

## **Box 6**

### **Foreign trade developments in 1997 and 1998**

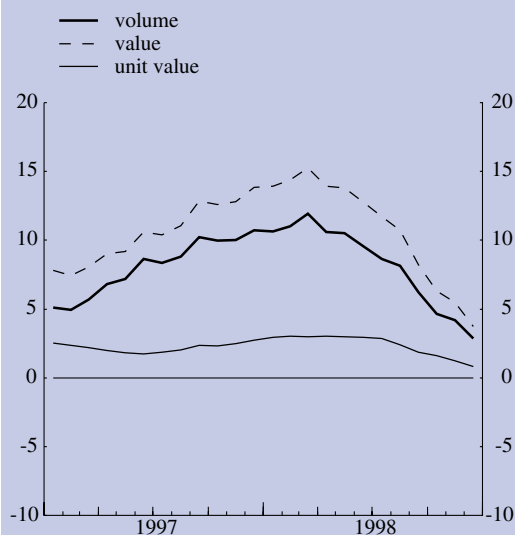
Recently released statistics produced by Eurostat – providing a disaggregation of external trade figures by volume and unit value – help to explain the underlying reasons for the reduction in the surplus in the balance of goods for the euro area reported for 1998. According to these statistics – which are consistent with the balance of payments data published by the ECB since the April issue of the ECB Monthly Bulletin – the main driving force was a substantial slowdown in the volume of exports, which more than offset the deceleration and decline in import prices.

Using 12-month moving averages to smooth the monthly variations, the deceleration in the growth in the value of exports can be explained almost entirely by the trends in the export volumes as unit values remained broadly constant. As can be seen in the chart below (exports of goods – overall), the growth of export volumes started to decline in March 1998; in 1998 as a whole, export volumes grew by only 2.8%, compared with 10.7% in the previous year.

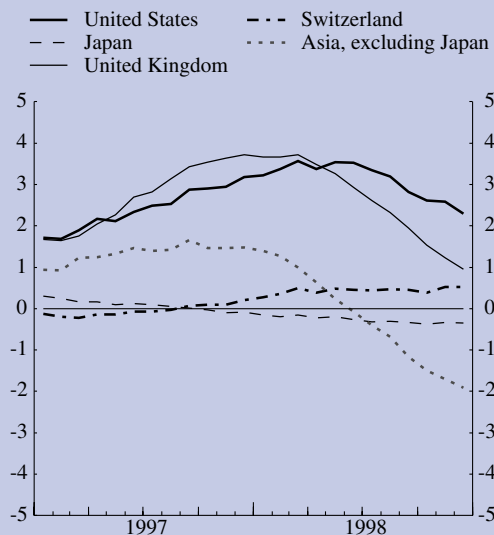
## Euro area exports and imports of goods

(12-month moving average; annual percentage changes)

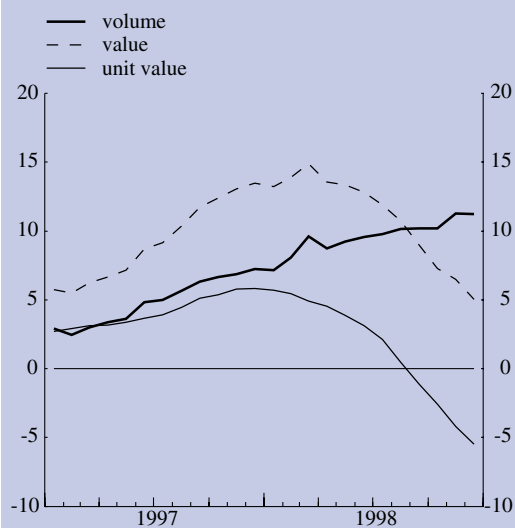
### Exports of goods – overall



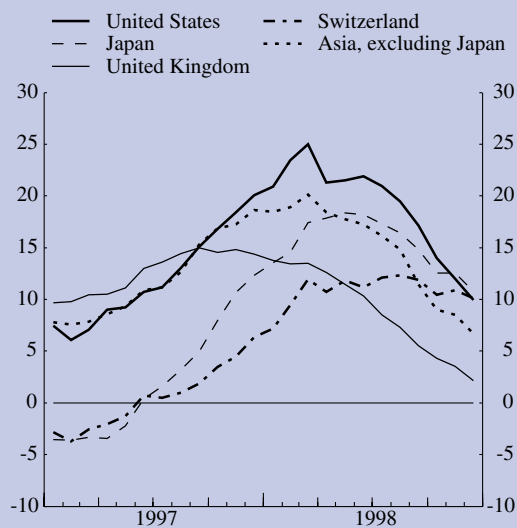
### Exports of goods (value) – by destination



### Imports of goods – overall



### Imports of goods (value) – by origin



Source: Eurostat.

The overall slowdown in export growth by value, however, conceals interesting details regarding the geographical distribution. In particular, most of the trend is explained by the decline in exports to Asian countries other than Japan, as well as by a rapid slowdown in exports to the United Kingdom (see the chart on exports of goods by destination).

As for imports, demand in real terms accelerated during 1998 in line with strong domestic demand in the euro area, but at the same time import prices fell significantly, leading to a deceleration of import value growth during 1998. Euro area imports rose by only 5.0% in value terms in 1998, down from 13.6% in 1997; this slowdown in import value growth involved all trading partners, with the exception of Switzerland.