German Factory Orders Rise Less Than Forecast as Growth Stalls

By Jeff Black - Nov 6, 2014

German factory orders (GRIORTMM) climbed less than forecast in a sign the euro area’s largest economy may struggle to grow in the second half of the year.

Orders, adjusted for seasonal swings and inflation, rose 0.8 percent in September after a revised decline of 4.2 percent in August, data from the Economy Ministry in Berlin showed today. Economists predicted an increase of 2.3 percent, according to the median of 39 estimates in a Bloomberg News survey. Orders fell 1% on the year.

The European Commission cut its economic forecasts for the euro area this week, including its outlook for Germany, France and Italy, as the legacy of the debt crisis lingers in high unemployment and weak demand. Germany’s economy contracted in the second quarter, and the Bundesbank predicts little, if any, growth in the rest of the year, in part because of trade disruptions from sanctions on Russia.

“A slump in exports to Russia and lackluster shipments to the rest of the euro area weighed on output,” said Thomas Harjes, senior European economist at Barclays Plc in Frankfurt. “Germany’s domestic fundamentals remain sound. We expect private consumption to gradually strengthen again,” he added.

‘Substantial Slowdown’

Hugo Boss AG blamed a “substantial slowdown” in Europe when trimming targets for this year. Even so, Leverkusen, Germany-based Bayer AG raised its revenue and profit forecasts on Oct. 30, citing growing sales of new medicines and the weakness of the euro helping exports as factors behind improved performance.

The European Commission forecasts that gross domestic product in the currency bloc will expand by 0.8 percent this year and 1.1 percent in 2015, compared with May projections of 1.2 percent and 1.7 percent. German GDP will rise 1.3 percent this year and 1.1 percent in 2015, down from 1.8 percent and 2 percent, it said.

European Central Bank officials meet in Frankfurt today to set monetary policy, with economists surveyed by Bloomberg predicting they’ll keep interest rates unchanged. The decision will be announced at 1:45 p.m., and ECB President Mario Draghi will hold a press conference 45 minutes
later.

To contact the reporter on this story: Jeff Black in Frankfurt at jblack25@bloomberg.net

To contact the editors responsible for this story: Fergal O’Brien at fobrien@bloomberg.net Paul Gordon, Zoe Schneeweiss

©2014 BLOOMBERG L.P. ALL RIGHTS RESERVED.