



# GLOBAL TRADE MONITOR

## Exports set to rebound in March, but outlook still bleak

- **While world trade fell further in February, the available data point to a rise in March, especially due to a strong rebound in China. But that rebound looks to have already reversed in April. And with high interest rates set to weigh on demand for goods in advanced economies, we expect trade to remain weak for some time yet.**
- According to data released by the CPB Netherlands Bureau, real world goods trade fell by 0.9% m/m in February following an upwardly-revised 0.3% rise in January (previously -0.1%). There were also revisions to the historical data further back, meaning that world trade peaked at a lower level than previously thought. **Nonetheless, since its peak in September world trade has still fallen by about 4%.** (See Chart 1.)
- At a regional level, with the exception of parts of Asia, imports fell across the board. (See Chart 2.) Exports fell sharply in the US, UK and some emerging markets, but rose in Asia and the euro-zone. (See Chart 3.) This chimes with the GDP data and qualitative information from national press releases in the euro-zone, which point to a **positive boost to GDP from net trade in Q1. But if the February data are anything to go by, then it seems likely that net trade was supported by not only a rise in exports but by a sizeable fall in imports too amid weak domestic demand.**
- **The subset of timelier trade data we have for March point to a rebound in exports.** Real goods exports from early reporting Asian economies rose by 2.5% m/m in March. (See Chart 4.) The increase was driven by a further rise in exports from China, which was partly a reflection of improved supply following the easing of virus disruptions, but also seemed to indicate an increase in foreign demand. Meanwhile, advance trade data out of the **US** also showed a 3.5% m/m rise in export volumes.
- But as **we flagged last year**, the US Census bureau has struggled in the past to fully account for the shifts in the timing of the Chinese New Year holiday. Indeed, our own seasonal adjustment for Chinese trade data in March suggests that exports from the US to China were weaker than the national release suggests.
- **And there is evidence to suggest that any rebound in exports may have already faded by April.** In **China**, exports fell by 4.1% m/m in April, thereby reversing a lot of March's sharp rise. (See Chart 5.) And apart from exports of automobiles and parts – which rose to a record high amid a surge in electric vehicle sales – exports of most consumer goods declined. Indeed, exports of electronics fell by a further 2.6% m/m in April, meaning that they have fallen by more than 25% since their peak in early 2022 as the pandemic-induced boom in demand has gone into reverse. (See Chart 6.) Imports fell even more sharply by 6.7% m/m. This partly reflects the weakness in exports, given that over one third of imports are used as inputs for China's export sector. But it is also due to the fact that the reopening boom has so far been largely concentrated in the service sector, which is less import-intensive.
- Meanwhile, nominal trade data from **Korea** revealed a sharp fall in exports in April. And although the new export orders component of the global manufacturing PMI increased slightly, it remained below the 50 no-change mark, which is consistent with world trade contracting. (See Chart 7.)
- **The outlook for trade further out remains weak too. We still expect the lagged impact from the sharp rise in interest rates to cause activity to weaken in advanced economies later this year, triggering mild recessions in most cases. This in turn will weigh on their demand for tradeable goods.**
- **Indeed, the sharp fall in shipping costs suggests that demand for goods from Asia has been weakening for some time now.** Admittedly, spot freight rates on outbound routes from Asia did tick up slightly in April, driven by a renewed rise in the cost on routes to North America's West Coast. But they remain well below their previous peaks and are generally back to pre-virus levels. Spot rates are still almost 90% lower than they were at the start of 2022, while contractual rates have also fallen by around 70%. (See Chart 8.)



Chart 1: World Real Goods Trade (Dec-19 = 100)

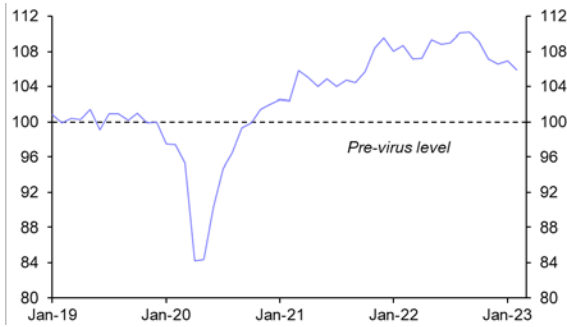


Chart 2: Real Goods Imports (% m/m, Feb 23)

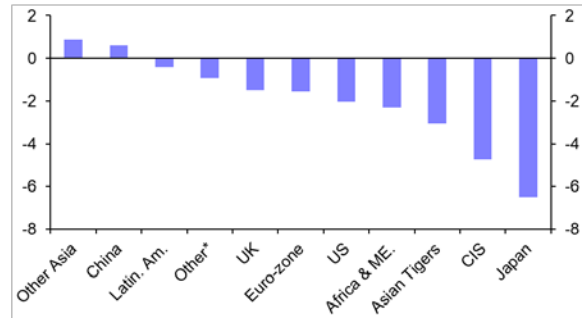


Chart 3: Real Goods Exports (% m/m, Feb 23)

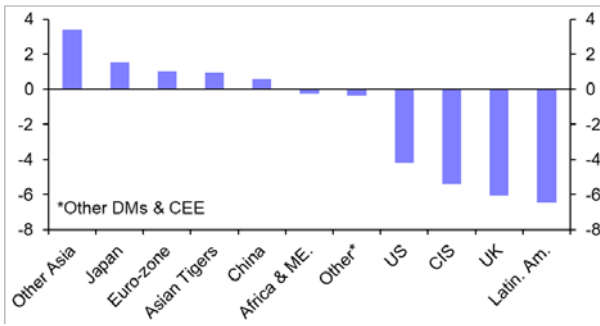


Chart 4: Real Goods Exports of Early Reporter Economies (\$tn, Ann.)



Chart 5: China Real Goods Trade (\$bn, 2010 Prices)

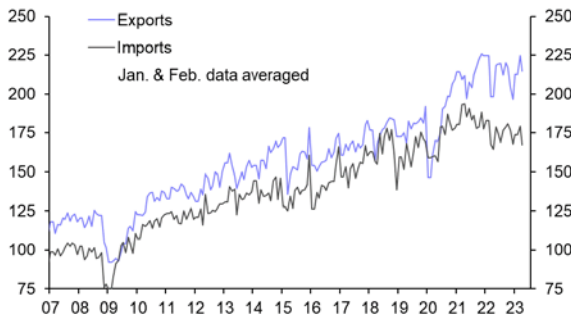


Chart 6: China Exports (Dec. 2019 = 100)

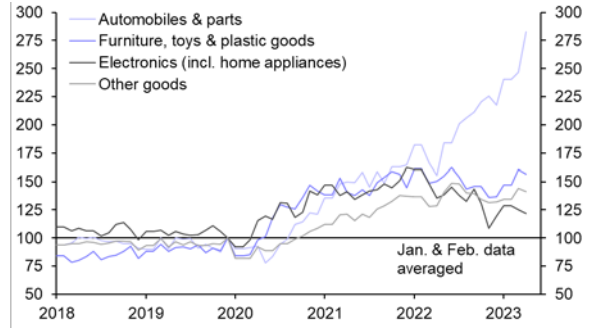


Chart 7: Global Manufacturing PMI New Export Orders & Real Goods Trade

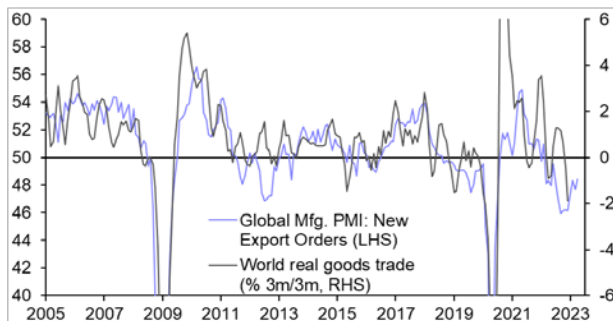
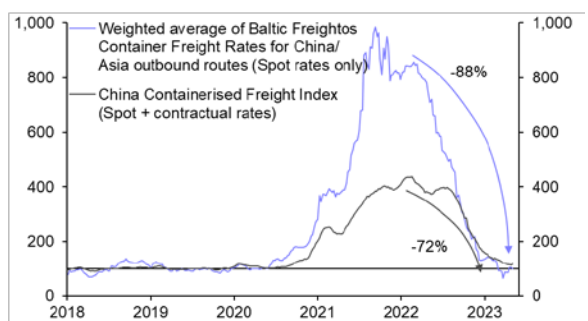


Chart 8: Container Freight Rates on China/Asia Outbound Routes (2018-19 Average = 100)



Sources: Refinitiv, CPB, WIND, S&P Global, Capital Economics



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