

## Germany: Time to buy more stuff?

Lower inflation is bad news for the ECB but good news for the German economy



Further slowdown. German headline inflation is losing more momentum and seems to be on its way to what European Central Bank President Mario Draghi would call a re-anchoring at lower levels. According to the just-released first estimate, German headline inflation dropped to 0.9% year-on-year in September, from 1.0% YoY in August. The national inflation measure dropped to 1.2% YoY from 1.4% YoY in August. Judging from the available regional data, headline inflation weakened on the back of lower food and energy prices. Where available, core inflation measures remained relatively stable.

Earlier today, the German labour market sent a sign of relief. In September, the number of unemployed dropped to 2.234 million. In seasonally-adjusted terms, the number of unemployed dropped by 10,000, the first decline since April this year. The unemployment rate remained unchanged at 5.0%. The improvement was the best September performance since 2016. Also, German retail sales increased in August, by 0.5% month-on-month, from -0.8% in July.

All of this means that, at least for the time being, the feared growing contagion from the manufacturing meltdown to the rest of the German economy is not (yet) materialising. Even better, private consumption should benefit from lower inflation rates in the coming months because, in the words of Mario Draghi, “with low inflation, you can buy more stuff”. It’s hard to see

Germans listening to Draghi these days but if they do, they would definitely temper growing recession fears.

## Author

### Carsten Brzeski

Global Head of Macro

[carsten.brzeski@ing.de](mailto: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](http://www.ing.com).