

German exports disappoint in August

There is no end to the German macro disappointments. Exports dropped again in August and there's a growing risk that the entire economy has fallen back into recession in the third quarter



And another German macro morning to forget. German exports disappointed again and dropped by 1.2% month-on-month in August. Even worse, the July drop was revised downwards to -1.9% MoM, from an initial -0.9% MoM. August imports decreased by 0.4%, from -1.3% MoM in July. As a consequence, the trade balance widened to €16.6bn from €16.0bn in July. Don't forget that this is in nominal terms and not corrected for high inflation.

Odds of a summer recession have just increased

Like the rest of the German economy, exports remain stuck in the twilight zone between recession and stagnation. Since the start of 2022, net exports have been a drag on the economy in four out of six quarters. Supply chain frictions, a more fragmented global economy and China increasingly being able to produce goods it previously bought from Germany, are all factors weighing on the German export sector. The cooling of global demand is currently worsening the structural problems and the weakening of the euro since the summer is still too small to have any significant impact on exports. As a result, trade is no longer the strong resilient growth driver of the German economy that it used to be, but rather a drag.

With the drop in retail sales and today's disappointing export data, the risk of the German

economy of sliding back into recession in the third quarter remains high.

Author

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.