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GERMAN ZEW REBOUNDS FROM INITIAL BREXIT SHOCK

Berenberg Macro Flash

German ZEW, August

	Current situation	Expectations
Actual:	57.6	0.5
Previous:	49.8	-6.8
Consensus:	50.2	2.0
Berenberg:	50.2	2.0

German ZEW surveys rebounded in July to pre-Brexit vote levels. While the expectations indicator (+6 months) recovered to 0.5 from -6.8 in July, it was below expectations of 2.0. Current assessment, the more reliable indicator of underlying conditions, rose to 57.6 (vs. 49.8 in July and 50.2 expected). This was the highest level since Q1 when Germany enjoyed its fastest quarterly rate of growth since 2014 Q4.

Rebound from initial shock: Today's figures show a rebound from the initial negative shock to sentiment in July that followed the UK's decision to vote to leave the EU on June 23 - helped by the strong rebound in stock indices - DAX +15% and EuroStoxx +12% since lows on June 27 (see chart). The improvement puts the ZEW in line with other soft data for the start of Q3. Whereas the ZEW weakened in July, the Ifo, the PMIs and the EU's economic confidence indicator remained resilient.

Upside risk to H2 growth outlook: The strong rebound of the ZEW current assessment sub-index points to an improvement in economic activity during Q3. While our central expectation is that the German growth rate will slow in the second half of the year to a rate of 0.3% qoq (trend 0.4%) as Brexit uncertainty weighs on business investment, and to a lesser extent consumption, risks are skewed to the upside.

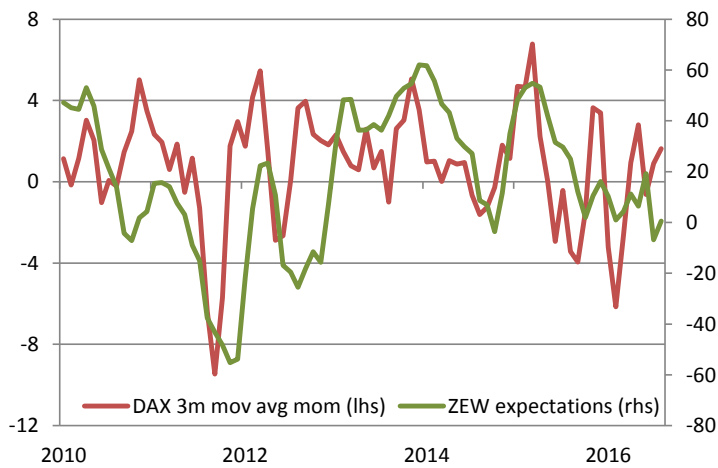
German ZEW

	AUG	JUL	JUN	MAY	APR	MAR
Current situation	57.6	49.8	54.5	53.1	47.7	50.7
Expectations	0.5	-6.8	19.2	6.4	11.2	4.3



MACRO NEWS

ZEW expectations vs. DAX monthly change (3m moving average, in %)



Source: ZEW

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