

## 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



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.

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