



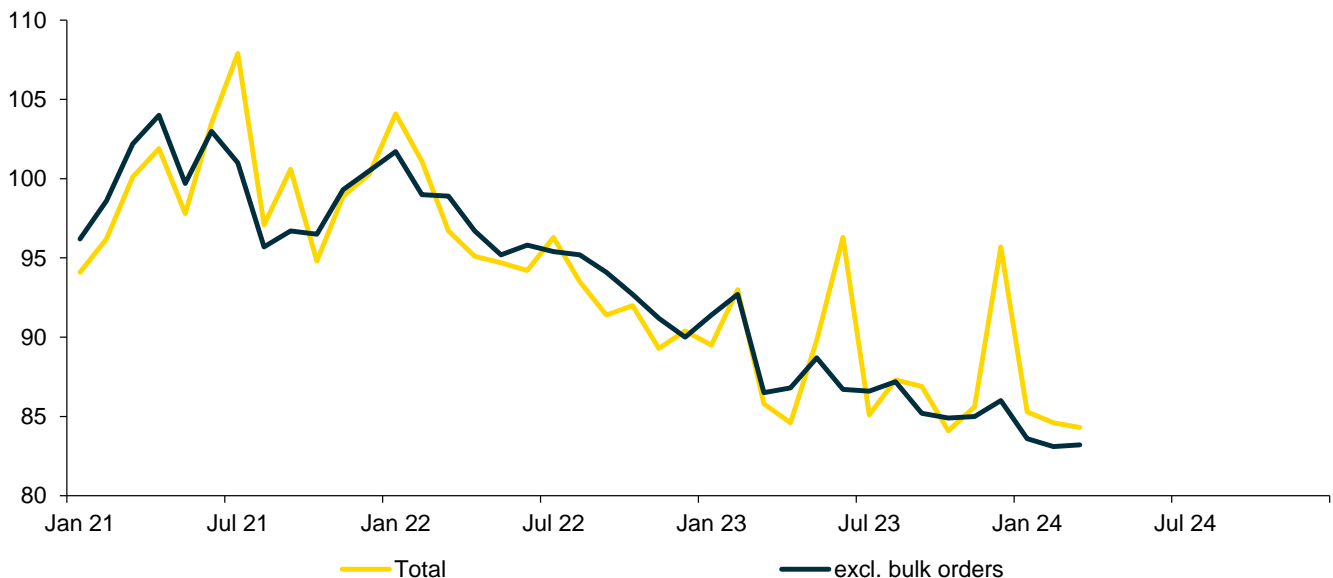
# Germany - orders remain weak

**Incoming orders in manufacturing remain weak. In March, they fell by 0.4% compared to February, and even excluding major orders, there was only a minimal increase of 0.1%. Against this backdrop, the recent rise in industrial production is unlikely to prove sustainable, meaning that the German economy is unlikely to grow again in the second quarter. A sustained recovery in the German economy is not expected until the second half of the year.**

This is undoubtedly a disappointment: after a significant decline over the course of last year, incoming orders in German manufacturing fell by 0.4% in March. Even excluding big ticket orders, there was only a minimal increase of 0.1%, meaning that the trend for this core indicator continues to point clearly downwards (Chart 1).

### Chart 1 - Incoming orders excluding bulk orders still pointing downwards

Order intake in German manufacturing, volumes, 2021=100, seasonally adjusted monthly figures



Source: destatis, S&P Global, Commerzbank Research





The weak trend in incoming orders to date suggests that the increase in production in the first two months of this year will not prove to be the starting signal for a sustained improvement. In fact, industrial production is likely to fall again in the coming months. This means that the economy as a whole is likely to stagnate in the second quarter rather than grow as it did in the first quarter.

At first glance, the weak order intake is at odds with the recent significant improvement in the business climate in the manufacturing sector. However, the more upbeat sentiment is solely due to more positive business expectations on the part of companies, while the current business situation was assessed unfavorably until recently. Companies are obviously assuming that demand will pick up in the coming months, which is likely to be reflected in a sustained recovery in German manufacturing and therefore the economy as a whole from the middle of the year.



## Analysts

### Dr. Ralph Solveen

Senior Economist

+49 69 9353 45622

ralph.solveen@commerzbank.com

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#### Commerzbank Offices

##### Frankfurt

Commerzbank AG  
DLZ - Gebäude 2,  
Händlerhaus  
Mainzer Landstraße 153  
60327 Frankfurt  
Tel: + 49 69 136 21200

##### London

Commerzbank AG  
PO BOX 52715  
30 Gresham Street  
London, EC2P 2XY  
Tel: + 44 207 623 8000

##### New York

Commerz Markets LLC  
225 Liberty Street, 32nd  
floor,  
New York,  
NY 10281-1050  
Tel: + 1 212 703 4000

##### Singapore

Commerzbank AG  
128 Beach Road  
#17-01 Guoco Midtown  
Singapore 189773  
Tel: +65 631 10000