

# Global Trade Outlook and Statistics

Update: October 2024



## **About the WTO**

The World Trade Organization is the international body dealing with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible, with a level playing field for all its members.

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# Executive summary

- **The WTO has revised its forecast for world merchandise trade growth in 2024 to 2.7% – up slightly from the previous estimate of 2.6% – and to 3.0% in 2025 from 3.3% previously.** Demand for traded goods was weaker than expected in Europe but stronger than foreseen in Asia.
- **World real GDP growth at market exchange rates is expected to remain steady at 2.7% between 2023 and 2025.** The fastest growing region in 2024 is likely to be Asia, where output is expected to climb to 4.0%, while the slowest growing region is likely to be Europe at 1.1%. Germany has been particularly weak, with GDP growth turning slightly negative in Q2.
- **The US dollar value of world merchandise trade was nearly unchanged in the first half of 2024 compared to a year earlier while services trade was up 8% in the first quarter.** Rising trade volume and flat trade values implies a decline in export and import prices of around 2.6%. Among commercial services, the highest growth was achieved by travel, which rose 19% in Q1.
- **Inflation had fallen sufficiently by the middle of 2024 to allow central banks to cut interest rates.** Lower inflation should raise real household incomes and boost consumer spending, while lower interest rates should raise investment spending by firms.
- **Risks to the forecast are firmly on the downside due to regional conflicts, geopolitical tensions and policy uncertainty.** An escalation of the conflict in the Middle East could further disrupt shipping and raise energy prices given the region's importance in petroleum production.

# Gradual trade recovery despite widening regional conflicts and increased policy uncertainty

## Revised outlook for trade in 2024 and 2025

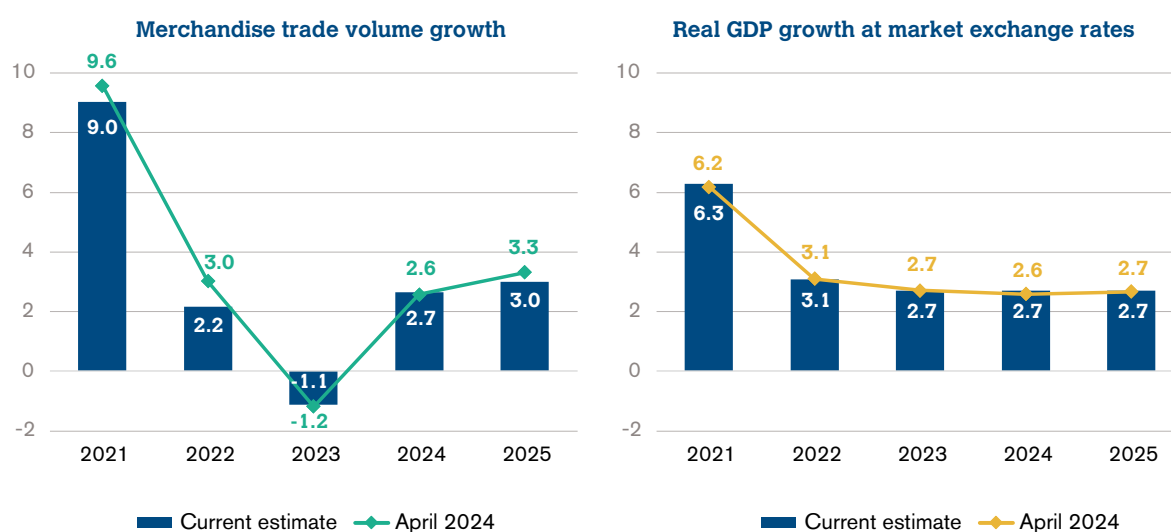
Global merchandise trade turned upwards in the first half of 2024 with a 2.3% year-on-year increase, which should be followed by further moderate expansion in the rest of the year and in 2025. The rebound comes on the heels of a slump in 2023 driven by high inflation and rising interest rates.

WTO economists now anticipate that the volume of world merchandise trade will increase by 2.7% in 2024 and 3.0% in 2025, while global GDP growth at market exchange rates is expected to remain at 2.7% in both years. Declining inflationary pressure has allowed central banks in advanced economies to begin cutting interest rates, which should stimulate consumption, boost investment and support a gradual recovery of global trade. However, significant downside risks remain, including regional conflicts, geopolitical tensions and policy uncertainty.

The revised trade forecast is consistent with the WTO's Global Trade Outlook and Statistics report issued in April, which predicted 2.6% growth in both merchandise trade and GDP in 2024, followed by trade growth of 3.3% and GDP growth of 2.7% in 2025. These projections are illustrated by Chart 1, which provides the current trade forecast alongside the previous one. The global figures show only modest revisions since the last report, but they do not capture some important changes regarding the regional composition of trade.

**Chart 1: World merchandise trade volume and GDP growth, 2021-2025**

Annual % change



Note: Figures for 2024 and 2025 are projections. Trade refers to average of exports and imports.

Source: WTO for merchandise trade volume and consensus estimates for GDP.

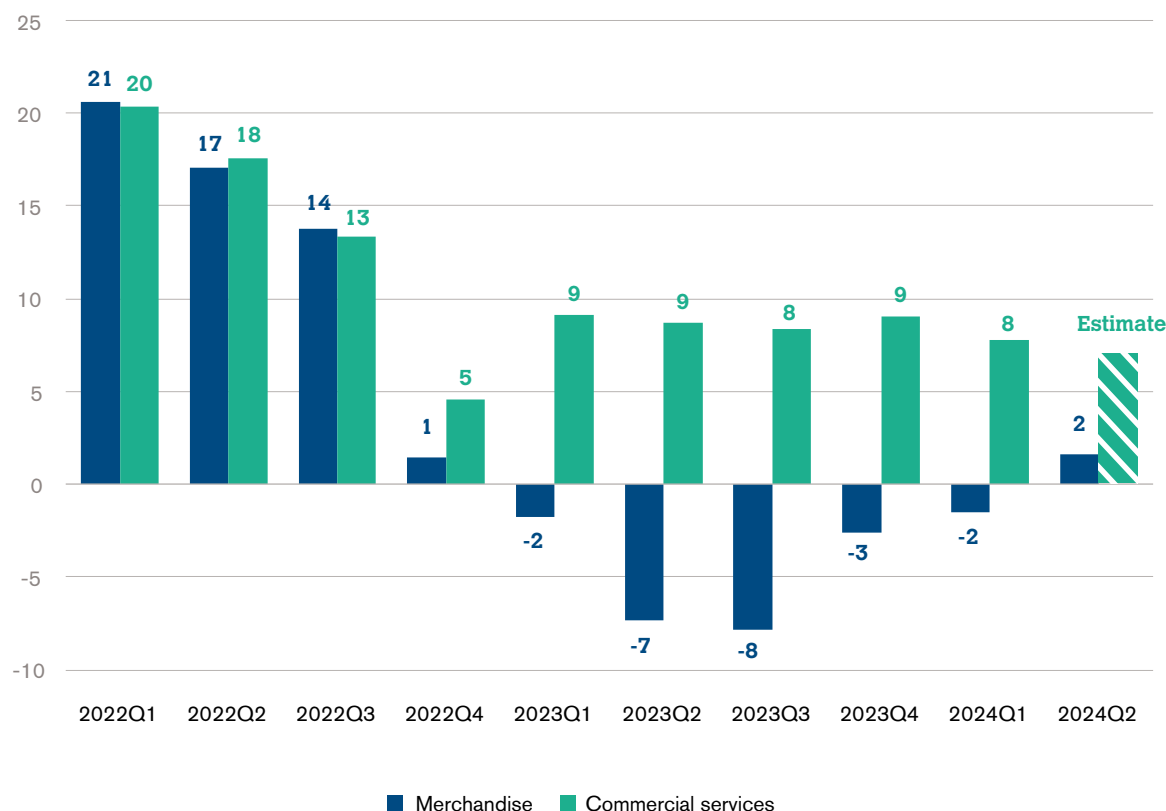
Trade developments in value (US dollar) terms show greater variation (see Chart 2). While growth in the value of world merchandise trade was flat in the first half of 2024 (+0.1%), growth in commercial services was stronger, up 8% year-on-year in Q1 (the latest period for which data are available). A 2.7% increase in merchandise trade in volume terms together with flat trade values implies a decline in export and import prices of around 2.6%. The short-term outlook for services is also more positive than for goods. Comprehensive services statistics for the second quarter will be released later in October, but available data through June suggest that relatively strong growth is likely to be sustained in Q2 as well.

Quarterly merchandise trade volume developments are highlighted in Chart 3. Trade increased by 1.1% in the first quarter of 2024 compared to the previous quarter, which is equivalent to an annualized rate of 4.5%. In the second quarter, growth slowed to 0.6%, or 2.3% on an annualized basis. For the year-to-date (January to June), trade was up 2.3% compared to the same period in 2023. This is less than the 2.7% forecast for the whole of 2024, but stronger year-on-year growth is expected in the second half of the year due to the weakness of trade in 2023.

Developments in Q1 and Q2 fall close to the lower end of the range of –likely outcomes set out in the WTO's April trade forecast, indicated by the dotted lines in Chart 3. The main reason for the lower-than-expected trajectory of merchandise trade was a substantial downward revision to the European Union's quarterly trade volume data back to 2020. The April version of this chart plateaued at 119.1 in 2023, whereas the current one shows an average of 115.9 for the same year. Despite the downward revision, trade volume in the first half of 2024 was still 7% higher than in 2019, and 18% higher than in 2015.

**Chart 2: Merchandise and commercial services trade growth in value terms, 2022Q1-2024Q2**

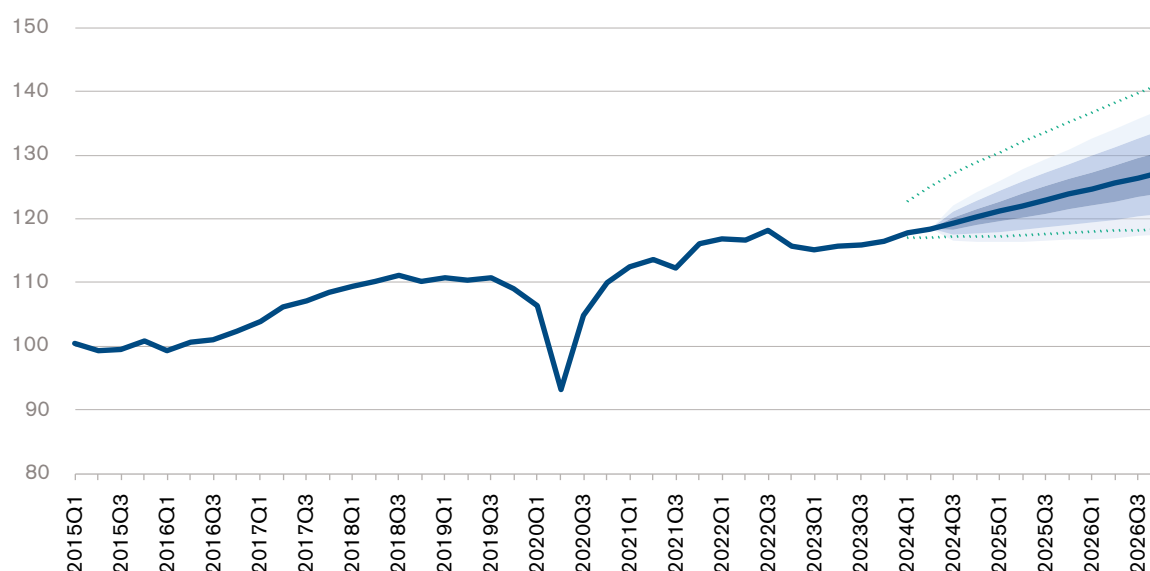
Year-on-year % change in US\$ values



Source: WTO-UNCTAD.

**Chart 3: Volume of world merchandise trade, 2015Q1-2026Q4**

Seasonally-adjusted volume index, 2015=100



*Note:* The shaded region represents both random variation and subjective assessment of risk. The dotted lines represent the confidence interval of the April 2023 trade forecast.

*Sources:* WTO and UNCTAD for historical data, WTO Secretariat estimates for forecasts.

## Macroeconomic conditions

The global economy continues to improve gradually, although notable differences in economic performance persist across economies and regions. The ability of policymakers to engineer a “soft landing” will largely depend on the timing and scope of interest rate cuts.

In recent months, major economies including the United States, the European Union and South Africa have started to cut interest rates as inflationary pressures have eased (see Chart 4). In contrast, China has introduced a range of significant stimulus measures to counter weak domestic demand. These include interest rate cuts, reductions in bank reserve requirements and steps to lower the costs of existing mortgages.

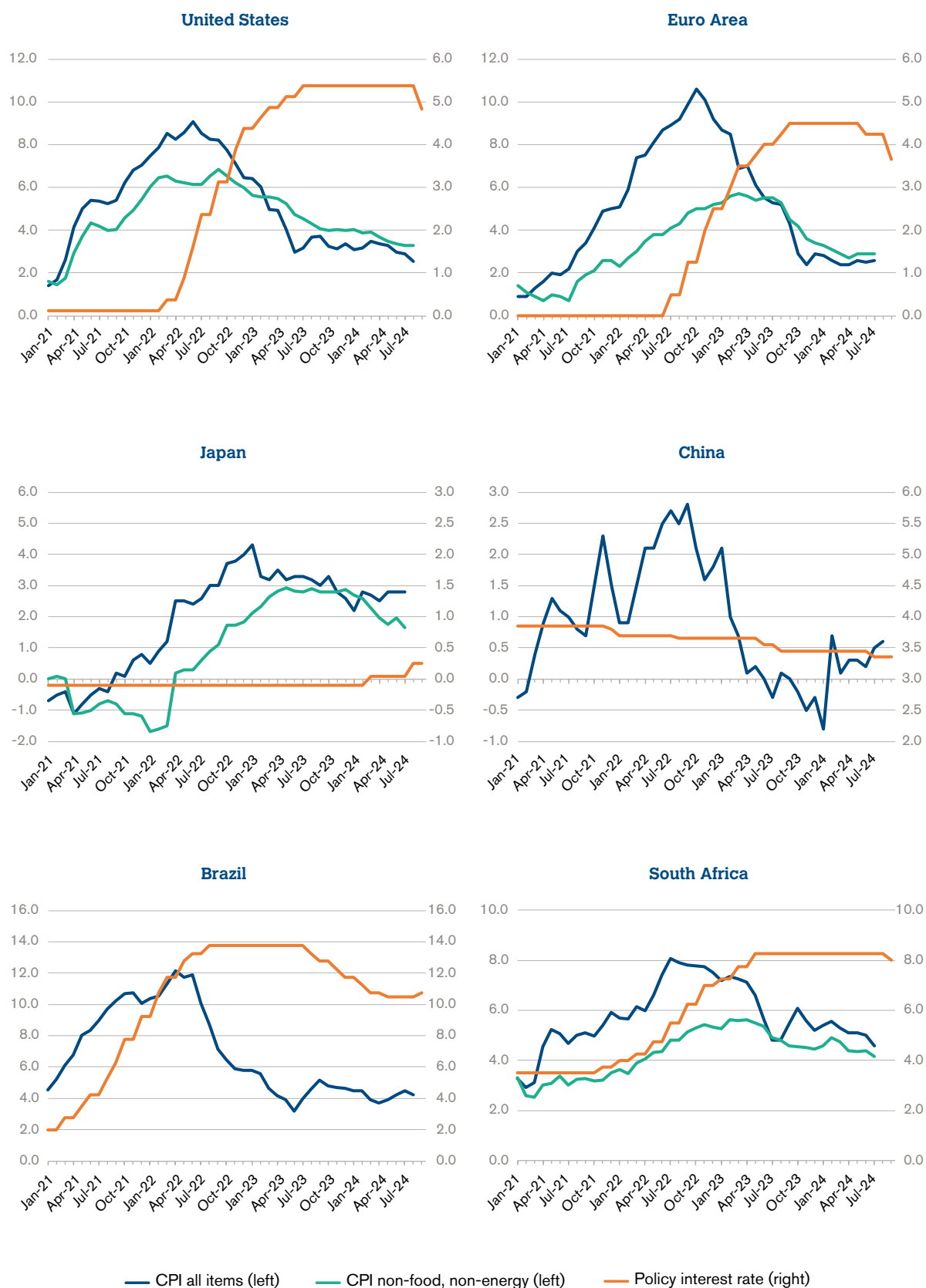
In early August, disappointing US payroll data prompted the Federal Reserve to initiate monetary easing with a 50 basis point – or 0.5% - interest rate cut in September. The European Central Bank (ECB) had already lowered its main policy rate by 25 basis points – or 0.25% - in June, but ongoing economic weakness prompted an additional 25 basis point cut in September. Japan and Brazil stand out as exceptions to this trend, with both raising interest rates due to persistent inflationary pressures.

In terms of economic performance, the United States saw quarterly annualized GDP growth rise to 3.0% in Q2, up from 1.4% in Q1. In the eurozone, growth picked up slightly to 1.3% in Q2 from 1.1% in the previous quarter. Japan's economy rebounded with 3.1% growth in Q2 following a 2.3% contraction in Q1. Meanwhile, China's growth slowed to 2.8% in Q2 from 6.1% in Q1, but year-on-year growth was still 4.7%.

The most conspicuous weak points in the global economy are currently Germany, where output contracted at an annualized rate of -0.3% in Q2, and Argentina, where output on an annualized basis fell 8.4% in Q1, and 4.8% in Q2. In Germany, the Hamburg Commercial Bank/S&P Global Manufacturing Purchasing Managers' Index (PMI) – an indicator of future trends in manufacturing - fell to a 12-month low in September, highlighting the challenges facing the country's manufacturing sector and hinting at a possible recession. PMIs in other countries (including the United States) have also signalled weakness in manufacturing, whereas service sectors appear to be holding up better.

**Chart 4: Consumer price inflation in selected economies, January 2021-September 2024**

Year-on-year % change and % per annum

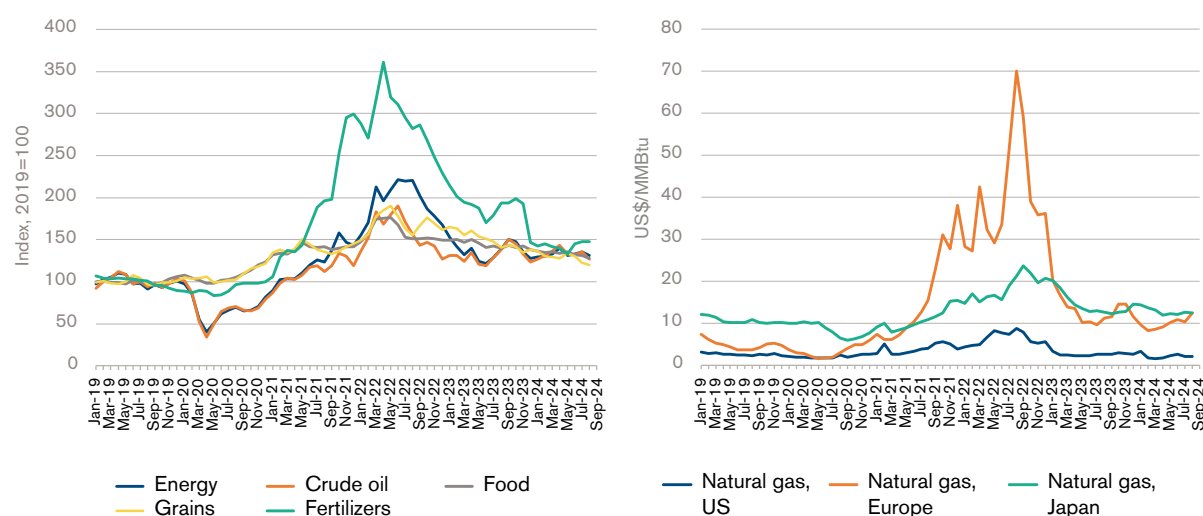


Source: OECD, National Bureau of Statistics China.



**Chart 5: Global primary commodity prices, January 2019-August 2024**

Index 2019=100 and US\$ per million Btu



Source: World Bank.

Energy prices have fallen from their peak in 2022 as economies have adapted to changing supply conditions after the outbreak of the war in Ukraine. In the United States, the average price of natural gas has returned to levels last seen before the COVID-19 pandemic and the war in Ukraine. However, prices in Europe and Japan remain significantly higher than in the United States. Notably, European natural gas prices are getting closer to Japanese Liquefied Natural Gas (LNG) prices as Europe shifts its gas supplies from Russia to US LNG. Although European gas prices have dropped from their peak of US\$ 70/MMBtu following the outbreak of war in Ukraine, they still average nearly US\$ 10/MMBtu - more than double their 2019 average (see Chart 5).

### The trade forecast in depth

Table 1 summarizes the WTO's projections for merchandise trade volume growth and real GDP growth at market exchange rates through 2025. If current assumptions hold, world trade will increase by 2.7% in 2024, slightly above the Organization's previous forecast of 2.6% from last April.

Asia's exports will grow faster than those of any other region this year, rising by as much as 7.4%. It will be followed by the Middle East (4.7%), South America<sup>1</sup> (4.6%), the CIS region<sup>2</sup> (4.5%), Africa (2.5%), North America (2.1%) and Europe (-1.4%). On the import side, the fastest growing region will be the Middle East (9.0%) followed by South America (5.6%), Asia (4.3%), North America (3.3%), the CIS region (1.1%), Africa (1.0%) and Europe (-2.3%).

The current forecast is premised on world market-weighted GDP growth of 2.7% in 2024 (up slightly from the 2.6% forecast in April). Economic growth will be fastest in Asia (4.0%), followed by the CIS region (3.8%), Africa (3.3%), North America (2.4%), the Middle East (1.9%), South America (1.8%) and Europe (1.1%).

In 2025, world GDP growth is expected to remain unchanged at 2.7% while world trade growth is expected to pick up slightly to 3.0%, due in part to the delayed positive contribution of the EU to global trade. Asia is forecast to lead other regions in export growth (4.7%) and import growth (5.1%). All regions should see trade flows increase in 2025 in volume terms except for a small decline in South American exports (-0.1%) and a larger decline in Middle East imports (-1.1%).

1 Refers to South and Central American and the Caribbean.

2 Refers to Commonwealth of Independent States (CIS), including certain associate and former member states.

**Table 1: Merchandise trade volume and GDP growth, 2020-2025 <sup>a</sup>**

Annual % change

	2020	2021	2022	2023	2024	2025
<b>World merchandise trade volume <sup>b</sup></b>	<b>-5.3</b>	<b>9.0</b>	<b>2.2</b>	<b>-1.1</b>	<b>2.7</b>	<b>3.0</b>
<b>Exports</b>						
North America	-9.2	6.4	3.9	3.7	2.1	2.9
South America <sup>c</sup>	-5.0	6.7	3.0	2.3	4.6	-0.1
Europe	-8.5	6.9	1.8	-2.6	-1.4	1.8
CIS <sup>d</sup>	-1.1	-0.8	-1.9	-4.5	4.5	1.7
Africa	-7.2	3.8	-2.5	4.3	2.5	2.2
Middle East	-6.4	-1.6	3.8	1.1	4.7	1.0
Asia	0.6	13.1	0.2	0.3	7.4	4.7
<b>Imports</b>						
North America	-5.2	11.9	5.7	-2.0	3.3	2.0
South America <sup>c</sup>	-9.9	24.9	4.1	-4.5	5.6	1.7
Europe	-8.2	7.5	4.4	-5.0	-2.3	2.2
CIS <sup>d</sup>	-5.2	9.4	-5.7	17.9	1.1	1.7
Africa	-13.9	5.8	6.5	0.1	1.0	1.1
Middle East	-8.7	12.9	10.5	8.5	9.0	-1.1
Asia	-1.0	10.3	-1.0	-0.7	4.3	5.1
<b>World GDP at market exchange rates</b>	<b>-2.9</b>	<b>6.3</b>	<b>3.1</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>
North America	-2.8	5.7	2.1	2.4	2.4	1.6
South America <sup>c</sup>	-6.3	7.7	4.1	1.8	1.8	2.9
Europe	-5.8	6.6	3.5	0.7	1.1	1.6
CIS <sup>d</sup>	-2.4	5.7	0.1	3.9	3.8	1.9
Africa	-2.4	4.7	3.8	3.1	3.3	3.9
Middle East	-3.5	4.4	6.1	1.4	1.9	3.7
Asia	-0.7	6.7	3.3	4.3	4.0	4.0
<b>Memo: Least Developed Countries (LDCs)</b>						
Volume of merchandise exports	-1.5	-2.2	-0.6	4.6	1.8	3.7
Volume of merchandise imports	-8.4	6.5	0.2	-4.8	5.9	5.6
Real GDP at market exchange rates	0.1	3.3	4.2	3.3	4.3	4.7

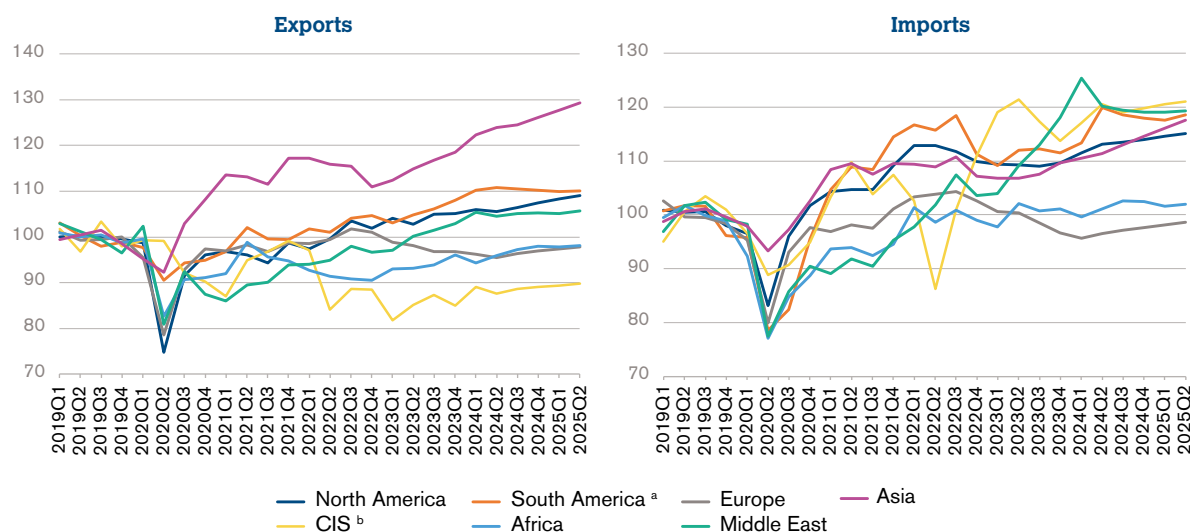
<sup>a</sup> Figures for 2023 and 2024 are projections.<sup>b</sup> Average of exports and imports.<sup>c</sup> Refers to South and Central America and the Caribbean.<sup>d</sup> Refers to Commonwealth of Independent States (CIS), including certain associate and former member states.

*Note:* These projections incorporate mixed-data sampling (MIDAS) techniques for selected countries to take advantage of higher-frequency data such as container throughput and financial risk indices.

*Sources:* WTO for trade, consensus estimates for GDP.

**Chart 6: Merchandise exports and imports by region, 2019Q1-2025Q2**

Volume index, 2019=100



a Refers to South and Central America and the Caribbean.

b Refers to the Commonwealth of Independent States, including certain associate and former member states.

Note: Figures for 2024Q3 to 2025Q2 are projections.

Sources: WTO-UNCTAD through 2024Q2, WTO thereafter.

Merchandise exports of least developed countries (LDCs) are projected to increase by 1.8% in 2024, marking a slowdown from the 4.6% growth recorded in 2023. Export growth is expected to pick up in 2025, reaching 3.7%. Meanwhile, LDC imports are forecast to grow 5.9% in 2024 and 5.6% in 2025, following a 4.8% decline in 2023. These forecasts are underpinned by GDP growth estimates for LDCs of 3.3% in 2023, rising to 4.3% in 2024 and 4.7% in 2025.

Chart 6 shows quarterly merchandise export and import volume developments by region through the second quarter of 2025. Exports from Asia surged following the COVID-19 pandemic but have plateaued at a high level, partly explaining the region's weak export growth since then.

If the forecast is realized, by the second quarter of 2025 Asian exports will have risen 29.4% compared to their average level in 2019, followed by South America, North America and the Middle East with export growth over the same period of 10.1%, 9.1% and 5.7% respectively. African exports are expected to have declined by 1.8%, while European exports are projected to be 2.1% lower. Meanwhile, exports from CIS countries are expected to decline by 10.1% over the same period.

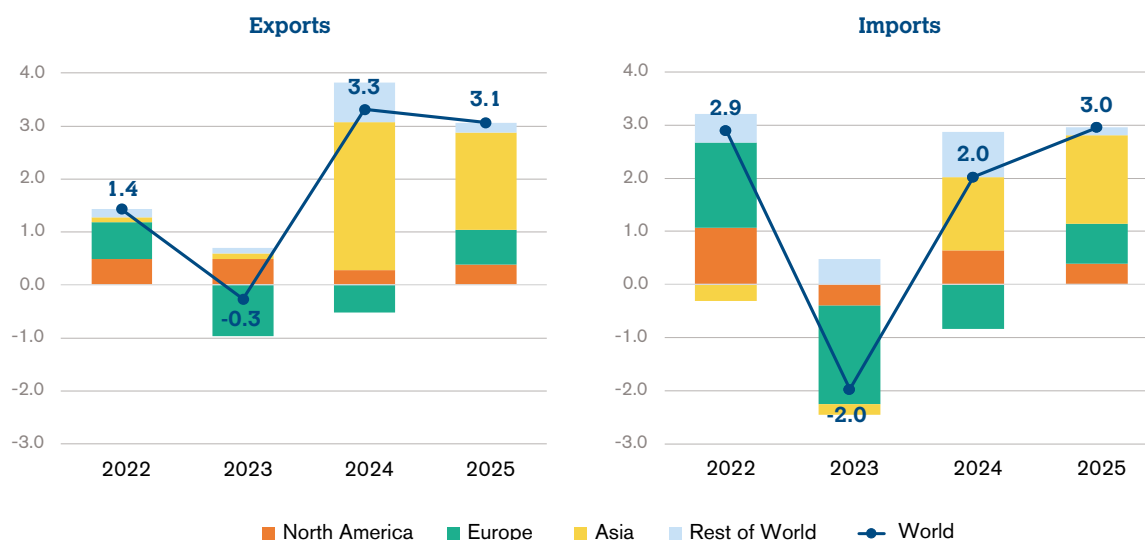
In terms of import growth, the CIS region is expected to see the largest increase between 2019 and mid-2025, with imports up 21.0%, followed by the Middle East at 19.3% and South America at 18.5%. Asia is forecast to experience a 17.6% increase in imports, while North America will see a gain of 15.1%. Africa's imports are set to rise just 2.0% over the same period, while Europe will be the only region to experience an outright decline in imports of -1.4%.

### Contributions to growth by region

Europe has continued to weigh heavily on global merchandise trade in 2024, acting as a drag on overall performance for both imports and exports. The main sectors driving European negative export performance are chemicals and vehicles. Organic chemicals, which are precursors to other medicines, are reverting to trend after a surge in demand during the pandemic. The contraction in the automotive sector raises more

**Chart 7: Contributions to merchandise trade volume growth by region, 2022-2025**

Annual % change



Source: WTO estimates.

concerns due to potential ripple effects across value chains. In European imports, the largest contraction was in machinery, with a substantial reduction in imports from China. This reduction is not simply the result of fragmentation, since similar declines are observed across geopolitically aligned economies such as the United States, the Republic of Korea and Japan. Conversely, imports from India and Viet Nam are rising, hinting at their emerging role as “connecting” economies.

In contrast, Asian exports are experiencing a rebound, driven by key manufacturing economies such as China, Singapore and the Republic of Korea. Japan, however, remains stagnant, with exports flat in 2024 following a contraction in 2023. On the import side, Asia presents a mixed picture. Chinese import growth remains moderate, while Singapore, Malaysia and other Asian economies, including India and Viet Nam, show stronger growth. In light of the risk of geopolitical fragmentation, this hints at the role of “connecting” economies in global supply chains and trade.

South America is rebounding in 2024, recovering from weaknesses in both exports and imports experienced in 2023. North American trade is largely driven by the United States, although Mexico stands out with stronger import growth compared to the region as a whole. Mexican imports are rebounding after a contraction in 2023, underscoring the country’s growing role as a “connecting” economy in trade. Africa’s export growth is in line with the global trend. It has been revised downward from the April forecast, driven by an overall revision of Africa’s trade statistics, and a greater-than-expected weakening in Europe’s imports, Africa’s main trade partner. In April, we forecasted a contraction in CIS imports for 2024, but we now project 1.1% growth, driven by stronger-than-expected GDP growth. The Middle East had a major revision in its data, explaining the discrepancy between the April forecast and current projections.

These developments are summarized in Chart 7. Europe was responsible for subtracting 1.9 percentage points from world import volume growth of -2.0% in 2023. In the WTO’s previous forecast in April, Europe was expected to make a small but positive contribution to world import demand in 2024 and a larger one in 2025, but this has not turned out to be the case. In light of more recent data, Europe is forecast to make a negative contribution of -0.8 percentage points to world import growth of 2.0% in 2024, while North America and Asia make positive contributions of 0.6 percentage points and 1.4 percentage points. Europe’s contribution to export growth is also expected to be negative this year at -0.5 percentage points while North America and Asia are expected to add 0.3 percentage points and 2.8 percentage points, respectively.

## Risks to the outlook

Risks to the trade forecast are numerous and firmly tilted to the downside. These risks include widening regional conflicts, monetary policy divergence leading to financial volatility, and fragmentation of supply chains linked to geopolitical considerations. There is also some limited upside potential if interest rate cuts in advanced economies have a larger-than-expected positive impact on growth without reigniting inflation.

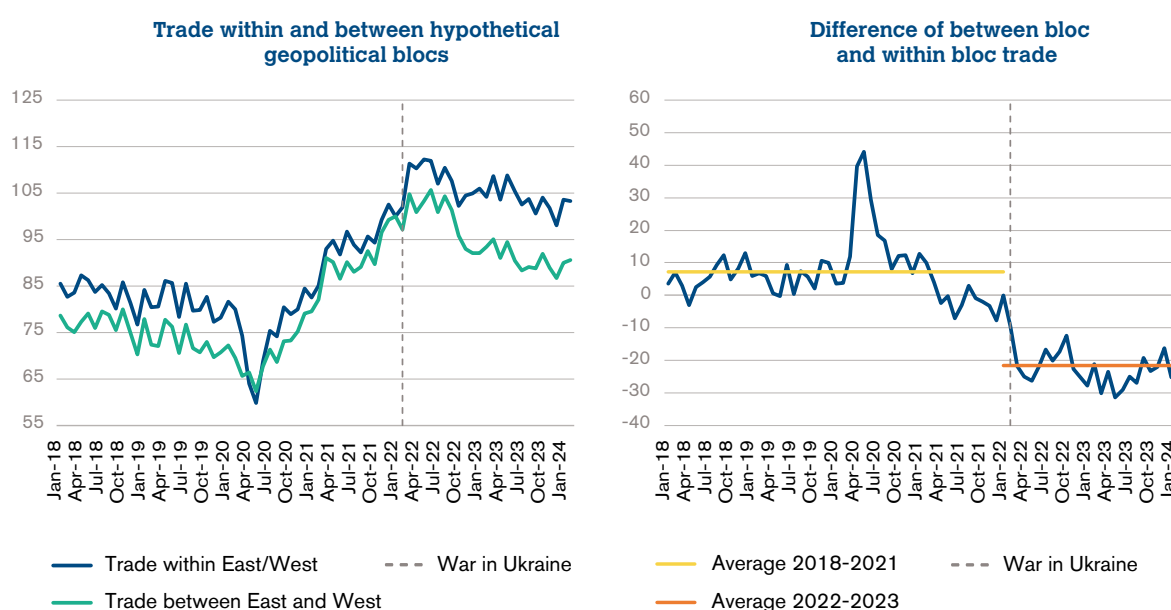
An escalation of the conflict in the Middle East could have negative consequences for global and regional trade flows, particularly for any countries directly involved. The effects would also be felt in other regions, including through further disruptions to shipping and rising energy prices due to higher risk premiums. The disruptive impact of the Red Sea crisis has been contained to date (see Box 1), but other routes could be impacted in a wider conflict. There would also be a heightened risk of energy supply disruptions given the region's prominent role in petroleum production. Higher energy prices would dampen economic growth in importing economies and weigh on trade indirectly.

Diverging monetary policies across major economies could also produce bouts of financial volatility if they trigger sudden shifts in exchange rates or capital flows. This could make debts harder to service for some economies, particularly poorer ones. A separate but related risk is that policymakers act too cautiously, resulting in an economic slowdown, or too aggressively, risking a return to rising inflation.

The WTO has observed increasing signs of fragmentation in trade flows since the onset of the war in Ukraine, with exports and imports reorienting along geopolitical lines. Chart 8 illustrates these trends. Estimates suggest that trade between hypothetical blocs composed of economies holding similar political views (based on voting patterns in the United Nations General Assembly, labelled as East and West) has grown 4% more slowly than trade within these blocs since the outbreak of war in Ukraine. So far, this trend is limited to the least complex products, where alternative suppliers are relatively easy to find.

**Chart 8: Trade within and between hypothetical geopolitical blocs (left) and the difference between “within bloc” and “between bloc” trade (right)**

Annual % change



Note: Seasonally adjusted series. Russian Federation, Belarus and Ukraine are excluded. Left-hand series indexed at 100 in January 2022. Right-hand series indexed at 0 in January 2022.

Sources: Blanga-Gubbay and Rubínová (2024).

## Box 1: Update on the Panama/Suez Canal crisis

Maritime shipping is the main mode of transport for internationally traded goods, accounting for more than 80% of international trade by volume. As a result, demand for maritime freight is highly inelastic, which means that changes in freight rates do not significantly affect the quantity of goods being shipped.

However, in 2023, a severe drought forced the Panama Canal, which handles 6% of global trade, to limit the number of ships allowed to pass through it each day. Although drought conditions have since been eased, navigation remained limited until August 2024.

Globally, monthly maritime freight costs have increased almost five-fold since October 2023, from US\$ 1,095 to US\$ 5,040. However, currently average freight costs remain half as high as during the peak of the pandemic crisis in September 2021, when the average monthly freight costs reached US\$ 10,865. The initial increase was partly due to congestions in the Panama Canal and the Red Sea (see Chart 9).

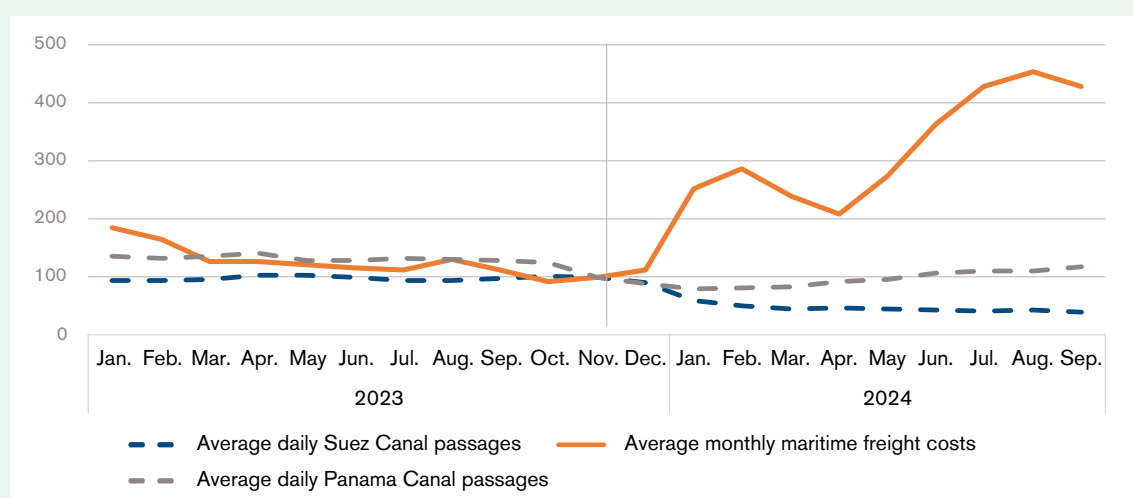
The attacks on commercial ships in the Red Sea and the Gulf of Aden, which handles around 15% of global trade, have also had a major impact on shipping since November 2023. The attacks led many carriers to avoid the Red Sea altogether, rerouting vessels around the Cape of Good Hope and causing daily Suez Canal passages to decrease by more than 60%. For most trade routes, rerouting via the Cape of Good Hope results in minimal delays, but Asia-Europe is an exception, experiencing an increased travel time of six to 25 days compared to the more direct route through the Suez Canal.

The rise in freight costs since April 2024 can be attributed to several factors, including increased consumer activity, strikes in the transportation sector, shipping accidents, and extreme weather events. While demand was relatively weak in the early months of 2024, consumer spending in both Europe and Asia has since risen, resulting in an increase in maritime freight shipments.

The North American freight market faced significant challenges since last April, such as a rail strike in Canada and the collapse of the Baltimore bridge, which blocked access to the port for over a month. In mid-April 2024, heavy fog disrupted operations at two of China's largest ports, Shanghai and Ningbo, while ports in Malaysia and Singapore experienced delays due to heavy rainfall. More recently, in September 2024, Typhoon Bebinca caused severe congestion at major Chinese container ports.

**Chart 9: Evolution of maritime freight costs and passages in Panama and Suez canals, January 2023-September 2024**

Index (100 = November 2023)



*Note:* The figure displays the average monthly freight spot rates for 40-foot containers and the average daily number of passages in the Panama Canal and Suez Canal. The average monthly data for September 2024 covers the 1-17 September period.

*Source:* WTO Secretariat elaboration based on freight costs data from Freightos and daily transit ship calls from IMF-Oxford Portwatch.

On the other hand, the data do not show any signs that recent geopolitical tensions have led to an overall trend towards regionalization of global trade, or near-shoring. No continent shows signs of increased trade regionalization while Africa's intra-regional trade has grown even more slowly than its extra-regional trade since the COVID-19 pandemic. This relative growth of Africa's extra-regional trade since the COVID-19 pandemic was driven by complex products.

### Trade-related indicators

Purchasing managers' indices (PMIs) based on business surveys provide a reliable indication of global economic activity, while the new export orders component provides a timely signal of the short-term outlook for trade. Chart 10 shows global PMIs for manufacturing and services compiled by JPMorgan and S&P Global for the period January 2019 to September 2024. Index values greater than 50 signal expansion while values less than 50 denote contraction. The headline manufacturing PMI dropped to 48.8 in September, suggesting that manufacturing activity is slowing again worldwide. On the other hand, the services PMI remained firmly in expansion territory at 52.9, although it did turn down in the latest month.

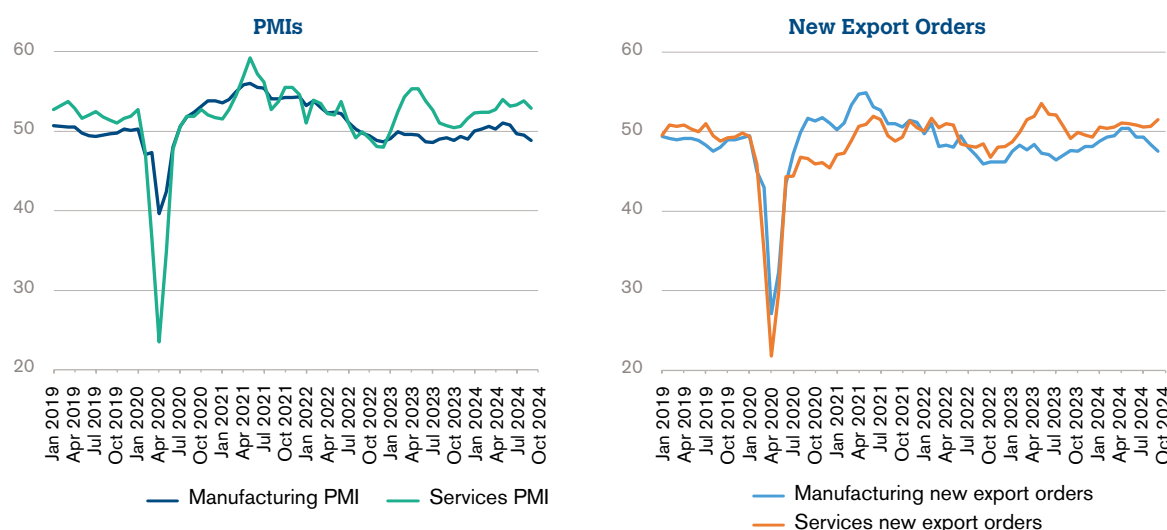
Meanwhile, the manufacturing new export orders index has fallen from 50.4 in May to 47.5 in September, which suggests a cooling of trade in manufactured goods. In contrast, the services new export orders index rose to 51.7, its highest level since July 2023. Overall, the PMI suggests that trends may diverge between manufacturing and services trade in the coming months.

PMIs are based on business surveys that can be influenced by sentiment, but freight data are more or less directly linked to trade flows. Strong recent growth in sea and air freight indices suggest that the negative signal in the PMIs may be overdone.

The RWI/ISL throughput index is based on container traffic of 92 ports accounting for 64% of world trade, making it a reasonable proxy for global goods trade (see Chart 11). In August, the index rose to its highest level on record, with traffic rising in China, Northern Europe and the rest of the world. For the year to date through August, total throughput is up 5.7%, including in Northern Europe where port traffic had fallen more than 20% between November 2021 and January 2024. The fact that container traffic has continued to rise in recent months suggests that the trade impact of the Red Sea crisis has been limited.

**Chart 10: Global Manufacturing Purchasing Managers' Indices, January 2019-September 2024**

Diffusion index, baseline = 50



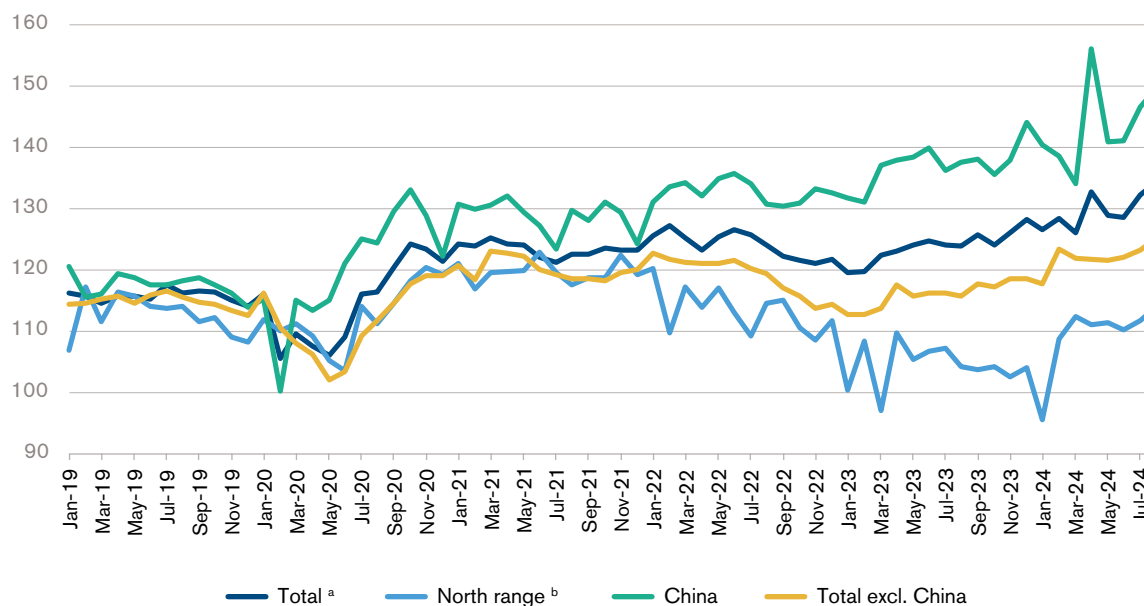
Note: Values greater than 50 indicate expansion while values less than 50 denote contraction except for supplier delivery times, where larger numbers represent faster shipments.

Sources: J.P. Morgan and S&P Global.



**Chart 11: RWI/ISL container throughput index, January 2019-August 2024**

Seasonally-adjusted index, 2015=100



a Based on throughput data from 92 ports accounting for approximately 64 % of global container traffic.

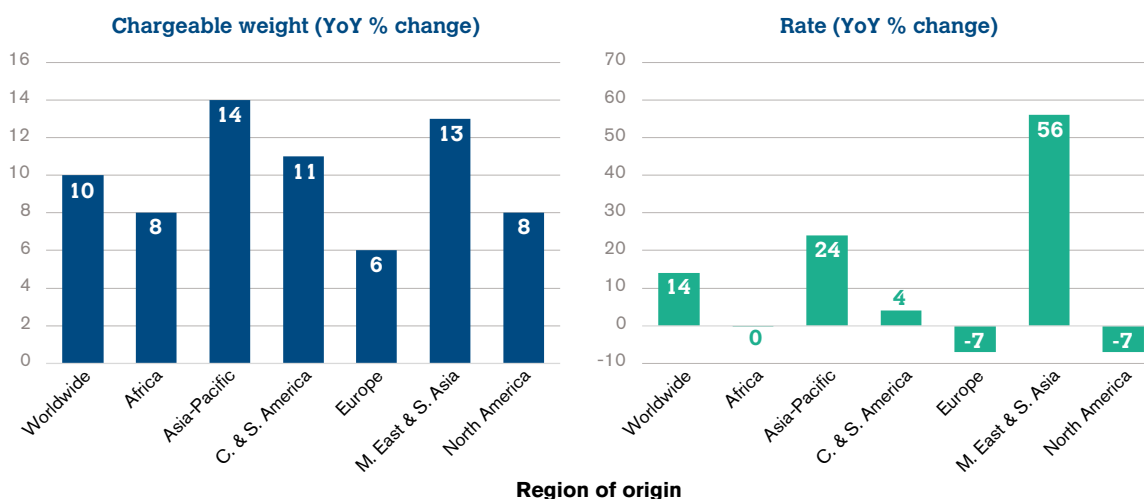
b Summarizes throughput of the ports of Le Havre, Zeebrugge, Antwerp, Rotterdam, Bremen/Bremerhaven and Hamburg.

Sources: RWI - Leibniz Institute for Economic Research and Institute for Shipping Economics and Logistics (ISL).

Air freight can substitute for other means of transporting goods when the latter are disrupted - for example, as a result of regional conflicts or labour disputes. Chart 12 shows year-on-year growth in air freight tonnages and rates by the origin region in the first two weeks of September 2024. Chargeable weight was up 10% worldwide, with shipments from the Asia-Pacific region up 14% and shipments from the Middle East and South Asia up 13%. Increased demand for air cargo has also caused air freight rates to rise precipitously in Asia Pacific (+24%) as well as in the Middle East and South Asia (+56%).

**Chart 12: Growth in air freight tonnages and rates, 15 September 2024**

Year-on-year % change



Note: Last two weeks compared to the same two weeks of the previous year.

Source: WorldACD.



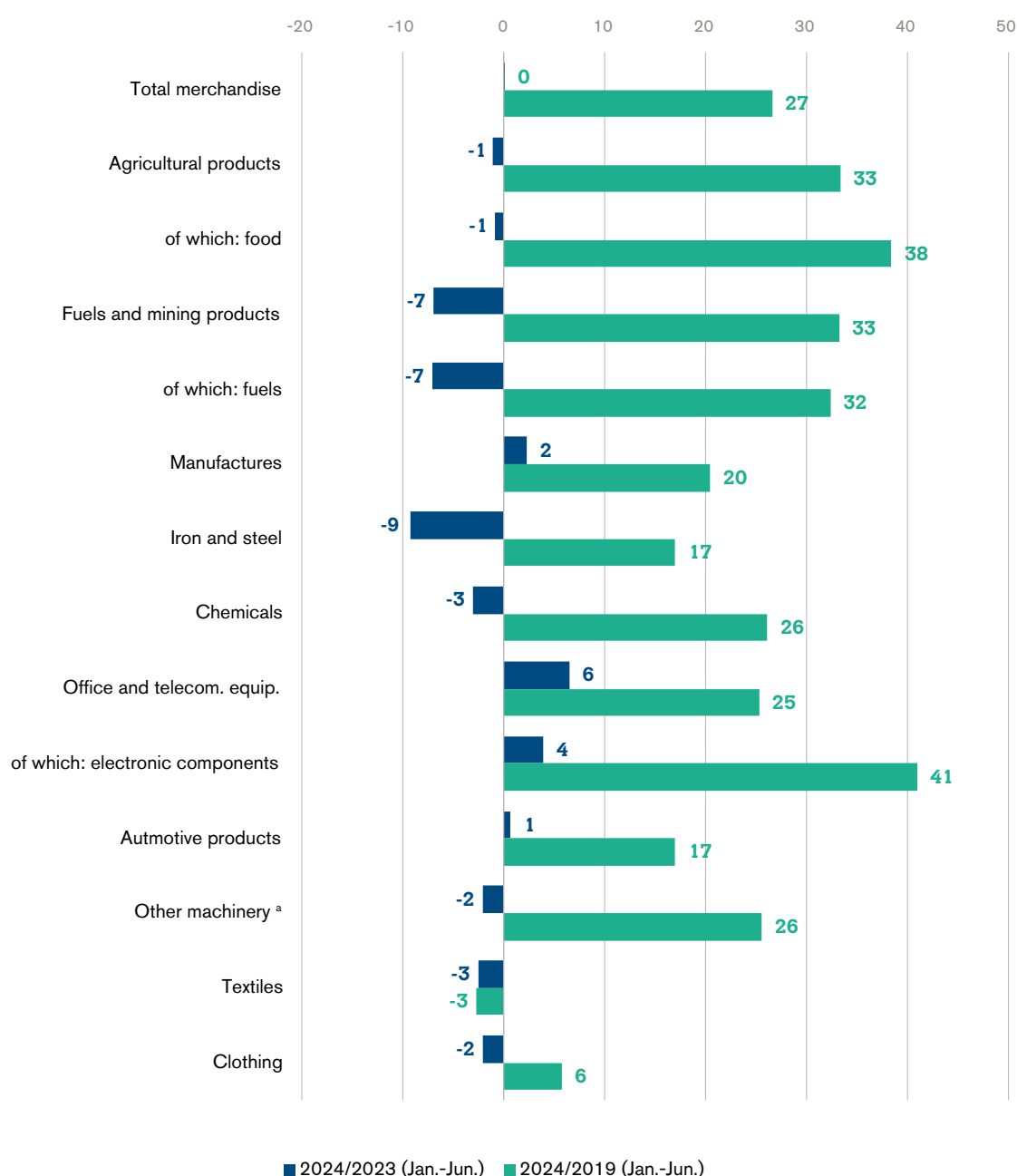
# Trade in value terms

## Merchandise trade

The US dollar value of world total merchandise trade was nearly flat (up just 0.1%) in the first half of 2024 compared to the same period in 2023 (see Chart 13). This marks an improvement over the previous six months, when total merchandise trade was down 5% year-on-year.

**Chart 13: Year-on-year merchandise trade growth by product, 2024 (January-June)**

Year-on-year % change

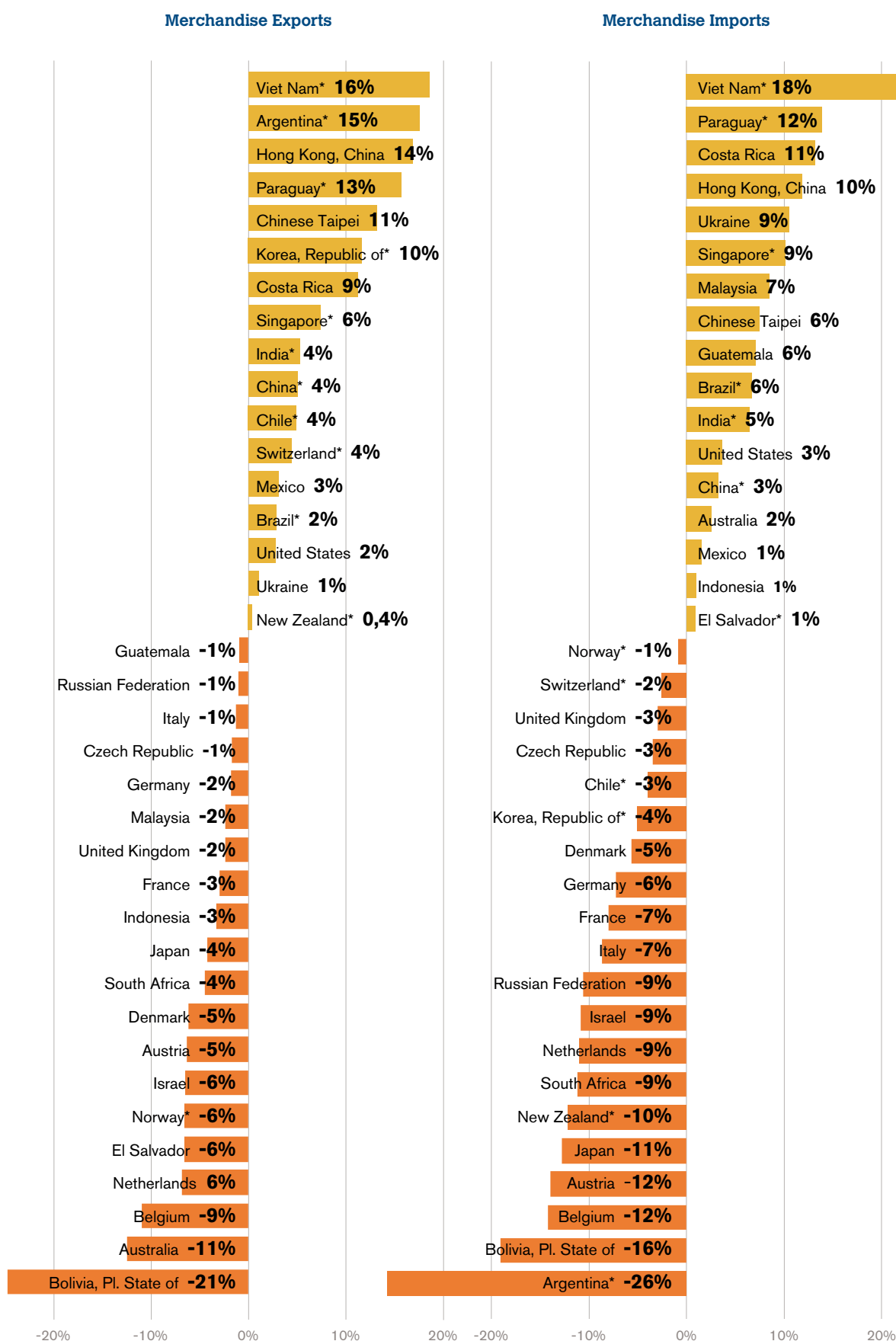


<sup>a</sup> Includes electrical machinery, non-electrical machinery and power generating equipment.

Source: WTO estimates based on mirror data.

**Chart 14: Merchandise trade growth of selected economies, first half of 2024**

Year-on-year % change



Note: \* January to July.

Source: WTO.

Merchandise trade continues to move in a positive direction, with year-on-year growth in value terms rising from -8% in the third quarter of 2023 to +2% in the second quarter of 2024. This shift is partly due to the fading influence of the spike in global commodity prices that followed the outbreak of the war in Ukraine in 2022. On average, global commodity prices were down 1% year-on-year in the first half of 2024 after being down 23% in the second half of 2023, according to World Bank statistics.

The influence of exchange rates on US dollar-denominated trade flows was limited in the first half of 2024. According to statistics from the Bank for International Settlements (BIS), the dollar appreciated 2.2% against a broad basket of currencies during this period after depreciating 1.1% in the previous six months, leaving its value nearly unchanged over 12 months. A general appreciation of the US dollar tends to diminish the value of world trade measured in dollar terms, whereas a general depreciation tends to inflate it.

Trade in agricultural products was down 1% year-on-year in the first half of 2024. Trade in manufactured goods rose 2% over the same period, while trade in fuels and mining products fell 7%. Most categories of manufactured goods recorded small declines over the previous year, the main exceptions being iron and steel (-9%), and office and telecom equipment (+6%).

The negligible change in total merchandise trade in the first half of 2024 masks larger changes in individual economies. Several economies in Asia saw big increases in both exports and imports while others in South America and Europe recorded declines, particularly on the import side (see Chart 14). For example, Viet Nam's exports and imports rose 16% and 18%, respectively, compared to the first half of 2023. Singapore also saw a 6% rise in exports and a 9% jump in imports.

The United States and China both recorded moderate increases in the values of their exports (2% and 4%, respectively) and imports (3% each). Major European economies recorded small declines in exports paired with larger contractions in imports. For example, Germany's exports were down 2% while its imports dropped 6%. Similarly, France's exports declined by 3% while its imports fell 7%. The largest decline on the export side was recorded by Bolivia, with a contraction of 21%. Meanwhile, Argentina's imports plunged 26% as its economy remained in crisis.

## Services trade

World commercial services trade rose on average 8% year-on-year in the first quarter of 2024, rising steadily over the last four quarters (see Chart 15). Growth was driven in particular by the category "other commercial services", which includes many digitally deliverable sectors, such as professional and business services, financial services and information and communications technology (ICT) services.

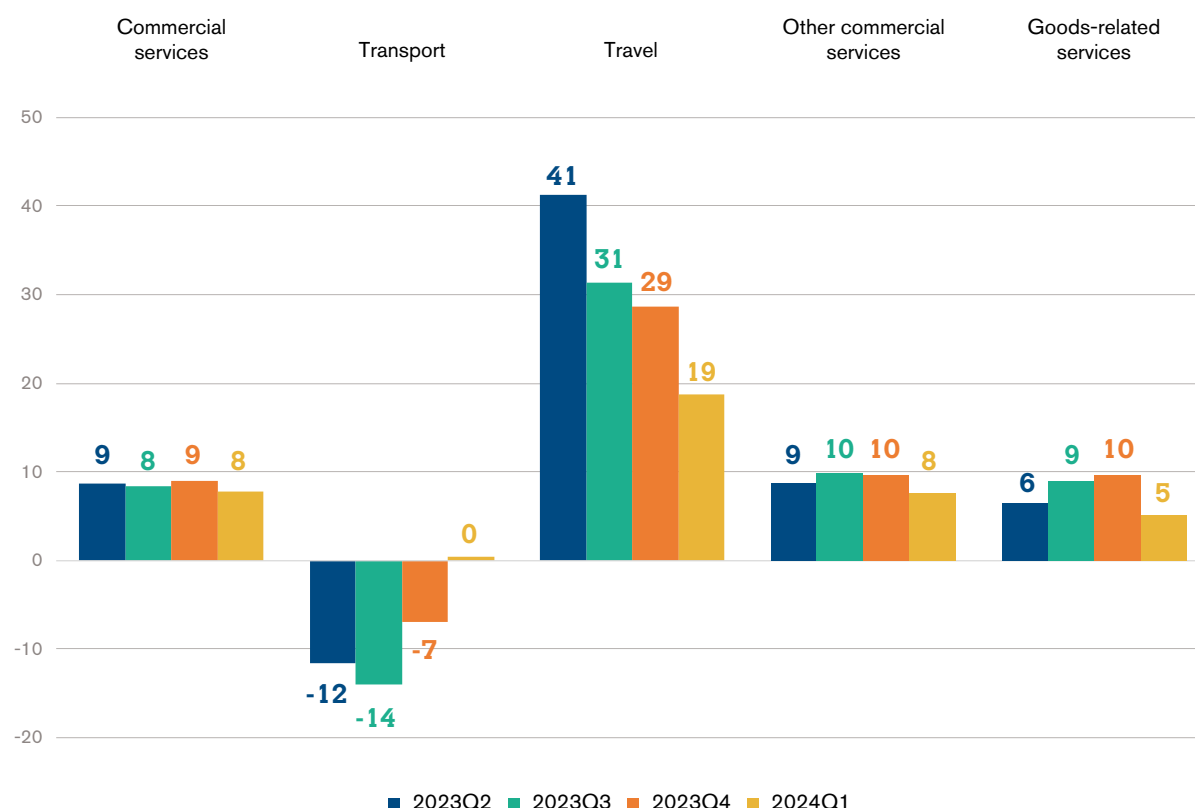
In the first quarter of 2024, services exports increased by 9% in both North America and Asia, while Europe recorded an 8% rise. On the import side, Asia led other regions with 9% growth, followed by North America and Europe, each reporting a 6% increase.

International travel continued to recover, up 19% year-on-year. Growth is stabilizing after a post-pandemic surge, as evidenced by declining year-on-year growth rates. Due to disruptions on key trade routes caused by attacks in the Red Sea, freight rates have surged in 2024. The global spot price for a 40-foot container quadrupled from its levels at the end of 2023, settling at about US\$ 4,500 at the end of September (source: Freightos). If shipping rates stay high, transport growth will accelerate. The transport sector has experienced considerable volatility in recent years.

Chart 16 shows year-on-year growth in commercial services trade by main sectors for selected economies in the first half of 2024. Most leading services traders experienced growth in both exports and imports during this period except for France, where imports declined by 2%, and Germany where exports growth slowed to 1%.

**Chart 15: Growth in world trade in commercial services, 2023Q2-2024Q1**

Year-on-year % change



Note: Trade refers to average of exports and imports.

Source: WTO-UNCTAD estimates.

In the United States, services exports were up 8%, with growth in all main sectors, and a peak of 17% in travel, and 8% in transport. The United Kingdom saw a 14% increase in services imports, driven by other business services. Financial services exports, some 20% of the country's exports, rose 13%.

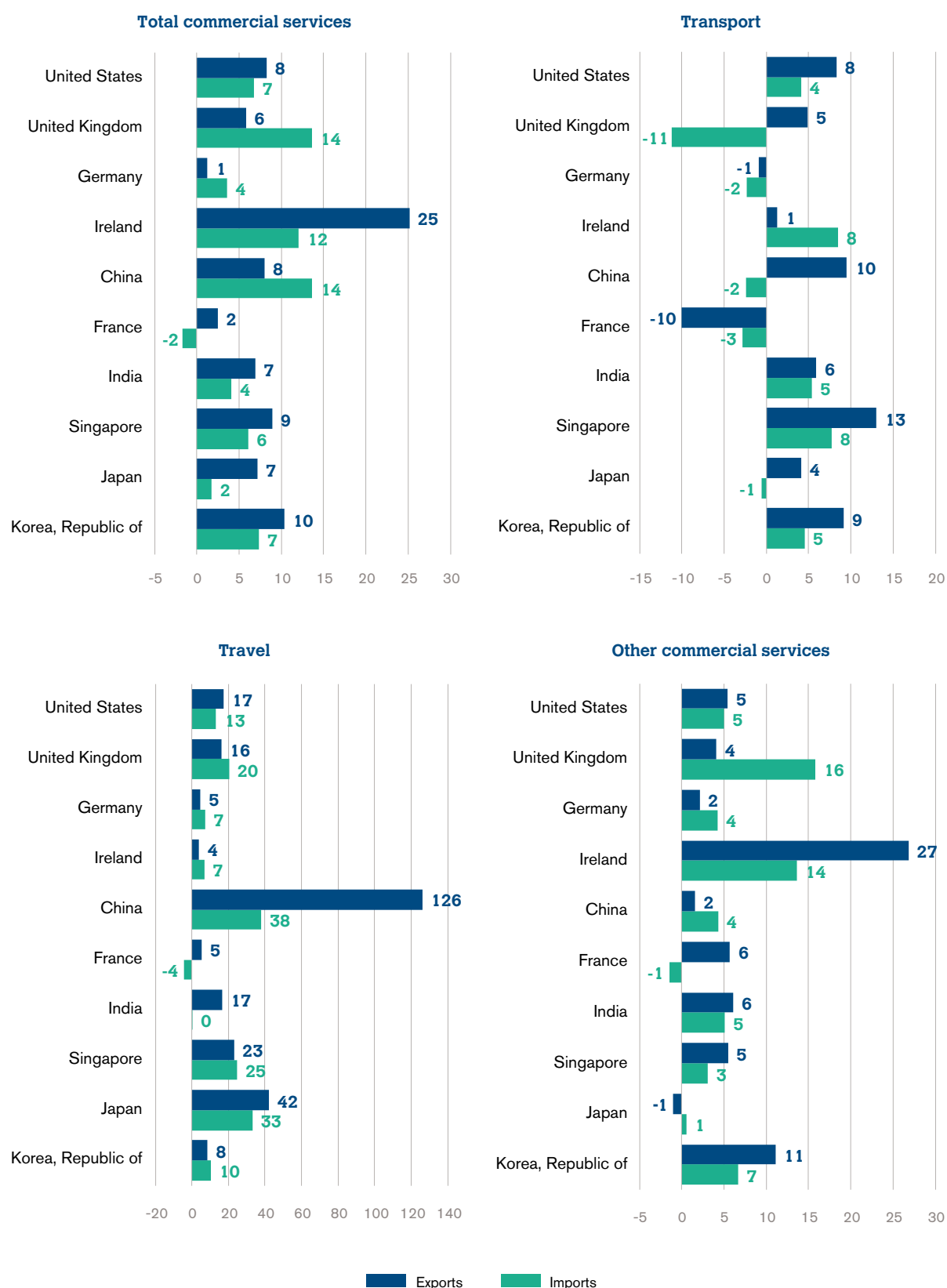
Ireland recorded the highest exports growth among the leading traders. Services exports surged by 25% year-on-year, fuelled by a 20% increase in computer services, which account for more than half of Ireland's services exports. Growth was also lifted by a 71% rise in other business services, mainly research and development (R&D) services, and a 24% increase in financial services exports.

In China, services exports rose 8% in the first half of 2024. The increase was led by travel, which soared 126% as visa relaxation policies resulted in a sharp increase in international tourist arrivals (up by 152%). Transport exports returned to growth, expanding by 10% year-on-year, following a sharp 40% annual drop in 2023. Sharp declines in insurance and pension services (down 70%) and financial services exports (down 14%) limited growth in other commercial services.

India's services exports rose by 7% in the first six months of 2024. This reflects a somewhat lower ICT services exports growth, at 4%, due to a weak first quarter, which followed a remarkable double-digit growth rate since the COVID-19 pandemic. ICT exports bounced back in the second quarter of 2024, with year-on-year growth exceeding 8%.

**Chart 16: Commercial services trade growth of selected economies by sector in the first half of 2024**

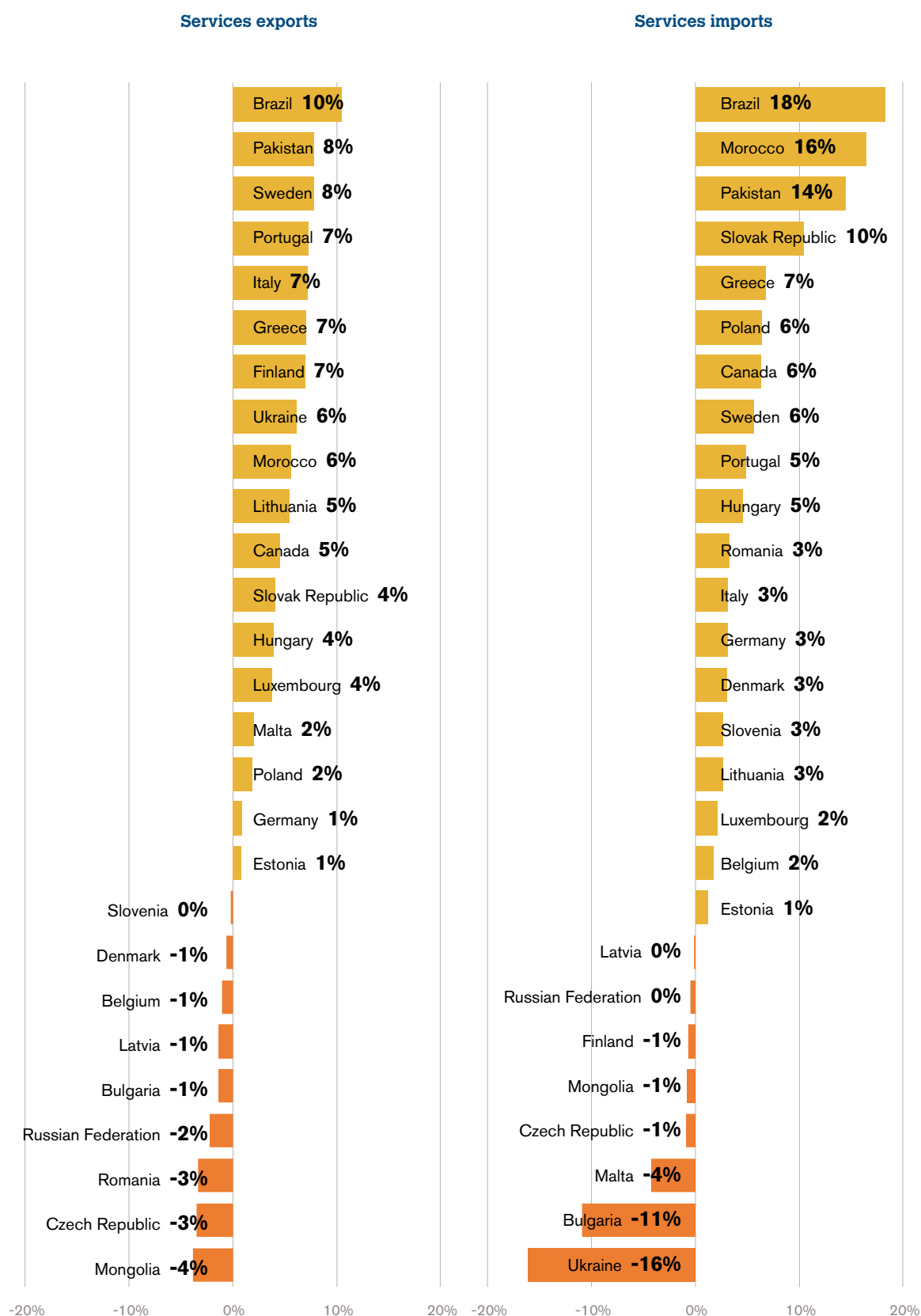
Year-on-year % change



Source: National statistics.

**Chart 17: Services trade growth of selected economies, first half of 2024**

Year-on-year % change



Source: Monthly national statistics.

## Evidence of decoupling and fragmentation

Trade in intermediate goods provides a useful gauge of the status of global value chains (GVCs). This is illustrated by Chart 18, which shows exports of non-fuel intermediate goods in US dollar terms (left panel) as well as their share in non-fuel world trade (right panel).

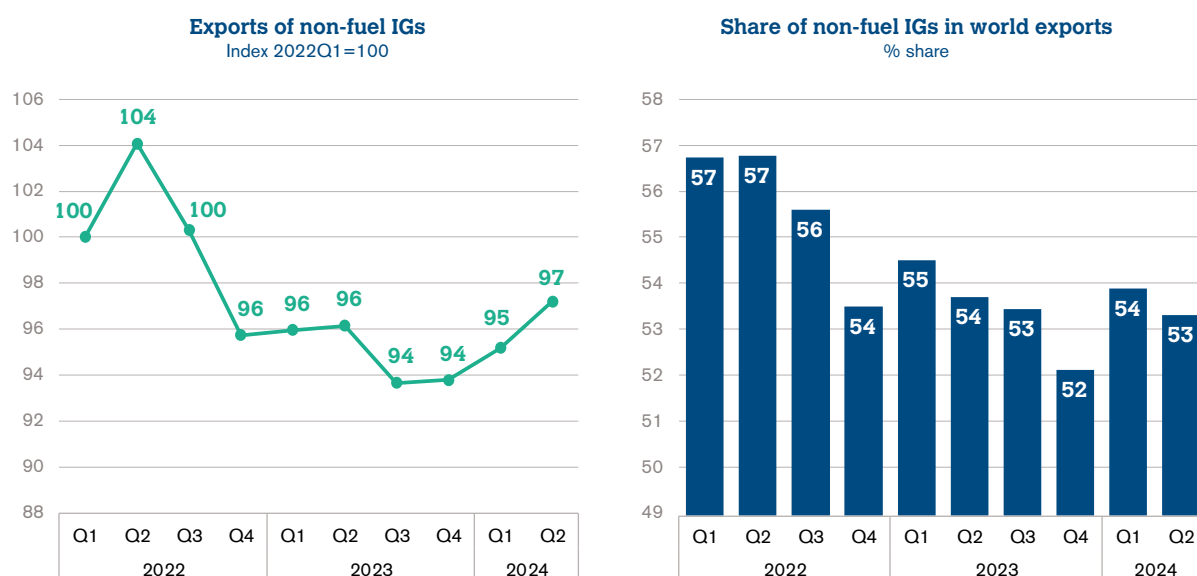
Trade in parts and accessories – a subset of components of electronics, transport equipment and other machinery – illustrates how geopolitical tensions may be influencing supply chains in globalized manufacturing industries. This is illustrated by Chart 19.

The trade tensions between China and the United States have had a strong impact on trade between the two economies, which was further compounded by the global uncertainty and geopolitical tensions following the start of the war in Ukraine. There are two clear periods of decline in their bilateral trade: since the beginning of the trade tensions between the two countries in July 2018, and following the war in Ukraine in February 2022. A sharp recovery in February 2020, explained by the role of China in global supply chains during the COVID-19 pandemic, is also visible.

The decoupling of trade between the two economies occurred across the entire spectrum of goods, although since the war in Ukraine it has accelerated in complex products. This makes it different from the alignment of global trade with geopolitical affinities, which is limited to the least complex products. Part of the explanation for this difference undoubtedly lies in the increase in reciprocal import tariffs between the two economies, which targeted all types of products. In addition, since the onset of the war in Ukraine, the decoupling of trade between the two countries has accelerated the most for the most complex products. Since the trade policy driving decoupling has been underway for more than five years, it is plausible that this has provided the necessary adjustment period for the two countries to find or develop new production capacities and to diversify sources of supply, even for the most complex products.

**Chart 18: World exports of non-fuel intermediate goods, 2022Q1-2024Q2**

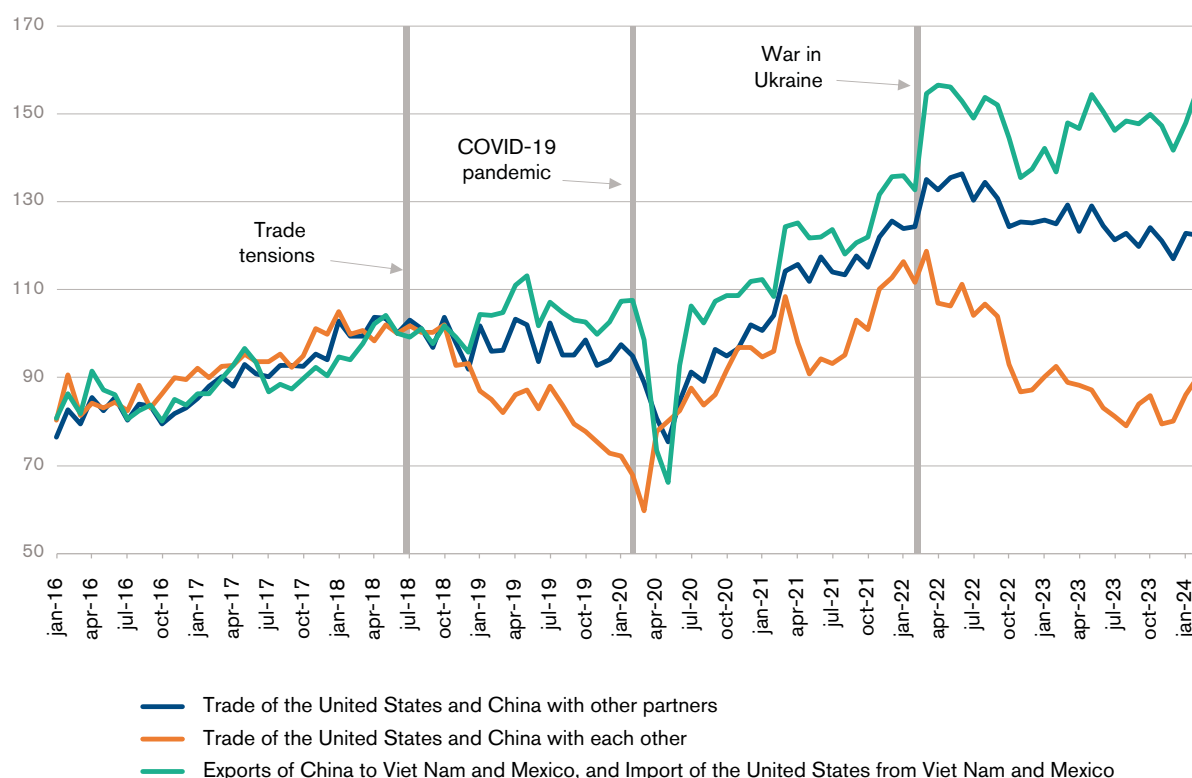
Index of US dollar values 2022Q1=100 and % share



Source: WTO estimates.

**Chart 19: Trade between the United States and China and with other partners**

Index, June 2018=100



*Note:* Seasonally adjusted series. Russian Federation, Belarus and Ukraine are excluded. Series indexed at 100 in June 2018. RoW stands for the rest of the world. The orange line shows the evolution of trade flows between China and the United States. The blue line shows the evolution of trade flows between the United States and partners other than China, and between China and partners other than the United States. The green line shows exports of China to Viet Nam and Mexico, and imports of the United States from Viet Nam and Mexico.

*Sources:* Blanga-Gubbay and Rubínová (2024).

Mexico and Viet Nam have emerged as “connecting” economies – stepping in as the source for many products - in the restructuring of global supply chains that serve the US market (Alfaro and Chor, 2023). This is illustrated in Chart 18, where Mexico and Viet Nam are separated from the rest of the world. It shows that trade of these two economies with the United States and with China evolved in tandem with the rest of the world even after the start of the trade tensions. However, this has changed since the start of the war in Ukraine, when these two economies’ trade with China and the United States significantly outpaced not only China-US bilateral trade but also their trade with other economies.



## Analysis: Thirty years of trade-led growth since the Marrakesh Agreement

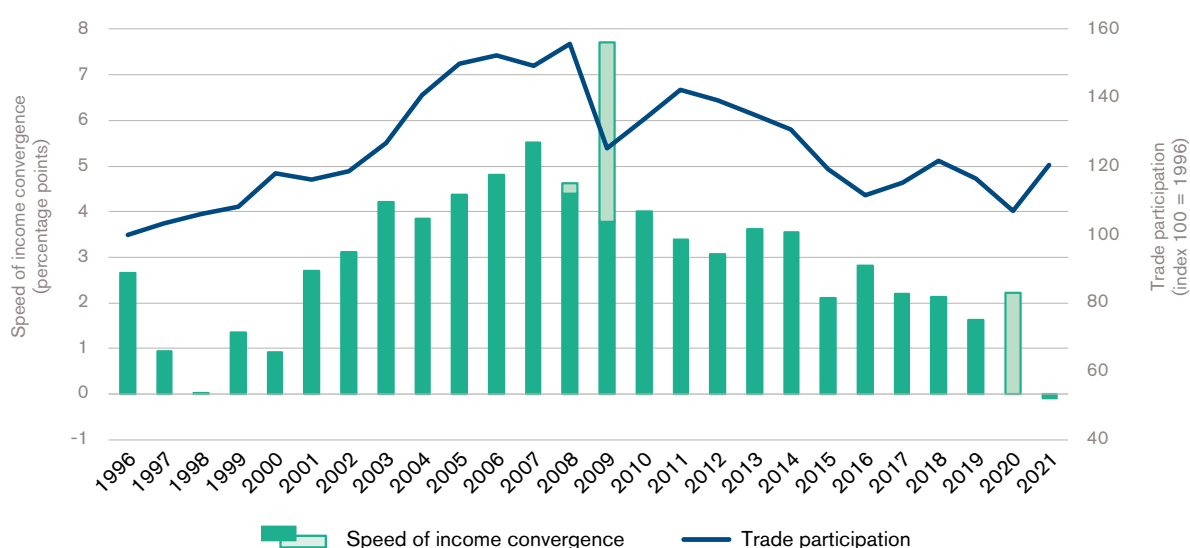
**This year marks the 30<sup>th</sup> anniversary of the signing of the Marrakesh Agreement founding the WTO. Since then, the world has witnessed a fivefold increase in global trade, which has coincided with a significant decrease in poverty worldwide, indicating the impact of trade on supporting economic growth and improving people's lives.**

The Marrakesh Agreement Establishing the WTO emphasized the need to ensure that developing economies, particularly the least developed, secure a fair share in the growth of international trade. Since the WTO was established 30 years ago, income disparities between economies have dramatically narrowed. Per capita incomes in low- and middle-income economies have nearly tripled, while global per capita income has grown by approximately 65%.

Trade and income convergence between developing and developed economies are closely intertwined. There is a striking correlation between the pace of income growth of low- and middle-income economies and their participation in world trade. As shown in Chart 20, both income convergence and trade participation rose in tandem before the global financial crisis of 2008 and fell in unison after the crisis. Economic research helps to reveal the reasons for this. Access to foreign markets for both exports and imports boosts productivity, and ultimately economic growth. This is achieved by greater economies of scale, better access to intermediate goods, enhanced competition, technology diffusion and greater incentives to innovate.

The trade-led convergence in incomes between developed and developing economies has improved the lives of hundreds of millions of people. As shown in Chart 21, the share of people living below the poverty line in low- and middle-income economies has dropped from 40% in 1995 to around 11% today, while the share of these economies in global exports has doubled from about 16% to 32%. This shift has significantly contributed to reducing malnutrition and infant mortality, as well as improving access to education, healthcare and electricity.

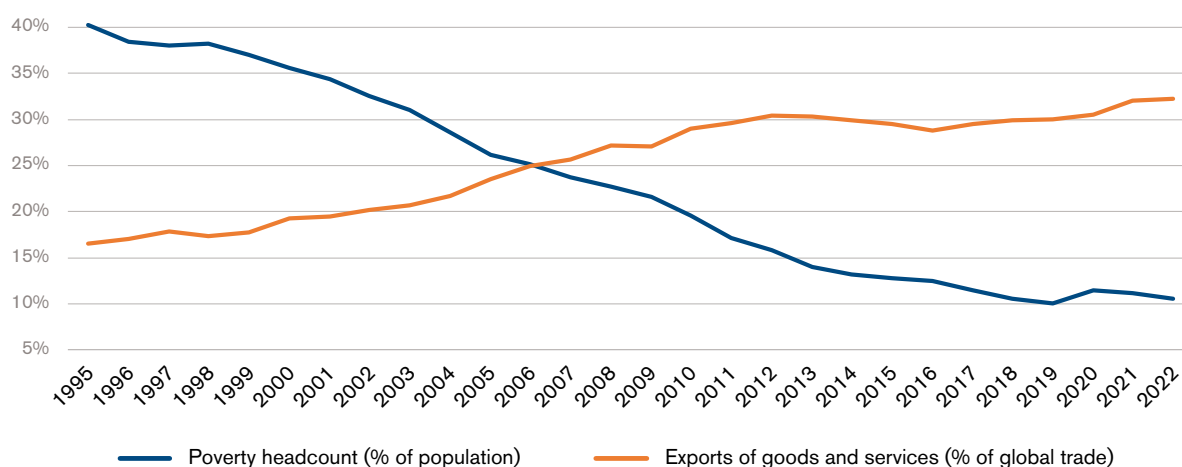
**Chart 20: Correlation between low- and middle-income economies' growth and trade participation, 1996-2021**



*Note:* The figure displays the evolution of the population-weighted averages of trade participation and income convergence speed between 1996 and 2021. Trade participation is measured as the share of goods and commercial services trade in GDP, adjusted for country size. The speed of income convergence is measured as the difference between the average growth rate of low- and middle-income economies' real GDP per capita and the average growth rate in high-income economies. The lighter shade indicates negative growth in high-income economies. The income groups are based on the World Bank's 1995 classification.

*Source:* WTO (2024).

**Chart 21: Increased share of low- and middle-income economies in global exports is accompanied by substantial poverty reduction, 1995-2022**



*Note:* The figure displays the evolution of the average share of poverty headcount at US\$ 2.15 a day (2017 PPP) in the population and the share of low- and middle-income economies in global exports of goods and services over the period 1995-2022. The income groups are based on the World Bank's 2022 classification.

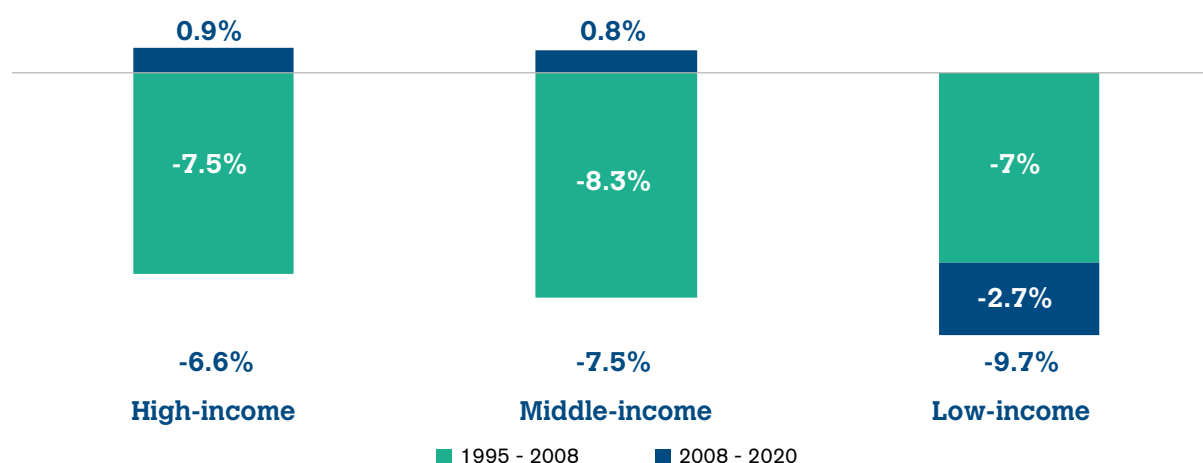
*Source:* WTO (2024).

### Rapid decline in global trade costs has fuelled trade expansion

The expansion of global trade has been fuelled by technological advances that have reduced the costs of transportation, communication and transactions as well as by trade policy reforms that have reduced trade barriers, helped to create a more level economic playing field and contributed to a transparent and predictable international business environment.

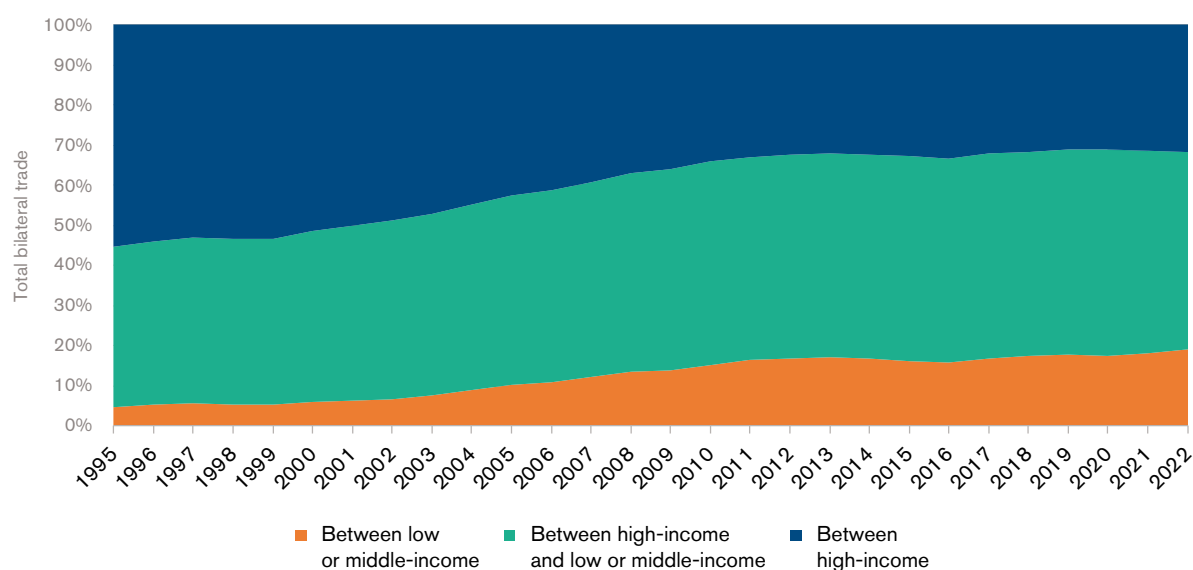
Overall, global trade costs declined by approximately 8% between 1995 and 2020. This led to a notable increase in global trade, estimated at around 30 to 45%. Low-income economies saw the greatest reductions in trade costs (almost 10%). This is even more remarkable given that they started at the highest level (see Chart 22). Analysis suggests that the income convergence of low- and middle-income economies with high-income economies between 1995 and 2020 was up to one-third faster thanks to these trade cost reductions (WTO, 2024).

**Chart 22: Reductions in trade costs, 1995-2020**



*Note:* The figure presents the simple average of the trade cost index across 71 economies.

*Source:* WTO Trade Cost Index methodology based on data from OECD Trade in Value Added (TiVA) 2023 Inter-Country Input-Output Tables.

**Chart 23: Increasing share of low- and middle-income economies in global trade, 1995-2022**

Note: The figure displays the composition of global merchandise trade flows by income group. The analysis excludes trade within the European Union (i.e. intra-EU trade). The income groups are based on the World Bank's 1995 classification.

Source: WTO (2024).

Thanks to the rapid fall in trade costs and strong economic growth, trade between low- or middle-income economies surged from 5% of global trade in 1995 to nearly 20% by 2022. Trade between high-income economies and low- or middle-income economies now dominates global trade. In contrast, while trade between high-income economies accounted for over half of global trade in 1995, by 2022 this proportion had declined to 32%, confirming a shift in trade flows towards developing and emerging economies (see Chart 23).

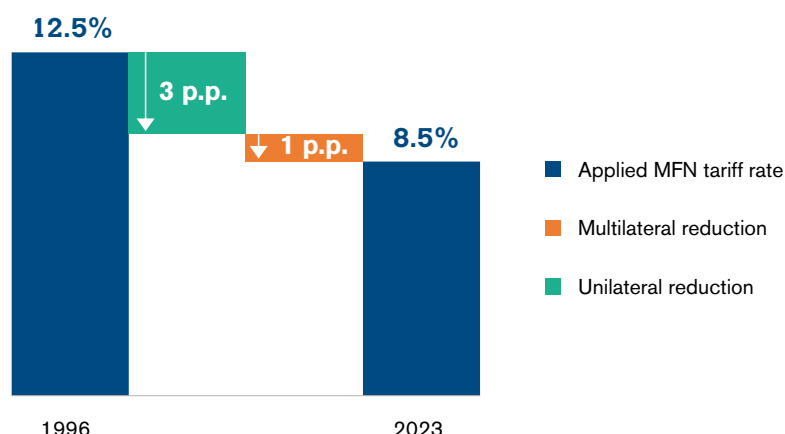
### The WTO has played a pivotal role in reducing trade costs

WTO membership has significantly contributed to global trade cost reductions. An important contribution has come from the lowering of import tariffs. The simple average tariff applied by WTO members on a most-favoured nation (MFN) basis – whereby WTO members extend the same trade treatment to all other WTO members – declined from 12.5% to 8.5% between 1996 and 2023 (see Chart 24). Multilateral commitments by WTO members account for a quarter of this decline. Despite the expansion of regional trade agreements and preferential tariff schemes, MFN tariff rates play a very important role as more than 80% of global trade is conducted on an MFN basis (Gonciarz and Verbeet, 2024).

Underscoring the benefits of the multilateral trading system, recent research suggests that the overall reductions in trade costs associated with membership in the WTO (and its predecessor, the General Agreement on Tariffs and Trade) boosted trade between members by an average of 140% (see Chart 25). Moreover, policy reforms implemented in many developing economies during their WTO accession process have had additional positive effects on their income growth. Analysis shows that economies undergoing rigorous WTO accession negotiations grew 1.5 percentage points faster during their accession period and continued to grow faster after their accession to the WTO (Brotto *et al.*, 2024).

Multilateral cooperation remains key to building an inclusive global trading system that supports the transformation to a digital and sustainable global economy.

The greater participation of developing economies in global trade has boosted inclusivity over the past 30 years. At the same time, digital transformation and environmental sustainability challenges have had a major impact on the composition of global trade.

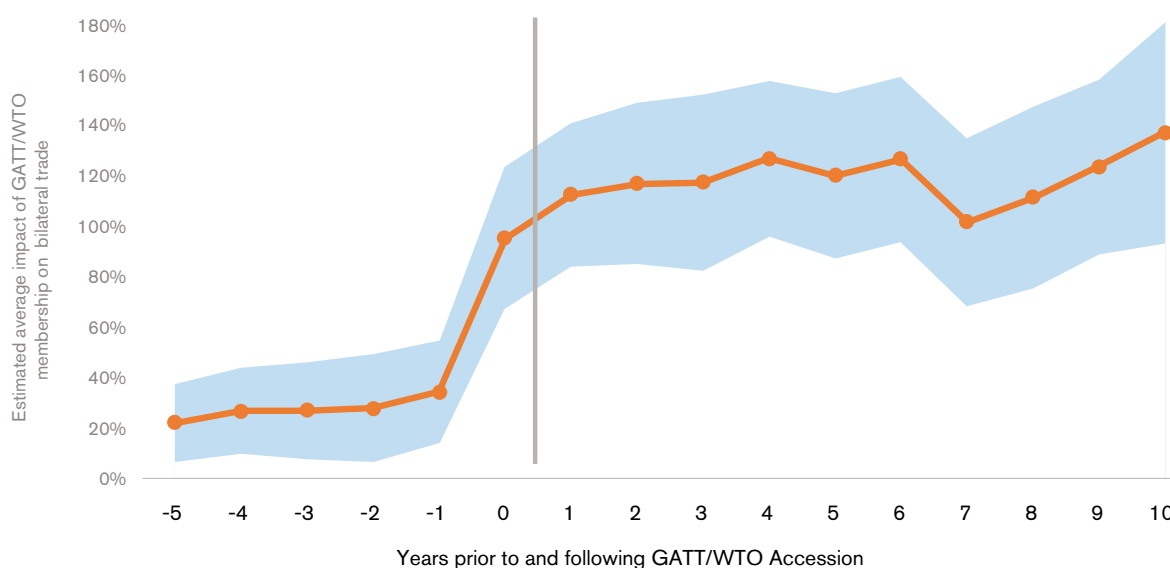
**Chart 24: Contribution of multilateral commitments to reductions in MFN tariff rates, 1996-2023**

*Note:* The figure displays the reductions in the average applied MFN tariff rate in terms of multilateral and unilateral reductions expressed in percentage points (p.p.). The multilateral component is the reduction in applied MFN tariffs on products in economies where the bound rate in 2023 was lower than the applied rate in 1996. The unilateral component is the reduction in the remaining applied MFN tariffs. The figure is based on data for economies that are WTO members since 1996.

*Source:* WTO (2024).

The digital transformation has dramatically increased the potential of some services to be traded across borders. Digital delivery includes services traded across borders via computer networks (through the internet, mobile apps, emails, voice and video calls), and increasingly through digital intermediation platforms (such as those used for online gaming, music and video streaming, and remote learning).

Exports of digitally delivered services have experienced a fourfold increase in value since 2005, rapidly outpacing the growth of goods and other services exports (see Chart 26). Consequently, digitally delivered services accounted for over 54% of total services exports, and for 13.8% of total combined exports of goods and services in 2023.

**Chart 25: Positive impact of GATT/WTO membership on trade**

*Source:* Larch *et al.* (2024).

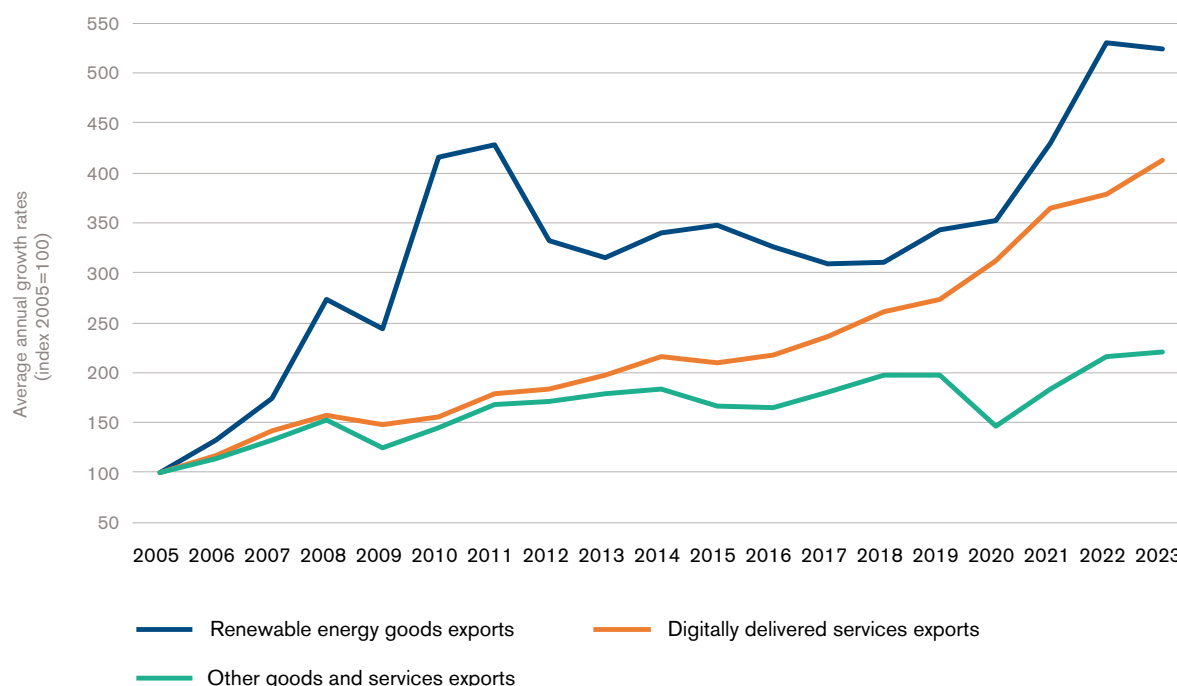
The efforts to address global sustainability challenges have promoted trade in environmental technologies. Trade facilitates the wide adoption and diffusion of green technologies, allowing all economies – including those without complex production capacities – to harness their benefits.

The emergence of new green sectors and increased demand for renewable technologies has also brought export opportunities for developing economies with comparative advantage in some stages of the production process, such as the generation of green energy or an abundance of certain critical minerals. As shown in Chart 26, trade in renewable energy goods (including solar panels and wind turbines) has grown more than fivefold since 2005.

The ability of economies to benefit from digital trade and trade in green technologies will be critical for trade-led income convergence between developing and developed economies. Despite impressive income convergence over the past 30 years, many low- and middle-income economies have remained on the margins of global trade and have struggled to achieve rapid growth. This was the case even before the COVID-19 pandemic, which hit low-income economies the hardest.

Amid increasing geopolitical tensions and a resurgence of inward-looking economic strategies, the WTO's role in maintaining an open, predictable and transparent trade environment remains a cornerstone of global trade. Further international cooperation to facilitate the adoption of digital and green technologies, and to develop regulatory frameworks governing these new areas, can ensure that developing economies benefit from the most dynamic sectors of global trade. It can also ensure that trade remains an important source of economic growth, helping to raise living standards worldwide.

**Chart 26: Export growth of environmental and digital trade compared with other goods and services, 2005-2023**



*Note:* The figure displays the evolution of the export growth of environmental goods (specifically, light-emitting diodes (LEDs), solar and other non-electric water heaters, and wind turbines), digitally deliverable services (financial services, business activities, such as information, administrative and professional services, and other services traded across borders through computer networks, such as audio-visual and entertainment services). Estimates for 2023 are preliminary.

*Source:* WTO (2024).

# References

Alfaro, L. and D. Chor. (2023). Global Supply Chains: The Looming “Great Reallocation”. NBER Working Paper No.31661, National Bureau of Economic Research.

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World Trade Organization (WTO) (2024), World Trade Report 2024: Trade and Inclusiveness: How to Make Trade Work for All, Geneva: WTO.

## Useful resources

### **WTO Data - Information on trade and trade policy measures**

[data.wto.org](https://data.wto.org)

This portal gives access to a selection of key databases offering statistics and information on various trade-related measures.

### **WTO Stats**

[stats.wto.org](https://stats.wto.org)

A user-friendly data portal to access a wide range of WTO statistical indicators on international trade, tariffs, non-tariff measures and other indicators.

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