

## Germany: Still on track for a golden decade

Contrary to the national football team, the German economy did not have a rude awakening at the start of the summer. Instead, the economy has returned as an outperformer of the eurozone



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### Haste makes waste

While almost all eurozone countries have already released their first GDP estimates for the second quarter and Eurostat even published a preliminary flash estimate with a slightly disappointing 0.3% quarter-on-quarter growth rate for the entire eurozone, Germany only came this morning with a first release. At least it was a release with a bang.

The German economy grew by 0.5% QoQ in the second quarter, from a slightly upwardly revised 0.4% in 1Q. On the year, GDP growth came in at 2.3% or 2.0% when adjusted for working days. The growth components will only be released at the end of the month but available monthly data, as well as the statistical agency's press release, suggest that private consumption, government consumption and investments were the main growth drivers in the second quarter. Net exports were a small drag.

With economic growth in 34 out of the last 37 quarters, the German economy remains on track for

a golden decade. The series of potential explanations for a disappointing second- quarter performance was long; harsh winter weather, vacation timing, long weekends, trade tensions or the delayed impact of last year's euro strengthening, to name a few. This list, however, can now be put in the drawer; at least for another quarter.

## What's next?

Looking ahead, challenges for the German economy are likely to increase rather than decrease, both from the outside and within. As regards external risks and challenges, trade tensions could easily return, despite some recent relief. The latest events in Turkey illustrate that geopolitical risks are unlikely to disappear. Up to now, external events have only led to more uncertainty and dented sentiment but have hardly left tangible marks on the German economy. This could change. As regards the domestic side, an increasingly complicated political landscape, too few new investments and structural reforms and supply-side constraints in the manufacturing sector are risks, challenges but also opportunities.

All in all, the German economy has shown an impressive growth performance in the second quarter, defying negative sentiment effects stemming from ongoing trade tensions. A strong performance over almost a decade, almost too much self-confidence and an almost inexhaustible belief in its own strength despite a clear lack of new structural reforms. For the German national football team this mix led to a huge disappointing awakening this summer. For the German economy, however, this mix is still sufficient to outperform most of its eurozone peers.

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