

TRADEPRISM OUTLOOK & KEY THEMES

January 2026

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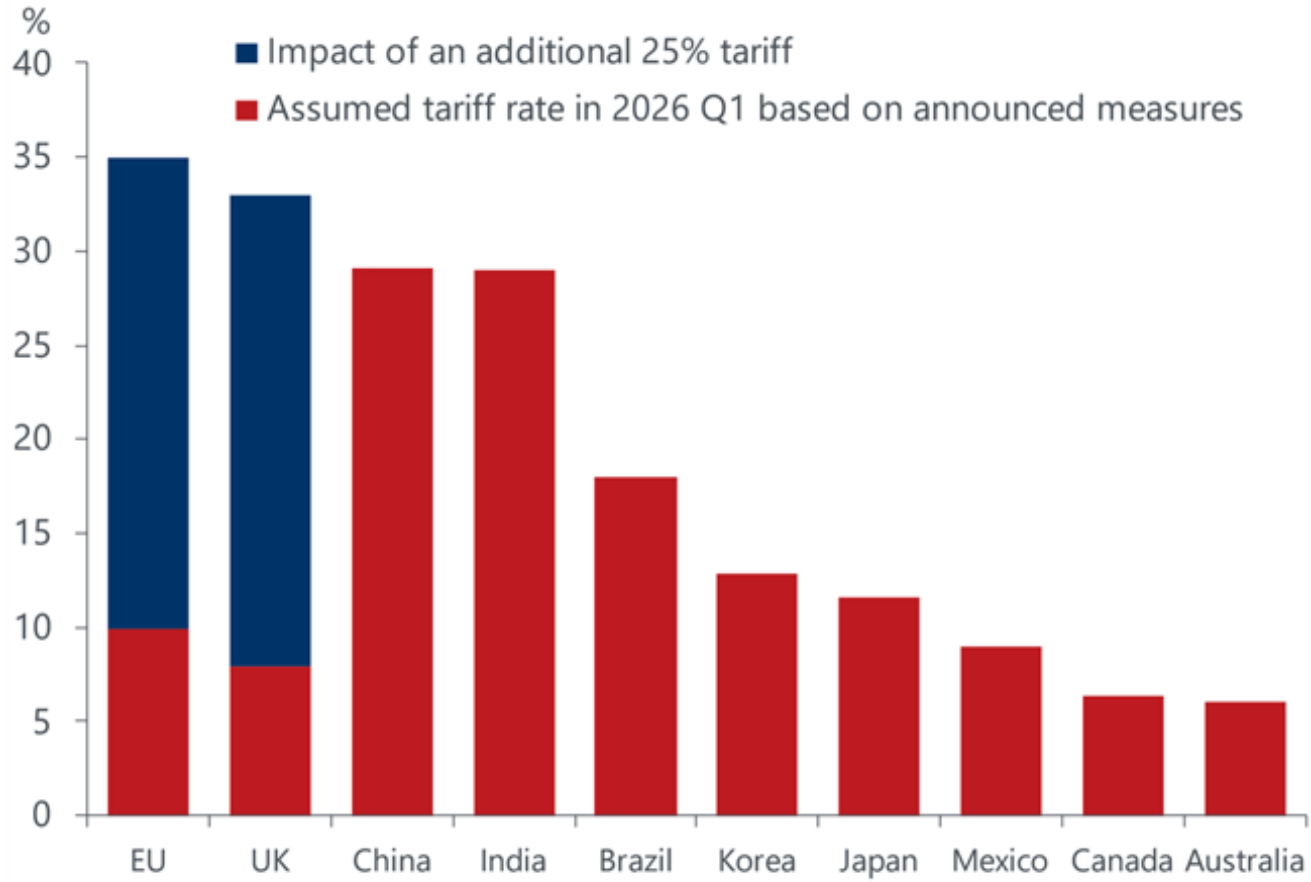


Agenda

- 1** Lessons from Greenland
- 2** Theme 1: Trade will be wedged between tariffs and AI
- 3** Theme 2: Transshipments will give way to genuine production shifts, reshaping China's role in global value chains.
- 4** Theme 3: China is in the firing line for more protectionist policies, but trade liberalisation will continue elsewhere
- 5** Outlook in one slide
- 6** Q&A

Greenland highlights uncertainty of trade policy

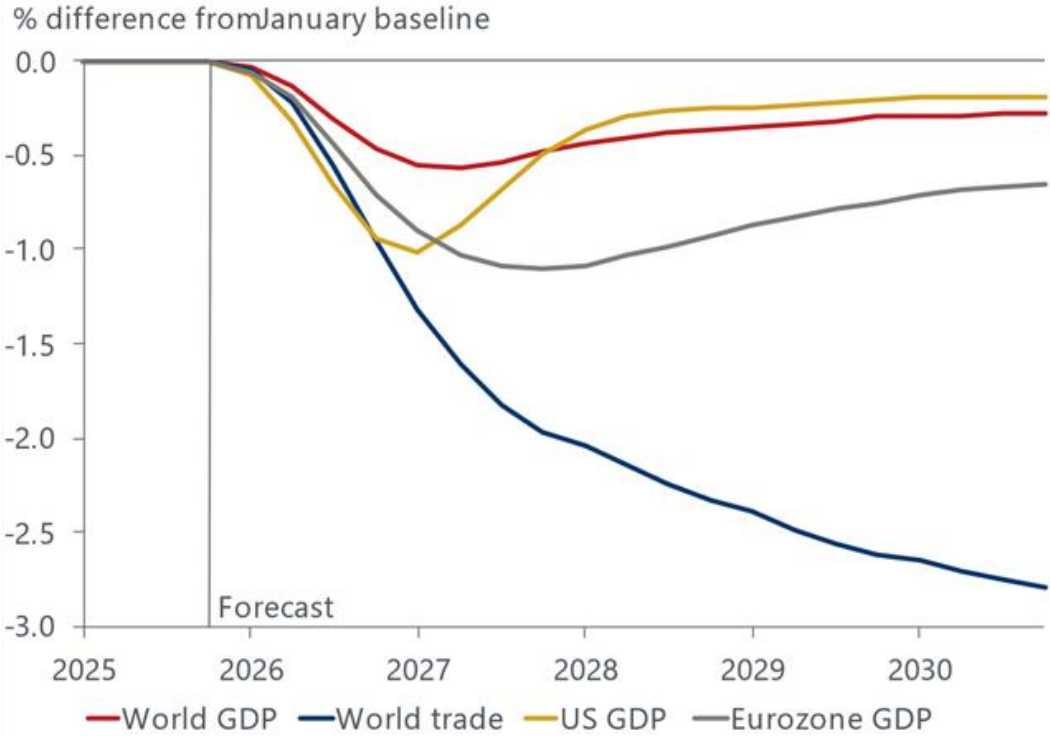
World: US effective tariff rates on imports



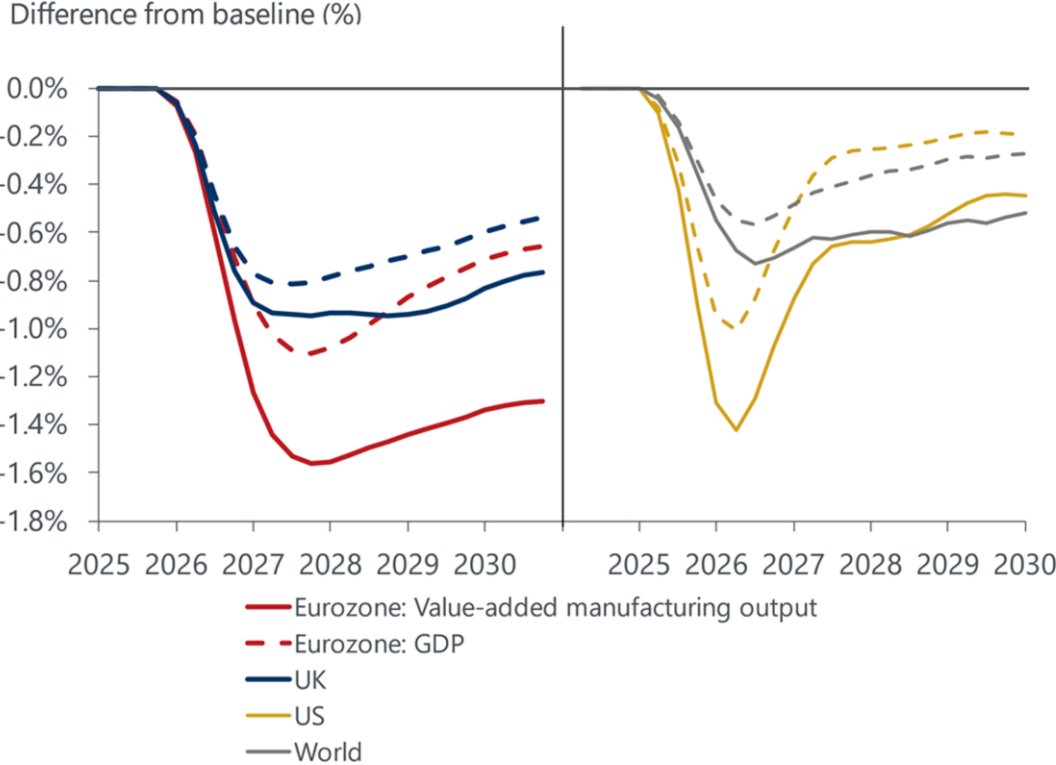
- In mid-February, President Trump threatened additional tariffs of 10% on any country that opposes the purchase (or transfer of control) of Greenland to the US. Tariffs would have increased to 25% in June.
- Trump ultimately walked back these threats, but is maintaining pressure on European economies regarding Greenland.
- Lesson 1: Foreign policy is the latest frontier of tariffs.
- Lesson 2: We know tariffs are here to stay. But we don't know in what form.

It could have been bad

World: Impact on GDP from Greenland tariff escalation

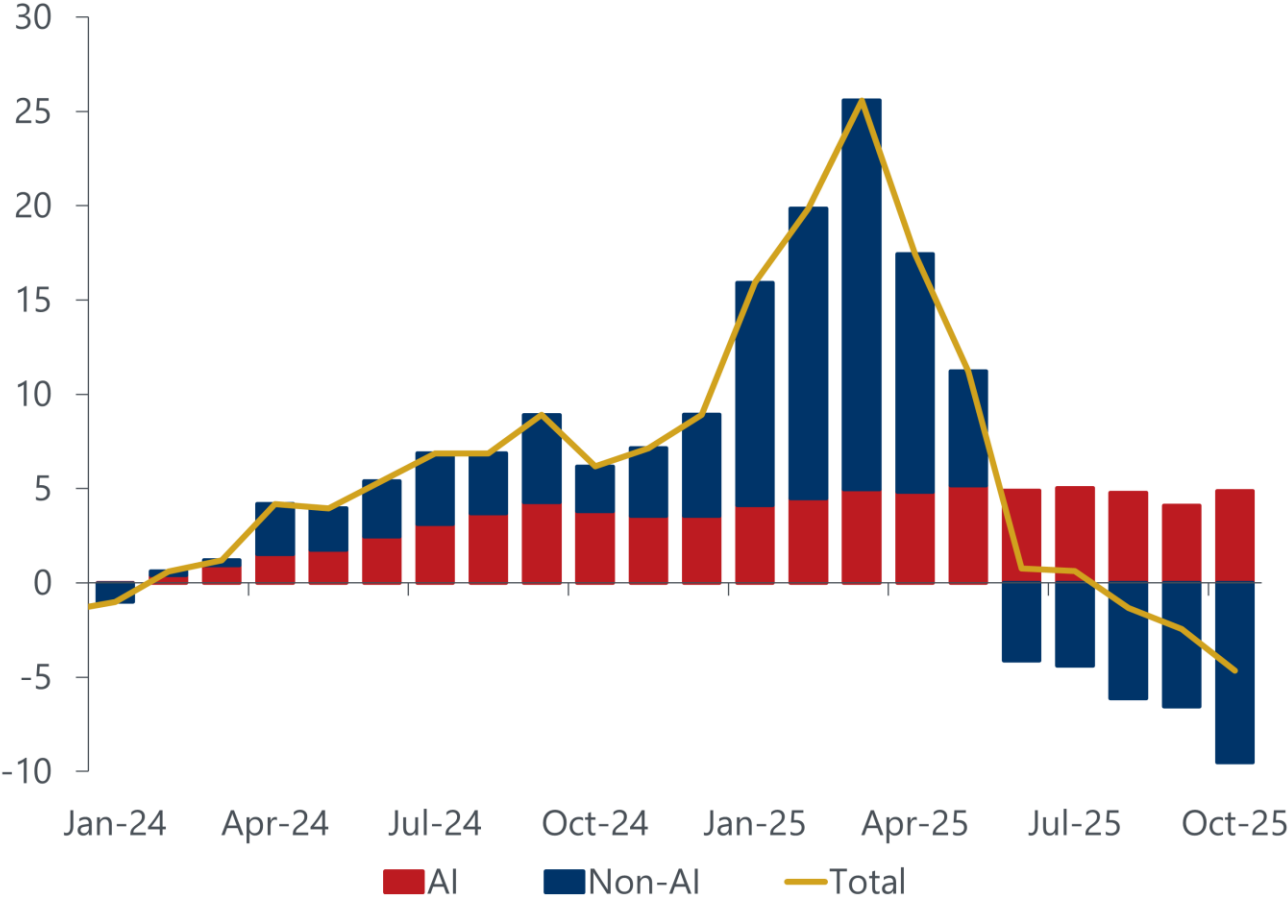


World: Greenland tariff impacts on manufacturing



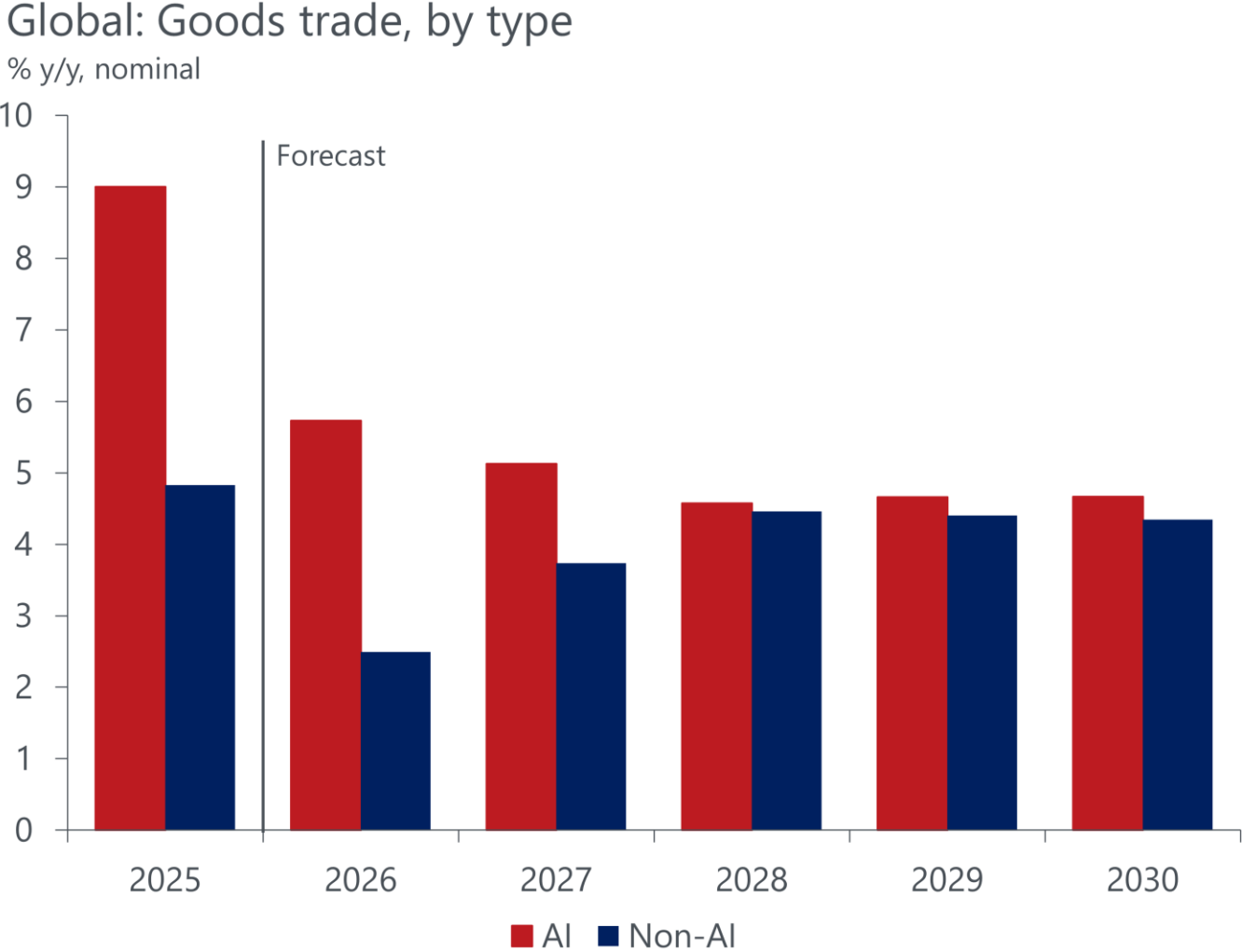
Theme 1: Caught between AI and tariffs

US: Goods imports
% y/y, ppt contribution, 3-mo MA



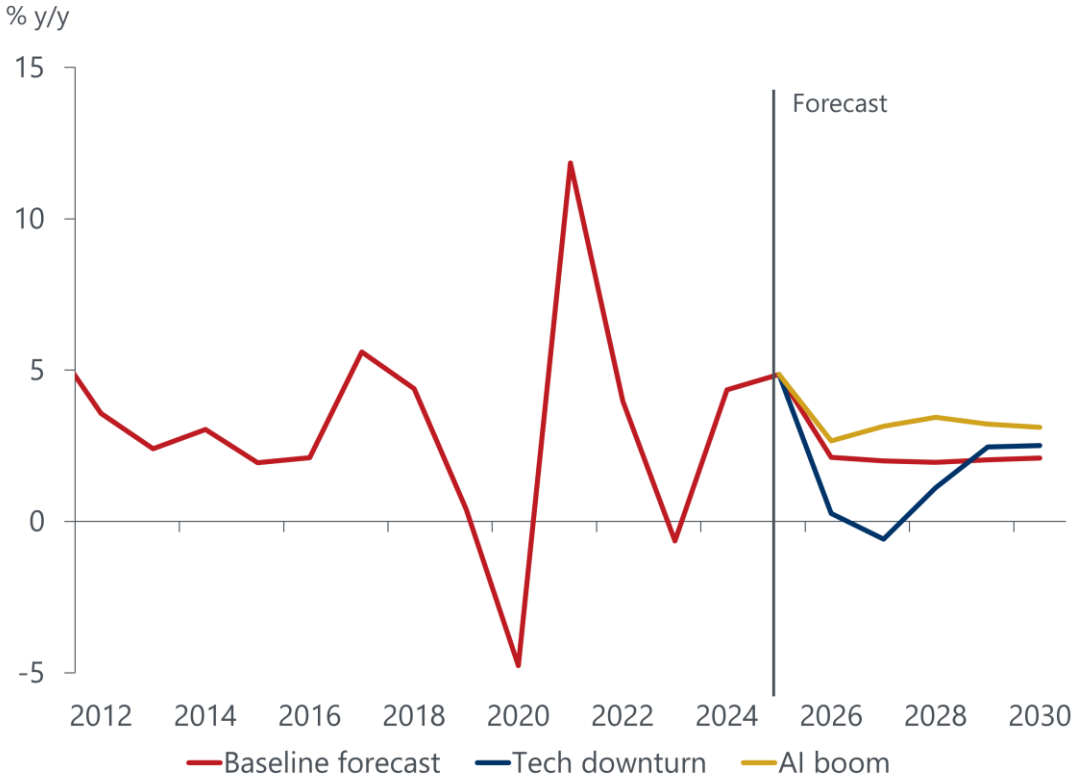
- The US effective tariff rate has risen sharply over the past 12 months, weighing on sentiment and trade.
- AI is the bright spot of trade. Tech investment rose 9.2% in 2025.
- The US epitomises these dynamics. More than 80% of the increase in US imports this year has come from AI-related goods.

AI-demand to power 2026 trade growth

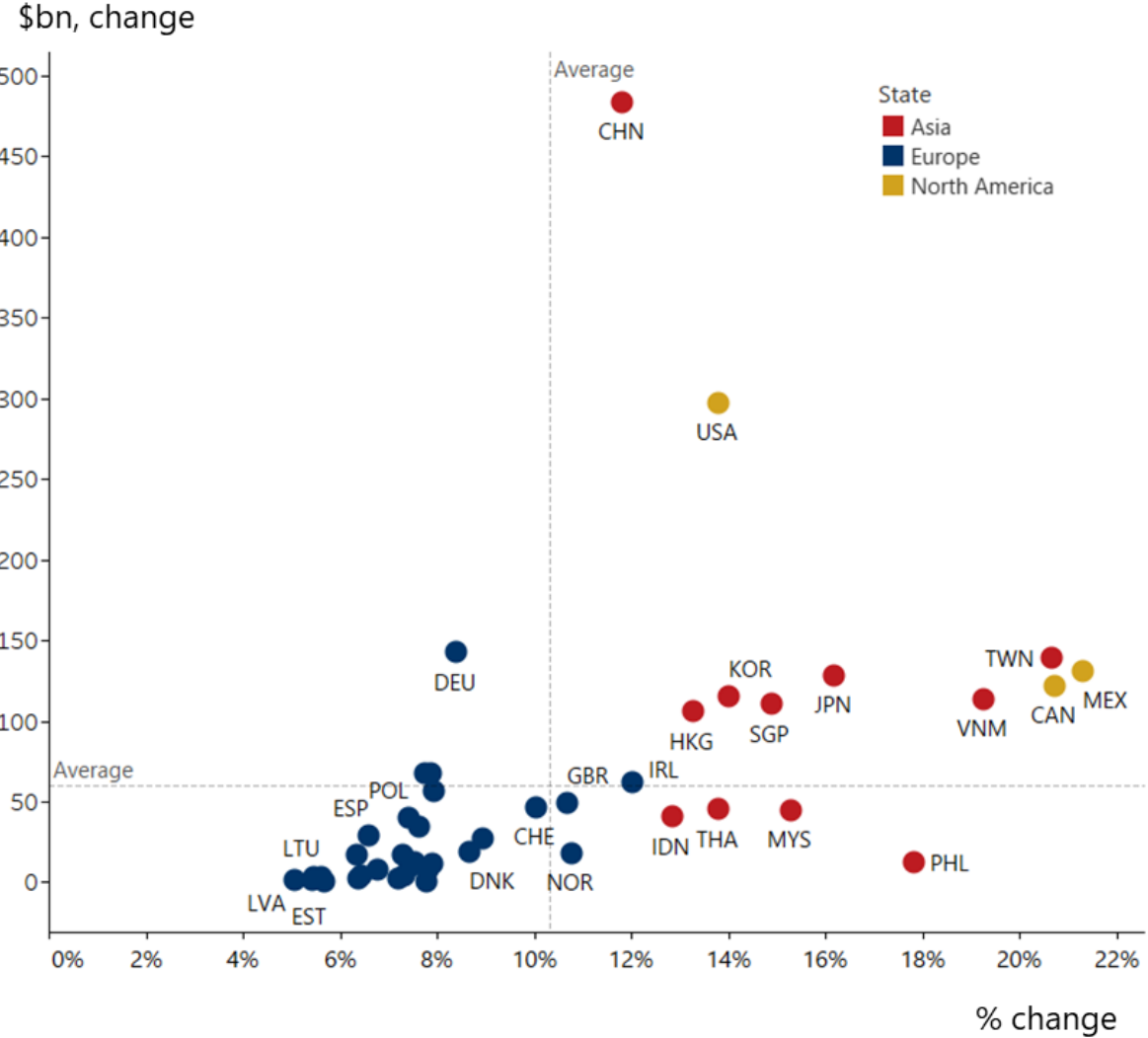


Global trade outlook hinges on tech

Global: Trade volumes



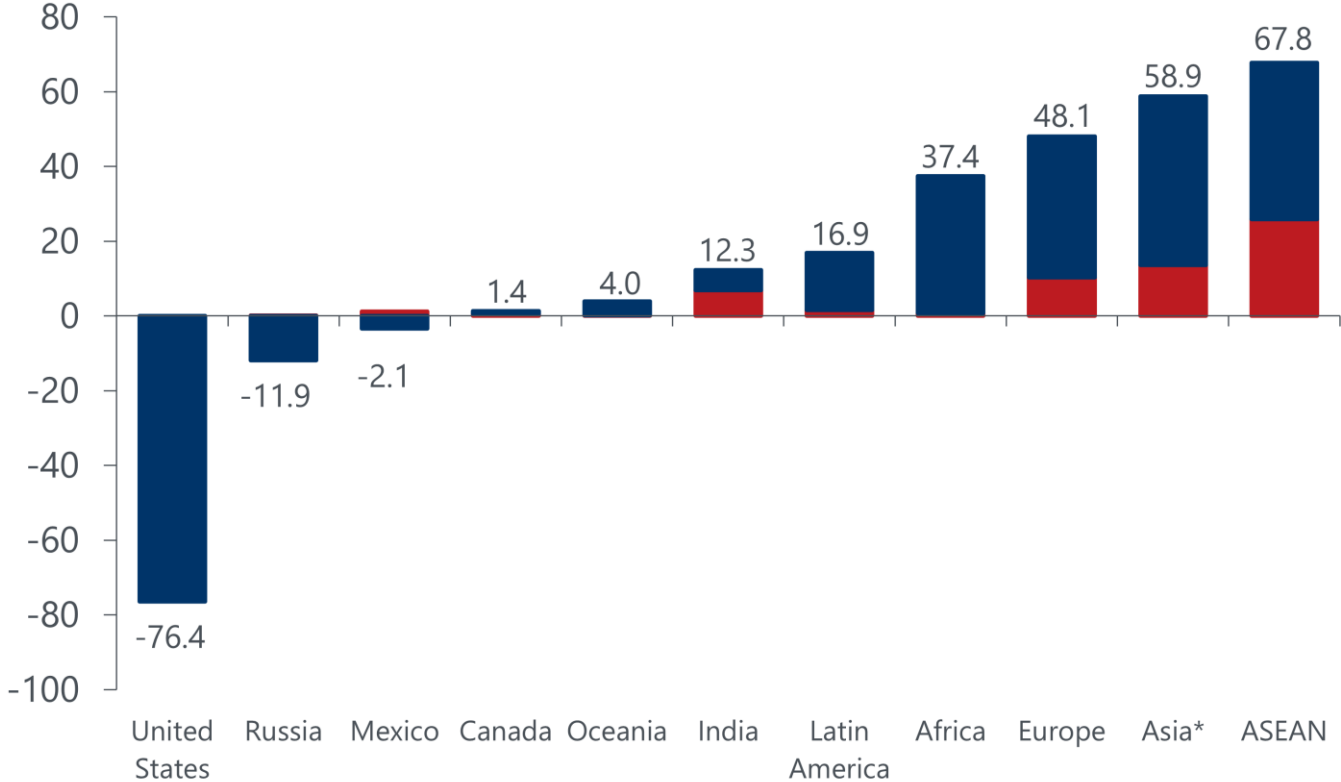
Difference in exports between upside and downside scenario by 2030



Theme 2: Transshipments give way to genuine production shifts

China: Goods exports by destination

Jan-Oct 2025 cumulative, y/y chg, \$bn

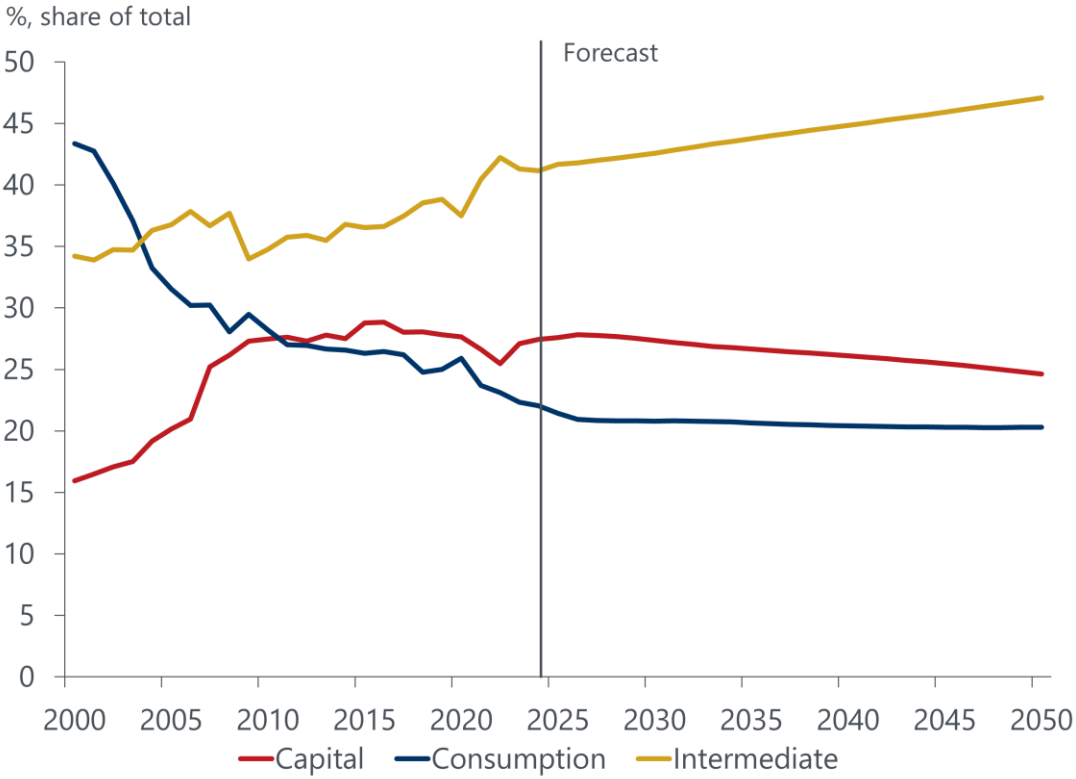


■ Goods without evidence of rerouting to US ■ Goods with evidence of rerouting to US

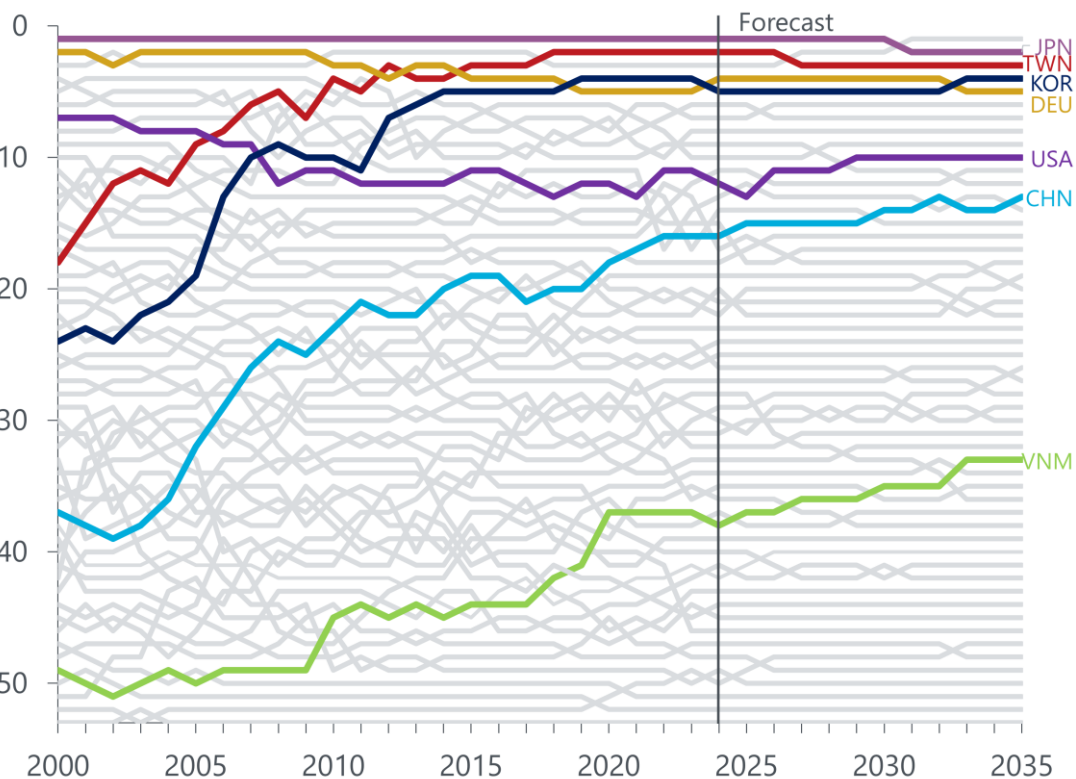
*Ex ASEAN and India

Intermediate exports to drive Chinese growth

China: Good exports, by type



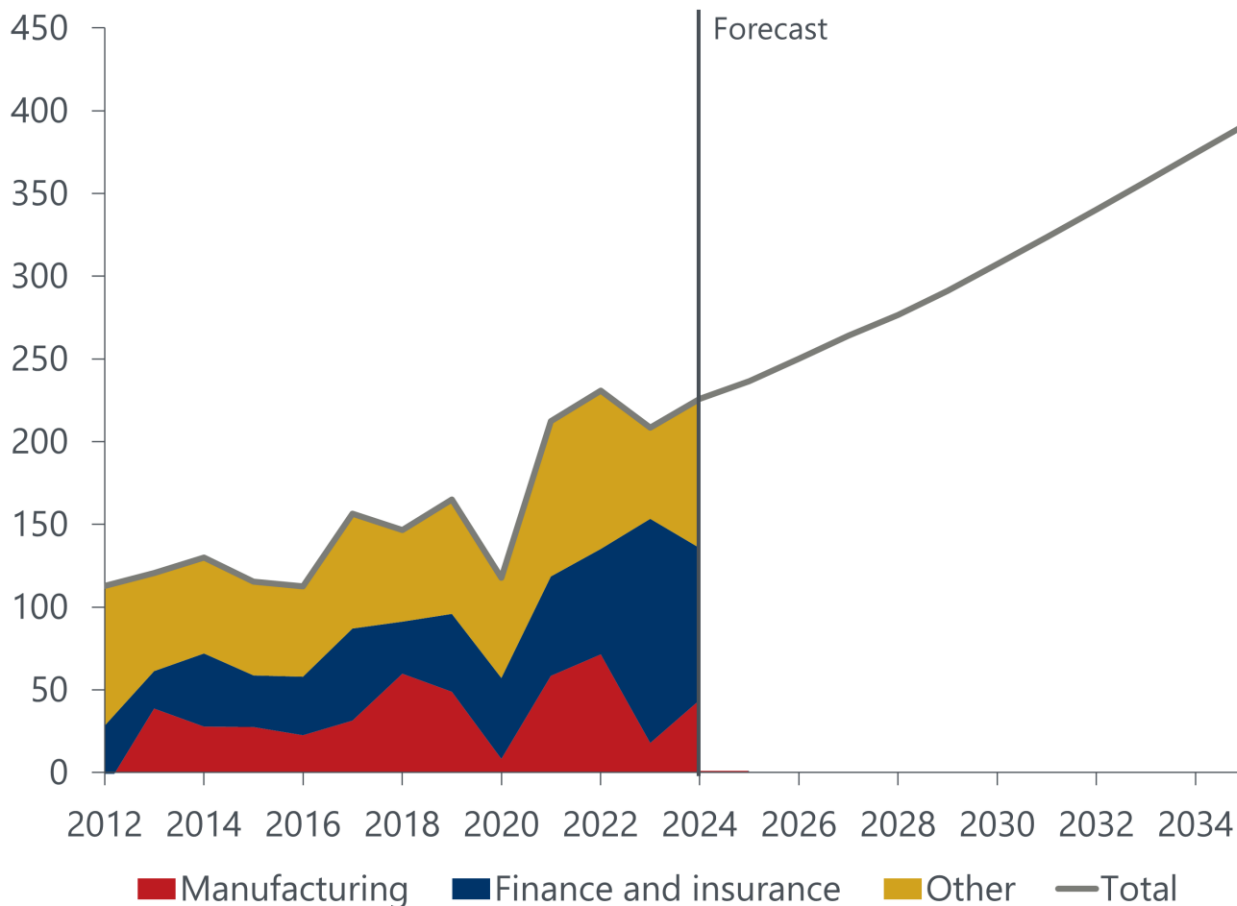
Global: Economic Complexity Index, rank



Production shifts require investment

ASEAN: Inward FDI

US\$ bn

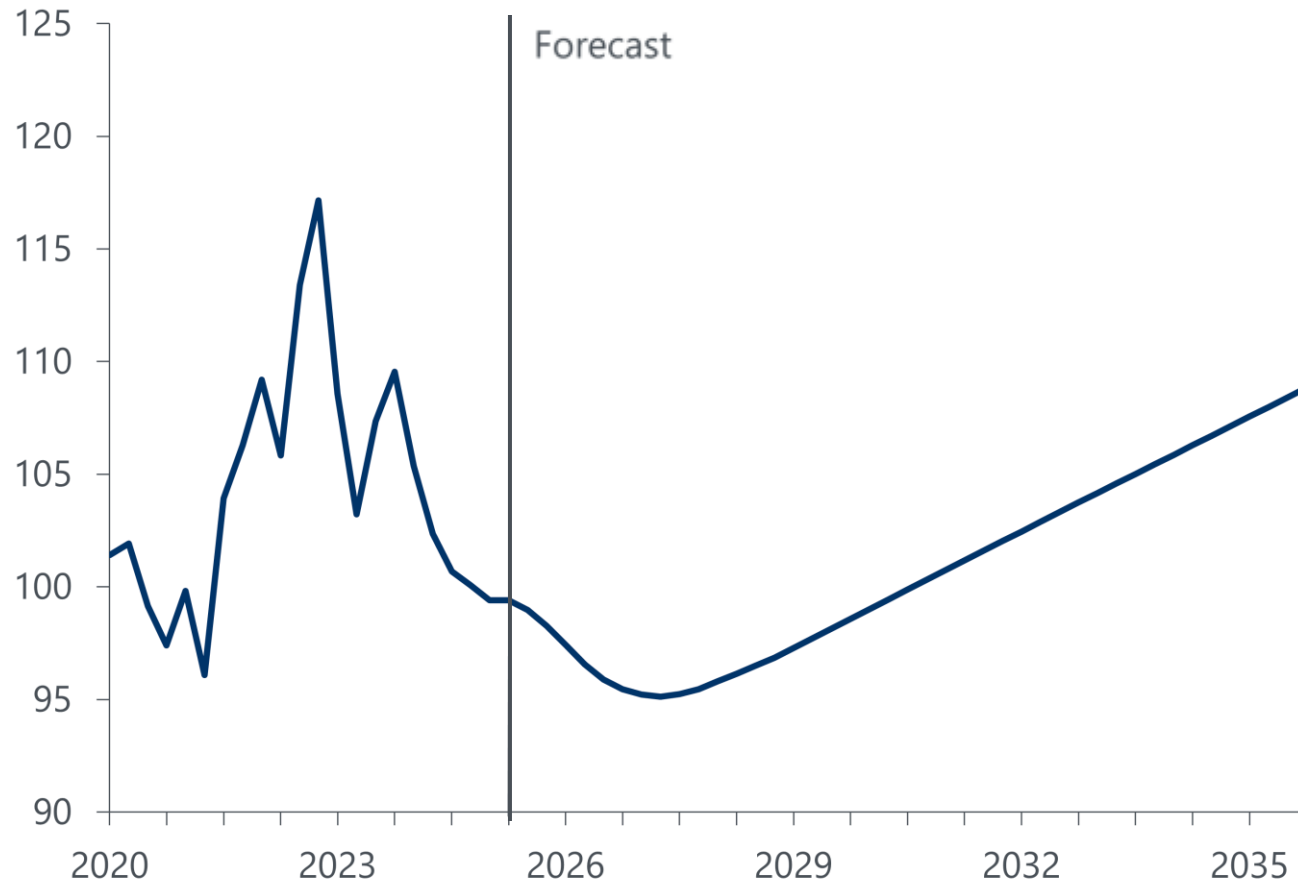


- To avoid higher costs, manufacturers will be incentivised to shift production to lower-tariff economies (rather than trying to sneak around tariffs).
- China itself is driving much of this shift, moving low-value manufacturing offshore and relocating assembly and basic processing to emerging Asian economies. This has occurred largely through direct investment in local factories.
- ASEAN inward FDI is forecast to nearly double from \$230bn in 2024 to \$390bn by 2034.

Theme 3: Trade caught between protectionism and liberalisation

China Export deflator, non-fuel goods

Index 2020=100



- It's not just the US imposing trade barriers. Several countries have imposed new tariffs on China to protect domestic manufacturing. EVs are particularly contentious, with the US, EU, Brazil, Turkey, Mexico, and Canada all imposing tariffs.
- On the other hand, many countries have continued pursuing trade liberalisation. The EU struck a major trade deal with Mercosur countries and is negotiating with India. India has signed agreements with the UK and New Zealand.

Outlook in one slide

- **Tariffs are here to stay**, however they look.
- **Trade challenges will come more to the fore this year.** Front-loading is behind us, and uncertainty is weighing on business orders. Pulling in the other direction, AI will continue to support (albeit with slightly less gusto).
- **Combined, that will see global trade volume growth slow.** We forecast trade volumes to grow of 1.7% this year and 2.2% in 2027, down from 4.9% in 2025.
- **Asia will outperform**, given its links to AI and expanded European integration in the region.

Q&A

