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sentix Economic Index: Germany still in crisis

- The sentix overall economic index for the eurozone rises for the third time in a row to -15.8 points. However, even though the situation and expectations values have each risen by 1 point, this does not yet ensure a turnaround.
- One of the reasons for this is Germany. Contrary to the Eurozone trend, the overall score fell by 0.6 points. Situation and expectation values are declining, emphasising that the recession in Germany persists and will not go away on its own without further ado.
- Internationally, there are notable improvements to report in the Asia ex Japan region. Investors are evidently expecting China to show a more dynamic performance again in 2024. There is also a clear improvement in sentiment in the Latin America region. It seems as if the new president of Argentina will be able to create a spirit of optimism.

Statistics

Poll from **4th Jan. to 6th Jan. 2024**
Survey participants: **1,282 investors**
(**241** of those are institutional investors)

Current economic regimes* of countries /regions in focus:

Region / country	Regime	Region / country	Regime
 Eurozone	Downturn	 USA	Cooling down
 Germany	Recession	 Japan	Slight upswing
 Switzerland	Colling down	Asia ex-Japan	Slight upswing
 Austria	Downturn	Latin America	Downturn
Eastern Europe	Recession	Global Aggregate	Stagnation

* The regimes – ranging from recession to boom – are derived from the sentix Economic Indices according to the principle of the “economy clock” (see annotation on penultimate page). They reflect investors’ perceptions of different economies. These perceptions are the basis for investors’ behaviour, i.e. their asset allocation, and are thus relevant for financial markets. They are historically close to actual economic activities but need not necessarily be identical.

Results for the Euro area economy: January 2024

Euro Area	Aug. 23	Sep. 23	Oct. 23	Nov. 23	Dec. 23	Jan. 24		
Overall index	-18.9	-21.5	-21.9	-18.6	-16.8	-15.8	Highest since 05.2023	3. increase in a row
Headline Index								
- Current situation	-20.5	-22.0	-27.0	-26.8	-23.5	-22.5		3. increase in a row
- Expectations	-17.3	-21.0	-16.8	-10.0	-9.8	-8.8	Highest since 02.2023	4. Increase in a row



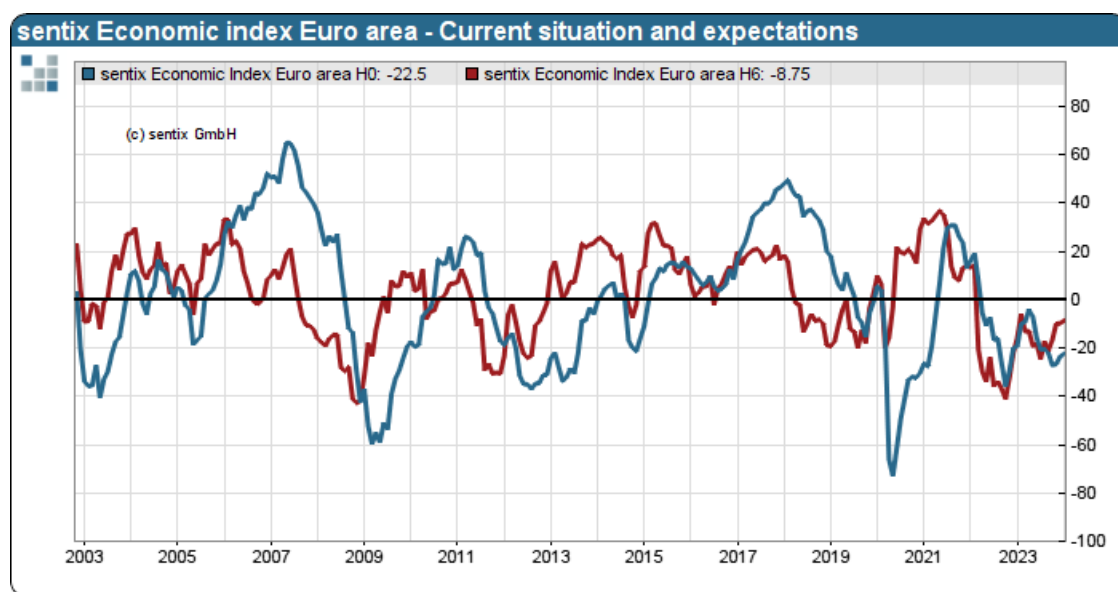
Commentary on the survey results for January 2024

Germany still in crisis

The sentix Economic Indicator for January shows the third consecutive improvement in the overall index for the eurozone. Situation and expectation values both rise by 1 point. And yet this is unlikely to be a turnaround. This is partly due to Germany, whose economy is still in recession and therefore in crisis. Internationally, there is positive news from Asia and Latin America. However, it is questionable whether this will be enough to reverse the global trend. This is because a new problem is on the horizon with regard to inflation and therefore central bank policy.

Euro area: No turnaround yet

At the beginning of January, the sentix overall economic index rose for the third time in a row to -15.8 points. This is the highest value since May 2023. Situation and expectations improved by 1 point each. Expectations are thus rising for the fourth time in a row. And yet, in our opinion, it is too early to speak of a trend reversal. Even if the situation values are improving, they are still at a very weak level of -22.5. The economy in the eurozone is also struggling with recessionary tendencies. And the expectation values should already be clearly positive in order to imply a justified hope for a turnaround.



sentix Economic Index for the Eurozone: **current situation** and **expectations**

Many investors are pinning their hopes on a possible turnaround in interest rates this year. According to investor expectations, the ECB and the US Federal Reserve will soon respond to the recent improvement in inflation data and the current economic weakness by cutting interest rates. But this is precisely where a new problem is emerging.

The sentix thematic barometer "Central Bank Policy" is still signalling positive interest rate expectations. However, the sub-index of inflation expectations shows a sharp drop of 18 points from 16.25 to -1.75! The reasons for this are not only the extensive administrative cost increases due to tax hikes in Germany, but also the considerable rise in freight costs again, which can be observed due to the unrest in the Red Sea area in recent days. Interest rate hopes could therefore prove to be deceptive, which could place new burdens on the ailing economy in the eurozone.



Germany: In crisis

Germany is not emerging from the recession and thus from its economic crisis. How could it? If taxes and levies are increased during a crisis and entire sections of the population are turned against the government's actions, as shown by the large-scale protests announced by farmers and others, then we should not complain if investors assume that the economic problems will continue. All sentix indices for Germany are declining and, given the circumstances, this decline even seems mild.

Germany	Aug. 23	Sep. 23	Oct. 23	Nov. 23	Dec. 23	Jan. 24
Overall index	-30.7	-33.1	-31.1	-26.3	-25.5	-26.1
Headline Index						
- Current situation	-35.3	-38.3	-39.5	-37.8	-35.3	-35.5
- Expectations	-26.0	-27.8	-22.3	-14.0	-15.3	-16.3

USA: Still stable

The US economy remains robust. The sub-indices show a mixed picture. While expectations have improved by 2.8 points and are at their best level since February 2023, the assessment of the current situation has fallen by 1.8 points. The US economy is therefore sending out mixed but still stable signals overall. However, investors in the US are also pinning their hopes on an easing of the restrictive monetary policy. As not only the economy, but above all the labour market, is extremely resilient, expectations in the USA may have got a little too far ahead of themselves.

United States	Aug. 23	Sep. 23	Oct. 23	Nov. 23	Dec. 23	Jan. 24	
Overall index	5.1	2.2	0.8	5.0	5.6	6.2	Highest since 03.2022 3. increase in a row
Headline Index							
- Current situation	16.0	14.0	11.8	18.0	19.3	17.5	
- Expectations	-5.3	-9.0	-9.5	-7.3	-7.3	-4.5	Highest since 02.2023

Latin America: Change in sentiment

Since Argentina has seen a much noticed change in the presidency and the new President Javier Milei is seen as a libertarian, investors are once again looking closely at the crisis-ridden country. And apparently Milei's first announcements and official acts are raising hopes that there could actually be a turnaround that could even have a positive impact on the entire region. The overall economic index rises to -6.5 points, which is the best value since February 2022. Expectations are also rising for the fourth time in a row.

Latin America	Aug. 23	Sep. 23	Oct. 23	Nov. 23	Dec. 23	Jan. 24	
Overall index	-8.4	-11.6	-11.5	-11.5	-10.2	-6.5	Highest since 02.2022 4. increase in a row
Headline Index							
- Current situation	-11.0	-14.0	-15.0	-16.8	-16.3	-10.5	Highest since 04.2022
- Expectations	-5.8	-9.3	-8.0	-6.0	-4.0	-2.5	Highest since 02.2023 4. Increase in a row



Further result tables

Japan	Aug. 23	Sep. 23	Oct. 23	Nov. 23	Dec. 23	Jan. 24		
Overall index	3.5	3.5	3.3	4.5	4.6	6.8	Highest since 02.2022	3. increase in a row
Headline Index								
- Current situation	8.0	10.5	10.3	8.5	9.3	10.3		
- Expectations	-1.0	-3.3	-3.5	0.5	0.0	3.5	Highest since 02.2022	

Asia ex Japan	Aug. 23	Sep. 23	Oct. 23	Nov. 23	Dec. 23	Jan. 24		
Overall index	7.7	0.9	0.7	2.7	4.1	6.7	Highest since 08.2023	3. increase in a row
Headline Index								
- Current situation	7.5	0.3	1.0	1.3	2.0	4.8	Highest since 08.2023	4. increase in a row
- Expectations	8.0	1.5	0.5	4.3	6.3	8.8	Highest since 03.2023	3. Increase in a row

Eastern Europe	Aug. 23	Sep. 23	Oct. 23	Nov. 23	Dec. 23	Jan. 24		
Overall index	-20.8	-22.5	-23.1	-21.1	-19.2	-17.9	Highest since 02.2022	3. increase in a row
Headline Index								
- Current situation	-27.8	-28.8	-30.0	-29.0	-27.5	-25.3	Highest since 05.2023	3. increase in a row
- Expectations	-13.5	-16.0	-16.0	-12.8	-10.5	-10.3	Highest since 02.2022	3. Increase in a row

Global	Aug. 23	Sep. 23	Oct. 23	Nov. 23	Dec. 23	Jan. 24		
Overall index	-1.0	-5.4	-5.8	-3.3	-2.0	-0.1	Highest since 04.2023	3. increase in a row
Headline Index								
- Current situation	0.0	-3.9	-5.0	-3.8	-2.5	-0.8	Highest since 08.2023	3. increase in a row
- Expectations	-2.1	-6.8	-6.6	-2.8	-1.6	0.5	Highest since 02.2023	4. Increase in a row

Switzerland	Aug. 23	Sep. 23	Oct. 23	Nov. 23	Dec. 23	Jan. 24		
Overall index	2.3	-5.6	-3.7	-2.3	3.3	2.9		
Headline Index								
- Current situation	15.5	5.8	0.5	3.5	10.5	11.8	Highest since 08.2023	3. increase in a row
- Expectations	-10.0	-16.3	-7.8	-8.0	-3.8	-5.5		

Austria	Aug. 23	Sep. 23	Oct. 23	Nov. 23	Dec. 23	Jan. 24		
Overall index	-17.4	-13.3	-26.3	-20.7	-23.0	-17.1		
Headline Index								
- Current situation	-16.5	-14.0	-29.5	-26.3	-35.5	-28.8		
- Expectations	-18.3	-12.5	-23.0	-15.0	-9.5	-4.8	Highest since 02.2022	3. Increase in a row



Data availability

Bloomberg L.P.

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sentix surveys offer the rare combination of a vast number of participants, high quality and an outstanding speed with which information is gathered and passed on. All sentix indices are regularly accessible for sentix data clients just about one day after the close of each poll – via the sentix website or Bloomberg. sentix clients thus can use sentix data almost in real time to further improve performance.

sentix GmbH was founded in 2001 and today represents the basis for all the services the sentix group offers to its clients in the field of Behavioural Finance.

Background, methodology and more

Current reports and documentation: <https://www.sentix.de/index.php/en/sentix-Economic-News/>

Charts and tables: <https://www.sentix.de/index.php/en/sentix-Economic-Factsheets/economy-at-a-glance.html>



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