

WTO halves 2023 global trade growth forecast to 0.8%

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The World Trade Organization (WTO) on Thursday more than halved its growth projection for world merchandise trade volume for 2023. It now expects a 0.8 per cent growth compared to the 1.7 per cent forecast in April due to a continued slump in goods trade. That's well below the average of 2.6 per cent annual growth registered since the global financial crisis. The gloomy forecast does not augur well for Indian exports that have been contracting for seven consecutive months till August in value terms.

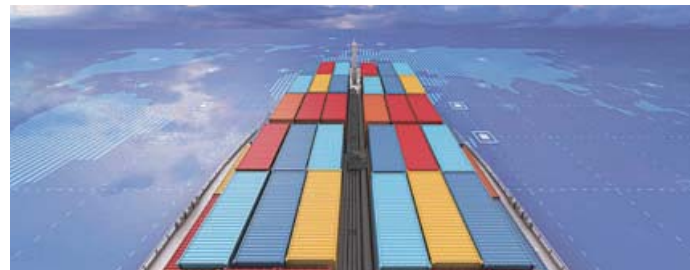
However, the world trade body marginally increased its forecast for goods trade for 2024 to 3.3 per cent from 3.2 per cent estimated earlier.

"The trade slowdown appears to be broad-based, involving a large number of countries and a wide array of goods, specifically certain categories of manufactures such as iron and steel, office and telecom equipment, textiles, and clothing," the biannual Global Trade Outlook released by WTO said.

The exact causes of the slowdown are not clear, but inflation, high interest rates, US dollar appreciation, and geopolitical tensions are all contributing elements, it added.

WTO said risks to the forecast include a sharper than expected slowdown in China and a resurgence of inflation in advanced economies, which would require keeping interest rates higher for a longer period. "On the other hand, growth could also exceed expectations if inflation comes down quickly, allowing an early exit from contractionary monetary policies. Overall, risks to the current outlook are considered to be evenly balanced," it added.

The report said merchandise trade volume was down 0.5 per cent year-on-year (Y-o-Y) in the first half of 2023, but a modest pickup is expected in the second half of the



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year. "The trade slump in the fourth quarter of 2022 should also inflate year-on-year growth towards the end of the year," it added.

In the first half of 2023, North America recorded the fastest export growth of any region, up 5.4 per cent compared to the same period in the

previous year. It was followed by South America (1.4 per cent), Africa (0.9 per cent), Europe (0.5 per cent), West Asia (0.2 per cent), Asia (-2.3 per cent) and the CIS (Commonwealth of Independent States) region (-3.5 per cent).

"Asia's export growth is expected to turn positive in the second half of the year while Europe's is expected to flip into negative territory," the report said.

India's merchandise exports contracted 8.1 per cent during the first half of 2023 while merchandise imports shrank 7.75 per cent during the same period. "Although the volume of Asia's merchandise exports

has been flat for some time, it remains well above its level in 2019 thanks to a surge in shipments of manufactures from China during the pandemic," it added.

WTO said positive export and import volume growth should resume in 2024 in all regions except for the CIS, where imports are expected to decline after a strong rebound in 2023. "If the forecast for 2024 is realised, Asia would be the fastest growing region on both the export and import sides," it said.

India's commercial services exports and imports rose 23 per cent and 8 per cent respectively during the first half of 2023, it added.