

UNCTAD Global Trade Update, February 2022

Global trade grew by (+) 13 % in 2021 to US\$ 28.5 trillion in comparison to pre-pandemic level 2019

Global trade in goods reached US\$ 5.8 trillion in Q4 2021

Global Trade in services stood at US\$ 1.6 trillion in Q4 2021

Global Trade trends – 2021

According to UNCTAD's Global Trade update February 2022, global trade growth remained strong during 2021 as its value continued to increase through each quarter of 2021. Trade growth was not only limited to goods and trade in services also grew substantially through 2021 to finally reach the pre-pandemic level during Q4 2021.

Overall, the value of global trade reached a record level of about US\$ 28.5 trillion in 2021 exhibiting a growth of 25 % in comparison to 2020 and 13 % relative to pre-pandemic level of 2019. Global trade growth took hold during the first half of 2021, but the growth continued in the second half of 2021. Trade growth picked up again in Q4 2021 after a relatively slow third quarter when the value of global trade increased by about 3 % relative to Q3 2021.

Trade-in goods and trade-in services followed similar patterns during 2021, with stronger increases during the first half of the year. Trade growth continued to be positive for both goods and services in Q3 2021 and especially in Q4 2021. During Q4 2021, trade in goods increased by almost US\$ 200 billion to reach about US\$ 5.8 trillion, a new record. During the same period, trade in services rose by about US\$ 50 billion to reach about US\$ 1.6 trillion, a value just above pre-pandemic levels. On a year-over-year basis, trade in goods strongly outperformed trade in services, with increases of about 27 % and 17 % respectively.

Projected global trade growth -2022

The positive trend for international trade in 2021 was majorly on account of increases in commodity prices, subsiding pandemic restrictions, and a strong recovery in demand due to economic stimulus packages. International trade trends are expected to normalize during 2022 as the above trends are likely to abate.

According to UNCTAD's Global Trade update, trade growth will continue to slow during Q1 2022. There is an expectation of positive growth rates for both trade in goods and in services, keeping trade values at similar levels to Q4 2021.

Overall, the evolution of world trade in 2022 is likely to be affected by the following factors

- **Slower than expected economic growth** - The International Monetary Fund has revised its world economic growth forecast downwards by 0.5 points considering persistent inflation in the United States and concerns related to China's real estate sector. It is likely that global trade trends will reflect these macroeconomic trends, with lower-than-expected trade growth.
- **Continuing challenges for global supply chains** – Ongoing logistic disruptions, rising energy prices, and semiconductor shortages have led to supply shortages and spiraling shipping costs. Thus, efforts to shorten supply chains and to diversify suppliers could affect global trade patterns during 2022.
- **Trade agreements & regionalization trends** - The trend of regionalization is expected to increase because of various trade agreements and regional initiatives, as well as increasing reliance on geographically closer suppliers.
- **Transition towards a greener global economy** - Trade patterns in 2022 are expected to reflect the increasing global demand for environmentally sustainable products. Moreover, global trade patterns could also be influenced by increased demand of strategic commodities required to support greener energy alternatives (e.g., cobalt, lithium, and rare earth metals).
- **Rising concerns about debt sustainability** – The concerns of debt sustainability are likely to intensify in the incoming quarters due to mounting inflationary pressures given the record levels of global debt. A significant tightening of financial conditions would heighten pressure on the most highly indebted governments, amplifying vulnerabilities and negatively affecting investments and international trade flows

Trade trends for major economies

The import and export trends of some of the world's major trading economies further reflect the patterns of trade growth during recent quarters. In Q4 2021, trade in goods in all major economies was higher than the pre-pandemic levels in 2019 for both imports and exports. The negative quarter-over-quarter rates reveal that the positive export trends reversed for some of the major economies during Q4 2021.

- ➔ **USA:** The Export of goods increased by (+) 12 % while export in services declined by (-) 11 % in Q4 2021 relative to the 2019 Average. The import of goods increased by (+)20 % while import of services plunged by (-) 8 % in Q4 2021 relative to the 2019 average.
- ➔ **European Union:** The Export of goods increased by (+) 10 % while export in services declined by (-) 1 % in Q4 2021. The import of goods increased by (+) 27 % while import of services fell by (-) 4 % in Q4 2021 relative to the 2019 average.
- ➔ **India:** **The country witnessed positive growth in both export and imports of goods and services in Q4 2021 in comparison to 2019 average. The Export of goods increased by (+) 25 % while export in services rose by (+) 7 % in Q4 2021 relative to the 2019 average. The import of goods grew by (+) 32 % while the import of services rose by (+) 3 % in Q4 2021 relative to the 2019 average. (Table)**

Export growth in this period remained strong for China, the United States, and also for the Republic of Korea, and import trends continued to be positive. Data on services is reported with a lag of one quarter. In Q3 2021, trade in services for most major economies was still substantially lower than the pre-pandemic averages of 2019. However, as shown by quarter-over-quarter rates, Q3 2021 marked a substantial recovery in services trade for all major economies, with the exception of Japan

Other Major Observations:

- Global trade reached a record high in 2021, about US\$ 28.5 trillion; an increase of almost 13 % relative to pre-pandemic levels
- Global trade growth accelerated during the last quarter of 2021 but is expected to slow in Q1 2022.
- During Q4 2021, trade in goods remained strong and trade in services finally returned to its pre-pandemic levels.
- Developing countries' trade outperformed that of developed countries in Q4 2021. South-South trade growth was above the global average.

Table - Imports and exports of major trading economies

Country		Q4 2021 Relative to 2019 Average		Q4 2021 Relative to Q3 2021	
		imports	Exports	imports	Exports
Brazil	Goods	↑33 %	↑23 %	↑11 %	↓ 7 %
	Services	↓ 26 %	↑ 1 %	↑ 2%	↑ 3 %
China	Goods	↑ 32 %	↑ 43 %	↑ 2 %	↑ 6 %
	Services	↓ 46 %	↑ 6 %	↑ 6 %	↑ 14 %
India	Goods	↑ 32 %	↑ 25 %	↑ 4 %	↓ 1 %
	Services	↑ 3 %	↑ 7 %	↑ 18 %	↑ 17 %
Japan	Goods	↑ 13 %	↑ 6 %	↑ 2 %	↓ 2 %
	Services	↓ 6 %	↓ 19 %	↓ 4 %	0 %
Republic of Korea	Goods	↑ 34 %	↑ 26 %	↑ 6 %	↑ 3 %
	Services	↓ 5 %	↑ 24 %	0 %	↑ 12 %
Russian Federation	Goods	↑ 24%	↑ 33%	↑ 2 %	↑ 3 %
	Services	↓ 21 %	↓10 %	↑ 13 %	↑ 6 %
South Africa	Goods	↑ 9 %	↑ 35 %	0 %	↓ 2 %
	Services	↓ 12 %	↓ 30 %	↑ 5 %	↑ 8 %
United States	Goods	↑ 20 %	↑ 12 %	↑ 5 %	↑ 4 %
	Services	↓ 8 %	↓ 11 %	↑ 5 %	↑ 3 %
European Union	Goods	↑ 27 %	↑ 10 %	↑ 9 %	↑ 1 %
	Services	↓ 4 %	↓ 1 %	↑ 4 %	↑ 2 %

Source: UNCTAD calculations based on national statistics.

Note: Growth rates are relative to year averages for 2019 and of the previous quarter. Data is seasonally adjusted. Statistics for the EU exclude intra-EU trade.

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