

# Germany

## Preliminary GDP figures chime with extreme weakness shown by PMIs

- **Preliminary estimate shows German GDP growth at 1.0% in 2008.**
- **Federal Statistics Office estimate puts Q4 GDP at worst since reunification...**
- **...in line with trend suggested by PMIs.**

Today the German statistics office released its preliminary estimate of GDP for the whole of 2008. Adjusted for working days, GDP growth was estimated at 1% in 2008, the weakest for three years. However, the overall increase in German GDP during 2008 as a whole masks a rapid downturn in Q4.

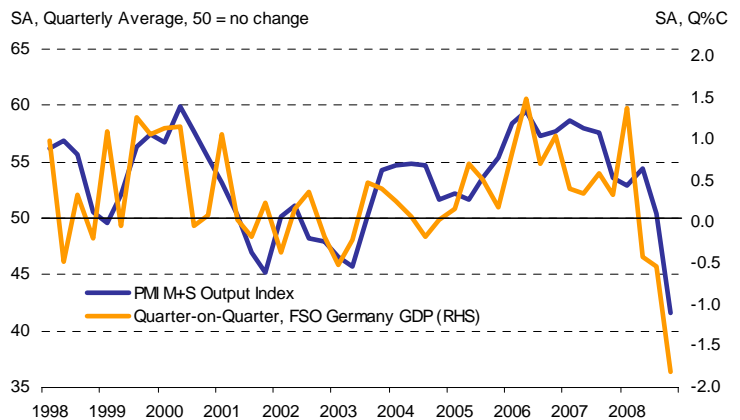
The German statistics office stated that the economy likely contracted by 1.5-2.0% q/q in Q4 2008, although this projection, provided with the whole year GDP estimate, has not always been a reliable indicator of Q4 GDP<sup>1</sup>. Nevertheless, the official estimation of German economic performance in Q4 2008 chimes with the extreme weakness highlighted in advance by the German Composite PMI Output Index.

This is highlighted by Charts 1 and 2. The PMIs indicate that the German economy remained well inside contraction territory during Q4, with the average reading tracking at least a 1% quarter-on-quarter decline in GDP.

Moreover, the official estimate of 2008 GDP suggests that output in Q4 was around 1.4% lower than in the same period of 2007. A decline of this magnitude is almost exactly in line with that suggested by PMI data in Q4, and would represent the worst annual rate of contraction since German reunification.

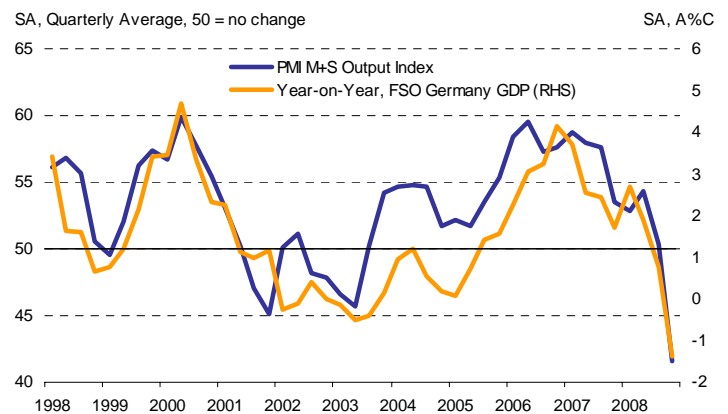
**Chart 1: PMI data vs. Quarter-on-Quarter GDP**

Note: Q4 2008 figure derived from whole year FSO estimate



**Chart 2: PMI data vs. Year-on-Year GDP**

Note: Q4 2008 figure derived from whole year FSO estimate



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<sup>1</sup> The first estimate of Q4 GDP is scheduled for 13<sup>th</sup> February 2009, to be accompanied with a revised estimate for 2008 as a whole.