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Economic Research

Economic Briefing

Germany – Orders bottoming out?

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German manufacturing orders rose by 2.9% in July compared to the previous month, marking the second big increase in a row. However, the increase in July is solely due to a larger number of big ticket orders, which generally do not have a rapid effect on production. If these are excluded, orders actually fell slightly. Nevertheless, orders appear to have stabilized since the beginning of the year. However, the sentiment indicators, which have been weak up to now, call for caution and at least argue against a rapid turnaround for the better.

At first glance, incoming orders in German manufacturing appear to have turned around. They were 2.9% higher in July than in June, having already risen by 4.6% in the previous month. However, the increase is solely due to many big ticket orders – particularly in the area of “other vehicle construction” (aircraft, ships, military equipment, etc.) – which are usually processed with a considerable delay and over a longer period of time and therefore have little impact on the short-term economic development. If these are excluded, industrial companies even recorded a slight decline in orders of 0.4%.

It is therefore not yet possible to speak of a sustained turnaround in orders for the better. At least incoming orders have stabilized for some time. However, the recent weakening of sentiment indicators is a reminder to be cautious. According to them, a further decline in orders is currently more likely than a rapid turnaround for the better. Production is more likely to fall again in the third quarter and thus contribute to the German economy once again barely growing.

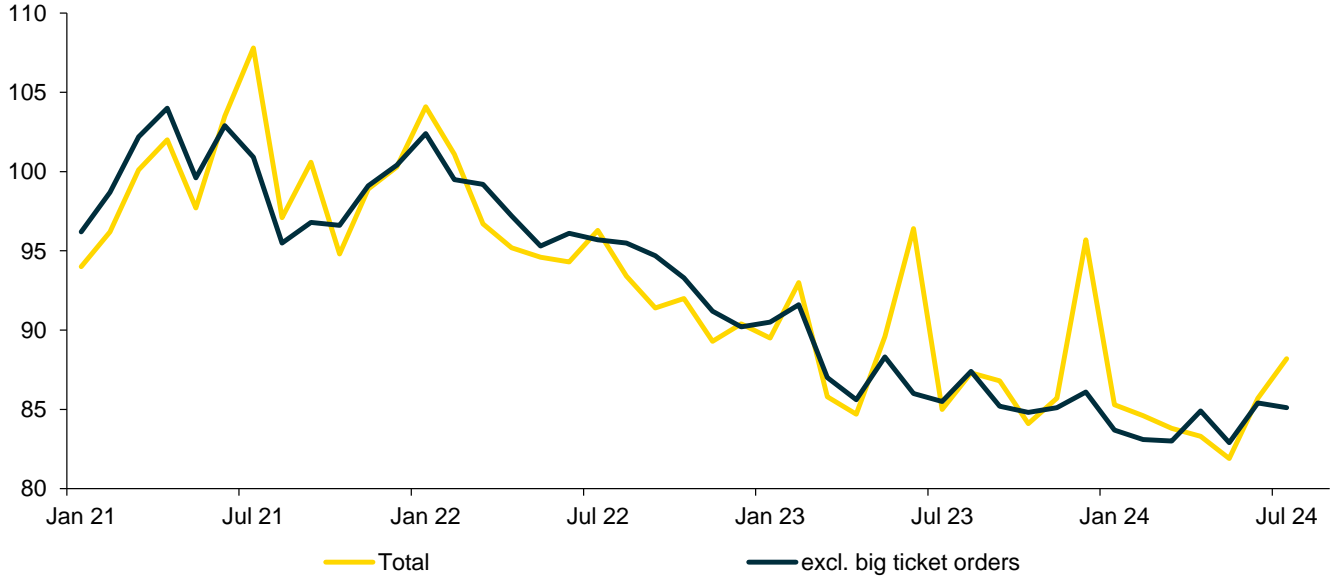


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Chart 1 - Orders have stabilized

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



Source: Destatis, S&P Global, Commerzbank Research



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