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Economic Briefing

Germany – Production data better than orders

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Unlike order intake, industrial production rose by 1.2% in May compared with the previous month. This means that output in April and May was slightly above the average for the first quarter, fueling hopes that manufacturing has turned the corner. Although no significant increase in real GDP is expected for the second quarter, it should continue to rise in the following quarters, partly because fiscal policy will provide a significant boost next year at the latest.

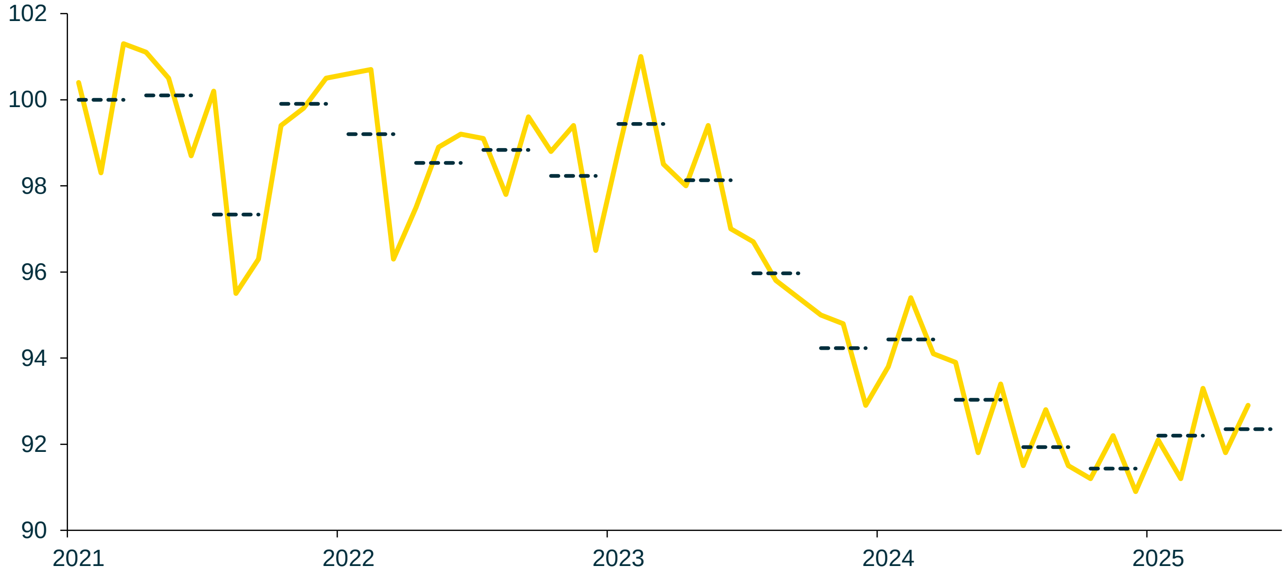
Following Friday's weak figures on industrial orders and sales, this is undoubtedly a positive surprise: manufacturing output was 1.2% higher in May than in April. This means that output in April and May was slightly above the average for the first quarter (chart).

Nevertheless, no significant increase in real GDP is expected for the second quarter. Given the weak May figures for orders and sales, it is unlikely that production rose significantly again in June, and the recent rather weak retail sales figures do not point to a significant increase in private consumption. In addition, the Federal Statistical Office currently appears to be experiencing problems with seasonal adjustment of GDP. In the past three years, the figures for the second quarter have always been significantly weaker than those for the first quarter.

However, today's figures, together with the improved sentiment indicators, give hope that the worst is over for manufacturing and that it will contribute to German economic growth in the second half of the year and next year. This is all the more true as the increasing stimulus from monetary policy will be complemented by a very expansionary fiscal policy next year at the latest. This combination should ensure that the German economy will grow significantly next year for the first time in a long time. However, the numerous structural problems facing the German economy are likely to ensure that this recovery will be moderate.

Chart 1 - Has German industrial production turned around?

Industrial production, seasonally adjusted monthly figures, 2021=100, dotted lines mark quarterly averages



Source: Destatis, S&P Global, Commerzbank Research

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