

## World trade momentum slows further in May

We need to look beyond the direct effects of tariffs to account for the slowing in world trade growth that we have already seen in 2018



The volume of world trade grew by 0.4% in May, according to CPB data published today. Monthly growth has averaged 0.1% per month so far in 2018, much lower than the averages in the second half of 2016 (0.5%) and 2017 (0.4%). The May data indicate a continued slowing in momentum, with trade volumes down 0.7% in the three months to May from the three months to February. Up until last month, trade volumes had been consistently recording positive growth on the previous three months since mid-2016. For the time being, it looks like the recovery has stalled.

Is this down to the trade war? The direct effects of US tariffs would have been limited in May. Most countries were facing higher US tariffs on steel and aluminium, but exemptions for the EU, Canada and Mexico remained in place until the end of the month. Retaliation by the EU, Canada and Mexico followed in June before the US's targeted measures against China and China's retaliation in July. These measures brought the share of world trade affected by higher tariffs to 1%. The next steps of escalation and retaliation are already pretty clearly mapped out. The US's threats against China, and imported cars and parts, as well as retaliation by the US's trade partners, could bring

another 6% of world trade into the dispute.