

ECONOMIC PULSE

WORLD TRADE: SLOWDOWN CONFIRMED

Global PMI numbers point to a significant slowdown in global economic activity. The new export orders sub-index dropped to 48.1 in March, below the threshold for expansion, and was unchanged in April. More specifically, new export orders for Taiwan recorded a heavy fall (down 17.2% m/m), the biggest drop for fourteen months. Although a pullback was expected, following a strong rise in March (21.6%), the scale of the decline was surprising.

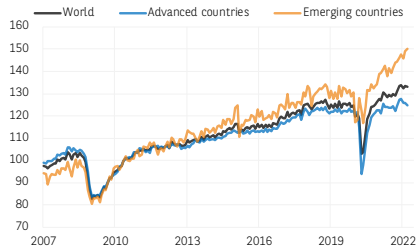
The tightening of the lockdown in China has affected international trade. The Global Supply Chain Pressure Index (Figure 3) rose in April, for the first time this year, indicating an increase in friction. Although restrictions in Shanghai were eased in May, this will provide only very limited help to still highly-disrupted global production chains in the short term. Delivery times in manufacturing are lengthening again: the global PMI component assessing these delays worsened in April (down 2.9 points to 35.8) and is now very close to the low point of October 2021, of 34.8. Another example of this increase in pressures comes from the Baltic Exchange Dry Index, which measures dry goods bulk shipping costs. It began to rise again in early February, although it has seen a slight dip in recent days. This said, the index of global freight rates is at its lowest for ten months.

Lastly, even though West Coast ports in the US are seeing a gradual return to normal activity levels, attention has now turned to the renegotiation of port workers' contracts, which have been ongoing since 10 May. During the previous negotiating round in 2015, a breakdown in talks led to significant disruption in port activity, which in current circumstances would be most unwelcome. Negotiations are likely to last for several weeks, as current contracts expire on 1 July.

Guillaume Derrien

INTERNATIONAL 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



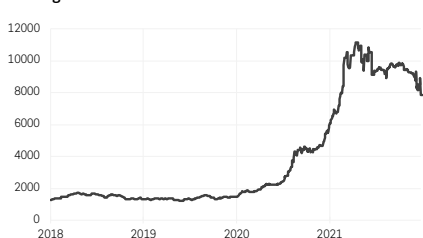
Source: Federal Reserve of New York

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

