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Economic News

ZEW GROWTH EXPECTATIONS IN FEBRUARY

Fourth increase in succession – a trend reversal?

The ZEW economic expectations improved considerably more than expected in February. The index rose a good 25 points to currently -5.8. The current assessment of the business situation has again declined. If no other reason than the fact that the German economy is currently in such a deep recession, there is much to suggest that the situation is likely to improve on a 6-month horizon. But as long as only expectations improve, it would be premature to talk about a trend reversal.

Economist

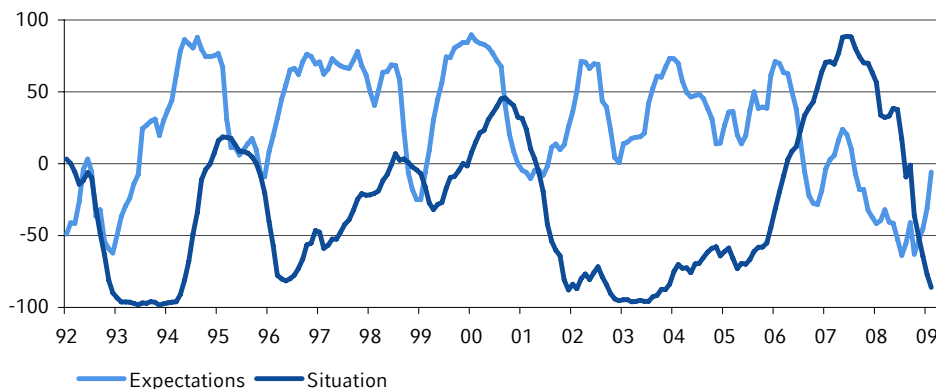
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- The sentiment of analysts polled by the ZEW brightened further in February as well. The ZEW economic expectations improved for the fourth time in succession to currently -5.8 points. Although this means that the index is still well below its long-standing average of a good +26 points, it has nevertheless already managed to make up a solid 57 points since its low from last October.
- Conversely, the current assessment of the business situation continued its downward trend of the past few months. The corresponding index fell by more than 9 points and currently stands at -86.2. The indicators available up to now for this year suggest that economic activity in Germany will continue to contract markedly in the current quarter. Consequently, the current situation assessment may well remain weak in the months to come, or even deteriorate further.
- At the end of the day, the rise in the ZEW Indicator of Economic Sentiment was welcome news; but it would be premature to infer there has been a turnaround in German economic performance. Following the deep slump the global economy had to bear in recent months, as yet it is only expectations that are rising. There can only really be talk of a turnaround when there is evidence of a revival in the data from the real economy, like incoming orders or production.

Germany: ZEW economic expectations and business situation



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