Finanzgruppe
Deutscher Sparkassen-
und Giroverband

INFORMATION
ON THE ECONOMIC SITUATION
Issue 4/2017

# Synchronous expansion in the global economy; broad-based upswing in the eurozone; Germany in boom mode

Berlin, 19th December 2017

**Author:**
Dr. Holger Schulz
Holger.Schulz@dsgv.de

**German GDP growth will almost certainly turn out to have topped the 2 percent mark in the year which is now coming to an end. Furthermore, this development is embedded in a remarkably synchronous expansion in the global economy.**

Global risks do, admittedly, persist but have not yet had any concrete braking-effects. For Germany, 2017 has been the eighth consecutive year of positive growth. Over the past four years, moreover, the pace of the expansion has been well in excess of the potential growth rate. Growth projections foresee a comparable rate of expansion for 2018 as well. Of late, investment activity has been picking up more strongly in response to the upswing, the objective here being to widen increasingly tight capacities.

From the cyclical point of view, Germany does not require any further economic-policy stimulus in such a situation. To that extent, the German economy will have no difficulty weathering the strenuous, long-drawn-out government-formation process in Berlin. All the same, milestone decisions relating to long-term structural issues do still need to be taken.

Inflation dynamics in Germany, as well as in the wider euro area, remain pretty modest, with the inflation rate continuing to undershoot the ECB's target. Nevertheless, it is problematic that the euro zone's monetary custodians have committed to keeping their policy expansionary for such a long time to come in what is an increasingly bright cyclical constellation.

# Synchronous expansion in the global economy; broad-based upswing in the eurozone; Germany in boom mode

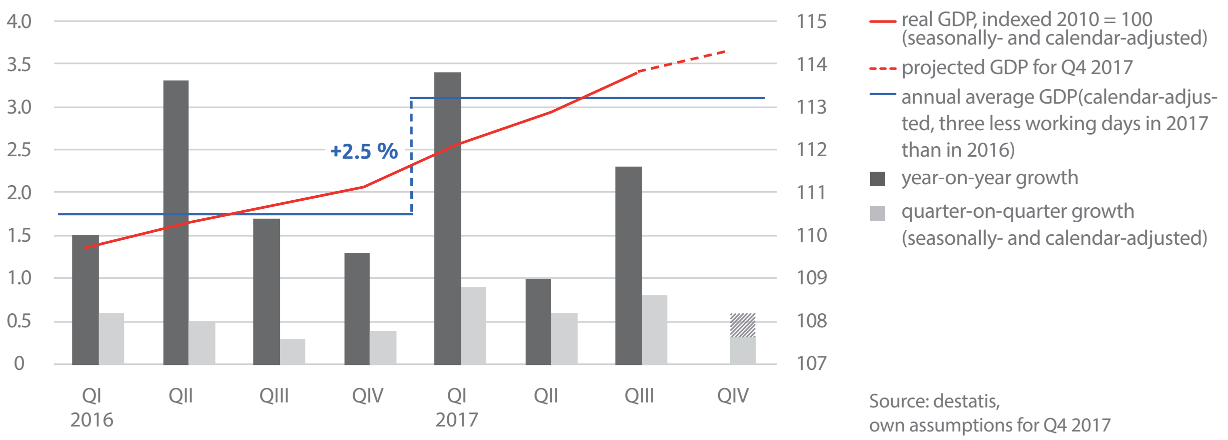
**German GDP growth is gaining even more momentum**

The economic upswing in Germany now has a further strong quarter to its name. GDP turns out to have expanded by 0.8 percent on a seasonally-adjusted quarter-on-quarter basis in the June-September period, thereby virtually matching the very high growth rate recorded in Q1. The pace of growth in the first quarter has actually been revised upwards of late ex post to as high as 0.9 percent. The growth spurt observed in Q3 means that German GDP has gained further altitude relative to the second quarter (0.6 percent).

*2.2 percent GDP annual growth in 2017 as a conservative estimate*

The development over the course of 2017 has therefore proved to be so dynamic that annual German GDP now looks certain to top the 2 percent mark. Robust concrete forecasts regarding the target range for the annual GDP reading are already possible: assuming a quarter-on-quarter growth rate for the final quarter of between 0.3-0.6 percent, 2017 annual GDP growth would work out at 2.2 percent. And the range referred to is a conservative estimate for fourth-quarter growth.

**German gross domestic product**




Source: destatis, own assumptions for Q4 2017

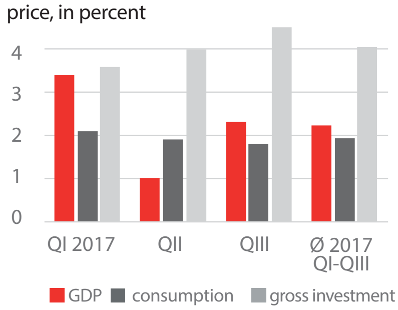
If it is borne in mind that this level of aggregate economic output has been achieved in a year with three less working days than 2016, cyclical momentum appears even more pronounced still.

## Broad demand growth across all expenditure-side components

Where is this vigorous surge in growth deriving from? The answer is: from all expenditure-side components. The German economic engine is currently firing on all cylinders simultaneously. Even though private consumption trod water briefly during the third quarter, we are fundamentally talking about a robust domestically-driven upswing.

Moreover, the net-export contribution is not putting a brake on aggregate GDP in straight arithmetical terms, as might have been expected in the light of mounting imports, which have to be subtracted from buoyant domestic demand. This is because exports are, on balance, keeping pace with developments. This does not hold true for every single quarter, nor for the pattern in October, when import growth clearly outstripped growth on the export front, but it certainly applies to the overall picture for the first ten months of 2017.

**Components of the GDP,** percentage changes to the previous year, adjusted for price, in percent



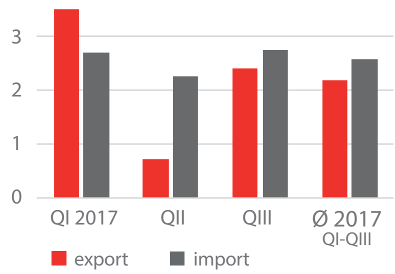

Source: destatis

## The global economy has embarked on a synchronous upswing

The root-cause here is that German exports are the beneficiaries of a very broad and homogeneous upswing in global cyclical activity. Virtually all major economic regions are now expanding in sync, and the degree of synchronicity is unusually high. This applies just as much to the breakdown according to threshold vs. advanced economies as it does to a broad view across the continents.

In its latest Economic Outlook for the present year, published on 28th November, the OECD has raised its projections for almost all countries and global economic regions which it tracks. Almost none of the world's medium-sized and large economies is currently mired in recession.

**exports and imports,** changes to the previous year, adjusted for price, in percent




Source: destatis

**GDP growth rates for selected OECD countries**, percentages

| | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|
| USA | **1.5** | **2.2** | **2.5** | **2.1** |
| China | **6.7** | **6.8** | **6.6** | **6.4** |
| Japan | **1.0** | **1.5** | **1.2** | **1.0** |
| Großbritannien | **1.8** | **1.5** | **1.2** | **1.1** |
| Euroraum | **1.8** | **2.4** | **2.1** | **1.9** |
| Deutschland | **1.9** | **2.5** | **2.3** | **1.9** |
| Frankreich | **1.1** | **1.8** | **1.8** | **1.7** |
| Italien | **1.1** | **1.6** | **1.5** | **1.3** |

Source: OECD Economic Outlook No. 102 – November 2017

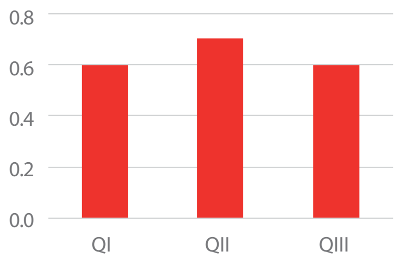
The OECD forecasts adjusted working-day **growth rates**. The German (GDP-growth) rate of 2.5 percent therefore is quite consistent with the above deduction from the course of the year so far.

The OECD does, admittedly, point to the risks which exist, inter alia the high burden of private indebtedness weighing on many countries. Alongside this, certain scenarios remain unclarified: for example, how hard or soft Brexit is going to turn out to be in spite of the progress which has been made at the negotiating-table; the recalibration of European institutions; the political uncertainties lurking in many states; or the debate concerning the resurgence of protectionism.

To date, it is true, these risks hanging over the horizon have had hardly any braking-effect on growth in the current cyclical situation. This is partly due to the fact that some of the risks anticipated (e.g. in connection with the elections in the Netherlands and France) have failed to materialise.

From a German perspective, the most important thing from the point of view of international cyclical activity is that a largely self-supporting recovery has now taken hold in the economies of the country's trading partners elsewhere in Europe. After all, Germany still has the highest degree of interlinkage with these countries. Reciprocal spillover effects from rising production and flourishing trade are proving correspondingly pronounced.

**Growth rates of the euro area,**
seasonally and calendar-adjusted in percent




Source: eurostat

## Germany's current-account surplus remains large but is at least not widening any further

In the light of this, Germany's sizeable current-account surplus, which often comes in for criticism from abroad, is only set to narrow marginally. The criticism being levelled at the surplus is not justified because it is a market outcome. Moreover, it is easily explicable in terms of the demographic situation in the Federal Republic. The high level of domestic savings is, as it were, weighing on the world market.

However, Germany is not manipulating exchange-rate relations. One cannot, admittedly, dismiss the argument that the terms of trade are not in equilibrium for Germany, taken in isolation, due to the impact of the common European monetary policy. On the other hand, Germany certainly cannot be reproached for this.

Although their rise has indeed been slowed by the bout of euro depreciation observed since 2015, the terms of trade are still at a very high level on a long-term view. In other words, German export prices are expensive relative to the prices of imports. Germany's current-account surpluses are in no way the consequence of a deliberate low-price strategy.

Indeed, the possibility of regional trends panning out differently (in the field of trade as well) in reaction to the centrally unified parameters of monetary policy and the exchange rate is virtually a defining characteristic of a currency area.

**Terms of Trade Germany,**
indexed 2010 = 100

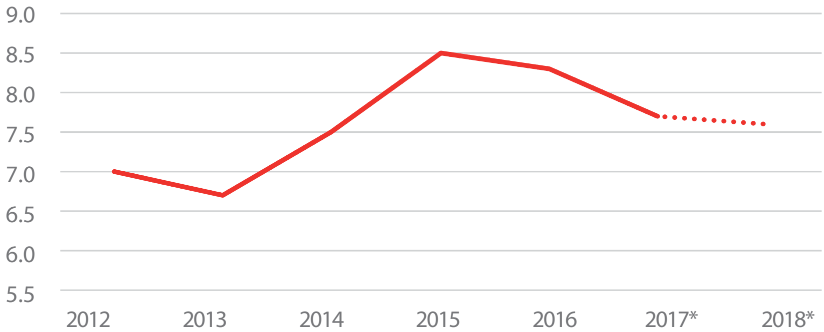

Sources: EZB/Eurostat/Bundesbank/destatis

**Terms of Trade,** the „real" exchange rate, putting the volumes of exports and imports traded against each other; it represents the prices of the exports of a country, related to the prices of its imports, expressed in a single currency.

With respect to the international trade situation, it makes more sense to focus on the current-account balance of the current union as a whole rather than on the sub-accounts for individual nations, even though the German current-account position is admittedly very striking for a country of that size.

In the Annual Economic Report they published in November, the German Council of Economic Experts („Sachverständigenrat") estimated that Germany's current-account surplus would work out at 7.7 percent of nominal GDP in the present year, down from 8.3 percent in the previous year. The „Five Wise Men and Women" on the Council only see the surplus narrowing incrementally, to 7.6 percent, in 2018.

**Current-account balance as a proportion of nominal GDP (Germany),**
percentages




* forecast of the German Council of economic experts
Source: destatis, GCEE Annual report 2017/2018, p.139

## Composition of Q3 growth in Germany: Half from net exports, half from inventory investment

On balance, net exports – which came in even higher in real terms – contributed 0.4 percentage points to aggregate growth in the third quarter. This expenditure-side item therefore accounted for half of seasonally-adjusted German growth (which totalled 0.8 percent) in the quarter in question. The other half was not, as might be assumed, supplied by final domestic consumption but rather by inventory investment, which likewise contributed 0.4 percentage points to aggregate growth in pure arithmetical terms.

*Inventory cycle as statistical switchyard*

Inventory accumulation is customary in Germany in the third quarter, and replenishment of inventories duly showed up once again in the Federal Statistical Office's nominal expenditure-side national-accounts data. Interpretation is more difficult, however, with regard to the real, seasonally-adjusted trend because not all relevant parameters on that score are released by Destatis. In statistical practice, this variable is, in every sense, a „balance," being used to book non-apportionable residual items. As regards real quarter-on-quarter rates, only growth contributions are quantified. It is therefore not possible to directly gauge whether inventory levels have indeed risen sharply. Mathematically speaking, a slower decline would have the same effect. Technically, the contribution made to GDP is the second derivative of the inventory level. However, a second consecutive positive contribution, along with the evidence provided by nominal levels, makes it probable that inventory levels have risen in real terms as well. Whether these are subsumed under „raw materials and supplies" or „finished goods transferred to inventories" cannot be directly inferred from the German national-accounts statistics either.

And it does not really shed any new light on this quarter if one looks at the inventory-investment figures in connection with the foreign-trade data. Such an overall view is frequently instructive: for example, if a larger volume of imported raw materials is initially added to inventories, this constitutes a transitory item from the point of view of GDP, boosting aggregate economic output via the inventory-investment component but, at the same time, reducing the net-export contribution via the import component. But this would appear not to be the case at the moment because both growth contributions – from the trade and inventory fronts alike – were in expansion mode during the third quarter.

*ambivalent evaluation*

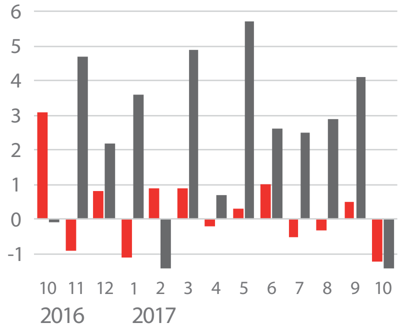
Is this to be construed as a positive or rather as a negative sign? In the nature of things, the inventory-investment position cannot make a stable long-term contribution to the growth process. Are the countervailing negative effects of an inventory drawdown – or, at least, of slower inventory accumulation – on the cards for the coming quarters? At any rate, domestic final consumption was not all that vigorous in the autumn. Despite the favourable pace of overall GDP growth, this expenditure-side component evidently failed to make a positive growth contribution in straight mathematical terms.

## Domestic demand, above all private consumption, only trod water briefly in the third quarter

It is a fact that consumer demand did not display any resplendent growth dynamism during the third quarter. Government consumption stagnated in real, seasonally-adjusted terms. Indeed, private consumption – which is, after all, the most important component of GDP – actually moved slightly into reverse, registering a growth rate of -0.1 percent. What is more, retail sales proved decidedly disappointing not only in Q3 but also during October as well.

The same applies, in principle, for several monthly economic-indicator readings in October. Output in the producing sector was also sluggish in that month. That may, however, be a corollary of bridge-day effects, connected with the Day of German Unity public holiday, which have not been correctly offset by the methodology governing adjustments for working-day variations. The fact that incoming orders are continuing to shape up propitiously is also a reason for hope.

**Real retail sales**, relative to the same month of the previous year




Source: destatis

All things considered, the marginal setbacks registered in the third quarter and into October are likely to turn out to be mere blips on the graph.

At all events, the framework conditions for private-consumption expenditure continue to look excellent. Purchasing power, and the actual propensity to consume, will probably be further enhanced by a labour-market situation increasingly approaching full employment, by mounting wage momentum, and by the increases in regular pension payments which are foreseeable for next year.

The brief chill in the consumer climate witnessed during the autumn will probably therefore turn out to be only a temporary phenomenon, doing nothing to alter the stable trajectory of a medium-term upswing driven by domestic demand.

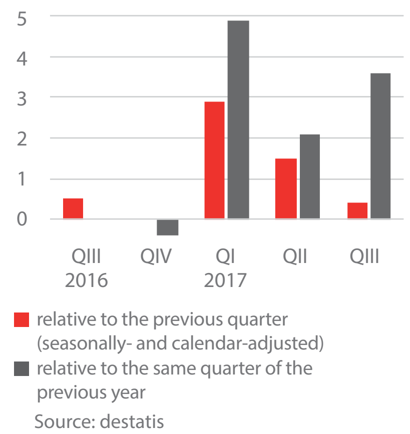
## Investment activity is getting into gear

Up to and including 2016, investment activity in Germany was marked by a certain reserve, at least when set against the auspicious cyclical situation, the comfortable earnings position at companies and the favourable financial conditions prevailing. It would appear that the uncertainties about the future evolution of the euro area have, to a certain extent, led to a wait-and-see attitude on the German investment front.

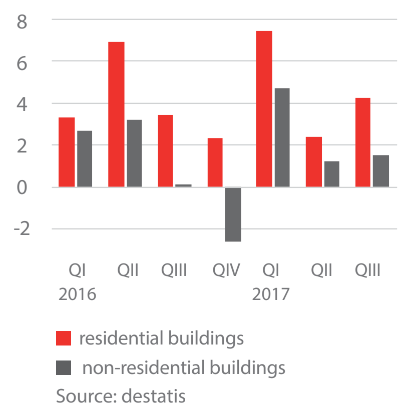
Yet German companies have definitely already engaged in investment during the past few years – frequently, however, through the channel of direct investment geared to opening up and expanding locations abroad. According to the logic of business management, such behaviour often makes sense for it involves penetrating new markets, diversifying cost structures and seizing opportunities. According to the logic of the national economy, however, and when it is a question of developing the domestic business location or of addressing the current-account surpluses referred to above, such behaviour is, and remains, ambivalent.

To that extent, it is pleasing that tensions are diminishing on this count and that investment activity is finally getting into gear within Germany itself. In this regard, 2017 got off on the right foot with a strong showing in the first quarter. It is true that subsequent quarter-on-quarter growth rates have looked less impressive. On the other hand, it should be borne in mind that the incremental growth which followed in Q2 and Q3 has added to an already higher base. All in all, the development, right up to the present, has to be classified as decidedly solid.

**Growth rates of gross fixed capital formation**, in percent




**Real growth rates of building investment**, relative to the same quarter of the previous year, in percent



## A special boom in (residential) construction

Construction investment, for its part, is riding a special boom driven by three determinants. Above all residential-construction investment has been benefiting for some years now from the low interest-rate level. In the light of this, residential construction appears to be one of the few profitable investment options remaining. If the present value of future rental-payment flows is discounted using lower interest rates, this results in higher present values for real-estate utilisation. To a decisive extent, these mechanisms explain the increases in the value of the housing stock which we have been witnessing.

It is not the aim of this presentation to provide an in-depth answer to the question as to whether there is already a threat of overvaluations, indeed of a speculative bubble, in the real-estate sphere. As before, it presumably depends on the degree of slack in regional housing markets. Across the board, however, there does not appear to be a credit-driven overshoot – as Deutsche Bundesbank has pointed out in its latest Financial Stability Report.

## The rising capacity-utilisation rate is acting as a pacemaker for investment

Plant-and-equipment expenditure is more closely correlated with the overall cyclical trend. This component is directly linked to investment requirements geared to maintaining, modernising and expanding production capacities. The fact that capacity-utilisation rates are now higher is increasingly triggering a pick-up in investment.

Germany's Council of Economic Experts („Sachverständigenrat") estimates that the German economy's capacity-utilisation rate is above-normal in the interim. The Council puts the positive output gap for 2017 at 0.6 percent. It is, of course, a fact that the capacity-utilisation rate and output gaps, being invariably reliant on estimates, cannot be measured exactly in the real world. Various assessments are therefore doing the rounds. For example, the European Commission does not reckon that Germany's output gap has closed, let alone moved into the over-utilisation zone. By contrast, the IMF definitely concurs with the Council of Economic Experts' appraisal, whereas the OECD already detects a higher degree of over-utilisation of production inputs.

Regardless of where the current level is to be found, 2018 macroeconomic growth is likely to once again exceed the potential growth rate. By then, at the latest, there should therefore be agreement at least about the direction the economy is taking, even though estimates of the degree of over-utilisation will inevitably still diverge. It is indeed one of the main messages of this year's Annual Economic Report from the Council of Economic Experts that the German economy is increasingly moving into the over-utilisation zone.

**Requirements concerning an economic policy that benefits medium-sized companies**


The currently published issue of SME Diagnosis provides information on economic policy recommented from an SME-oriented perspective. This year's main topic is how to use the existing econonomic and fiscal space. The SME-Diagnosis can be found at: www.dsgv.de/de/fakten-und-positionen/diagnose_mittelstand.html

## Cyclically speaking, an economic-policy stimulus is not necessary but milestone decisions need to be taken on the structural front

It is increasingly incontestable that the German economy is moving into over-utilisation mode, and this has implications for economic policy. The problem is that policy-makers are only capable of action to a limited extent at the moment in any case on account of the long-drawn-out government-formation process in Berlin.

From a cyclical viewpoint, it is reassuring that this difficult political phase is at least coinciding with a phase of robust economic activity. There is absolutely no need at all for a round of fiscal-policy stimulus at the present juncture.

This does not, of course, mean that important milestone decisions do not have to be taken on a long-term structural basis. Expanding infrastructure, creating the preconditions for digitizing the economy, safeguarding training and education, and addressing the problem posed by the growing shortage of qualified workers necessitate determined, goal-oriented action.

## Inflation pressure is still moderate despite rising capacity-utilisation rates

Sooner or later, the increasingly well-entrenched recovery in the euro area as a whole – and especially the progressive trend towards over-utilisation in Germany – are bound to entail mounting inflation pressure.

Delivery periods and the median time taken to process orders are already growing longer in many sectors. In such a situation, there is greater scope for corporations to push through price increases. There are more bottlenecks on the labour market too, at least in Germany's case. This is not yet evident from the time horizon used in most of the forecasts for 2018 which are already available: the projected upward path for inflation continues to look relatively shallow. But this may well change over the following time horizon.

**Great consensus of inflation forecasts for Germany and the euro area**

| in percent | 2017 | | 2018 | |
|---|---|---|---|---|
| | D | EUR | D | EUR |
| German Council of Ec. Experts* | 1.7 | 1.5 | 1.8 | 1.5 |
| OECD* | 1.7 | 1.5 | 1.8 | 1.5 |
| Deka** | 1.7 | 1.5 | 1.6 | 1.5 |
| Eurosystem** | 1.7 | 1.5 | 1.6 | 1.4 |

* from November 2017, ** from December 2017

Due to base effects from oil-price movements, annual inflation rates are set to remain a little depressed over the coming winter months. Such subdued inflation dynamics should not, however, be interpreted as a renewed apparition of the deflation spectre. It is rather more the case that the inflation trend is robustly cushioned on the downside by the strength of economic activity. The balance of risks is more asymmetrical by now in the sense that risks to the inflation outlook are primarily tilted to the upside.

The first provisional forecasts for the November 2017 inflation rate in the euro zone underline how robust the by now firmly-underpinned price base has become: according to the flash estimate, the 12-month rate of change for the Harmonised Index of Consumer Prices (HICP) came in at 1.5 percent, up from

1.4 percent in October. Core HICP (i.e. stripping out energy, food, alcohol and tobacco) at least remained stable at 0.9 percent.

In Germany, the annual inflation rate drifted up to 1.8 percent (irrespective of whether it is measured on the basis of the national consumer-price index or whether the pan-EMU HICP methodology is employed). The somewhat higher rate for the Federal Republic is in line with the narrative about tighter resource utilisation. German inflation may possibly run even further ahead in future, for instance if labour-market shortages generate higher wage momentum in the Federal Republic.

## The ECB has largely committed itself to keeping its policy expansionary during 2018

It is all the more alarming, then, that the decisions taken by the European Central Bank (ECB) in October commit the monetary custodians to keeping their monetary policy expansionary for quite a long time to come.

It is true that the monthly volume of net asset purchases within the context of the ECB's quantitative-easing programme is scheduled to drop to EUR 30 billion – half the previous pace of purchases – from January 2018 onwards. However, Team Draghi announced at the same time that it will be extending the purchase programme until at least September of next year. As a result, the ECB's balance sheet is going to be bloated by a further EUR 270 billion, engineering a corresponding increase in the volume of excess liquidity slopping about in the system.

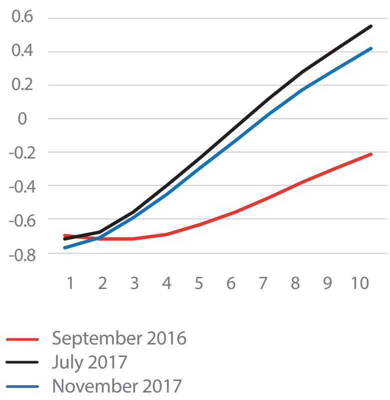
**Excess liquidity,** deposits commercial banks hold on their central bank accounts which are in excess of minimum reserve requirements, plus funds banks hold in the deposit facility.

The ECB ought to communicate in good time next year that it will not be extending the duration of the bond-purchase programme yet again beyond September 2018. Nothing further would be gained by further extending the programme: by now, all segments of the money and capital markets are more than sufficiently fuelled with liquidity. This holds true on a cross-border view as well, applying to virtually the whole euro area in the interim.

In the initial phase of asset purchases, excess liquidity only accumulated in the banking markets of a few member countries – above all in Germany, because many market participants from third countries had their securities sales processed by German exchanges. The liquidity created by the ECB's QE purchases is more evenly distributed by now. Even in Italy, excess-liquidity contributions are now on the increase. More of this wall of money is not necessary even from the point of view of weaker sectors in need of stabilisation; due to the negative interest rate applying, it would even be a burden.

The ECB is only intending to normalise its key rates once QE purchases have been wound down completely. This will presumably not therefore be possible until 2019, at the earliest. That is a further reason to take at least the initial steps as soon as possible. By now, an interest-rate turnaround is imperative not only in the interests of savers and the financial sector but increasingly also from a cyclical perspective.

**Current yield curve for listed Federal government securities**, in percent




Source: Bundesbank

## Capital-market developments in the year to date

Capital markets can and must price in future interest-rate developments. This is why there has been a slightly steep yield curve for some time now. Yields on short residual maturities – for example, on German government securities with maturities of up to four years – are even below the -0.4 percent floor put in place by the negative interest rate on the ECB's deposit facility. Yields on seven-year residual maturities have been oscillating around zero throughout the present year.

The shift in expectations regarding the duration of the low-interest-rate phase can be most easily gauged from yields on long maturities (ten years and further out along the curve). Yields on ten-year Bunds began 2017 at 0.2 percent and went on to mark their annual lows at marginally below this threshold in February. They then scaled their highest level for the year in July at 0.62 percent. At that time, the prospect of a parallel interest-rate turnaround on the two sides of the Atlantic was becoming increasingly probable.

Now that the ECB has signalled its commitment to prolonging its ultra-expansionary stance through 2018, expectations have pushed the 10-year Bund yield down to 0.38 percent at last reading. This means, though, that yield volatility has not been unusually pronounced during 2017 to date.

Now that the present year is drawing to a close, it is time to take a first provisional look at the way equity and foreign-exchange markets have shaped over over the course of 2017.

Propelled by the favourable cyclical trend, the comfortable earnings position at companies and the persistently low level of interest rates, the DAX managed to gain very nearly 14 percent between the beginning of the year and mid-December.

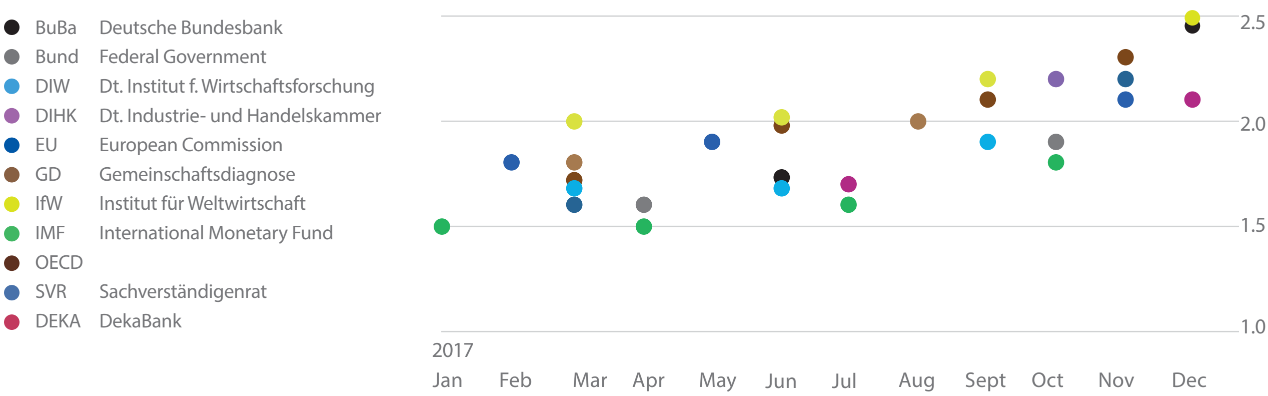
Against the US dollar, the euro has recouped quite a lot of the losses it sustained during 2015 and 2016. Over the course of 2017, the single currency has appreciated from around USD/EUR 1.05 to the relatively high ground in the vicinity of USD/EUR 1.19.

**A. Growth in global economic regions**, percentage change in year-on-year terms

| | 2015 | 2016 | 2017[1] | 2018[1] |
|---|---|---|---|---|
| Global trade volume | +2.8 % | +2.4 % | +4.2 % | +4.0 % |
| Gross domestic product - World | +3.4 % | +3.2 % | +3.6 % | +3.7 % |
| USA | +2.9 % | +1.5 % | +2.2 % | +2.3 % |
| Japan | +1.1 % | +1.0 % | +1.5 % | +0.7 % |
| China | +6.9 % | +6.7 % | +6.8 % | +6.5 % |
| EU | +2.3 % | +2.0 % | +2.3 % | +2.1 % |
| Euror area | +2.0 % | +1.8 % | +2.1 % | +1.9 % |
| Germany | +1.5 % | +1.9 % | +2.0 % | +1.8 % |

[1] International Monetary Fund projections, October 2017

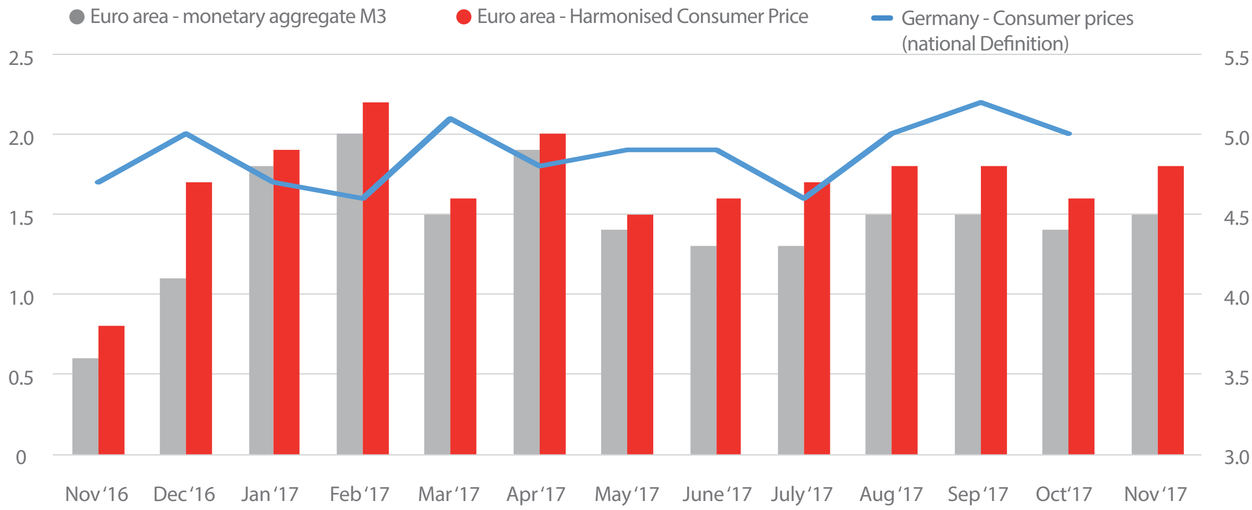
**B. Projections for 2018 German economic growth**, in %




**C. GDP in Germany and in the euro area as a whole**

| | Jahr 2016 | Q IV – 2016 | Q I – 2017 | Q II – 2017 | Q III – 2017 |
|---|---|---|---|---|---|
| | real yoy | real growth relative to the same quarter of previous year and seasonally-adjusted real quarter-on-quarter growth | | | |
| **Euro area** Gross domestic product | +1.8 % | +1.6 %<br>+0.6 % | +2.7 %<br>+0.6 % | +1.8 %<br>+0.7 % | +2.3 %<br>+0.6 % |
| **Germany** Gross domestic product | +1.9 % | +1.3 %<br>+0.4 % | +3.4 %<br>+0.9 % | +1.0 %<br>+0.6 % | +2.3 %<br>+0.8 % |
| Private consumption | +2.1 % | +1.7 %<br>+0.6 % | +2.3 %<br>+0.8 % | +2.3 %<br>+0.9 % | +2.1 %<br>-0.1 % |
| Gross fixed capital formation | +3.1 % | -0.4 %<br>-0.0 % | +4.9 %<br>+2.9 % | +2.1 %<br>+1.5 % | +3.6 %<br>+0.4 % |
| Exports | +2.6 % | +2.6 %<br>+1.3 % | +7.0 %<br>+1.7 % | +1.4 %<br>+1.0 % | +4.8 %<br>+1.7 % |
| | | Level not rate of change; seasonally-adjusted quarterly figures | | | |
| Savings rate | 9.7 % | 9.9 % | 9.7 % | 9.7 % | 9.9 % |

**D. Consumer-price inflation (LHS) and monetary aggregate M3 (RHS),** percentage change year-on-year




## E. Monthly economic indicators for Germany

| | Aug. '17 | Sep. '17 | Oct. '17 | Nov. '17 | Dec. '17 |
|---|---|---|---|---|---|
| **CPI (national definition)** | Change year-on-year | | | | |
| Consumer-price inflation | +1.8 % | +1.8 % | +1.6 % | +1.8 % | - |
| - without food and energy (core inflation) | +1.8 % | +1.8 % | +1.6 % | - | - |
| Producer prices for industrial goods | +2.6 % | +3.1 % | +2.7 % | - | - |
| Import prices | +2.1 % | +3.0 % | +2.6 % | - | - |
| **Sentiment indicators** | | | | | |
| Ifo Business-Climate Index | 116.1 | 115.3 | 116.8 | 117.6 | 117.2 |
| ZEW Economic Sentiment Index | +10.0 | +17.0 | +17.6 | +18.7 | +17.4 |
| **Incoming orders** | Change year-on-year | | | | |
| Manufacturing industry | +8.4 % | +6.5 % | +7.2 % | - | - |
| domestic | +7.1 % | +5.0 % | +5.3 % | - | - |
| foreign | +9.4 % | +7.6 % | +8.6 % | - | - |
| Capital-goods producers | +5.0 % | +7.7 % | +7.4 % | - | - |
| **Production** | Change year-on-year (adjusted for working-day variations) | | | | |
| Producing sector as a whole | +4.6 % | +4.1 % | +2.7 % | - | - |
| thereof: construction | +4.2 % | +4.7 % | +4.2 % | - | - |
| thereof: industrial sector | +5.2 % | +4.7 % | +2.5 % | - | - |
| **Foreign Trade** | Change year-on-year | | | | |
| Exports | +7.3 % | +4.5 % | +6.8 % | - | - |
| Imports | +8.2 % | +5.4 % | +8.3 % | - | - |
| **Labour market** | Unemployment rate; change year-on-year (thousands) | | | | |
| Unemployment Rate | 5.7 % | 5.5 % | 5.4 % | 5.3 % | - |
| Jobless total | -139 | -158 | -151 | -164 | - |
| Actively employed (working in Germany) | +663 | +655 | +650 | - | - |
| Regular employees paying social insurance | +748 | +727 | - | - | - |

**F. Commodity, foreign-exchange and other financial markets**

| | Aug. '17 | Sep. '17 | Okt. '17 | Nov. '17 | 18.12.2017 |
|---|---|---|---|---|---|
| **Oilprice** Brent in US $ | 51.70 | 56.15 | 57.51 | 62.71 | 62.44 (15.) |
| **Exchange rates** | | | | | |
| US-Dollar / EUR | 1.1807 | 1.1915 | 1.1756 | 1.1738 | 1.1806 |
| Japanische Yen / EUR | 129.7 | 131.92 | 132.76 | 132.39 | 132.45 |
| **Equity Markets** | | | | | |
| German stock index DAX, EOM figures | 12.056 | 12.829 | 13.230 | 13.024 | 13.072 |
| Percentage change year-on-year | +13.8 % | +21.6 % | +24.0 % | +22.4 % | - |
| **Money-market and capital-market rates** | | | | | |
| Overnight money (EONIA) | -0.36 % | -0.36 % | -0.36 % | -0,35 % | -0,36 % (14.) |
| 1-month rate (EURIBOR) | -0.37 % | -0.37 % | -0.37 % | -0.37 % | -0.37 % (15.) |
| 3-month rate (EURIBOR) | -0.33 % | -0.33 % | -0.33 % | -0.33 % | -0.33 % (15.) |
| Running yield on German government bonds with a residual maturity of ten years | 0.35 % | 0.46 % | 0.41 % | 0.42 % | 0.34 % |
| **Bank interest rates,** new business | | | | | |
| Overnight deposits for private households in Germany and in the euro area as a whole | 0.03 %<br>0.05 % | 0.03 %<br>0.05 % | 0.03 %<br>0.05 % | -<br>- | -<br>- |
| Deposits of up to 1 year for private households Germany and in the euro area as a whole | 0.14 %<br>0.36 % | 0.15 %<br>0.36 % | 0.18 %<br>0.36 % | -<br>- | -<br>- |
| Rates on 5-year corporate loans of up to EUR 1 m in Germany and in the euro area as a whole | 1.82 %<br>1.87 % | 1.86 %<br>1.85 % | 1.81 %<br>1.84 % | -<br>- | -<br>- |

# Imprint

**Editor**
Deutscher Sparkassen- und Giroverband e. V.
Department of Economics, Financial Markets
and Economic Policy
Charlottenstraße 47
10117 Berlin

Phone: 030 20225-5300
DSGV-Volkswirtschaft@DSGV.DE
www.DSGV.de

**Editorial Deadline**
19th December 2017

**Design**
Franz Metz, Berlin

**Picture credits**
Page 1: Plainpicture/Westend61

**ISSN**
2509-3835

**Responsible**
Pia Jankowski – DSGV
Head of Department Economics, Financial Markets
and Economic Policy
Pia.Jankowski@DSGV.DE

Dr. Reinhold Rickes – DSGV
Head of Economics
Reinhold.Rickes@dsgv.de

**Author**
Dr. Holger Schulz
Holger.Schulz@dsgv.de

**Note**
All the publications in this series can be found at
https://www.dsgv.de/en/facts/publications.html