UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

KEY STATISTICS AND TRENDS
in International Trade 2018

INTERNATIONAL TRADE REBOUNDS

UNITED NATIONS

KEY STATISTICS AND TRENDS

in International Trade   2018

INTERNATIONAL TRADE REBOUNDS

CONTENTS

NOTE

Key Statistics and Trends in International Trade is a yearly publication. It is a product of the Trade Analysis Branch, Division on International Trade and Commodities (DITC), UNCTAD secretariat. This publication monitors the trends of international trade in goods and services in the medium term.

OVERVIEW

International trade patterns of the last few years have been characterized first by anaemic growth (2012-2014), then by a downturn (2015 and 2016) and finally by a strong rebound (2017 and 2018). From 2012 to 2014 the value of international trade grew at a rate of less than 2 per cent per year, declined by 10 per cent in 2015, and by about 3 per cent in 2016. It then rebounded strongly, growing at 10 per cent in 2017. Preliminary data for 2018 indicate an even higher growth rate. The recovery in international trade in the last two years was in part due to nominal factors and in part to increase in volumes. In particular, the price of commodities regained ground and the United States dollar depreciated in real terms against a basket of currencies. Stronger global output growth and investment also played a role. Trade growth of last two years has been widespread to include most goods and services sectors. Merchandise trade has shown a particularly strong rebound after it dropped significantly in 2015-2016. Services trade fared better during those years, and the recovery was also more gradual. Trade in natural resources showed the strongest value growth in 2017 because of higher commodity prices. The trade surge of 2017 also affected positively all geographic regions. South–South trade has recovered as well, although it remains below its 2014 levels.

This report is structured into two parts. The first part presents an overview of the status of international trade using statistics up to 2018. The second part provides illustrative statistics on international trade in goods and services covering the last decade. The second part is divided into two sections. Section 1 provides trade statistics at various levels of aggregation illustrating the evolution of trade across economic sectors and geographic regions. Section 2 presents some of the most commonly used trade indicators at the country level, so as to illustrate trade performance across countries.

DATA SOURCES

The statistics in this publication were produced by the UNCTAD secretariat by using data from various sources. This report relies on the United Nations Commodity Trade Statistics Database (COMTRADE) (comtrade.un.org) hard data for merchandise trade statistics. UNCTADStat (unctadstat.unctad.org) is the sources of service statistics. Monthly data for merchandise trade comes from the International Monetary Fund (IMF) Directions of Trade Statistics and from national authorities' statistics. The data has been standardized to ensure cross country comparisons. Data, although comprehensive and comparable across countries, does not perfectly reflect national statistics, and thus some discrepancies with specific national statistics may be present. Unless otherwise specified international trade is defined as trade in goods (merchandise) and services. Countries are categorized by geographic region as defined by the United Nations classification (UNSD M49). Developed countries comprise those commonly categorized as such in United Nations statistics. For the purpose of this report, transition economies, when not treated as a single group, are included in the broad aggregate of developing countries. Product sectors are categorized according to the Broad Economic Categories (BEC) classification and the International Standard Industrial Classification (ISIC) augmented by five broad agricultural sectors based on the Harmonized System (HS) classification. Figures are in current United States of America dollars, except where otherwise specified.
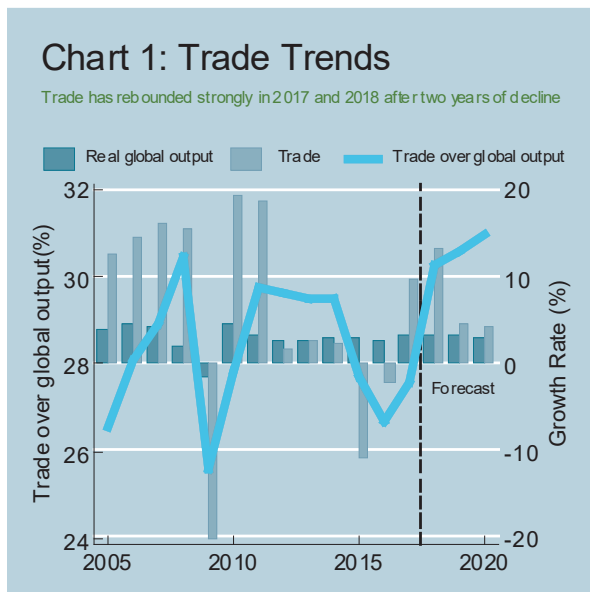
The boundaries, colours, denominations, and other information shown on any map in this work do not imply any judgment on the part of UNCTAD concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

IN FOCUS:

INTERNATIONAL TRADE REBOUNDS

During the last few years international trade patterns have been characterized first by anaemic growth (2012-2014), then by a downturn (2015 and 2016) and finally by a strong rebound (2017 and 2018). While the anaemic growth period was a continuing result from the great recession of 2009, particularly surprising was the fact that the downturn of 2015 and 2016 occurred against positive global real GDP growth. Such a pattern was largely unprecedented and was the result of several factors including declining commodity prices, weak demand in major economies and United States dollar appreciation. The rebound of 2017 was also largely unanticipated, and more so the strong increase in trade for 2018 as last year was characterized by increasing global uncertainty. Although it is still too early to gauge whether international trade has started to follow a more cyclical pattern, the recent trends have been decidedly uncommon.

Chart 1: Trade Trends

Trade has rebounded strongly in 2017 and 2018 after two years of decline

Source: UNCTAD secretariat calculations based on UNCTADSTAT and IMF data.

Note: Trade over global output is defined in terms of nominal global output.

International trade' recent cyclical pattern is evident by examining a commonly used indicator to gauge the status of international trade: ratio of the value of world trade in goods and services to the total value of world output. This is a commonly used measure for globalization trends (Chart 1). This indicator has fallen from just below 30 per cent in 2014 down to 27 per cent in 2016. Global trade-to-output ratio has returned to about 30 per cent in 2018. Forecasts for 2019 and 2020 indicate less spectacular growth in international trade, although still above the levels of global output growth. According to these projections, by 2020 the trade-to-GDP ratio will reach 31 per cent. However, trade performance in the coming years is subject to substantial uncertainty because of ongoing trade tensions among major world economies and the weakening of the multilateral trading system, which could hinder cross-border investment and increase the costs associated to international trade.

The recent trade rebound of 2017 and 2018 was due to several factors. Primarily, the upward trend in commodity prices played an important role (oil prices have recovered strongly during 2017 and the half of 2018). Another factor contributing to the increase in value of international trade was the United States dollar. United States dollar index depreciated by about 10 per cent throughout 2017, therefore driving up the value of international trade (because buying the same amount of goods requires more dollars when the dollar is relatively

weak). However, the price increases capture only part of the increase in trade value in the past two years. International trade registered strong growth also when measured in volumes. The main volumes growth factor was a robust global output growth–shared by most of the world economies—which helped stimulate broad-based investment growth.

Chart 2: Major Economies Trade

Trade has rebounded strongly in major economies

● China   ● European Union   ● United States
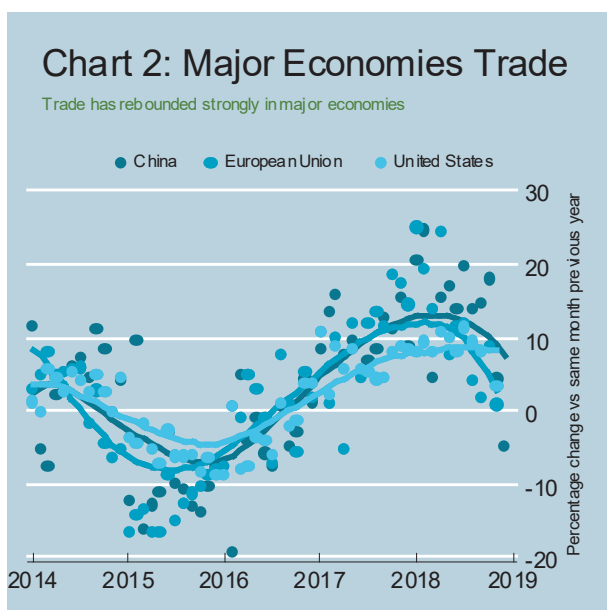
Source: UNCTAD secretariat calculations based on IMF Directions of Trade Statistics, and US/China and EU national statistics. Data for the last three months of 2018 is preliminary

While annual trade growth for 2018 is expected to be overall higher than trade growth of 2017, economic conditions have started deteriorating in the second half of 2018. While output growth in developing economies in 2018 is expected to be at levels similar to 2017, growth in some of the advanced economies has already slowed and expected to slow even further in 2019. Overall, economic growth forecasts are being revised downwards and international trade should follow suit.

The loss of momentum of the second half of 2018 is visible by examining monthly data from the major economies. During the last few years the trade growth of the three major economies (China, the European Union and the United States) has followed similar patterns. Overall, trade performance of these economies strongly declined in 2015, started to pick up in 2016, and experienced a strong rebound in 2017 and 2018. This pattern is illustrated in Chart 2 which shows monthly percentage changes in the value of trade—measured as imports plus exports (on a year-to-year basis to correct for seasonal factors). Data for all three economies shows a more subdued pattern for the second half of 2018 when compared to the second half of 2017 and to the first half of 2018. The substantial slowdown in trade growth is more evident for the European Union. This pattern is consistent with other high frequency indicators, such as the purchasing managers' index (PMI) and industrial production, which all which points to increasing economic weakness. Of interest is also that while overall trade performance in the past years was similar for China, United States and the European Union countries, the data indicates a different degree of volatility. In general, United States trade performance is characterized by lower volatility with smaller declines during 2015-2016 and more gradual recovery after 2017. On the other hand, China and European Union trade values show relatively higher variance across all periods. Looking at the latest data, United States trade performance was relatively stable at close to 10 per cent annual growth during the most of 2018. European Union trade performance shows very high growth in late 2017 and early 2018 (sometimes approaching 25 per cent), but a substantial slowdown thereafter (European Union trade growth rate was on average less than 5 per cent between August and November 2018). China monthly trade growth rates indicate an overall strong performance through most of 2018 (an average of about 15 per cent). Still, with a high degree of volatility. China trade performance was substantial higher in late 2017 and in the first half of 2018 than thereafter (with the exception of March 2018, in which China trade growth rate was only about 5 per cent).

Decompositing China's trade performance into import and export shows interesting dynamics (Chart 3). While both import and export rose, imports

Chart 3: China Trade

China's trade surplus has been declining since 2016

● Import   ● Export

Source: UNCTAD secretariat calculations based on Chinese National Statistics.

rose a substantially higher rate the exports since mid-2016. This is at least partly due to the different import and export basket compositions (China's export comprises a larger share of manufactured goods than import, which includes more of the price-volatile natural resources and agriculture). However, another important factor contributing to this pattern is the ongoing rebalancing of the Chinese economy towards internal demand instead of export supply. In terms of trade balances, China went from a trend of increasing surpluses (defined as export minus import) during the downturn which turned into a trend of declining surpluses in early 2016. A decomposition of China's trade surplus according to the destination of trade flows indicates that it shrank in 2017-2018 in part due to intraregional trade but predominantly due to the decline in other South-South trade. At the same time China's trade balance with developed countries remained relatively stable. The data for November and December 2018, however, suggest that China's import and export growth rates might be slowing down substantially.

Developing countries and south-south trade
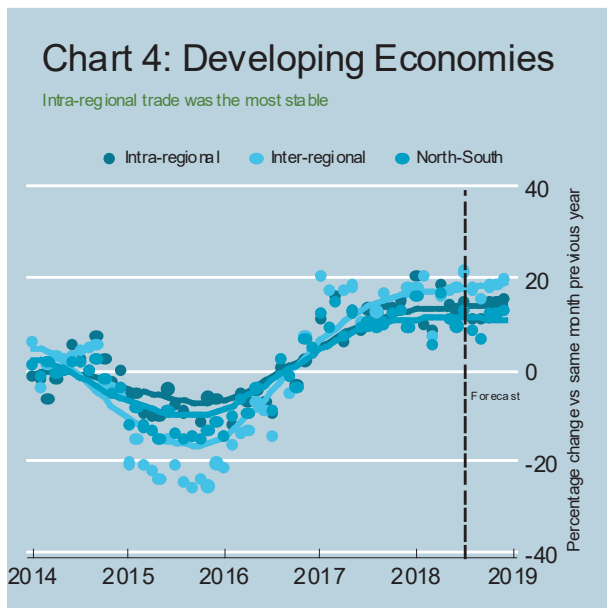
Chart 4: Developing Economies

Intra-regional trade was the most stable

Source: UNCTAD secretariat calculations based on COMTRADE data and IMF Directions of Trade Statistics.

Chart 5: South-South Trade

East Asia remains the engine of South-South trade

Source: UNCTAD secretariat calculations based on COMTRADE data and IMF Directions of Trade Statistics.

The pattern of international growth in international trade of 2017 and 2018 was not limited to the major economies but was also similar for developing cou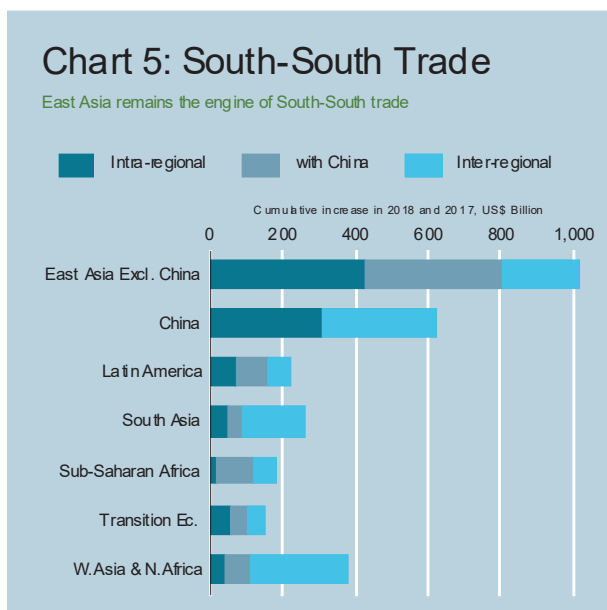ntries. Developing countries' trade growth went from negative 15 per cent in 2015 to around 15 per cent growth by 2018. Chart 3 further illustrates developing countries trade performance by distinguishing growth rates across intraregional, inter-regional and with developed countries (north-south). Some stylized facts emerge. First, intraregional trade was more resilient in the downturn period of 2015 and 2016, while outperforming north-south trade in the rebound period of 2017 and 2018. This is possibly the result of regional integration strategies in the form of regional agreements and regional value chains. All these factors may have contributed to shielding intraregional trade from global macroeconomic factors. Second, during the last five years extra-regional south-south trade has been the most volatile for developing countries. This is likely the result of developing countries' inter-regional flows being largely related to commodity prices and demand in East Asia. Finally, north-south trade has also been performing well, but less so compared to other trade flows. Extra-regional trade is expected to growth at a rate of almost 20 per cent for 2018, intraregional at about 15 per cent, and north-south at about 10 per cent.

Most of south-south trade relates to the East Asia region, and most of the value of south-south trade growth that occurred in 2017 and 2018 is because imports and exports of East Asian countries, China in particular (Chart 4). In value terms, trade increased by about US$ 1 trillion for East Asia countries (excluding China). East Asian countries trade growth has been largely a result of regional integration and especially of increasing trade with China. Inter-regional (other south-south) trade increased only by about US$ 200 billion. On the other hand, China trade performance has been more uniform between intra- and inter-regional flows. China south-south trade increase by

about US$ 600 billion in 2017 and 2018, with about half being extra-regional. South-south trade has increased for all other developing countries regions. While in absolute terms the East Asian region largely outperformed the rest of regions, the percentage change relative to 2016 was the largest for Sub-Saharan Africa, South Asia, and West Asia and North Africa Regions. Still, the trade performance of those regions is largely driven by relatively higher increases in inter-regional trade (largely with East Asia and China), rather than an increase in intraregional trade. This is especially the case for Sub-Saharan Africa, where intraregional trade increased only marginally. Overall the trade rebound of 2017 and 2018 reinforce the pattern for which the East Asia region remains the main engine of south-south trade growth.

Future trends

International trade growth averaged at about 10 per cent in 2017, and preliminary estimates indicate that growth has been even higher in 2018 (about 12 per cent). However, the performance of the 2017 and 2018 is not likely to continue in the immediate future. While part of such growth was fuelled by a global upturn in output and investment, one determining factor of such strong rebound was the dismal trade performance in 2015 and 2016. Another significant factor contributing to the growth in the value of international trade in the most recent years was the recovery of commodity prices. These factors are not expected to contribute to future trade growth, as global output over GDP is unlikely to increase substantially more, and commodity prices are projected to stabilize or even slightly decrease in the next few years. Moreover, the data for the second half of 2018 shows a loss of momentum, both in relation to economic growth and international trade. This is more evident in some of the in advanced economies. Another factor which could negatively impact international trade patterns during the incoming years is the increased uncertainty related both to the international trading system. The weakening of the multilateral trading system, the ongoing trade disputes between China and the United States, difficulties within the European Union, and monetary policy normalization in advanced economies will all weight down on the future patterns of international trade.

1. TRENDS IN INTERNATIONAL TRADE

International trade largely relates to physical goods. Although increasing, trade in services accounts for a much lower share. In 2017 world trade in goods was valued at above $17 trillion, while trade in services accounted for slightly more than $5 trillion. In the wake of the global financial crisis, trade in both goods and services promptly rebounded to reach pre-crisis levels by 2011. The value of international trade in goods declined substantially in 2015 and 2016 before it recovered in 2017. Nevertheless, trade in goods remains below its 2014 level. Trade in services has been more resilient over the same period.

Figure 1
Values and growth rates of world trade in goods and services

(a)

Trade in Goods and Services

(b)

Export Growth
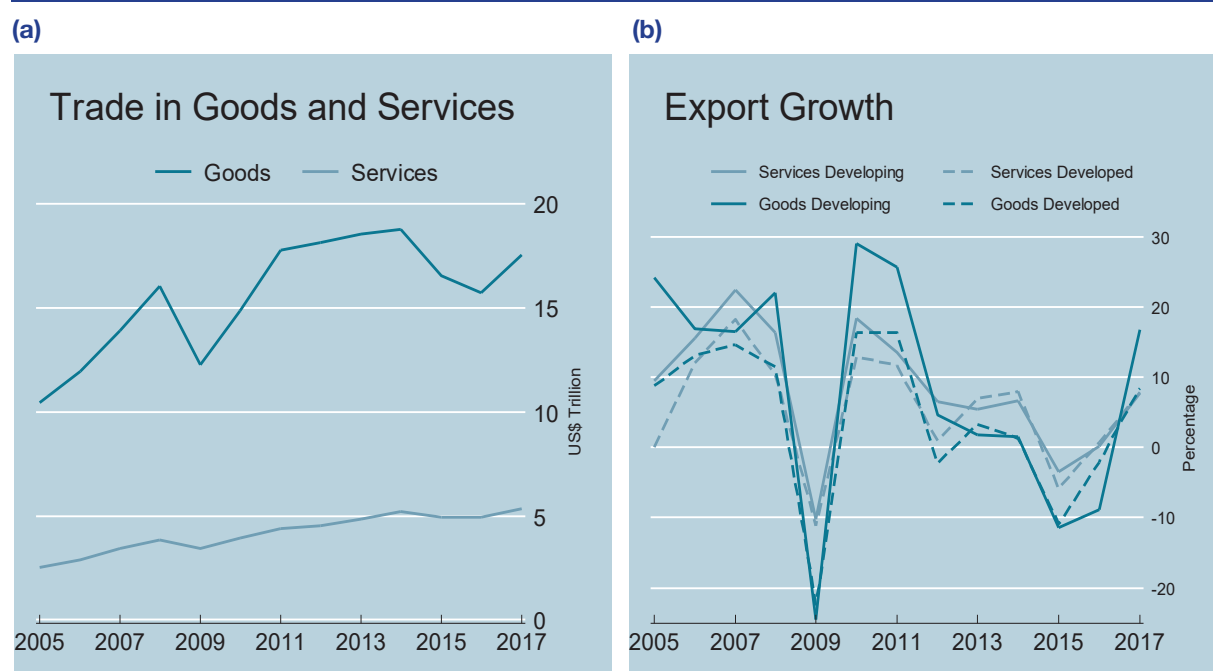
Source: UNCTAD secretariat calculations based on COMTRADE and UNCTADStat data.

International trade can be broadly distinguished between trade in goods (merchandise) and services. The bulk of international trade concerns physical goods, while services account for a much lower share. World trade in goods has increased dramatically over the last decade, rising from about $10 trillion in 2005 to more than $18.5 trillion in 2014 to then fall in 2016 and rebound up to $17.5 trillion in 2017. Trade in services greatly increased between 2005 and 2017 (from about $2.5 trillion to more than $5 trillion). The value of international trade of both goods and services declined substantially in 2015 and 2016 but have recovered in 2017 (Figure 1a). Following the strong rebound in 2010 and 2011, export growth rates (in current dollars) turned negative both in 2015 and 2016 (Figure 1b). They showed a strong bounce back to a positive territory – especially for developing countries goods' exports – but remain below pre-crisis levels.

Since 2005 the volume of international trade of goods has increased dramatically. However, growth has slowed down significantly in the last few years and virtually stalled in 2015. Volume growth resumed in 2016 and further strengthened in 2017. In major economies, both imports and export recovered significantly compared to 2016.

Figure 2
Volumes of international trade in goods

(a)

Volumes of Trade in Goods

(b)

Trade Volumes, Major Economies
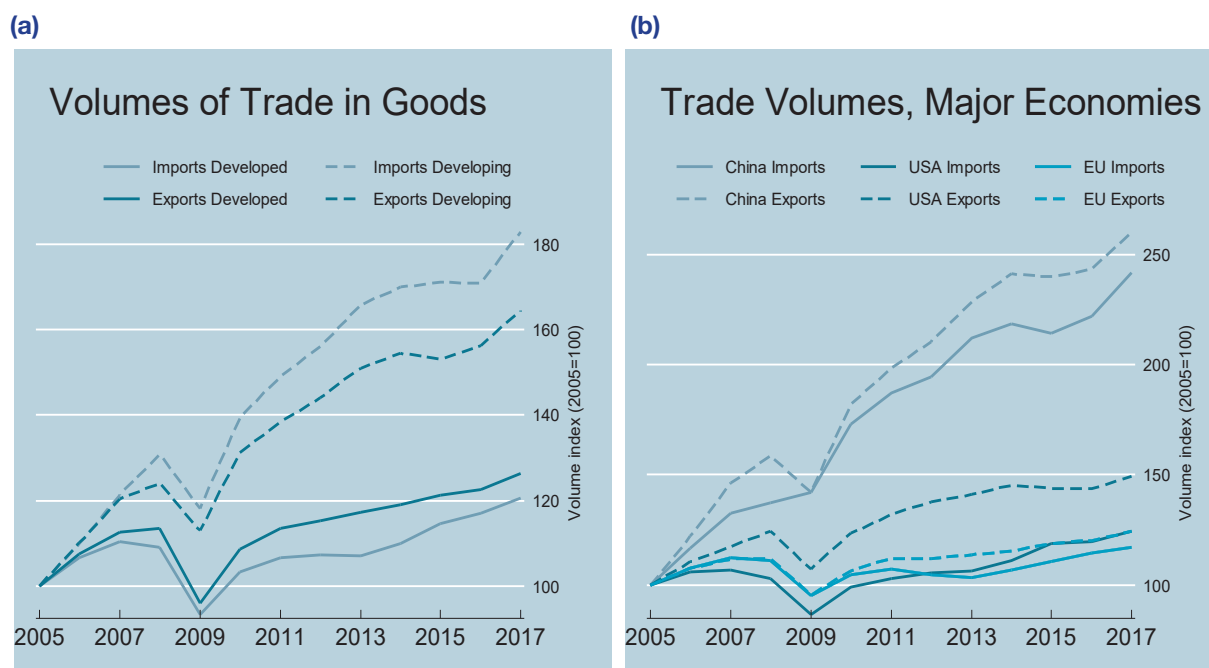
Source: UNCTAD secretariat calculations based on UNCTADStat data.

The volume of international trade in goods has increased dramatically in the last 10 years (Figure 2a). In spite of the financial crisis of 2009, developing countries as a group have almost doubled the volumes of trade in goods since 2009. While import volumes have been growing relatively more than export volumes for developing countries, the opposite has happened in regard to developed countries. The relatively larger increase in the volumes of imports can be explained by the increase in consumer demand in developing countries. Growth in trade volumes has slowed down substantially in the last few years, especially in regard to developing countries, before picking up again in 2017 when imports and export volumes grew at the highest rate since 2011 for this group of countries. In 2015, volume growth was negative in the case of China, both in relation to imports and exports (Figure 2b). Volume growth was positive in 2016, but only marginally so for most countries. Moreover, volume growth rates in developed countries have generally outperformed these of developing countries in the last two years. In 2017, imports and exports volumes growth in the United States and China recovered significantly, with the latter being in double digits. European Union trade performance was robust in line with the past years' trends.

The value of trade in goods is virtually equal in developing and developed countries. On the other hand, about two thirds of trade in services originated from developed countries. BRICS[1] account for an important share of trade in both goods and services. Least Developed Countries (LDCs) continue to account for a very small share in overall trade. In 2017 the value of world trade showed a broad-based increase.

Figure 3
Values of trade in goods and services by region

(a)   **(b)**
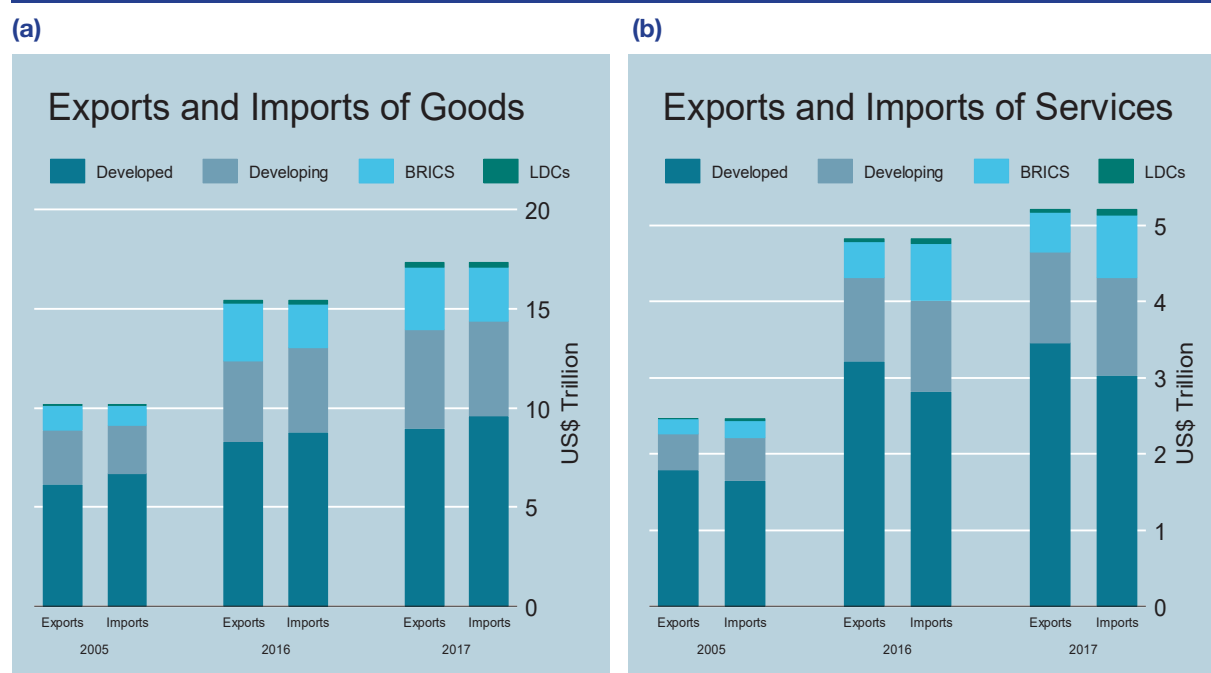
Source: UNCTAD secretariat calculations based on COMTRADE and UNCTADStat data.

Developed countries' relative importance as suppliers in international markets is declining. Still, they account for about half of the value of exports of goods and about two thirds of exports of services. In 2017 developed countries' exports of goods was about $9 trillion (Figure 3a), while that of services added up to about $3.5 trillion (Figure 3b). In 2017, developing countries' trade summed up to about $8.5 trillion in regard to goods and about $2 trillion in regard to services. Of these, BRICS exported about one-third, $3 trillion in goods and about $500 billion in services. LDCs' contribution to world trade remains minimal, although some increases in exports and imports of these countries have been recorded over the past decade. The increase in goods exports in 2017 for this group of countries has been particularly strong.

[1] Brazil, Russia, India, China and South Africa.

A very large part of world trade is clustered around three regions: North America, Europe and East Asia. In 2017 the value of international trade flows increased in all regions. Trade flows increased relatively more for the Middle East and Africa region.

Figure 4
Trade flows across regions and change between 2015 and 2016
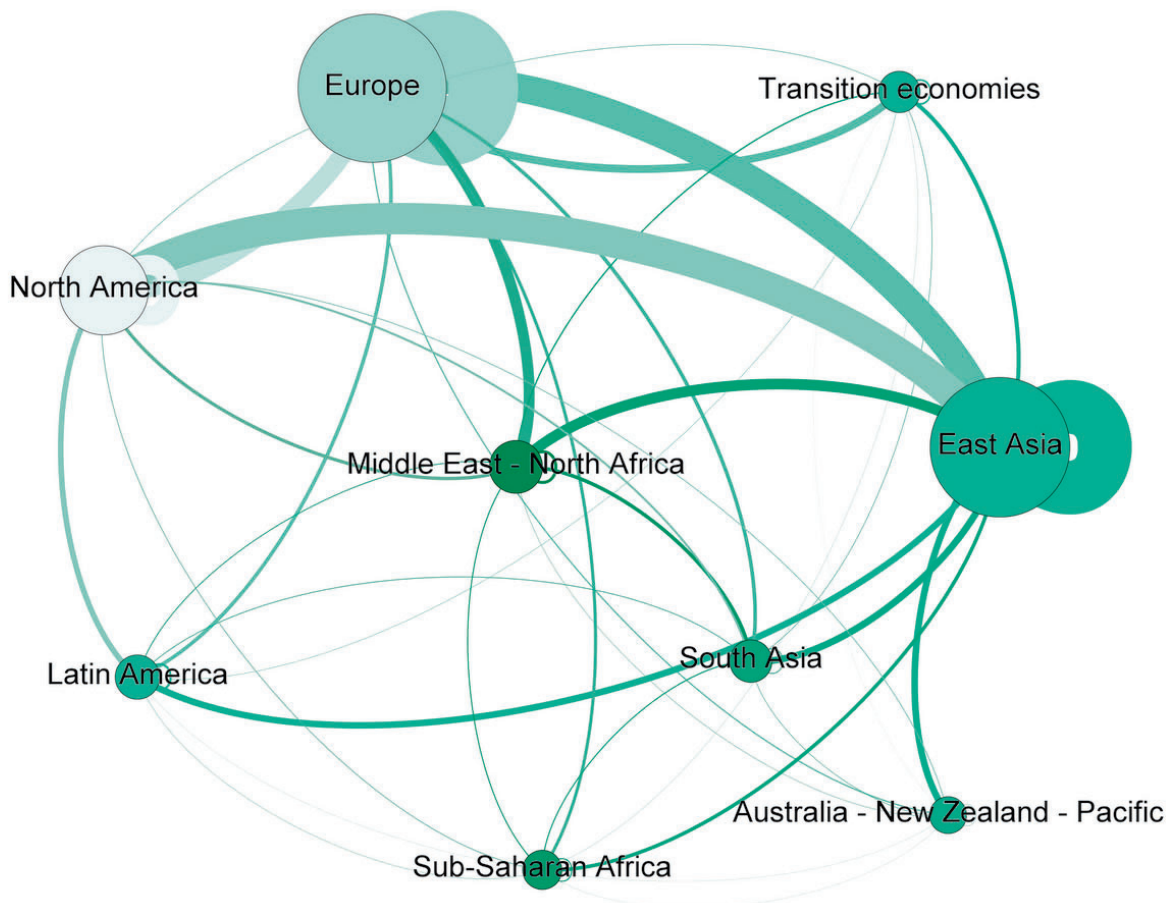
Source: UNCTAD secretariat calculations based on COMTRADE data.

The trade network map (Figure 4) illustrates the importance of trade between and within regions, as well as the trade increase between 2016 and 2017. The width of the corresponding lines reflects the magnitude of trade in 2017, whereas the size of the nodes reflects total trade for each of the regions. The colours of both the lines and the nodes reflect percentage increase in the value of trade between 2016 and 2017, darker colours indicating greater increases. As of 2017, world trade continues to be largely concentrated in three main regions: North America, East Asia and Europe, with a large share of trade being intraregional. In 2017, trade increased for most regions and bilateral trade flows. The value of trade grew substantially more for oil exporting regions as well as in sub-Saharan Africa and South Asia. The increases in international trade flows were relatively more moderate for North America.

International trade in goods is largely composed of trade flows involving developed countries and the East Asian region. Trade among other developing country regions is much smaller, with some exceptions for trade in primary products. Most of trade is in manufactured goods, except for exports from Transition economies and West Asia and North Africa region, for which commodity exports is the largest category. In 2017, the value of trade increased for most regional flows, especially in regard to natural resources.

Table 1
Composition of trade flows in goods, by importing and exporting regions

a) Trade in 2017 (billion US$)

Imp \ Exp	Developed		East Asia		Transition Economies		Latin America		West Asia and North Africa		South Asia		Sub-Saharan Africa	
Developed	5847	588	2150	83	286	16	643	118	418	18	190	15	122	24
	453	4617	56	1980	165	100	82	425	199	195	23	151	43	53
East Asia	1526	127	2186	94	96	8	181	57	259	2	106	11	95	7
	149	1237	175	1898	61	26	75	49	198	58	38	57	53	35
Transition Economies	209	19	99	5	93	16	11	8	19	4	8	2	3	2
	11	174	0	93	26	51	1	2	1	14	0	6	1	1
Latin America	523	46	276	4	8	0	160	33	15	0	16	1	5	0
	80	384	4	258	2	6	29	98	6	9	0	15	3	1
West Asia and North Africa	463	44	222	11	50	13	33	20	154	24	69	10	19	4
	27	375	2	208	9	20	4	9	21	106	9	44	2	13
South Asia	162	12	236	16	19	6	31	10	119	3	42	7	35	3
	17	131	17	201	4	8	13	7	72	43	14	21	18	14
Sub-Saharan Africa	111	15	82	10	4	2	9	5	29	3	19	3	49	9
	14	76	3	66	1	2	1	3	14	12	3	13	13	26

b) Change 2016-2017 (percent)

Imp \ Exp	Developed		East Asia		Transition Economies		Latin America		West Asia and North Africa		South Asia		Sub-Saharan Africa	
Developed	8	8	9	7	20	16	8	4	13	3	10	21	8	3
	28	7	20	9	28	20	21	6	27	3	37	6	22	-1
East Asia	11	10	20	24	29	14	19	15	25	28	34	74	27	10
	45	8	30	19	36	19	35	6	26	21	45	23	55	2
Transition Economies	15	14	22	12	17	3	14	3	14	13	19	7	10	1
	30	18	30	23	18	20	72	41	47	12	71	21	18	32
Latin America	10	8	12	8	13	10	16	5	20	22	15	21	19	2
	44	4	97	10	18	14	56	11	22	17	-34	17	13	42
West Asia and North Africa	5	-2	8	21	29	39	18	23	11	-3	27	5	-17	-2
	25	1	35	7	43	21	55	0	6	13	116	17	51	-26
South Asia	22	20	18	18	34	26	27	7	21	2	19	23	39	3
	84	17	22	18	160	21	38	44	34	4	37	7	32	62
Sub-Saharan Africa	4	14	-3	32	26	52	4	13	19	17	0	-9	6	3
	5	1	-28	-7	224	12	-11	-2	40	3	-9	5	-6	14

c) Trade in 2005 (billion US$)

Imp \ Exp	Developed		East Asia		Transition Economies		Latin America		West Asia and North Africa		South Asia		Sub-Saharan Africa	
Developed	4423	357	1200	45	199	6	432	67	358	12	98	6	127	15
	380	3578	56	1083	129	63	110	243	232	112	25	67	69	42
East Asia	781	36	948	27	34	2	47	13	139	1	44	2	27	1
	32	706	83	834	11	22	13	21	120	18	23	19	17	8
Transition Economies	119	12	25	2	66	7	6	5	7	1	3	1	1	1
	3	102	0	22	23	31	0	1	0	6	0	2	0	0
Latin America	303	22	76	1	7	0	103	14	9	0	4	0	7	0
	20	259	1	72	4	3	22	65	6	3	1	3	6	1
West Asia and North Africa	265	20	67	3	29	2	13	7	57	8	26	4	5	1
	9	233	1	63	8	14	2	4	16	32	4	18	1	3
South Asia	83	3	50	4	7	0	4	3	30	1	11	2	5	1
	4	72	4	42	1	6	0	1	11	18	2	6	0	4
Sub-Saharan Africa	74	7	29	3	1	0	6	2	13	1	8	1	23	3
	3	59	1	24	0	1	1	2	8	4	3	4	9	11

Source: UNCTAD secretariat calculations based on COMTRADE data.

Table 1a reports traded value in dollars in 2017; percentage change between 2016 and 2017 is shown in Table 1b. For reference, Table 1c reports values for 2005. The number given in the top left of each cell shows the overall trade, the upper right figure in each cell depicts the overall traded value in agriculture, the bottom left is natural resources and bottom right, manufactures. Importing regions are on the left and exporting on top of the tables. Discrepancies are due to uncategorized trade.

International trade in goods is increasingly linked to imports and exports of developing countries. South–South trade has promptly rebounded from pre-crisis levels, and reached almost US$ 5.5 trillion in 2014. After 2 years of decline, South-South trade recovered somewhat to about 4.9 trillion US$ in 2017. Relative significance of interregional and other South-South trade flows remained quite stable in 2017 compared to 2016 for most developing country regions, except for Sub-Saharan Africa for which trade with China became relatively more important.

Figure 5
Trade in goods between/within developed and developing countries

(a)

Distribution of World Trade Developed-Developing Countries

- North-North
- South-North
- North-South
- South-South

(b)

South-South Trade

- Intraregional
- with China
- Other South-South
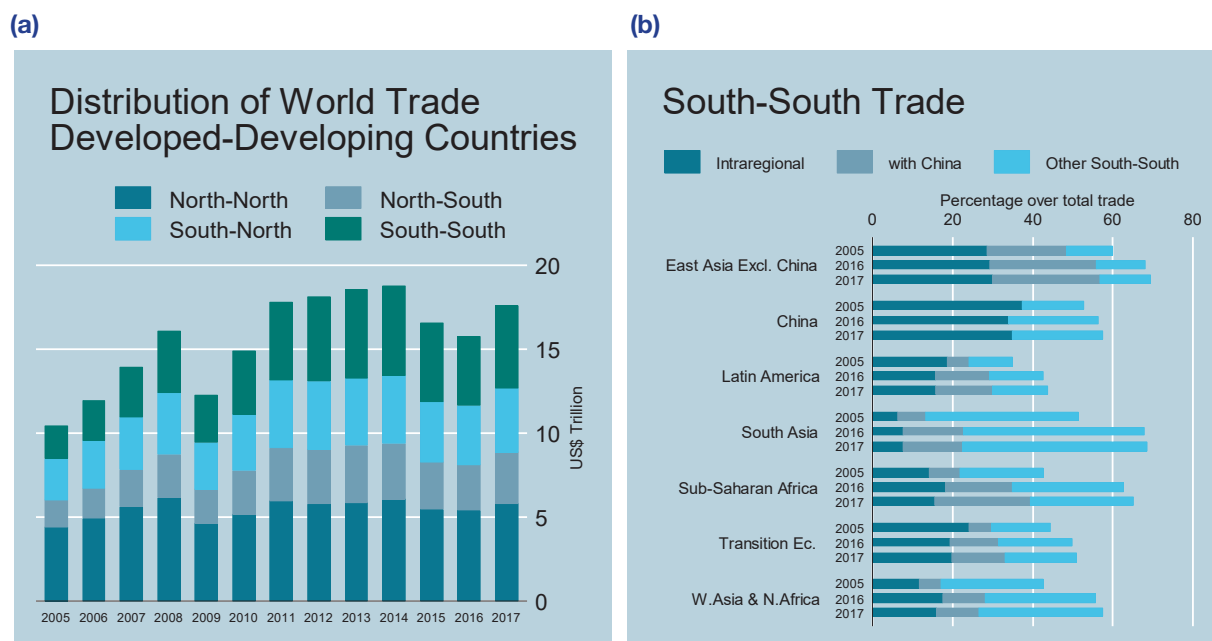
Source: UNCTAD secretariat calculations based on COMTRADE data.

The increase in world trade during the last decade was largely driven by the rise of trade between developing countries (South–South) (Figure 5a). By 2014, the value of South–South trade had reached almost US$ 5.5 trillion, a magnitude close to that of trade between developed countries (North–North). The substantial decline in trade of 2015 and 2016 hit developing countries relatively more than developed countries, but in 2017 South-South trade saw a stronger rebound than other types of trade. Figure 5b highlights the contribution of South–South trade to total trade and further decomposes it among intraregional flows related to China and other South–South trade. The significance of South–South trade flows for developing countries is evident when considering that in recent years, they represented more than half the trade of developing country regions (imports and exports). South–South trade share varies by region, from about 40 per cent in Latin America to almost 70 per cent in South Asia and East Asia. Although a certain proportion of South–South trade encompasses intraregional flows, an important part involves trade with China. Since 2005, China has become an increasingly important partner for all other developing country regions.

The rebound in trade between 2016 and 2017 is reflected in the largest bilateral flows to a varying degree. Due to a pick-up in commodity prices, the largest percentage increases are related to natural resources. Substantially lower growth is recorded for agricultural and manufacturing trade flows. Almost all of the largest bilateral trade flows increased in 2017, with the exception of small declines in United States-China agriculture trade and Canada-United States manufacturing trade.

Table 2
Changes in the value of the largest bilateral trade flows between 2016 and 2017, by product group

Agriculture			
Exporter	**Importer**	**Change 2016 vs 2017 (%)**	**Value in 2017 (US$ Billion)**
United States	China	-1%	22
United States	European Union	0%	14
United States	Canada	2%	21
Canada	United States	4%	26
United States	Mexico	4%	18
United States	Japan	5%	14
European Union	United States	7%	27
Mexico	United States	7%	27
European Union	European Union	9%	395
Brazil	China	27%	24

Natural Resources			
Exporter	**Importer**	**Change 2016 vs 2017 (%)**	**Value in 2017 (US$ Billion)**
European Union	European Union	23%	191
Russian Federation	European Union	29%	110
Australia	Japan	32%	32
Canada	United States	33%	79
Norway	European Union	33%	46
Australia	China	38%	70
United States	Mexico	40%	31
Brazil	China	41%	28
Saudi Arabia	Japan	42%	27
Russian Federation	China	44%	29

Manufacturing			
Exporter	**Importer**	**Change 2016 vs 2017 (%)**	**Value in 2017 (US$ Billion)**
Canada	United States	-2%	177
United States	European Union	3%	278
European Union	United States	4%	377
China	Hong Kong S.A.R.	4%	250
United States	Canada	4%	173
Mexico	United States	6%	269
China	European Union	7%	441
China	United States	9%	510
European Union	European Union	10%	2650
European Union	China	17%	222

Source: UNCTAD secretariat calculations based on COMTRADE data.

The table reports the percentage changes between 2016 and 2017, and the value in 2017, of the 10 largest bilateral flows in each of the three product groupings.

Intermediate products represent almost half of world goods trade (about US$ 7.5 trillion in 2017), with consumer products amounting to about a quarter (US$ 4 trillion in 2017). While the amount of trade in each category grew substantially since 2005, the relative importance of goods at different stages of processing remained relatively stable. In 2017, trade in all categories increased, with the strongest growth in trade in primary products due to a rebound in commodity prices. Differentiated by broad category, world trade in goods is largely comprised of manufacturing products (about US$ 13.5 trillion in 2017).

Figure 6
Values of world trade in goods by stage of processing and broad category

(a)

Trade in Goods by Stage of Processing

(b)

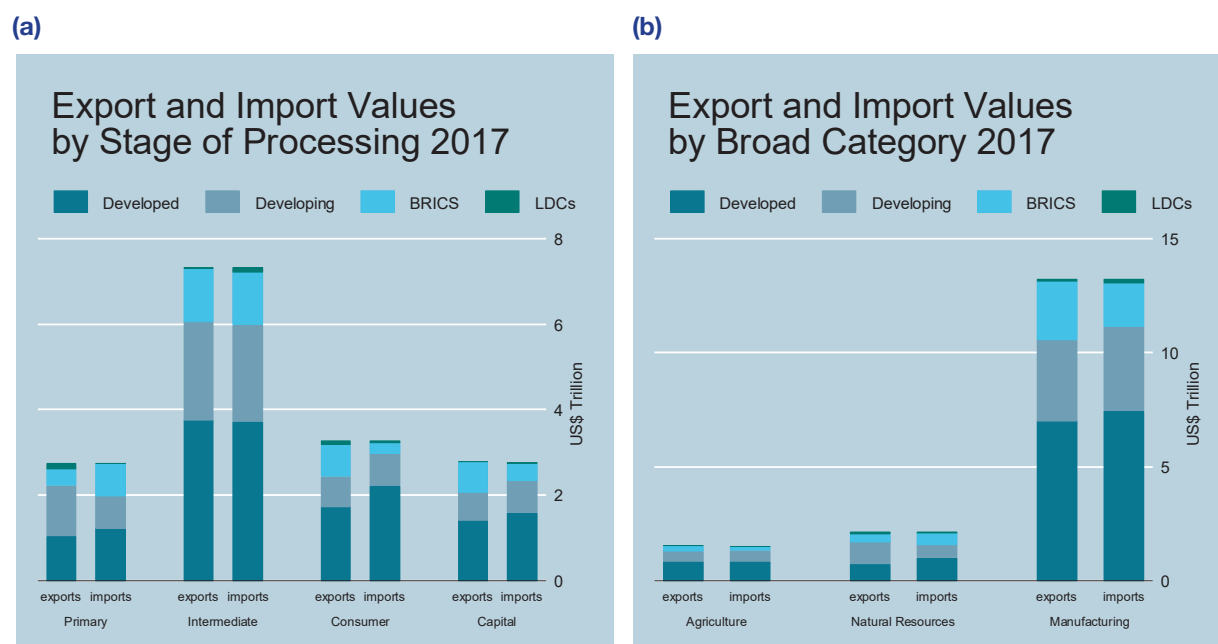

Trade in Goods by Broad Category
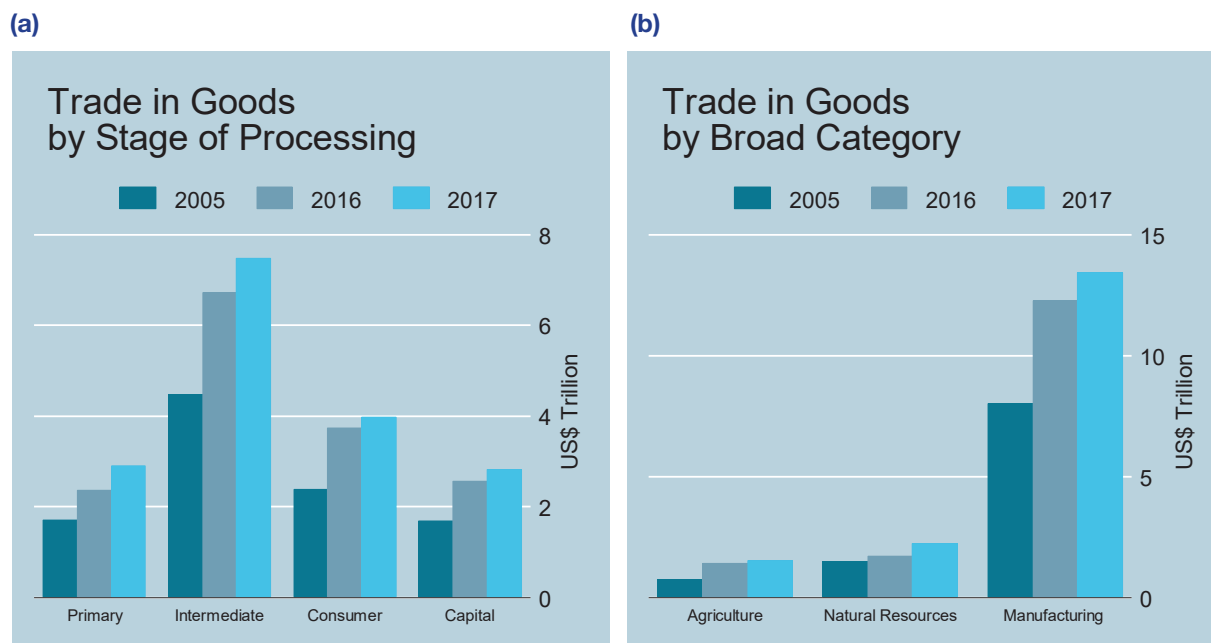
Source: UNCTAD secretariat calculations based on COMTRADE data.

International trade in goods can be differentiated by stage of processing, depending on their intended use along the production chain. Goods are therefore classified as primary, intermediates, consumer and capital (the latter comprising machinery used for the production of other goods). Goods can also be differentiated by broad category, including natural resources, agriculture and manufacturing. With regard to the stage of processing, intermediate products continued to make up the bulk of world trade in 2017 (Figure 6a). Trade in consumer and capital products represent another important share of world trade. In 2017, the value of trade in all categories grew, with relative shares of each category in total trade relatively unchanged. Trade in primary products was greatly affected by the 2015 trade downturn but has gained significantly in 2017. Trade in manufacturing product also grew in 2017, reaching a value of about $13.5 trillion (Figure 6b).

Trade related to developed countries remains an important part of international trade, especially in relation to imports. Participation in international trade varies significantly among developing regions. BRICS countries account for an important part of developing countries' trade, especially with respect to trade in intermediates and exports of consumer products. The participation of other developing country regions in world trade, both as importers and exporters, is more limited.

Figure 7
Values of world trade in goods by region, stage of processing and broad category

(a)

Export and Import Values by Stage of Processing 2017

Developed   Developing   BRICS   LDCs

(b)

Export and Import Values by Broad Category 2017

Developed   Developing   BRICS   LDCs

Source: UNCTAD secretariat calculations based on COMTRADE data.

Developed countries account for the bulk of world trade, both in terms of goods differentiated by stage of processing and broad category (Figure 7a, b). Besides other developing country regions, a significant amount of trade is linked to BRICS, especially in relation to the trade of intermediates and manufacturing. They also tend to import few consumer goods while exporting a relatively large share. Developing countries tend to export more natural resources than they import, unlike developed countries. LDCs only represent a small share in all types of goods, with a larger share in the exports of primary products and the imports of manufacturing goods.

With $2 trillion traded, chemicals represent a substantial share of world trade in goods. Other significant sectors include machinery and motor vehicles, communications products and fuel commodities. In 2017, the value of international trade grew in many sectors, but more so in these largest sectors and especially in the energy categories (oil, gas, coal and petroleum products). During the last decade, export market shares have moved to the advantage of developing countries in all sectors and more so for communications equipment, machinery and non-metallic minerals.

Figure 8
Values of world trade in goods by sectors
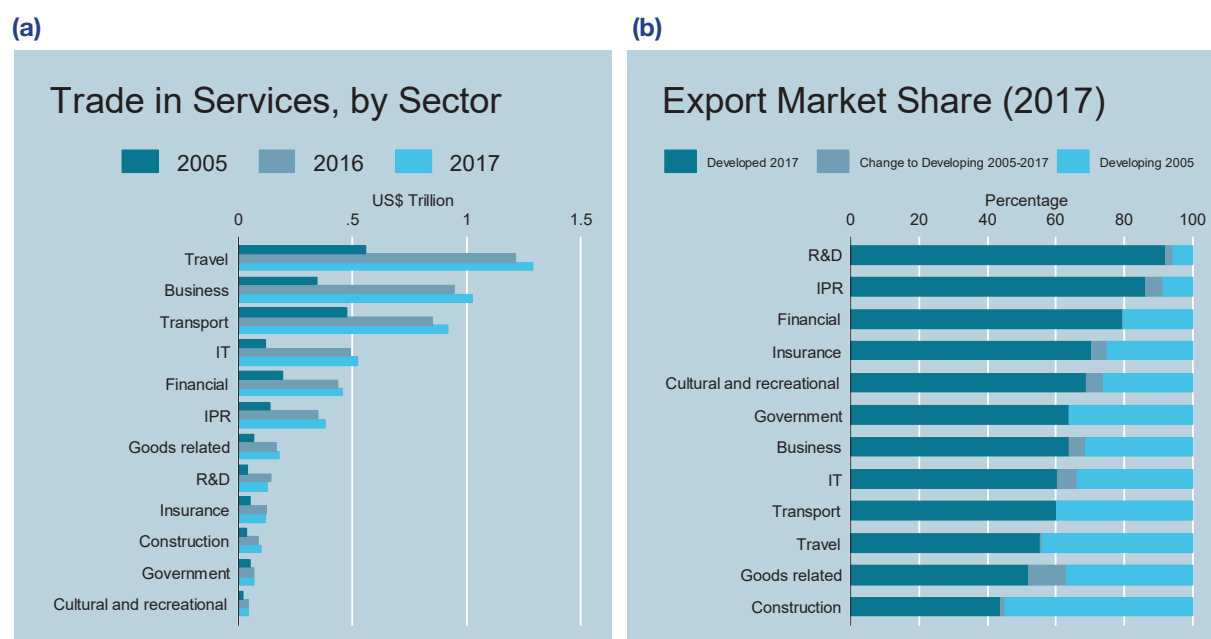
(a)

(b)
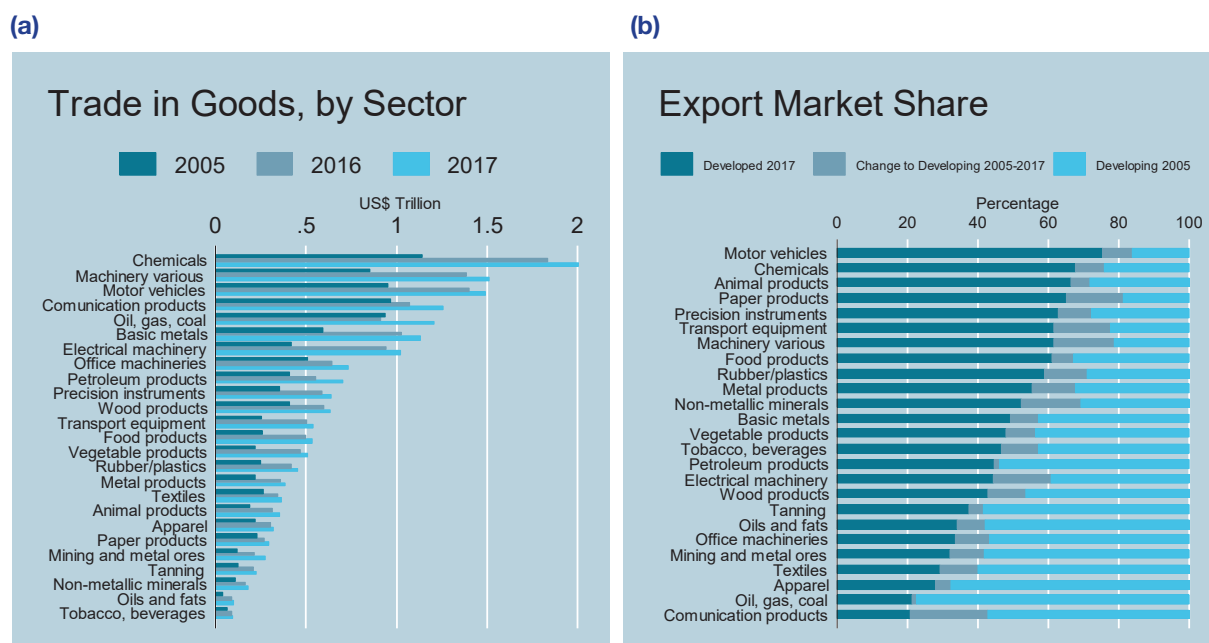
Source: UNCTAD secretariat calculations based on COMTRADE data.

Figure 8a displays the value of world trade in 25 categories of goods. In terms of value, a large amount of world trade relates to energy products (oil, gas, coal and petroleum products), chemicals, machinery, motor vehicles and communications equipment. In contrast, light manufacturing sectors, including textiles, apparel and tanning, comprised a much smaller share of world trade. Agricultural sectors – which include food, vegetable and animal products, as well as oils and fats, and tobacco and beverages – accounted for a total of over $1.6 trillion of trade flows, or less than 10 per cent of international trade. The value of trade grew in 2017 in all sectors, especially in energy products. During the last decade developing countries' presence in international markets has increased substantially compared with developed countries. Their export market share has increased across all sectors (Figure 8b), and in particular in machinery, non-metallic minerals and communications equipment.

World exports of services are mainly dominated by travel, transportation, and business-related services. Trade in services greatly increased during the last decade across all categories of services. Trade in most categories of services expanded during the 2017 trade recovery, with largest increases in business, travel and transport categories. At the same time, declines were recorded in the value of government, cultural and recreational, insurance and R&D services. Although developing countries increased their share of trade in services during the last decade, developed countries remain the main exporters in all sectors except construction. Developing countries are also becoming important suppliers to international markets with regard to goods related services as well as business and IT.

Figure 9
Market shares of trade in services of developing and developed countries by sector

(a)

Trade in Services, by Sector

2005   2016   2017

US$ Trillion

(b)

Export Market Share (2017)

Developed 2017   Change to Developing 2005-2017   Developing 2005

Source: UNCTAD secretariat calculations based on UNCTADStat data.

With regard to services, travel, transport and business services represent the largest sectors, amounting to about US$1 trillion each in 2017 (Figure 9a). Other important sectors include IT, financial services and intellectual property rights related services. Since 2005, the value of trade has increased in all sectors. Trade has recovered in 2017 in most categories, notably in business, travel and transportation. However, declines have occurred in the trade of government, cultural and recreational, insurance and R&D services. Figure 9b depicts the share of global exports of different service categories pertaining to developed and developing countries, and their change between 2005 and 2017. Although developed countries still account for the largest part of exports of services, the export market share has been shifting to the advantage of developing countries in many sectors (Figure 9b). The exceptions have been government and transport services for which market share virtually did not change.
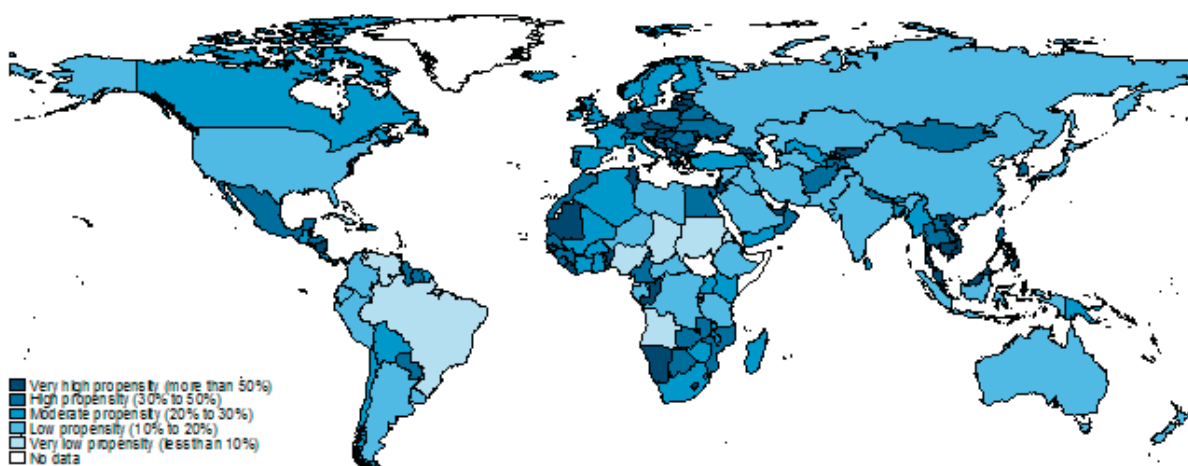
2. TRADE INDICATORS

The following section presents a series of trade indicators where the magnitude of the indicator is represented by the shading of the country on the world map. Data for goods come from COMTRADE, whereas data on services come from UNCTADStat.
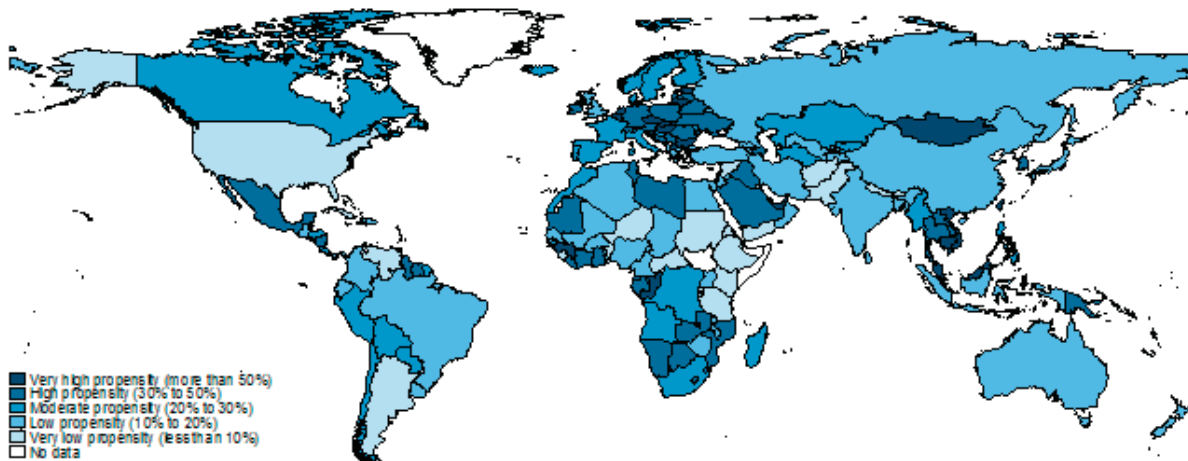
For a substantial number of developing countries, gross domestic product (GDP) is closely dependent on the exports of goods and services to foreign markets. This is particulary true of many East Asian economies, Eastern European countries and of a number of African countries, as well as Canada and Mexico.

Index 1
Import and export propensity

a) Imports of goods and services over gross domestic product, 2017

Very high propensity (more than 50%)
High propensity (30% to 50%)
Moderate propensity (20% to 30%)
Low propensity (10% to 20%)
Very low propensity (less than 10%)
No data

b) Exports of goods and services over gross domestic product, 2017

Very high propensity (more than 50%)
High propensity (30% to 50%)
Moderate propensity (20% to 30%)
Low propensity (10% to 20%)
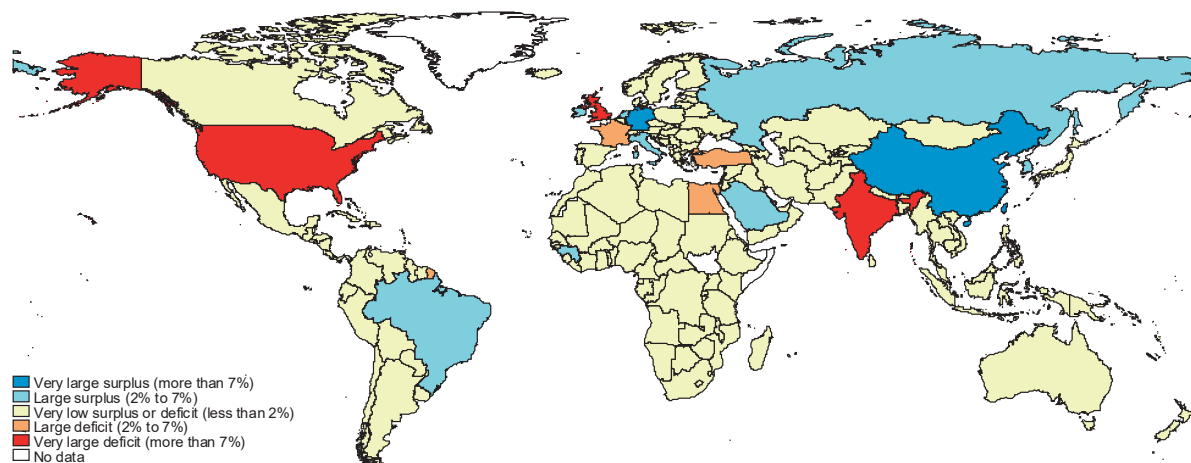Very low propensity (less than 10%)
No data

Import and export propensity are computed as the value of imports or exports divided by the current GDP. The import propensity expresses the total income spent on imports. The export propensity shows the overall degree of reliance of domestic producers on foreign markets. Higher values imply greater dependence on foreign markets.
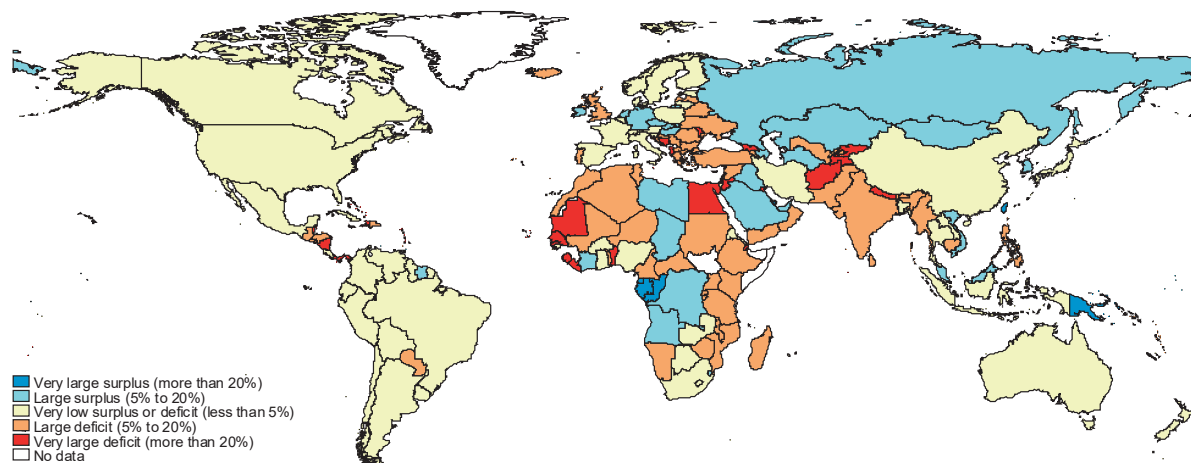
World trade is largely unbalanced. China and Germany maintain the largest surplus positions. Primarily the United States and the United Kingdom of Great Britain and Northern Ireland, but also a number of developing and developed countries, maintain large deficit positions. Even though these imbalances are sometimes large in level, they often tend to be low relative to GDP. One exception is India whose trade balance deficit is large relative to both the overall world imbalances and its GDP. In contrast, the trade imbalances of many countries in Africa and South Asia tend to be large relative to their GDP while being relatively small for the world as a whole.

Index 2
Trade balances

a) Trade balances of goods and services as a percentage of overall world imbalances, 2017

Very large surplus (more than 7%)
Large surplus (2% to 7%)
Very low surplus or deficit (less than 2%)
Large deficit (2% to 7%)
Very large deficit (more than 7%)
No data

b) Trade balances of goods and services as a percentage of gross domestic product, 2017

Very large surplus (more than 20%)
Large surplus (5% to 20%)
Very low surplus or deficit (less than 5%)
Large deficit (5% to 20%)
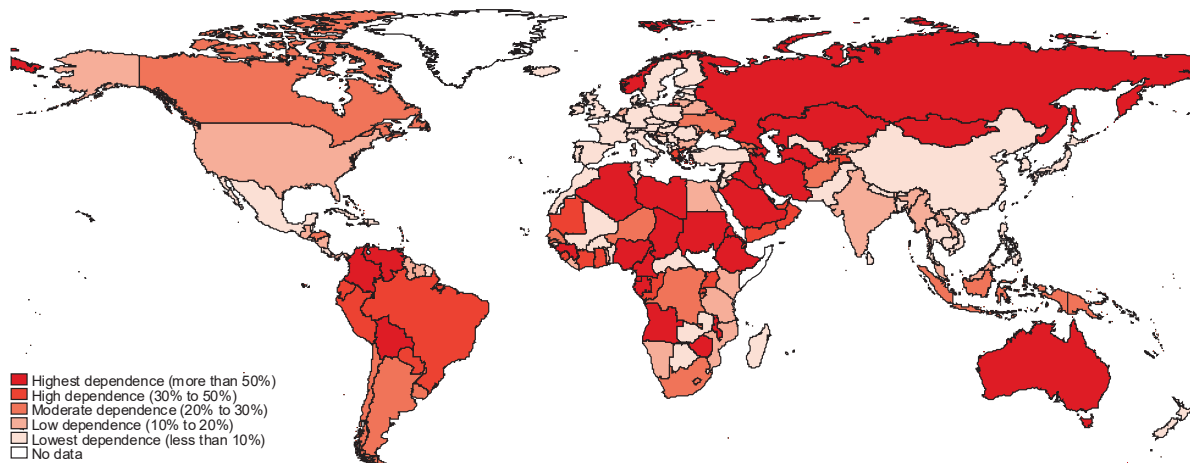Very large deficit (more than 20%)
No data

Foreign trade balances (exports minus imports of goods and services) as a percentage of total world imbalances are computed as each country's share of total imbalances in the world. Negative values denote countries in deficit, while positive values denote countries with a surplus. It indicates how world imbalances are distributed across countries. The foreign trade balance-to-GDP ratio is the ratio of the foreign trade balance to GDP. It indicates how large trade imbalances are relative to the size of the economy. It is negative if a country imports more than it exports, and more so if GDP is relatively small. It is around 0 if the exported value is about the same as the imported value. It is positive if exports are larger than imports.

Although many countries are striving to diversify their exports, agriculture and natural resources still represent a large share of export baskets of many developing countries. Commodity dependence is more evident for energy-exporting countries in the Middle East, raw material suppliers in Africa as well as for Latin American countries, where agriculture still represents a large share of total exports. Dependence indices have declined due to the fall of commodity prices, starting 2014.
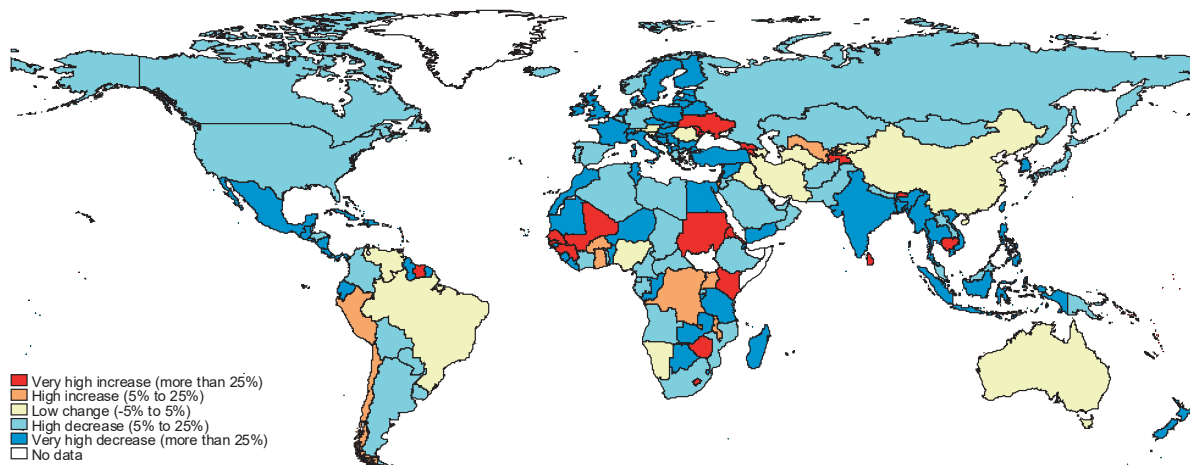
Index 3
Commodity export dependence

a) Agricultural and natural resources dependence index, 2017

Highest dependence (more than 50%)
High dependence (30% to 50%)
Moderate dependence (20% to 30%)
Low dependence (10% to 20%)
Lowest dependence (less than 10%)
No data

b) Change in agricultural and natural resources dependence index, 2012–2017

Very high increase (more than 25%)
High increase (5% to 25%)
Low change (-5% to 5%)
High decrease (5% to 25%)
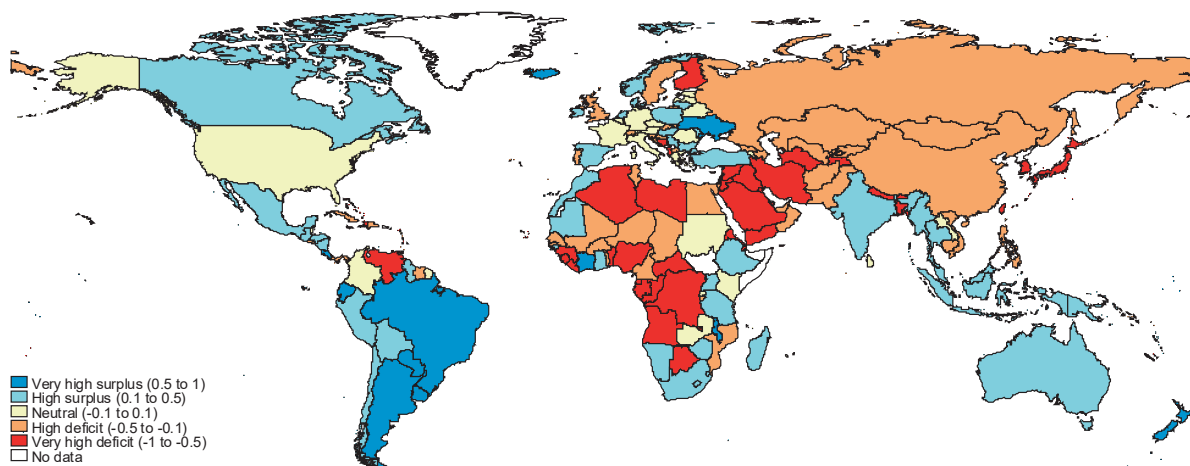Very high decrease (more than 25%)
No data

The commodity dependence index is computed as the share of the value of exports in primary products consisting of agricultural goods and natural resources over the total value of exports. It varies from 0 to 100. High dependence implies more exposure to shocks in the prices of natural resources and agricultural commodities.

Geography, demographics and policy choices result in deficit or surplus positions in terms of agricultural trade. In general, countries in Latin America, East Africa and South Asia are net food exporters, while most of the rest of Asia and Africa remain net food importers. Most developed countries, as well as many developing countries (East and South Asia, and East Africa) are dependent on imported energy. In contrast, West and Central Asia, as well as most of Africa and Latin America, are net energy exporters.
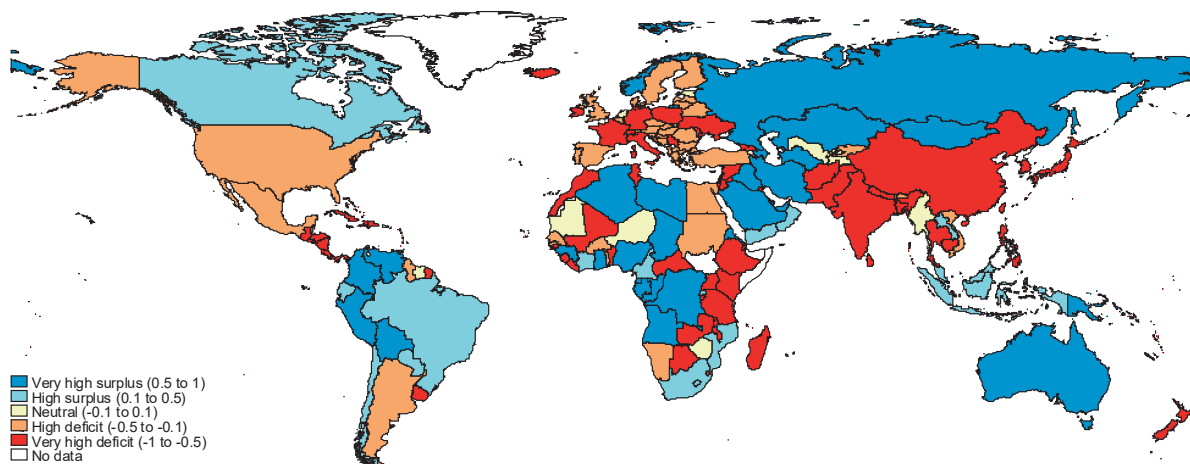
Index 4
Food and energy net position

a) Food net position, 2017

Very high surplus (0.5 to 1)
High surplus (0.1 to 0.5)
Neutral (-0.1 to 0.1)
High deficit (-0.5 to -0.1)
Very high deficit (-1 to -0.5)
No data

b) Energy net position, 2017

Very high surplus (0.5 to 1)
High surplus (0.1 to 0.5)
Neutral (-0.1 to 0.1)
High deficit (-0.5 to -0.1)
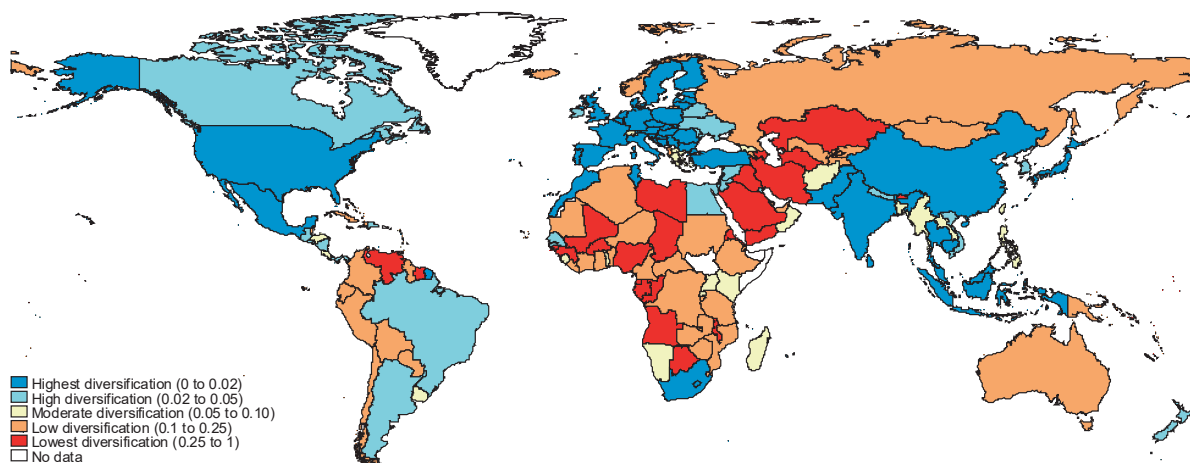Very high deficit (-1 to -0.5)
No data

Food next position is computed as a country's exports of agricultural products minus its imports of agricultural products. This is then normalized by dividing it by its agricultural trade (imports plus exports). The index varies between -1 and 1, with positive values meaning that the country exports more agricultural products than it imports. Energy net position is computed as a country's exports of energy products minus its imports. This is then normalized by dividing it by its trade in energy products (imports plus exports). The index varies between -1 and 1, with positive values meaning that the country exports more energy products than it imports.
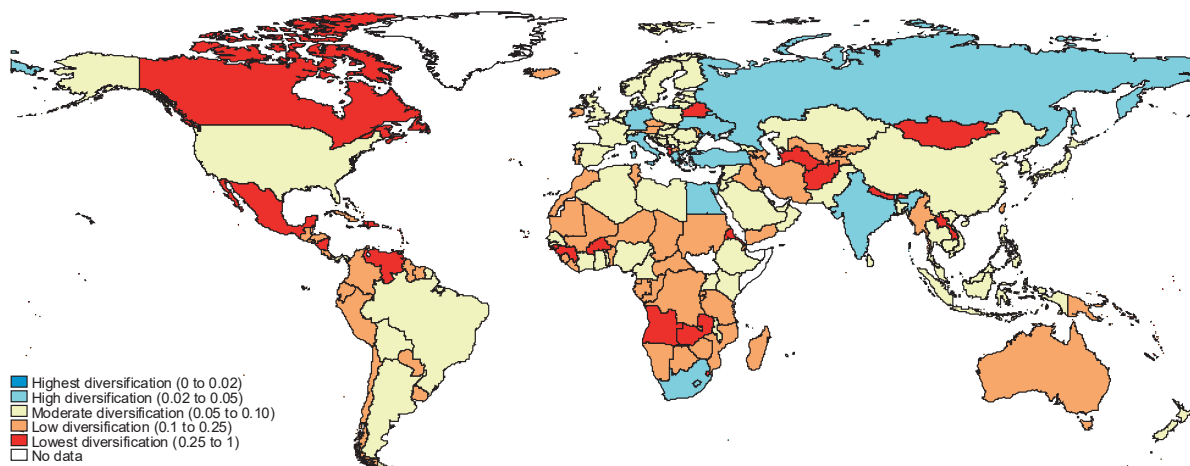
Although many developing countries seek to diversify their exports, many do not succeed. Among developing countries, only a few emerging economies have reached levels of diversification similar to those of developed countries. African countries remain vulnerable to external shocks, as their exports are generally concentrated in a few products exported to a few destinations.

Index 5
Export diversification

a) Export diversification index by product, 2017

Highest diversification (0 to 0.02)
High diversification (0.02 to 0.05)
Moderate diversification (0.05 to 0.10)
Low diversification (0.1 to 0.25)
Lowest diversification (0.25 to 1)
No data

b) Export diversification index by destination, 2017

Highest diversification (0 to 0.02)
High diversification (0.02 to 0.05)
Moderate diversification (0.05 to 0.10)
Low diversification (0.1 to 0.25)
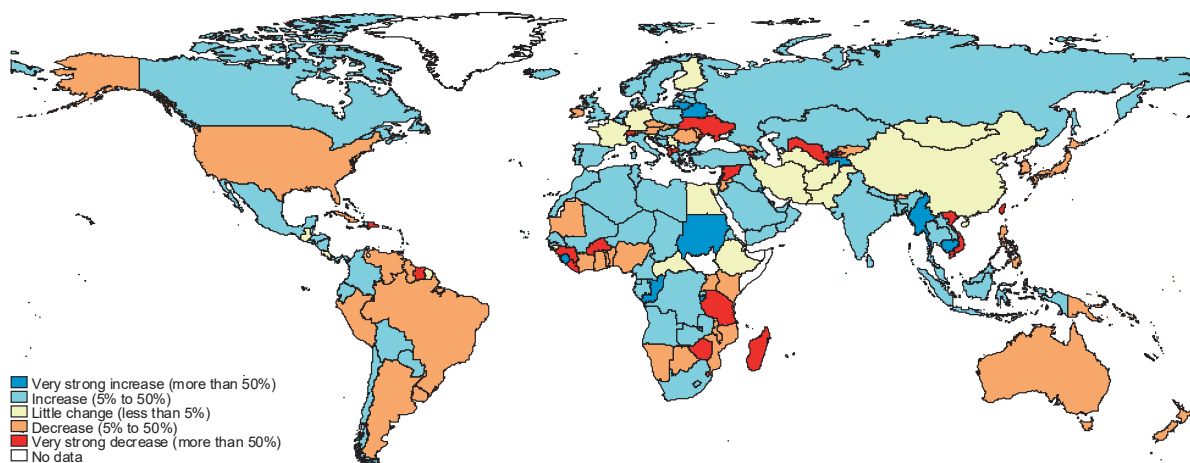Lowest diversification (0.25 to 1)
No data

The Hirschmann–Herfindahl index is a measure of the diversification of exports with lower values reflecting higher diversification. It indicates the degree to which a country's exports are dispersed across different destinations or different goods (at the HS 6-digit level). Low diversification is interpreted as an indication of vulnerability since the exporter is more exposed to economic shocks as they are limited to a small number of export markets or goods.

Many developing countries have been seeking to diversify their exports over the past years. Although some are still not very diversified, there is a tendency in many countries to diversify into new products and destinations. Some developed countries have seen a decline in terms of product and destination diversification.
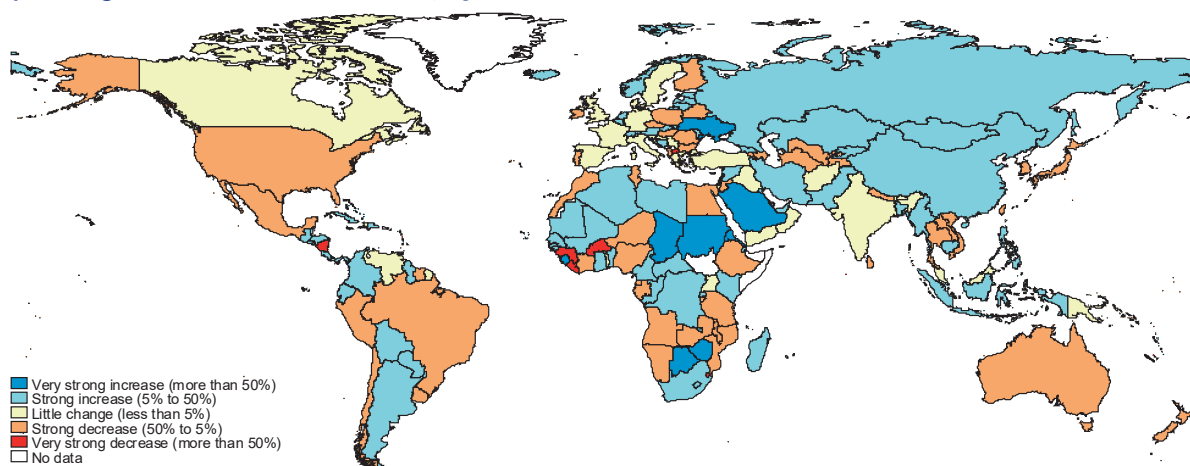
Index 6
Changes in export diversification

a) Changes between 2012 and 2017, by product

Very strong increase (more than 50%)
Increase (5% to 50%)
Little change (less than 5%)
Decrease (5% to 50%)
Very strong decrease (more than 50%)
No data

b) Changes between 2012 and 2017, by destination

Very strong increase (more than 50%)
Strong increase (5% to 50%)
Little change (less than 5%)
Strong decrease (50% to 5%)
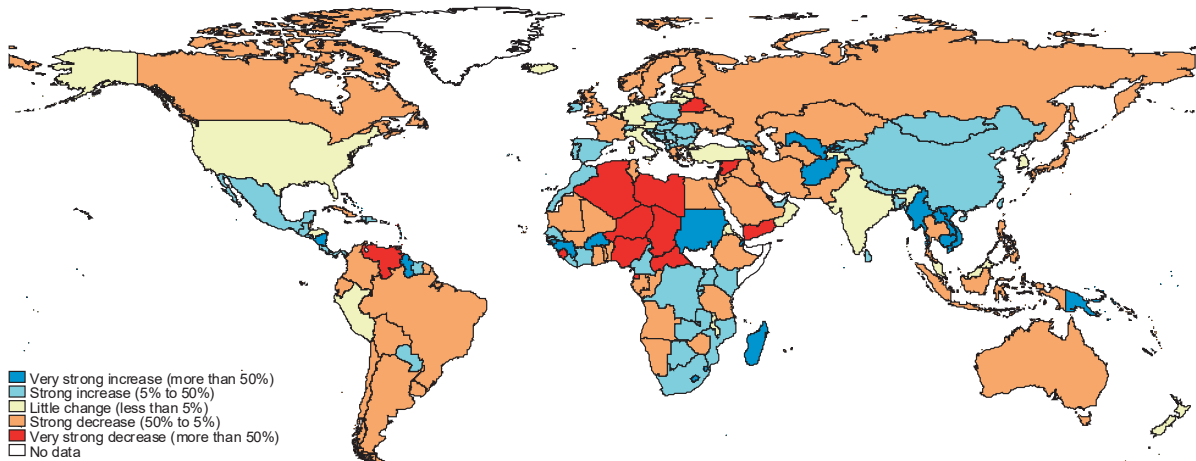Very strong decrease (more than 50%)
No data

The export diversification change reflects whether countries are becoming more or less diversified. Many African countries were more diversified in 2017 than in 2012, whether in terms of products or both products and destinations. For some countries in North America and Europe the trend went in the opposite way.

Since 2012, with the relevant exception of countries whose exports are largely concentrated in energy products, the exports of goods and services have increased for a large number of countries, especially in East Africa, Central America and East Asia. Between 2012 and 2017, many East African and Asian countries also increased their competitiveness with their key trading partners.
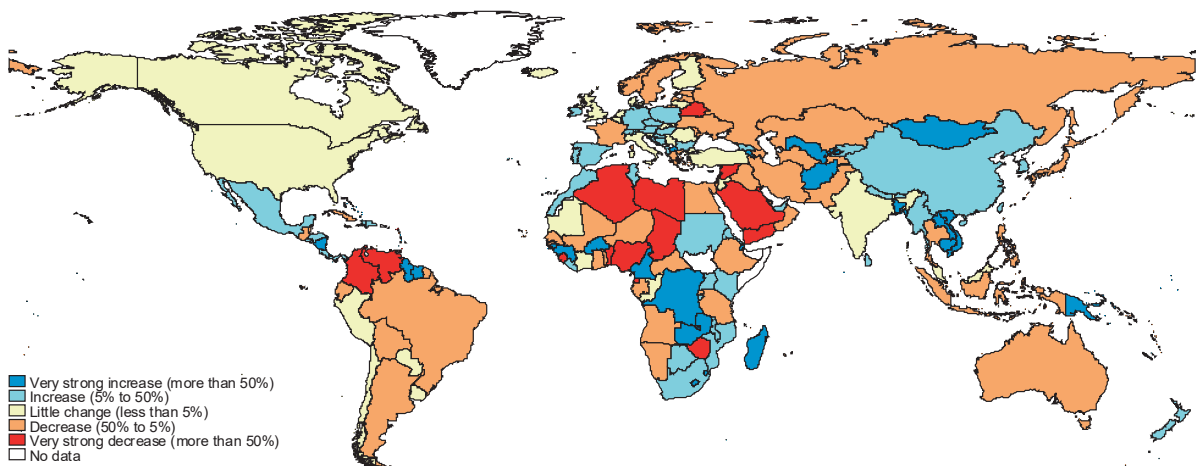
Index 7
Export performance and export competitiveness

a) Export growth in goods and services, 2012–2017

Very strong increase (more than 50%)
Strong increase (5% to 50%)
Little change (less than 5%)
Strong decrease (50% to 5%)
Very strong decrease (more than 50%)
No data

b) Change of export competitiveness in top 20 markets, 2012–2017

Very strong increase (more than 50%)
Increase (5% to 50%)
Little change (less than 5%)
Decrease (50% to 5%)
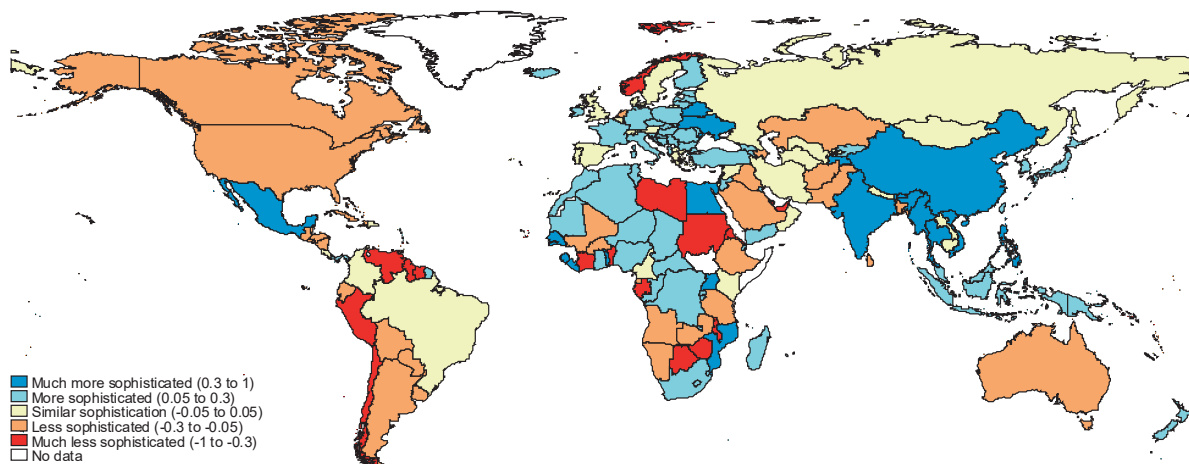Very strong decrease (more than 50%)
No data

The growth rate of exports is calculated as the percentage change of the value of exports between two periods. It indicates the progress of an economy in expanding economic activity into international markets. Negative values indicate a contraction in the value of exports, while positive values indicate an increase in export earnings. Export competitiveness reflects the development of a country's exports relative to its top 20 trading partners. Export competitiveness is measured as the ratio of a country's market share in the reference group in 2017 over that in 2012. Positive values indicate that the country is becoming more competitive with respect to its partners.

2. Trade Indicators

In comparison to countries with similar levels of GDP per capita, Australia, and North and South American countries tend to export goods that are relatively less sophisticated. Europe and Asia tend to export more sophisticated products, whereas the situation is more heterogeneous for Africa. In terms of change, many developing countries' exports have become less sophisticated over the past years.
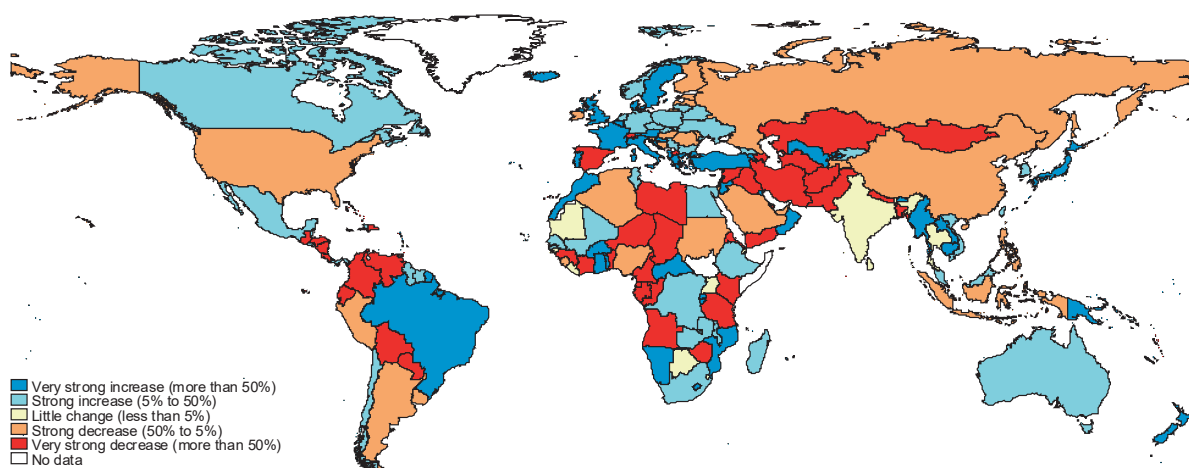
Index 8
Export sophistication and the export sophistication gap

a) Export sophistication gap

- ■ Much more sophisticated (0.3 to 1)
- ■ More sophisticated (0.05 to 0.3)
- ■ Similar sophistication (-0.05 to 0.05)
- ■ Less sophisticated (-0.3 to -0.05)
- ■ Much less sophisticated (-1 to -0.3)
- □ No data

b) Change in the export sophistication gap, 2012–2017

- ■ Very strong increase (more than 50%)
- ■ Strong increase (5% to 50%)
- ■ Little change (less than 5%)
- ■ Strong decrease (50% to 5%)
- ■ Very strong decrease (more than 50%)
- □ No data

Export sophistication is measured by the EXPY index. The EXPY can be summarized as the per capita GDP as predicted by the composition of the export basket. Countries with a higher EXPY are those that export goods that are more sophisticated (i.e. generally exported by countries with high GDP per capita). Since the EXPY and GDP per capita are positively correlated by construction, it is also interesting to see how a country's EXPY compares with that of countries at similar levels of GPD per capita. This is summarized in the export sophistication gap, which is computed econometrically as a residual of a weighted regression. A positive gap implies an export structure that is more sophisticated than the country's GDP per capita would predict. Conversely, a negative gap implies an export structure that is more typical of that of countries at a lower level of development. This index only takes goods into account.

Overall, the export performance of developed and developing countries in East Asia has been above average since 2005. Some African countries have also performed relatively well, especially in East and Southern Africa, showing high export growth rates and improvements in export competitiveness and diversification in the past years. On the other hand, negative export growth and decline in export competitiveness and export sophistication gap resulted in a relatively lower export performance in Latin America, especially since 2012.

Index 9
Overall export performance

a) Change in the export performance index, 2012–2017
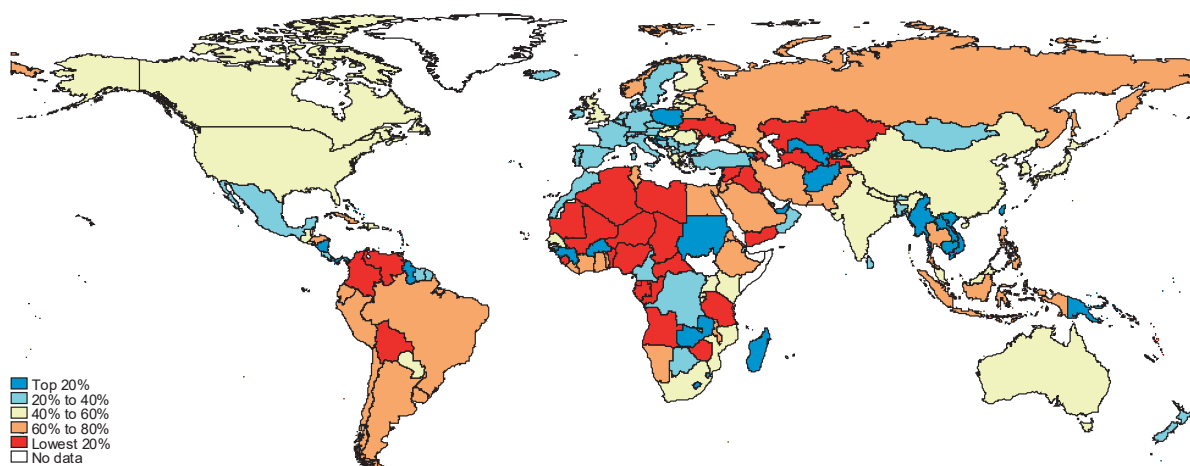
b) Change in the export performance index, 2005–2017
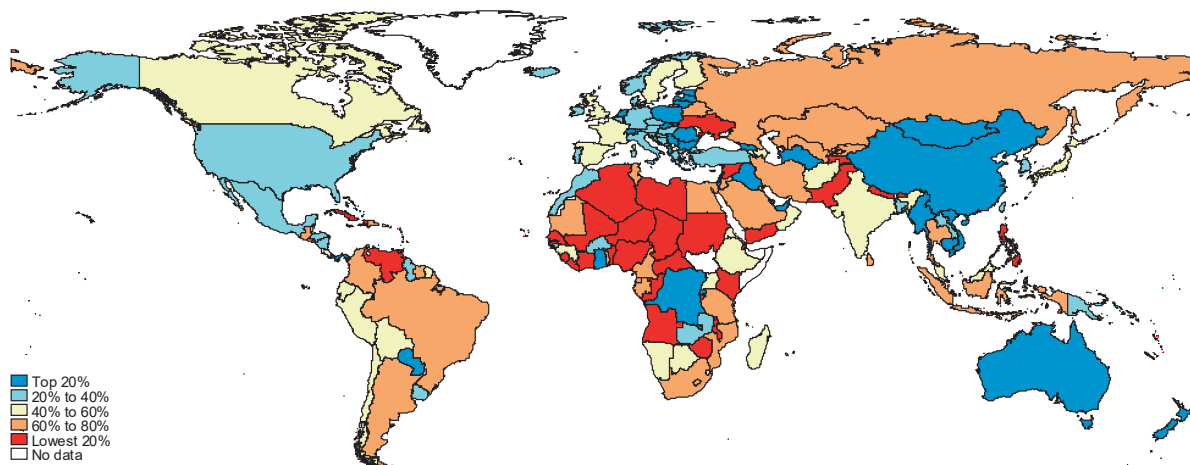
The export performance index is computed simply by assembling four indicators, namely export growth of goods and services, and the various changes of export diversification, export competitiveness and the export sophistication gap. For each indicator, a regression is run to predict the expected level of performance of a country considering its level of GDP per capita. Then the difference between this level and the country's actual level is computed. Countries are then ranked for each indicator, and a weighted average of the ranks of each indicator is taken in order to produce an overall rank, with a weight of 0.5 for the export growth of goods and services, 0.25 for export competitiveness, 0.125 for export diversification and 0.125 for the export sophistication gap.

unctad.org/tab

9 789211 129410