# 2026 kicks off with key economic data

Will unemployment in the US continue to rise, will inflation in the eurozone fall to 2%, and will German industry start to perform better again? This abridged edition of the *Week in Focus* provides an overview of the important economic data due to be released over the turn of the year.

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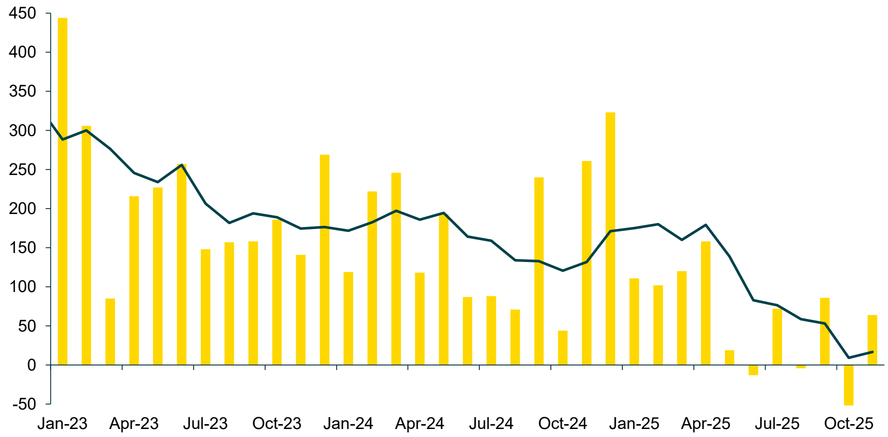
## US labor market: How severe is the slowdown?

The US labor market has lost considerable momentum. Hardly any new jobs have been created in recent months (Chart 1). In November, employment rose by only 64,000, and Federal Reserve Chairman Powell recently stated that these figures even overstate the actual trend. This is because the contribution of newly founded or closed companies must first be estimated. A subsequent comparison of these estimates with comprehensive social security data has shown for some time that the assumptions were significantly too optimistic. According to Powell, the reported job growth could be inflated by 60,000 per month, meaning that employment may not actually be increasing at all.

However, job growth in December is expected to be slightly higher than reported for November. This is because the temporary closure of parts of the federal government ("shutdown") probably had a negative impact on business in November, for example on subcontractors to the public sector. Thus, a certain rebound is likely. We expect next month's report to show that 80,000 new jobs to have been created in December.

Chart 1 - Payroll gains slowing on trend
nonfarm payrolls, month-on-month change in thousands. Line: six-month moving average

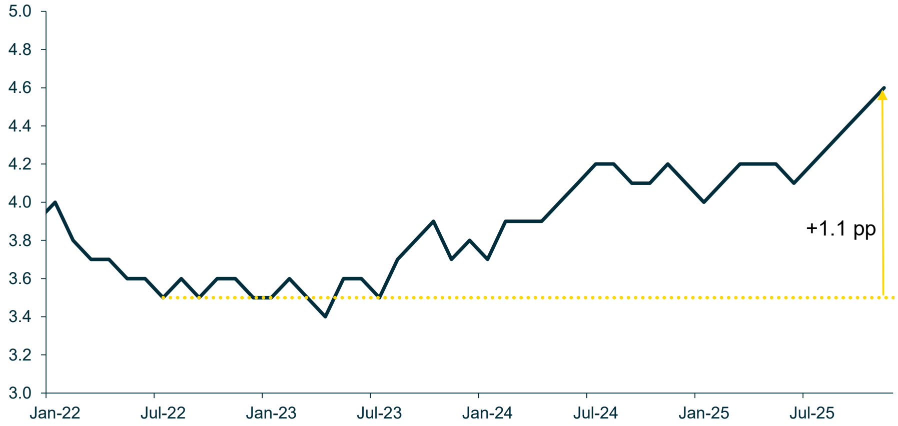



Source: BLS, S&P Global, Commerzbank Research

From the Fed's perspective, the focus is likely to be on the unemployment rate in particular. This is because part of the weakness in employment is related to the fact that fewer people are entering the labor market due to more restrictive immigration policies. For Fed Chair Powell, the unemployment rate is therefore currently a better indicator of the situation on the labor market.

The unemployment rate has already risen by a good 1 percentage point from its very low level in 2022/23 (Chart 2). We expect it to remain at 4.6% in December. The Fed would then probably continue to be more concerned about the labor market than about inflation risks. It would thus remain on course for several interest rate cuts in 2026, even if a pause is more likely in January after three consecutive steps.

Chart 2 - US unemployment rising again
unemployment rate, in %




Source: BLS, S&P Global, Commerzbank Research

The report on US GDP growth in the third quarter is also due to be released. Due to the shutdown, publication has been delayed by around two months. Strong growth of 3.2% (quarter-on-quarter at annual rate) is expected. Source data indicate that the US economy expanded across the board, with the exception of the shrinking residential and commercial construction sectors.

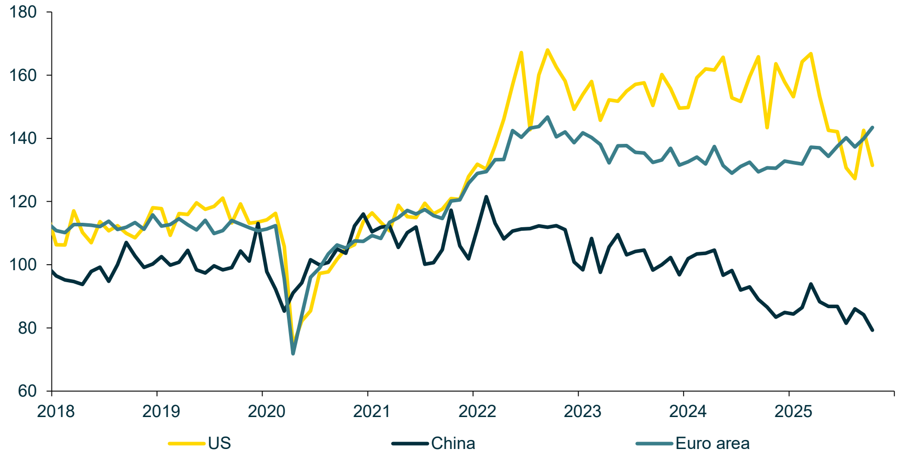
However, the economy lost momentum during the third quarter. The shutdown is likely to have further slowed activity. The US economy is therefore expected to have grown at a significantly slower pace in the fourth quarter. However, we do not see the upturn as being at risk as financing conditions remain favorable.

## Germany: Another sign of hope from manufacturing?

How is the German manufacturing sector doing? Production has made up for the sharp decline in August, which had fueled fears of a renewed slump in production. In the first full week of January, the November manufacturing data will show whether this stabilization continues. Although we expect the negative signs to dominate after the surprisingly positive October figures – we anticipate a 1% decline in both order intake and production from the previous month – this would not change the sideways movement of these two variables for the time being.

The figures for goods exports are certainly also worth a look. These too had surprised on the upside in October, with little change compared with the previous month. This is because the widely expected significant decline in deliveries to the US (due to higher tariffs) and China (due to weak domestic demand there) was largely offset by an increase in deliveries to other eurozone countries (Chart 3). This means that the very positive development in demand from the rest of the eurozone has continued until recently. The new figures will show whether this also applies to November.

Chart 3 - German exports to the US and China weak, but exports to the Eurozone countries still rising
Goods exports, nominal figures, 2020=100, seasonally adjusted monthly figures




Source: Destatis, Commerzbank Research

## Eurozone: Inflation will experience a dip

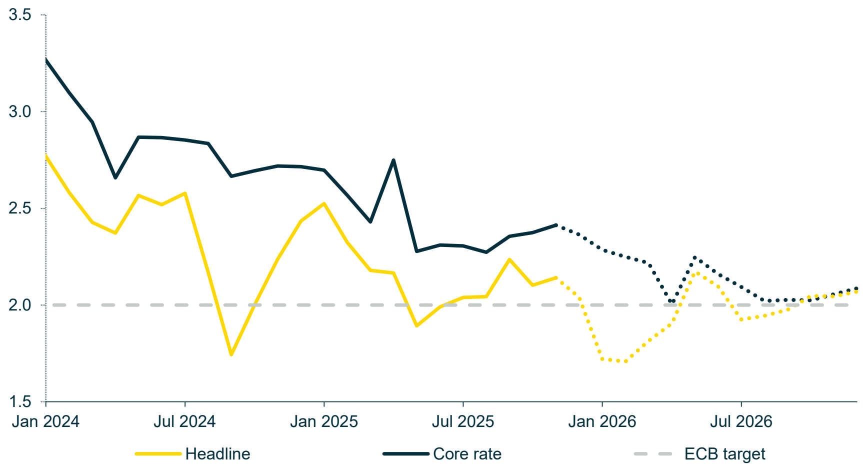
Inflation in the eurozone has proven to be very persistent over the past six months. In November, the year-on-year rate of consumer prices rose to 2.1% overall, and the year-on-year rate of consumer prices excluding energy, food, and beverages rose to as much as 2.4% (core rate, Chart 4). However, the trend is likely to reverse in the coming months, and a temporary phase of weak inflation is likely to set in.

Inflation is likely to fall to the ECB's target of 2.0% as early as December. As oil prices have continued to fall in recent weeks, oil products such as gasoline, diesel, and heating oil will also be slightly cheaper in December than in November. For this reason, the year-on-year rate of energy commodity prices is likely to fall by one percentage point to -1.5%, thereby depressing overall inflation. Energy prices will continue to play a decisive role in the inflation rate in the new year. In January 2026, a sharp price increase will drop out of the year-on-year comparison (base effect). Inflation could fall to as low as 1.6% during this dip.

The core rate is also likely to ease somewhat in the coming months. December will see a year-on-year rate of 2.3% (after 2.4% in November). The core rate should also decline slightly in very small steps in the following months. This is supported by the fact that wage growth is now slowly easing after a strong 2025. This will significantly benefit companies in the service sector, which will not have to continue raising the prices of their services. For this reason, the core rate is likely to reach the ECB's target of 2.0% over the course of the coming year.

In the medium term, however, not all risks of higher inflation have been averted. Currently, profit margins for companies are quite low on average. If the economic environment allows, companies will most likely raise their prices for goods and services in order to restore their former profitability. Deteriorating demographics and decarbonization measures are also likely to exert upward pressure on prices in the long term. The low inflation phase in the coming year therefore by no means guarantees that inflation will remain at this level.

Chart 4 - Eurozone inflation should fall temporarily
Harmonized consumer price index in the euro area, year-over-year rates in %, from December 2025 Commerzbank forecasts




Source: Eurostat, Commerzbank Research

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