

Mixed goods trade recovery, robust services growth, and elevated shipping stress

Goods Trade

Partial data for May support expectations that goods trade will extend its moderate recovery in 2024. Data on trade values from 25 countries align with expectations of a pickup this year, as firms replenish inventories, particularly in the United States and the euro area, and demand from China stabilizes. However, the positive outlook is clouded by elevated trade policy uncertainty and persistent geopolitical tensions (World Bank Global Economic Prospects, June 2024; WTO Goods Trade Barometer, March 2024; World Bank Trade Watch 1st quarter 2024). Last year's decline continued to moderate in the January-April 2024 period, with trade values falling 0.4 percent from a year earlier, compared with year-on-year drops of 3.0 percent in the fourth quarter of 2023 and 5.1 percent for the year as a whole (Figure 1a). Measured by volume, trade grew by 0.6 percent in early 2024 from a year earlier after falling 1.9 percent in 2023; prices started 2024 below the levels of a year ago, explaining the drop in trade values, but narrowed the gap in March and April (CPB World Trade Monitor).

The heavy manufacturing and mining industries continued to bolster goods trade values in early 2024, while fuels remained the main brake on growth (Figure 1b). Trade in machinery grew by 6.0 percent in the first four months of 2024 compared with the same period in 2023, accelerating from a 1.8 percent gain in the fourth quarter of 2023. By contrast, trade in fuels, metals, agriculture, textiles, and chemicals continued to shrink compared with the previous year, albeit at significantly lower rates. Fuels trade values fell by 12.9 percent—the fastest

KEY MESSAGES

- » Early data pointed to a continued mild recovery in goods trade in 2024, with mixed performance across industries and regions.
- » Trade in services grew in the first quarter of 2024, with significant increases in travel and construction; international tourist arrivals neared pre-pandemic levels, though regional variations persisted.
- » Global container capacity stress and shipping rates remained high in May 2024, primarily due to disruptions in the Middle East and the Mediterranean Sea.

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 Marlon Amorim, Jean François Arvis, Ricardo Ashimi, Alvaro Espitia, Daria Ulybina, and Chris Wellisz, under the guidance of Sébastien 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 online on the Trade Watch Dashboard.

rate among other product groups—but the decline was an improvement over the 19.9 percent drop in the fourth quarter of 2023. Meanwhile, growth of trade in transportation equipment slowed to an average of 3.8 percent, down from 10.5 percent in the fourth quarter of 2023, as initially strong sales boosted by eased computer chip shortages in that year softened under the pressure of elevated interest rates and prices. Trade in non-fuel extractive industries increased by 1.6 percent, reversing previous declines.

Goods trade performance in the first four months of 2024 varied by region and between exports and imports (Figure 2). Exports grew by 4.8 percent in South Asia, by 1.4 percent in China, and by 3.5 percent in the rest of East Asia. Imports strengthened in China and stabilized in other parts of Asia. In Europe and Central Asia, exports declined by about 1.7 percent, as a rebound in April moderated a drop of about 4 percent in the first three months of the year. Imports fell by 6.0 percent in the European Union and by 3.7 percent in the rest of Europe and Central Asia. In Latin America and the Caribbean (excluding Mexico), exports expanded by 3.6 percent, reversing slight declines in the previous quarter, while imports dropped by 2.2 percent after shrinking by 8.2 percent in the fourth quarter of 2023. In the Middle East and North Africa, as well as Sub-Saharan Africa, exports fell by over 5 percent in the first two months of 2024 compared with the previous year, while imports increased, reflecting a deterioration in terms of trade. In North America, both exports and imports strengthened, as reshoring and friend-shoring partially offset the impact of trade tensions between China and the United States.

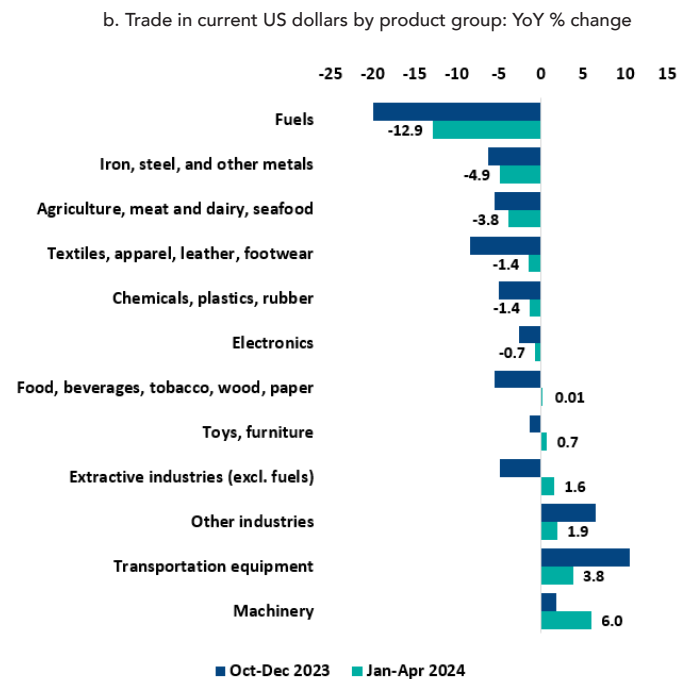
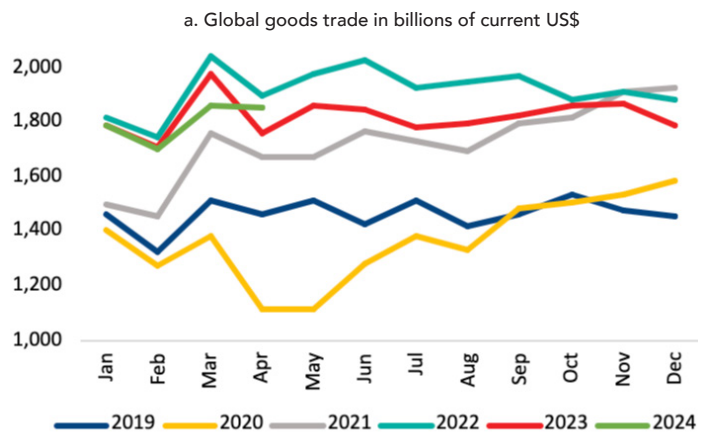
Rising geopolitical tensions have reshaped key trade relationships. Sanctions triggered by Russia’s invasion of Ukraine pushed its share of the EU market down to just 1.4 percent in the 12 months ended April 2024 from 5.6 percent two years earlier. In the same period, the US share of EU trade increased to 16.6 percent from 14.2 percent.

Meanwhile, China’s trade with the United States declined at a faster pace as tensions escalated. The United States accounted for 11 percent of China’s trade in 2024, down from 12.5 percent in 2022 and 13.5 percent in 2018, when Washington imposed a first round of tariff increases. The shares of Japan, Korea, and the European Union in China’s trade also declined. In contrast, Russia almost doubled its share of the China market to 4.1 percent in 2024 from 2.2 percent in 2018. Other regions, including the Middle

East and North Africa, also expanded their shares of China’s trade.

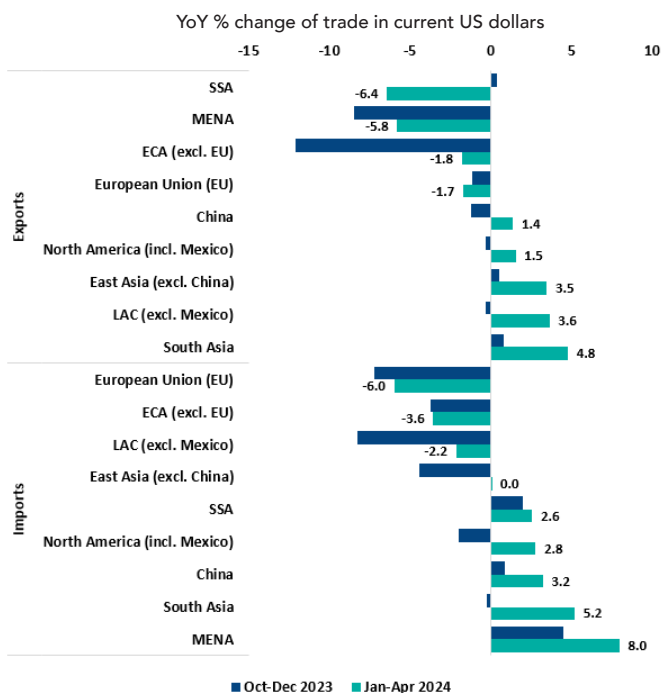
Finally, changes were also evident in US trade partnerships. China accounted for 11.3 percent of total US trade in the 12 months to April 2024, down from 15.4 percent in 2018. Meanwhile, Mexico and Canada increased their combined share of the US market to 30.6 percent in 2024 from 29.4 percent over the same period. Trade between the EU and US as a share of total US trade increased to 18.5 percent from 16.3 percent.

Figure 1: A mild recovery in goods trade continued in early 2024.



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: Trade is the average of imports and exports. b. Intra-EU trade is excluded.

Figure 2: Asia's exports of goods maintained their expansion in early 2024, while Europe's declined.



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.
 Note: The MENA and SSA estimates are based on data for January and February only.

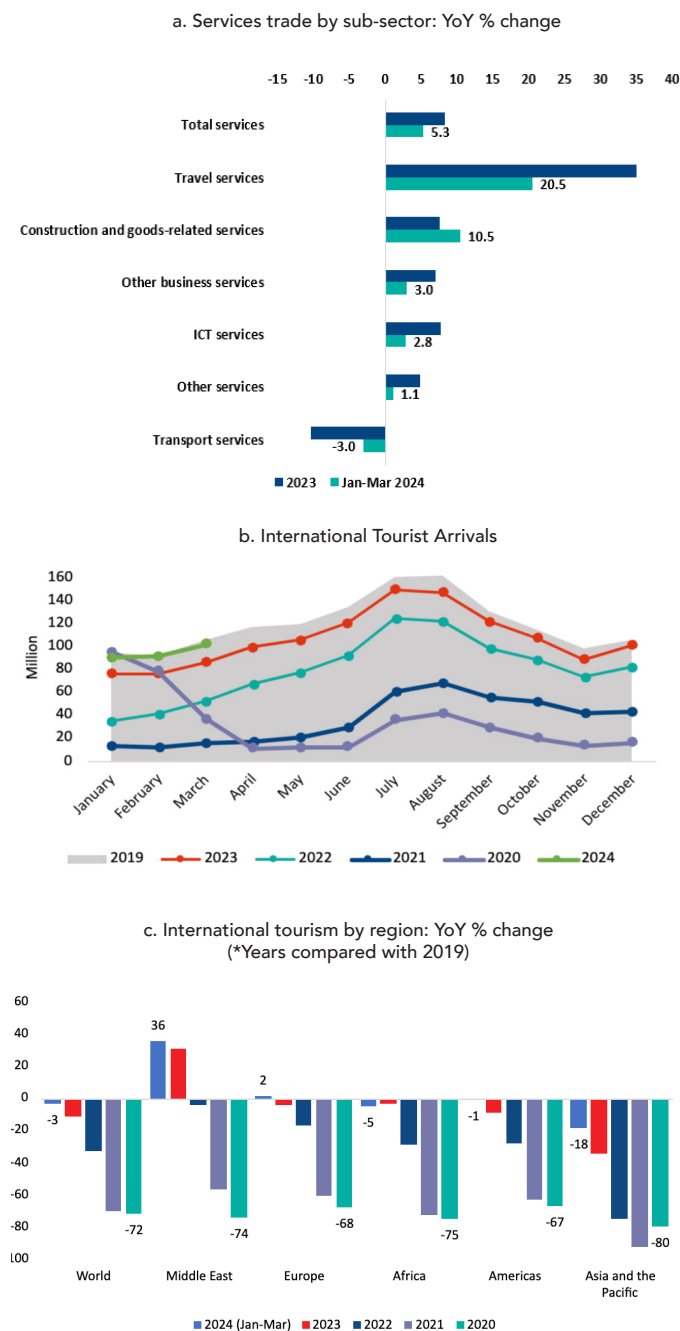
Services Trade

Trade in services continued to expand in the first quarter of 2024. Values (in current US dollars) increased by 5.3 percent from a year earlier, growing in all subsectors except transportation services, which contracted by 3 percent, a notable improvement from the 10 percent decline in 2023 (Figure 3a). Trade in travel services rose by 20.5 percent from a year earlier, surpassing pre-pandemic levels in 2019 by 9.7 percent. Construction services grew by 10.5 percent, outpacing growth in previous quarters, while other business services and ICT services saw a slowdown.

International tourist arrivals nearly reached 2019 levels, though some regions lagged behind. Arrivals increased by 19 percent in the first quarter from a year earlier, falling short of the first quarter of 2019—the year before the COVID-19 pandemic—by only 2.9 percent (Figure 3b). Tourist arrivals in the Middle East exceeded pre-pandemic levels by 36 percent, and Europe (including Israel) saw a 2 percent increase (Figure 3c). In contrast, Asia and the Pacific, the hardest-hit region, remained 18 percent below pre-pandemic levels, despite a strong recovery compared with 2023. In Africa, tourist arrivals were 5 percent

lower, and in the Americas, they were 1 percent lower compared with the same period in 2019.¹

Figure 3: Travel continued to boost services trade; international tourist arrivals neared pre-pandemic levels, though regional variations persisted.



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 March 2024, accounting for 58 percent of global services trade in 2017. Travel estimates are based on 20 economies accounting for 44 percent of global trade in travel services in 2017. Estimates for the other sub-services sectors are based on 12 economies, accounting for 35 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](#).

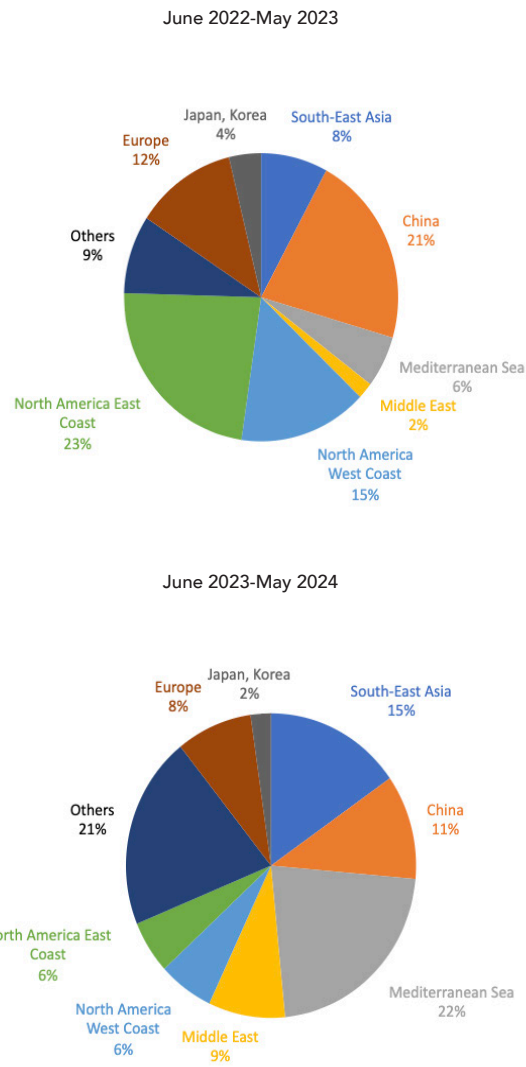
Logistics Constraints

Global supply chain stress and shipping rates remained elevated amid continuing disruptions in the Middle East and the Mediterranean Sea. The World Bank's Global Supply Chain Stress Index, a measure of delayed shipping capacity, rose to 1.4 million TEUs in May, more than double the level in December 2023 and approaching levels seen in April 2022, when container traffic was heavily congested during the COVID-19 pandemic (Figure 4). Shipping costs jumped by 11 percent in May 2024 compared with the average level over the first quarter of the year, which had already nearly doubled from the fourth quarter of 2023. Nevertheless, shipping costs remained below the peaks in 2022, in part because shipping companies expanded their fleets after the pandemic, allowing them to allocate additional capacity needed to reroute ships to avoid the Suez Canal and Red Sea. The sources of stress shifted significantly. The Mediterranean Sea and the Middle East accounted for 31 percent of delayed shipping capacity over the past 12 months, up from 8 percent a year ago, while China's share dropped to 11 percent from 21 percent, and North America's decreased to 12 percent from 38 percent during the same period (Figure 5).

Figure 4: Global supply chain stress and shipping rates remained elevated.



Figure 5: Disruptions in the Middle East and the Mediterranean Sea contributed significantly to the elevated supply chain stress in recent months.



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. Quarterly averages of spot freight rate 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).