

The NewsLine

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GERMANY

Subdued growth in first quarter 2015

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Due to the slight drop in March, industrial production in the first quarter of this year rose by only 0.2% on the final quarter 2014. But, thanks in particular to a substantial expansion in construction activity (in seasonally adjusted terms), the increase in the producing sector as a whole was around 0.5%. Looking at all the economic data currently available for the first quarter of 2015 such as production, new orders, retail and foreign trade, we get a fairly mixed picture, pointing to only moderate growth in gross domestic product over the preceding quarter. In the first quarter 2015 the German economy is likely to have grown by 0.3-0.4%.

A further rise in retail sales suggests that private consumption boosted economic growth in the first quarter of this year. Construction investment probably also played a positive role, buoyed by a relatively mild winter. By contrast, external trade probably failed to contribute to growth. Although nominal merchandise exports rose slightly, the increase in imports was substantially stronger. The marked drop in new foreign orders in the early months of this year suggests that the global economy was not running smoothly. However, a number of special factors were likely at play here.

In our view there is no reason to be skeptical about the second quarter. Changes in the external value of the euro take time to feed through into exports. The steep slide in the euro since the middle of last year is likely to boost exports substantially, even though it has stabilized again of late. Buoyant private household income growth and the favorable business

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earnings picture will continue to fuel the domestic economy. We are therefore expecting stronger growth in the second quarter.

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

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This business success with insurance, asset management and assistance services is based increasingly on customer demand for crisis-proof financial solutions for an aging society and the challenges of climate change. Transparency and integrity are key components of sustainable corporate governance at Allianz SE.

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