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sentix Economic Index: A punch below the belt

- The renewed escalation in the US-China trade dispute is also having a considerable impact on the Euro zone economy. The overall index fell by 8 points to -3.3 points in May.
- In Germany, the situation is even more serious as the overall index slides back into negative territory for the first time since March 2010. This makes a recession very likely.
- Although the US president feels he is the sure winner of his trade policy, this does not protect the US economy from the consequences of his policies. The US overall index fell by more than 10 points to its lowest level in February 2016. In Austria, too, political factors are having a very negative impact on economic expectations. They're down a staggering 32.6 points.

Statistics

Poll running: **6-Jun to 8-Jun, 2019**
Survey participants: **906 investors**
(**247** 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	cooling
Switzerland	upswing	Asia ex-Japan	cooling
Austria	downturn	Latin America	stagnation
Eastern Europe	stagnation	Global Aggregate	cooling

* 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: June 2019

Euro Area	Jan. 19	Feb. 19	Mar. 19	Apr. 19	May. 19	Jun. 19
Overall index	-1.5	-3.7	-2.2	-0.3	5.3	-3.3
Headline Index						
- Current situation	18.0	10.8	6.3	3.8	11.0	6.0
- Expectations	-19.3	-17.3	-10.3	-4.3	-0.3	-12.3



Commentary on the survey results for June 2019

A punch below the belt

As soon as the hopeful data of the sentix economic index had been published in May, the US president made a mistake in investors' calculations. At the latest since the US government prohibited US companies from doing business with the Chinese telecom supplier Huawei, it has become clear that a "cold" trade war is threatening to become a "hot" one. This development has pulled investors out of their upswing hopes and led to considerable setbacks in the sentix economic indices in all regions of the world. For the Euro zone, the overall index drops from 5.3 to -3.3 points.

Euro area: Hope is dying

The escalation of the US-China trade dispute also poses a significant risk for the Euro-Zone. Investors are significantly reducing their expectations. The sentix Indicator of Economic Sentiment drops by 12 points to -12.3 points. This is the lowest level since February. The situation index, which has fallen to just +6 points, shows how much the economy already unfortunately looks like from the point of view of the investors surveyed by sentix. This is only slightly above the expansion threshold.



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

The hope that the phase of economic weakness around the turn of the year 2018 / 2019 could be quickly brought to an end seems to have vanished. The Eurozone economy is once again on the threshold of recession. Although the cause of the problem is easy to identify, it is not necessarily easy to solve in view of the increasingly tough political fronts. The USA and China have long since been swinging upwards in an escalation spiral. At present it does not seem clear how an end to the conflict could be achieved in a face-saving manner for both sides. More than ever, the economic forecast becomes a short-winded Twitter analysis.

Such a rebound in the economic data after a lower economic turnaround is not atypical. Politics (the Greek crisis) continued to provide for such a movement in 2012. It was only the courageous intervention of the ECB that provided relief at that time. This time too, investors are now hoping for support from the central banks, especially the US Federal Reserve. The corresponding theme index rose by 11 points to 22.25 points. This is the highest level since July 2016.



Germany: Now it's getting serious

For the German economy, it's a big deal. On the one hand, the US-China trade dispute is weighing heavily on the strongly export-oriented economy. On the other hand, nowhere in Europe is there more talk about climate change and so much questioning of the industry itself. The country's key industry, the automotive industry, is still in a crisis of its own making. In this environment, the current government coalition's inability to act does not contribute to stabilization. For the first time since March 2010, the overall index has fallen back into negative territory. A recession is therefore just around the corner.

Germany	Jan. 19	Feb. 19	Mar. 19	Apr. 19	May. 19	Jun. 19	
Overall index	6.1	3.1	4.0	2.1	7.9	-0.7	Lowest since 03.2010
Headline Index							
- Current situation	34.8	25.8	20.0	10.5	18.3	13.5	
- Expectations	-19.0	-17.3	-10.8	-6.0	-2.0	-14.0	

USA: Trump shoots himself in the knee

"It's the economy, stupid" - US presidents have known since Jimmy Carter at the latest that it would be better for them to have a well-functioning economy in the election year in order to promote their re-election. Trump certainly knows this too and is probably not instigating his trade wars this year without good reason in order to be able to convert their settlement into an upswing in 2020. Nevertheless, he could underestimate how much he is currently threatening to shoot himself in the knee with his trade rhetoric. The US economy is currently experiencing a real emergency stop. Overall index and expectations fall by more than 10 points each!

United States	Jan. 19	Feb. 19	Mar. 19	Apr. 19	May. 19	Jun. 19	
Overall index	6.6	7.4	10.4	11.8	17.7	6.5	Lowest since 02.2016
Headline Index							
- Current situation	42.3	37.3	36.0	33.3	43.3	31.8	Lowest since 10.2016
- Expectations	-23.8	-18.8	-12.5	-7.8	-5.3	-16.0	

Austria: After the government-out in the downturn

The Alpine republic is also currently experiencing turbulent times. After the bursting of the government coalition and the fall of the Chancellor, the sentix economic indices are turning massively. The overall index drops by a staggering 21.4 points to only +3.8 points. Expectations even collapsed by 32.6 points to -17.8 points, the lowest level since September 2011.

Austria	Jan. 19	Feb. 19	Mar. 19	Apr. 19	May. 19	Jun. 19	
Overall index	21.4	13.8	15.5	23.3	25.2	3.8	Lowest since 11.2016
Headline Index							
- Current situation	47.0	35.3	30.5	37.5	36.3	28.0	Lowest since 02.2017
- Expectations	-1.5	-5.8	1.5	10.0	14.8	-17.8	Lowest since 09.2011



Further result tables

Japan	Jan. 19	Feb. 19	Mar. 19	Apr. 19	May. 19	Jun. 19	
Overall index	1.7	4.1	5.4	4.8	9.0	2.2	Lowest since 01.2019
Headline Index							
- Current situation	20.0	17.0	14.3	10.8	16.5	11.3	
- Expectations	-15.0	-8.0	-3.0	-1.0	1.8	-6.5	

Asia ex Japan	Jan. 19	Feb. 19	Mar. 19	Apr. 19	May. 19	Jun. 19	
Overall index	5.4	9.9	15.3	16.5	21.1	8.2	Lowest since 01.2019
Headline Index							
- Current situation	20.5	22.3	24.5	24.0	30.5	19.8	Lowest since 09.2016
- Expectations	-8.8	-1.8	6.5	9.3	12.0	-2.8	Lowest since 01.2019

Eastern Europe	Jan. 19	Feb. 19	Mar. 19	Apr. 19	May. 19	Jun. 19	
Overall index	-3.0	-2.2	0.7	1.9	5.6	-0.9	
Headline Index							
- Current situation	7.8	6.3	6.5	4.3	9.0	5.8	
- Expectations	-13.3	-10.3	-5.0	-0.5	2.3	-7.3	

Latin America	Jan. 19	Feb. 19	Mar. 19	Apr. 19	May. 19	Jun. 19	
Overall index	-8.3	-6.8	-3.9	-3.8	-3.4	-9.3	Lowest since 12.2018
Headline Index							
- Current situation	-8.8	-8.5	-6.5	-9.0	-7.5	-9.8	Lowest since 12.2018
- Expectations	-7.8	-5.0	-1.3	1.5	0.8	-8.8	Lowest since 12.2018

Global	Jan. 19	Feb. 19	Mar. 19	Apr. 19	May. 19	Jun. 19	
Overall index	2.6	4.7	8.3	9.4	14.0	3.6	Lowest since 01.2019
Headline Index							
- Current situation	20.5	18.9	19.0	17.3	23.9	15.6	Lowest since 10.2016
- Expectations	-13.8	-8.7	-1.9	1.9	4.4	-7.8	

Switzerland	Jan. 19	Feb. 19	Mar. 19	Apr. 19	May. 19	Jun. 19	
Overall index	4.5	6.3	10.5	15.9	13.9	19.9	Highest since 09.2018
Headline Index							
- Current situation	30.8	31.3	26.8	23.5	28.0	37.3	Highest since 11.2018
- Expectations	-18.8	-16.0	-4.5	8.5	0.8	3.8	



Data availability

Bloomberg L.P.

FACTSET



ISI Emerging
Markets Group

EMIS GEIC

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sentix 
expertise in behavioral finance

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sentix is the pioneer and leading provider of sentiment analyses (behavioural finance) in Europe. Since 2001 sentix surveys on a weekly basis around 5.000 investors from over 20 countries (comprising over 1.000 institutional and almost 4.000 individual investors) about their expectations for financial markets as well as for economic developments and their portfolio actions. The sentix survey results are representative of a broadly diversified group of investors.

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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