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sentix Economic Index: Crash – the second

- As expected, June was only the calm before the storm. Nevertheless, the sentix economic index in the eurozone surprised with a sharp drop to -26.4 points. This is the lowest value since May 2020.
- In Germany, too, the data plummet, like in a bad film, for the second time since March 2022. The situation values fall by 11 points and we even have to report an all-time low of -34.8 points for expectations!
- Internationally, things don't look much better either. The USA recorded its fifth consecutive decline in the situation index. Here, too, a recession is becoming more and more likely. Latin America remains trapped in a permanent recession. Only the Asian region, led by China, is holding up comparatively well with moderate declines.

Statistics

Poll from **30th June to 2nd July 2022**
Survey participants: **1,240 investors**
(**252** of those are institutional investors)

Current economic regimes* of countries /regions in focus:

Region / country	Regime	Region / country	Regime
Eurozone	Recession	USA	Downturn
Germany	Recession	Japan	Downturn
Switzerland	Downturn	Asia ex-Japan	Recession
Austria	Downturn	Latin America	Recession
Eastern Europe	Recession	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: July 2022

Euro Area	Feb. 22	Mar. 22	Apr. 22	May. 22	Jun. 22	Jul. 22	
Overall index	16.6	-7.0	-18.0	-22.6	-15.8	-26.4	Lowest since 05.2020
Headline Index							
- Current situation	19.3	7.8	-5.5	-10.5	-7.3	-16.5	Lowest since 03.2021
- Expectations	14.0	-20.8	-29.8	-34.0	-24.0	-35.8	Lowest since 12.2008



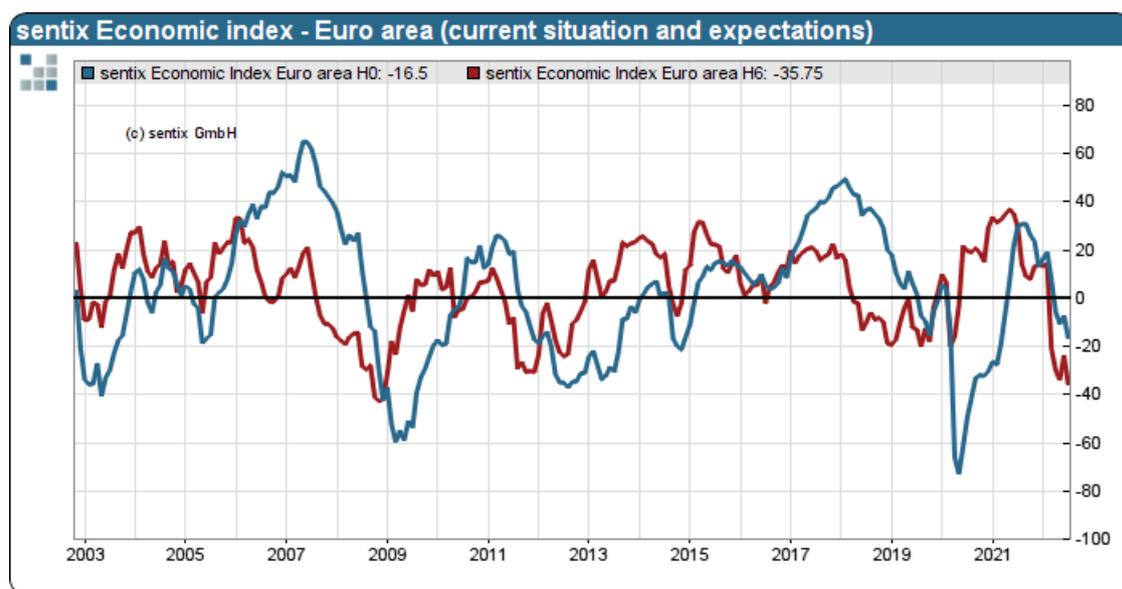
Commentary on the survey results for July 2022

Crash – the second

The scenery seems like something out of a bad film. The plot is simply too transparent. The catastrophe towards which the protagonists are heading is simply too obvious to generate any excitement. And it is hardly understandable that they also give active support to their fate. This is more or less what the collapse of the world economy seems like these days. The energy crisis, which is also homemade, is leading to considerable economic distortions. As we said last month, June did not really represent a stabilisation. We were only in the eye of the storm. Now the crash continues.

Euro area: Recession inevitable

The calm in the eye of the storm was short-lived. At the beginning of July, the crash of the Eurozone economy is entering the next round. We are witnessing a unique crash in the sentix economic indices. For example, the situation scores fall by almost 10 points to -16.5 points. This is the worst value since March 2021. It should be noted that the first Corona lockdown led to a massive slump in the economic situation in 2020. Situation scores like the current one justify the expectation that a recession is inevitable. The task now is to determine the depth of such a recession.



sentix Economic Index for the Eurozone: current situation and expectations

Here we look at economic expectations. And here things look even more worrying. For despite the decline in the situation values, expectations are also continuing to fall significantly. At -35.8 points, we measure the lowest value since December 2008, when the financial crisis reached its peak after the collapse of the Lehman Bank.

In every respect, the dynamics are reminiscent of the crisis year 2008, and what was then the collapse of the financial system is now the danger of the collapse of the European energy supply. While the financial system essentially consists of money, which can be printed by its own central bank in any amount as needed, a lack of gas is not so easy to replace. Moreover, practically all sectors of the economy would be negatively affected by a gas or electricity blackout. So it is time for governments to realise the gravity of the situation and take effective countermeasures. One way or another, they cannot rely on the ECB this time. Rather, the states should rely on war diplomacy.



Germany: All-time low in expectations

The former locomotive of the Eurozone economy is also sliding into an economic crisis. In the situation indicators we are already recording the lowest level since February 2021. And yet expectations are plummeting to an all-time low, even leaving the 2008 crisis behind. In total, the overall economic index drops to -24.2 points. The hope of filling the gas storage facilities to some extent by winter could be torpedoed by Russia at any time. Then there are hardly any compensatory possibilities left. In Germany, some ideological boundaries have to be crossed to prevent a "Lehman moment" in the energy sector.

Germany	Feb. 22	Mar. 22	Apr. 22	May. 22	Jun. 22	Jul. 22	
Overall index	17.9	-5.2	-17.1	-20.5	-12.8	-24.2	Lowest since 05.2020
Headline Index							
- Current situation	20.0	10.0	-4.8	-7.3	-2.0	-13.0	Lowest since 02.2021
- Expectations	15.8	-19.3	-28.8	-32.8	-23.0	-34.8	Alltime Low!

USA: Fifth decline in the assessment of the situation. Recession?!

How robust the US economy is compared to Euroland is shown by the fact that the situation assessment is still positive at +1. Nevertheless, we are registering the fifth decline in a row. At the same time, we measure the expectations at -27 points, the lowest level since August 2011. In other words, it will probably be very difficult to prevent a recession in the USA as well. Particular attention should be paid to consumer sentiment in the USA. It is already at recession level. Can the Fed offer relief here? The room for manoeuvre seems more likely than in the Eurozone.

United States	Feb. 22	Mar. 22	Apr. 22	May. 22	Jun. 22	Jul. 22	
Overall index	22.1	11.9	6.1	-2.9	-1.0	-13.5	Lowest since 08.2020
Headline Index							
- Current situation	35.0	29.8	24.5	18.0	17.0	1.0	Lowest since 02.2021 5. decline in a row
- Expectations	10.0	-4.5	-10.8	-21.8	-17.5	-27.0	Lowest since 08.2011

Asia ex Japan: Rock in the Sea?

Even if the Asian economic data also show declines in the situation and expectations, the region led by China is, relatively speaking, a rock in the sea. Corona-related constraints are easing and the congestion in global supply chains is easing somewhat, which can also be seen in international sea freight costs. However, it seems questionable whether China's economy alone can keep the global economy going.

Asia ex Japan	Feb. 22	Mar. 22	Apr. 22	May. 22	Jun. 22	Jul. 22	
Overall index	21.4	8.5	0.5	-9.6	-2.6	-5.5	
Headline Index							
- Current situation	22.5	17.0	8.0	-4.8	-1.5	-1.8	
- Expectations	20.3	0.3	-6.8	-14.3	-3.8	-9.3	



Further result tables

Japan	Feb. 22	Mar. 22	Apr. 22	May. 22	Jun. 22	Jul. 22	
Overall index	16.0	4.9	-2.1	-9.8	-5.7	-13.4	Lowest since 06.2020
Headline Index							
- Current situation	18.5	14.5	7.8	1.0	4.0	-5.8	Lowest since 11.2020
- Expectations	13.5	-4.3	-11.5	-20.0	-15.0	-20.8	Lowest since 03.2009
Eastern Europe	Feb. 22	Mar. 22	Apr. 22	May. 22	Jun. 22	Jul. 22	
Overall index	3.4	-37.4	-36.0	-38.6	-31.1	-35.6	
Headline Index							
- Current situation	0.3	-31.0	-37.3	-38.8	-33.5	-37.8	
- Expectations	6.5	-43.5	-34.8	-38.5	-28.8	-33.5	
Latin America	Feb. 22	Mar. 22	Apr. 22	May. 22	Jun. 22	Jul. 22	
Overall index	-1.4	-9.0	-9.8	-15.8	-14.4	-20.5	Lowest since 11.2020
Headline Index							
- Current situation	-8.5	-8.8	-8.0	-12.3	-13.5	-19.8	Lowest since 05.2021 3. decline in a row
- Expectations	6.0	-9.3	-11.5	-19.3	-15.3	-21.3	Lowest since 04.2020
Global	Feb. 22	Mar. 22	Apr. 22	May. 22	Jun. 22	Jul. 22	
Overall index	17.0	1.0	-5.4	-13.3	-7.9	-14.5	Lowest since 06.2020
Headline Index							
- Current situation	19.5	11.3	3.6	-4.8	-2.5	-8.5	Lowest since 10.2020
- Expectations	14.6	-8.8	-14.1	-21.5	-13.2	-20.3	
Switzerland	Feb. 22	Mar. 22	Apr. 22	May. 22	Jun. 22	Jul. 22	
Overall index	29.1	6.1	12.4	2.2	-0.4	-10.5	Lowest since 06.2020 3. decline in a row
Headline Index							
- Current situation	38.3	27.5	32.5	21.5	14.0	6.8	Lowest since 03.2021 3. decline in a row
- Expectations	20.3	-13.3	-6.0	-15.5	-13.8	-26.3	Lowest since 02.2015
Austria	Feb. 22	Mar. 22	Apr. 22	May. 22	Jun. 22	Jul. 22	
Overall index	19.9	-5.6	-11.5	-15.0	-0.5	-16.3	Lowest since 05.2020
Headline Index							
- Current situation	29.3	16.0	4.8	12.5	16.3	4.3	Lowest since 04.2021
- Expectations	11.0	-25.0	-26.5	-39.0	-16.0	-34.8	



Data availability

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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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