

## Germany: Getting worse instead of getting better

A sharp fall in November industrial orders shows that a bottoming out of the manufacturing slump is anything but near



A worsening instead of a turnaround. Despite some tentative positive signs from soft data that point to a bottoming out of the manufacturing slump, the hard reality looks completely different. Instead of a turnaround, the drought in order books and the manufacturing slump is getting worse. New industrial orders dropped by 1.3% month-on-month in November, from 0.2% in October (revised upwards from -0.4% MoM). On the year, new orders were down by a dire 6.5%. According to the statistical agency, the November fall is mainly due to a sharp drop in bulk orders. Excluding bulk orders, November orders were up by 1% MoM. While the sharp October decline in domestic orders was partly reversed (+1.6% MoM, from -3.2%), foreign orders fell by 3.1%.

The great order book deflation in German industry continues. In fact, it looks as if 2019 will be the second year in a row in which new orders have fallen. In 2018, orders dropped by 0.4% on average. Currently, 2019 is on track to record a monthly average drop of some 0.6%. Moreover, while 2018 was mainly about weaker foreign orders, the order book deflation reached the domestic economy, with domestic orders dropping faster than foreign orders. To illustrate how unique this long stretch of falling orders is for German industry, the last time German order books shrank for two years in a row was in 2001 and 2002. Ahead of the Great Recession, order books shrank by 2.9% on

average every month in 2008.

All in all, there are still no signs at all of a bottoming out for German industry. Instead, the free fall continues. In fact, there is simply one word to describe the current state of the German industry: 'dire'.

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