

WTO expects global trade to expand by 2.4% in 2017

The World Trade Organization (WTO) forecasted that global trade will expand by 2.4% in 2017; however, as deep uncertainty about near-term economic and policy developments raise the forecast risk, this figure is placed within a range of 1.8% to 3.6%. In 2018, the WTO forecasted trade growth to be between 2.1% and 4%. Growth in the volume of world merchandise trade is expected to rebound this year from its tepid performance in 2016, but only if the global economy recovers as expected and governments pursue the right policy mix.

Key points of Trade Statistics and Outlook by WTO:

- World merchandise trade volume is forecast to grow 2.4% in 2017, but due to a high level of uncertainty, this is placed within a range of 1.8-3.6%.
- This is up from a very weak 1.3% in 2016, as global GDP growth rises to 2.7% this year from 2.3% last year.
- Trade growth in 2018 should pick up slightly to between 2.1-4.0%.
- The ratio of trade growth to GDP growth fell below 1:1 in 2016, for the first time since 2001.
- The slowdown in emerging market economies contributed much to the sluggish rate of trade growth in 2016, but these countries are expected to return to modest growth in 2017.
- Export orders and container shipping have been strong in the early months of 2017, but trade recovery could be undermined by policy shocks.
- Policy uncertainty is the main risk factor, including imposition of trade restrictive measures and monetary tightening.

Merchandise trade volume and real GDP, 2013-2018* (Annual % change)

	2013	2014	2015	2016	2017P	2018P
Volume of world merchandise trade b	2.4	2.7	2.6	1.3	2.4 (1.8-3.6)	2.1-4.0
Exports						
Developed economies	1.7	2.4	2.7	1.4	2.8 (1.9-4.0)	2.1-4.2
Developing economies c	4.0	3.0	2.0	1.3	2.2 (1.8-3.4)	2.0-4.0
North America	2.7	4.2	0.7	0.5	3.2 (2.7-4.0)	3.7-4.7
South and Central America	1.7	-2.2	2.5	2.0	1.4 (1.3-1.6)	2.2-2.6
Europe	1.7	2.0	3.6	1.4	2.8 (2.0-4.2)	1.9-4.1
Asia	5.4	4.3	1.1	1.8	2.5 (1.7-3.9)	1.9-4.4
Other regions d	0.5	0.9	4.3	0.3	0.8 (1.1-2.0)	1.0-3.0
Imports						
Developed economies	0.0	3.6	4.7	2.0	3.0 (2.2-4.4)	2.0-4.0
Developing economies c	4.6	1.7	0.5	0.2	2.2 (1.8-3.3)	2.5-4.3
North America	1.3	4.8	6.7	0.4	3.0 (1.8-4.8)	2.5-5.1
South and Central America	4.5	-2.4	-5.8	-8.7	0.1 (-0.6-1.0)	1.0-3.0
Europe	-0.2	3.2	4.3	3.1	2.9 (2.0-4.2)	1.6-3.6
Asia	4.8	3.0	2.9	2.0	3.2 (3.2-4.1)	2.8-4.6
Other regions d	1.8	-0.9	-5.1	-2.4	0.5 (-0.4-1.8)	2.5-3.0
Real GDP at market exchange rates	2.2	2.6	2.6	2.3	2.7	2.8
Developed economies	1.1	1.7	2.2	1.6	2.0	2.0
Developing economies c	4.6	4.2	3.5	3.5	4.0	4.2
North America	1.7	2.4	2.5	1.6	2.3	2.7
South and Central America	3.3	0.6	-0.9	-2.0	1.0	2.0
Europe	0.5	1.6	2.2	1.9	1.8	1.7
Asia	4.4	4.0	4.2	4.1	4.3	4.0
Other regions d	2.7	2.5	1.1	1.7	2.4	3.0

Source: WTO. Note: *. Figures for 2017 and 2018 are projections. b. Average of exports and imports. c. Includes the Commonwealth of Independent States (CIS), including associate and former member States. d. Other regions comprise Africa, Commonwealth of Independent States (CIS), and Middle East.

Trade developments in 2016

In 2016, the weak trade growth of just 1.3% was partly due to cyclical factors as economic activity slowed across the board, but it also reflected deeper structural changes in the relationship between trade and economic output. The most trade-intensive components of global demand were particularly weak last year as investment spending slumped in the United States and as China continued to rebalance its economy away from investment and toward consumption, dampening import demand.

- ✓ The unusually low 1.3% growth in world merchandise trade volume in 2016 was the result of several risk factors converging over the course of the year. These weighed on imports of both developed and developing economies, although the latter were more affected
- ✓ Developing economies suffered a sharp 3% decline in imports in the first quarter, equivalent to an annualized drop of 11.6%, but growth resumed in the second quarter and losses were recovered by the end of the year. Meanwhile developed economies' imports continued to grow but at a reduced pace. The weakness of imports was reflected on the export side in slow growth of shipments from

both developed and developing countries.

- ✓ For the year, imports of developed countries grew 2.0% while those of developing economies stagnated at 0.2%. Exports recorded modest growth in both developed and developing countries, 1.4% in the former and 1.3% in the latter.
- ✓ Declines in imports of South America and Other regions (comprising Africa, the Middle East and the Commonwealth of Independent States) were steeper and more persistent, driven mostly by low commodity prices. Much of South America's decline was due to Brazil, which remained mired in a severe recession. Meanwhile, Europe's exports and imports grew faster than North America's, which have been mostly flat since the start of 2015
- ✓ Despite positive growth in its exports and imports, North America was one of the biggest contributors to the weakness of world imports in 2016
- ✓ Asia and Europe were the only regions making significant positive contributions to global import demand in 2016, with Europe contributing 1.6 percentage points (39% of the total increase) and Asia adding 1.9 percentage points (49% of the total).

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