

# World trade and GDP, 2019-20

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World merchandise trade volume declined by 0.1 per cent in 2019, the first contraction since the global financial crisis of 2008-09. Trade was weighed down by persistent trade tensions as well as by weaker global GDP growth, which slowed to 2.3 per cent in 2019 from 2.9 per cent in 2018.



The COVID-19 pandemic is likely to produce a significant contraction of world trade in 2020. New export orders for manufacturing and services shown in purchasing managers' indices (PMIs) fell sharply in the first and second quarters of 2020.



Trade declined in US dollar terms in 2019. World merchandise exports fell 3 per cent to US\$ 18.89 trillion. World commercial services exports increased by 2 per cent to US\$ 6.07 trillion but the pace of growth was down sharply from the 9 per cent recorded in 2018.



GDP growth turned negative in the first quarter of 2020 for the United States (-1.2 per cent), the euro area (-3.8 per cent) and China (-9.8 per cent). Further declines are expected in the second quarter and beyond.

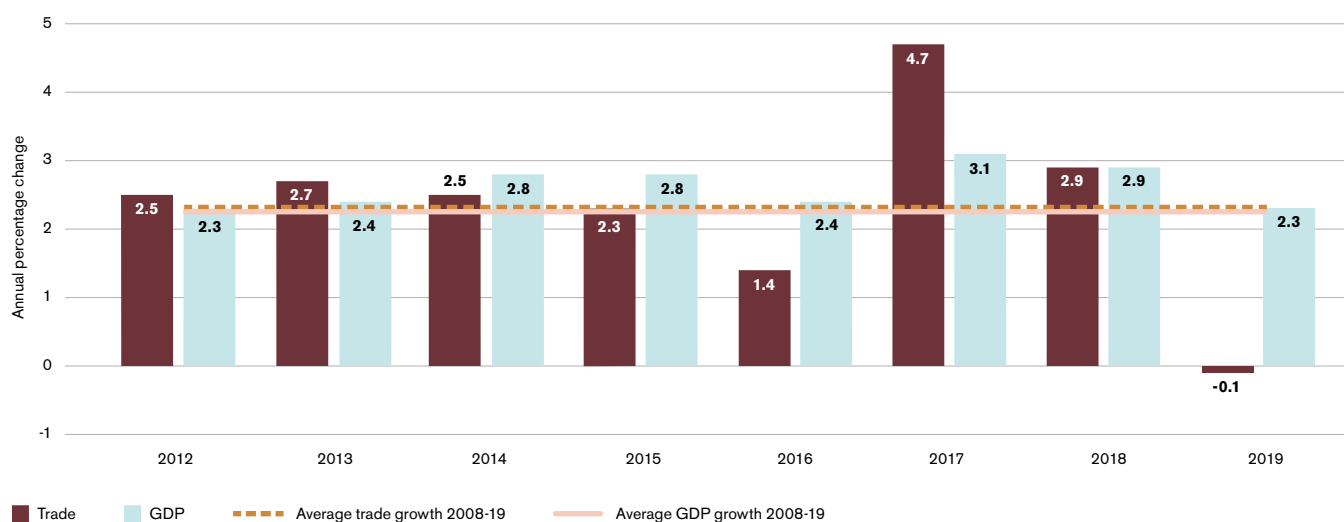
# World trade and GDP

The volume of world merchandise trade declined in 2019 for the first time since the financial crisis of 2008-09, weighed down by rising trade tensions and weakening economic growth.

Chart 3.1

## World merchandise trade volume and real GDP growth, 2012-19

(Annual percentage change)



Source: WTO Secretariat for trade, consensus estimates for GDP.  
Note: GDP growth is calculated with market exchange rate weights.

- Merchandise trade volume declined by 0.1 per cent in 2019, compared with 2.9 per cent growth in 2018. World GDP growth slowed to 2.3 per cent, down from 2.9 per cent the previous year.
- The US dollar value of merchandise trade fell year-on-year, dropping 3 per cent to US\$ 18.89 trillion in 2019. Trade declined more steeply in value terms than in volume terms due to falling export and import prices.
- Commercial services trade grew by 2 per cent in 2019, down from 9 per cent in 2018, as growth slowed and trade tensions escalated.
- The decline of 0.1 per cent for merchandise trade volume in 2019 was well below the average annual growth rate of 2.3 per cent since the financial crisis of 2008-09. GDP growth of 2.3 per cent last year was in line with its average rate over the past ten years.
- Although the first cases of COVID-19 were recorded in late 2019, the crisis did not contribute to the slowdown for the year. The pandemic is expected to lead to sharp declines in trade and GDP in 2020.

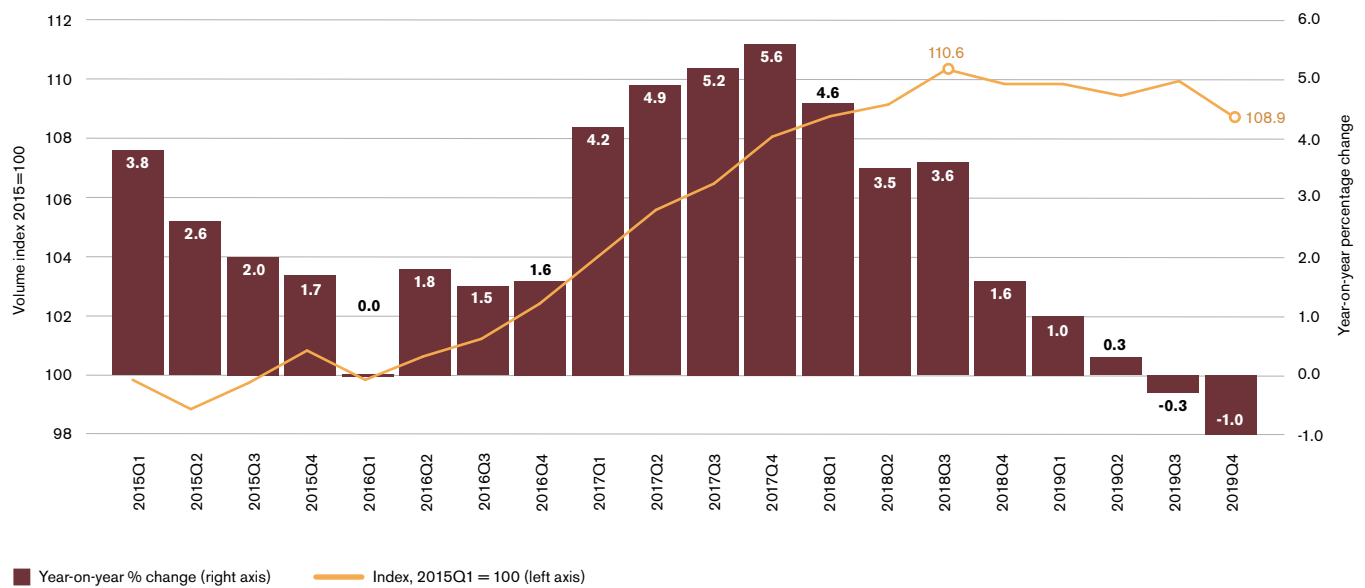
# Merchandise trade volume

Global merchandise trade volume peaked in the third quarter of 2018 before stalling for several months and turning down in the fourth quarter of 2019.

Chart 3.2

## World merchandise trade volume, 2015Q1 – 2019Q4

(Volume index 2015=100 and year-on-year percentage change)



Sources: WTO-UNCTAD.

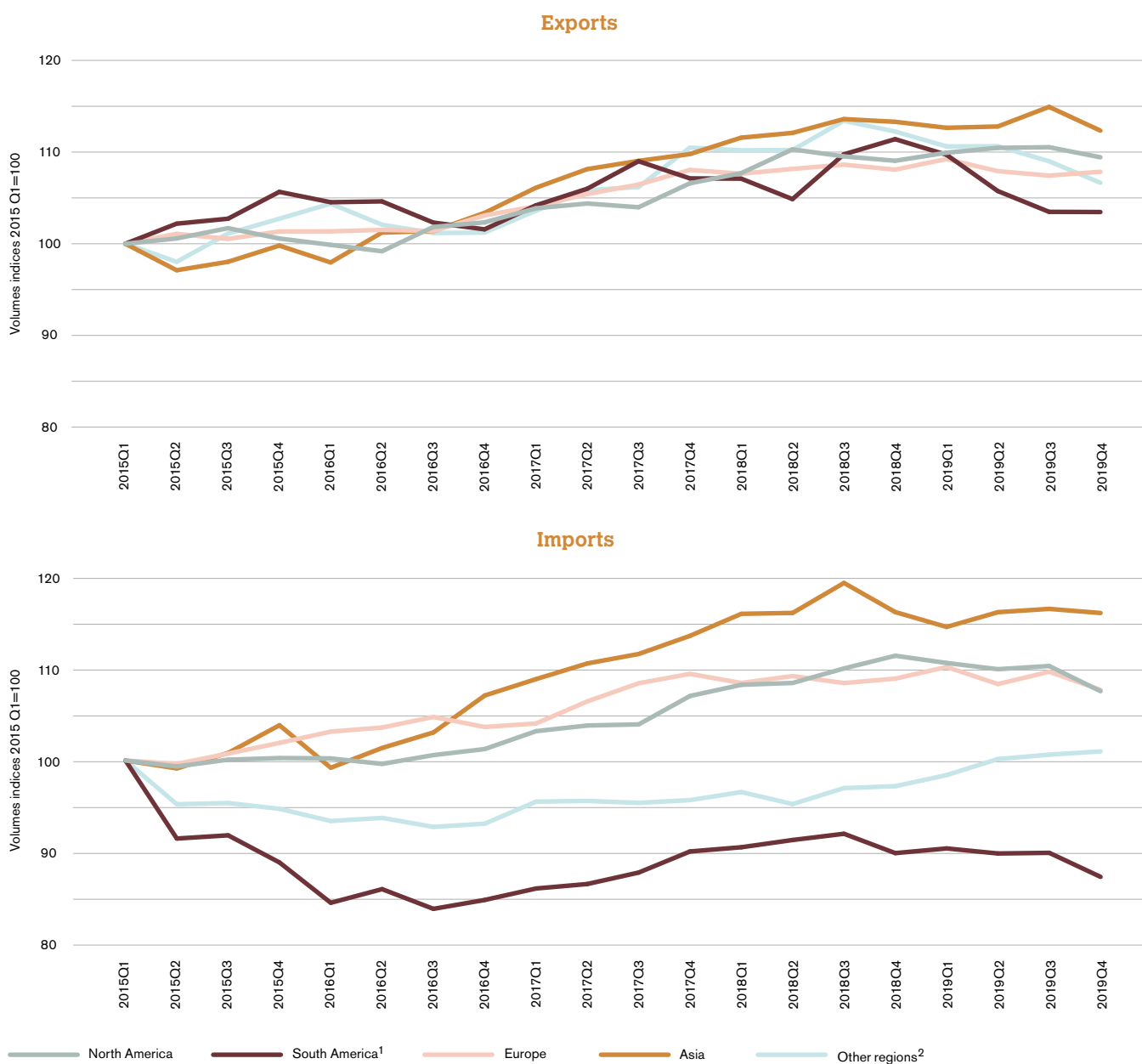
- Seasonally-adjusted merchandise trade volume was down by 1.0 per cent in the fourth quarter of 2019 compared with the same period in 2018 and 1.2 per cent down compared with the third quarter. This is equivalent to a 4.6 per cent decline on an annualized basis.
- The long-running trade dispute between the United States and China led to the raising of tariffs and contributed to trade policy uncertainty in 2019.
- Other factors contributing to economic uncertainty included the government shutdown in the United States in 2018-19, the United Kingdom's departure from the European Union, and changes in monetary policy in major economies.

## Merchandise trade in the fourth quarter of 2019 varied strongly across regions.

Chart 3.3

### Merchandise exports and imports by region, 2015Q1 – 2019Q4

(Volume indices 2015 Q1=100)



<sup>1</sup> Refers to South and Central America and the Caribbean.

<sup>2</sup> "Other regions" comprise Africa, Middle East and the Commonwealth of Independent States, including associate and former member states.

Sources: WTO and UNCTAD.

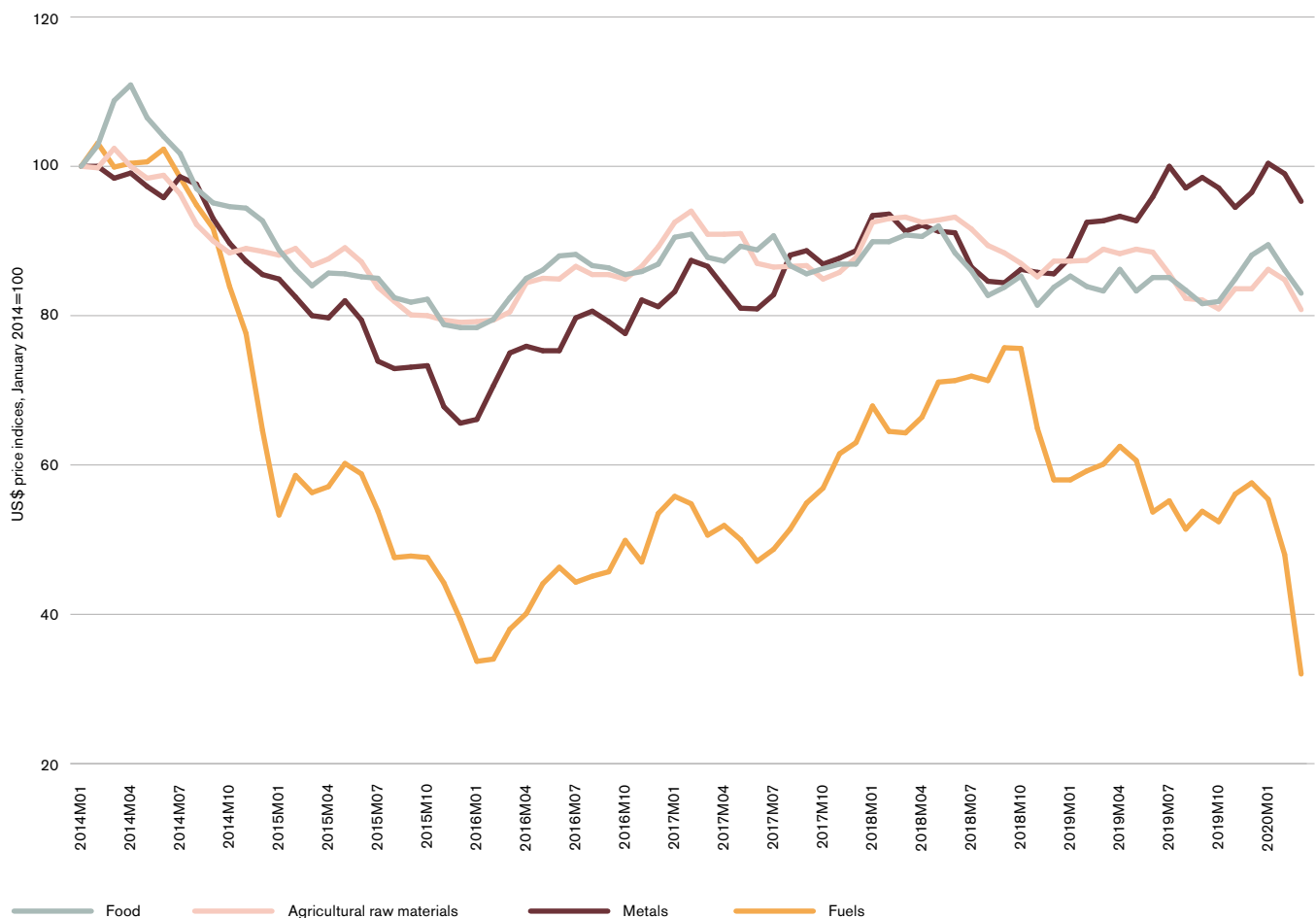
- Asia's merchandise exports were down 2.2 per cent quarter-on-quarter in Q4 of 2019. "Other regions" also saw a decline of 2.2 per cent. North America's exports were down 1.0 per cent over the same period while South America's export growth remained static at 0 per cent.
- On imports, South America recorded the strongest decline at -2.9 per cent in Q4 of 2019, followed by North America at -2.5 per cent and Europe at -1.8 per cent. Asia's imports recorded a more modest decline of -0.4 per cent while the imports of "Other regions" rose 0.4 per cent.
- Europe's exports were up slightly in Q4 of 2019, with an increase of 0.4 per cent.

# Primary commodity prices

**Commodity price fluctuations in 2019 were dominated by fuel prices, which were down 17 per cent compared with 2018.**

Chart 3.4

**Prices of primary commodities, January 2014 – January 2020**  
(US\$ price indices, January 2014=100)



Source: IMF primary commodity prices.

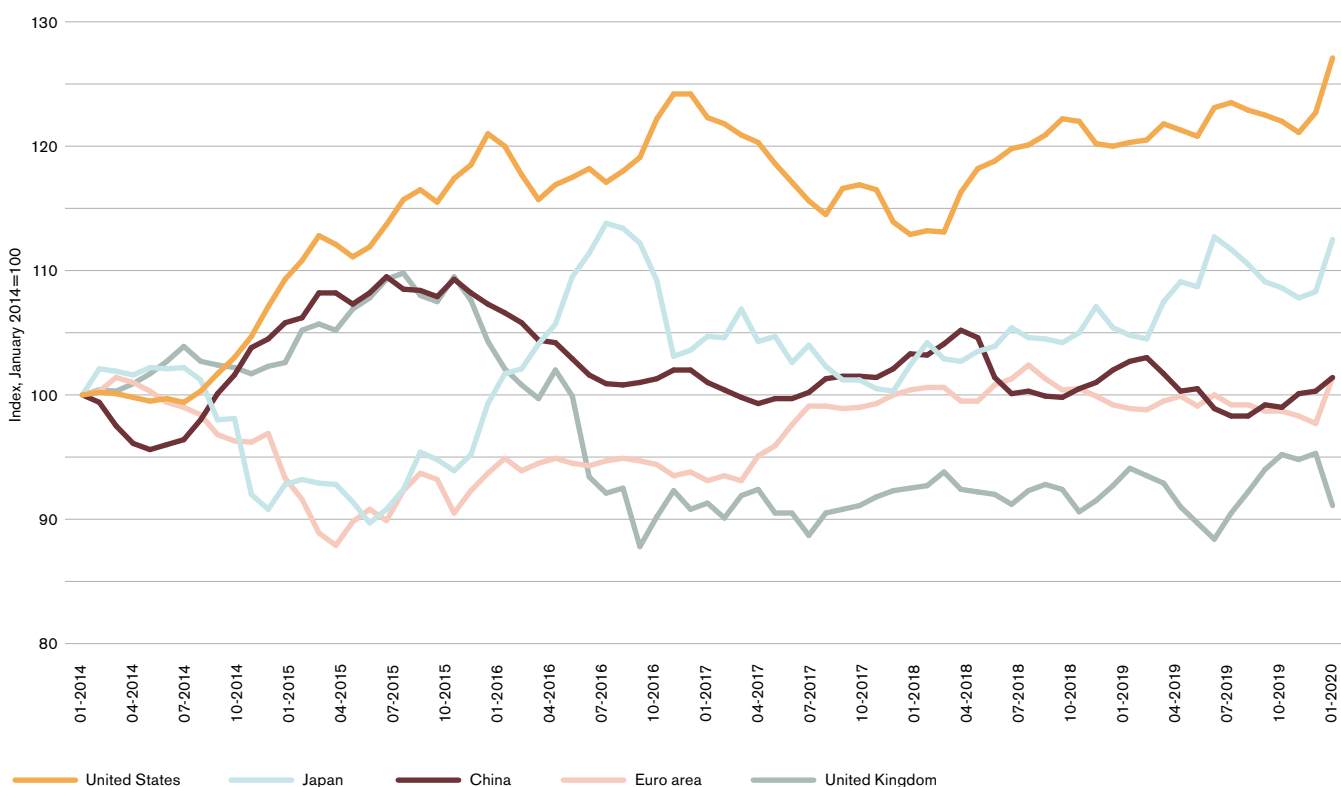
- Fuel prices were down 17 per cent in 2019 and are expected to record further declines in 2020 as travel restrictions and social distancing measures to combat the COVID-19 pandemic have reduced energy demand.
- Food and agricultural raw materials recorded declines of 3 per cent and 5 per cent respectively in 2019.
- In 2019, metals prices were up 7 per cent over the previous year.

# Exchange rates

**Exchange rates remained relatively stable in 2019 despite the heightened level of trade policy uncertainty.**

Chart 3.5

**Exchange rate indices for selected economies, January 2014 – January 2020<sup>1</sup>**  
(Index, January 2014=100)



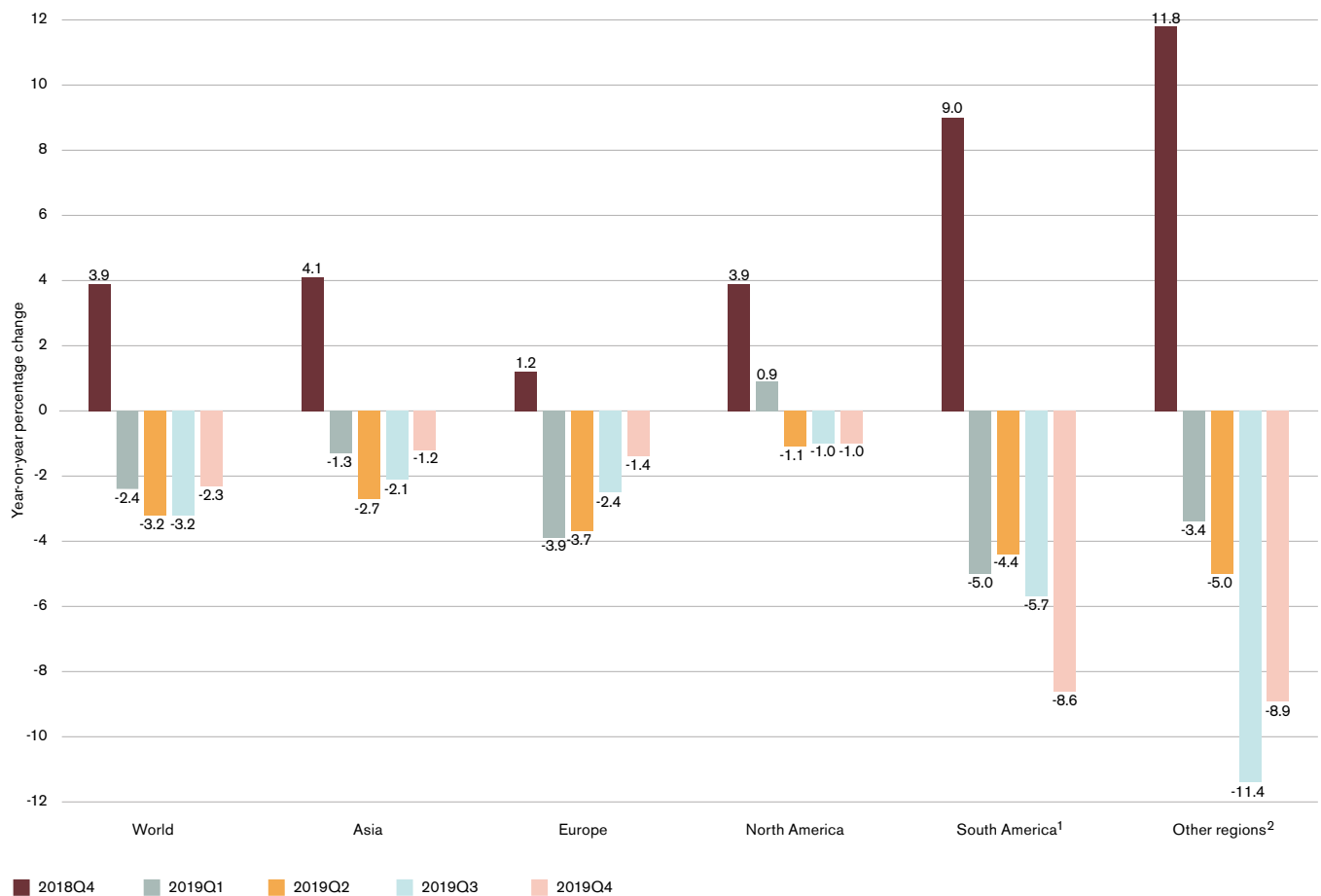
1) Nominal effective exchange rate indices against a broad basket of currencies.  
Source: Bank for International Settlements.

- The dollar rose 3 per cent on average against the currencies of US trading partners, while the euro and renminbi fell 1 per cent and 2 per cent respectively in 2019.
- The Japanese yen appreciated by 5 per cent in 2019 while the United Kingdom pound remained static at 0 per cent.
- The US dollar appreciated during the onset of the COVID-19 pandemic, reflecting the currency's role as a financial safe haven. Further strengthening of the dollar could increase financial strain for net foreign borrowers with dollar-denominated debts.

# Value of world trade

The dollar value of world merchandise exports was down in all four quarters in 2019 compared with the previous year, with the strongest declines recorded in regions that export natural resources in particular.

Chart 3.6  
Growth of merchandise export values by region, 2018Q4 - 2019Q4  
(Year-on-year percentage change)



<sup>1</sup> Refers to South and Central America and the Caribbean.

<sup>2</sup> "Other regions" comprise Africa, Middle East and the Commonwealth of Independent States, including associate and former member states.

Sources: WTO.

- Year-on-year growth in the US dollar value of merchandise trade fell from +3.9 per cent in the fourth quarter of 2018 to -3.2 per cent in the second quarter of 2019 before rising to -2.3 per cent in the fourth quarter of 2019.
- In the final quarter of 2019, North America, Europe and Asia all recorded modest declines of between 1 per cent and 1.5 per cent.
- South America and "Other regions" registered declines of -8.6 per cent and -8.9 per cent, respectively, in the fourth quarter of 2019 as lower oil and commodity prices reduced export revenues.

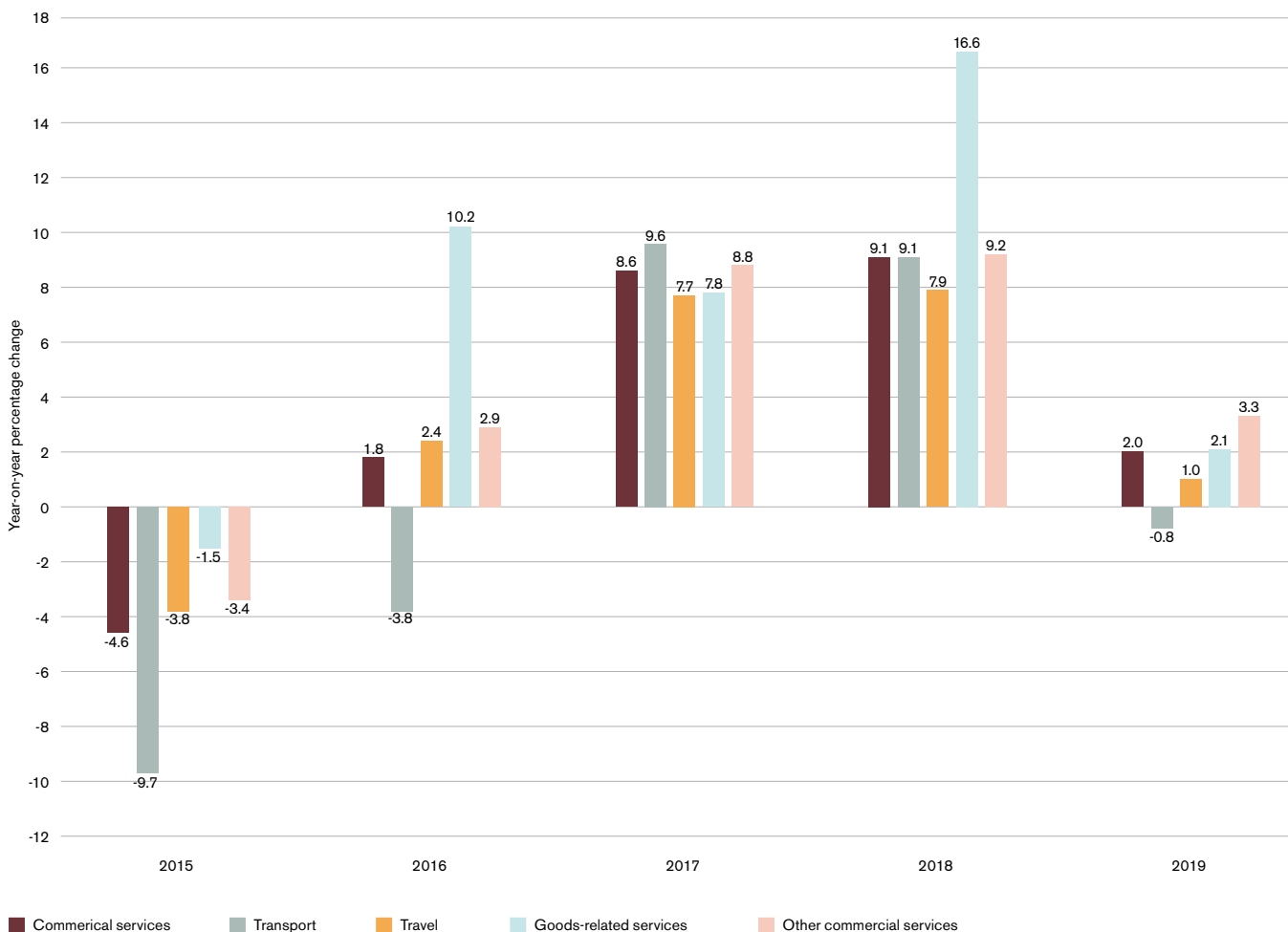


## Services trade weakened in 2019 although it remained stronger than merchandise trade.

Chart 3.7

### Growth in the value of commercial services exports by category, 2015-19

(Annual percentage change)



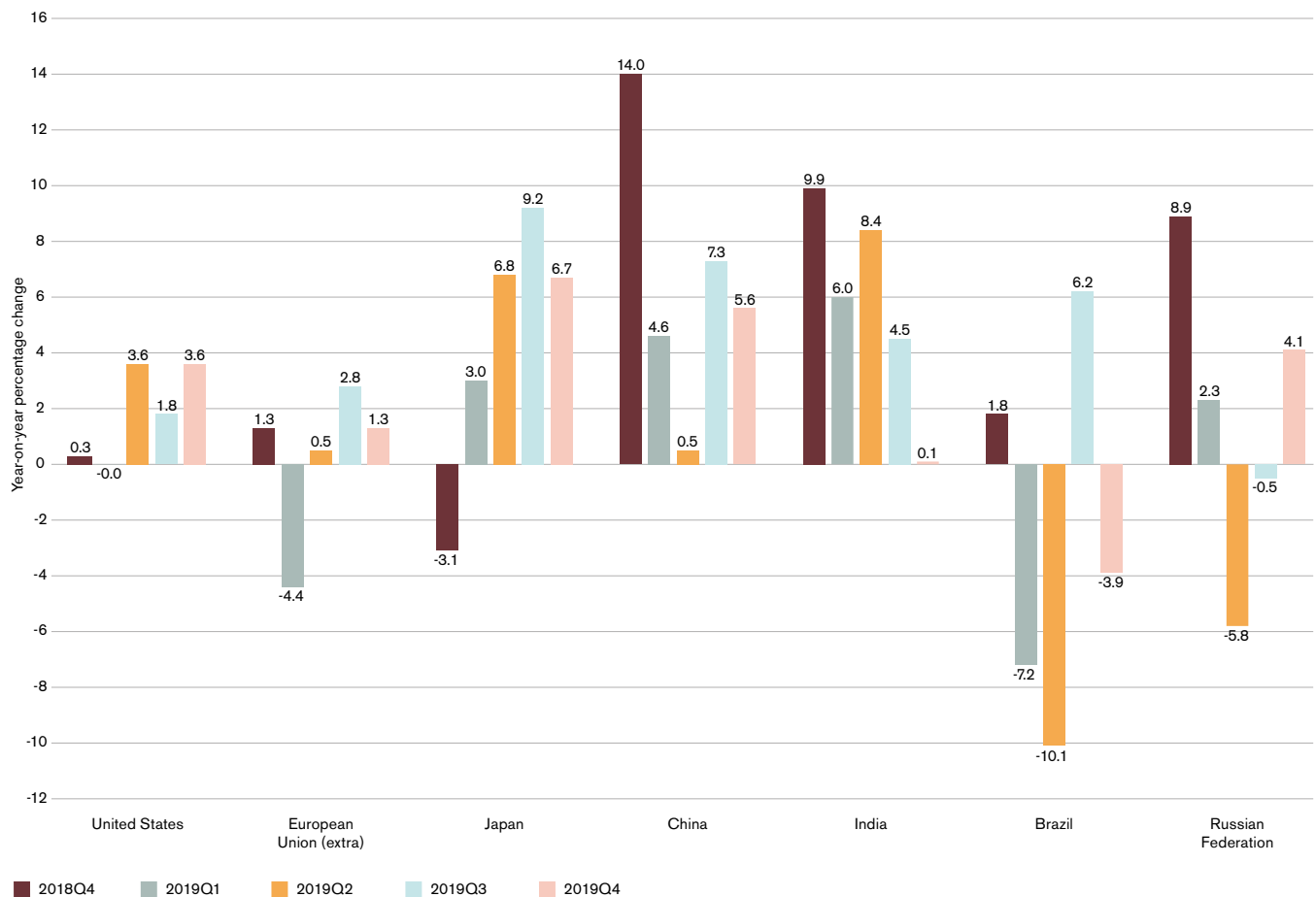
Sources: WTO-UNCTAD in cooperation with ITC and UNSD.

- Commercial services trade in 2019 was particularly weak in sectors linked to trade in goods.
- Year-on-year growth in the dollar value of world exports of goods-related services fell to 2.1 per cent in 2019 from 16.6 per cent in 2018.
- Exports of transport services declined by 0.8 per cent in 2019 after registering growth of 9.1 per cent in 2018.
- “Other commercial services” (including financial services, IT services) saw exports increase by 3.3 per cent in 2019. This still represents a significant slowdown from 2018, when exports increased by 9.2 per cent.
- Since exchange rate fluctuations were modest in 2019, the slowdown in commercial services trade is mostly due to real reductions in economic activity rather than a change in exchange rates.

**Advanced economies such as the United States and the euro area recorded modest year-on-year growth in commercial services exports in US dollar terms in 2019 while Asian economies such as China, Japan and India grew slightly faster.**

Chart 3.8

**Commercial services exports of selected economies, 2018Q4 - 2019Q4**  
(Year-on-year percentage change)



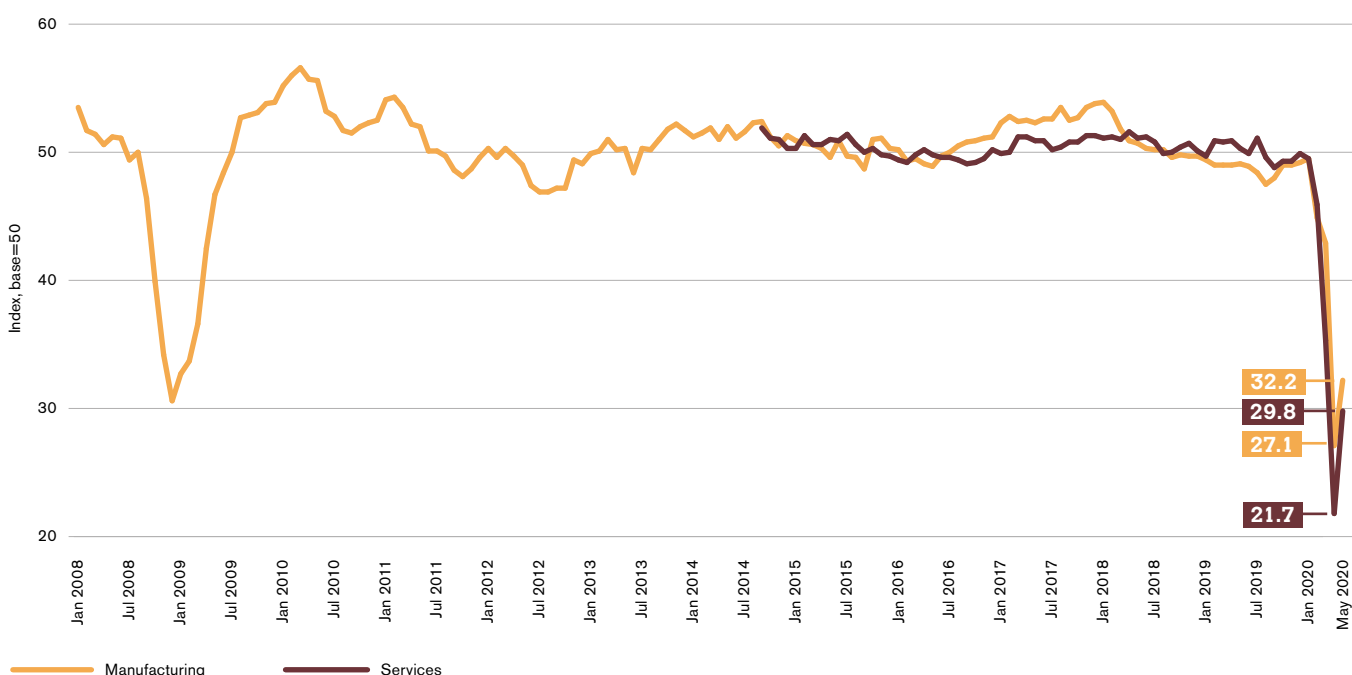
Sources: WTO-UNCTAD-ITC.

- India and China saw growth in exports of commercial services weaken over the course of 2019. By the fourth quarter, India's export growth had slowed to approximately 0.1 per cent from almost 10 per cent in the fourth quarter of 2018. China's growth slowed to 5.6 per cent from 14 per cent over the same period.
- Growth in US services exports rose to 3.6 per cent in Q4 of 2019 from 0 per cent in Q4 of 2018. Meanwhile, EU exports grew modestly, at around 1.5 per cent.
- Natural resource exporters saw volatility in their services exports in 2019. Brazil recorded negative year-on-year growth in three out of four quarters while Russia's exports weakened in the middle of the year before recovering toward the year-end.
- The COVID-19 pandemic is likely to have a strong negative impact on global services trade since many of the largest suppliers and consumers of services have imposed travel restrictions and social distancing measures.
- One category that may benefit from the pandemic is IT services, which has seen an increase in demand due to more people working from home.

# COVID-19 and trade

The volume of world merchandise trade has fallen precipitously in the first half of 2020 as the COVID-19 pandemic has disrupted the global economy. Leading indicators provide clues about the extent of the slowdown and how it compares with earlier crises.

Chart 3.9  
Global PMI new export orders indices, January 2008 - May 2020  
(Index, base=50)

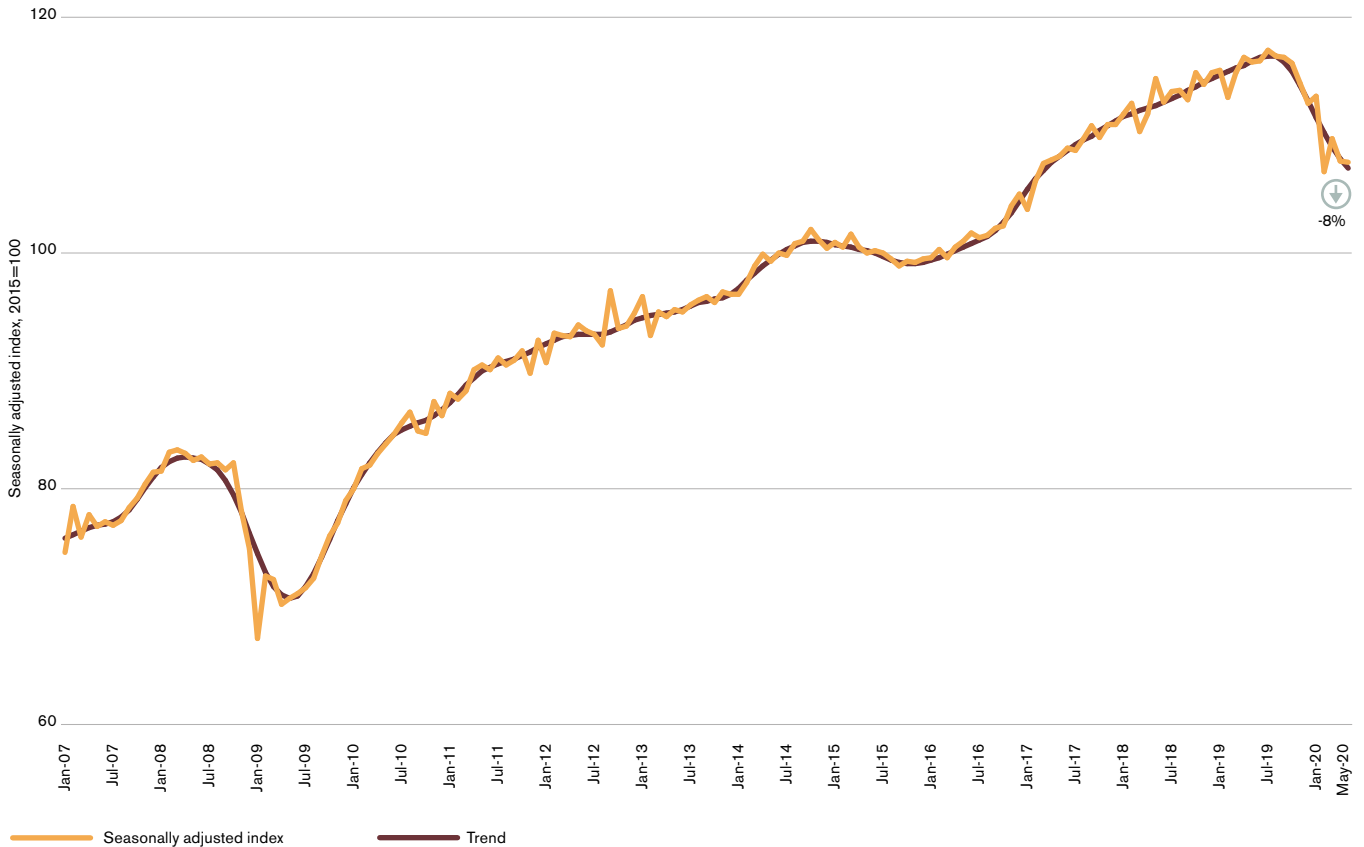


Note: Values greater than 50 indicate expansion while values less than 50 denote contraction.  
Source: IHS Markit.

- Purchasing managers' indices (PMIs) show new export orders of manufacturers falling sharply to 27.1 in April 2020, compared with a baseline value of 50. In the same month, new export orders in services fell to 21.7, also measured against a baseline of 50.
- In May 2020, export order indices for manufacturing and services rebounded to 32.2 and 29.8, respectively, but they remained substantially below trend.
- Shifts in PMIs tend to foreshadow changes in actual trade flows, suggesting that trade levels may bottom out in April or May 2020 before starting to recover in June.

## Container shipping has shown a downward trend as the COVID-19 pandemic has triggered recessions in economies around the world.

Chart 3.10  
**Global container throughput, January 2007 - May 2020**  
 (seasonally-adjusted index, 2015=100)

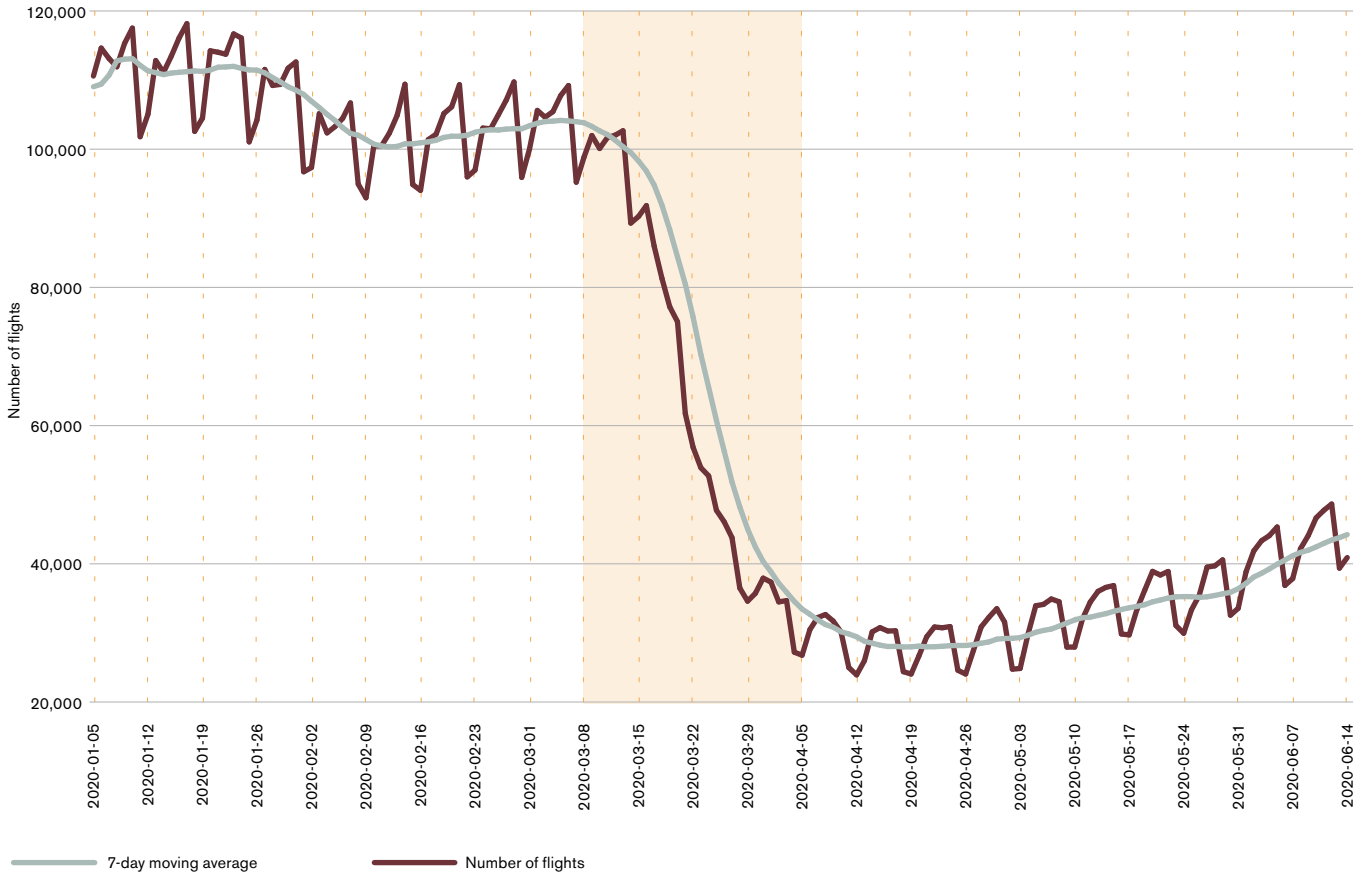


Sources: Institute for Shipping Economics and Logistics.

- A seasonally adjusted index of container port throughput was down 8 per cent year-on-year in May 2020, with no clear sign of bottoming out.
- The decline in 2020 is less than the 14 per cent drop from peak to trough during the financial crisis of 2008-09, indicating some resilience in container shipping in the face of the COVID-19 pandemic.

## Air travel and transport have collapsed as strict social distancing measures and travel restrictions have been imposed.

Chart 3.11  
**Global commercial flights per day, 5 January 2020 - 14 June 2020**  
 (Number of flights)



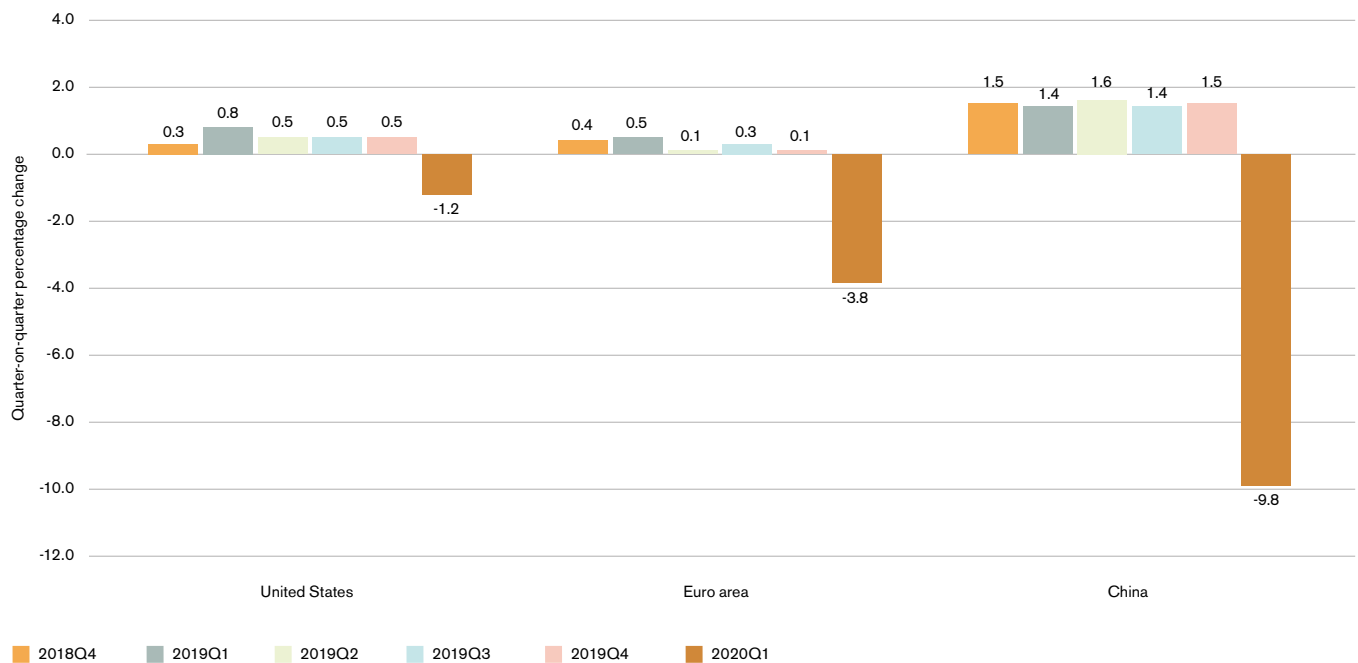
Source: FlightRadar.

- Global commercial flights, including both passenger flights and air transport, were down by 74 per cent between 5 January and 18 April 2020.
- The decline suggests a sharp slowdown in both merchandise trade and commercial services trade since international flights carry a substantial amount of air cargo and are also closely linked to traded services such as travel and transport.
- Flights have rebounded 58 per cent up to mid-June 2020, possibly indicating the beginning of a recovery as measures to counter the pandemic have eased.

# Outlook for 2020

In April 2020, WTO economists estimated that world trade would fall between 13 per cent and 32 per cent in 2020 as the COVID-19 pandemic disrupted normal economic activity and life around the world. Subsequent tracking of trade developments suggests that the decline may be closer to the optimistic scenario but worse outcomes are still possible if there is a resurgence of the virus.

Chart 3.12  
Real GDP growth of selected economies, 2018Q4 – 2020Q1  
(Quarter-on-quarter percentage change)



Source: OECD National Accounts Statistics.

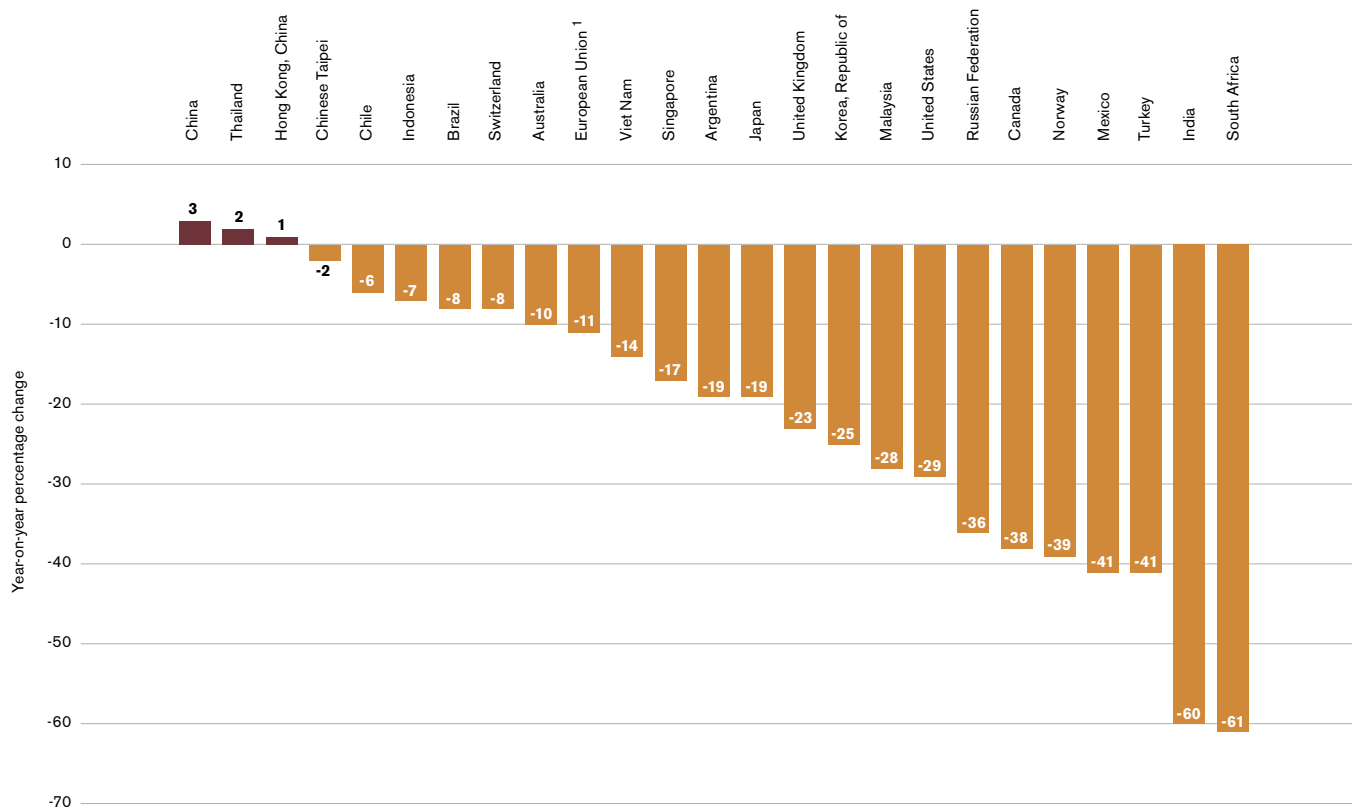
- The magnitude of the expected downturn in world trade will depend to a large extent on the amount of time it takes for the COVID-19 pandemic to be brought under control and for effective treatments to be found.
- China recorded a 9.8 per cent decline in GDP in the first quarter of 2020 compared with the previous quarter. This is equivalent to an annualized rate of -45 per cent.
- First quarter GDP growth for the United States in 2020 was -1.2 per cent (-4.8 per cent annualized) while GDP in the euro area was estimated at -3.8 per cent (-14.4 per cent annualized). Large declines are expected for both the United States and the euro area in the second quarter of 2020.

## Merchandise exports were down sharply in most economies in April 2020 compared with the previous year.

Chart 3.13

### Merchandise exports of selected leading traders, April 2020

(Year-on-year percentage change)



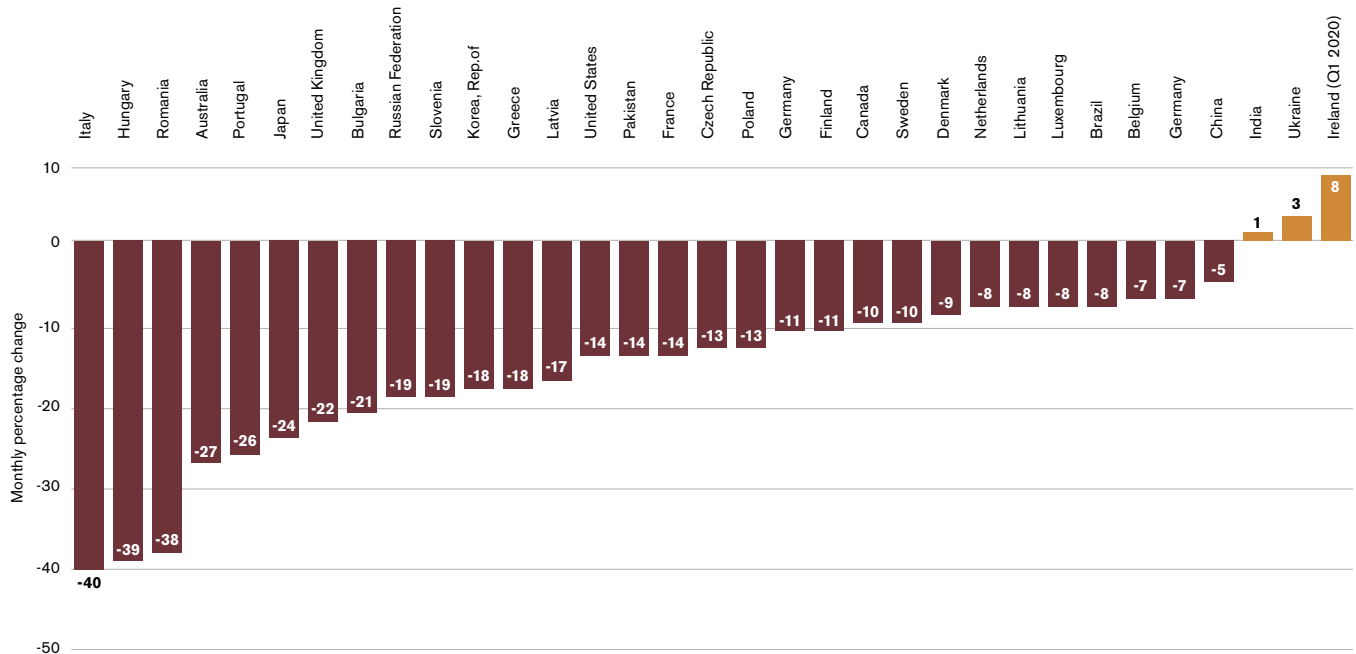
Source: WTO.

<sup>1</sup> European Union refers to year-on-year growth in March 2020.

- Declines in merchandise exports of selected leading traders in April 2020 (year-on-year change) ranged from -2 per cent (Chinese Taipei) to -61 per cent (South Africa). Monthly merchandise trade statistics in current US dollar terms, are more timely than quarterly statistics in volume terms.
- Although certain Asian economies avoided declines in exports (in April 2020), their import growth remained negative. For example, imports of China and Thailand were down 14 per cent and 17 per cent, respectively, in April 2020.

## Services are hit hard by the COVID-19 outbreak.

Chart 3.14  
**Services exports of selected leading traders, March 2020**  
 (Monthly percentage change, year-on-year)



- Unlike goods, services cannot be produced, stored and sold at a later stage. Export revenues lost for cancelled flights, restaurant meals or hotel bookings are lost permanently and cannot be recovered. International travel, for personal or business reasons, air transport, and cultural, sporting and recreational activities are all linked. They account for more than 40 per cent of world services exports. These services have been directly affected by the COVID-19 pandemic due to travel restrictions at home and in the host countries for these activities, making it impossible for people to move, consume or supply services.
- In March 2020, services exports of leading traders dropped sharply, with Italy's exports down by 40 per cent compared with March 2019. On average, in these economies, which accounted for more than half of global services exports in 2019, exports were down by around 15 per cent in March 2020. April 2020 data show even more pronounced declines. In the United States, the leading services trader, exports were down by 14 per cent. In the United Kingdom, the second-largest exporter, the decline was 22 per cent, on a seasonally adjusted basis.
- Growth remained positive in countries where exports are dominated by IT services. In March 2020, the services exports of India and Ukraine were up by 1 per cent and 3 per cent respectively. In Ireland, data for the first quarter of 2020 show an increase of 8 per cent, supported by a rise of over 15 per cent in computer services exports in the first three months of 2020. IT services accounted for 51 per cent of Ireland's services exports in 2019.
- The COVID-19 crisis has enabled firms that have invested in digitalization to ensure productivity thanks to remote working. This trend, which was already under way before the pandemic, will further boost IT services thanks to emerging areas, such as cybersecurity infrastructure, cloud computing, development of services platforms and virtual workplaces.