

## Germany: Exports continue to catch up

Exports continue to catch up with the rest of the economy but remain some 10% below pre-crisis levels.



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German exports (seasonally and calendar adjusted) continue to play catch up with the rest of the economy. In August, exports increased by 2.4% month-on-month, from 4.7% in July. At the same time, imports increased by a whopping 5.8% MoM, from 1.1% in July. As a result, the trade balance narrowed to €12.8bn, from €19.2bn in July. Exports were still almost 10% below their February level.

### More catching up to come but not for long

While domestic demand kick-started immediately with the lifting of the lockdown measures, exports reacted with a delay but have been gaining traction since. The different degrees of lockdowns and lifting of the lockdowns as well as the uneven recovery across European countries are reflected in German bilateral export data. In the second quarter, Germany exported more to the Netherlands than to France, and more to China than to the US. In the third quarter, the old conditions are being restored, with exports to France exceeding exports to the Netherlands again as well as the US being the single most important export destination again.

Looking ahead, exports could temporarily lead the entire economy into the fourth quarter.

However, it is unlikely to see a sustainable decoupling from exports and domestic activity. New restrictions on the back of increasing infections in many countries will also leave their marks on German exports. On top of that, the export sector remains subject to structural changes in the global economy, be it more protectionism, a transition away from traditional manufacturing toward services, high tech or electric vehicles. Clearly there are more headwinds than tailwinds for the export sector.

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