

World trade flows dip yet again and outlook looks bleak

Amid rising trade tensions, world trade volume declined by 0.7% in April and the outlook for a rebound seems difficult given export orders continued to slow further in May



The trade war is really starting to bite and this can be clearly seen in global trade flows. Since the further escalation of the trade war, we have seen the biggest fall in world trade since 2009 during the last few months of 2018 - and trade volumes haven't recovered since.

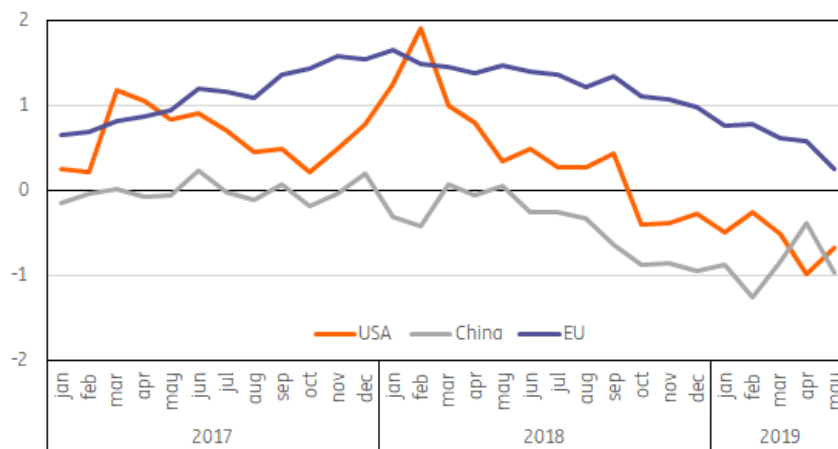
The month on month decline in April signifies the effects of the trade war as the decline is mostly concentrated in US and Chinese trade flows. Current trade volumes are at the same level where they were at the beginning of 2018. The current three-month momentum indicator (-0.2%) identifies the stagnant trend since the large fall at the end of 2018.

The outlook for trade remains bleak as new export orders are slowly converging on the negative side of their historic means. The chart below shows that the export order book for the USA and China are below their historic averages. Although EU new export orders are still above average, the EU shows a declining trend in the new export orders survey.

This indicates that a rebound in world trade volumes remains somewhat troublesome.

New export orders

Standard deviation from historic mean



Source: Data: ISM, DG-ECFIN, China Fed. of Logistics and Purchasing, Calculations by ING

We expect the trade war will get worse before any deals are closed. For our outlook with scenarios for the trade war [click here](#).