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Good afternoon and welcome.

We are here today to share key insights from our latest Global Trade Outlook and Statistics report for October, which provides an update on the outlook for world trade in 2025 and 2026.

As you know, since the start of the year, we have seen unilateral actions by one of our most important members, and an unprecedented rise in trade policy uncertainty.

Despite the stiff headwinds, trade has shown resilience, thanks in no small part to the stability provided by the rules-based multilateral trading system, and members' measured response to tariff changes.

World merchandise trade volume growth came in stronger than expected in the first half of 2025, up 4.9% year-on-year. We now expect world merchandise trade volumes to expand by 2.4% this year. This is well above the 0.9% we projected in August, let alone the 0.2% contraction we were expecting in April, before several US tariff measures were postponed, de-escalated, or met with limited retaliation.

Now what is driving this increase?

- First, importers frontloading orders to get ahead of future tariff hikes or retaliation. Inventories in the US are at record levels by dollar value. In the first quarter, the value of North America's imports surged 13.2% year-on-year, driven by pharmaceuticals and precious metals, mostly gold.
- Second, soaring demand for heavily traded AI-related products like semiconductors, computers, servers and manufacturing equipment to feed the ongoing boom in AI-related capital investment. In the first half of the year, 42% of global trade growth came from AI-related goods – far out of proportion to their 15% share in world trade.

- Third, trade continued to grow among the rest of the world, particularly South-South trade. As Members mostly continue to trade with each other normally, supply chains are going where the demand is. The report focuses on our standard regional groupings, but our "back of the envelope" calculations suggest South-South Trade grew 8% year-on-year, in value terms, in the first half of 2025, compared to 6% for world trade overall. Our very rough estimates suggest South-South trade involving partners other than China is growing even faster, up around 9%.

With respect to services trade, which continues to outpace trade in goods, the new report projects 4.6% growth in 2025, in volume terms. This is up slightly from our April estimates, but still below the baseline forecast from the start of the year. Services trade is not directly subject to tariffs, but it is indirectly affected by tariffs through slower GDP growth and reduced demand for things like transport and tourism. AI is making its presence felt here too, bolstering demand for computer services.

None of this, however, affords us room for complacency. Tariff measures are weighing on trade, even though frontloading and the suspension of many duty hikes between April and August have pushed their effects back into the latter part of this year, and especially into next year.

Shifting trade patterns reflect new opportunities, but are also creating new stresses. We know that US-China trade contracted by 19% year-on-year between January and July, according to US Census data. There are initial signs that at least some of this trade is going to other markets. We are monitoring the situation in the event of any member concerns and urging WTO members to address any domestic dislocations they feel by using the standard trade remedy measures already available in the WTO toolkit.

Looking to 2026, the fact is there is so much uncertainty it is hard to be conclusive. Upside risks come from strong AI-driven growth and trade, or policy changes like tariff reductions. Downside risks come from spreading trade policy uncertainty

and trade barriers. For now, we expect merchandise trade to grow just 0.5% in 2026, in volume terms. The two-year cumulative increase for 2025 and 2026 is 2.9% – not much stronger than the 2.3% projected in April.

In conclusion, the resilience of trade underscores that there is a core in the multilateral trading system that continues to work well. Though this share may yet dip more, approximately 72% of global merchandise trade is still governed by core WTO most-favored nation tariff terms. This may dip but this is the number we have for now. And the stability of the system goes well beyond tariffs. Companies and consumers benefit every day from WTO agreements in areas like health and safety standards, customs valuation, and intellectual property, which set out shared rules and practices that enable value chains to function smoothly.

The WTO can play an even more significant role in reducing downside risks and boosting the upside risks – for instance, by developing new tools to address level playing field issues, or by fostering more coordination of digital trade policies.

That is why we need to deliver on WTO reform. For the sake of growth, development, and employment prospects across the WTO membership, we must sustain what is working well. But we must also reform what is not working, and we must reposition our organization to better support members to take advantage of exciting new trade opportunities – not least in the digital economy. The new trade data are just the latest sign that AI is no longer an emerging issue on the horizon - it has arrived with very important implications for trade as underscored in our recently released World Trade Report “Making Trade and AI Work Together to the Benefit of All.”

We are committed to harnessing the potential of AI to forge a future in which the benefits of both trade and technological progress are widely shared across and within members.

Thank you.