



# After the big shocks and the small winter recession: Where is new momentum coming from?

**Germany slipped into a mild recession last winter after all, at least if the rule-of-thumb definition of “technical” recession is used (two successive quarters of negative GDP). Revisions to the first estimate have recently pushed German aggregate economic output down to below the zero line. However, the situation is still far better than feared last year. And the robust labour market continues to be resilient and does not give the impression that the economy is in a recession at all.**

However, it is an open question where new growth momentum will come from in the short term. For different reasons, the USA and China are failing to act as genuine economic locomotives for the global economy. The upward shift in interest rates is having an impact on the “real” economy on the ground wherever one looks.

The good news is that a shift can also be discerned at the level of price dynamics: inflation too is beginning to turn around. However, so far it is mainly the sharp downward corrections in energy prices that are taking pressure off headline inflation rates. Core rates have so far remained stickily high, by contrast. The monetary-policy battle against inflation is therefore not yet over. This spells collateral burdens for growth, but is essential for creating a better starting ramp in the medium term. Hopes are now already pinned primarily on 2024.

**Berlin, 20<sup>th</sup> June 2023**

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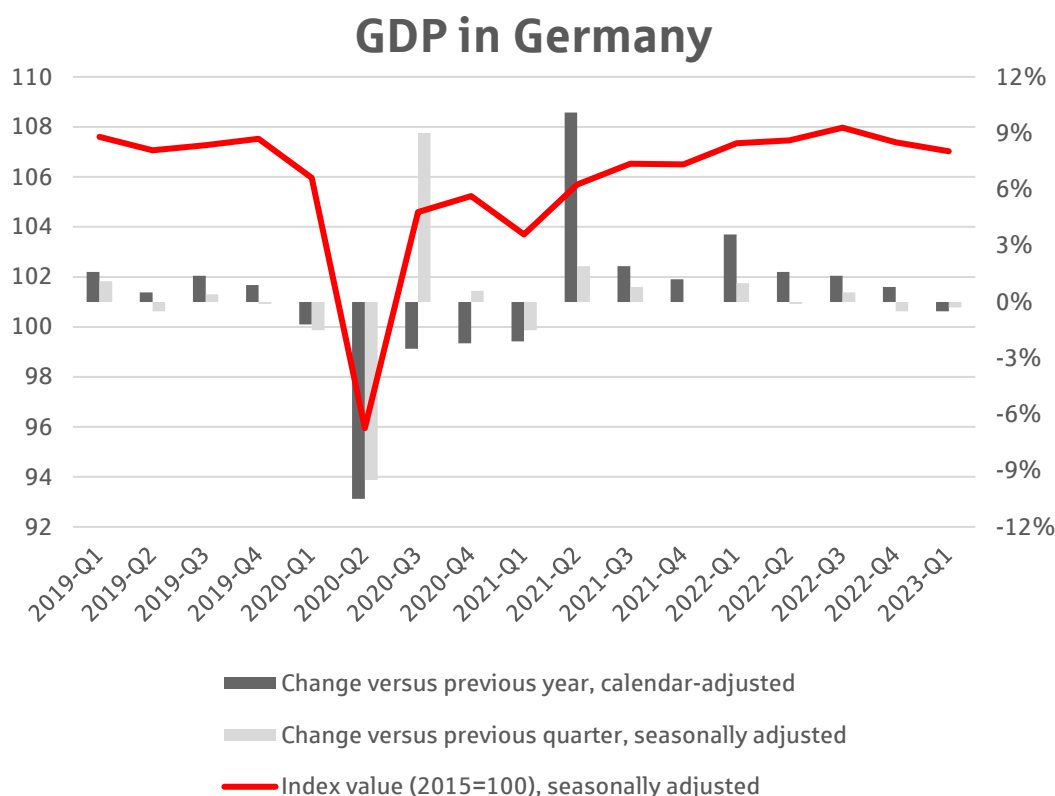
# After the major shocks and the minor winter recession: Where is the new momentum to come from?

**After all, economic growth has been below zero for two quarters**

The history of official reports on German GDP repeated itself in a very similar form in the two quarters straddling the end of 2022 and the beginning of 2023. For both three-month periods, the Federal Statistical Office (Destatis) initially reported a zero growth scenario in its initial estimate. Subsequently, however, the seasonally-adjusted figures for both quarters were then gradually revised downwards into negative territory. It is apparent that some negative effects were at work this winter that had not yet showed up in the initial projections. According to the latest figures, the German economic airliner landed at -0.3 percent in the first quarter of this year, having already nosedived to -0.5 percent in the final quarter of 2022.

*Destatis has revised Germany down into recession*

Of course, the current situation is nowhere near as bad as feared back in the autumn against a backdrop of looming gas shortages and of other crisis symptoms. But two consecutive quarters of negative GDP growth means, nevertheless, that the definition of a "technical recession" has been fulfilled. All the same, the constellation does not really feel like a recession, because the strong labour-market situation is preventing the situation from escalating into a crisis via the unemployment channel.



Source: Destatis

Nonetheless, such a start to the year implies that the baseline for 2023 as a whole is not particularly favourable. And Germany's performance does not look very vigorous by international standards either. On the other hand, even those countries that came through the recent winter in better shape

*Germany's recent GDP performance is also below-average on an international comparison*

than Germany are now also facing weaker prospects. This is largely due to the fact that the abrupt pivot in interest rates has negatively affected the real economy everywhere. This is limiting the scope for a rapid recovery and for a swift increase in the pace of macroeconomic growth.

### **The central-bank rate-tightening cycle is taking its toll on the real economy**

In the aftermath of a sudden string of major shocks - the coronavirus pandemic, materials bottlenecks, the outbreak of the war over Ukraine, the energy crisis, rampant inflation and the sharp run-up in interest rates in response to this - the global economy is now entering a somewhat calmer phase. At least the stress factors of recent years seem to be receding and normalising, or else we have managed to find a way of growing accustomed to, and coping durably with, these new realities. It unfortunately goes without saying that the war in Ukraine is still persisting, and structurally higher energy prices and elevated interest rates are not suddenly going to go away even in the medium to long term. And of course, any supposed "calmer phase" is always susceptible to newly emergent shocks, such as fresh geopolitical escalations. There is no shortage of regions which would be conceivable candidates for a flare-up.

However, even under the more optimistic scenario involving a relatively normal situation that remains calm and comparatively normal, the question arises as to where fresh impetus for the global economy is to come from. A certain post-pandemic tailwind deriving from the reopening of various economic sectors, from resolved supply-chain bottlenecks and normalisation in terms of the availability of capacities and transport routes, as well as from levelling-off price ratios, will certainly help. Such a launchpad phase has already been hoped for, anticipated and priced in a number of times during recent years, but then had to be postponed again and again due to the advent of new imponderables. A little patience is probably still needed. By now, hopes for an acceleration in world trade and aggregate production - and for a return to the underlying potential growth path - rest primarily on 2024.

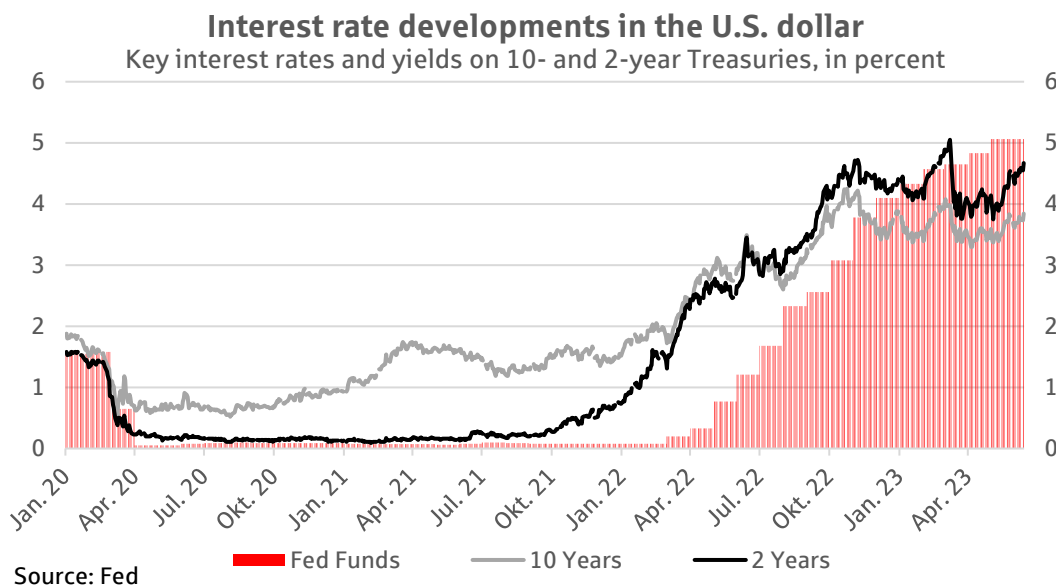
In contrast, growth prospects for 2023 remain subdued. A look at the present year makes it clear that the burdens stemming from the rapid and steep upward shift in interest rates in the industrialised countries have not yet been fully processed. On the contrary, the central-bank rate-hiking cycle is only now beginning to unfold its full impact and become fully visible in view of the inevitable time-lag effect. This holds true first and foremost for the United States. The USA is further advanced in the interest-rate cycle than other economic regions. Many observers are assuming that Team Powell's latest key-rate hike, pushing the federal funds target range up to 5.0 - 5.25 percent on May 3, means that policy rates may have peaked and will now plateau in the dollar area.

*The tailwind from post-pandemic normalisations involves old rather than fresh momentum*

*The USA is more than half a year ahead in the interest-rate cycle*

**US economic policy has shifted its foot right across from the gas to the brake pedal**

In the USA, the latest key-rate moves mean that the Federal Reserve has tightened its policy by no less than 500 basis points over the past year and a half. The situation looks similar in the case of yields on long-dated U.S. Treasuries, although the yield updraft has not been quite as pronounced in that domain. Yields on short maturities have climbed to above those on long-dated bonds. The US yield curve is now quite clearly inverted. But even in the ten-year maturity segment, the turnaround over the last couple of years has amounted to no less than around 300 basis points.



The restrictive effect of higher interest rates now achieved across all maturities of the yield curve comes at a time when the Biden administration's fiscal stimulus from the late coronavirus years and the first year of the Ukraine war happens to be petering out. In other words, both monetary and fiscal policymakers have shifted from the gas to the brake pedal. What is more, some further spending cuts, yet to be implemented, have now been necessitated by the bipartisan compromise in Congress averting a U.S. government default, and lifting (or rather suspending) the debt ceiling so as to achieve this.

Some forecasters, including economists from the Savings Banks Finance Group, are now assuming that the USA could become mired in a recession in the second half of 2023 because both monetary and fiscal policy is now having a restrictive effect stateside.

A cyclical downturn in the USA would not necessarily be dramatic; as long as it remained mild, it might even be necessary as well as helpful, as an inevitable part of the normalisation process. After all, the US labour market has been running very hot. A recession may be necessary to dampen demand for goods and labour sufficiently to bring it back into line with available capacities, thereby putting high inflation rates on a lower trajectory. In this respect, it is conceivable that a mild recession is not only something which the Federal Reserve would tolerate, but rather something which Dr. Powell and his colleagues are, to a certain extent, even wishing for. There are certainly encouraging signals from the inflation front in the USA

*Does the Federal Reserve perhaps even wish for a mild recession in the USA?*

that this approach is working and that monetary policy is proving efficacious, and that inflationary pressure is receding, also at the level of core components.

In the nature of things, bringing the economic aircraft down for such a "soft landing" - rather than ending up with a crash landing entailing self-reinforcing crisis effects - is a tricky balancing act. What is beyond doubt is that the string of individual (basket) cases in the US banking sector that have got into dire straits as a result of the pivot in interest rates, deposit outflows and unbalanced business models indicates just what burdens and risks are associated with the current restrictive monetary-policy tack - a tack which is undoubtedly necessary from an inflation-fighting perspective.

Fortunately, the European banking market is in a more robust position, with more comprehensive implementation of regulation, better capitalisation and a more elastic supply of liquidity. On this side of the Atlantic, however, the rate-tightening cycle is still not as advanced, and rate hikes have not been as substantial. The inference is that there is more stony road ahead of us.<sup>1</sup>

*The European banking market has more resilient underpinnings than its US counterpart*

### **The USA and China are unable to perform their role as unrestrained economic locomotives due to homemade shackles**

But even if the USA, which is further advanced in the economic cycle than we are, manages to engineer a soft landing, the Land of Unlimited Opportunities will not have the opportunity to act as an economic locomotive for the global economy for some time. The up-front revival of momentum which would be necessary for this, entailing palpable positive knock-on effects on world markets, still look unlikely. This is partly also the case because the USA is continuing to adopt a rather reserved and introverted stance on trade policy. The remaining stimulus programmes which are going to be effective over the next few years, such as the Inflation Reduction Act, are geared more to the domestic economy.

Policy has a similar thrust in China. In the People's Republic too, the domestic economic development enjoys a clear political priority. There were hopes that, after the radical turnaround in the official zero-Covid policy, this large Asian nation would significantly gain in growth potency and, from such a standing start, would make up a good deal of lost ground. True, this is actually happening to some extent.

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<sup>1</sup> On 14<sup>th</sup> June 2023, the chief economists of the Savings Banks Finance Group also published a position paper on the German banking market entitled "The German Banking Market: Ready to finance the future". Like this publication, it is also available on the DSGV website.

Nevertheless, question-marks remain as to whether the newly unleashed momentum is really as strong as hoped, and as is being reported to some extent in Beijing's official GDP data. The Middle Kingdom officially generated a year-on-year GDP growth rate of over four percent in the opening quarter of 2023; and similar - perhaps even slightly higher - rates are on the cards for the coming quarters. That would be a thoroughly respectable growth trajectory, even if it does not quite match up to the "six-plus-X" magnitudes which we were used to the People's Republic racking up in the years prior to the coronavirus epidemic. Given the current level of GDP, and given how high the country has climbed on the ladder of prosperity, further growth leaps are destined to become more difficult. It also needs to be borne in mind that China's demographic fundamentals are gradually being upended: the Asian giant is now "aging" as well, and the consequences of the Beijing government's one-child policy are increasingly tangible on the labour market. The reserve army of labour in rural regions that migrated to the cities in the 1990s and 2000s and was then integrated with such great effect into the system of global economic production based on the division of labour has now largely been used up.

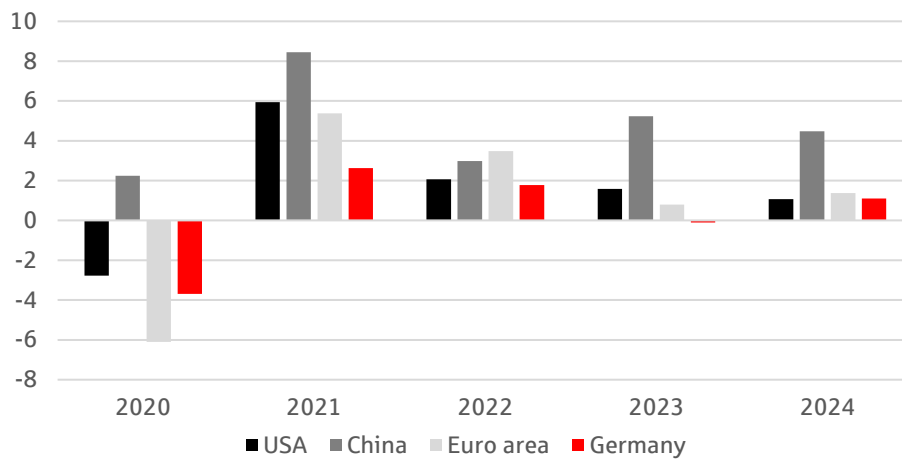
Moreover, there are doubts about whether China's economic-growth performance is anything like as strong as reported by the official National Accounts figures. The fact that the purchasing managers' surveys tracking activity in Chinese industry have recently declined to below the 50-point threshold separating expansion from contraction confirm that a certain scepticism is warranted. The People's Republic's foreign-trade most recent (May) outturns were likewise disappointing, revealing an out-and-out slump.

In addition, China's inflation, which official statistics claim has remained invariably very low, is a conspicuous outlier by international standards and therefore somewhat "suspicious." Not only was inflationary pressure pent up during the coronavirus-induced shutdowns when such a "pent-up demand" effect would be plausible; pent-up inflation does not appear to be unleashing itself now either. There would seem to be only two possible explanations: either China is marked by major structural peculiarities compared with the rest of the world, or else catch-up momentum in the Middle Kingdom is not so unboundedly large after all.

*How strong is China's current economic acceleration really?*

*Inflation in China is looking suspiciously low*

### International GDP growth rates real percentage change year on year



Source: IMF - World Economic Outlook

In terms of growth rankings, the euro zone is currently sitting in midtable in the growth league for the world's major economic regions. In 2022, the European Monetary Union even outperformed the USA. Unfortunately, Germany is currently one of the growth laggards within the euro zone, and has been performing significantly worse since 2021. This underscores the urgent need for an economic policy that strengthens the Federal Republic's underlying growth potential and competitiveness.

#### Price spikes in volatile inflation categories have now reversed

On the other hand, more anaemic demand from China, even if the People's Republic is not fulfilling its task as a locomotive for the world economy, does have its good side. This is because a more moderate pace of growth in the Middle Kingdom will keep the global economy's demand for raw materials, and thus also inflationary pressure in this sector, at a lower level.

The prices of many raw materials and energy resources have now peaked out in any case. In Germany, as in Europe in general, of course, the development leading to such price peaks was mainly characterised by the war-related escalation, by the subsequent sanctions and by Russia's retaliatory supply cuts. The situation has subsequently eased on the markets. The mild winter of 2022/23, savings efforts by companies and private households, and the tapping of new supply sources have enabled 2022's acute energy crisis to be largely overcome so far in 2023. Natural gas now fetches a lower price on commodity exchanges than immediately before the outbreak of the war between Russia and Ukraine.

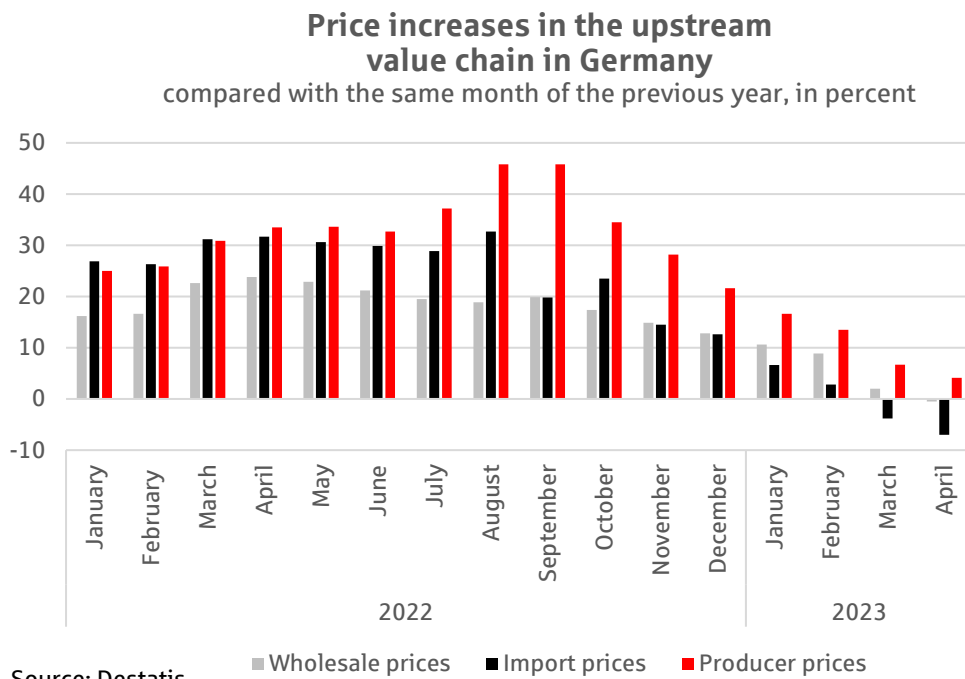
The generally more relaxed energy and raw-materials situation is also being reflected in producer prices, import prices and wholesale prices. What is more, the latest monthly inflation figures have benefited from a strong base effect: the exploding inflation rates immediately after the onset of warfare are now the baseline for twelve-month rates of change. Measured against these spring 2022 figures, some price indices are now even indicating negative year-on-year rates of change in the interim. German import prices across all categories came in 7.0 percent lower in April than in the corresponding month of the previous year (the highest year-on-year

*In some cases, energy prices are back down to below their pre-war levels*

*Prices have now eased at many of the upstream stages of the value-added chain*

decrease since as long ago as October 2009). Admittedly, the declines on that score came solely from the subgroup “import prices for intermediate goods.” By contrast, the category “consumer goods and capital goods” continued to be more expensive than a year previously, although price jumps were no longer as sizeable as beforehand.

What is more, other price indices tracking developments at upstream stages of the value-added chain are no longer showing any sign of the dramatic growth rates - such as over 45 percent at one point for producer-price inflation - that we saw in the late summer of 2022.



In the euro area, however, it has mainly been outside the "core" consumption categories, in the energy category in particular, that inflation has calmed down somewhat. The pass-through from the 2022 price spikes at the upstream stages of the inflationary process has not yet fully impacted broader inflation metrics, in some cases, and is accordingly still driving prices up. In addition, second-round effects in the form of high wage settlements have been kicking in. This could give new upside traction to core consumer-price-inflation rates, for example in the case of the price of services where the wage share bulks large in value added.

**Second-round effects have set in - but at least headline inflation rates are gradually falling**

To date, the wage increases we are witnessing have mainly been making up for the real wage losses suffered during 2022, thereby restoring purchasing power. To that extent, they are understandable, and are also in keeping with the prevailing labour-market situation. Nevertheless, these wage increases continue to have an impact both now and in the future, and thus add up to a further flywheel driving inflationary developments. In some cases, full implementation of the most recent negotiated-wage settlements is not scheduled until 2024, for example in Germany’s public sector, when the last

*Wage increases are understandable, but they are also a further flywheel driving general inflation*



of the various agreed stages kicks in. So the upward pressure on inflation is here to stay. Such pressure is no longer coming from energy and commodity prices - these were "only" the trigger; now inflationary pressure has shifted to other pass-through factors and to wages. Developments on the inflation front are not necessarily getting out of control; what is more likely is that inflationary pressure will continue to recede gradually.

One anchor of this development is, remarkably enough, residential rents, which have been hovering at an annual rate of 2.0 percent in Germany for some time now. In contrast, food prices are still a strong driver of overall consumer-price inflation, although these are also on the decline. According to the first estimate by the Federal Statistical Office (31st May), food prices in the Federal Republic were 14.9 percent higher in May than in the same month of the previous year; until March, however, twelve-month rates were still up in excess of 20 percent.

Headline consumer-price-inflation (CPI) fell to a year-on-year rate of change of 6.1 percent in May according to Destatis's flash estimate for the month. According to the slightly different EU-harmonised methodology (HICP), the annual rate weighed in at 6.3 percent. In the euro area as a whole, the HICP rate came to 6.1 percent. Germany is therefore currently more or less typical as regards price developments in the currency area, whereas individual national rates of change have recently fanned out further. Where rates of inflation in the Benelux countries are more moderate, they are still well above-average in the Baltic states, which is certainly also due to their status and geographical location as frontline states in the war raging in Eastern Europe.

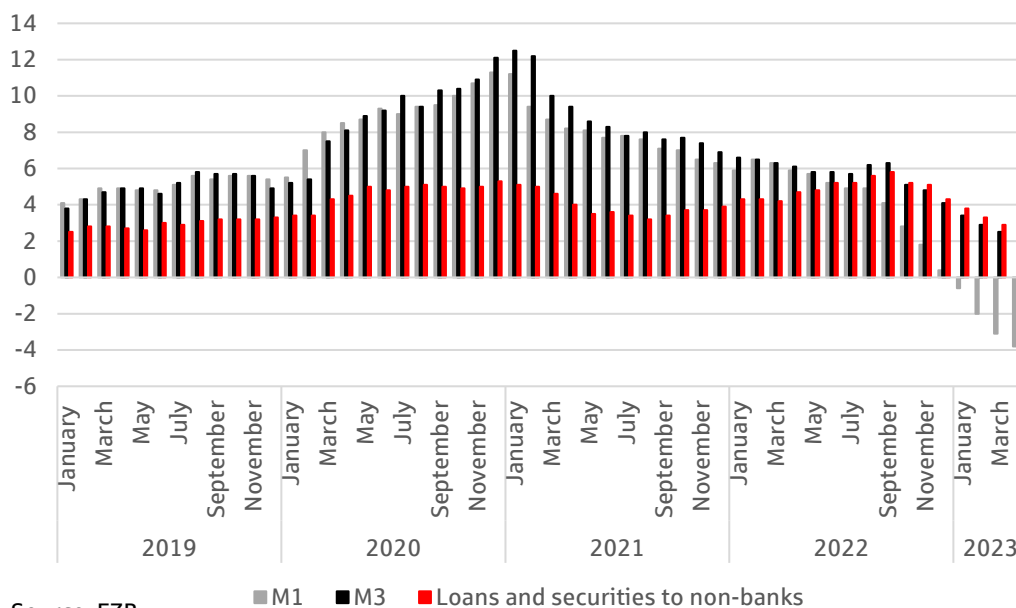
### **The restrictive monetary stance is beginning to bite more and more**

At any rate, a start has definitely been made, on a statistical average, in the battle against inflation. The impact of the pivot to higher interest rates is becoming increasingly palpable in the euro area. Lending and, corresponding to this, money-supply growth have levelled off significantly. The broad monetary aggregate M3 expanded at an annual rate of only 1.9 percent in April of this year. According to the narrower definition M1, which only includes the sum of currency in circulation and overnight deposits, the money supply actually contracted at an annual rate of 5.2 percent in the same month. The reason for this disproportionate contraction in M1 is that short-term deposits are being converted into other investment products now that positive interest rates have made a comeback on credit markets.

*German inflation rates are currently in line with the euro area aggregate...*

*... though national rates of change have recently fanned out further*

### Monetary and credit developments in the euro area Year-on-year changes, in percent



Source: EZB

With the liquidity supply now tighter, inflation is liable to be gradually tamed. Against a background of more subdued money-supply growth, the nominal turnover growth which we observed last year, and which we are still seeing during 2023, will sooner or later become completely impossible and unaffordable. The monetary combustibles underpinning the inflationary fire will be extinguished. Tighter money and higher interest rates are increasingly crimping demand.

So far, this crimping effect has been most evident at the level of new lending and in construction activity. In the case of residential investment, in particular, a stop sign has now been set up in front of new projects almost everywhere.

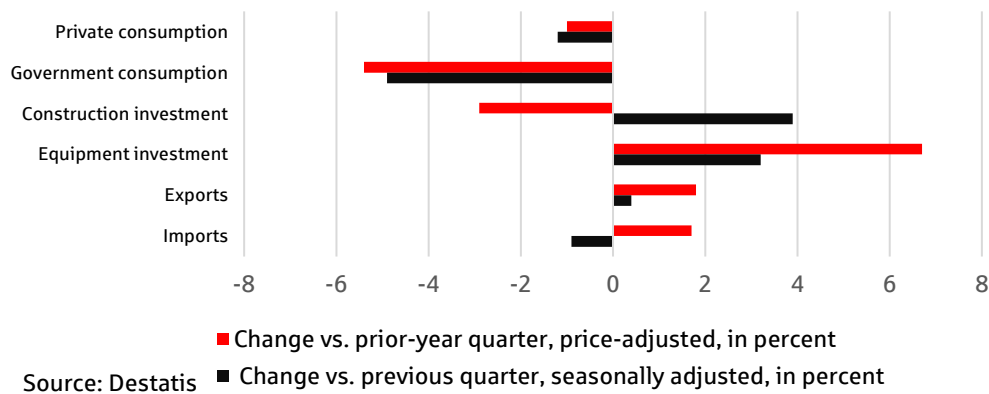
In the first quarter of 2023, gross fixed capital formation in construction (“construction investment”) printed 2.9 percent lower than in the same quarter of the previous year on an inflation-adjusted basis. True, the short-term seasonally-adjusted reading relative to the final quarter of 2022 did produce an increase of 3.9 percent; however, this can be attributed solely to the mild weather during the winter of 2022/23, which allowed the building trade to largely continue work on construction projects already underway. Seasonal adjustment, based on the premise of “normal cold” winter weather, fails to provide an accurate measurement here. This must be borne in mind when assessing the correspondingly skewed revision to the quarterly figures.

*The turnaround in money-supply growth will not fail to have an impact*

*Construction is experiencing the sharpest slowdown...*

*...though its growth rate is admittedly being distorted by a weather effect*

### Expenditure components of German GDP in the first quarter of 2023



Gross fixed capital formation in machinery and equipment (“equipment investment”), which is not so dependent on weather conditions, is proving far less sensitive, on the whole, to interest rates. It is clearly up in both year-on-year and quarter-on-quarter terms. This time round, equipment investment is not proving an accelerator that exacerbates cyclical swings, as is typically the case in many economic cycles. In the equipment-investment field, many catch-up projects that had previously failed to come to fruition due to supply-chain bottlenecks are now being resumed. In addition, the digitisation topic and, above all, the need for measures to curb climate change continue to provide structural tailwind for investment volumes in this sphere. In the case of “green transformation,” in particular, action is still required even when interest rates ratchet up.

*Equipment investment is currently looking very robust, contrary to its usual cyclical pattern*

#### Foreign trade has stabilised - weak private consumption was the factor responsible for the winter recession

Foreign trade likewise made a positive contribution to growth in the first quarter. This expenditure-side component had already staged a recovery in the final quarter of 2022, but was still down on the same quarter of the previous year at that time; it has now rebounded in year-on-year terms as well. The turnaround in foreign trade is having an even stronger positive impact on the current-account balance in nominal terms, because import prices have retraced downwards a good deal from their record levels. Without this improvement on the foreign-trade front, the winter recession in Germany would have been more chilly (measured solely in terms of domestic consumption), and would have seen the quarter-on-quarter growth rates working out at somewhere in the magnitude of -1.0 percent in two quarters.

*Net exports and the current account have both moved back handsomely into surplus*

Household final consumption expenditure (“private consumption”) was at a very weak ebb in the first quarter. This item is the real root-cause for the overall economic contraction. Private consumption, the largest component of GDP, has now been in reverse gear for two quarters. This is, of course, hardly surprising in view of the loss of purchasing power which Germany’s private households have sustained due to high inflation.

*Consumption hit by the loss of purchasing power*

Despite the bright spots provided by equipment investment and net exports, the opening quarter of 2023 was a disappointment, especially when interpreted on a weather-adjusted basis. The mild winter, which

gave us so much relief from the point of view of heating and gas savings, was also helpful for construction activity, as already adumbrated.

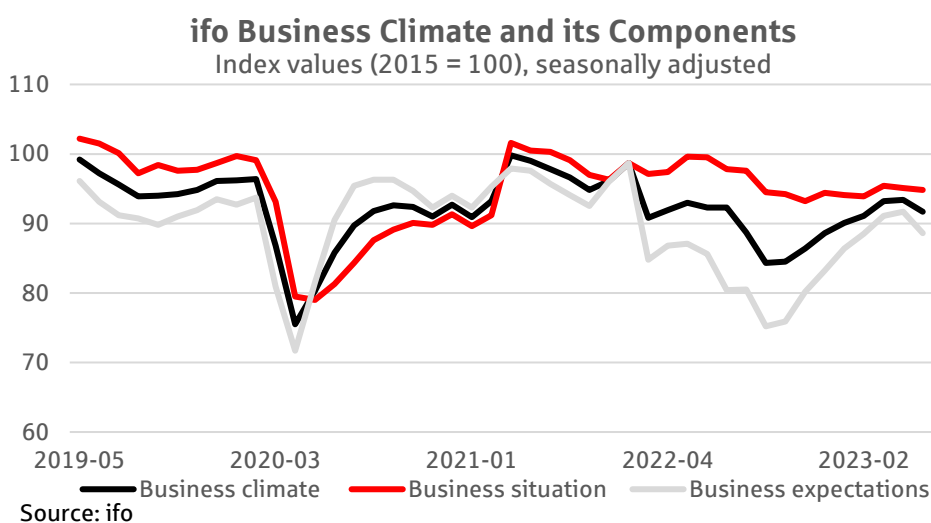
Despite this tailwind, German GDP could not ward off a technical recession. Without the positive weather effect, the contraction in aggregate economic output would have been more pronounced.

In addition, there is now a threat of a negative rebound effect materialising in the second quarter. If construction was able to get a lot of work done in the winter, there is no longer any need to catch up on lost winter time in the spring, especially as the pipeline of new orders in the construction sector is faltering, and threatening to run dry, due to the run-up in interest rates.

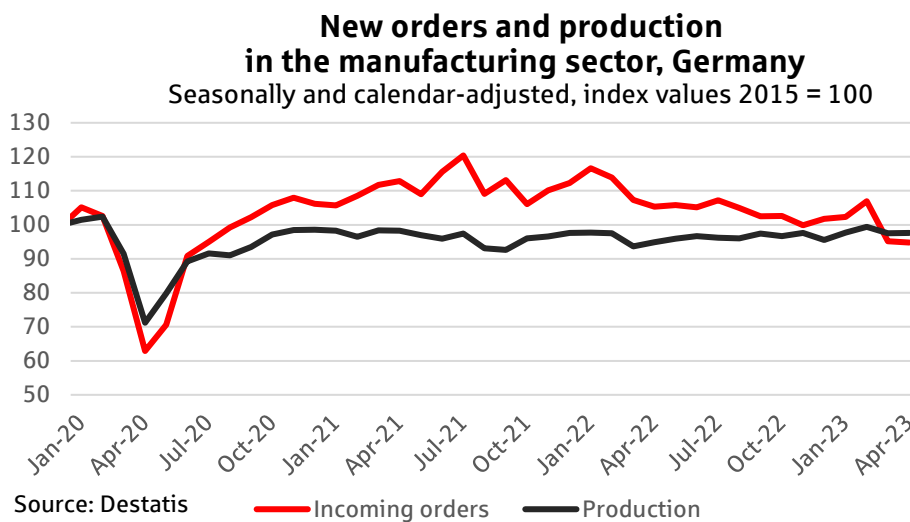
**The burdens have persisted into the spring**

Where do we go from here? Not much can be expected on the GDP front from the second quarter, which has now almost elapsed but has not, of course, yet been measured in terms of the national accounts. This is also due to the fact that the time axis was very unfavourable in the first few months of the year. January and February did not start the year off badly at all in terms of many key indicators - production, orders, transport volumes, sentiment. It was a slump in March that was then responsible for the contraction reported for the quarter as a whole. And that, in turn, created a poor baseline - a growth underhang for the following (spring) quarter.

*The spring quarter starts out with a growth underhang*



And the negative trends unfortunately continued in April and May. Sentiment in the economy in general and on financial markets has turned more sceptical again. And there are also signs of stagnation in terms of production and new orders received by German industry. Although production increased to a marginal extent in April, that was not enough to make up for the setback sustained in March. The medium-term trend is pointing downwards, above all in the case of orders.



What is beyond doubt is that the order intake is no longer looking as comfortable as it was in 2022. Orders, which initially remained at a consistently high level, helped stabilise German industry through the first year of the Ukraine war. At least on the demand side, there was planning security, at a time when supply bottlenecks, price pressures and energy-related worries were making business difficult. The large volume of incoming orders made it possible to plan forward and, in case of doubt, also allowed price increases to be passed on, while securing profit margins.

This tailwind from the demand side now seems to have died down for the time being. At the present juncture, the situation is no longer simply a matter of supply-side bottlenecks, which were the predominant factor in the previous phase. The gap between orders and potential production that opened in 2022 has now closed - though unfortunately not through an increase in production, but rather through a drop in orders.

**The outlook for 2023 continues to look lacklustre overall, but the turnaround in interest rates, prices and trade are bright spots**

In some sectors, order backlogs are still looking satisfactory, and working them off will safeguard business for some time to come. But where new growth is to come from in the face of mounting scepticism, elevated interest rates and eroded purchasing power is far more uncertain. To that extent, the question "Where is the new momentum to come from?" in the title of this issue of Economic Update has to be answered with a certain degree of caution - indeed it has to be concluded that the question must remain unanswered for the time being. Truly concrete new momentum is nowhere on the horizon at the time of writing.

Following the weak start to the year, Germany's 2023 growth vintage has probably already been spoiled, even on a full-year basis. With a negative opening quarter and a second quarter that is already unlikely to be any better, the year has got off to a poor start. In its June Monthly Report, Deutsche Bundesbank does, it is true, expect a positive GDP outcome for the second quarter; even if this proves to be the case, though, and even if a recovery does begin to take shape in the second half of the year, it will still be highly difficult to achieve a significantly positive GDP growth rate in 2023 as a whole. Hopes for a more pronounced revival are now already resting on 2024, which is a sobering thought from a longer-term perspective: Amid

*Order backlogs are being depleted*

*Germany is going to find it difficult to achieve positive GDP growth in 2023*

fluctuations, German GDP is still trending at roughly the pre-coronavirus GDP level from 2019.

Regarding the country's prosperity, however, the true situation is now once again better than the plain GDP trend would suggest. This is because Germany's terms of trade have recovered significantly: import prices are no longer causing as much pain as they were in 2022.

Another - related - ray of hope is that the overall inflation trend has started to reverse. It will certainly be a long, tough struggle before upside inflation dynamics have been sufficiently stopped in their tracks right across the board. And as we go down this road, there is still a threat of collateral damage to growth from the rate-hike cycle and from the quantitative tightening initiated in parallel. But winning this victory over inflation is the precondition for creating a more prosperous growth environment in the medium term.

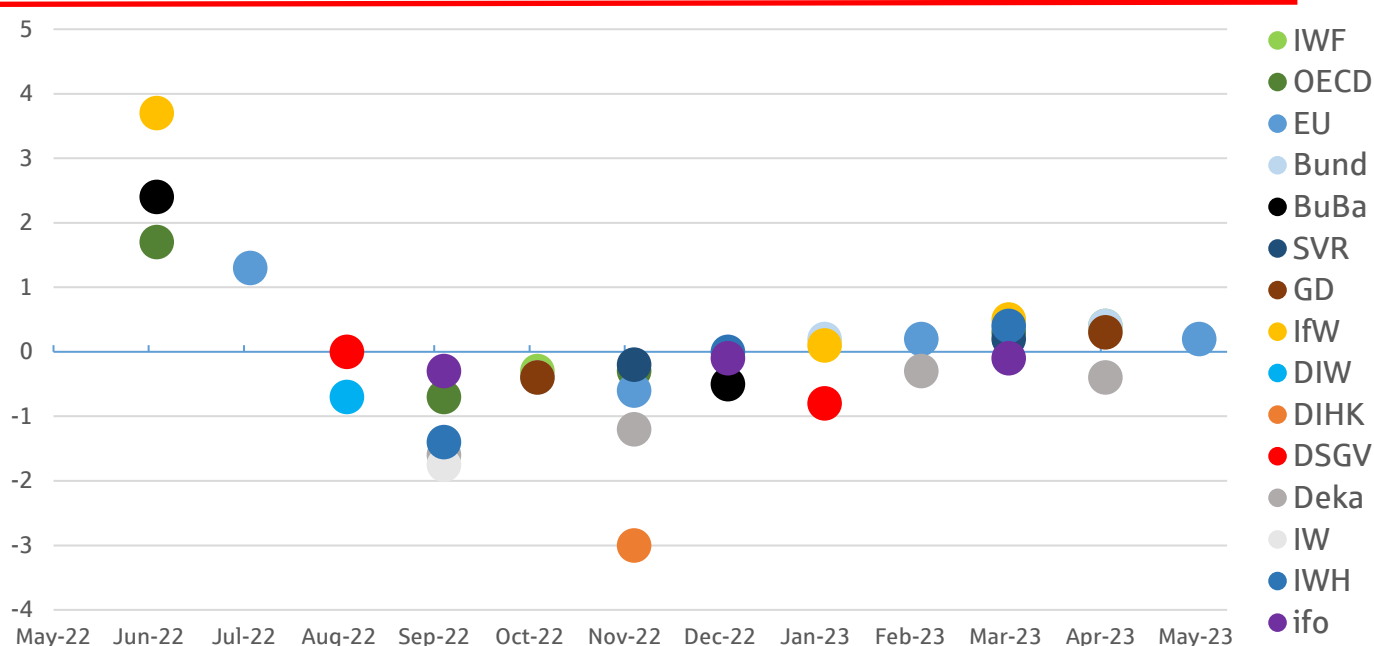
*First of all, we must inevitably pass through the Vale of Inflation-Busting*

### A. Growth of world economic regions, change on previous year

	2021	2022	2023*	2024*
World trade volume	10.4%	5.1%	2.4%	3.5%
GDP – World	6.2%	3.4%	2.8%	3.0%
USA	5.9%	2.1%	1.6%	1.1%
Japan	2.1%	1.3%	1.3%	1.0%
China	8.4%	3.0%	5.2%	4.5%
Euro area	5.3%	3.5%	0.8%	1.4%
Germany	2.6%	1.8%	-0.1%	1.1%

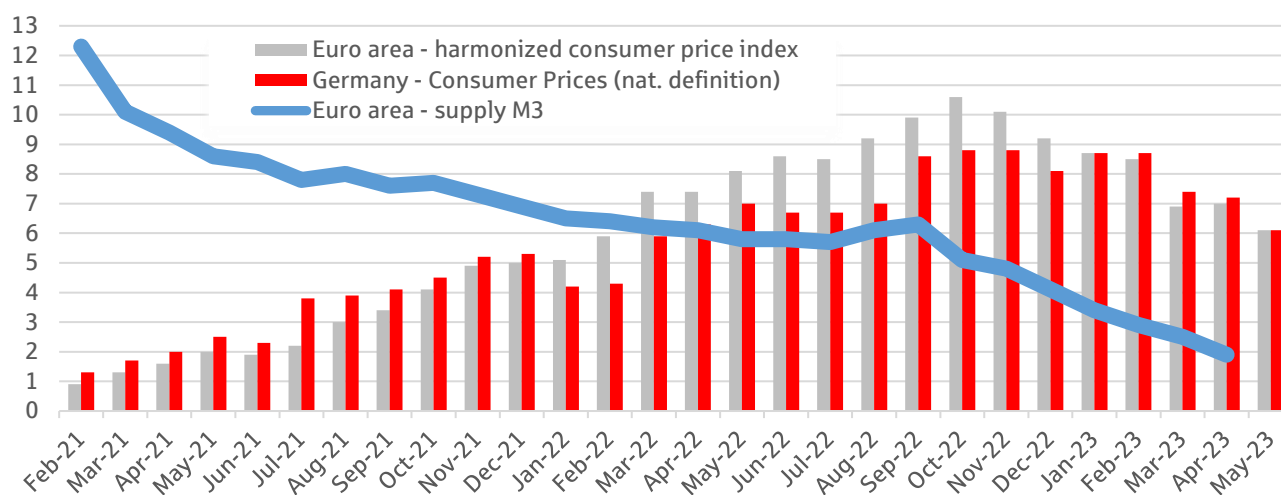
\* April 2023 forecasts by the International Monetary Fund

### B. Economic growth forecasts for Germany for 2023, in %



### C. GDP in Germany and the wider euro area

	2022 real growth vs. previous year	Q II - 2022 Real growth versus same quarter of previous year	Q III - 2022 Real growth versus same quarter of previous year	Q IV - 2022 Real growth versus same quarter of previous year	Q I - 2023 Real growth versus same quarter of previous year and seasonally- adjusted real growth compared with the previous quarter
Euro area GDP	+3.5%	+4.4% +0.9%	+2.5% +0.4%	+1.8% +0.0%	+1.3% +0.1%
Germany GDP	+1.8%	+1.7% -0.1%	+1.4% +0.5%	+0.8% -0.5%	-0.5% -0.3%
Private consumption	+3.4%	+7.4% +0.2%	+3.0% +1.2%	+0.6% -1.7%	-1.0% -1.2%
Gross capital investment	+0.2%	-1.2% -1.2%	+2.0% +1.3%	-1.4% -2.6%	+0.8% +3.0%
Exports	+3.2%	+3.3% +0.6%	+5.4% +1.5%	+0.4% -1.3%	+1.8% +0.4%
Level, not rate of change; quarterly figures, seasonally adjusted					
Savings rate	11.2%	11.2%	11.3%	11.3%	11.2%

**D. Consumer prices and money supply M3, annual rates of change in %****E. Monthly economic indicators Germany**

	January	February	March	April	May
<b>Prices (national definition)</b>	Change from the same month of the previous year				
Consumer prices	8.7%	8.7%	7.4%	7.2%	-6.1%
– excluding food and energy (core inflation)	5.6%	5.7%	5.8%	5.8%	-5.4%
Producer prices for industrial products	16.6%	13.5%	6.7%	4.1%	-
Import prices	6.6%	2.8%	-3.8%	-7.0%	-
<b>Sentiment indicators</b>					
ifo Business Climate Index	90.1	91.1	93.2	93.4	91.7
ZEW Economic Sentiment Survey	16.9	28.1	13.0	4.1	-10.7
<b>Incoming orders</b>	Change compared to the same month of the previous year				
Manufacturing industry	-9.3%	-7.2%	-11.2%	-12.5%	-
from within Germany	-7.3%	-6.3%	-11.2%	-11.7%	-
from abroad	-10.8%	-7.8%	-11.3%	-13.0%	-
Capital-goods producers	-10.4%	-5.6%	-9.8%	-10.8%	-
<b>Production</b>	Working-day-adjusted change compared to the same month of the previous year				
Overall manufacturing industry	-1.0%	1.0%	2.3%	1.6%	-
thereof: construction	-1.5%	0.8%	-2.6%	2.8%	-
thereof: industry	-0.2%	2.1%	4.1%	2.7%	-
<b>Foreign trade</b>	Change compared to the same month of the previous year				
Exports	13.0%	6.4%	4.3%	-	-
Imports	9.4%	2.7%	-5.6%	-	-
<b>Labour market</b>	Unemployment rate / change in the jobless total compared to the same month of the previous year (1,000s)				
Unemployment rate	5.7%	5.7%	5.7%	5.7%	5.5%
Jobless total	+269	+192	+232	+276	+284
Employed persons (with place of work in Germany)	+443	+447	+449	+421	-
Employees subject to social-security contributions	+395	+371	+319	-	-



## F. Commodity, foreign exchange and financial markets

	February	March	April	May	20 <sup>th</sup> June
<b>Brent oil price in US \$</b>	82.59	78.43	84.64	74.54	71.80 (12 <sup>th</sup> )
<b>Exchange rates</b>					
US-dollar / EUR	1.0715	1.0706	1.0968	1.0868	1.0933
Japanese yen / EUR	142.38	143.01	146.51	148.93	154.51
<b>Stock markets</b>					
DAX German benchmark share index, end-of-month	15,365	15,522	15,922	15,664	16,159
Change compared to the same month of the prev. year	6.25%	7.69%	12.94%	8.86%	-
<b>Money and capital market interest rates</b>					
Call money (€STR)	2.275%	2.572%	2.900%	3.080%	3.144% (19.)
Current yield of German government bonds: – with a residual maturity of one year	3.17%	2.82%	2.90%	2.97%	3.36%
– with a residual maturity of ten years	2.65%	2.35%	2.35%	2.28%	2.49%
<b>Interest rates of credit institutions, in new business</b>					
Daily deposits of private households in Germany; for comparison across the euro area	0.12% 0.12%	0.17% 0.15%	0.22% 0.18%	- -	- -
Deposits from private households up to 1 year in DE; for comparison across the euro area	1.95% 1.86%	2.19% 2.09%	2.33% 2.27%	- -	- -
Corporate loans of up to € 1 million over 5 years in DE; for comparison across the euro area	4.06% 3.64%	4.13% 3.84%	4.32% 3.89%	- -	- -

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