German economy sees biggest blow since 2009 financial crisis

Output shrank 5.0 percent year-on-year

FRANKFURT: Germany's economy suffered its biggest contraction last year since the 2009 financial crash, as it was hit hard by the coronavirus pandemic, official data showed yesterday. Output shrank 5.0 percent year-on-year, as "almost all economic sectors were markedly affected by the corona pandemic", the federal statistics agency Destatis said.

The downturn ended 10 years of growth, Destatis added, though its figure was better than the government's own forecast, which had anticipated a decline of 5.5 percent. In 2009, in the midst of a global economic crisis, gross domestic product (GDP) had plunged by 5.7 percent. "Measured against the original fears after the outbreak of the pandemic, this sad result is also a success in damage limitation," said Fritzi Koehler-Geib, chief economist at the KfW public bank.

The 2020 German slump is smaller than others recorded in France, Italy or Spain, where GDP is projected to have declined by 9.3, 9.0 and 11.1 percent respectively, according to European Central Bank forecasts. The pandemic's first wave caused the worst quarterly drop in GDP on record, when output plummeted 9.8 percent in the three months from April to June.

But the economy recovered, expanding by 8.5 percent in the third quarter, before slowing down again following a resurgence of the virus. Germany owes much to its robust industrial base, including the car sector and machine makers, even though manufacturing, which accounts for about a quarter of the economy, was particularly hit by pandemic restrictions, Destatis said.

Physical retail trade declined substantially as online trade boomed, the agency said, while restrictions closing hotels, restaurants and bars led to a dramatic decline in hospitality. Yet, with many businesses shutdown again since November, the 2020 GDP data "must be seen as a positive surprise," said Uwe Burkert, head economist at LBBW bank.

Second wave

Like its neighbors, the country of 83 million people has been hit hard by a resurgence in coronavirus cases, prompting the shuttering of bars, gyms, cultural and leisure centers in November, followed by non-essential shops in December. But unlike during the first wave, the latest restrictions did not close Germany's export-oriented factories or manufacturing businesses, meaning they have had less impact on the economy than earlier in the year.

Industrial orders jumped 2.3 percent in November month-on-month, Destatis data showed, while manufacturing production rose 0.9 percent. Both indicators have been rising for several months, buoyed by a recovery in demand from China where the virus has been largely contained. "The German economy was less affected by the second round of restrictions than by the first," Destatis president Georg Thiel commented.

WOLFSBURG, Germany: This file photo taken on Dec 4, 2018 shows Volkswagen cars presented at the carmaker's storage facility auto tower. — AFP

It means that, while "it now seems likely that GDP will decline in the first quarter of 2021," according to Andrew Kenningham at Capital Economics, "it should expand rapidly after that as the vaccination program is rolled out." — AFP

News in brief

Tesla asked to recall 158,000 cars

WASHINGTON: US regulators asked Tesla Wednesday to recall 158,000 cars in the United States because of a safety-related defect. The National Highway Traffic Safety Administration said in a letter to Tesla that a problem with the cars' display screen and related failures result in loss of rearview camera and other safety-related vehicle functions. The agency said the defect has been found in certain 2012 through 2018 Tesla Model S cars and 2016 through 2018 Model Xs. The request is a major headache for the company, as 158,000 vehicles represent nearly one-third of all cars delivered by the manufacturer in 2020. — AFP

High streets could lose 400,000 jobs

LONDON: Main shopping streets in England's towns and cities could lose another 400,000-plus jobs after coronavirus passes, as Britons continue to work from home and buy online, accountants KPMG said yesterday. COVID-19 has already ravaged the UK retail sector, with tens of thousands of jobs being lost and big-name bankruptcies, although supermarkets have boomed. "The reduction in commuter footfall (and) the accelerated shift to online shopping is exacerbating the vacuum in city and town centers, with less people calling in to shop," said the KPMG study of 109 towns and cities. — AFP

China trade surplus with US widens to $317bn in 2020

BEIJING: China's trade surplus with the United States widened last year, underlining the failure of Donald Trump to narrow the gap during his tenure, while demand soared for electronics and medical equipment during the coronavirus pandemic. The pick-up came on the back of a jump in exports through most of last year as China's factories kicked back into gear from the second quarter following a strict lockdown that managed to broadly contain COVID-19 and allow economic activity to return.

Trump had made addressing the gaping trade gap with China a priority when he took office four years ago, and signed a partial agreement with Beijing to boost the country's purchases of goods such as soybeans. But Chinese customs data showed the surplus with the US climbed 7.1 percent to $316.9 billion in 2020. The figure is a 14.9 percent jump from 2017's surplus of $275.8 billion - which was already a sensitive political issue due to Trump's claims that China held unfair practices and killed US jobs.

While the world's second-largest economy suffered a record contraction in the first quarter of last year as the coronavirus essentially brought all activity to a halt, it soon recovered as lockdowns around the country were eased and people went back to work. Total exports rose 3.6 percent, though imports shrank 1.1 percent.

In December, however, both exports and imports rose more than expected, at 18.1 percent and 6.5 percent respectively. "With the pandemic under control in China, factories and export-oriented companies have resumed normal operations earlier than most other countries, allowing China to meet global demand better," said Axi strategist Stephen Innes.

The country posted a trade surplus for last month of $78 billion, which analysts said was "at or near record levels". Customs spokesman Li Kuiwen told reporters Thursday that "facing unprecedented difficulties and challenges, our country's imports and exports delivered a brilliant report card", adding that the outcome was "significantly better than expected".

Li said outbound shipments of electronics rose, with increases seen in notebook computers and household appliances, as well as medical instruments and equipment. Iris Pang, ING chief economist for Greater China, told AFP that China's exports likely did well as "other exporters for most of the year had been in difficult positions because of COVID-19", shifting more orders to China.

On the US-China surplus, she said coronavirus restrictions in the US would also have hit export capacity. "The other thing is, during COVID-19, some commodity prices went down and affected the value of what China imported," she said, adding that Beijing will likely continue to fulfil its terms of the trade deal with the US, barring added demands from Washington.

Lu Ting, chief China economist for Nomura, noted that China's imports from the US jumped 45 percent on-year in December, "pointing to Beijing's continued effort to fulfill its commitments on the phase-one trade deal". US-China relations have deteriorated to their worst in decades under the Trump administration, largely because of the trade war that saw Washington hit Chinese imports with huge tariffs-drawing retaliation and tit-for-tat moves. — AFP