

# The NewsLine

July 8, 2019

MACROECONOMICS

FINANCIAL MARKETS


ECONOMIC POLICY

SECTORS

GERMANY

## H2 2018 déjà-vu fuels recession fears

Katharina Utermöhl  
Phone +49.69. 24431-3790  
[katharina.uterhoehl@allianz.com](mailto:katharina.uterhoehl@allianz.com)  
Allianz SE

  Allianz Research  
<https://twitter.com/AllianzResearch>

Thanks to gains in the production of capital and consumer goods, seasonally adjusted industrial production in May rose by 0.9% compared with the previous month. This rather encouraging development, however, is unlikely to be enough to pull the cart out of the ditch and compensate for the sharp decline in industrial production in the previous month. Following a stabilization in the first quarter of 2019, we expect industrial production to have declined overall in the second quarter at a rate observed in the second half of 2018 bringing back memories of the near-recession. Although industrial production is not in free fall, there is unlikely to be more than a timid stabilization in the cards for the remainder of the year. Persistent trade uncertainties and elevated inventory levels are keeping a lid on recovery prospects. So far, German domestic demand is still holding up relatively well, but it is only a matter of time before the weakness in industry will also affect investment activity and private consumption. Overall, we expect GDP to grow by only 0.8% in 2019.

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Seasonally adjusted industrial production rose by 0.9% in May compared with the previous month. While intermediate goods fell by 0.5%, production of consumer non-durables (1.1%) and capital goods (2.0%) saw encouraging gains. Outside industry, construction recorded a solid minus of 4.5%.

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