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The announced recession is taking its time to arrive

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The recession expected to engulf Germany in the winter half-year 2022/2023 is indeed likely to occur. But it could prove shorter, and to have a flatter trajectory, than was thought in the summer. So far, the incoming data mainly only show a downturn in industry and construction.

Sentiment indicators, which slumped sharply during the summer, have recovered somewhat over the autumn. The same applies to equity prices. The latest breaking news has been mostly good, for example from the gas-supply front: Germany’s storage facilities are now completely replenished.

Despite such bursts of euphoria, Germany's medium-term macroeconomic performance, and prospects further out, continue to look sobering. Even if the recession proves a minor, shallow one, 2023 will be the fourth consecutive year with production levels barely exceeding pre-Corona levels.

Meanwhile, the most prominent target shortfall concerns runaway inflation. Inflation must be returned to its box with the highest priority as a prerequisite for an overall improvement in performance. Here, the ball is mainly in the court of monetary policymakers: further interest-rate steps will be necessary, even if they initially take a chunk out of growth.

The announced recession is taking its time to arrive

Still no contraction in German GDP up to the third quarter of 2022

Since this summer, at the latest, most economy watchers have been expecting a recession in large parts of Europe, and in the Federal Republic especially. The energy-price shock appeared too great and the prospective energy-supply situation in the winter of 2022/2023 too uncertain, to admit of a different outcome. Sluggish economic activity over the course of the coming months remains the most likely scenario.

However, the looming setback has not yet been widely reflected in the "hard" incoming figures on gross value added, at least not outside the industrial sector. The fact that German GDP managed, albeit only just, to keep up above the zero line in the second quarter sprang something of a surprise in the summer - given the shock of the outbreak of hostilities in Ukraine, which was still quite fresh at the time. And it was all the more counter-intuitive that the German economy then went on to log a further positive growth rate in the third quarter. After all, the sentiment indicators had collapsed to a very pronounced extent in the interim. The inordinate riptide of inflation was, and is, unmistakable and continues to dominate the headlines; the rampant increases in prices are eroding consumers' purchasing power; and concerns about high winter energy bills are spawning additional reluctance to spend.

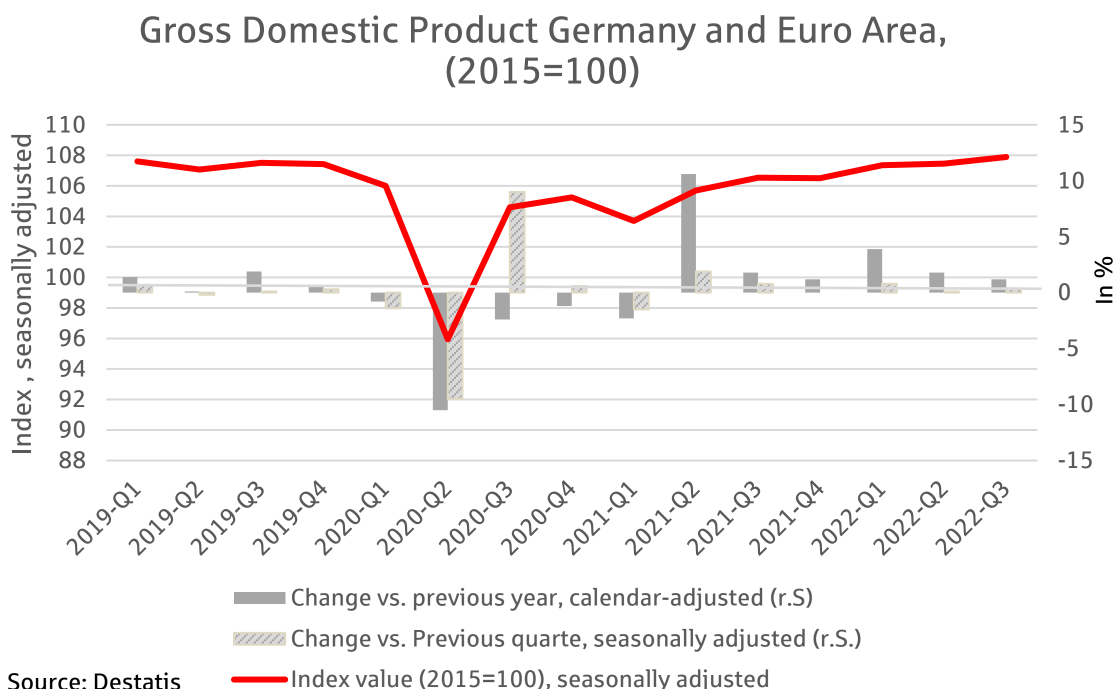
German GDP over the course of 2022

Q2 2022 +0.1 %

Q3 2022 +0.4 %

Seasonally-adjusted, qoq

And yet GDP still managed to grow into the third quarter. True, the rates of change were not outstandingly far into positive terrain: with seasonally-adjusted quarter-on-quarter growth running at just 0.1 percent in the second quarter, and at a slightly less snail-paced 0.4 percent in the third quarter, the development can scarcely be classified as dynamic. However, the German economy has not yet completely tipped over into recession territory. Growth is proving to be more robust than initially feared.



Source: Destatis

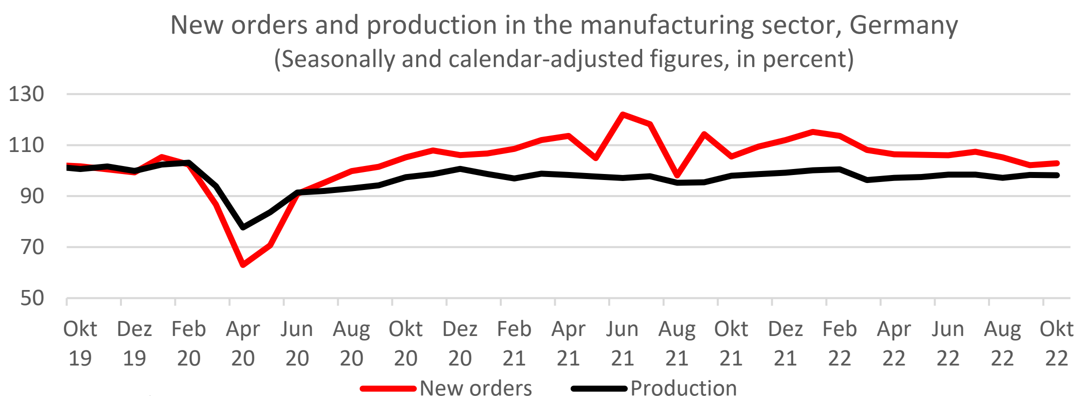
The all-clear cannot be sounded, but things may not turn out as badly as feared from a business-cycle point of view

To preclude any misunderstandings, no all-clear can be sounded at this juncture. Some of the most significant negative factors are still weighing on activity. The way German exports shaped up in October is one such sign of weakness, particularly in the case of merchandise exports to states outside the EU, i.e. to so-called “third countries.” This category accounts for just under half of aggregate German exports. The corresponding set of goods exports was still 15.3 percent higher this October than in October of last year; in month-on-month terms, however, they were down by no less than 1.6 percent on a seasonally-adjusted basis. This reflects the weakness of global economic activity, which is not currently functioning as an engine for the German economy. The situation in China is looking particularly disenchanting at this point in time: the harsh, and virtually nationwide, lockdowns are choking off economic growth. Most recently, the enforced shutdowns have also increasingly led to political protests. Even on a year-on-year basis, German exports to the People’s Republic are down significantly, by as much as 8.1 percent.

German exports to countries outside the EU came in 1.6 percent lower in October than in the previous month

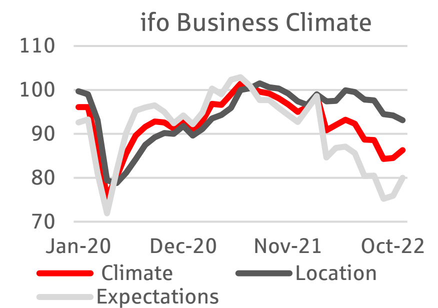
Another economic indicator that is also currently pointing very much in the direction of contraction is incoming orders received by the manufacturing sector. The order intake has only started to decline very late in the day. Orders booked were still very strong right through into early 2022, literally speeding ahead of production. This gap between incoming orders and effective output, which was already widening in 2021, was a manifestation of supply-side bottlenecks in many sectors. Yet the new-orders metric only began producing really weak readings in August and September, with the recent rebound in October entirely attributable to a special effect in the “major orders” category, without which the downward trend would have continued. By now, incoming orders received by overall manufacturing industry in autumn 2022 have slipped by more than 10 percent relative to the previous-year level. The gap has admittedly narrowed, but unfortunately not through a hoped-for upturn in production, but rather in a downward direction, towards the weaker production figures that have already been recorded since 2022. At least the order backlogs accumulated over the last year and a half are still very high: working these accumulated orders off can constitute a bridge over the upcoming months marked by weaker demand. However, in the greatly altered situation which we find ourselves in, it still remains to be seen how sustainable these order backlogs will prove, and whether the orders concerned were adequately calculated and priced.

New orders and production in the manufacturing sector, Germany
(Seasonally and calendar-adjusted figures, in percent)



Source: Destatis

It certainly remains likely that Germany is now poised to slip into a technical recession, i.e. a downturn marked by (in this case, at least) two quarters of declining GDP. The recessionary phase will probably turn out to have begun in the current quarter; but the recession will materialise later, and may prove to be shallower and briefer, than the scenario painted by all the concerns dominating the news headlines.



Source: Destatis

For months on end, sentiment indicators and other leading indicators have been flashing very strong signals that economy activity is set to look more gloomy in the gloom of the coming winter. In this context, the expectations sub-index of business-climate surveys has fallen much more sharply than assessments of the current economic situation. Although expectations are still at a low ebb, a certain countermovement has recently become apparent, for example from the ZEW Indicator of Economic Sentiment, or from the expectations component of the ifo Business Climate survey. A similar shift in sentiment can also be gauged from equity prices, which have been clawing back some of their losses since roughly the beginning of October.

However, the tangible news situation regarding the likelihood of a gas shortage posing the most formidable risk has also improved of late. In mid-November, for example, it was reported that gas-storage facilities in the Federal Republic have hit 100 percent capacity. This provides (supply) security for at least a number of weeks, and is also an expression of the savings achieved on the gas-consumption front in recent months. What can be asserted without any doubt is that the energy reserves with which Germany is entering the winter are in significantly better shape than it was assumed they were going to be in the summer. Whether energy reserves will be sufficient depends, of course, on such unpredictable factors as the weather. At least the chances have increased that we will not, on a worse-case scenario, have to hope for mild weather, but will be able to live with average weather patterns too. What is more, the prices of energy and other commodities have also retraced to some extent from their summer peaks.

The weather will play a role - but Germany is no longer quite so “exposed to the elements”

Germany and Italy are closing the gap again on an intra-European basis

One of the repercussions of the somewhat more relaxed situation with regard to the gas-shortage threat scenario is that those national “vehicles” in the pan-European “convoy” that were particularly dependent on Russian energy supplies have recently caught up again to some degree. Apart from Eastern European EU members, those primarily concerned among major European countries have been Germany and Italy. The latter pair of countries had already performed more poorly in 2021 than, for example, France and Spain, where GDP bounced back from the coronavirus-related slump with significantly more momentum.

Spain and France performed most dynamically through until mid-2022

	Euro Area		Germany		France		Italy		Spain	
	Real gross domestic product									
	Qoq*1	Yoy*2	Qoq	Yoy	Qoy	Yoy	Qoy	Yoy	Qoy	Yoy
Q1	0.6	5.5	0.8	3.5	-0.2	4.8	0.2	6.4	-0.2	6.7
Q2	0.8	4.3	0.1	1.7	0.5	4.2	1.1	4.9	1.5	6.8
Q3	0.3	2.3	0.4	1.3	0.2	1.0	0.5	2.6	0.2	3.8

*1 Percentage change compared with previous quarter, seasonally adjusted
*2 Percentage change compared with the same quarter of the previous year
Source: Eurostat

In the first two quarters of 2022, France and above all Spain were well ahead on a year-on-year comparison, racking up sizeable GDP growth rates. On the basis of the most recent (third-quarter) GDP data, by contrast, Italy and Germany are marginally in the lead on a direct quarter-on-quarter comparison, although growth rates have shrunk to meagre residuals at the moment, as already noted.

In the wake of such sharp swings, a somewhat more uniform economic development across Europe would certainly not be amiss in view of the many burdens and divisive challenges, be they political or economic. A somewhat more uniform situation would make it easier to find common - or at least similarly directed – economic-policy responses.

What will happen in 2023?

The forecast scatter is very broad (see also the "point cloud" in Appendix B).

The forecasts of the relevant institutions generating macroeconomic forecasts are currently diverging particularly widely. Some projections see German GDP hovering just below the zero line in the coming year, while others still envisage a severe-recession scenario. One forecast belonging to the latter pessimistic category is to be found in this year's Autumn Survey by the Association of German Chambers of Commerce and Industry (DIHK), which estimates that German GDP is set to contract by 3.0% percent in real terms in 2023. It needs to be cautioned here, however, that the DIHK's forecasts are always very heavily based, methodologically speaking, on the Association's surveys of its member companies. In accordance with this, the outcome is very directly linked to the way members cast their votes and should, to that extent, be interpreted more like a sentiment indicator. And we have already established that the mood had flipped negative. In addition, the DIHK survey was conducted, for the most part, before the easing in commodity prices observed in recent weeks and before the stabilisation resolutions passed by the German government.

On the other hand, the German Council of Economic Experts (Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, SVR), can be said to occupy the optimistic fringe of the forecast field. Yet along with the SVR's Autumn Report, the Joint Forecast of Germany's research institutes and the German government's own forecast, which is based on the latter, are adopting a similarly confident stance. The OECD is also in this upbeat phalanx.

A projection of only just below zero for annual GDP in 2023 means an implied recovery over the course of the year

To tamp down any excessive euphoria: the forecasts of this optimistic group all see German GDP contracting by "only" -0.2 to -0.4 percent in 2023. That would, in fact, be a decidedly favorable outcome, as it would imply a short recession and a swift (V-shaped) recovery. Assuming a certain degree of GDP contraction in the final quarter of 2022, as the aforementioned positive projections do too, German GDP will not only embark on the New Year without the normal statistical growth dowry from the old year ("overhang"), but will actually be weighed down by a negative growth dowry ("underhang)," whose degree of onerousness will depend on the size of the setback in the fourth quarter. This would, for all practical purposes, fully explain an annual growth performance in the order of -0.2 to -0.4 percent for next year. On the basis of such annual averages, there would be no scope at all, purely mathematically speaking, for a longer recession. Were GDP to

contract again over the first quarter of 2023, a recovery would already be, as it were, “priced in” from spring 2023 onwards under these scenarios.

It is not implausible that things will play out like this. If Germany does indeed come through the winter reasonably unscathed, without suffering a severe gas shortage, and is spared any fresh shocks, then it is quite conceivable that the growth factors that were pent up, and therefore not in play, during the string of recent crises will gain the upper hand from next spring onwards.

The German economy’s medium-term trend looks more sobering, both ex post and in structural ex ante terms

But even despite such muted optimism on the "cyclical" front, Germany's longer-term “structural” prospects look more sobering. Even if we manage to get off lightly with annual GDP growth of just below zero, 2023 would nonetheless be the fourth successive year of weak growth. True, this period has not been devoid of intermittent spurts of growth; yet the ostensible arithmetical gains made during 2021 and 2022 have merely been a rebound from the deep crater carved out by the initial coronavirus phase in 2020. With a growth rate close to zero, we will just about be inching our way back to the pre-crisis path from 2019. Four years of normal growth along the potential-growth path will be missing. As a consequence of this, Germany is also looking significantly worse off than most other industrialised countries on an international comparison.

GDP Germany	
Year	**Value[1]**
2020	-4.6
2021	+2.6
2022	+1.7 [2]
2023	-0.2 [2]

1 Price-adjusted change from previous year, in %, Destatis
2 Forecast from the annual report of the German Council of Economic Experts (November 2022)

Moreover, the medium-term prospects for the productivity-driven growth path and for the potential growth rate remain bleak, the reason being that energy will continue to be expensive for Germany even after energy prices have receded from the peaks scaled during the crisis - more expensive, at any rate, than before the latest clutch of geopolitical conflicts flared up. Some industrial business models predicated on cheap energy have been fundamentally called into question and will be difficult to maintain within the German business location.

GDP, though so low, is paradoxically even overstating the consumption options remaining after more expensive imports have been paid for

Rather more disquietingly, even a stagnating GDP scenario paradoxically overstates the country's actual prosperity. This even applies to real (inflation-adjusted) GDP. That is because the real-GDP metric involves domestic value added being deflated by the associated price increases. In the current situation, however, GDP-deflator increases are lower than increases in consumer prices. The latter are rising much more strongly because the underlying basket of goods and services also includes many imported goods and intermediate inputs from abroad. And, as it well known, it is in the latter category where inflation momentum is the highest. Consumer-price inflation sharply curtails consumption options, even if the GDP deflator is indicating more moderate inflationary pressure.

Germany has become significantly poorer as a result of the shift in price relations. To put the point more technically, the country has suffered a terms-of-trade shock: import prices have risen much more drastically than export prices. In quantitative terms, we are thus receiving far fewer goods for the same volume of exported merchandise.

In the previous issue of "Economic Update" (published on September 6, 2022 and still available to be accessed on the DSGV website), we provided a detailed analysis of the factors conspiring to produce a terms-of-trade

shock, and also demonstrated how higher import prices negatively impact the nominal current-account balance. This diagnosis (regrettably) still holds true.

Analysis of how a terms-of-trade shock plays out

The German labour market is looking in very robust shape... ...with high wage settlements

Conversely, the stability of the German labour market is good news: the number of people in work is scarcely being affected at all by the current phase of weakness. And this is likely to remain largely the case, even if the recession phase proper has not yet begun.

Workers who are difficult to re-hire will be retained, especially if the recession

Moreover, the same holds true with regard to wage dynamics. In the current situation marked by rampant inflation, worker representatives are understandably demanding that nominal wages should rise enough

Due to the structural factor constituted by mounting, demographics-related, labour-supply bottlenecks, and due to how difficult it has turned out to be for them to win workers back after the pandemic, many companies will choose to retain their workforces right through the recession, especially if the latter proves to be of short duration. As a result, most forecasts are not factoring in a major surge in unemployment. Even if a recession descends upon us, it is not going to feel like one on the labour market.

to make up for inflation-induced losses. And such demands are largely enforceable in view of the robust state of the job market. It is true that German companies do not currently have any scope for redistribution. After all, they themselves are being put under pressure by galloping producer prices. The point to note is that the price increases we are witnessing do not derive from the margins on domestic value added and are therefore not available for redistribution. Rather, the nominal swells have, as it were, flowed out to supplier countries via intermediate inputs, raw materials and energy. This is the mirror image of the terms-of-trade shock that has hit Germany as a whole.

In such a predicament, high wage increases entail the risk of generating second-round effects and triggering price-wage spirals. Even though this is the lie of the land, some sectors have nevertheless already concluded decidedly ample wage agreements. Examples include the chemical industry, the metalworking and electrical industry, and the Volkswagen Group's in-house wage agreement, which is based on the IG Metall (German Metalworkers Union) collective agreement but negotiated independently.

Are the sizeable wage settlements we have observed the beginning of a price-wage spiral?

Current wage agreements	Metal & Electrical	Mining, Chemicals, Energy	VW Group
Tariff level 2023	+5.2%	+3.25%	+5.2%
Tariff level 2024	+3.3%	+3.25%	+3.3%
Runtime	24 Months	24 Months	24 Months
Lump sum	3,000€	3,000€	3,000€

Source: IG Metall (German Metalworkers Union), IGBCE (German Mining, Chemical and Energy Industries Union), VW Group, German news programme “Tagesschau”

Most of the agreements listed here have a duration of two years, with higher increases regularly envisaged for the first year than for the second. The parties to these collective agreements evidently have a mutual expectation that inflation will gradually retreat from its 2022 peaks during the coming years. The lower settlements agreed on for 2024 will therefore serve simultaneously as an anchor against further wage-price-spiral acceleration. If inflation rates later turn out to be stubbornly higher than expected, the future settlements agreed up front would provide something of a braking effect in the structure that has been put in place. In some cases, compensation for the losses in purchasing power which have built up already is taking the form of a one-off ("lump sum") payment. This too is a wise device to resort to in the current situation, because such disbursals to workers do not affect the baseline for future wages. They are not "table-effective," (i.e. they do not affect the official wage table), to cite the relevant German collective-bargaining jargon.

Overall, the latest wage settlements look justifiable

An additional positive feature is that the tariff increases baked into some of the wage settlements mentioned ábove provide for quite a few "zero months," i.e. wages only rise later in the year after a time lag. The de facto (i.e. effective) annual average negotiated wage increase is thus significantly lower than the headline figures may lead one to believe. Deutsche Bundesbank puts the weighted wage increases on a twelve-month basis at 6 percent in the chemical industry and at 5.25 percent in the metalworking and electrical sector. Wage hikes would therefore appear to be considerably more moderate than the initial impression could suggest.

Looking at the current end of the wage-trend time series, the Federal Statistical Office (Destatis) puts the macroeconomic real wage loss in the third quarter of 2022 at a very noticeable 5.7 percent compared with the same quarter of the previous year. To that extent, a certain correction and a certain degree of catch-up in the wage contracts now negotiated is entirely justified.

Inflation continues to be the main economic-policy "target miss"

The situation in the real economy can therefore be summarised as follows: a recession is likely, but its trajectory will probably prove to be shallower than was feared back in the summer. The German labour market continues to show resilience, and wage settlements which look overly generous at first glance are ultimately justifiable. In this environment, the sole remaining major economic-policy "target miss" is inflation, which is running at far too elevated levels.

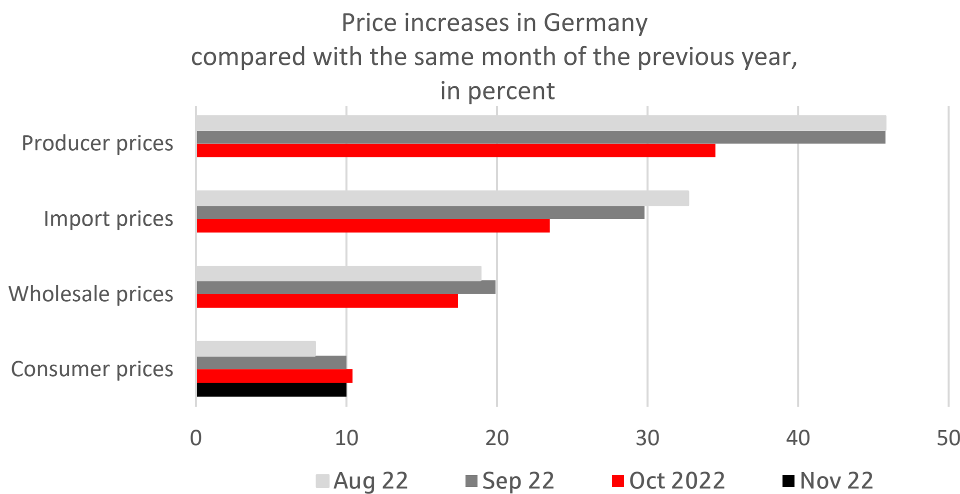
Inflation is cantering at a seventy-year record level

In the euro zone as a whole, as in Germany in particular, consumer prices have been rising at double-digit annual rates since late summer. This is a development that we have never experienced since German Reunification. Even in the annals of the pre-Reunification Federal Republic ("West Germany"), we would have to look back to as far as 1951 to find similarly high rates - i.e. to the early days of the Deutschemark during the so-called Korean (war) boom.

In November, the flash estimates from Destatis and Eurostat imply that consumer-price inflation in Germany and the wider euro area receded marginally for the first time in the current cycle. Admittedly, the annual

rates of change of CPI remained in the double digits, at exactly ten percent, both in the eurozone as a whole (according to the HICP methodology) and in the Federal Republic (national CPI definition). On an EU-harmonised HICP basis, German consumer prices were even more clearly stuck in the double digits at 11.3 percent. But the key takeaway is that inflation was a shade lower in November than in October. It looks as if the inflation peak has been reached, or even that the descent from the giddy heights may have commenced. All the same, a rapid reversal of the upward trend is unlikely. Inflation momentum has become more broad-based in the interim. Even core rates, stripping out those particularly volatile components food and especially energy prices, are still hovering at around five percent.

It is still the case that inflationary pressure is significantly higher still at the upstream stages of the chain than at the consumer level, as illustrated here by a juxtaposition of the corresponding indices for Germany.



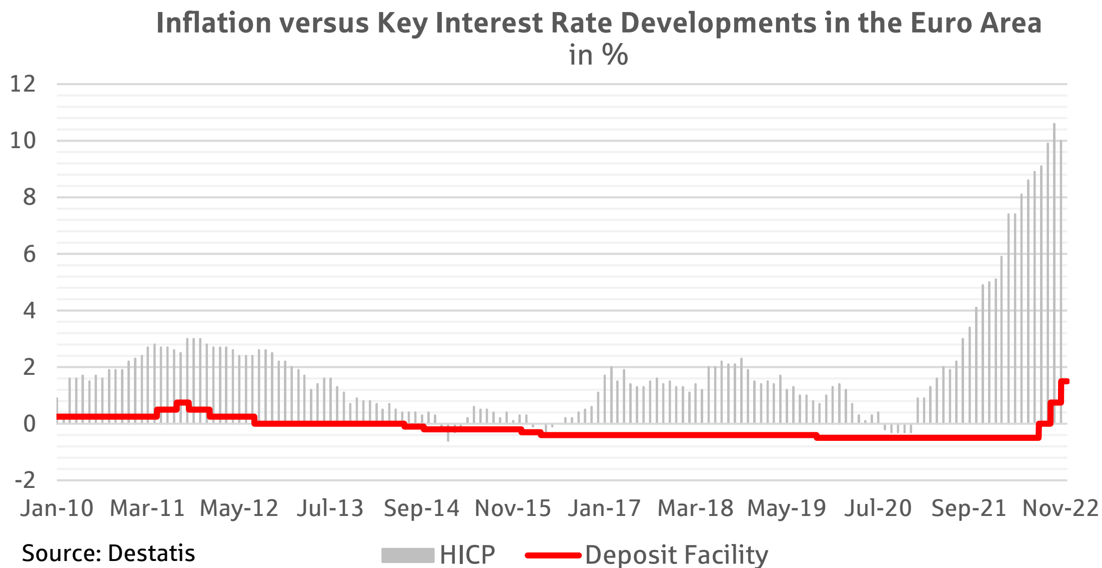
Source: Destatis

Producer prices have probably already peaked

Producer prices for industrial products appear to have peaked - they are certainly correcting downwards to an even stronger extent than consumer prices. The twelve-month rate of PPI slowed noticeably to 34.5 percent in October after flatlining at 45.8 percent over the two previous months. The latest rate of change for PPI is still extremely vertiginous, of course; but lurking behind it is not only a baseline effect relating to the year-on-year trend, but also an actual decline in producer prices of no less than 4.2 percent between September and October of this year. This pullback in PPI was largely due to the downward retracement in commodity prices from the panic levels which they scaled during the summer.

That said, there is still a lot of pressure in the pipeline prompting potential price passthrough to consumers. Here, the full burdens for gas, electricity and heating will not be felt in full until 2023 due to the tailback effect caused by pre-fixed prices in long-duration energy contracts before the subsequent adjustment to advance payments, although these burdens are now being partially eased by political interventions (price brakes).

Monetary policymakers must strive further to contain inflation



Source: Destatis

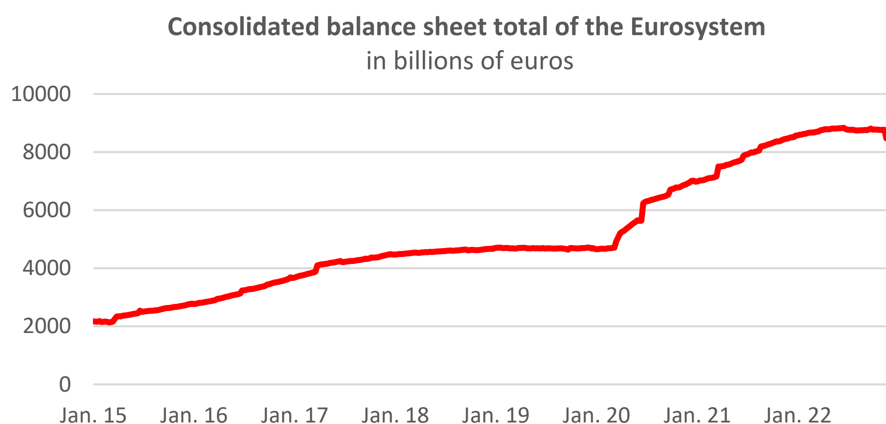
Monetary policy is still "behind the curve" in the sense that the key-rate hikes which have been implemented have not remotely caught up yet with runaway inflation. This definitely holds true for the euro zone, at any rate. In the USA, by contrast, the Federal Reserve is already further along the rate-hiking path. The Fed indeed began tightening its policy almost a year earlier than the European Central Bank (ECB). Accordingly, somewhat more significant declines in consumer-price inflation have already occurred in the dollar area over the course of the autumn of 2022. On the other hand, Team Powell at the Fed has had an easier time in its current battle against inflation because the United States is not a net energy importer, meaning that the price shock in the energy complex has not been nearly as pronounced in the USA as in Europe. Another difference, furthermore, is that US inflation has been driven by excess demand across the economy as a whole.

The ECB is further "behind the curve" than the Federal Reserve

These two central banks will have to continue on their rate-hike paths, both at their December 2022 meetings and during 2023. The ECB's next move is scheduled for December 15, 2022. In the medium term, the ECB will also have to attend to the quantitative management of its balance sheet and of the securities holdings which have accumuated through its purchase programmes ("quantitative tightening"). On this score as well, the Federal Reserve is already further ahead, having been actively reducing its holdings for quite some time now. The Fed is having an easier time of it here too, because it is in a position to run off homogeneous U.S. Treasuries issued by the central (federal) government in Washington D.C. The Eurosystem, on the other hand, has to be mindful of fragile national structures and of the effect its measures will have on spreads between debt instruments from different eurozone jurisdictions. At any rate, the ECB is likely to give initial indications of when, and how, it intends to pare its asset portfolios at its meeting later in December. It is likely that the ECB will start by winding down the APP; in the case of the PEPP, longer pre-announced holding periods still apply.

Next task:

tapering securities holdings which have accumulated though the ECB's various purchase programmes



Source: ECB

The ECB's decision to shift the TLTRO goalposts has led to a loss of confidence

A certain reduction in the size of the Eurosystem balance sheet will take place automatically when repayments from the TLTRO III longer-term tenders are made. The bulk of these repayments are due in June of next year. By recently worsening the terms for TLTRO III loans ex post, the ECB is, moreover, endeavouring to give credit institutions incentives for early repayment. Additional voluntary repayment dates have been set for this purpose, partly in order to go some way towards remedying the ECB's contractually borderline approach to shifting the goalposts in the TLTRO game. What is indubitable is that the ECB's decision to alter the terms of TLTRO in mid-game has not done it any favours in terms of maintaining confidence in the credibility of its instruments. If, in future, the European Central Bank wishes once again to send out a long-term monetary-policy signal to the markets by means of long-term contracts designed to steer and anchor expectations, it is going to find the task more difficult now that counterparties have had to go through the experience of seeing firmly pre-announced conditions being unilaterally revoked.

First TLTRO repayment option was not made use of extent

How will credit institutions react to the new situation? That will certainly differ very much from case to case, depending on the country concerned, the volume of surplus liquidity circulating there, and the balance-sheet composition of the specific bank. At any rate, only just under EUR 300 billion of the amount borrowed under TLTRO III was redeemed at the first of the ECB's special voluntary repayment options in November 2022, i.e. just under one-seventh of the volume outstanding. Admittedly, the limited scale of this repayment amount is certainly also due to the short reaction time available to counterparties to reschedule following the ECB's abrupt contractual amendment. It will be interesting to see what proportion of TLTRO loans eurozone banks remove from their balance sheets in December at the upcoming scheduled redemption date. That would still be in time for the "window dressing" structures they wish to show in their respective annual balance sheets at year-end. The TLTRO repayments in question will be taking place around the time of the ECB Governing Council's 15 December get-together and have to be announced beforehand. Accordingly, the repayment amounts notified are likely to influence the ECB's decisions at this Governing Council meeting about the future path of monetary policy.

Yet despite the huge size of the outstanding TLTRO positions, amounting to a good two trillion euros, reducing TLTRO exposure is, in effect, merely a side issue when it comes to shrinking the size of the Eurosystem's overall balance sheet. The coexisting asset portfolios resulting from the Eurosystem’s purchase programmes (essentially the APP and the PEPP) weigh in at over five trillion euros. For as long as this main “theatre of war” is not dealt with, the euro zone will continue to be confronted with structural excess liquidity. Or, to put the point a different way, the overall system and the financial sector have much more central-bank money sloshing around within them than is needed for currency in circulation and minimum reserves.

For as long as this is the case, the interest rate on the ECB’s deposit facility is destined to remain the real key policy rate in the euro area. After all, it is this rate which dictates the transmission of monetary-policy stimuli to the money, capital and credit markets. The interest-rate increases which are intended are being priced in. Admittedly, this is putting a brake on the real economy. And it is fated to involve painful burdens for many institutions in our Savings Bank Group too in view of the speed of the interest-rate increase now required. But there is no alternative with inflation rates soaring so sky-high. A further upward shift in ECB key policy rates will be necessary at the 15 December meeting.

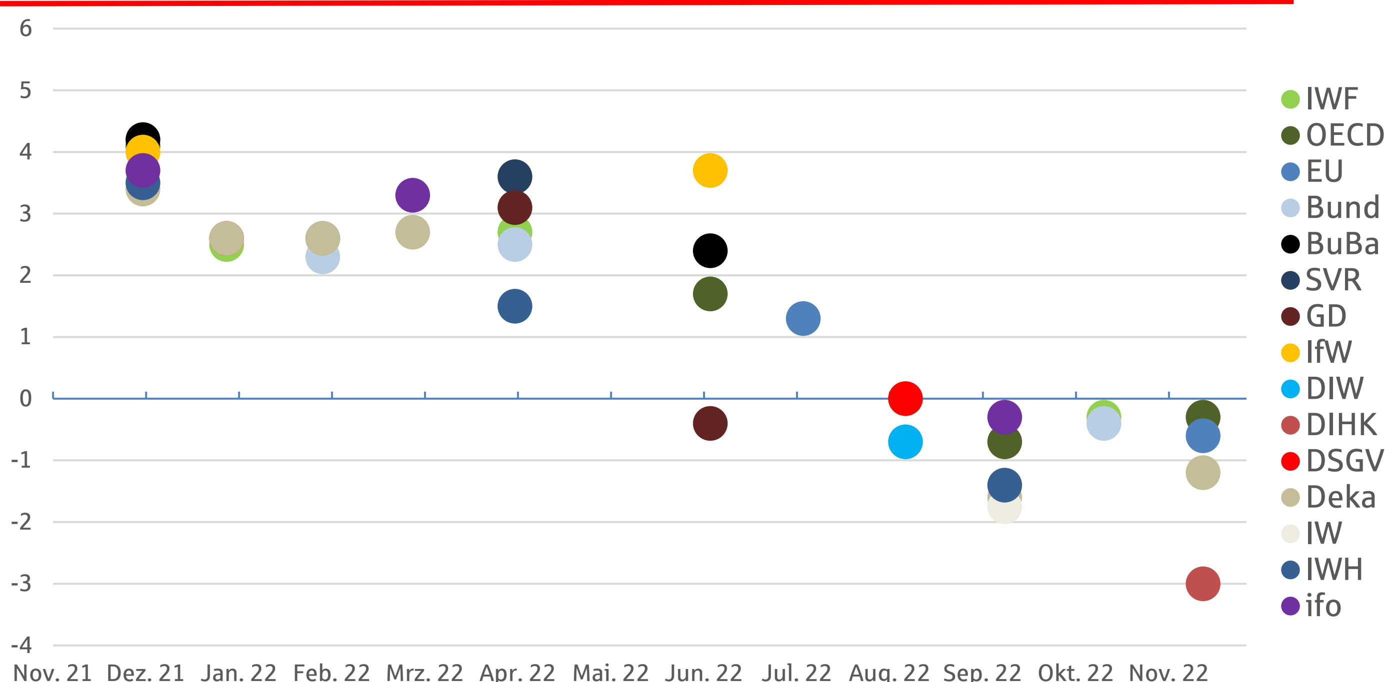
We wish all readers of “Economic Update" a peaceful holiday period, a Joyful Christmas and a Happy and Prosperous New Year!

A. Growth of the world's economic regions, year-on-year change

	2020	2021	2022*	2023*
World trade volume	-7.9%	10.1%	4.1%	3.2%
GDP – World	-3.1%	6.1%	3.2%	2.7%
USA	-3.4%	5.7%	1.6%	1.0%
Japan	-4.5%	1.7%	1.7%	1.6%
China	2.2%	8.1%	3.2%	4.4%
Euro area	-6.4%	5.4%	3,1%	0.5%
Germany	-4.6%	2.6%	1.5%	-0.3%

* International Monetary Fund projections from October 2022

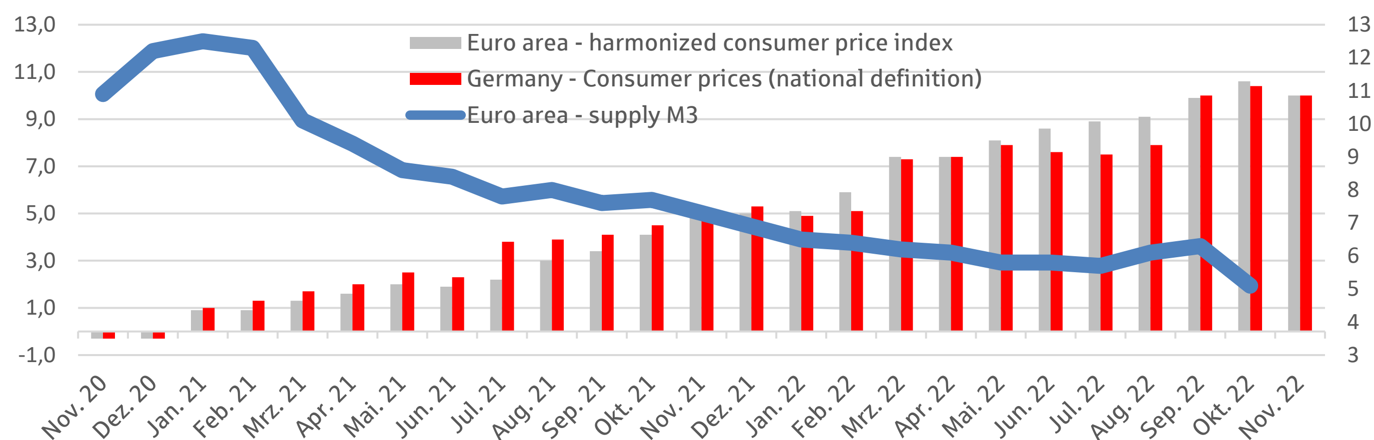
B. Economic growth forecasts for Germany for 2023, in %



C. GDP in Germany and the euro area

	Full-year 2021 real vs. prior year	Q IV - 2021	Q I - 2022	Q II - 2022	Q III - 2022
		Real change versus prior-year quarter and seasonally-adjusted real change compared with the previous quarter			
Euro area GDP	+5.4%	+4.8% +0.5%	+5.5% +0.6%	+4.3% +0.8%	+2.1% +0.2%
Germany GDP	+2.6%	+1.2% 0.0%	+3.5% +0.8%	+1.7% +0.1%	+1.3% +0.4%
Private consumption	+0.4%	+3.1% -0.9%	+8.4% +0.9%	+6.8% +0.9%	+2.0% +1.0%
Gross capital investment	+1.2%	-2.3% 0.0%	+2.1% +2.1%	-1.5% -1.3%	+0.8% +0.2%
Exports	+9.7%	+7.2% +2.9%	+3.5% -0.3%	+2.1% +0.5%	+4.9% +2.0%
		Level, not rate of change; quarterly figures, seasonally adjusted			
Savings rate	15.1%	12.2%	11.5%	11.0%	11.0%

D. Consumer Price (left-hand scale) and money supply M3 (right-hand-scale), 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	7.5%	7.9%	10.0%	10.4%	-
– Excluding food and energy (core inflation)	3.2%	3.5%	4.6%	5.0%	-
Producer prices for industrial products	37.2%	45.8%	45.8%	34.5%	-
Import prices	28.9%	32.7%	29.8%	23.5%	-
Sentiment indicators					
ifo Business Climate Index	92.2	88.7	84.3	84.5	86.3
ZEW Economic Sentiment Survey	-28.0	-53.8	-61.9	-59.2	-36.7
Incoming orders	Change compared to the same month of the previous year				
Manufacturing industry	-13.6%	-1.5%	-9.7%	-6.5%	-
from within Germany	-17.5%	-4.6%	-2.5%	-11.0%	-
from abroad	-10.7%	0.7%	-14.1%	-3.4%	-
Capital goods producers	-16.8%	-0.3%	-12.2%	-3.9%	-
Production	Working-day-adjusted change compared to the same month of the previous year				
Overall manufacturing industry	-0.8%	+1.6%	+3.1%	0.0%	-
Thereof: construction	0.1%	-1.2%	-2.1%	+1.5%	-
Thereof: industry	-1.3%	2.6%	4.9%	0.8%	-
Foreign trade	Change compared to the same month of the previous year				
Exports	10.7%	23.1%	20.2%	-	-
Imports	26.4%	37.6%	31.3%	-	-
Labour market	Unemployment rate / change in the jobless total compared to the same month of the previous year (1,000s)				
Unemployment rate	5.4%	5.6%	5.4%	5.3%	-
Jobless total	-120	-31	+21	+65	-
Employed persons (with place of work in Germany)	+534	+490	+448	-	-
Employees subject to social-security contributions	+681	+639	+598	+573	-

F. Commodity, foreign exchange and financial markets

	August	September	October	November	12th Dec.
Brent **oil price** in US $	100.45	89.76	93.33	91.42	75.75
Exchange rates					
US dollar / EUR	1.0128	0.9904	0.9826	1.0201	1.0559 (9th)
Japanese yen / EUR	136.85	141.57	144.73	145,12	143.30 (9th)
Stock markets					
DAX German benchmark share index, end of month	12.835	12.114	12.254	14.397	14.319
Change compared to the same month of the previous year	-18.95%	-20.42%	-15.52%	-4,66%	-
Money and capital market interest rates					
Call money (€STR)	-0.085%	0.355%	0.656%	1.368%	1.40% (9th)
1-month money (EURIBOR)	0.02%	0.57%	0.92%	1.42%	1.61% (9th)
3-month money (EURIBOR)	0.40%	1.01%	1.43%	1.83%	2.01% (9th)
Current yield of German federal Treasury bonds (Bunds) with a residual maturity of ten years	1.52%	2.12%	2.19%	1.94%	1.94%
Interest rates of credit institutions, in new business					
Daily deposits of private households in Germany;	0.00%	0.00%	0.01%	-	-
for comparison across the euro area	0.01%	0.01%	0.02%	-	-
Deposits from private households up to 1 year in DE;	0.31%	0.49%	0.84%	-	-
for comparison across the euro area	0.26%	0.35%	0.56%	-	-
Corporate loans of up to € 1 million over 5y in DE	2.91%	2.96%	3.19%	-	-
for comparison across the euro area;	2.15%	2.29%	2.45%	-	-

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