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Berenberg Macro Flash

German industrial production, September, mom in %

	Industrial production	Factory orders (released 7 November)
Actual:	-1.8	-0.6
Previous:	3.0	0.9
Consensus:	-0.5	0.3

Despite a significant correction in September after an even stronger rise in August, German industrial output continues to trend up. The -1.8% mom decline in September is within the margin of the volatility in the monthly data. It is not the start of a new trend. Instead, solid readings for leading indicators such as Ifo expectations and the manufacturing PMI point to some additional momentum going forward driven by a rebound in exports. On a quarterly basis, the 0.25% qoq rise in output in Q3 after a 0.85% qoq drop in Q2 suggests that industry will have made a stronger contribution to growth in Q3 than in Q2.

In September, industrial output fell 1.8% from the previous month, which was below expectations of activity declining only slightly (0.5%). The reading follows the 0.6% mom decline in German factory orders for September published yesterday. Orders receded largely because September had fewer of the volatile bulk orders than usual.

Monthly data is volatile: The reading for industrial production has to be seen in context with the exceptionally strong August which was revised up from a rise of 2.5% mom to 3.0%. The September decline in production in September was broad-based and led by capital goods, which dropped 2.4%, manufacturing output falling 1.7% and construction weakening by 1.5%. Production for consumer goods also softened (1.9%).

Trend remains upwards: The strong October readings for German Ifo business confidence (highest since April 2014) and the PMI manufacturing (highest since January 2014) suggest that German industry will start the fourth quarter on a stronger footing. After GDP qoq growth of 0.3% in Q3, we expect the economy to expand by 0.4% in Q4 (see chart). The risks to our calls are on the upside.

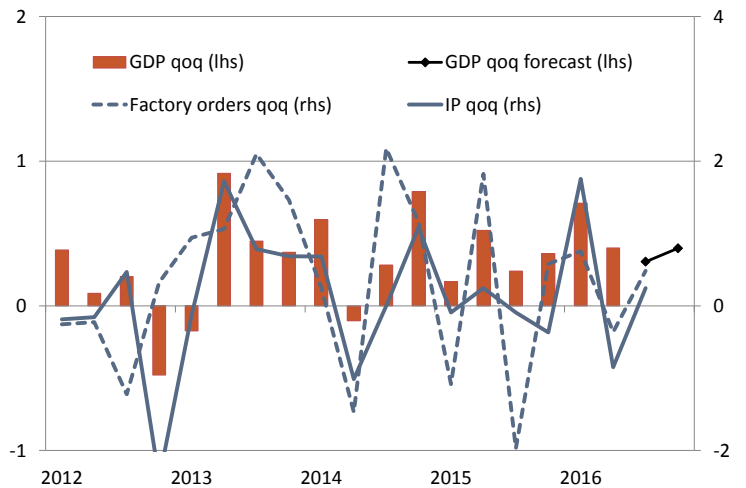
German industrial production, in %

	SEP	AUG	JUL	JUN	MAY	APR
Total	-1.8	3.0	-1.5	1.1	-1.1	0.6
Intermediate goods	-0.5	2.1	-0.8	-0.7	-0.5	0.6
Capital goods	-2.4	5.5	-4.0	4.0	-3.4	1.7
Consumer goods	-1.9	2.4	-1.9	1.1	0.2	0.0
Construction	-1.5	-0.1	1.4	0.2	-0.1	-2.0



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German industrial production vs. GDP qoq growth (in %)



Source: Deutsche Bundesbank

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