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Economic Research

Economic Briefing

# Germany – Early Bird keeps on rising

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**Our leading indicator for the German economy rose significantly again in November, from 18 points in October to 26 points. Monetary policy remains the main driver. By contrast, the global economic environment has improved only slightly and movements on the FX markets were also limited. With the further increase in November, the Early Bird is fueling hopes of an economic upturn in the coming year.**

The Early Bird still only knows one direction: upwards! It rose again in November, by 8 points to 26 points. The main reason for this was once again monetary policy. The short-term real interest rate is now significantly lower than a year ago and it is likely to fall further in the coming months. As in previous months, the other two sub-components of our leading indicator have hardly moved. The global economic environment has improved slightly, as the rise in the ISM index for US manufacturing more than offset the decline in the respective PMI in the eurozone (excluding Germany). However, the sub-component for the global economy continues to signal a weak environment for German exports. Obviously, the interest rate cuts made by other central banks are not yet having a real impact. There is still little movement in the indicator of the price competitiveness of the German economy, the real external value of a notional Deutschmark, which remains at a similar level to a year ago.

This means that the ECB's turnaround in its monetary policy this summer is the great source of hope for the German economy. The interest rate cuts that have already taken place and those that are likely to follow will hardly boost the economy before the second half of next year. But even before then, the dampening effect of the previous sharp interest rate hikes is set to diminish which will likely have a positive impact, meaning that slight growth rates in real GDP are already possible in the first half of the year. However, in view of the many structural problems and the persistently weak global economic environment, only a moderate upward trend can be expected throughout 2025.

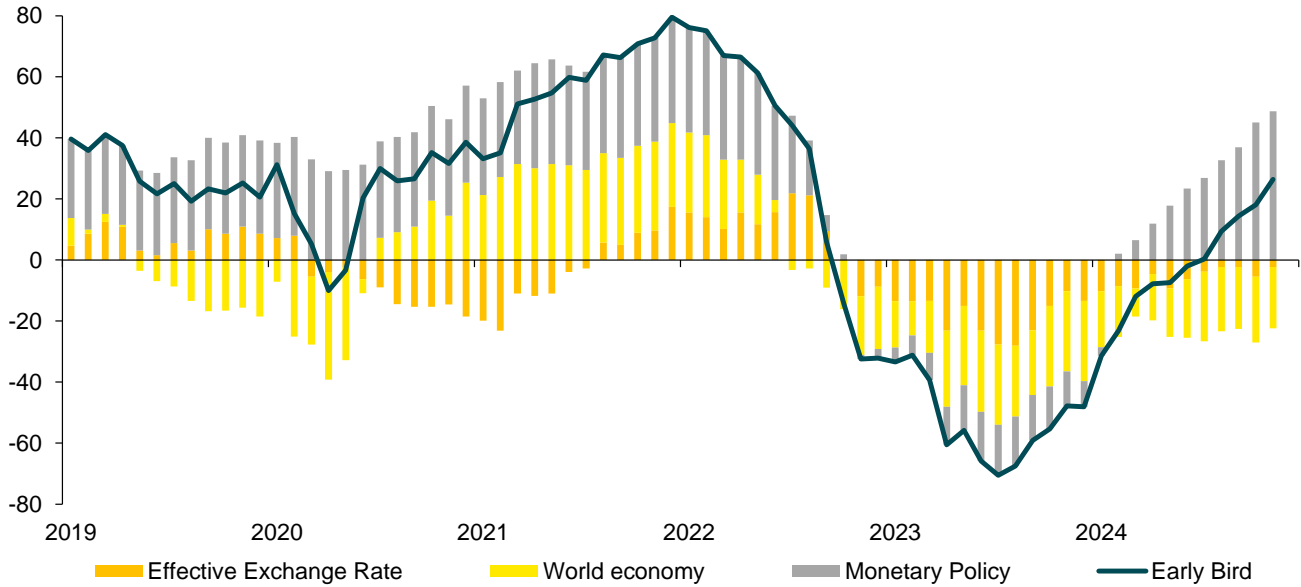


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**Chart 1 - Monetary policy supporting the economy, while the world economy is a drag on growth**

Early Bird and the contribution of its sub-components



Source: Bloomberg, S&P Global, Commerzbank Research

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

	Nov 24	Okt 24	Sep 24	Aug 24	Jul 24	Jun 24	Mai 24
Early Bird	26	18	14	9	0	-2	-7

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Source: Commerzbank Research



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