

Germany: Order zigzagging continues

A decent rebound in August industrial orders supports our view of solid German growth in the second half of the year



German industrial orders continued their recent zigzagging but with a positive note, increasing by a solid 2% month-on-month in August, from -0.9% in July. On the year, new orders were still down by 2.1%. The increase in industrial orders was driven by strong foreign demand, providing further evidence that the German economy is still defying trade tensions. Foreign orders were up by 5.8% MoM, while domestic orders dropped by 2.9% MoM.

In the first half of the year, German industry went through a deflationary phase. While industrial production remained flat, industrial orders dropped by a monthly average of more than 1% and inventories surged in the second quarter. Despite this deflation of an order bubble, order books are still richly filled and backlogs in the industry remain elevated. The first two months of the second half of the year confirm that there is little reason to worry.

Where will German industry go from here? Obviously, escalating trade tensions or an unexpected slowdown of the eurozone economy could easily harm German industry. However, as orders books are still filled, the risk of any imminent slowdown is low and up to now, the German economy has successfully defied trade tensions. What is more, the recent re-acceleration of industrial orders,

combined with still strong confidence indicators, suggest that fears of a slowdown are overdone. To the contrary, positive surprises should not be ruled out.

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