

# ECONOMIC PULSE

## GERMANY: NASCENT SIGNS OF STABILIZATION IN INDUSTRY

The economic climate in Q4 has hardly changed compared to three months earlier. The weakness is concentrated in the manufacturing sector, where production and orders are well below their long-term average. The growth impetus is coming from the more domestic-oriented sectors such as construction and services. Consumer confidence and retail sales remain well oriented thanks to low unemployment, low interest rapidly increasing wages.

However, in January, the household confidence indicator fell more than expected on the back of lower income expectations. It could be a sign that the weakness in manufacturing is spilling over to the rest of the economy. On the other hand, some signs of stabilization in manufacturing were noted.

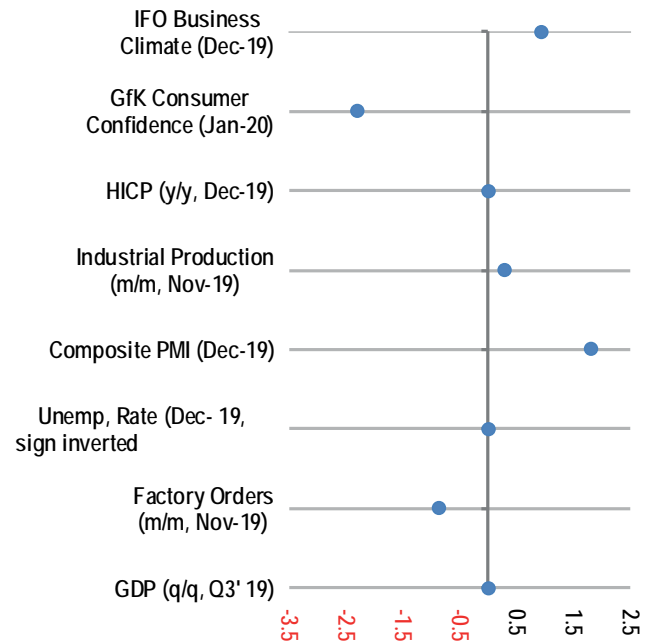
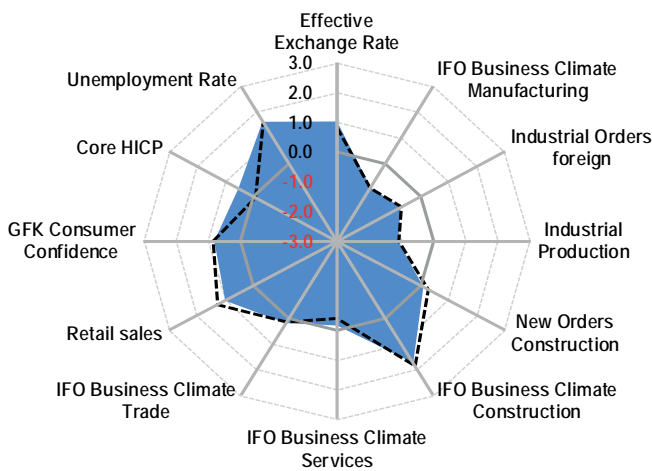
In December, the ifo business climate index strengthened, partly because of a strong rebound in expectations in manufacturing and manufacturing activity strengthened more than expected in November. True, factory orders disappointed in November, but that was partly due to very strong reading in the preceding month. Overall, manufacturing production might have passed the trough.

**Raymond Van Der Putten**

### QUATERLY CHANGES

### SURPRISE (Z-SCORE)

■ 3 month average (actual)    - - - - 3 month average (4 months ago)



SOURCES : THOMSON REUTERS, BNP PARIBAS

SOURCES : BLOOMBERG, BNP PARIBAS

