German industrial production (GRIPIMOM) rebounded less than analysts forecast in September, signaling that Europe’s largest economy is struggling to recover.

Production, adjusted for seasonal swings, rose 1.4 percent from August, when it contracted a revised 3.1 percent, the biggest decline since January 2009, the Economy Ministry in Berlin said today. Economists surveyed by Bloomberg News predicted a 2 percent increase in output. Production declined 0.4 percent in the third quarter.

Germany’s economy contracted in the April–June period as political tensions with Russia sapped exports and weighed on confidence. Its return to growth is key to shore up a euro-area recovery that the European Central Bank supports with asset purchases and long-term loans.

“There is a slowdown in the second half of the year but we won’t see a massive contraction in the manufacturing sector,” said Andreas Rees, chief German economist at UniCredit MIB in Frankfurt. “This is a consequence of the mix between slower exports and the lack of confidence coming from the Russia-Ukraine crisis.”

Manufacturing output increased 1.7 percent in September after dropping 4.2 percent in August, with production of investment goods up 4.5 percent, according to today’s report.

“Momentum in the industry is constrained by a continuously difficult international environment,” the economy ministry said. “There are no noteworthy impulses in the short term.”

At the same time, exports surged 5.5 percent in September from the previous month, marking the biggest increase since May 2010, the Federal Statistics Office in Wiesbaden said today.

Earnings Forecasts

Rheinmetall AG lowered its earnings forecast for 2014 as it reported lower profits from its activity in the defense sector. Hugo Boss AG also trimmed targets for the year, citing a “substantial slowdown” in Europe.

The European Commission forecasts that gross domestic product in the currency bloc will expand by 0.8 percent this year and 1.1 percent in 2015, compared with May projections of 1.2 percent and...
1.7 percent. German GDP will rise 1.3 percent this year and 1.1 percent in 2015, down from 1.8 percent and 2 percent, it said.

The ECB left interest rates unchanged yesterday, with President Mario Draghi saying he'll be ready to boost stimulus to the economy if needed. The Frankfurt-based institution will publish its new forecasts in December.

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