AI-Driven Electronics Trade Offsets Middle East Conflict, Boosting Global Merchandise Trade in Q1 2026

- ***Global trade outperformed expectations:*** *World merchandise trade volume grew* ***1.9% quarter-on-quarter (QoQ)*** *and* ***3.2% year-on-year (YoY)*** *in the* ***first quarter of 2026****, exceeding earlier WTO projections.*
- ***Trade value also increased:*** *In value terms, global merchandise trade rose* ***2% QoQ*** *and* ***11% YoY*** *during Q1 2026.*
- ***AI boom offset geopolitical disruptions:*** *Strong demand for* ***AI-related electronic components*** *more than compensated for the negative impact of the* ***Middle East conflict****, which began in the final month of the quarter.*
- ***Hormuz disruption yet to be fully reflected:*** *The closure of the* ***Strait of Hormuz*** *is expected to have a greater impact on trade statistics from* ***Q2 2026 onwards****, as first-quarter data only partially captured the disruption.*
- ***Trade exceeded WTO forecast:*** *The WTO's March 2026 forecast projected* ***1.9% growth*** *in world merchandise trade for the full year under the baseline scenario, compared with the* ***3.2% YoY growth already recorded in Q1****.*
- ***Balancing risks and opportunities:*** *WTO economists noted that:*
  - *The Middle East conflict could reduce global trade growth by* ***0.5 percentage points*** *through higher energy prices.*
  - *Continued AI-related investment could add* ***0.5 percentage points****, offsetting much of the downside.*

Regional Merchandise Trade Performance

- ***Middle East hardest hit:***
  - *Export volume fell* ***9.7% YoY****.*
  - *Import volume declined* ***11.9% YoY****.*
  - *Sharper contractions are expected in Q2 as the conflict intensifies.*
- ***Energy trade disrupted in March:***
  - *Global crude oil imports from the Middle East declined about* ***45% YoY****.*
  - *LNG imports dropped* ***52%****.*
  - *Fertilizer imports decreased* ***26%****.*

- ***Asia emerged as the growth engine:***
  - *Exports increased **12.9% YoY**.*
  - *Imports rose **14.6% YoY**.*
  - *QoQ growth reached **5.5% for exports** and **7.2% for imports**.*
- ***AI supply chains boosted Asia:** Strong export growth was driven not only by **China**, but also by **Singapore, Republic of Korea, Thailand, and Chinese Taipei**, largely through intra-regional trade in AI-enabling products.*
- ***North America:***
  - *Export volume rose **7.0% YoY**.*
  - *Import volume declined **10.7% YoY** because Q1 2025 imports had been unusually high due to tariff-related frontloading.*
  - *Imports still grew **3.4% QoQ**.*
- ***Europe:***
  - *Export volume fell **2.6% YoY**, mainly because of exceptionally high exports of gold and pharmaceuticals in Q1 2025.*
  - *Imports recorded a modest **0.6% increase**.*
- ***Other regions:***
  - *South America exports: **+0.3% QoQ**.*
  - *Africa exports: **−2.5% QoQ**.*
  - *CIS exports: **−7.4% QoQ**.*
- ***Long-term regional gains:** Since early 2023:*
  - *Asia's exports have grown **33.4% cumulatively**.*
  - *South America's exports have increased **22.5%**.*
  - *Africa's imports have expanded **25.0%**, the highest among all regions.*
- ***Expected recovery:** Petroleum-exporting regions outside the Middle East are expected to increase exports in Q2 to compensate for reduced Gulf supplies.*

Trade by Product Category

- ***Top-performing sectors (YoY):***
  - *Office and telecom equipment: **+44%**.*

   - *Ores and other minerals:* ***+27%****.*
   - *Other machinery:* ***+9%****.*
- ***Declining sectors:***
   - *Chemicals:* ***−6%****.*
   - *Iron and steel:* ***−5%****.*
   - *Fuels:* ***−3%****.*
- ***AI technologies drove electronics trade:*** *Trade in* ***AI-enabling goods*** *increased by* ***more than 40% YoY****, becoming the principal driver of growth in office and telecom equipment.*
- ***Commodity prices:***
   - *Fuel prices were broadly stable* ***(+3% YoY)*** *but rose* ***16% QoQ****.*
   - *Prices of metals and minerals (excluding gold and silver) increased* ***32% YoY****.*

Regional Trade in Value Terms

- ***Exports:***
   - *Asia:* ***+20% YoY*** *(highest growth).*
   - *Africa:* ***+14%****.*
   - *South & Central America:* ***+14%****.*
   - *Middle East:* ***−1%****.*
   - *CIS:* ***−1%****.*
- ***Imports:***
   - *Asia:* ***+22%****.*
   - *Africa:* ***+15%****.*
   - *North America:* ***−7%****.*
   - *Middle East:* ***−6%****.*

Leading Trading Economies

- ***Top five exporters (YoY growth):***
   - *Republic of Korea:* ***+38.4%****.*
   - *Hong Kong, China:* ***+38.3%****.*

- *United States: **+15.2%**.*
- *China: **+14.7%**.*
- *European Union: **+9.2%**.*

- ***Top five importers:***
  - *Hong Kong, China: **+44.8%**.*
  - *United Kingdom: **+28.0%**.*
  - *China: **+23.0%**.*
  - *European Union: **+11.4%**.*
  - *United States: **−13.6%** (the only major importer to record a decline).*

Outlook

- *The WTO expects the **AI investment boom** and the **Middle East conflict** to remain the two dominant forces shaping global trade during 2026.*
- *The **October 2026 Global Trade Outlook and Statistics (GTOS)** report will provide an updated forecast after incorporating the full impact of the Strait of Hormuz disruptions and continued AI-driven trade expansion.*

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Global Goods Trade Resilient in the First Quarter of 2026 Despite War in Middle East

World merchandise trade growth exceeded expectations in the first quarter of 2026 as surging trade in electronic components related to artificial intelligence (AI) offset the negative impact of the conflict in the Middle East, which began in the final month of the quarter. Trade disruptions in the Strait of Hormuz are expected to be more fully captured in trade data for the next quarter.

The seasonally adjusted volume of world merchandise trade grew 1.9% in the first quarter compared to the previous quarter and 3.2% compared to the same quarter in the previous year according to recent WTO/UNCTAD data (downloadable from stats.wto.org). In value terms, world merchandise trade was up 2% quarter-on-quarter and 11% year-on-year in the first quarter (see Chart 1).

The pace of year-on-year growth in the first quarter of 2026 was particularly impressive considering that trade in the first quarter of 2025 was boosted by the frontloading of imports in North America ahead of expected tariff hikes. Strong trade in electronic components related to AI outweighed the negative effects of the outbreak of war in the Middle East, including disrupted shipments of goods through the Strait of Hormuz and dampened GDP growth in net fuel-importing countries due to higher energy prices. Figures on world trade in AI-enabling goods are not available in quantity terms, but the US dollar value of this trade was up more than 40% year-on-year in the first quarter.

Chart 1: World merchandise trade volume and value, 2023Q1-2026Q1

Index 2023Q1=100

Note: World trade refers to average of exports and imports.

Source: WTO-UNCTAD estimates.

The WTO's most recent trade forecast, issued in the Global Trade Outlook and Statistics (GTOS) report from last March, predicted 1.9% growth in the volume of world merchandise trade in 2026 under a baseline scenario, less than the 3.2% increase recorded for the first quarter. The report estimated that the Middle East war could shave 0.5 percentage points off world trade growth in a high energy price scenario, but that continued strong AI-related investment could add 0.5 percentage points to growth. These estimates were produced very early in the conflict, with only partial information on the extent of shipping disruptions in the Strait of Hormuz. Considering subsequent developments, WTO economists expect to see larger contractions in Middle East trade flows by the end of the year together with stronger growth in Asia and North America. The global impact, meanwhile, will depend on whether it will be the AI boom or the Middle East conflict that predominates. The next GTOS report, including an updated trade forecast, will be issued in October.

Merchandise trade volume by region

The conflict has weighed heavily on merchandise trade flows of the Middle East. The region's seasonally adjusted export and import volumes were down 9.7% and 11.9% year-on-year in the first quarter, with larger contractions expected in the second quarter (see Chart 2.) The impact of the conflict on trade was only seen towards the end of the first quarter (see Box 1). WTO Secretariat estimates based on available reporting countries show the volume of world crude oil imports from the Middle East down roughly 45% year-on-year in March. Similarly, imports of Liquefied Natural Gas (LNG) and fertilizers from the region were down 52% and 26%, respectively, over the same period.

Box 1: Effect of the Middle East conflict on 2026Q1 merchandise trade statistics

The Strait of Hormuz has been effectively closed since early March following the outbreak of war in the Persian Gulf. The resulting disruption in maritime transport would only be partly reflected in merchandise trade statistics for the first quarter of 2026.

While exports and imports of Gulf states were immediately affected by the conflict, merchandise trade statistics for these countries are extremely limited, with few publishing quarterly trade data. Regional trade flows are therefore largely estimated from partner countries' mirror statistics.

Even the data for March probably also underestimate the extent of the trade disruption, since they primarily capture shipments that already departed before the start of the war. More generally, March import and export statistics for economies outside the Persian Gulf region would likewise show a modest impact from the disruption.

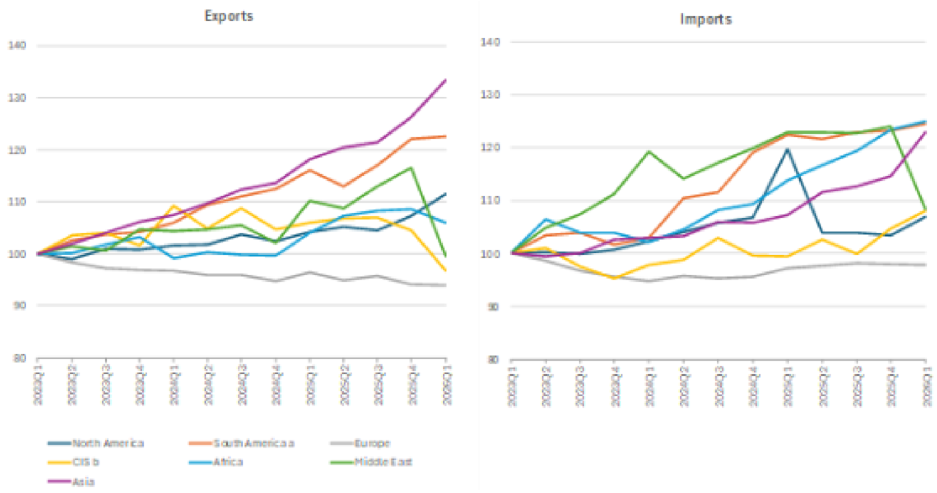
Consequently, the effects of the Strait of Hormuz disruption on world merchandise trade is expected to become visible primarily in data from April 2026 onward.

Meanwhile, AI-related investment spending lifted trade volumes in Asia and to a lesser extent in North America in the first quarter. Seasonally adjusted exports and imports of Asia were up 12.9% and 14.6%, respectively, compared with the first quarter of 2025. Asia's strong year-on-year trade growth was in part attributable to very large quarter-on-quarter increases in both exports and imports in the first quarter of 2026 (5.5% and 7.2%, respectively), with exports driven not only by China but also by Singapore, the Republic of Korea, Thailand and Chinese Taipei. Much of the rise in Asia was due to intra-regional circulation of AI-enabling goods.

Chart 2: Merchandise export and import volume indices by region, 2023Q1-2026Q4

Volume index, 2023Q1=100

Click to see a larger image;



a Refers to South and Central America and the Caribbean.

b Refers to Commonwealth of Independent States (CIS), including certain associate and former member states.

Note: Quarterly merchandise trade volume indices may diverge slightly from annual indices due to differences in data availability and methodology.

Source: WTO-UNCTAD.

As for North America, its first quarter exports were up 7.0% year-on-year. North American imports were down 10.7% from the first quarter of 2025, which saw a surge of imports due to frontloading ahead of expected tariff increases. Quarter-on-quarter growth, however, remained strong at 3.4%.

A 2.6% year-on-year decline in the volume of Europe's exports was also mostly related to frontloading of shipments of gold and pharmaceuticals to North America in the first quarter of last year. European import volume registered a modest 0.6% increase.

In other regions, quarter-on-quarter export volume growth was moderate to negative in the first quarter (0.3% for South America[(1)], -2.5% for Africa, and -7.4% for the CIS region[(2)]). However, the 22.5% cumulative increase in South America's exports since the start of 2023 was greater than any region other than Asia (33.4%). South America's 24.5% cumulative rise on the import side over the same period was also the second largest of any region, this time behind Africa (25.0%). Exports of South America, Africa and the CIS region are expected to rebound in the second quarter as petroleum producers try to make up for reduced output from the Middle East.

Merchandise trade in value terms

Chart 3 shows year-on-year growth in the US dollar value of world merchandise trade by broad product category in the first quarters of both 2026 and 2025[(3)]. The strongest performance during the first quarter of 2026 was in office and telecom equipment (+44%

year-on-year), followed by ores and other minerals (+27%) and other machinery (+9%). Among the product categories shown, only chemicals (-6%), iron and steel (-5%) and fuels (-3%) decreased in value terms. While fuel prices changed little year-on-year (+3%; +16% quarter-on-quarter), prices for metals and minerals (excluding gold & silver) were 32% higher. Much of the strong increase in the office and telecom sector can be attributed to the ongoing demand for AI-enabling technologies[4] (+42%, see memo item in the chart).

Chart 3: Year-on-year merchandise trade growth by product in the first quarters of 2026 and 2025

% change in US$ values

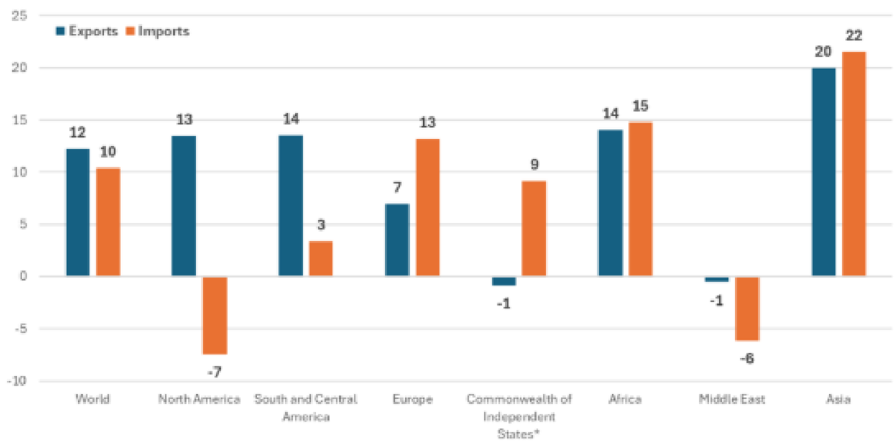
a Includes electrical machinery, non-electrical machinery and power generating equipment.

Source: WTO for total merchandise, secretariat estimates for products.

The value of merchandise exports in the first quarter increased the most in Asia, rising 20% year-on-year. This growth was driven particularly by exports of precious metals and gold, copper, machinery and electrical machinery, and ores, while exports of iron and steel, pharmaceuticals, and clothing dropped. Africa saw the second-highest increase, with 14% growth, supported by exports of precious metals and gold, copper, fertilizers, and ores, among others, though cocoa and fuels exports declined. South and Central America also grew by 14%, with increases in exports of oil seeds, precious metals and gold, meat, fuels, ores, coffee and tea. The region saw declines in exports of fruits, electrical machinery, and vehicles. Only the exports of the Middle East and the Commonwealth of Independent States (CIS) showed declines, both falling by 1%. As the majority of merchandise imports from both regions consists of fuels, this trend correlates with latest developments in world trade in fuels (see Chart 4).

Chart 4: Merchandise trade growth by regions in the first quarter of 2026

% change in US$ values



* Including certain associate and former member states.

Source: WTO.

On the imports side, strong year-on-year increases were observed for Asia (+22%) and Africa (+15%). Regarding Asia, imports of precious metals/gold, copper and machinery showed marked increases, while iron and steel imports went slightly down. African imports grew particularly for vehicles, machinery and ships/boats, while aircraft and organic chemicals imports fell. North America's merchandise imports in the first quarter decreased the most (-7%), with imports of precious metals, pharmaceuticals, vehicles and articles of iron or steel recording particularly strong contractions. The value of Middle East imports also fell 6% due to a combination of rising prices and falling volumes.

All the top five exporters in the first quarter of 2026 recorded nominal export growth year-on-year, with the Republic of Korea leading with +38.4%; followed by Hong Kong, China (+38.3%); the United States (+15.2%); and China (+14.7%). The European Union (+9.2%) recorded a more modest growth rate.

Of the top five importers, only US merchandise imports declined (-13.6%) during the first quarter of 2026, while imports of the other four increased in value terms: Hong Kong, China, +44.8%, the United Kingdom +28.0%, China +23.0% and the European Union +11.4%.

Footnotes

1. Refers to South and Central American and the Caribbean.
2. Refers to Commonwealth of Independent States, including certain associate and former member states.
3. Total merchandise trade measured by exports, products estimated by mirror data.
4. See https://data.wto.org/dataset/wto_ai.