
Macroeconomic indicators - Germany sees 2009 GDP contracting by 5pct

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Reuters reported that Germany revised up its gross domestic product forecasts for 2009 and 2010, saying it had emerged from its deepest post war downturn in the summer and was on a recovery path.

The Economy Ministry said that the economy is now expected to contract by 5% in 2009 as compared to a forecast drop of 6% in April 2008 and grow by 1.2% in 2010 versus a prior forecast for meager growth of 0.5%.

Mr Karl Theodor zu Guttenberg economy minister of German said that "The German economy emerged from its low point in the summer after a year of contraction. The chances are good that we can build on the upward trend next year."

The ministry now expects exports to rise 4.3% in 2010 as compared to an April forecast for growth of 0.9%. It expects the unemployment total to rise to 4.1 million next year, well below an April forecast for 4.62 million.

Mr Guttenberg said that "Negative forecasts made at the height of the economic crisis that unemployment would rise above 5 million now look entirely unlikely. Employment has held up much better than was feared because of the dramatic economic downturn."

He said that the chances of recovery now outweighed the risks of another economic setback for Germany, but he also warned about the fragility of the country's banks and cautioned that government efforts to support the economy and financial markets must be unwound wisely. He added that "The strengthening of the banking and financial sector remains a major challenge."

(Sourced from www.reuters.com)

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