

German exports end 2021 on a positive note

Another solid month for German exports suggests that the export sector prevented the entire economy from falling into a more severe contraction than the recorded -0.7% quarter-on-quarter. Strong import growth bodes well for exports going forward



Help from an old friend. German exports (seasonally and calendar adjusted) increased once again in December, at least partly offsetting weak private consumption in the fourth quarter. In December, German exports increased by 0.9% month-on-month, from 1.7% in November. On the other hand, imports increased by 4.7% MoM, from 3.4% MoM in November, suggesting that input goods have finally arrived. Exports are now almost 7% above their pre-crisis level. Exports have now increased for three months in a row, suggesting that the German export sector prevented the entire economy from shrinking more than the recorded 0.7% quarter-on-quarter in the final quarter of the year. The weak euro exchange rate and few social restrictions in the main export destinations seem to have driven export growth.

Gradual export recovery should continue

Looking at export destinations, 2021 clearly marks a structural shift, illustrating current themes including reshoring, slowing of Chinese growth and different ways to deal with the pandemic. In

2021, the US was the single most important export destination for German exports, accounting for almost 9% of all exports. China comes in at number two but only marginally ahead of France. The importance of Poland, Hungary and the Czech Republic has increased to unprecedented highs, accounting for a higher share of total German exports than China, Russia and Japan together. Finally, Brexit has left its mark on German trade as the UK dropped out of the five most important trading partners list, with German companies exporting more to Austria than to the UK.

Looking ahead, export order books are still filled to the brim. However, we will first need to see industrial production picking up again before exports surge as well. It is very simple: without any new production, there won't be new exports. In this regard, the soft pick up in manufacturing output in December is a glimmer of hope, adding to our view of a more sustainable recovery for German exports in the course of the year.

Author

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.