

## German exports disappoint in July

Disappointing export and retail sales data shows that the German economy started the third quarter on a weak footing. The risk of falling back into contraction remains high



Going down again. German exports disappointed again and dropped by 0.9% month-on-month in July, from +0.2% MoM in June. At the same time, imports increased by 1.4% MoM, from -3.2% MoM in June. As a consequence, the trade balance narrowed to 15.9bn euro, from 18.7bn euro in June. Don't forget that this is in nominal terms and not corrected for high inflation.

### Risk of falling back into contraction remains high

From last summer until the start of this year, German exports had been extremely volatile. Since then, exports have fallen into stagnation and are basically going nowhere. 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. 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.

With last week's drop in retail sales and today's disappointing export data, the third quarter for the German economy has started on a very weak footing, suggesting that the risk of sliding back into

contraction remains high.

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