

## Germany: small rebound in July exports

Trade data confirms industry's summer break but current positive cycle should continue



Source: istock

German trade data brought more evidence of a summer calm. A calm, however, which should be no reason to worry. Exports increased by only 0.2% MoM in July, from -2.7% in June. At the same time, imports increased by 2.2%, from -4.4% MoM in June. As a result, the seasonally-adjusted trade balance narrowed to 19.6bn euro, from 21.2bn euro in June.

While financial markets and the ECB are getting increasingly concerned about the strength of the euro, the country which often claims to be the world champion is still enjoying a strong export recovery in spite of two weak months. In fact, average monthly exports growth this year have been the strongest since 2010.

There are several reasons for this export revival, amidst the strengthening of the euro :

- i) It takes a while before exchange rate fluctuations reach the real economy and hedging activities by companies have lengthened this lag in recent years.
- ii) German exports are often less price sensitive than exports from other countries due to the product specialisation and market segment.

iii) Global growth and the Eurozone recovery have created a stronger demand for German products.

iv) Diversification of export destinations best illustrated by the trade-weighted exchange rate.

While the euro has gained more than 13% vis-à-vis the US dollar since April this year, the German effective exchange rate has only increased by 4%.

Even though this week's industrial data was anything but splendid, strong fundamentals combined with buoyant confidence indicators still point to quick rebound of industrial activity after the summer break. The upside of the weak start to the third quarter is that the upside potential has increased.

## Author

### Carsten Brzeski

Global Head of Macro

[carsten.brzeski@ing.de](mailto: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>.