Q1 UPDATE

TRADE TREND ESTIMATES

LATIN AMERICA AND THE CARIBBEAN

2020 EDITION

IDB

INTAL

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Coordinated by
Paolo Giordano

IDB

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This report provides estimates of Latin America and the Caribbean's international trade flows for 2019 and the first quarter of 2020. It was drafted by the Integration and Trade Sector (INT) at the Inter-American Development Bank (IDB), in partnership with the IDB's 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, INT Principal Economic Advisor.

This edition was coordinated by Paolo Giordano, INT Principal Economist, and written in collaboration with Kathia Michalczewsky, INTAL consultant. Jesica De Angelis and Cloe Ortiz de Mendívil participated in the research process and provided valuable comments. Carolina Barco and Eugenio Negrín helped with data processing.

Manuel Quintana provided technical support. Silvia Badilla, Pablo Bachelet, Tania Benítez de González, Andrés Cavelier, and Mauro Williams provided support for the team during the drafting and publication process. The report was translated into English by Victoria Patience and designed and typeset by Graziela Flor.

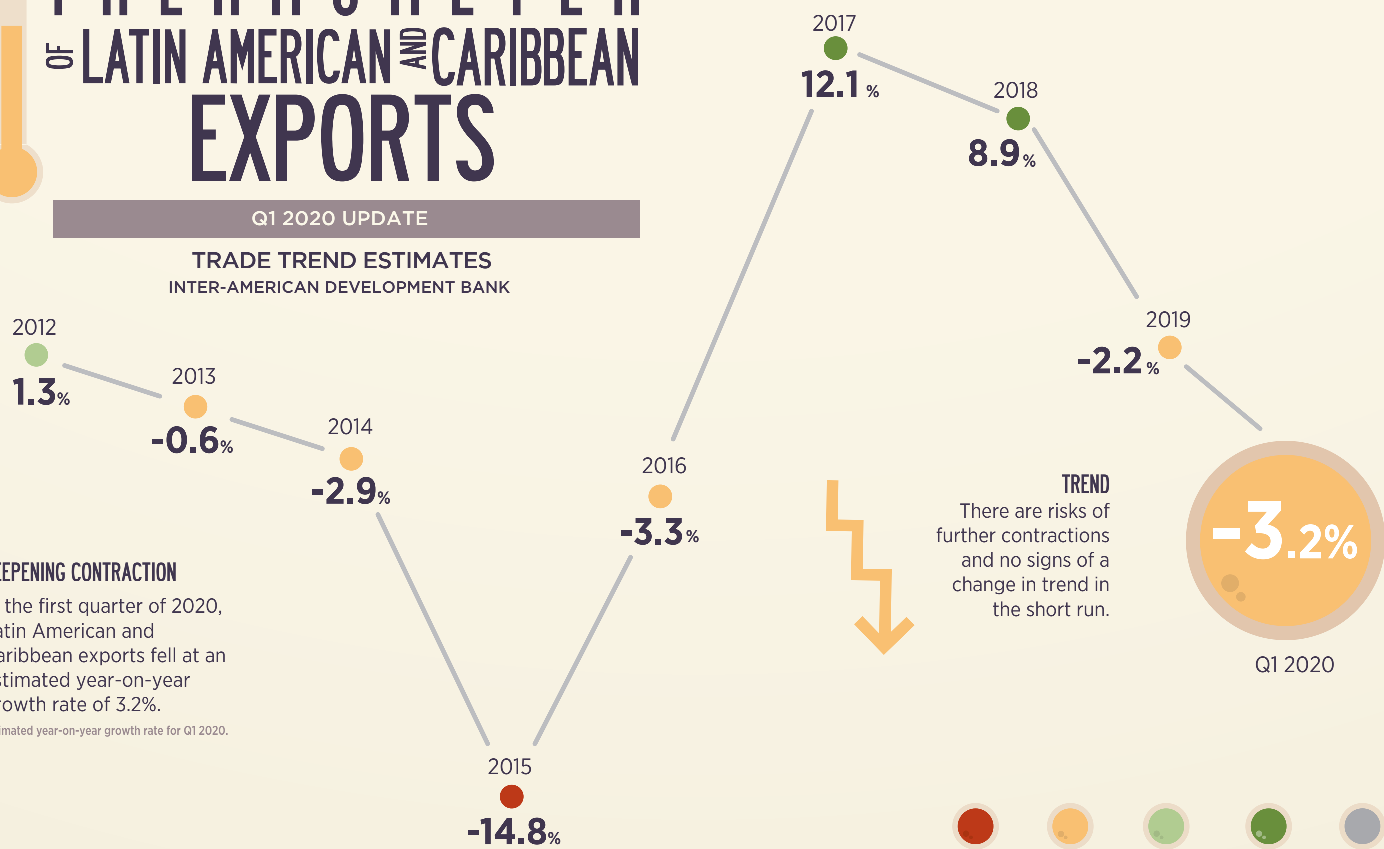
The estimates in this report are based on the quarterly and monthly data available for 26 Latin American and Caribbean countries for 2019 and 15 for the first quarter of 2020. It draws on data from official national and international sources. The information included in the report is current as of May 18, 2020.

THERMOMETER OF LATIN AMERICAN AND CARIBBEAN EXPORTS

Q1 2020 UPDATE

TRADE TREND ESTIMATES

INTER-AMERICAN DEVELOPMENT BANK



DEEPENING CONTRACTION

In the first quarter of 2020, Latin American and Caribbean exports fell at an estimated year-on-year growth rate of 3.2%.

Estimated year-on-year growth rate for Q1 2020.

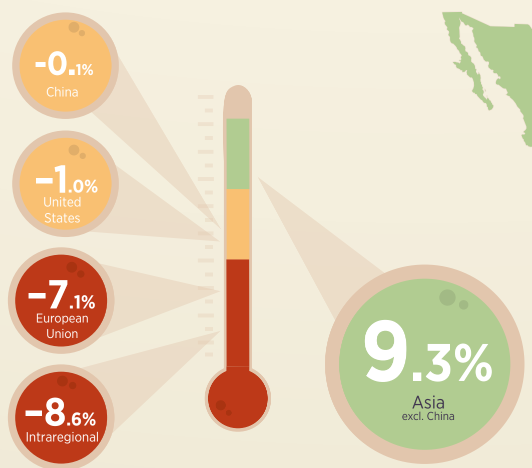
TREND

There are risks of further contractions and no signs of a change in trend in the short run.

CHANGE IN DEMAND

Asia (excl. China) was the only destination market where LAC exports increased.

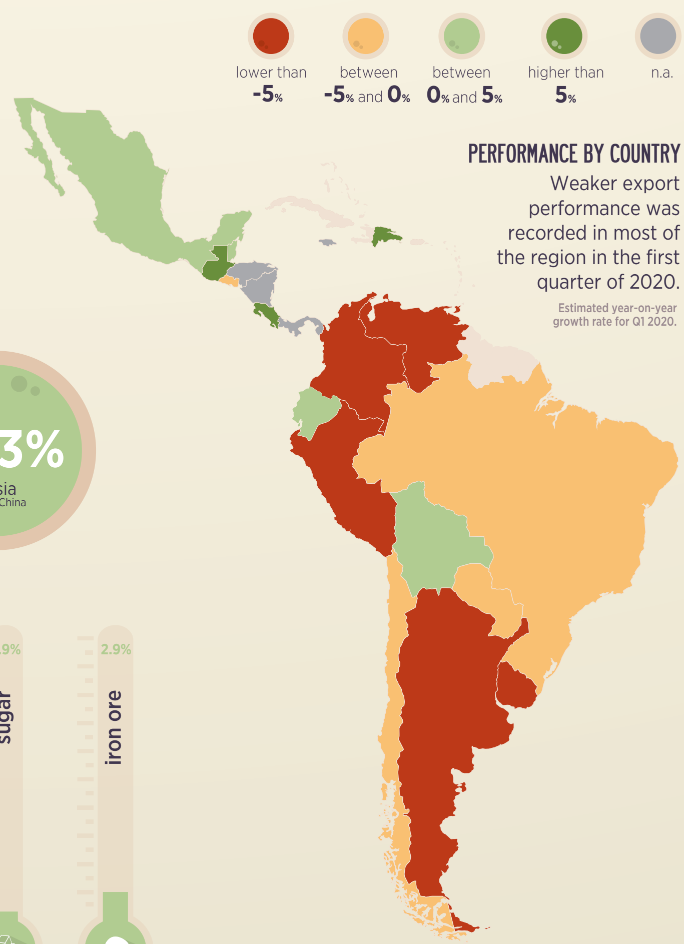
Estimated year-on-year growth rate for Q1 2020.



PERFORMANCE BY COUNTRY

Weaker export performance was recorded in most of the region in the first quarter of 2020.

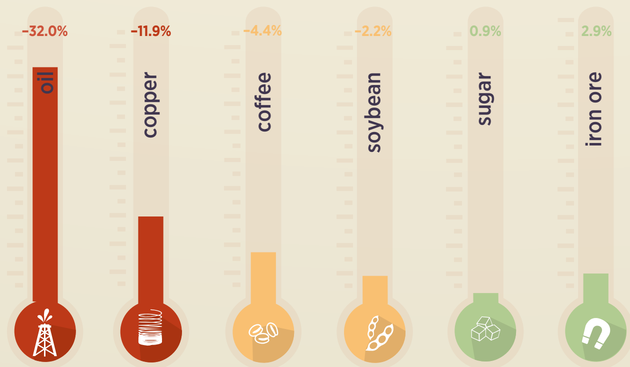
Estimated year-on-year growth rate for Q1 2020.



PRICE REDUCTION

Except for iron ore and sugar, prices of the main exported commodities showed downward trends at the beginning of the year.

Interannual cumulated growth rate for January-April 2020.



THE PANDEMIC IS STARTING TO HIT EXPORTS FROM LATIN AMERICA AND THE CARIBBEAN

Highlights

The value of exports from Latin America and the Caribbean contracted at an estimated year-on-year rate of 3.2% in the first quarter of 2020, after having dropped by 2.2% in 2019.

This downturn was due to both lower export prices and a fall in volumes.

The regional average reflects the drop in exports from South America, which was partially offset by the increase in those from Mesoamerica.

In March, the initial effects of the global economic crisis ushered by the COVID-19 pandemic started to emerge, leading to a change in trend in Mesoamerica and further contraction in South America.

The trade outlook deteriorated significantly in the first months of 2020 against the backdrop of the economic crisis triggered by the COVID-19 pandemic. The physical distancing and lockdown measures implemented in most countries of the world to halt the spread of the novel coronavirus depressed global demand, with knock-on effect on prices.

The pandemic hit at a time when global and regional trade were already displaying great fragilities. In 2019 Latin American and Caribbean (LAC) exports contracted by 2.2% on average, while global trade decreased by 2.8%.[1] In both cases, this contraction was mainly driven by falling prices and stagnant export volumes.

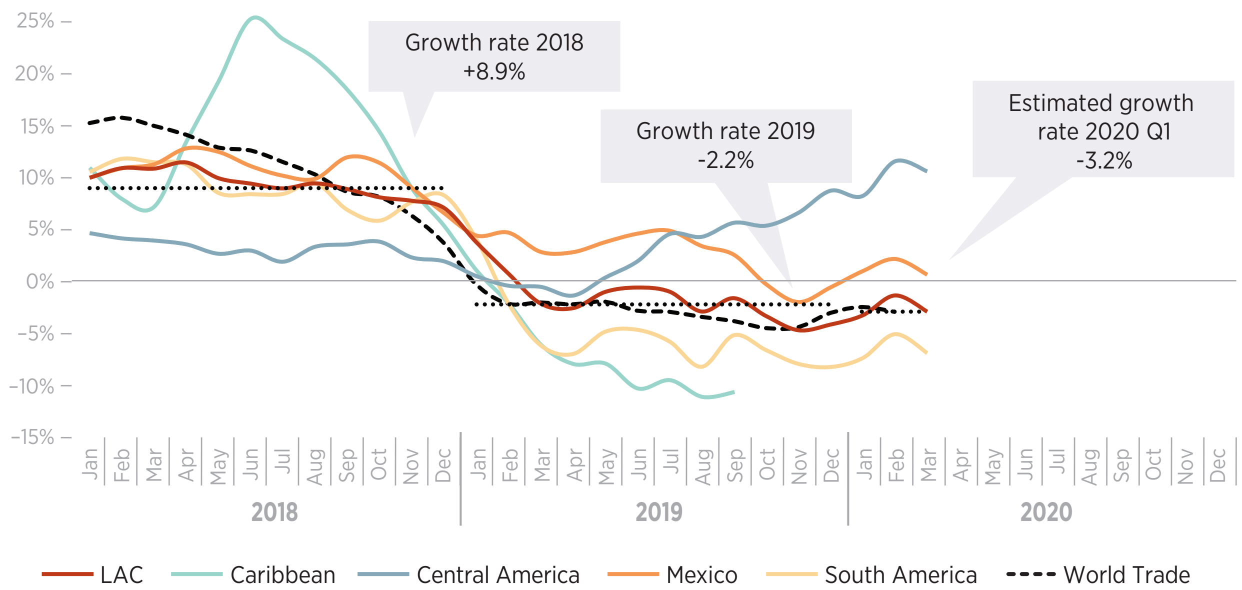
1 The estimates published in December 2019, which forecasted an annual export growth of 2.4%, were based on the data available as of September or October of that year. The improvement in some South American countries in November and December 2019 largely accounts for the difference between this revised figure and the earlier estimate. Data include records up to December 2019 for 18 Latin American countries—Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela—and 8 countries in the Caribbean—Bahamas, Belize, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago.

General Outlook

In the first months of 2020, goods exports of Latin America (LA) continued on the downward trend that began in early 2019, although the effects of the current global crisis have yet to fully impact the region. The total value of exports is estimated to have fallen by 3.2% in the cumulative year-on-year comparison for the first quarter of 2020 (Figure 1).[2] The downturn in global demand hit LAC both through the price and volume channels.

However, in the first quarter of 2020, the impact on the countries of the region was heterogenous, given the differences in export specialization. The first subregion to experience the trade contagion of the COVID-19 pandemic was South America, whose exports are concentrated in commodities and for which China is a core partner. External sales declined by 7.6% year-on-year in the first quarter of 2020 after falling 6.2% in the annual average for 2019.

FIGURE 1 • VALUE OF LATIN AMERICAN AND CARIBBEAN EXPORTS AND WORLD TRADE
(Year-on-year growth rate, 3-month moving average, percentage, 2018–2020)



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 2019, data for 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 countries in the Caribbean—Bahamas, Belize, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago. From January 2020, the Caribbean countries, Honduras, Nicaragua, and Panama were excluded as no data was available. World trade is the average of global imports and exports.

2 This estimate draws on data from 15 Latin American countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Paraguay, Peru, Uruguay, and Venezuela. See the Methodological Note for additional information on the procedures, time periods, and sources for the data used in the estimates.

Foreign sales from Mexico and Central America showed their first signs of deterioration in March, when the pandemic reached the United States, their main market. After growing just 2.3% on average in 2019, Mexico's exports expanded only 0.6% year-on-year in January–March 2020. Shipments from Central America accelerated remarkably, continuing the trend that began in mid-2019, increasing 9.1% year-on-year in the first quarter of 2020 after growing 2.7% on average for the year.[3]

Total imports in the region fell by 4.0% in the first quarter of 2020, revealing a further contraction in activity in several LAC countries as a result of the health crisis and the policies implemented to contain it.

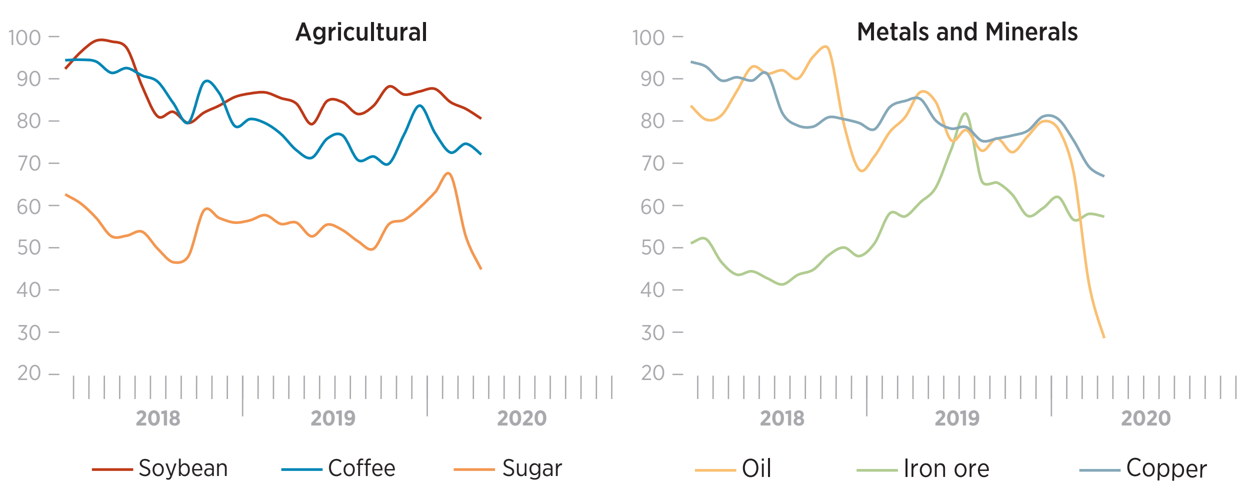
Prices

The decline in global demand has put downward pressure on the prices of the main commodities exported by LAC, particularly energy (Figure 2).

The price of **oil** fell by 32.0% year-on-year in January–April 2020 driven by the accumulation of stocks at a time of depressed demand. In April, oil prices even dipped into the negative for the first time in history, as some critical storage facilities in the United States reached maximum capacity.

The price of **copper** dropped a cumulative 11.9% in January–April 2020 compared to the same period in 2019. Declining demand from China, the main market for copper, has put downward pressure on the price. However, prices showed signs of recovery in April following announcements of cuts in production by some mining companies and indications of a revival in demand in China.

FIGURE 2 • PRICES OF THE MAIN EXPORT PRODUCTS OF LATIN AMERICA AND THE CARIBBEAN
(Index, 2010=100, 2018–2020)



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

3 Unlike in previous editions of this report, the analysis of Central America only includes Costa Rica, the Dominican Republic, El Salvador, and Guatemala, due to a lack of data on other countries.

Between January and April, the average price of **iron ore** was 2.9% higher than on the same period the previous year. This exceptional performance was mainly driven by disruptions in the supply from Australia and Brazil due to extreme weather at the beginning of the year. To a lesser extent, it was also influenced by the fact that it is technically impossible for blast furnaces to halt operations either partially or entirely, which cushioned the effect of the downturn in global demand. These trends also led to speculative purchases that propped up the price of the metal.

Turning to agricultural products, the price of **sugar** was extremely volatile in the first quarter of 2020. Between December 2019 and February 2020 there was a significant recovery due to droughts that affected production in Brazil, India, and Thailand, the main global producers. However, the decrease in demand during the health crisis and the fall in ethanol production due to the collapse of oil prices led to losses between March and April that brought sugar prices to historic lows.

The average price of **soybean** in January–April was 2.2% below the corresponding period in 2019. Although there were some signs of recovery at the end of the year, it slipped back into a negative trend in February 2020 in response to lower demand during the health crisis and increased supply due to the record crop in Brazil, the world's second-largest soybean producer.

The 4.4% year-on-year drop in the price of **coffee** between January and April compared to the same period in 2019 was largely a consequence of lower demand, in keeping with the downward trend that began in early 2017. However, between late March and early April, the price started to recover as demand increased due to stockpiling in response to growing uncertainty stemmed by disruptions in global supply chains.

Volumes

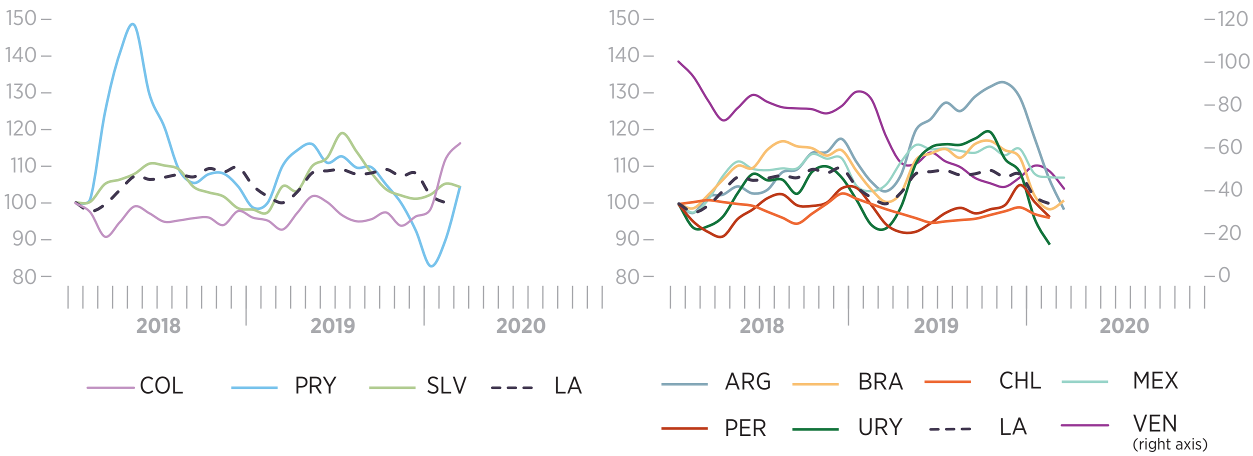
Export volumes in Latin America fell by an estimated 1.2% year-on-year in the first quarter of 2020 after growing 0.5% in 2019 (Figure 3). Colombia and Mexico were the only countries whose export volumes increased, although the latter experienced a significant slowdown between February and March 2020.

In **Brazil,** there was no variation in export volumes in the first quarter of 2020 compared to the same period in 2019, as the significant increase in shipments of oil and oil products was offset by the drop in records related to offshore platforms and in exports of iron ore and corn, among others. In **El Salvador**, external sales are estimated to have remained stagnant in real terms during the same period. Decreased shipments of textiles and apparel were offset by a sharp increase in sugar exports.

Chile experienced an estimated 4% decline in real exports in the first quarter of 2020, largely caused by lower volumes of copper sales. **Argentina**'s real exports contracted by an estimated 5% year-on-year, driven by manufactures of both industrial and agricultural origin. In **Paraguay**, export volumes decreased 5% as a result of reduced shipments of soybean and soybean products. **Peru**'s export volumes fell 7% in 2019 due to lower shipments of gold, fishmeal, oil, and oil products. In **Uruguay**, where the estimated drop was 11%, the products that were hardest hit were meat, wool, wood, and leather and hides. Finally, **Venezuela**'s real exports are estimated to have fallen by 37% year-on-year in the first quarter of 2020 as a result of the decline in oil production.

In **Mexico**, exports grew by 2%, significantly less than in the previous year (4%), which mainly points to the marked slowdown in exports of vehicles and mechanical devices. **Colombia**'s export volumes increased by 25%, which was largely explained by higher real sales of bituminous coal and gold.

FIGURE 3 • EXPORT VOLUMES FOR SELECTED COUNTRIES
(Indices, 3-month moving average, January 2018=100, 2018–2020)



Source: IDB Integration and Trade Sector with data from official sources, the United States Bureau of Labor Statistics (BLS), and the Organization of Petroleum Exporting Countries (OPEC).
Note: The value of exports from Mexico and El Salvador were deflated using BLS indices, and the volume of Venezuela's exports was estimated using OPEC data. LA is the average of national indices weighted by the value of each country's exports in 2015. The sample represents 92% of LA's external sales for that year. See the Methodological Note for more details.

Markets

Imports from the region's main trade partners provide an early insight into how the global health crisis is impacting trade in the region (Figure 4).

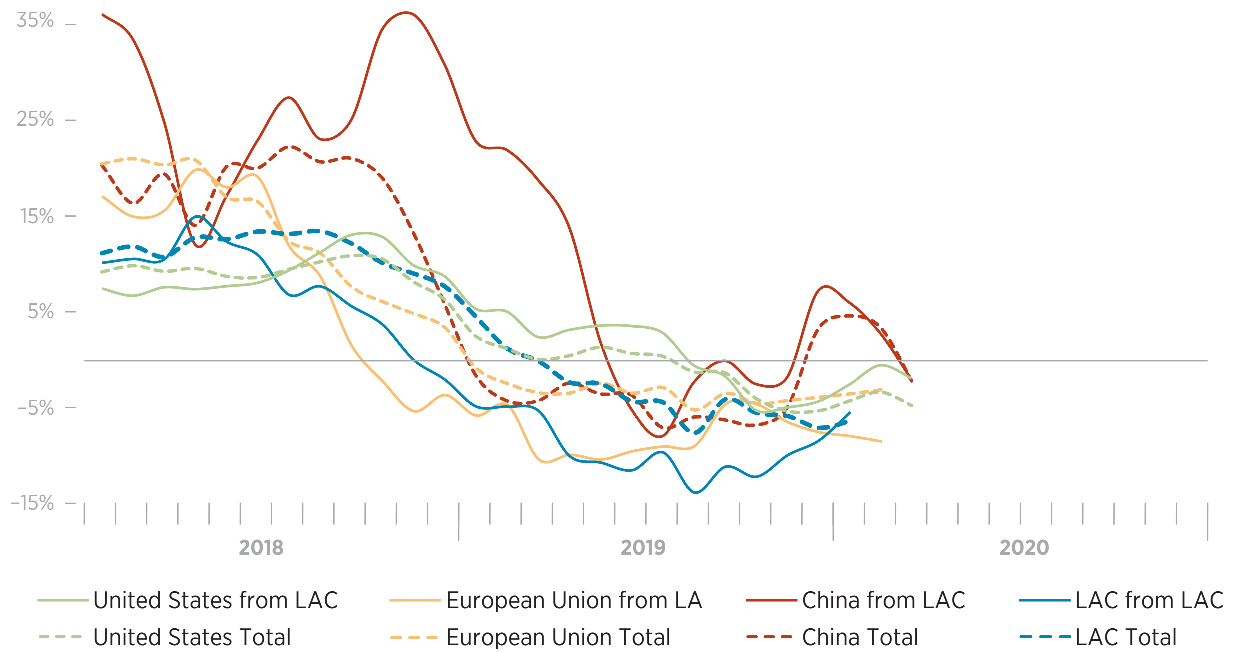
Imports from **China**, which had begun to recover in late 2019, were the first to display the effect of the trade downturn. China's purchases from LAC stagnated (-0.1%) in the first quarter of 2020, while its total imports fell by 2.3%. This trend had the greatest impact on the countries of South America, as China is one of their main trading partners. Its role as a global buyer for some of the region's main export products also affected the region through the price channel.

Although the contraction in purchases by the **United States** had stared started to slow down between late 2019 and early 2020, the downward trend accelerated again in March when COVID-19 began to spread in the country. Imports of the United States from LAC shrank 1.0% on average in the first quarter of 2020, while its purchases from the world contracted by 4.9%. As a consequence, LAC countries for which the United States is the main trading partner, such as Mexico and those of Central America, began to feel the effects of the pandemic from March onward.

In the **European Union**, where COVID-19 began to spread in February and March, the negative trend observed at the end of 2019 continued into the first months of 2020. In the first quarter of 2020, imports of the European Union from LAC contracted by 7.1%, more than its total imports (-4.2%).

The most dramatic drop was recorded in purchases from within **Latin America**, which contracted by 8.6%, twice as much as total imports (-4.0%). This figure is a harbinger of the difficult times ahead for intra-regional trade, since the downward trend had started before the COVID-19 pandemic began to spread through the region.

FIGURE 4 • VALUE OF MAIN TRADING PARTNERS' IMPORTS FROM LATIN AMERICA AND THE CARIBBEAN AND THE WORLD
(Year-on-year growth rate, 3-month moving average, percentage, 2018–2020)



Source: IDB Integration and Trade Sector with data from the International Monetary Fund (IMF), the US International Trade Commission (USITC), Eurostat, China Customs, and national sources.
Note: The import series for all economies are valued in US dollars.

Prospects

The current high level of uncertainty limits the predictive capacity of analytical tools, especially given the exogenous nature of the economic crisis. However, the results of two different models provide valuable insights to gauge how the region's exports will perform in the coming months.

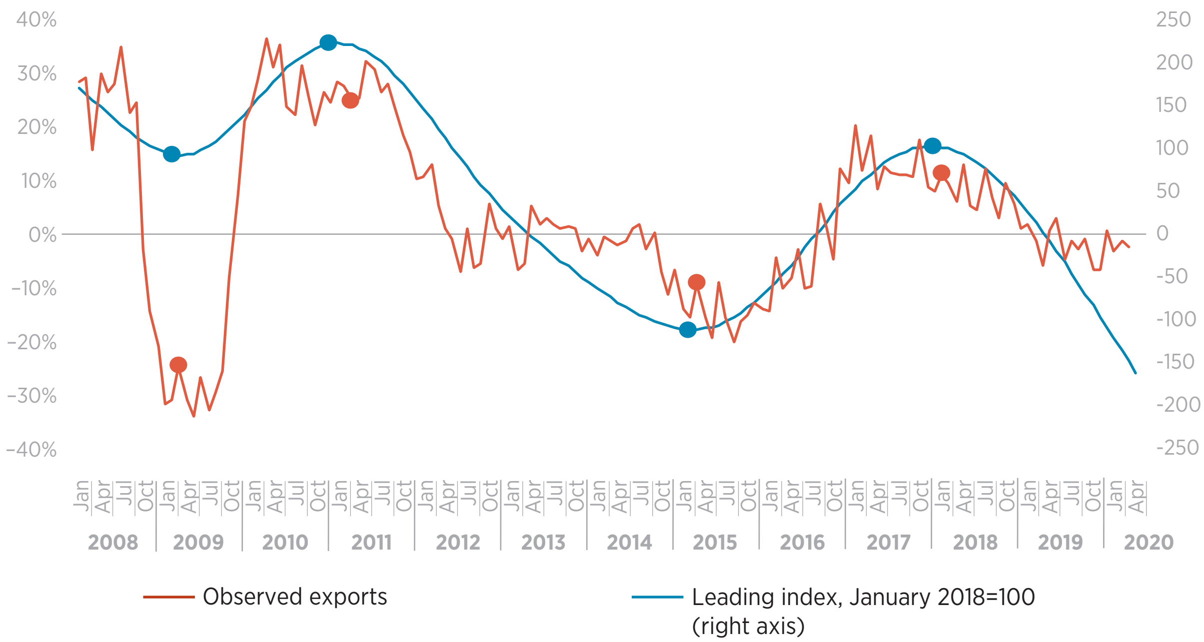
The leading index of the value of exports allows an early detection of the turning points in the trend and signals the likelihood that LAC's exports may get back on the path to growth in the future (Figure 5). On the other hand, the real time growth rate of the value of exports can be estimated with an instantaneous prediction methodology known as *nowcasting*.[4]

The drop in the value of exports observed in the first quarter of 2020 was part of a medium-term trend toward contraction and the leading index suggests it will remain unchanged in the coming months. In other words, the model does not forecast a turning point in the trend until at least June 2020.[5] In fact, the contraction is expected to intensify during the global crisis caused by the COVID-19

4 For a detailed description of the two indicators, the data used, and the estimation methodology, see Giordano *et al*. (2019), "Rough Patch. Latin America and the Caribbean and the Global Downturn in Trade." *Trade and Integration Monitor*. Inter-American Development Bank.

5 The timeframe for which the prediction is valid is the average lead of the index with respect to the variation in export data since 2008.

FIGURE 5 • CHANGES IN THE TREND OF THE VALUE OF GOODS EXPORTS OF LATIN AMERICA AND THE CARIBBEAN
(Year-on-year growth rate and leading index, January 2018=100, 2008–2020)



Source: IDB Integration and Trade Sector and authors' estimations.
Note: The leading index series shows the trend after the Hodrick-Prescott filter was applied. The circles indicate the turning points in the trend for the index series and the observed value of LAC exports.

pandemic. A historic comparison of the indicator shows that the signals connected with the current contraction of LAC exports are stronger than those seen during the Great Recession.[6]

As a complement, the *nowcasting* model allows the estimation of the drop in LAC exports in April, a month for which no official export records were yet available at the time of publication. According to this forecast, exports from the region contracted further, bringing the year-on-year growth rate for April 2020 to around -30%, which indicates that the effects of the global health crisis are already beginning to emerge.

6 Although the index level should not be interpreted as a measure of future export levels, it can be evaluated through comparison with historical values. The figure shows that the index fell more rapidly in the last months of 2020 compared to the 2008–2009 crisis. This suggests that the signs of contraction are stronger than those observed during the Great Trade Collapse of 2009. For a broader illustration of how similar leading indicators can be used to analyze crises, see OECD (2020), *Composite Leading Indicators,* April.

Performance by Subregion

In the first quarter of 2020, the crisis had a heterogeneous impact on LA countries (Table 1). All the main destination markets acted as contractionary factors, except Asia (excluding China). Intra-regional trade flows had the greatest impact on the overall contraction. Exports shrank in more than half of LA countries, with the most significant exceptions observed in Central America. The following section analyzes the factors and destination markets that explain the evolution of external sales in

TABLE 1 • GROWTH OF LATIN AMERICAN EXPORTS TO SELECTED DESTINATIONS
(Year-on-year growth rate, percentage, 2019 and Q1 2020)

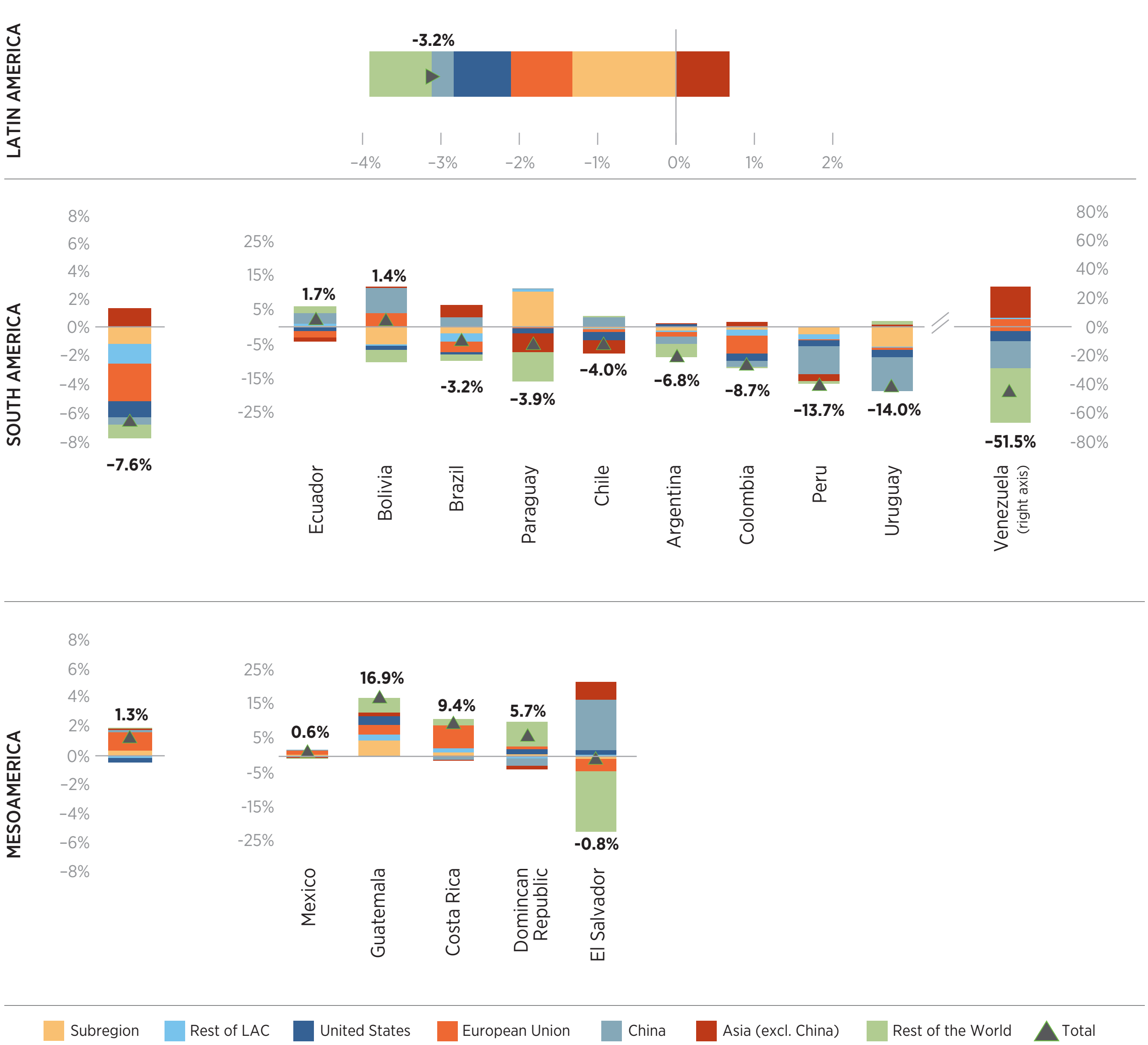
Exporting Group/ member	Q1 2020 vs Q1 2019							2019 vs 2018
	Subregion	Latin America and the Caribbean	United States	Asia (excl. China)	China	European Union	World Total	World Total
SOUTH AMERICA	**-7.3**	**-11.9**	**-15.2**	**11.2**	**-0.6**	**-7.6**	↓ **-7.6**	**-6.2**
Argentina	-3.2	-3.9	-20.4	0.6	-15.3	3.8	↓ -6.8	5.4
Bolivia	0.4	1.5	-25.4	-5.6	62.3	-21.3	↑ 1.7	-1.9
Brazil	-11.5	-21.9	-19.5	25.0	6.9	-3.9	↑ -3.2	-5.8
Chile	-2.6	-4.0	-5.0	-14.7	7.0	-19.4	↑ -4.0	-7.1
Colombia	-3.6	-7.3	-14.3	28.4	-14.5	-15.3	↓ -8.7	-5.8
Ecuador	-31.7	-20.1	-3.9	21.5	54.8	29.1	↓ 1.4	3.3
Paraguay	12.0	12.4	0.0	-64.8	97.9	-23.6	↑ -3.9	-11.9
Peru	-15.3	-19.6	-0.1	-11.4	-21.7	-19.2	↓ -13.7	-2.8
Uruguay	-20.3	-17.5	-12.5	10.6	-31.9	-16.6	↓ -14.0	2.3
Venezuela	-68.6	-44.1	-97.3	93.3	-92.0	-69.5	↓ -51.5	-43.6
MESOAMERICA	**8.9**	**1.5**	**1.6**	**1.9**	**7.3**	**-5.6**	↓ **1.3**	**2.5**
Mexico	11.1	-1.2	1.4	-1.8	1.0	-8.9	↓ 0.6	2.3
Central America	**5.6**	**5.9**	**6.1**	**39.4**	**85.6**	**11.7**	↑ **9.1**	**3.8**
Costa Rica	3.9	4.3	15.7	56.0	-90.2	2.2	↑ 9.4	1.8
Dominican Republic	48.2	-1.4	2.7	-20.0	-70.7	7.6	↓ 5.7	7.3
El Salvador	-2.8	-1.5	-8.5	421.1	1,522.7	49.1	↓ -0.8	0.7
Guatemala	14.4	13.7	9.0	30.0	-0.8	30.9	↑ 16.9	1.8
Honduras	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.2
Nicaragua	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	13.6
Panama	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6.1
LATIN AMERICA	**-9.3**	**-8.6**	**-1.0**	**9.3**	**-0.1**	**-7.1**	↓ **-3.2**	**-2.2**

Source: IDB Integration and Trade Sector, estimations based on official sources, except Venezuela, which is based on estimates using data from OPEC and IMF.
Note: a/ Mesoamerica and Central America do not include Honduras, Nicaragua, and Panama in the data for Q1 2020 as up-to-date records were not available. The table does not include growth rates or absolute changes for nonselected destinations. As a result, the sum of the absolute changes for the selected destinations does not match the total. The data for Costa Rica, the Dominican Republic, El Salvador, and Guatemala includes exports under special trade regimes (STRs). For individual Central American countries, the subregional growth rates are for Mesoamerica, but Mexico is excluded from the aggregate for Central America, thus the subregional total only represents trade within Central America. See the Methodological Note for additional information on the procedures, time periods, and data sources used in the estimates. The abbreviation "n.a." indicates that no data was available. The arrows show the variation compared to the previous year.

the different subregions of LA in 2020 (Figure 6). The Annex contains detailed data on each country and the main export products.

In **South America**, exports declined by 7.6% year-on-year in the first quarter of 2020 after falling 6.2% in the annual average for 2019. The sharpest contractions were in Venezuela (-51.5%), Uruguay (-14.0%), and Peru (-13.7%) where exports fell at double-digit rates. Exports from Bolivia (1.7%) and Ecuador (1.4%) were the only ones that remained on positive ground. South America was affected by both the dynamics of commodity prices and the decrease in export volumes. The exports that declined most were those to the United States (-15.2%) and LAC (-11.9%), which

FIGURE 6 • CONTRIBUTION OF MAIN TRADING PARTNERS TO TOTAL GROWTH IN VALUE OF LATIN AMERICAN GOODS EXPORTS
(Year-on-year growth rate and percentage points, Q1 2020)



Source: IDB Integration and Trade Sector, estimates based on official sources.
Note: Mesoamerica does not include Honduras, Nicaragua, and Panama as disaggregated data was not available.

explained more than two-thirds of the total contraction. Exports to all other major destinations, except Asia (excluding China), also declined.

Mesoamerica's export growth slowed from 2.5% in 2019 to 1.3% year-on-year in the first quarter of 2020, which essentially reflects the downturn in the growth of **Mexico**'s external sales. After increasing just 2.3% on average in 2019, the country's exports expanded just 0.6% year-on-year in January–March 2020. Exports from **Central America** accelerated remarkably, continuing the trend that began in mid-2019, and increased 9.1% year-on-year in the first quarter of 2020, after growing 2.7% on average over the previous year.[7] External sales increased in Guatemala (16.9%), Costa Rica (9.4%), and the Dominican Republic (5.7%), but stagnated in El Salvador (-0.8%). The growth in Mexico's export volumes was exclusively explained by demand from the United States, although this was notably lower than in the previous year. In Central America, the rest of LAC and Asia also acted as drivers for exports. In both cases, the trend reversed in March, mainly because of the decline in the United States' demand.

7 Unlike in previous editions of this report, the analysis of Central America only includes Costa Rica, the Dominican Republic, El Salvador, and Guatemala, because up-to-date data was not available for other countries. This explains the differences in the data in Table 1 between this report and the 2019 edition, which included all countries in the region.

Conclusions

Goods exports from LAC fell at an estimated rate of 3.2% year-on-year in the first quarter of 2020. The data is starting to reveal the negative effects of the economic crisis unleashed by the COVID-19 pandemic, although the full impact is yet to be felt.

South America was particularly affected by the fall in commodity prices, which was driven by a sharp decline in the price of oil and the ongoing downward trend in the prices of most agricultural products and minerals. Nominal variables reacted quickly to expectations of a global recession, and their impact was gradually amplified by the contraction of real demand from the region's main trading partners.

In Mexico, the slowdown in the growth rate of volumes was compounded by price contractions, resulting in a weak expansion of exports. For its part, flows from Central America grew at significant rates, setting the subregion apart from the rest of Latin America. The performance of countries in Mesoamerica owed largely to increased demand from the United States. However, demand began to decline in March as the country became the epicenter of the COVID-19 pandemic.

In the aggregate for the first quarter of 2020, the main driver was the drop in export flows within Latin America, followed by those to the United States and the European Union. Asia (excluding China) was the only expansionary factor for the region's external sales. Although in recent years China has been the main driving force for LAC's external sector, its demand for imports from the region came to a standstill.

Future prospects depend on several unknowns that will shape how the real and nominal determinants of trade flows evolve in the post-COVID-19 global economy. These include how fast trade partners reopen their economies, whether new waves of contagion prompt a return to lockdown measures, and how varied the economic and trade effects of these measures prove to be, given that their severity varies greatly from country to country. There is also great uncertainty around how stabilization policies will affect economic activity and employment and what the global economy's growth path will look like once the pandemic is over. This uncertainty is reflected in predictions of how commodity prices will evolve. In these circumstances, the leading indicator for LAC exports does not yet forecast a shift in trend in the coming months.

Among the advanced economies, the case of the United States stands out. Although the COVID-19 outbreak is still ongoing, some states are already starting to reopen, and the most severe economic effects are expected to be felt in the second and third quarters of the year. In contrast, Europe seems to have moved past the most critical phase in the health crisis and several countries have gradually started to reopen. However, the economic recession is expected to be deeper than in the United States, and it is worth noting that the propensity to import from LAC was already on a downward trend before the pandemic hit.

Among the emerging economies, China and the rest of Asia have been in a recovery phase for several weeks now, which may cause Latin American export volumes to rally. However, the importance of commodities within LAC's export baskets to Asia combined with the downward trend in commodity prices suggests that the short-term impact on export values will be moderate. For its part, the outlook within Latin America itself is bleak, as the pandemic is still in its early stages in the region and economic activity is projected to plummet, pointing to weakness in intraregional trade going forward.

Given this context, it is likely that LAC exports will contract even more severely than during the Great Trade Collapse of 2008–2009, when they did so at an average annualized rate of 24% over 13 months. This outlook is based not only on the dynamics of the trade environment analyzed in this report but also on three long-term trends that characterized the trade environment before the COVID-19 crisis.

First, the starting point is significantly more fragile than it was in 2008. The value of global trade had been expanding at an average annual rate of 16.2% in the six years leading up to the Global Financial Crisis, while the average growth rate for 2014–2019 was just 0.3%. Second, the scope of the global trade shock caused by the COVID-19 pandemic is larger than the one that followed the 2008–2009 crisis. On that occasion, developing countries, particularly those in Asia, were decoupled from the recession in advanced economies and continued to drive demand for the region's exports. Finally, a great degree of uncertainty remains as to when the recovery from the current crisis will begin and whether there will be a relapse in economies that are beginning to reopen after the health crisis has peaked.

Annex: Export performance by country

This annex analyzes the growth rate of the value of exports (Table 1) and assesses how trading partners contributed to export variation (Figure 6) in each Latin American country for which data is available, detailing the main sector-specific determinants of export performance.

South America

Exports from **Bolivia** grew by 1.7% in the first quarter of 2020, reversing the negative performance of 2019 (-1.9%). Shipments to China, particularly of gold, increased significantly (62.3%) but were partially offset by the decline in sales to the United States (-25.4%), the European Union (-21.3%), and the rest of Asia (-5.6%).

Ecuador's exports are estimated to have slowed down in the first quarter of 2020. They expanded by 1.4% year-on-year and increased by 3.3% in the average for 2019. This growth was driven by increased shipments to China (54.8%) and the European Union (29.1%) compensated by the drop to the United States (-3.9%). Higher exports of bananas and shrimp offset declining sales of oil.

Brazil's exports fell 3.2% year-on-year in January–March compared to 2019, in a context of stagnating volumes and falling prices. Although there were increases in shipments to China (6.9%) and the rest of Asia (25.0%), these were not sufficient to offset the contraction in sales to the United States (-19.5%), the rest of LAC (-21.9%), and, to a lesser extent, the European Union (-3.9%). Higher sales of fuels were offset by the drop in export records related to oil platforms.

In **Paraguay**, exports contracted by 3.9% year-on-year in the first quarter of 2020, a smaller drop than in the previous year (-11.9%). The fall in export volumes was not offset by the slight increase in prices. The worst-performing destination markets were Asia (excluding China) (-64.8%) and the European Union (-23.6%). Shipments to the rest of the world also decreased significantly, particularly to Russia (-54.3%). This was largely explained by lower sales of soybean and soybean products.

Chile's exports shrank by 4.0% year-on-year in the first quarter of 2020 after contracting 7.1% in 2019. This was entirely explained by a fall in volumes (-4.0%). Chile's foreign sales declined in all major destination markets except China (7.0%). The most significant contractions were in shipments to the European Union (-19.4%) and the rest of Asia (-14.7%). The main drivers for this drop were industrial products, particularly salmon and cellulose, while mineral exports only increased slightly led by iron ore.

Argentina's exports fell by 6.8% in the first quarter of 2020, reversing the positive performance of the previous year, when they grew by 5.4%. This contraction was mainly due to lower export volumes, which fell by 5%. A significant contraction in exports to the United States (-20.4%), China (-15.3%), and the rest of LAC (-3.9%) were the main drivers. Shipments to the rest of the world also had a significant impact on the overall drop, particularly those to Canada (-74.8%). Although the downturn affected all major export products, soybean cake accounted for a significant share of the contraction.

In the first quarter of 2020, exports from **Colombia** shrank by 8.7% year-on-year after falling by 5.8% on average in 2019. The notable growth in export volumes (25%) was not enough to make up for the sharp drop in prices. The decrease in shipments to the United States (-14.3%) accounted for half of the total contraction, in a context of reduced sales to all the country's other major destination markets, except Asia (excluding China) (28.4%). The downturn in exports of oil and oil products played a decisive part in this result.

After experiencing a 2.8% decrease in 2019, **Peru**'s exports dropped by 13.7% year-on-year in the first quarter of 2020, which was explained by declines in both export volumes (-7%) and prices. China (-21.7%) accounted for half of the total export contraction and there were also sharp drops in shipments to the European Union (-19.2%) and the rest of LAC (-19.6%). The country's overall trade performance was explained by contractions in sales of traditional products, mainly those from the fisheries sector and oil and natural gas products.

After increasing by 2.3% in 2019, exports from **Uruguay** contracted by 14.0% year-on-year in the first quarter of 2020. Lower export volumes (-11%) were compounded by falling prices. Exports decreased to all major destinations except Asia (excluding China) (10.6%). The downturn in sales to China (-31.9%) accounted for more than half of the total contraction, while sales to the rest of Latin America (-20.3%) added a further third. Most of this downturn was explained by meat products and edible offal and wood and wood manufactures.

Venezuela's exports are estimated to have fallen by 51.5% year-on-year in the first quarter of 2020. The drop in the price of oil, the country's main export product, was compounded by a sharp downturn in export volumes (-37%). Shipments decreased to all major destinations, except to India and the rest of Asia (excluding China).

Mesoamerica

Mexico's exports grew by 0.6% year-on-year in January–March 2020, which represented a marked slowdown in comparison to the average rate for 2019 (2.3%). Export volumes increased by 2% in a context of falling prices. This growth was entirely explained by increased exports to the United States (1.4%), although these decelerated considerably in comparison with 2019, when they grew by 3.6%. Exports also increased to the rest of Mesoamerica (11.1%) and, to a lesser extent, to China (1.0%), while they decreased to the European Union (-8.9%). Oil exports plummeted and the growth rate in sales of vehicles and parts slowed markedly, as did that of mechanical appliances and boilers, although to a lesser extent.

Guatemala's exports increased by a remarkable 16.9% in the first quarter of 2020 after growing by 1.8% on average in 2019. A third of this increase was explained by the rest of LAC (13.7%), while the United States (9.0%) and the European Union (30.9%) accounted for an additional third. Exports from the national customs territory (NCT) increased by 29.8%, driven by higher shipments of cardamom and sugar, while sales from special trade regimes (STRs) fell by 8.5%, dragged down by fresh, dried, and frozen fruits and, to a lesser extent, textiles.

Costa Rica's exports grew 9.4% year-on-year in the first quarter of 2020 after expanding by just 1.8% on average in 2019. This performance was mainly due to increased shipments to the United States (15.7%), which explained almost three-quarters of the total increase. Exports to the rest of LAC also grew (4.3%). The increase in exports was explained almost entirely by shipments from STRs (16.1%), while those from the NCT only grew by 2.3%. Medical and dental instruments and supplies and bananas stand out at the product level.

In the first quarter of 2020, exports from the **Dominican Republic** grew 5.7% year-on-year, which represents a slowdown in comparison with the average growth rate for 2019 (7.3%). Sales to the rest of the world accounted for a third of the total increase, notably those to Switzerland. Sales from the NCT were more dynamic (12.2%) than those from STRs (1.9%). This positive performance owed to notable increases in sales of the main products in the country's export basket: base metals, fine pearls, precious metals and precious metal manufactures, and machines, devices, electrical equipment and parts.

After growing by 0.7% in 2019, **El Salvador'**s external sales contracted by 0.8% in the first quarter of 2020. There was a sixteenfold increase in shipments to China and a fivefold increase in those to the rest of Asia, driven by sales of sugar and confectionery, but this fell short of offsetting the drop in exports of these products to the country's main trading partners, the United States (-8.5%) and Canada (-85.7%). Textile exports also fell significantly. The drop in exports from STRs (-7.9%) offset the growth in sales from the NCT (0.8%).

Methodological Note

The estimates of Latin American and Caribbean exports as of March 2020 were calculated using data available through May 18, 2020. Regional estimates also include the data available up to the time the publication went to print, which was processed using an instantaneous prediction model known as *nowcasting*.[8]

The data used was for the following periods: January–March for Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, El Salvador, Mexico, Paraguay, Peru, Uruguay, and Venezuela. For Guatemala the growth in exports by trading partner was estimated using data for January–February 2020. For Peru and the Dominican Republic, the growth in exports by trading partner was estimated using data for January–February 2020 and the growth in total external sales for January–March. The data for Costa Rica, El Salvador, Guatemala, and the Dominican Republic includes STR 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 aggregate volume index for Latin America comprises 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 (Ministry of the Economy, Industry, Foreign Trade, and Services), 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 as reported by the Central Bank and aggregated according to the export structure of 2010. For Mexico and El Salvador, the series of exports in US dollars were deflated using the import price index published by the US Bureau of Labor Statistics (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 2015.

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 the Economy, Industry, Foreign Trade, and Services; Chile: Central Bank of Chile; China: China Customs Statistics; Colombia: National Administrative Department of Statistics; Costa Rica: Central Bank of Costa Rica; 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

8 For a detailed description of this indicator, the data used, and the estimation methodology, see Giordano et al. (2019), Rough Patch. Latin America and the Caribbean and the Global Downturn in Trade. *Trade and Integration Monitor*. Inter-American Development Bank.

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; STRs—special trade regimes; USITC—US International Trade Commission.

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