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Economic Research

Economic Briefing

Glimmer of hope for German manufacturing

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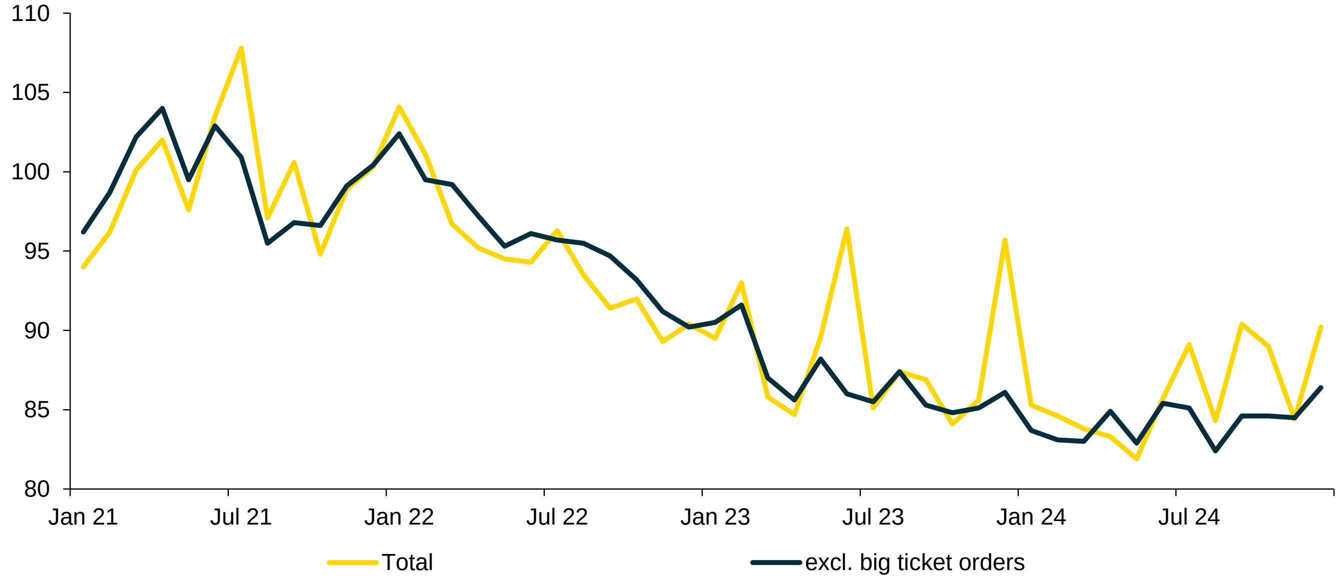
Incoming orders in German industry rose sharply by 6.9% in December compared to the previous month. This is partly due to significantly more big-ticket orders. However, even without this always very volatile factor, there was a noticeable increase of 2.2%. This gives hope that the manufacturing sector will soon have bottomed out, which would help to ensure that the German economy picks up at least somewhat from the spring.

This is at least a glimmer of hope for German manufacturing which has been hit hard in recent years: in December, price-adjusted new orders rose by 6.9% compared to November, which is significantly more than we had already expected (Commerzbank: 4.0%, consensus: 2.0%). This is partly due to significantly more big-ticket orders – probably also in the defense sector – the volume of which fluctuates greatly and which are usually processed with a considerable time lag, thus hardly affecting production in the short term. However, even if these are factored out, manufacturing companies recorded a 2.2% increase in orders. This was the highest core figure since summer 2023 (Chart 1).

Chart 1 - Turn-around for orders?

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

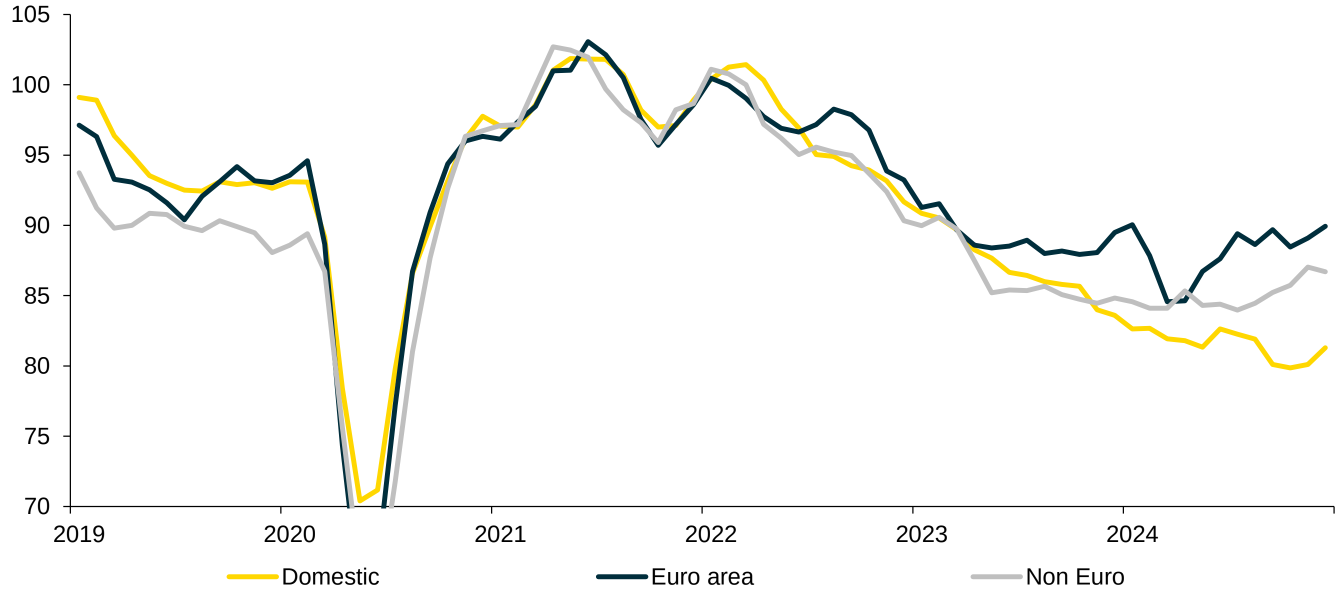


Source: Destatis, S&P Global, Commerzbank Research

A look at the origin of orders excluding big-ticket orders shows that there are signs of an upturn in demand from abroad in particular. The three-month average for both orders from the eurozone and orders from outside the currency union has recently risen. Although there was also an increase in domestic orders in December, the trend here is still pointing downwards (Chart 2).

Chart 2 - Somewhat stronger demand from abroad

Industrial order intake excluding big ticket orders, volumes, seasonally adjusted monthly figures, 3-months-average



Source: destatis, S&P Global, Commerzbank Research

All in all, today's figures give us at least some hope that German industry will soon have passed the economic trough. This would also help the German economy to pick up again somewhat from the spring. However, in view of the likely continued weak demand in China, which remains a very important foreign market, and the structural problems of the German economy, this upward trend will probably only be very modest.

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