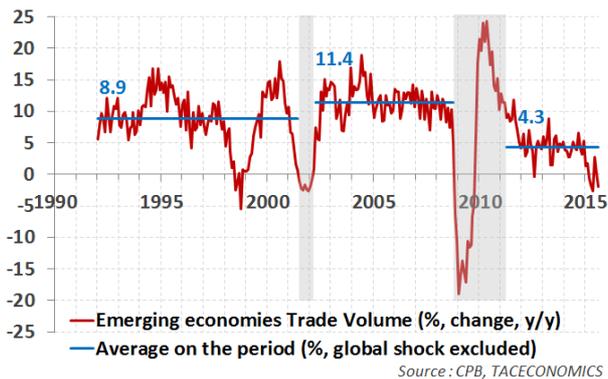


Emerging Markets trade volume is decelerating since the 2008 financial crisis, and the slowdown accentuates even more over the last year due to the combination of worrying factors: fall in oil prices, China's economic slowdown, social and geopolitical tensions. The deceleration of trade performances is particularly pronounced for Asian countries, and to a lesser extent for Central and Eastern European countries. Consequently, no reversal is expected on GDP growth in EM as recent trade momentum is largely insufficient to boost activity.

## Trade dynamics in Emerging Markets since 1990

Based on the CPB World Trade Monitor released by the CPB Netherlands Bureau for Economic Policy Analysis, we analyse the trade dynamics of merchandise in Emerging Markets. The following chart shows the monthly percentage change year on year in total exports and imports volume, instead of trade prices to exclude effects of exchange rate changes.



Averages are calculated for three distinct periods and are excluding the global shocks i.e. both the "dotcom" crisis (2000/2001) and the global financial crisis (2008/2009).

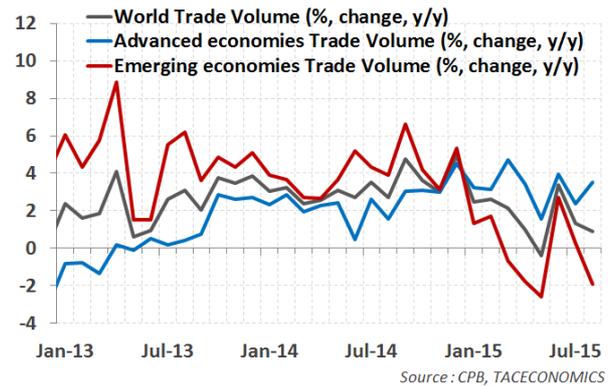
Three phases can be distinguished since the 1990s:

- 1990 to 2001: volume of trade growth in volume was sustained at an elevated level (+8.9% y/y on average), even if the period was marked by a temporary trough the East-Asian crisis (1997/1998).
- 2002 to October 2008: trade growth has been maintained at a double-digit level (+11.4% on average) in relation with rapid developments of trade in Asia (especially China) and Africa/Middle East.
- 2011 to August 2015: trade growth has significantly slowed down (+4.3% on average) in the period post-global financial crisis.

## Recent trade momentum in Emerging Markets

A notable divergence in trade dynamics between advanced and emerging economies can be observed recently. While monthly trade growth has consolidated in advanced economies at +3.3% y/y in the last 12

months; trade volumes have diminished in all EM regions since March 2015, except in Latin America. The trade volume in EM has declined to turn negative in March 2015 (-0.7% on average in the last 6 months). The contraction has been greater in both Asia and Africa/Middle East regions (-1.3%) than in Central and Eastern Europe (-0.8%), while it has remained positive in Latin America (+4.5%). Moreover, except during the two global shocks (2000/2001 and 2008/2009), trade volume in EM has declined for the first time since the Asian crisis of 1997/1998.



EM trade contraction reveals likely the end of the world fragmentation of trade processing through Asia, especially China. The diversification and multiplication of processes in the world chain of value are more limited since the global financial crisis. While China has been at the centre of the labour delocalisation process for advanced countries during the 2000s (due to its massive labour supply from rural areas and large investments), this development has been more limited since the labour costs are progressively increasing in the country.

The weakness of the recent trade data in EM remains insufficient to provide a boost to economic growth in relation with a combination of factors. China's economic slowdown (and rebalancing towards an economy more focused on consumption and higher added value products, and less on investment and exports) will continue to weight on global GDP growth and global trade in terms of volume and price. As a result, EM commodity exporters (Russia, Middle East countries) will continue to suffer from a lower demand. In general, mediocre imports demand growth for EM merchandise will create significant challenges, especially for export-oriented EM.

## Trade dynamics by regions

**Asia:** while trade growth was high during the 2000s, and above the EM performance (+13% on average after +10% over the previous period), the fall has been substantial (+4.3% on average since 2008/09). After a decade of impressive growth due to the Chinese economic expansion, the current slowdown/rebalancing of the country (towards more domestic demand and less external demand and investment) weights on Asian trade, especially in the last few years. However, it is worth to note that



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current Chinese rebalancing should have a heterogeneous impact, with manufacturing exporters likely less affected than commodity exporters. In addition, sluggish imports demand in developed countries has reduced trade growth in Asia, but outlook should be less negative.

**CEE:** trade dynamics in Central and Eastern European countries has also diminished significantly, from +13.8% on average during the 2000s to +5.1% since the global crisis of 2008/2009. The key factors of this decline are the financial troubles in Russia and Ukraine, which have obviously contracted growth trade in the region, as well as the Euro Area's sovereign crisis, which has considerably reduced the regional demand. Nevertheless, the current recovery in Eurozone should mitigate trade growth in the region in the forthcoming quarters.

**Latin America:** the region has registered a moderate trade growth since the global crisis of 2008/2009 due to a weaker demand from China and the slowdown of intraregional trade (mostly among South American

countries). It is worth noting that the heterogeneity among countries is large; central and northern countries have been less impacted with slowdown in trade, in particular Mexico benefited from a relatively favourable US dynamics), than South American countries (notably Brazil, Chile and Argentina in relation with the Chinese economic slowdown). Brazil should however benefit from a stronger trade growth ahead thanks to the substantial depreciation of the real over the last year (-35% against USD).

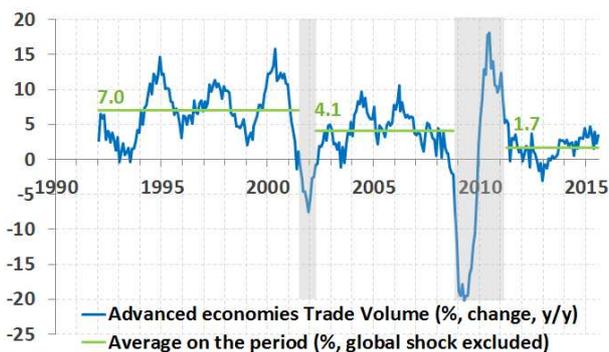
**Africa/Middle East:** trade growth in the region has also declined markedly after the global crisis of 2008/2009; several countries have registered contraction in exports as a result of shrinking oil exports (Libya, Nigeria in relation with the reduction of oil imports from US), as well as political and geopolitical tensions in the region (Turkey, Egypt...). Trade outlook in the region seem to be more limited in the coming quarters with a continuous contraction of imports volume, not compensated by exports volume dynamic.

## RiskWatch Chart Pack

EM Trade Volume (% , y/y, average) by regions, by exports and imports

Average (% , y/y)	Emerging Asia		Central and Eastern Europe		Latin America		Africa and Middle East	
	2015	2011-2015	2015	2011-2015	2015	2011-2015	2015	2011-2015
Imports	0.0	4.1	-5.5	5.9	-0.2	4.1	-3.8	5.5
Exports	-0.4	4.5	3.0	5.7	10.0	4.9	2.3	1.7

Advanced Economies Trade Volume



Source : CPB, TACECONOMICS

Asia Trade Volume



Source : CPB, TACECONOMICS

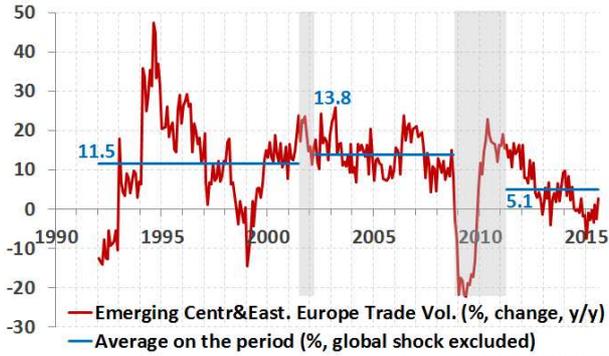


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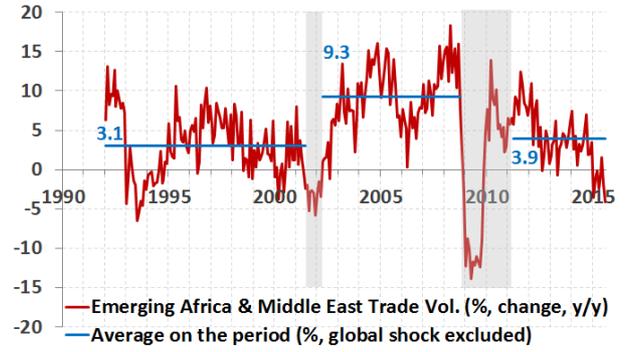
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### Central & Eastern Europe Trade Volume



Source: CPB, TACECONOMICS

### Africa Trade Volume



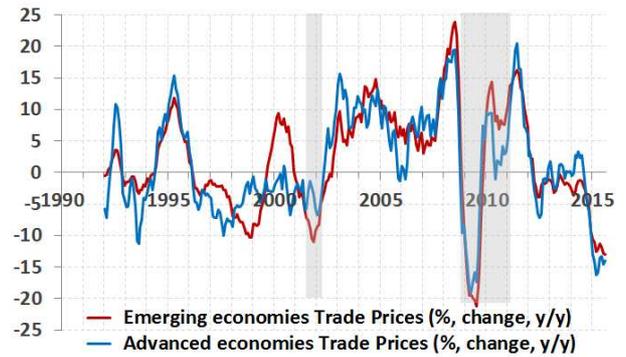
Source: CPB, TACECONOMICS

### Latin America Trade Volume



Source: CPB, TACECONOMICS

### Trade Prices Dynamics



Source: CPB, TACECONOMICS