

Germany: No relief from exports

After this week's disappointing industrial data, latest trade data just did little to ease fears of a stagnating economy.



Source: istock

The former growth engine of the German economy continues to lose traction. In November, exports dropped by 0.4% MoM, from 0.7% MoM in October. As imports also dropped, by 1.6% MoM, the trade surplus widened to 20.5bn euro, from 19.0bn euro in October.

Former growth engine is sputtering

In the past, the German export sector has shown a strong resilience against global tensions. The unique combination of product specialization and geographic diversification has helped in defying the problems or weaknesses of some trading partners. Only a full-blown global slowdown as in 2008 and 2009 could bring down German exports. Even though the current juncture is in our view far from similar to the 2008/9 period, there are some parallels for the German export sector: problems in emerging markets, trade tensions between the US and China, US protectionism, a possible cooling of the Chinese economy and the possibility of a hard Brexit. There currently simply seem to be too many crises in global trade for the German export sector to defy them. Even the weak euro has done very little to lift German export performance.

Fears of technical recession live on

For the German economy, today's trade data do very little to take away the fears of a technical recession. Admittedly, the final jury is still out but in the first two months of the fourth quarter, only private consumption excelled. Still, private consumption, government expenditures and investments could prevent the economy from falling into a technical recession. Also, let's not forget that despite the latest drops, the absolute levels of the most prominent leading indicators still point to growth.

In sum, however, latest data show that the expected rebound of the economy will take longer than anticipated. Nevertheless, we remain optimistic that it will come. Therefore, even if it happens a technical recession should not leave any marks on the labour market but should be the very final wake-up call to step up investments and structural reforms.

Author

Carsten Brzeski

Global Head of Macro

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>.