

# ASIA-PACIFIC TRADE AND INVESTMENT TRENDS 2022/2023

*Trade Trends in Goods and Services in Asia-Pacific*





*The shaded areas of the map indicate ESCAP members and associate members.\**

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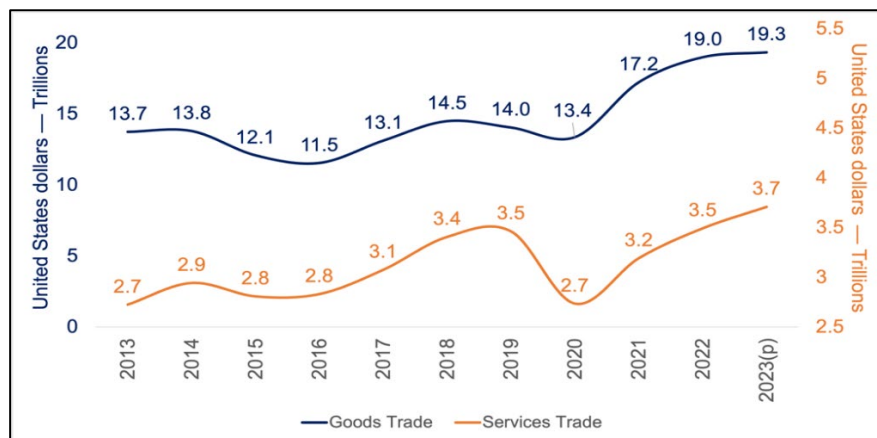


## Highlights

### Merchandise trade

- Following a global demand slowdown in the second half of this year, global and regional real merchandise trade growth is expected to be limited in 2022. Global real exports and imports are forecasted to grow by just 3.7% and 3.9%, respectively. Asia-Pacific real exports (excluding the Russian Federation) are expected to grow 3.0%, while imports will contract by 0.3%. Nominally, merchandise trade in Asia and the Pacific in 2022 is forecasted to total US\$ 19.0 trillion in 2022 (figure 1).
- In 2023, regional merchandise trade is expected to continue growing modestly. Nominal exports and imports growth (excluding the Russian Federation) is forecasted to reach 1.9% and 2.5%, respectively, and 1.6% and 0.7% in real terms, respectively. These estimates assume that inflation will be effectively curbed during the next year. Downside risks such as the potential re-emergence of COVID-19 lockdowns, the evolution of the war in Ukraine and risks of a global economic recession loom and add a considerable amount of uncertainty to current estimates.

Figure 1. Nominal goods and services trade in Asia-Pacific, 2013/2023



Source: The authors. Based on WTO annual merchandise trade data (accessed in November 2022). Forecasts for 2022 onwards are based on EIU annual merchandise trade forecasts for selected Asia-Pacific economies, covering 98.5% of total regional exports and imports.

Note: (p) = projections.

- Inflationary pressures have dominated nominal growth in 2022, with nominal exports and imports growth ballooning to 14.7% and 17.1% globally, and to 10.2% and 13.0% regionally (excluding the Russian Federation). However, across the region, inflationary pressures have had varying impacts, with the terms of trade of some commodity-heavy economies' improving more than 15%, while some others deteriorated up to 30%.



- Owing to the region's slower trade growth, the Asia and Pacific share of global nominal exports and imports is expected to deteriorate slightly to 39.4% and 35.8%, respectively. Moreover, the region's trade surplus is expected to decline marginally to US\$ 0.68 trillion.
- Subregional performances are expected to vary considerably. South-East Asia is the only subregion logging strong positive real exports and import growth. South and South-West Asia and the Pacific subregion are also expected to see positive export and import growth, albeit more modest. All remaining subregional performances are forecasted to be negative, with North and Central Asia bearing the heaviest losses due to the influence of the Russian Federation's performance.

#### Commercial services trade

- Supported by a vigorous travel sector, a heightened demand for ICT services and a less constrained transport sector, global commercial services exports and imports are expected to expand by 7.5% and 9.2%, respectively, in 2022. Asia and the Pacific services trade also benefited from these trends, with regional exports and imports expected to grow above the global average at 8.7% and 9.8%, respectively. Moreover, while nominal regional services trade will reach pre-pandemic levels in 2022, at a total of US\$ 3.5 trillion, in real terms, this has yet to be achieved since strong upward price pressures have been ubiquitous.
- In 2023, the value of regional exports and imports is expected to grow slightly below this year's performance at 7.5% and 5.0%, respectively. This growth is expected to be sustained by further easing of restrictions on international travelling and by a slight pick-up in global merchandise trade. However, uncertainties surrounding the short-term performance of global merchandise trade and potential COVID-19 complications remain as the chief downside risks to commercial services trade.
- With the reversal of COVID-19 restrictions and the emergence of high inflation, commercial services are regaining prominence and resilience in global trade. This could be pointing towards a reversal of COVID-19-era consumption patterns, which were characterized by high consumption of goods and low face-to-face services.
- Among the subregions, South-East Asia is expected to register the strongest export performance following the removal of travelling restrictions. South and South-West Asia will also be performing positively, with strong growth registered across most subregional economies. Moreover, North and Central Asia and the Pacific will be posting similar positive export growth rates, while East and North-East Asian exports are expected to stagnate. Imports-wise, the Pacific subregion is projected to grow the most owing to Australia's 28.5% and New Zealand's 15.9% rise in imports, while North and Central Asia will be the only subregion experiencing an imports contraction.



## 1. Background

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After a record-breaking 6.0% global GDP expansion in 2021 (IMF, 2022), output growth is expected to be moderate in 2022, reflecting the normalization of base effects following the pandemic as well as considerable downside pressures such as high inflation, tightening monetary policy, spillover effects from the Ukrainian crisis and lingering COVID-19 complications. Indeed, the IMF data suggests that real global output will expand by 3.2% year-on-year, while the Asia-Pacific weighted average of real output growth (excluding the Russian Federation) will be about 3.5%.

## 2. Merchandise trade

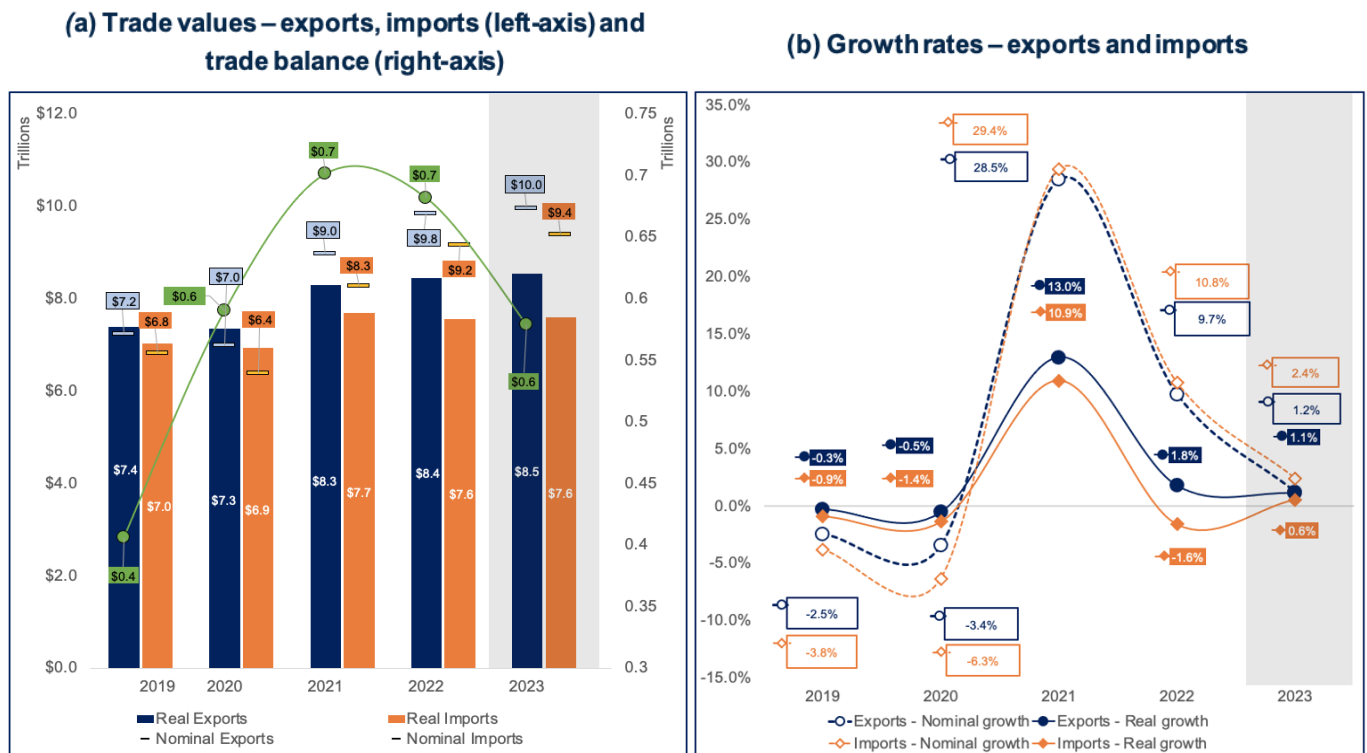
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Following the global demand slowdown and acute pressures faced by trade and Global Value-Chains (GVCs), global and regional real merchandise trade growth is expected to be timid. Moreover, the difference between nominal and real growth has become extremely high due to significant inflation. Indeed, in 2022 global real exports and imports may grow by 3.7% and 3.9%, while nominal growth will reach 14.7% and 17.1%, respectively. In Asia and the Pacific, trade is expected to almost stagnate with the poor trade performance by the Russian Federation influencing these figures (figure 2). Excluding the Russian Federation, the region's export volume is expected to grow by 3.0%, and nominally 10.2%. The regional import performance excluding the Russian Federation will be worse, growing just 0.3% in real terms and 13.0% nominally (table 1).

Owing to the region's slower trade growth performance than that in the rest of the world, the Asia and the Pacific share of global nominal exports and imports in 2022 is expected to recede slightly to 39.4% and 35.8%, respectively, from 41.2% and 37.9% shares registered in the previous year. However, the region will continue to be a net exporter of goods to the rest of the world (figure 2 – in green), with its trade surplus expected to decline slightly in 2022, to US\$ 0.68 trillion, compared to US\$ 0.70 trillion in 2021.



Figure 2. Merchandise trade in Asia-Pacific, 2019/2023



Source: The authors. Based on WTO annual merchandise trade data (accessed November 2022). Forecasts for 2022 onwards are based on EIU annual merchandise trade forecasts for selected Asia-Pacific economies, covering 98.5% of total regional exports and imports.  
Note: (p) = projections.

Notably, subregional real trade performances in 2022 are expected to vary considerably (figure 3). Export-wise, South-East Asia is the only subregion projected to register strong real trade growth in 2022, with Viet Nam, Thailand and Indonesia being among the top regional performers. South and South-West Asia and the Pacific sub-region are also expected to experience export growth, albeit more moderate. South and South-West Asia will be supported by strong performances by Türkiye and

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