Castrol Global
Trade Barometer

2016

The *Castrol Global Trade Barometer* (*CGTB*) is a composite measure of world trade, its growth and decline.

By taking into account trade trends, relevant macroeconomic and market influences, and the effect of the business environment on trade, we are able to give a pragmatic view providing market intelligence to support decision-making based on what is really happening on the ground.
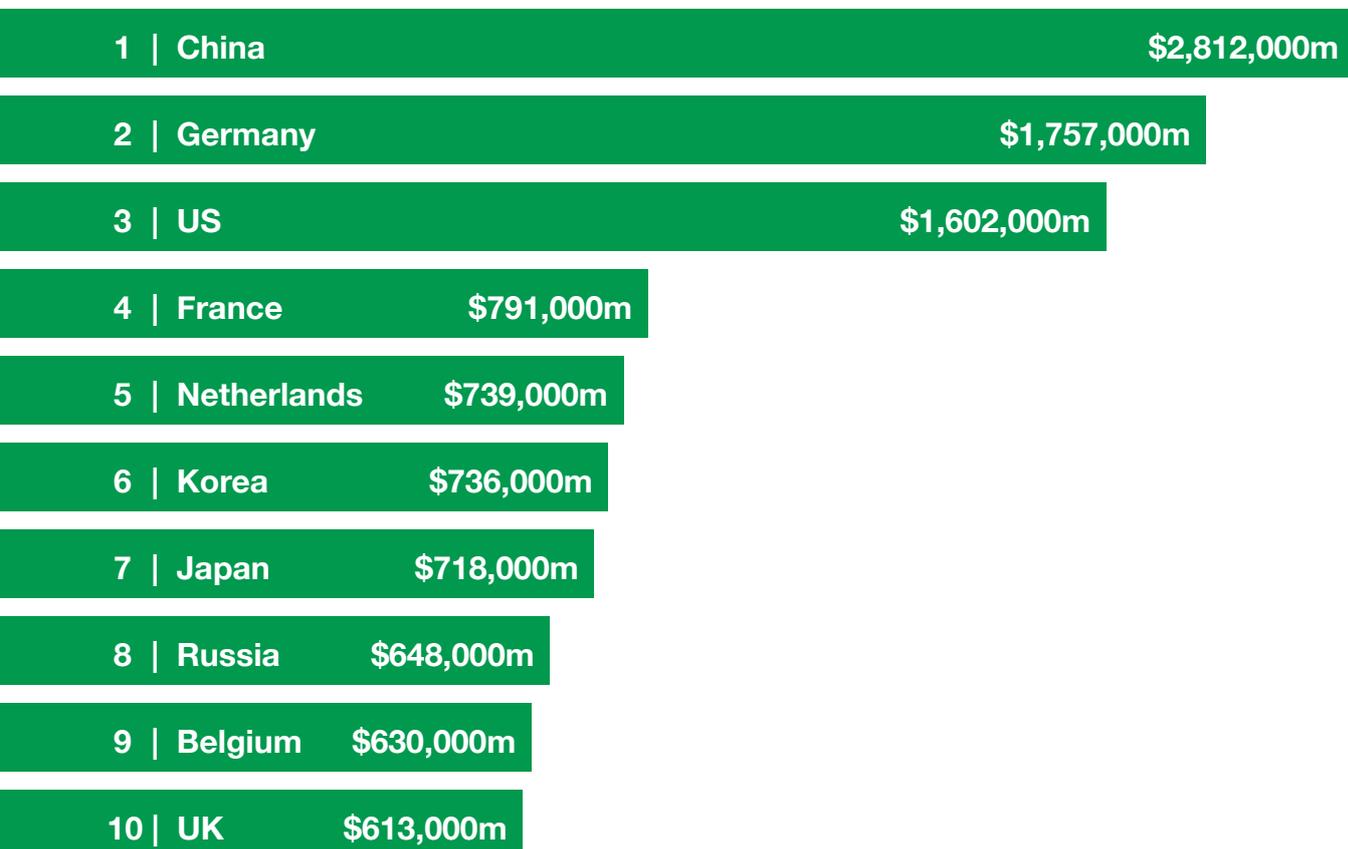
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Trend one: Exporting powerhouses

There are likely to be stark divisions among global exporters: by 2020, China is expected to export nearly two-thirds more in value than Germany or the US, which will themselves export more than twice as much as those countries which follow (Figure 1).

However, China is predicted to grow more slowly than all countries in the list of top ten exporters, bar Japan (Figure 1). This reflects the shift in China's priorities towards a domestic demand-led economy and the slowing of its overall economy.

Japan, meanwhile, is expected to be largely stagnant in terms of its export value (Figure 1). However, when Japan's demographics are considered – its population is likely to decline by 1.5% by 2020 – its exporting capacity looks to be on par with other leading nations.

Figure 1
Top ten global exporters
by 2020 value of trade

1	China	$2,812,000m
2	Germany	$1,757,000m
3	US	$1,602,000m
4	France	$791,000m
5	Netherlands	$739,000m
6	Korea	$736,000m
7	Japan	$718,000m
8	Russia	$648,000m
9	Belgium	$630,000m
10	UK	$613,000m

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Trend two: Importing the goods

The US is expected to be the largest importer in the world, with import growth rates that reflect well on an economy that – while not as fast-paced as the recoveries from past recessions – looks quite strong compared to other nations (Figure 2). The European Union should continue to be the most significant destination for the world's goods: its members are likely to import about eight times as much as the US, though many of these products will emanate from within the European single market.

Chinese imports are predicted to grow slowly at 1.7% (Figure 2), a result of a push to create more domestic-focused industries and competition from other low-income countries for the manufacturing sector, which requires considerable resource imports.

Figure 2
Top ten global importers
by 2020 value of trade

1	US	$3,268,000m
2	China	$2,160,000m
3	Germany	$1,489,000m
4	France	$895,000m
5	UK	$818,000m
6	Japan	$758,000m
7	Korea	$701,000m
8	Hong Kong	$687,000m
9	Netherlands	$678,000m
10	Belgium	$607,000m

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Trend three: Pace of change

The fastest growing countries in terms of both exports and imports are all emerging markets, and are currently some of the poorest countries in the world (Figure 3 and Figure 4). The five fastest growing exporters had an average GDP per capita of 836 dollars in 2014, according to the World Bank, and the five fastest growing importers had an average GDP per capita of 1,608.

Many of these nations appear to be growing rapidly as they are starting from a low base. However, they also contain some booming sectors. African nations will benefit from outside investment in that continent's agriculture sector.

Figure 3
Top five fastest-growing global exporters
by CAGR* 2016-2020

1 | Niger
16.3%

2 | Afghanistan
16.1%

3 | Central African Republic
14.5%

4 | Burkina Faso
14.3%

5 | Vietnam
14.1%
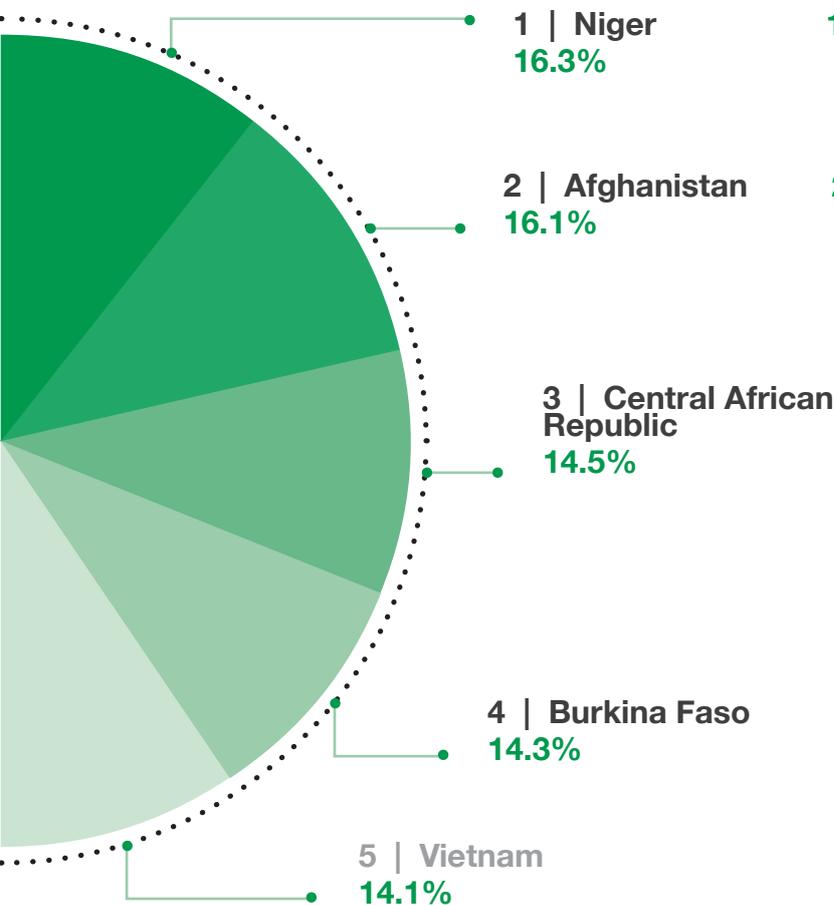
Figure 4
Top five fastest-growing global importers
by CAGR* 2016-2020

1 | Mozambique
21.6%

2 | Burkina Faso
19.2%

3 | Vietnam
13.3%

4 | Côte d'Ivoire
13.0%

5 | Congo
12.2%
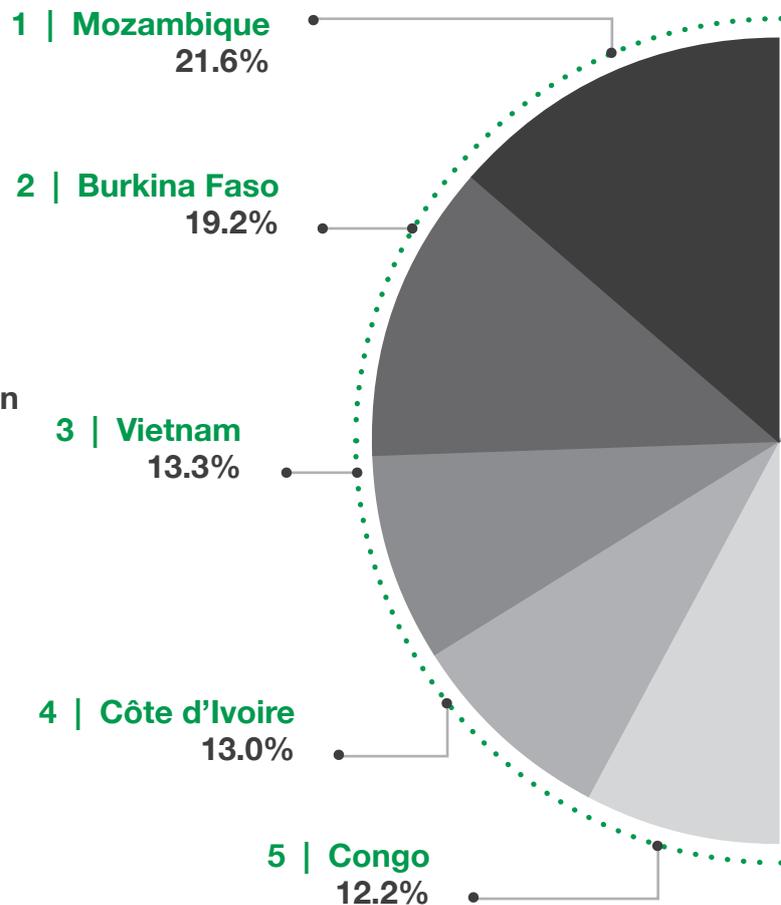
* CAGR = compound annual revenue growth (in real terms)

Sector stories

The *Castrol Global Trade Barometer (CGTB)* is a reflection of current and future trade trends across five sectors – Aerospace, Automotive, Industrial, Marine and Natural Products. Key findings include:

Sector trends: Aerospace

The aerospace industry is likely to remain dominated by the Boeing/Airbus duopoly. The US is predicted to export as much as the third through to tenth-largest exporters combined, while France will export about as much as the third through to the eighth-largest exporters combined.

China is expected to be the largest importer of aerospace products as its domestic passenger market grows, but its domestic production market continues to be small.

Drone technology is likely to be a major disruptor, the industry could expand rapidly and drones may replace many more expensive satellites.

Sector trends: Automotive

In the automotive sector, Germany is predicted to remain the highest value exporter by a considerable margin. China will see its exports rise rapidly and become a larger exporter than the US.

China is also expected to be one of the largest importers of cars and automotive parts, though still considerably behind the US, whose car industry has become closely intertwined with suppliers in Mexico and Canada.

Morocco's automotive sector is predicted to grow rapidly, powered by investment and close proximity to export markets in Europe.

Sector trends: Industrial

China is expected to be the leading exporter of industrial products by a long way – nearly double second-place Germany. Vietnam is likely to be one of the fastest-growing exporters and a top ten exporting nation, propelled by the low cost of labour.

However, trade in manufactured goods and commodities is predicted to be flat or decline for many large economies, such as the US and China.

As 3D printing develops and customisation becomes a greater share of the value of finished products, supply lines may shrink and manufacturing will acquire more elements of customer-facing services.

Sector trends: Marine and Port Report

South Korea is predicted to remain the world's largest shipbuilding country through 2020 although its shipbuilding industry is currently in difficulty, with the government needing to support the industry with nearly $10bn by 2020.

Western Europe is likely to remain a significant player in the five-year time period, particularly as the demand for environmentally-friendly ships increases, yet the US and Italy are predicted to drop out of the top ten marine exporters by 2020. The US has strong growth rates at 5.0%. However, this is not enough to compete with fast-growing nations like Nigeria (after it recovers from its current slump and diversifies), Brazil and Thailand.

In terms of ports, China's domination is expected to continue with seven ports in the top ten. The geography of Asian supply chains is expanding and companies are establishing more suppliers in the remaining low-cost frontiers including Cambodia, Laos, Myanmar, the Philippines and Vietnam. Morocco is likely to have one of the fastest growing ports, the result of its projected high growth in the auto sector.

Sector trends: Natural Products

Trade in agricultural products is likely to increase, as the world's caloric demands continue to grow on the backs of a meat-hungry global middle class. This will require investment-intensive scientific advances, both in monitoring crops via satellites and drones, and in consolidating plots and modernising practices in Africa.

Climate change will also shape all manner of natural resources, as predictable weather patterns and production processes are disrupted.

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More Information

Acknowledgements

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The Castrol Global Trade Barometer is based on methodology and data provided by our specialist trade economist partner. This report should therefore be considered independent from, and not necessarily consistent with, the BP Energy Outlook.