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**Article**

## "Germany economy growing at slightly above-average rate": Eight questions to Simon Junker

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Dr. Simon Junker, Deputy Head of the Department of Forecasting and Economic Policy at DIW Berlin

## EIGHT QUESTIONS TO SIMON JUNKER

# »Germany economy growing at slightly above-average rate«

1. Mr. Junker, what kind of growth figures are you expecting for the German economy? The growth of the German economy will be slightly above average over the next few quarters. But this is also connected with special factors like higher consumption due to, among other things, the increasing number of refugees. The German economy is expected to grow by about 1.7 per cent this year, and will be somewhat similar next year as well. The following year, it will be slightly less due to fewer workdays.
2. What are the essential pillars of Germany's economic growth? Net exports are not contributing much to growth. Of course, exports, which will develop somewhat over time, continue to be very important for the German economy—but at the moment, it's primarily private consumption that is driving growth.
3. How can this be explained? Private consumption is developing quite well as the moment. For one, this is connected with the good labor market development. But at the same time, one must not lose sight of the longer term. If you look at the consumption that is now being supported by special circumstances, the whole picture seems much too rosy. In principle, consumption—measured in terms of economic performance over the past few years—is still too weak, and one would really have to try to strengthen consumption sustainably.
4. The low energy prices have hindered a rise in consumer prices this year. Is this still the case? Inflation is relatively subdued. The decline in oil prices this year has—despite strong fluctuations—contributed to this in part, and significantly relieved consumers. But this effect will be running out and will no longer play a role. Nevertheless, the growth in prices will be only very modest.
5. What is your assessment of the global economic environment? The global economy has lost momentum—but that's not entirely unexpected. The good news is that China has been carrying out the transformation to a more consumer-oriented economy, apparently without major economic downturns. The recessions in Russia and Brazil are coming to an end—and in Japan, the recession is apparently over—and major industrial countries like the U.S. and the UK are growing quite strongly.
6. What does this mean for the German export economy? German exports have also lost a bit of steam recently, but things are still going very well. This is also related to the depreciation of the euro exchange rate since middle of last year—but although we are still benefiting from this, it is an effect that will not last much longer.
7. How are things looking for investment? Investment has been relatively modest, and recently it has actually declined. That may of course also be related to the weaker global economy, which is clouding things a bit. Nevertheless, there are also domestic factors that are slowing down investment activity: The weakness in public investment, which is essential as a prerequisite for private investment, but also the lack of investment-friendly reforms. Moreover, if you remove the special circumstances, private consumption also does not have much genuinely strong momentum. If consumption could remain dynamic for longer periods of time, it would also stimulate investment in service-related areas.
8. Residential space is scarce in metropolitan areas, and more and more refugees require housing. What impact is this having on the construction industry? The growing number of refugees who need accommodations will not only affect private housing construction, but also commercial construction. Corporations will invest in order to be able to rent or dispose of investment objects. The number of refugees will definitely serve as a positive stimulus for the construction industry.

Interview by Erich Wittenberg



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