


The NewsLine

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GERMANY

Economy is moving up a gear

Continuing concerns about an escalation in the trade dispute with the US did not lead to a further significant deterioration in Germany's economic sentiment in July. The ifo business climate index recorded only a minimal decline of 0.1 points. Other economic indicators such as industrial production, incoming orders and foreign trade have recently been clearly positive. All in all, this confirms our assessment that economic activity grew somewhat more strongly in the second quarter than at the beginning of the year. For the second quarter we expect real GDP growth between 0.4 and 0.6% compared to the previous quarter (Q1: + 0.3%).

To put it in context: At 101.7 points, the business climate index is roughly at the level of the second quarter of 2017, when the German economy grew strongly. However, a significant difference to last year can be seen when looking at the individual components of the index. In the second quarter of 2017, companies assessed their current situation to be somewhat less favorable than they are currently doing. However, they are at present somewhat more cautious about their business expectations for the next six months than last year.

In principle, we assume that the German economy will continue to grow solidly in the second half of 2018. The domestic economic conditions for a continuation of the upswing remain very good. This applies in particular to private consumption (favorable employment and wage trends) and investment activity (high capacity utilization, favorable financing conditions and relatively low corporate debt). A major risk to this assessment is the considerable risk of a further escalation in the trade dispute with the US. Especially in the event that the US should impose higher import tariffs on cars as threatened, which would hit the German automotive industry particularly hard, this year's growth forecast of 2.1% (not adjusted for calendar effects) could not be kept.

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ABOUT ALLIANZ

The Allianz Group is one of the world's leading insurers and asset managers with more than 86 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 over 650 billion euros on behalf of its insurance customers while our asset managers Allianz Global Investors and PIMCO manage an additional 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 2017, over 140,000 employees in more than 70 countries achieved total revenue of 126 billion euros and an operating profit of 11 billion euros for the group.

These assessments are, as always, subject to the disclaimer provided below.

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.

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