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Current Issues
Natural resources

German exports to oil-producing countries to decline in 2015

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While the German economy is generally getting a growth boost from the slump in oil prices, the oil-producing countries are seeing their economic prospects deteriorate. This could bring pressure to bear on German goods exports to these countries, which totalled no less than EUR 73 bn in 2014 (export share: 6.4%), and trigger a 10-15% nominal decrease in 2015.

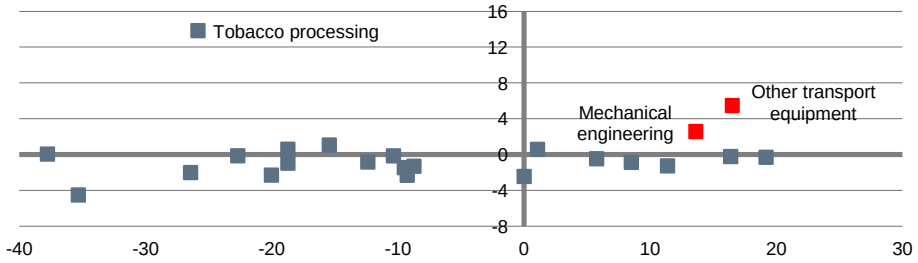
The sectors in Germany that have particularly benefited so far from the oil producers' "petrodollar recycling" include mechanical engineering and other transport equipment (mainly aircraft). In these cases, both the export ratios and the shares of the oil countries in total sector exports are above average (see chart below).

The extent to which individual sectors are impacted by the expected weakness of demand from the oil countries will depend on regional and sector-specific factors. Due to a confluence of several negative factors in business with Russia in 2015 (oil price decline, rouble depreciation, political problems and sanctions), close ties with Russia have negative implications for trade. In this respect German mechanical engineering will sustain a particularly heavy blow: Russia is a key client for this sector, even though mechanical engineering exports to Russia already fell by 16% in 2014. By contrast, German exports to the Middle East will benefit from the depreciation of the euro versus the US dollar and its related depreciation versus many Arab currencies. This will partly compensate for the decline in oil prices.

Germany's total exports are likely to increase in 2015 despite the economic weakness in the oil countries. The depreciation of the euro versus the US dollar and the cost relief due to lower oil prices in oil-importing countries are two reasons that support this assertion. Nevertheless, reduced business with the oil producers will be painful for certain sectors and companies.

Overview of sector vulnerability to an economic downturn in oil-producing countries

X-axis: Sectoral deviation from average export ratio, 2014, pp
Y-axis: Sectoral deviation from average share of exports absorbed by oil countries, 2014, pp

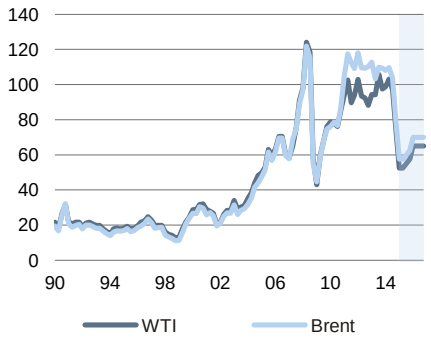


The sectors in the upper right-hand quadrant have an above-average export ratio. Moreover, the oil countries absorb an above-average share of these exports.

Sources: Federal Statistical Office, Deutsche Bank Research

Supply side triggered lower oil prices 1

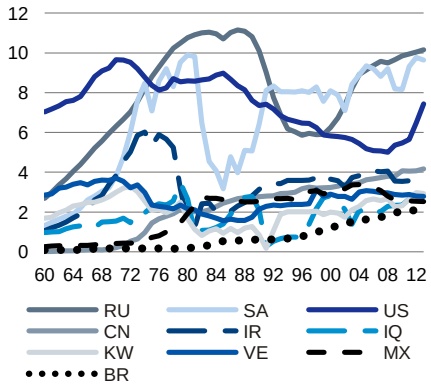
USD per barrel



Sources: Bloomberg Finance LP, Deutsche Bank Research

Top 10 countries: Global crude oil production 2

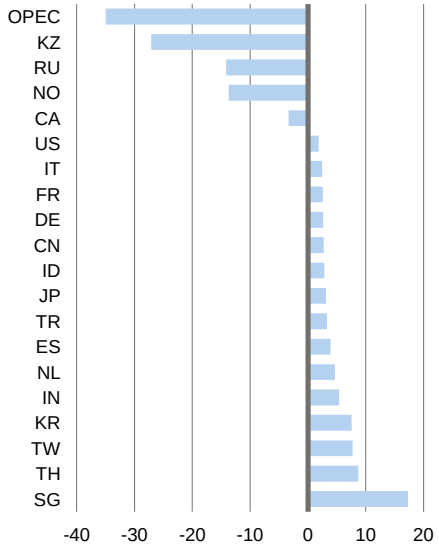
Million barrels per day



Source: OPEC

Falling oil price impacts countries differently 3

Net oil imports as % of GDP, 2012



Sources: EIA, IMF, Deutsche Bank Research

Price decline putting oil states under considerable pressure

The deep slump in oil prices since mid-2014 came as a surprise. The main reason for the drop in price was probably the abundant supply, which increased more strongly than expected as a result of the fracking boom in the US. Between 2008 and 2013, the US raised oil production by nearly 50% and increased its share in international production to around 10%. OPEC's decision at the end of November[1] to refrain from reducing exploitation volumes, large inventories and lower demand from China and Europe exacerbated the downward slide in the oil price. Between mid-2014 and the middle of January 2015, the oil price dropped by nearly 60% to below USD 50/bbl. Since then, there has been a volatile countermovement, and oil prices are currently back to around 20% above their low but, at USD 57/bbl, still roughly 40% below the average of the previous year of USD 96/bbl (average price of WTI and Brent).

The global economy is likely to be boosted all in all by the strong slump in the oil price.[2] The positive consumption effect for net oil importers will exceed the negative effect on net oil exporters whose savings ratio is much higher.

The German economy is benefiting from the positive oil price shock[3] via a stimulus to private consumption due to the decline in costs for energy and mobility and via an increase in overall demand for German products owing to higher global growth. What is more, the costs of many intermediate goods for companies are declining. Thus, we have recently raised our growth forecast for Germany from 1.4% to 2.0% for 2015, which is due, among other things, to the weaker euro.[4] While the overall effect on the German economy is definitely positive, those German sectors and companies that export goods to countries whose economy chiefly depends on oil exports have to expect a deterioration in business. In the following analysis, we focus on the question as to which German sectors are particularly affected by the expected weakening of growth in the oil-producing countries.

Growth slowdown and narrowing of fiscal scope in the oil states

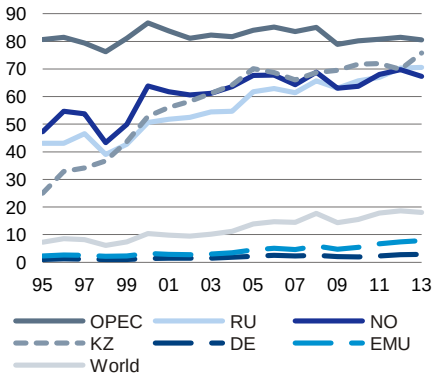
The slump in oil prices has the biggest negative impact on the largest net oil exporters. These are mainly the OPEC members as well as Kazakhstan, Russia and Norway (in the following: oil countries or states), which combined produce roughly 60% of global oil supplies. The oil wealth typically provides these countries with high export revenues which are normally used to finance public spending and are invested internationally; this often occurs by bundling the funds in a sovereign wealth fund. At an oil price of over USD 100/bbl the “petrodollars” in 2012 equated to a trade surplus of approximately USD 1,080 bn. At that time, this was equivalent to about 65% of global trade surpluses. Since then, the surplus fell to USD 937 bn in 2013 and to roughly USD 850 bn in 2014 (annualised value for the period from January to September), and the oil states now account for "only" about 55% of global trade surpluses.

1 See OPEC (2014). OPEC 166th meeting concludes, No. 7/2014. Vienna.
2 See Hooper, Peter et al. (2014). World Outlook 2015. Filling the tank before liftoff. Deutsche Bank
2 See Hooper, Peter et al. (2014). World Outlook 2015. Filling the tank before liftoff. Deutsche Bank Research. London.
3 See Peters, H. (2012). Potential oil price shock boosting downside risks for German economy. In Focus Germany: Recession risk has receded – 2012 GDP forecast now 0.5%. Deutsche Bank Research. Current Issues. Frankfurt am Main. The elasticities of the linear model calculated in this publication also apply in the other direction. A fall in the oil price by 10% boosts German GDP by 0.1 of a percentage point.
4 See Rakau, Oliver et al. (2015). Germany: Taking the leap of faith; raising 2015F GDP growth to 2%. Data Flash Germany. Deutsche Bank Research. Frankfurt am Main.

German exports to oil-producing countries to decline in 2015

Oil and oil products account for 80% of OPEC exports 4

Oil and oil products as % of total exports

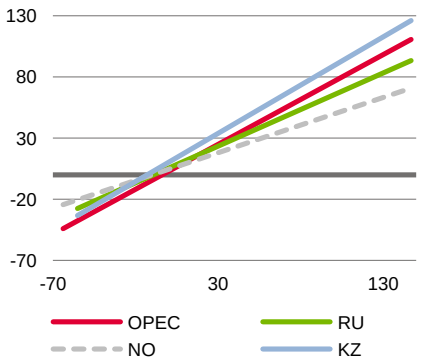


Sources: UNCTAD, Deutsche Bank Research

The strong decline in oil prices leads to a marked decrease in exports and thus to lower export revenues in the oil-producing states. Oil and oil derivatives account for roughly 80% of all exports in the OPEC states. On the one hand, this effect will weaken growth in the oil states by reducing net exports. In June 2014, we still expected GDP growth of 3.6% in real terms in these countries[5] for 2015. The current forecast is only -1.1% (2014: 2.0%), with the EU and US sanctions against Russia as a result of the Ukraine conflict also playing a role. The Russian economy should decline by over 5% in real terms in 2015 (2014: +0.6%). In June 2014, our growth forecast for Russia was still 2.4% for 2015. For the selected OPEC countries, the growth forecast was reduced by more than half to only 1.9%, which is also much lower than the growth rate of 3.2% in 2014. Weaker growth in the oil states should also markedly reduce the demand for foreign goods, and above all capital goods.

Oil prices drive export volumes 5

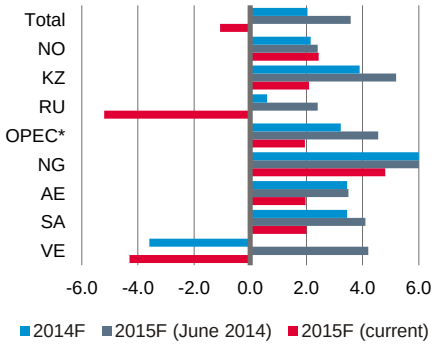
Linear trend (Jan 95-Sep 14);
x-axis: oil price (% yoy); y-axis: exports (% yoy)



Sources: IMF, HWWI, Deutsche Bank Research

Oil-producing countries' growth outlook has clouded since oil price nosedived 6

% yoy

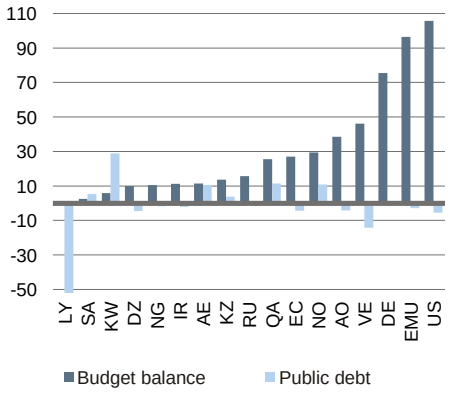


*Weighted average of selected OPEC members

Source: Deutsche Bank Research

Oil-producing countries: Low public debt 7

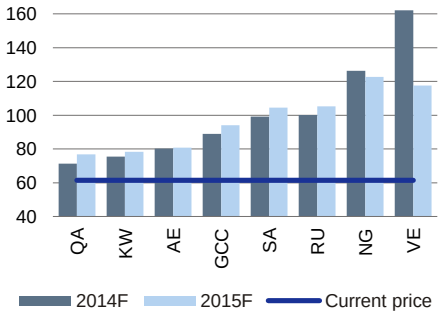
Public-sector debt as % of GDP, 2014



Source: IMF

Oil producers: Fiscal breakeven price 8

Brent, USD per barrel



GCC: Members of Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates)

Source: Deutsche Bank Research

Secondly, the fiscal scope of governments, which use oil export revenues to finance a major share of public spending, will be restricted significantly in 2015. In many oil states, the current oil price of roughly USD 61/bbl (Brent) is well below the fiscal breakeven price[6], so these countries are likely to see their budget deficits widen and/or their public spending decline. Norway is probably best positioned among the oil-producing states thanks to its slightly lower export dependence on oil, its more diversified economy and the high budget surpluses which are invested in public pension funds. Saudi Arabia also has a sufficient cushion thanks to its recourse to state assets of roughly USD 450 bn. Venezuela is worst off as it has no significant reserves to absorb the "oil price shock", its public-sector debt was already the highest of all the oil countries in 2014 (46% of GDP) and, at -14% of GDP, it has a relatively high budget deficit.

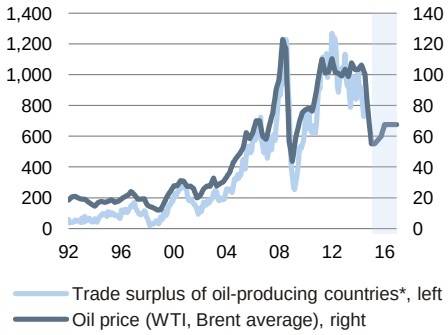
[5] This refers to the weighted average of Kazakhstan, Norway and Russia as well as the selected OPEC countries for which Deutsche Bank regularly publishes forecasts. These OPEC countries are Nigeria, Venezuela, Saudi Arabia and the United Arab Emirates, which together account for slightly more than half of the economic might of the OPEC countries.

[6] See Burgess, Robert et al. (2014). EM Oil Producers: Breakeven Pain Thresholds. Deutsche Bank Research. EM Monthly: Aiming Low. London.

German exports to oil-producing countries to decline in 2015

Oil price slump likely to reduce trade surpluses of producer countries 9

Annualised monthly values (USD bn, left); USD per barrel (right)



*OPEC, RU, KZ and NO

Sources: IMF, Bloomberg Finance LP, Deutsche Bank Research

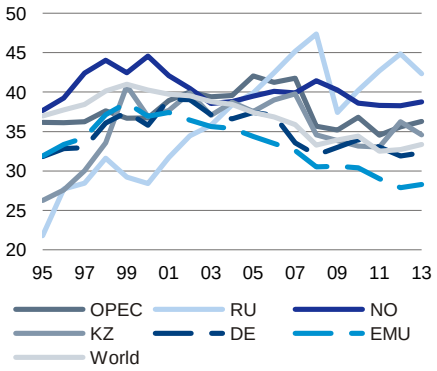
Global imbalances to decline

True, we expect that oil prices, while continuing to be volatile, should stabilise shortly and then return to an upward trend. However, in 2015 on average, oil prices should be 40% down on the level of the previous year, so the trade surplus of the oil states should also decline markedly. For 2016 we expect a moderate recovery, but the oil price should still be some 30% lower than in 2014. The trade surpluses of the oil states should therefore remain well below record levels.

In the medium term, we expect a further upward move in the oil price, but it should remain well below the USD 100/bbl mark for the time being. One reason for the expected increase is the fact that supplies will probably be dampened over the medium term as a result of lower investments in the exploitation of new production capacities. What is more, the expected recovery of the world economy should stimulate oil demand. In sum, the trade surplus of the oil countries and thus also global trade imbalances will not return to their old highs for the time being.

Machinery & equipment constitute relatively high share of oil country imports 10

Mechanical engineering products and vehicles/transp. equipment as % of total imports



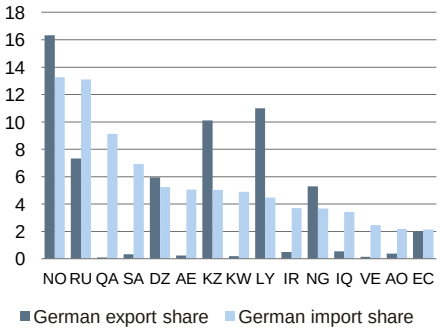
Sources: UNCTAD, Deutsche Bank Research

Germany's industrial sectors set to receive fewer orders from the oil states in 2015

Overall, the surprisingly strong decline in oil prices is a stimulus for the German economy. However, this positive assessment cannot necessarily be applied to all economic sectors and companies. The oil price slump interferes with petrodollar recycling. In addition, investments in the exploration of new oil fields are postponed given the low oil price; this also reduces the demand for corresponding machinery, plant and other equipment, which are bought extensively from Germany as one of the most important countries of origin for such imports. All in all, it becomes clear that German trade (and that of other oil importers) with the oil states is not a one-way street. While the energy bill in Germany and for other oil-importing countries should be lower, orders for goods and services from the oil-rich countries may decline. In 2015 German goods exports to the oil states could fall by 10-15%.

Oil-producing countries source large share of imports from Germany 11

German import and export shares as % of respective totals (Jan-Sep 2014)



Sources: IMF, Deutsche Bank Research

German exports to the oil states: Oil price an important variable

In the following, we shall analyse which industrial sectors are likely to be affected most by a weakness in demand from the oil countries triggered by the decline in the oil price. This will be done on the basis of a partial analysis. This means that even if macroeconomic data suggest that one sector's exports to the oil states will decline in 2015, it is nevertheless possible for that sector's overall exports to rise because exports to other regions may outweigh the losses in business with the oil countries. Before we touch on individual business sectors, we take a look at the development of German exports to the oil countries over the last few years.

The importance of the oil countries for German exports increased in the last 15 years, since strong demand for German capital goods came mainly from the OPEC countries and Russia and was financed by their buoyant export revenues. The share of exports to the oil countries rose markedly from 3½% in 1999 to more than 6% in 2014. Despite the high German oil imports from these countries Germany recorded a significant trade surplus vis-à-vis the OPEC countries, which was equivalent to about 10% of the total surplus or roughly EUR 23 bn in 2014.

German exports to oil-producing countries to decline in 2015

Overview of NACE codes 12

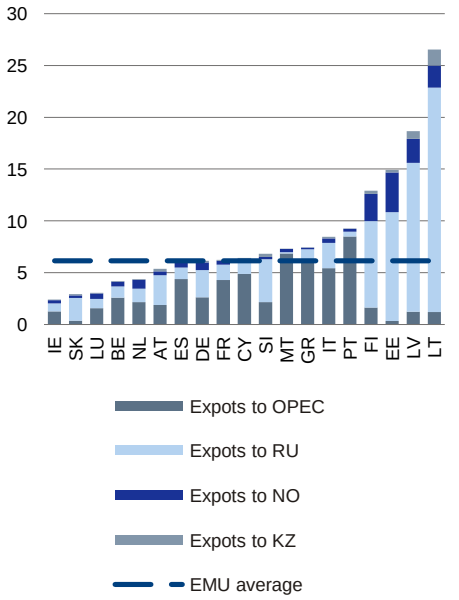
NACE code	Sector
C	Manufacturing
10	Food
11	Beverage production
12	Tobacco processing
13	Textiles
14	Clothing
15	Leather, leather goods and shoes
16	Wood products
17	Paper
19	Coking and oil refining
20	Chemicals
21	Pharmaceuticals
22	Rubber and plastics
23	Building materials
24	Metal production and processing
25	Metal products
24+25	Metals industry
26	IT, electronic and optical products
27	Electrical equipment
26+27	Electrical engineering
28	Mechanical engineering
29	Automotive industry
30	Other transport equipment
31	Furniture

Source: Federal Statistical Office

The above-average decline in German goods exports to the oil states of 25% in 2009, when the economy in many countries shrank or at least grew at a much slower pace and oil prices fell, strongly illustrates the dependence on the "recycling of petrodollars". In 2009, total exports fell by "only" 18%. Between 2010 and 2012 German exports to the oil states always increased faster than total exports. In this period the oil price initially recovered (2010) and then remained at a relatively high level. In 2013 both total exports and also those to the oil countries fell slightly. Last year, total exports (+3.7%) again outstripped exports to the oil states, which declined by 5%.

Negative growth effect hits Baltic states hardest 13

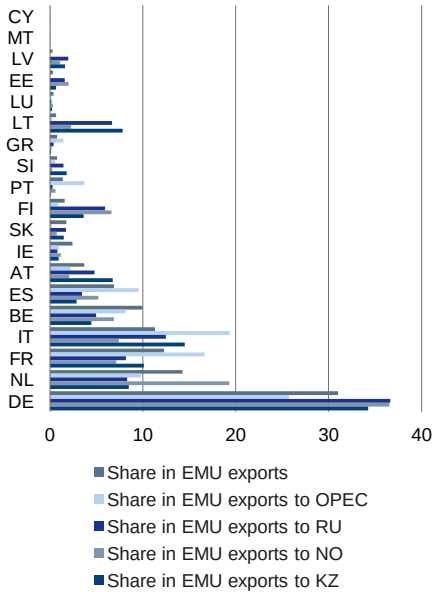
% of exports



Sources: IMF, Deutsche Bank Research

Germany generates roughly 30% of EMU exports 14

Export shares of EMU members (%)

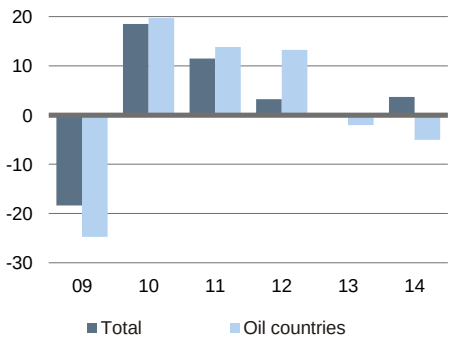


Sources: IMF, Deutsche Bank Research

In terms of the share of exports going to the oil countries, Germany is average among the euro-area nations. The Baltic states and Finland account for a much higher share as a result of their close regional ties with Russia. As regards the share of total exports from the eurozone to the oil-producing countries, Germany is the most important country by far thanks to its size and its relatively high degree of openness.

Volatility of exports to oil-producing countries 15

German goods exports, % yoy



Source: Federal Statistical Office

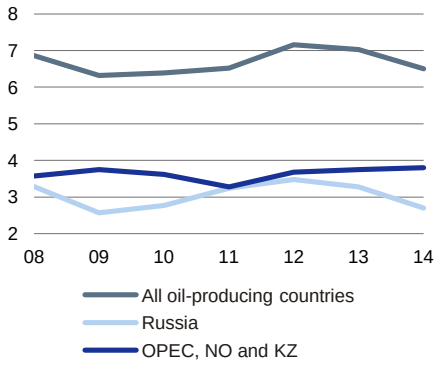
Exports to Russia are more volatile than to the other oil states

It is striking that German goods exports to Russia in the period mentioned were much more volatile than exports to the other oil states. In 2009, for example, German exports to Russia fell by 36% (Russian GDP nosedived by just under 9% in real terms at that time), but "only" by 14% to the other oil producers. By contrast, German exports to Russia rose much more strongly in 2010 (+28%) and 2011 (+31%) than exports to other oil countries. In 2014 as well, the differences became apparent: the crisis in eastern Ukraine, as well as reciprocal economic sanctions between the EU and Russia contributed to the nominal 18% decline in total German exports to Russia in 2014, while exports to the other oil states rose by no less than 6.4%. Thus, the onset of the decline in the oil price in mid-2014 was not the decisive factor for the slump in exports to Russia. The fact that German exports to the other oil-producing countries still showed growth that year on average was not hindered by the oil price decline either. In this

German exports to oil-producing countries to decline in 2015

Russia's share falling 16

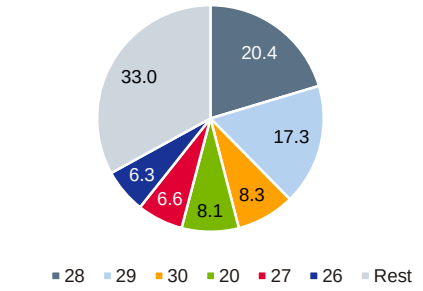
Share of individual markets/regions in German goods exports (%)



Source: Federal Statistical Office

Mechanical engineering and automotive industry export the most in absolute terms 17

Share of individual sectors* in German exports to oil-producing countries, 2014, %

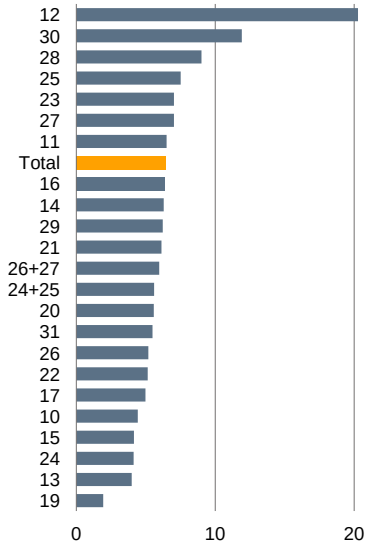


Exports to oil countries totalled EUR 70 bn in 2014

Source: Federal Statistical Office

Oil producers' export shares vary considerably from sector to sector 18

Oil countries' share in total exports of individual sectors*, 2014, %



*Based on NACE codes

Source: Federal Statistical Office

case, the decline came too late and from too high a level to make an impact. Looking at the 2014 average, the oil price was only slightly below the mean for the years 2011 through 2013.

6.4% of exports absorbed by the oil countries – Russia dominates

The volatile growth of German goods exports to the oil states is also reflected in their share in total German exports. This came to 6.4% in 2014, thus shrinking for the second year in a row. The peak reading was in 2012 at 7.2%. Russia accounted for a share of 2.7% in 2014, making Russia Germany's most important export market among the oil countries by far. However, this country's share in total German exports has fallen considerably since its high in 2012 (3.5%). These are visible consequences of the economic crisis in Russia, which is likely to worsen further in 2015 because of the lower oil price and the still unresolved conflict in eastern Ukraine. Among the oil-producing countries, the United Arab Emirates (1%), Saudi Arabia (0.79%) and Norway (0.75%) rank 2nd to 4th in terms of their importance for German exports. Combined, their share has steadily grown over the past few years, falling only slightly short of Russia's share in 2014. In these three countries the sizeable foreign exchange reserves that have grown over time likely act as a stabilising element. They help to ensure that these countries' goods imports are less vulnerable to short-term oil price fluctuations than is the case say in countries whose public budgets rely on high oil prices. In the Arab countries mentioned there is another factor on top of this: a large government sector and/or large share of state-affiliated companies are also likely to have a stabilising effect on procurement activity.

"Usual suspects" record highest exports to oil countries in absolute terms

Considering the growth of German exports to the oil countries at sector level, it is interesting to note which of these sectors report the highest export volumes in absolute terms. In total, Germany exported goods worth roughly EUR 73 bn to the oil countries in 2014, with all the "usual suspects" of the German economy figuring among the biggest exporters. Leading the field were the mechanical engineers with exports totalling EUR 14.9 bn, followed by the automotive industry (EUR 12.6 bn), electrical engineering (EUR 9.4 bn), other transport equipment (aircraft in particular; EUR 6.1 bn), chemicals (EUR 5.9 bn), metals (EUR 5 bn) and the pharmaceuticals industry (EUR 3.8 bn). These sectors rank at the top of the league – albeit in a different order – in Germany's overall export statistics.

Oil producers' export shares vary considerably at sector level

In an analysis of which sectors could be hit hardest by (oil-price-induced) declines in demand from the oil-producing countries the relative shares of these countries in a sector's total exports are of greater importance than the absolute volumes exported. The oil countries' shares in total exports vary considerably at the sector level, and it is very surprising to see which sectors deliver a particularly large share of their exports to those countries.

Top spot in the statistics is held by the tobacco processing industry. It shipped over 20% of its exports to the oil producers in 2014, with OPEC members absorbing a dominant share of nearly 19%. Saudi Arabia alone accounts for close to 13%. The share of processed tobacco exports taken up by the oil producers has climbed steadily over the past few years. As recently as 2008 "only" slightly more than 9% of this sector's exports went to the oil states. Since

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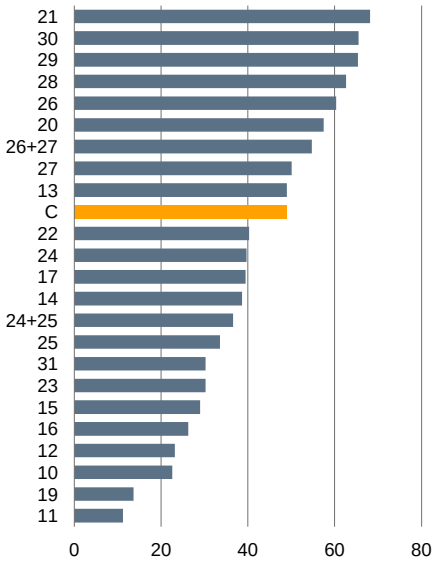
Significant differences in export ratios 19

Foreign sales as % of total sales by sector*, 2014

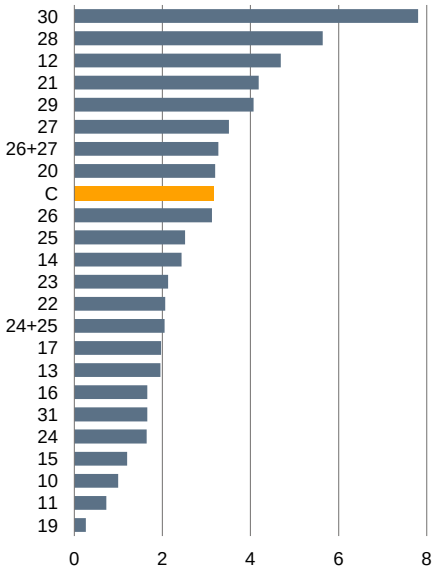


*Based on NACE codes

Source: Federal Statistical Office

Vulnerability scale: Other transport equipment and mechanical engineering are particularly vulnerable 20

Product of export ratio (%) and export share (%) of oil countries by sector*, 2014



*Based on NACE codes; product of export ratio and export share was also divided by 100

Sources: Federal Statistical Office, Deutsche Bank Research

demand for tobacco products usually shows little income elasticity, the economic cooling facing the oil-producing countries is likely to have limited consequences for the sector in Germany.

In 2014, the oil producers recorded the second-highest share of exports in the other transport equipment sector (11.9%), which includes aircraft and ships in particular. The OPEC members play a dominant role here too with a share of 9%. The United Arab Emirates is a particularly important client of the sector, absorbing close to 8% of its exports. The exports in question are very predominantly the aircraft being sold to the strongly expanding airlines in the Gulf states.

Germany's mechanical engineering sector also ships an above-average share of its exports to the oil-producing countries (about 9% in 2014). Unlike in the tobacco processing and other transport equipment sectors, the key export market for mechanical engineering is Russia. Even though Germany's mechanical engineering exports fell 5% in 2013 and 16% in 2014, Russia still absorbed no less than 4.1% of the sector's total exports in 2014 (2012: 5.1%). Export trade with the OPEC members was much more encouraging given expansion of nearly 8%.

Other sectors in which the oil-producing countries absorb an above-average share of exports are metal products (2014: 7.5%), building materials and electrical equipment (7% each). For each of these sectors, the most important single market among the oil-producing countries is Russia. In respect of building materials and electrical equipment, Russia and the OPEC members account for roughly equal export shares, even though Russia's share fell in 2014.

The oil countries are moderately important for Germany's automotive and pharmaceuticals industries with export shares of 6.2% and 6.1% respectively (2014). These readings fall slightly short of the mean value for total goods exports to those countries. There is a bigger gap to the average export share in the furniture industry (5.5%), the manufacture of IT, electronic and optical products (5.2%), rubber and plastics (5.1%), paper (5%), metal production (4.1%) and textiles (4%). Russia is the key sales market among the oil producers in all sectors – except for metal production, where Saudi Arabia ranked first in 2014.

Oil countries: High export share coupled with high export ratio harbours risks

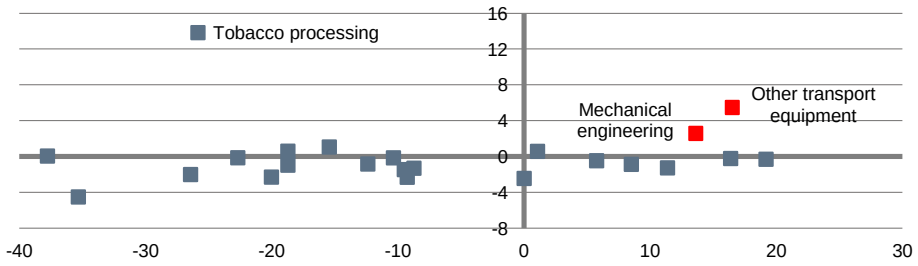
We have discussed which sectors deliver a large share of their exports to the oil countries and which ones do not. All in all it is striking that some of Germany's sectors with a traditionally strong export bias have above-average trade links with the oil producers, while others do not. Conversely, some of the less export-intensive sectors ship a large share of exports to the oil countries, while others in turn do not.

A crucial criterion when analysing the negative impact of an economic slowdown in the oil-producing countries on Germany's individual sectors is not only the export share of the oil producers but also the total export ratio of a given sector. A sector may be affected by weaker demand in the oil countries even if these combined absorb a below-average share of exports. For this to happen "only" the total export ratio has to be high enough; this can of course apply even more noticeably to individual companies than to a sector. Conversely, a high export share for the oil countries in the current situation is less damaging to a sector if it generally does not have a particularly heavy export bias.

A unit of measure suitable for gauging the vulnerability of a sector to the expected economic slowdown in the oil-producing countries is the product derived from multiplying the total export ratio by the respective export share of these countries. Going by this "vulnerability measure" the other transport equipment sector will face the largest burden, as a high export ratio coincides with a high export share for the oil-producing countries. It is followed in the ranking by mechanical engineering, tobacco processing, pharmaceuticals, automotives, electrical equipment and chemicals. Chart 21 below combines the criteria "share of exports absorbed by the oil countries" and "total export ratio" for the individual sectors. All the sectors in the upper right quadrant report above-average values for both variables, so they may generally be considered to be hit particularly hard. Only two sectors are firmly lodged in this quadrant: other transport equipment and mechanical engineering.

Overview of sector vulnerability to an economic downturn in oil-producing countries 21

X-axis: Sectoral deviation from average export ratio, 2014, pp
Y-axis: Sectoral deviation from average share of exports absorbed by oil countries, 2014, pp



The sectors in the upper right-hand quadrant have an above-average export ratio. Moreover, the oil countries absorb an above-average share of these exports.

Sources: Federal Statistical Office, Deutsche Bank Research

Noteworthy regional and sector-specific features

To properly assess how seriously a sector is affected it is also important to take account of special regional and/or sector-specific features. For instance, the other transport equipment sector's deliveries (mainly aircraft) to the Middle East are based on long-term orders. It is unlikely that the (Arab-owned) airlines will cancel these orders on the basis of a falling oil price alone, especially since their business model benefits from a declining oil price (lower kerosene costs). This correlation is likely to noticeably shield this sector.

In the mechanical engineering sector, by contrast, the negative factors outweigh the positive: business with Russia – the sector's most important export market among the oil producers by far – will probably be hurt again in 2015 by the politically charged environment. This will be exacerbated by the fact that Russia is not only struggling with falling oil prices but is also impacted by the US and EU-imposed sanctions. Concurrently, the rouble has depreciated significantly against the euro, boosting the price of exports to Russia. So, on balance, mechanical engineering is affected via several channels.

Tobacco processing, by contrast, will probably be aided by the fact that demand for the sector's products – as already discussed – displays little income elasticity. Despite the high vulnerability measure this could keep the actual burden on tobacco processing within limits. The argument of relatively low elasticity of demand generally applies to the pharmaceuticals industry, too.

A negative factor hitting the automotive, electrical equipment and chemicals industries alike is that Russia is the most important single market among the oil producers. As in the mechanical engineering sector there is a confluence of political problems in Russia, falling oil prices and rouble depreciation. However,

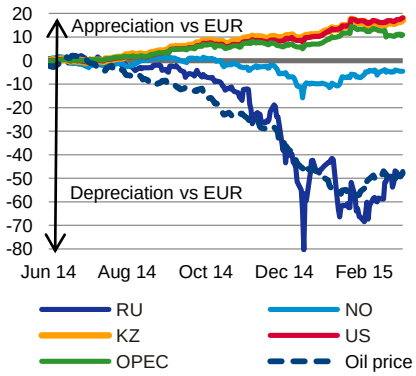
the exports of these (and other) sectors to the Middle East benefit from the fact that many Arab currencies are closely pegged to the US dollar, which has appreciated versus the euro. This results in improved price competitiveness.

Conclusion: Weaker oil producer demand likely to hurt mechanical engineering more than others

All in all, the slump in oil prices will boost German economic growth since private consumption will increase, company production costs will fall and global economic activity should generally pick up. However, the slump also clouds the economic prospects of the oil-producing countries that have relatively high demand for German products via petrodollar recycling, which is why several sectors will feel a negative impact.

USD peg triggers appreciation vs EUR for OPEC and KZ 22

Index, June 2014=100



Sources: ECB, Deutsche Bank Research

The discussion of the potential burdens at sector level shows that various aspects play a major role in determining which sector's exports to the oil producers could be hardest hit in 2015. Due to a confluence of several negative factors in business with Russia this year (oil price decline, rouble depreciation, political problems and sanctions), close ties with Russia have a negative trade impact in any event, especially since export performance to Russia had already shown a significantly greater degree of volatility than to OPEC members (catchword: high forex reserves). By contrast, German exports to the Middle East will benefit from the depreciation of the euro versus the US dollar and its related depreciation versus many Arab currencies. This may partly compensate for the decline in oil prices. If all the factors are taken into account, Germany's mechanical engineering sector will probably face the biggest setbacks in business with the oil producers in 2015. In every sector there are certain segments and of course also companies which will be hit harder by the weaker demand than the respective sector on average, the reason being particularly close trade ties with one or more of the oil countries.

At the outset of this report we stated that we would examine the effects of the oil price decline on the export business of selected sectors in the shape of a partial analysis. That should be emphasised at this juncture again. At the global level there are many reasons suggesting that in 2015 total German exports are likely to also increase in those sectors in which the oil producers absorb an above-average share of exports. The depreciation of the euro versus the US dollar and the cost relief due to lower oil prices in oil-importing countries are only two of these factors. So, taken together, the all-clear may be sounded for many sectors, even though the anticipated declines in business with the oil producers may be painful for individual segments and companies.

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