

Services trade growth weakens as COVID-19 crisis hits global economy: WTO's Services Trade Barometer

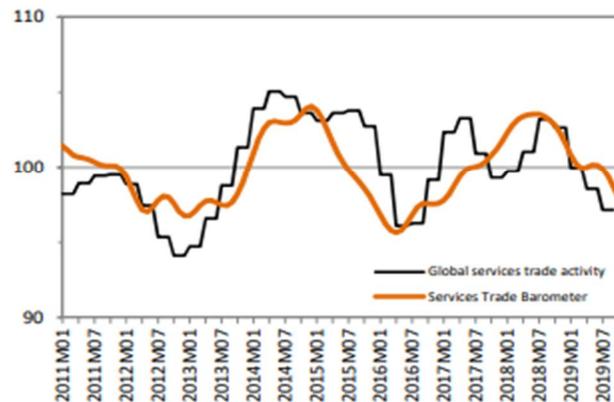
World services trade growth continued to weaken towards the end of 2019 and into the first quarter of 2020 according to the WTO's latest Services Trade Barometer. The latest reading of 96.8 is down from the 98.4 recorded last September and well below the baseline value of 100 for the index, suggesting below-trend growth in world services trade. The indicator does not yet fully capture the economic impact of the COVID-19 virus and is likely to decline further in the coming months.

Services Trade Barometer

Index value, December 2019



Index history, trend = 100



Source: PHD Research Bureau, PHDCCI compiled from WTO

Among the component indices, the largest declines were in passenger air travel (93.5) and container shipping (94.3), growth of which was already moderating before the COVID-19 outbreak. Both indices cover developments through January and may partly reflect early efforts to halt the spread of the disease, which intensified toward the end of the month. The drop in the container shipping index was driven by lower shipping volumes in Asia while the slowdown in passenger air travel was more broad-based, also covering North America, South America and Europe. The global financial transactions (97.7) and ICT services (97.0) indices also dipped below trend, while the construction index (99.8) appears to have held steady. The global services Purchasing Managers' Index (96.1) is the most forward-looking barometer component, reflecting expectations that COVID-19 is likely to continue to weigh on services trade in the near-term.

An approximate measure of the volume of world services trade shows that year-on-year growth in services trade activity already fell from 4.7% in the first quarter of 2019 to 2.8% in the third quarter.

The Services Trade Barometer highlights turning points and changing patterns in world services trade. Unlike its counterpart for goods, the fluctuations registered by the services indicator coincide with movements in actual trade flows, rather than anticipating them. Readings of 100 indicate growth in line with medium-term trends. Readings greater than 100 suggest above-trend growth while those below 100 indicate the opposite.

Please find enclosed the full Services Trade Barometer of WTO for your kind reference.

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