

Economic Perspectives

A Research Publication by DZ BANK AG

DZ BANK Euro-Indicator

The hope for the recovery lives!

The Corona pandemic is in the middle of its second wave, but the signs of an imminent economic upturn are increasing. This is illustrated by the current development of the DZ BANK Euro Indicator, which rose by 0.8 percent to a level of 98.8 points in January 2021. This means that the indicator's annual rate of change of +0.2 percent is above the zero line again for the first time in around two and a half years.

The setback in November, when the beginning of the lockdown in a whole series of countries had a noticeable impact on the European sentiment indicators in particular, was more than made up for in the past month. Almost all the sub-indicators included in the calculation have recently contributed to the improvement in our leading indicator.

For example, consumer confidence in Europe recovered somewhat in December according to the EU Commission's survey. In the autumn months, the indicator had fallen to its lowest level since the spring. In December, private households were somewhat more optimistic about the general economic outlook, despite the economic slowdown in many countries, and were no longer as pessimistic about the development of their own financial situation as in previous months. Even the willingness to make major purchases has recently increased again - although retail stores have to remain closed in many places. Overall, however, and despite the recent brightening, it must also be noted that sentiment indicators are still well below their long-term averages and a thorough recovery in private consumer spending is unlikely over the next 2-3 months.

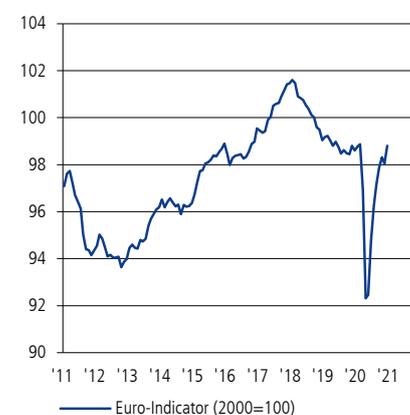
In the industrial sector, on the other hand, the current situation looks much more positive. The survey of purchasing managers currently even signals the best business climate since May 2018, with the purchasing managers' index measured by IHS Markit clearly in growth territory at 55.2 points. Accordingly, production expanded at an accelerated rate, which is attributable to an upturn in new business. Export orders increased particularly strongly. The EU Commission's survey of production expectations in the manufacturing sector also signals a brighter business climate. The outlook for companies has improved significantly following the deep slump in the spring, even if the figures are still below their long-term average.

On balance, positive signals have also recently been coming from the financial markets. While the interest rate differential between the capital and money markets remained largely unchanged, share prices continued to rise in the past month.

MACROECONOMICS

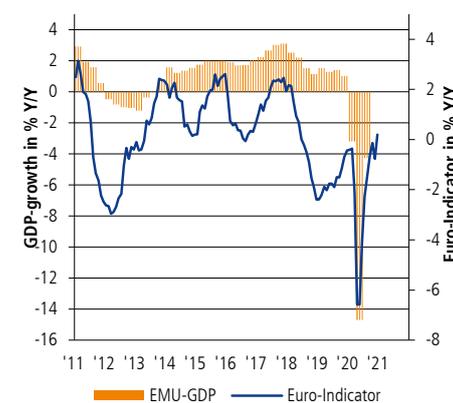
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DZ BANK EURO-INDICATOR



Source: DZ BANK Research

DZ BANK EURO-INDICATOR AND GDP-GROWTH



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