

# The NewsLine

July 5, 2019

▶ MACROECONOMICS

FINANCIAL MARKETS

ECONOMIC POLICY

SECTORS

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## GERMANY

## Gloomy outlook

Bad news for German industry: New orders in the manufacturing sector contracted sharply in May, falling by a seasonally adjusted 2.2% compared to the previous month. Excluding bulk orders, the setback proved even stronger (3%). In particular, the outlook for foreign demand has deteriorated considerably. The tentative spring recovery in global trade has thus turned out to be very short-lived. In view of the lingering trade uncertainties and elevated inventory levels, a swift recovery for German industry is not in the cards. Germany's export economy, which is strongly geared to industrial goods, will clearly remain under pressure. So far, domestic demand has been holding up relatively well, but it is only a matter of time before the weakness in industry also affects investment activity and consumption in a more pronounced manner. Overall, we expect GDP growth for Germany of only 0.8% in 2019.

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Bad news for German industry: In May 2019, the price-adjusted new order intake in the manufacturing sector was 2.2% lower than in the previous month (seasonally and calendar-adjusted). Excluding bulk orders, new orders in the manufacturing sector even recorded a solid minus of 3.0% in May. The decline in investment goods was particularly strong (-2.8%), while consumer goods production remained relatively robust (-0.7%). Intermediate goods fell by -1.5%.

Positive impetus came in particular from the domestic market. Here, incoming orders increased by 0.7% in May. Foreign demand, on the other hand, suffered a strong setback (-4.3%). However the decline in demand from the eurozone (-1.7%) proved more limited than that from the remaining countries (-5.7%).

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The tentative spring recovery in global trade has thus proved to be very short-lived. In view of the lingering trade uncertainties and elevated inventory levels, a swift recovery for German industry is not in the cards. Germany's export economy, which is strongly geared to industrial goods, will clearly remain under pressure. So far, domestic demand has been holding up relatively well. However, it is only a matter of time before the weakness in industry also spreads to investment activity and private consumption. Overall, we expect German GDP to grow by only 0.8% in 2019.

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