

Germany

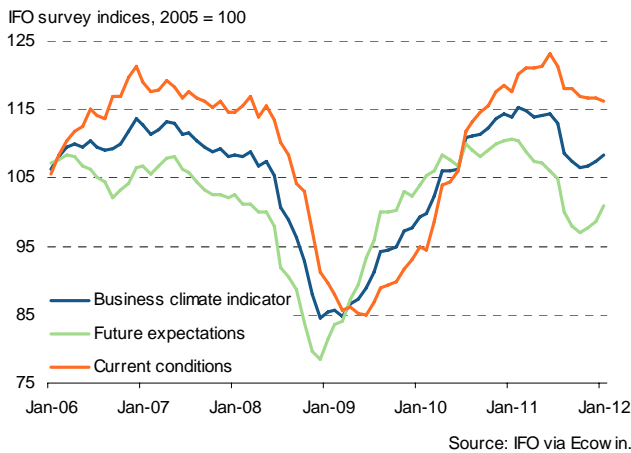
IFO survey adds to signs that economic growth has rebounded in January

- **Germany may avoid recession, as IFO survey follows PMI upwards**
- **Expectations hit 6-month high in January**

An upturn in the IFO business survey adds to recent signs that Germany may avoid a double-dip recession.

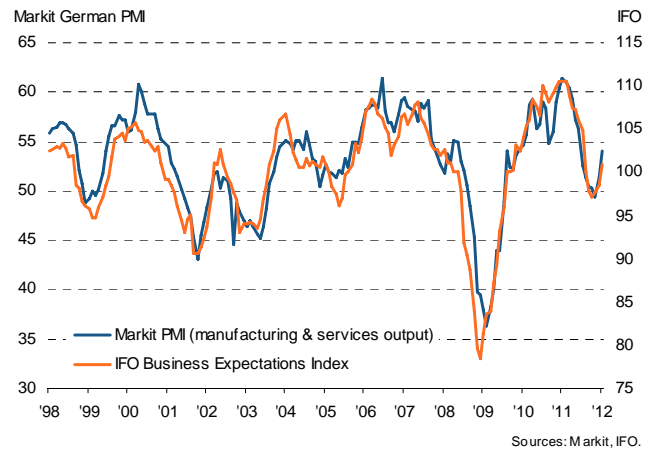
The IFO's headline Business Climate index rose from 107.3 in December to 108.3 in January, hitting its highest level since August. The sub-index of current business conditions fell slightly to its lowest since October 2010, but more importantly the expectations index (which, of the IFO indices, has a better correlation with gross domestic product) jumped from 98.6 to 100.9, moving higher for the third successive month.

IFO survey



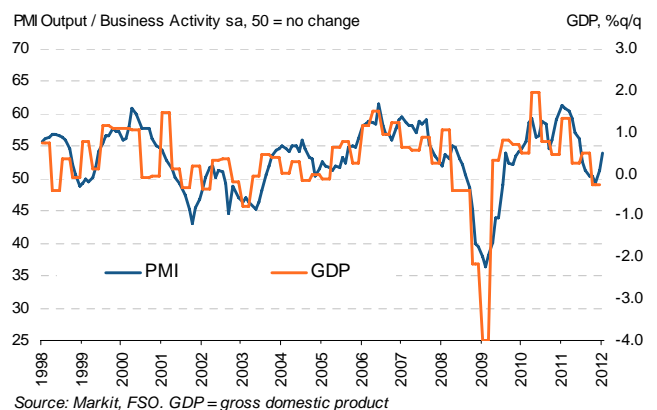
The improvement in the expectations index takes business confidence to the highest seen since last July and matches a similar upturn in the PMI for Germany. The flash PMI for January, covering both manufacturing and services, rose to a seven-month high of 54.0 in January, up for the second month running from 51.3 in December.

German PMI and IFO surveys compared



The IFO survey therefore reinforces the message from the flash PMI that the German economy most likely returned to growth in January, following a downturn in the final quarter of last year. Official estimates indicate that gross domestic product (GDP) contracted 0.25% in the three months to December, but if the January level of the PMI is sustained in February and March then an expansion of 0.5% could be seen for the first quarter.

Economic growth



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