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LATIN AMERICAN TRADE TREND ESTIMATES 2013



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Latin American Trade Trend Estimates 2013

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This note presents the preliminary estimates of the Latin American 2013 trade flows produced by the Inter-American Development Bank's (IDB) Integration and Trade Sector (INT).

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The estimates are based on available partial monthly and quarterly data of eighteen Latin American countries provided by official national and international sources, as well as on the IDB's INTrade Information System available online at: <<http://www.iadb.org/intradebid>>. Estimates were not run for the Caribbean for lack of an adequate year-to-date sample on which to base robust calculations.

Cataloging-in-Publication data provided by the
Inter-American Development Bank
Felipe Herrera Library

Giordano, Paolo.

INTrade : Latin America trade trend estimates : 2013 / Paolo Giordano, Jeremy Harris, Alejandro Ramos.
p. cm.

1. International trade. 2. Commerce—Latin America. 3. Free trade—Latin America. I. Harris, Jeremy. II. Ramos, Alejandro. III. Inter-American Development Bank. Integration and Trade Sector. IV. Title.

IDB-NW-126

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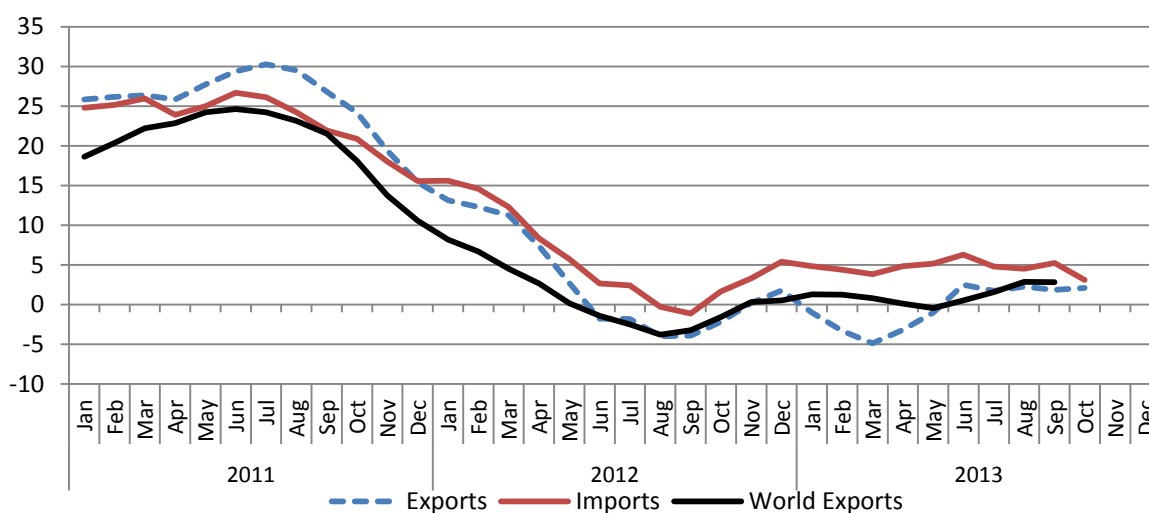
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Latin American exports stagnated in 2013, though with signs of recovery

In 2013, exports from Latin America were practically stagnant. Estimates indicate that sales abroad amounted to approximately US\$ 1.068 trillion, barely an increase compared to 2012. Regional exports thus concluded two years of weak performance, as growth in the previous year only reached 1%. This result is consistent with the deceleration of global growth after 2011, when elements of uncertainty slowed the recovery of the global economy. Weak demand from Latin America's principal trading partners and falling prices of some key commodities undermined regional export growth, though some of these negative factors attenuated during the year.

In the first half of 2013, exports showed a contraction year on year, prolonging the negative trend that reached back to mid-2012. In contrast, in the second half of 2013, regional exports showed signs of recovery, reaching an average growth rate of 2% in the August-October quarter (Figure 1). Imports are estimated to have grown about 5% in 2013, somewhat faster than in 2012.

Figure 1: Evolution of Total Latin American Imports and Exports, and World Exports, 2011-2013
(Quarterly moving average of year on year percentage growth rates)



Source: IDB Integration and Trade Sector based on official data and CPB.

Note: Estimates for Latin America are derived from monthly series for available for 13 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Mexico, Paraguay, Peru, Uruguay and Venezuela.

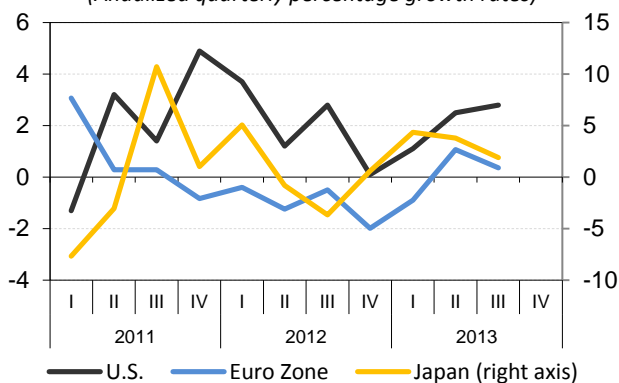
The lack of vitality of Latin American exports in 2013 was generalized. While exports from Mexico grew slightly more than 2%, a figure substantially below the 6.1% achieved in 2012, the growth rates for the principal subregions were all negative: the Andean countries (-4%), Central America (-2%), and MERCOSUR (-1%). These numbers nonetheless reflect heterogeneity at the country level.

The average stagnation of the region's exports in 2013 is the result of significant declines in a small group of countries: the most relevant cases, due to their weight in the regional average, are Peru (-11%) and Venezuela (-8%). Although the reduction of exports from Brazil was less pronounced (-1%), it contributed substantially to the stagnation of the regional aggregate given the country's relative importance. Contrarily, some countries posted increases in exports, albeit of small to medium

magnitude: Argentina (4%), Uruguay (4%), El Salvador (4%), Mexico (2%), and Chile (1%). Paraguay led the regional ranking with export growth of 32% due to an extraordinarily good soy harvest in 2013, especially in comparison to the poor performance of the agriculture sector in the previous year. The increases in the Dominican Republic (10%), Bolivia (6%), and Panama (6%) are also notable.

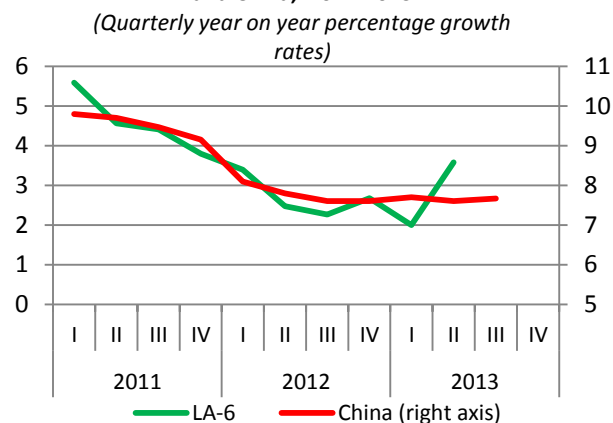
In the latter parts of 2013 an improvement in the economies of some important trading partners was observed, but it did not translate into sustained or generalized growth (Figures 2 and 3). Although the United States GDP continued to accelerate, the rate achieved in the third quarter was still modest. The Euro Zone registered positive growth in the second and third quarters, but the recovery has been irregular and still weak after the preceding six quarters of recession. Japanese GDP showed positive but decreasing growth rates over the first three quarters. In the same sense, it is worth noting the slower growth of the Chinese economy as compared to recent history: in the first three quarters of 2013, the GDP of China expanded nearly 8% year on year, as compared to an average of 10.2% in 2010-2011. Thus, the Chinese motor of Latin American exports has been less powerful lately and the majority of the region's economies has also lost dynamism, though with signs of improvement since the middle of the year.

Figure 2. Quarterly Evolution of GDP in the United States, Euro Zone, and Japan, 2011-2013
(Annualized quarterly percentage growth rates)



Source: IDB Integration and Trade Sector based on data from the OECD and official sources.

Figure 3. Quarterly Evolution of GDP of LA-6 and China, 2011-2013
(Quarterly year on year percentage growth rates)



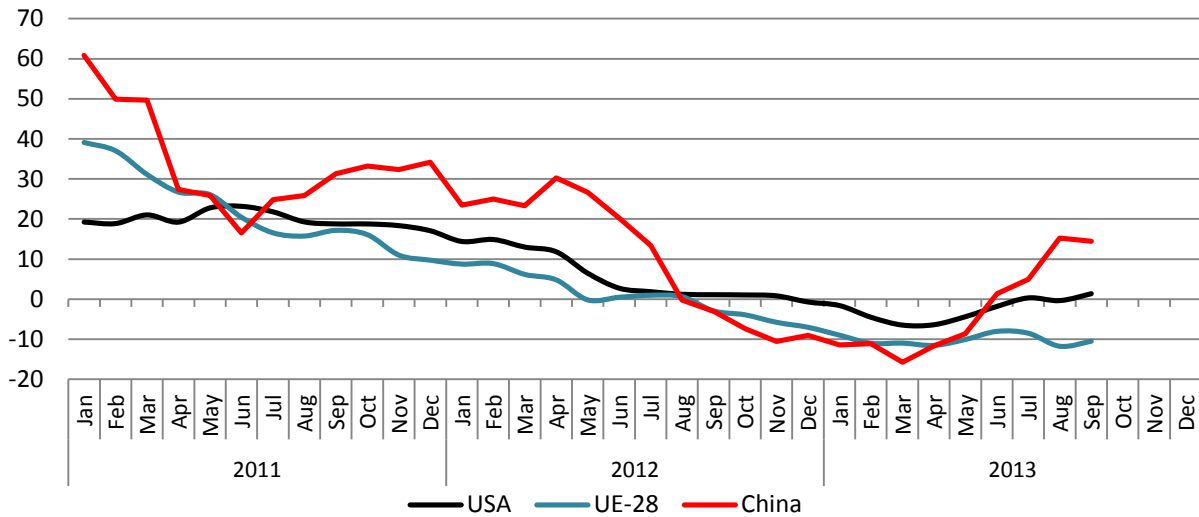
Source: IDB Integration and Trade Sector based on data from IMF and official sources.

Note: LA-6 corresponds to a weighted average of the year on year GDP growth rates of Argentina, Brazil, Chile, Colombia, Mexico and Peru. Weights based on GDP measured in dollars at purchasing power parity.

Naturally, this context has not generated consistent demand for Latin American exports (Figure 4). Purchases from the region by the European Union had a very poor performance in 2013, with declines over the first nine months of the year. The recovery of the level of activity in the United States continued without a clear reflection in imports from Latin America, but with a positive trend observed starting in July. Only Chinese imports have shown a solid recovery in the second part of the year, spurred by purchases of petroleum, soybeans, and iron ore. To these were added the less dramatic stimuli from the United States and from within Latin America itself.

Figure 4: Evolution of monthly imports from Latin America in the United States, European Union, and China, 2011-2013

(Quarterly moving average of year on year percentage growth rates)

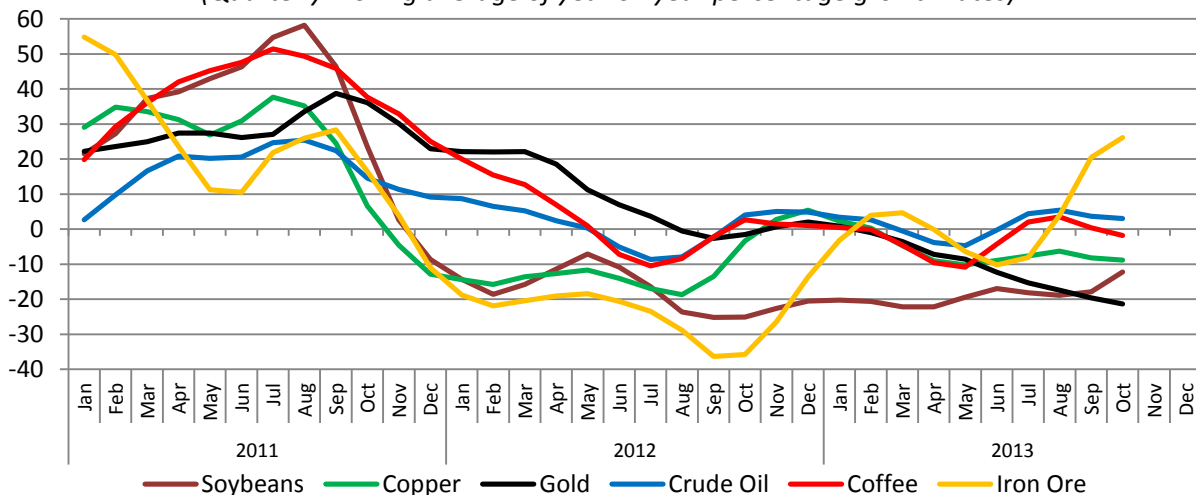


Source: IDB Integration and Trade Sector based on data from USITC, Eurostat, China Customs, IMF and national sources.

The evolution of the prices of some primary goods also contributed to the poor performance of Latin American exports this year (Figure 5). After surging after the financial crisis, in 2012 these markets suffered a correction that continued, though with less intensity, in 2013. In the first ten months of the year, the prices of copper and gold fell 7.7% and 13.1%, respectively, as compared to the same period of the previous year; of these only iron ore began to recover as of August. The price of soybeans fell 18.2%, and oil prices increased barely 1.3% in this period. In the same interval, the price of coffee fell 3.1%, affecting export revenues in Central America, Colombia, and Brazil.

Figure 5. Evolution of Prices of Selected Primary Goods, 2011-2013

(Quarterly moving average of year on year percentage growth rates)



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

According to preliminary estimates, the average stagnation of regional exports is explained by a significant contraction of shipments to Europe (-5%), balanced by an important increase in exports to Asia (8%) and more marginal increases to the regional market and the United States, though growth was barely positive in the latter two cases. However, the results varied substantially by country.

Mexico – Estimates show a positive performance by Mexican exports (2%), which will bring the annual total to near US\$ 380 billion. The main impulse came from exports to the United States, which represent 79% of the total and grew 4%, followed by a substantial increase in exports to Asia (14%). The Latin American market, which represents 7% of total Mexican exports, performed poorly with a contraction of 6%, caused mostly by a reduction in exports to MERCOSUR in which the automotive sector is the most relevant. Another negative impact on Mexico's exports was the decline in sales to Europe, which fell by 4%.

Andean Community – The fall in exports from the countries of the Andean Community is projected at 4% for a total of US\$136 billion, with widely differing performance across countries. The negative result is driven mainly by a severe contraction in Peru's exports (-11%) due to generalized declines to Europe (-18%) and to Asia (-6%), where the drop in prices of primary goods like gold and copper played a large role. Also, exports from Colombia declined during the year (-3%), with a significant portion of the drop attributable to lower exports to the United States, especially of petroleum. Colombia's sales to the rest of the Andean region also contracted (-4%), while exports to MERCOSUR showed only a marginal expansion, held back by a fall in exports to Venezuela (-15%). The expansion of Bolivia's total exports (6%) was heavily influenced by sales to subregional partners and to MERCOSUR, where natural gas shipments grew during the year. In Ecuador, on the other hand, the growth of exports (3%) came through greater sales outside the region: United States (4%), Europe (19%), and Asia (50%).

Central American Common Market – Estimates for the CACM countries show a decline in exports of 2%, to a level of about US\$ 33 billion. Only El Salvador showed significant growth (4%), while exports of Costa Rica and Guatemala barely grew in 2013. Foreign sales from Honduras and Nicaragua fell sharply, by 15% and 10% respectively, affected by the coffee leaf rust and low grain prices. The contraction of exports to Europe (-16%) and the United States (-3%) were the main factors in the decline of Central American exports. Within the subregion, exports showed modest growth (1%) while destinations in Asia, which now represent nearly 10% of the total, were up sharply (23%). Exports from Panama and the Dominican Republic registered relatively substantial growth rates of 6% and 10%, respectively. In the former case, shipments to Asia and Europe were the determining factors, while in the latter a combination of increases to all destinations drove the results.

MERCOSUR – Projections show a contraction of total MERCOSUR exports of 1%, due to lower sales from Brazil (-1%) and Venezuela (-8%). Argentina and Uruguay both increased exports by 4%, while Paraguay showed a remarkable expansion of 32%, due to the already mentioned performance of the soybean sector. Intra-MERCOSUR exports grew 6%, and sales to Latin America as a whole grew 3%. Sales fell to the United States by 13% and to Europe by 5%, while Asia registered positive growth of about 11%. The poor performance of Brazilian exports was driven by a drop in sales to the United States (-8%) and Europe (-2%), while sales were up to Asia (9%), to the rest of MERCOSUR (6%), and to Latin America

(5%). Among other factors, technical interruptions at Brazilian oil refineries affected the level of 2013 exports.

Table 1: Export Growth by Selected Destinations
(Annual percentage growth rate and billions of US\$)

| Exporting Group /Member | Export Growth (%) | | | | | | Total Exports (Billions of US\$) | |
|-------------------------|-------------------|---------------|------------|-----------|------------|-----------|----------------------------------|------------|
| | Subregion | Latin America | U.S. | Asia | Europe | World | Abs. Var. | Total 2013 |
| Andean Community | -2 | -3 | -4 | 8 | -3 | -4 | -5 | 136 |
| Bolivia | 10 | 11 | -22 | 8 | 31 | 6 | 1 | 12 |
| Colombia | -4 | -7 | -12 | 40 | 1 | -3 | -2 | 59 |
| Ecuador | -5 | -10 | 4 | 50 | 19 | 3 | 1 | 25 |
| Peru | -2 | -3 | 19 | -6 | -18 | -11 | -4 | 40 |
| CACM | 1 | -3 | -3 | 23 | -16 | -2 | -1 | 33 |
| Costa Rica | 1 | -4 | 0 | 15 | -4 | 0 | 0 | 11 |
| El Salvador | 2 | 1 | 1 | 123 | -2 | 4 | 0 | 6 |
| Guatemala | -2 | -5 | -4 | 53 | -3 | 1 | 0 | 10 |
| Honduras | 14 | 7 | -9 | -1 | -43 | -15 | -1 | 4 |
| Nicaragua | -4 | -8 | -21 | -15 | -14 | -10 | 0 | 2 |
| Dominican Rep. (CACM) | 26 | 17 | 11 | 10 | 4 | 10 | 1 | 8 |
| Panama (MCCA) | -11 | -8 | -16 | 29 | 26 | 6 | 0 | 1 |
| MERCOSUR | 6 | 3 | -13 | 11 | -5 | -1 | -2 | 433 |
| Argentina | 8 | 2 | 2 | 9 | -14 | 4 | 3 | 84 |
| Brazil | 6 | 5 | -8 | 9 | -2 | -1 | -2 | 241 |
| Paraguay | 12 | 24 | 75 | 55 | 28 | 32 | 3 | 10 |
| Uruguay | 0 | -3 | 10 | 42 | 9 | 4 | 0 | 9 |
| Venezuela | -20 | -24 | -20 | 12 | -27 | -8 | -7 | 90 |
| Chile (MERCOSUR) | -1 | 1 | 16 | -2 | -3 | 1 | 1 | 78 |
| NAFTA | | | | | | | | |
| Mexico | 3 | -6 | 4 | 14 | -4 | 2 | 9 | 379 |
| Latin America | | | | | | | | |
| Growth (%) | ... | 0 | 0 | 8 | -5 | 0 | | |
| Billions of US\$ | | | | | | | | |
| Abs. Var | ... | 0 | 0 | 20 | -6 | 0 | 0 | |
| Total 2013 | ... | 180 | 426 | 231 | 122 | 1,068 | | 1,068 |

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

Notes: The table does not include the rates of change or absolute variations corresponding to non-selected destinations; therefore, the sum of the absolute variations in selected destinations does not coincide with the total. In the cases of Panama and the Dominican Republic, the export growth rates to the "subregion" refer to exports to the Central American Common Market, while for Chile these refer to exports to MERCOSUR. See the Methodological Note for additional information on the procedures, time periods, and data sources used in these estimates.

Supply problems, as well as lower prices for specific types of oil, also impacted Venezuela's exports. Yet, the increase of petroleum exports to Asian markets (12%), notably to India, constituted a significant

positive influence. In the case of Argentina, an increase in sales to the rest of MERCOSUR (8%) and to Asia (9%) explains the relatively strong export performance, despite the decline in exports to Europe (-14%). The large increase in exports from Paraguay was observed in all destinations. Uruguay's export growth came from a large increase of exports to Asia (42%), with strong performance in sales to the United States (10%) and to Europe (9%), while exports to other MERCOSUR countries stagnated.

Chile – Projections show growth of Chilean exports at about 1%. The strong expansion of shipments to the United States (16%) and, to a lesser degree, China (7%) was counteracted by a contraction of exports to Europe (-3%), which is the third largest destination for Chile's exports, and also to the rest of Asia. Sales to Latin America increased at a rate in line with total export growth (1%).

Methodological Notes

Projections are based on the assumption that year-to-date trends in Latin American trade will continue in the remaining months of 2013, based on data available through December 5. Estimates were not run for the Caribbean for lack of an adequate year-to-date sample on which to base robust calculations.

Estimates are based on data for January-November for Brazil and Paraguay; January-October for Argentina, Bolivia, Colombia, Costa Rica, Chile, El Salvador, Guatemala, Mexico, and Uruguay; January-September for the remaining countries.

The following official data sources were used: Argentina: Instituto Nacional de Estadística y Censos ; Bolivia: Instituto Nacional de Estadística; Brazil: Ministério do Desenvolvimento, Indústria e Comércio Exterior; Canada: Industry Canada; Chile: Servicio Nacional de Aduanas; Colombia: Departamento Administrativo Nacional de Estadística and Dirección de Impuestos y Aduanas Nacionales; Costa Rica: Instituto Nacional de Estadísticas y Censos y Promotora del Comercio Exterior de Costa Rica; Dominican Republic: Oficina Nacional de Estadística; Ecuador: Banco Central del Ecuador; El Salvador: Banco Central de Reserva de El Salvador; Guatemala: Banco de Guatemala; Honduras: Banco Central de Honduras; Mexico: Banco de México and Instituto Nacional de Estadística y Geografía; Nicaragua: Banco Central de Nicaragua; Panama: Instituto Nacional de Estadística y Censos; Paraguay: Banco Central del Paraguay; Peru: Superintendencia Nacional de Aduanas y de Administración Tributaria and Ministerio de Comercio Exterior y Turismo; Uruguay: Banco Central del Uruguay; United States: US International Trade Commission; Venezuela: Banco Central de Venezuela. Data for Venezuela's exports combines information from the Central Bank of Venezuela with estimates based on IMF figures.

This document uses the following abbreviations: CACM – the Central American Common Market consists of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua; Europe refers to European Union (28 countries); IMF – International Monetary Fund; LA – Latin America; MERCOSUR – the Common Market of the South consists of Argentina, Brazil, Paraguay, Uruguay, and Venezuela; OECD – Organization for Economic Cooperation and Development.