



COMMERZBANK

Economic Research

Economic Briefing

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Germany – Early Bird gains altitude again

Our leading indicator for the German economy rose significantly in September. This was primarily due to a weaker euro. However, at -0.17 points, the indicator is still in negative territory, thus continuing to indicate below-average conditions for the German economy. The indicator therefore still supports our expectation that economic output will contract in the winter half-year. However, the indicator's increase compared with the previous month gives us hope that this decline will be limited.

After a minimal gain in August, the Early Bird increased significantly from -0.33 to -0.17 points in September. This was primarily due to developments on the FX market. The indicator of the price competitiveness of the German economy – the real external value of a notional Deutsche Mark – fell slightly. As this indicator had risen markedly in September of last year, the year-on-year comparison taken into account in the Early Bird now shows a much smaller increase than in August. In addition, the global economic environment has improved somewhat, as the PMIs for manufacturing in the US and China rose, more than offsetting the somewhat weaker figure for the euro zone excluding Germany. There was no significant change in monetary policy despite the ECB's new interest rate hike.

With the positive development in the past two months, the Early Bird has stopped its downtrend for the time being. However, it is still well below the zero line, and the last time it was this low was some months after the financial crisis. Consequently, the latest development of the Early Bird shows that the economic environment for the German economy has improved somewhat in the past two months. However, it remains below average, which argues against the recovery expected in many forecasts as early as the fourth quarter. We continue to believe that such a rapid recovery is unlikely. Instead, we expect the German economy to contract in the winter half-year, as it probably did already in the third quarter.

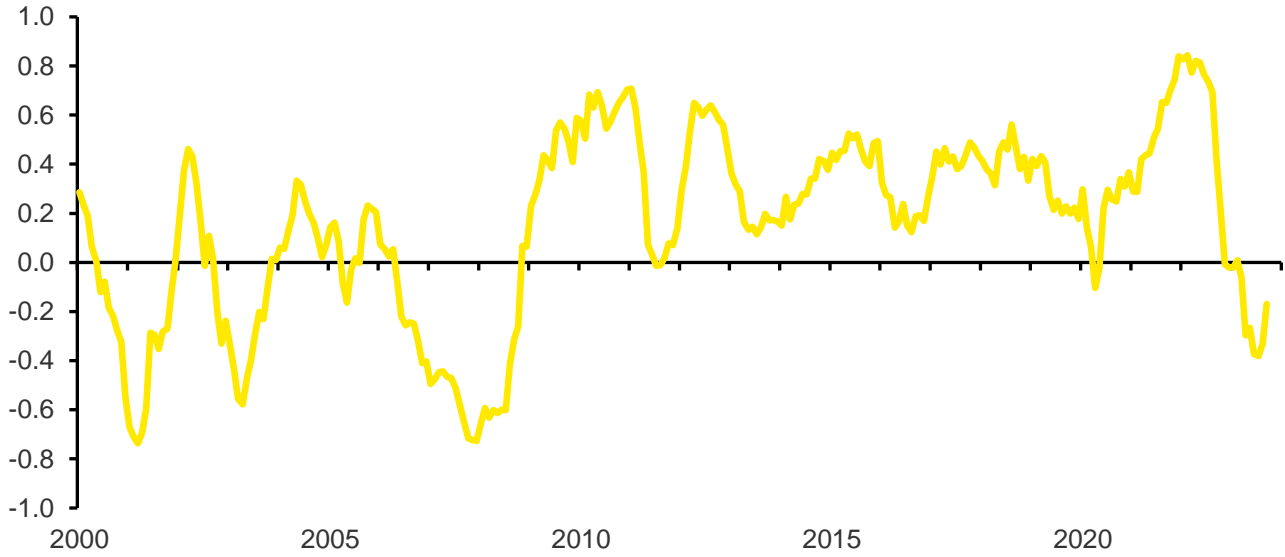


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Chart 1 - Early Bird still in negative territory

Early Bird, Commerzbank leading indicator for the German economy



Source: Commerzbank Research

Commerzbank leading indicator for the German economy (Early Bird)

	Sep 23	Aug 23	Jul 23	Jun 23	Mai 23	Apr 23	Mrz 23
Early Bird	-0.17	-0.33	-0.38	-0.37	-0.27	-0.30	-0.06

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