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# Germany: Ifo Survey Loses More Froth

Undershooting expectations even more clearly this time around, the July Ifo business climate index fell 1.9 points to 105.3, a third successive drop. Regardless, the latest reading is the lowest in 28 months, but still leaves the headline index above its long-term average. *Meanwhile, the sector break-down showed the latest decline was again mainly due to a clearer weakening in manufacturing.*

## Manufacturing Being Hit

Notably, unlike the June fall, the latest deterioration was not purely in the expectations component as the current conditions component resumed the fall it began back in May. Otherwise, the Ifo services sector update this month dropped to 15.7, suggesting clearer weakness emerging in that sector as well.

It is worth noting that the latest Ifo survey still appears to be portraying a less divergent (albeit still clearly less downbeat) picture for German economic activity compared to other surveys, with the July numbers offering rays of hope in areas such as retailing.

**DE View:** The manufacturing parts of the Ifo data are showing more signs of echoing the weakness seen in the PMI data, now notably echoing PMI numbers in having signaled a turn for the worse regarding exports. This suggests that German manufacturing has seen a distinct fresh weakening in recent months. *As a result, and at this juncture, it does seem as if German GDP may have suffered a fresh drop in Q2, although recent Bundesbank Comments suggest the contrary.* A clearer picture will emerge on August 8 when key June industrial output numbers arrive.