Paris, 5 May 2023

EcoBrief

Germany: persistence of demand constraints, particularly in the automotive sector

New factory orders in the industry fell sharply in Germany in March, after a fairly significant increase in February. Overall, these developments are offsetting each other. A very moderate increase over Q1 (0.2% q/q) is consistent with GDP growth, published at 0% q/q for Q1.

New factory orders fell by 10.7% m/m in March in Germany, after an increase of 4.5% m/m in February. This high volatility is mainly linked to transport equipment. For example, in the automotive sector, the drop was 12.2% in March, counterbalancing the rises seen in January and February (stability over Q1 compared to Q4).

The situation on the automotive market is consistent with these elements. Automotive production recovered sharply in one year and was only almost 1% below its pre-Covid level in February 2023 (compared to 17% a year earlier). The April IFO Business Climate Survey even suggests a booming sector (which is a combination of good current conditions and favourable expectations). However, on the demand side, although new vehicle registrations grew by almost 9% y/y over the first four months of the year, they remain almost 23% lower than the 2019 figure at the same time. New electric vehicle registrations increased by 18% and accounted for almost 14% of total registrations.

Consistent with these results in the automotive sector, the publication of the flash estimate of GDP growth in Q1 at 0% q/q suggests that the German economy remained weakened by household consumption. However, the upturn in buying intentions (the indicator of which rebounded by 4 points from -17 to -13 in the last GFK household survey in April) suggests that GDP growth could improve in Q2 (0.2% q/q according to our forecasts).

Stéphane Colliac
Senior Economist, France-Germany