

## Germany: Industrial glitch continues

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



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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.

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