

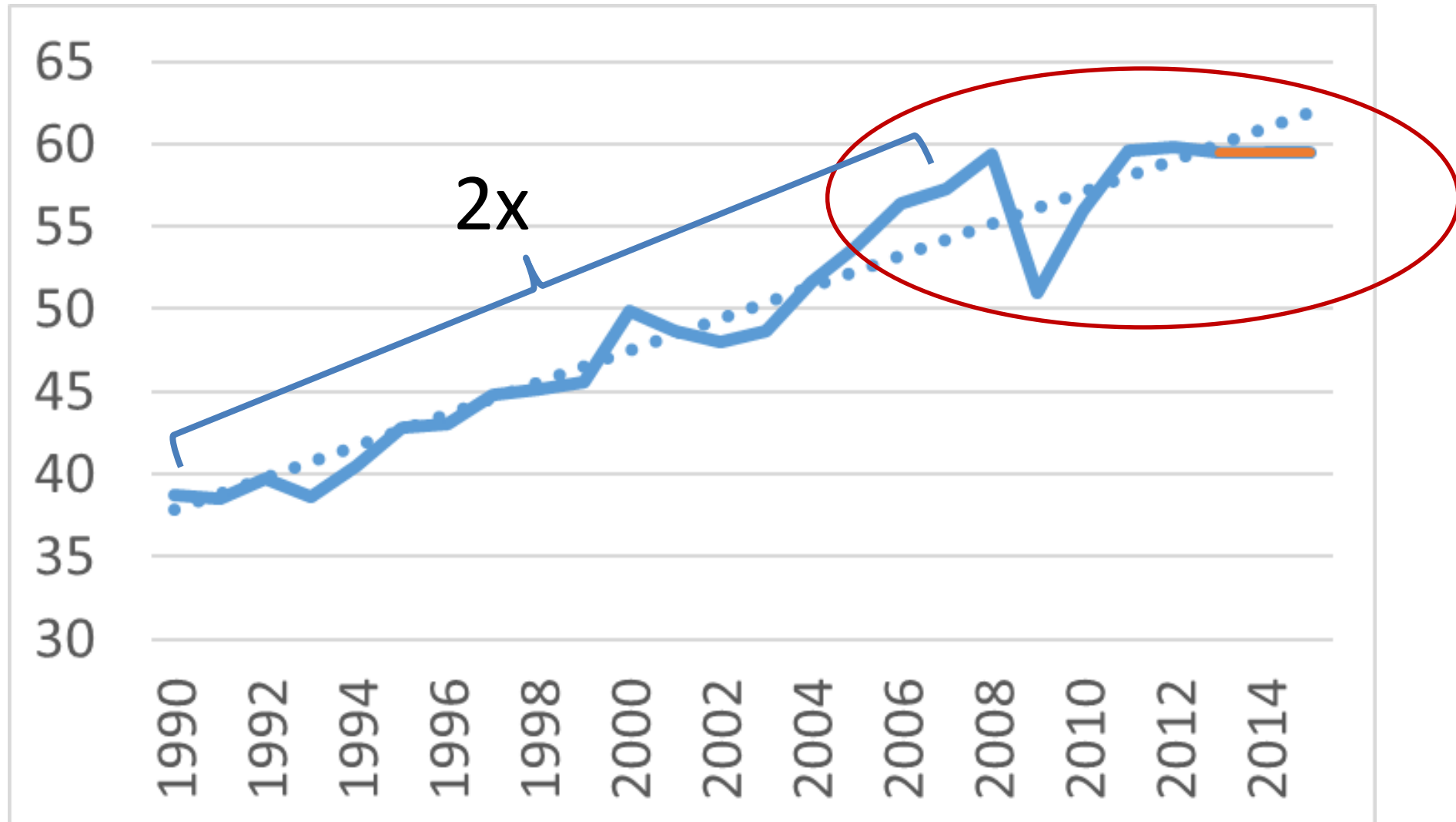
The Trade Slowdown and the Investment Slump

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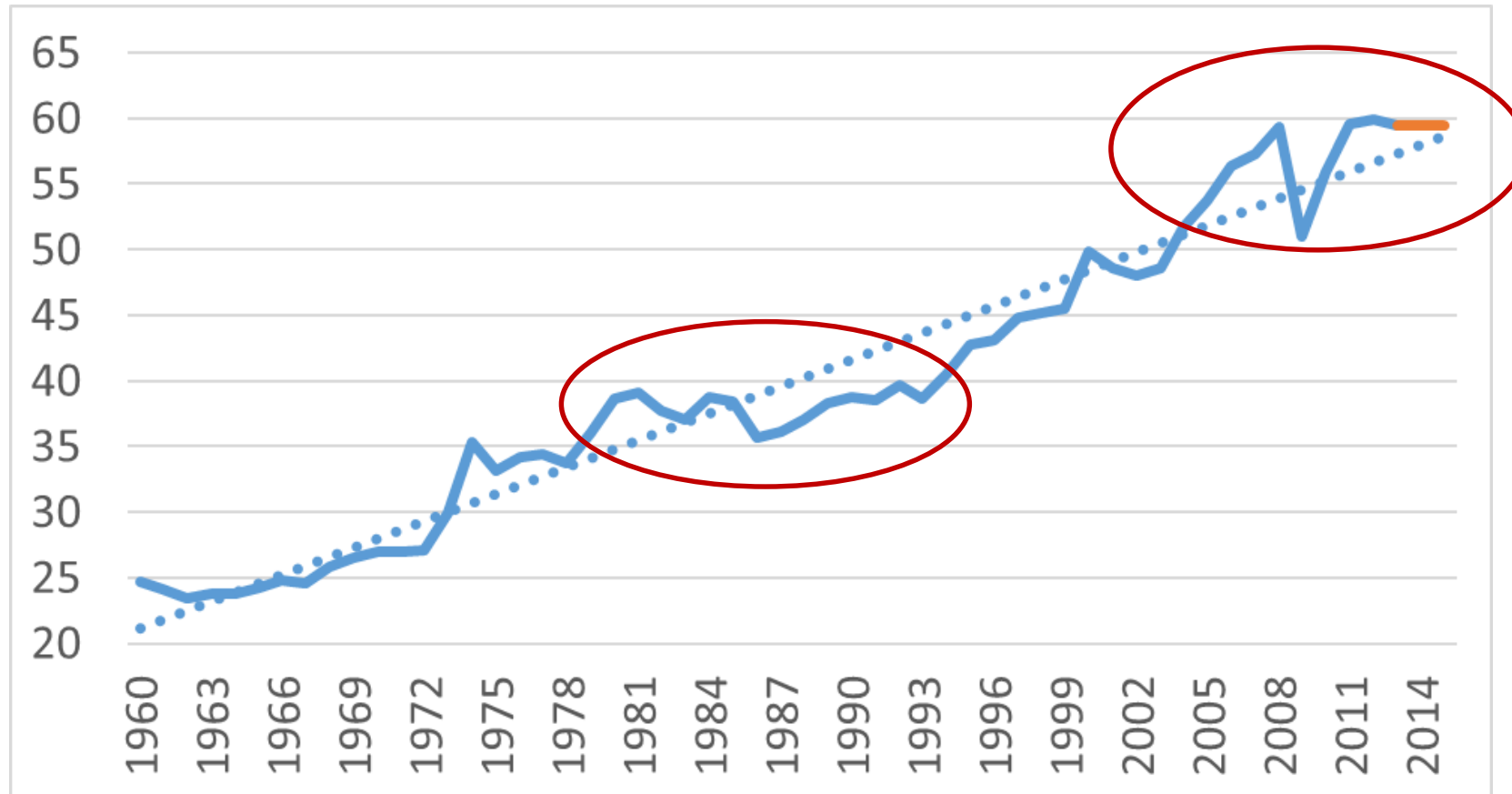
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Trade Relative to GDP



Trade as a Percent of GDP



Some Facts

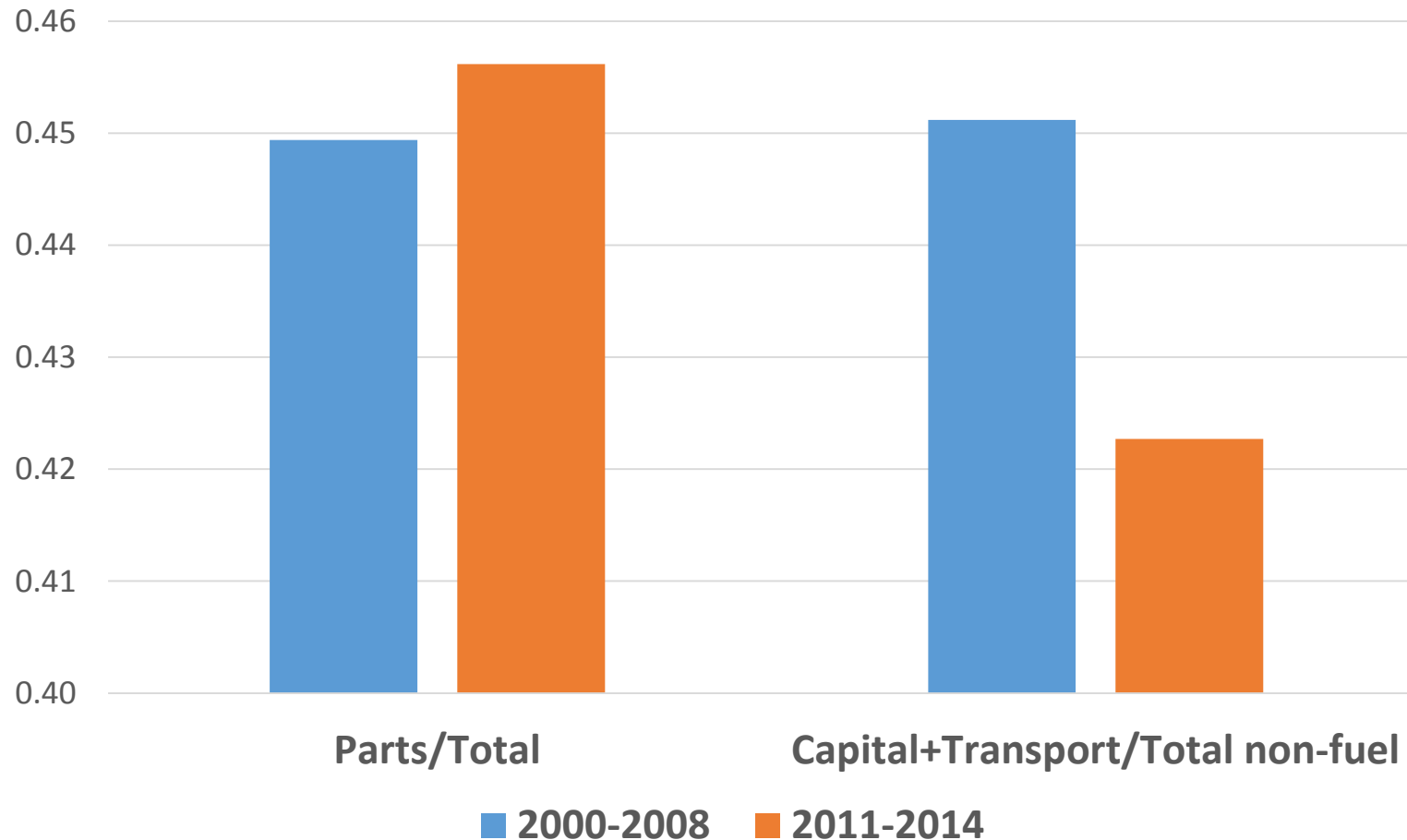
- Trade does not have to grow faster than GDP
- Value vs. Volume: Goods value down 13%, volume up 2.8%. (Oil price down 50% & fuel 18% trade)
- Goods vs. Services: World trade is 80% goods. World GDP is 70% services. (Services trade has been growing at a healthy 5%.)
- Gross vs. Value Added: Trade is measured in gross terms and GDP in value added.

Trade and Secular Stagnation

- **World trade is especially sensitive to investment** (8 x consumption in collapse, Bussiere et al AEJ 2013)
 - World trade is 40% machinery & transport equipment.
 - Year-on-year growth in private investment in advanced countries was 2.1 percent 2010-2014, against 3.3 percent during the pre-crisis period (between 1997 and 2006).
 - Trade transmits shock to BRICs, investment dropped in recent years.
 - Even lower in 2015 because of cuts in energy projects.

Supply chain formation supported growth, but they are not shortening

Trade in Capital and Transport



Looking Forward

- Trade slowdown is largely a symbol of investment slump. Consistent with secular stagnation—danger that trade is transmitting problem.
- Liberalization needed now more than ever
 - New liberalization in countries like India or Brazil could set off a new generation of supply chains.
 - New technology and deeper integration, such as TPP and TTIP, could finally ignite services trade.