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GERMAN IFO CLIMBS FURTHER, STRONG Q1 TO CARRY INTO Q2

Berenberg Macro Flash

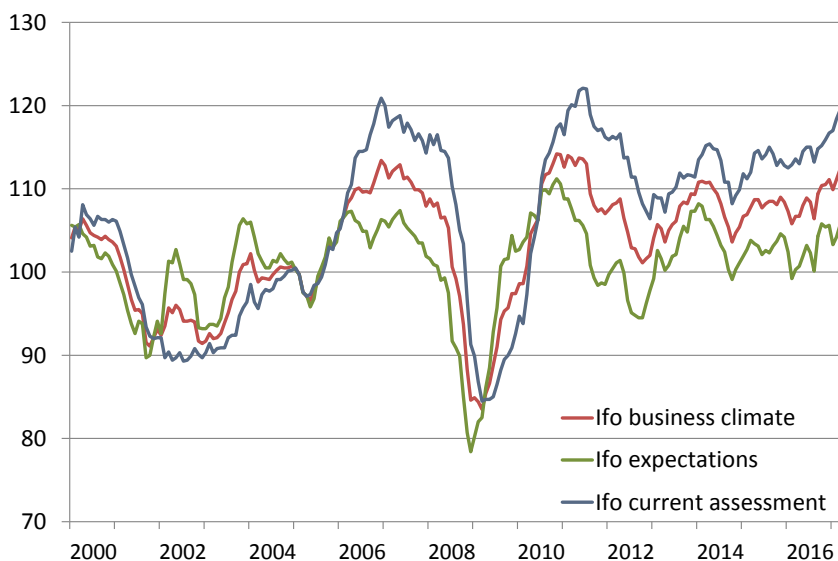
German Ifo, April

	Business climate	Expectations	Current assessment
Actual:	112.9	105.2	121.1
Previous:	112.4	105.7	119.5
Consensus:	112.4	105.9	119.2
Berenberg:	112.3	105.8	119.2

Germany enjoying a little boom: According to the Ifo survey, the business climate improved in April to the highest since July 2011 (from 112.4 to 112.9). While political risks stemming from the French presidential elections weighed on expectations (down to 105.2, after 105.7), a strong improvement in the assessment of the current situation lifted overall sentiment (121.1 from 119.5 in March, see chart 1).

The further pick-up in sentiment provides more evidence for two take-aways we pointed out recently after positive releases of other soft data (ZEW and PMI): First, the expected acceleration in German real GDP growth in Q1 may continue in Q2. So far, we expect a normalisation of the rate of expansion back to trend of 0.4% in Q2 after an acceleration to 0.6% in Q1. While the data is just for the first month of the quarter, the Ifo, PMI and ZEW suggest that risks to our call are skewed to the upside (see chart 2). Second, businesses remained optimistic in the month leading to the French presidential elections despite concerns that either a far-right or far-left candidate would become the next French president. As Macron is the clear favourite to become the next French president on 7 May, with political risks out of the way, there is a real chance for an economic boost to France, with some likely spill-overs to Germany. This may further strengthen the economic outlook, leaving the risks to our call even more tilted to the upside.

Chart 1: Ifo business climate, current assessment and expectations

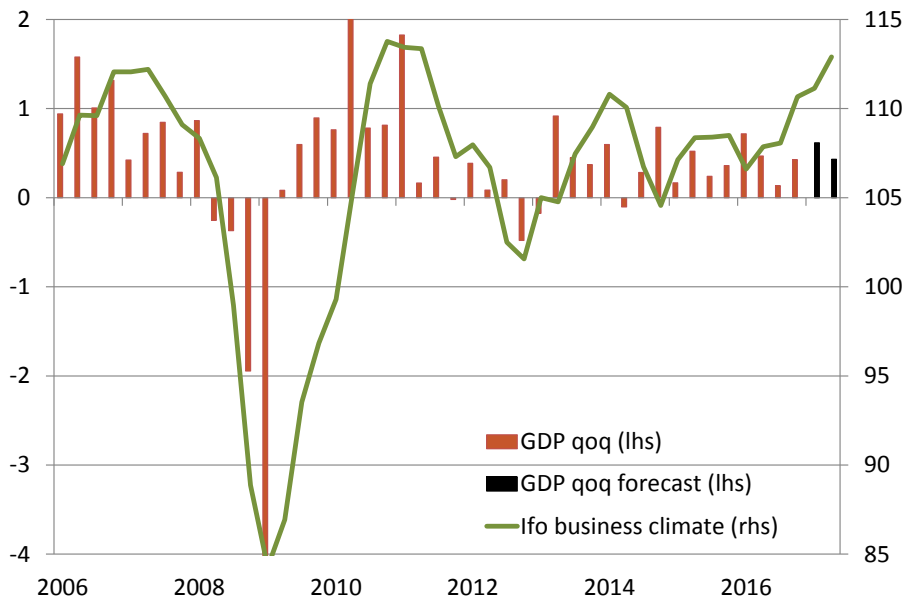


Source: Ifo



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Chart 2: German GDP qoq (in %) versus Ifo business climate



Source: Destatis, Ifo, Berenberg calculations

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