

## Germany: Industrial outlook gets better but not good, yet

Increasing industrial orders show that not all is bad, even though the outlook for industry in the Eurozone's largest economy remains shaky.



First industrial data for the second quarter keeps the hope of a gradual industrial recovery alive. Industrial orders were up by 0.3% MoM in April, increasing for the second month in a row from an upwardly revised 0.8% MoM in March. On the year, industrial orders were down by 5.3%, from -5.9% YoY in March. Excluding bulk orders, new orders were even up by 2.1% MoM. This is some welcome relief for German industry.

### Better but not good, yet

German industry is still suffering from global uncertainty on the back of trade conflicts. Since last summer foreign orders have dropped by a monthly average of 0.6%. At the same time, however, domestic demand has also weakened, particularly since the start of the year. While domestic new orders remained stable in the second half of 2018, they collapsed in the first quarter, dropping by a total of 7% between January and March. Today's strong numbers only marginally offset the losses of the first months.

Interestingly, despite the order deflation, businesses still report filled pipelines of assured

production. At the same time, however, another sharp increase in inventories brings back the memories of last year and does not really bode well for industrial production in the months ahead.

All of this means that while today's industrial order data is definitely good news and gives reason for moderate optimism, it will still take a while before industry returns as a powerful growth engine for the entire German economy.

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