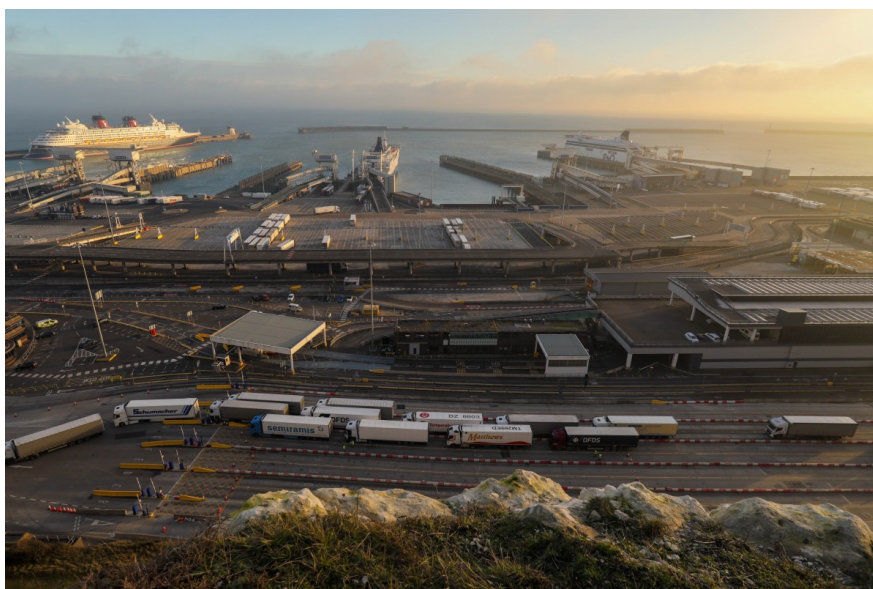


## Eurozone exports: Weak start to the year thanks to Brexit

Exports declined by 2.8% in January compared to December, which was mainly due to the “Brexit effect” as the transition period ended. Non-UK exports remained strong though, which bodes well for the rest of the quarter



Freight lorries line up to enter the Port of Dover, UK

Source: Shutterstock

The decline in exports was to be expected, as the end of the Brexit transition period caused significant disruption to trade volumes over the winter months. We already noted a strong increase ahead of the 31 December deadline, with exports to the UK boosting trade volumes significantly due to hoarding. January data shows a reversal of this effect as frontloading before the new year caused less demand for EU products, and teething troubles at the border also reduced trade drastically. This amounted to a month-on-month decline of EU exports to the UK by no less than 31.9%. Imports fell by even more, 57.5%.

The overall exports environment remains quite benign despite the second wave impact on the eurozone economy. Extra EU exports, not including the UK, continued to post a solid increase of 4.9% compared to December, which is in line with the optimistic picture that business surveys paint of export order books. While the UK, still the second largest export partner for the EU, will

continue to weigh on total exports for some time to come, other countries are seeing demand pick up again.

This means that eurozone exports will likely prove to be an important driver of the recovery at a time when domestic demand remains subdued due to local eurozone lockdowns. This will be even more the case when UK exports recover as hoarded inventory declines and border problems subside. Overall, despite Brexit issues, the eurozone export environment is set to remain quite positive for the year ahead as the global economic recovery is set to outpace the domestic eurozone situation.

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