

## Germany

### Industrial production growth adds hopes to acceleration of GDP growth

- **Industrial production rises 1.9% in November, with manufacturing output up 3.1%**
- **Official statistics and survey data point to acceleration of GDP growth in Q4**

German industrial production grew more than expected in October, adding to signs that the economy is enjoying a robust and broad-based upturn. The rise comes as a welcome relief, representing a strong rebound after production in the sector fell unexpectedly by some 1.2% in October.

#### Rise in industrial production beats forecasts

Industrial production rose 1.9% in November, according to the Federal Statistical Office (Destatis), beating economists' expectations polled by Reuters, who had expected a 1.5% increase. The latest expansion was the second-sharpest in just over a year-and-a-half, with only June's 2.2% rise having been stronger.

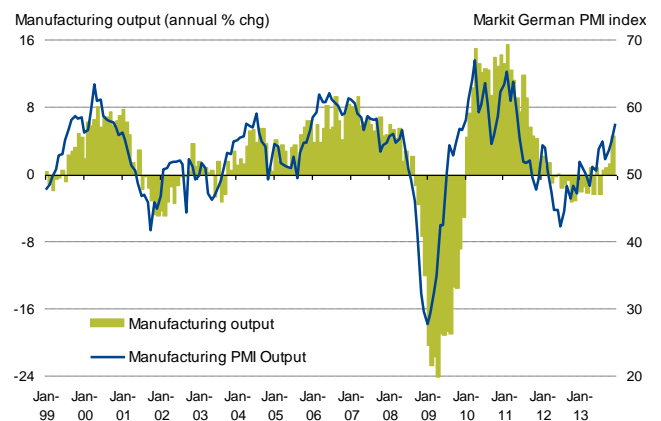
Destatis reported that the rise was largely driven by a 3.1% rise in manufacturing production, while construction output saw a 1.7% drop in November, contracting for a fourth month running and at the fastest pace since March.

Within manufacturing, investment goods production rose 5.1%, which was in turn mainly attributed to strong growth in mechanical engineering and the auto industry. Production of intermediate and consumer goods, meanwhile, expanded by 1.2% and 1.8% respectively.

The increase pushed the year-on-year rate of growth in manufacturing up to 4.7%, its highest for just over two years, and survey data point to the possibility of an even stronger rise in December.

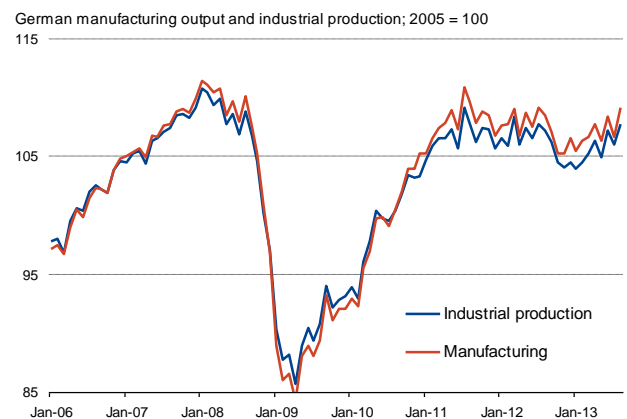
While the official data have been volatile and difficult to interpret as far as the underlying trend is concerned, the survey data have painted a clearer picture of goods producers having enjoyed solid growth in recent months.

#### Manufacturing and the PMI



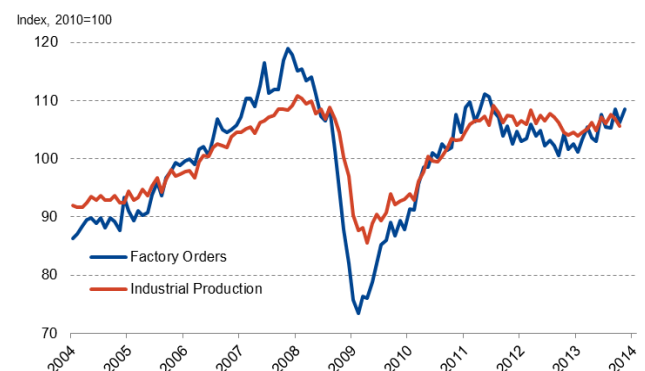
Sources: Markit, FSO via Ecowin.

#### Industrial production rises 1.9% in November



Sources: FSO via Ecowin.

#### Industrial production and factory orders



Source: Statistisches Bundesamt.

[The Markit/BME Germany Manufacturing PMI®](#) rose from 52.7 in November to 54.3 in December, the highest reading in two-and-a-half years. Production and order intakes rose sharply, providing further encouraging news that the economic upturn in the sector will be sustained into 2014. It looks as if growth is now also translating into job creation, with employment rising for the first time since March.

### Upturn in German economy broad-based

Official data also indicated that factory orders increased 2.1% in November, having declined by the same amount in October. Domestic orders rose 1.9%, while exports increased by 2.2%, driven mainly by exports to non-eurozone members, the Federal Ministry for Economic Affairs and Energy said. On an annual basis, new work in the sector rose some 6.8%, from 2.0% in the previous month and recording the sharpest expansion in just over two years.

Earlier in the week, [retail data](#) showed sales rising some 1.5% in November, following a two-month period of declining turnover. This marked the sharpest expansion since the beginning of the year.

Moreover, [trade data](#) showed rising exports and falling imports in Germany, pushing the nation's trade surplus to a near record high in November.

### GDP growth to accelerate in Q4

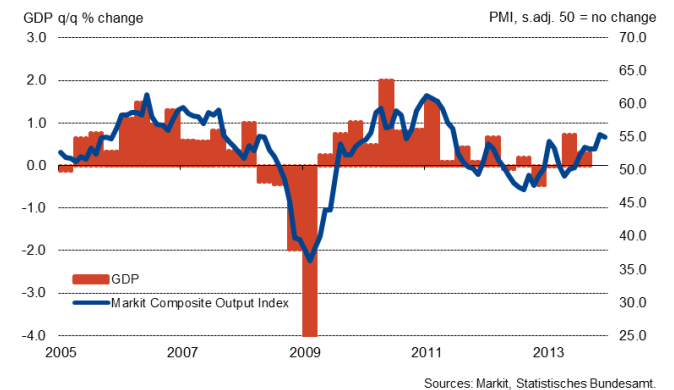
The official data available for the final quarter of 2013 so far are therefore aligning with PMI survey data, which have signalled an acceleration in the pace of economic growth in recent months. The [Germany Composite Output Index](#), which covers both the service and manufacturing sectors, has been

consistent with fourth quarter growth of around 0.5%. This would mean that the German economy grew at around 0.6% in 2013, down slightly from 0.7% in 2012, but in line with the governments' expectations.

### Factory orders increase in November



### PMI Composite Output Index consistent with 0.5% GDP growth in Q4



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