

Germany in recession as inflation, interest bite

● The economy shrank by 0.3%

● Germany battles a surge in energy prices

● Inflation reached 7.2% in Germany in April

AFP | Berlin

Germany fell into a recession around the turn of the year, official figures published yesterday showed, as inflation and higher interest rates curbed demand in Europe's largest economy.

Over the first three months of 2023, the economy shrank by 0.3%, the federal statistics agency Destatis said, downgrading an initial estimate of zero percent.

Following a 0.5% contraction in the last three months of 2022, it was Germany's second consecutive quarter of negative growth -- the threshold for a "technical recession".

The slump came as Germany battled a surge in energy prices in the wake of the Russian invasion of Ukraine, which weighed on households and businesses.

But Chancellor Olaf Scholz, who previously expressed confidence that Germany had done enough to avoid a downturn, played down fears of a prolonged recession.

"The German economy's prospects are very good," he said at a press conference, citing significant investments in the country including in battery factories.



ECB President Christine Lagarde (L) poses with German Chancellor Olaf Scholz during celebrations of the European Central Bank ECB to mark its 25th anniversary at the ECB headquarters in Frankfurt am Main, western Germany



Germany's last recession came as the coronavirus pandemic swept through Europe at the start of 2020, prompting governments to effectively shut down large swathes of the economy.

'Danger zone'

Inflation, which reached 7.2% in Germany in April, has been fuelled by the increased cost of energy. Consumer prices have come down only slightly from their peak towards the end of 2022. "The persistence of high price increases continued to be a burden on the German economy at the start of the year," Destatis said in a statement.

The impact was felt particularly by consumers who reined in their spending on items such as food and clothing.

Germany, which had long been heavily reliant on Russian energy imports, was left particularly exposed following the Russian invasion in February

last year.

The curtailment of gas supplies in particular left Berlin scrambling to find new sources of energy and fill reserves ahead of what was anticipated to be a harsh winter at the end of 2022.

The slump was "not the worst-case scenario of a severe recession" predicted by some following the Russian invasion, said Carsten Brzeski, head of macro at the ING bank.

But mild temperatures, a rebound in key market China and the easing of supply chain problems following the coronavirus pandemic were "not enough to get the economy out of the recessionary danger zone", Brzeski said.

"A drop in purchasing power, thinned-out industrial order books as well as the impact of the most aggressive monetary policy tightening in decades" were likely to drag on the economy further, he said, referring to the European Central Bank's interest rate hikes against inflation.

An anticipated slowdown in the US economy and the continuation of the war in Ukraine would also weigh on output, he said.

'Consumer spending rebound?'

The poor performance in the first quarter contrast the optimism showed by policymakers in Berlin who in April raised their forecast for economic growth in 2023 to 0.4%.

"We continue to expect a significant improvement over the course of the year," an economy ministry spokesman told AFP in response to the growth figures.

The negative revision by Destatis was no surprise following a string of weak economic indicators, LBBW bank analyst Jens-Oliver Niklasch said.

"The early indicators suggest that things will continue to be similarly weak in the second quarter" of 2023, Niklasch said.

Industrial orders, which give a foretaste of factory output, plummeted in March when compared with the same month last year.

By contrast, consumer confidence in Germany had continued its upward trend "amid all the negative news", Citi bank analyst Christian Schulz noted.

A rebound in consumer spending could fuel an economic recovery later in the year, Schulz said.

Qatar Airways resumes direct daily flights to Bahrain



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Qatar Airways yesterday announced it has resumed its services to Bahrain with a daily flight.

A second and third daily service will commence on 15 June 2023.

Qatar Airways currently flies to more than 160 destinations worldwide, connecting

through its Doha hub, Hamad International Airport, voted by Skytrax as the 'Best Airport in the Middle East'.

Flight Schedule:

Daily (all times local)
Doha (DOH) to Bahrain (BAH) – QR1108 departs: 20:00 arrives: 20:50
Bahrain (BAH) to Doha (DOH) – QR1109 departs: 22:20 arrives: 23:15

UK's Sunak vows to cut immigration as figures hit new high



Britain's Prime Minister Rishi Sunak (L) and Britain's Home Secretary Suella Braverman during the weekly session of Prime Minister's Questions (PMQs) at the House of Commons, in London

London

Net migration in the UK hit a record 606,000 in 2022, official figures showed yesterday, heaping pressure on the government, which has pledged to cut dependency on foreign labour.

Responding to the figures, Prime Minister Rishi Sunak described legal immigration levels as "too high".

"It's as simple as that and I want to bring them down," he told ITV in an interview.

Measures announced earlier this week to tighten the number of international students allowed to bring their families with them would have a significant impact, he added.

Immigration has long been a key political issue in the UK and was one of the main battlegrounds of the Brexit referendum in 2016, which saw the

country leave the European Union.

In 2021, net migration -- the difference between the number of people leaving the UK and those arriving -- was 488,000.

Jay Lindop, director of the centre for international migration at the Office for National Statistics (ONS), said world events such as the end of the Covid-19 pandemic and Russia's invasion of Ukraine played a part in the increase.

China's squeeze on civil rights in Hong Kong, which led to the UK relaxing entry rules for holders of British overseas passports, also had an impact.

"A series of unprecedented world events throughout 2022 and the lifting of restrictions following the coronavirus pandemic led to record levels of international immigration to the UK," said Lindop.

US lawmakers take break as catastrophic default looms

Washington, United States

US lawmakers were set to embark on a 10-day break yesterday, despite failing to agree on raising the nation's borrowing limit to avert a looming default that could blow up the economy while they are away.

There are seven days until June 1 -- the earliest possible

point when the government estimates it could run out of money to service its debts -- and missed loan repayments would likely spark a recession, roiling world markets.

But members of the House of Representatives began hitting the road for the Memorial Day recess after their final vote Thursday morning and are not

due to return until June 4.

Senators are due back two days before the so-called "x date" but their role would likely be limited to rubber-stamping any deal hammered out between the Republican-led House and Democratic President Joe Biden. House Speaker Kevin McCarthy said lawmakers would get 24 hours' notice if they were re-

quired to return for a vote. Republicans are demanding cuts of up to \$130 billion with spending next year capped to 2022 levels and have laid out three further pillars for a deal: reform of approval for energy projects, tightened work requirements for benefits claimants, and a clawback of unspent pandemic aid dollars.

Abdulridha Abbas wins April Al Watani Savings Scheme prize

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The National Bank of Bahrain (NBB) has announced Abdulridha Abbas as the recipient of its Al Watani Saving Scheme for April 2023, receiving a prize of USD \$100,000.

The award ceremony took place on May 18, 2023, at NBB's Istiqlal branch. In March, Radheya Kadhim Rabeei was the lucky winner of the same cash prize. NBB has expanded the opportunities for customers to win valuable rewards by increasing the number of winners.

For every BHD 50 deposited into their SaveWave, Express Saver, and Al Mumayaz accounts, NBB said their custom-



In pictures, the prize distribution ceremony



ers gain one entry into the prize draw. The prizes range from USD \$10,000 to a grand prize of USD \$1,000,000. The revamped scheme also includes a USD \$1 million grand prize in July, to be distributed among 100 fortunate winners, and a year-end grand prize of USD \$2 million for two winners (USD \$1,000,000 each).