

**2025** | TRADE AND INTEGRATION  
**M O N I T O R**

# **WINDS OF CHANGE**

**THE RISING VALUE OF TOURISM SERVICES  
AMID THE RECONFIGURATION OF TRADE IN GOODS**

Coordinated by  
**Paolo Giordano**

November 2025





**2025** | TRADE AND INTEGRATION  
M O N I T O R

# WINDS OF CHANGE

THE RISING VALUE OF TOURISM SERVICES  
AMID THE RECONFIGURATION OF TRADE IN GOODS

Coordinated by  
**Paolo Giordano**

November 2025



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

Giordano, Paolo.

Winds of change: the rising value of tourism services amid the reconfiguration of trade in goods / Paolo Giordano, Rosario Campos, Kathia Michalczewsky; Paolo Giordano, coordinator.

p. cm. — (IDB Monograph ; 1316)

“Trade and Integration Monitor 2025”—t.p.

Includes bibliographic references

1. International trade. 2. Exports-Latin America. 3. Exports-Caribbean Area. 4. Latin America-Commerce. 5. Caribbean Area-Commerce. 6. Latin America-Economic integration. 7. Caribbean Area-Economic integration. 8. Service industries-Latin America. 9. Service industries-Caribbean Area. I. Campos, Rosario. II. Michalczewsky, Kathia. III. InterAmerican Development Bank. Productivity, Trade and Innovation Sector. IV. Title. V. Series.

IDB-MG-1316

JEL Codes: F1, F10, F14.

Keywords: International trade, Integration, Exports, Imports.

<http://www.iadb.org>

Copyright © 2025 Inter-American Development Bank. This work is licensed under a Creative Commons IGO 3.0 Attribution-NonCommercial-NoDerivatives (CC-IGO BY-NC-ND 3.0 IGO) license (<http://creativecommons.org/licenses/by-nc-nd/3.0/igo/legalcode>) and may be reproduced for any noncommercial purpose with attribution to the IDB. No derivative work is allowed.

Any dispute concerning the use of IDB works that cannot be settled amicably shall be submitted to arbitration under the rules of the United Nations Commission on International Trade Law (UNCITRAL). The use of the IDB's name for any purpose other than attribution and the use of the IDB logo is not permitted under this license and requires a separate written license agreement.

Please note that the above URL contains additional terms and conditions that form an integral part of this license.

The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the IDB, its Board of Directors, or the countries they represent.



The Trade and Integration Monitor is an annual report that analyzes international trade relations in Latin America and the Caribbean. It draws on publicly available data from INTEGRA, the Inter-American Development Bank (IDB) information system on trade and integration.

The Monitor is the outcome of research conducted by the Productivity, Trade, and Innovation Sector (PTI), under the leadership of Fabrizio Opertti, Sector Manager, with technical supervision from Christian Volpe Martincus, Sector Economic Advisor.

This edition was coordinated by Paolo Giordano, Principal Economist at PTI, and written in collaboration with Rosario Campos and Kathia Michalczewsky.

Gustavo Svarzman and Jérica De Angelis provided invaluable support with data analysis for several sections of the report. Carolina Barco, Celeste Canova, and Julieta Giovannini contributed to the data collection process.

The team is grateful to Jaime Granados, Juliana Bettini, Roberto Durán, Claudina González, Natalia Porto, Ricardo Rozemberg, and Graciana Rucci for their comments and contributions.

María Lidia Víquez Mora and Matthew Shearer provided support for the team during the production phase. The publication was designed by Word Express and translated into English by Victoria Patience.

The information included in the report is current as of October 10, 2025.



# Contents

Foreword.....	vii
List of Abbreviations.....	ix
Executive Summary.....	xi
<b>1</b> Changes and Uncertainty in Global Markets.....	1
The reconfiguration of global trade flows.....	1
Developments in commodity prices.....	6
Risks and prospects.....	8
<b>2</b> The Growth of Trade in Latin America and the Caribbean.....	13
Performance by subregion, country, and sector.....	13
The role of prices and volumes.....	15
The resilience of the services sector.....	23
Mixed signals on future trends.....	26
<b>3</b> The Dynamics of Extra- and Intra-regional Trade.....	31
External demand from trading partners.....	32
Intra- and extraregional exports.....	33
Trade flows by bloc.....	35
Progress on economic and trade integration.....	39
<b>4</b> International Tourism as a Driver of Exports.....	45
The rise of international tourism.....	46
LAC tourism in the global context.....	48
International tourism by subregion and countries.....	51
Factors determining the performance of international tourism.....	61
Conclusions.....	75
References.....	81

Methodological Annex 1: Estimation of the Value of Global and Regional Trade.....	87
Methodological Annex 2: Price, Volume, and Terms of Trade Indices.....	89
Methodological Annex 3: Goods and Services Export Statistics.....	93
Methodological Annex 4: Data Treatment for the Analysis of Intraregional Trade.....	95
Methodological Annex 5: Update of the Economic Integration Indicator.....	97
Methodological Annex 6: Empirical Analysis of Tourism Services Exports.....	99

# Foreword

Over the past year, the global economy has been marked by economic fragmentation, the reconfiguration of global trade policies, and the emergence of new regulatory regimes. These factors have injected a measure of uncertainty into the drivers of international trade and investment flows. Despite this context, global trade in goods has proved remarkably resilient. Trade in services has also remained dynamic, fueled primarily by the recovery of the tourism sector, which has returned to prepandemic levels.

These conditions are defining the trade outlook for Latin America and the Caribbean. Goods exports picked up slightly in early 2025 but still grew more slowly than global trade. Export volumes expanded, driven mainly by firms' inventory management strategies in response to changing market access conditions, amid price moderation. Meanwhile, services exports continued to grow steadily, propelled by tourism and knowledge-based services. However, the latest indicators are sending mixed signals as to whether this robust growth will continue in the months ahead.

The 2025 Trade and Integration Monitor is the 13th edition of an annual report published by the Inter-American Development Bank's Productivity, Trade and Innovation Sector. It analyzes Latin America and the Caribbean's role in the global trading system, comparing its performance with that of other regions and examining trade dynamics across countries and major subregional blocs. This edition includes a medium-term analysis of the tourism sector, which is increasingly strategic for the region, and the factors underlying its performance.

In this context, the report provides an up-to-date assessment of international tourism, confirming that the sector has become a key driver of trade in services and a significant source of foreign exchange. Although average visitor numbers and revenues have reached record-high levels, significant disparities persist across Latin America and the Caribbean's subregions. The region's tourism offerings remain concentrated in traditional segments like leisure tourism (sun and sand, resorts, and shopping) and cultural tourism (museums, monuments, and festivals) and are less diversified than the global average. From a structural perspective, the analysis shows that the sector's growth is closely tied to existing infrastructure, human capital, and the rising value of

tourism attractions. Structural gaps remain, alongside opportunities to enhance the effectiveness of the region's public policies.

We are confident that this new edition of the Trade and Integration Monitor will support the identification, design, and implementation of policies that enhance the business and investment climate, build firms' productivity and competitiveness, and foster more sustainable export-led growth.

Fabrizio Operti  
Manager  
Productivity, Trade and Innovation Sector

# List of Abbreviations

a.a.	annual average
AC	Andean Community
ADEFA	Argentinian Association of Automobile Manufacturers ( <i>Asociación de Fabricantes de Automotores</i> )
ANFAVEA	Brazilian Association of Automotive Vehicle Manufacturers ( <i>Associação Nacional dos Fabricantes de Veículos Automotores</i> )
BCOM	Bloomberg Commodity Index
BDI	Baltic Dry Index
BLS	US Bureau of Labor Statistics
CADR	Central America and the Dominican Republic
CARICOM	Caribbean Community
CIF	cost, insurance, and freight
CPB	Netherlands Bureau for Economic Policy Analysis
CRB	Commodity Research Bureau
DTTs	double taxation treaties
EU	European Union
FDI	foreign direct investment
FOB	free on board
GDP	gross domestic product
ICTD	International Centre for Tax and Development
ICTs	information and communications technologies
IDB	Inter-American Development Bank
ILO	International Labour Organization
IMF	International Monetary Fund
INEGI	National Institute of Statistics and Geography of Mexico
KBSs	knowledge-based services
LA	Latin America
LAC	Latin America and the Caribbean
LATLI	Latin American Trade Leading Index
LATNI	Latin American Trade Nowcasting Index
log	natural logarithm
MERCOSUR	Southern Common Market
n.d.	no data
NBS	National Bureau of Statistics, China

OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
OPEC+	Organization of Petroleum Exporting Countries and Associated States
p.p.	percentage points
PA	Pacific Alliance
PC	principal component
PCA	principal component analysis
PMI	Purchasing Managers' Index
PTI	Productivity, Trade, and Innovation Sector
SICA	Central American Integration System
STRs	special trade regimes
TSA	Tourism Satellite Account
TTDI	Travel and Tourism Development Index
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
US	United States
USITC	US International Trade Commission
WEF	World Economic Forum
WTTC	World Travel and Tourism Council

# Executive Summary

The *2025 Trade and Integration Monitor* examines the factors shaping developments in global trade and the modest acceleration in exports from Latin America and the Caribbean (LAC). In a global environment marked by high uncertainty and the re-configuration of trade rules in goods markets, the report highlights that the region performed better than expected despite remaining below the global average. Given the strategic weight of tourism-related services exports, improving the sector's performance has become a key policy priority.

**LAC goods exports gathered momentum as volumes increased despite prices remaining sluggish, while services exports continued to expand at a notable pace. Looking ahead, the global landscape remains highly unstable amid ongoing changes in trade policies and regulatory frameworks.**

- After growing by 4.4% in 2024, LAC's goods exports accelerated to 4.6% in the first half of 2025.
- This increased dynamism reflected faster export volume expansion (from 2.5% to 3.7%) as price growth eased somewhat (from 1.6% to 0.6%).
- The region's terms of trade continued to improve (1.2%), reflecting falling import prices and rising export prices.
- In the first quarter of 2025, the region's services exports remained strong (up by 8.2% year-on-year) and continued to outpace the global average (4.0%).
- Leading indicators show mixed results regarding the robustness of export growth, against a backdrop of considerable unpredictability.
- The outlook is marked by heightened uncertainty stemming from changing trade policies and downside risks linked to growing geoeconomic tensions, the slowdown in external demand, and more volatile prices.

**Demand from outside the region remained a key driver of export performance, even though it slowed. Exports to regional partners rebounded from the contraction seen in 2024. However, slower growth in trade flows within LAC resulted in a drop in the intraregional trade coefficient. A synthetic indicator capturing various dimensions of economic integration revealed a widespread decline at both the global and regional levels.**

- The increase in exports in the first half of 2025 reflected growth in both extra-regional and intraregional trade (4.6% and 2.2%, respectively).
- Exports to the United States and the European Union gained momentum, while those to China declined.
- Extraregional exports increased across all integration blocs except MERCOSUR.
- Trade flows to LAC increased only in Central America and the Dominican Republic and MERCOSUR, while intrabloc trade expanded in all subregional blocs except the Pacific Alliance.
- A limited sample of Caribbean nations suggests that the bloc's overall export activity remained strong, though performance varied widely across economies.
- Intraregional trade lost ground, with its share in total LAC trade dropping to 13.1% in the first half of 2025, down 0.4 percentage points from 2024.
- The aggregate economic integration indicator points to a global decline, with a more pronounced drop in LAC.

**Given the reconfiguration of global trade in goods, exploring the potential of the services sector becomes increasingly important. International tourism has established itself as a driver of trade growth both globally and in LAC. The region saw record visitor arrival numbers in 2024, marking a return to pre-Covid levels, although with significant variations across subregions. An analysis of international tourism flows suggests that enhancing tourist attractions and investing in production factors such as infrastructure and human capital—areas in which the region lags behind—will play a crucial role in realizing its potential as a destination.**

- Global exports of tourism services grew at an average annual (a.a.) rate of 3.3% between 2014 and 2024, keeping pace with global trade in services and outperforming trade in goods (2.8%).
- The dynamism of global tourism was underpinned by the growth of low-cost air travel, digitalization, and stronger regulatory frameworks and agreements facilitating the movement of people.

- Over the past decade, tourism services exports from LAC have grown at 5.2% a.a.—faster than both the global average for the sector (3.3% a.a.) and LAC's total trade in goods and services (3.9% a.a.).
- Tourism's contribution to the economy varies across LAC: the Caribbean and Central America depend heavily on the sector, but it plays a smaller role in South America and Mexico.
- Most tourists to LAC still come from the United States and Europe. Although the intraregional market is significant in South America, it remains underdeveloped in the Caribbean and Central America.
- LAC's tourism exports are concentrated in traditional leisure segments and are less diversified than the global average, leaving the region more vulnerable to external shocks.
- The region faces challenges in key areas such as safety, infrastructure, and travel and tourism resources.
- An empirical analysis of international tourist arrivals highlights the importance of the region's tourism attractions and production factors such as infrastructure and human capital, while institutional factors have played a smaller, yet significant, role.
- Strengthening LAC's tourism sector requires closing structural gaps through investment, enhancing and diversifying attractions, and implementing institutional and policy reforms. Doing so would raise service quality and expand tourism's contribution to exports, economic growth, and sustainable local development.



# Changes and Uncertainty in Global Markets

1

After recovering by 1.6% in 2024, global trade grew by 5.7% year-on-year in the first half of 2025. Inventory optimization ahead of US tariff hikes contributed to the acceleration in trade growth during this period. In both 2024 and the first half of 2025, volumes accounted for most of the expansion in global trade. Prices, meanwhile, reversed course and showed a modest increase, albeit in a context of considerable instability. Amid growing uncertainty in global trade and heightened volatility in commodity markets, the value of Latin America's exports rose by 4.3% in the first half of 2025 after a 4.1% increase in 2024. Global trade in services lost momentum.

## The reconfiguration of global trade flows

Global trade expanded in the first quarter of 2025 in anticipation of tariff hikes. However, in April, disruptions among the world's major economies triggered a phase of global market restructuring marked by heightened volatility. The increase in United States (US) tariffs on imports from most countries was followed by a temporary truce with China in May and a new agreement with the European Union (EU) in late July. The US raised tariffs on steel and aluminum again in June and expanded them to more products in August. Despite the pause in the tariff conflict, uncertainty surrounding global trade policy has dampened business and consumer confidence, impacting global growth prospects. Although the effect was smaller than initially expected, global trade uncertainty reached unprecedented levels (Box 1), altering perceptions of inflationary pressures and future interest rates.<sup>1</sup>

Trade tensions affected markets.

The value of global trade grew by 5.7% year-on-year in the first half of 2025, a sharp acceleration from the 1.6% average recorded in 2024 (Figures 1 and 2).<sup>2</sup> Transactions

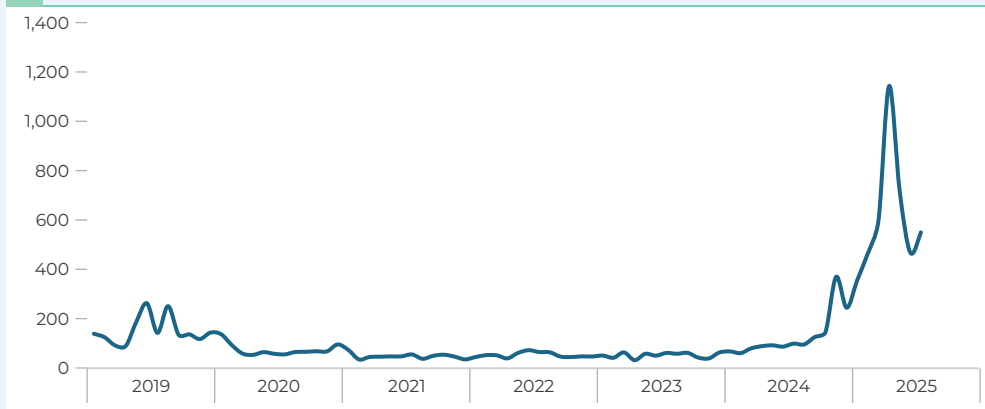
<sup>1</sup> IMF (2025a).

<sup>2</sup> Throughout this report, growth is reported as year-on-year rates unless otherwise stated. For ease of reading, the term "year-on-year" has been omitted unless clarification is needed to avoid misinterpretation.

**BOX 1 • TRADE POLICY UNCERTAINTY**

Geopolitical tensions and the proliferation of trade restrictions have heightened uncertainty regarding market access conditions. The figure shows the Trade Policy Uncertainty Index<sup>a</sup>, which tracks how often the words “uncertainty” and “trade policy” appear together in leading newspapers. This indicator provides some perspective on the expansionary phase of global trade in the first half of 2025.

**GLOBAL TRADE UNCERTAINTY**  
(Trade Policy Uncertainty Index, 2019–2025)



Source: IDB Productivity, Trade, and Innovation Sector based on data from the Federal Reserve Board.

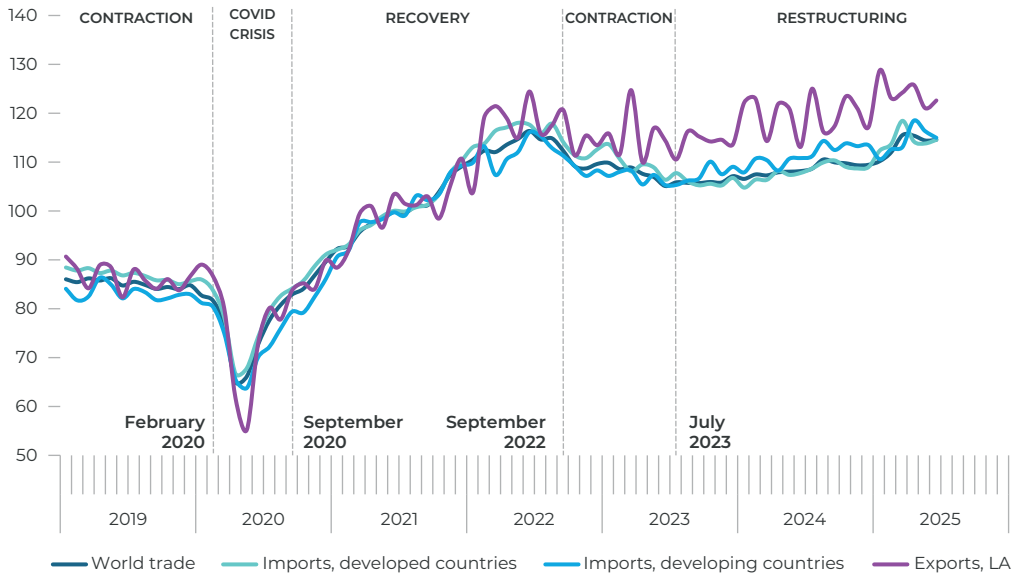
Trade uncertainty has two main economic effects. It impacts trade costs directly while also indirectly influencing household consumption and savings, as well as business confidence and investment, particularly in sectors that rely on imported inputs. The main transmission channel is through the option value of waiting, which emerges because trade-related investments (such as entering export markets or adopting new inputs or technologies) often entail sunk costs.<sup>b</sup> Specifically, if adopting a new input requires an investment with sunk costs, then the prospect of increases in the price of that input (due to trade barriers, for example) reduces the use of that input (a substitution effect) and possibly also of other inputs (a complementarity effect).<sup>c</sup> In the context of trade policy, tariffs are taxes on imports that create a gap between a good’s international price and its domestic price in the country imposing the tariffs. In the short term, tariff increases raise the cost of imported final and intermediate goods. While exporters may absorb some losses into their profit margins, the remaining cost increases are often passed on to domestic consumers, reducing consumer demand for final and intermediate products. In the medium term, higher tariffs can have a negative impact on the competitiveness of export sectors that rely heavily on imported intermediate goods. They also affect savings and investment decisions, business confidence, and ultimately, economic growth. Slower growth leads to weaker demand, which has a dampening effect on global trade.

<sup>a</sup> The Trade Policy Uncertainty Index is developed by the Federal Reserve Board and measures media coverage of trade policy uncertainty. The index is based on automated text searches of electronic archives from seven major newspapers that report on trade policy uncertainty (Caldara et al., 2020).

<sup>b</sup> Handley and Limão (2017 and 2022).

<sup>c</sup> Handley et al. (2020).

**FIGURE 1 • VALUE OF WORLD TRADE IN GOODS**  
(Index 2021=100, 2019–2025)



Source: IDB Productivity, Trade, and Innovation Sector with data from the Netherlands Bureau for Economic Policy Analysis (CPB) and authors' estimations.

Note: The value of global trade is the average of the seasonally adjusted series of global imports and exports. The value of exports from Latin America (LA) was calculated by the authors and does not include the Caribbean (see Methodological Annex 1).

**FIGURE 2 • TRENDS IN WORLD TRADE IN GOODS**

(Quarterly moving average of the year-on-year growth rate, percentages, 2019–2025)



Source: IDB Productivity, Trade, and Innovation Sector based on data from CPB.

Note: The value and volumes figures are the average of global imports and exports.

Frontloading of purchases contributed to the acceleration of trade.

were brought forward in anticipation of tariff hikes, which drove trade growth. However, the expansionary effect is expected to fade in the second half of the year due to inventory depletion and the gradual impact of trade frictions on production costs and investment decisions.<sup>3</sup> This outlook is compounded by downside risks stemming from geoeconomic instability and supply chain disruptions,<sup>4</sup> as well as a slowdown in the US

driven by trade uncertainty, China's structural deceleration, and weakening international prices. Global trade in services, which had expanded strongly in 2024 (8.1%), slowed by half in early 2025 to a growth rate of 4.0% (Box 2).

In 2024, the 1.6% increase in the value of trade in goods was fueled by a 2.5% rise in volumes, partly offset by a 0.9% drop in international prices (Figure 3). In the first half of 2025, the value of global trade grew 5.7%, driven by growth in volumes (4.2%) and, to a lesser extent, an improvement in prices (1.4%).

Volumes determined the trend for trade in goods.

The expansion was explained mainly by the dynamism of imports by developed countries, after several years in which

Trade was driven by developed countries.

developing countries were the primary engines of growth. Imports by developed countries, which had been almost flat in 2024 (0.2%), jumped by 7.2% year-on-year in the first half of 2025, largely due to firms frontloading purchases in anticipation of new restrictive trade measures.<sup>5</sup> As a result, trade volumes went from sluggish growth (0.5%) to a notable rise (5.8%). Prices showed a modest recovery (from -0.2% in 2024 to 1.4% in the first half of 2025).

Meanwhile, the value of imports by developing countries, which had increased by 4.0% on average in 2024, continued at a similar pace (4.2%) in the first half of 2025. However, while import volumes slowed from 5.9% in 2024 to 1.7% in the first half of 2025, prices rebounded by 2.4%, reversing the 1.9% drop recorded in 2024.

Prices sustained imports by developing countries.

Against this backdrop of change and uncertainty in global trade, the value of goods exports from Latin America (LA)<sup>6</sup> accelerated slightly from 4.1% in 2024 to 4.3% in the first half of 2025. However, while LA's exports had outpaced global trade in 2024, the reverse was true in 2025 due to lower growth in both volumes and prices. All the same, the region recorded a faster rise in export

<sup>3</sup> WTO (2025a).

<sup>4</sup> Ayres, Izquierdo, and Parrado (2025).

<sup>5</sup> WTO (2024a) and IMF (2025a).

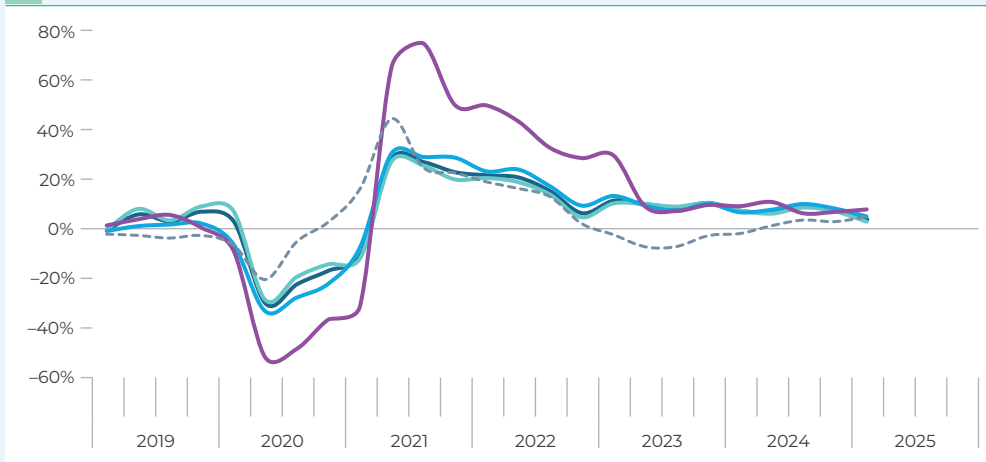
<sup>6</sup> The Caribbean is not included due to a lack of up-to-date, disaggregated data.

**BOX 2 • GLOBAL TRADE IN SERVICES**

Global trade in services was extremely dynamic in 2024, expanding 8.1% in nominal terms, driven by knowledge-based services (KBSs) and international travel, which rose by 7.1% and 13.0%, respectively. Preliminary estimates for the first quarter of 2025 show that global trade in services slowed to 4.0% year-on-year. This outcome reflected a widespread deceleration across all categories, most notably in KBSs, transport, and travel, whose growth rates halved. Although trade in services is not directly affected by trade frictions and has proved more resilient than trade in goods, it is sensitive to weaker demand for goods-related services, such as transport and logistics, and for services that are intermediate inputs or that complement certain goods (servification and servitization).<sup>a</sup> According to World Trade Organization (WTO) forecasts, global trade in services will grow 4.6% in real terms in 2025, slower than in 2024.<sup>b</sup>

**TREND IN THE VALUE OF WORLD TRADE IN SERVICES**

(Year-on-year growth rate, percentages, 2019–2025)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from the International Monetary Fund (IMF), the WTO, and national sources.

Note: The value of world trade in goods is defined as the average of imports and exports. World trade in services is the value of total global imports. These figures include the services account components of the balance of payments (except construction services, government services, manufacturing services, and maintenance and repair services). The data for the first quarter of 2025 are preliminary estimates based on a sample of countries. The sample represents 93% of global imports of services in 2024.

<sup>a</sup> Miroudot and Cadestin (2017), Crozet and Milet (2015), and Giordano et al. (2024).

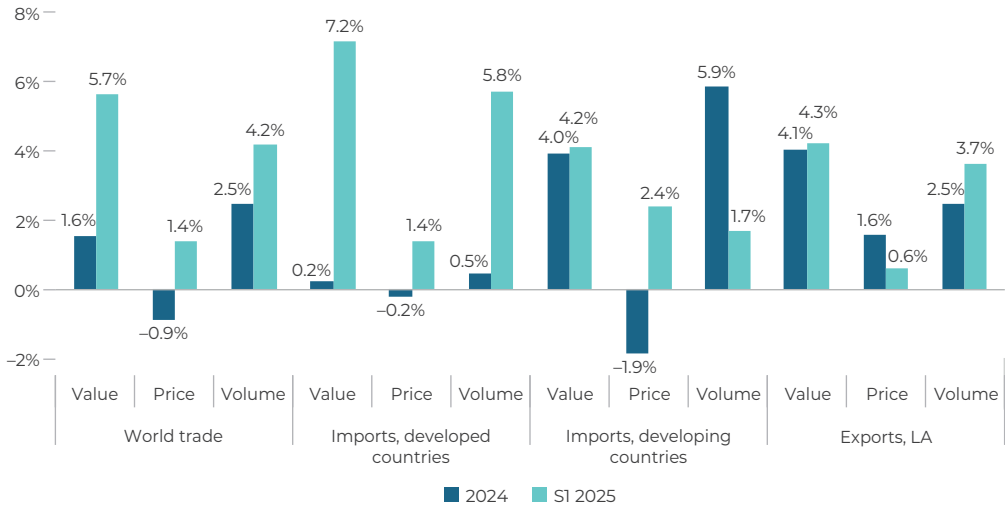
<sup>b</sup> WTO (2025a).

volume growth in the first half of 2025 compared to the average for 2024 (3.7% and 2.5%, respectively). This was partially offset by weaker price growth (from 1.6% to 0.6%).<sup>7</sup> In this context, analyzing price dynamics is critical to assessing the region's current trade performance and future prospects.

The region's exports grew, fueled by real flows.

<sup>7</sup> Based on a sample of 10 LA countries that accounted for 90.5% of the region's exports in 2024.

**FIGURE 3 • VOLUMES AND PRICES OF WORLD TRADE IN GOODS**  
(Year-on-year growth rate, percentages, 2024 and S1 2025)



Source: IDB Productivity, Trade, and Innovation Sector using data from CPB and IDB estimates.  
Note: The value of world trade is calculated as the average of global imports and exports. LA exports are the authors' estimations and do not include the Caribbean (see Methodological Annexes 1 and 2).

### Developments in commodity prices

Commodity prices reflected the deterioration in economic conditions.

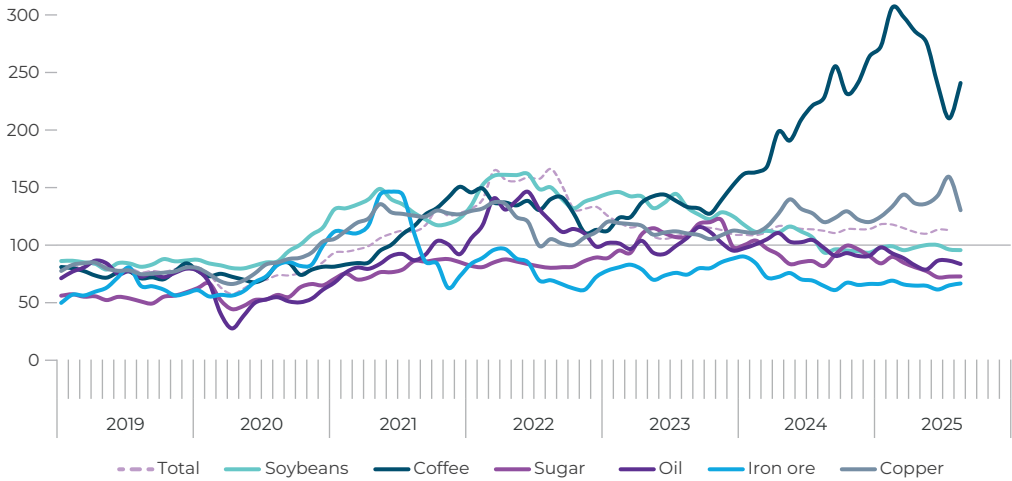
In early 2025, commodity prices entered a highly volatile phase, marking the end of a period of relatively high, stable prices. The overall commodity price index<sup>8</sup> accumulated a 0.5% loss in 2024. It then rose 6.5% year-on-year between January and March 2025 before falling 4.6% between April and May, largely due to plummeting energy prices (-15.5% in April and -16.3% in May). As a result, the overall index rose 1.4% year-on-year in the first half of 2025. Nonenergy commodities increased 7.1%, while energy prices fell 5.5% (Figure 4). Despite the marked divergence in commodity price trends, these are expected to remain weak in 2025 amid trade uncertainty and the slowdown in global economic growth.<sup>9</sup>

After falling by an average of 2.7% in 2024, oil prices<sup>10</sup> dropped by 14.7% year-on-year in the first half of 2025. In early May, they hit their lowest levels in the past four years due to the combination of weaker demand and higher-than-expected OPEC+ output. The brief price increase in June triggered by the military conflict between

<sup>8</sup> According to the IMF All Commodity Price Index, the IMF Non-Fuel Price Index, and the IMF Fuel (Energy) Index.  
<sup>9</sup> World Bank (2025) and Maloney et al. (2025).  
<sup>10</sup> This is the average of Brent Blend, WTI, and Dubai Crude.

## FIGURE 4 • PRICES OF THE MAIN EXPORT COMMODITIES FROM LATIN AMERICA AND THE CARIBBEAN

(Index 2010=100, 2019–2025)



Source: IDB Productivity, Trade, and Innovation Sector based on data from Bloomberg (products) and the IMF (overall index).

Note: These six commodities accounted for about 31% of the region's total exports in 2021–2022, or 64% if Mexico is excluded.

### Oil prices fell despite the conflict in the Middle East.

Iran and Israel dissipated quickly. Looking ahead, downside risks remain if global growth weakens further or OPEC+ exceeds its announced production levels. This change in the organization's strategy aligns with its aim of consolidating its market position at a time when shrinking profit margins are limiting the responsiveness of higher-cost producers<sup>11</sup>.

The metals index rose by an average of 8.3% in 2024 and accelerated to 16.2% year-on-year in the first half of 2025.<sup>12</sup> However, trends varied among LAC's main metal exports. Gold reached a record high in April as investors sought safe-haven assets amid geopolitical and economic uncertainty. China's ongoing energy transition is boosting demand for metals like copper. After rising by 9.4% on average in 2024, copper prices climbed by a further 10.8% year-on-year in the first half of 2025. In contrast, nickel and lithium posted declines in both periods (21.9% and 12.2%, and 57.4% and 30.1%, respectively), due to oversupply in global markets. Despite their importance for the energy transition, neither metal is shown in the figure due to their relatively small share in the region's current export structure. Likewise, iron

<sup>11</sup> World Bank (2025).

<sup>12</sup> According to the IMF Base Metals Price Index.

Metal prices continued to show different trends.

ore prices, which had fallen by 9.2% in 2024, dropped by a further 15.2% year-on-year in the first half of 2025. China's struggling real estate sector had a negative impact on this market, while output expanded as new mines began production, notably Simandou in Guinea. Weakening demand prospects could put downward pressure on the metals index in 2025.<sup>13</sup>

Agricultural commodity prices,<sup>14</sup> which had risen by 4.3% on average in 2024, fell 1.7% year-on-year in the first half of 2025. Good weather in South America and negative prospects for global demand are putting downward pressure on prices, a trend expected to persist through 2025 due to abundant supply. Soybean prices, which contracted by 22.1% on average in 2024, fell by a further 13.1% year-on-year in the first half of 2025 as a result of rising inventories following strong harvests. International sugar prices fell by 13.7% on average in 2024, with a further 12.8% decline in the first half of 2025, driven by higher global output from India, Brazil, and Thailand. The historic surge in coffee prices stemmed from weather disruptions in Brazil and Vietnam, the world's top producers. Prices increased by 57.7% in 2024 before climbing another 53.6% in the first half of 2025. However, after peaking in February, prices fell amid expectations of higher production in Brazil, as the return of dry weather helped accelerate harvests.

Agricultural prices weakened.

## Risks and prospects

The geopolitical tensions and trade frictions that followed the post-Covid recovery period have disrupted the global economy, which had maintained stable growth of around 3.5% between 2022 and 2024. Macroeconomic conditions in 2024 favored trade growth more than in the previous year, due to the easing of global inflation. In 2024, the volume of trade rose by 2.5% and global GDP grew by 3.3%. Updated forecasts now anticipate 3.2% growth for 2025 and 3.1% for 2026,<sup>15</sup> given that the trade impact of tariff announcements has so far proved milder than expected. According to the latest WTO estimates, global trade volumes are expected to increase by 2.4% in 2025 (revised up from a 0.9% forecast in August) and 0.5% in 2026.<sup>16</sup> The new pattern of relative bilateral tariffs is expected to trigger trade-diversion effects along

The prospects for global growth deteriorated.

<sup>13</sup> World Bank (2025).

<sup>14</sup> According to the IMF Agricultural Raw Materials Index.

<sup>15</sup> IMF (2025a).

<sup>16</sup> WTO (2025a).

with specific impacts on bilateral trade flows, spreading uncertainty across trade relations beyond the US.<sup>17</sup>

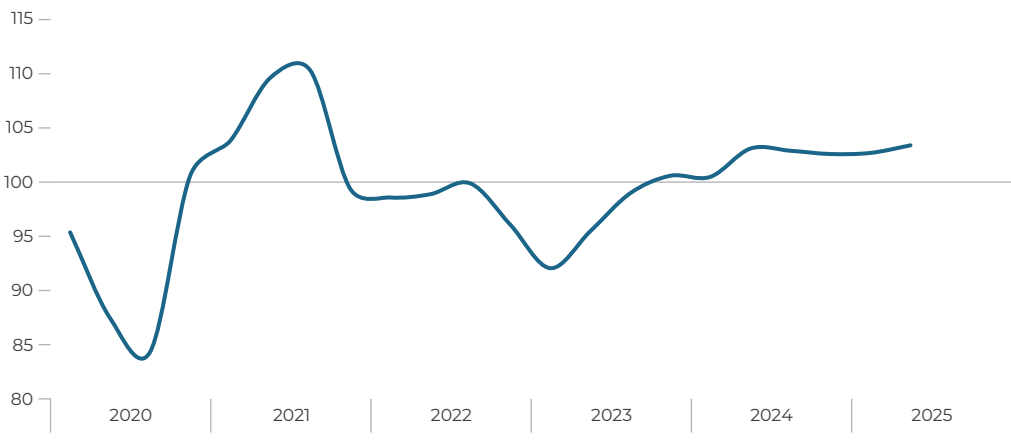
Global trade is expected to slow.

In the short term, the WTO Goods Trade Barometer,<sup>18</sup> a leading indicator of global trade flow trends, remained above 100 throughout 2024 and for the first four months of 2025, signaling above-trend trade growth and increasing momentum (Figure 5). However, according to the report, the apparent acceleration of 2025 is mainly explained by firms and consumers frontloading imports in anticipation of new tariff measures. As a consequence, trade is expected to slow in the coming months as accumulated inventories are used through the rest of 2025 and into 2026. The increase in trade uncertainty and new restrictive trade measures are also expected to dampen demand in the coming quarters.

A closer analysis of new export orders, a subindex of the Purchasing Managers' Index (PMI) that anticipates demand conditions ahead of the publication of official data, shows that it stayed below the critical threshold of 50<sup>19</sup> from July 2024 to July 2025, only climbing above it in March 2025. The new export

The indicator for new export orders declined.

**FIGURE 5 • WTO GOODS TRADE BAROMETER**  
(Index, 2020–2025)



Source: IDB Productivity, Trade, and Innovation Sector based on data from WTO.

Note: The index and its components measure the deviation from the medium-term trend, which is standardized at 100.

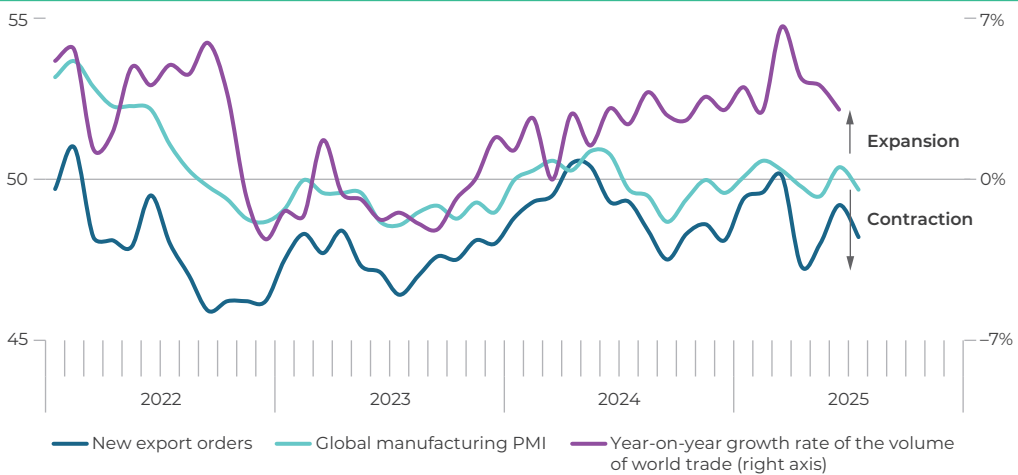
<sup>17</sup> WTO (2025b) and Rotunno and Ruta (2025).

<sup>18</sup> The Goods Trade Barometer is designed to gauge momentum and identify turning points in world trade growth in real time. Readings of 100 indicate trade growth in line with medium-term trends. Readings greater than 100 suggest above-trend growth, while those below 100 indicate the opposite (WTO, 2025c).

<sup>19</sup> See Martínez-Martín and Rusticelli (2021) for evidence of the correlation between these indicators and global trade. A reading of 50 marks the critical threshold between expansion and contraction.



**FIGURE 7 • PURCHASING MANAGERS' INDEX FOR THE GLOBAL MANUFACTURING SECTOR, NEW EXPORT ORDERS SUBINDEX, AND VOLUME OF WORLD TRADE**  
 (Indices and percentages, 2022–2025)



Source: IDB Productivity, Trade, and Innovation Sector based on data from JP Morgan and CPB.

to trade volatility and rising risks of fragmentation. Although global trade in services remained resilient, its growth rate slowed, and the outlook for the transport sector may weaken as trade in goods loses momentum. Weak external demand and the slowdown in international prices create a risky environment for LAC’s trade. A detailed analysis of the region’s trade flows is presented in the following chapters.



# The Growth of Trade in Latin America and the Caribbean

# 2

After expanding by 4.4% in 2024, LAC's goods exports accelerated slightly to 4.6% in the first half of 2025, with performance varying across subregions. Amid uncertainty over global trade policy, exports in Central America and Mexico gained momentum, albeit marginally in Mexico. Growth slowed in South America and, to a lesser extent, in the Caribbean, where exports nonetheless continued to increase at a notable pace. This export growth in LAC was driven mainly by higher volumes despite being constrained by price moderation. Services exports continued to grow at a solid pace, albeit more slowly than in 2024.

## Performance by subregion, country, and sector

Exports from LAC accelerated, with varied performance across subregions.

After climbing by 4.4% in 2024, LAC's goods exports increased by 4.6% year-on-year in the first half of 2025 (Figure 8).<sup>22</sup> The region's export performance in 2024 was powered by Mexico, South America, and the Caribbean, while Central America's exports were largely flat. In the first half of 2025, exports accelerated markedly in Central America and picked up slightly in Mexico. Growth rates remained relatively stable in the rest of the region, with a slight slowdown in South America and

the Caribbean, although gains remained solid. However, the monthly data show pronounced volatility in connection with announced changes to market access regimes.

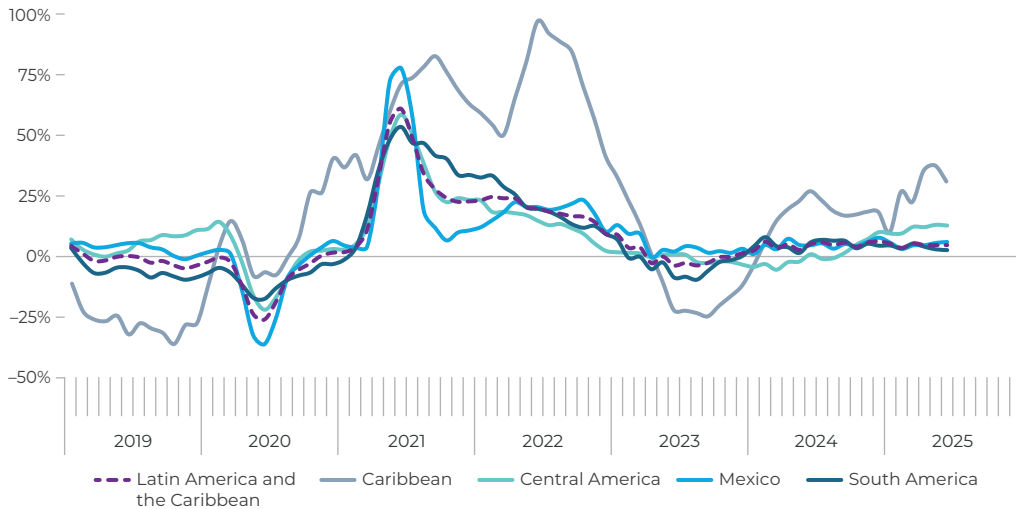
Mexico's exports grew by 4.4% in the first half of 2025, after averaging 4.2% growth in 2024 (Table 1). Despite a volatile environment, including new US tariffs on automotive imports

Mexico's exports picked up slightly.

<sup>22</sup> The estimate for the first half of 2025 is based on data for 25 LAC countries and differs from the data presented in Chapter 1, which includes LA but not the Caribbean.

**FIGURE 8 • TRENDS IN THE VALUE OF GOODS EXPORTS FROM LATIN AMERICA AND THE CARIBBEAN**

(Quarterly moving average of the year-on-year growth rate, 2019–2025)



Source: IDB Productivity, Trade, and Innovation Sector, based on data from INTEGRA and national sources.

and steel and aluminum products, the country’s exports were somewhat driven by the frontloading of purchases and relatively favorable access conditions to the US market compared with global competitors.<sup>23</sup> Increased shipments of data-processing machinery and other mechanical equipment offset the contraction in sales in the automotive and oil sectors, with the latter largely hit by falling prices.

In Central America, exports went from near stagnation (0.7%) in 2024 to 11.9% growth in the first half of 2025. Its performance improved across all countries but was particularly buoyed by shipments to the US, the EU, and intraregional markets. In Costa Rica, growth came from exports of medical devices and instruments and pharmaceutical products, as well as coffee, which benefited from surging prices. Coffee also played a decisive role in El Salvador, Guatemala, Nicaragua, and Honduras, as did sugar in Guatemala, gold in Nicaragua and Honduras, and plastics in El Salvador. In Panama, the rebound reflected higher exports of copper concentrates, while precious metals and cocoa explained gains in the Dominican Republic.

Central America’s performance improved significantly.

In South America, exports increased by 3.5% in the first half of 2025 after averaging 4.4% growth in 2024. This loss of momentum owed primarily to weaker export

<sup>23</sup> López, Serrano, and Vázquez (2025), Hufbauer and Zhang (2025)..

performances in Argentina, Venezuela, and, to a lesser extent, Chile. Stronger export volumes, especially in agricultural products and metals, offset flat prices. Exports declined in Brazil, Bolivia, and Paraguay, largely as a result of lower commodity prices: sugar, iron ore, soybeans, and oil in Brazil; natural gas and soybeans in Bolivia; and soybeans in Paraguay. The Andean economies (Peru, Colombia, and Ecuador) posted strong gains in exports of minerals (gold and copper) and agrifood commodities (coffee, cocoa, and shrimp). In Uruguay, meanwhile, the performance of meat exports was decisive. Oil and fuel exports contributed negatively in most countries in the subregion due to falling prices.

Exports from South America slowed.

Growth in exports from the Caribbean was concentrated in a handful of countries.

Caribbean exports are estimated to have increased by 16.6% in the first half of 2025, after climbing 17.8% on average in 2024. Momentum was concentrated in Guyana and Belize in 2024, and in Guyana, Suriname, and the Bahamas in the first half of 2025, according to available data. Exports from the remaining countries declined in both periods.

LAC's imports grew by 4.0% in 2024 before accelerating to 5.6% in the first half of 2025, led by South America, the Caribbean, and, to a lesser extent, Central America (Table 2).

The aggregate outcome was shaped mainly by South America, where import growth accelerated from 2.1% in 2024 to 11.4% in the first half of 2025. Likewise, estimates based on available data show that imports accelerated from 3.1% to 13.4% in the Caribbean and from 3.8% to 4.5% in Central America between the two periods. By contrast, Mexico's imports stagnated in the first half of 2025 (0.2%) after growing by 5.1% in 2024.

Imports accelerated.

## The role of prices and volumes

Export prices weakened.

After rising by 1.6% in 2024, the prices of LA exports slowed to 0.6% in the first half of 2025,<sup>24</sup> which contrasted with global performance (-0.9% and 1.4%, respectively). The downturn in prices in the region is attributable mostly to smaller price increases in Mexico (from 3.2% to 1.6%) and a steeper decline in Brazil (from -0.8% to -2.0%). In South America, export prices remained stable in both periods

<sup>24</sup> The breakdown of export prices and volumes is based on a sample of 18 LA countries for 2024, as is detailed in Methodological Annex 2. For Mexico, the export values series was deflated using the *All Commodities from Mexico* import price index published by the BLS. The sample for the first half of 2025 includes 10 LA countries that account for approximately 90% of the region's exports. For Central America, an estimate is only available for El Salvador. The Caribbean countries are excluded from both periods due to a lack of data.

**TABLE 1 • GOODS EXPORTS FROM LATIN AMERICA AND THE CARIBBEAN**  
(Billions of US\$ and annual growth rate, 2019–S1 2025)

	Billions of US\$										Growth rate (%)								
	2019	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2025	2024	2023	2022	2021	2020	S1 2025	
<b>LATIN AMERICA AND THE CARIBBEAN</b>	1,035.0	941.1	1,206.2	1,412.9	1,388.4	1,449.1	-9.1	28.2	17.1	-1.7	4.4	4.6	4.4	-1.7	17.1	28.2	-9.1	4.4	4.6
<b>LATIN AMERICA</b>	1,020.8	928.5	1,186.0	1,379.3	1,359.5	1,415.0	-9.0	27.7	16.3	-1.4	4.1	4.3	4.1	-1.4	16.3	27.7	-9.0	4.1	4.3
<b>MESOAMERICA</b>	515.0	469.4	561.7	651.8	665.9	691.0	-8.8	19.7	16.0	2.2	3.8	5.2	3.8	2.2	16.0	19.7	-8.8	3.8	5.2
Mexico	460.6	417.2	494.9	577.7	593.0	617.7	-9.4	18.6	16.7	2.6	4.2	4.4	4.2	2.6	16.7	18.6	-9.4	4.2	4.4
<b>Central America<sup>a</sup></b>	54.4	52.3	66.7	74.1	72.9	73.4	-3.9	27.7	11.0	-1.7	0.7	11.9	0.7	-1.7	11.0	27.7	-3.9	0.7	11.9
Costa Rica	11.4	11.6	14.4	15.7	18.2	19.9	2.1	23.7	9.3	15.7	9.6	12.9	9.6	15.7	9.3	23.7	2.1	9.6	12.9
El Salvador	5.9	5.0	6.4	7.1	6.5	6.4	-14.8	27.2	11.3	-8.7	-0.8	6.5	-0.8	-8.7	11.3	27.2	-14.8	-0.8	6.5
Guatemala	11.2	11.1	13.6	15.7	14.2	14.6	-0.6	22.7	14.9	-9.4	2.6	10.2	2.6	-9.4	14.9	22.7	-0.6	2.6	10.2
Honduras	8.8	7.7	10.2	12.2	11.3	11.0	-12.6	33.5	19.9	-7.3	-2.7	15.5	-2.7	-7.3	19.9	33.5	-12.6	-2.7	15.5
Nicaragua	5.6	5.3	6.9	7.4	7.4	7.5	-5.1	29.4	7.2	0.3	1.9	12.7	1.9	0.3	7.2	29.4	-5.1	1.9	12.7
Panama	1.5	1.7	3.6	3.7	3.4	1.0	14.7	111.3	0.2	-7.8	-71.4	47.8	-71.4	-7.8	0.2	111.3	14.7	-7.8	47.8
Dominican Republic	10.1	9.8	11.6	12.4	11.9	12.9	-2.3	18.3	6.3	-3.6	8.2	8.9	8.2	-3.6	6.3	18.3	-2.3	8.2	8.9
<b>SOUTH AMERICA</b>	505.8	459.1	624.3	727.5	693.6	724.0	-9.2	36.0	16.5	-4.7	4.4	3.5	4.4	-4.7	16.5	36.0	-9.2	4.4	3.5
Argentina	65.1	54.9	77.9	88.7	67.0	79.7	-15.7	42.0	13.8	-24.5	19.0	4.0	19.0	-24.5	13.8	42.0	-15.7	19.0	4.0
Bolivia	8.9	7.1	11.0	13.9	10.8	8.9	-20.6	54.9	26.1	-22.0	-17.4	-5.3	-17.4	-22.0	26.1	54.9	-20.6	-17.4	-5.3
Brazil	221.1	209.2	280.8	334.1	339.7	337.0	-5.4	34.2	19.0	1.7	-0.8	-0.8	-0.8	1.7	19.0	34.2	-5.4	-0.8	-0.8
Chile	68.8	74.1	94.6	98.5	93.0	99.2	7.7	27.7	4.1	-5.6	6.7	6.1	6.7	-5.6	4.1	27.7	7.7	6.7	6.1
Colombia	39.5	31.1	41.4	56.9	49.8	49.6	-21.4	33.3	37.5	-12.5	-0.4	1.6	-0.4	-12.5	37.5	33.3	-21.4	-0.4	1.6
Ecuador	22.3	20.4	26.7	32.7	31.1	34.4	-8.8	31.2	22.3	-4.7	10.6	11.0	10.6	-4.7	22.3	31.2	-8.8	10.6	11.0

(continued on next page)

**TABLE 1 • GOODS EXPORTS FROM LATIN AMERICA AND THE CARIBBEAN**  
(Billions of US\$ and annual growth rate, 2019–SI 2025) (continued)

	Billions of US\$										Growth rate (%)				
	2019	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2025	2023	2024	SI 2025
Paraguay	8.0	8.5	10.6	9.9	11.9	10.9	6.9	24.1	-5.9	19.3	-8.0	-7.7	19.3	-8.0	-7.7
Peru	46.4	41.7	60.9	63.6	64.6	74.4	-10.2	46.1	4.5	1.5	15.2	20.2	1.5	15.2	20.2
Uruguay	7.7	6.9	9.5	11.2	9.2	10.2	-10.6	38.9	17.3	-17.6	11.0	11.4	-17.6	11.0	11.4
Venezuela	17.9	5.3	10.8	18.0	16.5	19.6	-70.2	103.2	65.9	-8.0	18.5	0.9	-8.0	18.5	0.9
<b>CARIBBEAN<sup>a</sup></b>	<b>14.2</b>	<b>12.6</b>	<b>20.2</b>	<b>33.6</b>	<b>28.9</b>	<b>34.1</b>	<b>-11.5</b>	<b>60.4</b>	<b>66.5</b>	<b>-14.0</b>	<b>17.8</b>	<b>16.6</b>	<b>-14.0</b>	<b>17.8</b>	<b>16.6</b>
Bahamas	0.3	0.2	0.6	0.8	0.7	0.7	-22.7	193.0	27.5	-9.6	-6.4	8.2	-9.6	-6.4	8.2
Barbados	0.3	0.2	0.2	0.3	0.2	0.2	-12.1	8.0	3.5	-4.1	-1.2	-8.1	-4.1	-1.2	-8.1
Belize	0.2	0.2	0.2	0.2	0.2	0.2	3.4	2.4	10.8	-15.8	12.7	-5.8	-15.8	12.7	-5.8
Guyana	1.5	2.6	4.3	11.2	13.0	19.8	70.7	68.8	159.9	15.8	52.4	25.6	15.8	52.4	25.6
Haiti	1.2	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Jamaica	1.7	1.3	1.5	1.9	2.0	1.9	-24.3	18.4	28.4	4.9	-6.3	-6.2	4.9	-6.3	-6.2
Suriname	0.4	2.1	2.2	2.5	2.4	1.4	438.7	4.2	13.2	-5.9	-40.2	52.8	-5.9	-40.2	52.8
Trinidad and Tobago	8.8	6.0	11.1	16.7	10.4	9.8	-31.5	84.6	50.6	-37.8	-5.3	-2.1	-37.8	-5.3	-2.1

Source: IDB Productivity, Trade, and Innovation Sector, based on data from INTEGRA and national sources.

Notes: n.d.: no data available. Methodological Annex 3 describes the geographic coverage and time periods included in the goods export data. <sup>a</sup> The data for Panama does not include exports from special trade regimes (STRs). <sup>b</sup> Data is only available through May for Jamaica. The aggregate data for the Caribbean and LAC for the first half of 2025 are estimations based on the available data.

**TABLE 2 • GOODS IMPORTS INTO LATIN AMERICA AND THE CARIBBEAN**  
(Billions of US\$ and annual growth rate, 2019–S1 2025)

	Billions of US\$										Growth rate (%)								
	2019	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2025	2024	2023	2022	2021	2020	S1 2025	
<b>LATIN AMERICA AND THE CARIBBEAN</b>	<b>1,033.1</b>	<b>870.3</b>	<b>1,215.5</b>	<b>1,477.2</b>	<b>1,382.4</b>	<b>1,433.3</b>	<b>-15.4</b>	<b>39.7</b>	<b>21.5</b>	<b>-6.4</b>	<b>4.0</b>	<b>5.6</b>	<b>4.0</b>	<b>-6.4</b>	<b>21.5</b>	<b>39.7</b>	<b>-15.4</b>	<b>4.0</b>	<b>5.6</b>
<b>LATIN AMERICA</b>	<b>1,008.5</b>	<b>852.2</b>	<b>1,191.2</b>	<b>1,449.1</b>	<b>1,352.7</b>	<b>1,406.4</b>	<b>-15.5</b>	<b>39.8</b>	<b>21.7</b>	<b>-6.7</b>	<b>4.0</b>	<b>5.5</b>	<b>4.0</b>	<b>-6.7</b>	<b>21.7</b>	<b>39.8</b>	<b>-15.5</b>	<b>4.0</b>	<b>5.5</b>
<b>MESOAMERICA</b>	<b>552.7</b>	<b>467.9</b>	<b>626.6</b>	<b>754.7</b>	<b>747.4</b>	<b>783.8</b>	<b>-15.3</b>	<b>33.9</b>	<b>20.4</b>	<b>-1.0</b>	<b>4.9</b>	<b>1.0</b>	<b>4.9</b>	<b>-1.0</b>	<b>20.4</b>	<b>33.9</b>	<b>-15.3</b>	<b>4.9</b>	<b>1.0</b>
Mexico	455.2	383.0	505.7	605.8	605.3	636.2	-15.9	32.0	19.8	-0.1	5.1	0.2	5.1	-0.1	19.8	32.0	-15.9	5.1	0.2
<b>Central America<sup>a</sup></b>	<b>97.4</b>	<b>84.9</b>	<b>120.9</b>	<b>148.8</b>	<b>142.1</b>	<b>147.6</b>	<b>-12.9</b>	<b>42.4</b>	<b>23.1</b>	<b>-4.5</b>	<b>3.8</b>	<b>4.5</b>	<b>3.8</b>	<b>-4.5</b>	<b>23.1</b>	<b>42.4</b>	<b>-12.9</b>	<b>3.8</b>	<b>4.5</b>
Costa Rica	15.9	14.0	18.4	21.4	22.4	23.7	-12.3	31.5	16.2	5.0	5.4	5.5	5.4	5.0	16.2	31.5	-12.3	5.4	5.5
El Salvador	11.6	10.2	14.6	17.1	15.6	16.0	-11.7	42.6	17.0	-8.5	2.1	11.5	2.1	-8.5	17.0	42.6	-11.7	2.1	11.5
Guatemala	19.9	18.2	26.6	32.1	30.3	32.5	-8.4	46.1	20.7	-5.6	7.2	6.1	7.2	-5.6	20.7	46.1	-8.4	7.2	6.1
Honduras	10.4	11.2	16.9	20.7	19.3	19.8	8.4	50.2	22.8	-7.0	2.7	1.6	2.7	-7.0	22.8	50.2	8.4	2.7	1.6
Nicaragua	6.2	5.9	8.4	11.2	10.9	11.5	-5.0	41.8	34.4	-2.9	5.1	7.5	5.1	-2.9	34.4	41.8	-5.0	5.1	7.5
Panama <sup>a</sup>	12.8	8.1	11.6	15.2	14.5	14.0	-37.1	43.1	31.8	-4.6	-3.7	0.0	-3.7	-4.6	31.8	43.1	-37.1	-3.7	0.0
Dominican Republic	20.6	17.3	24.5	31.1	29.0	30.2	-16.3	41.9	26.9	-6.5	4.0	1.1	4.0	-6.5	26.9	41.9	-16.3	4.0	1.1
<b>SOUTH AMERICA</b>	<b>455.8</b>	<b>384.4</b>	<b>564.7</b>	<b>694.5</b>	<b>605.3</b>	<b>622.6</b>	<b>-15.7</b>	<b>46.9</b>	<b>23.0</b>	<b>-12.8</b>	<b>2.1</b>	<b>11.4</b>	<b>2.1</b>	<b>-12.8</b>	<b>23.0</b>	<b>46.9</b>	<b>-15.7</b>	<b>2.1</b>	<b>11.4</b>
Argentina	491	42.4	63.2	81.7	73.8	60.8	-13.8	49.2	29.4	-9.7	-17.7	34.6	-17.7	-9.7	29.4	49.2	-13.8	-17.7	34.6
Bolivia	9.8	7.0	9.6	11.9	11.5	9.9	-29.2	38.3	23.7	-3.4	-13.8	-4.4	-13.8	-3.4	23.7	38.3	-29.2	-13.8	-4.4
Brazil	185.9	158.8	234.7	292.2	252.7	278.0	-14.6	47.8	24.5	-13.5	10.0	8.2	10.0	-13.5	24.5	47.8	-14.6	10.0	8.2
Chile	69.9	59.2	92.4	104.7	85.3	84.3	-15.2	56.0	13.3	-18.6	-1.2	10.4	-1.2	-18.6	13.3	56.0	-15.2	-1.2	10.4
Colombia	50.3	41.2	61.1	77.4	62.8	64.1	-18.1	48.4	26.7	-18.9	2.1	9.6	2.1	-18.9	26.7	48.4	-18.1	2.1	9.6
Ecuador	22.6	17.9	25.7	33.0	30.9	29.5	-20.6	43.4	28.7	-6.5	-4.6	10.8	-4.6	-6.5	28.7	43.4	-20.6	-4.6	10.8

(continued on next page)

**TABLE 2 • GOODS IMPORTS INTO LATIN AMERICA AND THE CARIBBEAN**  
(Billions of US\$ and annual growth rate, 2019–SI 2025) (continued)

	Billions of US\$										Growth rate (%)								
	2019	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2025	2024	2023	2022	2021	2020	SI 2025	
Paraguay	11.8	10.0	13.1	15.2	15.8	16.4	16.4	30.4	16.2	3.9	3.6	6.6	3.6	3.9	16.2	30.4	-14.6	3.6	6.6
Peru	42.4	33.8	46.6	54.7	48.9	51.3	-20.2	37.6	17.4	-10.6	5.0	12.8	5.0	-10.6	17.4	37.6	-20.2	5.0	12.8
Uruguay	8.2	7.6	10.3	13.0	12.5	12.5	-8.3	36.4	25.7	-3.8	0.3	4.4	0.3	-3.8	25.7	36.4	-8.3	0.3	4.4
Venezuela	5.9	6.5	8.0	10.6	11.2	15.8	11.3	22.7	32.5	5.4	n.d.	-0.9	n.d.	5.4	32.5	22.7	11.3	n.d.	-0.9
<b>CARIBBEAN<sup>a</sup></b>	<b>24.6</b>	<b>18.1</b>	<b>24.2</b>	<b>28.1</b>	<b>29.7</b>	<b>26.9</b>	<b>-12.1</b>	<b>34.1</b>	<b>15.8</b>	<b>5.6</b>	<b>3.1</b>	<b>13.4</b>	<b>3.1</b>	<b>5.6</b>	<b>15.8</b>	<b>34.1</b>	<b>-12.1</b>	<b>3.1</b>	<b>13.4</b>
Bahamas	3.3	2.2	3.3	3.9	4.2	n.d.	-33.4	48.0	18.8	7.9	n.d.	1.9	n.d.	7.9	18.8	48.0	-33.4	n.d.	1.9
Barbados	1.6	1.5	1.8	2.2	2.1	2.1	-5.3	21.3	18.4	-1.5	1.4	4.7	1.4	-1.5	18.4	21.3	-5.3	1.4	4.7
Belize	1.0	0.8	1.1	1.4	1.3	1.5	-17.9	31.1	30.2	-3.0	8.5	-6.3	8.5	-3.0	30.2	31.1	-17.9	8.5	-6.3
Guyana	0.3	2.3	4.4	3.6	6.6	6.8	561.6	94.5	-17.2	83.1	2.5	84.4	2.5	83.1	-17.2	94.5	561.6	2.5	84.4
Haiti	4.1	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Jamaica	6.4	4.8	6.0	7.7	7.1	7.3	-25.6	25.3	29.5	-8.7	3.2	3.6	3.2	-8.7	29.5	25.3	-25.6	3.2	3.6
Suriname	1.6	1.5	1.4	1.8	1.7	1.8	-4.0	-9.9	30.7	-5.9	3.1	15.8	3.1	-5.9	30.7	-9.9	-4.0	3.1	15.8
Trinidad and Tobago	6.3	5.0	6.4	7.5	6.6	7.5	-20.8	26.9	17.8	-11.9	13.5	n.d.	13.5	-11.9	17.8	26.9	-20.8	13.5	n.d.

Source: IDB Productivity, Trade, and Innovation Sector, based on data from INTEGRA and national sources.

Notes: n.d.: no data available. See Methodological Annex 3. <sup>a</sup>The data for Panama does not include imports through STRs. <sup>b</sup>Data is only available through May for Jamaica. The aggregate data for the Caribbean and LAC for the first half of 2025 are estimations based on the available data.

(0.0%). The available data for Central America shows a 2.6% increase in 2024, and data for El Salvador point to a slowdown in the first half of 2025 (1.5%).<sup>25</sup> Box 3 presents an estimate of how changes in commodity prices have affected the balance of trade in LAC countries.

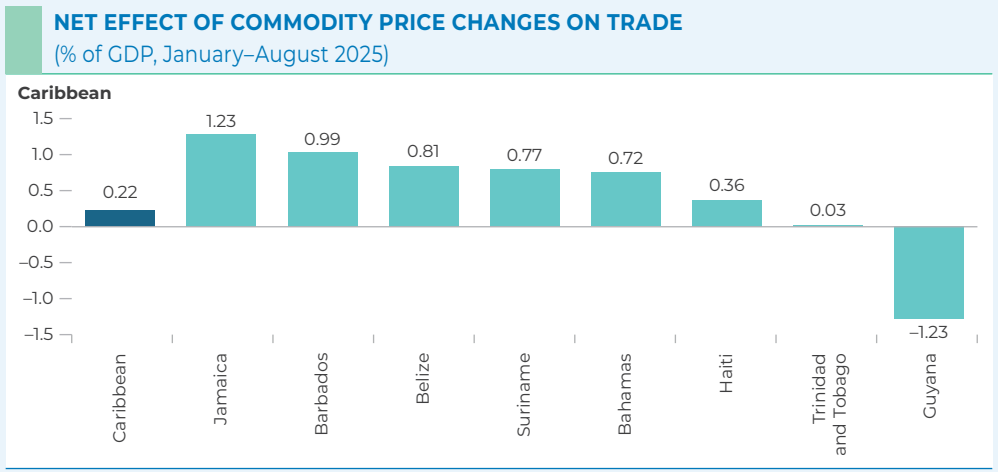
In contrast, LA import prices fell 0.5% year-on-year in the first half of 2025, following an average decline of 1.9% in 2024. This decline affected all subregions. In Brazil and the rest of South America, where import prices fell by 5.5% and 3.3% in 2024,

**BOX 3 • THE IMPACT OF COMMODITY PRICES ON THE TRADE BALANCE**

Amid high volatility, average commodity prices between January and August 2025 were higher than those recorded in 2024. However, the increase in early 2025 was concentrated in metals, while energy and agricultural products declined. This resulted in a net gain for the region's trade balance, driven by Mexico, Central America, and the Caribbean.

After a deterioration equivalent to 0.15% of GDP in 2024, price changes brought an estimated improvement of 0.07% of the region's GDP in the first half of 2025.<sup>a</sup> However, results vary widely across subregions, depending on their export specialization.

While Bolivia, Chile, and Peru benefited in 2025 from higher metal prices, agricultural exporters (such as Argentina, Brazil, and Paraguay) and energy exporters (Colombia, Ecuador, and Venezuela) were adversely affected, as were Argentina and Brazil. In Uruguay, the negative impact of lower grain prices was offset by higher ones for beef and lower ones for oil. Mexico, the Central American countries, and the Caribbean benefited from lower import costs for agricultural products and oil, and in some cases from the sharp rise in coffee prices. The figure shows that the economies that benefited most from price effects were Jamaica, El Salvador, Barbados, and Honduras, while Guyana, Paraguay, and Brazil recorded the most significant net negative effects.



(continued on next page)

(continued on next page)

<sup>25</sup> El Salvador is the only Central American country for which data for the first half of 2025 was available.

**BOX 3 • THE IMPACT OF COMMODITY PRICES ON THE TRADE BALANCE** (continued)**NET EFFECT OF COMMODITY PRICE CHANGES ON TRADE**

(% of GDP, January–August 2025) (continued)



Source: IDB Productivity, Trade, and Innovation Sector based on data from the World Bank.

<sup>a</sup> Svartzman (2021) uses data on LAC exports and imports at the 1-digit SITC level and assigns each product group the corresponding price subindex using World Bank data. This allows him to estimate an annualized theoretical value of exports and imports, which he then compares with actual observed values. The difference between these values shows how much each country benefited from higher export prices or lost out due to higher import prices as a result of price changes, yielding a net trade result for each country and subregion. Finally, using 2024 GDP values in dollars, he derives an indicator of the relative impact on each economy.

### Import prices fell.

the rate of decline eased to 3.5% and 1.2%, respectively. In Mexico, where import prices had been relatively flat (0.5%), they rose by 1.3%. In Central America, the 2024 data shows a decline of 0.7%, while El Salvador experienced a slight rise (0.3%) in the first half of 2025.<sup>26</sup>

<sup>26</sup> El Salvador is the only Central American country for which data was available for the first half of 2025. This is used as a proxy for the entire subregion.

As a result of rising export prices and falling import prices in both 2024 and the first half of 2025, LA's terms of trade improved in both periods, albeit to a lesser extent in the latter (3.6% and 1.1%, respectively) (Figure 9). The increase in external purchasing power was widespread, with rises in Brazil (5.0% and 1.6%), the rest of South America (3.3% and 1.2%), Mexico (2.7% and 0.3%), and Central America (3.3% in 2024 and 1.1% in El Salvador in the first half of 2025).

Terms of trade improved.

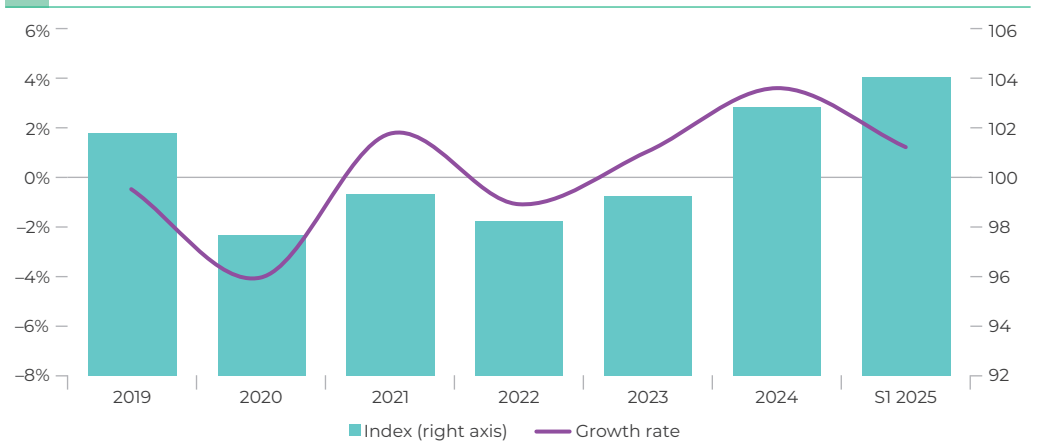
Export volumes continued to expand.

In real terms, LA's exports increased by 2.5% in 2024, on par with the global average. While exports were flat in Brazil and Mexico (0.9% and 0.0%, respectively) and fell in Central America (1.9%), robust growth in the rest of South America (9.4%) explained the overall increase. In the first half of 2025, the growth of the region's export volumes accelerated to 3.7%, while still remaining below the global average (4.2%). Whereas in Mexico volumes increased by 2.7% due to higher shipments of machinery and equipment, they rose 5.0% in El Salvador and 1.2% in Brazil, with the increase in the rest of South America easing slightly to 7.2%. Growth in Brazil came from agricultural and mining products. In the rest of South America, the highest exports were of agricultural products from Argentina, Colombia, Ecuador, and Uruguay; oil from Venezuela; mining products from Chile; and fish products from Peru.

In short, LA's exports were dynamic in 2024 and accelerated modestly in the first half of 2025, though performance varied across subregions. Foreign sales outpaced

**FIGURE 9 • LATIN AMERICA'S TERMS OF TRADE**

(Index 2015=100 and annual variation, percentages, 2019–S1 2025)



Source: IDB Productivity, Trade, and Innovation Sector based on data from INTEGRA, BLS, and national sources.  
 Note: Terms of trade were calculated based on 18 countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela. The data for the first half of 2025 was estimated based on a sample of 10 countries (see Methodological Annex 2).

**FIGURE 10 • PRICES AND VOLUMES OF LATIN AMERICAN EXPORTS**  
(Year-on-year growth rate, percentages, 2019–S1 2025)



Source: IDB Productivity, Trade, and Innovation Sector based on data from INTEGRA, BLS, and OPEC.

Note: The base year for the indices is 2015. Methodological Annex 2 contains a detailed description of the estimation procedures for the series at constant prices.

global trade growth in 2024, but expanded at a slower rate in the first half of 2025. Imports also grew in most countries in the region. The region’s terms of trade continued to improve in both periods as export prices rose and import prices fell. However, the monthly data show pronounced volatility in connection with announced changes to market access regimes.

### The resilience of the services sector

LAC’s services exports grew 8.7% in 2024 and 8.2% in the first quarter of 2025 (Table 3), far outpacing both the region’s goods exports (4.6%) and global services exports (4.0%).

**TABLE 3 • SERVICES EXPORTS FROM LATIN AMERICA AND THE CARIBBEAN**  
(Billions of US\$ and annual growth rate, 2019–Q1 2025)

	Billions of US\$										Growth rate (%)				
	2019	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2025	2023	2024	Q1 2025
<b>LATIN AMERICA AND THE CARIBBEAN</b>	182.0	113.4	146.3	203.9	232.2	252.5	-37.7	29.0	39.4	13.8	8.7	8.2	13.8	8.7	8.2
<b>LATIN AMERICA</b>	166.6	107.8	136.6	188.2	213.8	232.6	-35.3	26.8	37.7	13.6	8.8	8.4	13.6	8.8	8.4
<b>MESOAMERICA</b>	83.8	52.4	74.0	97.9	109.6	120.9	-37.5	41.1	32.3	12.0	10.3	9.0	12.0	10.3	9.0
Mexico	43.4	27.8	41.6	51.3	55.3	62.0	-36.0	49.8	23.2	7.9	12.1	14.2	7.9	12.1	14.2
<b>Central America</b>	40.5	24.7	32.4	46.6	54.3	58.9	-39.1	31.4	43.8	16.6	8.5	3.5	16.6	8.5	3.5
Costa Rica	10.7	7.7	8.3	11.8	13.8	15.2	-27.9	8.1	41.7	17.0	10.1	4.0	17.0	10.1	4.0
El Salvador	2.3	1.4	2.1	3.2	4.2	5.0	-39.3	49.5	54.3	31.0	18.1	-12.3	31.0	18.1	-12.3
Guatemala	2.9	2.0	2.3	3.2	3.6	4.0	-31.9	12.9	40.0	14.3	10.0	1.8	14.3	10.0	1.8
Honduras	1.1	0.6	0.8	1.1	1.3	1.4	-43.7	22.0	46.5	17.1	2.2	5.7	17.1	2.2	5.7
Nicaragua	0.8	0.5	0.6	1.0	1.2	0.9	-35.0	7.7	80.6	14.5	-21.1	-9.4	14.5	-21.1	-9.4
Panama	13.6	8.1	10.6	15.2	17.6	18.1	-40.3	30.3	43.1	16.4	2.7	10.2	16.4	2.7	10.2
Dominican Republic	8.9	4.2	7.8	11.1	12.5	14.3	-52.6	82.9	42.5	12.8	14.8	1.5	12.8	14.8	1.5
<b>SOUTH AMERICA</b>	82.8	55.3	62.6	90.3	104.2	111.7	-33.2	13.2	44.2	15.4	7.2	7.8	15.4	7.2	7.8
Argentina	14.5	9.3	9.3	14.2	16.2	16.8	-36.1	0.8	51.8	14.7	3.5	12.2	14.7	3.5	12.2
Bolivia	1.4	0.4	0.4	0.9	1.1	1.1	-71.2	7.8	100.6	23.1	4.1	1.6	23.1	4.1	1.6
Brazil	31.8	25.8	30.0	38.2	43.4	45.8	-18.9	16.3	27.2	13.7	5.6	2.1	13.7	5.6	2.1
Chile	8.1	5.3	5.6	8.2	9.9	11.5	-35.2	6.0	46.7	20.5	16.8	24.4	20.5	16.8	24.4
Colombia	10.4	5.6	7.7	13.7	15.7	17.6	-45.5	36.4	78.6	14.1	12.1	9.3	14.1	12.1	9.3

(continued on next page)

**TABLE 3 • SERVICES EXPORTS FROM LATIN AMERICA AND THE CARIBBEAN**  
(Billions of US\$ and annual growth rate, 2019–Q1 2025) (continued)

	Billions of US\$										Growth rate (%)				
	2019	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2025	2023	2024	Q1 2025
Ecuador	3.2	1.9	2.3	3.5	4.2	3.7	-40.7	20.5	53.4	18.8	-10.9	-2.0	18.8	-10.9	-2.0
Paraguay	1.4	0.7	0.5	0.9	1.2	1.3	-53.3	-17.6	69.5	33.1	7.2	29.6	33.1	7.2	29.6
Peru	6.5	2.6	2.8	4.9	5.7	7.0	-60.9	8.5	75.8	16.6	22.6	5.5	16.6	22.6	5.5
Uruguay	5.4	3.8	3.9	5.8	6.8	6.8	-29.4	3.4	47.5	16.5	0.2	8.7	16.5	0.2	8.7
Venezuela	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
<b>CARIBBEAN</b>	<b>15.3</b>	<b>5.6</b>	<b>9.6</b>	<b>15.8</b>	<b>18.4</b>	<b>19.9</b>	<b>-63.3</b>	<b>71.1</b>	<b>63.8</b>	<b>16.6</b>	<b>8.0</b>	<b>2.3</b>	<b>16.6</b>	<b>8.0</b>	<b>2.3</b>
Bahamas <sup>a</sup>	8.8	2.4	5.3	9.1	10.2	11.7	-72.3	116.8	72.4	11.5	14.7	n.d.	11.5	14.7	n.d.
Barbados	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Belize	0.6	0.4	0.6	0.8	1.0	1.1	-40.1	51.1	41.7	21.1	12.7	0.4	21.1	12.7	0.4
Guyana <sup>a</sup>	0.2	0.2	0.2	0.2	0.5	0.4	-19.5	27.7	-3.2	141.3	-30.6	n.d.	141.3	-30.6	n.d.
Haiti <sup>a</sup>	0.4	0.1	0.1	0.1	0.1	0.0	-62.4	-24.8	-10.1	38.6	-70.9	n.d.	38.6	-70.9	n.d.
Jamaica	4.3	2.0	2.9	4.5	5.2	5.2	-54.7	46.8	55.5	16.7	-0.3	2.2	16.7	-0.3	2.2
Suriname	0.1	0.1	0.1	0.1	0.2	0.2	-36.3	-1.9	46.3	20.3	21.0	-15.9	20.3	21.0	-15.9
Trinidad and Tobago	0.8	0.4	0.4	0.9	1.2	1.2	-46.4	5.4	99.2	30.3	8.0	6.7	30.3	8.0	6.7

Source: IDB Productivity, Trade, and Innovation Sector based on data from the IMF and UNCTAD.

Note: Growth rates are approximated based on the sample of available data. This sample is always smaller for the first quarter of 2025 than for previous years. n.d.: no data available.

<sup>a</sup>The data for Bahamas, Guyana, and Haiti are from UN Trade and Development (UNCTAD).

The region's trade in services remained dynamic.

However, performance varied across the region. In Mexico, growth slowed slightly from 10.3% to 9.0% between the two periods. In Central America and the Caribbean, the slowdown was more pronounced, with growth rates dropping from 8.5% to 3.5% and from 8.0% to 2.3%, respectively.<sup>27</sup> The contraction in El Salvador and slower growth in Costa Rica, Guatemala, and the Dominican Republic explain the lower overall growth rate in this subregion. In the Caribbean, the available data for Belize, Jamaica, Suriname, and Trinidad and Tobago show declines across the board, except in Jamaica, where exports grew slightly. In South America, by contrast, services exports accelerated slightly from 7.2% to 7.8%, supported by a stronger performance in Argentina, Chile, Ecuador, Paraguay, and Uruguay. In any case, exports increased in nearly every country in South America, except Ecuador.

The 8.7% increase in services exports in 2024 was primarily driven by the contribution of the travel sector, (3.7 percentage points [p.p.]) as tourism continued to recover from the pandemic shock, knowledge-based services (KBSs) (2.5 p.p.),<sup>28</sup> and transport (1.5 p.p.) (Figure 11). The 8.2% growth recorded in the first quarter of 2025 was also driven by these three categories in similar proportions: travel (3.4 p.p.), KBSs (2.7 p.p.), and transport (1.6 p.p.). However, preliminary data for some countries for the second quarter point to a mild slowdown as a result of a drop in transport services, reflecting reduced trade in goods. Given tourism's central role in driving LAC's services exports, Chapter 4 provides a medium-term analysis of the sector's performance.

Travel and tourism drove trade in services.

## Mixed signals on future trends

Trade remains subject to unpredictable factors.

The predictive models presented below serve as tools to analyze recent developments and future trends in the region's exports. The first of these is the Latin American Trade Leading Index (LATLI), which is designed to anticipate potential turning points in the growth trend for LAC export values (Figure 12). The second is the Latin American Trade Nowcasting Index (LATNI), which uses a nowcasting methodology to arrive at real-time estimates of the monthly variation in export values for recent months for which official data is not yet available.<sup>29</sup> The most

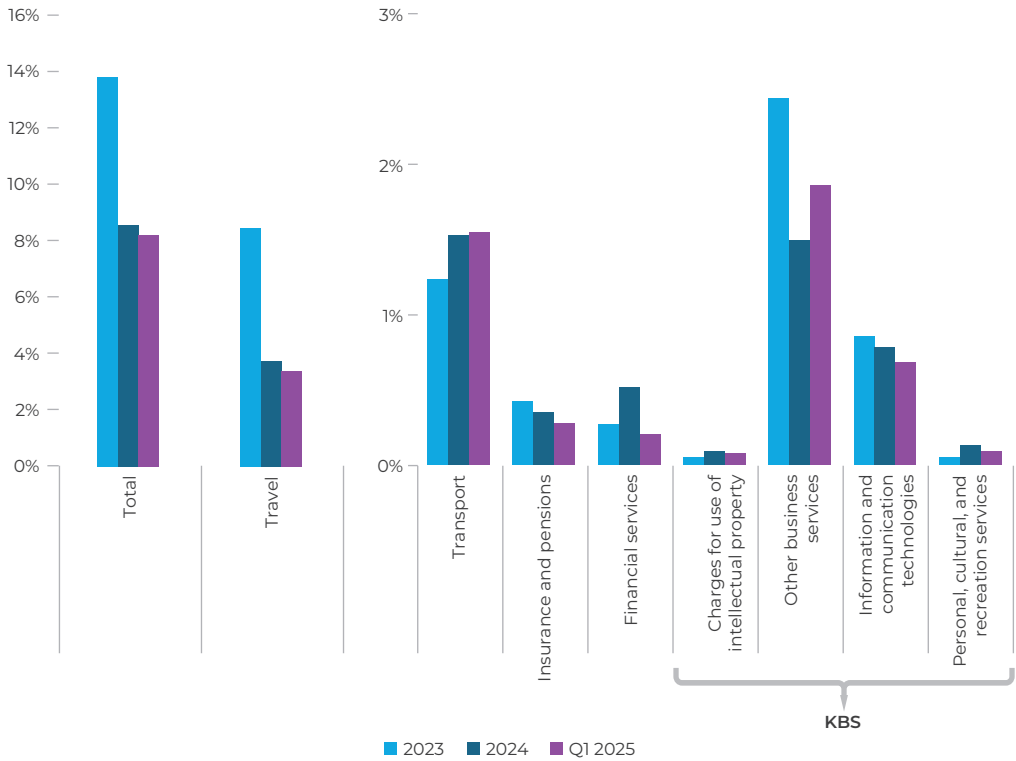
<sup>27</sup> The rate for the Caribbean for the first quarter of 2025 is an estimate based on data for Belize, Jamaica, Suriname, and Trinidad and Tobago.

<sup>28</sup> This includes charges for the use of intellectual property, personal, cultural, and recreational services, information and communication technologies, and other business services.

<sup>29</sup> The nowcasting model provides an estimate of the export growth rate for the most recent periods (in this case, August and September 2025). Official records were not yet available for all LAC countries for these periods at the time of writing, as these are generally released with a one- to two-month lag. For a detailed description of the two indicators and the data and estimation methodology used, see Giordano et al. (2019 and 2021).

## FIGURE 11 • SERVICES EXPORTS FROM LATIN AMERICA AND THE CARIBBEAN BY SECTOR

(Year-on-year growth rate, percentages and percentage points, 2023–Q1 2025)



Source: IDB Productivity, Trade, and Innovation Sector based on data from the IMF.

Note: The total is expressed in percentages, and the sector data in percentage point contributions to the total variation. The breakdown is based on a sample of countries that provide disaggregated data by sector and account for around 90% of exports in 2024. KBS: knowledge-based services.

recent estimates are subject to a high degree of variability and uncertainty. While one model suggests that the expansionary trend that began in 2024 may be consolidated during 2025, others do not yet detect a break in the medium-term contraction that has characterized the region's exports since 2021.

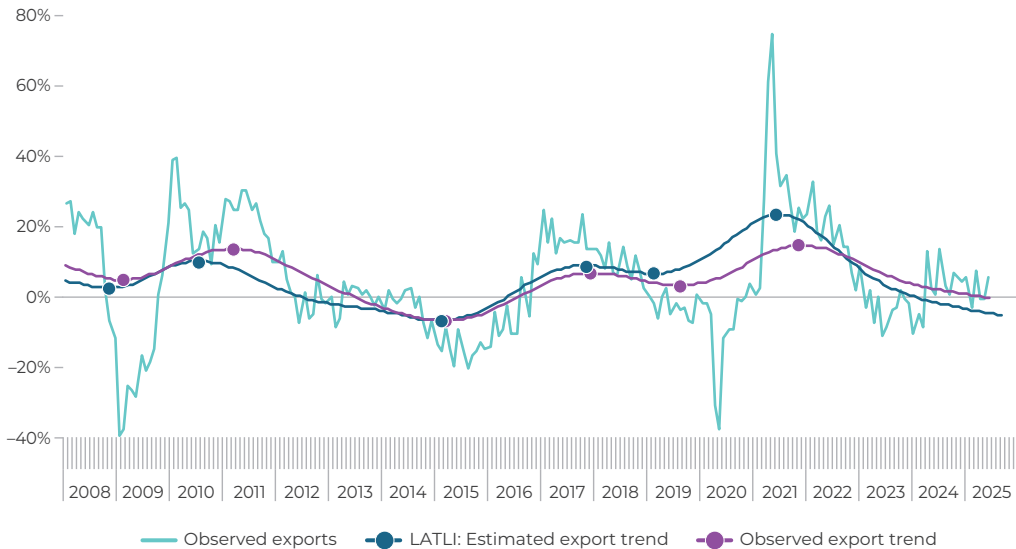
According to the LATLI (Figure 12), a reversal in the trend in export values may be taking hold over the coming months. According to the estimate, one of the model's three variants<sup>30</sup> anticipates a turning point within three months of the last observation of official data in September<sup>31</sup> (Figure 12). The model predicts that goods exports could

<sup>30</sup> The model is applied using different methods for weighting the variables (principal components, simple averages, and ordinary least squares with constraints). In the estimation based on data through September, the constrained ordinary least squares model identified a change in trend, while the others did not show a turning point.

<sup>31</sup> The prediction's valid time horizon corresponds to the index's average lead over the variation observed since 2008. In the most recent estimation, which uses data through September 2025, the average lead was three months. Accordingly, the model can anticipate trends through December 2025.

## FIGURE 12 • CHANGES IN THE TREND OF THE VALUE OF GOODS EXPORTS FROM LATIN AMERICA

(Year-on-year growth rate and LATLI index, 2008–2025)



Source: IDB Productivity, Trade, and Innovation Sector with authors' estimations.

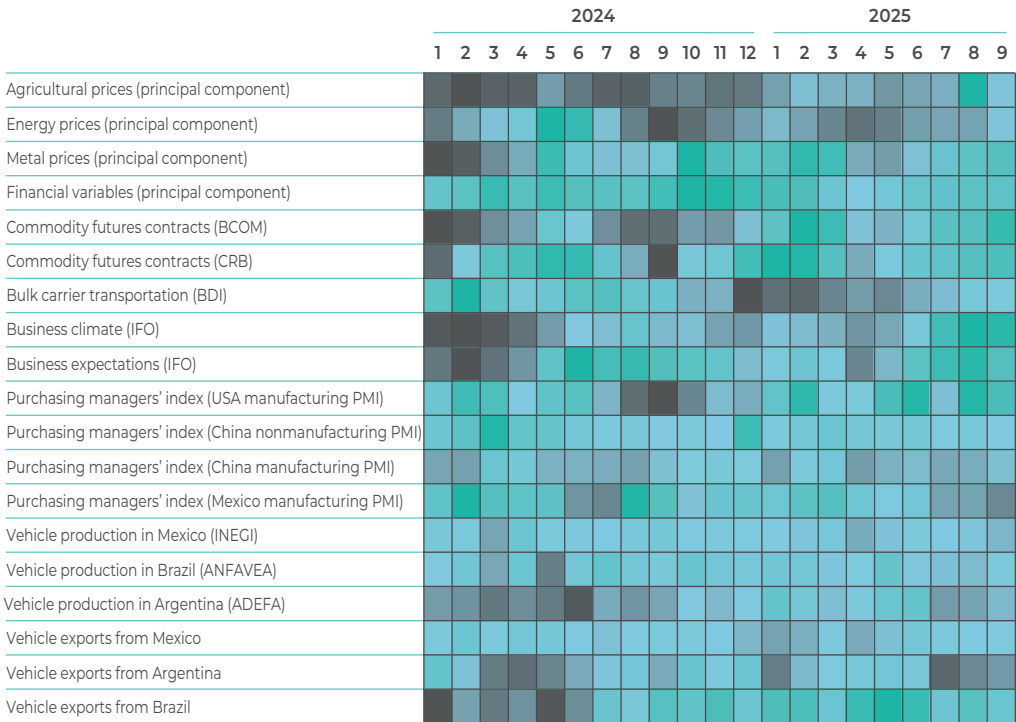
Note: The leading index series shows the trend after the Hodrick-Prescott filter was applied. The circles indicate the turning points in the trend for the estimated series and the observed value of LAC exports.

enter a sustained expansion phase following the post-Covid rebound, the deceleration of 2021–2022, and contraction in 2023. In other words, the export rebound observed in 2024 may persist despite the uncertainty stemming from the ongoing reconfiguration of global trade policies. Signals confirming a recovery in LAC's external sales are consistent with the performance of several subindices that are highly correlated with the region's goods exports and are used as components of the LATLI. These include metal prices, commodity futures, several perception-based business indicators (such as business climate, business expectations, US purchasing managers' indices) and real indicators (such as Brazil's vehicle exports) (Figure 13). However, these indicators are highly volatile and follow divergent trends. For instance, agricultural and energy commodity prices and the purchasing managers' indices for China and Mexico have deteriorated in recent months, which may reinforce the contractive trend in exports suggested by two variants of the LATLI model.

There are mixed signals about the export trend.

The LATNI estimates the year-on-year change in LAC exports for August and September 2025, months for which official export records were unavailable at the time of publication. The model estimates that the region's exports grew by 5.1%–6.5% in August and 5.8%–8.4% in September (Figure 14), accelerating from the 4.2% year-on-year

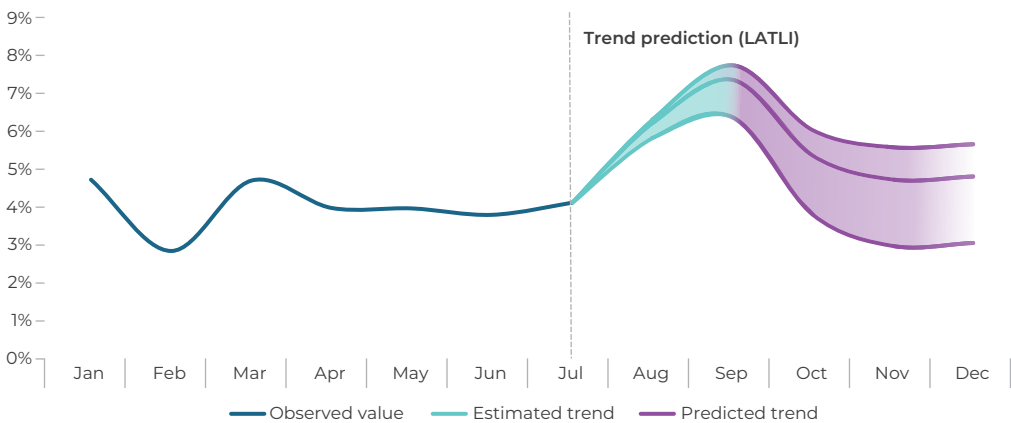
**FIGURE 13 • COMPONENTS OF THE LATLI INDEX FOR EXPORTS FROM LATIN AMERICA**  
(Year-on-year growth rate, percentages, 2024–2025)



Source: IDB Productivity, Trade, and Innovation Sector with authors' estimations.

Note: The colors indicate growth rates, ranging from the lowest (gray) to the highest (green), with light blue marking the midpoint (0%). In the case of the PMI, the midpoint is the critical threshold of 50. For a detailed description of the estimation methodology, see Giordano et al. (2019 and 2021).

**FIGURE 14 • ESTIMATED VARIATION IN THE VALUE OF EXPORTS FROM LATIN AMERICA**  
(Quarterly moving average of the year-on-year growth rate, percentages, 2025)



Source: IDB Productivity, Trade, and Innovation Sector with authors' estimations.

Note: The projection of the trend is based on the leading index (LATLI), while the estimated growth rate is based on the nowcasting model (LATNI). The projected values assume no extraordinary impetuses to export growth.

rate recorded in July. Although projections point to an acceleration in August and September, the rebound may reflect temporary factors such as the behavior of international prices and the frontloading of purchases from key global markets. Consequently, the recent upturn does not necessarily signal a structural shift in the export trend. Indeed, trade prospects for the coming months remain fragile amid persistent volatility in global trade policy, such that the momentum observed at present may fade toward the end of the year.

The improvements observed in exports may be temporary.

In conclusion, LAC's trade in goods was dynamic in 2024 and the first half of 2025. Goods exports expanded, driven by higher shipment volumes, especially from South America, and, to a lesser extent, by higher prices. Services exports also remained buoyant, driven primarily by travel and tourism. Looking ahead, the predictive models show mixed signals regarding the sustainability of the current expansionary phase in the trade cycle. In a global environment marked by volatility, uncertainty, and downside risks, the dynamism observed in the first half of the year is likely to ease by year-end. In this context, Chapter 3 explores the evolution of LAC countries' exports in both global and intraregional markets.

# The Dynamics of Extra- and Intraregional Trade

The slowdown in economic growth among LAC's main trade partners was reflected only partially in external demand for the region. Its exports accelerated, but momentum varied across extraregional partners: while the US and the EU remained the main drivers of external demand, China's imports kept falling. At the intraregional level, following the deterioration in 2024, trade flows began a modest recovery. However, the intraregional trade coefficient fell due to the relatively stronger expansion of sales to the rest of the world. Intrabloc trade grew across all LAC subregional groups except the Pacific Alliance. The synthetic integration indicator showed a decline in the region, consistent with the broader global downturn.

This chapter analyzes trends in external demand from LAC's main trading partners in 2024 and the first half of 2025. It also examines the performance of extra- and intraregional exports<sup>32</sup> from the perspective of the main subregional integration blocs: the Pacific Alliance (PA), Central America and the Dominican Republic (CADR),<sup>33</sup> the Andean Community (AC), the Caribbean Community (CARICOM),<sup>34</sup> and the Southern Common Market (MERCOSUR). It also summarizes progress across various dimensions of economic integration through a synthetic indicator.

---

<sup>32</sup> In this chapter, "intraregional exports" refer to exports to trading partners in LAC, while "intrabloc exports" refer to exports to other members of the respective integration schemes.

<sup>33</sup> Although the Central American countries and the Dominican Republic do not belong to a formal integration scheme, they are analyzed as a bloc due to the scale of trade among them, their shared trade ties with the US, their main trading partner, through CAFTA-DR, and their membership in the Central American Integration System (SICA).

<sup>34</sup> See Methodological Annex 4 for the countries included in each group. Analyses by country of origin were only conducted for the integration blocs in LA. The Caribbean was excluded as an origin as comparable disaggregated data is not available for most countries. However, LAC as a whole is included as a destination market. A separate analysis is included for CARICOM countries for which data is available: Barbados, Belize, Guyana, and Suriname.

## External demand from trading partners

Growth prospects among LAC's main trading partners have weakened.

The global growth forecast stands at 3.2% for 2025 and 3.1% for 2026, in a context of greater uncertainty than in previous years.<sup>35</sup> Growth projections weakened among LAC's main partners due to geoeconomic tensions, uncertainty surrounding global trade policies, and factors specific to each trading partner. The region's exports are expected to be affected by lower demand from these partners.<sup>36</sup> In particular, US GDP growth is expected to slow from 2.8% in 2024 to 2.0% in 2025 and 2.1% in 2026. China's GDP growth is projected to ease from 5.0% in 2024 to 4.8% in 2025 and further to 4.2% in 2026. By contrast, Eurozone GDP should accelerate slightly from 0.9% in 2024 to 1.2% in 2025 and 1.1% in 2026. However, given the EU's limited weight in LAC's export structure, its contribution to export growth will likely be minor. Finally, LAC's GDP is forecast to remain at 2.4% in 2025, unchanged from 2024, before declining slightly to 2.3% in 2026.

In 2024, total imports rose in the United States (6.1%), China (1.0%), and LAC (4.0%), while the EU's purchases declined (-2.6%) (Figure 15). In the first half of 2025, total imports accelerated in the United States (12.5%) and LAC (5.5%), recovered in the EU (4.4%), and contracted further in China (-3.8%). The contraction in China's imports reflected lower international commodity prices, slower GDP growth, and weaker domestic demand, particularly amid deflationary pressures and the downturn in the real estate sector.<sup>37</sup> Beginning in late 2024, US imports of industrial inputs (especially steel and aluminum) increased in anticipation of tariff hikes, followed by pharmaceutical products in the first quarter of 2025, leading to inventory accumulation.<sup>38</sup>

Despite the slowdown, imports by LAC trading partners expanded.

The rise in US imports was concentrated in the first quarter.

However, US import growth was concentrated mainly in the first quarter (25.1%), driven by purchases frontloaded in anticipation of tariff changes. Imports then contracted in the second quarter (-1.4% year-on-year), and there were shifts in the main markets of origin. Imports from the EU surged from January onward, peaking in March (42.2%). In contrast, imports from China plummeted by 35.7% in the second quarter. In this context, growth in US purchases from Mexico slowed markedly, falling from 20.1% in the first quarter to 6.7% in the second. The data suggests that the expansionary effect of inventory accumulation gradually dissipated.

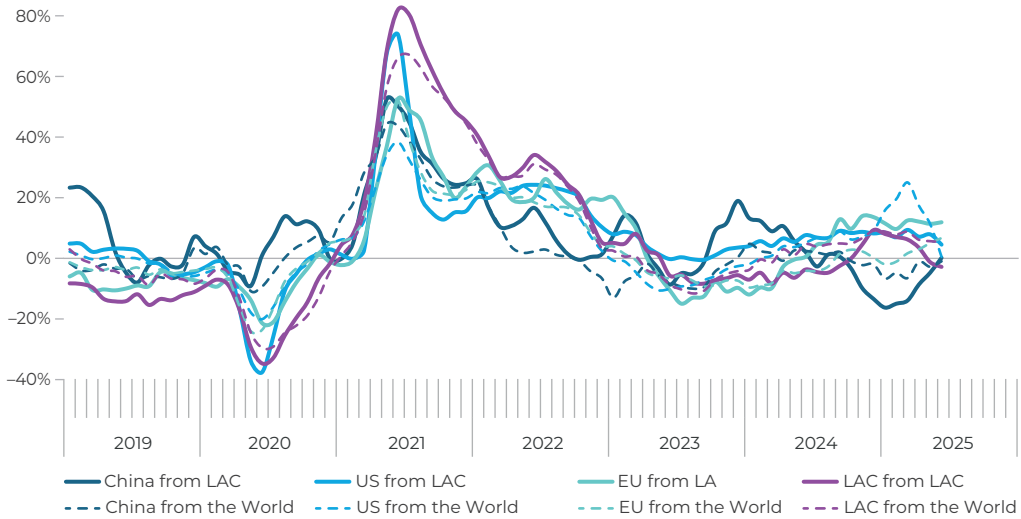
<sup>35</sup> See IMF (2025a).

<sup>36</sup> Maloney et al. (2025).

<sup>37</sup> ECLAC (2025).

<sup>38</sup> OECD (2025a).

**FIGURE 15 • TREND IN THE VALUE OF IMPORTS FROM SELECTED ECONOMIES**  
(Quarterly moving average of year-on-year growth rate, percentages, 2019–2025)



Source: IDB Productivity, Trade, and Innovation Sector based on data from the US International Trade Commission (USITC), EuroStat, China Customs, IMF, and national sources.

Note: For China, the US, and LAC, the reported imports are the aggregate from LAC. For the EU, they are the imports from LA only (excluding the Caribbean).

Although US imports from LAC expanded steadily between 2024 and the first half of 2025 (7.3% and 7.1%, respectively), the region's market share fell slightly (from 20.1% to 19.6%) due to faster growth in total US imports. China's imports from LAC, which had declined by 1.0% in 2024, fell further in the first half of 2025 (6.9%). The region's market share went from 9.3% to 9.2% amid a relatively better performance of total imports by the Asian economy. The EU's purchases from LAC accelerated from 4.1% in 2024 to 12.1% in the first half of 2025, and the region's market share grew slightly (from 1.98% to 2.02%). Finally, LAC's intraregional imports, which fell by 1.8% in 2024, recovered by 1.3% in the first half of 2025.<sup>39</sup> However, stronger growth in extraregional imports led to a contraction in the intraregional imports share (from 13.8% to 13.0%).

LAC's share in partner markets declined slightly.

### Intra- and extraregional exports

The following section breaks down LAC's aggregate exports by geographic destination to identify divergent patterns across extra- and intraregional markets, with a particular focus on the dynamics of the region's main trade blocs.

<sup>39</sup> The imports discussed in this section are based on the import records of the countries concerned and therefore differ from the exports reported by national sources for the LA countries analyzed in the rest of this report, particularly later in this chapter. These discrepancies reflect not only differences in data sources but also the time lag between when exports and imports are recorded.

Following a 4.1% increase in 2024, LA's external sales rose by 4.3% in the first half of 2025. Despite faster growth in exports from LAC to the US (from 5.3% to 5.8%) and the EU (from 4.6% to 8.2%), total extraregional exports lost momentum (from 5.1% to 4.6%), owing to a sharp slowdown in exports to the rest of the world (from 12.0% to 4.5%) and continued declines in shipments to China (-3.0% and -1.1%) (Table 4).

Extraregional exports grew but lost momentum.

The region's trade performance was uneven across destination markets.

In 2024 and the first half of 2025, shipments from LAC to the US and the EU remained dynamic, accelerating across the board. This contributed to export growth across all LAC's subregional blocs, except sales from CADR to the EU in 2024. Conversely, exports to China continued to fall in 2025, as MERCOSUR's persistent weakness was only partly offset by stronger exports from the PA, the AC, and CADR. One positive development was the recovery of intraregional trade, reversing the contraction observed in 2024, thanks to the rebound in MERCOSUR and CADR, although this was tempered by weaker performances in the PA and AC.

Meanwhile, the intraregional trade coefficient fell from 13.5% in 2024 to 13.1% in the first half of 2025, as extraregional sales grew more rapidly than intraregional ones

**TABLE 4 • EXPORTS FROM LATIN AMERICA TO MAIN TRADING PARTNERS BY INTEGRATION BLOC**

(Year-on-year growth rate, percentages, 2024–SI 2025)

Origin	Extra-LAC						Total
	LAC	Extra-LAC	US	EU	China	RoW	
<b>2024</b>							
<b>Latin America</b>	<b>-2.2</b>	<b>5.1</b>	<b>5.3</b>	<b>4.6</b>	<b>-3.0</b>	<b>12.0</b>	<b>4.1</b>
PA	3.6	5.2	4.7	0.6	5.9	9.5	5.1
AC	1.4	8.7	2.9	8.5	4.5	17.3	7.0
CADR	4.1	-1.0	4.9	-5.6	-60.2	-6.6	0.7
MERCOSUR	-3.8	4.2	10.6	5.1	-8.2	13.3	2.4
<b>SI 2025</b>							
<b>Latin America</b>	<b>2.2</b>	<b>4.6</b>	<b>5.8</b>	<b>8.2</b>	<b>-1.1</b>	<b>4.5</b>	<b>4.3</b>
PA	-1.0	6.2	5.6	8.8	8.2	7.3	5.7
AC	-5.2	15.9	3.6	29.8	19.0	16.3	11.1
CADR	7.2	14.2	7.8	26.7	4.4	31.0	11.9
MERCOSUR	4.5	-1.0	7.1	3.7	-7.9	0.2	0.1

Source: IDB Productivity, Trade, and Innovation Sector based on data from official national sources.

Note: RoW—Rest of the World.

**TABLE 5 • INTRAREGIONAL AND INTRABLOC TRADE COEFFICIENTS**

(Share of intrabloc and intraregional exports in total exports, percentages, 2024 and S1 2025)

	2024		S1 2025	
	Intrabloc	LAC	Intrabloc	LAC
<b>Latin America</b>		<b>13.5</b>		<b>13.1</b>
PA	2.1	7.4	2.0	7.0
AC	5.4	21.4	5.1	19.3
CADR	23.8	33.4	22.3	30.9
MERCOSUR	10.7	21.3	11.4	21.4

Source: IDB Productivity, Trade, and Innovation Sector based on data from official national sources.

Note: "Intrabloc" refers to exports to other members of the same subregional trade bloc. The Caribbean countries were excluded as an origin due to the lack of comparable disaggregated data.

The intraregional trade coefficient fell slightly.

(Table 4). This trend was observed across nearly all blocs, except MERCOSUR, where it increased slightly (Table 5).

Among the subregional blocs, the intrabloc trade coefficient weakened in the PA, AC, and CADR in the first half of 2025, increasing only in MERCOSUR.

Within the different subregional integration schemes, intrabloc trade in the first half of 2025 was more significant for CADR (22.3%) and MERCOSUR (11.4%) than for the PA (2.0%), reflecting the weight of Mexican exports to the US. Although the AC itself accounts for only a small share of its members' exports (5.1%), LAC as a whole is a much more significant destination (19.3%).

Intrabloc trade lost market share in all blocs except MERCOSUR.

## Trade flows by bloc

The following section discusses trends in intra- and extraregional trade flows in the various LA integration blocs and their member countries (Table 6).

### *Pacific Alliance*

PA exports were dynamic, driven by extraregional demand.

PA exports grew by 5.1% in 2024, driven by higher sales from Mexico, Peru, and Chile (Table 6). Key contributions to this performance included vehicle exports from Mexico to the United States, gold exports from Peru to India and China, and copper exports from Chile to China, Japan, the United States, and India. Intrabloc trade rose by 3.6% in 2024, led by increased shipments of molybdenum from Peru to Chile and of chemical products from Colombia to Peru.

**TABLE 6 • EXPORTS TO MAIN TRADING PARTNERS BY COUNTRY AND INTEGRATION BLOC**

(Year-on-year growth rate, percentages, 2024–S1 2025)

Origin	Intra-LAC		Extra-LAC					Total
	Intrabloc	LAC	Extra-LAC	US	EU	China	RoW	
<b>2024</b>								
<b>PA</b>	<b>3.6</b>	<b>3.6</b>	<b>5.2</b>	<b>4.7</b>	<b>0.6</b>	<b>5.9</b>	<b>9.5</b>	<b>5.1</b>
Chile	2.3	4.6	7.0	8.1	14.4	5.7	5.8	6.7
Colombia	2.5	4.3	-2.7	6.2	-24.0	0.0	-1.3	-0.4
Mexico	1.0	2.1	4.2	4.6	-2.2	1.2	4.9	4.2
Peru	10.3	5.1	16.8	3.9	19.0	9.1	34.6	15.2
<b>CADR</b>	<b>4.2</b>	<b>4.1</b>	<b>-1.0</b>	<b>4.9</b>	<b>-5.6</b>	<b>-60.2</b>	<b>-6.6</b>	<b>0.7</b>
Costa Rica	6.5	4.3	11.5	14.4	11.8	15.4	-2.0	9.6
El Salvador	4.5	5.1	-8.4	-7.5	-20.2	294.3	-24.9	-0.8
Guatemala	4.9	5.0	0.2	5.2	-21.9	0.0	8.3	2.6
Honduras	2.5	3.0	-5.1	-2.0	-14.8	101.1	-18.7	-2.7
Nicaragua	2.2	1.2	2.3	-1.8	3.3	70.8	17.8	1.9
Panama	0.6	-1.1	-76.3	21.1	-63.2	-96.2	-72.9	-71.4
Dominican Rep.	-12.3	4.7	8.8	6.6	9.4	33.9	13.4	8.2
<b>AC</b>	<b>-2.8</b>	<b>1.4</b>	<b>8.7</b>	<b>2.9</b>	<b>8.5</b>	<b>4.5</b>	<b>17.3</b>	<b>7.0</b>
Bolivia	-26.7	-23.3	-13.0	19.9	44.1	-3.7	-28.3	-17.4
Colombia	-2.4	4.3	-2.7	6.2	-24.0	0.0	-1.3	-0.4
Ecuador	11.2	7.3	11.4	-5.1	37.8	-10.5	28.7	10.6
Peru	3.9	5.1	16.8	3.9	19.0	9.1	34.6	15.2
<b>MERCOSUR</b>	<b>-2.8</b>	<b>-3.8</b>	<b>4.2</b>	<b>10.6</b>	<b>5.1</b>	<b>-8.2</b>	<b>13.3</b>	<b>2.4</b>
Argentina	13.0	11.9	23.9	14.3	19.9	14.5	29.8	19.0
Brazil	-14.1	-11.2	1.3	9.4	3.5	-9.3	9.4	-0.8
Paraguay	-2.6	-6.3	-13.7	49.3	-17.2	-25.9	-21.1	-8.0
Uruguay	10.2	-3.3	-13.3	-22.3	4.8	11.3	33.4	11.0
<b>S1 2025</b>								
<b>PA</b>	<b>-0.1</b>	<b>-1.0</b>	<b>6.2</b>	<b>5.6</b>	<b>8.8</b>	<b>8.2</b>	<b>7.3</b>	<b>5.7</b>
Chile	10.3	4.9	6.2	22.3	10.0	-0.5	5.6	6.1
Colombia	-12.7	-8.8	7.3	5.9	39.3	0.0	-5.8	1.6
Mexico	-7.1	-0.8	4.6	4.9	-2.8	6.4	4.1	4.4
Peru	13.8	5.6	22.5	15.7	24.4	24.5	21.8	20.2
<b>CADR</b>	<b>8.7</b>	<b>7.2</b>	<b>14.2</b>	<b>7.8</b>	<b>26.7</b>	<b>4.4</b>	<b>31.0</b>	<b>11.9</b>
Costa Rica	7.5	4.4	15.8	18.8	12.5	-16.0	8.4	12.9
El Salvador	15.0	13.3	-2.6	-5.6	41.7	-7.2	-7.0	6.5

(continued on next page)

**TABLE 6 • EXPORTS TO MAIN TRADING PARTNERS BY COUNTRY AND INTEGRATION BLOC** (continued)  
(Year-on-year growth rate, percentages, 2024–S1 2025)

Origin	Intra-LAC		Extra-LAC				Total	
	Intrabloc	LAC	Extra-LAC	US	EU	China		RoW
Guatemala	6.6	3.9	16.5	8.0	14.2	0.0	50.6	10.2
Honduras	7.0	10.2	17.7	1.8	72.6	27.2	40.7	15.5
Nicaragua	11.2	2.1	17.7	10.1	37.3	37.3	33.0	12.7
Panama	18.5	41.9	49.4	-12.6	67.4	30.5	83.5	47.8
Dominican Rep.	-11.5	13.1	8.2	3.1	8.8	-4.4	31.1	8.9
<b>AC</b>	<b>5.1</b>	<b>-5.2</b>	<b>15.9</b>	<b>3.6</b>	<b>29.8</b>	<b>19.0</b>	<b>16.3</b>	<b>11.1</b>
Bolivia	-15.2	-24.1	8.8	61.9	5.2	19.2	0.4	-5.3
Colombia	11.2	-8.8	7.3	5.9	39.3	0.0	-5.8	1.6
Ecuador	-5.8	0.9	13.1	-13.4	32.9	11.4	25.5	11.0
Peru	16.8	5.6	22.5	15.7	24.4	24.5	21.8	20.2
<b>MERCOSUR</b>	<b>13.9</b>	<b>4.5</b>	<b>-1.0</b>	<b>7.1</b>	<b>3.7</b>	<b>-7.9</b>	<b>0.2</b>	<b>0.1</b>
Argentina	-1.3	0.6	6.1	16.9	0.6	-15.0	10.7	4.0
Brazil	41.2	10.5	-2.7	4.4	3.6	-7.5	-3.5	-0.8
Paraguay	-10.0	-10.0	1.4	39.4	-8.0	-11.9	-3.1	-7.7
Uruguay	-12.7	-8.7	20.9	47.8	34.6	2.5	18.3	11.4

Source: IDB Productivity, Trade, and Innovation Sector based on data from official national sources.

In the first half of 2025, total PA exports accelerated (5.7%). Higher extraregional shipments (6.2%) were partially offset by lower exports to LAC (-1.0%). Notable export flows included Mexico's shipments of machinery, electrical equipment, and parts to the US, Chile's copper exports to the US, and Peru's gold exports to India. Intrabloc trade within the PA fell by 0.1%, the result of lower sales from Colombia to Mexico and Chile; and from Mexico to all PA partners.

### Central America and the Dominican Republic

Central American exports recovered substantially.

CADR's total exports increased by 0.7% in 2024, as higher sales to the US were offset by decreases to the EU, China, and the rest of the world. A notable feature that year was the sharp drop in Panama's exports to China following the closure of the Cobre Panamá mine in late 2023. Meanwhile, intrabloc exports rose by 4.2%, with increases across most countries except the Dominican Republic.

In the first part of 2025, exports from CADR increased by 11.9%, reflecting higher extraregional sales (14.2%) and intraregional sales (7.2%). The dynamism of Central American exports during this period owed mainly to extraregional demand: shipments increased to the US, the EU, China, and the rest of the world. Notable contributions came from Costa Rica's exports of medical instruments and supplies to the US. Additional momentum came from increased coffee exports from Guatemala to the US and from Honduras to the US and the EU. Intrabloc trade also contributed to total export growth, driven by higher shipments to all countries except the Dominican Republic.

### *Andean Community*

AC exports performed solidly.

Total AC exports increased by 7.0% in 2024, driven mainly by higher shipments from Ecuador to the EU and from Peru to India and China. Intrabloc trade within the AC fell by 2.8% in 2024 as a result of lower shipments from Bolivia to Colombia and Ecuador and from Colombia to Bolivia and Ecuador.

In the first half of 2025, AC exports increased by 11.1% due to higher extraregional sales from all four partners. Notable gains included higher shipments from Peru to India and from Ecuador to the EU and China. Intrabloc trade recovered by 5.1%, supported by higher oil sales from Colombia to Peru and from Peru to the other three AC member countries.

### *Southern Common Market (MERCOSUR)*

MERCOSUR exports expanded by 2.4% in 2024, fueled by shipments to the US, the EU, and the rest of the world, partially offset by lower sales to China. This increase was the result of a recovery in exports from Argentina (19.0%) and Uruguay (11.0%), both of which had been affected in 2023 by a drought that depressed agricultural exports.<sup>40</sup> Intra-MERCOSUR trade fell by 2.8% that year, mainly due to reductions in Brazil's shipments of soybeans for processing, oil, and machinery, equipment, and electrical material to Argentina. Argentina's 2023 drought created excess processing capacity that was filled by soybean imports from other MERCOSUR partners, temporarily boosting intrabloc trade.

MERCOSUR exports were flat.

In the first half of 2025, MERCOSUR exports increased by only 0.1%: shipments to other LAC countries rose by 4.5%, offset by a contraction in extraregional destinations (-1.0%). Sales to China fell in all MERCOSUR countries except Uruguay. The downturn

<sup>40</sup> De Angelis et al. (2025).

in Brazil's exports to China, which weighed heavily on the bloc's overall performance, was driven mainly by reduced shipments of soybeans, iron ore, and oil, largely because of lower international prices. Despite the drop in sales to China, the country remains MERCOSUR's leading export market, accounting for nearly one-quarter of the bloc's total shipments. Intra-bloc flows increased by 13.9%, mainly due to higher automotive exports from Brazil to Argentina.

### Caribbean Community

Based on data for a sample of countries,<sup>41</sup> CARICOM exports rose by 17.8% in 2024, buoyed by oil shipments from Guyana and food sales from Belize. The bloc's exports increased by 16.6% in the first half of 2025, driven by Guyana and Suriname. The remaining countries posted declines in exports during both periods.

CARICOM's trade performance was dynamic but concentrated in a handful of countries.

### Progress on economic and trade integration

The aggregate integration index for LAC provides an objective measure of economic integration and makes it possible to track and compare its evolution with similar processes in other regions of the world. The indicator covers four core dimensions of regional integration: trade, productive, physical, and institutional<sup>42</sup> integration (Table 7).

Integration declined across all world regions.

The aggregate regional integration indicator showed declines in all regions analyzed in 2024 compared to the previous year (Figure 16a). The steepest drop was in LAC (−0.74%), followed by Asia (−0.31%) and Africa (−0.27%), while the change in Europe was minor (−0.12%). LAC continues to rank among the least integrated regions in the world. In most dimensions, with the exception of physical integration, the region lags behind Africa, Asia, and especially Europe (Figure 16b).

In most world regions, the evolution of the integration indicator reflected a loss of momentum in the trade and productive dimensions, partially offset by progress

<sup>41</sup> The data for the Caribbean is based on statistics available for Barbados, Belize, Guyana, and Suriname for the first half of 2025, through April 2025 for Jamaica, and for the Bahamas for the first three months of the year. Due to limitations in official data, it is not possible to calculate the aggregate figure for the Caribbean or distinguish between flows from the subregion to LA and those to the rest of the world.

<sup>42</sup> The methodology used to construct the indicator is explained in detail in Giordano et al. (2021), which also analyzes its long-term evolution. Specific details on the update included in this edition are explained in Methodological Annex 5. In particular, for this edition, detailed and updated information on transport infrastructure used in previous editions is not available.

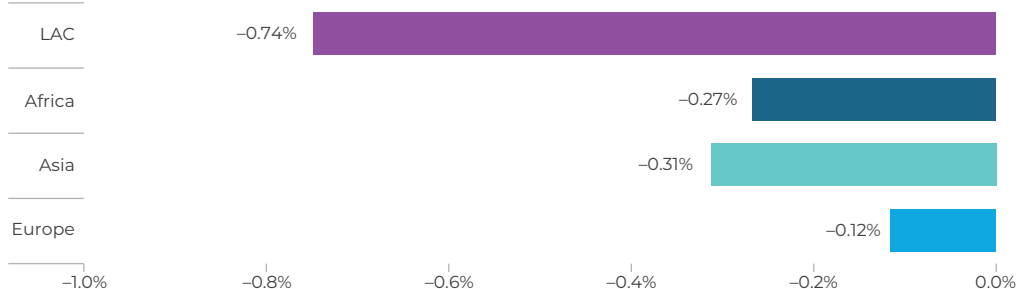
**TABLE 7 • DIMENSIONS AND SUBINDICATORS OF THE REGIONAL INTEGRATION INDICATOR**

<b>Trade</b>	Intraregional share of exports of goods
	Intraregional share of imports of goods
	Intraregional trade intensity index
	Number of products exported intraregionally
<b>Productive</b>	Intraregional intraindustry trade index
	Intraregional share of intermediate goods exports
	Intraregional share of intermediate goods imports
<b>Physical</b>	Liner shipping connectivity index
	Index of the quality and extent of transportation infrastructure
<b>Institutional</b>	Share of LAC countries with which trade agreements are in force
	Share of LAC countries with which investment agreements are in force
	Share of LAC countries with which double taxation agreements are in force

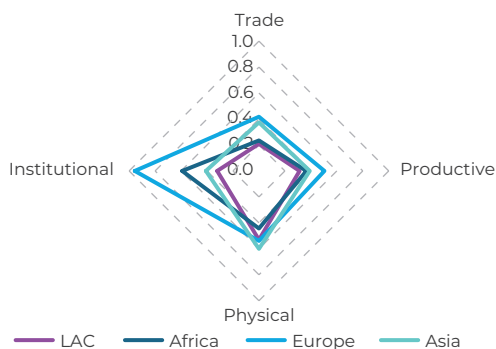
Source: IDB Productivity, Trade, and Innovation Sector.

**FIGURE 16 • ECONOMIC INTEGRATION INDEX**  
(Selected regions, 2024)

**a. Rate of change in the aggregate index**



**b. By dimension**



Source: IDB Productivity, Trade, and Innovation Sector.

in other areas. In Africa, the overall contraction was mainly explained by the decline in the productive dimension, reflecting the downturn in trade in intermediate goods, whose impact outweighed gains in other dimensions. In Asia and Europe, the deterioration stemmed mainly from weakness in the trade and productive dimensions, though with different patterns. In Asia, the decrease was partly offset by gains in physical and institutional integration, driven by widespread progress across subindicators; whereas in Europe, physical integration weakened due to reduced maritime connectivity, while the institutional dimension remained stable.

Productive integration deteriorated in all regions.

Gains in trade, physical, and institutional integration in LAC were not enough to counter the decline in productive integration.

The drop in the integration indicator in LAC reflected the erosion of the productive dimension, resulting primarily from the contraction in trade in intermediate goods. Improvements to the remaining dimensions were not enough to offset this contraction. The strongest gain was observed in the physical dimension, reflecting improvements in digital connectivity that were partly offset by weaker maritime connectivity. The trade dimension improved, supported by a greater variety of traded products and a higher intraregional export coefficient. Progress in the institutional dimension owed to the entry into force of the trade agreement between Costa Rica and Ecuador, which also includes investment provisions, thereby positively influencing both the trade agreements and investment agreements indicators.<sup>43</sup>

In any case, LAC continues to show weaker indicator values than other regions across nearly all dimensions, with only Africa scoring lower in the physical dimension. The widest gap is observed in the institutional dimension, where LAC registers 0.32, compared with 0.96 in Europe, 0.59 in Africa, and 0.41 in Asia. The gap is smaller for the trade and productive dimensions, while LAC's physical integration score is close to the average for the other regions.

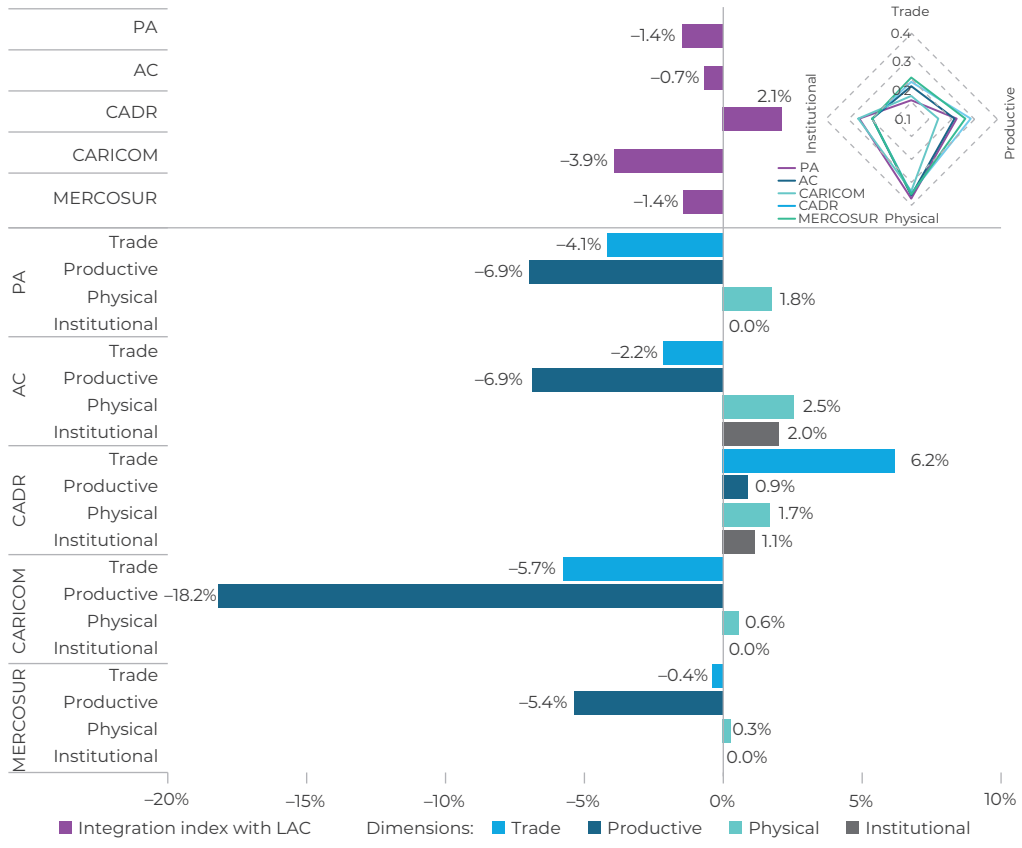
Significant gaps remain in nearly all dimensions.

At the subregional level, the decline in the aggregate indicator for LAC<sup>44</sup> reflects contractions in CARICOM (-3.9%), the PA and MERCOSUR (-1.4%), and the AC (-0.7%) (Figure 17). The exception was CADR, where the indicator rose by 2.1% as a result of

<sup>43</sup> The agreement indicators only track the entry into force of new agreements but do not reflect the updating and/or expansion of preexisting agreements. In other words, the indicator does not show changes to existing trade agreements that further deepen or expand trade relations among LAC countries.

<sup>44</sup> The indicator discussed in this paragraph captures the relations between the member countries of each bloc and all other LAC countries, and not only among those within the same integration scheme.

**FIGURE 17 • DIMENSIONS OF ECONOMIC INTEGRATION IN LATIN AMERICA AND THE CARIBBEAN BY BLOC**  
(Rate of change, 2024)



Source: IDB Productivity, Trade, and Innovation Sector.

improvements to all dimensions, particularly trade. Conversely, trade integration worsened across the other blocs, which, together with the drop in the productive indicator, led to an overall fall in the aggregate index.

In summary, during 2024 and particularly in the first half of 2025, LAC’s foreign trade faced an environment of slower growth among its main trading partners, although external demand for the region weakened only slightly. Sales to the US and the EU accelerated, while shipments to China continued to contract. After declining the previous year, intraregional trade returned to growth. However, the intraregional trade coefficient fell in response to stronger external demand. This pattern reflected trade developments across all integration blocs except MERCOSUR, where extraregional shipments fell due

Integration declined across all LAC subregions except Central America.

to lower exports from Brazil to China, while intraregional flows gained momentum. Taking a broader view, the synthetic indicator for economic and trade integration declined at the global level, with an even sharper drop in LAC. This scenario underscores the need to identify the most dynamic sectors of global trade and harness them to improve the region's performance. It is in this context that Chapter 4 analyzes exports of tourism services.



# International Tourism as a Driver of Exports

4

International tourism has become a pillar of the global economy, playing a major role in generating employment, foreign exchange, and investment. Over the last decade, tourism services exports in LAC have grown faster than the global average. However, the sector's importance varies markedly across the region's economies. The results of an empirical analysis of international tourist arrivals show that investments to close gaps in infrastructure and human capital, enhancing and diversifying attractions, and implementing institutional and policy reforms to raise service quality are essential to strengthening the sector's growth and its contribution to economic development.

Over the past decade, international tourism has emerged as one of the most dynamic drivers of trade in services, both globally and in LAC in particular. Its increasing importance in generating foreign exchange and employment warrants a dedicated analysis, as does its contribution to growth and local development, particularly given the absence of up-to-date assessments focusing on the sector in LAC in the existing literature.<sup>45</sup> As noted in previous chapters, the international environment is becoming increasingly challenging for trade in goods, underscoring the need to diversify exports and build new dynamic competitive advantages.

Previous editions of the *Trade and Integration Monitor* have analyzed trade in services as a whole and KBSs.<sup>46</sup> This edition focuses on international tourism, a sector of strategic importance for LAC's integration into global markets, representing 42.3% of the region's total services exports in 2024, though its weight varied significantly across countries. In this context, the first section of this chapter reviews recent trends in international tourist flows and tourism services exports

---

<sup>45</sup> This report focuses on international tourism, defined as the arrival and spending of nonresident visitors. Although most tourism spending in LAC comes from domestic visitors (World Travel & Tourism Council, 2024a), this report centers on international tourism because of its direct impact on services exports, foreign exchange earnings, and external competitiveness.

<sup>46</sup> See Giordano et al. (2019 and 2024).

from a comparative regional perspective. The second section characterizes the sector through a set of quantitative indicators analyzed at the subregional and country levels. The final section examines the main factors shaping the sector's performance, aiming to identify the strengths and challenges shaping it within the current global context. Based on this analysis, the chapter offers recommendations for implementing policy reforms and strategic investments to strengthen the sector's competitiveness in global markets.

## The rise of international tourism

Over the last two decades, tourism has become one of the most significant economic sectors globally.<sup>47</sup> Combining domestic and international tourism, the sector contributed approximately US\$10.9 trillion to global GDP in 2024 (around 10% of the total), generating 357 million direct and indirect jobs.<sup>48</sup> The average annual growth in international tourist arrivals (3.0%) has closely matched that of global GDP (2.8%) over the last 20 years, suggesting a strong correlation between the two.<sup>49</sup> Tourism growth has contributed not only to generating income across countries, regions, and cities but also to facilitating and deepening their integration with the global economy.<sup>50</sup> Millions of people around the world work directly or indirectly in tourism-related activities such as lodging and hospitality, transport, retail trade, or cultural services, among other activities.<sup>51</sup>

Tourism generates employment and creates inclusive connections between the world's economies.

<sup>47</sup> UN Tourism (2024a).

<sup>48</sup> According to WTTC data. Although this data is valuable for analyzing the sector and is widely used by specialists, it draws on a variety of national and international sources, combining official statistics where available with modeled estimates where data is lacking, which can lead to inconsistencies in country coverage and suboptimal accuracy. They should therefore be interpreted with caution and, where possible, cross-checked against primary national sources.

<sup>49</sup> In the years leading up to the pandemic, international tourist arrivals grew faster than global GDP, on average (5% vs. 3% annually). The impact of the Covid-19 pandemic hit tourism particularly hard: international arrivals fell by 72% while GDP contracted by 3%. Nonetheless, activity in the sector experienced a sharp, V-shaped recovery beginning in 2021.

<sup>50</sup> Alsamawi, Yamano, and Kohli (2024) and Alcalá-Ordóñez, Brida, and Cárdenas-García (2024).

<sup>51</sup> The tourism sector encompasses all or part of a wide range of goods and service sectors. To measure its economic impact, some countries (e.g., Spain, Colombia, Peru, Argentina, Uruguay, Mexico, etc.), use the Tourism Satellite Account (TSA) method, which is typically produced by national statistical offices in collaboration with tourism ministries or agencies. The TSA identifies the share of specific productive activities and/or services in a country or region that is effectively used to meet the demands or needs of both domestic and international tourists. The activities most often included in the TSA are hotels and restaurants; air, road, rail, and river transport; artistic, cultural, sports, and recreational activities; wholesale and retail trade (e.g., travel agencies, car rentals); and location-specific services (e.g., mountain guides, ski or diving instructors, city guides), along with selected manufactured goods (e.g., local products, handicrafts) (Alsamawi, Yamano, and Kohli, 2024).

Tourism is an increasingly inclusive industry, often employing women, young people, and low-skilled workers.<sup>52</sup>

Another fundamental factor is tourism's ability to generate foreign exchange, which is especially beneficial for developing countries.<sup>53</sup> In many such cases, international tourist spending represents a major, sustained source of revenue in foreign currency, facilitating investment attraction, job creation,<sup>54</sup> infrastructure improvement, and technological upgrading in related activities.<sup>55</sup> This multiplier effect enables

Tourism generates foreign exchange and investment, creating multiplier effects.

the benefits of the tourism sector to extend to multiple areas of the economy and society. Its impact is particularly evident in regions that attract large numbers of visitors because of their geography, natural attractions, climate, history, culture, sports, or business dynamics.<sup>56</sup> Tourism also plays a vital role in local development. By promoting the development and better use of local resources and the creation of small and medium-sized enterprises, tourism helps stimulate activity in rural or less developed areas. At the same time, it fosters improvements in infrastructure (e.g., roads, airports, public services, connectivity, sanitation, etc.), which in most cases also benefit local residents.<sup>57</sup>

Lower costs have spurred the expansion of demand.

The main sources of international tourist flows at the global level are the countries with the strongest economic performance or highest income levels. However, over the past two decades, the relative decline in international passenger transport costs, particularly air travel, has stimulated the sector across a wide range of countries, cities, and regions, including some with little prior experience in the industry.<sup>58</sup>

Likewise, the widespread adoption of digital technologies in tourism<sup>59</sup> and, in some cases, improved accessibility have helped different social groups (such as young people, the middle classes, and older adults) gain easier access to tourism services

<sup>52</sup> Rucci and Aguerreverre (2018); UN Tourism (2024b); OECD (2024a).

<sup>53</sup> Alsamawi, Yamano, and Kohli (2024) and World Economic Forum (2022).

<sup>54</sup> Although a significant share of employment in the tourism sector is informal (implying low wages, seasonal jobs, limited social protection, and constraints on career development), the sector remains a leading source of job creation worldwide, with substantial multiplier effects on the economy. Moving toward formalization would make it possible to improve job quality, expand social protection, reduce turnover, and strengthen value chains in the sector, making it more resilient and inclusive (WTTC, 2023; OECD, 2020; ILO, 2025).

<sup>55</sup> UN Tourism (2024a) and Alcalá-Ordóñez, Brida, and Cárdenas-García (2024).

<sup>56</sup> WEF (2013), Alcalá-Ordóñez, Brida, and Cárdenas-García (2024) and Alsamawi, Yamano, and Kohli (2024).

<sup>57</sup> de Lima Andrade (2007), Hall and Page (2014), WEF (2013), Cárdenas-García et al. (2015), Majeed and Mazhar (2023), Alcalá-Ordóñez, Brida and Cárdenas-García (2024), and OECD (2024b).

<sup>58</sup> WEF (2013).

<sup>59</sup> These include the rise of specialized booking platforms, the proliferation of digital apps that collect traveler reviews, algorithms connecting service providers with possible clients, and the increasing access to information on accommodation and activity options.

and experiences. As a result, tourism—across its various forms, segments, and market niches—has rapidly become a major aspiration for an ever-larger share of the global population.<sup>60</sup>

These trends have encouraged the growth of different types of tourism services designed to attract the interest of potential segments of domestic and international visitors by making more intensive and efficient use of the available infrastructure. They have also triggered various defensive reactions and demands for public planning and/or tighter regulation from certain interest groups who are being negatively affected by the sector's expansion. The most significant issues relate to tourism's economic, social, and environmental impacts. These include factors relating to environmental degradation, access to housing, changes to local trade, the cost of some services, congestion, and social cohesion.<sup>61</sup>

The expansion of the tourism sector has created a need for new regulatory frameworks.

### LAC tourism in the global context

Activity in the sector has returned to pre-pandemic levels.

In this context, the number of international tourist arrivals reached 1.47 billion in 2024, generating US\$1.7 trillion in revenue, or US\$1,180 per visitor<sup>62</sup>—higher than the levels reached before the start of the pandemic (US\$1.5 trillion and US\$1,040 per visitor in 2019, respectively). This marked the sector's full recovery following the sharp contraction of 2020–2021 and the gradual rebound over 2022 and 2023 (Figure 18). LAC, whose performance in services exports has broadly mirrored the global average over the past decade, accounted for 7.8% of the world's international tourist arrivals in 2024 (114.9 million people).

International tourism thus accounted for around 5.4% of world trade in goods and services in 2024, equivalent to US\$1.7 trillion, a value similar to world trade in oil, automobiles, or food (Figure 19). In LAC, international tourism generated roughly one in every fifteen export dollars (6.3% of total goods and services exports and 42.3% of services exports),<sup>63</sup> reaching a record US\$108 billion.

Tourism matched significant sectors in global goods trade.

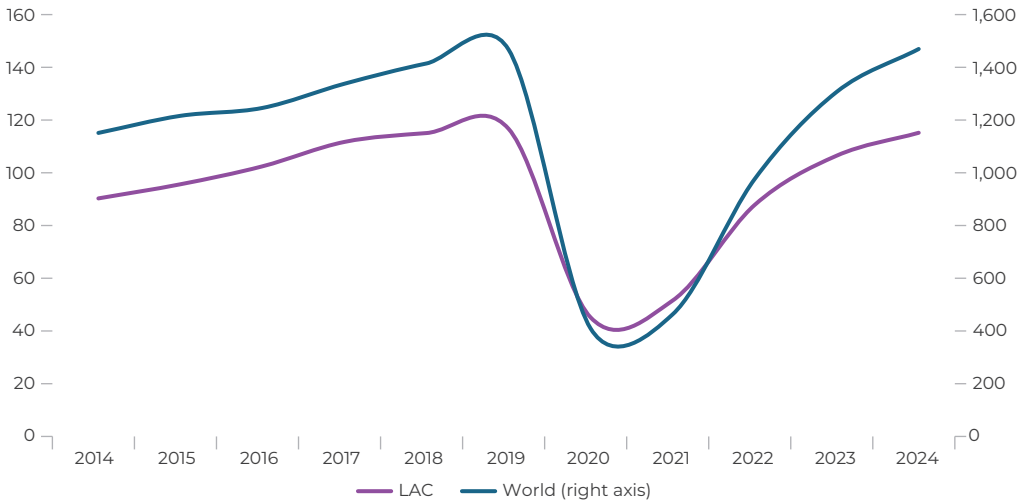
<sup>60</sup> Rucci et al. (2024).

<sup>61</sup> OECD (2022, 2024a, 2024b).

<sup>62</sup> According to data from UN Tourism's data dashboard, accessed October 9, 2025.

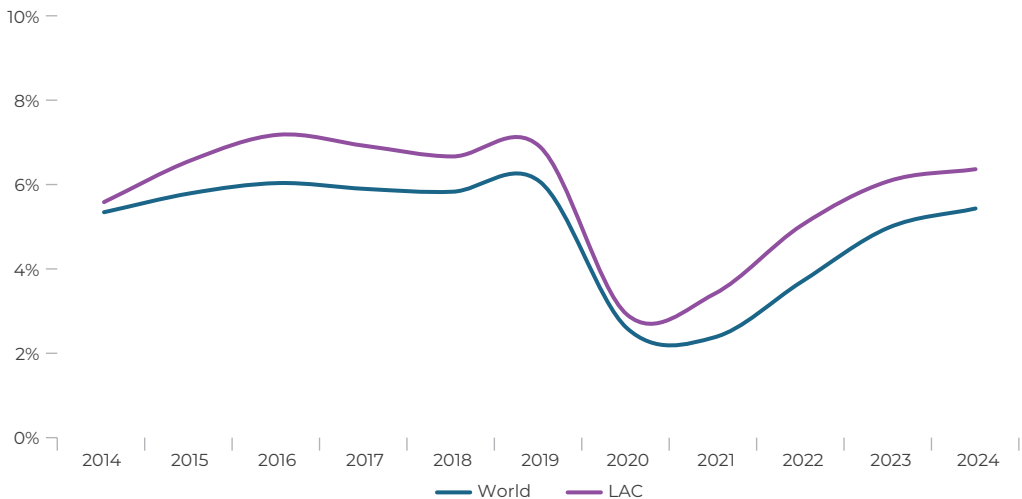
<sup>63</sup> These values were 5.1% and 39.7% in 2006, respectively.

**FIGURE 18 • NUMBER OF INTERNATIONAL TOURISM ARRIVALS**  
(Millions of people, 2014–2024)



Source: IDB Productivity, Trade, and Innovation Sector based on data from official national sources and UN Tourism.

**FIGURE 19 • SHARE OF TOURISM SERVICES IN EXPORTS OF GOODS AND SERVICES**  
(Percentages, 2014–2024)

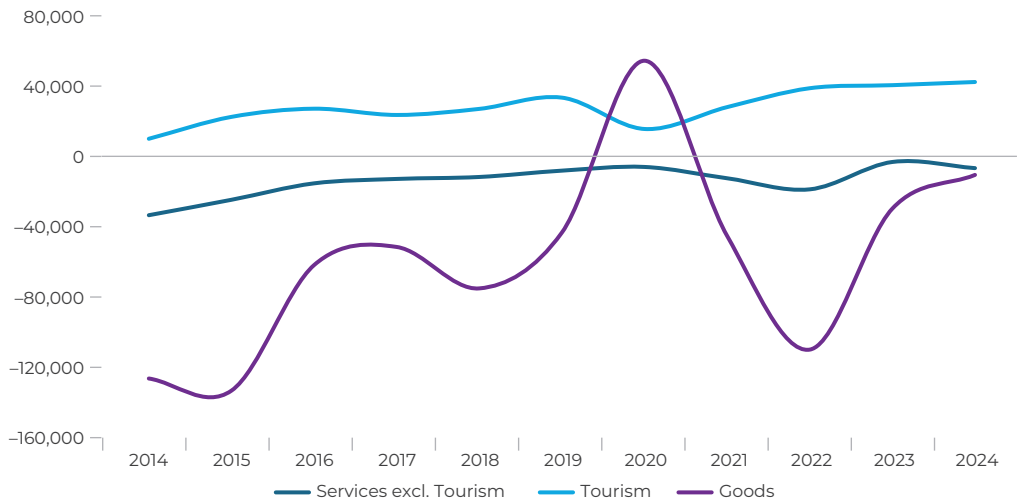


Source: IDB Productivity, Trade, and Innovation Sector based on data from WTO.

In this sense, LAC's relative share in global trade in tourism services (between 5% and 6%) is comparable to its share in global trade in goods and considerably higher than that of other service categories (around 2%) (Figure 20). In recent decades, LAC as a whole has maintained a trade

The region maintains a tourism surplus that offsets its trade deficit.

**FIGURE 20 • TRADE BALANCE OF LATIN AMERICA AND THE CARIBBEAN**  
(Millions of constant 2024 US\$, 2014–2024)



Source: IDB Productivity, Trade, and Innovation Sector based on data from the WTO.

surplus in tourism services, more than offsetting deficits in other services (transport, financial services, intellectual property, business services, software, audiovisual services, education, etc.) and in trade in goods.<sup>64</sup>

At the regional level, foreign exchange earnings from international tourism represented 1.6% of LAC's GDP in 2024<sup>65</sup> (Figure 21), up from 1.1% in 2014, reflecting a steady upward trend. However, some estimates based on the region's Tourism Satellite Accounts (TSAs), which include domestic tourism and the added value of related activities, suggest that tourism's total contribution to GDP is close to 9.5%, similar to the global average.<sup>66</sup>

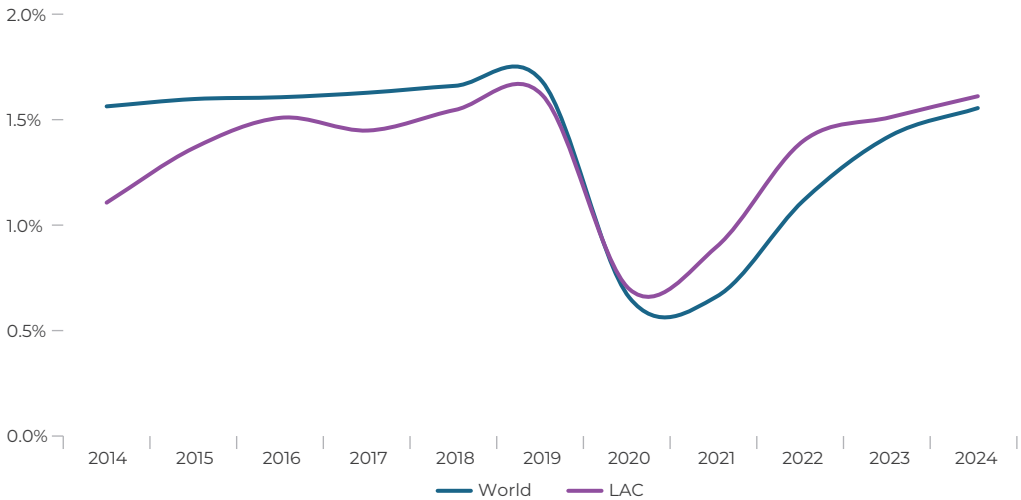
Tourism makes a significant contribution to direct and indirect GDP in the region.

<sup>64</sup> As will be discussed in greater detail later in this chapter, South America's tourism sector has run a structural deficit for most of the period analyzed, a gap more than offset by the strong surpluses recorded in Mexico and most other LAC countries.

<sup>65</sup> This report primarily uses tourism services exports as a share of GDP instead of the direct tourism GDP estimated by the TSA. This choice reflects considerations of coverage and international comparability: data on tourism services exports is regularly updated and publicly available for most LAC countries through balance-of-payment statistics, whereas estimates of direct tourism GDP rely on TSAs, which are complex to produce and are not updated regularly in several countries in the region. Moreover, TSAs include additional components such as domestic tourism consumption and the added value of related activities, which makes cross-country comparisons difficult. Consequently, using an export-based indicator provides a more consistent and up-to-date measure of tourism's international performance, even though it does not capture all the sector's direct and indirect economic effects.

<sup>66</sup> TSAs are the leading international methodological framework for measuring tourism's contribution to the economy, as they integrate supply and demand data in alignment with the System of National Accounts. However, not all LAC countries maintain complete or up-to-date TSAs, and those that do often differ in terms of definitions,

**FIGURE 21 • TOURISM SERVICES EXPORTS AS A SHARE OF GDP**  
(Percentages, 2014–2024)



Source: IDB Productivity, Trade, and Innovation Sector based on data from the WTO and the World Bank.

## International tourism by subregion and countries

Tourism exports in LAC outpaced the global average.

Over the last decade, LAC's exports of tourism services grew by an annual average rate of 5.2% (Table 8), outpacing exports of goods and services (3.9% a.a.), services (4.6% a.a.), and the global tourism sector average (3.3% a.a.).<sup>67</sup> As a result, the region's share in global tourism exports rose from 5.1% in 2014 to 6.2% in 2024.

The value of tourism exports in LAC reached nearly US\$108 billion in 2024, accounting for 6.3% of the region's exports of goods and services and 42.3% of its services exports. Globally, tourism services exports account for 5.4% of total trade and 19.7% of global trade in services. In other words, tourism's share of exports in LAC is twice the global average, underscoring the region's greater specialization and relative dependence on the sector. However, if exports are measured relative to the total number

Tourism's share in total services exports in LAC is high, but per-tourist spending is low.

time coverage, and methodological approaches. These limitations, along with issues with the quality of primary data, hinder full international comparability and justify the use of alternative indicators to analyze the situation in LAC, such as tourism services exports, international visitor arrival numbers, or private transaction records.

<sup>67</sup> Measuring tourism presents broad challenges. The data presented here comes from different sources and is therefore heterogeneous and should be interpreted with caution. Although some organizations have established standards to improve the quality of tourism statistics, limitations persist.

**TABLE 8 • PERFORMANCE AND RELATIVE IMPORTANCE OF TOURISM IN LATIN AMERICA AND THE CARIBBEAN**

(Selected indicators, US\$ and percentages, 2014–2024)

Region/Country	Tourist arrivals				Tourism services exports				Per tourist, Contribution (thousands of US\$) of GDP (%) <sup>c</sup>		
	Number of tourists, LAC total (millions)	Share of LAC total (%)	Value, (millions of US\$), 2014	Value, (millions of US\$), 2024	Average annual growth (%)	Share of LAC total (%)	% of total exports	% of services exports			
<b>LATIN AMERICA AND THE CARIBBEAN</b>	<b>114.9</b>	<b>100.0%</b>	<b>64,628</b>	<b>107,759</b>	<b>5.2%</b>	<b>100.0%</b>	<b>6.3%</b>	<b>42.3%</b>	<b>1.6%</b>	<b>938</b>	<b>9.5%</b>
<b>LATIN AMERICA</b>	<b>104.9</b>	<b>91.3%</b>	<b>57,591</b>	<b>94,768</b>	<b>5.1%</b>	<b>87.9%</b>	<b>5.7%</b>	<b>39.7%</b>	<b>1.5%</b>	<b>903</b>	<b>9.6%</b>
<b>MESOAMERICA</b>	<b>70.1</b>	<b>61.0%</b>	<b>31,692</b>	<b>61,743</b>	<b>6.9%</b>	<b>57.3%</b>	<b>7.5%</b>	<b>50.6%</b>	<b>2.6%</b>	<b>881</b>	<b>13.3%</b>
Mexico	45.0	39.2%	16,208	32,956	7.4%	30.6%	4.9%	57.6%	1.8%	732	14.4%
<b>Central America</b>	<b>25.0</b>	<b>21.8%</b>	<b>15,484</b>	<b>28,787</b>	<b>6.4%</b>	<b>26.7%</b>	<b>19.3%</b>	<b>44.5%</b>	<b>5.6%</b>	<b>1,151</b>	<b>9.0%</b>
Costa Rica	2.9	2.5%	2,996	5,453	6.2%	5.1%	14.8%	33.8%	5.7%	1,868	9.3%
El Salvador	4.0	3.4%	821	3,476	15.5%	3.2%	30.4%	57.9%	9.8%	878	14.5%
Guatemala	3.0	2.6%	1,164	1,656	3.6%	1.5%	9.3%	35.5%	1.5%	545	5.4%
Honduras	2.8	2.4%	698	714	0.2%	0.7%	7.7%	19.4%	1.9%	256	10.5%
Nicaragua	1.0	0.9%	446	511	1.4%	0.5%	6.4%	39.4%	2.6%	511	9.9%
Panama	2.8	2.4%	3,729	6,005	4.9%	5.6%	16.1%	32.9%	6.8%	2,164	15.2%
Dominican Republic <sup>b</sup>	8.5	7.4%	5,630	10,972	6.9%	10.2%	38.9%	74.7%	8.8%	1,285	5.0%
<b>SOUTH AMERICA</b>	<b>34.9</b>	<b>30.4%</b>	<b>25,899</b>	<b>33,025</b>	<b>2.5%</b>	<b>30.6%</b>	<b>3.9%</b>	<b>28.3%</b>	<b>0.8%</b>	<b>947</b>	<b>7.6%</b>
Argentina	6.6	5.7%	4,960	4,959	-0.0%	4.6%	5.1%	29.0%	0.8%	751	8.8%
Bolivia	1.0	0.9%	658	740	1.2%	0.7%	7.4%	65.8%	1.5%	747	5.2%
Brazil	6.9	6.0%	6,843	7,341	0.7%	6.8%	1.9%	15.1%	0.3%	1,070	7.7%
Chile	5.2	4.6%	2,278	2,997	2.8%	2.8%	2.7%	25.5%	0.9%	572	9.7%

(continued on next page)

**TABLE 8 • PERFORMANCE AND RELATIVE IMPORTANCE OF TOURISM IN LATIN AMERICA AND THE CARIBBEAN**

(Selected indicators, US\$ and percentages, 2014–2024) (continued)

Region/Country	Tourist arrivals			Tourism services exports					Per tourist, Contribution of tourism to GDP (%) <sup>c</sup>		
	Number of tourists, LAC total (millions)	Share of LAC total (%)	Value, (millions of US\$), 2014	Value, (millions of US\$), 2024	Share of LAC total (%)	Average annual growth (%)	% of total exports	% of services exports		(thousands of US\$)	
Colombia	6.8	6.0%	3,825	8,587	8.0%	8.4%	12.2%	48.3%	2.1%	1,255	4.7%
Ecuador	1.3	1.1%	1,482	1,778	1.6%	1.8%	4.6%	47.2%	1.5%	1,408	4.6%
Paraguay	1.1	0.9%	547	758	0.7%	3.3%	4.4%	28.6%	1.7%	715	4.7%
Peru	3.3	2.8%	3,077	3,676	3.4%	1.8%	4.4%	51.4%	1.3%	1,129	6.8%
Uruguay	2.8	2.4%	2,229	2,189	2.0%	-0.2%	9.4%	31.5%	2.7%	793	14.4%
<b>CARIBBEAN</b>	<b>9.9</b>	<b>8.7%</b>	<b>7,037</b>	<b>12,991</b>	<b>12.1%</b>	<b>6.3%</b>	<b>27.9%</b>	<b>80.6%</b>	<b>10.3%</b>	<b>1,307</b>	<b>5.2%</b>
Bahamas <sup>b</sup>	1.9	1.7%	2,316	5,537	5.1%	9.1%	82.5%	93.9%	37.5%	2,914	5.8%
Barbados <sup>b</sup>	1.5	1.3%	887	1,366	1.3%	4.4%	56.1%	82.1%	19.1%	899	8.1%
Belize	1.4	1.3%	380	813	0.8%	7.9%	51.1%	70.2%	23.7%	564	30.8%
Guyana <sup>a</sup>	0.4	s.d.	79	399	0.4%	17.6%	2.9%	75.4%	1.6%	1,078	2.3%
Haiti <sup>b</sup>	0.1	0.1%	578	89	0.1%	-17.1%	8.2%	64.0%	0.3%	601	1.1%
Jamaica <sup>b</sup>	4.2	3.6%	2,255	4,314	4.0%	6.7%	60.8%	82.1%	21.5%	1,039	10.5%
Suriname	0.1	0.1%	95	36	0.0%	-9.2%	1.3%	17.1%	0.8%	507	2.3%
Trinidad and Tobago <sup>b</sup>	0.3	0.3%	447	437	0.4%	-0.2%	3.9%	34.7%	1.7%	1,297	2.8%

Source: IDB Productivity, Trade, and Innovation Sector, based on data from UN Tourism, the IMF, the WEF, the IMF, and national sources.

Notes: <sup>a</sup> The export data for Guyana and Haiti correspond to 2023. <sup>b</sup> The contribution of tourism to GDP for the Dominican Republic, Barbados, Jamaica, and Trinidad and Tobago is from the WEF for 2022, while the data for the Bahamas and Haiti is from the WTTC for 2019. <sup>c</sup> The contribution of tourism to GDP data comes from the region's TSAs, which include additional components such as domestic tourism consumption and the added value of related activities.

of international visitors, reflecting average spending per foreign tourist, the region stands nearly 20% below the global average (US\$938 vs. US\$1,184).

In aggregate, LAC runs a significant surplus in the tourism sector. In 2024, imports totaled US\$65 billion, resulting in a positive balance of nearly US\$43 billion. All LAC subregions posted tourism surpluses except South America, where the deficit was largely concentrated in Brazil and, to a lesser extent, Argentina.

LAC runs a surplus in trade in tourism services.

Tourism is especially dynamic and significant in the Caribbean and Central America.

The importance of international tourism varies widely across LAC. The sector is significantly more important for the Caribbean countries, where tourism services exports account for 27.9% of total exports, 80.6% of services exports, and 10.3% of GDP. Similarly, in Central America, these shares reach 19.3%, 44.5%, and 5.6%, respectively. Notably, in several Caribbean economies (including the Bahamas, Barbados, Belize, and Jamaica), tourism represents more than half of total exports and over 20% of GDP. Costa Rica, El Salvador, Panama, and the Dominican Republic<sup>68</sup> stand out among the Central American countries, with tourism representing 15% to 40% of total exports and over 5% of GDP. Between 2014 and 2024, tourism exports grew significantly in the regions where the sector is most important (6.3% a.a. in the Caribbean and 6.4% a.a. in Central America), roughly twice the global growth rate.

Although the Dominican Republic receives the most visitors in Central America and the Caribbean, Panama and Costa Rica are notable for generating the highest tourism export revenues per arrival. Both countries outperform the subregional average (US\$1,151), with earnings of US\$2,164 and US\$1,868, respectively, more than double the regional average (US\$938) and higher than any other LAC country.<sup>69</sup>

Panama and Costa Rica have the highest tourism revenue per visitor in LAC.

By contrast, in South America, tourism service export revenues represent 3.9% of total exports, 28.3% of services exports (the lowest share in the region), and 0.8% of GDP. Only Colombia and Uruguay show relatively higher shares of tourism exports in GDP (2.1% and 2.7%, respectively).<sup>70</sup> Argentina, Brazil, Chile, and Colombia receive the largest number of

<sup>68</sup> The Dominican Republic is included in Central America to align with the methodology used in the rest of this report.

<sup>69</sup> The case of the Bahamas, where per-tourist revenues are estimated at US\$2,914, should be interpreted cautiously, as arrival numbers do not include cruise passengers and day-trippers. Although these represent a large share of total visitors to the country, they spend much less per average and stay for a very short time (often less than 8 hours), such that the indicator is likely overestimated.

<sup>70</sup> Nevertheless, these two cases are clearly very different. Uruguay relies heavily on its two neighboring markets, Argentina and Brazil, making it highly vulnerable to fluctuations in these two economies. Colombia, in contrast, has expanded and diversified the countries its visitors originate from, strengthening its position in larger, more stable, and higher-income markets like the United States and Europe.

In South America, international tourism plays a smaller role.

visitors in the region, although Chile's tourism revenues remain well below the regional average. In contrast, despite relatively low arrival numbers, Ecuador has the highest per-visitor revenue in South America (US\$1,408), followed by Colombia (US\$1,255). Colombia is the only South American country that combines comparatively high visitor numbers with tourism services exports above the global average. Across South America, average annual growth in tourism services exports between 2014 and 2024 lagged behind the global average (2.5% vs. 3.3%), reflecting the weak performance of most economies except Colombia. In any case, South America's size and diversity mean that conditions vary widely not only across countries but also within them. Geographic factors also shape transnational areas with shared features, challenges, and opportunities for tourism development, such as Amazonia.

Mexico occupies a central position in LAC's tourism landscape due to the size of its economy and its role as the region's leading destination for international tourists in absolute terms. In 2024, Mexico accounted for over 36.4% of all arrivals, or over 45 million visitors, and 30.4% of LAC's tourism revenues. However, despite these absolute figures, tourism services exports represent a smaller share of Mexico's GDP (1.8%) than in many other smaller economies.<sup>71</sup> Spending per visitor is among the lowest in the region (US\$732). Even so, the sector experienced remarkable growth between 2014 and 2024, with tourism exports rising 7.4% a.a., well above the regional average.

Mexico receives the largest number of visitors in LAC, but tourism's weight in its exports is low.

Intraregional tourism plays a vital role in South America.

Understanding tourism in LAC requires analyzing not only overall performance but also visitor origins.<sup>72</sup> Intraregional tourism plays a critical role in this regard as a significant, stable source of arrivals, complemented by flows of tourists from the United States, Europe, and other markets (Table 9). The available country-level data shows that nearly two-thirds of foreign tourist arrivals to South America are from within the subregion itself, followed by Europe and North America.<sup>73</sup> South American

<sup>71</sup> According to the WTTC, tourism's share of GDP in 2023 was 14.4%, a higher figure than that obtained when considering only the tourism export component of the balance of payments, which captures spending by non-resident visitors and excludes domestic tourism.

<sup>72</sup> Arrival data by country of origin were obtained from national sources that vary in both detail and frequency of updates. Accordingly, this analysis should be viewed as an approximation of the main trends in the regional composition of tourist flows for each country.

<sup>73</sup> These records cover arrivals of visitors for tourism but exclude those traveling for work or other purposes and people in transit. For an analysis of the role of neighboring countries in tourism development within MERCOSUR countries, see De Angelis et al. (2025) and Catalano (2017).

**TABLE 9 • INTERNATIONAL TOURIST ARRIVALS BY ORIGIN**

(Percentage of the total, 2024)

Subregions	Countries	From subregion	United States	Europe	Others
South America	Argentina	69.5%	7.9%	13.3%	9.3%
	Bolivia	72.6%	5.9%	12.8%	8.7%
	Brazil	57.5%	10.7%	20.5%	11.2%
	Chile	77.1%	6.7%	11.7%	4.5%
	Colombia	35.4%	26.5%	18.1%	20.0%
	Ecuador	31.1%	38.2%	19.7%	11.0%
	Paraguay	91.4%	1.9%	2.4%	4.3%
	Peru	51.6%	18.6%	16.6%	13.3%
	Uruguay	89.1%	3.9%	5.5%	1.5%
	<b>Subregion</b>	<b>61.3%</b>	<b>13.1%</b>	<b>15.2%</b>	<b>10.4%</b>
Central America	Costa Rica	11.9%	55.5%	16.6%	15.9%
	El Salvador	42.0%	39.0%	n.d.	19.0%
	Guatemala	63.5%	21.6%	5.9%	9.0%
	Honduras	32.7%	48.1%	3.0%	16.2%
	Nicaragua	52.3%	32.2%	7.3%	0.0%
	Panama	14.7%	22.0%	14.0%	49.3%
	Dominican Republic	8.7%	32.4%	12.9%	46.1%
	<b>Subregion</b>	<b>24.9%</b>	<b>34.8%</b>	<b>9.7%</b>	<b>30.5%</b>
Caribbean	Bahamas	1.2%	84.1%	5.2%	9.5%
	Barbados	15.2%	32.4%	37.9%	14.5%
	Belize	2.5%	68.6%	9.9%	19.0%
	Suriname	5.3%	n.d.	68.3%	26.3%
	Trinidad and Tobago	17.7%	n.d.	9.4%	72.9%
		<b>Subregion</b>	<b>5.8%</b>	<b>69.7%</b>	<b>14.1%</b>
	<b>Total</b>	<b>43.6%</b>	<b>24.6%</b>	<b>13.0%</b>	<b>18.7%</b>

Source: IDB Productivity, Trade, and Innovation Sector based on data from national sources.

Notes: n.d.: no data available. The data is for 2023 for Chile; for the first half of 2023 for Paraguay, which may cause a seasonality bias; and for 2021 for Nicaragua and Suriname. For El Salvador, subregional arrivals only include Guatemala and Honduras; Panama's data only covers arrivals via Tocumen International Airport (about 73% of the total); for Barbados, Suriname, and Trinidad and Tobago, subregional flows include only the Caribbean; and for Belize, they only include Mexico. In the Caribbean, records of arrivals from the US are based solely on data for the Bahamas, Barbados, and Belize.

tourists constitute a high share of the total in all countries of the subregion for which data is available, particularly in Paraguay and Uruguay, with percentages of around 90%. Geographic and cultural proximity, along with a shared language, are among the factors that explain this pattern. In contrast, countries like Ecuador and Colombia

receive much smaller shares of visitors from within the subregion (30%–35%), with arrivals from North America and Europe playing a much more significant role. In Colombia, flows of tourists from less traditional origin markets are also noteworthy.

The United States is the main source of tourists to Central America and the Caribbean.

In Central America and the Caribbean, the situation is more uneven, although broadly speaking, subregional tourism is less significant. The United States is the leading source of visitors to most of these countries, accounting for nearly 35% of the total across Central America and around 70% in the Caribbean. This role is particularly pronounced in the Bahamas, Belize, and Costa Rica, where the US represents 84%, 68%, and 55% of arrivals, respectively. There are some exceptions: subregional tourism flows remain significant in Guatemala, Nicaragua, and

El Salvador. This pattern reflects both Central America's geographic proximity to the United States and the fact that these countries have relatively few outbound tourists.

One of the main limitations of international tourism data is the lag in its publication. Official statistics on tourist arrivals, spending, and the share of tourism in GDP are often released with several months' delay, making it difficult to track sector trends and make cross-country comparisons. Moreover, most LAC countries lack sufficiently detailed sector breakdowns, preventing precise distinctions among tourism segments (e.g., leisure, business, or nature tourism). However, in recent years, alternative indicators have been developed that provide real-time approximations of tourism demand and help infer sector behavior using ad hoc methodologies.

Traditional tourism data can be complemented with big data tools to offset delays in publication and low levels of disaggregation.

These include indicators based on big data, such as Google searches and other digital sources, making it easier to estimate the intensity and nature of tourists' interest in LAC destinations before official data is available.<sup>74</sup> Box 4 presents some preliminary indicators based on Google searches for tourism services, while Box 5 analyzes a sample of foreign direct investment announcements in the tourism sector in LAC, obtained using automated news-detection tools.<sup>75</sup>

<sup>74</sup> Big data and data science have significant potential to complement traditional tourism statistics by providing more detailed, timely information. However, this data is not without biases and limitations: it tends to come from private sources with only partial coverage, may underrepresent certain population segments or types of travel, and its availability depends on access agreements and uneven standards. It should therefore be viewed as a complement to official statistics rather than a replacement for them, with an emphasis on transparent, combined methodologies that make analyses of tourism more representative.

<sup>75</sup> Similar data sources that can be used to examine other aspects of international tourism include, for example, those generated by payment service providers (Visa, Mastercard, Amex, etc.), accommodation booking platforms (Booking, Airbnb, Expedia, etc.), and flight booking services, as well as consulting firms specializing in the tourism sector, which often sell such data along with analytical services. In this case, the purpose is simply to illustrate the potential of this type of data through a free, open-access application.

**BOX 4 • AN ASSESSMENT OF TRENDS USING NONTRADITIONAL DATA**

This box provides an estimate of potential tourism demand for all LAC countries, based on a tourism search interest index constructed with monthly Google Trends data from January 2018 to August 2025. The methodology replicates that used in the IDB study on the Andean countries.<sup>a</sup> The index captures the relative maximum level of popularity (that is, the highest frequency) of searches within the selected period and scope.

The indicator measures search interest and not observed tourism flows and should thus be interpreted as an approximation of potential demand. There are limitations to the index: it depends on a set of keywords and Google's normalization process, and there may be a time lag between searches and actual trips. Even so, evidence from the original study of the Andean countries showed strong correlations with international arrivals there, underscoring the potential usefulness of the index for monitoring flows.

Since the official tourism statistics used elsewhere in this chapter are only available through 2024, the indicator makes it possible to infer trends for 2025. This high-frequency index also allows sectoral disaggregation through a taxonomy of keywords representing tourist attractions, grouped into the following categories: leisure (sun and beach tourism, resorts, shopping), adventure (mountaineering, camping, extreme sports), culture (museums, monuments, festivals), ecotourism (nature reserves, national parks), and religious tourism (pilgrimages, churches, religious sites).<sup>b</sup> Because this data is up-to-date and specific, it complements official indicators and can be used to identify changes in trends and disruptions more quickly.

The regional aggregate tourism search index has yet to return to prepandemic levels: the cumulative data for January–August 2025 are 6.7% below the 2019 average. This gap is also evident at the subregional level: Mexico is back near prepandemic levels (–3.5%), while the Caribbean shows the largest divergence (–16.7%), and South America is also lagging (–14.9%). However, searches focusing on LAC have rebounded more than at the global level, which in 2025 remains 21.7% below 2019 levels. A key difference is that searches related to LAC remain comparatively low for hotels (–22.3%) but are back close to prepandemic levels for flights (–2.9%) and travel (–1.7%). In contrast, the prevalence of these search terms globally is still 29.8%, 17.5%, and 19.3% lower than in 2019. The data suggests a qualitative shift in tourism consumption patterns, with important implications for postpandemic investment strategies in the sector.

In the short term, with no observed data yet available for 2025, the tourism search interest indicator points to a recent acceleration in LAC, which contrasts with the contraction observed in the rest of the world. From January to August, LAC recorded a year-on-year increase of 4.1% whereas the rest of the world declined by 1.4%. However, this expansion was uneven, driven mainly by Mexico (+6.7%) and South America (+4.1%), while the Caribbean (–5.3%) and Central America (–3.3%) posted year-on-year declines.

Notably, growth in LAC was fueled by searches for trips (9.3%) and flights (4.1%), while hotels searches fell slightly (–1.7%). This pattern is beginning to reflect the ongoing global trend, in which hotel searches fell (–7.0%), trip searches remained stable, and flight searches increased slightly (1.3%).

In terms of the breakdown by sector, the indicator shows that searches in all LAC subregions concentrate on leisure tourism. However, by its nature, this source may underestimate category

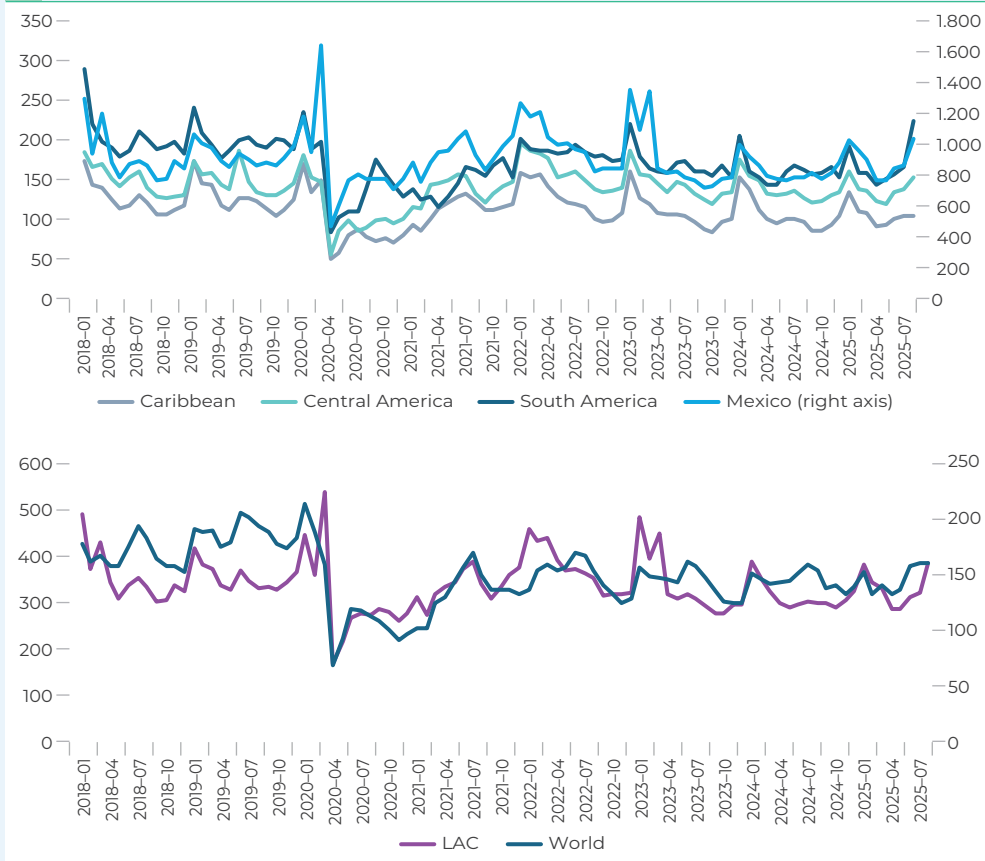
*(continued on next page)*

**BOX 4 • AN ASSESSMENT OF TRENDS USING NONTRADITIONAL DATA** *(continued)*

ries such as event or business tourism. In any case, this concentration is particularly high in the Caribbean, where no changes are observed compared to 2019. In other subregions, adventure tourism is beginning to gain ground, followed to a lesser extent by ecotourism and cultural tourism (the latter particularly in South America and Mexico). In South America, for instance, the adventure segment's share went from 11% in 2019 to 15% in the cumulative total for 2025.

The comparison with the global average suggests room for diversification: globally, the breakdown of searches by segment is more balanced (40% leisure and 52% adventure), while LAC remains more concentrated in leisure. Greater diversity in tourism offerings tends to strengthen resilience to shocks, mitigate seasonality, and broaden target markets. Consequently, these findings point to opportunities for policy reforms, changes in business strategies, and investments aimed at gradually moving toward the more diversified structure observed globally.

### TOURISM-RELATED SEARCH TRENDS IN LAC (Index)

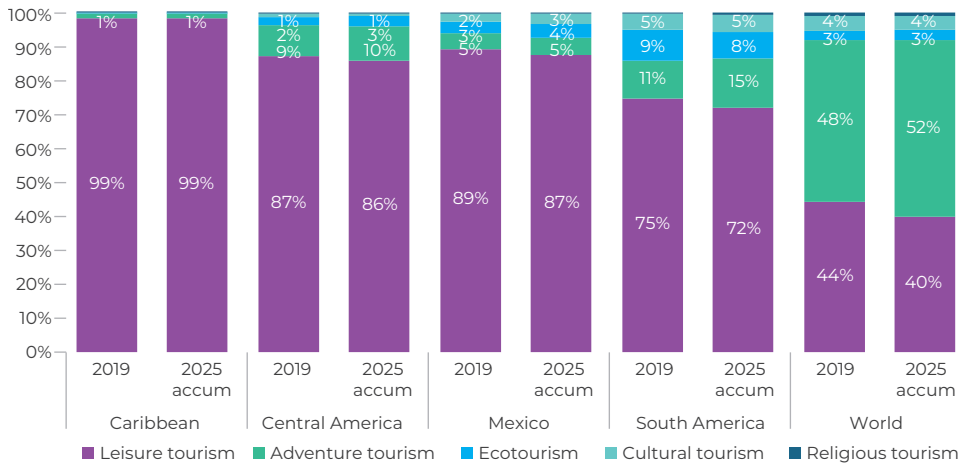


Source: IDB Productivity, Trade, and Innovation Sector based on data from Google Trends.

*(continued on next page)*

**BOX 4 • AN ASSESSMENT OF TRENDS USING NONTRADITIONAL DATA** *(continued)*

**COMPOSITION OF TOURISM-RELATED SEARCHES IN LAC, BY TYPE**  
(Percentages)



Source: IDB Productivity, Trade, and Innovation Sector based on data from Google Trends.

<sup>a</sup> La Larrahondo, Díaz, and Guerrero (2024).

<sup>b</sup> This study replicates the taxonomy used in the original study. However, the semantic richness of web data would enable future research to extend to other key segments of the region’s tourism offerings, such as conference tourism, corporate travel, or health tourism.

**BOX 5 • RECENT FOREIGN INVESTMENT ANNOUNCEMENTS IN TOURISM**

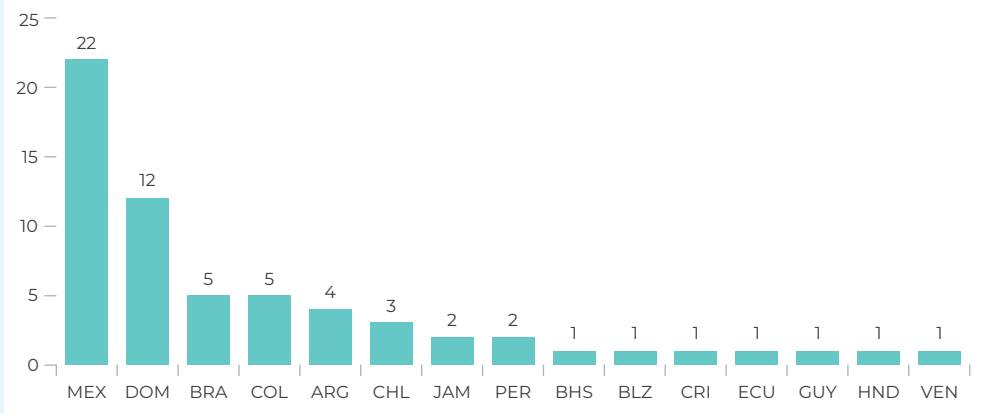
Monitoring foreign direct investment (FDI) in LAC entails significant limitations, including delays in the publication of balance-of-payments data, which are often only available quarterly. Other issues include the limited availability of disaggregated data identifying the country of origin of capital and the lack of sectoral breakdowns. These restrictions hamper the early detection of trends and assessments of how investment flows affect the region’s productive structures. In this context, a new tool using text-mining and artificial intelligence techniques was developed to automatically detect global media announcements of investment projects in LAC countries. This methodology produces high-frequency, broad-coverage data that provides a detailed, up-to-date picture of investment dynamics that complements traditional statistical sources, despite its inherent margin of uncertainty.

The preliminary findings show that between 2023 and 2024, 62 investment announcements were made in LAC’s tourism sector<sup>a</sup> totaling more than US\$30 billion. The announcements were spread across 16 countries, although Mexico accounted for 22 and the Dominican Republic for another 12. The data on the origins of the investments reveals that most came from the US, followed by Spain.

*(continued on next page)*

**BOX 5 • RECENT FOREIGN INVESTMENT ANNOUNCEMENTS IN TOURISM** *(continued)***INVESTMENT ANNOUNCEMENTS BY COUNTRY, 2023–2024**

(Number of announcements)



Source: IDB Productivity, Trade, and Innovation Sector.

<sup>a</sup> To determine whether investments were linked to the tourism sector, searches were conducted using 20 keywords associated directly or indirectly with tourism.

## Factors determining the performance of international tourism

Structural and institutional factors shape international tourism.

Analyzing the factors underlying the performance of international tourism is essential to identifying LAC countries' capacities to promote the sector and the limitations they are facing. International tourism is a multifaceted phenomenon whose dynamics are shaped by a broad set of interrelated factors that have been examined extensively in the specialized literature.<sup>76</sup>

In addition to studies analyzing subsets of specific determinants, the sector's overall performance is typically assessed using multidimensional composite indicators.<sup>77</sup> The most common factors examined include business environment, economic trends, the quality and scale of general and tourism-specific infrastructure, regulations, attractions, and safety.

Although the business environment may not be the most important differentiating factor across destinations, it remains fundamental as it can deter visitors and, above

<sup>76</sup> Gidebo (2021) conducted a systematic review of factors determining international tourist arrivals. Other significant studies include Culiuc (2014), Martins, Gan and Ferreira-Lopes (2017), Assaf and Josiassen (2012), and Eilat and Einav (2004).

<sup>77</sup> WEF (2013 and 2022), Salinas Fernández et al. (2020).

Each destination's value proposition depends on many different factors.

all, investors and entrepreneurs, undermining the sector's competitiveness.<sup>78</sup> Relative price competitiveness and tourists' purchasing power are also important.<sup>79</sup> In terms of infrastructure, air, land, and sea transport<sup>80</sup> and digital connectivity<sup>81</sup> are all key enablers. Turning to more sector-specific factors, the availability of accommodation (hotels, hostels, and alternative lodging)<sup>82</sup> and other complementary tourism services are central to sustaining and scaling receiving capacity. Institutional and regulatory factors such as visa requirements and the efficiency of immigration procedures<sup>83</sup> also directly influence international accessibility. Similarly, the quality and scale of natural and cultural attractions<sup>84</sup> enhance the destination's overall value proposition, as do recreational services. Safety, political stability,<sup>85</sup> and public health conditions<sup>86</sup> act as key determinants, influencing visitors' perceptions of risk. Finally, the availability of skilled human capital<sup>87</sup> in the tourism sector strongly influences visitor experiences and service quality, serving as a cross-cutting factor that underpins the functioning of tourism systems in host countries.

However, to analyze the factors determining international tourism—which can be measured using variables such as tourist arrivals, spending per visitor, and the sector's multiplier effect on the rest of the economy—there are significant limitations regarding methodology and availability. First, the uneven temporal and geographic coverage of the data limits the ability to make systematic comparisons across countries and time periods.<sup>88</sup> Likewise, despite the existence of international standards, significant methodological disparities exist across countries in terms of indicators, data sources (traditional surveys, administrative records, and alternative data sets), and operational definitions, such as how international arrivals and departures are counted or the statistical definition of “tourist.”<sup>89</sup>

There are significant limitations in data availability.

<sup>78</sup> WEF (2013); Salinas Fernández et al. (2020).

<sup>79</sup> Several studies have identified the main drivers of demand to be travelers' income levels and the destination's price relative to their country of origin (Martins, Gan, and Ferreira-Lopes, 2017; Culiuc, 2014; Fyall, Morgan and Middleton, 2009; Song and Li, 2008). However, from a policy perspective, these factors fall largely outside the direct scope of intervention by either governments or the private sector.

<sup>80</sup> Boniface, Cooper, and Cooper (2016); Culiuc (2014); Salinas Fernández et al. (2020); WEF (2013); Khoshnevis Yazdi (2016).

<sup>81</sup> Salinas Fernández et al. (2020).

<sup>82</sup> Culiuc (2014).

<sup>83</sup> Gidebo (2021); WEF (2022).

<sup>84</sup> Salinas Fernández et al. (2020).

<sup>85</sup> WEF (2013); Culiuc (2014); Infante Rivera et al. (2024); Gidebo (2021).

<sup>86</sup> Gidebo (2021); WEF (2013); Malaj and Malaj (2023).

<sup>87</sup> Gidebo (2017); WEF (2013).

<sup>88</sup> Culiuc (2014) and Martins, Gan, and Ferreira-Lopes (2017).

<sup>89</sup> UN (2010); OECD (2025b).

These differences affect the comparability and consistency of tourism statistics across countries. It is also important to note that tourism is a sector marked by high levels of structural informality in relation to both employment and business activity, which distorts the available statistics and makes the sector's contribution to host economies hard to measure.<sup>90</sup> Furthermore, heterogeneity in the quality and frequency of indicators, many of which are indirect estimates or based on subjective opinions, introduces interpretive bias.<sup>91</sup> Another challenge lies in distinguishing between direct and indirect factors, or between those that can be influenced by public policy (e.g., infrastructure or connectivity), private investment or public-private investment (e.g., receiving capacity and amenities), and those beyond the control of authorities or private operators (e.g., exchange rates or income levels in countries of origin). Assigning the appropriate weight to each variable is also difficult, as is avoiding duplication or overlapping effects across interrelated areas.<sup>92</sup> A review of the literature<sup>93</sup> on econometric models of tourism demand shows that there is no universally accepted standard measure for quantifying tourism flows. Empirical studies generally rely on indicators such as international visitor numbers, overnight stays, tourism revenue, or average length of stay. However, none of these metrics fully reflects the multidimensional nature of tourism demand in any given destination.

Despite inherent limitations in the availability, consistency, and disaggregation of data relating to the determinants of international tourism, an empirical analysis using the best available information remains valuable. Even if some factors are measured imperfectly or approximately, it is possible to construct a robust analytical framework using the key dimensions identified in the specialized literature as determinants of tourism performance. This section therefore examines the available empirical evidence in detail with the aim of identifying the main challenges and opportunities to strengthen international tourism in LAC through targeted policy reform and investment.

An empirical analysis can be conducted based on the data currently available.

The World Economic Forum's Travel & Tourism Development Index (TTDI) is the most widely used global indicator for measuring the performance of the tourism sector. Its objective is to assess how far economies create enabling conditions for the sustainable long-term growth of tourism. It covers 119 countries and includes more

<sup>90</sup> ILO (2025).

<sup>91</sup> Rodríguez-Díaz and Pulido-Fernández (2021).

<sup>92</sup> From a technical standpoint, when these variables are used in econometric models, additional issues arise relating to endogeneity, multicollinearity, and reverse causality among them. More generally, the inherent limitations in identifying and accurately measuring the observed variables imply that findings on causal linkages should be interpreted with caution.

<sup>93</sup> See, for instance, Khoshnevis Yazdi (2016) and Salinas Fernández et al. (2020).

The Travel and Tourism Development Index measures different aspects of tourism in a wide sample of countries.

than 100 indicators, grouped into 5 dimensions (Table 10): Enabling Environment; Travel and Tourism Policy and Enabling Conditions; Infrastructure and Services; Travel and Tourism Resources; and Travel and Tourism Sustainability. Each dimension includes multiple pillars that capture institutional, health-related, labor, infrastructure, connectivity, and resource-related factors. The TTDI enables comparisons across three periods (2019, 2021, and 2024) and is the most widely used benchmark in tourism competitiveness reports published by international organizations, national governments, and business organizations.<sup>94</sup>

On a scale of 1 to 7, the average global TTDI was 3.96 in 2024 (Figure 22). Only North America and Europe scored above the global average, while LAC ranked just

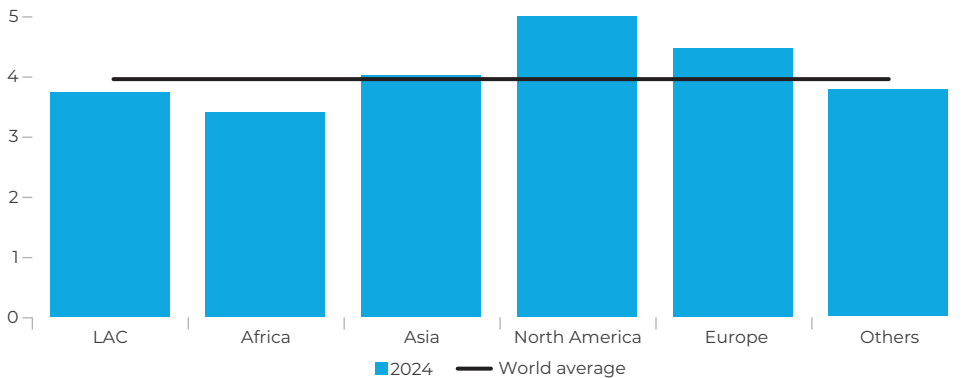
**TABLE 10 • COMPOSITION OF THE TRAVEL & TOURISM DEVELOPMENT INDEX**

Dimensions	Pillars
Enabling Environment	Business Environment
	Safety and Security
	Health and Hygiene
	Human Resources and Labor Market
	Information and Communication Technology (ICT) Readiness
Travel and Tourism Policy and Enabling Conditions	Prioritization of Travel and Tourism
	Openness to Travel and Tourism
	Price Competitiveness
Infrastructure and Services	Air Transport Infrastructure
	Ground and Port Infrastructure
	Tourism Services and Infrastructure
Travel and Tourism Resources	Natural Resources
	Cultural Resources
	Non-Leisure Resources
Travel and Tourism Sustainability	Environmental Sustainability
	Socioeconomic Impact
	Demand Sustainability

Source: IDB Productivity, Trade, and Innovation Sector based on data from WEF.

<sup>94</sup> The WEF's TTDI is the updated version of the earlier *Travel & Tourism Competitiveness Index*, which was first published in 2007. The first edition of the TTDI appeared in 2021, while the latest available version is for 2024, which this section of the report is based on (WEF, 2024).

**FIGURE 22 • TRAVEL & TOURISM DEVELOPMENT INDEX BY REGION**  
(Index, 2024)



Source: IDB Productivity, Trade, and Innovation Sector based on data from WEF.

above Africa (3.75 and 3.41, respectively). LAC's main gaps are in the Enabling Environment, Infrastructure and Services, and Resources dimensions, and it outperforms the global average in Travel and Tourism Policy and Enabling Conditions and in Sustainability.

An analysis of the pillars that make up each dimension shows that LAC's largest gap in the Enabling Environment dimension lies in Safety and Security (Figure 23), although its scores are below the global average across all pillars of

LAC is lagging most in security, infrastructure, and tourism resources.

this dimension. It should be noted, however, that all scores have improved since 2019. LAC's scores for all three pillars that fall within the Infrastructure and Services dimension are below the global average, with the widest gap in Ground and Port Infrastructure. There has also been a notable decline in the Tourism Services and Infrastructure pillar. The situation is more mixed in the Resources dimension, as LAC scores below average on Cultural and Non-Leisure Resources,<sup>95</sup> but ranks above the global average on Natural Resources, where it has

The region performs particularly well on travel and tourism policies and sustainability.

<sup>95</sup> It should be noted that the Resources dimension includes three pillars: Natural Resources, Cultural Resources, and Non-Leisure Resources. Some 10 LAC countries rank among the top 30 on the Natural Resources pillar, including Mexico, Brazil, and Colombia. The region ranks lower on Cultural Resources, with only 5 countries among the top 30. The pillar it performs weakest on is Non-Leisure Resources (which captures the scope and appeal of factors driving business travel, including the presence of global cities, major corporations, and leading universities)—only 3 LAC countries feature among the top 30. However, the construction of the index introduces relative bias in the resources pillar, as LAC has an exceptional range of real and potential offerings in this area.

**FIGURE 23 • TRAVEL & TOURISM DEVELOPMENT INDEX IN LATIN AMERICA AND THE CARIBBEAN**  
(Indexes by dimensions and pillars, 2024)



Source: IDB Productivity, Trade, and Innovation Sector based on data from WEF.

also improved since 2019. In the dimensions where LAC exceeds the global average (Travel and Tourism Policy and Enabling Conditions), its performance is explained by the Prioritization of Travel and Tourism<sup>96</sup> and Price Competitiveness<sup>97</sup> pillars. However, both of these have deteriorated since 2019. Lastly, in the Travel and Tourism Sustainability dimension, LAC performs above the global average in Socioeconomic Impact and Demand Sustainability but lags in Environmental Sustainability and has declined since 2019.

<sup>96</sup> LAC performed above the global average on Government Spending on Travel and Tourism indicator, with a higher ratio as a percentage of total budget than the remaining regions, and on Country Brand Strategy Rating and Timely Updating of Travel and Tourism Data. It only falls below the global average on Comprehensiveness of Travel and Tourism Data.

<sup>97</sup> LAC's positive performance on Price Competitiveness is due to its low hotel and fuel prices. Likewise, it is close to the global average for the Purchasing Power Parity indicator and outperforms all regions except North America on the Hotel Prices indicator.

The US topped the 2024 country ranking, followed by Spain, Japan, France, and Australia (Table 11). There are no LAC countries in the top 10, and only Brazil, Chile, Mexico, Argentina, Colombia, and Costa Rica outperformed the global average. Honduras, Nicaragua, Venezuela, and Guatemala were the LAC countries that scored lowest,

**TABLE 11 • TRAVEL & TOURISM DEVELOPMENT RANKING**  
(Score and ranking, 2019 and 2024)

Countries		2019		2024		Change	
		Ranking	TTDI	Ranking	TTDI	Ranking	TTDI
USA	United States	1	5.27	1	5.24	↑ 0	-0.5%
ESP	Spain	2	5.13	2	5.18	↑ 0	0.9%
JPN	Japan	3	5.11	3	5.09	↑ 0	-0.3%
FRA	France	6	5.03	4	5.07	↑ 2	0.8%
AUS	Australia	7	4.96	5	5.00	↑ 2	0.8%
BRA	Brazil	34	4.27	26	4.41	↑ 8	3.3%
CHL	Chile	35	4.27	31	4.33	↑ 4	1.4%
MEX	Mexico	32	4.28	38	4.26	↓ -6	-0.6%
ARG	Argentina	47	4.13	49	4.10	↓ -2	-0.6%
COL	Colombia	56	3.99	50	4.08	↑ 6	2.3%
CRI	Costa Rica	55	3.99	51	4.08	↑ 4	2.2%
PER	Peru	69	3.77	62	3.90	↑ 7	3.5%
PAN	Panama	57	3.95	63	3.90	↓ -6	-1.2%
DOM	Dominican Rep.	65	3.82	64	3.88	↑ 1	1.8%
URY	Uruguay	68	3.78	71	3.79	↓ -3	0.4%
BRB	Barbados	73	3.72	74	3.71	↓ -1	-0.4%
ECU	Ecuador	74	3.70	80	3.66	↓ -6	-1.0%
JAM	Jamaica	83	3.59	84	3.59	↓ -1	-0.1%
TTO	Trinidad & Tobago	84	3.59	89	3.52	↓ -5	-2.1%
PRY	Paraguay	92	3.44	92	3.47	↑ 0	0.8%
BOL	Bolivia	97	3.38	94	3.45	↑ 3	2.1%
SLV	El Salvador	101	3.30	97	3.43	↑ 4	4.0%
GTM	Guatemala	95	3.40	100	3.42	↓ -5	0.5%
VEN	Venezuela	98	3.37	103	3.34	↓ -5	-0.9%
NIC	Nicaragua	106	3.24	108	3.24	↓ -2	-0.0%
HND	Honduras	108	3.23	111	3.19	↓ -3	-1.4%

Source: IDB Productivity, Trade, and Innovation Sector based on data from WEF.

Only six LAC countries have an aggregate score above the global average.

ranking below 100th place. In 12 of the 21 LAC countries for which TTDI data was available scored lower than in 2019. The LAC countries whose scores improved most for the index included El Salvador, Peru, and Brazil.

To identify variables associated with international tourist arrivals, principal component analysis (PCA) was performed on the TTDI pillars.<sup>98</sup> The results show that the top three principal components explain 75.1% of the total variance across the 14 pillars of the TTDI<sup>99</sup> (Table 12), meaning that they capture most of the information contained in the original indicators.

Principal component analysis reduces the complexity of the indicators.

The first component (PC1), which accounts for 52.1% of the variance, groups variables related to production factors such as infrastructure and human capital. It shows high loadings in ICT Readiness (0.340), Human Resources and the Labor Market (0.319), Ground and Port Infrastructure (0.312), Openness to Travel

**TABLE 12 • PRINCIPAL COMPONENT STRUCTURE**

Component	Explained variance (%)	Variables with the highest factor loading
Production Factors (PC1)	52.1	ICT Readiness (0.340), Human Resources and the Labor Market (0.319), Ground and Port Infrastructure (0.312), Openness to Travel and Tourism (0.306), and Air Transport Infrastructure (0.303)
Tourism Attractions (PC2)	16.3	Natural Resources (0.580), Cultural Resources (0.496), and Non-Leisure Resources (0.417)
Institutional Environment (PC3)	6.7	Prioritization of Travel and Tourism (-0.712) and Safety and Security (0.474)

Source: IDB Productivity, Trade, and Innovation Sector.

Note: Only variables with factor loadings greater than 0.30 are included in the table. See Methodological Annex 6 for a detailed explanation of how the different indicators were constructed.

<sup>98</sup> This methodology reduces the dimensionality of the indicator set and captures latent correlations among the different factors influencing tourism competitiveness, grouping them into three economically and empirically interpretable dimensions. Given the high degree of collinearity among the pillars capturing different, interrelated dimensions of tourism development (such as infrastructure, resources, and the institutional environment), the PCA is a suitable tool for summarizing information into a smaller number of orthogonal components. These components are uncorrelated linear combinations that capture the greatest possible variance. See Methodological Annex 6 for more details.

<sup>99</sup> This analysis includes 14 of the 17 TTDI pillars, excluding Socioeconomic Impact and Demand Sustainability, as they represent outcome variables, and Business Environment, which reflects a broad macroeconomic determinant of overall economic performance. The PCA makes it possible to identify covariation patterns and reduce dimensionality by grouping related variables into components that capture underlying relationships but do not imply causality. In this report, the components are interpreted as synthetic factors that reflect structural combinations of production factors, tourism resources, or institutional environment. See Methodological Annex 6 for more details.

and Tourism (0.306), and Air Transport Infrastructure (0.303). Taken together, these pillars reflect the level of human, physical, and technological development that would allow countries to receive and manage tourism flows efficiently, safely, and sustainably. Economically, this component can be interpreted as a measure of capacity, with higher values indicating greater endowments of infrastructure, connectivity, human capital, and essential services within an environmental sustainability framework, factors that strengthen the competitiveness of the tourism sector.

Infrastructure and human capital are key to international tourism.

Tourism attractiveness is linked to the diversity and richness of a destination's offerings.

The second component (PC2), which accounts for 16.3% of the variance, groups the variables related to tourism attractions. The variables that scored highest were Natural Resources (0.580), Cultural Resources (0.496), and Non-Leisure Resources (0.417). This component reflects the intrinsic richness of a destination's tourism offerings and the diversity of experiences available. Countries with high scores in this dimension combine abundant natural and cultural attractions with a diversified offer that extends beyond traditional leisure tourism to encompass nature, cultural, academic, or business tourism. In economic terms, this factor can be interpreted as an indicator of tourism attractiveness, summarizing the comparative advantages that derive from a destination's resource endowments.

The third component (PC3), which explains 6.7% of the variance, captures elements associated with the institutional environment. The highest loadings correspond to the Prioritization of Travel and Tourism (-0.712) and Safety and Security (0.474). This component reflects the importance of a public policy framework and safety for the visitor experience. The negative sign of the coefficient for Travel and Tourism Prioritization suggests that it is moving statistically in the opposite direction to the dominant pattern, represented here by Safety and Security.<sup>100</sup> This may be because countries with higher security levels tend to have relatively lower levels of prioritization of tourism services because their sectors are already mature or well-established.

The institutional environment affects the sector's performance.

<sup>100</sup> In the PCA, each component is defined as a linear combination of the original variables. If all coefficients and the component itself are multiplied by -1, the explained variance does not change. The sign of each component is therefore mathematically irrelevant and can be assigned arbitrarily depending on the orientation of the eigenvector calculated first. In practice, this does not mean that the effect is negative in an economic sense. Instead, it only indicates the direction of the loading vector (which can be inverted without altering the statistical results). The Prioritization of Travel and Tourism variable has a negative sign because, within the dataset, these variables are likely inversely correlated with Safety and Security for certain countries or periods.

Using these principal components, an econometric model was estimated for a panel of 119 countries, yielding a total of 356 TTDI observations. The model seeks to explore the relationship between the three principal components mentioned above and international tourist arrivals, which is used as a proxy for sector performance<sup>101</sup> (Table 13 and Methodological Annex 6). The three exercises yield consistent results that highlight the importance of structural factors in tourism performance. In the basic fixed-effects model, the three principal components—production factors (PC1), tourism attractions (PC2), and the institutional environment (PC3)—show positive and significant associations with international arrivals. When year fixed effects are included, the model's fit improves substantially, confirming that short-term variations, particularly the sharp contraction in 2021 and the partial recovery in 2024, account for much of the recent dynamics in international tourist arrivals.<sup>102</sup> The effects of PC1 and PC2 remain stable and significant, meanwhile PC3 loses significance once year fixed effects are introduced, suggesting that the variable reflecting institutional and tourism policy environment tends to change only gradually or is relatively ineffective in driving variations in international arrivals. Finally, when interaction terms with dummy variables identifying the region are introduced into the panel, the results confirm that the factors associated to international tourism differ significantly between LAC and the rest of the world. The effect of improvements in production factors (PC1) is more than twice as large as in other countries, whereas PC3 has a negative coefficient, indicating that a more favorable institutional environment does not necessarily translate into a proportional increase in arrivals and may reflect inefficiencies in public policies supporting the sector. The interaction term for PC2 (tourism attractions) is not significant, suggesting that the positive impact of tourism resources is broadly similar across regions.

Production factors and tourism attractions are particularly important in LAC.

To complement the econometric analysis, an individual analysis of the correlation between each pillar of the TTDI and international tourist arrivals was conducted. This

<sup>101</sup> The dependent variable used was the logarithm of international tourist arrivals. This dependent variable was chosen due to its widespread use in the empirical literature and its ability to directly reflect the quantitative performance of the tourism sector. Unlike other possible measures, such as average spending per tourist or the share of tourism in GDP, arrival numbers entail less structural bias and greater international comparability. Specifically, spending per tourist can overstate the sector's importance in small economies with high average per capita spending (e.g., Ecuador), while tourism's share in GDP tends to understate the sector's weight in countries with highly diversified economies (e.g., Mexico). In contrast, arrivals are a more consistent measure of the attractiveness of destinations and international flow dynamics, making them a robust operational indicator of tourism performance, although some limitations persist.

<sup>102</sup> The  $R^2$  (within) of the model incorporating year fixed effects is 0.71—that is, the model now explains 70% of the within-country variation over time, a substantial improvement over the 0.12 in the initial specification without these effects. This shows that much of the variation was associated with changes from one year to the next (year effects).

**TABLE 13 • RESULTS**

(Estimates using a fixed-effects model by country and year with regional interactions)

Variable	Country fixed-effects			Country and year fixed-effects			Country and year fixed-effects and regional interaction term (additional effect for LAC)		
	Coefficient	Robust standard error	p-value	Coefficient	Robust standard error	p-value	Coefficient	Robust standard error	p-value
<b>Production Factors (PC1)</b>	0.485	0.172	0.006	0.4859	0.1592	0.003	0.5956	0.2690	0.029
<b>Tourism Attractions (PC2)</b>	1.395	0.438	0.002	0.7985	0.3417	0.021	0.0781	0.4755	0.870
<b>Institutional Environment (PC3)</b>	0.495	0.150	0.001	0.0608	0.1173	0.605	-0.4761	0.2190	0.032
<b>Year 2021</b>	n.a.	n.a.	n.a.	-1.2081	0.0452	0.000	-1.2072	0.0460	0.000
<b>Year 2024</b>	n.a.	n.a.	n.a.	-0.6662	0.0884	0.000	-0.6888	0.0913	0.000
<b>R<sup>2</sup> (within countries)</b>		0.1187			0.7067			0.7165	
<b>R<sup>2</sup> (between countries)</b>		0.4943			0.6180			0.5911	
<b>R<sup>2</sup> (total)</b>		0.4308			0.6188			0.5930	
<b>Statistical F</b>		(3,118)= 11.06			(5,118)= 161.3			(8,118)= 103.63	
<b>Prob &gt; F</b>		0.000			0.000			0.000	
<b>ρ (variance attributable to country effects)</b>		0.865			0.876			0.898	

Source: IDB Productivity, Trade, and Innovation Sector.

Note: The inverse of PC3 was used. This adjustment does not affect the statistical model or explained variance. Instead, it merely reorients the component's axis to facilitate intuitive economic interpretation. See Methodological Annex 6 for more details.

does not make it possible to infer a causal relationship, but is nonetheless useful for observing the bivariate, uncontrolled relationship between each pillar of the TTDI and the sector performance, identifying which dimensions are most closely linked to tourism flows. The results show the highest positive correlation with Air Transport Infrastructure (0.70), while the remaining PC1 variables show only moderate correlations. Within the PC2 variables, Non-Leisure Resources (0.68) and Cultural Resources (0.64) show strong correlations. Natural Resources, where LAC has a comparative advantage, are at the lower end of what would be considered a moderate correlation. These findings reinforce previous evidence that connectivity and attraction endowment remain key determinants of international tourism performance (Table 14 and Figure 24). The PC3 pillars show weak positive correlations, consistent with the results of the econometric model.

Air transport infrastructure and non-leisure and cultural resources show the highest correlations with international tourist arrivals.

In short, over the past decade, exports of tourism services have gained prominence in LAC's export profile and in the global market. To further expand the sector

**TABLE 14 • TOURISM ASSETS AND INTERNATIONAL ARRIVALS**

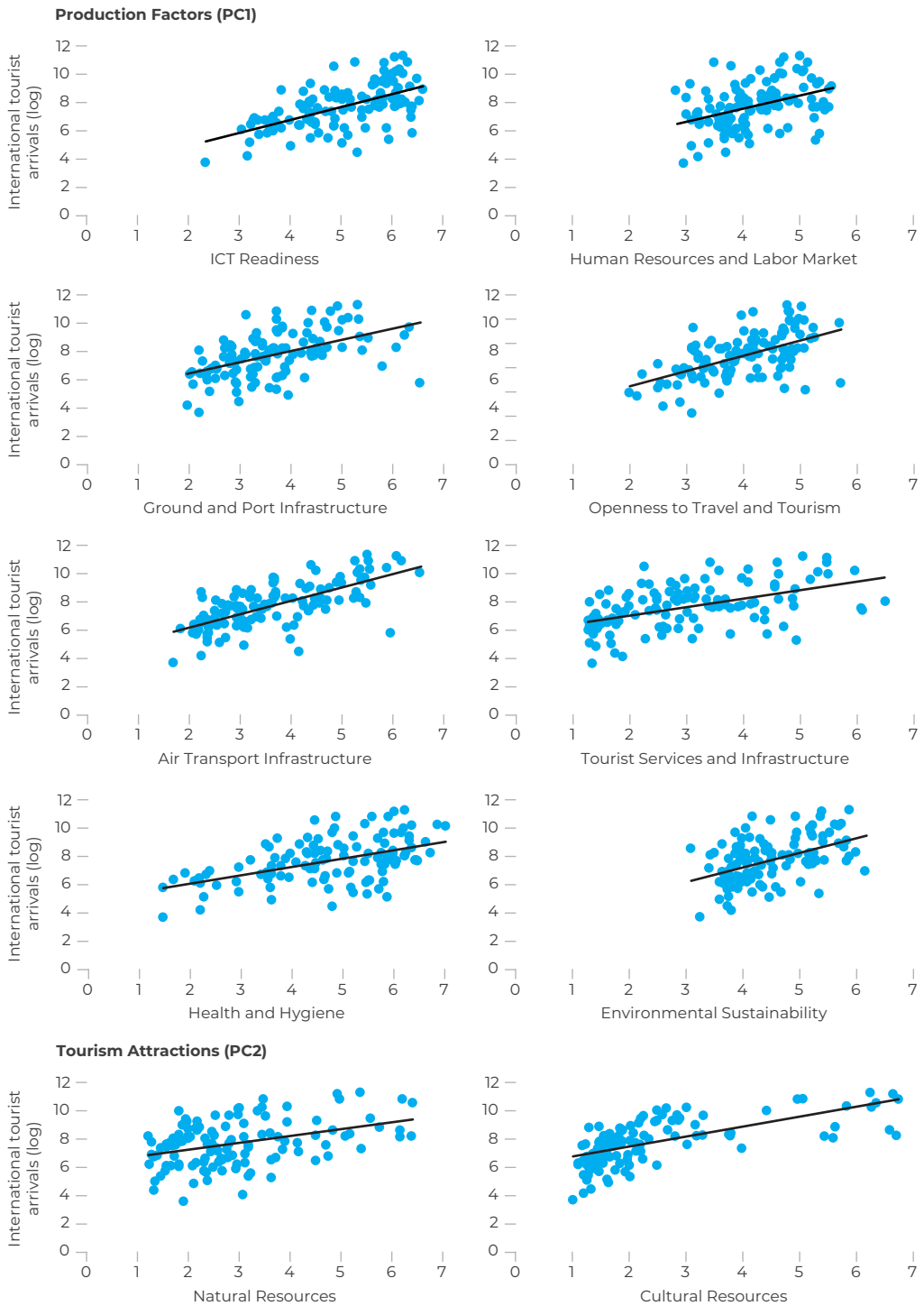
(Pearson correlation coefficients and the logarithm of tourist arrivals, 2019–2024)

TTDI pillar	Correlation with international tourist arrivals (log)	Correlation level
Air Transport Infrastructure	0.70	High
Non-Leisure Resources	0.68	High
Cultural Resources	0.64	High
Openness to Travel and Tourism	0.52	Moderate
Ground and Port Infrastructure	0.52	Moderate
ICT Readiness	0.52	Moderate
Tourist Services and Infrastructure	0.45	Moderate
Health and Hygiene	0.44	Moderate
Environmental Sustainability	0.44	Moderate
Natural Resources	0.41	Moderate
Human Resources and Labor Market	0.40	Moderate
Prioritization of Travel and Tourism	0.36	Weak
Price Competitiveness	-0.28	Weak
Safety and Security	0.17	Very weak

Source: IDB Productivity, Trade, and Innovation Sector.

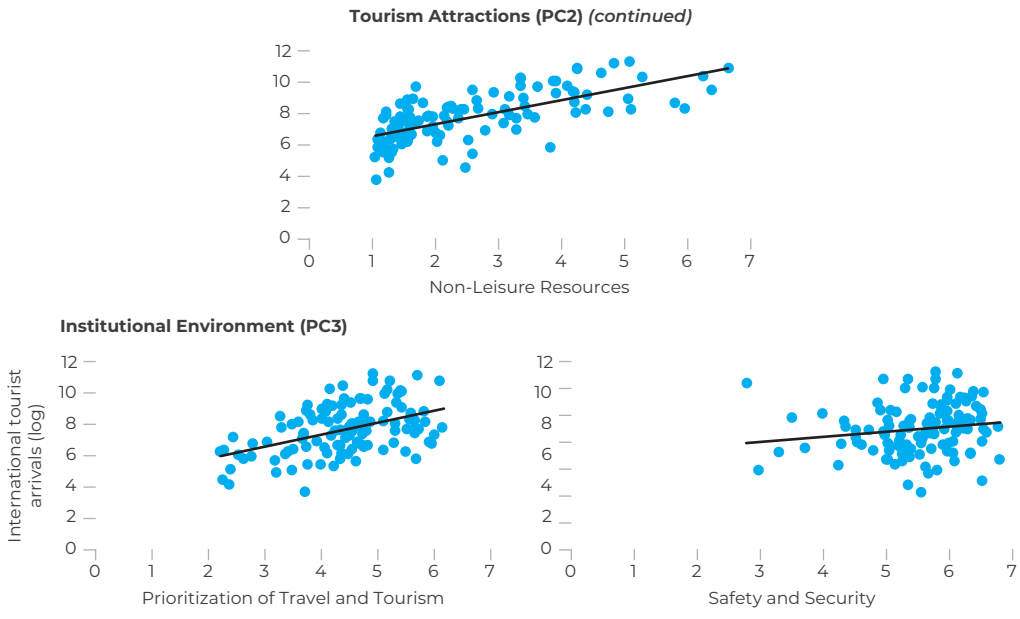
**FIGURE 24 • CORRELATION COEFFICIENTS BY TTDI PILLAR**

(Pearson correlation coefficients and the logarithm of tourist arrivals, 2024)

*(continued on next page)*

**FIGURE 24 • CORRELATION COEFFICIENTS BY TTDI PILLAR**

(Pearson correlation coefficients and the logarithm of tourist arrivals, 2024) *(continued)*



Source: IDB Productivity, Trade, and Innovation Sector.

and enhance its contribution to host-country development, the empirical evidence shows that the factors most closely associated with international tourist arrivals are tourism attractions and production factors such as infrastructure and human capital. These findings are particularly relevant for LAC, where the largest gaps lie precisely in the most critical dimensions: ground, port, and tourism infrastructure, and the enhancement of cultural and non-leisure resources, both of which the region scores below the global average on. In contrast, although LAC performs relatively better on factors linked to the institutional environment than the rest of the world, the limited influence of this factor on the results suggests there is room for improvement. This evidence suggests that sector policies should focus on closing gaps in infrastructure and human capital and diversifying the offer of cultural and non-leisure attractions to complement the region’s natural advantages, transforming them into a sustainable driver of growth in international tourism. Ultimately, improving the performance of the tourism sector through targeted reforms and innovative, more effective public and private investments has become a core priority for LAC.

# Conclusions

At a time of heightened uncertainty surrounding the reconfiguration of global trade policies, global trade in goods grew at a much higher year-on-year pace in the first half of 2025 than in 2024. This momentum came mainly from the frontloading of purchases to rebuild inventories as a precautionary business strategy in anticipation of changes in market access conditions. However, the acceleration occurred amid growing uncertainty about the short-term factors shaping price and trade volume trends in the coming quarters, as well as the rules governing international economic relations and the external insertion patterns of LAC countries over the medium and long term.

Commodity prices moved onto a highly volatile downward path. Energy prices were negatively impacted by the slowdown in global economic growth, despite the intermittent spikes in oil prices over the year triggered by escalating conflict in the Middle East. Metals displayed mixed trends: the prices of those associated with the energy transition, such as copper, continued to rise, as did gold, which reached record highs due to increased uncertainty in financial markets. In contrast, iron prices fell due to the ongoing crisis in China's construction market. Weather-related events continued to shape trends in agricultural prices, which also followed mixed paths: coffee prices surged due to adverse environmental conditions in major producing countries, while soybean and sugar prices declined as harvests exceeded expectations. In this context, LAC's terms of trade improved marginally. Although these dynamics affected countries differently depending on their trade profiles, the boost from prices is not expected to have a significant impact on the region's export performance in the coming year.

In real terms, the region's exports accelerated in the first half of 2025, albeit at a slower pace than the global average. However, this momentum stems from temporary factors such as firms' inventory strategies and the recovery of some agricultural and mining commodity-producing sectors, amid extreme volatility in high-frequency data and ongoing uncertainty in business perceptions. Looking ahead, predictive models are sending mixed signals, with no clear evidence of a turning point toward sustained export growth. Despite the rebound in some price indicators and in business climate and confidence indices, others point to a deterioration in recent months, as is the case with purchasing managers' perceptions and the strength of real external demand. Consequently, the balance of risks is tilted to the downside due to weaker growth

prospects among the region's trading partners, persistent geoeconomic fragmentation, and the ongoing unpredictability of trade policy.

Against this backdrop, global trade in services decelerated due to slower growth in knowledge-based services, transport, and travel. In contrast, the region's services exports remained highly dynamic, growing at twice the global average pace. Tourism-related travel performed exceptionally well, accounting for most of the increase in services exports and reinforcing the V-shaped recovery path observed since the pandemic ended.

From a long-term perspective, the ongoing reconfiguration of the rules of international trade in goods has created an environment that compels the region to reflect on the strategic importance of export sectors that are now relatively less exposed to proliferating tariff and regulatory barriers. At the same time, identifying the main drivers of export performance in these high-potential sectors is crucial. Among these, services naturally stand out, particularly international tourism, as their competitive advantages depend largely on domestic factors.

As a result of steadily declining transport and communication costs, along with the expansion of digital platforms, international tourism has firmly established itself as one of the most dynamic engines of the global economy. Although the sector has faced a range of shocks in recent decades, including geopolitical tensions, extreme weather events, and the Covid-19 pandemic, its ability to adapt and recover underscores its structural role in driving global growth. The sector generates direct and indirect employment across a wide range of activities, making it strategic not only for international trade but also for local development. It brings in foreign exchange, drives infrastructure investment, and stimulates demand for local goods and services, creating strong multiplier effects throughout the economy. As a result, tourism has become highly significant compared to traditional trade sectors, such as oil, automobiles, or food products.

As documented in this report, tourist flows to LAC generate substantial, stable foreign exchange revenues that strengthen the balance of payments and contribute to sustainable growth. In recent years, the region's tourism exports have grown faster than the global average, consolidating the sector's role as one of the main drivers of services exports. However, average spending per tourist remains low, highlighting the need to move toward a more diversified, sophisticated tourism offering that would enable the region to capture greater value added. LAC's tourism products remain heavily concentrated in traditional leisure segments, such as sun-and-sand tourism, and are less diversified across segments and regions than the global average. This structure limits the region's capacity to adapt to external shocks and reduces its chances to position itself in lucrative niches such as cultural, nature-based, health, or business tourism.

Fundamentally, the region continues to lag in areas such as security, informality, infrastructure, and governance, as well as in the quality of its resources. These factors constrain its competitiveness relative to other emerging destinations. An empirical analysis of the factors driving international visitor arrivals suggests that those most closely linked to sector performance are tourism attractions and production factors such as infrastructure and human capital, while the institutional environment played a smaller role. In the wake of the pandemic recovery, there are growing signs that business models will need to adapt to new consumer preferences and to challenges stemming from the triple economic, social, and environmental impact of tourism.

In this context, it is essential to adopt an integrated approach to harness tourism as a vector for the structural transformation of the region's economies. This strategy should bring together two approaches that currently tend to diverge within business practices and public policies, ensuring that they become complementary and mutually reinforcing. The first of these is a trade-oriented approach that prioritizes connections between suppliers, service providers, and global demand; emphasizes productivity, competitiveness, market intelligence, and innovation; and in which sectoral policies aim for efficiency and value creation by improving the business climate, attracting investment, integrating local firms into global value chains, and promoting formalization, workforce training, digitalization, etc. The second is a place-based approach aimed at offering experiences and services that enhance local natural, cultural, and social resources; emphasizing multilevel governance, local development, and community participation; with policies that pursue equity and environmental conservation through investments in basic infrastructure, destination management, spatial planning, and public-private coordination.

To promote an integrated, evidence-based strategy, the limited availability, coverage, and comparability of tourism data constitutes a major obstacle. Significant gaps remain in the quality, frequency, and disaggregation of information, particularly in indicators on tourism spending, employment, investment, and domestic tourism. There are similar gaps in statistics that distinguish visitors by origin, purpose of travel, or accommodation type, which restrict the analysis of drivers of demand. In addition, many countries lack or lag behind in implementing up-to-date, harmonized tourism satellite accounts, limiting the ability to identify tourism's economic, environmental, social, and local impacts. Overcoming these limitations will require strengthening national statistical capacities, improving coordination between public and private organizations operating in the sector, and promoting the use of alternative data sources to complement traditional statistics, such as mobility data, digital records, and big data. Better-quality, more standardized data organized into robust, well-structured market intelligence and analytics systems would improve tourism performance monitoring, policy evaluation, and investment prioritization.

A solid knowledge base should be supported by an effective governance system capable of aligning and influencing the actions of all stakeholders within tourism systems. Broadly speaking, the challenges facing LAC stem from weak coordination between governments and the private sector, among the main public-sector agencies, and between national and local authorities. Other obstacles include authorities' limited technical and financial resources, fragmented, uncoordinated regulatory frameworks, policy instruments that are heavily reliant on fiscal incentives, and the inadequacy of these tools to address new challenges, such as the digitalization of the sector. Strategies that would help improve the performance indicators documented in this report include strengthening planning, prioritization, and policy design at the local, national, and regional levels; developing modern destination-management organizations; creating vehicles for public-private partnerships that can mobilize resources for high-impact projects; and improving coordination among tourism-governance systems, export- and investment-promotion agencies, and stakeholders concerned with tourism's economic, social, and environmental effects.

While a detailed discussion of specific aspects of tourism policies is beyond the scope of this publication, the best practices highlighted in the literature referenced herein and generally supported by the empirical evidence presented point to several broad objectives that would help position tourism as a driver of productive and territorial development in LAC:

- **frame interventions within a strategic vision** articulated around focus areas that act together to strengthen governance, develop production factors, and correct market failures;
- **promote the sector's productivity and competitiveness** through policies that foster workforce and entrepreneurial skills, innovation, digitalization, and investment in infrastructure, transport, and technology;
- **develop tourism assets and enhance spillover effects** by promoting domestic value chains that deliver higher-quality products; stronger links between tourism, culture, the creative industries, natural attractions, and local agriculture; and smart destinations and business models that foster value retention and business productivity, among other things;
- **promote a more equitable distribution of benefits** to vulnerable groups by encouraging formal employment relationships and better-quality jobs, while facilitating access to credit and key assets for the development of businesses with direct or indirect ties to tourism;
- **integrate sustainability and climate-resilience goals** into policies and planning instruments by promoting biodiversity conservation and emissions mitigation plans, providing incentives for climate adaptation and disaster risk management,

and mobilizing green finance for sustainable development projects that are aligned with the circular economy.

These are only some of the challenges facing LAC as it seeks to prosper in a global environment marked by geoeconomic fragmentation and the reconfiguration of trade policies that increasingly affect markets for goods. In any case, the region will need to prioritize and revitalize policies to bolster domestic productivity, expand trade in tourism services, and attract the investments needed to develop these, thereby harnessing emerging opportunities in one of the most dynamic segments of international trade.



# References

- Alcalá-Ordóñez, Alejandro, Juan Gabriel Brida, and Pablo Juan Cárdenas-García. 2024. "Has the Tourism-Led Growth Hypothesis Been Confirmed? Evidence from an Updated Literature Review." *Current Issues in Tourism* 27 (22): 3571–3607.
- Alsamawi, Ali, Norihiko Yamano, and Akash Kohli. 2024. "Estimating the Global Economic Impacts of International Tourism." OECD Science, Technology and Industry Working Papers No. 2024/14. Paris: OECD Publishing.
- Assaf, George, and Alexander Josiassen. 2012. "Identifying and Ranking the Determinants of Tourism Performance: A Global Investigation." *Journal of Travel Research* 51 (4): 388–399.
- Ayres, João, Alejandro Izquierdo, and Eric Parrado. 2025. *2025 Latin American and Caribbean Macroeconomic Report: Regional Opportunities Amid Global Shifts*. Washington, DC: Inter-American Development Bank.
- Boniface, Brian, Chris Cooper, and Robyn Cooper. 2016. *Worldwide Destinations: The Geography of Travel and Tourism*. 7th ed. London: Routledge.
- Caldara, Dario, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino, and Andrea Raffo. 2020. "The Economic Effects of Trade Policy Uncertainty." *Journal of Monetary Economics* 109: 38–59.
- Cárdenas-García, Pablo Juan, Marcelino Sánchez-Rivero, and Juan Ignacio Pulido-Fernández. 2015. "Does Tourism Growth Influence Economic Development?" *Journal of Travel Research* 54 (2): 206–221.
- Catalano, Bárbara. 2017. "Turismo e integração regional: el caso del Mercosur." In *Novas fronteiras de estudos em turismo: dialogando com as relações internacionais*, 107–149.
- Crozet, Matthieu and Emmanuel Milet. 2015. "Should Everybody Be in Services? The Effect of Servitization on Manufacturing Firm Performance." *Journal of Economics and Management Strategy* 26 (4): 820–841.
- Culiuc, Alexander. 2014. "Determinants of International Tourism." Working Paper No. 14/82. Washington, DC: International Monetary Fund.
- De Angelis, Jérica, Patricia Iannuzzi, Kathia Michalczewsky, Sofía Sternberg, and Gustavo Svarzman. 2025. "Informe Mercosur No. 27: MERCOSUR: Negociaciones estratégicas y escenarios emergentes." IDB Technical Note No. IDB-TN-03157. Washington, DC: Inter-American Development Bank.

- de Lima Andrade, José Roberto. 2007. "Metodologia de estimação da demanda por turismo doméstico no Brasil: aspectos teóricos e evidências empíricas." *Revista de Economia* 33 (1): 117–136.
- ECLAC. 2025. *Estudio Económico de América Latina y el Caribe 2025: Movilización de recursos para el financiamiento del desarrollo*. Santiago: ECLAC.
- Eilat, Yair, and Liran Einav. 2004. "Determinants of International Tourism: A Three-Dimensional Panel Data Analysis." *Applied Economics* 36 (12): 1315–1327.
- Fyall, Alan, Mike Morgan, and Ashok Ranchhod. 2009. *Marketing in Travel and Tourism*. 4th ed. Oxford, UK: Butterworth–Heinemann.
- Gidebo, Henok Bekele. 2021. "Factors Determining International Tourist Flow to Tourism Destinations: A Systematic Review." *Journal of Hospitality Management and Tourism* 12 (1): 9–17.
- Giordano, Paolo, Jéscica De Angelis, Nahuel Guaitá, Kathia Michalczewsky, Juan Rodríguez Gaudín, Gabriel Michelena, and Ayelén Vanegas. 2021. "Metodología de las estimaciones de las tendencias comerciales de América Latina." IDB Technical Note No. IDB-TN-02223. Washington, DC: Inter-American Development Bank.
- Giordano, Paolo, Rosario Campos, Jéscica De Angelis, Kathia Michalczewsky, Cloe Ortiz de Mendivil, and Alejandro Ramos Martínez. 2019. "Trade and Integration Monitor 2019. Rough Patch: Latin America and the Caribbean amid the Global Trade Slowdown." Washington, DC: Inter-American Development Bank.
- Giordano, Paolo, Rosario Campos, Romina Gayá, and Kathia Michalczewsky. 2024. "Trade and Integration Monitor 2024. Bucking the Trend: The Potential of Knowledge-Based Services." Washington, DC: Inter-American Development Bank.
- Handley, Kyle, and Nuno Limão. 2017. "Policy Uncertainty, Trade, and Welfare: Theory and Evidence for China and the United States." *American Economic Review* 107 (9): 2731–2783.
- Handley, Kyle, Nuno Limão, Rodney D. Ludema, and Zhi Yu. 2020. "Firm Input Choice Under Trade Policy Uncertainty." NBER Working Paper 27910. Cambridge, MA: National Bureau of Economic Research.
- Handley, Kyle, and Nuno Limão. 2022. "Trade Policy Uncertainty." NBER Working Paper 29672. Cambridge, MA: National Bureau of Economic Research.
- Hufbauer, Gary Clyde, and Ye Zhang. 2025. "The US Imported a Larger Amount of Goods in the First Half of 2025, but Less from China and More from the EU and Mexico." *PIIE Charts*, October 29. Peterson Institute for International Economics.
- Infante Rivera, L., José Manuel Armada Pacheco, Francisco Cyl Godiño Poma, Lesly Elizabeth Torres Chumbiauca, and Bertha Nancy Larico Quispe. 2024. "El turismo y seguridad integral en América Latina: Una revisión sistemática." *e-Revista Multidisciplinaria Del Saber* 2: e-RMS06112024.

- ILO. 2025. "Tourism Jobs in the Aftermath of the Pandemic: Skills and Labour in Short Supply." Geneva: International Labour Organization.
- IMF. 2025a. "World Economic Outlook, October 2025: Global Economy in Flux, Prospects Remain Dim." Washington, DC: International Monetary Fund.
- J.P. Morgan. 2025. "J.P. Morgan Global Manufacturing PMI: Global PMI Falls into Contraction Territory as New Orders Decline and Global Trade Worsens." May 2.
- Khoshnevis Yazdi, Soheila, and Bahman Khanalizadeh. 2016. "Tourism Demand: A Panel Data Approach." *Current Issues in Tourism* 20 (8): 787–800.
- Larrahondo, Cristhian, Emily Díaz, and Diego Guerrero. 2024. "Language Models and Google Trends: An Application to Tourism in the Andean Countries." IDB Technical Note No. IDB-TN-2882. Washington, DC: Inter-American Development Bank.
- López, Diego, Carlos Serrano, and Samuel Vázquez. 2025. "US Tariff Adjustments: Less Trade Protectionism with Mexico." *BBVA Research*, May 8.
- Majeed, Muhammad Tariq, and Maria Mazhar. 2021. "Managing Economic Growth through Tourism: Does Volatility of Tourism Matter?" *Decision* 48 (1): 49–69.
- Malaj, Emi, and Visar Malaj. 2023. "Determinants of International Tourism: Empirical Evidence from Three Mediterranean Countries." *Journal of Tourism, Heritage & Services Marketing* 9 (2): 66–72.
- Maloney, William, Guillermo Vuletin, Pablo Garriga, and Raul Morales. 2025. *Latin America and the Caribbean Economic Review, October 2025: Transformational Entrepreneurship for Jobs and Growth*. Washington, DC: World Bank.
- Martínez-Martín, Jaime, and Elena Rusticelli. 2021. "Keeping Track of Global Trade in Real Time." *International Journal of Forecasting* 37 (1): 224–236.
- Martins, Luís Filipe, Yi Gan, and Alexandra Ferreira-Lopes. 2017. "An Empirical Analysis of the Influence of Macroeconomic Determinants on World Tourism Demand." *Tourism Management* 61: 248–260.
- Miroudot, Sébastien, and Charles Cadestin. 2017. "Services in Global Value Chains: From Inputs to Value-Creating Activities." OECD Trade Policy Papers No. 197. Paris: OECD Publishing.
- OECD. 2020. "Tourism Policy Responses to the Coronavirus (COVID-19)." *OECD Policy Responses to Coronavirus (COVID-19)*. Paris: OECD Publishing.
- OECD. 2022. *OECD Tourism Trends and Policies 2022*. Paris: OECD Publishing.
- OECD. 2024a. "Creating Economic Prosperity through Inclusive and Sustainable Tourism: G7/OECD Policy Priorities Paper." OECD Tourism Papers 2024/01. Paris: OECD Publishing.
- OECD. 2024b. *OECD Tourism Trends and Policies 2024*. Paris: OECD Publishing.
- OECD. 2025a. *OECD Economic Outlook, Volume 2025, Edition 1: Tackling Uncertainty, Reviving Growth*. Paris: OECD Publishing.

- OECD. 2025b. "Using Alternative Data Sources and Tools to Measure and Monitor Tourism." OECD Tourism Papers No. 2025/11. Paris: OECD Publishing.
- Rodríguez-Díaz, Beatriz, and Juan Ignacio Pulido-Fernández. 2021. "Analysis of the Worth of the Weights in a New Travel and Tourism Competitiveness Index." *Journal of Travel Research* 60 (2): 267–280.
- Rotunno, Lorenzo, and Michele Ruta. 2025. "Trade Partners' Responses to US Tariffs." IMF Working Papers 2025, 147. Washington, DC: International Monetary Fund.
- Rucci, Ana Clara, Alejo Isoardi, Natalia Carman, and Priscila Viletto. 2024. "Identificación y clasificación de tecnologías accesibles en destinos turísticos." *Documentos de Trabajo del ITT*, no. 12. La Plata: Instituto de Investigaciones en Turismo, Universidad Nacional de La Plata.
- Rucci, Graciana, and Gabriel Aguerrevere. 2018. "Más allá de unas vacaciones: El turismo como fuente de empleo." *Factor Trabajo*. <https://blogs.iadb.org/trabajo/es/mas-alla-de-unas-vacaciones-el-turismo-como-fuente-de-empleo/>.
- Salinas Fernández, José Antonio, Paula Serdeira Azevedo, José María Martín Martín, and José Antonio Rodríguez Martín. 2020. "Determinants of Tourism Destination Competitiveness in the Countries Most Visited by International Tourists: Proposal of a Synthetic Index." *Tourism Management Perspectives* 33: 100582.
- Song, Haiyan, and Gang Li. 2008. "Tourism Demand Modelling and Forecasting: A Review of Recent Research." *Tourism Management* 29 (2): 203–220.
- Svarzman, Gustavo. 2021. "Buenos vientos comerciales para América Latina (pero no para todos)." Documentos de trabajo del Instituto Interdisciplinario de Economía Política IIEP (UBA-CONICET) 2021–61. Buenos Aires: Universidad de Buenos Aires, Facultad de Ciencias Económicas.
- UN. 2010. *International Recommendations for Tourism Statistics*. New York: United Nations.
- UN Tourism. 2024a. "International Tourism Highlights, 2024 Edition." Madrid: UN Tourism.
- UN Tourism. 2024b. *Informe regional de las mujeres en el turismo en América Latina y el Caribe*. Madrid: UN Tourism.
- WEF. 2013. *The Travel & Tourism Competitiveness Report 2013: Reducing Barriers to Economic Growth and Job Creation*. Geneva: World Economic Forum.
- WEF. 2022. *Travel & Tourism Development Index 2021: Rebuilding for a Sustainable and Resilient Future*. Geneva: World Economic Forum.
- WEF. 2024. *Travel & Tourism Development Index 2024*. Geneva: World Economic Forum.
- World Bank. 2025. *Commodity Markets Outlook April 2025*. Washington, DC: World Bank.
- WTO. 2025a. "Global Trade Outlook and Statistics: Update October 2025." Geneva: World Trade Organization.
- WTO. 2025b. "Global Trade Outlook and Statistics: April 2025." Geneva: World Trade Organization.

- WTO. 2025c. "Goods Barometer Rises as Imports Surge in First Quarter Ahead of Expected Tariff Hikes." June 26. Geneva: World Trade Organization.
- WTTC. 2023. "Travel & Tourism Economic Impact Research." *World Travel & Tourism Council*. <https://wttc.org/research/economic-impact>.
- WTTC. 2024. "Unlocking Opportunities for Travel & Tourism Growth in Latin America." London: World Travel & Tourism Council.



# Methodological Annex 1

## Estimation of the Value of Global and Regional Trade

This annex summarizes the main methodological aspects of the estimation of the world trade series published by the Netherlands Bureau for Economic Policy Analysis (CPB) and of the export series for Latin America used in this publication.

### **CPB World Trade Monitor**

The CPB compiles monthly series on trade flows for each country, drawing on selected sources that publish information online. Once collected, this data is standardized in terms of frequency and currency (US dollars), enabling the construction of consistent series of values, prices, and volumes. Different techniques are used to estimate missing observations at the country level for the most recent months. Regional aggregates are then constructed using this country data, which entails completing missing data for some countries using regional growth rates. The CPB World Trade Monitor covers 81 countries. Seasonally adjusted series from the primary source are used when available; otherwise, seasonal adjustments are applied to other available data. The base year for the series is 2021.

### **Estimates of Latin American exports**

The series of seasonally adjusted exports covers the 18 countries in LA: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela. These series were constructed using national sources and IDB estimates for Venezuela (see Methodological Annex 2). The Caribbean is not included, as up-to-date monthly data are not available.



# Methodological Annex 2

## Price, Volume, and Terms of Trade Indices

This annex summarizes the methodology used to estimate the export and import price indices, volume indices, and terms of trade used in aggregate form in Chapters 1 and 2.

### Monthly series

The decompositions of variations in the price and volume of LA exports in the first half of 2025, shown in Figure 3 (Chapter 1) and Figures 9 and 10 (Chapter 2), come from a monthly aggregate volume index that includes 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 (Center for Foreign Trade Studies Foundation), Chile (Central Bank of Chile), Colombia (Bank of the Republic), Peru (Central Reserve Bank), and Uruguay (Central Bank). The series for El Salvador was deflated using the Monthly Import Price Index for BEA End Use Excluding Fuels (Bureau of Labor Statistics). The series for Paraguay was calculated using export volume data for the country's main products as reported by the Central Bank of Paraguay and aggregated according to the 2010 export structure. For Mexico, the export values series was deflated using the All Commodities from Mexico import price index published by the BLS. Venezuela's export volumes were calculated using OPEC data on Merely-type oil prices. The national series were geometrically aggregated based on countries' shares of total exports valued in US dollars in 2015. For imports, the price and volume indices published by the official sources listed above were used, except for Venezuela. The indices were aggregated using the relative weight of the respective imports in the first semester of 2025.

### Annual series

The price indices are Laspeyres estimates for imports and exports: The methodologies used to calculate these indices are explained in detail in Giordano et al. (2023) and

have been adapted here in response to the quality and availability of disaggregated data, as described below.

### *Methodology 1: South American trade flows and Central American imports*

This methodology draws on the primary microdata available from the INTEGRA information system, which was used to estimate import and export deflators for South American countries and Central American imports. For the exports and imports of Argentina, Bolivia, Brazil, Colombia, Ecuador, El Salvador, Paraguay, Peru, and Uruguay, and for the imports of Costa Rica and Guatemala, Laspeyres price indices were calculated at the HS 6-digit subheading level, taking 2015 as the base year. These calculations were based on data for current values and physical volumes reported to INTEGRA by national sources as of September 2025, and on COMTRADE data for imports from Venezuela, which were obtained based on the value of exports to Venezuela reported by other countries. For Chile, the price index published by the Central Bank of Chile was used.

### *Methodology 2: Exports from Central American countries*

The second methodology uses deflators developed by the BLS, which were applied to Central American exports—in this case, those of Costa Rica and Guatemala. Due to issues with the data, particularly the microdata on physical volumes of manufactured goods, estimates at constant prices were made at the HS chapter (2-digit) level, using BLS price indices for US imports. The disaggregation includes 29 chapters of the HS: 2, 3, 7, 8, 9, 16, 22, 27, 28, 29, 30, 38, 39, 40, 62, 64, 73, 74, 76, 82, 83, 84, 85, 87, 88, 90, 94, 95, and 96. These calculations were based on data for current values and physical volumes reported to INTEGRA by national sources through September 2025. For Mexico, the export values series was deflated using the All Commodities from Mexico import price index published by the BLS.

### *Methodology 3: Venezuelan Exports*

Price indices were estimated using OPEC data on Merey crude oil, while volume indices were based on primary and secondary OPEC data on production volumes.

## **Additional notes**

At the time of publication, complete data was not available for Caribbean countries, so the subregion was excluded from the calculations.

The aggregate indicators for the region and groups of countries presented in Figure 3 (Chapter 1) and Figures 9 and 10 (Chapter 2) were obtained from weighted averages of the price and volume indices for each country's trade flows. The relative values of the exports or imports of the countries in each group that year were used as weights.

Data for the last two years is typically subject to revision by the respective sources and may not coincide with the figures subsequently updated and published by these sources. These estimates should thus be considered preliminary.



# Methodological Annex 3

## Goods and Services Export Statistics

The data for 2019 to 2025 in Tables 1, 2, and 3 (Chapter 2) are preliminary and are subject to changes by national statistical offices.

### Tables 1 and 2

Goods exports are expressed in free on board (FOB) values, while goods imports are expressed in values that include cost, insurance, and freight (CIF). For Venezuela, exports were estimated based on price and volume data reported by OPEC (see Methodological Annex 2), and imports were estimated from IMF mirror data (exports to Venezuela recorded by trade partners). For Peru, data on shipped exports published by SUNAT was used. The data for Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua includes special trade regimes. The data for Panama refers only to exports and imports from the national customs territory. At the time of publication, data for the Caribbean were available only for Jamaica through May 2025 and no data was available for Haiti.

### Table 3

Services exports are defined as per the sixth edition of the IMF *Balance of Payments Manual*. For all years, the series exclude construction services, government services, manufacturing services, and maintenance and repair services. All data is from the IMF, except in the case of the Bahamas, Guyana, and Haiti, for which data were obtained from UNCTAD. The value of services exports for the first quarter of 2025 is an estimate that excludes some countries for which no data was available at the time of publication.



# Methodological Annex 4

## Data Treatment for the Analysis of Intra-regional Trade

### Country groupings by integration groups and blocs

Pacific Alliance (PA): Colombia, Chile, Mexico, and Peru.

Andean Community (AC): Bolivia, Colombia, Ecuador, and Peru. Colombia and Peru, which are members of both the PA and the AC, are included in the estimates for both blocs. However, they are included only once in the totals for LA or LAC to avoid double-counting.

Central America and the Dominican Republic (CADR): The group includes Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, as well as the Dominican Republic, given that it belongs to the Central American Integration System (SICA) and has trade agreements with the other members. Belize is not included because, although it is a member of SICA, the only Central American countries with which it has trade agreements are Guatemala and Costa Rica.

Caribbean Community (CARICOM): Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Monserrat, Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

Southern Common Market (MERCOSUR): Argentina, Brazil, Paraguay, and Uruguay. The analysis does not include Bolivia, which formally joined the bloc in August 2024.

Latin America and the Caribbean (LAC): includes all the countries mentioned above, plus Venezuela.

### Database and estimates

The following official data sources were used: Argentina: National Institute of Statistics and Censuses; Barbados: Barbados Statistical Service and Central Bank of Barbados;

Belize: Statistical Institute of Belize; Bolivia: National Institute of Statistics; Brazil: Ministry of Development, Industry, and Foreign Trade; Chile: Central Bank of Chile; Colombia: National Administrative Department of Statistics; Costa Rica: Central Bank of Costa Rica and PROCOMER; Dominican Republic: General Customs Authority; Ecuador: Central Bank of Ecuador; El Salvador: Central Reserve Bank of El Salvador; Guatemala: Bank of Guatemala; Guyana: Bureau of Statistics; Honduras: Central Bank of Honduras; Jamaica: Statistical Institute of Jamaica; Mexico: Bank of Mexico; Nicaragua: Ministry of Development, Industry, and Commerce and 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; United States: US International Trade Commission; Uruguay: Central Bank of Uruguay; Venezuela: OPEC, IMF, and Central Bank of Venezuela.

# Methodological Annex 5

## Update of the Economic Integration Indicator

The aggregate integration indicator comprises four dimensions: trade, production, physical infrastructure, and institutions. Each dimension consists of several indicators that measure different aspects of integration by country on an annual basis. Giordano et al. (2021) provides details of the methodology and databases used for the original calculations. The modifications to this methodology used in this publication are explained below.

For physical infrastructure, the calculation was limited to a simple average of two indicators: the ratio between the average score for the maritime transport connectivity index and a 3G mobile network coverage index. The trade costs indicator was excluded because there was no 2024 update to the ESCAP-World Bank Trade Cost Database. The connectivity index is based on the UNCTAD Liner Shipping Connectivity Index, consulted in August 2025. Unlike the index used in Giordano et al. (2021), this version does not include bilateral records. The second indicator measures the share of the population covered by a mobile or cellphone signal network, regardless of whether they are subscribers or users or not. This data comes from the International Telecommunication Union and replaces the infrastructure dimension from the IMD World Competitiveness Center's World Competitiveness Ranking and the infrastructure pillar from the World Economic Forum's Global Competitiveness Report used in earlier editions of this report. The percentage of the population within reach of a mobile/cellphone signal is a key component of the physical integration dimension of any economic integration indicator, because it captures the coverage and accessibility of the digital infrastructure that now underpins connectivity across countries. In an increasingly digitalized trade environment, flows of information, services, and electronic transactions depend directly on the availability of telecommunications networks that enable communication and data transmission, both domestically and across borders.

Tariff costs were excluded from the institutional dimension because there was no 2024 update to the ESCAP-World Bank Trade Cost Database.



# Methodological Annex 6

## Empirical Analysis of Tourism Services Exports

The aim of this empirical exercise is: (i) to synthesize the information contained in multiple tourism competitiveness indicators drawn from the latest edition of the WEF's Travel & Tourism Development Index (TTDI)<sup>103</sup> into a smaller set of principal components; and (ii) to estimate the relationship between these synthesized TTDI components and international tourism performance, as measured by international tourist arrivals.

### Principal components

Principal component analysis (PCA) is used to summarize information from a set of highly correlated variables into a smaller number of uncorrelated components that capture most of the original variance. PCA reduces information redundancy, identifies common structural patterns across pillars, facilitates interpretation of the structural drivers of tourism, and helps prevent multicollinearity problems in subsequent econometric modeling.

In this case, 14 of the 17 TTDI pillars that showed strong cross-correlations were included (Table A.6.1). The Socioeconomic Impact and Demand Sustainability pillars were excluded because they function more as outcome variables than as direct determinants of international arrivals. The Business Environment pillar was also excluded, which covers aspects such as macroeconomic stability, regulatory efficiency, and investment climate, because it represents a cross-cutting, widely recognized determinant of overall economic performance, including the tourism sector. From a methodological standpoint, retaining this pillar would have reduced the PCA's capacity to distinguish specific determinants of tourism competitiveness by introducing a broad macroeconomic factor likely to dominate the explained variance artificially. Excluding this variable allows the analysis to focus on the specific features of the tourism ecosystem that are most relevant for explaining differences in international tourism performance across countries.

---

<sup>103</sup> WEF (2024).

**TABLE A.6.1 • DIMENSIONS AND PILLARS OF THE TRAVEL & TOURISM DEVELOPMENT INDEX INCLUDED IN THE PRINCIPAL COMPONENT ANALYSIS**

Dimensions	Pillars	Treatment
Enabling Environment	Business Environment	Excluded
	Safety and security	Included
	Health and Hygiene	Included
	Human Resources and Labor Market	Included
	ICT Readiness	Included
Travel and Tourism Policy and Enabling Conditions	Prioritization of Travel and Tourism	Included
	Openness to Travel and Tourism	Included
	Price Competitiveness	Included
Infrastructure and Services	Air Transport Infrastructure	Included
	Ground and Port Infrastructure	Included
	Tourist Services and Infrastructure	Included
Travel and Tourism Resources	Natural Resources	Included
	Cultural Resources	Included
	Non-Leisure Resources	Included
Travel and Tourism Sustainability	Environmental Sustainability	Included
	Socioeconomic Impact	Excluded
	Demand Sustainability	Excluded

Source: IDB Productivity, Trade, and Innovation Sector.

In technical terms, PCA calculates the correlation matrix of all included variables and extracts the eigenvectors and eigenvalues from it. The eigenvectors represent the linear combinations (components) of the original variables that maximize the total variance explained, while the eigenvalues indicate the proportion of variance accounted for by each component.

### General PCA equation

$$Z_{ik} = a_{1k}X_{i1} + a_{2k}X_{i2} + \dots + a_{pk}X_{ip}$$

where:

- $Z_{ik}$  is the value of the component  $k$  for the country  $i$ ;
- $a_{jk}$  are the weights (eigenvectors) associated with each original variable  $X_j$ ; and the components are orthogonal to one another:  $\text{Cov}(Z_{i1}, Z_{i2}) = 0$

The result is a set of orthogonal (uncorrelated) components that summarize the information contained in the 14 original variables. Each component is a weighted linear combination of the original variables.

In this case, the first three components explain 75.1% of the total variance (Table A.6.2 and A.6.3), which justifies their selection as representatives of the structural dimensions of the tourist system. PC1 (Production Factors) shows high positive loadings in: ICT Readiness (0.340), Human Resources and the Labor Market (0.319), Ground and Port Infrastructure (0.312), Openness to Travel (0.306), and Air Transport Infrastructure (0.303). PC2 (Tourism Attractions) shows high loadings for Natural Resources (0.580), Cultural Resources (0.496), and Non-Leisure Resources (0.417). Finally, PC3 (Institutional Environment) shows high absolute loadings for Prioritization of Travel and Tourism (–0.712) and Safety and Security (0.474).

**TABLE A.6.2 • PRINCIPAL COMPONENT RESULTS**

Component	Eigenvalue	Explained variance (%)	Cumulative (%)
PC1: Production Factors	7.30	52.1%	52.1%
PC2: Tourism Attractions	2.28	16.3%	68.4%
PC3: Institutional Environment	0.93	6.7%	75.1%

Source: IDB Productivity, Trade, and Innovation Sector.

**TABLE A.6.3 • PRINCIPAL COMPONENT LOADINGS, SELECTION**

<b>PC1: Production Factors</b>			
Pillar	Loading	Sign	Relevance
ICT Readiness	0.340	+	High
Human Resources and Labor Market	0.319	+	High
Ground and Port infrastructure	0.312	+	High
Openness to Travel and Tourism	0.306	+	High
Air Transport Infrastructure	0.303	+	High
Tourist Services and Infrastructure	0.297	+	Moderate
Health and Hygiene	0.293	+	Moderate
Environmental Sustainability	0.290	+	Moderate
Non-Leisure Resources	0.255	+	Moderate
Price Competitiveness	0.257	–	Moderate (inverse)
Cultural Resources	0.192	+	Low
Safety and Security	0.188	+	Low

(continued on next page)

**TABLE A.6.3 • PRINCIPAL COMPONENT LOADINGS, SELECTION** *(continued)*

<b>PC1: Production Factors</b>			
Pillar	Loading	Sign	Relevance
Prioritization of Travel and Tourism	0.187	+	Low
Natural Resources	0.063	+	Marginal
<b>PC2: Tourism Attractions</b>			
Pillar	Loading	Sign	Relevance
Natural Resources	0.580	+	Very high
Cultural Resources	0.496	+	Very high
Non-Leisure Resources	0.417	+	High
Air Transport Infrastructure	0.208	+	Moderate
Price Competitiveness	0.122	+	Low
Safety and Security	0.323	-	Moderate (inverse)
Health and Hygiene	0.155	-	Low
Tourist Services and Infrastructure	0.154	-	Low
Human Resources and Labor Market	0.128	-	Low
ICT Readiness	0.081	-	Low
Ground and port infrastructure	0.031	-	Marginal
Environmental Sustainability	0.044	-	Marginal
Openness to Travel and Tourism	0.042	-	Marginal
Prioritization of Travel and Tourism	0.075	-	Marginal
<b>PC3: Institutional Environment</b>			
Pillar	Loading	Sign	Relevance
Prioritization of Travel and Tourism	0.712	-	Very high (inverse)
Safety and Security	0.474	+	High
Ground and Port Infrastructure	0.269	+	Moderate
Price Competitiveness	0.111	+	Low
Air Transport Infrastructure	0.112	+	Low
Non-Leisure Resources	0.177	+	Low
Natural Resources	0.142	-	Low
Environmental Sustainability	0.158	-	Low
Tourist Services and Infrastructure	0.243	-	Low
Human Resources and Labor Market	0.072	+	Marginal

*(continued on next page)*

**TABLE A.6.3 • PRINCIPAL COMPONENT LOADINGS, SELECTION** *(continued)*

<b>PC3: Institutional Environment</b>			
Pillar	Loading	Sign	Relevance
ICT Readiness	0.108	+	Marginal
Cultural Resources	0.090	+	Marginal
Openness to Travel and Tourism	0.103	-	Marginal
Health and Hygiene	0,029	-	Marginal

Source: IDB Productivity, Trade, and Innovation Sector.

### Econometric panel model

The model seeks to estimate the relationship between the synthesized TTDI components and the performance of international tourism, represented by the logarithm of international tourist arrivals  $\log (ITA_{it})$ . The model was estimated using three alternative specifications: (i) country fixed effects; (ii) country and year fixed effects; and (iii) country and year fixed effects including a regional interaction term for LAC.

#### *Model with country fixed effects*

Fixed effects capture all unobservable heterogeneity that remains constant over time within each country, such as geographic location, structural resource endowment, language, market size, baseline institutional quality, and distance from major source markets. These characteristics may influence both tourism flows and the TTDI pillars, and if not controlled for, could result in omitted variable bias. The fixed effects model controls for this by comparing each country with itself across time, isolating the effect of changes in TTDI components on changes in international tourist arrivals. The choice of the fixed effects model is justified as it controls for unobserved cross-country heterogeneity, avoids bias from omitted structural variables, exploits within-country temporal variation (2019, 2021, and 2024), and is consistent with a short panel structure covering many countries (119 over three years).

$$\log (ITA_{it}) = \beta_1 PC1_{it} + \beta_2 PC2_{it} + \beta_3 PC3_{it} + \mu_{it} + \varepsilon_{it}$$

where:

- $\log (ITA_{it})$ : international tourist arrivals to the country  $i$  during the year  $t$  (in logarithm),
- $\beta_1, \beta_2, \beta_3$ , reflect how relative within-country changes in the three principal components (PC1: Production Factors, PC2: Tourism Attractions; and PC3: Institutional

Environment) are associated with variations in international tourism arrivals, expressed as  $\log(ITA_{it})$ ,

- $PC1, PC2, PC3$ : principal components obtained from the analysis of the TTDI pillars,
- $\mu_{it}$  represents unobserved country-specific effects,
- $\epsilon_{it}$  is the idiosyncratic error term,
- the estimation is performed using a fixed-effects model with robust standard errors clustered by country.

### *Model with country and year fixed effects*

This model builds on the previous one by incorporating year fixed effects to capture events or shocks that affect all countries in a given period (for example, the Covid-19 pandemic or global variations in tourism demand). Combining country and year fixed effects makes it possible to isolate the relationship between structural variables and tourism performance, net of country-invariant factors and global shocks.

$$\log(ITA_{it}) = \beta_1 PC1_{it} + \beta_2 PC2_{it} + \beta_3 PC3_{it} + \mu_{it} + \delta_{it} + \epsilon_{it}$$

- $\delta_{it}$  represents the set of year fixed effects that capture shocks affecting all countries.

### *Model with country and year fixed effects and regional interaction (LAC)*

This estimation makes it possible to assess whether the structure of tourism and competitiveness conditions have a differentiated impact in LAC compared to the global average, while controlling for country and year fixed effects.

$$\log(ITA_{it}) = \beta_1 PC1_{it} + \beta_2 PC2_{it} + \beta_3 PC3_{it} + \gamma_1 (PC1_{it} \times LAC_i) + \gamma_2 (PC2_{it} \times LAC_i) + \gamma_3 (PC3_{it} \times LAC_i) + \mu_{it} + \delta_{it} + \epsilon_{it}$$

- $LAC_i$  is a regional dummy variable that interacts with the principal components, taking the value of 1 for LAC countries and 0 for other countries.
- $\gamma_1, \gamma_2, \gamma_3$  indicate whether the relationship between each component and international arrivals differs significantly for LAC countries compared to other countries.

Countries  $i = 1, \dots, 119$

Years  $t \in \{2019, 2021, 2024\}$

$N = 356$

To determine whether the relationship between the principal components and international arrivals differs significantly between LAC and the rest of the world, a joint significance test (F-test) was performed on the interaction coefficients between the components and the regional dummy variable (LAC). This test verifies whether, taken together, the marginal effects of the three principal components follow a distinct pattern for LAC countries. The test result ( $F(3,118)=4.64$ ;  $p=0.0042$ ) rejects the null hypothesis of coefficient equality ( $H_0: \gamma_1 = \gamma_2 = \gamma_3 = 0$ ), indicating that the structure of association between tourism competitiveness factors and international arrivals differs significantly for LAC countries.

In the original PCA, the loadings for the Tourism Prioritization and Safety and Security pillars had opposite signs, resulting in an ambiguous interpretation: higher component values could indicate greater institutional prioritization but lower safety levels. To ensure interpretive consistency and economic directionality in the results and to align the scale in a positive direction, such that higher PC3 values indicate a better institutional environment for tourism, the sign of the third principal component was reversed ( $PC3\_pos=-PC3$ ). This transformation is statistically neutral—it does not alter the variance or the model structure—and allows for a more intuitive interpretation of the regression coefficients, in which higher PC3 values indicate improvements in institutional conditions for tourism.

### Methodological limitations

1. Short time horizon and limited within-country variability: although the panel includes multiple countries, the number of years is limited. This severely limits the temporal variation available for identifying effects in models with country fixed effects, creating the risk of temporal collinearity and imprecise estimators. Some of the observed statistical significance may reflect cross-country differences rather than within-country changes.
2. Potential endogeneity between determinants and tourism: variables such as infrastructure, connectivity, or human capital can be both causes and consequences of tourism development. Without appropriate identification strategies (instrumental variables, lags, or quasi-experimental designs), the coefficients should be interpreted as associations rather than causal effects. This limitation is especially problematic in short panels, where lagging is difficult to implement.
3. Comparability of principal components: estimating PCs from the TTDI pillars or subindicators assumes that factor loadings remain stable over time and are comparable across countries. Because weights are calculated across the entire dataset, changes in the composition or scale of indicators can alter the economic

- interpretation of the components. This introduces an element of arbitrariness in interpreting PCs across periods or models.
4. Possible measurement bias in data sources: some TTDI indicators and variables for infrastructure or connectivity are based on opinion surveys or indirect estimates. This introduces noise and systematic bias, particularly in countries with lower statistical coverage, potentially affecting correlations and the robustness of the PCA.
  5. Error structure and spatial dependence: the model assumes that errors are independent across countries, but the determinants of tourism (e.g., global shocks, connectivity trends, or regional policies) may introduce spatial correlation. If the variance matrix is not properly corrected, standard errors may be underestimated, inflating statistical significance.
  6. Year fixed effects do not capture heterogeneous shocks: although year fixed effects are included, they control only for common shocks (such as the Covid-19 pandemic) but not for differences in the magnitude of such shocks across regions. These differences would be better captured by models with random effects and a Mundlak adjustment, or by two-way fixed effects with region-by-year interactions.
  7. Interpretation of regional interactions: the interaction test identifies average differences in slopes but does not control for intraregional heterogeneity. LAC is a highly diverse region (spanning the Caribbean, South America, and Central America), so differences may be driven by a specific subset of countries. Incorporating subregional fixed effects or estimating separate models for each bloc may yield more nuanced insights.
  8. Normalization and multicollinearity among components: although principal components are orthogonal by design, including interactions and transformations (such as PC3\_pos) may reintroduce multicollinearity. Combined coefficients should be interpreted with caution, ensuring that their signs and magnitudes remain stable when small adjustments are made to the model.

Overall, this empirical strategy provides a useful initial approach for exploring the links between TTDI pillars and tourism performance. However, the results should be interpreted as indicative rather than definitive, given the limited temporal variation, potential endogeneity among determinants, and the aggregation inherent in the PCA. Future research could strengthen causal validity by employing dynamic models, instrumental specifications, or by expanding the temporal coverage of the dataset.



The 2025 *Trade and Integration Monitor* analyzes recent trends in trade flows and export growth in Latin America and the Caribbean within an international environment marked by heightened uncertainty and the ongoing re-configuration of global trade policies in goods markets. The publication highlights the growing importance of tourism services exports and examines the factors shaping the performance of this sector, which is of increasing strategic significance for the region.

