## World trade and economic growth, 2021-22

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World merchandise trade volume and real GDP rebounded strongly in 2021 after slumping in 2020 following the onset of the COVID-19 pandemic. Merchandise trade volume rose 9.7 per cent in 2021 while GDP at market exchange rates increased by 5.9 per cent. However, weaker trade growth was recorded in the first half of 2022.

Merchandise trade made a strong recovery in 2021, as demand for imported goods continued to rebound from the pandemic-induced slump of 2020. However, disruptions to supply chains increasingly weighed on growth over the course of the year.

Merchandise trade slowed in the first half of 2022 as the global economy struggled under the influence of several related factors, including the war in Ukraine, high inflation and lingering effects from the COVID-19 pandemic. Merchandise trade growth fell to 4.4 per cent year-on-year in the second quarter of 2022, with slower growth expected in the second half of the year.

Both merchandise and commercial services trade grew at double-digit rates in the first half of 2022 when measured in nominal US dollar terms. These increases were driven by higher food and energy prices as well as increased spending on travel and transport services. Merchandise exports were up 17 per cent year-on-year in value terms in the second quarter while commercial services exports were up 18 per cent in the first quarter.
Trade and GDP growth in 2021 and first half of 2022

World trade and GDP rebounded in 2021 after falling sharply in 2020 during the COVID-19 pandemic but weaker growth is expected in 2022 and 2023 as the global economy slows.

Chart 3.1
World merchandise trade volume and real GDP growth, 2015-21
(Annual percentage change)

- The volume of world merchandise trade grew 9.7 per cent in 2021. Growth was up sharply from 2020, when merchandise trade fell 5.2 per cent during the first year of the COVID-19 pandemic. Trade growth in 2021 was well above the 2.7 per cent average rate for 2010-19, the period between the global financial crisis and the onset of the pandemic.

- Merchandise trade registered an even larger increase in US dollar terms in 2021, rising 26 per cent to US$ 22.46 billion after having fallen 7 per cent to US$ 17.76 billion in 2020. Stronger growth in value terms than in volume terms implies rising export and import prices. These were up 15.4 per cent on average in 2021.

- Growth in merchandise trade in 2021 was accompanied by a 5.8 per cent increase in world GDP at market exchange rates, well above the 3.0 per cent average rate for 2010-19. World trade grew around 1.7 times faster than world GDP in 2021.

- Supply chain disruptions increasingly weighed on trade over the course of 2021 and in the first half of 2022. Economic forecasts have pointed to further weakening of trade and GDP in the second half of 2022 and in 2023.

Sources: WTO for trade, consensus estimates for GDP.
Note: GDP growth is weighted at market exchange rates.
Merchandise trade volume

Merchandise trade growth slowed in the first half of 2022 and was expected to diminish further in the second half of the year due to the Ukraine crisis, high inflation and lingering effects from the global pandemic.

Chart 3.2
World merchandise trade volume, 2015Q1-2022Q2
(Volume index 2015=100 and year-on-year percentage change)

- Year-on-year growth in the seasonally adjusted volume of world merchandise trade peaked at 22.1 per cent in the second quarter of 2021, one year after the low point of the 2020 recession triggered by the COVID-19 pandemic.
- Merchandise trade slowed in the first half of 2022 as the global economy struggled under several related factors, including the conflict in Ukraine, high inflation and lingering effects from the pandemic.
- Merchandise trade growth fell to 4.4 per cent year-on-year in the second quarter of 2022, with slower growth expected in the second half of the year.
- Despite the slowdown, global merchandise trade volume remained at an all-time high in 2022Q2, up 7.4 per cent from its pre-pandemic peak in the third quarter of 2019.
Merchandise trade growth has varied strongly across regions since the start of the Ukraine crisis in the first quarter of 2022.

Chart 3.3

Merchandise export and import volume by region, 2019Q1-2022Q2
(Volume index, 2019=100)

- The Commonwealth of Independent States (CIS), including certain associate and former member states, recorded a sharp 10.4 per cent quarter-on-quarter decline in the volume of its merchandise exports in the second quarter of 2022, partly as a result of reduced shipments of energy to European trading partners. Meanwhile, the volume of CIS imports plunged 21.7 per cent as sanctions against the Russian Federation took effect.

- Quarter-on-quarter export growth in Q2 of 2022 was 6.5 per cent in the Middle East, 2.5 per cent in Africa and 1.3 per cent in South America. Increased shipments from other petroleum-exporting regions partly made up for reduced supplies from the CIS.

- Import volumes were up 6.1 per cent quarter-on-quarter in Africa, 5.5 per cent in the Middle East and 1.6 per cent in South America, as surging export revenues allowed countries in these regions to import more.

- Merchandise export and import volumes were up in North America and Europe in Q2 of 2022 compared to Q1 but trade in Asia declined, falling 0.5 per cent on the export side and 0.3 per cent on the import side. The trade slowdown in Asia is partly attributable to impacts of the pandemic on supply chains, which interrupted production and disrupted shipments of goods in China.

* Refers to South and Central America and the Caribbean.
* Refers to Commonwealth of Independent States, including certain associate and former member states.
Sources: WTO and UNCTAD.
Commodity prices

Prices of primary commodities, such as energy (coal, natural gas, spot crude and propane) and food, rose steeply in 2022, led by sharply higher European natural gas prices in the wake of the Ukraine crisis.

Chart 3.4
Monthly average prices for primary commodities, January 2019 - September 2022
(Index 2019=100 and US$ per million Btu)

- Prices for energy and food products increased sharply following the outbreak of the war in Ukraine. Energy prices in September 2022 were up 47 per cent year-on-year and 125 per cent compared to January 2021. Food prices also rose 12 per cent year-on-year in September and 19 per cent since January 2021.

- The rise in energy prices was driven by natural gas, which jumped 118 per cent year-on-year in September 2022 and 433 per cent since January 2021. Crude oil prices moderated between June and September but remained high, up 64 per cent compared to January 2021.

- Global grain prices were up 21 per cent year-on-year in September 2022, including a 24 per cent rise in the price of wheat. Particularly worrying for food security was the price of fertilizers, which were up 75 per cent year-on-year in September. High fertilizer prices could cause farmers in poor countries to use less or do without, with negative consequences for crop yields.

- Natural gas prices have varied strongly across regions since the start of 2021. In September 2022, European gas prices were more than eight times higher than in January 2021. Prices in the United States nearly tripled over the same period but remained low compared to Europe, US$ 7.76 per million Btu compared to US$ 59.10.
Exchange rates fluctuated strongly in 2021 and 2022, with safe haven currencies appreciating and those of energy importers depreciating.

Chart 3.5  
**Exchange rate indices for selected economies, January 2018 – August 2022**

(Index, January 2014=100)

- The real effective exchange rate of the US dollar rose steadily in 2021 and increased more sharply in 2022, reflecting both the expected tightening of US monetary policy and the dollar’s status as a safe haven in times of uncertainty. The dollar appreciated 3.9 per cent against a broad basket of currencies between January and December 2021 and a further 6.8 per cent between January and August 2022.

- Dollar appreciation also contributed to food insecurity by making many countries’ imports more expensive in national currency terms.

- The Chinese yuan gained 7.0 per cent in value against other currencies over the course of 2021 but only rose 0.3 per cent in the first eight months of 2022. In contrast, the euro fell 2.5 per cent between January and December 2021 before losing another 3.5 per cent between January and August 2022. The British pound appreciated by 3.5 per cent over the course of 2021 before falling 3.6 per cent in the first eight months of 2022.

- The value of the Japanese yen has declined steadily, dropping 6.8 per cent against currencies of Japan’s trading partners between January and December 2021 and another 9.8 per cent between January and August 2022. The depreciation of the yen partly reflects Japan’s status as a net importer of energy during a period of high oil and gas prices.

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*Real effective exchange rates against a broad basket of currencies.  
Source: Bank for International Settlements (BIS).
Higher prices for fuels and agricultural products boosted trade values in 2021 and the first half of 2022, contributing to double-digit growth in merchandise trade values.

Chart 3.6
World merchandise exports by sector, 2021Q4-2022Q2
(Year-on-year percentage change in US$ values)

Sources: WTO estimates.

- Total merchandise trade in nominal US dollar terms was up 17 per cent year-on-year in the second quarter of 2022, mostly due to rising export and import prices.

- The US dollar value of trade in agricultural products was up 13 per cent year-on-year in the second quarter of 2022 while trade in fuels and mining products rose 60 per cent. Meanwhile, trade in manufactured goods only increased 10 per cent in Q2.

- The value of merchandise trade in the first half of 2022 was up 32 per cent compared to the first half of 2019, before the pandemic. The value of trade in fuels and mining products increased 69 per cent over the same period while the value of agricultural products trade rose 34 per cent.
Oil-producing regions recorded the strongest growth in export values but exports from Asia were also up substantially compared to the pre-pandemic period.

Chart 3.7
Merchandise exports by region, 2021Q4 - 2022Q2
(Year-on-year percentage change in US$ values)

- In the second quarter of 2022, the highest year-on-year growth in the value of merchandise exports was recorded in the Middle East (78 per cent) and in Africa (35 per cent), well above the world average of 17 per cent. Growth was slightly above average in the CIS region (24 per cent), North America (23 per cent) and South America (20 per cent). It was below average in Asia (14 per cent) and Europe (9 per cent).

- Exports from Asia in the first half of 2022 were up 39 per cent compared to the first half of 2019, reflecting the strong trade performance of the region during the COVID-19 pandemic. However, the region’s exports are expected to grow more slowly from the second half of 2022 as external demand weakens.

- Export growth in value terms remained positive in the CIS region as higher prices masked a decline in volume terms.

* Refers to South and Central America and the Caribbean.
* Refers to Commonwealth of Independent States, including certain associate and former member states.
Sources: WTO and UNCTAD.
Merchandise imports in value terms grew at double-digit rates in all regions except the Commonwealth of Independent States (CIS), where imports fell sharply in the second quarter of 2022.

Chart 3.8
Merchandise imports by region, 2021Q4 - 2022Q2
(Year-on-year percentage change in US$ values)

- The highest year-on-year growth in the value of merchandise imports in the second quarter of 2022 was recorded by South America (34 per cent), well above the world average of 18 per cent. Growth was slightly above the world average in Africa (23 per cent), the Middle East (23 per cent) and North America (22 per cent). It was in line with the global average in Europe (18 per cent) and slightly below average in Asia (15 per cent).

- Meanwhile, imports plunged by 28 per cent in the CIS region, mostly as a result of sanctions against the Russian Federation. Figures for the CIS should be interpreted with caution since economic data for the Russian Federation has become scarce.

a Refers to South and Central America and the Caribbean.
b Refers to Commonwealth of Independent States, including certain associate and former member states.
Sources: WTO and UNCTAD.
Commercial services trade continued to recover in the second half of 2021 and the first quarter of 2022, with moderate growth in goods-related services and “other commercial services” balanced by strong recoveries in travel and transport services.

Chart 3.9
Commercial services exports by category, 2021Q3-2022Q1
(Year-on-year percentage change in US$ values)

- Year-on-year growth in the US dollar value of world commercial services trade slowed from 26 per cent in the third quarter of 2021 to 21 per cent in the fourth quarter, and then to 18 per cent in the first quarter of 2022.
- These growth rates are slightly lower than those for merchandise trade in the same period due to the fact that services trade declined less than merchandise trade during the pandemic.
- The category of “other commercial services”, which includes financial and other business services, was up 7 per cent year-on-year in the first quarter of 2022 while goods-related services registered a 9 per cent increase. In the same period, transport services were up 37 per cent while travel rose 89 per cent after a prolonged pandemic-related slump.
Most large economies recorded strong growth in travel and transport services in the first half of 2022, which is likely to be sustained in the third quarter before slowing in the fourth.

Chart 3.10
Commercial services exports of selected economies, January-June 2022
(Year-on-year percentage change in US$ values)

- Data for the five largest services exporting economies in the first half of 2022 illustrate more recent developments in commercial services trade.

- Travel exports were up strongly in most cases (161 per cent in the European Union, 134 per cent in the United Kingdom and 104 per cent in the United States) as pandemic-related restrictions eased and pent-up demand for travel was released.

- China was the main exception, where spending on travel fell 22 per cent year-on-year due to extended restrictions following new outbreaks of COVID-19.

- Other services (including goods-related services) grew at a modest pace since they did not decline as much as travel and transport services during the pandemic. India was an exception, with strong growth of 25 per cent, linked to computer and IT services being in high demand since early in the pandemic.

Note: Other includes goods-related services.
Source: WTO and national statistics.

*United States and China refer to January-July.
Other trade-related indicators

Purchasing managers’ indices (PMIs) for September 2022 showed global manufacturing activity and trade slowing, partly relieving earlier pressures on supply chains.

Chart 3.11
Global Manufacturing Purchasing Managers’ Indices (PMIs), January 2018 - September 2022
(Diffusion index, base = 50)

- The global purchasing managers’ index (PMI) is a leading economic indicator based on surveys of businesses in more than 40 countries. Values greater than 50 indicate expansion while values less than 50 denote contraction.

- The manufacturing PMI’s headline index fell to 49.8 in September 2022, marking the first contraction since June 2020. The new export orders sub-index also fell to 45.9 in the same month. Together, these suggest that global manufacturing activity stalled by the end of the third quarter and that goods trade would continue to slow in the fourth quarter.

- Other sub-indices of the manufacturing PMI cast light on the state of global supply chains. An index representing input prices fell from 71.6 in April 2022 to 61.2 in September. Another showing final goods prices dropped from 63.8 to 56.6 over the same period. Delivery times also shortened in August and stocks of finished goods rose. These suggest that inflationary pressures and supply chain issues were easing in September, possibly due to weakening demand.
Shipping indices showed global container throughput at an all-time high in September 2022 but not much higher than in 2021, suggesting weak trade growth in 2022.

Chart 3.12
Global container throughput index, January 2015-August 2022
(Index 2015=100)

- The volume of world container shipping reached an all-time high in August 2022, although it has been mostly flat since October 2020.

- Throughput dipped in April 2022 due to pandemic-related lockdowns in China but traffic rebounded after restrictions were relaxed. The decline in China was partly made up for by increased container handling at US ports, which previously experienced severe congestion.

- New outbreaks of COVID-19 could again interrupt shipping and hamper trade in the remainder of 2022 and in 2023.

Source: Leibniz Institute for Economic Research and the Institute for Shipping Economics and Logistics.
Note: The index is based on data gathered from 94 ports accounting for 64 per cent of global container traffic.
International commercial flights made a partial recovery in 2021 and grew steadily in 2022, reflecting stronger growth of travel and transport services.

Chart 3.13
International commercial flights, January 2020 - August 2022
(Index, week of 1 January = 100, 7-day moving average)

- International commercial flights are classified as transport services and are closely associated with travel expenditure by international tourists. Both cargo and passenger flights also carry significant quantities of goods, so they are linked to both merchandise and commercial services trade.

- Daily commercial flights, including flights within the European Union, finally exceeded their level at the start of 2020 during the summer of 2022. However, flights excluding those within the EU remained below their pre-pandemic level in August 2022.

- Rising fuel costs and increased economic uncertainty are expected to weigh on commercial flights in the remaining months of 2022 and in 2023.

Source: OpenSky Network and WTO Secretariat Calculations.
The volume of world wheat trade declined slightly after the start of the Ukraine conflict but prices rose substantially, increasing the cost of imported food for consumers and undermining global food security.

Chart 3.14
Estimated value and volume of world wheat exports, January 2020 - July 2022
(Index, January 2020=100)

- The estimated volume of world trade in wheat fell nearly 20 per cent between March and July 2022 following the start of the Russia-Ukraine conflict but it was only down 4 per cent compared to July 2021.

- The decline in wheat trade in quantity terms was not as severe as it might have been but consumers could still have difficulty obtaining necessities due to higher prices. The cumulative value of world wheat trade between March and July 2022 was 64 per cent higher than during the same period in the previous year.

- Underlying data suggest that some countries have responded to higher wheat prices by reducing consumption and imports. Since March 2022, quantities of imported wheat were down year-on-year in Bolivia (-69 per cent), Jordan (-41 per cent), Zambia (-38 per cent), Nigeria (-37 per cent) and Ecuador (-30 per cent), among others.

Source: WTO estimates based on partner statistics.