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Economic Research

Economic Briefing

Germany: Trump's tariffs cause exports to the US to plummet

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German goods exports fell by 0.6% in July compared with the previous month. Higher US tariffs caused exports to the US to fall significantly once again. However, there is hope that deliveries to other euro area countries increase at the same time, meaning that exports overall will not slow down the economy as much as some had feared.

German foreign trade is suffering from higher US tariffs: in July, nominal goods exports to the US fell by almost 8 percent compared with the previous month, putting them almost a quarter lower than in March (Chart 1). This decline is certainly partly due to the fact that some exports to the US were pulled forward to March in view of the threat of higher tariffs. In addition, German exporters are likely to be absorbing part of the tariffs themselves, rather than passing them on to their customers. This is pushing down export prices and depressing nominal exports. However, exports are also likely to have fallen significantly in real terms.

To make matters worse for the German industry, exports to China have also declined significantly again recently. In July, they fell by more than 7%.

The fact that overall goods exports for July were down only 0.6% is due to the continued growth in exports to other eurozone countries. The ECB's interest rate cuts are clearly stimulating demand for German industrial goods more and more. This gives hope that stronger demand from the euro area will at least partially offset the negative impact of US tariffs.

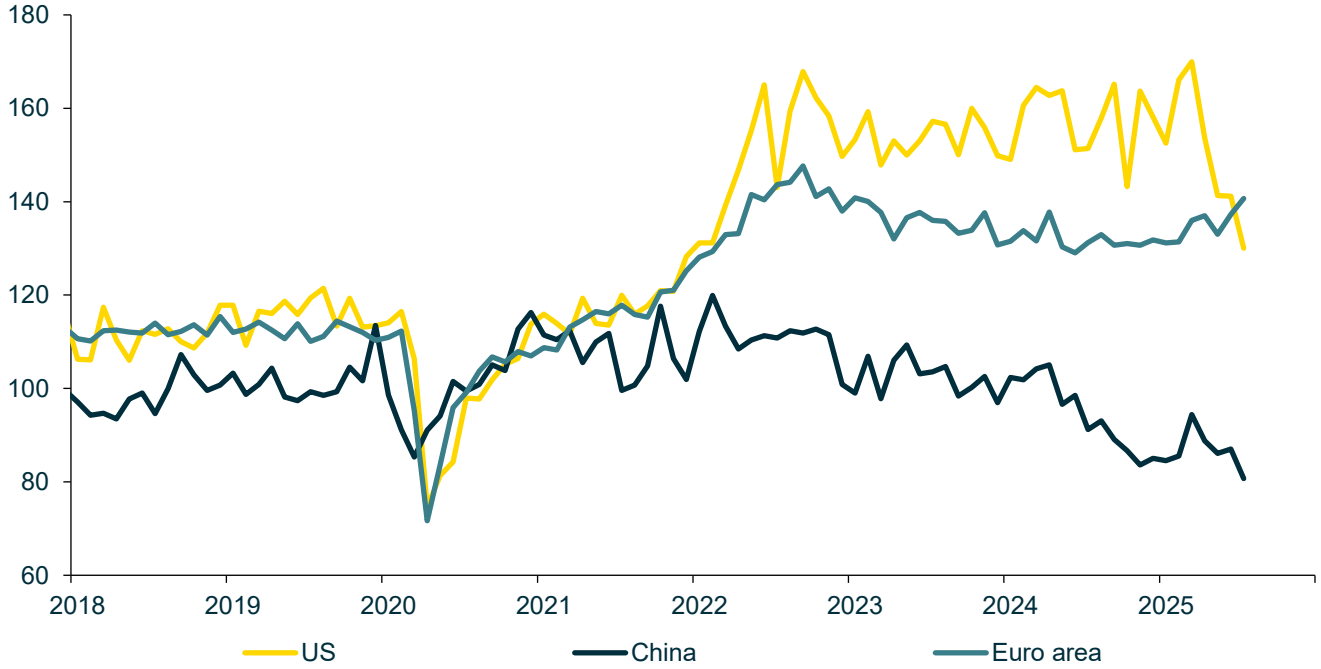


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Chart 1 - Weaker exports to the US and China, but more exports to the euro area

Goods exports, nominal figures, 2020=100, seasonally adjusted monthly figures



Source: Destatis, Commerzbank Research



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