

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.

Author

Carsten Brzeski

Global Head of Macro

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 www.ing.com.