This report provides estimates of Latin America and the Caribbean's international trade flows for 2020 and the first quarter of 2021. It was prepared by the Integration and Trade Sector (INT) at the Inter-American Development Bank (IDB), in partnership with its Institute for the Integration of Latin America and the Caribbean (INTAL), under the overall supervision of Fabrizio Opertti, Sector Manager, and Pablo Garcia, Chief of the Regional Integration Unit. 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 INTAL consultant Kathia Michalczewsky. Jesica De Angelis participated in the research process. Juan Rodriguez Gaudín, Carolina Barco and Eugenio Negrín assisted with data processing.

Ximena Abeledo, Pablo Bachelet, Andrés Cavelier, Graziela Flor, and María Lidia Víquez provided support for the team during the production and publication process. Federico Mazzella provided technical support. The publication was designed and typeset by Word Express and translated into English by Victoria Patience.

The estimates in this report are based on the quarterly and monthly data available for 2021 for 18 Latin American countries from official national and international sources. The information included in the report is current as of May 11, 2021.

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LATIN AMERICA MOVES PAST THE TRADE IMPACT OF THE PANDEMIC

The value of goods exports from Latin America grew by 8.9% in the first quarter of 2021 compared to the same period in 2020.

Estimated year-on-year growth rate for 2021 Q1.

The export recovery was driven exclusively by the surge in commodity prices.

INCREASE IN PRICES

The export sector benefited from increased demand from all LAC’s major trading partners.

RISING DEMAND

LATIN AMERICA MOVES PAST THE TRADE IMPACT OF THE PANDEMIC

TRADE TRENDS ESTIMATES

INTER-AMERICAN DEVELOPMENT BANK

INCREASE IN PRICES

Year-on-year growth rate for 2021 Q1.

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Highlights

In the first quarter of 2021, the value of exports from Latin America grew 8.9% year-on-year after a 9.0% drop in 2020.

This recovery owes entirely to improvements in export prices, as volumes continued to decline.

Export performances varied significantly between the subregions. While in Mesoamerica the recovery has been unstable, in South America the first signs of a rebound are just appearing.

The outlook points to a shift toward growth in the coming months, but the situation remains fragile.

The Covid-19 pandemic hit Latin American trade flows hard in 2020. The most extreme effects were recorded between April and June and although the region’s external sales began to rally in July, they did not return to pre-pandemic levels until December.\(^1\)

Although the trade contraction was lower and shorter than initially forecast, this was mainly due to improvements in the prices of some of Latin America’s main export commodities in the second half of 2020. During this period, volumes only recovered partly from the losses of the first few months of 2020.

In the first quarter of 2021, the value of Latin American exports experienced positive year-on-year growth after two years of continuous contraction. This change was driven by prices, while volumes continued to shrink. Volumes did rally significantly in March, although this improvement is partly explained by the comparison to the same month of 2020, when the full impact of the pandemic was first felt.

However, the current recovery is limited by numerous factors of uncertainty against a backdrop of new waves of infection. These are having a severe impact on countries in Latin America, where progress on vaccination campaigns is slow and new containment measures are being implemented. Furthermore, the region is not taking full advantage of the growth in its main two extraregional trading partners, the United States and China.

\(^1\) Taking seasonally adjusted series into account.
General Outlook

In the first quarter of 2021, the value of goods exports from Latin America is estimated to have grown by 8.9% compared to the same period in 2020, when the impact of the pandemic was only just beginning to be felt in the region (Figure 1). This recovery owes entirely to improvements in export prices, as volumes continue to decline. The drop in external sales in 2020 reached 9.0%, which was also mainly explained by falling export volumes.

Source: IDB Integration and Trade Sector with data from official sources and the Netherlands Bureau for Economic Policy Analysis (CPB) for world trade.

Note: LA includes 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. World trade is the average of global imports and exports.

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2 This estimate draws on data from 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. Duet to a lack of official data at the time of publication, the figures for Honduras, Nicaragua and Panama only include exports from the national customs territory (NCT) and do not consider those from special trade regimes (STRs), which account for around 50% of total exports from Honduras and Nicaragua and 80% of those from Panama. See the Methodological Note for additional information on the procedures, time periods, and sources for the data used in these estimates.

3 The estimates published in December 2020 pointed to an annual fall in exports of between 11.3% and 13.0%, based on data available up to September or October. The improvements in the export performance of some Central American countries, and especially Mexico, in the last two months of the year account for most of the difference between the revised figure and the earlier estimate.
As the health crisis continued, the export recovery varied significantly among Latin America’s subregions. Central America was the least affected country group during 2020 and the first to get back on the road to growth, with strong momentum in March. Mexico felt strongly the impact of the pandemic early on, and though it rallied significantly toward the end of 2020, this positive momentum seems to have waned in the first few months of 2021. In South America, exports only began to grow again in early 2021, with a strong uptick in March, after contracting continually for two years.

Total imports from Latin America grew by 8.7% year-on-year in the first quarter of 2021, after having shrunk by 15.1% in 2020.

**Prices**

The crisis unleashed by the Covid-19 pandemic initially affected trade flows via prices. However, with the exception of oil, Latin America’s main export commodities did not come under significant pressure and have now returned to prepandemic levels (Figure 2). Indeed, the prices of copper, iron ore, and soybeans climbed to historic highs. The economic recovery—driven in part by fiscal and monetary stimuli—and the depreciation of the US dollar have played a key role in the evolution of prices.

![Prices of Main Latin American Export Products](image)

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

**Oil** was the product that was most affected by the economic crisis triggered by the pandemic. Oil prices fell by 32.3% in 2020 due to the accumulation of stocks at a time of depressed demand. However, by March 2021, they had already returned to pre-health-crisis levels, driven by the recovery
in demand, the production cuts agreed on by the Organization of the Petroleum Exporting Countries (OPEC) and its partners, and the improved economic outlook that followed announcements of new fiscal and monetary stimuli, especially in the United States. Between January and April, the average price of oil was 41.7% higher than in the same period in 2020. However, prices are still 40% below the averages for 2011–2014.

**Copper** prices increased 57.9% year-on-year between January and April 2021. The impact on these was lower in 2020 due to strong demand from China, the largest global buyer, which was driven by fiscal stimuli to counteract the effects of the pandemic. Disruptions to production in Chile and Peru put further pressure on prices. As a consequence, copper prices are now close to the record highs of 2011.

The **iron ore** market did not experience negative impacts in 2020. Indeed, prices even increased by an average of 15.5% over the year. These gains were driven by disruptions to Australia’s supply, coupled with the technical impossibility of halting steel production. Between January and April, the average price was 93.6% higher than during the same period in 2020, a record high.

**Coffee** prices were extremely volatile in 2020. The sharp drop in the first half of the year was offset by notable increases from July onward, but these were not sustained over the rest of 2020. This was mainly due to supply chain disruptions caused by the Covid-19 pandemic. Between January and April 2021, prices increased 11.9% year-on-year, but they remain at historically low levels as production continues to outstrip demand.

After plummeting in the first half of 2020, **sugar** prices began to recover but appear to have peaked in February 2021. In the first four months of the year, prices were 27.0% higher than those of the same period in 2020. This increase was largely explained by low global production levels, which have restricted supply. However, as with coffee, prices remain close to historic lows.

The price of **soybeans** was barely affected by the Covid-19 crisis in the first half of 2020. Prices have climbed steadily since August 2020, and the average level for January–April 2021 was 60.0% higher than the same period the previous year. Increased demand from China, which was largely explained by the recovery from African swine fever, was compounded by downturns in supply from both South America and the United States. Although soybean prices remain below the record high, at the beginning of 2021 they reached levels that have not been seen since 2014.

**Volumes**

In the first quarter of 2021, Latin American export volumes fell by an estimated 2.2% year-on-year after declining 7.8% in 2020 (Figure 3). However, since March, they seem to have been rallying in several countries in the region, which would bring real exports above pre-pandemic levels.

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4 Estimates of the volumes exported by Latin America are based on official data for Argentina, Brazil, Chile, Colombia, Peru, and Uruguay. In-house estimates were calculated for Paraguay, El Salvador, Mexico, and Venezuela, as detailed in the Methodological Annex. The estimate for 2020, which pointed to a 7.8% drop in volumes, differs from estimates made by organizations like the CPB, which recorded a 4.2% decrease. The difference is mainly due to estimates of Mexico’s real exports. This report estimates these using the import price series published by the US Bureau of Labor Statistics, based on December 2003 = 100, while the CPB uses Banxico prices, based on 1980 = 100. As a consequence, the reference basket may be significantly different. According to our estimate, Mexico’s exports fell by 8.9% in 2020, while the CPB’s calculation based on Banxico data put the drop at 4.8%.
Economies in which minerals and fuel account for significant shares of exports—such as Chile, Colombia, Peru, and Venezuela—continued to experience contractions in export volumes. In contrast, there were signs of recovery in countries that specialize in agricultural products, like Argentina, Brazil, Paraguay, and Uruguay, or manufactures, like El Salvador and Mexico.

**Uruguay** is estimated to have experienced the strongest recovery in the region, with export volumes up 20.5% in the first quarter of 2021, driven by meat, timber, and wheat. In **El Salvador**, external sales are estimated to have grown 6.8% in real terms in the first quarter of 2021 due to increased shipments of apparel and clothing accessories. In **Paraguay**, exports increased 3.2% year-on-year as a result of increased shipments of grains and meats, which offset the drop in exports of soybeans and soybean derivatives.

In **Brazil**, export volumes increased 2.4% in the first quarter of 2021 due to a notable rise in shipments of iron ore, sugar, and coffee, which was offset by plummeting oil shipments. In **Argentina**, real exports increased 2.1% year-on-year, due to increased shipments of soybean oil and soybean extraction meal pellets, while sales of soybeans fell. **Mexico** exported similar volumes in the first quarter of 2021 as the same period the previous year. However, these began to rally in March, driven by shipments of nonautomotive manufactures, as automotive exports continued to contract.

Real exports from **Chile** and **Peru** are estimated to have fallen by 3.0% and 8.7% in the first quarter of 2021, respectively, partly due to lower shipments of extractive products. Production in both countries declined due to the impact of measures to contain the spread of the pandemic, which were tightened again in the first few months of 2021. During the same period, **Colombia** experienced a 13.4% contraction in export volumes, which was explained by a sharp drop in oil and bituminous coal exports. Finally, in **Venezuela**, real exports are estimated to have fallen 36.3% year-on-year between January and March in 2021 as a result of the decline in oil production.
Markets

The recovery in demand from the main trading partners of Latin America and the Caribbean (LAC) has been asynchronous and volatile (Figure 4). All the same, LAC is not taking full advantage of the momentum brought by growth in its main extraregional trading partners.

China’s imports from LAC were the first to recover after being hit hard by the pandemic in the first half of 2020. However, they have remained highly volatile since. After contracting again toward the end of 2020, they returned to an upward path in early 2021, growing by an average of 19.8% year-on-year in the first quarter. It should be noted, however, that imports from LAC performed worse than China’s total imports, which grew 27.9% in this period, driven largely by purchases from the rest of Asia and the United States. As a consequence, the region lost 0.5 percentage points (p.p.) of its Chinese market share in the first quarter of 2021 compared to the same period in 2020 (7.7% and 8.2%, respectively).

Purchases by the United States from LAC were more affected by the pandemic than those of any other trade partner and only began to grow in year-on-year terms toward the end of 2020. However, any discrepancies are due not just to the sources in question, but also to the lag between the times that exports and imports are recorded.

FIGURE 4 • VALUE OF MAIN TRADING PARTNERS’ IMPORTS FROM LATIN AMERICA AND THE CARIBBEAN AND THE WORLD
(Year-on-year growth rate, three-month moving average, percentage, 2019–2021)

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.

5 Unlike the rest of this report, this section includes all of Latin America and the Caribbean, as reported in destination market data sources.
6 This section is based on an analysis of the totals imported by trade partners, as reported by the statistical authorities of the destination countries in question, while the exports recorded by the national sources of LAC countries for bilateral flows are analyzed in the next section. Any discrepancies are due not just to the sources in question, but also to the lag between the times that exports and imports are recorded.
this upward trend was volatile during the first quarter of 2021. Average year-on-year growth in January–March 2021 was 3.0% compared to the same period in 2020, while total purchases increased by 11.7%, mostly explained by an exponential increase in imports from China. As a consequence, the region lost 1.6 p.p. of its share in total US purchases, which dropped from 19.7% to 18.1%.

The European Union’s purchases from Latin America only began to show signs of recovery at the end of March 2021, after contracting almost continually for more than two years. After moving beyond the pronounced drop of the first half of 2020, imports briefly began to grow again at the start of 2021 but contracted in January and February 2021. The estimated increase in EU imports from Latin America in the first quarter was 5.7%, well below its total imports (12.7%).

Meanwhile, Latin America’s intraregional imports dropped on par with its total imports in 2020 (~16.2% and ~15.1%, respectively). However, both rebounded significantly in the first quarter of 2021 (11.7% and 8.7%, respectively).

Prospects

The predictive capacity of analytical tools is severely restricted by the uncertainty of the current context, determined as it is by an exogenous shock on an unprecedented scale. Even so, various models provide information that may help to gauge how Latin America’s exports will perform in the coming months.

The leading index for the value of exports points to a change in trend and signals that Latin America’s exports are likely to return to a growth path in the near future (Figure 5). The instantaneous growth rate of exports can be calculated using a prediction methodology known as nowcasting. According to the leading index, Latin America’s exports are already on an upward trend. In other words, exports have begun to recover, and the signs associated with the region’s export performance are strong enough to suggest that it is back on a growth path.

In this edition, an alternative methodology was used in lieu of the standard nowcasting model usually applied to estimate the year-on-year increase in Latin America’s exports for months for which official export data was not available for every country in the region at the time of publication. According to this estimate, the growth in Latin America’s exports appears to be accelerating, bringing the year-on-year growth rate for April 2021 to around 33%. However, it should be noted that this increase reflects the comparison with the low basis in April 2020, when the trade impact of the pandemic was most dramatic.

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7 For a detailed description of the two indicators and the data and estimation methodology used, see Giordano et al. (2019), “Rough Patch. Latin America and the Caribbean amid the Global Trade Slowdown.” Trade and Integration Monitor. Inter-American Development Bank.

8 The predictive capacity of the index naturally depends on how the economic effects of the current global health emergency evolve. For a broader illustration of how similar leading indicators can be used to analyze crises, see OECD (2020), Composite Leading Indicators, April.

9 Considering that the predictive capacity of the nowcasting model is limited by the extreme volatility of the variables observed during the pandemic, the results were extrapolated using a variation of the standard methodology based on a distributed lag model.
FIGURE 5 • CHANGES IN THE TREND IN THE VALUE OF GOODS EXPORTS FROM LATIN AMERICA
(Year-on-year growth rate and leading index, 2008–2021)

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 estimated series and the observed value of exports.
Performance by Subregion

Following the impact of the health crisis on Latin America’s trade sector, export performances in the first few months of 2021 varied enormously among countries (Table 1). China was the driving force behind the recovery, particularly for South America, whereas the role of demand from the United States and the European Union was less significant. Export values grew in every country except Honduras and Venezuela.

The following section analyzes the drivers and destination markets that explain the evolution of external sales in the different subregions and countries of Latin America in 2021 (Figure 6). The annex contains detailed data on each country and the region’s major export products.

In South America, exports are estimated to have grown by 14.4% in the first quarter of 2021 after falling by 9.5% in 2020. This recovery was observed in every South American economy except Venezuela (−34.8%). Those that rallied most were Chile (26.4%), Paraguay (19.0%), Uruguay (18.9%), Brazil (15.7%), and Argentina (15.5%). The subregion’s performance is largely explained by the upturn in commodity prices, as export volumes shrank or grew only marginally in every country except Uruguay. Although all the subregion’s main trading partners acted as expansionary factors for exports, China was the most dynamic destination, accounting for two-thirds of the increase.

Exports from Mesoamerica increased an estimated 4.0% year-on-year in the first quarter of 2021, after falling 8.5% in 2020. Mexico’s exports increased by 3.1% in January–March 2021 as compared to the same period in 2020. Shipments from Central America grew 11.3% over the same period. Panama’s exports soared (54.2%), and performances also improved in Guatemala (12.9%), Costa Rica (10.7%), Nicaragua (10.6%), El Salvador (10.1%), and the Dominican Republic (9.5%). The only downturn was seen in Honduras (−3.4%). The United States accounted for two-thirds of the total increase, but exports there were less dynamic than to other markets. Exports to the European Union continued to contract, especially those originating in Mexico. Meanwhile, there was a notable increase in exports to China, which accounted for a further fifth of the total growth in Mesoamerican exports.

10 Only exports from the NCT were considered due to a lack of official data on exports from STRs, which represent about half of Honduran foreign sales.
11 This exceptional performance was explained by a copper mine coming fully online amid an increase in copper prices. See the Annex for more details.
12 This data does not include exports from STRs.
### TABLE 1 • VARIATION IN THE VALUE OF LATIN AMERICAN GOODS EXPORTS BY SELECTED DESTINATIONS
(Year-on-year growth rate, percentage, 2020 and 2021 Q1)

<table>
<thead>
<tr>
<th>Exporting Group/member</th>
<th>Subregion</th>
<th>Latin America and the Caribbean</th>
<th>United States</th>
<th>Asia (excl. China)</th>
<th>China</th>
<th>European Union</th>
<th>World Total</th>
<th>World Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SOUTH AMERICA</strong></td>
<td>12.5</td>
<td>12.6</td>
<td>8.9</td>
<td>-1.2</td>
<td>34.8</td>
<td>8.7</td>
<td>14.4</td>
<td>-9.5</td>
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<td>2.6</td>
<td>12.7</td>
<td>21.7</td>
<td>36.8</td>
<td>37.3</td>
<td>15.5</td>
<td>-15.7</td>
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<td>Bolivia</td>
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<td>-6.1</td>
<td>42.0</td>
<td>42.4</td>
<td>-3.7</td>
<td>42.0</td>
<td>11.0</td>
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<td>Brazil</td>
<td>19.0</td>
<td>15.8</td>
<td>7.6</td>
<td>8.3</td>
<td>26.2</td>
<td>4.7</td>
<td>15.7</td>
<td>-5.4</td>
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<td>26.4</td>
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<td>0.1</td>
<td>34.7</td>
<td>4.0</td>
<td>8.9</td>
<td>-9.0</td>
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</table>

Source: IDB Integration and Trade Sector, estimations based on official sources, except Venezuela, which is based on estimates using data from OPEC and the IMF.

Notes: The table does not include the 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, periods, and data sources used in the estimates. The abbreviation “n.d.” indicates that no data was available. The arrows show the change in trend in comparison with the previous year. The table does not include the Caribbean countries as up-to-date information was not available.
### FIGURE 6 • CONTRIBUTION OF MAIN TRADING PARTNERS TO THE TOTAL VARIATION IN THE VALUE OF GOODS EXPORTS FROM LATIN AMERICA
(Year-on-year growth rate, percentages, and percentage points, 2021 Q1)

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

Note: The figure does not include the Caribbean countries as up-to-date information was not available.
Conclusions

The value of Latin America’s goods exports returned to a growth path in the first quarter of 2021, recording a year-on-year variation of 8.9% after contracting by 9.0% in 2020. Although during the first phase of the Covid-19 pandemic the contraction was less intense and shorter-lived than initially expected, the recovery remains fragile and is evolving differently from one country to the next. What’s more, the perceived recovery is partly due to the fact that the point of comparison was the period when the impact of the pandemic began to be felt. If this recovery is consolidated, Latin America could get back on a more sustained growth path.

South America benefited particularly from rallying commodity prices, which have not just made up for the losses accumulated at the start of the pandemic but have even reached historic highs. The main driving force behind these improvements was Chinese demand. However, for the moment, improvement in the terms of trade have not gone hand-in-hand with an increase in real trade flows. The evolution of export volumes remains fragile, although the end of the first quarter brought an encouraging uptick.

In Mexico, the recovery in export values has been moderate and even lost steam in the first few months of 2021. Likewise, the recovery in export values was mainly due to prices, although volumes did start to grow in March. The value of flows originating in Central America grew at significantly higher rates. Demand from the United States was the main factor behind the increases in both cases, although Central America’s performance was also bolstered by countries from within the subregion.

Future prospects depend on the global economy’s exit path from the Covid-19 crisis, the new sources of uncertainty that are shaking markets, and how circumstantial and structural factors affect the nominal and real determinants of Latin America’s trade flows.

Most commodity prices have settled into a clear, upward trend and are the only factor driving the region’s export values. Although this situation is not expected to change in the short-term, it would be prudent to expect that this might be a transitory effect caused by factors such as fiscal stimulus packages in some of the world’s largest economies and the search for alternatives in financial markets, which may wane when the extraordinary economic policies that have been adopted to counter the impact of the pandemic return to normal. Given these circumstances, Latin America cannot expect commodity prices to pull the economy upward as dramatically as they did at the beginning of this century.

The evolution of oil and iron ore prices is contingent on global economic growth: although this is likely to remain relatively high for the rest of the year, it is likely to get back on trend once the initial rebound phase is over. The price of some metals, such as copper or lithium, may receive a structural boost in response to the widespread shift toward a greener energy matrix. But this would also bring a downturn in oil prices, which would temper the net effect on Latin America’s terms of trade. At the same time, agricultural commodity prices have been less volatile during the crisis and although soybeans are currently in a markedly upward phase, other major Latin American export
products such as sugar and coffee are not following similar trends. In any case, these dynamics will have uneven effects on countries in the region due to the different compositions of the export baskets.

Whether the price channel will continue to have an expansionary effect on trade will also depend on the trend of the US dollar. For now, markets have been dominated by expectations of higher inflation in the United States due to the size of the fiscal stimulus packages that have already been implemented and those that are being negotiated, which has put downward pressure on the dollar and upward pressure on commodity prices. If the inflationary effect of the fiscal policy proves transitory, as US monetary authorities anticipate, the positive impact on Latin America’s terms of trade would be short-lived.

In any case, there are no signs of a disruptive structural event like China entering the global trading system, which gave rise to the commodity price supercycle that Latin America benefited from for more than a decade.

Hence the need to focus attention on the evolution of real flows and on monitoring Latin America’s competitiveness. Indeed, the fragility of Latin America’s trade recovery rests not only on the uncertainty surrounding the sustainability of the price channel as a driving force for export expansion, but also on the weakness of growth in volumes. The region’s export values are proving among the slowest in the world to recover, so far. Looking ahead, Latin America’s main trading partners are on diverging paths, and several weak points in the region’s own international integration pattern will become increasingly significant.

The United States is a case in point among the advanced economies: the impressive scale and speed at which the Covid-19 vaccination program has been rolled out and the economic stimulus packages described above have fueled a sharp acceleration in growth. However, Latin America has not yet leveraged this growth through the trade channel, and various countries in the region have lost market share in the United States.

In Europe, in contrast, containment measures are only just being relaxed, there have been setbacks to vaccination programs, and prospects of growth are more moderate. Europe’s propensity to import from Latin America was already on a downward trend before the pandemic, and imports from the region have proved less dynamic than those from the rest of the world in the immediate postcrisis phase.

Among emerging economies, China and the rest of Asia have been recovering for several months, which has boosted Latin America’s exports more than any other partner. However, given the prominence of commodities in the export basket to Asia, this trade relationship is where the imbalance between the impact of prices and volumes has been felt most acutely. Indeed, in China, Latin America has lost more market share than any other region in the world.

The outlook within Latin America itself remains bleak due to how hard the Covid-19 pandemic has hit the region, delays with vaccination programs, and projections of a slow recovery for economic activity, which highlight lingering risks for intraregional trade.

To the extent to which the limited improvement in export volumes observed to date are due to supply-side constraints caused by the pandemic hitting Latin America and its trading partners at different times, the region’s trade performance could be expected to improve once the health crisis is over.
However, a growing gap between the structure of post-Covid demand and Latin America’s export structure would underline how urgently the region needs a policy agenda that aims to mitigate the risks of decoupling from the most dynamic areas of the global economy.

In short, as of early 2021, Latin America has moved past the recessionary impact that the Covid-19 pandemic had on trade, although short-term indicators still point to a pattern of fragility that is connected to the uncertainty around the evolution of export prices and the reorganization of global trade relationships in the aftermath of the pandemic. The leading indicator for Latin America’s exports signals that the region may get back onto a growth path in the coming months. Sustaining this trend will be key to shoring up the economic growth that has begun. As the lingering effects of the pandemic will continue to hold domestic markets back, importing growth from the rest of the world through international trade will be fundamental to overcoming the worst economic crisis of the last century.
Annex: Export Performance by Country

This annex analyzes the growth of export values for each Latin American country for which data is available (Table 1) and assesses how trading partners contributed to this performance (Figure 6), describing the main drivers for this in each sector. To analyze the region’s recovery in the wake of the Covid-19 crisis, the first quarter of 2019 was chosen as benchmark.\textsuperscript{13}

South America

After experiencing average growth of 6.9\% in 2020, exports from \textbf{Chile} increased a cumulative 26.4\% in January–March 2021 as compared to 2020 and are now almost 20\% above where they were in the first quarter of 2019. This increase is explained almost entirely by higher sales to China, which grew 57.2\% year-on-year. Copper accounted for three-quarters of the total increase, and cherries for the remaining quarter.

After rising 6.9\% in 2020, exports from \textbf{Paraguay} increased by 19.0\% year-on-year in the first quarter of 2021, outstripping the level achieved for the same period in 2019 by more than 10\%. This result is due to increased sales to the rest of South America, particularly Argentina, Brazil, Chile, and Uruguay, although much of this is then re-exported to extraregional destination markets. The products that contributed most to the total increase were corn, soybeans, and beef.

After dropping by 10.7\% in 2020, in \textbf{Uruguay}, exports grew by 18.9\% year-on-year in the first quarter of 2021, reaching a level just 3.4\% higher than the same period in 2019. There were notable increases in exports to China and the rest of South America, especially Brazil, which accounted for the entire increase in export value and offset reductions in shipments to major destinations such as the United States and the European Union. The products that contributed most to this increase were grains (especially wheat), meat, and edible offal.

After falling by 5.4\% in 2020, exports from \textbf{Brazil} increased by 15.7\% year-on-year in the first quarter of 2021, putting them 12.3\% above those of the same period in 2019. Approximately half of the increase as compared to the first quarter of 2020 was explained by sales to China. The products that stood out during this period were iron ore and iron ore concentrates, exports of which doubled, explaining around two-thirds of the total increase.

In \textbf{Argentina}, exports grew by 15.5\% in the first quarter of 2021, reversing the trend of the previous year (when they fell by 15.7\%) and reaching a level 8.7\% higher than that of the first quarter of 2019. This performance was marked by a notable increase in sales to the European Union, China, and the rest of Asia. The export recovery owed mainly to sales of soybean cake and soybean oil.

\textsuperscript{13} There are several reasons for this decision: to make data series easier to compare by using year-on-year growth rates, to avoid seasonal adjustment, and to account for the fact that the region’ exports were on a downward trend throughout 2019.
After shrinking by 21.4% in 2020, external sales from Bolivia increased by 11.0% in the first quarter of 2021, outperforming the cumulative total for the first quarter of 2019 by 13.5%. The fall in exports within Latin America, mainly to Brazil and Argentina, was more than offset by the increase in shipments to Asia (excl. China). The most noteworthy destination markets were India (50.6%) and South Korea (85.7%), which accounted for 80% of the increase. Exports to the European Union and the United States also grew significantly. The export recovery was mainly driven by sales of silver and soybeans and soybean derivatives, which offset the sharp drop in natural gas sales.

After experiencing an 11.5% decrease in 2020, exports from Peru grew by 12.6% year-on-year in the first quarter of 2021, although the value exported by the country was just 1.8% higher than during the same period in 2019. The increase in exports to China was the determining factor behind the overall result. The products that contributed most to this increase in exports were copper and, to a lesser extent, fishmeal, iron, and natural gas.

After decreasing by 21.4% in 2020, exports from Colombia grew by just 0.8% year-on-year in the first quarter of 2021, meaning that they remain 7.5% below the levels for the same period in 2019. More dynamic sales to China and the rest of Asia (especially India) barely managed to offset the drop in sales to Mexico and Turkey. Although there was a significant decrease in exports of bituminous coal, this was made up for by increases in those of gold, coffee, and some manufactures.

Ecuador’s exports increased by 8.7% year-on-year in the first quarter of 2021, reversing the weak performance of 2020, when they fell by 9.4%. This increase puts the value of the country’s exports 10% above those of the first quarter of 2019. The increase in exports to the rest of Latin America14 offset the drop in those to the United States, China, and the European Union. The country’s export growth was mainly explained by increases in the value of oil exports.

Exports from Venezuela contracted by 34.8% in the first quarter of 2021, after plummeting by 70.2% in 2020. As a consequence, its export values remain almost 70% below those of the first quarter of 2019. This lackluster performance owed largely to lower oil shipments, the recovery of oil prices notwithstanding. The drop in sales to Asia (excl. China) and the rest of the world offset the increase to all other main destinations.

**Mesoamerica**

Exports from Mexico grew by 3.1% in the first quarter of 2021, reversing the 9.3% contraction of 2020 and outstripping the cumulative total for January–March 2019 by 3.5%. The increase in sales to the United States accounted for three-quarters of the total growth. Exports to China also increased significantly, while those to the European Union contracted. The products that saw the largest increases in exports were crude oil, copper ore and concentrates, electrical conductors, and refrigerators.

In Panama, exports15 increased 54.2% year-on-year in the first quarter of 2021, after growing 14.7% in 2020. This signified a fivefold increase compared to the first quarter of 2019. This exceptional performance was due to soaring copper exports. Although the new mine behind this increase has been in operation for five years, it only came fully online in 2020.

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14 Ecuador saw an exceptional increase in exports to Panama, which predictably functioned as an intermediate destination for re-exports.

15 STR exports are not included as the bulk corresponds to re-exports.
In the first quarter of 2021, Guatemala experienced year-on-year export growth of 12.9%, which was well above the average rate for 2020 (3.1%). This put the country’s exports 22.2% above the level for the first quarter of 2019. This performance was driven by shipments to China and the rest of Central America, especially Honduras. Exports from the NCT increased by 12.7%, while those from STRs grew even faster (13.5%). The most notable performances were exports of cardamom, edible fats and oils, sugar, and textiles.

After having increased by 5.8% in 2020, exports from Nicaragua grew by 10.6% year-on-year in the first quarter of 2021. This upward trend owed largely to increased shipments to the United States and the rest of Latin America, especially El Salvador, Mexico, and Venezuela. The main export products behind the growth were gold and sugar.

After contracting by 14.6% in 2020, exports from El Salvador increased by 10.1% year-on-year in the first quarter of 2021, putting them 9.2% above the export levels achieved in the same period in 2019. Increased shipments to the United States and the rest of Central America, particularly Guatemala and Honduras, offset the downturn in sales to China and the European Union. Exports from the NCT increased by 7.9% year-on-year, while STR exports fell by 20.4% year-on-year. The most noteworthy increases were in exports of clothing and clothing accessories, machinery and equipment, and electrical equipment and parts thereof.

After growing by 1.9% in 2020, exports from Costa Rica increased by 10.7% year-on-year in the first quarter of 2021, outstripping the values seen in the same period in 2019 by 20.4%. Exports during this period were driven largely by the increase in shipments to the United States, which explained half of this growth, and to a lesser extent by increased sales to China and the rest of Central America. Exports from the NCT increased 16.9% year-on-year while those from STRs only grew by 3.3%. The products that contributed most to the total increase were medical instruments and electrical machinery.

After shrinking by 2.2% in 2020, exports from the Dominican Republic grew by 9.5% year-on-year in the first quarter of 2021, putting them 14.8% above the export levels reached in the same period in 2019. The United States was the destination that contributed most to this increase. Growth was mainly explained by the increase in sales from STRs (13.9%), while exports from the NCT grew by just 2.6% year-on-year. The main products that shaped this trend were fine pearls, precious stones and metals, and tobacco and products of tobacco substitutes.

In 2020, exports from Honduras remained at similar levels to those of 2019 (+0.6%) and contracted by 3.4% in the first quarter of 2021. Increases in external sales to Asia and the rest of Central America, particularly El Salvador and Guatemala, were not enough to make up for the drop in those to the United States and the European Union. The country’s negative result was largely explained by the decline in exports from the agricultural sector, mainly bananas, melons, and watermelons.

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* STR exports are not included as up-to-date official data was unavailable.
* STR exports are not included as up-to-date official data was unavailable.
Methodological Note

The estimates of Latin American and Caribbean exports for the first quarter of 2021 were calculated using data available through May 11, 2021.

The data used was for the following periods: January–March for Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, and Uruguay. 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), Chile (Central Bank of Chile and Cochilco), 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 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 in 2015, valued in US dollars.

The following official data sources were used. Argentina: National Institute of Statistics and Censuses; Bolivia: National Institute of Statistics; Brazil: Ministry of the Economy; Chile: Central Bank of Chile; China: China Customs Statistics; Colombia: National Administrative Department of Statistics; Costa Rica: Promotora de Comercio Exterior (Procomer); Ecuador: Central Bank of Ecuador; El Salvador: Central Reserve Bank of El Salvador; European Union (27 countries, excl. the United Kingdom): Eurostat; Guatemala: Bank of Guatemala; Honduras: Central Bank of Honduras; Mexico: Bank of Mexico; Nicaragua: Central Bank of Nicaragua; Panama: National Institute of Statistics and Censuses; Paraguay: Central Bank of Paraguay; Peru: Commission for the Promotion of Peru for Exports and Tourism (PROMPERÚ); Dominican Republic: Customs Authority; 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; IMF—International Monetary Fund; LA—Latin America; LAC—Latin America and the Caribbean; NCT—national customs territory; OPEC—Organization of the Petroleum Exporting Countries; STRs—special trade regimes; USITC—US International Trade Commission.