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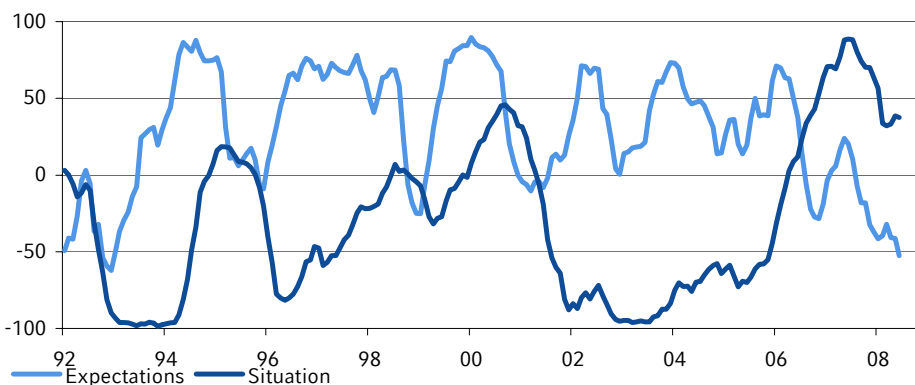
# Economic News

## GROWTH IN GERMANY

### ZEW economic expectations hit lowest level since December 1992

- The financial analysts surveyed by ZEW in June were more downbeat about the prospects for growth in Germany compared to the previous month. The ZEW index fell from -41.4 to -52.4 points, its lowest level since December 1992. The assessment of the current business situation is significantly better than it was at that time, when the German economy was in a recession – the corresponding business situation index stood at -90 points – whereas now the current situation was judged somewhat more sceptically than in May. However, at 37.6 points the index remains well above its long-term average of -30 points.
- Currently, there are more than enough reasons for a more downbeat assessment of growth expectations. In addition to existing strains such as the firm euro, as well as the slowdown in global growth and the fallout from the financial market crisis, above all the recent oil price hike and the increasing likelihood of a tightening move by the ECB are likely to have been contributing factors. Due to the rising price of crude oil, which has led to further price increases for other energy sources, the anticipated recovery of private consumption appears to be increasingly questionable, as a significant share of households' additional income is being eroded as a result.
- Today's ZEW survey results are in line with the forecast of growth slackening off over the rest of the year. We do not expect a recovery before the spring of next year. Given the considerable negative factors weighing on the economy, we expect the Ifo business climate index and the purchasing managers index to deteriorate next week. Amid the already high risks to growth, the ECB would run the risk of exacerbating the expected economic slowdown by tightening its monetary policy.

#### ZEW economic expectations and assessment of current business situation (balance points)



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