

NOT SO FAST

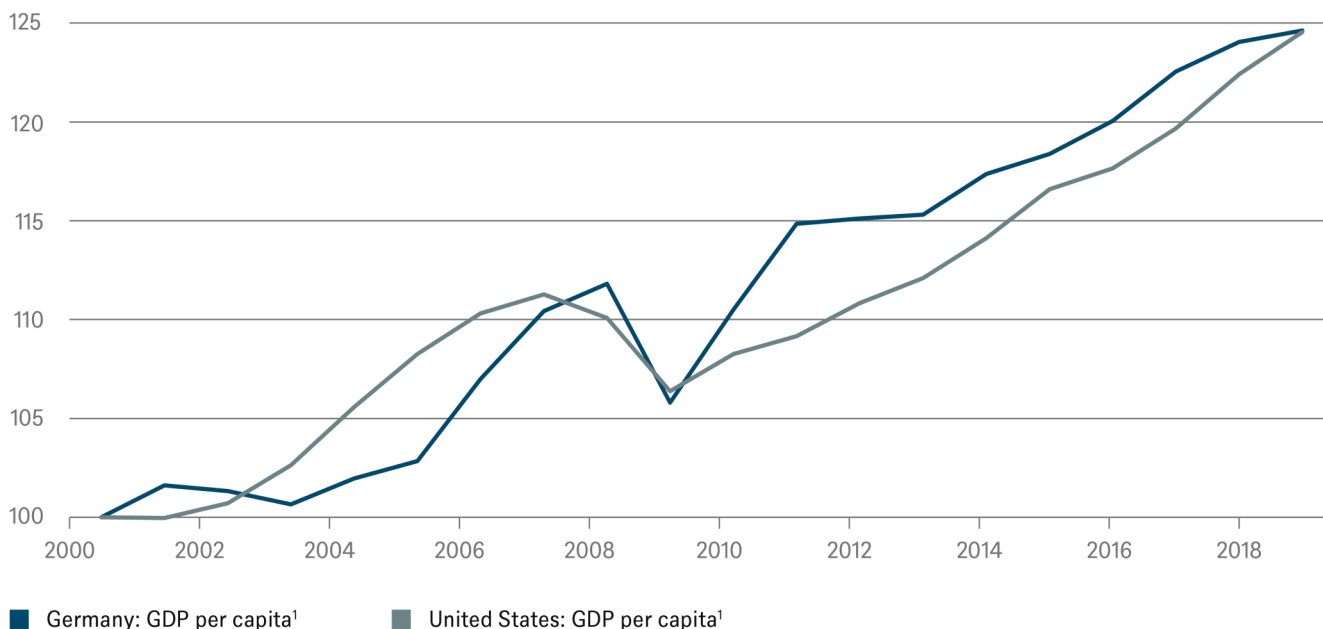
Measured by economic growth per capita, the United States and Germany have recorded exactly the same economic growth since the turn of the century

After shrinking slightly during the second quarter, statisticians reported a slightly positive German gross-domestic-product (GDP) growth rate for the third quarter. This means that Germany has barely escaped a technical recession. Recent data, however, is unlikely to reassure sceptics.

Many appear to think: too much regulation, excessive bureaucracy, too expensive social systems, too austere fiscal policies, a lack of competitiveness, an exaggerated focus on environmental protection, and so on - the list of arguments could be continued. Europe will never be able to keep up with dynamic economies such as the United States, one hears again and again. Older generations in Germany may remember that such chatter is nothing new either. Periods of pessimistic chatter have been a regular feature in German newspapers and television talk shows since the 1980s.

However, a look at the International Monetary Fund's (IMF's) growth statistics reveals a somewhat different picture. Looking at overall GDP growth rates for the economy, the United States is indeed clearly in the lead. Adjusted for population growth, i.e. measured by economic growth per capita, however, the United States and Germany have recorded exactly the same economic growth since the turn of the century, as our "Chart of the Week" demonstrates. And this is only thanks to the current phase of economic weakness in Germany - which probably has more to do with protectionist measures coming out of Washington than the political decisions in Berlin. In the longer term, we believe there is little reason for exaggerated pessimism.

indexed: 2000 = 100



Sources: International Monetary Fund, World Economic Outlook Database, October 2019, DWS Investment GmbH as of 11/13/19
¹ Gross domestic product per capita; assumptions: constant prices, purchasing power parity, 2011 international dollars

GLOSSARY

The **gross domestic product (GDP)** is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

The **International Monetary Fund (IMF)**, created in 1945 and headquartered in Washington, D.C., is an organization of 188 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.

Purchasing power parity (PPP) is a technique used to determine the relative value of currencies, whereas the purchasing power in both currencies is the same.

A **technical recession** occurs when GDP growth is negative for two consecutive periods.

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