Snap | 24 July 2020

Fall in world trade bottoming out

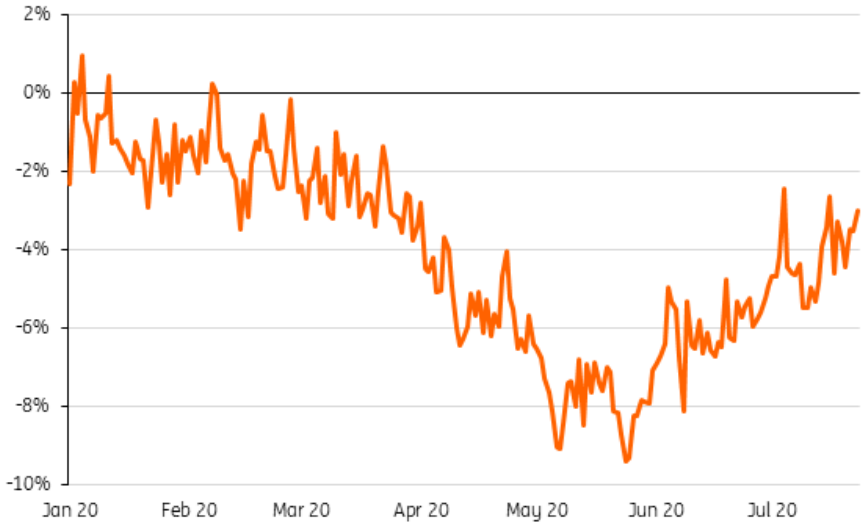
Shipping data suggests a fall in trade levels is bottoming out. However, subdued demand will keep dragging down international trade flows for a long time to come

World trade in May was -17.7% below levels we saw in May 2019 (latest CPB* figures), which is a modest deterioration relative to the figures for April (-16.2% Year-on-Year).

The fall in trade is the biggest among advanced economies and Latin America where we've seen twenty to thirty percent declines YoY.

The reduction is less severe in emerging Asia where May trade levels were 11.3% below May 2019. This is because the initial outbreak in China was a couple of months earlier than the rest of the world. So naturally, we saw the bottoming out of trade flows and production earlier and that's why things appear to be less severe in May for Asia when you look at what's happening elsewhere.

Share of container vessels in service (% change Year on Year)



Source: Data: Bloomberg, Calculations: ING

Looking at the share of container vessels in service, world trade will probably improve after May, as more ships seem to be returning to service in June. But the chart also shows that we are still not back to normal and any sense of normality won't be seen in the coming months. The contraction caused by Covid-19 is causing a global recession and with global PMIs still below 50, we're looking at a continuing worsening of economic conditions.

**CPB is the Netherlands Bureau for Economic Policy Analysis*

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