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Snap

## Global trade growth slows down to 3.3% in 2018

According to Statistics Netherlands, world trade growth slowed in 2018 to 3.3% compared to 4.7% growth in 2017. Is the trade war to blame?

After a decline of 1.8% in November 2018, world trade nosedived to 1.7% in December 2018.

In 2018, world trade growth slowed down to 3.3% compared to 4.7% growth in 2017. The ongoing tit-for-tat trade war is the first thing that comes to mind as the cause of this slowdown, but due to the recent government shutdown, we don't have US import figures for December just yet. However, figures for October and November are significantly below September levels, and this may very well be the result of elevated US tariffs.

Although for the world as a whole, the direct effects of the tariffs seem to have been limited on the aggregate level, because most of the tariffs only kicked in during 2H18, but indirect effects such as declining business confidence are suppressing world trade.

The cooling down of the world economy and underlying changes in world trade also caused slower trade growth. Firstly, emerging economies, like China, are transitioning away from export and investment-driven growth towards domestic consumption. Secondly, growth in global value chains has decreased in recent years and thirdly, China's contribution to world trade (historically about 1.5 percentage point) has been falling as it pursues a strategy of self-sufficiency.

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