

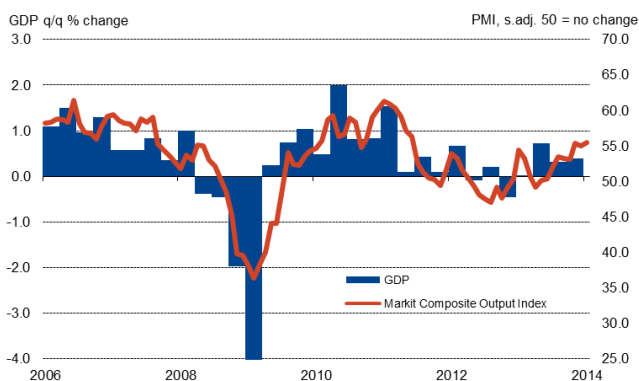
Germany

Economic growth accelerates slightly and beats forecast

- GDP grows 0.4% in Q4
- Increase in exports drives the expansion
- Survey data point to accelerated growth in 2014

Two days after Germany's Federal Ministry for Economic Affairs and Energy released its [2014 Annual Economic Report](#), official data showed that the eurozone's largest economy expanded a consensus-beating 0.4% in the final three months of 2014, adding to survey evidence of continuous growth in Germany. Economists polled by Reuters had forecasted a 0.3% rise, while the government expected 0.25% growth. Germany's economy expanded 0.7% and 0.3% in the second and third quarter respectively and 0.4% over the year. [PMI survey data had signalled a rate of increase approaching 0.5%](#).

German PMI surveys and GDP



Sources: Markit, Statistisches Bundesamt.

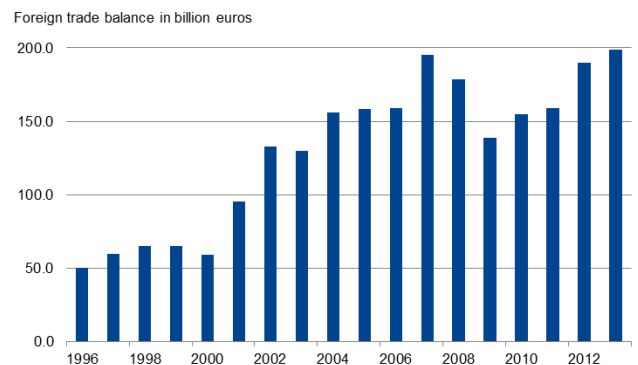
Export growth drives economic upturn

The Statistics Office Destatis reported that positive contributions to GDP growth came mainly from foreign trade, with exports of goods and services increasing at a substantially faster pace than imports. In the light of an improving economic upturn in the Eurozone, [with its economy growing 0.3% in the fourth quarter](#), German exports could even increase at a faster pace in coming months.

In a different release, Destatis reported that Germany's foreign trade surplus reached a new record high over

2013 as a whole. The surplus increased to €198.9 bln over the year, a 4.8% rise from 2012.

Germany's foreign trade balance widens further



Source: Statistisches Bundesamt.

Government consumption remained at a similar level to the previous quarter, while household consumption expenditure looks to have come in slightly lower than in the third quarter. Encouragingly, fixed capital formation increased, boosted by solid rises in both machinery and equipment and construction. The main downwards contribution to stronger GDP growth came from a marked reduction of inventories, according to Destatis.

Government raises growth forecast

In its 2014 Annual Economic Report, Germany's government, meanwhile, raised its growth forecast for 2014 from 1.7% to 1.8%, commenting on an expected broad-based economic upturn. Investment is predicted to rise some 4% over the year, having fallen 2.2% in 2013, with construction forecasted to increase 3.2%. The Federal Ministry for Economic Affairs and Energy furthermore sees imports (+5.0%) rising quicker than exports (+4.1%), which would result in an increased domestic economic dynamism. This would in turn lead to a lower account surplus and 'will foster Europe's economic recovery'.

Unemployment will fall to 6.8%, according to the ministry, with the number of people in work rising some 240,000. This higher employment can then lead to

rising wages and increased consumption and house-building.

PMI data send positive signals

Prospects for 2014 are looking positive so far, with January's survey data pointing to a broad-based upturn in the eurozone's largest economy. Manufacturing, services and construction all pointed to growth at the beginning of 2014.

Germany's [goods producing sector](#) grew at a pace not seen for more than two-and-a-half years, with new orders rising sharply and workforce numbers increasing for a second month running. The [Markit Germany Services PMI[®]](#) also signalled further growth, although the rate of expansion eased slightly. Nevertheless, the Composite Output Index (which measures the combined output of the manufacturing and service sectors) posted a 31-month high of 55.5 in January, up from 55.0 in December.

With survey data pointing to [rising retail sales in January](#), it looks as if consumers are becoming more and more confident to increase their spending, which would in turn result in a positive contribution to GDP growth.

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