



GLOBAL TRADE

UPDATE

MARCH 2023

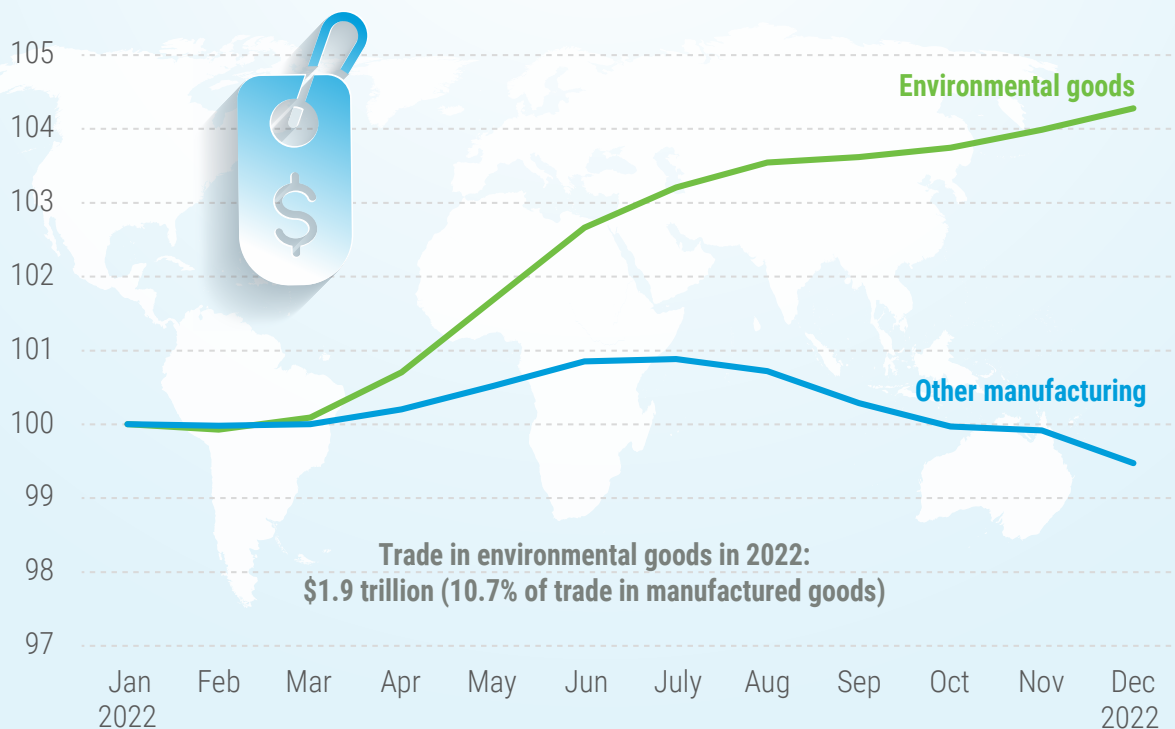
Global trade growth turns negative for most countries and most sectors

- Global trade reached more than US\$ 32 trillion in 2022, but its growth turned negative during the last quarter of 2022.
- Developing countries trade was particularly weak during Q4 2022, with East Asia and Latin America underperforming.
- Nowcast suggests continuing trade stagnation for Q1 2023, but the outlook is more positive for the second half of 2023.
- While manufacturing trade declined, trade in environmentally friendly goods continued to increase throughout the second half of 2022.

Global trade is growing green

Trade of environmental goods outperformed global trade throughout 2022

Index (Jan 2022 = 100)



Source: UNCTAD calculations based on national statistics of China, the United States of America and the European Union.

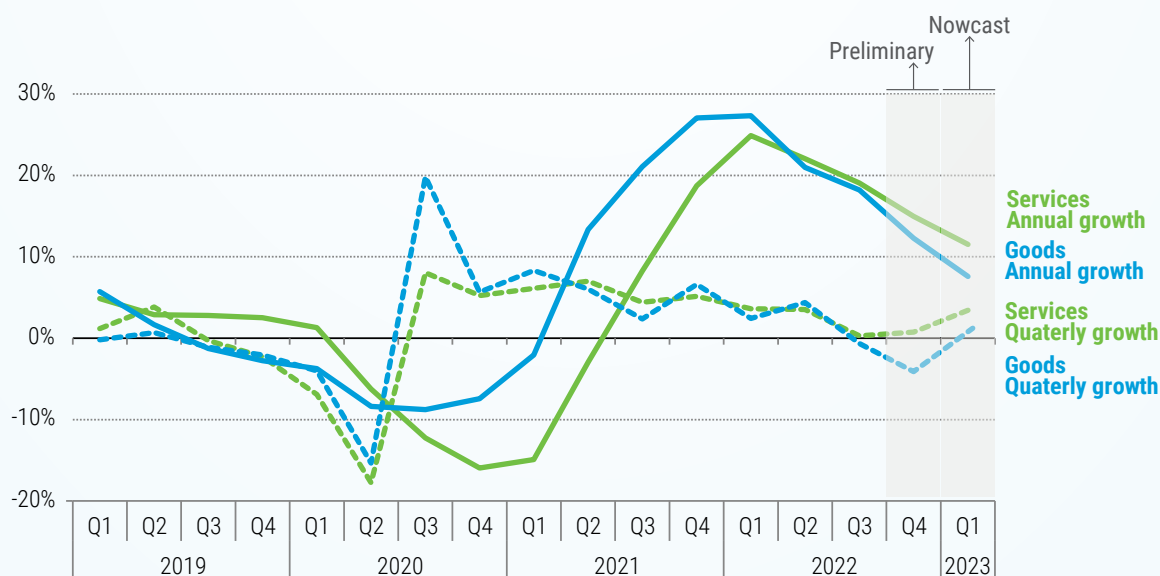
Note: Environmental goods are defined as in the Combined List of Environmental Goods (OECD). Statistics are locally weighed smoothed averages.



Global trade trends and nowcast

Global trade reached a record US\$ 32 trillion in 2022. Trade in goods was about US\$ 25 trillion (an increase of about 10 per cent from 2021) and trade in services totalled about US\$ 7 trillion (an increase of about 15 per cent from 2021). Those record levels are largely due to robust growth in the first half of 2022. Conversely, trade growth has been subpar during the second half of 2022, especially in the last quarter of 2022. In Q4 2022 trade in goods declined by about US\$ 250 billion relative to Q3 2022. Trade in services remained virtually constant. The UNCTAD nowcast for Q1 2023 indicates global trade in goods to increase by about 1 per cent, while trade in services is expected to increase by about 3 per cent on the same basis.

Global trade trends: Growth remains weak, but trade in services shows some resilience



Source: UNCTAD calculations based on national statistics.

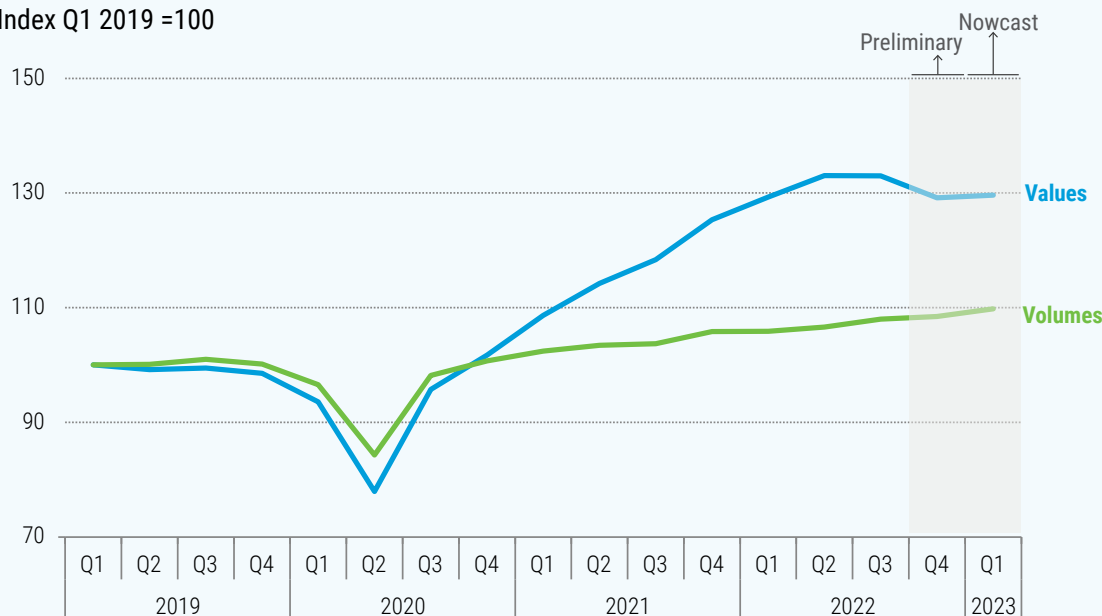
Note: Quarterly growth is the quarter over quarter growth rate of seasonally adjusted values. Annual growth refers to the last four quarters.

Figures for Q4 2022 are preliminary. Q1 2023 is a [nowcast](#).

Despite the decline in the value of trade in goods, trade volumes kept increasing during Q4 2022 and are expected to further grow during Q1 2023. Growth in the volume of international trade suggests a resilient global demand for imported products.

Trade values down, but volumes continue to grow

Index Q1 2019 =100



Source: UNCTADStat.

Summary and outlook

Despite rising geopolitical tensions, global trade has proven to be remarkably resilient during 2022. However, deteriorating economic conditions, the lifting of zero-COVID policies, and renewed concerns about inflationary pressures have resulted in a significant trade slowdown during Q4 2022. While the economic outlook has improved, global trade growth is expected to remain subdued in 2023, with the possibility of a pickup in the second half of the year. Overall, although the outlook for global trade remains uncertain, the positive factors are expected to compensate for the negative trends.

Positive factors:

- **Improved economic outlook in major economies**

The China Purchasing Managers Index has increased by more than 5 percentage points since December 2022, indicating strong manufacturing and services activity and softening concerns about disruptions in global supply chains. Additionally, growth forecast has been revised upwards, as it is likely that the European Union and the United States economies will now avoid a recession in 2023.

- **Decreasing shipping costs**

Logistics bottlenecks have largely been resolved, and shipping capacity has increased during the last year. The Shanghai containerized freight rate index has returned to pre-pandemic levels and is expected to remain low throughout 2023.

- **Weakening of the United States dollar**

After high levels during 2022, the United States dollar index fell almost 7 per cent between November 2022 and February 2023. As most trade is denominated in dollars, a weaker dollar would result in increased demand for traded goods.

- **Increase global demand for services**

Global commercial services are expected to further grow in 2023, primarily driven by a rise in demand for information and communication technology services, and by further recovery in travel and tourism sectors.

Negative factors:

- **Geopolitical factors**

Geopolitical tensions, including the Russian Federation's conflict with Ukraine, remain the biggest risks negatively impacting international trade during 2023.

- **Inflation, commodity prices and interest rates**

Interest rates are expected to remain relatively high in many economies due to persisting inflationary concerns. Commodity prices are expected to remain above pre-pandemic averages, especially regarding energy, food, and metals.

- **Concerns of debt sustainability**

The current record levels of global debt, coupled with high interest rates, will continue to negatively affect the macroeconomic conditions of many countries.

Other factors affecting international trade patterns:

- **Reshaping of global supply chains**

The emphasis on improving the resilience of supply chains, in addition to policies that promote the relocation of production processes closer to target markets (near-shoring) or back to home countries (re-shoring), may lead to some degree of decoupling between major economies and result in regionalization of international trade.

- **Trade policies for the green transition**

The patterns of international trade are anticipated to become more closely tied to the transition towards a greener global economy. As countries increasingly integrate climate commitments into trade and industrial policies, concerns regarding possibly restrictive trade practices may lead to changes in the global trade landscape.

Trade trends in the major economies

The global downturn in international trade during Q4 2022 is reflected in the import and export trends of the major economies. Except for imports by the Russian Federation, trade in goods for all major economies was substantially below levels of the previous quarter. China's trade in goods was notably lower compared to both the previous quarter and the same period in the previous year. The value of trade in goods for the United States and the European Union, while lower relative to the previous quarter, was higher relative to Q4 2021.

Trade declined in all major economies

GOODS (Q4 2022)	Change: Quarter-over-Quarter		Change: Year-over-Year	
	Imports	Exports	Imports	Exports
Brazil	↓ 12%	0%	↑ 6%	↑ 22%
China	↓ 5%	↓ 8%	↓ 6%	↓ 7%
India	↓ 15%	↓ 8%	↑ 2%	↓ 7%
Japan	↓ 6%	↓ 3%	↑ 8%	↓ 4%
Republic of Korea	↓ 9%	↓ 10%	↑ 3%	↓ 10%
Russian Federation	↑ 3% *	↓ 12% *	↓ 19% *	↓ 17% *
South Africa	↓ 4%	↓ 8%	↑ 11%	↓ 6%
United States	↓ 5%	↓ 6%	↑ 3%	↑ 9%
European Union	↓ 8%	0%	↑ 8%	↑ 3%

Data on services is only available with a lag of one quarter. In Q3 2022, the trade in services for most major economies was higher than in Q3 2021. Quarter-over-quarter growth rates indicate that these positive trends have weakened considerably in Q3 2022.

SERVICES (Q3 2022)	Change: Quarter-over-Quarter		Change: Year-over-Year	
	Imports	Exports	Imports	Exports
Brazil	↓ 5%	↓ 4%	↑ 32%	↑ 24%
China	↑ 3%	0%	↑ 4%	↑ 7%
India	↓ 4%	↑ 2%	↑ 27%	↑ 30%
Japan	↑ 17%	↑ 5%	↑ 10%	↑ 3%
Republic of Korea	↑ 2%	↓ 1%	↑ 10%	↑ 5%
Russian Federation	N/A	N/A	N/A	N/A
South Africa	↑ 9%	↑ 6%	↑ 43%	↑ 43%
United States	↑ 2%	↑ 4%	↑ 21%	↑ 19%
European Union	↑ 8%	↓ 1%	↑ 10%	↑ 6%

Source: UNCTAD calculations based on national statistics.

Note: Year-over-Year changes are relative to same quarter of previous year. Quarter-over-Quarter changes are relative to previous quarter. Data is seasonally adjusted.

* denotes estimates.

Regional trade trends in Q4 2022

The general decrease in global trade during Q4 2022 hit developing countries harder than developed countries. Moreover, South-South trade between developing countries was around 6 per cent lower than in the previous quarter. However, the below average trade performance of developing countries is largely because of negative trade growth for East Asian economies. This is more evident when comparing Q4 2022 with the same quarter of 2021, as trade of developing countries (excluding East Asia) was substantially higher than average growth for developing countries.

Developing countries' trade falls the most

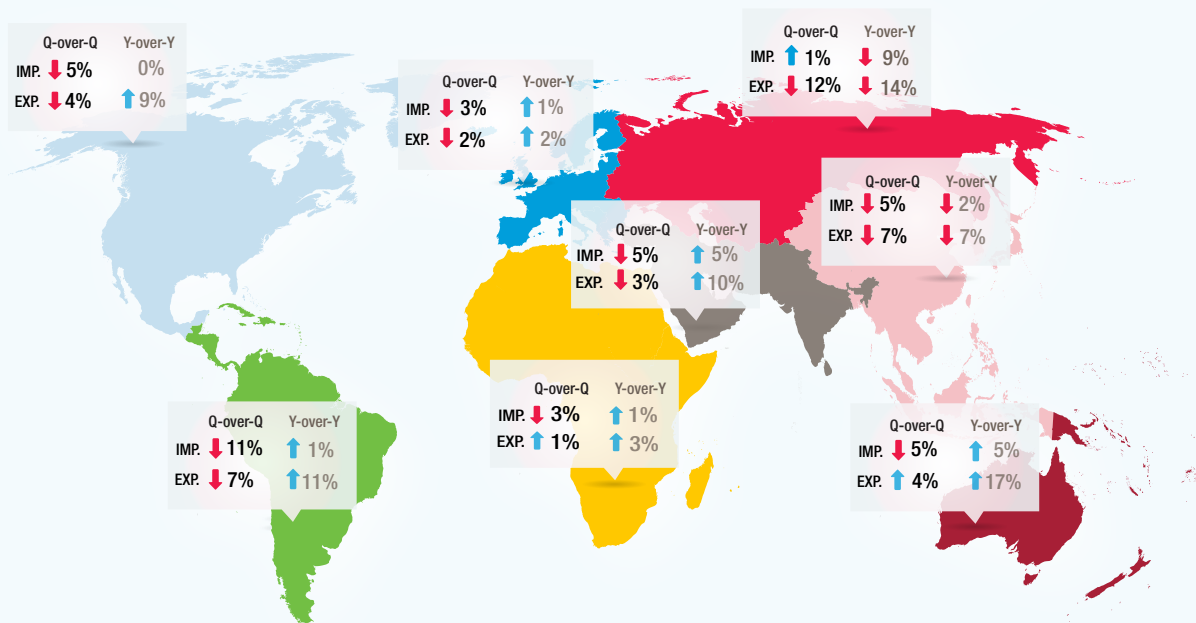
	Quarter-over-Quarter Growth		Year-over-Year Growth	
	Imports	Exports	Imports	Exports
Developed countries	↓ 3%	↓ 3%	↑ 1%	↑ 2%
Developing countries	↓ 6%	↓ 6%	0%	↓ 1%
South-South Trade	↓ 6%		↓ 2%	
Developing countries (excluding East Asia)	↓ 5%	↓ 2%	↑ 7%	↑ 10%
South-South Trade (excluding East Asia)	↓ 3%		↑ 7%	

Source: UNCTAD estimates based on national statistics.

Note: Year-over-Year changes are relative to same quarter of previous year. Quarter-over-Quarter changes are relative to previous quarter. Data is seasonally adjusted. Data does not include trade in services.

During Q4 2022, trade declined across most geographic regions, except for Africa and the Pacific regions, which saw an increase in exports. The decline in exports was more substantial for the region comprising the Russian Federation, as well as for East Asia and South America. Regarding imports, the decline was substantially more marked for the South America region. Comparing on a year-over-year basis, trade in Q4 2022 was higher in most of the regions, except for East Asia and the region comprising the Russian federation.

African trade shows some resilience



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Source: UNCTAD estimates based on national statistics.

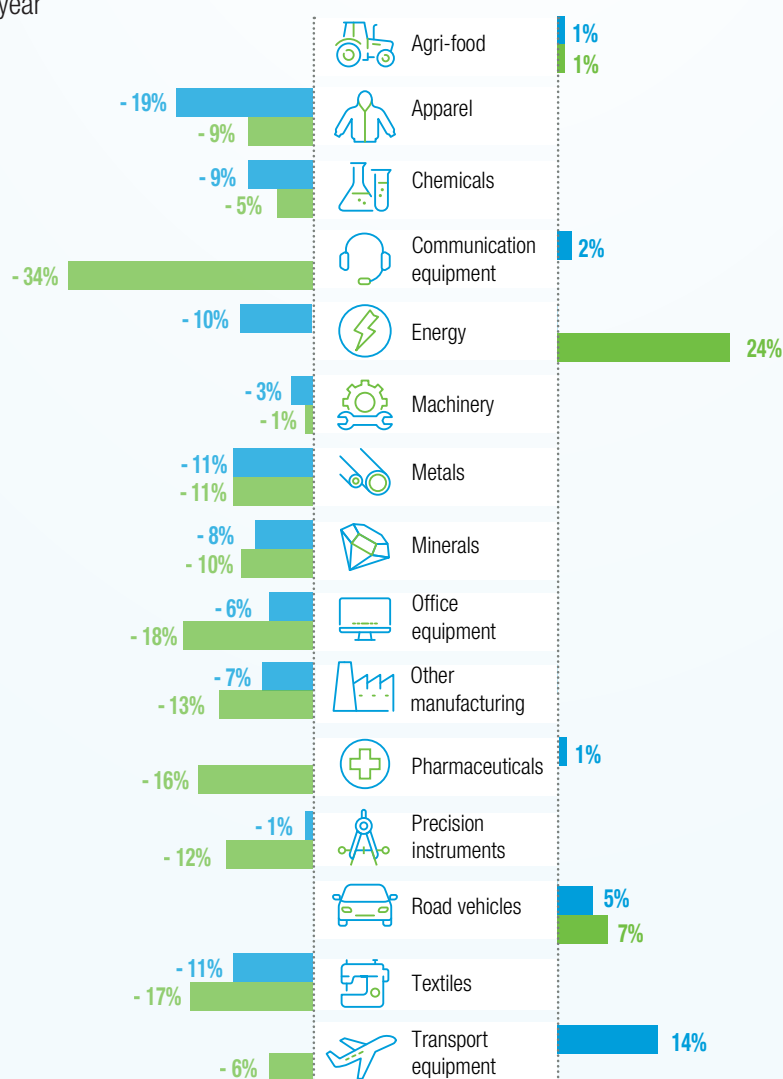
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Global trade trends at the sectoral level in Q4 2022

The trade decline of Q4 2022 affected most sectors, but with some exceptions. Trade in the transport and road vehicles sectors saw substantial increases, while trade remained constant for agri-food, pharmaceuticals, and communication equipment. In comparison with Q4 2021, the value of trade in Q4 2022 was lower for most sectors, but substantially higher in the energy sector.

Trade declined in all sectors, except for road vehicles and transport

■ Quarter-over-quarter
■ Year-over-year



Source: UNCTAD estimates based on national statistics of China, European Union and the United States.

Note: Year-over-Year changes are relative to the same quarter of previous year. Quarter-over-Quarter changes are relative to the previous quarter.



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