

The NewsLine

September 7, 2018

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Industry again with a poor start to the quarter

Seasonally adjusted industrial production fell by 1.1% in July compared with the previous month. It is now 0.9% below the average level of the second quarter. The decline in July took place on a broad basis. The strongest decline was in investment goods, which fell by 2.5%. Outside industry, the special economic cycle in construction continued. It recorded a plus of 2.6%.

German industry has thus got off to a poor start in the third quarter. Already yesterday, the Federal Statistical Office announced weak order data in manufacturing. According to the release, new orders in July fell by 0.9% seasonally adjusted compared to the previous month. The discrepancy between domestic and foreign orders is remarkable here. While domestic orders rose by 2.4%, orders from abroad fell by 3.4%. The foreign trade data, which was released today as well, also fits into this picture. Exports in July fell by just under 1% compared with the previous month, while imports rose sharply by almost 3%.

We interpret the latest economic data as proof that German domestic demand is still going well, while the export engine has stuttered. A major reason for this is certainly the ongoing trade conflict with the USA. If the uncertainty persists long enough, it will ultimately also have an impact on economic activity, regardless of whether the trade conflict escalates or not.

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