

The NewsLine

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GERMANY

Ifo test flags buoyant growth at year-end

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Following the jump seen in September, the Ifo business climate improved again in October. The steep rise in business expectations in industry in the last two months is particularly striking. In the year to date the engine in this key sector had been sputtering, with production up only marginally on a year earlier. If this drag on overall growth disappears, growth in the fourth quarter can be expected to be higher than in the summer months. The average increase in gross domestic product in 2016 is increasingly likely to clock up a two in front of the decimal point even though third quarter growth looks set to come in at only 0.3%.

The upturn in sentiment in industry is most likely being driven mainly by external factors. Incoming orders from abroad had already picked up appreciably in July and August. The economic stabilization in major emerging markets, the steady upward trend in the eurozone and a slight acceleration in the US economy are all serving to bolster foreign demand.

Sentiment in the construction sector continues to soar. This is not very surprising given that in the first eight months of this year price-adjusted new orders were up by 15% on a year earlier and around 25% more housing permits were issued. Production in the construction sector is struggling to cope with this surge in orders. According to the Ifo test, sentiment in the services sector remains at a very high level. Overall, it seems that the summer worries about an economic slowdown can be laid to rest.

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