

Feeling the heat

Trade data and policy tracker

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Economics - Global

- ◆ Tourism is picking up in some parts of the world as lockdown restrictions lift in time for the summer...
- ◆ ...but high inflation may weigh on international travel demand...
- ◆ ...and global food and energy trade remains disrupted

The temperature in the Northern hemisphere isn't the only thing running hot at the moment. Inflation is heating up and rising prices, softening goods demand, and stocked up inventories could lead to a slowdown in global trade growth going forward, even if trade volumes remain high.

When it comes to goods trade, supplier delivery times are improving (but remain extended), while the easing of COVID-19 restrictions in mainland China saw the economy's manufacturing output expand for the first time in four months in June. But our China economists expect momentum in exports to slow in H2 2022, and excluding the revival in Chinese exports, global new export orders worsened m-o-m in June.

So, as economies reopen and COVID-19 restrictions lift, could we see a bounce in services trade, namely tourism? International travel is resuming in tourist hotspots in Asia such as Vietnam and Thailand but Chinese tourists, who typically account for around 30% of total international arrivals into these economies, have not yet resumed foreign travel in a meaningful way. Rising prices are also taking their toll on summer travel plans, although pent-up demand (and enthusiasm) for international trips post-COVID is prevailing, for now. Nevertheless, the UN World Tourism Organization expects international tourism numbers to reach only 55-70% of 2019 levels this year.

Exporters and importers also continue to face a host of trade challenges. Although gas exports between Russia and Germany via the Nord Stream pipeline resumed recently following closure for annual maintenance, daily flows remain around 40% of full capacity as at 23 July 2022. Meanwhile, Russia exported nearly 10 times more crude oil via sea to India in June 2022 compared to the same month a year ago. This comes as Russia's total oil export revenues reached USD20bn in May, buoyed by higher energy prices, according to the IEA, while the US (and G7) continues to advocate for a price cap on Russian oil.

Food trade, too, continues to be constrained: 23 countries are currently limiting food exports, while the USDA expects Ukrainian wheat exports to be 47% lower y-o-y in the coming year. However, Russia and Ukraine recently reached a deal to resume grain exports via the Black Sea, which may help temper high food prices, but tensions remain.

Elsewhere, the US is reportedly mulling liberalising tariffs on around USD10bn worth of Chinese exports, along with launching a new tariff exclusion process and an investigation to tackle certain Chinese industrial subsidies (Politico, 5 July 2022).

So, although there are some positives on the horizon, ongoing trade disruption, inflation challenges, and issues around energy and food security mean that businesses and consumers are feeling the heat, in more ways than one.

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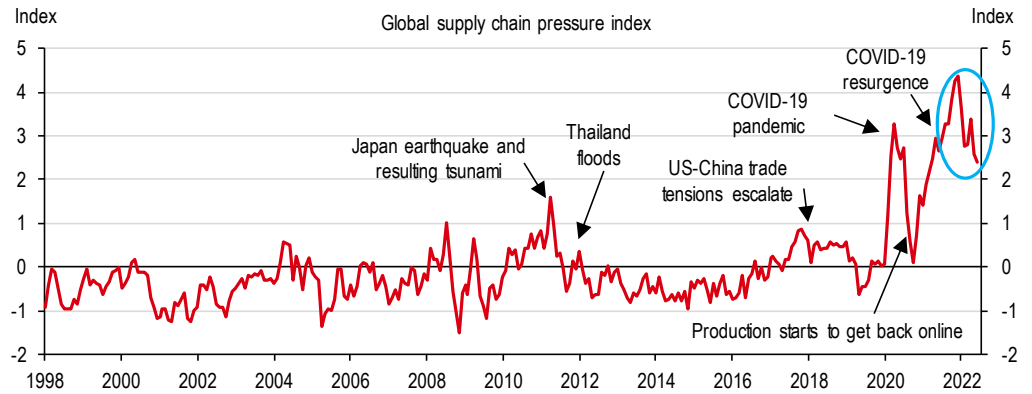
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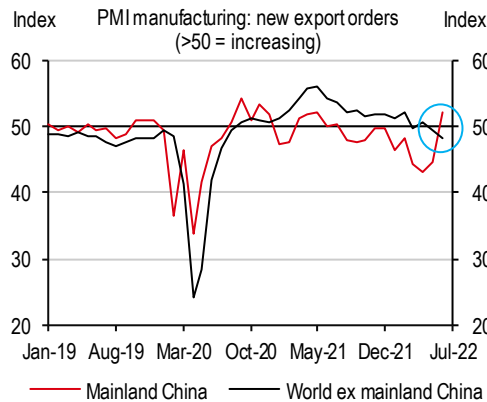
Monthly trade trends

1. Supply chain pressures continue to ease...



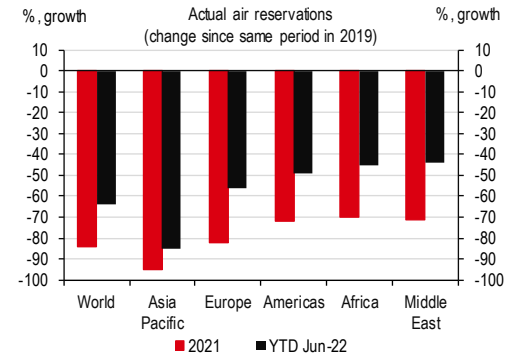
Source: Federal Reserve. Note: Latest data point for June 2022.

2. ...although new export orders excluding mainland China are contracting



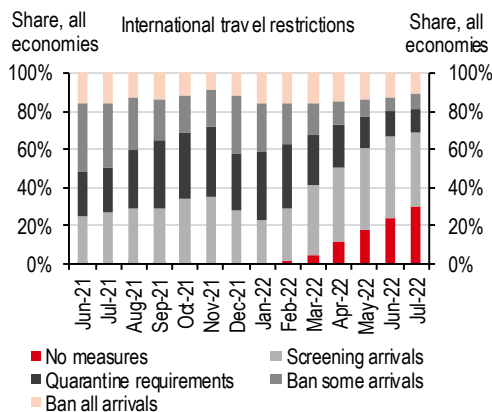
Source: S&P Global

3. International tourism is starting to recover...



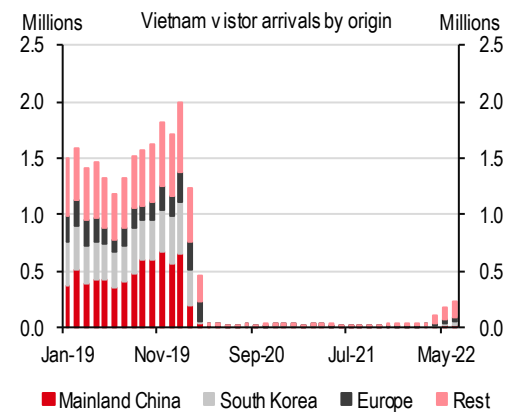
Source: UNWTO. Note: International air reservations.

4. ...as economies loosen their border restrictions



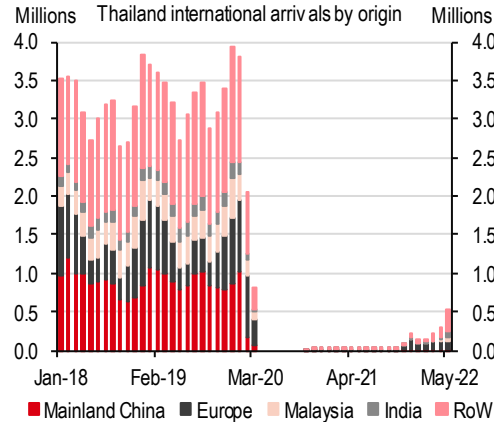
Source: Oxford University. Note: July data for 156 economies.

5. Inbound tourism has picked up in Vietnam...

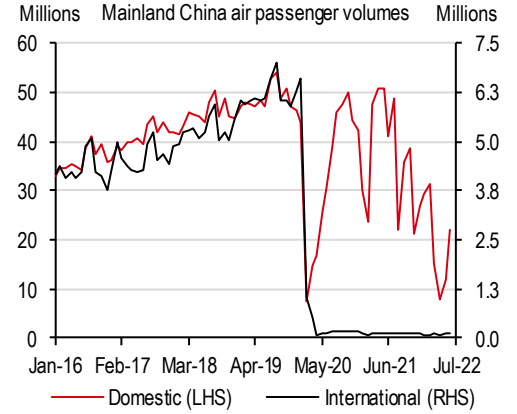


Source: CEIC. Note: Latest data point for June 2022.

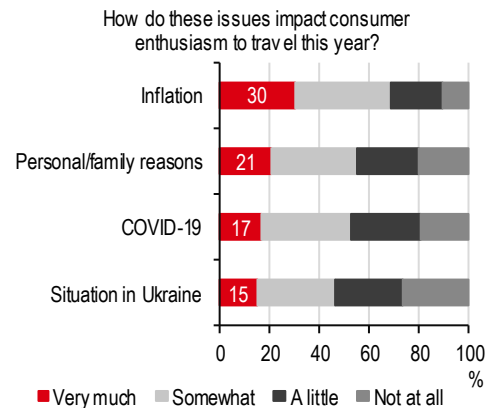
6. ...and in Thailand...



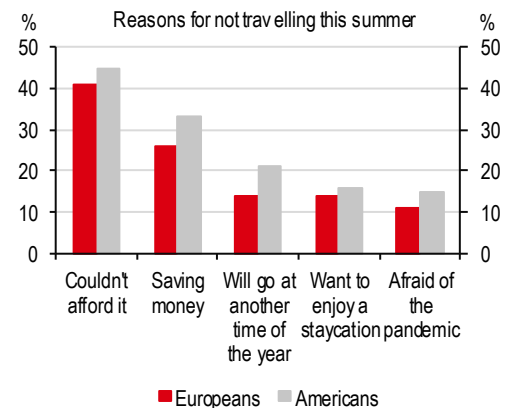
7. ...but foreign travel in mainland China has not yet revived



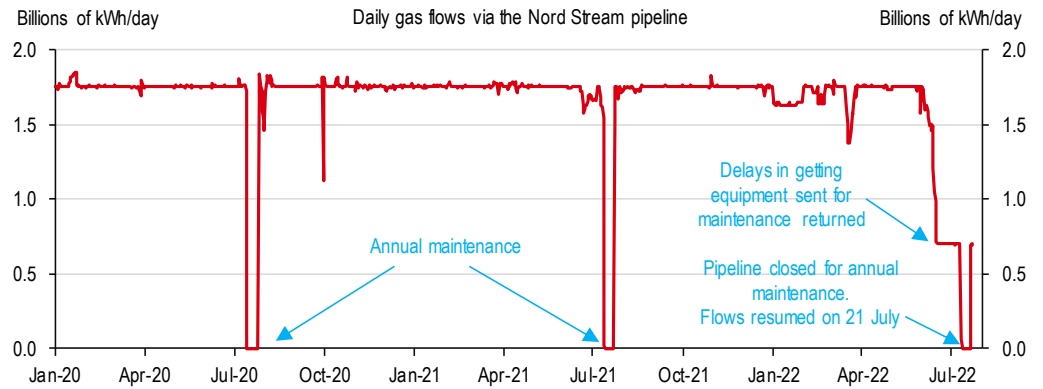
8. Rising prices are impacting travel plans...



9. ...and have led some Western travellers to curtail their summer holidays



10. Gas flows via the Nord Stream pipeline recently resumed after annual maintenance...



Trade policy calendar

29. Key upcoming trade events

● Deadline ● Event ● Report

| Date | Type | Details |
|-------------------------|------|---|
| 15 August 2022 | ● | Deadline for UK to respond to EU's initial legal challenge and two new infringement proceedings over the Northern Ireland Protocol |
| 22 August 2022 | ● | Deadline for US businesses to request continuation of certain Section 301 tariffs implemented on USD370bn of mainland Chinese goods; second deadline) |
| 5 September 2022 | ● | New UK PM to be announced |
| mid-September | ● | European Commission due to release a proposal to ban goods made with forced labour |
| 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 |
| 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 |
| | ● | Presidents Biden and Xi to hold phone call, potentially in summer 2022 |

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

Disclosure appendix

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