

13 February 2009

Economic News

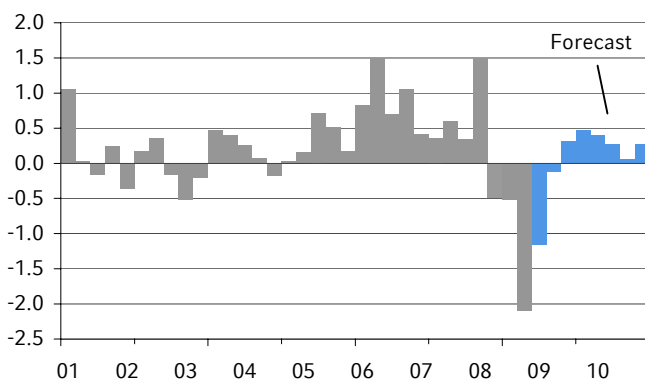
GDP GROWTH IN GERMANY

Dramatic slump at the end of the year

- As had already become apparent, economic output slumped considerably at the end of last year. According to the flash estimate of the German Federal Statistical Office, from Q3 to Q4 GDP contracted by 2.1%. This is the strongest decline since the beginning of 1987, when overall economic output dropped 2.5% as a result of a dramatic slump in construction investment. At the same time, the preliminary annual estimate for 2008 (1.3% y/y) was confirmed today.
- According to information from the Federal Statistical Office, investment decreased markedly towards the end of the year. Moreover, foreign trade had a dampening effect on economic output because exports decreased considerably against the backdrop of the global economic downturn. Private Consumption was slightly lower than in the previous quarter. By contrast, positive stimuli resulted from the public consumption and from increasing inventories. Details of the GDP components will be published on 25 February.
- The indicators available so far for this year suggest that GDP will continue to be affected by a further significant decline. However, we do not expect this decline to be quite as strong as the one at the end of last year. The contraction of the economy will then probably slowly come to a standstill at around the middle of the year. We expect the second half of the year to stage a faint recovery due to the slightly positive stimuli of the federal government's economic aid programme.
- We do not expect a broad revival for the foreseeable future as the growth engine of recent years, i.e. exports, is not expected to kick in anytime soon. Overall, real GDP this year will probably shrink by around 2½%. Due to the considerable uncertainty as to the way things will develop going forward, we view this forecast more than ever before as a ballpark figure rather than as a precise forecast.

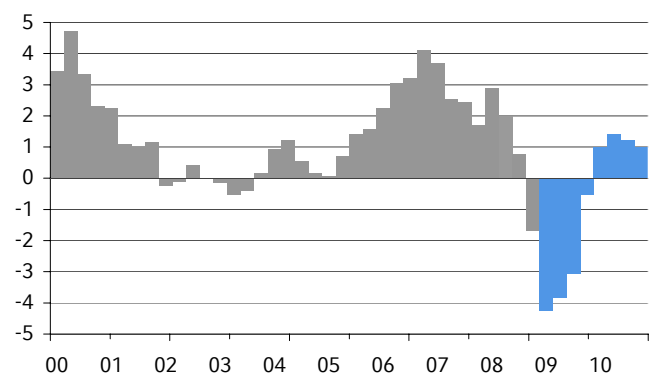
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GDP (% q/q)



Source EcoWin, WestLB Research

GDP (% y/y)



Source EcoWin, WestLB Research

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