WORLD TRADE ORGANIZATION

Global Trade Outlook and Statistics

April 2024

About the WTO

The World Trade Organization is the international body dealing with the global rules of trade between WTO members. Its main function is to ensure that trade ows as smoothly, predictably and freely as possible, with a level playing eld for all its members.

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Executive summary

- **World merchandise trade volume is projected to grow 2.6% in 2024 and 3.3% in 2025, following a larger-than-expected decline of -1.2% in 2023.** Import demand in real terms was weak in 2023 in most regions, especially in Europe but also in North America and Asia. The main exceptions were the Middle East and the Commonwealth of Independent States (CIS) region, where imports surged.

- **World real GDP growth at market exchange rates slowed from 3.1% in 2022 to 2.7% in 2023 but is expected to remain mostly stable over the next two years at 2.6% in 2024 and 2.7% in 2025.** The contrast between the steady growth of GDP and the slowdown in merchandise trade volume is linked to in ationary pressures, which had a downward effect on consumption of trade-intensive goods, particularly in major traders.

- **The US dollar value of world merchandise trade fell 5% in 2023 to US$ 24.01 trillion but this decline was mostly offset by a strong increase in commercial services trade, which rose 9% to US$ 7.54 trillion.** The decline in merchandise exports was partly due to falling prices for commodities, such as oil and gas. Meanwhile, commercial services trade was lifted by recovering international travel and surging digitally delivered services.

- **World trade has been remarkably resilient in recent years despite the presence of several major economic shocks.** By the end of 2023, merchandise trade volume was up 6.3% compared to 2019. Commercial services also increased, with annual US$ values up 21% between 2019 and 2023.

- **In 2024 and 2025, inflation is expected to gradually abate, allowing real incomes to grow again in advanced economies, boosting consumption of manufactured goods.** A recovery of demand for tradable goods in 2024 is already evident. This is related to an increase in household consumption linked to improved income prospects.

- **Risks to the forecast are on the downside due to current geopolitical tensions and policy uncertainty.** Con ict in the Middle East has diverted sea shipments between Europe and Asia while tensions elsewhere could lead to trade fragmentation. Rising protectionism is another risk that could undermine the recovery of trade in 2024 and 2025.

Trade growth to pick up gradually in 2024 despite regional conflicts and geopolitical tensions

Trade in 2023 and the outlook for 2024 and 2025

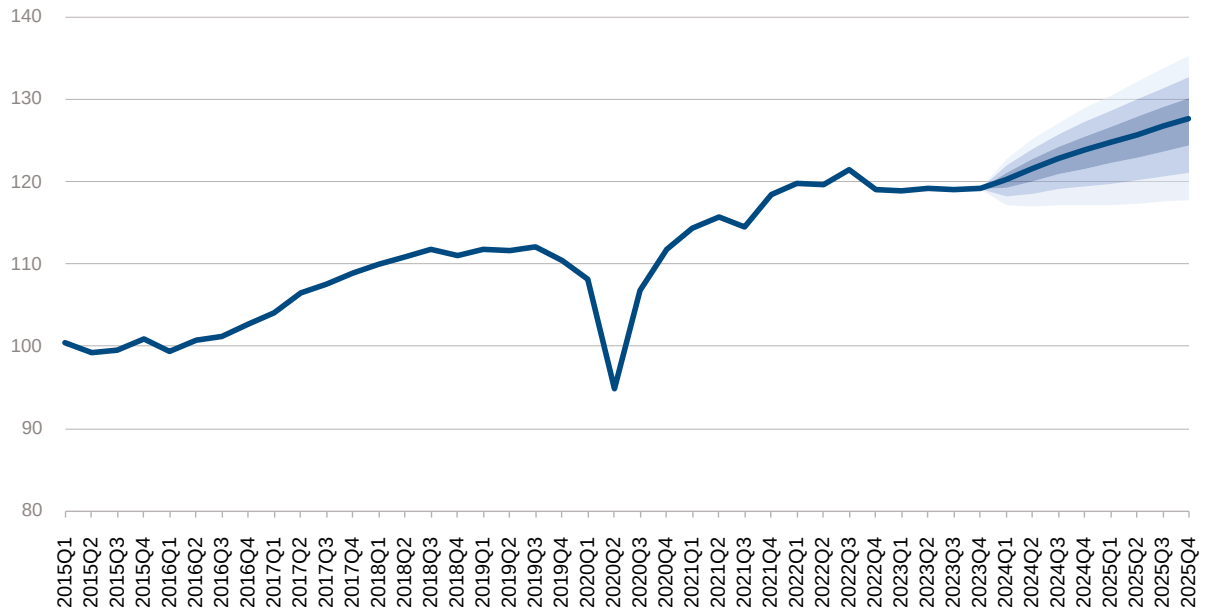
World merchandise trade volume is expected to grow 2.6% in 2024 and 3.3% in 2025 as demand for traded goods rebounds following a contraction in 2023. Trade volume was down 1.2% last year after recording 3.0% expansion in 2022 despite the outbreak of war in Ukraine. The lingering effects of high energy prices and in ation weighed especially heavily on demand for trade-intensive manufactured goods, but this should recover gradually over the next two years as in ationary pressures ease and as real household incomes improve.

The relatively small 1.2% decline in merchandise trade in 2023 obscures strong regional variation, as import demand fell sharply in Europe, declined in North America, remained at in Asia, and increased in major fuel-exporting economies. Weak demand reduced export volumes in Europe and prevented a stronger recovery in Asia, while the picture in other regions was mixed. If the forecast is realized, Asia will make a bigger contribution to trade volume growth in 2024 and 2025.

As shown in Chart 1, merchandise trade volume was well above its pre-pandemic level throughout 2023 and was only down slightly in Q4 compared to the rst quarter of 2022 (-0.6%). The peak in trade volume in the third quarter of 2022 could partly re ect the sharp increases in commodity prices that occurred during the year if these were not fully accounted for in trade statistics of reporting economies. Outside of this one period, trade can be seen as plateauing in 2023 rather than declining.

Chart 1: Volume of world merchandise trade, 2015Q1-2025Q4

Seasonally-adjusted volume index, 2015=100



Note: The shaded region represents both random variation and subjective assessment of risk.

Source: WTO and UNCTAD for historical data, WTO Secretariat estimates for forecasts.

The current US dollar value of world merchandise trade (as measured by the average of exports and imports) was down 5% in 2023 to US$ 24.01 trillion (see Appendix Tables 1-2). The decline on the export side was led by the Russian Federation, whose exports plunged 28%, as well as by manufacturing-oriented Asian economies, including China (-5%), Japan (-4%) and the Republic of Korea (-8%). Other major economies saw smaller declines or even modest increases, including the United States (-2%), Germany (+1%), and Mexico (+3%). Taken as a whole, the European Union's exports to the rest of the world were up 2% while intra-EU trade was down 1%, leaving total exports at in US dollar terms.

Meanwhile merchandise imports were down in most economies, partly due to falling prices for commodities such as natural gas, the price of which fell 63% on average in 2023. All major economies saw a decline except for a few large energy exporters, including the United Arab Emirates (+7%), the Russian Federation (+10%) and Saudi Arabia (+11%).

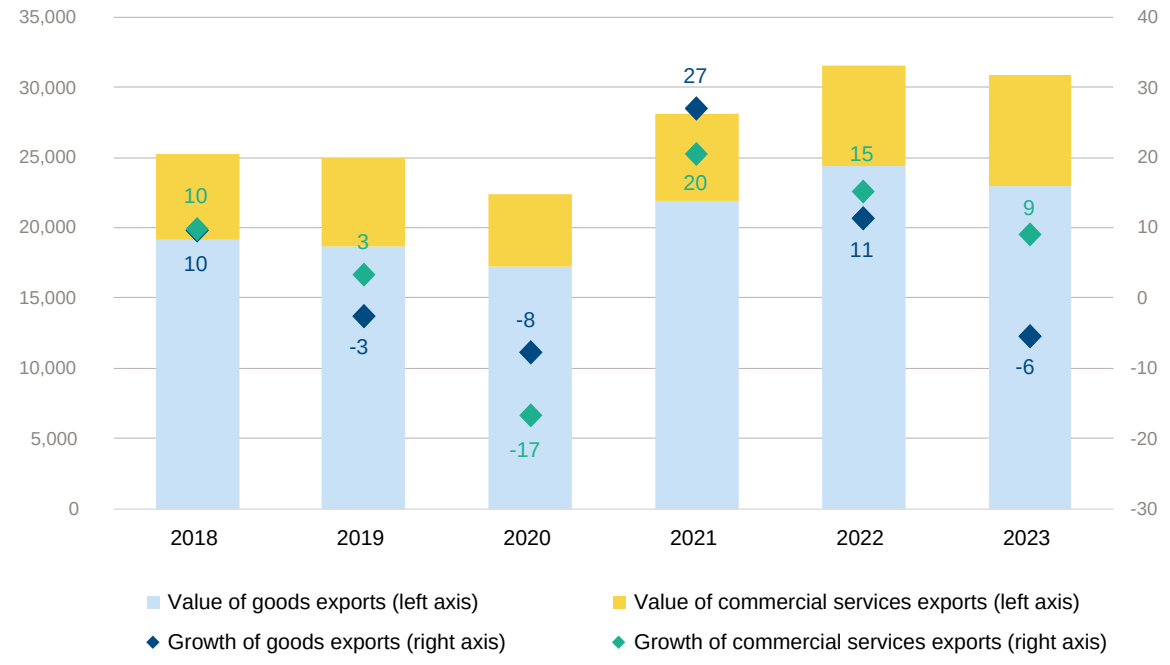
In contrast to merchandise trade, the US dollar value of world trade in commercial services was up 9% in 2023 to US$ 7.54 trillion as spending on travel and other services continued to recover from the COVID-19 pandemic. The increase in services trade party offset the contraction of goods trade in 2023, leaving world goods and commercial services exports on a balance of payments basis down just 2% in 2023 at US$ 30.8 trillion (see Chart 2).

World GDP growth also slowed in 2023, but not nearly as much as trade volume growth (see Chart 3). Real GDP growth (weighted at marked exchange rates) decreased to 2.7% in 2023 from 3.1% in the previous year. GDP growth is expected to remain mostly stable over the next two years, dipping to 2.6% in 2024 before returning to 2.7% in 2025.

There is a high degree of uncertainty associated with the current forecast due to the large number of risk factors present in the global economy, including regional con icts, geopolitical tensions,

Chart 2: World goods and commercial services exports, 2018-2023

Billion US$ and annual % change

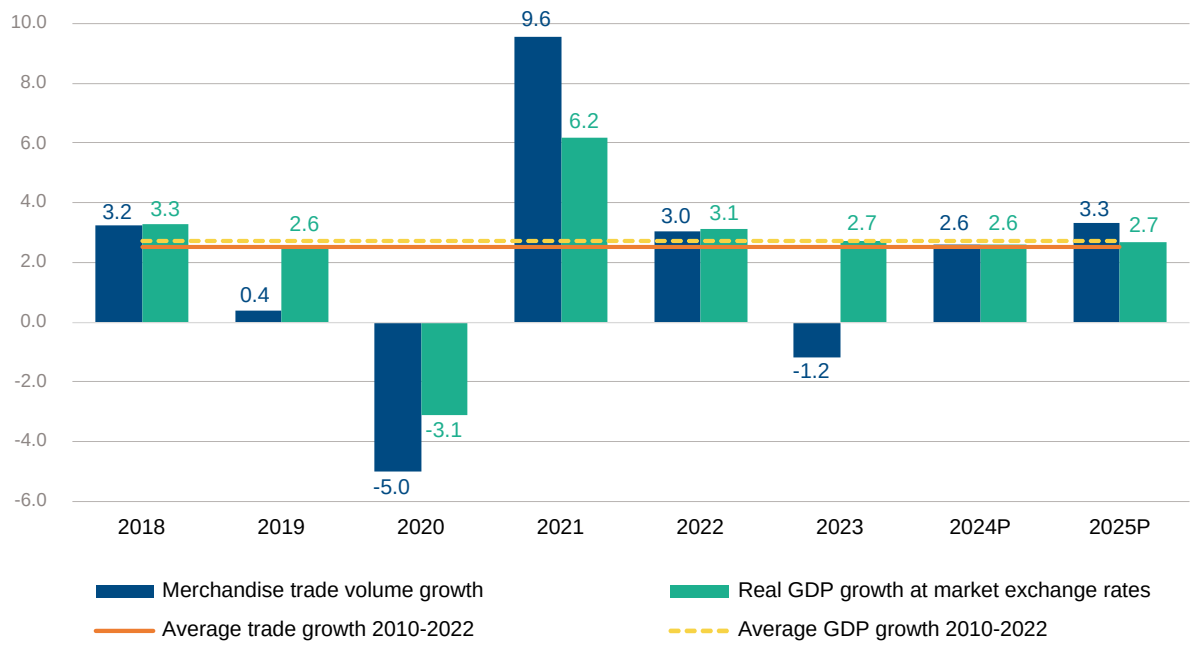


Note: Goods trade on a balance of payments basis differs from merchandise trade on a customs basis.

Source: WTO.

Chart 3: World merchandise trade volume and GDP growth, 2018-2025

Annual % change



Note: Figures for 2024 and 2025 are projections. Merchandise trade grew 2.5% per year on average between 2010 and 2023 while GDP growth averaged 2.7%.

Source: WTO for merchandise trade volume and consensus estimates for GDP.

and rising protectionism. This uncertainty is represented by the error bars in Chart 1, which are skewed in a negative direction since risks are thought to be tilted to the downside. If the current forecast is realized, trade volume growth in 2024 could be high as 5.8% or as low as -1.6%.

Drivers of trade

In recent years, global trade has been affected by a combination of adverse factors, which have been collectively referred to as a “poly-crisis”. These factors encompass a series of supply and demand shocks related to the COVID-19 pandemic, supply chain disruptions, and the impacts of increased trade policy uncertainty driven by geopolitical rivalries. Despite these challenges, global merchandise trade has displayed remarkable resilience over the past four years. The volume of merchandise trade in the fourth quarter of 2023 was still up 6.3% compared to the pre-pandemic peak in the third quarter of 2019, and up 19.1% compared to the average level in 2015. Meanwhile, commercial services trade also witnessed a robust growth, with a 21% increase in US dollar value compared to 2019.

The onset of COVID-19 triggered a 15.4% decline in merchandise trade volume in the second quarter of 2020. However, by the rst quarter of 2021, trade had rebounded, registering a 20.6% increase to surpass the pre-pandemic maximum. Moreover, trade played a crucial role in facilitating the delivery of essential medicines and food products, both during the pandemic and since the start of the war in Ukraine.

Macroeconomic conditions and the war in Ukraine dictated that in ationary pressures would constrain real wages and incomes in 2022 and into 2023, particularly in advanced economies. This, in turn, reduced demand for imports in 2023, contributing to the downward revision of the WTO’s trade forecast from the previous year. Increased consumption of services following the pandemic may also have diverted some spending that previously was directed towards goods.

Headline in ation peaked in 2022, but core in ation remained elevated well into 2023. Like interest rates, energy prices appeared to act with a lag, since price increases only appeared on many consumers' utility bills in 2023, long after the peak in spot market prices. High energy prices impacted the production costs of energy-intensive tradable products such as chemicals and other intermediates. Moreover, the policy response to curb in ation through higher interest rates also had an impact: with real interest rates turning positive, economic agents such as households and rms had to factor in real borrowing costs in their consumption and investment decisions.

In 2023, the "gap" between world GDP growth, which remained positive, and world merchandise trade volume growth, which turned negative, can be attributed to more challenging macroeconomic conditions primarily driven by in ationary pressures. In ation impacted trade through both its product composition and its geographical distribution. Firstly, in ation led to a more modest consumption of manufactured goods, especially those with high import content, compared to services. Secondly, in ation had a more pronounced impact on real incomes and consumption within the EU, due to the sharper rise in energy prices there compared to other economies. This generated a stronger contraction in trade relative to GDP at the global level, given the larger share of the EU in world goods trade (30% in 2023) compared to world GDP (24% in the same year). The combination of these two factors (detailed in Box 1) can largely account for the divergence between trade and GDP last year.

By symmetry, lower in ation in 2024 is expected to lead to a rebound in consumption of manufactured goods, which should boost merchandise trade volume growth in 2024 and 2025. If recent declines in in ation prove to be durable, policymakers will eventually cut interest rates. This should stimulate investment spending (albeit with a lag), which is intensive in capital goods trade. As cost pressures ease and business con dence improves in the EU, consumption and investment should stabilize in 2024 and strengthen further in 2025.

Prices and inflation

Primary commodity prices rose sharply in the wake of the war in Ukraine, as economies scrambled to secure access to essential natural resources and food supplies. These increases stoked in ation, which was already accelerating in advanced economies due to supply chain disruptions and policy stimulus linked to the COVID-19 pandemic. Commodity price indices have receded from their peaks in the second half of 2022, but by the rst quarter of 2024 most were still well above pre-pandemic levels (see Chart 5).

In the rst two months of 2024, global energy prices were down 41% on average from their most recent peak, but they remained 30% higher than in 2019. The average price of crude oil since the start of the year was also down 30% from its peak in 2022, but it was still 29% above its 2019 level. Natural gas prices in the United States were an exception to this pattern, with average prices in January-February down 4% compared to 2019. However, gas prices in Europe and Japan were still up 84% and 35%, respectively, over the same period.

As for agricultural products and inputs, prices for food, grains, and fertilizers were all signi cantly higher in 2024 than in 2019, up 35%, 45%, and 44%, respectively. High energy prices in Europe, particularly for natural gas, had lingering negative effects on EU economies such as Germany that produce and export energy-intensive manufactured goods.

Since the start of 2022, central banks in advanced economies have raised interest rates to dampen the in ationary pressures that eroded incomes and reduced consumption of goods, including imported ones (see Chart 6). Interest rates in the United States rose from 0.1% in February 2022 to 5.4% in August 2023, where they remained through March 2024. Similarly, interest rates in the euro area increased from 0.0% in June 2022 to 4.5% last October and have remained at this level. Central banks in many developing economies have also hiked rates to their highest levels in years, including Brazil (currently 11.8%) and South Africa (currently 8.3%).

Box 1: Slowdowns in global economic growth and the high cyclicality of trade flows

In the short-run, real demand for traded goods in any economy is driven by the spending decisions of economic agents, namely households, rms, governments, and the external sector. This spending is in turn in uenced by actual and expected uctuations in household income, business revenue, and relative prices of internationally produced goods compared to domestically produced ones. An economy becomes a net merchandise importer (exporter) when its demand for goods exceeds (is less than) its domestic production. Global demand for traded goods is simply the sum of imports of all individual economies. In principle this should be equal to the sum of all exports, since every imported good is supplied by some exporting economy.

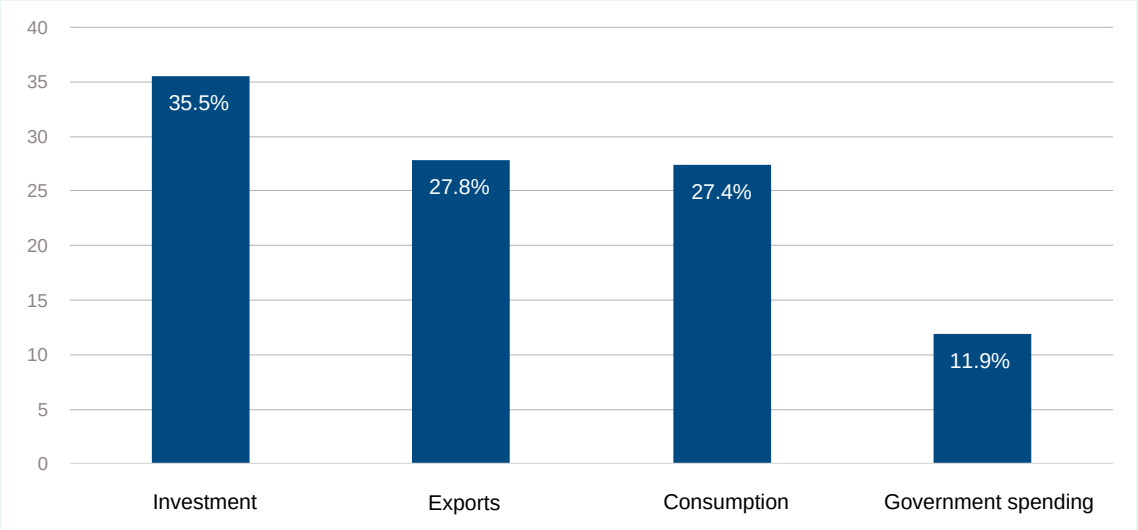
It has long been observed that differences in the composition of goods trade and GDP tend to produce stronger uctuations in the former than in the latter, resulting in highly "pro-cyclical" trade growth. In other words, merchandise trade growth slows more than GDP growth during economic downturns and may even turn negative, as it did in 2023. Conversely, trade rebounds more strongly than output during upswings, as it did in 2010 and 2021.

The highly pro-cyclical nature of trade can be attributed to the high share of manufactured goods in merchandise trade (63% in 2022) compared to GDP (28% in 2022), which is predominantly service based. Consumption of manufactures, particularly durable and capital goods, is sensitive to real disposable income and cyclical developments (ECB, 2018). When real income is eroded, consumers nd it easier to postpone the purchase of durable goods, such as vehicles and household appliances, which often have a high import content, rather than delaying services consumption, which is less a matter of consumer choice (e.g. rents, medical services, etc.).

Purchases of durable goods also rely more heavily on credit, thus making them more susceptible to uctuations in interest rates. In response to declining consumption of manufactured goods, businesses may also postpone spending on xed investments in capital goods. Studies indicate that investment is the most import-intensive component of domestic demand, with an average global import content of around 36%, followed by exports and private consumption (see Chart 4).

Chart 4: Average import content of aggregate demand components

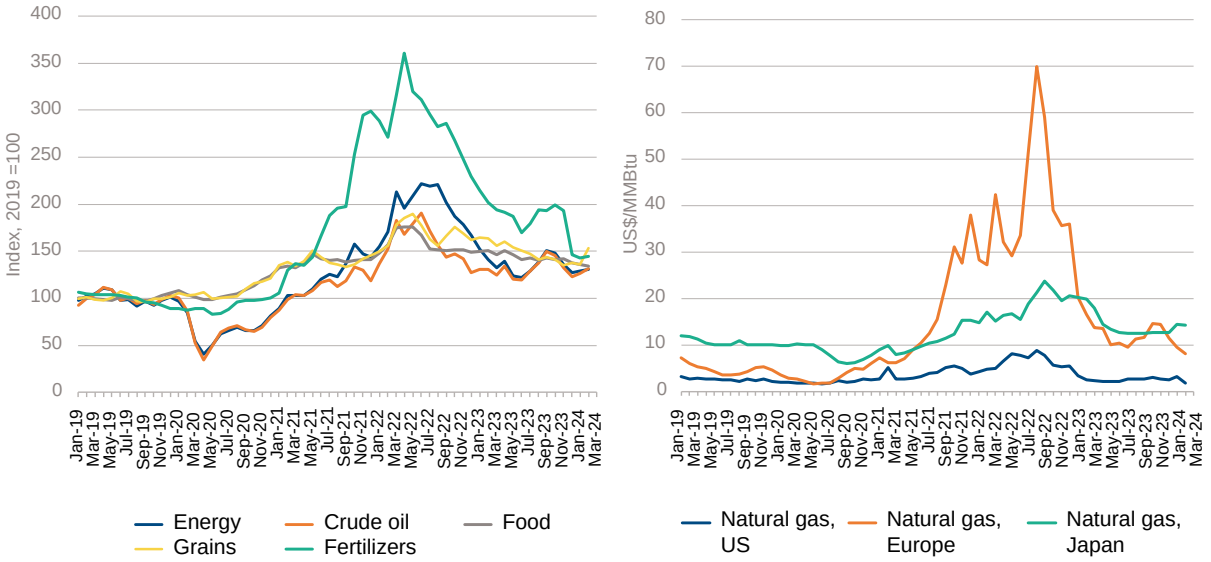
% share



Source: Auboin and Borino (2022), based on WIOD Input-Output tables and authors' calculations.

Chart 5: Global primary commodity prices, January 2019-March 2024

Index 2019=100 and US$ per million Btu



Source: World Bank.

Tighter monetary policy has largely succeeded in bringing down in ation, but correctly timing the relaxation of these policies will be challenging for policymakers. In the United States, consumer price index (CPI) in ation has fallen from a high of 9.1% in June 2022 to 3.2% in February 2024. Meanwhile, in ation in the EU dropped from a peak of 10.6% in October 2022 to 2.6% in February. Slower growth in consumer prices combined with strong wage gains should boost household income and consumption in these economies in 2024, although high interest rates may continue to weigh on business investment and spending on durable goods for some time to come.

The situation is somewhat different in Japan and China. In the former, in ation has risen to a moderate level (2.2% in January) after years of de ationary drag, but interest rates were only raised to 0.1% in March of this year, ending a longstanding Japanese policy of negative rates. In the latter, interest rates were lowered to 3.5% in 2023 to prevent de ation from taking hold. These measures should help to stabilize in ation and interest rates at low levels in both countries and promote the recovery of trade in Asia.

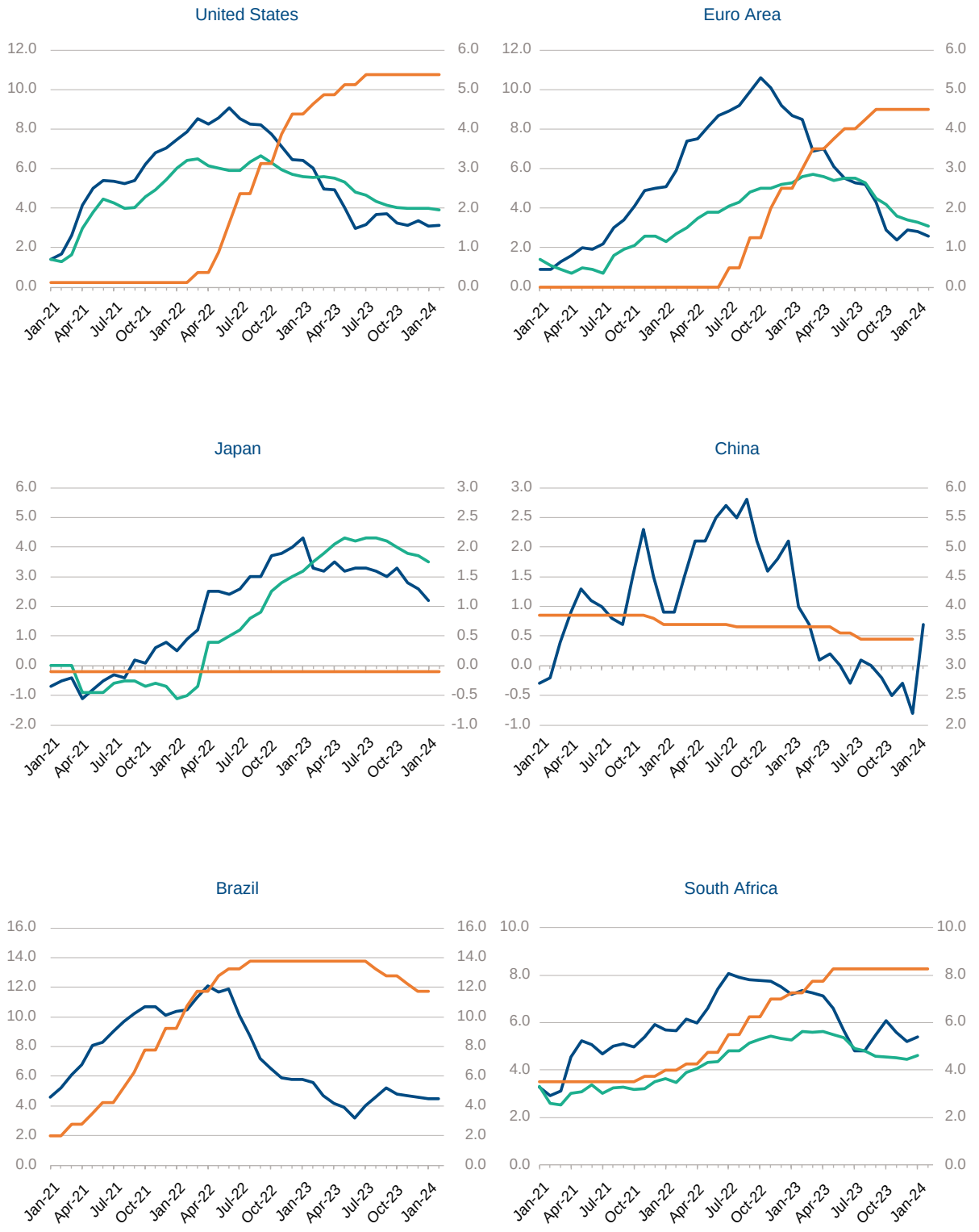
Trade volume growth by region

Europe made the biggest contribution of any region to world trade volume growth in 2022, but it was also primarily responsible for the decline in 2023 (see Chart 7). The region's strong in uence on merchandise trade is partly explained by its outsized share in world trade (37% on both the export and import sides) since intra-EU trade is counted in regional and global totals. Aside from this compositional effect, the EU was also disproportionately affected by uctuations in commodity prices over the past two years due to the regional nature of natural gas markets.

The 1.2% contraction in merchandise trade volume in 2023 was primarily driven by Europe, which subtracted 1.7 percentage points from global import growth and reduced global export growth by 1.0 percentage points. North America's contribution was also negative on the import side (-0.4 percentage points) but it remained positive on the export side (+0.5 percentage points). Although Asian economies continued to supply the largest share of manufactured goods of any region in 2023, at trade volume growth for the

Chart 6: Consumer price inflation in selected economies, January 2021-January 2024

Year-on-year % change and % per annum



Source: OECD, Bank for International Settlements.

year means that the region's contribution to trade growth was very small. Collectively, other regions including South America, Africa, Middle East and the CIS region[1] made a positive contribution to import growth (+0.5 percentage points), although they continued to weigh on exports (-0.1 percentage points).

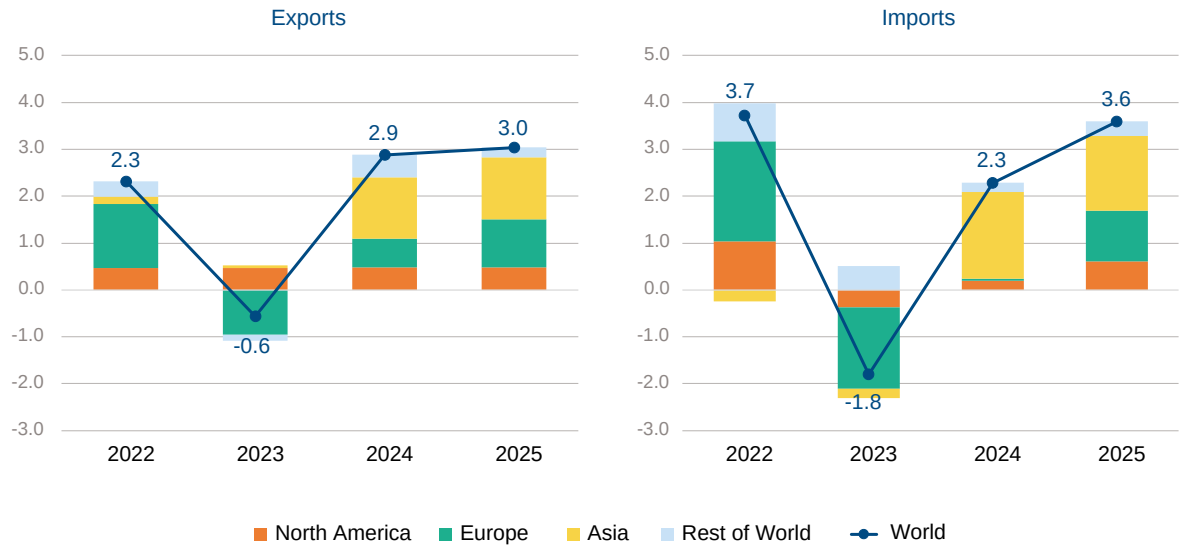
If the WTO's trade forecast for 2024 is realized, Asia will contribute more to merchandise trade growth than it did over the last two years. The region is expected to add around 1.3 percentage points to the projected 2.9% growth in world exports this year, or around 45%. On the imports side it should add 1.9 percentage points to the anticipated 2.3% growth in world imports, or around 81%. Other regions should make smaller contributions to export and import growth, but all are expected to be positive.

In theory, export volume growth should be equal to import volume growth at the global level, but in practice exports and imports always diverge slightly due to differences in measurement and methodology. However, discrepancies between the export and import sides over the last two years are unusually large, 1.4 percentage points in 2022 and 1.2 percentage points in 2023. Stronger import growth in 2022 and a larger import contraction in 2023 could be due to commodity price uctuations not being fully accounted for in import prices. These discrepancies should fade once the recent surge in in ation is over.

Chart 8 shows quarterly merchandise export and import volume developments by region since 2019. Exports from Asia surged during the COVID-19 pandemic but have since plateaued at a high level. By the fourth quarter of 2024 they were up nearly 17% compared to their average level in 2019. On the negative side, exports of the CIS region were down around 16% over the same period, although these gures should be treated with caution due to the lack of reliable data for the Russian Federation and Belarus since 2022.

Chart 7: Contributions to world trade volume growth by region, 2022-2025

Annual % change

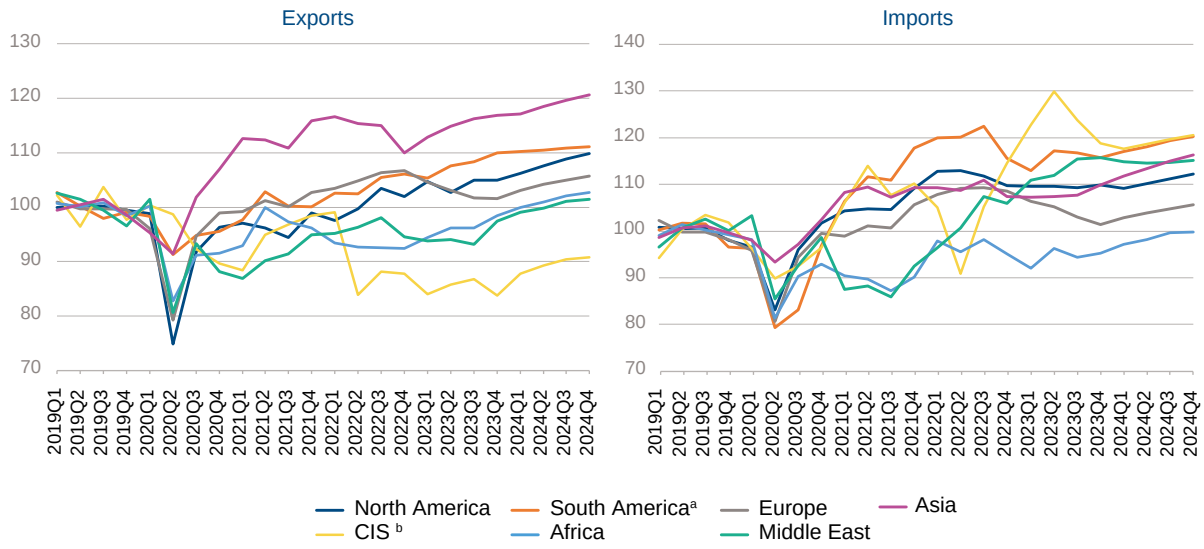


Source: WTO-UNCTAD.

1 Refers to Commonwealth of Independent States, including certain associate and former member states: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan, Turkmenistan, and Uzbekistan.

Chart 8: Merchandise exports and imports by region, 2019Q1-2024Q4

Volume index, 2019=100



a Refers to South and Central America and the Caribbean.
b Refers to Commonwealth of Independent States, including certain associate and former member states.
Source: WTO and UNCTAD.

North America and Europe respectively recorded single digit increases since 2019 of 5% and 2%. Meanwhile, South America's exports were up nearly 10% by the fourth quarter of 2023 compared to 2019. Exports of Africa and the Middle East were down slightly but mostly at over this period (-2% and -3%, respectively), but this is normal for regions that export fuels disproportionately, since demand for energy in quantity terms tends to be quite stable.

In contrast to its exports, the CIS region recorded the largest increase in imports of any region between 2019 and the fourth quarter of 2023, up 19%. South America and the Middle East both saw 16% increases in imports over this period, while North America and Asia were each up 10%. Europe's imports in Q4 of 2023 were relatively unchanged compared to 2019, up just 1%. Africa was the only region that saw its imports decline since 2019, with a cumulative drop of 5%. This suggests that increased export revenue from higher commodity prices did not translate into greater consumption and income in the region. If the WTO forecast is realized, Africa's exports will nally exceed their 2019 level by the end of this year, but imports will only just match their earlier level.

Breakdown of the trade forecast

Table 1 summarizes the WTO's forecasts for merchandise trade volume growth and real GDP growth at market exchange rates through 2025. If current projections hold, Africa's exports will grow faster than those of any other region in 2024, up 5.3% from a low base since the continent's exports remained depressed after the COVID-19 pandemic. The CIS region's expected growth is just slightly below 5.3%, also from a reduced base after the region's exports plunged following the outbreak of the war in Ukraine. North America, the Middle East and Asia should all see moderate export growth of around 3.5%, while South America is expected to grow more slowly at 2.6%. European exports are once again expected to lag behind those of other regions, with growth of just 1.7%.

Table 1: Merchandise trade volume and GDP growth, 2020-2025 [a]

Annual % change

	2020	2021	2022	2023	2024	2025
World merchandise trade volume [b]	**-5.0**	**9.6**	**3.0**	**-1.2**	**2.6**	**3.3**
Exports						
North America	-9.2	6.4	3.8	3.7	3.6	3.7
South America[c]	-5.0	6.6	2.9	1.9	2.6	1.4
Europe	-7.7	8.1	3.7	-2.6	1.7	2.8
CIS [d]	-1.0	-1.8	-2.1	-6.2	5.3	1.7
Africa	-7.2	4.2	-2.4	3.1	5.3	2.4
Middle East	-6.5	-0.8	6.6	-1.6	3.5	2.2
Asia	0.6	13.1	0.4	0.1	3.4	3.4
Imports						
North America	-5.2	11.9	5.7	-2.0	1.0	3.3
South America[c]	-9.6	24.8	4.2	-3.1	2.7	3.4
Europe	-7.2	8.8	6.0	-4.7	0.1	3.1
CIS [d]	-5.4	10.3	-6.1	18.8	-3.8	2.9
Africa	-15.5	7.4	8.8	-2.4	4.4	1.6
Middle East	-9.7	13.8	14.1	9.8	1.2	2.1
Asia	-1.0	10.5	-0.7	-0.6	5.6	4.7
World GDP at market exchange rates	**-3.1**	**6.2**	**3.1**	**2.7**	**2.6**	**2.7**
North America	-3.3	5.8	2.1	2.4	2.0	1.7
South America[c]	-6.3	7.7	4.0	2.0	1.5	2.5
Europe	-5.9	6.3	3.5	0.9	1.1	1.7
CIS [d]	-2.4	5.5	0.1	3.5	2.6	1.9
Africa	-2.4	4.7	3.7	2.9	3.2	3.9
Middle East	-3.9	4.1	6.5	1.6	2.7	3.4
Asia	-0.7	6.5	3.3	4.2	4.0	3.8
Memo: Least Developed Countries (LDCs)						
Volume of merchandise exports	-1.0	-2.2	-1.1	4.1	2.7	4.2
Volume of merchandise imports	-8.8	9.6	2.7	-3.5	6.0	6.8
Real GDP at market exchange rates	0.5	2.6	4.7	3.3	4.9	5.6

a Figures for 2024 and 2025 are projections.
b Average of exports and imports.
c Refers to South and Central America and the Caribbean.
d Refers to Commonwealth of Independent States (CIS), including certain associate and former member states.

Note: These projections incorporate mixed-data sampling (MIDAS) techniques for selected economies to take advantage of higher-frequency data such as container throughput and nancial risk indices.

Sources: WTO for trade, consensus estimates for GDP.

Strong import volume growth of 5.6% in Asia and 4.4% in Africa should help prop up global demand for traded goods this year. However, all other regions are expected to see below average import growth, including South America (2.7%), the Middle East (1.2%), North America (1.0%), Europe (0.1%), and the CIS region (-3.8%).

Merchandise exports of least developed countries (LDCs) are expected to grow 2.7% in 2024, down from 4.1% in 2023, before growth accelerates to 4.2% in 2025. Meanwhile, imports of LDCs should grow 6.0% this year and 6.8% next year following a 3.5% contraction in 2023.

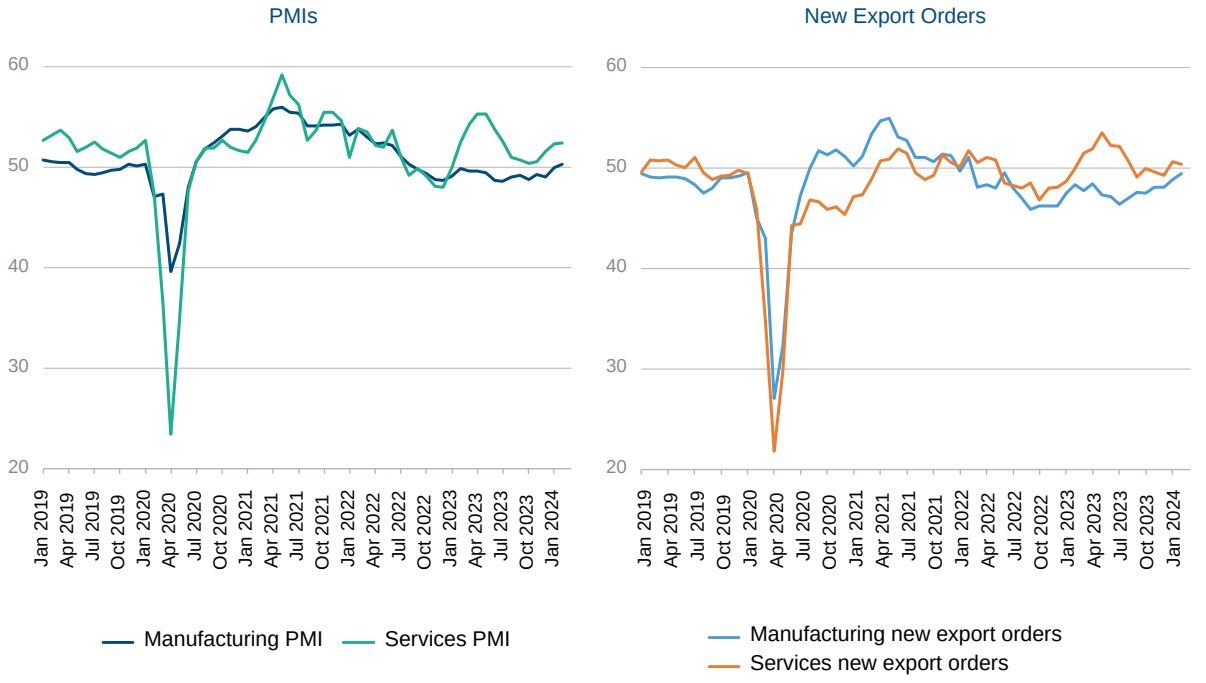
The 1.2% decline in merchandise trade in 2023 represents a signi cant downgrade from the WTO's most recent forecast of last October, which anticipated weak global trade growth of 0.8%. Previous estimates for North America (exports up 3.6%, imports down 1.2%), South America (exports up 1.7%, imports down 1.0%) and Asia (exports up 0.6%, imports down 0.4%) were not far from the nal gures for the year. The projected growth of CIS exports (3.0%) was not realized, mostly due to data revisions. However, the prediction of a double-digit rebound in the region's imports (+25%) was almost correct. The one big misestimation was for Europe (0.4% for exports, -0.7% for imports), where trade growth was much weaker than anticipated. However, it is quite possible that of cial trade volume statistics may be revised at some point in the future to better account for commodity price volatility over the last two years.

Trade-related indicators

Purchasing managers' indices (PMIs) based on business surveys provide a reliable signal of the current state of the global economy, while the new export orders component provides an indication of the short-term outlook for trade. Chart 9 shows global PMIs for manufacturing and services compiled by JPMorgan and S&P Global for the period January 2019 to February 2024. The headline manufacturing index was below the baseline value of 50 separating expansion from contraction from September 2022 until December 2023 before rising to 50.3 in February, suggesting the possible start of a manufacturing recovery. The headline services index has been above the

Chart 9: Global Purchasing Managers' Index, January 2019-January 2024

Diffusion index, base = 50



Note: Values greater than 50 indicate expansion while values less than 50 denote contraction except for supplier delivery times, where larger numbers represent faster shipments.

Source: J.P. Morgan and S&P Global.

expansion threshold since the beginning of last year, although it did suffer a temporary setback in the second half of 2023. However, its recent upturn suggests a strengthening of services activity as well.

The new export orders components of the PMIs are one of the best available indicators of the short-term outlook for world trade. The manufacturing new export orders index rose from 46.4 in July 2023 to 49.4 in February 2024. Although the index remained below the baseline value of 50 in the latest month, it was still the strongest reading since June 2022. Meanwhile, new export orders for services stood at 50.4 in February, indicating expansion. Overall, these indices point to improving conditions for trade at the start of 2024.

The RWI/ISL throughput index is based on container traf c of 92 ports accounting for 64% of world trade, making it a reasonable proxy for global goods trade (see Chart 10). In 2023, total throughput measured by the index was down 0.6% from the previous year, very close to the WTO estimate for world merchandise exports (-0.6%). In January, global throughput was reportedly up 6.2% compared to the same month in 2023, but this was mostly due to an 8.9% increase in Chinese port traf c. Total throughput excluding China was only up 4.2%, while throughput of Northern European ports was down 2.5%.

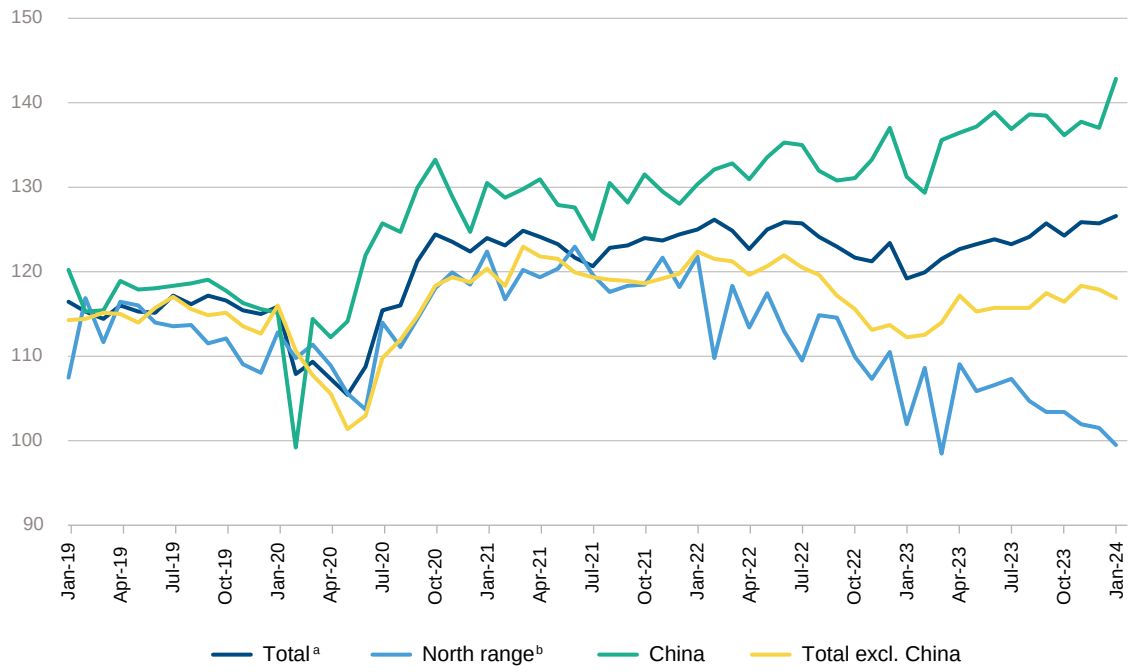
The total throughput index shows world container traf c rising slowly in recent months, suggesting a limited impact on trade from recent attacks on shipping through the Red Sea. However, the simultaneous increase in throughput of Chinese ports and the decline of throughput in European ports in January could be related to shipping delays (see analytical section below for a more detailed analysis of the Red Sea crisis).

Relationship between trade and GDP

Over time, goods trade has become progressively less responsive to income uctuations at the global level, although the relationship does appear

Chart 10: RWI/ISL container throughput index, January 2019-January 2024

Seasonally-adjusted index, 2015=100

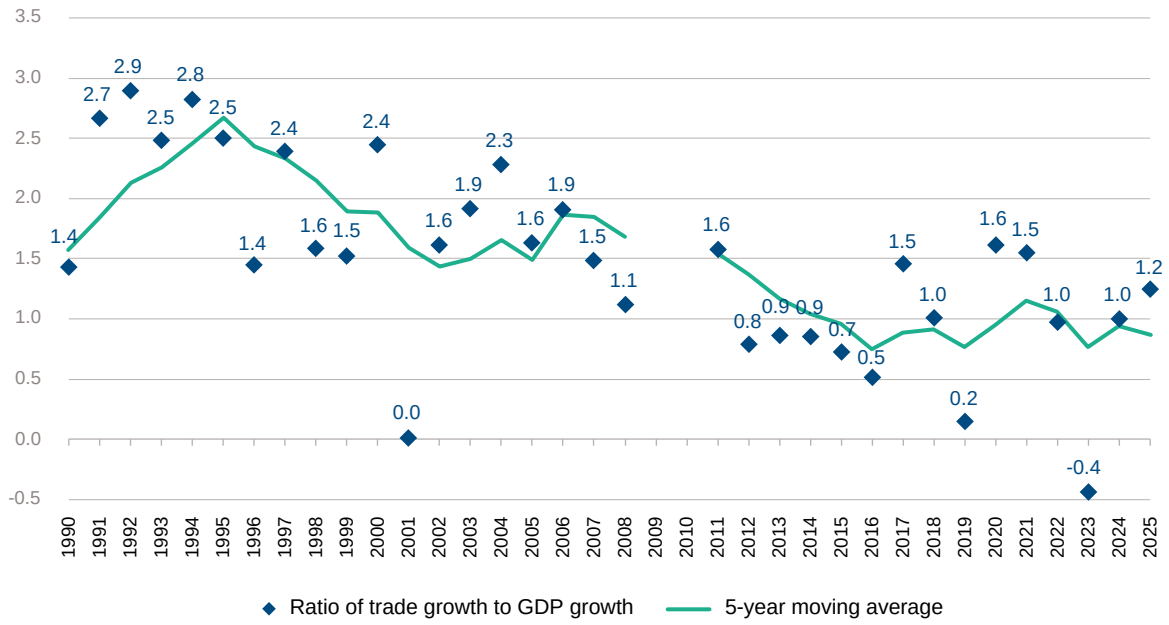


a Based on throughput data from 92 ports accounting for approximately 64% of global container traf c.
b Summarizes throughput of the ports of Le Havre, Zeebrugge, Antwerp, Rotterdam, Bremen/Bremerhaven, and Hamburg.

Source: RWI - Leibniz Institute for Economic Research and Institute for Shipping Economics and Logistics (ISL).

Chart 11: Relationship between merchandise trade growth and GDP growth

Ratio in real terms



Note: GDP is weighted at market exchange rates.

Source: WTO for trade, consensus estimates for GDP.

to have stabilized in recent years. The volume of merchandise trade grew more than twice as fast as real world GDP in the 1990s, and 1.5 times as fast in the early 2000s.

However, since 2010, trade and GDP have grown at around the same rate on average, despite numerous economic shocks. This is illustrated by Chart 11, which shows the ratio of world merchandise trade volume growth to world GDP growth at market exchange rates since 1990 excluding the trade collapse and rebound of 2009-10 following the global nancial crisis. The ratio fell from 2.3-to-1 in the 1990s to 1.5-to-1 in the 2000s. Since 2010 the ratio has fallen further to 0.9-to-1 on average, with uctuations becoming stronger in later years. Based on a ve-year moving average, trade growth was weakest relative to GDP growth in 2016 but it strengthened following the COVID-19 pandemic. The trade contraction in 2023 has dragged the ve-year average ratio down, but if the WTO forecast is realized it will rebound to 0.94-to-1 in 2024.

Risks to the outlook

The adverse trade environment that prevailed in 2023 is expected to ameliorate somewhat this year and next, providing a boost to goods trade in 2024 and 2025. However, geopolitical tensions and policy uncertainty could limit the scope of any trade rebound. While export growth should improve in many economies as external demand for goods picks up, food and energy prices could again be subject to price spikes linked to geopolitical events. Choosing an appropriate pace of interest rate cuts will also be challenging for central banks in advanced economies, and any miscalculation could lead to nancial volatility later in 2024. Overall, risks are tilted to the downside, although there is some upside potential if trade in the European Union recovers faster than expected.

The recovery of trade may be hindered by trade cost increases and uncertainty in international relations. The resilience of global trade is being

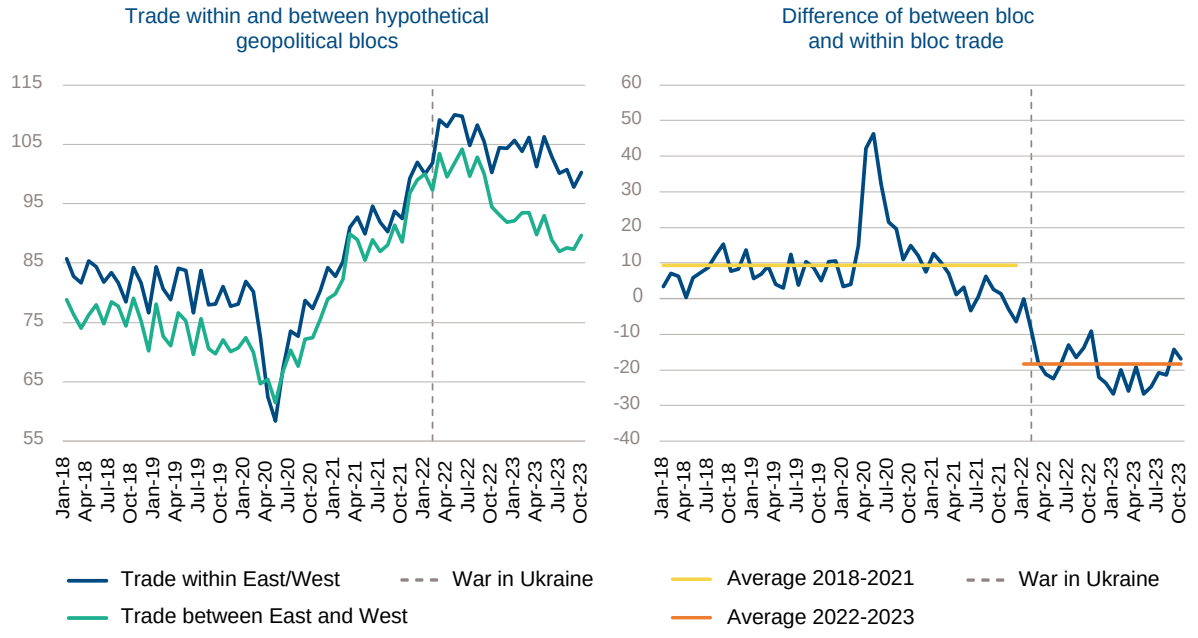
tested by disruptions on two of the world's main shipping routes: the Panama Canal and the Suez Canal.

The Panama Canal handles 6% of global trade, with over 70% of traf c destined for or originating from the United States. It is currently operating at partial capacity due to freshwater shortages, with restrictions likely to remain in place for some time. Meanwhile, the Suez Canal handles about 12% of global trade, and roughly one-third of container shipping between Asia and Europe. The diversion of traf c away from the Red Sea and around the Cape of Good Hope has added around 10 days to Asia-Europe journeys while boosting fuel costs. Although global shipping costs returned to pre-pandemic levels by the middle of last year, container shipping rates have started to rise again.

The WTO has observed preliminary signs of fragmentation in trade ows, with exports and imports reorienting along geopolitical lines. Meanwhile trade policy uncertainty has increased. Chart 12 illustrates these trends. Since the start of the war in Ukraine, trade between hypothetical blocs composed of economies holding similar political views (based on voting patterns in the United Nations General Assembly, labelled East and West) has grown 4% more slowly than trade within these blocs. However, thus far the data do not show any increasing trend towards regionalization or near-shoring of trade.

Foreign direct investment (FDI) is also increasingly moving toward economies perceived to be friendly. According to the IMF, FDI ows to and from emerging and developing economies are substantially lower for more geographically distant partners. This sensitivity to geopolitical distance increased in 2018-21 compared to 2009-18 and is particularly pronounced in strategic sectors such as semiconductors, telecommunications equipment, equipment needed for the green transition, pharmaceutical ingredients, and critical minerals.

Chart 12: Trade within and between hypothetical geopolitical blocs (left) and the difference of between bloc and within bloc trade (right)



Note: Seasonally adjusted series. Russian Federation, Belarus, and Ukraine are excluded. Left-hand series indexed at 100 in January 2022. Right-hand series indexed at 0 in January 2022.

Source: Blanga-Gubbay and Rubínová (2023).

Trade in value terms

a. Merchandise trade

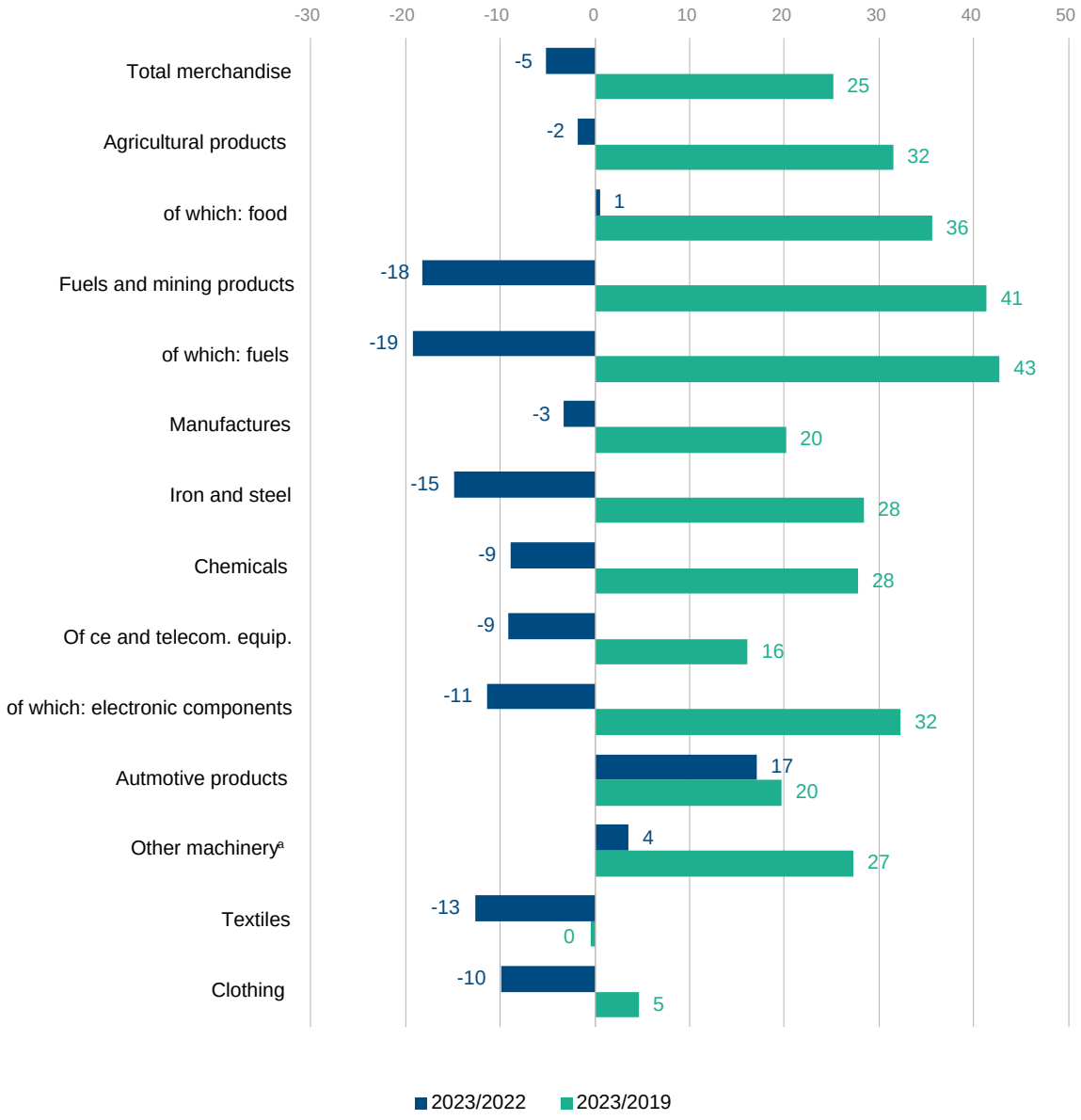
The value of world merchandise trade as measured by exports fell 5% in current US dollar terms to US$ 23.78 trillion in 2023 (see Chart 13). The decline was due to a combination of factors, including reduced trade volume, lower primary commodity prices, and exchange rate uctuations.

However, the drop was not large enough to erase substantial gains in comparison to the pre-pandemic period, with total merchandise trade in 2023 up 25% over 2019.

The US dollar appreciated 5.2% against the Chinese yuan last year and 6.9% against the Japanese yen, but it fell 2.6% against the euro. A general appreciation of the dollar tends to reduce the value of world trade measured in US dollars, while a general depreciation tends to increase it.

Chart 13: Year-on-year merchandise trade growth by product

% change in US$ values



a Includes electrical machinery, non-electrical machinery and power generating equipment.

Source: WTO for total merchandise, Secretariat estimates for products.

According to the Bank for International Settlements (BIS), the dollar was actually quite stable last year, up just 0.5% in real effective terms against a broad basket of currencies. This suggests that the measured decline in exports was mostly due to falling trade volumes and primary commodity prices.

World trade in most product categories was down in 2023, with some notable exceptions (see Chart 13). Food trade was up 1% last year after growing 12% in 2022. Meanwhile, trade in fuels was down 19% in 2023 following a steep 61% rise in 2022.

Trade in manufactures was down slightly last year (-3%), with larger declines in energy-intensive goods such as iron and steel (-15%). Trade in of ce and telecom equipment was also down sharply (-9%), as was trade in electronic components (-11%). Trade in the category “other machinery”, which encompasses capital goods and some consumer durables, was up slightly (4%) in 2023. The only product to record strong growth in value terms was automotive products, which jumped 17% thanks to a surge in exports from China.

Despite year-on-year declines in 2023, the dollar value of trade in most product categories was up sharply compared to before the pandemic. For example, agricultural products were up 32% while fuels and mining products rose 41% and manufactures increased by 20%.

Bilateral trade developments

There were some notable developments in bilateral trade ows of major economies in 2023, re ecting shifting patterns of demand and possible fragmentation of supply chains.

China remained the largest external supplier of goods to the European Union in 2023, although the dollar value of bilateral trade between the two was down 15%. Depreciation of the yuan may have contributed to the decline, but it does not fully explain it. EU imports from China were down sharply in most product categories except for vehicles, which were up 9%. The largest declines included other machinery (-18%), articles of iron and steel (-24%), organic chemicals (-39%), plastics (-21%), and furniture (-26%), to name a few. EU imports of electrical machinery from China recorded a 6% decline but imports from other economies rose, leaving overall extra-EU imports down 2-3%.

While merchandise imports of the United States were down 6% in 2023, imports from China fell 22%, partly as a result of the general appreciation of the US dollar. US imports from most of its trading partners also declined, with notable exceptions including the European Union (4%), Mexico (5%), and Singapore (27%). Mexico was the largest supplier of goods to the US in 2023, or the second largest when the European Union is counted as a single trader.

US imports from China were down in many product categories, including telecom equipment (-14%) and data processing machines (-29%). Electric batteries were an exception, with US imports from China up 45%. US imports of passenger vehicles increased from most suppliers, including Mexico (16%), Canada (29%), the EU (21%), Japan (12%), and the Republic of Korea (29%). Most imported vehicles had internal combustion or hybrid engines, with all-electric vehicles making up just 9%. The main suppliers of electric vehicles to the United States were the European Union (42%), the Republic of Korea (23%), Mexico (20%), Japan (11%), and China (2%).

China’s total merchandise imports fell 6% in dollar terms in 2023. Imports from the Middle East declined by 16%, re ecting falling energy prices. China’s imports from Asian trading partners were also down 8%, including a 15% drop in imports from Chinese Taipei. Despite the decline, Chinese Taipei remained the largest supplier of imports to China (with EU countries counted separately). On the export side, China’s shipments to the United States were down 13% in 2023. The US remained China’s top export destination when EU countries are counted separately, or the second largest when EU countries are treated as a single market.

Trade of least developed countries

The impact of the 2023 trade slump on least developed countries (LDCs) is a matter of concern since these countries have limited resources to deal with global economic shocks. The drop in merchandise exports of LDCs last year was in

line with the decline at the world level, but the contraction on the import side was larger, limiting consumption possibilities for LDCs.

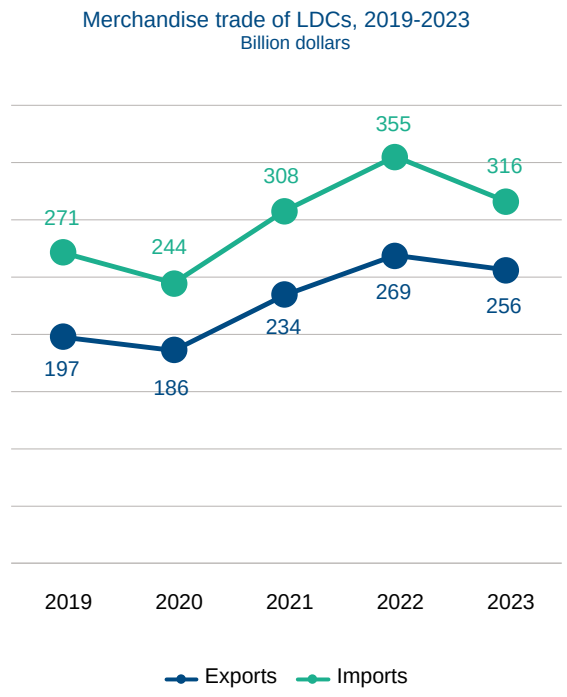
Merchandise exports of LDCs fell from US$ 269 billion in 2022 to US$ 256 billion in 2023, corresponding to an annual percentage change of -4.6%. This was roughly equal to the decline at the world level, leaving the share of LDCs in world exports stable at 1.1%. Meanwhile, merchandise imports of LDCs fell from US$ 355 billion in 2022 to US$ 316 billion in 2023. The -11.0% decline was roughly twice as large as the decline in world imports. As a result, the share of LDCs in world imports fell from 1.4% in 2022 to 1.3% in 2023 (see Chart 14).

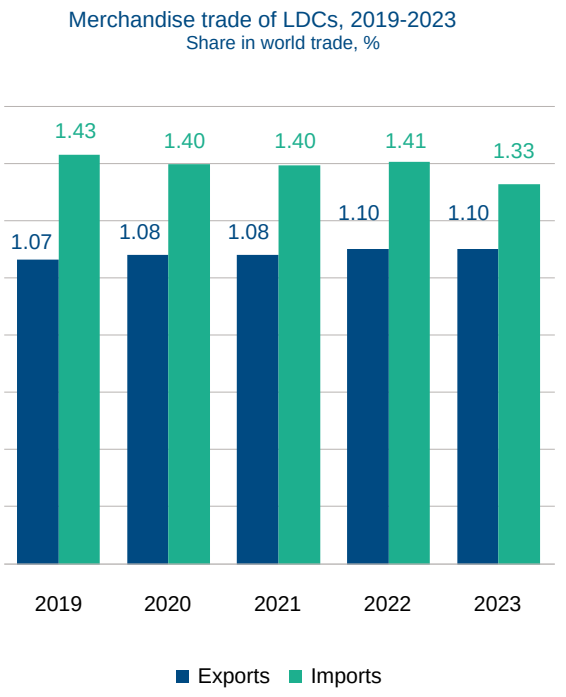
Since merchandise imports of LDCs declined more than their exports, the collective goods trade de cit of LDCs fell from US$ 87 billion in 2022 to US$ 60 billion in 2023. LDC oil exporters recorded large merchandise trade surpluses in both 2022 (US$ 24 billion) and 2023 (US$ 14 billion). Other groups of LDCs experienced trade de cits last year, ranging from US$ 36 billion for countries that mostly export agricultural products to US$ 4 billion for ones that primarily export non-fuel minerals (see Chart 15).

According to preliminary WTO estimates for 2023, the US$ value of LDC exports of fuels and mining products fell 16.5% in 2023. Their exports of agricultural products were also down 8.7% while shipments of manufactured goods dropped 12.6%. Exports of other products (including non-monetary gold) increased by 4.0%. These developments in value terms were in uenced by corresponding price changes (for example, an 8% rise in gold prices) as well as trade volume developments (see Chart 16).

Chart 14: Merchandise trade of LDCs, 2019-2023

Billion US$ and % shares

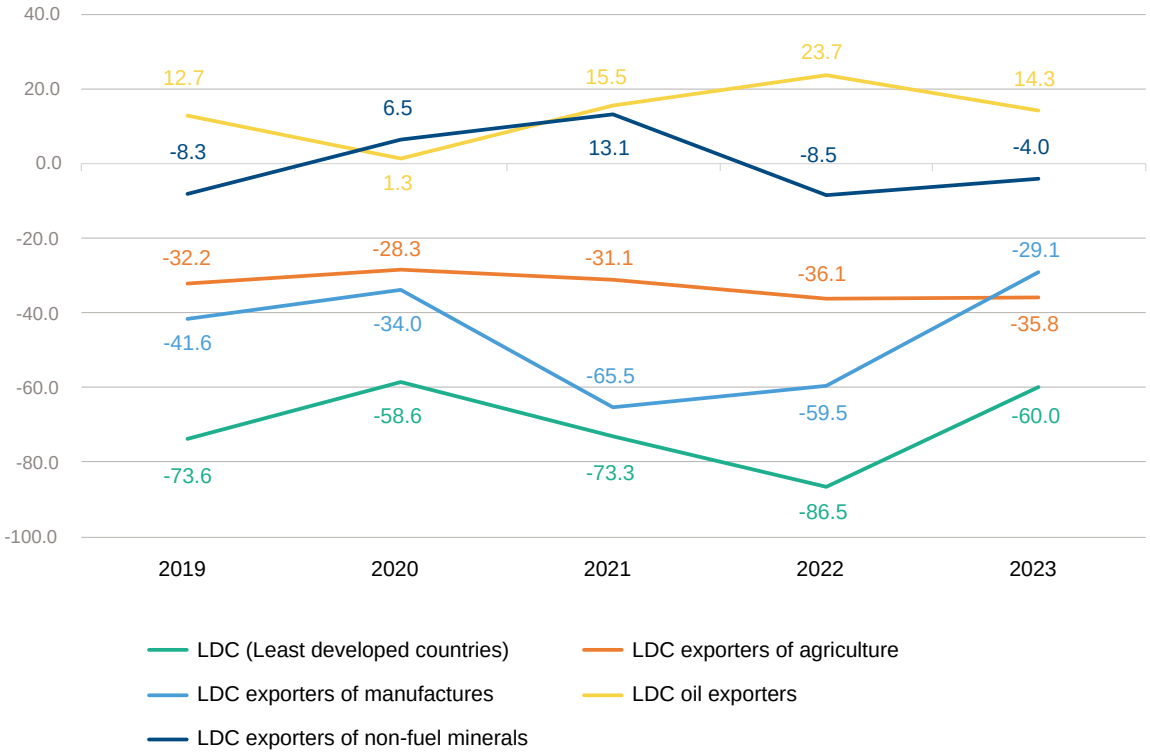




Source: WTO-UNCTAD estimates.

Chart 15: Merchandise trade balances of the LDCs, 2019-2023

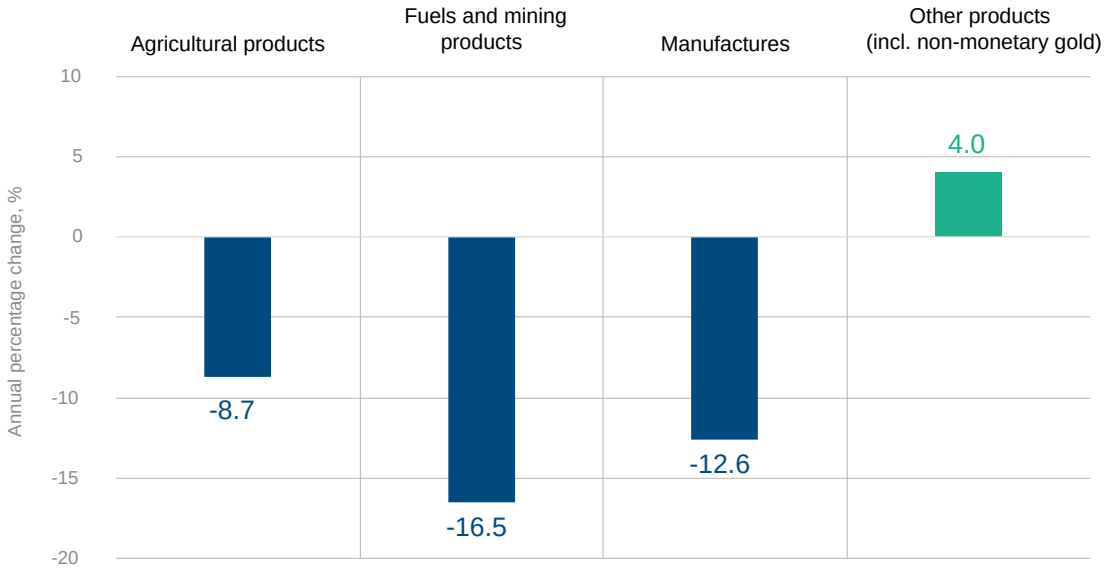
Billion US$



Source: WTO-UNCTAD.

Chart 16: Merchandise exports of LDCs by major product group, 2023

% change



Source: WTO estimates based on the reported import data of 114 economies (Trade Data Monitor).

b. Commercial services trade

In 2023, commercial services trade totalled US$ 7.54 trillion, rising by 9% year-on-year (see Chart 17). Strong growth was recorded despite the decline in transport, which dropped 8% to US$ 1.50 trillion. Transport formed almost a quarter of global services trade in 2022. In Asia, transport exports were down 25%, with China recording the sharpest fall (-40%). Europe also saw a contraction of 8%. Negative growth in transport in 2023 re ects the decline in shipping rates to pre-pandemic levels.

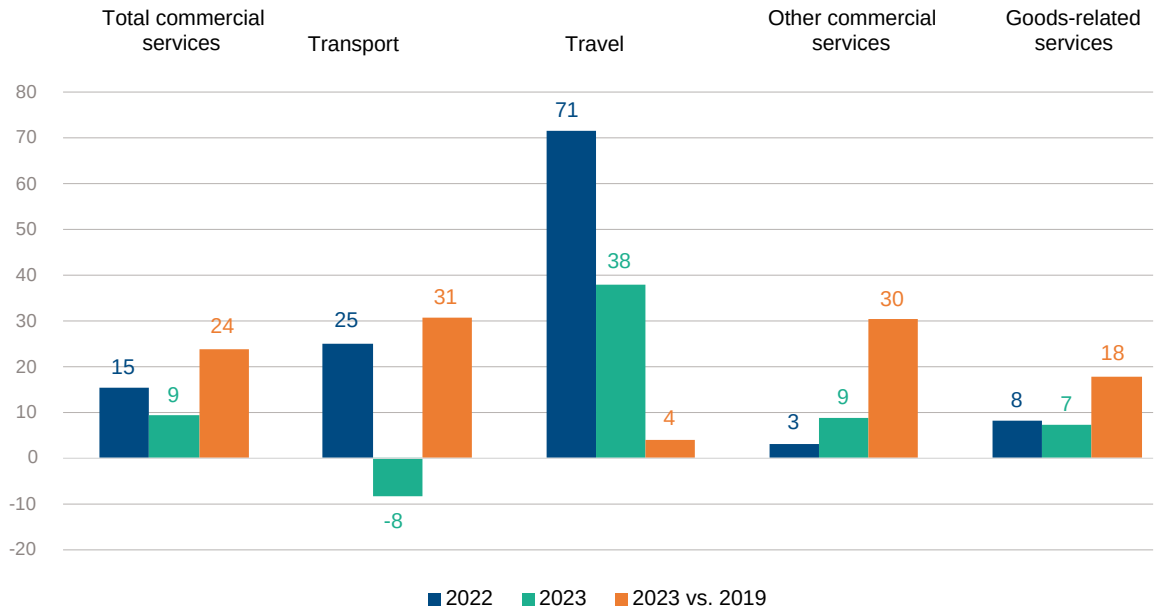
The attacks on Red Sea shipping that began in November of last year have reversed the downward trend in freight rates. As ships were rerouted, the Asia–Mediterranean prices for 40-foot container units peaked at almost US$ 6,800 in mid-January, 176% higher than in January 2019. Rates declined to US$ 5,300 in the week ending 28 March. The global spot market rate for containers has followed the same trajectory, hovering at around US$ 3,400 in January and February but declining to US$ 2,725 at the end of March (source: Freightos).

Freight rates can spike signi cantly during a period of supply chain disruptions. The collapse of the bridge in the port of Baltimore in the United States has created temporary bottlenecks in other ports and may put upward pressure on rates on certain routes. However, the impact on freight rates of recent disruptions is moderate compared with the peaks experienced during the COVID-19 pandemic. In February, China's transport exports were 5% below their level one year earlier, re ecting weak demand.

By contrast, the adverse economic context and geopolitical tensions have not affected consumers' spending on travel. International passenger transport, a sector ravaged by the pandemic, continued to recover in 2023, with airlines returning to pro tability. North America saw a 7% rise in passenger transport exports as air passenger transport increased by 30% in the United States. The sector represented 44% of the country's transport exports before the pandemic. According to the International Air Transport Association (IATA), international air connectivity – the frequency of global ights - reached 94% of its pre-pandemic level in 2023.

Chart 17: Year-on-year growth in world commercial services trade, 2022-2023

Annual % change



Note: Average of exports and imports.

Source: WTO-UNCTAD estimates.

The Olympic Games and the UEFA European Football Championship, to be held in Europe in the summer, as well as the easing of visa requirements by various economies to encourage foreign travel are likely to accelerate the recovery of passenger transport in 2024. Passenger transport by rail is also expected to pick up, especially in Europe, as sustainability concerns grow about other forms of transport.

However, even a record performance in air passenger transport, anticipated for 2024, will not be enough to offset negative developments in shipping. Passenger transport through all transport modes accounted for only one-quarter of global transport trade prior to the pandemic. More than 60% relates to freight shipping, largely by sea. Logistics services in ports and airports such as cargo handling, storage and warehousing form an additional 15%. Transport mirrors closely trends in global merchandise trade. With low global demand and container overcapacity, increases in shipping rates are expected to be moderate, hindering overall growth in transport trade in 2024.

Falling rates of in ation will bene t tourism in 2024. Travellers' expenditure in foreign economies on accommodation, restaurants, entertainment and other services such as education accounted for almost a quarter of services trade prior to the pandemic. In 2023, their value reached US$ 1.51 trillion, up 38% year-on-year, and 4% above 2019 levels. Europe and the Middle East already exceeded pre-pandemic levels in both exports and imports, while Africa saw a complete recovery of travel exports (up 5% on 2019).

Despite remarkable catch-up growth in 2023, Asia's travel exports and imports remained depressed, at -17% and -13% below pre-pandemic levels respectively. Outbound tourism from China, the largest travel spender in the world before the pandemic, was impeded by a prolonged lockdown, limited ight connections and administrative delays. Recovery started in the second half of 2023, peaking with the 2024 Spring Festival holidays, with outbound trips roughly matching 2019 levels. To boost foreign arrivals and aid recovery, China has recently introduced a visa-free scheme for selected economies, which has already translated into higher tourist in ows in the rst two months of 2024.

Other commercial services returned to growth in 2023, up 9%. Subdued performance in the previous year was largely due to exchange rate volatility on the currency markets of leading traders, particularly the euro and the British pound. Financial services were greatly affected in 2022 but recorded an 8% increase in 2023, with stronger growth in the European Union at +10%.

Other business services, the largest category, comprising a wide range of diverse professional and business services, research and development, as well as technical and scienti c services, saw 10% growth (see Chart 18). Europe recorded a very dynamic performance (+13%), although growth slowed in North America to 3% year-on-year, after two years of double-digit increases.

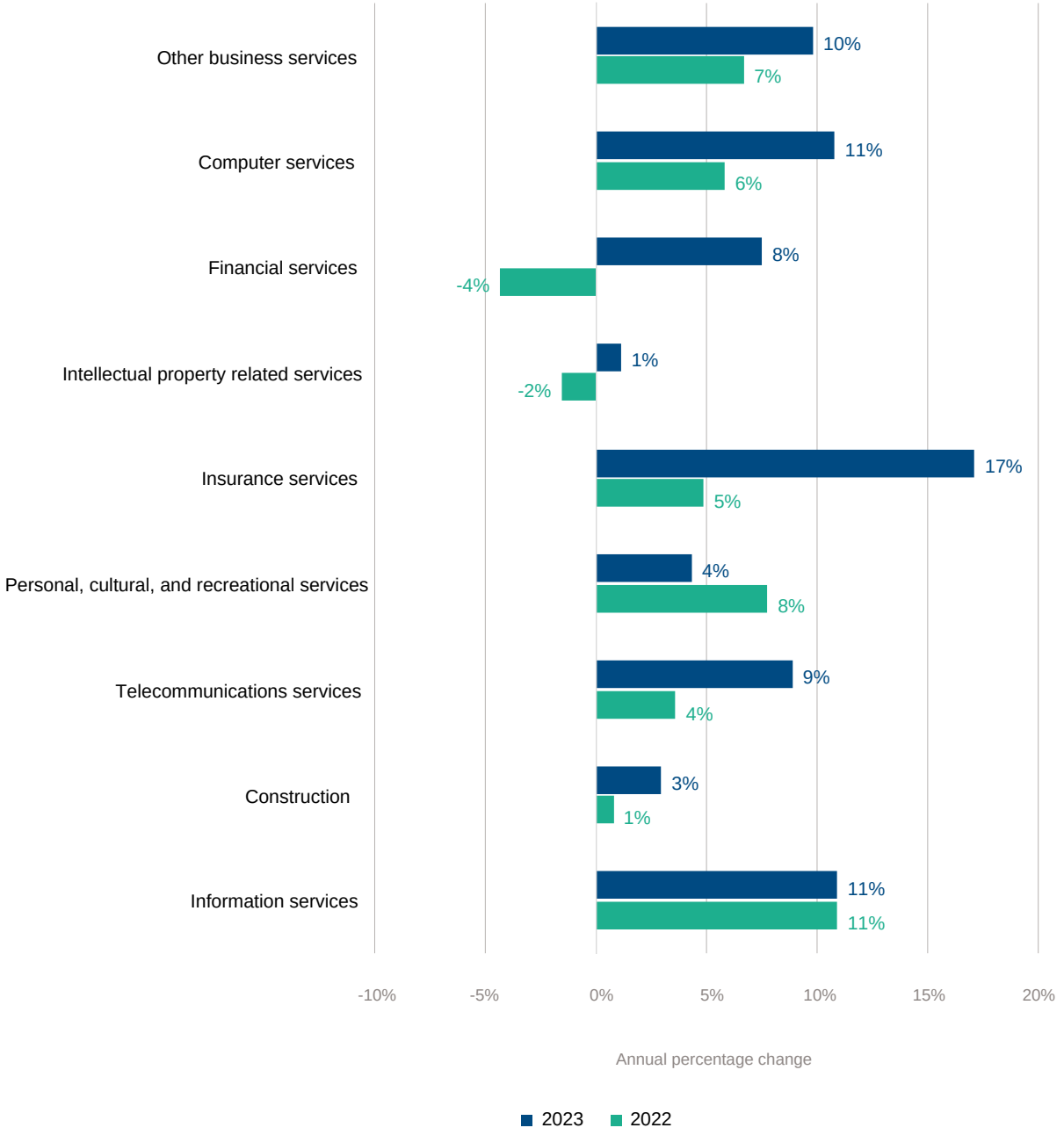
Insurance services saw the most rapid growth in 2023, expanding by 17%, with the European Union's exports rising by 26%, the United Kingdom by 29% and Switzerland by 21%. High growth re ects the present risky environment, especially for businesses, arising from geopolitical tensions, health hazards, supply chain disruptions and an increasing number of natural disasters related to climate change. These factors translate into a growth in premiums.

All the main subsectors of other commercial services recorded growth in 2023. However, construction has not recovered yet from the impact of the pandemic. Labour shortages and the high cost of materials which could not easily be substituted, such as steel, resulted in projects being cancelled or delayed in recent years. Global construction exports increased by only 3% in 2023 and remained 5% below 2019 levels, re ecting negative growth in both Asia and Europe.

Information and communication technology (ICT) services continued to rise in importance in overall services trade, re ecting pent-up demand for software, cloud services, machine learning and cybersecurity as well as increased global Internet traf c. Computer services expanded by 11% in 2023, with growth accelerating across all regions. Several economies, both advanced and emerging, recorded growth exceeding 20% to 30% year-on-year.

Chart 18: Growth of other commercial services exports by main subsector, 2022-2023

Annual % change



Note: Sectors are ranked according to their relative share in services trade.
Source: WTO estimates.

Use of arti cial intelligence (AI), including models capable of creating content, such as text, images, music or even videos, increased rapidly in 2023. These technologies are set to revolutionize various aspects of the economy, leading to increased ef ciency, innovation, cost savings, personalization opportunities, creation of new jobs, and economic growth, further boosting trade in digitally delivered services.

Digitally delivered services

According to WTO estimates, global exports of digitally delivered services reached US$ 4.25 trillion in 2023, up 9.0% year-on-year, and accounting for 13.8% of world exports of goods and services (see Chart 19).

In 2023, the value of these services - traded cross-border through computer networks and encompassing everything from professional and management services to streaming of music and videos, online gaming and remote education - surpassed pre-pandemic levels by over 50%.

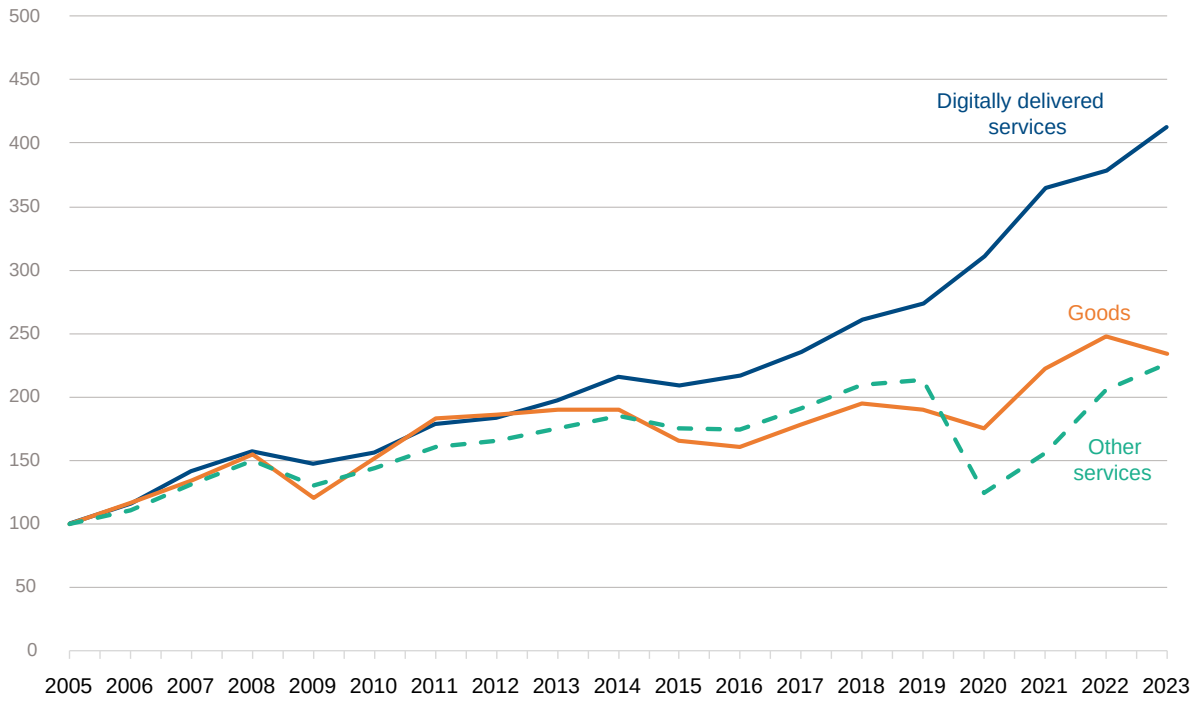
Unlike trade in goods, which fell in 2023 globally and in all regions, exports of digitally delivered services continued to thrive. In Europe and Asia, which hold a global share of 52.4% and 23.8% respectively, exports rose by 11% and 9% (see Chart 20). Growth accelerated in Africa and in South and Central America and the Caribbean, exceeding the global average. The two regions, which formed only 0.9% and 1.6% of global exports in 2023, are increasingly taking advantage of digitally delivered services trade.

In 2023, business, professional, and technical services accounted for 41.2% of world exports of digitally delivered services (see Chart 21), followed by computer services (20.5%), nancial services (16.0%), intellectual property related services (10.9%), insurance and pension services (5.2%), telecommunications services (2.6%), audio-visual and other personal, cultural, and recreational services (2.1%), and information services (1.5%). However, the structure of digitally delivered services varies signi cantly across regions and individual economies (see Chart 22).

Appendix Table 5 contains the ranking of leading exporters of digitally delivered services. Comprehensive data on digitally delivered services trade by sector, economy and region can be accessed via the WTO's Global Services Trade Data Hub (www.wto.org/services_hub).

Chart 19: Global exports of digitally delivered services, 2005-2023

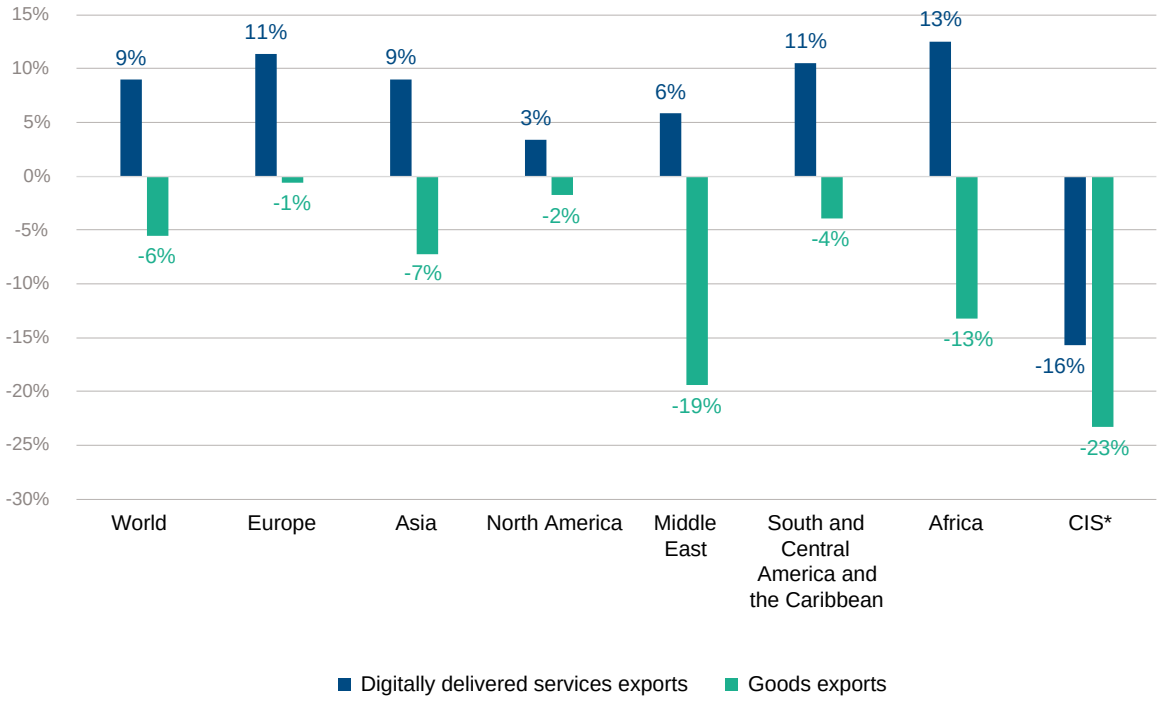
Index 2005=100



Source: WTO estimates.

Chart 20: Growth of digitally delivered services exports and goods exports by region, 2023

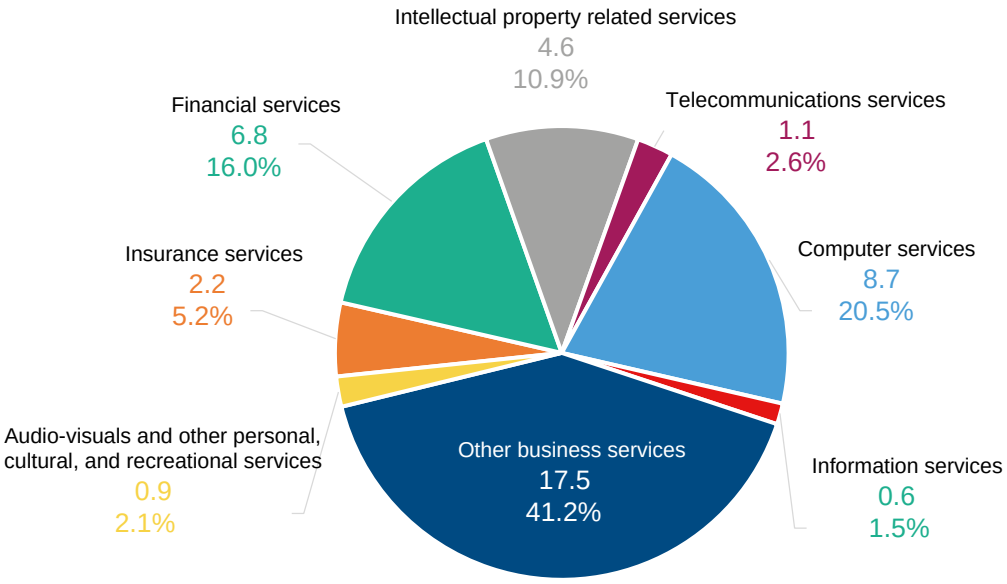
Annual % change



Note: Regions are ranked according to their share in global exports of digitally delivered services.
* The Commonwealth of Independent States includes certain associate and former member states.
Source: WTO estimates.

Chart 21: Structure of world exports of digitally delivered services, 2023

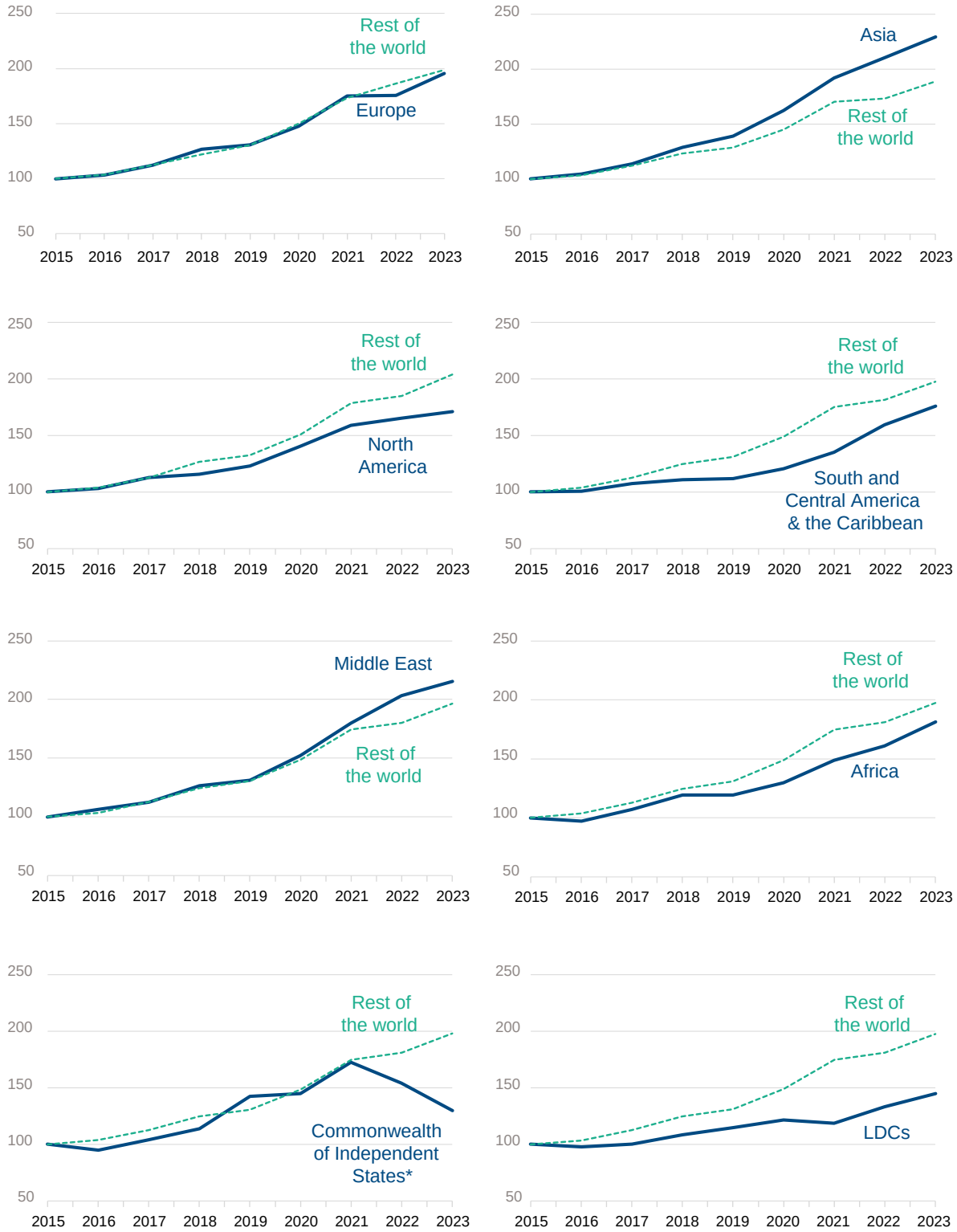
Billion US$ and % share



Source: WTO estimates.

Chart 22: Growth of digitally delivered services exports by region and selected group, 2015-2023

Index, 2015=100



* The Commonwealth of Independent States includes certain associate and former member states.

Source: WTO estimates.

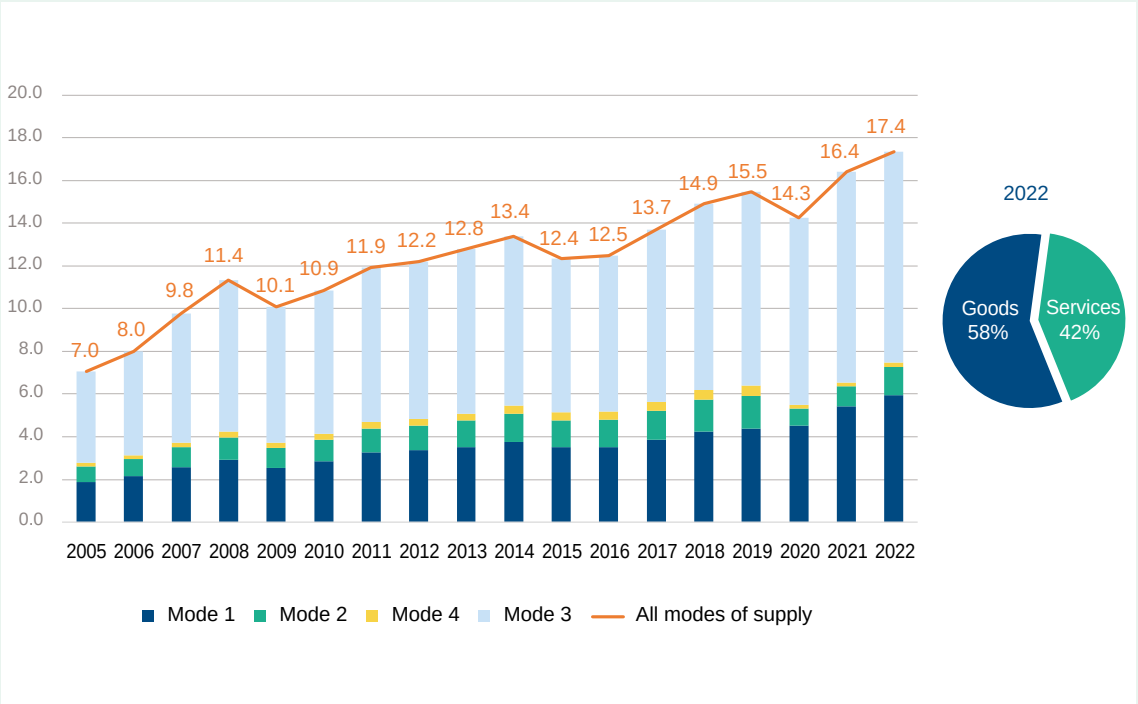
Box 2: Services including mode 3 account for 42% of global trade

Services play a critical role in global trade. According to WTO estimates, services trade, including the presence of a commercial company in a foreign economy (GATS mode 3), reached US$ 17.4 trillion in 2022 (see Chart 23). This represents 42% of global trade, a share 20 percentage points higher than traditionally estimated[2].

Services supply to local consumers through branches and subsidiaries abroad (mode 3) is the predominant mode for trading services internationally (see Chart 24). However, its relative importance has declined steadily over the years, from 60.6% on average in 2005 to 57.0% in 2022. Financial and insurance services as well as distribution services account for the largest share of trade through mode 3. Together, in 2022, they formed some 46% of all services supplied through mode 3, down from more than 56% in 2005.

Chart 23: World trade in commercial services by mode of supply, 2005-2022

Trillion US$ and % share in total goods and service trade



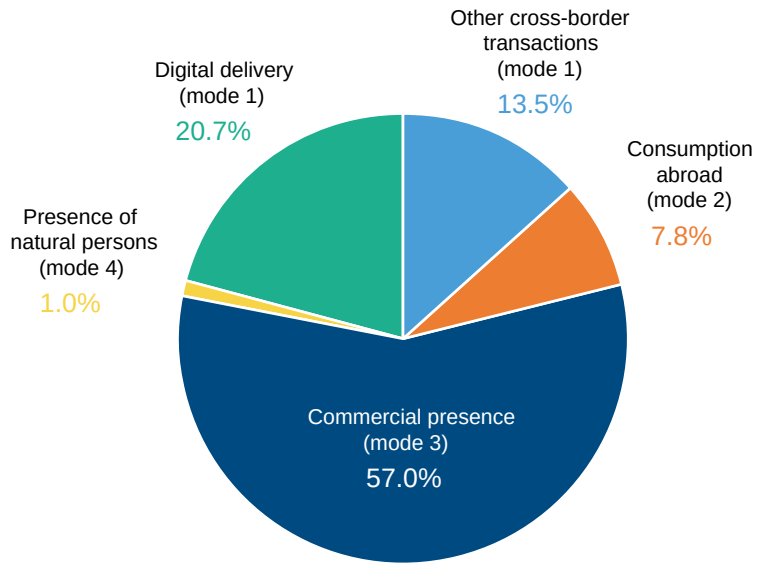
Note: Average of exports and imports.

Source: WTO estimates.

2 An economy's balance of payments gives information on services transactions through cross-border supply (mode 1), consumption abroad (mode 2) and presence of natural persons (mode 4). Foreign Af liates Statistics (FATS) are the source of data on local services supply through a commercial presence (mode 3). By combining both datasets it is possible to provide a comprehensive measure of services trade.

Chart 24: Structure of world services trade by mode of supply, 2022

% shares



Source: WTO estimates.

Increased services digitalization, cross-border mobility restrictions during the COVID-19 pandemic, and cost-cutting efforts by businesses due to high in ation have modi ed the way services are traded internationally.

The share of cross-border transactions (mode 1) rose to 34.2% in 2022, up from 26.6% in 2005. Cross-border trade is widespread across different sectors, such as transport, professional and business services, distribution services or computer services. Digital delivery through the Internet, apps, emails, voice and video calls, and digital intermediation platforms is the most dynamic segment of cross-border services trade. When all four modes of services supply are considered, the share of digitally delivered services has increased to 20.7% from 14.0% in 2005.

Services consumed in other economies (mode 2) accounted on average for US$ 1.4 trillion and 7.8% of total trade in services in 2022, with tourism forming more than half of the value. Only US$ 0.2 trillion or 1.0% of services were traded through the presence of persons abroad (mode 4) in 2022, down from a peak of 3.1% in 2019 prior to the pandemic.

The complete dataset on trade in services by mode of supply, by sector, country and region for 2005-2022 can be accessed via the WTO Global Services Trade Data Hub (www.wto.org/services_hub).

Global value chains and evidence of fragmentation

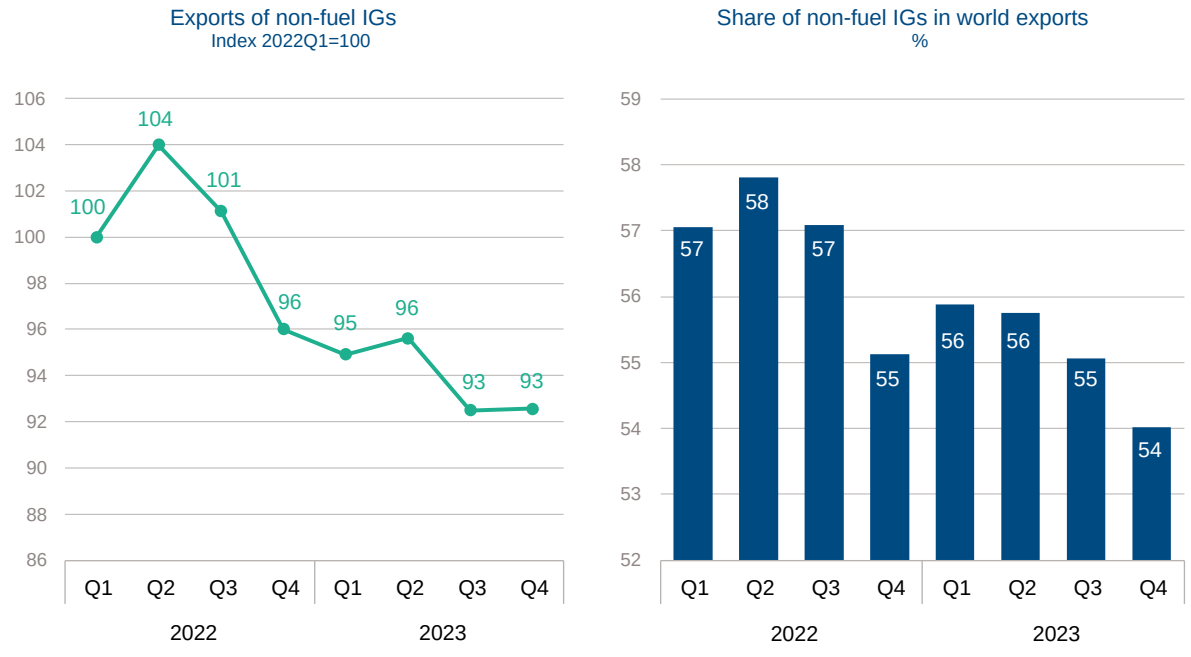
The global economy has been hit by several economic shocks in recent years while geopolitical tensions have been rising. In response to these and other concerns, some governments have become more sceptical about the bene ts of trade and have taken steps aimed at re-shoring production and shifting trade towards friendly nations. These actions have had some impact on trade patterns, but evidence of a sustained trend toward de-globalization remains scant.

Trade in intermediate goods provides a useful gauge of the status of global value chains (GVCs). This is illustrated by Chart 25, which shows non-fuel intermediate goods exports in US dollar terms (left panel) as well as their share in world trade (right panel). Fuels are excluded from both calculations to minimize distortions due to price volatility. However, uctuation in prices of other commodities have also been quite strong over the last three years and might still be re ected in the graphs.

Between the second quarter of 2022 and the fourth quarter of 2023, the value of world trade in intermediate goods fell nearly 11%. For the whole of 2023, intermediate goods trade was down 6% while trade in non-intermediates was at. Over the same period, the share of intermediate goods in world merchandise trade dropped from 58% in the second quarter of 2022 to 54% in the fourth quarter of 2023. Changes in product classi cations prevent the calculation of shares prior to 2022, since a number of new products have been designated as intermediate goods. This change has raised the share of intermediate goods in world merchandise trade above 50%, whereas earlier estimates indicated that it had fallen below 50% in 2022. It is dif cult to come to any rm conclusion about the meaning of the declining share of intermediate goods given the short time period available and the volatility of prices in the last two years. Historically, the intermediate goods share remained steady for many years at just over 50%, so the current level would appear to be a reversion to the previous norm.

Chart 25: World exports of non-fuel intermediate goods, 2022Q1-2023Q4

Index of US dollar values 2022Q1=100 and % share



Source: WTO estimates.

Trade in parts and accessories – a subset of intermediate goods representing components of electronics, transport equipment, and other machinery – illustrates how geopolitical tensions may be in uencing supply chains in globalized manufacturing industries. This is illustrated by Chart 26, which shows shares of partner regions in total bilateral trade (exports + imports) in parts and accessories for selected economies. While trade patterns have shifted slightly since before the pandemic, the changes are not dramatic.

The share of North American trading partners in total parts and accessories trade of the United States has changed little since the pre-pandemic period, dipping to 35.7% in 2023 from 36.3% in 2019. China's share also dropped slightly, falling from 11.5% in 2019 to 10.0% in 2023. Over the same period, the collective share of other Asian trading partners increased from 27.7% to 30.0%, leaving parts and accessories trade with all of Asia stable at around 40%. The rise in the share of "Other Asia" was driven mainly by increased trade with Viet Nam, Thailand, Chinese Taipei, and India. In 2023, the dollar value of bilateral trade with these economies was up 136%, 103%, 82%, and 76%, respectively, compared to pre-pandemic levels.

Chart 26: Total bilateral trade in BEC Parts and Accessories, 2019-2023

% share

Note: Parts and accessories are de ned in terms of the Broad Economic Categories (BEC) trade classi cation as the sum of codes 42 and 53.

Source: National customs statistics accessed through Trade Data Monitor.

In 2023, the share of Asian trading partners in China's total parts and accessories trade was down slightly compared to 2019, dropping to 60.2% from 62.8%. The share of North America also declined from 11.2% to 10.2% over this period, while the share of Europe rose from 13.4% to 15.5%. The biggest increase was seen in China's trade with the Rest of the World, including South America, the Middle East, Africa and CIS, whose collective share in China's parts and accessories trade rose from 5.2% to 8.5%. This rise is probably mostly due to increased prices for the primary commodities that these regions export disproportionately.

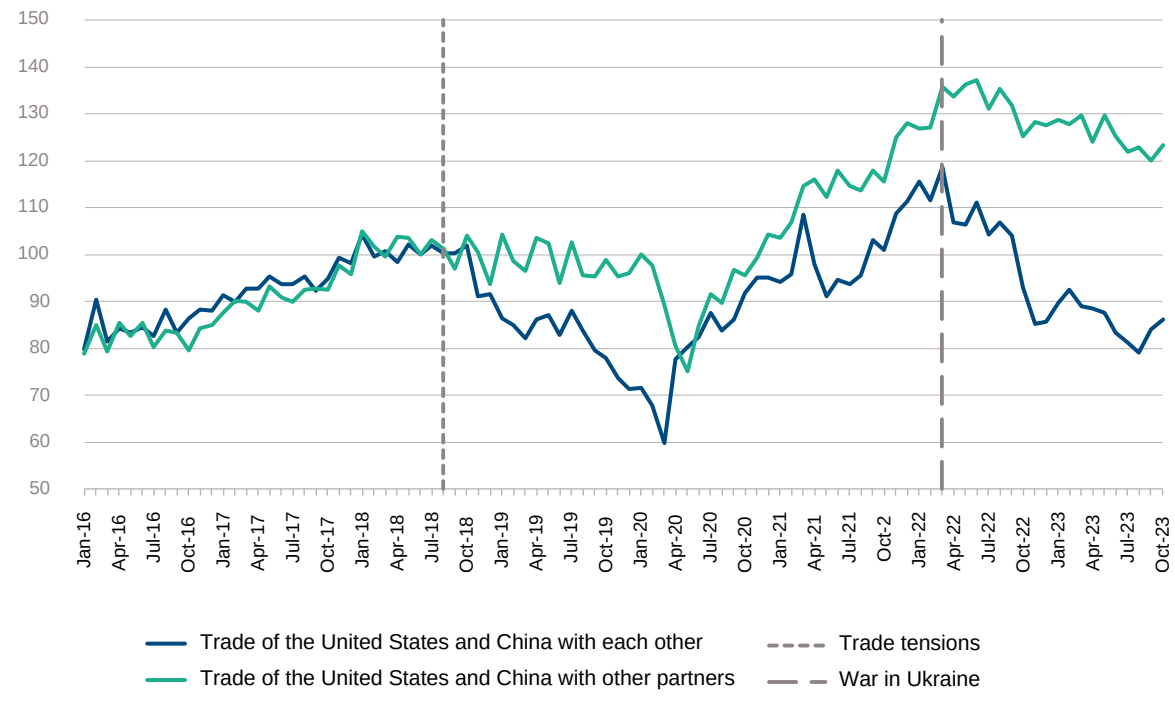
For the EU, the share of European countries in its total bilateral parts and accessories trade was nearly unchanged between 2019 and 2023 at around 65%. North America's share was also little changed at roughly 9%. The share of China rose from 7.9% to 9.6% while the collective share of other Asian economies remained nearly unchanged at around 12%. China's share rose to 10.9% in 2022 following the pandemic, so the slight decline in 2023 may indicate a return to previous levels.

Finally, shares of partner regions in Japan's total bilateral parts and accessories trade were remarkably steady between 2019 and 2023 despite the presence of severe global economic shocks including the COVID-19 pandemic and the war in Ukraine. Overall, Chart 26 shows little evidence of any large-scale reordering of trade across regions.

Other data show clearer evidence of trade reorienting in response to geopolitical tensions. Speci cally, the United States and China show some signs of decoupling, as illustrated by Chart 27. Despite a record high in 2022, total bilateral trade between the world's two largest economies grew 30 per cent more slowly since 2018 than their trade with the rest of the world.

Chart 27: Trade between the United States and China and with other partners, 2016-2023

Index, June 2018=100



Note: Data are seasonally adjusted. Russian Federation, Belarus, and Ukraine are excluded. The blue line shows the evolution of trade ows between China and the United States. The green line shows the evolution of trade ows between the United States and partners other than China, and between China and partners other than the United States.

Source: Blanga-Gubbay and Rubínová (2023).

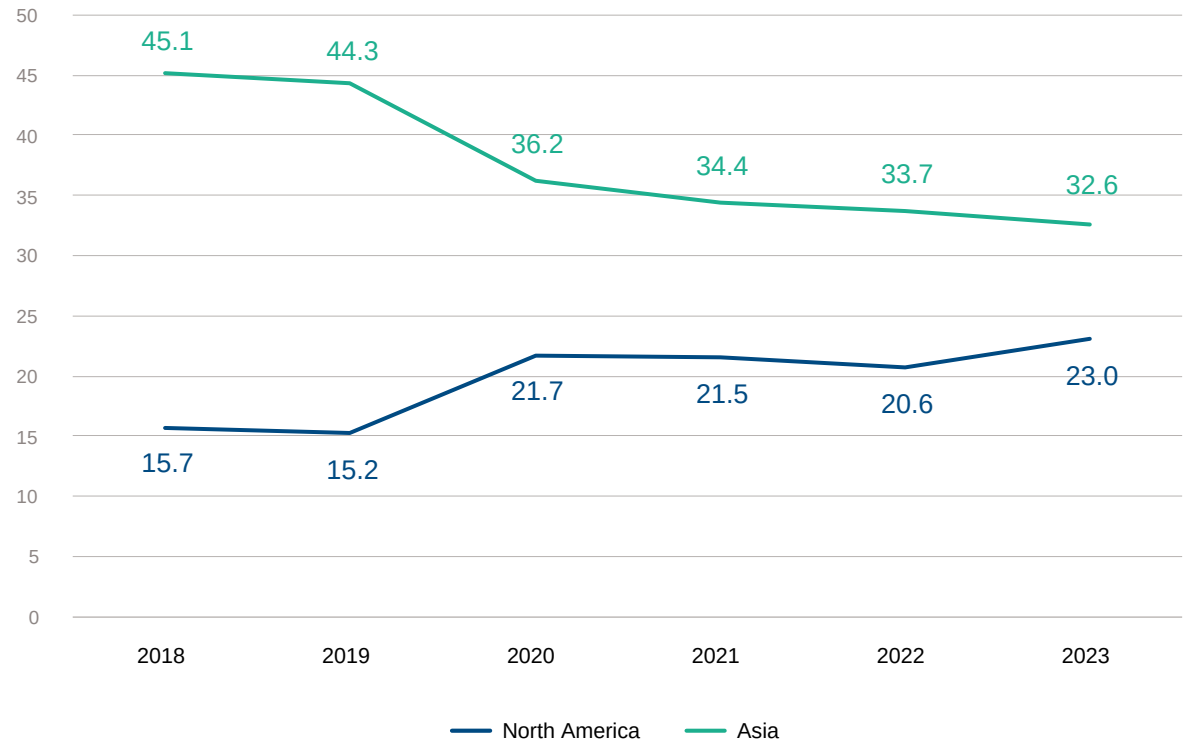
There were two clear drops in bilateral trade ows between US and China, one beginning with the spike in US-China trade tensions in July 2018, and another following the outbreak of war in Ukraine in February 2022. The strong recovery in February 2020 is explained by the role China played as manufacturer of last resort during the COVID-19 pandemic. Despite the continued high level of trade between these two countries, the chart shows signi cant shifts in response to political developments.

Discussions of trade fragmentation are usually mostly concerned with goods trade, but fragmentation can also occur in services trade. Speci cally, data from the United States appear to show evidence of recent "friendshoring" in information and communication technology (ICT) services. Chart 28 shows shares in US imports of ICT services by region from 2018 to 2023. During this period, US imports from North American trading partners (mostly Canada) increased from 15.7% of total ICT imports to 23.0%. At the same time, US imports from Asian trading partners (mostly India) fell from 45.1% to 32.6%. Timely data on bilateral trade in services could generate more insights on shifting trade patterns in services.

Another less explored dimension of trade fragmentation is the possible impact of data ow disruptions. Earlier work of WTO economists showed that a decoupling of the global economy into geopolitical blocs could reduce world GDP by 5% in the long run. A new forthcoming joint OECD-WTO study focuses on data policies and shows that the economic costs of fragmentation of data ow policies along geopolitical lines would also be sizeable. In such a scenario, global real exports would fall by 1.8% and global real GDP by about 1%.

Chart 28: Share of United States imports of ICT services by region, 2018-2023

% share



Source: United States Bureau of Economic Analysis.

Analysis: The Suez Canal crisis

For the first time, Global Trade Outlook and Statistics includes a special analytical section on a recent development in international trade. The conflict in the Middle East has threatened sea shipments through the Red Sea and Suez Canal, disrupting trade links between Europe and Asia. This section takes a deeper look at the crisis and examines possible consequences for trade in 2024.

The Red Sea serves as an important maritime route for international trade. Around 15% of global trade passes through the Sea. Meanwhile, the Suez Canal at its northern end handles around 12% of world trade, connecting Asian ports to Mediterranean ports in Europe and North Africa. Attacks on commercial ships in the Red Sea and the Gulf of Aden, which began on 19 November 2023, have had a signi cant impact on trade.

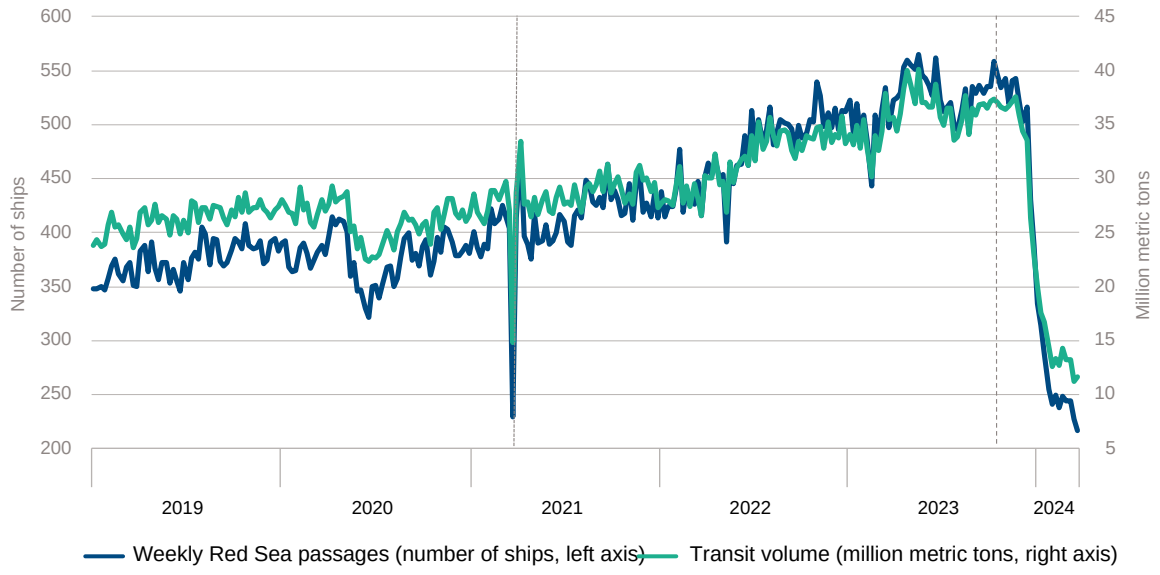
There are concerns that a prolonged crisis could deal a severe blow to the global economy and reignite global in ationary pressures.

Initially, some news reports expressed concern about the potential economic impact of the crisis, drawing parallels to the 2021 Suez Canal blockage caused by the Ever Given cargo ship. That incident is estimated to have cost world trade between US$ 6 billion and US$ 10 billion.

The current crisis differs signi cantly from the 2021 event, at least in its duration, but there are enough similarities to allow conclusions to be drawn that its impact may be more limited than initially feared. In part, this is due to (1) the continued use of the Suez Canal despite reductions in traf c, (2) relatively small delays from rerouting ships around the Cape of Good Hope, (3) containment of maritime freight rates since the start of the crisis, (4) moderate consumer demand and adequate inventories, (5) the relative stability of global energy markets, and (6) the greater availability of shipping capacity today compared to the COVID-19 pandemic.

Chart 29: Weekly Red Sea passages and transit volume, 1 January 2019-19 March 2024

Number of ships and million metric tons



Note: The vertical dotted line corresponds to the 2021 March Suez Canal grounding, while the vertical dashed line corresponds to the week of 19 November 2023, when the rst attacks on commercial ships occurred in the Red Sea.

Source: WTO Secretariat elaboration based on IMF-Oxford Portwatch.