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Economic Research

Economic Briefing

Germany – Early Bird continues to decline

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Unser Frühindikator für die deutsche Wirtschaft ist im November erneut gefallen. Mit 20 Punkten – nach 27 im Oktober – bewegt er sich zwar immer noch deutlich oberhalb der Nulllinie und signalisiert damit weiterhin überdurchschnittliche konjunkturelle Rahmenbedingungen für die deutsche Wirtschaft. Allerdings zeigt sein seit Anfang des Jahres anhaltender Rückgang, dass der Schub von den in unserem Indikator berücksichtigten Größen spätestens im Laufe des kommenden Jahres nachlassen wird, womit die Hoffnungen auf eine nachhaltige Belebung der Wirtschaft immer mehr auf der expsniven Finanzpolitik ruhen.

With a decline from 27 to 20 points, the Early Bird continued its downward trend in November that has persisted since the beginning of the year. One reason for this is the stronger euro. According to our estimates, the indicator of the German economy's price competitiveness – the real external value of a fictitious Deutschmark – was almost 3% higher than a year ago. The last time there was such a sharp increase within a year was a good two years ago. In addition, the degree of monetary policy expansion is declining as the ECB's interest rate cuts are becoming a thing of the past. Despite the long lag in the effects of monetary policy, the boost from this side is likely to subside by next year at the latest. In addition, the global economic environment has also deteriorated slightly (Chart 1).

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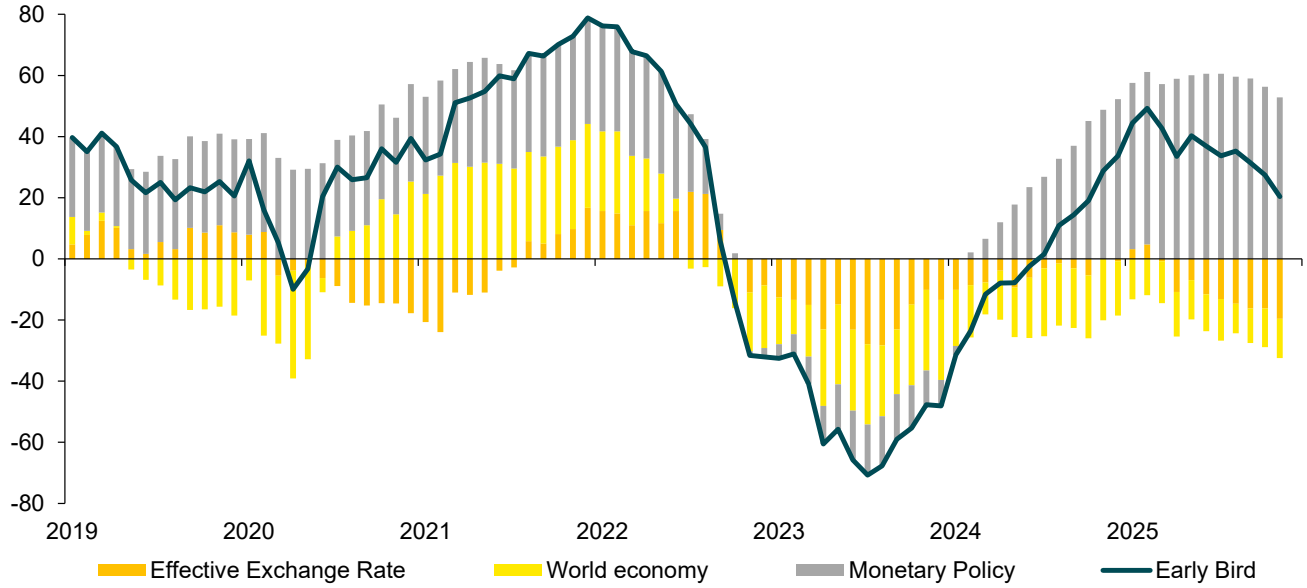
Chart 1 - Impulse from monetary policy will become weaker

Early Bird and the contribution of its sub-components



Source: Bloomberg, S&P Global, Commerzbank Research

Over the past few months, we have repeatedly pointed out here that the Early Bird does not take fiscal policy into account, as there are no meaningful monthly indicators available at an early stage for this. In other words, the Early Bird currently tends to underestimate the impulse provided by the main drivers of the economy. However, its decline shows once again that hopes for at least a slightly better economy are increasingly resting on additional government spending.

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

	Nov 25	Okt 25	Sep 25	Aug 25	Jul 25	Jun 25	Mai 25
Early Bird	20	27	32	35	34	37	40

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Source: Commerzbank Research

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