

## Germany: Positive industrial momentum

A re-acceleration of industrial orders in August suggests that the manufacturing sector could outpace the service sector going into the final quarter of the year



German industrial orders gain new momentum. In August, industrial orders increased by 4.5% month-on-month, from a slightly upwardly revised 3.3% in July. On the year, industrial orders were still down by 2.2%. Despite the fourth consecutive increase, industrial orders are still some 3% below their pre-crisis level. Don't forget, however, that the pre-crisis level was already some 10% below the peaks seen in late 2017. While domestic orders increased by 1.7%, foreign orders rose by 6.5%, with orders from other eurozone countries surging by 14.6% MoM.

As the increase in new infections has given rise to new fears of a second wave of lockdowns, undermining sentiment in the service sector, sentiment in the manufacturing sector has continued to improve. Whether this is just a delayed effect from the later lifting of lockdown measures in many German trading partners or a more sustainable trend is too early to tell. It is hard to see how the German manufacturing sector could escape another round of lockdowns in major trading partners. Nevertheless, today's industrial orders data suggests that the filling of order books could - at least in the near term - help the manufacturing sector outpace the service sector.

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