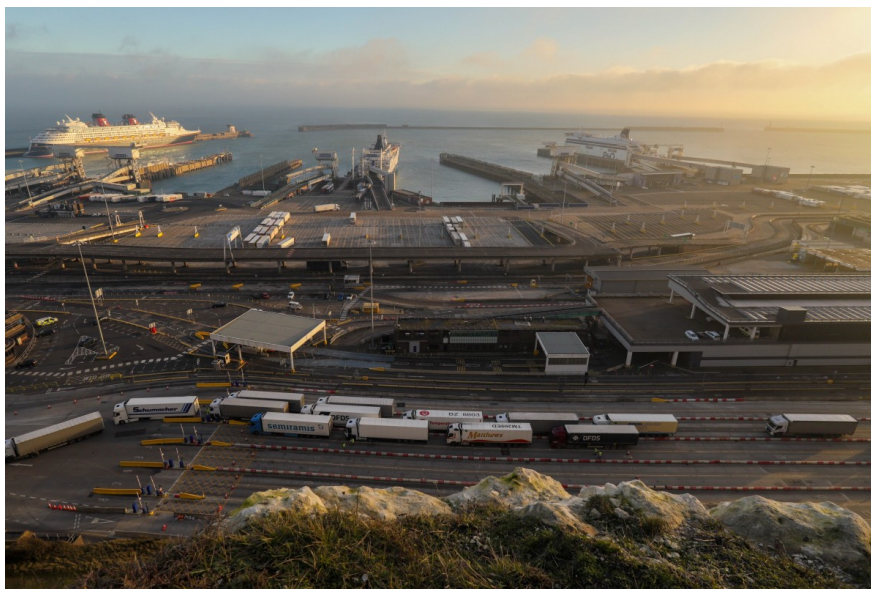


Eurozone exports: Weak start to the year thanks to Brexit

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.

Author

Bert Colijn

Senior Economist, Eurozone

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 <http://www.ing.com>.