

Macroeconomic Imbalances

Germany 2014

On 13 November 2013, the European Commission presented its third Alert Mechanism Report (AMR) in accordance with the Regulation (EU) [No. 1176/2011](#) on the prevention and correction of macroeconomic imbalances. The AMR serves as an initial screening device to identify Member States that warrant further in depth analysis into whether imbalances exist or risk emerging. According to Article 5 of Regulation No. 1176/2011, these country-specific “in-depth reviews” should examine the nature, origin and severity of macroeconomic developments in the Member State concerned, which constitute, or could lead to, imbalances. On the basis of this analysis, presented on 5 March 2014, the Commission will conclude whether it considers that an imbalance exists or not, and if so whether it is excessive or not, and what type of follow-up it will recommend to the Council to address to the Member State.

The 2014 in-depth reviews (for Belgium, Bulgaria, Germany, Denmark, Ireland, Spain, France, Croatia, Italy, Luxembourg, Hungary, Malta, Netherlands, Slovenia, Sweden, Finland and the United Kingdom) were published on 5 March 2014 together with a Commission communication summarising the results. On the basis of the analysis in the In-depth review the Commission concluded that:

Germany is experiencing *macroeconomic imbalances, which require monitoring and policy action*. In particular, the current account has persistently recorded a very high surplus, which reflects strong competitiveness while a large amount of savings were invested abroad. It is also a sign that domestic growth has remained subdued and economic resources may not have been allocated efficiently. Although the current account surpluses do not raise risks similar to large deficits, the size and persistence of the current account surplus in Germany deserve close attention. The need for action so as to reduce the risk of adverse effects on the functioning of the domestic economy and of the euro area is particularly important given the size of the German economy.

More specifically, relatively low private and public sector investment together with subdued private consumption over a longer period contributed to modest growth, falling trend growth, increased dependence of the economy on external demand and the build-up of the external surplus. The challenge is, therefore, to identify and implement measures that help strengthen domestic demand and the economy's growth potential. Higher investment in physical and human capital, and promoting efficiency gains in all sectors of the economy, including by unleashing the growth potential of the services sector, which would also contribute to further strengthening of labour supply, are central policy challenges.