

## German economy sees surprise growth in the third quarter

The German economy recorded surprise GDP growth in the third quarter. However, this does not mean that the country will avoid a recession



Despite all talks of a looming recession, the just-released flash estimate of third-quarter German GDP growth came in at 0.3% quarter-on-quarter, from 0.1% QoQ in the second quarter. On the year, the economy grew by 1.2%. Growth components will only be released at the end of November but judging from available monthly data and the statistical agency's press releases, growth was mainly driven by private consumption.

Looking ahead, the surprise growth in the third quarter does not mean that the recession narrative has changed. All leading indicators point to a further weakening of the economy in the fourth quarter and there doesn't seem to be any improvement in sight. Even if the weather has brought some relief to the German economy, as the rainfall increased water levels and the warm October weather has postponed the start of the heating season, the gradual slide into recession continues. Companies and households are increasingly suffering under higher energy bills and ongoing high inflation, adjusting consumption and investments. The government's latest support package, if not implemented retroactively, will be too little too late to prevent a winter recession. It will only be

able to soften such a recession.

Leaving short-term and cyclical developments aside, we again reiterate that the German economy is in the middle of a complete overhaul. The war in Ukraine has probably marked the end of Germany's very successful economic business model: importing cheap (Russian) energy and input goods, while exporting high-quality products to the world, benefitting from globalisation. The country is now being forced to accelerate the green transition, restructure supply chains, and prepare for a less globalised world. And these things come on top of well-known long-standing issues, such as a lack of digitalisation, tired infrastructure, and an ageing society, to mention a few. Offsetting factors are the still strong labour market and the government's willingness and available fiscal firepower to financially support companies and households facing high energy bills.

Today's positive growth data is a welcome surprise. However, it does not mean that the German economy will be able to prevent a recession. The recession is only delayed, not cancelled.

## 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).