

# The NewsLine

February 7, 2019

MACROECONOMICS

FINANCIAL MARKETS

ECONOMIC POLICY

SECTORS

## GERMANY

# Industry ends weak in a disappointing year

Industrial production rose only slightly in December with a plus of 0.2% compared to the previous month. On average in the fourth quarter, production thus fell sharply by 1.6% compared with the third quarter. The industry thus ends weak in a generally disappointing year.

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As announced today by the Federal Statistical Office, within industry only the production of capital goods increased (+0.9 % compared to the previous month). The production of intermediate goods and consumer goods, on the other hand, recorded a slight minus. Outside industry, the construction sector experienced a weak month. Production fell by 4.1%.

At least as far as the sobering development in German industry in the second half of 2018 is concerned, this can be explained to a not inconsiderable extent by special factors such as the problems in the automotive sector. However, this should not obscure the fact that the period of industrial weakness has already begun before. In the first quarter of 2018, production stagnated and in the second quarter it rose by only 0.3%.

The foreign trade headwind and political uncertainties are increasingly leaving their mark on the economy. This is also reflected in other current economic data such as incoming orders and purchasing managers' indices. We do not expect the German economy to slide into recession. However, growth momentum in the coming quarters is likely to be lower than we have up to now penciled in in our growth forecast of 1.7% for this year.

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