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A bumpy start, but hopes of more tailwind over the course of the year

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The Germany economy had to contend with a number of obstacles at the outset of 2024. Weather conditions, strikes and global conflicts put a drag on traffic and production alike. Final demand has also faltered of late. A "technical" recession is therefore likely to be recorded for Germany over the winter half-year 2023/2024, after all.

The trend from recent years (stagnation or mild recession) is thus being extrapolated. Structural bottlenecks such as labour shortages and anaemic productivity growth remain.

Yet there is also positive news from the economic front: inflation dynamics have reversed; the central banks' pivot to a tightening stance has had a salutary effect. Although inflation rates have not yet traversed that "last mile" down to their 2% target, they are on the right track. Germany is benefiting in particular from the marked retracement in energy (and other import) prices. Although these are not back to pre-war levels (there is still a level effect), the peaks are behind us.

A recovery in the purchasing power of household incomes should stimulate private consumption across the Federal Republic in 2024. This means there is at least a chance of economic activity ramping up over the course of 2024.

A bumpy start, but hopes of more tailwind over the course of the year

A backdrop of strikes, winter weather and closed global shipping routes

In 2024, the German economy has once again got off to a bumpy start. The transportation sector, in particular, was disrupted by several factors during January. There were strike-related outages, especially for local and long-distance rail services. And all modes of transport were buffeted by a number of days of difficult weather conditions. This is not, of course, atypical for this time of year in these parts; yet many transport users, and transport infrastructures too, do not seem to be really prepared for challenging winter weather (any longer). On the other hand, we have admittedly witnessed some truly exceptional meteorological conditions this year - storms, sudden cold spells and treacherous black ice. All this compounded by the blockades caused by farmers' protests.

Traffic and transportation have proved to be vulnerable factors

The train drivers' strike is most likely to have had a nationwide impact. Five to six days of extensive transportation downtime are definitely going to take a noticeable toll on gross value added in the quarterly accounts, especially if it is borne in mind that a quarter only comprises around 65 full working days. And in contrast to shorter, one-day to two-day transport interruptions, which can usually be bridged by using reserve capacities and through short-term postponements, a standstill of almost a week is bound to make itself disproportionately noticeable. Six days in a row is, moreover, worse than three times two. The length of the interruptions we are now experiencing is having an impact right through into industry's very production processes.

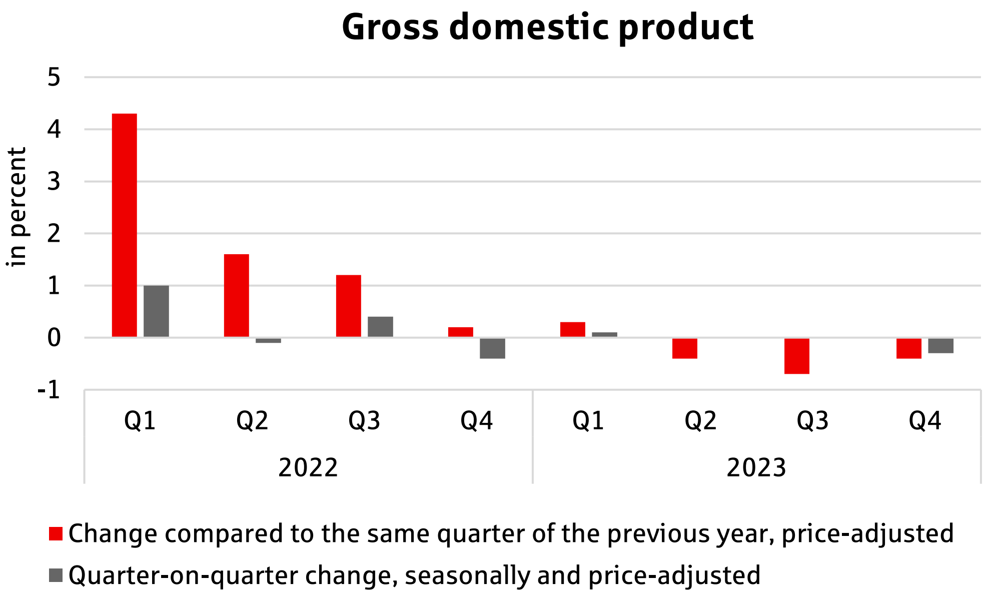
International supply chains are once again suffering strain

The havoc wrought on international shipping routes in the Red Sea can be expected to have a similar effect, albeit only after a longer time lag. It is true that the USA and, in the meantime, more and more other Western countries are deploying their navies in the region in order to safeguard commercial shipping. And the fact is that most ships transit the shipping lane safely and undisturbed. However, after a few incidents involving direct hits by Houthi militia fire, some shipping companies have rerouted their vessels for safety's sake. The alternative route from Asia to Europe around the Horn of Africa is known to be considerably longer. This is leading to supply-chain delays and higher energy consumption. To make matters worse, opting for a longer route for the same transport volume ties up more shipping capacity. Since this involves a tighter supply side, it is likely to be reflected in surging freight rates. Shipping which continues to use the Red Sea will also trigger higher expenses, in that case in the shape of a risk mark-up.

GDP is likely to contract once again in the first quarter of this year

The first quarter of 2024 has therefore begun weighed down by numerous burdens, building onerously on each other. The retail-sales print for January was likewise sobering, weighing in a full 0.4% lower than in the same month of the previous year. It is not unlikely that the first quarter in Germany will witness another contraction in GDP. That would extrapolate the already weak growth trajectory in Germany over 2023 as a whole, and in the final quarter in particular.

A flat trend over the course of 2023 - with a hanging end



Source: Destatis

It is now two whole years ago since Germany racked up any significant macroeconomic growth - we have to go as far back as to the opening quarter of 2022. And even that little spurt in growth was merely one of the up-and-down movements characteristic of the late phase of the coronavirus pandemic, lurching about between lockdowns and re-openings. At the level of year-on-year comparisons, the incremental growth engendered by this final little spurt subsequently petered out progressively.

Are macroeconomic growth rates barely above the zero line the new German reality?

From the beginning of 2022 right through to the time of writing, quarter-on-quarter German GDP growth rates have only moved about in the very most minimal manner. Rates of change have hovered obstinately around the zero line. In the two years of 2022 and 2023, three slight increases in aggregate economic output were reported on a quarter-on-quarter basis, along with three marginal decreases and two straight zeros.

GDP readings in the vicinity of zero could well occur more frequently in the coming years, and may even prove to be the “new normal” for countries like Germany. The German Council of Economic Experts (Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung) believes that the Federal Republic can only achieve a potential growth rate of 0.4% per year in the coming years - a verdict which has been an eye-opener for many. This is, in particular, a function of the country's demographic situation. This sobering thesis is certainly going to hold true at least if it does not prove possible to significantly ramp up capital investment, labour-participation rates and technological progress.

All production factors need to be mobilised

Economic policymakers accordingly need to focus their endeavours on these macroeconomic determinants - in addition to tackling the climate transition and organising the investment urgently needed on defence capabilities. The coalition government’s *Growth Opportunities Act* does at least embody some helpful minor approaches on this score.

Unfortunately, given the complex current political constellation in Berlin, it is impossible to cobble together a broader-based consensus in favour of a bolder and more substantive step forward, such as a major tax reform. But at least the minor steps which are possible should be taken.

If no major progress is made in terms of raising Germany's potential growth rate in the foreseeable future (this is, unfortunately, the only realistic scenario), we will have to brace ourselves for negative quarterly GDP growth rates more frequently, assuming that annual rates of change creep in at the level predicted by the German Council of Economic Experts.

Other countries have accomplished more dynamic post-coronavirus recoveries

Yet it has to be added that the macroeconomic growth trend in the Federal Republic over the past two years has been disappointing, even factoring in this "new normal" paradigm. This is because a somewhat more dynamic trajectory could have been hoped for in the post-coronavirus era. In contrast to other European countries, Germany has failed to fortify the recovery processes.

A "technical recession" has not been declared as yet, but such a declaration has probably only been postponed

Germany has been structurally vulnerable to the recent series of shocks

Admittedly, Germany's sub-optimal growth performance can certainly be plausibly explained in terms of the series of shocks which the country has suffered. It was not only misguided landmark decisions that were responsible, but in part also simply structural bad luck. Germany has been particularly exposed to the energy-price shock triggered by the Russian war of aggression due to its sizeable and, in some segments, very energy-intensive industrial sector. What is more, the rapid run-up in eurozone interest rates that was imperative in order to get runaway inflation back in its box has had a disproportionate indirect impact on the country. As a "supplier to the world" with an export focus on mechanical engineering and vehicle construction, Germany is naturally particularly affected when investment ventures are suddenly no longer profitable worldwide as a result of a surge in interest rates, leading to projects being cancelled. As a country, we have benefited greatly from such an export portfolio for many years, but in the current situation its specific skew has increased our vulnerability.

But let us get back a moment to the quarter-on-quarter outturns for German GDP dangling close to the zero-percent abyss. A peculiarity has cropped up due to a revision of the reading for the third quarter of 2023. The Federal Statistical Office (Destatis) had initially put the quarter-on-quarter rate of change at -0.1 percent. Such preliminary official figures are always "flash" estimates based on incomplete data, even though they do still provide the best possible orientation at a given point in time. They are therefore meaningful, even though susceptible to revision. On the basis of further incoming numbers, the statisticians at Destatis already indicated at their January press conference on Germany's annual 2023 gross domestic product that GDP growth over the third quarter of last year had probably clawed its way up the zero line, after all. And this intuition has been confirmed by the latest official data points.

The minor Q3 2023 GDP growth revision by Destatis has certain formal consequences

In strict material terms, the difference of a mere tenth of a percentage point between -0.1% and 0.0% naturally makes no difference at all; it is no more than a slight case of measurement fuzziness. The disparity is, however, significant in terms of psychology and communicative assessment because two consecutive quarters of negative GDP growth fit the frequently-used definition of a "technical recession". This condition would have been fulfilled if a negative third quarter came on top of the, in any case, clearly negative fourth quarter. Thanks to Destatis' mini-revision of the Q3 growth rate, we have now been spared, for the time being, from slipping into technically negative territory. On the other hand, the declaration of such a recession has probably only been postponed. This is because, as described above, expectations for the first quarter of 2024 are not exactly rosy. It is therefore very likely that the statistical powers-that-be will still lower their thumbs for the winter half-year 2023/2024 and proclaim a recession.

A shortfall in final demand has also been part of the cyclical situation of late

The inescapable fact is that the term "recession" is more appropriate for the current situation in cyclical terms than for the first phase of weakness which we encountered in 2022. At that time, it was primarily supply-side and structural factors that were holding back the economic development. Of late, however, this predicament has been compounded by a dearth of demand. This demand shortfall has made itself manifest in construction, private consumption and, most recently, at the level of incoming orders booked by the manufacturing sector. To a certain extent, such a choking-off of demand has, in fact, been quite intentional, as it was, and is, a prerequisite for easing the situation on the inflation front.

A robust labour market with an ambivalent effect on productivity

One market where the situation still does not subjectively feel in the least like a recession is the national labour market. It is true that unemployment rates have drifted up a little in recent months. However, the uptick in question is undramatic, and the extent is decidedly moderate considering such a long period of output stagnation. Meanwhile, a different job-market metric, the number of people in gainful employment, has continued to rise right up to the moment that we went to press. And this is set to remain the case, with the ongoing shortage of (skilled) workers the dominant structural factor on the labour market.

Stable employment is, on the upside, a safeguard against a self-reinforcing downward spiral...

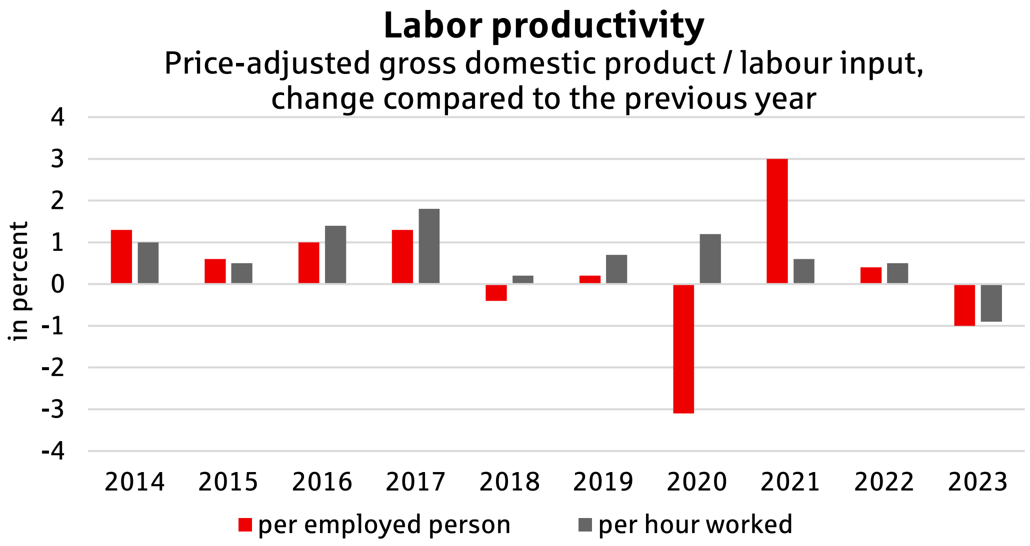
An ambivalent view has to be taken of the fact that the German labour market is proving so robust even during periods of economic stagnation or shallow recessions. On the one hand, it is of course to be welcomed if employment remains secure, stabilising mass incomes as a consequence. In this way, downward, self-reinforcing recessionary spirals are avoided. On the other hand, however, stable employment has negative implications for productivity.

...but at the price of declining productivity

If the numerator of a given metric (production or value added) is stagnating or even declining, with the denominator (employment) remaining constant, the ineluctable outcome, in straight statistical terms, is dwindling productivity. And such a drop in productivity has corresponding consequences for prosperity as well as for the scope for redistribution in wage negotiations. Productivity should, in the normal nature of things, show a "secular" increase over time in line with technological progress.

The sluggish productivity trend in the Federal Republic is another reason that Germany's potential growth rate is on such a decidedly flat trajectory, as mentioned above.

If companies "hoard" their staff members even during periods of cyclical weakness in view of the shortage of skilled workers and the demographic outlook, the workforce will logically no longer migrate to the most productive jobs and use scenarios. This will, in turn, reduce overall economic efficiency, inhibit structural change and mire the country even deeper in a slough of stagnation.



Source: Destatis

Volume trends and productivity in terms of actual hours worked look somewhat different than in terms of the total number of people in employment. This is because the hours-worked parameter has been declining for some time. To some extent, companies are adapting to the economic situation by reducing the intensity of employment, for example by cutting back on overtime. However, the main factor behind the decline in the average number of hours worked is likely to be a function of the available supply of labour: a high and rising workforce-participation rate is only possible if growth partly involves use of flexible part-time models. In very general terms, the recalibration of the average-working-hours constellation is also likely to reflect a change in the work/leisure preference structure of today's workforce.

Recalibration of the world of work adds up to a secular trend

When looked at in the light of the lower volume of labour in terms of hours worked, the supposed German "labour-market miracle" of recent years no longer shines in quite as bright a light as it does in terms of the quantitative headcount alone. On the other hand, the productivity trend in Germany does not look as dramatically bad when measured in terms of the number of hours worked as it does in terms of the quantitative headcount.

Private consumption is the decisive component in the present cycle

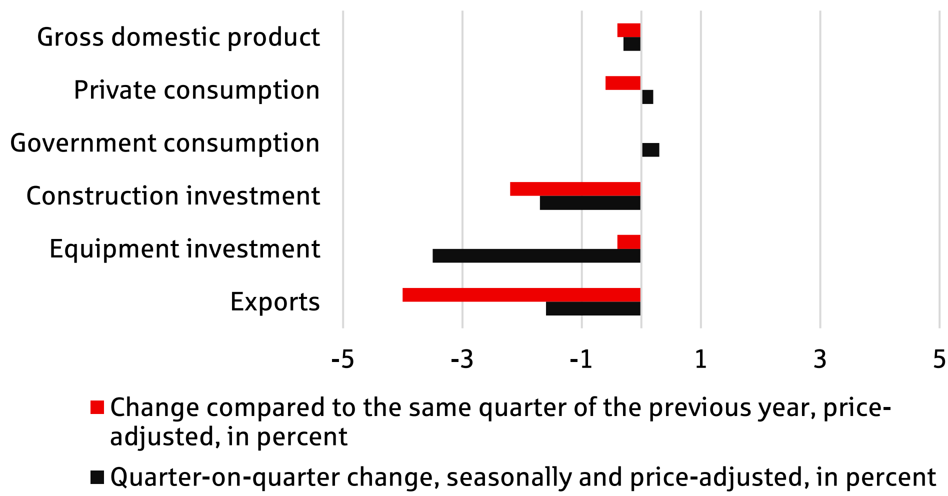
Private consumption was still being squeezed by inflation and uncertainty during 2023

The detailed breakdown of the German gross domestic product for the fourth quarter of 2023 is now available, enabling us to better assess cyclical trends. Over 2023 as a whole, private consumption was the expenditure-side component primarily responsible for the overall contraction in GDP. This can quickly be explained by the eroding purchasing power of incomes due to inflation, which was still at stickily high levels last year.

In addition, consumers are continuing to hold off on major “big ticket” purchases in a situation that is perceived as being uncertain, on the global political stage as in the domestic economic-policy arena. In the final quarter of 2023, private-consumption expenditure was still down on the same quarter of the previous year. However, this was no longer the case with regard to the current quarter-on-quarter rate of change, and a trend reversal would appear to be in the offing.

In the case of final government consumption expenditure, the one-time particularities of pandemic spending (masks, vaccines, increased healthcare costs, support payments, etc.) have now largely dropped out of the various time series. This expenditure-side item was already constant again in year-on-year terms. And it managed to turn positive on a quarter-on-quarter basis, as did the rate for household final consumption expenditure.

Utilization components of GDP in the fourth quarter of 2023



Source: Destatis

In the final quarter of 2023, gross fixed capital investment and net exports were the main culprits behind the overall contraction in aggregate economic output. Foreign trade and construction investment were indeed languishing in negative territory throughout the year. And even if interest rates have no longer been rising for six months now, the full force of the rate run-up suffered by a sector characterised by long-term planning such as construction is only now being fully felt. On the upside, the crash in this sphere does not appear to be accelerating any further.

In contrast, the momentum in the domain of plant and equipment investment is looking less encouraging. Here, the lagged effect of the interest-rate hikes only hit home hard in the final quarter of last year. Equipment investment still performed strikingly well over the course of 2023 as a whole, with the special investment climate in the areas of climate change and digitalisation sustaining a higher level of activity for a long time, in the teeth of interest-rate costs. Over the whole of 2023, investment in plant and equipment was actually the only expenditure-side component which kept itself aloft in positive territory. Yet a clear weakness emerged in the fourth quarter. If a minor recession does indeed rear its head in the winter half-year 2023/2024, plant and equipment investment will presumably play its classic cyclical role as an accelerator amplifying the cyclical swings.

Plant and equipment investment managed to defy the upward march in interest rates for a long time

The economic-policy uncertainty that has arisen following last November's ruling from the Federal Constitutional Court (FCC) that the reallocation of EUR 60 billion of unused pandemic emergency funding to a climate fund was inadmissible is also likely to have contributed to this - in terms of both public-sector and private-sector investment. Some projects have now been shelved, and some subsidies have been rescinded. Standard forecasts, including the Joint Forecast by the Chief Economists of the Savings Banks Finance Group presented this January, assume that this effect wrought by fiscal policy will curb 2024 growth potential by around 0.3 percentage points.

The fiscal-policy realignment made necessary by the FCC's verdict will probably knock around 0.3 percentage points off 2024 GDP

Price and volume ratios on the foreign trade side have largely normalised

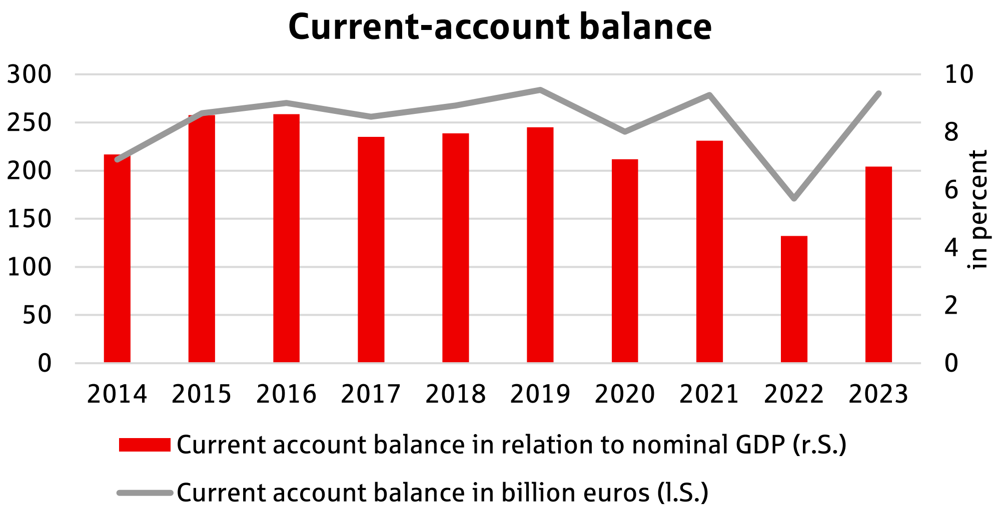
According to estimates by the International Monetary Fund, global trade more or less stagnated in 2023. This phase of weakness was duly reflected in the exports and imports component of German GDP. During 2024, Germany's foreign trade should gradually regain its footing after the shocks sustained in recent years, although the lie of the land is still being obstructed by specific difficulties, such as those being encountered by China, one of the Federal Republic's key trading partners.

However, the turnaround in foreign-trade prices ought to prove even more dramatic than in volume terms. Here, a sea change - for the better, from a German perspective - has already taken place. The very sharp spikes in energy quotations, but also in other German import prices, during 2022 have now largely corrected. Although a not insignificant level effect is still visible in the statistics, the truly drastic price peaks have now been overcome.

Germany suffered a full-blown terms-of-trade shock during 2022. At the time, this ensured that the loss of prosperity and the narrowing of the scope for redistribution in wage negotiations were incomparably greater than reflected by the linear GDP methodology, which only records production volumes. What was available for domestic consumption after the 2022 deterioration in the exchange-of-goods scenario - i.e. after exports had been shipped and imports received - was considerably curtailed. Although we are not quite back up to the level prevailing prior to the war over Ukraine, the all-clear can now largely be given at this point.

The 2022 terms-of-trade shock has already, for the most part, corrected

The recent improvement, from a German point of view, in the foreign-trade-prices constellation is also mirrored in the nominal balance of payments. Above all the significantly cheaper "import bill" shows up clearly here. As a result, the nominal current-account balance already reverted to its customary pattern - involving handsome surpluses - in 2023, regardless of whether you look at the balance in absolute terms, expressed in billions of euros, or at its ratio to nominal GDP.



Source: Deutsche Bundesbank, Destatis

The chart above makes it patently clear that the impact of the terms-of-trade shock on the current-account balance was far more severe after the outbreak of the Ukraine war in 2022 than were the shocks which struck during the initial phase of the coronavirus pandemic in 2020. It has been exactly the opposite for GDP.

In the case of the current-account balance, the recovery in 2023, aided by the tailwind of the normalisation in import prices, was far faster and easier than the restart of the overall GDP growth engine, which is still sputtering today.

The recovery in the terms of trade is good news for the prosperity available in Germany. But the return of current-account surpluses to their old record levels is a little bit toxic. The interpretation of this development is as ambivalent as in the case of Germany's current labour-market robustness (cf. above).

The current-account surplus reflects high capital outflows

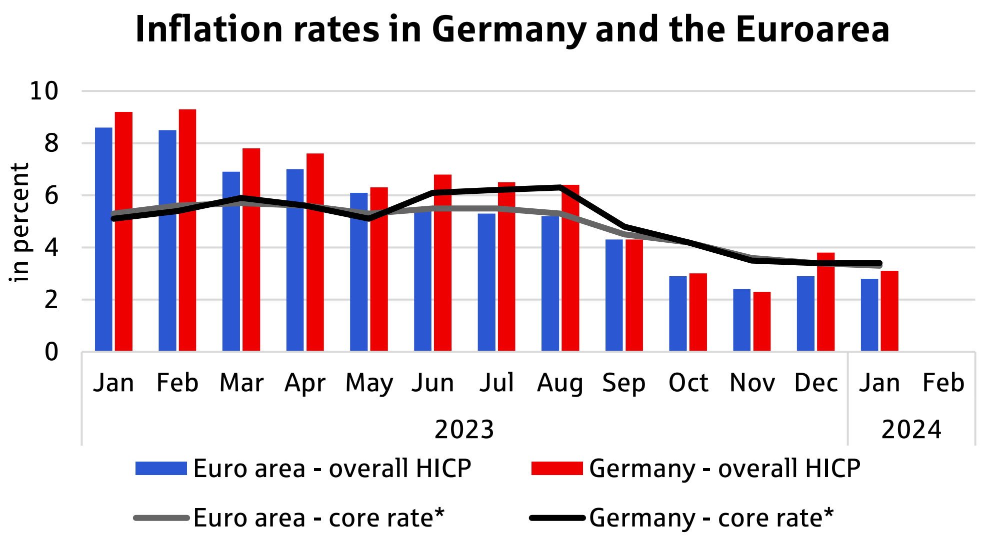
The potential downside is that Germany's once again very substantial current-account surpluses could lead to tensions in global trade, or could even trigger crises in the corresponding deficit countries if the latter were to fritter their inflows away on consumption instead of investing them in a sustainable manner. We have, after all, seen such behaviour during previous crises. Such high surpluses could also prove to be a vulnerability for Germany in the event of a new round of protectionism on the international political stage. In the final analysis, though, a current-account surplus on the balance of payments is a methodological reflection of capital outflows. The fact is that Germany happens to export more capital than it receives from abroad. The balance is particularly devastating in the "direct investment" sub-category of the capital account: in recent years, the ratio here has been around three to one, i.e. for every euro invested directly in Germany from abroad, three euros flow from German companies into foreign projects. This does not bode well for Germany as a production and investment location.

Progress has been made in the fight against inflation

Another piece of good news for developments in Germany, in addition to the normalisation of the terms of trade (and definitely related to this from a conceptual viewpoint), is the across-the-board easing in the inflation situation. Waning inflationary pressure can be seen not only at the level of import prices, but also in domestic value added. This is very evident from producer prices and wholesale prices. However, the retreat being beaten by inflation has now also worked its way through to the level of consumer prices.

Import prices, producer prices, wholesale prices...

...are all down significantly



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

Even since the summer of last year, consumer-price-inflation rates have been falling in year-on-year terms. True, this is partly due to base effects, but only partly. Some prices have even fallen in absolute terms, while many others have at least seen a drop-off in current momentum. December and January once again witnessed special effects, in the first case in the form of heating-cost subsidies (a base effect from the previous year), in the second case due to various tax changes (involving VAT and the CO2 price) which kicked in at the beginning of 2024. However, the preliminary flash estimates now available for February HICP rates confirm that consumer-price inflation has levelled off at a lower plateau of around 2.5 percent. The rates for the eurozone and Germany are, moreover, running at very similar levels. In the meantime, though, headline rates are lower than core rates (stripping out volatile food and energy components), which are still ranging between 3.0 and 3.5 percent, depending on the definition used. This shows that it is no longer special effects that are shaping the inflation trend, but rather a very broad-based development in large parts of the basket of goods and services.

However, this also means that the last few metres of the disinflation track leading down towards the ECB's two-percent finishing-post are getting rockier.

In this context, it is worth pointing to two sub-indices of the price index where difficulties could still arise:

Services prices are still critical /heavily wage-dependent

- At the current juncture, services prices are still rising at an annual rate of around three and a half percent. Not only are services a fairly large sub-index (accounting for around half of the overall basket). They also reflect the role of wages due to the high proportion of labour in factor input. It remains to be seen whether this year's wage agreements catch up enough to compensate workers for inflation-induced losses but at the same time remain sufficiently moderate to avoid self-reinforcing downward spirals.

Food prices have stabilised significantly of late

- Food prices - the second major component, alongside energy, which is stripped out of headline inflation when computing the core rate - have, until recently, been rising at rates of over 5%. For understandable reasons, food prices also play a special psychological role when it comes to how inflation is perceived: this is because these are the prices that most consumers encounter the most regularly. In order for consumers to really believe and feel that inflation has calmed down, it would certainly be helpful and expedient if the inflation trend chose to reassure them in this area. It should also be borne in mind that disproportionate increases in food prices have a regressive distributional effect at the expense of those on low incomes, who spend a higher proportion of their income on food purchases. In this respect, the flash estimate presented by the Federal Statistical Office on 29th February is a real ray of hope in that food prices look to have hardly risen at all in February compared to the same month of 2023 (+0.9%, after +3.8% in January, and down from a whopping +21.8% in February 2023). At the eurozone level, meanwhile, the corresponding trend for processed foods is not yet looking quite as favourable.

The upcoming issue of "Statement by the DSGV's Chief Economists" is on inflation/monetary policy

The next "*Standpunkt*" *by the DSGV's Chief Economists*, the sister publication series to the German Savings Banks Association's quarterly *Economic Update*, will likewise be dealing with these, and other, special features of current price trends - this issue of "*Standpunkt*" is scheduled to appear in early April at the latest, and will also be mapping out the path for monetary policy moving forward.

If new data points confirm that inflation is continuing on its "last mile" downward path, the first key rate cuts from the eurozone's monetary policymakers in the new cycle should be possible, and necessary, over the course of 2024. Judging by market rates, the capital markets certainly seem to be convinced of this.

Corresponding key-rate reductions have been priced into money-market and capital-market rates for some time now. At the turn of the year 2023/2024, such rate-cut expectations even got way beyond themselves: at that point, the yield on outstanding German government bonds with a ten-year residual maturity had tumbled to around two percent. Since then, the trend has corrected again to some extent. Key rate cuts in the eurozone will probably not come through quite as quickly and sharply as the markets were assuming at the start of the year.

However, even with ten-year Bund yields hovering at a little over 2.3% at the present juncture, key-rate cuts are still baked in for the second half of 2024.

Hopes of a growth acceleration over the course of the year

A global pickup and recovering purchasing power of nominal incomes should spur macro growth

Such expectations of the drastic policy pivot to tightening being gradually dialled back are feeding hopes of an economic upturn over the course of the year. The second factor in this growth-revival equation is the increase in consumer purchasing power due to the ongoing decline in inflation rates against a background of climbing nominal incomes. The third factor, finally, is a projected upturn in the global economy, which should also stimulate German goods exports.

Resting on these three pillars, most current forecasts for German real GDP growth in 2024 as a whole are marginally positive. Two illustrations of this are the aforementioned Joint Forecast by the Chief Economists of the Savings Banks Finance Group (+0.3%) and the German government's recently published Annual Economic Report 2024 ("Net GDP is expected to rise by 0.2 percent in real terms"). Deutsche Bundesbank has signalled that its forecast published in December 2023 (a calendar-adjusted real GDP growth rate of +0.4%) would now more likely need to be turned into a flat zero.[1] However, these forecast disparities are from the realm of Heisenberg's uncertainty principle and make no material difference since they ultimately replicate similar growth scenarios.

Even a 2024 whole-year GDP rate of barely above zero...

At first glance, a GDP outturn of just above zero looks very modest. That would only just about see Germany's annual real GDP making up this year for what was lost in 2023. So is a further sojourn in the slough of stagnation being forecast?

...implies a significant upturn over the course of the year

On closer inspection, the answer has to be an emphatic "No!" For the forecasts referred to are based on the assumption that there is going to be a significant cyclical upturn over the course of the current year. The point is that 2024 started inauspiciously with a statistical shortfall (negative growth dowry) of around -0.2%. And aggregate economic output is probably fated to contract again in the first quarter. Converting such negative momentum into a positive performance over the year as a whole will require decidedly dynamic growth rates in straight statistical terms over the rest of the year from spring onwards.

Conversely, there have also been far more pessimistic forecasts that actually evoke a negative GDP scenario for the year as a whole. These come from institutions tracking the trend in the real economy as well as from the Association of German Chambers of Industry and Commerce (DIHK), for example. The forecasts in question are often based on surveys of member companies. And the mood there is still very much down in the dumps.

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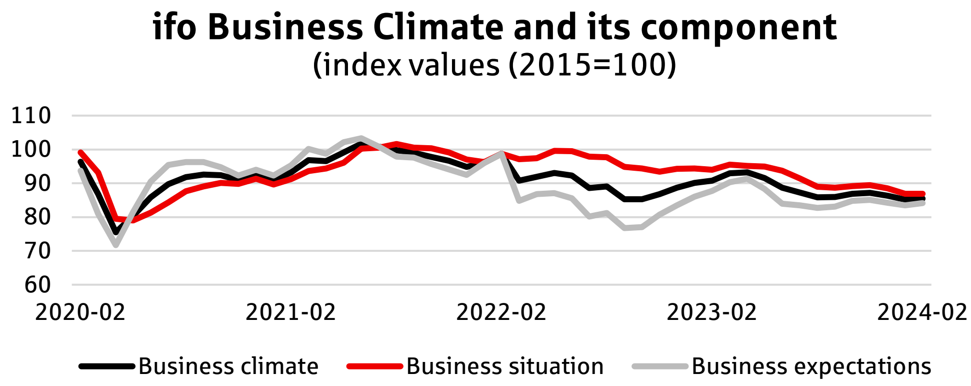
[1] For an overview of various current projections for GDP, please refer to Part B of the Appendix to this publication.



Source: ifo Institute

Sentiment is very poor, but has not deteriorated any further of late

The ifo Business Climate Index is, without question, at a historically low ebb - a level which it only undershot during the first coronavirus lockdown. However, the February 2024 reading has halted the steady deterioration observed over the previous few months: Although the sub-index capturing the current business situation of the companies surveyed is still stagnating, the expectations component of the overall Business Climate gauge has ticked up again slightly for the first time.

This means that there is still a chance that the significantly more optimistic expectations of financial-market players will be fulfilled and that Germany's full-year 2024 GDP print will be a marginally positive one, after all.

At the end of the day, though, everything remains under the sway of the major geopolitical risks

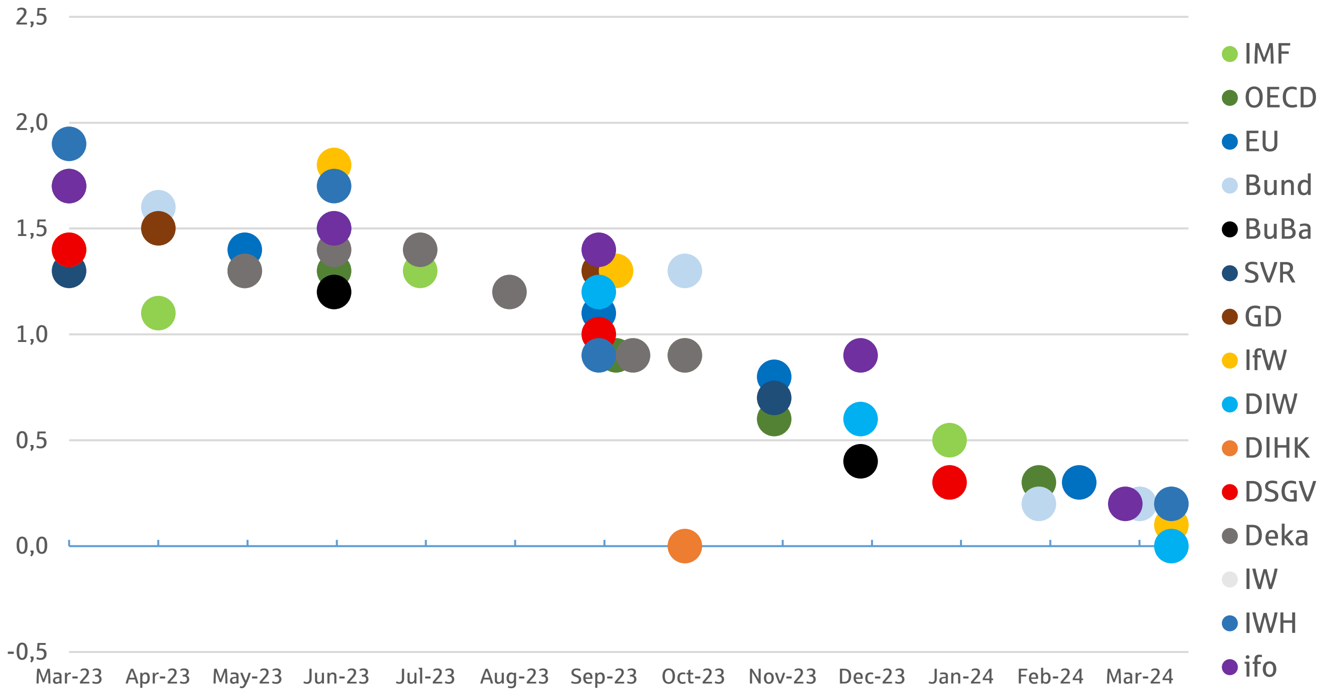
This hoped-for acceleration in macroeconomic growth over the course of 2024 can, of course, only materialise as long as there are no new major upheavals. The risks stemming from geostrategic and military conflicts as well as from tectonic shifts in the political arena are truly omnipresent. Fresh escalations are easily conceivable on these fronts. And on the economic front too, it is not yet clear in all quarters how completely and successfully the inflation-related and rate-hike-related shocks of recent years have been absorbed.

A. Growth in the world's economic regions, change on the previous year

	2022	2023	2024*	2025*
World trade volume	5.2%	0.4%	3.3%	3.6%
GDP - World	3.5%	3.1%	3.1%	3.2%
USA	2.1%	2.5%	2.1%	1.7%
Japan	1.0%	1.9%	0.9%	0.8%
China	3.0%	5.2%	4.6%	4.1%
Eurozone	3.3%	0.5%	0.9%	0.8%
Germany	1.8%	-0.3%	0.5%	1.6%

* Forecasts by the International Monetary Fund from January 2024

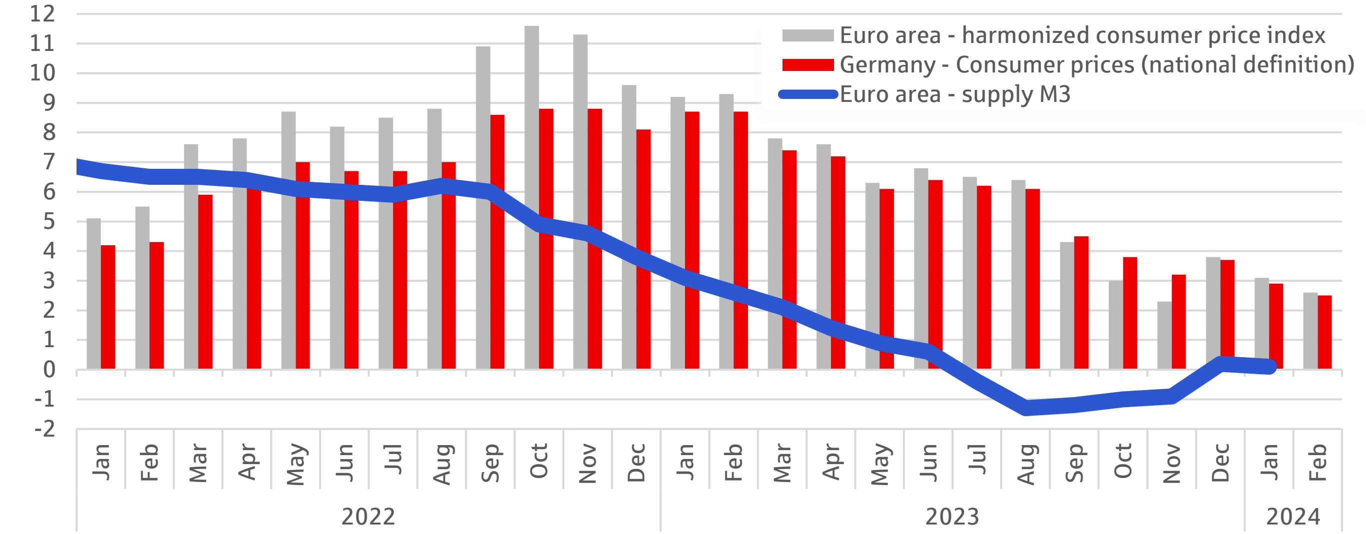
B. Forecasts for economic growth in Germany for 2024, in %



C. GDP - Germany and the wider eurozone

	Full-year 2023 real growth vs. previous year	QI 2023	QII 2023	QIII 2023	QIV 2023
		Real growth versus the same quarter of the previous year, and seasonally-adjusted real growth compared with the previous quarter			
Euro area GDP	-%	+1.3% +0.1%	+0.6% +0.1%	+0.0% -0.1%	+0.1% +0.0%
Germany GDP	-0.3%	-0.1% +0.1%	+0.1% +0.0%	-0.3% +0.0%	-0.2% -0.3%
Private consumption	-0.8%	+0.0% -0.6%	-0.6% +0.2%	-1.6% +0.0%	-0.6% -0.2%
Gross fixed capital investment	-0.3%	-0.2% +1.0%	+0.1% -0.0%	-0.7% +0.1%	-1.7% -1.9%
Net exports	-1.8%	+1.2% -0.2%	-2.0% -0.9%	-3.7% -0.7%	-4.0% -1.6%
		Level, not rate of change; quarterly figures, seasonally adjusted			
Savings rate	11.4%	10.8%	11.8%	11.4%	11.4%

D. Consumer prices and money supply aggregate M3; annual rates of change in %



E. Monthly economic indicators for Germany

	October	November	December	January	February
Price (national definition)	Change from the same month of the previous year				
Consumer prices	3.8%	3.2%	3.7%	2.9%	2.5%
- excluding food and energy (core inflation)	4.3%	3.8%	3.5%	3.4%	3.5%
Producer prices of industrial products	-7.3%	-5.0%	-5.1%	-4.4%	-
Import prices	-13.0%	-9.0%	-8.5%	-	-
Sentiment indicators					
ifo Business Climate Index	86.9	87.2	86.3	85.2	85.5
ZEW Indicator of Economic Sentiment	-1.1	9.8	12.8	15.2	19.9
Incoming orders	Change from the same month of the previous year				
Manufacturing industry	-4.6%	-4.5%	2.7%	-5.0%	-
from within Germany	-4.2%	-6.7%	-5.3%	-7.2%	-
from abroad	-4.8%	-2.8%	8.1%	-3.5%	-
Capital-goods producers	-6.7%	-3.4%	10.5%	-4.9%	-
Production	Working day-adjusted change compared to the same month of the previous year				
Producing sector as a whole	-3.9%	-4.4%	-3.5%	-5.4%	-
thereof: construction	-3.6%	-3.1%	0.2%	-4.6%	-
thereof: industry	-3.2%	-4.5%	-4.3%	-5.3%	-
Foreign trade	Change compared to the same month of the previous year				
Exports	-6.4%	-3.2%	-2.9%	+0.3%	-
Imports	-15.4%	-11.4%	-11.3%	-8.3%	-
Labour market	Unemployment rate / change in the jobless total compared to the same month of the previous year (1,000s)				
Unemployment rate	5.7%	5.6%	5.7%	6.1%	6.1%
Jobless total	+165	+172	+183	+189	+194
Employed persons (with place of work in Germany)	+219	+220	+207	+235	-
Employees subject to social-security contributions	+227	+217	+214	-	-

F. Commodity, foreign-exchange and financial markets

	November	December	January	February	13th March
Brent oil price in USD	82.94	77.63	80.12	82.06	86.58 (4th)
Exchange rates					
US-dollar / EUR	1.0808	1.0903	1.0905	1.0811	1.0939
Japanese yen / EUR	161.84	157.21	159.46	162.54	161.83
Stock markets					
DAX German benchmark equity index, end-of-month	16,215	15,751	16,903	17,601	17,961
Change compared to the same month of the prev. year	12.63%	13.13%	11.17%	14.55%	-
Money and capital market interest rates					
Call money (€STR)	3.902%	3.902%	3.904%	3.907%	3.905% (12th)
Current yield on German government bonds: – with a residual maturity of one year	3.26%	2.97%	3.12%	3.40%	3.34%
– with a residual maturity of ten years	2.45%	2.06%	2.24%	2.51%	2.33%
Interest rates of credit institutions, in new business					
Daily deposits of private households in Germany;	0.59%	0.60%	0.62%	-	-
for comparison across the euro area	0.36%	0.37%	0.38%	-	-
Deposits from private households up to 1 year in DE;	3.46%	3.37%	3.27%	-	-
for comparison across the euro area	3.33%	3.29%	3.21%	-	-
Corporate loans of up to € 1 million over 5 years in DE;	4.50%	4.33%	4.21%	-	-
for comparison across the euro area	4.58%	4.53%	4.52%	-	-

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