

Longlasting or Everlasting?

Structural Impact of COVID-19 on International Trade

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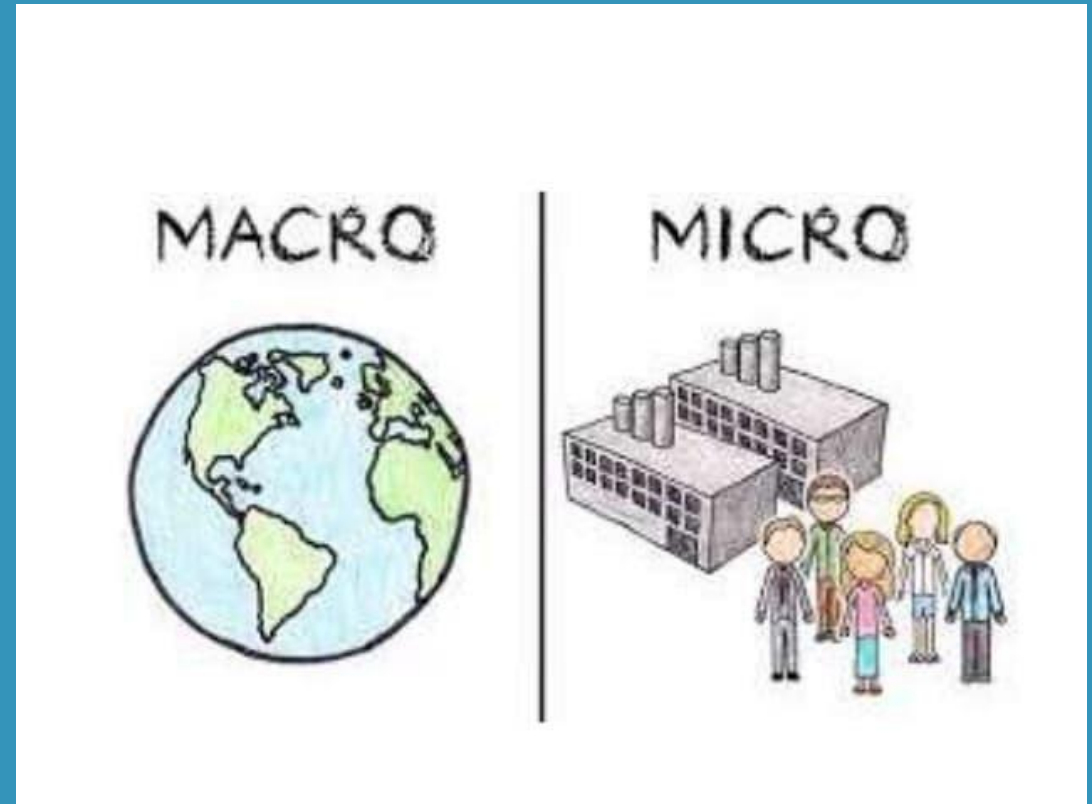


Webinar Belgian Foreign Trade Agency – September 7, 2021

Trade: macro or micro?

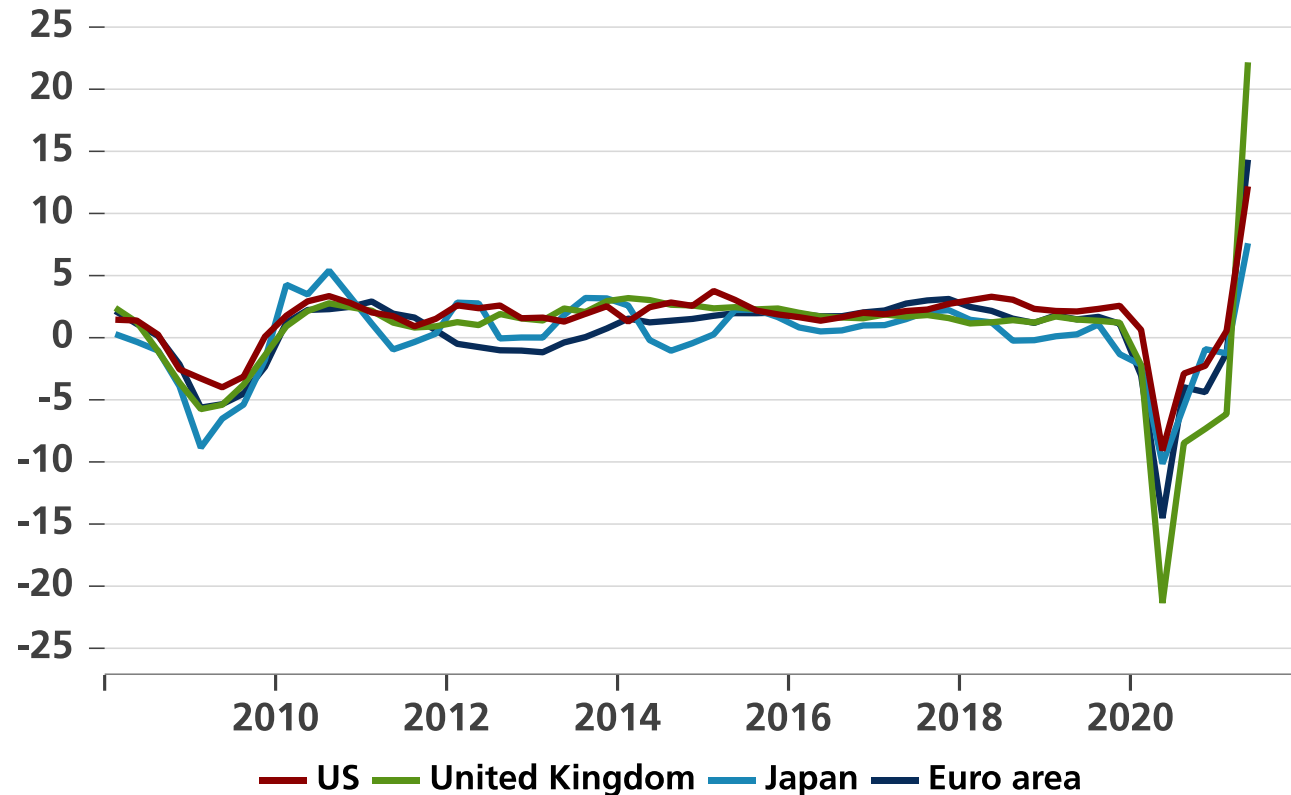
- In regular times: focus on micro
- In volatile times – macro!

COVID-19 period an excellent case of international trade as a macro-phenomenon.



An unprecedented crisis: downfall and recovery

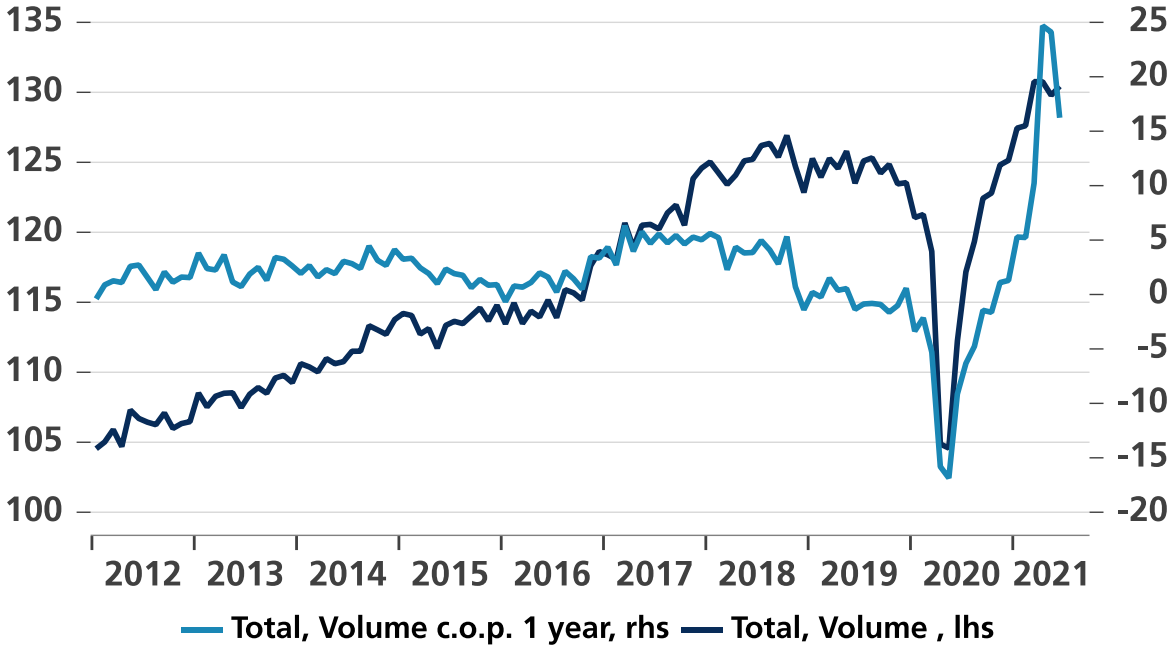
Real GDP Growth - Large Advanced Economies



Source: KBC Economics based on Eurostat, CaO, ONS, BEA

Trade follows the business cycle

**World, Foreign Trade, CPB World Trade Monitor,
SA, Index**

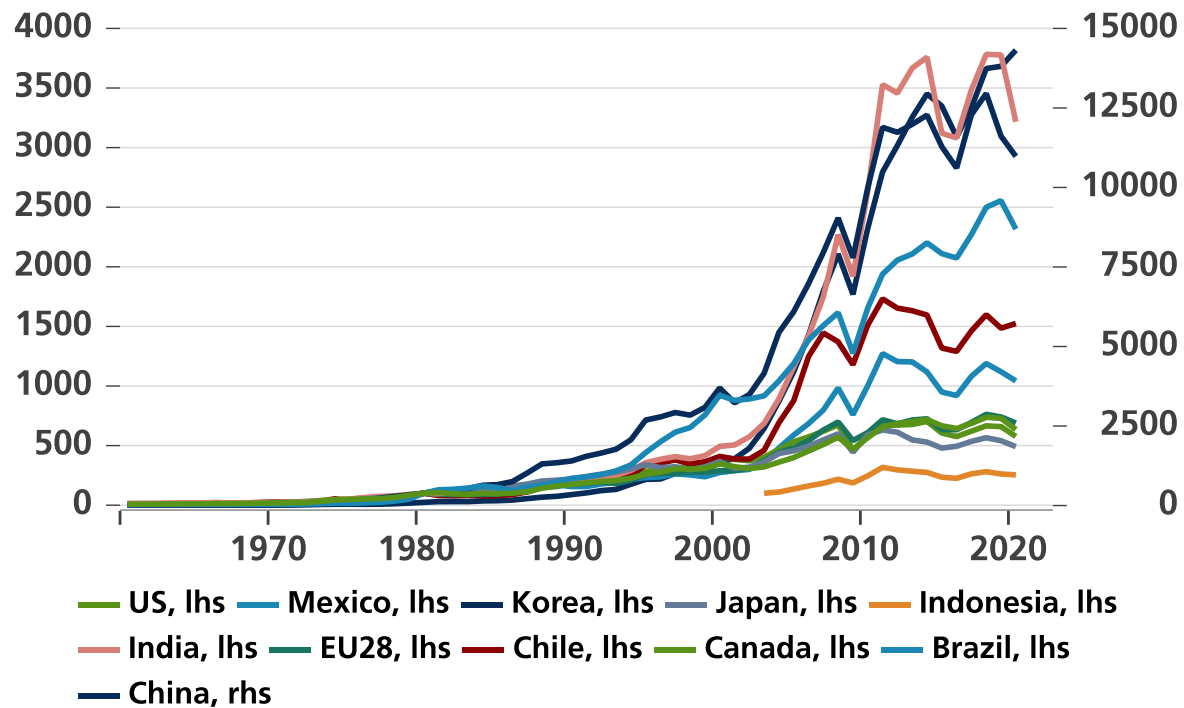


Source: KBC Economics based on CPB

Unequal hit, but synchronized trade recovery

Global goods exports

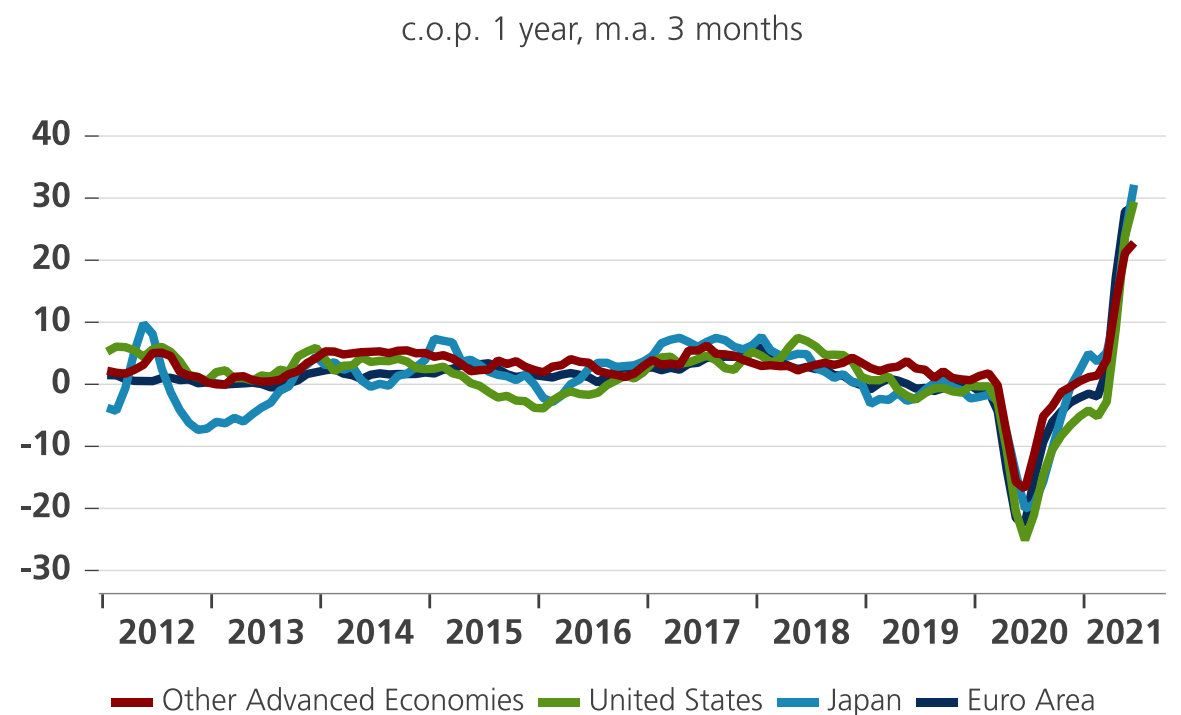
in USD, index 1980 = 100



Source: KBC Economics based on UNCTAD

CPB World Trade Monitor, Export, Total, Volume, SA, Index

c.o.p. 1 year, m.a. 3 months

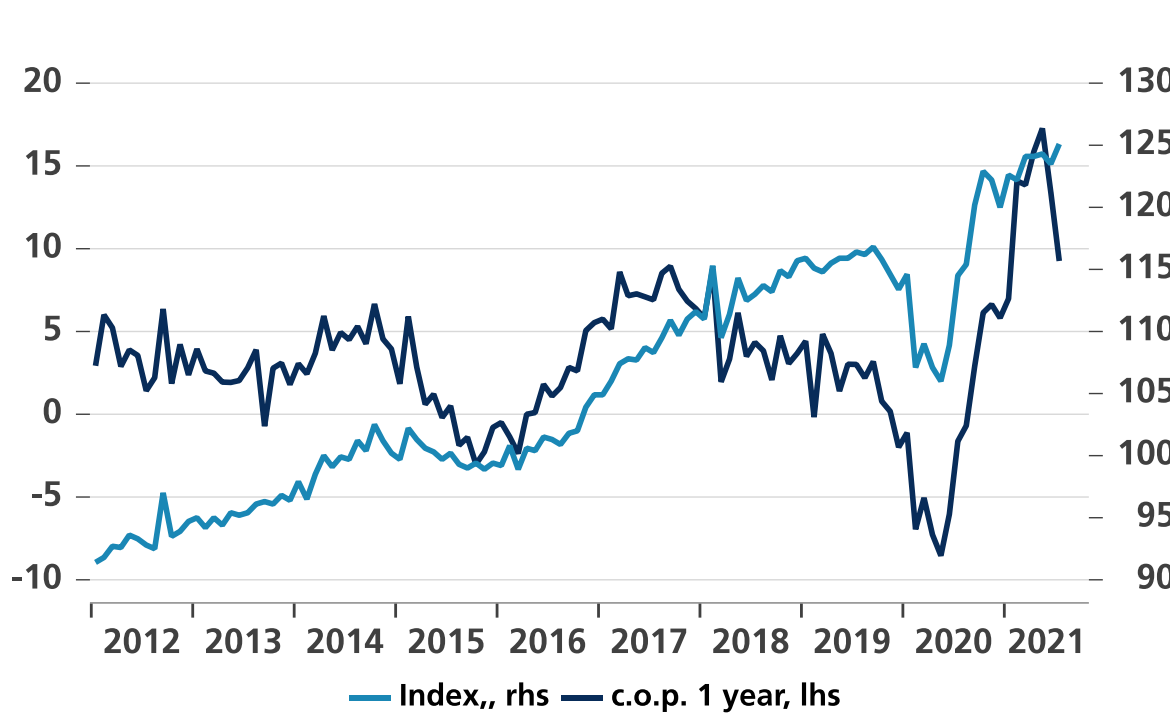


Source: KBC Economics based on CPB

Logistics and policies essential for global value chains

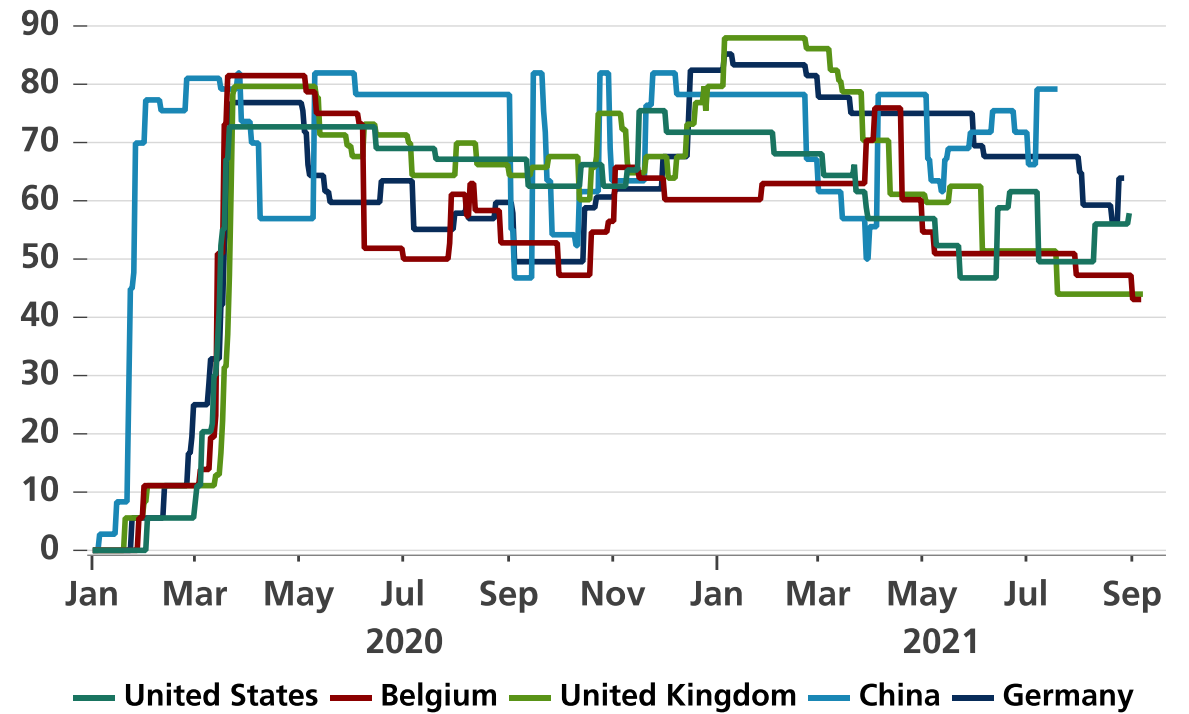
World, RWI/ISL Container Throughput Index

SA



Source: KBC Economics based on RWI

Covid-19 - Policy Stringency Index

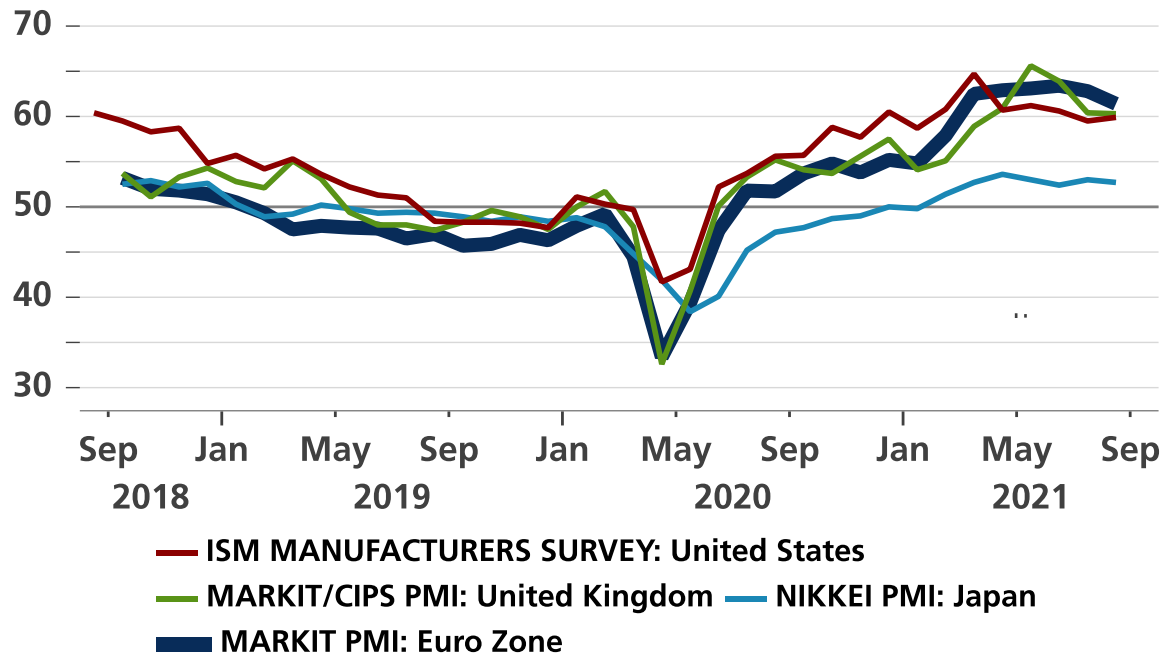


Source: KBC Economics based on University of Oxford

Recovery in confidence, but consumers remain cautious

Business Sentiment Indicators: Industry

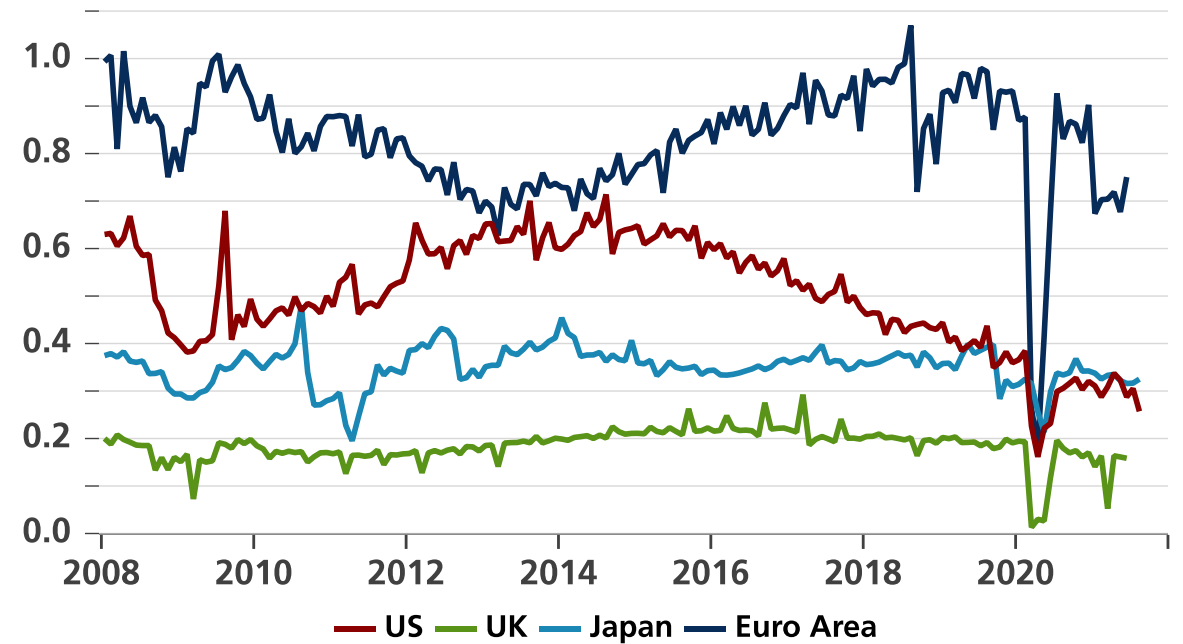
Above 50 = expansion



Source: KBC Economics based on IHS Markit, ISM

G4 new passenger car registrations

National sources, volume sa



Bron: KBC Economics gebaseerd op ACEA, JAMA, BEA

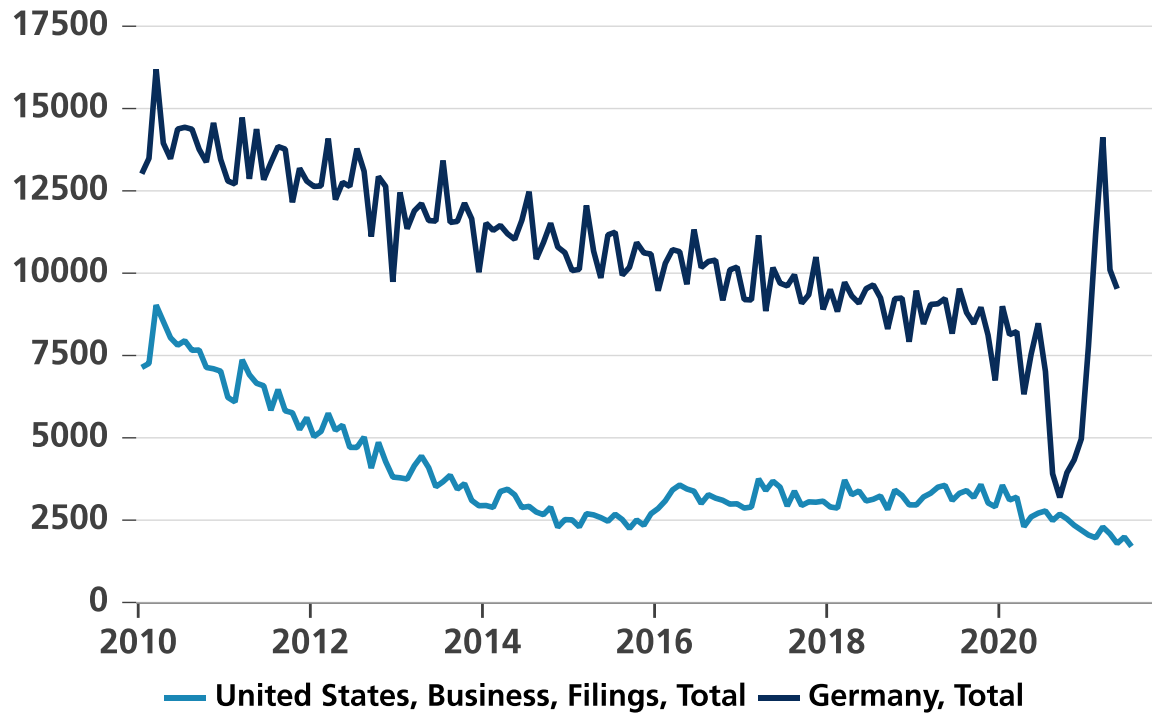
Why these large swings?

- No recovery, but re-opening
- Resilience of the (international) economy
- Shock-mitigating policy initiatives
- Enormous policy stimulus



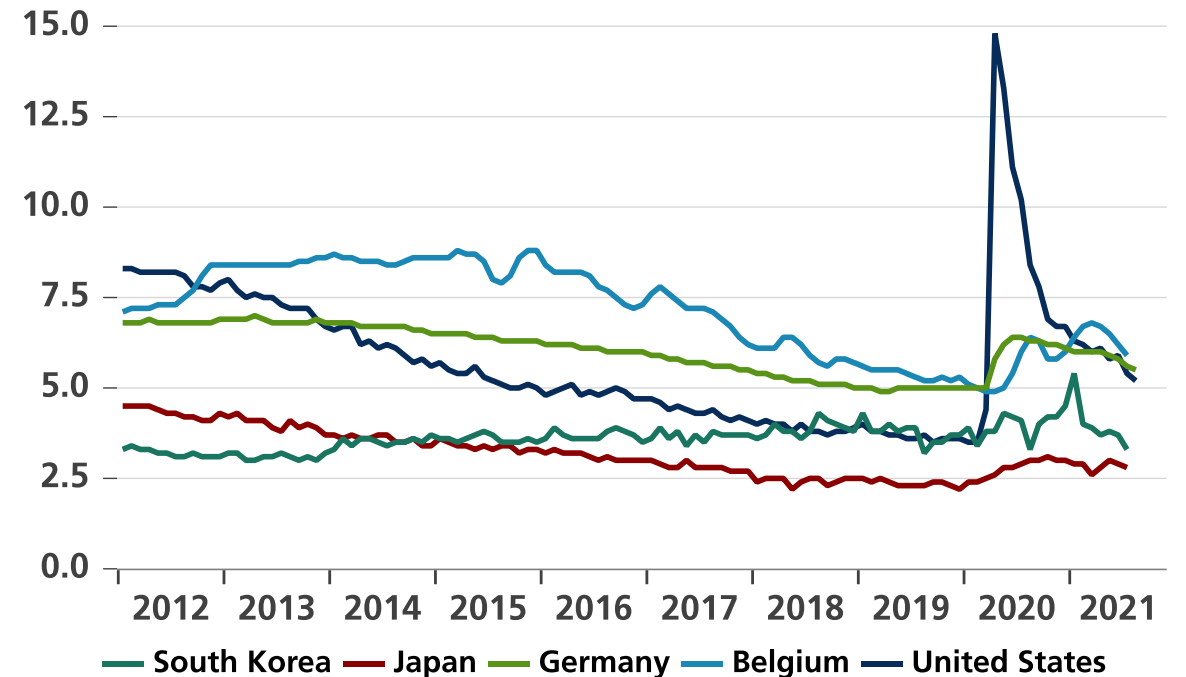
Mitigation of the shock

Number of Bankruptcies



Source: KBC Economics based on DESTATIS, ABI

Unemployment rate, SA

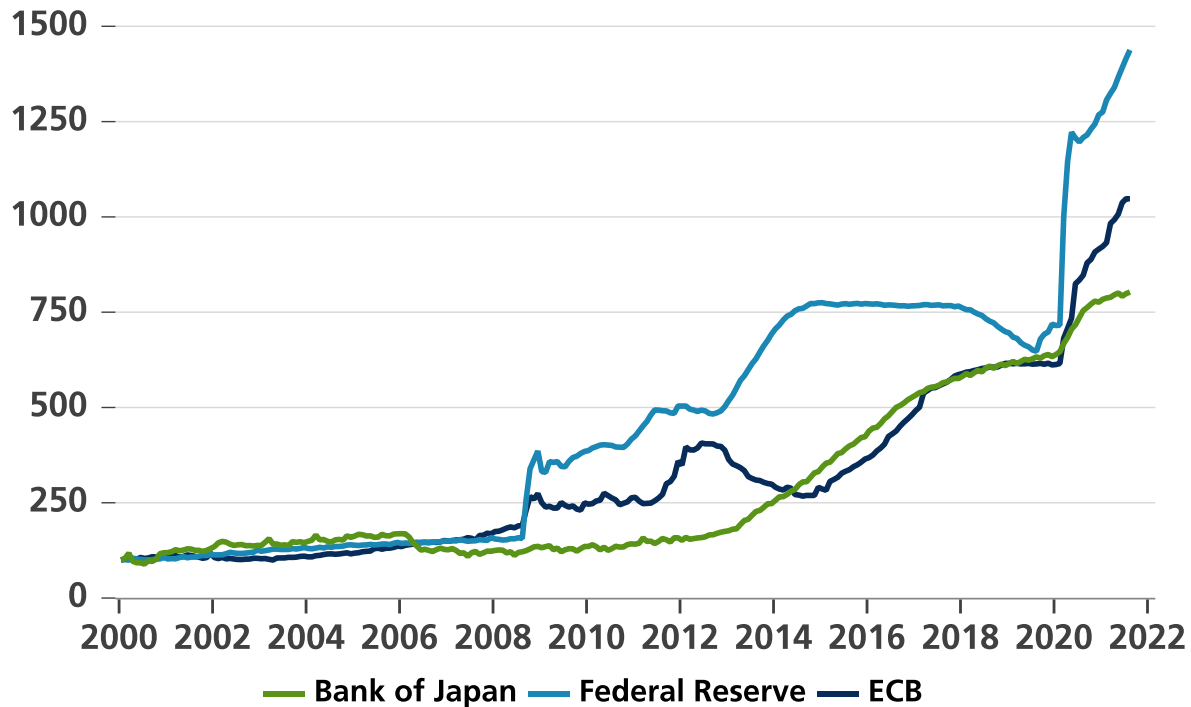


Source: KBC Economics based on BLS, German Federal Employment Agency (Bundesagentur fuer Arbeit), Japanese Statistics Bureau

Abudant (excessive?) policy stimulus

Size balance sheet central banks (assets)

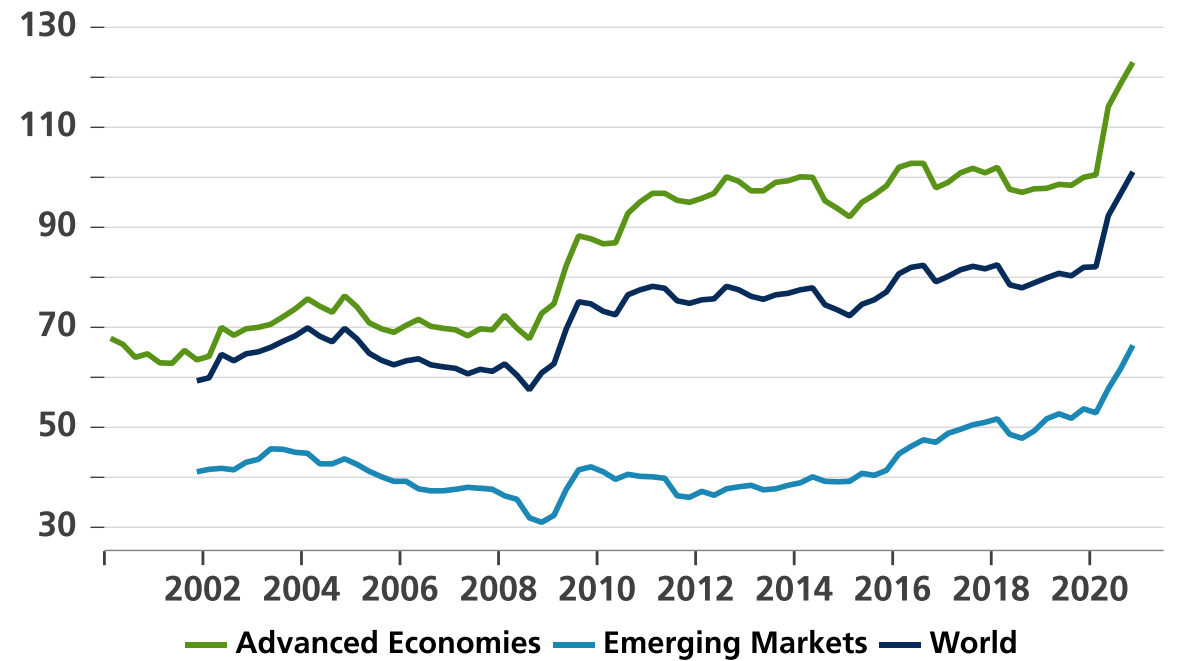
index 1/2000 = 100



Source: KBC Economics based on ECB, Fed, BOJ

Credit to General Government

(% GDP)



Source: KBC Economics based on BIS

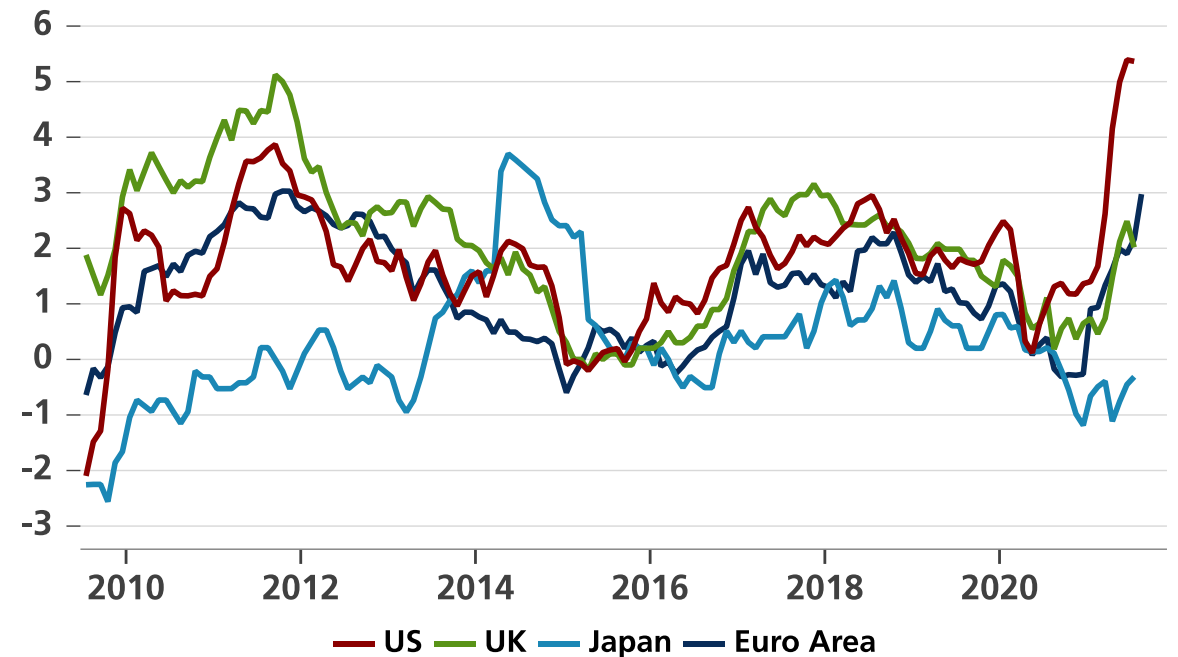
Though distortions pop up

- Demand shock vs. supply shock
- Inflation
 - Energy prices play key role!
 - International price transmissions
- Global value chains:
 - temporary distortions or structural reshaping?
 - Logistic disruptions

How long will these effects last?

Inflation (CPI)

National sources, % change yoy

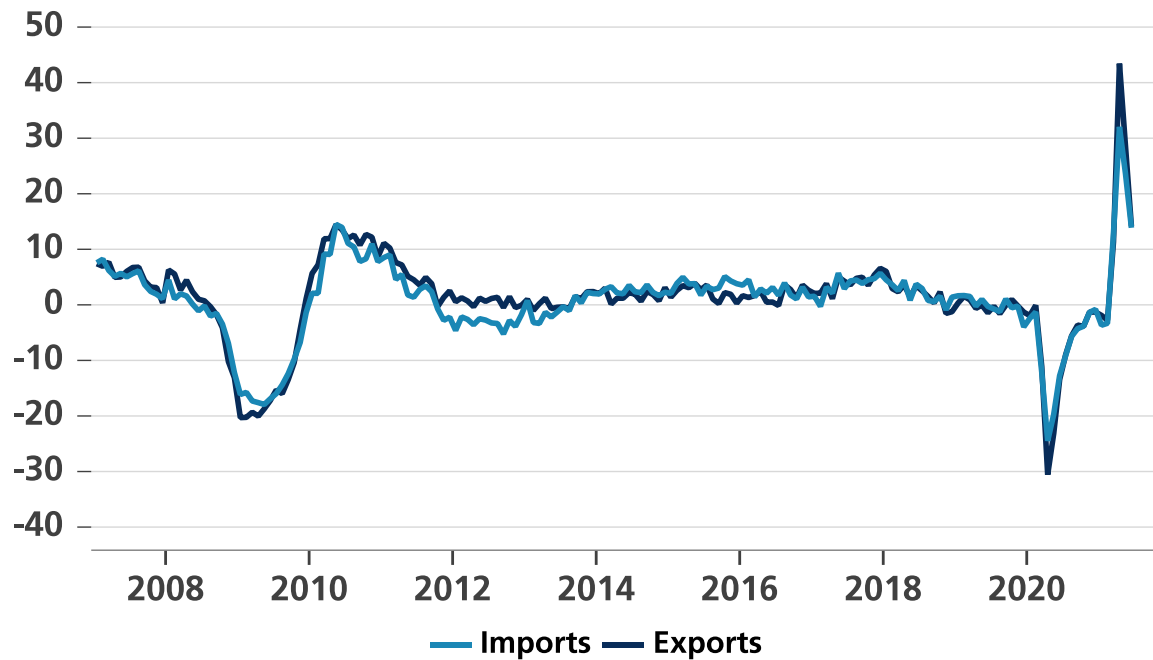


Source: KBC Economics based on Eurostat, Japanese Statistics Bureau, Ministry of Internal Affairs

Demand overshooting effects

Euro Area - trade volume flows

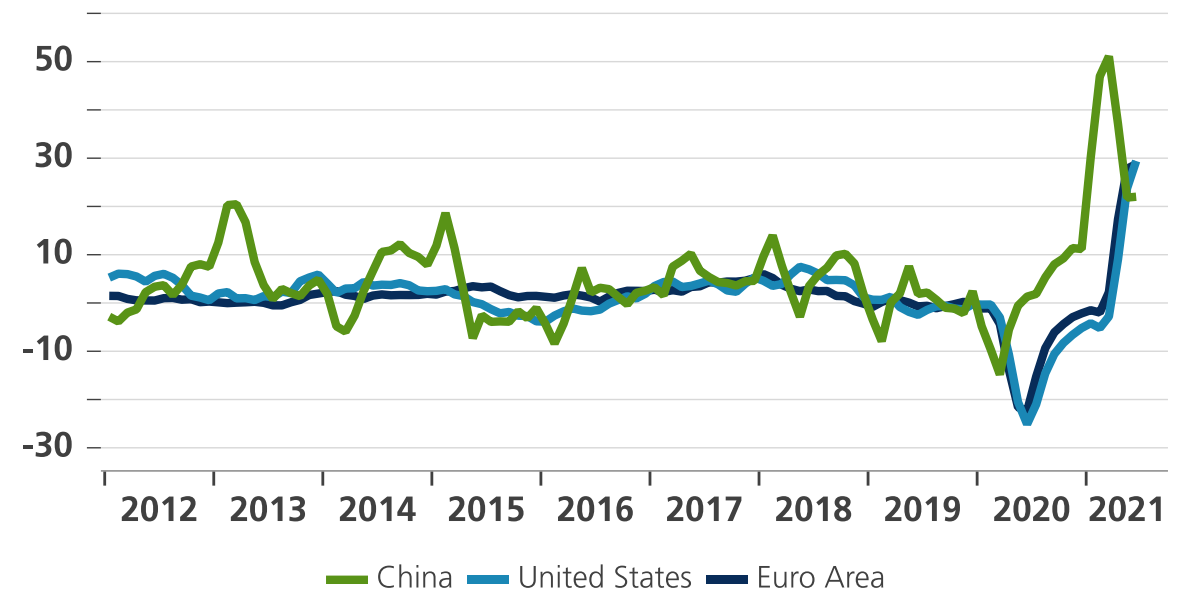
Goods trade, SA, % c.o.p. 1 year



Source: KBC Economics based on CPB

CPB World Trade Monitor, Export, Total, Volume, SA, Index

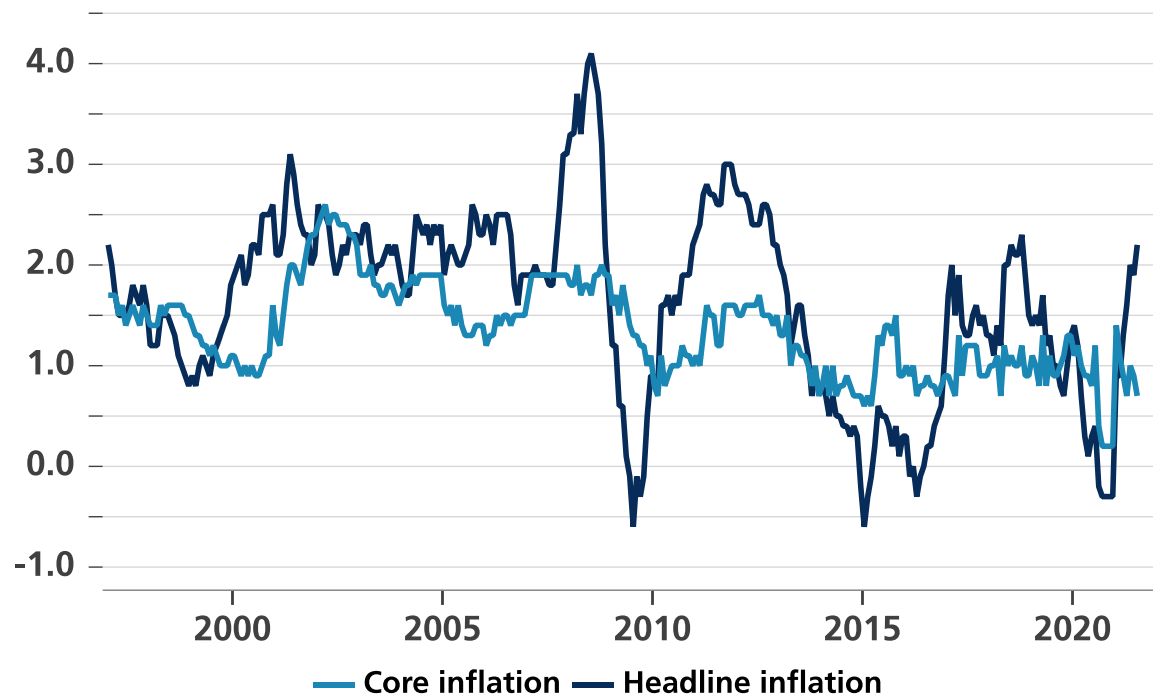
c.o.p. 1 year, m.a. 3 months



Source: KBC Economics based on CPB

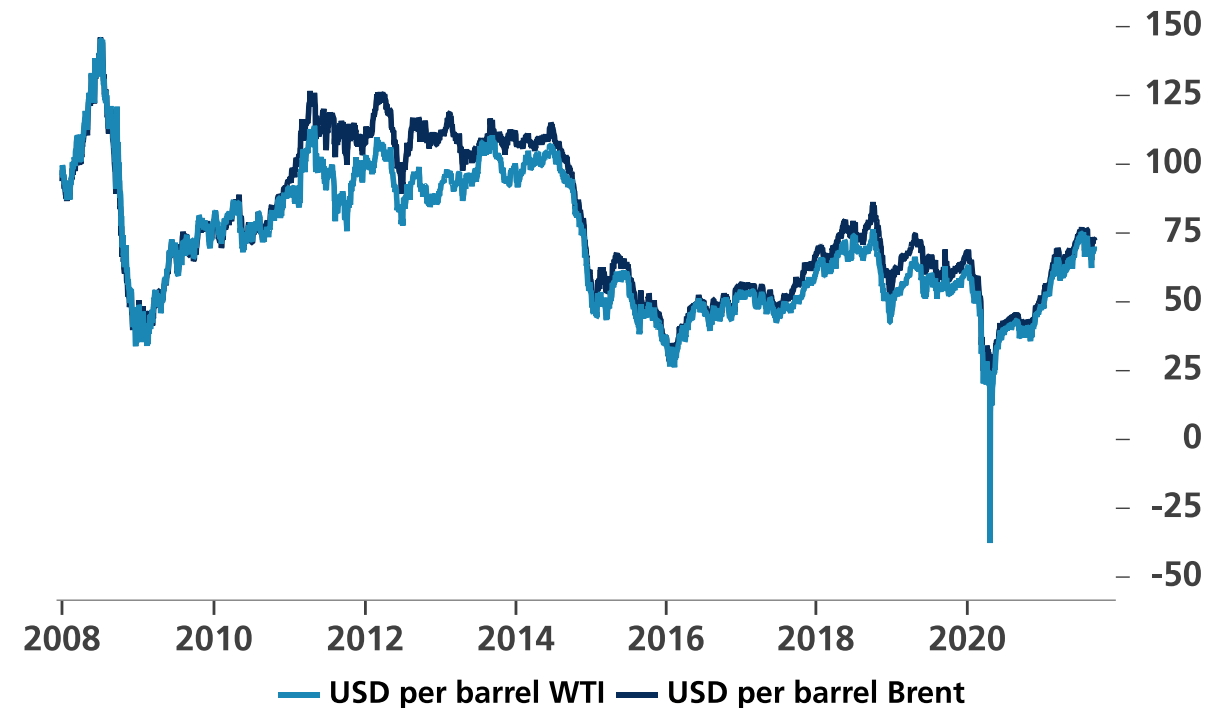
Inflation upswing, but mainly in headline inflation -> temporary, driven by disequilibrium

Euro area - Headline and core inflation (CPI)



Source: KBC Economics based on Eurostat

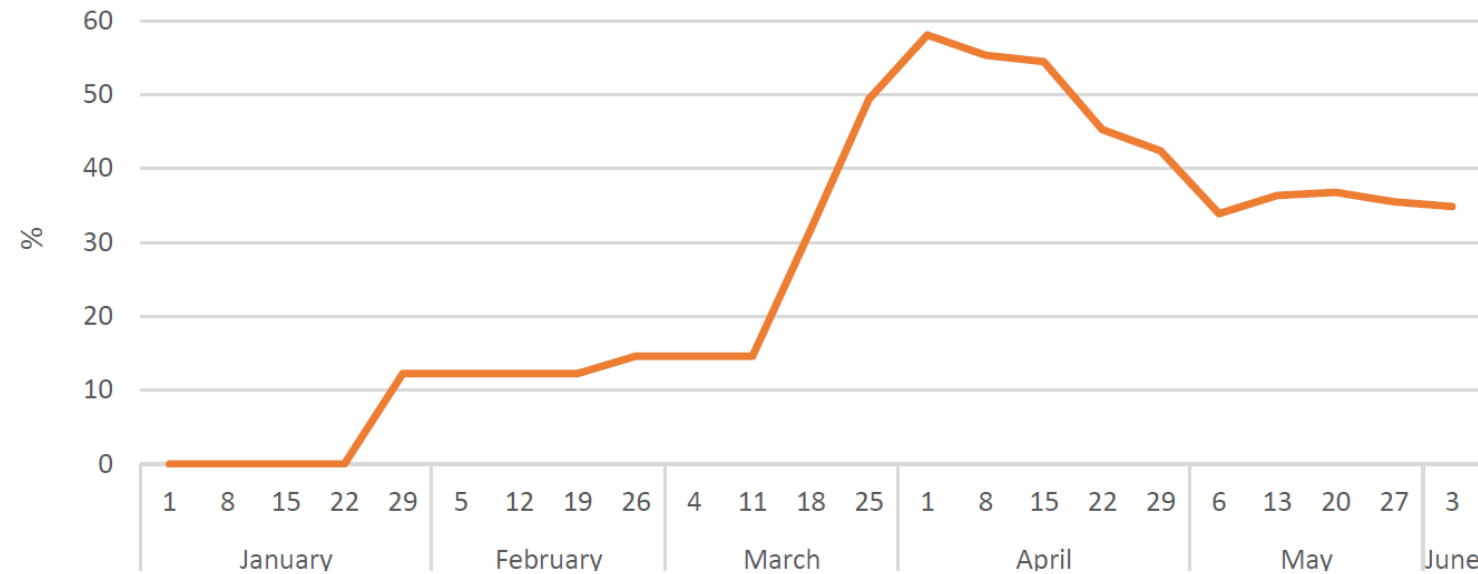
Oil price



Source: KBC Economics based on ICE, CME Group

Global value chain disruptions

Degree of imported input supply disruption due to mandatory workplace closures in 2020

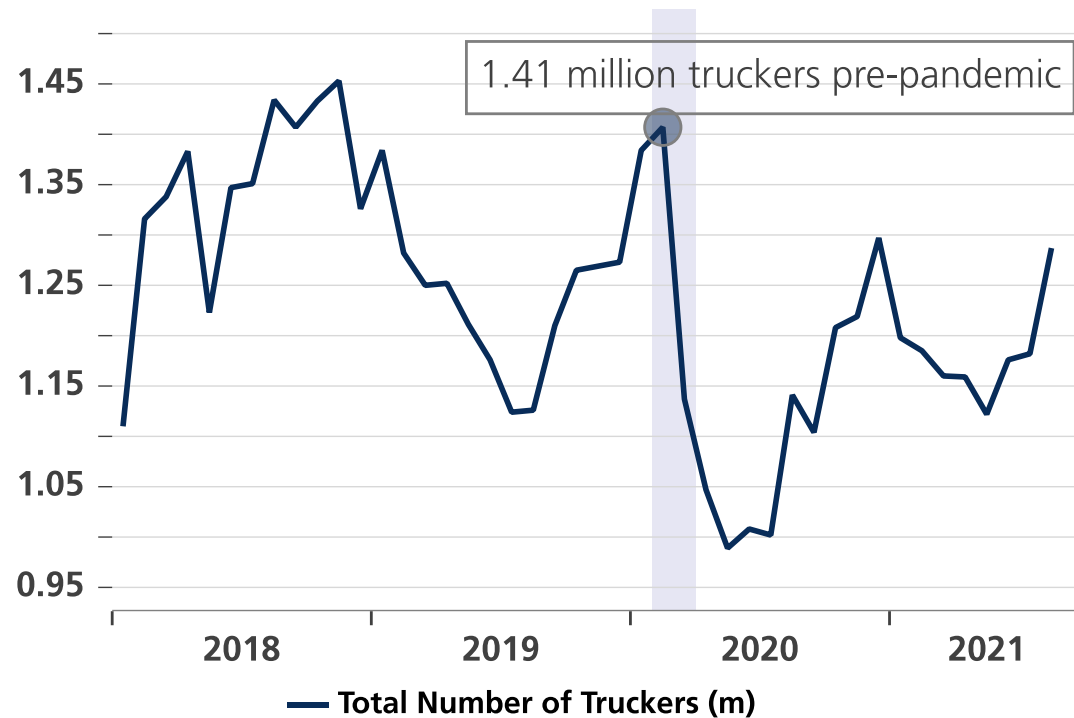


Distortion,
but also resilience

Source: ILO (2020), Kühn & Viegelahn

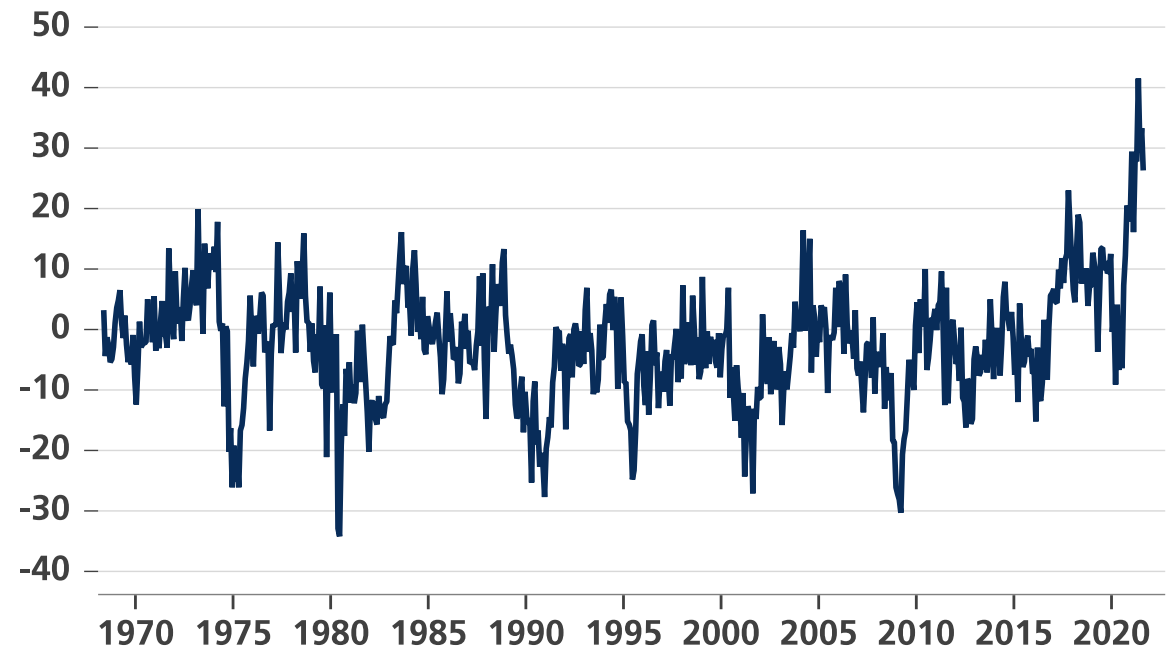
'Shortages Economy' -> adaptations take time

Number of truck drivers in US



Source: KBC Economics based on BLS

US - Current Business Delivery Time (SA, Index)



Source: KBC Economics based on Federal Reserve Bank of Philadelphia

Outlook: positive, but risky

Euro Area - Monthly Assessment of Export Order-Book Levels, Balance, SA



Source: KBC Economics based on DG ECFIN

Restoring the equilibrium just takes a bit of time

But some risks may cause longer term effects:

- Inflationary upswings
- Wrong policy and business reactions to price dynamics
- (too fast) Policy reversals
- Permanent protectionist tendencies
- Coinciding factors
 - Greening of the economy
 - Geopolitical shifts (Rise of China)

Thank you for your
attention!