

German Ifo index drops again in September

Germany's most prominent leading indicator, the Ifo index, has dropped for the fifth month in a row. This illustrates that the economy is currently stuck in what appears to be a self-reinforcing vicious cycle of economic stagnation



It is often said that there are numerous ways to say 'I love you'. Unfortunately, there is no real historical evidence for how many ways there are to describe negative macro news out of Germany. Here is another try.

Maybe we should follow Green Day's advice and only wake up from the current German macro nightmare when September ends. Well, September 2025. For now, following German macro data is more like a long stroll on the boulevard of broken dreams. After yesterday's disappointing PMI readings, the Ifo index – Germany's most prominent leading indicator – continued its recent downward trend and dropped for the fifth consecutive month to 85.4 in September from 88.6 in August. It is now back at levels last seen at the start of the year. The current assessment component took a severe hit and dropped to 84.4 from 86.4 in August, while the expectations component only fell marginally to 86.3, from 86.8 in September.

Economy remains stuck in stagnation

The German economy is back where it was a year ago: the growth laggard of the eurozone with few signs of an imminent improvement. After the contraction of the economy in the second quarter, all available sentiment indicators for the first two months of the third quarter provide very few reasons for optimism.

The cyclical hope that grabbed the German economy in the first months of the year has disappeared, mainly due to a weaker global economy but also because of fears of a cooling US economy, ongoing geopolitical tensions and domestic policy uncertainty. Additionally, the increasing number of insolvencies and individual company announcements of upcoming job restructurings are still hanging like the Sword of Damocles over what has been one of the few strongholds of the economy in recent years: the labour market. To make things worse, recent negative news from the German automotive industry is to some extent just another illustration of the ongoing structural and cyclical problems but are unfortunately probably also further fuelling negative sentiment; a perfect vicious cycle.

Still, and as depressing as this new episode of bad news is, don't rule out potential positive surprises towards the end of the year. While the highest increase in real wages in more than a decade could still open German consumers' wallets, despite increasing job loss fears, it is industrial production that could still come to the rescue. Inventories have been at high levels for an unprecedented length of time. It'd only take a small improvement in industrial order books to turn the inventory cycle and get industrial production growing again. Admittedly, this would be a cyclical improvement coming from very low levels, hardly changing the narrative of a country stuck in stagnation.

Remembering the late Andreas Brehme

All in all, today's Ifo index and the almost unstoppable flow of bad news in recent weeks painfully remind Germany of the late Andreas Brehme, who scored the winning goal for the German football team in the 1990 world championships and who passed away earlier this year. Next to his football skills and successes, Brehme coined the eloquent expression "if you have shit sticking to your foot, you have shit sticking to your foot." Football German for describing an almost never-ending streak of bad luck. Even if the current streak of bad luck in the German economy is, to a large extent, homemade.

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 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 <http://www.ing.com>.