

Florian Hense, Economist | [Florian.hense@berenberg.com](mailto:Florian.hense@berenberg.com) | +44 20 3207 7859**GERMAN PRODUCTION: CORRECTION AFTER STRONG Q1**

## Berenberg Macro Flash

May, mom

	Industrial production	Factory orders (released 06 July)
<b>Actual:</b>	<b>-1.3%</b>	<b>0.0%</b>
Previous:	0.5%	-2.0%
Consensus:	0.0%	1.0%
Berenberg:	0.1%	1.2%

Industrial production in Germany unexpectedly dropped in May with political uncertainty in Europe ahead of the British vote on EU membership likely weighing on activity.

Production fell 1.3% from the previous month, which was below expectations of activity remaining flat. The figure for April was revised down from a rise of 0.8 % to 0.5%. The disappointing reading is also worse than May's German data for factory orders we had received already yesterday that showed a flat development, rather than an expansion. The decline was led by capital goods, which dropped 3.9%, manufacturing output falling 1.8% and construction weakening by 0.9%. Consumer goods gained 0.5%. The divide shows that investment may be under pressure in the Eurozone's leading economy, while consumption remains resilient.

Monthly data can be very volatile, but also the 3-month change does not bode well, with activity dropping by -0.7%. This is the first drop for German production in 2016 on a 3-month basis. The two months of the second quarter (April and May) taken together point to a drop by -1.1% compared to the first quarter.

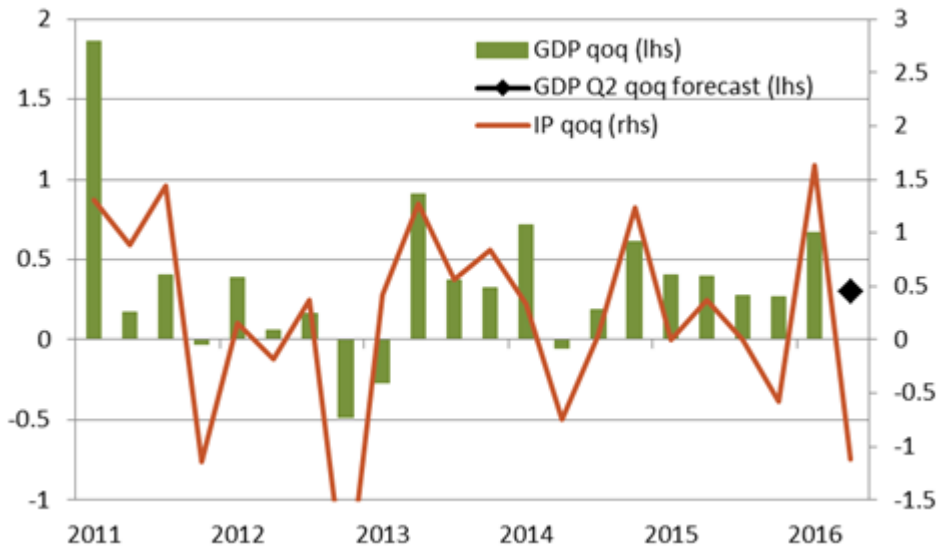
The figures underscore the challenges facing German manufacturers, with signs of fragility in the global economy likely to be exacerbated by the British vote to leave the EU. After the very strong first quarter for GDP growth (0.7% qoq) we had expected a slowdown in the second quarter to 0.3%. Leading indicators such as the Ifo business climate had been solid in May and June, making the weakness in hard data for April and May look like a correction after an exceptionally strong Q1.

	MAY	APR	MAR	FEB	JAN	DEC
Total	-1.3%	0.5%	-1.1%	-0.6%	2.8%	-0.1%
Intermediate goods	-0.3%	0.4%	-1.3%	0.6%	0.7%	0.9%
Capital goods	-3.9%	1.9%	-1.2%	-2.1%	5.3%	-0.1%
Consumer goods	0.5%	0.2%	0.0%	-0.9%	2.3%	-0.9%
Construction	-0.9%	-2.0%	-3.0%	2.2%	2.8%	-0.4%



## MACRO NEWS

### Industrial production vs. GDP qoq growth (Apr/May for IP Q2)



Source: Deutsche Bundesbank

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