

August industrial data fuels new recession risk in Germany

The fourth consecutive monthly drop in industrial production is adding to fears that the entire economy has fallen back into recession in the third quarter



Germany's most prominent leading indicator fell to 86.4 in March from 88.4 in February

Whether you call it de-industrialisation, industrial shrinking, or just a big disappointment, one thing is clear: German industrial production dropped once again in August for the fourth consecutive month. On the month, it was down by 0.2%, from -0.6% month-on-month in July. For the year, industrial production was down by 2%.

Industrial production is now more than 7% below its pre-pandemic level, more than three years since the start of Covid-19. On a more positive note, production in energy-intensive sectors increased by almost 1% MoM in August and is now 'only' 8% down over the year. Activity in the construction sector fell by 2.4% MoM.

Recession risk uncomfortably high

Looking ahead, stabilising but still weak production expectations, thin order books despite last week's increase, and high inventories all indicate that German industrial production will continue moving sideways rather than gaining momentum anytime soon.

Today's industrial production data will do little to change the current hangover mood in the German economy. A stagnating economy in the second quarter after two quarters of contraction gave hope to some that the economy was improving. However, hard data for July and August had nothing to be cheerful about. In fact, retail sales, exports and industrial production all disappointed in the first two months of the third quarter, suggesting that for the entire economy, the risk of falling back into contraction is uncomfortably high.

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.