

# ECONOMIC PULSE

## GERMANY: THE FIRST GREEN SHOOTS IN SPRING

The economic climate has slightly deteriorated in recent months according to the Pulse. The blue area in the chart shrank compared to the situation three months earlier (the area within the dashed line). The main reason was the sharp fall in retail sales. Excluding VAT, they were 4.8% lower in January from the previous month. This was partly due to the closure of non-essential shops since the middle of December. In addition, customers had advanced their purchases in that month, owing to the expiration of the temporary VAT cut on 1 January. Also other indicators related to trade and services such as GfK consumer confidence and the IFO business climate indices for these sectors were weaker in the past three months compared to three months earlier.

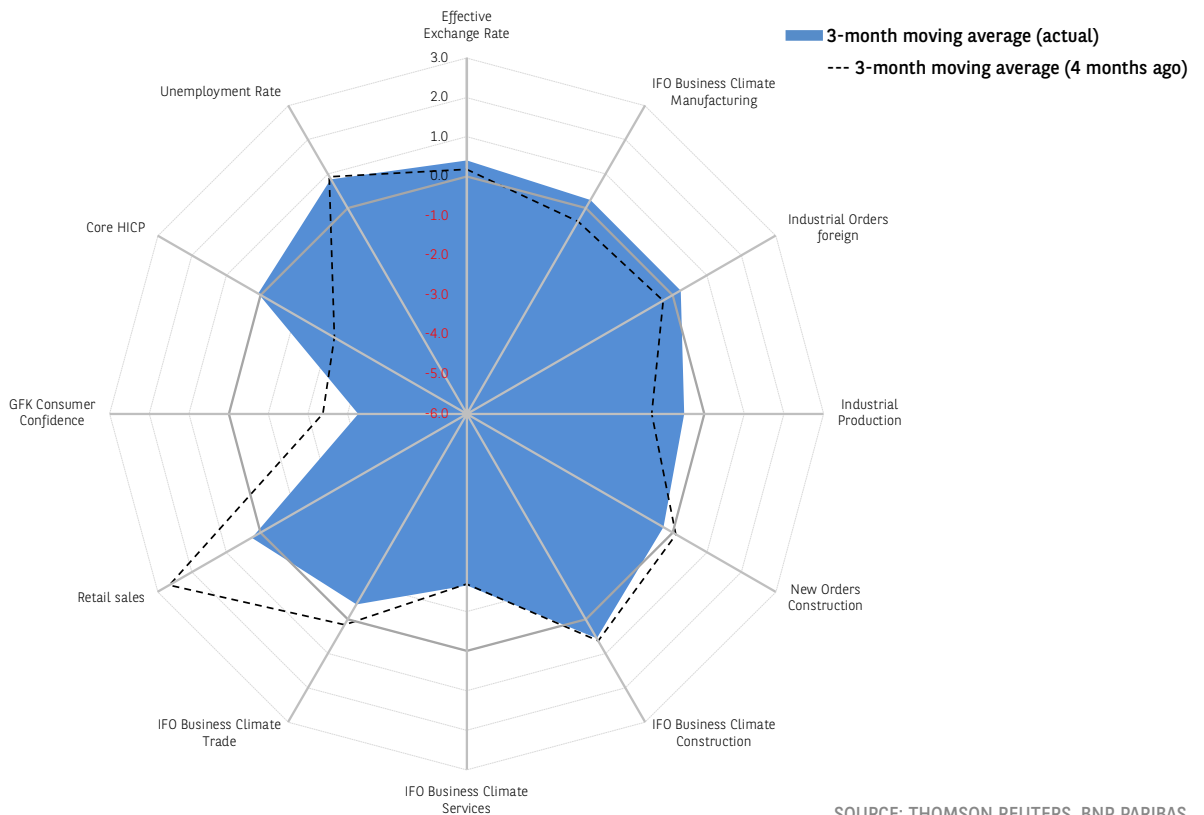
Nevertheless, some incipient signs of improvement can be noted. In March, consumer confidence improved following the easing of lockdown measures, and the institute GfK expects a further strengthening in April. Consumers might have celebrated too early. As the survey was conducted in the beginning of the month, the problems surrounding the AstraZeneca vaccine and the significant rise in the number of infections were not taken into account. In next month's survey, consumers are

likely to moderate expectations that the crisis will soon be over. However, as the vaccination proceeds despite the lack of doses, and the prolongation of the lockdown measures until 18 April, infections should decline, thus opening the prospects of a return to normality. Moreover, the IFO survey reported a marked improvement for trade and services in March. Nevertheless, the situation remains bad, with some notable exceptions such as supermarkets and IT service providers.

Economic conditions in manufacturing and construction broadly improved, as can be seen from the slight widening of the blue area on the right hand side of the chart. Nevertheless, the indicators remain close to their long-term average (the inner dodecagon, the solid line at level zero). According to the IFO survey for March, manufacturers were more satisfied with their current state of business. Moreover, their expectations have reached a highest since November 2010. A similar optimism was noted in the construction sector. In short, the economy is set for a strong rebound in spring.

**Raymond Van Der Putten**

### QUARTERLY CHANGES



The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -6 and +3. 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 increase in the variable.

