

## German exports disappoint once again

Exports drop in September and continue to act as a drag on the economy



Things are still looking pretty downbeat for Germany's economy. German exports disappointed again and dropped by 2.4% month-on-month in September. The only positive of this data release is that the August drop was revised into an increase of 0.1% MoM. September imports fell by 1.7% from -0.3% MoM in August. As a consequence, the trade balance narrowed to €16.5 billion from €17.7 billion in August. Don't forget that this is in nominal terms and not corrected for high inflation. To wrap up another disappointing macro morning from Germany, exports were down by 7.5% compared with September last year.

### Exports remain drag on economy

Today's trade numbers do not only indicate that the contraction of the German economy in the third quarter was probably driven by more than only the reported weak private consumption but also that a downward revision of the first GDP estimate is possible.

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 moving from a dynamic export destination to competitor 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. Export order books remain weak. Last but not least, recently German technology groups warned that they were being hit by customs delays for exports to China. 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.

Maybe the only upside of today's disappointing data is that things can hardly get worse. However, as positive signals remain absent, the base case for the German economy over the next months remains stagnation at best.

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