

FROM BUST TO BOOM

Task 1 Read the text. Answer the questions below

Boom time for investors in Germany

Economic fundamentals and solid exports are driving Europe's top performer.

1. Many European fund managers are now turning their attentions to the west and praising Germany as the one of the best investment opportunities around.
2. The troubles of the banks and the huge deficits of the so-called Pigs (Portugal, Ireland, Greece and Spain) nations has focused the minds of investors on the fundamentals of exports, economic strength and workforce skills. And by these measures, Germany is truly the powerhouse of the European economy.
3. "This concept of how you can have a boom and a bust coexisting is quite a difficult one for investors to understand, but Germany is booming," says Barry Norris, the manager of the Ignis Argonaut European Alpha Fund, which has increased its exposure to Germany holding 35 per cent of its assets in the country.
4. With struggling economies and bailouts elsewhere in Europe, investors could be forgiven for steering clear. But Mr Norris argues that this shouldn't distract people from this investment opportunity.
5. "Over the past five years, the unemployment rate in Germany has come down every year, which is a good sign of its competitiveness. Exports are back up to a record level and it is now neck and neck with China as the world's biggest exporter," he says.
6. As currency traders dump the euro in light of the debt crisis, German exporters are taking advantage. With a strong euro, German products become expensive and difficult to shift, but with a weakened euro, German companies are able to sell more of their goods abroad. Companies such as BMW, for example, are benefiting from high demand in emerging markets, and because China pegs its currency to the US dollar, the weakened euro has boosted profits for German manufacturers.
7. As well as healthy export figures, falling unemployment levels seem to have caused German consumers to spend more too.
8. All of these factors have led to such a strong recovery in Germany that economists are debating whether the level of growth will be higher than their forecasts. Mr Norris compares this potential level of growth to that of an emerging market, but adds that Germany has several important advantages over developing economies.
9. Firstly, investors can enjoy cheaper stock prices because the boom is still relatively undiscovered. In contrast to China, for example, investors are not yet expecting massive growth which is reflected in valuations of stocks. Secondly, whereas authorities in emerging-market economies are raising

interest rates and introducing capital controls to fight inflation, as a euro member, Germany is continuing with low interest rates despite its strong economy. As the economy goes from strength to strength, German asset prices will also rise.

10. While an exciting prospect for investors, investing heavily in Germany also carries considerable currency risk and any European assets could plummet if Greece, Ireland and Portugal cannot repay their debts. This is where the old investment rules ring true: where there is any uncertainty, diversification is the best way to spread risk.

11. "It certainly pays to be selective when investing in Europe at the moment. Having wide exposure to the entire European market means investing in some very troubled economies as well as those, such as Germany, with better prospects," says Mr Bamford of independent financial adviser Informed Choices.

Task 2. Answer the following questions in your own words:

1. By which economic factors is Germany the powerhouse of Europe?
2. What has caused the euro to weaken?
3. Why are German companies able to sell more goods abroad?
4. What has caused an increase in consumer spending in Germany?
5. Why might potential investors consider Germany to be more attractive than emerging economies?
6. Why is it also risky to invest in Germany? What investment strategy can reduce this risk?

Task 3. Find a word or phrase in the article which means...

1. very large (**adj.**, P2)_____
2. existing at the same time (**verb -ing**, P3)_____
3. avoiding something (**idiom**, P4)_____
4. on the same level (**idiom**, P5)_____
5. sell something that you don't want (**verb**, P6)_____
6. becomes more and more successful (**idiom**, P9)_____
7. fall rapidly (**verb**, P10)_____
8. seems to be true (**idiom**, P10)_____