

Global and European setting

Global economic developments

Global economic growth remains moderate

As in the final quarter of 2018, the global economy probably expanded at just a moderate pace at the start of the year. Developments varied by a fair amount from region to region, however. In the euro area and the United Kingdom, real gross domestic product (GDP) grew more strongly again. Although US GDP increased considerably, private final domestic demand lost steam. The Japanese economy appears to have weakened. In China, GDP rose at a similar pace as in the previous quarter, according to official data.

Industrial sector and global trade still exceptionally weak

A major factor behind the slowdown in global economic growth is weaker investment activity in the advanced economies. Investment in these economies cooled down, probably on

the back of depressed earnings expectations and potentially also due to increased caution on the part of firms. For some time already, trade policy disputes have particularly represented a material downside risk to global economic activity. The weakness of global demand for passenger cars is likely to be another factor behind lower investment activity. Although first-quarter sales recovered slightly following their slump in the second half of 2018, specific developments in the global car markets are making it unlikely that sales will return to the high growth rates of earlier years (see the box on pp. 12 f.). The less dynamic demand for capital goods is weighing on industrial activity, in particular. According to the Dutch Centraal Planbureau, average monthly global production sector output in January/February was even down slightly from the final quarter of 2018. The trade dispute between the United States and China weighed additionally on international goods trade. On the whole, the average global trade volume in the first two months of 2019 was down significantly from the final quarter of 2018, in which it had already contracted considerably.

The current assessment by the International Monetary Fund (IMF) reflects the continued moderate pace of global economic activity.¹ In April, the IMF made another downward revision to its projection for global economic growth (based on purchasing power parity weights) this year to 3.3%. It most notably revised its projections downwards for several advanced economies, including the euro area, the United Kingdom and the United States. However, the IMF regards the recent slowdown in global economic activity as a brief blip and expects to see a gradual recovery in the second half of 2019. It therefore left its global growth projection for 2020 unchanged at 3.6%.

IMF once again revised global growth projection downward for current year but confirmed outlook for 2020

Indicators of global industrial activity

Seasonally adjusted, monthly data



Sources: CPB and Bundesbank calculations based on data produced by IHS Markit, J.P. Morgan, sentix GmbH, and Standard and Poor's, which are provided by IHS Markit.

Deutsche Bundesbank

¹ See International Monetary Fund (2019).

Currently no signs yet of major improvement

As things stand, however, the outlook for the global economy appears extremely uncertain. This is due to the ongoing trade disputes, in particular.² The Bundesbank's leading indicator for the global economy, developed in order to identify cyclical turning points in global industrial activity, once again improved slightly in April, thus bringing a one-year slide to an end.³ Other than that, however, there are only scant signs that the global industrial sector will soon rebound sustainably and the global economy will raise its moderate growth rate.

Commodity prices up, in some cases considerably

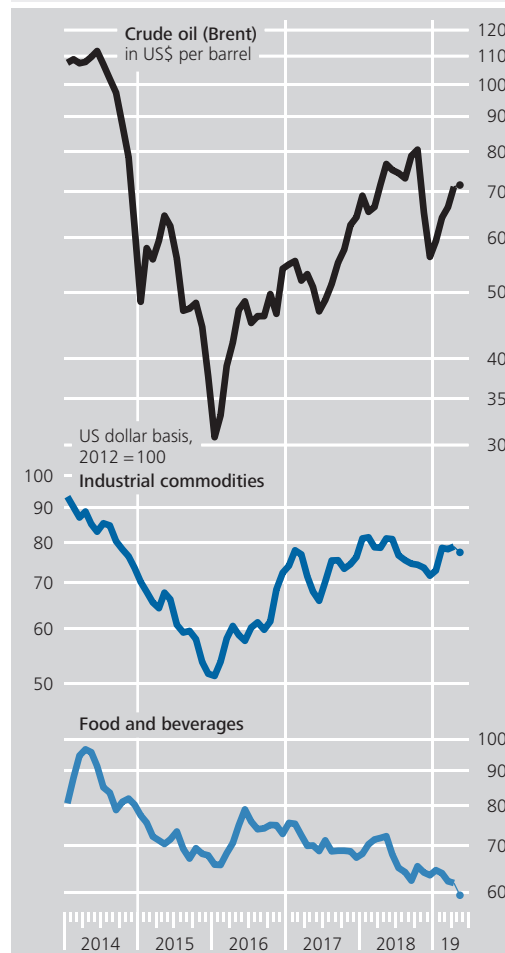
Despite the sluggishness of global industrial activity, commodity prices recovered, in some cases considerably, over the reporting period. This was due in key measure to supply-side scarcity; iron ore prices, for instance, have gone up significantly since the turn of the year primarily on the back of production losses in Brazil. Trends in the prices of other industrial commodities, by contrast, were uneven. Food and beverages were even somewhat cheaper. Accordingly, the HWWI index for non-energy commodities was up in April only slightly from its December level. Over the same period, spot prices for Brent crude oil were up by more than 25%. Prices were driven up not only by OPEC production cutbacks and production stoppages in Venezuela but also, probably, by the tightening of sanctions on Iran by the US administration. As this report went to press, a barrel of Brent crude oil cost US\$74. The prices for forward deliveries failed to keep pace with the increase in spot prices, however, causing forward discounts to increase markedly.

Consumer price inflation up perceptibly at last report

Consumer prices in the industrial countries once again picked up more significantly, in line with oil prices. After dropping to as low as 1.4% in the interim, annual consumer price inflation went back up to 1.7% by March. Core inflation, which strips out energy and food prices, remained largely unchanged, however, and stayed rather muted at 1.5%.

World market prices for crude oil, industrial commodities and food and beverages

Monthly averages, log scale



Sources: Bloomberg Finance L.P. and HWWI. • Latest figures: average of 1 to 10 May 2019, or 1 to 16 May 2019 for crude oil.

Deutsche Bundesbank

² The trade dispute between the United States and China has recently been ratcheted up. Higher tariffs will be slapped on a considerable share of goods traded between the two economies, and a further escalation does not appear to be out of the question, either.

³ The Bundesbank's leading indicator is based on a principal component analysis of global economic parameters. A rising indicator below the long-run mean of 100 is a signal of a cyclical recovery phase. The Bundesbank leading indicator's time series is available at: https://www.bundesbank.de/dynamic/action/en/statistics/time-series-databases/time-series-databases/759784/759784?listId=www_s3wa_waeb_bbli

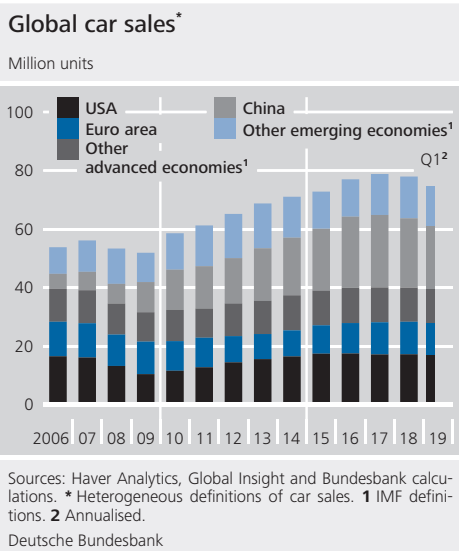
The weak state of the global car market

Worldwide sales of passenger cars fell last year for the first time since their crisis-induced slump in 2008 and 2009. The current year seems likely to see a further decline.¹ Typically, sales of passenger cars are affected by trends in the economy as a whole and can therefore be regarded as a reliable (and also quickly available) indicator of economic activity.² The impression of the global economic situation currently given by worldwide sales of passenger cars is likely to be too negative, however, as they chiefly reflect specific developments in regional markets, which are, in some cases, temporary. One factor that carried particular weight in 2018 in this context was a decline for the first time – according to the time series beginning in 2005 – in the annual sales figures in China. This was probably connected, in particular, with the reduction in tax breaks that had bolstered sales in the preceding years.³ Meanwhile, the temporary slump in new passenger car registrations in the euro area mainly reflected temporary supply shortages. These were due to delays in the certification of models following the introduction of a new

worldwide harmonised light vehicles test procedure (WLTP) for emissions, which has been in force in the EU since September 2018.⁴

In the coming months, too, special developments could leave a clear mark on global car sales. First, the cut in value added tax in China, which has been in effect since April, could boost demand for new vehicles in the short term. Additional supportive policy measures, aimed specifically at the car market, are probably planned. Second, the United States is threatening to impose considerably higher tariffs on car imports in the future.⁵ Such a step is likely to put a perceptible damper not only on imports but also on overall sales figures in the United States.⁶

Looking ahead, even if positive factors prevail in the short term, it is unlikely that global car sales will be able to match the high rates of growth seen from 2010 to 2017. In the advanced economies, sales figures in 2016 were already matching the



¹ This was due chiefly to the extremely weak sales figures in the second half of 2018. The first few months of 2019 saw a slight pick-up in global demand for passenger cars.

² See Deutsche Bundesbank (2015).

³ At the end of 2015, the Chinese government halved purchase tax for small cars, which led to a very sharp rise in the sales figures in 2016. With the progressive raising of the rate of tax, growth flattened out as early as the following year, however. The tax rebate was phased out completely at the beginning of 2018.

⁴ For a discussion of the effects on the German automobile industry, see Deutsche Bundesbank (2019a).

⁵ According to reports in the media, a confidential study from the United States Department of Commerce (DOC) concludes that imports of motor vehicles and motor vehicle parts pose a threat to national security and recommends setting protective tariffs.

⁶ According to a study by the Center for Automotive Research, model simulations with a 25 percentage point hike in tariffs on motor vehicles and motor vehicle parts show car sales in the US as being two million units lower annually over the long term compared with an alternative scenario in which trade policy is unchanged. See Schultz et al. (2018).

level around which they were fluctuating before the global financial and economic crisis. Given the demographic outlook and high motorisation rates, markets there are likely to be largely saturated. In emerging markets there still seems to be considerable potential for catching up in this regard. Especially in China, however, maintaining sales figures at their current level would already be enough for a comparatively rapid convergence in the stock of cars per capita.⁷ Not least on account of more stringent local environmental constraints and more frequent driving bans on cars with traditional internal combustion engines, sales growth in the Chinese market is also likely to focus on the e-mobility sector. Against the backdrop of these global underlying conditions, the business environment could become more challenging for the German automobile industry as well.

⁷ At roughly 150 registered passenger cars per 1,000 inhabitants, this is still far below the corresponding figures for industrial countries. For example, in Germany, there are almost 570 vehicles per 1,000 persons. Even without a change in the numbers sold, however, the figure for China could increase to 250 vehicles per 1,000 inhabitants within a decade. The convergence processes in Japan and South Korea progressed at a similar pace in the past.

Selected emerging market economies

Stabilisation of economic growth in China

According to the official estimate, in the first quarter of 2019 real GDP in China was 6.4% higher than the same quarter a year earlier. This meant that GDP growth kept pace with the previous period's growth rate following three quarters of gradual contraction. A quite strong surge in production in the manufacturing sector was the main factor behind the stabilisation. What makes this surprising, however, is that, in the past quarter, revenue from the export of goods (in US dollar terms) was only slightly above its previous year's level. As a result of the trade dispute, the value of exports to the United States even dropped by as much as 9%. The increase in electricity consumption in this sector was muted, representing another indication that industrial activity is tending to be subdued. Some attribute the stabilisation of economic activity to recent fiscal and monetary policy accommodation, though the effects of

this have probably not yet unfolded entirely; as a case in point, a VAT reduction did not go into effect until the beginning of April.⁴ Nonetheless, inflation as measured by the consumer price index (CPI) picked up somewhat from 2.3% in March to 2.5% in April, on the back of a surge in pork prices following production stoppages caused by an epidemic.

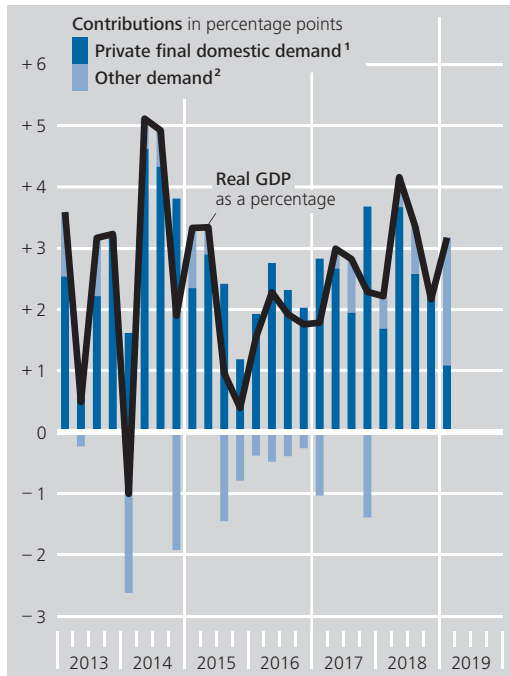
The Indian economy is likely to have lost even more steam at the beginning of the year. GDP growth in the fourth quarter of 2018 had already dropped to 6.6% on the year. There is not yet any official estimate for the quarter ended. However, industrial output growth sagged significantly once again. Average annual consumer price inflation in the first quarter clocked in at 2.5%, which was quite moderate by India's standards. A persistently favourable

India's growth rate probably moderated further

⁴ There are three different VAT rates in China. The maximum rate (which applies, amongst other things, to manufactured products) was reduced from 16% to 13% and the medium rate from 10% to 9%.

Contributions to real GDP growth in the United States

Annualised quarter-on-quarter change, seasonally adjusted



Source: Bureau of Economic Analysis. **1** Private consumption and private gross fixed capital formation. **2** Public demand, changes in inventories and net exports.
 Deutsche Bundesbank

The Brazilian central bank left its policy rate unchanged at 6.5%.

In Russia, annual GDP growth in the final quarter of 2018, at 2.7%, was comparatively fast-paced. However, in the quarter ended, for which no official estimates were available as this report went to press, growth is likely to have decelerated perceptibly. Private consumption, in particular, appears to have lost steam, as evidenced by the reduced growth of price-adjusted retail sales. Car sales were even down slightly on the year, in fact. Consumer restraint is likely to have been encouraged not least by the VAT hike from 18% to 20% at the beginning of the year. This drove up the inflation rate from 3.9% in the final quarter of 2018 to 5.2% in the first quarter of 2019. Proceeding on the assumption that this is merely a temporary inflation surge, the Russian central bank therefore left its policy rate unchanged at 7.75%

Decelerating growth in Russia

food supply situation is the primary factor in this development. Against that backdrop, the Reserve Bank of India maintained the loose monetary policy stance it had adopted at the beginning of the year.

Probably no meaningful improvement in Brazilian economy

Brazil's economic recovery following the severe recession of 2015-16, already on shaky legs to begin with, could well have encountered a further setback in the past quarter. Although no official GDP figures are available yet, the central bank's activity indicator is pointing to GDP contraction. This is likely to be due primarily to severe production losses in mining following the temporary closure of several large mines after a horrifying dam collapse in January. Moreover, retail sales did not continue their rise. Households are still stuck in a tight spot, not least because efforts to reduce unemployment in the first quarter made only little headway. Consumer price inflation in the first quarter, at 4.1% on the year, was just below the inflation target for 2019, which had been lowered to 4.25%.

United States

In the United States, economic growth accelerated again in the first quarter. According to an initial official estimate, real GDP was up by 0.8% on the previous quarter, in which it had grown by 0.5%. One-off developments, however, were primarily responsible for this acceleration. For starters, imports were down perceptibly from their fourth-quarter levels. In the light of the ongoing trade dispute, fewer goods were imported from China, in particular. Moreover, US-based enterprises increasingly engaged in stockpiling. To round out the list, public sector demand grew sharply, fuelled to a meaningful extent by a spike in local spending on road construction which will probably not last.⁵ Private final domestic demand, which can

Considerable growth at beginning of year

⁵ This increase in investment more than made up for the perceptible decline in civilian public consumption by the US federal government following the US government shutdown. The direct impact of the shutdown on annualised real GDP growth in the first quarter, at -0.3 percentage point, was within the bounds of expectations. See Deutsche Bundesbank (2019b) and Bureau of Economic Analysis (2019).

be interpreted as an indicator of underlying cyclical momentum, saw only muted growth, however. Private consumption and private gross fixed capital formation remained anaemic in the first quarter of the year. At last report, however, capital goods orders and consumer spending rebounded. Households' propensity to purchase is likely to be buttressed in the second quarter by the persistently favourable labour market situation as well. In April, the unemployment rate fell to a new cyclical trough. Consistent with high utilisation of the potential labour force, wage growth also remained quite brisk. CPI-based annual inflation went up to 2.0% in the same month. The US Federal Reserve System recently refrained from making any changes to its monetary policy stance.

Japan

The Japanese economy seems to have weakened at the start of the year.⁶ Although real GDP had picked up in the final quarter of 2018 by 0.5% on the period, this was on the heels of a 0.6% contraction in the third quarter, due particularly to weather-related factors. At all events, in the first quarter industrial production, which often tracks aggregate output fairly closely, fell well short of its level a quarter earlier. Demand-side indicators likewise indicate a sluggish economy. For one thing, the Bank of Japan's price-adjusted Consumption Activity Index treaded water compared to the final quarter of 2018. This coincided with a marked decline in goods imports, whilst at the same time goods exports, for their part, fell distinctly. Even though the underlying cyclical trend was only moderate, the labour market maintained its robust state of health. The unemployment rate remained exceptionally low. Annual CPI inflation excluding energy and food remained low in March at 0.3%. Against the backdrop of exceedingly muted inflationary pressures, the Bank of Japan maintained its accommodative stance.

*Listless
economic
growth*

United Kingdom

According to the provisional estimate, quarterly GDP growth in the United Kingdom accelerated to 0.5% in the first quarter of 2019, following an increase of merely 0.2% in the final quarter of 2018. One of the main factors behind this accelerated growth was a spike in gross value added in manufacturing following rather severe losses a quarter earlier. However, this increase was probably, in particular, a reflection of increased stockpiling by enterprises in the run-up to the United Kingdom's expected withdrawal from the European Union. Whereas construction activity accelerated considerably in the winter, the services sector, which accounts for a major share of the UK economy, saw a perceptible dip in its growth rate. The labour market situation remained exceedingly favourable. In the first quarter of 2019, the unemployment rate hit a new cyclical low of 3.8%. Annual inflation as measured by the Harmonised Index of Consumer Prices (HICP) remained largely stable in the January to March period, at around 1.9%. At the beginning of May, the Bank of England adhered to its monetary policy stance.

*Distinct
acceleration
in growth*

Poland

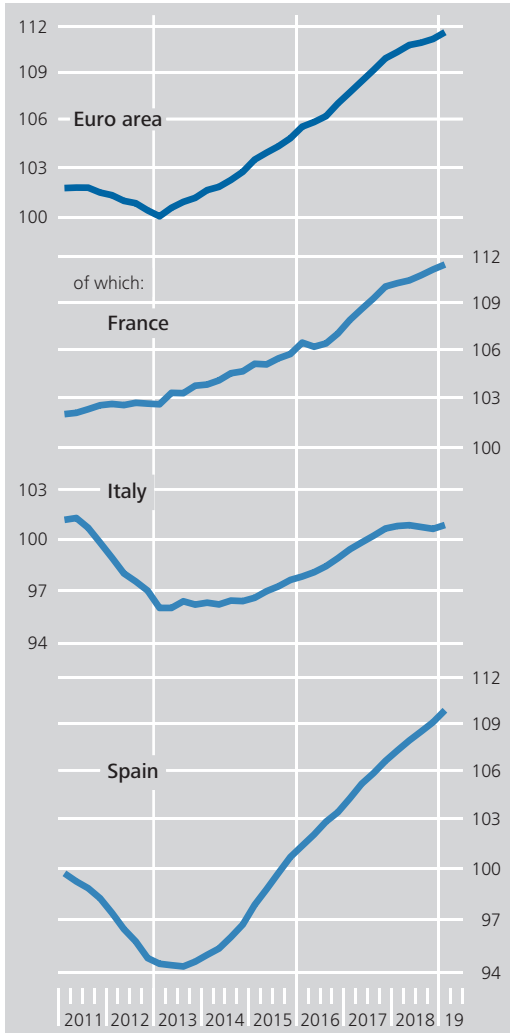
In Poland, economic growth revived distinctly in the first quarter of the year. Seasonally adjusted real GDP rose by 1.4% quarter-on-quarter, following an increase of 0.5% a quarter earlier. Healthy construction activity and a perceptible pick-up in industrial production were the major factors in this development. On the expenditure side, growth was propelled in particular by surging private consumer spending fuelled by high employment growth and wage increases. Unemployment reached a new low of 3.4% in March. Annual consumer price inflation surged in April once again, to 2.2%.

*Distinct revival
of economic
growth; increasing
consumer
price inflation*

⁶ As this issue of the Monthly Report went to press, no official estimate of Japanese GDP for the first quarter of 2019 was available yet.

Aggregate output in the euro area

Real GDP, 2010 = 100, seasonally adjusted, quarterly data, log scale



Source: Eurostat.
 Deutsche Bundesbank

Core inflation – excluding energy and food – likewise increased, to 1.7%. However, this increase was still below the inflation target set by the central bank, which thus left its policy rate unchanged.

Macroeconomic trends in the euro area

Economic growth picked up distinctly in the euro area at the start of 2019. According to Eurostat’s flash estimate, real GDP in the first quarter rose by 0.4% on the quarter after seasonal adjustment, following an increase of

Stronger economic growth at start of year, though one-off factors probably decisive

0.2% in the last quarter of 2018. The annual growth rate remained at 1.2% after adjustment for calendar effects and thus slightly below the estimated potential rate. Aggregate capacity utilisation is likely to have moved close to normal levels. Germany was the main reason for the rather volatile pattern in growth rates since the middle of last year. The recent acceleration in economic expansion there was probably driven by a number of special factors (see pp. 46 ff.). Construction activity was fostered by the mild winter weather, for instance. Furthermore, it is likely that growth in households’ income was especially strong in Germany and other euro area Member States due to fiscal measures. This probably benefited certain services sectors in particular and also contributed to a slight recovery in industrial production. After these temporary factors peter out, the euro area economy will probably return to its underlying moderate path of growth. This is supported by the fact that so far there has not been any major improvement in business and consumer sentiment.

On the expenditure side, private consumption in particular picked up steam. After three quarters of only low growth rates, consumption is likely to have increased more sharply again recently. In any event, retail sales were up markedly after price and seasonal adjustment, and the number of motor vehicle registrations climbed steeply from the subdued level of the preceding quarter. Households’ purchasing power has been buoyed up since the start of the year by the distinct rise in wage income, not least because of the minimum wage hike in several Member States,⁷ and by a variety of fiscal measures that provided relief.⁸ Upward price pressures also flattened out markedly.

Distinct expansion of private consumption

⁷ Spain, Greece and Lithuania had especially strong rises in the minimum wage, while there were marked increases in Germany, Slovakia, Slovenia and Estonia.

⁸ In France, for instance, far-reaching measures to boost the purchasing power of lower income groups were adopted in response to protests by the “yellow vest” movement. In Germany, the social security contributions paid by employees were lowered at the start of 2019, amongst other things.

These had previously had a distinct dampening effect on households' purchasing power.

Investment up again

Gross fixed capital formation is likely to have seen another distinct rise in the euro area.⁹ The weather also caused construction investment to grow more strongly than in the preceding quarter, at least going by the steep growth in construction output in the first quarter. Investment in machinery and equipment also appears to have regained traction after the slump in the second half of 2018. The increase in domestic turnover seen by producers of capital goods firmed considerably in the first two months of this year compared to the fourth quarter of last year. Initial data from the national accounts of Member States also signal a visible rise in real expenditure on machinery and equipment. Overall, investment activity is likely to have remained subdued despite recent improvements. Geopolitical risks and a deterioration in businesses' earnings prospects probably had a negative impact.

Exports to non-euro area countries up again

The value of exports to countries outside the euro area was up again distinctly at the start of 2019 according to the foreign trade statistics, following a significant rise in the final quarter of 2018. Exports to the United Kingdom increased sharply, and exports to China also grew considerably again. By contrast, exports to the United States slowed. The slightly downward trend in export prices gave rise to a markedly positive volume effect. Stronger domestic demand in the euro area was accompanied by rises in real imports from non-euro area countries. Foreign trade between euro area countries, which had lost considerable steam last year, recouped at the start of 2019. Trade in consumer goods in particular picked up for both intra and extra trade.

Higher industrial production at start of year

Industrial production in the first quarter rose by ¾% on the preceding period, though this has not offset the setback from the final quarter of 2018. Industrial output is still 1¼% lower than the last peak in the fourth quarter of 2017. The marked increase in the first quarter was chiefly

attributable to the recovery in consumer goods production, while the production of intermediate and capital goods was only able to pick up slightly. Though motor vehicle output grew distinctly, so far only a very small part of the losses from the second half of 2018 have been recouped. This suggests that the decline is not only down to problems in switching to the new WLTP emissions testing procedure but could also be linked to factors on the demand side.

Among the larger Member States, economic growth rose markedly in Germany and Italy in particular. In Italy, real GDP was up by a seasonally adjusted 0.2% on the preceding period according to preliminary estimates from the statistical office, following two quarters with slightly negative growth rates. The stabilisation of domestic demand, which had still fallen in the second half of last year chiefly owing to declining investment expenditure, is likely to have been a major factor in this. Italy's goods exports, including in particular trade with non-euro area countries, showed another marked increase at the start of the year, while its imports rose moderately, if at all, in keeping with its weak domestic activity. In France, economic output maintained the moderate pace of growth seen in the preceding quarter with a quarterly growth rate of 0.3%. Domestic demand had a positive effect on growth, with private consumption rising markedly again after a sideways movement, for example. Likewise, investment activity remained on a distinct upward trajectory despite a marginal slowdown in growth. Exports remained at the substantially increased level of the preceding quarter, while imports were up markedly. Spain saw another slight increase in the existing robust rebound in economic activity. Real GDP rose by

Economic output up in most Member States

⁹ It should be noted that almost half of the investment increase in the second half of 2018 was attributable to developments in Ireland. Excluding Ireland, investment activity has flattened over the past year, especially in machinery and equipment. For several years now, the reporting of investment in Ireland has been shaped by the activities of multinational enterprise groups which have been outsourcing intellectual property rights to Irish subsidiaries, amongst other things. See Deutsche Bundesbank (2018).

Sentiment indicators for the euro area

Percentage balances of positive and negative responses, seasonally adjusted, monthly data



Source: European Commission.
 Deutsche Bundesbank

0.7% on the quarter after seasonal adjustment, following 0.6% in the preceding period. A major acceleration in investment activity contributed to this, while private consumption expanded moderately again. By contrast, exports contracted, and imports likewise declined considerably. Aside from this, economic activity remained lively, especially in the eastern Member States, while Austria, Belgium and Portugal achieved only moderate GDP growth.

Further improvement in labour market situation

The euro area labour market situation continued to improve despite the subdued underlying cyclical trend. The number of unemployed persons in the first quarter fell by 230,000 compared to the fourth quarter of 2018, after seasonal adjustment, and by 1.1 million on the year. As a result, the standardised unemployment rate came down to 7.7% by March. Thus, the unemployment rate was still 0.4 percentage point higher than its cyclical low prior to the onset of the global financial and economic crisis. According to Eurostat's flash estimate,

the number of persons in employment rose at the same pace as in the preceding quarter, at 0.3%. It now exceeds the pre-crisis peak by 5.2 million persons. Average labour productivity barely increased at the start of the year following a downward trend in the preceding quarters. The rather high labour shortage in manufacturing and in the services sector saw a further slight narrowing until April according to survey results. The brisk growth in gross wages per employee is likely to have firmed up, not least because of the rise in the minimum wage in several countries.

Euro area consumer prices in the first quarter of 2019 remained unchanged compared with the fourth quarter of 2018 after seasonal adjustment, after they had risen steeply in some cases in previous quarters. This was chiefly due to energy prices, which fell significantly short of the level in the fourth quarter of last year. The prices of non-energy industrial goods and services increased moderately as before and food prices were even up substantially. Annual headline HICP inflation contracted from 1.9% to 1.4% because – unlike this year – energy had become significantly more expensive in the first quarter of 2018. By contrast, the rate excluding energy and food remained at 1.0%.

Consumer price inflation weaker in Q1 because of energy

The impression of a moderately upward path of underlying inflation remained in place even after a number of methodological changes were made at the beginning of 2019. Since then, what are known as special aggregates (energy, food, non-energy industrial goods and services) are derived (retroactively from 2017) from a more detailed classification level of the basket of goods.¹⁰ As a result, certain items switched between processed and unprocessed food and between services and non-energy industrial goods.¹¹ That said, this had no major impact on how the core rates were reported.

Methodological changes in January 2019 and their implications

¹⁰ This is the ECOICOP level (European classification of individual consumption according to purpose), which provides around 300 HICP sub-aggregates for all countries and the euro area as a whole from no later than January 2017.
¹¹ See European Central Bank (2019a).

This is in contrast to the methodological change in the calculation of the price index for package holidays in Germany, which led to the HICP being revised retroactively back to January 2015. This raised the inflation rate reported for 2015 considerably.¹²

Steep consumer price inflation in April especially owing to late Easter date

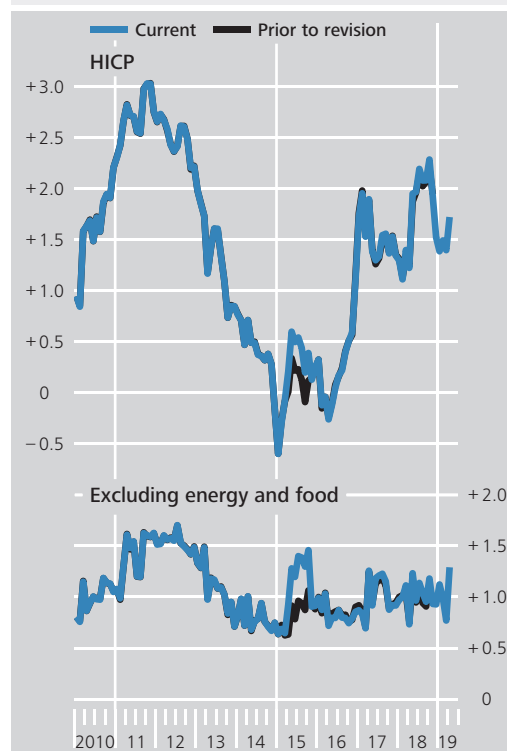
In April 2019, consumer prices were up substantially on the previous month by 0.4% after seasonal adjustment, and annual HICP inflation rose to 1.7%. The later date of Easter compared with 2018 is likely to have played an important role here, meaning that prices for travel services rose steeply on the year.

Weaker economic growth in second quarter

Economic growth in the euro area is likely to weaken somewhat in the second quarter. Not only are favourable weather conditions lacking; in fact, the weather may even result in a countermovement. Overall, sentiment indicators suggest a muted underlying cyclical trend. It appears that industry has not yet moved past its sluggish phase, as indicated in any event by the Purchasing Managers' Index for manufacturing, which remained clearly in contractionary territory in April despite a slight improvement, and by the European Commission's corresponding sentiment indicator, which once again lowered recently and thus only just exceeded the long-term average. Sectors geared towards the domestic economy are providing sustained growth stimuli, however. While sentiment indicators in the services sector deteriorated somewhat, they still exceeded the expansion threshold and their long-term average. In

Consumer prices in the euro area

Year-on-year percentage change, monthly data



Sources: ECB and Eurostat.
 Deutsche Bundesbank

addition, consumer confidence remained fairly high. Although income growth is likely to be somewhat lower in the coming months than at the start of the year, the continuing favourable labour market situation should bolster consumption activity and with it economic expansion.

¹² See Deutsche Bundesbank (2019c) and European Central Bank (2019b).

List of references

Bureau of Economic Analysis (2019), Gross Domestic Product: First Quarter of 2019 (Advance Estimate), Technical Note, 26 April 2019.

Deutsche Bundesbank (2019a), The weakness of German motor vehicle production in the second half of 2018, Monthly Report, February 2019, pp. 47 ff.

Deutsche Bundesbank (2019b), The macroeconomic effects of the government shutdown in the United States, Monthly Report, February 2019, pp. 14 ff.

Deutsche Bundesbank (2019c), The revision of the sub-index for package holidays and its impact on the HICP and core inflation, Monthly Report, March 2019, pp. 8 f.

Deutsche Bundesbank (2018), Activities of multinational enterprise groups and national economic statistics, Monthly Report, October 2018, pp. 65 ff.

Deutsche Bundesbank (2015), Developments in global car sales and implications for the world economy, Monthly Report, November 2015, pp. 12 ff.

European Central Bank (2019a), New features in the Harmonised Index of Consumer Prices: analytical groups, scanner data and web-scraping, Economic Bulletin, Issue 2/2019, pp. 53 ff.

European Central Bank (2019b) A new method for the package holiday price index in Germany and its impact on HICP inflation rates, Economic Bulletin, Issue 2/2019, pp. 61 ff.

International Monetary Fund (2019), World Economic Outlook: Growth Slowdown, Precarious Recovery, April 2019.

Schultz, M., K. Dziczek, B. Swiecki and Y. Chen (2018), Trade Briefing: Consumer Impact of Potential U.S. Section 232 Tariffs and Quotas on Imported Automobiles & Automotive Parts, Center for Automotive Research, July 2018.