

Global trade

WTO cuts world trade forecast as manufacturing slowdown bites

Director-general warns of impact on living standards and urges members to avoid protectionism



A textile worker in Hangzhou, eastern China. The WTO noted the weakness in trade coincided with a 'global manufacturing slowdown' © STR/AFP/Getty Images

Valentina Romei in London YESTERDAY

The World Trade Organization has halved its estimate for exports growth around the world this year as manufacturing industries are hit by a slowdown and rising geopolitical tensions cause trade patterns to fragment.

The Geneva-based intergovernmental organisation said on Thursday that it expected the volume of world merchandise trade to grow by just 0.8 per cent, down from a 1.7 per cent increase which it had forecast in April.

Ngozi Okonjo-Iweala, WTO director-general, said the projected slowdown was “cause for concern, because of the adverse implications for the living standards of people around the world”.

She added that global economic fragmentation “would only make these challenges worse”, calling on WTO members to avoid protectionism.

The [WTO](#) reported that the share of intermediate goods in world trade, an indicator of global supply chain activity, fell to 48.5 per cent in the first half of 2023, down from an average of 51 per cent over the previous three years.

In a sign of [increasing tensions](#) between Washington and Beijing, the share of Asian bilateral partners in US trade in parts and accessories — a key subset of intermediate

...input prices in 20 trade in parts and accessories — a key subset of intermediate inputs — fell to 38 per cent in the first half of 2023, from 43 per cent in the same period of 2022.

Ralph Ossa, WTO chief economist, said broad deglobalisation was “not here yet”. However, he warned that while the data suggested goods continued to be produced through complex supply chains, “the extent of these chains may have plateaued, at least in the short run”.

The WTO’s downgrades come amid a slump in goods exports and imports that began at the end of last year. Last week, the Netherlands Bureau for Economic Policy Analysis, or CPB, reported that global trade volumes fell by an annual rate of 3.2 per cent in July, the steepest drop since the early months of the coronavirus pandemic in August 2020.

The WTO attributed the trend to the impact of high inflation and borrowing costs on demand in many advanced economies, as well as a [strained property market in China](#). It also noted that the weakness in trade coincided with a “global manufacturing slowdown”.

Together with the war in Ukraine, these developments “have cast a shadow over the outlook for trade in 2023 and 2024”, said the WTO.

The report noted that the trade slowdown was 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 telecoms equipment, textiles, and clothing.

A notable exception was passenger vehicles, sales of which surged in 2023 after production was limited by supply chain disruptions during the pandemic.

The WTO expects import volumes to contract in North and South America, Europe and Asia this year. Exports are set to be largely stagnant in Asia and Europe, while North America is expected to register the strongest growth.

Positive growth should resume in 2024 in most regions, with Asia expected to be the best performer, according to the WTO.

Overall the growth of global goods trade is expected to reach 3.3 per cent next year, largely unchanged from the 3.2 per cent figure estimated in April.

