



Flemish 2016 exports edge towards a new historic high... and reach it

International trade data for 2016, freshly released by National Bank of Belgium (Institute for the National Accounts) and given a preliminary analysis by Flanders Investment & Trade, indicate that annual exports from Flanders rose to EUR 302.4 billion in 2016, a new record value. However, total trade imports into Flanders dropped slightly to EUR 284.9 billion.

Flemish exports accounted for a hefty 83.8% share in total Belgian exports, with *chemicals and pharmaceuticals* – yet again – outranking by far any other branches from the Flemish export commodities portfolio. For the third consecutive year, exports of *mineral fuels* – now only ranking 5th in the order of export commodities – showed a substantial value decrease, due mainly to oil price fluctuations throughout 2016.

With Flemish annual exports valued at EUR 302.4 billion and its imports at EUR 284.9 billion, 2016 brought no major shocks to the value of both exports (+1.47%) and imports (-0.43%) when compared with 2015. It should also be pointed out that the 1.47% value increase of Flemish merchandise exports covers exports compiled according to the broadly accepted *community concept*, including significant re-exports or imports for re-exports.

Yet pure export sales – compiled according to the *national concept* – fared better still in 2016, as these were up 9.79% compared with 2015. *National concept* exports only take into account the value of merchandise “of Flemish origin/make”, while excluding merchandise simply transiting through the Flemish territory (through its ports mainly).

Value of Flanders exports 2010-2016
(x EUR billion)



- Total Flemish annual imports in 2016 were EUR **284.9 billion**, slightly down (-0.43%) year-on-year against 2015. As a result, in 2016, Flanders recorded a 17.5 billion euro surplus in trade in goods with the rest of the world.



- The overall share of Flanders in Belgian merchandise exports (+0,61%) totalled just under 84% in 2016 (83.8%). The Walloon region, which saw its exports slip by 2.66% in 2016, took a 14.1% share in Belgian exports, while foreign sales by the Brussels Capital Region dropped by as much as 9.3% and represented just 2.13% of national exports in 2016.

Exports: country analysis

- Recent EU28 trade estimates show that the 1.47% increase in exports from Flanders in 2016 was a definite notch up from the average percentage change of exports from the EU as a whole, which all but remained stable (-0.05%). The Flemish 2016 trade performance even seems to have outshone that of its neighbouring trading competitors United Kingdom (-10.76%), France (-0.67%), the Netherlands (+0.20%) and Germany (+1.15%).
- Flemish **exports to its top 20 partner countries** gave a strong showing in 2016: among the best-performing markets were **France** (+3.9%), **Italy** (+5.4%), **Spain** (+4.9%), **Sweden** (+8.5%), **Switzerland** (+12.1%) and **Russia** (+13,1%). In just 2 markets (from the top 20 partners), figures were down: in **the Netherlands** (-0.7% overall, but an 11.7% drop for *mineral fuels*) and **the United States** (-2.1%, with *mineral fuels* and *pharmaceutical products* showing a substantial export value decrease).
- **BREXIT**: as a trading partner to Flanders, the United Kingdom is of paramount importance, with annual exports to the UK to the tune of EUR 27.66 billion, with imports totalling EUR 13.61 billion in 2016. Exports to Great Britain even experienced a higher increase (+1.68%) than the average rise of Flemish exports worldwide (+1.47%). Of all major export commodities relevant to Flemish-British trade, sales of *motor vehicles* soared by 13.7%, a EUR 1.06 billion value increase compared with 2015. *Automotive equipment* thus became in 2016 the single most important branch underpinning the modest overall 1.68% export growth to the United Kingdom, particularly as exports from other industries performed rather poorly: *pharmaceutical products* (-4.52%), *plastics* (-5.6%), *fuels* (-13.5%), *food and drink* (-2.43%, with exports of *beverages* to the UK dropping even 14.8%), *carpets* (-3.65%) and *machinery and equipment* (-3.4%).
- 2016 saw **Russia** return to the group of markets with rising export sales. Flemish exports to Russia did grow by 13.1%, which brought out the country in the top ranges of the ranking by export growth in the top 20 partner countries' list. Exports from Flanders to Russia were up EUR 366 million, which left Russia in 7th place when ranked by the value increase of exports. The bulk of the increased export value was accounted for by *chemicals and pharmaceutical products* (+14.8%) and by *machinery and equipment* (+32.4%). Even *(processed) foodstuffs* (+16.2%) contributed somewhat to the 13.1% overall export rise to Russia, although shipments of most *agricultural products*, still embargoed by Russia, remained in the red (-27%) throughout 2016.
- On the whole, exports to **Asia** progressed **(+2.28%)**, even though – in comparison – sales across the **Middle East (+1.47%)** only showed average growth. In some of the major regional markets such as the **United Arab Emirates** for instance – a top 15 partner market after all – export sales registered a fair 3.8% rise. **Israeli** purchases from Flanders even surged as much as 17.9% in 2016. The overall export increase in both markets was largely due to the performance of *diamonds*, sales of which to Israel surged by a full 61% and even by 77% to the U.A.E. Among our top 10 partner markets, **India** recorded a pretty decent 4.20% increase, due exclusively to *diamonds* – which accounted for 82.62% of total exports on that particular market. Exports to **China** also were slightly on the up, albeit to a lesser degree (+1.34%) and

below average. Despite a giant leap ahead (+432%!) of *fuel* exports, *organic chemicals* sustained a serious 31.5% loss. Ranking just outside the top 20 markets, **Hong Kong** saw a decline in imports from Flanders (-6.13%, due mainly to a drop in demand for *diamonds*), whereas exports to **Singapore** shone brightly (+21.53%; courtesy of *organic chemicals, diamonds, fuels* and *pharmaceuticals*). **Japan**, in 16th place, also showed a 6% value increase year-on-year, registering almost across-the-board growth, except for *food*, of which export sales on the Japanese market dropped by 11.4%.

- Apart from **Africa** (-8.79%), **America** was the only continent with diminishing exports (-1.87%). Only on the Central American subcontinent – representing a mere 6.46% of all American imports from Flanders – export sales went up by 5.08%, entirely the doing of **Mexico** (+10.26%, with *fuels, machinery and flour milling products* playing a vital part in the rise). Decreases in exports to **North and Central America** stood at -1.74% en -5.16% respectively. In 2016, export trade with the **United States** even recorded a 2.11% drop, down EUR 382 million compared to 2015. Export figures proved particularly poor for *fuels* (-31.8% or a half a billion euro value decrease), *pharmaceuticals* (-8.7% and about the same amount of export sales value loss) and *transport equipment* (-13.9%), despite a substantial trade increase of *organic chemicals* (+21.52%).
- Sales in about the whole of **South America** (-5.11%) dwindled in 2016 with plummeting exports to **Argentina** (-12.81%) and decreased export trade with **Chile** (-8.91%) and **Peru** (-14.38%). Following a number of recession-ridden years, exports to **Brazil** – representing no less than 56.12% of Flemish exports to South America – seemed to return to a semblance of stability in 2016 (+0.53%). Flemish exports to **Africa** declined overall (-8.79%), although losses were less substantial in North Africa (-1.54%). Exports to **Algeria** (-11.75%) and **Egypt** (-2.41%) had a dampening effect on the regional average (-1.54%), whereas markets in **Morocco** (+12.81%), **Tunisia** (+4.22%) and even **Libya** (+0.58%) did experience any export growth in 2016.

Sub-Saharan exports, down 11.55%, took a right tumble in 2016: exports to **Togo** did even worse (-40.13%, and even down 42.69% for *fuels*), while exports to **Nigeria** (+3.41%), our prime African export market were slightly up. Our exports to **South Africa**, second market on the African continent and smallest partner in the BRICS cluster, registered a 5.07% decline.

Following 3 years of declining exports to **BRICS**, 2016 saw the return of some export growth to the market cluster (+3.55%). Not only did Flanders record increased exports to **India** (+4.2%) – its 7th export partner – and to **China** (+1.34%; in 9th place as a market), foreign sales to **Russia** (17th market) also surprisingly shot up 13.1% after years of fading exports. Sales in **Brazil** perked up, but ever so slightly (+0.53%). Exports to **South Africa**, however, smallest partner in the BRICS cluster, registered a 5.07% decline.

Ultimately, overall 2016 exports to BRICS went 3.55% higher against 2015, a value increase of EUR 713.5 million. In 2016, the BRICS markets cluster – when put together – would account for 6.89% of Flemish exports worldwide.

- 2016 exports to the **Next-11**, that other emerging markets cluster, progressed (+3.72%) and cornered a **3.81%** share in total Flemish exports, slightly above the 2015 share (3.73%).

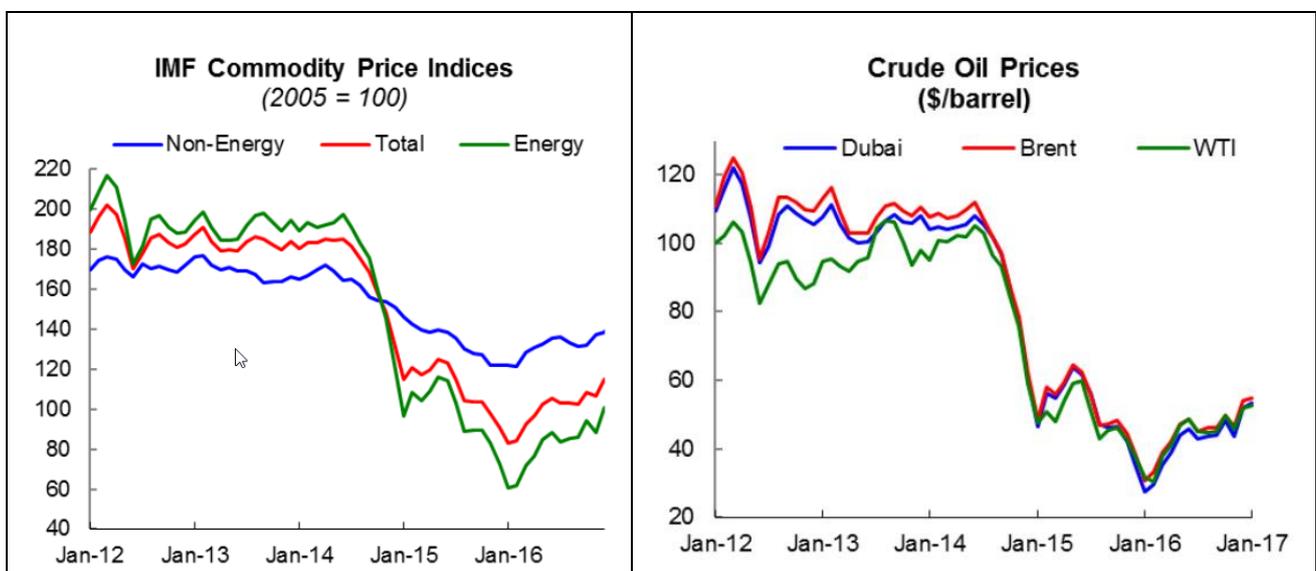
Exports: commodity analysis

- Over the last few years, the predominant role of *mineral fuels* as one of the main export commodities for Flanders has been waning. In 2016 also, the branch experienced the largest decrease in export value, down another EUR 3.5 billion against 2015, when the drop – down EUR 9.71 billion – had even been steeper still.

Yet, the impact of this commodity on Flanders' overall the export performance remains particularly strong, as evidenced by the following supposition: let's – for the sake of argument – imagine that we drop *fuels* from our calculations; in that case, the 2016 level of Flemish export growth would stand at 2,88%, about double the percentage growth with *fuels* counted in (+1.47%).

Figures by Eurostat indicate that the 2016 **volume** of annual (Belgian) exports of *mineral fuels* (HS 27) **rose by 1.3%**, whereas, **by value**, exports declined a substantial **17.4%**.

Hence in 2016, dwindling *fuel* exports were apparently not due to shrinking export volumes, but rather to oil prices bottoming out to levels far below those in the 2011 – 2014 period, when oil prices went through the roof.



- Totalling EUR 71.36 billion and taking up 23.6% of overall Flemish exports, the *chemical and pharmaceutical* sectors by far topped the 2016 exports portfolio. Bearing witness to their predominance was the sheer value of their exports, 1.8 times more than sales of *transport equipment*, runner-up on the export commodities charts, which amounted to EUR 38.3 billion, thus totalling a 12.66% share of all annual exports.
- Besides *transport equipment*, *food and beverages* performed well (+7.01%), with as much as 1.14 billion euro extra export value across most food subcategories, but in particular for *confectionery, biscuits and pastries, vegetable preparations* and *beverages*. Taking a 5.77% share of annual exports, *food & drink* thus came in 7th place among Flanders' main export commodities. With a 3.73% export share and in 9th place, *textiles* also totted up an extra half a billion euro worth of international sales (+5.2%), *clothing, linen* and *furnishings* accounting for most of the percentage increase.

The global export market for *diamonds* sector also recorded a 5.12% increase in 2016. Featuring in 8th place as an export commodity, *gems* experienced a 817 million euro value increase of

their exports. In 2016, just 4 markets accounted for – more than – the entire 5.12% rise in exports of *diamonds*. India (+6.6%), Switzerland (+35.71%), Israel (+25.76%) and the United Arab Emirates (+4.39%).

Imports: brief country and commodity analysis

- Flemish 2016 **imports** were worth **EUR 284.9 billion, down 0.43%** or equivalent to a EUR 1.23 billion value decrease compared to 2015. The market - commodity *double act* involving **the Netherlands** and **mineral fuels** played a pivotal role in the sliding value of Flanders worldwide imports in 2016. From the Netherlands alone, annual imports into Flanders dropped a solid EUR 2.75 billion (-5.62%), while the value of *fuel* imports from the self-same country shed no less than EUR 4 billion (-19.35%).
- Flemish orders from the **United States** were 8.23% down in 2016 (minus EUR 2.2 billion). Imports of US *organic chemicals* even contracted 17.93%, of *mineral fuels* 22.47% and of *pharmaceuticals* 6.23%. The United States did remain our third supplier of imported merchandise in 2016, albeit a mere EUR 1.2 billion ahead of France in 4th place.
- Purchases from the **United Kingdom**, our 5th import partner country, slipped by about EUR 1.4 billion in 2016 (-9.45%), with major import losses suffered by such commodities as *fuels, machinery & mechanical equipment, organic chemicals and pharmaceutical products*.
- With import value increases, ranging from half a billion euro to as much as EUR 4.5 billion, the rise in imports by 4 industries in particular – at least partially – offset the overall negative import growth in 2016. Leading the way with a EUR 4.5 billion increase (+12.60%) was the *automotive* branch, our second most import commodity, behind *chemicals and pharmaceuticals*.
2016 also saw *machinery* imports rise significantly by EUR 1.3 billion euro (+3.79%), as well as *foodstuffs*, which experienced an above-average rise of imports by 7% (mainly of *cocoa, sugar and bakery products*).

Source: National Bank of Belgium (National Accounts Institute), analysis and comment by FIT Trade Intelligence Unit