



COMMERZBANK

Economic Research

Economic Briefing

Germany – Early Bird down

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Our leading indicator for the German economy fell significantly again in December. This means that the Early Bird is once again dashing hopes of a rapid recovery and is instead signaling that the general conditions for the German economy remain below average.

The Early Bird suffered a noticeable setback at the end of the year – which means that the German economy is still facing significant headwinds. In December, our leading indicator for the German economy fell quite significantly to -0.28, after stabilizing at a slightly higher level in the previous months. The main reason for this was the stronger real external value of a notional Deutschmark, which clouded the export prospects for German companies. The global economy is also unlikely to provide any noticeable impetus for the German economy for the time being. The indicator for the global economic environment remains negative. Although the prospects for the US economy have improved somewhat – the ISM index for the manufacturing industry has recently risen slightly – this has been offset by a gloomier outlook, i.e. weaker purchasing managers' indices, in the eurozone and China. The interest rate environment also remained largely unchanged.

With its continued negative value, the Early Bird gives little hope that the economic situation in Germany will improve quickly. On the contrary, there are fears that the German economy will continue to shrink in the winter half-year, as indicated by the Ifo Business Climate, which has recently fallen again. The tight monetary policy in Germany and in many parts of the world is now showing its impressive braking power. This is likely to continue for some time, even if financial markets are already speculating about significant interest rate cuts in the near future. However, even if interest rates fall again, it will take some time for this to have an impact on the real economy.

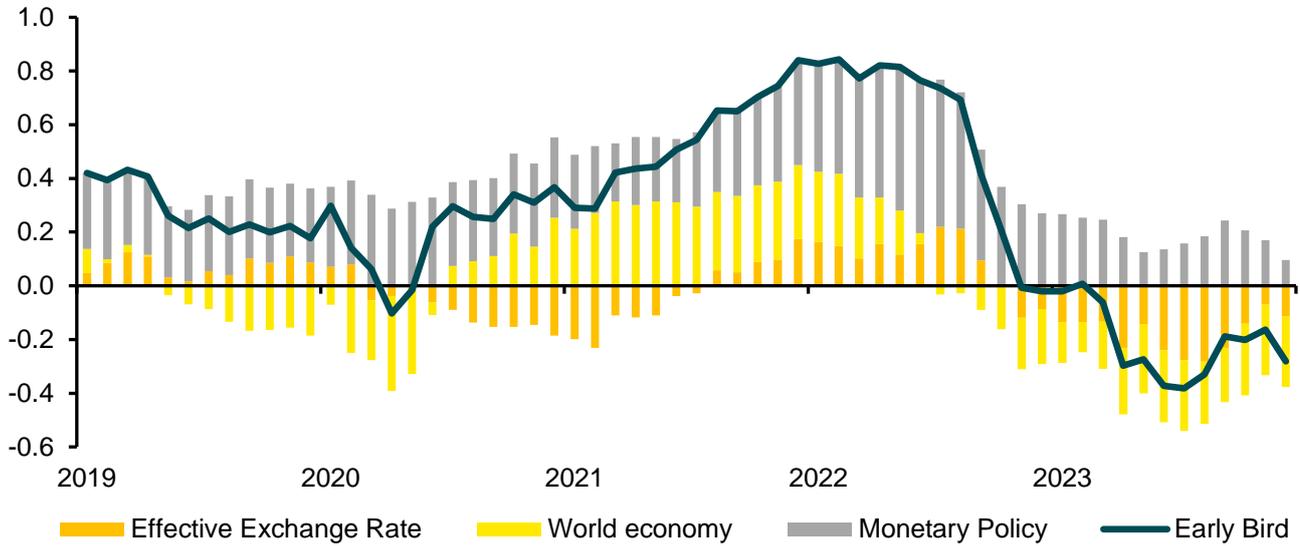


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Chart 1 - Strong euro and weak world economy put Early Bird deep in red territory

Early Bird and the contribution of its sub-components



Source: Bloomberg, S&P Global, Commerzbank Research

Commerzbank leading indicator for the German economy (Early Bird)

	Dez 23	Nov 23	Okt 23	Sep 23	Aug 23	Jul 23	Jun 23
Early Bird	-0.28	-0.16	-0.20	-0.19	-0.33	-0.38	-0.37

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Source: Commerzbank Research



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