

## 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.

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