

## Germany: Still struggling

February trade data did not bring any relief to the German economy. But wait, it can only get better



Source: Shutterstock

Still struggling. German exports (seasonally and calendar adjusted) dropped by 1.3% month-on-month in February, from a flat reading in January. Imports decreased by 1.6% MoM, from +1.5% MoM in January. As a result, the trade balance widened to €17.9 billion in February, only slightly lower than in February 2018. On the year, exports were still some 3.9% stronger than in February 2018. The German export sector is still wrestling with global uncertainty.

### The last piece in a series of disappointments

In fact, the export sector had been on a rollercoaster ride through all of 2018, with problems in emerging markets, trade tensions between the US and China, US protectionism, a possible cooling of the Chinese economy and increasing fears of a hard Brexit. There simply seem to be too many crises in global trade for the German export sector to defy all of them at the same time. Another factor, which was somewhat underestimated in 2018, was the exchange rate. Despite the euro's weakness vis-à-vis the US dollar, Germany's real effective exchange rate had appreciated significantly since the start of 2017 on the back of falling emerging market currencies. The currency tailwind German exporters experienced between 2015 and early 2017 had turned into a headwind.

Looking ahead, there are in our view several factors pointing to another wind of change, this time around for the positive. The trade-weighted exchange rate has lost some 2.5% since the end of 2018 and has dropped to the lowest level since May 2018. Also, recent real-time indicators suggest a rebound in global trade since the start of the year and relief in the trade tensions between the US and China should also benefit German exports.

Today's trade data is yet another disappointment for the German economy. However, chances are high that the February disappointments simply came at the trough of global uncertainties and that some improvement is in the offing.

## Author

### Carsten Brzeski

Global Head of Macro

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

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.