

## Germany: First disappointments

Disappointing industrial production data in April suggests a delayed rebound of the German economy



Industrial production dropped by 1.0% month-on-month in April, from 2.2% MoM in March. On the year, industrial production was up by more than 26%. Except for the energy sector, activity in all industrial sectors dropped. The construction sector seems to have taken a longer Easter break and saw activity decreasing by more than 4% MoM.

### Rebound with shaky knees

The disappointing start to the second quarter suggests that supply chain disruptions, like the blockage of the Suez Canal in April or the ongoing semiconductor delivery problems, have not left German industry unscathed. However despite today's disappointment, the industrial outlook remains bright. Filled order books and low inventories bode well for industrial activity in the months ahead. Even if production expectations have recently come off all-time highs, industrial production should remain an important growth driver this year. In fact, the lack of demand is no longer an issue for German industry. Instead, capacity issues and the lack of qualified workers could soon return as the most pressing hurdles to growth.

On a slightly different note, booming industrial activity combined with supply chain disruptions could indeed become a concern for the European Central Bank as selling price expectations in the entire manufacturing sector are currently at record highs, not only in Germany but also the whole

eurozone.

All in all, today's disappointing industrial data underlines that the rebound of the German (and also the eurozone) economy in the second quarter has started with shaky knees. However, after some starting problems, the economic rebound should soon take off strongly.

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