

Global Trade Growth Set to More Than Double This Year

Date published: 07 May 2024

Sam Fleming and Valentina Romei in London and Martin Arnold in Frankfurt

Source: FT.com

Word count: 735

Link To FT.com: <https://www.ft.com/content/3451ba03-28fc-4300-8813-af66bb743bf4>

OECD, IMF and WTO forecast sharp rebound in flow of products this year after 2023 slump

Global trade growth is set to more than double this year as inflation eases and a booming US economy helps to drive activity, according to international bodies.

The OECD, IMF and World Trade Organization are forecasting a sharp rebound in the global flow of products this year after a slowdown in 2023 driven by higher prices, surging interest rates and sluggish demand.

According to the OECD, global trade in goods and services is expected to rise 2.3 per cent this year and 3.3 per cent in 2025. This compares with growth of just 1 per cent last year.

Clare Lombardelli, chief economist at the OECD, said a lot of the uptick was due to a “cyclical recovery” as trade rises alongside broader economic growth. She added that China and east Asia were expected to be big drivers of activity.

An increase in trade has already helped boost growth in some of the EU’s largest economies in the first quarter of 2024. Overall Eurozone growth rose by 0.3 per cent from the previous three-month period, its strongest level since the third quarter of 2022.

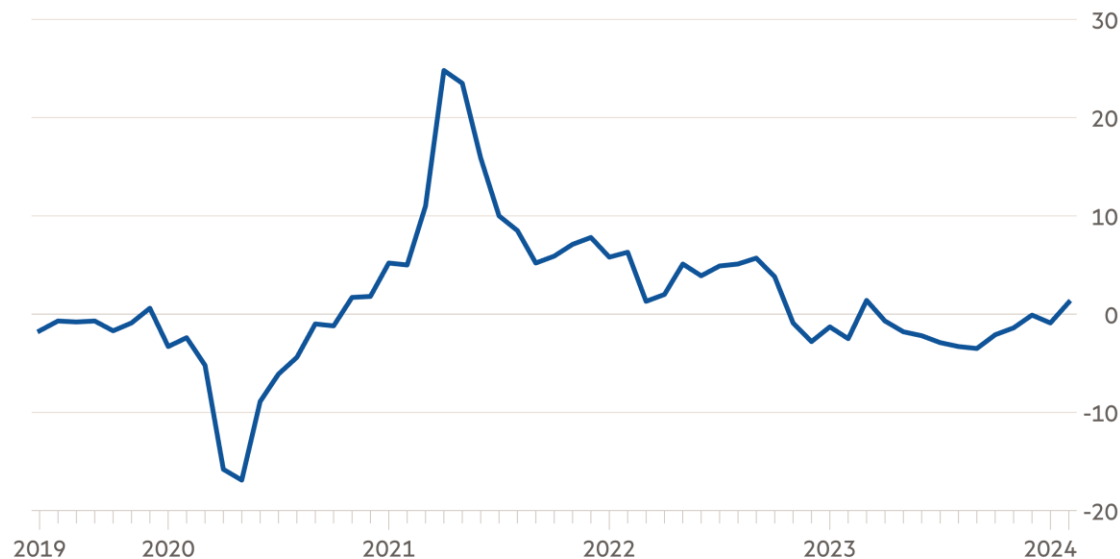
“We have stronger numbers on trade this year and next year again — we have seen quite positive developments on the trade side,” said Lombardelli.

German exports rose faster than forecast in March, increasing 0.9 per cent from a month earlier, according to data published on Tuesday, contributing to quarter-on-quarter growth of 3.2 per cent. Imports into Europe’s largest economy also rose 0.3 per cent in March and 1.7 per cent in the first quarter.

In its latest World Economic Outlook, the IMF also predicted that growth in global trade volumes would hit 3 per cent in 2024. The WTO, which does not provide forecasts for services trade, expects goods trade to rise by 2.6 per cent in 2024, after falling by 1.2 per cent last year.

World merchandise trade show signs of recovering

Annual change in volumes (%)



Source: World Trade Monitor, the Netherlands Bureau for Economic Policy Analysis
© FT

“We do see some green shoots in global trade,” said Neil Shearing, chief economist at Capital Economics, adding that the “manufacturing recession” that struck trade activity in 2023 as demand declined has “now run its course”.

He pointed to the tentative recovery in Europe, which is particularly reliant on trade, with southern countries benefiting from a rebound in tourism.

Spain, for example, profited from the Easter holidays falling in March instead of April, which boosted first-quarter growth. The country’s statistics office said external demand contributed 0.5 percentage points of quarterly growth, while domestic demand added 0.2 percentage points.

Germany and Italy both said higher net exports had also boosted growth in the first quarter.

French goods exports rose 2.9 per cent in March from the previous month, reducing the trade deficit in the EU’s second-largest economy to its lowest level for three years, according to data published on Tuesday.

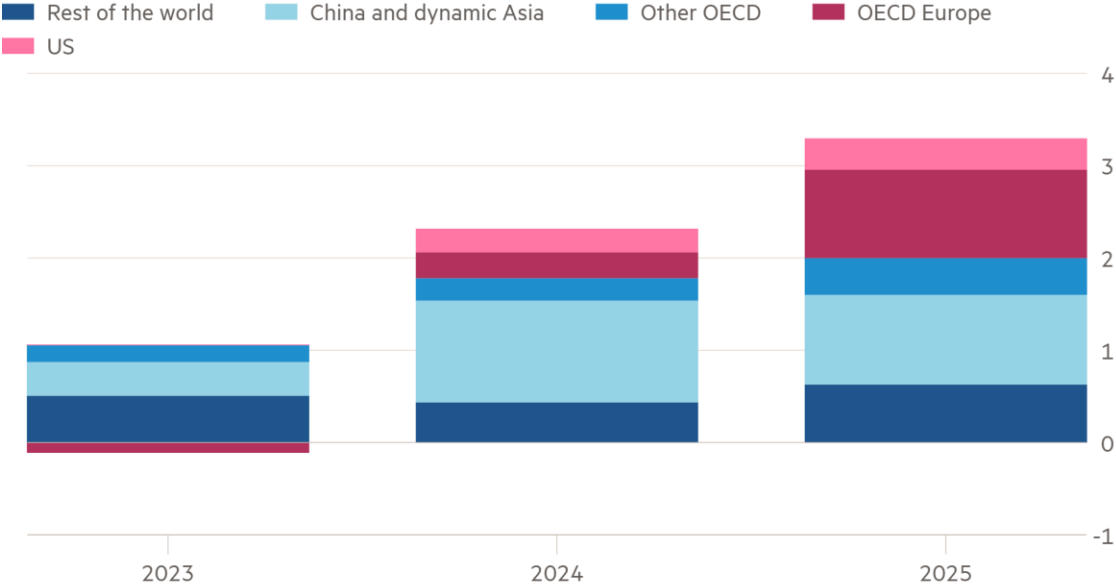
“We were expecting Eurozone foreign trade to pick up this year, although indications now are that the rebound, especially in exports, happened sooner than we previously thought,” said Salomon Fiedler, an economist at German bank Berenberg.

According to the World Trade Monitor, published by the Netherlands Bureau for Economic Policy Analysis (CPB), goods trade returned to growth for the first time in a year in February.

Expansions in China and the US helped annual goods trade growth rise to 1.2 per cent in the second month of the year, up from a 0.9 per cent contraction the previous month and marking a sharp rebound from a contraction of 3.5 per cent in September 2023.

Global trade volumes are forecast to rebound

% points contribution in the annual change on trade volumes of goods and services



Source: OECD © FT

Yet despite the green shoots, global trade growth is still not expected to return to pre-pandemic levels this year. Goods and services trade volumes grew at an average annual rate of 4.2 per cent between 2006 and 2015, IMF figures show.

The OECD, IMF and WTO have warned about the risks to trade caused by geopolitical tensions, regional conflicts and economic uncertainty, as governments focus on national security, self-reliance and support for domestic companies.

According to the WTO, trade flows between blocs of geopolitically aligned countries have been growing 4 per cent more slowly than trade within those blocs since Russia’s full-scale invasion of Ukraine.

Shearing said the US election added to the list of uncertainties about global trade in the coming year. Donald Trump, the former president and presumptive Republican nominee, has pledged to impose a 10 percentage point tariff increase on all the US’s trading partners if he gets re-elected, hinting at even more severe penalties on Chinese imports.

Copyright The Financial Times Limited 2024

© 2024 The Financial Times Ltd. All rights reserved. Please do not copy and paste FT articles and redistribute by email or post to the web.