Quilter

Between the lines | Week 27

WTO points to 'silver lining' amid steepest trade fall in history

According to World Trade Organisation (WTO) forecasts, 2020 will see the steepest fall in global trade levels on record but, in a statement last week, it said monetary and fiscal policy decisions had helped the world avoid an even worse outcome.


Roberto Azevêdo, director-general of the World Trade Organisation (WTO), Credit: bbc.co.uk

In April the WTO put forward two possible scenarios for global trade in the wake of the coronavirus pandemic. In its 'optimistic' scenario, world trade could contract by 13%, while in the 'pessimistic' scenario the fall could be as high as 32% in 2020.

The latest WTO update showed that global trade fell by 3% in the first three months of 2020, and initial estimates for the second quarter – when most lockdown measures were in place – show a year-on-year fall of 18.5%.

However, it pointed out the 'pessimistic' scenario would likely have seen sharper falls in the first six months of the year. Consequently, it said, global trade would only need to grow by 2.5% per quarter for the rest of 2020 in order to meet its 'optimistic' projection.

Roberto Azevêdo, director-general of the WTO, observed: "The fall in trade we are now seeing is historically large – in fact, it would be the steepest on record. But there is an important silver lining here: it could have been much worse."

Looking ahead to 2021, however, the WTO noted that adverse developments, including a second wave of coronavirus outbreaks, weaker than expected economic growth or widespread recourse to trade restrictions, could see trade expansion fall short of earlier projections.

Mr Azevêdo also noted that although policy decisions had been critical in softening the blows to trade, a rebound in 2021 would require fiscal, monetary and trade policies to all "keep pulling in the same direction."

Losing Face(book)


Mark Zuckerberg, Credit: themarysue.com

By Monday morning (29 Jun) shares in Facebook were some 13% adrift of where they were last week as advertising clients scrambled to show their 'WOKE' credentials – namely their awareness of social and racial justice issues – with an advertising ban across Facebook and its Instagram platform. The boycott extended to Twitter, which also saw its shares tumble last week.

By Tuesday (30 Jun) more than 150 advertisers were boycotting Facebook following calls from heavyweight US civil rights groups such as the National Association for the Advancement of Colored People (NAACP) and the Anti-Defamation League. On 17 June, they and others launched the *#StopHateForProfit* campaign calling for a ban on advertising until Mark Zuckerberg's empire took action to stop "bad actors using the platform to do harm".

North Face was the first big brand to join the boycott; it started an avalanche that enveloped Adidas, Reebok, Starbucks, Ford, Unilever – the owner of brands like Ben & Jerry's, Pot Noodle, PG Tips, Dove and Vaseline – as well as Coca-Cola, Verizon, Levi's, Honda and Hershey's.

Quilter Market Explainer: Imagining the 'new normal'

In response to the severe market volatility that has accompanied the outbreak of the global coronavirus pandemic, Quilter has launched the Quilter Market Explainer, a special fortnightly webcast for advisers and clients.

All our previous broadcasts in this series are available on demand, to listen please click on the play button.

The next *Explainer* will air at midday on 10 July and will feature experts from across Quilter discussing the outlook for investment markets in a post-coronavirus world.

Our panel will discuss how the global pandemic has impacted sectors and regions, and the risks and opportunities available to investors as we navigate the 'new normal'.

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