

## Germany: Final glance in the rearview mirror

Details of the 2Q GDP report show the severity of the crisis in all its dimensions. But the good thing is that now the worst is finally behind us



Source: Shutterstock

Another data report, which people with depressive tendencies should probably ignore. The second estimate of German GDP in the second quarter provided the details of the worst quarterly performance of the economy ever and the severity of the crisis in all its dimensions. Here are the details: The contraction of the economy was somewhat milder than in the first estimate, illustrating how difficult it currently is to capture the lockdown-driven swings in any economy with traditional macro models. The German economy shrank by 9.7% quarter-on-quarter, down from the first estimate of -10.1% QoQ. On the year, the economy has lost 11.3%. Private consumption fell by 10.9% QoQ, investments excluding construction by a shocking 19.6% QoQ and exports by more than 20% QoQ. Only government consumption increased (+1.5% QoQ) and inventory build-up added 0.3 percentage points to quarterly growth. The only good thing about all this data is that it provides a final glance in the rearview mirror.

Looking ahead, it does not take a rocket scientist to predict that the economy will have one of its

best quarterly performances ever in the third quarter. All activity indicators point to a continuing increase during the summer months. The truck toll mileage indicator has recently even returned to its pre-crisis levels. The VAT-reduction combined with 'staycations' should have given private consumption another boost. At the same time, however, the structural impact of the crisis is also surfacing, limiting too much growth enthusiasm. The current discussion in the German government to extend short-time work schemes possibly from 12 months to 24 months not only illustrates the government's determination to offset the fallout from the crisis for as long as possible but also how difficult it will be to eventually exit the crisis measures. Distinguishing between the cyclical and structural impact from the crisis will increasingly become more difficult.

## Author

### Carsten Brzeski

Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.