

Germany: Recession avoided?

The unexpected rebound in exports means that Germany might have avoided a technical recession at the very last minute



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Signs of life

German exports rebounded in September, increasing by 1.5% month-on-month. Also important, the August numbers were revised upwards to -0.9% MoM, from -1.8% MoM initially. With imports increasing by 1.3% MoM, the trade surplus increased to €21.1 billion, from €19.5 billion in August.

Today's trade data leave analysts somewhat scratching their heads. Despite the ongoing trade woes, German exports had a better-than-expected quarter. Also, for total exports, German exports to the US have become as important as in 2015. In the first nine months of the year, exports to the US accounted for 9% of all German exports. At the same time, however, exports to China are suffering.

With today's data, a technical recession is not yet a done deal. In fact, today's trade data suggests there has been hardly any negative drag from net trade on 3Q GDP. With available monthly data also pointing to slightly positive private consumption and positive-to-flat construction, the jury is still out. While there is no doubt that industry is in recession, the entire German economy could have avoided another contraction - and hence a technical recession - at the very last minute. Still, contraction or not, the fact remains that the German economy has been

in de facto stagnation for more than a year. This is clearly nothing to be too cheerful about.

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