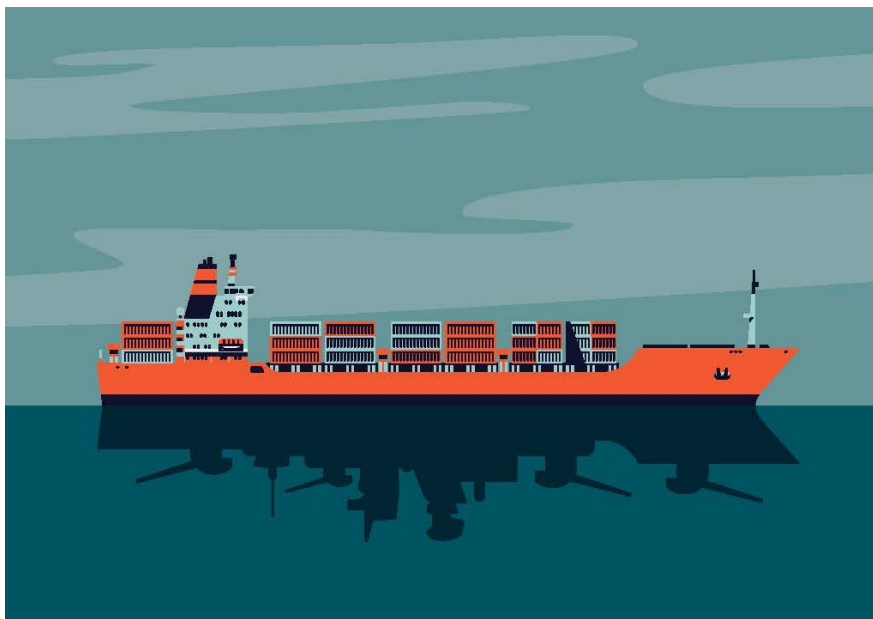


World trade begins the long road to recovery

World trade volumes have turned a corner after falling 10% during the first half of 2020



Source: London Publishing Partnership

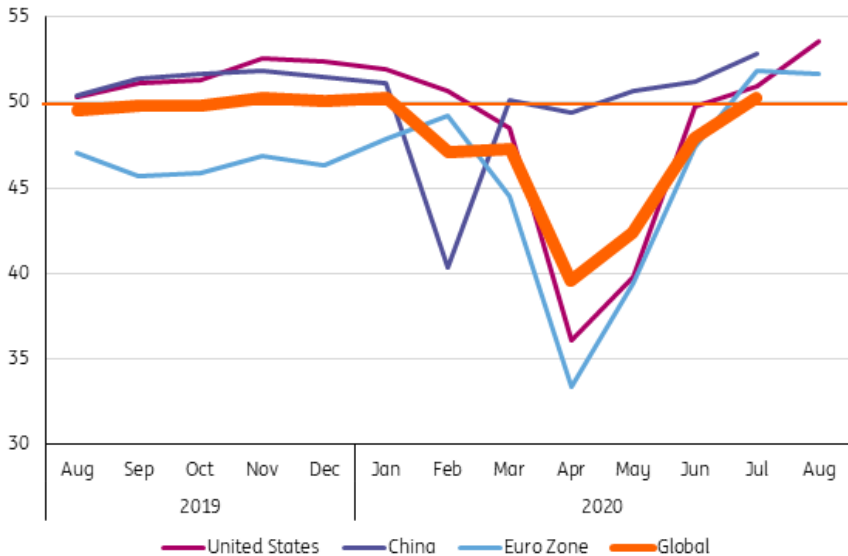
Data released today by the Netherlands CPB shows trade volumes in 2Q were down 15% year-on-year, thanks to Covid-19.

Protectionism and uncertainty were already providing strong headwinds to trade at the beginning of 2020, but after factory outages and falling demand for durable goods such as cars, and industrial machinery, which have a high weight in world trade, a dramatic fall in volume has ensued.

Imports demand in China during 1H was only 1% below its level a year ago, compared to 10% in the US, and 12% in the Euro area. Having started its recovery a bit earlier than other countries, China can also rely on relatively strong demand from its domestic [market](#) to sustain growth in industrial production.

However, it faces new challenges in the shape of a tech war with the US.

Manufacturing PMIs in expansionary territory again



Source: Source: Bloomberg

With growth of 7.5% (MoM) in June, world trade has begun a partial recovery that should continue during the second half of 2020. Global purchasing managers indices for the manufacturing sector moved into expansionary territory in July (see chart above). However, despite improvements in global activity, trade volumes are likely to remain below pre Covid-19 levels for some time.

Economic activity has taken a severe hit and uncertainty about a potential second wave will make firms reluctant to invest and consumers more likely to postpone large purchases. Economic activity and trade are likely to remain subdued until a vaccine offers relief.