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Economic News

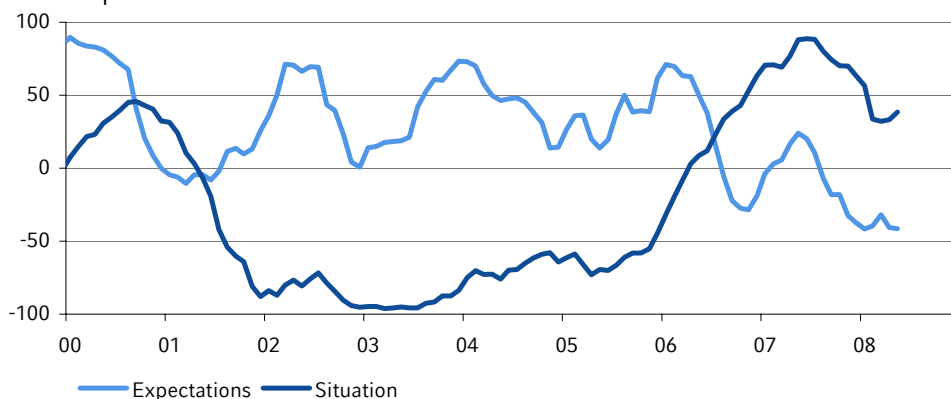
GROWTH IN GERMANY

ZEW economic expectations stabilise

- The ZEW economic expectations index remained virtually unchanged in May, declining slightly by 0.7 point to -41.4 points. According to the ZEW, two opposing factors are responsible for the expectations component remaining well below its historical average. On the one hand, economic expectations for the USA have improved considerably, from which the German export industry in particular would stand to benefit. On the other hand, the analysts surveyed are increasingly concerned about the negative impact of inflation on private consumption.
- The assessment of the current economic situation improved significantly over last month. The corresponding index rose by 5.4 points to 38.6 points. The sharp increase in GDP in the first quarter (+1.5% q/q) is also likely to have played an important role, as the latest growth figures such as incoming orders and production tended to be disappointing. In empirical terms, the ZEW assessment of the current situation is trailing slightly behind the actual economic trend.
- On balance, the latest release of the ZEW survey supports our view that there is currently **no need for undue economic pessimism**. Given that the German economy grew very strongly at the start of the year, we expect growth momentum to slow down over the rest of the year owing to the large number of negative factors. Economic prospects will probably improve in the first half of next year at the earliest.

ZEW economic expectations and assessment of current business situation

balance points



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