

# Squeezed

## Trade data and policy tracker

## Free to View Economics - Global

- ◆ The Lunar New Year holiday provided some respite for US West Coast ports to ease congestion...
- ◆ ...but higher input prices are squeezing business margins, although there are signs price pressures may have peaked
- ◆ Ongoing geopolitical tensions risk disrupting European trade, while high energy prices could impact logistics costs

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Exporters and importers are getting squeezed from all sides. Ongoing logistics disruptions, component shortages and higher input prices are impacting trade and business margins. According to PMI data, the tech equipment and food and beverages sectors are experiencing the biggest squeeze on margins, although businesses across all sectors are seeing their input prices rise at a faster pace than output prices.

The margin squeeze has been most pronounced for businesses in developed markets than in emerging economies, although as our global economists recently noted, there are signs that input costs pressures are starting to ease across the board enabling the margin squeeze to ease slightly ([Have supply constraints peaked?](#), 4 February 2022). Having said that, high energy prices could push trade costs up further, with the average price of diesel paid by US truckers up 11% since the beginning of 2022.

On a more positive note and, as we discussed last month, there are some early signs that trade disruptions are starting to ease. The Lunar New Year holiday provided some breathing room for US ports to clear cargo, with the backup of containerships at the ports of Los Angeles and Long Beach easing from 100 vessels at the end of January to 77 as at 18 February 2022.

Meanwhile, the EU's goods trade deficit with non-EU economies reached a high of EUR17.2bn in December 2021 on the back of strong energy and manufactured goods imports. But ongoing geopolitical tensions risk disrupting European trade flows given that economies such as Finland and Latvia source over 90% of their total gas supply from Russia, while mainland Chinese imports from Lithuania fell over 90% y-o-y in December 2021 amid ongoing bilateral issues. In the meantime, the US has stepped up its efforts to supply Europe with gas, with nearly three-quarters of total US LNG exports volumes destined for Europe in January 2022.

Elsewhere, mainland China surpassed Germany to become the UK's top goods import source in 2021, while the UK recently moved to the final stage (market access negotiations) in its process to join the high-standards CPTPP deal. Closer to home, however, UK-EU issues over the Northern Ireland Protocol remain unresolved, although both sides recently agreed to continue talks, suggesting a solution remains in sight. Meanwhile, the Regional Comprehensive Economic Partnership (RCEP) will take effect for Malaysia on 18 March 2022, while the next round of UK-India trade talks is scheduled for 7-18 March 2022.

*This is a Free to View version of a report by the same title published on 22-Feb-22. Please contact your HSBC representative or email [AskResearch@hsbc.com](mailto:AskResearch@hsbc.com) for more information.*

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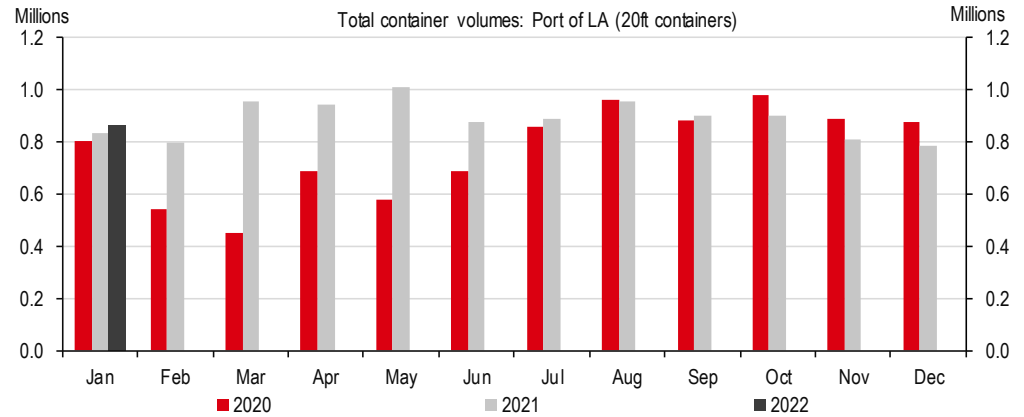
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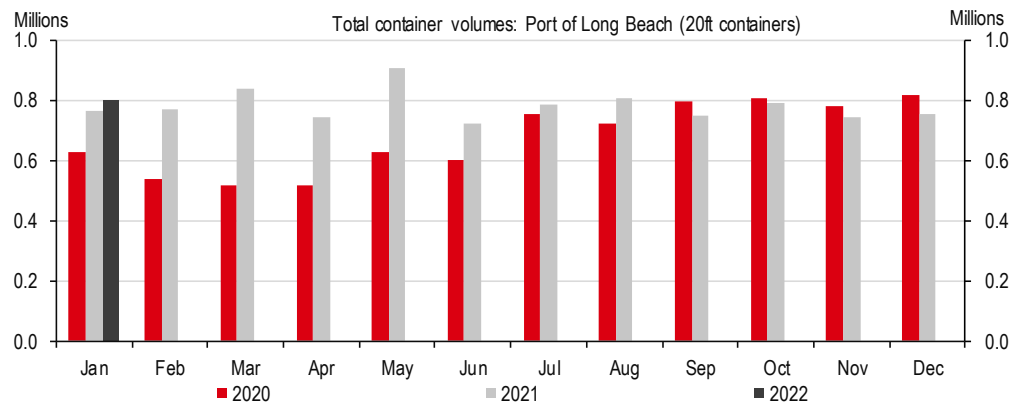
## Monthly trade trends

### 1. The Port of LA handled record volume of containers in January 2022...



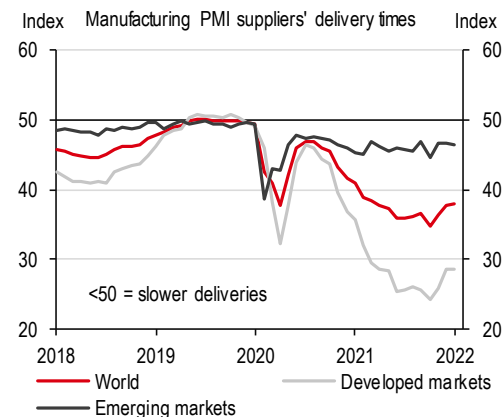
Source: Port of LA. Note: Total inbound and outbound containers including empties.

### 2. ...as did the Port of Long Beach



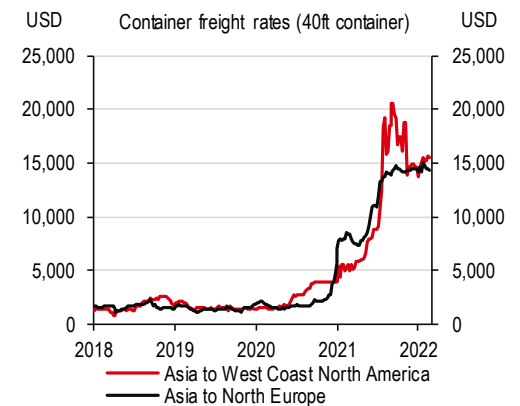
Source: Port of Long Beach. Note: Total inbound and outbound containers including empties.

### 3. There are some signs that delivery times are starting to improve...



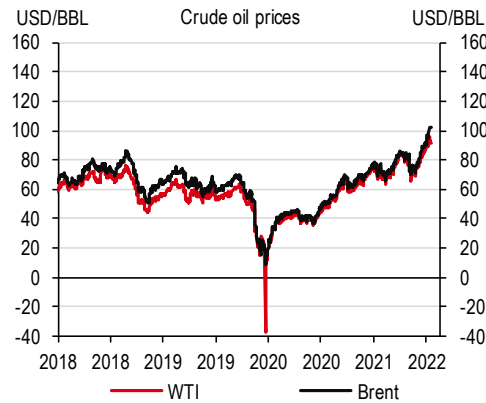
Source: IHS Markit. Note: Latest data point for January 2022.

### 4. ...while container freight rates remain elevated



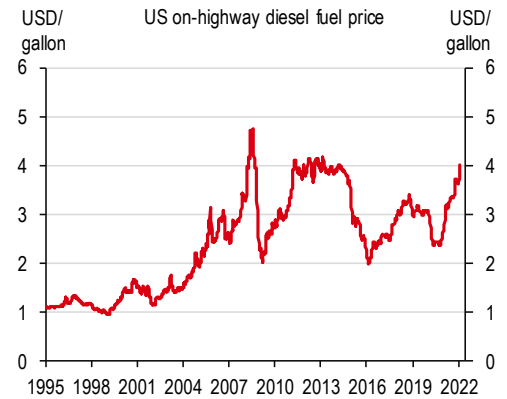
Source: Refinitiv Datastream

### 5. Oil prices are soaring...



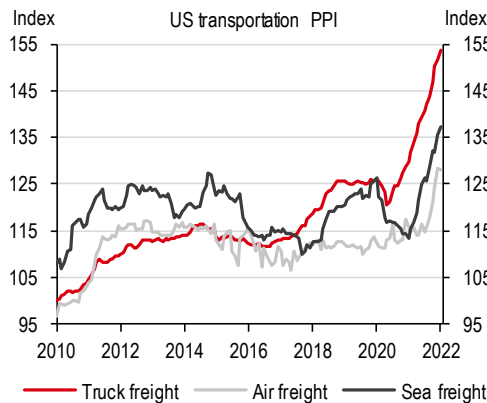
Source: Refinitiv Datastream

### 6. ...impacting fuel costs for truckers...



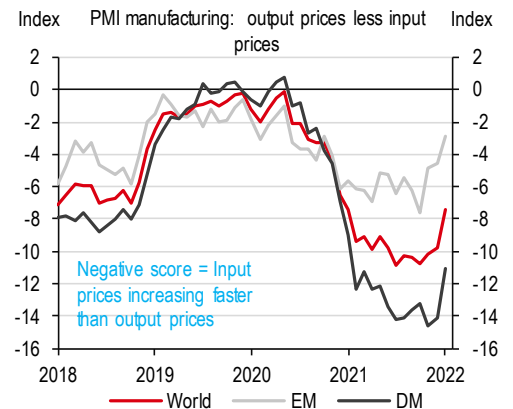
Source: EIA

### 7. ...at a time when transportation costs are already high



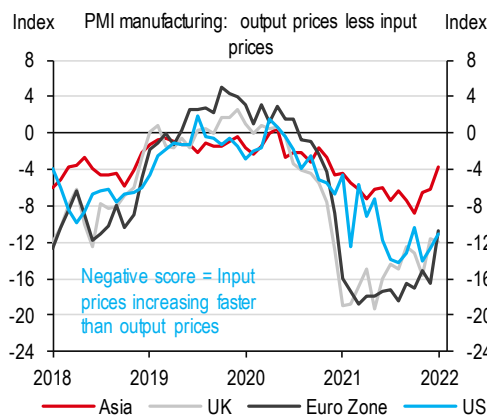
Source: Refinitiv Datastream

### 8. Business margins are being squeezed around the world but mainly in DMs...



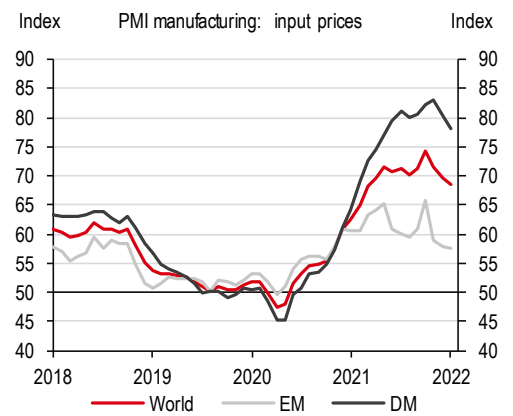
Source: IHS Markit

### 9. ...although there are signs that price pressures may be easing...



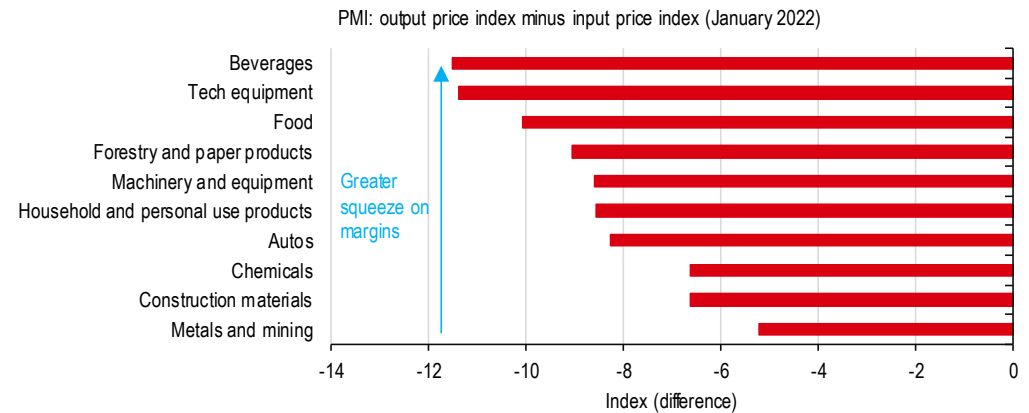
Source: IHS Markit

### 10. ...due in part to a deceleration in input cost inflation



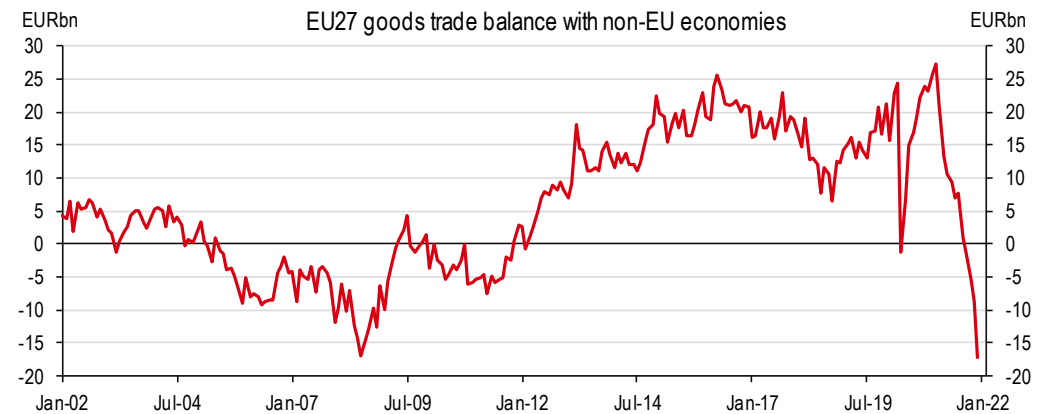
Source: IHS Markit

### 11. However, businesses across all sectors continue to grapple with rising input costs



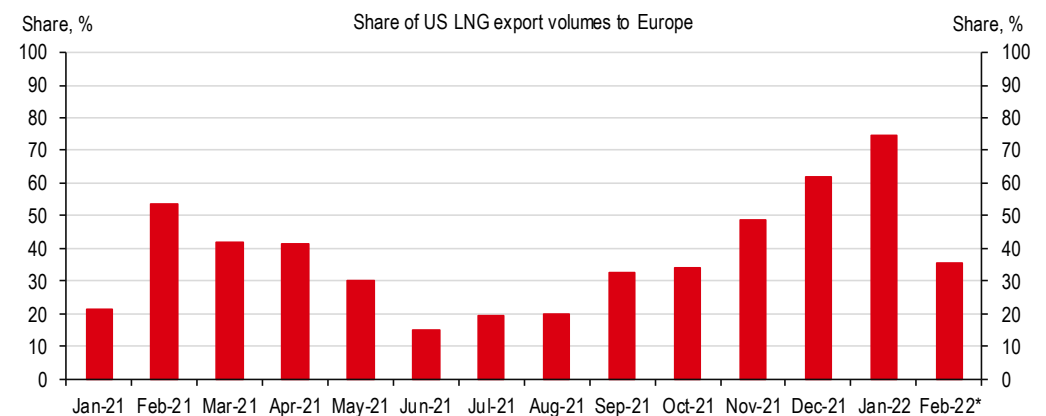
Source: IHS Markit. Note: Negative index suggests that input prices are rising faster than output prices.

### 12. The EU's trade deficit hit a record in December 2021 due in part to strong energy imports



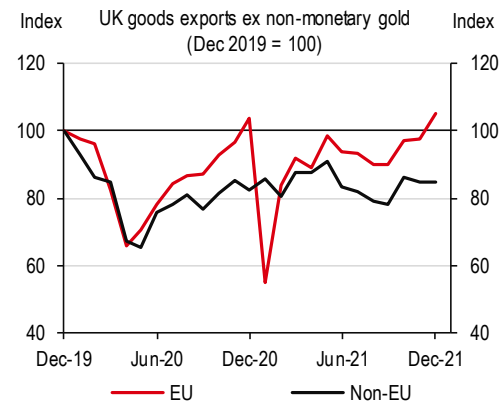
Source: Eurostat. Note: Seasonally adjusted. Latest data point for December 2021.

### 13. ...although the US has stepped up its gas exports to the continent



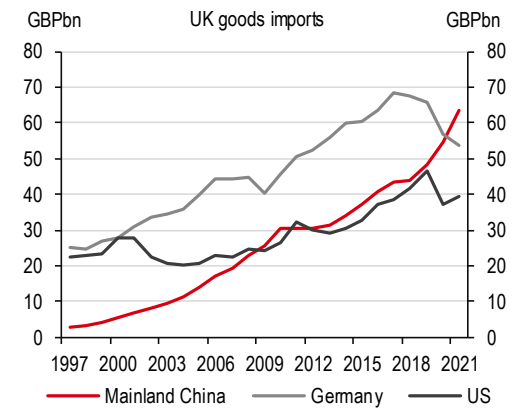
Source: Refinitiv Eikon, HSBC. Note: \*Data as at 19 February 2022.

#### 14. UK goods exports to non-EU economies continue to lag...



Source: ONS, HSBC.

#### 15. ...while mainland China became the UK's top goods import source in 2021



Source: ONS

## Trade policy calendar

### 24. Key upcoming trade events

● Deadline ● Event ● Report

Date	Type	Details
24 February 2022	●	One-year review of US supply chains in six key sectors (defence, public health, ICT, energy, transportation, food) due
End-February	●	Deadline to complete EU-UK talks on the Northern Ireland Protocol
March 2022	●	Deadline for US and India to make substantive progress on Trade Policy Forum work group issues
7-18 March 2022	●	Second round off UK-India FTA negotiations
15 March 2022	●	New EU import rules for composite products from all economies takes effect
18 March 2022	●	RCEP deal to take effect for Malaysia
23 March 2022	●	US secretary of State to submit report to Congress outlining strategy to promote initiatives to enhance international awareness and tackle forced labour concerns in Xinjiang.
24 to 25 March 2022	●	European Council Summit
31 March 2022	●	USTR's National Trade Estimate reports on foreign trade barriers due.
14 April 2022	●	US government departments to make public a report on implications of US trade deals on Buy America provisions
15 April 2022	●	Semi-annual report by the US Treasury on currency practices of major trading partners due
29 April 2022	●	USTR's annual Special 301 report on foreign IP practices due.
14 May 2022	●	Deadline for federal agencies to ensure that all project receiving federal funds via the Infrastructure Investment and Jobs Acts are using US-produced iron, steel, manufactures and construction materials.
15-16 May 2022	●	US-EU Trade and Tech Council
21 to 22 May 2022	●	APEC Trade Ministers' meeting
31 May 2022	●	81 COVID-related tariff exclusions in the US expire
June 2022	●	Potential date for rescheduled WTO 12th Ministerial Conference (MC12)
18 June 2022	●	US Commerce Department's report on its Section 232 investigation into imports of neodymium magnets due.
21 June 2022	●	US Forced Labor Enforcement Task Force to submit report to Congress outlining a strategy to prevent goods produced with forced labour in Xinjiang from entering the US.
21 to 23 June 2022	●	US trade policy review at WTO
23 to 24 June 2022	●	European Council Summit
01 July 2022	●	Target deadline for UK-Australia trade deal to take effect
	●	Certification and border checks introduced for certain goods from the EU to the UK: high-risk animal by-products, all regulated plant products, meat products, and high-risk food not of animal origin.
	●	Phytosanitary Certificates and physical checks on certain goods from the EU to the UK to be introduced.
	●	Safety and Security declarations on goods from the EU to the UK required.
01 September 2022	●	Certification and border checks introduced for all dairy products from the EU to the UK.
15 October 2022	●	Semi-annual report by the US Treasury on currency practices of major trading partners due
30 to 31 October 2022	●	G20 ministerial meeting in Indonesia
01 November 2022	●	Certification and border checks introduced for all other regulated products of animal origin from the EU to the UK.
04 November 2022	●	Possible due date for Biden administration to submit its "grand strategy" on China
13 to 16 December 2022	●	OECD ministerial conference
01 January 2023	●	Certain goods sold in Great Britain will now require the UKCA (UK Conformity Assessed) marking as the EU's marking (the CE mark) will no longer be accepted.
30 June 2025	●	EU equivalence for UK CCPs ends
TBC	●	Grace periods for customs formalities on certain GB exports to NI were suspended indefinitely in September 2021.

Source: HSBC, Inside US Trade, Politico, USTR, WTO, Institute for Government, UK Government, European Commission, European Council, New Straits Times, UK Parliament.

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