



Global Trade Update

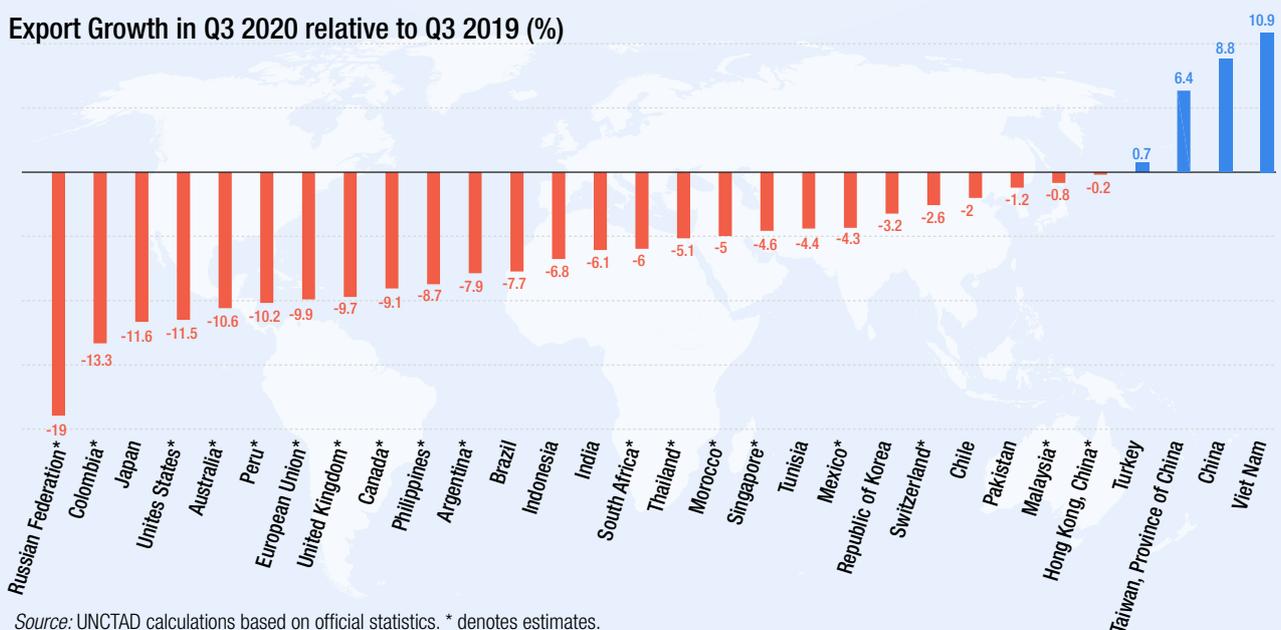
October 2020

Global trade: a frail recovery in the second half of 2020.

- Global trade continued to decline in Q3 (about -4.5 per cent YoY), although at a lower rate than in Q2 (about -19 per cent YoY).
- Global trade expected to fall by 7 percent for 2020, with a lower bound of 9 percent due to persisting uncertainty.
- Trade in home office equipment and medical supplies has increased in Q3, while it further weakened in the automotive and energy sectors.
- Additional per-capita imports of medical supplies by low income countries has been only a fraction of that of high income countries.

A generalized downtrend in Q3, except for some East Asian economies

Export Growth in Q3 2020 relative to Q3 2019 (%)



Source: UNCTAD calculations based on official statistics. * denotes estimates.

Global trade trends and short-term forecast

The economic and social disruptions brought about by COVID-19 have resulted in a substantial reduction in global trade. Already on a downward trend, global trade took a sharp downturn in the Q2 2020 with a drop of about 19 per cent compared to Q2 2019. Preliminary data for Q3 suggest that, while rebounding from Q2, global trade growth has remained negative in Q3 with a decline of about 4.5 per cent on a year-over-year basis.

Global Trade in Goods Stabilizes at Lower Levels



Source: UNCTAD calculations based on national statistics. Quarterly growth is the quarter over quarter growth rate of seasonally adjusted values. Yearly growth is the average growth rate of last 4 quarters. Figures for Q3 2020 are preliminary. Q4 2020 is a forecast.

Leading indicators, such as the Purchasing Manager Indices (PMIs) still signal substantial uncertainty for international trade in the coming months. It is expected that Q4 2020 will remain on a negative trend, about 3 per cent lower than in Q4 2019. However, this figure is still very uncertain due to persistent concerns about the effects of COVID-19 on economic activity in the coming months, which may result in a double dip trend.

Overall, global trade is expected to fall by about 7 per cent in 2020 under the assumption that the trend observed in Q3 continues into Q4. The lower bound for 2020 is at about 9 per cent and considers the possibility of a resurgence of the COVID-19 pandemic during the coming months and the prospect of a deteriorating policy environment, with sudden increases in trade restrictive policies.

How are some of the world's major economies faring?

Official statistics for some of the world's major trading economies further indicate the extent of the downturn in international trade caused by the COVID-19 pandemic. During 2020, none of the major economies has been spared.

China's trade patterns have diverged from other economies. After falling in the early months of the pandemic, Chinese exports stabilized in Q2 2020 and rebounded strongly in Q3 2020, with year-over-year growth rates of almost 10 per cent. Overall, the level of Chinese exports for the first nine months of 2020 was comparable to that of 2019 over the same period. On the import side, the Chinese demand for imported products recovered following a decline in Q2 2020. Contrary to other major economies, Chinese imports stabilized in July and August then grew substantially in September.

Trade trends of major trading economies, January-September 2020

IMPORTS	January	February	March	April	May	June	July	August	September
Brazil	↓1%	↑5%	↑11%	↓15%	↓11%	↓20%	↓35%	↓29%	↓25%
Russian Federation	↑4%	↑2%	↓2%	↓20%	↓13%	↓4%	↓13%	↓11%	
India	0%	↑4%	↓28%	↓60%	↓51%	↓48%	↓30%	↓26%	↓20%
China	↓7%	↓10%	↓1%	↓14%	↓17%	↑3%	↓1%	↓2%	↑13%
South Africa	↓3%	↓4%	↓17%	↓38%	↓40%	↓43%	↓39%	↓31%	
United States	↓4%	↓4%	↓7%	↓21%	↓25%	↓13%	↓8%	↓5%	
Japan	↓5%	↓13%	↓1%	↓3%	↓25%	↓14%	↓21%	↓21%	
Republic of Korea	↓5%	↑1%	0%	↓16%	↓21%	↓11%	↓12%	↓16%	↑1%
European Union	↓3%	↓7%	↓12%	↓26%	↓28%	↓12%	↓15%	↓10%	

EXPORTS	January	February	March	April	May	June	July	August	September
Brazil	↓19%	↓1%	↑5%	↓9%	↓15%	↓5%	↓3%	↓11%	↓9%
Russian Federation	↓2%	↓18%	↓20%	↓33%	↓36%	↓26%	↓28%	↓32%	
India	↓1%	↑4%	↓34%	↓61%	↓35%	↓12%	↓10%	↓13%	↑4%
China	↓22%	↓10%	↓7%	↑3%	↓3%	↑1%	↑7%	↑9%	↑10%
South Africa	↑10%	↑6%	↓1%	↓61%	↓28%	↓6%	↓14%	↓3%	
United States	0%	↑2%	↓9%	↓29%	↓36%	↓24%	↓15%	↓15%	
Japan	↓4%	0%	↓8%	↓19%	↓27%	↓25%	↓18%	↓15%	
Republic of Korea	↓7%	↑4%	↓2%	↓26%	↓24%	↓11%	↓7%	↓10%	↑8%
European Union	↓2%	↓3%	↓8%	↓31%	↓32%	↓9%	↓10%	↓9%	

Source: UNCTAD calculations based on national statistics. Year-over-year growth rates, in \$US. Data excludes intra-EU trade.

Regional trade trends

The sharp and widespread decline in international trade in Q2 2020 has been similar for developing and developed countries. However, trade in developed countries appears to have fallen marginally faster, both in relation to imports and exports. Trade among developing countries (South-South) has been relatively more resilient with a decline of about 16 per cent in Q2 followed by a decline by 8 per cent in July.

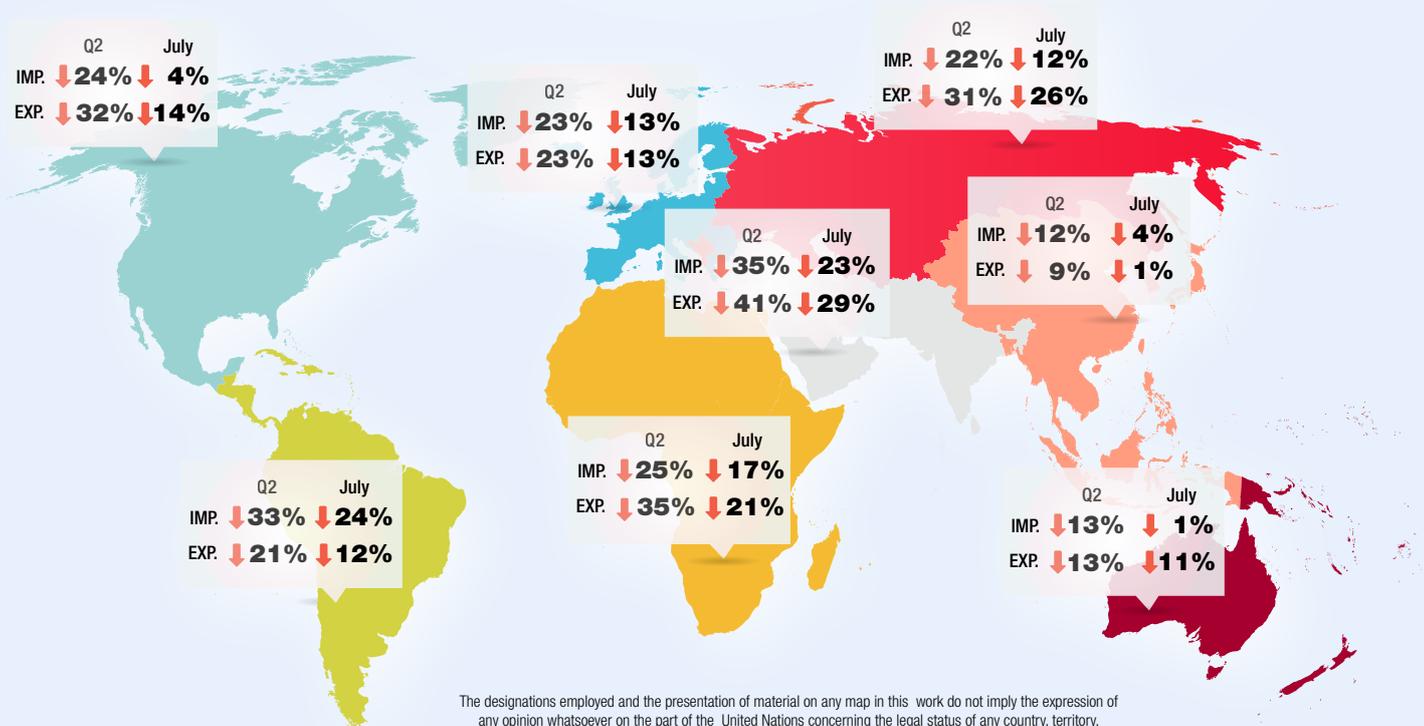
Trade among developing countries has been relatively more resilient.

	Q2 2020		July 2020	
	Import	Export	Import	Export
Developed countries	↓ 20%	↓ 22%	↓ 10%	↓ 14%
Developing countries	↓ 18%	↓ 17%	↓ 10%	↓ 6%
South-South Trade	↓ 16%		↓ 8%	

Source: UNCTAD calculations based on national statistics. Changes are year-over-year. Data excludes intra-EU trade.

No region has been spared from the decline in international trade in Q2 2020. However, trade in East Asia appears to have fared relatively better than in other regions. This trend is even more evident for the month of July. On the other hand, the sharpest decline has been for the West and South Asia region, where imports have dropped by 35 per cent, and exports by 41 per cent. As of July, the fall in trade remains significant in most regions.

Trade has fallen dramatically in most regions except in East Asia and Pacific



Source: UNCTAD calculations based on national statistics. Changes are year-over-year. Data excludes intra-EU trade.

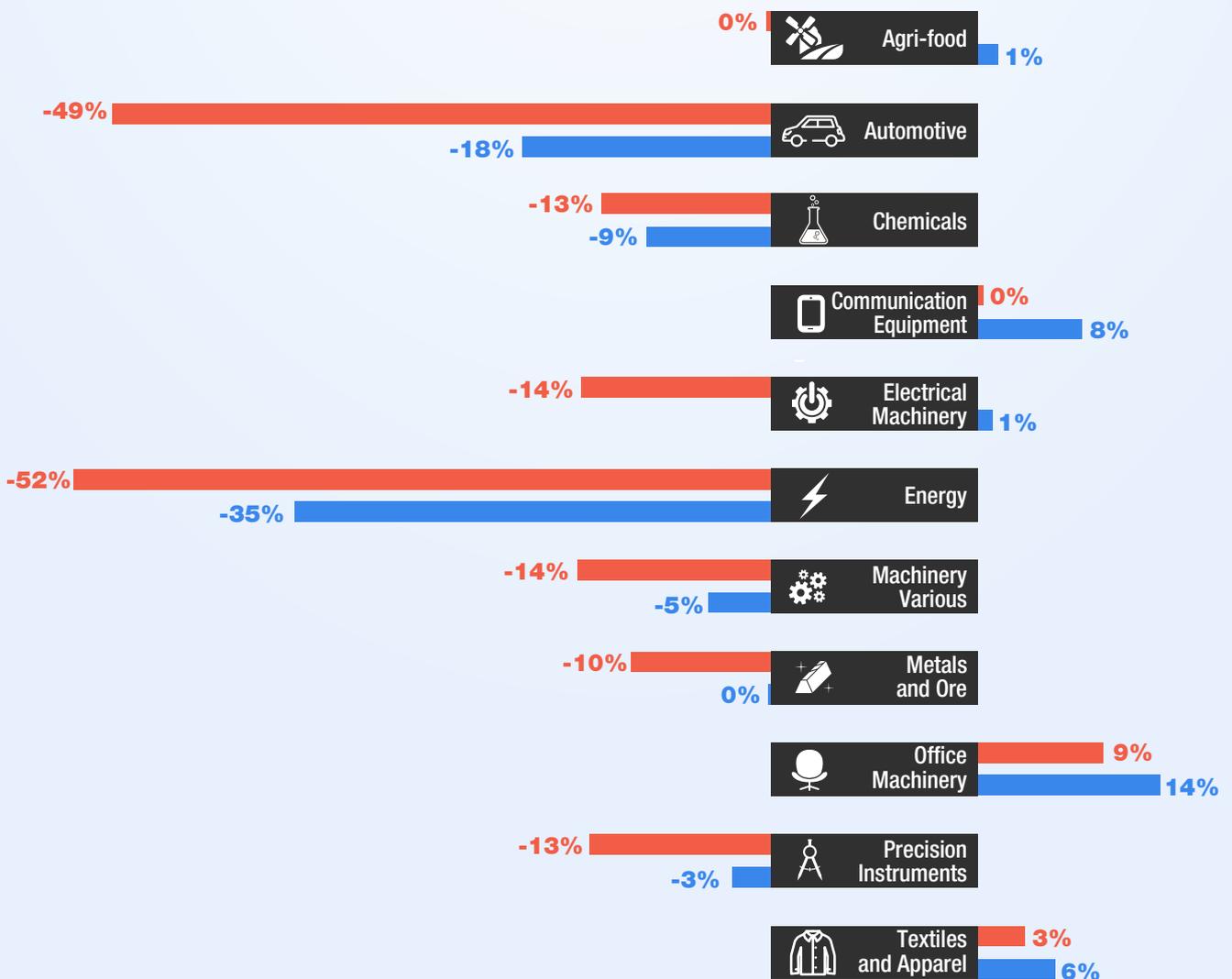
Global trade at the sectoral level

Economic disruptions brought about by COVID-19 have affected some sectors significantly more than others. In Q2 2020, the value of global trade in the automotive and energy sectors was about half of what it was in Q2 2019. Trade also declined significantly in chemicals, machineries, metals and ores, and precision instruments. On the other hand, imports increased in office machinery and textiles and apparel. Such increases are linked to the COVID-19 pandemic as these sectors include home office equipment and protective equipment such as masks.

The data for July and August 2020 indicates similar patterns. The value of international trade in the energy and in the automotive sectors was still substantially below its levels of 2019. On the other hand, increases in demand of home office equipment and personal protective gear resulted in positive growth rates for trade in the communication equipment, office machineries, and textiles and apparel sectors.

World trade by sector

■ Second Quarter ■ July and August

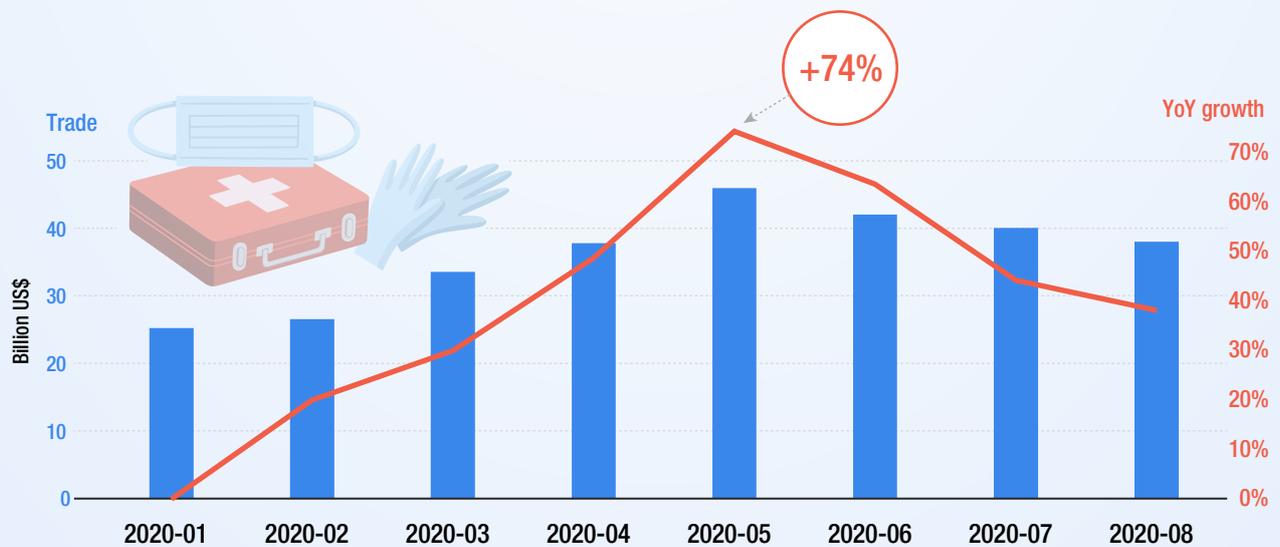


Source: UNCTAD calculations based on national statistics. Note: Percentage changes in world trade are year-over-year. Changes are estimated from HS6 digits data of China, European Union, and United States. Data excludes intra-EU trade.

COVID-19 Medical Supplies

International trade has played a substantial role in responding to the COVID-19 pandemic. Despite the very early stages of the pandemic, characterized by several nations imposing restrictive trade policies to safeguard potentially scarce medical supplies, international markets have contributed to meet the surge in overall demand for products necessary to combat the diffusion of COVID-19. Indeed, between January and May of this year, exports of COVID-19 medical supplies (personal protective equipment, disinfectants, diagnostic kits, oxygen respirators and other related hospital equipment)¹ from China, the European Union and the United States rose from about US\$ 25 to 45 billion per month.² On a year-over-year basis the trade of these products has increased by an average of more than 50 per cent since April 2020.

Trade trends of medical supplies related to COVID-19



Source: UNCTAD calculations based on national statistics.

Note: Figures are in US\$ million and percentage changes are year-over-year. Data excludes intra-EU trade.

Nevertheless, the increase in supply of COVID-19 related products has been largely to the benefit of wealthier countries. There is substantial evidence that middle- and low-income countries have been largely priced out from access to COVID-19 related products. Despite efforts to facilitate access to COVID-19 supplies³, trade statistics show that only a tiny fraction of the additional world production of COVID-19 related supplies have reached low income countries.

Since the onset of the pandemic, each resident of high-income countries has benefited, on average, from an additional US\$10 per month of imports of COVID-19 related products.⁴ This number is much lower for middle income countries – at about US\$1, and lower still for low income countries – a mere US\$0.10. In other words, per capita imports of the

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