ECONOMIC PULSE

GERMANY: HARDENING LOCKDOWN WEIGHS ON SERVICES

In February, the economic climate has slightly deteriorated compared to the previous month. Our proprietary business climate indicator for Germany - the unweighted sum of the Pulse's components - deteriorated slightly, to - 0.35 in February compared with -0.1 in the previous month. Since April 2020, the climate indicator has been in negative territory.

The reason is the hardening of the lockdown since mid-December, resulting in the closure of non-essential shops. Restaurants, bars and leisure centres had already been closed since early November. The effect is perfectly illustrated by the Pulse chart, which shows a slight contraction of the blue area compared to the situation three months earlier (the area within the dashed line). In particular, activity in the services sector shrunk. This was also confirmed by the IFO survey. The balance of opinion for wholesale and retail trade was firmly negative in both January and February. By contrast, the manufacturing sector profited from robust external demand, in particular coming from China. In February, the balance of opinion in this sector reached 16, a highest

since November 2018. The business climate in the construction sector also improved despite the cold snap during the month.

A silver lining is on the horizon for the services sector. Thanks to the lockdown and the ongoing vaccination campaign, infections have drastically declined. At the end of February, the seven-day incidence rate fell to less than 60 cases per 100 000 compared with 135 at the beginning of the year. In early March, the Chancellor and the prime ministers of the country's 16 states will meet to assess the situation. An easing of the lockdown measures could be expected, which should boost output in this sector as well.

Raymond Van Der Putten

QUARTERLY CHANGES

■ 3-month moving average (actual)
--- 3-month moving average (4 months ago)
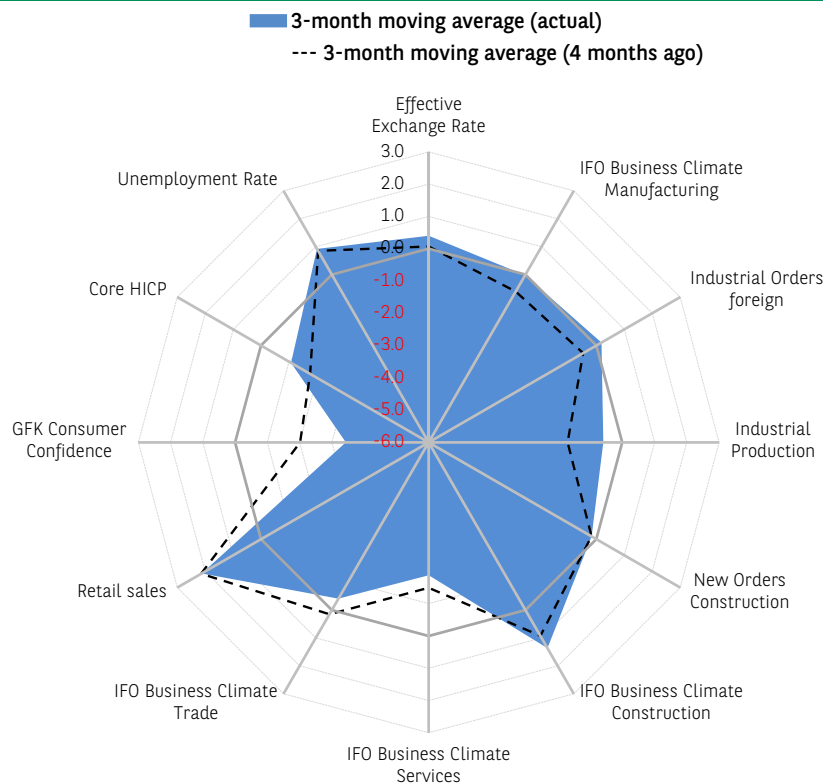
SOURCE: THOMSON REUTERS, BNP PARIBAS

The indicators in the radar are all transformed into z-scores. By construction, the z-scores have mean zero and their values, which indicate how far the indicator is removed from its long-term average, are in the interval between -6 and + 3 in almost all cases. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area *compared to the dotted area* signals an improvement.

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