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