

## German industrial production remains weak in April

With another rebound that was too weak to bring any substantial relief, industrial production increased by a meagre 0.3% month-on-month in April. Without any significant pick up in activity, the German economy's recession could continue in the second quarter



Cars on a German Autobahn

### A disappointing rebound

The German economy is still licking its wounds after the disastrous March performance. Industrial production just joined the trend of exports and retail sales, which all rebounded marginally in April but failed to bring substantial relief. If the economy doesn't gain more momentum over the coming two months, the second quarter could end up with another contraction.

In April, industrial production increased by 0.3% month-on-month, from an upwardly revised -2.1% MoM in March. For the year, industrial production was up by 1.6%. Industrial production is still some 5% below its pre-pandemic level. Activity in the construction sector surprised positively, increasing by 2% MoM, while the production of automotives dropped by 0.8% MoM. Production in the energy-intensive sectors dropped by 1.1% MoM in April and was down by almost 13% over the year.

### So what next?

Looking ahead, the optimism at the start of the year seems to have given way to more of a sense of reality. Production expectations have weakened again to the lowest level since October last year, order books are thinning out rapidly and the inventory build-up doesn't bode well for industrial production in the coming months. Sure, there could still be some technical rebounds, but the expected slowdown of the US economy – as well as the well-known structural factors like the ongoing war in Ukraine, demographic change and the current energy transition – will structurally weigh on the German economy in the coming years.

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