

WTO pegs 2023 global trade growth at 1%

Forecast lowered from 3.4% as recession looms

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India's merchandise exports could face major headwinds next year with the World Trade Organization (WTO) slashing its forecast for global trade volume growth to 1 per cent from 3.4 per cent estimated earlier, citing increasing downside risks.

The Geneva-based multilateral body said on Wednesday that world trade may lose momentum in the second half of 2022 and remain subdued in 2023 as multiple shocks weigh on the global economy.

"If the current forecast is realised, trade growth will slow sharply but remain positive in 2023. It should be noted that there is a high degree of uncertainty associated with the forecast due to shifting monetary policy in advanced economies and the unpredictable nature of the Russia-Ukraine war," it added.

However, the WTO revised upward its merchandise trade growth forecast for 2022, to 3.5 per cent from its April estimate of 3 per cent.

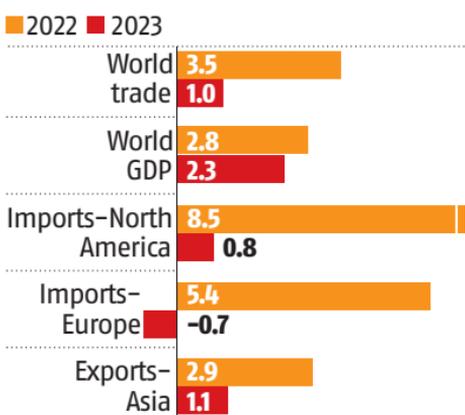
WTO Director-General Ngozi Okonjo-Iweala said the outlook for the global economy had darkened considerably, causing a lot of worry. "All the risks (are) on the downside. Looking ahead, a better response to the supply chain vulnerabilities exposed by the past two years is to build a more diversified, less concentrated base for producing goods and services," she said.

According to the fresh WTO forecasts, world GDP at market exchange rates will grow by 2.8 per cent in 2022 and 2.3 per cent in 2023 — the latter is 1 percentage point lower than what was previously projected.

The WTO said risks to the forecast were numerous and inter-related. "Major central banks are already raising interest rates in a bid to tame inflation but overshooting on tightening could trigger recession in some countries, which would weigh on imports. High interest rates in advanced economies could trigger capital flight from emerging economies, unsettling global financial flows. Escalation of the Russia-Ukraine war could also undermine business and consumer confidence and destabilise the global economy," it said.

BLEAK OUTLOOK

Projected YoY growth (%)



Note: Trade in terms of volume

Source: WTO

MAJOR SHOCKS FOR TRADE AND OUTPUT

War in Ukraine, high energy prices, inflation, and monetary tightening



"While trade restrictions may be a tempting response to the supply vulnerabilities..., a retrenchment of global supply chains would only deepen inflationary pressures, leading to slower economic growth"



NGOZI OKONJO-IWEALA,
WTO director general

An underappreciated risk, the WTO said, would be the decoupling of major economies from global supply chains.

Turn to Page 4 ▶

ees, and other creditors.

WTO..

“This would exacerbate supply shortages in the near term and reduce productivity over the longer term.”

If the downside risks materialise, trade growth in 2023 could be as low as -2.8 per cent. “If the surprises are on the upside, however, trade growth next year could be as high as 4.6 per cent. Trade could also finish outside of these bounds if any of the underlying assumptions change,” it added.

India’s merchandise exports contracted in September for the first time in 19 months, by 3.5 per cent. Disaggregated data available till August showed that among India’s major export destinations, shipments to China, Bangladesh, Hong Kong, Italy and Japan shrank both in July and August, while exports to the UK, Germany, and Saudi Arabia started shrinking in August.

The commerce ministry postponed the unveiling of the much-awaited foreign trade policy last week and extended the existing policy by another six months, citing ongoing global headwinds.

The multilateral trade body said import demand is expected to soften as growth slows in major economies for different reasons. “In Europe, high energy prices stemming from the Russia-Ukraine war will squeeze household spending and raise manufacturing costs. In the United States, monetary policy

tightening will hit interest-sensitive spending in areas such as housing, motor vehicles and fixed investment. China continues to grapple with Covid-19 outbreaks and production disruptions paired with weak external demand,” it added.

Electric 2Ws...

Even Hero MotoCorp (which is an investor in Ather Energy) is expected to launch its own electric scooter in the market.

These trends, analysts say, will lead to further consolidation in the industry.

“The real battle is in the motorcycle space, which accounts for 60-70 per cent of the two-wheeler market. That’s what we are concentrating on. We haven’t seen anything from the new players except statements,” said an executive of a two-wheeler company who did not wish to be named.

How much impact have electric two-wheelers had on converting ICE customers to electric? The registration data from January to September (and the first two days of October) show that 388,506 electric two-wheelers were registered during this period. These were 3.8 per cent of all two-wheeler registrations (ICE and electric) – close to the “inflection point” of 4-5 per cent which electric auto companies talk about. After this point, they expect to see faster conversion.