018, over 142,000 employees in more than 80 countries achieved total revenues of 131 billion euros and an operating profit of 11.5 billion euros for the group. These assessments are, as always, subject to the disclaimer provided below.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The statements contained herein may include prospects, statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements. Such deviations may arise due to, without limitation, (i) changes of the general economic conditions and competitive situation, particularly in the Allianz Group's core business and core markets, (ii) performance of financial markets (particularly market volatility, liquidity and credit events), (iii) frequency and severity of insured loss events, including from natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) particularly in the banking business, the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the EUR/USD exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions, including related integration issues, and reorganization measures, and (xi) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

NO DUTY TO UPDATE

The company assumes no obligation to update any information or forward-looking statement contained herein, save for any information required to be disclosed by law.