

## German exports rebound in January

It's only a weak indicator of life in the economy, but German exports increased by 2.1% month-on-month in January – not quite enough to offset the sharp December drop



Hamburg port

German exports recovered somewhat from the December shock. In January, German exports (seasonally and calendar-adjusted) increased by 2.1% month-on-month, from -6.3% MoM in December. On the year, exports were up by almost 9%, but this is in nominal terms and not corrected for high inflation. Imports decreased once again in January, this time by 3.4% MoM, from -5.6% MoM in December. As a result, the trade balance widened to €16.7bn.

### Trade data point to structural challenges

Despite today's rebound, exports are still only back to levels seen in April last year. It looks as if trade is no longer the strong growth driver of the German economy it used to be. Supply chain frictions and a more fragmented global economy continue to undermine Germany's old success formula. Last year's trade developments illustrated trade weaknesses – in 2022, more than 15% of German exports were cars and automobile parts. The second and third largest export items were machinery and chemical products. At the same time, the trade deficit with China almost doubled. Obviously, the latter will also be due to weaker economic activity in China but stresses more generally Germany's economic dependence on China. Germany's import dependence on China could become a particular (geo-)political problem in the near future.

In the very near term, the ongoing weakening of export order books, the expected slowdown of the US economy, high inflation and high uncertainty will leave a clear mark on German exports. The reopening of the Chinese economy will probably not be enough to fully offset the long series of downward risks.

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