

## Germany: Some relief from exports

A small rebound in exports illustrates that not all is doom and gloom in the German economy. However, the rebound is too small for us to become overly optimistic right now



The traditional German growth engine has brought some relief to a faltering economy. After last week's disappointing industrial production data, this morning's trade data suggests that not all is doom and gloom. In October, German exports increased by 0.7% month-on-month, from a 0.8% month-on-month drop in September. As imports increased by 1.3% MoM, the trade balance slightly narrowed.

### Rebound still means long way to go

Sluggish trade data over the summer months has cast doubt about the strength of the German export sector. Today's data brings some relief but also shows that there is still a long way to go before the traditional growth engine will be back at full strength. The ongoing trade tensions and a general weakening of global manufacturing demand has clearly left marks on the German export sector and the entire economy.

Looking at the bigger picture, however, there is also a new structural shift in the German export sector. The US is still Germany's single most important export destination, followed by France, China and the Netherlands. However, the UK has quickly lost importance. Accounting for a bigger

share of German exports than the Netherlands or China in 2015 with close to 8%, this share has dropped to close to 6% and the negative trend continues. A clear pre-Brexit effect.

## 2019 outlook for German exports is worsening

The German export performance for 2019 will strongly depend on three factors: how much of a possible slowing of global demand can be offset by a weaker euro; possible new trade tensions between the US and the EU, and Chinese demand. The traditional strength of the German export sector, i.e. a highly diversified export destination portfolio, is undermined by too many problems in too many export partner countries.

All of this means that as welcome as today's export rebound might be, it is still too small for us to become overly optimistic.

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