



COMMERZBANK

Economic Research

Economic Briefing

Germany – Early Bird still deep in red territory

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Dr. Ralph Solveen

As in the previous month, our leading indicator for the German economy stood at -0.19 points in October. The weaker euro compensated for the further deterioration in the external economic environment and tighter monetary policy. With its negative value, the Early Bird continues to clearly signal a difficult environment for the economy, which speaks against an imminent economic recovery.

The German economy contracted slightly in the third quarter, and our Early Bird gives little hope of a significant improvement in the economy in the near future. This is because its recovery observed in the last two months did not continue in October. Instead, the indicator remained clearly in negative territory at an unchanged -0.19 points (chart). A weaker euro has improved the price competitiveness of German products. At the same time, however, the external economic environment has deteriorated further, as all three of the manufacturing PMIs included in the Early Bird – the ISM for US manufacturing and its counterparts for China and the euro area excluding Germany – fell noticeably in October. In addition, the short-term real interest rate continued to rise.

With its value well below the zero line, the Early Bird indicates that the drivers of the economy are currently below average. This suggests that the economy will not pick up noticeably any time soon, as expected in many forecasts. It is more likely that it will take some time until this revival will start. Instead, it is to be feared that the German economy will continue to shrink in the winter half-year.

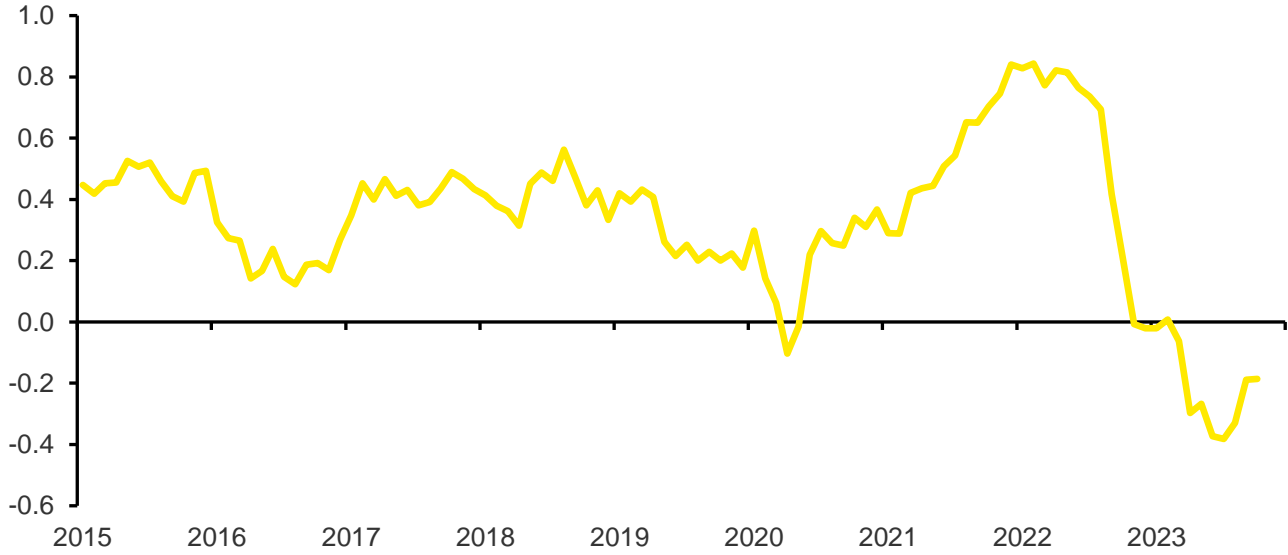


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Chart 1 - Early Bird stable at a low level

Commerzbank's leading indicator for the German economy



Source: Commerzbank Research

Commerzbank leading indicator for the German economy (Early Bird)

	Okt 23	Sep 23	Aug 23	Jul 23	Jun 23	Mai 23	Apr 23
Early Bird	-0.19	-0.19	-0.33	-0.38	-0.37	-0.27	-0.30

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Source: Commerzbank Research



Analysts

Dr. Ralph Solveen

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