

The NewsLine

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GERMANY

Strong GDP growth in Q1 2019

Seasonally adjusted industrial production rose by 0.5% in March compared with the previous month. The German industrial weakness has thus not yet been overcome, but the situation is at least stabilizing. This is due in particular to the increase in production of consumer goods. In addition, construction is currently a very important pillar of the German economy. Overall, production is 0.5% above the average level of Q4 2018. Together with the good data on private consumption, the German economy should have grown by at least 0.4% in the first quarter of 2019 compared with the previous quarter. However, economic growth is likely to lose momentum again in the further course of the year. Overall, we continue to expect GDP growth of 1% in 2019.

Seasonally adjusted industrial production rose by 0.5% in March compared with the previous month. No sub-sector of industry recorded a decline compared with the previous month. The strongest growth was in consumer goods (1.1%) and intermediate goods (0.4%). The production of capital goods, on the other hand, remained at the level of the previous month. Outside industry, construction again expanded its production with a plus of 1.0%. Overall, production is 0.5% above the average level of the final quarter of 2018. Together with the good data on private consumption, the German economy should have grown by at least 0.4% in the first quarter of 2019. However, we expect economic growth to lose momentum again in the further course of the year. In general, the domestic economic environment in Germany remains very good. Corporate earnings are positive and financing conditions are exceptionally favorable. The increase in employment creates additional income and the real purchasing power of disposable incomes is growing. However, in view of still constraint impulses from abroad - the Chinese economic stimulus will take time to feed

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through and the risk of an escalation of the US-China trade dispute is increasing rather than decreasing - the German economy should increasingly lose momentum. The data for incoming orders in the manufacturing industry in March provide a foretaste in that regard. The price-adjusted order intake in the manufacturing sector was seasonally and calendar-adjusted 0.6 % higher than in the previous month. However, excluding large orders, this results in a setback of 1.0% m/m in the month of March. In addition, the decline in domestic orders (-4.2% m/m) is a particular cause for concern. The only ray of hope is the strong growth in orders from EMU countries (+8.6% m/m) compared to the previous month. Overall, we continue to expect GDP growth of 1% for 2019.

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