

German Business Down Under

Auckland, 24. August - The month of August started with a major event: Dr Karl-Ernst Brauner from the German Federal Ministry of Economics and Technology and Mr Hans-Wolfgang Busch, from Economic Relations with Asian-Pacific, have been our guests during their short visit in New Zealand. The NZGBA team was delighted to host a round table discussion with them and some of the CEO's of German subsidiaries. A light lunch with a number of NZGBA members gave the German Ministry representatives the opportunity to mix and mingle. Mr. Brauner's report on the current economic situation in Germany was the brilliant ending of an interesting morning.

In Wellington, Dr. Brauner held consultations with his counterparts at the Ministry of Foreign Affairs and Trade. Talks covered a wide range of topics including the bilateral trade relationship, NZ's trade relations with the European Union, World Trade Organisation negotiations in the Doha Round, Free Trade Agreements, Climate Change as well as Renewable Energies and Energy Efficiency, a sector where many German companies are world market leaders. The talks took place in an open and cordial atmosphere and served as a testimony to the soundness of the bilateral trade relations. It became clear once again that New Zealand and Germany - both highly dependent on exports - share a common philosophy regarding international trade issues.

Germany is extremely hard hit by the downturn in the economy worldwide. The country has been facing the "hardest recession" after World War II. "Everybody has trouble" said Dr. Brauner in his speech. German exports went down as much as 28 percent and the expectations for the gross national product are minus 6 percent this year.

However, the Germans keep moving on and there has been a recovery of ordering in industry, in particular. Thus, the outlook for industrial output has improved considerably. There are many indications that the overall economic output may have stabilized. Stimulus packages are increasingly having an impact on that. In his speech Dr. Brauner referred to some of these initiatives. To stabilize the financial market was one of the priorities. The government set up a special fund of 400 billion Euro and an additional one of 80 billion Euro to get the banks going. "It seems that this immediate reaction has worked" said Brauner. Currently there is no credit crunch and no difficulties to get a loan.

Consumer spending continues to bolster the economic development. Along with the calm price climate, this is also due to the stimulus package measures which increase disposable income. "The consumers should be encouraged to spend more again", said Brauner. Less health insurance contribution, cash benefits for kids and the cuts in income tax have helped to boost consumer spending. The large number of new passenger car registrations shows that the eco premium for cars continues to create strong buying incentives. The so-called *scrappage* scheme means that every owner of a car being older than 9 years is entitled for a *scrappage* premium of 2,500 Euros when buying a new car. When introduced at the beginning of the year the program was limited to a budget of 1.5 billion Euros. However the car market boomed with an unexpected increase and the government decided to raise the budget up to 4 billion Euro.

Another initiative is the so-called *Business Fund Germany*. 150 billion Euro are reserved to help companies, who got into trouble. "Money should only be given to companies on account to the crisis and not due to bad management", explained the Ministry Director. "We do not want to let a viable operation die", he pointed out referring to the troubled shipyard industry.

“It all seems to work”, Brauner said. The general mood as an indication shows that things are getting slightly better. Unemployment has not dramatically risen. Overall, Brauner, who is in charge of the foreign trade, is confident, that the strategies work together. He mentioned the G 8 and G 20 summits and the simultaneous efforts to overcome the current economic conditions. He ended his speech with “My outlook is very optimistic”.

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