

ECONOMIC PULSE

INTERNATIONAL TRADE: SLIGHT RESPITE IN A STRETCHED ENVIRONMENT

Although tensions in world trade remain fierce, there were some signs of easing in October. The Baltic Dry Index (BDI), which reflects the cost of maritime transport for dry bulk goods, declined by around 30% after peaking in the first week of October. Nonetheless, the rise in costs since the start of the year remains impressive, nearly a tripling. Looking more closely at October's figures, we can see that the decline in the BDI was limited solely to very high tonnage container ships, while freight prices continued to rise for smaller vessels.

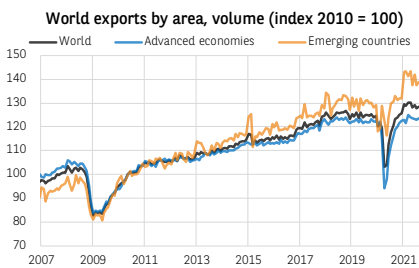
Due in part to transport bottlenecks, the volume of world trade has contracted in recent months (down 1.4% between March and August 2021, according to CPB¹). The decline during this period was widespread and particularly noticeable in the Eurozone (-1.3%), China (-1.6%) and especially Latin America (-7.1%). Global PMIs also deteriorated, indicating among other factors longer delivery times for manufactured goods than during the "great lockdown". Indeed, the corresponding index dropped to 36.5 in September 2021, compared with a trough of 37.7 in April 2020 (a lower number indicates a longer delivery period).

Yet the rebound in trade in 2021 was much more robust than expected. The World Trade Organisation (WTO) significantly revised its growth outlook for the year, from 8.0% to 10.8%. In contrast, it lowered its 2022 forecast from 4.7% to 4.0%. The WTO now forecasts that trade volumes will return to their long-term trend by the end of 2022, which is more optimistic than its previous forecast. Demand for manufactured goods is holding at a very high level, as illustrated by the change in new export orders from Taiwan and South Korea. Demand should remain strong with the approach of the holiday season.

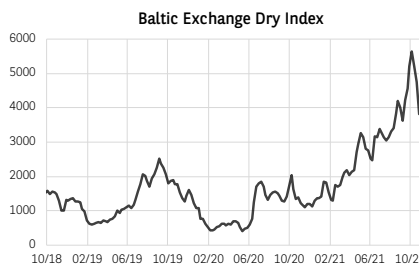
Guillaume Derrien

1. The Netherlands Office of Economic Policy Analysis.

WORLD TRADE INDICATORS



Source: CPB, BNP Paribas



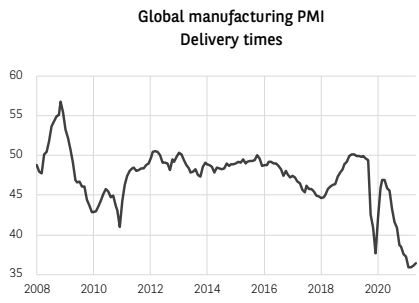
Source: Baltic Exchange, BNP Paribas



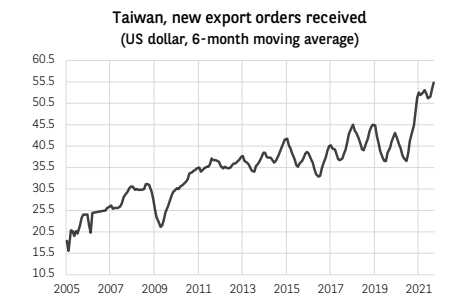
Source: Shanghai Shipping Exchange, BNP Paribas



Source: Markit, BNP Paribas



Source: Markit, BNP Paribas



Source: Ministry of Economic Affairs

