

The NewsLine

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GERMANY

Ifo test: Business situation very robust

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Manufacturing companies in Germany are increasingly upbeat about their current business situation. The corresponding sub-index of the Ifo test rose in February for the sixth month in a row and is now at its highest level since August 2011. Encouragingly, business expectations also perked up again following the sharp drop in January.

On the heels of yesterday's purchasing manager indices, today's Ifo test figures also suggest that the German economy got off to a good start to 2017. Compared with January, the business situation sub-index climbed 1.5 points to 118.4, a multi-year high. The expectations sub-index at least offset some of the loss seen last month. It rose by 0.8 points and at 104 points is still slightly below the interim high of 106 points seen in October 2016.

In the coming months we expect to see an appreciable pickup in manufacturing output. This is flagged up especially by the development in new orders which, with a quarterly increase of 4.2% in the final quarter of 2016, logged the strongest increase in a long time. Foreign demand is also likely to buoy manufacturing activity. With the German export engine having sputtered intermittently last year due to weak world trade, there are now signs of a pickup in global merchandise trade. At the same time, economic momentum in many emerging market regions is also edging up again. Overall, we think the German economy in the first quarter of 2017 will be somewhat more dynamic than in the final quarter of 2016 when GDP growth came in at a seasonally adjusted 0.4% on the previous quarter.

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