

Snap | 6 June 2019

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.

Author

Carsten Brzeski

Global Head of Macro

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 www.ing.com.