

## Germany: Orders, wages and politics

New orders rebounded in December but as the economy gathers pace, political developments are attracting more attention



Source: Shutterstock

### New orders recover

German new orders rebounded in December, providing further evidence of the strong industrial recovery. New orders increased by 3.8% MoM, from a 0.1% MoM drop in November (revised up from -0.4%). With inventories low and capacity utilisation at its highest level since 2008, industrial production should start the new year exactly as it ended the last one: on a strong footing.

### Union talks

While the economy continues demonstrating its strength, political developments currently attract more attention. Last night, the regional wage negotiations between the country's largest union IG Metall and employers in Baden-Wuerttemberg came close to agreeing on a nominal wage increase of 4.3% and the right to lower working hours to 28 hours per week for a period of up to 24 months but without wage compensation. Also, employees will get small one-off payments and a higher base wage starting in 2019. This agreement applies to 900,000 employees but should be a leading example for the other six regional wage negotiations currently going on. In the broader European context, the fact that this wage settlement was agreed for a period of 27 months underlines that it is not the start of an upward wage-price spiral in Germany. In fact, spreading a 4.3% nominal increase over more than two years would actually create less, not more upward pressure on wages compared with recent years. Adding all other elements to the nominal wage increase yields a total annual nominal wage increase of some 3%, broadly in line with overall wage

developments in Germany in recent years.

## Coalition talks

Finally, German coalition talks once again entered another overtime last night. Initially, the talks were supposed to end last Sunday but unsolved issues in the areas of healthcare and the labour market required another delay. We stick to our view that the negotiations will yield a coalition agreement but that the much higher hurdle to take will be the SPD member vote. The result of this vote is too close to call and the latest inflow of (strategic) new members has added another unknown to the equation. To complicate things even further, according to German news reports the Constitutional Court is currently looking into complaints on whether the member vote is actually legally correct.

Well, did anyone ever say that German politics were boring?

## Author

**Carsten Brzeski**

Global Head of Macro

[carsten.brzeski@ing.de](mailto: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 [www.ing.com](http://www.ing.com).