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# Germany sees slower growth but no recession

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By Quentin Peel in Berlin

Germany does not expect to suffer any economic recession in coming months, but the government forecasts a slowdown in growth to 0.7 per cent this year before recovering to 1.6 per cent in 2013.

Domestic demand would be the main driving force for growth in 2012, with unemployment at its lowest level for 20 years and real incomes rising, Philipp Rösler, economy minister and vice-chancellor, said on Wednesday as he launched the government's annual economic report. Export growth would slow to just 2 per cent this year because of the slowdown in global demand.

The forecast gross domestic product growth rate amounts to a sharp slowdown compared with the 3 per cent seen in 2011, and the figure of 0.7 per cent is a further reduction in the ministry's autumn forecast of 1 per cent growth. The minister expects the rate in the first quarter to be only 0.1 per cent.

Mr Rösler warned that the greatest risks involved developments in the financial markets, especially in the eurozone.

He said the government was not "content" with a growth rate of less than 1 per cent, but that, in light of the eurozone crisis and the global slowdown, it was still a respectable figure.

"Germany is and remains the anchor of stability and growth in Europe," he declared. After two years of "extraordinarily strong" growth, the economy was in an "encouragingly robust condition". He stressed in particular the government's success in creating jobs and forecast a further decline in unemployment in 2012 to 6.8 per cent, from 7.1 per cent last year.

Mr Rösler's forecast coincides with a Franco-German initiative to promote faster growth, as well as budget discipline, in the eurozone and the wider European Union.

But Berlin has made it clear it does not support further deficit spending to provide economic stimulus, but only structural reforms and more focused spending on innovation and training.

When questioned on what Germany might do to help countries such as Italy and Greece cope with drastic austerity measures, Angela Merkel, chancellor, said on Wednesday that she was “still looking for what more we should do”.

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