

The NewsLine

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GERMANY

No stabilization in sight yet

German business sentiment continued its downward trend in February. The ifo Business Climate Index fell to its lowest level for more than four years. The German economy looks set for a weak start to 2019 as political uncertainties and the crisis in the automotive sector continue to weigh on economic momentum. In 2019, we expect GDP to grow by only 1%.

In February, the ifo Business Climate Index fell by 0.8 points to 98.5. This is the sixth consecutive decline. The downtrend in the business expectations of the companies surveyed slowed somewhat, after heavy losses in the past few months. However, it is still too early to speak of a stabilization. The index is now at its lowest level since November 2012. The ongoing uncertainty surrounding the US-China trade dispute and Brexit continues to weigh on the growth outlook. In contrast, the correction (-1.1 points) was more pronounced this time in the assessment of the situation. The deterioration in sentiment was broad-based. It took place across all major economic sectors with the exception of trade, where there was a slight recovery.

After the German economy barely escaped a recession in the second half of 2018, the available economic data and sentiment indicators give little hope for a strong start to 2019. The political uncertainties and the crisis in the automotive sector are weighing too heavily on the economic momentum. However, the GDP components for the final quarter of 2018, which were also published today, suggest that the foundations of the German economy remain robust. Overall, average GDP growth in 2019 is likely to come in at 1%.

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