

## Germany: Time to turn more optimistic?

Strong industrial production data confirms our view of a positive surprise in next week's GDP data



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German industrial production increased by 0.5% month-on-month in March, sending more positive signals for the German economy. On the year, industrial production was still down by 0.9%. The strongest increase came from the production of consumer goods (1.1% MoM). The construction sector continued its recent boom, increasing by 1.0% MoM, from the strong 4.0% MoM in February. Contrary to common belief, German industry is currently better than it's perceived to be. In fact, industrial production has been growing for four months in a row.

### Time to turn optimistic

Looking ahead, industrial orders, particularly export orders, stabilised somewhat in March, unfortunately on the back of stronger bulk orders. Clearly, this is too little to give anything like an all-clear for industrial production in the months ahead. In fact, the first quarter slump of industrial orders means that it could first get worse before it will get better for German industrial production. More generally speaking, the current situation in industry is, in our view, less disastrous than some previous data points suggested. Order books are still filled, and according to surveys, production is assured for almost as many months as last summer. While the risk of a negative sentiment loop or a cycle of fear has not entirely ebbed away, there is reason for optimism.

Today's industrial production data confirms our view of – at least to some extent– a surprisingly strong GDP growth performance in the first quarter. Despite many rather pessimistic headlines on the German economy and a series of downward revisions of 2019 growth, the first quarter might actually surprise to the upside. The eurozone economy already surprised positively with 0.4% quarter-on-quarter GDP growth in the first quarter. It looks as if Germany could return as the best student in class next week. There's life in the old dog, yet....

## Author

### Carsten Brzeski

Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

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