Economic Research

Economic Briefing

Germany – How much are Trump's tariffs slowing down exports?

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German goods exports fell by 1.4% in May compared with the previous month. A considerable proportion of this decline is a result of weak exports to the US. These fell significantly for the second month in a row, which is due in part to higher US tariffs. So far, the figures are still within the usual range of fluctuations, but are likely to fall further in the coming months, thereby at least partially neutralizing the increasing stimulus from monetary and fiscal policy, especially as exports to China are also expected to remain weak.

Disappointing figures for German exports: goods exports were 1.4% lower in May than in April, marking the second consecutive month of significant decline. As in April, the decline compared with the previous month is largely attributable to a significant drop in exports to the US. These fell by 7.7% in May compared with the previous month, after already declining by more than 10% in April (Chart 1).

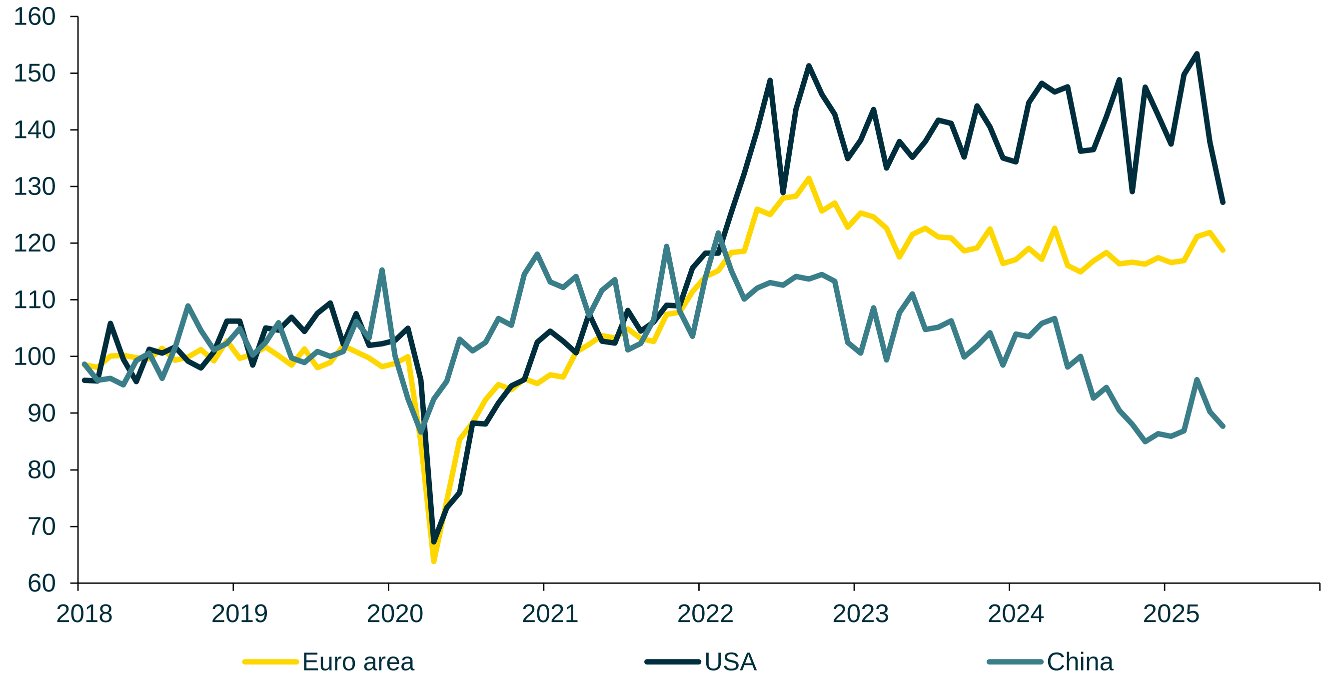
The higher US tariffs certainly contributed significantly to this sharp decline. However, when assessing these figures, it should be borne in mind that, despite adjustment for seasonal and calendar effects, monthly figures for Exports to individual countries and regions are still much more volatile than the figures for total exports. For example, exports to the US rose by more than 12% overall in February and March, probably because many companies brought forward deliveries to avoid the higher US tariffs. Compared with the average for last year as a reference, exports were 8% higher in March and 10.5% lower in May. Therefore, at least so far, there can be no talk of a "dramatic slump."

However, if the EU and the US do not reach an agreement that largely prevents higher US tariffs – which does not seem likely at present – it can certainly be assumed that exports to the US will continue to decline in the coming months. This would make the US market the second major problem for German exporters. The trend in goods exports to China has been downward for some time, and no radical turnaround is expected here either for the time being. Only exports to other eurozone countries are currently stable, at least.

As a result, foreign trade is likely to slow down the German economy in the coming months, thereby partially neutralizing the stimulus provided by monetary and fiscal policy. The problems with exports are unlikely to prevent an economic recovery, but they will contribute to it being rather subdued.

Chart 1 - Second big drop in exports to the US in a row

German goods exports, seasonally adjusted monthly figures, 2018=100



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