

## Lowest trade levels since 2017 as China announces retaliatory tariffs

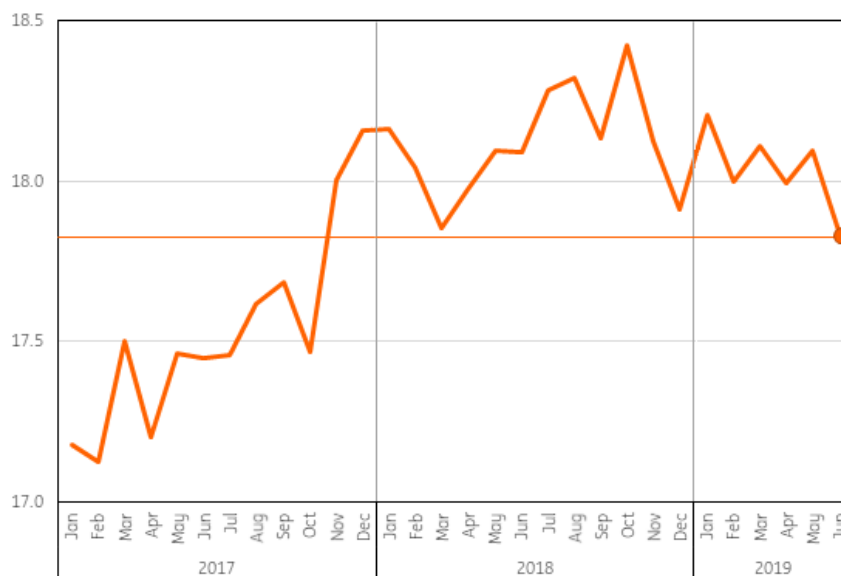
World trade growth confirmed a negative trend in June as volumes declined by -1.4% month-on-month (CPB). The outlook for trade was already uncertain, but the additional Chinese tariffs of US\$75bn announced today add to likely sluggishness in trade in the second half of the year



The retaliatory tariffs by China were to be expected given that the US announced another round of tariffs that will be imposed on 1 September. However, the retaliation will further fuel tensions and add to the uncertainty surrounding the trade war. Confidence among manufacturers has weakened across the globe as a result of the trade war and Brexit. This suppressed industrial production and trade. The declining trade levels in June marks the end of a stagnant 1H 2019 with average trade levels just 0.02% percent above 1H 2018.

## Lowest trade levels since October 2017

World trade in constant 2010 US\$ trillions



Source: CPB, calculations by ING

The monthly world trade figure is a volatile measure, but nevertheless, it does provide confirmation that the trend in world trade is downward. The peak in trade was reached in October 2018, after which growth has been negative. With uncertainty ahead that is not limited to trade tensions between China and the US, but also includes increased chances of a no-deal Brexit and slowing global demand, it seems unlikely that the trend in world trade growth will improve markedly in the months ahead.

*\*CPB is an abbreviation for the Netherlands Bureau for Economic Policy Analysis.*