

Snap | 6 July 2018

GERMANY

## Germany: Positive surprises when you need them most

After the national football shock, trade war fears and political tensions, at least the German economy is surprising to the upside. This week's data makes it easier to become optimistic again



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Industrial production rebounded sharply in May, increasing by an impressive 2.6% month on month, from -1.3% MoM in April. After months of disappointments this good news comes at exactly the right time, washing away at least some of the concerns about the strength of the German economy. It was the best monthly industrial production performance since November last year. Industrial production is up 3.1% year-on-year. The increase was mainly driven by strong production increases in the consumer goods and investment goods sectors. The construction sector continued its latest surge, seeing activity increase by 3.1% MoM, from 1.1% MoM in April. This development should make the construction sector an important and strong driver of GDP growth in the second quarter.

After a long period of disappointments, this week finally brought a ray of light to the German economy. Better-than-expected PMIs, a rebound in new orders and today's industrial production bode well for a re-acceleration of the economy in the second half of the year. Obviously, one swallow does not make a summer. However, it increasingly looks as if the economy is in a transition towards more normal growth rates. The assessment of the German economy has moderated over the last six months, it is now time for some matter-of-factness and – given lowered expectations – even time for some modest optimism. German football aficionados currently hope that the same is true for the prospects of their national team.

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