

ECONOMIC PULSE

INTERNATIONAL TRADE: WORLD TRADE TENSIONS PERSIST AT THE END OF 2021

World trade tensions and supply chain frictions will continue to be major sources of uncertainty in 2022, given their impact on imports prices, and in turn, consumer prices. Based on simulations, UNCTAD¹ estimates that an increase in maritime freight costs would drive up global import prices by 10.6% by the end of 2023, with a smaller but non-negligible impact on global consumer prices of 1.5%². There is also a risk that shortages of certain key components, notably semiconductors, persist for several more months³.

According to several indicators, although certain transport costs may not have eased in November (they are holding at very high levels), they at least are no longer rising. The Baltic Exchange Dry Index shows that transport costs for dry goods declined by about 15% last month. Even so, the index is still about twice higher than at the beginning of the year. Maritime container transport costs from China have levelled off but are still close to October's peak.

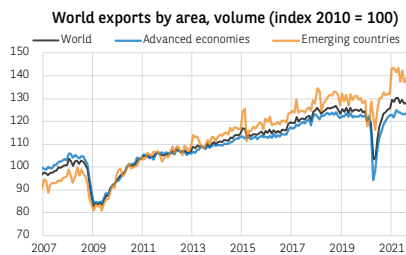
Supply chain disruptions are particularly fierce given that global demand is still very robust, which is maintaining major bottlenecks. Indeed, new export orders from Taiwan (a reliable indicator of global industrial activity), continued to rise in Q3 2021, although the improvement in the global PMI indices has stalled. Delivery times also remain the highest on record, as evidenced by the corresponding global PMI index, shown below.

Production and delivery delays have generated a decline in global trade volumes, which fell 2.5% between March and September 2021 according to the CPB. The regions or countries reporting the sharpest declines in exports during this period were the United States (-6.7%), Japan (-6.3%) and Latin America (-4.3%). In contrast, combined exports from Africa and the Middle East increased 4.0% over this six-month period, although the regions' exports had rebounded only mildly since the collapse of spring 2020.

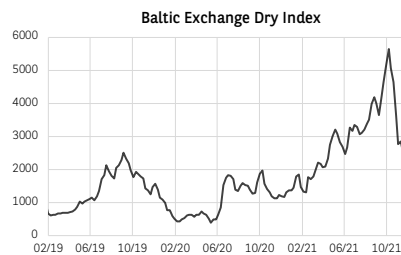
Guillaume Derrien

1. United Nations Conference on Trade and Development
 2. Increase from the price level that would have prevailed at the end of 2023, if sea freight costs had remained at the level of summer 2020. Review of Maritime Transport 2021, UNCTAD, November 2021.
 3. See "Renault sees 'difficult' chip supply until at least Mid-2022", Bloomberg, 30th November 2021.

INTERNATIONAL TRADE INDICATORS



Source: CPB, BNP Paribas



Source: Baltic Exchange, BNP Paribas



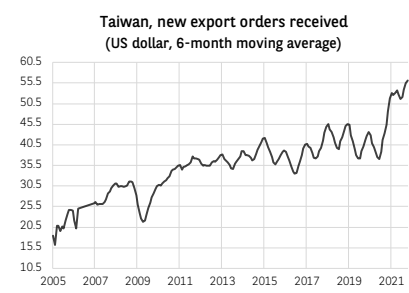
Source: Shanghai Shipping Exchange, BNP Paribas



Source: Markit, BNP Paribas



Source: Markit, BNP Paribas



Source: Ministry of Economic Affairs

