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Latin American Trade Trend Estimates 2015

UPDATE 1Q 2015

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This report presents estimates of Latin American international trade flows in 2014 and an update through the first quarter of 2015, prepared by the Integration and Trade Sector (INT) of the Inter-American Development Bank (IDB) in collaboration with the Institute for the Integration of Latin America and the Caribbean (INTAL), under the overall supervision of Antoni Estevadeordal, Manager of INT.

This edition was coordinated by Paolo Giordano, Principal Economist of INT, and written in collaboration with Kathia Michalczewsky and Alejandro Ramos, Consultant and Senior Economist of INTAL, respectively.

Clara Galeazzi, Jeremy Harris and Patricia Iannuzzi contributed to the production of statistical information. Mauro de Oliveira and Manuel Crotto provided technical support. Mauricio Mesquita Moreira and Ziga Vodusek provided valuable comments. Cristina González, Carolina Osorio and Geri Smith supported the team in the preparation and dissemination of the publication.

Estimates are based on preliminary quarterly and monthly data available for eighteen Latin American countries in national and international official sources as well as in INTradeBID, the international trade information system, available at: <http://www.iadb.org/intradebid>. The publication does not present projections for the Caribbean countries due to a lack of adequate data for the region.

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Contraction of Latin American exports sharpens in the first quarter of 2015

Key Facts

Latin American exports suffered a year-over-year decline of 9.1% in 1Q-2015.

Export contraction was felt in all but three countries of the region in the first quarter.

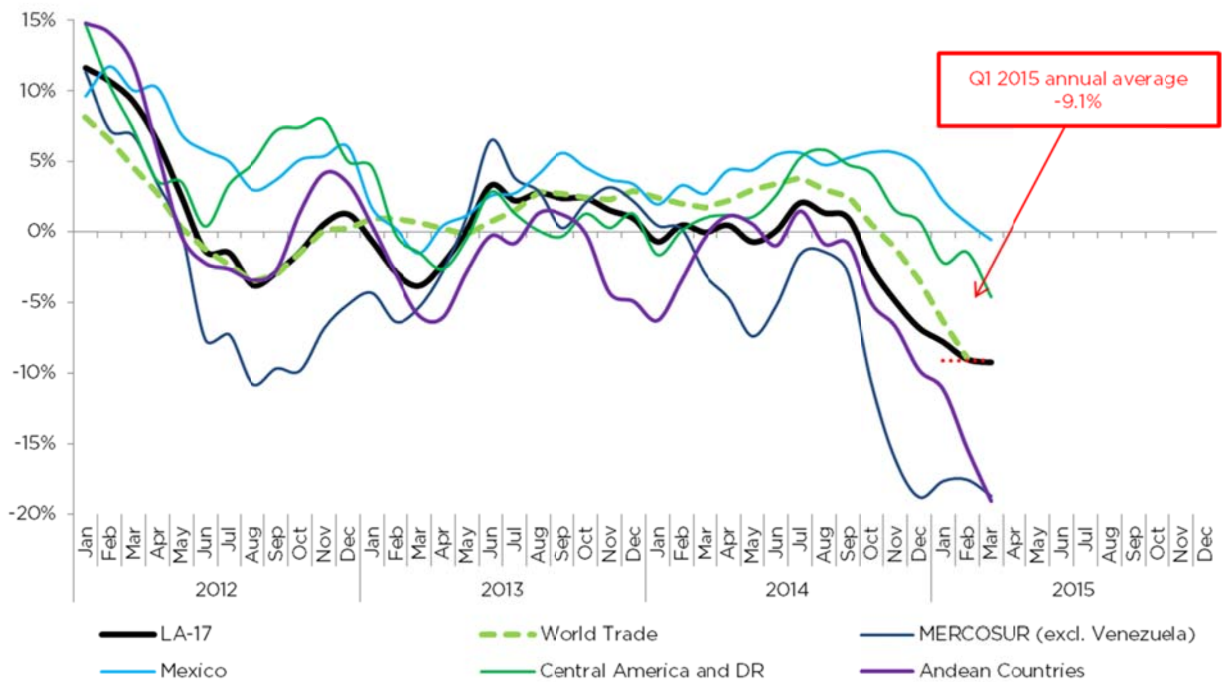
Imports of Latin American goods by the region's three main trading partners fell by 28% for China, 6% for the United States, and 3% for the European Union.

In the first quarter of 2015 the contraction of exports from Latin America accelerated markedly: the year-on-year growth rate through March is estimated at -9.1%.[1] In 2014, exports of goods had already fallen 2.7% and ended the year at US$ 1.04 trillion.[2] The region's foreign sales have gone from a stage of stagnation that began in mid-2012 to one of contraction (Figure 1). Several factors, including the appreciation of the dollar and the drop in commodity prices, mainly petroleum, drove this change in trend, in the context of a generalized slowdown of global trade (-11.6% year-on-year in the first quarter of 2015).

[1] This estimate excludes Venezuela due to the lack of official data. According to estimates based on the evolution of the price of Merey petroleum (Venezuela's main export) foreign sales from that country have likely fallen 53.2% year-on-year in the first quarter of 2015. With the inclusion of this estimate the drop of regional exports would reach 12.8%.

[2] Estimates published by the IDB in December 2014, showing an annual decline of 1.4%, were based on data through September or October of that year and therefore did not incorporate the worsening of international markets that led, among other factors, to the drop in prices for the principal export products of the region in the following months. The estimates are based on quarterly and monthly data available from official national and international sources for seventeen or eighteen Latin American countries. See the Methodological Note for additional information regarding the procedures, time periods, and data sources used in the estimates.

Figure 1. Evolution of Total Exports in Latin America and the World
(Quarterly moving average of year-on-year growth rate, percentage, 2012-2015)



Source: IDB Integration and Trade Sector, based on data from official sources and CPB on world trade.
Note: LA-17 corresponds to: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, and Uruguay.

The reduction of regional exports reflects the evolution of demand from its principal trading partners: in the first quarter of 2015, Chinese imports from the region fell 28% year-on-year, those of the United States fell 6%, and European imports fell 3%.[3] In this context, only three countries of the region showed positive export growth, in contrast to the 2014 annual figures, when half of the economies sampled showed positive growth (Table 1).

The negative year-on-year results observed in the first quarter of 2015 were quite pronounced for the **Andean Countries** (-19.2%), particularly the exporters of hydrocarbons Colombia (-30.2%), Bolivia (-28.6%), and Ecuador (-26.3%), but also Peru (-17.3%) and Chile (-8.2%).

Exports from **Central America and the Dominican Republic** went from positive growth in 2014 (+2.3%) to a year-on-year contraction of 4.6% in the first quarter of 2015. This combines drops in Costa Rica (-16.5%), the Dominican Republic (-16.3%), Panama (-11.9%), and Nicaragua (-1.9%), with recoveries in Honduras (+12.0%) and El Salvador (+10.8%). In Guatemala exports continued growing, though at rates below the previous year (+4.5%).

[3] These figures obtained from official data of Latin American trading partners reflect groups of countries that do not necessarily correspond precisely with the sample analyzed in this report.

Exports from MERCOSUR had a significant year-on-year decline in the first quarter of 2015 (-13.7%), greater than that of 2014, due to contractions in the flows of the four countries for which data are available: Argentina (-15.6%), Brazil (-13.7%), Paraguay (-3.3%) and Uruguay (-9.1%). In 2014, the foreign sales of this bloc (including Venezuela) had already fallen 9.6%.

In Mexico, after growing 4.6% in 2014, exports began to fall in January of 2015, yielding a negative year-on-year growth rate (-0.4%) in the first quarter.

Table 1: Growth of Exports to Selected Destinations

(Growth rate, percentage and billions of US$, 2014 and 1Q 2015 yoy)

Exporting group/member	Growth rates 2014 (%)							US$ Billions		Growth rates 1Q 2015 (%)
	Subregion	Latin America	United States	Asia (excl. China)	China	European Union	World Total	Total 2014	Change vs 2013	World Total
ANDEAN COUNTRIES	-3.7	-2.3	-11.0	1.1	-1.2	-2.5	-3.1	208.6	-6.6	-19.2
Bolivia	-12.4	-4.3	65.9	19.9	60.9	-7.4	5.5	12.9	0.7	-28.6
Chile	8.7	-1.2	-8.5	6.3	-2.9	-0.9	-1.0	75.7	-0.8	-8.2
Colombia	-15.3	-8.5	-23.9	-0.5	9.9	-0.6	-6.8	54.8	-4.0	-30.2
Ecuador	-7.6	5.6	2.3	46.7	-28.8	-1.7	3.6	25.7	0.9	-26.3
Peru	6.4	2.0	-16.5	-25.2	-3.0	-7.1	-7.8	39.5	-3.3	-17.3
CENTRAL AMERICA AND DOMINICAN REP.	-0.4	-1.3	2.8	20.3	-31.0	-0.8	2.3	44.8	1.0	-4.6
Costa Rica	0.0	0.5	-1.7	23.0	-27.0	-3.3	-2.6	11.3	-0.3	-16.5
Dominican Republic	-42.4	-19.0	-0.5	38.3	-41.4	-5.3	3.6	9.9	0.3	-16.3
El Salvador	-0.2	-1.7	-2.4	-35.5	13.0	-19.7	-4.0	5.3	-0.2	10.8
Guatemala	11.4	7.9	1.0	30.7	-71.3	24.7	7.8	10.8	0.8	4.5
Honduras	-9.9	-8.3	23.3	18.3	-25.8	-7.5	4.7	4.1	0.2	12.0
Nicaragua	16.4	11.4	11.0	10.7	45.5	4.5	9.7	2.6	0.2	-1.9
Panama	3.6	3.9	3.1	28.1	27.6	3.0	-3.0	0.8	0.0	-11.9
MERCOSUR	-13.1	-11.7	-4.8	-8.0	-13.5	-9.6	-9.6	389.9	-41.3	-13.7
Argentina	-13.4	-17.1	-9.1	-2.2	-17.9	-3.0	-11.9	71.9	-9.7	-15.6
Brazil	-15.1	-15.2	9.7	7.4	-11.0	-11.9	-7.0	225.1	-16.9	-13.7
Paraguay	-1.6	-2.2	-11.5	45.3	10.2	14.1	2.4	9.7	0.2	-3.3
Uruguay	-6.4	-2.5	21.4	20.8	-6.5	-4.5	1.1	9.2	0.1	-9.1
Venezuela	-9.3	5.7	-16.0	-22.4	-22.3	-6.7	-16.8	74.0	-14.9	n.a.
Mexico	6.5	-7.7	6.5	-0.3	-5.6	2.0	4.6	397.5	17.5	-0.4
Latin America	-8.0	-8.0	2.8	-4.9	-9.9	-5.6	-2.7	1040.9	-29.4	-9.1
Total 2014 (Billions of US$)		186.2	440.7	100.9	100.9	114.2	1040.9			
Change vs 2013 (Billions of US$)		-16.2	12.0	-5.2	-11.1	-6.7	-29.4			

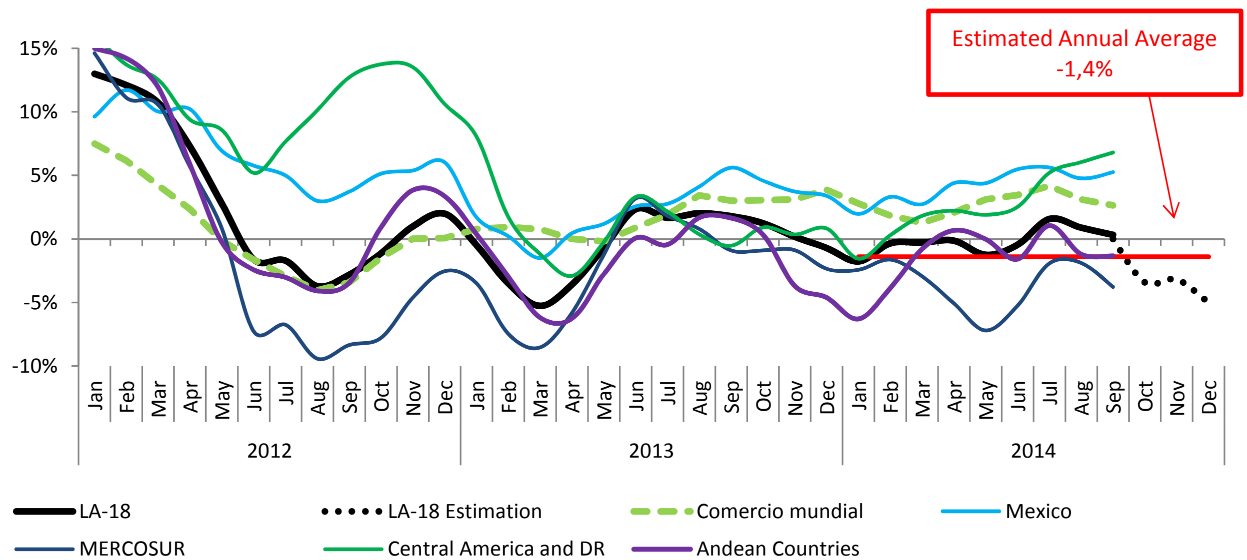
Source: IDB Integration and Trade Sector based on official national sources.

Notes: The table does not include the data corresponding to destinations not selected; as a result, the sum of the absolute changes of selected destinations does not match the total. Data for Costa Rica, El Salvador, Guatemala and the Dominican Republic include exports under Special Trade Regimes (STRs). The MERCOSUR average in Q1 2015 does not include Venezuela due to a lack of official data. Country groupings follow mainly geographical criteria. They do not consider, for example, that the Pacific Alliance includes Chile, Colombia, Mexico and Peru, or that the members of the Central American Common Market are Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica. See Methodological Notes for further information on the procedures, time periods, and sources of data used in the estimates.

Latin American Export Contraction in 2014

Latin American exports are estimated to have declined by 1.4% in 2014, reaching a projected value of US$ 1.049 trillion. The forecast contraction would be the first since the trade collapse of 2009.[4] An increased heterogeneity in the performance of the countries of the region also stands out: exports increased in ten of the eighteen economies included in the sample, although their expansions failed to offset the reductions in the rest.[5] Meanwhile, Latin American imports exhibited a decrease of 2%, related to the slower growth of the economies of the region.

Figure 1. Growth of Total Exports in Latin America and the World
(Quarterly moving average of year-on-year growth rate, percentage, 2012-2014)



Source: IDB Integration and Trade Sector, based on data from official sources and CPB on world trade.
Note: LA-18 corresponds to: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, Uruguay, and Venezuela. The last quarter reports the estimate made for 2014.

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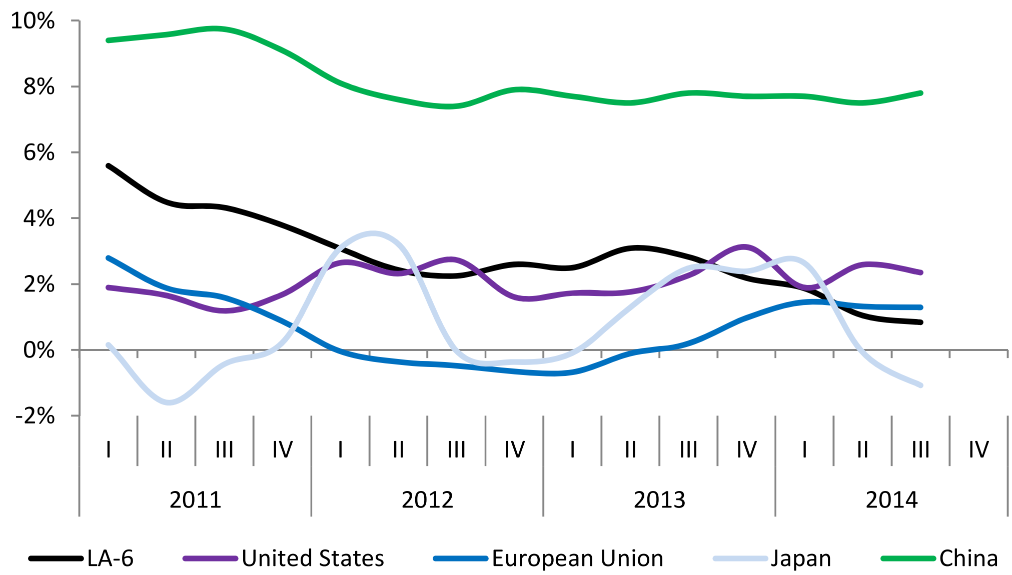
[4] Although preliminary figures, from both the IDB and other international sources, forecasted a slight increase in regional exports, according to the more recent figures, regional exports in fact began to fall in 2013.

[5] The estimates are based on quarterly and monthly data available in national and international official sources only for the following eighteen Latin American countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, Uruguay and Venezuela. National data are aggregated by geographic sub-regions, which do not necessarily correspond to formal integration blocs.

Overview

In line with the general trend observed over the last two years, Latin American export performance has been relatively weaker than that of world trade, which has also failed to take off in the post-crisis era (Figure 1). In 2014, the value of global trade has grown at an estimated average rate of only 3%,[6] whereas exports of the region fell. In this context, nevertheless, the second half of the year recorded some weak signs of recovery related to a slight acceleration of global trade observed starting in April and driven by higher growth in the United States (US) (Figure 2).[7] Benefiting from the consolidation of US growth, in 2014 only Mexican, and Central American and the Dominican Republic (DR) exports grew at rates slightly higher than world trade (+5% and +3%, respectively). Increased demand within the sub-region also contributed to Central American and DR export growth. In contrast, the Andean region and MERCOSUR countries, which are much more reliant on Asia and Europe for export demand, displayed negative export growth rates (-2% and -7%, respectively).

Figure 2. GDP Growth in Latin America and Selected Economies
(Annual growth rate, percentage, 2011-2014)



Source: IDB Integration and Trade Sector with data from the OECD and other official sources.
Note: LA-6 corresponds to the weighted average of the annual percentage changes of GDP in Argentina, Brazil, Chile, Colombia, Mexico, and Peru. The weighting is based on GDP measured in terms of purchasing power parity. The third quarter for each country is based on monthly estimates of official activity for July and August.

At the country level (see Table 1 for details), out of the eight economies whose exports contracted (and that account for half of Latin American exports), Brazil (-6%) was the one that individually contributed most to the aggregate result, as it

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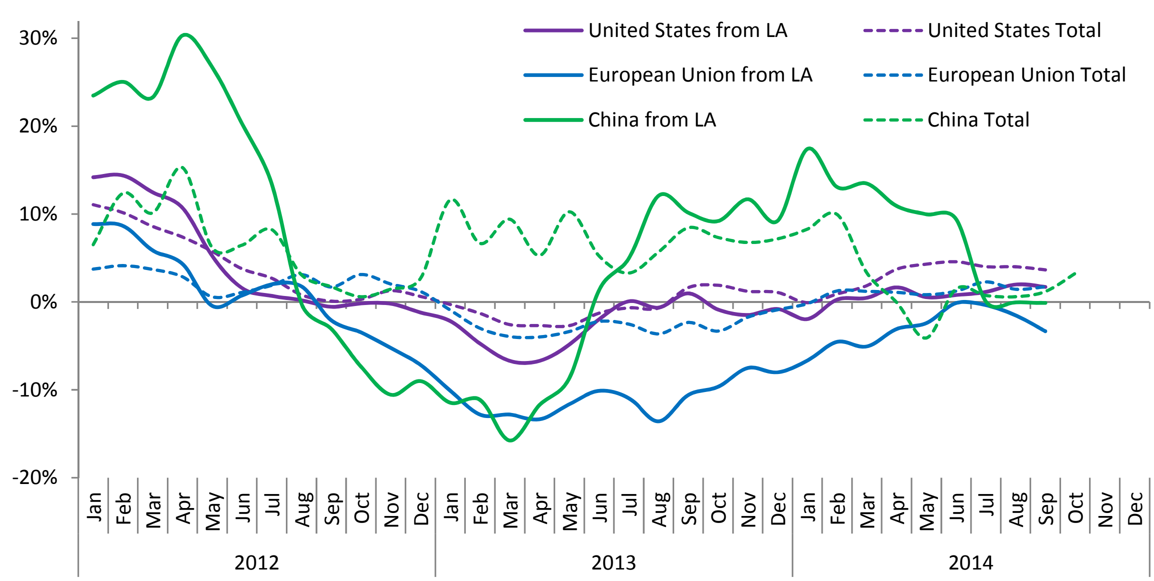
[6] Estimate based on data from CPB through September 2014.
[7] For a more extensive analysis on medium-term trends, see Giordano (coor.), *Facing Headwinds, Trade and Integration Monitor 2014*, IDB.

accounts for one fifth of total sales outside the region. The largest relative declines, of 11%, occurred in Argentina and Peru, followed by Venezuela (-6%) and El Salvador (-5%). Colombia (-3%), Chile (-1%) and Panama (-1%) showed relatively modest reductions. In terms of export increases, Mexico (+5%) contributed the most as the country accounts for almost 40% of total regional exports. The largest relative increases occurred in Nicaragua (+10%), followed by Ecuador (+8%), Bolivia (+7%), Guatemala (+7%) and the Dominican Republic (+7%). Honduras increased by 5% and Paraguay and Uruguay 3%. For its part, Costa Rican exports showed an increase of just 1%.

Latin America's export dynamics reflect the economic performance of its major trading partners. The only destination to which exports increased was the US (+3%) where economic recovery, which followed a marked contraction due to adverse climate factors in the first quarter, drove Latin American sales. However, purchases of the US from Latin America recovered at a slower rate than total US imports (Figure 3). On the other hand, weak growth in the European Union, and a slowdown in Asia driven by China, provoked export reductions to these regions of 4% and 5%, respectively. In the case of the European Union, although total imports began to recover in early 2014 after a year of contraction, purchases from Latin America did not take off. Chinese demand for Latin American products grew at a higher rate than overall Chinese imports during 2014, but the sharp contraction of total Chinese imports that started in the second quarter affected the region as of July. Finally, intra-regional trade in Latin America fell given the deteriorating economic performance of several regional economies.

Figure 3. Imports of the United States, European Union and China from Latin America and the World

(Quarterly moving average of year-on-year growth rate, percentage, 2012-2014)



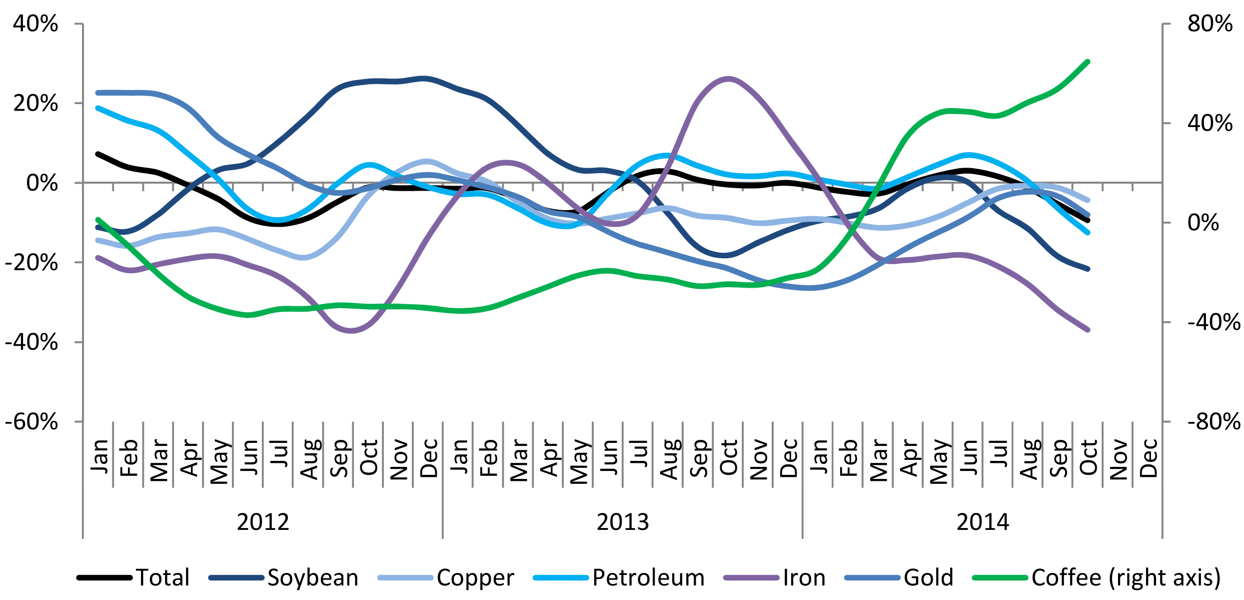
Source: IDB Integration and Trade Sector with data from IMF, USITC, Eurostat, China Customs, and national sources.

Sluggish global imports, besides weakening demand for Latin American products, have depressed the prices of the goods that predominate in the regional export basket. Other factors, such as the appreciation of the dollar, also lowered the prices of commodities: between January and November 2014, the dollar appreciated 2.6% against a basket of major currencies with respect to the same period of the previous year. This trend continued in November, exhibiting a year-on-year increase of 5.7%.

The weakening of commodity prices has been most acute in the minerals markets (Figure 4), affecting the Andean countries and Brazil: between January and October 2014, iron ore accumulated a 24.6% decrease, and gold and copper prices fell by 11.7% and 6.1%, respectively. Soybean prices, a commodity relevant in the export basket of Argentina, Brazil, Paraguay and Uruguay, fell 9.6% through October. The price of oil, which had remained at a relatively high level during 2013, dropped sharply starting in mid-2014: between June and October it decreased by 20%. Coffee is the only product with a positive price performance (+40% through October) as supply was seriously affected by a drought in Brazil, the world's largest producer. However, the Central American countries, also important producers, were unable to take full advantage of higher prices due to the impact of coffee leaf rust, a disease that destroyed much of the harvest in the sub-region.

Figure 4. Prices of Main Latin American Export Products

(Quarterly moving average of year-on-year growth rate, percentage, 2012-2014)



Source: IDB Integration and Trade Sector, based on data from IMF and Bloomberg.

Note: The total corresponds to the weighted average of the commodity price indices included in the IMF estimation.

Export Performance by Region

Andean Region – Exports of the Andean countries contracted by 2% in 2014, reaching US$ 210.1 billion. The reduction was driven mainly by a drop in sales to the United States (-14%), and to a lesser extent, to the sub-region itself (-2%). Bolivia and Ecuador showed significant increases of 7% and 8%, respectively, yet these were offset by the declines in exports from Peru (-11%), Colombia (-3%) and Chile (-1%).

In Bolivia, exports to the US increased by 66% and contracted to the rest of the region (-2%). The increase to the US is due to a fivefold increase in gold shipments compared to 2013, whereas the fall of exports to the region reflects lower shipments of gas, soybeans and vegetables to Brazil.

Table 1: Growth of Exports for Select Destinations

(Annual growth rate, percentage and billions of US$, 2014)

Exporting group/member	Growth rates (%)						US$ Billions	
	Subregion	Latin America	United States	Asia	European Union	World Total	Total 2014	Change vs 2013
ANDEAN COUNTRIES	-2	0	-14	1	-1	-2	210,1	-4,4
Bolivia	-3	-2	66	21	-9	7	13,1	0,9
Chile	6	-2	-13	2	0	-1	75,6	-1,1
Colombia	-9	-2	-27	14	6	-3	57,1	-1,8
Ecuador	-4	13	5	10	2	8	26,7	1,9
Peru	1	2	-21	-9	-14	-11	37,4	-4,5
CENTRAL AMERICA AND DOMINICAN REP	4	4	4	-5	4	3	43,6	1,4
Costa Rica	1	2	-1	2	0	1	11,6	0,1
Dominican Republic	-38	-12	11	30	-1	7	8,5	0,5
El Salvador	-1	-2	-3	-31	-22	-5	5,2	-0,3
Guatemala	13	11	2	-14	19	7	10,7	0,7
Honduras	2	6	5	-7	14	5	4,1	0,2
Nicaragua	13	9	10	9	-2	10	2,6	0,2
Panama	-1	7	6	-24	4	-1	0,8	0,0
MERCOSUR	-11	-14	3	-9	-9	-7	399,2	-28,1
Argentina	-12	-16	-7	-22	0	-11	72,7	-9,0
Brazil	-15	-17	9	-4	-12	-6	227,2	-14,9
Paraguay	11	5	-18	21	-5	3	9,7	0,3
Uruguay	-5	-2	16	-2	-4	3	9,4	0,3
Venezuela	-4	-6	-1	-15	11	-6	80,2	-4,9
Mexico	6	-8	6	-1	4	5	397,8	17,8
Latin America	**-8**	**-8**	**3**	**-5**	**-4**	**-1,4**	**1049,1**	**-14,9**
Total 2014 (Billions of US$)		**171,6**	**439,1**	**237,6**	**117,7**	**1049,1**		
Change vs 2013 (Billions of US$)		**-16,0**	**14,0**	**-14,0**	**-5,0**	**-15,0**		

Source: IDB Integration and Trade Sector based on official national sources.
Notes: The table does not include the data corresponding to destinations not selected; as a result, the sum of the absolute changes of selected destinations does not match the total. In the case of Mexico, the sub-region corresponds to members of the North American Free Trade Agreement (NAFTA). Data for Costa Rica, El Salvador, Guatemala and the Dominican Republic include exports under Special Trade Regimes (STRs). See Methodological Notes for further information on the procedures, time periods, and

sources of data used in the estimates. The annual rates of change at the country and sub-regional levels are rounded to the nearest unit.

Chile exhibited a 1% contraction in exports as falling copper sales were not offset by increases in the shipments of other sectors. The delay in the launch of three new projects and lower yields in operating mines have affected the production of the copper industry, factors which were compounded by lower prices.

In Colombia, exports fell 3% due to lower sales to the US (-27%) of fuels, oils and derivatives thereof, and of gold, commodities whose prices fell sharply. It should be noted, however, that this was partially offset by higher shipments to Asia (+14%), specifically of oil to China and India, and to the European Union (+6%).

Meanwhile, Ecuador increased its exports to all destinations except the sub-region (-4%). Oil sales, which account for 60% of the total, stalled, as the price drop offset the increase in volume. As such, the positive contribution came from sales of other products such as shrimp, bananas and gold. Specifically, sales to the US, the country's main trading partner, increased 5% due to greater gold exports.

Peru experienced a strong export contraction (-11%). Purchases by its main partners, the United States and the European Union, shrank by 21% and 14%, respectively. Gold and copper, affected by decreases in both prices and quantities, accounted for nearly the entire decline. [8]

Central America and the Dominican Republic - Exports from Central America and the Dominican Republic grew by 3% in 2014, reaching a total of US$ 43.6 billion. Sales increased to all destinations except Asia (-5%). Shipments to the United States, the main trading partner, rose by 4%. All countries in the sub-region expanded their exports in 2014, except El Salvador (-5%) and Panama (-1%). Nicaragua showed the highest growth rate (+10%), followed by Guatemala (+7%), the Dominican Republic (+7%) and Honduras (+5%). Costa Rica increased exports by 1%.

Costa Rica's exports grew just 1%. The fall in exports to US (-1%) was offset by higher sales to Asia and the rest of Latin America (+2% in both cases). The strong growth of shipments to Malaysia explains the increase to the Asian region, and compensated the lower sales of electronic components to China.[9] Medical devices and fruits were the products that contributed the most to export growth.

[8] The decommissioning of the Barrick Pierina Misquichilca mine, a major gold producing unit in the country, coupled with the depletion of other mines and the temporary shutdown of some operations due to low profitability, drastically shrunk production of gold in 2014.

[9] The drop in exports of electronic components is due to the gradual cessation of INTEL production in the country, which should be completed by the end of this year and is expected to have a greater impact on exports in 2015. These products accounted for about a quarter of total Costa Rican exports in 2013.

Exports from the Dominican Republic increased 7%, with similar rates for national exports and those from the free trade zones. The growth is largely explained by increases of 35% in sales of gold.

The drop in exports of El Salvador (-5%) is a result of some specific events. The impact of the coffee leaf rust disease accounted for two thirds of the decline in total exports, and therefore for the lower shipments to the United States (-3%), European Union (-22%) and Asia (-31%). Additionally, technical problems in the implementation of a new inspection system in customs affected first quarter exports.

Guatemala increased its exports to all markets, except Asia (-14%). The expansion can be attributed to new products in its export basket, such as lead and electricity, while amongst more traditional products, only bananas showed positive export growth rates. The sale of energy (in the form of both electricity and fuels) is explained by the demand from the rest of Central America and the launch of the Electrical Interconnection System for Central American Countries (SIEPAC).

As regards Honduras, exports increased to all destinations, except Asia (-7%). The most dynamic trading partner was the European Union (+14%), which also contributed the most to aggregate performance. Coffee shipments grew due to higher prices, especially to the United States. The significant rise in sales to Latin America can be explained by exports of shrimp to Mexico, and of fruits, vegetables and articles of iron and steel to other members of the isthmus.[10]

With a 10% growth rate, Nicaragua was the Central American economy with the highest export growth rate in 2014. Excluding the European Union (-2%), sales to all destinations increased. Shipments to the US, Nicaragua's main trading partner, increased 10% led by coffee, meat and sugar. The rise in exports to the sub-region itself (+13%), and the rest of Latin America (+9%), is explained by sales to Costa Rica and Venezuela, especially of beans.[11]

In Panama, external sales declined 1%. There was a considerable drop of shipments to Asia (-24%) partially offset by expansions to the European Union (+4%), Latin America (+7%) and the United States (+6%). Exports of gold fell sharply while those of fishmeal, shrimp and timber grew.

<u>MERCOSUR</u> – Exports of MERCOSUR exhibited a fall of 7% and a value of US$ 399.2 billion. The United States was the only destination that showed a positive growth rate (+3%). Argentina registered the greatest rate of decline (-11%), followed by

[10] The estimates do not include trade conducted under Special Trade Regimes (STRs). However, alternative sources indicate that through June 2014, the exports of goods originating in the special processing zones (*maquila*) did not show significant growth in 2014 (+0.4%).

[11] Estimates do not include trade conducted under STRs. However, alternative sources indicate that through September 2014 exports originating in free trade zones, mainly manufactures, grew by 8.2%, in line with national exports.

Venezuela (-6%) and Brazil (-6%), while the smaller economies increased their exports by 3%: Paraguay, driven by Asian demand, and Uruguay, driven by US demand.

Exports from Argentina decreased to all destinations except the European Union, where exports were stagnant. Primary products displayed the weakest performance, especially due to lower shipments of cereals, and corn in particular, to the rest of Latin America and to Asia (excluding China). A decline of sales in transport equipment to Brazil also weakened trade performance. Fuels exports also showed a contraction as the sector exhibited a greater dependence on external markets. The soybean industry registered a slight expansion but this did not compensate the slump in sales of the aforementioned products.

Exports from Brazil fell by 6%, with contractions to all destinations except the United States (+9%). Sales to Asia contracted (-4%) due to lower exports of soybean, iron ore, and sugar, to China and other countries. The sharp decline of 12% in exports to the EU was due to the purchase of an oil platform in 2013.[12] The 15% decrease in exports to the rest of MERCOSUR can be explained by the slump in sales of automobiles to Argentina.

In Paraguay, exports grew by 3% and were driven by sales to Asia (+21%), particularly of soybean to Thailand. All other destinations performed poorly, and sales to the United States and the European Union fell by 18% and 5%, respectively. Driven by sales of beef to Chile and Brazil, shipments to the rest of Latin America grew by just 5%. Beef, followed by soybean meal, were the products that contributed the most to export expansion.

In Uruguay exports grew by 3%, driven mostly by the United States (+16%), and the rest of the world. Shipments to the European Union and to MERCOSUR decreased by 4% and 5%, respectively. On the other hand, shipments to Asia and the rest of Latin America contracted (-2%) (sales to Mexico offset the decline to MERCOSUR). The livestock sector accounted for half of the expansion of exports, and was followed by forestry products and cereals.

Lower sales to Asia (-15%), specifically India and China, accounted for most of the decline in exports from Venezuela (-6%). Lower petroleum production was compounded with oil price reductions during the last months of the year. Shipments to the United States declined 1%.

<u>Mexico</u> - In Mexico, exports increased 5% and reached US$ 397.8 billion. To a large extent, this was due to the US market (+6%), which represents 80% of total Mexican exports. Oil exports, which account for about 10% of the total, fell 10%, while non-oil exports increased 7%, driven by manufacturing, and in particular the automotive sector. Exports to the European Union also increased, by 4%, while exports to the

[12] Excluding this item, the reduction of Brazilian exports in 2014 would be 4%.

remaining destinations contracted. The drop in sales to the rest of Latin America (-8%) can be explained mainly by the contraction of exports to Argentina, Brazil, Venezuela and Colombia.

Conclusion

In 2014, Latin American exports decreased by 1.4%. The recovery of exports to the United States was offset by the contraction of sales to the rest of the world. A decline in shipments to Asia, especially China, reflected slowing growth in that region. Exports to the European Union, a region still showing low growth rates, also recorded a contraction. The economic slowdown in Latin America - within an unfavorable international context - has led to a reduction of intra-regional exports. Additionally, the weak external demand as well as other factors, such as the appreciation of the United States dollar, have had negative consequences on the prices of some important commodities in the export basket of Latin America, undermining the value of these exports and the terms of trade in several countries of the region.

Methodological Note

The updates are based on data available through May 26, 2015.

The estimates were made using data available through December 4, 2014 and are based on the assumption that international trade trends observed in Latin America during 2014 would continue until the end of the year. The publication does not present projections for the Caribbean due to a lack of adequate data for the region.

The data used corresponds to the following intervals: January-November for Brazil, Chile and Paraguay; January-October for Argentina, Bolivia, Colombia, Costa Rica, El Salvador, Mexico, Uruguay and Venezuela; January-September for all other countries.

The following official sources of data were used. Argentina: National Institute of Statistics and Censuses; Bolivia: National Institute of Statistics; Brazil: Ministry of Development, Industry and Foreign Trade; Chile: Central Bank of Chile and National Customs; Colombia: National Administrative Department of Statistics and Direction of National Taxes and Customs; Costa Rica: Central Bank of Costa Rica, the National Institute of Statistics and Census, Foreign Trade Corporation of Costa Rica; Ecuador: Central Bank of Ecuador; El Salvador: Central Reserve Bank of El Salvador; United States: US International Trade Commission; Guatemala: Bank of Guatemala; Honduras: Central Bank of Honduras; Mexico: Bank of Mexico and the National Institute of Statistics and Geography; Nicaragua: Central Bank of Nicaragua; Panama: National Institute of Statistics and Censuses; Paraguay: Central Bank of Paraguay; Peru: Central Reserve Bank of Peru, National Customs and Tax Administration and Ministry of Foreign Trade and Tourism; the Dominican Republic: Central Bank of the Dominican Republic and the National Statistics Office; Uruguay: Central Bank of Uruguay; Venezuela: Central Bank of Venezuela. The data on exports of Venezuela combine information from the Central Bank of Venezuela with estimates based on IMF data.

Data from Costa Rica, El Salvador, Guatemala and the Dominican Republic include exports under Special Trade Regimes (STRs).

The following abbreviations are used in this document : LA - Latin America; CPB - Netherlands Bureau for Economic Policy Analysis; EU - European Union (28 countries); IMF - International Monetary Fund; MERCOSUR - the Southern Common Market, whose members are Argentina, Brazil, Paraguay, Uruguay and Venezuela; NAFTA - North American Free Trade Agreement, whose members are Canada, Mexico and United States; OECD - Organization for Economic Cooperation and Development; DR- the Dominican Republic; STR - Special Trade Regimes; US - United States; USITC - United States International Trade Commission.