



COMMERZBANK

Economic Research

Economic Briefing

# Germany – Early Bird rises slightly

9 February 2024

Dr. Ralph Solveen

**Our leading indicator for the German economy rose by 0.08 points in January, making up for the decline in December. The main reason for this was a slight improvement in the economic activity abroad. However, at -0.21 points, the Early Bird is still clearly in negative territory, giving little hope of an imminent recovery in the German economy.**

Following the significant decline in December, the Early Bird rose again in January by 0.08 points from -0.29 to -0.21 points. The decisive factor for the improved January reading was that all three PMIs for manufacturing included in the indicator (US, eurozone excluding Germany and China) rose. The external economic environment is therefore no longer quite as negative as in the previous month. In addition, the headwind from the FX market has eased somewhat. The indicator of the price competitiveness of the German economy – the real external value of a notional Deutschmark – was barely higher in January than a year earlier. In the previous months, there had been a significant increase in some cases. These positive factors were partially offset by a higher short-term real interest rate due to the falling inflation rate.

As a result of the increase in January, our leading indicator is now back at the same level as in the fall of last year, but still clearly in negative territory. It therefore continues to signal below-average conditions for the economy, giving little hope of an imminent recovery in the German economy. Instead, we expect the German economy to shrink once again, at least in the first quarter of the new year, and that economic output will also decline for the year as a whole.

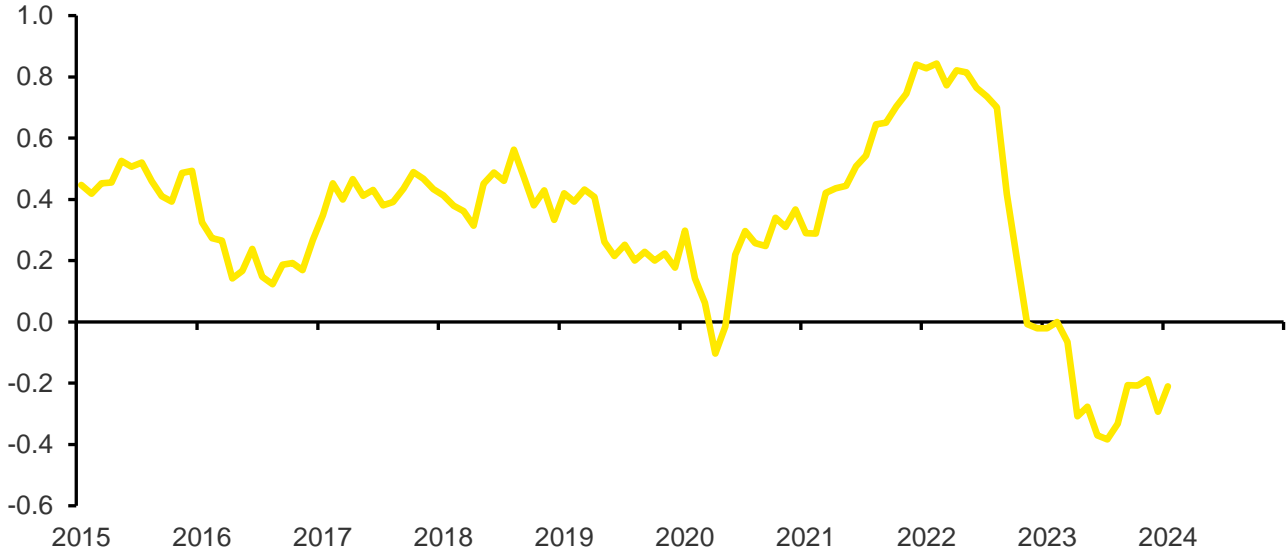


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**Chart 1 - Early Bird stable at a low level**

Commerzbank's leading indicator for the German economy



Source: Commerzbank Research

**Commerzbank leading indicator for the German economy (Early Bird)**

	Jan 24	Dez 23	Nov 23	Okt 23	Sep 23	Aug 23	Jul 23
Early Bird	-0.21	-0.29	-0.19	-0.21	-0.21	-0.33	-0.38

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Source: Commerzbank Research



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