

# Covid-19 and Trade: an Uneven Recovery

The COVID-19 pandemic is a global health threat, but it has impacted different regions and countries in various ways. A similar story emerges about the trade impacts of COVID-19.

Sanitary measures to control COVID-19 spread have led to a diverse range of trade outcomes both between and within regions, as well as across countries, and between and within different sectors.

After rapid contraction in the second quarter (Q2) of 2020, a Q3 rally in merchandise trade should continue to gather momentum in 2021 – albeit at varying speeds across regions, countries and sectors. Those worst impacted in 2020 were the

least-developed countries (LDCs), as the sudden collapse in demand, notably for fuels and minerals, made deep in-roads into government budgets.

While some services sectors, such as information and communications technology (ICT) services, are struggling to meet spikes in demand, recovery in others (notably travel) remains elusive, with ongoing economic upheaval for tourism-dependent economies. The emergence of new COVID-19 variants and the uneven pace of global vaccine roll-outs adds further uncertainty to the mixed outlook for 2021.



Global merchandise trade volumes contracted more sharply (-12.7%) over Q2 of 2020 than at the onset of the global financial crisis of 2008-09 (-10.2%). However, the rally in merchandise trade has also been faster than following the financial crisis. By November 2020, global merchandise trade values were up by 4% on the same month in 2019. The WTO estimates that merchandise trade will expand by 7.2% in 2021.

Services trade also saw a steeper fall (-30%) than at the onset of the 2008-09 global financial crisis (-17%). In contrast to merchandise trade, Q3 2020 global services trade did not recover, and was still lower (-24%) than during the same period of 2019. Recovery in services trade will be slower than in the wake of the 2008-09 global financial crisis.

FIGURE 1: GOODS AND SERVICES TRADE TRENDS, Q1 OF 2008-Q3 OF 2020 (YEAR ON YEAR % CHANGE)



Source: WTO-UNCTAD-ITC estimates

		
<p><b>MERCHANDISE TRADE</b></p> <p><b>-21%</b></p> <p>Year-on-year Q2 fall in goods exports in 2020</p>	<p><b>SERVICES TRADE</b></p> <p><b>-28%</b></p> <p>Year-on-year Q2 fall in services exports in 2020</p>	<p>Unlike much merchandise trade (like oil or other commodities), services such as air transport and tourism cannot be stockpiled and sold later when demand has improved – lost sales cannot be recovered.</p>
<p><b>-5%</b></p> <p>Year-on-year Q3 fall in goods exports in 2020</p>	<p><b>-24%</b></p> <p>Year-on-year Q3 fall in services exports in 2020</p>	

## Energy and mineral exporters have been hit hard, in particular LDCs

**FIGURE 2:**  
REGIONAL MERCHANDISE EXPORTS, Q1-Q3 OF 2020  
(YEAR-ON-YEAR % CHANGE)

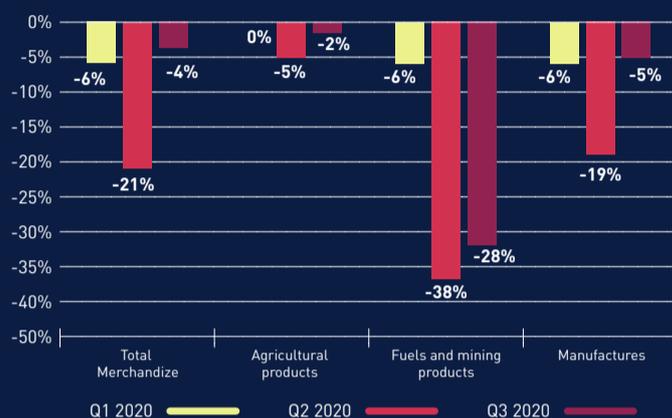


Source: WTO estimates

Disparities in regional merchandise export performance can be explained by the contrasting fortunes of agricultural, commodities and manufacturing exports in 2020. African, Commonwealth of Independent States (CIS) and Middle Eastern fuel and mining exporters fared badly, as their exports were driven down by contractions in energy demand. A Q2 drop of 88% in export value was the deepest recorded within this group.

Agricultural exporters fared relatively better in 2020, with trade values contracting by -5% on average in Q2. Manufacturing-focused Asian nations saw a rapid uptick in demand in Q3 of 2020. Economies engaged in ICT value chains saw computer and electronic components exports surge by

**FIGURE 3:**  
MERCHANDISE EXPORT VALUE, Q1-Q3 OF 2020  
(YEAR-ON-YEAR % CHANGE)



Source: WTO estimates

more than 10% from Q2 onwards as workers pivoted to remote working. Textile exports were another growth area, with the surging demand for masks increasing demand for textiles by more than 10% in Q3 of 2020. Automotive products, a value chain that accounts for some 11% of world manufactured goods trade, experienced a -53% Q2 contraction, and were still down by -13% at the end of Q3.

While global trade in goods has recovered at an aggregate level, there have been winners and losers at both regional and sectoral levels. The merchandise exports of the 46 members of the WTO LDC group fell by -16% in the first half of 2020 – a steeper contraction than global exports, which fell by -13% over the same period.



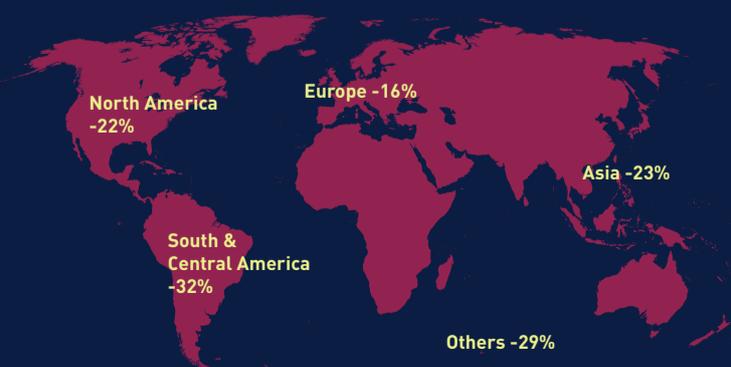
**EXPORTS OF TEXTILE  
FACE MASKS EXPANDED BY  
618%  
IN THE FIRST SIX MONTHS OF  
2020**



**FUELS, MINERALS, AND METALS  
ACCOUNT FOR  
45% of LDC  
EXPORTS, AS OF  
2018**

## While remote services have boomed, face-to-face services have contracted

**FIGURE 4:**  
REGIONAL COMMERCIAL SERVICES EXPORTS, Q1-Q3  
OF 2020 (YEAR-ON-YEAR % CHANGE)



Source: WTO-UNCTAD-ITC estimates

**FIGURE 5:**  
COMMERCIAL SERVICES EXPORTS, Q1-Q3 OF 2020  
(YEAR-ON-YEAR % CHANGE)



Source: WTO-UNCTAD-ITC estimates

**International tourism is expected to see a decline of US\$ 935 billion in export revenues in 2020. This is more than 10 times the loss that occurred during the 2008-09 financial crisis.** Source: UNWTO

The decline in services trade over 2020 can be explained by the effect of COVID-19 control measures on face-to-face interactions. Sanitary border measures substantially impacted travel exports, which registered a -68% year-on-year contraction in Q3 of 2020, following an -81% drop in Q2. This has had significant repercussions for development, as travel accounted for 32% and 50% of services exports in developing countries and LDCs, respectively, in 2018. Declines were particularly acute for tourism, with spending by international travellers contracting by -88% in South and Central America, and by -80% in both Asia and Africa in Q3 of 2020. Tourism dependency is also pronounced for small-island developing states, in which the sector accounts for as much as 77% of exports.

Lockdown measures also led to a -21% decline in transport exports in Q3 of 2020. Aviation faced significant losses, with International Air Transport Association (IATA) estimates

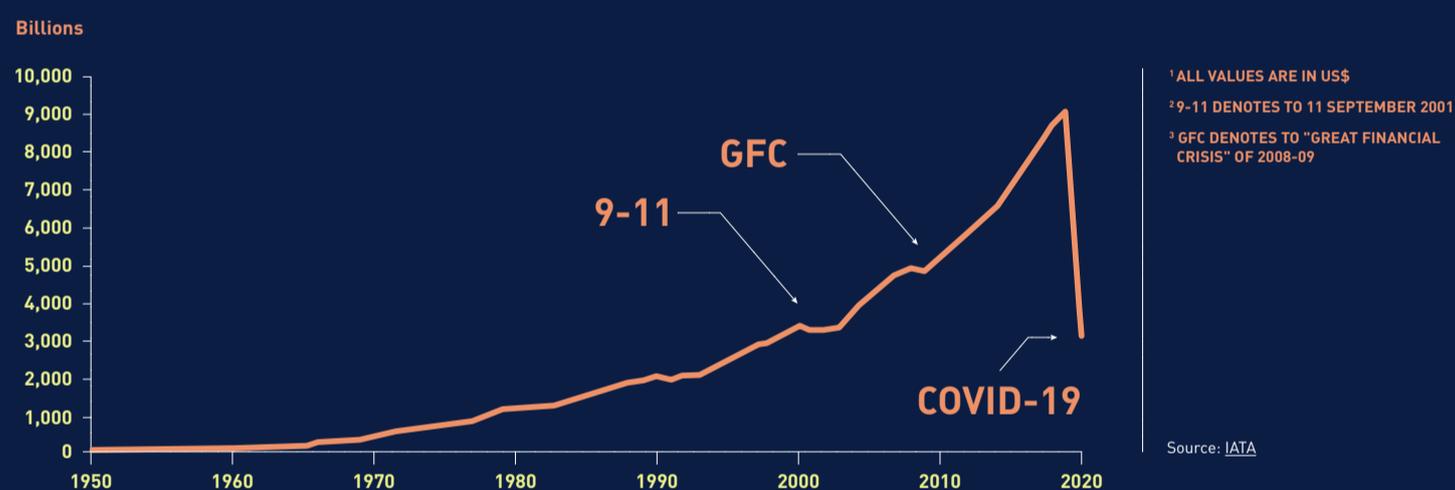
suggesting a -66% decline in global revenue passenger kilometres (measured as the multiplication of paying passengers by distance travelled) in 2020.

Construction, audiovisual services and artistic and recreational services continued to witness double-digit year-on-year declines of 14% in Q3 of 2020.

In contrast, computer services exports enjoyed a period of robust expansion, growing by 9% in Q3 of 2020. Remote working drove rising demand for computing platforms and virtual workplaces as sanitary measures accelerated the digital transition.

The recovery of services trade will largely depend on the global access to vaccines, the removal of travel restrictions and the resumption of air transport, as well as on consumer preferences after the pandemic.

**FIGURE 6: REVENUE PASSENGER KILOMETRES, 1950-2020**



Tourism accounts for approximately 45% of all Caribbean exports. The near halt in inward tourism over the first half of 2020 led to a -63.3% decline in regional services exports, with the United Nations Economic Commission for Latin America and the Caribbean (UNECLAC) projecting a -40% slump over the course of 2020. Female Caribbean workers have been disproportionately affected by this, as approximately 12% of them work in the accommodation and food sectors, compared to 5.7% of male Caribbean workers.

## Factors influencing the pace and breadth of trade recovery



### STIMULUS

In 2020, the global stimulus response was estimated at US\$ 14 trillion, or approximately 11.8% of global GDP. [IMF](#)



### DEBT

Government deficits are set to surge by an average of 9% of GDP. Global public debt rose from 83% in 2019 to a historical high of 100% in 2020 [IMF](#)



### VACCINE ROLL-OUT

Eleven vaccines had been approved against COVID-19 -by 24 February 2021, with approximately 244.3 million doses administered as of 3 March 2021 [GAVI](#) and [FT](#)



### NEW VIRUS VARIANTS

The potential for virus mutation increases with the frequency of human and animal infections [WHO](#).

This infographic was prepared as a factual overview for the 2021 Aid for Trade Stocktaking Event under the WTO Secretariat's own responsibility. It is without prejudice to the positions of WTO members or to their rights and obligations under the WTO.