

## German data confirms another strong quarter

Even in its ninth year, the recovery is still going strongly. In fact, the recovery has broadened across all sectors.



Source: iStock

# 0.6%

## German 1Q GDP growth

(YoY%, second reading)

As expected

### A strong first quarter growth reading

The most interesting part of this second estimate is the growth composition. According to the statistical agency, the main growth drivers in the first quarter were public (+0.4% QoQ) and private (+0.3% QoQ) consumption as well as the construction sector (2.3% QoQ). The construction sector benefitted enormously from the mild weather. At the same time, investments increased by 1.2% QoQ, while the net exports contributed 0.4 percentage points to growth. The economy is currently

running on all cylinders.

Germany's economic performance looks like a never-ending success story. The strong domestic fundamentals are nicely reflected in the strong activity in the construction sector and continued strength in private consumption. Since the start of 2014, private consumption has been the main driver of German growth, on average contributing to one half of German quarterly GDP growth.

Today's data also show that investments have finally started to pick up. For the first time since 1Q 2016, investments in equipment actually had a positive contribution to GDP growth. Yesterday, the German ministry of finance released an analysis on public investment, clearly aimed at addressing ongoing international criticism. According to the ministry, Germany has had one of the most dynamic investment developments of all Eurozone countries between 2005 and 2016.

This is true as regards public investment but not total investments. The total investment ratio (of both the private and public sector) remains relatively low in Germany. Moreover, the first years after the financial crisis blur this analysis as the biggest difference between Germany and the rest of the Eurozone stems from the period 2008 and 2013. Even though the German finance ministry is trying its best to take the wind out of international critics' sails, the discussion on how to further strengthen investments, particularly private sector investments, will clearly continue.

In sum, today's data confirm that the German economic recovery has entered its ninth year. With growth broadening across all sectors of the economy, there are no signs that this recovery could come to an abrupt halt any time soon.

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