

Article | 4 February 2022

Clogged supply chains won't hold back trade

Demand for consumer goods rose strongly last year despite the profound disruption to supply chains due to the pandemic. We expect goods world trade volumes to have increased by 10.6% in 2021. For 2022, global trade should not only normalise in 2022 but continue growing despite still challenging circumstances



California Governor, Gavin Newsom, inspects an overloaded port in California in November last year

World trade normalises and continues to grow despite challenges

Going into 2022, we expect trade growth rates to return to their pre-pandemic levels in line with a continued but weakened global economic recovery. 2021 was an exceptional year driven by pandemic-related catch-up effects. For this year, we pencil in a growth rate in merchandise world trade of 4.1%, while we expect world GDP growth to come in at 4.4%.

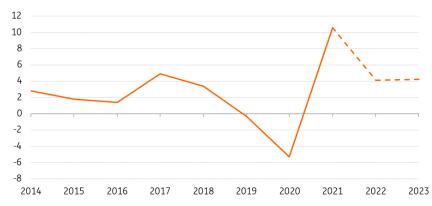
Despite ongoing supply chain frictions and average containerised transport costs expected to remain high, a shift by consumers back into services will only be moderate in 2022 because of Covid caution. They might reduce some of their increased spending on the likes of electronics and furniture while resuming spending on services, while seeing higher energy and food prices. Overall,

Article | 4 February 2022

however, the preference for goods remains elevated as recent data on consumer spending in the US or the eurozone shows.

World trade in 2022: Return to pre-crisis growth rates

Global goods trade volume, %YoY



Source: CPB, ING estimates

Asia to remain a driving force in 2022

Trade growth remains uneven, however, when you look at different regions. Intra-Asia trade still has strong growth perspectives, following an improvement in Asian industrial production over 2021 as well as significantly higher container throughput. A slowdown of economic activity in China, however, remains a concern for northeastern Asian industrial economies. Here, less real estate construction activity could be offset by more infrastructure investment though.

On a global level, we expect larger flows of oil and oil products alongside the global recovery of road and airline traffic and we think that <u>China should remain a major driver of growth for metals</u> stimulated by the energy transition. We expect global automotive production to <u>increase by up to 10%</u> and that will create extra trade volumes although the semiconductor shortage will remain a limiting factor. Lastly, the implementation of regional trade agreements in Asia and Africa will likely affect regional trade flows positively.

Supply chain slump and elevated tariffs will drag through 2022

Yet, a combination of shipping capacity and container shortages, unforeseen incidents and ongoing labour shortfalls which contributed to spiking container rates last year, might dampen our growth outlook. And 2022 started off with new records here. Based on UNCTAD data, those costs pushed China to Europe port-to-port container costs up to some 15% of the average value of goods transported (up from 2-3%).

The effect of massive port congestion occupying 10-15% of the global fleet capacity feeds back to that disruption. After Chinese New Year we do expect things to improve. But when spot rates come down, term contract rates of large shippers are still being negotiated higher. We concluded earlier that container rates will remain under upward pressure and won't return to pre-pandemic levels anytime soon.

Article | 4 February 2022

Risks ahead but trade fundamentals are still solid

The pandemic remains an uncertain factor affecting the outlook for 2022. Supply chain troubles and higher shipping costs also continue to pose risks to growth. At the same time, last year also showed this doesn't necessarily hamper the world from continuing to trade. We're optimistic given the economic outlook, a hopefully receding pandemic, and clear evidence of richly filled order books. We expect trade volume growth to hold up well this year, resulting in a more moderate but still sound growth rate for world trade.

Author

Inga Fechner

Senior Economist, Germany, Global Trade inga.fechner@ing.de

Rico Luman

Senior Sector Economist, Transport and Logistics Rico.Luman@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies). The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.

Article | 4 February 2022