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Information

Economic Outlook – leading indicators at a glance

July 2018
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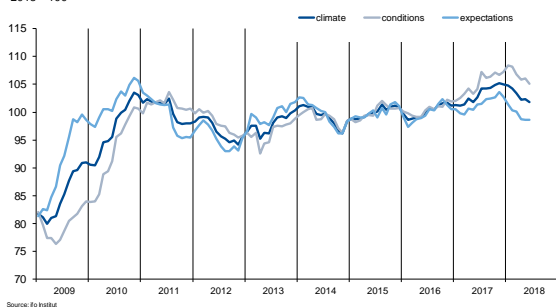
1 Germany

Leading indicators down

Leading indicators for the German economy are down across the board. The Ifo Business Climate Index dropped in terms of current assessment of the business situation. However, expectations remained unchanged. The sentix Economic Index fell both in terms of current assessment of the business situation and expectations, with expectations sliding into negative territory. The German Manufacturing Purchasing Managers' Index dipped as well but managed to remain well above the growth threshold at 55.9 points. In contrast, the already low ZEW Index experienced another slight drop. Last but not least, the Economic Sentiment Indicator experienced another slip following a brief stable trend. Toll road statistics indicate a minor increase in truck mileage.

ifo-Business Climate Index Germany

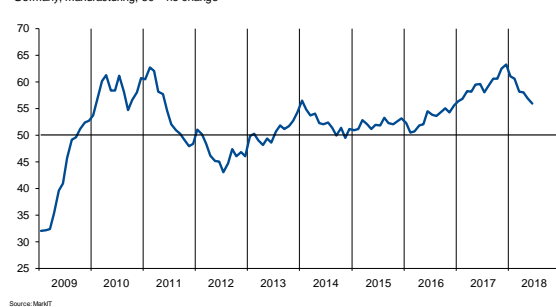
2015 = 100



Source: Ifo Institut

Purchasing Managers' Index

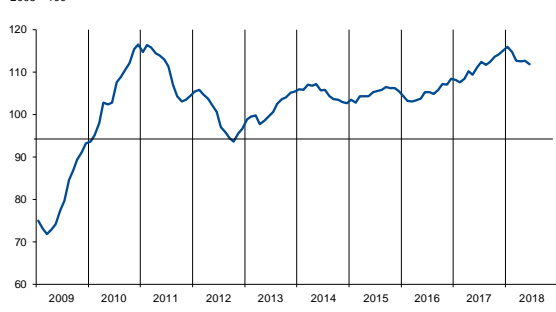
Germany, manufacturing, 50 = no change



Source: Markit

Economic Sentiment Indicator, Germany

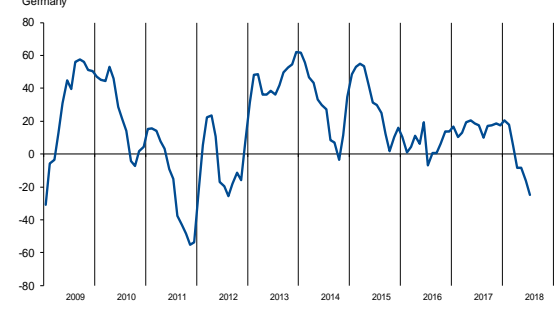
2005 = 100



Source: Eurostat

ZEW-Indicator of Economic Sentiment

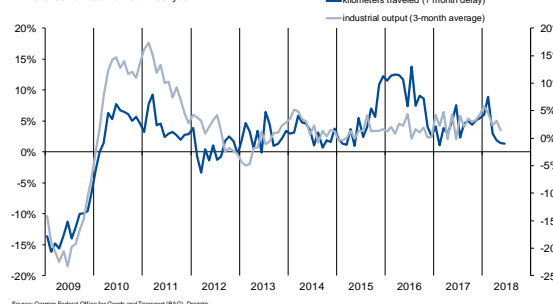
Germany



Source: ZEW

Truck kilometers traveled and industrial output, Germany

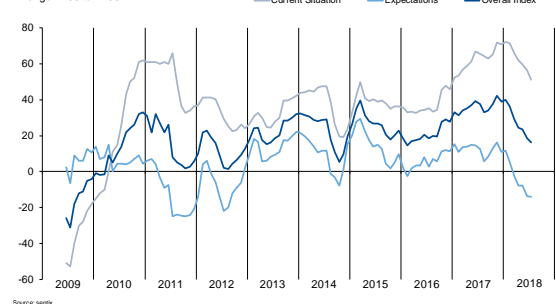
Difference from same month last year



Source: German Federal Office for Goods and Transport (BAG), Outlook

sentix Economic Index, Germany

Range: -100 to +100



Source: sentix

2 Eurozone

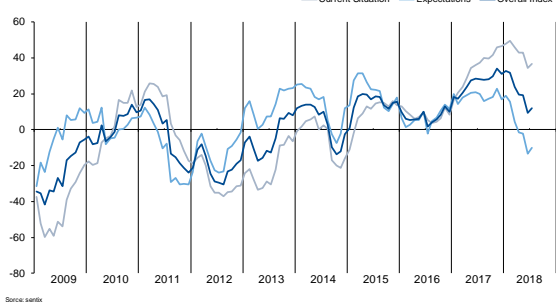
Leading indicators down slightly

Leading indicators for the eurozone retreated recently as well but remained high. The sentix Economic Index fell noticeably, mainly due to lower expectations. Current assessment was also less positively evaluated as was previously the case. The Economic Sentiment Indicator experienced a slight drop for both the Eurozone and the EU as a whole. The German Manufacturing Purchasing Managers' Index was also down slightly and is currently at 58.6 points. The ZEW Indicator of Economic Sentiment fell slightly as well. However, the index has been seeing sideways movement for several months.

The latest values from the quarterly Ifo Business Climate indicators for the eurozone were derived from the February publication. The Business Climate Index balance rose by 6.2 points to 43.2. Current assessment of the business situation was up from 42.9 to 51.3 percentage points and expectations from 31.3 to 35.4 points.

sentix Economic Index, Eurozone

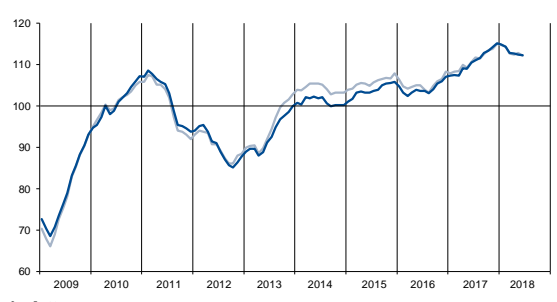
Range: -100 to +100



Source: sentix

Economic Sentiment Indicator

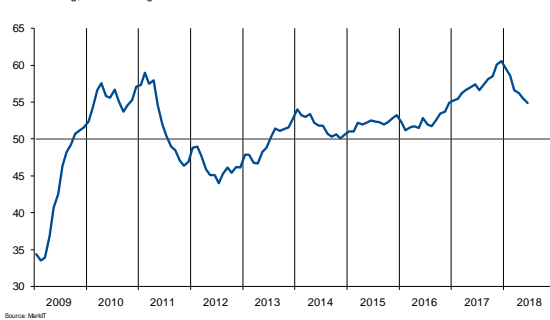
2005 = 100



Source: Eurostat

Purchasing Managers' Index, Eurozone

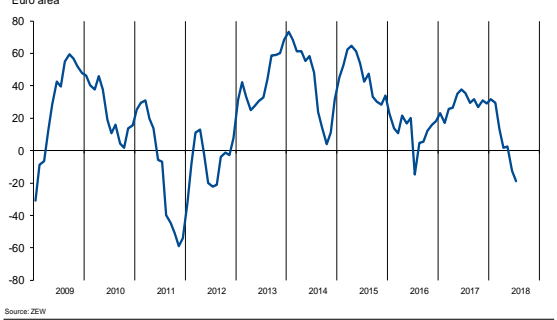
manufacturing, 50 = no change



Source: IHS Markit

ZEW-Indicator of Economic Sentiment

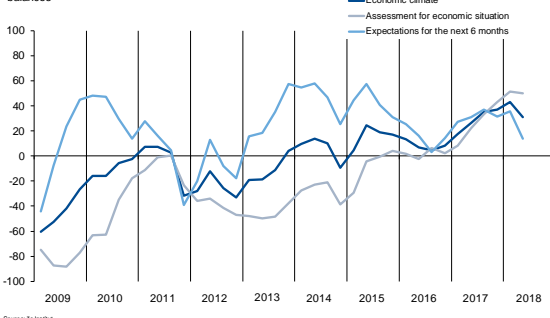
Euro area



Source: ZEW

Ifo Economic Climate for the Eurozone

balances



Source: Ifo Institut

3 World Economy

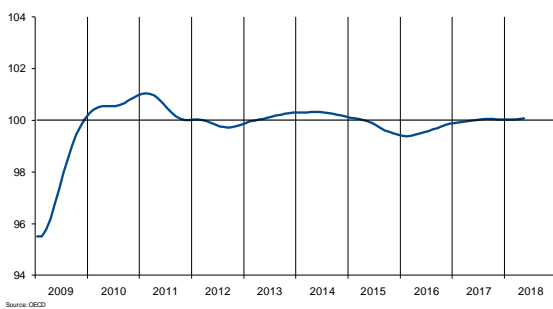
Leading global indicators see upward trend

Most leading indicators for the global economy are pointing upwards. OECD leading indicators improved slightly, while the Bundesbank's leading indicator for the global economy experienced a much steeper increase. The shipping container activity Index was up as well, while the Baltic Dry Index has been seeing sideways movement. The German Manufacturing Purchasing Managers' Index remained unchanged at 56.0 points, well above the growth threshold.

The Ifo World Economic Climate continued its upward trend, increasing 8.9 points over the previous quarter to a current 26.0 points. The trend can be attributed to improved assessment of the business situation by 11.1 percentage points to a current 28.3 and a boost in expectations by 7.0 to 23.9 points.

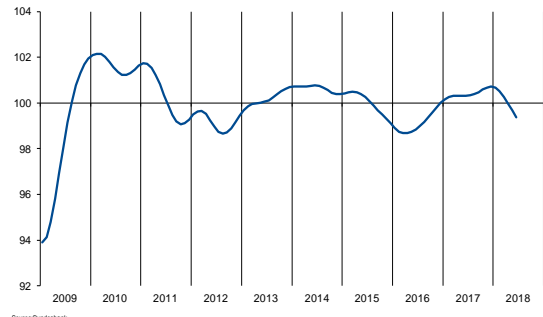
OECD composite leading indicator

long-time average = 100, seasonally adjusted



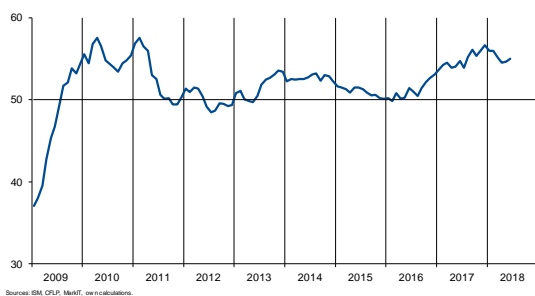
Bundesbank leading indicator for the world economy

long-term average = 100



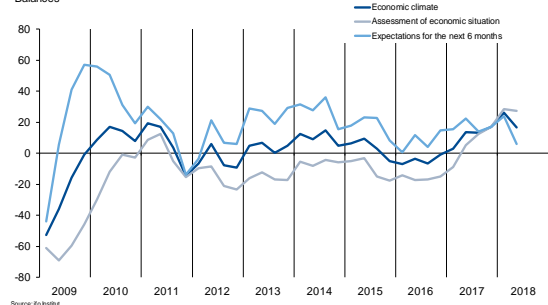
Purchasing Managers' Index

manufacturing, worldwide, 50 = no change;
weighted average of Eurozone, UK, USA, Japan, China, India, Brasil and Russia



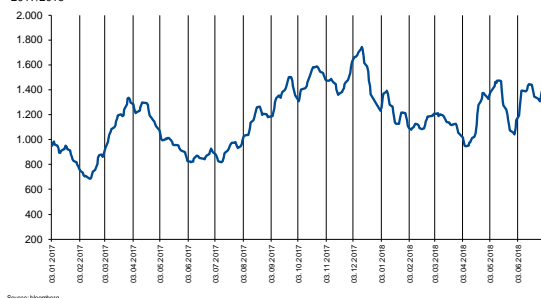
ifo World Economic Climate

Balances



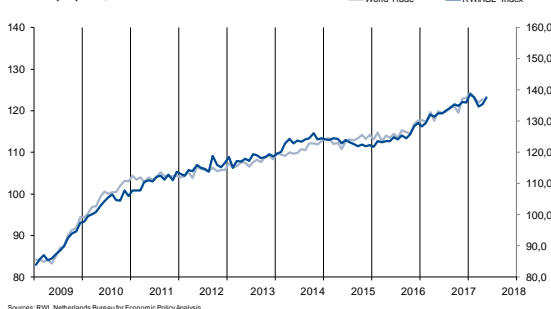
Baltic Dry Index

2017/2018



Container Throughput Index and World Trade

seasonally adjusted, 2008 = 100



Appendix: Descriptions of leading indicators

- The Ifo Business Climate is a widely observed leading indicator for economic development in Germany. It is based on ca. 7,000 monthly survey responses of firms in manufacturing, construction, wholesaling and retailing.
- The Ifo Index for the Economic Climate in the Eurozone as well as the Ifo World Economic Climate Index are based on a survey of 1,000 or 300 economic experts respectively.
- The Purchasing Managers' Index (PMI) for the German Industry (*Einkaufsmanager-index*) is based on estimations by purchasing managers of industrial companies. The PMI for the Industry in the world economy is calculated by us. It conveys the average of the PMIs of the Eurozone, the USA, the UK, Japan, China and Brasil, weighted according to their share of world GDP.
- The European Economic Sentiment Indicator is based on a survey of businesses from industry, trade, construction as well as service providers and consumers.
- The ZEW Indicator of Economic Sentiment (*ZEW-Konjunkturindikator*) is based on a survey of over 300 financial experts.
- The toll statistics account for the mileage of trucks that are liable to tolls on German autobahns measured in kms. The change of the amount compared with the same month of the previous year (adjusted for the calendar effect) serves as an indicator.
- The Sentix Economic Index (*sentix-Konjunkturindex*) is based on a survey of 2,500 private and institutional financial market participants.
- The OECD business climate index (*OECD-Geschäftsklimaindex*) is the weighted average of business climate indexes from 33 countries and is based on company surveys (OECD-members such as Brazil, China, India, Indonesia, Russia and South Africa).
- The German Federal Bank's leading indicator (*Bundesbank Frühindikator*) for the world economy is made up of several global indicators (Purchasing Managers' Index for industry, Purchasing Managers' Index for services, consumer climate for the current economic situation, consumer climate for business expectations, S&P Global 1200 stock index).
- The Baltic Dry Index is an important price index for tracking international shipping costs for dry bulk commodities.
- The Container Throughput Index is a joint project of the *Rheinisch-Westfälisches Wirtschaftsforschungsinstitut* (RWI) and the Institute of Shipping Economics and Logistics (ISL). It is based on market observations in 72 international ports that together make up about 60 percent of the worldwide container handling of manufactured goods.

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As a general rule, all information provided in this publication relates to both the female and male form. To facilitate readability, specific reference to the female form was in most cases dispensed with.

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