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TRADE

WTO eases back on gloomy global trade forecast

Finbarr Bermingham
finbarr.bermingham@scmp.com

The coronavirus pandemic has caused a "deeper but less prolonged decline in trade" than initially expected, the World Trade Organization (WTO) said yesterday, as the Geneva-based body cut its estimate for the contraction of global trade this year.

Global trade is now set to shrink by 9.2 per cent this year, said the WTO, which six months ago predicted a much more severe slump. The Geneva body forecasts growth in trade to return next year, at a rate of 7.2 per cent.

In April, when the pandemic's effects on global supply chains were still uncertain, the WTO forecast global trade would contract 13 per cent to 32 per cent this year.

"[Global gross domestic product] is doing worse than expected, while the trade decline is not as much as expected, compared to the great financial crisis [of 2008-2009]. Trade has been much more resilient this time around," Robert Koopman, the WTO's chief economist, said at a press conference.

Global trade in goods saw its sharpest quarterly decline in the

second quarter, falling 14.3 per cent compared to the first three months and 17 per cent on the same period last year, the WTO said. But the situation had improved, "due to a surge in June and July as lockdowns were eased and economic activity accelerated".

In April, China had left its coronavirus economic shutdown, but

Western markets were just starting their own lockdowns.

Many analysts predicted a "second economic wave" to hit the Chinese economy in the form of lower demand in the West.

But the opposite happened. China's economy has recovered relatively strongly since the first quarter, with exports grabbing even more global trade than before given the restraints facing manufacturers in rival markets.

"[China] is further along in its recovery, and its import demand is sustaining trade within the region, and also its export performance is stronger than we expected maybe six months ago. But no country is completely invulnerable... so everyone needs to be vigilant," said Coleman Nee, a senior economist at the WTO.

Koopman said "imbalances"

in China's performance could be a restriction on a global trade recovery this year and next.

The Chinese recovery has been a supply side one, with factories pushing goods out to the rest of the world, even as Beijing has struggled to stimulate domestic demand. This has been reflected in economic data, where exports have often outstripped imports in recent months.

"Many economists would like to see an increase on the demand side, and where [China increases its] imports significantly, perhaps above trend," Koopman said.

The WTO's forecast said Asia was set to have a "relatively modest decline in trade volume" this year. Asian exports will contract 4.5 per cent, compared to a drop of 14.7 per cent in North America and 11.7 in the European Union.

14.3%

The decline in global goods trade in the second quarter compared to the first three months, according to the World Trade Organization



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