

ECONOMIC PULSE

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INTERNATIONAL TRADE: THE SUPPLY SHOCK RECEDES, BUT NEW RISKS EMERGE

Global export volumes fell sharply in April, a fairly logical correction after the strong growth in the previous month, linked in particular to the catch-up effects subsequent to the end of the lockdown in China (Chart 1). According to the CPB¹, Chinese exports fell by 6.4% m/m (they still rose on a three-month moving average basis), as they did for the rest of the Asian emerging markets (-6.8% m/m), the United States (-5.9% m/m) and Latin America (-6.9% m/m). Eurozone exports fell less sharply (-1.9% m/m) but have been trending lower since last autumn (-6.0% compared to September 2022).

The New York Federal Reserve's global supply chain pressure index (GSCPI) fell again in May to its lowest-ever level (Chart 3). The PMI on delivery times (which is included in the calculation of the aggregated GSCPI) indicated a significant reduction in goods shipment times in May and for the thirteenth consecutive month (Chart 6). The trend is widespread across all industrial sectors covered by Markit's survey.

The strong pressures exerted on global supply chains in recent years have had a significant but difficult-to-quantify impact on production costs with a repercussion on consumer prices. A recent study by the Federal Reserve Bank of San Francisco² has attempted to quantify these effects on the US deflator (PCE), based on changes in the GSCPI. The authors conclude that between April 2021 and March 2023, pressures on global logistics explain "on average 60% of the rise above the trend in overall inflation [2%]" but that its contribution has gradually declined for several months. This reinforces the observation that US inflation is now driven mainly by demand³.

While the unprecedented disruption phase of the last two years has largely dissipated, new risks, particularly linked to climate change, are emerging more clearly and are expected to increase over the years. The record drought in Central America, which disrupts container traffic in the Panama Canal, is just one of many events that illustrates the growing scale of global warming affecting the global economy⁴.

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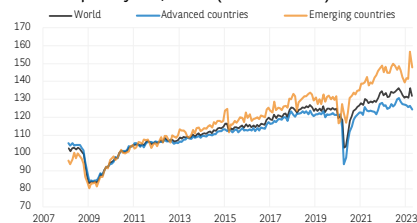
² Liu Z. and T.L. Nguyen, Global Supply Chain Pressures and U.S. Inflation, FRBSF Economic Letter, 20 June 2023.

³ H. Baudchon, Eurozone and the United States: where does inflation come from? BNP Paribas EcoWeek, 6 June 2023

⁴ See The Fed's Inflation Fight Faces a New Challenge: A Dry Panama Canal, Bloomberg, 2 June 2023

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



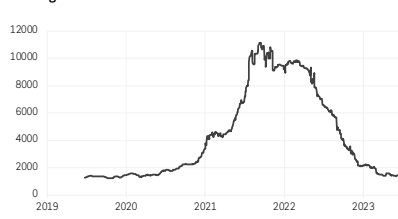
Source: Federal Reserve of New York

4. Baltic Exchange Dry Index



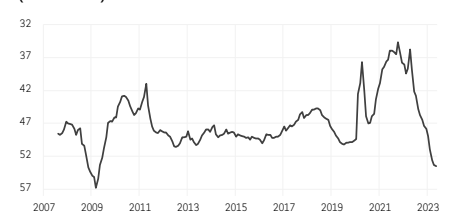
Source: Baltic Exchange, BNP Paribas

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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