Economic Research

Economic Briefing

Germany – Early Bird Remains Positive

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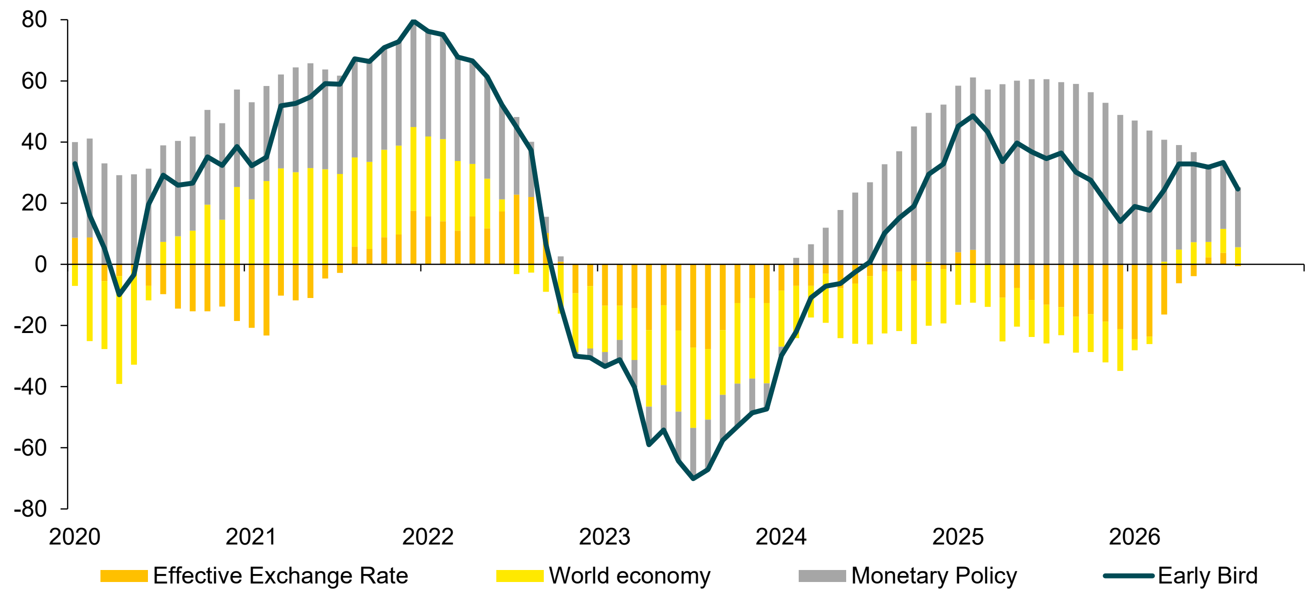
The Early Bird fell from 33 to 25 points in August because the tailwind from monetary policy continues to wane and the euro has strengthened slightly again. Despite the decline, however, our leading indicator remains clearly in positive territory, suggesting that the German economy will continue to grow in the coming quarters.

After four months of essentially stable readings, the Early Bird – our leading indicator for the German economy – fell by 8 points to 25 points in August. This significant decline was driven in part by a slightly stronger euro, which reduces the price competitiveness of German products on the global market. In addition, the tailwind from monetary policy has continued to diminish (Chart 1). Although the short-term real interest rate is still negative – and thus very low by long-term standards –, which favors investment, the real interest rate is now higher than it was a year ago, which tends to slow economic activity.

Chart 1 - Less tailwind from monetary policy
Early Bird and the contribution of its subcomponents



Source: Bloomberg, S&P Global, Commerzbank Research

Despite the decline in August, the Early Bird index remains clearly in positive territory, indicating above-average cyclical conditions. And this does not even take into account the significantly higher government spending, which is expected to provide an additional boost to the economy this year. There are therefore strong indications that the German economy will continue to grow in the coming quarters.

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

	Aug 26	Jul 26	Jun 26	Mai 26	Apr 26	Mrz 26	Feb 26
Early Bird	25	33	32	33	33	24	18

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Source: Commerzbank Research

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