



Global Trade Update

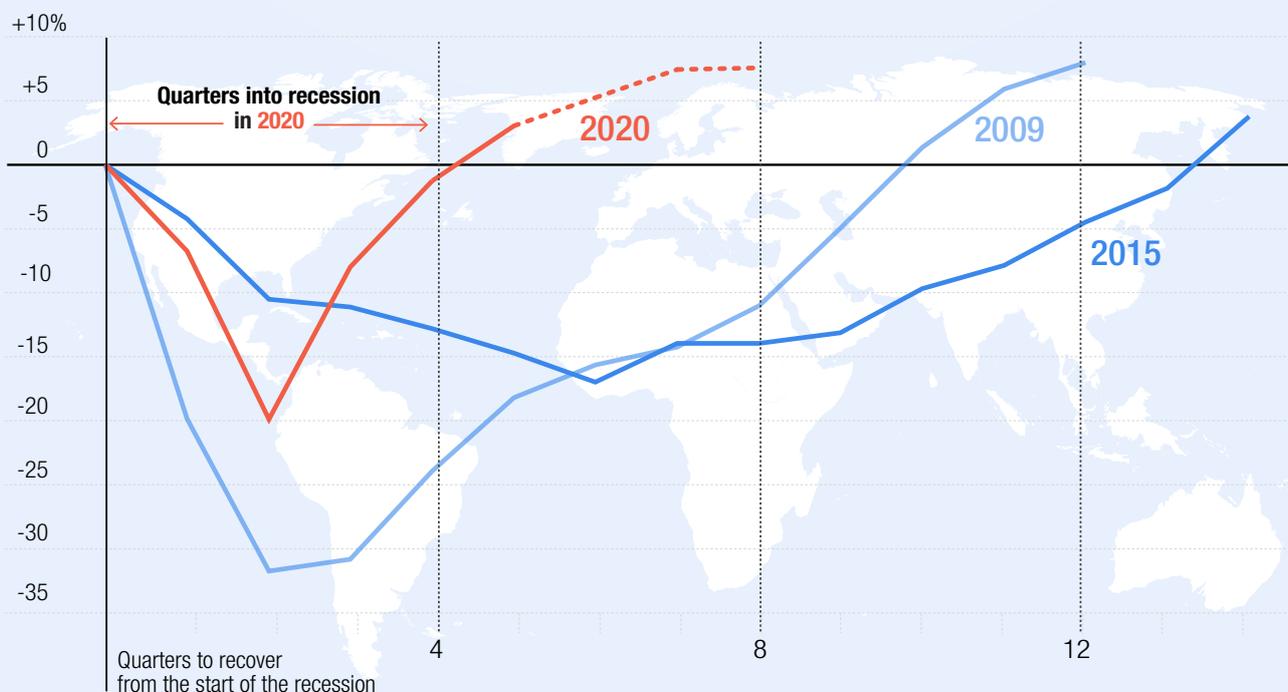
May 2021

World trade rebounds to record high in Q1 2021

- Global trade further rebounds in Q1 2021, increasing by about 10 per cent year-over-year and 4 per cent quarter-over-quarter.
- Exports from East Asian economies drive the rebound. In other developing regions, trade recovers more slowly. Developed countries' trade improves.
- Trade in goods surpasses pre-pandemic levels, with the trade in COVID-related sectors remaining strong. Trade in services continues to lag behind.
- Global trade is expected to further rebound in Q2. For 2021, global trade is projected to grow by 16 per cent, but the outlook remains uncertain.

A faster recovery than in the last two trade recessions

Cumulative change in global trade from the start of each recession



Source: UNCTAD calculations based on national statistics.

Global trade trends and forecasts

Amid economic disruptions from COVID-19, on the whole global trade held up relatively well in 2020. Much of the trade resilience was due to East Asian economies, whose early success in pandemic mitigation allowed them to rebound faster and to capitalize on booming global demand for COVID-19 related products.

The positive trends from the last few months of 2020 grew stronger in early 2021. In Q1 2021, the value of global trade in goods and services grew by about 4 per cent quarter-over-quarter and by about 10 per cent year-over-year. Importantly, global trade in Q1 2021 was higher than pre-crisis levels, with an increase of about 3 per cent relative to Q1 2019. The trade rebound of Q1 2021 continues to be driven by the strong export performance of East Asian economies. In Q1 2021, the value of trade in goods was higher than pre-pandemic level, but trade in services remains substantially below averages. During Q1 2021, global trade of COVID-19 related products remained strong.

World trade to continue recovering during 2021



Source: 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 Q1 2021 are preliminary. Q2 onward is a forecast.

Looking forward, trade is expected to continue growing into 2021. Trade growth is expected to remain stronger for East Asia and developed countries, while still lagging for many other countries. The value of global trade in goods and services is forecast to reach US\$ 6.6 trillion in Q2 2021, equivalent to a year-over-year increase of about 31 per cent relative to the lowest point of 2020 and of about 3 per cent to the pre-pandemic levels of 2019.

Trade growth is expected to remain strong in the second half of 2021, the overall forecast for 2021 indicates an increase of about 16 per cent from the lowest point of 2020 (19 per cent for goods and 8 per cent for services).

Global trade outlook for 2021

The positive outlook for 2021 remains largely dependent on subsiding pandemic restrictions. Nevertheless, the fiscal stimulus packages, particularly in developed countries, are expected to strongly support the global trade recovery throughout 2021. The value of global trade should also rise due to positive trends across commodity prices. Still, there is uncertainty about how trade patterns will be shaped throughout this period. The following comprise the most important factors that will characterize global trade during 2021:

- ***Uneven economic recovery.***

Some economies are posed to rebound stronger and faster than others. In particular, the economies of China and the United States of America are expected to be the main drivers of global growth during 2021. This should also have positive effects on countries whose trade is relatively more integrated with them (e.g. East Asian countries, Canada and Mexico). On the other hand, COVID-19 is expected to continue disrupting the economies and trade of many developing countries, at least throughout 2021.

- ***Reshoring and nearshoring trends.***

The COVID-19 pandemic has introduced a substantial uncertainty into the operations of many global value chains, providing incentives to scale down segmentation and shift production closer to consumers. The continued development and implementation of regional trade agreements (e.g. RCEP and AfCFTA) and ongoing trade tensions between major economies could also contribute to changes in production patterns of global value chains. Moreover, enduring container shortages and increasing freight rates could provide further impetus for reshoring and nearshoring trends.

- ***Government interventions and policies affecting international trade.***

Governments are expected to use a wide range of policies as part of their post pandemic recovery plans. Considering the ongoing diplomatic frictions among some of the major economies and the current difficulties within the multilateral trading system, there is the risk that some of these policies may be trade restrictive. In addition, efforts towards a more socially and environmentally sustainable recovery process could affect the established patterns of global trade. For example, policies aimed to tackle carbon leakages through price adjustments for imports are deemed to have an effect on international trade flows.

- ***Macroeconomic instability brought by higher levels of debt.***

The additional borrowing of governments to sustain their economies during the COVID-19 crisis could result in financial instability. Even without a full-fledged global debt crisis, rising debt and obligations on its servicing could bring instability. Any rise in interest rates would put pressure on both national and private borrowing with negative repercussions on investments and international trade flows, especially for developing countries whose fiscal policy space is more limited.

- ***Lasting changes in consumers' spending.***

Consumer behaviour has substantially changed during COVID-19. Demand increased in some sectors (e.g. healthcare products, digital services, communication and home office equipment) and declined in some others (e.g. transportation equipment, international travel and hospitality services). Some of these changes may be enduring, if so they will be influencing the demand for foreign goods and services.

Trade trends for the major economies in Q1 2021

Import and export trends for some of the world's major trading economies further illustrate the recovery patterns of Q1 2021. With a few exceptions, trade in major economies recovered from the fall of 2020. However, the large increases are due to the low base for 2020 and trade in many of the major economies was still below 2019 averages. The trend of a stronger recovery for goods relative to services is common to all major economies.

China, India, and South Africa have fared relatively better than other major economies during Q1 2021. China's exports, in particular, registered a strong increase not only from 2020 averages but also in relation to pre-pandemic levels. In contrast, exports from the Russian Federation remained well below 2019 averages.

Imports and exports of major trading economies in Q1 2021

		Q1 2021 RELATIVE TO 2020 AVERAGE		Q1 2021 RELATIVE TO 2019 AVERAGE	
		IMPORTS	EXPORTS	IMPORTS	EXPORTS
 Brazil	GOODS	↑ 22%	↑ 17%	↑ 4%	↑ 8%
	SERVICES	↓ 2%	↑ 2%	↓ 31%	↓ 15%
 China	GOODS	↑ 22%	↑ 20%	↑ 20%	↑ 25%
	SERVICES	↑ 3%	↑ 27%	↓ 23%	↑ 22%
 India	GOODS	↑ 45%	↑ 26%	↑ 10%	↑ 7%
	SERVICES	↑ 14%	↑ 2%	↑ 2%	↓ 3%
 Japan	GOODS	↑ 11%	↑ 16%	↓ 2%	↑ 5%
	SERVICES	↑ 5%	↓ 2%	↓ 2%	↓ 24%
 Republic of Korea	GOODS	↑ 18%	↑ 19%	↑ 9%	↑ 12%
	SERVICES	↓ 2%	↑ 13%	↓ 20%	↓ 2%
 Russian Federation	GOODS	↑ 15%	↑ 14%	↑ 9%	↓ 10%
	SERVICES	↑ 7%	↓ 5%	↓ 30%	↓ 28%
 South Africa	GOODS	↑ 25%	↑ 36%	↓ 4%	↑ 31%
	SERVICES	↓ 1%*	↓ 26%*	↓ 37%*	↓ 62%*
 United States	GOODS	↑ 14%	↑ 16%	↑ 7%	0%
	SERVICES	↑ 10%	↑ 3%	↓ 14%	↓ 18%
 European Union	GOODS	↑ 13%	↑ 14%	↑ 1%	↑ 6%
	SERVICES	↓ 1%*	↑ 7%*	↓ 13%*	↓ 6%*

Source: UNCTAD calculations based on national statistics.

Note: Growth rates of Q1 relative to year averages for 2019 and 2020. Seasonally adjusted and in US dollars. * denotes estimates.

Regional trade trends in Q1 2021

Overall, trade continues to rebound more strongly for developing countries relative to developed countries. In Q1 2021, the value of merchandise imports and exports of developing countries is substantially higher compared to Q1 2020 and also to Q1 2019 (by about 16 per cent). However, the trade recovery for developing countries becomes much more muted when East Asian economies are excluded and disappears when only exports are considered. The importance of East Asian economies in explaining the recovery in the trade of developing countries is even more marked when considering trade among developing countries (South-South trade). When excluding trade of East Asian developing economies, South-South trade has slightly declined in Q1 2021.

Developing countries' trade rebound has been relatively stronger

Q1 2021 relative to Q1 2020 and Q1 2019

	vs 2020		vs 2019	
	IMPORT	EXPORT	IMPORT	EXPORT
Developed countries	↑ 12%	↑ 7%	↑ 5%	↑ 3%
Developing countries	↑ 18%	↑ 22%	↑ 16%	↑ 16%
South-South Trade	↑ 20%		↑ 17%	
Developing countries (excluding East Asia)	↑ 9%	↑ 1%	↑ 6%	↓ 2%
South-South trade (excluding East Asia)	↓ 1%		↓ 1%	

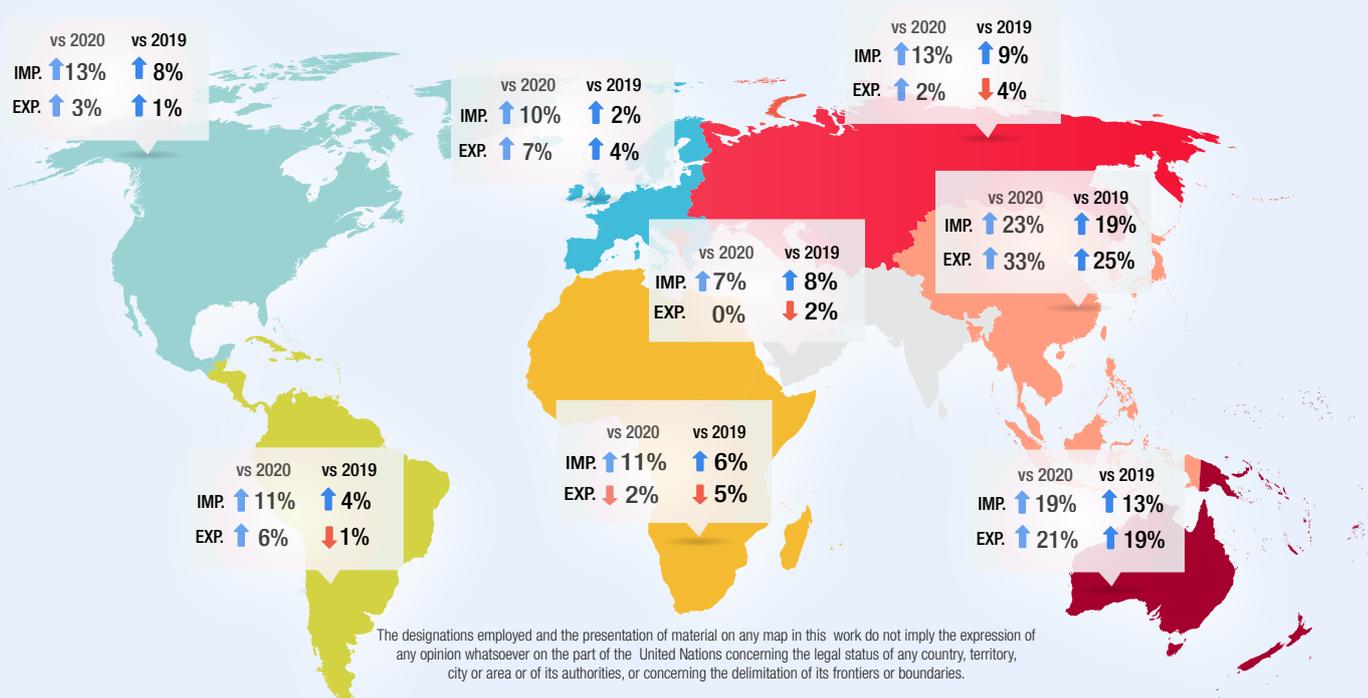
Source: UNCTAD estimates based on national statistics.

Note: Changes are year-over year. Data excludes intra-EU trade. Data does not include trade in services.

The trade patterns in Q1 2021 have been varied across geographic regions. While imports grew for all the regions, the export rebound was largely confined to East Asian and Pacific economies. The value of exports remained below averages for the Economies in Transition, the Middle East, South Asia and Africa. Although South America's exports increased relative to Q1 2020, they remained below 2019 averages.

But is largely because of East Asian and Pacific economies

Q1 2021 relative to Q1 2020 and Q1 2019



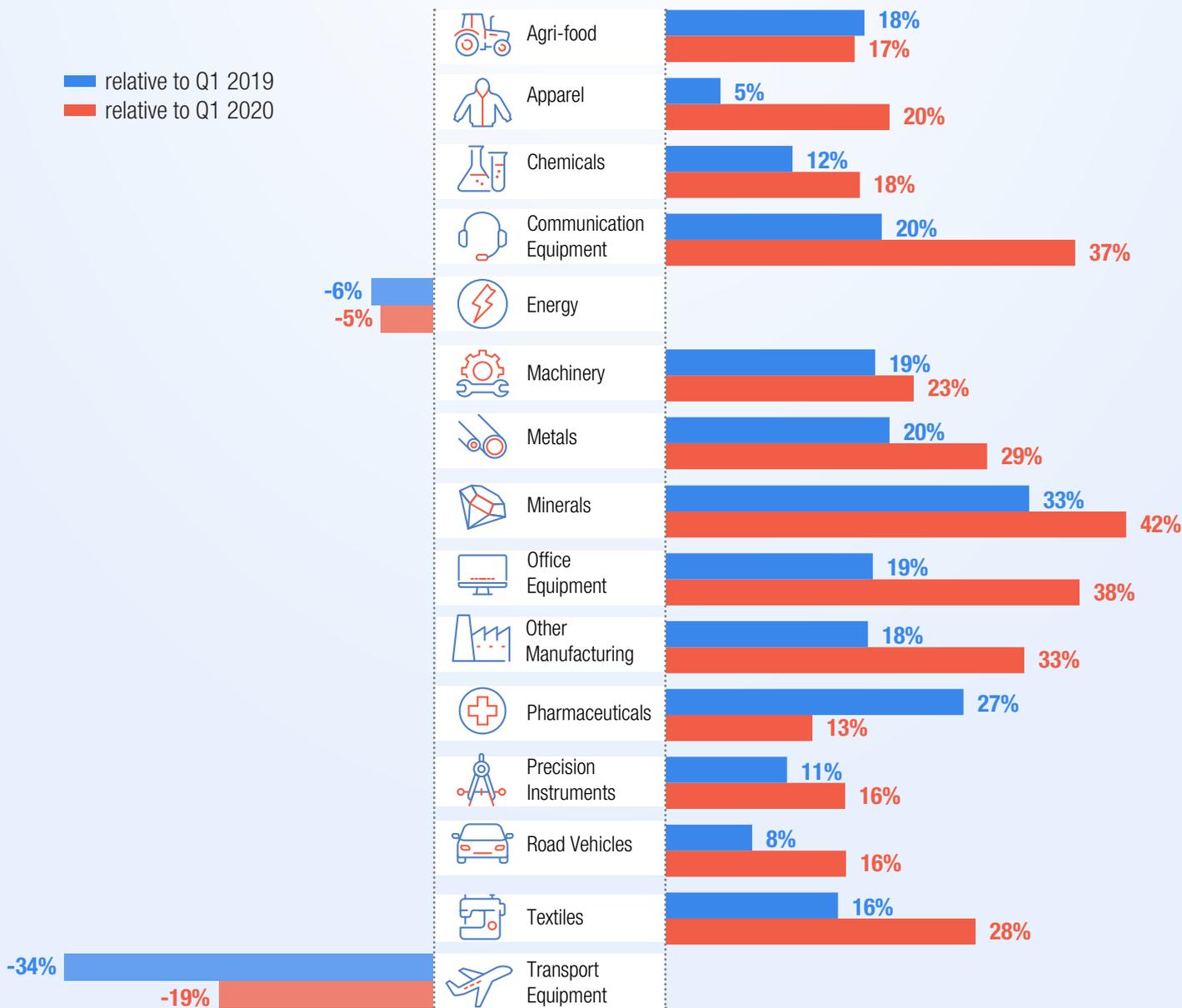
Source: UNCTAD estimates based on national statistics.

Note: Changes are year-over year. Data excludes intra-EU trade. Data does not include trade in services.

Global trade trends at the sectoral level in Q1 2021

The ongoing trade recovery comprises most sectors. During Q1 2021, trade continued to rebound not only in sectors related to COVID-19 (e.g. pharmaceuticals, communication and office equipment) but also increased for most other sectors, such as minerals and agri-food. In contrast, the energy sector continues to lag behind and international trade of transport equipment remains well below averages.

A broad based trade recovery for Q1 2021



Source: UNCTAD calculations based on national statistics. Note: Percentage changes in world trade are year-over-year. Changes are estimated from HS6 digits data of China, European Union, and United States. Data excludes intra-EU trade.

Annex 1: Export performance and volatility in Q4 2020.

COUNTRIES	EXPORT PERFORMANCE	EXPORT VOLATILITY	COUNTRIES	EXPORT PERFORMANCE	EXPORT VOLATILITY
Albania	0.64	0.19	Lesotho	0.67	1.16
Algeria	0.34	0.39	Madagascar	0.06	0.30
Angola	0.38	1.91	Malawi	0.72	1.31
Argentina	0.16	0.30	Malaysia	0.56	0.09
Armenia	0.57	0.71	Mali	0.56	0.96
Australia	0.58	0.27	Mauritius	0.67	0.70
Azerbaijan	0.26	2.81	Mexico	0.63	0.10
Bahrain	0.44	0.72	Morocco	0.69	0.05
Bangladesh	0.65	0.01	Mozambique	0.59	0.92
Belarus	0.66	0.33	Myanmar	0.37	0.38
Benin	0.44	1.07	Namibia	0.30	0.78
Bolivia (Plurinational State of)	0.79	0.50	Nepal	0.78	1.52
Bosnia and Herzegovina	0.70	0.05	New Zealand	0.46	0.07
Brazil	0.39	0.13	Nicaragua	0.38	0.10
Cambodia	0.35	0.10	Nigeria	0.13	0.79
Cameroon	0.25	1.01	Norway	0.59	0.43
Canada	0.56	0.17	Oman	0.88	1.04
Chile	0.57	0.22	Pakistan	0.71	0.10
China	0.71	0.09	Panama	0.49	0.33
Colombia	0.48	0.27	Papua New Guinea	0.57	0.70
Costa Rica	0.54	0.03	Paraguay	0.55	0.90
Côte d'Ivoire	0.35	0.64	Peru	0.75	0.07
Dominican Republic	0.64	0.04	Philippines	0.51	0.11
EU-27	0.57	0.01	Qatar	0.46	0.70
Ecuador	0.61	0.06	Republic of Korea	0.52	0.07
Egypt	0.59	0.57	Republic of Moldova	0.40	0.11
El Salvador	0.81	0.10	Russian Federation	0.47	0.09
Ethiopia	0.44	1.45	Saudi Arabia	0.56	0.42
Gabon	0.35	1.68	Senegal	0.52	0.87
Georgia	0.53	0.50	Serbia	0.68	0.14
Ghana	0.45	0.08	Singapore	0.46	0.01
Guatemala	0.60	0.61	South Africa	0.76	0.12
Guyana	1.00	0.91	Sri Lanka	0.42	0.22
Haiti	0.55	0.04	Switzerland	0.48	0.03
Honduras	0.46	0.98	Taiwan, Province of China	0.58	0.01
Hong Kong (China)	0.56	0.05	Thailand	0.43	0.04
Iceland	0.42	0.34	Togo	0.43	2.34
India	0.53	0.13	Tunisia	0.59	0.05
Indonesia	0.56	0.04	Turkey	0.68	0.05
Iran (Islamic Republic of)	0.59	0.38	Uganda	0.80	0.25
Israel	0.53	0.05	Ukraine	0.61	0.04
Jamaica	0.25	1.39	United Arab Emirates	0.48	0.08
Japan	0.58	0.02	United Kingdom	0.48	0.34
Jordan	0.33	0.61	United Republic of Tanzania	0.81	0.25
Kazakhstan	0.33	0.14	United States of America	0.48	0.03
Kenya	0.41	0.03	Uruguay	0.61	0.14
Kuwait	0.62	0.42	Venezuela (Bolivarian Rep. of)	0.07	0.11
Lao People's Dem. Rep.	0.69	0.23	Viet Nam	0.59	0.02
Lebanon	0.00	1.97	Zambia	0.71	0.28

Source: UNCTAD estimates based on national statistics.

Note: Export performance is a composite indicator which includes growth rates, performance vs peers, and competitiveness in major and dynamic markets. A greater score implies higher export performance. Export volatility tracks export performance across the last 6 months to identify volatility patterns. A greater score implies higher export vulnerability. Data excludes intra-EU trade.



Global Trade Update

