

German trade gains momentum

May exports bring more evidence that the German industry's recovery in the second quarter has strengthened



The German economy currently seems to be running on all cylinders. Strong domestic demand has already been around for a long while but the former growth engines, industrial production and exports have also started to gain momentum. The latest evidence comes from the exports sector. In May, exports increased by 1.4% MoM. At the same time, imports increased by 1.2%, widening the seasonally-adjusted trade surplus to EUR 20.3bn, from EUR 19.7bn in April.

Brexit has clearly left its marks on German exports which are unlikely to go away anytime soon

Bilateral trade data over the first four months of the year show that the protectionist talks of the new US administration have had no impact so far on German exports to the US. Accounting for almost 9% of all German exports, the US remains the most important export destination. The share is still at the same level as in 2016. Brexit, however, has clearly left its marks on German exports. While in 2015, the UK accounted for around 7.5% of all German exports, this share dropped to 7.1% in 2016 and now 6.9% in the first four months of the year.

Looking ahead, the current upswing of exports should be taken with a pinch salt. Given the high exchange rate sensitivity of German exports to the US, the latest appreciation of the euro could leave some marks on the German exports sector in the coming months. Also, the Brexit impact is very unlikely to go away anytime soon. These potential downward risks can only be offset by a further strengthening of the Eurozone economy.

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