



BERENBERG

PARTNERSHIP SINCE 1590

MACRO NEWS

24 / 04 / 20

Florian Hense, Economist | florian.hense@berenberg.com | +44 20 3207 7859

GERMAN IFO: HARDLY ANY GREEN SHOOTS

Berenberg Macro Flash

Historic lows: The lockdowns across the world to contain the Covid-19 pandemic are taking an unprecedented toll on the trade-oriented German economy. The Ifo business climate index plunged to 74.3 in April from 85.9 in March, a new historic low for the series that started in 2005. Also the longer series that started in 1991 and excludes non-trade services, and only includes manufacturing, construction and trade, hit a historic low. A collapse in the assessment of both the current and future situation drove the plunge of the headline series.

Ifo confirms previous conclusions: The German Ifo finishes off a week of major European survey releases for April. The survey confirms most of the conclusions we drew already from the [Euro-pean PMI](#), consumer confidence and [ZEW sentiment](#) data:

- 1) the immediate economic shock is much deeper than the initial hit from the financial crisis;
- 2) the shock affects every country, industry and sector of the economy; and
- 3) the lockdown measures disrupt services, particularly shops and restaurants, even more than manufacturing and construction.

Dismal current assessment and ...: The assessment of the current situation plummeted to 79.5 after 93.0 in March, a historic drop to close to the series low – 77.1 in May 2009. Businesses in (retail and wholesale) trade and other services are worst hit, while activity in manufacturing and in construction – the sectors less affected by lockdowns – suffer a bit less, especially construction.

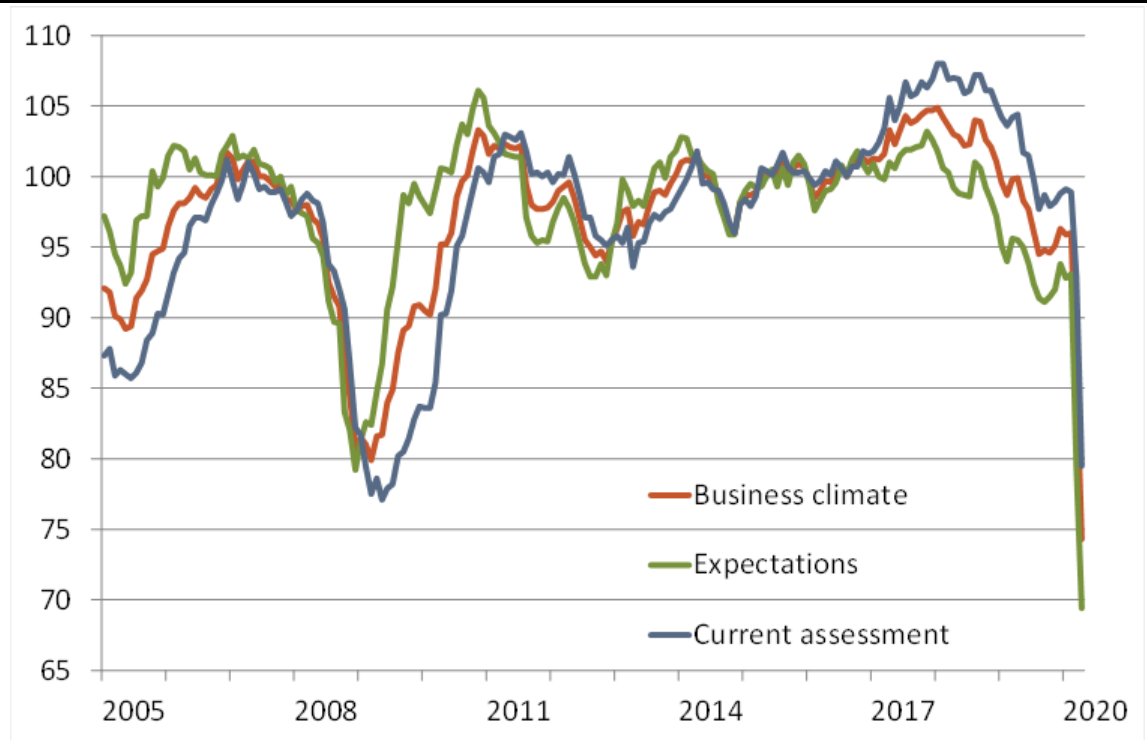
... lowest expectations in history: Business expectations plunged from 79.5 to 69.4 in April, a new series low. That expectations plunged by less in April than they did in March (-10.1 vs. -13.6, respectively) is only a small consolation. The further drop in expectations raises the risk to our, and the consensus ZEW financial analysts', call that April will be the worst month of the coronavirus recession for Europe. Forward looking survey data are often prone to bigger swings than measures of current performance. Expect a sizeable rebound as virus containment measures are lifted and economic performance improves.

Still, May probably less dismal than April: So far, the virus trends suit our call for a rebound beginning next month. Germany has started to ease its lockdown and is planning to lift more restrictions throughout May. The German Ifo, however, highlights the risk that May could still be very underwhelming, especially from a wider European angle. Germany is further ahead than the other major economies in Europe in terms of progress easing the lockdown. Italy, France and the UK, have not started to lift any economically significant restrictions yet. This may happen in early May



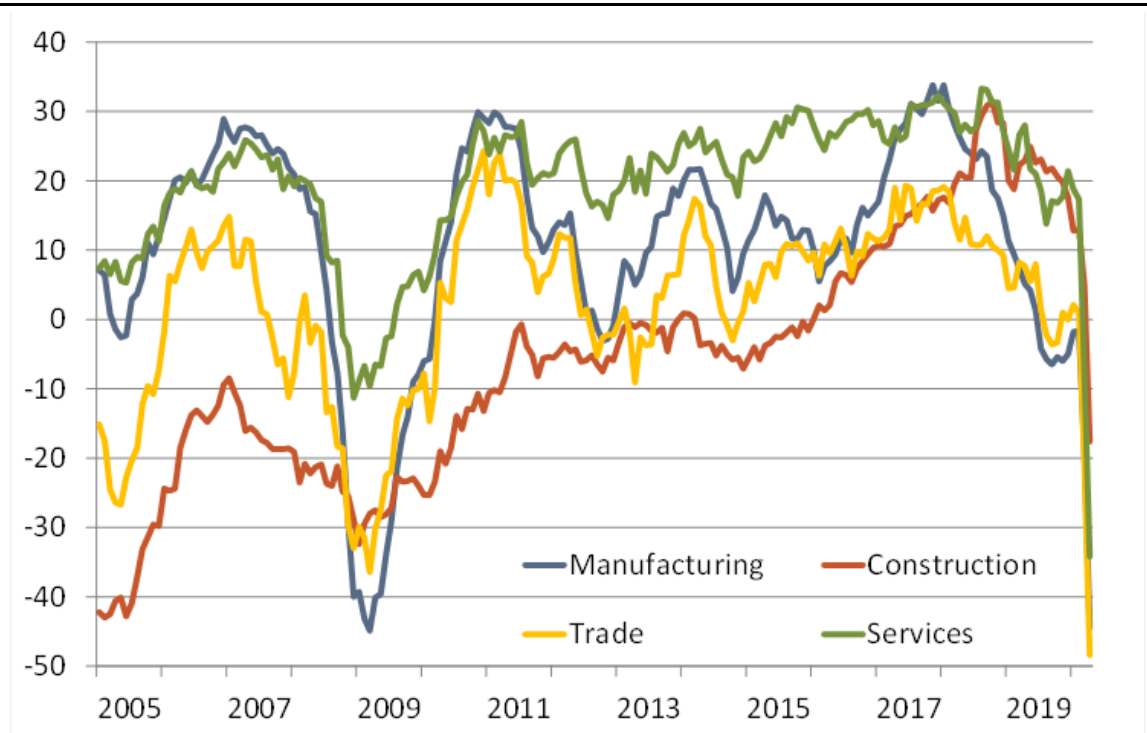
MACRO NEWS

Chart 1: Ifo business climate, current assessment and expectations



Indexed at 2015=100. Source: Ifo

Chart 2: Ifo business climate by sector (balances in %)

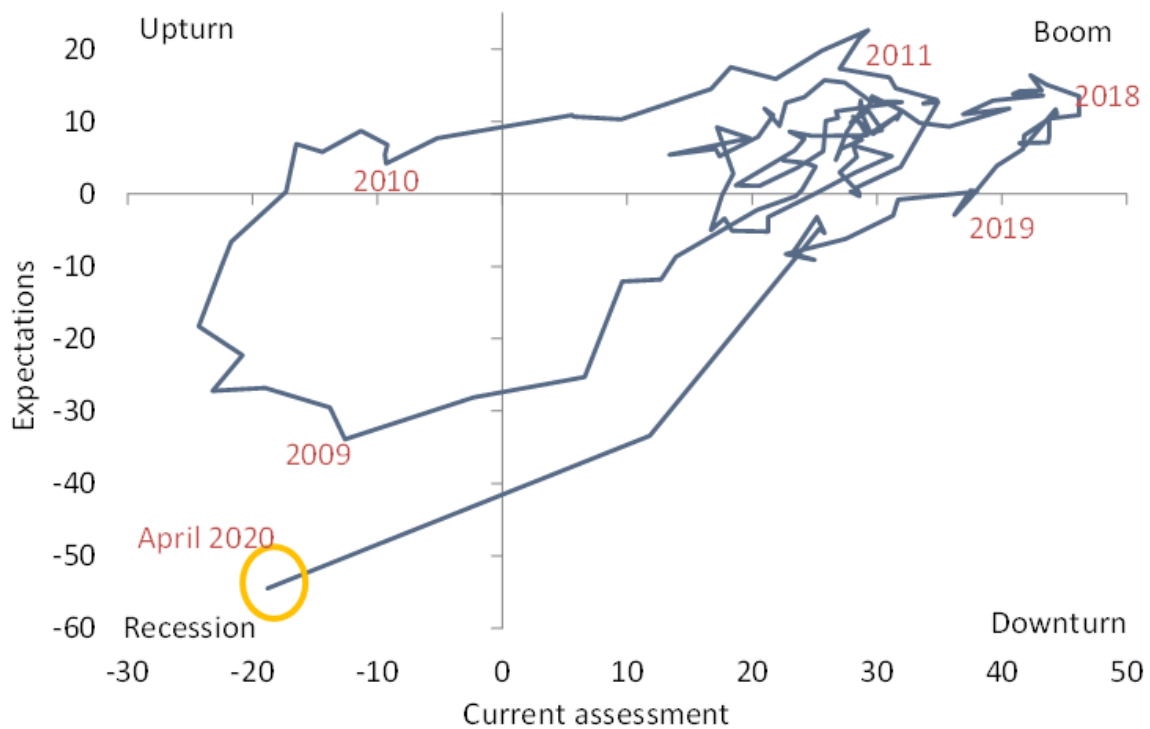


Source: Ifo



MACRO NEWS

Chart 3: Ifo business cycle clock (balances in %)



Source: Ifo

This message has been produced for information purposes for institutional investors or market professionals, it is not a financial analysis within the meaning of § 34b or § 31 of the German Securities Trading Act (Wertpapierhandelsgesetz), no investment advice or recommendation to buy financial instruments. The message does not claim completeness regarding the information on the developments referred to in it. On no account should it be regarded as a substitute for the recipient's procuring information for himself or exercising his own judgements. The message may include certain descriptions, statements, estimates, and conclusions underlining potential development based on assumptions, which may turn out to be incorrect. Berenberg and/or its employees accept no liability whatsoever for any direct or consequential loss or damages of any kind arising out of the use of this message or any part of its content. -- For full economics reports please visit our website or contact capitalmarkets@berenberg.de.

Joh. Berenberg, Gossler & Co. KG
60 Threadneedle Street
London EC2R 8HP
Phone +44 20 3207 7859
www.berenberg.com
florian.hense@berenberg.com