



GLOBAL TRADE

UPDATE

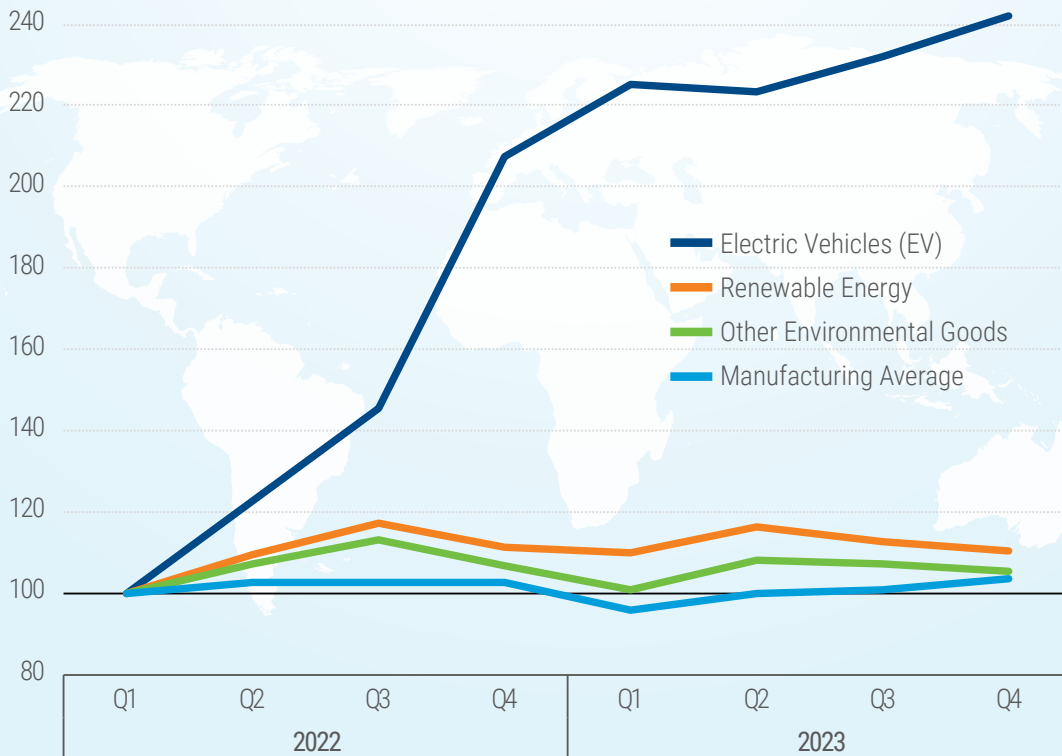
MARCH 2024

Global trade downturn in 2023 expected to give way to growth in 2024

- The value of merchandise trade declined by 5 per cent in 2023, trade in services increased by 8 per cent.
- During 2023, trade of developing countries and South-South trade performed worse than global averages.
- Trade in environmental products increased during 2023. Electric vehicles sparked trade growth in motor vehicles.
- The outlook for 2024 is positive, but geopolitical issues and shipping disruptions increase uncertainties.

In the driving seat: Electric vehicles steer trade growth in environmental products

Trade value (Q1 2022 =100)



Source: UNCTAD estimates based on national statistics of China, European Union and the United States.

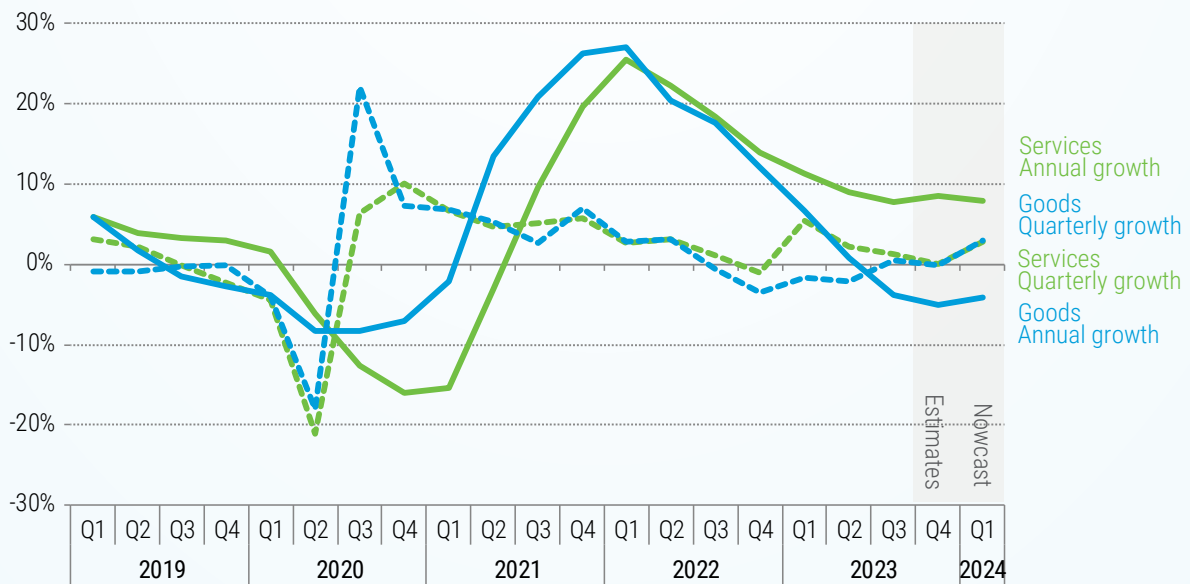
Note: Environmental goods are defined as in the Combined List of Environmental Goods (OECD). Electric vehicles exclude hybrid vehicles. Renewable energy includes solar panels, wind turbines and related products for energy production. Manufacturing average excludes environmental goods.

Global trade trends and nowcast

The value of global merchandise trade has experienced continuous decline since mid-2022. In contrast, trade in services maintained growth throughout most of the period. Overall, the Global Trade Update projects that global trade in 2023 will amount to approximately US\$ 31 trillion, contracting by close to US\$ 1 trillion (or 3 per cent) compared to the record high of 2022. Specifically, trade in goods expected to contract by about US\$ 1.3 trillion in 2023, or 5 per cent, while services trade expected to gain about US\$ 500 billion, or 8 per cent. The UNCTAD nowcast for Q1 2024 foresees a small but positive increase both in goods and services trade.

After a decline through 2023, trade in goods is expected to slightly increase in Q1 2024

Annual and quarterly growth in the value of trade in goods and services (per cent)



Sources: UNCTADstat; UNCTAD calculations based on national statistics.

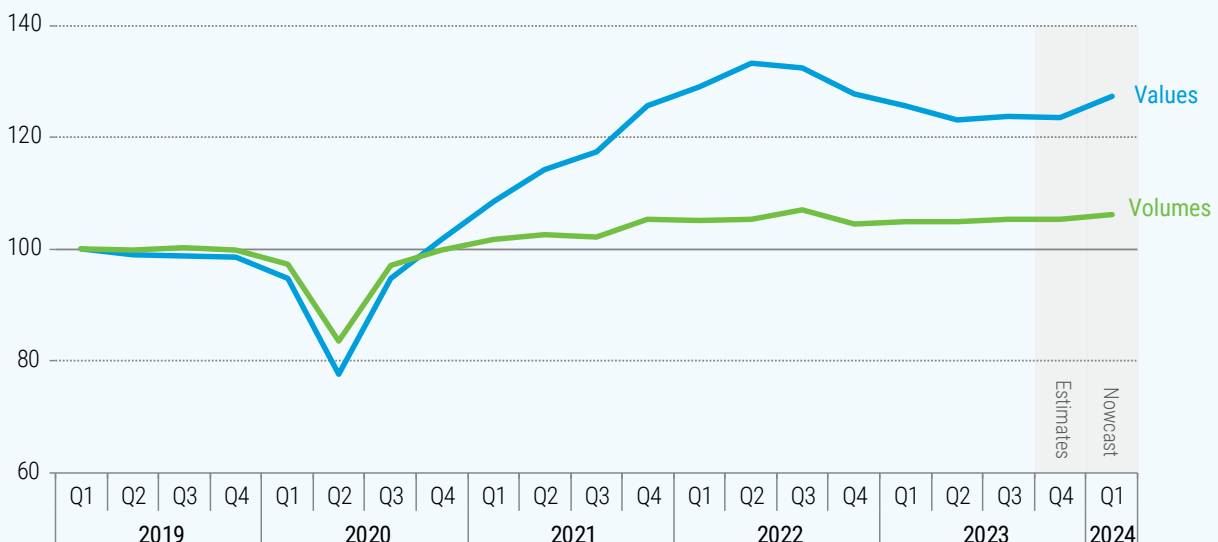
Note: Quarterly growth is the quarter over quarter growth rate of seasonally adjusted values. Annual growth refers to the last four quarters.

Figures for Q4 2023 are estimates. Q1 2024 is a [nowcast](#).

The volumes of trade growth stayed modestly positive throughout 2023. The slightly positive trend in the volume of international trade suggests a resilient global demand for imported products. A weak United States dollar also supported global trade volumes during 2023.

Trade volumes show marginal increases in 2023

Index Q1 2019 = 100



Source: UNCTADstat; UNCTAD calculations based on national statistics.

Summary and outlook

The decline in the value of global trade throughout 2023 was primarily driven by reduced demand in developed nations and trade weaknesses within East Asia and Latin American regions. Lower commodity prices further contribute lowering the value of international trade in 2023. In contrast, trade in services saw growth for most of 2023. Among services, tourism and travel-related services rebounded strongly, increasing by almost 40 per cent. Significantly, the fourth quarter of 2023 signals a change from the patterns observed in previous quarters. Both merchandise and services trade stabilized quarter-over-quarter, signaling the end to the decline in global trade of goods, and the end of the strong upward trend in trade in services.

Projections for 2024 are more optimistic. Overall, moderating global inflation and improving economic growth forecasts suggest a reversal of the downward trends. Additionally, rising demand for environmental goods should boost trade in 2024. However, it's important to note that the global trade outlook for 2024 remains subject to significant uncertainties. Persistent geopolitical tensions, rising shipping costs, and high levels of debt weighing on economic activity in many countries may still exert negative influences on global trade.

Some of the most relevant factors influencing global trade in 2024 include:

- **Positive economic growth, but with significant disparities**
Global forecasts for GDP growth remain at around 3 per cent for 2024, but these still fall below historical averages. Furthermore, substantial disparities persist among countries and regions in terms of their anticipated economic outlook for the upcoming year. Such disparities will influence patterns of trade.
- **Strong demand for both container shipping and raw materials**
During the last few months, there has been increasing demand for container shipping, as reflected by the strong increase in the Shanghai Containerized Freight Rate Index. Similarly, the Baltic Dry Index also exhibited a positive trend, indicating a rise in global demand for raw materials.
- **Commodity prices volatility**
Ongoing geopolitical tensions and regional conflicts could renew volatility in energy and agricultural markets. Additionally, the increasing importance of secure access to critical minerals for the energy transition is expected to affect prices and further contribute to market volatility in these commodities.
- **Lengthening of supply chains**
Global trade is being influenced by the response of supply chains to shifts in trade policy and geopolitical tensions. Some East Asian and Latin America economies may find opportunities to become more integrated into the supply chains affected by geopolitical concerns.
- **Increase in subsidies and trade restrictive measures**
The prioritization of domestic concerns and the urgency of meeting climate commitments are driving changes in both industrial and trade policies. The utilization of trade restrictive measures and inward-looking industrial policies are anticipated to negatively impact on the growth of international trade.
- **Shipping routes disruptions**
Geopolitical tensions are also causing disruptions in shipping routes, particularly those related to the Red Sea and Suez Canal. Moreover, efforts to maintain water levels in reservoirs supplying the Panama Canal are anticipated to continue reducing passages in 2024. These events are driving up shipping costs, extending voyage durations, and disrupting supply chains.

Trade trends in the major economies

Major economies have experienced a generalized downturn in merchandise trade during 2023. The notable exception is the Russian Federation, for which imports grew by 6 per cent in 2023. However, this increase must be put in the context of currency fluctuations and the very low levels of 2022. Russian Federation saw a sharp decline in export levels in 2023, largely tied to energy markets. On the other hand, Brazil and the European Union registered small positive growth rates in exports during 2023. Quarter-over-quarter statistics indicate return to growth in some major economies, including China and India. Overall, the comparison of annual and quarterly growth suggests significant improvement in trends for several economies, however the overall statistics for 2023 remain negative.

Trade in goods resumed growth in some of the major economies in Q4 2023

GOODS (Q4 2023)	Quarterly growth		Annual growth	
	Imports	Exports	Imports	Exports
Brazil	↓ 2%	↑ 8%	↓ 12%	↑ 2%
China	↑ 5%	0%	↓ 5%	↓ 5%
India	↑ 3%	↑ 5%	↓ 7%	↓ 6%
Japan	0%	0%	↓ 12%	↓ 4%
Republic of Korea	↑ 4%	↑ 6%	↓ 12%	↓ 8%
Russian Federation	↑ 1% *	↓ 10% *	↑ 6% *	↓ 27% *
South Africa	↓ 1%	↑ 4%	↓ 3%	↓ 10%
United States	0%	0%	↓ 5%	↓ 2%
European Union	↓ 5%	↓ 3%	↓ 14%	↑ 2%

Source: UNCTAD calculations based on national statistics.

Note: Quarterly growth rates are relative to the previous quarter. Annual growth refers to the last four quarters. Data is seasonally adjusted. Data excludes intra-European Union trade. * denotes estimates.

Service-related data is reported with a one-quarter lag compared to merchandise data. On an annual basis, services trade has increased in most economies between Q3 2022 and Q3 2023. However, quarterly growth Q3 2023 has been more varied compared to the annual averages, signaling that the positive trend in trade in services may have plateaued.

Trade in services may have reached a plateau, as growth stabilized in Q3 2023

SERVICES (Q3 2023)	Quarterly growth		Annual growth	
	Imports	Exports	Imports	Exports
Brazil	↑ 3%	↑ 4%	↑ 6%	↑ 16%
China	0%	↓ 4%	↑ 13%	↓ 16%
India	↓ 8%	0%	↑ 5%	↑ 14%
Japan	↑ 3%	↓ 1%	↑ 5%	↑ 16%
Republic of Korea	↑ 3%	↓ 2%	↑ 6%	↓ 8%
Russian Federation	↓ 12% *	↓ 8% *	↑ 5% *	↓ 21% *
South Africa	↑ 3%	↑ 8%	↑ 6%	↑ 16%
United States	↓ 2%	↑ 2%	↑ 6%	↑ 9%
European Union	↑ 1%	↑ 1%	↑ 7%	↑ 5%

Source: UNCTAD calculations based on national statistics.

Note: Quarterly growth rates are relative to the previous quarter. Annual growth refers to the last four quarters. Data is seasonally adjusted. Data excludes intra-European Union trade. * denotes estimates.

Regional trade trends

The decline in global trade has been more pronounced for developing countries. During 2023, imports and exports of developing countries declined by an average of 5 and 7 per cent, respectively. Conversely, trade for developed countries decreased by about 4 per cent for imports and 3 per cent for exports. Quarter-over-quarter figures indicate a positive trend for developing countries, while trade of developed countries has remained stable. Regarding South-South trade, the stronger-than-average decline during much of 2023 reversed in Q4 2023, with a quarter-over-quarter growth of about 3 per cent.

Developing countries and South-South trade returned to growth during Q4 2023

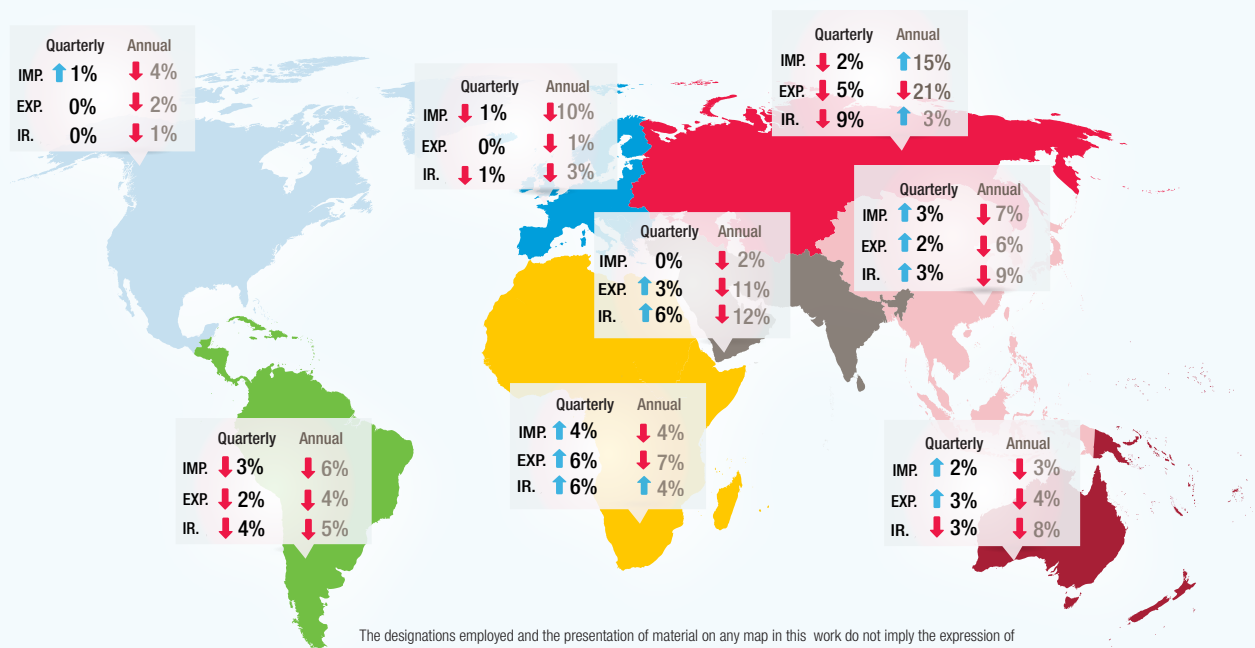
	Quarterly growth		Annual growth	
	Imports	Exports	Imports	Exports
Developed countries	0%	0%	↓ 4%	↓ 3%
Developing countries	↑ 2%	↑ 2%	↓ 5%	↓ 7%
South-South Trade	↑ 3%		↓ 7%	
Developing countries (excluding East Asia)	0%	↑ 2%	↓ 2%	↓ 7%
South-South Trade (excluding East Asia)	↑ 3%		↓ 10%	

Source: UNCTAD estimates based on national statistics.

Note: Quarterly growth rates are relative to the previous quarter. Annual growth refers to the last four quarters. Data is seasonally adjusted. Data does not include trade in services.

Most regions have undergone negative trade growth in 2023. The exception was a significant increase in intra-regional trade for the African region. Notably, during 2023 the region comprising the Russian Federation and Central Asian economies registered a strong decrease in exports but also a strong increase in imports. East Asian trade exhibited notable weakness throughout 2023, also in relation of intra-regional trade. During the last quarter, trade remained weak in Latin America and in the region comprising the Russian Federation and the Central Asian economies. Conversely, trade growth was positive for Africa and East Asia.

Africa and East Asia resumed trade growth in Q4 2023, Latin America lags



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Source: UNCTAD estimates based on national statistics.

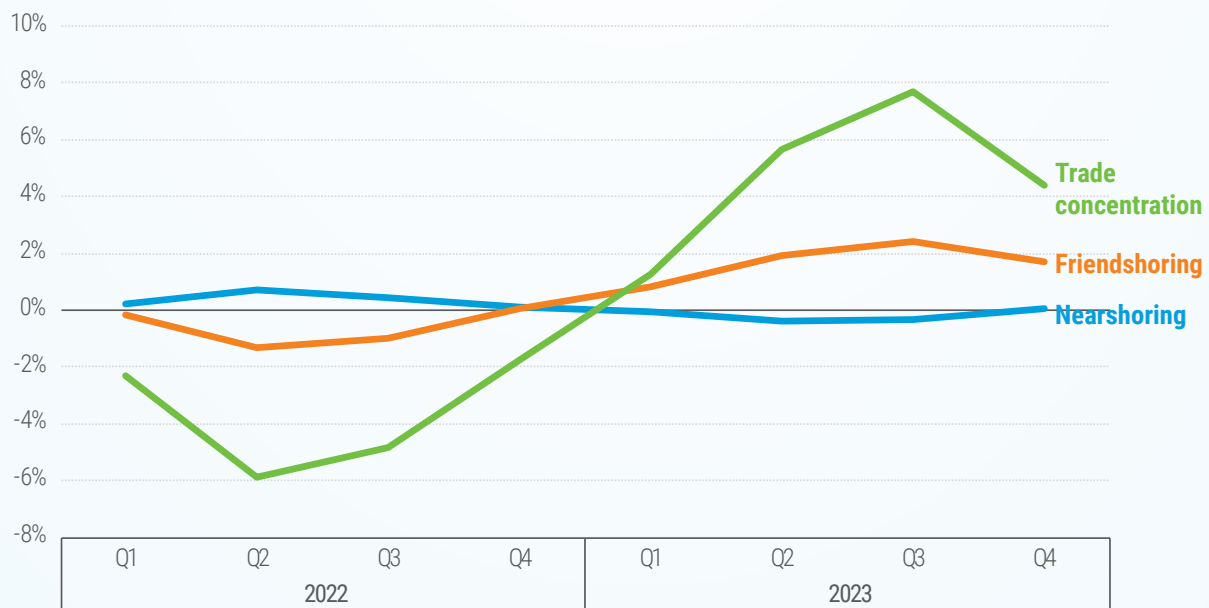
Note: Quarterly growth rates are relative to the previous quarter. Annual growth refers to the last four quarters. IR denotes intra-regional. Data is seasonally adjusted. Data does not include trade in services. Imports and exports exclude intra-European Union trade.

Global trade dynamics and trade dependence

During the last two years, the geographical proximity of international trade has remained relatively constant, showing minimal nearshoring or far-shoring trends. However, since the latter part of 2022, there has been a noticeable rise in the political proximity of trade. This indicates that bilateral trade patterns have been favouring trade between countries with similar geopolitical stances (a pattern generally referred to as friend-shoring). Concurrently, there has been an increasing concentration of global trade to favour major trade relationships, although this trend has softened in the last quarter of 2023.

Shifting Dynamics: Global trade becomes more concentrated and geopolitically close

Annual change relative to 2021 (per cent)



Source: UNCTAD estimates based on national statistics.

Note: Nearshoring is calculated as reverse of trade-weighted average distance in km. Friendshoring is calculated as trade-weighted political proximity as measured by the United Nations voting patterns. Trade concentration is calculated based on the Herfindahl concentration index.

Geoeconomic issues continue to play a significant role in shaping key bilateral trade trends. These factors not only impact trade between the major global economies but also indirectly influence their trade dynamics with other trading partners.

Bilateral trade patterns reflect continuing geoeconomic tensions

Increasing trade dependence			Decreasing trade dependence		
Dependent	Depending on	Annual change	Dependent	Depending on	Annual change
Russian Federation	China	7.1%	Russian Federation	European Union	-5.3%
Ukraine	European Union	5.8%	Republic of Korea	China	-1.2%
Brazil	China	3.0%	United States	China	-1.2%
United Kingdom	European Union	1.6%	Brazil	United States	-1.1%
Viet Nam	China	1.4%	Viet Nam	United States	-0.9%
Japan	United States	1.3%	China	United States	-0.8%
India	China	1.2%	India	Saudi Arabia	-0.6%
India	European Union	1.2%	European Union	Russian Federation	-0.6%
United States	European Union	1.0%	Japan	China	-0.6%
United States	Mexico	0.8%	Viet Nam	Republic of Korea	-0.5%

Source: UNCTAD estimates based on national statistics.

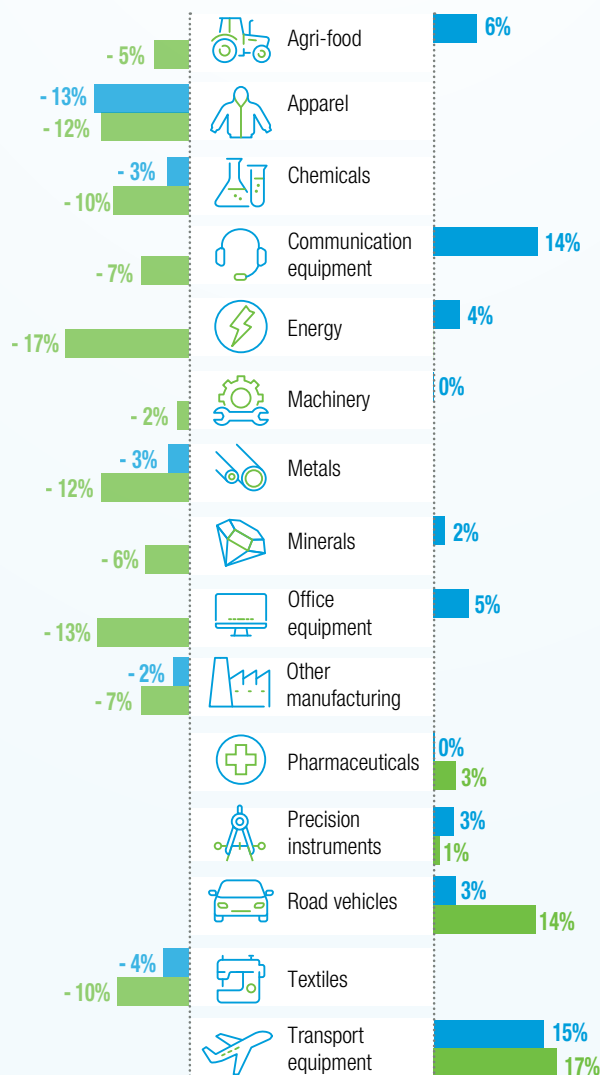
Note: The dependence of an economy on another is calculated as the ratio of their bilateral trade over the total trade of the dependent economy. Change is computed as a four quarter average of this ratio relative to the same period in the previous year. Data for Russian Federation includes estimates.

Global trade trends at the sectoral level

During 2023, global trade declined in most sectors, except for pharmaceuticals, transportation equipment, and road vehicles, the latter experiencing a strong increase in the trade of electric cars. Among the sectors where the value of trade declined by more than 10 per cent during 2023 are apparel, chemicals, energy metals, office equipment, and textiles. On a quarterly basis, most sectors experienced a rebound in Q4 2023. The most notable exception was apparel, where trade continued to contract. In contrast, quarterly increases were more pronounced for communication and transport equipment.

Amid declines, road vehicles and transport equipment supported international trade in 2023

■ Quarterly growth
■ Annual growth



Source: UNCTAD estimates based on national statistics of China, European Union and the United States.

Note: Quarterly growth is the quarter over quarter growth rate of seasonally adjusted values. Annual growth refers to the last four quarters.



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