

20 January 2009

Economic News

GROWTH IN GERMANY

ZEW: Financial market analysts less pessimistic

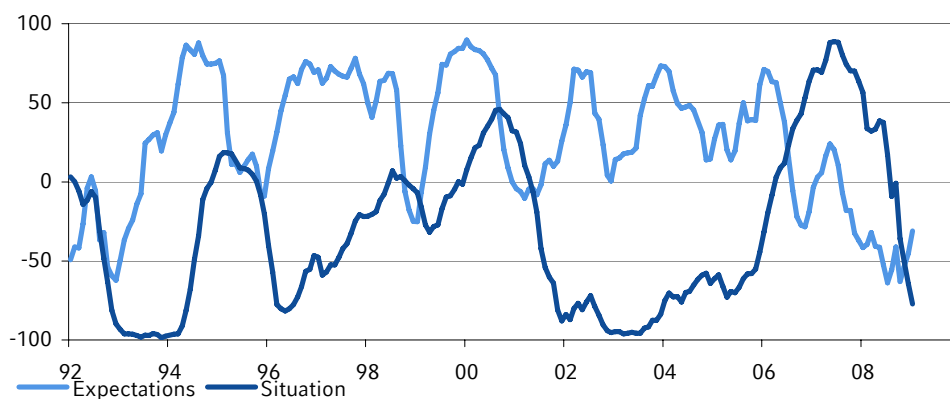
The ZEW Economic Sentiment Indicators have improved considerably in January, with the index jumping a good 14 points to a current level of -31.0. The current assessment of the business situation has again declined. Even though the German economy is currently in a deep recession, today's results suggest that growth will become stable again towards the middle of this year.

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- The central banks' rate cuts and the German federal government's second economic stimulus package are making themselves felt – at least among the analysts surveyed by the ZEW. Economic expectations have improved markedly in January. The ZEW index rose by a good 14 points to -31.0. It is therefore still well below the long-term average (+26.5 points), but today's increase suggests that the economic trend is set to improve on a six-month horizon.
- Conversely, the current assessment of the business situation continued its downward trend of the past few months unchecked. The corresponding index fell by more than 12 points and currently stands at -77.1. The figures from the real economy suggest that economic activity in Germany will follow on from the very weak Q4 2008 and continue to contract in the current quarter. Consequently, the current situation assessment may well continue to deteriorate in the months to come.
- Following the unexpectedly positive findings of today's ZEW survey it remains to be seen whether other economic indicators will now also recover or at least bottom out. This would be an indication that the economy will stabilise once again by the middle of the year, as we forecast.

Germany: ZEW economic expectations and current situation

(standardised)



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