

Germany: On track for a strong third quarter

The rebound lost steam in July but the economy remains on track for a strong performance in the third quarter



After two strong months, the rebound in German industry lost some steam in July. Industrial production increased by 1.2% month-on-month, from an upwardly revised 9.3% MoM in June. On the year, industrial production was still down by 10%. Excluding energy and construction, production increased by 2.8% MoM. The drop in activity in the construction sector (-4.3% MoM) is, in our view, the result of the holiday season rather than the delayed impact from Covid-19. Production in the important automotive sector increased by almost 7% MoM in July but remains around 15% below its pre-crisis level.

Even if industrial production remains unchanged for the next two months, the quarterly growth rate would still be around 10%. This illustrates that a strong rebound in the German economy is in the making. The Bundesbank's activity indicator last week pointed to a growth rate of almost 6% QoQ in the first two months of the third quarter, and still counting. This doesn't take away the fact that it will still take a while before the entire economy reaches its pre-crisis level. Industrial production, for example, remains some 10% below levels seen prior to the crisis.

The German economy remains on track for a strong surge in the third quarter. It is too early to tell

how much momentum will be left thereafter.

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>.