

Disruption ripples

Trade data and policy tracker

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Economics - Global

- ◆ Global goods trade continues to surge...
- ◆ ...but recent container shipping disruption in mainland China could exacerbate bottlenecks in the coming weeks...
- ◆ ...and there are some signs that US services trade is starting to pick up as lockdown restrictions lift

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Supply chains are having a hard time at the moment. At the aggregate level, the numbers look good. Global goods trade volumes were up 25% y-o-y in April 2021 and up 5% compared to 2019 levels. But it is a different story on the ground, with manufacturers continuing to grapple with shipping bottlenecks. Rising container spot freight rates also pose a challenge as it now costs nearly USD11,000 to send a 40-foot container from East Asia to Europe compared to around USD1,300 two years ago.

And there could be more disruption to come. Yantian Port in southern China – one of the world's largest container shipping ports – closed for nearly a week at the end of May following a COVID-19 outbreak. Although operations gradually restarted through June and resumed fully last week, ripples will be felt for weeks.

For example, it will take time to clear backlogs and for delayed vessels to arrive in Europe and North America, potentially exacerbating existing congestion at these ports. Crucially, all this additional disruption comes ahead of peak container shipping season, which usually begins in late summer in advance of Christmas.

However, there could be some respite for goods trade later this year as lockdown restrictions lift and consumers look to spend more on services, although the extent to which this happens remains to be seen. US services imports have already started to pick up, growing by 26% y-o-y in April 2021 as travel services imports rose by a whopping 268% y-o-y. But US travel services imports are still down over 70% on 2019 levels as nearly all economies maintain travel restrictions.

Meanwhile, the UK reached a trade deal in principle with Australia this month, less than a year after trade talks formally began. It also officially launched negotiations with the CPTPP bloc after getting the go-ahead from members, and opened talks with Singapore on a digital trade agreement. In addition, the US agreed to suspend punitive tariffs on bilateral trade with the EU and UK for five years over the longstanding Boeing-Airbus dispute – welcome news for European cognac and Scottish whisky exporters.

The UK and EU also look set to agree a temporary truce over trade in chilled meat products across the Irish Sea (FT, 23 June 2021). Under EU agricultural trade rules, with which Northern Ireland aligns, meat imports can only be accepted if they are frozen. But even if the EU agrees that the UK can keep sending chilled sausages and minced meat from Great Britain to Northern Ireland until October 2021, this simply kicks the can down the road and will do little to alleviate trade uncertainty in the near term.

This is an abridged version of a report by the same title published on 29-Jun-21. Please contact your HSBC representative or email AskResearch@hsbc.com for more information.

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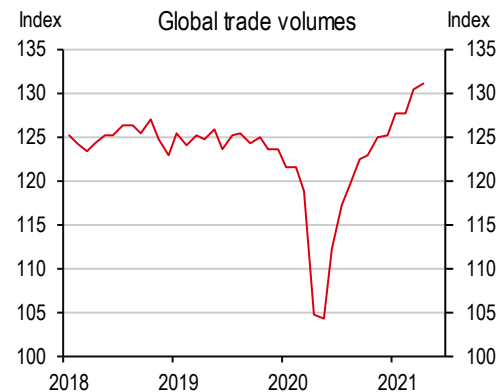
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Monthly trade trends

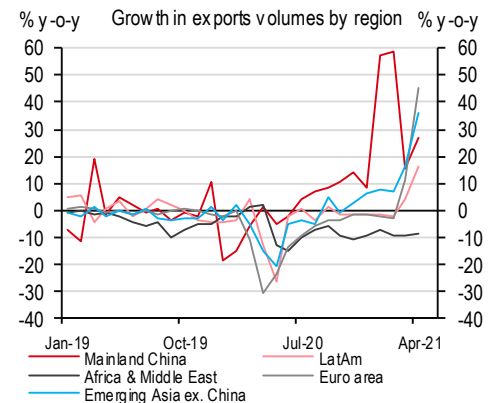
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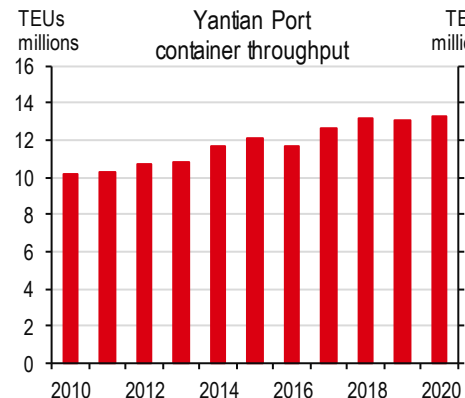
Source: CPB. Note: Latest data point for April 2021.

2. ...driven by strength in Asian exports



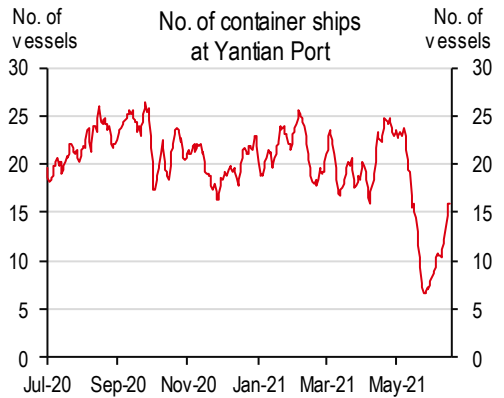
Source: CPB. Note: Latest data point for April 2021.

3. Yantian is one of mainland China's busiest ports...



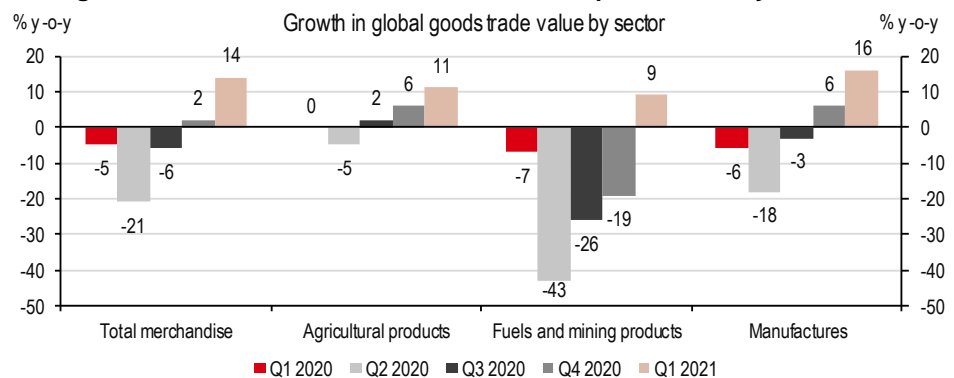
Source: Bloomberg. Note: TEU = twenty-foot equivalent unit.

4. ...but operations have been impacted by COVID-19



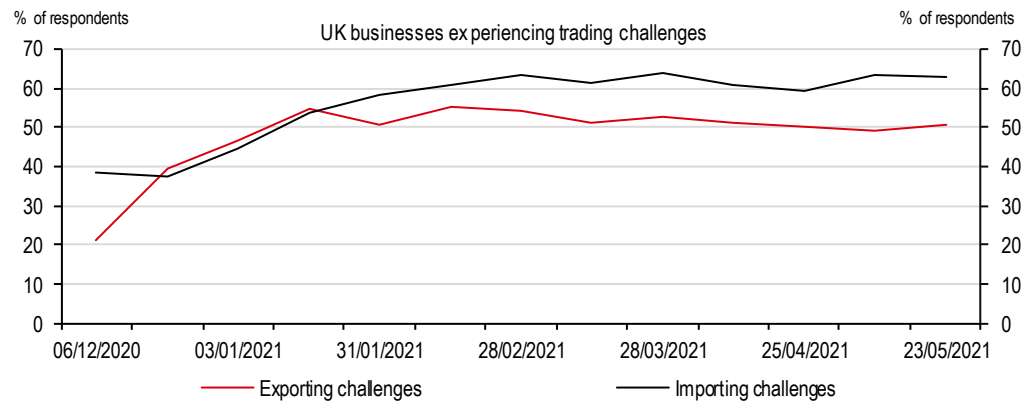
Source: Bloomberg, HSBC. Note: Chart shows 7-day moving average.

5. Global goods trade continued to recover in the first quarter of this year



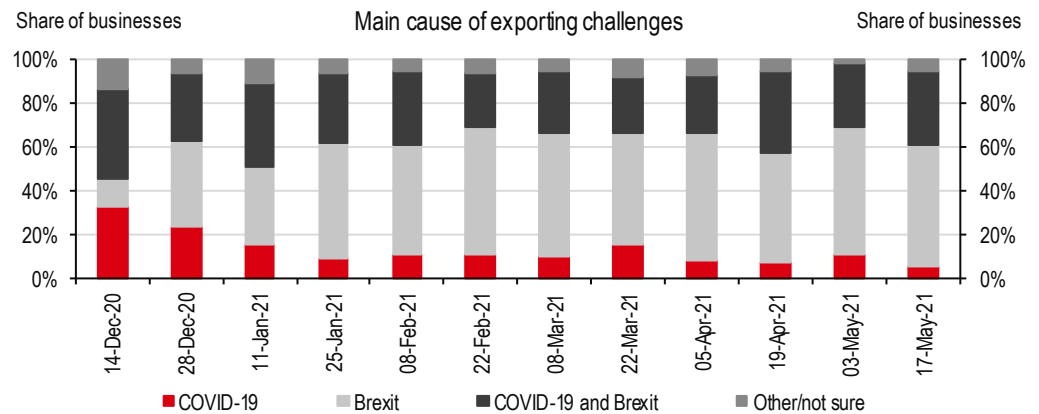
Source: WTO

6. UK businesses continue to face challenges when trading...



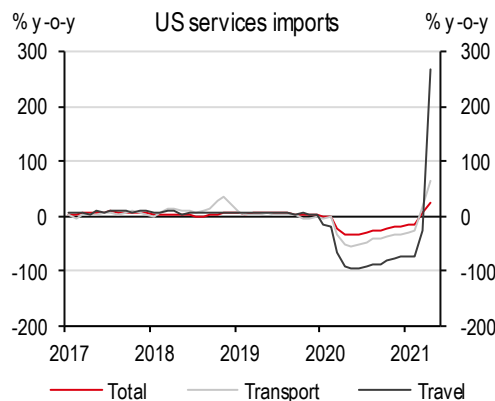
Source: ONS. Note: Proportion of businesses currently trading that are experiencing a challenge in importing or exporting, who had exported or imported in the last 12 months and who reported how exports or imports compared with normal expectations.

7. ...mainly due to Brexit-related issues



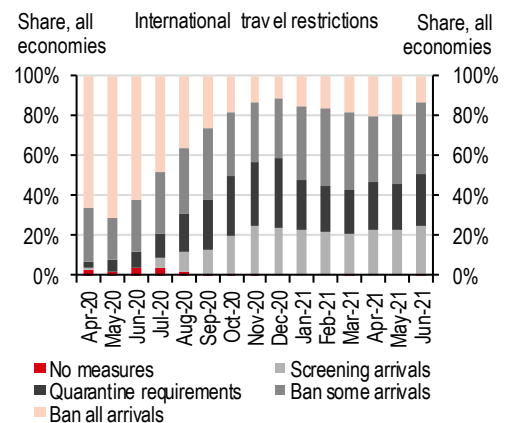
Source: ONS. Note: Percentage of businesses currently trading, who had exported in the last 12 months and reported how exports have been affected, as well as exporting challenges.

8. US services trade is starting to pick up as lockdowns lift...



Source: BEA. Note: Seasonally adjusted. Latest data point for April 2021.

9. ...although international travel remains restricted



Source: University of Oxford, HSBC. Note: Data as at the 1st of each month. Total number of report economies varies slightly each month.

Trade policy calendar

10. Key upcoming trade events

● Deadline ● Event ● Report

Date	Type	Details
30 June 2021	●	US and Taiwan set to revive trade and investment talks
01 July 2021	●	US Trade Promotion Authority expires
	●	Grace period for customs requirements on chilled meat moving from GB to NI due to expire unless extended
05 July 2021	●	UK consultation on punitive tariffs on US exports ends
09 to 10 July 2021	●	G20 Finance Ministers' meeting, deadline to reach global solution on digital services taxes
12 July 2021	●	UK consultation on upgrading trade deals with Canada and Mexico ends
15 July 2021	●	WTO Trade Ministers' meeting
August 2021	●	UK and New Zealand expected to agree trade deal in principle
31 August 2021	●	UK consultation on trade deal with India ends
16 September 2021	●	WTO workshop on the Information Technology Agreement (ITA)
01 October 2021	●	Grace period for customs formalities on certain GB food exports to NI due to expire. Extended from 1 April 2021
	●	Waiver on customs declarations for parcel deliveries from GB to NI due to expire. Extended from 1 April 2021
	●	Grace period for some customs formalities on EU exports of animal origin to the UK ends, these goods will require pre-notification and relevant health documentation. Extended from 1 April 2021
05 October 2021	●	G20 Trade Ministers' Meeting
15 October 2021	●	US semi-annual report on the currency practices of key trading partners due
26 to 28 October 2021	●	38th and 39th ASEAN Summits
30 to 31 October 2021	●	G20 Leaders' Summit
November 2021	●	Target deadline for UK and Australia to finalise trade deal
w/c 08 November 2021	●	APEC ministerial meeting
30 November to 3 December 2021	●	12th WTO Ministerial Conference (MC12) to take place
01 January 2022	●	Certain goods sold in GB will now require the UKCA (UK Conformity Assessed) marking, the EU's marking (the CE mark) will no longer be accepted
	●	Grace period for customs formalities on all remaining EU exports to the UK ends, nearly all EU goods will be subject to full import requirements in the UK. Extended from 1 July 2021
	●	Regional Comprehensive Economic Partnership (RCEP) expected to take effect
01 March 2022	●	Checks on live animals and low-risk plant products from the EU to GB take effect
July 2022	●	Target deadline for UK-Australia trade deal to take effect

Source: HSBC, Inside US Trade, Politico, USTR, OECD, WTO, The Economic Times, Institute for Government, UK Government

Disclosure appendix

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