

Snap | 7 May 2021

Germany: March rebound bodes well for 2Q growth

This morning's macro data out of Germany adds to our optimism for a strong economic rebound in the second quarter.



Industrial production increased by 2.5% month-on-month in March, from -1.9% MoM in February. On the year, industrial production was up by 5.1%. The construction sector staged the expected strong comeback, seeing activity surging by 10.8% MoM. Finally, exports (seasonally and calendar adjusted) increased by 1.2% MoM, from 0.9% in February. On the year, exports were up by 16%.

Fasten your seatbelts

After weaker industrial data in the first months of the year on the back of a long Christmas break, harsh winter weather and the Chinese New Year, industry has finally gained momentum. An interesting detail from the export data: in the first quarter the UK for the first time ever dropped out of Germany's Top 5 most important export destinations.

Looking ahead, filled order books and low inventories bode well for industrial activity. Fiscal stimulus and investment initiatives around the globe should also benefit German industry. Admittedly, supply chain disruptions like the blockage of the Suez Canal or semi-conductor delivery problems have, and will, distort industrial activity. However, these disruptions

will only delay - not derail - the catch-up of German industry. Therefore, it doesn't come as a surprise that production expectations in the manufacturing sector currently stand at an all-time high and even capacity utilization has surged to close to historic peaks. It might not be long before the first murmurs about capacity issues and hurdles to more growth return.

As we already knew from the first estimate of 1Q GDP growth, this explosion of manufacturing and construction activity was not sufficient to prevent the German economy from falling into contraction. However, even without any growth in the next three months, particularly construction should significantly boost GDP growth. The manufacturing sector is currently flat. However, it does not require a lot of imagination to see more than simple stagnation ahead. Fasten your seatbelts.

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 www.ing.com.