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Economic Research

Economic Briefing

# Germany – spurt of big ticket orders is masking downtrend

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**Incoming orders in German industry shot up by 8.9% in December compared to November. However, this is solely due to an unusually high number of big ticket orders, which hardly affect production in the shorter term. If these are factored out, the volume of orders actually fell significantly by 2.2%. This shows once again that a turn for the better is not in sight for the German economy.**

At first glance, these are strong figures: German industry received 8.9% more orders in December than in November. However, this is solely due to exceptionally many big-ticket orders. For example, the (always very volatile) orders in the other vehicle sector (aircraft, ships, etc.) doubled. Of course, big ticket orders also have to be processed. However, this often takes place with a considerable delay and usually over a longer period of time. The core figure without big ticket orders is therefore much more meaningful for the economic trend in the coming months, and here the statisticians recorded a drop of 2.2% compared to the previous month (chart). Excluding the months surrounding the first lockdown in spring 2020, incoming orders excluding big ticket orders were thus at their lowest level since mid-2010. Orders in the automotive industry, among others, were very weak, falling by almost 15% compared to the previous month.

Today's figures once again show the extent to which the German economy is suffering from the fact that the central banks' interest rate hikes over the past two years have curbed demand for industrial goods. The poor mood among companies, which is reflected in the results of company surveys and which are increasingly complaining about a lack of orders, suggests that there will not be a change for the better any time soon. On the contrary, the German economy is probably still shrinking at the start of the new year and will end up in the red for 2024 as a whole.

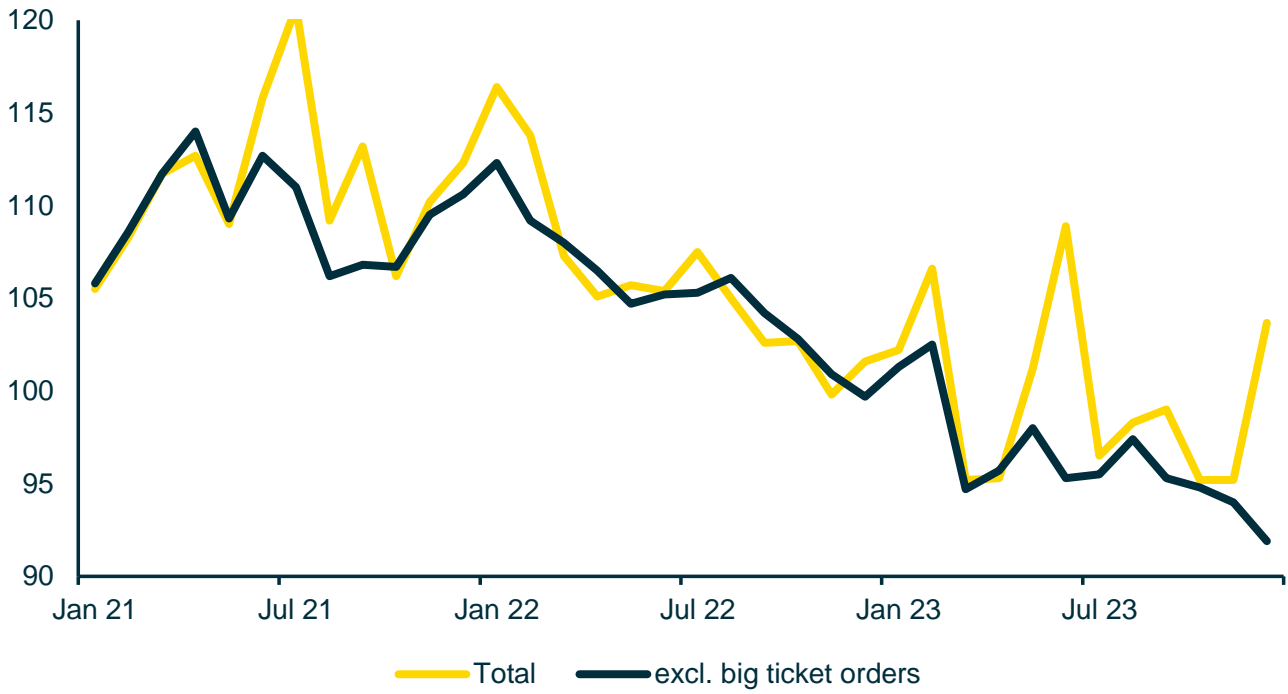


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**Chart 1 - Incoming orders excluding big ticket orders pointing downwards**

Order intake in German manufacturing, volumes, 2015=100, seasonally adjusted monthly figures



Source: destatis, S&P Global, Commerzbank Research



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