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GERMANY

Germany: A moment to savour

The details of German 2Q GDP growth paint another picture of a strong economy on its way to a golden decade



The headline figure was just a confirmation of last week's first estimate. 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 interesting parts of this morning's release, however, are the growth components. Defying the often-heard international criticism, the economy is already showing a very balanced growth model. In the second quarter, domestic demand was the main growth driver with private consumption up by 0.4% QoQ, government spending up by 0.6% QoQ, investment up by 0.5% QoQ and construction up by 0.6% QoQ. A full strike. Private consumption, for example, has now been growing for 18 consecutive quarters. Very little to complain about.

0.5% **German 2Q growth**
(QoQ%)

German growth data suggest that at least in the second quarter, the ongoing trade tensions were a threat but did not leave any significant marks on the economy. Obviously, this could change in the coming months. Even though the EU seems to be off US radar screens at least for the time being, the series of German export partners being hurt by sanctions, tariffs or

economic crises is getting longer. Just think of China, Russia, Turkey, Iran or potentially the UK. The strength of the German export sector has always been its diversity and the fact that it is not dependent on a single export partner. And while the weak euro should cushion any adverse effects stemming from tariffs or sanctions, the list of troubled countries should obviously not get too long.

While risks from the external side are increasing, the domestic side of the German economy offers both challenges but also opportunities. Just think of an increasingly complicated political landscape, too few new investments and structural reforms and supply-side constraints in the manufacturing sector. Many potential risks ahead but at least for now, there is only one good reaction to today's growth data: enjoy and savour.

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