

## Germany: Stuttering industrial start

Disappointing January new orders data is no reason to get concerned



German new orders had a horrible start to the new year. The sharp drop by 3.9% month-on-month in January broadly washed out the December surge (+3.8%). On the year, new orders were still up by 8.2%. The drop was driven by weak demand for almost all components, both domestic and foreign. Only new orders for consumer goods increased by 2.4% MoM. The sharpest drop was recorded for new orders for capital goods from Eurozone countries, falling almost 10% MoM.

Before getting overly pessimistic don't forget that monthly new orders data are highly volatile and also subject to seasonal effects. Given that industrial Germany was probably on vacation during the entire first week of January, today's drop does not come as a surprise. A look at last year shows that new orders started 2017 with a drop of almost 7% MoM, while ending the entire year with an average monthly growth rate of 0.6% MoM. Consequently, just hang on, with sound fundamentals, filled order books and low inventories, German industry does not look at risk of faltering anytime soon.

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