

ASIA-PACIFIC TRADE AND INVESTMENT TRENDS 2021/2022

Trade in Goods Outlook in Asia and the Pacific





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Highlights

- After a dramatic year for the global economy, economic activity and international merchandise trade rebounded strongly in 2021. Global merchandise exports and imports are estimated to have surpassed pre-pandemic (2019) levels, with nominal growth of 24.6% and 23.8%, respectively. Likewise, growth in the value of exports and imports in Asia and the Pacific is estimated at 23.1% and 22.8%. Nevertheless, removing inflationary pressures, ESCAP finds that Asia and the Pacific actually overperformed the rest of the world with regional real exports and imports growing 10.0% and 9.1%, respectively, year on year, compared with 8.4% and 7.7% globally, respectively, in the same period.
- Inflationary pressures have been experienced worldwide during 2021. The price of commodities such as oil, food and metals surpassed pre-pandemic levels. Supply-chain disruptions, heightened global demand and expansionary fiscal and monetary policies – especially in developed economies – have added further pressure to price levels by widening the mismatch between global demand and supply. Overall, regional export and import prices tended to grow by 13.1% and 13.8%, respectively, in 2021.
- This year has also been characterized by uneven growth between the first and second halves of 2021. The first half of the year observed robust growth in trade, driven by the speedy progress of vaccination campaigns in the developed world, especially in the European Union and the United States. The second half of the year saw the rise of the COVID-19 Delta-variant, forcing many East and South-East Asian economies to impose lockdown measures, thereby disrupting GVCs and hampering trade growth in the region.
- Behind the robust trade performance of Asia and the Pacific is the heterogeneous performance in the region. At one end, the oil, food and metal commodities exporters, most of whom are located in North and Central Asia as well as in South and South-West Asia, have been enjoying higher-than-average regional trade growth driven by increased commodity prices. At the other end, exporters of advanced manufactured goods, particularly semiconductors, in East and North-East Asia performed below the regional average.
- The Asia-Pacific region's prominence in global merchandise trade value has slightly declined in 2021 to 41.0% of the world's exports and 36.8% of global imports, compared to the region's 41.5% and 37.1% share of global exports and imports, respectively, in 2020.

- In 2022, merchandise trade is expected to continue recovering, albeit more moderately than in 2021. With the gradual resolution of supply-side disruptions and easing of expansionary fiscal policies in developed economies, inflationary pressures are expected to ease in 2022: Regional export and import prices are forecast to grow by only 1.4% and 1.7%, respectively, in 2022. As a result, regional nominal exports and imports will grow at 5.5% and 6.8%, respectively, in 2022, whereas real exports and imports will grow at 4.1% and 5.2%, respectively, during the same period.
- However, downside pressures to a robust economic recovery continue to exist. In particular, the incomplete rollout of COVID-19 vaccines in developing economies – especially in lower-middle and low-income ones – as well as increased global financial instability, and scaling back of fiscal stimulus are among the most immediate threats to global output growth. Developing economies are especially exposed to these downside risks since they are often overexposed to foreign creditors and are also battling COVID-19 waves with often lower vaccination rates and fiscal space.
- Due to the supply-chain disruptions and the use of trade for geopolitical leverage, firms may further alter their investment decisions and business models to ensure resilience and reliability. Thus far, diversification of supply sources appears to be the most preferred strategy by firms for hedging against single-supplier dependency. In the Asia-Pacific region, a ‘China+1’ strategy whereby existing supply-chains are replicated in other countries – often in South and South-East Asia – is increasingly evident. Other noteworthy factors that lie at the heart of GVC restructuring include climate change and green transition.

1. Trade performance in 2021

A sharp trade rebound driven by demand and inflation

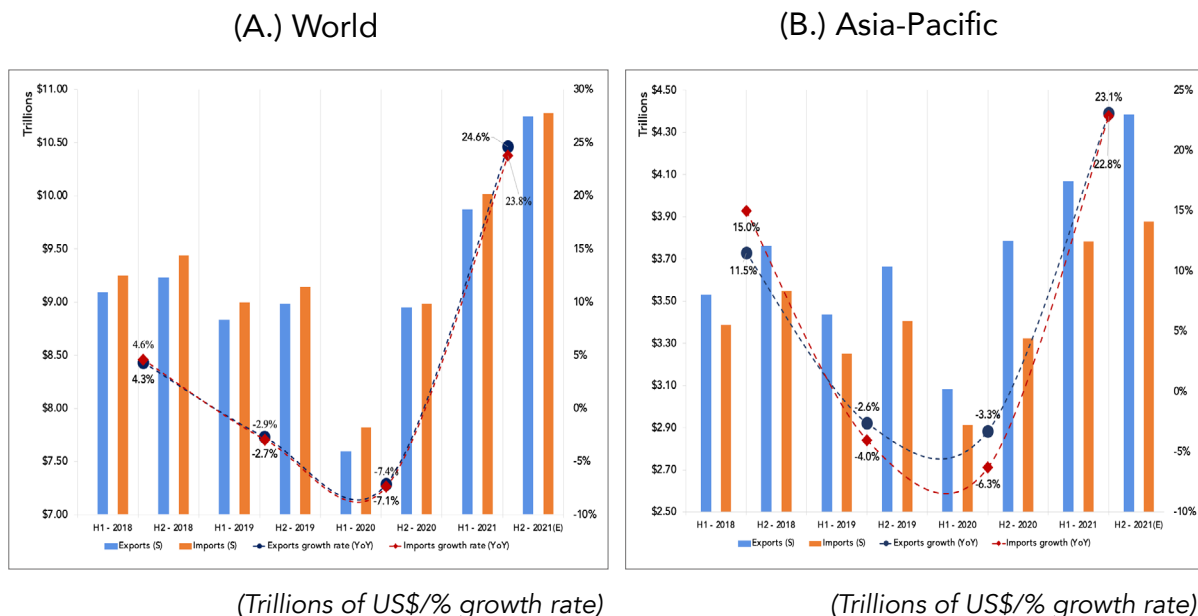
After a dramatic year for the global economy, economic activity and international merchandise trade rebounded strongly in 2021. Indeed, following a 3.1% global GDP fall in 2020, the International Monetary Fund (IMF) estimated that the world economy will grow by 5.9% in 2021 (IMF, 2021b). In Asia and the Pacific, output has performed more robustly, having contracted just 1.5% in the wake of the COVID-19 pandemic (2020) – supported by East and South-East Asia’s early containment of the pandemic (ESCAP, 2020; UNCTAD, 2021) – and is forecast to grow by 7.2% in 2021, as a result of the steady recovery in global demand and exports.

Concomitantly, global trade has also rebounded. ESCAP estimates that global merchandise exports and imports values will surpass pre-pandemic levels, growing by 24.6% and 23.8%, respectively, in 2021 (figure 1A). Trade value growth in Asia and the Pacific is estimated to be slightly below the global average, but still surpassing pre-pandemic levels, with regional exports and imports growing 23.1% and 22.8%, respectively (figure 1B). This is mostly due to base effects wherein higher growth rates are being logged in regions that suffered harsher declines in 2020. As a result, Asia and the Pacific’s prominence in global merchandise trade has tended to decline marginally in 2021 to 41.0% of world exports and 36.8% of global imports. This can be compared to the region’s 41.5% and 37.1% shares of global exports and imports, respectively, in 2020.

This year has also been characterized by uneven growth between the first and second halves of 2021. The first half of the year observed robust trade growth, driven by the speedy progress of vaccination campaigns in the developed world, especially in the European Union and United States. Regional and global exports grew by 12.5% and 20.4%, respectively, relative to their growth in the second half of 2020. Imports rose by 19.1% in Asia-Pacific and by 21.8% worldwide.

¹ Asia and the Pacific’s GDP growth rates in 2020 and 2021 were calculated by using the latest GDP growth data (at constant prices) from the World Bank. The following 18 ESCAP economies were not included due to the lack of data – American Samoa, Bhutan, Cook Island, the People’s Democratic Republic of Korea, French Polynesia, Guam, Japan, Kiribati, Macao China, Marshall Islands, Federated States of Micronesia, New Caledonia, Nauru, Niue, Northern Mariana Islands, Palau, Tonga and Turkmenistan. Together, these economies account for a marginal share of the region’s total GDP; so including them would not produce significant changes in the final estimations.

Figure 1. Nominal Global and Asia-Pacific region's merchandise trade performance



Sources: ESCAP calculation, based on quarterly trade data available from the WTO database (accessed October 2021) and annual data from the Economist Intelligence Unit (EIU), (accessed October 2021).

The second half of the year saw the rise of the COVID-19 Delta-variant, which forced many East and South-East Asian economies to impose lockdown measures thereby disrupting global value chains and hampering growth in Asia and the Pacific (box 1). Regional demand for international goods increased by less than the global average, with imports rising by 2.5%, while globally they rose by 7.6%. Regional exports increased by 7.7% compared with a global growth of 8.8% in the same period.

Inflationary pressures have also been experienced worldwide during 2021. The price of commodities such as oil, food and metals rebounded in 2021 after last year's sharp decline. Supply-chain disruptions heightened global demand and the aftermath of

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