

Stagnation set to continue

The business climate indicators highlight a still deteriorated situation, raising fears of another quarter of contraction in activity (-0.1% q/q in Q4 according to our forecasts), following four quarters of stagnation or decline (including -0.1% q/q in Q3). Indeed, the indices linked to current conditions in the IFO and ZEW surveys remained close to historical lows, in both industry and services. Expectations of a small improvement are based on the anticipation of the ECB's monetary easing in 2024, which remained uncertain for the time being.

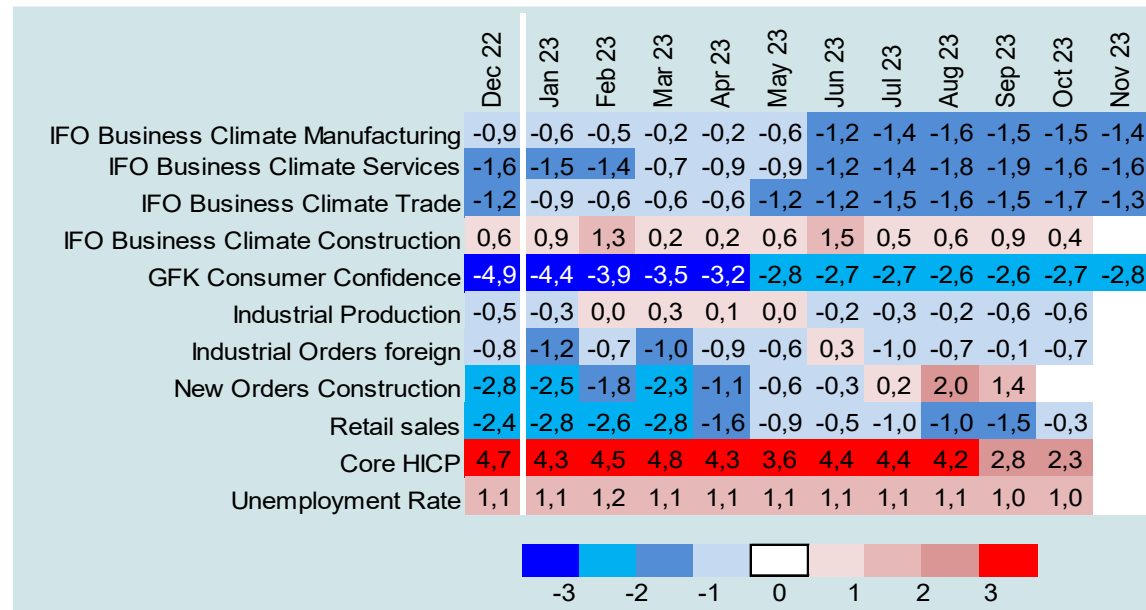
This sluggishness is also evident in terms of demand. New factory orders contracted in October (-3.7% m/m) and are 6.4% lower on average over the last six months than over the same period in 2022. At the same time, household confidence remains low in December according to GFK (-27.8, compared to -28.3 in November, but was at -25.1 on average in Q3) and the 'willingness to buy' indicator remains close to its low point at -15.

Following a fall of 0.3% q/q in Q3 and a level 2.3% lower than pre-Covid, private consumption is therefore likely to remain sluggish. The absence of any signs of improvement in household consumption and confidence in response to the sharp fall in inflation (2.4% y/y in November, according to the harmonised index, compared to 6.4% y/y in August and 11.3% y/y a year ago) is somewhat surprising. However, this could be explained by the nature of this fall in inflation: it seems to be more a symptom of the slowdown in the economy (along with the 11% y/y drop in production prices in industry in October) than a signal of its future upturn.

This slowdown in activity is also affecting the labour market. Although the IFO's employment climate level in November is close to that of the previous two months (95.9), it remains significantly lower than in the first half of the year (99.3 on average). At the same time, job creation deteriorated in Q3 (-3,000 jobs compared to Q2). Although the number of new jobs proved positive again in October (+15,000), the pace remains lower than it was until mid-2023 (32,000 jobs created per month on average between mid-2022 and mid-2023).

Stéphane Colliac (*article completed on 20/12/2023*)

Germany: economic indicators monthly changes*



* The Indicators are all transformed into "z-scores", i.e. deviations from the long-term average value (expressed in standard deviation), the average of which is zero. Positive (negative) values indicate the number of standard deviations above (below) the mean value.
Reading note: the red colour indicates dynamic activity, high inflation and low unemployment, the blue colour indicates slower activity, low inflation and high unemployment.

GDP growth

Actual				Carry-over	Forecast		Annual forecasts (y/y)			
Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2022	Q4 2023	Q1 2024	2022 (observed)	2023	2024	2025
-0,4	0,0	0,1	-0,1	-0,2	-0,1	0,0	1,9	-0,1	0,3	1,3

Source: Refinitiv, BNP Paribas

