

German Economic Sentiment Unexpectedly Rises

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FRANKFURT, Germany: German investor confidence rose in September by 14.4 points despite continuing gloom in global financial markets and recent reports that Germany's export strength could wane in the coming months.

The closely watched ZEW Indicator of Economic Sentiment from the Center for European Economic Research in Mannheim said Tuesday the survey stood at minus 41.1 points after minus 55.5 points in August, but is still well below its historical average of 28.0 points.

The CEER said there are two essential reasons for the recovery of economic expectations in Germany, namely the recent decline in the price of oil and the euro's depreciation against the dollar, which is helping consumers, firms and exporters.

ZEW President Wolfgang Franz said the decline in oil prices would lessen inflationary pressures and should improve the perspectives for consumption in Europe's biggest economy.

"A separate analysis after the bankruptcy of Lehman Brothers shows that the economic expectations for Germany have not deteriorated in the course of the incident. Stock market expectations, however, were corrected downwards significantly," the group said in its statement.

It said the assessment of the current economic situation in Germany also improved in September with the corresponding indicator increasing by 8.2 points to minus 1.0 points.

The economic expectations for the euro zone improved in September as well, rising by 14.8 points to minus 40.9 points. The indicator for the current economic situation in the euro zone increased by 12.2 points to minus 10.0 points.

"The substantial improvement in the ZEW growth expectations definitely looks strange in the wake of the latest developments in financial markets," said Alexander Koch, an economist with UniCredit.

"However, the bulk of responses to the September survey were before the (financial crisis) announcement. Hence, despite further weak economic data for the German economy during previous weeks, the depreciation of the euro exchange rate and above all the continuing downward trend in the oil price apparently increased hopes of a stabilization of the economy after year-end."

Still, Koch said the current level of ZEW growth expectations remain low, and "doesn't signal a turnaround in the German economy anytime soon.

"Despite the rebound in the current situation component we expect the German economy to slide into a technical recession."



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Source: The Associated Press