

German industrial order books remain empty as US front-loading ends

With US front-loading now behind us, German industrial order books are back at where they were at the start of the year: empty. However, there is a small glimmer of hope in the August industrial orders data as domestic demand finally picks up



German industrial orders dropped by 0.8% month-on-month in August, from -2.7% MoM in July, suggesting that the positive momentum in German industry in the first months of the year was almost exclusively the result of front-loading US exports.

In fact, order books are now back at their levels at the start of the year. Even if industrial orders are up by 1.5% on the year, the industrial slump continues.

At least one positive element in another disappointing data report

Since March this year (the month after the German elections and before Donald Trump's 'Liberation Day'), industrial orders have on average increased by 0.1% every month. This headline number, however, masks significant differences between domestic and foreign demand.

While foreign orders surged until May and then collapsed, domestic orders remained subdued until July but staged a strong increase in August. The story behind this divergence is clearly the front-loading of exports to the US, but also the ongoing structural weakness of German industry.

In a very disappointing report, the increase in domestic orders in August remains a small piece of hope, suggesting that the announced large-scale investments into infrastructure and defence could start to find their way into German industrial companies' order books.

However, at least for now, and as today's industrial orders are tomorrow's industrial production, this morning's data is another illustration that Germany's industrial slump is not about to end any time soon.

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