

Snap | 15 February 2019

Eurozone exports: Sign of strength or last hurrah?

Exports fell marginally in December by 0.1% on a seasonally adjusted basis, but the 1.1% quarterly growth is encouraging. But the real question is can this continue in the uncertain global environment?



Source: Shutterstock

The small decline in nominal exports in December masks a strong performance for the quarter, which is encouraging given the significant downside risks in the economy.

In France, real exports contributed positively to GDP growth for the quarter, but for the Eurozone as a whole, the deflated figures will be released later. Throughout 2018, the trade balance has been declining to 15.6 billion on a seasonally adjusted basis which reflects the slightly stronger gains in imports throughout the year.

With all the uncertainty playing out over the coming weeks, today's trade data show that exports remain in decent shape ahead of a possible storm

The months ahead remain very uncertain, meaning that exports are likely to dip if downside risks materialise. Last night's defeat of British PM Theresa May's motion may not have been the most politically significant but did illustrate Brexit is likely coming down to the wire, adding to 'no deal' concerns. This is likely to have a material negative impact on Eurozone exports, and the lack of significant progress in the most recent round of trade talks between the US and China is not helpful for the Eurozone exports outlook either.

Finally, if the US Commerce Department concludes that American car imports are a threat to national security – and reports this morning suggest so - this will add pressure to the negotiations between the US and EU on a new trade deal and will raise concerns among European car makers, as this allows the US to raise tariffs. If that happens, it will surely add to uncertainty regarding the outlook for Eurozone trade in the months ahead.

With all the uncertainty playing out over the coming weeks, today's trade data show that exports remain in decent shape ahead of a possible storm. Expectations of reviving exports from the car sector as its emissions standard production problems gradually fades away should provide some upside. In the current environment, the question remains whether that can be the dominant factor for exports in the months ahead.

Author

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

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.