

Snap | 13 April 2018

## Eurozone exports already weaker pre-trade turmoil

Trade in goods weakened in February, even ahead of global trade concerns taking centre stage. It's nothing to be concerned about, but Eurozone is unlikely to be this year's Cinderella story



Source: Shutterstock

Both Eurozone exports and imports of goods declined in February.

On a seasonally adjusted basis, exports declined by 2.3% compared to January, while imports dropped by 3.1%. This means that trade balance increased from 20.2 to 21 billion euro. In line with other Eurozone industrial data, this confirms that the start of the year has been somewhat softer than expected even though nominal data suggests weaker imports could cause net exports to be supported in the first quarter. The outlook for external demand has undoubtedly become more difficult.

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Whether it is the strong euro or a looming trade war, it is not difficult to see the outlook for Eurozone exports becoming more challenging. While a trade war has not panned out just yet, the tit-for-tat spat between the US and China has been concerning. With the EU taking a prominent place in the global supply chain, the Eurozone economy could get hurt even without being an essential player in a trade war.

The strength of the euro over the past months has yet to cause businesses to experience a loss of competitiveness but is likely to play an important role in weakening exports data. New orders for exports have been growing at a slower pace in recent months, which means that the appreciation is weighing on exports more.

The start to 2018 has been disappointing for the Eurozone economy, especially after such a strong 2017. While the outlook remains favourable, it does look like peak Eurozone growth has already been reached and that 2018 will show some moderation.

Nothing to be concerned about, but the Eurozone is unlikely to be this year's Cinderella story.

## Author

### Bert Colijn

Senior Economist, Eurozone

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

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