TRADE TRENDS ESTIMATES

LATIN AMERICA AND THE CARIBBEAN

2021 EDITION

IDB

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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 2020. It was prepared by the Integration and Trade Sector (INT) at the Inter-American Development Bank (IDB), in collaboration with its Institute for the Integration of Latin America and the Caribbean (INTAL), under the overall supervision of Fabrizio Opertti, Sector Manager, and Pablo García, Director of INTAL. Technical supervision was provided by Mauricio Mesquita Moreira, INT's Economics Principal Advisor.

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

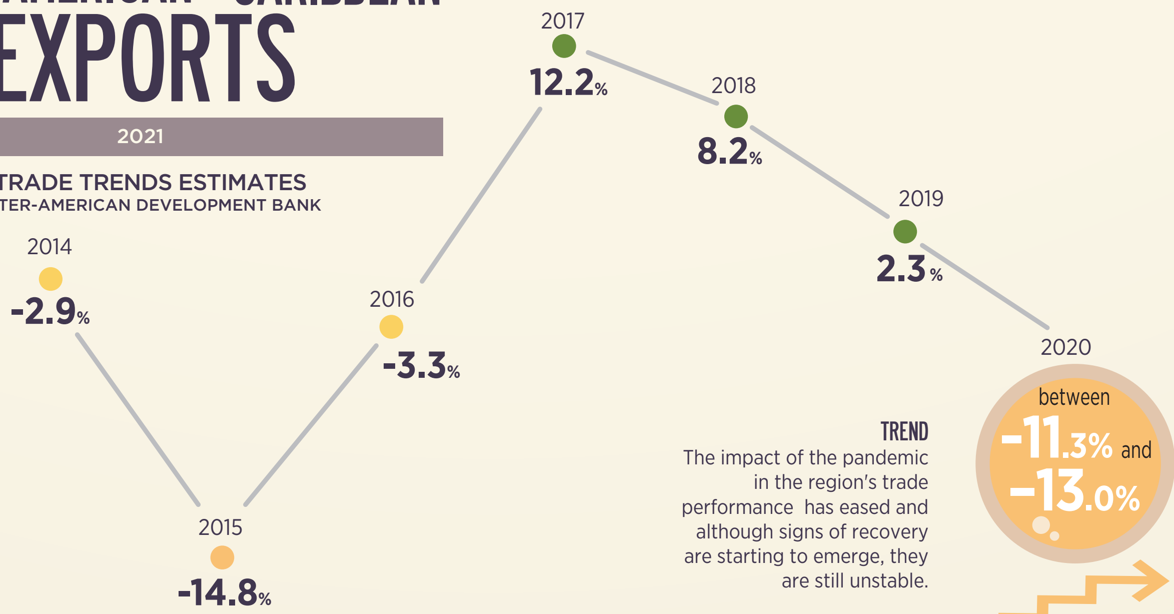
Ximena Abeledo, Pablo Bachelet, Andrés Cavelier, Graziela Flor, and María Lidia Víquez provided support for the team during the production and publication process. Manuel Quintana provided technical support. The publication was designed and typeset by Word Express and translated into English by Victoria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

The estimates in this report are based on quarterly and monthly data available for 25 Latin American and Caribbean countries for 2020 from official national and international sources. The information included in the report is current as of November 20, 2020.

THERMOMETER OF LATIN AMERICAN AND CARIBBEAN EXPORTS

2021

TRADE TRENDS ESTIMATES
INTER-AMERICAN DEVELOPMENT BANK



IMPACT OF THE PANDEMIC

The value of exports of Latin America and the Caribbean will fall at an estimated rate of between –11.3% and –13.0% in 2020.

Estimated annual growth rate for 2020.

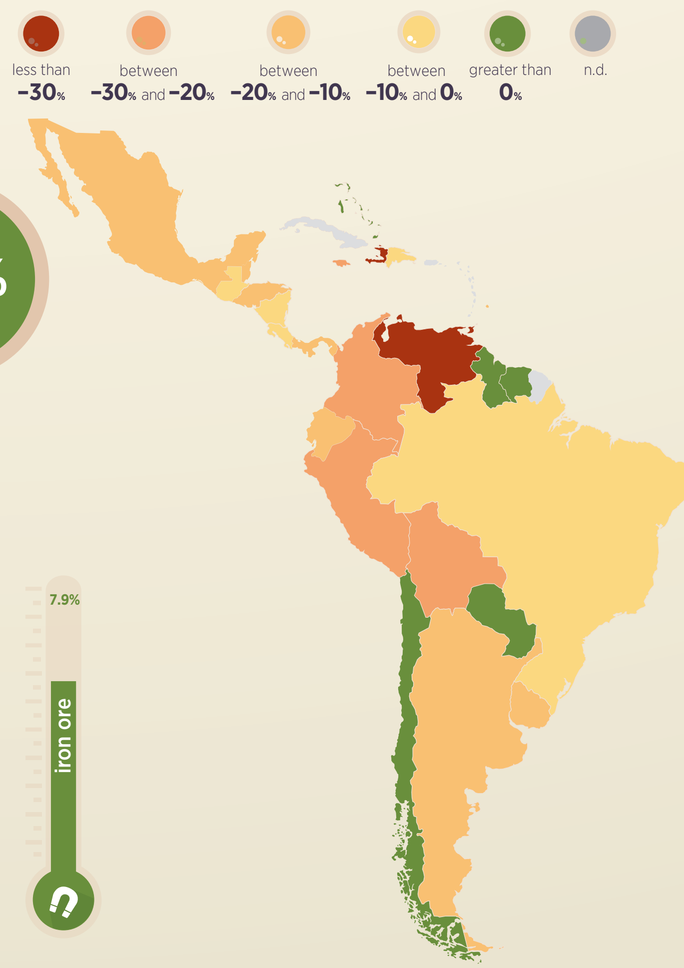
TREND

The impact of the pandemic in the region's trade performance has eased and although signs of recovery are starting to emerge, they are still unstable.

PERFORMANCE BY COUNTRY

The trade contraction was deeper in the first part of the year and impacted almost all countries in the region.

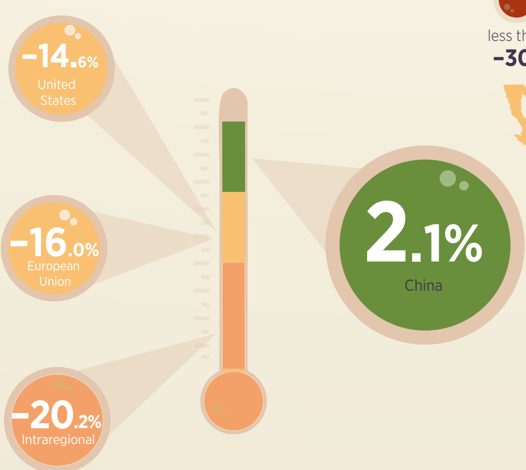
Estimated annual growth rate for 2020 under the main scenario.



CHANGE IN DEMAND

China was the only destination where exports increased, despite the initial contraction.

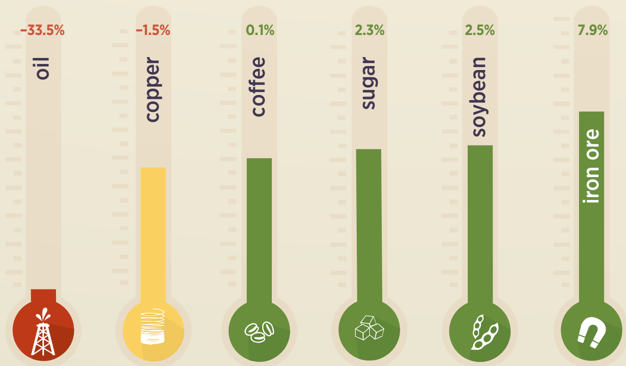
Estimated annual growth rate for 2020 under the main scenario.



PRICE REDUCTION

Even though the pandemic drove prices of commodities down, they recovered throughout the year.

Year-on-year growth rate between January and October 2020.



THE IMPACT OF THE COVID-19 PANDEMIC ON EXPORTS FROM LATIN AMERICA AND THE CARIBBEAN BEGINS TO EASE

Highlights

The value of exports from Latin America and the Caribbean is estimated to contract at annual rate of between –13.0% and –11,3% in 2020, after falling 2.3% in 2019.

The downturn was mainly driven by lower export volumes, although prices also fell during the crisis.

The drop in exports affected all subregions.

The effects of the global recession caused by the pandemic had the greatest impact on trade in April and May. Signs of a recovery first appeared in June but were marked by a pattern of instability.

Although the impact of the pandemic on the region's trade performance eased during the second half of the year, there is still no sign of a shift toward a sustained growth path in the coming months.

The global trade environment deteriorated significantly from March 2020 onward in response to the economic crisis triggered by the COVID-19 pandemic. The lockdown and distancing measures implemented in most countries in the world to halt the spread of the novel coronavirus have disrupted supply and depressed global demand.

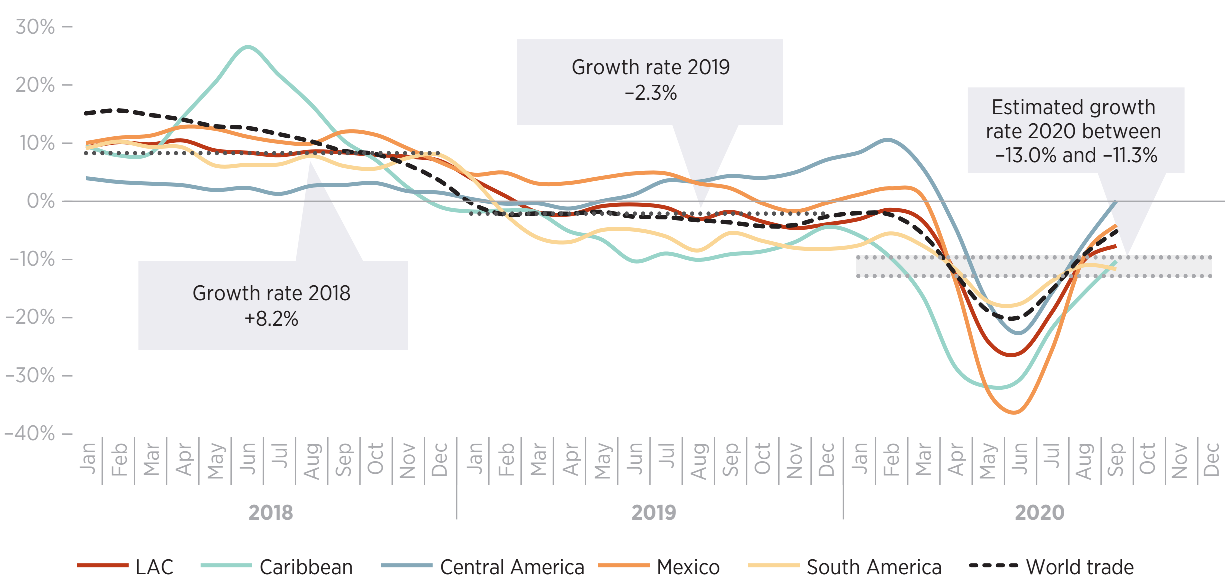
Latin America and the Caribbean (LAC) was rapidly affected by the downturn in commodity prices, which responded immediately to the prospects of reduced growth in China, the first epicenter of the health crisis. However, as the pandemic spread, the region's export contraction was increasingly driven by falling volumes.

However, the trade contraction was smaller and shorter-lived than initially forecasted. The region's external sales have been rallying since June, although following an unstable pattern throughout the third quarter. Export values are not yet estimated to have returned to pre-pandemic levels and, looking ahead, significant uncertainty continues to surround the recovery.

General Outlook

The value of exports from LAC is estimated to fall at an estimated annual rate of between –13.0% and –11.3% in 2020 (Figure 1).[1] The region's external sales had already weakened in 2019, when they dropped by 2.3%.[2] The downturn in global demand has mainly impacted LAC through the volume channel, although prices have also fallen.

FIGURE 1 • VALUE OF LATIN AMERICAN AND CARIBBEAN EXPORTS AND WORLD TRADE
(Year-on-year growth rate, three-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, Barbados, Belize, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago. From January 2020 onward, the Bahamas was excluded due to a lack of data. World trade is the average of global imports and exports.

[1] The estimate draws on data from 25 countries in Latin America and the Caribbean: Argentina, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, Uruguay, and Venezuela. Different estimation methods were used due to the extreme uncertainty of the current developments. See the Methodological Note for additional information on the procedures, time periods, and sources for the data used in the estimates.
[2] The estimates published in June 2020, which projected annual export growth of 2.2% in 2019, were revised to include updates to official sources.

Between April and May, exports from LAC contracted by around 35% year-on-year. Although the rate of decline began to slow from June onward, in the following months, the recovery lost momentum against a backdrop of instability caused by new waves of contagion in some of LAC's main trading partners. Export values in December are estimated to be 15.3% below the pre-pandemic baseline.[3]

The impact of the health emergency affected all subregions, but the evolution was heterogeneous. The severest effects during the critical months of the pandemic were observed in Mexico, where exports fell by around 50% year-on-year between April and May. However, they recovered rapidly and even got back on the growth path from September onward. By December, exports are estimated to be 18.7% below pre-pandemic levels.

In Central America, when the pandemic had the greatest impact on trade, the drop in exports was comparatively small. The rate of decline slowed significantly from July onward and began to recover in September. However, estimates for December still place exports 10.4% below pre-pandemic levels.

External sales in South America fell the least among all subregions in April and May, due to the performance of exporters of agricultural products and Chile, which cushioned the impact on other countries. The subregion also recovered slightly from June onward, but the trend slowed in August. In December, South American exports are estimated to remain 12.8% below January levels.

In the Caribbean, the worst drop in goods exports came in April, mainly driven by the performance of Trinidad and Tobago, where the decline in hydrocarbon prices had a major impact. However, the rate of contraction slowed significantly from June onward. In December, exports are estimated to be 21.3% below pre-pandemic levels.

Total imports of the region are estimated to fall at an annual rate of 19.0% in 2020, which speaks to the growing contractions in activity in several LAC countries as a result of the health emergency and the economic impact of the policies implemented to contain it.

Prices

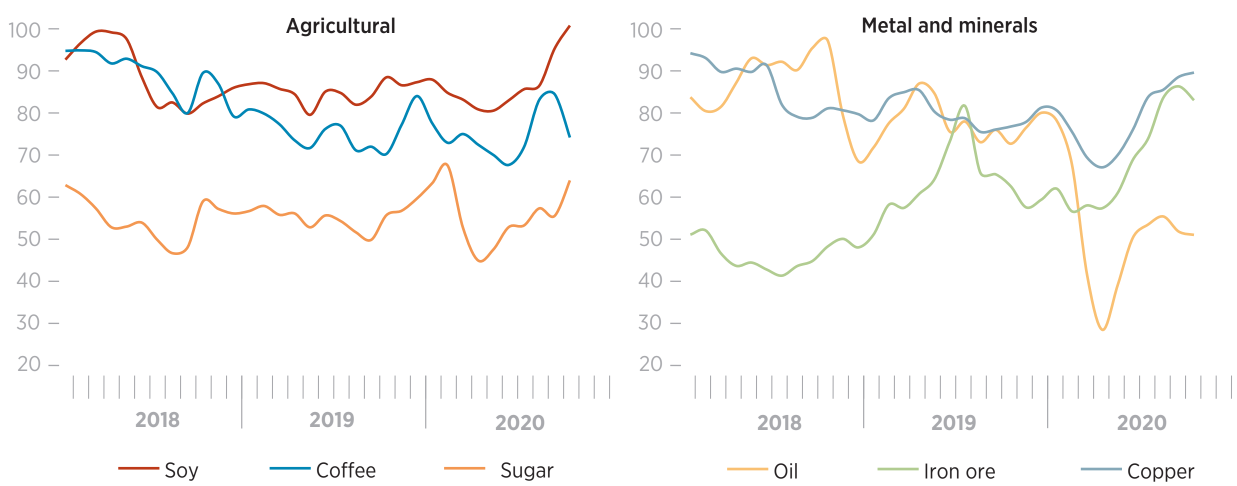
At the beginning of the COVID-19 pandemic, the contraction in global demand put downward pressure on the prices of the main commodities exported by LAC, particularly energy products (Figure 2). Although prices have rallied in recent months and have mostly returned to their pre-pandemic peaks, this rebound weakened toward the end of the year.

The price of **oil** fell 33.5% year-on-year between January and October 2020 due to the accumulation of stocks at a time of depressed demand. In April, oil prices even dipped into negative ground for the first time in history, as some critical storage facilities in the United States reached maximum capacity. Although they rallied in the following months, the trend stabilized from July onward, and by October, prices were still 35% below the relative peak of January, before the pandemic.

Copper experienced a cumulative 1.5% price drop in January–October 2020 with respect to the same period the previous year. This was due to a rapid drop in the first months of the year, offset by a remarkable recovery from July onward, and by October prices were 11% above January levels. This

[3] To gauge the recovery with respect to the pre-pandemic baseline, monthly export values forecasted for December according to the main scenario were compared to those of January in the seasonally adjusted series.

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.

evolution responds to the recovery in demand from China, the main market for copper, and owes particularly to the positive impact that fiscal stimuli have had on manufacturing and construction.

Between January and October, the average price of **iron ore** grew 7.9% with respect to the same period the previous year. The pandemic barely impacted iron ore prices. These were driven by exceptional factors such as supply-side disruptions in Australia and Brazil due to extreme weather at the beginning of the year, and the technical impossibility of halting steel production, which cushioned the effect of reduced global demand. By October, prices were 34% higher than in January, reaching levels that had not been recorded since early 2014.

Agricultural products performed comparatively better during the pandemic. **Coffee** prices stagnated between January and October (0.1% year-on-year) compared to the same period in 2019 as a result of a continuous decline in the first part of the year, which was reversed from July onward. However, the recovery only returned prices to pre-pandemic levels. The outlook for the future is clouded by expectations of a record harvest in Brazil on the supply side, and by lower demand due to lockdown measures in Europe.

Sugar prices plunged during the critical phase of the pandemic in response to lower demand during the health crisis and the drop in ethanol production that was triggered by collapsing oil prices. However, after reaching historic lows in April, this trend reversed and by October prices were back to levels similar to those observed at the beginning of the year. On average, prices in January–October were 2.3% higher than those of the same period in 2019.

Between January and October, **soybean** prices were 2.5% above those of the same period in 2019. Soybean was one of the agricultural products least affected by the health emergency, and in October prices were 15% above January levels. Increased demand in China, droughts in some South American exporting countries, and optimism in many markets around the world drove soybean prices to levels not recorded since 2014.

Volumes

Latin America's export volumes are estimated to fall at an annual rate of 10.4% in 2020, after growing 0.9% in 2019 (Figure 3). In most of the region's economies, the contraction was concentrated in the first part of the year and although export volumes then rallied, in some cases the trend was reversed or stabilized between July and August. The only countries whose exports increased on average over the year are Chile, Paraguay, and Brazil.

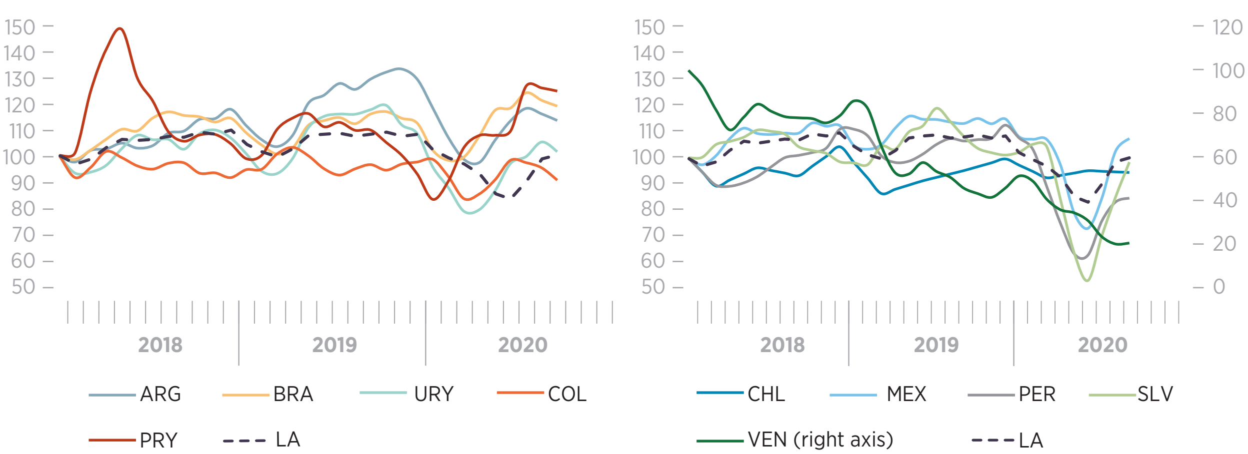
In **Chile** and **Paraguay**, real exports are estimated to increase by 3% in 2020 due to higher sales of extractive products in the former and soybean shipments in the latter. In **Brazil**, export volumes are expected to grow 1% in 2020 due to the significant increase in sales of commodities and semimanufactured products such as soybean, oil, and sugar, offset by a sharp drop in manufactures as vehicles, turbojets, and exploration platforms.

Colombia will record an estimated 7% drop in export volumes, mainly explained by a fall in oil exports. **Argentina**'s real exports are estimated to contract 9%, driven by plummeting sales of manufactures of both industrial and agricultural origin, which was partially offset by increased shipments of commodities and fuels.

Export quantities will fall at an estimated 13% in **Mexico**. Specifically, they contracted by around 50% year-on-year between April and May, mainly affecting the manufacturing sector. However, this trend was soon reversed, and volumes began to grow again in September. In **Uruguay**, where the estimated drop is 15%, the products that were hardest hit were wheat, soybean, sunflower, and meat.

In **El Salvador**, external sales are estimated to contract by 21% in real terms as a result of reduced shipments of textiles and apparel. **Peru**'s export volumes will fall an estimated 23% in 2020 due to lower sales of gold and copper. Finally, **Venezuela**'s real exports are estimated to fall 44% in 2020 due to a decline in oil production.

FIGURE 3 • GOODS 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 indexes, 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.

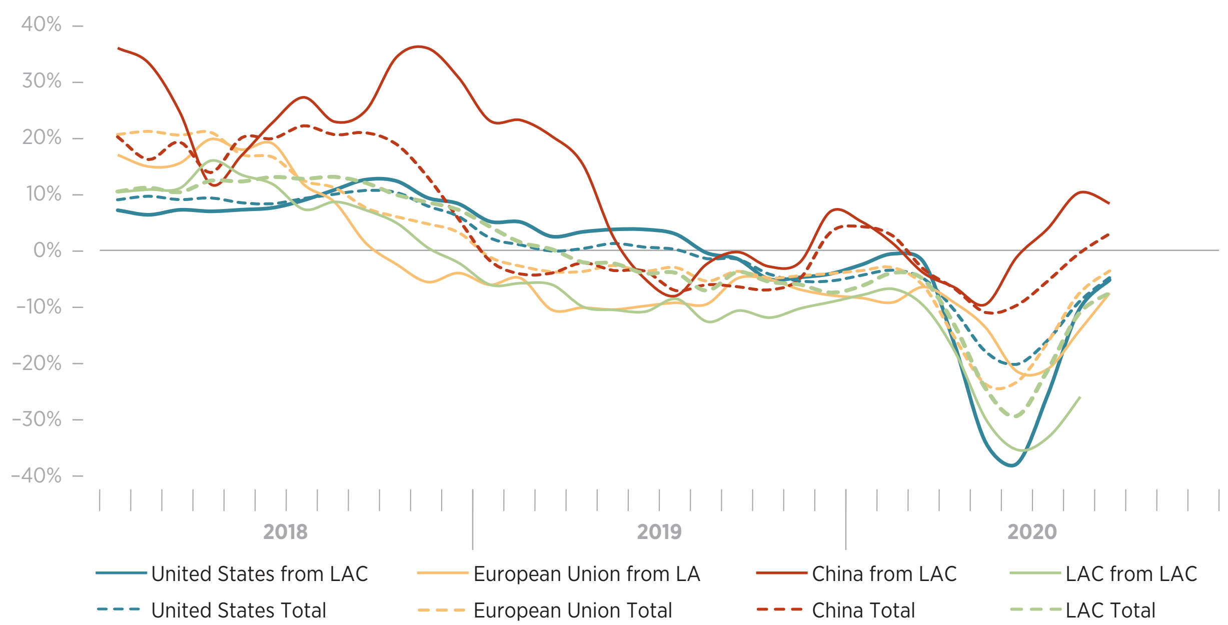
Markets

Import patterns in LAC's main trading partners show the relatively synchronized impact the global health crisis has had on the region (Figure 4).

Imports from **China**, which had begun to recover in late 2019, were the first to feel the impact of the pandemic. Chinese purchases from LAC contracted for most of the first half of 2020 but quickly recovered from June onward, ultimately growing in the following months on year-on-year basis. China's average imports from LAC are estimated to have increased 2.1% on average in 2020, performing relatively better than its total imports (–3.1%).[4]

In the **European Union**, the negative trend in imports observed since late 2019 continued into early 2020, intensifying in the second quarter of the year. In June, the drop in both total purchases and those from LAC slowed significantly, and in September these even grew in year-on-year terms. Imports from LAC to the European Union are estimated to contract 16.0% in 2020, while total imports may shrink by 11.2%.

FIGURE 4 • VALUE OF MAIN TRADING PARTNERS' GOODS IMPORTS FROM LATIN AMERICA AND THE CARIBBEAN AND THE WORLD
(Year-on-year growth rate, three-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.

[4] To maintain consistency with the estimations included throughout this publication, this section reports exports recorded by national sources in LAC countries for bilateral flows, while total imports are those reported by statistical authorities in destination countries. Any differences are due not only to the different sources, but also to the lag between the time when exports and imports are recorded.

United States purchases from LAC were the hardest hit during the most critical months of the pandemic, dropping nearly 50% year-on-year between April and May. Although the downturn slowed from June onward, they continued to contract in year-on-year terms towards the end of the year. United States imports from LAC are poised to fall by an estimated 14.6% on average in 2020, while overall purchases may shrink at an estimated rate of 10.0%.

The most dramatic average drop in 2020 was in intraregional purchases from within **LAC**, which are estimated to contract by 20.2%, in comparison to the –19.0% for total imports. This figure highlights the challenging times ahead for intraregional trade, since the contraction began before the COVID-19 pandemic started to spread throughout the region.

Prospects

The current uncertainty limits the predictive capacity of analytical tools, especially given the exogenous nature of the current economic crisis. However, the results of two different models may help interpret some aspects of how the region's exports will perform in the coming months.

The leading index for the value of exports allows to gauge whether a turning point is on the horizon and LAC's exports may get back on the path to sustained growth in the future (Figure 5). In addition, the current growth rate of exports can be calculated using an instantaneous prediction methodology known as *nowcasting*.[5]

The drop in the value of exports in 2020 was part of a medium-term trend toward contraction that the leading index suggests will remain unchanged in the coming months. The model does not predict a turning point in the trend until at least February 2021.[6] In other words, although exports have begun to recover, the signals associated with the region's export performance are still not strong enough to suggest they are back on a sustained growth path.[7]

The nowcasting model enables the year-on-year drop in LAC exports for October to be estimated, even though no official data from export records was available at the time of publication. According to this estimation, the contraction in LAC exports appears to be slowing, bringing the year-on-year growth rate for October 2020 to around –5.6%, which indicates that the effects of the global health crisis are beginning to ease.[8]

Given the extreme uncertainty surrounding the current environment, alternative approaches were used to estimate the annual export variation rate. The main scenario put this estimate at –13.0%, while in more optimistic scenarios the contraction might be less pronounced (–11.7% or –11.3%). The nowcasting model indicates that the observed rate may be closer to the most optimistic forecast. At any rate, all these values point to an easing of the impact of the pandemic on trade, and to a contraction lower than initially expected.

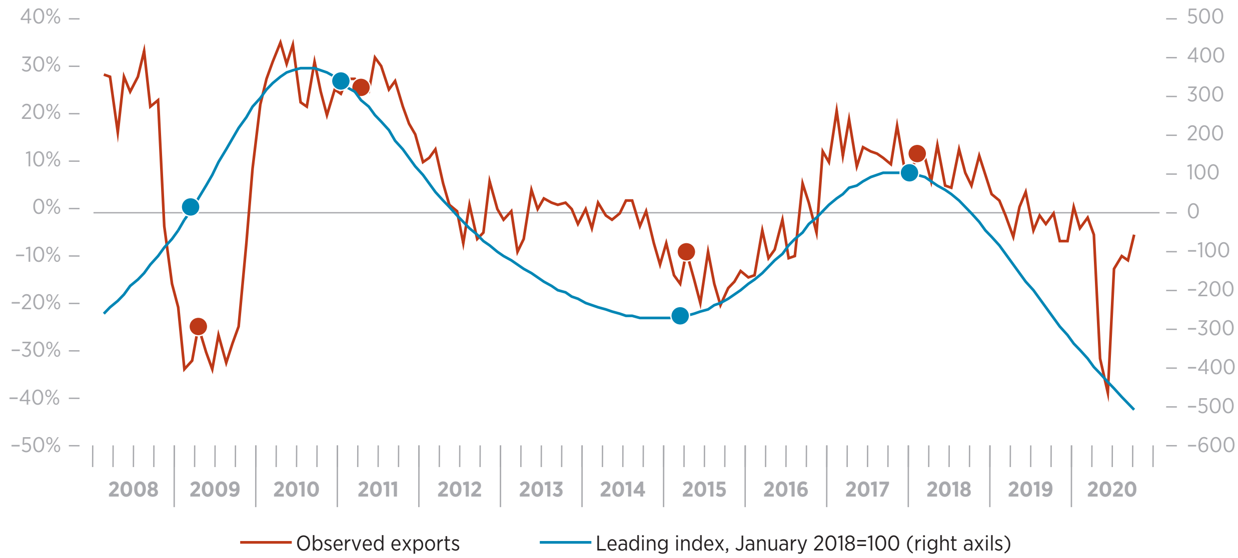
[5] For a detailed description of the two indicators, the data used, and the estimation methodology, see Giordano *et al.* (2019), "Rough Patch. Latin America and the Caribbean and the Global Downturn in Trade," *Trade and Integration Monitor*, Inter-American Development Bank.

[6] The timeframe for which the prediction is valid is the average 3.3-month lead of the index with respect to the variation observed in export data since 2008.

[7] The index's predictive capacity 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.

[8] See the Methodological Note for information on procedures, time periods, and data sources used in the estimation.

FIGURE 5 • CHANGES IN THE TREND OF THE VALUE OF GOODS EXPORTS FROM 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.

Performance by Subregion

The crisis affected almost every country in LAC, with the exception of Chile, Paraguay, Suriname, and Guyana (Table 1). All the main destination markets for LA exports acted as contractionary forces, except China. Extraregional trade flows contributed most to the overall contraction, especially those to the United States.

The following section analyzes the main drivers and destination markets that explained how external sales evolved in the different countries and subregions of LAC in 2020 (Figure 6). The annex contains detailed data on each country and major export products.

In **South America,** exports are estimated to shrink by 12.4% in 2020, after growing 6.3% in 2019. The sharpest contractions were in Venezuela (–70.8%), Bolivia (–28.7%), Colombia (–23.6%), and Peru (–21.7%). Only exports from Paraguay (4.1%) and Chile (1.1%) remained on positive ground. South America was affected by both the dynamics of commodity prices at the beginning of the pandemic and the decrease in export volumes, particularly in the second quarter. The exports that declined most were those to the United States (–22.5%) and LAC (–21.7%), which together explained more than two-thirds of the total contraction. Exports to all other major destinations except China also declined.

Exports from **Mesoamerica** are expected to fall at an estimated 13.5% in 2020 after growing 2.3% in 2019. **Mexico**'s exports may decrease 14.4% in 2020. In contrast, shipments from **Central America** were the least affected in the region, falling at an estimated rate of 5.7% in 2020. The countries that experienced the greatest contractions were El Salvador (–18.8%) and Honduras (–13.3%), while Guatemala (–0.3%) and Costa Rica (–1.3%) performed relatively better. The drop in Mexican exports was almost entirely explained by decreased demand from the United States. In Central America, exports to the United States and the rest of the subregion explained around 70% of the overall performance.

In the **Caribbean**, exports are expected to fall 18.9% in 2020, intensifying the trend observed in 2019, when they dropped by 7.8%, once again making this the LAC subregion in which exports contracted most. However, the aggregate figure for the subregion reflects how varied performances were from one country to the next: while Guyana's exports increased by an extraordinary 67.4% due to the exploitation of new oil fields, those of Trinidad and Tobago contracted dramatically (–36.9%).

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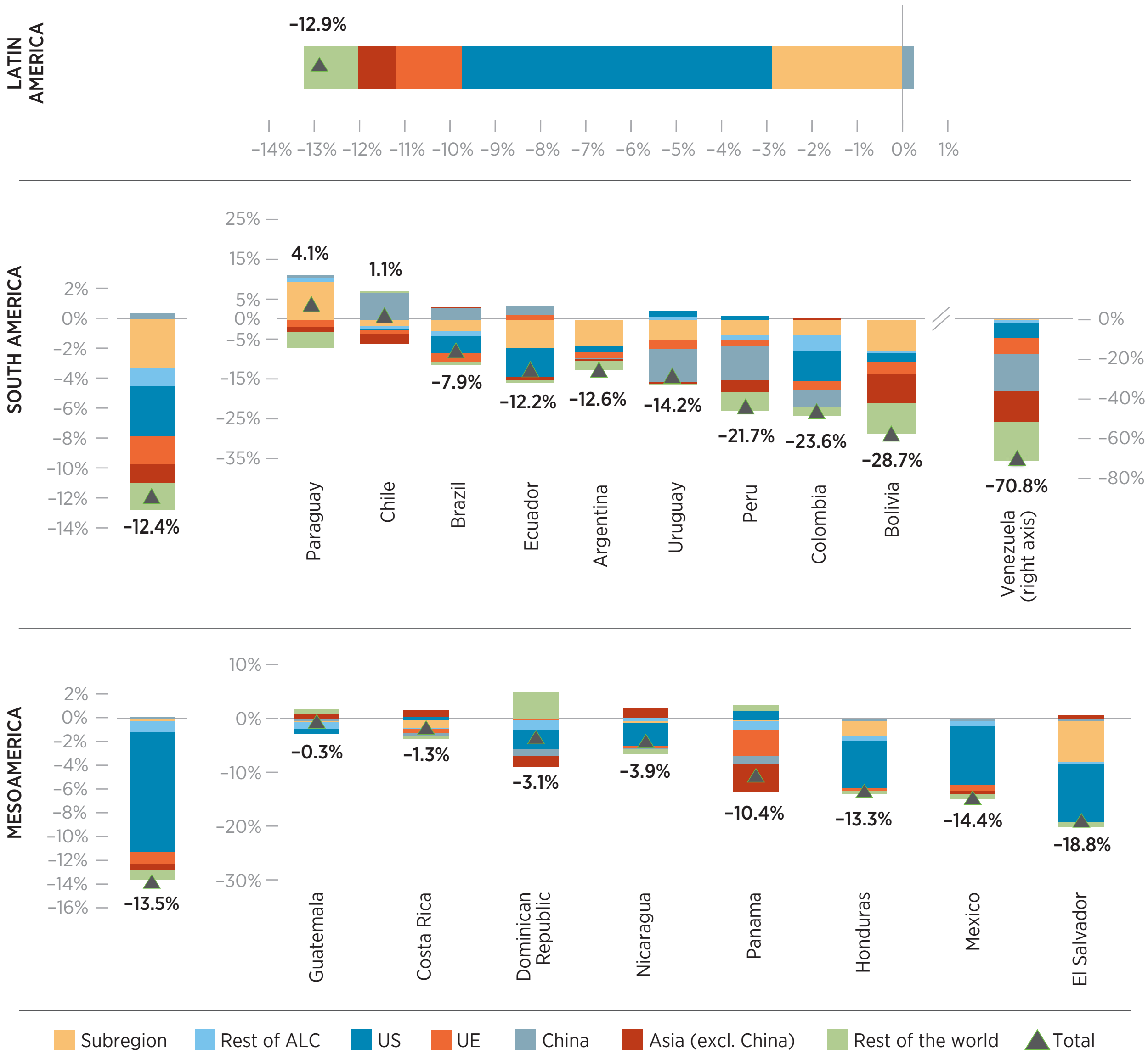
TABLE 1 • VARIATION OF LATIN AMERICA AND THE CARIBBEAN GOODS EXPORTS BY SELECTED DESTINATIONS
(Annual growth rate, percentages, 2019 and 2020)

Exporting Group/ member	2020 vs 2019							2019 vs 2018
	Subregion	Latin America and the Caribbean	United States	Asia (excl. China)	China	European Union	World Total	World Total
SOUTH AMERICA	**−20.6**	**−21.7**	**−22.5**	**−9.1**	**1.8**	**−15.2**	**↓ −12.4**	**−6.3**
Argentina	−21.5	−21.2	−19.1	−0.8	−5.6	−12.2	↓ −12.6	5.4
Bolivia	−17.5	−17.8	−45.6	−35.2	−2.3	−35.2	↓ −28.7	−1.9
Brazil	−23.3	−25.5	−30.5	2.7	10.5	−14.7	↓ −7.9	−5.8
Chile	−13.4	−14.7	−1.5	−12.4	20.7	−8.9	↑ 1.1	−7.1
Colombia	−23.9	−26.0	−25.6	8.6	−40.4	−19.1	↓ −23.6	−5.7
Ecuador	−42.6	−25.6	−25.0	−6.9	15.2	9.7	↓ −12.2	3.2
Paraguay	14.0	15.1	0.9	−20.4	220.0	−28.0	↑ 4.1	−11.9
Peru	−33.1	−34.9	7.8	−22.9	−27.3	−15.2	↓ −21.7	−3.9
Uruguay	−22.5	−15.2	25.1	−11.3	−32.3	−25.0	↓ −14.2	2.4
Venezuela	−44.9	−49.7	−96.5	−64.1	−94.6	−77.8	↓ −70.8	−43.6
MESOAMERICA	**−6.8**	**−16.1**	**−13.2**	**−15.8**	**6.2**	**−17.7**	**↓ −13.5**	**2.3**
Mexico	−5.2	−22.3	−13.6	−18.7	8.7	−21.4	↓ −14.4	2.2
Central America	**−7.6**	**−8.1**	**−8.1**	**7.0**	**−19.5**	**−2.8**	**↓ −5.7**	**2.9**
Costa Rica	−4.4	−5.2	1.8	25.4	−85.1	−3.7	↓ −1.3	1.6
Dominican Republic	6.6	−11.1	−6.3	−34.5	−39.4	0.3	↓ −3.1	6.9
El Salvador	−16.4	−16.0	−25.1	43.1	35.3	4.4	↓ −18.8	0.7
Guatemala	−3.0	−3.5	−2.6	31.7	12.4	0.9	↓ −0.3	1.8
Honduras	−15.7	−13.9	−16.6	−5.0	115.8	−4.4	↓ −13.3	1.5
Nicaragua	0.1	0.3	−6.7	53.7	−36.2	−6.1	↓ −3.9	5.2
Panama	5.6	−8.0	12.7	−46.1	−13.2	−15.5	↓ −10.4	6.1
CARIBBEAN	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**↓ −18.9**	**−7.8**
Bahamas	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Barbados	−7.4	−4.6	−4.9	n.a.	n.a.	n.a.	↓ −11.7	0.3
Belize	−20.5	−17.1	18.4	n.a.	n.a.	0.7	↓ −10.3	5.1
Guyana	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↑ 67.4	9.9
Haiti	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↓ −36.6	5.1
Jamaica	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↓ −28.6	−15.6
Suriname	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↓ 6.5	52.9
Trinidad and Tobago	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↓ −36.9	−18.9
LATIN AMERICA	**−20.7**	**−20.2**	**−14.6**	**−10.5**	**2.1**	**−16.0**	**↓ −12.9**	**−2.2**
LATIN AMERICA AND THE CARIBBEAN	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**↓ −13.0**	**−2.3**

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, time periods, and data sources used in the estimates. n.a. indicates that no data was available. The arrows show the change in trend in comparison with the previous year.

FIGURE 6 • CONTRIBUTION OF MAIN TRADING PARTNERS TO THE TOTAL VARIATION IN THE VALUE OF LATIN AMERICAN GOODS EXPORTS
(Annual growth rate, percentages, and percentage points, 2020)



Source: IDB Integration and Trade Sector, estimates based on official sources
Note: The figure does not include the Caribbean countries as disaggregated destination market data was not available.

Conclusions

Goods exports from Latin America and the Caribbean are estimated to fall at a rate of between 13.0% and 11.3% in 2020. This performance is largely explained by a sharp drop that was concentrated in the second quarter of the year, showing unstable signs of recovery from June onward. While the COVID-19 pandemic plunged the region into the worst trade contraction experienced since the great trade collapse of 2008–2009, both the intensity and duration of the crisis have been less severe than initially expected. Although the region has not yet recovered the pre-pandemic export levels, the trend is improving.

South America was particularly affected by the drop in commodity prices at the beginning of the pandemic, which was driven by a sharp decline in oil prices and the downward trend, albeit less marked, in the prices of most agricultural products and minerals. Nominal variables reacted quickly to expectations of a global recession, and the impact was gradually amplified by the contraction of real demand from the main trading partners, particularly the United States and the region itself. However, over the year, South America benefited from the recovery in China, whose imports from the subregion increased relatively more than those from the rest of the world.

In Mexico, a sharp drop in export volumes was compounded by falling prices, causing export values to plummet. For its part, the value of flows from Central America fell at significantly lower rates, setting this group of countries apart from the rest of the region. The outcome for the countries of Mesoamerica was mainly driven by the contraction in demand from the United States, which reduced imports from the region much more than from the rest of the world in the second and third quarters of the year.

Exports from the Caribbean shrunk more than anywhere else in the region, although there was significant heterogeneity in performance within countries.

Considering the region as a whole, the drop in intraregional trade was the sharpest, but the main determinant of the variation in total exports was the decline in sales to extraregional partners, especially the United States. In contrast, China confirmed its role as the main driver for the region's trade and was the only destination to which external sales grew.

The outlook for the future depends on several unknown factors that will shape the real and nominal determinants of global trade flows. The former includes the strictness and duration of lockdown measures to contain the new waves of contagion and their economic and trade effects, given that both their severity and impact vary 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, which is increasingly dependent on the production and distribution of the COVID-19 vaccine. Regarding nominal factors, commodity prices are back on a growth path, but they are not expected to exert as much traction on the region's overall trade performance as they did in recent decades.

Among advanced economies, the United States stands out as, to date, lockdown and distancing measures have had a comparatively smaller recessive impact. However, the pandemic is in the upward phase of the third wave of contagion and there is uncertainty over what direction policies will take after the upcoming change of administration. On the other hand, in Europe, new, highly restrictive containment measures have already been adopted to counteract the latest wave of infections, and there is uncertainty over how long these will remain in place. Throughout the year the economic recession in Europe has been more intense than in the United States, and the former's propensity to import from the region was already on a downward trend before the pandemic hit.

Among emerging economies, China and the rest of Asia have been in a recovery phase for several months now, which should help shore up the recovery of the region's export volumes. Likewise, the weight of commodities in exports to Asia combined with rallying commodity prices suggests that the short-term impact on export values will be positive. Whereas the outlook within the region is bleak, because of the severity of the COVID-19 pandemic and the stark projections of contraction in economic activity, which points to persistent weakness in intraregional trade.

Against this backdrop, the impact of the pandemic on the region's trade performance has eased and the outlook for the future has improved. However, current economic indicators still present a pattern of marked instability, and the leading indicator for the value of exports in Latin America and the Caribbean still does not point to a change in trend toward a sustained growth path in the coming months.

Annex: Export Performance by Country

This annex analyzes the growth of export values for all Latin American countries for which data is available (Table 1) and assesses how trading partners contributed to this performance (Figure 6), describing the main determinants at the sector level.

South America

After falling –11.9% in 2019, **Paraguay**'s exports are expected to grow at an estimated rate of 4.1% in 2020. The performance was explained by the accumulation of positive rates from June onward, which reached 18.4% and 24.3% year-on-year in September and October, respectively. The outcome was determined by higher exports to the subregion itself (14.0%), especially to Argentina, although in this case the final destination for these goods is mainly outside the region. This growth, in addition to increased sales to the rest of LAC (15.1%) and China (220.0%), offset the drop in exports to the European Union (–28.0%) and Asia (excl. China) (–20.4%). The export recovery owed mainly to sales of soybean and, to a lesser extent, rice and beef.

Chile's exports are expected to grow at an estimated rate of 1.1% in 2020, after falling 7.1% in 2019. This result was associated with consecutive positive year-on-year rates in September (6.5%) and October (12.9%). Except for exports to China, which increased 20.7%, those to all other major destinations fell, notably to the rest of Asia (–12.4%), particularly South Korea, and to the European Union (–8.9%). Export growth was driven by the performance of the mining sector, although there were drops in industrial and agricultural, forestry, and fishery exports.

Brazil's exports are expected to fall at an estimated rate of 7.9% in 2020, intensifying the 5.8% contraction of 2019. Although there were increases in shipments to China (10.5%) and the rest of Asia (2.7%), these fell short of offsetting the drop in sales to the United States (–30.5%) and the rest of South America (–23.3%), especially Argentina. Significant contractions were also observed in shipments to the European Union (–14.7%) and the rest of LAC (–25.5%). The export contraction was mainly explained by the drop in sales of fuels and mining platforms. The most notable increase was in soybean export values.

Ecuador's foreign sales are expected to shrink at an estimated rate of 12.2%, after growing 3.2% in 2019. Reduced shipments to the United States (–25.0%) accounted for half of the total contraction, followed by decreases in sales to South America (–42.6%), especially Peru and Chile. Although the country's non-oil exports increased, mainly nontraditional exports, as did those of bananas, this was not enough to make up for the drop in crude oil sales.

After increasing by 5.4% in 2019, **Argentina**'s exports are expected to shrink at an estimated rate of 12.6% in 2020. This performance was driven by a sharp downturn in exports to all its main destinations, most notably South America (–21.5%), especially Brazil, the United States (–19.1%), and the European Union (–12.2%). The downturn was largely explained by lower exports of motor vehicles for the transport of goods and soybean cake.

Uruguay's exports are expected to fall at an estimated rate of 14.2% in 2020, reversing the positive performance of the previous year, when they it grew 2.4%. China (–32.3%) accounted for more than half of the total export contraction. There were also sharp drops in shipments to the European Union (–25.0%) and to the subregion (–22.5%), in particular to Brazil. The increase in rice exports fell short of offsetting the downturn in sales of meat products and edible offal and vegetable products.

Colombia's exports are expected to shrink at an estimated rate of 23.6% in 2020, intensifying the downward trend of 2019 (–5.7%). The performance resulted from a drop in sales to almost all destinations, especially China (–40.4%) and the United States (–25.6%). The downturn in exports of oil and oil products played a decisive role.

Bolivia's exports are expected to shrink at an estimated rate of 28.7% in 2020, after falling 1.9% in 2019. The main driver was the downturn in exports to Asia (excl. China) (–35.2%) and South America (–17.5%), notably to Argentina and Brazil. The overall outcome owes largely to lower sales of gold, zinc ore, and natural gas.

After falling 3.9% in 2019, **Peru**'s exports are expected to contract an estimated 21.7% in 2020. Reduced shipments to China (–27.3%) and the rest of Asia (–22.9%) accounted for approximately half of the total downturn. There were also significant contractions in sales to South America (–33.1%), especially Brazil, and the European Union (–15.2%). The overall outcome was mainly explained by drops in exports of traditional products, particularly copper, gold, zinc, and oil derivatives.

Venezuela's exports are estimated to contract by 70.8% in 2020, deepening the 43.6% drop of 2019. This contraction affected all the country's destination markets, especially sales to China (–94.6%) and the rest of Asia (–64.1%).

Mesoamerica

After growing 2.2% in 2019, **Mexico**'s exports are expected to fall at an estimated rate of 14.4% in 2020. Exports to almost all the country's major destination markets decreased, although the main driver for the overall performance was the drop in sales to the United States (–13.6%). Looking at specific sectors, exports of vehicles contracted significantly, as did mineral fuels and derived products, and other manufactures.

In **Guatemala,** exports are estimated to stagnate (–0.3%) in 2020, after growing 1.8% in 2019. The increase in shipments to Asia (excl. China) (31.7%) partially offset the downturn in sales within the subregion (–3.0%), especially to El Salvador, other countries in the rest of LAC, especially Mexico, and the United States (–2.6%). Exports from the national customs territory (NCT) are projected to increase 6.5%, driven by greater shipments of cardamom and fresh, dried, and frozen fruits and vegetables, but this may be counteracted by a 14.9% decrease in sales from special trade regimes (STRs), which were mainly dragged down by textiles.

After growing 1.6% in 2019, **Costa Rica**'s exports are expected to fall at an estimated rate of 1.3% in 2020. While there were increases in exports to the United States (1.8%) and Asia (excl. China) (25.4%), particularly South Korea, sales to Mesoamerica declined (–4.4%), especially to Panama, as did those to China (–85.1%) and the European Union (–3.7%). The slight increase in sales from the STRs (0.9%) is expected to go hand-in-hand with a substantial drop in exports from the NCT (–4.0%). Looking at specific products, banana and coffee exports increased, while sales of pineapple and rubber dropped significantly.

After growing 6.9% in 2019, exports from the **Dominican Republic** are expected to fall by an estimated 3.1% in 2020. This was explained by drops in shipments to the United States (–6.3%) and, to a lesser extent, China (–39.4%), the rest of Asia (–34.5%), and LAC (–11.1%). The contraction was partially offset by increased sales to countries in the rest of the world, especially gold exports to Switzerland (62%) and Canada (36%). The downturn in exports was explained almost entirely by the drop in STR shipments (–5.0%), while sales from the NCT stagnated (0.2%). The main products driving this trend were apparel and accessories, and cast iron and steel.

After growing 5.2% in 2019, exports from **Nicaragua** are expected to fall by an estimated 3.9% in 2020. This downturn was mainly explained by the decline in exports to the United States (–6.7%), which was partially offset by the increase in exports to Asia (excl. China), which grew by 53.7%. Exports from the NCT may increase (8.4%) but fall short of offsetting the drop in STR exports (–16.8%). Exports of raw gold grew significantly but were offset by drops in sales of apparel and clothing accessories and automotive harnesses.

Exports from **Panama** are expected to decrease at an estimated rate of 10.4% in 2020 after growing 6.1% in 2019. This performance was heavily influenced by the downturn in exports to Asia (excl. China) (–46.1%) and the European Union (–15.5%). The overall total was almost entirely accounted for by fishmeal and oil; steel, copper and aluminum waste and scraps; wood; and shrimp.

After growing just 0.7% in 2019, exports from **El Salvador** are expected to plunge at an estimated rate of 18.8% in 2020. This owed to falling sales to its main trading partners, notably the United States (–25.1%) and Mesoamerica itself (–16.4%), especially Guatemala and Honduras. Although there was a decline in STR exports, most of the downturn was explained by those from the NCT. This performance was mainly the result of a sharp contraction in sales of apparel and accessories and, to a lesser extent, of knitted or crocheted fabrics.

Methodological Note

The estimated exports from Latin American and the Caribbean for 2020 were calculated using data available through November 20, 2020. The main scenario assumes that the change in the value of monthly exports from each country for which information was unavailable for the rest of 2020 at the time of publication was similar to the average for the year. The optimistic outlooks assumed that the variation for the final months of the year was either similar to that observed in the third quarter (or until October, whenever data was available up to that point) or to the year-on-year variation observed in the last month for which data was available (September or October).

The data used was for the following periods: January–June for Suriname; January–July for Haiti and Jamaica; January–September for Argentina, Barbados, Belize, Bolivia, Colombia, Costa Rica, Ecuador, Guatemala, Guyana, Mexico, Nicaragua, Peru, Uruguay, and Venezuela; and January–October for Brazil, Chile, El Salvador, Paraguay, and the Dominican Republic. For Panama, the growth in exports by trading partner was estimated using data for January–June 2020 and total exports for January–September. For Honduras, the cumulative figures reported up to August for the NCT were combined with those for January–June for the STRs. The estimations for Trinidad and Tobago used balance-of-payments data through April and imports from the United States from May to September. The data for Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua 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), 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 in 2015, valued in US dollars.

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: Directorate General of Customs; Ecuador: Central Bank of Ecuador; El Salvador: Central Reserve Bank of El Salvador; European Union (27 countries, excl. United Kingdom): Eurostat; Guatemala: Bank of Guatemala; Guyana: Bureau of Statistics; Haiti: Bank of the Republic of Haiti; Honduras: Central Bank of Honduras; Jamaica: Statistical Institute of Jamaica; Mexico: Bank of Mexico; Nicaragua: Central Bank of Nicaragua; Panama: National Institute of Statistics and Censuses; Paraguay: Central Bank of Paraguay; Peru: Central Reserve Bank of Peru and National Customs and Tax Administration; Suriname: Central Bank of Suriname; Trinidad and Tobago: Central Bank of Trinidad and Tobago; United States: US International Trade Commission; Uruguay: Central Bank of Uruguay; Venezuela: OPEC and IMF.

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

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