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## EU TRADE AT CROSSROADS. 2025 CHALLENGES AND PROSPECTS UNDER PRESSURE OF TARIFFS

In the last quarter of 2024, the European Union (EU) reported a trade surplus of €27.2 billion in goods with non-EU countries, marking the sixth consecutive quarter of a positive trade balance. This sustained surplus reflects a period of recovery following deficits driven by increasing energy costs from late 2021 to mid-2023.

Extra-EU exports during the year 2024 increased by 1.06%, from 2,557.0 bn euro in 2023 to 2,584.1 bn euro in 2024. Extra-EU imports on the other side decreased by -3.5% from 2,522.6 bn euro in 2023 to 2,434.0 bn euro in 2024, resulting in a positive trade balance of 150.1 bn euro.

EU trade, bn euro			
Flow	Year 2023	Year 2024	Growth rates
Extra-EU exports	2557.0	2584.1	1.06%
Extra-EU imports	2522.6	2434.0	-3.5%
Extra-EU trade balance	34.4	150.1	
Intra-EU trade	4113.6	4023.9	-2.2%

Source: Eurostat

### Monthly and Yearly Changes

Comparing December 2024 to December 2023, the EU's extra-EU exports of goods increased by 3.7%, rising from €201.5 billion to €209.0 billion. This growth was largely attributed to increased exports of machinery and vehicles, as well as other manufactured goods.

On the import side, there was a modest increase of 0.5% in the third quarter of 2024 compared to the second quarter of 2024. This slight increase was influenced by rising imports of energy products, reflecting ongoing energy demands and price fluctuations.

### Trade Balance by Products

In 2024, the EU's trade balance varied across different product categories:

#### Top 3 Positive Balances:

- Machinery and Vehicles:** The EU maintained a significant surplus in this category, driven by extensive exports of automobiles and industrial machinery, particularly to the United States and the United Kingdom (positive trade balance of 18.8 bn euro at dec 2024).
- Chemicals and related products:** This includes products such as chemicals, pharmaceuticals, and textiles, where the EU's advanced manufacturing capabilities have secured strong international demand (positive trade balance of 19.7 bn euro at dec 2024).
- Food and Drink:** European agricultural products, renowned for their quality, continued to enjoy a favorable trade balance, especially with markets in the United States and China. (positive trade balance of 3.3 bn euro at dec 2024).

#### Top 3 Negative Balances:

- Energy Products:** Despite efforts to diversify energy sources, the EU faced a substantial deficit in this category, primarily due to imports of oil and natural gas from countries like Norway and the United States (negative trade balance of -28.1 bn euro in Dec. 2024).
- Raw Materials:** The EU imported significant quantities of raw materials, such as metals and minerals, to support its manufacturing sector, leading to a trade deficit in this area (negative trade balance of -2.2 bn euro in Dec. 2024).
- Miscellaneous Manufactured Articles:** This category includes various consumer goods where imports, particularly from China, exceeded exports.



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Extra-EU Trade Balance increases in 2024. Machinery, Chemicals and Food, top 3 sectors with trade surplus. US and China, main trading partners for Europe. Romania's exports to US exceed 2 bn euro in 2024.

✉ CONTACT

## Trade Balance by Products

bn euro	Extra-EU exports		Extra-EU imports		Trade balance	
	Dec. 24	Growth rates	Dec. 24	Growth rates	Dec. 24	Dec. 23
<b>Total</b>	209.0	3.7%	192.7	3.9%	16.3	16.1
<b>Primary goods:</b>	32.8	-0.1%	59.7	-1.2%	-27.0	-27.7
<b>Food &amp; drink</b>	16.9	6.1%	13.5	20.5%	3.3	4.7
<b>Raw materials</b>	5.5	4.8%	7.7	10.1%	-2.2	-1.7
<b>Energy</b>	10.4	-10.8%	38.5	-8.9%	-28.1	-30.6
<b>Manufactured goods:</b>	170.4	3.7%	130.6	5.8%	39.9	41.0
<b>Chemicals &amp; related products</b>	43.1	14.3%	23.3	0.8%	19.7	14.5
<b>Machinery &amp; vehicles</b>	83.2	-1.1%	64.3	3.5%	18.8	21.9
<b>Other manufactured goods</b>	44.2	3.6%	42.9	12.7%	1.3	4.6
<b>Other</b>	5.8	34.0%	2.4	46.7%	3.4	2.7

Source: Eurostat

## Main Trading Partners

The United States remained a key trading partner for the EU, with exports to the U.S. increasing by 5.6% in Dec. 2024 to 41 bn euro and a trade balance increasing from 10.1 bn euro in 2023 to 15.4 in Dec. 2024. This increase was driven by increased demand for European machinery, vehicles, and pharmaceuticals. On the other side, the EU imports from the United States decreased by 10.8% in Dec. 2024 to 26.1 bn euro.

Trade with China presented a different picture. The EU experienced a trade deficit, particularly in machinery and vehicles, as well as other manufactured goods. This imbalance was due to the high volume of imports from China, which outpaced exports. Trade deficit with China increased from -18.3 bn euro in 2023 to -23.6 bn euro in 2024, a result of an increase in imports of 10.3% in December and a decrease in exports of -8.8 %.

The UK is the third trading partner for the EU with a positive trade balance that marginally decreased from 11.2 bn euro in 2023 to 10.7 bn euro in 2024. Exports decreased by -1.4% while imports increased by +1.3% at year end.

## Main trading partners – EU

bn euro	Exports		Import		Trade balance	
	Dec. 24	Growth rates	Dec. 24	Growth rates	Dec. 24	Dec. 23
<b>United States</b>	41.6	5.6%	26.1	-10.8%	15.4	10.1
<b>China</b>	16.6	-8.8%	40.2	10.3%	-23.6	-18.3
<b>United Kingdom</b>	23.4	-1.4%	12.7	1.3%	10.7	11.2
<b>Switzerland</b>	14.7	10.2%	10.3	9.9%	4.4	4.0
<b>Türkiye</b>	8.9	2.6%	8.0	9.7%	0.9	1.3
<b>Norway</b>	4.5	-17.3%	8.6	2.2%	-4.1	-3.0
<b>South Korea</b>	5.6	10.9%	5.0	3.4%	0.6	0.3
<b>Japan</b>	5.3	5.7%	5.0	0.4%	0.3	0.0
<b>India</b>	4.5	0.6%	5.2	26.3%	-0.7	0.3
<b>Brazil</b>	3.6	3.7%	3.6	4.6%	0.0	0.0

Source: Eurostat

## Trade with the U.S.

The top three countries (in 2024) from Europe that import from the U.S. are Germany (68.967 bn euro), the Netherlands (68.165 bn euro) and France (44.075 bn euro). Together they make up close to 48% of the total imports. Top exporters to U.S. are Germany (161.214 bn euro), Ireland (72.085 bn euro) and Switzerland (67.757 bn euro) and make close to 50% of total exports.

The trade in goods balance in 2024 between Europe and the United States shows that 21 countries had a trade surplus with the United States. The largest surplus was held by Germany (92.247 bn euro), followed by Ireland (50.828 bn euro) and Switzerland (40.972 bn euro). There were six countries that had a trade deficit with the United States. The largest deficit was held by the Netherlands (24.736 bn euro), followed by Spain (5.981 bn euro) and Poland (545 mil euro).

## Europe trade balance of goods

## with the US, 2024 (mil euro)

Country	mil. euro
Germany	92247
Ireland	50828
Switzerland	40972
Italy	38870
Austria	11415
Sweden	9299
Finland	4379
Slovakia	3711
Hungary	3344
Czechia	3094
France	2989
Portugal	2903
Denmark	2607
Belgium	1557
Romania	970
Bulgaria	664
Estonia	402
Greece	250
Lithuania	234
Iceland	37
Croatia	20
United Kingdom	-183
Slovenia	-277
Poland	-491
Türkiye	-545
Spain	-5981
Netherlands	-24736

Source: Eurostat

## The Impact of U.S. Tariffs on Romania's Trade in 2025: Risks and Opportunities

As the EU faces the prospect of new trade tariffs from the U.S. under the administration of Donald Trump, Romania finds itself at a crossroads in terms of its economic and trade outlook. The proposed 25% tariffs on European automobiles, pharmaceuticals, and semiconductors could have significant consequences for Romania, given its growing industrial base, integration into EU supply chains, and direct trade with the U.S. While these tariffs present risks to key Romanian industries, they also present potential opportunities for strategic economic adjustments.

### Romania's Trade Landscape and Its Vulnerability to U.S. Tariffs

Romania is a mid-sized economy within the EU that relies heavily on trade, both within Europe and beyond. In recent years, its exports to the United States have increased, particularly in sectors such as automobile components, pharmaceuticals, electronics, and agricultural products. In 2024, Romania's total exports to the U.S. exceeded \$2 billion, making the country one of Romania's most important non-EU trading partners. At the same time, Romania imports key goods from the U.S., including energy products, high-tech machinery, medical equipment, and defense technologies. However, Romania's deep integration into European industrial supply chains makes it particularly vulnerable to any disruptions in the EU-U.S. trade. As a supplier of vehicle components, pharmaceuticals, and electronic parts to larger European economies like Germany and France, any slowdown in these economies due to reduced exports to the U.S. could also impact Romanian production, employment, and overall economic growth.

#### The Direct Impact of U.S. Tariffs on Romanian Industries

The industries most at risk from U.S. tariffs are those in which Romania has significant trade interests with the United States or plays a key role in European supply chains.

#### Automobile Industry: Risk of Decline

One of the most affected sectors in Romania can be the automotive industry, which has become an important part of the country's economy. Romania is home to major car manufacturers, as well as numerous suppliers of automobile parts that serve Germany, France, and Italy. With Trump's proposed 25% tariff on EU vehicles and automotive components, the U.S. demand for European-made cars is expected to decline, which will reduce production and exports from Romania as well.

Also, Romanian suppliers of automobile parts and electrical systems—which contribute to car manufacturing in Germany and France—could see fewer orders if European automakers cut production due to shrinking U.S. demand.

#### Pharmaceutical Industry: Mixed Impact

The pharmaceutical sector is another area of concern. Romania has a strong industry, with major producers exporting to multiple global markets, including the U.S. If tariffs make European medicines more expensive in the U.S., Romanian pharmaceutical companies could face reduced competitiveness. However, given the high demand for affordable generic drugs, U.S. buyers might still prioritize lower-cost suppliers, which could help Romanian firms maintain market presence.

Additionally, if the EU retaliates against U.S. tariffs, this could impact American pharmaceutical companies that export to Romania. The result might be higher prices for some U.S. medical products, increasing costs for Romanian healthcare providers.

#### Electronics Sector: Moderate Risk

Romania has been attracting foreign investment electronics manufacturing, with companies setting up production facilities in the country. New U.S. tariffs on electronic components could face barriers to accessing the U.S. market, impacting revenue growth.

However, one potential upside is that the U.S. is seeking to reduce its reliance on Chinese semiconductor imports. This could lead to greater American investment in alternative markets, and Romania—offering a lower-cost production base within the EU—might attract more foreign direct investment (FDI) in this sector.

#### The Indirect Impact of U.S. Tariffs on Romania

Beyond direct export losses, Romania can also be affected by broader economic disruptions within the EU caused by tariffs.

##### 1. Reduced Trade with Germany and France

Since Romania supplies parts and components to German and French industries, any decline in their exports to the U.S. will reduce demand for Romanian inputs. This could slow down production, reduce employment, and lower overall economic growth.

##### 2. Weaker EU Economic Growth

If Trump's tariffs weaken the broader European economy, Romania's GDP growth could slow due to lower foreign investment, decreased industrial production, and declining consumer confidence.

##### 3. Higher Prices for U.S. Imports

If the EU retaliates with its own tariffs on U.S. goods, this could lead to higher prices for American imports in Romania, such as energy products (LNG, oil), aircraft, and medical equipment. This could increase costs for Romanian businesses and consumers, particularly in energy and transportation sectors.

#### Potential Opportunities for Romania Amid Trade Disruptions

Despite these challenges, Romania could also benefit from shifting trade and investment patterns as a result of U.S. tariffs.

##### 1. Diversification of Trade Partners

If U.S. tariffs reduce EU exports to America, Romania could look to expand its trade relationships with other markets, such as China, India, and the Middle East. Romania's strong agricultural, pharmaceutical, and machinery sectors could find new buyers outside the U.S.

##### 2. Attracting More U.S. Investment in Eastern Europe

With Western European production costs rising due to tariffs, some U.S. companies might relocate manufacturing to lower-cost EU countries like Romania. This could bring new jobs and investment, particularly in technology and manufacturing.



### **3. Leveraging Romania's Role in EU Trade Policies**

Romania could take an active role in EU negotiations with the U.S., advocating for protections that support its key industries. Additionally, if the EU seeks to compensate for lost U.S. trade by strengthening internal European supply chains, Romania could benefit from increased intra-EU trade and investment.

### **Conclusion: A Mixed Outlook for Romania**

The proposed U.S. tariffs on EU goods will present economic challenges for Romania, particularly in the automotive, pharmaceutical, and electronics sectors. While Romania is not as directly exposed to U.S. tariffs as larger EU economies like Germany or France, it will feel the effects through supply chain disruptions, reduced investment, and weaker European economic growth.

However, Romania also has opportunities to adapt and mitigate these risks. By diversifying trade partnerships, attracting new foreign investments, and strengthening its role in EU trade policy, Romania could position itself as a strategic hub within the changing global economy. The outcome will largely depend on how well Romania's government and industries can manage these shifts and adapt to new geopolitical realities.