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Germany – orders stable at a low level

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In September, incoming orders in German industry rose sharply by 4.2% compared to the previous month. However, this follows an even greater drop in the previous month, meaning that at best we can speak of a stabilization of orders at a low level. Although this reduces the risk of a renewed slump in industry, the positive figure in September does not signal a sustainable turnaround.

In September, German industry received 4.2% more orders than in the previous month, adjusted for price and seasonal effects. However, this increase follows an even more significant drop in August (revised to -5.4%). To a considerable extent, these strong fluctuations from month to month are due to the fact that the volume of big ticket orders fluctuates significantly. The core figure excluding these big ticket orders increased by 2.2% in September, following a fall of 3.2% in August (Chart 1).

Looking at the somewhat longer-term trend over the past few months, incoming orders appear to have stabilized in recent months following the significant decline in 2022 and 2023. We do not intend to overestimate the slight upward trend in the total number (i.e. including big ticket orders), as it is obviously being driven by more big ticket orders, which could turn downwards again in the coming months. Of course, they will also be processed at some point, but usually with a considerable time lag and over a longer period of time, so that they hardly affect the short-term development of production.

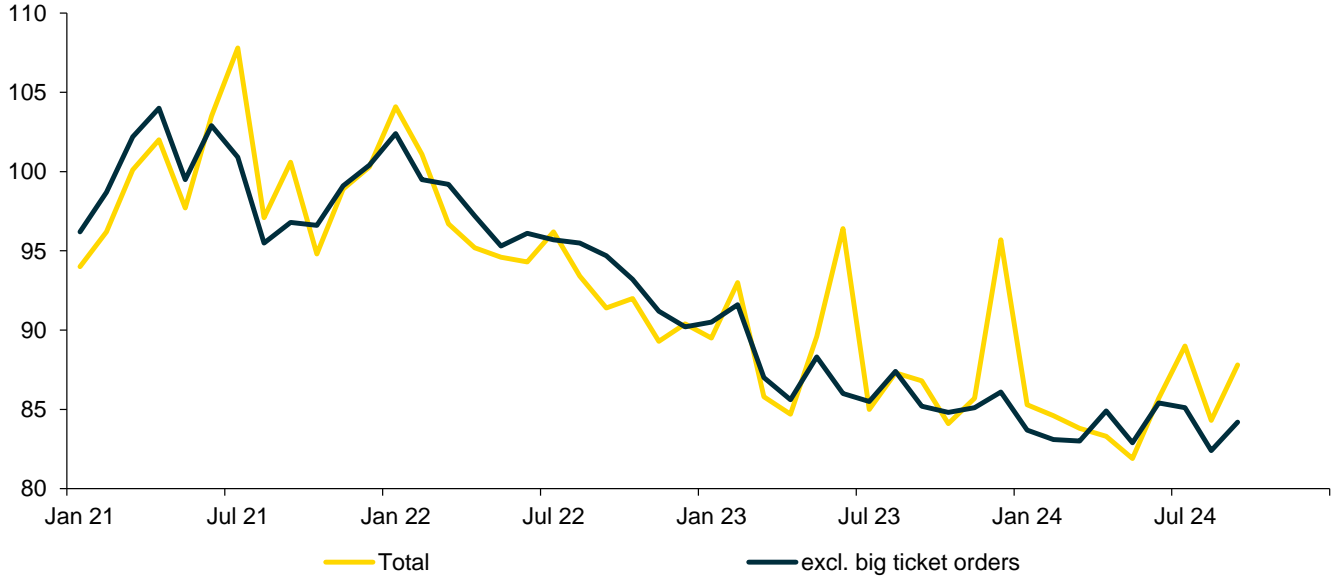
The good news from today's figures is therefore that a slump in industrial production, which at least could not be ruled out in view of the steady deterioration in the assessment of the situation in the Ifo survey, is less likely. However, today's increase should not be interpreted as a signal for a sustained upturn in industrial activity. As the vast majority of companies in the Ifo survey currently rate their orders in hand as "too small", incoming orders would probably have to increase for a few months before the companies ramp up production. This means that industry is likely to act as a brake on the economy as a whole in the coming months and contribute to the German economy stagnating at the end of the year.

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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



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