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Economic Briefing

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# Germany – Production still on a downward trend

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**Industrial production fell by 2.5% in September compared to the previous month, following an increase of similar size in August. These strong fluctuations are primarily attributable to car production. Overall, the trend in production is pointing downwards, which is unlikely to change in the near future given the low order backlog. Industry will therefore continue to act as a brake on the economy as a whole.**

As was to be expected after the significant increase in August, industrial production fell again significantly by 2.5% in September. This is because the strong growth in August was primarily the result of very high production in the automotive sector, which benefited from the comparatively early timing of factory holidays. In September, seasonally adjusted auto production fell again significantly.

However, there was also a drop in the other sectors, meaning that the trend in production continues to point downwards (Chart 1). This also applies to the energy-intensive sectors of industry, such as the chemical industry. In the first few months of the year, their production had recovered somewhat from the shock of the massive rise in energy prices, which had made the production of some goods in Germany unprofitable. However, the decline in recent months is now more likely to be due to weak demand.

Even though incoming orders increased quite significantly in September and are thus at least showing signs of stabilization, a rapid turnaround for the better is not to be expected in production. This is because the vast majority of industrial companies surveyed in the Ifo survey describe their order backlogs as “too small”. Consequently, they are only likely to ramp up production again once incoming orders have increased significantly, and this is not likely to be the case for several months. Industry is therefore likely to continue to slow down the economy as a whole in the winter half-year.

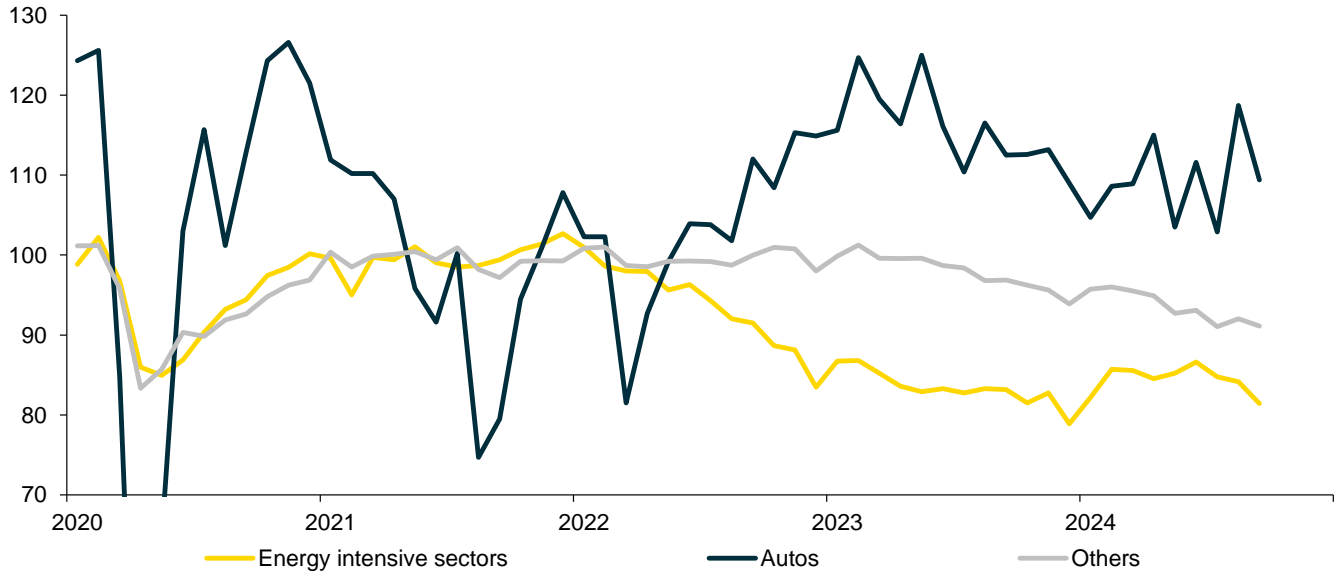


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### Chart 1 - Production in energy intensive sectors is falling again

Production in the manufacturing sector, seasonal adjusted monthly figures, 2021=100



Source: destatis, Commerzbank Research



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