Tradeshift

# The Tradeshift Index of Global Trade Health

## Q3 2023

# As global trade slumps, a new kind of globalization is emerging

Global trade had shown small signs of an uptick in Q2. There were whispers of green shoots pushing through the cracks, hinting at a possible rebound after an extended period of declining demand.

The third quarter of the year dealt a dose of reality. Global transaction volumes on our network dropped 6 points below the baseline, marking the most substantial downturn since the initial softening of demand 18 months ago.

The trade slump reflects a slew of temporary factors, including rising interest rates, a cost-of-living crisis, and a snapback in business inventories as global goods shortages ease.

But it also results from longer-term changes, including rising geopolitical tension and more protectionist industrial policies in the West. As the world pivots from goods to services, traditional manufacturing giants are bearing the brunt of the transition. Simultaneously, a burgeoning trade finance gap strangles access to critical working capital, exacerbating the situation.

Export-driven economies, notably Germany, find themselves in the eye of the storm. Trade activity within the Eurozone plummeted 9 points below expectations during Q3, weighed down by sluggish order books among the region's manufacturers.

China is also proving highly susceptible to weakened global demand. In Q3, activity levels within the region's supply chains slipped into contraction territory, 6 points below the expected range, something we've not seen since the easing of pandemic lockdowns.

Global trade now casts a more localized shadow. In the short term, nations with more inward-focused economic strategies appear better shielded against the tumultuous macroeconomic environment.

The US has traditionally relied more heavily on domestic demand for growth than its peers. Trade activity across the region slowed in Q3, but the rate of decline remains far milder than in other markets.

India, too, has outperformed many of the world's richest countries over the past two years, thanks in part to a vast domestic market. India's economy grew 7.8% in the three months through June[1], the fastest pace of growth in a year.

Joining India on this journey are Vietnam, Malaysia, and Mexico, each reaping the rewards of a shifting trade axis that prioritizes resilience. Our data reveals that trade activity levels in these nations have surged at multiples of the global growth rate over the past year. Vietnam, in particular, enjoys the benefits of an accelerating 'China + 1' policy, with local trade activity outpacing the global average by a factor of seven.

In this evolving global landscape, a new, more polarized form of globalization is ascending. It threatens traditional hierarchies and compels businesses to swiftly recalibrate their strategies. To thrive in this increasingly intricate and fragmented trading environment, supply chain operators must exhibit agility by forging new trading connections with speed and seamlessness. The challenges are formidable, but the opportunities for those who adapt are boundless.

**James Stirk**
**CEO (Interim), Tradeshift**

1 Bloomberg; 31.08.23; Services Sector Fuels India's Growth to Fastest in a Year

# Key findings at a glance

1. Global trade activity **dropped to 6 points below the baseline**, the most significant loss of quarterly momentum in eighteen months.

2. After a brief spike in Q2, US transactions fell back to **3 points below the expected range in Q3**. Demand is certainly softening but at nowhere near the pace we see in other markets.

3. Globally, demand for manufactured goods has weakened sharply. Activity levels across the sector have fallen to **9 points below expected levels**.

4. Export-focused markets are bearing the brunt of the slump in global goods demand. Transaction volumes across the Eurozone tracked **9 points below the baseline in Q3**.

5. Activity across China's supply chains has also begun to contract. Transaction volumes **dropped to 6 points below** the expected level, and the outlook is complex.

6. Vietnam is profiting from an accelerating 'China +'1' production policy among Western companies. Transaction volumes have **risen seven times faster** than the global average over the past year.

7. India, Malaysia, and Mexico are also benefiting from supplier diversification, with activity levels in each country **rising at three times the global average** over the past year.

8. Spending on software and IT services bounced back from a Q2 slump. Transaction volumes across the sector **grew 1 point above the expected range**.

# Volatility snapshot

**Quarterly growth in world trade activity across the Tradeshift network indexed against historical trends.**

# Global trade slows at the fastest rate in eighteen months

### Transaction volumes - quarter on quarter growth indexed against historical trends


Global trade activity faced its most significant setback in over a year and a half, as the reverberations of rising interest rates, employed to combat inflation, rippled through the demand for goods.

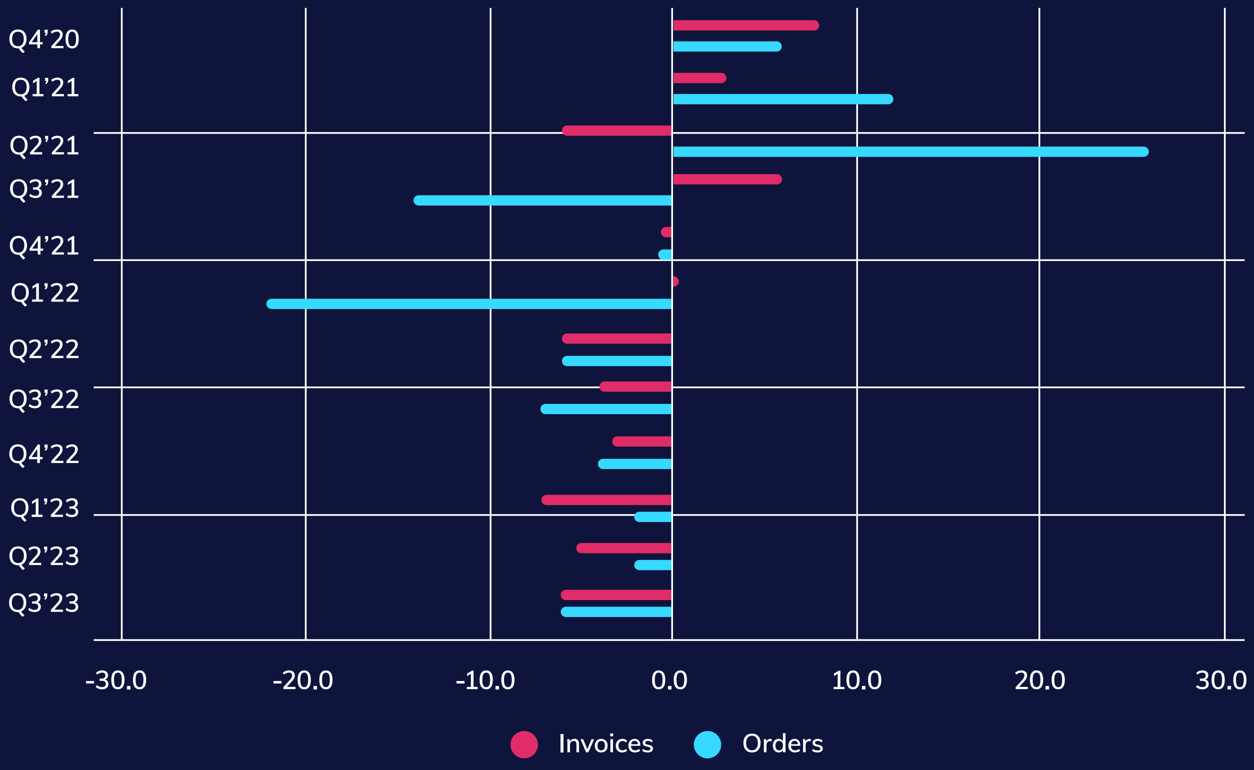
Global transaction volumes across the Tradeshift network slipped to 6 points below the expected range, with Europe showing particular signs of weakness. Trade activity across the Eurozone nosedived 9 points below expectations during the summer months — a stark contrast to the 3-point deficit seen in the previous quarter. Meanwhile, the United Kingdom's trade activity also suffered a further loss of momentum, albeit at a somewhat milder rate of 6 points below the baseline.

As the appetite for global goods dwindles, China's anticipated economic resurgence appears to have hit a roadblock. Trade activity in the region had been tracking slightly above the expected range for the first half of the year but fell sharply in Q3, dropping 6 points below anticipated levels.

The US remains the growth outlier. Although trade activity has cooled notably compared to the previous quarter, with transaction volumes registering 3 points below the baseline in Q3, the rate of decline remains far gentler than in other regions. It's also worth noting that US trade activity had been growing at an exceptionally high rate in Q2. Consequently, any reversal in momentum that we're seeing this quarter is coming from a much higher base than in other territories, where activity levels have remained in sharp decline for more than a year.

# Trade finance gap grows as order volumes decline

**Invoice and order volumes - quarter on quarter comparison, indexed against historical trends**




Following an extended period of sharp decline, the previous quarter's Index seemed to hint at a resurgence of consistency in ordering activity. However, our Q3 data paints a different picture, suggesting that the current trade slump is far from reaching its nadir.

Companies, wary of an uncertain outlook, are adopting a more pessimistic stance on their near-term prospects. In Q3, ordering activity took a substantial hit, falling to 6 points below the expected range. This decline marks the most substantial quarterly reversal witnessed in over a year.

As demand declines, invoice volumes on the Tradeshift platform have continued to follow suit in Q3. Tightening restrictions around access to working capital, particularly in areas such as trade finance, are also making it harder for small and medium-sized enterprises to fulfill orders.

A recent report by the Asian Development Bank (ADB)[2] paints a concerning picture, indicating that the trade finance gap in 2022 has swelled to a staggering $2.5 trillion, up from $1.7 trillion in 2020 and $1.5 trillion in 2018. As liquidity becomes scarcer, smaller businesses deemed higher risk will bear the brunt of this tightening.

McKinsey estimated[3] that shifting to electronic bills of lading would unlock as much as $40 billion in additional global trade volume, particularly in emerging markets. The rationale behind this is that digital transactions could render banks more amenable to financing trade for smaller, potentially riskier counterparts.

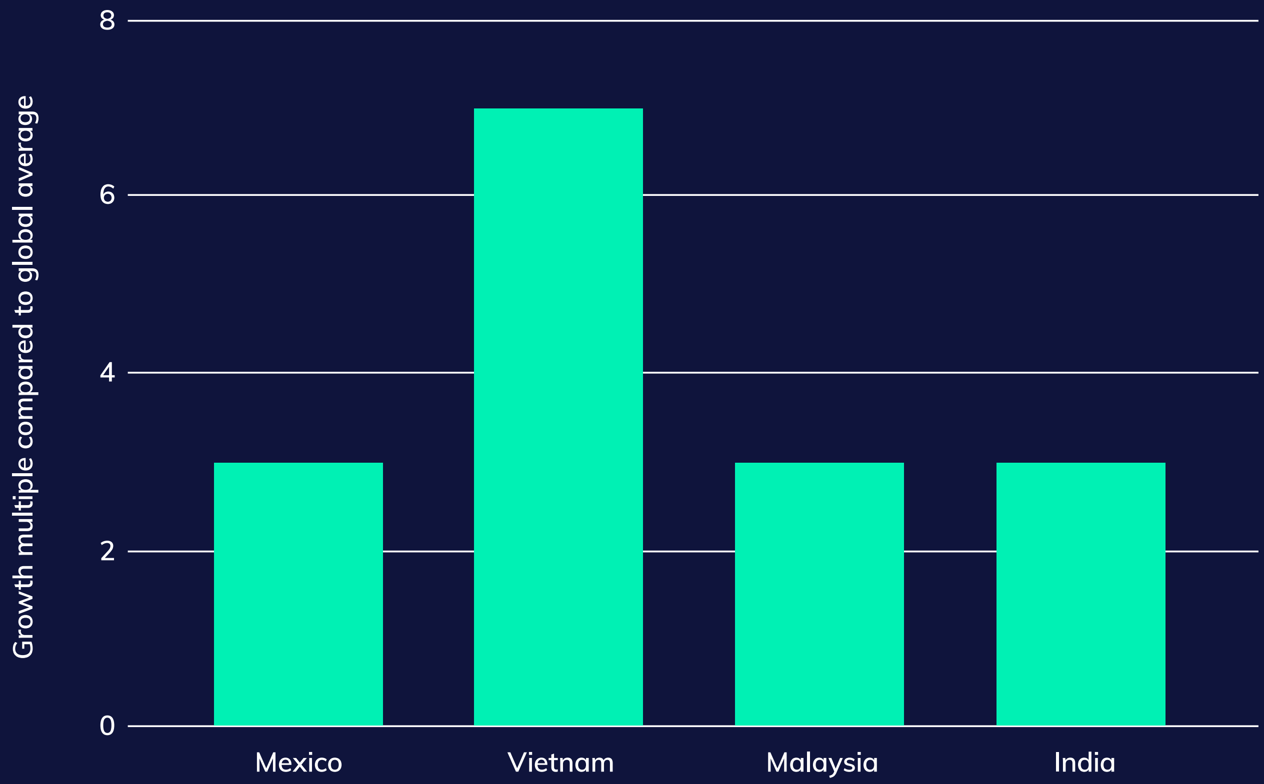
This same principle can be applied to other traditionally paper-based trading documents, including invoices and purchase orders. The synergy between digital connectivity and core banking infrastructure serves as a primary driver behind our recent decision to establish a joint venture with HSBC, positioning us at the forefront of this transformative journey.

2 Asian Development Bank; 5/09/2023; Global Trade Finance Gap Expands to $2.5 Trillion in 2022

3 Mckinsey; 04/10/2022; The multi-billion-dollar paper jam: Unlocking trade by digitalizing documentation

# A Global Shift in Supply Chains: Winners Emerge Amidst Declining Demand

**Transaction volume growth - year on year comparison across selected markets, benchmarked against the rate of growth globally**




Demand for goods may be declining on a more generalized level, but a number of countries have seen their stars rise courtesy of a global reconfiguration of supply chains.

The confluence of escalating geopolitical tensions and economic factors is expediting the movement to reshore, nearshore, and engage in 'friendshore' production. Notably, countries like Vietnam have emerged as significant beneficiaries of manufacturers' endeavors to mitigate risks associated with their reliance on China amid mounting geopolitical discord between Beijing and the Western world.

Vietnam was the fastest-growing economy in Asia[4] last year (8 percent growth) and one of only a handful globally to achieve two consecutive years of growth since the COVID-19 pandemic. Our own data shows trade activity in Vietnam has been growing at a remarkable rate, seven times faster than the global average over the past year.

Other countries across Southeast Asia are also profiting from a burgeoning 'China +1' movement among Western companies. Our data shows trade activity in Malaysia growing at three times the global rate over the past year.

India's robust domestic economy has proven its resilience amid the global trade downturn. The country's strengths, particularly in areas such as IT services where global demand remains comparatively robust, have enabled trade activity across the region to consistently outperform other global markets.

On the other side of the world, Mexico is benefiting from efforts to 'nearshore' production capacity, particularly among American companies.

In this era of supply chain transformation, these countries and others like them are carving out their niches, positioning themselves as beacons of economic resilience and adaptability.

4 Reuters; 11/10/2022; Vietnam economy seen growing 8% in 2022, beating official target

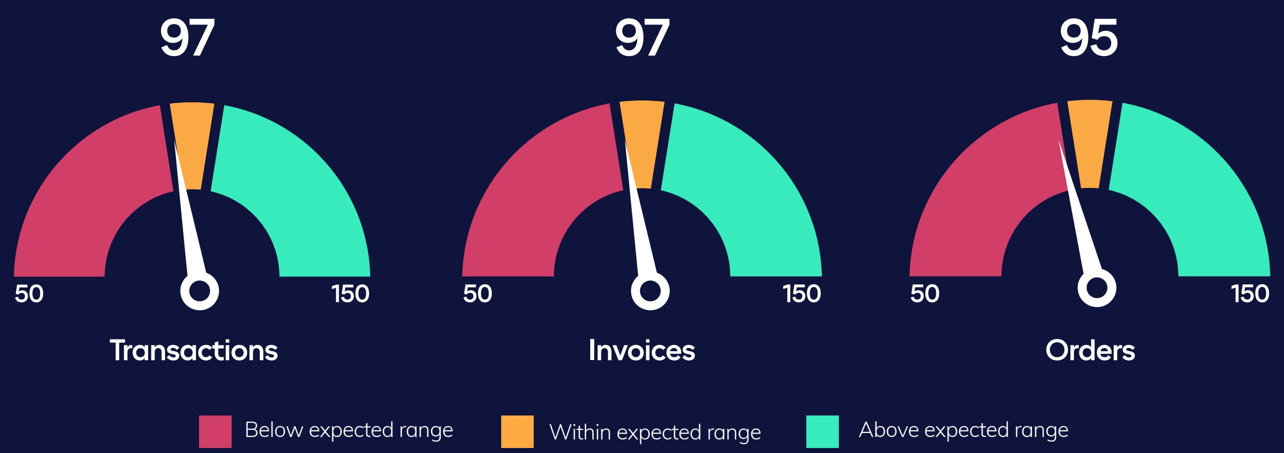

RAKI
HOTEL
otel
SABELLA
Cafe on Rooftop and Restaurant
POOL&DART
VN PEARL
94
HOTEL
BEN THANH LAND
Egg Coffee
AKI
TOP
CRAZ
BUFFAL
SAIGON
HOTEL
HOTEL
Tiger
TAXI
PHỐ ĐI BỘ BÙI VIỆN
BUI VIEN WALKING STREET
59-F1
634.34

# Q3 momentum deep-dive

**Quarter-on-quarter world trade performance across key territories**

# US: Is the US consumer shopping spree coming to a close?

### US trade activity - quarter on quarter index scores




### Swing vs previous quarter:

| Transactions | Invoices | Orders |
|---|---|---|
| -6 | -6 | -3 |

After experiencing a resurgence in Q2, activity within US supply chains encountered a slight reality check in the following quarter, as transaction volumes slipped back into contraction territory, settling 3 points below the baseline.

The United States has long been fortified by a robust domestic market and free-spending consumers, serving as a protective shield against the turbulence witnessed in other export-dependent economies. However, there are growing indications that the stockpile of savings accumulated by US consumers during the pandemic is dwindling.

Data from the National Retail Federation[5] paints a vivid picture of this shift, showing a significant slowdown in year-on-year spending growth since the start of the year. Consumer confidence has also slid to a fourth-month low[6] in September.

5 National Retail Federation; 10/08/2023; NRF Economist Says Growth in Consumer Spending is Slowing

6 Reuters; 26/09/23; US consumer confidence dives to four-month low

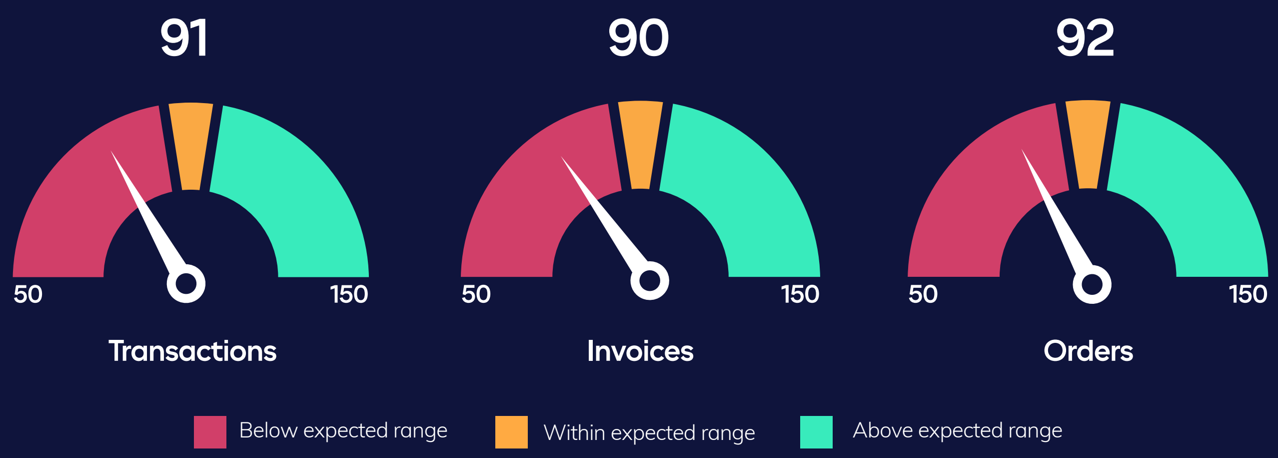
In response, businesses are recalibrating their ordering strategies, adopting a more cautious approach. US order volumes within the Tradeshift network experienced a notable dip, falling 5 points below the expected range during Q3—marking the most substantial quarterly growth decline witnessed thus far this year.

In hindsight, the unusually high level of activity observed within US supply chains during Q2 appears to have been more of an aberration than the inception of a sustained upward trend.

One plausible explanation for the brief spike in invoices during Q2 could be residual order backlogs making their way through the supply chain. The landscape in Q3 aligns far more with the overarching pattern seen in the US over the past year. It reflects an economy that continues to outperform its global counterparts but is now poised for a landing. The nature of that landing, whether gentle or turbulent, will become clearer in the forthcoming quarter.

# Eurozone:
# Hard times ahead

### Eurozone trade activity - quarter on quarter index scores




### Swing vs previous quarter:

**-6** **-7** **-4**

Once hailed as the Eurozone's trump card, global trade currently stands as its Achilles heel, as a deteriorating macroeconomic landscape leaves order books across the bloc scarily vacant.

In Q3, quarterly transaction volumes plunged at a pace not seen in two years, signaling a concerning trend. Consecutive quarters of low orders meant invoice volumes suffered an alarming reversal. The forecast does not appear any better. Ordering activity across the region dropped to 8 points below the expected level in Q3.

Economists at the European Central Bank (ECB)[7] are increasingly concerned about the deteriorating outlook across the Eurozone. They attribute this downturn to tighter financing conditions, a pervasive lack of business and consumer confidence, and feeble foreign demand, all set against the backdrop of a strengthening euro.

The persistent specter of high inflation further dampens domestic consumers' willingness to spend.

At the epicenter of this economic turbulence stands Germany, grappling with the brunt of declining demand in global markets. The slowdown in China, one of the largest markets for German exports, is weighing heavily on the nation's economic prospects. According to the International Monetary Fund, Germany is the sole major economy expected to contract[8] this year, with a projected decline of 0.3%.

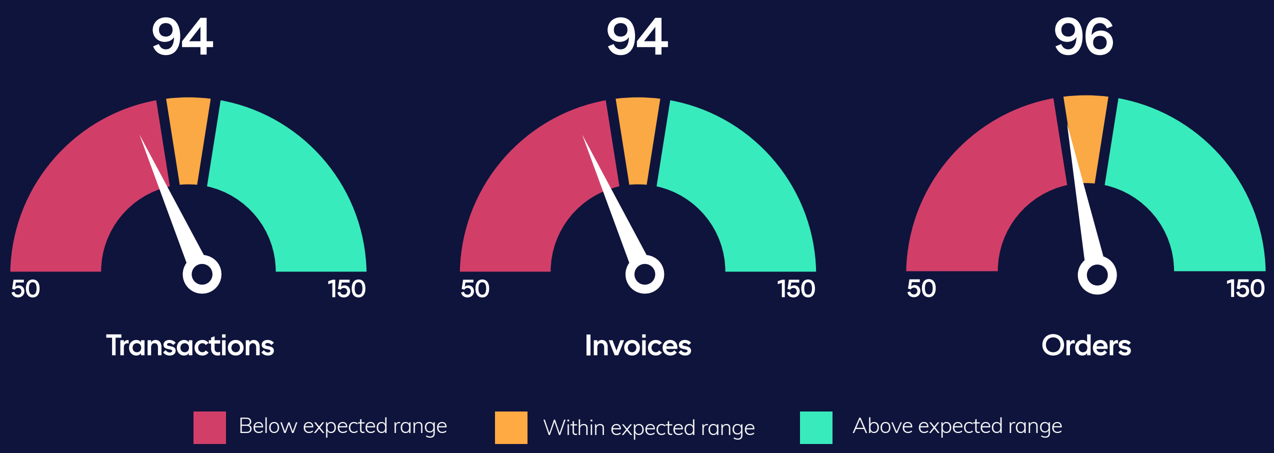
While the policy of raising interest rates may eventually yield the desired results, current evidence suggests that this remedy is a hard pill to swallow. The prospect of a hard landing looms ever larger on the horizon.

7 European Central Bank; 14/09/2023: Eurozone Economic Forecast

8 Euronews; 30/07/2023; Germany expected to be only major economy not to grow this year

# UK: Small mercies amid ongoing stagnation

### UK trade activity - quarter on quarter index scores




### Swing vs previous quarter:

| Transactions | Invoices | Orders |
|---|---|---|
| -1 | -1 | -3 |

The narrative of trade growth within the UK's supply chains has been one of stagnation over the past two years. This trend persisted into Q3, with trade activity dipping to 6 points below the anticipated level.

While order volumes had exhibited a degree of resilience until recently, there are now unmistakable signs of a decline. The trajectory of invoice traffic appears to be following suit, and it seems increasingly likely that further deterioration awaits in the coming quarter.

S&P data shows factory output slowed sharply in September[9], but the UK's relatively limited manufacturing footprint meant the impact of this downturn wasn't as apparent as in other markets.

A strong services sector, where demand remains relatively robust, has left the UK in a slightly better position than its European neighbors.

Though growth is undeniably under significant pressure, the decline in trade activity largely mirrors the global pattern. A survey conducted by Lloyds[10] shed light on UK business confidence, which surged to an 18-month high in August. This optimism is closely tied to the anticipation of a market recovery and the prospect of a more stable inflationary environment, offering a glimmer of hope amid the prevailing uncertainty.

9 S&P / CIPS UK; 02/10/2023; UK Manufacturing PMI

10 Yahoo News; 31/08/2023; UK business confidence at 18-month high despite inflation and cost of living crisis

# Manufacturing slump spreads to logistics providers

### Quarter-on-quarter transaction volumes - Index scores by sector

| | T&L | Manufacturing | Retail | Tech |
|---|---|---|---|---|
| Q2'22 | 96 | 97 | 97 | 101 |
| Q3'22 | 92 | 89 | 91 | 98 |
| Q4'22 | 89 | 93 | 97 | 101 |
| Q1'23 | 91 | 99 | 88 | 99 |
| Q2'23 | 98 | 97 | 93 | 87 |
| Q3'23 | 94 | 91 | 94 | 101 |

significantly below expectation
below expectation
within expected range
above expectation
significantly above expectation

The demand for freight capacity dropped back into the red zone in Q3. Shipping giant Maersk is warning of a steeper decline in global demand[11] for shipping containers by sea this year. The industry heavyweight does not see a recovery happening until at least 2024.

The ailing manufacturing sector plays an undeniably pivotal role in this slump. What seemed initially a relatively stable year for the sector has taken a turn for the worse. Our data shows growth falling to a yearly low, 9 points below the expected level.

Trade activity across the retail sector also remained below the expected range in Q3. High inflation means that real-term activity levels across the sector are likely much lower than what we're seeing. Higher prices are also beginning to impact US consumer spending as a post-Covid spending spree nears its end.

Retailers could also face a challenging Q4. Some 30% of people surveyed by PwC in mid-September[12] said they intended to spend less this Christmas than in previous years.

Technology is one of the few sectors that appears to be on the up. Our latest data shows activity across the sector climbed back above the expected range in Q3. According to Gartner[13], CIOs are shifting spending to technologies that enable automation and efficiency to drive growth at scale with fewer employees. Analysts at the firm predict worldwide IT spending will total $4.7 trillion in 2023, an increase of 4.3% from 2022.

11 Reuters; 04/08/2023; Maersk warns of slower demand for container shipping

12 Washington Post; 27/09/2023; Retailers May Want to Hold Off on Christmas Cheer

13 Gartner; 19/07/2023; Gartner Forecasts Worldwide IT Spending to Grow 4.3% in 2023

# Perspectives on the road ahead

# Regulatory compliance: The new rules for Resilient supply chains

*Following the launch of Tradeshift's Q3 Index of Trade Health, we invited Karen Lobdell, Senior Product Manager for Thomson Reuters, ONESOURCE Global Trade, to give her perspective on the broad reconfiguration of supply chains we're seeing in our data. Karen delves into how the renewed emphasis on supply chain resilience in the post-pandemic landscape has profoundly reshaped how senior leaders perceive regulatory compliance within corporate strategy. She goes on to explain how a new generation of digitally empowered trade compliance professionals now has the opportunity to shape a more sustainable future for global trade.*

**Hi Karen, thank you so much for agreeing to talk to us. Tell us a little bit more about yourself.**

I work on the product side for ONESOURCE Global Trade, our global trade management solutions, which includes everything our customers use from a technology standpoint to manage their worldwide trade compliance and duty-savings programs and automate trade operations for cross-border goods, anywhere in the world.

I have over 25 years of experience working in global trade policy, logistics, risk management, and consulting. During that time, I've covered the whole spectrum of global trade, from the logistics side to the sales side, business development, technology, trade policy, regulatory and legislative.

**Our Q3 Trade Index points to a significant reconfiguration across global supply chains. Why do you think that is happening?**

Prior to COVID, a lot of supply chains were either single-sourced or heavily sourced in one region or with one country. When that equation broke down, things went awry quickly. Pivoting from one supplier to another isn't something you can do overnight. Even the lucky ones who did manage to find a new supplier often had to take a significant hit on their costs.

More recently, inflation, rising costs, and shortages are playing a key role in supply chain shifts.

The lack of a plan B and even a plan C forced businesses to start asking some pretty hard 'what if...' questions. If I single-source a critical component for my production line, what happens if something goes wrong with that supplier or they go out of business? What if I can't import from that region anymore because of a new regulatory requirement or a risk? How quickly can I pivot? Because you can't just pick up and move a plant overnight.

**Is it fair to say that the pandemic triggered a change in attitudes toward risk and compliance?**

When you talk to people who work in areas such as global trade management, logistics, or compliance, they'll say that, before the pandemic, they were viewed mainly as a cost-center to the business. The shift in attitudes we're now seeing is remarkable.

The C-Suite is now far more in tune with the impact a disruption in their supply chain can have on their ability to operate. The list of potential risks is varied, and it's expanding across multiple vectors, from natural disasters and weather-related issues to geopolitical tension and new regulations in areas such as ESG. We're also seeing a massive rise in the risk businesses face due to cybersecurity breaches.

The same people who could never get an audience at a senior level are now being called into the boardroom and asked to explain why a certain component now has a 25% tariff on it and what they're going to do to make the problem go away. They're now getting the recognition they deserve. They're also getting the executive support and budgets they need to bring about genuine and long-lasting change.

**What additional complexities might businesses encounter as they take a more proactive approach to risk mitigation and resilience across their supplier base?**

There's a lot more to consider. I spent the early part of my career in the logistics space, where decisions were traditionally based on two primary factors: cost and speed. Most people were looking at the cost of purchasing an item from a supplier, moving it from A to B, and the speed at which that item could reach its destination. If you could get really good quality along with that, then that was a bonus.

What you see now is a much broader scope of what is included in landed cost. What is my duty rate for importing that good? Do I have the ability to take advantage of a free trade agreement to lower the cost? There might be government agency fees to consider if it's something that's controlled by the Food and Drug Administration, for example. Geopolitical tension means we're also seeing a rise in governments placing retaliatory fees on items from certain countries.

ESG has also become a major factor in the decision-making process. A good example right now is the intense focus on the social aspect of ESG, such as the allegations of forced labor among the Uyghur population in China. Any goods coming out of that region have the presumption that they're made with forced labor and, in many countries, prohibited from import. You also have the potential reputational damage from sourcing goods in regions that don't adhere to high ethical and environmental standards.

Due diligence is absolutely crucial. From both a cost and a risk perspective, businesses need to do their homework, and they need to be able to do so in the most efficient way possible.

**What you've described sounds complex and potentially very time-consuming. What steps can businesses take to overcome these challenges?**

Supply chains are still heavily reliant on paper trails. That's a barrier to building transparency and automating the processes that feed into effective decision-making. On a positive note, we're seeing a clear acceleration in the move towards digital.

There are a lot of great tools out there that allow companies to analyze large amounts of their own data, as well as shared data points that are publicly available to give them the insights they need to make informed decisions.

Solutions like the ONESOURCE Trade Lane Analyzer, part of the ONESOURCE Global Trade suite from Thomson Reuters allow businesses to conduct detailed analysis and scenario planning on sourcing from multiple locations. For businesses evaluating different sourcing options, it will give you a very granular view of all the different considerations you need to factor in, from duty rates to preferential trade agreements, controls and regulations, risk of forced labor, and even elements such as taxes and fees. It's thorough and digestible at a level that would be almost impossible for any individual to achieve on their own manually.

Businesses can also take advantage of automation like ONESOURCE Global Trade Supply Chain Compliance to conduct further due diligence assessments on their suppliers based on company values – focusing on key areas of risk such as forced labor, cybersecurity, and environmental practices.

**ESG is high on the agenda for most businesses. What are some of the key challenges from a compliance perspective?**

Part of the challenge with ESG right now stems from the fact that the regulatory landscape is still evolving. Companies are trying to get their arms around these environmental regulations, but there's no clear global standard yet regarding how they report. CBAM (Carbon Border Adjustment Mechanism) in Europe is a good example. It's up to the importer to report the data, but it's up to the suppliers to provide that data. When suppliers outside Europe start getting requests to provide carbon emissions information, how many will be ready to deliver that information?

What complicates things even further is the question of who owns the problem within a company. Whose responsibility is it to come up with a policy procedure and way to manage the reporting of these environmental requirements? Is it in a sustainability group, a trade compliance group, a legal group?

**With so much uncertainty around ESG reporting, what practical steps can businesses take right now to stay agile?**

**Identify owners within your organization.** We're seeing individuals in global trade management and global trade compliance taking a front-foot stance in this area. Given the breadth of ESG as a risk category, one thing that's clear to me is that this will require a team approach, bringing stakeholders from legal, HR, finance, IT, and beyond. That breadth requires C-Suite oversight. We're seeing a rise in the number of Chief Sustainability roles created to deal specifically with these issues.

**Digitize your relationships with suppliers.** There may be a need for more consistency in terms of how and what businesses should report, but the basic principle of having reliable and transparent data to call on is a constant. If your systems and processes don't already allow that, you need to make that change now. Think beyond your own four walls and look at how you connect with suppliers through the tiers of your supply chain. Is that connection 100% digital?

**Stay up to date.** There's plenty of technology out there that allows you to monitor regulatory changes coming within the global trade management and compliance arena, such as ONESOURCE Global Trade. Additionally, Thomson Reuters has products that deal with tax and accounting software to help businesses with the tax side. We also have tools for monitoring regulatory issues from a legal perspective. Trade and industry associations are also a great source of information on what's around the corner. Those communities also provide an excellent way to benchmark with other people within your industry to get best practices.

**What role do you see technologies such as generative AI starting to play from a regulatory and compliance perspective?**

We're very focused on how we can use AI to make our products more efficient for our users. And we do this by helping highly trained people make good decisions based on fast and accurate data.

Say you're working for a business that ships globally—every product you import and export must be appropriately classified under the harmonized Tariff schedule. Classification is usually a challenging and lengthy process where someone must have good subject matter expertise. AI won't necessarily give you a 100% final answer on classification codes (at least not yet), but what it will do is take the data you have and narrow the focus down to a handful of trustworthy options.

If we're talking about regulation and compliance, then the development and usage of AI is a topic in itself. This is a fast-evolving area. We need to be certain that the data that any AI provides is genuinely accurate and that it's secure. We must also consider the general public's concerns over how AI is used.

**What role do you see technologies such as generative AI starting to play from a regulatory and compliance perspective?**

Definitely. There's been a massive shift in mindset from seeing compliance as a necessary expense to viewing it as a source of cost savings. Add to that the reputational risk that businesses face from a lack of due diligence, and it's no exaggeration to say that compliance is vital to running a viable business.

Compliance is now firmly on the C-Suite agenda. The risks are too abundant, and the cost of failure is too great to ignore.

FINAL THOUGHTS

# The Great Supply Chain Reset: Navigating a New Era

**James Stirk**
CEO (interim),
Tradeshift

From financial crises to the impact of de-globalization, from climate change to the seismic shockwaves of COVID-19, our world has endured an unprecedented series of once-in-a-generation shocks. However, we can no longer attribute this turbulence to mere bad luck.

The volatility that has characterized the past two years transcends cyclical fluctuations; it signifies a systemic shift with profound and enduring consequences for the business landscape and global trade.

Many of today's supply chains have grown excessively lengthy, fragile, and shrouded in opacity, rendering them ill-equipped to adapt to an increasingly turbulent world. The obscurity inherent in these legacy models continues to generate friction that impedes the efforts of supply chain managers to enhance responsiveness, strike a balance between supply and demand, and monitor Environmental, Social, and Governance (ESG) performance—especially in the face of heightened regulatory scrutiny.

Tomorrow's supply chains will evolve into more intricate, interconnected networks involving a blend of onshore, friendshore, and farshore stakeholders. This transformation, bolstered by investments in digitalization, will necessitate the cultivation of new relationships across a multitude of jurisdictions, each governed by its unique set of regulations and policies.

Rarely do the words 'compliance' and 'sexy' find themselves in the same sentence. However, in the context of the profound supply chain reset now unfolding, we may need to make an exception. The success of this new 'networked' supply chain model will hinge heavily upon strict adherence to an intricate and evolving set of rules, spanning from tax compliance to carbon reporting.

Navigating this intricate web of regulations can be exceptionally time-consuming, underscoring the urgency for heightened digitalization. Beyond the inefficiencies stemming from a persistent reliance on manual and paper-based compliance processes, non-compliance poses tangible risks for businesses, including penalties, delays, strained supplier relationships, and reputational harm for companies found in breach.

Data, visibility, and control—byproducts of a digitized compliance environment—will play an increasingly pivotal role in enabling businesses to maintain agility in an increasingly complex macroeconomic landscape. Armed with the right automation and real-time decision support capabilities, digitalization presents a gateway to potentially substantial cost savings and efficiencies spanning the entire lifecycle, from sourcing through to payment.

# About Tradeshift's Index of Global Trade Health

# Purpose

Many of the world's largest buyers and their suppliers use Tradeshift's trade technology network to exchange digitized purchasing and invoicing information. The data these transactions yield provides us with a unique awareness of trading activity between businesses.

Tradeshift's Index of Global Trade Health analyzes anonymized world trade data flowing across our platform to reveal a timely perspective of how external events are impacting business-to-business commerce around the world.

We acknowledge that there are limits to how accurately our view of what is happening on our network can reflect how complex global supply chains are reacting to a variety of external factors.

What our world trade data does provide is a useful snapshot that provides clues as to what might be happening to the global economy. The patterns we see in our data become more valuable as we combine them with other third-party data and expert insight, something which you will see us draw on throughout this report.

# Methodology

The Index of Global Trade Health compares business-to-business transaction volumes (orders processed from buyers and invoices processed from suppliers) submitted via the Tradeshift platform against a 'baseline' we have created by analyzing medium-term seasonal trends in the transaction data that flows across our platform.

A reading that meets the baseline indicates growth in line with expectations against historical trends. Readings greater than and below the baseline indicate above-trend and below-trend growth.

Looking at the data in this way helps give a sense of how volatile activity is across different sectors and geographies. For example, a sudden rise in orders might trigger orders to jump at a rate that exceeds what we would consider normal. By contrast, waning demand might trigger volatility in the opposite direction.

We consistently strive to improve and evolve the accuracy of our analysis. As a result, it is possible that from time to time, you may see small revisions to historical numbers reported in previous versions of the Index.

## About Tradeshift

Tradeshift is the business commerce platform that redefines the way B2B buyers and suppliers connect, transact and grow. We're a leader in e-invoicing and AP automation, offering tools for compliant e-invoicing in 50+ countries, including China. We're an innovator in B2B marketplaces and embedded fintech services that bring value, opportunity and growth to any business that joins the network. Tradeshift's vision is to connect every company in the world, creating economic opportunity for all. Today, the Tradeshift platform is home to a rapidly growing community of buyers and sellers operating in over 190 countries.

**Find out more at:** www.Tradeshift.com



Tradeshift®