

Germany's industrial slump continued in October

There's still no end in sight to the industrial slump in Germany as industrial production dropped once again in October



A weak start to the fourth quarter could increase the risk of a winter recession in Germany

The slump continues. German industrial production fell by 1% month-on-month in October from -2.5% MoM in September. On the year, industrial production is down by almost 5%. This is a very weak start to the fourth quarter, increasing the risk of a winter recession in Germany.

Industrial outlook still not looking too rosy

German industry has been the best example of the entire economy's problems over the last few years: stuck between cyclical and structural headwinds and coming to terms with the fact that the traditional macro business model of cheap energy and easily accessible large export markets is no longer working. This is why almost five years after the start of the pandemic, German industrial production is still more than 10% below its pre-pandemic level.

Looking ahead, underneath very volatile monthly data, there is a clear bottoming out emerging. At the same time, however, inventory levels are still increasing and have now been at elevated levels for an unprecedented amount of time. As a result, a cyclical rebound in industrial production could still surprise over the coming months.

On a less positive note, unfortunately, capacity utilisation in manufacturing remains at its lowest level since 2020. It's only in food and apparel production where capacity utilisation is currently at historical averages. This is not exactly a flattering picture for an industrial powerhouse. And there is more.

A modern and potentially more aggressive version of 'beggar-thy-neighbour' economic policies in the US could not only harm German exports but also German investments if companies were to relocate production to the US. Add to this latest the political woes for Germany's second most important export partner, France, and the outlook for German industry doesn't exactly look very rosy – at least not beyond a short-lived cyclical rebound.

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 <http://www.ing.com>.