



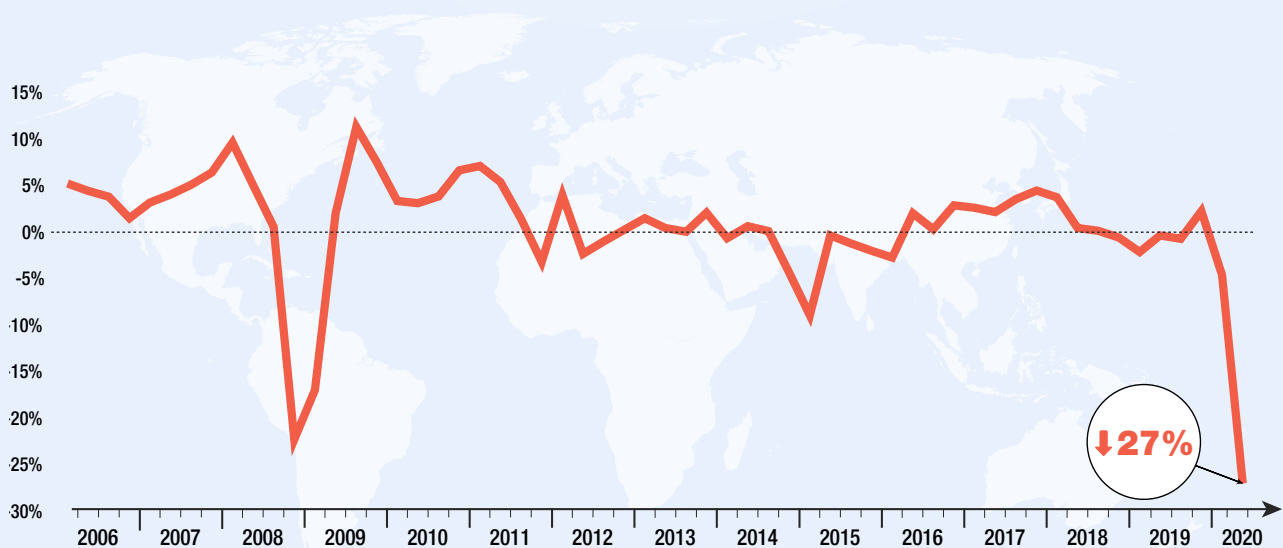
Global Trade Update

June 2020

COVID-19 causes international trade to collapse

-  **International trade contracted** for most countries during **Q1 2020**, incoming data for **Q2 2020** indicate a much more **severe downturn**.
-  While trade continue to collapse in most regions, the **East Asia and Pacific regions** show **signs of recovery**.
-  Trade in the **automotive and energy** sector **collapsed** while trade in **agri-food** products has been **stable**.
-  Trade of **medical products** related to COVID-19 has **more than doubled** in April 2020.

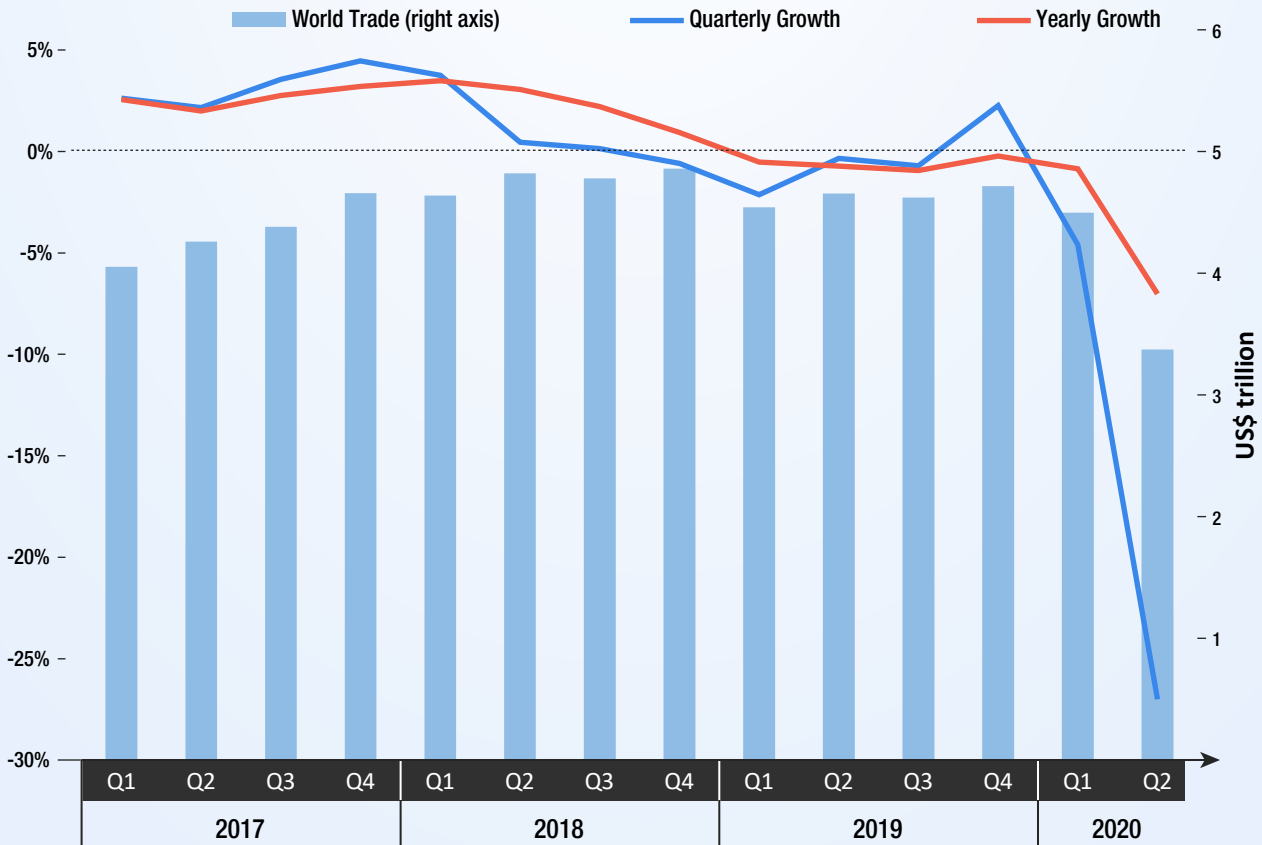
Trade contraction from COVID-19 deeper than the financial crisis



Global trade trends and short-term forecast

While world trade was already slowing down prior to the COVID-19 pandemic, the economic and social disruptions brought by COVID-19 are resulting in a dramatic decline in trade. The value of international trade in goods has declined by about 5 percent in Q1 2020 and is expected to decline further by 27 percent in Q2 2020.

A Steep Downturn in Global Trade in Goods



Source: UNCTAD calculations based on national statistics. Quarterly growth is the quarter over quarter growth rate of seasonally adjusted values. Yearly growth is the four-quarter moving average of the quarterly growth rate. Figures for Q2 2020 are estimates.

Leading indicators, such as the Purchasing Manager Indices (PMIs), also signal further deterioration of international trade in the second quarter. While PMIs tracking international trade indicate that the pace of contraction has slowed in May, they have remained well below the 50 points benchmark.¹






International trade is likely to remain below the levels observed in 2019 in the second half of the year. The magnitude of which will be dependent upon not only additional economic disruptions brought by the COVID-19 pandemic but also on the type and extent of policies that countries will adopt to restart their economies. Assuming persisting uncertainty, UNCTAD expects a decline of around 20 per cent for the year 2020. This is in line with World Trade Organization (WTO) which expects that the decline in international trade will be between 13 and 32 percent. European Commission expects that EU27 trade will decline by 10-16 percent in 2020. The wide range of estimates is a sign of the still high uncertainty about the possibility of any economic recovery in the second half of the year.






¹ Chinese new export orders PMI was 33.5 in April and 35.8 in May. United States manufacturing new export orders PMI was at 35.3 in April and 39.5 in May. Euro Area composite PMI in May at 31.9 from an all-time low of 13.6 in April. PMI above 50 indicates an expansion of the export orders compared to the previous month; below 50 represents a contraction, while 50 indicates no change.

How are some of the world's major economies faring?

Statistics for some of the major economies further reinforces the bleak picture for international trade. First, most recent trade figures indicate further deterioration in April and May. Second, except for the first two months of 2020, China appears to have fared better than other major economies. In fact, China's exports grew by 3 percent in April. Still, most recent data for China indicates that such recovery may be short-lived as imports and exports fell by about 8 percent in May. Third, intra-regional trade appears to have declined to a much lower rate for countries in the East Asian and Pacific Regions. For the European Union intra-regional trade has declined at a similar pace as overall trade. On the other hand, United States' statistics indicate a much stronger decline of intraregional trade.

Impact of COVID-19 on imports and exports of major trading economies, January-May 2020

IMPORTS		January	February	March	April	May*
	China	↓7%	↓10%	0%	↓14%	↓8%
	Intra-regional	↓18%	↓12%	↑5%	↓5%	↑4%
	European Union	↓4%	↓5%	↓13%		
	Intra-regional	-4%	-3%	-14%		
	Japan	↓4%	↓14%	↓2%	↓4%	↓21%
	Intra-regional	↓3%	↓25%	↓1%	↑6%	
	Republic of Korea	↓5%	↑2%	0%	↓16%	↓21%
	Intra-regional	↓8%	↓3%	↑3%	↓8%	
	United States	↓4%	↓4%	↓7%	↓21%	
	Intra-regional	↑5%	↑5%	↓6%	↓46%	

EXPORTS		January	February	March	April	May
	China	↓22%	↓10%	↓7%	↑3%	↓8%
	Intra-regional	↓26%	↑5%	↓1%	↑8%	↓1%
	European Union	↓3%	↓3%	↓13%		
	Intra-regional	↓3%	↓4%	↓17%		
	Japan	↓3%	↓1%	↓9%	↓19%	↓26%
	Intra-regional	↓4%	↑2%	↓6%	↓6%	
	Republic of Korea	↓7%	↑4%	↓1%	↓25%	↓20%
	Intra-regional	↓3%	0%	↓3%	↓21%	
	United States	0%	↑1%	↓9%	↓29%	
	Intra-regional	↓3%	↓2%	↓10%	↓42%	

Source: UNCTAD calculations based on national statistics.

Note: intra-regional is defined as East Asia for China, Japan and Republic of Korea; Europe for the European Union; and North America for the United States

*Based on preliminary data

Regional trade trends

The general decline in international trade in Q1 2020 has been followed by a much more substantial decline in April. This trend has been observed for developing and developed countries. However, trade in developing countries appears to have fallen faster in April relative to developed countries. This is especially noticeable for imports. For developing countries, while declines in exports are likely driven by reduced demand in destination markets, declines in imports may indicate not only reduced demand but also exchange rate movements, concerns regarding debt and shortage of foreign currency. Trade among developing countries (South-South) has also significantly declined in April 2020.

Developing countries trade takes a nosedive in April.

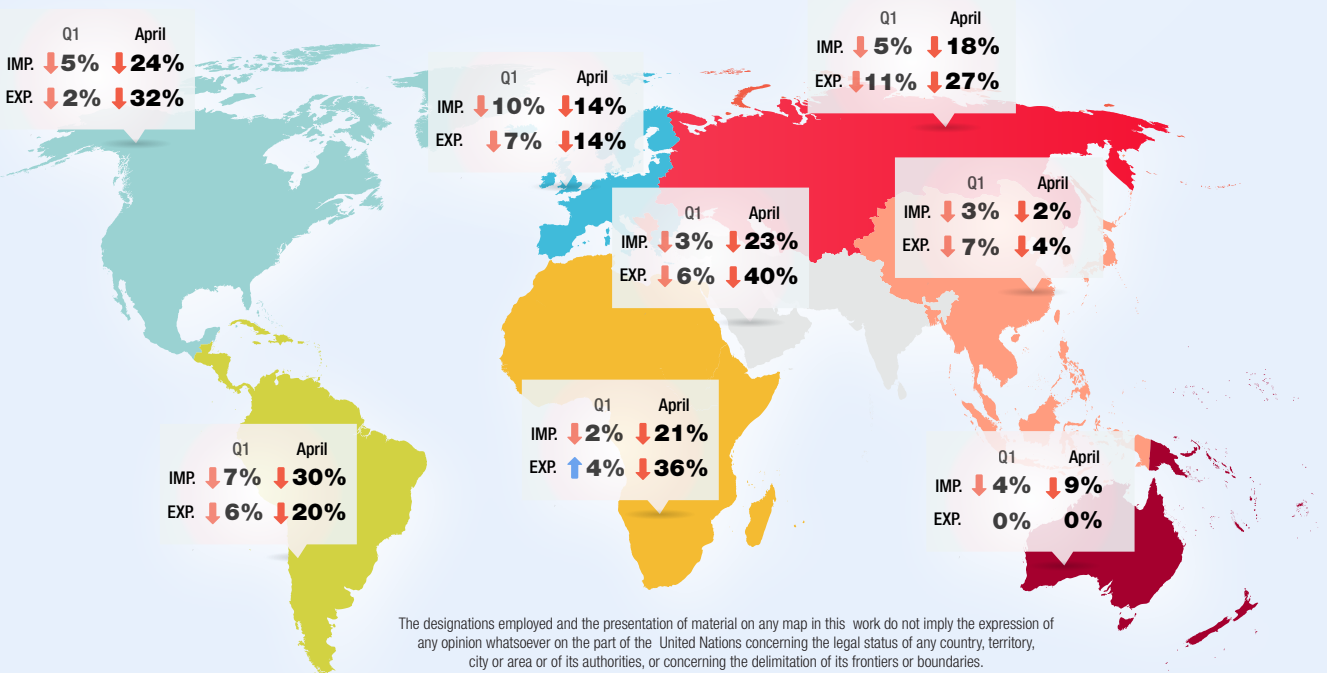
	Q1 2020		April 2020	
	Import	Export	Import	Export
Developed countries	↓ 6%	↓ 3%	↓ 10%	↓ 14%
Developing countries	↓ 2%	↓ 7%	↓ 19%	↓ 18%
South-South Trade	↓ 2%		↓ 14%	

Source: UNCTAD calculations based on national statistics.

Note: Statistics for April are preliminary and based on a limited number of countries. Data excludes intra-EU trade.

No region has been spared from the decline in international trade. However, trade in the East Asia and the Pacific regions appear to have fared better than other regions. Trade declines for these regions have remained in the single digits both in the first quarter of 2020 as well as in April. Although preliminary, data for April suggest a sharp downturn in all other regions with declines of up to 40 percent for countries in South Asia and Middle East regions.

Trade has fallen dramatically in most regions except in East Asia and Pacific



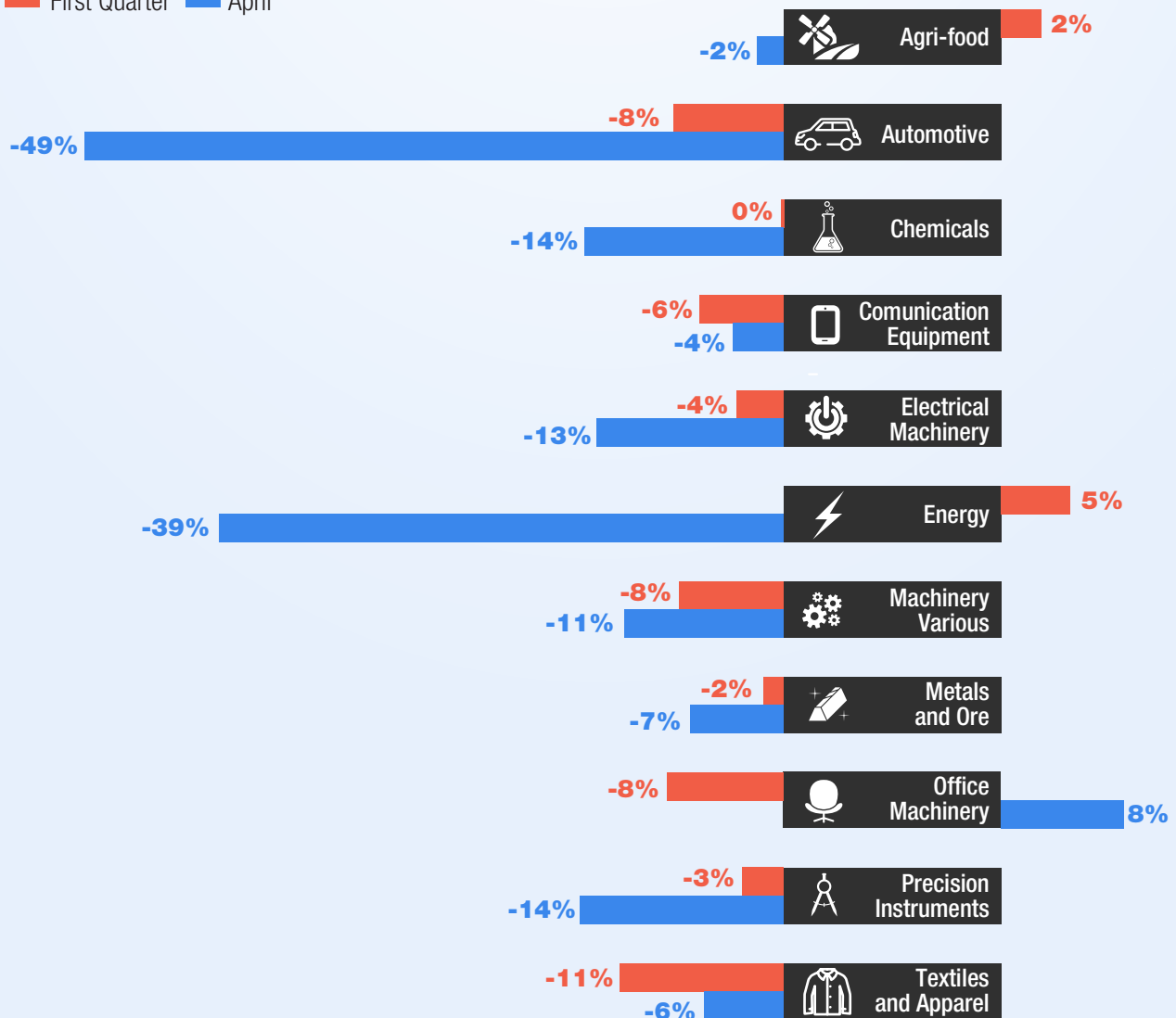
Source: UNCTAD calculations based on national statistics. Statistics for April are preliminary and based on a limited number of countries. Data excludes intra-EU trade.

Global trade at the sectoral level

Economic disruptions brought by COVID-19 have affected some sectors significantly more than others. In the first quarter of 2020, textiles and apparel declined by almost 12 percent, while office machinery and automotive sectors have fallen by about 8 percent. On the other hand, the value of international trade in the agri-food sector increased by about 2 percent. Preliminary data for April indicates further declines in most sectors and a very sharp contraction in trade of energy and automotive products, about -40 percent and -50 percent in values respectively. Significant declines are also observed in chemicals, machineries and precision instruments with drops above 10 percent. Conversely, office machinery appears to have rebounded in April, largely because of the positive export performance of China. Trade in agri-food products has been so far the least volatile. In general, the variance across sectors has been driven by decreases in demand and disruptions of supply capacity and on disruption of global value chains due to COVID-19.

Sectoral trade in 2020: trade in automotive and energy products is plummeting

■ First Quarter ■ April






Source: UNCTAD calculations based on national statistics.

Note: Percentage changes in world trade are year-over-year. Changes for Q1 are estimated from HS6 digits data of China, European Union and United States, while these for April are estimated only from China and United States data. Data excludes intra-EU trade.

Trade of medical products related to COVID-19

One of the side-effects of the COVID-19 pandemic has been the increase in demand of medical goods and equipment such as ventilators, monitors, thermometers, hand sanitizers, protective masks and garments.² In the early months of 2020, the rapid diffusion of COVID-19 across the globe resulted in a race to secure supply of such goods, and in some instances of export restrictions.

Trade in medical products related to COVID-19 has been growing fast

							
	China		European Union		United States		Total
	Imports	Exports	Imports	Exports	Imports	Exports	
January	3'352	4'550	1'728 ↑3%	1'821 ↑7%	3'161 ↓4%	2'340 ↑6%	13'001 ↓4%
February	↑47%	↓15%	1'477 ↓3%	2'069 ↑19%	2'936 ↓3%	2'506 ↑14%	12'938 ↑13%
March	2'030 ↑41%	3'746 ↑29%	1'945 ↑21%	2'064 ↑4%	3'092 ↓3%	2'739 ↑2%	15'616 ↑13%
April	1'613 ↑15%	12'931 ↑338%	NA NA	NA NA	5'234 ↑59%	1'861 ↓21%	21'639 ↑116%

Source: UNCTAD calculations based on national statistics.

Note: Figures are in US\$ million and percentage changes are year-over-year. Data excludes intra-EU trade.

Product level data for the three major economies shows that international trade played a positive role in meeting demand of medical products related to COVID-19. While international trade of such medical goods contracted at the onset of the pandemic, it then increased in February and March and almost doubled in April 2020, thus contributing to the availability of critical equipment to countries affected by COVID-19. For instance, the first two months of 2020 saw that the increase in Chinese domestic demand for such medical products resulted in a strong increase in imports. This demand was largely met by increases in exports from Europe and the United States which were not yet significantly hit by COVID-19. Noteworthy is also that Chinese exports of such equipment declined by 15 percent in the first two months of 2020 as Chinese supply reoriented towards domestic demand. Data for March shows that imports of medical equipment continued to increase in China (41 percent increase) but also in the European Union (21 percent increase). April saw a massive increase in Chinese exports of medical equipment (338 percent increase). This surge was largely driven by exports of protective equipment. Finally, April data for the United States reflect the increasing concern for the COVID-19 pandemic as import of medical products increased by almost 60 percent while export declined by approximately 20 percent.

² These items are part of a broader product groups defined at the HS 6 digits level under codes 340220, 380894, 382499, 392620, 392690, 401511, 401519, 401590, 621010, 630790, 50500, 650610, 900490, 901812, 901819, 901839, 901920, 902000, 902212, 902214, 902519.

Imports and Exports Changes for Selected Economies

Country	Imports Q1	Exports Q1	Imports April	Exports April
Argentina*	-20	-7	-29	-18
Australia*	-5	4	-7	-1
Bangladesh*	3	15	-24	-13
Brazil	4	-4	-15	-6
Canada*	-6	-3	-31	-35
Chile*	-10	-1	-29	-7
China	-2	-14	-14	3
Colombia*	-2	-8	-31	-48
Egypt, Arab Republic*	-17	0	-8	-19
European Union*	-8	-7	-12	-16
India*	-8	-11	-58	-56
Indonesia*	-3	4	-19	-7
Japan	-7	-4	-4	-19
Korea, Republic of	-3	-1	-16	-25
Malaysia*	2	2	-8	-24
Mexico*	-6	-1	-30	-42
New Zealand*	-4	4	-22	-2
Nigeria*	11	4	-14	-40
Oman*	-13	-13	9	-25
Pakistan*	13	2	-21	-47
Peru*	-8	-11	-33	-56
Philippines*	-14	-5	-33	-34
Russian Federation*	0	-14	-7	-29
Saudi Arabia*	2	-9	0	-49
Singapore*	2	-2	-12	-13
South Africa	-6	3	-37	-61
Taiwan Province of China*	1	1	-3	-2
Thailand*	2	1	-17	2
Turkey	8	2	-22	-36
United Kingdom*	-12	-8	-28	-27
United States	-4	-3	-21	-29
Vietnam*	4	8	-12	-14

Source: UNCTAD calculations based on national statistics

Note: : Percentage changes are year-over-year. April statistics for countries denoted with * are preliminary or based on mirror statistics. European Union data excludes intra-EU trade. Percentage changes are year-over-year



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