

25 September 2018
Snap

World trade growth defies Trump tariffs

Despite the ongoing tit-for-tat trade war spat between the US and China, world trade grew in July by 1.1% pushing up the momentum to 1%

July was the first month in which the tit-for-tat trade war between the US and China became a reality when the US imposed duties on USD 34 billion of Chinese goods.

Despite the ongoing trade spat, it has only affected 0.8% of world trade flows in July and any effect on trade volumes directly resulting from the new tariffs would be small as -0.01% to -0.1%. In fact, trade grew by 1.1% in July together with an upwards revision for June from -0.8% to -0.3%, the momentum growth has been pushed up to 1%.

It would seem structural drivers such as slowing growth, or even retraction in global value chains are behind the stagnant growth of world trade

This doesn't mean that the ongoing trade war won't affect world trade. Global value chains magnify the effects of tariffs, causing disruption and price increases. The uncertainty and the threat of further escalation may adversely affect business investment decisions and thereby drag growth.

However, quarter on quarter investment growth in the Eurozone, Japan, the US and China, which altogether accounts for more than 50% of world trade doesn't seem to be significantly lower in the first quarter of 2018.

Also, more forward-looking indicators such as PMI's and export orders are still above 50, signalling no decline in cyclical drivers of world trade.

This seems to suggest that more structural drivers such as slowing growth, or even retraction in global value chains are behind the stagnant growth of world trade and data on trade in intermediate goods seems to confirm this.

Timme Spakman

Economist, International Trade Analysis

+31 20 576 4469

timme.spakman@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("**ING**") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group NV and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. The producing legal entity ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is subject to limited regulation by the Financial Conduct Authority (FCA). ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.