

# Germany

## Weak global economic conditions behind plunge in German exports

### Key findings

- **PMI data gave advance warning of a rapid drop in German exports.**
- **Exporters are suffering from a retrenchment in global demand.**

### Grim trade data from world's biggest exporter

Yesterday saw the release of official German export data for November, with trade flows declining at the fastest rate for almost four decades. The extent of the collapse in German exports was much steeper than anticipated by analysts polled by Reuters, but was consistent with the message sent by recent readings of the PMI New Export Orders Index (see chart 1).

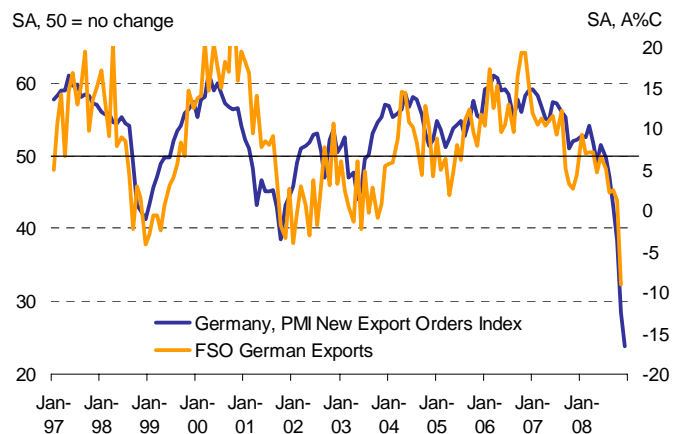
Moreover, German export data tend to be volatile, but the PMI data suggest that the downturn in foreign trade deepened in December, with the German PMI New Export Orders Index pointing to the sharpest year-on-year contraction in official German exports since at least 1963.

The plunge in German exports has mirrored the collapse in Asian trade flows recorded at the end of 2008. A primary factor behind the retrenchment in global trade has been the rapid contraction of worldwide economic activity in recent months, as highlighted by the Global All-Industry PMI (see chart 2).

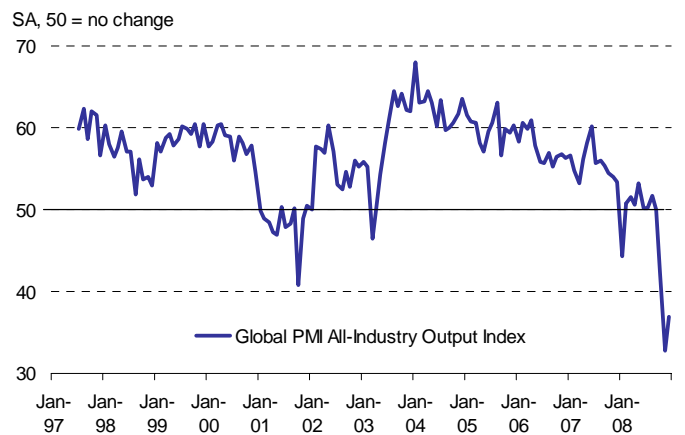
Compounding the downturn in worldwide demand, exporters have suffered from a shock to their lines of credit and insurance, leading to difficulties in financing exports and an associated rise the cost of global trade.

The strength of the Euro also contributed to the record drop in demand for German goods in November, as suggested by extremely weak exports to EU countries outside of the Eurozone.

**Chart 1. German exports and PMI data**



**Chart 2. Global economic activity**



Source: Markit Economics

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The downturn in foreign trade will likely be a heavy drag on German GDP, mirroring the nosedive in the wider economy shown by PMI data during Q4 2008.

The next release of German PMI data will be the 'flash' figures for January, which are released on the 23<sup>rd</sup> January 2009.

To find out how to receive data for the German PMI, please contact [economics@markit.com](mailto:economics@markit.com).

## Tim Moore

### Economist

Markit

Tel: +44 1491 418 667

Email: [tim.moore@markit.com](mailto:tim.moore@markit.com)

For further information, please visit [www.markit.com](http://www.markit.com)

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