

## Germany: Trade is treading water

August trade data is no game changer. After a disappointing industrial report, trade data brought little relief



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### Exports fell again

After yesterday's disappointing industrial production data, this morning's trade data was unable to bring significant relief. In August, German exports fell by 0.1% month-on-month, from -0.9% in July. As imports dropped by 2.7% MoM, the trade balance widened to €17.2 billion, from €16.5 billion.

### Lost momentum still no reason to worry

Sluggish trade data over the summer months, was in our view not so much the result of ongoing trade tensions but rather driven by a general weakening of global manufacturing activity and a temporary blip in German domestic demand. At the same time, the weak euro exchange rate should still (partly) be offsetting these adverse effects.

Looking at the bigger picture, the ongoing trade tensions have not led to any structural changes in the German export sector. Exports to most main trading partners have remained broadly unchanged since the start of the year. The US is still Germany's single most important export destination, followed by France, the Netherlands and China. Call this a pre-Brexit effect but the UK

is losing importance, capturing only 6% of all German exports. On the back of strong domestic demand, imports from most regions have increased over the last few months. Nevertheless, Germany still runs significant trade surpluses with the eurozone, the EU and the US.

The traditional German growth engine is stuttering once again. Industrial production and exports have lost some of their momentum in the course of 2018 but reduced momentum from a high level is still no reason to worry. Luckily, the German economy is no longer running on one or two cylinders but still has solid domestic demand to lean on. At least for now.

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