


# The NewsLine

June 24, 2019

▶ MACROECONOMICS | FINANCIAL MARKETS | ECONOMIC POLICY | SECTORS

GERMANY

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## Lower sentiment for longer

German business sentiment registered a renewed albeit limited setback in June, falling to its lowest level since November 2014. While firms' assessment of the current business situation improved marginally, companies revised downward markedly their business expectations for the coming six months. This underlines our view that a swift improvement in the economic outlook is not in the cards. With elevated political uncertainty related to trade, Italy and Brexit as well as clouds over the car sector likely to stay with us for much of H2 2019, German industry will remain under pressure. Construction and private consumption will be the main pillars of the German economy in the coming quarters albeit their strength will start to fade gradually. After all the domestic economy is not immune to the industrial soft-patch: The longer the current weakness in German industry persists, the more it will also start to affect investment and spending decisions. Overall, we expect GDP to grow by 0.8% in 2019.

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In June the ifo Business Climate Index fell by 0.5 points to 97.4 points- its lowest level since November 2014. Firms' business expectations declined significantly (-1.0 points) to 94.2. Meanwhile companies' assessment of the current situation more or less stabilized at 100.8 (+0.1 points) following a sharp downward correction in the previous month. The June decline in sentiment was broad-based. It took place in all major economic sectors with the exception of trade, where companies were more optimistic about both the current situation as well as business prospects.

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