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sentix Economic Index: Mild temperatures give hope

- In November, the sentix economic indices surprise on the positive side. The overall index rises by 7.4 points to -30.9 points. Situation and expectation values both improve.
- A comparable development can be reported for Germany. Here, expectations rise to -32 points, the best value since June. The background for these easing signals is the nuclear power plant compromise in Germany as well as the mild October temperatures, which have filled gas storage well beyond the November target.
- Internationally, indicators are also improving for the most part. In the USA, the labour market continues to defy the global economy and the FED's interest rate hikes. The Asia ex Japan region, on the other hand, is out of line. China seems to have to pay tribute to its zero-covid policy.

Statistics

Poll from **3rd Nov. to 5th Nov. 2022**
Survey participants: **1,348 investors**
(**273** 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	Downturn
Austria	Recession	Latin America	Recession
Eastern Europe	Recession	Global Aggregate	Recession

* 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: November 2022

Euro Area	Jun. 22	Jul. 22	Aug. 22	Sep. 22	Oct. 22	Nov. 22
Overall index	-15.8	-26.4	-25.2	-31.8	-38.3	-30.9
Headline Index						
- Current situation	-7.3	-16.5	-16.3	-26.5	-35.5	-29.5
- Expectations	-24.0	-35.8	-33.8	-37.0	-41.0	-32.3

Highest since 06.2022



Commentary on the survey results for October 2022

Mild temperatures give hope

At the beginning of November, the sentix economic indices in Euroland surprise on the positive side. The overall index rises by 7.4 points to -30.9, which is still not a trend reversal signal. But the rise in situation and expectation values shows how sensitively investors react in their economic expectations to signals from the energy market. For this is the cause of the hopeful changes. October showed higher temperatures than usual and this means that gas storage facilities in Germany, for example, are full to the brim, more than expected for November. Spot market gas prices collapsed in response. Concerns about a catastrophic gas shortage are fading.

Euro area: Gas and weather - hope for winter

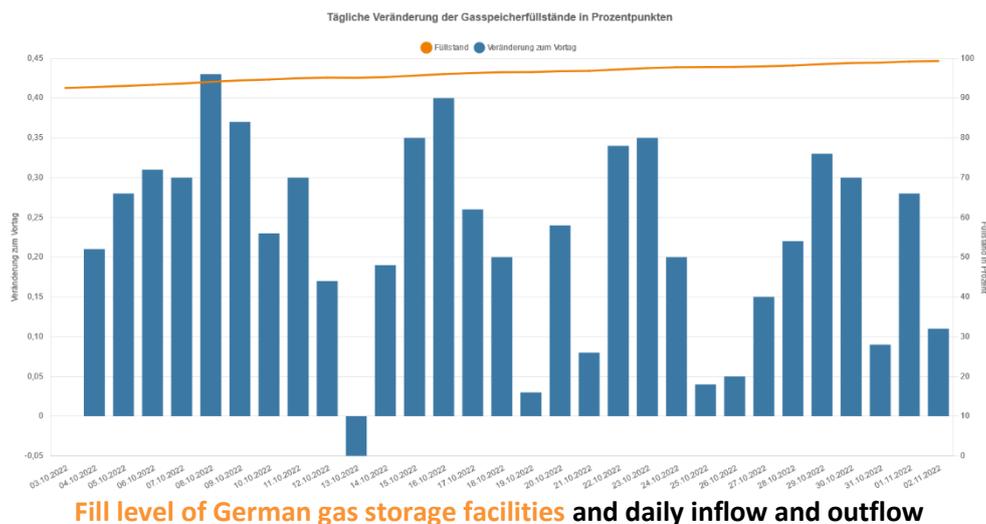
The sentix economic data show a positive reaction to the easing situation on the European gas and electricity markets in terms of situation (+6 points to -29.5 points) and expectations (+8.7 points to -32.3 points). While in the case of electricity the compromise on the continued operation of three nuclear power plants in Germany scheduled for shut-down was greeted with relief, the weather has led to a considerable easing on the gas market.



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

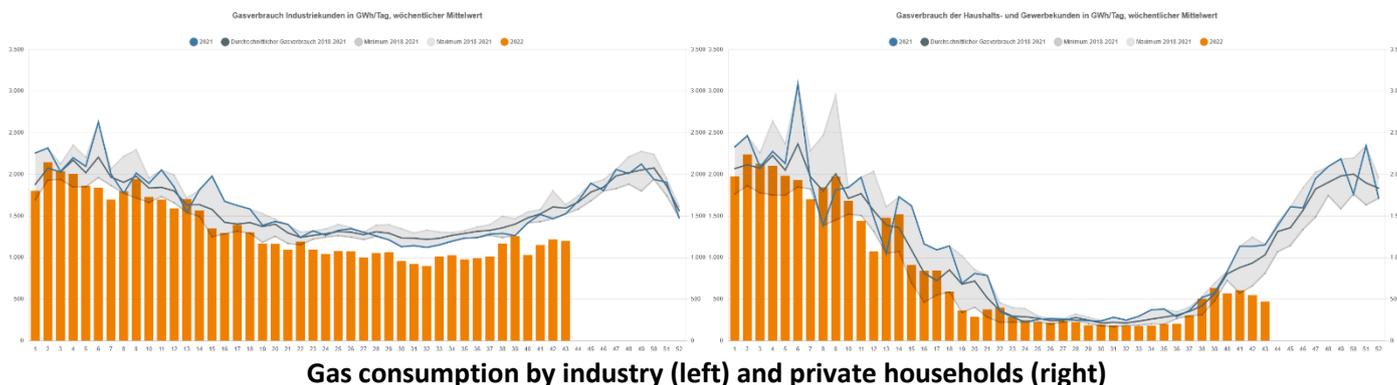
Average temperatures in October were significantly higher than in previous years. This in turn meant that gas only had to be withdrawn from German gas storage facilities on one single day in October. As a result, the filling level at the beginning of November is now almost 100% and thus clearly above the target values outlined in the gas emergency plan for this point in time.

The very expensively purchased stocks and gas quantities acquired for delivery are now in the storage facilities and even have to be sold again on the spot market at prices like before the Ukraine crisis. Economically, the "full storage in November" campaign was therefore rather an unfortunate deal, but with such well-filled storage facilities it seems increasingly unlikely that there will be a dangerous gas shortage this winter. So at least on the issue of security of supply, an improvement has been made. Thanks to the weather.



Fill level of German gas storage facilities and daily inflow and outflow

Consumers have also contributed to this success. Private households and industry are consuming significantly less gas than in recent years. Especially in industrial consumption, one can see the enormous savings efforts of industry. In many cases, however, these are not optimisations and real savings measures, but rather shutdowns of plants that go hand in hand with real production cuts.



Gas consumption by industry (left) and private households (right)

For this reason, neither the positive news from the energy market nor the improvement in the sentix economic data point to an economic turnaround. Security of supply is also being bought by economic frugality. Moreover, it is still too early to sound the all-clear. The start of the autumn-winter period has been favourable from a weather point of view. The critical months, which can and will still hold significantly colder temperatures in store, are still ahead of us. But the conditions for avoiding a complete slump have definitely improved.

The ECB's decision to raise key interest rates again by 75 basis points had relatively little influence on the current data situation. So far, no immediate negative repercussions have been seen. On the contrary: banks are probably rubbing their hands, because while they receive higher interest rates for their deposits at the ECB, bank customers have so far not benefited at all from the higher ECB interest rates. However, this widening of the interest margin is not only welcome for the banks, but probably also necessary.

There should be little doubt that the risk of loan defaults, both commercial loans and real estate loans, is currently rising noticeably. Many problematic developments are simply taking place more slowly than usual in the current cycle. But the direction is clear. Rising interest rates, a weak economy - that is an explosive combination.



Germany: A glimpse of insight

Chancellor Scholz's word of power to keep the nuclear power plants scheduled for shutdown at the end of 2022 connected to the grid until mid-April at least represents a certain trace of insight into the necessity of having all available energy production facilities at one's disposal. Electricity prices also acknowledged this with relief. The gas and electricity price caps adopted in Germany give consumers security, but with the current price trends for gas and electricity they will have only a limited effect for the time being. Like a put on the stock market, however, they represent insurance. Overall, the measures contribute to a brightening of sentiment. The overall index for Germany rises by 7.4 points to -30 points. All in all, however, not yet a turnaround.

Germany	Jun. 22	Jul. 22	Aug. 22	Sep. 22	Oct. 22	Nov. 22
Overall index	-12.8	-24.2	-24.4	-29.9	-37.4	-30.0
Headline Index						
- Current situation	-2.0	-13.0	-14.8	-23.5	-33.5	-28.0
- Expectations	-23.0	-34.8	-33.5	-36.0	-41.3	-32.0

Highest since 06.2022

USA: Robust labour market

The US Federal Reserve raised key interest rates again sharply. The upper limit of the FED funds rate is now 4%. So far, the US economy has coped well with this sharp change in US monetary policy. This is due to the very stable US labour markets. While consumer sentiment has deteriorated significantly due to rising prices and general uncertainty, business sentiment has also declined. However, this has been less pronounced. And so far there is no sign of a tendency to part with employees lightly.

United States	Jun. 22	Jul. 22	Aug. 22	Sep. 22	Oct. 22	Nov. 22
Overall index	-1.0	-13.5	-6.0	-10.8	-12.6	-9.4
Headline Index						
- Current situation	17.0	1.0	8.0	1.8	-0.3	4.0
- Expectations	-17.5	-27.0	-19.0	-22.5	-24.3	-22.0

Asia ex Japan: China's Corona policy under scrutiny

The sentix indices for the Asia ex Japan region, which is dominated by China, are out of line this month. Here, the situation values fall for the third time in a row to -11.5 points. Now that the CP China has reaffirmed its zero-covide strategy, investors are taking a critical look at the economy. How long can China hold on to this anachronism of corona control?

Asia ex Japan	Jun. 22	Jul. 22	Aug. 22	Sep. 22	Oct. 22	Nov. 22
Overall index	-2.6	-5.5	-6.4	-13.0	-12.9	-12.5
Headline Index						
- Current situation	-1.5	-1.8	-1.3	-8.8	-10.3	-11.5
- Expectations	-3.8	-9.3	-11.5	-17.3	-15.5	-13.5

Lowest since 09.2020 3. decline in a row



Further result tables

Japan	Jun. 22	Jul. 22	Aug. 22	Sep. 22	Oct. 22	Nov. 22
Overall index	-5.7	-13.4	-9.4	-13.2	-16.6	-15.2
Headline Index						
- Current situation	4.0	-5.8	-0.8	-6.5	-10.5	-10.0
- Expectations	-15.0	-20.8	-17.8	-19.8	-22.5	-20.3
Eastern Europe	Jun. 22	Jul. 22	Aug. 22	Sep. 22	Oct. 22	Nov. 22
Overall index	-31.1	-35.6	-34.4	-38.1	-41.8	-37.8
Headline Index						
- Current situation	-33.5	-37.8	-36.5	-40.8	-47.0	-44.3
- Expectations	-28.8	-33.5	-32.3	-35.5	-36.5	-31.0
					Highest since 06.2022	
Latin America	Jun. 22	Jul. 22	Aug. 22	Sep. 22	Oct. 22	Nov. 22
Overall index	-14.4	-20.5	-21.0	-25.9	-24.5	-21.4
Headline Index						
- Current situation	-13.5	-19.8	-19.8	-25.8	-24.5	-22.8
- Expectations	-15.3	-21.3	-22.3	-26.0	-24.5	-20.0
					Highest since 06.2022	
Global	Jun. 22	Jul. 22	Aug. 22	Sep. 22	Oct. 22	Nov. 22
Overall index	-7.9	-14.5	-13.0	-18.7	-20.3	-17.7
Headline Index						
- Current situation	-2.5	-8.5	-6.5	-13.6	-16.6	-15.1
- Expectations	-13.2	-20.3	-19.3	-23.7	-23.9	-20.3
Switzerland	Jun. 22	Jul. 22	Aug. 22	Sep. 22	Oct. 22	Nov. 22
Overall index	-0.4	-10.5	-8.3	-13.9	0.9	-10.3
Headline Index						
- Current situation	14.0	6.8	15.0	8.3	19.3	6.8
- Expectations	-13.8	-26.3	-29.0	-33.8	-16.0	-26.0
					Lowest since 03.2021	
Austria	Jun. 22	Jul. 22	Aug. 22	Sep. 22	Oct. 22	Nov. 22
Overall index	-0.5	-16.3	-7.2	-15.6	-32.1	-24.2
Headline Index						
- Current situation	16.3	4.3	8.3	4.3	-21.0	-12.5
- Expectations	-16.0	-34.8	-21.5	-33.5	-42.5	-35.3



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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