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sentix Economic Index: Overstimulation?

- The economic situation in the Eurozone continues to improve. The sentix situation index rises for the third time in a row to 6.3 points. The overall index reaches its highest value since March 2018, meaning that the recession caused by the Corona crisis has been overcome.
- In Germany, the situation assessment even rises for the twelfth time in a row to 15.3 points. This is the best value since May 2019. Economic expectations even rise to an all-time high.
- The excellent economic performance is evident in all regions of the world. The overall index for the US reaches an all-time high and rises for the 13th consecutive month. The global economy is now beginning to show clear signs of overheating. This is likely to prompt central banks to slow down the momentum.

Statistics

Poll running: **6th May to 8th May 2021**
Survey participants: **1,204 investors**
(284 of those are institutional investors)

Current economic regimes* of countries /regions in focus:

Region / country	Regime	Region / country	Regime
Eurozone	Recovery	USA	Boom
Germany	Boom	Japan	Boom
Switzerland	Boom	Asia ex-Japan	Boom
Austria	Boom	Latin America	Recovery
Eastern Europe	Recovery	Global Aggregate	Boom

* 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: May 2021

Euro Area	Dec. 20	Jan. 21	Feb. 21	Mar. 21	Apr. 21	May. 21		
Overall index	-2.7	1.3	-0.2	5.0	13.1	21.0	Highest since 03.2018	3. increase in a row
Headline Index								
- Current situation	-30.3	-26.5	-27.5	-19.3	-6.5	6.3	Highest since 05.2019	3. increase in a row
- Expectations	29.3	33.5	31.5	32.5	34.8	36.8	Alltime High!	3. Increase in a row



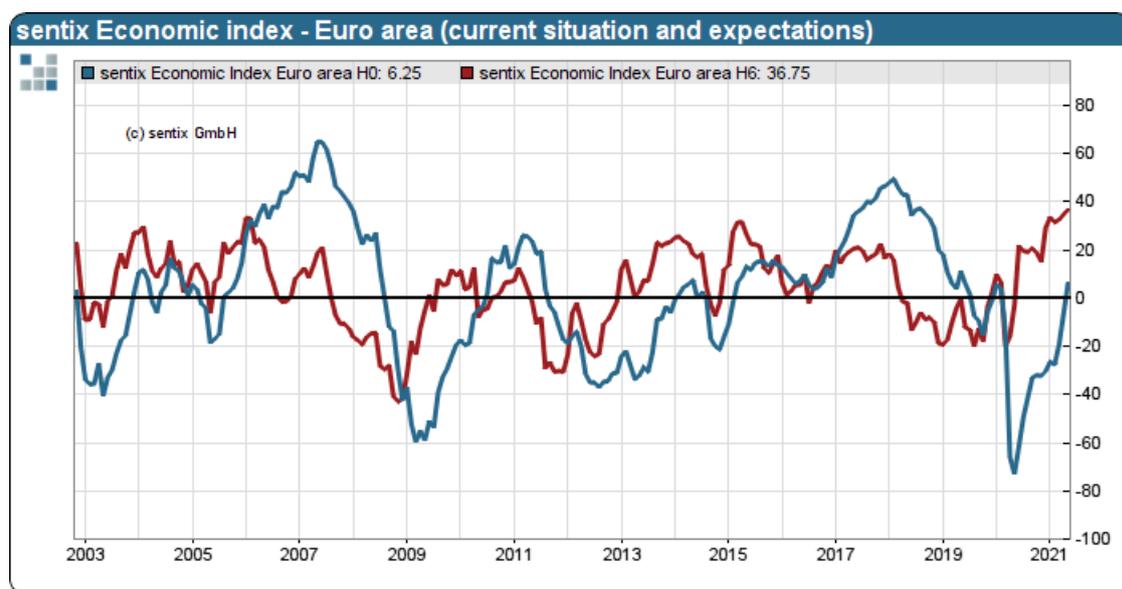
Commentary on the survey results for May 2021

Overstimulation?

The global economy is beginning to show signs of overheating. The situation assessments in all regions continue to improve. With the exception of Latin America and Eastern Europe, we measure positive values everywhere. The Corona-related recession phase has ended. At the same time, expectations remain high. Investors therefore expect a continuation of the current upswing, which is increasingly perceived as a boom. This has a noticeable effect on the situation on the bond markets. Investors expect reactions from the central banks.

Euro area: Further expansion indicated

The Euroland economy has made up for the Corona slump. At +6.3 points, the assessment of the situation not only reaches a positive level again, but also rises to its highest level since May 2019! Despite this strong momentum, expectations scores remain at very high levels. In Euroland, expectations even rise slightly to +36.8 points, an all-time high! This is very unusual and underlines that the very expansive monetary and fiscal policy that has been in place for a year has not failed to have an effect on the real economy. But where there is light, there is also shadow. There are increasing signs that the economy is being overstimulated. This is evident in individual sectors that report shortages of materials. However, the strong global economy is having an even stronger impact on commodity prices and thus on inflation.



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

The extent to which investors are concerned about rising inflation is reflected in the sentix thematic barometer for the bond market. The inflation sub-index falls to -45.25 points in May, also an all-time low. The inflation rates, which already surprised negatively in April, are thus likely to continue to rise significantly. This not only puts pressure on the bond markets, but is also likely to have an impact on central banks. Investors expect a signal soon that the current strong expansion of liquidity will be curbed. The sub-index central bank policy reacts significantly from +13.75 to -0.75 points. The period of strongly supportive central bank policy is thus coming to an end, which should also have an impact on the development of the risk markets.



Germany: The economy defies lockdown

The German economy is proving to be extraordinarily robust despite the ongoing lockdown policy. Supported by a boom in the manufacturing sector, the overall index rose to its highest value since March 2018 of 26.1 points. Surprisingly, economic expectations also rose again slightly, reaching an all-time high of +37.5 points. But in Germany, too, there are increasing signs of overheating.

Germany	Dec. 20	Jan. 21	Feb. 21	Mar. 21	Apr. 21	May. 21		
Overall index	6.9	9.2	8.6	11.9	20.0	26.1	Highest since 03.2018	3. increase in a row
Headline Index								
- Current situation	-17.3	-15.8	-15.5	-9.5	4.5	15.3	Highest since 05.2019	12. increase in a row
- Expectations	34.3	37.5	35.8	35.8	36.8	37.5	Alltime High!	

USA: Overheating within reach

The US economy is developing extraordinarily well. The overall index reaches an all-time high of +40.1 points after its thirteenth increase. The assessment of the situation rises to 41.8 points. As encouraging as these data are, they also signal overheating and thus a necessary cooling. At the very least, expectations cannot hold their ground at the high level and fall back by 9 points. This is likely to be felt in the bond market, where a flattening of the yield curve is likely to set in.

United States	Dec. 20	Jan. 21	Feb. 21	Mar. 21	Apr. 21	May. 21		
Overall index	9.1	10.7	18.0	25.5	38.6	40.1	Alltime High!	13. increase in a row
Headline Index								
- Current situation	-11.8	-11.3	-2.8	9.0	30.0	41.8	Highest since 05.2019	5. increase in a row
- Expectations	32.3	35.3	41.0	43.3	47.5	38.5		

Japan: Booming

We have chosen Japan as an example for the other regions of the world that are all in an upswing or boom. Here, too, unusually strong economic forces are at work. The situation score rose for the fourth time in a row to +17.8 points. This is the best value since January 2019. However, expectations here have also passed their zenith for the time being, although a value of +33 of course still indicates further expansion.

Japan	Dec. 20	Jan. 21	Feb. 21	Mar. 21	Apr. 21	May. 21		
Overall index	14.5	13.6	16.1	20.0	25.5	25.2		
Headline Index								
- Current situation	-2.3	-5.0	-1.8	5.0	15.3	17.8	Highest since 01.2019	4. increase in a row
- Expectations	32.8	34.0	35.5	36.0	36.3	33.0	Lowest since 12.2020	



Further result tables

Asia ex Japan	Dec. 20	Jan. 21	Feb. 21	Mar. 21	Apr. 21	May. 21		
Overall index	29.7	29.6	33.1	33.5	37.6	36.0		
Headline Index								
- Current situation	19.8	17.8	24.0	26.0	33.8	37.0	Highest since 06.2018	4. increase in a row
- Expectations	40.0	42.0	42.5	41.3	41.5	35.0	Lowest since 11.2020	
Eastern Europe	Dec. 20	Jan. 21	Feb. 21	Mar. 21	Apr. 21	May. 21		
Overall index	-6.3	-1.8	-2.7	-0.3	4.6	9.5	Highest since 05.2018	3. increase in a row
Headline Index								
- Current situation	-30.0	-26.0	-27.0	-22.0	-14.0	-6.3	Highest since 02.2020	3. increase in a row
- Expectations	20.8	25.8	25.0	24.0	25.0	26.5	Highest since 03.2005	
Latin America	Dec. 20	Jan. 21	Feb. 21	Mar. 21	Apr. 21	May. 21		
Overall index	-16.5	-11.2	-13.2	-10.2	-9.0	-5.1	Highest since 05.2019	3. increase in a row
Headline Index								
- Current situation	-43.8	-38.0	-39.8	-35.0	-31.8	-26.8	Highest since 03.2020	3. increase in a row
- Expectations	15.5	20.0	17.8	18.3	16.8	19.3		
Global	Dec. 20	Jan. 21	Feb. 21	Mar. 21	Apr. 21	May. 21		
Overall index	13.2	14.9	17.5	20.5	26.8	28.3	Highest since 02.2018	13. increase in a row
Headline Index								
- Current situation	-4.6	-4.1	0.0	5.5	16.3	23.0	Highest since 05.2019	12. increase in a row
- Expectations	32.7	35.7	36.5	36.5	37.7	33.7	Lowest since 12.2020	
Switzerland	Dec. 20	Jan. 21	Feb. 21	Mar. 21	Apr. 21	May. 21		
Overall index	10.7	11.1	18.2	19.8	24.6	30.4	Highest since 01.2018	6. increase in a row
Headline Index								
- Current situation	-5.3	-2.3	-5.8	4.5	10.5	35.5	Highest since 06.2019	3. increase in a row
- Expectations	28.0	25.3	45.0	36.3	39.8	25.5		
Austria	Dec. 20	Jan. 21	Feb. 21	Mar. 21	Apr. 21	May. 21		
Overall index	3.4	9.5	-1.2	8.5	18.1	34.0	Highest since 06.2018	3. increase in a row
Headline Index								
- Current situation	-33.3	-23.5	-32.0	-22.0	-7.0	15.0	Highest since 02.2020	3. increase in a row
- Expectations	48.0	48.8	35.3	44.3	46.5	54.8	Alltime High!	3. Increase in a row



Data availability

Bloomberg L.P.

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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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