

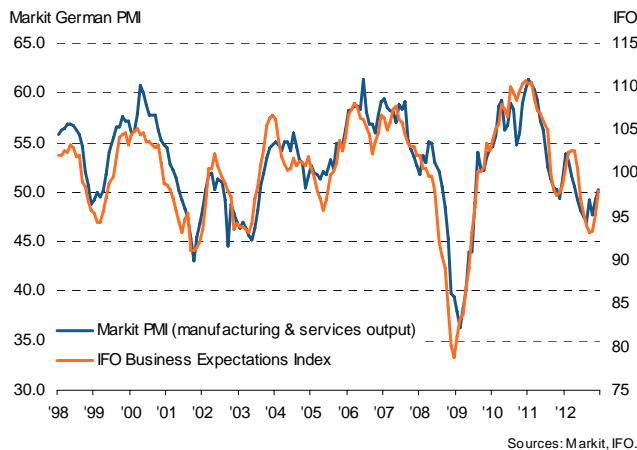
# Germany

## Business cycle upswing signalled as IFO survey rises in line with PMI

- IFO expectations index rises for third month running in January
- IFO and PMI surveys point to Q1 GDP recovery

The IFO survey of German business conditions rose sharply in January, matching a similar rise in the flash PMI, published on Thursday. The positive survey data indicate that the economy is reviving as it enters 2013, recovering from a disappointing end to 2012.

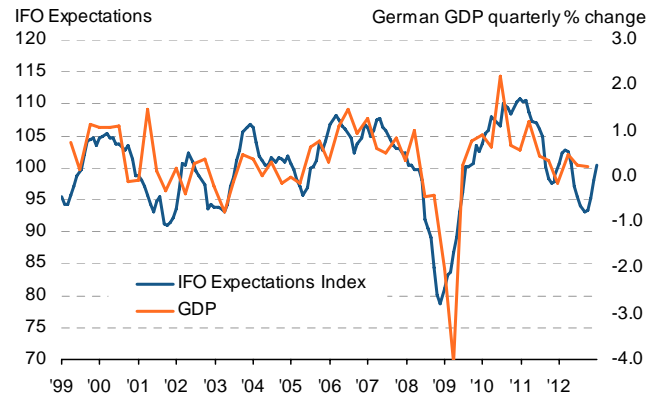
### PMI and IFO surveys compared



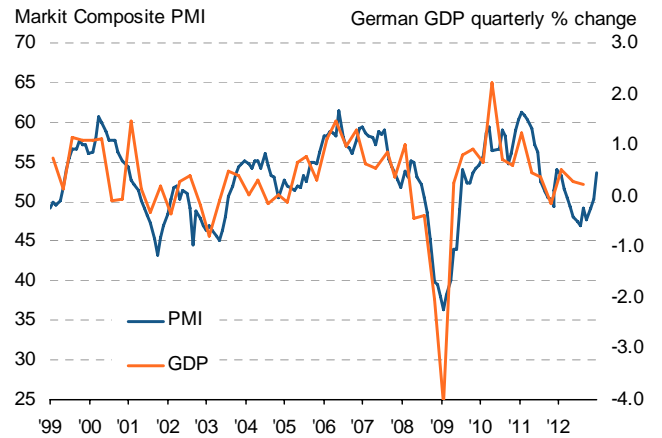
The most important indicator from the IFO survey, in terms of ability to track GDP, is the expectations index, which also correlates closely with the PMI. The index rose for a third month running in January, up from 102.4 in December to 104.2, its highest since last June. By comparison, Thursday's flash estimate of the January PMI showed the index likewise rising for a third successive month, though in the case of the PMI the reading was the highest since last January.

The surveys therefore send a consistent message that the German economy is recovering from what looks to have been a sharp downturn late last year. Unconfirmed official data for 2012 indicate that GDP fell by 0.5% in the fourth quarter, which is broadly in line with the message from the two surveys. However, both surveys have risen in January to levels that are broadly consistent with rising GDP, with the PMI signalling a quarterly rate of growth approaching 0.5% while the IFO points to a more modest rate of 0.1-0.2%.

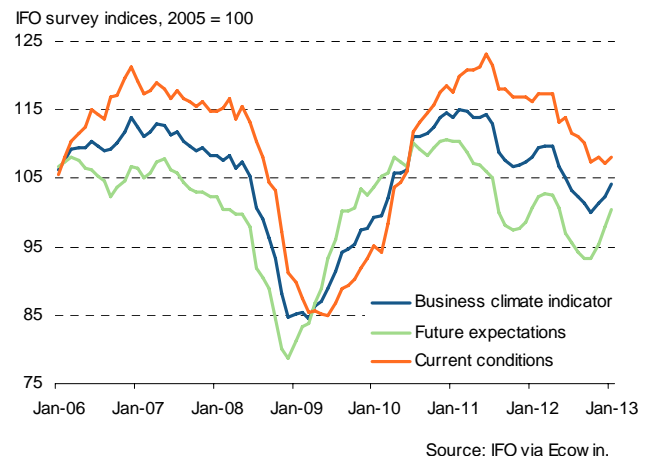
### IFO and GDP compared



### PMI and GDP compared



### IFO indices



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