

Snap | 25 November 2024

GERMANY

German Ifo index drops in November and does little to curb winter recession fears

The German Ifo index dropped in November on the back of a weaker current assessment component



Germany's most prominent leading indicator, the Ifo index, just took another nosedive. After the first rebound in almost half a year in October, the Ifo index dropped to 85.7 in November from 86.5. Interestingly, the current assessment component declined more significantly (to 84.3, from 85.7) than the expectations component (87.2, from 87.3). This suggests that the weaker Ifo index was mainly the result of negative headlines and restructuring announcements from larger corporates, an escalation of the war in Ukraine and still-weak industrial order books and consumption.

Today's weak Ifo index does very little to take away the winter recession fears

Looking ahead, we know from past experiences that the Ifo index tends to capture short-term events with a certain delay. In this regard, the risk is high that the results of the US elections and the collapse of the German government will still leave their marks on sentiment over the next few months.

The outcome of the US elections and the potential economic policies coming from the next

Trump administration are the latest addition to Germany's economic risks. With 10% of German exports going to the US (of which the largest part is automotives), any US tariffs would hit an already suffering sector. Even more important is the impact that tax cuts and deregulation in the US, combined with already low energy prices, would have on German competitiveness – which is definitely a negative one. German companies might step up investments in the US at the cost of investments in Germany.

We have seen it before. In the wake of a new – sometimes unexpected – shock, a typical pattern emerges, moving quickly from initial panic to repression and then complacency. This is especially the case when the shock looks like a cyclical one-off factor but only masks a structural shift. In Germany, this pattern is emerging again as policymakers seem now almost entirely preoccupied with the upcoming election in three months from now. Three months in which pro-active measures to ramp up defense spending, kick-start investments or identify new growth sectors currently seem hard to find.

All in all, today's Ifo index adds to the evidence that the German economy remains stuck in stagnation and that after meagre growth in the third quarter, a (technical) winter recession looks likely.

Author

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this

THINK economic and financial analysis

report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.