

The NewsLine

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Economy breathes a sigh of relief

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Under the impression of at least a temporary easing of tension in the trade dispute with the US, the mood in the German economy improved noticeably in August. For the first time since November 2017, the ifo business climate index not only rose, it rose significantly. This increases the chances of solid economic growth also in the second half of the year.

In August, the ifo business climate index rose by more than 2 points. With currently 103.8 points, it is at its highest level since February. The strong increase of three points in the expectation component of the index is particularly pleasing. German companies had not been as confident as they are today since the beginning of the year. This shows just how much fear of increasing protectionism has weighed on economic sentiment in recent months. At the end of July, the trade conflict between the US and the EU showed signs of easing, at least temporarily. This easing is likely to have been decisive for the current brightening in economic sentiment. Companies also view their current business situation more positively than before. The corresponding component of the index increased by one point to 106.4 points.

In principle, we assume that the German economy will continue to grow solidly in the second half of 2018. The domestic economic conditions for a continuation of the upswing remain very good. This applies in particular to private consumption (favorable employment and wage trends) and investment activity (high capacity utilization, favorable financing conditions and relatively low corporate debt). However, the basic prerequisite for this assessment is the assumption that there will be no renewed escalation in the trade dispute with the US.

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