

## Germany

### German economy grows less than expected in 2013

- GDP grows 0.4% in 2013
- Negative trade balance hampered stronger growth
- Survey data suggest further growth for Q4

The German economy grew moderately in 2013, according to Germany's Federal Statistical Office (Destatis). Gross domestic product rose 0.4% over the last 12 months, compared to 0.7% in 2012 and weaker than a 0.5% rise that had been forecasted by economists polled by Reuters.

Both exports and imports of German goods and services picked up since 2012. However, while imports rose by 1.3%, exports were up only 0.6%, resulting in a negative trade balance and presenting the main downward contributor to growth in the eurozone's largest economy.

Destatis further reported that it was the services sector which had a particularly large contribution to total GDP growth, expanding some 3.4%. Meanwhile the manufacturing sector merely maintained its level from the previous year, while output in the construction sector fell some 1.2% over the year.

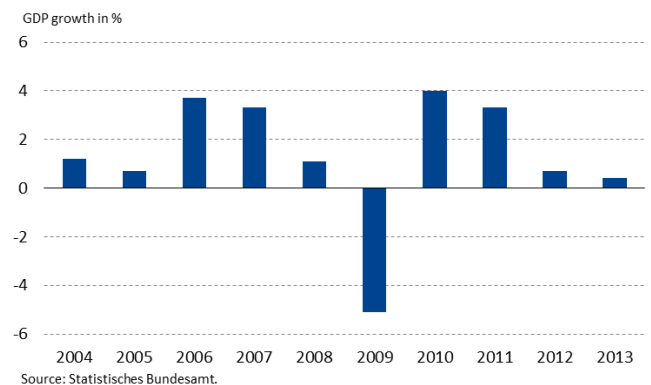
#### Growth upturn toward end of year

The economy's trajectory is looking stronger for 2014. Both official and survey data suggested a pickup in economic activity in recent months.

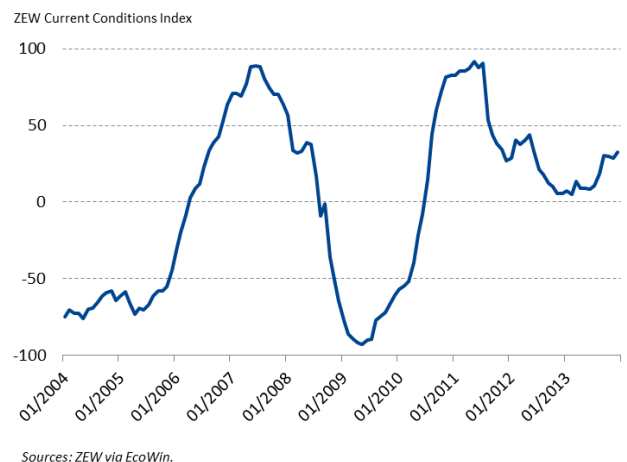
Last week, official data showed that [industrial production rose 1.9% in November](#), rebounding after a surprise fall in October. Factory orders rose an even stronger 2.1%, suggesting that demand had picked up over the month. Furthermore, retail sales increased at the sharpest rate since the beginning of the year, rising 1.5%.

The [Markit/BME Germany Manufacturing PMI®](#) rose from 52.7 in November to 54.3 in December, the highest reading in two-and-a-half years. Production and order intakes rose sharply, providing further encouraging news that the economic upturn in the sector will be sustained into 2014. It looks as if growth

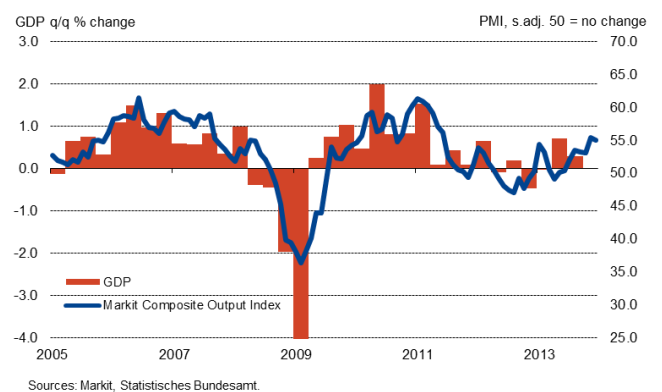
#### German GDP annual growth



#### ZEW Current Conditions Index at 18-month high



#### German GDP and the PMI



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is now also translating into job creation, with employment rising for the first time since March.

Furthermore, the [Markit Germany Composite Output Index](#) – which measures the combined output of the manufacturing and service sectors – continued to hit high notes at the end of 2013, posting 55.0 in December, down only slightly from 55.4 in November and still signaling a robust expansion in output.

Economic sentiment data from ZEW signalled a positive mood amongst surveyed financial market experts at the end of the year with the index registering 62.0, its highest reading since April 2006. The Current Conditions Index meanwhile rose to an 18-month high.

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