

The euro crisis has not harmed the German economy

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Despite the turmoil on financial markets, the German economy recorded very good economic results in 2011. According to calculations by the German Bundesbank, GDP rose by 3%. High economic growth, driven by strong performance of exports and a increase of internal consumption, has contributed to a decline in unemployment; its current level of 6.6% is the lowest since the German reunification. The state of German public finances has also improved; the budget deficit fell from 4.3% in 2010 to 1% of GDP in 2011, and over the same period public debt fell from 83% to 81% of GDP. In addition, on 9 January the Federal Ministry of Finance was able to sell bonds at a price below the rate of inflation, which means that the federal budget will make a profit on these bonds. However according to Bundesbank forecasts, economic growth in 2012 may slow to 0.6%.

Commentary

- Until now, the German economy has stood up well to the crisis. Improving competitiveness of German companies, thanks to the reforms to lower labour costs carried out in 2004-2005, has contributed to the growth of German exports. However, the biggest problem for companies remains the uncertainty associated with the problems of the euro area. For this reason, the government's priority is the euro area's recovery, and particularly avoiding a banking crisis. The banks' unstable financial situation was in fact the main cause of the crisis in 2009, when Germany's GDP fell by 5%. Concerns about the solvency of any of the large euro-area countries could lead to large losses in the German banking sector.
- The current crisis has brought significant benefits to the German economy. The demand for German bonds has increased significantly during the crisis, which has in turn lowered the cost of incurring new debts. Germany has recorded larger and larger foreign trade turnover; in the period from January to September 2011, German exports increased by 14% compared to the same period in 2010, and imports have risen by about 15%. In the last two years, Germany has seen a dynamic growth in its exports – mainly to countries outside the euro area, including emerging nations (China, Brazil), as well as to Central and Eastern Europe – which has been facilitated by the weakening of the euro. As a result, the German share of global exports could increase from 8.3% in 2010 to 8.5% in 2011.

- Germany is working to limit the total amount of the EU's multiannual financial framework for 2014-2020 by reducing payments to the EU budget. This move is inspired by the problems associated with the economic crisis and the cost of rescuing the euro area. Until now, however, the crisis-related costs for Germany have not translated into worsening of the momentum. Germany has also derived significant benefits from the influence of EU funds, mainly in the form of subsidies for agriculture (€7.5 billion from CAP instruments) and cohesion funds (€26.4 billion in the period 2007-2013).