Economic Research

Economic Briefing

Germany – Setback for order intake

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Order intake in German manufacturing was 1.4% lower in May than in the previous month. Excluding big-ticket orders, which are often highly volatile, the decline was even greater at 3.1%. This does not necessarily contradict expectations that the German economy will pick up in the course of the year. However, together with weak industrial sales figures, it points to another subdued second quarter and supports our view that the upcoming recovery will be only moderate.

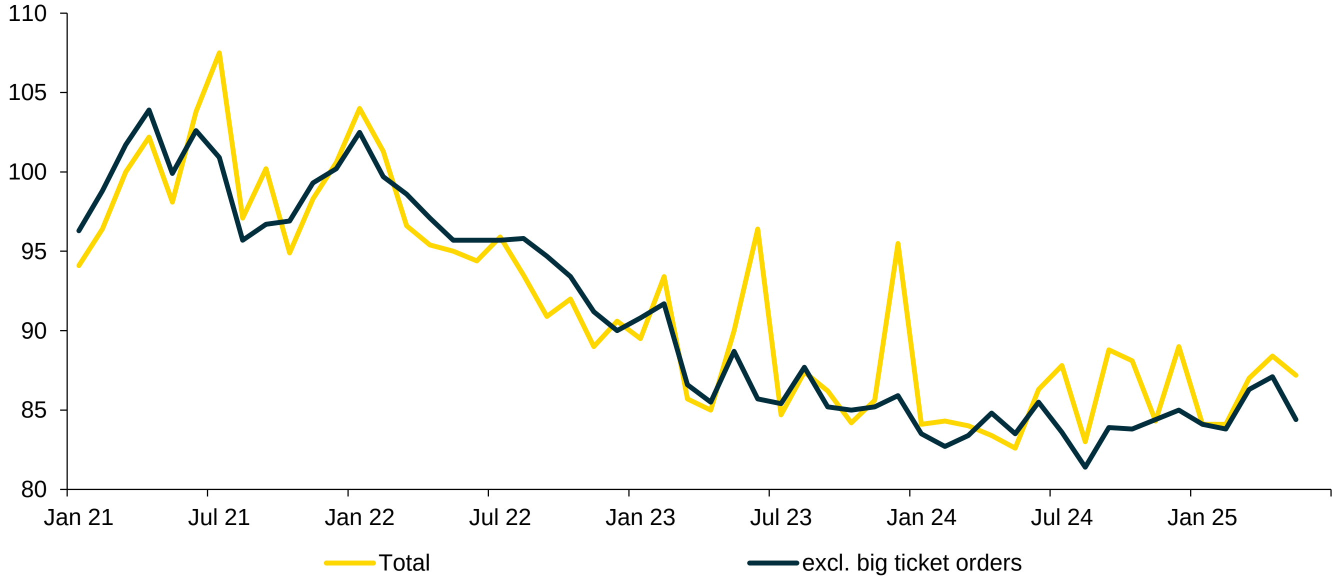
These are clearly disappointing figures from the German manufacturing sector: in May, it received 1.4% fewer new orders than in the previous month, and without big-ticket orders, which have little impact on production in the short term, there was even a decline of 3.1%. At the same time, the Federal Statistical Office reported that industrial sales were 1.9% lower than in the previous month after adjustment for price changes.

With the weak May figures for orders, the upward trend that had emerged after the fairly good April figures is once again in doubt. This is because order intake has fallen back to the level at which it has been moving sideways since the spring of last year. However, a noticeable increase in June, which is quite possible given the slightly improved mood among companies reflected in the Ifo business climate index, would change the picture again. But even then, this upward trend would be rather subdued and would hardly signal a strong upturn in industry.

The weak industrial sales figures published at the same time suggest that industrial production also fell in May, contrary to our previous expectations. The corresponding figures will be published next Monday. A significant decline in production in May would suggest that the economy as a whole also performed significantly weaker than in the first three months, when the German economy achieved surprisingly strong growth of 0.4% compared with the previous quarter. Since the Federal Statistical Office is currently also experiencing obvious problems with seasonally adjusting the gross domestic product figures and has always reported rather weak results for the second quarter – as it has for the fourth quarter – in recent years, it is quite possible that the official statistics for the second quarter will even show a decline.

Chart 1 - Setback for factory orders

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



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