1Q 2019 UPDATE

TRADE TRENDS ESTIMATES

LATIN AMERICA AND THE CARIBBEAN

2019 EDITION

Coordinated by

Paolo Giordano

Integration and Trade Sector

IDB

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Integration and Trade Sector
Vice-Presidency for Sectors and Knowledge
Inter-American Development Bank

This report provides estimates of Latin American and Caribbean international trade flows for 2018 and the first quarter of 2019. It was prepared by the Integration and Trade Sector (INT) at the Inter-American Development Bank (IDB), in collaboration with its Institute for the Integration of Latin America and the Caribbean (INTAL), under the overall supervision of Fabrizio Opertti, Sector Manager, and Pablo García, Director of INTAL. Technical supervision was provided by Mauricio Mesquita Moreira, Principal Economic Advisor in INT.

This edition was coordinated by Paolo Giordano, Principal Economist in INT, and written in collaboration with Kathia Michalczewsky and Jésica De Angelis, Consultants in INTAL. Cloe Ortiz de Mendívil and Ziga Vodusek were involved in the research process and provided valuable comments on the document.

Federico Mazzella, Pedro Grondona, Gastón Casella and Mauro De Oliveira provided technical support. Silvia Badilla, Pablo Bachelet, and María del Rosario Plazas provided support for the team during the drafting and publication process. Victoria Patience translated the report into English. The publication was designed by Graziela Flor and typeset by Word Express.

Estimates in this report are based on quarterly and monthly data available on 26 Latin American and Caribbean countries for 2018 and 23 for the first quarter of 2019. It draws on data from official national and international sources and from INTradeBID, the IDB information system on international trade, which is available online at www.intradebid.org.

The original report was drafted in Spanish.

INTradebid
INFORMATION SYSTEM ON INTEGRATION AND TRADE

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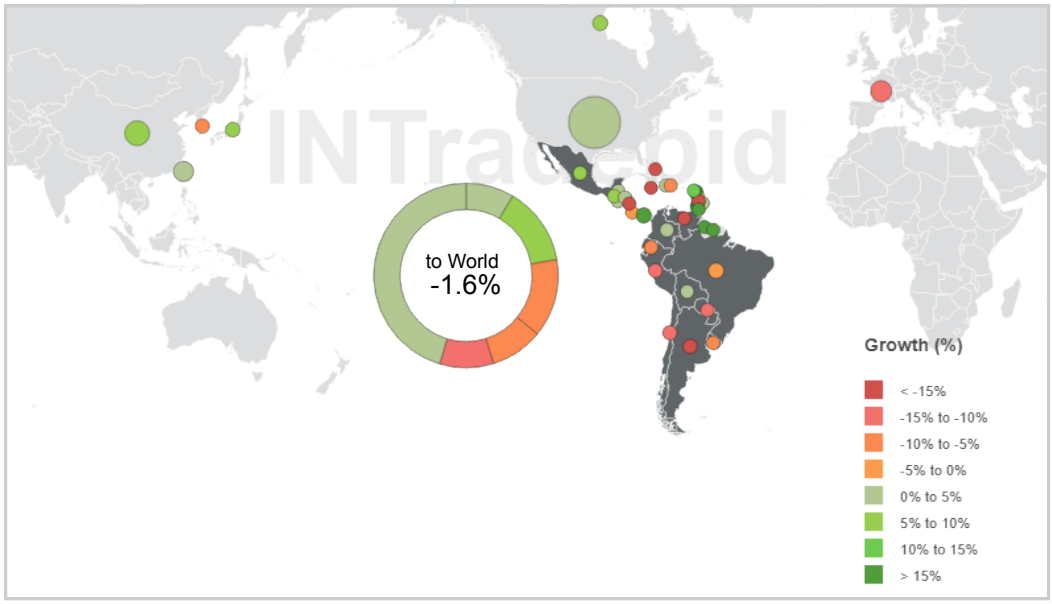


THERMOMETER OF LATIN AMERICAN AND CARIBBEAN EXPORTS

1Q 2019 UPDATE

2012 **1.3%**

2013 **-0.6%**

2014 **-2.9%**

2015 **-14.5%**

2016 **-3.3%**

2017 **12.3%**

2018 **8.9%**

1Q 2019 **-1.6%**

TREND REVERSAL

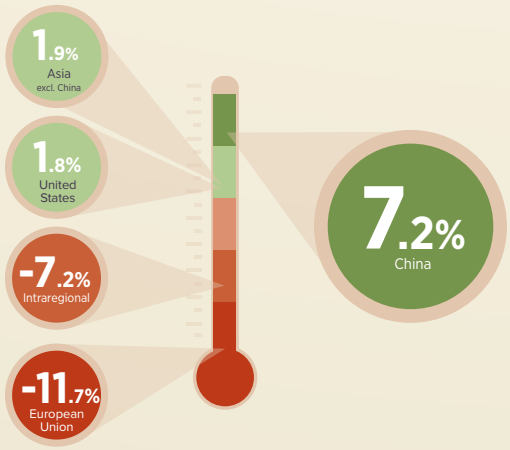
After two years of growth, in the first quarter of 2019 Latin American and Caribbean exports contracted.

Estimated year-on-year growth rate up to 1Q-2019

CHANGE IN DEMAND

China was the most dynamic destination, whereas import demand form the United States slowed down. Exports to the European Union and to the region contracted.

Estimated year-on-year growth rate for 1Q-2019

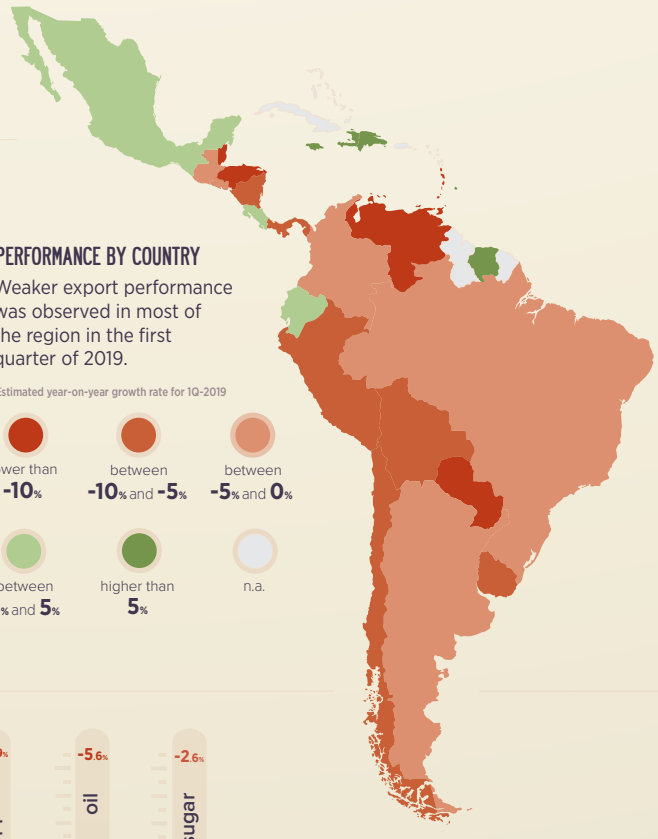


PERFORMANCE BY COUNTRY

Weaker export performance was observed in most of the region in the first quarter of 2019.

Estimated year-on-year growth rate for 1Q-2019

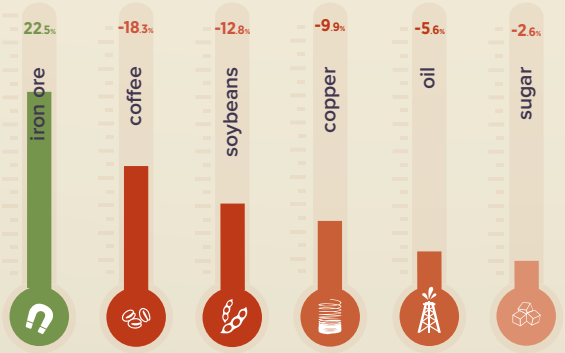
- lower than -10%
- between -10% and -5%
- between -5% and 0%
- between 0% and 5%
- higher than 5%
- n.a.



COMMODITIES IN BEAR MARKET

The prices of extractive industry products followed unstable paths. In contrast, downward pressures were widespread in agricultural markets.

Interannual cumulated growth rate for january-may 2019



TRADE TRENDS ESTIMATES

LATIN AMERICA AND THE CARIBBEAN

INTEGRATION AND TRADE SECTOR

1Q 2019 UPDATE

EXPORTS FROM LATIN AMERICA AND THE CARIBBEAN IN CONTRACTION MODE

Highlights

The value of exports from Latin America and the Caribbean contracted at an estimated year-on-year rate of 1.6% in the first quarter of 2019, after having grown by 8.9% in 2018.

The fall in foreign sales was largely due to price drops of the main export products.

Export volumes stagnated in line with the overall global trade trend.

Weaker export performance was observed throughout the region.

The regional trade outlook is subject to downward risks.

After two years of uninterrupted growth, exports of goods from Latin America and the Caribbean (LAC) began to contract in the early months of 2019. The total value of exports is estimated to have fallen by 1.6% year-on-year in the first quarter of 2019 (Figure 1).[1]

In 2018, according to revised data, average annual exports increased by 8.9%.[2,3] Prices continued to be the main driver in a context of low growth in export volumes. Trade performance in LAC was similar to that of global trade, where exports grew at a year-on-year rate of 9.5%. In both cases, a

[1] This estimate includes information from 18 Latin American countries and 5 Caribbean countries (Argentina, Barbados, Belice, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Uruguay, and Venezuela). See the Methodological Note for additional information on the procedures, time periods, and data sources used in the estimates.

[2] The estimates published in December 2018 indicating annual export growth of 9.9% were based on data available as of September or October of that year, depending on the country. The drop in some commodity prices in the last months of 2018 largely explains the difference between the revised figure and the earlier estimate.

[3] This includes information from the 23 countries mentioned in footnote 1 and from Bahamas, Guyana, and Trinidad and Tobago.

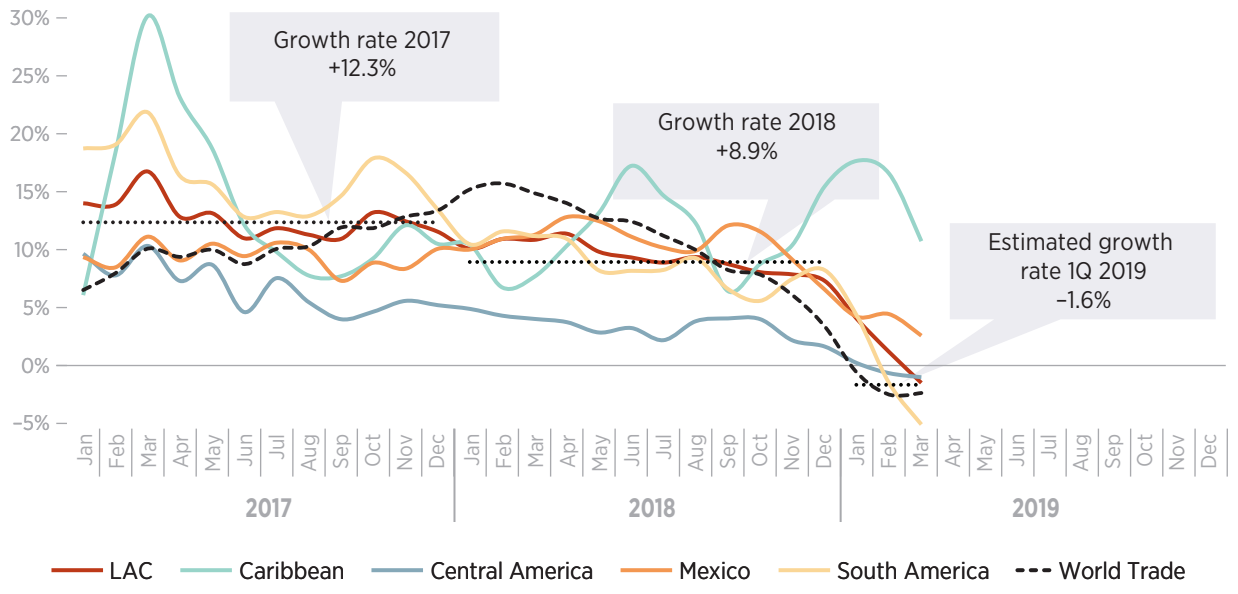
slight slowdown was observed throughout the year, becoming more pronounced in the last months against the backdrop of the growing trade conflict between the United States (US) and China.

The context deteriorated in the first months of 2019, as exports cooled off sharply throughout the region. Both South and Central America recorded negative year-on-year rates. Mexico experienced a sharp downturn, while the Caribbean suffered a more moderate slowdown. In recent months, the prices of some LAC export commodities have recovered, but this did not make up for the loss that accumulated throughout 2018. Consequently, export prices were at lower levels than during the same period of last year. Lower prices and a reduction in export volumes growth, thus, explained the contraction in the value of the region's external sales.

Meanwhile, the value of LAC imports in 2018 increased 10.8% and is estimated to have stalled in the first quarter of 2019.

The trend reversal in LAC exports is taking place against a backdrop of increased internal and external risks. The WTO World Trade Outlook Indicator is at its lowest point since 2010, and the forecast for 2019 suggests that the situation may worsen considerably.[4] The Purchasing Managers' Index (PMI)

FIGURE 1 • VALUE OF LATIN AMERICAN AND CARIBBEAN EXPORTS AND WORLD TRADE
(Year-on-year growth rate, 3-month moving average, percentage, 2017–2019)



Source: IDB Integration and Trade Sector with data from official sources and the Netherlands Bureau for Economic Policy Analysis (CPB) for world trade.
Note: Up to December 2018, data for LAC includes 18 countries in Latin America: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela; and 8 countries in the Caribbean: Bahamas, Barbados, Belize, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago. From January 2019 onwards, Bahamas, Guyana, and Trinidad and Tobago were excluded due to the lack of data. World trade is the average of world exports and imports.

[4] WTO (2019), World Trade Outlook Indicator, May 20, 2019.

shows that international purchase orders have experienced their fastest deterioration since 2012, and managers' optimism is at the lowest point since then.[5] Similar indicators for China reveal a notable decline in business confidence.[6] These risks for international trade have emerged in parallel with recent downward revisions of the forecasts of global economic growth.[7]

[5] J.P. Morgan and IHS Markit (2019), J.P. Morgan Global Manufacturing PMI, June 3, 2019.

[6] Caixin and IHS Markit (2019), Caixin China General Manufacturing PMI, June 3, 2019; and National Bureau of Statistics of China (2019), Purchasing Managers Index, May 31, 2019.

[7] IMF (2019), World Economic Outlook, April 2019.

General Outlook

The value of Latin American and Caribbean exports is estimated to have contracted by 1.6% in the first quarter of 2019, after two years of sustained growth. Weak export performance was observed in all subregions, particularly in South America.

After growing 8.3% in 2018, **South American** exports are estimated to have fallen by 5.4% year-on-year in the first quarter of 2019. The contraction is explained by a significant slowdown in export volumes growth and a reversal of price trends for some of the commodities that make up these countries' export baskets. Although exports to China and the rest of Asia grew, these increases did not offset the contractions in sales to all other major markets.

External sales of **Mesoamerica** slowed significantly between late 2018 and early 2019. The year-on-year rate for the first quarter of 2019 was estimated at 2.1%, after having grown by 9.4% in 2018. This mainly reflects the downturn in exports growth in Mexico (2.3% year-on-year in the first quarter of 2019 and 10.1% in 2018) and, to a lesser extent, the trend reversal in exports from Central America, which are estimated to have contracted by 0.7% in the first quarter after growing 3.2% in 2018. This cooling off is mainly explained by slower growth of exports to the US, which drove Mesoamerican exports in previous years. Moreover, sales to the rest of LAC and the European Union contracted.

Exports from the **Caribbean** are estimated to have slowed slightly in the first quarter of 2019 (10.7%) in comparison with the performance in 2018 (11.6%).[8]

Summarizing, after two years of uninterrupted growth, in the first months of 2019 LAC exports slumped back into negative territory due to the weakening of export volumes and the drop in commodity prices. South American exports contracted the most, as Central American external sales turned negative. Mexico's export growth rate dropped significantly, while the fall in Caribbean sales was more moderate.

The export performance of most LAC countries deteriorated in the first months of 2019 compared to the 2018 average, and only Barbados, Costa Rica, the Dominican Republic, Ecuador, Haiti, Jamaica, Mexico, and Suriname were able to maintain positive growth rates.

Prices

The prices of the main commodities exported by LAC have experienced high volatility in recent months (Figure 2). The prices of extractive industry products followed diverging paths due to specific

[8] In the absence of definitive revised data, the average growth rate for Caribbean exports in 2018 includes estimated data for Guyana and Trinidad and Tobago. The estimates for the first quarter of 2019 only include data from Barbados, Belize, Haiti, Jamaica, and Suriname and are, thus, not strictly comparable with the data for 2018.

dynamics that are described in detail below. Meanwhile, downward pressures were widespread in the markets for agricultural products.

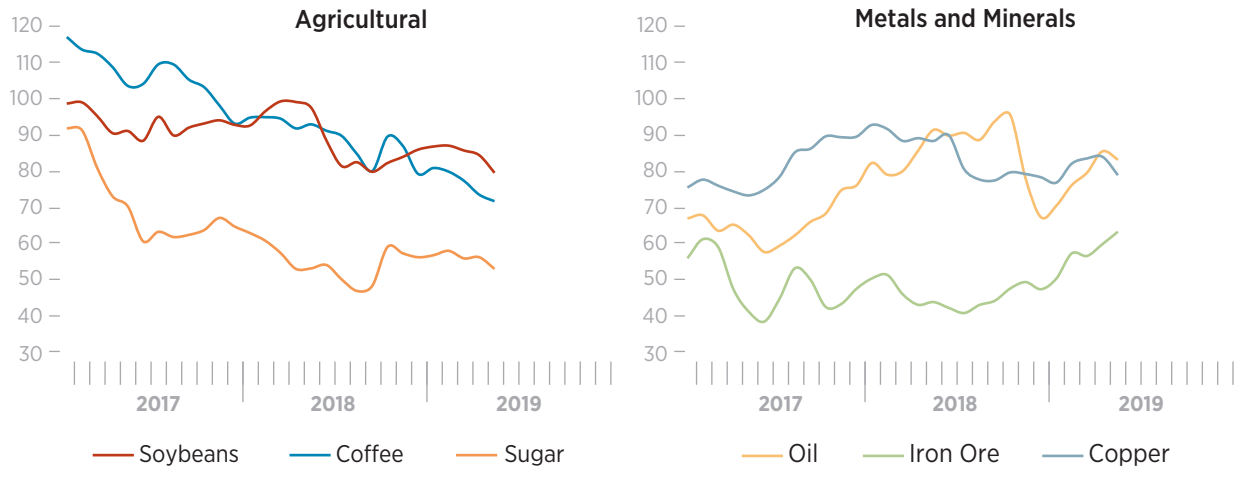
Iron ore prices rose 22.5% year-on-year between January and May 2019 due to the downturn in the supply of Brazil, after a mining accident forced most of its production to a halt. In March, a tropical storm affecting the output of Australia, the largest global producer, also impacted global prices. Given these supply-side constraints, prices are expected to continue on an upward trend for the rest of the year, also in view of the increased demand from China driven by fiscal stimuli.

The price of **oil** was extremely volatile between late 2018 and early 2019. Between November and December, oil prices fell by around 30% due to increased global supply caused by OPEC member countries easing cuts, increases in production in the US, and exceptions to sanctions on crude oil purchases from Iran. Consequently, the OPEC decided to implement new production cuts, which combined with US sanctions on Venezuela and the end of the exceptions to sanctions on Iran caused prices to rebound in the first five months of 2019. Even so, the average price was still 5.6% below that of the same period of 2018.

In the early months of 2019, **copper** prices also benefited from stimuli in China, the largest world market for the red metal. However, this was not enough to offset the price drop that built-up during the second half of 2018. Consequently, prices fell 9.9% year-on-year in January–May 2019.

After continuously declining for almost two years, the price of **sugar** stabilized somewhat over the first months of 2019 and stood at 2.6% below the price in the beginning of 2018. The end to this downward trend is explained by global supply reduction due to two factors: first, the increase in oil prices which prompted Brazilian sugarcane refineries to allocate a larger share of the cane harvest to produce ethanol rather than sugar; and second, the drought in India, the world's second-largest sugar producer after Brazil.

FIGURE 2 • PRICES OF THE MAIN EXPORT PRODUCTS OF LATIN AMERICA AND THE CARIBBEAN
(Index, 2010=100, 2017–2019)



Source: IDB Integration and Trade Sector with data from Bloomberg.

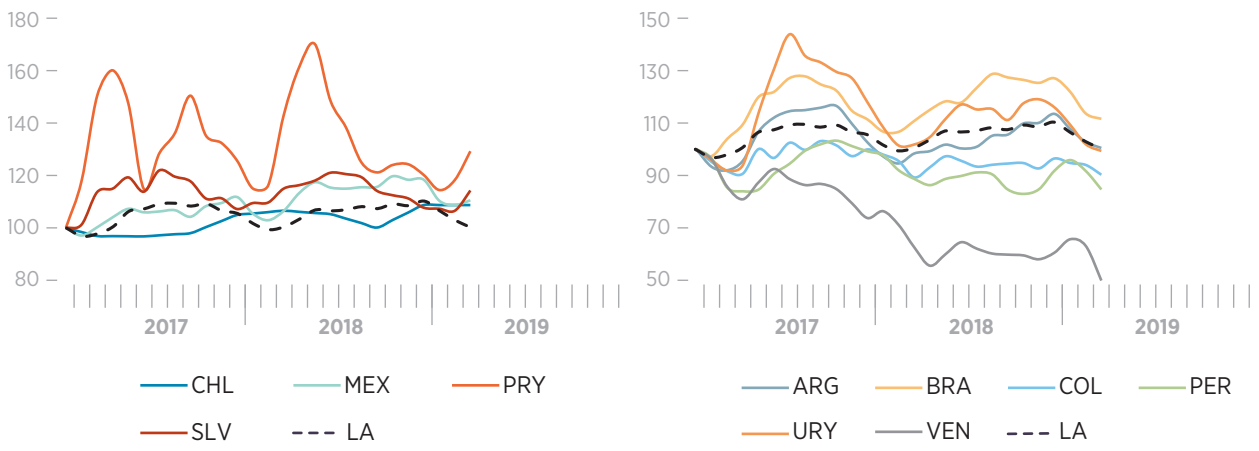
Oversupply in the global **coffee** market explains the 18.3% year-on-year price drop between January and May. Substantial increases in coffee harvests in Brazil, the main global producer, were reinforced by the depreciation of the Brazilian real, which encouraged local producers to sell larger stocks.

The price of **soybeans** fell 12.8% year-on-year in the first five months of 2019. The soy market has been affected by two factors. On one hand, by trade disputes between China and the US, the largest buyer and supplier of soy, respectively;[9] and on the other hand, by the African swine fever that is currently affecting particularly China and has significantly reduced the stock of pigs, whose diet is based on soybeans.

Volumes

Exported volumes in the first quarter of 2019 are estimated to be slightly lower than those of the same period of the previous year (–0.2%), according to data available for 10 countries in Latin America (LA) (Figure 3).[10] The year-on-year stagnation points to a worse performance compared to the moderate increase in 2018 (1.3%), and is in line with the current weakening of real global trade flows.

FIGURE 3 • EXPORT VOLUMES OF SELECTED COUNTRIES
(Index, 3-month moving average, January 2017=100, 2017–2019)



Source: IDB Integration and Trade Sector based on data from official sources, the US Bureau of Labor Statistics (BLS), and the Organization of Petroleum Exporting Countries (OPEC).
Note: The value of exports from Mexico and El Salvador is deflated using BLS indices, and the volume of Venezuela's exports is estimated using OPEC data. LA is the average of national indices weighted by the value of each country's exports in 2010. The sample represents 93% of LA's foreign sales for that year. See the Methodological Note for more details.

[9] For more details, see Giordano *et al*. (2018), *Flying to Quality. Export Sophistication as an Engine of Growth*. Trade and Integration Monitor, IDB.

[10] This estimate is based on data from 10 countries: Argentina, Brazil, Chile, Colombia, El Salvador, Mexico, Paraguay, Peru, Uruguay, and Venezuela. Due to the adoption of the geometric average of growth rates, estimations differ from those in Giordano *et al*. (2018), *Flying to Quality, Export Sophistication as an Engine of Growth,* Trade and Integration Monitor, IDB, and Giordano *et al*. (2019), *Latin American Trade Trend Estimates 2019*, IDB, published in January.

In the first months of 2019, the performance of export volumes was weak in all countries in the region included in this analysis. The sharpest contractions were recorded in **Venezuela** (–20%) and **Paraguay** (–10%), driven by reductions in oil and electricity exports, respectively.

In **Brazil**, **Chile**, and **Mexico**, real exports slowed down dramatically in comparison with 2018, growing at 1%, 2%, and 4%, respectively. Brazilian exports of manufactures, especially vehicles, were affected by lower demand from Argentina, while commodity exports were impacted by the reorientation of the sugarcane harvest to produce ethanol for the domestic market. In Chile, sectors other than mining cooled off, whereas in Mexico the slowdown was widespread, although there was a particular decline in the manufacturing sector.

In the other countries of the region, the slowdown in export volumes reinforced the downward trend or virtual stagnation that began in 2018. In **Argentina**, there was a notable upturn in exports of agricultural manufactures, but this was offset by a contraction in exports of industrial manufactures, and, to a lesser extent, of commodities. As a result, the country's year-on-year growth rate was 2% in the first quarter. In **Colombia**, exports grew by 1% as higher volumes of oil were partially offset by decreases in the volumes of bituminous coal, coke, and briquettes exported. Real exports from **El Salvador** contracted by 1%, in both agricultural products and manufacturing. Whereas exports from **Peru** fell by 4%, due to the temporary closure of some mines and the depletion of reserves in others.

Markets

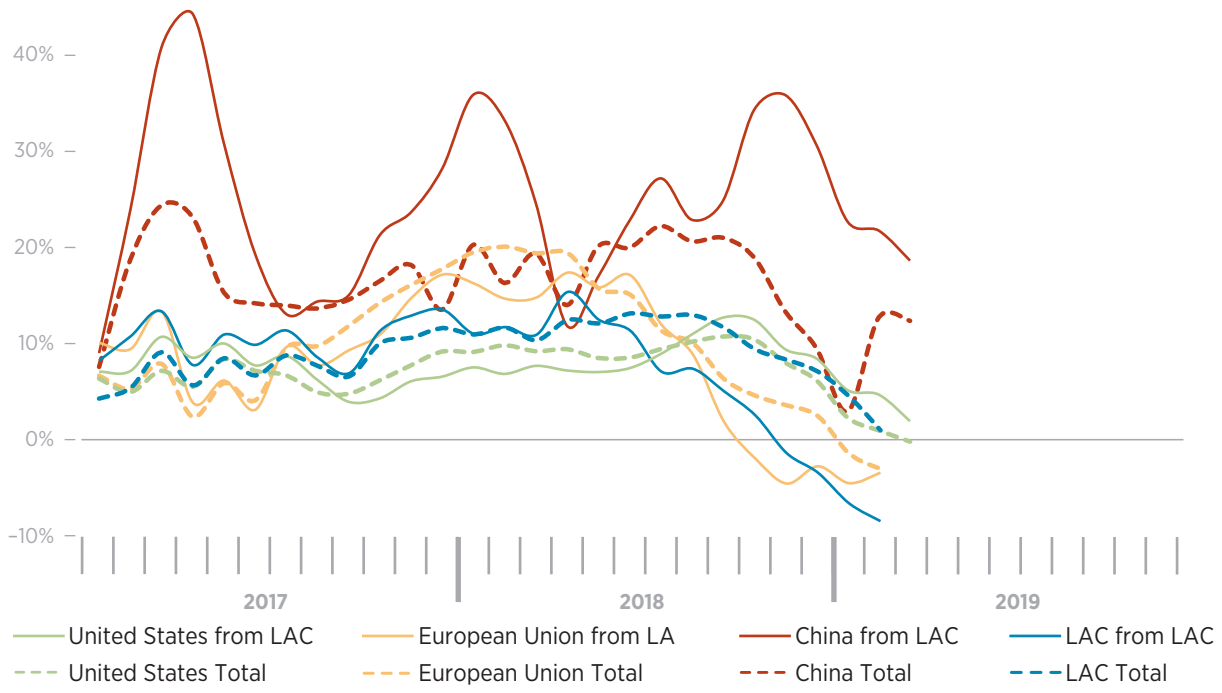
The deterioration in the trade environment in the second half of 2018 and the beginning of 2019 was reflected in the demand from LAC's main partners, although with varying degrees of intensity (Figure 4). China's imports from LAC grew at a remarkable pace in the first quarter of 2019 and it continued to be the region's most dynamic export market, although there was a clear trend toward deceleration. Exports to LAC's largest destination market, the US, stagnated, while those to the European Union and to the region itself contracted.

Imports of **China** from LAC grew 25.0% in 2018, although with a volatile pattern that continued into 2019. Between January and March, the cumulative year-on-year growth rate for Chinese imports from LAC was 18.9% and was clearly slowing down. Imports from LAC diverged from those from the rest of the world, partly due to China's demand shifting toward the region as a result of restrictive trade policies imposed by the US, and in particular due to the reorientation of previous soybean imports from the US. Exports from LAC to China grew faster than total imports in both the 2018 average and the first quarter of 2019.

Demand from the **United States** slowed down significantly in the last quarter of 2018 and into early 2019. US imports from LAC followed almost exactly the same pattern. In 2018, total US imports grew by 8.6%, a similar rate to that of imports from LAC (9.0%). Between January and March 2019, total imports stagnated, while imports from LAC increased by just 1.8% year-on-year.

In the **European Union**, the trend reversal was sharper. In the first part of 2018, total imports and imports from LAC grew between 15% and 20% year-on-year, but slowed down dramatically from August onwards, slashing the growth rate by half. Imports from LAC started to contract in late 2018,

FIGURE 4 • VALUE OF IMPORTS OF THE MAIN TRADING PARTNERS FROM LATIN AMERICA AND THE CARIBBEAN AND THE WORLD
(Year-on-year growth rate, 3-month moving average, percentage, 2017–2019)



Source: IDB Integration and Trade Sector with data from the IMF, US International Trade Commission (USITC), Eurostat, China Customs, and national sources.
Note: The import series of all economies are valued in US dollars. As data correspond to imports reported from LAC partners, due to recording delays they may differ from those reported in Table 1.

and total imports followed suit in early 2019. Between January and March 2019, the cumulative year-on-year rates sunk to –5.8% and –3.2%, respectively.

LAC imports from within the region also deteriorated significantly from mid-2018 onward and began to contract toward the end of the year. In the first two months of 2019, the year-on-year drop was 7.2%, while total imports grew by 1.7%.

Performance by Subregion

The decline in LAC exports in 2019 reflects the performance of almost every economy in the region (Table 1). With the exception of Barbados, Costa Rica, the Dominican Republic, Ecuador, Haiti, Jamaica, Mexico, and Suriname, all countries experienced a trade contraction in the first quarter of 2019 in comparison with the same period in 2018. The following section analyzes the factors and destination markets that explain the evolution of exports in the different LAC subregions and countries in the first months of 2019 (Figure 5).

South America

In the first quarter of 2019, South American exports fell by 5.4% year-on-year, after having grown at an average rate of 8.3% in 2018. The decline was mirrored in almost every country in South America, and only Ecuador was able to increase its exports, albeit at a slower pace than in 2018. Exports to the European Union and within the subregion itself contracted the most (–14.8% and –14.0%, respectively), while the rates for China and the rest of Asia remained positive.

Ecuador is the only country in South America whose exports grew in the first quarter of 2019 (1.2%). However, this still implied a sharp slowdown in comparison with the 2018 average (13.0%). The trend was marked by a drop in exports to South America (–16.6%), especially Peru, and the European Union (–9.4%), while exports to the rest of LAC (9.0%), especially Panama, and to the US (8.2%) and China (31.0%) performed positively despite slowing down. Exports stagnated in all sectors.

In the first quarter of 2019, exports from **Colombia** shrunk by 1.1%, after having grown significantly in 2018 (10.4%). The increased dynamism of exports to the European Union and the US (8.8% and 5.5%, respectively) was offset by the drop in exports to Canada (–46.2%), Mexico (–11.3%), the rest of South America (–6.1%), and other markets such as Turkey and Israel. More than half of this contraction was driven by exports of fuels and products of extractive industries, especially bituminous coal, coke, and briquettes.

After growing 5.1% in 2018, exports from **Argentina** contracted by 2.3% in the first quarter of 2019. The increase in export volumes (2%) failed to offset the drop in prices (–4%). Growth in exports to China and the rest of Asia (12.8% and 13.3%, respectively) only partly made up for the decrease in exports to South America (–6.0%), the European Union (–12.7%), and the US (–13.8%). The products that drove the contraction in total exports were soybean meal and pellets, biodiesel, and aluminum and aluminum manufactures.

Exports from **Brazil** fell 4.1% in the first quarter of 2019, after growing 10.2% in 2018. This performance was marked by a sharp drop in exports to South America (–28.4%), especially Argentina (–46.7%), which were not offset by higher sales to China (11.7%), the rest of Asia (15.9%), and the US (3.1%). Transportation equipment, especially cars, refined and raw sugar, and products from the chemical industries accounted for much of this downturn.

Exports from **Chile** fell 5.1% in the first quarter of 2019, reversing the positive performance of 2018 (9.6%). This was driven by the drop in exports to the US (–17.7%), China (–4.5%), and the European Union (–9.5%). Chile's overall performance reflected the sharp contraction in mining exports and slower growth in sales of agricultural, forestry, and fishery products.

In the first quarter of 2019, **Uruguay**'s exports fell 5.9%, continuing the contraction of 2018 (–5.0%). This is mainly explained by falling prices. Increased exports to South America—notably Brazil (9.9%)—Asia (excl. China) (17.3%) and the US (5.8%) did not offset lower exports to the European Union (–10.0%), China (–3.3%), and the rest of LAC (–2.0%). Most of this downturn was accounted for by meat products and edible offal, wood and wood products, rice, and other live animals and animal products.

Exports from **Bolivia** fell 7.2% in the first quarter of 2019, reversing the positive performance of 2018, when they grew 9.5%. This was driven by the drop in exports to the European Union (–21.4%), Asia (excl. China) (–4.2%), and South America (–4.2%). The downturn in exports of zinc and natural gas, likewise, played a decisive role in this result.

After growing 8.0% in 2018, exports from **Peru** fell 7.9% year-on-year in the first quarter of 2019. Exports to China increased 12.5%, which was not enough to sustain the export performance. Exports to all other major destination markets contracted: Asia (excl. China) (–31.4%), US (–28.9%), European Union (–29.4%), and South America (–6.0%). The drop in total exports is largely explained by lower sales of mining products, mainly copper, zinc and gold, due to temporary supply problems in some copper quarries and the depletion of some gold mines.

Exports from **Paraguay** fell 10.3% in the first quarter of 2019, after growing 4.2% in 2018. The decisive factors in this contraction were the downturn in exports to the European Union (–46.9%) and South America (–3.8%), especially Brazil (–9%). The products that most pushed Paraguay onto negative ground were grains, soybean oil and flour, electrical energy, meats, and leather.

Exports from **Venezuela** are estimated to have plummeted in the first quarter of 2019 (–26.2%), deepening the 1.5% decrease of 2018, and against the backdrop of a 20% drop in export volumes. This downturn was affected by the continuous fall in oil production in recent years, and by sanctions from the US, the main market for Venezuelan oil exports.

Mesoamerica

Mesoamerican exports increased an estimated 2.1% year-on-year in the first quarter of 2019, compared to 9.4% growth in 2018. The performance is explained by slower growth of exports from Mexico and a contraction of exports from Central America.[11] The weak 3.8% growth of Mesoamerican exports to the US was compounded by a contraction in exports to the European Union (–3.8%) and the rest of LAC (–10.3%).

[11] These figures include exports from the national customs territory (NCT) and under special trade regimes (STRs) in Costa Rica, the Dominican Republic, El Salvador, Guatemala and Nicaragua, while exports from Honduras and Panama only include exports from the national customs territory. STRs include regimes such as free zones and inward processing, through which goods enter the country under special conditions (such as customs, tariff, and tax provisions) for processing and subsequent export. Exports from the NCT do not benefit from these special provisions.

TABLE 1 • GROWTH OF LATIN AMERICAN AND CARIBBEAN EXPORTS BY SELECTED DESTINATIONS
(Annual growth rate, percentage, 1Q 2019 and 2018)

Exporting Group/ member	1Q 2019 vs 1Q 2018							2018 vs 2017
	Subregion	Latin America and the Caribbean	United States	Asia (excl. China)	China	European Union	World Total	World Total
SOUTH AMERICA	**–14.0**	**–6.3**	**–7.3**	**0.7**	**7.4**	**–14.8**	↓ **–5.4**	**8.3**
Argentina	–6.0	–4.5	–13.8	13.3	12.8	–12.7	↓ –2.3	5.1
Bolivia	–4.2	–3.7	4.2	–4.2	–9.1	–21.4	↓ –7.2	9.5
Brazil	–28.4	–14.7	3.1	15.9	11.7	–21.9	↓ –4.1	10.2
Chile	1.3	6.4	–17.7	3.9	–4.5	–9.5	↓ –5.1	9.6
Colombia	–6.1	–4.2	5.5	3.2	7.8	8.8	↓ –1.1	10.4
Ecuador	–16.7	9.0	8.2	–11.3	31.0	–9.4	↓ 1.2	13.0
Paraguay	–3.8	–3.6	79.5	1.2	–69.8	–46.9	↓ –10.3	4.2
Peru	–6.0	3.3	–28.9	–31.4	12.5	–29.4	↓ –7.9	8.0
Uruguay	2.9	–2.0	5.8	17.3	–3.3	–10.0	↓ –5.9	–5.0
Venezuela	–30.1	–24.4	–28.8	–40.2	–4.8	112.7	↓ –26.2	–1.5
MESOAMERICA	**–0.8**	**–10.3**	**3.8**	**6.4**	**4.2**	**–3.8**	↓ **2.1**	**9.4**
Mexico	–1.4	–15.5	3.9	9.7	2.0	–4.0	↓ 2.3	10.1
Central America	**0.5**	**–2.1**	**2.0**	**–19.9**	**51.7**	**–2.8**	↓ **–0.7**	**3.2**
Costa Rica	–4.3	–6.4	6.4	–20.9	82.0	4.1	↓ 1.3	6.1
El Salvador	5.9	5.8	–2.6	–54.3	–96.8	–13.9	↓ –1.1	2.5
Guatemala	–2.6	–4.8	–4.0	6.6	47.0	1.1	↓ –1.8	–0.1
Honduras	9.3	5.3	–9.8	88.2	–93.4	–25.4	↓ –11.6	–3.6
Nicaragua	–9.3	–9.3	0.4	–28.0	n.a.	–24.9	↓ –5.3	3.9
Panama	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↓ –7.6	1.9
Dominican Republic	–1.1	0.0	9.4	–27.5	178.0	17.2	↓ 6.3	7.3
CARIBBEAN	**7.6**	**4.9**	**–15.7**	**34.8**	**–6.9**	**–17.2**	↓ **10.7**	**11.6**
Bahamas	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8.7
Barbados	11.6	8.6	–21.3	32.1	–6.5	–12.5	↑ 13.4	0.1
Belize	–11.1	–10.1	–3.5	n.a.	n.a.	–18.4	↓ –12.9	–11.8
Guyana	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	–3.9
Haiti	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↑ 16.4	7.3
Jamaica	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↓ 13.3	41.1
Suriname	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↑ 8.2	4.6
Trinidad and Tobago	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12.9
LATIN AMERICA	**–7.2**	**–7.2**	**1.8**	**1.9**	**7.2**	**–11.7**	↓ **–1.7**	**8.8**
LATIN AMERICA AND THE CARIBBEAN	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	↓ **–1.6**	**8.9**

Source: IDB Integration and Trade Sector based on official sources, except Venezuela, which is based on estimates using data from the OPEC and the IMF.
Notes: The table does not include the growth rates or absolute changes for non-selected destinations. As a result, the sum of the absolute changes for the selected destinations does not match the total. Data for Costa Rica, the Dominican Republic, El Salvador, Guatemala, and Nicaragua include exports under special trade regimes (STRs). The defined subregions are South America, Mesoamerica, Central America, and the Caribbean. For individual Central American countries, the subregion is Mesoamerica, whereas for Central America, Mexico is excluded, and the subregion includes only intra-Central American trade. See the Methodological Note for additional information on the procedures, time periods, and sources for the data used in the estimates. The letters "n.a." indicate that no data was available. The arrows show the variation in comparison with the previous year.

Although exports from **Mexico** remained on positive ground, they slowed dramatically between late 2018 and early 2019. The cumulative year-on-year rate between January and March was 2.3%, about a quarter of the average growth rate for 2018 (10.1%). This downturn was caused by a combination of two factors. On the one hand, exports to the US grew at a lower rate (3.9% in 2019 vs. 9.6% in 2018) and, on the other, exports to the European Union and the rest of LAC contracted. The increase in sales to the US over the course of 2018 is presumed to have been driven by the accumulation of inventories in view of the risk of modifications to the preferential access regime. Consequently, once this stockpiling process was complete and the trade agreement had been renegotiated, exports slowed.

The country that performed best in Mesoamerica was the **Dominican Republic**, whose exports grew 6.3% year-on-year in the first quarter of 2019, only marginally below its 2018 average of 7.3%. The expansion is explained by increased sales to the US (9.4%), particularly of sugar and knitwear, and an exceptional increase in exports to China of cast iron and steel manufactures. Shipments to the European Union also grew significantly (17.2%). Exports from special trade regimes (STR) and the national customs territory (NCT) grew at similar rates (6.8% and 5.7%, respectively).

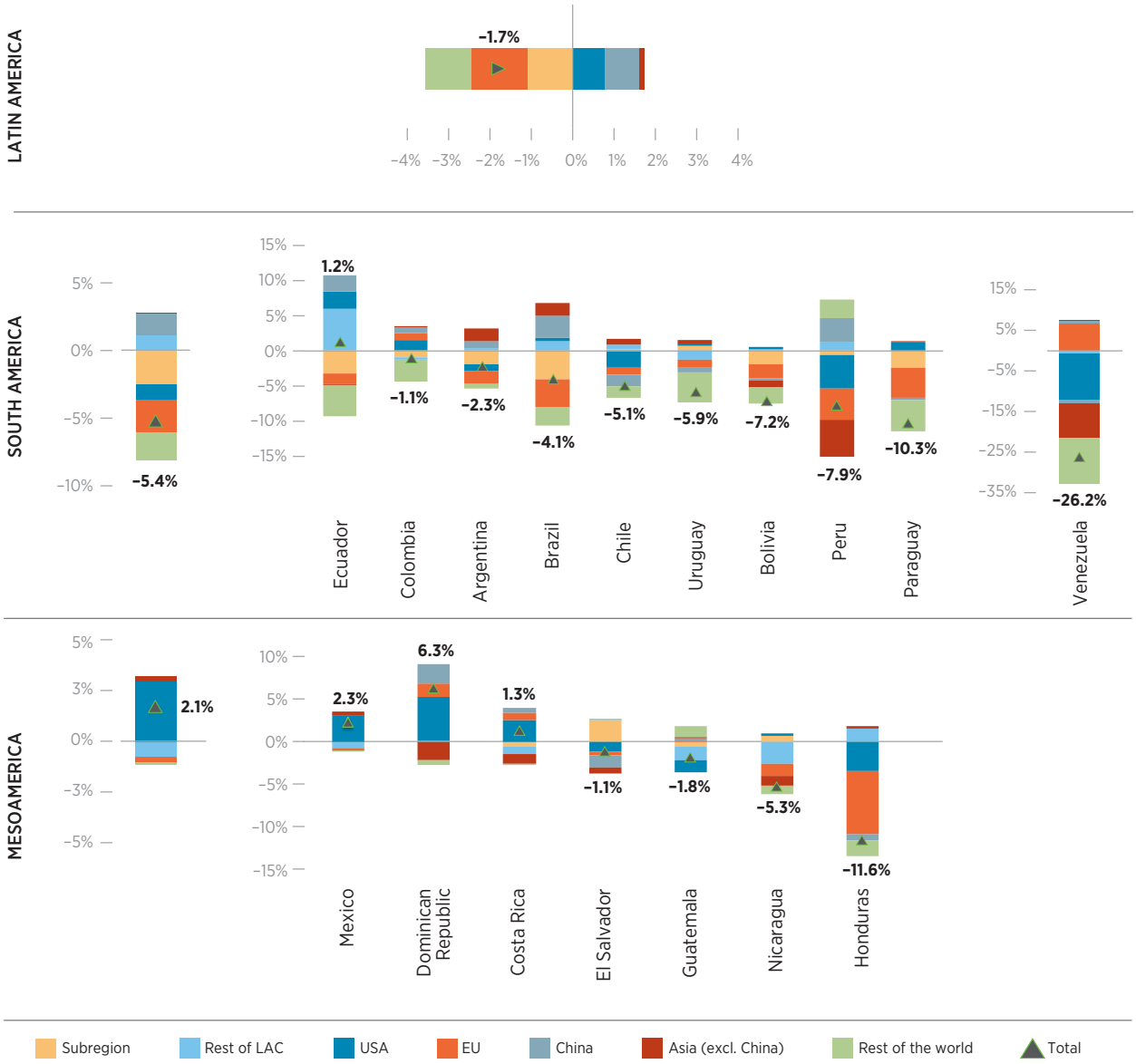
Exports of **Costa Rica** grew a meager 1.3% year-on-year in the first quarter of 2019, a deceleration with respect to 2018 (6.1%). The contraction in sales to the rest of Central America (especially Nicaragua), the rest of LAC (especially Brazil), and Asia offset increased exports to the US, the European Union, and China. This result is driven by the combination of a poor performance of exports from the NCT, which fell 9.1% dragged by lower exports of bananas, pineapples, and sugar, and a 12.3% increase in STR exports, driven mainly by medical and dental instruments and food products.

In **El Salvador** exports contracted by 1.1% year-on-year in the first quarter of 2019, continuing the lackluster performance of 2018 when they grew by just 2.5%. Sugar sales to China plummeted and exports of manufactures to the US shrunk. This was partially offset by notable increases in exports of sugar to Canada and of some manufactures to other parts of Mesoamerica (especially Honduras and Guatemala). The downturn in foreign sales affected both those originating in the NCT (–1.2%), driven by sugar and some textiles, and STRs (–0.4%), where sales of electrical equipment, textiles, and plastics contracted.

Foreign sales of **Guatemala** fell by an average 1.8% year-on-year in the first quarter of 2019. Increased exports to the European Union, China, and the rest of Asia were not enough to make up for the downturn in those to the rest of LAC and the US. Exports from the NCT dropped by 2.4%, mainly driven by sugar, and those from STRs decreased by 0.8%, which is explained by lower exports of fresh, dried, or frozen fruit. Meanwhile, exports of apparel and iron and steel increased.

Shipments from **Nicaragua** fell 5.3% year-on-year in the first quarter of 2019, in contrast with the 3.9% growth observed in 2018. Exports to the US stagnated while sales to other major destinations contracted. There was a downturn in exports from both the NCT and the STRs: the 4.0% decrease from the former was explained mainly by coffee and sugar, while the 6.6% fall in the latter was mainly driven by lower exports of textiles .

FIGURE 5 • CONTRIBUTION OF MAIN TRADING PARTNERS TO THE VARIATION IN EXPORTS OF LATIN AMERICA
(Annual growth rate and percentage points, 1Q 2019 vs 1Q 2018)



Source: IDB Integration and Trade Sector based on official sources.
Note: Mesoamerica does not include Panama due to a lack of disaggregated data by destination.

Exports from **Panama** fell by 7.6% year-on-year in January to March 2019, while in 2018, they grew 1.9%.[12] This contraction was mainly observed in the fishing sector, as exports of fish and shrimp decreased markedly.

[12] No disaggregated data by trade partner are available for Panama for the first quarter of 2019.

In **Honduras,** exports contracted at a cumulative year-on-year rate of 11.6% between January and March 2019, as compared to 2018. This points to a worsening of the country's 2018 performance, when exports fell by 3.6%. The contraction was mainly explained by the drop in coffee exports and, to a lesser extent, those of bananas and sugar.[13] Prices had a negative impact on all three of these products, but the quantities of coffee and sugar the country exported also went down.

The Caribbean

Growth in exports from the Caribbean slowed slightly in the first quarter of 2018, according to estimates based on data for five countries of the subregion. In **Barbados**, **Haiti**, and **Suriname**, exports grew by 13.4%, 16.4%, and 8.2% year-on-year in January–March 2019, respectively, which marked an improvement on their average 2018 performance. In contrast, **Belize** remained on a downward trend (–12.9% year-on-year in the first quarter of 2019 and –11.8% in 2018). Exports from **Jamaica** continued to grow, but at a significantly slower pace than in 2018 (13.3% and 41.1%, respectively).

[13] Data for Honduras do not include exports via STRs.

Conclusions

Exports from LAC entered negative ground, contracting at an estimated year-on-year rate of 1.6% in the first quarter of 2019. Data point to a reversal of the 8.9% growth observed in 2018, based on revised figures.

This downturn marks the conclusion of a 27-month growth spell that ended the longest trade contraction in LAC's recent history. The loss of momentum began in the second half of 2018 and accelerated dramatically in early 2019. The main driver was a sharp contraction in South American exports, which was compounded by the rapid deterioration of Mexico's export performance.

The slowdown in LAC foreign sales was largely due to price drops of the main export products. However, export volumes also stagnated in most countries of the region.

The dynamics of commodity prices strongly affected the trade performance of South America, and, to a lesser extent, those of Central America and the Caribbean. Agricultural products prices contracted since the end of 2018, and the metals and minerals markets also deteriorated, as improvements in iron ore prices did not make up for the poor performance of copper. Oil prices have been extremely volatile and on an overall downward trend. A pronounced slowdown in export volumes shaped Mexico's export performance, which is no longer propping up the aggregate regional average as it did in 2018.

China was the most dynamic destination for the region's exports in the first quarter of 2019. In contrast, United States' import demand slowed down markedly and LAC's exports reached a point of virtual stagnation. Exports to the European Union went into contraction and had a decisive effect on the overall deterioration of LAC's trade performance. Intraregional exports fell in a context of stagnation of total imports, which led to a pronounced erosion in the intraregional market share.

The shift to a downward trend is widespread in the region and has taken place against a backdrop of increased internal and external risks.

On the one hand, South American exports have weakened in a context of downward pressures in several commodity markets, compounded by restrictions on the supply side. On the other hand, Mesoamerican exports to the United States have deteriorated markedly against a backdrop of ongoing uncertainty regarding the implementation of its preferential trade policy. Although the fall in demand from the European Union has eased somewhat in recent months, it is still contracting, and the likelihood of a timely improvement of preferential market access for LAC depends largely on the European political cycle. Likewise, the possibility of reversing the current contraction in intraregional trade flows is contingent on the region remaining on a path of economic growth in the face of downward revisions to growth projections, restrictive external financial conditions, and elections in some countries in the region.

Finally, the regional trade outlook is critically dependent on global trade trends. Not only do the lead indicators suggest that trade flows are in a slowdown phase, they also point to an erosion of

expectations among international trade operators. Overcoming the tensions currently escalating between the United States and China would improve the international trade climate. Conversely, continued widespread trade frictions could lead to increased uncertainty, which would have a negative impact on investment and exert further downward pressure on commodity prices and trade flows.

ESTIMACIONES DE LAS TENDENCIAS COMERCIALES

AMÉRICA LATINA

Y EL CARIBE

Versión publicada en Enero 2019

EDICIÓN 2019

Sector de Integración y Comercio

THE EXPORT RECOVERY LOSES MOMENTUM IN LATIN AMERICA AND THE CARIBBEAN

Highlights

The value of Latin American and Caribbean exports grew at an estimated year-on-year rate of 9.9% in 2018.

Commodity prices bolstered growth against a backdrop of increased downward pressures.

Growth in export volumes was weak and slowed down markedly toward the end of the year.

This cooling of the growth in export values was mainly due to the performance of South America and, to a lesser extent, Central America.

The total value of exports from Latin America and the Caribbean (LAC) grew at an estimated 9.9% in 2018, which points to a marked slowdown in comparison with 2017, when it increased by 12.2% (Figure 1).[1] The region's exports reached US$1,077 billion, close to the record high of 2012. Prices remained the main driving force in a context of low growth in export volumes. In 2018, the performance of LAC trade was relatively worse than that of global trade, which increased at a cumulative year-on-year rate of 11.6% between January and September. However, growth in both regional and global trade slowed down over the course of the year.

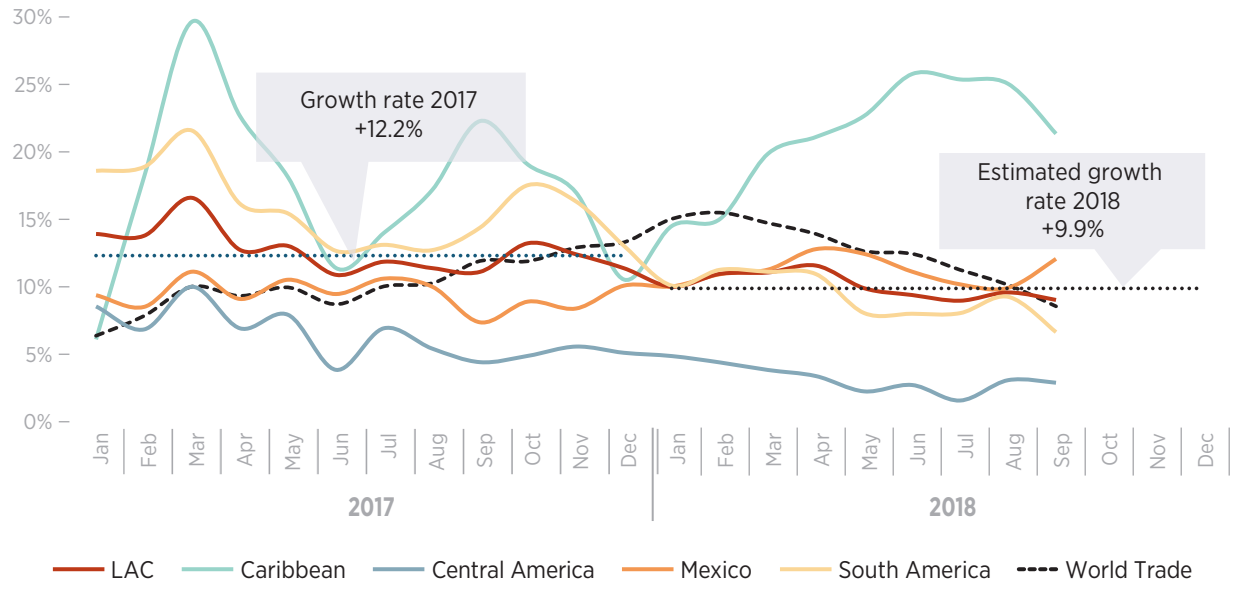
The performance of LAC exports is mainly explained by lower growth in South America and, to a lesser extent, in Central America, partially offset by the vibrancy of exports from Mexico and the

[1] This data includes information from 26 Latin American and Caribbean countries (Argentina, The Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, Uruguay, and Venezuela). See the Methodological Note for additional information on the procedures, time periods, and data sources used in the estimates.

Caribbean. The slower growth in exports was essentially driven by a moderation, and in some cases a decline, of commodity prices. Moreover, the growth of LAC export volumes slowed down.

In contrast, the estimated growth of the value of imports of LAC in 2018 was 12.3%, which is higher than the 8.4% recorded in 2017. Over the course of the year, the growth rate of imports accelerated and outstripped that of exports.

FIGURE 1 • VALUE OF LATIN AMERICAN AND CARIBBEAN EXPORTS AND WORLD TRADE
(Year-on-year growth rate, 3-month moving average, percentage, 2017–2018)



Source: IDB Integration and Trade Sector with data from official sources and the Netherlands Bureau for Economic Policy Analysis (CPB) for world trade.
Note: LAC includes 18 countries in Latin America: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela; and 8 Caribbean countries: The Bahamas, Barbados, Belize, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago. World trade is calculated as the average of world exports and imports.

General Outlook

Exports of Latin America and the Caribbean grew at an estimated 9.9% in 2018, which is markedly lower than the rate of 2017 (12.2%). The slowdown mainly reflects the performance of exports from South America and, to a lesser extent, Central America, which were partially offset by the higher rate of growth in exports from Mexico and the Caribbean.

South America recorded an estimated increase in exports of 8.9% in 2018, after experiencing a 15.1% expansion in 2017. However, the value of exports is still 20% below the record high of 2011. The slowdown in the growth rate is explained by low export volumes and the reversal of price trends for some of the commodities exported by these countries. Exports to China played a major role in defining this scenario: although these grew at a lower rate than in 2017, they still outstripped the average growth rate by more than twofold and accounted for half of the total growth in the value of South American exports. Intraregional sales were also significant and accounted for an additional fifth of the total increase.

Exports of **Mesoamerica** are estimated to have grown by 10.6% in 2018, driven by an increase of 11.5% in Mexico and 3.0% in Central America. While the former accelerated in comparison with 2017 (9.5%), especially in the first part of the year, the rate of growth for Central American exports waned over the course of 2018 (5.8% growth in 2017). The United States (U.S.) accounted for more than three-quarters of the total increase and significant growth was also observed in exports to China, the rest of Asia and the European Union (EU).

The **Caribbean** reported an estimated increase of 22.4% in exports in 2018, due to the remarkable performance of Trinidad and Tobago and positive growth rates in all countries of the subregion, with the exception of Belize and Guyana.[2]

In sum, export growth in LAC slowed down in 2018. South America's moderate performance was the main driver behind the regional trend, which in turn was the result of weaker volumes and prices. Central American exports followed a similar pattern, and the improved export performance of Mexico and the Caribbean were not enough to make up for the downturn in the rest of the region.

Although exports from nearly all LAC countries (except Uruguay, Guatemala, Belize, and Guyana) increased in 2018, the growth in most of them was lower than in 2017.

[2] The Caribbean includes The Bahamas, Barbados, Belize, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago.

Prices

The driving forces behind the 2017 recovery were improvements in the price of some of the main commodities that LAC exports. However, in 2018, this trend was not sustained in several key markets (Figure 2). With the exception of oil, prices of the most significant Latin American export commodities showed negative trends throughout the year. Downward pressures were prompted by the appreciation of the U.S. dollar, as well as by market-specific factors. The dollar strengthened as a result of adjustments to the U.S. monetary policy, stock market corrections, greater financial uncertainty, and increased trade tensions between some of the major players in the world economy.[3] This change in the economic context took place at a time when most prices were at less than half their record highs.

Oil was the exception to the overall negative trend. Since mid-2017, its price has risen almost continuously. Between January and November 2018, it grew 33.6% year-on-year. Greater global demand, coupled with an agreement to cut production in OPEC countries and adjustments in unconventional extraction, have led to reductions in inventories, resulting in price increases. However, this trend changed direction in early October and prices have begun to fall back to late 2017 levels, due to a higher supply. The world's main crude oil producers reacted by agreeing in early December to, once again, cut back production with the objective of sustaining prices. In November, the price of oil was still 50% below the record high of July 2008.

Iron ore prices have remained relatively stable throughout 2018, although the average price between January and November was 6.5% lower than in the same period in 2017. Downward pressure in this market is the result of the implementation of environmental measures in China, which have restricted demand, and the application of tariffs on imports of certain steel products into the U.S. Consequently, the price of iron ore is well below previous high points and in November it was 62% lower than the peak of 2011.

Copper performed positively until mid-2018, but its price began to contract in September resulting from the deceleration of demand from China. The year-on-year increase for January–November was 6.1%, half the growth experienced in the first part of the year. Despite the significant increase over the last two years, in November the price of copper was still 39% below the all-time high of 2011.

The price of **sugar** has been falling continuously for 18 months. The increase in supply from major producers against a backdrop of weak demand had a significant impact on the sugar market. Between January and November 2018, sugar prices dropped 23.4% year-on-year in comparison with 2017, when they fell at half that rate (-12.7%). In November 2018, the price of sugar was 60% below the record high of 2011.

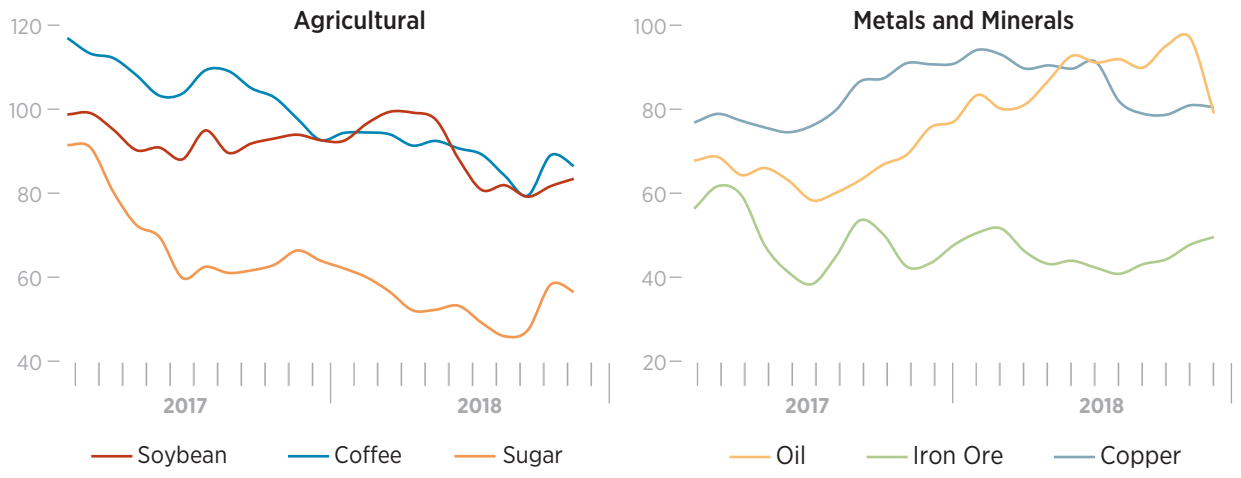
The price of **coffee** also followed a downward trend throughout 2017 and 2018. In January–November 2018, prices were 16.4% lower than in the same period in 2017 and around 50% below the peak of 2011. The decline was driven by a notable increase in supply, mainly from Brazil.

The price of **soybean** increased between late 2017 and early 2018 due to a contraction in supply from Argentina. However, there was a change in trend from the second quarter onward, due to the threat of a 25% tariff being imposed on imports of China from the U.S., which materialized in July. Over the

[3] For more details on the factors that explain the evolution of commodity prices in general and that of oil in particular, see Giordano *et al.* (2018), Flying to Quality, *Trade and Integration Monitor*, IDB.

course of 11 months, the price of soybean fell by 4.3% year-on-year. In November 2018, the price was almost 50% below the all-time high of 2012.

FIGURE 2 • PRICES OF THE MAIN EXPORT PRODUCTS OF LATIN AMERICA AND THE CARIBBEAN
(Index 2010=100, 2017–2018)



Source: IDB Integration and Trade Sector with data from Bloomberg.

Volumes

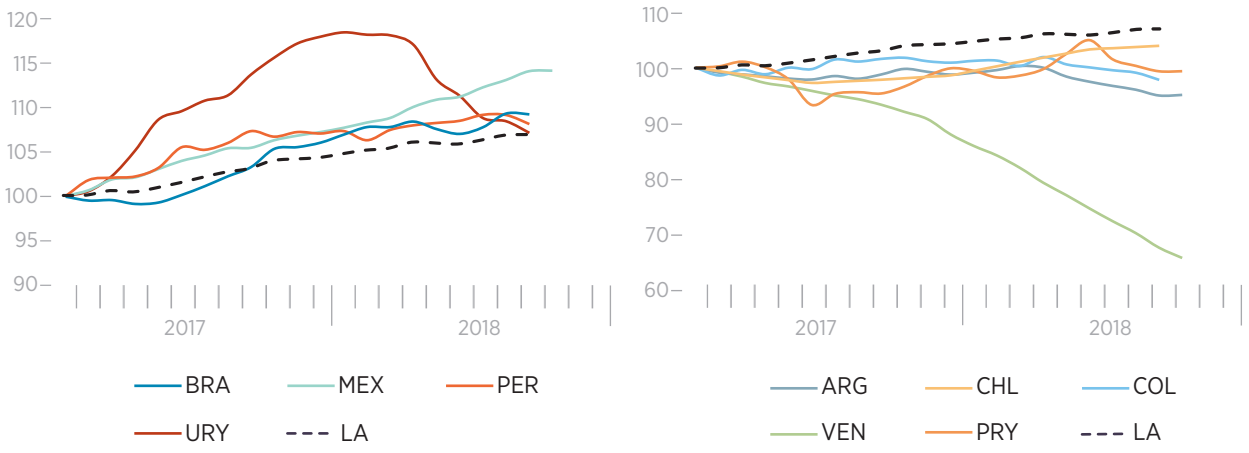
Export volumes, which had accelerated at an average rate of 4% in 2017, lost momentum significantly in 2018 and are estimated to have grown only by 2%, according to the data available for nine Latin American (LA) countries (Figure 3).[4]

Mexico and Chile were the only countries in the region whose real export performance improved. In **Mexico**, export volumes grew by 8% in 2017 and are estimated to have increased 9% in 2018. **Chile**, meanwhile, reversed the 2% downturn of 2017 and reported an increase in exported volume of 7% in 2018.

Measured at constant prices, **Brazil**'s exports grew 3% in 2018 but slowed down notably over the course of the year, while they increased 7% in 2017. Higher exports of soybean—driven by an increase of demand from China, which has sought alternative suppliers after imposing a tariff against the U.S.—have only partially offset the sharp drop in Brazil's sugar production caused by droughts in the south of the country.

[4] The 2018 estimate draws on data from nine countries: Argentina, Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay, and Venezuela. Data differs from the estimation in Giordano *et al.* (2018), Flying to Quality, *Trade and Integration Monitor*, IDB, due to methodological differences.

FIGURE 3 • EXPORT VOLUMES FOR SELECTED COUNTRIES
(Indexes, 12-month moving average, January 2017=100, 2017–2018)



Source: IDB Integration and Trade Sector based on data from official sources, Bureau of Labor Statistics (BLS), and the Organization of Petroleum Exporting Countries (OPEC).
Note: The value of Mexico's exports is deflated with BLS indexes, and the volume exported by Venezuela is estimated with OPEC data. LA is the average of national indices weighted by the value of exports of each country in 2010. The sample represents 93% of LA's foreign sales in that year. See the Methodological Note for additional details.

A slowdown in export volumes was also reported in **Peru**. Real external sales are estimated to have risen by just 1% in 2018, after having done so by 8% in 2017. The result reflects lower exports of gold, lead, petroleum products, and natural gas.

In **Paraguay**, export volumes contracted at similar rates in 2018 and the previous year (-1%). The downturn in grain production, especially wheat, was the main factor behind the contraction, although the overall performance was also affected by lower exports of electricity.

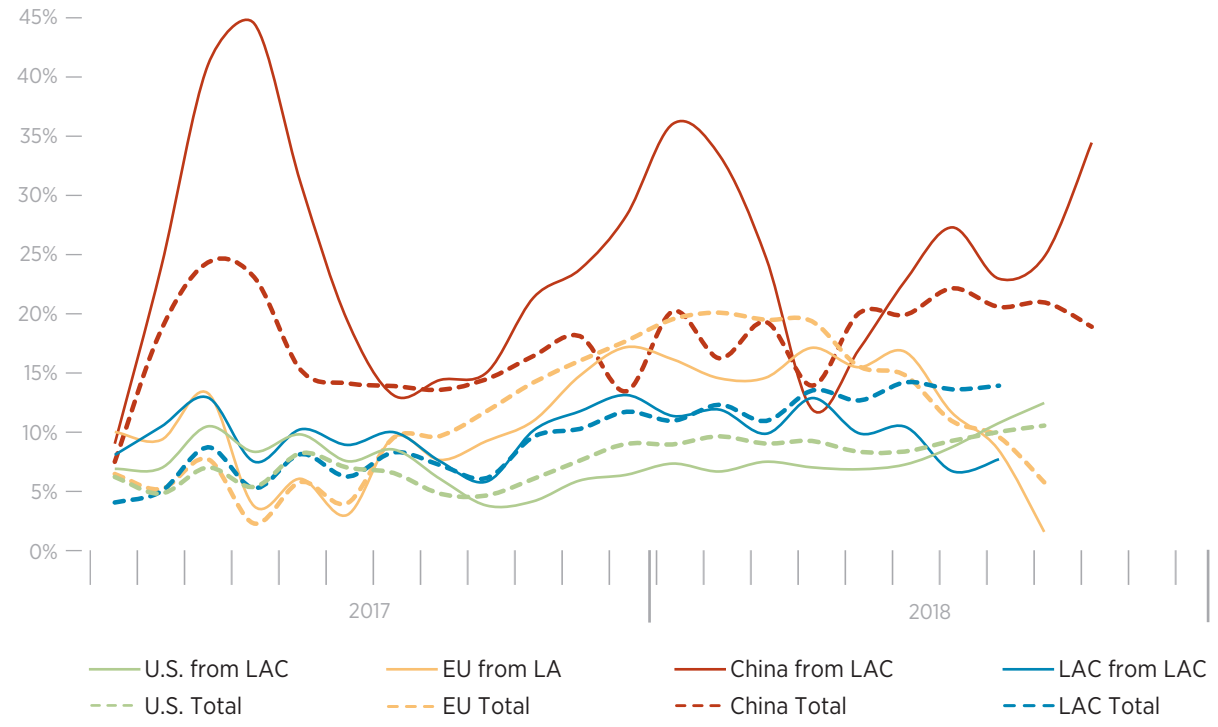
Real exports from Argentina and Colombia are estimated to have fallen in 2018 (-4%) after being relatively stagnant in 2017. In **Argentina**, the drought at the beginning of the year, among other factors, affected the production of commodities and agricultural manufactures. In **Colombia**, the decrease was explained by the performance of fuels exports.

Finally, Venezuela and Uruguay recorded a strong contraction in export volumes in 2018 (-29% and -12%, respectively). In **Venezuela**, this represented a sharp decline with respect to the pattern observed in 2017, when volumes contracted by 13%. **Uruguay** experienced a notable reversal in its performance of 2017 due to a severe drought that affected soybean and wheat production after a record harvest in 2017.

Markets

Demand varied greatly in the main LAC export markets in 2018 (Figure 4). China was the region's most dynamic trade partner, while the growth of imports of the U.S.—the main destination for LAC exports—was below average. Even so, the U.S. made the largest contribution to total growth in LAC's external sales. The U.S. and China accounted for two-thirds of the total increase. Purchases from the EU and within LAC were positive but declined over the course of the year.

FIGURE 4 • VALUE OF IMPORTS OF THE MAIN TRADING PARTNERS FROM LATIN AMERICA AND THE CARIBBEAN AND THE WORLD
(Year-on-year growth rate, 3-month moving average, percentage, 2017–2018)



Source: IDB Integration and Trade Sector with data from the International Monetary Fund (IMF), the U.S. International Trade Commission (USITC), Eurostat, China Customs, and national sources.
Note: The import series for all economies are valued in U.S. dollars. For China, the U.S., and LAC, imports reported correspond to the aggregate for Latin America and the Caribbean, while for the EU they correspond only to Latin America.

China was the most dynamic destination for LAC exports. Its imports are estimated to have grown by 24.2% in 2018 and have accounted for more than a quarter of the total increase. This performance was largely due to the evolution of the prices of the commodities LAC exports to China, which in turn explained the considerable volatility in Chinese imports from the region. Growth accelerated sharply in the second half of the year, when China's demand for soybeans shifted toward Brazil as a result of the implementation of restrictive trade policies against the U.S. China's total imports have grown relatively more stably. However, as growth rates of total imports trailed growth in imports from Latin America, the region has managed to increase its market share.

U.S. imports from LAC expanded at an estimated rate of 8.6% in 2018 and accounted for almost 40% of the total increase in LAC exports. U.S. purchases from both the region and the rest of the world increased over the course of the year. However, it should be noted that most of this growth is explained by imports from Mexico, given that South American exports grew by just 1.5% and Central American sales by 5.7%.

EU purchases from LAC are estimated to have increased by 10.6% in 2018. However, there was a sharp deceleration from the second quarter onward. The cooling of European demand was also observed in imports from other regions but in the case of purchases from LAC, this change in trend was coupled with values still 30% below the peak of 2014.

LAC imports from within the region grew at a rate below the average of exports in 2018 (7.8%). During the first part of the year, intraregional import flows evolved similarly to total imports. However, from the second quarter onward, there was a sharp downturn in the rate of growth of purchases from within LAC which led to a notable decrease in market share.

Performance by subregion

The slowdown in the rate of growth of LAC exports in 2018 reflects the performance of the majority of the economies of the region (Table 1). Positive growth rates were recorded for nearly every country, but only a few of these were higher than in 2017. The following section analyzes the factors and destinations that explain the evolution of external sales in the different LAC subregions and countries in 2018 (Figure 5).

South America

Exports from South American countries grew 8.9% in 2018, reaching US$549 billion. Although this rate is significant, it is around half that of 2017 (15.1%), and external sales from South America remain 20% below the all-time high of 2011. The decline in performance reflects the behavior of exports from almost all countries except Argentina, Ecuador, and Paraguay. China was the most dynamic destination market (25.1%) and accounted for more than half of the growth in total South American foreign sales. Exports to the rest of LAC increased 7.9% and contributed an additional fifth to total growth. The weak increase in shipments to the U.S. (1.5%) is noteworthy and largely explains the slowdown in export growth in comparison with 2017.

Ecuador experienced an estimated 16.0% expansion in exports in 2018, which represented a slight acceleration with respect to 2017 (13.8%). The positive trend took place in all major destinations. While exports to China grew the most (87.4%) and contributed with 4 p.p. to the total, the increase in sales to LAC (24.4%) was more significant as it accounted for more than half of total growth.[5] External sales of crude oil increased 34.5% and contributed 11 p.p. to total growth.

Exports from **Colombia** are estimated to have increased by 14.0% in 2018, which translates into a slight cooling in comparison with 2017 (19.3%) and resulted from a contraction in export volumes (-4%). Exports to China and the rest of Asia grew remarkably (80.8% and 41.6%, respectively) and accounted for almost half of the total increase in export value. Sales to the U.S. increased by 6.6% while those to the EU contracted by 9.7%. Oil sales increased 31.7% and explained 11 p.p. of the total variation in exports.

In 2018, exports from **Bolivia** expanded at an estimated 12.9%, slightly below the rate of 2017 (15.5%), and were mainly driven by the evolution of prices, as export volumes grew by just 0.5%. The boost in sales to the rest of South America (21.4%), particularly to Argentina and Brazil, accounted for three-quarters of the country's total export growth. Exports to Asia (excluding China) were also very dynamic (17.1%) and helped balanced plummeting sales to the U.S. (-21.6%) and the EU (-1.8%). The products that positively contributed the most were natural gas and, to a lesser extent, zinc ore.

[5] Peru and Panama were the LAC countries to which Ecuador's exports increased most. It is worth noting that Panama is usually an intermediate destination market from which products are then re-exported to the rest of the world. This is particularly true for oil.

Foreign sales in **Chile** grew an estimated 10.6% in 2018, which implies a slight slowdown with respect to 2017 (14.0%). An improvement in the performance of export volume (7%) was coupled with moderate growth in export prices (5%). The sharp increase in exports to China (32.8%) accounted for 9 p.p. of the country's export growth, while other major destinations performed less dynamically. On the one hand, shipments to the rest of South America contracted (-2.5%). On the other hand, sales increased to the rest of LAC partners, especially Mexico (14.6%). The positive export performance was largely explained by copper sales.

Exports of **Peru** in 2018 are estimated to have increased by 10.3%, less than half the growth rate it experienced in 2017 (22.0%). The slowdown is mainly driven by the relative stagnation of export volumes in 2018. Sales to the U.S., China, and the rest of Asia rose by close to 20% and accounted for almost all of export growth. Of the growth in export values, 6 p.p. are explained by the mining sector, notably copper and, to a lesser extent, zinc. Oil and gas exports contributed an additional 2 p.p.

In 2018, **Brazil** experienced a marked slowdown in export growth in comparison with 2017, recording growth rates of 9.9% and 17.5%, respectively. The price and volume dynamics played roughly even roles. The 31.7% increase in exports to China accounted for three-quarters of the country's total export growth and there was also a marked increase in exports to the EU (20.8%). In contrast, sales to other major partners did not show such a positive performance, particularly to the rest of South America, mainly due to the decrease in exports to Argentina (-11.2%). Higher sales of petroleum oils and soybean to China were the main drivers of the significant growth in export values.

Exports of **Paraguay** increased 4.7% in 2018 and, unlike most countries in South America, this represented an acceleration in growth in comparison with 2017 (2.1%). The performance was exclusively driven by price increases as export volumes remained stagnant. The growth in the value of sales to the rest of South America (24.7%), in particular Argentina, offset the downturn in exports to all other destinations. Exports that grew the most were soy meal, soy cake, other soy residues, and soybeans. Foreign sales of corn and electric energy declined.

Although the export performance of **Argentina** improved in 2018 after stagnating in 2017, growth was nonetheless relatively weak (3.3%). The increase in prices only partially offset the decrease in volumes (-4%). The expansion of the value of sales to the rest of South America (15.8%), particularly Brazil and, to a lesser extent, the EU (6.6%), compensated for the contraction in exports to other destinations. The largest increases in export value were in oil, vehicles, and some agricultural manufactures such as cereals and dairy products, which were partially offset by the contraction of commodity exports. In particular, soybean and soy oil exports were affected by a severe drought.

According to own estimates, exports of **Venezuela** stagnated in 2018 after having grown a remarkable 21.7% in 2017. Higher oil prices, the country's main export product, were offset by a sharp contraction in export volumes (-29%). Plummeting exports to all major destinations were compensated by a surge in sales to the United Arab Emirates.

Finally, **Uruguay** was the only country in South America whose exports contracted in 2018 (-4.4%), due to a sharp drop in export volumes (-12%). The decline was recorded in most of the main trading partners, with South America, particularly Brazil, contributing the most. The drought had a negative impact on the production of agricultural goods, in particular soybean.

TABLE 1 • GROWTH OF LATIN AMERICAN AND CARIBBEAN EXPORTS BY SELECTED DESTINATIONS
(Annual growth rate, percentage, 2017 and 2018)

Exporting Group/ member	2018 vs 2017							2017 vs 2016
	Subregion	Latin America and the Caribbean	United States	Asia (excl. China)	China	European Union	World Total	World Total
SOUTH AMERICA	**8.1**	**7.9**	**1.5**	**-3.3**	**25.1**	**9.8**	↓ **8.9**	**15.1**
Argentina	15.8	15.0	-9.2	-6.9	-23.1	6.6	↑ 3.3	1.3
Bolivia	21.4	22.3	-21.6	17.1	1.8	-1.8	↓ 12.9	15.5
Brazil	2.3	5.0	7.9	-9.7	31.7	20.8	↓ 9.9	17.5
Chile	-2.5	-0.5	8.0	-1.0	32.8	2.5	↓ 10.6	14.0
Colombia	17.4	10.8	6.6	41.6	80.8	-9.7	↓ 14.0	19.3
Ecuador	25.8	24.4	7.8	9.5	87.4	3.8	↑ 16.0	13.8
Paraguay	24.7	24.1	-0.4	-13.0	-11.4	-34.6	↑ 4.7	2.1
Peru	7.9	-3.7	19.5	22.5	20.5	7.8	↓ 10.3	22.0
Uruguay	-5.5	-4.6	-3.8	10.2	0.1	-3.0	↓ -4.4	12.3
Venezuela	-64.5	-48.7	-30.1	-19.5	-18.6	-36.0	↓ 0.5	21.7
MESOAMERICA	**4.5**	**7.3**	**10.2**	**11.0**	**13.2**	**12.8**	↑ **10.6**	**9.1**
Mexico	7.4	11.5	10.5	12.2	13.2	15.8	↑ 11.5	9.5
Central America	**2.6**	**1.8**	**5.7**	**3.2**	**14.1**	**1.5**	↓ **3.0**	**5.8**
Costa Rica	1.9	2.1	4.5	37.8	97.3	6.1	↓ 5.6	7.0
Dominican Republic	-2.4	5.8	13.9	27.3	-23.0	17.3	↑ 8.5	1.0
El Salvador	7.4	6.7	2.7	-51.9	77.1	-0.9	↓ 3.1	6.3
Guatemala	-2.0	-0.9	4.7	-45.8	-9.6	1.1	↓ -2.6	5.1
Honduras	6.8	8.4	0.8	10.5	72.4	-14.6	↓ 0.3	9.3
Nicaragua	6.6	-11.5	6.1	9.1	n.d.	-1.5	↓ 3.5	7.2
Panama	9.9	6.6	2.6	2.6	6.8	7.4	↑ 4.8	3.8
CARIBBEAN	**11.6**	**18.7**	**3.6**	**-19.9**	**44.4**	**2.3**	↑ **22.4**	**18.0**
Bahamas	n.a.	325.5	-5.5	n.a.	n.a.	-44.1	↑ 1.1	-1.5
Barbados	19.2	16.7	-4.3	-14.8	-36.3	-20.6	↑ 4.6	1.0
Belize	10.8	18.5	-18.5	n.a.	n.a.	-20.2	↓ -14.2	11.0
Guyana	16.9	8.3	13.4	0.4	18.8	35.1	↓ -4.1	5.9
Haiti	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↑ 8.8	4.9
Jamaica	-9.7	0.5	9.6	-22.0	100.4	1.5	↑ 28.5	9.6
Suriname	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↓ 4.6	41.0
Trinidad and Tobago	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↑ 32.7	20.5
LATIN AMERICA	**8.8**	**7.7**	**8.6**	**-0.7**	**24.2**	**10.6**	↓ **9.7**	**12.1**
LATIN AMERICA AND THE CARIBBEAN	**7.8**	**7.8**	**8.6**	**-0.7**	**24.2**	**10.6**	↓ **9.9**	**12.2**

Source: IDB Integration and Trade Sector with data from official sources, except for the figures for Venezuela, which were estimated with data from the OPEC and the IMF.
Note: The table does not include the growth rates or absolute changes of non-selected destinations. Thus, the sum of absolute changes does not match the total. Data for Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua include exports under Special Trade Regimes (STR) and The Bahamas includes re-exports. For individual Central American countries, the subregion corresponds to Mesoamerica, whereas for Central America, Mexico is excluded and the subregion includes only intra-Central American trade. See the Methodological Note for additional information on the procedures, time periods, and data sources used in the estimates. n.a. stands for data not available. The arrows show the variation with respect to the previous year.

Mesoamerica

Mesoamerican exports increased 10.6% in 2018, compared to 9.1% in 2017. The acceleration is explained by faster growth of exports from Mexico, which increased 9.5% in 2017 and 11.5% in 2018. In contrast, growth in Central America slowed from 5.8% to 3.0%.[6] Coffee and sugar accounted for a large proportion of the decline in the export performance of several Central American economies, mainly driven by falling prices. At the same time, improvements in exports through Special Trade Regimes (STR) offset the contraction in most countries. The 10.2% growth in exports to the U.S. accounted for more than three-quarters of the total increase in Mesoamerican external sales. Exports to China (13.2%), the rest of Asia (11.0%), and the EU (12.8%) were particularly dynamic.

The rate of growth of exports from **Mexico** accelerated in 2018 in comparison with 2017 (11.5% and 9.5%, respectively). The expansion in sales to the U.S. (10.5%) explained three-quarters of the total increase. However, the most dynamic destinations were the EU (15.8%), China (13.2%), and the rest of Asia (12.2%). Vehicles and vehicle parts accounted for 33% of export growth and fuels for an additional 20%.

The **Dominican Republic** experienced an estimated export growth of 8.5% in 2018, in contrast to the weak growth registered in 2017 (1.0%). Exports increased both from STR (9.8%) and the National Customs Territory (NCT) (6.2%), with electrical machinery and equipment, iron and steel manufactures, pharmaceutical products, and cocoa and cocoa preparations contributing the most to growth. Additionally, the increase was driven almost exclusively by sales to the U.S. Intraregional exports contracted (-2.4%), while there was a significant increase in exports to Asia (excluding China) (27.3%) and the EU (17.3%).

Foreign sales from **Costa Rica** grew at an estimated 5.6% in 2018, slightly below the 2017 rate (7.0%). STR exports grew faster than exports from NCT (8.6% and 2.7%, respectively). Exports to all major destinations increased, although the U.S. and Asia (excluding China) contributed the most to total growth, accounting for around one-third each. Medical and dental instruments and supplies contributed to almost half of this growth.

Panama registered an estimated increase in exports of 4.8% in 2018, displaying a slight acceleration over the rate of 2017 (3.8%). Sales to all major destinations grew. The EU was the main contributor to total growth, followed by LAC. Exports of steel waste and scrap, copper and aluminum, and timber expanded, while more traditional products such as shrimp, fish, and coffee registered falling sales.

Exports of **Nicaragua** are estimated to have grown 3.5% in 2018, which represents half the growth rate of 2017 (7.2%). The result was driven by a 9.5% increase in exports through STR that was offset by a 2.5% drop in sales from NCT. The former was explained by textiles, tobacco, honey, footwear, palm oil, cardboard, and fruits and vegetables, whereas the contraction of the latter was mainly driven by coffee and sugar. While there was a sharp downturn in sales to the rest of LAC, particularly to Venezuela, exports to the rest of Central America and the U.S. grew (6.6% and 6.1%, respectively).

[6] These figures include exports from the National Customs Territory and under Special Trade Regimes (STR) in Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua, while exports from Panama only include those from the respective National Customs Territory. STR include regimes such as free zones and inward processing, through which goods are admitted under special provisions (customs, tariff, tax, etc.) for processing and subsequent export. Exports from the national customs territory do not benefit from these special provisions.

In 2018, foreign sales from **El Salvador** are estimated to have increased 3.1%, less than half the annual average of the previous year (6.3%), mainly explained by the slowdown in sales to the U.S., the country's main trading partner. While exports from STR grew sharply (16.3%), those from the NTC stagnated. Apparel and accessories and electrical machinery and appliances made the largest contributions to growth, offsetting the fall in sugar and coffee. Intraregional exports grew by 6.7% and drove the overall increase, offsetting contractions in shipments to Asia (excluding China) (-51.9%) and the EU (-0.9%). There was also a marked increase in exports to China (77.1%).

Exports from **Honduras** grew an estimated 0.3% in 2018, representing a dramatic deceleration with respect to 2017 (9.3%). External sales through STR increased 4.0% and offset the contraction in exports from NCT (-2.8%). The poor performance was explained by weak sales to the EU (-14.6%) and the stagnation of shipments to the U.S. Apparel, electrical parts, and transportation equipment particularly contributed to the increase in exports through STR, while coffee was the main driver of the fall of exports from NCT.

Guatemala was the only Central American country whose exports contracted in 2018 (-2.6%), in sharp contrast with the 5.1% increase in 2017. This downturn affected both sales through STR (-1.4%) and from the NCT (-3.3%). The contraction in sugar and coffee exports was not offset by the increase in sales of apparel, iron and steel, and electricity. The slight expansion in exports to the U.S. (4.7%) was not enough to compensate for the downturn in shipments to most of the country's other major destination markets. Most of the overall contraction was explained by the 45.8% drop in exports to Asia (excluding China), driven by a decrease in sugar exports.

Caribbean

Caribbean exports accelerated sharply in 2018, growing at an estimated 22.4% compared to 18.0% in 2017. Exports from all Caribbean countries increased, except for Belize and Guyana. However, most of this expansion was driven by the marked improvement in the performance of Trinidad and Tobago. The most dynamic destinations were China and LAC, which made the greatest contributions to growth in Caribbean foreign sales.[7]

Exports of **Trinidad and Tobago** recorded an estimated increase of 32.7%. Energy sales were the main contributor to growth and were driven by higher prices.

Foreign sales of **Jamaica** expanded at 28.5% in 2018. While China was the most dynamic destination, intraregional exports contracted. Mining and quarrying was the sector responsible for the boost in exports.

Exports of **Haiti** grew 8.8% in 2018 following a moderate expansion in 2017 (4.9%). For Suriname the growth rate was of 4.6%, in sharp contrast with the positive performance of 2017 (41.0%).

The 4.6% increase in foreign sales from **Barbados** was entirely due to higher intraregional sales, as those to all other major destinations contracted. The products that contributed positively were electrical lighting equipment, cement, iron and steel products, and rum and other spirits.

[7] The analysis by destination excludes Haiti, Suriname, and Trinidad and Tobago due to the lack of disaggregated data by partner for these countries.

FIGURE 5. CONTRIBUTION OF MAIN TRADING PARTNERS TO THE VARIATION IN EXPORTS OF LATIN AMERICA AND THE CARIBBEAN

(Annual growth rate, percentage and percentage points, 2018)

Source: IDB Integration and Trade Sector with data from official sources.
Note: The Caribbean does not include Haiti, Suriname, and Trinidad and Tobago as no disaggregated data by destination were available. As a result, total variation for the Caribbean differs from the rate in Table 1.

Exports of **The Bahamas** stagnated in 2018 after falling 1.5% in 2017.[8] The huge increase in exports to LAC (325.5%) was not enough to offset the decrease in sales to the U.S. (-5.5%) and the EU (-44.1%). The fall in exports of chemical products and food and live animals was compensated by increases in sales of minerals, fuels and lubricants, and machinery and transport equipment.

External sales from **Guyana** decreased 4.1% in 2018, after growing 5.9% in 2017. The decline in exports to Canada—the main export destination for Guyana—and South America, in particular to Venezuela, partly offset increases to other destinations. The sharp contraction was driven by lower sales of the country's main export product, raw gold.

Belize experienced a drop in exports in 2018 of 14.2%, which was the result of contractions in exports to the EU (-20.2%) and the U.S. (-18.5%). The poor performance was the result of a decline in sugar exports (-25.9%) driven by lower prices and stagnant volumes.

[8] Data for The Bahamas includes re-exports.

Conclusion

LAC exports grew at an estimated year-on-year rate of 9.9% in 2018. This points to a slowdown in comparison with the 2017 average of 12.2%, which brought four continuous years of contraction to an end. The slowdown intensified over the course of the year and was largely explained by the decline in the export performance of South America and, to a lesser extent, Central America, neither of which were offset by the improvement in Mexico and the Caribbean.

Growth in exports from the region not only lost momentum, it was also weaker than that of global trade, which is estimated to have increased by 11.6% year-on-year in the first three quarters of the year. The slowdown of Latin American and the Caribbean exports was mainly driven by the deterioration in prices of major export products. However, in most countries in the region a notable decline in volumes was also registered.

The trade performance of South America weakened due to the price dynamics of the commodities that make up its export basket. Since early 2018, there has been a substantial contraction in the prices of agricultural and mining commodities, only partially offset by the upward, yet volatile, trend in the oil market. The positive export performance of Mexico contributed to the increase in the aggregate regional result and was mainly driven by a significant expansion in export volumes.

Demand from the U.S. accelerated and accounted for more than one-third of total export growth. However, the expansion mostly benefited Mexico. China was the most dynamic export market in 2018 and accounted for more than a quarter of total growth, although it showed a highly unstable pattern. In contrast, the growth in exports to the EU slowed down dramatically throughout the year. At the same time, not only did exports to LAC itself lose momentum, they also grew at a much lower rate than total imports, causing a sharp contraction of the intraregional market share.

Although the export performance of LAC was overall positive, the slowdown affecting most of the region is unfolding against a backdrop of growing external risks. The intensification of some sources of instability already present in the global context may contribute to the worsening of LAC's export performance going forward.

On the one hand, South American exports have weakened in a context of downward pressures in several commodity markets and an overall slowdown in the growth of world trade. On the other, the improvements in the performance of Mesoamerican exports was mainly explained by sales of Mexico to the U.S. in a climate of uncertainty around the ratification of the new North American preferential trade agreement. Demand from the EU is stagnating, and questions remain open regarding the possibility of improving the preferential access regime for some of the larger economies of the region. Likewise, growth in intraregional trade flows is contingent on the region remaining on a positive economic growth path, despite an external context marked by more restrictive financial conditions and a balance of risks tilted on the downside, which could affect the region's economic prospects.

Lastly, risks affecting the region's economic trade prospects critically depend on the outcome of global trade tensions. The success of the recently announced trade truce between the United States and China may drive an improvement of the international trade outlook. On the other hand, lingering widespread trade frictions may lead to further disputes in the multilateral framework, greater volatility in financial markets, higher uncertainty with negative impact on investment, supply chains disruptions, and stronger downward pressure on commodity prices.

In order to move beyond the current environment marked by significant downside risks, Latin American and Caribbean countries need to increase trade competitiveness and boost regional integration, which could function as an effective insurance policy.

Methodological Note

The estimates for Latin American and Caribbean exports as of December 2018 were calculated using data available through December 7, 2018, and were based on the assumption that trade trends observed in LAC during 2018 would be sustained until the end of the year. The data used was for the following periods: January–November for Brazil and Paraguay; January–October for Argentina, Belize, Bolivia, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Uruguay, and Venezuela; January–September for Barbados, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Panama, and Suriname; and January–June for Bahamas and Trinidad and Tobago. For Chile, the variation of exports by destination was estimated using data for January–October 2018, and the variation of total exports was estimated using data for January–November, on the assumption that the pattern for these ten months will hold true for the rest of the year. For Peru, the variation of exports by destination was estimated using data for January–September 2018, and the variation of total exports was estimated using data for January–October, on the assumption that the pattern for these nine months will hold true between October and December. Figures for Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua include STR exports and figures for the Bahamas include re-exports. Venezuela's exports were estimated by combining price data from the Merey-type oil price series and import data from the country's main trading partners.

The estimates of Latin American and Caribbean exports for the first quarter of 2019 were calculated using data available through May 31, 2019, for 18 countries in Latin America and 5 countries in the Caribbean. The data used was for the following periods: January–March for Argentina, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Panama, Paraguay, Suriname and Uruguay. For Peru and Nicaragua, the cumulative variation of exports by destination as of March was estimated using data for January–February 2019, and the variation of total exports was estimated with data for January–March, on the assumption that the pattern for these two months would hold true for March. The quarterly estimate for Jamaica was based on cumulative data as of February 2019. Venezuela's exports were estimated by combining price data from the Merey-type oil price series and import data from the country's main trading partners. The data for Costa Rica, the Dominican Republic, El Salvador, Guatemala, and Nicaragua include STR exports.

The aggregate volume indices for Latin America include ten countries: Argentina, Brazil, Chile, Colombia, El Salvador, Mexico, Paraguay, Peru, Uruguay, and Venezuela. The export volume indices were calculated using data from official sources for Argentina (National Institute of Statistics and Censuses), Brazil (Center for Foreign Trade Studies Foundation), Chile (Central Bank of Chile), Colombia (Bank of the Republic), Peru (Central Reserve Bank), and Uruguay (Central Bank). The series for Paraguay was calculated using data on export volumes for the country's main products reported by the Central Bank and aggregated according to the export structure of 2010. For Mexico and El Salvador, the series of exports in dollars were deflated using the import price index level published by the BLS. Venezuela's export volumes were calculated using OPEC information on

Merey-type oil prices and production. The national series were aggregated based on countries' shares in total exports valued in dollars in 2010.

The following official data sources were used. Argentina: National Institute of Statistics and Censuses; Bahamas: Department of Statistics; Barbados: Barbados Statistical Service; Belize: Statistical Institute of Belize; Bolivia: National Institute of Statistics; Brazil: Ministry of Development, Industry, and Foreign Trade; Chile: Central Bank of Chile; China: China Customs Statistics; Colombia: National Administrative Department of Statistics; Costa Rica: Central Bank of Costa Rica; the Dominican Republic: General Customs Directorate; Ecuador: Central Bank of Ecuador; El Salvador: Central Reserve Bank of El Salvador; European Union: Eurostat; Guatemala: Bank of Guatemala; Guyana: Bureau of Statistics; Haiti: Bank of the Republic of Haiti; Honduras: Central Bank of Honduras; Jamaica: Statistical Institute of Jamaica; Mexico: Bank of Mexico; Nicaragua: Central Bank of Nicaragua; Panama: National Institute of Statistics and Censuses; Paraguay: Central Bank of Paraguay; Peru: Central Reserve Bank of Peru and National Customs and Tax Administration; Suriname: Central Bank of Suriname; Trinidad and Tobago: Central Bank of Trinidad and Tobago; United States: US International Trade Commission; Uruguay: Central Bank of Uruguay; Venezuela: OPEC and IMF.

The following abbreviations are used in this document: BLS—US Bureau of Labor Statistics; CPB—Netherlands Bureau for Economic Policy Analysis; LA—Latin America; LAC—Latin America and the Caribbean; NCT—national customs territory; OPEC—Organization of Petroleum Exporting Countries; STR—special trade regimes; USITC—US International Trade Commission.

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