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Economic Research

Economic Briefing

Germany – Production disappoints despite increase

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The 1.4% rise in German industrial production compensated only for half of the setback in May. Together with other leading indicators, this points to a weak start to the second half of the year. We expect an anemic recovery at best.

In June, industrial production increased 1.4% in June on a seasonally adjusted basis, which was roughly in line with expectations. Production in the narrower sense (excluding the construction industry and energy) rose similarly by 1.5% (Chart 1). Production increased across the board; important areas such as the automotive sector and electronic equipment recorded strong growth. Production in the energy-intensive industry also increased by 1.4%.

However, the increase in industrial production was only able to compensate for half of the sharp setback in May, especially as the figure for May was revised downwards further (from -2.5% to -3.1%).

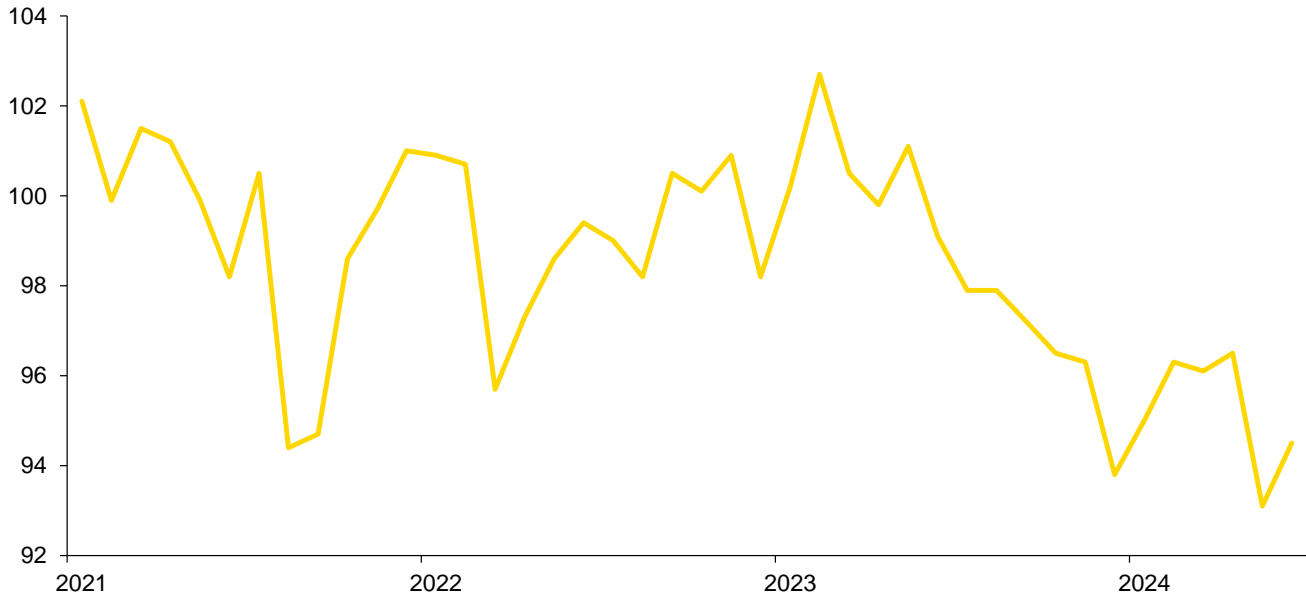


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Chart 1 - Production increases in June

Industrial production (without energy and construction), seasonally adjusted monthly data, Index 2021=100



Source: Destatis, Commerzbank-Research

One-off effects could not significantly support production

Special effects may even have had a positive impact on the figure for June. This year, unusually, there were no long weekends in June (workers tend to take Fridays off if there are public holiday of Thursday). It is possible that the seasonal adjustment does not fully capture this effect, meaning that June may have risen for this reason alone. A look at the average of the May and June figures, which is unlikely to be influenced by special effects, is below the previous months overall. The trend in the manufacturing sector is therefore clearly pointing downwards.

This trend increases the risk that the generally expected recovery will occur later than anticipated. In addition, the mood among companies has recently deteriorated again. The tentative bottoming out of incoming orders in the manufacturing sector is also unlikely to provide any tailwind for production. We continue to expect an extremely subdued recovery in the second half of the year.



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