

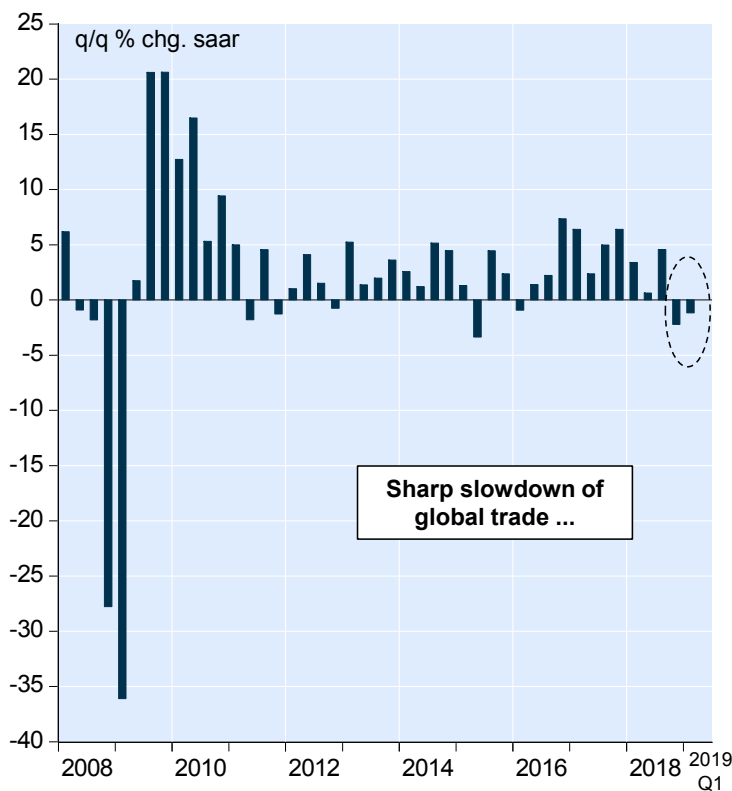
World Watch

By Krishen Rangasamy

This morning's trade data for March from the CPB confirms the global economy saw its first back-to-back quarterly decline in trade volumes since the 2008-09 recession. The slowdown of trade in the last two quarters is not surprising amid the imposition of tariffs by the U.S. and retaliatory measures from trade partners. But declining trade is wreaking havoc in export-centric economies such as emerging markets where exports fell for a second consecutive quarter. So much so that, as today's *Hot Charts* show, the ratio of industrial production to export volumes, a proxy for inventories, jumped in the first quarter of 2019 to the highest since 2002Q1. Such inventory build does not bode well for production and hence world GDP growth over the rest of the year.

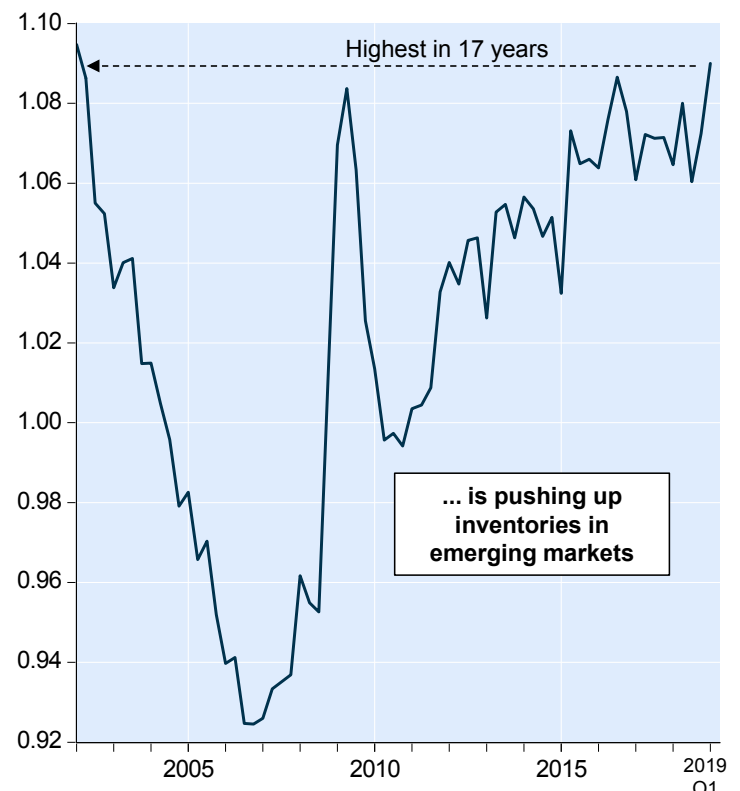
World: Inventory pile-up in emerging markets

World trade volumes



Sharp slowdown of global trade ...

Ratio of industrial production to export volumes in emerging markets



... is pushing up inventories in emerging markets

NBF Economics and Strategy (CPB data via Refinitiv)

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