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Economic Research

Economic Briefing

Germany – Factory orders disappoint

8 January 2025

Dr. Vincent Stamer^{AC}

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ECB interest rate cuts have yet to reach the German economy

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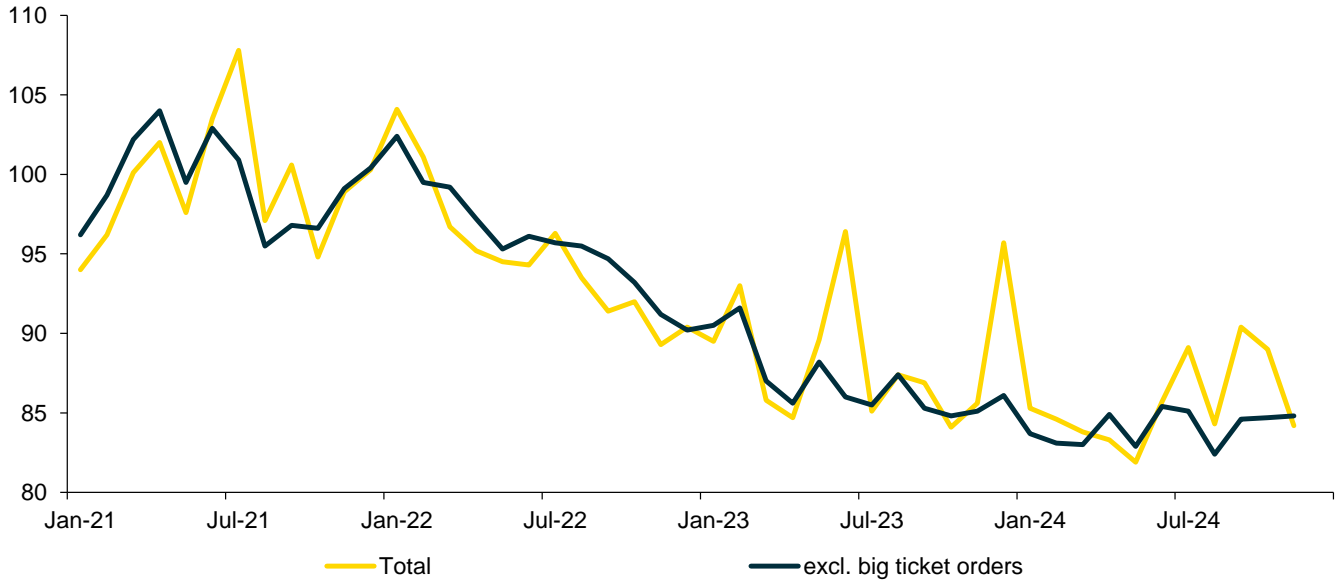
Incoming factory orders for the German industry fell by 5.4% in November compared to the previous month. In particular, the positive trend of recent months in big ticket orders has not continued and these orders fell noticeably. Without the big ticket orders, however, there are signs of a bottoming out at a low level. A recovery in the situation of German manufacturing is still not in sight.

In November, incoming orders for German industry fell by 5.4% compared to the previous month, after already falling marginally in October. This means that a slightly positive trend in autumn has finally come to an end. However, a large part of the decline in November is due to weaker big ticket orders. These major orders also create added value in the German economy, of course, but major orders are only processed with a time lag. Excluding these major orders, incoming orders have at least stabilised further and rose by 0.2%. This indicates that orders are bottoming out at a low level overall (Chart 1).



Chart 1 - Orders seem to have stabilized

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



Source: Destatis, S&P Global, Commerzbank Research

ECB interest rate cuts have yet to reach the German economy

In view of the falling orders in the manufacturing sector, industrial production is also expected to be weak in the coming months. This is also supported by the fact that companies in the manufacturing sector rate their business situation as very weak in an ifo Institute survey and that their business expectations have fallen further. Apparently, the lower key interest rates are not yet having any revitalising effect. We therefore expect the German economy to stagnate at best during the winter half-year.



Analysts

Dr. Vincent Stamer^{AC}

Economist

+4969935345800

vincent.stamer@commerzbank.com

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Commerzbank Offices

Frankfurt

Commerzbank AG
DLZ - Gebäude 2,
Händlerhaus
Mainzer Landstraße 153
60327 Frankfurt
Tel: + 49 69 136 21200

London

Commerzbank AG
PO BOX 52715
30 Gresham Street
London, EC2P 2XY
Tel: + 44 207 623 8000

New York

Commerz Markets LLC
225 Liberty Street, 32nd
floor,
New York,
NY 10281-1050
Tel: + 1 212 703 4000

Singapore

Commerzbank AG
128 Beach Road
#17-01 Guoco Midtown
Singapore 189773
Tel: +65 631 10000