



Focus Germany

Inflation moving higher, despite subdued core inflation

June 29, 2015

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Content

| | Page |
|--|------|
| Forecast tables | 2 |
| Domestic drive | 3 |
| 2% inflation in 2016 due to base effects and probably softer euro. | 5 |
| The view from Berlin: Merkel's endeavour to prevent Grexit is no longer popular. | 8 |
| DB German Macro Surprise Index | 9 |
| Data calendar | 10 |
| Financial forecasts | 10 |
| Data monitor | 11 |
| Event calendar | 12 |

Domestic drive. Strong real income gains to generate 2% rise in private consumption. With external demand only gradually improving, companies remain cautious with regard to investment spending. Inflation to rise towards 2% at year-end. Wage increases remain under control despite tightening labour market.

2% inflation in 2016 due to base effects and probably softer euro. While the core inflation rate has remained relatively stable since 2011 at an average of slightly above 1% yoy the oil price slump is the main reason for the temporary decline in consumer prices at the start of 2015. However, the oil price rise of some 30% since January and the stabilisation of the EUR exchange rate sent the German inflation rate out of negative territory after just one month and then made it accelerate to 0.7% yoy recently. We therefore expect slightly stronger increases in consumer prices of 0.5% this year and 2.0% in 2016. With our forecast the risks are more pronounced to the downside. The oil price might rise more slowly than expected on account of the global oversupply. In addition, the EUR/USD has now stabilised at above 1.10 after hitting its low in mid-April. Our forecast assumes EUR/USD parity by year-end.

The view from Berlin: Merkel's endeavour to prevent Grexit is no longer popular. Chancellor Merkel has been working hard for a compromise in the negotiations between Greece and its creditors. Her commitment contrasts with a swing in public sentiment where a 51% majority of Germans oppose ongoing Greek membership in the eurozone. In a likely scenario the Bundestag will have to decide on the compromise on Monday or Tuesday. Despite some unrest in the CDU/CSU, it would be very surprising and damaging to the chancellor's standing if a substantial number of opponents from her camp refused to give her their allegiance.



Focus Germany

Economic forecasts

| | Real GDP (% growth) | | | Consumer Prices* (% growth) | | | Current Account (% of GDP) | | | Fiscal Balance (% of GDP) | | |
|----------------|------------------------|-------|-------|--------------------------------|-------|-------|-------------------------------|-------|-------|------------------------------|-------|-------|
| | 2014F | 2015F | 2016F | 2014F | 2015F | 2016F | 2014F | 2015F | 2016F | 2014F | 2015F | 2016F |
| Euroland | 0.9 | 1.4 | 1.6 | 0.4 | 0.3 | 1.4 | 2.1 | 3.3 | 2.6 | -2.4 | -2.1 | -1.8 |
| Germany | 1.6 | 1.6 | 1.7 | 0.9 | 0.5 | 2.0 | 7.6 | 8.0 | 7.8 | 0.7 | 0.6 | 0.7 |
| France | 0.2 | 1.1 | 1.6 | 0.6 | 0.3 | 1.1 | -0.9 | -0.5 | -1.0 | -4.0 | -3.8 | -3.6 |
| Italy | -0.4 | 0.7 | 1.3 | 0.2 | 0.2 | 1.2 | 1.9 | 2.5 | 2.8 | -3.0 | -2.8 | -2.3 |
| Spain | 1.4 | 3.0 | 2.5 | -0.2 | -0.3 | 1.5 | 0.8 | 1.3 | 1.1 | -5.8 | -4.6 | -3.6 |
| Netherlands | 0.9 | 1.9 | 1.4 | 0.3 | 0.2 | 1.3 | 10.3 | 11.1 | 11.1 | -2.3 | -2.0 | -1.9 |
| Belgium | 1.1 | 1.3 | 1.6 | 0.5 | 0.6 | 1.6 | 1.4 | 2.0 | 1.5 | -3.2 | -2.7 | -2.5 |
| Austria | 0.3 | 0.5 | 1.4 | 1.5 | 1.0 | 1.8 | 0.8 | 1.1 | 1.5 | -2.4 | -2.0 | -1.9 |
| Finland | 0.0 | 0.2 | 0.9 | 1.2 | 0.1 | 1.4 | -1.9 | -1.0 | -0.8 | -3.2 | -3.1 | -2.8 |
| Greece | 0.7 | -0.3 | 1.3 | -1.4 | -1.4 | 1.0 | 0.9 | 1.5 | 1.2 | -3.5 | -3.6 | -2.9 |
| Portugal | 0.9 | 1.6 | 1.7 | -0.2 | 0.7 | 1.4 | 0.7 | 0.9 | 1.0 | -4.5 | -3.1 | -2.6 |
| Ireland | 4.8 | 3.7 | 3.5 | 0.3 | 0.3 | 1.8 | 6.2 | 5.0 | 4.5 | -4.1 | -2.4 | -2.0 |
| UK | 2.8 | 2.5 | 2.3 | 1.5 | 0.5 | 1.6 | -3.2 | -4.5 | -3.0 | -4.3 | -3.8 | -2.5 |
| Denmark | 1.1 | 1.8 | 2.0 | 0.6 | 0.6 | 1.4 | 6.3 | 6.0 | 6.0 | -1.0 | -1.5 | -2.0 |
| Norway | 2.3 | 1.5 | 1.9 | 2.0 | 2.0 | 2.2 | 9.4 | 7.5 | 7.0 | 9.1 | 7.5 | 7.5 |
| Sweden | 2.4 | 2.4 | 2.6 | -0.2 | 0.3 | 1.5 | 6.8 | 6.5 | 6.0 | -1.9 | -1.0 | -0.5 |
| Switzerland | 2.0 | 0.8 | 1.2 | 0.0 | -1.0 | -0.3 | 7.0 | 7.0 | 6.5 | 0.2 | 0.0 | -0.5 |
| Czech Republic | 2.0 | 3.5 | 2.0 | 0.4 | 0.5 | 2.1 | 0.6 | 0.3 | 0.0 | -1.9 | -1.8 | -1.6 |
| Hungary | 3.6 | 2.7 | 2.4 | -0.2 | 0.5 | 2.9 | 3.9 | 2.9 | 3.1 | -2.6 | -2.7 | -2.4 |
| Poland | 3.4 | 3.4 | 3.5 | 0.0 | -0.7 | 1.4 | -1.4 | -1.6 | -1.7 | -3.2 | -2.9 | -2.7 |
| United States | 2.4 | 2.2 | 3.0 | 1.6 | 0.2 | 2.5 | -2.6 | -3.2 | -3.8 | -2.8 | -2.7 | -2.4 |
| Japan | -0.1 | 1.1 | 1.8 | 2.7 | 0.9 | 1.0 | 0.5 | 2.9 | 2.7 | -5.9 | -5.3 | -4.4 |
| China | 7.4 | 7.0 | 6.7 | 2.0 | 1.6 | 2.7 | 3.1 | 3.4 | 3.3 | -2.1 | -3.7 | -3.0 |
| World | 3.4 | 3.2 | 3.8 | 3.6 | 3.3 | 3.9 | | | | | | |

*Consumer price data for European countries based on harmonized price indices except for Germany. This can lead to discrepancies compared to other DB publications.
Sources: National Authorities, Deutsche Bank

Forecasts: German GDP growth by components, % qoq, annual data % yoy

| | | | | | | 2014 | | | | 2015 | | | |
|------------------------------------|------|------|------|-------|-------|------|------|------|------|------|------|------|------|
| | 2012 | 2013 | 2014 | 2015F | 2016F | Q1 | Q2 | Q3 | Q4 | Q1 | Q2F | Q3F | Q4F |
| Real GDP | 0.4 | 0.1 | 1.6 | 1.6 | 1.7 | 0.8 | -0.1 | 0.1 | 0.7 | 0.3 | 0.4 | 0.5 | 0.3 |
| Private consumption | 0.7 | 0.8 | 1.1 | 2.1 | 1.0 | 0.8 | 0.0 | 0.7 | 0.7 | 0.6 | 0.3 | 0.4 | 0.3 |
| Gov't expenditure | 1.2 | 0.7 | 1.2 | 1.7 | 0.4 | 0.0 | 0.7 | 0.6 | 0.3 | 0.7 | 0.1 | 0.3 | 0.2 |
| Fixed investment | -0.7 | -0.6 | 3.3 | 2.8 | 2.7 | 3.0 | -1.7 | -1.2 | 0.8 | 1.5 | 0.0 | 1.5 | 0.8 |
| Investment in M&E | -3.1 | -2.4 | 4.3 | 3.9 | 3.7 | 2.0 | 0.6 | -1.4 | 0.4 | 1.5 | 0.5 | 2.0 | 1.0 |
| Construction | 0.6 | -0.1 | 3.4 | 2.7 | 3.1 | 4.5 | -3.7 | -1.5 | 1.3 | 1.7 | -0.4 | 1.8 | 0.9 |
| Inventories, pp | -1.4 | 0.2 | -0.3 | -0.2 | 0.1 | -0.2 | -0.1 | -0.5 | 0.4 | -0.3 | 0.1 | 0.1 | 0.0 |
| Exports | 2.8 | 1.6 | 3.8 | 4.7 | 5.0 | 0.1 | 1.0 | 1.5 | 1.0 | 0.8 | 1.0 | 1.0 | 1.2 |
| Imports | 0.0 | 3.1 | 3.5 | 5.8 | 4.4 | 0.2 | 0.7 | 0.8 | 1.9 | 1.5 | 0.9 | 1.5 | 1.5 |
| Net exports, pp | 1.3 | -0.5 | 0.4 | 0.0 | 0.4 | -0.1 | 0.2 | 0.4 | -0.3 | -0.2 | 0.1 | -0.1 | -0.1 |
| Consumer prices* | 2.0 | 1.5 | 0.9 | 0.5 | 2.0 | 1.2 | 1.1 | 0.8 | 0.5 | 0.0 | 0.4 | 0.5 | 1.4 |
| Unemployment rate, % | 6.8 | 6.9 | 6.7 | 6.4 | 6.5 | 6.8 | 6.7 | 6.7 | 6.6 | 6.5 | 6.4 | 6.4 | 6.5 |
| Industrial production | -0.4 | 0.1 | 1.5 | 1.7 | 2.2 | | | | | | | | |
| Budget balance, % GDP | 0.1 | 0.1 | 0.7 | 0.6 | 0.7 | | | | | | | | |
| Public debt, % GDP | 79.3 | 77.1 | 74.7 | 71.8 | 69.2 | | | | | | | | |
| Balance on current account, % GDP | 6.8 | 6.5 | 7.6 | 8.0 | 7.8 | | | | | | | | |
| Balance on current account, EUR bn | 187 | 182 | 220 | 239 | 244 | | | | | | | | |

*Inflation data for Germany based on national definition. This can lead to discrepancies to other DB publications.
Sources: Federal Statistical Office, German Bundesbank, Federal Employment Agency, Deutsche Bank Research

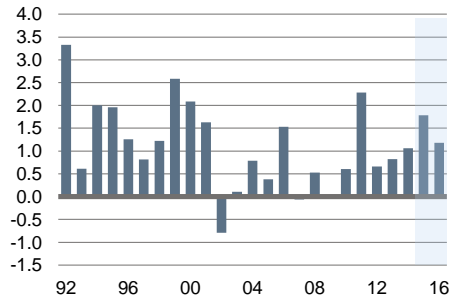


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Private consumption: Over 2% growth in 2015

1

Private consumption, % yoy, real



Sources: Federal Statistical Office, Deutsche Bank Research

Domestic drive

- Strong real income gains to generate 2% rise in private consumption.
- With external demand only gradually improving, companies remain cautious with regard to investment spending.
- Inflation to rise towards 2% at year-end. Wage increases remain under control despite tightening labour market.

Modestly accelerating growth in the summer half-year

After Q1's slightly disappointing GDP growth (0.3% qoq) we expect growth rates of close to ½% in Q2/Q3. However, private consumption which expanded by an average 0.7% qoq since mid-2014 should no longer outperform, as employment growth weakens, oil prices increase and one-off effects from the introduction of the minimum wage fade away. Still, in 2015 private consumption should grow by around 2%, which would be just the third time since 2000.

Moderate prospects for exports

2

% yoy, 3M mov. avg. (left); standardised values, 3M lag (right)



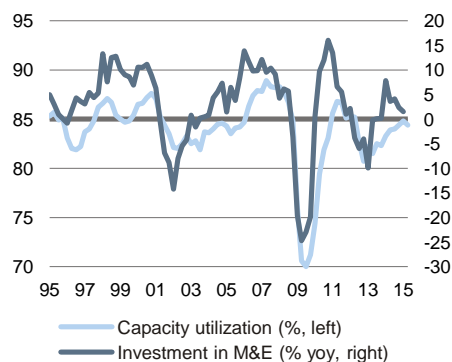
Sources: Deutsche Bundesbank, ifo, Markit, Deutsche Bank Research

Export growth to inch up owing to stronger global growth

Export growth decelerated in the winter half. In Q1 core foreign orders both from EMU-countries and non-EMU countries fell by 2.5% qoq. In April orders from both regions saw a strong rebound, but the export orders assessments in business surveys continued to provide mixed evidence. Although some 63% of German exports are going outside of EMU the weaker Euro provides only limited support as German exports have a comparatively low exchange rate elasticity, given their focus on capital and high-end consumer goods. By contrast, the elasticity with regard to export market growth is clearly above the EMU average. Therefore, weak global activity combined with a structural slowdown in global trade is taking its toll. In summer the improving global economy should provide some support for German exports. Given slightly stronger import growth, net-exports should be more or less neutral with regard to GDP growth.

Low capacity utilization = slow investment growth

3



Sources: EU Commission, Federal Statistical Office

Investment spending – no lift-off

Since spring 2014 investment in machinery and equipment had remained lackluster. The surprisingly strong increase in Q1 2015 (1.5% qoq) was driven by a strong increase in the registration of company cars and should not be interpreted as a lift-off. With the very gradual increase in external demand and capacity utilization rates just 1 point above its historical average we expect only modest acceleration in investment spending. Given the demographic outlook for Germany large companies will increasingly consider FDI as an alternative to investments in Germany.

Inflation – rapid normalization

After hitting -0.3% yoy in January when the impact of the oil price slump peaked and food prices bottomed out (-1.3% yoy) inflation (national definition) has quickly moved back into positive territory. A positive contribution from energy prices should push headline inflation towards 2% in 2016, although we presume core inflation falling from slightly above 1% this year to slightly below 1% as the minimum wage effect drops out of the yoy rate. Negotiated wages should expand at around 2 ¾ in both years.



Risks

Given frequent downward revisions to global growth in recent years, the external impulse might (yet again) fall short of expectations. If the global economy picks up more strongly and the EUR depreciates rapidly inflation during the course of 2016 might pick up more strongly than forecasted.

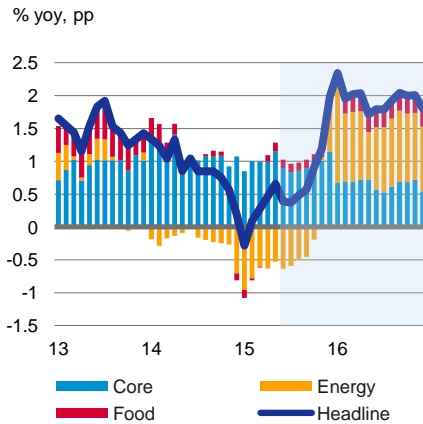
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Energy to stop being a drag on inflation from end-2015

1



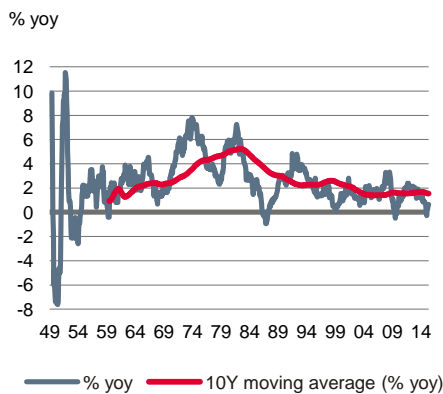
Sources: Federal Statistical Office, Deutsche Bank Research

2% inflation in 2016 due to base effects and probably softer euro

- While the core inflation rate has remained relatively stable since 2011 at an average of slightly above 1% yoy the oil price slump is the main reason for the temporary decline in consumer prices at the start of 2015.
- However, the oil price rise of some 30% since January and the stabilisation of the EUR exchange rate sent the German inflation rate out of negative territory after just one month and then made it accelerate to 0.7% yoy recently. We therefore expect slightly stronger increases in consumer prices of 0.5% this year and 2.0% in 2016.
- With our forecast the risks are more pronounced to the downside. The oil price might rise more slowly than expected on account of the global oversupply. In addition, the EUR/USD has now stabilised at above 1.10 after hitting its low in mid-April. Our forecast assumes EUR/USD parity by year-end.

Declines of consumer prices very rare

2



Source: Deutsche Bundesbank

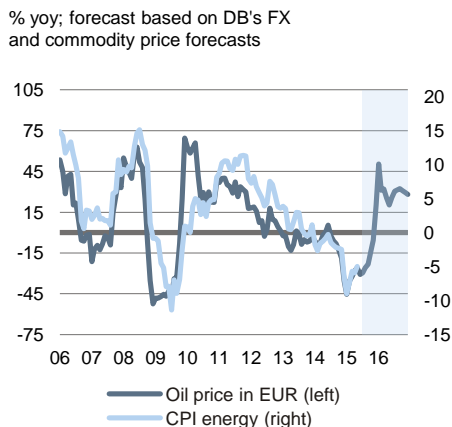
Price growth in Germany had continued to slow since 2013 – when the inflation rate was still 1.9% – and January 2015 saw the first decline in consumer prices since autumn 2009, of -0.3% yoy. Since then consumer prices have picked up again, rising 0.7% yoy in May. Year-on-year declines in monthly consumer prices are extremely rare, historically speaking, having occurred in only 7% of cases since 1949 and in only 2% of cases since the 1960s.

While the core inflation rate (total index excluding the volatile energy and food components) has been relatively stable since 2011, averaging slightly higher than 1% yoy, the slump in energy prices was the main driver of the overall inflation trend. On top of this, food prices rose relatively slowly in the winter months.

The oil price collapsed surprisingly between mid-2014 and January 2015 by nearly 50% to around EUR 45 per barrel of Brent, with the oil price in USD tumbling even further. As a result German energy prices fell by 9% yoy in January, with the prices of heating oil and fuels dropping by no less than 19% yoy. The slump in energy prices was so steep that it reduced overall inflation by 1.0 percentage point and this resulted in a decline in overall consumer prices. The oil price slump was primarily due to supply-side factors and thus gave a boost to the German economy. The US had boosted oil production relatively significantly thanks to the fracking boom and the OPEC countries had surprisingly decided against cutting back their output, which made inventories swell even further. The downward pressure was intensified by overall relatively weak global demand due in no small measure to the slowdown in Chinese economic growth.

Energy inflation: Base effect to drive inflation from late 2015

3



Sources: Federal Statistical Office, WEFA, Deutsche Bank Research

Uptrend in oil price set to send prices rising again from end-2015

Since dropping to a low in mid-January, the oil price has, however, risen in a volatile rebound by around 30% to about EUR 56 per barrel of Brent. This halved the dampening effect of energy prices on overall inflation and it amounted to -0.5 pp at last count. In the remainder of the year oil prices (in USD) are likely to move more or less sideways, but if the euro softens against the USD – as our FX strategists expect – then oil prices in EUR should increase. In 2016 the oil price in EUR is set to rise due to a trend-driven recovery in the



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CPI food: ifo selling price expectations down recently

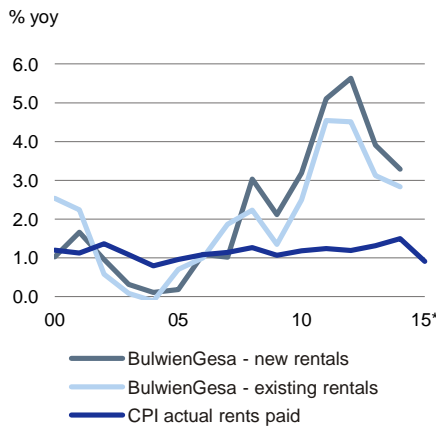
4



Sources: Federal Statistical Office, ifo

Actual rents likely to increase moderately again going forward

5



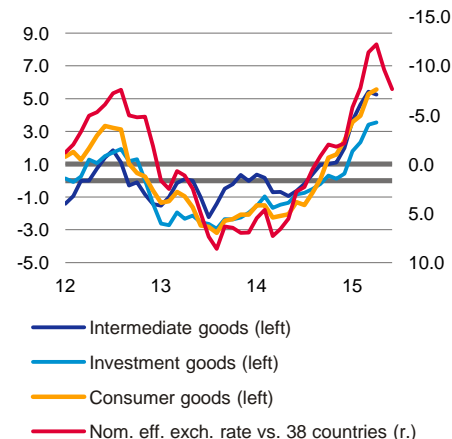
* Jan-May 2015

Sources: Federal Statistical Office, Deutsche Bank BulwienGesa

Imported inflation accelerating due to weaker EUR

7

Diff. of inflation for imports from non-EMU vs EMU countries in %-points (left); % yoy (right)



Sources: ECB, Federal Statistical Office, Deutsche Bank Research

USD oil price and the expected further depreciation of the EUR. This, together with a base effect that kicks in from end-2015, should ensure that the energy component sends prices rising again from the end of the year and is likely to be the main driver of inflation in 2016. Ongoing weakness of fundamentals mean there are downside risks to the oil price forecast, however, since for example the decline in US output resulting from the reduction in the number of drilling platforms has remained less pronounced because productivity gains were stronger than expected.

Food prices have also started to recover recently. However, the selling price expectations of the firms surveyed by ifo have declined recently and indicate that food price inflation will be relatively subdued over the next few months.

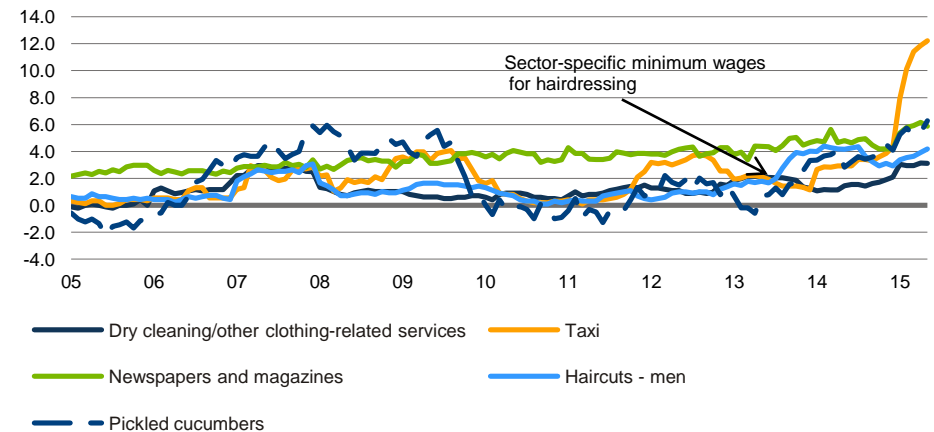
Core inflation buttressed by solid wage growth and imported inflation

Stability was provided by the growth in core inflation, which has averaged 1.2% yoy in the year to date and has a weighting of around 80% in the basket of goods. Prices in the service sector are likely to be driven by the continuingly robust pay increases that have been boosted in 2015 particularly by the introduction of the minimum wage. A number of selected subcomponents have already undergone marked price increases. We expect collective wages to climb by around 2 ¾% in 2015 and 2016.

The minimum wage at work

6

German consumer prices, % yoy



Source: Federal Statistical Office

Moreover, the weaker euro also feeds through to non-energy imports. This is clearly illustrated by the sharp increase in the prices of imported goods from outside the eurozone. Since mid-April the euro has, however, appreciated relative to the broad basket of currencies, taking a volatile course. This looks set to be a temporary rebound, however. Given the fundamentals (e.g. differences on monetary policy between the Fed and the ECB) our FX strategists expect the euro to continue trending downwards until year-end. Import prices should thus receive further stimulus.

The prices of package holidays are also set to make a noticeable contribution to inflation again. The high volatility of this component makes it a significant factor in the price fluctuations despite its minimal weighting in the basket of goods. Recently, some European holiday regions had presumably slashed their prices in order to attract more tourists. This meant that package holiday prices for



German consumers were recently even lower than last year (March: -1% yoy; 3M moving average). In both preceding years they had actually risen by 2.5% and 1.2% respectively. For travel outside the eurozone the currency movements could also be passed on to consumers.

Rents are likely to support the inflationary trend. With a weighting of around 20%, net rents excluding heating and operating costs are the most important single component in the basket of goods and services that is the basis for consumer prices. In October 2014 rent inflation had risen to 1.6% – the highest figure since the end of the 1990s. Inflation fell again recently to 1.2%. Both growth rates are low by international and historical standards. The sharp rises in new rents in the last few years are likely to feed through to the rents for existing properties, however, even if the extent is likely to be limited given the minimal quantitative correlation visible in chart 5.

Inflation set to rise from 0.5% in 2015 to 2.0% in 2016

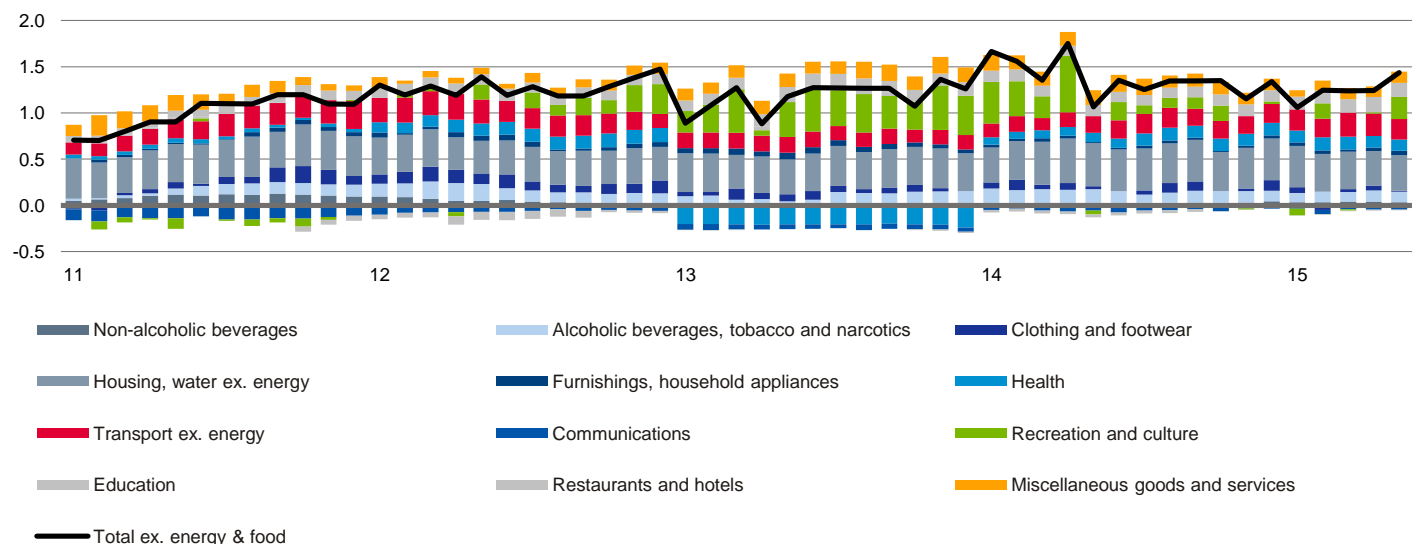
Overall, we now expect a slightly stronger rise in consumer prices of 0.5% this year and 2.0% in 2016. The quite swift partial correction in the oil price and the stabilisation of the EUR exchange rate helped to ensure that the German inflation rate only slipped into negative territory for one month. With our forecast it is the downside risks that are more pronounced. The oil price might rise more slowly than expected on account of the global oversupply. In addition, the euro has remained stable against the USD recently and is thus stronger than in our forecast. This could prevent import prices from rising as strongly as expected.

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Components of core inflation

Contribution to yoy-core inflation, %-points



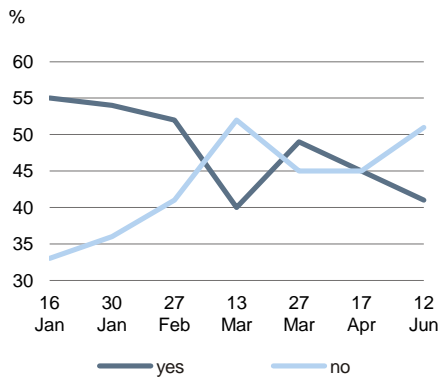
Sources: Federal Statistical Office, Deutsche Bank Research



The view from Berlin

Should Greece stay in the eurozone?

1



Source: Forschungsgruppe Wahlen Politbarometer

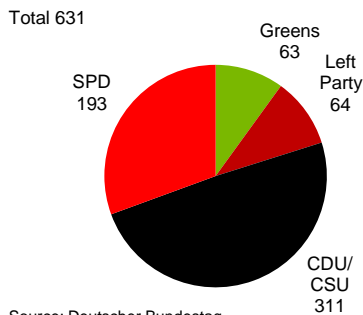
Merkel's endeavour to prevent Grexit is no longer popular

Despite busy days of tough negotiations between the Greek government and the creditor institutions, IMF, European Commission and ECB, high uncertainty has remained up to the time of writing. However, there are still expectations that a Greek default or even a Grexit can be prevented.

Chancellor Merkel has been working hard for such an outcome and a sensible compromise to successfully conclude the negotiations. On the one hand she has frequently stressed that conditionality remains the key principle for any aid to Greece. Again and again she has also asked the Greek government to assume its part to come to a solution. This has given additional weight to similar requests from Eastern European euro area members as well as from Ireland, Spain and Portugal, countries that have lived up to the reforms agreed with the institutions. This has been sensible backing to prevent too much political frustration in all these countries. On the other hand Mrs. Merkel has pointed to the Eurogroup's willingness to compromise. "Where there's a will there's a way." This recent statement hints at her willingness to react flexibly while German Finance Minister Schäuble seems to be sticking to a hard-line approach. And she has made clear that "Germany's efforts are still focused on keeping Greece in the eurozone."

Distribution of seats in the German Bundestag

2

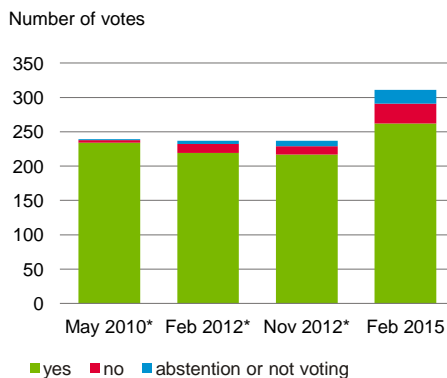


Source: Deutscher Bundestag

With such statements the chancellor has presented herself as one of the major sponsors of a possible deal and also shown leadership. Thus, Mrs. Merkel has proved those critics wrong who argued that she would decide hesitantly and only in line with the general public's attitude. Instead, public sentiment has swung in the past few weeks. According to the latest survey from mid-June only 41% of the German population are in favour of continuing Greek membership in the eurozone while 51% oppose it. Three months ago as well as at the beginning of 2015 the supporters of Greece still markedly outweighed the opponents. Within the chancellor's party unrest is growing, too. Recently, the media have picked up on reports about CDU and CSU MPs who have said they will vote against the modified package for Greece. However, the media failed to present prominent new faces beside the "usual suspects".

CDU/CSU MPs' votes on former rescue packages for Greece

3



* Previous legislature period with CDU/CSU/FDP coalition government

Source: Deutscher Bundestag

In February 2015, at the last Bundestag vote on the Greek issue, 29 out of the 311 CDU/CSU MPs voted against the prolongation of the loan programme and 107 approved only with concerns. This time the number of naysayers could well be higher. But it would be very surprising and damaging to the chancellor's standing if a substantial number of opponents from her camp refused to give her their allegiance. Given the grand coalition's huge majority of 188 seats in the Bundestag (504 out of 631), and the still relatively broad support for Greece among the SPD (not to speak of the Greens) the deal will pass through parliament. However, the situation could differ if a third rescue package became necessary in the near future. Then heightened tensions within the coalition and high uncertainty in the run-up to the voting would be very likely.

Notwithstanding the present difficulties to come to a compromise in Brussels, the chancellor is likely to stick to her course. Obviously, she can count on her popularity, which has remained unbroken despite the swing in the general attitude towards the Greek issue. She and her camp are also likely to notice with satisfaction that the eurosceptic AfD is not able to leverage the debate on Greece but instead is on the way to marginalising itself, given the ongoing quarrel over the party's course and leadership.

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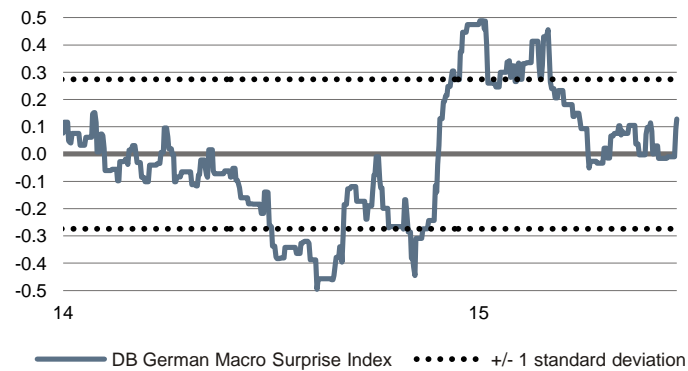
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DB German Macro Surprise Index

The DB German Macro Surprise Index compares published economic data with market forecasts and thus provides clues as to the direction of future forecast revisions.¹

DB German Macro Surprise Index

Average of last 20 z-scores of data surprises

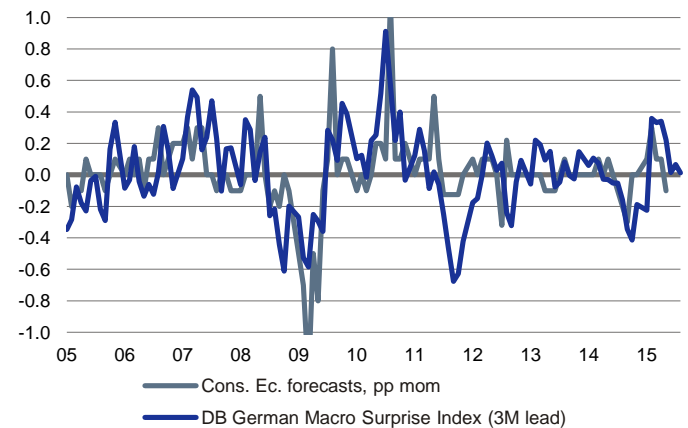


Values above (below) 0 indicate the data came in better (worse) than expected

Sources: Bloomberg Finance LP, Deutsche Bank Research

DB German Macro Surprise Index and revisions of Consensus GDP forecasts

Monthly revisions of Consensus Economic Forecasts (pp); Average of previous 20 z-scores



Sources: Consensus Economics Inc., Deutsche Bank Research

Last 20 published economic data for Germany

| Bloomberg Tickers | Indicator | Reporting month | Publication date | Current value | Bloomberg consensus | Surprise | Standardised surprise | Quantile rank |
|-------------------|----------------------------------|-----------------|------------------|---------------|---------------------|----------|-----------------------|---------------|
| GRCAEU Index | Current Account Balance (EUR bn) | 3 2015 | 08.05.15 | 27.3 | 20.0 | 7.3 | 1.9 | 1.0 |
| GRCP20YY Index | CPI (% yoy) | 4 2015 | 13.05.15 | 0.5 | 0.4 | 0.1 | 0.8 | 0.8 |
| GRZECURR Index | ZEW Survey Current Situation | 5 2015 | 19.05.15 | 65.7 | 68.0 | -2.3 | -0.4 | 0.3 |
| GRZEWI Index | ZEW Survey Expectations | 5 2015 | 19.05.15 | 41.9 | 49.0 | -7.1 | -0.8 | 0.2 |
| GRIFPBUS Index | IFO Business Climate | 5 2015 | 22.05.15 | 108.5 | 108.3 | 0.2 | 0.0 | 0.5 |
| GRGDPPGQ Index | GDP (% qoq) | 3 2015 | 22.05.15 | 0.3 | 0.3 | 0.0 | -0.1 | 0.3 |
| GRIMP95Y Index | Import Price Index (% yoy) | 4 2015 | 28.05.15 | -0.6 | -0.7 | 0.1 | 0.4 | 0.7 |
| GRFRIAMM Index | Retail Sales (% mom) | 4 2015 | 29.05.15 | 1.3 | 1.0 | 0.3 | 0.5 | 0.7 |
| MPMIDEMA Index | Markit Manufacturing PMI | 5 2015 | 01.06.15 | 51.1 | 51.4 | -0.3 | -0.3 | 0.3 |
| GRUECHNG Index | Unemployment Change (000's mom) | 5 2015 | 02.06.15 | -6.0 | -10.0 | -4.0 | -0.4 | 0.4 |
| MPMIDESA Index | Markit Services PMI | 5 2015 | 03.06.15 | 53.0 | 52.9 | 0.1 | 0.1 | 0.6 |
| GRIORTMM Index | Factory Orders (% mom) | 4 2015 | 05.06.15 | 1.4 | 0.5 | 0.9 | 0.4 | 0.7 |
| GRCAEU Index | Current Account Balance (EUR bn) | 4 2015 | 08.06.15 | 19.6 | 20.5 | -0.9 | -0.6 | 0.2 |
| GRIPIMOM Index | Industrial production (% mom) | 4 2015 | 08.06.15 | 0.9 | 0.6 | 0.3 | 0.3 | 0.6 |
| GRZEWI Index | ZEW Survey Expectations | 6 2015 | 16.06.15 | 31.5 | 37.3 | -5.8 | -0.7 | 0.2 |
| GRCP20YY Index | CPI (% yoy) | 5 2015 | 16.06.15 | 0.7 | 0.7 | 0.0 | 0.3 | 0.3 |
| GRZECURR Index | ZEW Survey Current Situation | 6 2015 | 16.06.15 | 62.9 | 63.0 | -0.1 | -0.1 | 0.4 |
| MPMIDEMA Index | Markit Manufacturing PMI | 6 2015 | 23.06.15 | 51.9 | 51.2 | 0.7 | 0.7 | 0.8 |
| MPMIDESA Index | Markit Services PMI | 6 2015 | 23.06.15 | 54.2 | 53.0 | 1.2 | 1.3 | 0.9 |
| GRIFPBUS Index | IFO Business Climate | 6 2015 | 24.06.15 | 107.4 | 108.1 | -0.7 | -0.6 | 0.2 |

Sources: Bloomberg Finance LP, Deutsche Bank Research

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¹ See for details Focus Germany. August 4, 2014.



Focus Germany

Germany: Data calendar

| Date | Time | Data | Reporting period | DB forecast | Last value |
|--------------|-------|--|------------------|-------------|-------------|
| 29 June 2015 | 8:00 | Retail sales (Index, sa), pch mom | June | -0.5 | 1.3 |
| 29 June 2015 | 14:00 | Consumer prices preliminary (Index, sa), pch mom (yoy) | June | 0.1 (0.5) | 0.1 (0.7) |
| 30 June 2015 | 10:00 | Unemployment rate (% , sa) | June | 6.3 | 6.4 |
| 6 July 2015 | 8:00 | New orders manufacturing (Index, sa), pch mom | May | -0.5 | 1.4 |
| 7 July 2015 | 8:00 | Industrial production (Index, sa), pch mom | May | 0.3 | 0.9 |
| 9 July 2015 | 8:00 | Trade balance (EUR bn, sa) | May | 20.6 | 22.0 |
| 9 July 2015 | 8:00 | Merchandise exports (EUR bn, sa), pch mom (yoy) | May | -1.7 (7.0) | 2.0 (7.5) |
| 9 July 2015 | 8:00 | Merchandise imports (EUR bn, sa), pch mom (yoy) | May | -0.5 (5.4) | -0.8 (3.4) |
| 24 July 2015 | 9:30 | Manufacturing PMI (Flash) | July | 51.5 | 51.9 |
| 24 July 2015 | 9:30 | Services PMI (Flash) | July | 53.5 | 54.2 |
| 27 July 2015 | 10:30 | ifo business climate (Index, sa) | July | 107.5 | 107.4 |
| 29 July 2015 | 8:00 | Import prices (Index, sa) pch mom (yoy) | June | -0.4 (-1.1) | -0.2 (-0.8) |
| 14 Aug 2015 | 8:00 | Real GDP (Index, sa), % qoq | Q2 2015 | 0.4 | 0.3 |

Sources: Deutsche Bank Research, Federal Statistical Office, Federal Employment Agency, ifo, Markit

Financial forecasts

| | US | JP | EMU | GB | CH | SE | DK | NO | PL | HU | CZ |
|-----------------------------|-------|------|------|------|-------|-------|------|------|------|------|------|
| Key interest rate, % | | | | | | | | | | | |
| Current | 0.125 | 0.10 | 0.05 | 0.50 | -0.75 | -0.25 | 0.05 | 1.00 | 1.50 | 1.50 | 0.05 |
| Sep 15 | 0.375 | 0.10 | 0.05 | 0.50 | -0.75 | -0.25 | 0.05 | 1.00 | 1.50 | 1.50 | 0.05 |
| Mar 16 | 0.875 | 0.10 | 0.05 | 0.50 | -0.75 | -0.25 | 0.05 | 1.00 | 1.50 | 1.50 | 0.05 |
| Jun 16 | 1.125 | 0.10 | 0.05 | 0.75 | -0.75 | -0.25 | 0.05 | 1.00 | 1.50 | 1.50 | 0.05 |

3M interest rates, %

| | | | | |
|---------|------|------|-------|------|
| Current | 0.26 | 0.15 | -0.02 | 0.58 |
| Sep 15 | 0.51 | 0.15 | -0.20 | 0.59 |
| Mar 16 | 1.18 | 0.15 | -0.15 | 0.60 |
| Jun 16 | 1.63 | 0.15 | -0.10 | 0.87 |

10Y government bonds yields, %

| | | | | |
|---------|------|------|------|------|
| Current | 2.40 | 0.34 | 0.86 | 2.15 |
| Sep 15 | 2.25 | 0.50 | 0.90 | 2.10 |
| Mar 16 | 2.50 | 0.60 | 1.10 | 2.50 |
| Jun 16 | 2.75 | 0.65 | 1.20 | 2.70 |

Exchange rates

| | EUR/USD | USD/JPY | EUR/GBP | GBP/USD | EUR/CHF | EUR/SEK | EUR/DKK | EUR/NOK | EUR/PLN | EUR/HUF | EUR/CZK |
|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Current | 1.12 | 123.87 | 0.71 | 0.64 | 1.05 | 9.23 | 7.46 | 8.76 | 4.18 | 311.78 | 27.23 |
| Sep 15 | 1.06 | 124.17 | 0.73 | 1.45 | 1.07 | 9.05 | 7.46 | 8.86 | 4.06 | 300.87 | 27.50 |
| Mar 16 | 0.98 | 126.25 | 0.74 | 1.33 | 1.10 | 8.86 | 7.46 | 8.95 | 4.06 | 300.00 | 27.50 |
| Jun 16 | 0.95 | 127.50 | 0.74 | 1.29 | 1.11 | 8.83 | 7.46 | 8.90 | 4.04 | 300.00 | 27.50 |

Sources: Bloomberg, Deutsche Bank

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Focus Germany

German data monitor

| | Q2 2014 | Q3 2014 | Q4 2014 | Q1 2015 | Q2 2015 | Jan 2015 | Feb 2015 | Mar 2015 | Apr 2015 | May 2015 | Jun 2015 |
|------------------------------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Business surveys and output | | | | | | | | | | | |
| Aggregate | | | | | | | | | | | |
| Ifo business climate | 109.9 | 106.7 | 104.7 | 107.1 | 108.2 | 106.7 | 106.8 | 107.9 | 108.6 | 108.5 | 107.4 |
| Ifo business expectations | 105.4 | 101.9 | 100.3 | 102.8 | 102.8 | 102.0 | 102.4 | 103.9 | 103.5 | 103.0 | 102.0 |
| Industry | | | | | | | | | | | |
| Ifo manufacturing | 106.1 | 102.8 | 99.9 | 102.8 | 103.9 | 102.2 | 102.3 | 103.8 | 104.6 | 104.3 | 102.9 |
| Headline IP (% pop) | -1.1 | 0.0 | 0.8 | 0.5 | | -0.1 | 0.0 | -0.4 | 0.9 | | |
| Orders (% pop) | -1.0 | 1.3 | 1.4 | -1.5 | | -2.6 | -1.0 | 1.1 | 1.4 | | |
| Capacity utilisation | 84.0 | 83.8 | 84.1 | 84.5 | 84.9 | | | | | | |
| Construction | | | | | | | | | | | |
| Output (% pop) | -4.7 | 0.4 | 1.3 | 1.2 | | 1.2 | -2.6 | 2.3 | -0.7 | | |
| Orders (% pop) | -4.5 | -2.4 | -0.1 | 8.6 | | 9.8 | -1.6 | -2.2 | -5.2 | | |
| Ifo construction | 119.9 | 120.3 | 120.4 | 118.8 | 119.9 | 119.2 | 119.2 | 118.0 | 119.6 | 119.7 | 120.4 |
| Consumer demand | | | | | | | | | | | |
| EC consumer survey | 4.3 | 1.0 | -1.2 | 1.0 | | 0.0 | -0.1 | 3.2 | 3.3 | 3.0 | |
| Retail sales (% pop) | 0.0 | 0.0 | 1.7 | 1.1 | | 0.8 | -0.3 | -0.9 | 1.3 | | |
| New car reg. (% yoy) | -0.3 | 4.1 | 2.7 | 6.4 | | 2.6 | 6.6 | 9.0 | 6.3 | -6.7 | |
| Foreign sector | | | | | | | | | | | |
| Foreign orders (% pop) | -0.9 | 3.4 | 0.8 | -3.3 | | -3.3 | -1.8 | -1.4 | 5.5 | | |
| Exports (% pop) | 0.5 | 2.4 | 1.4 | 0.6 | | -2.1 | 1.4 | 1.3 | 2.0 | | |
| Imports (% pop) | -0.9 | 0.6 | 0.5 | 1.3 | | -0.3 | 1.4 | 2.4 | -0.8 | | |
| Net trade (sa EUR bn) | 52.2 | 57.5 | 60.3 | 59.1 | | 19.7 | 20.0 | 19.4 | 22.0 | | |
| Labour market | | | | | | | | | | | |
| Unemployment rate (%) | 6.7 | 6.7 | 6.6 | 6.5 | | 6.5 | 6.5 | 6.4 | 6.4 | 6.4 | |
| Change in unemployment (k) | -20.0 | -0.3 | -39.0 | -47.0 | | -8.0 | -19.0 | -14.0 | -9.0 | -5.0 | |
| Employment (% yoy) | 0.9 | 0.8 | 0.9 | 0.7 | | 0.8 | 0.6 | 0.6 | 0.5 | | |
| Ifo employment barometer | 106.8 | 106.5 | 106.4 | 107.7 | | 108.1 | 106.8 | 108.1 | 108.1 | 108.2 | |
| Prices, wages and costs | | | | | | | | | | | |
| Prices | | | | | | | | | | | |
| Harmonised CPI (% yoy) | 0.9 | 0.8 | 0.4 | -0.2 | | -0.5 | -0.1 | 0.1 | 0.3 | 0.7 | |
| Core HICP (% yoy) | 1.1 | 1.2 | 1.1 | 1.0 | | 0.9 | 1.1 | 1.0 | 1.1 | 1.4 | |
| Harmonised PPI (% yoy) | -0.8 | -0.8 | -1.2 | -2.0 | | -2.2 | -2.1 | -1.7 | -1.5 | -1.3 | |
| Commodities, ex. energy (% yoy) | -4.9 | -1.8 | 0.9 | 2.3 | | 2.3 | 1.4 | 3.4 | 0.5 | -0.3 | |
| Oil price (USD) | 109.7 | 102.0 | 76.4 | 55.1 | | 49.7 | 58.9 | 56.8 | 61.6 | | |
| Inflation expectations | | | | | | | | | | | |
| EC household survey | 16.9 | 13.4 | 8.6 | 0.5 | | 0.5 | -0.7 | 1.7 | 2.1 | 8.3 | |
| EC industrial survey | 2.3 | 4.2 | 2.1 | -0.4 | | -1.2 | -0.1 | 0.1 | 0.4 | 0.9 | |
| Unit labour cost (% yoy) | | | | | | | | | | | |
| Unit labour cost | 2.0 | 2.0 | 1.8 | 1.8 | | | | | | | |
| Compensation | 2.6 | 2.5 | 2.6 | 2.4 | | | | | | | |
| Hourly labour costs | 2.4 | 2.1 | 1.7 | 2.5 | | | | | | | |
| Money (% yoy) | | | | | | | | | | | |
| M3 | 4.5 | 4.7 | 4.8 | 7.2 | | 5.9 | 6.3 | 7.2 | 7.1 | | |
| M3 trend (3M cma) | | | | | | 5.7 | 6.5 | 6.9 | | | |
| Credit - private | -3.5 | 1.4 | 1.7 | 2.6 | | 2.1 | 2.5 | 2.6 | 1.8 | | |
| Credit - public | 9.7 | 5.9 | 12.6 | 32.3 | | 19.0 | 15.5 | 32.3 | 27.1 | | |

% pop = % change this period over previous period.

Sources: Deutsche Bundesbank, European Commission, Eurostat, Federal Employment Agency, German Federal Statistical Office, HWWI, ifo, Markit



Focus Germany

Germany: Events of economic-, fiscal- and euro-politics

| Date | Event | Remarks |
|------------------------|--|--|
| 13 to 14 July | Eurogroup and ECOFIN meeting, Brussels | Possibly Greece and the situation in the euro area among others. |
| Mid July to end of Aug | Bundestag, Berlin | Parliamentary Summer recess |
| 16 July | ECB Governing Council meeting, press conference | The Council is fully committed to the QE programme to purchase EUR 60 bn of securities per month until September 2016 and possibly beyond. |
| 3 Sep | ECB Governing Council meeting, press conference | The risk of an early reconsideration of the QE programme is low. |
| 4 Sep | G20 Finance Ministers and Central Bank Governors meeting, Ankara | Among others (poss.) international taxation issues, financial market regulation, cross-border cooperation of regulators. |
| 11 Sep | Eurogroup and informal ECOFIN meeting, Luxembourg | |

Source: Deutsche Bank Research

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Printed by: HST Offsetdruck Schadt & Tetzlaff GbR, Dieburg

Print: ISSN 1612-314X / Internet/E-mail: ISSN 1612-3158