

Impact of COVID-19 on Trade

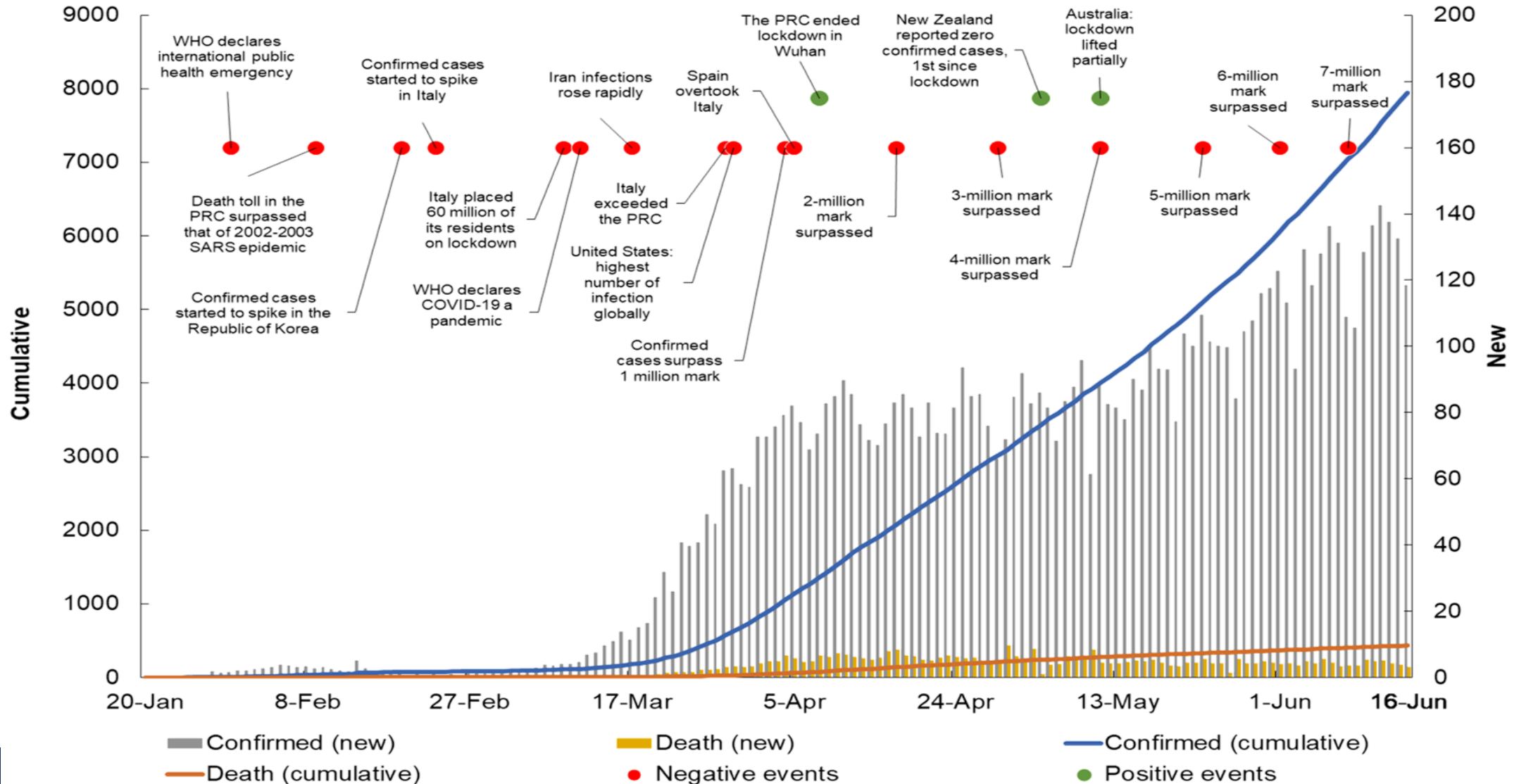
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RCI-POD Webinar No. 3:
Immediate and Long-term Impact
of COVID-19 on Trade Landscape

23 June 2020



Global COVID-19 Confirmed Cases, Deaths ('000, 2020)



PRC = Peoples' Republic of China, SARS = severe acute respiratory syndrome, WHO = World Health Organization.
 Source: World Health Organization statistics downloaded using CEIC (accessed 17 June 2020).

Recap: Macro Results of the GTAP Study

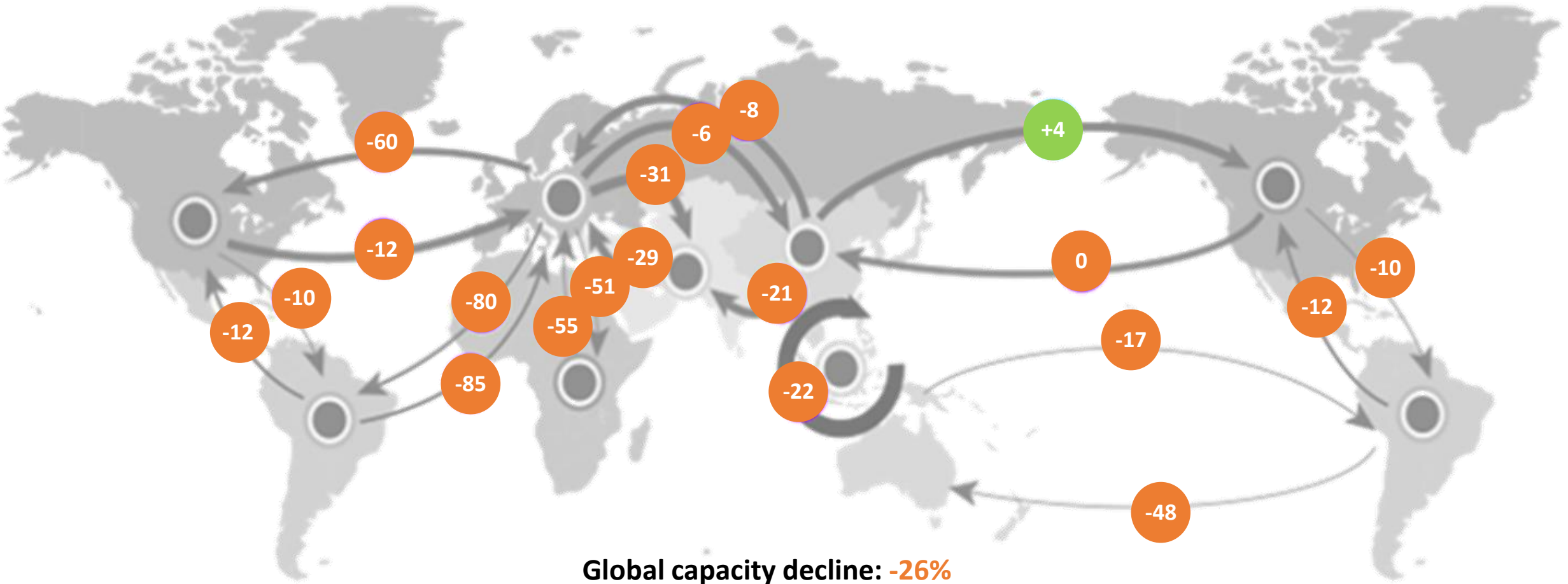
- 1. The ADB 2020 COVID-19 global impact assessment of \$2.0 trillion (short containment) to \$4.1 trillion (long containment) has been raised to \$5.8 trillion to \$8.8 trillion (6.4% to 9.7% of global GDP).**
- 2. Globally, job losses equivalent to 158 million to 242 million are expected with \$1.2 trillion to \$1.8 trillion in foregone wage income.**
- 3. In the long containment scenario, the number of poor in 34 Asian economy will increase by about 56 million for the \$1.9/day poverty threshold and 140 million for the \$3.2/day.**
- 4. Direct support to income and revenue will raise global GDP by \$1.7 trillion to \$3.4 trillion or 1.9% to 3.7% of global GDP.**
- 5. Government policy responses—such as direct interventions on income and revenues—will soften the global impact by 30%–40%, from \$4.1 trillion to \$5.4 trillion or 4.5% to 5.9% of global GDP.**

How COVID-19 Affects Trade

- Air cargo availability has diminished
- Port protocols have also changed
- Export restrictions
- Air freight costs have gone up
- Lockdown also affects trade processes
- Health and safety measures affect the time and costs of trade

Air cargo availability has diminished

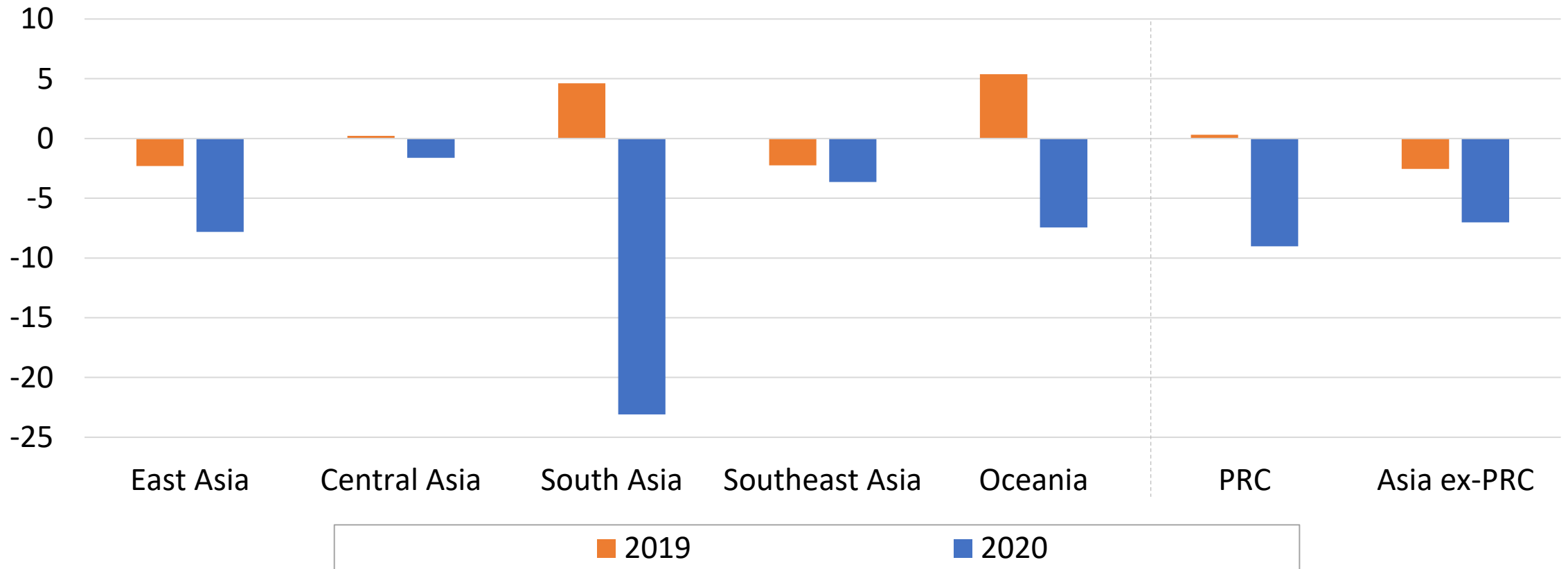
Total Air Cargo Capacity Growth, 17-23 May 2020 versus same week last year (% , y-o-y)



Global capacity decline: -26%

Goods trade deteriorated across Asia

Export Growth (Jan-Apr, % y-o-y)



PRC = People's Republic of China.

Notes: East Asia includes Hong Kong, China; Japan; Mongolia; the People's Republic of China; the Republic of Korea; and Taipei, China. Central Asia includes Armenia, Georgia, and Kazakhstan. South Asia includes India, Nepal, and Pakistan. Southeast Asia includes Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam. Oceania includes Australia and New Zealand.

Source: CEIC (accessed 17 June 2020).

Trade Impact

Deviation from the non-COVID-19 baseline

	Trade (\$ million)		Trade (% of GDP)	
	Short Containment	Long Containment	Short Containment	Long Containment
Global	-1,712,459	-2,622,851	-1.9	-2.9
Asia	-755,469	-1,155,085	-2.8	-4.3
Central Asia	-3,769	-4,962	-0.6	-0.8
East Asia ex PRC	-65,664	-108,504	-2.4	-3.9
PRC	-316,506	-489,817	-2.2	-3.4
Southeast Asia	-229,495	-344,434	-6.5	-9.7
South Asia	-100,677	-147,987	-2.8	-4.1
Australia/NZ	-39,151	-59,132	-2.0	-3.0
Pacific	-207	-250	-0.3	-0.3
G3	-675,728	-1,069,137	-1.4	-2.2
United States	-69,661	-41,674	-0.3	-0.2
Japan	-173,837	-271,130	-3.2	-4.9
European Union + United Kingdom	-432,230	-756,333	-1.9	-3.4

G3 = United States, Japan, and European Union plus United Kingdom, GDP = gross domestic product, NZL = New Zealand, PRC = People's Republic of China.

Note: Trade refers to the sum of exports and imports.

Source: ADB staff estimates.

Trade Impact: : Sensitivity Analysis

Deviation from the non-COVID-19 baseline

	Trade (\$ million)		Trade (% of GDP)	
	Short Containment	Long Containment	Short Containment	Long Containment
Global	-2,287,006	-3,734,435	-2.5	-4.1
Asia	-927,778	-1,505,470	-3.4	-5.6
Central Asia	-3,696	-4,410	-0.6	-0.7
East Asia ex PRC	-103,289	-178,107	-3.7	-6.5
PRC	-424,388	-716,307	-2.9	-4.9
Southeast Asia	-246,360	-376,379	-7.0	-10.7
South Asia	-102,625	-154,287	-2.8	-4.3
Australia/NZ	-47,086	-75,395	-2.4	-3.8
Pacific	-334	-585	-0.5	-0.8
G3	-1,030,866	-1,744,879	-2.1	-3.6
United States	-173,902	-252,415	-0.8	-1.2
Japan	-203,787	-329,091	-3.7	-6.0
European Union + United Kingdom	-653,177	-1,163,374	-2.9	-5.2

G3 = United States, Japan, and European Union plus United Kingdom, GDP = gross domestic product, NZL = New Zealand, PRC = People's Republic of China.

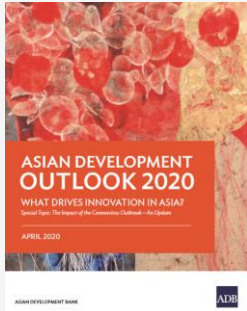
Note: Trade refers to the sum of exports and imports.

Source: ADB staff estimates.

Key Trade Results

- 1. The COVID-19 trade impact ranges from \$1.7 trillion (short containment scenario) to 2.6 trillion (long containment scenario) equivalent to about 2-3% of global GDP.**
- 2. If trade costs increase between 2.5% to 5%, the COVID-19 trade impact goes up to between \$2.3 trillion (short containment) to \$3.7 trillion (long containment) or 2.5-4.1% of global GDP.**
- 3. It is notable that the trade impact for Asia is larger: 2.8-4.3% of the region's GDP if trade costs increases by only 1-2%; or 3.4-5.6% of the region's GDP if trade costs increases by 2.5% to 5%.**
- 4. Within Asia, trade in Southeast Asia and East Asia are also hard hit.**
- 5. Caveat: this analysis only covers trade in goods only and does not include the impact on trade via commodity price fall.**

Thank you!



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