

## Germany: Industrial horror show continues

Another disappointing industrial orders number marks the end of the worst performance since 2008. Chances of a quick bottoming out of the manufacturing slump are getting smaller.



A worsening instead of a turnaround. Despite some tentative positive signs from soft data that point to a bottoming out of the manufacturing slump, the hard reality looks completely different. Instead of a turnaround, the drought in order books and the manufacturing slump is getting worse. New industrial orders dropped by 2.1% month-on-month in December, from -0.8% in November (revised upwards from -1.3% MoM). On the year, new orders were down by a dire 8.7%. New orders fell in eight of the last twelve months. According to the statistical agency, the December drop was mainly due to a big decrease in orders from other Eurozone countries (-13.9% MoM). Foreign orders excluding the Eurozone were up by 2.1% and domestic orders increased by 1.4%.

The great order book deflation in German industry continues. In fact, 2019 was not only the worst year for industrial orders since 2008, it was also the first time since 2002 that German order books shrank for two years in a row. While 2018 was mainly about weaker foreign orders, order book deflation has now reached the domestic economy with domestic orders dropping faster than foreign orders.

While the headline number remains horrible, the second consecutive increase in domestic orders as well as a pick-up in non-Eurozone orders could be considered tentative signs of a bottoming out. In our view, very tentative. In fact, while somewhat better confidence indicators and hope for relief on the back of the phase one trade deal had given hope for a bottoming out of the German manufacturing slump in coming months, the coronavirus should postpone this. No matter how the spread of the virus to Europe will evolve, the sheer impact on the Chinese economy will be enough to affect German industry and delay any rebound. Particularly the German automotive and engineering industries' supply chains are well integrated and dependent on China.

As hard and as much as we try, we cannot make the short-term outlook for the German industry look any better than it currently is: dire.

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