

## Chapter I

# Introduction

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## Acknowledgements

This publication has been prepared under the direction of Robert Koopman, former Director of the Economic Research and Statistics Division, and the International Trade Statistics Section. The coordination of the report was undertaken by Christophe Degain and Florian Eberth. Statistical research, data compilation and the preparation of estimates were conducted by Barbara d'Andrea-Adrian, Shradha Bhatia, Lori Chang, Christophe Degain, Florian Eberth, Zineb Haj Nassar, Coleman Nee and Ying Yan.

Contributions to this publication were also provided by the Research Group of the Economic Research and Statistics Division. The International Trade Statistics Section also wishes

to thank colleagues from the Information and External Relations Division (IERD) and the Language and Documentation Services Division (LDSD) whose collaboration is vital in the production of this report. In particular, recognition is due to Anthony Martin, Serge Marin-Pache and Steve Cooper in IERD and to the French and Spanish translators in LDSD. Finally, we wish to thank the users of WTO statistics for their constructive suggestions on how to improve our statistical output. This regular feedback allows us to constantly refine the data we provide.

# A message from Director-General Ngozi Okonjo-Iweala



After rebounding strongly, if unevenly, from the slump caused by the onset of the COVID-19 pandemic in 2020, global trade in merchandise and services faces renewed headwinds, amid a slowing global economy, persistent inflation, monetary tightening, and the ongoing impacts of the pandemic and the war in Ukraine. In October, the WTO downgraded its forecast for merchandise trade growth in 2023 to 1.0 per cent, in volume terms – well below the 3.4 per cent growth projected as recently as April.

The war, which started in February 2022, has weighed heavily on world trade, with sharp rises in commodity prices and disruptions in access to essential goods such as grain, gas, and fertilizers. The Black Sea Grain Initiative, a deal brokered by the United Nations and Türkiye to get trapped Ukrainian grain, as well as Russian food and fertilizer, to international markets, has delivered critical supplies to people in developing and other countries, and put downward pressure on world market prices. But prices remain high by historical standards in many countries, particularly in local currency terms.

The data in this report, which cover trade in 2021 and the first half of 2022, shed light on recent trends in world trade, providing insights into the repercussions of COVID-19 and the war in Ukraine on the global economy, commodity prices, inflation, goods shortages, and supply chain congestion.

Global merchandise trade grew by 26 per cent in value terms in 2021 – with estimated average price increases of 15 per cent accounting for the difference with the 9.8 per cent increase in global merchandise trade volumes. Particularly strong year-on-year growth was observed for major manufacturing inputs such as iron and steel (+60 per cent) and chemicals (+26 per cent). The value of world trade in pharmaceuticals and office and telecom equipment was as much as 1.3 times higher in 2021 than in 2019, before the pandemic, mostly due to high demand for COVID-19 vaccines and an increase in remote working.

World trade in commercial services was up 16 per cent year-on-year in 2021, boosted by the recovery in demand for transport services (+35 per cent) and the resilience of other services (+12 per cent), including financial and business services, fostered by digital technologies. Digitally delivered services – which are critical for remote work, learning, and entertainment – were estimated at US\$ 3.71 trillion in 2021, 30 per cent above 2019 levels. This continues the growth recorded in 2020. However, despite positive year-on-year growth, travel-related expenditures remained 57 per cent below 2019 levels, as travel restrictions were only partially eased during the year. As a result, total services trade remained 5 per cent below pre-pandemic levels.

Exports of goods from least-developed countries (LDCs) in 2021 performed marginally better than the world average (+26.9 per cent versus +26.6 per cent), but LDC exports of

commercial services lagged behind (+9 per cent versus +17 per cent). Given the relatively small share of services in the LDC export basket, LDCs' share in world goods and services exports remained at 0.93 per cent in 2020 and 2021. Improving the integration of LDCs into the world trading system remains a priority, with important roles for Aid for Trade and capacity-building initiatives regarding digital infrastructure and governance.

Trade in intermediate goods recorded a 28 per cent year-on-year increase in value terms in 2021, followed by estimated 10 per cent growth in Q1 2022. Despite difficulties in global supply chains such as port congestion, component and labour shortages, and rising operating costs, the share of intermediate goods in world exports (excluding fuels) remained at its long-term trend level of just over 50 per cent, suggesting that supply chains did not see wide-scale retrenchment.

We hope the statistics and insights in this report will be useful for WTO members, trade analysts and all policymakers seeking to respond to current challenges and lay the foundations for strong, sustainable and inclusive future growth. It is also a reminder of the importance of accurate trade data for monitoring the pursuit of sustainability targets as well as the implementation and impact of agreements reached at the WTO's 12th Ministerial Conference in June 2022.

I would like to thank the team who worked on this report.

**Ngozi Okonjo-Iweala**  
Director-General