

The NewsLine

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GERMANY

Ifo test: Robust economy



The fact that the Ifo business climate index for industry and trade has risen for the second month running shows that the German economy is on a stable upward trajectory. One striking aspect is the further improvement in the assessment of the business situation in July and August. Neither the turmoil over Greece nor the signs of a slowdown in growth in China have hampered the German upswing to date.

There is actually some evidence to suggest that economic growth will pick up slightly in the third quarter of this year as against the first two quarters. We expect to see an increase of 0.5%, compared with 0.4% in the second and 0.3% in the first quarter of 2015. Incoming orders in the industrial sector rose considerably in the second quarter, up by around 3% on the first three months of the year. This fuels hope that industrial production will expand considerably in the third quarter. What is more, the Ifo business climate indicator for the service sector reached an all-time high in August, pointing towards a marked expansion in domestic demand. The downward trend in commodity prices is keeping inflation close to zero, boosting household purchasing power as a result.

Based on the figures published for the second quarter of 2015, we now expect to see average economic growth of 1.8% for 2015 as a whole. Real private consumption is expected to increase by around 2%. We now predict that 2015 will bring an impressive increase of around 6% in real exports.

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