

INTERNATIONAL TRADE

Large trade imbalances among countries running current account surpluses and deficits contributed to the crisis that hit the world economy in 2008, as they led to capital inflows that contributed to credit-expansion and asset-price inflation in the United States. In turn, the financial crisis led to an unprecedented, synchronised, collapse of international trade.

Definition

The current account is the difference between a country's current receipts from the rest of the world and its current payments to the rest of the world (see the section on "Balance of payments"). Current account balances refer to seasonally-adjusted quarterly data in billions USD.

The indicator of foreign trade used in this section is the sum of merchandise imports and exports of the 30 OECD countries, based on (seasonally-adjusted) monthly data in billions of USD. The measure of synchronisation of trade flows shown here is the share of OECD countries recording a year-on-year decline in the monthly value of their merchandise exports in excess of 10%.

Overview

The period that preceded the financial crisis of 2008 was characterised by large trade imbalances. China ran current account surpluses approaching 250 billions of USD in 2008 which, together with the surpluses recorded by Germany, Japan and oil-exporting countries, offset large current account deficits in the United States. While these trade imbalances have narrowed since the second half of 2008, there are uncertainties as to whether this movement will continue in the future.

The global crisis had a major impact on foreign trade. The monthly value of OECD merchandise trade fell by around one-third between early 2008 and the end of the same year. The collapse of OECD merchandise trade was accompanied by a smaller decline in the value of OECD services trade.

This decline in OECD trade reflected the high synchronisation of this fall between countries. By end-2008 more than 90% of OECD countries exhibited a (year-on-year) decline exceeding 10% in the monthly value of their merchandise exports; no previous periods ever exhibited such a large degree of synchronised trade decline. The fall in trade also reflected the collapse in confidence across the financial system and its impact on trade finance. Short-term trade lending to OECD countries started dropping in the third quarter of 2008, and even earlier in some countries. The drop in trade finance peaked in early 2009, easing thereafter. While the measure of trade finance shown here is only indicative of the factors at work, most analysts agree that the decline in trade finance exceeded that expected based on trade flows.

Short-term trade finance is proxied by data on exposures of short-term insured export credits with terms up to and including 12 months. Data refer to commitments contracted by private or public reinsurers (excluding interest). The indicator presented is the percentage change of end-of-quarter stocks for OECD economies, converted to USD using end-period exchange rates.

Comparability

Quarterly current account balances are compiled according to the International Monetary Fund (IMF) Balance of Payment Manual, fifth edition 1993, which assures good comparability. Data on current account balances for China are available on a half-yearly basis. Monthly data of merchandise trade conform to the United Nations guidelines and are further standardised by OECD, assuring a good degree of comparability.

Sources

- OECD (2010), *Main Economic Indicators*, OECD, Paris.
- OECD (2009), *OECD Employment Outlook*, OECD, Paris.
- OECD (2009), *Monthly Statistics of International Trade*, OECD, Paris.
- Berne Union (*International Union of Credit & Investment Insurers*).

Further information

Analytical publications

- Araújo S., Oliveira Martins J. (2009), *The Great Synchronisation: tracking the trade collapse with high-frequency data*.

Online databases

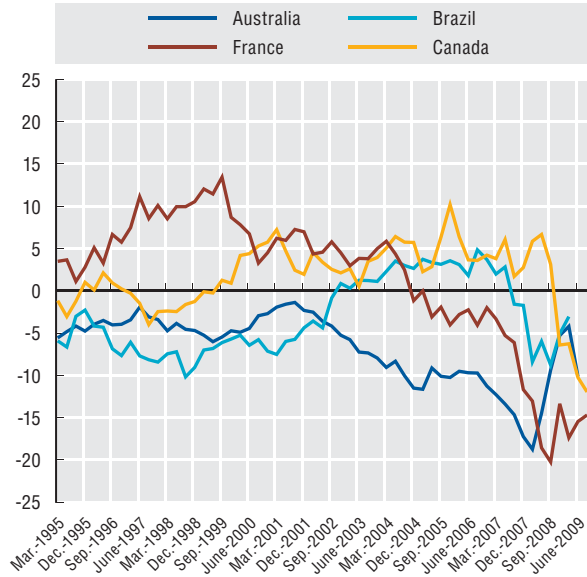
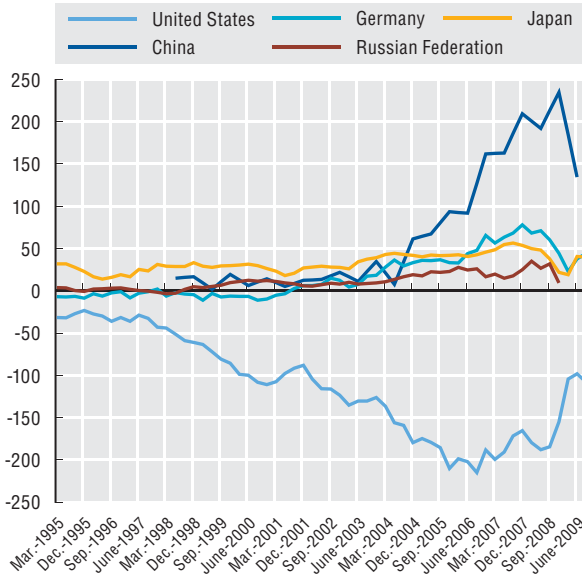
- *Monthly International Trade*.
- *Main Economic Indicators*.

Methodological publications

- United Nations (1998), *International Merchandise Trade Statistics: Compilers' Manual*, United Nations, New York.
- Lindner, A., et al. (2001), "Trade in Goods and Services: Statistical Trends and Measurement Challenges", OECD Statistics Brief, No. 1, October", OECD, Paris.

Current account balance in major economies

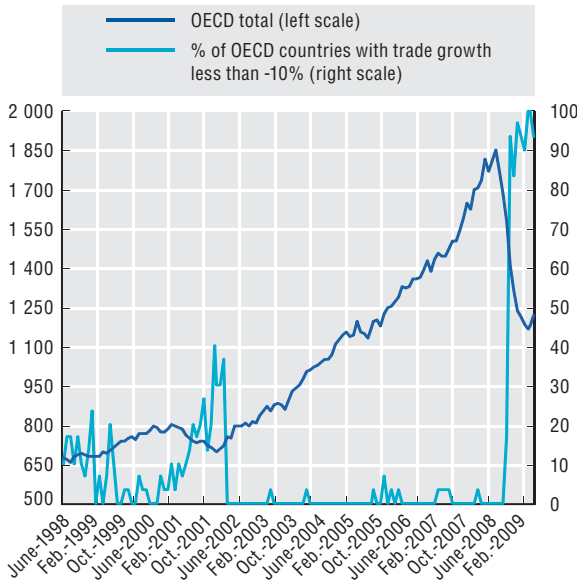
Billion US dollars, quarterly data, seasonally adjusted



StatLink <http://dx.doi.org/10.1787/823275077568>

Merchandise trade and synchronisation of export values for OECD total

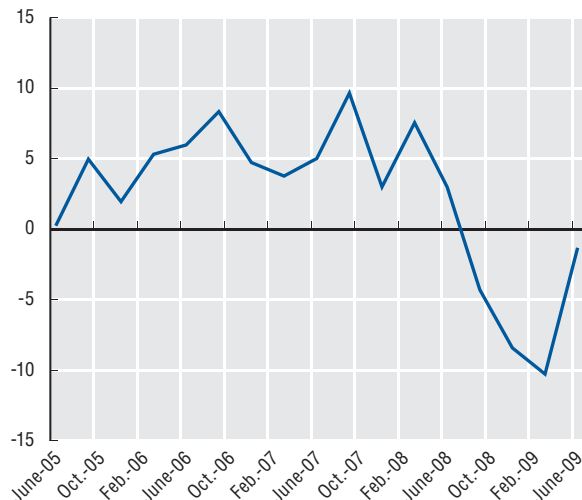
Billion US dollars, seasonally adjusted



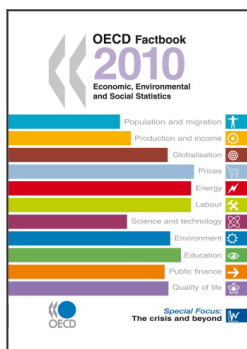
StatLink <http://dx.doi.org/10.1787/823284240248>

Short-term trade finance in the OECD area

Quarter-on-quarter percentage change



StatLink <http://dx.doi.org/10.1787/823322065446>



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