

## Germany: December industry data ends a year to forget

After yesterday's disappointing new orders data, industrial production and exports in December were hardly any better, ending a terrible year for German industry



Cars on a German Autobahn

The manufacturing slump continues. The pick-up in November brought only temporary relief for German industry, as the just-released December data showed a continuation of the broader downward trend. Industrial production fell by 3.5% month-on-month in December, from 1.2% MoM in November. It was the fifth drop in the last seven months. On the year, industrial production was down by almost 7%. Probably driven by the Christmas break, activity in the construction sector fell by 8.7% MoM. Even excluding this sector, production in manufacturing was still down by 2.9% MoM. As if this wasn't bad enough, exports increased by just 0.1% MoM in December, from -2.2% in November, clearly not helping the economy. As imports dropped by 0.7% MoM, the trade balance narrowed to €15.2 billion, from 18.3bn in November.

The German manufacturing sector remains caught between cyclical weakness, on the back of the trade conflict and weaker global growth, and structural weakness, on the back of disruption in the automotive sector and too little investment. The entire manufacturing sector, except for food, is currently in stagnation mode.

Looking ahead, soft indicators point to a bottoming out and stabilisation in the manufacturing sector. Production expectations have improved somewhat and are now back to levels last seen at the beginning of 2019. At the same time, inventories started to drop at the turn of the year, keeping hopes alive for a pick-up in production in the coming months. Generally speaking, the inventory cycle in the German manufacturing sector has had a significant impact on production recently. Interestingly, while total inventories are still high, despite the January drop, inventories in the automotive sector have been dropping since the summer of 2019. At the same time, however, inventories in retail sales of vehicles are still close to record highs. Despite some zigzagging, the turnaround in the inventory cycle since the start of the year is encouraging for the whole manufacturing sector. However, yesterday's disappointing new orders, as well as possible supply chain disruptions from the economic impact of the coronavirus in China, are likely to delay the stabilisation and suggest that any recovery will be slow and gradual.

There are very few positive elements to find in the December industrial data. In fact, the data has raised the risk that next week's GDP data could bring back the R-word for the German economy. A black zero for fourth quarter GDP growth would be a positive surprise. Today's data is another reminder that 2019 was definitely a year to forget for German industry.

## Author

### Carsten Brzeski

Global Head of Macro

[carsten.brzeski@ing.de](mailto: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](http://www.ing.com).