

The NewsLine

September 24, 2018

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Sentiment more or less stable

After the strong improvement in sentiment in August, the expected counter-movement in September was significantly lower than expected. Good news came from the manufacturing sector, where expectations were on a seven-month high. We expect solid economic growth in the second half of 2018, despite continuing high uncertainty.

In September, the ifo business climate index fell slightly by 0.2 points. The surveyed companies assessed both their business situation and their business expectations somewhat less positively than in August. However, this decline is not surprising, as the ifo business climate index rose very strongly in August against the backdrop of at least a temporary easing in the trade dispute with the US.

The development in the manufacturing sector is particularly interesting. Due to a less positive assessment of the current business situation, the index continued to fall. However, the manufacturing sector is much more confident about the future. Companies are planning to expand their production in the coming months – good news for the industrial production in Germany, which showed signs of weakness in recent months. The special economic cycle in the construction sector continues unabated, with survey data reaching new record levels.

Thanks to sustained robust domestic demand, we expect the German economy to continue to grow solidly in the second half of the year. However, the foreign trade headwind has intensified further in recent months as a result of the crisis in individual emerging markets.

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