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## EIGHT QUESTIONS TO FERDINAND FICHTNER

# »Robust Growth in a Difficult Environment«

1. Dr. Fichtner, will the German economy perform as well in the second half of 2015 as it did in the first half of the year? We assume that the German economy will lose some of its momentum. One-off effects such as plummeting oil prices played a major role in the strong gains made during the winter months. These effects are now petering out but, nevertheless, economic growth in Germany is expected to remain extremely strong for the rest of 2015 and into 2016.
2. What growth figures do you anticipate? We believe the German economy will grow by 1.8 percent this year and 1.9 percent next year which represents really quite robust growth for the German economy.
3. What are the most important drivers of growth? The German economy depends on overall strong foreign trade and on robust domestic demand. This shores up consumer spending and investment, too, ought to gradually increase over the course of 2015 thereby contributing to growth.
4. Will the domestic economy and consumer demand continue to report such positive figures as they have more recently? We think that consumer spending will lose some of its momentum. In the winter months, consumer spending was very strong, partly as a result of one-off effects driving it upward during that period. One such effect was arrears payments resulting from a program to allow individuals to retire at 63 under certain conditions (*Rente mit 63*). On the whole, however, consumer spending remains robust because labor market performance and wage development are strong in Germany.
5. How good is the German labor market situation? The labor market situation is developing favorably. Employment is rising sharply and, according to our forecasts, will reach 43 million next year for the first time in German history. Unemployment is also on the decline. We anticipate an unemployment rate of just over six percent for 2016. This, too, represents an unprecedented low.
6. How is inflation developing? Inflation is still very low at present because the sharp drop in oil prices in recent months has had a considerable dampening effect on prices. We believe that this effect will gradually ease and, as a result, after this year's very low inflation rate of 0.6 percent, we can expect an increase to over one percent in 2016. Nonetheless, this still falls considerably short of the European Central Bank's target inflation rate and indicates very subdued inflationary development.
7. What is your assessment of the global economic climate? The economic climate remains difficult. The risks are high and there is considerable uncertainty about global economic development. Growth is cooling off more rapidly than anticipated, particularly in emerging countries. This has caused uncertainty in Germany too. Consequently, as a result of the uncertain environment, corporate investment activities remain more subdued than might be expected, given the currently very low interest rate. However, we assume that the euro area will increasingly show signs of recovery from the crisis and therefore become more important as a sales market for the German export economy again. This may compensate for the disappointing developments in emerging countries.
8. What do you see as the main risks facing the German economy? The risks facing the Germany economy are primarily related to foreign trade. Development in emerging countries gives particular cause for concern. Should this economic slowdown continue and, should the rate of expansion in China, specifically, falls short of the low levels recently recorded, then the situation is likely to cause problems for German exports and may have a negative impact on the German economy as a result.

Interview by Erich Wittenberg



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