

## 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.

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