

## Germany: Exports continue to catch up in September

Exports increase once again but the return to full strength will not be easy.



German exports (seasonally and calendar adjusted) continue to play catch up with the rest of the economy. In September, exports increased by 2.3% month-on-month, from 2.3% in August. At the same time, imports dropped by 0.1% MoM, from 5.8% in August. As a result, the trade balance widened to €20.8bn, from €12.8bn in August. Exports were still more than 7% below their February level.

### Exports seeing cyclical catch-up and structural challenges

The Covid-19 crisis clearly shook up German exports and led to remarkable changes in the country composition of German exports. In the second quarter, Germany exported more to the Netherlands than to France, and more to China than to the US. In the third quarter, the old conditions are being restored, with exports to France exceeding exports to the Netherlands again as well as the US being the single most important export destination again. However, exports to China still have a much larger share in total exports than in 2019, illustrating the important role China has played in the rebound of the German economy in the third quarter.

Looking ahead, exports (and industrial production) could still prevent the economy from falling into

a second lockdown depression in the final quarter of the year. Export order books are still improving and export volume expectations in the manufacturing industry are at the highest level since early 2019. However, this morning's Chinese trade data do not bode too well for the German export outlook. Also, with new restrictions on the back of increasing infections in many countries, it is hard to see how German exports could remain unharmed. On top of that, the export sector remains subject to structural changes in the global economy, be it more protectionism, a transition away from traditional manufacturing toward services, high tech or electric vehicles.

## Popping corks

Still, the outlook for German exporters brightened last Saturday. If there is one single sector of the German economy in which the preliminary outcome of the US elections led to popping the corks, it is the export sector. With US president-elect Biden, the threat of US tariffs on European (read German) automotives should disappear. Even better, a possible revival of the transatlantic relationship and a possible investment package into sustainability and the fight against climate change could eventually also benefit German producers. However, at the same time, it is hard to see president-elect Joe Biden suddenly cheering the large German trade surplus with the US. Also, as Germany is currently exporting almost as much to China as to the US, a continuation of the global war on tech with the US possibly trying to gain Europa as an ally, could put new pressure on German (trade) diplomacy.

All in all, even if the longer-term outlook has improved somewhat, the German export sector will not return to its old strength easily.

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