

Germany: Order book deflation continues

The great order deflation continues and wraps up a week to forget for the German economy.



The great order book deflation continues. Devastating new orders data just undermined any hopes for an industrial rebound. We are starting to lose our optimism. Instead, the order book deflation just reached a new standard. In May, new industrial orders dropped by a painful 2.2% MoM, from a slightly upwardly-revised 0.4% MoM increase in April. After two positive months and hopes for a bottoming out, the downward slide is back again. On the year, new orders were down by 8.6%; the worst YoY drop since 2009. In particular, foreign orders dropped sharply: -5.7% MoM from non-Eurozone countries and -1.7% MoM from Eurozone countries, reflecting continued global uncertainties. After four disappointing months, domestic orders increased by 0.7% MoM. Still, domestic orders have been an even bigger disappointment than foreign orders this year, having dropped by an average of 1.5% MoM since the beginning of the year.

Today's sharp drop in new orders clearly undermines the tentative signs of a rebound or at least a bottoming out at the end of the first quarter. In fact, the great order book deflation continues. The last two times order books shrank with a similar magnitude was in 2011/12 and 2008/9. While the former fall ended mildly with a decent rebound, the latter continued and we all know how it ended. Back to the current situation, a strong inventory build-up in the automotive industry also does not bode well for the coming months and brings back the not so distant memories of last Fall. Combined with the weakest June performance of the labour market since 2002 and disappointing

retail sales, today's new orders wrap up a week to forget for the German economy. The fear factor is back.

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 <http://www.ing.com>.