

CPB Memo

CPB Netherlands Bureau for Economic Policy Analysis



From : Jos Ebregt and Gerard van Welzenis
Subject : World trade monitor: August 2009
Date : 23 October 2009

- **August: world trade down by 2.0% m/m, after remarkably strong growth in July.**
- **Three months up to August: world trade up by 1.8%.**
- **August: world trade still 18% below its peak of April 2008.**

World trade volume

Based on preliminary data, world trade volume declined by 2.0% in August from the previous month, following a rise of 3.7% in July (revised up from a rise of 3.5%), which was the largest increase recorded since December 2003. In August, world trade was 18.1% below the peak level reached in April 2008, a result of the unprecedented drops in November 2008 up to January 2009. On the other hand, world trade was 2.6% above the trough reached in May 2009.

Monthly trade figures are volatile and focus on ‘momentum’ is therefore preferable.¹ In the three months up to August, world trade was up by 1.8% from the preceding three months. Last month, momentum was positive for the first time since the three months up to May 2008. The recent rise contrasts sharply with the record drop of 12.3% that occurred in the three months up to February 2009 (relative to the previous three months). Most noticeable in the three months up to August are the sharp rises in imports of emerging Asia (+6.6%) and in Japanese foreign trade (imports +5.5% and exports +14.4%).

World trade growth is still on a sharp downward trend, when computed from twelve months’ averages over the preceding twelve month’s average (twelve months ‘momentum’; see last chart in Figure 1). Trend growth was deeply negative in August: -13.0%, way below the record growth rate of +9.6% in November 2006. Twelve months momentum is negative since February, after having been positive for more than six years.

World trade prices

World trade prices measured in US dollars increased by 1.0% in August relative to the previous month, having posted a decline of 1.1% in July (revised down from a decline of 0.8%). In August, energy prices shot up (+9.8%), having dropped considerably in July (-5.9%).

In the three months up to August, world trade prices were up by 4.0% from the preceding three months, the third time in a row that momentum is positive. This contrasts sharply with the strong drops that have occurred since mid 2008. As in July, the rebound of prices in August was on account of energy (+30.9%) and other raw materials (+12.5%).

¹ Momentum is defined as the change in the three months average relative to the average of the preceding three months period.

World industrial production

On the basis of preliminary data, world industrial production rose by 0.7% in August (relative to the previous month), following a rise of 0.5% in July (revised up from 0.0%). In June, our series (which start in 1991) underwent a record increase. Nevertheless, in August, production was still 10.4% below the peak level reached in February 2008, due to the unprecedented drops in November 2008 up to January 2009. It was however 4.7% above the trough reached in March 2009.

In the three months up to August, world industrial production was up 3.5% from the preceding three months. This rise differs greatly from the record drop of 7.7% that occurred in the three months up to February 2009 (relative to the previous three months). Most noticeable in the three months up to August are the continued production growth in Japan (+9.8%) and emerging Asia (+6.5%), while on the basis of momentum, US industrial production is still seen to be falling (-0.3%), though at a decreasing rate.

The release of the next monitor is scheduled tentatively for November 26th.

An explanatory note on our world trade series is available at

<http://www.cpb.nl/nl/pub/cpbreeksen/memorandum/116/> The CPB world trade system has been extended earlier this year. See the short description at the end of this note.

The trade database is available in xls-format at <http://www.cpb.nl/eng/research/sector2/data/trademonitor.xls>

Figure 1: World trade goods, volume, seasonally adjusted

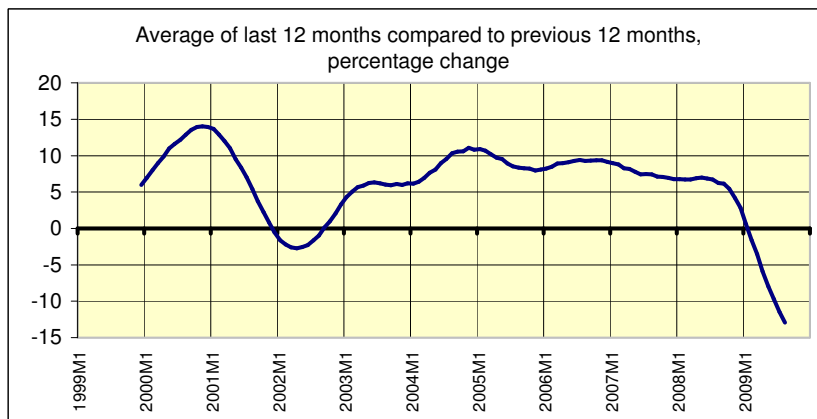
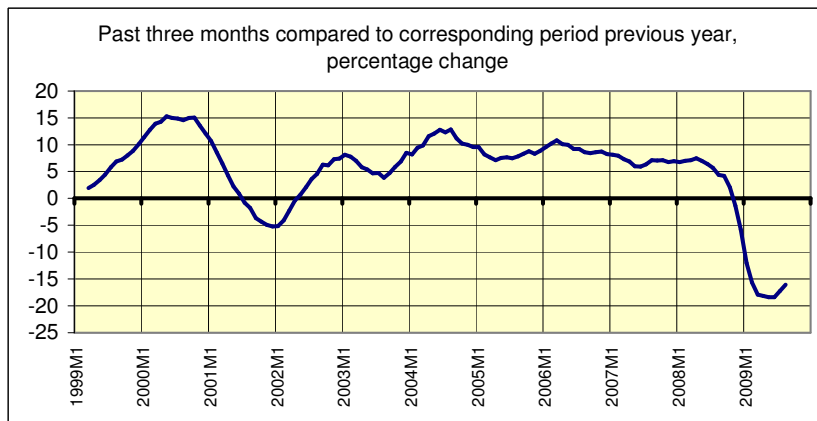
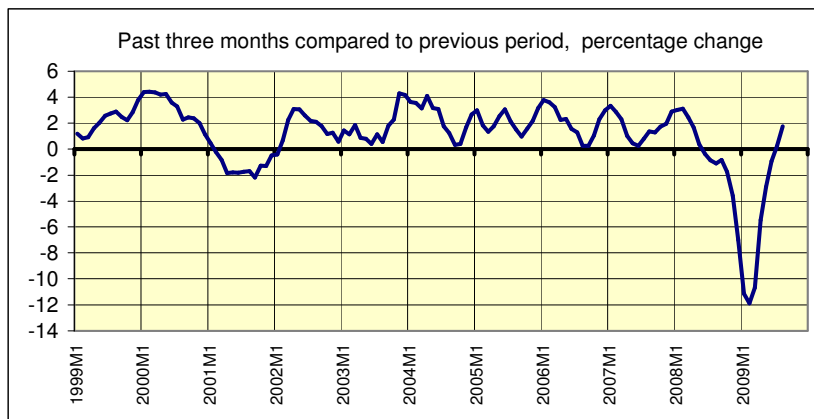
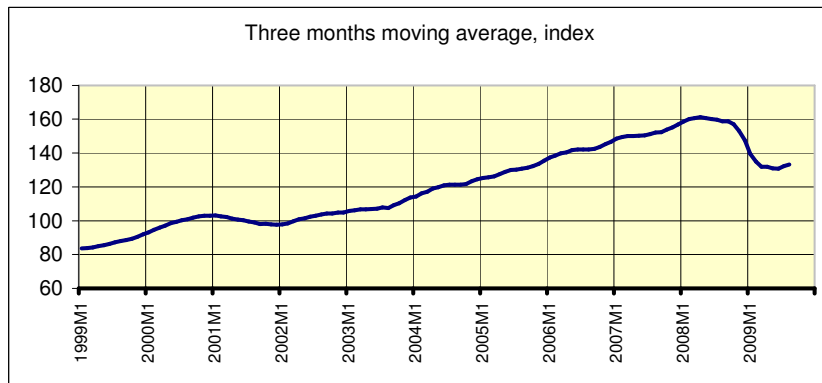


Table 1: World Trade Monitor, percentage changes

	Year on year			Quarter on quarter			Momentum (a)		Month on month			
	2006	2007	2008	2008Q4	2009Q1	2009Q2	2009M5	2009M8	2009M5	2009M6	2009M7	2009M8
Volumes (s.a.)												
World trade	9.2	6.8	2.9	-7.0	-10.7	-0.9	-2.9	1.8	-1.3	1.0	3.7	-2.0
World imports	8.9	6.4	1.9	-5.7	-10.9	-1.5	-4.4	2.4	-1.6	1.7	3.9	-2.5
Advanced economies (b)	6.0	2.6	-2.2	-4.6	-10.8	-4.3	-6.3	0.5	-1.9	-0.2	4.3	-1.2
United States	5.6	1.5	-3.4	-1.3	-14.5	-6.4	-9.5	1.0	-2.1	-0.2	6.6	-2.2
Japan	3.0	1.1	-0.6	0.4	-18.1	-1.7	-10.3	5.5	2.8	0.8	3.5	0.8
Euro area	6.0	4.1	-1.8	-6.4	-7.7	-3.0	-3.3	-0.7	-2.7	-0.8	3.9	-1.7
Emerging economies	13.1	11.6	6.9	-7.0	-11.0	1.8	-2.2	4.6	-1.2	3.8	3.4	-3.8
Asia	12.8	8.9	4.6	-7.4	-8.0	4.7	0.9	6.6	0.2	3.6	5.4	-5.5
Central and Eastern Europe	17.8	18.8	9.0	-11.0	-16.6	-2.3	-4.6	0.7	-3.5	3.6	-0.4	0.9
Latin America	12.0	11.0	7.2	-9.5	-16.8	-2.8	-8.5	5.0	-4.0	9.0	0.7	-2.4
Africa and Middle East	10.2	15.4	13.9	1.7	-11.0	-1.5	-6.2	0.7	-2.3	1.5	1.4	-2.7
World exports	9.4	7.2	3.9	-8.2	-10.5	-0.4	-1.4	1.1	-1.0	0.3	3.6	-1.6
Advanced economies (b)	7.5	4.3	0.2	-9.1	-12.9	0.2	-2.3	2.7	0.0	0.7	4.0	-1.1
United States	10.7	6.3	5.9	-8.7	-12.1	-1.8	-4.2	3.8	2.2	1.4	3.5	-0.7
Japan	11.1	9.6	0.7	-14.4	-28.8	12.4	-2.3	14.4	5.3	5.7	2.6	1.3
Euro area	6.4	4.5	-0.8	-8.9	-10.6	0.3	-0.9	1.2	-0.7	-0.8	5.0	-2.0
Emerging economies	11.8	10.7	8.0	-7.3	-8.0	-0.9	-0.6	-0.5	-1.9	-0.2	3.2	-2.1
Asia	15.5	13.8	9.4	-9.2	-9.9	1.2	1.6	0.3	-2.1	0.0	4.5	-3.0
Central and Eastern Europe	13.1	10.1	7.5	-11.0	-5.3	-3.6	-2.6	-0.5	-4.8	3.1	0.0	0.3
Latin America	6.9	5.3	-1.1	1.9	-5.1	-3.0	-3.4	-3.1	-5.2	2.3	-2.3	-1.1
Africa and Middle East	-1.3	0.6	8.2	0.9	-3.2	-7.5	-6.8	-2.5	4.6	-5.8	4.2	-0.3
Prices / unit values in USD												
World trade	5.3	7.5	11.9	-14.0	-5.8	1.9	-1.2	4.0	2.3	2.8	-1.1	1.0
World imports	5.4	7.9	12.8	-13.6	-6.5	1.6	-1.2	3.1	1.8	2.5	-1.3	1.2
Advanced economies (b)	6.4	8.9	13.2	-15.1	-5.5	3.0	0.0	4.1	2.3	2.6	-0.5	0.0
United States	4.8	4.2	11.3	-15.0	-6.7	3.5	1.4	3.5	1.7	2.7	-1.2	0.3
Japan	8.9	6.0	21.9	-9.1	-4.3	-8.0	-5.3	-5.9	-3.5	-2.6	1.6	-3.6
Euro area	7.0	12.0	14.0	-16.2	-6.2	3.0	-1.2	5.3	3.3	3.3	-0.4	0.5
Emerging economies	4.4	7.2	13.2	-11.9	-7.9	0.3	-2.5	2.3	1.1	2.7	-2.4	2.3
Asia	3.4	6.0	12.7	-12.4	-8.6	0.8	-2.3	2.4	1.1	2.9	-3.2	3.1
Central and Eastern Europe	5.8	9.5	12.9	-14.4	-5.9	2.3	-1.2	5.0	3.2	2.6	0.1	1.0
Latin America	5.6	6.0	13.8	-6.6	-4.8	-1.0	-1.9	1.0	0.4	1.6	0.2	-1.6
Africa and Middle East	4.2	6.3	13.0	-10.4	-7.8	-0.1	-2.7	1.5	0.6	2.4	-2.8	2.2
World exports	5.3	7.2	10.9	-14.5	-5.1	2.3	-1.1	4.8	2.8	3.1	-0.9	0.8
Advanced economies (b)	4.3	8.9	10.3	-11.3	-1.6	0.8	-1.4	3.0	2.1	1.9	-0.1	-0.5
United States	3.3	4.7	5.9	-5.9	-2.3	0.5	-0.2	0.7	0.4	1.0	-0.8	-0.6
Japan	-2.2	0.8	7.4	5.1	11.1	-11.2	-6.4	-10.3	-2.9	-4.4	-1.8	-3.8
Euro area	5.1	12.4	10.8	-13.7	-3.0	2.4	-1.6	5.6	3.1	3.4	0.1	0.0
Emerging economies	6.7	5.4	12.1	-17.8	-8.5	3.9	-0.6	6.7	3.6	4.3	-1.8	2.3
Asia	3.0	2.7	3.9	-6.0	-4.2	0.0	-2.5	2.1	1.3	1.8	-1.1	0.6
Central and Eastern Europe	9.1	12.8	17.1	-16.8	-15.9	5.9	-1.0	8.6	4.2	3.6	1.9	0.6
Latin America	11.7	7.6	14.8	-19.6	-9.8	5.0	0.4	6.9	3.1	5.1	-2.5	1.7
Africa and Middle East	17.7	10.6	32.2	-44.2	-16.0	18.9	9.5	21.3	10.4	13.3	-5.0	6.8
World prices / unit values in US\$												
Manufactures	1.9	5.6	9.1	-7.8	-3.1	-0.6	-2.6	1.8	1.5	0.9	-0.1	0.7
Energy (HWWI)	19.1	12.0	40.3	-51.1	-20.6	29.4	16.9	30.9	15.0	18.1	-5.9	9.8
Other raw materials (HWWI)	26.7	17.6	12.5	-29.2	-9.7	10.6	3.8	12.5	5.9	4.3	-0.4	7.3
Energy, real (HWWI)	16.7	5.6	27.9	-46.9	-18.0	30.1	20.0	28.6	13.3	17.0	-5.8	9.1
Other raw materials, real (HWWI)	24.2	11.5	2.7	-23.2	-6.8	11.3	6.6	10.5	4.3	3.3	-0.3	6.6

(a) Three months ending in indicated month relative to preceding three months period.

(b) OECD countries excluding Turkey, Czech Republic, Slovak Republic, Hungary, Poland, Mexico and Korea.

Figure 2: World industrial production, volume, seasonally adjusted

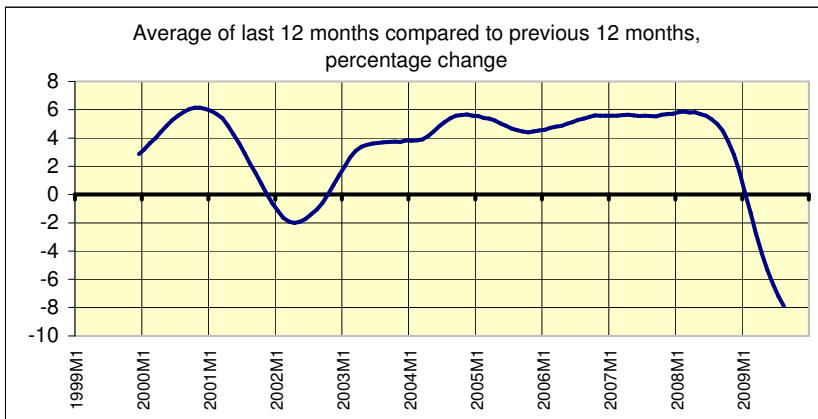
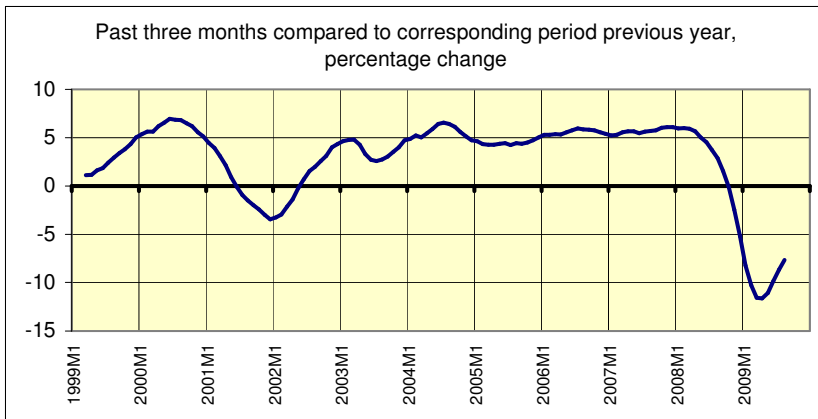
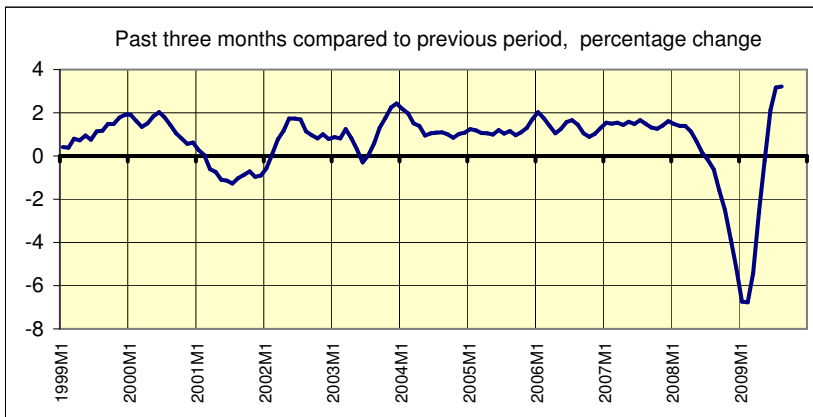
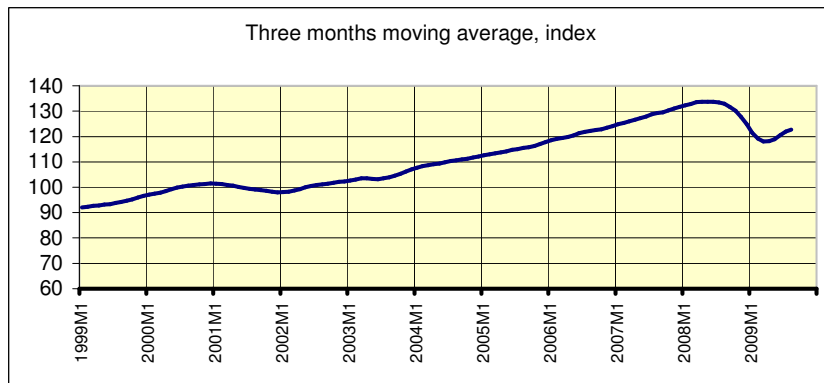


Table 2: World industrial production, percentage changes

	Year on year			Quarter on quarter			Momentum (a)		Month on month		
	2006	2007	2008	2008Q4	2009Q1	2009Q2	2009M5	2009M8	2009M6	2009M7	2009M8
World (b)	5.6	5.7	1.6	-5.0	-5.5	1.9	-0.3	3.5	1.9	0.5	0.7
Advanced Economies (c)	2.9	2.4	-2.3	-5.9	-9.1	-0.7	-3.7	2.0	0.5	0.8	1.1
United States	2.3	1.5	-2.2	-3.4	-5.1	-2.7	-3.5	-0.3	-0.4	0.9	1.2
Japan	4.1	2.9	-3.2	-11.0	-21.3	7.6	-3.1	9.8	1.9	2.2	1.7
Euro area	4.2	3.7	-1.7	-6.9	-9.0	-1.5	-4.4	2.4	0.9	0.3	1.6
Emerging economies	9.2	10.0	6.4	-4.1	-1.7	4.6	3.2	4.9	3.3	0.1	0.4
Asia	12.9	13.8	9.2	-2.7	0.7	6.9	5.2	6.5	4.4	-0.4	0.7
Central and Eastern Europe	7.7	7.4	1.3	-8.4	-4.6	0.2	0.0	2.3	2.1	0.9	-0.7
Latin America	4.5	5.5	1.6	-6.6	-6.0	1.3	1.2	2.0	0.5	2.0	0.4
Africa and Middle East	1.5	1.5	3.4	-3.6	-6.3	-0.4	-2.2	1.5	1.0	0.3	-0.1

(a) Three months ending in indicated month relative to preceding three months period.

(b) Country data are weighted with shares in world production. This is also done for other aggregates such as advanced economies.

World and other aggregates based on shares in world imports are available in the xls-file on the CPB website.

(c) OECD countries excluding Turkey, Czech Republic, Slovak Republic, Hungary, Poland, Mexico and Korea.

Annex: Extension and revision of the CPB world trade monitor (May 2009)

Earlier this year, the monthly CPB world trade monitor was extended and revised. It is now based on more actual country information and less on estimations of missing country data. Monthly merchandise trade values are available for almost 150 countries. For about 100 countries the data are more or less timely, covering over 95% of world trade. Merchandise trade volumes and prices are available for approximately 125 countries, but only for some 50 countries these data are timely and robust. They cover 85% to 90% of world trade, which is appreciably more than the price information of the 26 countries we covered previously. The extra information enables us to publish trade data for geographical sub-regions in the emerging world, so far covered as one group. Missing trade values, volumes and prices are still estimated as described in the “Explanatory note on the CPB world trade series”, available on the CPB site. Furthermore, we now employ two more main sources for our trade series: Eurostat (exclusively for data of all 27 EU member countries) and the World Bank Global Economic Monitor.

The accompanying charts present the old and new series for the volume of total world trade. Chart 1 compares the annual changes over the period 1992-2008. The differences are due to changes of the standard sources for a large number of countries, but primarily to the use of extra price and volume information. The largest discrepancy is in 1992 and is mainly located in Central and Eastern Europe. In the beginning of the nineties a lot of new states were formed in this region effecting the volume of international trade. For most of these countries we do not have actual trade information up to 1993. Estimates of the missing data in the various sources and by ourselves can differ substantially.

Chart 1 World trade volume 1992-2008 annual percentage changes

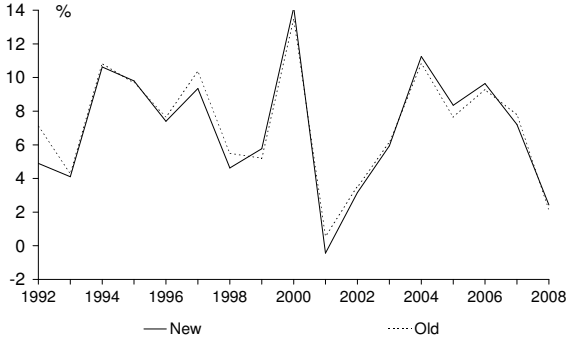
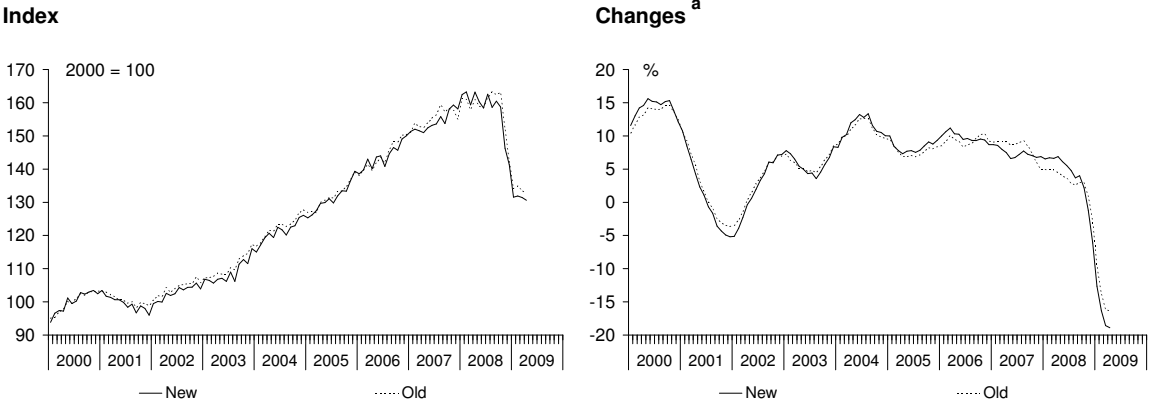


Chart 2 compares the monthly world trade data from 2000 to 2009. Up to 2007 the data hardly differ, but thereafter the monthly patterns start to deviate somewhat, which is entirely due to the use of more country volume and price information under the new system. Estimation of missing trade volumes and prices had been difficult in 2007 and 2008 given the huge changes in exchange rates and commodity prices. The year-on-year fall of the world trade in the beginning of 2009 is a bit steeper now. But the message is essentially the same: a steep drop in the months November 2008 - January 2009 followed by a stabilisation at a very depressed level in the months thereafter.

Chart 2 World trade volume, 2000-2009



^a Annual percentage changes of 3mma.