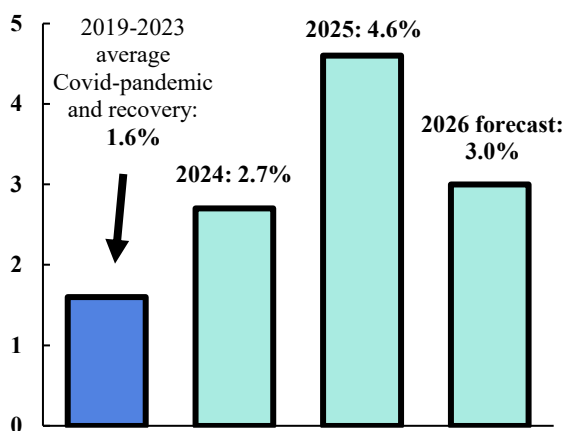


Global trade outlook improves amid persistent headwinds

Global trade has faced significant challenges in recent years, shaped by rising protectionism and geopolitical tensions. These headwinds, compounded by a slowdown in global manufacturing, weighed heavily on cross-border flows through 2023 and early 2024. In 2025, however, trade growth rebounded more strongly than expected, driven in large part by a surge in demand for artificial intelligence (AI) related goods and investment, which offset the negative effects of higher US tariffs and policy uncertainty.

Despite the persistence of these headwinds, several underlying factors are providing renewed support to global trade. Among these factors, a powerful investment cycle in advanced technologies, the normalization of manufacturing, and the continued dynamism of emerging market trade networks are helping to sustain cross-border flows. Momentum has carried into the current period, with forward-looking indicators pointing to sustained growth in global trade.

Growth of Global Trade in Goods
 (% growth, year-over-year, volumes in real terms)



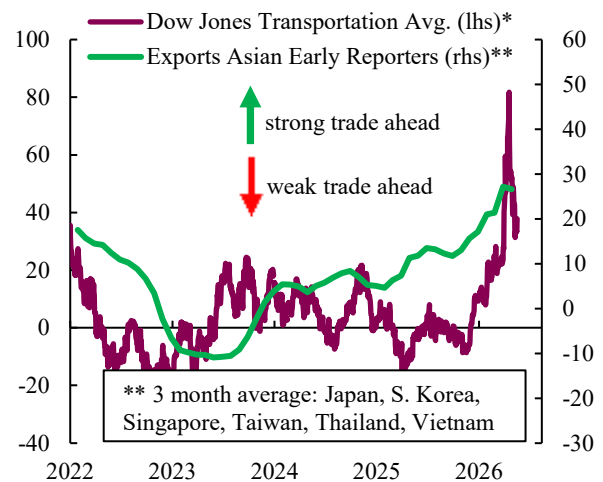
Source: World Trade Organization, IMF, QNB Economics

The export performance of highly integrated Asian economies – such as Japan, South Korea, Singapore, Taiwan, Thailand and Vietnam – has remained robust, with growth accelerating in recent months and showing limited impact from ongoing trade tensions. At the same time, investor expectations for the transportation sector, as reflected in the Dow

Jones Transportation Average, have improved and signal expanding trade activity. Taken together, these indicators suggest that global trade momentum remains firm, supporting expectations of continued expansion in the near term.

In this article, we examine the key factors underpinning global trade and driving its transition into a new phase of moderate expansion.

Leading Indicators for Global Trade
 (% growth, year-over-year)



Source: Federal Reserve Bank St. Louis, Haver A., QNB Economics

First, a new investment cycle in AI is emerging as a key driver of global trade. AI-related goods accounted for roughly half of global merchandise trade growth in 2025. Demand for products such as semiconductors, data centre equipment, and advanced electronics has surged, with global semiconductor sales alone reaching approximately USD 520–550 billion. This reflects the highly globalized and import-intensive nature of AI-related supply chains, which rely on complex cross-border production networks. Looking ahead, continued strength in AI investment could add around 0.5 percentage points to global trade growth in 2026, providing an important offset to ongoing geopolitical and policy-related headwinds.

Second, global trade is supported by an ongoing reconfiguration of global supply chains. While trade policy has become more restrictive, particularly through non-tariff measures and industrial policies that favour domestic production, firms have adapted

by redirecting trade flows rather than reducing them. In particular, Asia remains at the centre of global manufacturing networks, accounting for nearly 60% of global manufacturing output, with intra-regional trade expanding and countries such as Vietnam, Thailand, and India gaining market share in key export sectors. This is reflected in the sharp increase in China's exports to ASEAN, which have more than doubled over the past decade to exceed USD 500 billion annually, underscoring the growing importance of regional production networks. As a result, global trade is becoming more geographically diversified, while remaining structurally supported by deeply integrated cross-border supply chains.

Third, cyclical conditions are becoming more supportive of global trade, as the global manufacturing cycle stabilizes and the drag from inventory adjustment fades. Global trade volumes expanded by around 4.6% in 2025, reflecting a stronger-than-expected recovery in industrial activity. The earlier phase of inventory destocking,

which weighed heavily on trade through 2023 and early 2024, has largely run its course, with firms shifting toward gradual inventory rebuilding. This transition is lifting import demand, particularly in trade-intensive sectors such as machinery, electronics, and intermediate goods, where cross-border production remains deeply embedded. At the same time, improving trends in manufacturing surveys and export orders suggest that external demand is stabilizing, reinforcing the cyclical recovery and providing additional momentum to global trade.

All in all, the outlook for global trade remains cautiously positive, supported by a combination of structural and cyclical factors. While geopolitical tensions and policy uncertainty continue to pose risks, the strength of the AI-driven investment cycle, the stabilization of manufacturing dynamics, and the adaptability of global supply chains are helping to sustain momentum. As a result, global trade is expected to continue expanding this year.

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