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Economic Research

Economic Briefing

Germany – Production still on a downward trend

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German industrial production fell by 1.0% in October compared to the previous month and was therefore well below the average for the third quarter. As production is not expected to turn around quickly due to the low level of orders, there is a growing risk that the German economy will contract in the fourth quarter.

This is a poor start to the final quarter of the year for the German economy. In October, industrial production fell by 1.0% compared to the previous month. This is largely due to a very large drop in energy production, but production in manufacturing also fell again slightly by 0.3%.

A look at the individual sectors shows a drop of just under 2% in the automotive sector; the energy-intensive sectors also continued to fall, although this is probably more the result of weak demand than the development of energy prices. Production in the other sectors appears to have stabilized for the time being (Chart 1).

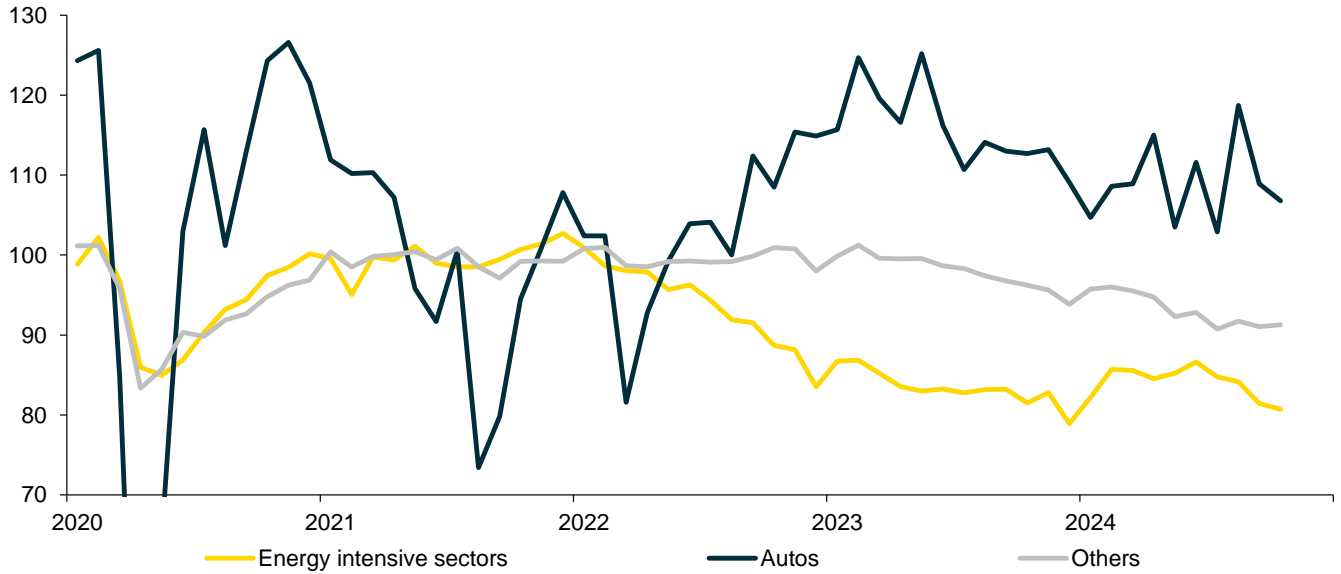


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Chart 1 - Production in energy intensive sectors falling again

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



Source: Destatis, Commerzbank Research

With the renewed decline, industrial production in October was 1.5% below the average for the third quarter. As a quick turnaround for the better can hardly be expected in view of the weak order trend and the poor business sentiment, the industrial sector is likely to have weighed on the German economy in the fourth quarter as well. This increases the risk that the German economy will have contracted slightly again by the end of the year.



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