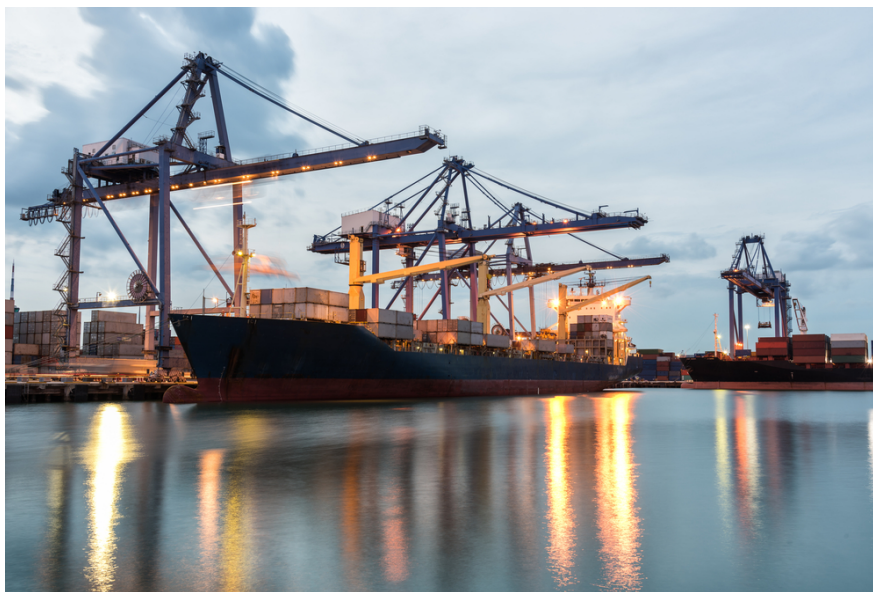


## World trade: Doubts remain, despite strong start to 2019

Strong growth of world trade in the first month of what is probably likely to be a poor year



This year's weak trade growth has resulted in declining trade openness after years of stabilisation, which we expect to persist over the coming year

According to the Netherlands Bureau for Economic Policy Analysis (CPB), world trade grew by 2.3% in January 2019 and the growth seems partly a rebound after the fall seen in both November and December 2018. The growth was broad-based with the strongest seen in emerging Asia (+6.2%), which follows a decline of -6.5% in December.

Looking past the volatile growth figures, the three-month momentum shows a downward trend of -1.8%, indicating world trade is slowing.

The prospects for 2019 remain concerning as what seems to be a cyclical downturn is dragging world trade growth down further. Pivotal to the slowdown is lagging Chinese growth, which is partly due to the US-China trade war that undermines US demand for Chinese exports.

This has worldwide spillovers. For example, eurozone manufacturing PMI weakened to 47.6 in March according to Markit, marking the second consecutive month this year that manufacturing activity and export orders declined in the eurozone. The indices for January and February indicate contracting manufacturing activity in most of the east-Asian economies as well.

Considerable further downside risks are looming. Although the negotiations between the US and China continue, US demands remain very ambitious, leaving the potential for the talks to fail.

If a deal isn't reached, further escalation poses a significant threat to trade. Another concern is potential US tariffs on automobile imports. The US has until June to decide if it will impose tariffs on imported cars. This will [significantly hurt EU exports](#) if a deal isn't reached. These measures also potentially hurt trade between NAFTA countries, as it's still unclear if NAFTA partners including Canada and Mexico will be exempt from these tariffs.

So all in all, January shows strong growth, but prospects remain pretty bleak.