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Détente policy in the trade war?

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The signals that the USA and China are heading for an agreement, or at least a truce, in their trade standoff have inspired great relief. It is true that a tangible deal is not yet on the table, but equity markets and sentiment indicators gauging the mood in the real economy have reacted positively.

At the same time, though, the damage that has already been wrought by the conflict is evident from stagnating world trade and declining industrial production. For the most part, Germany is only being indirectly affected, but the impact is strong nevertheless. Admittedly, there was no need to proclaim a "technical recession" in the third quarter of 2019. Yet growth of aggregate economic output only barely remained above zero, with a persistent dichotomy between ailing manufacturing and a still robust services sector.

What was conspicuous in the third quarter was the sharp brake put on aggregate growth by inventory investment. This national-accounts item can be interpreted as an offsetting item for export activity, which has been ticking over quite nicely for some of the time, the reason for this, in turn, being anticipatory effects in connection with Brexit.

Eurozone bond markets have been highly volatile in recent months. The over-shoots witnessed in the late summer - with yields plumbing record lows, and yields along the Bund curve as far out as 30 years down in negative territory - have corrected to some extent in the interim.

Détente policy in the trade war?

An escalation in the protectionist spiral has been averted for the time being

More conciliatory signals have been coming of late from the trade negotiations between the USA and the People's Republic of China. It is true that a definitive deal has not yet been struck, not even the first general part of such a deal ("Phase 1"). Yet both sides have been avowing their willingness to reach an agreement. At least new tariffs have not been imposed on a deadline previously threatened.

No concrete agreements, as yet …

The US decision whether or not to slap tariffs on the European – i.e. above all the German – automobile industry has been postponed at a similar stage in proceedings. Overall, then, part of the USA's negotiation strategy looks to have become somewhat more moderate. Conversely, France has now moved more sharply into the US firing line because of its digital-tax proposals.

… merely „willingness" and „signals"

With respect to Brexit, that other major burdening factor overshadowing the world economy, the most urgent risk scenarios have receded over the autumn. True, it is anybody's guess what the political constellation in the United Kingdom will look like after the general election scheduled for 12th December. But at least the renewed delay of the Brexit date and the milestone measures pushed through by the British House of Commons in recent months have reduced the likelihood of the UK crashing out of the European Community without a deal of any kind.

Fresh political upheavals remain possible at any time

Despite all these tendencies towards détente with respect to geopolitical trends, fresh about-turns and renewed flare-ups remain possible at any time. Other political flashpoints remain potentially explosive as well: protests, and even open insurrections, are ravaging many countries, above all emerging markets, from Latin America (Bolivia, Columbia, Chile, Venezuela) through the Middle East (Iraq, Iran, Lebanon) to the Pacific Rim (Hong Kong).

Revolts have erupted in a whole series of threshold countries

For example, it is completely unclear what will be the outcome of the protest movements in Hong Kong, which have already been persisting for a long time and which keep escalating into violence, and whether they will spill over to mainland China. If it is to safeguard prosperity in the region and to avoid provoking further unrest, China's leadership is obliged to engineer

a stabilisation in the trade dispute and is thus virtually "condemned" to clinch a successful deal by reaching a consensual agreement.

Trump in election-campaign mode

The incentive situation for the US administration is probably also conducive to a negotiated solution to the trade spat. Even if the collateral damage of the conflict for the United States has been relatively limited to date, at least in the sense that there have not yet been any broader growth losses, the USA appears to be becoming increasingly aware of the risks emanating from its trade conflicts. This has implications for President Trump's ambitions to be reelected in not quite one year's time.

On the other hand, risks are likewise entailed by the US election campaign. For instance, Donald Trump may also be tempted to distract attention from domestic-policy issues (e.g. impeachment) with the help of fresh or resuscitated trade conflicts. From his point of view, what he attempts to sell to the American people as a success story while campaigning on the stump can be one of many things: a deal advantageous to all sides which buttresses free trade and rescinds tariffs, or else – to the factual disadvantage of all parties, even if it is communicated using counterfactual logic – the dishing-out of fresh blows.

One example of trade-policy fronts opened or reopened is President Trump's announcement that he will be "restoring" steel tariffs on Brazilian and Argentinian imports. This measure is being justified, inter alia, by these countries' alleged currency manipulation. This accusation cannot admittedly be dismissed out of hand, but currency manipulation is, at the same time, a rather arbitrary criterion which can basically be mobilised de facto at random.

It remains to be seen whether the actual or showcased "concessions" offered by the German car industry – the pledge to bolster their production at US locations with additional investment – could serve as a bridge leading to a transatlantic agreement in this particularly closely watched sector. In actual fact, such investment would probably, in many cases, involve the implementation of projects which car companies had been planning in any case, or else it would be spurred by other motives. However, it would be a welcome development if the political marketing of such investments in the USA were to help facilitate a face-saving trade agreement.

What is to be expected of US trade policy on a long-term horizon?

But let us also take a look beyond the US election cycle. Even if President Trump should prove more conciliatory during the year in which he is canvassing to be reelected, and more willing to compromise on the trade front, what would this mean for the period after his possible reelection? Would new upheavals threaten after a tactical interim peace in the event of President Trump giving free rein once again to his protectionist instincts during a possible second term of office? And what of the alternatives? It is not possible to detect any genuine enthusiasm for free trade among the field of Democratic presidential candidates

that is forming. To that extent, China but also the EU would be well advised to hardcast the provisional signals of agreement, as far as possible, into something more final, and ideally to pour them into the moulds of durable and enduring agreements.

There are indeed new initiatives at the G20 level to revive the WTO as the multilateral organisation holding primary responsibility for trade questions. How realistic such hopes are, though, in view of the current nationalistic tug of war between the major economic powers, is more than questionable.

Multilateral institutions would remain the best solution

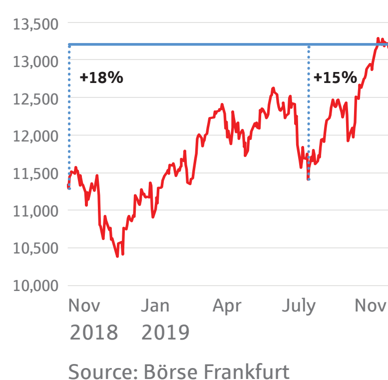
The markets respond with great relief to the signals of de-escalation

Regardless of how lasting and stable the latest signals of de-escalation in the trade conflict turn out to be, the markets' initial response to these developments has definitely been one of great relief. Equity markets, but also various sentiment indicators, have reacted very positively.

Measured by the bellwether DAX index, equity prices were around 18 percent higher at last reading (early December 2019) than twelve months previously. Yet these price gains have been generated almost exclusively during the last three to four months. Back in mid-August, the market was stuck in an interim low, with prices scarcely higher than a year before. Since this interim trough, prices have rebounded by a shade over 15 percent. The pattern has been looking similar on stock markets in most other advanced economies. In the case of the Dow Jones Industrials Index, the price advance over the last twelve months has amounted to a still pretty handsome 11 percent, with the "big techs" performing better than industrial stocks with an exposure to China.

In China itself, equity prices (benchmark: Shanghai Stock Exchange Composite Index) are trading a good deal lower than twelve months ago. And no recovery has been observable on that score in recent months. This implies that other fundamental concerns are weighing on the markets in the Middle Kingdom: along with the political upheavals already referred to and the damage already inflicted by the trade dispute, the heavy debt burden being carried by the Chinese private sector is spawning sustained misgivings.

German stock index (DAX),
daily closing price



Dow Jones,
daily closing price

Shanghai Composite,
daily closing price

Leap in sentiment in Germany

In Germany, which, despite having only been indirectly hit by the trade conflicts, has been all the more adversely affected via the transmission channel of world trade, the signals of de-escalation have not only propelled equity prices higher but also led to a significant improvement in economic sentiment indicators. For example, the ZEW Index made a huge leap in November. True, the current-business-situation sub-index gained only marginal ground; but the business-expectations component vaulted from -22.8 points, a level indicating a contraction, to -2.1 points, which is virtually neutral. Leading-indicator readings have improved to a similar extent in the euro area as a whole. Although it has not made up quite as much ground, the broader-based ifo Business-Climate Index has likewise taken a turn for the better of late.

These assessments can be interpreted as an optimistic narrative, according to which it now looks as though Germany's export-oriented industry, which has been so badly battered over the past few months, is not, after all, going to drag down the country's more robust domestic economy into a full-blown overall recession. The stabilising factors on the domestic-economy front are – and remain – considerable:

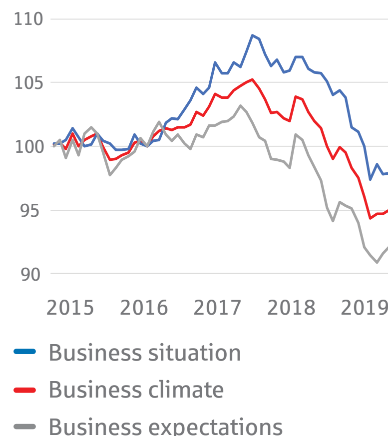
- A robust labour market distinguished by persistently high employment levels and positive wage momentum;
- High purchasing power along with persistently modest inflationary pressure;
- The ongoing construction boom;
- The favourable earnings position at small and medium-sized enterprises;
- The marginally supportive effect of fiscal policy.

Admittedly, it is unclear after the SPD grass-roots vote in favour of a new left-leaning joint leadership how things are going to develop on the domestic-policy front. A government crisis could take a toll both on the underlying mood and on the stability of the domestic economy.

But even if the German economy's internal robustness persists, it would only be a matter of time – assuming that the pressure being exerted on domestic industry by the world economy were to continue unchecked – until the negative effects spilled over into ever more sectors.

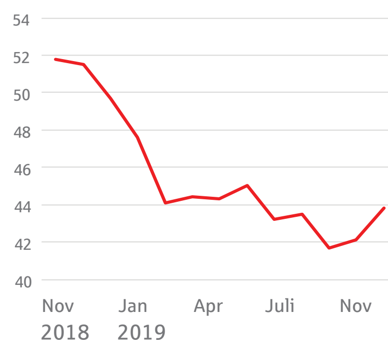
And it is certainly still far too early to sound a definitive all-clear on this front. Even in the event of trade agreements being successfully signed and sealed and already installed trade barriers dismantled again, quite some time would nevertheless elapse before world trade could work up fresh momentum in reaction. It took roughly one year until the trade restrictions affecting

ifo Business Climate Germany,
2015=100, seasonally adjusted



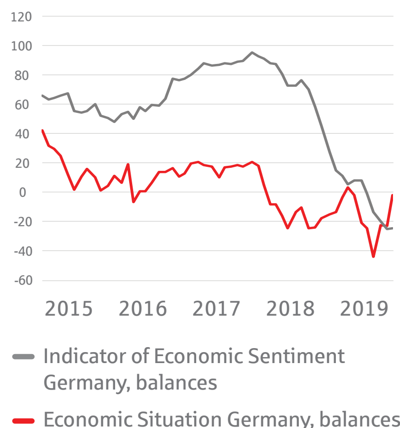
Source: ifo Insititute

BME Purchasing Manager Index (PMI)
50= no changes since previous month



Source: BME

ZEW Indicators for Germany,
balances



Source: ZEW

third countries finally began to have negative knock-on effects on German industrial production. And even if the protectionist measures are reversed, a similar length of time would pass before the negative encumbrances had been shaken off for good.

In any case, it is quite conceivable that we will not be reverting completely to the high level of globalisation attained in former years. Regrettably, the old "Washington Consensus," predicated on free trade, which prevailed between most advanced and threshold countries in the decades leading up to and following the turn of the century has vanished.

Even if all the concrete obstacles are cleared away again, in any case at least one negative psychological component would linger on: a loss of trust. America's game with protectionist instruments has demonstrated – to Asian economies in particular – just how vulnerable deeply-integrated value-added chains are in reality. In case of doubt, there is a risk, in the wake of what has happened, of parts of the global community deciding against returning to a very high degree of international division of labour. That would spell a (possibly permanent) loss of efficiency and affluence for the entire world.

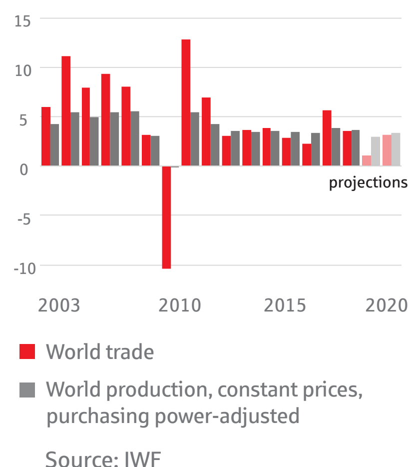
The world trade vintage 2019 (and 2020's maybe too) is largely ruined

Even if substantial agreements are concluded, it will at least take time for a recovery to kick in. Even though sentiment indicators are already pointing upwards again, there will presumably be a time-lag of some months before the "hard" real economic data start showing a sustained improvement. Rapid and pronounced economic stimuli are not on the cards.

At least the world trade vintage 2019 has already been largely ruined. In its November 2019 "Industry Report", the Federation of German Industries (BDI) is expecting global merchandise trade to have no longer expanded on an annual basis in 2019 for the first time since 2009, instead contracting by approximately half a percentage point in the year that is now drawing to a close. The BDI estimates that global industrial output has only expanded by about one percent in 2019, accentuating that this signifies a distinct slowdown on that front too after the 3 percent growth rates racked up in both previous years.

Germany is a good example of an economy hit by a double whammy – by twin weakness in industry and exports. But this is not merely an isolated national phenomenon but rather part of a global trend. Such correlated twin weakness is not likely to be immediately overcome in 2020 either. Even if more favourable (trade-)policy parameters materialise, as hoped, the weak baseline from 2019 will still radiate into the new year.

World trade and world production volumes,
annual percentage change



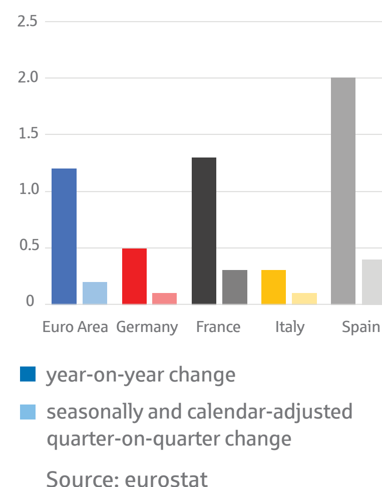
Macroeconomic growth in Germany, as in the wider euro area, was only barely above zero in the third quarter

In the third quarter, the eurozone economy grew by 0.2 percent in seasonally-adjusted quarter-on-quarter terms – the same meagre rate of expansion as in the previous quarter. Of the large economies, Spain (0.4 percent) and France (0.3 percent) continued to expand at an above-average pace while Italy and Germany (0.1 percent apiece) grew at a below-average clip.

Germany is at the lower end of the euro area growth spectrum

In Germany's case, the marginally positive rate of change does, at least, mean that the debate about whether or not a "technical recession" ought to be proclaimed has been avoided. After all, German GDP contracted slightly in the second quarter, and two consecutive quarters of negative growth would add up to a standard – although not always qualitatively reliable – definition of a "recession." Qualitatively speaking, it would definitely be important in Germany's present situation to factor in positive inputs such as the still comparatively high capacity-utilisation rate, the cleared labour market and the robust domestic economy as indicators testifying against a broad recession, even though the weakness of export-oriented industry remains a downside.

Real economic growth of selected Euro Area countries, in percent



Source: eurostat

A further negative aspect of the latest crop of German GDP numbers is that second-quarter GDP has subsequently been revised down a little: the negative growth rate for Q2 is now officially -0.2 percent, not -0.1 percent as initially reported. The growth dent is therefore somewhat deeper than we thought. Looking at both quarters as a whole, moreover, the patch of negative growth has not yet even been entirely made up for. In addition, the indicators already published for the outset of the final quarter of 2019 (October orders and production) are not looking very encouraging as they are not revealing much momentum. The upshot is probably going to be a further quarter with GDP growth close to zero. The inference for 2019 as a whole is an annual growth rate in the order of 0.5 percent. And such growth as there is stands to derive exclusively from the statistical overhang from year-end 2018 and the opening quarter of 2019. The vast majority of the year has been mired in stagnation.

Three quarters of stagnation were witnessed in 2019

Highly divergent trends in the various expenditure-side components

A positive aspect emerges, however, from the expenditure side of GDP for the quarter most recently reported. This is because more components on the expenditure side of national income turn out to be in expansion mode than the weak overall showing would lead one to believe at first sight. It is not much of a surprise that consumption is shaping up well: this item is still being buoyed by a combination of high purchasing power, rising wages and merely modest inflation. On a real seasonally-adjusted quarter-on-quarter basis, household

Consumption is continuing to fire on multiple cylinders

final consumption expenditure surged again by 0.4 percent in Q3. Government final consumption expenditure even spurted ahead by 0.8 percent in real terms, fuelled by the marginally expansionary bias of fiscal policy.

On the investment front, developments are looking mixed. Construction investment was up again in Q3. But although the growth rate (1.2 percent) looks vigorous, it merely irons out the dent from the second quarter. Given the high capacity-utilisation rate prevailing in the construction industry, even higher construction-output levels would appear difficult to achieve. Investment activity in this sector remained elevated nonetheless.

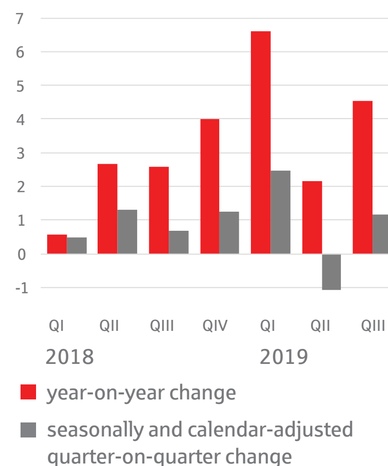
The situation is more critical, by contrast, in the case of investment in machinery and equipment: this item plunged by 2.6 percent in real seasonally-adjusted terms in the third quarter of 2019, thereby living up in style to its reputation as the typically most cyclical GDP component. This expenditure-side item is, furthermore, a lagging indicator: the cyclical slowdown has finally arrived in the equipment-investment sphere. Previously, it was little short of amazing that investment in machinery and equipment had shown no reaction at all to cooling global macroeconomic growth, and especially to the slowdown in the German economy evident since mid-2018. The fact is that machinery investment continued to increase into the second quarter of this year. It would appear that the reaction in this domain was overdue.

More surprising – this time on the upside – is the fact that exports of goods and services managed to gain ground in the third quarter. With a quarter-on-quarter growth rate of 1.0 percent in real, seasonally-adjusted terms, this item has, in fact, recently been the frontrunner on the expansion side. Since imports hardly inched up at all (+0.1 percent), export growth fed through almost 1:1 into the net-export position in straight mathematical terms in the quarter in question. Net exports made a growth contribution of no less than 0.5 percentage points in the third quarter!

With aggregate GDP growth weighing in at just 0.1%, the other side of this coin is that the domestic economy must logically have contracted. And that was indeed the case: by 0.4 percent. At first glance, this does not appear to fit the narrative about the downswing seeping into Germany via sluggish global economic / industrial activity and being heroically withstood by domestic economic robustness.

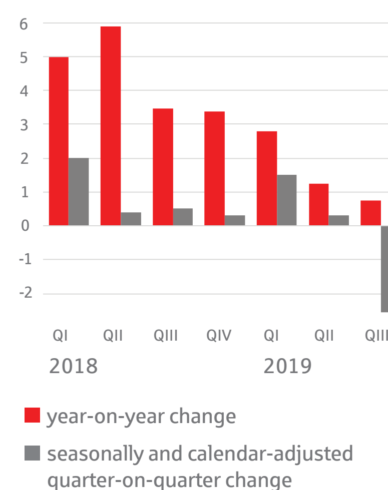
Much of this impression can be dissipated, however. For one thing, the recent recovery in exports is partly a counter-movement after the downward bias witnessed in the second quarter. For another thing, the picture would not be complete without taking a look at the inventory-investment effect, which was decidedly pronounced during the third quarter.

German construction investments,
real growth rates in percent



Source: destatis

German equipment investments,
real growth rates in percent



Source: destatis

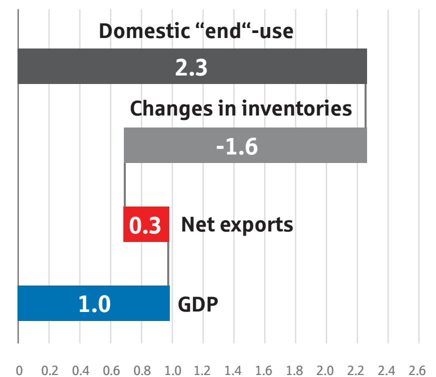
Q3 saw a very pronounced inventory-investment effect, which put a sharp brake on growth

In statistical practice, changes in inventories are frequently only a residual item that is handled pragmatically to round off a national-accounts report which needs to be made consistent, with estimates often being resorted to for this purpose. It would therefore be a mistake to read too much into the inventory-investment item. All the same, this time the sizeable recent inventory swing does presumably provide certain qualitative explanatory clues about what is happening on the ground.

A discrepancy has opened up between overall domestic demand and final use

Inventory investment made a distinctly negative contribution to reported GDP in the third quarter - a full 1.6 percentage points compared to the same quarter of the previous year! In Q3, real GDP was a mere 1.0% higher than in the third quarter of 2018. Without the inventory effect, GDP growth would therefore have been more than two-and-a-half times as high!

German GDP in Q3 2019
Growth contributions year-on-year in percentage points

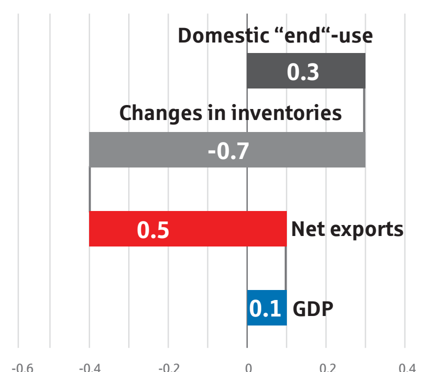


Source: destatis

The main root cause of the negative inventory swing was the new-registration problem encountered by the car industry due to the new testing procedures introduced in summer 2018, which back then led to a large proportion of production having to be stockpiled. This effect has not been repeated in the present year. There need not indeed have been any actual inventory liquidation in Q3 2019: to make the difference and create a growth effect, it would be sufficient for the corresponding inventory accumulation from 2018 to have been neutralised. From a year-on-year perspective, then, the massive inventory effect that we have just witnessed says a lot more about Q3 2018 than it does about Q3 2019.

Yet the inventory-investment constellation is again conspicuous in the current GDP rate of change, i.e. in the quarter-on-quarter growth rate. Its contribution to quarterly growth works out at -0.7 percent. Statistically speaking, this item is part of domestic demand and is, in the final analysis, responsible for the contraction in domestic demand referred to above. Final domestic demand, i.e. final consumption and investment within Germany, has not therefore shrunk by any means. The contraction in aggregate value added reported is attributable solely to the negative contribution from the inventory cycle.

German GDP in Q3 2019
Contributions to growth in seasonally and calendar-adjusted previous quarter comparison in percentage points



Source: destatis

As to causation, it may very well be the case that the trend in inventory investment is more a function of the high level of exports registered in the third quarter: it is conceivable that many goods were sold abroad directly from stock rather than being newly produced during the period concerned. One possible explanation for this would be hoarding behaviour on the part of British consumers, retailers/wholesalers and importers ahead of the Brexit deadline, which was still reckoned to be looming immediately ahead in the autumn.

Have Germany's national accounts been benefiting from anticipatory effects ahead of Brexit?

Such anticipatory effects have already been observed in the United Kingdom's national accounts. If these effects also – or indeed primarily – applied to German goods, that would be the mirror image of the trend in the German statistics (exports, on the one hand, and the inventory-investment figures, on the other).

Are the inventory drawdowns we have been seeing a temporary effect…

Such an interpretation would be good news regarding the outlook for the quarters ahead. For if disproportionately drawn-down inventories are replenished, inventory investment would no longer make a negative contribution in the coming quarters and there could even be a positive counter-movement of restocking. On the other hand, the positive demand-side effect sparked by anticipatory effects ahead of Brexit is only going to be a one-off phenomenon as well.

…or is industry shifting to a lower production path?

An unambiguously negative view would have to be taken of the alternative explanation: if the negative net inventory investment seen in Q3 were down to less well-stocked raw-materials or immediate-goods inventories, because further declines in production were being expected, that would be an alarm signal. Such a motivation cannot be ruled out in the case of the industrial sectors in which activity has slumped to a more marked extent. For example, it would be in keeping with the very muted sounds coming in recent days from the German Chemical Industry Association (VCI), which is looking for production to shrink by 2.5 percent in 2019 (excluding the even more pronounced negative special effect in the pharma segment). Leaving aside a projected partial recovery in the pharma sphere, the broad chemical industry is set to see at best stagnation in 2020.

Such a negative explanation is, however, unlikely to hold true on a broad basis across all sectors and thus as an aggregate economic effect. It would not tally with the fact that sentiment indicator readings, for example purchasing managers' surveys, have recently rebounded to some extent.

Recent forecasts for 2019 German growth,
real, in percent

	2019	2020
Deka	0.5	0.8
EU	0.4	1.0
OECD	0.6	0.4
SVR	0.5	0.9

Source: destatis

The forecasts for 2020 are cautiously optimistic

Growth is on the cards again in 2020

Most of the forecasts currently doing the rounds for 2020 are therefore assuming that the German economy is going to emerge from its growth lull in 2020 – albeit only very hesitantly. The growth rates being projected barely reach the one-percent mark. For example, the German Council of Economic Experts (Sachverständigenrat) sees Germany growing by 0.9 percent in its recent Annual Report.

In the case of growth figures of this magnitude, it also needs to be borne in mind that 2020 is a leap year and that many holidays will be falling,

in an “employee-unfriendly” manner, on weekends. 2020 is therefore going to have an unusually high number of working days: four more, in most German federal states, than in the year which is now drawing to a close. That means almost two percent more working days! The effect of these extra days will not, of course, be a linear one – large swathes of economic activity (many types of services, online orders etc.) nowadays take place independently of the official working week. Nevertheless, the standard statistical methodologies put the residual effect on 2020 GDP at no less than some 0.4 percent.

If the figures are adjusted for this latter effect, projected growth rates for 2020 would not be any higher than, say, the 0.5 percent expected for 2019. Once the working-day effect has been stripped out of the equation, the revival of cyclical momentum looks like being rather subdued.

The new year will be starting off without any statistical overhang but instead with a dowry of working-day effects

On the other hand, it should be taken into account that the new economic year is going to start with practically no statistical overhang due to the flat trajectory of GDP growth over the course of the old year. Notionally, one could set the surge deriving from the working-day effect against this lack of statistical tailwind in order to be able to better judge the effective growth path. Even if 2020 growth does not, in the end, show any great acceleration relative to the 2019 annual average, a revival definitely looks to be in store vis-à-vis the stagnation scenario gripping Germany during the last three quarters of the present year.

Politically speaking, the second half of 2020 will be under the aegis of the German EU Council presidency, with all the opportunities and risks resulting from the corresponding agenda.

A roller coaster ride on bond markets – but the overshoots witnessed in the late summer have corrected to quite some extent in the interim

The recent bond-market trend also reflects the fact that both the global economy and its German counterpart are generally expected to get back into their stride again in 2020, that the fallback position occupied by the robust domestic economy should hold, and that the overall economy can be prevented from sliding into a downward spiral.

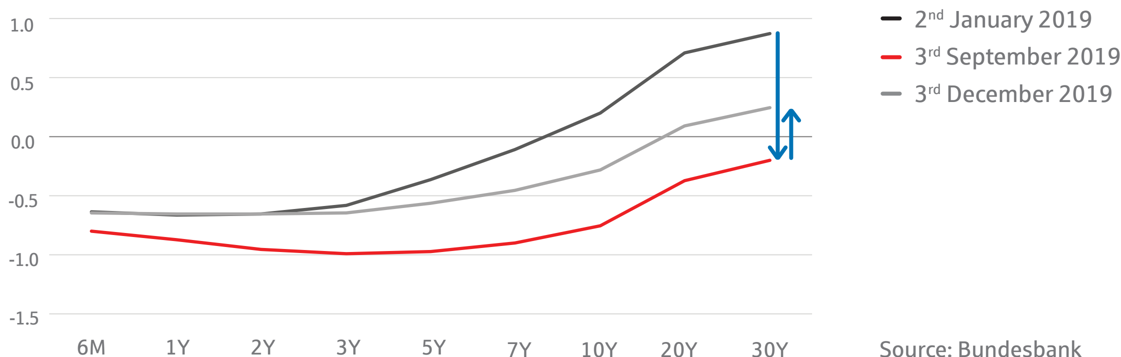
An expectations bubble built up in the late summer of 2019

Back in August, in the run-up to a slew of key-rate cuts from several major central banks, and not least ahead of the major expansion package launched by the ECB in September, market participants still thought that such loosening steps were merely the prelude to an extended easing cycle. There was absolutely no ground under our feet: long-term yields sagged drastically, descending to new record lows in the euro area, and in Germany in particular. New lower bounds were tested which many market watchers had previously thought

would never be reached: in early September, yields on ten-year German government paper (Bunds) were trading at -0.75 percent. For two months on end, from early August to early October, even the 30-year long bond, and thus the entire Bund universe, was yielding less than zero!

A 30-year investment not yielding any interest?

Yield curve of Germany government bonds,
Yield in percent p.a.



Source: Bundesbank

At the time of writing, yields along the Bund curve were “only” in negative territory as far as 17 years out. Ten-year Bund yields have settled in the vicinity of minus 30 basis points. In a certain sense, there has already been a minor interest-rate turnaround. Bond markets remain extremely volatile.

A peace treaty in the trade war is required…

…and, to be on the safe side, a contribution from fiscal policy, too

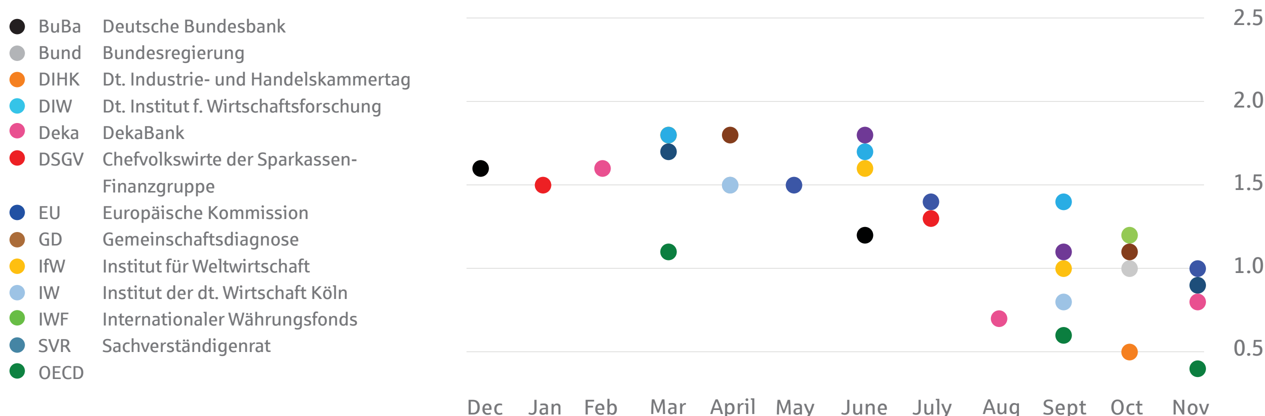
The levels visited of late are still far removed from an even remotely normal yield environment. However, the expectations priced in here reveal that it is no longer thought to be self-evident that central banks in countries with major currencies will move to make their monetary-policy stance even more accommodative at the beginning of 2020. Not that such a scenario is being ruled out. Whether the monetary reins are loosened further will depend on whether the economy succeeds in righting itself in the new year. A peace treaty, or at least a truce, in the trade war will be a decisive factor here. To be on the safe side, though, fiscal policy could - and indeed should - make a contribution towards ensuring such a cheerful environment. The ball is definitely now more in the court of fiscal policy than in that of monetary policy, which has exhausted its options and is now merely pushing on a string, as well as pushing the markets ever further into overshoot territory.

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

	2017	2018	2019[1]	2020[1]
Global trade volume	+5.4 %	+3.6 %	+1.1 %	+3.2 %
Gross domestic product - world	+3.8 %	+3.6 %	+3.0 %	+3.4 %
USA	+2.2 %	+2.9 %	+2.4 %	+2.1 %
Japan	+1.9 %	+0.8 %	+0.9 %	+0.5 %
China	+6.8 %	+6.6 %	+6.1 %	+5.8 %
EU	+2.7 %	+2.2 %	+1.5 %	+1.6 %
Euro Area	+2.4 %	+1.9 %	+1.2 %	+1.4 %
Germany	+2.5 %	+1.5 %	+0.5 %	+1.2 %

[1] International Monetary Fund forecasts from October 2019

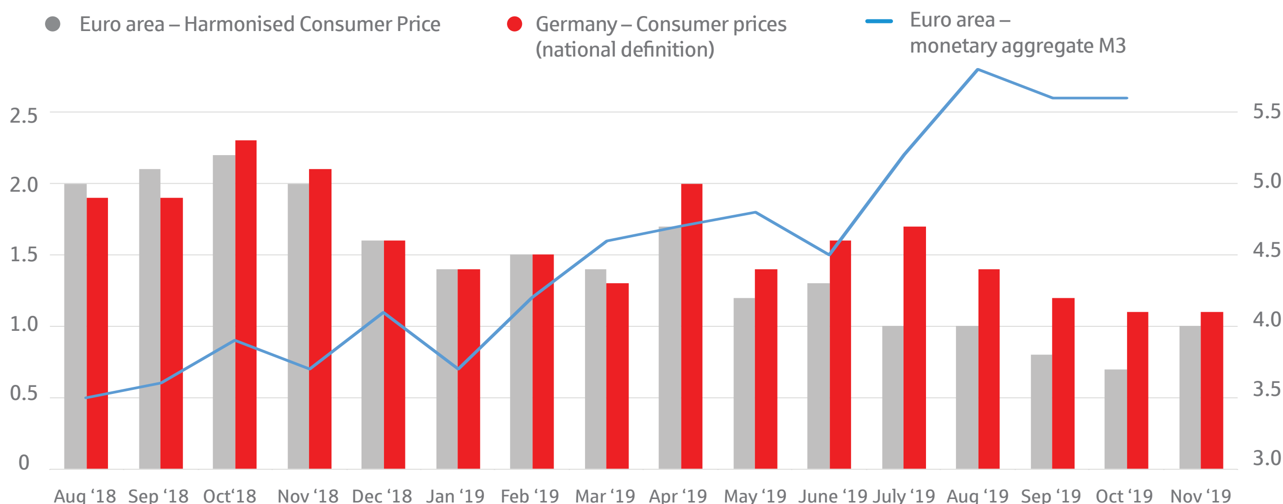
B. Projections for 2020 German economic growth, in %



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

	Year 2018	Q IV - 2018	Q I - 2019	Q II - 2019	Q III - 2019
	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	+ 1.9 %	+ 1.4 % + 0.3 %	+ 1.2 % + 0.4 %	+ 1.0 % + 0.2 %	+ 1.2 % + 0.2 %
Germany Gross domestic product	+ 1.5 %	+ 0.9 % + 0.2 %	+ 0.9 % + 0.5 %	- 0.1 % - 0.2 %	+ 1.0 % + 0.1 %
Private consumption	+ 1.3 %	+ 1.3 % + 0.4 %	+ 1.0 % + 0.8 %	+ 1.5 % + 0.1 %	+ 2.1 % + 0.4 %
Gross fixed capital formation	+ 3.5 %	+ 3.7 % + 0.9 %	+ 4.6 % + 1.6 %	+ 2.0 % - 0.3 %	+ 3.1 % - 0.1 %
Exports	+2.1 %	+ 0.1 % + 0.2 %	+ 1.7 % + 1.6 %	- 1.2 % - 1.3 %	+ 2.5 % + 1.0 %
		Level not rate of change; seasonally-adjusted quarterly figures			
Savings rate	11.0 %	11.2 %	10.8 %	10.7 %	10.9 %

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



E. Monthly economic indicators for Germany

	Jul. '19	Aug. '19	Sep. '19	Oct. '19	Nov. '19
Prices (national definition)	Percentage change year-on-year				
Consumer prices	+1.7 %	+1.4 %	+1.2 %	+1.1 %	+1.1 %
- excluding food and energy (core inflation)	+1.6 %	+1.4 %	+1.5 %	+1.5 %	-
Producer prices for industrial goods	+1.1 %	+0.3 %	-0.1 %	-0.6 %	-
Import prices	-2.1 %	-2.7 %	-2.5 %	-3.5 %	-
Sentiment indicators					
ifo Business-Climate Index	96.0	94.3	94.7	94.7	95.0
ZEW Economic Sentiment Index	-24.5	-44.1	-22.5	-22.8	-2.1
Incoming orders	Percentage change year-on-year				
Manufacturing industry	-2.2 %	-9.3 %	-2.2 %	-5.4%	-
domestic	-3.8 %	-9.9 %	-4.4 %	-7.6%	-
foreign	-1.0 %	-9.0 %	-0.6 %	-3.9%	-
Capital-goods producers	+1.4 %	-8.5 %	-0.4 %	-4.6%	-
Production	Change yoy (adjusted for working-day variations)				
Producing sector as a whole	-4.2 %	-4.0 %	-4.5 %	-5.3 %	-
thereof: construction	+1.9 %	+1.8 %	+1.8 %	+0.3 %	-
thereof: industrial sector	-4.8 %	-4.2 %	-5.3 %	-6.2 %	-
Foreign Trade	Percentage change year-on-year				
Exports	+3.8 %	-3.6 %	+4.6 %	-	-
Imports	-1.0 %	-3.0 %	+2.2 %	-	-
Labour market	Quota; change relative to the same month of previous year				
Unemployment Rate	5.0 %	5.1 %	4.9 %	4.8 %	-
Jobless total	-49	-31	-22	0	-
Actively employed (working in Germany)	+381	+350	+338	+320	-
Regular employees paying social insurance	+522	+480	+540	-	-

F. Commodity, foreign-exchange and other financial markets

	Aug '19	Sep.'19	Oct. '19	Nov. '19	06.12.2019
Oilprice Brent in US $	59.04	62.83	59.71	-	
Exchange rates					
US-Dollar / EUR	1.1126	1.1004	1.1053	1.1051	1.1094
Japanese Yen / EUR	1118.18	118.24	119.51	120.34	120.44
Equity Markets					
German stock index DAX, EOM figures	11,939	12,428	12,867	13,236	13,167
Percentage change year-on-year	-3.4 %	-1.5 %	+12.4 %	+17.6 %	-
Money-market and capital-markets rates					
Overnight money (EONIA)	-0.36 %	-0.40 %	-0.46 %	-0.45 %	-0.46 % (5.)
1-month rate (EURIBOR)	-0.41 %	-0.45 %	-0.46 %	-0.45 %	-0.45 % (5.)
3-month rate (EURIBOR)	-0.41 %	-0.42 %	-0.41 %	-0.40 %	-0.40 % (5.)
Running yield on German government bonds with a residual maturity of ten years	-0.71 %	-0.57 %	-0.42 %	-0.37 %	-0.30 %
Bank interest rates, new business					
Overnight deposits for private households in Germany and in the euro area as a whole	0.01 % 0.03 %	0.01 % 0.03 %	- -	- -	- -
Deposits of up to 1 year for private households Germany and in the euro area as a whole	0.15 % 0.28 %	0.14 % 0.26 %	- -	- -	- -
Rates on 5-year corporate loans of up to EUR 1 m in Germany and in the euro area as a whole	1.55 % 1.58 %	1.42 % 1.52 %	- -	- -	- -

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