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Ukraine Crisis Helps Drive Down Germany's Growth Prospects

By The Moscow Times

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BERLIN — Germany's main industry lobby has cut its 2014 growth forecasts for Europe's largest economy, saying the crises in Ukraine, Iraq and the Middle East were creating uncertainty for companies, a newspaper reported on Saturday.

Sueddeutsche Zeitung said in its online edition the BDI industry association had reduced its 2014 growth forecast to about 1.5 percent from a previous 2 percent.

"Companies are feeling the headwinds. Uncertainty is increasing," the paper quoted BDI president Ulrich Grillo as saying. Grillo said sanctions against Russia — although needed — were "really hurting" German companies active there.

The German economy, which had powered ahead early this year thanks to an unusually mild winter boosting construction, suffered a surprise 0.2 percent contraction in the second quarter, leading some economists to warn of a risk of recession.

Recent surveys have shown business morale weakening and private sector growth slowing, but the latest data has been upbeat: industrial orders, output and the trade surplus all surged in July.

The Organization for Economic Cooperation and Development, or OECD, last week slashed its growth forecast for 2014 growth in Germany to 1.5 percent from its May estimate of 1.9 percent.

While the government predicts the economy will expand by 1.8 percent, Finance Minister Wolfgang Schaeuble has said it may just miss that forecast, according to sources.

The BDI was not immediately available for comment.

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