

## Eurozone exports bounce back in August

August proved to be a positive month for the manufacturing sector as both production and exports bounced back from a weak July. Between global trade rows, Brexit and emerging market turmoil, the trade outlook remains cloudy at best



Eurozone exports increased 2.1% month-on-month on a seasonally adjusted basis in August, after a decline of 1% in July. Imports fell slightly in August and as this data is in nominal terms, this is surprising given the higher oil price. This means that the trade surplus of the eurozone increased to €16.6 billion, roughly the same level as seen in June after a drop in July to €12.6 billion.

While eurozone businesses have seen confidence falter over trade tensions in recent months, it is difficult to find hard evidence for the specific effect of the trade war on actual exports data. A truce in the trade conflict between the US and EU that was arranged by European Commission President Jean-Claude Juncker and US President Donald Trump has limited the impact on trade relations significantly, but the overall trade surplus of the EU with the US has actually increased when comparing trade in the first eight months of this year to 2017 and therefore remains a source of concern to the trade relationship in the months ahead. It is also important not to discount the sometimes unpredictable impact of the US-China conflict on the eurozone trade data through global supply chain effects.

The trade outlook, therefore, remains a source of concern to the eurozone economy, which is

starting to rely more heavily on domestic demand growth. Emerging market turmoil resulting in depreciating local currencies as well as Brexit only add to the export woes in the coming months. PMIs are signalling more worrying signs for exports in the September data as well, meaning that the overall contribution of net exports in 3Q could disappoint despite the positive signs from this August trade report.

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