

## ZEW Financial Market Survey

### ZEW-Financial Market Report

The ZEW Financial Market Survey has been carried out on a monthly basis since December 1991. It displays the expectations of financial experts for six important international financial markets. About 350 financial analysts from banks, insurance companies and large industrial enterprises participate in this survey. Among the respondents are experts from the finance, research and economic departments as well as traders, fund managers and investment consultants.

These experts are questioned about their medium-term expectations for the development of the macroeconomic trend, the inflation rate, the short-term and long-term interest rates, the stock market and the exchange rates. The survey deals with the markets of Germany, the United States, Japan, Great Britain, France and Italy. Since 1999 data concerning the EU-11 countries are also being collected. In addition the financial experts are requested to estimate the profit situation of 13 German industries (banks, insurance, trade and commerce, construction, automotive, chemistry, steel, electricity, mechanical engineering, utilities, services, telecommunication and information technology).

The financial experts give qualitative assessments of their expectations. This means, that they only judge, for example, whether the long-term interest rates will rise (+), fall (-) or stay approximately the same (=) within the next 6 months. The limitation to qualitative questions is justified by the need for an efficient and quick answering procedure.

The participants are required to respond by fax or mail within a period of fourteen days. The response rate is about 90 percent. The structure of the participants is stable. About 50

percent of the respondents have taken part in at least 60 percent of the surveys between 1991 and 1999.

As an exclusive service the participants receive the aggregated results within 24 hours of the deadline. The detailed analysis of the results, including a graphical presentation, is sent in the form of the ZEW Financial Market Report together with the next questionnaire. The results of the survey are published regularly in the press in the form of indicators and forecasts. The G-Mind (German Market Indicator) with its subcomponents G-Mind (stocks) and G-Mind (bonds) as well as the ECB-watch, which is an indicator for the interest rate policy of the European Central Bank, are distributed by vwd (vereinigte Wirtschaftsdienste GmbH). The journal *Wirtschaftswoche* publishes a business barometer constructed from the data.

### Descriptive Analysis

At first the individual forecasts of the financial experts are aggregated into categories. For many purposes it is necessary to describe the distribution of the responses with a single value. This value can then be interpreted as the mean expectation of the respondents. In most cases the balance  $s=(p-m)$  of the relative frequencies  $p$  of the positive categories (+) and the relative frequencies  $m$  of the negative categories is used. By encrypting the categories as +1, 0 and -1, the balance is the mean of the responses.<sup>1</sup>

*Volker Kleff and Claudia Stirböck*

<sup>1</sup> See: Marnet, Volker (1996): *Eigenschaften und Bestimmungsfaktoren von Finanzmarkterwartungen – Eine theoretische und empirische Analyse unter Verwendung der ZEW-Finanzmarkttestdaten*, 1. Auflage, Nomos Verlag, Baden-Baden.