

## Germany: Industrial glitch continues

Snow, sickness and sentiment levelling off send first signs that buoyant German industrial activity should not be taken for granted



Source: Shutterstock

German new orders provide additional evidence of a weak start for the industrial in the first quarter. After the sharp drop in January (-3.9% month-on-month), new orders rebounded only marginally in February, increasing by a meagre 0.3% MoM.

On the year, new orders were up by 3.5%. Last year, new orders increased by 0.6% MoM on a monthly average, entirely driven by foreign demand (monthly average of 1.0% MoM). The trend of the first two months of the new year is obviously disappointing. Domestic new orders have now been dropping for two consecutive months.

There are two possible explanations for weak new orders in the first months of the year: either they are the result of one-off factors like the winter weather and more important an unusually high level of sickness absence due to the flu. Or they are the first signs of a broader levelling off in the German industrial sector. In fact, it could actually be a combination of both.

Given the recent weakening of confidence indicators combined with temporary and seasonal effects, the German economy could lose some steam in the second half of the year.

Not now. The near-term outlook looks still rosy. Order books are still filled, inventories are

low, and companies reported the longest period of guaranteed production recently. However, the latest industrial data suggests that buoyant industrial activity should not be taken for granted.

## Author

### Carsten Brzeski

Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.