WORLD BANK GROUP

2024 TRADE WATCH
QUARTER 1

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Goods trade remained weak and services expanded; logistics stress climbed

KEY MESSAGES

» Goods trade remained weak in the fourth quarter of 2023, capping the slowest year of growth for global commerce outside of a recession in the past 50 years.

» Trade in services grew robustly in the fourth quarter, partly making up for the decline in goods. Travel services exceeded pre-pandemic levels, but international tourist arrivals were yet to recover completely, particularly in Asia.

» Global container capacity stress and shipping rates surged amid persisting disruptions from the Red Sea attacks.

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 Enrique Aldaz-Carroll, 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.

Goods Trade

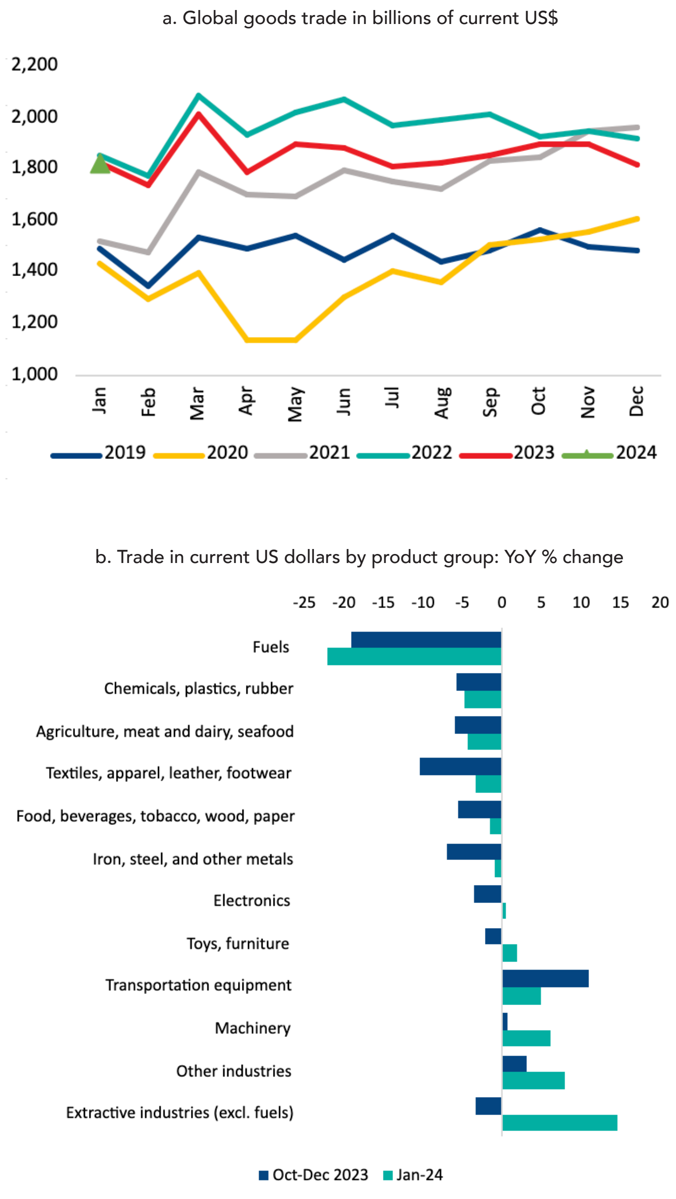
Goods trade finished the year on a slow note but showed signs of life in January. Trade values in the fourth quarter of 2023 fell by 3.2 percent from a year earlier and by 2.6 percent from the same period in 2021 (Figure 1a). For the year as a whole, values were lower by 5.3 percent compared with 2022. The drop reflected a 1.2 percent decline in volumes (WTO estimate), driven largely by East Asia and the European Union, and a 4.1 percent decline in prices, as fuel and commodity prices receded from 2022 peaks and inflation slowed globally. Trade showed signs of a rebound in January 2024, when volumes increased by 0.4 percent over the previous year (CPB World Trade Monitor), and values almost caught up to the level in January 2023. Goods trade is expected to pick up this year, as pre-pandemic patterns reassert themselves, firms replenish[1] inventories and price levels stabilize further (World Bank Global Economic Prospects, January 2023, WTO Global Trade Outlook and Statistics, April 2024).

[1] 2023 was a correction year for inventories, which were (maybe excessively) built up by firms during the pandemic to protect themselves against potential future supply chain disruptions. From 4.6 percent of global trade in 2022 and 2.9 percent in 2021, the build-up of inventories only contributed to 1.6 percent of global trade in 2023. This compares with the average of 2.1 percent of global trade observed over the period 2015-2019. These figures were computed for the 40 countries with available data, accounting for 50 percent of global trade.

The firming of trade in January 2024 was driven by some manufacturing and mining industries (Figure1b). Trade in electronics, toys, furniture, machinery, and extractive industries (excluding fuels) strengthened. Trade in transportation equipment remained strong, increasing by 11 percent in the fourth quarter of 2023 over 2022, and by 5 percent in January 2024 over January 2023. By contrast, fuel trade values declined by about 19 percent in the fourth quarter of 2023 and by 22 percent in January 2024 from the previous year, and trade in textiles/ apparel fell by about 10 percent from 2022 to levels comparable to those of 2019, before the pandemic. Trade in chemicals, agriculture, and foodstuffs also declined on a year-on-year basis.

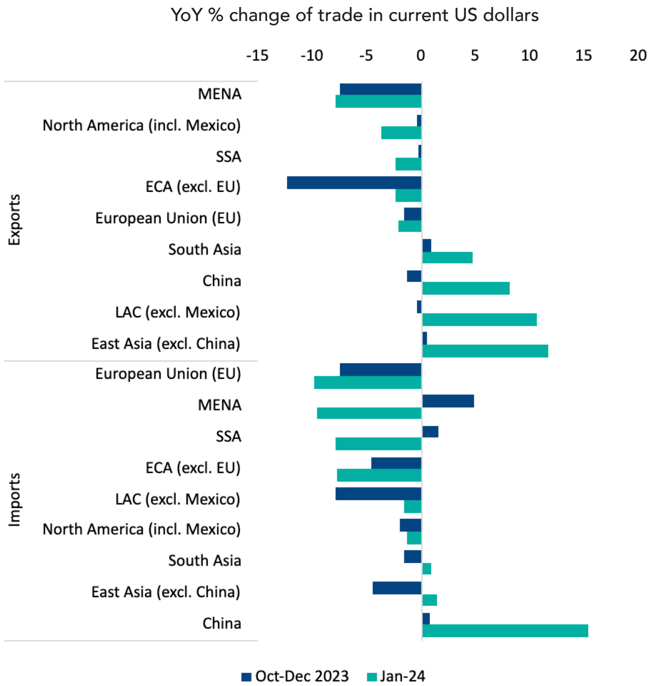
East Asia (including China) and the European Union led the global decline in goods trade. Trade in East Asia was particularly weak during the second and third quarters of 2023, due to reduced external demand, fading effects of pandemic stimulus, and China's late COVID-19 wave as well as weakness in the real estate sector (see previous issues of the Trade Watch). Trade rebounded in the fourth quarter and continued to gain in January 2024, with export values growing by over 10 percent over the previous year and imports growing by 15 percent in China and 1.5 percent in East Asia. Trade in the European Union declined toward the end of the year, reflecting broadening weakness in the bloc, particularly in Germany. The European Union's imports dropped by 7.5 in the fourth quarter of 2023 over the previous year and by 10 percent in January 2024. Elsewhere, export receipts recovered in South Asia and Latin America and the Caribbean, and imports increased in South Asia. Oil exporters in the Middle East and North Africa and Europe and Central Asia (excluding the EU) continued to see revenue decline as fuel prices remained below levels in the previous year. Trade relationships affected by geopolitical and economic tensions suffered. These included declines in bilateral trade between East Asia and North America (by 6.6 percent in 2023 relative to 2022), likely damped by US-China tensions and US efforts to reshore production of some goods, as well as declines in trade between the European Union and the rest of Europe and Central Asia (by 10.2 percent), likely hurt by sanctions imposed on Russia. Meanwhile, trade expanded between East Asia and Europe and Central Asia (by 6.7 percent), likely reflecting stepped up trade between China and Russia. Trade between North America and the European Union grew by 3.5 percent, intra-regional trade in North America held up, and Mexico overtook China as the most important source of US imports.

Figure 1: Goods trade showed signs of recovery in manufacturing.



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.

Figure 2: Goods trade picked up in China and East Asia but remained weak in MENA and the European Union.



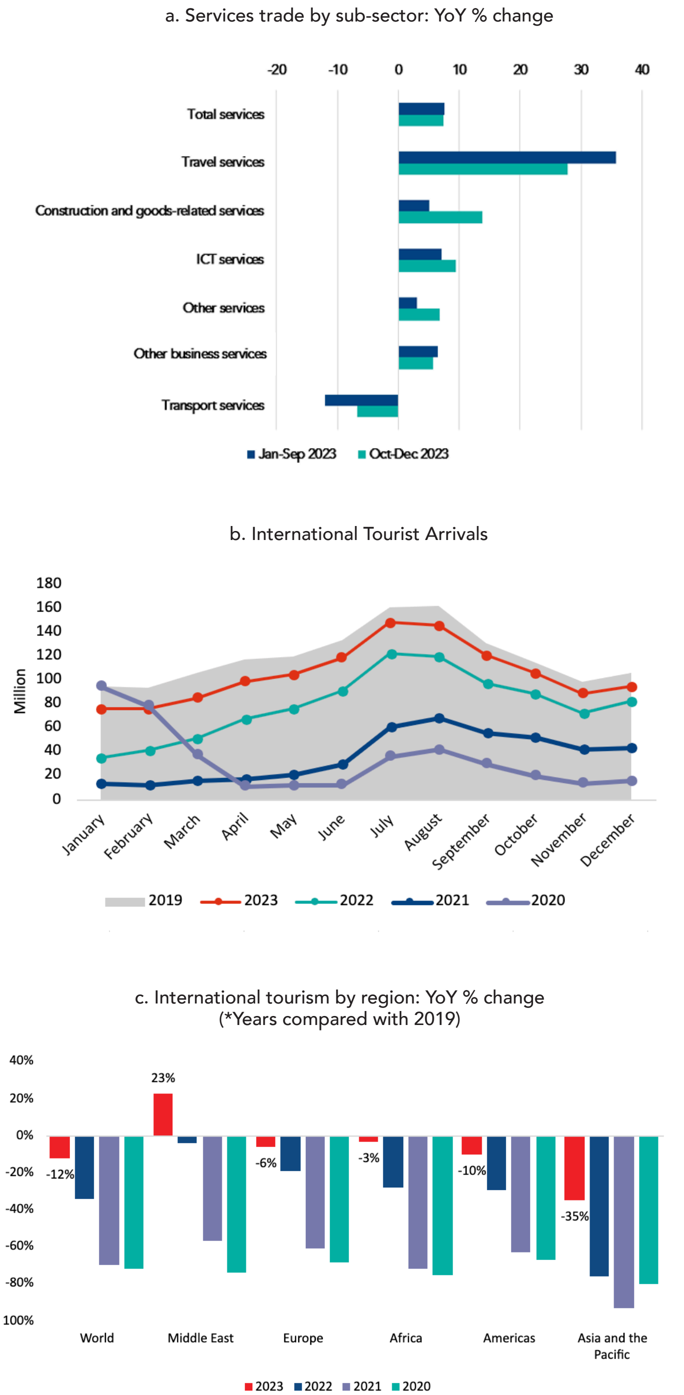
Source: WB staff calculations using data from Haver Analytics, WTO, World Bank Global Economic Monitor, IMF International Financial Statistics, OECD, UN Comtrade and official data from Australia, Canada, China, Eurostat, Japan, UK, and the U.S. Note: MENA and SSA estimates for Jan 2024 are preliminary and subject to revision, as they are derived from reporting of 40 percent of MENA trade and 36 percent of SSA trade.

Services Trade

Trade in services maintained its rapid, broad-based expansion in the fourth quarter of 2023. Values (in current US dollars) increased by 7.4 percent from a year earlier, expanding in all subsectors except transportation services, which declined in line with goods trade values (Figure 3a). Trade in travel services increased by 28 percent in the fourth quarter from a year earlier, exceeding pre-pandemic levels from 2017 to 2019 by 3 percent. Construction grew by 14 percent and ICT services by close to 10 percent, faster than in the previous quarters.

International tourist arrivals remained slightly below levels in 2019. Arrivals increased by 20 percent in the fourth quarter from a year earlier but remained at 91 percent of the level in the fourth quarter of 2019 (Figure 3b). Tourist arrivals in Asia and the Pacific extended their strong recovery after COVID-19 restrictions were lowered at the end of 2022 but remained 35 percent below the pre-pandemic level, making it the most affected region (Figure 3c). In Europe, tourist arrivals were at 94 percent of pre-pandemic levels, while those in the Middle East exceeded pre-pandemic levels by 23 percent. [2]

Figure 3: Travel continues to exceed pre-pandemic levels, while international tourist arrivals are yet to fully catch up.



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 35 countries that reported in December 2023, accounting for 60 percent of global services trade in 2017. Travel estimates are based on 22 economies accounting for 45 percent of global services trade in 2017. Estimates for the other sub-services sectors are based on 14 economies, accounting for 38 percent of global services trade in 2017. Other services include insurance and pension, financial, royalties, personal and recreational, and government services n.i.e.

[2] 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 have surged since December 2023 on the back of persisting disruptions from the Red Sea attacks (Figure 4). By January 2024 the World Bank's Global Supply Chain Stress Index had surged by 96 percent over the previous month to levels last seen in mid-2022, when container traffic was backed up during the COVID-19 pandemic. Shipping costs almost doubled between December and March. Major freight carriers suspended operations through the Suez Canal—which accounts for 12 percent of global trade and 30 percent of container traffic—to avoid militant attacks on Red Sea shipping. Rerouting traffic around the Cape of Good Hope has added seven to 10 days to the typical journey from Europe to Asia, boosting fuel costs. It has also compounded the effects from congestion at the Panama Canal, where a drought has lowered water levels and caused delays.

Figure 4: Global supply chain and shipping costs are rising amid disruptions at the Red Sea.

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).