

Germany – Early Bird continues to give hope

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Our leading indicator for the German economy rose slightly in August from 33 to 35 points. The somewhat improved global economic environment more than offset the negative effect of the stronger euro. The monetary policy environment has hardly changed recently. With a reading well into positive territory, the Early Bird continues to offer hope for an economic recovery in the further course of this year.

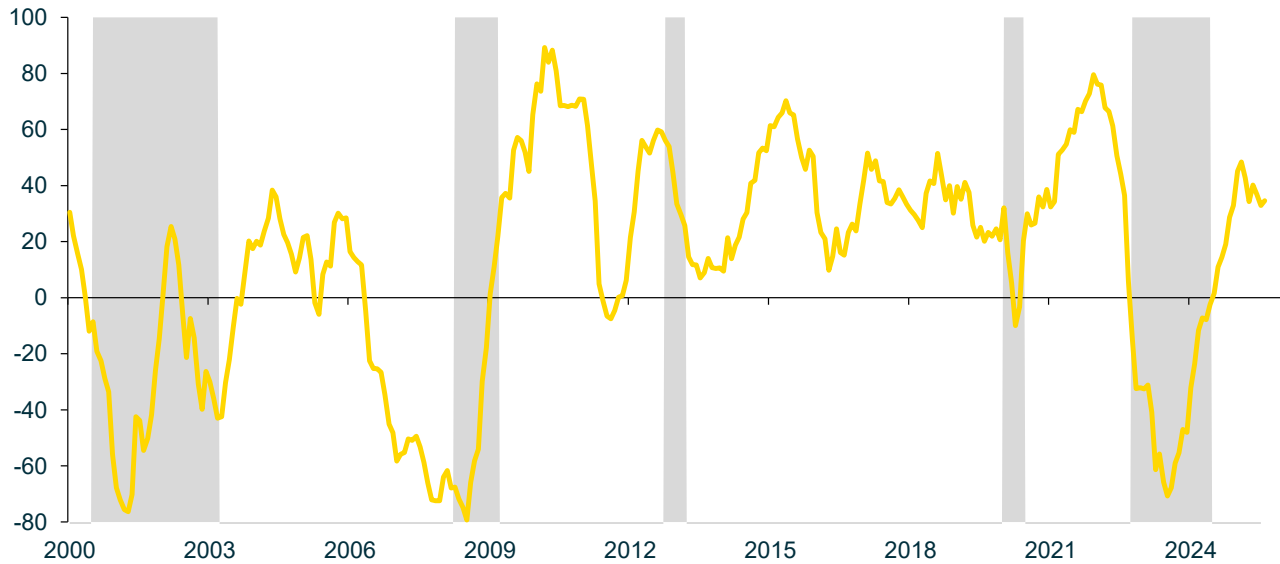
Not much news from the Early Bird: our leading indicator for the German economy stood at 35 points in August, slightly above the July figure (33 points, Table 1). The global economic environment, which we track using the purchasing managers' indices for manufacturing in the US, China, and the eurozone excluding Germany, has improved somewhat. This in itself improves the outlook for German companies' export business. At the same time, the real external value of a fictitious Deutschmark was almost 2% higher than a year ago, which in turn is likely to slow down exports. There has been little change in the monetary policy environment. Monetary policy remains expansionary and is mainly responsible for the Early Bird being well above zero, indicating above-average conditions for the German economy.

This gives hope that the decline in real GDP in the second quarter was primarily a counter-movement to the relatively strong first quarter and does not mark the beginning of a new recession. Over the past 25 years, a rise in the Early Bird above zero has signaled an already occurring or imminent upturn (Chart 1). Exceptions were the sovereign debt crisis in the early 2010s and the coronavirus pandemic, but neither of these were "normal" recessions, i.e., they were caused by factors other than those summarized in the Early Bird. So far, everything is going according to plan in this cycle: after the Early Bird returned to positive territory in July last year, real GDP rose slightly in the third quarter for the first time after almost two years of decline.



Chart 1 - Early Bird signals economic recovery

Commerzbank leading indicator for the German economy; gray areas indicate recessions in Germany (at least two consecutive quarters with a decline in real gross domestic product compared to the previous quarter)



Source: Commerzbank Research

Table 1 - Commerzbank leading indicator for the German economy (Early Bird)

	Aug 25	Jul 25	Jun 25	Mai 25	Apr 25	Mrz 25	Feb 25
Early Bird	35	33	37	40	34	43	48

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