

## 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.

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