Economic Research

Economic Briefing

Germany – Late factory holidays dampen car production

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German industrial production slumped by 4.3% in August. However, this is mainly due to a much lower level of car production, which was affected by the relatively late factory holidays. Although production is expected to be significantly higher again in September, today's figures are a further indication that the German economy hardly grew at all in the third quarter.

The next weak economic data from Germany: industrial production fell by 4.3% in August, while in the manufacturing sector, the decline was as much as 5.6%. This is largely due to an 18.5% slump in car production (Chart 1). When presenting its production figures for August, the German Automobile Association had already pointed out that factory holidays were unusually frequent in August this year, dampening production in that month more than is taken into account in the seasonal adjustment. However, production in other industrial sectors also fell by 2.5%, although the summer holidays may have played a role here as well.

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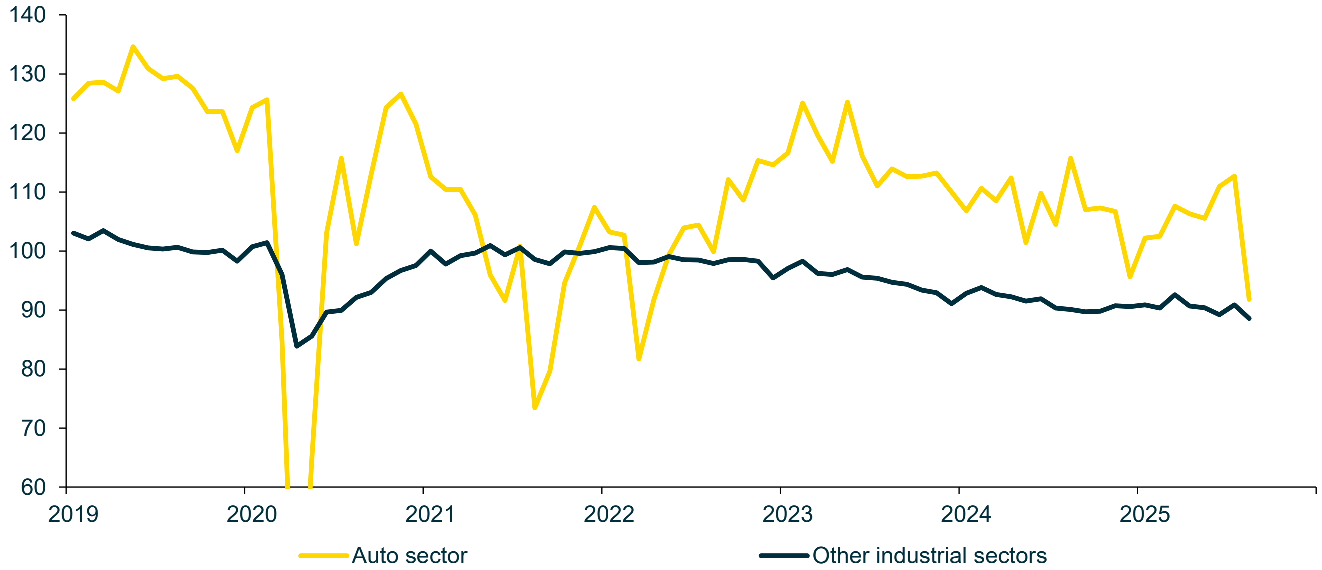
Chart 1 - Late factory holidays dampen car production

Industrial production, 2021=100, seasonally adjusted monthly figures



Source: Destatis, Commerzbank Research

Industrial production is therefore likely to be significantly higher again in September. However, it is unlikely to return to July levels. On the one hand, July production probably benefited from the late timing of factory holidays and is therefore likely to be overstated. On the other hand, figures already published by the VDA show that the increase in car production in September was limited.

The August figures are therefore likely to understate the underlying trend. However, like the weak order figures published yesterday, they show that there is no sign of an upturn in German industry as yet. In fact, the trend in production is still pointing downwards. Manufacturing therefore remains a drag on the German economy, which is unlikely to have grown much in the third quarter.

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