

9 December 2008

Economic News

GROWTH IN GERMANY

ZEW: Expectations higher – current situation lower

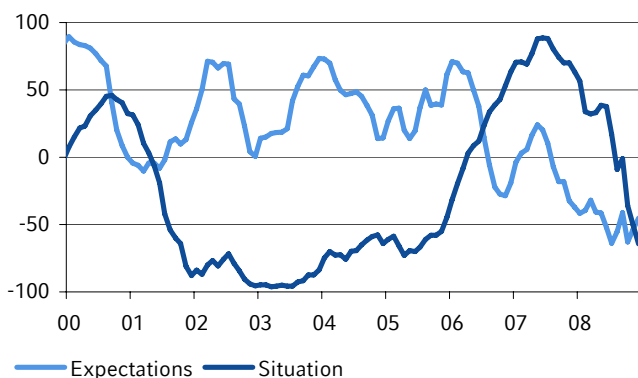
In contrast to expectations, the ZEW Indicator of Economic Sentiment rose. The index gained a good eight points to currently -45.2. However, the assessment of the current business situation continued to decline. Nearly two-thirds of the analysts surveyed described the current situation as “poor”. From a purely technical point of view the assessment of the business situation will probably soon bottom out.

- The central banks’ massive rate cuts and the national governments’ approved bank rescue packages are making themselves felt – at least among the analysts surveyed by the ZEW. The increase in the ZEW Indicator of Economic Sentiment can be interpreted to mean that in 6 months the economic trend will once again be regarded less pessimistically. Therein probably lies the hope of the pundits, namely that the measures adopted will start having an effect. Nonetheless, the outlook remains written in deeply red ink.
- The current business assessment has continued to deteriorate unabated. The corresponding index fell by 14.1 points to -64.5 points and is therefore fast approaching its lowest possible point of -100 points. This level was reached once before during the recession following the German reunification boom at the start of the nineties. Even if this is of no real comfort in the current environment, the index can go no lower than -100 points. To this extent, we believe the low point for the current business assessment will soon be reached.

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Germany: ZEW economic expectations and current situation

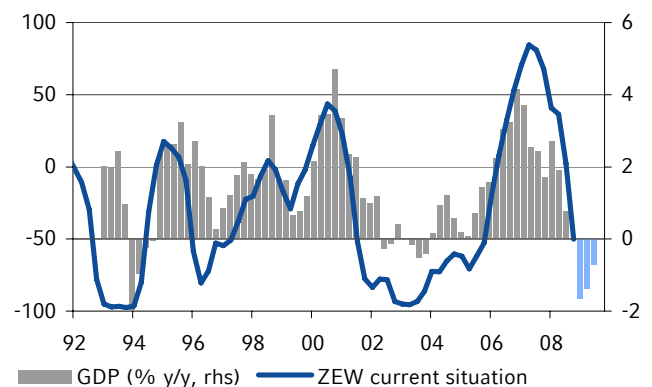
(basis points)



Source EcoWin, WestLB Research

Germany: GDP and ZEW current situation assessment

(in % yoy and balance points)



Source EcoWin, WestLB Research

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