Chapter III

World trade and economic growth, 2022-23

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Trade and output growth slowed in 2022 and remained weak in the first months of 2023, weighed down by the war in Ukraine, high inflation and monetary policy tightening in major economies. Merchandise trade volume growth fell to 2.7% in 2022 from 9.4% in 2021, while GDP growth at market exchange rates dropped to 3.0% from 5.9% previously.

In contrast to trade in volume terms, trade in current US dollar terms rose at double digit rates in 2022. The value of world merchandise exports increased by 11% to US$ 24,905 billion, partly due to spiking prices for energy and other primary products. Meanwhile, commercial services exports rose 16% to US$ 7,076 billion as the gradual easing of restrictions relating to the COVID-19 pandemic led to a recovery in international travel expenditure.

The trade slowdown culminated in a 2.1% quarter-on-quarter slump in the fourth quarter of 2022 and a further 0.3% decline in the first quarter of 2023, as high energy prices and rising interest rates dampened consumption and investment.

The outlook for trade and GDP in the remainder of 2023 is clouded by downside risks, including heightened geopolitical tensions, food and energy insecurity, increased risk of financial instability, and high levels of external debt.
Trade and GDP growth in 2022 and the first half of 2023

In 2022, world merchandise trade growth slowed as the war in Ukraine led to sharp rises in commodity prices. Trade growth is expected to be weaker in 2023 as high interest rates continue to weigh on economic activity.

Chart 3.1
World merchandise trade volume and GDP growth, 2015-22
(Annual percentage change)

- The volume of world merchandise trade as measured by the average of exports and imports increased by 2.7% in 2022 after growing 9.4% in 2021 as the global economy rebounded from the COVID-19 pandemic. Trade growth in 2022 was accompanied by real GDP growth at market exchange rates of 3.0%, down from 5.9% in 2021.

- A 2.7% increase in trade is consistent with WTO forecasts issued after the start of the war in Ukraine but is better than some more pessimistic scenarios considered at that time, which would have seen growth as low as 0.5% if economies had split into competing trade blocs. Large-scale trade fragmentation has been avoided so far but remains a concern as geopolitical tensions rise.

- Trade and output growth are expected to be subpar in 2023, as stubbornly high inflation and tighter financial conditions weigh on consumption and investment. The outlook remains clouded by downside risks, including geopolitical tensions, food and energy insecurity, increased risk of financial instability, and high levels of external debt.

Source: WTO for merchandise trade volume, consensus estimates for GDP.
The volume of world merchandise trade grew more strongly than expected in the first three quarters of 2022 before falling sharply in the fourth quarter. Trade continued to contract in the first quarter of 2023 but at a slower pace.

**Chart 3.2**  
**World merchandise trade volume, 2019Q1-2023Q1**  
(Volume index 2015=100 and year-on-year percentage change)

- Year-on-year growth in the seasonally-adjusted volume of world merchandise trade was surprisingly strong at 4.4% in the first three quarters of 2022, before a 2.1% quarter-on-quarter decline in Q4 reduced growth for the year.

- Several factors contributed to the trade decline in Q4. High food prices reduced disposable incomes of households in many economies, particularly some in Africa and the Middle East that imported large quantities of grain from Ukraine before the war. Meanwhile, high energy prices and rising interest rates raised costs in manufacturing and discouraged investment in industrialized economies, especially in Europe. Renewed outbreaks of COVID-19 in China also disrupted production and trade in Q4 but the relaxation of pandemic control measures in the country promises to boost growth in 2023.

- Merchandise trade volume in Q1 of 2023 was down 1.0% compared to the same period in 2022. Trade growth will need to be stronger in the remainder of the year to reach the WTO’s forecast of 1.7% for 2023.

Source: WTO and UNCTAD.
Merchandise trade growth has slowed in most regions since the outbreak of the war in Ukraine and the impact of the COVID-19 pandemic has proven long-lasting.

Chart 3.3
Merchandise exports and imports by region, 2019Q1-2023Q1
Volume index, 2019=100

- The performance of merchandise trade across the world was weak toward the end of 2022 and at the start of 2023. Between Q3 of 2022 and Q1 of 2023, the volume of merchandise exports rose in North America (0.7%) but all other regions recorded declines, including Africa (-1.5%), Europe (-1.5%), Asia (-1.9%), South America (-2.6%), the Middle East (-2.8%) and the Commonwealth of Independent States (CIS), including certain associate and former member states (-8.4%).

- Over the same period, merchandise import volumes declined in South America (-9.4%), Africa (-3.5%), Asia (-3.4%), Europe (-3.2%) and North America (-1.9%). Imports of the Middle East were up slightly (0.8%) while those of the CIS were up more sharply (17.1%) after plunging earlier in the year following the start of the war in Ukraine.

- The divergence in export volumes among regions that emerged during the pandemic has persisted. In the first quarter of 2023, Asia’s exports were still well above their average level in 2019 (up 13.3%). Smaller increases were observed over the same time frame in North America (4.7%) and Europe (4.1%), while South America and the Middle East were mostly unchanged (1% and 0%, respectively). Export volumes were down strongly in Africa (-12.9%) and the CIS region (-14.5%).

- Import volumes were up compared to 2019 in all regions except Africa (-1.8%).
Prices of primary commodities receded from their 2022 peaks by the middle of 2023 but they remain high compared to 2019.

- Prices of primary commodities, particularly food and energy, rose sharply in 2022 following the outbreak of the war in Ukraine, helping to stoke inflation in many economies. Prices eventually receded from their peaks but by May 2023 they remained high by historical standards.

- Natural gas prices in May 2023 were down 81% from their peak in August 2022 but they were still 38% above their average level in 2019, before the COVID-19 pandemic. Similarly, global grain prices in May were 19% below their 2022 peak but 54% higher than in 2019. Prices of fertilizers also remained very high, up 87% in May compared to 2019.

- Natural gas prices tend to diverge strongly across regions due to a fixed transport infrastructure that prevents gas from being easily transported from one part of the world to another. In September 2022, European gas prices were more than eight times higher than in January 2021. Prices in the United States tripled over the same period but remained low compared to Europe (US$ 7.76 per million Btu in the United States compared to US$ 59.10 in Europe).

- By May 2023, natural gas prices in Europe were still more than double their 2019 level and prices in Asia were up by one-third but North American prices were down 16%. 

The appreciation of the US dollar in 2022, driven by rising US interest rates, may have contributed to weaker global trade growth in both volume and value terms.

Chart 3.5
US dollar nominal and real effective exchange rates, Jan. 2019-May 2023
(Indices, 2019=100)

- The US dollar appreciated steadily in nominal effective terms against a broad basket of currencies during the first three quarters of 2022, peaking in October with an increase of 12.7% compared to the same month in the previous year. This appreciation included a 17.7% rise in the value of the dollar against the euro, a 12.0% rise against the Chinese renminbi and a 30% rise against the Japanese yen.

- The appreciation of the US dollar in real effective terms was even greater at 13.5% in October 2022. A real appreciation means that US goods can be exchanged for more imported goods after accounting for differences in inflation across economies.

- A general appreciation of the US currency tends to reduce the value of trade flows measured in US dollars. For developing economies, dollar appreciation and high US interest rates often translate into rising import prices, increasing inflationary pressures and raising debt service costs. Between October 2022 and May 2023, the value of the US dollar in terms of other currencies fell 5.9%, which could help ease strains in global financial markets.

Source: Bank for International Settlements (BIS).
Merchandise and commercial services trade values

Merchandise trade growth in value terms dropped to near zero in the fourth quarter of 2022, prompted by falling trade values for fuels and mining products.

Chart 3.6
Growth in world merchandise trade by sector, 2022Q2-2023Q1
(Year-on-year percentage change in US$ values)

- Year-on-year growth in the US dollar value of world merchandise trade fell from 17% in the second quarter of 2022 to 1% in the fourth quarter. Trade growth in the first quarter of 2023 was even weaker, -2% compared to the same period in the previous year.

- The US dollar value of trade in agricultural products was up 13% year-on-year in the second quarter of 2022 but by the first quarter of 2023 it was only up 4%. Year-on-year growth in fuels and mining products trade fell sharply, from 59% in the second quarter of 2022 to -5% in the first quarter of 2023. Over the same period, growth in manufactured goods trade fell from 9% to -4%.

Note: Trade refers to average of exports and imports.
Source: WTO estimates.
Merchandise export growth in value terms slowed across all regions, turning negative in Asia and the CIS region in the fourth quarter of 2022.

Chart 3.7
Growth in merchandise exports by region, 2022Q2-2023Q1
(Year-on-year percentage change in US$ values)

- Year-on-year growth in the US dollar value of merchandise exports slowed across the world in the second half of 2022 and into 2023, with steeper declines registered by oil-producing regions.

- Exports were most resilient in North America, where merchandise trade growth declined from 23% in the second quarter of 2022 to 5% in the first quarter of 2023. Growth also remained positive in Europe, dropping from 9% to 3% over the same period.

- Export growth in the first quarter of 2023 was negative in all other regions, including South America (-0.4%), Asia (-5%), the Middle East (-7%), Africa (-10%), and the Commonwealth of Independent States (CIS), including certain former and associate members (-28%). Growth already turned negative in Asia in Q4 of 2022 (-6%), partly due to renewed COVID-19 outbreaks in China that disrupted production and trade.

* Refers to South and Central America and the Caribbean.

* Refers to Commonwealth of Independent States, including certain former and associate members.

Source: WTO estimates.
Merchandise import growth turned negative in most regions in early 2023, except in certain oil-exporting regions with substantial export revenues.

**Chart 3.8**
**Growth in merchandise imports by region, 2022Q2-2023Q1**
(Year-on-year percentage change in US$ values)

- **World**: -10%
- **North America**: -10%
- **South America**: -15%
- **Europe**: -5%
- **CIS**: -15%
- **Africa**: 6%
- **Middle East**: 12%
- **Asia**: 16%

* Refers to South and Central America and the Caribbean.
* Refers to Commonwealth of Independent States, including certain former and associate members.

Source: WTO estimates.

- Year-on-year growth in the value of merchandise imports turned negative in the first quarter of 2023 in most regions as declining food and energy prices reduced import bills. Imports were down 6% in Asia, 5% in South America, 2% in Africa, 2% in North America and 1% in Europe.

- In contrast, imports were up 10% in the Middle East and 16% in the CIS region as high oil and natural gas prices boosted domestic revenues and allowed more goods to be purchased from abroad.
Commercial services trade slowed toward the end of 2022, with low or negative growth in Q4 in all categories other than travel, which continued to recover from the COVID-19 pandemic.

Chart 3.9
World commercial services exports by category, 2022Q1-2022Q4
(Year-on-year percentage change in US$ values)

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- Year-on-year growth in the US dollar value of world commercial services trade fell from 17% in the first quarter of 2022 to just 1% in the fourth quarter. The decline was partly due to slowing economic growth in major economies and an appreciating dollar in 2022, which tends to reduce the value of trade flows measured in dollars.

- The category of travel was up 38% in Q4 of 2022, partly as a result of the low base in the previous year when pandemic-related controls remained in place in some economies.

- Transport services recorded a 4% year-on-year decline in Q4 of 2022, after being up 40% in Q1. A key factor in the decline was shipping rates, which fell around 75% between the start of the year and the end. The category of "other commercial services", which includes financial services, was down 2% year-on-year in Q4 while goods-related services trade was up 4%.

Source: WTO and UNCTAD.
Travel services recorded strong growth in the first half of 2023 and are expected to receive a further boost from a return of Chinese tourists during the summer.

**Chart 3.10**

**Commercial services exports of selected economies, Jan-April 2023**

(Year-on-year percentage change in US$ values)

- Data for major services-exporting economies showed continued growth in travel in the first half of 2023 paired with declines in transport services in some economies.

- Travel exports of the United States were up 44% year-on-year between January and April as tourism continued to benefit from pent-up demand following the COVID-19 pandemic. France and Germany also saw strong travel growth of 36% and 22% during the same period. China and the United Kingdom both recorded 28% year-on-year growth in travel during the first quarter of 2023 while India registered a very strong 206% increase. Travel is expected to get a boost from Chinese visitors during the summer following the relaxation of pandemic controls.

- During the first few months of 2023, exports of transport services were down 46% year-on-year in China, 18% in France, 15% in India and 9% in Germany. Meanwhile, growth remained positive in the United Kingdom (33%) and the United States (14%). The decline in China was mostly the result of lower shipping rates while the decline in Germany also reflected falling shipping volumes.

- Exports of other services (including the categories of goods-related services and other business services) continued to record moderate year-on-year growth, including a 2% rise in the United States, and an 4% increase in China. The exception was Germany, with a 6% decline.

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* Refers to January-March.
Source: WTO and UNCTAD.
Other trade-related indicators

Purchasing managers’ indices (PMIs) up to May 2023 showed continued weakness in exports of manufactured goods together with reduced inflationary pressures.

Chart 3.11
Global Manufacturing Purchasing Managers’ Indices (PMIs), January 2018-May 2023
Diffusion index, base=50

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

- The Manufacturing PMI’s headline index remained flat at 49.6 in May 2023 while the new export orders sub-index dipped to 47.3, suggesting continuing weakness in goods trade.

- Other sub-indices of the Manufacturing PMI cast light on the state of global supply chains. The sub-indices of input and output prices have both returned to near the baseline of 50 from higher levels at the start of 2022, indicating a reduction in inflationary pressure.

- Other indices show supplier delivery times shortening and stocks of goods close to intended levels, suggesting supply chain issues that were disrupting trade in the first half of 2022 have mostly disappeared.

Note: Values greater than 50 indicate expansion while values less than 50 denote contraction.
Container shipping plateaued at a high level in 2022 before declining toward the end of the year, signalling weakness in goods trade into 2023.

**Chart 3.12**

**Global container throughput, January 2015-May 2023**

(Index, 2015 = 100)

- Throughput subsequently fell nearly 5% between June 2022 and March 2023 as global demand for traded goods eased and as economic growth slowed. An upturn in container throughput in May 2023 could signal the beginning of a turnaround in trade although the outlook remains clouded by numerous downside risks.

- Seasonally-adjusted global container throughput peaked in June 2022, having been mostly flat since October 2020.

Source: Leibniz Institute for Economic Research and Institute for Shipping Economics and Logistics.

Note: The index is based on data from 92 ports accounting for 64% of global container traffic.