

## HOW MUCH WORSE CAN THINGS GET IN GERMANY?

From powerhouse to laggard: we look at the latest German industrial production figures from a comparative perspective.

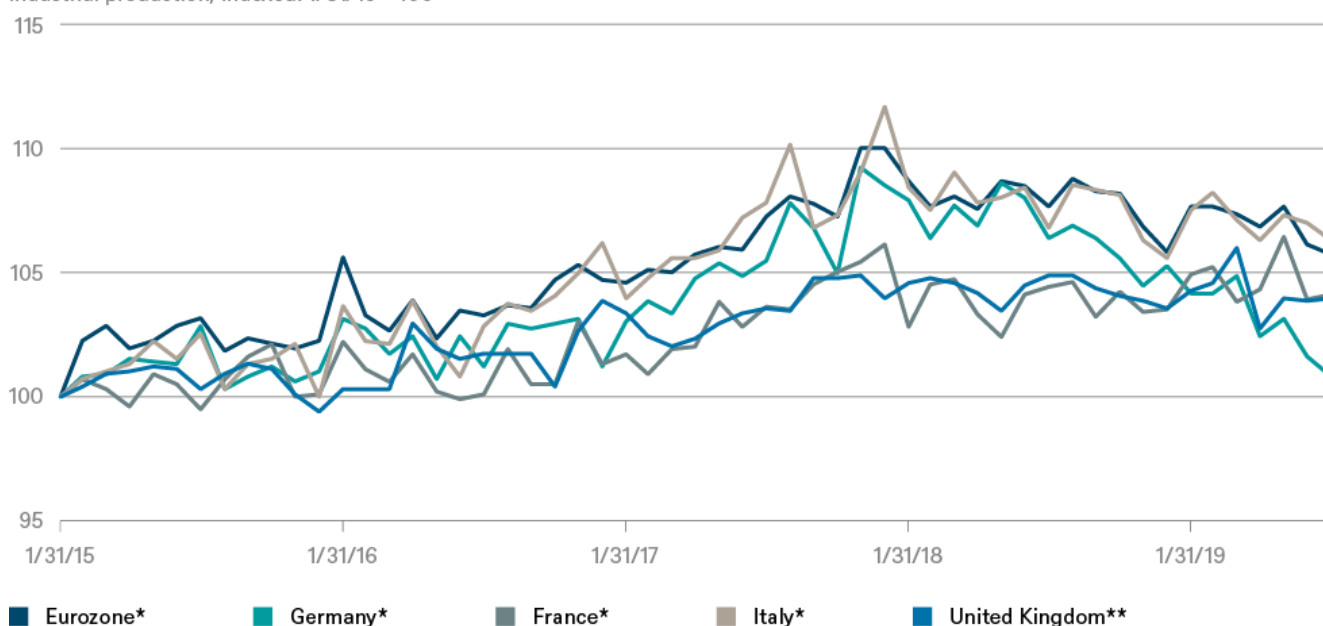
Last week, we described how the mood among German businesses has deteriorated sharply, and appears to be much worse than among their French counterparts. The same is true for hard economic numbers. When it comes to industrial production, there is a broader pattern of German weakness in recent months, as our "Chart of the Week" shows. Industrial production still looks pretty solid for the Eurozone overall, with Italy, long a laggard, actually doing quite well by comparison.

Even the UK has lately been turning out better industrial-production figures than Germany. To be sure, that does not yet include the impact from the latest twists in the ongoing Brexit dispute. After all, it was only in late August that Prime Minister Boris Johnson tried to suspend (or "prorogue") Parliament, only to see the decision overturned by the UK Supreme Court in September. Meanwhile, Parliament passed a law designed to secure an extension of the withdrawal period unless parliament agrees to a withdrawal treaty or affirmatively supports leaving without a deal by October 19.

Much as with the global trade war, Germany, as Europe's leading exporter, has suffered the bulk of the Brexit fallout. However, Germany's heavy dependency on exports also suggests it could be a big beneficiary, if the political back-drop on either trade or Brexit were to improve in coming weeks. And with both expectations and actual data already quite bad, there is probably a limit to how much further they might fall.

Tuesday's German industrial production figures (not yet included in the chart) suggest some early signs of stabilization in the overall figures. Production rose in August by 0.3% month-on-month and the previous month's data was revised up from -0.6% month-on-month to -0.4%. However, manufacturing output continued its downturn, especially in chemicals and pharmaceuticals, which declined sharply by 3% month-on-month. The "good news" is that starting in November 2019, last year's already weak figures should be a lot easier to match or at least get close to in year-on-year comparisons.

Industrial production, indexed: 1/31/15 = 100



Sources: Haver Analytics Inc. , DWS Investment GmbH as of 10/9/19  
 \* seasonally and working-day adjusted \*\* seasonally adjusted

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Source: DWS Investment GmbH

## GLOSSARY

### Brexit

**Brexit** is a combination of the words "Britain" and "Exit" and describes the exit of the United Kingdom of the European Union.

### Eurozone

The **Eurozone** is formed of 19 European Union member states that have adopted the euro as their common currency and sole legal tender.

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