

The NewsLine

August 25, 2017

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GERMANY

Ifo business climate stagnates at high level

Having climbed from one all-time high to another in recent months, the Ifo business climate index slipped only marginally in August. Over the rest of the year we expect the economy to continue to purr, with seasonally-adjusted GDP growth rates of around 0.5% each quarter. We are now penciling in average economic growth of 2.0% real in 2017. In calendar-adjusted terms, this corresponds to an increase of 2.2%.

The good news in today's Ifo test: Whereas businesses viewed their current situation slightly less favorably than before, they have become even more upbeat with regard to the coming six months. This supports our view that economic development is set to remain dynamic.

The detailed figures on second-quarter GDP growth released by the Federal Statistical Office today show that all components of domestic demand – private and government consumption, construction and machinery investment – made an appreciable contribution to growth. Private consumption rose by a seasonally-adjusted 0.8% on the preceding quarter, machinery investment was up by 1.2%. This illustrates the breadth of the upswing. Above all, it is to be hoped that the upward trend in investment activity, which overall is still subdued, is maintained. On this condition – which looks plausible given now fairly high industrial capacity utilization – buoyant economic growth is likely to continue well into next year.

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ABOUT ALLIANZ

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