World Trade Organization

Global Trade Outlook and Statistics

Update: October 2023

About the WTO

The World Trade Organization is the international body dealing with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible, with a level playing field for all its members.

WTO lowers trade growth forecast amid global manufacturing slowdown

A continued slump in goods trade that began in the fourth quarter of 2022 has led WTO economists to scale back their trade projections for the current year while maintaining a more positive outlook for 2024. The volume of world merchandise trade is now expected to grow by 0.8% this year, down from the 1.7% forecast in April, while the 3.3% growth projected for 2024 remains nearly unchanged from the previous estimate.

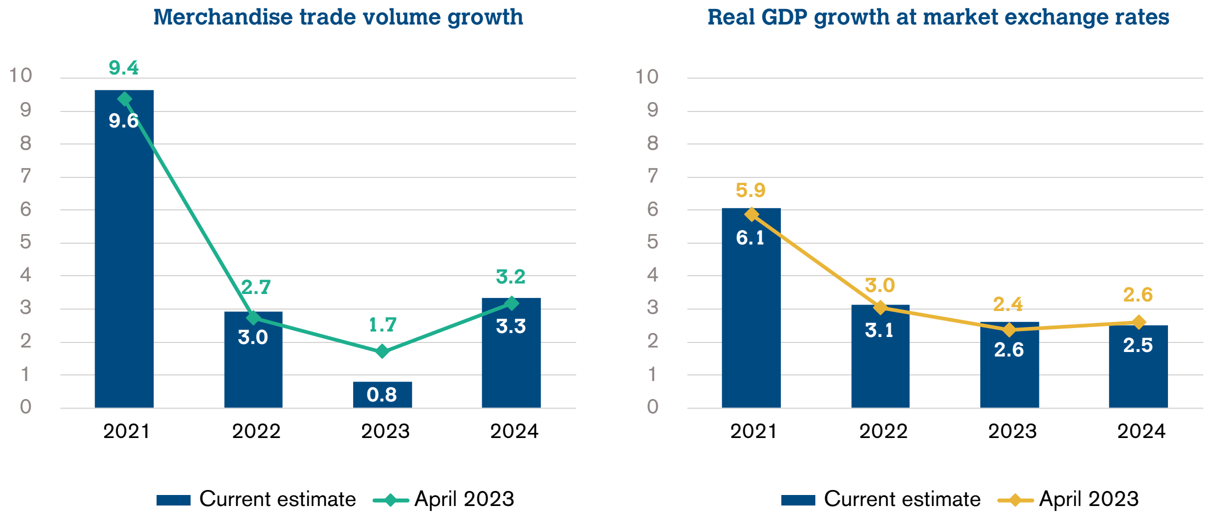
Trade volume and GDP growth

World trade and output slowed abruptly in the fourth quarter of 2022 as the effects of tighter monetary policy were felt in the United States, the European Union and elsewhere, but falling energy prices and the end of Chinese pandemic restrictions raised hopes of a quick rebound. So far, these hopes have not materialized, as strained property markets have prevented a stronger recovery from taking root in China, and as inflation has remained sticky in the United States and the EU. Together with the after-effects of the war in Ukraine and the COVID-19 pandemic, these developments have cast a shadow over the outlook for trade in 2023 and 2024.

The WTO now expects world merchandise trade volume growth of 0.8% in 2023 – down from 1.7% in our April forecast – accompanied by real GDP growth of 2.6% at market exchange rates (see Chart 1). Trade growth should then pick up to 3.3% in 2024 – nearly unchanged from the previous 3.2% estimate in April – with stable GDP growth of 2.5%. Trade is expected to grow more slowly than GDP this year but faster next year; such swings are not unusual given the relatively large share of business-cycle sensitive investment and durable goods in trade compared to GDP.

Chart 1: World merchandise trade volume and GDP growth, 2021-2024

Annual % change



Note: Figures for 2023 and 2024 are projections.

Source: WTO for merchandise trade volume and consensus estimates for GDP.

The trade slowdown appears to be broad-based, involving a large number of countries and a wide array of goods, specifically certain categories of manufactures such as iron and steel, office and telecom equipment, textiles, and clothing. A notable exception is passenger vehicles, sales of which have surged in 2023. The exact causes of the slowdown are not clear, but inflation, high interest rates, US dollar appreciation, and geopolitical tensions are all contributing elements.

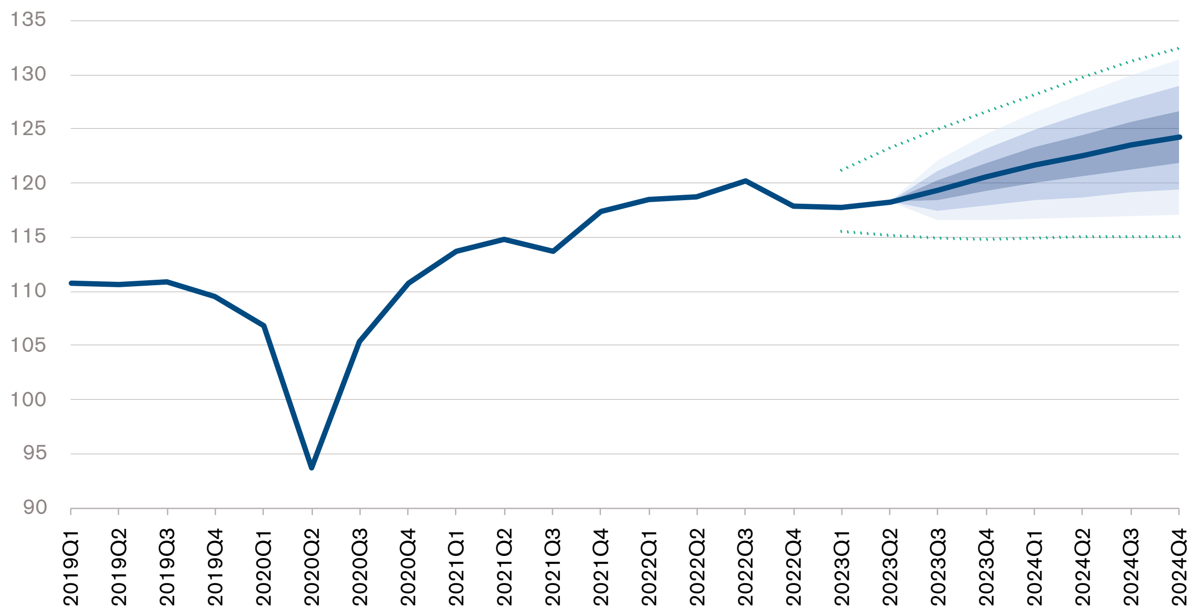
Merchandise trade volume was down 0.5% year-on-year in the first half of 2023, but a modest pickup is expected in the second half of the year (see Chart 2). The trade slump in the fourth quarter of 2022 should also inflate year-on-year growth towards the end of the year. Recent trade developments and the overall outlook for 2023 are within the estimated confidence interval shown in the WTO's previous forecast of April 2023 which had already foreshadowed risks firmly tilted to the downside.

Risks to the forecast include a sharper than expected slowdown in China and a resurgence of inflation in advanced economies, which would require keeping interest rates higher for a longer period. On the other hand, growth could also exceed expectations if inflation comes down quickly, allowing an early exit from contractionary monetary policies. Overall, risks to the current outlook are considered to be evenly balanced between the upside and the downside, although there may be some additional growth potential due to the lower base in 2023. WTO economists do see some signs in the data of trade fragmentation linked to geopolitical tensions, but so far there is no evidence of a broader deglobalization trend that could weigh more heavily on trade.

Commodity prices spiked following the start of the war in Ukraine, as the possibility of supply disruptions set off a scramble to secure access to energy products (see Chart 3). The price of crude oil peaked in June 2022 while natural gas prices hit an all-time high in August of that year. Prices have since fallen sharply but they remain high by historical standards. There is a risk that a rebound in prices during the winter months in the northern hemisphere could undermine any nascent economic recovery and further dampen trade volumes.

Chart 2: Volume of world merchandise trade, 2019Q1-2024Q4

Seasonally-adjusted volume index, 2015=100

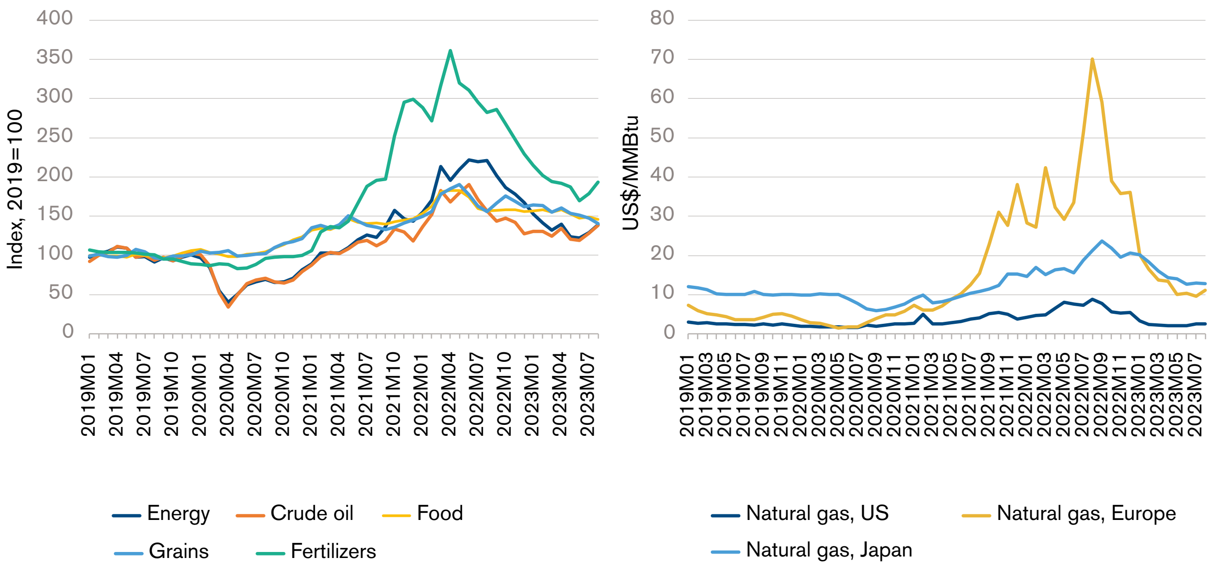


Note: The shaded region represents both random variation and subjective assessment of risk. The dotted lines represent the confidence interval from the April 2023 trade forecast.

Source: WTO and UNCTAD for historical data, WTO Secretariat estimates for forecasts.

Chart 3: Global primary commodity prices, January 2019-August 2023

Index 2019=100 and US$ per million Btu



Source: World Bank.

The global average price of crude oil in August 2023 was still up 38% compared to the average of 2019, while natural gas prices in Europe were up 133%. Increased storage capacity for natural gas in European countries should prevent extreme volatility in energy prices this winter, but prices could still rise if demand exceeds supply for other reasons, including cold weather or problems with energy infrastructure.

High commodity prices reduce real incomes but they also threaten low-income countries with food insecurity. Despite the recent easing of prices, in August 2023, the average price of food products was 46% higher than in 2019, while fertilizer prices were up 93%. Farmers could be forced to choose between using less fertilizer or planting fewer crops, both of which would reduce yields and increase the risk of hunger around the world.

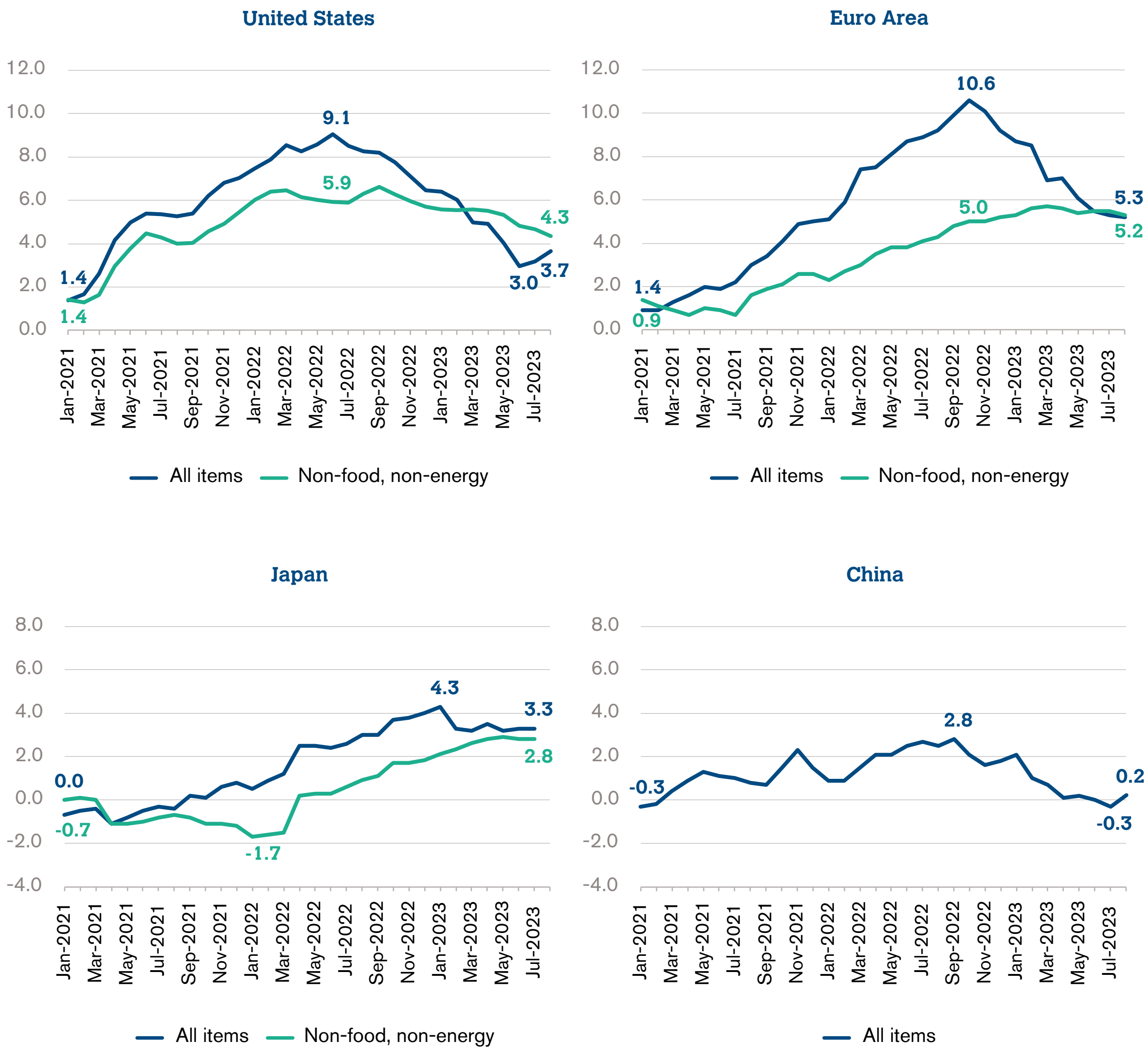
Declines in prices for food and energy have helped bring down headline inflation rates in many countries, but core inflation (excluding these volatile items) remains sticky. In August 2023, headline inflation in the United States dropped to 3.7% but core inflation was stuck at 4.3% (see Chart 4). Inflation was higher in the Euro Area (headline 5.2%, core 5.3%) and lower in Japan (headline 3.3%, core 2.8%), but in all cases it was above central bank targets. Some central bankers have signalled that interest rates might remain high in order to ensure that inflation stays under control, which could have negative consequences for trade and output in the forecast periods. In contrast to developed economies, China had edged towards deflation, with prices declining in July 2023 before ticking up in August.

Inflation and commodity prices can strongly influence regional trade volume developments, which are illustrated in Chart 5. In the first half of 2023, North America recorded the fastest export growth of any region, up 5.4% compared to the same period in the previous year. It was followed by South America (1.4%), Africa (0.9%), Europe (0.5%), the Middle East (0.2%), Asia (-2.3%) and the CIS region[1] (-3.5%). Asia's export growth is expected to turn positive in the second half of the year while Europe's is expected to flip into negative territory.

1 Refers to Commonwealth of Independent States, including certain associate and former member states: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan, Turkmenistan, and Uzbekistan.

Chart 4: Consumer price inflation in selected economies, January 2021-August 2023

Year-on-year % change



Source: OECD, National Bureau of Statistics China.

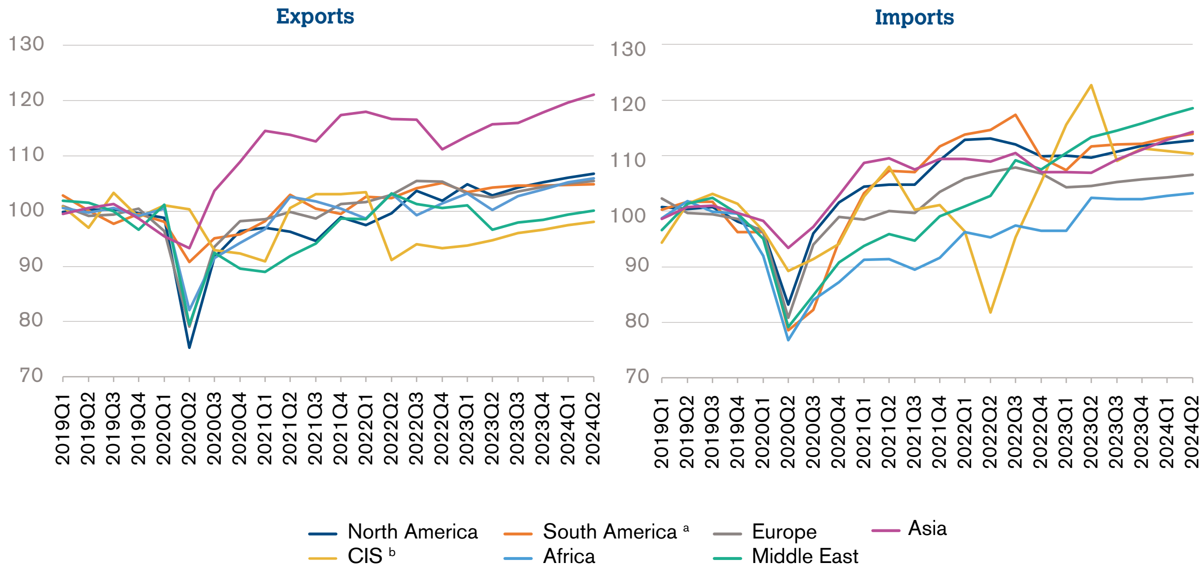
In the first half of 2023, import growth was fastest in regions that disproportionately export fuels, as countries in these regions have been flush with export revenues since the start of the war in Ukraine. These include the CIS (33.7%), the Middle East (12.2%), and Africa (4.6%). Other regions registered declines, including Europe (-1.9%), Asia (-2.0%), North America (-2.8%) and South America (-4.2%).

Import volume growth is expected to turn positive in Asia and North America in the second half of 2023 while Europe's imports should remain weak.

Although the volume of Asia's merchandise exports has been flat for some time, it remains well above its level in 2019 thanks to a surge in shipments of manufactures from China during the pandemic. In the first half of 2023, exports of Asia were up 14.6% compared to 2019 while those of North America, South America and Europe rose 3.8%, 3.9%, and 2.8%, respectively. Exports of oil producing regions grew more slowly (Africa, 1.7%) or declined (Middle East -1.2%, CIS -5.7%).

Chart 5: Merchandise exports and imports by region, 2019Q1-2024Q2

Volume index, 2019=100



a Refers to South and Central America and the Caribbean.

b Refers to Commonwealth of Independent States, including certain associate and former member states.

Note: Figures for 2023Q3 to 2024Q2 are projections.
Source: WTO and UNCTAD.

On the import side, Asia was up 6.9% between 2019 and 2023, while North America jumped 9.8% and Europe rose 4.4%. Imports were also up sharply in resource-exporting regions, including South America (9.5%), the Middle East (11.9%), and the CIS (19.1%), but declined slightly in Africa (-0.6%).

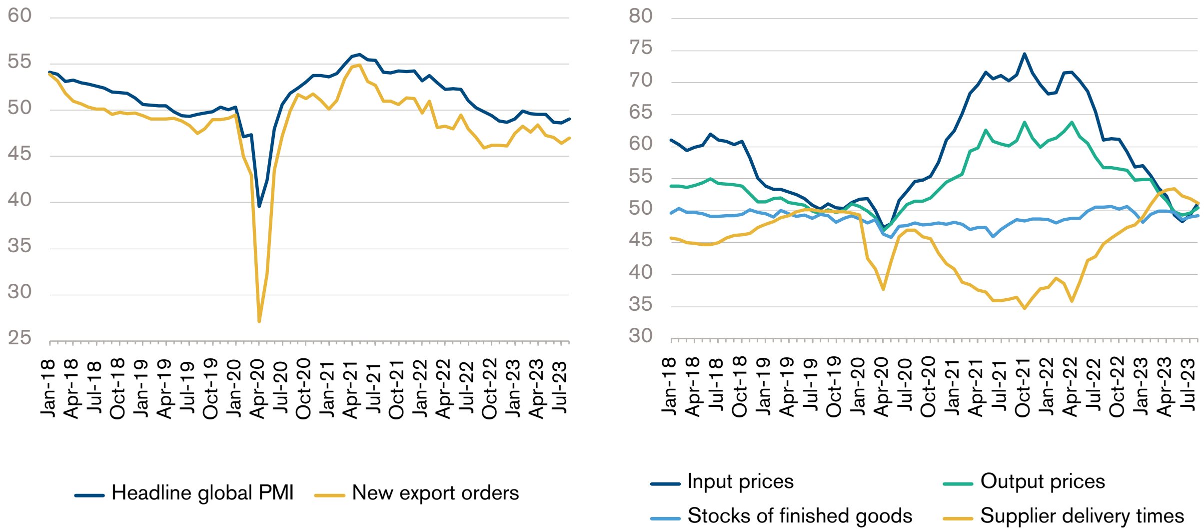
Some developments at the country level may seem counterintuitive. For example, while Asia's imports in the first half of 2023 were down 2.3% year-on-year, China's imports actually rose 2.0%. Much of the import decline in Asia was due to other countries in the region, including Japan (-2.0%), Singapore (-10.0%), Malaysia (-5.6%) and Thailand (-10.3%), among others. Meanwhile, US imports and EU extra-imports were down 3.7% and 4.2%, respectively.

Purchasing managers' indices (PMIs) based on business surveys provide a timely indication of the state of the global economy. PMI data for January 2018 to August 2023 are shown in Chart 6, with values greater than 50 indicating expansion and values less than 50 denoting contraction (except for supplier delivery times, where larger numbers represent faster shipments). The manufacturing PMI headline index stood at 49.0 in August, marking 12 straight months of contraction. Meanwhile, the more forward-looking new exports orders index stood at 47.0, suggesting continued weakness in goods trade worldwide. Both indices ticked up in August compared to the previous month, providing some hope for an upturn.

The global services PMI (not shown in the chart) stood at 50.6 in August but has been trending down. This would seem to indicate that services have continued to grow, albeit at a slower pace. These figures agree with WTO trade statistics, which show contraction in merchandise trade values and stronger growth in commercial services trade.

The right panel of Chart 6 also shows indices related to the state of supply chains. All have returned to near their baseline value of 50 after having diverged strongly during the pandemic. This suggests that supply conditions have normalised after pandemic-related disruptions over the last three years. Falling input and output prices also suggest that global inflationary pressures are waning.

Chart 6: Global Manufacturing Purchasing Managers' Indices, January 2018-August 2023
Diffusion index, base = 50



Note: Values greater than 50 indicate expansion while values less than 50 denote contraction except for supplier delivery times, where larger numbers represent faster shipments.
Source: J.P. Morgan and S&P Global.

Trade forecast details

Table 1 summarizes the WTO's current projections for merchandise trade volume and real GDP at market exchange rates through 2024. If the forecast is realised, North America will register the strongest export growth of any region in 2023 at 3.6%, followed by the CIS region at 3.0%. Most other regions would only see modest export growth, except for Africa, where exports are expected to contract by 1.5%. On the other hand, the CIS is expected to record the strongest import growth of any region (25%), followed by the Middle East (12.5%) and Africa (5.1%). Other regions will see modest declines, including North America (-1.2%), South America (-1.0%), Europe (-0.7%), and Asia (-0.4%).

Positive export and import volume growth should resume in 2024 in all regions except for the CIS, where imports are expected to decline after a strong rebound in 2023. If the forecast for 2024 is realised, Asia would be the fastest growing region on both the export and import sides.

The 0.8% forecast for world trade in 2023 represents a downward revision of 0.9 percentage points from the previous forecast of last April, which predicts a 1.7% increase in merchandise trade. Reasons for the downgrade include a 1.1 percentage point reduction in the 2023 forecast for North America and a 3.0 percentage point reduction in the forecast for Asia. While the revision of European imports was smaller (0.1 percentage points), contraction was already expected for the region. These three regions account for the vast majority of global demand for imported goods, 88% of the total in 2022.

Except for the figures related to the CIS region, revisions to the GDP data in Table 1 were smaller, leaving world GDP little changed. The ratio of merchandise trade growth to GDP growth provides a rough measure of the "elasticity" of trade with respect to income (or, in other words, the responsiveness of trade to changes in GDP). This ratio fell from 1.6 in 2021 to 0.3 in 2023, but is expected to rise to 1.3 in 2024. Averaging the values from 2019 and 2024 gives an elasticity of 1.0, which suggests that trade is still growing one-to-one in line with GDP.

Table 1: Merchandise trade volume and GDP growth, 2019-2024 [a]

Annual % change

	2019	2020	2021	2022	2023P	2024P
World merchandise trade volume [b]	**0.4**	**-5.0**	**9.6**	**3.0**	**0.8**	**3.3**
Exports						
North America	0.4	-8.9	6.5	4.2	3.6	2.7
South America [c]	-1.6	-4.9	6.5	2.2	1.7	0.6
Europe	0.4	-7.7	8.0	3.4	0.4	2.2
CIS [d]	0.0	-1.0	-1.8	-4.5	3.0	1.9
Africa	0.1	-6.8	5.2	-0.8	-1.5	4.1
Middle East	-1.0	-6.5	-0.4	7.7	2.0	3.8
Asia	0.8	0.6	13.1	0.4	0.6	5.1
Imports						
North America	-0.6	-5.9	12.5	6.0	-1.2	2.2
South America [c]	-2.0	-10.5	26.2	3.6	-1.0	3.3
Europe	0.2	-7.2	8.5	5.7	-0.7	1.6
CIS [d]	8.5	-5.4	10.3	-5.5	25.0	-4.0
Africa	4.4	-15.2	8.3	6.3	5.1	3.1
Middle East	11.4	-9.0	12.8	13.7	12.5	4.6
Asia	-0.5	-0.8	10.6	-0.5	-0.4	5.8
World GDP at market exchange rates	2.6	-3.1	6.1	3.1	2.6	2.5
North America	2.1	-3.2	5.7	2.3	2.2	1.4
South America [c]	0.5	-6.3	7.6	4.0	1.9	1.7
Europe	1.7	-5.9	5.9	3.6	1.0	1.4
CIS [d]	2.6	-2.4	5.5	-0.5	1.7	1.9
Africa	2.6	-2.4	4.7	3.6	3.3	3.4
Middle East	0.8	-4.2	4.4	6.4	2.6	3.0
Asia	4.0	-0.7	6.5	3.3	4.1	4.0
Memo: Least Developed Countries (LDCs)						
Volume of merchandise exports	0.4	-0.9	-1.0	1.1	2.2	5.6
Volume of merchandise imports	2.4	-8.9	9.9	1.8	1.2	3.1
Real GDP at market exchange rates	5.0	-2.1	3.7	5.3	4.9	5.2

a Figures for 2023 and 2024 are projections.

b Average of exports and imports.

c Refers to South and Central America and the Caribbean.

d Refers to Commonwealth of Independent States (CIS), including certain associate and former member states.

Note: These projections incorporate mixed-data sampling (MIDAS) techniques for selected countries to take advantage of higher-frequency data such as container throughput and financial risk indices.

Sources: WTO for trade, consensus estimates for GDP.

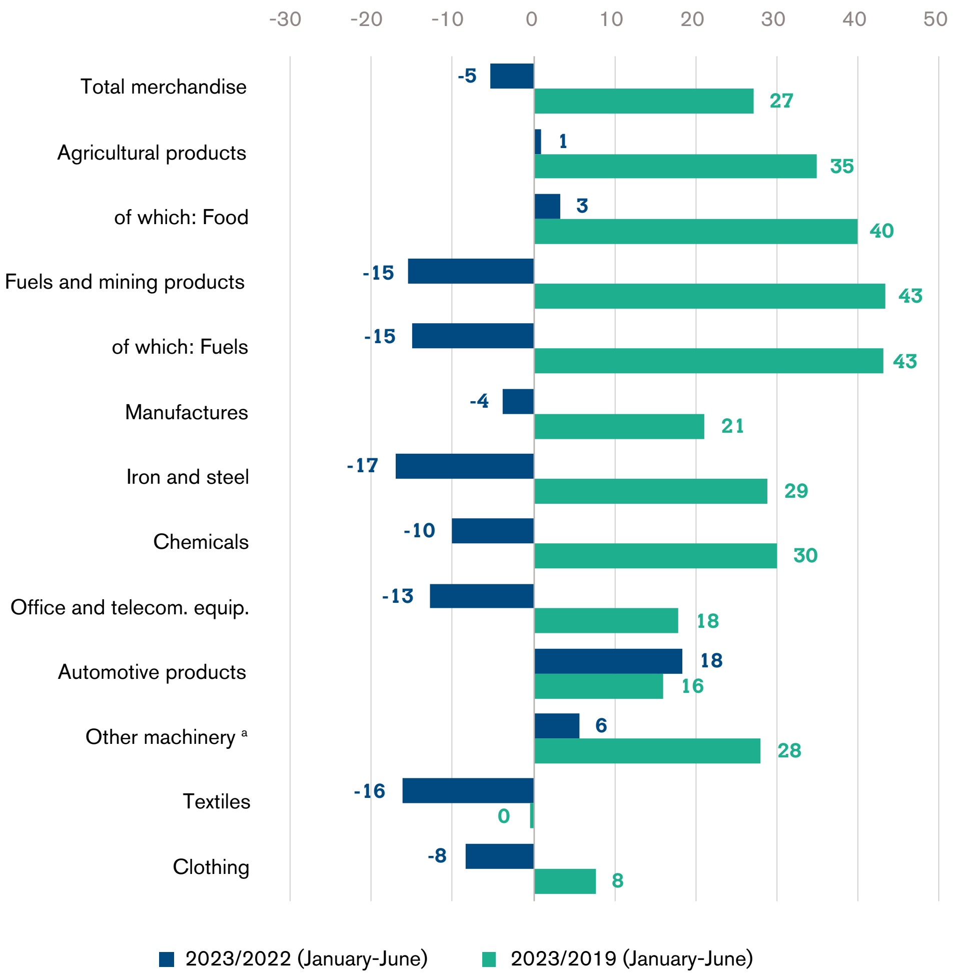
Trade developments in value terms

The value of world merchandise trade in current US dollar terms was down 5% year-on-year in the first half of 2023, partly as a result of falling commodity prices and partly due to US dollar appreciation, which tends to reduce the value of trade denominated in other currencies (see Chart 7.) Despite the first half decline, the dollar value of merchandise trade was still up 27% compared to 2019. Several sectors contributed to the decline in merchandise trade in the first half of the year, including fuels and mining products (-15%), iron and steel (-17%), and textiles (-16%). By comparison, trade in manufactures was only down 4%, thanks to strong growth in automotive products (18%) and other machinery (6%).

Statistics on commercial services trade by category are not available yet for the second quarter of 2023. However, such data do exist for the first quarter, together with monthly statistics on selected economies through June 2023. World commercial services trade was up 9% year-on-year in Q1 of 2023 (see Chart 8). As recently as the second quarter of 2022, commercial services trade was up 19% year-on-year, which suggests that services may be losing momentum. In the first quarter of 2023, commercial services trade was led by travel (up 58%), followed by goods-related services (5%), other commercial services (5%) and transport (-5%).

Chart 7: Year-on-year merchandise trade growth by product in the first half of 2023

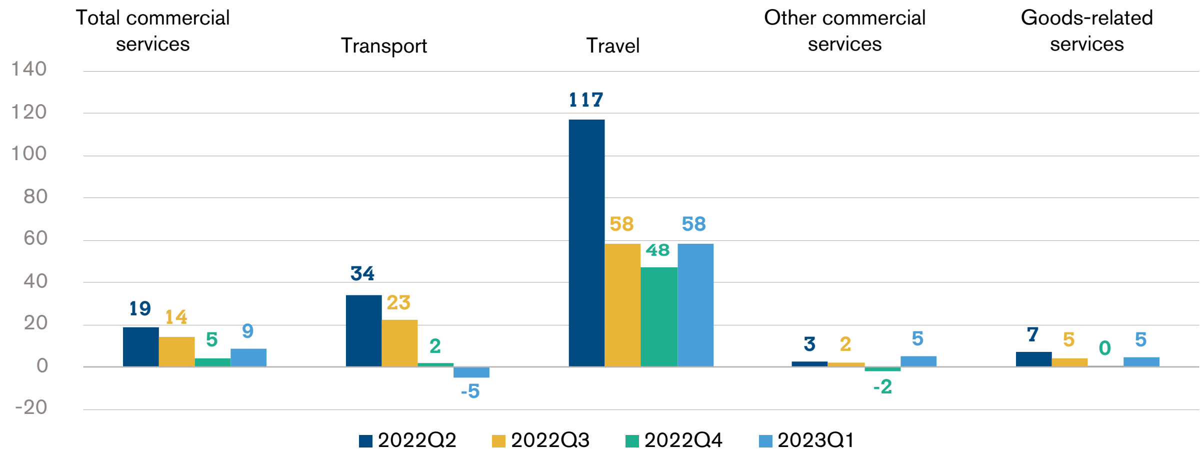
% change in US$ values



a Includes electrical machinery, non-electrical machinery and power generating equipment.

Source: WTO for total merchandise, secretariat estimates for products.

Chart 8: Year-on-year growth in world commercial services trade, 2022Q2-2023Q1
% change in US$ values



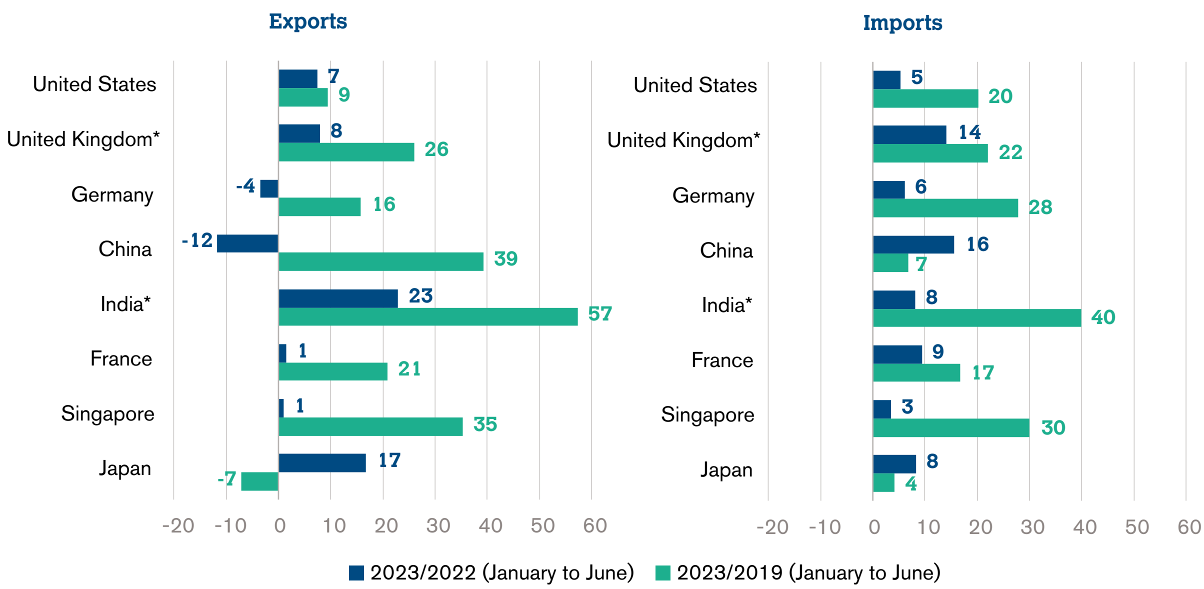
Note: Trade refers to average of exports and imports.
Source: WTO-UNCTAD.

Chart 9 shows year-on-year growth in commercial services trade of selected economies in the first half of 2023. China and Germany stand out on the export side as the only countries reporting declines (-12% for China, and -4% for Germany). Services exports of France and Singapore were weak but positive, up just 1%. Meanwhile, the United States (7%), the United Kingdom (8%), India (23%) and Japan (17%) registered stronger growth.

On the import side, China and the United Kingdom recorded strong year-on-year growth in trade values of 16% and 14%, respectively. Meanwhile, other countries saw moderate increases of between 3% and 9%.

The latest WTO statistics on merchandise and commercial services trade can be downloaded from the WTO's online database at stats.wto.org.

Chart 9: Commercial services trade growth of selected economies in the first half of 2023
% change in US$ values



* Data for India and the United Kingdom refer to Q1.
Source: WTO-UNCTAD estimates

Evidence of fragmentation

Economic and political tensions between the United States and China – the world's two largest economies – have been building for several years, leading to the imposition of numerous tariffs. These measures have sparked some changes in international trading patterns, but evidence that they have thrown globalization into reverse remains limited.

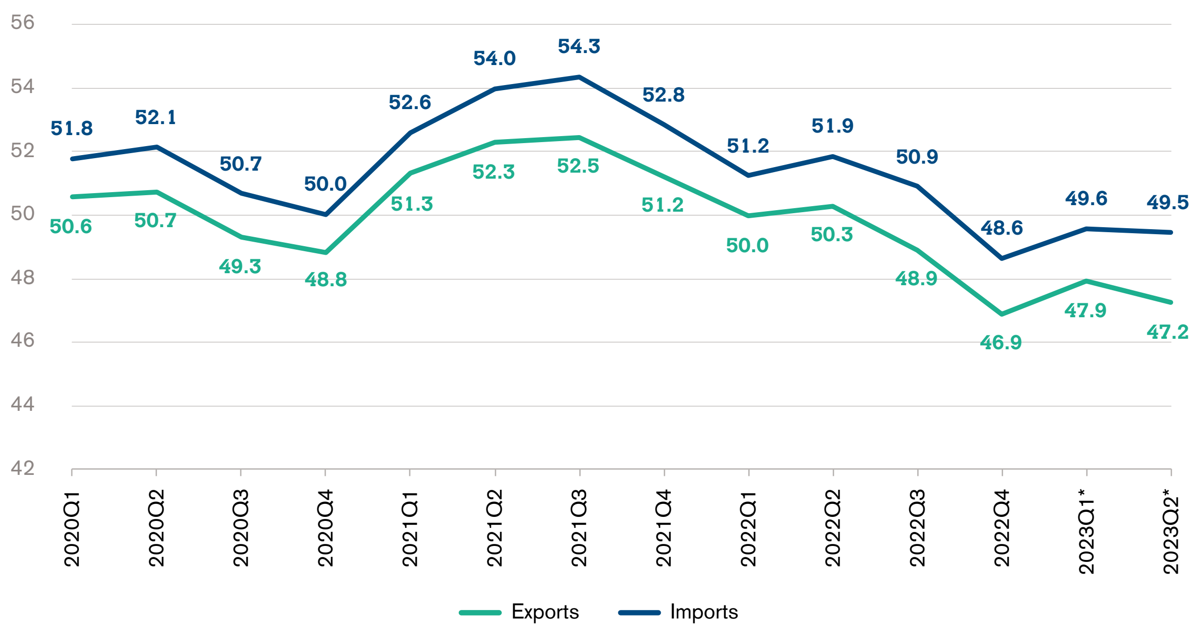
One indicator of the extent of global supply chains is the share of intermediate goods in world trade. Estimates of this share are shown in Chart 10 with fuels excluded from the calculation due to their price volatility. In the fourth quarter of 2022 the ratio fell firmly below 50% and has remained there through the first half of 2023. The shift is not dramatic: as measured by the average of exports and imports, the intermediate goods share has fallen to 48.5% in the first half of 2023, compared to an average of 51.0% over the previous three years.

Whether the decline is due to geopolitical tensions or the recent global economic slowdown is unclear. Whatever the reason, the data suggest that goods continue to be produced through complex supply chains, but that the extent of these chains may have reached their high-water mark.

Other data suggest that trade may be reorienting along regional and political lines. Chart 11 shows the share of partner regions in total bilateral trade of selected economies in parts and accessories, which is a subset of intermediate goods consisting of components of machinery and transport equipment. The share of Asian trading partners in US bilateral trade in these goods rose from 39% before the pandemic to 43% in 2022, but for the year to date in 2023 it has fallen to 38%. Over the same period, the share of China in US bilateral trade increased from 11% to 12% before falling back to 10%. Similar shifts in trade patterns can be seen in Germany and Japan but they are even less dramatic. Meanwhile, the structure of China's trade has remained stable, the most notable shift being a rise in the share of other regions (Africa, CIS, and the Middle East) in parts and components trade, from 5.3% in 2019 to 8.5% in the first half of 2023.

Chart 10: Intermediate goods share in world merchandise trade excl. fuels, 2020Q1-2023Q2

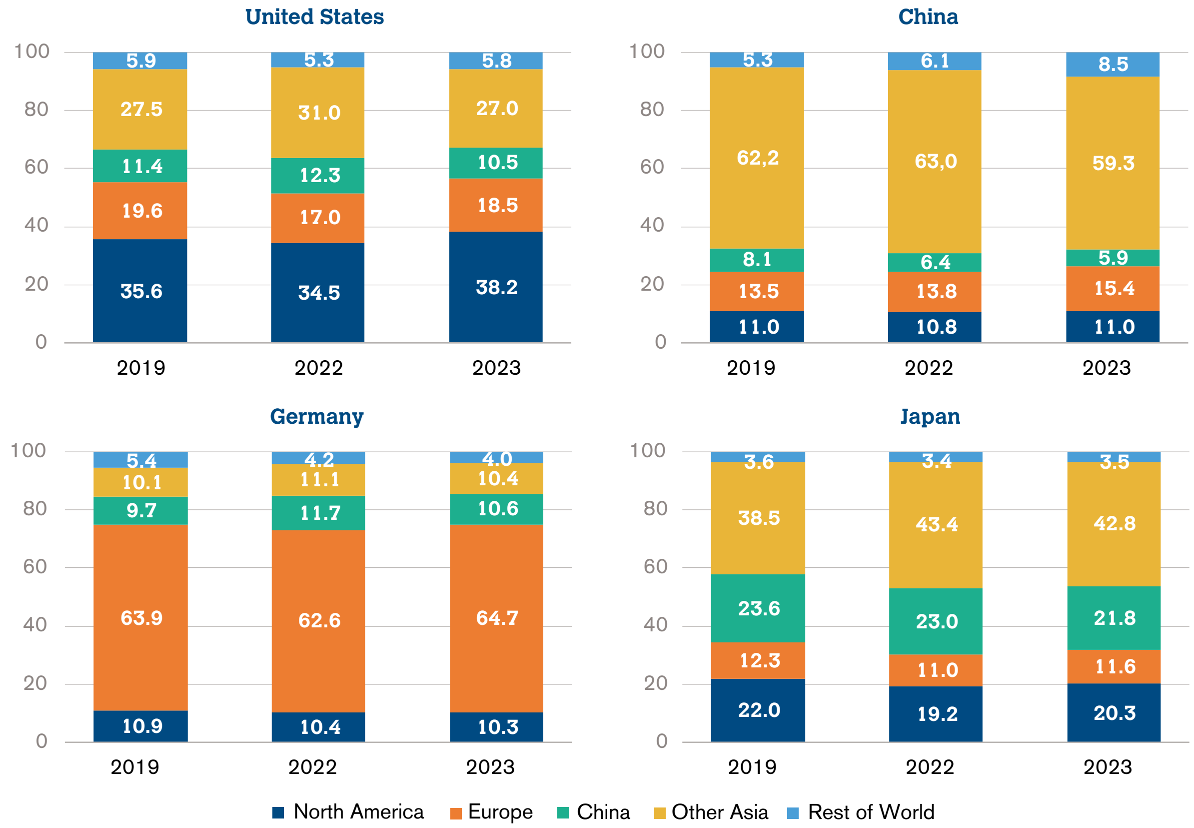
% share



* Preliminary data based on 100 available reporters in TDM.

Source: WTO estimates based on data from TDM.

Chart 11: Total bilateral trade in parts and accessories, 2019-2023 (January-July)
% share



Note: Parts and accessories are defined in terms of the Broad Economic Categories (BEC) trade classification as the sum of codes 42 and 53.
Source: National customs statistics accessed through TDM.

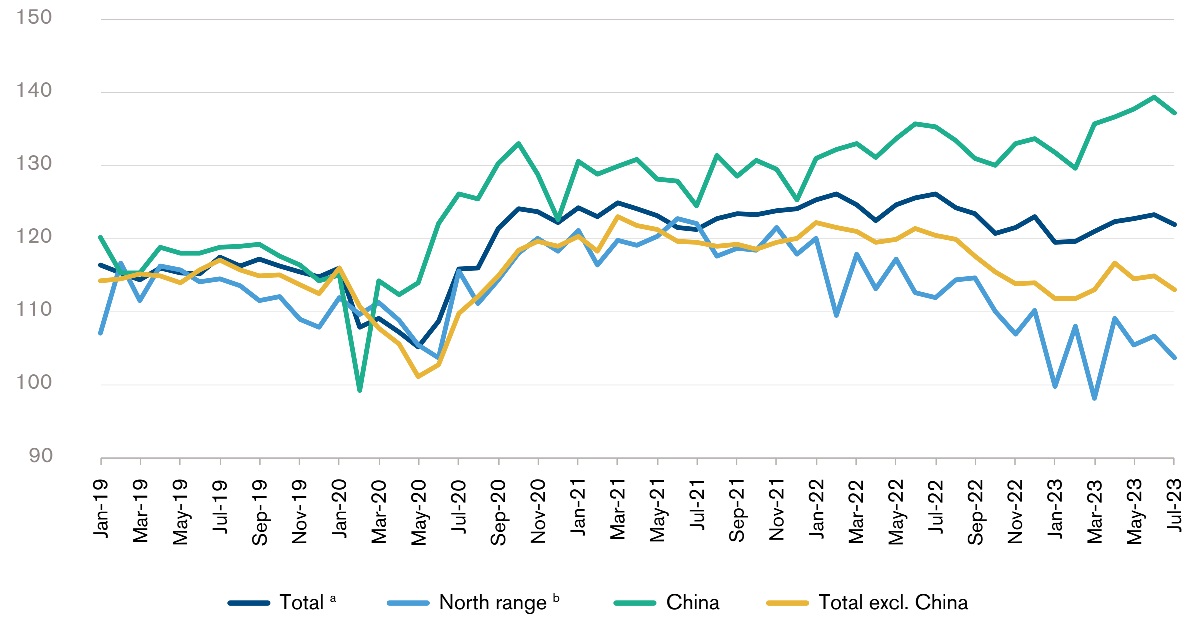
Changes in trade shares along geopolitical lines are also discernible in recent data. For example, US trade in parts and components with politically like-minded countries as measured by UN voting patterns fell from 77% before the pandemic in 2019 to 73% afterwards in 2020. This share then rose to 74% in 2022 and finally back to 77% in 2023. While this could be a sign of supply chains shifting for geopolitical reasons, it could also simply be a reversion to pre-pandemic production patterns.[2]

Other trade-related indicators

The RWI/ISL container throughput index is based on container traffic of 92 ports accounting for 64% of world merchandise trade, making it a reasonable proxy for global container throughput. In general, throughput tracks merchandise trade volume quite closely. This is shown in Chart 12 together with traffic through Chinese and European ports. While throughput has stagnated at the global level, traffic in Chinese ports has continued to grow while shipment through European ports had declined. This suggests that stagnation in Europe may pose a greater risk to the trade outlook than China's economic slowdown. The index does not show US ports separately, but data from the port of Los Angeles are suggestive. Throughput there fell 48% between July 2022 and February 2023, then rose 71% through June. This suggests that US trade with Asia is picking up again after slumping in the second half of last year.

2 Trade within and between hypothetical trading "blocs" is explored in section B of the 2023 WTO World Trade Report as well as in Blanga-Gubbay and Rubinova (2023), "Is the Global Economy Fragmenting?", WTO Staff Working Paper, forthcoming. For detailed definitions of blocs see Goes and Bekkers (2022), "The impact of Geopolitical Conflicts on Trade, Growth and Innovation", WTO Staff Working Paper ERSD-2022-09.

Chart 12: RWI/ISL Global container throughput index, January 2019-July 2023
Seasonally-adjusted index, 2015=100



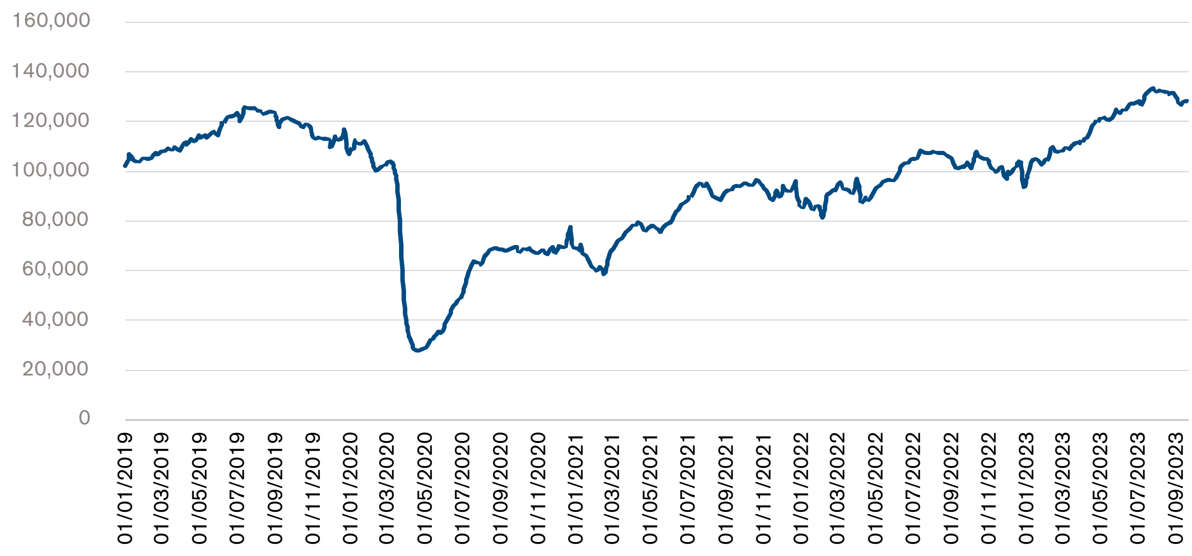
a Based on throughput data from 92 ports accounting for approximately 64% of global container traffic.

b Summarizes throughput of the ports of Le Havre, Zeebrugge, Antwerp, Rotterdam, Bremen/Bremerhaven, and Hamburg.

Source: RWI - Leibniz Institute for Economic Research and Institute for Shipping Economics and Logistics (ISL).

Chart 13 shows the estimated daily number of commercial flights worldwide, reflecting trends in services trade (travel, transport) and goods trade (through its link to air freight). Flights in September are up 24% compared to the same month in the previous year. Meanwhile, flights for the year to date (1 January – 20 September) are up 23%, exceeding pre-pandemic levels. However, a downward trend in recent weeks suggest that services trade may lose momentum in the remainder of 2023.

Chart 13: Number of commercial flights worldwide, 1 January 2019-20 September 2023
Seven-day moving average



Source: Estimated by FlightRadar24.com

Useful resources

WTO Data - Information on trade and trade policy measures

data.wto.org

This portal gives access to a selection of key databases offering statistics and information on various trade-related measures.

WTO Stats

stats.wto.org

A user-friendly data portal to access a wide range of WTO statistical indicators on international trade, tariffs, non-tariff measures and other indicators.

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Report designed by Triptik, Annecy.

The WTO's "Global Trade Outlook and Statistics" analyses recent global trade developments through the second quarter of 2023 and presents the organization's updated forecasts for merchandise trade volume in 2023 and 2024. Developments in merchandise and commercial services trade in value terms are also shown, with breakdowns by sector and region. The report is timed to coincide with the release of the WTO's latest quarterly and annual trade statistics, which can be downloaded from the WTO's online database at stats.wto.org.

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