

The new normal?

Trade data and policy tracker

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Economics - Global

- ◆ Businesses are being hit with new challenges as pandemic-related supply chain pressures continue to ease
- ◆ Soaring energy prices have caused trade balances to deteriorate in some economies...
- ◆ ...while geopolitical tensions may leave businesses vulnerable to supply chain disruptions in the near to medium term

Just when it looked as though supply chain disruptions might be easing, exporters and importers have been hit by a fresh wave of challenges, including high inflation, port worker strikes (e.g. at Felixstowe in the UK), and recent low water levels in Germany, begging the question: is ongoing disruption the “new normal” for supply chains?

We previously argued that pandemic-related supply chain strains could start to ease in the second half of 2022 and, for the most part, that is playing out. Global supply chain pressures, as measured by the New York Fed's index, hit an 18-month low in July, and global spot container freight rates are down nearly 50% from their pandemic peak. Commodity prices too are coming off the boil, but remain elevated.

Over 650,000 tonnes of grain (mainly corn) have been exported from Ukrainian ports so far this month under a safe-passage deal, while gas flows via the Nord Stream pipeline are currently tracking at around 20% of full capacity as at 23 August 2022 and will cease for three days from 31 August for further (previously unscheduled) maintenance. And surging energy costs are impacting trade balances: the UK goods and services trade deficit widened to the largest on record (GBP27.9bn) in Q2 2022, while Japan's goods trade deficit hit an all-time high in July (JPY2.1trn). However, some countries, including Norway and Canada, are benefiting from higher prices for their energy exports.

Meanwhile, various indicators are pointing to a potential slowdown in trade. Global new export orders declined for the fifth consecutive month in July, while the US National Retail Federation expects containerised retail import volumes to fall by 2.3% y-o-y over August to December (i.e. during peak container shipping season). New export orders for Taiwanese electronics also tumbled in July as customer inventories continued to grow.

And these trade issues, along with recessionary concerns, remain top of mind for businesses. Natural Language Processing analysis by our Data Science team finds that “inventory” and “freight” were key topics in recent company earnings calls, while discussions around “shortages” have become less prominent for North American firms – perhaps indicative of some normalisation in supply chain strains post-pandemic.

Ongoing geopolitical strains are also adding to the uncertainty for businesses. The US launched trade talks with Taiwan this month amid tensions with mainland China, including US plans to expand its domestic chips capacity, while the UK raised a legal challenge against the EU over access to key science programmes.

Therefore, it looks as though ongoing disruption might just be the new normal, for now.

This is a Free to View version of a report with the same title published on 25-Aug-22. Please contact your HSBC representative or email AskResearch@hsbc.com for more information.

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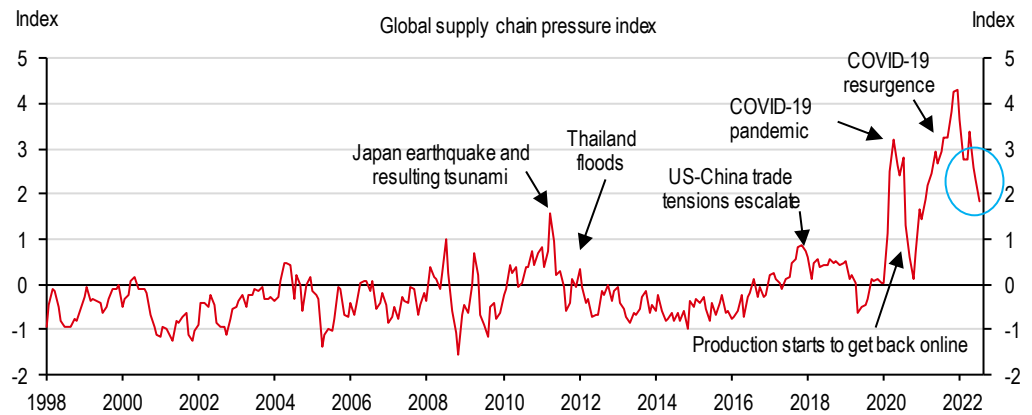
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Monthly trade trends

1. Pandemic-related supply chain strains continue to ease...



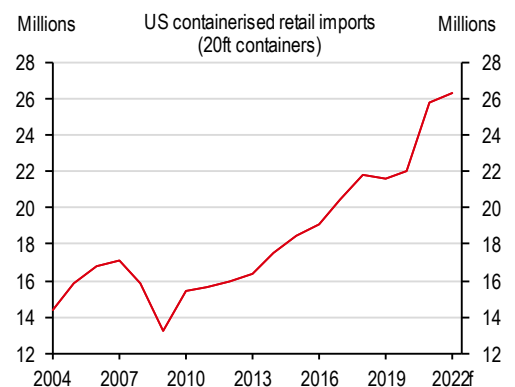
Source: Federal Reserve. Note: Latest data point for July 2022.

2. US containerised retail import volumes may slow y-o-y in H2 2022...



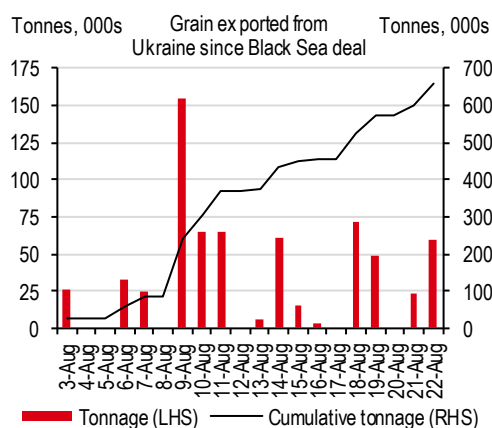
Source: US National Retail Federation. Note: *Estimated **Forecast

3. ...but remain well above pre-pandemic levels



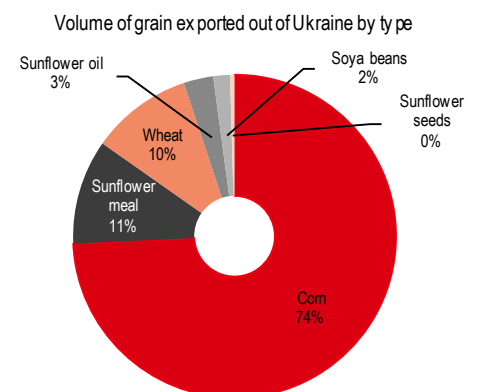
Source: US National Retail Federation

4. Ukraine grain exports are starting to flow...



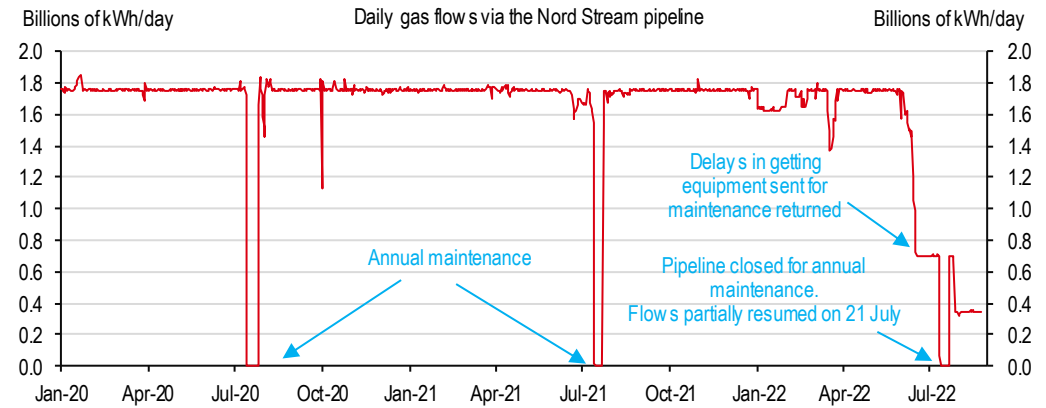
Source: UN Black Sea Grain Initiative. Note: Data as at 24 August 2022. Excludes shipments that have not been inspected yet.

5. ...although most of this is corn trade

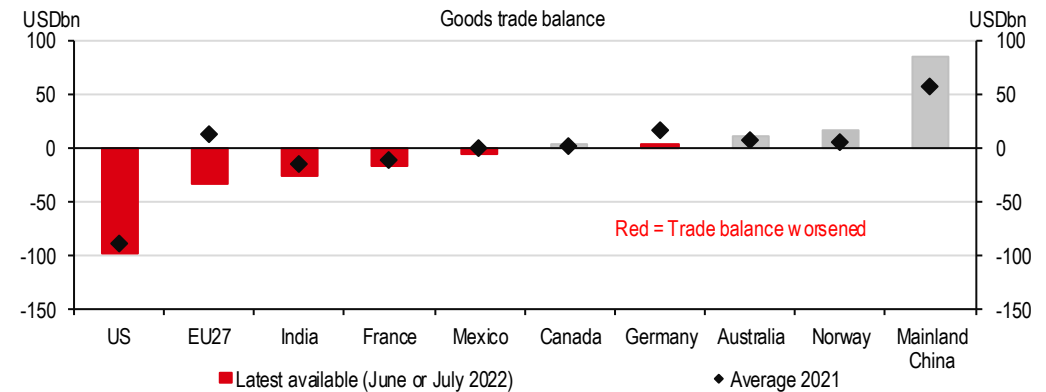


Source: UN Black Sea Grain Initiative. Note: Data as at 24 August 2022. Excludes shipments that have not been inspected yet.

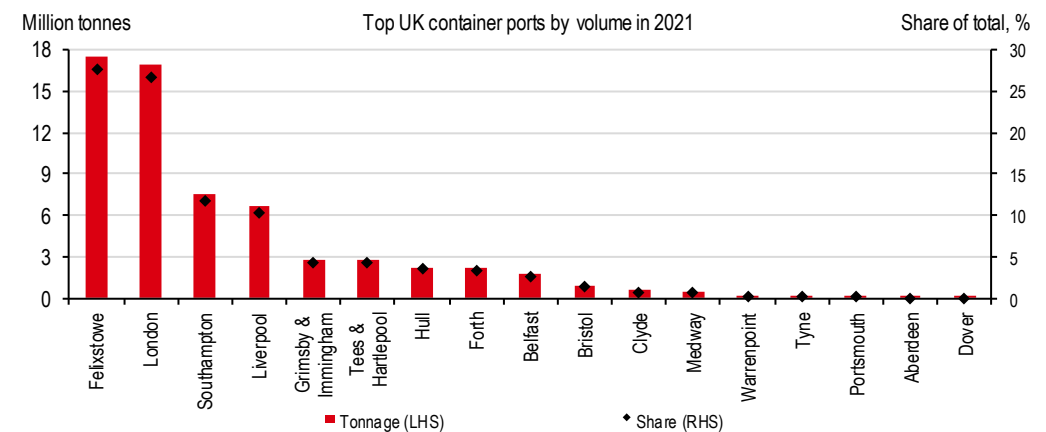
6. Gas flows via the Nord Stream pipeline remain limited...



7. Higher energy prices have led to a deterioration in net trade for some economies....



8. Port worker strikes at Felixstowe and potentially Liverpool threaten further supply chain disruptions for UK businesses...



[illegible]

Frequency of term: shortage

0.007
0.006
0.005
0.004
0.003
0.002
0.001
0.000

Jan-16 Jul-16 Jan-17 Jul-17 Jan-18 Jul-18 Jan-19 Jul-19 Jan-20 Jul-20 Jan-21 Jul-21 Jan-22 Jul-22

— North America — Europe — UK — Asia — EMEA — LatAm

4

Trade policy calendar

12. Key upcoming trade events

● Deadline ● Event ● Report

Date	Type	Details
29 August 2022	●	Port workers strike at Felixstowe in the UK due to end
early Autumn/Autumn	●	US-Taiwan trade talks to begin
	●	UK Government to publish a Target Operating Model that will set out its new regime of border import controls on EU goods. It will aim to be applied from end-2023.
5 September 2022	●	New UK PM to be announced
8 to 9 September 2022	●	US planning Indo-Pacific Economic Framework ministerial meeting to launch negotiations
mid-September	●	European Commission due to release a proposal to ban goods made with forced labour
mid- to end-September	●	Port workers strike at Liverpool in the UK expected in late September
21 to 23 September 2022	●	G20 Trade, Investment and Industry ministerial meeting
22 September 2022	●	Deadline for UK to respond to EU's additional four new legal challenges over the Northern Ireland Protocol
October 2022	●	UK and India aim to conclude initial bilateral trade deal
	●	Next round of UK-CPTPP negotiations due to be held
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
4 November 2022	●	Possible due date for Biden administration to submit its "grand strategy" on China.
14 to 19 November 2022	●	APEC Economic Leaders' Week
15 to 16 November 2022	●	G20 Leaders' Summit
13 to 16 December 2022	●	OECD ministerial conference
1 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.
15 March 2023	●	US International Trade Commission to submit report to Congress on economic impact of US Section 232 and Section 301 tariffs.
end-2023	●	UK implementation of full border controls and checks on EU exports due to take effect after being postponed from 2022
30 June 2025	●	EU equivalence for UK CCPs due to end (could potentially be extended).
TBC	●	Grace periods for customs formalities on certain GB exports to NI were suspended indefinitely in September 2021.

Source: HSBC, Inside US Trade, Politico, WTO, UK Government, European Commission, European Council, ESRB, UK Parliament, FT, Bloomberg.

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