

## Positive surprise from German exports

A surprise surge in April exports softens fears of a contraction of the entire German economy in the second quarter. However, exports are still facing several headwinds



What a pleasant surprise. German exports (seasonally and calendar adjusted) staged an unexpected rebound in April, softening fears of a contraction of the entire economy in the second quarter. Exports increased by 4.4% month-on-month in April, from -3.3% in March. Exports to Russia as a result of the sanctions almost came to a standstill and fell by another 10% month-on-month after the 60% MoM drop in March. At the same time, the fact that imports increased by 3.1% MoM indicates that supply chain frictions have not yet reached the German economy.

German exports have defied renewed supply chain frictions and the economic implications of the war in Ukraine. At least for now. The latest survey data suggest that export order books, in particular, have started to weaken. This cannot really be a surprise given that a recent Ifo survey shows almost half of all German companies are dependent on imports from China. The war in Ukraine is also very likely to disrupt other supply chains for good. More generally, with a high risk that the war accelerates the trend of deglobalisation and high energy and commodity prices for longer, today's export revival could turn out to be a flash in the pan as the German export sector is facing more headwinds ahead.

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