

German boom creates ECB policy nightmare as south lags

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Blistering growth in Germany is aggravating the growing gap between the eurozone's North and South and may force the European Central Bank to tighten monetary policy long before the high-debt states are ready, Standard & Poor's has warned.

By Ambrose Evans-Pritchard | Telegraph

A separate report by Simon Ward from Henderson Global Investors said eurozone indicators are showing "unprecedented divergence", with the M1 money supply booming at double-digit rates in Germany but contracting in Spain, Ireland, and Greece.

S&P said Germany has been able to lever recovery off the emerging market boom, leaving Southern Europe behind. German exports – mostly machines and cars – account for 47pc of all EU goods shipped to China. France is a distant second at 10pc.

"Germany is recovering brilliantly," said S&P's Jean-Michel Six. "Its products are not price-sensitive to the exchange rate. It is entering a virtuous circle where exports lead to capital spending, leading in turn to consumption after years of quasi death."

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