

Troubled waters

Trade data and policy tracker

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Economics - Global

- ◆ Geopolitical tensions could limit the scope for a trade rebound...
- ◆ ...while ongoing Red Sea shipping disruption is leading to congestion pressures at some Mediterranean ports
- ◆ New post-Brexit border checks are due to take effect in the UK from 30 April but it remains to be seen how these will be applied

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Trade via three of the world's key maritime chokepoints (the Suez Canal, Bal el-Mandeb Strait and Panama Canal) is currently disrupted, with the recent flare-up in Israel-Iran tensions sparking concerns that flows through the Strait of Hormuz (SoH) could be upended if the geopolitical conflict in the Middle East worsens. Indeed, nearly 30% of global oil flows are shipped via the SoH – 70% of which is destined for Asian markets – along with 20% of world LNG flows. And given that alternative transport routes are limited, even short-lived disruption could have significant consequences for commodity prices.

But lasting disruption, although a possibility, is not our base case. As our oil analysts recently noted, the fact that Iran's own oil exports go through the SoH should reduce the likelihood of a self-inflicted blockade (see *Oil market: Risk premium ebbs after Iran strike*, 16 April 2024).

Meanwhile, ongoing shipping disruption in the Red Sea risks leading to congestion at ports in Algeciras and Barcelona in Spain and Tangier-Med in Morocco. Many vessels are dropping off containers on the Western sides of the Mediterranean – after going around the Cape of Good Hope – from where short-distance 'feeder' services are transporting goods to other southern European ports (*Financial Times*, 23 April 2024). Delays could see companies look to hold higher inventories, though many are still continuing to destock.

In the UK, after repeated delays, new post-Brexit border checks on medium and high-risk plant and animal imports (e.g. meat, fish, cheese) from the EU are due to kick in from 30 April. There will also be new charges on commercial animal and plant imports (common user charge) initially through the Port of Dover and Eurotunnel. But there is uncertainty over the extent to which the checks will be enforced on day one. It is likely that physical checks will first focus on the highest risk products before scaling up to cover others later.

Elsewhere, Americans are continuing to buy more goods than before the pandemic even after adjusting for prices. Looking ahead, the US National Retail Federation expects inbound cargo volumes to hit 2m containers in May 2024, for the first time since last autumn, as imports grow despite new supply challenges.

Meanwhile the WTO now expects global goods trade to grow by 2.6% this year but have flagged that it could be as low as -1.6% amid geopolitical tensions, regional conflicts and policy uncertainty. To the upside, trade growth could be as high as 5.8%. It's a fairly big range and suggests that forecasting trade in this turbulent environment is not easy.

This is a redacted version of a report with the same title published on 29-Apr-24. Please contact your HSBC representative or email AskResearch@hsbc.com for more information.

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Monthly trade trends

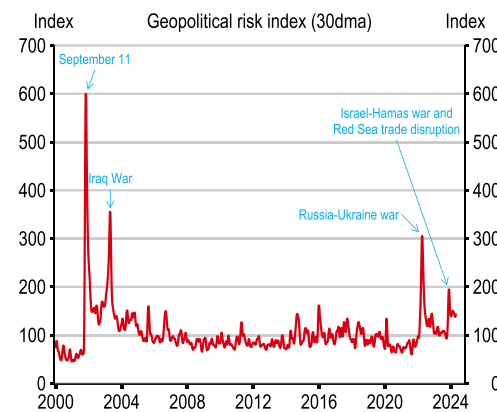
1. Trade via three key maritime chokepoints is currently disrupted...

Key maritime chokepoints



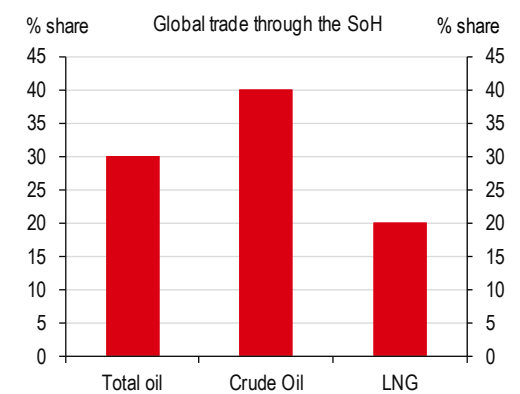
Source: IMF Portwatch, HSBC. Note: Key chokepoints as noted by IMF Portwatch. Chokepoints in red are currently disrupted.

2. ...and heightening geopolitical tensions could disrupt flows further



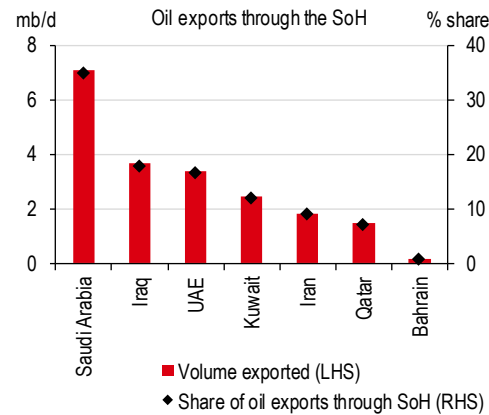
Source: Macrobond. Note: Latest data point for 22 April 2024.

3. The Strait of Hormuz, which is the latest flashpoint, is critical for oil and gas trade...



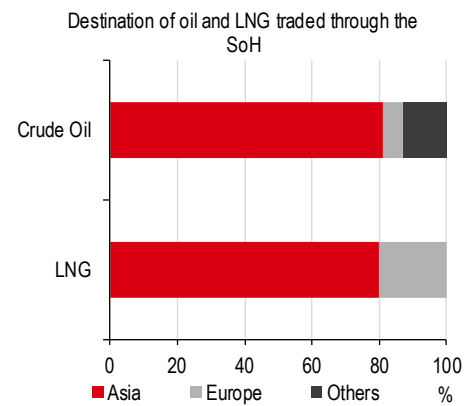
Source: IEA. Note: SoH=Strait of Hormuz. Data for January to October 2023.

4. ...from Middle Eastern economies including Iran itself...



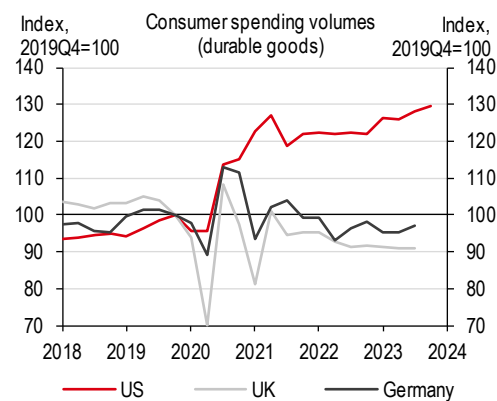
Source: IEA. Note: SoH=Strait of Hormuz. Data for January to October 2023. Total crude (incl condensate) and oil products exports.

5. ...with most of these flows destined to Asia



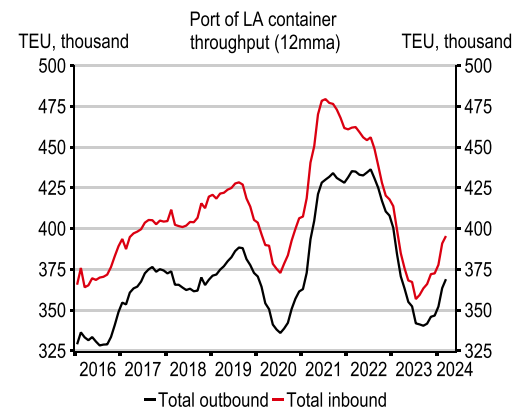
Source: IEA. Note: SoH=Strait of Hormuz. Data for January to October 2023.

6. US consumers are buying more goods than before the pandemic...



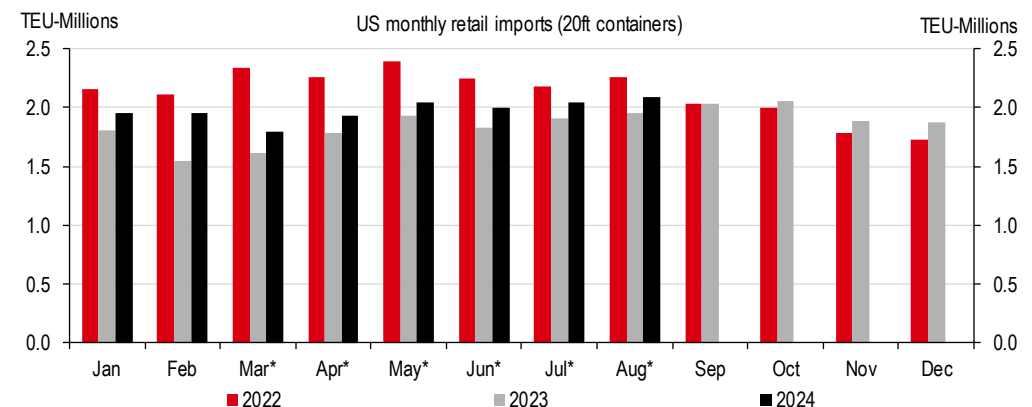
Source: OECD Stat. Note: National currency, real terms, seasonally adjusted.

7. ...while Port of LA container volume data suggests US trade with Asia is picking up...



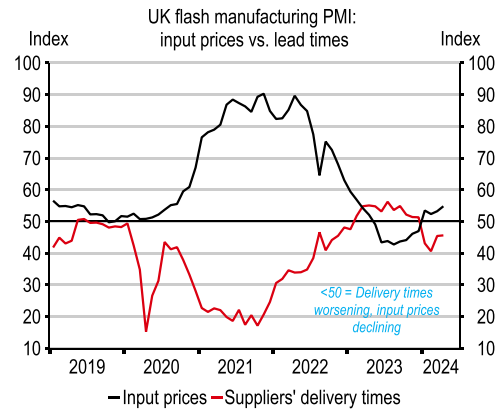
Source: Macrobond. Note: Latest data point for March 2024.

8. ...and the US National Retail Federation expects container import volumes to top 2m units in May 2024, despite ongoing shipping disruption



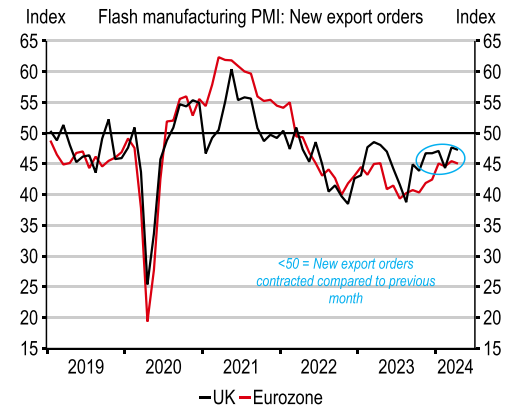
Source: National Retail Federation. Note: *Forecast

9. UK suppliers' delivery times lengthened for the fourth consecutive month in April...



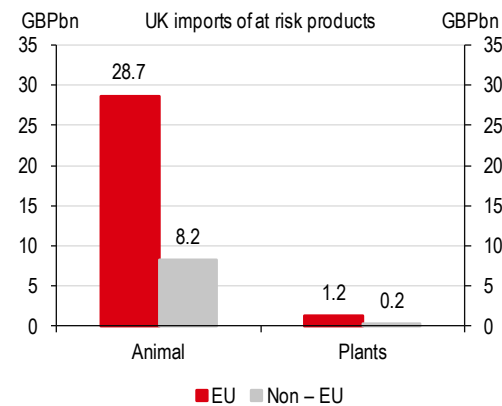
Source: Macrobond, S&P Global. Note: Latest data point for April 2024.

10. ...and manufacturers reported another decline in export orders



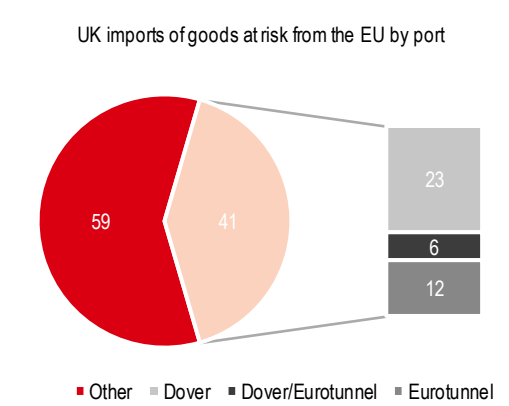
Source: Macrobond, S&P Global. Note: Latest data point for April 2024.

11. The UK will impose a common user charge on risky imports from the EU...



Source: UKTPO, HMRC, Animal & Plant Health Agency

12. ...that initially come via the Port of Dover and the Eurotunnel



Source: UKTPO, HMRC, Animal & Plant Health Agency

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