

## Germany: Those were the days

Industrial production data in February illustrates how the German manufacturing sector could have looked without Covid-19



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Industrial production increased by 0.3% month-on-month in February, from 3.2% MoM in January. The first increase in two consecutive months since early 2019. On the year, industrial production was down by 1.2%. Production in most sectors increased, except for capital goods. After the whopping 8% MoM increase in January, activity in the construction sector dropped by 1% MoM.

Today's industrial production data illustrates that German industry was finally recovering somewhat before Covid-19 hit the economy. At the turn of the year, there had been tentative signs of a bottoming out of the manufacturing slump on the back of a turn in the inventory cycle. These signs of stabilisation were confirmed in the February industrial production data. Compared with 4Q 2019, industrial production was up in the first two months of the year. If it weren't for Covid-19, today's report would have been encouraging. With the recent production stops, lockdown measures and the sharp fall in production expectations in March, the February figures are nothing more than a relic from the past, which looks much further away than it actually is. Those were the days.

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