

## CONSUMERS REMAIN CHEERFUL – FOR NOW

In light of lingering trade tensions, the mood in corporate boardrooms has deteriorated far more sharply than around kitchen tables of private households.

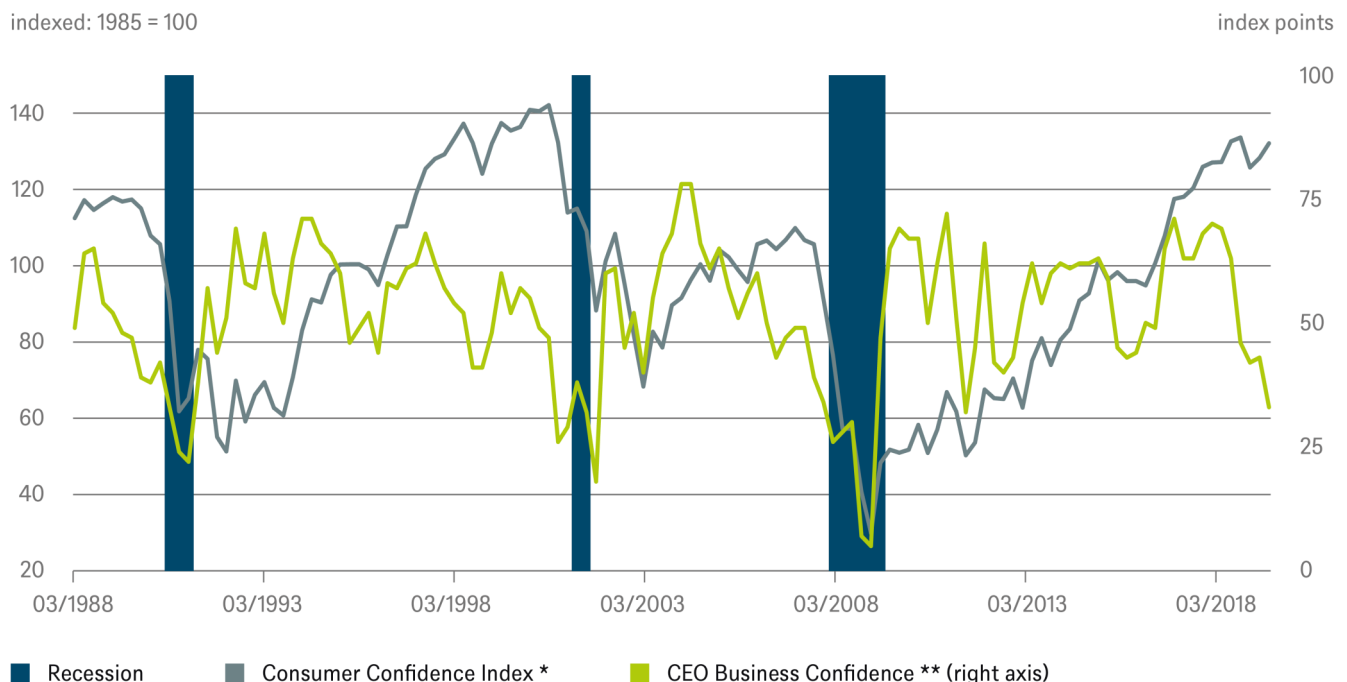
Hail to the consumer! We owe it largely to private households that the economic slowdown caused by the global trade conflicts and a weakness in the manufacturing sector did not push us into a broader recession as yet. Consumers have proved remarkably resilient in the face of a series of bad news, most notably on global trade. As our "Chart of the Week" demonstrates, consumer-confidence surveys continue to point toward an upbeat sentiment, which should translate into ongoing robust consumer demand. By contrast, the mood on executive floors appears to be much more pessimistic. In a comparable survey <sup>1</sup>, CEOs judge the situation as bad as it was last in 2011, and before that during the great financial crisis.

A look at past experience reveals two observations: On the one hand, boardrooms tend to be quicker in recognizing the onset of recessions than the large majority of private households. On the other hand, mood swings among managers

appear to be more pronounced and more frequent. Over the past decade, for example, the spirit on the executive floors was already hammered several times, only to brighten up again afterward.

Which brings us back to the current situation. Naturally, we are drawing some confidence from the persistently good mood among consumers. Nevertheless, the drop in sentiment among business leaders is a concern. We think it reflects the persistently high level of political uncertainty, whether with regard to Brexit or the U.S.-Chinese trade dispute. This not only has an impact on sentiment, but also on investment behavior. We believe it will be up to politicians to ensure a lasting turn for the better by, for example, bringing about a significant easing in the global trade conflict.

<sup>1</sup> Conference Board CEO Confidence Survey



Sources: Haver Analytics Inc., DWS Investment GmbH as of 11/20/19

\* Conference Board Consumer Confidence Index

\*\* Conference Board CEO Confidence Index (50+ = Positive)

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## GLOSSARY

**Brexit** is a combination of the words "Britain" and "Exit" and describes the exit of the United Kingdom of the European Union.

The **Conference Board CEO Business Confidence Index** measures the degree of optimism on the state of the U.S. economy among corporate CEOs. It is published by the business association called The Conference Board.

The **Conference Board Consumer Confidence Index** measures the degree of optimism on the state of the U.S. economy among consumers. It is published by the business association called The Conference Board.

The **financial crisis** refers to the period of market turmoil that started in 2007 and worsened sharply in 2008 with the collapse of Lehman Brothers.

A **recession** is, technically, when an economy contracts for two successive quarters but is often used in a looser way to indicate declining output.

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