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Euro-Area Export Surge Adds to Signs of Stabilization: Economy
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(For more on the euro-area's debt crisis, see EXT4.)

By Svenja O'Donnell

Jan. 13 (Bloomberg) -- European exports increased in November, led by France and the Netherlands, and the monthly trade surplus swelled to the most since July 2004, adding to signs that the euro-area economy may be stabilizing.

Exports from the euro region rose a seasonally adjusted 3.9 percent from October, when they dropped 2 percent, the European Union's statistics office in Luxembourg said today. Imports were flat and the trade surplus widened to 6.1 billion euros ($7.8 billion).

European Central Bank President Mario Draghi said yesterday that the euro-area economy is showing "tentative signs of a stabilization in activity at low levels." While Draghi still warned of "substantial downside risks," the ECB voted to keep interest rates at a record low. EU President Herman Van Rompuy said on Jan 11 that the current euro exchange rate against the dollar, "is favorable for exports."

Today's data "boost hopes that net trade was positive in the fourth quarter and limits likely overall euro-zone gross domestic product contraction," Howard Archer, chief European economist at IHS Global Insight in London, said in a note to clients. Still, stagnant imports signal "weakened euro-zone domestic demand," he said.

U.S. Shortfall

Exports from Germany, Europe's biggest economy, increased a seasonally adjusted 0.1 percent in November, today's report showed. Shipments from France advanced 13.3 percent and Dutch exports rose 8.4 percent. Exports from Greece tumbled 14.4 percent in the month.

Europe's gains contrasted with the U.S., where the trade deficit probably widened in November for the first time in five months as oil imports rose, economists said before a report today.

The shortfall grew to $45 billion from $43.5 billion in October, according to the median of 75 estimates in a Bloomberg News survey. Consumer sentiment climbed in January to a seven- month high, other figures may show.

"Imports outpacing exports just ever so much will create a marginal rise in the trade deficit," said Omair Sharif, an economist at RBS Securities Inc. in Stamford, Connecticut.
"Consumer goods imports remained fairly weak. Exports are still holding up fairly well despite the ongoing crisis in the euro zone, and that's a pretty encouraging sign."

More Stimulus

In Asia, the Bank of Korea held off raising borrowing costs for the seventh straight month, highlighting growing risks to its economy from Europe's debt crisis. Elsewhere in the region, China's foreign-exchange reserves posted the first quarterly decline in more than a decade, as foreign investment moderated, the trade surplus narrowed and investors withdrew capital amid the global financial crisis.

A darkening global growth outlook and easing inflation pressures may yet compel the European central bank to add more stimulus to the economy. Neil Mackinnon, a strategist at VTB Capital Plc in London, said recent indicators of the euro area's economy are "very discouraging," and some countries in the area "have already lapsed into recession," which may force the ECB to cut rates again.

In the U.K., factory output prices unexpectedly fell in December for the first time in 18 months as the cost of petroleum products such as gasoline plunged. The Bank of England, which yesterday refrained from adding to its bond- purchase program as it waits for new forecasts on growth and inflation next month, has said consumer-price growth may fall "sharply" this year.

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