

„The stability of German export demand equations – have German exports suffered from the strength of the euro?“

Abstract:

Since its introduction in 1999, the euro has shown pronounced swings against the US dollar and the British pound. In this study, we investigate whether this evolution has affected bilateral German exports to two of its major export destinations: the US and the UK. Applying the ARDL bounds testing approach, we find different elasticities of trade between the two export destinations. Our results show that the export demand equation for the US seems to be more stable than that for the UK. Furthermore, it seems that the short-run dynamics in particular have changed.