

Florian Hense, Economist | florian.hense@berenberg.com | +44 20 3207 7859**GERMAN IFO AFTER BREXIT: ENCOURAGINGLY RESILIENT**

Berenberg Macro Flash

German Ifo, July

	Business climate	Current situation	Expectations
Actual:	108.3	114.7	102.2
Previous:	108.7	114.6	103.1
Consensus:	107.5	114.0	101.1
Berenberg:	107.6	114.0	101.2

Ifo survey data for July beat expectations across the board – showing no real signs of an impact from the Brexit vote. This is more evidence, along with the PMI data published last Friday, that the EU's largest economy is weathering the Brexit storm.

The business climate was broadly unchanged at 108.3 in July compared to June (108.7) and above expectations of 107.5. The often volatile expectations sub-index dropped by less than expected from 103.1 to 102.2. The gauge for the current situation also remained stable at a relatively high level at 114.7 compared to 114.6 in June. On a sector base, services, retail and construction continued to improve signalling strong domestic demand, while manufacturing, especially automotive, affected by lower exports, fell somewhat, after 4 months of improvement.

What do we take from this?

While there is uncertainty about the road ahead, the Ifo headline figure is still at a high level. This bodes well for the German growth outlook. German businesses seem to be handling the current period of political uncertainty well. The slight deterioration of the expectations subindex implies, however, that some modest risks could lie ahead once the EU-UK negotiations start or if other political risks materialise.

For the time being, it seems almost like business as usual for the German economy, implying a moderate, but steady pace of expansion for the rest of the year driven by strong underlying fundamentals. The momentum should be sustained despite slower growth among Germany's main trading partners. We expect GDP to grow by 1.5 % this year and in 2017.

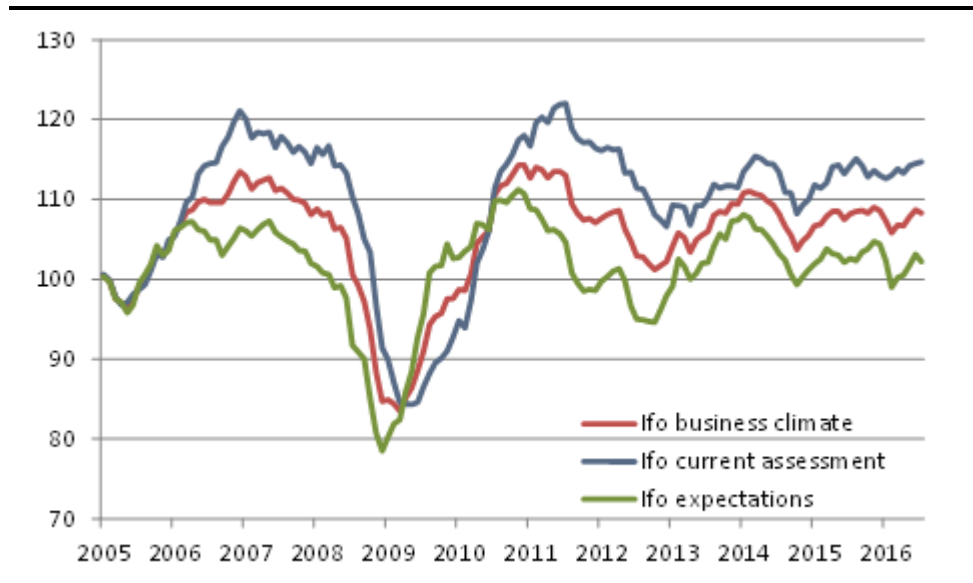
German Ifo

	JUL	JUN	MAY	APR	MAR	FEB
Business climate	108.3	108.7	107.8	106.7	106.8	105.8
Current situation	114.7	114.6	114.2	113.3	113.8	113.0
Expectations	102.2	103.1	101.7	100.5	100.2	99.0



MACRO NEWS

German Ifo (headline and subindices)



Source: Ifo.

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