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sentix Economic Index: From recession to stagnation

- With the fourth increase in a row and a level of -8.0 points, the overall index for Euroland is gradually heading toward the zero line. The increase of 9.5 points signals that a recession is off the table for the time being. Instead, the scenario of stagnation is gaining in contour.
- In Germany, too, the overall index improved by around 10 points. Both the current situation (+9.2 points) and the economic expectations (+10.2 points) signal an easing of the current situation. Nevertheless, stagnation is also an issue here.
- Bright spot: The economic region Asia ex Japan continues its upswing with the fifth consecutive increase: The overall index rises with +10.3 points to now +11.7 points. Both the current assessment and the expectations index are also on the rise. Overall, the global economic index rose to its highest level since February 2022.

Statistics

Poll from **2nd Feb. to 4th Feb. 2023**
Survey participants: **1,317 investors**
(**261** of those are institutional investors)

Current economic regimes* of countries /regions in focus:

Region / country	Regime	Region / country	Regime
 Eurozone	Stagnation	 USA	Stagnation
 Germany	Stagnation	 Japan	Stagnation
 Switzerland	Downturn	Asia ex-Japan	Upturn
 Austria	Recession	Latin America	Stagnation
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: February 2023

Euro Area	Sep. 22	Oct. 22	Nov. 22	Dec. 22	Jan. 23	Feb. 23		
Overall index	-31.8	-38.3	-30.9	-21.0	-17.5	-8.0	Highest since 03.2022	4. increase in a row
Headline Index								
- Current situation	-26.5	-35.5	-29.5	-20.0	-19.3	-10.0	Highest since 06.2022	4. increase in a row
- Expectations	-37.0	-41.0	-32.3	-22.0	-15.8	-6.0	Highest since 02.2022	4. Increase in a row



Commentary on the survey results for February 2023

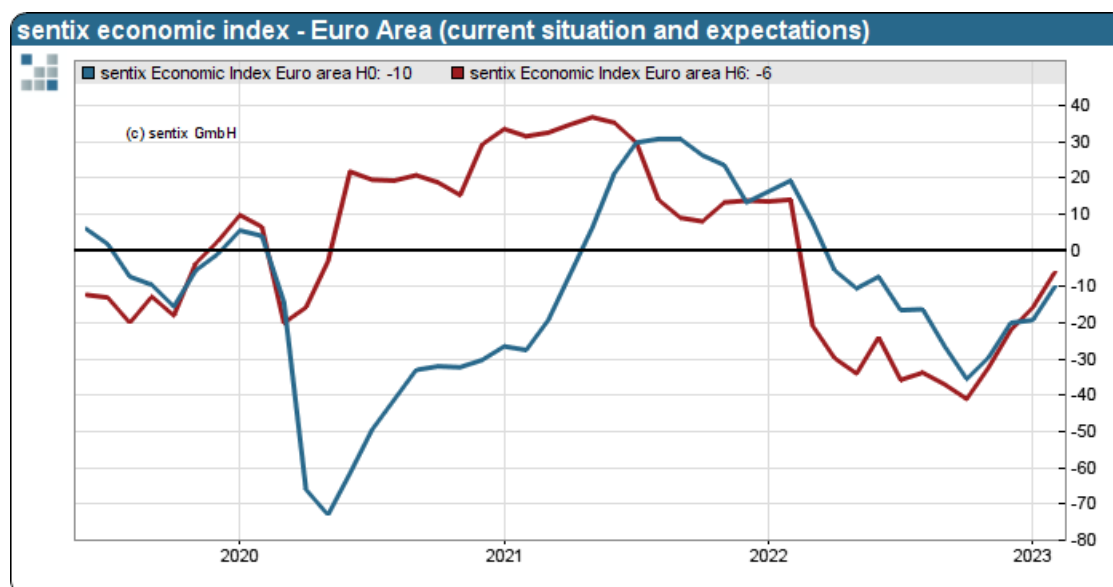
From recession to stagnation

February data in the sentix economic indices come in better than expected. In Euroland, the overall index rises for the fourth time in a row, improving by 9.5 points to now 8 points. The increase signals that a recession is off the table for the time being. Instead, the scenario of stagnation is gaining in contour. In Germany, too, the overall index improved by around 10 points. Both the current situation (+9.2 points) and the economic expectations (+10.2 points) signal an easing of the situation, but not a final all-clear. For the economic region Asia, things are looking better again: With the fifth increase in a row, the economic region is continuing its initiated upswing: The overall index rises by +10.3 points to now +11.7 points. The assessment of the current situation and expectations are moving up together. This also benefits the overall index for the global economy, which climbs to +1.6 points - the highest value since February 2022.

Euro area: Stagnation theme replaces recession expectations

The sentix economic data for Euroland indicate a renewed improvement in February. The overall index rises from -17.5 to -8 points, which is the highest level since March 2022. The assessment of the current situation now also follows suit: The subindex climbs from -19.3 to -10 points. The forward-looking expectations values are rising in step with this to -6 points and are slowly heading for the zero line. Up to now, investors have been assuming a recession, the course of which was initially expected to be severe but has now eased considerably. With the recent improvement, the scenario of stagnation is gaining in contour. The absence of an energy crisis and the rosy corporate news are contributing to the turnaround from the original recessionary path.

However, the following must be critically observed: So far, the improvement in all subcomponents is running at a negative level. In addition, it is noticeable that the expectations component is hardly running ahead of the current situation. Normally, at economic turning points, the expectations values turn positive much faster, while the current situation is still deep in the red. In these cases, a new, positive perspective emerges. However, this has not been the case so far! Investors expect the status quo of the economy to be maintained to some extent. Stagnation with mini-growth would be the consequence.



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



Germany: Similar trend as in euro zone

The trend for Germany is similar, with recession seemingly averted. Here, too, the current assessment and expectations are moving in tandem and are slowly approaching zero. Here, too, there are many indications of a stagnation scenario. However, the whole thing is based on weak foundations. Most recently, the economic indices benefited from easing inflation concerns. This trend is now coming to a halt: After four consecutive declines, the sentix Inflation Theme Barometer no longer indicates any further easing. This is likely to keep the pressure on central banks to act high for the rest of the year and dispel hopes of an end to the restrictive central bank course. As a result, rising interest rates remain an ongoing issue and are likely to curb economic growth.

Germany	Sep. 22	Oct. 22	Nov. 22	Dec. 22	Jan. 23	Feb. 23		
Overall index	-29.9	-37.4	-30.0	-20.3	-16.5	-6.8	Highest since 03.2022	4. increase in a row
Headline Index								
- Current situation	-23.5	-33.5	-28.0	-18.3	-18.0	-8.8	Highest since 06.2022	4. increase in a row
- Expectations	-36.0	-41.3	-32.0	-22.3	-15.0	-4.8	Highest since 02.2022	4. Increase in a row

USA: Mild course indicated

The overall index for the USA surprises with an increase to 3.6 points. At +9 points, the assessment of the current situation has improved again, while the expectations index has also gained ground by 9.2 points. In sum, stagnation of the U.S. economy is most likely here as well. With the latest signal from the inflation barometer and the persistently robust U.S. labor market, there is still a risk that the FED will go ahead and overshoot with its very rapid and historically strong interest rate hikes and end up causing a recession. Experience shows that the restrictive interest rate steps take effect with a time lag of 6-9 months.

United States	Sep. 22	Oct. 22	Nov. 22	Dec. 22	Jan. 23	Feb. 23		
Overall index	-10.8	-12.6	-9.4	-0.5	-3.5	3.6	Highest since 04.2022	
Headline Index								
- Current situation	1.8	-0.3	4.0	9.3	4.3	9.0		
- Expectations	-22.5	-24.3	-22.0	-9.8	-11.0	-1.8	Highest since 02.2022	

Asia ex Japan: Fifth increase in a row

Things are looking up again for China: The Chinese central government's departure from its zero-covariance policy continues to generate investor enthusiasm. Expectations for the Asia ex-Japan economic region also rose by 8.7 points in February. This is the highest level for this region since February 2022. Economic optimism is also reflected in all subsectors for Asia ex Japan. With the fifth consecutive increase, the overall index climbs to +11.7 points. The last time it looked this good was in February 2022.

Asia ex Japan	Sep. 22	Oct. 22	Nov. 22	Dec. 22	Jan. 23	Feb. 23		
Overall index	-13.0	-12.9	-12.5	-4.8	1.4	11.7	Highest since 02.2022	5. increase in a row
Headline Index								
- Current situation	-8.8	-10.3	-11.5	-5.8	-4.3	7.5	Highest since 04.2022	3. increase in a row
- Expectations	-17.3	-15.5	-13.5	-3.8	7.3	16.0	Highest since 02.2022	5. Increase in a row



Further result tables

Japan	Sep. 22	Oct. 22	Nov. 22	Dec. 22	Jan. 23	Feb. 23		
Overall index	-13.2	-16.6	-15.2	-8.0	-6.6	-0.5	Highest since 03.2022	4. increase in a row
Headline Index								
- Current situation	-6.5	-10.5	-10.0	-4.0	-5.3	-1.0	Highest since 08.2022	
- Expectations	-19.8	-22.5	-20.3	-12.0	-8.0	0.0	Highest since 02.2022	4. Increase in a row
Eastern Europe	Sep. 22	Oct. 22	Nov. 22	Dec. 22	Jan. 23	Feb. 23		
Overall index	-38.1	-41.8	-37.8	-31.2	-27.6	-21.6	Highest since 02.2022	4. increase in a row
Headline Index								
- Current situation	-40.8	-47.0	-44.3	-38.8	-36.8	-31.0	Highest since 02.2022	4. increase in a row
- Expectations	-35.5	-36.5	-31.0	-23.3	-18.0	-11.8	Highest since 02.2022	4. Increase in a row
Latin America	Sep. 22	Oct. 22	Nov. 22	Dec. 22	Jan. 23	Feb. 23		
Overall index	-25.9	-24.5	-21.4	-16.2	-16.9	-8.6	Highest since 02.2022	
Headline Index								
- Current situation	-25.8	-24.5	-22.8	-19.5	-23.8	-15.3	Highest since 06.2022	
- Expectations	-26.0	-24.5	-20.0	-12.8	-9.8	-1.8	Highest since 02.2022	5. Increase in a row
Global	Sep. 22	Oct. 22	Nov. 22	Dec. 22	Jan. 23	Feb. 23		
Overall index	-18.7	-20.3	-17.7	-10.1	-7.2	1.6	Highest since 02.2022	4. increase in a row
Headline Index								
- Current situation	-13.6	-16.6	-15.1	-9.3	-9.8	-1.0	Highest since 04.2022	
- Expectations	-23.7	-23.9	-20.3	-10.8	-4.5	4.2	Highest since 02.2022	4. Increase in a row
Switzerland	Sep. 22	Oct. 22	Nov. 22	Dec. 22	Jan. 23	Feb. 23		
Overall index	-13.9	0.9	-10.3	5.6	2.9	7.2	Highest since 04.2022	
Headline Index								
- Current situation	8.3	19.3	6.8	15.8	21.0	17.0		
- Expectations	-33.8	-16.0	-26.0	-4.0	-13.8	-2.3	Highest since 02.2022	
Austria	Sep. 22	Oct. 22	Nov. 22	Dec. 22	Jan. 23	Feb. 23		
Overall index	-15.6	-32.1	-24.2	-12.7	-20.5	-11.3	Highest since 08.2022	
Headline Index								
- Current situation	4.3	-21.0	-12.5	-2.0	-19.5	-11.3		
- Expectations	-33.5	-42.5	-35.3	-22.8	-21.5	-11.3	Highest since 02.2022	4. Increase in a row



Data availability

Bloomberg L.P.

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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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