

ECONOMIC PULSE

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INTERNATIONAL TRADE: ONGOING SLOWDOWN

Global PMI indices improved slightly in January but remain at a very low level and cannot be taken as a sign of global activity regaining momentum at the start of 2023. The composite index rose from 48.2 in December 2022 to 49.8, remaining below the 50-point expansion threshold. The export orders subindex (*chart 2*) was at an even lower level of 47.8. According to the CPB¹, worldwide export volumes were down last autumn, mainly because of the decline in exports from China, where public health restrictions remained in force (*chart 1*).

While the CPB's figures only cover the period up to November, more recent national data confirm that international trade continued to slow down over the winter. In Japan, real exports fell by 3.0% m/m in January and by 10.0% over the last three months, the sharpest three-month drop since March 2009, excluding the contractions seen in 2020 due to Covid-19. New export orders from Taiwan fell by 7.1% q/q in the fourth quarter of 2022, while in Germany, foreign new manufacturing orders were down 6.1% q/q. Worldwide semiconductor sales also saw a marked slowdown in the second half of last year following a sharp rise in 2021.

In the light of this weaker demand, shipping costs have continued to decline, and are now close to pre-pandemic levels. The Baltic index (*chart 4*), which measures the cost of transporting dry bulk materials, reached its lowest level in three years. The same could be seen in the Harpex index, which serves as a broader measure of shipping activity (*chart 5*). The PMI delivery times indicator showed a further reduction in goods shipping times in January (*chart 6*).

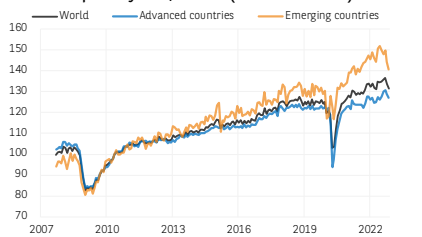
There were a number of uncertainties at the start of 2023. The earthquake that shattered south-eastern Turkey and Syria could cause severe disruption to the supply chains of many manufacturing companies, particularly those in the textiles industry, which have a fairly strong presence in the region. Furthermore, on the US West Coast, following 10 months of negotiations between port trade unions and employers, an agreement still has not been reached. In 2015, the failure of discussions that had lasted nine months resulted in severe bottlenecks at ports. While this scenario is not expected this time round, the risk of disruptions relating to industrial action in the transportation sector around the world, in response to rising inflation, will not disappear completely.

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GLOBAL TRADE INDICATORS

1. World exports by area, volume (index 2010 = 100)



Source: CPB, BNP Paribas

2. Global manufacturing PMI, new export orders



S&P Global (Markit), BNP Paribas

3. Global supply-chain pressures index



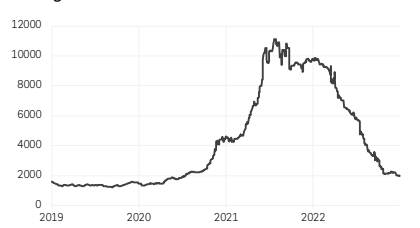
Source: Federal Reserve of New York

4. Baltic Exchange Dry Index



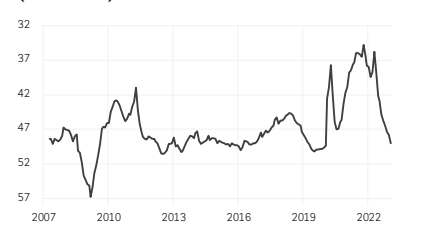
Source: Baltic Exchange, BNP Paribas

5. Freight rate index



Source: Freightos, BNP Paribas

6. Global manufacturing PMI, delivery times (Inverted line)



S&P Global (Markit), BNP Paribas



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