

Germany: Ifo plunges in March

The sharpest monthly drop in the Ifo illustrates how the German economy has come to an abrupt standstill



The current crisis is not only a pandemic but also a bit of an infodemic. The Ifo institute decided to come up with a preliminary release of its March index. Germany's most prominent leading indicator was just released and came in at 87.7 in March, from 96.0 in February. The sharpest monthly drop ever. In terms of absolute levels, the Ifo index is now at levels last seen in the rebound after the financial crisis. The lowest level seen was at 80.7 in December 2008. Both the current assessment and the expectations component dropped significantly, with expectations at the lowest level since January 2009.

In case anyone had not realised it, yet, all European economies are going through an unprecedented turnaround within one month; from hopes for a rebound to complete standstill. Today's Ifo index, as well as other sentiment indicators in the coming weeks and months, are nothing more than a snapshot, giving some idea of the size of the economic plunge without being able to give the full picture. Also, they won't say anything about the future. The depth of the recession will be determined by how long the virus outbreak and the lockdowns will last. Government measures taken over the last few days as well as the ECB's measures last night and last week should somehow cushion the plunge but are even more important in paving the way for any recovery if and when the worst is behind us.

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