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sentix Economic Index: Dark memories of 2007







- In December, the sentix overall index for the economy in Euroland falls for the 4th time in a row to -0.3!
- Situation values and expectations are falling equally, even in individual countries such as Germany. The dynamics of the downturn are similar to those of the pre-crisis year 2007. Expectations, as weak as in August 2012, challenge the (monetary) policy.
- There are no rays of hope to be reported internationally. In all regions, including the USA, which is accustomed to success, the situation values and expectations collapsed. A further interest rate hike by the Fed or an intensification of the US-China trade dispute seems to be the last thing the global economy needs at the moment.

Statistics

Poll running: **6-Dec. to 8-Dec., 2018**

Survey participants: **1.076 investors**
(287 of those are institutional investors)

Current economic regimes* of countries /regions in focus:

Region / country	Regime	Region / country	Regime
 Eurozone	downturn	 USA	downturn
 Germany	downturn	 Japan	downturn
 Switzerland	downturn	Asia ex-Japan	slowdown
 Austria	slowdown	Latin America	recession
Eastern Europe	downturn	Global Aggregate	downturn

* 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: December 2018

Euro Area	Jul. 18	Aug. 18	Sep. 18	Oct. 18	Nov. 18	Dec. 18		
Overall index	12.1	14.7	12.0	11.4	8.8	-0.3	Lowest since 12.2014	4. decline in a row
Headline Index								
- Current situation	36.8	37.3	35.0	33.0	29.3	20.0	Lowest since 01.2017	4. decline in a row
- Expectations	-10.0	-5.8	-8.8	-8.3	-9.8	-18.8	Lowest since 08.2012	



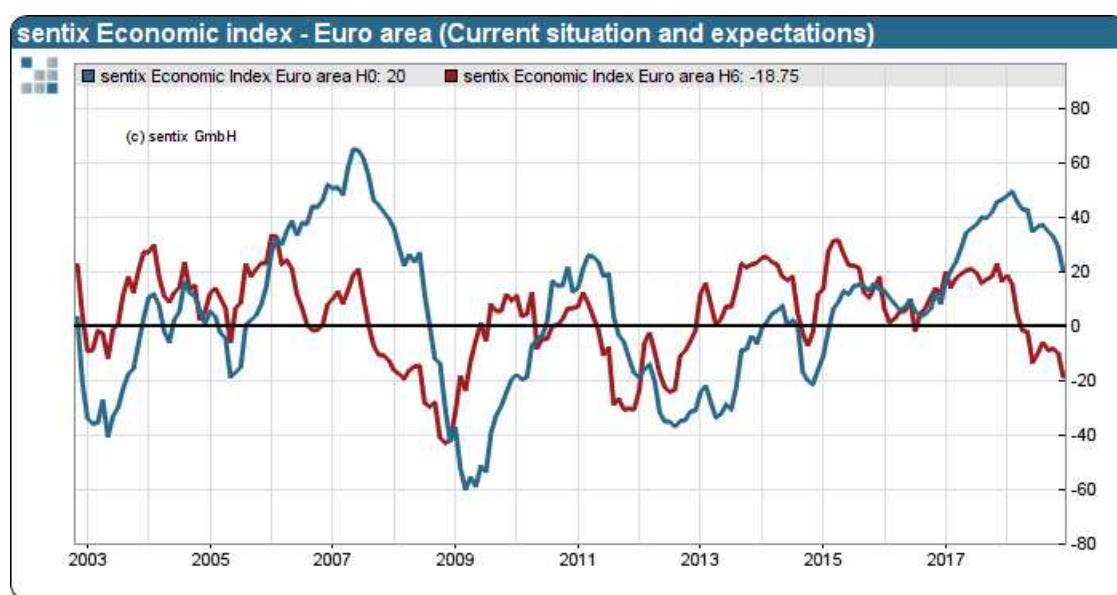
Commentary on the survey results for December 2018

Dark memories of 2007

At the end of 2018, the sentix economic indices awaken gloomy memories of the pre-crisis year 2007. The overall economic index for the euro zone falls for the fourth time in a row to -0.4, the lowest value since December 2014. Both the situation and expectations collapse. Looking at the international environment, there is practically no glimmer of hope, as even the hitherto strong US stocks are falling significantly. Now the (monetary) policy is called for!

Euro area: Roll backwards

In December, sentix economic expectations fell to their lowest level since August 2012: -18.8 points. This is doubly remarkable. On the one hand, the sheer downward momentum that the economy is currently offering is impressive. With the exception of a small summer rest, things are already going downhill all year round. On the other hand, August 2012 marks the beginning of the economic catch-up phase since the peak of the euro crisis. At that time Mario Draghi expressed himself in his famous speech ("whatever it takes") and started his monetary offensive.



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

While the ECB is preparing for the end of the billion-dollar government bond purchases, the economy is slimming down at a considerable pace, again challenging politicians and central banks. Whether trade disputes, the Italian crisis, unrest in France and Belgium or Brexit: it's coming from all corners at the moment.

The momentum of the current downturn is in many respects similar to that of 2007, and banks, especially in Europe, appear to be in a similarly precarious position. Historic lows in Deutsche Bank shares and price losses of almost 30% in the Euroland Bank Index since the beginning of the year speak a clear, worrying language.

There could be scope for a change in the monetary policy stance on the part of inflation. The fall in oil prices is likely to be reflected in gasoline prices in the coming weeks and subsequently in the inflation rate. The ECB must take advantage of this to re-establish the safety net for the economy.



Germany: Breath-taking loss of momentum

In recent years, the German economy has been spoiled for success. However, the country, which is heavily dependent on exports, is suffering from increasing burdens on the international economy. It is not yet clear whether there will be US tariffs for the car industry, but the weak Chinese car sales are even more important. The Brexit uncertainty is also increasing again instead of decreasing. In addition, there are homemade problems such as the impending driving bans for diesel cars or the weakness of the current government coalition. And even the only financial soundness could be called into question by a new banking crisis surrounding Deutsche Bank.

Germany	Jul. 18	Aug. 18	Sep. 18	Oct. 18	Nov. 18	Dec. 18	
Overall index	16.2	20.4	18.1	20.0	15.6	7.2	Lowest since 10.2014
Headline Index							
- Current situation	51.3	54.8	51.8	53.0	47.0	36.3	Lowest since 09.2016
- Expectations	-14.0	-9.3	-11.0	-8.8	-11.8	-18.3	Lowest since 08.2012

USA: The zenith is passed

For months now, investors interviewed by sentix have been doubting whether the US economy will be able to save its high pace into the new year. US President Trump's tax cuts have fuelled the economy considerably in 2018. But this is a one-off effect. In addition, it is becoming increasingly apparent that the trade disputes initiated by Trump are damaging to all parties involved - and that interim "peace signals" are hardly being taken seriously either by political opponents or by the markets. The nimbus is wobbling.

United States	Jul. 18	Aug. 18	Sep. 18	Oct. 18	Nov. 18	Dec. 18	
Overall index	18.6	25.6	23.6	25.3	21.4	11.0	Lowest since 05.2016
Headline Index							
- Current situation	53.8	62.8	63.3	66.5	61.5	49.8	Lowest since 11.2017
- Expectations	-11.8	-6.3	-10.0	-9.5	-12.5	-21.8	Lowest since 08.2011

Global Aggregate: Where are the bearer of hopes?

Looking at the other world regions considered by sentix, it is noticeable that there is currently no region that really seems suitable as a bearer of hope. This is most likely to be the case in Latin America, but even it is still in a recession and is at best sending the first signs of stabilisation. Otherwise, situation and expectation values are clearly collapsing everywhere. The impression that we are on the eve of a serious economic problem is therefore obvious.

Global	Jul. 18	Aug. 18	Sep. 18	Oct. 18	Nov. 18	Dec. 18	
Overall index	11.2	15.2	10.7	12.8	11.1	4.4	Lowest since 07.2016
Headline Index							
- Current situation	32.8	35.5	30.4	31.7	29.5	23.5	Lowest since 01.2017
- Expectations	-8.4	-3.3	-7.3	-4.6	-5.9	-13.0	Lowest since 11.2011



Further result tables

Japan	Jul. 18	Aug. 18	Sep. 18	Oct. 18	Nov. 18	Dec. 18	
Overall index	10.9	13.2	12.3	17.9	13.5	3.9	Lowest since 11.2016
Headline Index							
- Current situation	30.5	30.3	30.8	37.0	32.0	22.3	Lowest since 05.2017
- Expectations	-7.0	-2.5	-4.8	0.3	-3.5	-13.0	Lowest since 08.2012
Asia ex Japan	Jul. 18	Aug. 18	Sep. 18	Oct. 18	Nov. 18	Dec. 18	
Overall index	12.4	16.1	11.9	13.9	12.5	7.9	Lowest since 05.2016
Headline Index							
- Current situation	33.3	34.8	28.5	29.3	27.8	24.3	Lowest since 12.2016
- Expectations	-6.5	-1.0	-3.5	-0.5	-1.8	-7.3	Lowest since 01.2016
Eastern Europe	Jul. 18	Aug. 18	Sep. 18	Oct. 18	Nov. 18	Dec. 18	
Overall index	4.9	8.2	1.4	3.3	3.3	-3.5	Lowest since 08.2016
Headline Index							
- Current situation	18.8	20.5	13.0	13.3	13.0	6.8	Lowest since 04.2017
- Expectations	-8.0	-3.5	-9.5	-6.3	-6.0	-13.3	Lowest since 12.2011
Latin America	Jul. 18	Aug. 18	Sep. 18	Oct. 18	Nov. 18	Dec. 18	
Overall index	-6.9	-3.9	-19.0	-12.9	-10.2	-12.4	
Headline Index							
- Current situation	-4.8	-3.8	-21.0	-17.3	-14.3	-13.0	3. increase in a row
- Expectations	-9.0	-4.0	-17.0	-8.5	-6.0	-11.8	
Switzerland	Jul. 18	Aug. 18	Sep. 18	Oct. 18	Nov. 18	Dec. 18	
Overall index	25.5	24.4	21.7	19.6	16.9	9.7	Lowest since 08.2016
Headline Index							
- Current situation	44.8	49.5	49.5	50.8	49.3	35.3	Lowest since 06.2017
- Expectations	7.8	1.8	-3.0	-7.8	-11.3	-13.0	Lowest since 03.2015
Austria	Jul. 18	Aug. 18	Sep. 18	Oct. 18	Nov. 18	Dec. 18	
Overall index	32.0	33.8	34.0	32.3	21.0	19.3	Lowest since 12.2016
Headline Index							
- Current situation	60.0	53.0	64.5	58.3	52.0	45.8	Lowest since 06.2017
- Expectations	7.0	16.0	7.0	9.0	-6.3	-4.3	



Data availability

Bloomberg L.P.

FACTSET



Macrobond



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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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