

Snap | 7 May 2020

## German industry sees biggest plunge on record

Same pattern, different indicator. Industrial production drops like a stone



People at a construction equipment exhibition in Munich, Germany

German industrial production followed all other German macro indicators and dropped like a stone in March. Industrial production fell by 9.2% month-on-month, from 0.3% MoM in February. Almost needless to say that this was the sharpest monthly drop ever. On the year, industrial production was down by almost 12%. Production in all sectors dropped significantly but the drop by more than 30% MoM in the automotive industry stands out in terms of negativity. Only the construction sector remained strong, seeing activity increase by some 2%. The construction sector will be one of the few positive growth drivers of the German economy in the first quarter; an important explanation as to why the contraction in the first quarter should be less steep than in most other eurozone countries.

During the midst of the financial crisis, industrial production shrank by a cumulative 20%. Today's data illustrates how an open economy like Germany has been hit severely by the lockdown measures both at home and abroad. Contrary to the financial crisis and the important role of Asian countries in the swift recovery of the German industry, there currently is no savior in sight to quickly boost external demand. This means that German industry which had been battered by a series of adverse events like the diesel crisis, problems with admission norms, low water levels in

main rivers and trade tensions will not see calmer waters any time soon.

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