

Eurozone trade surplus collapses as tariffs start to bite

On a day when all eyes are once again on the war in Ukraine and with another crucial meeting later today at the White House, just-released trade data serves as a good reminder of the adverse effects of the ongoing trade tensions



Mannheim, Germany. We struggle to see a scenario where exports return as a powerful engine of European growth anytime soon

US tariffs are already denting European exports

In June, eurozone exports dropped by 2.4% month-on-month and on the year were up by 0.4%. As imports increased by more than 3% MoM, the seasonally-adjusted trade surplus narrowed to €2.8bn, from €15.6bn in May. There is no data on bilateral trade for the eurozone, only for the EU. And the June data shows the expected collapse of European exports to the US (-10% YoY) but also China (-12% YoY). Tariffs and, more structurally, the loss in international competitiveness are highly affecting European exports. Despite talks about finding new trading partners to make up for the potential loss of trade with the US, European exports to India and Brazil, for example, were down by some 5% YoY in June.

More generally speaking, the first months of the year saw highly volatile industrial data in Europe. The up and down was mainly driven by frontloading of US exports ahead of looming tariffs and subsequent reversals. Today's June data provides a first impression of what could be left of

European exports after the first tariff wave. Don't forget that in June, many European exporters had already been subject to 10% tariffs, automotive producers to 25% and steel and aluminium producers as much as 50%. The 15% tariffs agreed in July became effective on 1 August.

The strengthening of the euro since the start of the year, US tariffs, as well as broader uncertainty regarding the future of global trade and fierce competition for European exporters in general, are likely to weigh on European exports moving forward. Currently, it's hard to see how exports could soon return as a powerful engine of European growth.

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