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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.

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