

World trade resumes its recovery

As the global economy gains pace, world trade continues its growth path.



Source: istock

As measured by the CPB and as we expected, the April dip was a short break in the global upturn, with May's figure looking a lot more positive. The main growth driver for trade is the world's economic cycle, which is gaining pace again.

2%

May World Trade MoM

shows an increase from -2.2% (estimated -2.1%) in April.

Increased global demand

During the first quarter of this year, investment was up in most parts of the world, including the United States, Euro area, and Japan. This resulted in growing demand from the advanced economies.

One of the beneficiaries of the increased demand from advanced economies is Latin America. Increased demand from advanced economies boosted exports. Also, this stronger foreign demand

accompanied by a modest recovery in commodity prices supported economic activity and resulted in more demand for imports in Latin America.

The momentum in the world economy is also boosting trade in emerging Asia. Because the Chinese export industry is import intensive, strengthening demand from advanced economies leads to more imports by China.

After low growth for most of 2016, we expect a return to growth this year. However, due to various underlying fundamentals, this growth is not expected to exceed world GDP growth.

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