

## Germany: May industrial orders disappoint

Industrial orders disappointed in May but are no reason for concern. Reducing backlogs is still a much more pressing issue for German industry than getting new orders



The disappointment in German industry continues. Industrial orders dropped by 3.7% month-on-month in May, from a strongly upwardly revised 1.2% in April (was -0.2%). Stronger than normal revisions suggest that industrial order data should be taken with a pinch of salt. With today's data, industrial orders were still up by more than 50% on the year. The May drop was exclusively driven by weaker foreign demand (-6.7% MoM), while domestic orders went up by 0.9% MoM.

Normally, industrial orders are the best leading indicator for future industrial activity. However in recent months, the strong revisions along with ongoing supply chain disruptions, delivery delays and lack of materials and intermediate goods have blurred the traditional link between industrial orders and production. Consequently, the industrial rebound could be a bit more erratic than previously anticipated. Today's disappointing industrial orders are no reason to be concerned. Order books are more than richly filled and reducing backlogs is a bigger problem for German companies than acquiring new orders.

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