

TRADE TREND ESTIMATES
LATIN AMERICA
AND THE CARIBBEAN

2017 EDITION



Coordinated by

Paolo Giordano

Integration and Trade Sector

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Update 1Q

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Integration and Trade Sector
Vice-Presidency for Sectors and Knowledge
Inter-American Development Bank

This report presents estimates of Latin American and Caribbean international trade flows in 2016 and the first quarter of 2017. 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 overall supervision of Antoni Esteveordal, Sector Manager.

This edition was coordinated by Paolo Giordano, Principal Economist of INT, and written in collaboration with Kathia Michalczewsky and Alejandro Ramos, Consultant and Senior Specialist of INTAL, respectively.

Kyungjo An and Jeremy Harris contributed to the production of statistical information. Federico Mazzella and Mauro de Oliveira provided technical support. Mauricio Mesquita Moreira and Ziga Vodusek provided valuable comments. Barbara Ramos, Camila Viegas-Lee, Silvia Badilla, Graziela Flor, and Angela Funez supported the team in the preparation and dissemination of the publication.

Estimates are based on quarterly and monthly data available for twenty-five Latin American and Caribbean countries for 2016, and twenty-one for 2017, provided by national and international official sources, and by INTradeBID, the IDB information system on integration and trade www.intradebid.org

The original version was drafted in Spanish.

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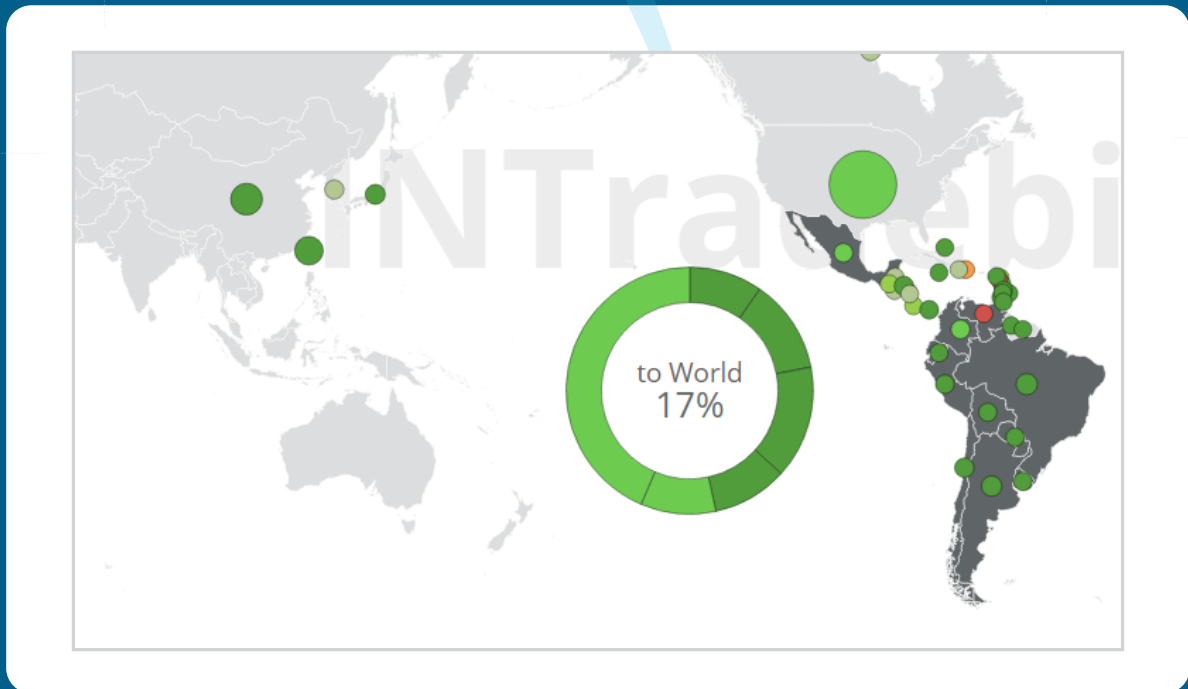
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THERMOMETER OF LATIN AMERICAN AND CARIBBEAN EXPORTS

UPDATE 1Q-2017

TRADE TREND ESTIMATES
INTEGRATION AND TRADE SECTOR

TREND REVERSAL

For the first time in four years, in the first quarter of 2017 the value of Latin American and Caribbean goods exports registered a year-on-year increase estimated at 17%.

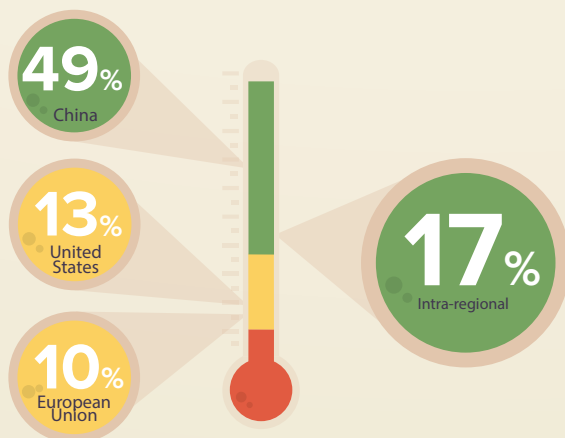
Estimated year-on-year growth rate for 1Q-2017



RECOVERY OF EXTERNAL DEMAND

The value of exports to the region's main trading partners increased in the first quarter of 2017.

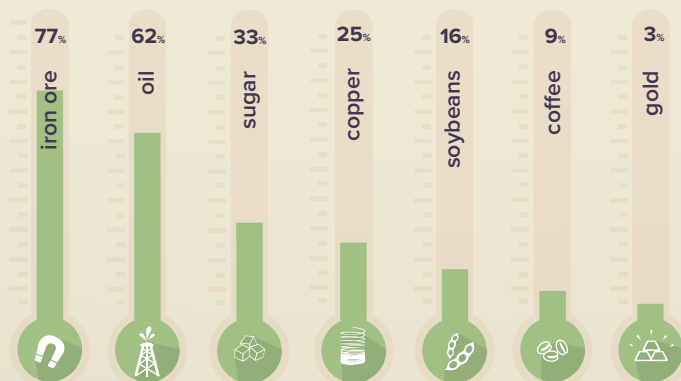
Estimated year-on-year growth rate for 1Q-2017



PRICE REBOUND

Commodity prices continued to recover in 2017, but remained considerably below their previous peaks.

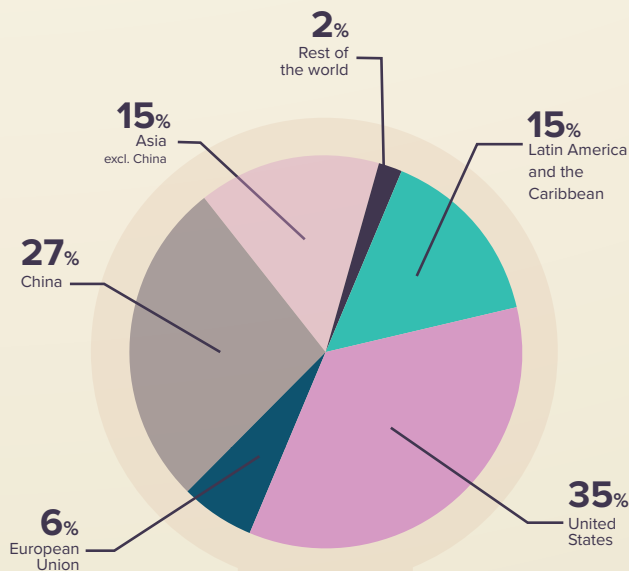
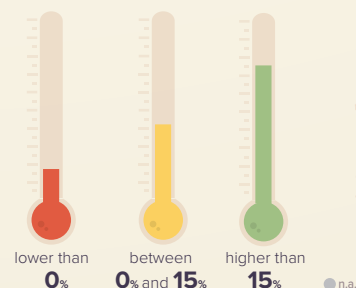
Estimated year-on-year growth rate for 1Q-2017



PERFORMANCE BY COUNTRY

In the first quarter of 2017, the value of exports returned to a growth path in nearly all countries.

Estimated year-on-year growth rate for 1Q-2017



EXPANSION COMPOSITION

The United States and China explained two thirds of the growth in exports in the first quarter of 2017.

Contribution to the year-on-year expansion in 1Q-2017



UPDATE 1Q 2017

Exports from Latin America and the Caribbean Return to a Path of Growth

Highlights

The value of Latin American and Caribbean exports recorded an estimated year-on-year increase of 17 per cent in the first quarter of 2017, following a yearly contraction of 2.9 per cent in 2016.

The recovery was driven primarily by a rebound in the prices of goods exported by the region.

Export volumes, which had expanded at a lower rate in 2016 than in 2015, followed an unstable upward trend in 2017.

The most significant recovery of export value was observed in South America, whereas Mexico and Central America also displayed positive rates, albeit lower.

Following four consecutive years of contraction, Latin American and Caribbean exports recorded a positive year-on-year growth rate at the onset of 2017 (Figure 1). In the year's first quarter, the value of goods exports increased 17%, compared to the same period of 2016.¹

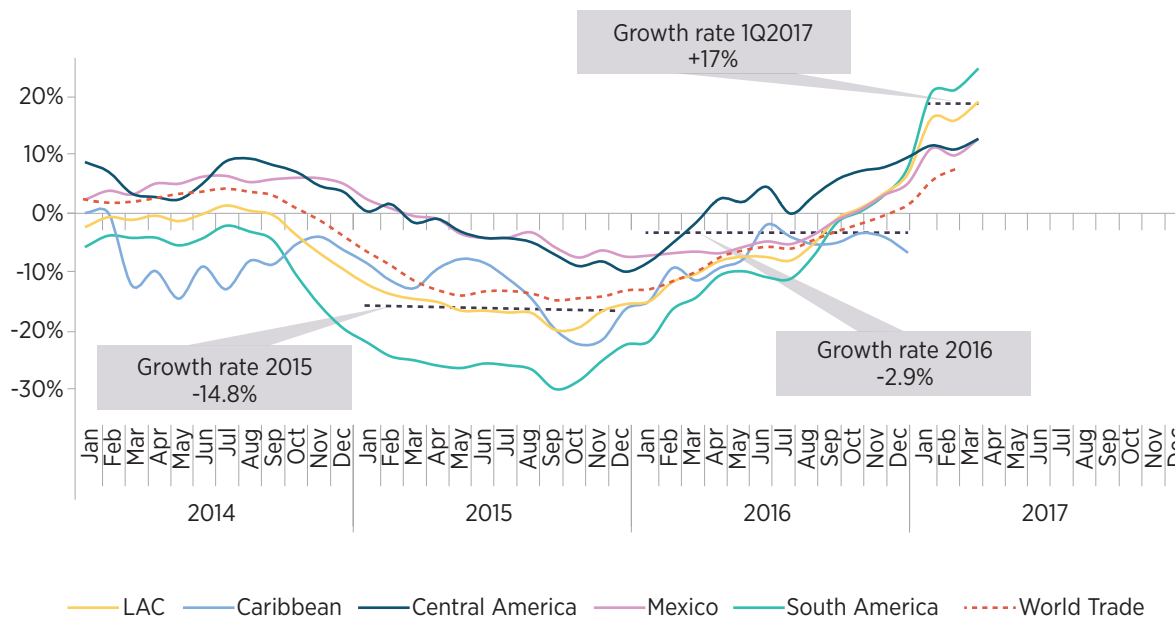
Revised data indicate that the region's foreign sales contracted an average of 2.9% in 2016, but with a positive and increasing trend over the 12 months. The recovery trend has nonetheless stabilized in the first quarter of 2017.²

¹ This figure includes data from 21 Latin American and Caribbean countries (Argentina, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Panama, Paraguay, Peru, Suriname, Uruguay and Venezuela). See the Methodological Note for information on the procedures, time periods, and sources of data used in the estimates.

² The figures published in December of 2016 indicating an annual export contraction of 6% were estimated with data available through September or October. The strong rebound in some commodity prices in the last months of the year explains the discrepancy between the revised figures and those previously published.

Last year, regional exports followed a trend similar to that of world trade, whose value registered a reduction of 3.8%. The recovery observed in the first months of 2017, however, seems more intense, as global flows increased 8% in the first two months, according to data released by the Netherlands Bureau for Economic Policy Analysis (CPB).

FIGURE 1. VALUE OF LATIN AMERICAN AND CARIBBEAN EXPORTS, AND WORLD TRADE
(Year-on-year growth rate, 3-month moving average, percentage, 2014-2017)



Source: IDB Integration and Trade Sector with data from official sources and CPB for world trade.

Notes: 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 7 Caribbean countries (The Bahamas, Barbados, Belize, Guyana, Haiti, Jamaica, and Suriname). Estimates for the first quarter of 2017 exclude The Bahamas, Dominican Republic, Guyana, and Nicaragua due to unavailability of data. World trade is calculated as the average of world exports and imports.

Regional exports reached a minimum in January of 2016. The year-on-year growth rate steadily rebounded thereafter, entering positive territory in August. A positive rate continued to be observed in the beginning of 2017, albeit with some signs of moderation.³

The return to an export growth path marked the end of the longest trade recession in the region's recent history, which lasted 24 months, from August of 2014 until July of 2016.⁴ Despite the expansion, the value of exports remains 10% below its relative peak registered in 2014. Moreover, the recovery in export values contrasts with the timid growth of export volumes, which increased only 1.8% in 2016, compared to 3.6% in 2015. In the first months of 2017, a slight acceleration of 2.2% was registered, but it was concentrated in a few economies and remains unstable.

³ The latest data available for a limited number of countries for the month of April point to a moderation in the year-on-year growth rate, compared to the accumulated rate through March. For instance, Chile and Brazil posted rates 1 and 2 percentage points lower, respectively.

⁴ The second longest recessive period in recent history was precipitated by the international financial crisis, when export value contracted for 13 consecutive months, from October of 2008 to October of 2009.

General Outlook



The accumulated quarterly growth of regional exports observed in 2017 was due, in part, to the fact that the basis of comparison is the same period of the previous year, when exports hit bottom. It was also caused by the relative rebound in commodity prices that began in early 2016 (Figure 2). The uptick in prices registered from October onwards was particularly beneficial to exports from South America, whereas those from Mesoamerica were stimulated mainly by the growth of demand in the United States.

Prices

The prices of most export commodities displayed an upward trajectory after the minimum reached in January of 2016, recording positive year-on-year growth rates in the second semester. The growth rates further accelerated between November of 2016 and February of 2017, but moderated somewhat in March.

The price rebound was due to various factors, including: signs of recovery in advanced and emerging economies; stimulus policies implemented by China to curb financial and exchange rate upheavals in the beginning of the year; and, finally, positive expectations regarding a potentially massive infrastructure investment plan proposed by the new administration in the United States.

A core factor influencing commodity price swings since the beginning of the millennium had been the behavior of the United States dollar: an appreciation of this currency was usually coupled with a decline in commodity prices.⁵ Since mid-2016, however, the correlation has not been observed. This may be due to strong expectations of growth in the United States, which could be simultaneously strengthening the dollar and demand for commodities, as well as to idiosyncratic market factors that have played a role in the current economic context.⁶

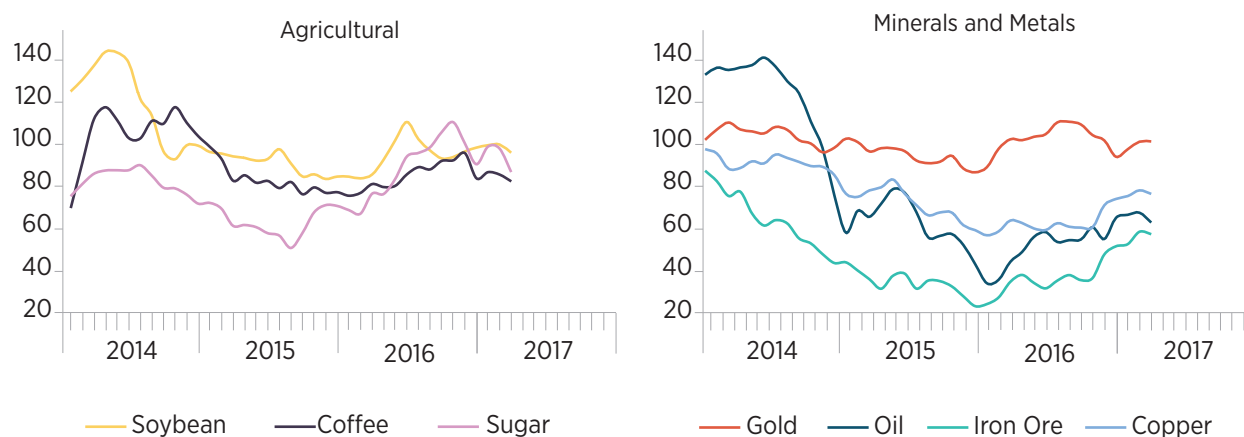
The price of **oil**, which contracted 16% in 2016, in the first quarter of 2017 reached an average level 62% above the one registered a year earlier. The agreement reached by the Organization of Petroleum Exporting Countries (OPEC) in November to curb production in the first semester of 2017 (renewable for the second semester) spurred the price increase, which peaked in February of 2017. Despite these developments, in March the average price of oil was still 50% below the maximum reached prior to the collapse in 2014, while potential downward pressures started to materialize in the international market of crude oil.

The expansion of housing credit in China helped stimulate the markets for iron ore and copper, which recovered markedly between the end of 2016 and the beginning of 2017. The average prices of **iron ore** and **copper** between January and March were, respectively, 77% and 25% above the ones registered in the same period of 2016. The copper market was also affected by specific circumstances, such as production interruptions in some of the world's largest mines in Chile and Indonesia.

⁵ Giordano, P. (Ed.) (2016), [Downshifting: Latin America and the Caribbean in the New Normal of Global Trade](#), Trade and Integration Monitor, IDB: Washington, DC.

⁶ Michalczewsky, K. (2017), [What Does Recovery of Commodity Prices Depend on?](#) INTAL Connection, 247, March.

FIGURE 2. PRICES OF THE MAIN EXPORT PRODUCTS OF LATIN AMERICA AND THE CARIBBEAN
(Indices 2010=100, 2014-2017)



Source: IDB Integration and Trade Sector with data from the International Monetary Fund (IMF) and the Chilean Copper Corporation (Cochilco).

The price of **coffee** increased 3% in 2016, and the year-on-year growth rate from January to March of 2017 was 9%. Prices remained high due to a supply shortage of the *Robusta* variety, mainly due to unfavorable climate in Brazil, the world's main coffee producer. Moreover, an appreciation of the Brazilian real led to inventory accumulation and lower exports given expectations of an exchange rate adjustment.

Soybeans registered a price increase of 4% in 2016, and of 16% in the year-on-year average from January to March of 2017. However, projection of an expansion of areas under cultivation cast uncertainty over the sustainability of these price levels.

A considerable supply shortage led to the recovery of **sugar** prices in 2016 (40%), a trend that was sustained in the first few months of 2017 (33% in the year-on-year comparison between January-March of 2017 and of 2016). A bountiful harvest is nonetheless expected, potentially generating downward pressure on prices over the next few months.

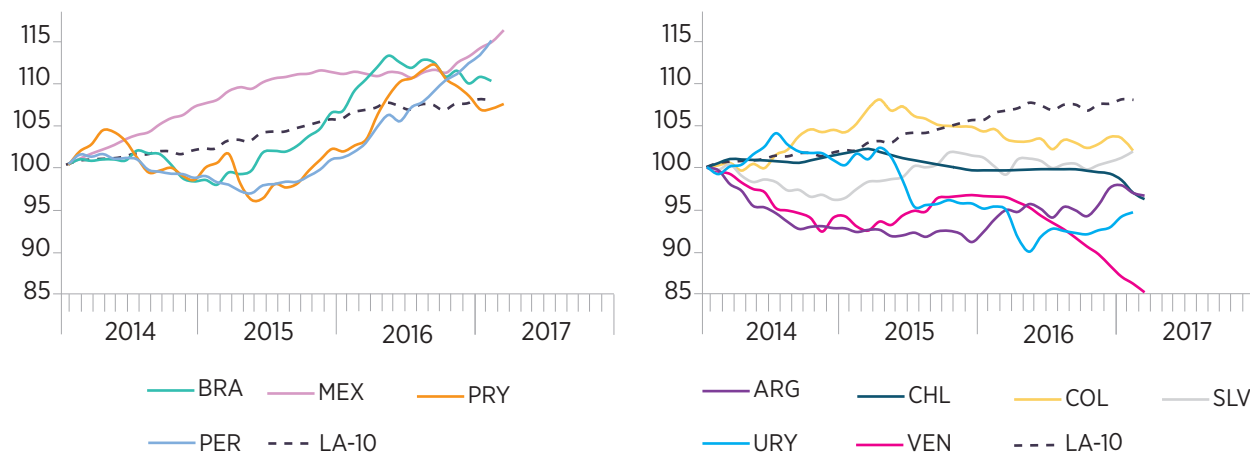
Volumes

In contrast to price dynamics, the growth of export volumes slowed significantly in 2016 (1.8% vs. 3.6% in 2015), particularly in the second semester, whereas estimates based on data available for ten countries of the region point to more substantial growth in the first two months of 2017 (2.2%), compared to the same period of the previous year (Figure 3).

Mexico and Peru were, however, the only countries to display sustained real export growth since 2015. Stagnation or contraction was the norm in the remaining economies: Argentina (-4%), Brazil (2%), Chile (-11%), Colombia (-9%), Paraguay (-3%) and Venezuela (-14%), in the year-on-year measure for the first months of 2017.

FIGURE 3. VOLUME OF EXPORTS OF LATIN AMERICAN COUNTRIES

(Indices January 2014=100, 12-month moving average, 2014-2017)



Source: IDB Integration and Trade Sector based on data from official national sources and own estimates. See Methodological Note for details.

Markets

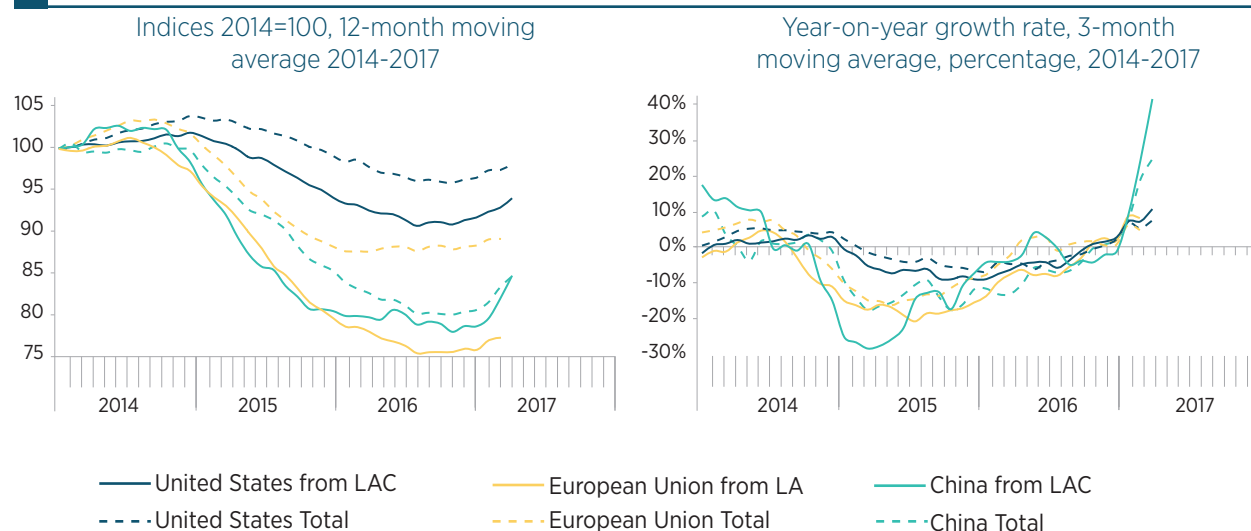
The export recovery reflected an increase in the value of purchases by the region's main trading partners. The growth rate of these flows hit bottom in the second half of 2016, but rebounded thereafter, particularly of those destined for China (Figure 4).

In the first quarter of 2017, the value of imports of **China** from Latin America and the Caribbean increased 40% in the year-on-year measure, above the rate of growth of total imports of the Asian giant (23%). Despite the considerable expansion, the level of imports remained 14% below the relative peak reached in mid-2014.

Imports from Latin America by the **European Union** grew 13% in the first two months of 2017, compared to the same period of 2016, a figure twice as large as the growth in total European imports. Because this is the trading partner whose purchases decreased the most during the contraction phase, the recent improvement still left total European imports 36% lower than the previous peak.

Finally, imports from the **United States** increased 11% in the year-on-year measure from January to March of 2017, a figure that is higher than the growth of the country's total import demand (7%). In this market, the region observed its lowest relative losses, as imports remained at a level only 5% below the 2014 peak.

FIGURE 4. VALUE OF IMPORTS OF THE UNITED STATES, EUROPEAN UNION, AND CHINA FROM LATIN AMERICA AND THE CARIBBEAN AND THE WORLD



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

Performance by Subregion



As a result of the above-discussed trends, exports of nearly all countries analyzed displayed an increase in the first quarter of 2017, compared to the same period of 2016 (Table 1). The performance of each economy is explained, however, by different contributions from the various trading partners (Figure 5).

South America

After a substantial drop in exports in 2016 (-4.6%), the countries of South America registered the most marked recovery of all subregions in the first quarter of 2017 (23%). The result reflected the strong year-on-year growth in the value of commodity flows to extra-regional markets, but also the early signs of recovery in some subregional economies.

The countries with a high share of oil and mineral products in their export supply observed the largest year-on-year increases. Shipments from Venezuela, Peru, Ecuador, Colombia, and Brazil grew at high rates. This result was due primarily to the favorable evolution of prices, as available data point to a moderate or negative change in export volumes in all of these countries, except Peru.

According to IDB estimates, in 2016 exports from **Venezuela** fell by around 24%, a result that affected all destinations. The strong recovery in the first quarter of 2017 (75%) resulted from the improvement in oil markets, while, as in the previous year, export volume continued to decline.

Except the region itself, all destinations contributed to the 7.7% increase in exports from **Peru** in 2016. The United States and China were nonetheless responsible for almost all the growth. In the first

quarter of 2017, sales surged sharply (39%) to all destinations. Shipments to China and to the rest of Asia increased 90% and 122%, respectively, and explained 91% of the overall growth. Copper was the product that contributed the most to the expansion of foreign sales, due to both the rebound in prices and the increase in production capacity.

Exports from **Ecuador** contracted 8.4% in 2016 as the collapse in shipments to the United States was not compensated by the growth of sales to Asia (excluding China), Latin America, or the European Union. In the first quarter of 2017 exports rebounded, growing a considerable 34%. The United States accounted for nearly half of the increase, with a growth rate of 49%. The regional market was also relevant, as sales increased 42% and explained nearly a third of the overall growth, with strong increases in demand from Chile and Peru. Three fourths of the total increase were due to greater oil exports.

Although in 2016 the total value of exports from **Colombia** fell 13%, shipments to its main partner, the United States, did not follow the trend, registering a modest increase. In the first quarter of 2017 there was a marked year-on-year recovery (31%), with China being the only destination that continued to contract (-8%). Significant increases were noted in shipments to the rest of the region (32%),⁷ the European Union (31%), Asia (excl. China) (122%), and the United States (9%). Slightly more than two thirds of the year-on-year growth in this period correspond to increases in sales of oil, coal, gold, and coffee.

The drop in foreign sales from **Brazil** reached 3.1% in 2016, a contraction that was observed in all destinations. Regional markets carried the greatest weight in the decline, especially Venezuela, where purchases of foodstuffs and other Brazilian products fell sharply. In the first quarter of 2017 all markets lifted exports, which grew 24% year-on-year. Half of this change came from China, where dynamism of iron, oil, and soybean purchases translated into a year-on-year increase of 63%. The regional market added 17% to the overall increase, mainly through exports of personal and commercial vehicles to Argentina. The growth of shipments to the United States was due mainly to oil.

The improvement in export performance was less notable in a second group of countries: Paraguay, Bolivia, Chile, Uruguay and Argentina.

Exports from **Paraguay** increased 2.1% in 2016. The fall in shipments to the European Union and to the United States was compensated by greater sales to the rest of South America⁸ and to Asian markets (excl. China). In the first quarter of 2017 exports grew 12% with a strong bias in sales to the rest of South America (59%), primarily to Argentina and Uruguay. This change compensated a further fall in sales to the European Union (-40%), the United States (-3%), and Asia (excl. China) (-43%).

Exports from **Bolivia** fell 18.7% in 2016. While the reduction in sales to Brazil and Argentina explained most of the poor performance, shipments to the United States and Asia (excl. China) also fell. Exports recovered moderately in the first quarter of 2017, with a year-on-year growth of 4%. Shipments of minerals to non-traditional markets helped compensate for lower sales of soybeans and natural gas. Important increases were observed in sales to China (32%) and the rest of Asia (79%), mostly comprised of zinc ore. Likewise, exports of gold contributed to the recovery.

Exports from **Chile** fell a modest 2.6% in 2016. Contractions in sales to the rest of the region, the

⁷ It is important to note, however, that Panama operates as an intermediate destination for shipments destined for other markets, and represented two thirds of the increase in Colombian exports to the region in the first quarter.

⁸ Part of that growth was due to shipments of soybeans to Argentina, which removed restrictions on imports of the oilseed in 2016.

TABLE 1: GROWTH OF LATIN AMERICAN AND CARIBBEAN EXPORTS BY SELECTED DESTINATIONS
(Annual growth rate, percentage, 2016 and 1Q 2017)

Exporting Subregion/ Country	1Q 2017 vs 1Q 2016							2016 vs 2015	
	Subregion	Latin America and the Caribbean	United States	Asia (excl. China)	China	European Union	World	World	
MESOAMERICA	3	6	9	88	43	16	↑ 11	-1.5	
Mexico	4	8	9	91	44	15	↑ 11	-1.8	
Central America	1	4	10	56	24	20	↑ 11	0.9	
Costa Rica	1	9	5	40	60	5	→ 8	7.8	
El Salvador	6	6	5	150	77	28	↑ 11	-2.7	
Guatemala	3	3	14	64	-41	11	↑ 12	-2.0	
Honduras	-10	-9	20	-9	35	64	↑ 23	-1.6	
Nicaragua	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-1.1	
Panama	-23	-11	-21	23	-60	8	↑ -2	-8.6	
Dominican Rep.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.3	
SOUTH AMERICA	19	20	31	19	49	8	↑ 23	-4.6	
Argentina	10	9	7	-13	75	-10	→ 2	1.7	
Bolivia	-10	-10	-47	79	32	-15	↑ 4	-18.7	
Brazil	22	21	19	9	63	9	↑ 24	-3.1	
Chile	17	14	16	9	-13	4	↑ 4	-2.6	
Colombia	8	32	9	122	-8	31	↑ 31	-13.0	
Ecuador	52	42	49	40	84	11	↑ 34	-8.4	
Paraguay	59	56	-3	-43	31	-40	↑ 12	2.1	
Peru	11	22	48	122	90	31	↑ 39	7.7	
Uruguay	21	11	-11	-13	14	-6	↑ 4	-8.4	
Venezuela	-18	-18	87	30	84	n.a.	↑ 75	-24	
CARIBBEAN	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↑ 12	-5.7	
Bahamas	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-14.7	
Barbados	6	7	-6	-19	-86	-19	↓ -16	5.0	
Belize	10	1	12	n.a.	n.a.	43	↑ 25	-24.9	
Guyana	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	25.3	
Haiti	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↑ 3	-20.5	
Jamaica	35	30	8	-36	n.a.	20	↑ 32	-9.2	
Suriname	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↑ 13	-12.4	
Trinidad and Tobago	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
LATIN AMERICA	17	17	13	31	49	10	↑ 17	-2.9	
LATIN AMERICA AND THE CARIBBEAN	17	17	13	31	49	10	↑ 17	-2.9	

Source: IDB Integration and Trade Sector with data from official sources and own estimates.

Notes: 2016 figures refer to revised data for the entire year, and rectify those published in December of 2016. For the countries of Central America, the subregional export growth corresponds to Mesoamerica. n.a. indicates that data are not available. The arrows compare the year-on-year change through the last month for which data are available in 2017 with the accumulated change from January to December of 2016. Reexports of foreign goods are excluded. Data for Costa Rica, El Salvador, Guatemala, Nicaragua and the Dominican Republic include exports under special trade regimes (STR). See the Methodological Note for additional information on the procedures, time periods, and sources of data used in the estimates.

European Union, and Asia (excl. China) were partially compensated by growth to the United States and China. In the first quarter of 2017 the trend reversed and exports increased 4%. The expansion was observed in all destinations, except China (-13%). The products that contributed the most to the increase were salmon, copper, and iron.

Except those destined for the European Union, exports from **Uruguay** fell to all markets in 2016, with an aggregate decline of 8.4%. The positive inflection in the first quarter of 2017 (4% year-on-year) was sustained by solid growth of sales to Brazil (50%) and China (14%), while the recovery was slowed by additional declines in other markets: United States (-11%), Asia (excl. China) (-13%), and the European Union (-6%). Shipments of dairy products, and of rice and other cereals drove the growth.

Exports from **Argentina** grew 1.7% in 2016 thanks to extra-regional markets such as the United States, the European Union, and Asia (excl. China), while China and the regional market weighed negatively on the overall result. Although in the first three months of 2017 this moderate pace of growth was maintained (2%), the profile of destinations improved. Sales to China grew substantially (75%), as well as those to the region (9%) and the United States (7%). Wheat, soy cakes, and auto and freight vehicles were the products that contributed the most to the expansion.

Mesoamerica

The subregion registered a year-on-year increase in exports of 11% in the first quarter of 2017, with similar expansions in Mexico and Central America.⁹ Foreign sales increased in all countries, except Panama, whereas in 2016 exports had fallen in most of them.

Exports from **Mexico** fell 1.8% in 2016, affected by weakness in regional markets and the United States. In the first quarter of 2017 a sharp reversal was observed in all destinations, reflected in solid year-on-year growth of total foreign sales (11%). The change in shipments to the United States (9%), whose weight drove the result, was reinforced by a notable expansion in exports to China (44%) and the rest of the Asian markets (91%), which together explained a quarter of the total increase. Only one fifth of the increase was attributable to the growth in oil prices, while non-automotive manufactures accounted for half of the positive variation.

Slow demand in regional and Asian markets hit exports from **Honduras** in 2016, which fell 1.6% despite greater traction in the United States and the European Union.¹⁰ Sales increased 23% year-on-year in the first quarter of 2017 thanks to good performance of coffee exports, which explained two thirds of the variation. The increase came primarily from the European Union (64%) and the United States (20%), while sales to the region and to Asia (excl. China) continued their weak trend from 2016.

Foreign sales from **Guatemala** fell 2% in 2016 due to contractions in the United States and Chinese markets, and stagnation in intra-regional exports. Growth in demand from the United States and Asian markets (excl. China) drove the recovery in the first quarter of 2017 (12% year-on-year), adding, respectively, 39% and 28% of the total change. Agro-industrial products, such as cardamom, sugar, coffee, bananas, edible oils and fats, and apparel dominated the growth. Exports from the general customs territory surpassed those under STR.

⁹ Includes Costa Rica, El Salvador, Guatemala, Honduras and Panama. Data are not available for Nicaragua and the Dominican Republic for the first quarter of 2017.

¹⁰ Data for Honduras do not include exports under special trade regimes. Including such exports, the total fall was of 5.1% in 2016.

Weak performance in all markets, especially those within the isthmus, such as Guatemala and Nicaragua, held back exports from **El Salvador**, which suffered a 2.7% reduction in 2016. The drop was moderate thanks to sales to the European Union and Asia (excl. China). The upturn in the first quarter of 2017 (11% year-on-year) resulted from an expansion in Asia (excl. China) (150%), which explained 28% of the overall change, and the recovery in the United States (5%) and Mesoamerica (6%), responsible for one fourth each. Sugar exported to Asia and textiles sustained the increase, little of which came from exports under STR.

Exports from **Costa Rica** grew 7.8% in 2016, with increases to all destinations except the subregion, and greater contributions from the United States and the European Union. This dynamism was maintained in the first three months of 2017 (8% growth year-on-year). The significant expansion of sales to Latin America and the Caribbean (9%) complemented the growth of shipments to the United States and the European Union (5% in each case). The performance continued to be sustained by flows of manufactures (precision and medical equipment, and electric and electronic goods) originating in free zones, whose shipments increased 18% and accounted for 90% of the total.

Panama registered a drop of 8.6% in foreign sales in 2016. Although the contraction was observed in all markets, intra-regional trade weighed more heavily. In the first quarter of 2017, in contrast with the rest of Latin America, exports did not recover and continued to fall (-2% year-on-year), despite improvements in the European Union (8%) and Asia (excl. China) (23%). Primary products such as fruits and seafood were the main determinants of the overall outcome.

The Caribbean

Exports from the Caribbean fell 5.7% in 2016.¹¹ Data available for five countries of the subregion¹² reveal a change in trend in the first months of 2017, although smaller than in Latin America. The year-on-year growth rate for the first quarter reached 12%. Except **Barbados**, whose exports contracted 16%, the rest of the countries registered expansions in foreign sales. At the high growth end, exports from **Jamaica** and **Belize** increased 32% and 25%, after falling 9.2% and 24.9% in 2016, respectively. At the lower end, in **Suriname** the increase was 13% (-12.4% in 2016) and in **Haiti** it was barely 3% (-20.5% in 2016).

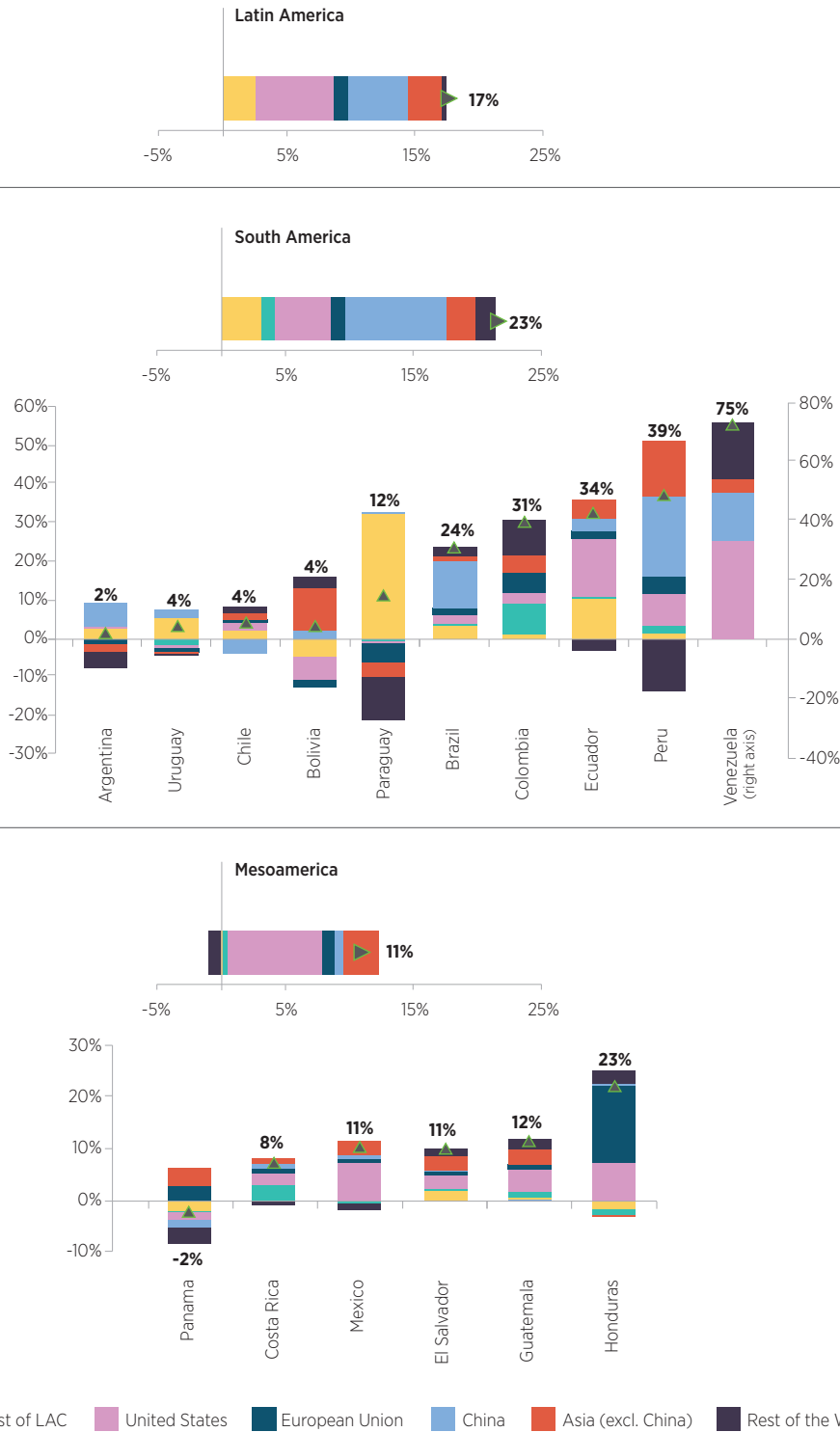
In summary, the year-on-year growth of exports in the first quarter of 2017 was driven by different markets in line with the specializations of the countries of the region (Figure 5). For Central American exporters the main contribution came, naturally, from the United States, the market that explained two thirds of the growth and in which manufactures dominate. However, Asian markets (excl. China) provided a notable 25% of the increase, with relevant sales of Central American agricultural products like sugar.

The drivers of South American export growth were very different, as 47% was due to purchases by China and the rest of Asia, which absorbed mostly primary goods. The rest of the growth corresponded to the United States (20%), with an important role for oil, and the Latin American region (19%), in which manufactures featured more prominently. The contribution of the European Union was relatively marginal (5%).

¹¹ Includes the Bahamas, Barbados, Belize, Guyana, Haiti, Jamaica, and Suriname.

¹² Includes Barbados, Belize, Haiti, Jamaica, and Suriname.

FIGURE 5. CONTRIBUTION OF MAIN TRADING PARTNERS TO THE VARIATION IN EXPORTS OF LATIN AMERICA
 (Year-on-year growth rate, percentage and percentage points, 1Q 2017 vs 1Q 2016)



Source: IDB Integration and Trade Sector with data from official sources and own estimates.

Note: Data are not available for Nicaragua and the Dominican Republic in Central America and for Caribbean countries. Exports from Honduras exclude those under STR. For Central American countries, the corresponding subregion is Central America, and for Mexico, Mesoamerica.

Conclusion



In the first quarter of 2017 the value of exports from Latin America and the Caribbean grew at an estimated rate of 17% year-on-year. This result marked a change in trend from recent months and a break with 2016, when foreign sales fell 2.9%. However, at the end of the quarter, the level of exports was still 10% below the maximum reached before the collapse that began in mid-2014.

The improvement in regional export performance was due mainly to the evolution of commodity prices. Export volumes registered a mild acceleration, but the expansion has been restricted to a few countries. The upward trend in commodity markets, which mostly benefitted the countries of South America, was coupled with stronger real demand in the United States that supported manufactures exports of Mesoamerica.

For this incipient and unstable recovery to become sustainable, factors that have been generating uncertainty in the global economy need to be significantly reversed. Notable among these are the growth trajectory of the Chinese economy that weighs on the prospects for the metals markets, and the balance between demand and managed supply in the oil market. Likewise, real growth of the United States and the European Union would need to firm up in order to sustain the expansion of the region's exports. Finally, the risks of implementation of protectionist policies would need to be overcome.

The Stabilization of Commodity Prices Buoyed Regional Exports

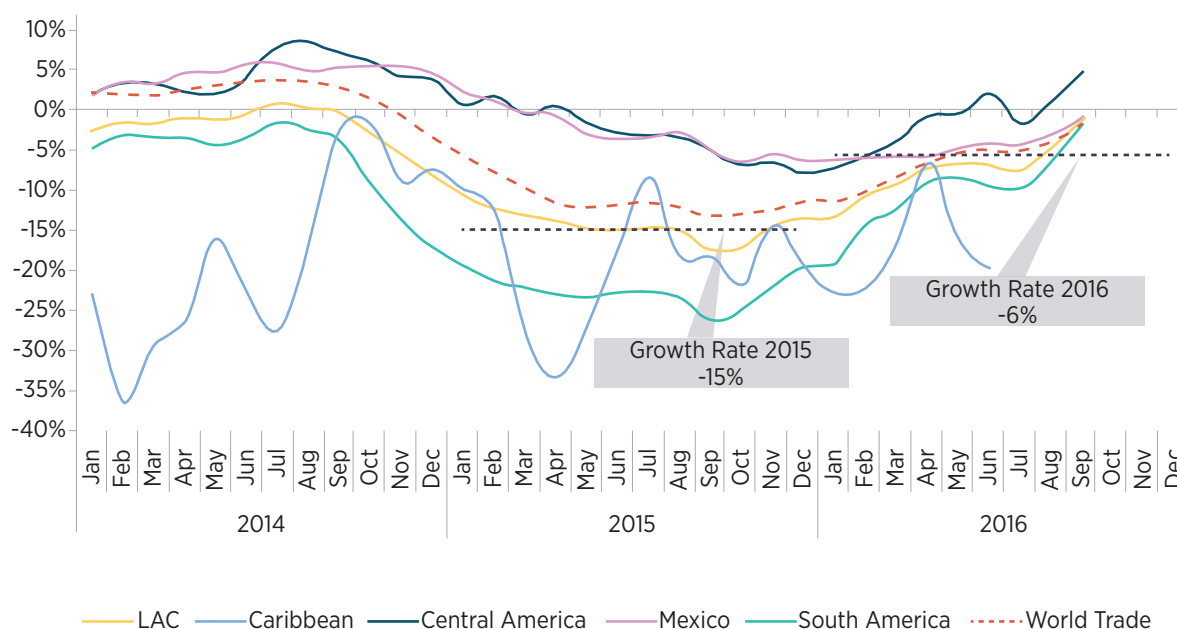
It is estimated that, by the end of 2016, the total value of Latin American and Caribbean (LAC) goods exports will have contracted 6%. The value of exports in this fourth consecutive year of contraction is expected to amount to approximately US\$ 850 billion, slightly above the 2010 level, and 22% below the maximum value of US\$ 1,095 billion registered in 2012. Although year-on-year monthly growth rates remained generally negative, the stabilization of commodity prices exerted a positive impact: the pace of retraction in foreign sales slowed down in almost all countries of the region (Figure 1). In fact, starting in August, the value of total exports registered positive year-on-year growth rates for the first time in 22 months.

Regional exports followed a trend analogous to that of world trade, whose value registered a reduction of 6% from January to September of 2016 compared to the same period of the previous year. Moreover, regional imports are expected to fall 10% in 2016, as LAC economies experience lower growth.

The contraction in the value of LAC foreign sales was largely driven by the evolution of the prices of its main export products, which was influenced by both market-specific factors and deflationary pressures generated by an appreciation of the dollar, the currency in which trade flows are denominated¹. These price dynamics were accompanied by low growth of export volumes (See Box). In the particular case of the regional market, a fall in real demand was observed.

¹Holding constant the volume of traded goods and their prices denominated in the exporting countries' currencies, an appreciation of the dollar translates into lower trade values expressed in the U.S. currency. See Giordano (coord.) [Trade and Integration Monitor 2016](#).

FIGURE 1. VALUE OF LATIN AMERICAN AND CARIBBEAN EXPORTS AND WORLD TRADE
(Quarterly moving average of the year-on-year growth rate, percentage, 2014-2016)



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

Notes: 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 6 Caribbean countries—Barbados, Belize, Guyana, Jamaica, Suriname, and Trinidad and Tobago. World trade is calculated as the average of world exports and imports.

General Outlook



The value of LAC exports started to contract sharply at the end of 2014. The pace of contraction accelerated further in the first months of 2015, but started to slow down at the end of that year and continued to do so through 2016 (Figure 1). This trend was reflected in the aggregate rate of growth that went from -15% in 2015 to the estimated -6% in 2016. The aggregate nonetheless hides variation across subregions.

Exports from **South America** were affected by the fall in commodity prices — particularly oil and metals — and by the sluggish demand from Asian economies. The negative trend has attenuated in 2016, resulting in an estimated contraction of 8%, much lower than the 23% decline registered in the previous year. Manufactures exports to the regional market nonetheless witnessed a substantial contraction.

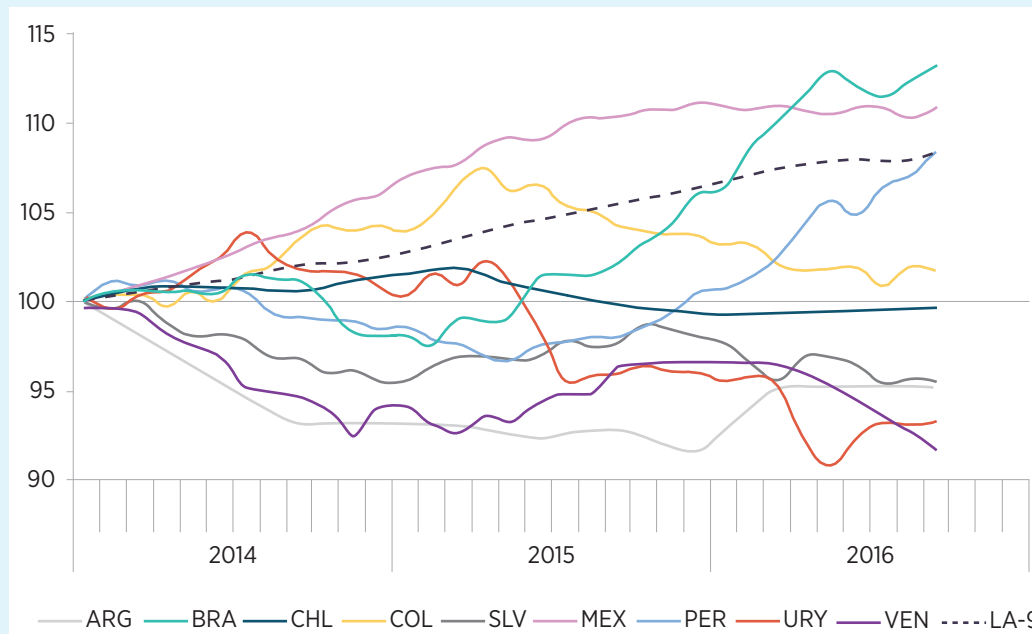
For **Mesoamerica**, a retraction of 3% in foreign sales is expected, a rate similar to that of 2015, although the causes are different in the two years. While manufactures exports from Mexico had

THE SLOWDOWN IN EXPORT VOLUMES

Information available for nine Latin American (LA) countries show that, in the first three quarters of 2016, the growth in export volumes slowed down. For this group, the cumulative year-on-year variation was 2.1%, compared to 4.2% in 2015. It is worth mentioning nonetheless that the growth trajectories of real exports have been fluctuating considerably since 2014, with a general downward trend.

MONTHLY EXPORT VOLUMES OF SELECTED COUNTRIES

(Index, 12-month moving average, January 2014=100, 2014-2016)



Source: IDB Integration and Trade Sector with data from official sources, the U.S. Bureau of Labor Statistics (BLS), and the Organization of Petroleum Exporting Countries (OPEC).

Note: The value of Mexican exports is deflated using BLS indices, and the volume of Venezuelan exports is estimated with data from OPEC. LA-9 corresponds to the average of national indices weighted by the value of exports of each country in 2015; the sample represents 91% of LA foreign sales in the present year.

The exceptions to this negative trend were Brazil and Peru, whose real exports accelerated significantly in 2015. In Brazil, the greatest contributors to export growth were the sale of sugar to Asian markets — replacing exports from drought-affected Thailand — and of ferroalloys. In Peru, as projects in the mining sector reached maturity, they supported an increase in copper exports, also geared to Asia.

Although the volume of Mexican exports had been exhibiting a positive growth pattern since 2014, it was not sustained. At the end of 2015, stagnation became the dominant trend, expressed in a year-on-year growth rate of -0.3% in the first nine months of 2016. The phenomenon was largely explained by the reduction in manufactures sales to the U.S. In Colombia and Uruguay, early increases boosted by the exports of oil and soybeans lost momentum in mid-2015. Stagnation or contraction of export volumes since 2014 was also observed in Chile, El Salvador and Venezuela. The same had been the case with Argentina, although in early 2016, following the peso devaluation, a short-lived increase in real exports was registered due to the sales of commodity inventories.

grown in 2015, compensating the fall in oil sales, they contracted in 2016. Similarly, in some Central American countries manufactures exports contracted in 2016.

Finally, in the **Caribbean**, the rate of export decline has not decelerated, with an estimated fall of 21% in 2016, comparable to the rate of -22% registered in 2015.

In sum, the more measured contraction in foreign sales for the regional aggregate was mainly due to the performance of South American exports, which benefited from the stabilization of commodity prices. In South America and in Mesoamerica manufactures exports did not support a firmer recovery, particularly due to lower demand from within the region, and from the United States (U.S.) with regards to Mexican exports.

At the country level, the general picture in 2016 was one of a more contained fall in the value of exports compared to 2015 (see Table 1 for details). Of the 24 economies analyzed, only four performed worse in 2016 than in 2015: Belize and Jamaica (from -13% in 2015 to -24% and -21%, respectively, in 2016), El Salvador (from 4% to -4%), and Guatemala (from -1% to -4%). Countries with the greatest estimated falls were those intensive in hydrocarbons exports: Venezuela (-32%), Bolivia (-22%), Colombia (-21%) and Ecuador (-15%). The contraction in Mexico was virtually the same in both years.

Prices

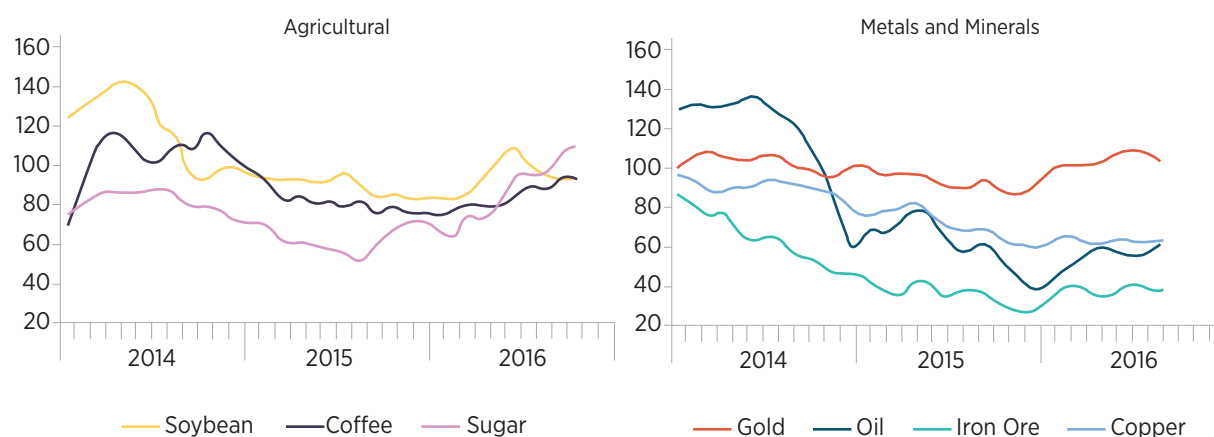
The main factor driving the region's export performance was the fall in commodity prices, which was not compensated by significant increases in export volumes. Although the deflationary trend has been easing since the beginning of 2016, when signs of recovery were first observed, prices have not yet reached the levels displayed prior to their collapse at the end of 2014. The only exceptions were sugar and gold (Figure 2). The price of **sugar** has been recovering since September of 2015, and in October of 2016 it was double the reference level of 2014, although still 20% below the maximum reached in 2011. A similar trend was observed in **gold** markets: whereas the price has been recovering since the beginning of 2016 — by October it was 20% above the previous minimum — it remained 30% below the maximum registered in 2011. The prices of these commodities increased 39% and 7%, respectively, in the year-on-year measure from January to October of 2016.

Soybean and **coffee** prices have also been recovering, although they have remained below the levels registered prior to the fall in 2014. Between January and October of 2016, the price of soybeans increased 11%, while that of coffee improved 22%. However, in the year-on-year measure from January to October, they remained virtually stagnant.

The collapse of **oil** price, which reached a quarter of the relative maximum observed in 2014, seemed to have come to a halt in January of 2016, when signs of a slow recovery became evident. Since then and until October of 2016, it displayed an accumulated increase of 65%. This increase notwithstanding, the growth rate was 22% below the one registered in the same period of 2015.

The price of **iron ore** also displayed some recovery in 2016 — 47% between January and October — but remained at half of the 2014 peak. The price of **copper**, in turn, grew at a much lower rate of 6% in the same time period. For both metals a year-on-year fall was observed in the first ten months of 2016: -17% for iron ore, and -6% for copper.

FIGURE 2. PRICES OF THE MAIN EXPORT PRODUCTS OF LATIN AMERICA AND THE CARIBBEAN
(Index 2010=100, 2014 - 2016)



Source: IDB Integration and Trade Sector with data from the International Monetary Fund (IMF) and the Chilean Copper Corporation (Cochilco).

Markets

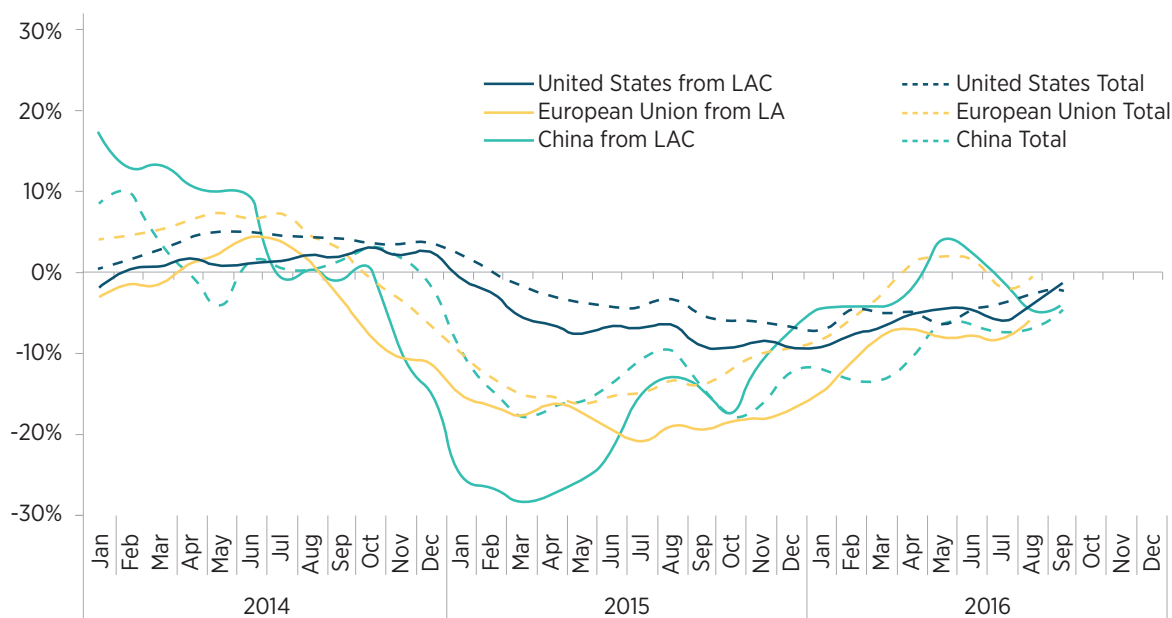
The trade performance of LAC countries in 2016 must be placed in the context of lower and irregular growth of its main trading partners, particularly China and the region itself, which translated into reduced demand for regional exports (Figure 3).

In the beginning of the contraction period in 2014, the imports of **China** from LAC were the most affected. However, the fall in demand from that Asian country also slowed down more markedly than that of other trading partners in subsequent months, with some positive growth episodes being registered in the second quarter of 2016. It is estimated that exports to China will have fallen approximately 5% by the end of 2016. Exports to the **United States** (U.S.) are also expected to contract 5%. The imports of the **European Union** (EU) will likely register a less intense fall of 4% as the rate of contraction decelerated. Finally, **intra-regional imports** are expected to display the worst performance, with an 11% reduction in 2016.

In general, the reduction in imports from LAC was similar to that in imports from the rest of the world for most partners, with the exception of the EU, whose global imports recovered, whereas those from LAC did not.

FIGURE 3. IMPORTS OF THE UNITED STATES, EUROPEAN UNION, AND CHINA FROM LATIN AMERICA AND THE CARIBBEAN AND THE WORLD

(Quarterly moving average of the year-on-year growth rate, percentage, 2014 - 2016)



Source: IDB Integration and Trade Sector with data from the IMF, United States International Trade Commission (USITC), Eurostat, China Customs, and national sources. The import series of all economies are valued in U.S. dollars.

Performance by Subregion



The contraction of LA exports in 2016 (-6%) was due primarily to a fall in sales to the U.S. (-5%) and to the region itself (-11%) (Table 1), which explained three-fourths of the total. The remaining destinations also contributed negatively. This general outlook, however, hides heterogeneity across and within subregions.

South America

In 2016 exports from South American countries are estimated to reach US\$ 424 billion, equivalent to a drop of 8% with respect to 2015. The contraction was observed in sales to all destinations, with the most significant ones being that of exports to the U.S. (-14%) and to the subregion itself (-11%). Venezuela, Bolivia, Colombia, and Ecuador, whose exports are intensive in fuels, were unable to halt the decline in foreign sales in 2016, with rates reaching -32%, -22%, -21% and -15%, respectively. With the exception of Peru and Paraguay, which managed to increase exports by 3% each, all other subregional economies displayed negative rates, although not as large as in 2015: -11% in Uruguay, -7% in Chile, -4% in Brazil, and -2% in Argentina.

The value of exports from **Argentina** fell 2% as a result of a reduction of 7% in prices and an increase of 5% in volumes. Both trends have nonetheless shown signs of deceleration towards the end of the year. On the one hand, the country's performance was negatively affected by lower manufactures sales to the rest of the subregion (-15%), largely explained by a reduction in exports of transport goods to Brazil, which is Argentina's main trading partner and is undergoing a recession. On the other hand, exports to the U.S., Asia (excluding China), and the EU increased 32%, 19% and 1%, respectively. The increase of cereal exports to Indonesia was particularly noteworthy. Exports to China, however, shrank 16%.

In **Bolivia**, the reduction of 22% in exports was almost entirely explained by a fall in the value of sales to the rest of the subregion (-36%), which, in turn, reflected lower prices fetched by natural gas exports to Argentina and Brazil. Exports of raw minerals stagnated, and those of manufactures – mostly based on primary products – registered a slight increase.

Brazil managed to increase volumes by a significant 6%, but prices fell 11%, resulting in an overall decline of 4% in the value of exports. This decline was generalized to all destinations, with Asia (excluding China) displaying the largest contraction (-8%), followed by LAC (-7%) the U.S. (-6%), and the EU (-1%). Sales to China displayed no variation. In terms of product categories, the fall was driven by commodity exports, particularly oil, soybeans and iron ore, while the sale of semi-manufactures expanded, driven by exports of sugar, and those of manufactures stagnated.

The overall reduction in exports from **Chile** (-7%) was replicated in nearly all destinations, except in China, where no change was observed. Asia (excluding China) displayed the greatest contraction (-10%), accounting for large part of the overall fall. Although volumes remained relatively constant, the fall in prices—particularly of copper—continued to depress export performance.

Negative price dynamics, this time in oil markets, also dampened the value of exports in **Colombia** (-21%). In fact, the country suffered from a fall in both prices (-20%) and volumes (-2%). Negative export growth rates were observed in all destination markets, with China (-54%), the rest of Asia (-42%) and the rest of LAC (-27%) showing above-average reductions.

The overall fall in **Ecuador** (-15%) was almost entirely explained by a reduction in the value of exports to the U.S. (-32%) and to the rest of the subregion (-12%) due to lower oil prices. Only exports to the EU displayed a positive growth rate (1%).

The positive performance of **Paraguay** (3%) was explained by greater exports to the region itself (19%)² and to Asia (excluding China) (7%), and by an increase in the volumes of grains and soybean oil, although prices continued to fall. Exports to China, the EU and the U.S. showed contractions of 50%, 21% and 4%, respectively.

The exports of **Peru** also displayed a positive growth rate (3%) in 2016, as sales to China (11%), the rest of Asia (40%) and the U.S. (14%) increased by more than they fell to the rest of LAC (-13%) and the EU (-6%). The sales of copper and, to a lesser extent, gold showed the greatest expansion in value, as the fall in prices was compensated by an increase in volumes.

The pace of export contraction in **Uruguay** (-11%) also decelerated with respect to 2015 (-16%). Retractions were observed in almost all destination markets, except for the European Union (2%)

² Because Paraguay is a landlocked country, some exports registered as destined to Argentina and Uruguay are actually transshipments to extra-regional partners.

TABLE 1: GROWTH OF LATIN AMERICAN AND CARIBBEAN EXPORTS BY SELECT DESTINATIONS
(Annual growth rate, percentage, 2015 and 2016)

Exporting Group/member	2016 vs 2015							2015 vs 2014	
	Subregion	Latin America and the Caribbean	United States	Asia (excl. China)	China	European Union	World Total	World Total	
MESOAMERICA	-1	-11	-3	12	-7	4	↑ -3	-4	
Mexico	-3	-15	-4	14	-4	2	→ -4	-4	
Central America	-1	-4	1	1	-41	8	↑ 0	-8	
Costa Rica	1	0	10	9	-22	16	↑ 7	-14	
El Salvador	-3	-3	-1	16	-83	0	↓ -4	4	
Guatemala	0	-2	-7	4	-68	6	↓ -4	-1	
Honduras	-1	-7	-1	-10	-31	-6	→ -4	-4	
Nicaragua	10	-4	1	-1	-16	-2	↑ -1	-6	
Panama	-22	-23	13	-12	-3	0	↑ -8	-15	
Dominican Republic	3	-16	1	-2	-14	19	↑ 2	-16	
SOUTH AMERICA	-10	-11	-14	-7	-5	-6	↑ -8	-23	
Argentina	-15	-15	32	19	-16	1	↑ -2	-17	
Bolivia	-36	-36	-2	-11	-10	3	↑ -22	-32	
Brazil	-6	-7	-6	-8	0	-1	↑ -4	-15	
Chile	-8	-8	-1	-10	0	-10	↑ -7	-17	
Colombia	-23	-27	-6	-42	-54	-21	↑ -21	-35	
Ecuador	-12	-2	-32	-37	-18	1	↑ -15	-29	
Paraguay	19	18	-4	7	-50	-21	↑ 3	-13	
Peru	-10	-13	14	40	11	-6	↑ 3	-14	
Uruguay	-3	-2	-14	-14	-22	2	↑ -11	-16	
Venezuela	-23	-15	-58	-35	-37	-61	↑ -32	-51	
CARIBBEAN	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↑ -21	-22	
Barbados	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↑ 27	2	
Belize	-19	-40	-41	15	131	-5	↓ -24	-13	
Guyana	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↑ 26	0	
Jamaica	n.a.	n.a.	-8	n.a.	n.a.	89	↓ -21	-13	
Suriname	-23	-27	-90	94	n.a.	-38	↑ -16	-19	
Trinidad and Tobago	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	→ -26	-26	
LATIN AMERICA	-10	-11	-5	-4	-5	-4	↑ -6	-15	
LATIN AMERICA AND THE CARIBBEAN	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↑ -6	-15	

Source: IDB Integration and Trade Sector with data from official sources, except Venezuela, estimated with data from OPEC and the IMF.

Notes: The table does not include the growth rates or absolute changes corresponding to destinations not selected; as a result, the sum of the absolute changes of selected destinations does not match the total. Data for Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic include exports under special trade regimes (STR). For the countries of Central America, the subregional export growth corresponds to Mesoamerica and excludes Mexico. See Methodological Note for additional information on the procedures, time periods, and sources of data used in the estimates. The annual growth rates at the country and subregional levels are rounded to the nearest unit. n.a.: data not available. The arrows show the variation in trend with respect to the previous year.

and nearly all export products, including beef and cellulose, but the largest factor contributing to the overall fall was a reduction in the supply of soybeans, as unfavorable climatic conditions affected the country's harvest.

According to estimates based on unofficial sources, exports from **Venezuela** suffered a significant contraction of 32%, replicated in all destination markets. The fall in oil prices was a crucial contributing factor to the overall decline.

Mesoamerica

Exports from this subregion are expected to reach US\$ 413 billion in 2016, equivalent to a contraction of 3%. The rate essentially reflected the fall in Mexican exports (-4%), which accounts for a large share of the total, and the stagnation of Central American foreign sales. The aggregate performance of Central America resulted from falls in Panama (-8%), Guatemala (-4%), Honduras (-4%), El Salvador (-4%) and Nicaragua (-1%), compensated by increases in Costa Rica (7%) and the Dominican Republic (2%).

The decrease in the value of exports from **Mexico** (-4%) was explained by falling prices (-4%), since volumes remained virtually stagnant. The country's sales to the rest of LAC showed the greatest decline (-15%), but the 4% reduction in exports to the U.S. explained over three-fourths of the overall fall. All main export products contributed to the negative result: half of the contraction was explained by oil exports via the price channel, and the other half was due to lower manufactures sales, especially of electric machinery and vehicles. Only sales to the EU and Asia (excluding China) grew 2% and 14%, respectively.

The stagnation of **Central American** exports resulted from an increase in sales to the EU and the rest of the world — highly influenced by exports of gold from the Dominican Republic to Switzerland — and by a general decline in sales to the rest of LAC and to China. Exports to the U.S. did not vary significantly in 2016.

The EU and the U.S. were responsible for the increase in exports from **Costa Rica** (7%), with China being the only destination displaying a contraction (-22%). Exports under Special Trade Regimes (STR), which comprise approximately half of the total, grew 14%, while those originating in the general customs territory increased only 2%³. In the former group, exports of precision and medical equipment were particularly relevant, while in the latter were bananas and pineapples.

El Salvador worsened its export performance in 2016 (-4%), having been the only one to expand its foreign sales in 2015 (4%). Although exports under STR grew 4% — particularly textiles, clothing and electric machinery — they were overcome by a fall of 6% in exports under general customs regulations. The most notable contraction was in exports to China (-83%), a destination that had exhibited significant growth in 2015 due to the exports of sugar. Coffee was a product that contributed negatively, as sales decreased to nearly all destinations, except to the EU (0%) and Asia (excluding China) (16%). Exports to the rest of the subregion fell 3%, and contributed the most to the decline.

³ Special Trade Regimes include regimes such as duty-free zones and inward processing arrangements in which goods are admitted under special provisions (Customs, tariff, tax, etc.) for processing and subsequent export. Exports from the general customs territory are not covered by these provisions.

Guatemala also registered a lower export growth rate in 2016 (-4%) than in 2015 (-1%). This resulted from a fall of 7% in exports under STR, particularly precious metals, iron and steel, which explained two-thirds of the contraction, and of 2% in general exports, due to lower sales of sugar and oil. In terms of destinations, sales contracted 7% to the U.S. and 68% to China, the latter due to a reduction in sugar exports, and were not compensated by the increases of 6% in exports to the EU and of 4% to the rest of Asia. Exports to the rest of the subregion remained stable.

In **Honduras** exports fell at a rate similar to that of the previous year (-4%) due to reductions in both general exports (-5%) and in those under STR (-2%). The former was driven by a contraction in coffee exports, while the latter resulted from lower sales of textiles to the U.S. Exports contracted to all destinations: 31% to China, 10% to the rest of Asia, 6% to the EU, and 1% to the U.S and to the rest of the subregion. With regard to intra-LAC exports, the decline was largely explained by lower sales to Venezuela.

The estimated contraction of 1% in exports from **Nicaragua** was driven by an increase of 7% in STR exports, particularly textiles, overcome by a fall of 9% in general exports. Again, lower sales to Venezuela explained large part of the contraction, although in this case it was partially compensated by increases to the rest of the subregion (10%) and, to a lesser extent, to the U.S. (1%).

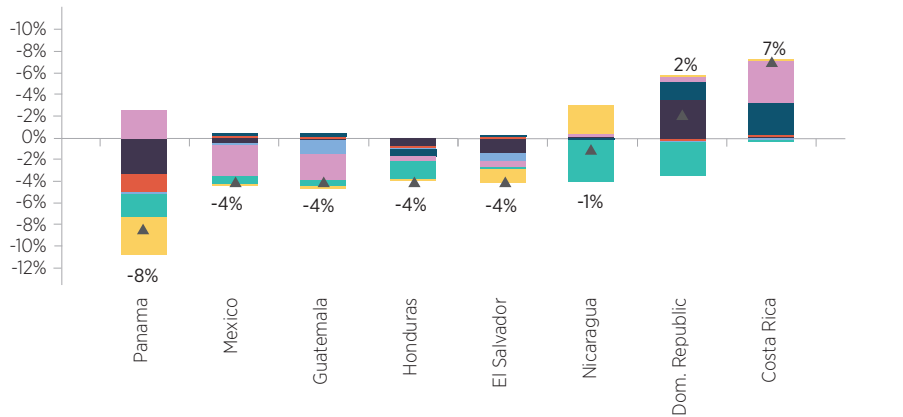
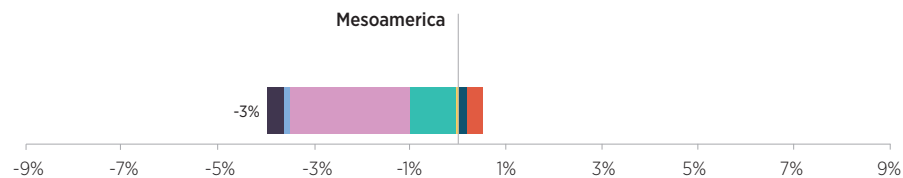
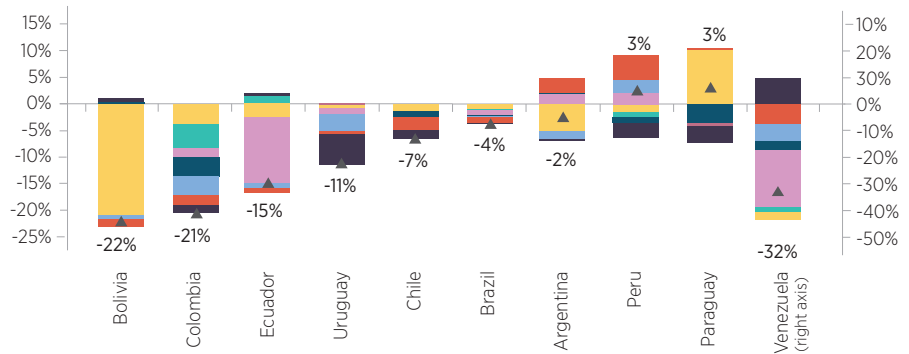
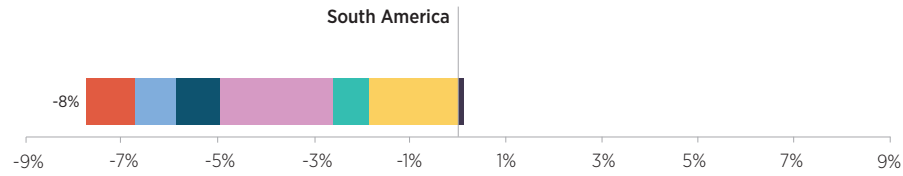
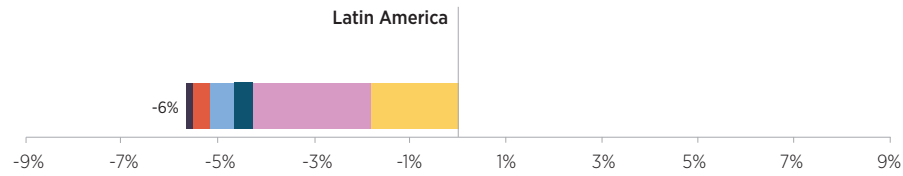
Exports from the general customs territory of **Panama** contracted a significant 8% due to lower sales to the rest of the subregion (-22%), China (-3%) and the rest of Asia (-12%), while sales to the U.S. displayed a considerable increase of 13% and those to the EU remained stagnant.

The destinations contributing the most to the estimated increase of 2% in exports from the **Dominican Republic** were Switzerland (a five-fold increase), the EU (19%), and the U.S. (1%). Exports to China and the rest of Asia contracted 14% and 2%, respectively, and those to the rest of LAC fell 16%. Contrary to what was observed in other Central American countries, general exports contributed positively (8%), boosted by precious metals, while those under STR contracted 1%.

Caribbean

In 2016, the foreign sales of Caribbean economies continued to fall at a rate similar to that of 2015 (-21%), and are predicted to sum to US\$ 12.4 billion. This result was mainly driven by the exports of Trinidad and Tobago, which represent two-thirds of the total and contracted 26%. The performance of the other countries was uneven: Barbados (27%) and Guyana (26%) managed to increase their foreign sales substantially, while Belize, Jamaica and Suriname showed significant declines (-24%, -21% and -16%, respectively).

FIGURE 4. CONTRIBUTION OF MAIN TRADING PARTNERS TO THE CHANGE IN EXPORTS OF LATIN AMERICA
(Annual growth rate and percentage points, 2016)



Legend: Subregion (Yellow), Rest of LAC (Teal), United States (Pink), European Union (Dark Blue), China (Light Blue), Asia (excl. China) (Red), Rest of the World (Dark Grey), Total (Black triangle)

Source: IDB Integration and Trade Sector with data from official sources.
Note: Disaggregated data by destination are not available for the Caribbean.

Conclusion



In 2016, the value of Latin American and Caribbean exports declined an estimated 6%, which indicates a deceleration of the recessive trend that led to a sharp contraction of 15% the previous year. The relative improvement was due to the stabilization of commodity prices that seem to have bottomed and, in some cases, showed signs of recovery. Export volumes, however, did not display sufficiently high growth rates to give a significant boost to the region's export performance, which lined up contractions in the past four years. The export decline slowed down noticeably in South America, while it remained relatively stable in Mexico and in some countries of Central America and the Caribbean.

With regard to the demand of the region's main trading partners, 2016 witnessed significant variation in relation to the previous year. Exports to the region itself and to the U.S. contracted more markedly than those to China, the rest of Asia, and the European Union. The fall in intra-regional demand affected primarily the countries of South America, while the disconnection between the economic recovery in the United States and its import demand negatively affected the performance of Mexico and Central America.

Looking forward, the risks to regional export growth have fallen, but remain tilted to the downside. The prospects for a reversal of the downward trend are associated with a scenario in which commodity prices continue to improve despite the foreseeable appreciation of the dollar, and the region returns to a growth path, thereby reigniting the intra-regional trade channel. An acceleration of external demand, particularly in the United States and China, would sustain exports, while the resurgence of trade protectionism would bias the forecast downward. Those countries whose real exchange rates are depreciating may benefit from improved price competitiveness that, in turn, could stimulate manufactures exports and reduce the region's dependence on commodity trade.

Methodological Note



The estimates released in December of 2016 were calculated with data available through November 25, 2016 and assumed trade trends observed in LAC during 2016 would be sustained until the end of the year. The data used correspond to the following intervals: January-third week of November for Brazil; January-second week of November for Chile, January-October for Argentina, Costa Rica, El Salvador, Mexico, Nicaragua, Paraguay, and Venezuela; January-September for Belize, Bolivia, Colombia, Dominican Republic, Ecuador, Guatemala, Guyana, Panama, Peru and Uruguay; January-August for Honduras; January-June for Barbados, Surinam and Trinidad and Tobago; and January-May for Jamaica. Data from Costa Rica, Dominican Republic, El Salvador, Guatemala, and Nicaragua include exports under STR. Data used to update the 2016 figures correspond to January-December for all countries, include The Bahamas and Haiti, for which data were not previously available, and exclude Trinidad and Tobago, for which complete annual data are not available.

The estimates for the first quarter of 2017 were calculated with data available through May 5, 2017 for 16 Latin American countries and 5 Caribbean countries. The data used correspond to the following intervals: January-March for Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Haiti, Paraguay, Uruguay, Suriname and Venezuela. In the case of Mexico, the variation of exports by partner accumulated through March was estimated based on data for January and February of 2017, and on the variation of total exports from January through March, assuming the trend observed in the first two months of the year would be maintained in March. For Barbados, Ecuador, Honduras, Panama and Peru, the quarterly estimate was based on data accumulated through February. For Jamaica, information was from January 2017. Exports from Venezuela were estimated using information from price series of *Merey*-type oil and data from its main trading partners. Figures for Costa Rica, El Salvador, and Guatemala include exports under STR.

Indices of aggregate volume for Latin America include 10 countries: Argentina, Brazil, Chile, Colombia, El Salvador, Mexico, Paraguay, Peru, Uruguay and Venezuela. Indices for export volume were calculated using data from official sources for Argentina (National Institute of Statistics and Censuses), Brazil (Center for Foreign Trade Studies Foundation), Colombia (Bank of the Republic), El Salvador (Central Bank of Reserves), Peru (Central Bank of Reserves) and Uruguay (Central Bank). In the case of Chile, the official series published by the Central Bank through December of 2016 was utilized and complemented by IDB estimates. The series for Paraguay was calculated using information on export volumes of the country's main products reported by the Central Bank and aggregated according to the export structure of 2010. For Mexico, the series of exports in dollars were deflated with the import price index at the chapter level published by the United States Bureau of Labor Statistics. Venezuela's export volumes were calculated using OPEC information on *Merey*-type oil prices. The aggregation of national series was based on the participation of the countries in total exports valued in dollars in 2010.

The following official data sources were used—Argentina: National Institute of Statistics and Censuses; 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 and National Customs; Colombia: National Administrative Department of Statistics and Direction of National Taxes and Customs; Costa Rica: Central Bank of Costa Rica, the National Institute of Statistics and Census, Foreign Trade Corporation of Costa Rica; Dominican Republic: Central Bank of the Dominican Republic and the National Statistics Office; Ecuador: Central Bank of Ecuador; El Salvador: Central Reserve Bank of El Salvador; 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 and the National Institute of Statistics and Geography; Nicaragua: Central Bank of Nicaragua; Panama: National Institute of Statistics and Censuses; Paraguay: Central Bank of Paraguay; Peru: Central Reserve Bank of Peru, National Customs and Tax Administration and Ministry of Foreign Trade and Tourism; Suriname: General Bureau of Statistics; Trinidad and Tobago: Central Statistical Office; United States: United States International Trade Commission; Uruguay: Central Bank of Uruguay. The data on exports of Venezuela combine information from OPEC with estimates based on IMF data.

The following abbreviations were used in this document: BLS–United States Bureau of Labor Statistics; Cochilco–Chilean Copper Corporation; CPB–Netherlands Bureau for Economic Policy Analysis; IMF–International Monetary Fund; IDB–Inter-American Development Bank; LA–Latin America; LAC–Latin America and the Caribbean; OPEC–Organization of Petroleum Exporting Countries; STR–Special Trade Regimes; USITC– United States International Trade Commission.



