

Economic Briefing

6 May 2022

Germany - Early Bird near record high again

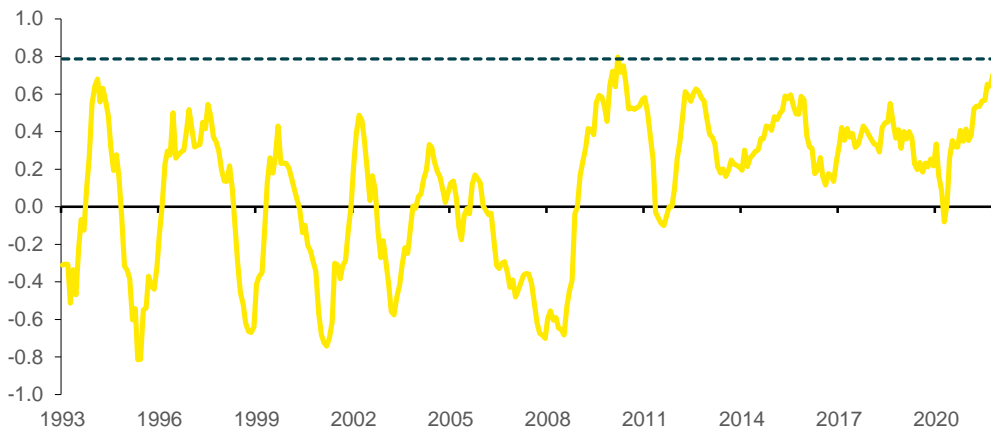
Our leading indicator for the German economy rose to 0.79 points in April, partly offsetting its decline in the previous month. This is because a weaker euro and ever lower real interest rates are helping the economy, more than compensating for the weaker global economic environment. However, these factors are currently overshadowed by supply bottlenecks and energy prices, which have risen significantly due to the Ukraine war, so that the German economy will largely stagnate in the summer.

The Early Bird rose in April from 0.72 to 0.79 points and is thus again close to its all-time high (Chart 1). One of the reasons for the increase compared to the previous month was that the euro lost ground against many currencies. Thus, the indicator for the price competitiveness of the German economy – the real external value of a notional D-Mark – was again about 2% lower in April than a year ago. In addition, the rising core inflation rate is pushing the short-term real interest rate deeper and deeper into negative territory despite increasing speculation that the ECB will raise interest rates. This has further strengthened the tailwind for the economy from monetary policy. The rise of our leading indicator was slowed by the fact that the global economic environment deteriorated again in April.

Despite the very good "classical" framework conditions indicated by the Early Bird, the German economy is unlikely to expand in the coming months. This is because energy prices have risen sharply due to the war in Ukraine, and problems in supply chains have tended to increase because of this and the renewed lockdowns in China. These two negative factors will probably neutralize the boost to the overall economy from the far-reaching easing of the Corona restrictions. If, however, these negative factors lost importance later this year and the "classic" economic drivers became more important again, a strong upswing would probably set in.

Early Bird close to its all-time high

Early bird, Commerzbank leading indicator for the German economy, dotted line indicates latest value



Source: Commerzbank Research

Commerzbank leading indicator for the German economy (Early Bird)

	Apr-22	Mar-22	Feb-22	Jan-22	Dec-21	Nov-21	Oct-21
Early Bird	0.79	0.72	0.84	0.82	0.83	0.74	0.70

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