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EIGHT QUESTIONS TO FERDINAND FICHTNER

»The situation in the euro area continues to present risks«

1. Mr. Fichtner, the German economy has been in pretty good shape so far this year. Will the trend continue? The German economy is doing well overall, and prospects for the remainder of the year are also favorable. We expect to achieve a growth rate of just under two percent for the entire year and for the coming year, as well. This is already quite good for the German economy.
2. Is foreign trade as strong as it was before? Considering that the global economy is not advancing as strongly, German foreign trade is progressing surprisingly well. If you subtract imports from exports, foreign trade doesn't contribute much to growth; nevertheless, exports constitute an important growth driver.
3. How are things going with imports? Because domestic demand is dynamic, imports have seen powerful progress. Consumer demand is strong and investment activity will increase over the forecast period. Both of these factors lead to companies and households importing more goods, which in turn reduces the trade surplus.
4. Why is private consumption doing so well? The main reason behind the good numbers in private consumption is the good situation in the labor market. This in turn is reflected in wages that are increasing relatively powerfully, and as a result, households have a relatively large amount of money to spend. The Minister of Finance is also getting a piece of the pie, but there are still plenty of euros lining the pockets of householders.
5. Is the public spending situation as good as it was before? Public finances are in exceptionally good shape. In this year as well as next year, we are going to have substantial surpluses, even though there will initially be substantial additional expenditures due to the current influx of refugees. But the public funds can definitely handle that.
6. How might the large number of refugees in Germany impact the economy? The money that the refugees receive in the form of cash benefits the German economy, because it is issued primarily for consumption purposes. We assume that refugees' savings will be very minimal, simply because the scope for this is not there. Thus a large part of the social transfers received by refugees goes directly back into the German economy. All in all, the net cost of the refugees is therefore not as high as the figures that are currently circulating.
7. What is your assessment of the foreign economic environment? Overall, the global economy is developing quite well. Many emerging countries, however, are currently experiencing greater difficulties: Brazil and Russia in particular are taking a hit. As China has lost momentum, the main economic impulses are coming more from the larger industrialized countries. Although the euro area is recovering a bit, the main driving forces are the U.S. and, in Europe, most likely still the UK.
8. Where do you see the biggest economic risks? The situation in the euro area continues to present risks. Things still aren't so cut and dried. We still have problems in the banking sector, extremely high unemployment in some of the economies, and we don't know whether the gradually emerging upward trend will actually be followed in the manner in which it appears at the moment. There are also global risks. The situation in China has been extremely volatile in recent weeks, especially in the financial markets. If this feeds into the real economy, for example through private investment activities, then we certainly have a relevant economic risk for Germany.

Interview by Erich Wittenberg



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