



COMMERZBANK

Economic Research

Economic Briefing

June German orders – only bottoming out

6 August 2024

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Table of contents

Countermovement to the weak May	1
Other leading indicators weak recently	1
Companies and consumers deeply insecure	1

The strong increase in orders excluding the volatile big ticket orders (3.3%) should not be overestimated. Due to the sharp decline in the previous month, this only signals bottoming out. Together with the recent weak Ifo business climate, this points at best to an anemic economic recovery in the second half of the year. Companies and consumers are still too anxious to react positively to the easing burden of the high interest rates and energy prices.

German manufacturing orders rose sharply by 3.9% in June. The increase was well above expectations (consensus: 0.5%; Commerzbank: 1.5%). Even without the recently volatile big ticket orders, new orders rose strongly by 3.3%.

Countermovement to the weak May

The strong increase is undoubtedly a positive surprise. But it is also a countermovement to the sharp drop in orders in May (excluding large orders: -2.4%). Overall, this month's reading is only a sign of a bottoming out (chart).

Other leading indicators weak recently

The other leading indicators also suggest a cautious interpretation of today's figures. The Ifo Business Climate has already fallen three times in a row, and the Purchasing Managers' Index has already fallen twice. All of this puts a big question mark over a sizeable economic recovery in the second half of the year, which many economists still expect.

Companies and consumers deeply insecure

The easing impact of the high interest rates and energy prices has not yet had the hoped-for positive effect on the economy. Companies are simply too insecure because they do not see an improvement in Germany's business conditions, which have been eroding for many years. Consumers are also deeply insecure, having lost a great deal of purchasing power due to past high inflation. They are reacting positively to the stronger rise in wages only slowly.

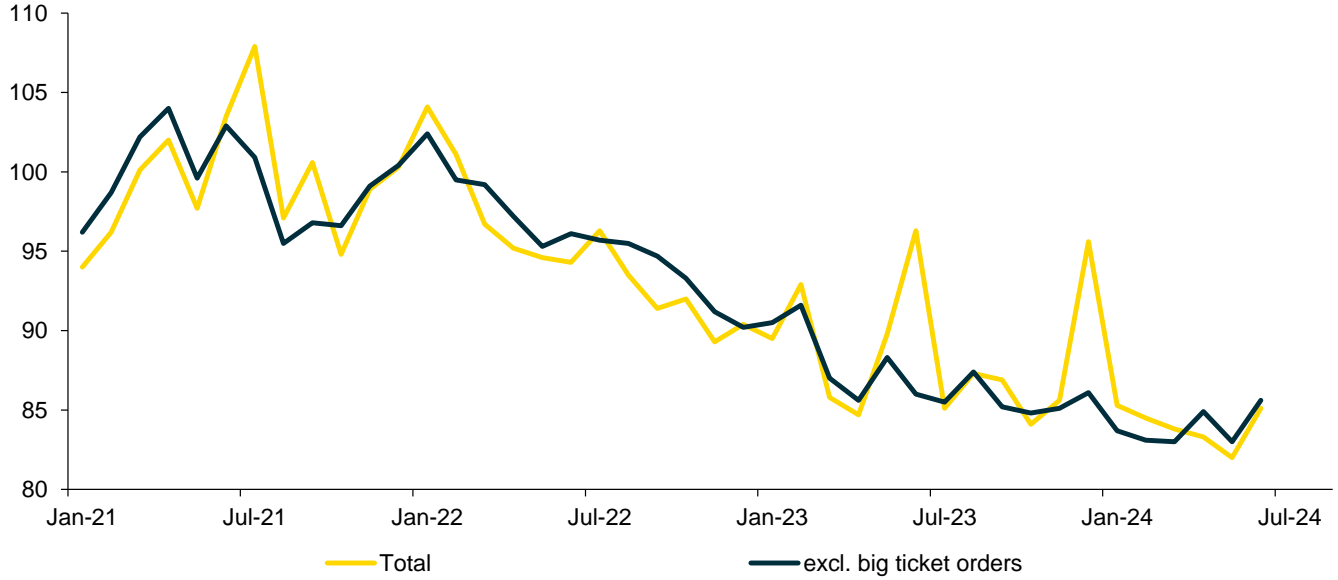
All in all, we expect the economic upturn to remain anemic (forecast 2024: 0.0%). Following the decline in second quarter GDP, there are even downside risks to this forecast.

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Chart 1 - German orders show signs of bottoming-out

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



Source: Destatis, S&P Global, Commerzbank Research



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In accordance with ESMA MAR requirements this report was completed 6/8/2024 08:45 CEST and disseminated 6/8/2024 08:45 CEST.

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