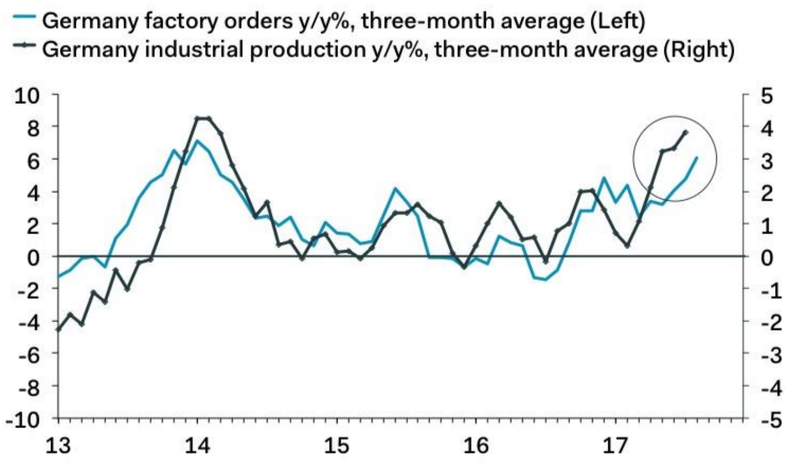
In one line: Solid, but also flattered by base effects.

Factory orders in Germany jumped 3.6% month-to-month in August, well above the consensus for a 0.7% rise. The year-over-year rate was pushed up to +7.8% from a revised +5.4% in July. Net revisions to the month-to-month data were +0.3 percentage points.

A soaring headline, probably setting the scene for next week's industrial production data—in Germany and elsewhere in the EZ—which also should show strong headlines. A big month-to-month jump in August last year meant that base effects required an even bigger rise this year to push the year-over-year rate higher in line with the survey data. The headline was lifted by solid momentum in both domestic and foreign orders, but external demand was exclusively boosted by a surge in new orders from non-EZ countries, which offset a small *decline* in new orders to EZ economies. Across sectors, intermediate and consumer goods orders were the primary drivers of the rise, while capital goods orders rose only modestly. Assuming a year-over-year rate of 6% in September implies that new orders soared 2.3% quarter-on-quarter in Q3, accelerating from 0.8% rise in Q2. Consumers' spending likely slowed in Germany, but these data suggest that manufacturing was strong enough to offset this.

The chart shows that both new orders and industrial production growth has accelerated recently. Output growth is slightly above the pace implied by new orders, but survey data point to upside for both in the near term.



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