



CPB Netherlands Bureau for Economic
Policy Analysis

World trade outlook 2019

AIECE spring
meeting, May 2019,
The Hague





Outline

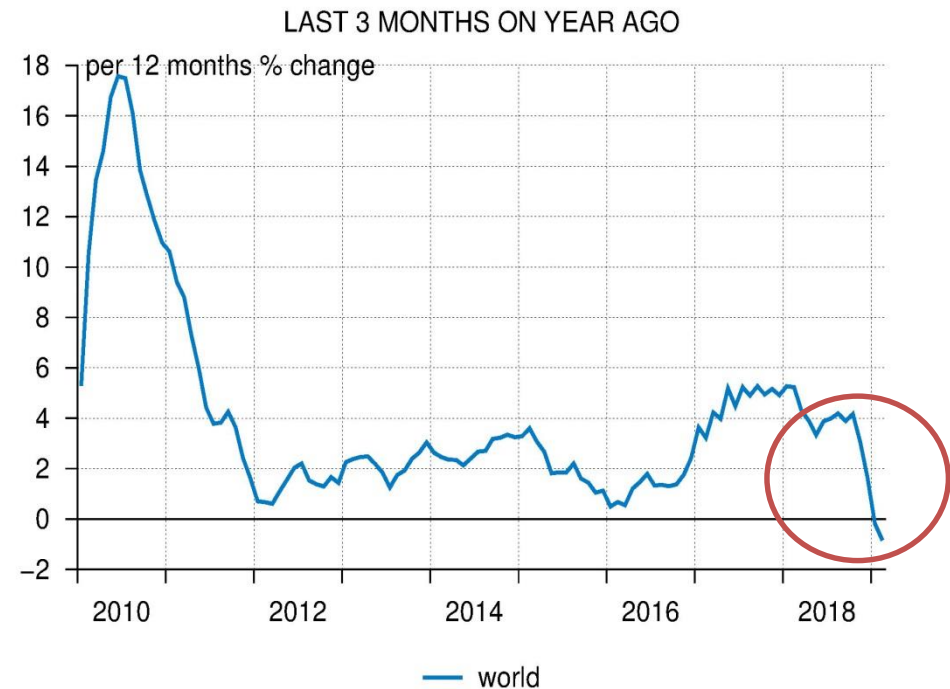
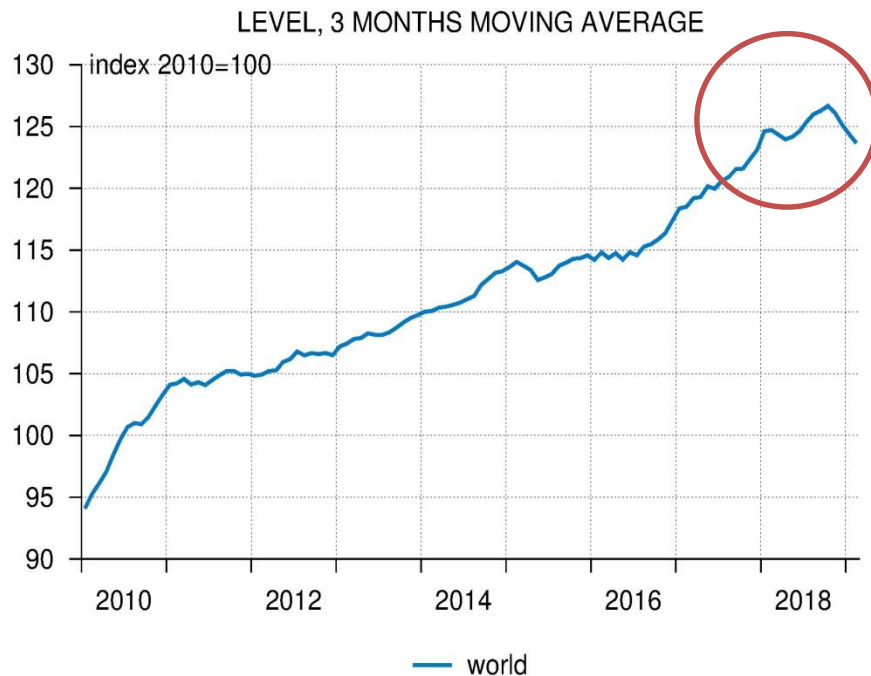
- Main observations on world trade
- What regions and causes are behind the current slowdown?
- What does this say about the (near) future?
- Special topics: tariffs and brexit (briefly)

Puzzles for our current forecast:

1. What explains the weak (intra-)EA trade growth?
2. To what extent was the trade downturn in China/Asia caused by the September tariffs, and the surrounding uncertainty?
3. What will be the short-term effect of additional US/China tariffs?

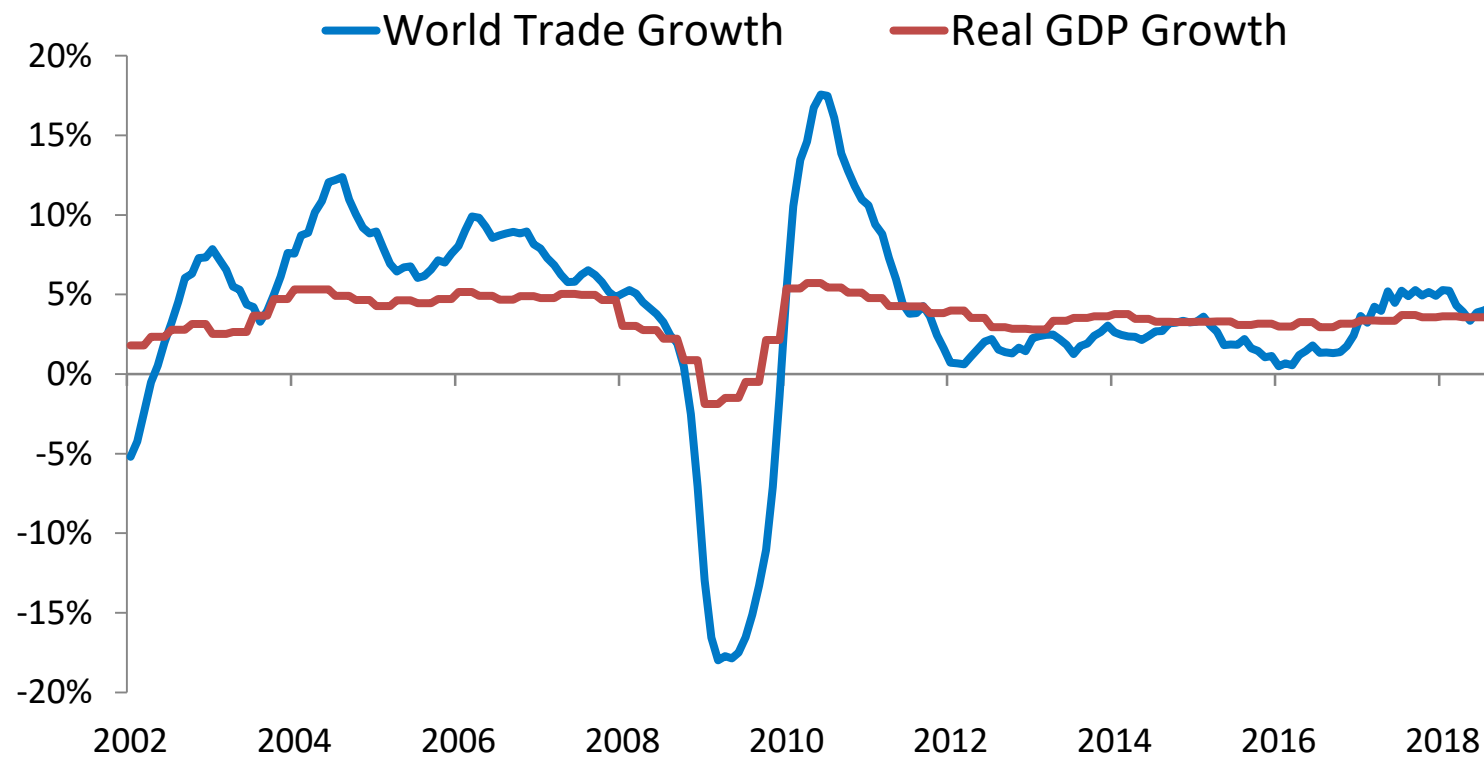


Recent slowdown in world trade





The current downturn in longer perspective

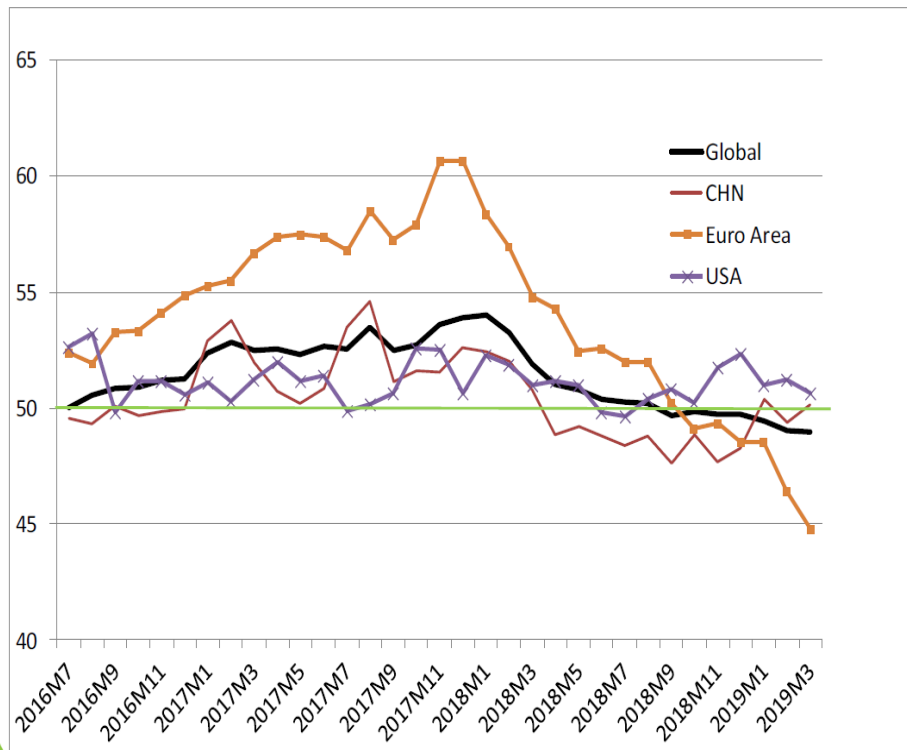


Source: CPB World Trade monitor and IMF Financial Statistics/CPB

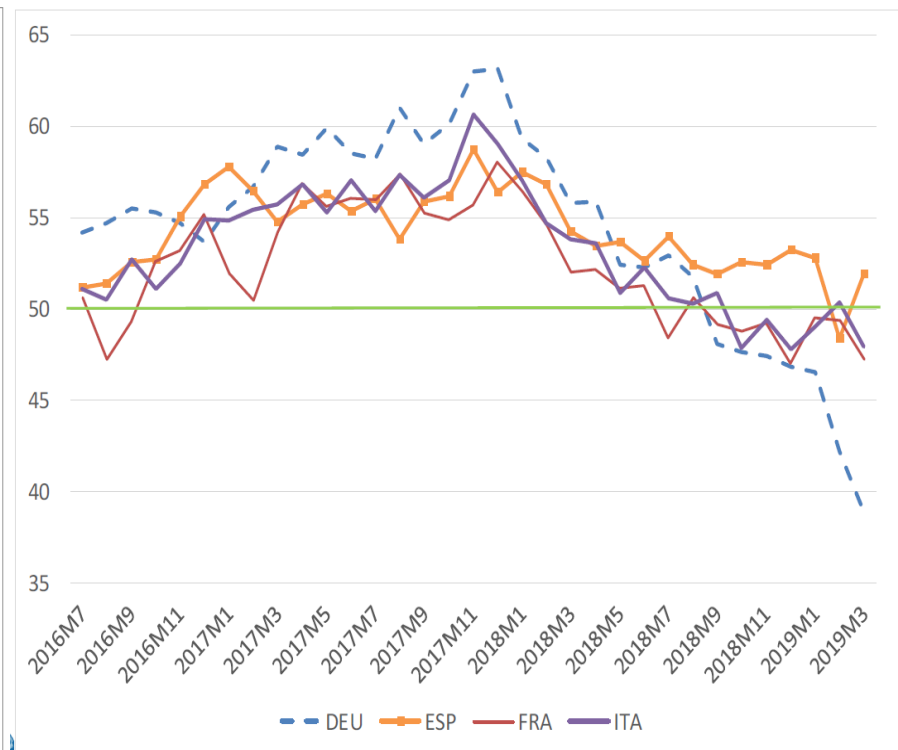


Manufacturing new export orders

Manufacturing New Export Orders, PMI



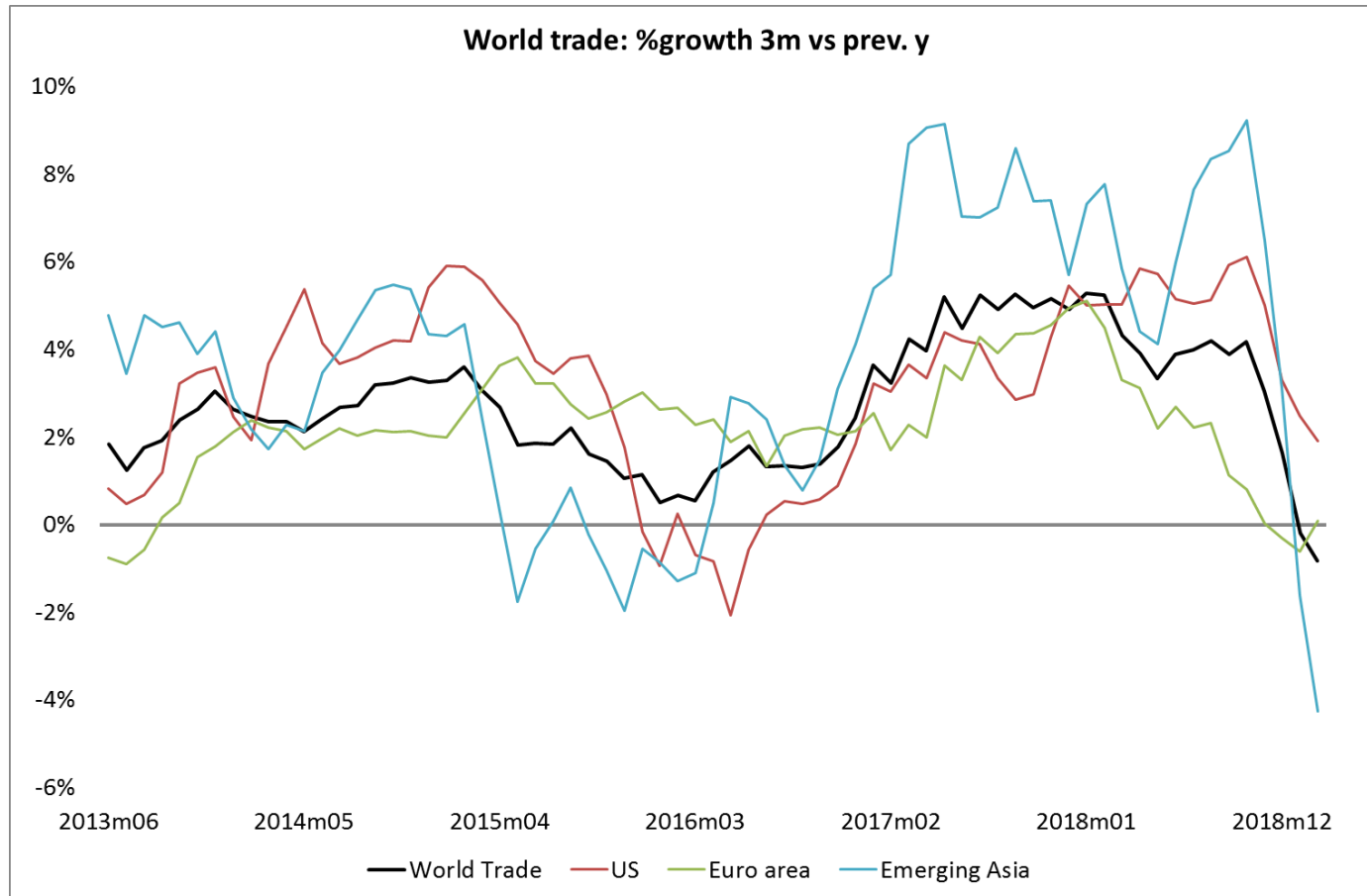
Manufacturing New Export Orders, PMI



Source: Markit, through oecd



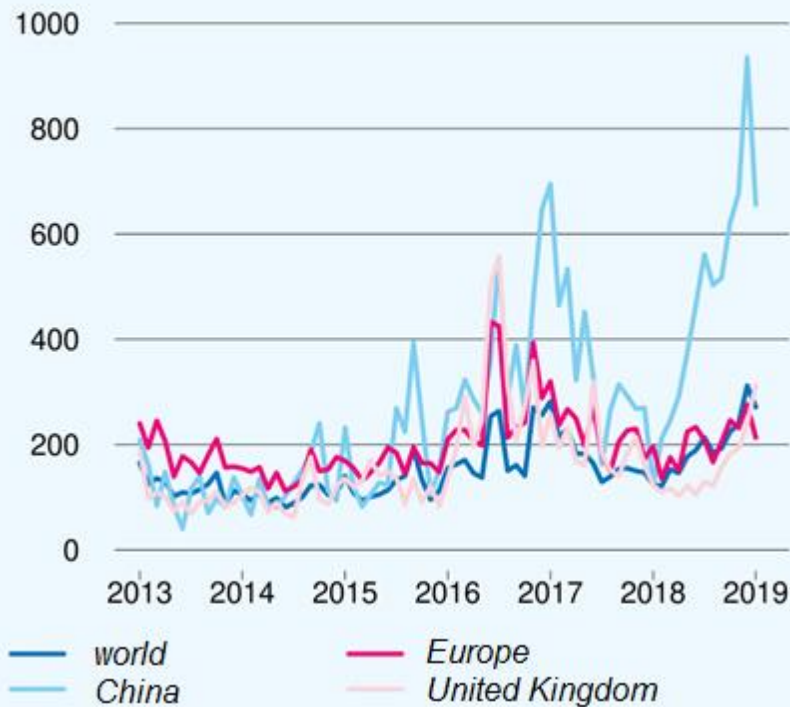
WTM: regional variation





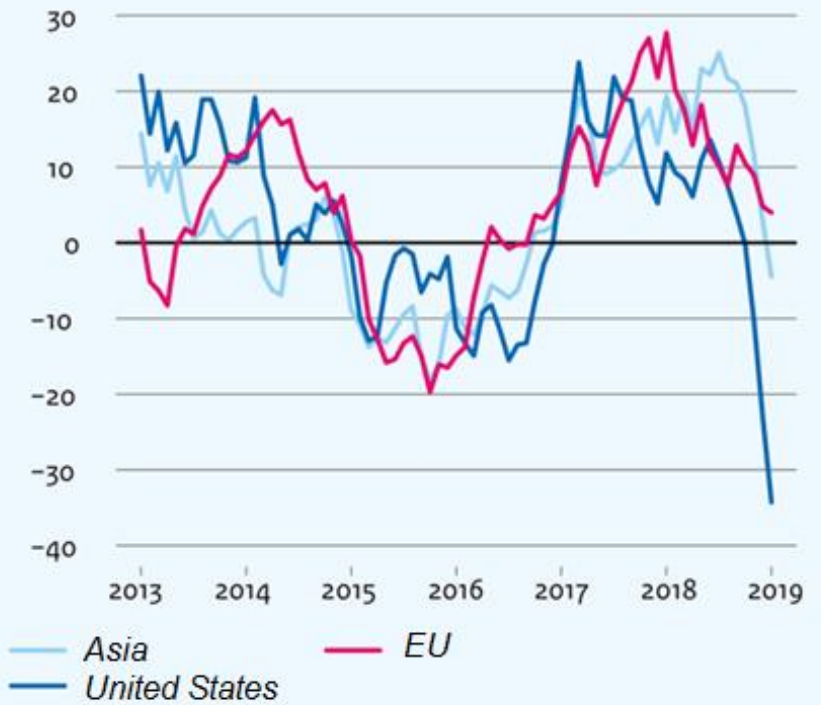
Trade uncertainty and Chinese trade

Policy uncertainty



Import China

3-months average compared to one year ago (in %, US dollar)



Source: Economic Policy Uncertainty, based on news items and Haver Analytics



China credit impuls + global PMI manufacturing

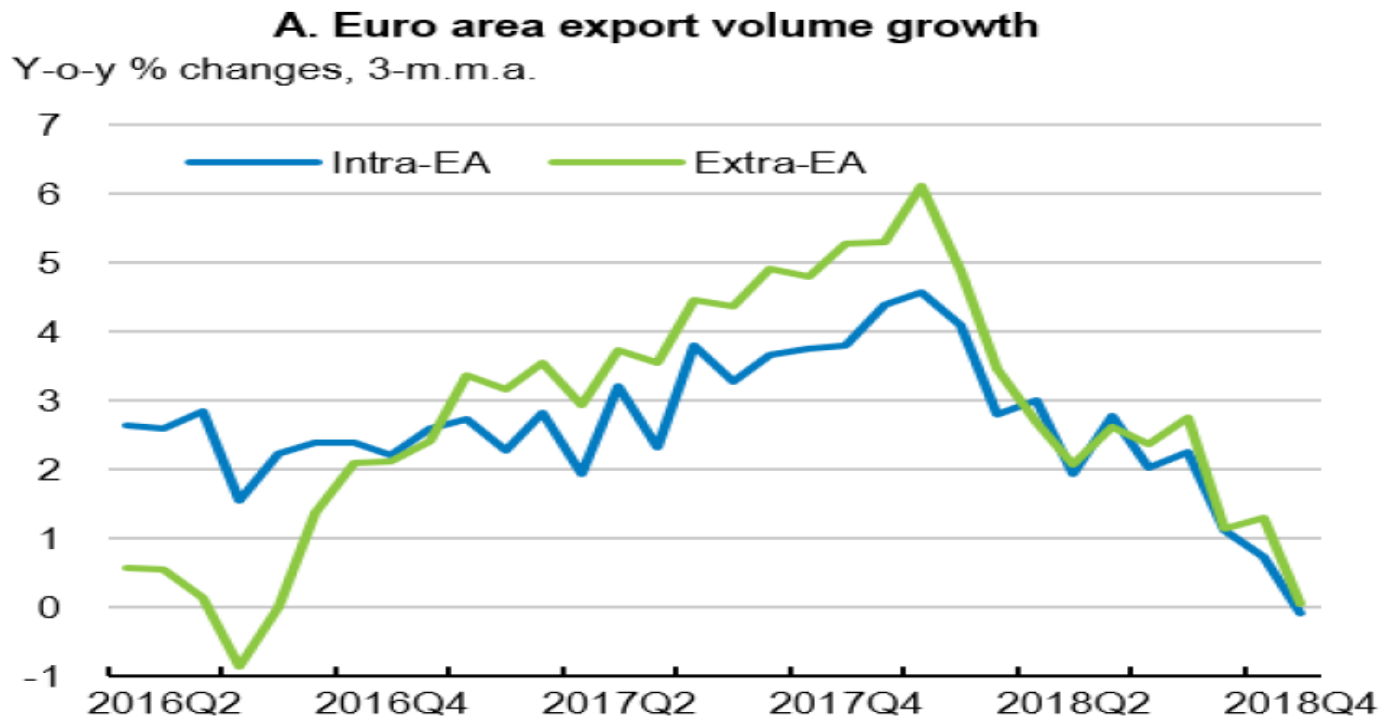


Source: Haver analytics and Markit(?), based on Unicredit



Also intra-EA trade is slowing down

Figure 2. Trade growth has stalled



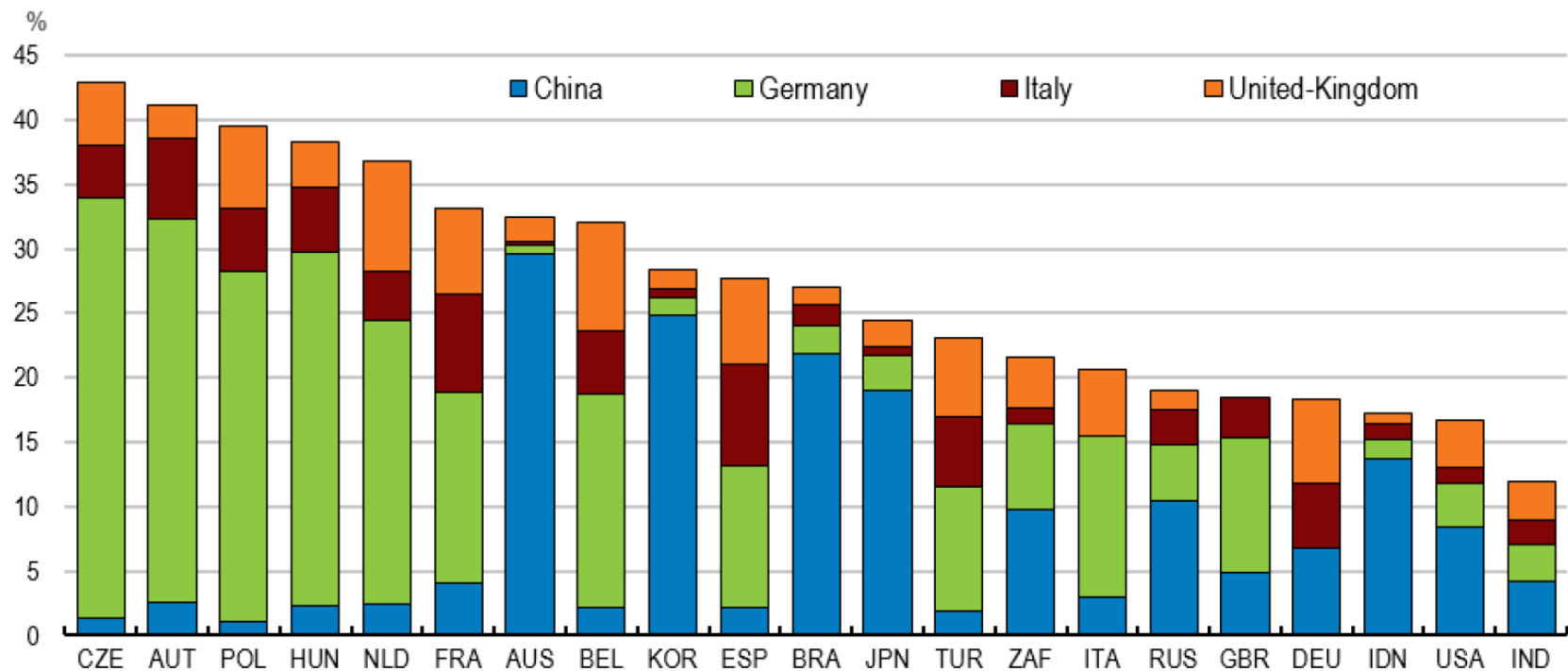
Source: OECD
interim outlook, 6
March 2019



Spillover effects of trade shocks

Figure 3. Weak growth in the major economies will hit export prospects around the world

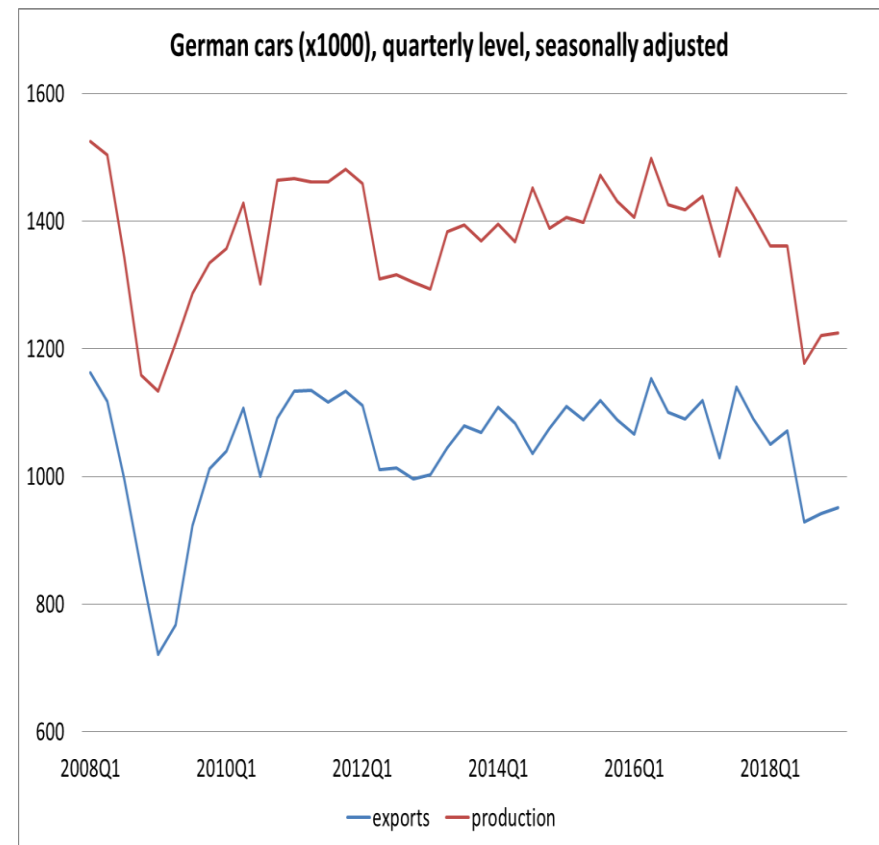
Share of partner countries in exports of goods, 2017



Source: World Bank; and OECD calculations.



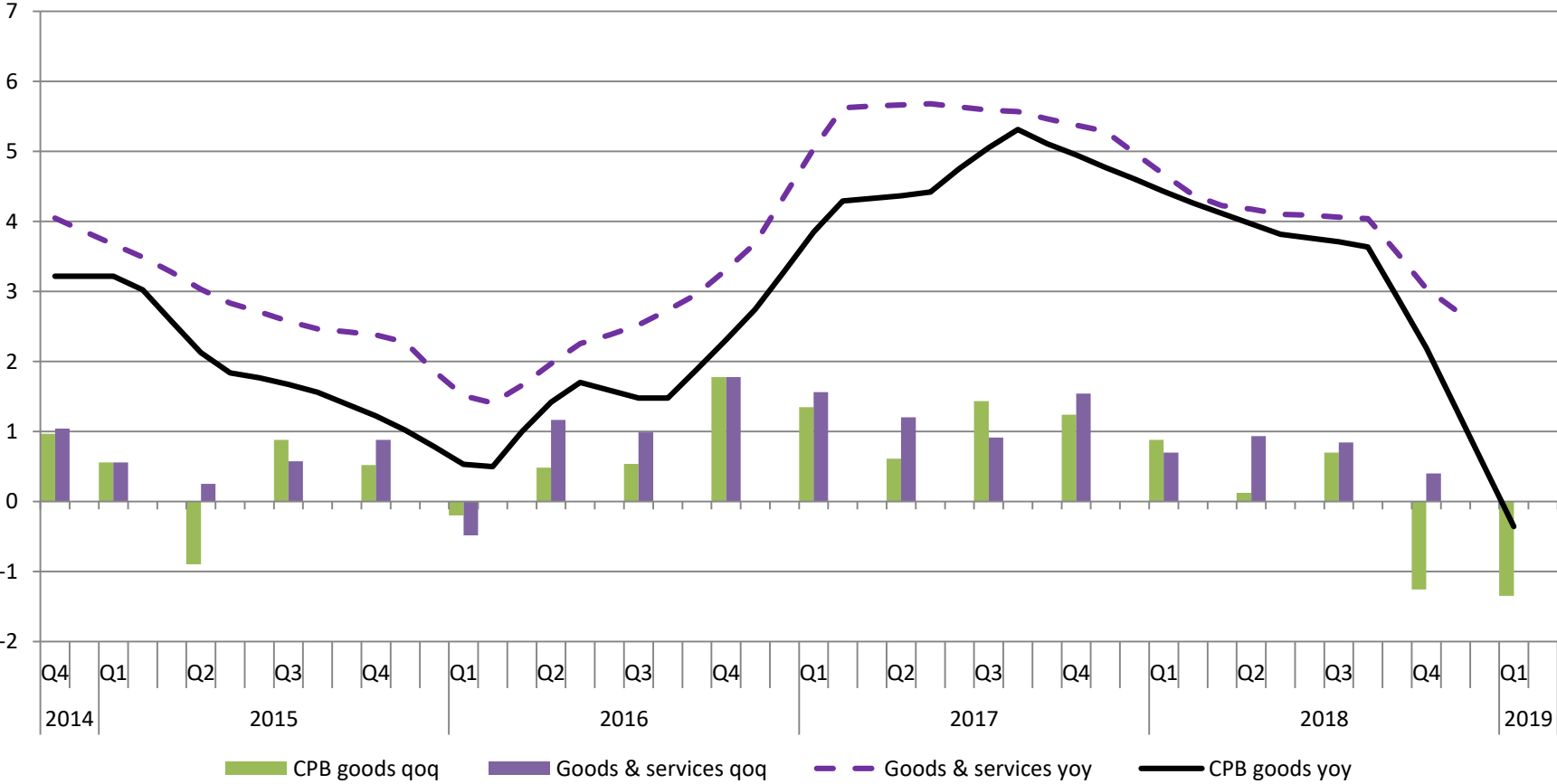
Germany affected by car trouble



Source: Haver Analytics and Verband der Automobilindustrie



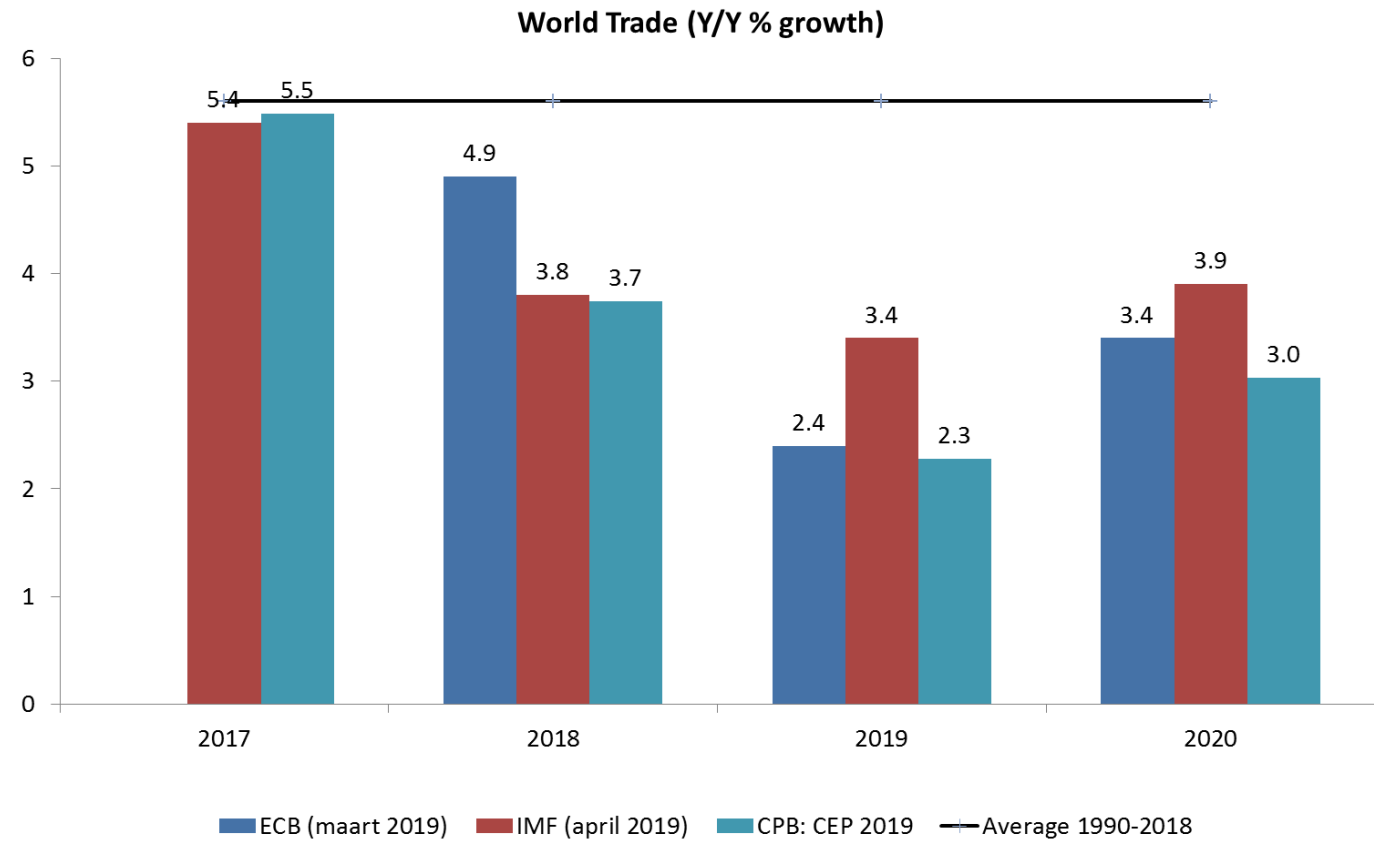
WTM goods trade data compared to NA trade



Source: cpb, oecd



World Trade forecast





Effects of US trade policy

1. Distorted import prices may shift demand to local markets or third countries
2. Uncertainty
 - leads to postponed investments, reducing demand for capital goods
 - may also impact consumer sentiment and decrease the demand for consumer goods
- Long-term impact of tariffs can be analysed using GE-models, but:
 - Trajectory to new equilibrium; short run effects?
 - Effects of uncertainty hard to determine



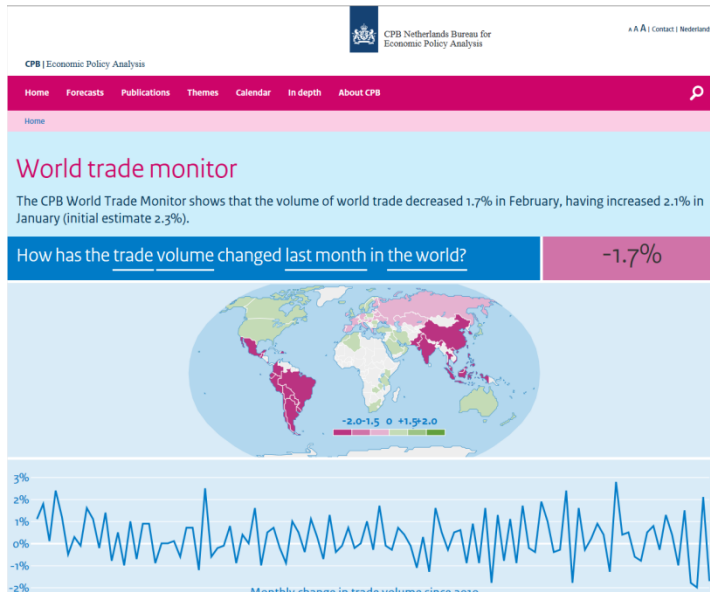


Brexit: A generic flowchart

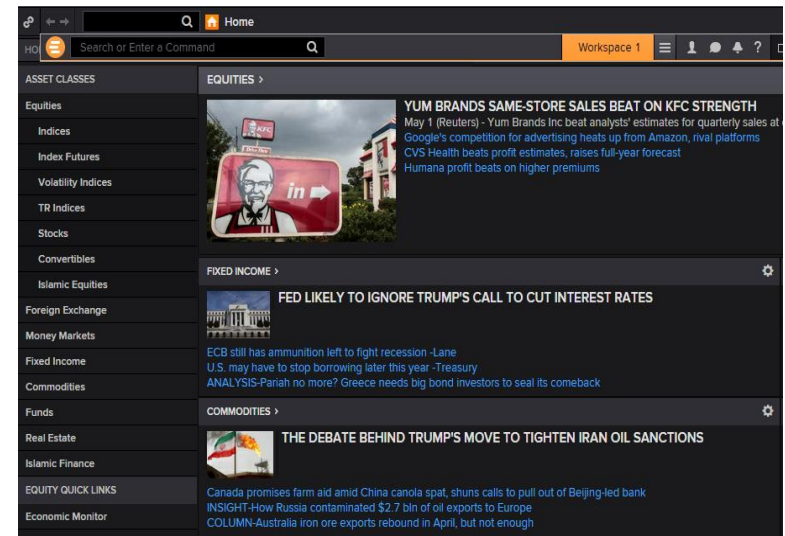




Do you access WTM-data through....



OR?

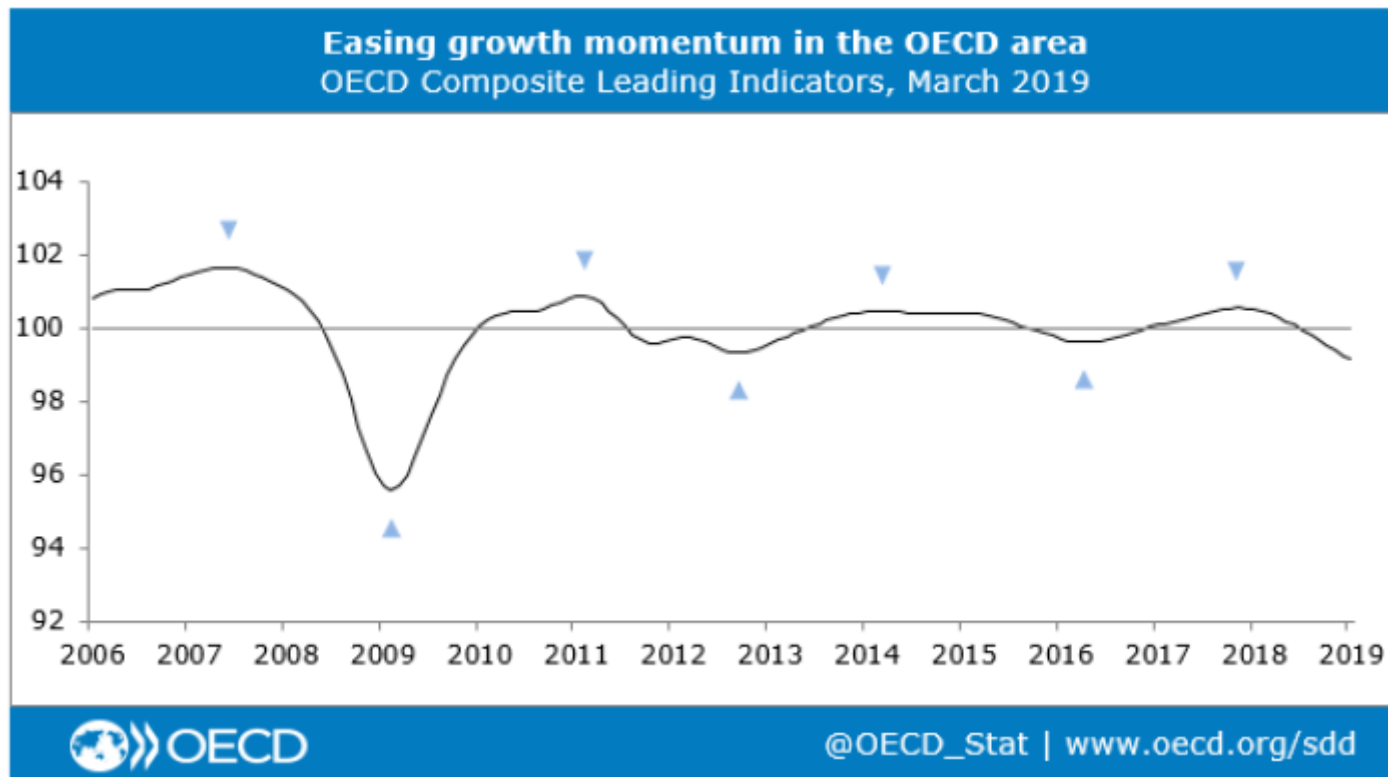




Other....

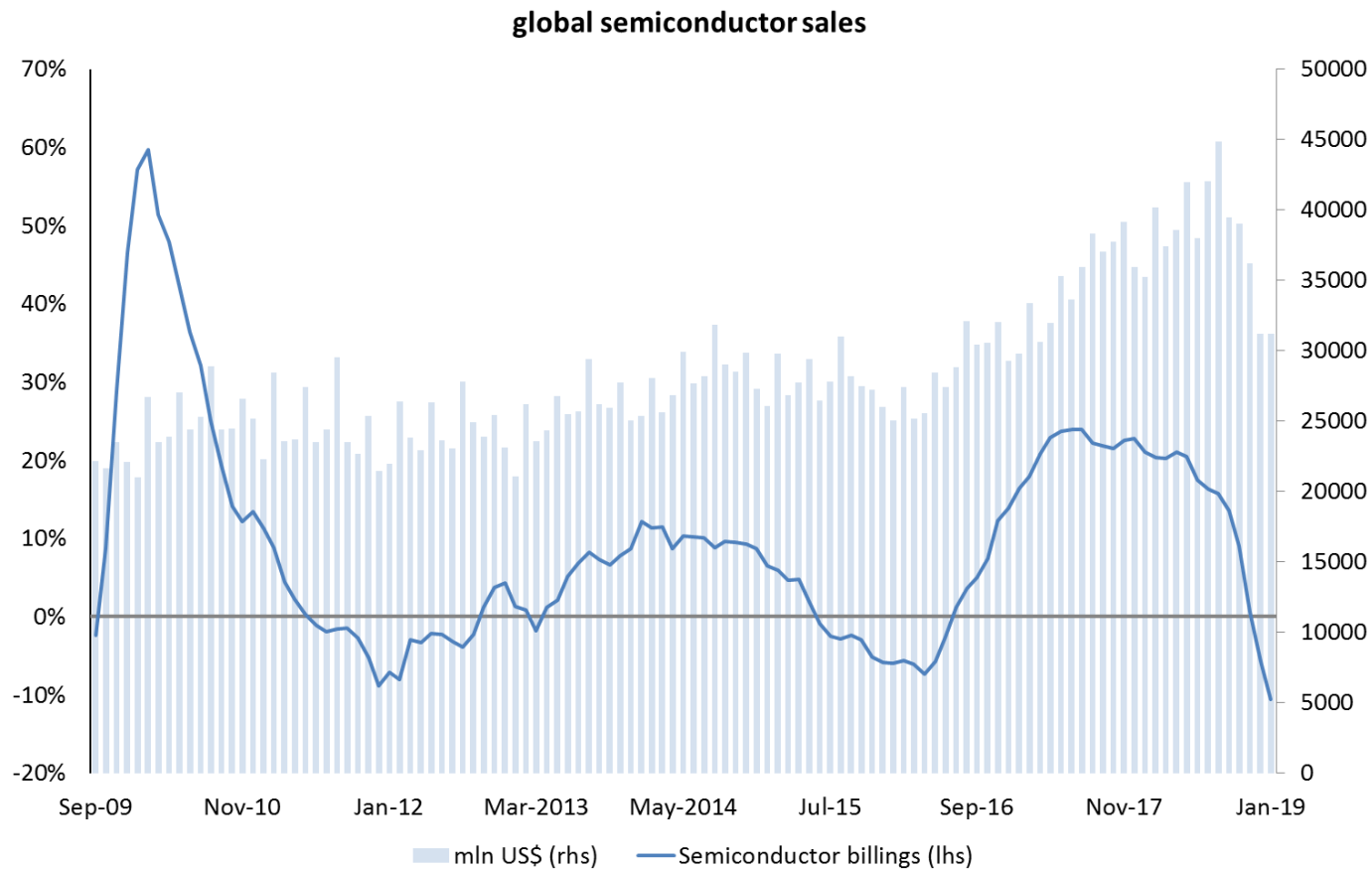


OECD composite leading indicator



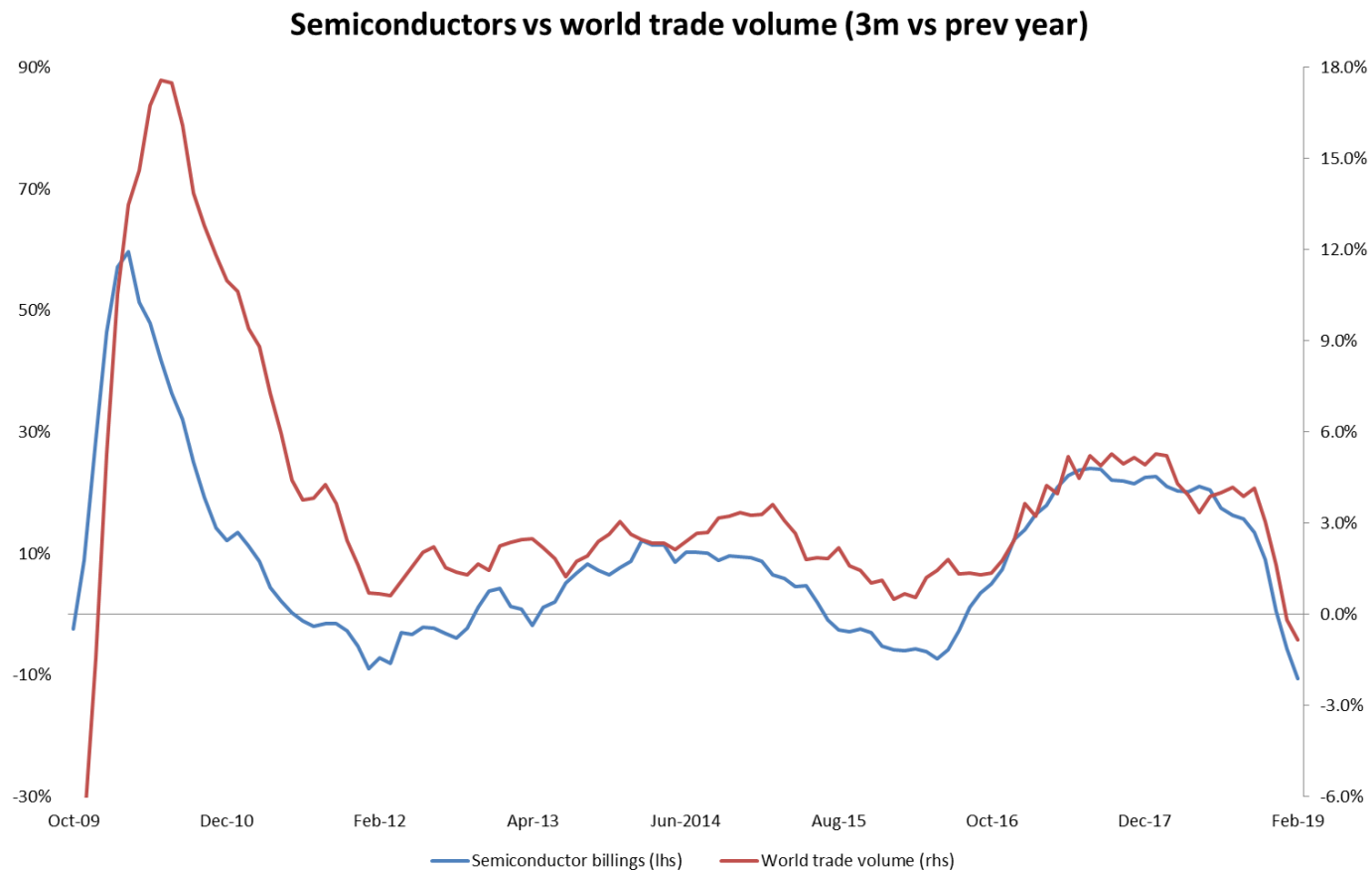


Global semiconductor sale shows downturn



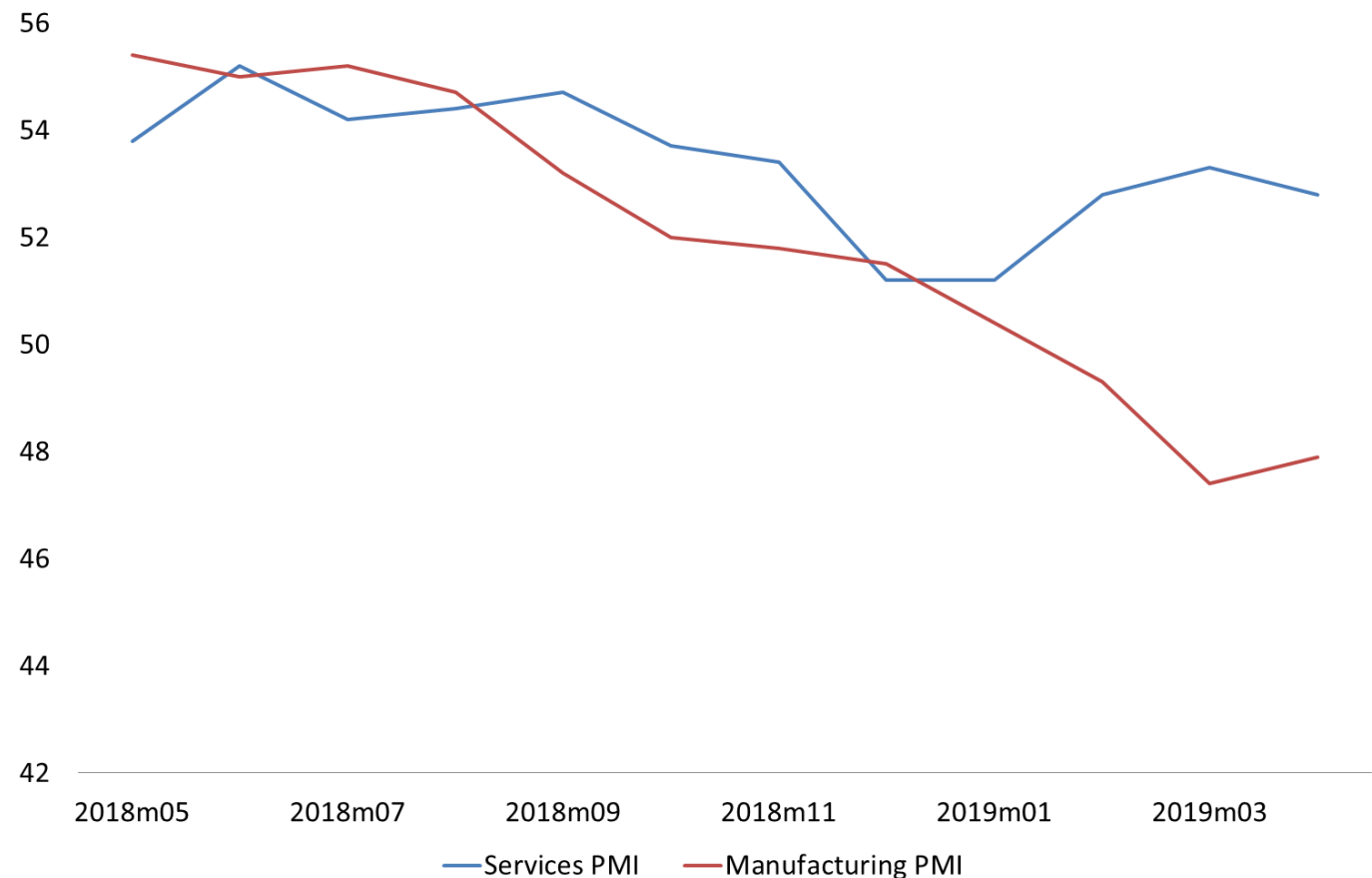


Correlation with trade growth is strong





PMI's eurozone: manufacturing vs services



Source:
Markit



Projecting World trade at CPB

- Experimenting with Bayesian VAR
- And developing new forecast models:
 - Big Data/ Data science techniques
 - Dynamic factor model
- In case we are able to provide a sufficiently accurate nowcast/forecast of world trade, we will start publishing these.