

World trade moves on

International trade was one of the success stories of 2020, contributing to the global recovery. But supply chain disruptions have created bottlenecks and the end of the Brexit transition period, and then the wait for a new WTO leader have not helped. There's still a great deal of uncertainty, but there's also progress



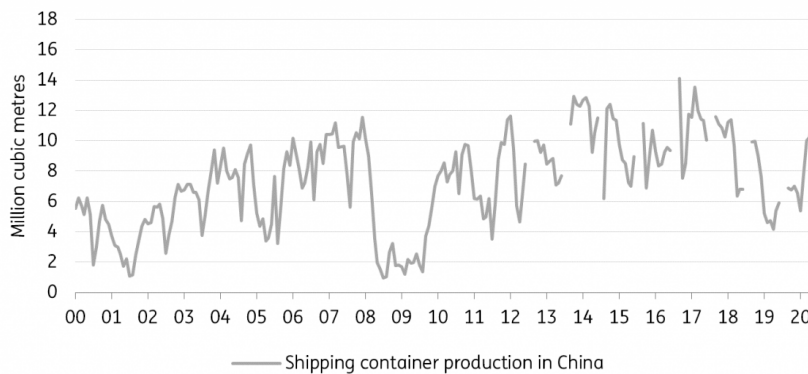
Containers are coming

Container freight rates have been rising since mid-2020. A sign of capacity constraints in world trade, this reflected shortages of empty containers, from the disruption caused by container ship cancellations during the first wave of the pandemic and ongoing limits to port handling speeds due to health restrictions. This has caused increases in supply lead times, delaying the recovery of manufacturing production to a modest degree and adding to pipeline inflation pressures on the goods side.

The enormous pressures on global shipping routes are not here to stay indeterminately. There is light at the end of the tunnel. But container supply is responding to the shortages, with empty containers being returned to China from US ports in record volumes, and major container manufacturers increasing production (Chart 1).

In time, this should help container supply meet demand again and reduce cost pressures.

Chart 1: New containers are being produced

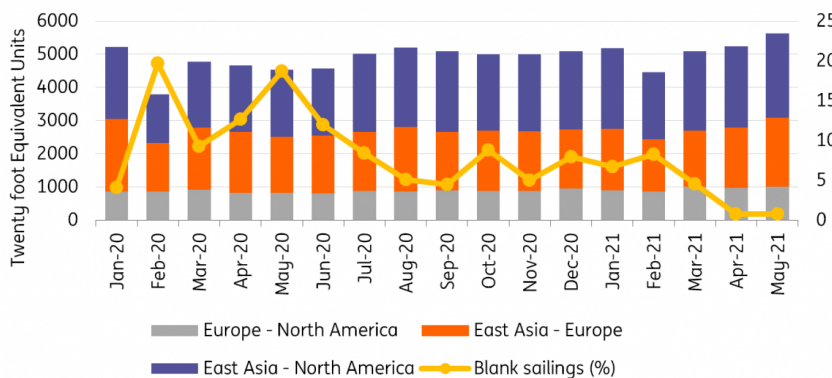


Source: Macrobond

Container capacity is not the only thing set to increase. The amount of ships currently in use is also improving, adjusting to the surging global demand for goods.

Shipping routes are seeing capacity increasing and rebalancing across major trade lanes, with blank sailings back at very low rates, and Europe once again accounting for around half of sailings from East Asia (Chart 2).

Chart 2: More shipping capacity on major routes



Source: eeSea, ING calculations

Freight rates stabilised in February, but a reversal of the spike in rates will depend on how the shipping liners manage their capacity in the coming phase of the pandemic, and during the recovery. The tactic of cancelling sailings at short notice may be here to stay, in the near-term as a way of managing the uneven global demand while some countries remain in lockdown and others open up. Prices may stabilise for a time at higher rates, contributing to inflationary pressure for the rest of the year.

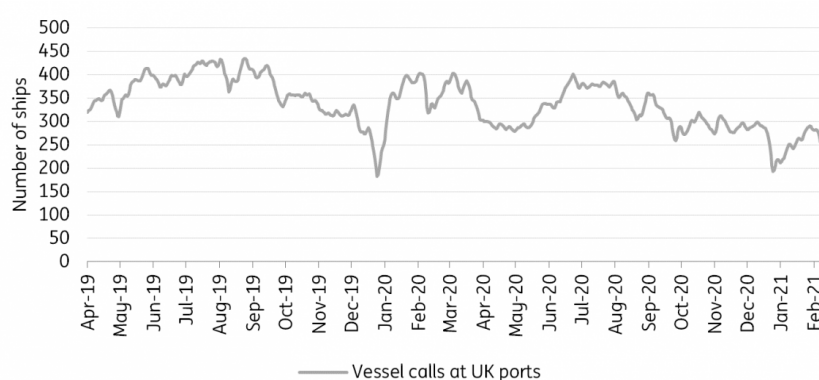
Ongoing limited capacity has meant shipping capacity has been slow to recover from supply chain disruptions early in the pandemic, both the greater supply of containers and normalisation of fleet capacity on the major trading lanes are necessary developments to help world trade to keep up when a global recovery gets underway.

Breathing space at the border

Trade volumes at the UK-EU border had surged in the last months of 2020 as firms front-loaded their exports to and from the UK, in anticipation of some disruption in early 2021.

Now, lower rates of rejected cargo being transported in trucks indicate that new border paperwork is becoming a part of the routine. UK ports have also seen ship visits rising from their lows at the turn of the year, though they remain below their level during the first wave of the pandemic (Chart 3).

Chart 3: UK ports are handling more ships



Source: Macrobond

Signs of normalisation and some increases in volumes suggest that some disruption from the new trade frictions will be temporary. This stands the UK and EU in good stead for the introduction of UK checks in April, which will progress to full border checks from both sides from July.

The improving picture for this particular bottleneck though hasn't changed the likelihood of higher trade barriers leading to structurally less trade between the UK and EU over time.

WTO wait is over

The appointment of Director General Ngozi Okonjo-Iweala ends the wait for the WTO to begin its part in tackling the higher tariffs and multiple disputes between countries that are the legacy of the trade war, and resume its work towards progressively lowering trade barriers, which have continued to increase during the pandemic. Trade barriers have proliferated in the form of state subsidies, which [may not be easy](#) to identify and remove in the aftermath of the current crisis.

The new Director-General cannot alone solve all the problems, but her appointment follows a welcome move from the US, that signals a new phase in participating with others in making trade policy. From her position, Okonjo-Iweala has an opportunity to make the system benefit from the breakthroughs that have been made in smaller coalitions of WTO members – the commitment to lower tariffs between RCEP signatories, for example, and China's agreements with the US and EU on market access for foreign investors.

Change at the top of the WTO is a first step towards putting global trade on a sounder footing than it has been in years, that could benefit the longer-term trend for global trade, but it all depends on

the new Director-General successfully tackling the significant challenges [on her plate](#).

Laying the groundwork

These signs of progress are not enough to secure a better outlook for trade in 2021, as so much depends on the global economic recovery.

However, the easing of container capacity constraints, in particular, suggests that, given a recovery in demand, world trade could continue to contribute to the global economic recovery. There are some positive signs that new processes at the UK-EU border can be absorbed without too much disruption. And there is positive momentum in trade policy, where new management and dialogue are prerequisites for finding solutions to some of world trade's most difficult issues.

Author

Alissa Lefebre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure

Katinka.Jongkind@ing.com

Marina Le Blanc

Sector Strategist, Financials

Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist

samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany

Franziska.Marie.Biehl@ing.de

Rebecca Byrne

Senior Editor and Supervisory Analyst

rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist

timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland

leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy

antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research

jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare

edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland
piotr.poplawski@ing.pl

Paolo Pizzoli
Senior Economist, Italy, Greece
paolo.pizzoli@ing.com

Marieke Blom
Chief Economist and Global Head of Research
marieke.blom@ing.com

Raoul Leering
Senior Macro Economist
raoul.leering@ing.com

Maarten Leen
Head of Global IFRS9 ME Scenarios
maarten.leen@ing.com

Maureen Schuller
Head of Financials Sector Strategy
Maureen.Schuller@ing.com

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

Rafal Benecki
Chief Economist, Poland
rafal.benecki@ing.pl

Philippe Ledent
Senior Economist, Belgium, Luxembourg
philippe.ledent@ing.com

Peter Virovacz
Senior Economist, Hungary
peter.virovacz@ing.com

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

Dimitry Fleming
Senior Data Analyst, Netherlands
Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania
+40 31 406 8990
ciprian.dascalu@ing.com

Muhammet Mercan
Chief Economist, Turkey
muhammet.mercan@ingbank.com.tr

Iris Pang
Chief Economist, Greater China
iris.pang@asia.ing.com

Sophie Freeman
Writer, Group Research
+44 20 7767 6209
Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA
Regional Head of Research, Americas
padhraic.garvey@ing.com

James Knightley
Chief International Economist, US
james.knightley@ing.com

Tim Condon
Asia Chief Economist
+65 6232-6020

Martin van Vliet
Senior Interest Rate Strategist
+31 20 563 8801
martin.van.vliet@ing.com

Karol Pogorzelski
Senior Economist, Poland
Karol.Pogorzelski@ing.pl

Carsten Brzeski
Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel
Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte
Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder
Senior Rates Strategist
benjamin.schroeder@ing.com

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel
Chief Economist, LATAM
+1 646 424 6464
gustavo.rangel@ing.com

Carlo Cocuzzo
Economist, Digital Finance
+44 20 7767 5306
carlo.cocuzzo@ing.com