

The NewsLine

June 8, 2018

MACROECONOMICS FINANCIAL MARKETS ECONOMIC POLICY SECTORS

GERMANY

Industry starts the second quarter on a weak note

Gregor Eder
 Phone +49.69.24431-3358
gregor.eder@allianz.com
 Allianz SE
<https://www.allianz.com/economic-research/en>



Industrial production fell by a seasonally-adjusted 1.7% in April compared to the previous month. Production is thus 1% below the average level of the first quarter. All sub-sectors of industry recorded significant month-over-month declines. Consumer goods (-2.1%) and investment goods (-2%) showed the strongest downward movements. Outside industry, however, the construction sector expanded strongly with an increase of 3.3%.

With today's April data, the Federal Statistical Office also published revised data for the month of March, according to which industry grew significantly more strongly at the end of the first quarter than was initially reported. However, this does not change the fact that the German industrial sector made a weak start to the second quarter.

Following the subdued growth in the first quarter, we expect a more vivid macroeconomic activity in the further course of the year. In principle, the domestic economic conditions for a continuation of the upswing remain very good. The earnings situation in the corporate sector is positive, financing conditions are exceptionally favorable, the debt of companies and households is relatively low, high capacity utilization promotes investment demand, job creation generates additional income and real purchasing power of disposable incomes is growing despite higher oil prices.

However, there is no doubt that the downside risks for this year's real GDP growth forecast of 2.1% have increased due to the weak start to the second quarter. Uncertainty about the future economic prospects – particularly in context with the trade dispute with the US – has increased sharply in recent months. This uncertainty is also likely to have played a role in the significant

The NewsLine

page 2 of 2

June 8, 2018

order decline in April. Seasonally and calendar-adjusted, the decrease was 2.5% compared to the previous month.

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.

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.
