

## German exports revival continues in May

The export revival continues in Germany, albeit at a slower pace, but supply chain frictions could lead to more volatility in the months ahead



German exports (seasonally and calendar adjusted) increased by 0.3% month-on-month in May, from 0.3% in April making it the thirteenth consecutive increase.

On the other hand, imports increased by 3.4% MoM, from -1.7% MoM in September, narrowing the trade surplus to €13.1 billion.

On the year, exports were up by more than 36% and have now almost returned to pre-crisis levels.

### Shifts in Germany's export structure

The export recovery continues, albeit at a slower pace, but the outlook is clearly mixed.

In fact, the German export sector, almost like no other, benefits from the continuing recovery of China and other Asian countries. In the first half of the year, the US remained the single most important export destination while China became the second most important destination, taking this crown from France.

*The US remained the single most important export destination for Germany while China became the second most important destination, taking this crown from France*

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The changing role of China is also reflected by the fact that for the first time ever, Chinese manufacturing exports exceeded Germany's. China is no longer only a welcome export destination for German manufacturers but has also become a fierce competitor in global markets. Other important markets driving the German export rebound were Poland, Hungary and the Czech Republic, which increased their shares in German exports to unprecedented highs. Finally, Brexit has left its mark on German trade as the UK dropped out of the five most important trading partners list with German companies exporting more to Austria than to the UK in the first half of the year.

Looking ahead, order books are still richly filled but supply chain frictions could lead to more delivery problems and therefore some distortions of export data in the coming months.

With the entire batch of hard data available for April and May, the gap between expectations and reality is still quite wide. Sure, the German economy will rebound in the second quarter but to really see a whopping and impressive surge, June data will at need a powerful explosion of activity as was seen last night at Wembley in the 103rd minute of the match between England and Denmark.

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