

TRADE GROWTH FORECAST REVISED UPWARDS FOR 2010

Following faster than expected recovery in global trade flows so far in 2010, WTO economists have revised their projection for world trade growth in 2010 upwards to 13.5%. Director-General Pascal Lamy said: "This surge in trade flows provides the means to climb out of this painful economic recession and can help put people back to work. It underscores, as well, the wisdom governments have shown in rejecting protectionism."

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Merchandise exports of developed economies are predicted to expand by 11.5% in volume terms while the rest of the world (including developing economies and the Commonwealth of Independent States) is expected to see an increase of 16.5% for the year (Table 1).

Table 1: Merchandise exports and GDP by region, 2007-2010				
Annual % change				
	2007	2008	2009	2010 ^a
Volume of merchandise exports				
World	6.5	2.2	-12.2	13.5
Developed economies	4.8	0.8	-15.3	11.5
Developing economies and CIS	9.0	3.8	-7.8	16.5
Real GDP at market exchange rates (2005)				
World	3.8	1.6	-2.2	3.0
Developed economies	2.6	0.4	-3.5	2.1
Developing economies and CIS	8.0	5.7	2.0	5.9
^a Projections				
Source: WTO Secretariat.				

This would be the fastest year-on-year expansion of trade ever recorded in a data series going back to 1950. But such a large growth rate should be understood in the context of a severely depressed level of trade in 2009, when world exports plunged by 12.2%. The next fastest year-on-year growth was 11.8% in 1976, one year after the then unprecedented decline of 7.3% in 1975.

"The strong recovery of trade signals improved economic activity worldwide," said WTO Director-General Pascal Lamy. "This surge in trade flows provides the means to climb out of this painful economic recession and can help put people back to work. It underscores, as well, the wisdom governments have shown in rejecting protectionism."

World merchandise trade rose sharply in the first two quarters of 2010,

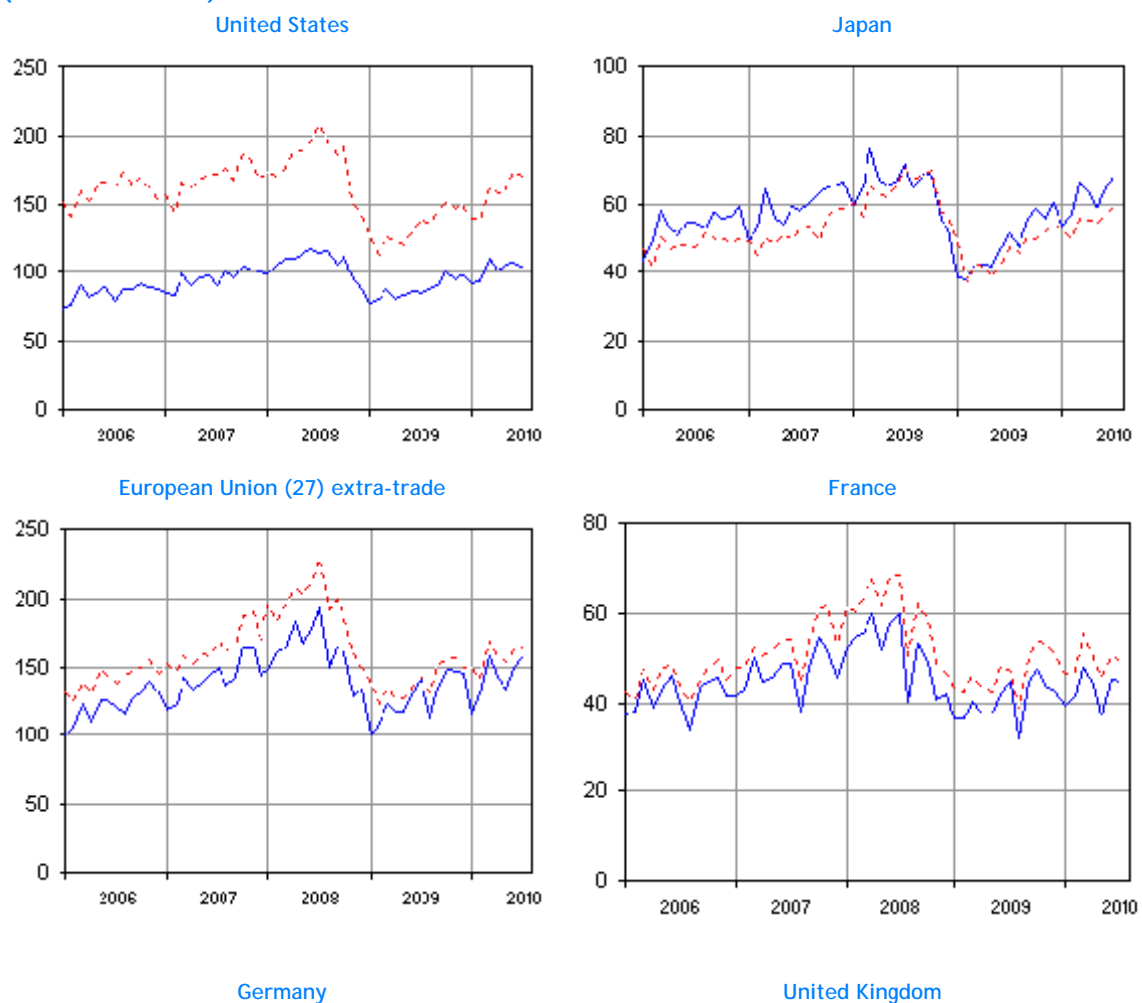
driven by the recovery of GDP in both developed and developing economies (Chart 1). Most economists expect output growth to slow in the second half as fiscal stimulus measures expire and the inventory cycle winds down. This is likely to restrain the growth of trade in the second half of 2010 compared to the first half.

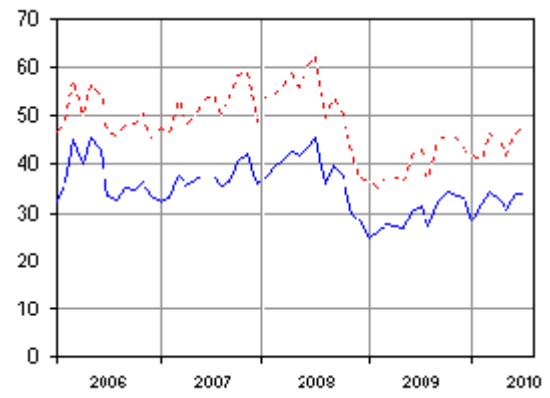
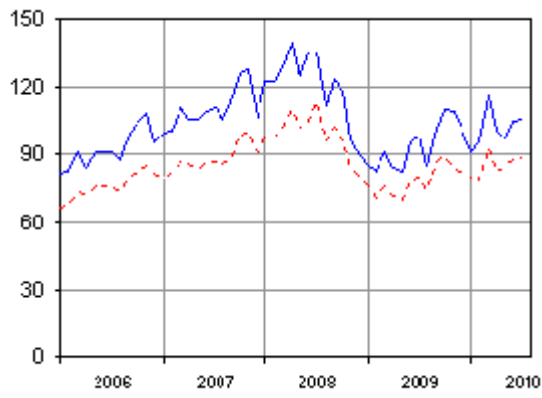
The global trade growth projection is consistent with the WTO Secretariat's time-series model for import demand in a range of advanced economies, and assumes a reduced rate of GDP growth for developed countries in the second half of 2010 rather than an absolute decline.

Risks to the forecast are mostly on the downside, particularly if an unforeseen financial or macroeconomic shock triggers another economic downturn. However, some upside potential exists as well if growth is better than expected in the 2nd half of the year.

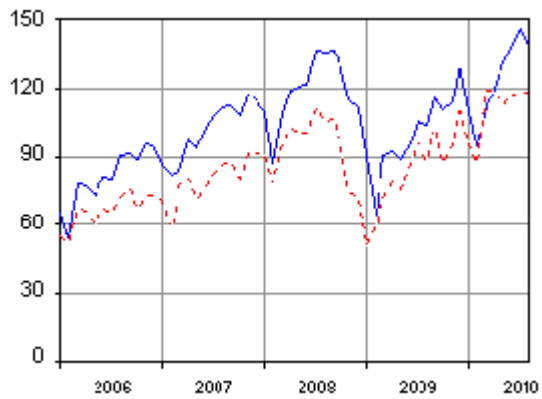
Chart 1: Monthly merchandise exports and imports of selected economies, January 2006 – August 2010

(Billion dollars)

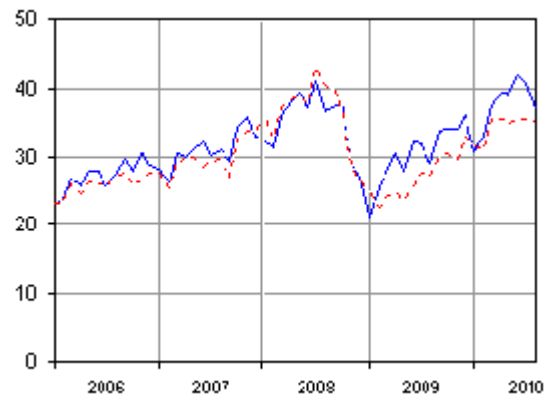




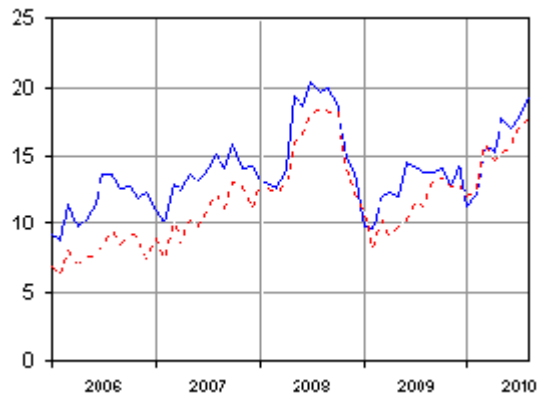
China



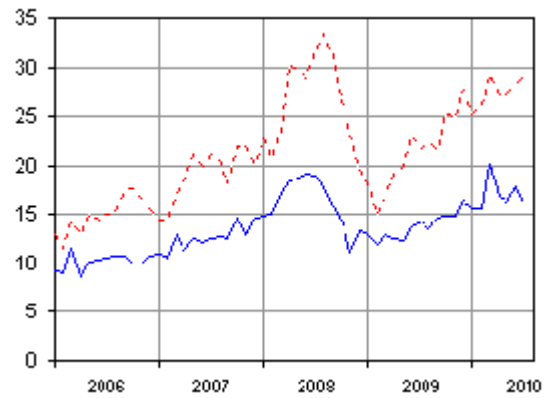
Republic of Korea



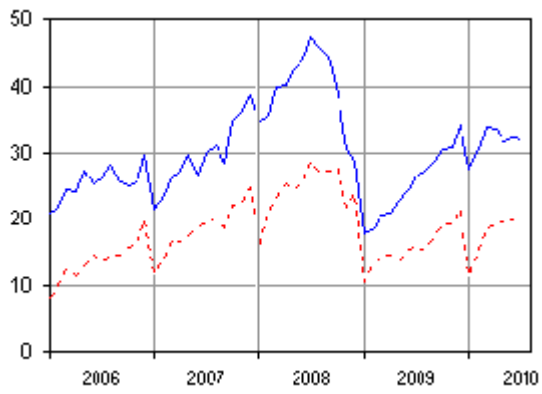
Brazil



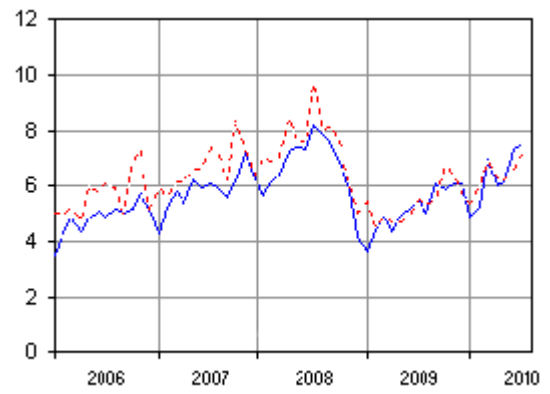
India



Russian Federation



South Africa





Sources: IMF International Financial Statistics, Global Trade Information Services GTA database, national statistics.