

Trade developments in EU-CEE and Austria during the COVID-19 pandemic

BY OLIVER REITER

The international trade flows of EU-CEE countries and Austria were profoundly affected by the outbreak of the COVID-19 pandemic and the ensuing policy responses (such as lockdowns). They plummeted in the first half of 2020, but climbed back in the second half. In terms of products, the imports and exports of fuels decreased the most, followed by cars. By contrast, the pandemic has pushed up demand for the import of medical products and equipment, most of which has been sourced from China.

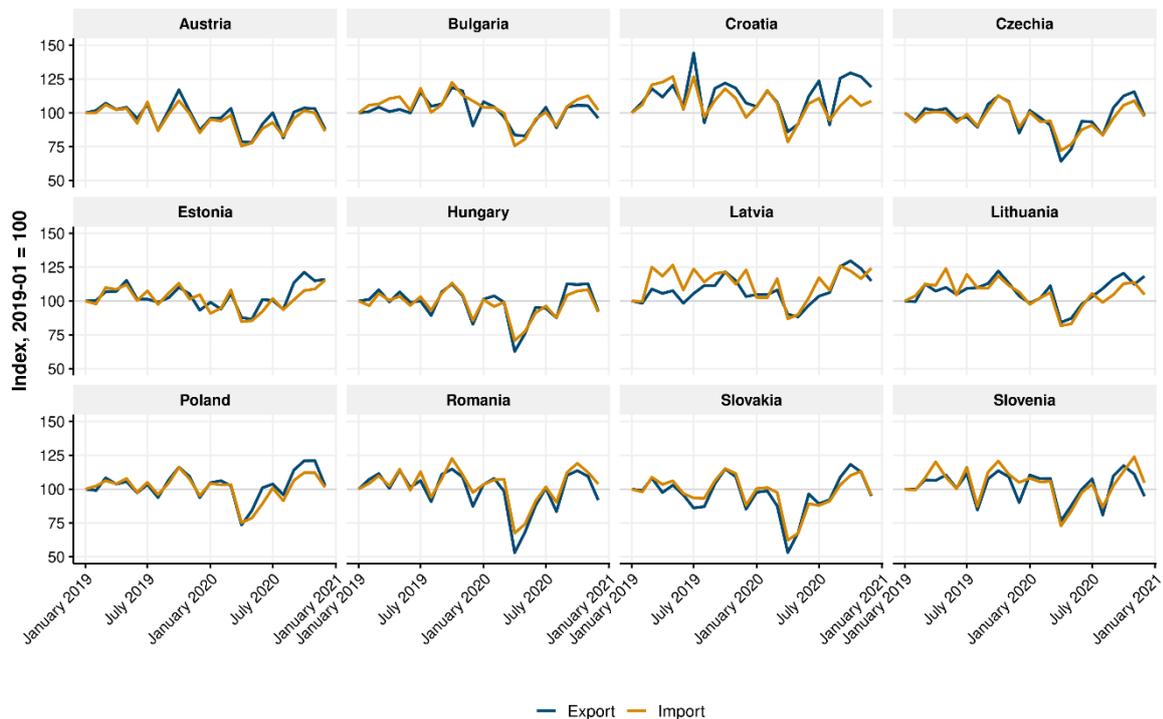
This article aims to provide an overview of the trade developments in EU-CEE countries and Austria last year. Nearly the whole of 2020 was marked by the COVID-19 pandemic, which had (and is still having) a profound effect on international trade flows, as factories around the world closed, ports operated at reduced capacity and goods built up on borders that had been closed. We draw on trade data at the product level from the EU COMEXT database, grouped according to the Broad Economic Categories (BEC) Revision 4 classification.¹

TRADE IN FUEL AND CARS WAS WORST HIT

Figure 1 shows the development of trade flows in EU-CEE countries and Austria from January 2019 to December 2020. We can see that trade developments in 2020 were similar across the countries: there was a sudden large drop in trade flows in the first half of 2020. The fall in Czechia, Hungary, Slovakia and Romania was especially pronounced. Both imports and exports bounced back in the second half of 2020, often to above the level seen in January 2019. International trade flows into and out of Austria remained at below the level of January 2019 for nearly the whole of 2020.

In 2020 as a whole, in none of the countries shown did trade reach the level of 2019, and only Latvia managed to marginally increase its exports (by 0.7%). Moreover, in many countries (Austria, Bulgaria, Czechia, Hungary, Poland, Romania, Slovakia and Slovenia), both imports and exports dropped again in December, casting doubt on any lasting recovery.

¹ See https://ec.europa.eu/eurostat/ramon/other_documents/bec/BEC_Rev_4.pdf

Figure 1 / Trade development over time (goods only), January 2019 = 100

Source: EU COMEXT.

Table 1 / Growth rates of exports and imports of EU-CEE countries and Austria in 2020

BEC description	Export	Import
Capital goods	-3.0%	-2.0%
Consumer goods	2.4%	2.9%
Food and beverages	2.5%	0.9%
Fuels and lubricants	-33.8%	-35.9%
Industrial supplies	-4.4%	-4.9%
Transport equipment	-10.0%	-16.5%

Source: EU COMEXT.

In Table 1, we report the growth rates of imports and exports for BEC product groups in 2020, aggregated for the 12 countries in question. We find that trade in fuels and lubricants suffered by far the biggest drops: exports fell by 33.8% and imports by 35.9%, largely reflecting the steep decline in energy prices. Also, cross-border flows of transport equipment declined at double-digit rates. Interestingly, in Bulgaria and Slovakia, exports of transport equipment declined by 'only' 1% and 2%, respectively, whereas in all other countries the declines were greater than 8%.

Products in the industrial supplies group also lost ground, in terms of both exports and imports. Industrial supplies trade flows into and out of Slovakia declined most, by 11.7% and 12%, respectively. Lithuania, by comparison, managed to increase its exports of industrial supplies by 4.3% over 2019. Capital goods saw modest declines in exports and imports: changes in exports ranged from -8% in Austria to +5.4% in Latvia; meanwhile changes in imports varied from -7.2% in Estonia to +3.2% in Lithuania.

Finally, trade flows of consumer goods and food and beverages were even a little higher in 2020 than in 2019. Slovenia is a positive outlier in consumer goods, where exports increased by 24.6% and imports by 18.2%. For the other countries, we see either positive or single-digit negative changes.

COVID-19 RELATED PRODUCTS ENTERED THE EU DUTY FREE...

In response to the sudden rise in demand for products that are needed to combat the pandemic, in April 2020 the EU Commission issued a list of almost 100 products that could henceforth be imported free of duty.² These ranged from simple rubber gloves and disinfectant to medical instruments, such as electrocardiograph (ECG) machines and ventilators.

Table 2 combines the COVID-19 product list of the EU Commission with the BEC classification, and shows which product categories they fall into. Most COVID-19 related products fall into the industrial supplies category (this is also the biggest product group, accounting for more than half of all products contained in the BEC classification). These include alcohol, oxygen, several acids and toxins, various forms of plastic tubing, and medical equipment such as syringes, catheters, etc. The highest proportion of COVID-19 related goods can be found in the consumer goods category, where they account for 4.4% of all products. These include medicaments, soap and disinfectant, and articles of personal protective equipment (PPE), including plastic clothing, rubber gloves, medical clothing and protective goggles. Finally, COVID-19 related products which fall into the capital goods category include appliances for filtering gases, medical instruments such as ECG machines, ultrasound scanners, ventilators and other breathing appliances, other medical and surgical equipment. Together, these three categories contain nearly all COVID-19 related products.

Table 2 / Number of COVID-19 related products on the duty-free list of the EU Commission

<u>BEC description</u>	<u>COVID-19 related</u>	<u>Non-COVID-19 related</u>
Capital goods	25	880
Consumer goods	35	760
Food and beverages	1	569
Fuels and lubricants	0	25
Industrial supplies	36	2593
Transport equipment	2	172
Total	99	4999

Source: EU Commission.

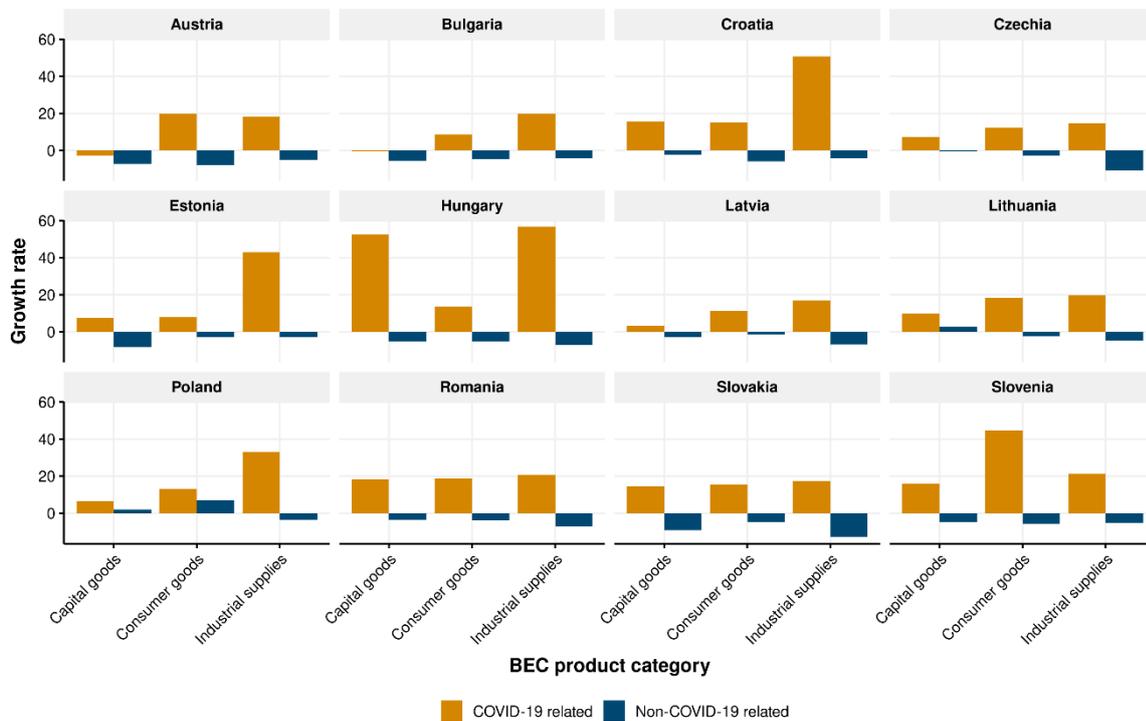
... BENEFITING CHINESE EXPORTS THE MOST

We now make use of the COVID-19 related product list compiled by the EU Commission to show the dynamics behind the import of these products by the EU-CEE countries and Austria last year (Figure 2).

² The list is based on the EU Commission Decision C(2020)2146, the EU's COVID-19 indicative list of products to be imported duty and VAT free and the joint World Customs Organization/World Health Organization classification reference for COVID-19 medical supplies, edition 3.01. For further information, see https://ec.europa.eu/taxation_customs/sites/taxation/files/03-04-2020-import-duties-vat-exemptions-on-importation-covid-19.pdf.

For a given BEC group, we separate the products into COVID-19 related products (i.e. products that are on the duty-free list of the EU Commission) and non-COVID-19 related products.³

Figure 2 / Import growth of COVID-19 related and other products in 2020, %



Source: EU COMEXT, EU Commission.

We can detect a clear pattern: imports of COVID-19 related products grew almost everywhere in the region last year. This is hardly surprising, given that the products on this list were needed to deal with the COVID-19 pandemic and could now be imported duty free. The overall increase in imports of COVID-19 related products for the 12 countries together was EUR 11.4bn last year, compared to a decline in non-COVID-19 products of EUR 26.4bn.⁴ In five country-product cases we see increases of more than 40%: industrial supplies imports in Estonia, Croatia and Hungary; capital goods imports in Hungary; and consumer supplies imports in Slovenia.

Table 3 shows in more detail where the growth in imports of COVID-19 related products came from. It is clearly visible that imports from China grew the most for all 12 countries: Hungary's imports from China surged by 370% and Latvia's by almost 270%. Bulgaria recorded the lowest increase, but it still increased its imports from China by 35%. Furthermore, imports from all other non-EU countries rose more than imports from EU member states in 9 out of the 12 countries (not surprising, as the latter were duty free even before the EU Commission list was published). Only Croatia reduced its imports from non-EU states, while at the same time sharply increasing its imports from the EU.

³ The fuels and lubricants, food and beverages and transport equipment products are omitted because there are no (or too few) COVID-19 related products in these categories for a sensible comparison.

⁴ The pattern for exports was similar, but less pronounced.

Table 3 / Growth rates of imports of COVID-19 related products in 2020, by origin

Importing country	China	EU	non-EU*
Austria	178.5%	7.3%	7.6%
Bulgaria	35.7%	4.6%	17.7%
Croatia	144.1%	30.0%	-25.4%
Czechia	46.6%	7.7%	4.0%
Estonia	45.3%	9.5%	26.8%
Hungary	371.9%	13.1%	31.4%
Latvia	268.6%	1.7%	15.8%
Lithuania	209.4%	6.1%	25.9%
Poland	46.1%	11.1%	8.2%
Romania	220.9%	2.5%	71.1%
Slovakia	50.5%	13.3%	13.7%
Slovenia	164.8%	6.2%	53.3%

*Excluding China.

Source: EU COMEXT.

If we were to look at the import growth rates of non-COVID-19 related products (not presented here), we would observe the following pattern: imports from China grew the most or fell the least, while imports from non-EU countries fell more than imports from the other EU member states.

SUMMARY

The development of international trade flows in the first months of 2020 was very similar in EU-CEE countries and Austria, which all went into (some form of) lockdown. Exports and imports suffered alike. As many businesses closed, so demand for energy collapsed; oil prices were further hit by the initial failure of OPEC+ to reach an agreement.⁵ As a result, trade in fuels suffered particularly badly, followed by trade in transport equipment. However, not all products suffered an import slump: the pandemic boosted the need for medical equipment, and imports of such products soared last year. China, one of the main manufacturers of such products, benefited from this and was able to massively increase its exports to EU-CEE countries and Austria.

⁵ Oil prices even turned negative for a while. See <https://www.bbc.com/news/business-52350082>