

## German trade rebounds in November

German trade finally rebounds, but a very weak increase in industrial orders shows that the economy is still far from a substantial recovery



While the country prepares for a week of farmers' protests and train strikes, this morning's macro data bring some relief. German exports rebounded in November and increased by 3.7% month-on-month, from -0.4% MoM in October. November imports increased by 1.9% MoM, widening the trade balance to €20.4 billion from €17.7 billion in October. Don't forget that this is in nominal terms and not corrected for high inflation. To put these trade data into perspective: on the year, exports were down by 5% and imports by 12%. This morning, industrial orders also increased by 0.3 % MoM in November from -3.8% MoM in October.

### One November doesn't make an economic rebound

Don't get overly enthusiastic at the start of the new year. While an increase is better than another decrease, these November improvements are a technical improvement after a long stretch of disappointing data rather than signs of a substantial turnaround.

Like the rest of the German economy, exports remain stuck in the twilight zone between recession and stagnation. Since the start of 2022, net exports have been a drag on the economy in four out of six quarters. Supply chain frictions, a more fragmented global economy and China moving from a dynamic export destination to competitor are all factors weighing on the German export sector. The cooling of global demand and the war in Gaza with tensions in the Suez Canal are currently

worsening the structural problems.

Looking ahead, today's industrial orders data improvement is far too little to prepare for a substantial rebound in industrial activity over the coming months. In fact, German industrial orders have actually deflated for almost two years. In 2022, industrial orders decreased by a monthly average of 0.8% and in the first 11 months of 2023 again by a monthly average of 0.4%. Order books are some 25% below their mid-2021 levels.

All in all, this morning's macro data gives hope that the downward trend is finally bottoming out. It still needs many more of these positive data releases to signal any significant rebound of the economy.

## Author

**Carsten Brzeski**

Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

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