

## German economy rebounds

Germany's economy, the biggest among the 12 countries sharing the euro, grew at its fastest rate in four years during 2004, driven by strong exports.

Gross domestic product (GDP) rose by 1.7% last year, the statistical office said. The economy contracted in 2003. Foreign sales increased by 8.2% last year, compared with a 0.3% slide in private consumption. Concerns remain, however, over the strength of the euro, weak domestic demand and a sluggish labour market. The European Central Bank (ECB) left its benchmark interest rate unchanged at 2% on Thursday. It is the nineteenth month in a row that the ECB has not moved borrowing costs. Economists predict that an increase is unlikely to come until the second half of 2005, with growth set to sputter rather than ignite.

"During 2004 we profited from the fact that the world economy was strong," said Stefan Schilbe, analyst at HSBC Trinkaus & Burkhardt. "If exports weaken and domestic growth remains poor, we cannot expect much from 2005." Many German consumers have been spooked and unsettled by government attempts to reform the welfare state and corporate environment. Major companies including Volkswagen, DaimlerChrysler and Siemens have spent much of 2004 in tough talks with unions about trimming jobs and costs. They have also warned there are more cost cutting measures on the horizon.