

Outlook for global trade amid recovery from Covid-19

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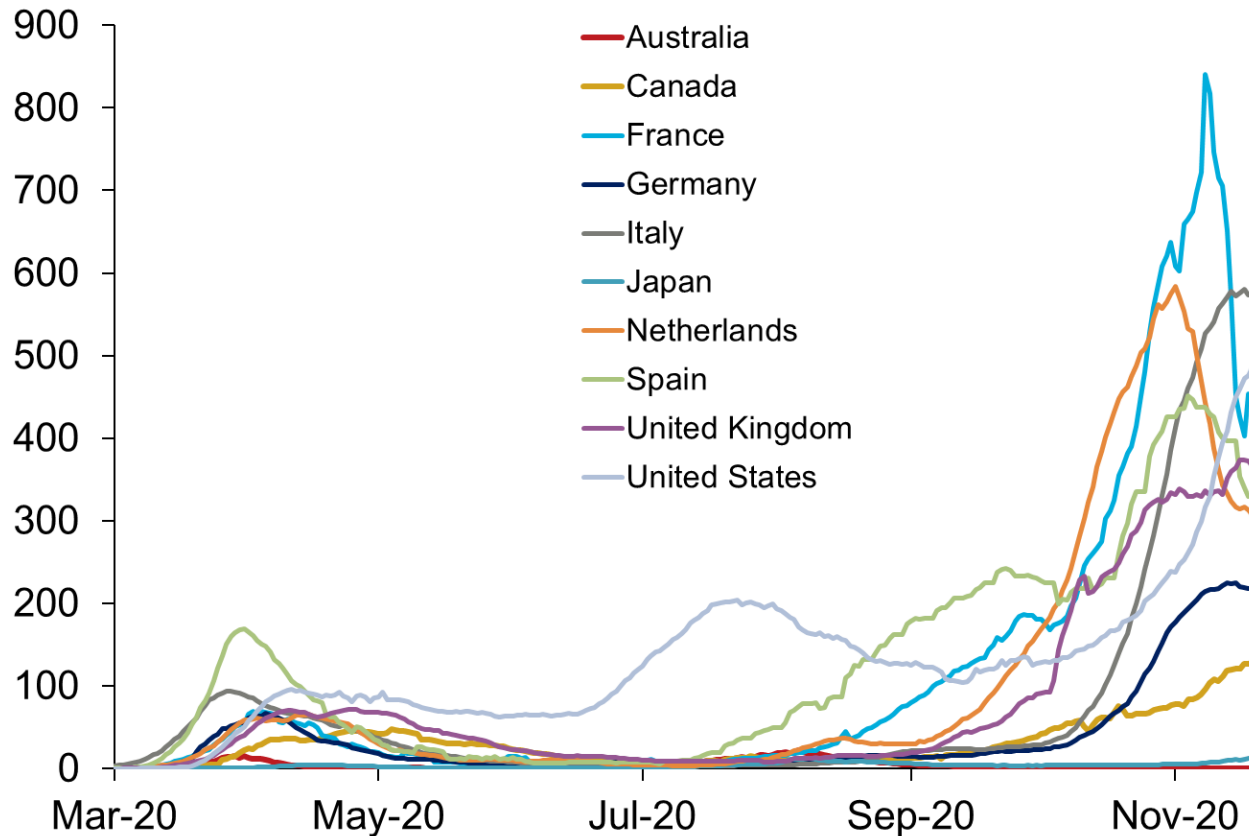
Outline

- Outlook for global economy and trade – growth prospects vary but trade recovery is broad-based
- Medium-term prospects for globalization and global trade –headwinds and tailwinds
- Impact of long-term trends such as urbanization and changes in growth patterns on global trade

New virus outbreaks threaten economic recovery

COVID-19: G20 Advanced Economies

New cases/mIn (7-day MA)

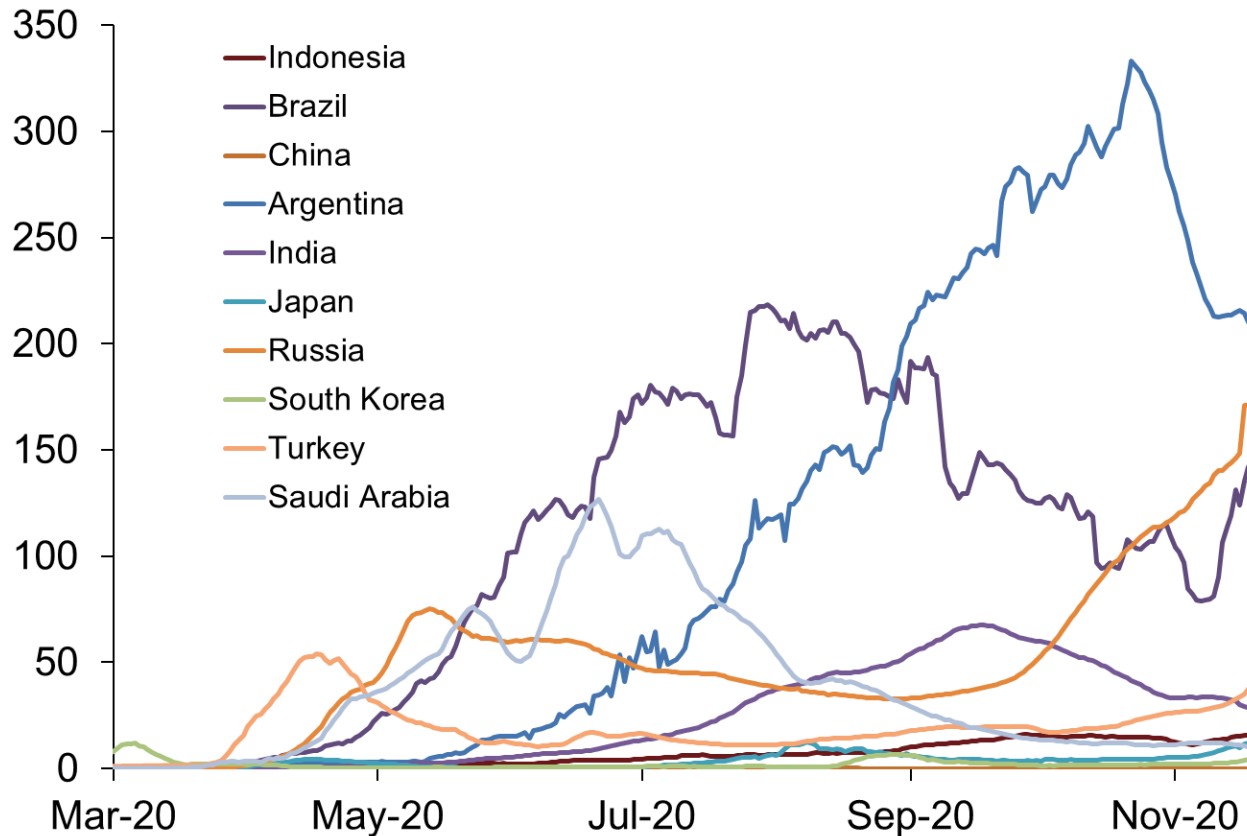


Source: Oxford Economics/ECDC/OWID

Situation in emerging market economies is mixed

COVID-19: G20 Emerging Market Economies

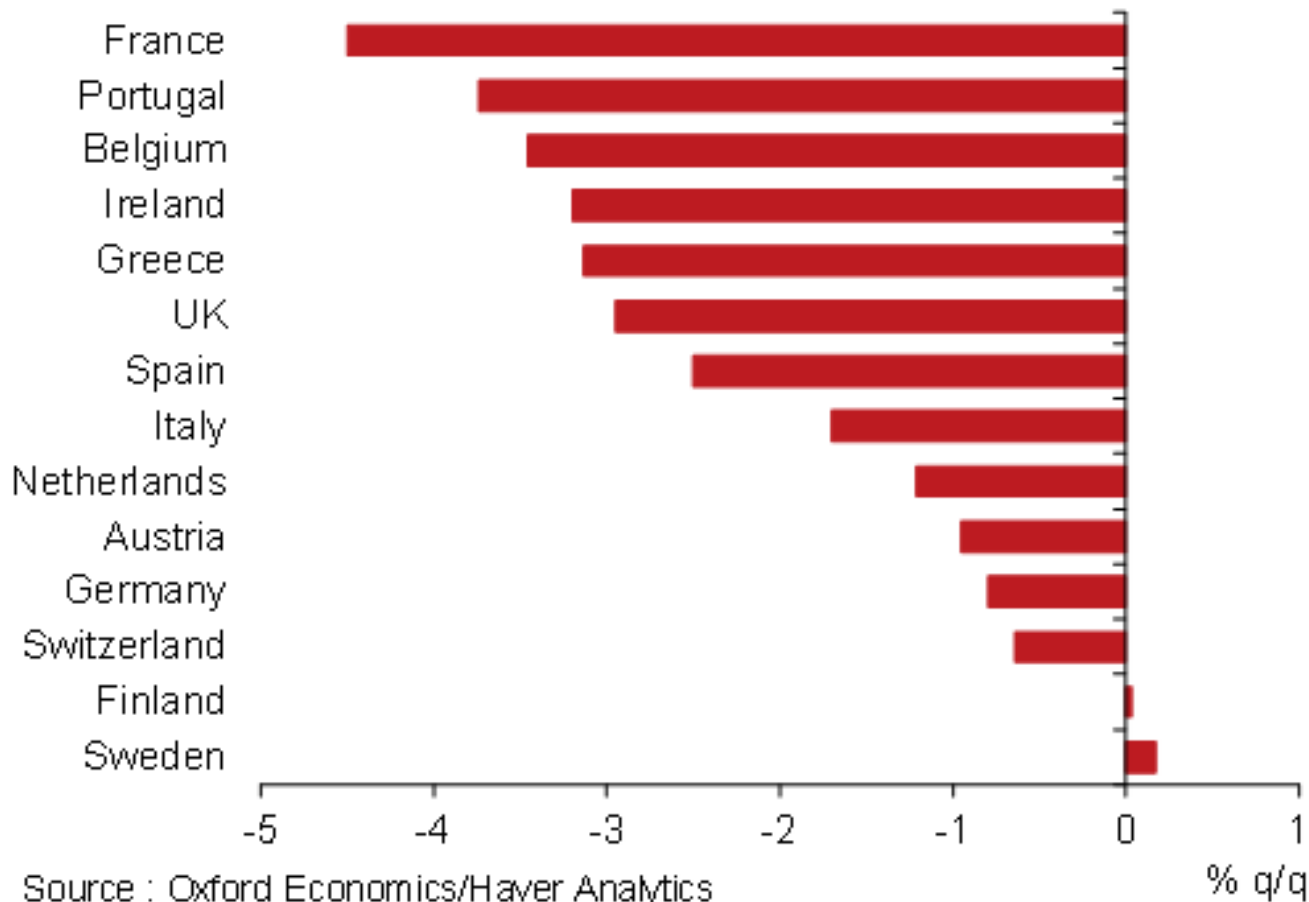
New cases/mIn (7-day MA)



Source: Oxford Economics/ECDC/OWID

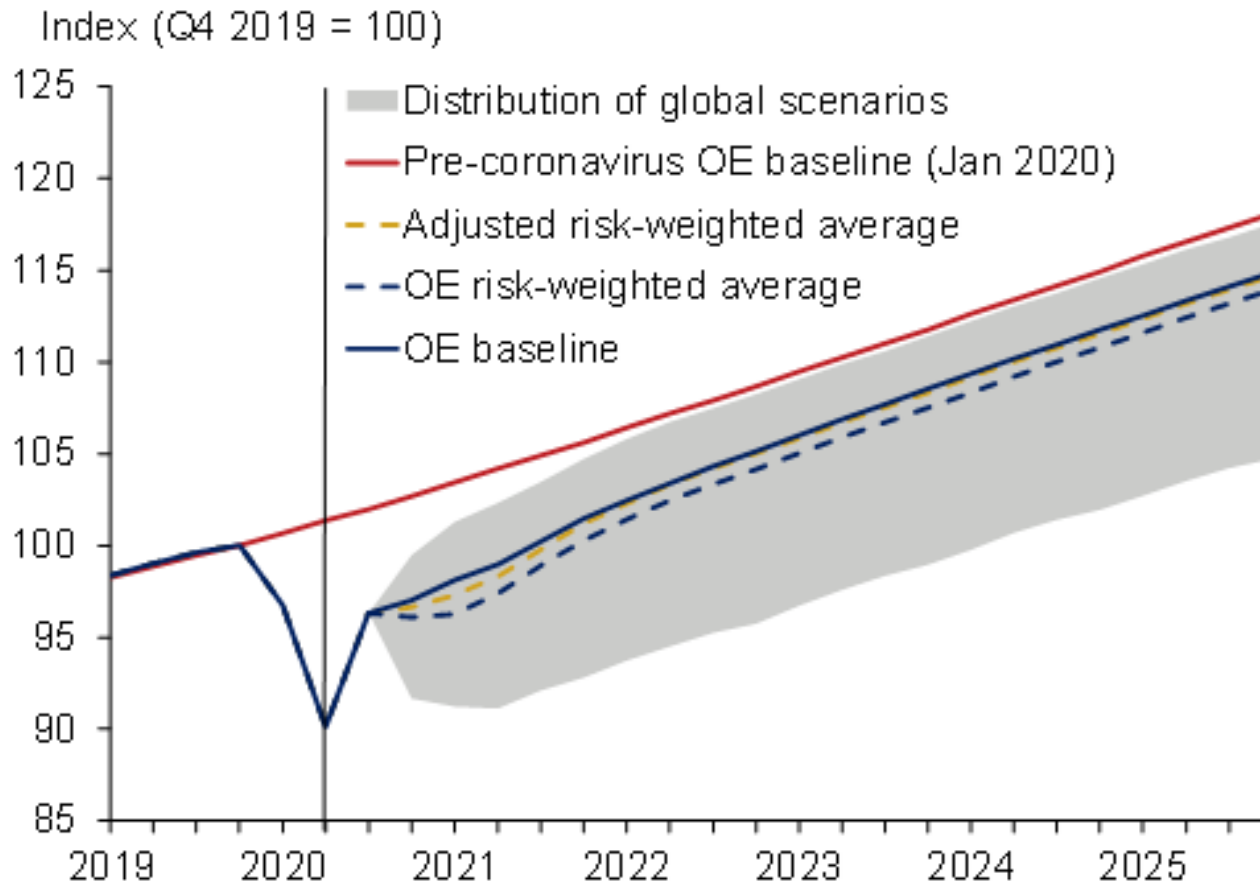
Renewed slowdown in Europe

Expected European GDP growth in Q4 2020



Global economy to recover but remaining scarred

A risk-weighted projection for world GDP

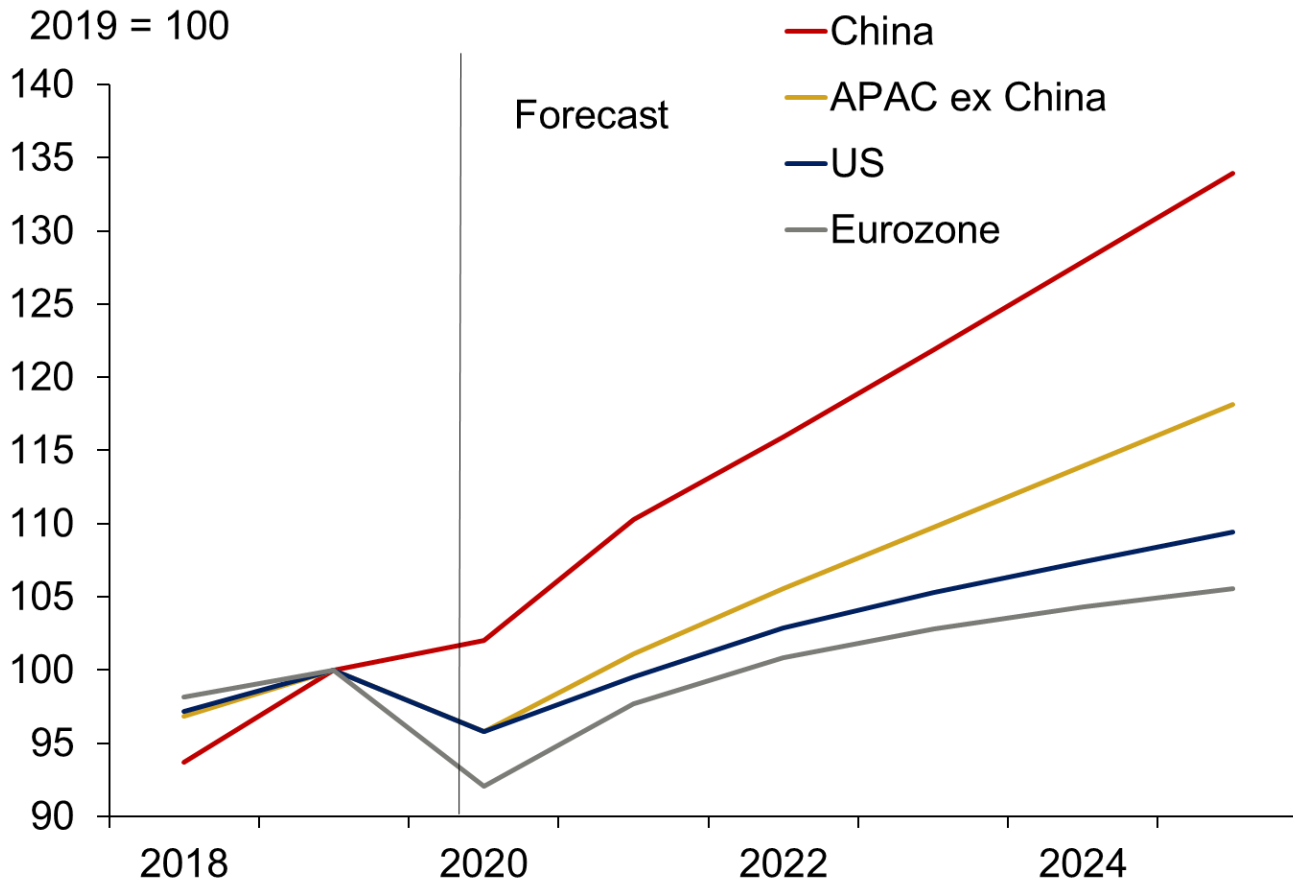


Source : Oxford Economics/Haver Analytics

*Based on responses to Q4 Global Risk Survey.

Growth prospects differ markedly

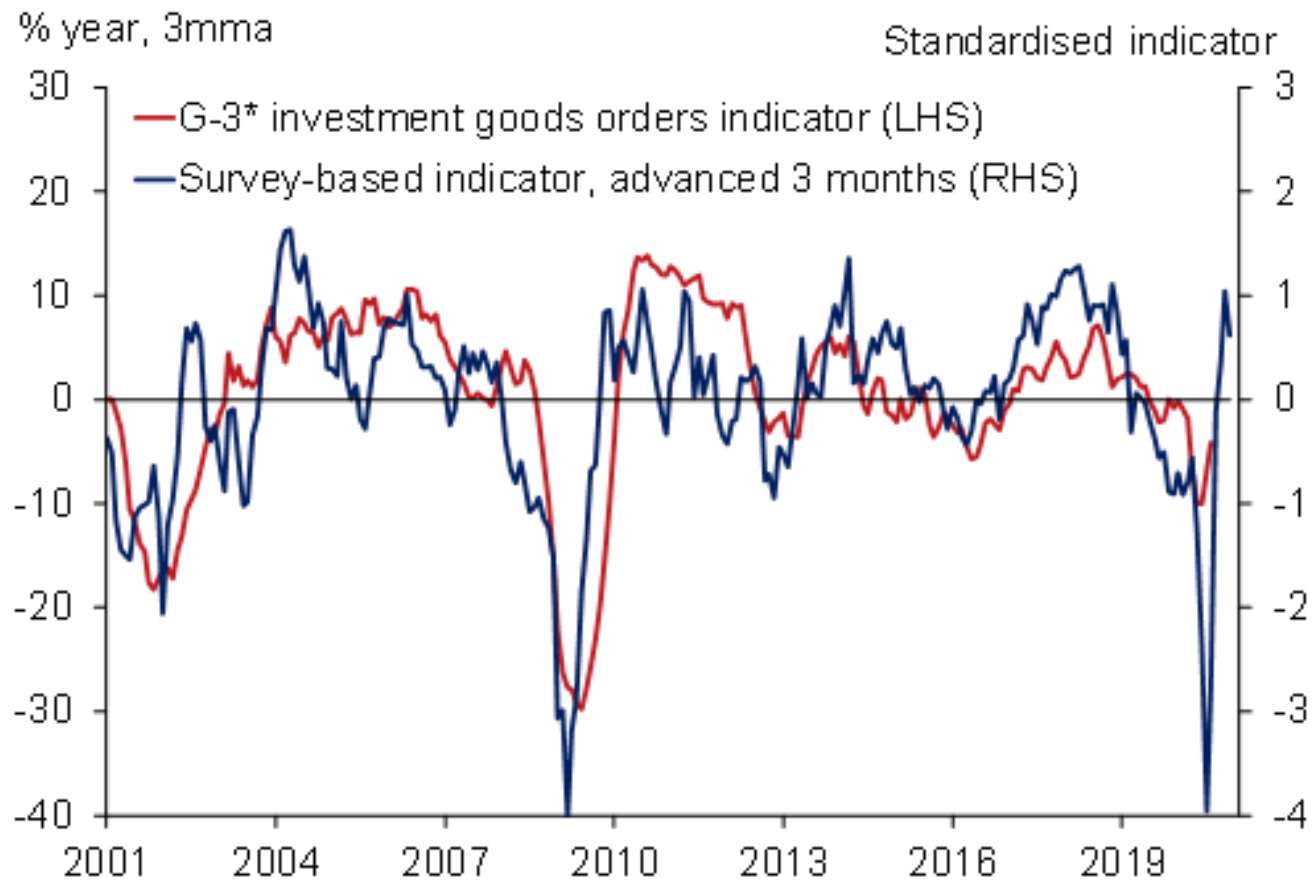
GDP across regions



Source : Oxford Economics/Haver Analytics

Is a new capex cycle about to take off?

G-3: Investment indicators

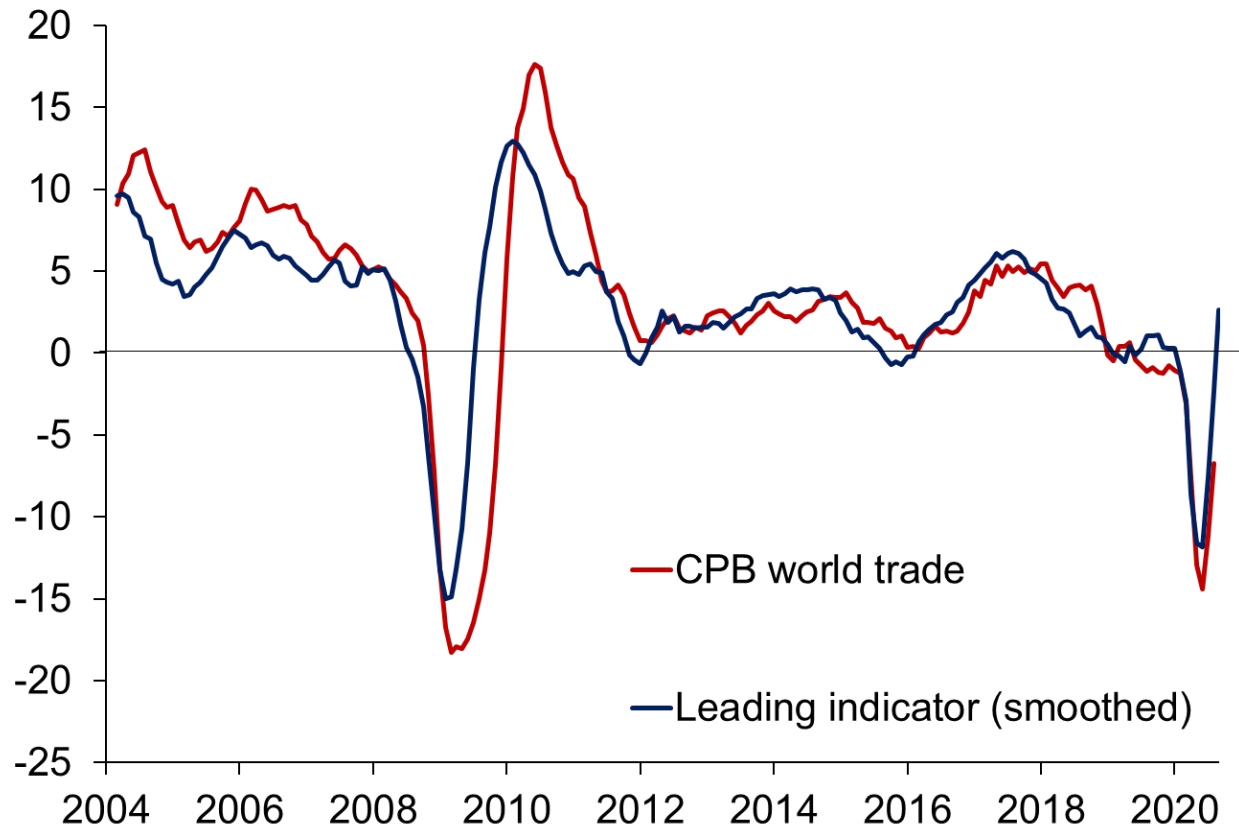


Source : Oxford Economics/Haver Analytics * US, Germany, Japan

Global trade bouncing back

World trade and world trade indicator

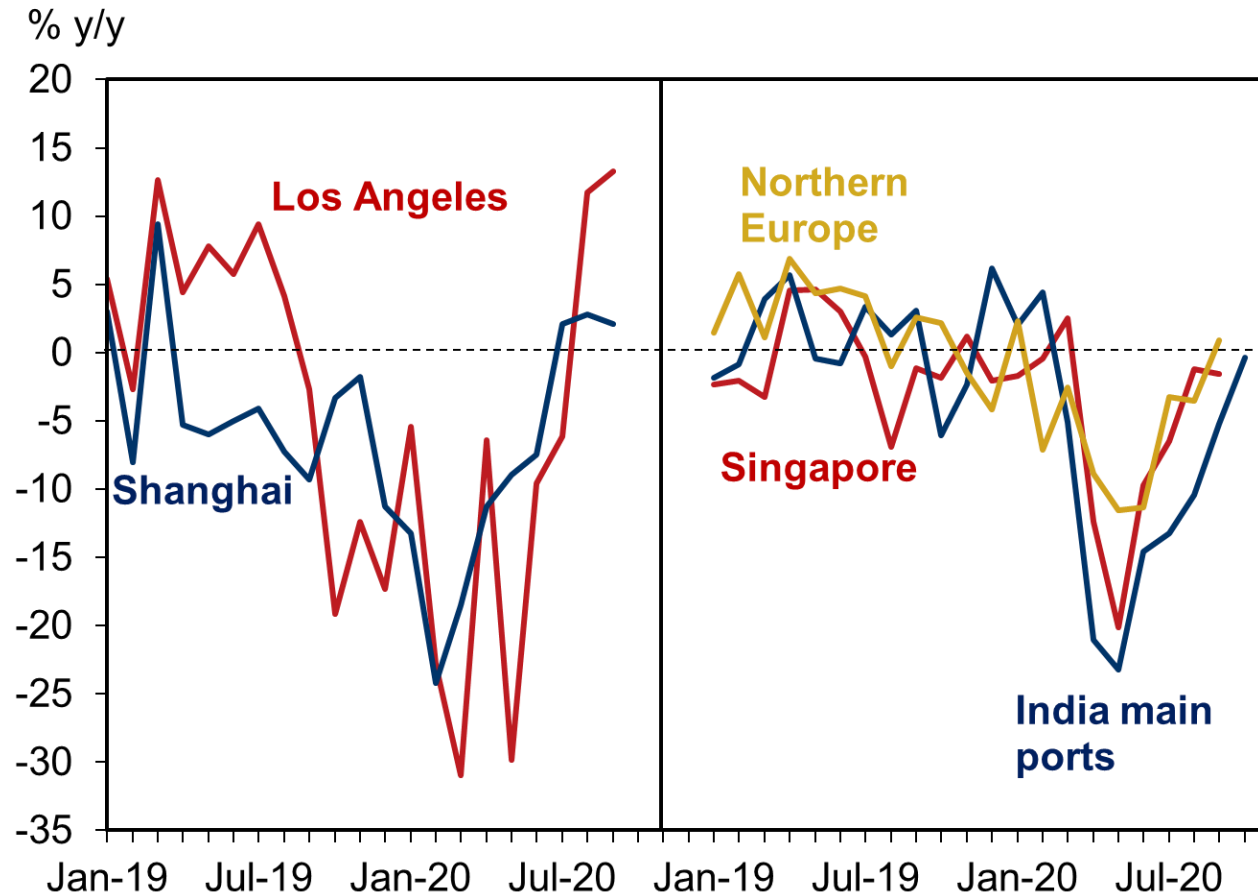
% year 3mma (volume)



Source : Oxford Economics/Nederland CPB

Trade recovery broad-based, geographically

World: Port throughput



Source : Oxford Economics/Haver Analytics/RWI-ISL

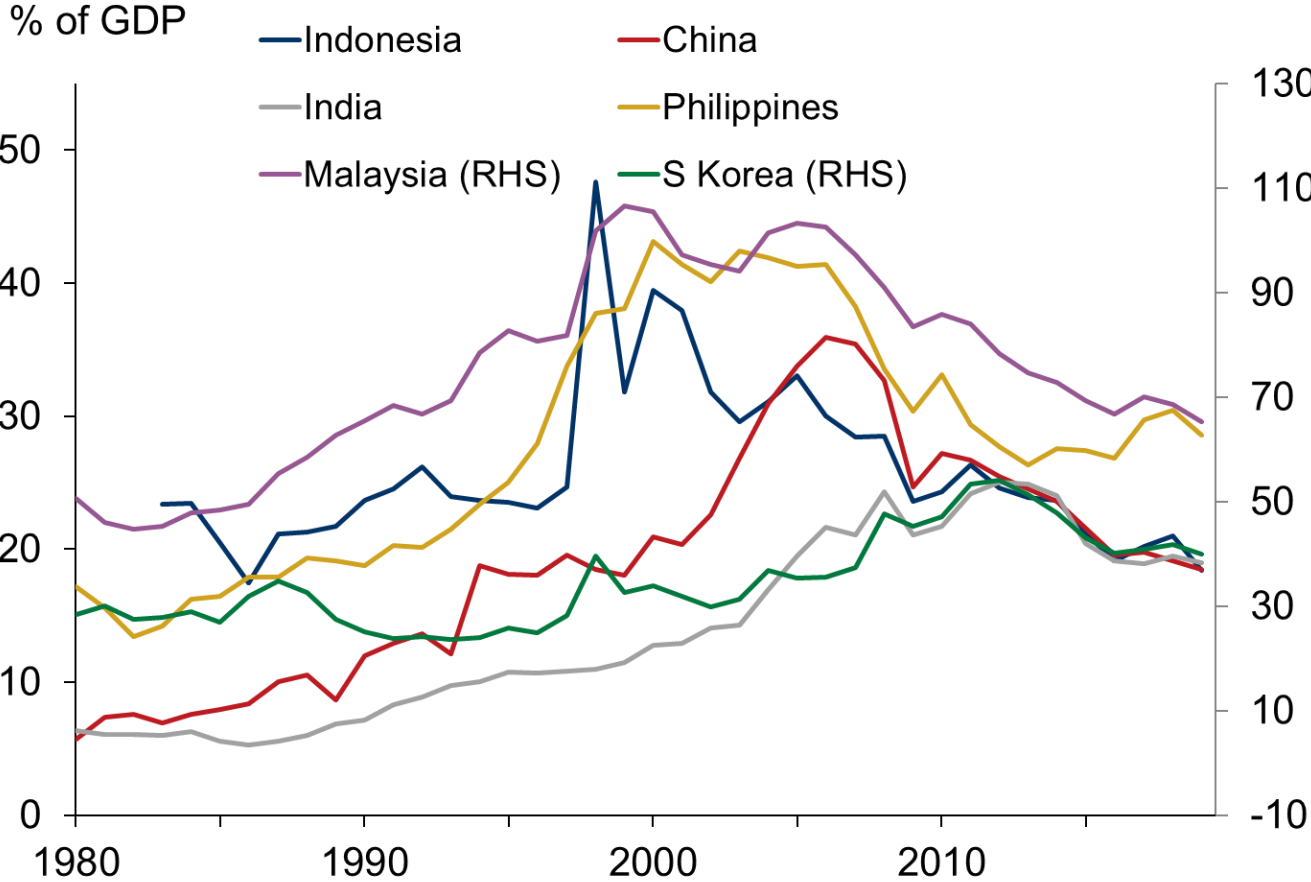
Prospects for globalization and global trade – headwinds and tailwinds

2 sets of reasons behind slowdown of globalization

- 1: Natural, efficient economic processes
 - Domestic demand outpaces exports in fast-growing EMs
 - Some EMs reduce reliance on imported inputs
 - Environmental impact transport is internalized; production is moved closer to markets

Domestic demand outgrows exports in some EMs

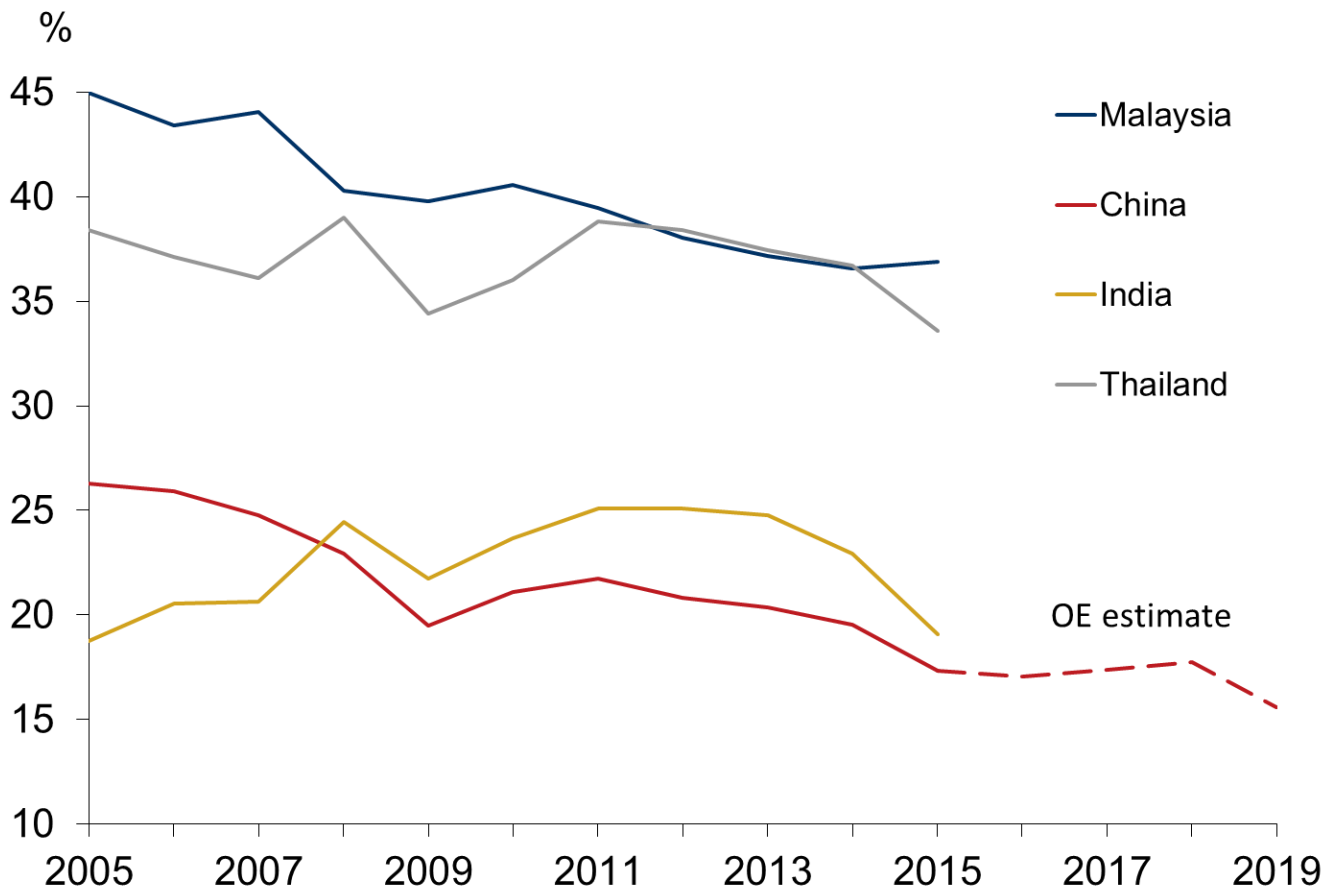
Exports of goods and services



Source : Oxford Economics/Haver Analytics

Some EMs reduce reliance on imported inputs

Foreign value added content in exports



Source : Oxford Economics, CEIC data, OECD TiVA data

2 sets of reasons behind slowdown of globalization

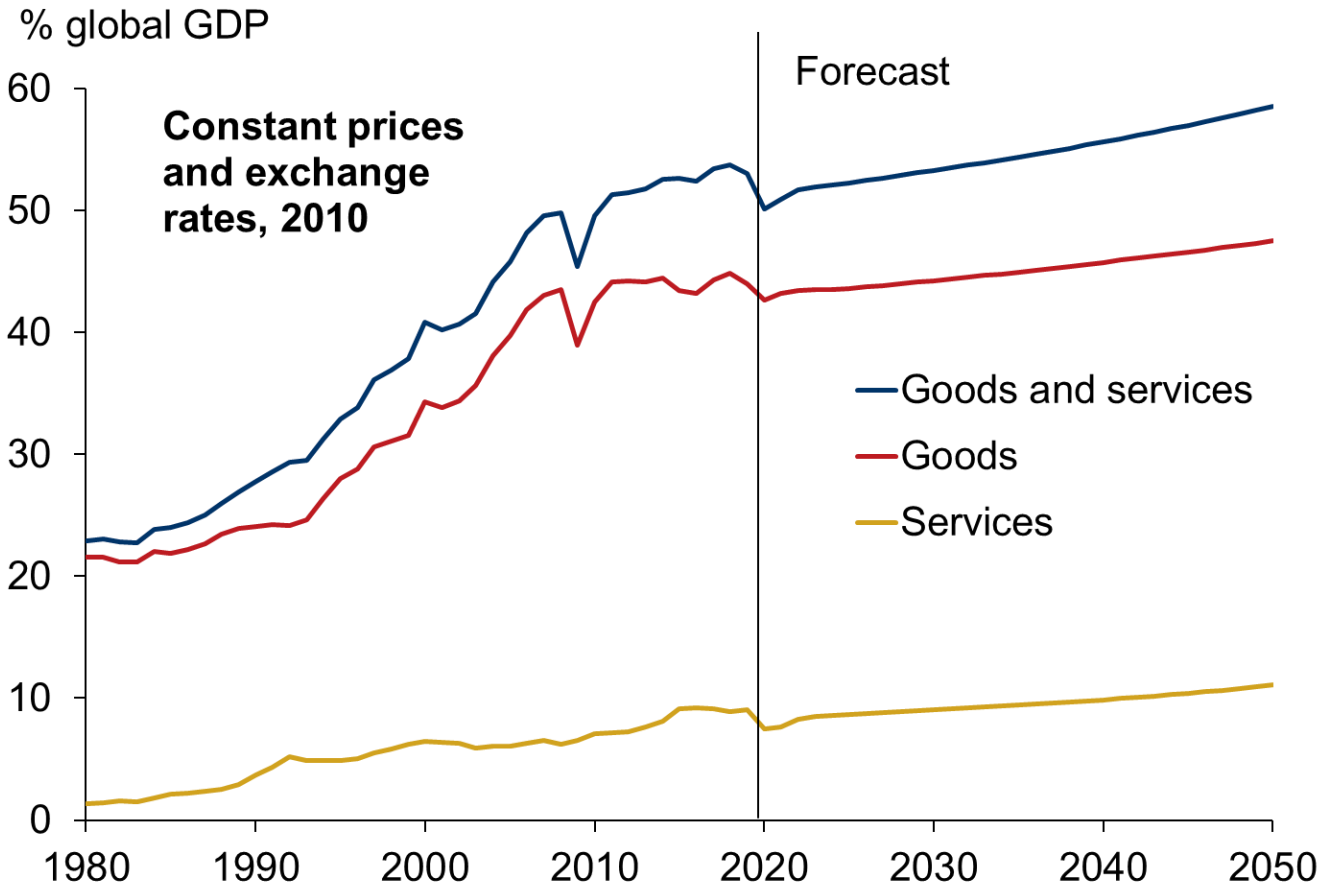
- 2: Policies to erect barriers to trade and investment
 - US- China trade war, economic friction
 - US-Europe trade friction, Brexit, other sources
- But globalization is not dead; as underscored by signing of RCEP, there are also sources of progress on trade liberalization

Our outlook: slow globalization, no de-globalization

- The above factors slowing globalization will persist
- Covid-19 crisis likely to have additional negative implications for globalization
- But, as noted, there are also still forces towards further globalization
- In all, we don't expect globalization to go into reverse but think it will proceed at significantly slower pace than in heyday of 1990-2020

Slow globalization ahead, no deglobalization

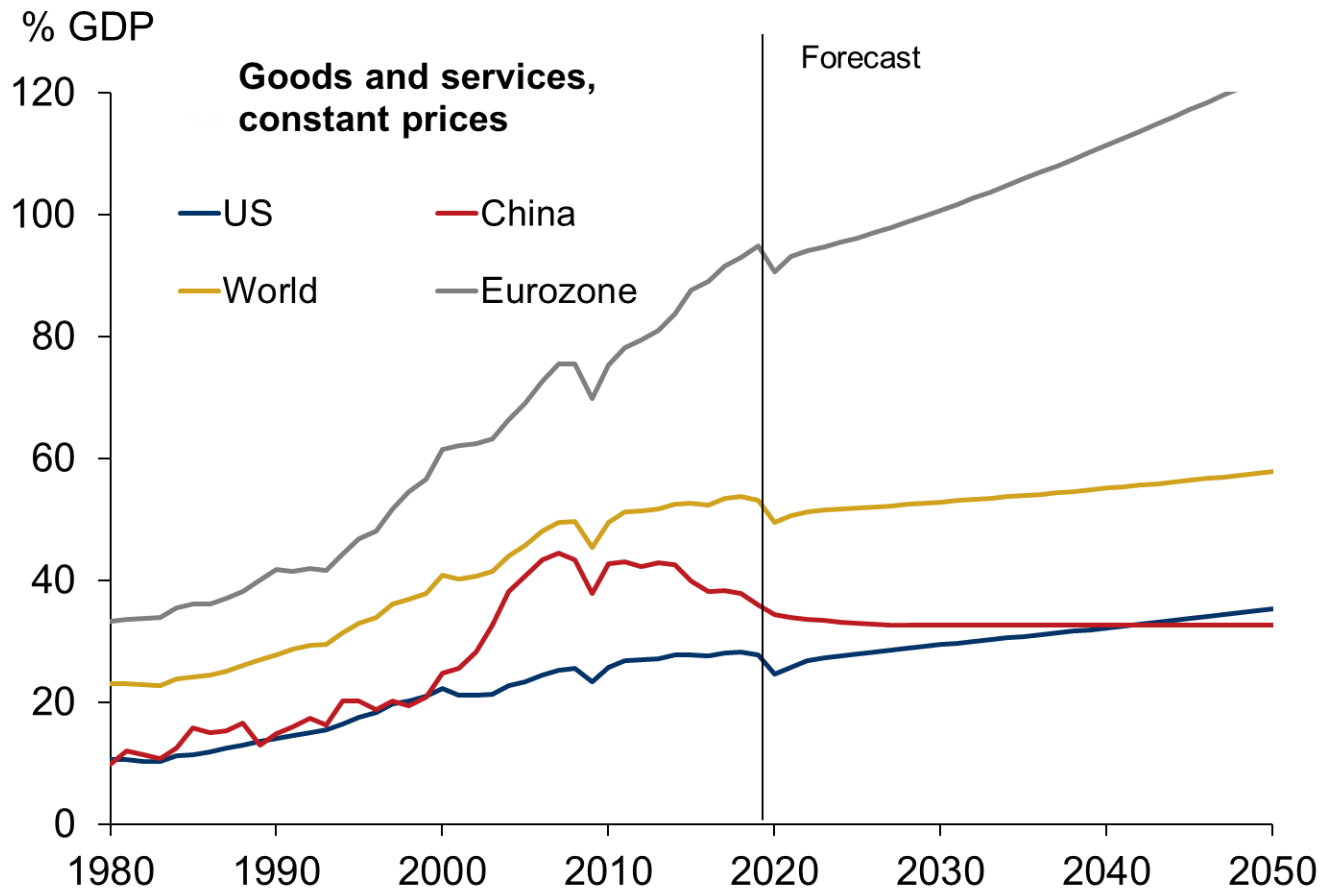
World trade (exports & imports), constant prices



Source: Oxford Economics/Haver Analytics

Trends to continue to vary across major economies

Total trade, constant prices

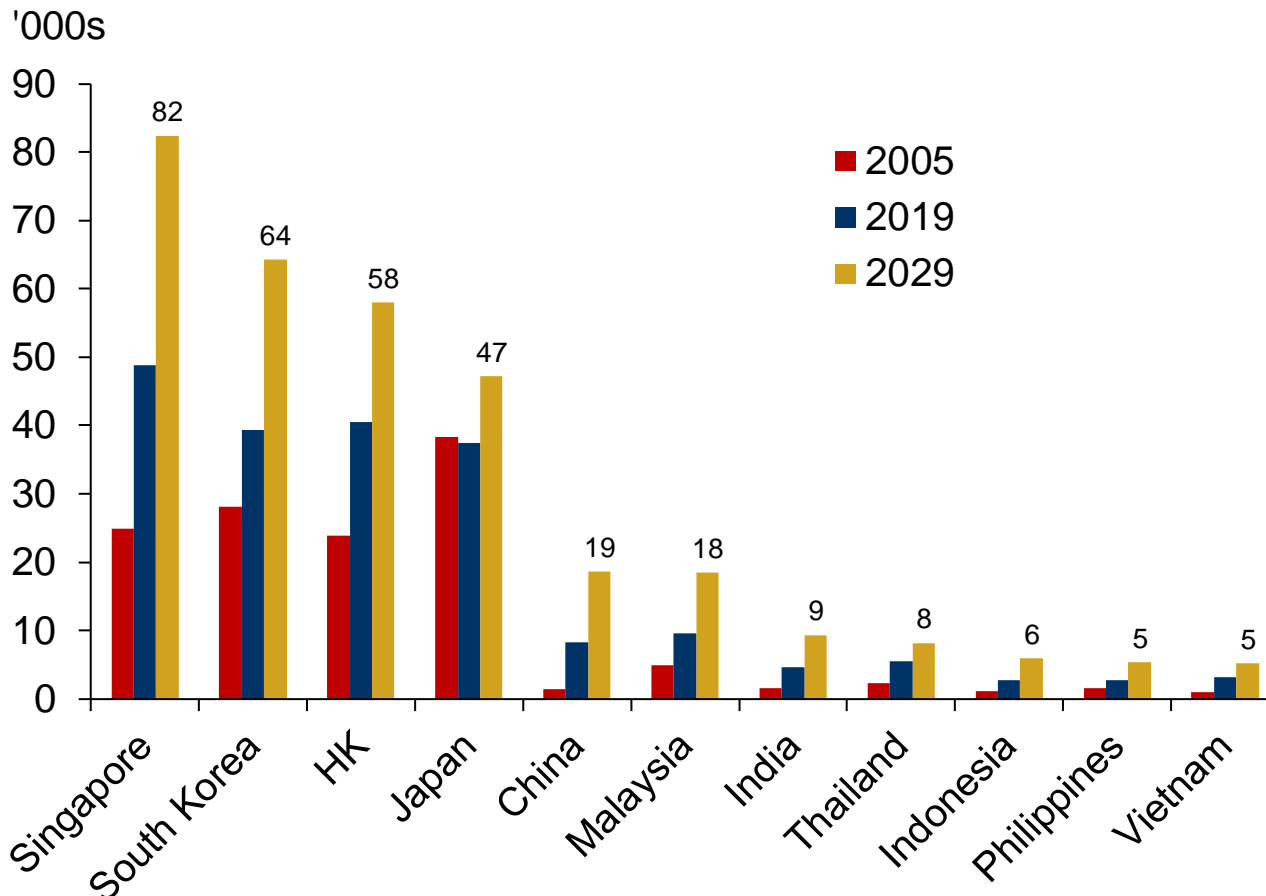


Source: Oxford Economics/Haver Analytics

How will long-term trends such as urbanization and changing growth patterns in Asia shape global trade and supply chains?

Various reasons to adjust global supply chains

Asia: Average annual earnings, US\$ per employee

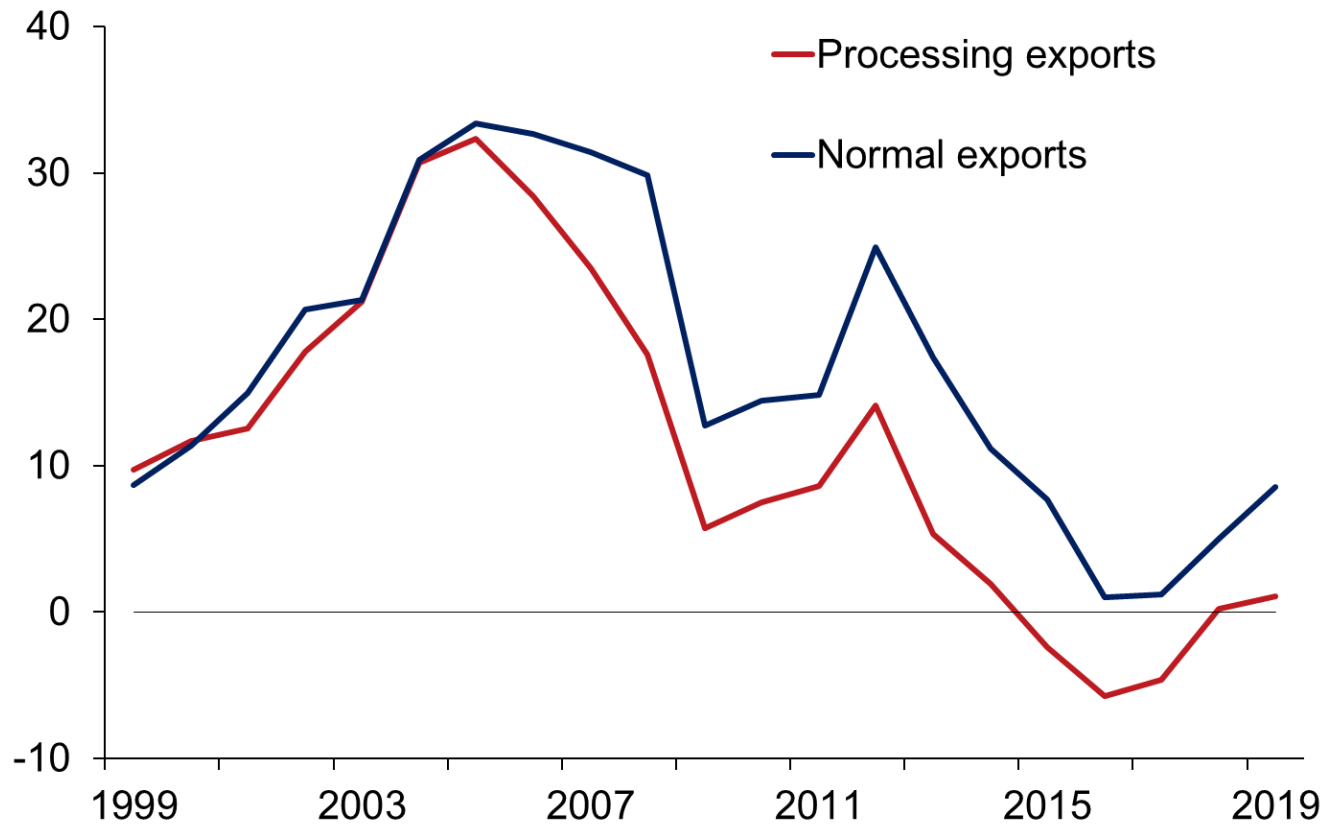


Source : Oxford Economics/Haver Analytics

At same time, China's domestic exporters outperform

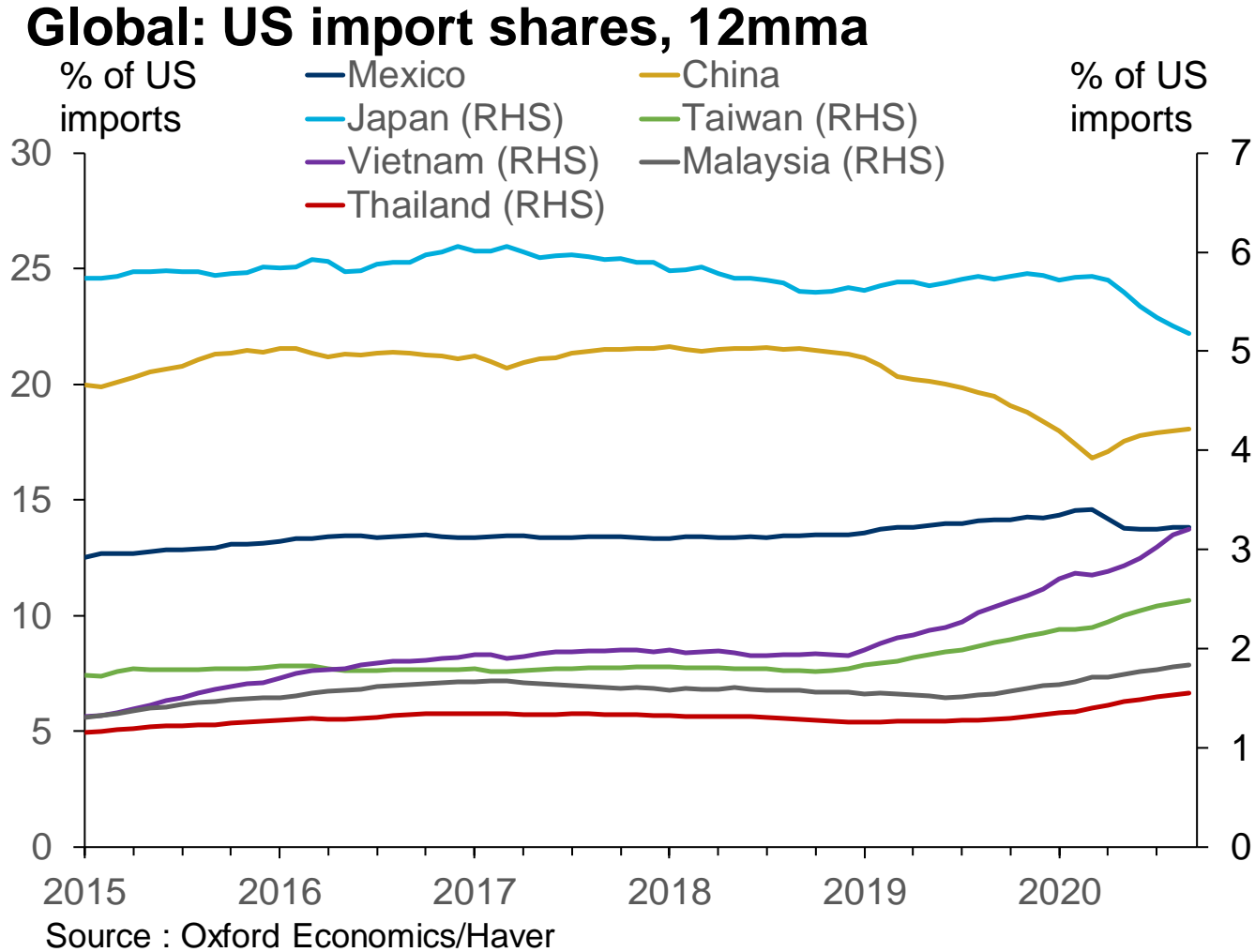
China: Slowing and shifting exports

Growth, %, US\$



Source : Oxford Economics/Haver Analytics

In all, important shifts in trade patterns (I)



In all, important shifts in trade patterns (II)

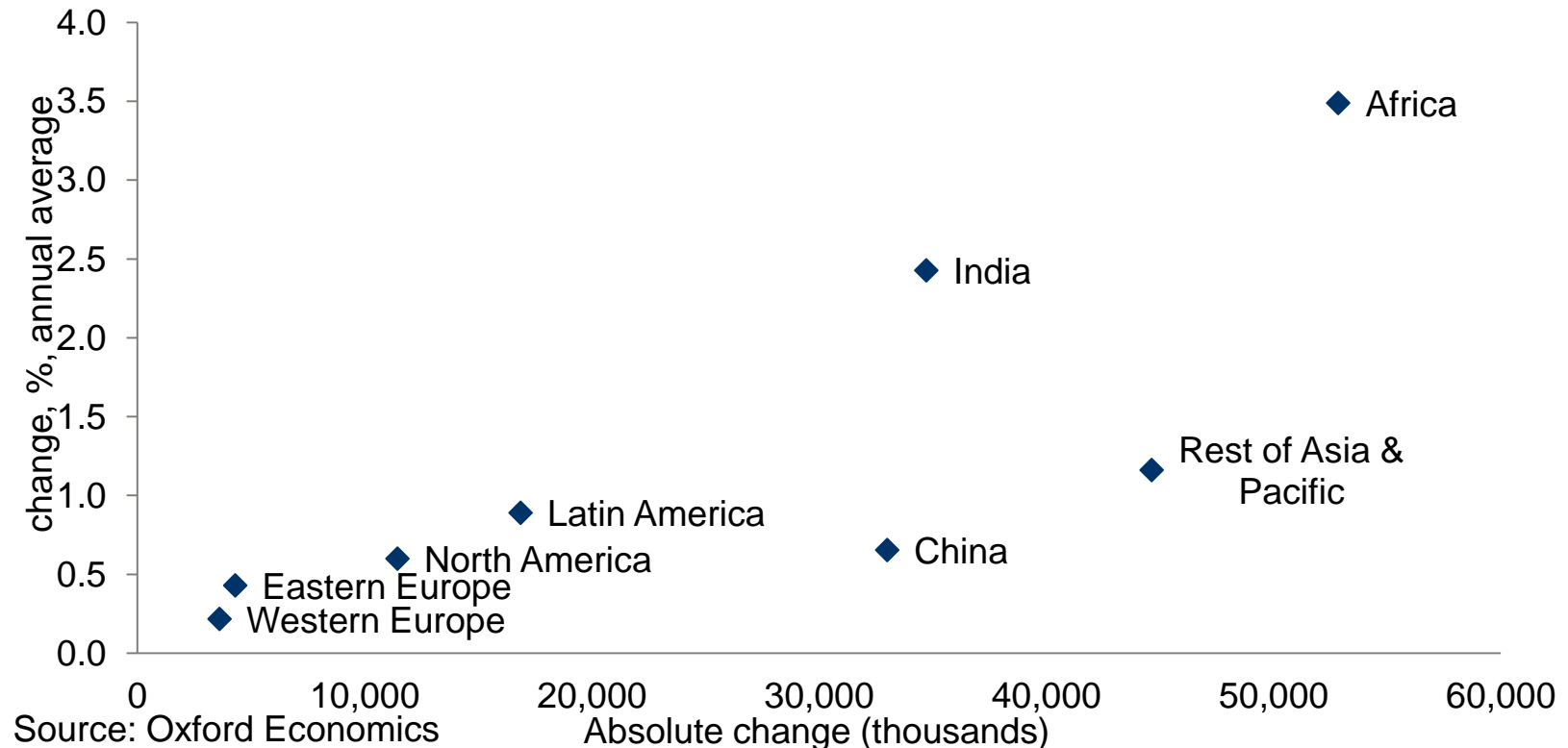
China's global market share



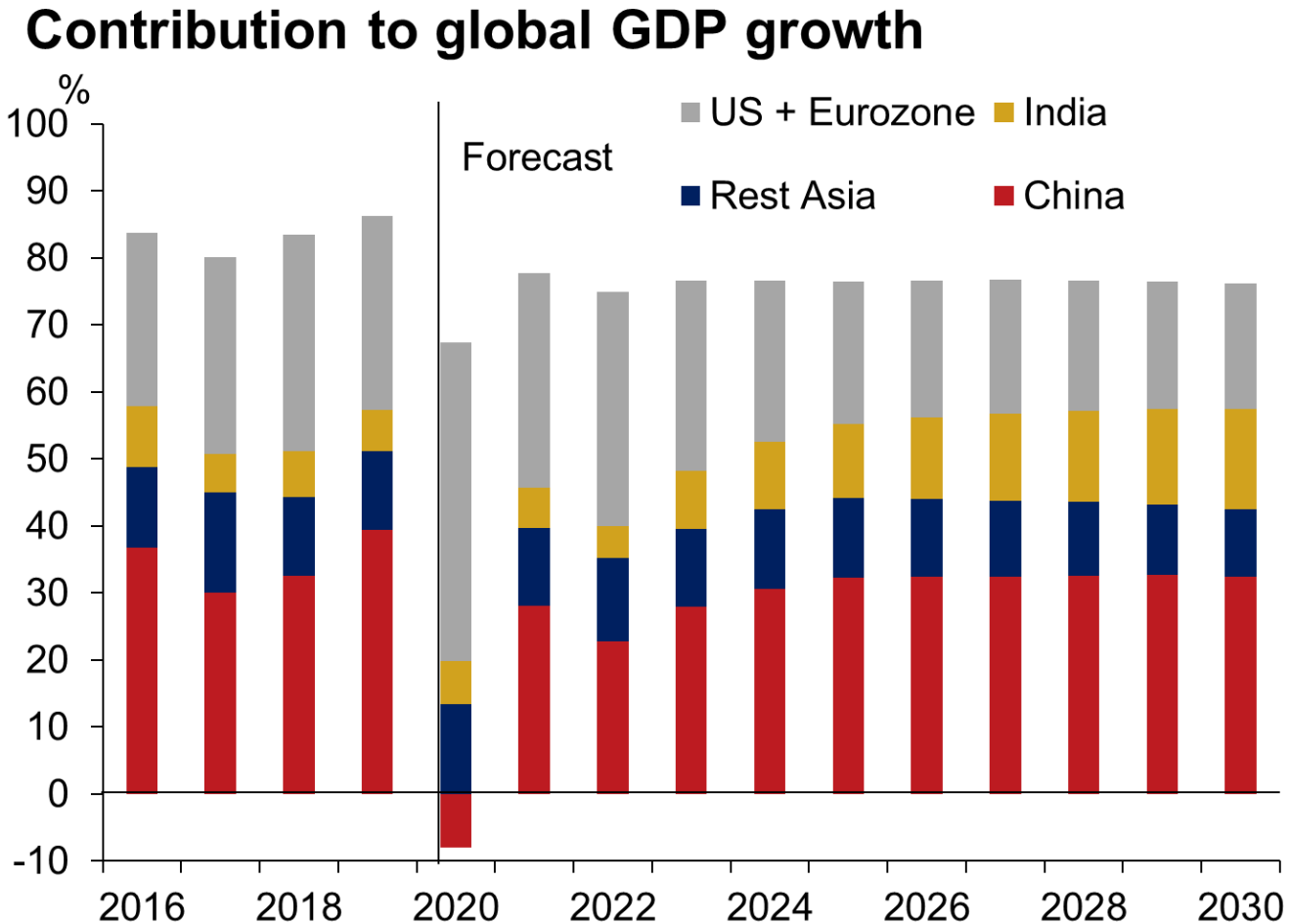
Source : Oxford Economics/Haver Analytics

Urban population and job growth highly skewed

900 cities, absolute & % employment changes to 2035



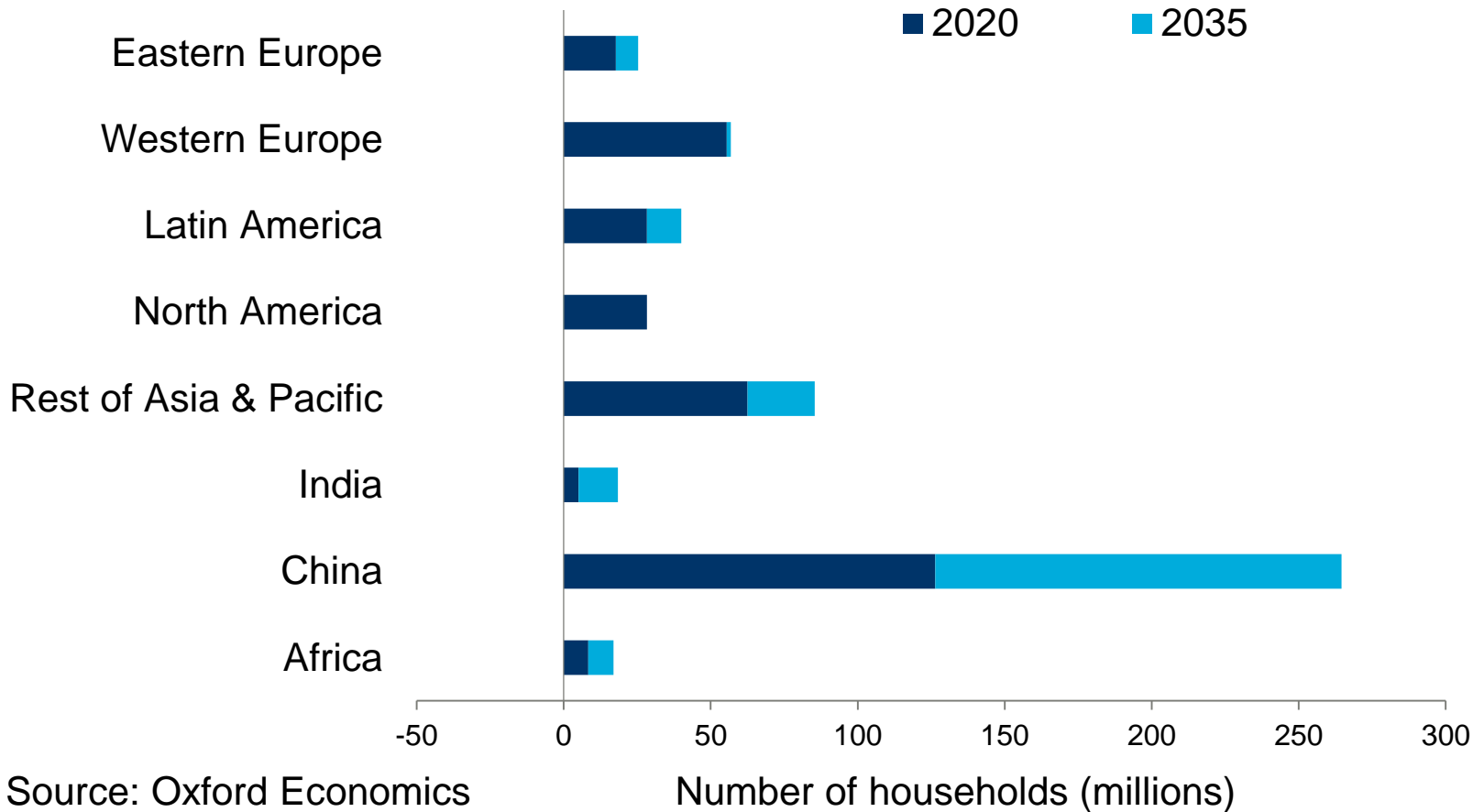
Economic growth to remain concentrated



Source : Oxford Economics/Haver Analytics

Growth in middle income households skewed

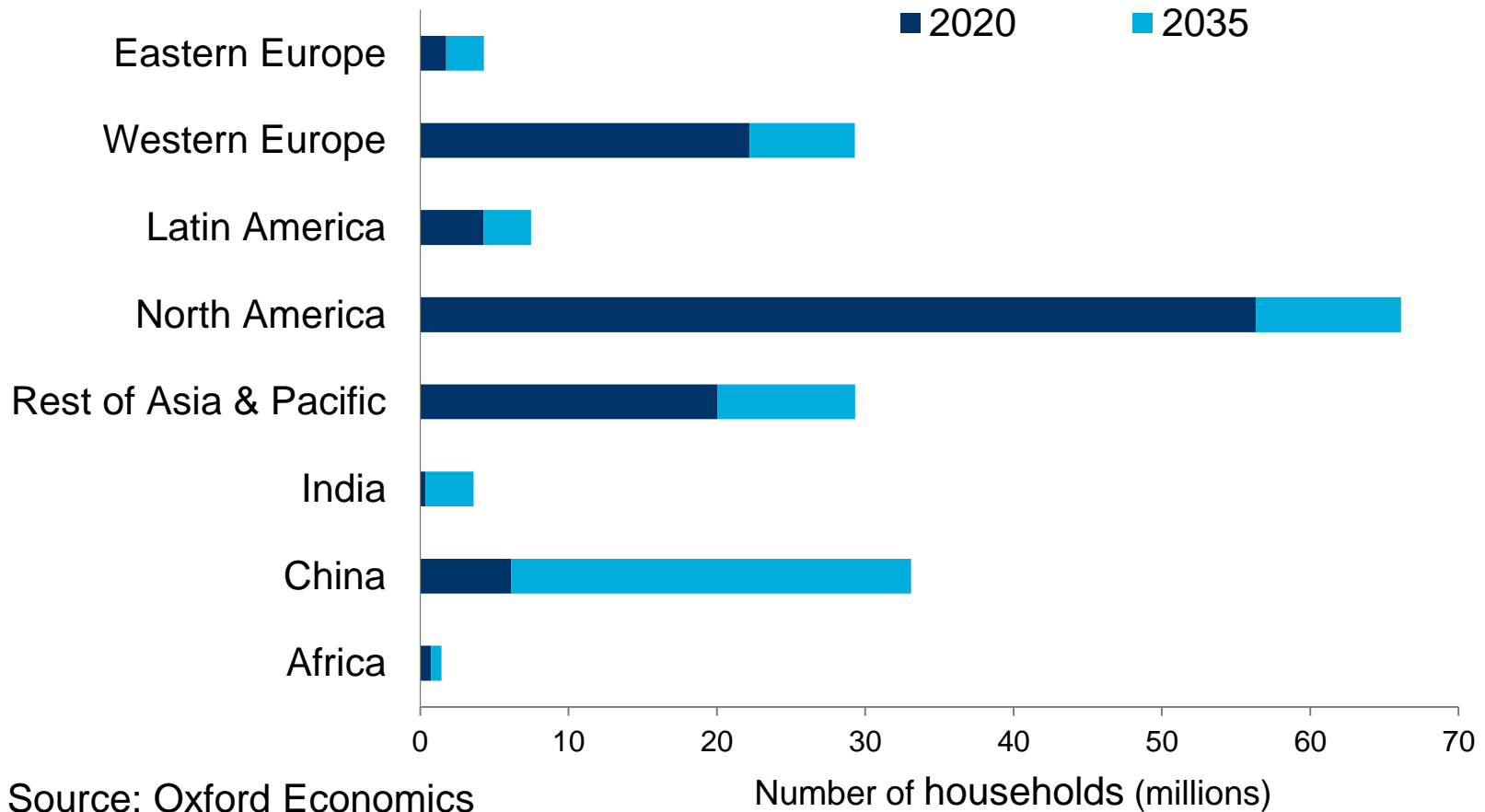
900 cities, middle income households (US\$20k-\$70k)



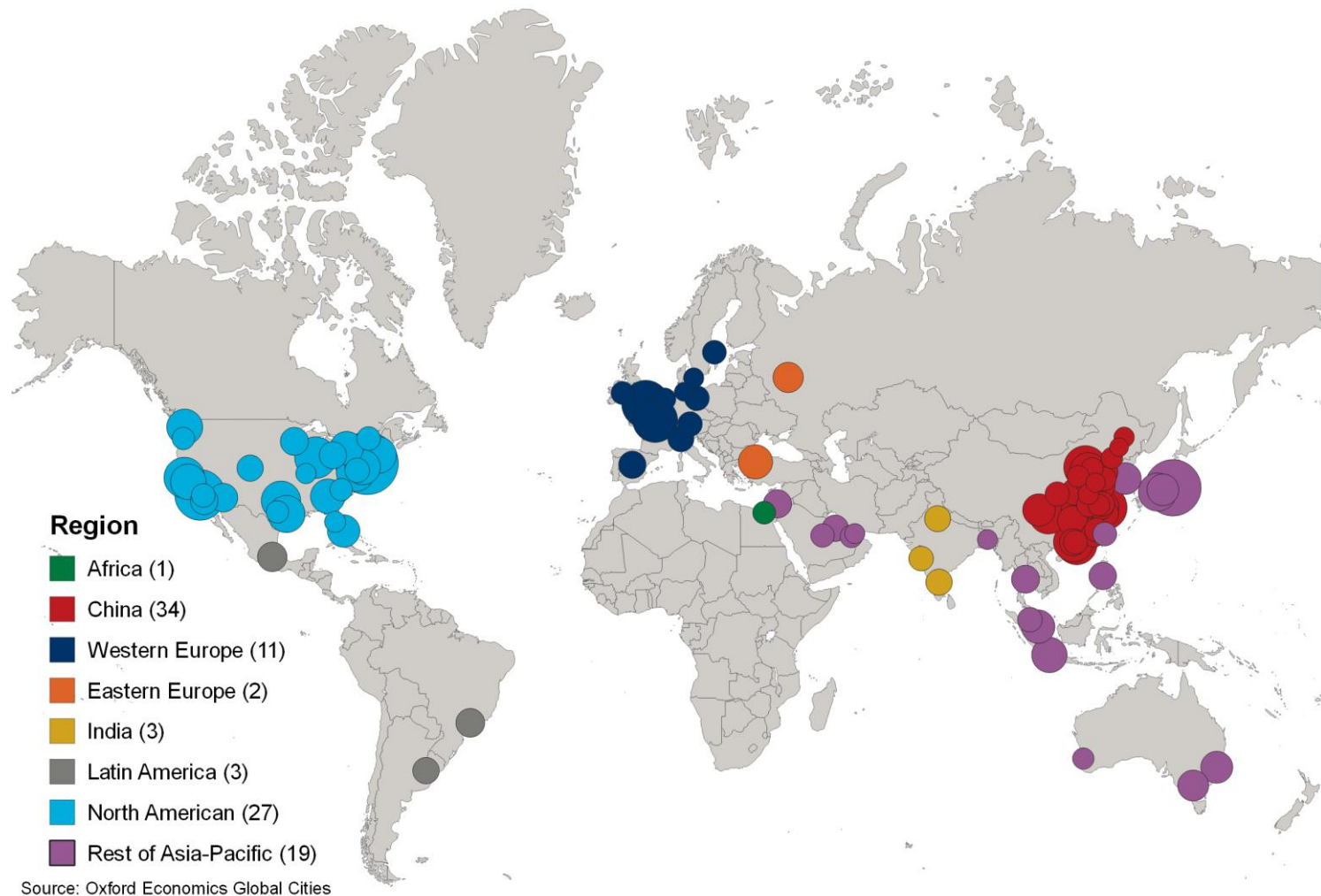
Source: Oxford Economics

Growth in high income households less skewed

900 cities, high income households (>US\$70k)



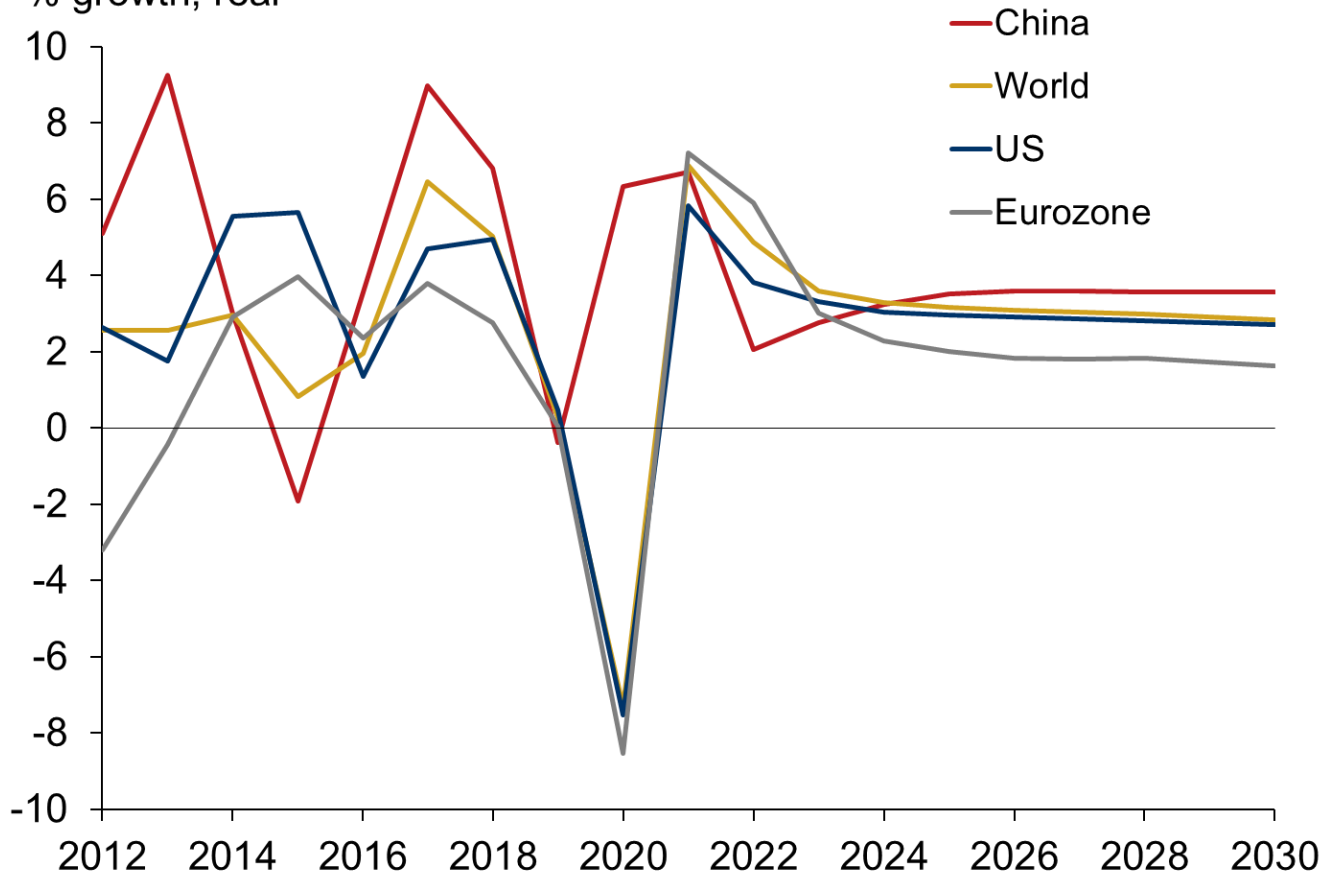
The top 100 cities globally, by GDP in 2035



Trade flows will reflect shifting economic weight

World: Goods import growth

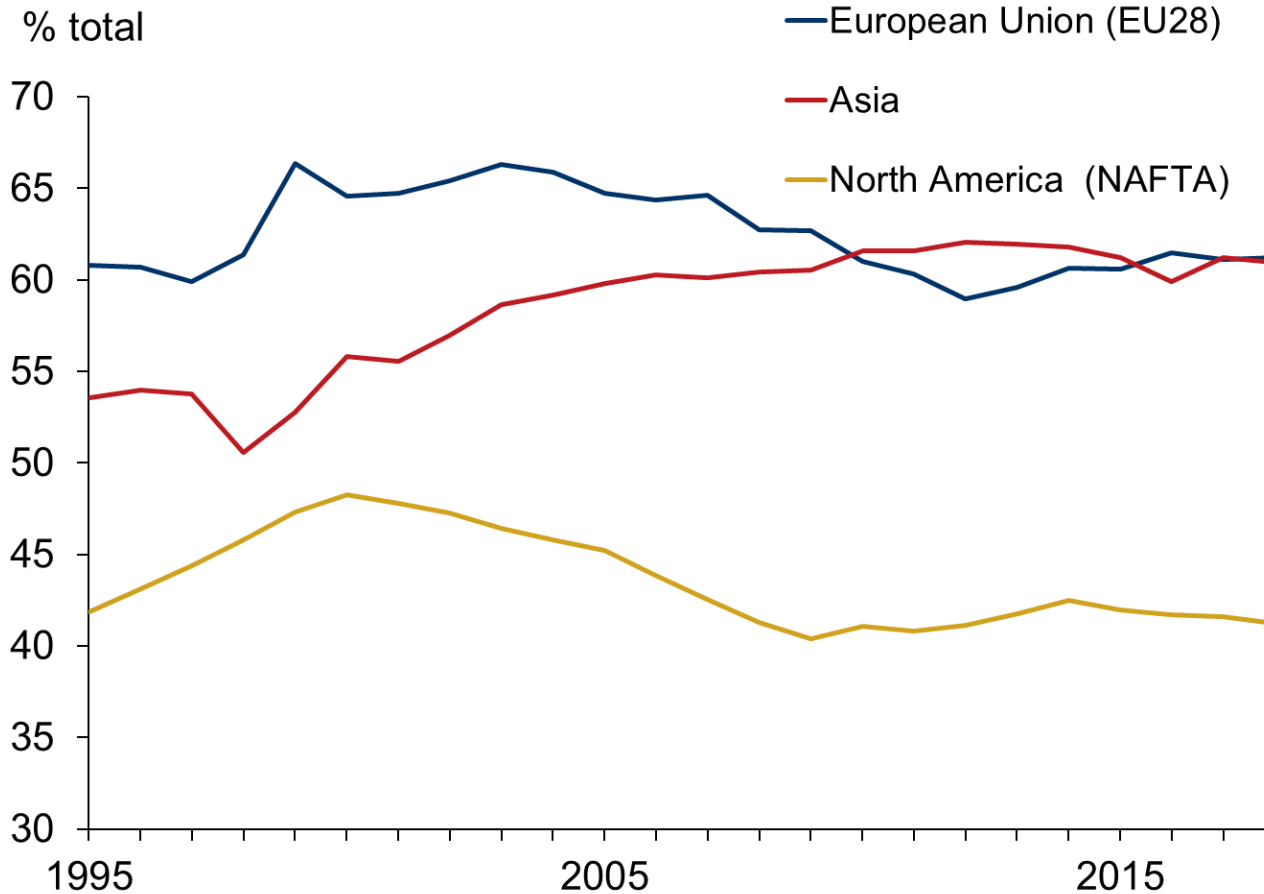
% growth, real



Source: Oxford Economics / Haver Analytics

A budding trend towards regionalization?

Intra-regional trade



Source: Oxford Economics / UNCTAD

Conclusions

- Growth prospects vary, geographically, but current trade recovery is broad-based
- Globalization is likely to proceed much less fast in coming decade than during heyday, but we don't expect it to go into reverse
- In the long run, Asia's role in global trade should rise and evolve

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