

The NewsLine

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GERMANY

German economy starts the new year with a lot of momentum

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At the beginning of the year, sentiment in the German economy improved even further at a high level. The ifo business climate index rose by 0.4 points to 117.6 points.

The recent rise in the ifo business climate index is solely due to an improved assessment of the current situation by companies. The corresponding sub-index rose by more than 2 points and reached a new record high of 127.7 points. The economic boom in Germany's industry and trade sector thus continues and confirms our assessment of a strong start to the year for the German economy as a whole.

We do not think that the manufacturing purchasing manager indices (PMIs) published previously by Markit contradict today's ifo figures. The corresponding PMI index declined significantly from its record high of 63.3 points in December to 61.2 points. However, this decline is not negative in view of the still very high level. Capacity bottlenecks are increasingly becoming apparent in German industry, which is also reflected, for example, in the assessment of delivery times, a sub-index of the PMI. In January, average delivery times recorded the second largest increase since the survey began.

What is remarkable about today's ifo business climate index is that the business expectations of companies have become somewhat less confident. Expectations declined by one point to 108.4 points. The recent strong appreciation of the euro against the US dollar is likely to have played a role in this. A stronger euro weighs on the price competitiveness of German exporters.

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Since the beginning of the year, the euro has appreciated by more than 3% against the US dollar.

Overall, the German economy continues to enjoy a stable upswing. After economic growth of 2.2% last year, real GDP is expected to grow by 2.4% this year.

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