

Snap | 7 November 2023

German industrial production disappoints once again

Another disappointing data release not only suggests that third-quarter GDP growth could be revised downwards, but also that the country is likely to end the year in a technical recession



Germany's macro horror show continues, and we are almost getting to the point where kids ask their parents where they were the last time Germany produced a series of positive macro data. Today's industrial production data is unfortunately no exception to the longer-lasting trend. German industrial production dropped once again in September for the fifth consecutive month. On the month, it was down by 1.4% from -0.1% month-on-month in August. For the year, industrial production was down by 3.7%. The drop in industrial activity was spread across all main sectors.

Industrial production is now more than 7% below its pre-pandemic level, more than three years since the start of Covid-19. Production in energy-intensive sectors was more than 8% down compared with September last year.

Risk of ending the year in technical recession remains high

Looking ahead, leading indicators in October don't bode well for future production. After a first

stabilisation in September, production expectations and survey-based order book assessments weakened again in October. Inventories have started to come down somewhat but remain too high. Yesterday's industrial orders data for September confirmed the weak outlook. It all looks as if German industrial production will continue moving sideways rather than gaining momentum anytime soon.

With today's data, industrial production would have to increase by at least 2% MoM in the coming months to bring production back into positive territory in the fourth quarter. Even though there isn't any hard data for the fourth quarter yet, recent developments have clearly increased the risk that the German economy will end the year in recession.

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>.