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PARTNERSHIP SINCE 1590

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## ZEW GERMAN SENTIMENT: BETTER DAYS TO COME

### Berenberg Macro Flash

**Are we beyond the worst?** Financial analysts monthly surveyed by the ZEW in mid-May at least are increasingly confident that better days will come for the German and Eurozone economy within six months. We largely agree: 1) It could not get much worse than it was in March and April. 2) We see genuine reasons to be turning more optimistic by the day after months of extreme pessimism and uncertainty.

**Outlook turning less uncertain:** After the biggest gain in the series' history since 1991 in April by 77.7 points, the indicator for panellists' 6-month ahead expectations for the German economy jumped further by 22.8 points to a positive balance between optimists and pessimists of 51.0. The indicator for Eurozone expectations also surged by 20.8 points to 46.0 in May. As many European countries have started to ease their lockdowns, the outlook, albeit still uncertain, is turning less uncertain. Both activity and sentiment have started to recover, and should gather more pace by the day. Of course, it is still very early days: many unknowns of this pandemic remain and renewed infections waves could come back in vengeance, even though that is not our base case.

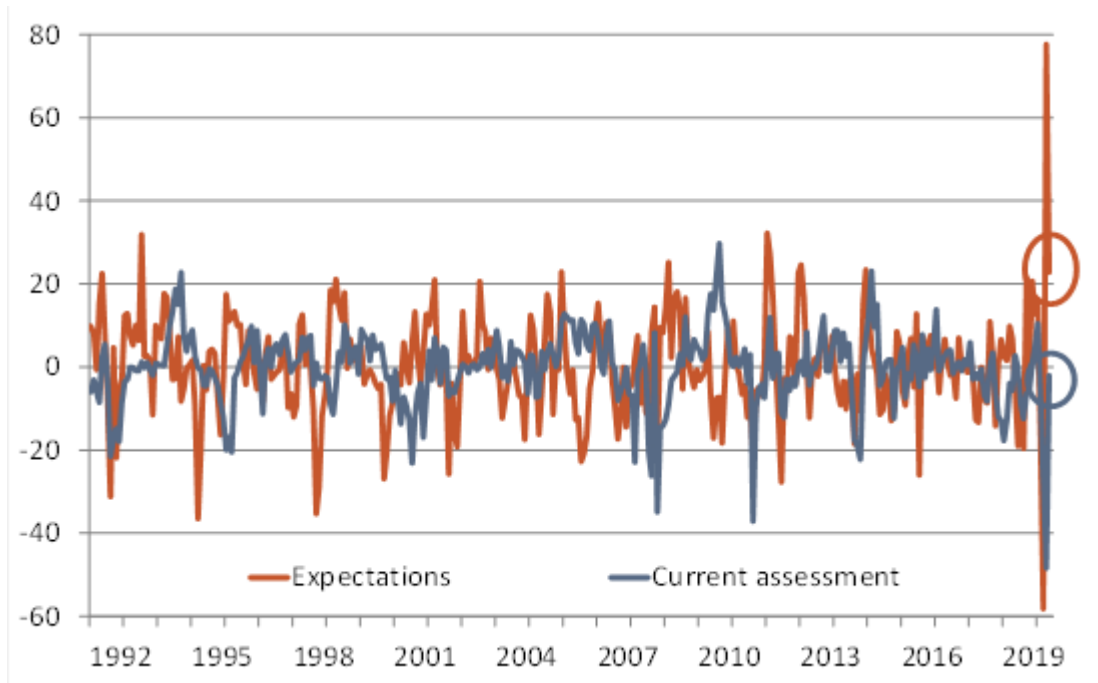
**It will be a long way:** In addition, the recovery is unfolding from extremely depressed levels. Current economic conditions in Germany – somewhat surprisingly – slipped further in May to a new low since 2003 according to ZEW panellists. The corresponding indicator for Germany dropped by 2 points from -91.5 in March to -93.5 this month, close to the hypothetical lower bound of -100. It underlines how much the economy has to do to return to pre-crisis levels. We and ZEW financial analysts expect that will not happen before mid-2022. See our call for a [tick mark recovery](#).

**Chart 1: German ZEW expectations and current assessment (monthly change)**

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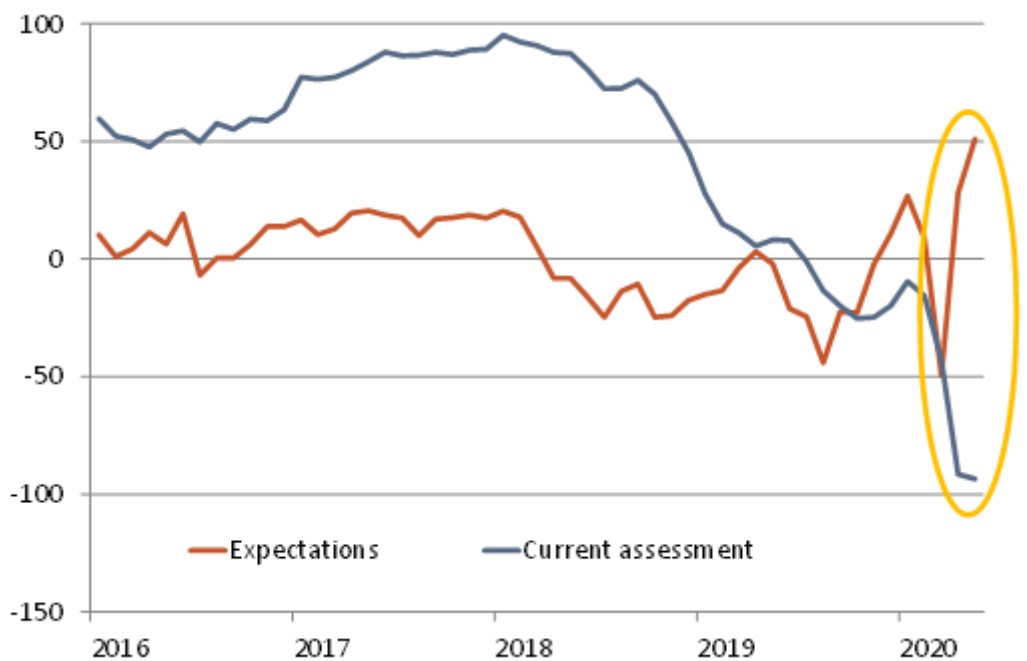


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Source: ZEW

Chart 2: German ZEW expectations versus current assessment since 2016

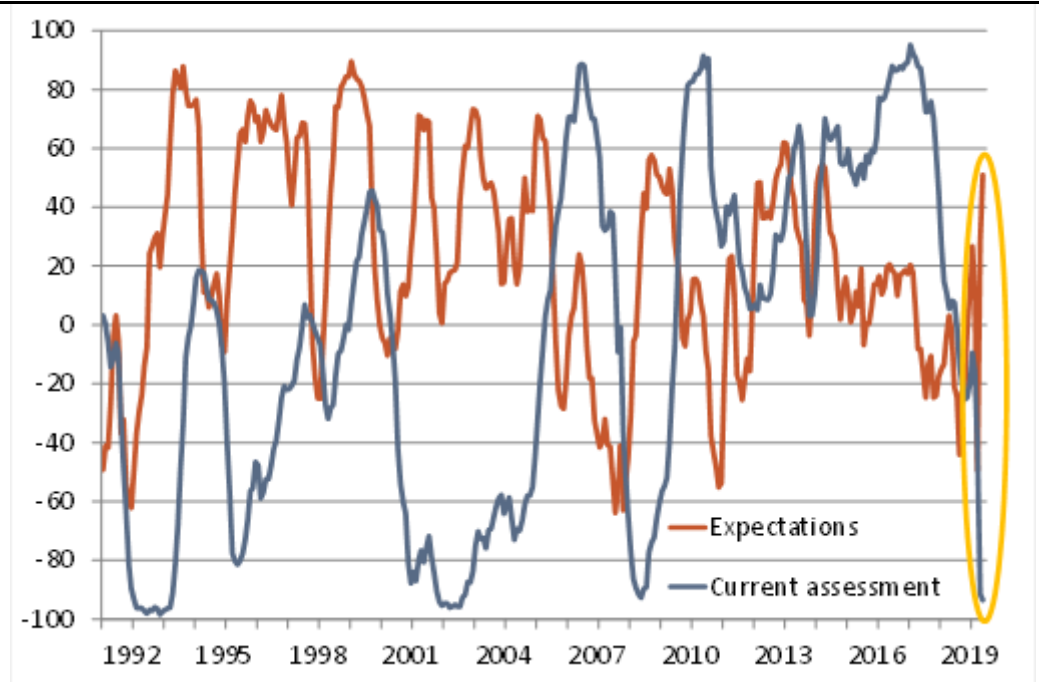


Source: ZEW



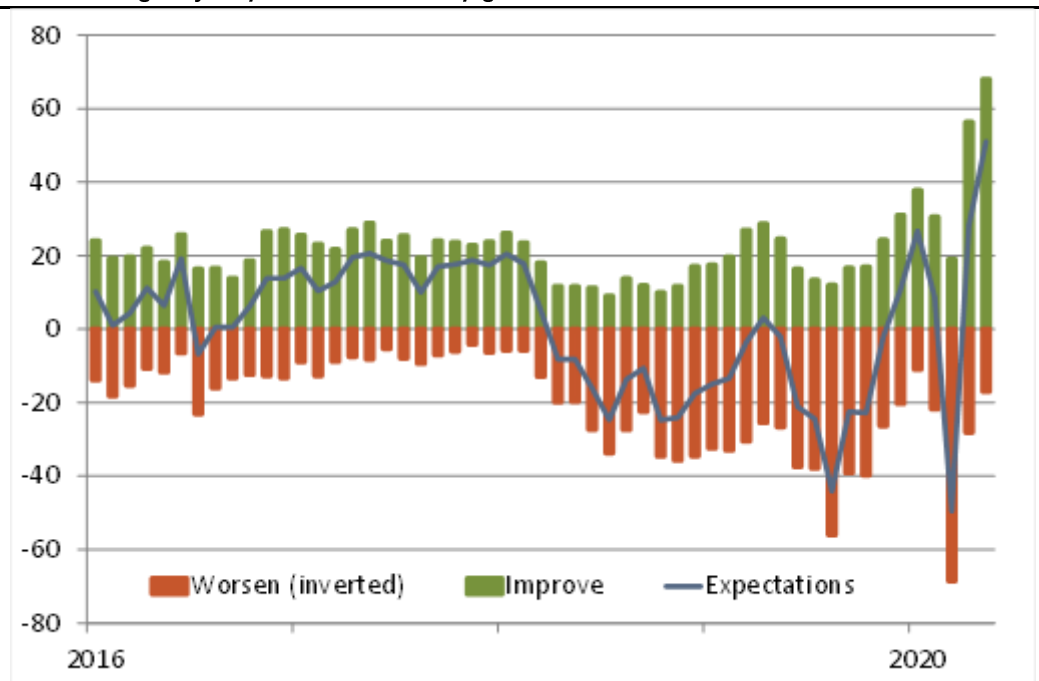
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Chart 3: German ZEW expectations versus current assessment since 1992



Source: ZEW

Chart 4: Big majority thinks it can only get better



The value for the ZEW sentiment indicators is the ppt difference between the percentage of optimists ("improve") and pessimists ("worsen") among panellists. Source: ZEW



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