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Economic Research

Economic Briefing

# Germany – Orders look stronger than they are

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**Incoming orders in German industry fell by 1.5% in October compared to the previous month, meaning that only a small part of the significant increase from the previous month was lost. However, both September and October saw an exceptionally high number of large orders, which have little impact on the economy in the short term. If these are excluded, orders continue to move sideways at a low level, meaning that there are still no signs of an upturn in the manufacturing sector.**

At first glance, these are very good figures. This is because incoming orders in German industry “only” fell by 1.5% in October compared to the previous month, after increasing by 7.2% in September according to the latest figures. However, there were an unusually many big-ticket orders in both September and October, this time particularly in shipbuilding. Although these also have to be processed, too, this usually takes place with a considerable delay and over a longer period of time. The core figure of orders excluding large orders is therefore the better indicator for the expected short-term development of production, and this continues to move sideways at a very low level (Chart 1).

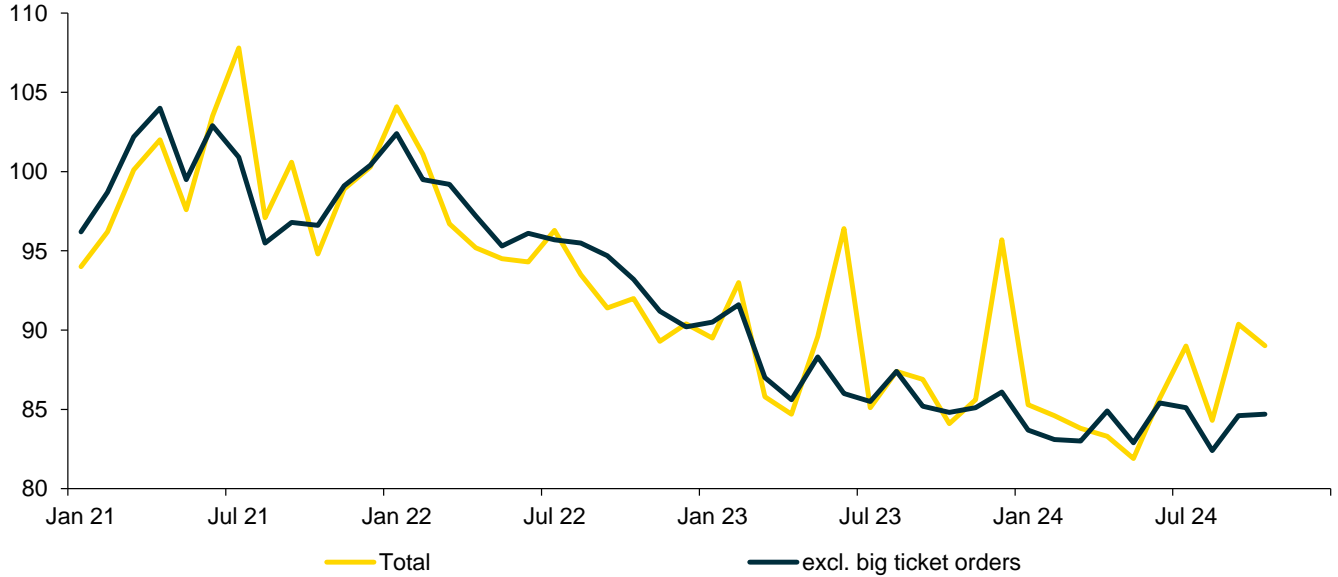


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**Chart 1 - Orders seems to have stabilized**

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



Source: Destatis, S&P Global, Commerzbank Research

In view of the sideways movement of the core figure, it is unlikely that industrial production will increase in the coming months. After all, a large majority of companies in the Ifo survey rate their order backlogs as too low, and the sentiment indicators give no indication that companies expect a rapid improvement here. So there is hardly any reason for them to ramp up production quickly. This speaks against an imminent recovery of the German economy, which is likely to stagnate at best in the winter half-year.



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