

ECONOMIC PULSE

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TRADE NORMALISATION IS YET TO OCCUR

On the whole, global trade tensions are continuing to subside, but new areas of friction are emerging as a result of the war in Ukraine. The New York Federal Reserve's supply-chain pressures index has fallen significantly since the beginning of the year to reach its lowest level in 18 months in August (*chart 3*). Another visible indicator of this reduction in bottlenecks is shortening delivery times: the global manufacturing PMI (purchasing managers' index) rose to 44.8 in August from 35.8 four months previously (*chart 6*). A rising figure indicates a reduction in delivery times. However, this remains below its historical pre-pandemic average (48.2). The "normalisation" of global maritime trade flows is the main reason for these improvements, with congestion largely eliminated at ports on the US west coast. Global ocean freight has plummeted by more than 60% from its peak of a year ago, and by half compared to the start of this year (*chart 5*).

However, it is important to distinguish between energy freight and all other goods shipped. For energy freight, transportation costs have on occasions even increased; this is because of a rise in demand for LNG and oil as a result of disruption to the supply of Russian energy. This rise is perfectly reflected in the Baltic index for the transport of crude oil by sea (Baltic Dirty Tanker Index, *chart 4*), which has practically doubled (+91%) since the beginning of the year, while the general index has fallen by 20%.

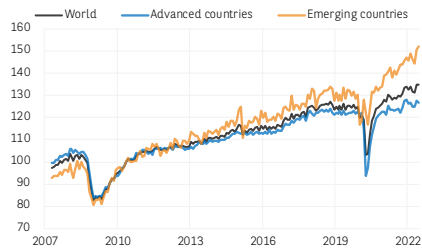
During the coming weeks, port traffic will remain under the threat of further disruption associated with the difficult economic, geopolitical and social climate. This is already the case in the United Kingdom, where a strike by dock workers is underway in Liverpool. Another such strike will begin on 27 September in Felixstowe on the east coast, the country's largest port. In the United States, pay negotiations affecting no fewer than 29 ports on the west coast of the country have been taking place since the beginning of July. Although the current disagreements have not adversely affected activity in these ports until now, they were hit by a slowdown for several months during negotiations in 2014.

Global demand, meanwhile, is showing signs of a downturn. The global composite PMI fell back below 50 in August to 49.3, indicating a contraction in activity. Nevertheless, the volume of global trade remained strong until the beginning of the summer. According to the CPB, volumes of exports grew by 0.7% quarter-on-quarter in Q2 2022. It seems quite unlikely that this upward momentum will have continued through this summer.

Guillaume Derrien

GLOBAL TRADE

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



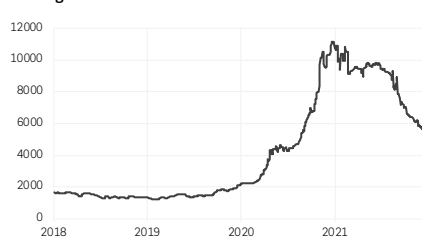
Source: Federal Reserve of New York

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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