

## Trade flows move against Trump's trade policy

World trade has grown by only 0.2% in August marking a continuation of a slowdown in growth in 2018. But surprisingly, the slow growth rate doesn't seem to be the direct result of the ongoing trade war



Source: Shutterstock

When looking at the underlying regional trends, we see that import levels for most of the advanced economies were mostly constant and/or declining during the first few months of 2018. Overall, imports by advanced economies negatively contributed to world trade growth while increasing imports by emerging markets in Asia supported world trade.

Although trade growth has been very slow for most of 2018, this doesn't seem to be related to the ongoing tit-for-tat trade war. While the first large rounds of tariffs came into effect in June and July, imports by the US were still growing while exports were declining.

Contrary to what the Trump administration would like to achieve, the US trade deficit is growing further in spite of President Trump's tariff measures. In August, the decline of the US trade deficit over the first few months of 2018 was completely outdone by the reversing trend seen since May.

We are still waiting for the trade data for September and October when the bulk of the tariffs came into effect. However, we don't expect to see a very strong effect as most of the US tariffs have been largely offset by a falling Chinese renminbi (-7.5% since May).

Also, the total percentage of world trade covered by tariffs that is part of the trade war accounts for only 2%. However, lagging confidence and rising costs within global value chains may exacerbate the adverse effects on world trade. Further escalation of the trade war is looming and we expect this tariff war to extend to a full bilateral China-US trade during next year.

This negatively affects [our trade outlook](#).