

## Germany: Worst month ever

Another sharp drop in industrial production shows that April 2020 will be the worst month ever for the German economy



Workers produce protective masks at a factory.

Source: Shutterstock

### The cost of lockdown

The sharp drop in German industrial production accelerated in April, illustrating the economic cost of the lockdown measures. Industrial production fell by 17.9% month-on-month, from -8.9% MoM in March. Almost needless to say that this was the sharpest monthly drop ever. On the year, industrial production was down by more than 25%. Production in all sectors fell sharply but the drop by more than 70% MoM in the automotive industry (after -30% already in March) stands out. Even the last stronghold of German industry, the construction sector, contracted in April (-4.1% MoM). Today's data echoes the devastating drop in industrial orders last Friday (-25.8% MoM).

In the midst of the financial crisis, industrial production shrank by a cumulative 20%. With today's data, two months of Covid-19 have already left a more adverse impact than the entire financial crisis. Today's data also illustrates how an open economy like Germany has been hit severely by the lockdown measures both at home and abroad. Compared with the first quarter, industrial production is currently down by 30%.

## What's next

Looking ahead, the lifting of the lockdown measures should lead to a strong rebound in economic activity and also industrial production in May and June. However, at least for German industry, the period after the imminent rebound does not look too promising. Contrary to the financial crisis and the important role of Asian countries in the swift recovery of German industry back then, there is currently no savior in sight to quickly boost external demand. This means that German industry, which had been battered by a series of adverse events like the diesel crisis and problems with admission norms in the automotive industry, low water levels in main rivers and trade tensions, as well as structural challenges, will have a hard time quickly returning as the economy's poster child.

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