

## German industrial production sends signs of life

The industrial rebound in October is a glimmer of hope but does not yet signal a turning point as supply chain frictions will only gradually abate in 2022



Industrial production finally sent some signs of life, increasing by 2.8% month-on-month in October, from -0.5% MoM in September. It was only the third monthly increase this year. On the year, industrial production was still down by 0.6%, from -0.4% in September. The increase in industrial production was driven by all sectors. Despite the long-awaited relief, this strong industrial production data does not yet mark a turning point.

### Welcome rebound but not yet a sustainable recovery

It is no longer a secret that German industrial production has suffered enormously from global supply chain frictions this year. It is not only semiconductors but all kinds of input goods, ranging from bottom brackets for bikes to magnesium needed in automotive and aircraft construction. Supply chain frictions are not only leaving their mark on actual production but have started to spread and to undermine production prospects as reflected by dropping orders and weakening production expectations.

Today's strong industrial data is finally a glimmer of hope but does not come as a surprise. Industrial production had been so weak that any single container coming to Germany and every handful of microchips would immediately lead to a pick-up in production. However, supply chain frictions have not been resolved, implying that the October industrial data is rather a short-lived rebound than the start of a sustainable recovery or turning point.

Given that private consumption will be a drag on the entire economy, due to high energy prices and new restrictions amid a fourth wave of the pandemic, any pick-up in industrial production is welcome. In fact, a rebound in industrial production is probably the only thing that can help the German economy to avoid falling into stagnation or worse in the fourth quarter. In our view, the rebound will not yet be strong enough to fully offset weakening consumption. It will take until spring next year before German industry is back on a sustainable recovery path.

## 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 [www.ing.com](http://www.ing.com).