

## German trade surplus continues to shrink

German exports rebounded somewhat in August but high energy prices continue to shrink what was, until recently, still a notoriously high trade surplus



Source: Shutterstock

German exports (seasonally and calendar-adjusted) rebounded in August, increasing by 1.6% month-on-month. On the year, exports were up by more than 18%. Imports also decreased, by 3.4% month-on-month, further lowering the trade surplus to €1.4bn. The war in Ukraine has succeeded in delivering what nothing else had managed before: letting the notorious German trade surplus disappear. However, unfortunately, it is not a 'good' disappearing of the trade surplus, driven by stronger domestic demand but rather a 'bad' disappearing, driven by high energy prices and structurally weaker exports. Also, when interpreting these trade data, don't forget that they are seasonally and calendar-adjusted but not price adjusted.

### Even a weaker euro hardly helps

Trade is no longer a growth driver but has become a drag on German 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. Not this time around.

Export order books have weakened significantly in recent months as the global economic slowdown, high inflation and high uncertainty leave clear marks on (not only) German exports. Even if transportation costs have started to come down and global supply chains have improved somewhat, the outlook for the German export sector remains mixed, at best.

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