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## MACRO NEWS

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### GERMAN ZEW: RECOVERY ON THE WAY?

#### Berenberg Macro Flash

##### German ZEW sentiment, November

	Current assessment	Expectations
<b>Actual</b>	<b>-24.7</b>	<b>-2.1</b>
Previous	-25.3	-22.8
Consensus	-22.3	-13.0
Berenberg	-25.0	-16.0

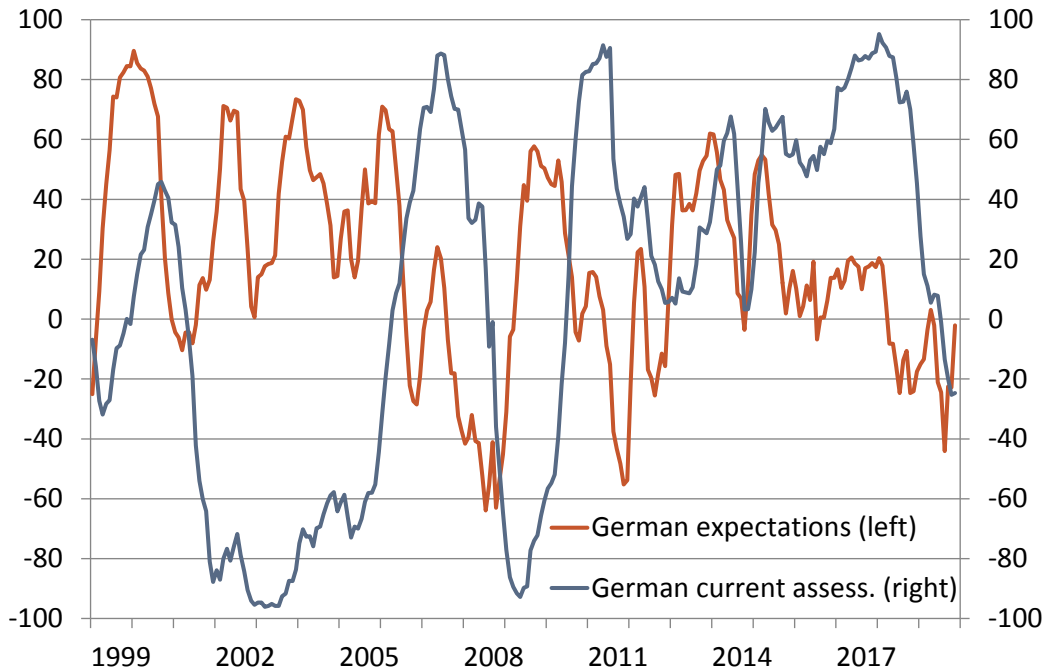
**Financial analysts are sniffing a potential economic improvement.** Over the last couple of months financial analysts had remained much more cautious than global financial markets which had hit record-highs. The ZEW expectations index, which depicts whether or not financial analysts expect the economy to improve over the next six months, had merely corrected the August plunge in September and was flat in October. In the absence of new political shocks financial analysts are turning less downbeat (see Charts 1 and 2). In November, the ZEW expectations index jumped by the most since January 2013 in the Eurozone (+22.5, from -23.5 in October to -1 in November) and the second most since December 2014 (+20.7 from -22.8 to -2.1, behind the +21.6 surge in September). Plus, for the first time since May financial analysts assessed current conditions better than in the previous month in both the Eurozone and Germany.

**Markets and financial analysts can flag economic turning points well in advance.** Of course, it is early days. The hard data is still bad. ZEW expectations are still low by historical standards. The long-time average since 1999 is 18.4 for Germany and 22.2 for the Eurozone. But if genuine economic data start to confirm the message from markets and financial analysts, we can usually be reasonably confident that better times are ahead again. We detect first signs that this is happening. The economic data is no longer surprising to the downside. Business expectations are – albeit at low levels – stabilising and factory orders are coming in less badly. Industrial production could find a bottom over the next couple of months – as long as Trump does not escalate his trade tensions and Brexit goes orderly, of course. As the tone between the US and China has turned more constructive, Trump is seemingly delaying to increase tariffs on EU car exports and Boris Johnson's Conservatives maintain a comfortable lead it does not look that bad as of now. If economic policy uncertainty lessens further, the downturn in global industrial production could peter out around the turn of the year (see Chart 3).



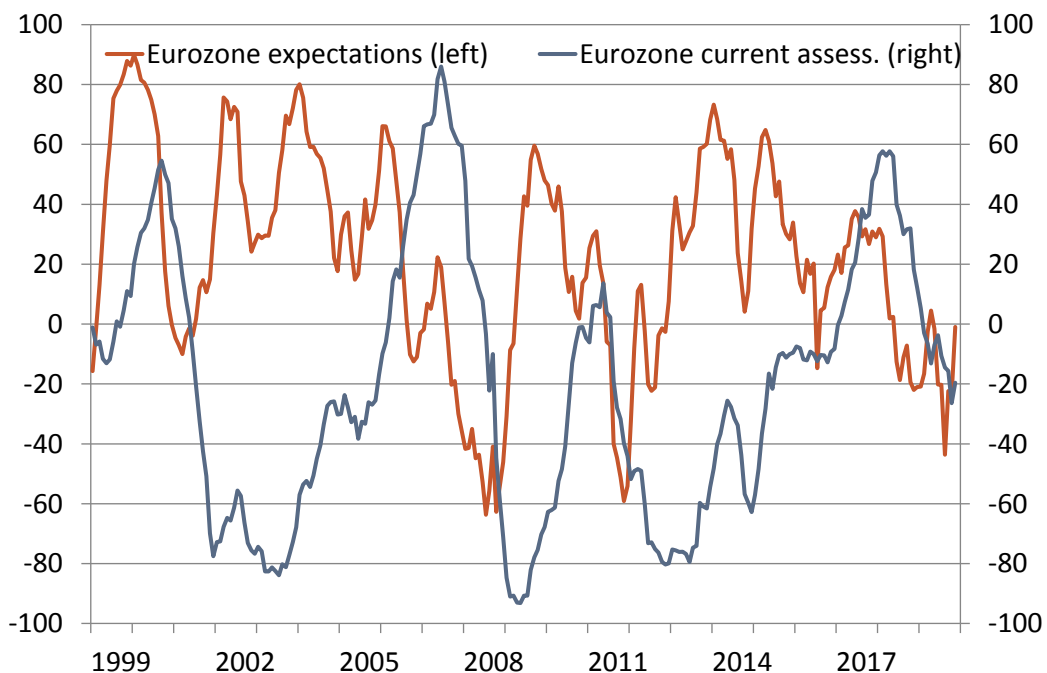
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Chart 1: German ZEW expectations versus current assessment



Source: ZEW

Chart 2: Eurozone ZEW expectations versus current assessment

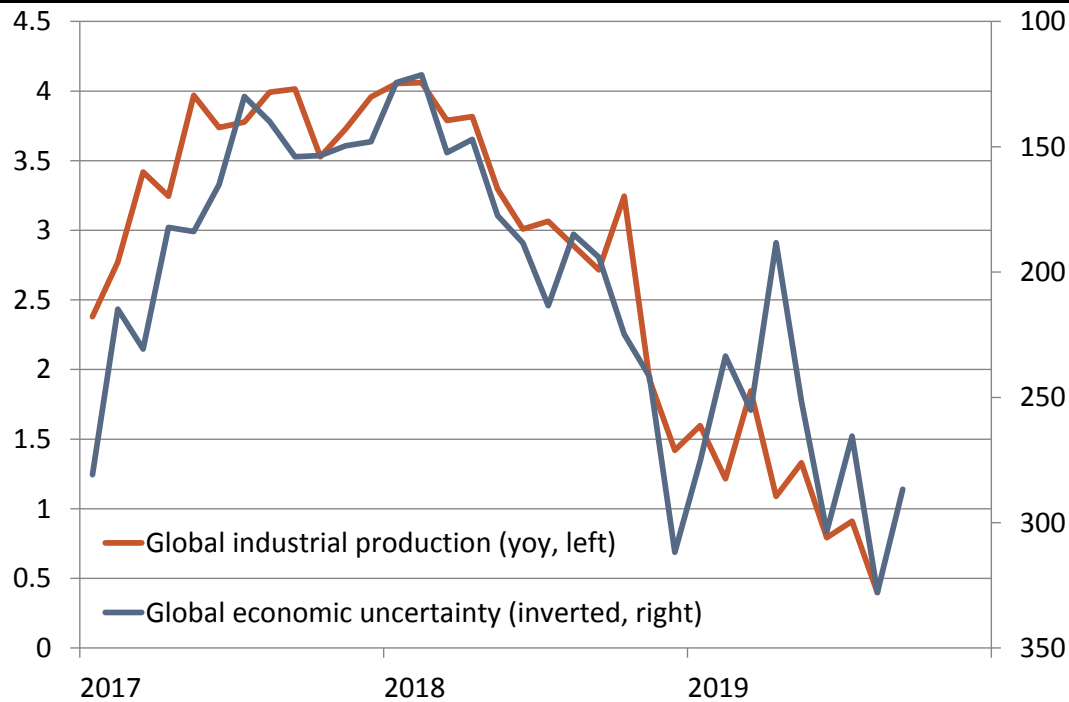


Source: ZEW



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**Chart 3: Global political uncertainty (inverted) versus industrial production (yoy, in %)**



Yoy growth in industrial production, in %, left scale. The global economic policy uncertainty index measures the frequency of references to economic policy uncertainty in newspapers in 20 major countries relative to the mean for each country; national results weighted with GDP; mean=100; three-month moving average, inverted right scale. Source: Netherlands Bureau for Economic Policy Analysis, [Policyuncertainty.com](http://Policyuncertainty.com),

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