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MACRO NEWS

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GERMAN ZEW: MORE CONVICTION ABOUT REBOUND AHEAD

Berenberg Macro Flash

German ZEW sentiment, January

	Current assessment	Expectations
Actual	-9.5	26.7
Previous	-19.9	10.7
Consensus	-13.5	15.0
Berenberg	-15.0	15.0

Financial market analysts gain more conviction that the German economy will rebound this year. December's strong gains in the ZEW reflect hopes for easing trade tensions in 2020 and an improving outlook for the export-oriented German economy after the US formally signed a "phase 1" trade deal with China last week.

German ZEW expectations rose from 10.7 in December to 26.7 in January, the highest since July 2015 (see Chart 1). Back in the second half of 2015 a Chinese-led global industrial slowdown weighed on the German economy. Things gradually improved from early 2016 onwards. The same should happen again this year.

The gains were similar for the whole Eurozone (from 11.2 to 25.6), the highest since February 2018 (see Chart 2). For both Germany and the Eurozone, the ZEW expectations indices have jumped beyond their long-term averages of 18.4 for Germany (since 1992) and 22.2 for the Eurozone (since 1999).

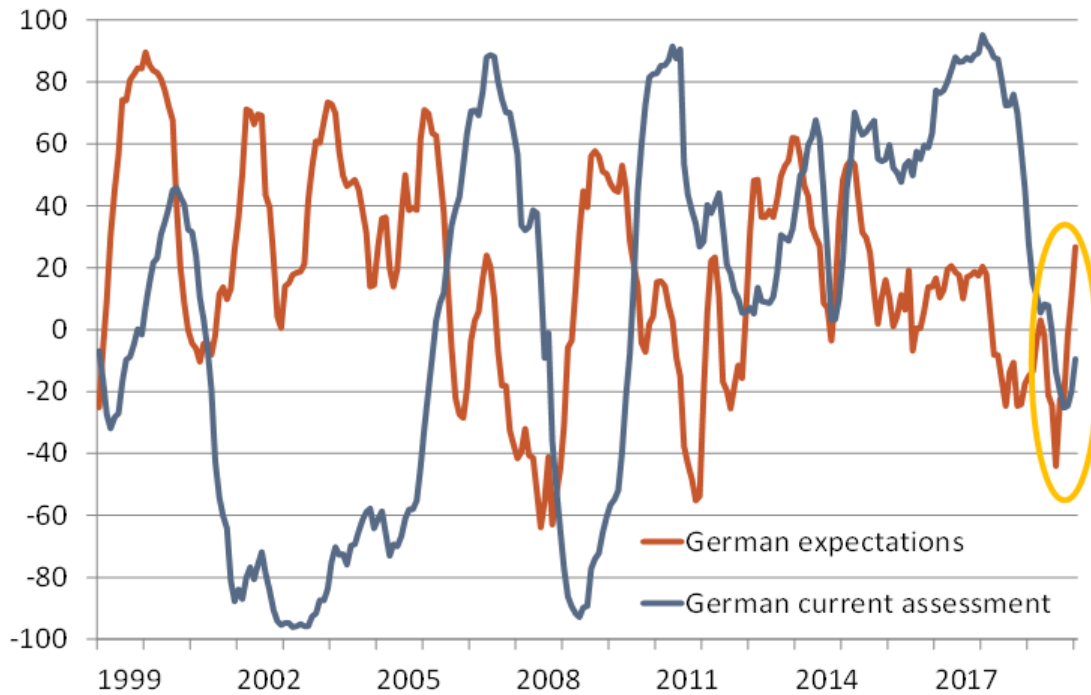
Modest rebound ahead: Our big bet for this year is that the politics will continue to largely go right. As a consequence, we expect the downturn to bottom out early this year and growth to recover throughout 2020. After 0.1-0.2% qoq in Q4 2019 and Q1 2020, German and Eurozone growth could pick-up to its trend rate of 0.4% in H2 2020.

The assessment of the current situation also edged higher from -19.9 to -9.5 (Germany) and from -14.7 to -9.9 (Eurozone) (long-term average: 6.3 and -18.8, respectively). Financial market analysts seemed to take their cues from the previously somewhat more reassuring data, including the full-year 2019 German GDP print.



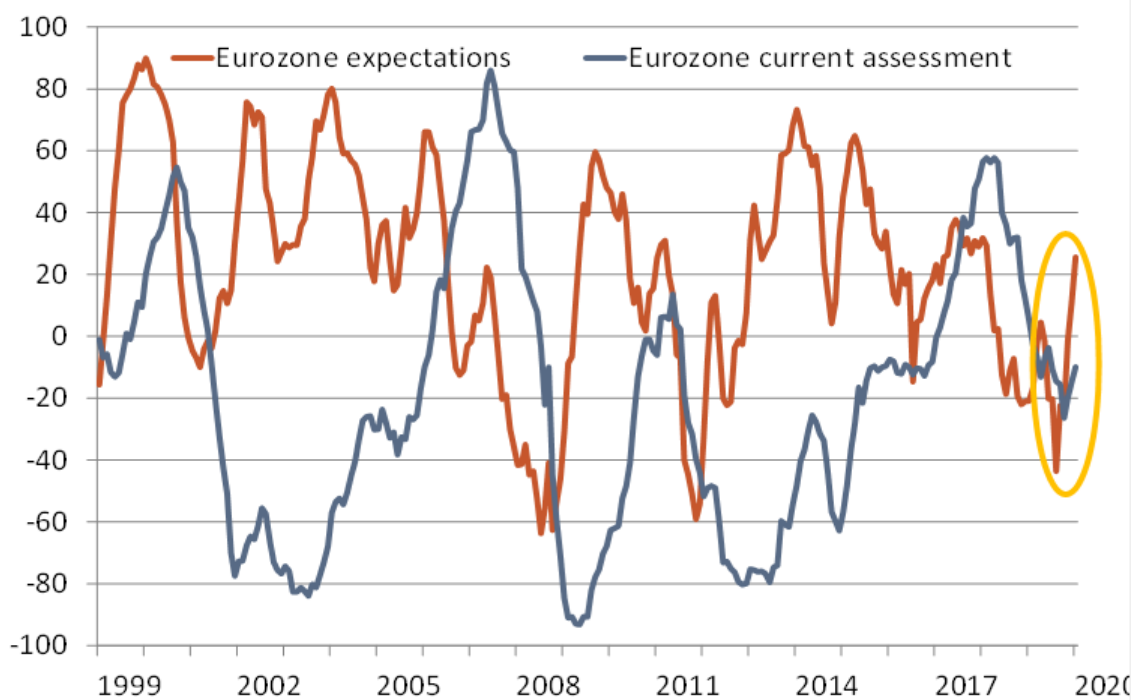
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Chart 1: German ZEW expectations versus current assessment



Source: ZEW

Chart 2: Eurozone ZEW expectations versus current assessment



Source: ZEW



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