GERMANY IN THE SPOTLIGHT

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The European locomotive is stalling! This is how we woke up this week listening to the radio or reading the newspaper with our morning coffee. The German economy is limping and not only because of engine drivers' strike or political problems that have arisen as a result of the strike call of the GDL (engine drivers' representative) union. To this we must add the strikes of Lufthansa , the nurseries or Prosegur itself.

The withholding of salaries that Germany had been practicing is no longer an exception and salary increases are already a reality in the country. The railway company has offered a 4.7% hike, and IG Metall, Germany's largest union, was getting a 3.7% wage increase for metal workers. Germany had been maintaining the same salary levels since the 1990s, but last year it experienced a significant increase. This made it enjoy one of its star indicators, domestic consumption, which was also driven by low inflation.

Marcel Fratzscher, president of the committee of wise men created by the Government to looking for ideas with which to promote investment, growth and job creation, told the newspaper El País the following: *"Wages will continue to grow at a good pace this year and next. But in the medium term I am pessimistic. The salary policy is linked to the productivity of the companies and because of the low investment, we do not foresee that this will improve substantially"*

Experts say that the positive indicators that Germany presents (it does not accumulate debt, unemployment has fallen from 13% to 6.5% since Merkel came to power and growth of 2% of the economy is predicted) can make them hide some of its weaknesses. The main one, that as an exporting economy, has a great dependence on external and conjunctural factors. The drop in prices and the devaluation of the euro have come in handy for an economy that buys gas and oil and exports industrial products.

Criticism comes from both sides of Germany. The most orthodox blame measures that are too social democratic with the rise in the minimum wage and early retirement. Other criticism from the most liberal is that it is wasting the successes of the competitiveness of its companies and they are in favor of immigration, a more flexible labor market and longer working hours to face the fall in growth. For their part, there are also those who are not as liberal as Marcel Fratzscher who believe that not enough is spent and that it does not benefit at all to have the amount of surplus that it has been reaping in recent years.

The GDP of the European economy has grown by 0.4% but its locomotive in this first quarter has gone from %0.7 growth to or, 3%. Countries like Russia, China or Brazil are not having their best moments and this is being noticed by the Germans who are now feeding on internal purchasing power. The vast majority blame it on external factors, yes, and rightly so, but the problem may be that Europe's main economy is so dependent on external factors.

Presuming that Spain is the one that is pulling the economy is the least worrying. The fact that an economy with a livelihood as seasonal as tourism pulls the country should not be very positive. A growth of 0.4% in Europe, yes, but seen from a macroeconomic point of view where perhaps families have not seen a single symptom of this "improvement". Meanwhile, Germany is betting that it is necessary to spend more while maintaining its particular characteristic of zero deficit.

There are no comments yet.