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Economic Research

Economic Briefing

Germany – Early Bird in decline

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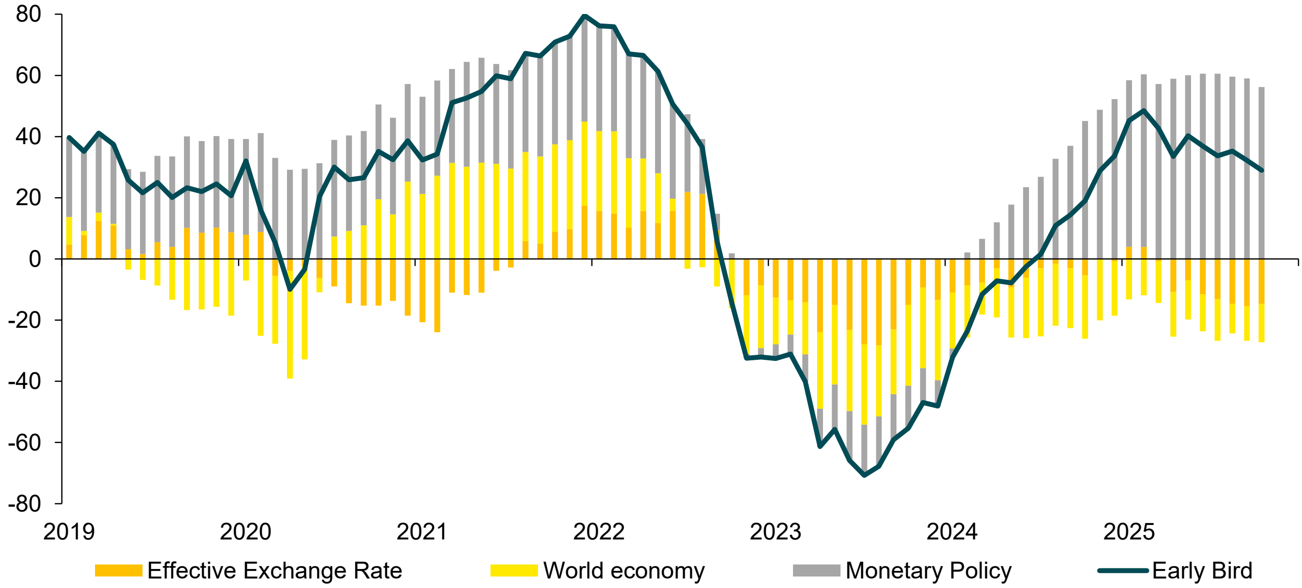
Our leading indicator for the German economy fell from 32 to 29 points in October, continuing its slight downward trend. This is because the tailwind from monetary policy is gradually subsiding and the global economic environment has deteriorated slightly. However, the Early Bird remains clearly in positive territory, continuing to signal an economic upturn. This is all the more true given that the Early Bird does not take into account fiscal policy, which is likely to give the economy a noticeable boost in the coming year.

Will the widely hoped-for upturn materialize or not? A glance at the Early Bird could raise certain doubts. Our leading indicator has been on a downward trend since the beginning of the year, continuing in October with a decline from 32 to 29 points. This was due in part to a somewhat unfavorable global economic environment. The purchasing managers' indices for the manufacturing sector in the US and China fell, which could not be offset by a slight increase in the index for the eurozone. In addition, the tailwind from monetary policy is no longer quite as strong, as the ECB's interest rate cuts are gradually falling out of the year-on-year comparison we are looking at (Chart 1).

Chart 1 - Unfavorable environment for exports weighs on Early Bird

Early Bird and the contribution of its sub-components



Source: Bloomberg, S&P Global, Commerzbank Research

However, despite the recent decline in October, the Early Bird indicator remains clearly in positive territory, signaling an above-average economic environment. This points to an economic upturn. In addition, our leading indicator does not take into account the direction of fiscal policy, which has probably slowed the economy slightly this year, but will be very expansionary in the coming year and thus give the economy a noticeable boost. For these two reasons, we continue to expect an economic upturn in the coming year despite the downward trend in the Early Bird.

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

	Okt 25	Sep 25	Aug 25	Jul 25	Jun 25	Mai 25	Apr 25
Early Bird	29	32	35	34	37	40	33

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Source: Commerzbank Research

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