Three calls for trade and supply chains

Trade picks up after rough weather, but things won't be the same

This year's weak trade growth has resulted in declining trade openness after years of stabilisation, which we expect to persist over the coming year

1 Modest rebound in trade volume despite sluggish global demand

We expect global merchandise trade to expand by 2.5% next year, lagging behind global GDP. However, this uptick in growth is largely due to a low comparative base rather than a robust recovery in global demand. In line with our economic assessment, we expect demand potential for goods in North America, South America, and Europe to be limited. Coupled with supply shocks – like delays in container traffic stemming from extreme weather events such as the ongoing drought in the Panama Canal, for instance – and the ongoing threat of worker strikes at US ports, no significant trade impetus can be expected.

Intra-Asian trade, however, is set to outperform the global average. It's likely to be driven by production shifts away from China and robust intermediate trade – in the event that there aren't any major upheavals on the geopolitical front in the region, that is.

2 Lower container rates will fully materialise in 2024, weighing on carriers but positive for shippers and trade

Unprecedented high freight rates increased consumer prices of containerised products, such as furniture, textiles, and electronics, by more than 10% at the start of 2022, according to UNCTAD data. After a gradual collapse, container spot rates on the world's largest trade routes slipped below pre-pandemic averages in 2023, and most of the high, locked-in tariffs of term contracts have also now expired. This has resulted in earlier shipping cost increases being wiped out though general inflation has seen a double-digit increase in the meantime.

Relative port-to-port transport costs have dropped below previous levels in many cases. Sunken freight rates weigh heavily on the performance of container liners amid higher operational costs. But it won't be easy to pass all of this on to clients in the current market. This means several container liners will face a challenging year with profitability already trending down. At the same time, this also makes trade more attractive to shippers compared to previous years and (CO2) surcharges won't change that.

3 Europe will join the US with import diversification in 2024

This year's weak trade growth has also resulted in declining trade openness after years of stabilisation. This could point to the beginning of deglobalisation – but we do note that these indicators are volatile and that global economic weakness generally results in lower openness. Still, we expect trade openness to continue to decline over the course of 2024.

We also note that the diversification of imports by advanced markets is a trend that is unlikely to reverse in 2024. Advanced markets have been gradually broadening their imports over recent years as geopolitical risks and supply chain problems have caused businesses to hedge their bets. This has mainly resulted in a lowering of the direct share of imports from China to the US but is not yet so prevalent in Europe. With geopolitical risks remaining significant in 2024, expectations remain for this trend to continue, with other Asian markets set to gain market share.

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