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Germany as the leader of the economic recovery in the eurozone

On 13 August Eurostat published the data on the rate of economic growth in eurozone member states in the second quarter of this year. According to the statistics, the leader of growth in the eurozone was the German economy since it was developing twice as quickly as the average growth rate for the entire eurozone and its growth rate was the fastest since the reunification of Germany. Despite good economic results, the federal government is still planning to focus mainly on consolidating the budget.

In the second quarter, production in Germany increased by 3.7% year on year and by 2.2% when compared to the first quarter of 2010 (the results for the eurozone are respectively 1.7% and 1%). The faster growth rate in Germany results from dynamic exports caused mainly by a weaker euro exchange rate and considerable economic recovery in Asian countries. Germany is reaping the benefits of the programme of subsidising jobs introduced as a measure of fighting the economic crisis and of the reforms made in the recent years that have made the job market more flexible. Thanks to these factors, the unemployment rate in Germany is now one of the lowest in the eurozone (7.6%). The German media enthusiastically received the economic results, treating them as a proof that the country is not developing at the expense of other eurozone member states, of which it was accused during the Greek crisis. According to commentators, the German economy is the driving force behind economic growth in Europe and it is developing very fast despite poor performance from other eurozone countries.

Politicians from the Liberal party called on Chancellor Merkel to deliver on election promises to lower taxes. The federal government will probably not decide on major tax cuts but it may introduce small changes in the tax system in order to simplify it. <pop>