Economics
Chart of the Week

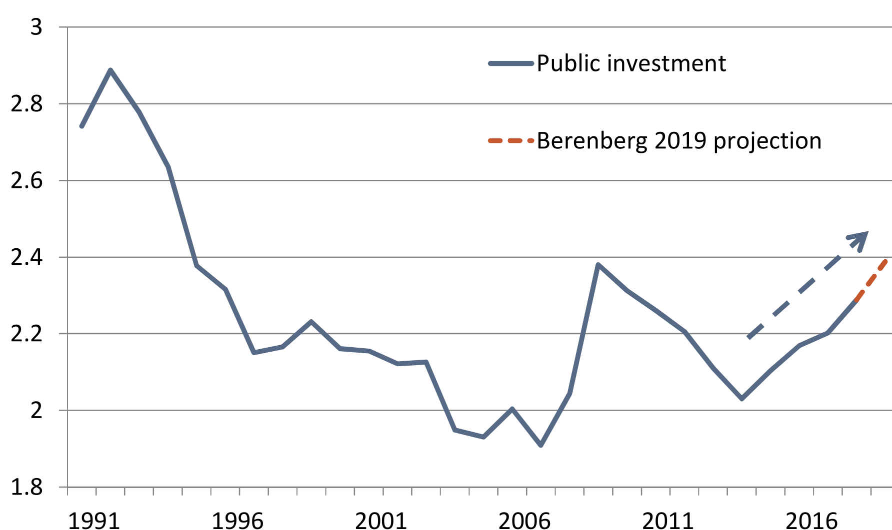
BERENBERG
PARTNERSHIP SINCE 1590

··· CHART OF THE WEEK ··· CHART OF THE WEEK ··· CHART OF THE WEEK ··· CHART OF THE WEEK

2 August 2019

Germany: the slow-motion stimulus

German public investment in % of real GDP



Public sector gross capital formation adjusted by gross fixed investment deflator; in % of GDP.
Source: Destatis, Bundesbank, Berenberg

- **The case for a German fiscal stimulus looks clear cut:** Hit by a series of external shocks, German growth has slowed from 2.5% in 2017 to c0.4% yoy in Q2 2019. Sentiment surveys point to more bad news to come. With negative bond yields and a fiscal surplus, Germany could easily afford to open the fiscal taps widely. Nonetheless, Berlin is likely to deliver no more than a modest addition to the fiscal expansion that is in the pipeline already.
- **No appetite for a big boost:** The German gut reaction to a downturn is often to safeguard the budget rather than to ramp up public debt to cushion the blow. Precisely because Germany is so exposed to the ups and downs of the global cycle, it has honed its own ways to deal with shocks without big discretionary changes in fiscal policy. Even in the mega-recession of 2009 with a 5.6% plunge in German real GDP, employment barely contracted and consumer spending continued to rise modestly by 0.3%. Despite a massive US fiscal stimulus, US private consumption contracted by 1.3% in 2009. While German GDP is highly cyclical, consumer incomes and spending are not.
- **The German way to cope:** Household balance sheets are mostly healthy; most companies could also stomach a blow. A structural shortage of skilled labour and public subsidies to reduce working hours instead of dismissing staff help to protect jobs and incomes in a downturn. As voters do not worry very much about their own financial situation, they see little point in a temporary tax cut or a sudden spending splurge to smooth the short-term cycle.
- **Asymmetric shock with a difference:** The downturn in global trade and industry is hitting Germany much more than almost all other euro members. It is the opposite of the euro crisis of 2010-2013. Whereas it could have made sense for strong Germany seven years ago to help its weaker neighbours with a domestic stimulus, few Germans would understand why they should cut taxes for the sake of resilient France, buoyant Spain or an ill-governed Italy now.
- **Fiscal support à la Berlin:** We expect only modest initiatives to cushion the cyclical blow. More generous terms for workers on reduced hours, enhanced depreciation allowances and green initiatives such as subsidies to trade in dirty cars for less polluting new ones are possible. Even if Berlin wanted to, lengthy planning procedures and a lack of qualified labour would make it impossible to deliver any sudden burst in public investment anyway.
- **Expansion in slow motion:** Regardless of the short-term cycle, the structural case for more public investment and targeted tax cuts is more solid. In this sense, Germany is already delivering with changes that add up to a fiscal boost of 0.3-0.4% of GDP in 2019. Pensions rose by 3.4% in July, public sector wages are increasing by c3%, both well ahead of inflation at 1.5%. Public investment is rebounding already (see chart). Expect these trends to continue.

Holger Schmieding
Chief Economist
+44 20 3207 7889
holger.schmieding@berenberg.com

Kallum Pickering
Senior Economist
+44 20 3465 2672
kallum.pickering@berenberg.com

Florian Hense
European Economist
+4420 3207 7859
florian.hense@berenberg.com

Disclaimer

This document was compiled by the above mentioned authors of the economics department of Joh. Berenberg, Gossler & Co. KG (hereinafter referred to as "the Bank"). The Bank has made any effort to carefully research and process all information. The information has been obtained from sources which we believe to be reliable such as, for example, Thomson Reuters, Bloomberg and the relevant specialised press. However, we do not assume liability for the correctness and completeness of all information given. The provided information has not been checked by a third party, especially an independent auditing firm. We explicitly point to the stated date of preparation. The information given can become incorrect due to passage of time and/or as a result of legal, political, economic or other changes. We do not assume responsibility to indicate such changes and/or to publish an updated document. The forecasts contained in this document or other statements on rates of return, capital gains or other accession are the personal opinion of the author and we do not assume liability for the realisation of these.
This document is only for information purposes. It does not constitute investment advice or recommendation to buy financial instruments. It does not replace consulting regarding legal, tax or financial matters.

Remarks regarding foreign investors
The preparation of this document is subject to regulation by German law. The distribution of this document in other jurisdictions may be restricted by law, and persons, into whose possession this document comes, should inform themselves about, and observe, any such restrictions.

United Kingdom
This document is meant exclusively for institutional investors and market professionals, but not for private customers. It is not for distribution to or the use of private investors or private customers.

United States of America
This document has been prepared exclusively by Joh. Berenberg, Gossler & Co. KG. Although Berenberg Capital Markets LLC, an affiliate of the Bank and registered US broker-dealer, distributes this document to certain customers, Berenberg Capital Markets LLC does not provide input into its contents, nor does this document constitute research of Berenberg Capital Markets LLC. In addition, this document is meant exclusively for institutional investors and market professionals, but not for private customers. It is not for distribution to or the use of private investors or private customers.

This document is classified as objective for the purposes of FINRA rules. Please contact Berenberg Capital Markets LLC (+1 646 949 9000), if you require additional information.

Copyright
The Bank reserves all the rights in this document. No part of the document or its content may be rewritten, copied, photocopied or duplicated in any form by any means or redistributed without the Bank's prior written consent.

© 2019 Joh. Berenberg, Gossler & Co. KG

Contacts

BERENBERG
PARTNERSHIP SINCE 1590

JOH. BERENBERG, GOSSLER & CO. KG

Internet www.berenberg.com

E-mail: firstname.lastname@berenberg.com

EQUITY RESEARCH

GENERAL MID CAP

MID CAP - DACH

Name	Phone
Carl-Oscar Bredengen	+44 20 3753 3160
Marta Bruska	+44 20 3753 3187
Charlotte Friedrichs	+44 20 3753 3077
Gustav Froberg	+44 20 3465 2655
James Letten	+44 20 3753 3176
Alexander O'Donoghue	+44 20 3207 7804
Gerhard Orgonas	+44 20 3465 2635
Benjamin Pfannes-Varrow	+44 20 3465 2620

MID CAP - EU core

Name	Phone
Beatrice Allen	+44 20 3465 2662
Fraser Donlon	+44 20 3465 2674
Christoph Greulich	+44 20 3753 3119
Andreas Markou	+44 20 3753 3022
Anna Patrice	+44 20 3207 7863
Trion Reid	+44 20 3753 3113
Jan Richard	+44 20 3753 3029

MID CAP - UK

Name	Phone
Joseph Barron	+44 20 3207 7828
Calum Battersby	+44 20 3753 3118
Joseph Bloomfield	+44 20 3753 3248
Robert Chantry	+44 20 3207 7861
Sam Cullen	+44 20 3753 3183
Ned Hammond	+44 20 3753 3017
Edward James	+44 20 3207 7811
Kieran Lee	+44 20 3465 2736
Lush Mahendrarajah	+44 20 3207 7896
Benjamin May	+44 20 3465 2667
Alex Medhurst	+44 20 3753 3047
Anthony Plom	+44 20 3207 7908
Eoghan Reid	+44 20 3753 3055
Owen Shirley	+44 20 3465 2731
Donald Tait	+44 20 3753 3031
Sean Thapar	+44 20 3465 2657

BUSINESS SERVICES, LEISURE & TRANSPORT

BUSINESS SERVICES

Name	Phone
Zaim Beekawa	+44 20 3207 7855
Tom Burlton	+44 20 3207 7852

LEISURE

Name	Phone
Roberta Ciaccia	+44 20 3207 7805
Jack Cummings	+44 20 3753 3161
Stuart Gordon	+44 20 3207 7858
Annabel Hay-Jahans	+44 20 3465 2720

TRANSPORT & LOGISTICS

Name	Phone
William Fitzalan Howard	+44 20 3465 2640
Joel Spungin	+44 20 3207 7867
Adrian Yanoshik	+44 20 3753 3073

CONSUMER

BEVERAGES

Name	Phone
Javier Gonzalez Lastra	+44 20 3465 2719
Matt Reid	+44 20 3753 3075

FOOD MANUFACTURING AND HPC

Name	Phone
Ebba Bjorklid	+44 20 3753 3247
James Targett	+44 20 3207 7873

FOOD RETAIL

Name	Phone
Dusan Milosavljevic	+44 20 3753 3123

GENERAL RETAIL

Name	Phone
Michael Benedict	+44 20 3753 3175
Thomas Davies	+44 20 3753 3104
Oliver Anderson	+44 20 3753 3173
Graham Renwick	+44 20 3207 7851
Michelle Wilson	+44 20 3465 2663

LUXURY GOODS

Name	Phone
Lauren Molyneux	+44 20 3207 7892

ENERGY

OIL & GAS

Name	Phone
Baha Bassatne	+44 20 3753 3158
John Gleeson	+44 20 3465 2716
Ilkin Karimli	+44 20 3465 2684
Edward Pizzey	+44 20 3753 3185
Henry Tarr	+44 20 3207 7827

UTILITIES

Name	Phone
Oliver Brown	+44 20 3207 7922
Andrew Fisher	+44 20 3207 7937
Lawson Steele	+44 20 3207 7887

FINANCIALS

BANKS

Name	Phone
Adam Barrass	+44 20 3207 7923
Frederick Brennan	+44 20 3753 3171
Michael Christodoulou	+44 20 3207 7920
Andrew Lowe	+44 20 3465 2743
Eoin Mullany	+44 20 3207 7854
Peter Richardson	+44 20 3465 2681

DIVERSIFIED FINANCIALS

Name	Phone
Panos Ellinas	+44 20 3753 3149
Chris Turner	+44 20 3753 3019

INSURANCE

Name	Phone
Iain Pearce	+44 20 3465 2665

REAL ESTATE

Name	Phone
Kai Klose	+44 20 3207 7888

HEALTHCARE

Name	Phone
Scott Bardo	+44 20 3207 7869
Klara Fernandes	+44 20 3465 2718
Michael Healy	+44 20 3753 3201
Tom Jones	+44 20 3207 7877
Michael Ruzic-Gauthier	+44 20 3753 3128

INDUSTRIALS

AEROSPACE & DEFENCE

Name	Phone
Andrew Gollan	+44 20 3207 7891
Ross Law	+44 20 3465 2692
George McWhirter	+44 20 3753 3163

AUTOMOTIVES

Name	Phone
Cristian Dirpes	+44 20 3465 2721
Asad Farid	+44 20 3207 7932
Alexander Haissl	+44 20 3465 2749

CAPITAL GOODS

Name	Phone
Jonathan Coubrough	+44 20 3465 2699
Philippe Lorrain	+44 20 3207 7823

CAPITAL GOODS (cont'd)

Name	Phone
Simon Toennessen	+44 20 3207 7819

MATERIALS

CHEMICALS

Name	Phone
Sebastian Bray	+44 20 3753 3011
Xian Deng	+44 20 3753 3014
Anthony Manning	+44 20 3753 3092
Rikin Patel	+44 20 3753 3080

METALS & MINING

Name	Phone
Richard Hatch	+44 20 3753 3070
Laurent Kimman	+44 20 3465 2675
Michael Stoner	+44 20 3465 2643

TMT

TECHNOLOGY

Name	Phone
Tammy Qiu	+44 20 3465 2673
Tej Sthankiya	+44 20 3753 3099
Lou Ann Yong	+44 20 3753 3159

MEDIA

Name	Phone
Robert Berg	+44 20 3465 2680
Keisi Hysa	+44 20 3207 7817
Laura Janssens	+44 20 3465 2639
Sarah Simon	+44 20 3207 7830

TELECOMMUNICATIONS

Name	Phone
David Burns	+44 20 3753 3059
Usman Ghazi	+44 20 3207 7824
Laura Janssens	+44 20 3465 2639
Abhilash Mohapatra	+44 20 3465 2644
Carl Murdock-Smith	+44 20 3207 7918

THEMATIC RESEARCH

Name	Phone
Steven Bowen	+44 20 3753 3057
Julia Schrameier	+44 20 3753 3172

ECONOMICS

Name	Phone
Florian Hense	+44 20 3207 7859
Kallum Pickering	+44 20 3465 2672
Holger Schmieding	+44 20 3207 7889

EQUITY SALES

SPECIALIST SALES

AEROSPACE & DEFENCE & CAPITAL GOODS

Name	Phone
Cara Luciano	+44 20 3753 3146

AUTOS & TECHNOLOGY

Name	Phone
Edward Wales	+44 20 3207 7815

BANKS & DIVERSIFIED FINANCIALS

Name	Phone
Eleni Papoula	+44 20 3465 2741

BUSINESS SERVICES, LEISURE & TRANSPORT

Name	Phone
Rebecca Langley	+44 20 3207 7930

CONSUMER DISCRETIONARY

Name	Phone
Victoria Maigrot	+44 20 3753 3010

CONSUMER STAPLES

Name	Phone
Ramnique Sroa	+44 20 3753 3064

HEALTHCARE

Name	Phone
David Hogg	+44 20 3465 2628

MEDIA & TELECOMS

Name	Phone
Jonathan Smith	+44 20 3207 7842

METALS & MINING, OIL & GAS AND UTILITIES

Name	Phone
Jason Turner	+44 20 3753 3063

THEMATICS

Name	Phone
Chris Armstrong	+44 20 3207 7809

SALES

BENELUX

Name	Phone
Miel Bakker	+44 20 3207 7808
Bram van Hijfte	+44 20 3753 3000

FRANCE

Name	Phone
Alexandre Chevassus	+33 1 5844 9512
Dalila Farigoule	+33 1 5844 9510
Kevin Nor	+33 1 5844 9505
Guillaume Viret	+331 5844 9507

SCANDINAVIA

Name	Phone
Donata Leonova	+44 20 3753 3156
Marco Weiss	+49 40 3506 0719

UK

Name	Phone
Thomas Baker	+44 20 3753 3062
James Burt	+44 20 3207 7807
Fabian De Smet	+44 20 3207 7810
Marta De-Sousa Fialho	+44 20 3753 3098
Katie Ferry	+44 20 3753 3041
Robert Floyd	+44 20 3753 3018
David Franklin	+44 20 3465 2747
Sean Heath	+44 20 3465 2742
Stuart Holt	+44 20 3465 2646
James Hunt	+44 20 3753 3007
James McRae	+44 20 3753 3036

UK (cont'd)

Name	Phone
David Mortlock	+44 20 3207 7850
Bhavin Patel	+44 20 3207 7926
Kushal Patel	+44 20 3753 3038
Richard Payman	+44 20 3207 7825
Christopher Pyle	+44 20 3753 3076
Adam Robertson	+44 20 3753 3095
Joanna Sanders	+44 20 3207 7925
Mark Sheridan	+44 20 3207 7802
George Smibert	+44 20 3207 7911
Sam Stannah	+44 20 3753 3157
Paul Walker	+44 20 3465 2632

GERMANY

Name	Phone
Simone Arnheiter	+49 69 91 30 90 740
Nina Buechs	+49 69 91 30 90 735
André Grosskurth	+49 69 91 30 90 734

SWITZERLAND, AUSTRIA & ITALY

Name	Phone
Duncan Downes	+41 22 317 1062
Andrea Ferrari	+41 44 283 2020
Gianni Lavigna	+41 44 283 2038
Jamie Nettleton	+41 44 283 2026
Yeannie Rath	+41 44 283 2029

COO Office

Name	Phone
Greg Swallow	+44 20 3207 7833

CRM

Name	Phone
Megan Connelly	+44 20 3753 3244
Laura Cooper	+44 20 3753 3065
Beau Dibbs	+44 20 3753 3048
Jessica Jarmyn	+44 20 3465 2696
Madeleine Lockwood	+44 20 3753 3110
Vikram Nayar	+44 20 3465 2737
Fenella Neill	+44 20 3207 7868

CORPORATE ACCESS

Name	Phone
Lindsay Arnold	+44 20 3207 7821
Sally Fitzpatrick	+44 20 3207 7826
Maz Gentile	+44 20 3465 2668
Robyn Gowers	+44 20 3753 3109
Dipti Jethwani	+44 20 3207 7936
Ross Mackay	+44 20 3207 7866
Stella Siggins	+44 20 3465 2630
Lucy Stevens	+44 20 3753 3068
Abbie Stewart	+44 20 3753 3054

EVENTS

Name	Phone
Miranda Bridges	+44 20 3753 3008
Charlotte David	+44 20 3207 7832
Suzy Khan	+44 20 3207 7915
Natalie Meech	+44 20 3207 7831
Eleanor Metcalfe	+44 20 3207 7834
Sarah Weyman	+44 20 3207 7801

SALES TRADING

LONDON

Name	Phone
Charles Beddow	+44 20 3465 2691
Mike Berry	+44 20 3465 2755
Joseph Chappell	+44 20 3207 7885
Stewart Cook	+44 20 3465 2752
Mark Edwards	+44 20 3753 3004
Tom Floyd	+44 20 3753 3136
Tristan Hedley	+44 20 3753 3006
Luke Holmes	+44 20 3465 2750
Peter King	+44 20 3753 3139
Simon Messman	+44 20 3465 2754

LONDON (cont'd)

Name	Phone
AJ Pulleyn	+44 20 3465 2756
Paul Somers	+44 20 3465 2753
Frans Van Wakeren	+44 20 3753 3079

PARIS

Name	Phone
Vincent Klein	+33 1 58 44 95 09

EQUITY TRADING

HAMBURG

Name	Phone
David Hohn	+49 40 350 60 761
Lukas Niehoff	+49 40 350 60 798
Lennart Pleus	+49 40 350 60 596
Marvin Schweden	+49 40 350 60 576
Philipp Wiechmann	+49 40 350 60 346
Christoffer Winter	+49 40 350 60 559

LONDON

Name	Phone
Christopher Brown	+44 20 3753 3085
Edward Burlison-Rush	+44 20 3753 3005

LONDON (cont'd)

Name	Phone
Danny Carr	+44 20 3753 3360
Jack Clayton	+44 20 3753 3166
Will Kain	+44 20 3753 3167
Chris McKeand	+44 20 3207 7938
Ross Tobias	+44 20 3753 3137
Robert Towers	+44 20 3753 3262

ELECTRONIC TRADING

Name	Phone
Jonas Doehler	+44 40 3506 0391
Matthias Führer	+49 40 3506 0597
Sven Kramer	+49 40 3506 0347

Contacts

BERENBERG
PARTNERSHIP SINCE 1590

BERENBERG CAPITAL MARKETS LLC Member FINRA & SIPC

Internet www.berenberg-us.com E-mail: firstname.lastname@berenberg-us.com

EQUITY RESEARCH

CONSTRUCTION

Robert Muir	+1 646 949 9028
Daniel Wang	+1 646 949 9025

GENERAL MID CAP - US

Samuel England	+1 646 949 9035
Alex Maroccia	+1 646 949 9033
Brett Knoblauch	+1 646 949 9032

HEALTHCARE

BIOTECH/THERAPEUTICS

Shanshan Xu	+1 646 949 9023

MED. TECH/SERVICES

Ravi Misra	+1 646 949 9028

SPECIALTY PHARMA/BIOTECH

Patrick R. Trucchio	+1 646 949 9027

CAPITAL GOODS

Andrew Buscaglia	+1 646 949 9040

LEISURE

Brennan Matthews	+1 646 949 9024

INDUSTRIAL MATERIALS

Paretosh Misra	+1 646 949 9031

MULTI-CHANNEL RETAILING

Sumit Sharma	+1 646 949 9034

REAL ESTATE

Nate Crossett	+1 646 949 9030
Connor Siversky	+1 646 949 9037

SHIPPING & TRANSPORTATION

Donald McLee	+1 646 949 9026

SOFTWARE & IT SERVICES

Gal Munda	+1 646 949 9021
Joshua Tilton	+1 646 949 9036

TECHNOLOGY HARDWARE

Andrew DeGasperi	+1 646 949 9044

ECONOMICS

Mickey Levy	+1 646 949 9099
Roiana Reid	+1 646 949 9098

EQUITY SALES

SALES

Albert Aguiar	+1 646 949 9218
Daniel Claeys	+1 646 949 31 44
Nate Emerton	+1 617 292 82 11
Kelleigh Faldi	+1 617 292 8288
Ted Franchetti	+1 646 949 9231
Rich Harb	+1 617 292 8228
Zubin Hubner	+1 646 949 9202
Jessica London	+1 646 949 9203
Anthony Masucci	+1 646 949 9217
Ryan McDonnell	+1 646 949 9214
Emily Mouret	+1 415 802 2525
Peter Nichols	+1 646 949 9201
Kieran O'Sullivan	+1 617 292 8292
Rodrigo Ortigao	+1 646 949 9205

CRM

Alexandra Angove	+1 646 949 9211
Sammy Chea	+1 646 949 9241

CORPORATE ACCESS

Adriane Klein	+1 617 292 8202
Olivia Lee	+1 646 949 9207

EVENTS

Meridian Della Penna	+1 646 949 9208
Laura Hawes	+1 646 949 9209

SALES TRADING

Isaac Carp	+1 646 949 9107
Ronald Cestra	+1 646 949 9104
Mark Corcoran	+1 646 949 9105
Michael Haughey	+1 646 949 9106
Christopher Kanian	+1 646 949 9103
Lars Schwartau	+1 646 949 9101