

The NewsLine

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GERMANY

Production data signals mediocre growth at the beginning of the year

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In March, output in industry, including energy and construction, recorded a seasonally adjusted increase of 1% compared to February. In the first three months of the year, output thus stagnated compared with the fourth quarter of 2017. Against this background, we assume that the German economy grew by only 0.3% in the first quarter compared to the previous quarter.

The data on production and foreign trade published today by the Federal Statistical Office paint a mixed picture. After a stagnating production in January and the significant decline in February, the increase in March at least ensured that production in the first quarter of 2018 maintained the level of the previous quarter.

Overall, the German economy is expected to have grown significantly less pronounced in the first quarter than in previous quarters. We expect GDP growth of 0.3% compared to the previous quarter, after an increase of 0.7% in the third quarter of 2017 and 0.6% in the fourth quarter of 2017. Only limited growth impulses are likely to have come from net exports. Exports increased by 2.8% in the first quarter compared to the previous year, while imports increased by 2.9%. German exports developed very differently from region to region. While exports to the eurozone grew strongly by almost 7%, exports to third countries even recorded a slight decline of 0.3% – an indication that Europe is currently doing quite well compared to the rest of the world from an economic point of view. Private consumption is also likely to have provided only moderate growth

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impulses in the past quarter. This view is supported by the weak development of the retail sales, which, however, account for less than half of private consumption.

We regard the rather subdued economic development at the beginning of the year as a temporary dip in growth and not as the beginning of a longer slowdown in growth. This was mainly the result of extraordinary effects such as a high level of sick leave and strike-related losses. The economy should pick up momentum again in the current quarter.

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