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Article

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EURO-ZONE EXPORTS: FROM GLOOM TO BOOM

At the beginning of 1999 euro area exports (excluding intra-area trade) still suffered from the 1998 crisis in the Asian emerging market economies. In the first quarter they fell by 3.4% year-on-year, in the second quarter by another 0.8%. During the second half of 1999, however, euro area exports witnessed positive rates of growth of 6.7% in the third quarter and 11.9% in the fourth quarter. No doubt, the weak euro was helpful but the main reason for the export recovery has been the upturn in the world trade cycle. The growth of the euro area's export markets¹ accelerated from 2.7% year-on-year in 1999Q1 to 8.4% in 1999Q4 (see chart).

The primary factor behind the rebound in world trade has been the recovery in Asia. As the IMF points out in its recent World Economic Outlook, global economic and financial conditions have improved dramatically during the past year. The emerging economies in Asia have for the most part staged a strong V-shaped recovery, and the transition countries and the countries in Latin America have also begun to overcome the turbulence that particularly affected Russia and Brazil. Among the crisis-hit countries, the pickup has been strongest in Korea, where GDP increased by 10.5% in 1999, and in Malaysia where growth was 5.5 percent. Thailand grew by 4.5% in 1999, and even in Indonesia – the hardest hit economy in the region – real activity was broadly stable for the year as a whole, a notable turnaround from the 13% contraction in 1998. The driving forces of the Asian recovery have been generally similar among the crisis-affected economies. With initial support provided by fiscal stimulus and a rebuilding of inventories, the upturn has been driven more recently by a fast improvement in the volume and value of exports. This has been supported by real devaluations compared with pre-crisis values and export market growth, the latter reflecting continued strength in the United States. For the Asian countries in

Trade with Asia	US	EU-11	Japan	Other Asia	Other
Share of Asia's imports	15,0	13,2	18,4	41,3	12,1
Exports to Asia/ total exports	19,2	15,0 ^{a)}	34,7	39,0	–

^{a)} Excluding intra-EU trade.

Source: HSBC.

question the U.S. are an important export market, absorbing between one fifth and one third of their exports of goods.

Of the main trading blocks, Japan's export markets have been the first to be hit by the Asian crisis and are the first to come out of it. Europe and the United States are less exposed to trade with Asia (Table). The euro area does more than a third of its trade with neighbouring countries in western Europe. The share of exports to the US is almost as big as the share of exports to Asia. Another important trading area is Eastern Europe which absorbs roughly one tenth of total exports. This balanced structure of the euro area's exports helped to dampen the impact of the Asian crisis. But then it also takes more time for the Asian recovery to feed through to EU-11 exports.

The recent forecast of the six leading economic research institutes in Germany sees the growth of exports of the euro area softening in the course of 2000 as the effect of the weak euro fades and the growth of U.S. domestic demand and imports slows down. E.L.

¹ The weighted average of imports of goods in the euro area's main export markets.

