German September exports disappointing

The drop in German exports in September adds to the evidence that the economy's only growth drivers in the third quarter were private consumption and government expenditures.

Another quarter to forget. German exports (seasonally and calendar adjusted) dropped once again, confirming that the economy's only growth drivers in the third quarter were private consumption and government expenditure. In September, German exports decreased by 0.7% month-on-month, from -1.2% in August. On the other hand, imports increased by 0.1% MoM, from 2.1% MoM in August. Supply chain frictions have caught up with German exports over the summer. Still an important growth driver in the second quarter, exports, look like a drag on growth in the third quarter.

Export rebound not on the cards any time soon

Looking at export destinations, 2021 clearly marks a structural shift, illustrating current themes including reshoring, slowing of Chinese growth and different ways to deal with the pandemic. During the first eight months of the year, the US has been the single most important export destination for German exports, accounting for almost 9% of all exports. China comes in as number two but only marginally ahead of France. The importance of Poland, Hungary and the Czech Republic has increased to unprecedented highs, accounting for a higher share of total German exports than China, Russia and Japan together. Finally, Brexit has left its mark on German trade as the UK dropped out of the five most important trading partners list, with German companies exporting more to Austria than to the UK.

Looking ahead, we will first need to see industrial production picking up again before exports surge as well. It is very simple: without any new production, there won't be new exports. We expect a first rebound in industrial production in the fourth quarter, but this will probably be more of a technical one. For a more fundamental rebound in industrial production and exports, supply chain frictions need to be left behind. This is something we will only see in the course of 2022.

Author

Carsten Brzeski
Global Head of Macro
carsten.brzeski@ing.de