

WTO: Trade Growth To Slow In 2012 After Strong Deceleration In 2011

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SINGAPORE, April 12 (Bernama) -- World trade expanded in 2011 by 5.0 per cent, a sharp deceleration from the 2010 rebound of 13.8 per cent, and growth will slow further to 3.7 per cent in 2012, say World Trade Organisation (WTO) economists.

They attributed the slowdown to the global economy losing momentum due to a number of shocks, including the European sovereign debt crisis.

Significant trade expansion was forecast for 2011 but multiple economic setbacks during the year dampened growth beyond expectation and led to a stronger than anticipated easing in the fourth quarter.

Commenting on the projection, WTO Director-General Pascal Lamy said: "More than three years have passed since the trade collapse of 2008-09, but the world economy and trade remain fragile.

"The further slowing of trade expected in 2012 shows that the downside risks remain high. We are not yet out of the woods", he said in a statement.

WTO economists cautioned that preliminary trade figures for 2011 and forecasts for 2012 were difficult to gauge due to the extraordinary levels of volatility in financial markets and in the broader economy for the last few years.

The preliminary figure of 5.0 per cent for world merchandise trade growth in 2011 is down 0.8 points from their most recent forecast update in September 2011.

These figures are in "real" terms adjusted to account for inflation and exchange rate fluctuations.

Lamy said the WTO has so far deterred economic nationalism, but the sluggish pace of recovery raises concern that a steady trickle of restrictive trade measures could gradually undermine the benefits of trade openness.

He said WTO members should turn their attention to revitalising the trading system and to ensuring such a scenario does not materialise.

The present trade forecast assumes global output growth of 2.1 per cent in 2012 at market exchange rates, down from 2.4 per cent in 2011, based on a consensus of economic forecasters.

However, there are severe downside risks for growth that could have even greater negative consequences for trade if they came to pass.

These include a steeper than expected downturn in Europe, financial contagion related to

the sovereign debt crisis, rapidly rising oil prices and geopolitical risks.

Recent production data suggest that the European Union may already be in recession, and even China' dynamic economy appears to be growing more slowly in 2012.

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