

Chart of the Week: World Trade Volumes Have Collapsed

August 10, 2020

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The global pandemic has devastated global trade. It appears that some of the drop in trade is simply related to lower domestic demand everywhere as spending on consumer goods and investment goods has been slashed. Some is the direct result of lockdowns, which have inhibited transport by ship, truck or rail.

An unprecedented shock to exports

The Netherlands Bureau for Economic Policy Analysis maintains a database on global trade volumes. The chart below measures the five-month percent change (not annualized) for the entire 30 years of data available. The latest observation measures the percent change from December 2019 to May 2020.



The five-month percent change in May 2020 is greater than the huge five-month drop after the Lehman bankruptcy in September 2008. The global volume of exports has dropped 23% (not annualized) in just five months, with most of the drop happening in March and April. There really is no precedent for such a shock since data collection began.

Trade should resume in the months ahead

I expect global trade to resume in the months ahead as the global economy starts to heal, but probably with a lag. I believe trade may see a small improvement in June, and then it will likely take off. However, that view could be undermined by a major international resurgence of the pandemic.

MALR025827

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