

Germany – Early Bird in full decline

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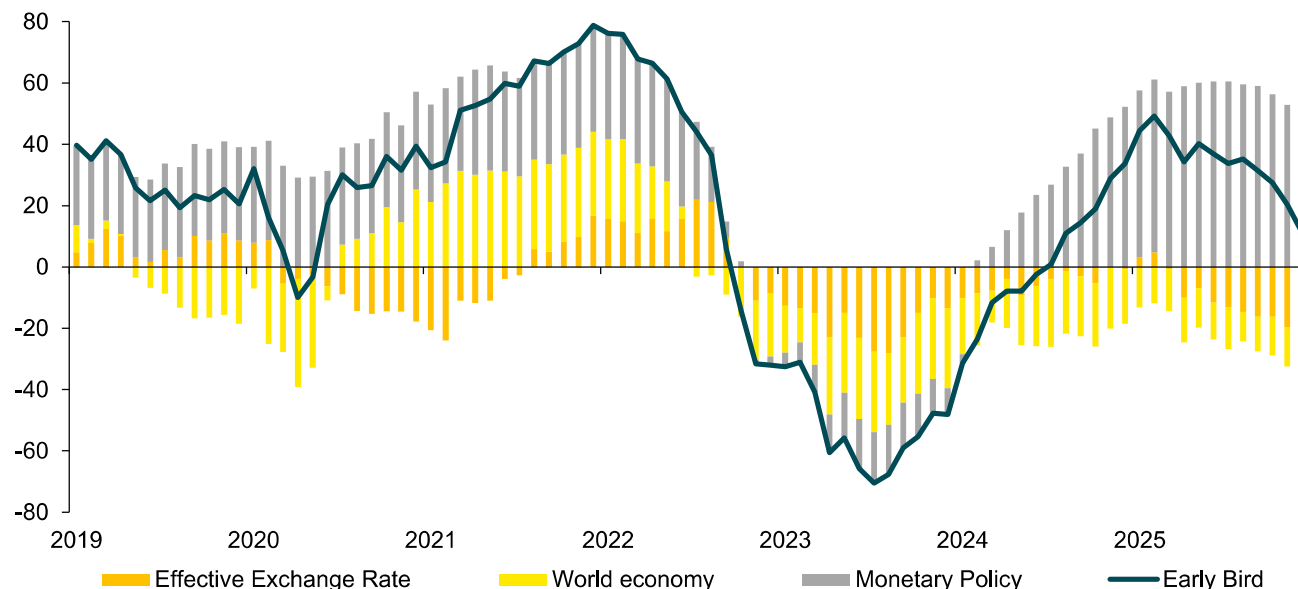
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Our leading indicator for the German economy fell noticeably to 11 points in December, down from 20 points in November. The Early Bird is rapidly approaching zero, signaling that conditions for the German economy are hardly above average anymore. In addition to the waning effects of monetary policy, headwinds are brewing for foreign trade. This leaves expansionary fiscal policy as the remaining anchor of hope for the German economy.

The Early Bird fell from 20 points in November to 11 points in December. This is the second consecutive sharp decline in our leading indicator. The interim high in February 2025 is now a distant memory. One of the main reasons for this is the stronger euro. According to our estimates, the indicator of the German economy's price competitiveness – the real external value of a fictitious German Mark – was around 3% higher than a year ago. This makes German goods more expensive from the perspective of US consumers, for example. In addition, the economic mood in the global economy has deteriorated slightly. Monetary policy can hardly compensate for these deteriorations. This is because the ECB's interest rate cuts are increasingly in the past and their expansionary effect on the economy is now waning. As a result, all three components of our leading indicator are falling (Chart 1).



Chart 1 - All subcomponents of the Early Bird deteriorate
Early Bird and the contribution of its subcomponents



Source: Bloomberg, S&P Global, Commerzbank Research

Strong headwinds for German exports

The deterioration in global economic sentiment and the rising price of the euro are particularly bad news for German exports. In combination with the US government's tariffs and increasing competition from China, this is creating strong headwinds for the export industry. A revival of the German economy through foreign trade – as has been the case after previous periods of weakness – is unlikely this time around.

This places even more hope on the German government's expansionary fiscal policy. However, the Early Bird indicator does not take this stimulus into account, as there are no readily available and meaningful monthly indicators for fiscal policy. In other words, the Early Bird currently tends to underestimate the stimulus provided by the main drivers of the economy.

Table 1 - Commerzbank leading indicator for the German economy (Early Bird)

	Dec-25	Nov-25	Oct-25	Sep-25	Aug-25	Jul-25	Jun-25
Early Bird	11	20	27	32	35	34	37

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Source: Commerzbank Research



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