

## Germany: Another shocker in the Ifo

The German Ifo takes another nosedive, boding ill for any quick rebound of the German economy



Source: Shutterstock

**99.1** Germany Ifo Index

From 101 in December

That's a shocker. Germany's most prominent leading indicator, the Ifo index, plunged in January, adding to latest growth concerns. With its fifth consecutive drop, the Ifo index now stands at 99.1, from 101.0 in December. The expectations component took a particularly severe hit.

Looking at the sector level, manufacturing lost much more momentum than the services sector. Needless to say that cars play an important role in this development. Still, both confidence in the manufacturing and the services sector are still above historical averages.

The manufacturing sector has been on a downward trend since last August, dragging the entire economy down. In fact, the German economy is currently suffering from a strange and also unique combination of homemade one-off factors such as the delayed introduction of new

emission standards in the automotive sector or low water levels which prevented dropping global oil prices from reaching consumers but also a series of external uncertainties. Just think of the trade tensions, a slowdown of the Chinese economy or Brexit. When the ECB yesterday talked about the risk of “persistence of uncertainties”, it clearly had the German economy in mind; It's the best example of how a fundamentally solid economy can be brought to its knees by risks and uncertainties.

Looking ahead, today's Ifo index suggests that it could take until the second quarter before the German economy regains momentum, mainly on the back of investments, consumption and some relief from the global risk factors. In this regard, Brexit is probably the single most threatening risk as a “no deal” Brexit would come at the most inconvenient time for the economy, namely exactly when it should be about to rebound.

All in all, we still think that the German economy could get away with one black eye. However, the shield that stronger domestic demand can offer against external risks will be put to a severe test in the coming months.

## Author

### Carsten Brzeski

Global Head of Macro

[carsten.brzeski@ing.de](mailto: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>.