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Economic Research

Economic Briefing

# Germany – setback for the Early Bird

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Dr. Ralph Solveen<sup>AC</sup>

**Our leading indicator for the German economy fell slightly in March for the first time since the end of 2023. The main reasons for this were a slightly less favorable global economic environment and a somewhat stronger euro. However, at 44 points – compared to 48 points in February – the Early Bird remains well in positive territory and thus signals clearly above-average economic conditions for the German economy. This suggests that the economy will pick up again in the course of this year.**

Every series comes to an end at some point. This also applies to the Early Bird. After rising for 14 consecutive months, it fell by four points in March, from 48 to 44 (Chart 1, Table). While the monetary environment has not changed much, the other two sub-components have declined. The global economic environment has deteriorated somewhat, as the slight increase in the PMIs for the manufacturing sector in China and the euro area (excluding Germany) was unable to offset the decline in the ISM index for US manufacturing. In addition, the euro gained some ground in March, meaning that the slight tailwind for the German economy from the currency market has already subsided.

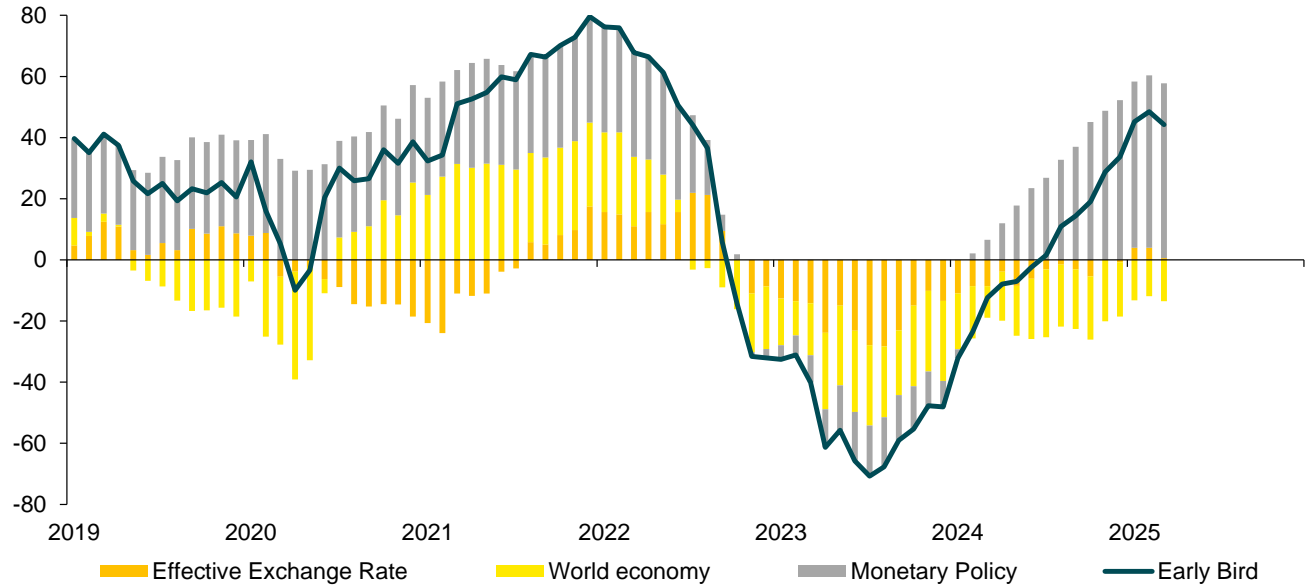
Despite the setback in March, the Early Bird continues to signal clearly above-average conditions for the German economy. This suggests that the economy will pick up soon. Of course, the informative value of our indicator is currently somewhat limited by the fact that it takes into account neither the higher US tariffs nor the looming additional spending by the German government on defense and infrastructure. Since the tariffs will probably take effect more quickly, they could delay the economic recovery signaled by the Early Bird. However, by next year at the latest, their effect should be more than offset by higher government spending, meaning that the recovery should then be even somewhat stronger than we had previously expected.

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**Chart 1 - Early Bird drops because of weaker global economy and stronger euro**

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)**

	Mrz 25	Feb 25	Jan 25	Dez 24	Nov 24	Okt 24	Sep 24
Early Bird	44	48	45	34	29	19	14

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Source: Commerzbank Research



## Analysts

**Dr. Ralph Solveen** <sup>AC</sup>

Senior Economist

+49 69 9353 45622

ralph.solveen@commerzbank.com

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#### Commerzbank Offices

##### Frankfurt

Commerzbank AG  
DLZ - Gebäude 2,  
Händlerhaus  
Mainzer Landstraße 153  
60327 Frankfurt  
Tel: + 49 69 136 21200

##### London

Commerzbank AG  
PO BOX 52715  
30 Gresham Street  
London, EC2P 2XY  
Tel: + 44 207 623 8000

##### New York

Commerz Markets LLC  
225 Liberty Street, 32nd  
floor,  
New York,  
NY 10281-1050  
Tel: + 1 212 703 4000

##### Singapore

Commerzbank AG  
128 Beach Road  
#17-01 Guoco Midtown  
Singapore 189773  
Tel: +65 631 10000