

The NewsLine

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First traces of protectionism

The ifo business climate index for Germany's industry and trade sector, which assesses the current situation and business expectations, fell again in March. Nevertheless, the index is still at a very high level. It is noteworthy, however, that companies' business expectations have already weakened for the fourth consecutive month.

Several factors have probably contributed to the more subdued business expectations. The rise in the external value of the euro in recent months is likely to have dampened export expectations. Moreover, the financing conditions for companies might no longer be as favourable as they have been so far given the withdrawal of central banks from their ultra-loose monetary policy. Most recently, however, concerns about increased US protectionist measures and a potential trade war may have been of greater importance. Uncertainty about this has undoubtedly increased in recent weeks.

The results of a survey among purchasing managers (PMI) published today by Markit also confirm the somewhat clouded mood in the German economy. The corresponding index for manufacturing fell by more than 2 points in March. However, at 58.4 points, the index is still well above the growth threshold of 50 points. Industrial companies continued to experience considerable capacity bottlenecks. Delivery times increased noticeably again in March. The high level of absenteeism due to illness could have played a role here.

In our economic base case scenario, we still do not assume that there will be an outright trade war. We therefore stick to our growth forecast for the German economy of 2.4% in real terms this year. However, the longer the uncertainty about a possible increase in protectionist measures persists, the greater the likelihood that this concern will eventually leave its traces in Germany's real economy.

Gregor Eder

Phone +49.69.24431-3358

gregor.eder@allianz.com

Allianz SE

<https://www.allianz.com/economic-research/en>



Allianz Research

<https://twitter.com/AllianzResearch>

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