

Snap | 25 May 2020

World trade set to plummet in months ahead

In March alone, world trade fell by 4.3% year-on-year. Cancelled shipping lines mean it is set to fall even further



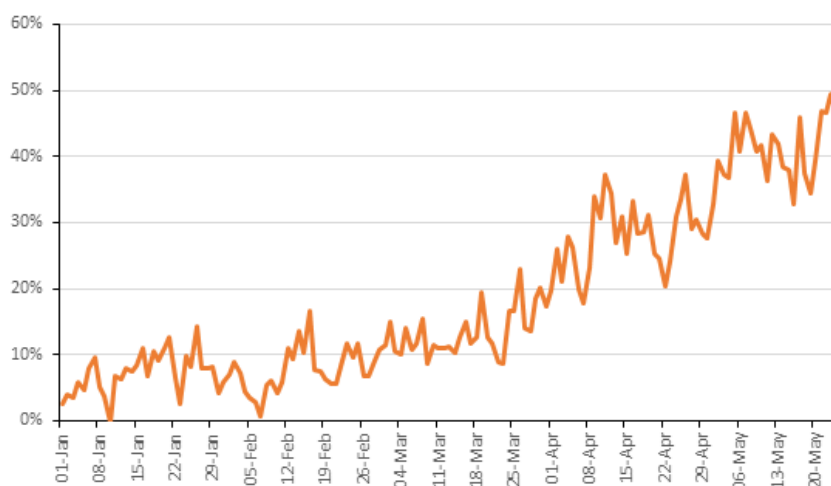
Source: Shutterstock

The latest world trade figures for March, show a massive fall in trade volumes, especially in the eurozone where there was a decline of -9% YoY (intra- and extra- eurozone trade).

US trade volumes also declined by a significant -5.2% YoY but Asian trade showed strong rebound month on month, which is consistent with China gradually re-opening in March. However, looking ahead this rebound is unlikely to provide much of a relief for world trade.

As shown by the number of container ships for anchor, they indicate that trade has been falling throughout May too.

YoY growth in the number of idle container ships



Source: Bloomberg

Although China is technically out of the lockdown and has shown a partial rebound in March, [it will take a while before China is back at full pace again.](#)

We believe cancellations of selected major container shipping lines including the world's largest container ships indicate that Asian imports are declining again. Cancellations among shipping lines towards East Asia increased from around 20% to more than 50% this week. In June, cancellations are set to exceed 70% of the scheduled lines from the EU to East Asia and more than 80% of the lines from North America to East Asia.

Cancellations for routes from Asia to Europe and the US as well as trans-Atlantic trade are also high, varying around 60% until the end of June.

Things aren't looking so good for intra-Asian shipping activity either. Intra-Asian trade is strongly driven by regional supply chains. Since Asian exports seem subdued at least until June, intra-Asian supply chain trade is likely to be suppressed too.

The Covid-19 crisis is surrounded by too much uncertainty to give an accurate estimate of how world trade will develop over the course of 2020 and 2021. We have seen investment and durable goods consumption hit hard by Covid-19 with devastating consequences for world trade.

Even if countries are able to open up successfully, we may see a 9% fall in world trade.

See our latest trade outlook [here](#).

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