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WORLD TRADE 2012, PROSPECTS FOR 2013

Trade to remain subdued in 2013 after sluggish growth in 2012 as European economies continue to struggle

World trade growth fell to 2.0% in 2012 — down from 5.2% in 2011 — and is expected to remain sluggish in 2013 at around 3.3% as the economic slowdown in Europe continues to suppress global import demand, WTO economists reported on 10 April 2013.

The abrupt deceleration of trade in 2012 was attributed to slow growth in developed economies and recurring bouts of uncertainty over the future of the euro. Flagging output and high unemployment in developed countries reduced imports and fed through to a lower pace of export growth in both developed and developing economies.

Improved economic prospects for the United States in 2013 should only partly offset the continued weakness in the European Union, whose economy is expected to remain flat or even contract slightly this year according to consensus estimates.

China's growth should continue to outpace other leading economies, cushioning the slowdown, but exports will still be constrained by weak demand in Europe. As a result, 2013 looks to be a near repeat of 2012, with both trade and output expanding slowly, below their long-term average rates (Chart 1).

"The events of 2012 should serve as a reminder that the structural flaws in economies that were revealed by the economic crisis have not been fully addressed, despite important progress in some areas. Repairing these fissures needs to be the priority for 2013," Director General Pascal Lamy said.

MAIN POINTS

- **World trade growth of 2.0% in 2012** was down sharply compared to the 5.2% recorded in 2011.
- **Projected trade growth of 3.3% in 2013** is below the 20-year average of 5.3% and well below the pre-crisis trend of 6.0% (1990-2008).
- **Renewed uncertainty about the euro reduced EU imports in 2012** and hit exports of trading partners.
- **Falling trade within the EU** strongly influenced 2012 results due to the weight of the EU in world trade totals.
- **Significant downside risks remain** centred on the euro crisis and the pace of fiscal contraction in developed economies.
- **Diverging prospects for the US and EU** add uncertainty to the forecast.

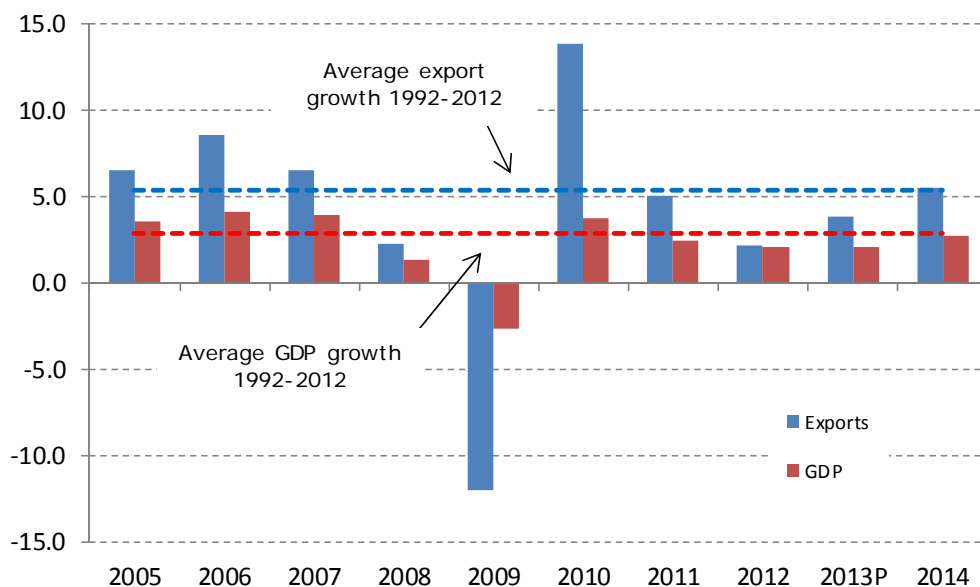
“Attempts by developed economies to strike a balance between short-term growth and increasingly binding fiscal constraints have produced uneven results to date, and finding an appropriate mix of policies has proven to be challenging. Similarly, the amount of progress that developing economies have made in reducing their reliance on external demand is still unclear.

“As long as global economic weakness persists, protectionist pressure will build and could eventually become overwhelming. The threat of protectionism may be greater now than at any time since the start of the crisis, since other polices to restore growth have been tried and found wanting.

“To prevent a self-destructive lapse into economic nationalism, countries need to refocus their attention on reinforcing the multilateral trading system. Trade can once again be an engine of growth and a source of strength for the global economy rather than a barometer of instability. The way is before us, we only need to find the will,” Mr Lamy said.

Chart 1: Growth in volume of world merchandise trade and GDP, 2005-14^a

Annual % change



^a Figures for 2013 and 2014 are projections.

Source: WTO Secretariat.

The preliminary estimate of 2.0% growth for world trade in 2012 is 0.5 points below the WTO’s most recent forecast of 2.5% from September 2012. The deviation is mostly explained by the worse than expected second-half performance of developed economies, which only managed a 1% increase in exports and a 0.1% decline in imports for the year. The growth of exports from developing economies (which for the purposes of this analysis includes the Commonwealth of Independent States) was in line with earlier predictions, but the rate for imports was less than expected. WTO economists cautioned that their trade forecasts for 2013 and 2014 were difficult to gauge due to divergent outlooks for the US and EU.

These figures refer to merchandise trade in volume terms, i.e., adjusted to account for inflation and exchange rate movements, but nominal (dollar-value) trade flows for both merchandise and commercial services display similar trends.

In 2012, the dollar value of world merchandise exports only increased two tenths of one per cent (i.e. 0.2%) to \$18.3 trillion, leaving it essentially unchanged. The slower growth in the dollar value of world trade compared to trade in volume terms is explained by falling prices for traded goods. Some of the biggest price declines were recorded for commodities such as coffee (-22 %), cotton (-42%), iron ore (-23%) and coal (-21%), according to IMF commodity price statistics.

The value of world commercial services exports rose just 2% in 2012 to \$4.3 trillion, with strong differences in growth rates across countries and regions. For example, the US saw its exports of commercial services climb 4% while those of Germany dropped 2% and France's tumbled 7%. On the import side, several European countries recorded sharp declines, including Italy (-8%), France (-10%), Portugal (-16%) and Greece (-18%).

The trade forecast for 2013 assumes 2.1% growth in world output at market exchange rates (unchanged from 2012) based on a consensus of economic forecasters. Risks to the forecast are firmly rooted on the downside and are mostly linked to the sovereign debt crisis in Europe.

Accelerated fiscal consolidation in the US could also undermine the forecast if brinkmanship over budget negotiations between the executive and legislative branches leads to miscalculation. As always, unexpected events such as geopolitical tensions and natural disasters could also intrude to disrupt trade.

On a more positive note, some factors that held back trade growth in 2012 may subside in 2013, including the recent territorial dispute that soured trade relations between Japan and China.

Indicators of production, business sentiment and employment in the first quarter of 2013 paint a mixed picture of current economic conditions. Purchasing managers' indices suggest that the euro-zone downturn may have accelerated despite continued resilience in Germany. At the same time, the US recorded a strong rise in manufacturing, Japan's production growth was less negative, and China and the Republic of Korea showed modest improvements.

Unemployment in the US recently fell to its lowest level since before the economic crisis at 7.6%, whereas the rate for the euro area stands at close to 12%. Together, these indicators point to weak import demand in Europe even as conditions gradually improve elsewhere. In light of the large weight of the EU in world imports (32% in 2012 including trade within the EU, 15% excluding it), this suggests slow growth for trade in the early part of 2013.

More details on trade developments in 2012

WTO statistics on short-term trade developments illustrate the divergent trade performances of major economies over the course of 2012. Chart 2 shows seasonally-adjusted quarterly merchandise trade volume indices for the US, the EU, Japan and developing Asia (including China). Exports from the US and from the EU to the rest of the world (i.e. EU-extra exports) remained relatively strong for most of the year before dipping slightly in the fourth quarter (Q4). Asian exports also held up relatively well, finishing the year on a positive note after pausing in the third quarter (Q3).

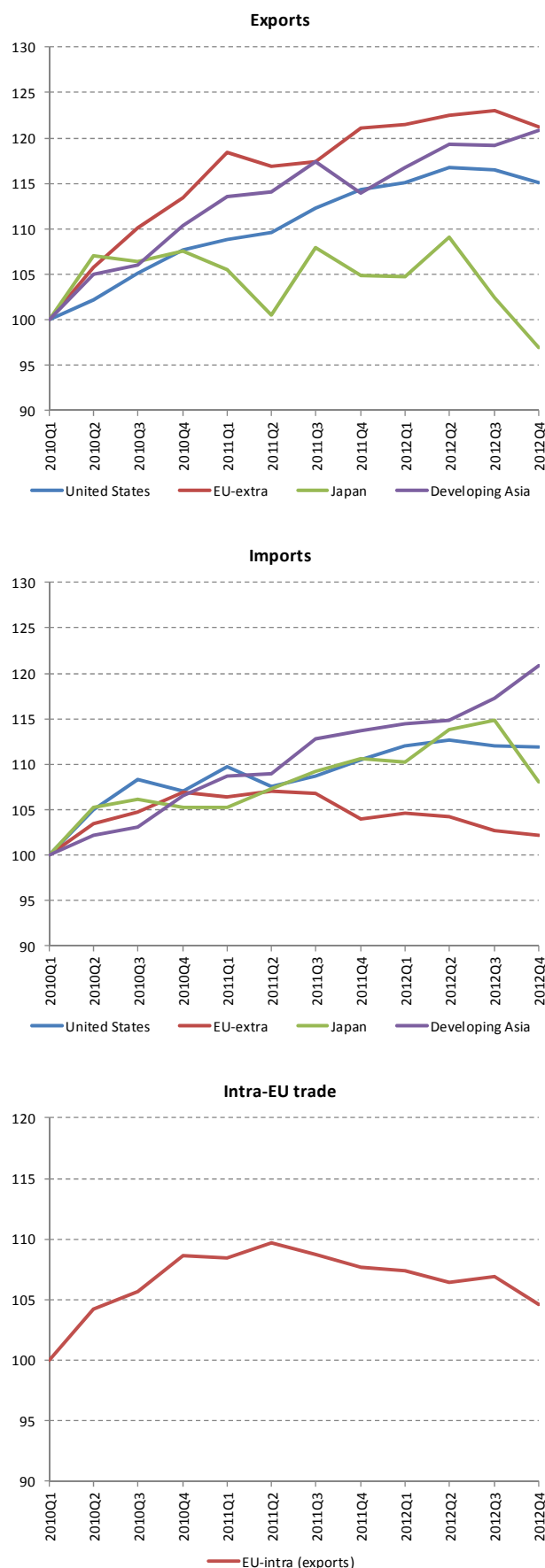
Meanwhile, Japan's shipments of goods dropped 11% in the last two quarters of the year. This downturn appears to have been caused by a deterioration of Japan's trade with China. Annual figures on merchandise trade in dollar terms show that the value of Japan's exports declined by 3% in 2012. However, shipments to China, which represent around 20% of the country's exports, were down 11% year-on-year, while exports to other destinations only declined by 1%.

On the import side, the EU maintained its recent downward trajectory, with Q4 imports from the rest of the world falling to 5% below their level in the middle of 2011, and imports from other EU countries (i.e. intra-EU trade) slipping by the same amount.

Japanese imports recorded strong growth for most of the year before dropping 6% in Q4. The rise in imports in the earlier quarters was partly due to increased purchases of fuels from abroad for use in conventional thermal electricity generation following the loss of output from nuclear power stations after the Fukushima disaster. The dollar value of Japanese imports rose 3.5% in 2012, but imports from Saudi Arabia were up 8% and

Chart 2 - Quarterly merchandise trade flows of selected economies, 2010Q1-2012Q4

Seasonally adjusted volume indices, 2010Q1=100



Source: WTO Short-term trade statistics.

purchases from Qatar (mostly natural gas) rose 19%. Japan's merchandise trade deficit of \$87 billion for 2012 was the largest ever recorded for the country in a dataset stretching back to 1948.

Quarterly developments for trade in commercial services show a similar pattern to trade in goods, with year-on-year growth in dollar values flat or declining in Europe and growing in other regions. For more short-term trade statistics, visit the WTO's statistics portal at: www.wto.org/english/res_e/statis_e/short_term_stats_e.htm

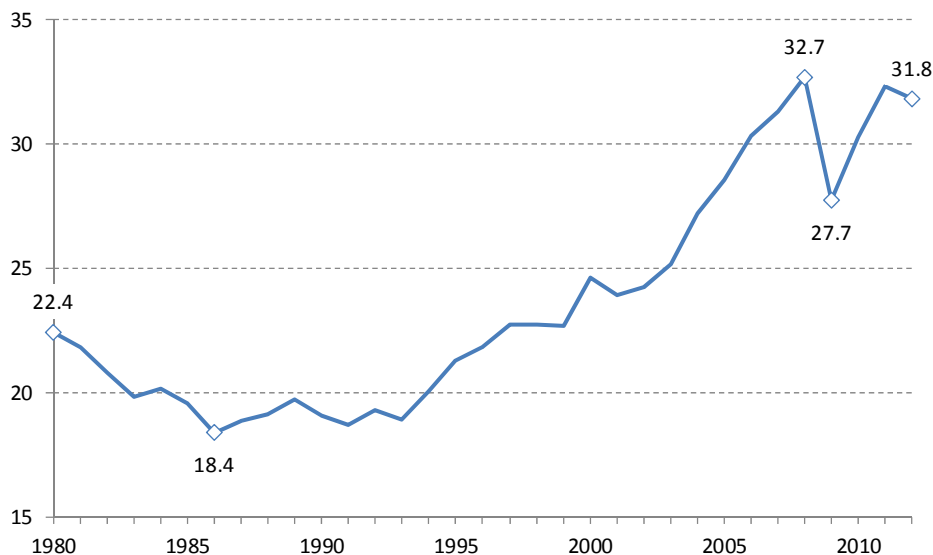
The growth of world merchandise trade in 2012 was much lower than one would expect given the rate of world gross domestic product (GDP) growth for the year. Under normal conditions, the growth rate for trade is usually around twice that of GDP, but in 2012 the ratio of trade growth to GDP growth fell to 1:1. We foresee no change in world GDP growth for 2013 but we do anticipate a partial return toward the usual ratio of trade growth to GDP growth. In 2013 it should increase to 1.6:1 and then to 1.8:1 in 2014.

Despite the unusually slow rate of trade volume growth in 2012, the ratio of world exports of merchandise and commercial service to world GDP in current dollar terms only dipped slightly, from around 32%, and remained close to its peak value of 33% in 2008 (Chart 3).

Finally, it should be noted that slowing economic growth in Europe has a disproportionate impact on world trade due to the fact that by convention we include trade between EU countries in world trade totals. However, if we were to treat the EU as a single entity, which it is for purposes of trade policy, the slowdown in world trade in 2012 would not appear as extreme. In this case world trade growth would be 3.2% in 2012 rather than 2.0%.

Chart 3: Ratio of world exports of merchandise and commercial services to world GDP, 1980-2012

Ratio of current \$ values



Source: IMF for world GDP, WTO Secretariat for merchandise trade, WTO Secretariat and UNCTAD for commercial services.

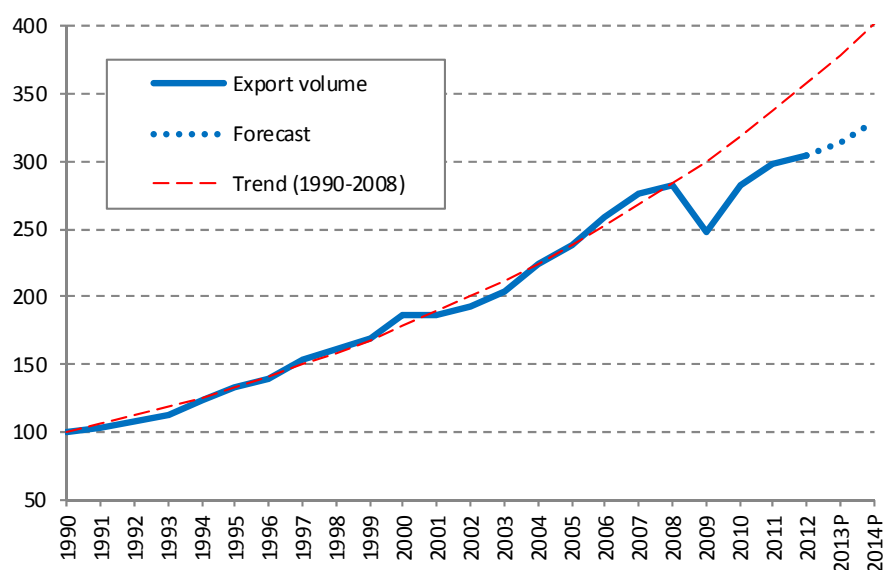
Additional perspective on the trade forecast

The WTO's forecast of 3.3% growth in merchandise trade for 2013 is below the average rate of 5.3% for the last 20 years (1992–2012) and well below the pre-crisis average rate of 6.0% (1990–2008) (Chart 4). The divergence from the 20-year average narrows in the 2-year-ahead forecast for 2014 (5.0%), but it still remains below average. The difference between the pre-crisis trend and current and projected values for world trade appears to be widening, albeit slowly. If our forecast comes to pass, the gap in percentage terms will be 17.0% in 2013 and 17.8% in 2014.

At some point in the future trade growth will again surpass its 20 year average, if only because this average keeps falling with every passing year of sub-par growth. When or if it will manage to bridge the gap with its pre-crisis trend remains to be seen. In addition to a durable level shift in the series, it appears that the fundamental growth rate of world trade volumes has also been reduced. To return to this trend would require a period of very rapid trade expansion at some point in the future, but such a boom in trade does not appear likely any time soon.

Chart 4: Volume of world merchandise exports , 1990-2014 ^a

Indices, 1990=100



a Figures for 2013 and 2014 are projections.

Source: WTO Secretariat.

The state of the world economy and trade in 2012

Economic growth

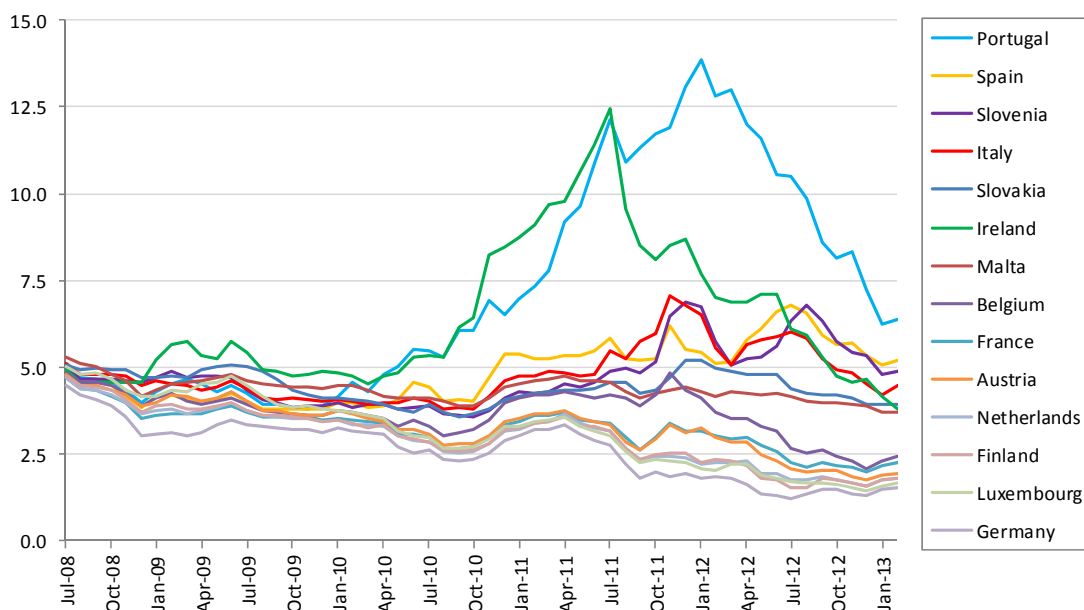
Economies in the euro area stalled in 2012 and the sovereign debt crisis flared again in the summer, pushing long-term borrowing costs for Italy and Spain above 6% and stoking uncertainty about the future of the common currency (Chart 5). Growth also slowed worryingly in the US in Q4, and Japan slipped in and out of recession during the year. As a result, world GDP growth at market exchange rates dropped to 2.1% in 2012 from 2.4% in 2011. This pace of expansion was below the average of 3.2% for the two decades preceding the financial crisis and also below the 2.8% average of the last 20 years including the crisis period ([Table 1](#)).

Policy responses from the European Central Bank and the Federal Reserve appear to have succeeded in easing the sovereign debt crisis and putting US growth on a firmer footing. Borrowing costs in the euro area have returned to manageable levels since September and joblessness in the US has begun to fall, but progress to date remains fragile.

The 2.3% growth in the US was nearly double the 1.2% rate for developed economies as a whole in 2012. Japan's increase for the year was also above average at 1.9%, but the EU's growth was close to zero at -0.3%.

Chart 5: Long-term interest rates on euro area sovereign debt, July 2008 - February 2013^a

Period average % per annum



^a Secondary market yields on 10-year government bonds issued by all euro area governments except Estonia, Greece and Cyprus, sorted in descending order by rates in February 2013.

Source: European Central Bank.

Developing countries and the Commonwealth of Independent States (CIS) collectively raised their output by 4.7% in 2012, with Africa recording the fastest growth of any country or region at 9.3%. China was not far behind at 7.8%, while India recorded a 5.2% increase. However, the newly industrialized Asian economies of Hong Kong (China), the Republic of Korea, Singapore and Chinese Taipei registered a disappointing 1.8% increase as slumping European demand penalized their exports.

The next fastest growing region after Africa was Asia (3.8%) followed by the CIS (3.7), the Middle East (3.3%), South and Central America (2.6%), North America (2.3%) and Europe (-0.1%). Aggregate quarterly figures for world GDP growth are not readily available, but such growth likely slowed toward the end of the year as output in the EU contracted in Q4 and US and Japanese growth slowed.

Table 1: Real GDP and merchandise trade volume growth by region, 2010-12

Annual % change

	GDP			Exports			Imports		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
World	3.8	2.4	2.1	14.1	5.2	2.1	13.6	5.1	1.9
North America	2.6	2.0	2.3	15.0	6.6	4.5	15.7	4.4	3.1
United States	2.4	1.8	2.2	15.4	7.1	4.1	14.8	3.8	2.8
South and Central America a	6.2	4.3	2.6	5.2	6.1	1.4	22.7	12.0	1.8
Europe	2.3	1.7	-0.1	11.0	5.5	0.6	9.4	2.8	-1.9
European Union (27)	2.1	1.5	-0.3	11.7	5.7	0.3	9.1	2.4	-2.0
Commonwealth of Independent States (CIS)	4.7	4.8	3.7	6.1	1.8	1.6	18.8	17.1	6.8
Africa b	4.5	0.7	9.3	5.4	-8.5	6.1	8.1	4.5	11.3
Middle East	4.9	5.2	3.3	7.5	5.5	1.2	8.2	5.1	7.9
Asia	6.7	3.3	3.8	22.7	6.4	2.8	18.2	6.7	3.7
China	10.4	9.2	7.8	28.1	8.8	6.2	22.0	8.8	3.6
Japan	4.5	-0.6	1.9	27.5	-0.6	-1.0	10.1	4.3	3.7
India	10.1	7.9	5.2	25.7	15.0	-0.5	22.7	9.7	7.2
Newly industrialized economies (4) c	8.2	4.0	1.8	20.9	7.8	1.6	17.9	2.7	1.5
Memo: Developed economies	2.7	1.5	1.2	13.1	5.1	1.0	10.7	3.1	-0.1
Memo: Developing and CIS	7.3	5.3	4.7	15.3	5.4	3.3	18.2	8.0	4.6

a Includes the Caribbean.

b Includes Northern Africa. GDP growth was lower for Sub-Saharan Africa than for Africa as a whole in 2012 at 4.0% and higher in 2011 at 4.4%. This discrepancy is mostly due to strong fluctuations in Libyan output.

c Hong Kong, China; Republic of Korea; Singapore and Chinese Taipei.

Source: WTO Secretariat.

Merchandise trade in volume (i.e. real) terms

The volume of world merchandise trade (as measured by the average of exports and imports) registered an increase of just 2% in 2012. If we exclude years in which trade volume declined, this was the smallest annual increase in a dataset extending back to 1981. Shipments from developed countries grew more slowly than the world average at 1.0%, while exports of developing economies grew faster at 3.3%. On the import side, developed economies dropped 0.1% last year, while developing economies grew at a 4.6% pace ([Table 1](#)).

After seeing its exports shrink by 8.5% in 2011 following the Libyan civil war, Africa rebounded in 2012 to record the fastest export growth of any region at 6.1%. This was followed by North America, where exports rose 4.5% on the strength of a 4.1% increase the US. Asia only managed to increase its exports by 2.8% in 2012 despite 6.2% growth in China's exports. Contributing to the slow growth in Asia were India and Japan, where exports declined by 0.5% and 1.0%, respectively. Other regions that export large quantities of natural resources saw small increases in export volumes, including the Commonwealth of Independent States (1.6%), South and Central America (1.4%), and the Middle East (1.2%). This is to be expected since quantities of primary products tend not to change very much from year to year. The region with the slowest export growth was again Europe at 0.6%, but the EU managed to grow even more slowly at 0.3%.

Africa's imports also grew faster than those of any other region at 11.3%, making it the only region with double digit growth in either exports or imports. This was followed by the Middle East (7.9%) and the Commonwealth of Independent States (6.8%), which took advantage of the high average oil prices in 2012 to boost their export earnings to purchase more imports ([Table 2](#)). Asia's import growth of 3.7% was driven by a 3.6% increase in China. North America's 3.1% rise was slightly stronger than that of the US (2.8%). South and Central America, with import growth of 1.8%, lagged behind all regions other than Europe, which recorded a 1.9% decline in imports.

Table 2: World prices of selected primary products, 2000-12

Annual % change and \$/barrel

	2010	2011	2012	2000-12	2005-12
All commodities	26	29	-3	10	10
Metals	48	14	-17	10	10
Food	11	20	-2	7	8
Beverages ^a	14	17	-19	7	8
Agricultural raw materials	32	23	-13	3	4
Energy	26	36	1	12	11
Memo: Crude oil price in \$/barrel ^b	79	104	105	60	79

a Comprising coffee, cocoa beans and tea.

b Average of Brent, Dubai, and West Texas Intermediate.

Source: IMF International Financial Statistics.

Merchandise and commercial services trade in value (i.e. dollar) terms

The dollar value of world merchandise exports in 2012 was \$18.3 trillion, nearly unchanged from 2011. The stagnation in values reduced the average growth rate for the post-2005 period to 8% from 10% last year. This contrasts with the stronger growth rates of 22% in 2010 and 20% in 2011. Meanwhile, world commercial services exports in 2012 were only 2% higher than in 2011 at \$4.3 trillion. The 2012 growth rate for transport services was in line with total world commercial services exports at 2%, while travel services grew faster (4%) and other commercial services grew more slowly (1%) ([Table 3](#)).

Commercial services accounted for roughly 19% of total world trade in world goods and commercial services in 2012. However, it should be noted that traditional trade statistics, which measure gross trade flows rather than value added at various stages of production, strongly underestimate the contribution of services to international trade. A joint initiative between the WTO and the Organisation for Economic Cooperation and Development (OECD) has developed new indicators of trade in value added that provide additional perspective on the role of services in world trade. More information can be found on the WTO's website, here:

www.wto.org/miwi

Table 3: World exports of merchandise and commercial services, 2005-12
\$bn and annual % change

	Value	Annual % change			
	2012	2010	2011	2012	2005-12
Merchandise	18323	22	20	0	8
Commercial services	4345	10	11	2	8
Transport	885	16	9	2	7
Travel	1105	9	12	4	7
Other commercial services	2350	8	12	1	10
of which:					
Communications services	100	3	10	-3	8
Construction	110	-4	8	3	10
Insurance services	100	1	0	2	11
Financial services	300	7	12	-4	8
Computer and information services	265	12	14	6	14
Royalties and licence fees	285	8	14	-2	9
Other business services	1145	9	13	2	9
Personal, cultural and recreational services	35	14	13	3	7
Memo: Goods and commercial services (BOP)	22520	19	18	1	8

Source: WTO Secretariat estimates for merchandise and WTO and UNCTAD Secretariat estimates for commercial services.

Some sub-categories of other commercial services grew faster than others. Communications (including postal, courier and telecommunications services) declined by 3%, while construction rose 3% and insurance services increased by 2% in 2012. The biggest decline was observed in financial services (i.e. services provided by banks and other financial intermediaries), which fell 4%. The fastest growing sub-sector of other commercial services was computer and information services, which jumped 6% in 2012. Royalties and licence fees fell 2%, and other business services (including engineering services, legal/accounting services, management consulting, advertising and trade related services, among others) increased by 2%.

In dollar terms, US exports of financial services declined by 4% in 2012, the United Kingdom dropped 13%, Germany slipped 2% and France plunged 20%. Several other EU countries also recorded double digit declines in financial services, including Austria (-11%), Cyprus (-21%), Greece (-29%) and Spain (-11%). Total exports of financial services from Switzerland declined by 8%. Meanwhile, Japan's exports of financial services gained 13% and China's advanced 58%. Finally, the Asian financial centres of Singapore and Hong Kong, China treaded water in 2012 with 0% and 4% growth, respectively.¹

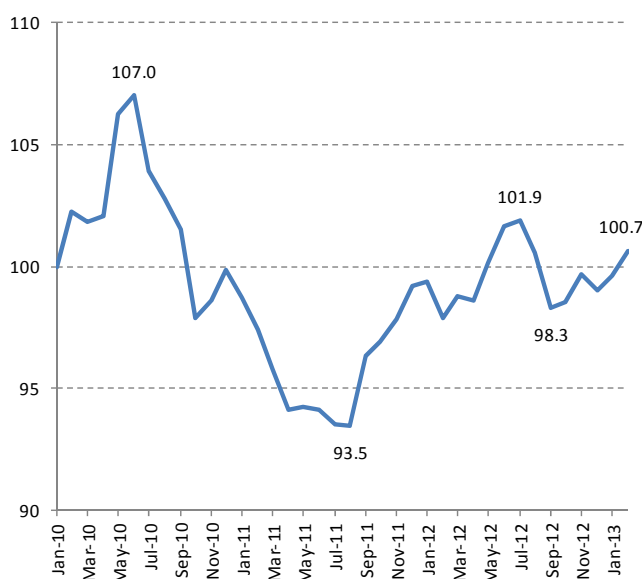
Overall, developed economies' exports of financial services fell 6% while those of developing economies and Commonwealth of Independent States together rose 3%.

¹ Data for Singapore include financial intermediation services indirectly measured (FISIM).

The US dollar appreciated against most major currencies between 2012 and 2013, rising nearly 4% on average according to data from the Federal Reserve Bank of St. Louis (Chart 6). Exceptions include the Chinese yuan, which appreciated 2.4% against the dollar, and the Japanese yen, which was more or less unchanged against the dollar (-0.2%). This would tend to understate the value of some trade flows in 2013 and overstate the magnitude of any declines from 2012, particularly for trade not denominated in dollars (e.g. trade within the EU).

Chart 6: Trade weighted US dollar exchange rate against major currencies, Jan. 2010 - Feb. 2013

Index, Jan.2010=100



Source: Federal Reserve Bank of St. Louis.

[Appendix tables 1 to 6](#) provide detailed information on nominal merchandise and commercial services trade flows by region and for selected economies. They also include tables of leading exporters and importers with and without trade between EU states. There were few significant moves up or down in world rankings last year. France overtook China as an exporter of commercial services compared to last year's tables, but this was due to changes in data coverage rather than an improved export performance in France. [Maps 1](#) and [2](#) show shares of regions in world exports and imports of merchandise and commercial services.

Sectoral merchandise trade developments

Chart 7 shows estimated year-on-year growth in the dollar value world trade for major categories of manufactured goods. It illustrates the fact that some products declined earlier and recovered sooner than others during the trade collapse of 2009. In the case of the current trade slowdown, it may provide an indication of whether trade is still slowing or has already bottomed out and started to recover.

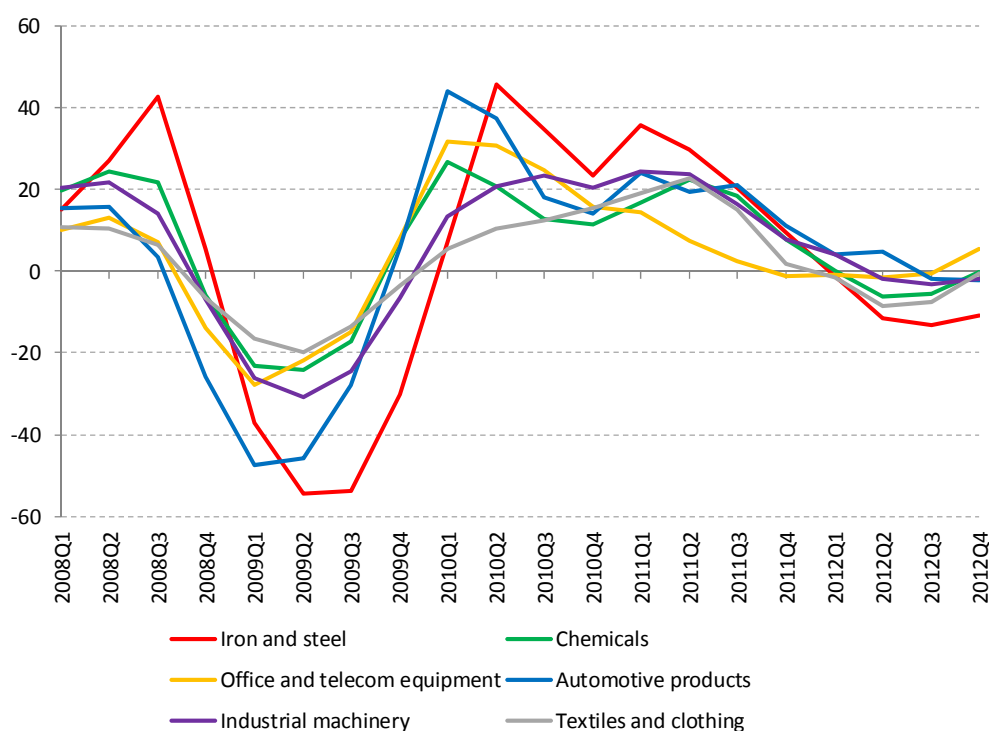
Iron and steel trade appears to be a highly pro-cyclical and somewhat lagging indicator of global trade growth. It registered the biggest declines of any sector during both the 2009 trade collapse and the recent slump. Although it was down 11% year-on-year in the fourth quarter of 2012, this was less negative than the previous quarter, when it was down 13%.

Year-on-year growth in office and telecom equipment was -1% in the second quarter and 0% in the third, but in the fourth it returned to positive territory with an increase of 6%. This sector led the recovery following the 2009 trade collapse, so its return to growth is a positive sign for a revival of trade in the coming months.

Most other sectors saw improvements in year-on-year growth between the third and fourth quarters, which suggest that a recovery in trade may be under way. Chemicals increased from -6% to 0%, industrial machinery rose from -3% to -2%, and clothing and textiles went from -8% to -1%. An important exception is automotive products, which tend to be a coincident indicator of trade cycles. This category was down 2% in both the third and fourth quarters, showing no improvement.

Chart 7: Quarterly world exports of manufactured goods by product, 2008Q1-2012Q4

Year-on-year % change in current \$ values



Source: WTO Secretariat estimates based on mirror data for available reporters in the Global Trade Atlas database, Global trade Information Systems.

Prospects for 2013 and 2014

The outlook for world trade and output in 2013 and 2014 looks unsettled, as positive economic trends have also been accompanied by more worrisome developments.

EU output fell in the fourth quarter of last year as the slowdown in Europe finally touched Germany. Monthly indicators of economic activity in January and February suggest that the German economy remained relatively resilient in the first quarter, but the downturn in the rest of the euro area appeared to be intensifying. Most forecasters expect European economies to remain weak in the first half of 2013 before gaining strength later in the year.

Unemployment is falling gradually and private expenditure is picking up in the US, but automatic government spending cuts set to take effect in 2013 could weigh on growth later in the year. Political gridlock may be easing, which could allow more targeted and less sweeping measures to be agreed, with less risk to a promising recovery. The Federal Reserve has signalled that its most recent program of quantitative easing will not be withdrawn hastily, but as the economy picks up transitioning to a less accommodative policy stance could prove challenging.

Japan's new government has prioritized a sizeable fiscal stimulus package and a more accommodative monetary policy as a way to spur economic growth. The former may test the limits of fiscal policy given the size of the country's public debt — estimated by the IMF to exceed 200% of GDP — while the latter may invite charges of currency manipulation. Stimulus-oriented policies will probably provide a boost to Japanese growth and trade in 2013, but how much remains to be seen.

Although China's exports may be hindered by the slowdown in Europe, increased shipments to the US should partly make up for this. Until recently the EU was China's largest trading partner, but the drop in EU imports in 2012 left it in second place behind the US. China's GDP growth is expected to remain strong compared to the rest of the world in 2013, which should provide support for imports from other countries.

In light of these developments, WTO economists are forecasting a small pickup in world trade volume growth to 3.3% in 2013 from 2.0% in 2012. Exports of developed economies should increase by 1.4% while those of developing economies (including the Commonwealth of Independent States) should rise 5.3%. On the import side, the WTO anticipates 1.4% growth in developed economies and 5.9% in developing economies plus CIS. (See Table 4.)

Figures for 2014 are provisional estimates based on strong assumptions about the medium-term trajectory of gross domestic product (GDP) and should be interpreted with care. World trade volume growth for that year is expected to improve to 5.0%. Exports of developed and developing economies should increase by 2.6% and 7.5%, respectively. On the import side, developed economies should advance by 3.2% while developing economies should rise 7.4%.

The current forecast could be derailed if certain downside risks materialize. These include revived financial market turbulence related to the euro crisis, commodity price spikes, geopolitical tensions, and rising protectionism.

Table 4: World merchandise trade and GDP, 2008-2014^a

Annual % change

	2009	2010	2011	2012	2013P	2014P
Volume of world merchandise trade ^b	-12.5	13.9	5.2	2.0	3.3	5.0
Exports						
Developed economies	-15.2	13.1	5.1	1.0	1.4	2.6
Developing economies and CIS	-7.4	15.3	5.4	3.3	5.3	7.5
Imports						
Developed economies	-14.3	10.7	3.1	-0.1	1.4	3.2
Developing economies and CIS	-10.5	18.2	8.0	4.6	5.9	7.4
Real GDP at market exchange rates	-2.5	3.8	2.4	2.1	2.1	2.7
Developed economies	-3.8	2.7	1.5	1.2	1.1	1.9
Developing economies and CIS	2.1	7.3	5.3	4.7	5.0	5.1

a Figures for 2012 and 2013 are projections.

b Average of exports and imports.

Source: WTO Secretariat for trade, consensus estimates of economic forecasters for GDP.

Trade could still surprise on the upside if Europe returns to growth more quickly than anticipated. However, the most likely result is very similar to last year: a mild recession in the EU restraining exports and imports in both developed and developing economies.

The trade forecast assumes a 2.1% increase in world GDP for 2013, with developed economies growing 1.1% and the rest of the world growing 5.0%. The 2014 projection assumes world output growth of 2.7%, with developed economies advancing 1.9% and the rest of the world growing 5.1%. The output figures above refer to real GDP at market exchange rates based on consensus estimates of economic forecasters.²

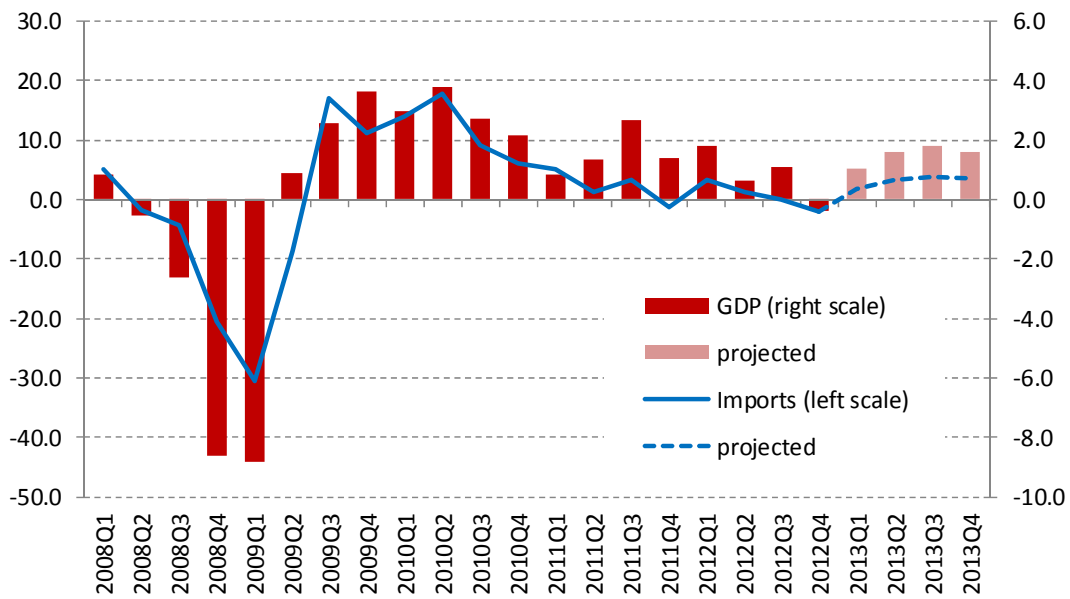
These estimates of export growth are supported by results from the WTO Secretariat's quarterly time series forecasting model, which predicts an increase of around 2.5% in imports of goods and services for OECD countries in 2013 (Chart 8).³ Difference between the two approaches can be explained by the use of different weights in the two models (GDP weights vs. trade weights) and by the fact that the WTO's definition of developed economies differs from the membership of the OECD.

² The IMF World Economic Outlook, the OECD Economic Outlook, the UN DESA World Economic Situation and Prospects and other national and private sources.

³ Keck, Alexander, Raubold, Alexander and Trupia, Alessandro (2009) 'Forecasting international trade: A time series approach', OECD Journal: Journal of Business Cycle Measurement and Analysis, vol. 2: 157–176. The model has been extended and further improved since publication and also includes estimations for emerging economies, such as China.

Chart 8: GDP and import demand for OECD countries, 2008Q1-2012Q4 ^a

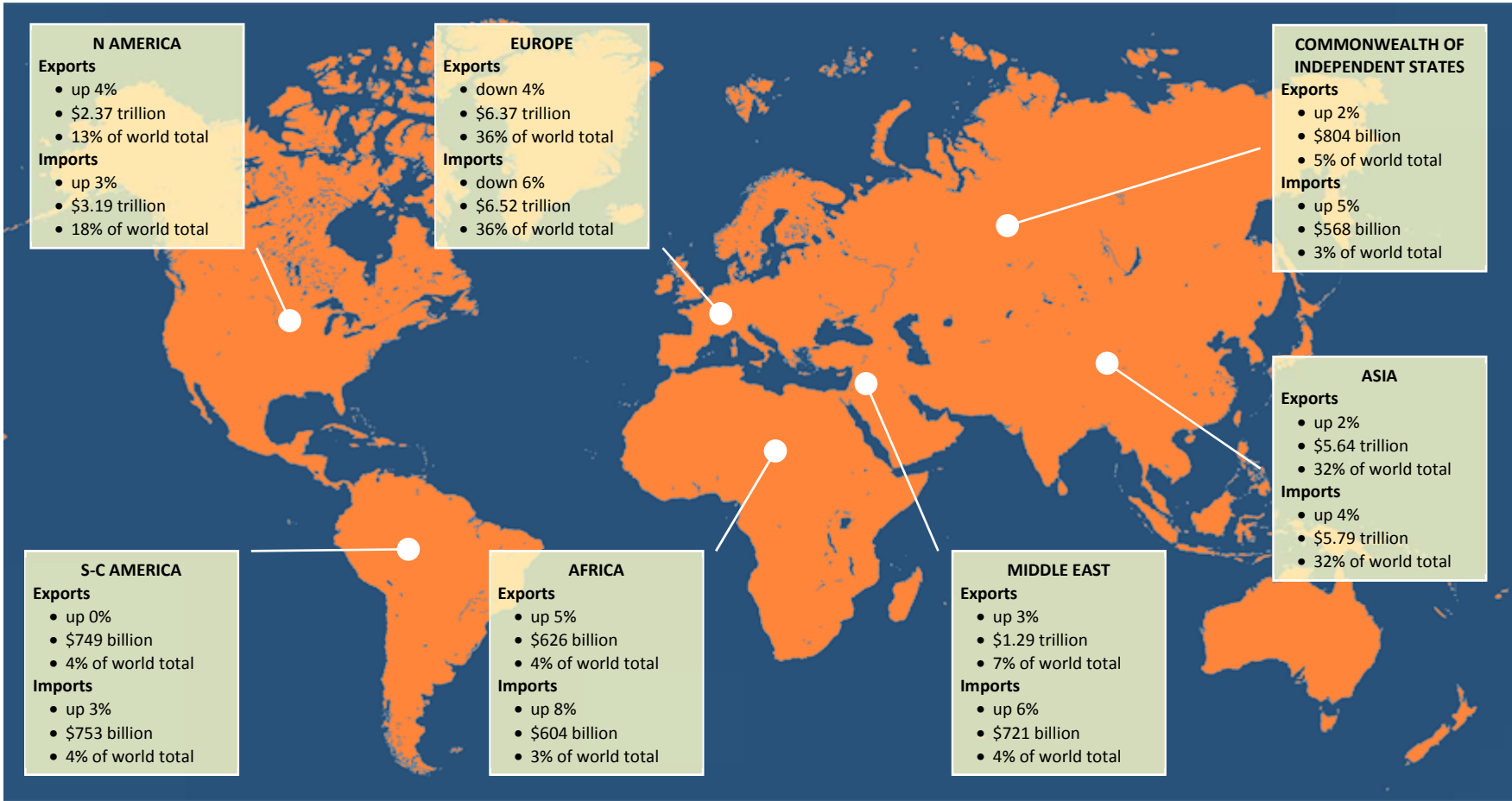
Annualized % change over previous quarter



a: Figures for 2012 are projections.

Source: OECD for trade and GDP through 2011Q4. Consensus estimates of forecasting agencies for GDP projections and WTO Secretariat for trade forecasts.

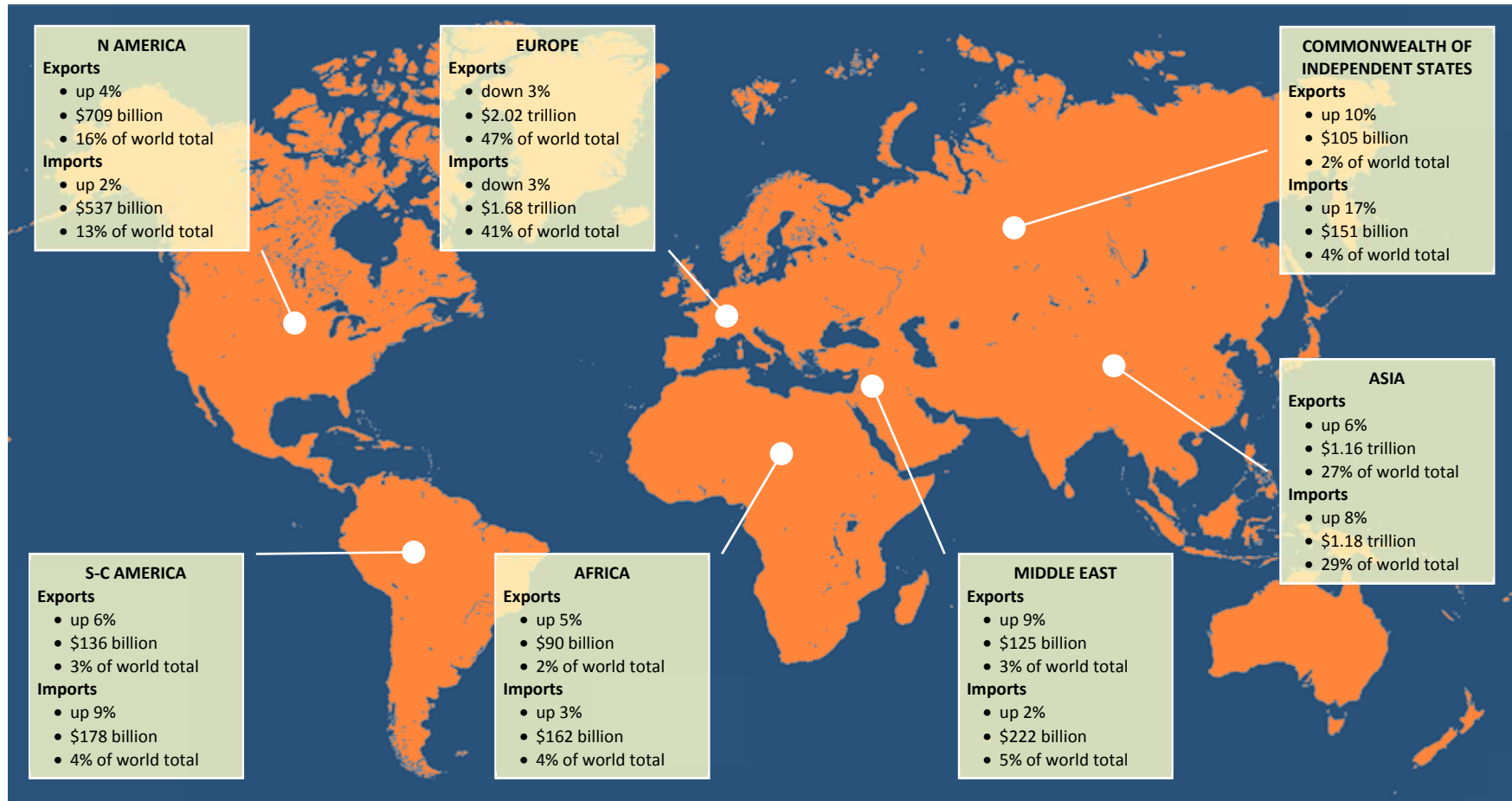
Map 1: Merchandise exports and imports in current US dollars by region, 2012^a



^a Values and shares include intra-EU trade.

Source: WTO Secretariat.

Map 2: Exports and imports of commercial services in current US dollars by region, 2012



^a Values and shares include intra-EU trade.

Source: WTO and UNCTAD Secretariats.

Appendix Table 1

World merchandise trade by region and selected economies, 2012

\$bn and %

	Exports					Imports				
	Value	Annual percentage change				Value	Annual percentage change			
	2012	2005-12	2010	2011	2012	2012	2005-12	2010	2011	2012
World	17850	8	22	20	0	18155	8	21	19	0
North America	2373	7	23	16	4	3192	5	23	15	3
United States	1547	8	21	16	5	2335	4	23	15	3
Canada a	455	3	23	17	1	475	6	22	15	2
Mexico	371	8	30	17	6	380	8	28	16	5
South and Central America b	749	11	25	27	0	753	14	30	25	3
Brazil	243	11	32	27	-5	233	17	43	24	-2
Other South and Central America b	506	11	22	28	2	520	13	24	25	5
Europe	6373	5	12	18	-4	6519	5	13	17	-6
European Union (27)	5792	5	12	18	-5	5927	5	13	17	-6
Germany	1407	5	12	17	-5	1167	6	14	19	-7
Netherlands	656	7	15	16	-2	591	7	17	16	-1
France	569	3	8	14	-5	674	4	9	18	-6
United Kingdom	468	3	17	21	-7	680	4	14	14	1
Italy	500	4	10	17	-4	486	3	17	15	-13
Commonwealth of Independent States (CIS)	804	13	31	34	2	568	15	25	30	5
Russian Federation a	529	12	32	30	1	335	15	30	30	4
Africa	626	11	30	17	5	604	13	16	18	8
South Africa	87	8	31	21	-11	123	10	27	29	1
Africa less South Africa	539	11	30	16	8	481	14	13	15	9
Oil exporters c	370	11	34	15	12	179	14	10	10	8
Non oil exporters	169	11	22	20	-1	303	14	15	18	10
Middle East	1287	13	28	37	3	721	12	13	17	6
Asia	5640	11	31	18	2	5795	12	33	23	4
China	2049	15	31	20	8	1818	16	39	25	4
Japan	799	4	33	7	-3	886	8	26	23	4
India	293	17	37	34	-3	489	19	36	33	5
Newly industrialized economies (4) d	1280	8	30	16	-1	1310	9	32	19	0
Memorandum										
MERCOSUR e	340	11	29	26	-4	325	16	43	25	-3
ASEAN f	1254	10	29	18	1	1221	11	31	21	6
EU (27) extra-trade	2166	7	17	21	0	2301	7	18	18	-4
Least developed countries (LDCs)	204	14	27	25	1	223	14	11	22	8

a. Imports are valued f.o.b.

b. Includes the Caribbean. For composition of groups see the Technical Notes of WTO, International Trade Statistics, 2012.

c. Algeria, Angola, Cameroon, Chad, Congo, Equatorial Guinea, Gabon, Libya, Nigeria, Sudan.

d. Hong Kong, China; Republic of Korea; Singapore and Chinese Taipei.

e. Common Market of the Southern Cone: Argentina, Brazil, Paraguay, Uruguay.

f. Association of Southeast Asian Nations: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam.

Source: WTO Secretariat.

Appendix Table 2

World trade of commercial services by region and selected country, 2012

\$bn and %

	Exports					Imports				
	Value	Annual percentage change				Value	Annual percentage change			
	2012	2005-12	2010	2011	2012	2012	2005-12	2010	2011	2012
World	4345	8	10	11	2	4105	8	10	11	2
North America	709	7	9	9	4	537	6	8	8	2
United States	614	8	9	9	4	406	6	5	7	3
South and Central America a	136	10	13	13	6	178	14	23	18	9
Brazil	38	14	15	20	5	78	19	36	22	7
Europe	2024	7	4	12	-3	1680	6	3	10	-3
European Union (27)	1819	6	4	12	-3	1553	5	2	10	-4
Germany	255	7	3	9	-2	285	4	3	11	-3
United Kingdom	278	5	4	10	-4	176	1	1	6	1
France	208	8	1	17	-7	171	7	4	12	-10
Netherlands	126	5	4	17	-7	115	5	-2	15	-5
Spain	140	6	1	14	-1	90	4	-1	8	-5
Commonwealth of Independent States (CIS)	105	14	13	19	10	151	14	19	18	17
Russian Federation	58	13	8	20	10	102	15	21	23	16
Ukraine	19	11	24	14	1	13	9	10	5	2
Africa	90	7	12	0	5	162	12	11	12	3
Egypt	21	6	11	-19	11	16	7	2	1	19
South Africa	15	4	17	6	3	17	5	25	7	-11
Nigeria	2	6	49	-12	-4	27	23	21	13	18
Middle East	125	...	11	10	9	222	...	12	11	2
United Arab Emirates b	12	...	16	9	...	50	...	12	18	...
Saudi Arabia, Kingdom of	10	...	10	7	-9	49	...	8	8	-10
Asia	1159	11	22	12	6	1175	11	21	14	8
China c	190	14	25	13	4	281	19	22	23	19
Japan	140	4	10	3	-2	174	4	6	6	5
India	148	16	34	11	8	125	15	46	6	1
Singapore	133	13	20	15	3	117	11	22	18	3
Korea, Republic of	109	12	19	9	16	105	9	19	3	7
Hong Kong, China	126	10	23	14	7	57	8	17	10	2
Australia	53	8	15	10	4	65	12	22	18	10
Memorandum item										
Extra-EU(27) trade	823	8	6	12	-1	639	6	3	10	-4

a Includes the Caribbean. For composition of groups see Chapter IV Metadata of WTO International Trade Statistics, 2012.

b Secretariat estimates.

c Preliminary estimates.

... indicates unavailable or non-comparable figures.

Note: While provisional full year data were available in mid March for some 50 countries accounting for more than two thirds of world commercial services trade, estimates for most other countries are based on data for the first three quarters.

Source: WTO and UNCTAD Secretariats.

Appendix Table 3

Merchandise trade: leading exporters and importers, 2012

\$bn and %

Rank	Exporter	Value	Share	Annual % change	Rank	Importer	Value	Share	Annual % change
1	China	2049	11.2	8	1	United States	2335	12.6	3
2	United States	1547	8.4	5	2	China	1818	9.8	4
3	Germany	1407	7.7	-5	3	Germany	1167	6.3	-7
4	Japan	799	4.4	-3	4	Japan	886	4.8	4
5	Netherlands	656	3.6	-2	5	United Kingdom	680	3.7	1
6	France	569	3.1	-5	6	France	674	3.6	-6
7	Korea, Republic of	548	3.0	-1	7	Netherlands	591	3.2	-1
8	Russian Federation	529	2.9	1	8	Hong Kong, China	554	3.0	8
9	Italy	500	2.7	-4		- retained imports	140	0.8	6
10	Hong Kong, China	493	2.7	8					
	- domestic exports	22	0.1	33	9	Korea, Republic of	520	2.8	-1
	- re-exports	471	2.6	7	10	India	489	2.6	5
11	United Kingdom	468	2.6	-7	11	Italy	486	2.6	-13
12	Canada	455	2.5	1	12	Canada a	475	2.6	2
13	Belgium	446	2.4	-6	13	Belgium	435	2.3	-7
14	Singapore	408	2.2	0	14	Mexico	380	2.0	5
	- domestic exports	228	1.2	2	15	Singapore	380	2.0	4
	- re-exports	180	1.0	-3		- retained imports b	199	1.1	11
15	Saudi Arabia, Kingdom of c	386	2.1	6					
16	Mexico	371	2.0	6	16	Russian Federation a	335	1.8	4
17	Taipei, Chinese	301	1.6	-2	17	Spain	332	1.8	-12
18	United Arab Emirates c	300	1.6	5	18	Taipei, Chinese	270	1.5	-4
19	India	293	1.6	-3	19	Australia	261	1.4	7
20	Spain	292	1.6	-5	20	Thailand	248	1.3	8
21	Australia	257	1.4	-5	21	Turkey	237	1.3	-2
22	Brazil	243	1.3	-5	22	Brazil	233	1.3	-2
23	Thailand	230	1.3	3	23	United Arab Emirates c	220	1.2	7
24	Malaysia	227	1.2	0	24	Switzerland	198	1.1	-5
25	Switzerland	226	1.2	-4	25	Malaysia	197	1.1	5
26	Indonesia	188	1.0	-6	26	Poland	196	1.1	-7
27	Poland	183	1.0	-3	27	Indonesia	190	1.0	8
28	Sweden	172	0.9	-8	28	Austria	178	1.0	-7
29	Austria	166	0.9	-6	29	Sweden	162	0.9	-8
30	Norway	160	0.9	0	30	Saudi Arabia, Kingdom of	144	0.8	9
	Total of above d	14870	81.2	-		Total of above d	15270	82.3	-
	World d	18325	100.0	0		World d	18565	100.0	0

a. Imports are valued f.o.b.

b. Singapore's retained imports are defined as imports less re-exports.

c. Secretariat estimates.

d. Includes significant re-exports or imports for re-export.

Source: WTO Secretariat.

Appendix Table 4

Merchandise trade: leading exporters and importers (excluding intra-EU (27) trade), 2012

\$bn and %

Rank	Exporters	Value	Share	Annual % change	Rank	Importers	Value	Share	Annual % change
1	Extra-EU(27) exports	2166	14.7	0	1	United States	2335	15.6	3
2	China	2049	13.9	8	2	Extra-EU(27) imports	2301	15.4	-4
3	United States	1547	10.5	5	3	China	1818	12.2	4
4	Japan	799	5.4	-3	4	Japan	886	5.9	4
5	Korea, Republic of	548	3.7	-1	5	Hong Kong, China	554	3.7	8
6	Russian Federation	529	3.6	1		- retained imports	140	0.9	6
7	Hong Kong, China	493	3.4	8					
	- domestic exports	22	0.2	33	6	Korea, Republic of	520	3.5	-1
	- re-exports	471	3.2	7	7	India	489	3.3	5
8	Canada	455	3.1	1	8	Canada a	475	3.2	2
9	Singapore	408	2.8	0	9	Mexico	380	2.5	5
	- domestic exports	228	1.6	2	10	Singapore	380	2.5	4
	- re-exports	180	1.2	-3		- retained imports b	199	1.3	11
10	Saudi Arabia, Kingdom of c	386	2.6	6					
11	Mexico	371	2.5	6	11	Russian Federation a	335	2.2	4
12	Taipei, Chinese	301	2.0	-2	12	Taipei, Chinese	270	1.8	-4
13	United Arab Emirates c	300	2.0	5	13	Australia	261	1.7	7
14	India	293	2.0	-3	14	Thailand	248	1.7	8
15	Australia	257	1.7	-5	15	Turkey	237	1.6	-2
16	Brazil	243	1.7	-5	16	Brazil	233	1.6	-2
17	Thailand	230	1.6	3	17	United Arab Emirates c	220	1.5	7
18	Malaysia	227	1.5	0	18	Switzerland	198	1.3	-5
19	Switzerland	226	1.5	-4	19	Malaysia	197	1.3	5
20	Indonesia	188	1.3	-6	20	Indonesia	190	1.3	8
21	Norway	160	1.1	0	21	Saudi Arabia, Kingdom of	144	1.0	9
22	Turkey	153	1.0	13	22	South Africa c	123	0.8	1
23	Qatar c	129	0.9	12	23	Viet Nam	114	0.8	7
24	Kuwait c	121	0.8	17	24	Norway	87	0.6	-4
25	Viet Nam	115	0.8	18	25	Ukraine	85	0.6	2
26	Nigeria c	114	0.8	0	26	Chile	79	0.5	6
27	Venezuela, Bolivarian Rep. of	97	0.7	5	27	Israel c	76	0.5	0
28	Iran c	96	0.6	-27	28	Egypt	70	0.5	19
29	Iraq c	94	0.6	13	29	Argentina	69	0.5	-7
30	Kazakhstan	92	0.6	5	30	Philippines	65	0.4	3
	Total of above d	13185	89.7	-		Total of above d	13440	89.9	-
	World (excl. intra-EU(27)) d	14700	100.0	2		World (excl. intra-EU(27)) d	14940	100.0	2

a. Imports are valued f.o.b.

b. Singapore's retained imports are defined as imports less re-exports.

c. Secretariat estimates.

d. Includes significant re-exports or imports for re-export.

Source: WTO Secretariat.

Appendix Table 5

Leading exporters and importers in world trade in commercial services, 2012

\$bn and %

Rank	Exporters	Value	Share	Annual % change	Rank	Importers	Value	Share	Annual % change
1	United States	614	14.1	4	1	United States	406	9.9	3
2	United Kingdom	278	6.4	-4	2	Germany	285	6.9	-3
3	Germany	255	5.9	-2	3	China a	281	6.8	19
4	France	208	4.8	-7	4	United Kingdom	176	4.3	1
5	China a	190	4.4	4	5	Japan	174	4.2	5
6	India	148	3.4	8	6	France	171	4.2	-10
7	Japan	140	3.2	-2	7	India	125	3.0	1
8	Spain	140	3.2	-1	8	Singapore	117	2.8	3
9	Singapore	133	3.1	3	9	Netherlands	115	2.8	-5
10	Netherlands	126	2.9	-7	10	Ireland	110	2.7	-5
11	Hong Kong, China	126	2.9	7	11	Canada	105	2.6	1
12	Ireland	115	2.6	2	12	Korea, Republic of	105	2.6	7
13	Korea, Republic of	109	2.5	16	13	Italy	105	2.6	-8
14	Italy	104	2.4	-1	14	Russian Federation	102	2.5	16
15	Belgium	94	2.2	0	15	Belgium	90	2.2	-1
16	Switzerland	88	2.0	-7	16	Spain	90	2.2	-5
17	Canada	78	1.8	-1	17	Brazil	78	1.9	7
18	Sweden	76	1.7	2	18	Australia	65	1.6	10
19	Luxembourg	70	1.6	0	19	Denmark	57	1.4	-2
20	Denmark	65	1.5	-2	20	Hong Kong, China	57	1.4	2
21	Austria	61	1.4	1	21	Sweden	55	1.3	0
22	Russian Federation	58	1.3	10	22	Thailand	53	1.3	1
23	Australia	53	1.2	4	23	United Arab Emirates b	50	1.2	...
24	Norway	50	1.2	3	24	Saudi Arabia, Kingdom of	49	1.2	-10
25	Thailand	49	1.1	18	25	Norway	49	1.2	6
26	Taipei, Chinese	49	1.1	7	26	Switzerland	44	1.1	-2
27	Macao, China	45	1.0	14	27	Austria	43	1.1	3
28	Turkey	42	1.0	9	28	Taipei, Chinese	42	1.0	2
29	Brazil	38	0.9	5	29	Malaysia	42	1.0	10
30	Poland	38	0.9	1	30	Luxembourg	41	1.0	0
	Total of above	3640	83.7	-		Total of above	3285	80.0	-
	World	4345	100.0	2		World	4105	100.0	2

a Preliminary estimates.

b Secretariat estimate.

.. indicates unavailable or non-comparable figures.

- indicates non-applicable.

Note: Figures for a number of countries and territories have been estimated by the Secretariat. Annual percentage changes and rankings are affected by continuity breaks in the series for a large number of economies, and by limitations in cross-country comparability.

Source : WTO and UNCTAD Secretariats.

Appendix Table 6

**Leading exporters and importers in world trade in commercial services
excluding intra-EU(27) trade, 2012**

\$bn and %

Rank	Exporters	Value	Share	Annual	Rank	Importers	Value	Share	Annual
				%					%
1	Extra-EU(27) exports	823	24.6	-1	1	Extra-EU(27) imports	639	20.0	-4
2	United States	614	18.3	4	2	United States	406	12.7	3
3	China a	190	5.7	4	3	China a	281	8.8	19
4	India	148	4.4	8	4	Japan	174	5.4	5
5	Japan	140	4.2	-2	5	India	125	3.9	1
6	Singapore	133	4.0	3	6	Singapore	117	3.7	3
7	Hong Kong, China	126	3.8	7	7	Canada	105	3.3	1
8	Korea, Republic of	109	3.3	16	8	Korea, Republic of	105	3.3	7
9	Switzerland	88	2.6	-7	9	Russian Federation	102	3.2	16
10	Canada	78	2.3	-1	10	Brazil	78	2.4	7
11	Russian Federation	58	1.7	10	11	Australia	65	2.0	10
12	Australia	53	1.6	4	12	Hong Kong, China	57	1.8	2
13	Norway	50	1.5	3	13	Thailand	53	1.7	1
14	Thailand	49	1.5	18	14	United Arab Emirates b	50	1.6	...
15	Taipei, Chinese	49	1.5	7	15	Saudi Arabia, Kingdom of	49	1.5	-10
16	Macao, China	45	1.3	14	16	Norway	49	1.5	6
17	Turkey	42	1.3	9	17	Switzerland	44	1.4	-2
18	Brazil	38	1.1	5	18	Taipei, Chinese	42	1.3	2
19	Malaysia	38	1.1	5	19	Malaysia	42	1.3	10
20	Israel	30	0.9	11	20	Indonesia	34	1.1	8
21	Lebanon b	23	0.7	...	21	Nigeria	27	0.8	18
22	Indonesia	22	0.7	12	22	Mexico	25	0.8	0
23	Egypt	21	0.6	11	23	Angola b	23	0.7	...
24	Ukraine	19	0.6	1	24	Qatar	22	0.7	41
25	Philippines	18	0.5	15	25	Israel	21	0.7	6
26	Mexico	16	0.5	5	26	Iran b	19	0.6	...
27	South Africa	15	0.4	3	27	Turkey	19	0.6	-3
28	Argentina	14	0.4	2	28	Argentina	18	0.6	9
29	Morocco	13	0.4	-4	29	Venezuela, Bolivarian Rep. of	17	0.5	42
30	Chile	13	0.4	2	30	South Africa	17	0.5	-11
	Total of above	3075	91.7	-		Total of above	2825	88.4	-
	World (excl. intra-EU(27))	3350	100.0	4		World (excl. intra-EU(27))	3190	100.0	4

a Preliminary estimates.

b Secretariat estimate.

...indicates unavailable or non-comparable figures.

- indicates non-applicable.

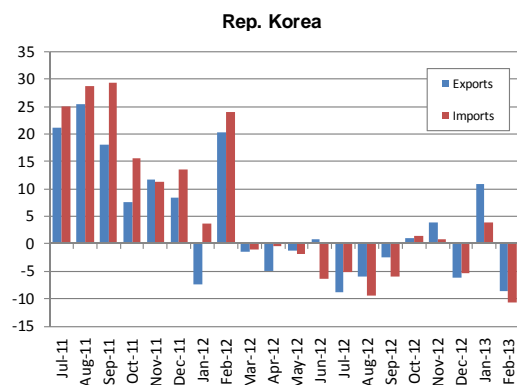
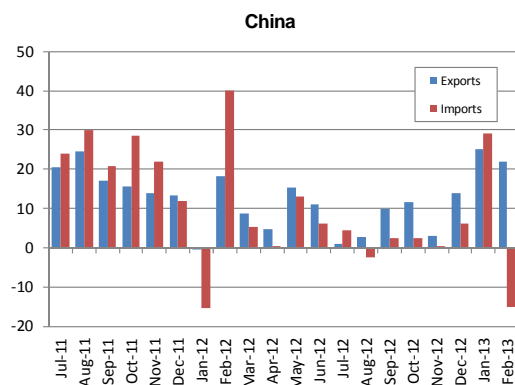
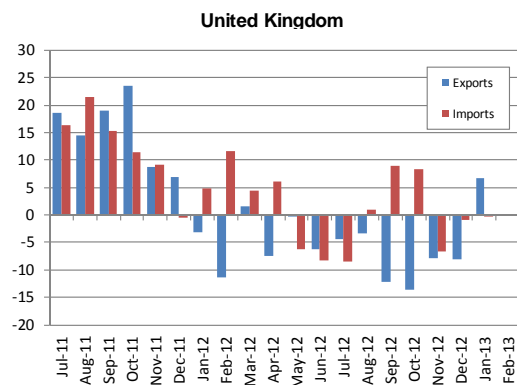
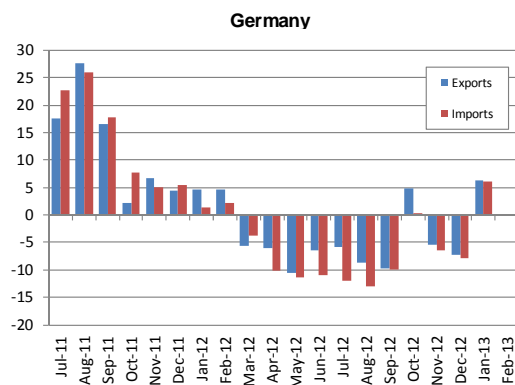
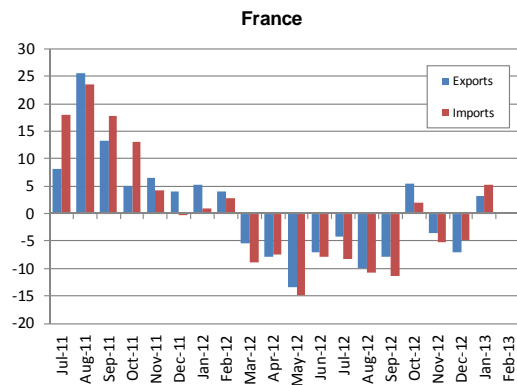
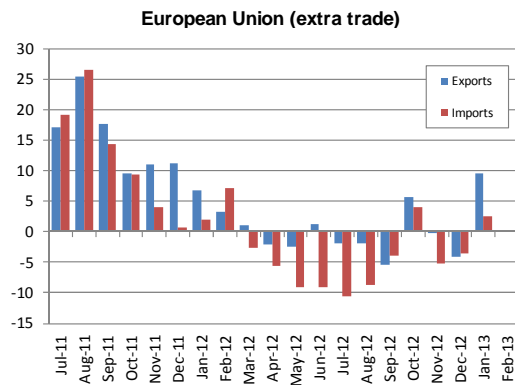
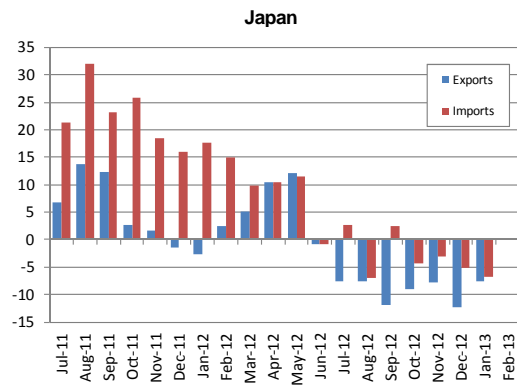
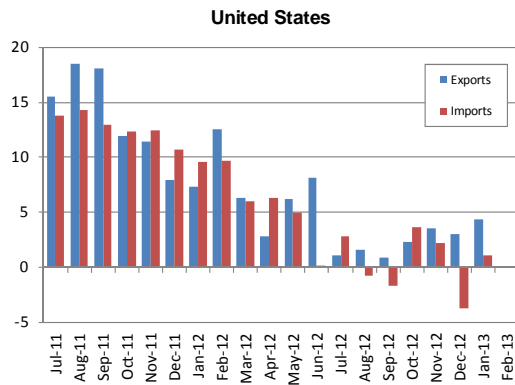
Note: Figures for a number of countries and territories have been estimated by the Secretariat. Annual percentage changes and rankings are affected by continuity breaks in the series for a large number of economies, and by limitations in cross-country comparability.

Source: WTO and UNCTAD Secretariats.

Appendix Chart 1

Merchandise exports and imports of selected economies, January 2011-February 2013

Year-on-year % change in current \$ values

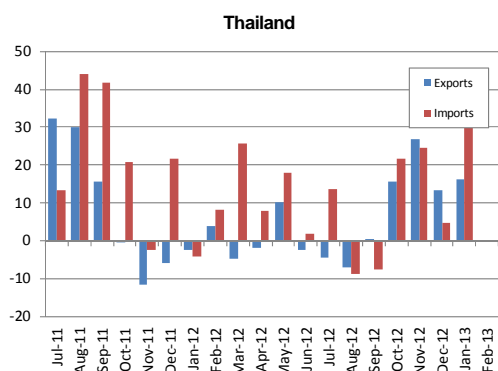
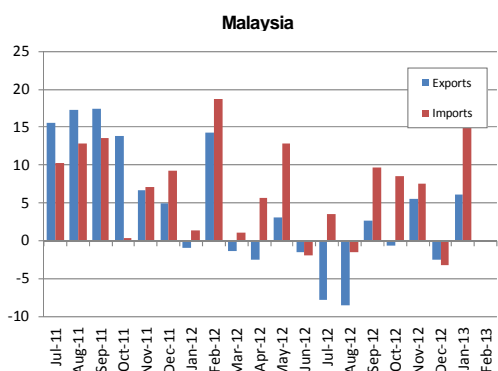
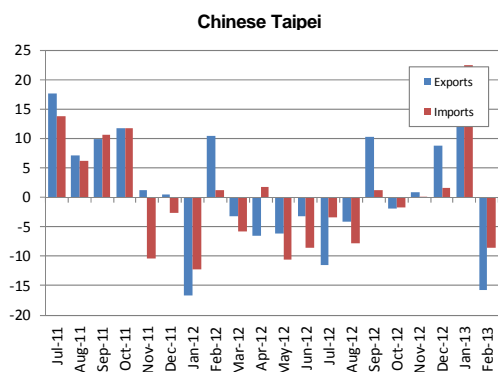
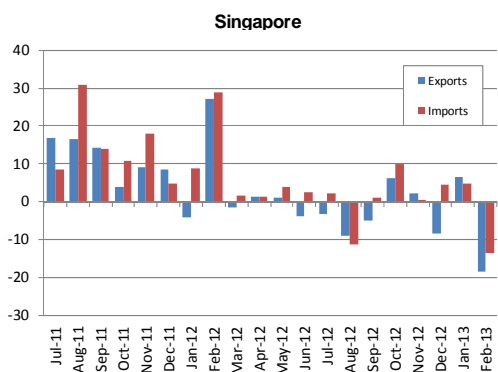
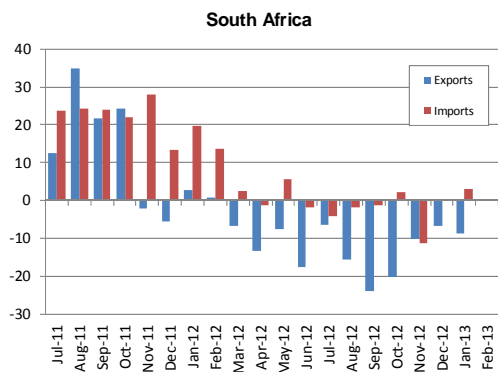
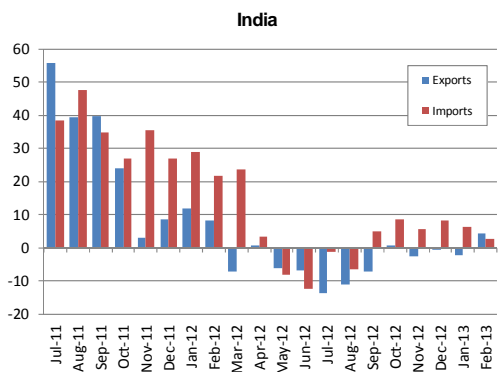
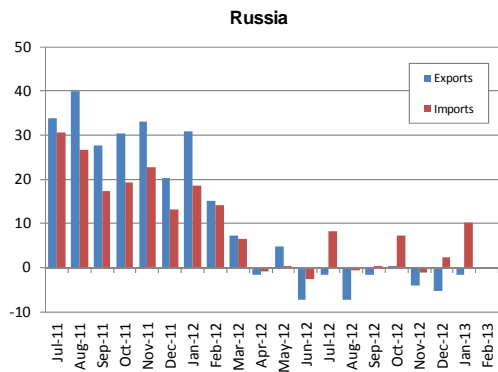
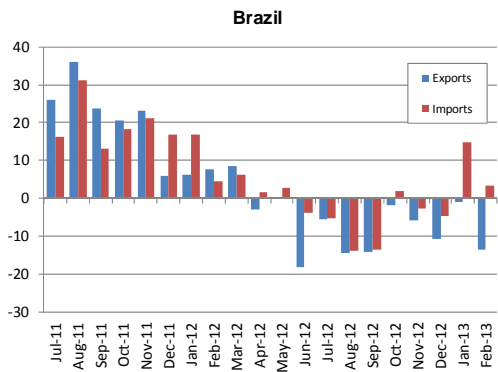


Sources: IMF International Financial Statistics, Global Trade Information Services GTA database, national statistics.

Appendix Chart 1 (continued)

Merchandise exports and imports of selected economies, January 2011-February 2013

Year-on-year % change in current \$ values

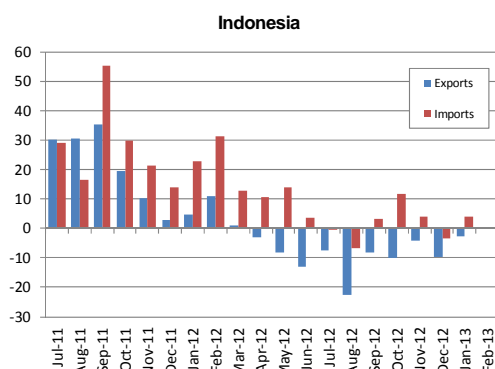
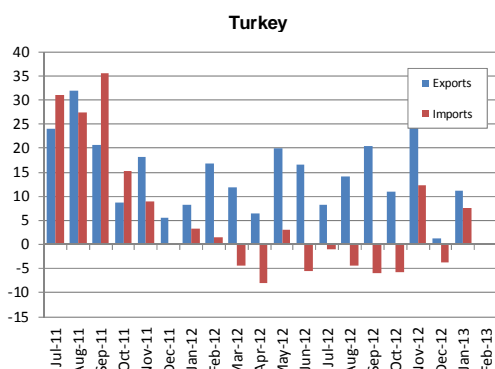
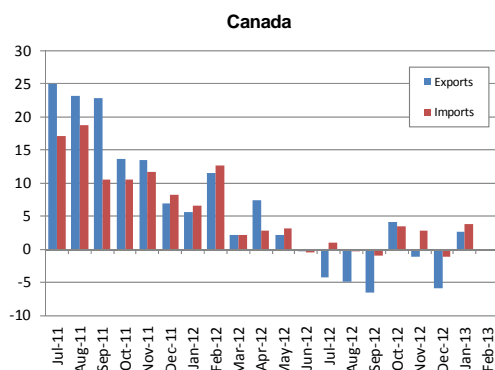
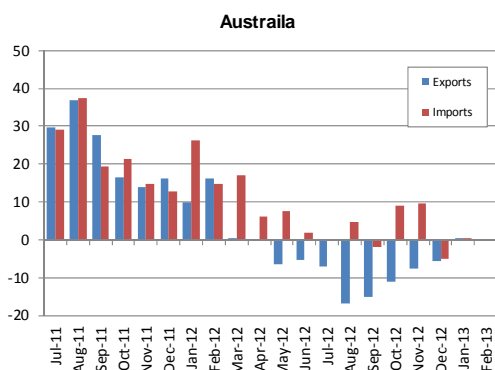
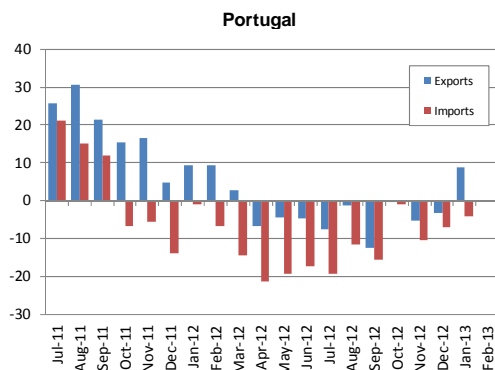
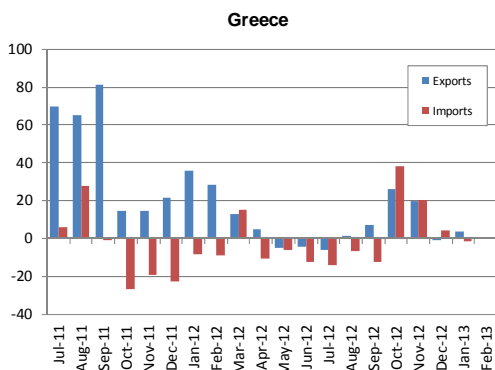
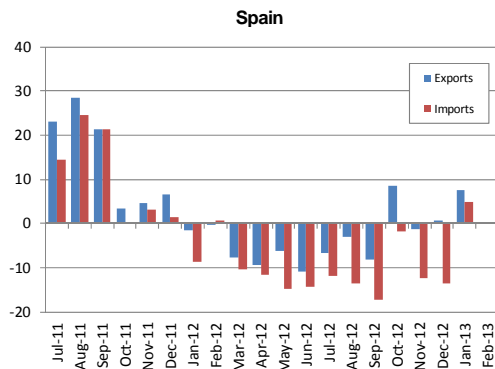
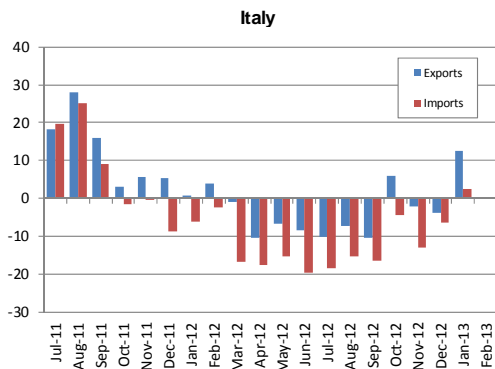


Sources: IMF International Financial Statistics, Global Trade Information Services GTA database, national statistics.

Appendix Chart 1 (continued)

Merchandise exports and imports of selected economies, January 2011-February 2013

Year-on-year % change in current \$ values



Sources: IMF International Financial Statistics, Global Trade Information Services GTA database, national statistics.