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Economic News

GROWTH IN GERMANY

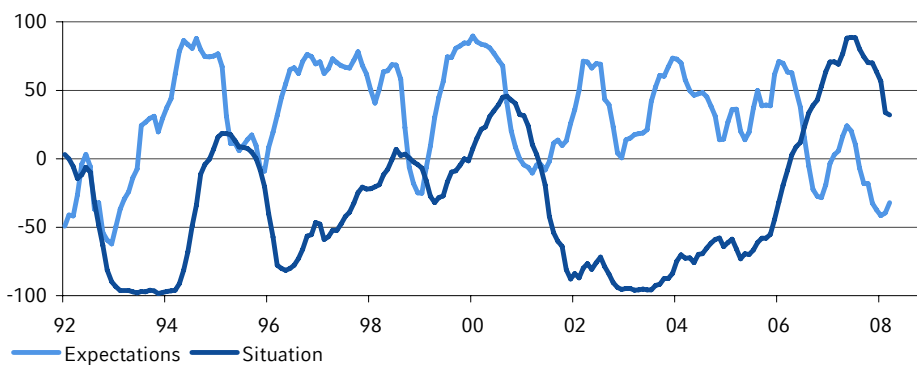
ZEW index rises more than expected

ZEW growth expectations brightened unexpectedly sharply in March. The index rose to currently -32.0 points following -39.5 points in February. The index showing how the surveyed analysts assessed the current situation dropped slightly to 32.1 points. As a result, taken together with the recently published economic data we see no signs of an economic slump.

- The financial market analysts surveyed by the ZEW now see a more favourable trend for the Germany economy again on a six-month horizon than was the case only last month. The index rose by 7.5 to currently -32.0 points. This is likely to be a reflection of the expectation that the financial market crisis will have peaked by September. The analysts also take a more positive view of the US economy going forward. This is accompanied by an expected firming of the US dollar, which is likely to benefit the export-oriented sectors of the German economy. Moreover, the prospects for private consumption have brightened.
- The analysts responded only slightly more pessimistically when asked about how they assessed the current situation. The relevant index merely dropped back by 1.6 points.
- Another striking feature was the trend with regard to inflation expectations. There is now virtually an equal number of analysts expecting inflation to fall/rise. This means that financial market analysts do not expect inflation to decline significantly in the months ahead.
- Taken together with the economic data released in recent weeks (labour market, industrial production, etc.), the ZEW's latest Indicator of Economic Sentiment underscores the strength of the German economy. There are still no signs of an economic slump. Since at the same time the inflation rates for the foreseeable future may well remain above the ECB's "comfort zone", a cutting of interest rates any time soon is unlikely.

ZEW Indicator of Economic Sentiment and Assessment of Current Situation

Balance points



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