

## 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.

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