06 February 2009

Economic News

GERMAN INDUSTRY IN RECESSION

An end to the downturn is not in sight

At the moment, German industry is suffering from the global economic downturn like virtually no other in Europe. Having already seen incoming orders decline dramatically, production collapsed at the turn of the year. However, this was to have been expected following the announcements of extended plant closures and short-time working.

- **Incoming orders** have dropped in eleven of the past twelve months. Over the past year, incoming orders have fallen by 29% y/y overall. This is the largest decrease since the collation of this indicator for the whole of Germany. On average, incoming orders in 2008 were more than 6% down y/y. Most notably, orders from abroad, and particularly from the Eurozone, fell dramatically.
- In December, **industrial production** was down by 4.6% m/m. This is the greatest monthly decrease since 1991. It is even more extreme than analysts' pessimistic estimates, which had projected a decline of 2.5% m/m.
- Taking everything into consideration, it is apparent that German industry's strengths (high proportion of exports and concentration on high value capital goods) are proving to be that much more of an Achilles' Heel during this global economic downcycle. Although the recently published business climate indicators have turned a little more encouraging once again, this is purely ascribed to the expectation components and therefore the hope that the economic stimulus programme will start to bear fruit by the middle of the year. For now, it does not look as though the real economy will be showing signs of a recovery any time soon. German industry's prospects for this year remain very gloomy.

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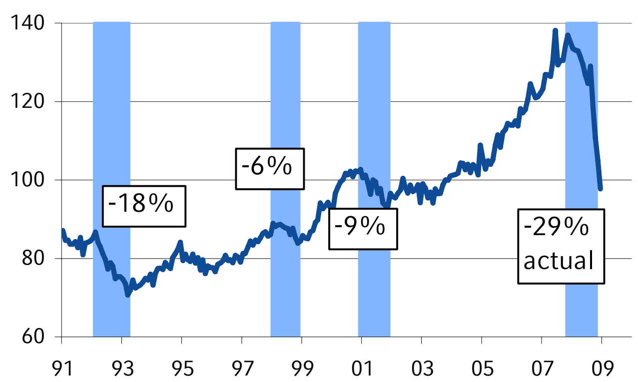
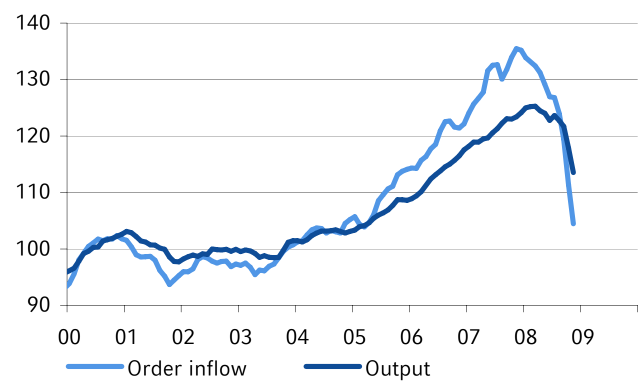
Industrial orders since 1991
2000 = 100



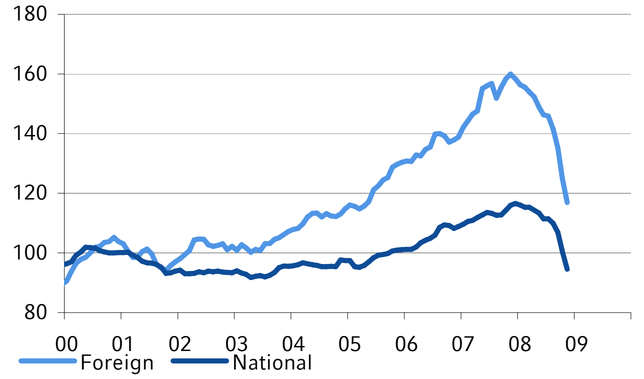
Source EcoWin, WestLB Research

Incoming orders and production
2000 = 100



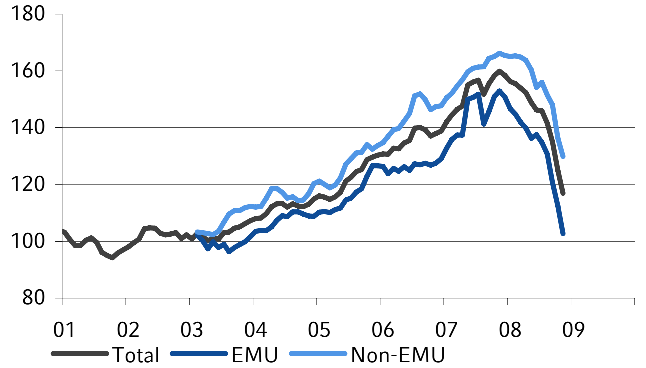
Source EcoWin, WestLB Research

Industrial orders received
2000 = 100



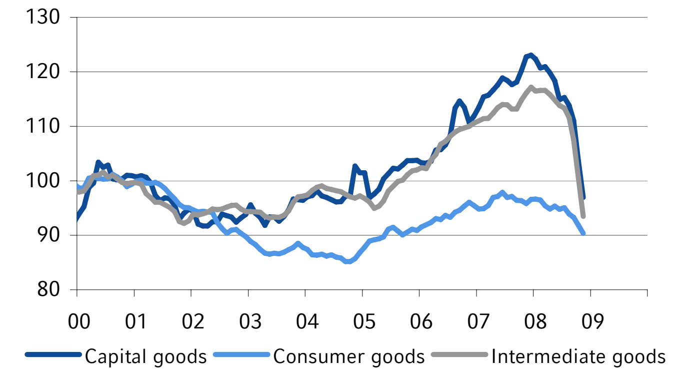
Source EcoWin, WestLB Research

Export orders by country
2000 = 100



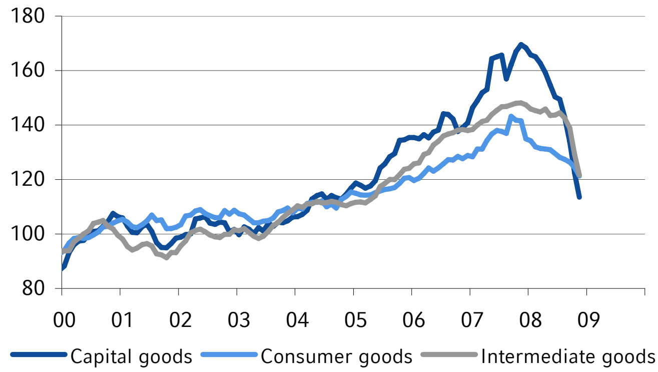
Source EcoWin, WestLB Research

Domestic industrial orders
2000 = 100



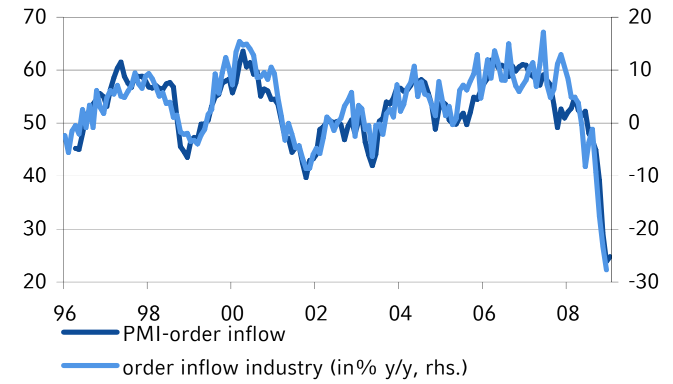
Source EcoWin, WestLB Research

Industrial export orders
2000 = 100



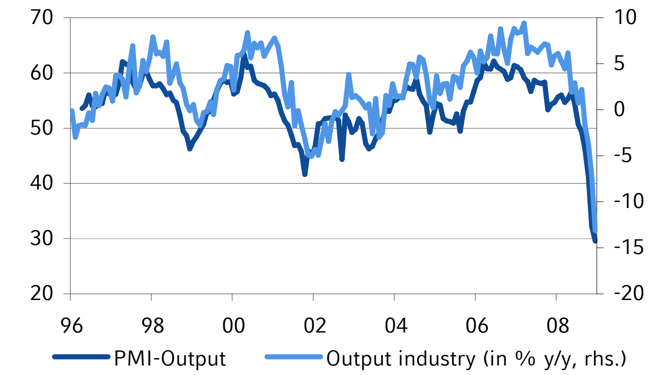
Source EcoWin, WestLB Research

PMI and industrial orders
in points and % y/y respectively



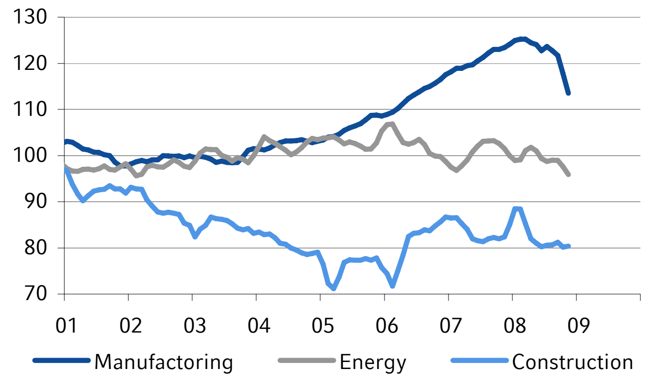
Source EcoWin, WestLB Research

PMI and industrial output
in points and % y/y respectively



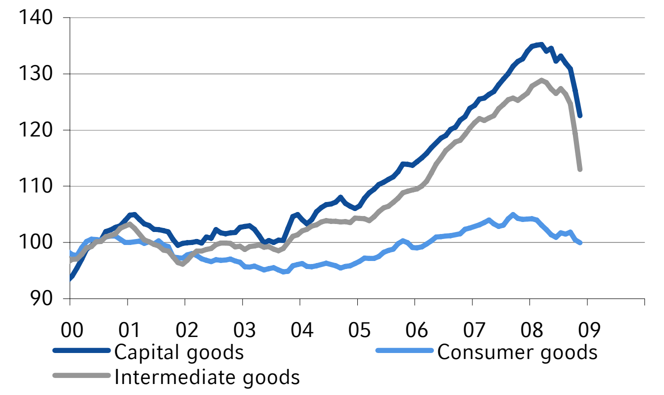
Source EcoWin, WestLB Research

Industry production
2000 = 100



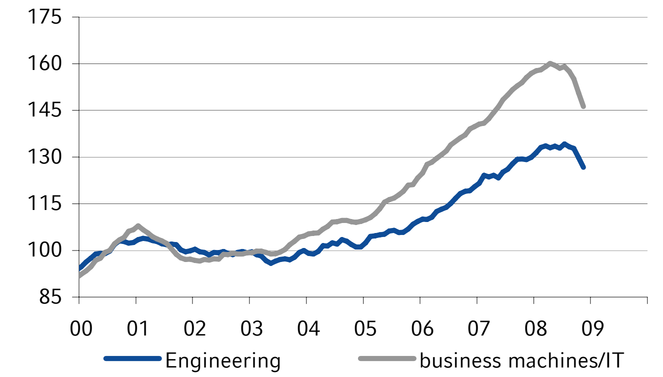
Source EcoWin, WestLB Research

Manufacturing industry output – main sectors
2000 = 100



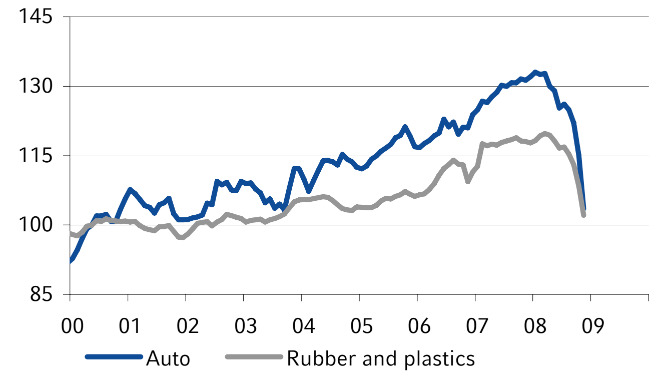
Source EcoWin, WestLB Research

Industrial output
2000 = 100



Source EcoWin, WestLB Research

Industrial output
2000 = 100



Source EcoWin, WestLB Research

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