

## Germany: Stabilising, not falling

Trade data remained stable at the end of 2020



German exports (seasonally and calendar adjusted) increased by 0.1% month-on-month in December, from 2.2% in November. On the year, exports were up by 2.7%. Imports dropped by 0.1% MoM, from 4.7% MoM in November.

### German export sector benefits from strong recovery in China

The German export sector, almost like no other, has benefited from the continuing recovery of China and other Asian countries. 2020 was the year in which China became the second most important destination for German exporters, taking over this position from France. The US is still the single most important export destination, but China is catching up. Despite some possible stockpiling of products made in Germany towards the end of the year, the UK has further dropped in importance for the German export sector in 2020. If the trend of 2020 continues in 2021, Germany will probably export more to Italy or Austria than to the UK.

Looking ahead, there are several opposing factors shaping the outlook for the German export sector. On the positive side, there is the strong Chinese recovery and the new US administration, which should both benefit German exports. On the more negative side, however, there will come a time when China no longer needs German products but can produce them on its own. Also, the export sector remains subject to structural changes in the global economy, particularly the transition away from traditional manufacturing toward services, high tech and electric vehicles.

The appreciation of the euro exchange rate since 2017 should do little harm to German exports, at least as long as a stronger euro is the result of a global recovery.

All in all, the revival of the traditional German growth driver, exports, came at the right moment and helped in avoiding a contraction of the economy in the final quarter of 2020. The longer-term outlook, however, remains mixed, illustrating that the sector will still take some time before returning to full strength.

## Author

**Carsten Brzeski**

Global Head of Macro

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

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