

Snap | 5 November 2021

## German industrial production continues negative trend in September

The only upside of yet another drop in German industrial production is that it can hardly get worse.



Industrial production took another hit in September, dropping by 1.1% month-on-month, from -3.5% MoM in August. German industry is suffering from ongoing supply chain frictions and has become a drag on the economy for two consecutive quarters.

On the year, industrial production was down by 1.0%, from +2.2% in August. With the September drop, German industrial production has dropped in six out of the first nine months of this year. The only upside from this morning's data is that with this dismal track record and filled order books the chances for a rebound in the fourth quarter have increased. It can hardly get worse.

### It's still all about supply chain frictions

With today's data, it is confirmed that industrial production was again a drag on growth in the third quarter, for the second consecutive quarter. Supply chain frictions are not only leaving their mark on actual production but have started to spread and to undermine production prospects. In October, production expectations had come down to their lowest level since February this year, and at the same time uncertainty has increased to its highest level since April.

The fact that, despite filled order books and low inventories, German industry has been a drag and not a driver of economic growth shows the downside of international production processes. Supply chain frictions have completely undermined strong fundamentals and the government's fiscal stimulus. At some point in time the high backlog will have to be reduced and should lead to a surge in industrial activity again. With a fourth Covid-wave currently hitting the country and a consequently very likely slowdown of (hospitality) services and consumption, a quick rebound in industrial activity would clearly be welcome.

## Author

### Carsten Brzeski

Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.