



# To the point!

Cross-Asset- and Strategy-Research

## 'Tis the season to be jolly!

### A constructive review of 2024: Plenty of good tidings!

Throughout the past year, I have often burdened you with negative economic trends: stagnation of the German economy, de-globalization, climate change, investment backlogs, housing shortages, Trump, and so on.

But next week is Christmas, and these lines should also convey a somewhat more festive mood. Therefore, I offer a decidedly positive year-end review. Today, the glass of mulled wine is half full, indeed. Because many things went actually better than expected. This should not be overlooked when assessing the overall situation. But if you are like most people, you already know this: the assessment of personal economic circumstances is far better than the evaluation of the overall economy (see Fig. 1).

#### Macroeconomic Environment

Yes, Germany remains in a stop-and-go economy with quarters of minimal growth followed by quarters of minimal contraction. There's no sugar-coating it. But some things have gone well. First and foremost is the faster-than-expected decline in inflation. Twelve months ago, LBBW Research expected an average inflation rate in Germany of 2.8 %. Now it looks more like 2.2 %. The lower inflation also contributed to a gentle rise in real wages that had been severely hit during the peak inflation period. Therefore, the hope that private consumption will stabilize remains realistic, notwithstanding a weakening labor market.

The taming of the "greedy beast inflation" (in the words of German Bundesbank President Joachim Nagel) allowed the European Central Bank (ECB) to implement a series of interest rate cuts since mid-year, the latest of which was last Thursday. This, in turn, led to slightly lower long-term interest rates than we had

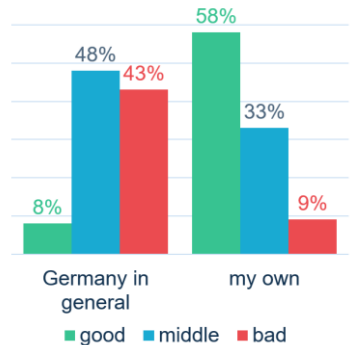
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### A cornucopia of nice surprises

Fig. 1: The economic situation in Germany is...



Source: [Forschungsgruppe Wahlen e.V.](#) (Dec. 2024), LBBW Research

expected a year ago. This helped the housing market in Germany, which shows slightly rising prices for the first time since the beginning of the hiking cycle in 2022. Despite all the adversities, the year went particularly well for shareholders. In the LBBW's 2024 annual outlook, we had predicted that the German stock index DAX would end the year at 18,000 points. You know the current level! It's well above 20,000 at the time of writing!

Equally positive: the continuously increasing compliance burden due to regulatory requirements in Germany was halted in 2024. That is a promising start for reining in red tape.

## Energy Markets

Energy prices continued to decline throughout 2024. The wholesale price for gas was significantly below pre-war levels every day of the year. Electricity prices also fell further (see Fig. 2). At the same time, Germany set a new record in expanding wind energy capacity. If these aren't reasons to celebrate, what is?

## New Beginnings

Shortly before the end of the year, we received three more pieces of good news: the dictator in Damascus has fallen – this could bring new hope to nearly a million Syrians living in Germany. And suddenly, it's happening: the European Union signed the Mercosur agreement after a quarter-century of negotiations. And since Sunday, the Frankfurt-Mannheim core rail artery is operational again. The major renovation was completed on time and within budget. German railways can still deliver. Hallelujah!

And last but not least, the snap elections in Germany are opening new perspectives. The days of the strict debt brake seem numbered, with green shoots of hope for a reform offensive. With this in mind, I conclude the last column of this year and wish you a blessed Christmas and a happy and even better New Year!

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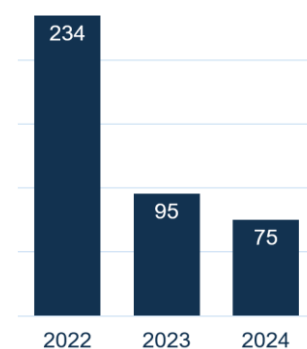
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## A turnaround in bureaucracy seems possible

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Fig. 2: Wholesale prices electricity (avg., €/MWh)



Source: [Bundesnetzagentur](#), LBBW Research. Annual averages, 2024 through November

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## Early elections as an opportunity

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