

ECONOMIC PULSE

INTERNATIONAL TRADE: A FEW SIGNS THAT TENSIONS ARE EASING

Although some signs of improvement are visible on certain trade routes – notably between China and the West Coast of the US – the overall situation is still far from a return to normal. The lockdown in Shanghai will continue to have significant repercussions for the operation of ports in China and elsewhere in Asia throughout the second half of 2022.

Albeit from very low levels, the component of Manufacturing PMI relating to delivery times has improved in the euro zone and the US, and to a lesser extent in some Asian countries including Japan, South Korea and China. The truck drivers' strike in South Korea, which lasted for eight days in June, proved very disruptive to the country's industrial production and accentuated the logistics problems in the region. Meanwhile, Chinese ports face a shortage of containers, many of which remain stuck in Europe, due to the lockdown in China¹.

However, the global freight rate index (Chart 5) has fallen significantly since the end of April (shipping prices were down 22.7% between the third week of April and the third week of June). This fall was largely due to lower costs for transport between China and the West Coast of the USA (down 42.6% over the same period), whilst costs increased 14.8% for routes between Europe and America's east coast.

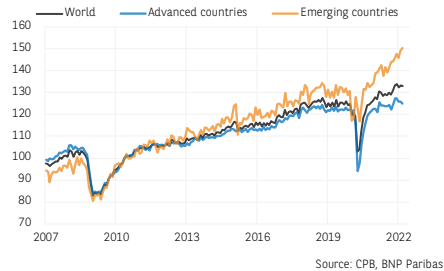
The synthetic index of tensions in global value chains, published by the New York Fed, fell half a point in May, but remains at historically high levels (Chart 3). These minor improvements in global logistics probably reflect more than just an easing of pressure on the supply side. Global demand is also showing signs of fragility. The global PMI for new export orders fell steeply again in May, hitting 48.9, close to its lowest level in two years (Chart 2). In real terms, trade in goods continued to see strong trends in March (Chart 1), particularly for exports from emerging economies. However, these figures only capture a very small fraction of trade since the beginning of the war in Ukraine.

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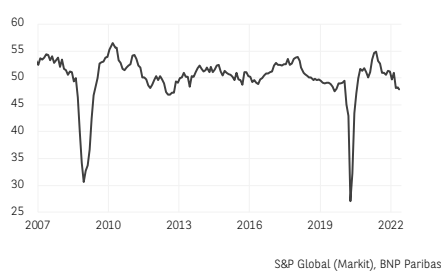
1. See *Asia's Shortage of Empty Containers May Worsen on Rotterdam Jam*, Bloomberg, 20 June 2022

INTERNATIONAL TRADE INDICATORS

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



2. Global manufacturing PMI, new export orders



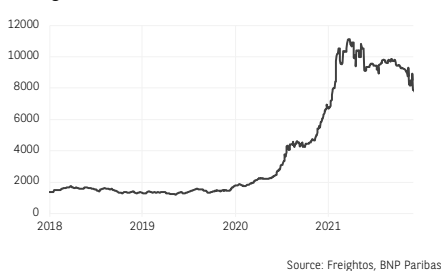
3. Global supply-chain pressures index



4. Baltic Exchange Dry Index



5. Freight rate index



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

