

## German trade data for July add to recession concerns

With disappointing July trade data, the German economy starts the third quarter on a weak footing



Trade is no longer a growth driver but has become a drag on German growth

German exports (seasonally and calendar-adjusted) disappointed at the start of the third quarter and dropped by 2.1% month-on-month in July. Imports also decreased, by 1.5% month-on-month, lowering the trade surplus to €5.4bn, from €6.2bn in June. Exports to Russia as a result of the sanctions almost came to a standstill and fell by another 15% month-on-month. Lower energy imports from Russia were the reason for German imports from Russia to drop by more than 17% MoM.

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. Global supply chain frictions, geopolitical risks and rising production costs are the obvious drivers behind this new trend. Looking ahead, the outlook for German trade is mixed. There is some relief in supply chains and transportation costs. However, at the same time, low water levels, high energy prices and the possible fundamental change in supply chains and production processes on the back of geopolitical uncertainty will be clear obstacles to growth.

After yesterday's encouraging increase in July retail sales, today's trade data add to the long list of

growth concerns for the German economy in the second half of the year.

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