

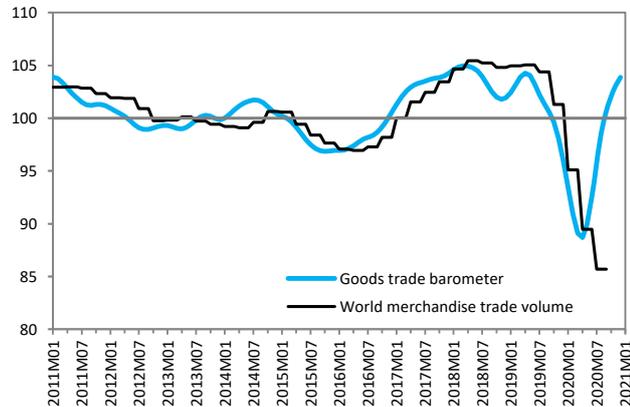
Goods Barometer signals strong trade rebound but momentum may be short lived

Goods trade barometer

Index value, December 2020 = 103.9

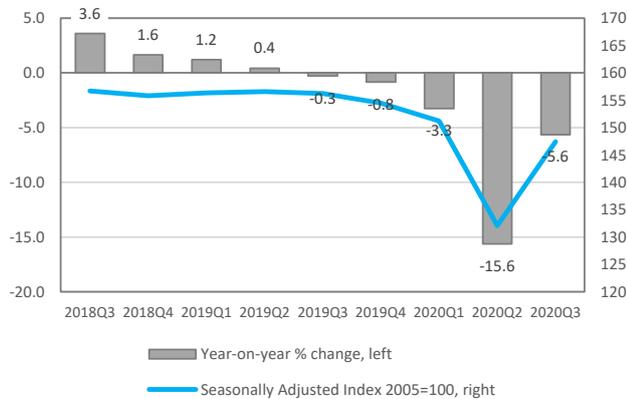


Index history, trend = 100



The WTO's Goods Trade Barometer provides real-time information on the trajectory of world merchandise trade relative to recent trends. The current reading of 103.9 is well above the baseline value of 100 for the index, indicating a marked improvement in trade in the fourth quarter of 2020 after steep declines earlier in the year linked to COVID-19. However, some of the barometer's component indices (export orders, automotive products) have turned down, suggesting that upward momentum may have peaked and that rapid growth is unlikely to be sustained through the first quarter of 2021.

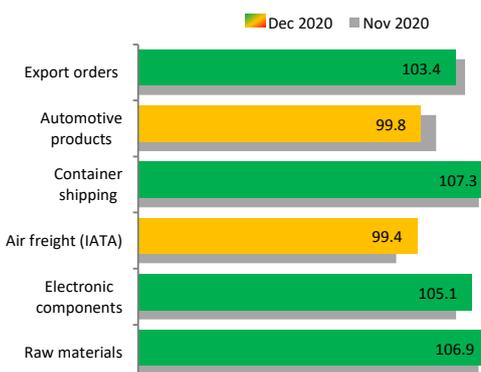
World merchandise trade volume



In the third quarter of 2020, the seasonally-adjusted volume of world merchandise trade bounced back from a deep second quarter slump, boosted by strong exports from Asia to North America and Europe. Despite the rebound, trade in the third quarter was still down 5.6% compared to the same period in 2019. While trade volumes are expected to continue to climb in the fourth quarter, the outlook for the first quarter of 2021 is highly uncertain due to a rising number of COVID-19 cases, including new variants. The outlook for merchandise trade will depend to a large extent on the evolution of the virus and the dissemination of effective vaccines.

Drivers of goods trade

Component index values, trend = 100



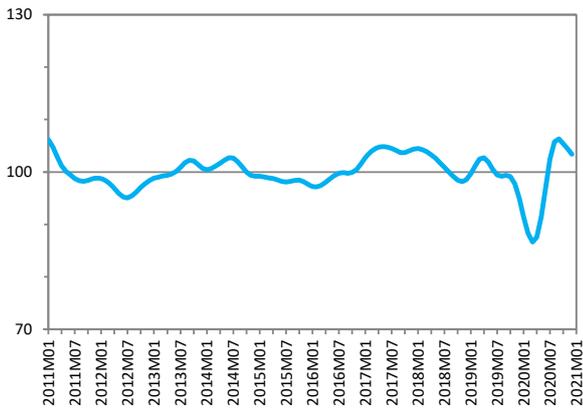
The barometer's component indices are all above trend or on trend, but export orders (103.4) and automotive products (99.8) show signs of deceleration after having turned down. The container shipping (107.3) and air freight (99.4) indices are both rising, suggesting faster than average growth, although recent high-frequency data show that container shipping has dipped in the new year. Indices for electronic components (105.1) and raw materials (106.9) are above trend and rising, possibly due to inventory stockpiling. Overall, this suggests that trade's upward momentum may have peaked.

Component indices

Export orders

103.4

(Index, trend = 100)

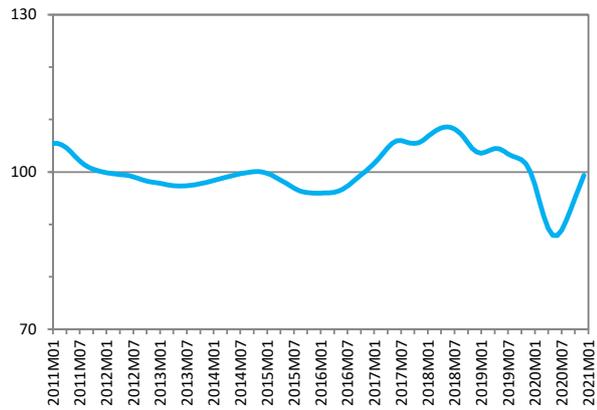


Source: IHS Markit.

International air freight (IATA)

99.4

(Index, trend = 100)

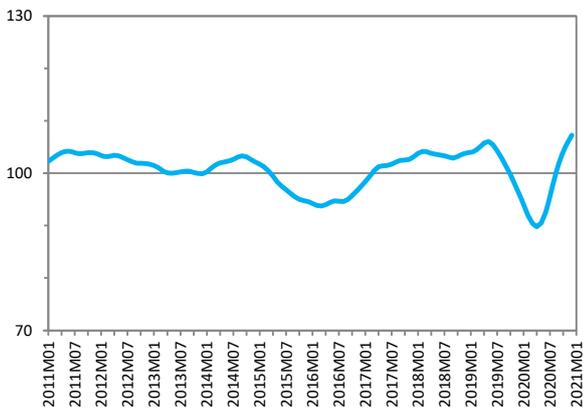


Source: IATA.

Container port throughput

107.3

(Index, trend = 100)

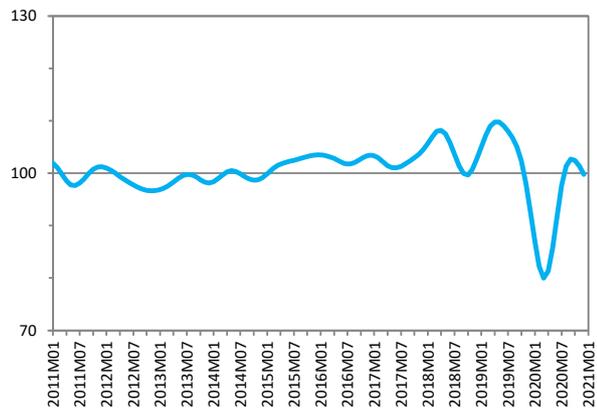


Source: ISL.

Automobile production and sales

99.8

(Index, trend = 100)

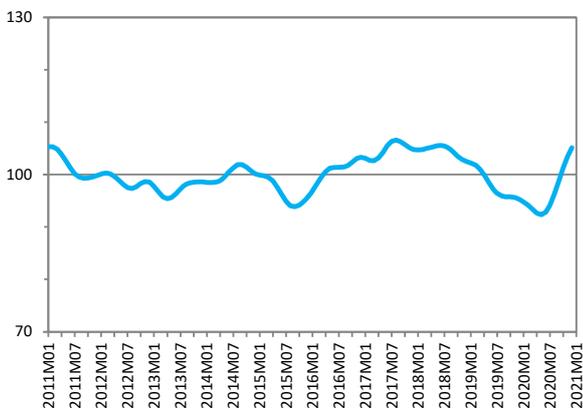


Source: Federal Reserve Bank of St. Louis, ACEA, JAMA, National Bureau of Statistics China.

Electronic components

105.1

(Index, trend = 100)

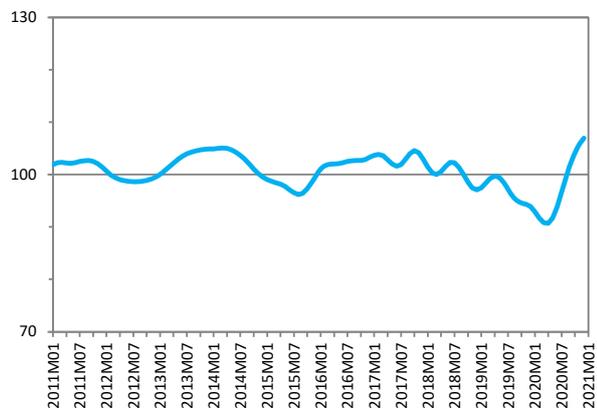


Source: TDM.

Agricultural raw materials

106.9

(Index, trend = 100)



Source: TDM.



Data on international air freight courtesy of the International Air Transport Association (IATA). Air freight has proved to be a very timely indicator of overall world trade and an early signal of turning points in recessions. Further information and analysis available here:

<https://www.iata.org/en/publications/economics/>

Other sources: WTO Secretariat for quarterly merchandise trade volume, TDM Trade Data Monitor database for electronic components and agricultural raw materials, Institute for Shipping Economics and Logistics for container throughput. Export orders from IHS-Markit Global PMI.

Details on the methodology of the trade outlook indicator are available on the WTO website at the following address:

https://www.wto.org/english/news_e/news20_e/methodology_wtoi_19aug20_e.pdf

Short-term WTO trade statistics (quarterly and monthly) can be obtained here:

https://www.wto.org/english/res_e/statis_e/short_term_stats_e.htm

The WTO issues a separate semi-annual trade forecasts projecting trade growth over two years. The latest release is available for download here:

https://www.wto.org/english/news_e/pres20_e/pr862_e.htm