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## sentix economic index: expectations down across the board

- **In May, the composite index for the euro zone decreases from 14.1 to 12.8 points. This is its first setback since December.** The development is driven by falling 6-month expectations which worsen for the third time in a row. This usually hints at a trend reversal.
- **For Germany, the composite retreats, too.** It now stands at 28.1 after 28.9 points in the previous month. Here, it is the expectations component as well which weighs on the index.
- **Against this backdrop, the composite index for the global aggregate also decreases.** This time, the composite indices for all regions and countries point downwards while they are worsening most for Japan and Eastern Europe.

### Statistics

Poll running: **01.05.-03.05.2014**

Survey participants: **878**

(of which institutional investors: **207**)

## sentix indications for upcoming market events

Please find in this section valuable information on important upcoming market events and the expectations that can be derived from sentix data.

sentix – first mover advantage!

13.05.2014: **ZEW economic expectations** (Germany): another drop, now to around 40 points

22.05.2014: **Flash PMIs (manufacturing)**: decreases for the **euro zone, China** and the **US**

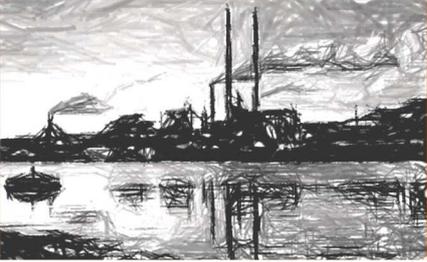
23.05.2014: **ifo business climate**: pointing downwards again after Easter distortions

28.05.2014: **Economic Sentiment** (euro zone): slight setback to around 105,5 points

## Table of the **May 2014** results for the euro zone economy

Euro area	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	May 14	
Overall Index	8.0	11.9	13.3	13.9	14.1	12.8	
<b>Headline Index</b>							
- Current situation	-6.3	-0.8	1.8	4.8	5.8	7.5	Highest since July 2011
- Expectations	23.3	25.3	25.5	23.5	22.8	18.3	Lowest since August 2013

**3x**



## Commentary on the survey results for May 2014

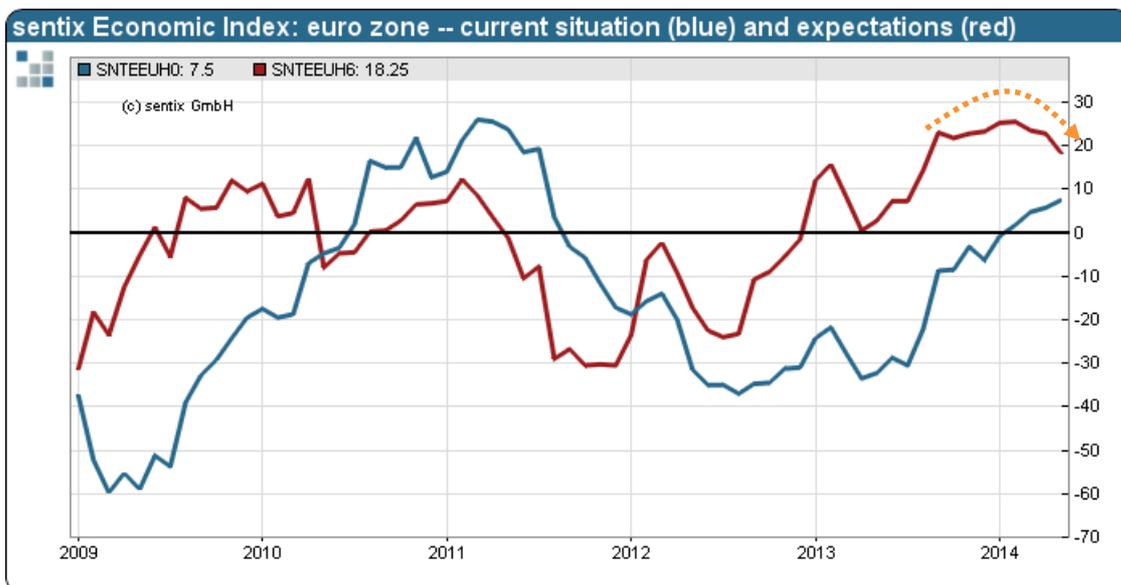
### Expectations fall across the board

Last month we pointed to the fact that the German economy had lost steam and had probably seen its best times in the current upswing already. Now, it looks as if the economy of the euro zone will suffer the same fate: While assessments of the current situation continue their way up, investors' 6-month expectations are down markedly in May. They fall for the third time in a row. This usually hints at a trend reversal.

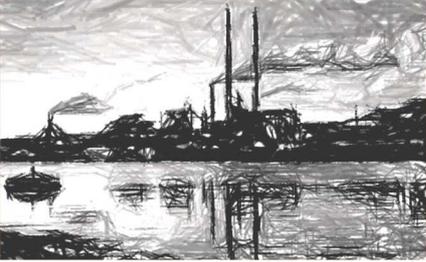
For Germany, the observations are quite similar: Here, too, the composite index retreats because expectations fall. At the same time the current situation is seen in a better shape than last month. The difference to the euro zone is that for Germany the composite index worsens since February already. For the other countries and regions, the composite indices are also weaker than in April. The developments are especially pronounced for Japan and Eastern Europe.

### Euro zone – expectations are turning to the downside

For the euro zone the composite index falls from 14.1 to 12.8 points. This is its first decrease since December. While investors rate the current situation once more better than previously, 6-month expectations retreat markedly and pull down the composite index. Expectations experience their third consecutive setback and thus herald a trend reversal to the negative. This development could be observed for Germany over the past months already. Then it was the question if the euro area as whole would manage to escape that fate. The May data now suggests that this is not the case. Consequently, the strongest economic dynamics since the euro-zone recovery started in the middle of 2012 should lie behind us already.



sentix Economic Index, euro zone: assessment of the current situation (blue), 6-month expectations (red)



## Germany – further weakening

“The German economy loses steam” we wrote last month commenting on our “first mover” among economic early indicators. Some indices like the ifo business climate, for instance, have not followed so far. **This was the case already on several previous occasions – and the sentix economic index had a lead on the other indicators most of the times.** This month’s readings of the sentix economic index for Germany fit in this picture: the composite index decreases for the fourth time in a row, driven by **weaker expectations which even fall for a fifth consecutive month.** **As a result, the strongest economic dynamics for Germany now definitely lie behind us.** Of course, the current cooling is taking place at an elevated level as investors’ assessments of the current situation are still as good as they last were in the summer of 2011.

Germany	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	May 14	
Overall Index	32.1	32.4	31.5	30.7	28.9	28.1	Lowest since August 13
<b>Headline Index</b>							
- Current situation	42.3	43.9	44.3	45.1	44.7	46.8	Highest since August 11
- Expectations	22.3	21.4	19.4	17.1	14.1	10.8	Lowest since July 13

## Global Aggregate – pointing downwards now

The observations which can be made for the euro area are not restricted to it, we register them also on the global level. **The composite index for the global aggregate falls in May by 2.3 to 12.7 points.** This means that the index is now pointing to the downside after having managed to escape the negative developments in Germany over the previous three months. For the global aggregate, too, the decrease in the composite index is due to worsening expectations. These are not only falling for the euro zone (see above), but for all countries and regions in the survey. The development is especially pronounced for Japan and Eastern Europe. While for Japan it seems that the positive “Abenomics” effect has now almost completely faded, the indices for Eastern Europe should once again have suffered from the still unresolved crisis in the Ukraine (please see additional tables on the following page). **All in all, it looks as if the best part of the latest recovery is over for the world economy, too.**

Global Aggregate	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	May 14	
Overall Index	18.9	19.2	14.5	14.5	15.0	12.7	Lowest since August 13
<b>Headline Index</b>							
- Current situation	17.0	18.1	14.3	14.8	14.7	14.2	Lowest since October 11
- Expectations	20.8	20.4	14.7	14.2	15.2	11.2	Lowest since July 13



## Further tables

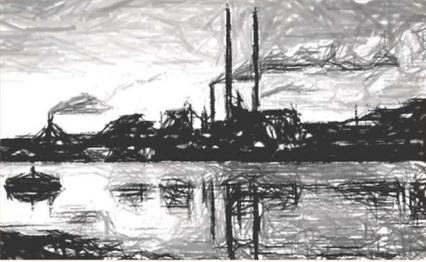
USA	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	May 14	
Overall Index	26.5	28.8	26.6	26.0	27.4	24.5	Lowest since November 13
Headline Index							
- Current situation	30.0	35.0	34.5	33.3	34.8	33.3	
- Expectations	23.0	22.8	19.0	19.0	20.3	16.0	Lowest since November 13

Japan	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	May 14	
Overall Index	18.7	18.9	12.2	10.2	6.7	2.2	Lowest since January 13
Headline Index							
- Current situation	18.0	21.5	16.0	11.3	7.8	3.0	Lowest since May 13
- Expectations	19.5	16.3	8.5	9.3	5.8	1.5	Lowest since November 12

Asia ex Japan	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	May 14	
Overall Index	26.0	21.6	13.9	16.0	15.7	14.1	
Headline Index							
- Current situation	29.3	23.0	16.0	19.3	17.0	17.5	
- Expectations	22.8	20.3	11.8	12.8	14.5	10.8	Lowest since July 13

Eastern Europe	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	May 14	
Overall Index	7.7	9.1	2.8	-4.8	-2.0	-6.2	Lowest since August 12
Headline Index							
- Current situation	1.8	3.8	-2.8	-9.5	-7.8	-11.3	Lowest since February 10
- Expectations	13.8	14.5	8.5	0.0	4.0	-1.0	Lowest since October 12

Latin America	Dec 13	Jan 14	Feb 14	Mar 14	Apr 14	May 14	
Overall Index	3.6	5.9	-5.9	-1.8	0.6	0.0	
Headline Index							
- Current situation	-3.0	-1.3	-12.5	-8.0	-6.3	-5.5	
- Expectations	10.5	13.3	1.0	4.5	7.8	5.8	



## Data availability

**Bloomberg**

**FACTSET**



**Macrobond**



**sentix**   
expertise in behavioral finance

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## Background, methodology and more

See <http://economics.sentix.de>



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