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Economic Research

Economic Briefing

Germany – Trump weighs on Early Bird

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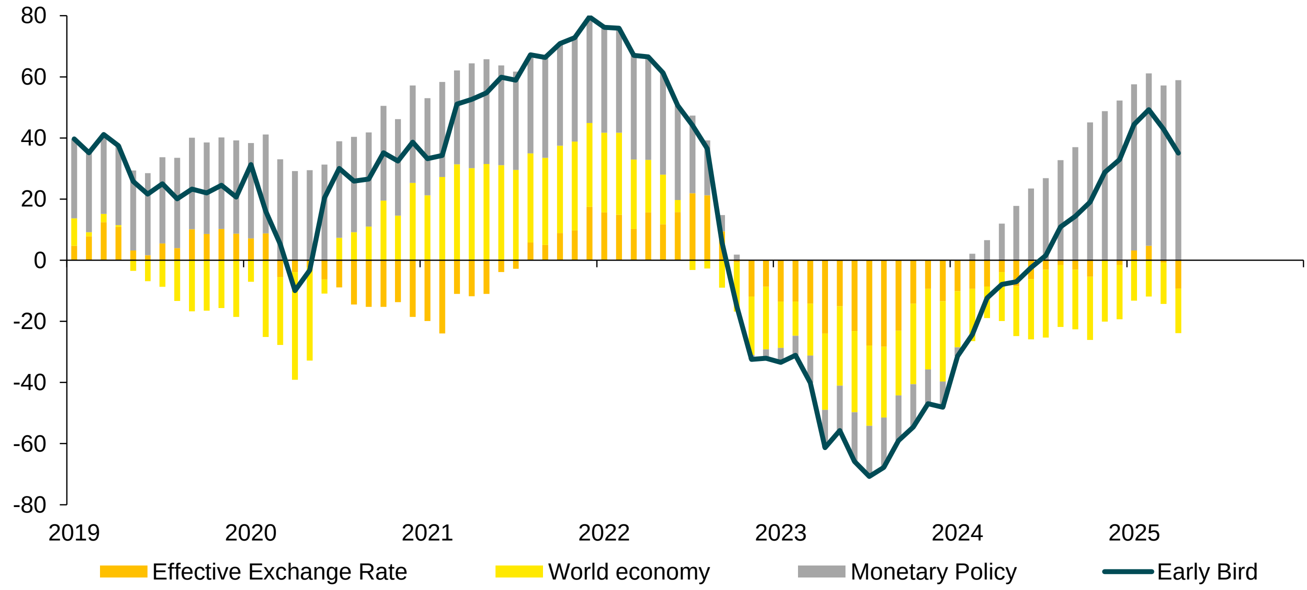
Our leading indicator for the German economy fell quite significantly in April for the second month in a row. The decline from 43 points in March to 35 points in April was due to a weaker global economy and a stronger euro, which are probably primarily attributable to the tariff policy of the US president. With a value well in positive territory, the Early Bird continues to signal above-average economic conditions and thus an imminent upturn in the German economy. However, this is likely to be very moderate, partly due to US tariff policy.

After rising for around a year and a half, in April the Early Bird fell for the second month in a row, from 43 to 35 points (Table 1).The monetary environment actually improved slightly. However, this was outweighed by the fact that the euro strengthened, particularly against the US dollar, as a result of the noticeable increase in tariffs on US imports, and by the decline in purchasing managers' indices for the manufacturing sector in the US and China. Even a slightly better figure for the eurozone (excluding Germany) was unable to offset this.

As a result, both the global economic environment and developments on the FX market are currently slowing down the German economy (Chart 1). Nevertheless, the Early Bird remains clearly in positive territory, as monetary policy continues to provide strong impetus. Consequently, our leading indicator continues to signal an upturn in the German economy. However, the decline in the last two months supports our expectation that this upturn will be very moderate for the time being. This is all the more true given that US tariff policy is slowing down the German economy not only indirectly via a stronger euro and a weaker global economy, but also directly via the higher prices of German goods on the US market, and the latter is not taken into account by the Early Bird. This also applies to the significant relaxation of Germany's debt brake. However, the latter is likely to have a positive impact on growth only next year, while the tariffs are likely to take effect already this year.

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

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

	Apr 25	Mrz 25	Feb 25	Jan 25	Dez 24	Nov 24	Okt 24
Early Bird	35	43	49	44	33	29	19

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Source: Commerzbank Research

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