

## Germany

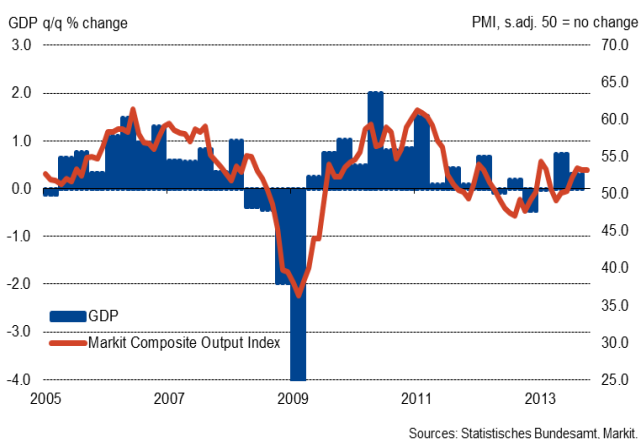
### German economy grows in line with forecasts in third quarter

- GDP grows 0.3% in Q3
- Factory orders rise sharply, while manufacturing output falls unexpectedly
- Survey data point to further growth in Q4

While the outcomes of coalition talks remain uncertain, Germany's Federal Statistical Office (Destatis) published its first estimate of third quarter GDP on Thursday. German GDP rose 0.3% in the three months to September, down from +0.7% in the three months to June and in line with the consensus according to Reuters. The eurozone's largest economy grew 1.1% over the year.

Although the pace of expansion eased from the second quarter, survey data for Q4 so far suggest the German economy is on track to meet the governments' expectation of an annual 0.6% rise in 2013. For 2014, government officials expect the economy to pick up momentum and to grow 1.7%.

#### German PMI surveys and GDP



The Statistics Office reported that “positive impulses came exclusively from inside Germany”. Both household and government spending were higher than in the previous quarter and investment in construction and equipment increased as well. However, net exports (exports minus imports) acted as a drag on GDP growth, the Office said.

The fall in net exports in the third quarter comes as a surprise and contrasts with official data for September, showing that [Germany exported goods and services worth €94.7bn](#). This was up from €85.0bn in August and 3.6% higher than in September 2012. Meanwhile, imports fell 0.3% to €74.3bn. The latest trade surplus of €20.4 exceeded the previous record high from June 2008 by €0.6bn.

Survey data indicate that manufacturing, services, construction and consumer spending all continued to rise in October, boding well for the expansion to be sustained in the fourth quarter.

#### Mixed signals for fourth quarter growth

As for growth momentum approaching the fourth quarter, the official economic indicators have so far been mixed. The more timely PMI data nonetheless provide encouraging news that the economy continued to expand in October, consistent with a quarterly GDP growth rate of around 0.3%.

Official data suggested that factory orders increased 3.3% in September, having declined in the previous two months. The data marked the sharpest rise in industry orders since last October. While domestic demand fell by 0.9%, new export business rose 6.9%, the biggest expansion in over two years.

#### Surprise fall in manufacturing output

Despite the sharp expansion in factory orders, industrial output in Germany declined 0.9% in September, following a 1.6% expansion in August. A Reuters poll had forecasted a much weaker drop of 0.2%. However, the weakness was largely due to the auto sector, where vehicle production fell some 7.3% compared with August. This was the sharpest month on month drop in over four-and-a-half years.

Output in the construction sector fell for the second month running in September, dropping at the fastest pace since March.

Despite the unexpected drop in manufacturing output from the previous month, production rose a solid 1.0% from a year earlier, the sharpest expansion in a year-and-a-half. The production of capital goods rose 2.2%, with output of intermediate goods and consumer goods expanding 0.3% and 0.2% respectively.

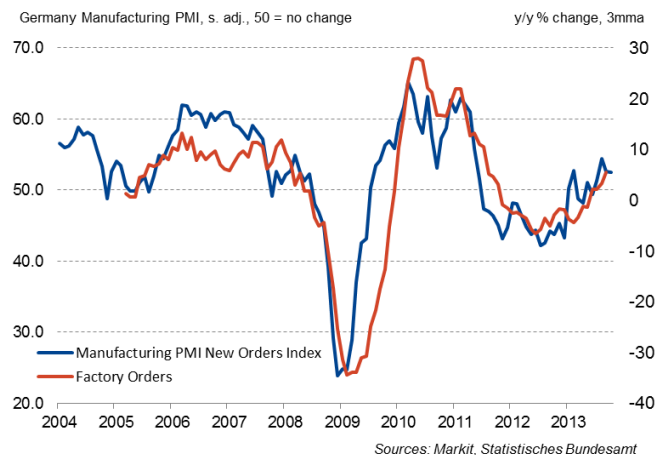
### Survey data point to further growth

October's [Makit/BME Germany Manufacturing PMI](#) suggests that the decline in manufacturing output signaled by official data may only be a temporary lull. The headline PMI rose from September's 51.1 to 51.7 to signal the fourth consecutive improvement in operating conditions in Germany's goods producing sector. Companies reported a solid increase of output, with the pace of expansion accelerating from September's three-month low.

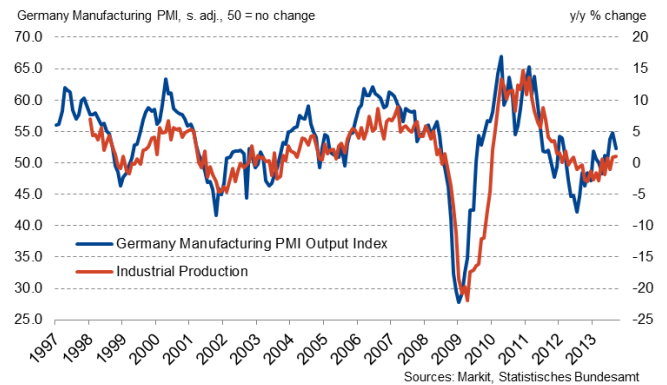
Activity in the services sector also continued to rise, with October's [Final Germany Services Business Activity](#) Index posting 52.9. The reading was down from September's seven-month high, but in line with the series average.

October's retail PMI survey was consistent with a further [rise in household spending in Germany](#), suggesting that consumer spending continued to act as a positive driver of economic growth at the start for the fourth quarter. [Construction activity](#) also continued to increase at the beginning of the final quarter of the year, with commercial activity the strongest performing area of the industry, according to PMI data

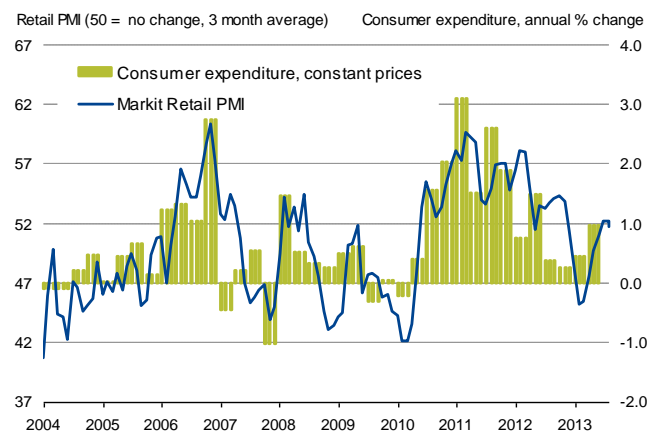
### PMI data suggest further rise in factory orders



### Industrial production and PMI Manufacturing Output Index



### Retail PMI and consumer expenditure



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