

## A recession? What recession?

Growth in industrial activity observed in January (+3.7% MoM) and February (+2% MoM) suggests more than a technical rebound correcting the downturn seen in December (-2.4% MoM). Some sectors, such as metals, have seen recovery in Q1 2023, compared to a difficult Q4 2022. Conversely, transport equipment showed a growth carryover for Q1 2023 of +6.2%, after an already strong increase in Q4 2022 (+7.5% QoQ). Transport equipment is benefiting from another catch-up effect linked to the reduction in supply difficulties. The improvement in industrial activity can also be seen in the IFO survey in March, where 5 out of 22 sectors appear to be booming: this still relates to a minority of sectors but is the highest proportion since February 2022.

After a sharp downturn of 1% QoQ in Q4 2022, private consumption should stabilize in Q1, in particular because the upturn in household confidence (from -42.8 in October to -29.5 in April according to GFK) had no impact on the willingness to buy index (-17 in March compared to -17.5 in October 2022).

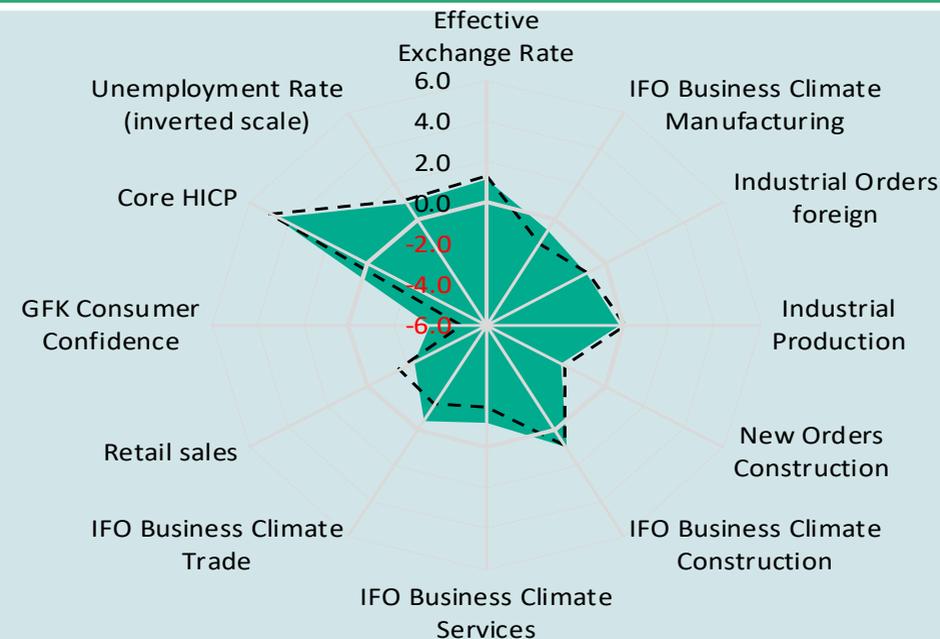
This relative wait-and-see attitude among German consumers mirrors the dynamics of inflation. While disinflation may already appear substantial – inflation fell from 11.6% YoY in October 2022 to 7.8% YoY in March 2023 – this is mainly due to the fall in energy prices (following the federal government's freeze on energy prices in particular). At the same time, inflation in services continued to rise to 4.8% YoY in March (compared to 3.5% YoY in October 2022).

The employment climate, according to the IFO survey, is showing a moderate improvement (99.9 in March, 2 points above its historical average), consistent with the creation of 96k jobs in January-February, supported by business growth and significant labour shortages. This growth in employment partially offsets the weakness seen in H2 2022.

After a very negative figure in Q4 2022 (-0.4% QoQ), German GDP growth should recover significantly in Q1 2023 (+0.2% QoQ), a momentum linked in part to catch-up effects, but also driven in part by the upturn in transport equipment activity, which is identified as being more structural.

Stéphane Colliac (article completed on 19/04/2023)

## Germany: economic indicators quarterly changes



The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -6 and +6. In the radar chart, the green area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.

## Germany: GDP growth

Actual			Carry-over	Forecast			Annual growth forecasts (y/y)		
Q2 2022	Q3 2022	Q4 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	2022 (observed)	2023	2024
0.1	0.5	-0.4	-0.1	0.2	0.2	0.0	1.9	0.0	0.5

Source: Refinitiv, BNP Paribas



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