TRADE TRENDS ESTIMATES

LATIN AMERICA AND THE CARIBBEAN

2020 EDITION

IDB

INTAL

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Coordinated by
Paolo Giordano

IDB

INTAL

This report provides estimates of Latin American and Caribbean international trade flows for 2019. It was prepared by the Integration and Trade Sector (INT) of the Inter-American Development Bank (IDB), in collaboration with its Institute for the Integration of Latin America and the Caribbean (INTAL), under the direction of Fabrizio Opertti, Sector Manager, and Pablo García, Director of INTAL. Technical supervision was provided by Mauricio Mesquita Moreira, Sector Economic Advisor in INT.

This edition was coordinated by Paolo Giordano, Principal Economist in INT, and written in collaboration with Kathia Michalczewsky, INTAL consultant. Andrés Cavelier, Jésica De Angelis, Cloe Ortiz de Mendívil, and Ziga Vodusek participated in the research and provided valuable comments. Carolina Barco, Azul Cantú Echeverría, and Eugenio Negrín provided support in data processing.

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The estimates in this report are based on quarterly and monthly data available for 25 Latin American and Caribbean countries for 2019. Data was obtained from official national and international sources and from INTradeBID, the information system of the IDB on trade and integration, which is available online at www.intradebid.org. The information included in the report is current as of November 25, 2019.

The original report was drafted in Spanish.

INTradebid

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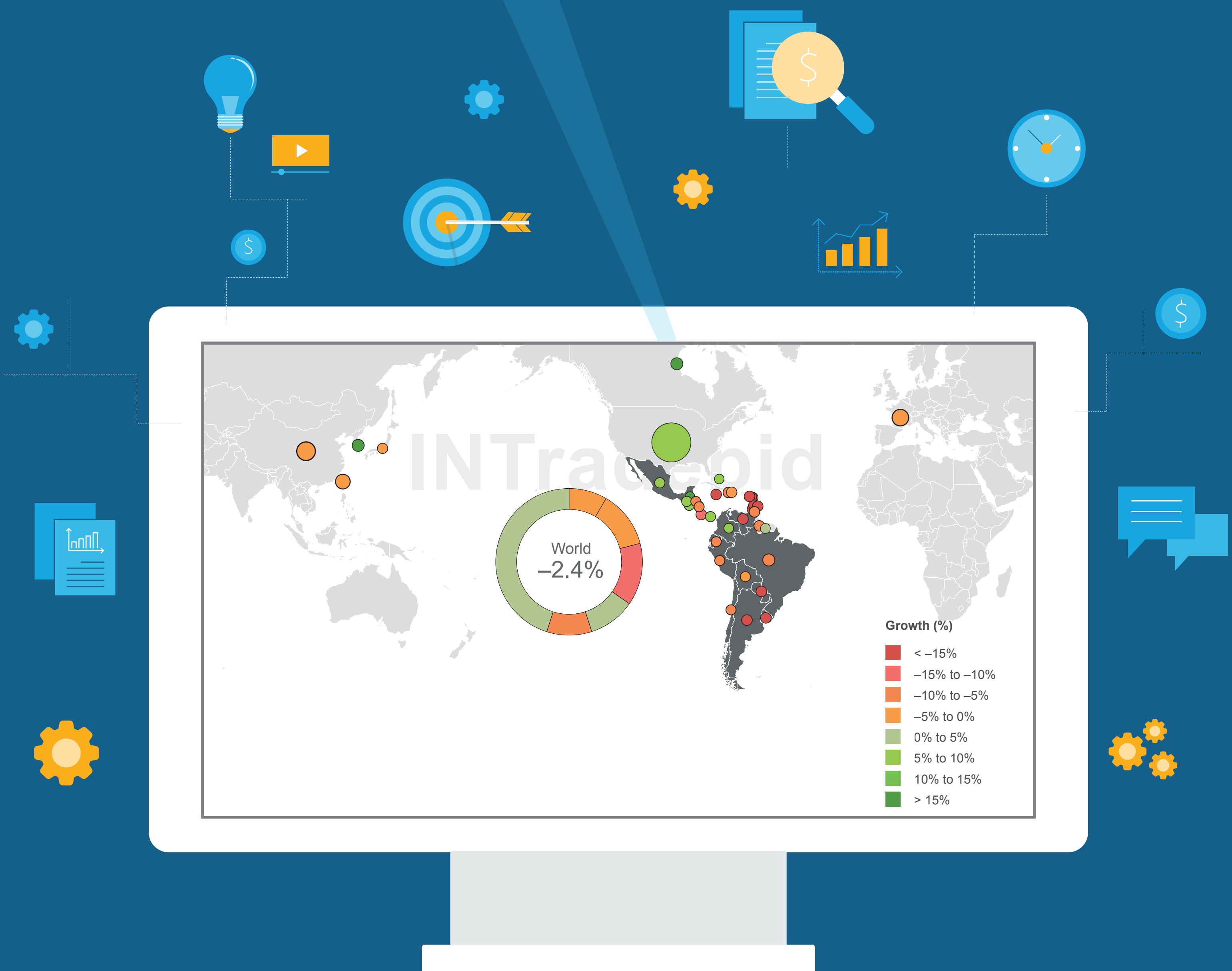


THERMOMETER OF LATIN AMERICAN AND CARIBBEAN EXPORTS

2020

TRADE TRENDS ESTIMATES
INTER-AMERICAN DEVELOPMENT BANK

2012	2013	2014	2015	2016	2017	2018	2019
1.3%	-0.6%	-2.9%	-14.8%	-3.3%	12.2%	8.7%	-2.4%

NEW CONTRACTION PHASE

Exports of Latin America and the Caribbean decreased an estimated 2.4% in 2019, after two years of expansion.

Estimated annual growth rate for 2019

TREND

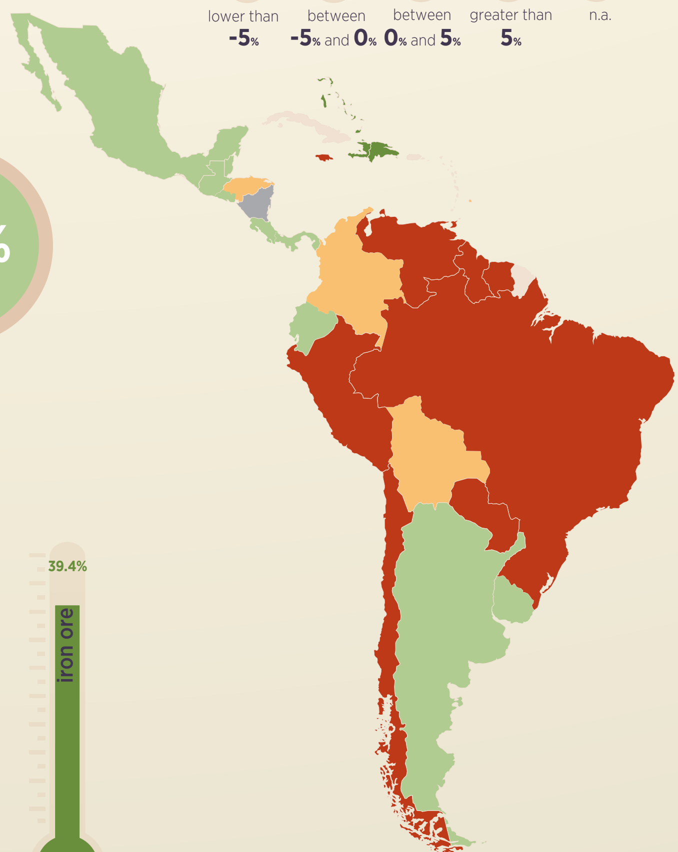
Downward risks and no signs of a trend reversal in the short term.

PERFORMANCE BY COUNTRY

The export performance of nearly every country in the region weakened.

Estimated annual growth rate for 2019

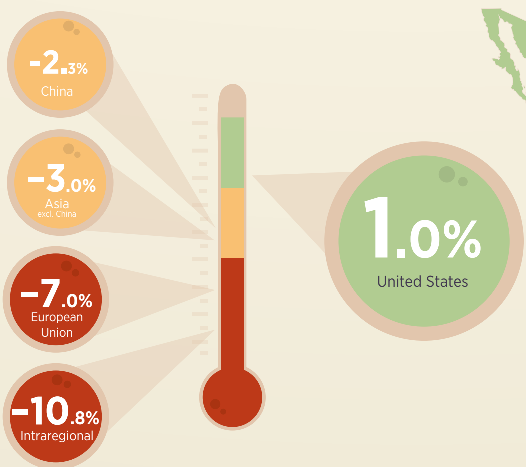
lower than -5% · between -5% and 0% · between 0% and 5% · greater than 5% · n.a.



CHANGE IN DEMAND

United States was the only trading partner that increased demand from the region.

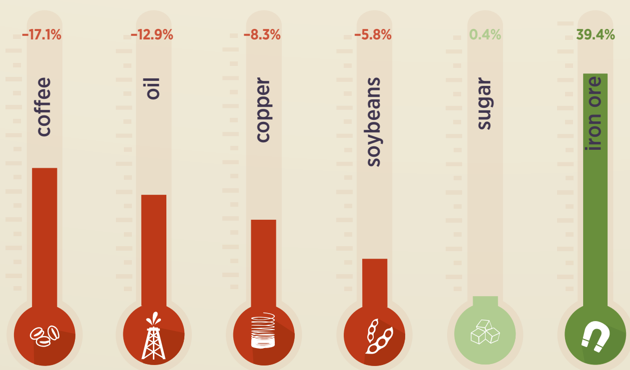
Estimated annual growth rate for 2019



PRICE REDUCTION

Excluding iron ore, most commodity prices showed downward trends throughout the year.

Year-on-year growth rate between January and October 2019



EXPORT CONTRACTION DEEPENS IN LATIN AMERICA AND THE CARIBBEAN

Highlights

The value of Latin American and Caribbean exports contracted at an estimated rate of 2.4% in 2019, after having grown by 8.7% in 2018.

The downturn was driven by lower export prices and stagnating trade volumes.

Although the export performance of nearly every country in the region weakened, the decline was most marked in South America and the Caribbean.

The balance of risks remains slightly tilted to the downside and there is no sign of a trend reversal in the short term.

Goods exports from Latin America and the Caribbean (LAC) entered a contraction phase in 2019, following two years of expansion. The region's total external sales are estimated to have fallen 2.4% in 2019,[1] after growing 8.7% in 2018 and 12.2% in 2017. The downturn in LAC exports was in line with the downward trend in the value of global trade, which dropped 3.1% year-on-year in the first three quarters of 2019 (Figure 1).

LAC exports lost momentum throughout 2018, slowed down further in the first quarter of 2019, and then started to contract. The main driver of this change was the evolution of prices, as the recovery of the previous two years was reversed. However, export volumes also weakened, with an estimated growth close to zero in 2019 after expanding at relatively high rates in 2018.

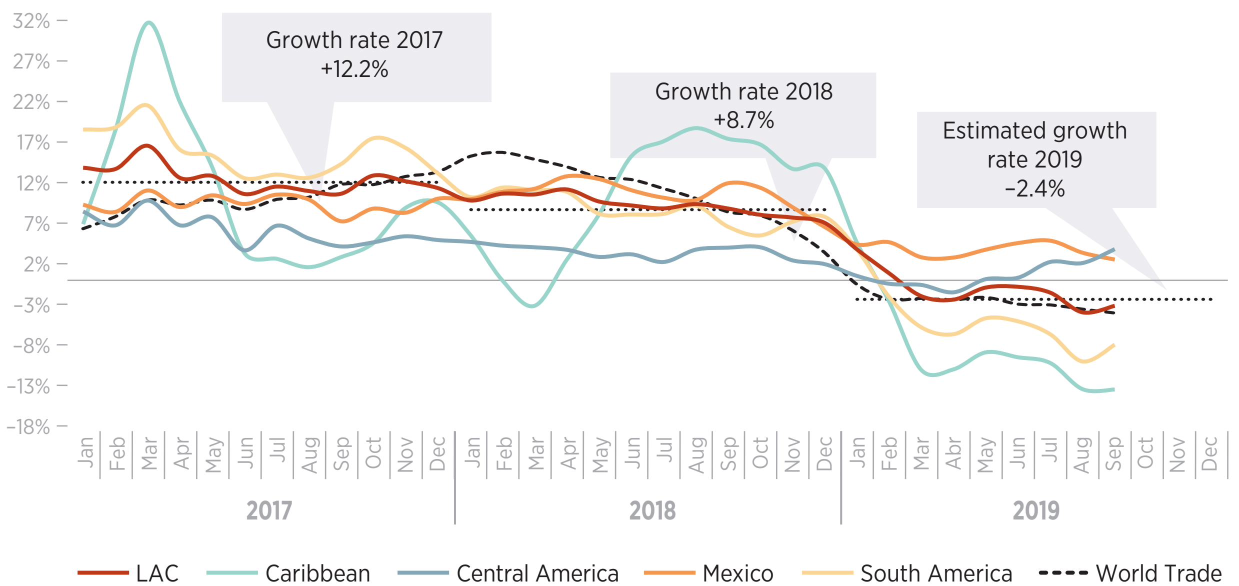
[1] This data includes information from 17 Latin American and 8 Caribbean countries: Argentina, The Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, Uruguay, and Venezuela. See the Methodological Note for additional information on the procedures, time periods, and sources for the data used in the estimates.

The fall in prices had a particularly strong impact on exports from South America and the Caribbean, which experienced increasingly negative growth rates since early 2019. External sales of Mexico continued to grow but at a significantly lower rate than the average of previous years. In Central America there was a decline in the last quarter of 2018 and mid-2019, which was then reversed, returning the annual export growth rate to positive ground.

Total goods imports of LAC fell at an estimated rate of 3.1% in 2019, due to both the contraction in economic activity in several countries of the region and the secondary effects of the decline in export demand, which affected imports of capital goods and production inputs.

The balance of risks to LAC trade remains slightly tilted to the downside. Based on a leading indicator that enables the forecast of the direction of future export growth, a short-term trend reversal is not foreseen. Looking ahead, there are risks associated with the slowdown in external demand, particularly within the region, the volatility of commodity markets, and uncertainty about the effects of global trade tensions.

FIGURE 1 • VALUE OF LATIN AMERICAN AND CARIBBEAN EXPORTS AND WORLD TRADE
(Year-on-year growth rate, 3-month moving average, percentage, 2017–2019)



Source: IDB Integration and Trade Sector and INTAL with data from official sources and the Netherlands Bureau for Economic Policy Analysis (CPB) for world trade.
Note: Up to April 2019 data for LAC includes 18 Latin American countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela; and 8 countries in the Caribbean: The Bahamas, Barbados, Belize, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago. From May 2019 onward, Nicaragua was excluded due to a lack of data. World trade is the average of global imports and exports.

General Outlook

Goods exports from LAC fell at an estimated rate of 2.4% in 2019, following two years of growth. This contraction resulted from sharp declines in external sales of South America and the Caribbean, not offset by the weak growth in exports from Mexico and Central America.

In **South America**, exports shrank by 7.2% in 2019 after growing by 8.2% in 2018. The subregion was mainly affected by the dynamics of commodity prices, which coincided with a decline in export volumes. Contraction was recorded in all major export destinations, although the sharpest drops were in exports to the United States and within South America itself.

In **Mesoamerica**, export growth went down from 9.3% in 2018 to 3.1% in 2019, largely reflecting the slowdown in shipments from Mexico (which fell from 10.1% in 2018 to 3.3% in 2019). Exports of Central America grew by 1.5%, deteriorating in comparison with 2018 (3.3%). The United States was the main driver of demand for Mesoamerican exports, but at a significantly slower pace than the previous year, and that was just enough to compensate the downturn in exports to the rest of LAC and the European Union.

Exports from the **Caribbean** are estimated to have contracted by 10.9% in 2019 after growing by 9.9% in 2018. The increase in exports to the European Union was not enough to offset the severe contraction in exports to all other destinations.

Prices

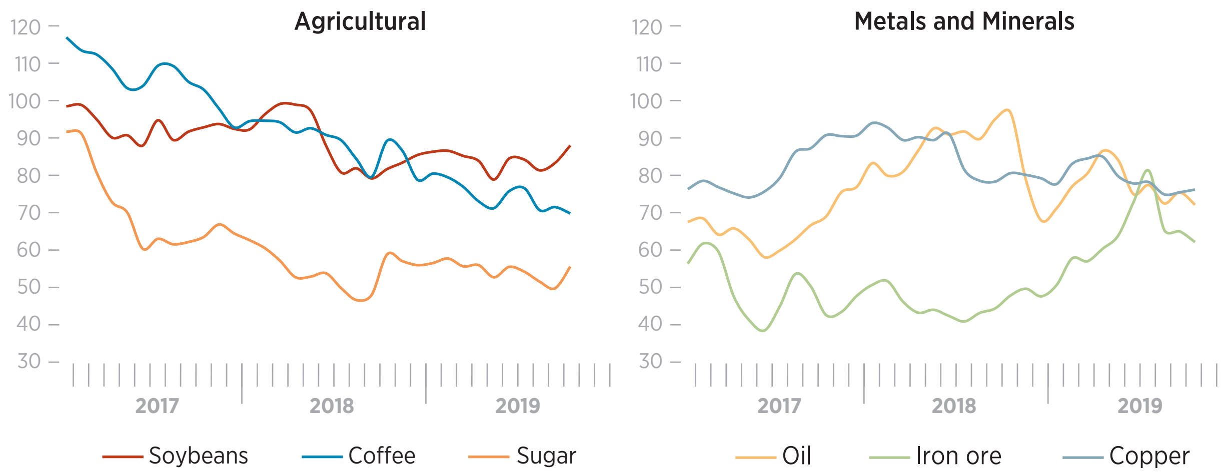
The prices of the main LAC export commodities followed a downward trend throughout 2019, except for iron ore (Figure 2). Oil played a decisive role in LAC trade dynamics.

The trend in the price of **oil**, which drove the recovery in LAC exports between 2017 and 2018, reversed course toward the end of the latter year. The average for January–October 2019 was 12.9% lower than in the same period of 2018. The oil price trend was relatively volatile throughout the year as a consequence of major producers cutting production, constraints on demand caused by sanctions of the United States on Iran and Venezuela, and attacks on oil facilities in Saudi Arabia. Nevertheless, these factors were not enough to bring the price back to previous levels.

Iron ore was the only major LAC export product whose price increased in 2019, albeit for exceptional events, namely the disruption of production in Brazil, extreme weather events in Australia, and higher-than-expected demand from China due to fiscal stimuli. Between January and October, the average price was 39.4% higher than during the same period the previous year. However, the price has been on a downward trend since July, driven mainly by the recovery in the supply of Brazil.

Copper experienced an 8.3% price drop in January–October 2019 compared to the same period the previous year. In addition to the impact of tariffs in China as part of the country's trade dispute with the United States, demand from other countries remained low, which pushed copper prices downward.

FIGURE 2 • PRICES OF THE MAIN EXPORT PRODUCTS OF LATIN AMERICA AND THE CARIBBEAN
(Index, 2010=100, 2017–2019)



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

As for agricultural products, the price of **sugar** remained relatively stable throughout 2019. The previous downward trend was halted by the contraction in global supply caused by lower production in India and decisions to allocate a growing share of the sugarcane harvest to ethanol production rather than sugar in Brazil.

The average price of **soybeans** in January–October was 5.8% below the price in the same period of 2018. Prices fell sharply as a result of China levying tariffs on imports originating in the United States in mid-2018, which was compounded by the decline in demand from the Asian country caused by the swine fever. Despite some occasional improvements, the price of soybeans did not return to its previous peak.

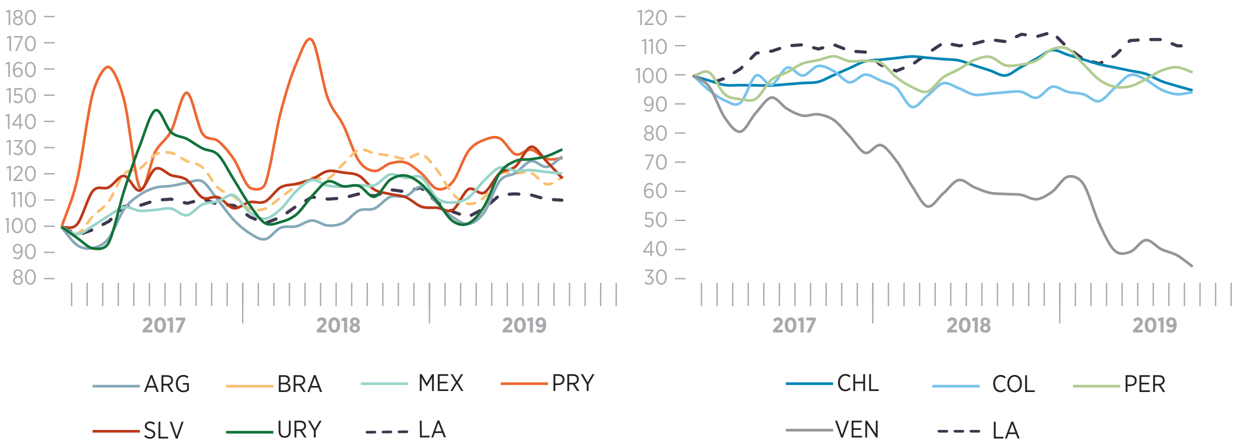
The 17.1% year-on-year drop in **coffee** prices between January and October 2019 was mainly due to an increase in global production, largely driven by Brazil.

Volumes

The volume of LAC exports stagnated at an estimated 0.3% in 2019, after growing a solid 4.0% in 2018 (Figure 3). The aggregate figure for the region hides heterogeneous country performances. There were significant increases in the volumes exported by Uruguay and Argentina, and, to a lesser degree, by Mexico, Colombia, and El Salvador. These were offset by contractions in exports from Venezuela, Paraguay, Chile, Brazil, and Peru.

The volume of exports from **Argentina** grew by an estimated 13% in 2019, driven by a record harvest and recovery after the drought of the previous year. The same factors explain the change in export volumes of **Uruguay**, which increased by an estimated 8% in 2019. In **Mexico**, exports grew by 4%, significantly less than in the previous year (8%), which points to a marked slowdown

FIGURE 3 • EXPORT VOLUMES OF SELECTED LATIN AMERICAN COUNTRIES
(Index, 3-month moving average, January 2017=100, 2017–2019)



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

in the demand of the United States. **Colombia** experienced a 2% increase in export volumes, mainly explained by the rise in oil exports. In **El Salvador**, exports grew by 1% in real terms, which is on par with 2018.

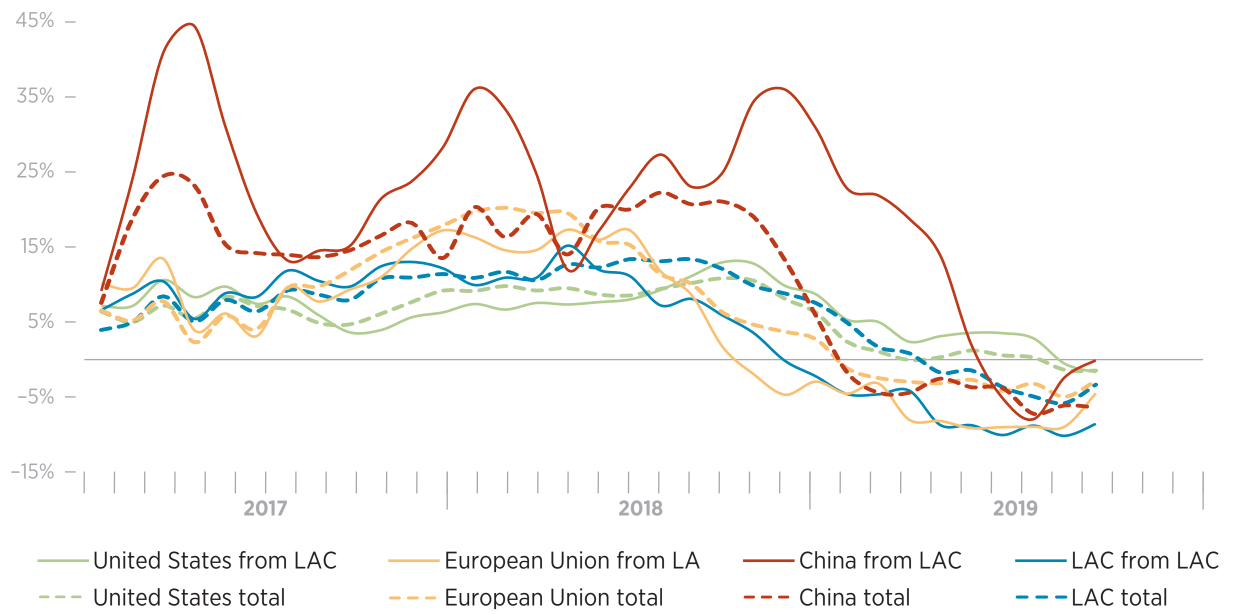
In contrast, in **Peru** export volumes fell 1% in 2019 due to reduced shipments of gold, oil, and oil derivatives. In **Brazil** exports contracted by 3% as a result of several factors, which included reduced soybean shipments due to unfavorable weather, a drop in iron ore production following the Brumadinho mine accident, and a contraction in vehicle sales, especially to Argentina, owing to the economic recession in the latter.

Real exports from **Chile** declined 4% in 2019. This downturn affected the agricultural, forestry, and fishing sectors as well as industry, and particularly the mining sector, where the drop was most marked. In **Paraguay**, export volumes contracted by 7% as a result of reduced shipments of soybeans and electricity due to unfavorable weather conditions that affected production. Finally, real exports of **Venezuela** are estimated to have fallen 31%, driven by the decline in oil production.

Markets

The weakening of LAC exports from the last quarter of 2018 onward, which deepened in early 2019, reflects the evolution of demand from all the region's main trading partners. Imports from the European Union and LAC itself were the first to suffer the impact of the slowdown in global trade and intraregional flows contracted the most (Figure 4). The United States and China continued to prop up LAC exports in the first half of 2019, but with a clear downward trend that turned to a contraction in the second half of the year.

FIGURE 4 • VALUE OF IMPORTS OF THE MAIN TRADING PARTNERS FROM LATIN AMERICA AND THE CARIBBEAN AND THE WORLD
(Year-on-year growth rate, 3-month moving average, percentage, 2017–2019)



Source: IDB Integration and Trade Sector and INTAL with data from the International Monetary Fund (IMF), United States International Trade Commission (USITC), Eurostat, China Customs, and national sources.
Note: The import growth rates for all economies are based on series valued in U.S. dollars.

In 2019, imports of the **European Union** and **LAC** from the region contracted by 7.0% and 10.8%, respectively. In both cases, these contractions were significantly greater than the downturn in total imports (3.2% and 3.1%, respectively), which thus implied a loss of LAC market share in these destinations.

In **China**, purchases from LAC fell by 2.3%[2] in 2019, a rate slightly lower than that of its total imports (–4.9%). After growing at an average rate of around 25% in 2018, imports from LAC slowed rapidly before entering negative ground in May 2019. This weakened one of the main driving forces of external demand for LAC, particularly for South America.

Imports of the **United States** from LAC grew 1.0% on average in 2019, while overall purchases are estimated to have shrunk by 0.3%. However, the year-on-year growth rate of imports from LAC entered negative ground in August. Moreover, the regional average was exclusively driven by increased demand directed to Mexico, as purchases from South America and the Caribbean fell sharply, while those from Central America stagnated.

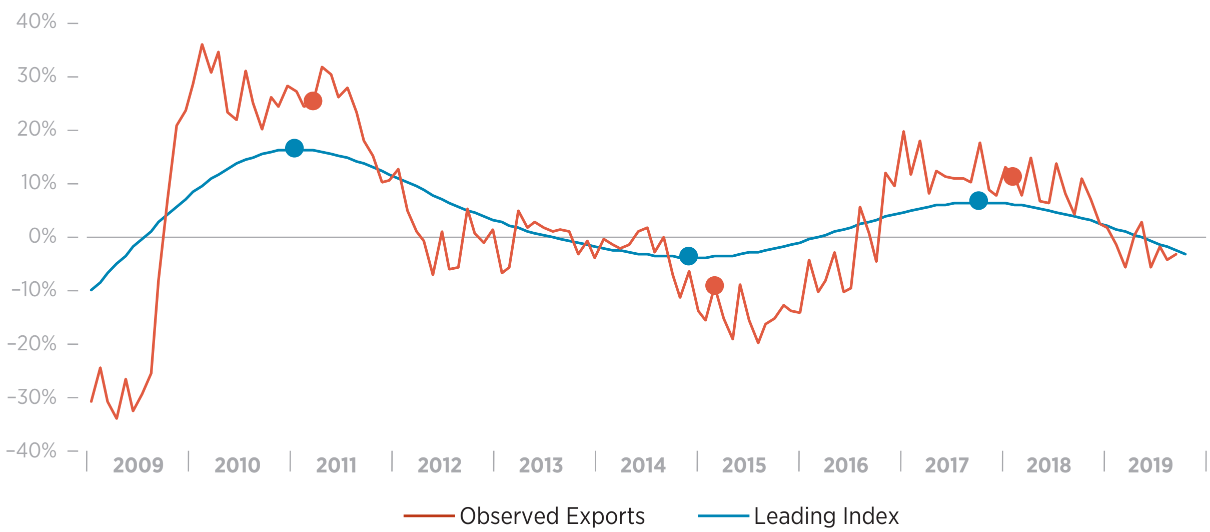
[2] It is worth noting that if instead of exports recorded by LAC national sources imports reported by China are considered, the estimated growth rate for 2019 is positive (3.1%). This discrepancy is due not only to the different sources, but also to the lag between the time when exports and imports are recorded, which in the case of China can be as long as two months.

Prospects

According to a leading indicator that forecasts the growth path of trade flows, the fall in the value of exports observed in 2019 is consistent with a medium-term contraction trend that is not expected to reverse in the coming months.[3] The model suggests that there will not be a turning point that will enable LAC to return to export growth until the beginning of 2020 at the earliest (Figure 5).[4]

Specifically, the estimation of the export growth rate with an instant prediction methodology known as *nowcasting* allows to project different scenarios. In the central scenario, the estimated growth rate for 2019 is –2.4%.

FIGURE 5 • CHANGES IN THE TREND OF THE VALUE OF GOODS EXPORTS OF LATIN AMERICA AND THE CARIBBEAN
(Year-on-year growth rate, 2009–2019)



Source: IDB Integration and Trade Sector and INTAL estimations.
Note: The circles indicate the turning points in the trend for the leading index series and the observed value of LAC exports.

[3] For a detailed description of the indicator, data, and estimation methodology, see Giordano *et al.* (2019), "Rough Patch: Latin America and the Caribbean Amid the Global Trade Slowdown." *Trade and Integration Monitor*. Inter-American Development Bank.

[4] The timeframe for the prediction is the average lead of the index in comparison with the variation observed since 2009.

Performance by Subregion

The decline in LAC exports in 2019 reflects the performance of almost every economy in the region (Table 1). Over half of the countries experienced negative growth rates, and the pace of growth was slower than in 2018 in most of the remaining economies. The following section analyzes the drivers and destinations that explain how external sales evolved in the different LAC subregions and countries in 2019 (Figure 6).

South America

South American exports declined by 7.2% in 2019 after having grown by 8.2% in 2018. External sales to all the region's major destinations contracted, with the sharpest falls occurring in exports to the United States (–15.1%) and within the region itself (–13.4%), which together accounted for two-thirds of the total variation.

External sales of **Argentina** grew by 5.0% in 2019, in line with the trend observed in 2018. The strong increase in the country's export volumes (13.0%) was due to the fact that the drop in prices was offset by the increase in agricultural output, in absence of the adverse climate factors that affected production the previous year. Larger shipments of agricultural products to China (64.9%) and to the rest of Asia (25.4%) compensated the negative performance of exports to all other destinations.

After falling by 4.9% in 2018, exports of **Uruguay** increased by 4.0% in 2019. Greater export volumes (8%) made up for the decline in prices. This performance was marked by a notable increase in beef and soybean sales to China (26.2%), which was partially offset by decreases in sales to the rest of South America (–6.7%), particularly to Argentina (–13.6%) and Brazil (–4.0%), and to the European Union (–8.4%).

Although in **Ecuador** exports continued to grow in 2019 (3.0%), they did so at a lower rate in comparison with the previous year (13.0%). This slowdown was observed in almost all major destinations, with the notable exception of China, where sales continued to grow at a remarkable rate (87.1%). The loss of momentum in total exports was mainly due to the stagnation of shipments to the United States and the contraction in sales to South America (–12.9%), especially Peru, and Asia (excluding China) (–33.1%). In terms of products, the drop in oil exports was more than offset by the increase in sales of other goods, notably shrimp and, to a lesser extent, bananas.

In 2019, exports from **Colombia** shrank by 4.7% after having grown significantly in 2018 (10.2%). The weak growth in export volumes (2%) was not enough to make up for the drop in prices. The contractions in exports to Canada (–54.7%), Asia (excluding China) (–26.9%), and Panama (–8.4%) offset the increases in sales to China and the United States (17.9% and 5.0%, respectively). The products with the greatest impact on the reduction in total exports were fuels and other extractive industry products, notably bituminous coal, coke, and briquettes.

External sales of **Bolivia** fell by 4.8% in 2019, reversing the positive performance of 2018 (9.5%). Although the country's shipments to all its major destinations contracted, the determining factors were the drop in exports to the rest of South America (–12.9%), especially Argentina (–7.5%) and Brazil (–23.8%), and to Asia (excluding China) (–12.1%), particularly the Republic of Korea (–47.5%). The weak performance was largely due to the decline in sales of natural gas and zinc.

Exports from **Brazil** fell 6.8% in comparison with 2018 as a result of decreases in both prices and quantities. About half of this drop was explained by the reduction in shipments to the rest of South America (–23.7%), particularly of vehicles to Argentina. The downturn in sales to the European Union (–11.1%) and China (–3.5%) accounted for an additional 3 percentage points of the total contraction.

After growing by 7.9% in 2018, shipments from **Peru** fell by 7.2% in 2019. This performance owed mainly to the drop in prices and, to a lesser extent, the reduction in volumes (–1%). Exports to almost all major destinations decreased, although the drops in sales to the United States (–34.0%) and Asia (excluding China) (–21.3%) were the decisive factors. Most of this contraction is explained by the mining sector, particularly copper, zinc, and gold, due to lower prices and the depletion of reserves in some mines. Other sectors that experienced significant drops were petroleum products and natural gas.

Exports from **Chile** shrank by 8.2% in 2019 after growing 9.6% in 2018. This result was driven by declines in both export volumes (–4%) and prices. Reduced shipments to China (–12.1%) accounted for half of the total contraction, followed by decreases in sales to the European Union (–15.4%) and the rest of South America (–7.4%). Two-thirds of the drop in total exports was explained by the contraction in sales of mining products, particularly copper.

External sales of **Paraguay** fell 15.4% in 2019, which implied a reversal of the previous year's performance (4.2%). About half of this drop was explained by the reduction in shipments to the rest of South America (–10.5%), particularly of energy to Brazil and soybeans to Argentina. The contributions of the European Union (–29.8%) and Russia (–36.7%) were also negative, the latter due to the contraction in beef exports.

Exports of **Venezuela** are estimated to have declined by 42.7% in 2019, deepening the downward trend of 2018 (–1.5%). The drop in the price of oil, the country's main export product, was compounded by a sharp decline in export volumes (–31%). Exports to all major destinations except the European Union decreased.

Mesoamerica

Exports from **Mesoamerica** grew by 3.1% in 2019 due to a 3.3% increase in sales from Mexico and a 1.5% rise in shipments from Central America.[5] Growing exports from the Dominican Republic and Panama and, to a lesser extent, Costa Rica, Guatemala, and El Salvador offset the contraction in sales from Honduras. The growth in Mesoamerican exports was explained almost entirely by demand from the United States.

[5] Central America includes Costa Rica, the Dominican Republic, El Salvador, Honduras, Guatemala, and Panama. Nicaragua was excluded from the estimate due to the lack of up-to-date data for 2019. Given the dynamics observed up to April 2019 and the size of the country, it is therefore possible that the data for Central America is overestimated.

TABLE 1 • VARIATION OF LATIN AMERICAN AND CARIBBEAN GOODS EXPORTS BY SELECTED DESTINATIONS
(Annual growth rate, percentage, 2018 and 2019)

Exporting Group/ member	2019 vs 2018							2018 vs 2017
	Subregion	Latin America and the Caribbean	United States	Asia (excl. China)	China	European Union	World Total	World Total
SOUTH AMERICA	**-13.4**	**-11.2**	**-15.1**	**-4.3**	**-2.4**	**-10.1**	**-7.2**	**8.2**
Argentina	-4.1	-3.5	0.5	25.4	64.9	-9.2	5.0	5.4
Bolivia	-12.9	-12.5	-12.8	-12.1	-9.1	-3.4	-4.8	9.5
Brazil	-23.7	-20.3	1.2	2.9	-3.5	-11.1	-6.8	9.9
Chile	-7.4	-7.2	-9.5	1.4	-12.1	-15.4	-8.2	9.6
Colombia	-4.8	-7.5	5.0	-26.9	17.9	-0.1	-4.7	10.2
Ecuador	-12.9	3.0	0.0	-33.1	87.1	-5.5	3.0	13.0
Paraguay	-10.5	-10.5	36.1	-22.7	-66.3	-29.8	-15.4	4.2
Peru	-5.0	3.5	-34.0	-21.3	-1.9	-13.6	-7.2	7.9
Uruguay	-6.7	-8.1	-1.7	18.2	26.2	-8.4	4.0	-4.9
Venezuela	-66.6	-47.9	-81.3	-33.8	-39.7	15.9	-42.7	-1.5
MESOAMERICA	**1.2**	**-6.5**	**4.6**	**2.5**	**0.9**	**-2.4**	**3.1**	**9.3**
Mexico	-0.5	-10.7	4.8	5.2	-3.0	-3.2	3.3	10.1
Central America	**2.1**	**0.0**	**0.7**	**-19.9**	**73.7**	**1.2**	**1.5**	**3.3**
Costa Rica	-3.6	-4.9	6.9	-27.9	49.7	2.3	1.4	6.1
Dominican Republic	7.5	-1.4	5.0	-36.5	206.6	10.2	5.3	7.3
El Salvador	6.2	5.7	-4.6	-0.7	-56.5	-2.9	0.5	2.5
Guatemala	-0.3	-1.9	-7.2	11.1	167.0	8.5	0.8	-0.1
Honduras	8.9	4.2	0.1	10.3	-56.2	-14.0	-1.0	0.3
Nicaragua	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.9
Panama	3.6	26.4	-22.8	-0.3	-13.2	23.9	3.1	1.9
CARIBBEAN	**-34.3**	**-38.6**	**-5.5**	**-15.5**	**-33.2**	**44.7**	**-10.9**	**9.9**
Bahamas	n.a.	-93.8	61.9	n.a.	n.a.	-14.6	28.4	10.8
Barbados	-0.9	-1.7	-11.3	-17.3	20.5	-0.4	-0.8	0.2
Belize	20.4	19.2	-24.5	n.a.	n.a.	8.7	4.1	-10.5
Guyana	-69.7	-80.3	-71.6	n.a.	-47.6	37.3	-5.2	-4.4
Haiti	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12.3	7.3
Jamaica	7.9	5.1	23.8	n.a.	13.8	35.2	-7.1	37.8
Suriname	44.7	47.0	95.8	-3.3	-92.6	31.0	-9.2	3.3
Trinidad and Tobago	-40.7	-40.8	-67.4	-15.8	20.8	57.0	-17.3	10.0
LATIN AMERICA	**-9.6**	**-10.0**	**1.1**	**-3.0**	**-2.2**	**-7.9**	**-2.3**	**8.7**
LATIN AMERICA AND THE CARIBBEAN	**-10.8**	**-10.8**	**1.0**	**-3.0**	**-2.3**	**-7.0**	**-2.4**	**8.7**

Source: IDB Integration and Trade Sector and INTAL, based on official sources, except Venezuela, which is based on estimates using data from OPEC and the IMF.
Notes: The table does not include the growth rates or absolute changes for nonselected destinations. Thus, the sum of the absolute changes for the selected destinations does not match the total. Data for Costa Rica, the Dominican Republic, El Salvador, Guatemala, and Honduras include exports under special trade regimes (STR). For individual Central American countries, the subregion is Mesoamerica, whereas for Central America, Mexico is excluded, and the subregion thus includes only intra-Central American trade. See the Methodological Note for additional information on the procedures, time periods, and sources for the data used in the estimates. The acronym "n.a." indicates that no data was available. The arrows show the variation in comparison with the previous year.

In 2019, **Mexico** recorded export growth of 3.3%, showing a sharp slowdown in comparison to 2018 (10.1%). Export volumes expanded by 4% against a backdrop of falling prices. This was mainly due to the lower growth rate of sales to the United States (4.8% versus 9.6% in 2018). Shipments also decreased to the European Union (–3.2%) and the rest of LAC (–10.7%). Turning to products, the sharp drop in exports of oil, machinery, and electrical equipment was compounded with the downturn in sales of mechanical appliances.

External sales of the **Dominican Republic** grew 5.3% in 2019, which represents a slowdown in comparison with the average growth rate for 2018 (7.3%). Shipments to all destinations increased, except for Asia (excluding China) and the rest of LAC, excluding Central America. The evolution of exports to the United States (5.0%) and China (206.6%) were particularly significant. Exports under special trade regimes (STR) and from the national customs territory (NCT) grew by 4.7% and 6.5%, respectively. The products that contributed most to the increase were base metals, fine pearls, precious metals, and their manufactures.

Exports from **Costa Rica** grew by 1.4% in 2019, which represented a slowdown in comparison with 2018 (6.1%). The increase in sales to the United States (6.9%), China (49.7%), and the European Union (2.3%) was offset by the reduction in purchases from the rest of LAC (–4.9%) and Asia (excluding China) (–27.9%). The increase was driven by sales originating under STR, which grew by 7.7%, largely due to growing sales of medical and dental instruments and supplies, while those from the NCT dropped by 5.2%.

In **Guatemala**, external sales went up by 0.8% in 2019 after falling by 0.1% in 2018. The sharp contraction in shipments to the United States (–7.2%) was offset by increases in sales to the European Union (8.5%), China (167.0%), and the rest of Asia (11.1%). The weak performance of total exports resulted from a drop in sales under STR (–6.2%), as exports from the NCT grew by 4.4%. Shipments of edible oils and processed meat, fish, crustaceans, and mollusks fell sharply, while those of cardamom and electricity increased.

After growing by 2.5% in 2018, external sales of **El Salvador** remained virtually stagnant in 2019 (0.5%). The drop in sales under STR (–1.9%) was offset by the increase in exports from the NCT (1.1%). Although shipments to the rest of Central America increased (6.2%), especially those of manufactured goods to Guatemala (12.3%) and Honduras (5.3%), exports to the United States fell (–4.6%) as did those to China (–56.5%), the latter as a result of reduced sugar shipments.

Exports from **Panama** grew 3.1% in 2019, an improvement that was bolstered by sales to the European Union (23.9%) and the rest of LAC (26.4%). Shipments to the United States, in contrast, fell sharply (–22.8%). There was a notable increase in exports of bananas and fishmeal and fish oil, whereas shipments of copper and aluminum scrap, shrimp, and fish declined.

After stagnating in 2018, exports of **Honduras** saw a 1.0% drop in 2019 as a result of an 8.2% contraction in sales originating in the NCT, partially offset by a 5.7% increase in shipments under STR. The European Union and the United States were the partners that contributed most to the overall downturn, while intraregional flows increased markedly.

The Caribbean

Exports from the **Caribbean** shrank by 10.9% in 2019 after growing by 9.9% in 2018. Almost all Caribbean countries experienced contractions in their external sales in 2019, except for The

FIGURE 6 • CONTRIBUTION OF MAIN TRADING PARTNERS TO THE VARIATION IN GOODS EXPORTS OF LATIN AMERICAN AND THE CARIBBEAN
(Year-on-year growth rate, percentages and percentage points, 2019)

Source: IDB Integration and Trade Sector and INTAL, based on official sources.
Note: Mesoamerica does not include Nicaragua as no disaggregated data by destination was available.

Bahamas, Belize, and Haiti. However, much of this decline was explained by the export performance of Trinidad and Tobago. The downturn in shipments to the rest of LAC was the main driver for the overall contraction.

Exports from **The Bahamas** grew 28.4% in 2019, consolidating the positive performance of 2018, when they increased 10.8%. This result was explained by a significant increase in sales to the United States (61.9%), the country's main destination, which offset the strong contractions in sales to the rest of LAC (–93.8%) and the European Union (–14.6%). Regarding exports of national origin, the products that expanded the most were food and live animals, while in the case of re-exports, the largest increases came from machinery and transportation equipment.

Exports from **Haiti** increased by 12.3% in 2019, outstripping the positive export performance of 2018 (7.3%).

After falling 10.5% in 2018, exports of **Belize** increased by 4.1% in 2019. This performance was shaped by the growth in exports to the rest of the Caribbean (20.4%) and the European Union (8.7%). Most of this growth was accounted for by the food and animal sector.

In 2019, exports from **Barbados** contracted by 0.8% after stagnating in 2018. This performance was due to a drop in sales to almost all destinations, especially the United States, the country's main trading partner (–11.3%), and within the Caribbean (–0.9%). The products that made a positive contribution were hydraulic cement and cast iron and steel. Various manufactures and alcoholic beverages made a negative contribution.

Exports from **Guyana** continued to contract in 2019, doing so at a similar pace to that of 2018 (–5.2% and –4.4%, respectively). This weak performance was recorded in exports to almost all major destinations, except for the European Union.

Shipments from **Jamaica** shrank by 7.1% in 2019 after growing by 37.8% in 2018, mainly due to reduced shipments of traditional products. The contraction was particularly influenced by the drop in exports to Canada.

In 2019, external sales of **Suriname** fell by 9.2% after growing by 3.3% in 2018, mainly due to the sharp drop in exports to China (–92.6%). Much of this downturn was due to the contraction in nonmonetary gold exports.

In **Trinidad and Tobago**, exports contracted 17.3% in 2019 after growing 10.0% in 2018. The result was mainly explained by shrinking sales to the rest of LAC. The drop in the price of oil was a determining factor in the country's export performance.

Conclusions

Goods exports from Latin America and the Caribbean fell at an estimated rate of 2.4% in 2019. The data points to a reversal of the 8.7% growth observed in 2018, based on revised figures, and confirms that exports are set to enter a contraction phase for the third time since the global financial crisis.

The downward trend in export values that began in the last quarter of 2018 sped up sharply at the beginning of 2019 and intensified throughout the year. The severe downturn in exports from South America and the Caribbean was compounded by the gradual weakening of Mexico's trade performance and slow growth in Central American sales.

South America and the Caribbean were particularly affected by the drop in commodity prices, driven by a sharp decline in the price of oil, the persistence of a downward trend in the prices of most agricultural products, and extreme volatility in minerals. The impact of nominal variables was amplified by the sudden slowdown in real demand from emerging economies, the contraction of intraregional trade, and temporary supply-side constraints in extractive industries that weigh heavily in the export pattern.

Due to the gradual deceleration in trade volumes growth, exports from Mexico increased at a rate three times lower than in 2018 and thus stopped propping up the aggregate regional performance. Trade flows originating in Central America grew at moderate rates that were below those of the previous year.

The United States was the only factor driving expansion in the region's exports in 2019, although shipments grew at a much slower pace than in 2018 and fell short of offsetting the drop in exports to the rest of the world. China, which was the main driver for the region's external performance up to 2018, ceased to contribute to export growth. Exports to the European Union and within the region contracted sharply and at a faster pace than their total purchases, leading to a loss of market share in these destinations.

Looking ahead, the leading indicator does not yet forecast a trend reversal in the coming months. The outlook for trade in Latin America and the Caribbean depends on a balance of external and internal risks that are moderately tilted to the downside, despite some emerging green shoots.

In advanced economies, financial markets are beginning to display a cautious return of optimism. The political signals from the trade conflicts between the United States and its main partners suggest that a phase of détente may be in the offing, although there are lingering uncertainties that need to be dissipated if investment and trade are to be revived. In Europe, while trade expectations regarding the German economy are at their lowest point since the Great Recession, some leading indicators have begun to improve, in a context of optimism about the possibility of reaching an agreement on the exit of the United Kingdom from the European Union. These signals are reflected in expectations that the global trading environment may begin to stabilize, fueled by a temporary rebound in global

trade volumes and signs that purchase order indicators have begun to improve, even though they remain on negative ground in many countries.

In contrast, in emerging economies risk factors continue to affect the outlook for Latin American and Caribbean exports. There are ongoing expectations that growth in China will slow further, as the country is ending the year with the lowest growth rate of the last three decades. Meanwhile, in other Asian economies, the possibility of regional value chains making a quick recovery is shrouded in pessimism. In addition to their real impact, these dynamics will continue to exert downward pressure on commodity markets. Moreover, in Latin America, the current scenario of weak intraregional trade looks set to continue, on account of the ongoing downward revisions of growth forecasts and the increase in country risk, due to political, social, and economic turbulence sweeping several countries in the region.

The third export contraction in a decade, itself characterized by a new normal of slow growth in global trade, highlights that the region faces the risk of falling into a sluggish trade trap, precisely when it needs more solid and inclusive economic growth.

Methodological Note

The estimates of Latin American and Caribbean exports as of December 2019 were calculated using data available through November 25, 2019. The country-level estimates were based on the assumption that the trade trends observed in LAC in 2019 would continue through the end of the year. Using an instant prediction model known as *nowcasting*, the regional estimate also includes information available up to the time the publication went to print.[6]

The data used was for the following periods: January–October for Brazil, Chile, the Dominican Republic, El Salvador, Paraguay, and Venezuela; January–September for Argentina, Belize, Bolivia, Colombia, Costa Rica, Ecuador, Guatemala, Mexico, Suriname, Trinidad and Tobago and Uruguay; January–August for Honduras, Jamaica, Panama, and Peru; and January–June for The Bahamas, Barbados, Guyana, and Haiti. For Panama and Jamaica, the variation in exports by destination was estimated using data for January–June 2019, and the variation in total exports was estimated using data for January–September and January–August, respectively, on the assumption that the pattern for these nine months will hold true for the rest of the year. The figures for Costa Rica, the Dominican Republic, El Salvador, Guatemala, and Honduras include STR exports, and the figures for the The Bahamas, Jamaica, and Trinidad and Tobago include re-exports. Venezuela's exports were estimated by combining price data from the Merey-type oil price series and import data from the country's main trading partners.

The aggregate volume index for Latin America comprises ten countries: Argentina, Brazil, Chile, Colombia, El Salvador, Mexico, Paraguay, Peru, Uruguay, and Venezuela. The export volume indices were calculated using data from official sources for Argentina (National Institute of Statistics and Censuses), Brazil (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 Paraguay was calculated using data on export volumes for the country's main products as reported by the Central Bank and aggregated according to the export structure of 2010. For Mexico and El Salvador, the series of exports in U.S. dollars were deflated using the import price index published by the United States Bureau of Labor Statistics (BLS). Venezuela's export volumes were calculated using OPEC information on Merey-type oil prices and production. The national series were aggregated based on countries' shares in total exports valued in dollars in 2015.

The following official data sources were used. Argentina: National Institute of Statistics and Censuses; The Bahamas: Department of Statistics; Barbados: Barbados Statistical Service; Belize: Statistical Institute of Belize; Bolivia: National Institute of Statistics; Brazil: Ministry of Development, Industry, and Foreign Trade; Chile: Central Bank of Chile; China: China Customs Statistics; Colombia: National Administrative Department of Statistics; Costa Rica: Central Bank of Costa Rica; Dominican Republic: General Customs Directorate; Ecuador: Central Bank of Ecuador; El Salvador: Central Reserve Bank of

[6] For a detailed description of the indicator, data, and estimation methodology, see Giordano *et al.* (2019), "Rough Patch: Latin America and the Caribbean Amid the Global Trade Slowdown." *Trade and Integration Monitor*. Inter-American Development Bank.

El Salvador; European Union: Eurostat; Guatemala: Bank of Guatemala; Guyana: Bureau of Statistics; Haiti: Bank of the Republic of Haiti; Honduras: Central Bank of Honduras; Jamaica: Statistical Institute of Jamaica; Mexico: Bank of Mexico; Nicaragua: Central Bank of Nicaragua; Panama: National Institute of Statistics and Censuses; Paraguay: Central Bank of Paraguay; Peru: Central Reserve Bank of Peru and National Customs and Tax Administration; Suriname: Central Bureau of Statistics; Trinidad and Tobago: Central Statistical Office; United States: United States International Trade Commission; Uruguay: Central Bank of Uruguay; Venezuela: OPEC and IMF.

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

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