

## German export rebound in April is too small to make us happy

After the collapse of German exports in March, the rebound in April may seem like good news, but in fact, the recovery was too weak to bring real relief. And there are very few signs of a more robust rebound in the coming months



The zigzagging continues. After the severe March plunge, German exports rebounded in April, increasing by 1.2 % month-on-month, from -6.0% MoM in March. On the year, exports were up by 1.5%. Don't forget that this is in nominal terms and not corrected for high inflation. As imports dropped by 1.7% MoM, from -5.3% MoM in March, the trade balance widened to €18.4bn.

### Trade unlikely to be a growth driver this year

Since last summer, German exports have been extremely volatile. However, the general trend is pointing downwards, not upwards. Trade is no longer the strong resilient growth driver of the German economy it used to be but rather a drag. Supply chain frictions, a more fragmented global economy and China increasingly being able to produce goods it previously bought from Germany, are all factors weighing on German exports. In the first quarter of 2023, the share of German exports to China dropped to 6% of total exports, from almost 8% before the pandemic. At the same time, however, Germany's import dependence on China remains high as the energy

transition is currently impossible without Chinese raw materials or solar panels.

In the very near term, the ongoing weakening of export order books, the expected slowdown of the US economy (which accounts for roughly 10% of total German exports), high inflation and high uncertainty will leave clear marks on German exports. After the collapse in March, today's export numbers bring only very limited relief. In fact, it is a very floppy rebound and another piece of evidence that the traditional growth engine of the German economy – trade - is stuttering.

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