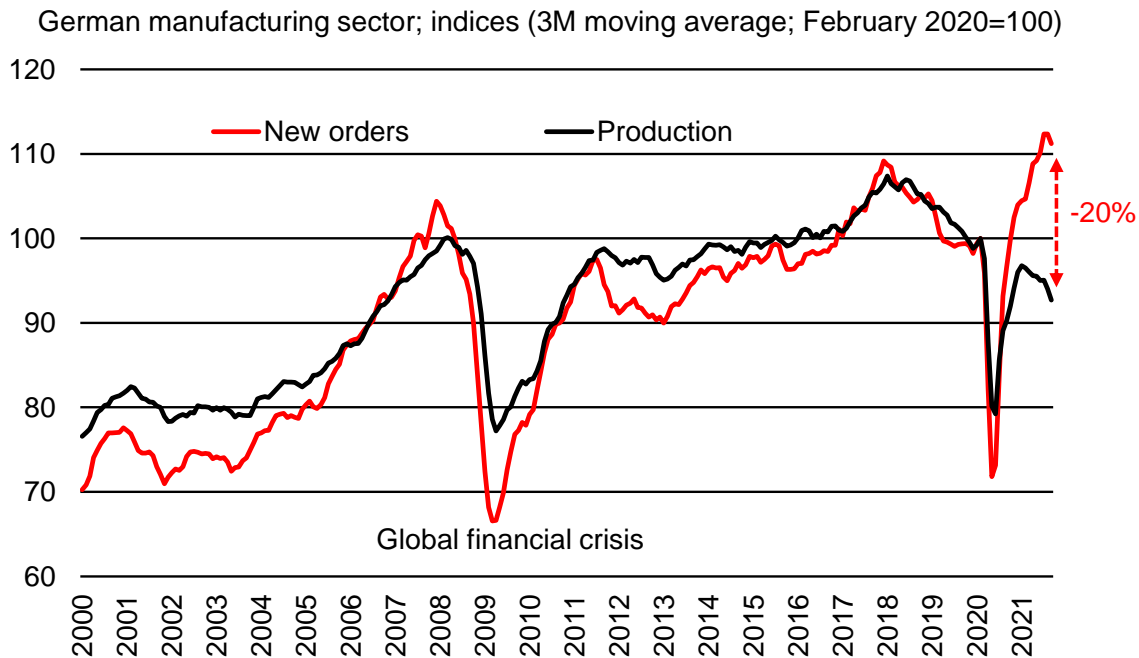


The bright side of supply shortages



Source: destatis, UniCredit Research

- The German economy has been hit by supply shortages like no other country in the EU. According to a recent survey released by the EU Commission, nine out of ten German manufacturers stated that the lack of input goods dampened their activities. This compares to about 40% in France and less than 20% in Italy.
- As can be seen in our Chart of the Week, the gap between new orders and activity in the German manufacturing sector has indeed widened to an unprecedented 20% compared to pre-pandemic levels. About one third of it stems from the auto industry alone which has been plagued by the lack of semiconductors. Given that some other sectors such as chemicals, machinery, etc. are, at least to some extent, dependent on car production, we think that about half of the gap has effectively been caused by the auto industry.
- When the lack of semiconductors and other input goods is finally over is highly uncertain. However, what is likely is that it will then give the German economy an enormous boost. For illustration, let us assume that the supply shortages will ease in the second half of 2022 and German manufacturers are able to work off half of their backlog orders, i.e., a decrease of 10pp in the gap between new orders and production. This alone would lift real GDP by more than 2%.

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