

## Germany: Industrial slowdown continues

Industrial orders took another nosedive, indicating that any rebound in industrial activity will be slow and sluggish. But there is some light at the end of a very long tunnel.



Source: iStockphoto

New industrial orders dropped by 1.6% month-on-month in December, from 0.2% MoM in November. On the year, industrial orders were down by 7.0% year-on-year. The drop was driven by falling demand from non-eurozone countries and a small drop in domestic demand.

Interestingly, correcting for bulk orders, new orders actually increased by 3.5% MoM, suggesting that not everything is so bad.

Let's not forget that monthly industrial data in Germany can be distorted by vacation effects. Consequently, some Christmas distortion should not be excluded. However, despite any seasonal effects, the latest data shows that the deflation of industrial books, which already started in the first half of 2018, gained new momentum towards the end of the year. It also matches with survey-based order books assessments.

Looking ahead, we still expect the bottleneck in the German automotive industry to be resolved in the coming months. Also, the sharp increase in new orders from other eurozone countries as well as the data corrected for bulk orders show that not everything is so depressing for German

industry. However, the inventory build-up in recent months, as well as the recent drops in order books, suggest that any rebound of industrial activity in Germany will be slow and sluggish.

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