

Trade weakness to extend into 2nd quarter of 2019: World Trade Outlook Indicator

World trade growth is likely to remain weak into the 2nd quarter of 2019 according to the WTO's latest World Trade Outlook Indicator (WTOI). The new WTOI reading is 96.3, exactly as it was in February this year, maintaining the weakest level since 2010.



Source: PHD Research Bureau, compiled from WTO

The latest WTOI remains well below the baseline value of 100 for the index, signaling continued falling trade growth in the first half of 2019. The outlook for trade could worsen further if heightened trade tensions are not resolved or if macroeconomic policy fails to adjust to changing circumstances.

The latest result of the WTOI was driven by declines in all but two component indices. Indices for international air freight (92.3), automobile production and sales (92.2), and agricultural raw materials (92.4) fell further below

trend. The index for container port throughput (101.0) also declined but remained above 100, suggesting growth in line with recent trends. Indices for export orders (96.6) and electronic components (96.7) appear to have bottomed out, even as both remained firmly below-trend.

In the April trade forecast, WTO estimated that merchandise trade volume growth would fall to 2.6% in 2019, down from 3% in 2018, before rebounding to 3% in 2020. As stated above, there are significant downside risks to the 2019 forecast. Any rebound in 2020 would depend on reduced trade tensions and/or improved macroeconomic performance.

Designed to provide "real time" information on the trajectory of world trade relative to recent trends, the WTOI is not intended as a short-term forecast, although it does provide an indication of trade growth in the near future. It aims to identify turning points and gauge momentum in global trade growth. As such, it complements trade statistics and forecasts from the WTO and other organizations. Readings of 100 indicate growth in line with medium-term trends; readings greater than 100 suggest above-trend growth, while those below 100 indicate below trend growth.

Please find enclosed the full World Trade Outlook Indicator for your kind reference.

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Warm Regards,

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