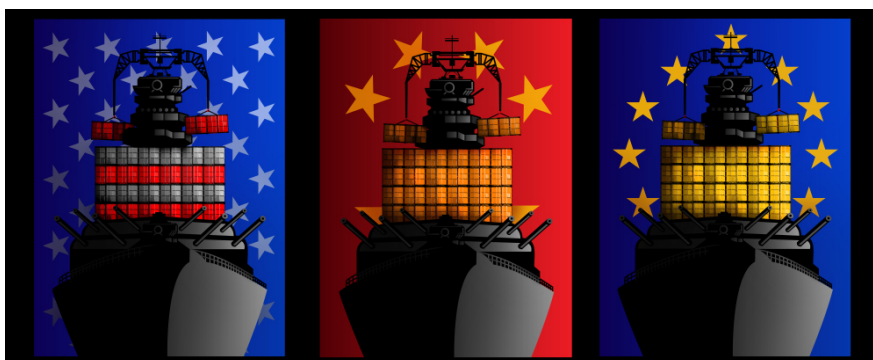


## World trade shrinks as uncertainty reigns

World trade declined 1.3% month-on-month, dragging third quarter trade down 1% compared to the same period a year ago. And uncertainty surrounding US trade policy is far from over



Source: Shutterstock

News about the negotiations between the US and China has been mixed at best and trade remains subdued: New trade figures released by the CPB\* show a deceleration in trade growth after two months of MoM growth. In recent weeks, it looked like the US and China were approaching a phase one deal. However, officials from both parties have been giving mixed signals, highlighting the fragility of the talks.

And uncertainty still reigns in Europe. Tariffs on American automotive imports seem to be off the table for now, as President Trump missed the 14 November deadline to take a decision on the matter. The president's authority to act on the report (national security sec. 232) has now likely expired. However, [Politico reported](#) last week that the Trump administration is considering a broad inquiry into Europe's trade conduct, which would invoke the same legislation used by the US to hit China with tariffs.

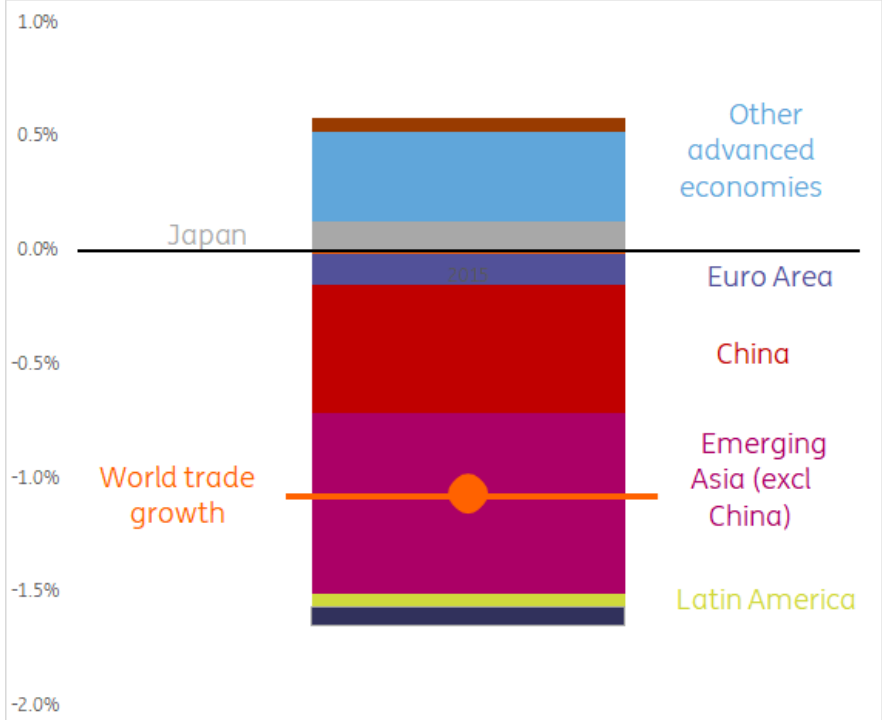
### How the fallout of the trade war spreads

Trade tensions have slammed the brake on world trade growth in 2019. While the trade war has directly affected trade flows between China and the US, the fallout has been widespread. Because China imports a lot of intermediate goods, the trade conflict has led to a strong fall in China's demand for imports. Due to regional and global value chains, the fall in Chinese imports also resulted in a significant decline in import demand among other Asian countries.

And while the trade war hasn't affected the EU directly, uncertainty about potential tariffs hitting

the EU, along with slowing demand from China, has hit business confidence significantly. This has led to slowing industrial production and falling trade among European countries. See the chart below for a geographical breakdown of the year-on-year slowdown in world trade.

### Breakdown of the fall in world trade (3Q19 YoY)



Source: CPB, calculations by ING  
Weighted trade growth by region (weighted by share in world trade volume in 2010 US\$)

\*CPB is an abbreviation for Netherlands Bureau of Economic Policy Analysis