

Snap | 9 June 2026

GERMANY

## German industrial production defied worst-case fears in April, but stagnation persists

Industrial production increased for the first time since the start of the war in the Middle East. However, the improvement was too little to bring any significant relief. Instead, industrial production is again close to stagnation rather than signalling a genuine turnaround



German industrial production improved somewhat in April

German industrial production improved somewhat in April, but clearly too little to start discussing whether German industry is defying the economic fallout of the war in the Middle East. Instead, the just-released industrial data for April illustrate the struggle of German industry to gain momentum this year.

While industrial production increased by 0.4% month-on-month in April, from -0.1% MoM in March, production stagnated in the first four months of the year. In fact, industrial production is still some 12% below its pre-pandemic level.

What is more encouraging, however, is the increase in activity in the construction sector (+2.4% MoM). At the same time, export growth surprised to the upside at 0.9% MoM, from 0.5% in March. As imports increased by more than 1%, the trade surplus remained almost

unchanged.

### **Stagnation instead of new beginnings**

Despite weak industrial activity, the German economy surprised positively in the first quarter. Exports and government consumption were the main growth drivers. The sharp inventory reduction suggests that companies emptied their shelves to meet external demand.

Looking ahead, the war in the Middle East, high energy prices and possibly supply chain frictions have not only dented previous growth optimism but seem to have pushed the entire economy closer to stagnation once again. Yesterday's disappointing industrial orders data in April (-3.8% MoM) unfortunately confirmed this rather downbeat picture. Both the momentum in domestic defence orders and in stockpiling anticipating potential new supply chain frictions is gone; at least for now.

Industrial orders experienced a real boom after last summer, when orders increased by more than 4% MoM for four consecutive months. Unfortunately, in the first four months of the year, industrial orders dropped by more than 2% on average every single month. This rather sombre outlook is confirmed by a further weakening of production expectations. More importantly, the lack of equipment as an impediment to industrial activity is increasingly a problem, hinting at potential new supply chain frictions.

All in all, this morning's industrial production data show that the hoped-for industrial rebound in 2026 has been shelved once again. Even the first monthly increase since the war in the Middle East started does not bring new optimism. It is simply too little, and the broader picture still shows a German industry that has stagnated for the last four months.

In fact, what only a few months ago looked like the start of a promising year, with improving sentiment, filling order books and significant fiscal stimulus in defence and infrastructure, has once again turned into broken dreams. Back into stagnation territory, instead of new beginnings. Obviously, the war in the Middle East and soaring energy prices play an important role, but the German government's failure to push through structural reforms and give a clear long-term vision for the economy also matters. High hopes and broken dreams, a theme we are very likely to see more of over the next weeks as the 2026 World Cup kicks off.

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