Economic Research

Economic Briefing

Germany – Demand still not picking up

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Order intake in German manufacturing fell significantly in July compared with June, by 2.9%. However, this is solely attributable to fewer big ticket orders, which often fluctuate greatly. Excluding these, orders rose by 0.7%. This is a sign of hope, but it is still far from the hoped-for significant turnaround in the economy.

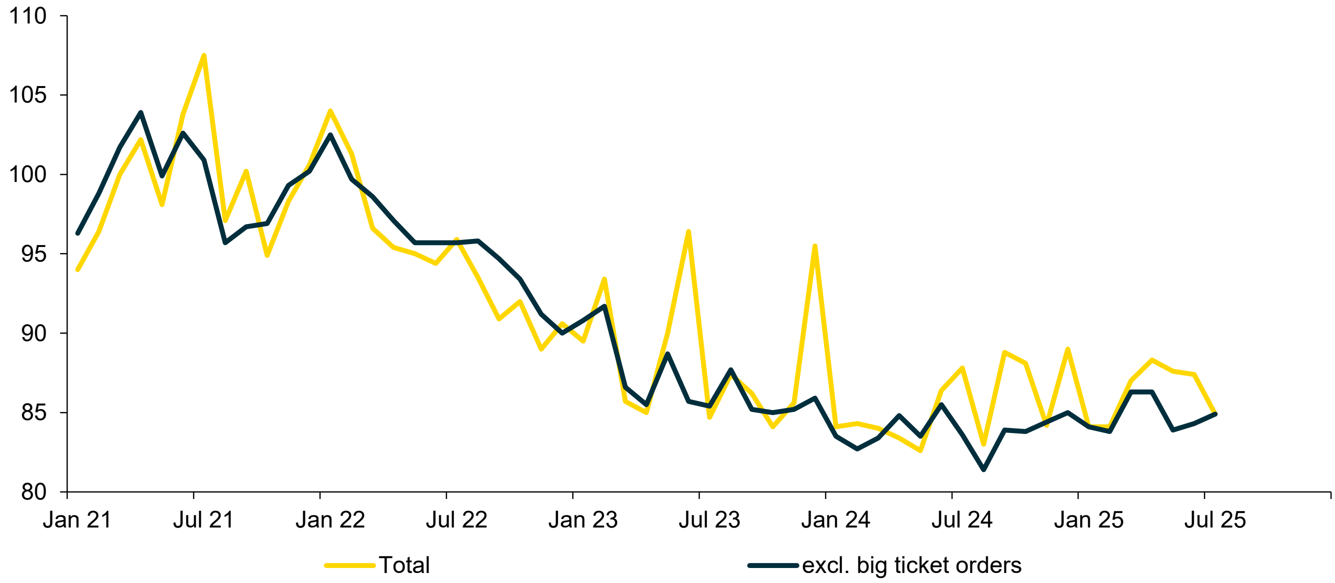
At first glance, the latest figures on order intake in German industry are disastrous: orders slumped by 2.9% in July compared with June, after already falling slightly in the two previous months. However, the significant decline in July is solely attributable to fewer big ticket orders. Of course, these orders also have to be processed. However, this often takes place with a considerable time lag and over a longer period. In addition, they often fluctuate greatly. Consequently, the core figure excluding big ticket orders is a better indicator of production trends in the coming months, and this core figure rose by 0.7% in July compared with the previous month.

But even this is little more than a sign of hope. Unlike the sentiment indicators, which have risen in recent months, the hard data have yet to show a radical turnaround. There has also been no real upward movement in order intake to date, neither in the core figure nor in the time series covering all goods (Chart 1).

We continue to assume that demand for German industrial goods will pick up in the coming months. Global interest rate cuts by central banks should boost demand for capital goods, and German companies continue to be well positioned on the world market in this area. In addition, stronger government demand is likely to become noticeable next year at the latest. However, the very hesitant turnaround in order intake indicates that this upturn will be rather moderate.

Chart 1 - No upswing for factory orders so far

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



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