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sentix Economic Index: It remains challenging

- With the third plus in a row, the overall index for Euroland signals further easing. The economic barometer rises by 3.5 points to -17.5. This is the highest level since June 2022. Investors are hoping for a mild recession.
- In Germany, too, the overall index is improving. Although the current situation scores stagnated at an almost unchanged level, the expectations scores increased by 7.3 points to -15.0 points. However, there has not (yet) been a major change in thinking here either. Persistent negative signs continue to indicate that the economic environment remains very challenging and that no all-clear can be given.
- The economic region of Asia ex Japan showed a striking performance, with the overall index rising sharply and even crossing the zero line at +1.4 points. Expectations, in particular, jumped by 11.1 points. The Chinese government's concession to its restrictive "no covid" strategy is generating fantasy.

Statistics

Poll from **5th Jan. to 7th Jan. 2023**
Survey participants: **1,228 investors**
(**236** of those are institutional investors)

Current economic regimes* of countries /regions in focus:

| Region / country | Regime | Region / country | Regime |
|---|------------------|--|---------------|
|  Eurozone | Recession |  USA | Stagnation |
|  Germany | Recession |  Japan | Downturn |
|  Switzerland | Downturn | Asia ex-Japan | Upturn |
|  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: **January 2023**

| Euro Area | Aug. 22 | Sep. 22 | Oct. 22 | Nov. 22 | Dec. 22 | Jan. 23 | | |
|-----------------------|---------|--------------|--------------|--------------|--------------|--------------|--------------------------|----------------------|
| Overall index | -25.2 | -31.8 | -38.3 | -30.9 | -21.0 | -17.5 | Highest since 06.2022 | 3. increase in a row |
| Headline Index | | | | | | | | |
| - Current situation | -16.3 | -26.5 | -35.5 | -29.5 | -20.0 | -19.3 | Highest since 08.2022 | 3. increase in a row |
| - Expectations | -33.8 | -37.0 | -41.0 | -32.3 | -22.0 | -15.8 | Highest since 02.2022 | 3. Increase in a row |



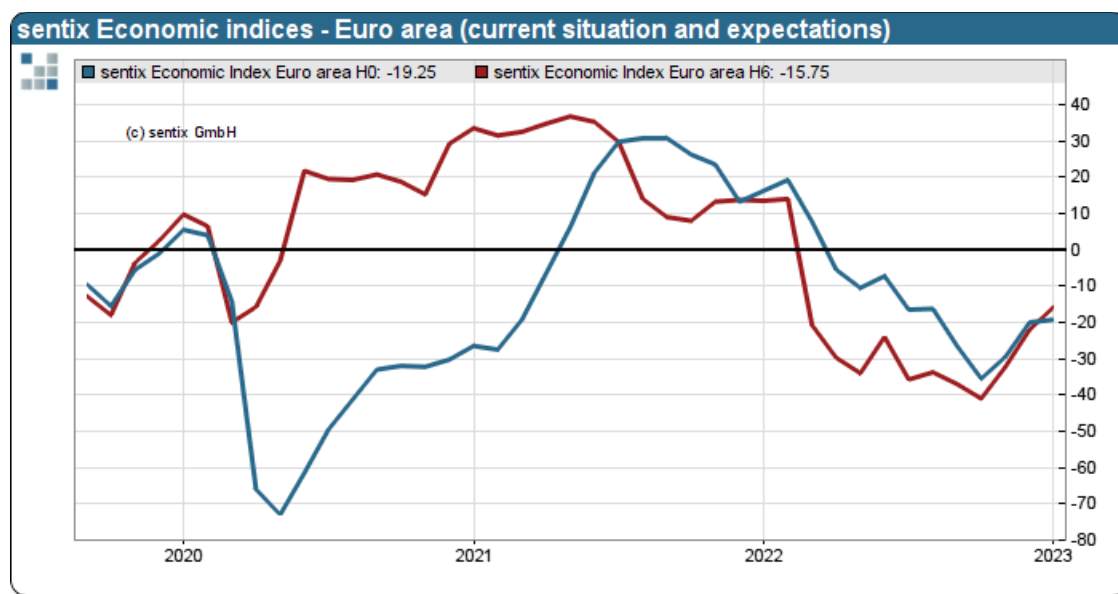
Commentary on the survey results for January 2023

It remains challenging

The January data in the sentix economic indices indicate a further improvement. In Euroland, the overall index rises for the third time in a row, improving by 3.5 points to -17.5. There is virtually no change in the assessment of the current situation, with only the expectations values signaling a greater easing of the situation. This basic trend can also be seen in the German economic figures: The assessment of the current situation remains almost unchanged, while expectations have risen by 7.3 points. It can thus be seen that the economic environment remains challenging. Despite the improvement, both subcomponents remain in deep negative territory. There is a glimmer of hope for Asia at the start of the year: expectations for the Asia ex Japan region (especially China) are rising dynamically. The end of the restrictive Corona measures in China is generating hopes of better times ahead.

Euro area: Third increase in a row, level remains problematic

The sentix economic data for Euroland signal a further improvement in January. The overall index rises to -17.5 points, which is the highest level since June 2022. By contrast, the current assessment remains depressed and barely moves: the subindex changes from -20.0 to -19.3 points. The forward-looking expectations values are able to make stronger progress and climb by 7.3 points to -15.8 points. What does this development mean? Investors are still assuming a recession, but it is expected to be much milder. The sharp economic downturn, which was expected by the majority of investors by October 2022, is therefore off the table (for now). However, it should not be overlooked that the improvement is still at a low level. Both subcomponents for Euroland are still clearly in negative territory. Investors continue to assess the current situation as recessionary. Based on this diagnosis, the expected values are to be read. On a 6-month horizon, a deterioration - albeit less pronounced - is feared. The surprisingly high gas levels, the milder winter weather and the continued stability of the labor markets are contributing to a moderation of the original recessionary path. Overall, the economic environment remains challenging. The latest increases should not be misinterpreted as a general turnaround. The risks of recession remain.



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



Germany: Budding hope

The trend is similar for Germany. Hope is emerging that a severe recession can be prevented. This is being driven, among other things, by easing inflation concerns. The sentix Inflation Barometer shows a decline for the fourth month in a row. This should ease some of the pressure on the central banks to act. However, the coming months will probably show whether the decline in inflation rates is sustainable. The current economic situation continues to stagnate in negative territory, while the expectations component for Germany has risen by 7.3 points to the -15.0 mark.

| Germany | Aug. 22 | Sep. 22 | Oct. 22 | Nov. 22 | Dec. 22 | Jan. 23 | | |
|---------------------|---------|---------|---------|---------|---------|---------|-----------------------|----------------------|
| Overall index | -24.4 | -29.9 | -37.4 | -30.0 | -20.3 | -16.5 | Highest since 06.2022 | 3. increase in a row |
| Headline Index | | | | | | | | |
| - Current situation | -14.8 | -23.5 | -33.5 | -28.0 | -18.3 | -18.0 | Highest since 08.2022 | 3. increase in a row |
| - Expectations | -33.5 | -36.0 | -41.3 | -32.0 | -22.3 | -15.0 | Highest since 02.2022 | 3. Increase in a row |

USA: It gets worse

The overall index for the US ends its recent recovery path and dips back into negative territory at -3.5 points. The assessment of the current situation slipped by 5.0 points, while the expectations index remained depressed at -11 points. All in all, the probability of stagnation in the US economy is rising again. There is even a risk that the Fed will overshoot with its very rapid and historically strong interest rate hikes and cause a recession. Experience shows that the restrictive interest rate steps take effect with a time lag of 6-9 months.

| United States | Aug. 22 | Sep. 22 | Oct. 22 | Nov. 22 | Dec. 22 | Jan. 23 | | |
|---------------------|---------|---------|---------|---------|---------|---------|--|--|
| Overall index | -6.0 | -10.8 | -12.6 | -9.4 | -0.5 | -3.5 | | |
| Headline Index | | | | | | | | |
| - Current situation | 8.0 | 1.8 | -0.3 | 4.0 | 9.3 | 4.3 | | |
| - Expectations | -19.0 | -22.5 | -24.3 | -22.0 | -9.8 | -11.0 | | |

Asia ex Japan: Silver lining

The Chinese central government's departure from the zero-covid policy is generating fantasy among investors. The expectations score for Asia ex Japan rises by 11.1 points. This is the highest level for this region since February 2022. The economic optimism is also reflected in the sentix overall index for Asia ex Japan. With the fourth increase in a row, the indicator climbs to +1.4 points. The last time it looked quite this positive was in March 2022.

| Asia ex Japan | Aug. 22 | Sep. 22 | Oct. 22 | Nov. 22 | Dec. 22 | Jan. 23 | | |
|---------------------|---------|---------|---------|---------|---------|---------|-----------------------|----------------------|
| Overall index | -6.4 | -13.0 | -12.9 | -12.5 | -4.8 | 1.4 | Highest since 03.2022 | 4. increase in a row |
| Headline Index | | | | | | | | |
| - Current situation | -1.3 | -8.8 | -10.3 | -11.5 | -5.8 | -4.3 | Highest since 08.2022 | |
| - Expectations | -11.5 | -17.3 | -15.5 | -13.5 | -3.8 | 7.3 | Highest since 02.2022 | 4. Increase in a row |



Further result tables

| Japan | Aug. 22 | Sep. 22 | Oct. 22 | Nov. 22 | Dec. 22 | Jan. 23 | | |
|-----------------------|---------|---------|---------|---------|---------|---------|-----------------------|----------------------|
| Overall index | -9.4 | -13.2 | -16.6 | -15.2 | -8.0 | -6.6 | Highest since 06.2022 | 3. increase in a row |
| Headline Index | | | | | | | | |
| - Current situation | -0.8 | -6.5 | -10.5 | -10.0 | -4.0 | -5.3 | | |
| - Expectations | -17.8 | -19.8 | -22.5 | -20.3 | -12.0 | -8.0 | Highest since 03.2022 | 3. Increase in a row |
| Eastern Europe | Aug. 22 | Sep. 22 | Oct. 22 | Nov. 22 | Dec. 22 | Jan. 23 | | |
| Overall index | -34.4 | -38.1 | -41.8 | -37.8 | -31.2 | -27.6 | Highest since 02.2022 | 3. increase in a row |
| Headline Index | | | | | | | | |
| - Current situation | -36.5 | -40.8 | -47.0 | -44.3 | -38.8 | -36.8 | Highest since 08.2022 | 3. increase in a row |
| - Expectations | -32.3 | -35.5 | -36.5 | -31.0 | -23.3 | -18.0 | Highest since 02.2022 | 3. Increase in a row |
| Latin America | Aug. 22 | Sep. 22 | Oct. 22 | Nov. 22 | Dec. 22 | Jan. 23 | | |
| Overall index | -21.0 | -25.9 | -24.5 | -21.4 | -16.2 | -16.9 | | |
| Headline Index | | | | | | | | |
| - Current situation | -19.8 | -25.8 | -24.5 | -22.8 | -19.5 | -23.8 | | |
| - Expectations | -22.3 | -26.0 | -24.5 | -20.0 | -12.8 | -9.8 | Highest since 03.2022 | 4. Increase in a row |
| Global | Aug. 22 | Sep. 22 | Oct. 22 | Nov. 22 | Dec. 22 | Jan. 23 | | |
| Overall index | -13.0 | -18.7 | -20.3 | -17.7 | -10.1 | -7.2 | Highest since 04.2022 | 3. increase in a row |
| Headline Index | | | | | | | | |
| - Current situation | -6.5 | -13.6 | -16.6 | -15.1 | -9.3 | -9.8 | | |
| - Expectations | -19.3 | -23.7 | -23.9 | -20.3 | -10.8 | -4.5 | Highest since 02.2022 | 3. Increase in a row |
| Switzerland | Aug. 22 | Sep. 22 | Oct. 22 | Nov. 22 | Dec. 22 | Jan. 23 | | |
| Overall index | -8.3 | -13.9 | 0.9 | -10.3 | 5.6 | 2.9 | | |
| Headline Index | | | | | | | | |
| - Current situation | 15.0 | 8.3 | 19.3 | 6.8 | 15.8 | 21.0 | Highest since 05.2022 | |
| - Expectations | -29.0 | -33.8 | -16.0 | -26.0 | -4.0 | -13.8 | | |
| Austria | Aug. 22 | Sep. 22 | Oct. 22 | Nov. 22 | Dec. 22 | Jan. 23 | | |
| Overall index | -7.2 | -15.6 | -32.1 | -24.2 | -12.7 | -20.5 | | |
| Headline Index | | | | | | | | |
| - Current situation | 8.3 | 4.3 | -21.0 | -12.5 | -2.0 | -19.5 | | |
| - Expectations | -21.5 | -33.5 | -42.5 | -35.3 | -22.8 | -21.5 | Highest since 06.2022 | 3. Increase in a row |



Data availability

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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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