WORLD BANK GROUP

2024 TRADE WATCH
QUARTER 4

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Trade Expands Amid Expectations of Higher Tariffs

KEY MESSAGES

- Global goods trade accelerated in the five months from July through November amid strong US economic growth and a spurt in demand fueled by expectations of higher import tariffs.
- Trade in services, which is reported with a lag, expanded further in the July to September period, and international tourist arrivals recovered to exceed pre-pandemic levels in the fourth quarter of 2024.
- A measure of stress in global supply chains rose in December to the highest level since March 2022, driven by the extended rerouting of vessels around the Cape of Good Hope and the increase in trade volumes. Freight rates rose at a slower pace and remained 40 percent above the level of a year earlier.

This note has been published jointly by the Trade and International Integration Unit in the World Bank's Research Group (DECRG) and the Trade Unit in the Trade, Investment, and Competition (TIC) department. It has been prepared by Cristina Constantinescu with contributions from Jean-François Arvis, Ricardo Ashimi, Daria Ulybina, and Chris Wellisz under the supervision and guidance of Paulo Bastos, Sébastien Dessus, and Daria Taglioni. For further information please contact Cristina Constantinescu at ineagu@worldbank.org. Underlying data for some figures and additional data and charts can be found online on the Trade Watch Dashboard.

Goods Trade

Global goods trade picked up in the second half of 2024. Trade volumes rose by 2.5 percent from July through November over the same period of 2023, exceeding the 1.7 percent year-on-year gain in the first 11 months of 2024 (Figure 1a.) Measured by value in current US dollars, trade also accelerated, climbing 3.8 percent from July through November, compared with a gain of 1.6 percent in the first 11 months of 2024. Gains in values continued in December, according to estimates based on preliminary data from 21 mostly developing economies—including China and India—accounting for 27 percent of global trade. The trends align with leading indicator-based assessments in the latest WTO Goods Trade Barometer for December 2024 and with estimates in the World Bank's Global Economic Prospects report published in January 2025.

Gains in global trade were driven in part by strong economic growth in the United States, which saw a burst of imports in anticipation of an increase in tariffs. American companies also stepped up orders ahead of a threatened strike at East and Gulf Coast ports, which didn't materialize. US import values overall jumped 7.8 percent from July through November from a year earlier, contributing 29 percent to the growth in global goods imports. That compares with Malaysia's contribution of 6.0 percent, Vietnam's 5.9 percent, and Taiwan's 5.7 percent. The volume of US imports jumped by 6.7 percent in the five months to November over the previous year and contributed 44 percent to the growth in global goods import volumes. Overall, in the first 11 months of 2024, US imports gained 5.2 percent by value and 4.7 percent by volume. US import values from China increased by 7.6

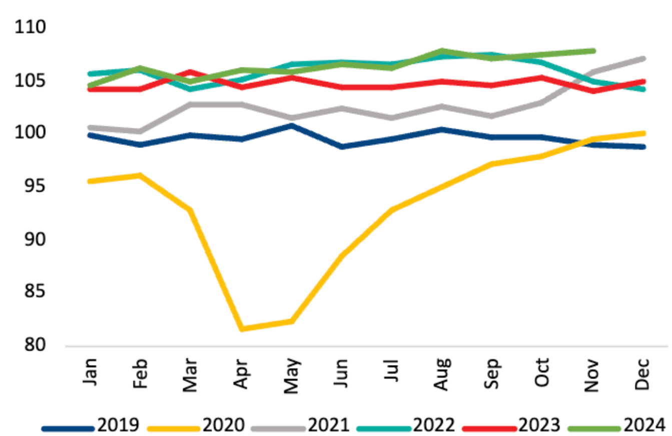
percent from July through November, following a year-on-year decline of 1.9 percent in the first half of 2024.

Worldwide, goods-trade values climbed across all product groups except fuels (Figure 2a). Trade in machinery increased by 11.8 percent from July to November 2024 compared with the same period of 2023. Among other categories showing the biggest gains, trade in foodstuffs, wood, and paper grew by 7.8 percent; chemicals by 7.3 percent; and electronics by 5.7 percent, all accelerating from the second quarter. Among industries reversing declines were iron and steel, which grew by 5.5 percent, and agriculture, up 4.4 percent. Transportation equipment declined slightly, and non-fuel extractives grew modestly after dropping earlier in the year. The value of fuels trade shrank by 7.6 percent from July to November as prices declined.

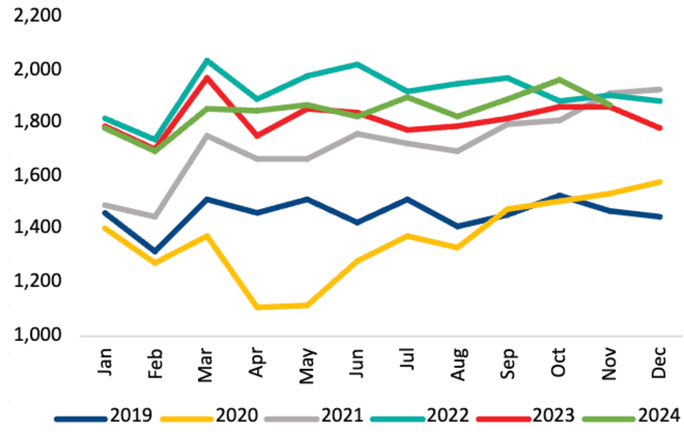
Goods-trade values increased across all regions, led by manufacturing (Figure 2b). From July to November 2024, export receipts in the European Union increased by 1.5 percent, but this growth did not offset a cumulative decline by 0.9 percent since the beginning of the year. Export gains since July in Europe and Central Asia (excluding the European Union) also reduced but did not reverse a decline of 0.3 percent in the first 11 months of 2024. In South Asia, export growth eased slightly from the beginning of the year. Exports grew more briskly in all other regions, and at relatively higher rates in Latin America and the Caribbean, East Asia (including China), and Sub-Saharan Africa, where gains were led by Angola (which exported more oil) and Democratic Republic of the Congo (minerals). Imports grew across all regions from July through November 2024 relative to the previous year. In China, imports grew at a slower pace than in the first half of the year, reflecting slower economic growth.

Figure 1: Global goods trade continued to grow in the second half of 2024.

a. Global goods trade in constant US$ (Jan 2019=100)



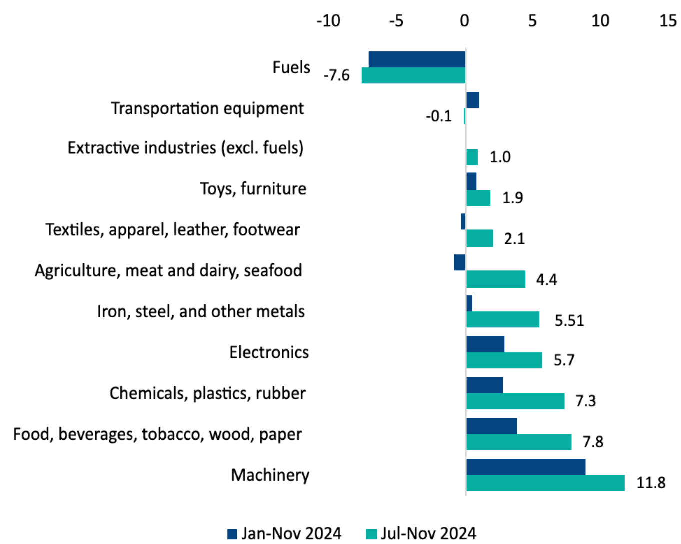
b. Global goods trade in billions of current US$



Source: a. CPB World Trade Monitor. b. WB staff calculations using data from Haver Analytics, WTO, World Bank Global Economic Monitor, IMF International Financial Statistics, OECD, UN Comtrade and official data from Australia, Canada, China, Eurostat, Japan, UK, and the U.S. ***Notes:*** Trade is the average of imports and exports.

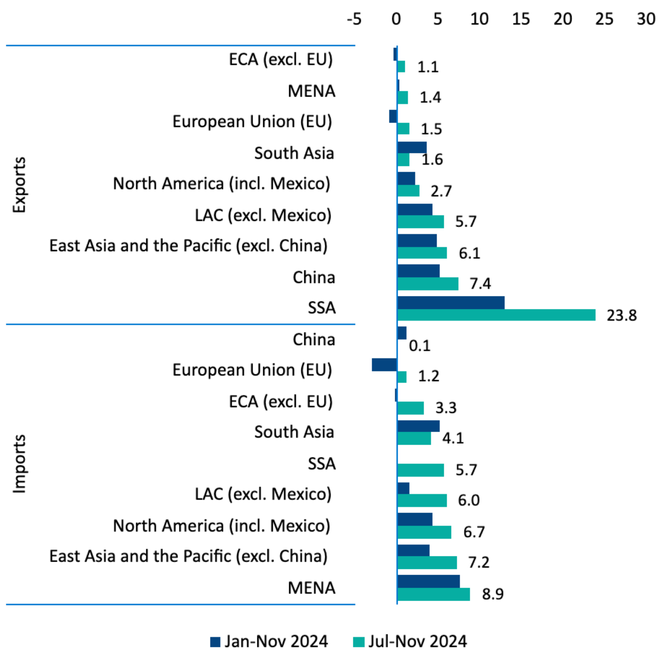
Figure 2: Goods-trade values climbed across all regions and product groups, except for fuels.

a. Trade in current US$ by product group: YoY % change



Source: WB staff calculations using data from Haver Analytics, WTO, World Bank Global Economic Monitor, IMF International Financial Statistics, OECD, UN Comtrade and official data from Australia, Canada, China, Eurostat, Japan, UK, and the U.S. ***Notes:*** a. Intra-EU trade is excluded. b. The MENA and SSA estimates are based on data through September 2024.

b. Trade in current US$ by country group: YoY % change



Source: *WB staff calculations using data from Haver Analytics, WTO, World Bank Global Economic Monitor, IMF International Financial Statistics, OECD, UN Comtrade and official data from Australia, Canada, China, Eurostat, Japan, UK, and the U.S.* ***Notes:*** *a. Intra-EU trade is excluded. b. The MENA and SSA estimates are based on data through September 2024.*

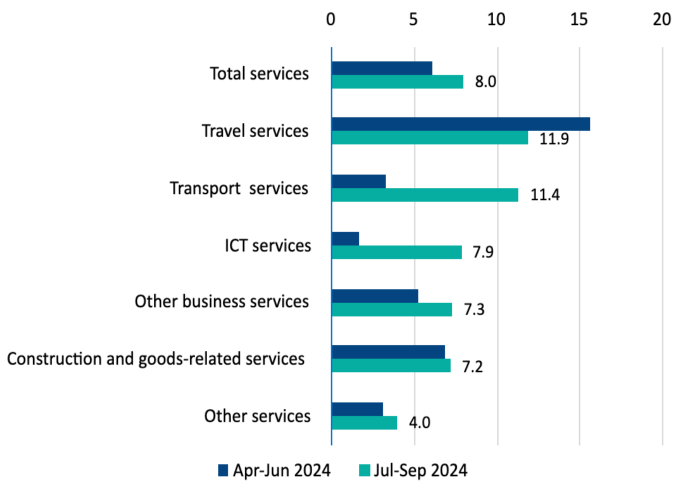
Services Trade

Trade in services continued to expand broadly in July to September of 2024, led by ICT and transportation. Values overall increased by 8.0 percent over the same period of 2023 following a 6.1 percent year-on-year rise in the second quarter (Figure 3a). ICT services climbed by 7.9 percent, up from a gain of 1.7 percent in the second quarter. The value of transportation services jumped by 11.4 percent, propelled by the rise in global trade volumes, reversing a 3.3 percent decline. Travel was the only sector to see a deceleration, as its post-pandemic expansion moderated to 11.9 percent in the third quarter from 15.7 percent in the second.

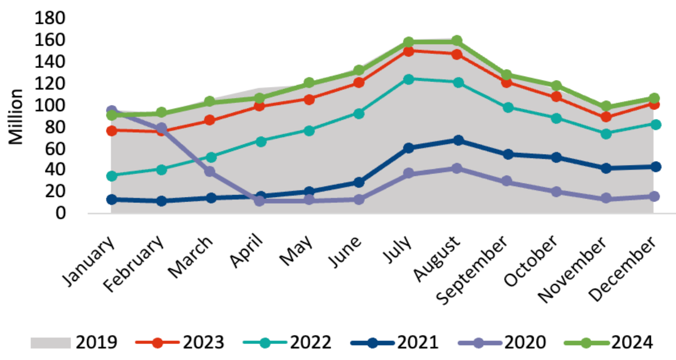
International tourist arrivals recovered to exceed pre-pandemic levels in the fourth quarter of 2024. Arrivals rose by 8.7 percent year-on-year, exceeding pre-pandemic levels in each month of the quarter and averaging 1.6 percent above those levels for the period (UN Tourism Barometer). For the year as a whole, international tourist arrivals remained 1.3 percent below 2019 levels, masking wide variation across regions. In the Middle East, tourist arrivals in 2024 surged 34 percent above pre-pandemic levels, as strong growth in Bahrain, Egypt, Qatar, Saudi Arabia, and elsewhere offset sizable declines in conflict-stricken Lebanon and Syria (Figure 3c). The Europe and Israel Region saw a 1 percent gain, which was dragged down by a 79 percent plunge in Israel as the conflict in Gaza continued. Africa saw a 7 percent increase in arrivals above 2019 levels, with Morocco, Tunisia, and Tanzania leading the way. The Americas saw a 3 percent decline, though performance varied by country, while Asia and the Pacific remained 13 percent below pre-pandemic levels, with most countries still experiencing contractions.[1] Key factors slowing recovery in international tourist arrivals included high transport and accommodation costs, economic uncertainty, and geopolitical tensions.

Figure 3: Trade in services expanded further in the third quarter of 2024; international tourist arrivals recovered to exceed pre-pandemic levels in the fourth quarter.

a. Services trade by sub-sector: YoY % change



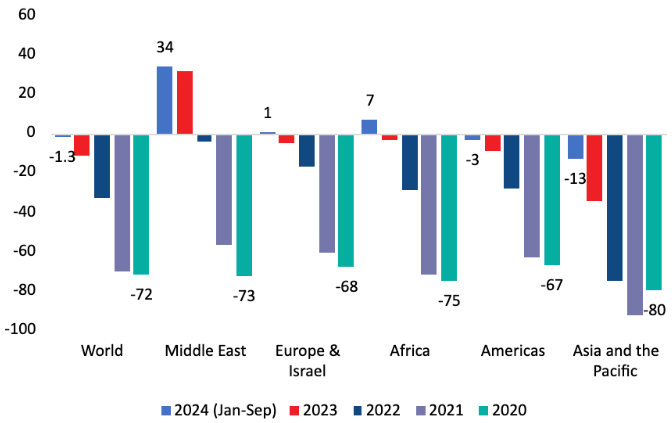
b. International Tourist Arrivals



Source: a.- WB staff calculations based on WTO data; b,c - World Tourism Organization. ***Notes:*** *a. The global aggregate includes services exports and imports. Total services estimate is based on 33 countries that reported in September 2024, accounting for 59 percent of global services trade in 2017. Travel estimates are based on 20 economies accounting for 44 percent of global services trade in 2017. Estimates for the other sub-services sectors are based on 13 economies, accounting for 36 percent of global services trade in 2017. Other services include insurance and pension, financial, royalties, personal and recreational, and government services n.i.e.*

[1] For a more detailed monitoring of the tourism sector see the World Bank's Tourism Watch.

c. International tourism by region: YoY % change
(*Years compared with 2019)



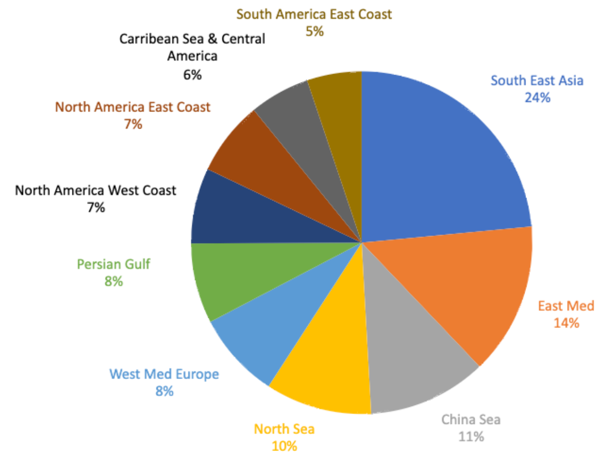
Logistics Constraints

Attacks on Red Sea shipping combined with a surge in trade volumes in anticipation of higher US tariffs to drive an indicator of supply chain stress to an almost three-year high (Figures 4 and 5). The World Bank's Global Supply Chain Stress Index rose to 2.2 million 20-foot equivalent units (TEUs) in December 2024, the highest level since March 2022. The Red Sea attacks have forced the diversion of traffic between Asia and Europe around the Cape of Good Hope to avoid the route through the Suez Canal, driving up demand for container capacity. At the same time, trade volumes climbed as US importers accelerated orders to avoid an expected increase in tariffs in early 2025. Poor weather contributed to congestion at some European ports. The expansion of the global container fleet by 451 new ships from 2023 to 2024 (an increase 286 % higher than the one in 2016), wasn't enough to entirely offset the higher level of global stress, although it did serve to moderate an increase in shipping rates.

Figure 4: Global supply-chain stress climbed further in December 2024, driven by Southeast Asia, the China Sea and the Mediterranean Sea; shipping rates rose at a slower pace and remained 40 percent above the level a year ago.

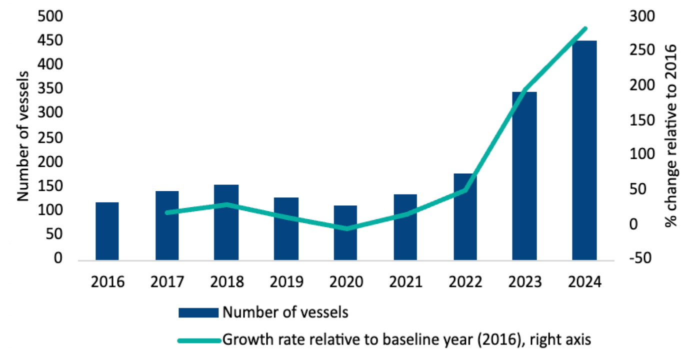
a. Global Supply Chain Stress Index and shipping prices.

b. Contributions to rise in Global Supply Chain Stress Index.



Source: *World Bank Global Supply Chain Stress Index (GSCSI) dashboard and https://container-news.com/scfi/. **Note:** The analysis was conducted using a containerships port calls database (derived from Automatic Identification System, AIS) provided by Marine Traffic, covering ships calling at over 1,000 ports worldwide, and measured in capacity units of Twenty-Foot Equivalent (TEU) boxes. The Global Supply Chain Stress index is an estimate of shipping capacity additionally mobilized or stalled at ports when excessive delays are observed over historical port-to-port lead time. Spot freight rates shown are based on the Shanghai Export Containerized Freight Index (SCFI) which reflects ocean freight and associated seaborne surcharges of major container trade routes export from Shanghai to Europe, Mediterranean Sea, US West and East Coast, Persian Gulf, Australia/New Zealand, West Africa, South Africa, South America, West and East Japan, Southeast Asia and Korea. It refers to the average final spot market price (volume weighted average prices) by common shippers in USD/TEU (USD/FEU for US East and West coast services).*

Figure 5: The expansion of the global container fleet helped moderate the increase in shipping rates.



Source: *Alphaliner.* ***Note:*** *Only gearless container carriers are considered. These include cellular containerships as well as vessels carrying containers and other cargo (e.g. ro/ro or general cargo).*