

No signs of weakness in Germany

The Ifo index dropped only marginally in August, confirming the almost breathtaking strength of the German economy



115.9 Germany's Ifo index

Fear of heights...?

After six consecutive increases and three all-time highs in a row, Germany's most prominent leading indicator, the Ifo index, just dropped for the first time. The dip, however, was only marginal and the Ifo now stands at 115.9, from 116.0 in July. Interestingly, the decrease was exclusively driven by the current assessment component. Expectations increased to 107.9, from 107.3 in July.

It is almost pointless searching for macro-economic explanations for today's small drop. Of course, next to acrophobia, reasons for today's drop could be the strengthening of the euro over the last few months, fresh geopolitical concerns with the US-North Korean conflict and fading signs of any imminent investment boom in the US. However, the best explanation for the drop is simply a small technical correction after three record-highs in a row. All of this means that, unless German businesses are living in a kind of never-never land, today's Ifo index sends a clear signal that the

German economy is powering ahead. What might look boring from the outside is clearly enjoyable from the inside.

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