

Eurozone: Exports add to short-term growth optimism

With the third consecutive monthly increase, Eurozone exports suggest continued stable growth in the economy. However, let's not forget this was the last relic of a pre-tariff world



Source: Shutterstock

In the last month in a European trade world without tariffs, Eurozone exports increased only marginally in May by 0.2% MoM, from 0.6% MoM in April. As imports increased by 0.9% MoM, the trade surplus narrowed to 16.9bn euro, from 18bn euro in May. Despite the strengthening of the euro since early summer 2017 (the nominal effective exchange rate appreciated by more than 7% between June 2017 and March 2018), the trade balance between January and May 2018 was still 2.5% higher than between January and May 2017.

At the same time, trade between Eurozone countries increased at a somewhat lower pace. Eurostat does not publish monthly updates of the Eurozone's bilateral trade data. However, for the entire EU, bilateral trade data show that in the first five months of the year growth of European exports to the US was amongst the slowest of all major bilateral export flows, some 2% compared with 2.5% for EU exports going to China or 8.8% for exports going to Japan. Still, looking at the main trading partners, between January and May, the EU ran the largest trading surplus with the

US, some 55bn euro.

While the small rebound of monthly exports bodes well for the short-term outlook for the Eurozone economy, international politics will keep the topic of global trade on media and financial markets centre stage. There are currently few signs that the US administration will tone down its rhetoric on trade. Looking beyond trade, increased and further increasing geopolitical uncertainty are emerging as the biggest risks for the global economy. As European Council President Donald Tusk said this morning at the opening of a summit between China and the European Union, “*we are all aware of the fact that the architecture of the world is changing before our very eyes and it is our common responsibility to make it a change for the better*”. For the Eurozone and Europe, the changing geopolitical landscape is probably not only the biggest mid-term to long-term risk for the growth outlook but also for its political future.

Author

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.