

Press release

For editorial desks
5 April 2019

Commerzbank Research: German economy even weaker than expected

- **Chief economist Krämer: “The economy continues to be in a gray area between a marked slowdown and a recession”**
- **Brexit: Last minute agreement on customs union**
- **ECB rate hike neither this nor next year**

In the first quarter, German economy performed weaker than expected. According to Commerzbank Research, the German gross domestic product hardly grew during this period. "This reduces the foundation for our year-end forecast, which we are lowering from 0.6% to 0.4%," said Commerzbank chief economist Jörg Krämer on Friday in Frankfurt. However, the outlook for the second half of the year remains unchanged. "Domestic demand is robust and the Chinese economy is expected to recover, which will revive exports to China," Krämer said.

However, Germany and the Eurozone are still suffering from the slowdown in foreign trade. "The economy continues to be in a gray area between a marked slowdown and a recession," said Krämer. Recession should be avoided if the Chinese economy stabilises towards the middle of the year. For the Eurozone, Commerzbank economists expect growth of 0.9% in 2019.

Commerzbank experts continue to regard a disorderly Brexit as possible. However, they welcome the direct talks between Prime Minister Theresa May and the leader of the Labour Party, Jeremy Corbyn. "The United Kingdom and the European Union could agree on a customs union at the very last minute," said Krämer. "Common external tariffs in a customs union could prevent the ‘unpopular’ backstop."

Meanwhile, things are going better in the USA. "In July, the US upturn will be the longest since 1854," said Krämer. "But upswings do not die of old age, but of exaggeration." Krämer, however, still doesn't see major exaggerations in the market. Commerzbank economists are expecting US growth to slow down to 2.5% in 2019 (2018: 2.9%). This is specifically due to the decreasing impetus of last year's tax cuts and the growing labour shortage.

With regard to the monetary policy in the Eurozone, Commerzbank analysts expect that in autumn the European Central Bank (ECB) will decide to leave key rates unchanged not only until the end of 2019 but

until the end of 2020. For next Wednesday's meeting, the Bank's experts do not expect any resolutions on details of long-term tender operations (TLTRO).

Commerzbank Research Forecasts

Growth in gross domestic product in real terms in % compared to previous year

	2019	2020
Eurozone	0.9	1.4
- Germany	0.4	1.8
- France	1.1	1.5
- Italy	-0.1	0.9
UK	1.3	1.4
USA	2.5	1.8
China	6.3	6.0
World	3.3	3.4
US dollar (per euro as at year end)	1.20	

Press contact

Stefan Gringel +49 69 136-51435 stefan.gringel@commerzbank.com

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