



TRADE WATCH



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NAVIGATING NEW CHALLENGES

KEY MESSAGES

- » New export orders have been shrinking since March 2022, amid cooling in China's imports, war-induced disruptions in the trade of fuel and agricultural products, rising inflationary pressures, monetary tightening, and general uncertainty. The global goods trade values grew by 15 percent in value terms and by 4 percent in volume terms from April through August of 2022 over the previous year, but the likelihood of a slowdown in the following months is increasing.
- » Supply constraints relaxed – as reflected in improved logistics indicators – and shipping rates dropped by more than 50 percent since the beginning of the year, consistent with the signs of trade cooling.
- » From April through July 2022, global services trade grew by 11 percent over the previous year and stayed above pre-pandemic levels. Travel and tourism services increased substantially relative to 2021 causing disruptions to flights and travel services in locations unprepared to receive increased travel demand, but remained depressed compared to pre-pandemic levels.

SPECIAL FOCUS

How export restrictions are affecting global food prices

This note has been prepared by the Trade Unit in the Trade, Investment, and Competition (TIC) department. It has been prepared by a team led by Cristina Constantinescu, with contributions by Jean Francois Arvis, Alvaro Espitia, Karly Dairabayeva, Karen Muramatsu, Mike Nyawo, Nadia Rocha, Pelin Sazak, Daria Ulybina, and Chris Wellisz, under the guidance of Sebastien Dessus and Mona Haddad. For further information please contact Cristina Constantinescu at ineagu@worldbank.org. Underlying data for some figures and additional data and charts can be found in the online Excel file that accompanies Trade Watch. The file includes data used in the latest issue. Data for previous issues can be shared upon request.

RECENT TRENDS

Goods Trade

New export orders have been shrinking since March 2022 amid cooling in China's imports, war-induced disruptions in the trade of fuel and agricultural products, rising inflationary pressures, monetary tightening, and general uncertainty. However, global goods trade held up through the summer of 2022, despite a bleak outlook (Figure 1). The value of goods traded globally in current US dollars increased by 15 percent from April to August 2022 compared with the same period of 2021, with prices growing faster than volumes. Trade volume, which is measured in constant US dollars, grew by 4 percent from April through August 2022 compared with a year earlier. By contrast, trade prices increased by close to 11 percent over the same period due to higher fuel and commodity prices.

China's growing property crisis and its resort to lockdowns to address the relapse of COVID translated into a 7.5 percent decline in the country's import volumes from April through August 2022 over the previous year. This subtracted 0.9 percentage point from year-on-year growth in global goods trade volume, due to China's large share of global imports (of close to 11 percent). It also cooled the demand and price increase of metal ores—of which China is a key importer—and slowed their global trade values as a result (Figure 1a).

The war in Ukraine, sanctions, and export bans (by Russia and other countries) shocked supply and increased prices of fuels, cereals, agricultural inputs, and other products of which the belligerents are top exporters. The conflict has not yet reversed the growth in global goods trade at the aggregate level, given that Ukraine and Russia account for relatively small shares of global aggregate exports (0.3 and 2.1 percent, respectively). However, it severely curtailed trade in products where the two countries are key exporters, such as fuels, cereals, fertilizers and some metals. In particular, Russia is the third largest exporter of fuels, providing 9 percent of the global supply, and the two countries together account for a quarter of the global supply of wheat. The supply disruptions pushed prices in the affected products to new highs, aggravating the inflationary pressures started in the pandemic years amid pent-up demand and underlying excess liquidity. Trade values, too, rose on the back of the price increase. More specifically, fuel trade values (in current US dollars) rose the most among broad product groups, surging by over 30 percent in August from January, the month before the outbreak of war, and reaching levels 67 percent higher than in 2021 (Figure 1a). The value of trade in cereals also rose to record highs in March 2022 and remained 17 percent higher on average from April through August compared with levels in 2021.

Figure 1a. Goods trade values in current US dollars, through August 2022

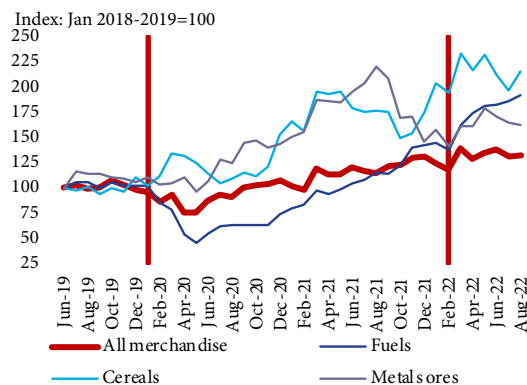


Figure 1b. Goods trade volumes and prices, through August 2022 (2017-2019=100) and new export orders, through September 2022 (100+=expansion)

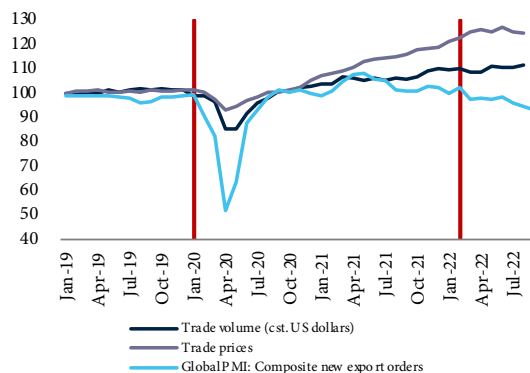
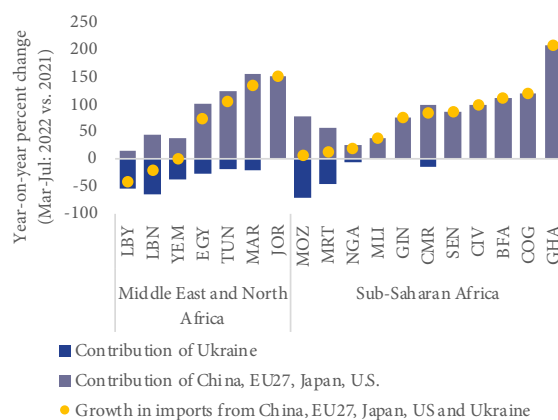


Figure 2: Wheat imports (current US dollars) from five economies: China, E.U., Japan, U.S. and Ukraine, selected importers



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The disruptions to trade have sounded the alarm of rising food insecurity and swelling import bills for net importers of fuels and cereals, a problem further compounded by the recent wave of currency depreciations. Since the start of the war, wheat import bills from suppliers other than Ukraine surged in low and lower-middle income countries in Middle East and North Africa and Sub-Saharan Africa, reflecting substitution away from Ukraine and increased prices (Figure 2).

Regional trends highlight winners and losers from the war-induced changes in the global trade landscape. On the one hand, oil exporters in Middle East, CIS, and SSA have benefitted from the surge in petroleum prices. As a result, these regions saw export receipts rise by at least 40 percent from April through August 2022 over the previous year (see online excel file). On the other hand, the rise in oil and agricultural prices contributed to significantly higher import bills in developing countries in all regions compared with the previous year. Ukraine itself saw exports plunge by 50 percent and imports by 40 percent since the start of the war relative to the same period the previous year, while China's import values barely grew, as the increase in global prices offset the drop in volumes

Services Trade

Global services trade remained above pre-pandemic levels from April through July 2022. In value terms, exports for the period rose by 4.4 percent, and imports climbed by 6.2 percent from the same period in 2019. Relative to 2021, services exports were 10 percent higher, and imports were 13.1 percent higher (Figure 3). On a monthly basis, services exports in July increased by 7.9 percent from the previous month, and imports rose by 8.9 percent.

Travel and tourism remained depressed relative to pre-pandemic levels but continued to show strong signs of a gradual recovery as the removal and easing of COVID-19 related travel restrictions continued around the world (Figure 3). From January through July, international tourist arrivals rose to about 470 million from 170 million in the same period of 2021 but fell from 840 million in 2019, before the pandemic struck. In July 2022, international tourist arrivals were 91 percent higher than a year earlier (Figure 4). However, as travel increased during the summer months of the Northern hemisphere, capacity constraints, such as the shortage of staff at airports and airlines in parts of the world that were unprepared for increased demand of travel have caused delays and disruptions to flights and travel services. In July, Europe and the Middle East led recovery, while Asia and the Pacific remained the region most affected (Figure 4). The removal or easing of travel restrictions at some key Asian destinations such as in Japan is expected to improve recovery in the region.

Figure 3: World services trade (current US dollars, n.s.a.) through July 2022

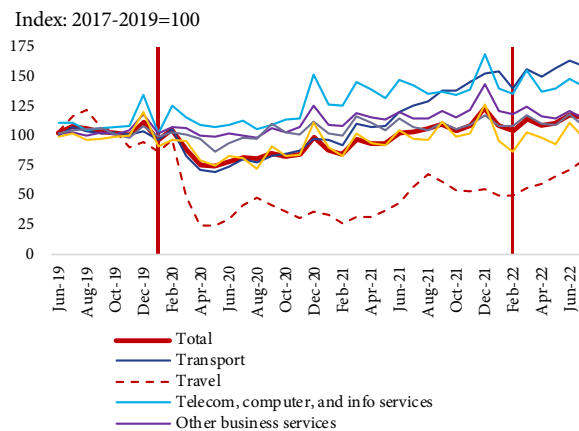


Figure 4. International tourism arrivals

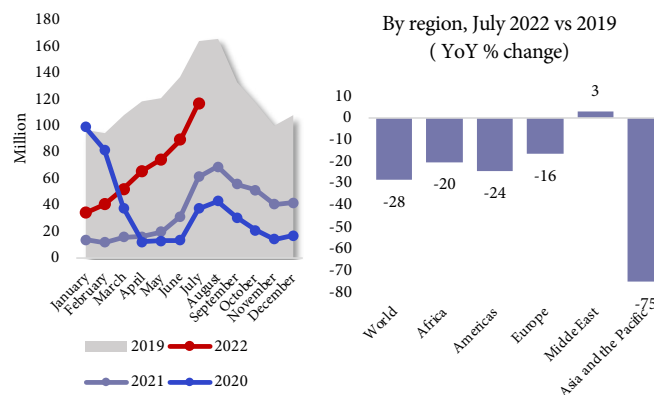
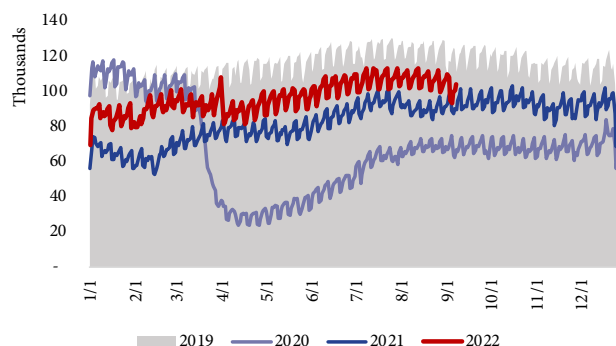


Figure 5: Number of commercial flights in 2019-2022



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The number of commercial flights continues to show signs of strong recovery (although still below pre-pandemic levels). The number of flights on October 17 through 23 was 89 percent of the figure for the same period in 2019 (Figure 5).

COVID-19 restrictions have been decreasing, facilitating travel and tourism services. As of October 15, 100 countries had no COVID-19 restrictions. These countries represented 55 percent of all international tourist arrivals in 2019. Europe is among the regions with the fewest restrictions—45 percent of European countries had none (Figure 6). Geopolitical and economic challenges, such as high inflation, rising energy and food prices, and the war in Ukraine, pose additional challenges for recovery in the sector.

Logistics Constraints

Supply chain disruptions, which had been handicapping global trade since fall 2020, subsided in the summer of 2022; stalled capacity, traffic delays, and reliability markedly improved (Figure 7a). Even so, there are signals of slowing global trade. An index of carrying capacity based on the movement of container ships is 3 percent lower in September this year than last year or 2019. (Figure 7b). Shipping rates have dropped by more than 50% from their historical high at the beginning of the year, another indication of weak trade demand (Figure 7c).

Sources: 1a: Staff estimates using seasonally unadjusted data from Global Economic Monitor, WTO, IMF International Financial Statistics, OECD and official data from China, Eurostat, Japan, UK and the US. 1b: Haver Analytics and seasonally adjusted data from the World Trade Monitor published by the CPB Netherlands Bureau for Economic Policy Analysis. 2: Staff estimates using mirror trade official seasonally unadjusted data from China, Eurostat, Japan, Ukraine and the US. 3: Estimates based on WTO, SAFE and UNCTAD data. 4: UNWTO; 5: Flightradar24. 6: UNWTO (based on IATA TIMATIC). 7 a, b: WBG staff based on data from MarineTraffic's Automatic Identification System (AIS). Ship tracking data for AIS reveals real-time information on trade in motion. The analysis was conducted using a calling event database prepared for the World Bank by MarineTraffic, covering over 7,000 ships calling at over 1,000 ports worldwide. The focus is on container shipping, as opposed to commodity freight in bulk. Container shipping carries manufactured goods and is representative of GVCs. The main indicator is instant (weekly) capacity calling in countries or regions, measured in capacity units of Twenty-Foot Equivalent (TEU) boxes (Atlantic ports of France, Spain, Portugal). The stress index is an estimation of shipping capacity additionally mobilized or stalled at ports when excessive delays are observed over historical port-to-port lead time. 8c: Shanghai Shipping Exchange.

Notes: 1: Trade is the average of exports and imports. Vertical lines indicate the start of the pandemic year (January 2020) and the start of the war in Ukraine (February 2022). In figure 1a, mirror data is used when data for recent months are missing. 3: The global aggregate includes data on services exports and imports. Data includes 12 economies that reported in July 2022, which accounted for a total of approximately 37 percent of global services exports and 38 percent of global services imports in 2017 (UNCTAD). 5: Commercial flights include commercial passenger flights, cargo flights, charter flights, some business jet flights.

Online Excel data: Some of the numbers in the text and additional data corresponding to the merchandise, services, and logistics sections can be found in the online Excel file that accompanies Trade Watch. The file includes data used in the latest issue. Data for previous issues can be shared upon request

Figure 6: Share of restriction-free countries, 10/15/2022

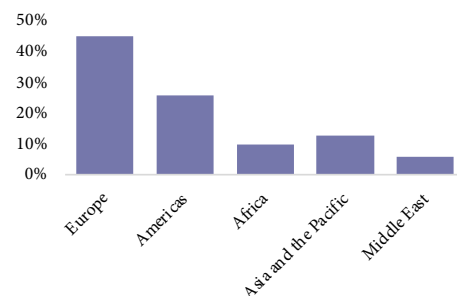
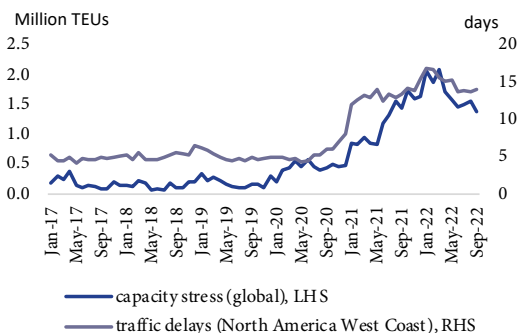
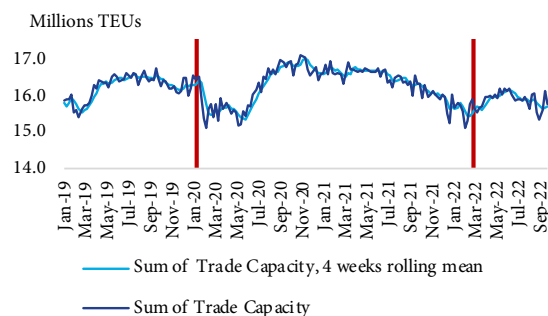


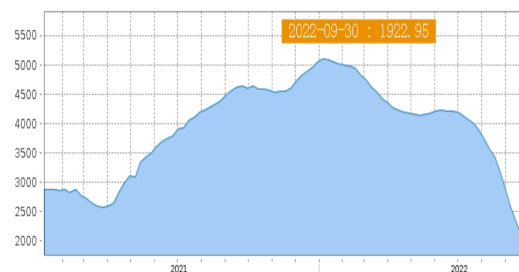
Figure 7: Shipping logistics: stress and capacity, globally and by region
a) Supply chain capacity stress (million TEUs) and traffic delays (days), through Sept 2022



b) Trade carrying capacity decline, through Sept 2022



c) Shanghai Containerized Freight Index



SPECIAL FOCUS: How export restrictions are affecting global food price

Developing nations dependent on food imports face the risk of another surge in global prices if major exporters impose new limits on shipments. To prevent such a surge, exporters should refrain from imposing limits, and countries dependent on foreign food supplies should permanently lower import duties. Greater transparency on trade policy and global food supplies would reduce uncertainty.

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The global surge has moderated, but prices remain elevated. The average price of wheat, a key staple in many developing countries, was up 20 percent in September over a year earlier. It had climbed as much as 52 percent as the war between Russia and Ukraine disrupted shipments from the belligerents, which are among the world's top exporters of the grain. The price of corn was up 29 percent in September over a year earlier, and rice was up 8 percent.¹

Many food export restrictions remain in place. At the outbreak of the war, countries quickly sought to ban or limit exports of food and fertilizers to protect domestic consumers from rising global prices. The cumulative number of restrictions climbed rapidly in the early months of the war but has flattened recently as some lapsed. However, 89 restrictions were in place at the end of September – suggesting that, contrary to WTO principles, the export limits have not all been temporary.

The examples of wheat and corn highlight how export bans contributed to short-term increases in global prices. As of May 2022, export bans imposed by Russia and other exporters covered 34.5 percent of global wheat shipments and resulted in a 14.8 percent increase² in the price (table 1), or about a quarter of the total rise. Russia, with a 31.4

percent share of the global wheat market, was a major driver of the price increase (table 2). Bans on exports of corn covered 5.9 percent of global exports and raised its price by 14.3 percent, accounting for more than three quarters of the overall increase. In this case, the countries imposing restrictions were not among the top exporters. However, the impact on prices was significant given that demand for them tends to be less elastic because it is harder to find substitutes (see tables 1 and 2).

Restrictions on rice exports have had a limited impact, but further measures could alarm financial markets, generating bigger price increases. In September 2022, India banned exports of broken rice—used primarily as animal feed—and imposed a 20 percent duty on exports of other grades of rice to boost supplies and damp local prices following below-average rainfall in key producing areas. India's ban covers 5 percent of global exports of rice. These measures are expected to increase the global price by 2 percent³, and bans currently imposed by other exporters could raise prices by 2.3 percent (table 1). Further restrictions by India—such as bans on varieties for human consumption—could raise world prices of rice by 4.3 percent to 12.1 percent. These measures could also ignite a multiplier effect ([Giordani, Rocha and Ruta, 2016](#)): if

¹ [World Bank Food security update LXX \(September 29, 2022\)](#).

² The formula used to compute the changes in prices is: $\text{Direct Price effect}_{ik} = \Delta \text{Quantity}_i / \text{Elasticity}_{ik}$. Elasticities come from [Fontagne, Guimbar and Orefice \(2019\)](#).

³ We assume that India's exports of paddy, brown and other types of rice (excluding basmati and parboiled) will decrease by 25 percent as a result of the imposition of the export duty, based on Satyam Balajee, India's biggest rice exporter calculations (<https://www.reuters.com/world/india/india-imposes-20-duty-rice-exports-various-grades-2022-09-08/>).

other top exporters such as Thailand and Vietnam banned exports, the international price of rice could jump by up to 20 percent. Further increases in prices of key staples will hurt low and lower-middle income countries that are highly dependent on imports (see figure 1). Global prices could rise even further if exporters impose additional restrictions short of outright bans and buyers liberalize imports, which would increase demand.

Recommendations

- Exporters should refrain from stockpiling goods and banning, taxing, or otherwise restricting exports. Emergency restrictions, if deemed necessary, should be targeted, transparent, proportionate, temporary, and in keeping with WTO rules. They should also account for the impact on other countries, especially the least developed.

- Countries reliant on food imports should permanently reduce or eliminate import tariffs and other taxes to ensure adequate supply in good times and bad; a permanent reform reduces uncertainty and is likely to attract new exporters into the market. Reducing tariffs on food products such as fruits and vegetables—which are more heavily protected than cereals—would allow countries to diversify their diets and improve nutrition.

- Greater transparency on the evolution and impact of trade policy actions, and on the global supply of food staples, would reduce uncertainty and lower the risk of escalating measures and countermeasures. It would also ensure that financial markets don't overreact to shocks or changes in trade policies. International organizations should better cooperate to provide real-time information on trade policy changes and their implications for global production and trade.

Annex

Table 1: Evolution of trade coverage and price impact of export bans imposed on key staples

Product		Feb 23- Mar 23	Mar 24- Apr 23	Apr 24- May 23	May 24- Jun 23	Jun 24- Jul 23	Jul 24- Aug 23	Aug 24 - Sep 23
Wheat	Trade covered by export ban (%)	32.2	32.2	34.5	34.1	34.1	34.1	2.4
	Estimated Price increase	13.8	13.8	14.8	14.6	14.7	14.7	1.0
Corn	Trade covered by export ban (%)	5.2	5.9	5.9	4.1	4.1	4.1	4.1
	Estimated Price increase	12.6	14.3	14.3	10.1	10.1	10.1	10.1
Rice	Trade covered by export ban (%)	0.6	0.6	0.6	0.6	1.0	1.0	6.3
	Estimated Price increase	0.2	0.2	0.2	0.2	0.4	0.4	2.3

Source: World Bank and Global Trade Alert trade policy monitoring in essential goods and UN Comtrade.

Note: The direct price effects of export bans are calculated using trade elasticities from Fontagne, Guimbar, and Orefice (2019) and assuming a total reduction on export quantities from trading partner. Direct Price effect_{ij} = ΔQuantity_{ij}/Elasticity_{ij}. Where i is the importer and j is the exporter. See footnote 3 for estimation of rice price increase.

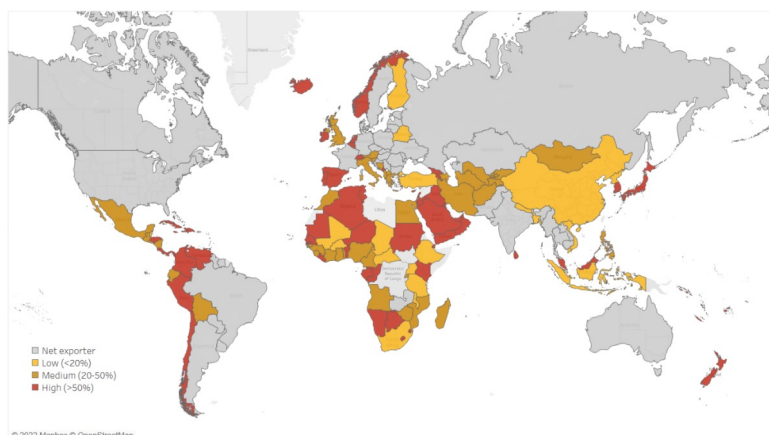
Table 2: Export bans imposed in key staples since the beginning of the war in Ukraine 2022

Country imposing export bans	Share of world exports covered by the export ban (%)	Implementation Date	Removal Date	In force as of Sept 23, 2022
WHEAT AND MESLIN				
Russian Federation	31.4	15-Mar-22	16-Aug-22	No
India	2.3	13-May-22		Yes
Serbia	0.5	10-Mar-22	1-May-22	No
Moldova	0.3	1-Mar-22	8-Aug-22	No
North Macedonia	0.004	11-Mar-22	31-Dec-22	Yes
Georgia	0.002	4-Jul-22	1-Jul-23	Yes
Kuwait	0.00009	20-Mar-22	20-Jun-22	No
Kyrgyz Republic	0.00003	20-Mar-22	22-Feb-23	Yes
CORN				
Russian Federation	2.8	2-Mar-22	30-Aug-22	No
Serbia	2.0	10-Mar-22	1-May-22	No
Myanmar	0.7	1-Apr-22		Yes
Turkey	0.4	21-Mar-22		Yes
Tanzania	0.3	17-Jun-22		Yes
North Macedonia	0.02	11-Mar-22	15-May-22	No
Egypt, Arab Rep.	0.01	14-Mar-22	13-Jun-22	No
Ghana	0.0001	11-Apr-22	30-Sep-22	Yes
Kuwait	0.00001	20-Mar-22	20-Jun-22	No
RICE				
India	5.4	9-Sep-22		Yes
Turkey	0.6	4-Mar-22	31-Dec-22	Yes
Russian Federation	0.4	1-Jul-22	31-Dec-22	Yes
Kuwait	0.0006	20-Mar-22	20-Jun-22	No
Japan	0.0005	24-Feb-22		Yes
Belarus	0.0005	29-Mar-22	29-Jun-22	No

Source: World Bank and Global Trade Alert trade policy monitoring in essential goods and UN Comtrade.

Note: The table excludes export bans imposed by Australia, Canada, Japan, New Zealand and the United States as they are specifically towards the Russian market. Total trade shares come from UN Comtrade data and are calculated as the average for 2019, 2020 and 2021.

Figure 3. Net imports of corn, rice and wheat as a percentage of domestic production



Source: FAOSTAT 2022.

Note: The imports dependency ratio tells how much of the available domestic food supply of a given cereals has been imported and how much comes from the country's own production. It is computed as $(\text{cereals imports} - \text{cereals exports}) / (\text{cereals production} + \text{cereals imports} - \text{cereals exports}) * 100$.