

# German exports weaken further in November

Exports continue to weaken, suggesting that recession fears are real



German export weakness continues. German exports (seasonally and calendar-adjusted) decreased by 0.3% month-on-month in November, from -0.6% MoM in October. On the year, exports were up by more than 13% but this is in nominal terms and not corrected for high inflation. Imports also decreased, by 3.3% month-on-month, from -2.4% MoM in October. As a result, the trade balance widened to €10.8bn. The ongoing weakness in exports in the fourth quarter suggests that recession fears are real.

## Near-term outlook anything but rosy

Trade is no longer a growth driver but has instead become a drag on German economic growth. Since the second quarter of 2021, the growth contribution of net exports has actually been negative. In the past, the current weakness of the euro would at least have brought some smiles to German exporters' faces. Like almost no other, German exports have often seen an asymmetric reaction to exchange rate developments. The negative impact of a stronger currency is cushioned by inelastic demand and high product quality, while the full price impact of a weaker currency normally adds to export strength. But not this time.

Export order books have continued to weaken significantly in recent months as the global

economic slowdown, high inflation and high uncertainty leave a clear mark. The near-term outlook is anything but rosy. It could take at least until next spring before relief in global supply chains and a rebounding global economy revive German exports.

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