

## Germany: Welcome surprise from exports

After disappointing industrial and consumption data, October trade data is keeping hope alive that the economy can avoid a contraction in the final quarter



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After last week's disappointing industrial data, this morning's trade data brought some welcome relief for the economy. At the same time, the unexpected increase in exports is also a bit of a headscratcher, as it does not fit the more general picture of a continued global slowdown. In October, German exports increased by 1.2% month-on-month, from 1.5% MoM in September. Exports have increased in seven of the last 10 months. On average, exports have increased by 0.1% MoM this year, compared with a flat reading in 2018. As imports remained unchanged in October, the non-seasonally adjusted trade balance widened to EUR21.5 billion, from EUR21.2 billion in September.

Despite the ongoing trade conflict and a slowdown in the global economy, German exports have held up surprisingly well in recent months. In fact, looking at bilateral trade data, exports to both China and the US have increased significantly compared with 2018. At the same time, exports to the UK and Italy have started to weaken. Interestingly, since 2017 Germany's trade surplus with the US has actually widened, not narrowed.

Looking ahead, however, the ongoing drought in order books is a strong argument against any

optimism. Export order books are currently as weakly filled as in 2010, during the upswing of the export sector after the 2009 recession. The downswing since the summer of 2018 is currently more severe than in 2011/12. At the same time, the downswing in 2011/12, which ended with the mini-recession at the end of 2012, was mainly driven by dropping demand from other Eurozone countries on the back of the euro crisis. Exports to non-European countries continued their upswing in this period.

Today's trade figures are the first positive data for the final quarter of the year. With disappointing consumption and industrial data but encouraging trade data, the economy will remain on a bumpy road between contraction, stagnation and meagre growth.

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