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# Still on a low glide path

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**Economic momentum in Germany, as in the wider euro area, remains anaemic as 2023 draws to a close. What is more, macroeconomic growth in the EMU as a whole, which was previously trending higher, has now slowed down to the same pace as in Germany. A stagnation scenario can now be observed in both economic areas.**

The spike in inflation and the sharp run-up in interest rates have both only bitten after a time-lag, so continue to have a dampening effect. Although key interest rates have now plateaued at a high level, the monetary-policy stance is - even now - becoming more restrictive still. Central bank balance sheet run-off ("quantitative tightening") is progressing slowly but inexorably and, above all, real interest rates are becoming ever higher with nominal interest rates constant.

On the upside, progress in the fight against inflation is now evident. Energy and producer prices, in particular, are falling. Moreover, the underlying trend appears to have reversed too.

Meanwhile, fiscal policy in Germany is turning involuntarily restrictive after the Federal Constitutional Court's ruling that the off-budget reallocation of special funds was inadmissible.

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# Still on a low glide path

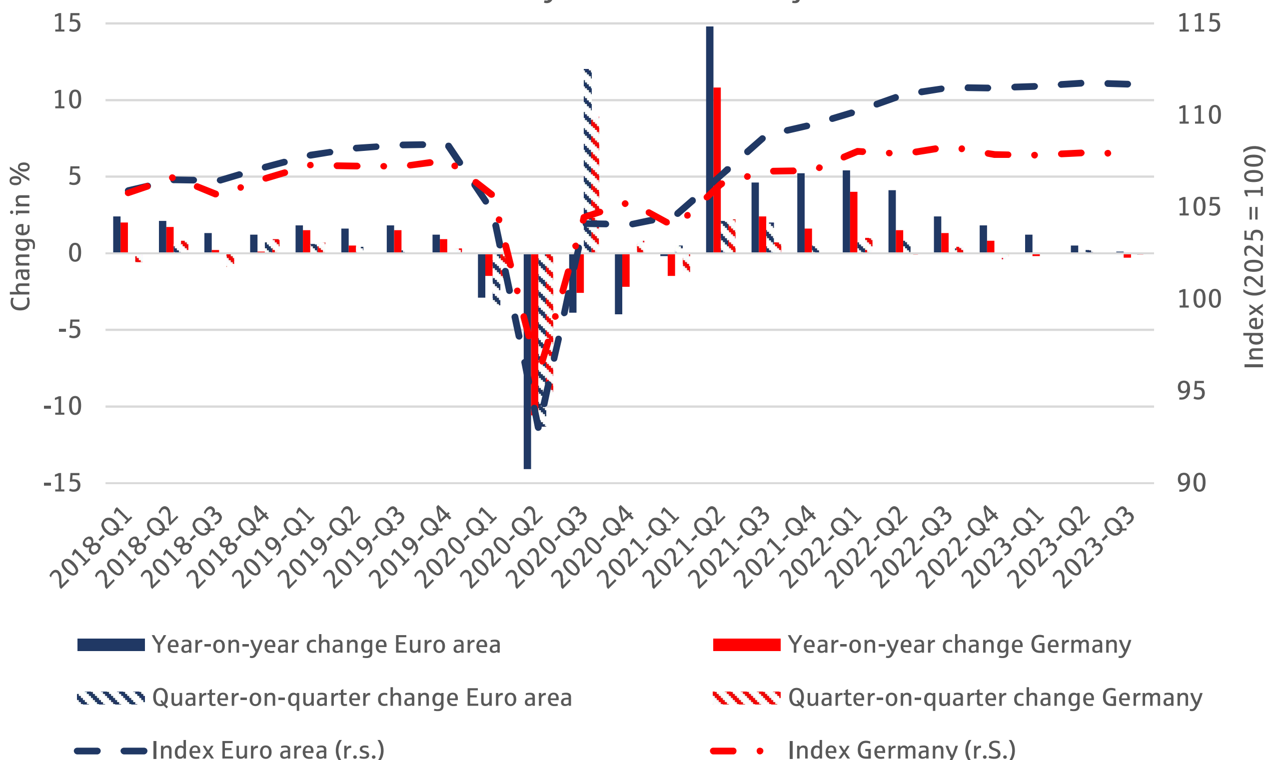
## Euro area growth has recently converged downwards to Germany's current stagnation scenario

Economic momentum in Germany remains sluggish in the late stages of 2023, and the onset of a broad-based recovery is not yet discernible. The sideways movement in macroeconomic growth that has been in evidence for around two years now continues. Stripping out the statistical "noise" constituted by the violent back-and-forth swings during the initial phases of the pandemic, the Federal Republic has actually been mired in stagnation for as long as four years now. GDP between Flensburg and Sonthofen has just about got back up to the pre-coronavirus level in the interim, but is not being exceeded in a sustainable manner.

*German GDP is still stagnating at its pre-pandemic level*

In the previous issue of Economic Update, we analysed the Economist's recent thesis "Is Germany once again the sick man of Europe" weighing up the country's strengths and weaknesses and ending up with a mixed verdict. The Federal Republic continues to boast some pronounced strengths as a business location; however, it was - and still is - conspicuous that the Germany economy is lagging behind that of other advanced economies in terms of the momentum of the post-coronavirus recovery.

It is true that this categorisation has been somewhat relativised recently - at least on an intra-European comparison. Unfortunately, convergence has not been towards a stronger trend, but has instead involved a tilt downwards.

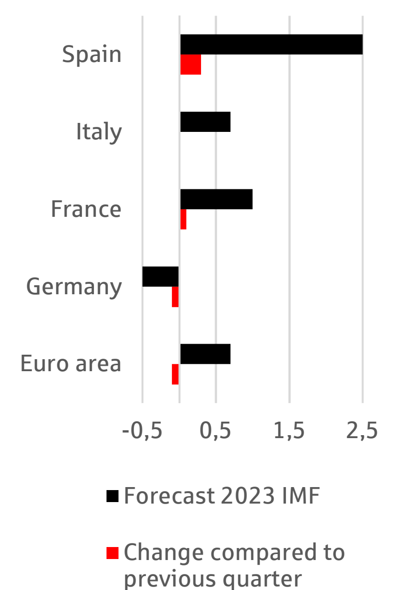


Source: Destatis, Eurostat

The underlying growth dynamics of the euro area as a whole have also slackened considerably in the interim. In the third quarter of 2023, eurozone GDP contracted to the same marginal degree (-0.1 per cent on a seasonally-adjusted quarter-on-quarter basis) as German aggregate economic output.

Moreover, even if the time horizon is extended a little to encompass more than the most recent quarter, euro area growth has been hovering limply around the zero line for all of the last four quarters (logging rates of expansion of between -0.1 percent and +0.2 percent, to be precise). The euro areas's growth bars plotted in the chart on the previous page, which were still towering above their German equivalents during 2021 and 2022, have recently disappeared, like their German counterparts, into near-invisibility. The eurozone airliner too finds itself flying sideways, moving along a low glide path. Where German macroeconomic growth has been flatlining for two years now, the wider euro area has also been in the grip of stagnation for as long as one year already.

GDP development in Europe, 3rd quarter 2023 and Forecast for the year as a whole, in percent




Source: Destatis, Eurostat, IMF

Note on presentation: The quarterly change in Italy was exactly 0.0 per cent; therefore no bar is visible there.

The fact that the average annual growth rates both for the euro area as a whole and for most other member states are, once again, going to look significantly better than Germany's in 2023 is mainly due to the statistical "overhang", or growth dowry, from 2022. The statistical baseline was simply higher in the euro area in its entirety. In contrast, the annual trend over 2023 has not been much better in many countries than it has been in the Federal Republic.

On a direct comparison, the level of real GDP achieved self-evidently still appears significantly higher for the euro area than for Germany if the two index baselines are set at a point in time prior to the pandemic, as in the chart on page 2. On closer inspection, however, this disconnect is solely due to the notably more dynamic trend notched up by the wider eurozone during 2021 and 2022, and not to developments at the current margin. Bucking this trend are individual countries that are continuing to grow well, such as the "growth star" of recent years among the major European countries: Spain. But looking at the broad field of runners in the GDP growth stakes, most have been tending of late to follow Germany's somewhat underwhelming example.

Against this backdrop, the European Commission, in its recently published Autumn 2023 Economic Forecast, has logically lowered its growth projections for the euro area to 0.6% in 2023 and 1.2% in 2024.

### The macroeconomic stagnation scenario can be explained away - but German industry continues to be structurally weaker

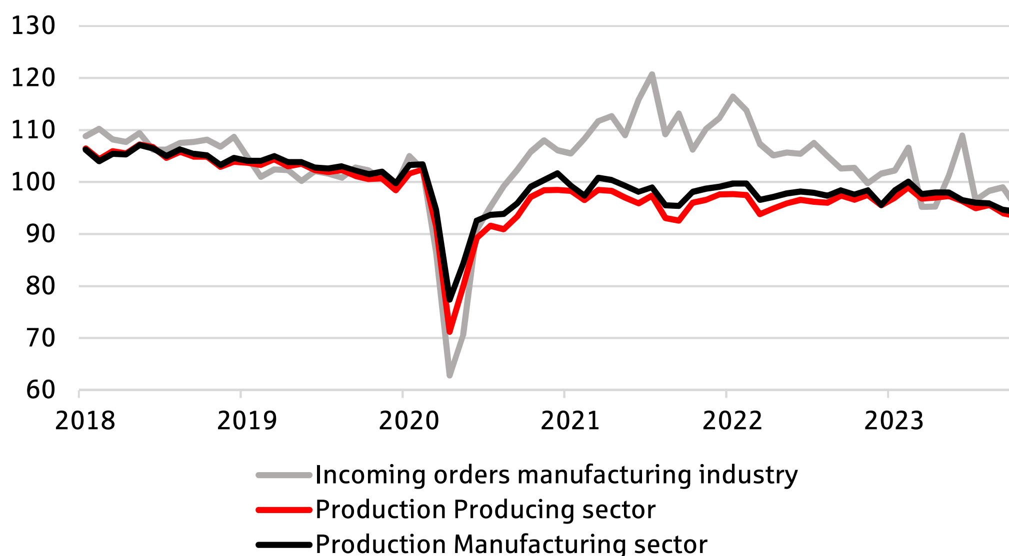
*The concatenation of crises which have recently impacted us could have had an even more negative fallout*

As sobering as the current growth performance is, it has, after all, to be seen in the context of the general global political situation. We are currently in the throes of several wars and of diverse geopolitical tensions. To compound this, we are currently emerging from a series of major shocks. The major structural challenges resulting from climate change also need to be emphasised here.

In such a situation, more deep-seated recessions would easily be conceivable too. In this respect, the global economy, and also the national economies of Europe, Germany included, have actually proved to be decidedly resilient so far, not essentially moving further down than sideways. A year ago, concerns - such as the fears that the approaching winter would spawn a grave gas shortage - were far greater than they are now. And recently, sentiment indicators have also improved somewhat, be it the purchasing managers' indices or the ifo Business Climate Index tracking developments in corporate Germany, which has now gained ground for three months in a row.

*German industry is exhibiting the weakest trend seen in recent years*

However, weaknesses also remain. The current trend, but also the longer-term structural picture, is looking less favourable for German industry than for the economy as a whole. Output growth is well below its pre-coronavirus level; and the latest incoming readings are not implying that it is finally catching up but that it is actually falling further behind. Where it was primarily the supply bottlenecks affecting primary products and intermediate inputs that held back production in 2022, incoming orders have now also embarked on a downward trend in the meantime. Rather like in the euro area/Germany GDP comparison referred to above, convergence here too has been towards the weaker trend. In October 2023, calendar-adjusted orders in the production sector were 7.3% below the same month of the previous year. However, the constraints binding the country’s manufacturing industry are no longer purely a supply-side phenomenon, but increasingly also have a demand-side-related cyclical dimension.




*The lack of a statistical growth “overhang” is imposing an arithmetical burden on the outlook*

Output in the producing sector fell once again in October compared to the previous month, with the most recently available official monthly figure now a full 3.5 percent down on a year-on-year basis. The weak development of production and orders in the manufacturing sector up to

October does not mean a good start for the fourth quarter of 2023. And if GDP is once again weak in the fourth quarter, this, in turn, has implications for the growth baseline leading into 2024. The New Year will then get off to a listless and lacklustre start, deprived of its usual growth dowry (statistical growth "overhang" from the previous year).

Almost all components contributed to the weakness shown by the expenditure side of German GDP during the third quarter of 2023.

Only the item "gross fixed capital formation in machinery and equipment" held up conspicuously well once again, which is surprising given the high level of interest rates. The topics of digitalisation and climate change are clearly continuing to provide a special boost to investment, while the "final consumption expenditure" component is under pressure and spearheading the overall contraction in macroeconomic activity.

**The inflation-induced loss of purchasing power and the sharp rise in interest rates over the past 18 months still need to be digested**

It is easy to identify the major specific economic stress factors that are continuing to put a brake on the overall economic development. They are clearly linked to the political and structural shocks referenced above:

*The rapid turnaround in interest rates amounts to a historic experiment*

Last year, we experienced rampant inflation and a brusque turnaround in interest rates to an unexpected extent and at an unexpected speed. Indeed, the truth is that we are guinea pigs in a historically unique experiment. The phase marked by low interest rates was unusually long and deep, and there had never before been anything resembling negative nominal interest rates. The exit from such an extreme interest-rate environment was all the more energetic - indeed, it had to be in view of the fact that inflation had jumped so violently out of its box.

It is also part of the truth that no one yet knows conclusively whether the monetary-policy measures that have been adopted are sufficient - or whether they may even have overshot the mark. Nor is it possible to judge which knock-on effects from the recent series of shocks still need to be dealt with. This uncertain situation within a whole constellation of turning-points for many key variables is the reason why the forecasts for the coming year are displaying such a wide range.[1]

*The broad scatter plot for forecasts reveals the high degree of uncertainty which is prevailing*

Most closely-watched forecasting institutions continue to assume that the cyclical recovery - which has already been projected on a number of occasions but repeatedly postponed - will indeed materialise in 2024. However, it is possible that the stagnation scenario will drag on, with the economy merely grinding along the zero line. That, for example, is the assumption of the Association of German Chambers of Industry and Commerce (DIHK), based on surveys of its member

[1] The Chief Economists of the Savings Banks Finance Group (DSGV) are expected to publish their new joint forecast for 2024 and 2025 on 30 January 2024.
An overview of so far available third-party forecasts for 2024 German GDP can be found in Appendix B of this publication.

companies. And there are also voices warning that a recession, triggered by the global monetary-policy braking manoeuvre, could still impact some advanced economies. In its latest forecast for 2024 German GDP growth in, it is true that the OECD remained positive (+0.6 percent), yet the Paris-based organisation has simultaneously accentuated that the risks to the outlook remain tilted emphatically to the downside.

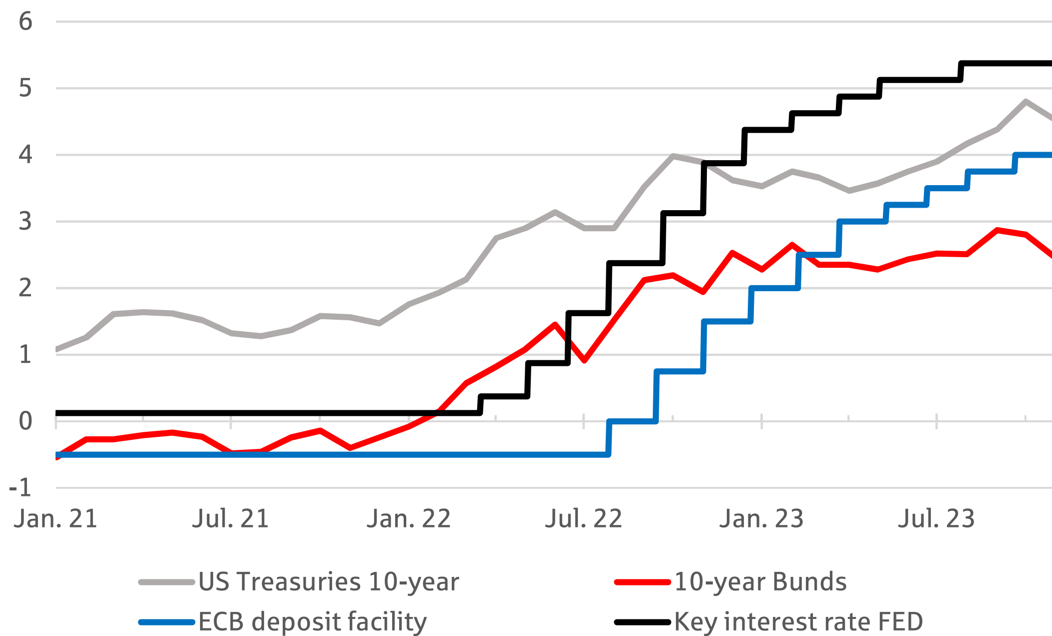
What is certain is that the double whammy of run-away inflation and the fierce run-up in interest rates will continue to have an impact after their customary time lags. These shocks are still far from having been definitively absorbed.

*Capital markets are still searching for the appropriate level for long-term yields*

Admittedly, nominal interest rates for the major currencies of the most prominent industrialised countries moved into a sideways trend in the summer of 2023 - somewhat earlier in the USA and somewhat later in the euro area. Yet bond markets are still searching, amid fluctuations, for the appropriate level for long-term yields - for an equilibrium yield that correctly replicates the duration and trajectory of the future key interest rate path.

In Germany, yields have recently retreated to some extent following the Federal Constitutional Court’s ruling striking down the government’s reallocation of unspent funds borrowed during the coronavirus pandemic to its off-budget Climate and Transformation Fund. This can be interpreted as a vote by the markets that the country's fiscal credibility and fiscal sustainability have been strengthened by more stringent rules. But this yield downdraft is a comparatively small “special movement” within the overriding interest-rate trend. And the question of how long interest rates will stay how high remains unsettled.

**Interest rates FED, ECB, Bunds and US Treasuries**




Source: Bundesbank, EZB, Fed / bond interest rate data monthly average

And even if interest rates do not continue to rise from their currently elevated levels, they still imply a decidedly restrictive stance from the point of view of real interest rates. The greater the success of policymakers in bringing down inflation rates, the higher the real interest rate will be in pure mathematical terms.

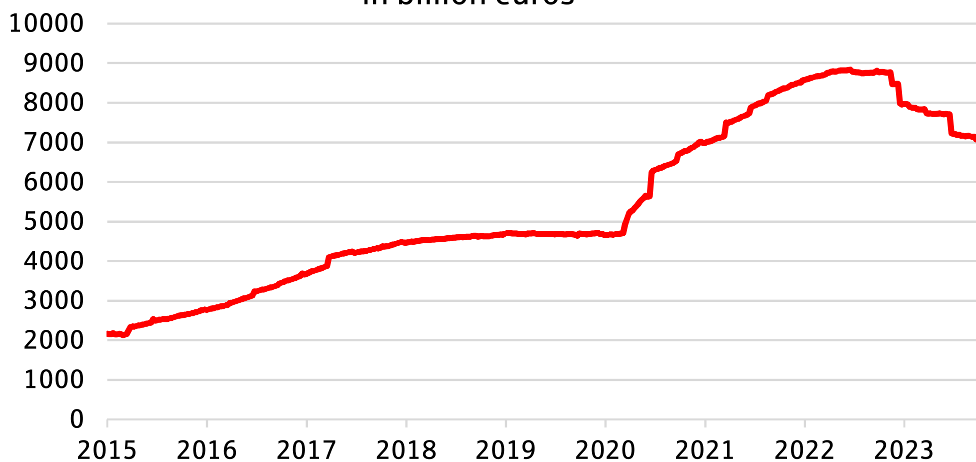
Looking forward, a methodologically sound real-interest-rate analysis should actually always be geared to the inflation expectations for the appropriate maturity horizon, not to the current inflation rate. And the good news here is that long-term inflation expectations have remained reasonably well-anchored in the major currency zones, even when current rates were peaking acutely in 2022 and 2023. Inflation expectations did not oscillate as sharply. Accordingly, the incipient rise in nominal interest rates was already noticeable in real, inflation-adjusted, terms in earlier phases of the present cycle.

*The "positive real interest rate" phenomenon has made a comeback*

Now, however, the rise in real interest rates is becoming even more manifest. Real yields have now returned to positive territory even at the short end of maturity curves, on the basis of current inflation rates and short-term money-market rates.

The following thesis can be formulated: the monetary-policy stance is continuing to become increasingly restrictive in the current phase. This is because we are witnessing disinflation in the form of declining rates of price increases against a background of - in the first instance - persistently elevated key interest rates.

On top of this, account needs to be taken of the restrictive "quantitative" component of monetary policy entailed by major central banks "running off" - i.e. reducing the size of - their balance sheets. This process of QT is already progressing at a faster pace in the USA and the UK; in the euro area, by contrast, the Eurosystem's bond-purchase programmes have only been wound down very slowly to date. Only one ECB programme (APP) is not replacing maturing securities, and there is no active selling from the portfolio. Under the Pandemic Emergency Purchase Programme (PEPP), on the other hand, maturing principal payments from securities purchased under the PEPP continue to be reinvested in full. Another factor affecting balance-sheet shrinkage in the euro area is the redemption of long-term




Source: EZB

tenders (TLTRO III): however, the largest tenders under this programme have already been repaid, with only a few smaller ones still outstanding for final settlement.

## Unmistakable successes have been scored in the fight against inflation

The fact that inflation rates have been coaxed down as far as they have is in itself, of course, a huge success. Getting inflation back into its box is an absolute prerequisite for a resurgence of economic momentum in the medium term, for a recovery of purchasing power, and for a return of stability, and of planning security in general. Falling inflation is the truly positive news coming in at the present juncture.

*The braking manoeuvre executed by central banks has restricted demand on goods markets*

On a short-term view, the monetary-policy braking manoeuvre necessary to accomplish this feat has inevitably come at a price: it has crimped demand on goods markets, as can be gauged, for example, from the decline in the number of orders received by industry in the above chart. This development is, however, in keeping with the intentions of policymakers. Bringing demand for goods back into line with the scope for production was, and remains, the aim of monetary tightening and of the hefty interest-rate hikes whose sharp pinch we have all been feeling. Here too, we are seeing convergence between

two trends that have diverged in recent years - the monetary-policy stance and potential output in the real economy. Unfortunately, the divergent trends are meeting up on the downside here as well.

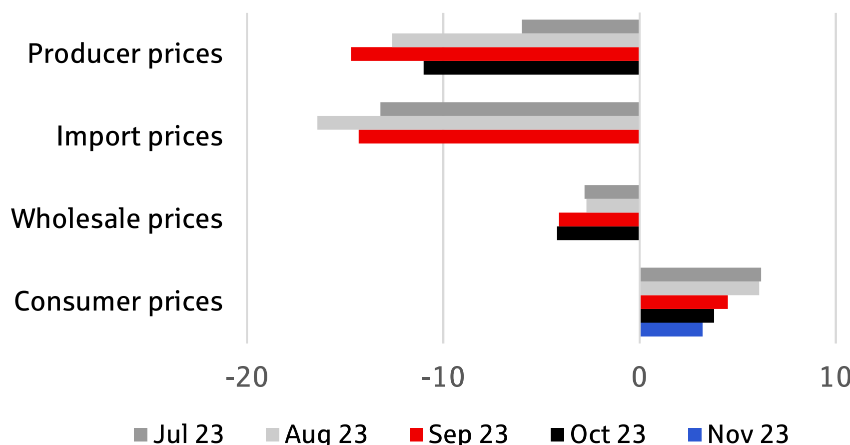
ll the same, there is no alternative to monetary-policy stabilisation. Tolerating higher rates of inflation for longer would only cause greater pain in the long term, and would ultimately make it necessary for the policy brakes to be slammed on even harder in the event of inflation expectations becoming unanchored. The latter have held reasonably steady in the major currency areas, despite the magnitude of inflation shocks which saw rates of change cantering in the double digits in 2022 and, at times, even galloping at rates above 40 percent in the case of import and producer prices.

*There is no longer any price pressure but rather price relief in the pipeline*

It is precisely these price indices tracking the upstream stages of the value-added chain that are currently experiencing the most relief. These indices are now benefiting from the base effect deriving from comparison with the particularly bloated price levels prevailing during the autumn of 2022. As a result, the annual rates of inflation reported in recent months for these indices have even moved into negative terrain in some cases. It should be noted that this is not yet proof that monetary policymakers have "overshot" and that there we are now suddenly standing on the brink of a deflation scenario. Index categories such as producer price inflation (PPI) are inherently more volatile, and this is all the more the case in the current extreme cycle.

**Prices in Germany at various levels of the value chain**

compared to the same month last year Percent




Source: Destatis

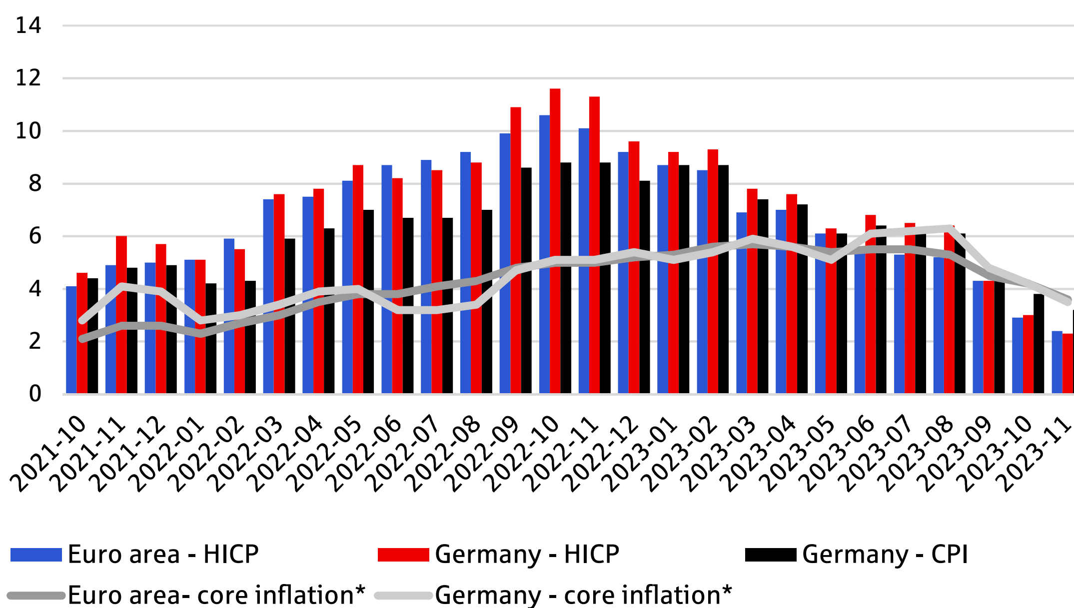
*Easing inflationary pressure further up the price chain is already being reflected in*

Twelve months ago, these "upstream" price categories were still indicating what strong upward pressure had built up in the price pipeline. Now, conversely, they are showing what waves of relief are building on the price-formation front. With certain reservations with respect to the trend in wages (which have only reacted after a time-lag, and where wage increases - some already decided-upon and some still in the process of being negotiated - are still in the offing for 2024), the

upstream level comprising primary products and intermediate inputs is now imparting a strong dampening stimulus to inflation.

It is true that core consumer-price-inflation rates (stripping out volatile energy and food components) are still somewhat more stickily high. However, core CPI is gradually receding too. The progress that has been made is already more evident in headline inflation across the entire basket of goods and services. The flash estimates for November, in particular, have once again indicated that headline inflation headwinds are easing. Measured on the basis of the EU-harmonised HICP metric, the annual rate of change fell most recently to 2.3 percent in Germany and to 2.4 percent in the wider euro area. According to the Consumer Price Index compiled on the basis of the Federal Statistical Office's national methodology, German inflation came in slightly higher at 3.2 percent in November. However, this latter reading likewise confirms that the underlying inflation trend is pointing unambiguously downwards.

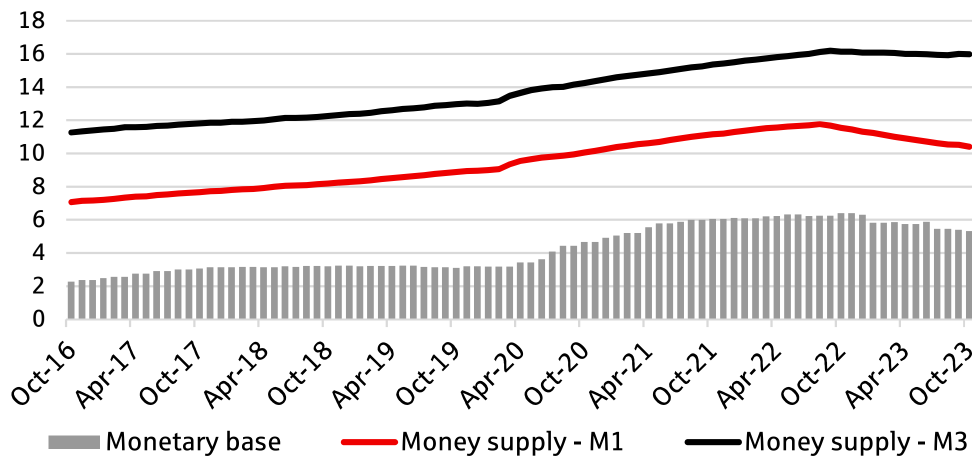
**Consumer prices Euro area and Germany**
in percent




Source: Eurostat, Destatis *without energy, food, alcohol and tobacco

*Inflation/disinflation are confirmed to be monetary phenomena*

Parallel to the trend in inflation and not entirely uncorrelated with it, the money-supply aggregates have also shifted into reverse gear. The narrower aggregate M1, which covers the "transaction balances" of households and companies (currency in circulation and overnight deposits), has been shrinking for some time. For some months now, the annual rate of the broader M3 aggregate (which includes "store of value" components like money-market-fund shares/units and debt securities with a maturity of up to two years) has also been exploring negative territory. This partially reflects the maturity transformation of short-term cash deposits into longer-term investments due to the sea change in interest rates.




Source: ECB

All the same, the principal driving force behind the monetary consolidation that has been initiated is weak lending activity. Care must be taken on this front to ensure that lending does not overshoot and become overly contractive - after all, investments and credit financing are still a prerequisite for many transformation projects. On the other hand, a certain slowdown in lending is also intended, as a means of curbing inflation, and can be construed as part of the normalisation of monetary conditions brought about by the interest-rate turnaround.

## Monetary policy now in wait-and-see mode regarding central-bank tightening/loosening cycles - quantitative tightening continues

*Normalisation of money-supply aggregates has only just begun*

The need to normalise the central-bank money supply and central-bank balance sheets is even greater than for the broad money supply (M1-M3 monetary aggregates) in the hands of households and companies. This holds true on an international scale for all central banks that engaged in quantitative easing during the low-interest-rate phase and thereby inflated their balance sheets. The Eurosystem has now also started to reduce ("run off") its balance sheet - albeit at a later date than the Federal Reserve and the Bank of England.

Further ECB balance-sheet shrinkage must be achieved by scaling back the bank's bond-purchase programmes. This has already been initiated for the overall asset purchase programme (APP). However, maturing principal payments from securities purchased under the Pandemic Emergency Purchase Programme (PEPP) are still being reinvested in full; what is more, the ECB's forward guidance on replacement purchases under the PEPP is that these will continue "until at least the end of 2024." If the ECB is serious about normalising its monetary policy using all instruments, Team Lagarde should, before too long, signal a corresponding adjustment to the PEPP as well.

*A pre-announcement is needed regarding the process of quantitative tightening on the PEPP*

The window of opportunity for this may be closing soon. After all, if inflation rates continue to fall as planned, central-bank inflation targets come within reach towards the end of 2024, and real interest

rates continue to rise automatically over the intervening period, monetary policymakers could - and indeed should - gradually ease the degree of restriction again. A landmark decision to run off the PEPP portfolio would then no longer fit in with the overall strategy. The run-off process would be a structural one, taking many years and thus enduring longer than the present cycle. But the future trend for this instrument needs to be set and implemented in good time.

In a very similar sense, a change to the minimum reserve ratio, of the kind still being debated controversially during the summer and autumn, would no longer fit into the inflation-policy and interest-rate-policy cycle. It is true that an increase in the mandatory reserves which commercial banks are obliged to set aside would mop up part of the excess liquidity sloshing about in the euro area banking system. However, that would be an incomplete substitute for genuine balance-sheet reduction on the part of central banks. As a monetary-policy instrument, an increase in minimum reserve requirements would definitely be a further restrictive measure, which would be unlikely to suit the (dis-)inflation landscape in 2024. It is therefore a good thing that ECB Vice President de Guindos has recently spoken out, clearly and unequivocally, against increases in the minimum reserve requirement.

## Extensive fiscal-policy paradigm shifts are required following the Germany's Constitutional Court judgement

*The 60 billion euro question.*

Germany's fiscal policy is likely to turn involuntarily restrictive following the Federal Constitutional Court's ruling prohibiting the reallocation of EUR 60 billion of unused pandemic-emergency funds to the Berlin government's off-budget Climate and Transformation Fund. In the first instance, an extensive budget freeze for spending commitments is in force. This is to be gradually eased again as partial solutions are found.

But that will be difficult. Germany's federal politicians are now desperately casting about for alternative solutions. In view of the enormous 60 billion euro hole blown in the budget by the constitutional court's verdict, not all of the measures planned so far are likely to be realised. After all, 60 billion euros corresponds to around 1.5 per cent of Germany's annual GDP, although not all of this spending would admittedly have been incurred within the space of a single calendar year. Prior to the constitutional court decision, the plan was that just over a quarter of the total amount would presumably only impact the budget in 2024.

*Solutions, new budgets and any rule reforms need to be devised with caution and care*

In the current political constellation, it is unlikely that majorities can be found in favour of more government revenue or more debt. Nor would these be good alternatives in terms of stability and growth policy. Sound public finances remain necessary in view of the demographic outlook, and a reasonable tax burden must be maintained in the international competition between business locations.

Part of the solution will involve attaining agreement at a pan-European level on an updated framework that ensures solid finances in EMU member states for the sake of safeguarding a stable euro.

The German debt-brake mechanism is already flexible, providing for exceptions (permitting the stipulated borrowing limits to be exceeded) in the event of emergencies. For 2023, the aftermath of last year's energy crisis and Russia's war of aggression against Ukraine can be cited as further justifications for a suspension. As to 2024, these emergencies could potentially be compounded by possible escalations of the war in the Middle East. At the same time, however, easing inflation and energy prices should also be taken into consideration.

When crafting any reform of the debt rules, care would need to be taken to ensure that, for example, exempted investments would only be allowed to be credit-financed if they were really, in the very strictest sense, destined to have a productive effect, taking pressure off the budget, in the future.

There can no doubt that the Federal Constitutional Court's judgement will initially result in the non-materialisation of government spending that would otherwise have had an immediate impact on aggregate demand. The business-cycle-related stimulus from the new legal and political situation is clearly negative, knocking an estimated half a percentage point off GDP growth in 2024. This negative impulse is likely to prolong the current bout of stagnation. Private-sector investment which would have been potentially stimulated by the now cancelled support measures will likewise fail to materialise. Perhaps the most significant negative effect, though, involves the undermining of planning certainty. As is well known, unclear framework conditions are a particularly poisonous brew for private-sector investment - another burdening factor at the moment on top of the swift and sharp run-up in interest rates.

Restoring planning certainty and ensuring the realisation and promotion of the most productive measures in a carefully-targeted manner must now be a political priority.

*There is an opportunity for the CO2 price to play a stronger, incentivising role*

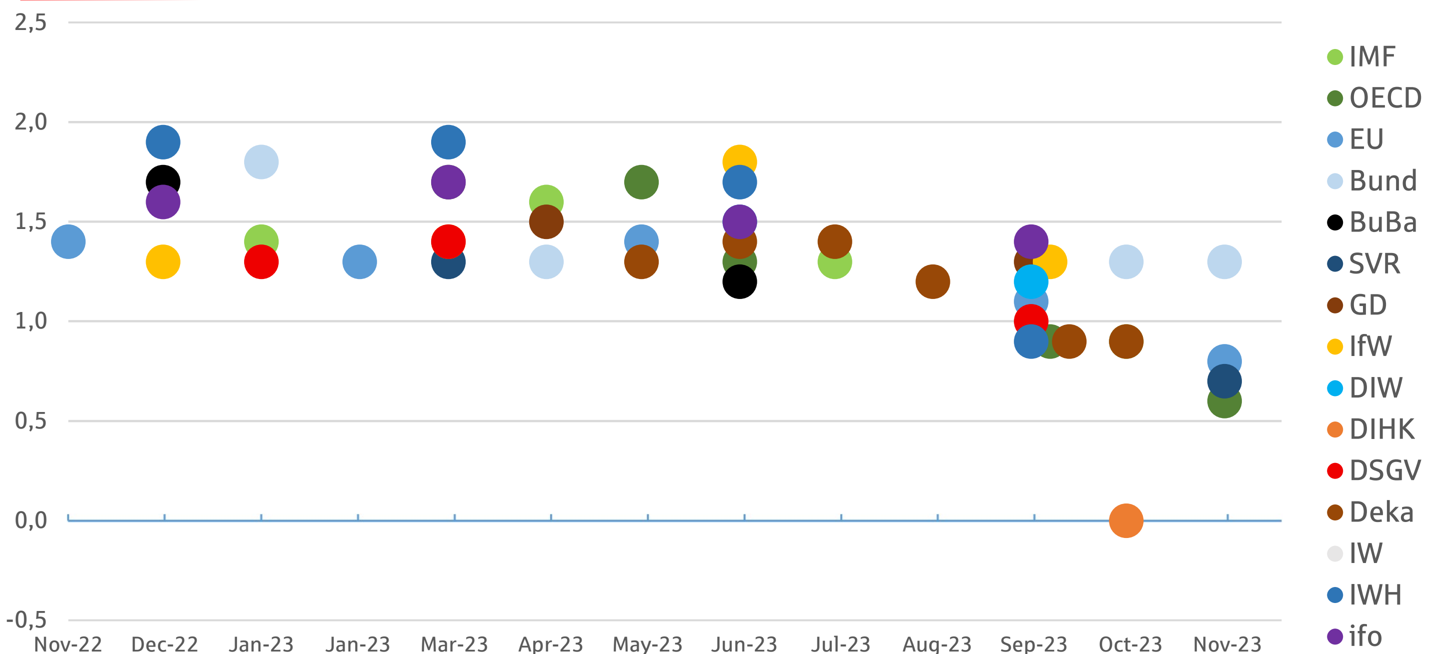
On the upside, a qualitative opportunity is being unlocked by the fact that, for better or worse, the carbon-price instrument is destined to gain an even higher profile in climate policy. A sufficiently high CO2 price that is standardised across all sectors is, in any case, an efficient free-market instrument *par excellence*. The CO2 price mechanism creates incentives for consumers and producers alike, and promotes the creative search for innovative ideas. All this without burdening public-sector budgets: a pragmatic political advantage which ought not to be underestimated at a time when the German economic airliner is gliding so close to the ground.

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

| | 2021 | 2022 | 2023* | 2024* |
|---|---|---|---|---|
| World trade volume | 10.9% | 5.1% | 0.9% | 3.5% |
| GDP - World | 6.3% | 3.5% | 3.0% | 2.9% |
| USA | 5.9% | 2.1% | 2.1% | 1.5% |
| Japan | 2.2% | 1.0% | 2.0% | 1.0% |
| China | 8.5% | 3.0% | 5.0% | 4.2% |
| Euro area | 5.6% | 3.3% | 0.7% | 1.2% |
| Germany | 3.2% | 1.8% | -0.5% | 0.9% |

* October 2023 forecasts by the International Monetary Fund

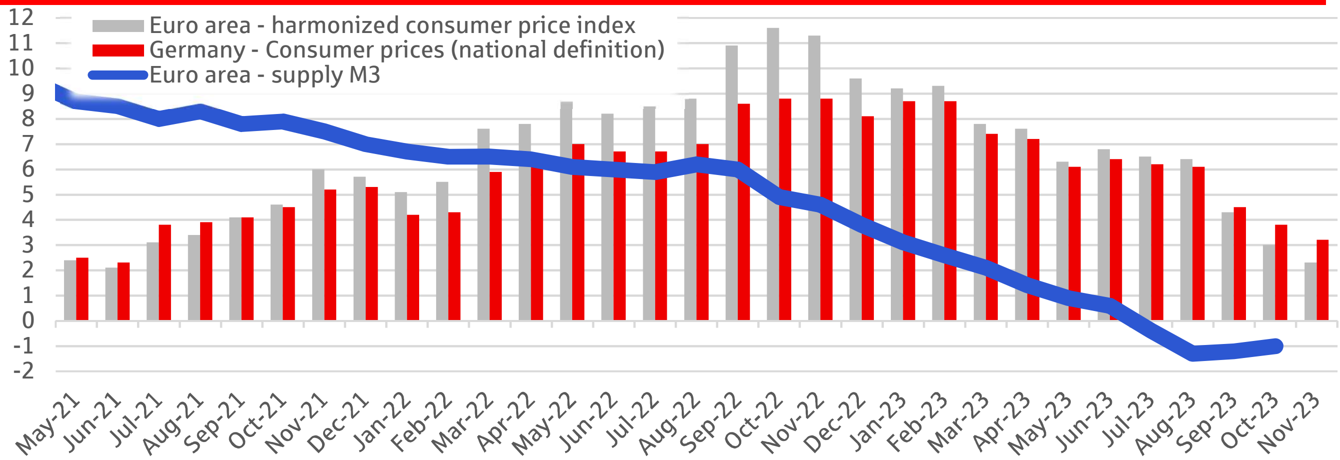
## B. Economic growth forecasts for Germany for 2024, in %




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

| | Jahr 2022 real growth vs. previous year | Q IV - 2022 | Q I - 2023 | Q II - 2023 | Q III - 2023 |
|---|---|---|---|---|---|
| | | Real growth versus same quarter of previous year quarter and seasonally-adjusted real growth compared with the previous quarter | | | |
| Euro area GDP | +3.4% | +1.8%<br>+0.0% | +1.2%<br>+0.0% | +0.5%<br>+0.2% | +0.1%<br>-0.1% |
| Germany GDP | +1.8% | +0.8%<br>-0.4% | -0.2%<br>+0.0% | +0.1%<br>+0.1% | -0.4%<br>-0.1% |
| Private consumption | +4.6% | +0.2%<br>-1.1% | -0.2%<br>-0.8% | -0.8%<br>+0.2% | -2.0%<br>-0.3% |
| Gross capital investments | +0.2% | -0.8%<br>-1.3% | +0.2%<br>+1.7% | +0.4%<br>-0.3% | -0.2%<br>+0.6% |
| Exports | +3.2% | -0.2%<br>-1.1% | +1.1%<br>-0.2% | -2.0%<br>-0.9% | -3.8%<br>-0.8% |
| | | Level, not rate of change; quarterly figures, seasonally adjusted | | | |
| Savings rate | 11.1% | 11.0% | 10.7% | 12.0% | 11.7% |

**D. Consumer prices and money supply M3**, annual rates of change in %




**E. Monthly economic indicators Germany**

| | July | August | September | October | November |
|---|---|---|---|---|---|
| **Prices (national definition)** | Change from the same month of the previous year | | | | |
| Consumer prices | 6.2% | 6.1% | 4.5% | 3.8% | 3.2% |
| – excluding food and energy (core inflation) | 5.5% | 5.5% | 4.6% | 4.3% | 3.8% |
| Producer prices for industrial products | -6.0% | -12.6% | -14.7% | -11.0% | % |
| Import prices | -13.2% | -16.4% | -14.3% | -13.0% | % |
| **Sentiment indicators** | | | | | |
| ifo Business Climate Index | 87.3 | 85.8 | 85.9 | 86.9 | 87.3 |
| ZEW Economic Sentiment Survey | -14.7 | -12.3 | -11.4 | -1.1 | 9.8 |
| **Incoming orders** | Change from the same month of the previous year | | | | |
| Manufacturing industry | -10.2% | -6.2% | -7.1% | -7.3% | - |
| from within Germany | -9.4% | -4.8% | -14.0% | +2.4% | - |
| from abroad | -10.6% | -7.2% | -2.2% | -7.6% | - |
| Capital-goods producers | -9.3% | -6.3% | -5.5% | -6.0% | - |
| **Production** | Working day-adjusted change compared to the same month of the previous year | | | | |
| Overall manufacturing industry | -1.8% | -1.9% | -3.7% | -3.5% | - |
| thereof: construction | 1.3% | -0.3% | -0.3% | -2.2% | - |
| thereof: industry | -1.1% | -0.8% | -3.3% | -3.4% | - |
| **Foreign trade** | Change compared to the same month of the previous year | | | | |
| Exports | -2.6% | -5.3% | -10.4% | - | - |
| Imports | -12.9% | -17.0% | -18.6% | - | - |
| **Labour market** | Unemployment rate / change in the jobless total compared to the same month of the previous year (1,000s) | | | | |
| Unemployment rate | 5.7% | 5.8% | 5.7% | 5.7% | 5.6% |
| Jobless total | +147 | +148 | +141 | +165 | +172 |
| Employed persons (with place of work in Germany) | +384 | +330 | +297 | - | - |
| Employees subject to social-security contributions | +239 | +218 | - | - | - |

## F. Commodity, foreign exchange and financial markets

| | August | September | October | November | 12th Dec. |
|---|---|---|---|---|---|
| **Brent oil price** in US $ | 86.15 | 93.72 | 90.60 | 82.64 | 78.16 (4th) |
| **Exchange rates** | | | | | |
| US-dollar / EUR | 1.0909 | 1.0684 | 1.0563 | 1.0808 | 1.0804 |
| Japanese yen / EUR | 157.96 | 157.80 | 158.04 | 161.84 | 156.84 |
| **Stock markets** | | | | | |
| DAX German benchmark share index, end-of-month | 15,947 | 15,387 | 14,810 | 15,966 | 16,809 |
| Change compared to the same month of the prev. year | 24.3% | 27.0% | 11.7% | 10.9% | - |
| **Money and capital market interest rates** | | | | | |
| Call money (€STR) | 3.642% | 3.747% | 3.901% | 3.902% | 3.902% (11th) |
| Current yield of German government bonds:<br>– with a residual maturity of one year | 3.34% | 3.58% | 3.47% | 3.26% | 3.19% |
| – with a residual maturity of ten years | 2.51% | 2.87% | 2.80% | 2.45% | 2.26% |
| **Interest rates of credit institutions, in new business** | | | | | |
| Daily deposits of private households in Germany; | 0.51% | 0.55% | 0.56% | - | - |
| for comparison across the euro area | 0.31% | 0.33% | 0.35% | - | - |
| Deposits from private households up to 1 year in DE; | 3.12% | 3.22% | 3.40% | - | - |
| for comparison across the euro area | 3.05% | 3.09% | 3.28% | - | - |
| Corporate loans of up to € 1 million over 5 years in DE; | 4.46% | 4.35% | 4.61% | - | - |
| for comparison across the euro area | 4.37% | 4.42% | 4.53% | - | - |

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**Note**
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