

## German exports still stuck in stagnation

After the post-lockdown volatility, German exports have entered a new phase. A phase of stagnation



German exports remain sluggish. After the severe March plunge and a minor rebound in April, exports continue to lack momentum and are currently stuck in stagnation. In June, exports increased by 0.1% month-on-month (from a slightly upwardly revised +0.1 MoM in May). On the year, exports were down by almost 2%. Don't forget that this is in nominal terms and not corrected for high inflation. With imports decreasing by 3.4% MoM, from 1.4% MoM in May, the trade balance widened to €18.7bn.

### Stuck in stagnation

From last summer until the start of this year, German exports had been extremely volatile. For a couple of months now, the volatility has gone and exports - like the entire economy - have fallen into stagnation, 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. 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 German exports. In the first half of the year, the share of German exports to China dropped to 6% of total exports, from almost 8% before the pandemic. At the same time, however, Germany's import dependence on China remains high as the energy transition is currently impossible without Chinese raw materials or solar panels.

The collapse of export order books since the start of the year suggests a further weakening of exports in the very near term. The expected slowdown of the US economy (which accounts for roughly 10% of total German exports), still high inflation and high uncertainty will also leave their marks on German exports. One of the few silver linings for German exports remains the Central and Eastern European countries, which currently account for more than 11% of total German exports.

All in all, today's export numbers confirm the picture painted by last week's initial GDP growth estimate: the German economy remains stuck in stagnation.

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