Impact of COVID-19 on world trade

International trade continued to grow in the second year of the pandemic and to support economic recovery but stretched supply lines and new waves of infection weighed on growth over the course of the year.

**Merchandise trade**

The volume of world merchandise trade saw a sharp rebound of 9.8 per cent in 2021, following the pandemic-induced 5.0 per cent slump of 2020. However, growth might have been stronger without the recurring waves of COVID-19 during the year.

Every region had export growth below the world average of 9.8 per cent, apart from Asia, which saw its exports increase by 13.8 per cent. The situation was reversed on the import side, where North America, South America, the Commonwealth of Independent States (CIS) and Asia all recorded above-average growth.

Merchandise trade growth in value terms diverged strongly from growth in volume terms in 2021 due to strong price fluctuations over the course of the year.

World merchandise trade, as measured by the average of exports and imports, rose 26 per cent in 2021, which implies that export and import prices jumped 15 per cent for the year on average. The dollar value of trade in fuels and mining products was up 59 per cent, agricultural products were up 19 per cent, and manufactured goods were up 21 per cent.

Quarterly developments showed steady year-on-year growth in certain products (iron and steel, chemicals, integrated circuits) and weaker growth for others (clothing, machinery). Trade values for pharmaceuticals, computers and integrated circuits were actually higher in 2021 than before the pandemic, probably due to high demand for COVID-19 vaccines and increased prevalence of remote working. In contrast, trade in automotive products was up 14 per cent year-on-year in 2021 but down 4 per cent compared to 2019.

**Trade in medical goods**

The WTO has closely monitored trade in medical goods since the start of the pandemic and has made this information available through a series of reports on “Trade in Medical Goods in the Context of COVID-19”. A report issued in December 2021 noted that total trade in medical goods was valued at US$ 1,286 billion in the first
six months of 2021 and accounted for 6.1 per cent of total global trade. This share is up from 5.4 per cent in the second half of 2019, before the pandemic.

Trade measures related to COVID-19

A dedicated page on the WTO website provides up-to-the-minute trade-related information including relevant notifications by WTO members about COVID-19-related trade measures (see page 183), the impact the virus has had on exports and imports and how WTO activities have been affected by the pandemic. The WTO-International Monetary Fund (IMF) Vaccine Trade Tracker provides data on the trade and supply of COVID-19 vaccines (see page 190) by product, economy and arrangement type. Unequal distribution of COVID-19 vaccines continues to hamper the global economic recovery.

The WTO has also been monitoring COVID-19-related trade-restricting and trade-facilitating measures imposed by the G20 economies and the WTO membership in its biannual trade monitoring reports (see page 130). According to the DG’s annual overview report on trade-related developments, issued on 10 December 2021, WTO members have showed restraint in the imposition of new trade-restrictive measures related to COVID-19 and have continued to roll back restrictions adopted earlier in the pandemic.

Services trade

Services trade was harder hit than goods as pandemic-related restrictions weighed particularly heavily on the travel and transport sectors. The recovery of services trade lagged that of goods until the third quarter of 2021, when commercial services posted a 25 per cent year-on-year increase, matching growth in goods (24 per cent). Overall, world trade in commercial services was up 15 per cent year-on-year in 2021, boosted by demand for transport services, which grew 33 per cent (see Figure 2).

Transport was boosted by high shipping rates, which were closely linked to strong demand for consumer goods. The combination of surging demand for goods and renewed pandemic-related lockdowns resulted in bottlenecks in major ports and long delays in delivery, which contributed to the higher shipping rates.

Travel in 2021 benefited from increases in vaccination, which allowed some tourism and business travel to resume but as travel restrictions were only partially eased during the year, growth remained weak at 8 per cent.

The category “Other services”, which includes financial and business services, was up 12 per cent in 2021 compared to the previous year. Digitally deliverable services, including computer, financial and other business services, were the main drivers of the increase.

Projections for 2022

Since the outbreak of war in Ukraine on 24 February 2022, WTO economists have reassessed their projections for world trade downwards over the next two years. The organization now expects merchandise trade volume growth of 3.0 per cent in 2022 – down from its previous forecast of 4.7 per cent – and 3.4 per cent in 2023, but these estimates are less certain than usual due to the fluid nature of the conflict.

The conflict has already led to a sharp rise in commodity prices. Despite their small shares in world trade and output, Russia and Ukraine are key suppliers of essential goods including food, energy and fertilizers, supplies of which are now threatened by the war. In addition, current lockdowns in China to prevent the spread of COVID-19 are again disrupting seaborne trade at a time when supply chain pressures had appeared to be easing. This could lead to renewed shortages of manufacturing inputs and higher inflation.