

## Germany: Between free fall and stabilisation

There still is hope but not a lot. A rising ZEW index, combined with a still falling current assessment component, suggest the pessimism will end, eventually



A mixed start to the week for economic data in Germany. This week offers the usual troika of confidence indicators, casting some light on the state of the German economy. While the PMI and Ifo indexes have a better track record at predicting actual GDP growth, the just-released ZEW index traditionally provides a good proxy of financial market participants' take on the economy. And the verdict is: the economy seems to be settling at a lower pace.

The ZEW index, which measures investors' confidence, increased for the fourth consecutive month, to -13.4 in February, from -15.0 in January. At the same time, however, the current assessment component dropped for the fifth month in a row, to its lowest level since December 2014. While the sharp correction in expectations had already come to an end in the second half of 2018, the current assessment component is still in free fall. A convergence, suggesting that the economy is about to find a new equilibrium, albeit at a lower pace. Consequently, today's ZEW index gives some hope that this week will not end with another OMG.

Today's ZEW index should also give some comfort to the European Central Bank, indicating that

there are some rays of light. Yet, it will still be too little to take away the ECB's increased concern. The fact that with Peter Praet and Francois Villeroy, two senior policy-makers, in less than two days hinting at possible changes to the forward-guidance on rates is more than the usual whistling in the dark.

## Author

### Carsten Brzeski

Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

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