Economic Research

Economic Briefing

Germany – Orders remain weak

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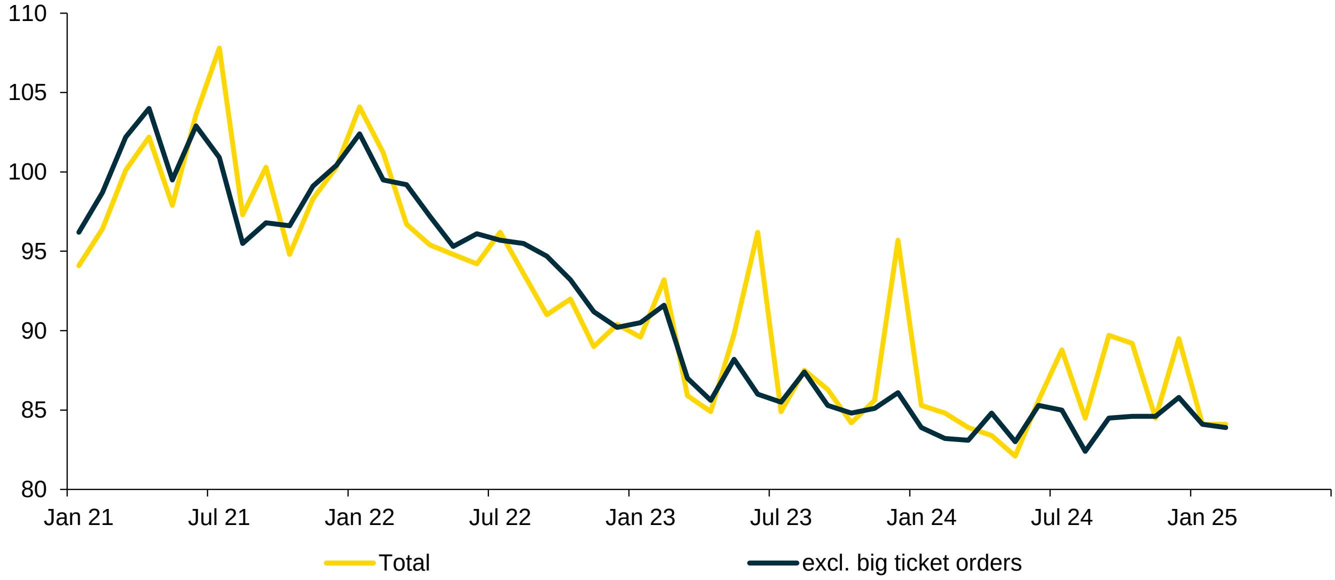
In February, incoming orders in German manufacturing remained at the low level of the previous month, and excluding big ticket orders, even decreased slightly after the significant decline in the previous month. This means that incoming orders have been moving sideways at a low level for about a year. Although sentiment indicators suggest that a gradual recovery is on the cards for the coming months, this is likely to be very modest due to the massive increase in US tariffs.

German industry has once again posted disappointing figures: incoming orders in German manufacturing stagnated in February, meaning that the significant drop in January was not offset. Even when excluding big ticket orders, which are usually fulfilled with a considerable delay and thus hardly influence the short-term development of production, there is actually a slight minus of 0.2%. This core figure has now been moving sideways at a low level for about a year (Chart 1).

Chart 1 - No revival of demand so far

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



Source: Destatis, S&P Global, Commerzbank Research

Thus, today's figures do not indicate a revival in demand for German industrial products. However, the recently somewhat more positive sentiment indicators raise hopes that this will change in the coming months. The sub-component of the manufacturing PMI for new orders has risen significantly in recent months and in March it exceeded 50 for the first time in three years, signaling an increase in orders. In particular, the noticeable easing of monetary policy in many countries suggests that demand for industrial goods will pick up. However, the upward trend in German manufacturing is likely to be rather moderate. This is because, in addition to the structural problems, there are now the massively increasing US tariffs, which will further complicate business for German companies in their most important foreign market.

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