

## Germany: More 'V' as exports and industrial production surge

A surge in exports and industrial production confirms the 'v'-shaped rebound. The shape of the subsequent recovery is much more uncertain



More 'V' in Germany. Yesterday's surge in industrial new orders could be considered a downpayment on future industrial activity. The just-released data on June industrial production and trade, however, shows that this future has already started. Industrial production, excluding energy and construction, increased by 11.1% month-on-month, from 10.3% MoM in May. On the year, industrial production is still down by 12%. The June surge was driven by production in all sectors. Including energy and construction, industrial production increased by 8.9% MoM, from 7.4% in May. At the same time, exports surged again and were up by almost 15% MoM, from 9% in May. With these strong numbers, some upward revision of the Q2 GDP data should not be excluded.

With a delay, industry seems to be catching up with the momentum in private consumption. Even if industrial production were to stagnate during the entire third quarter, it would still be up by some 10% compared with the second. This shows that the lifting of the lockdown measures almost mechanically will lead to a strong rebound of the economy in the third quarter.

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Still, industry has longer to go before returning to pre-crisis levels than the rest of the economy. While most parts of the economy have returned to more than 90% of pre-crisis levels, today's data brings industrial production only back to some 85% of its pre-crisis number. On top of that, German industry had already been on a difficult ride in the two years prior to the start of the Covid-19 crisis. Remember the series of problems in the automotive industry, low water levels in main rivers as well as the impact of global trade tensions? While things began to improve at the start of the year, the crisis has accentuated those structural problems. Against the background of these cyclical and structural challenges, it does not come as a surprise that recruitment plans in the manufacturing industry have been dire for an awfully long time.

All in all, today's data confirm that at least the rebound after the lifting of the lockdown measures is v-shaped. With all the risks of a second lockdown wave, an increase of permanent unemployment and structural changes to the economy stemming from Covid-19, it is however very unlikely that this 'v' will last for long.

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