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Economic Research

Economic Briefing

# Germany – Early Bird keeps rising

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**Our leading indicator for the German economy rose again in September and, at 15 points, is now well into positive territory. In particular, the monetary policy environment is increasingly brightening, while the global economy continues to face headwinds. The steady rise of the Early Bird offers hope that the German economy will overcome the current stagnation in the coming year, even though the numerous structural problems will probably prevent a strong upturn.**

In September, the Early Bird continued its upward trend, which has lasted for more than a year, climbing from 10 to 15 points (Chart 1). Monetary policy remains the driver of the rise. This is because the short-term real interest rate is now significantly lower than a year ago, partly due to the ECB's latest interest rate cuts. In addition, the headwind from the FX market, which was quite strong at times last year, has lessened in recent months. This does not apply to the global economy, however. It's true, that the three PMIs for manufacturing that we take into account for the indicator – for the US, China and the eurozone excluding Germany – did improve slightly on average in September. However, they are still well below the long-term average and thus exert downward pressure on the Early Bird on its own.

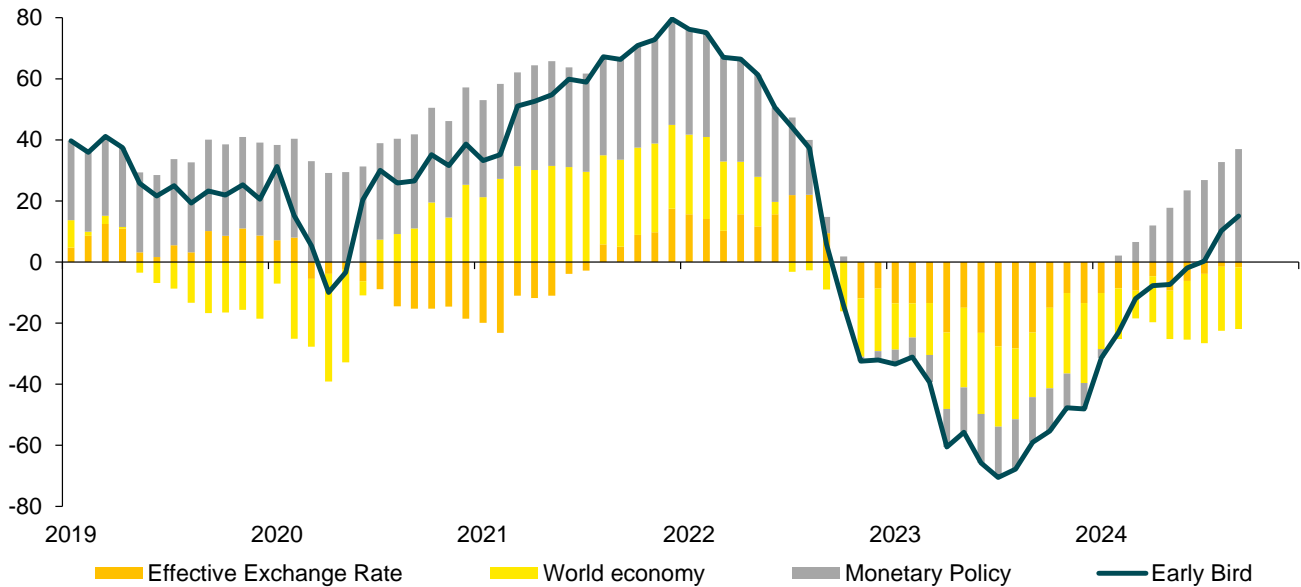


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**Chart 1 - Monetary policy supporting against the economy**

Early Bird and the contribution of its sub-components



Source: Bloomberg, S&P Global, Commerzbank Research

Despite the persistent headwind from the global economy, the Early Bird thus indicates a significant improvement in cyclical conditions. As the latest weaker sentiment indicators show, this is not yet having an impact on the economy, and this is unlikely to change until the end of this year. But for the coming year, the strong increase in the Early Bird raises hopes that growth will pick up and that the German economy will overcome the long period of stagnation, even if a strong upturn is not to be expected due to the numerous structural weaknesses of the German economy.

**Commerzbank leading indicator for the German economy (Early Bird)**

	Sep 24	Aug 24	Jul 24	Jun 24	Mai 24	Apr 24	Mrz 24
Early Bird	15	10	0	-2	-7	-8	-12

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Source: Commerzbank Research



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