

Germany recession 'NOW LIKELY' - Berlin hit with SHOCK economic forecast

A RECESSION in Germany “now seems likely” as the economic powerhouse of Europe continues to be hit with a raft of disappointing financial data.



Germany news: An economist has warned a recession in Germany ‘now seems likely’ (Image: GETTY)

The gloomy forecast for the financial infrastructure of Berlin came from Stefan Schilbe of HSBC, who described recent downcast economic data from Germany as both “bad and unexpected”. Fears of an economic collapse have intensified in recent weeks after figures released back in November revealed the German economy shrunk for the first time since 2015. Gross domestic product (GDP) contracted in the third quarter compared to the previous quarter by 0.2 percent, according to the Federal Statistical Office. Economists are now warning of a downward trend continuing after a slew of weak economic data continues to point toward a cooldown in Europe’s most powerful nation.

A recession is defined by economists as GDP falling for two consecutive quarters.

Mr Schilbe told Business Insider: "The decline was broad-based across sectors, with no bright spots.

"Manufacturing fell by 1.8 percent month-on-month with the consumer goods sector once again being the major drag.

"A technical recession in German industry now seems likely."

One of the major stumbling blocks for the German economy is understood to have been disruption to levels of car production.

New pollution tests that were introduced back in September are thought to have dented finances after some car models were not given enough time to approve new registration, forcing manufacturers to throttle production.

Yesterday saw Germany hit by weaker than expected industrial output figures for the third consecutive month.

Data released on Tuesday by the Federal Statistics Office in Germany showed industrial output fell by 1.9 percent on the month in November, lower than the 0.3 percent increase that had been forecast.

The output figure for October was revised down to a fall of 0.8 percent from a previously reported drop of 0.5 percent.

The Federal Statistics Office will publish preliminary GDP growth data for the fourth quarter and 2018 as a whole on Tuesday next week.



Germany news: Angela Merkel is the current Chancellor of Germany (Image: GETTY)

Peter Altmaier, Federal Minister for Economic Affairs and Energy, last month lowered the government's growth forecast for 2018 to around 1.5 to 1.6 percent, down from the previous estimate of 1.8 percent.

Earlier this month, a new survey showed the manufacturing sector in Germany slowed once more with new orders falling at the fastest rate in four years.

Markit's Purchasing Managers' Index (PMI) for manufacturing, which accounts for about a fifth of the economy, tumbled to a 33-month low of 51.5 in December, down from 51.8 in November.

The number is inching closer to the 50.0 level which marks a contraction.

It was the eleventh time in 2018 that the manufacturing index fell.

Phil Smith, principal economist at IHS Markit, said: "With things having got a little too hot at the end of 2017 a correction was inevitable, but the extent of the slowdown has been somewhat a surprise.

"The darkening global economic picture has had ramifications for Germany's outwardly focused manufacturing sector over the course of 2018, while the sequence of headwinds in the car industry in the latter stages of the year has been a further restricting factor."

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