

## German industrial production disappoints in December, while exports show some front loading

Another drop in industrial activity confirms the weak end to the year for the entire German economy



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German industry ended the year on a weak footing, dropping by 2.4% month-on-month in December, from +1.3% MoM in November. On the year, industrial production is down more than 3%. At the same time, exports grew by 2.9% MoM in December, while imports increased by slightly more than 2% MoM, widening the trade surplus.

While the catch-up in exports points to some frontloading ahead of looming tariffs, the renewed weakening of industrial production confirms the structural weakness.

Today's data point is yet another in a series of disappointing industrial figures over the past two years. The slump in German industry continues. German industrial production remains about 10% below its pre-pandemic levels some five years after the onset of Covid-19. Manufacturing capacity utilisation is at lows comparable only to those seen during the financial crisis and the initial

lockdowns. This paints a rather unflattering picture of a nation known as an industrial powerhouse.

Looking ahead, besides some rather technical rebounds, a substantial recovery of German industry is not in sight, yet. Inventories have continued to increase, instead of turning, and have now been at elevated levels for more than a year. At the same time, order books have started to bottom out but even after yesterday's strong December increase, they are not filled enough to kick-start a much-needed turn in the inventory cycle.

Add to this looming tariffs on the EU and the expected modern version of 'beggar-thy-neighbour' policies by the new US administration, and the outlook for German industry remains anything but rosy. This is not just because of the potential impact on German exports, but more so the effect on German investments if companies were to move production to the US.

All in all, today's industrial data once again underlines that industry has been and will remain a drag on German growth.

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