

1Q 2018 UPDATE

TRADE TRENDS ESTIMATES  
LATIN AMERICA  
AND THE CARIBBEAN

2018 EDITION



Coordinated by

**Paolo Giordano**

Integration and Trade Sector





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

This report provides estimates of Latin American and Caribbean international trade flows in 2017 and the first quarter of 2018. 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 American and the Caribbean (INTAL), under the overall supervision of Antoni Estevadeordal, Sector Manager.

This edition was coordinated by Paolo Giordano, INT Principal Economist, and written in collaboration with Kathia Michalczewsky, INTAL Consultant.

Jésica De Angelis, Bárbara Ramos and Cloe Ortiz de Mendivil contributed with inputs and suggestions. Jeremy Harris, Federico Mazzella and Pedro Grondona assisted in the production of statistical information. Mauricio Mesquita Moreira, Alejandro Ramos and Ziga Vodusek provided valuable comments.

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The original report was drafted in Spanish.

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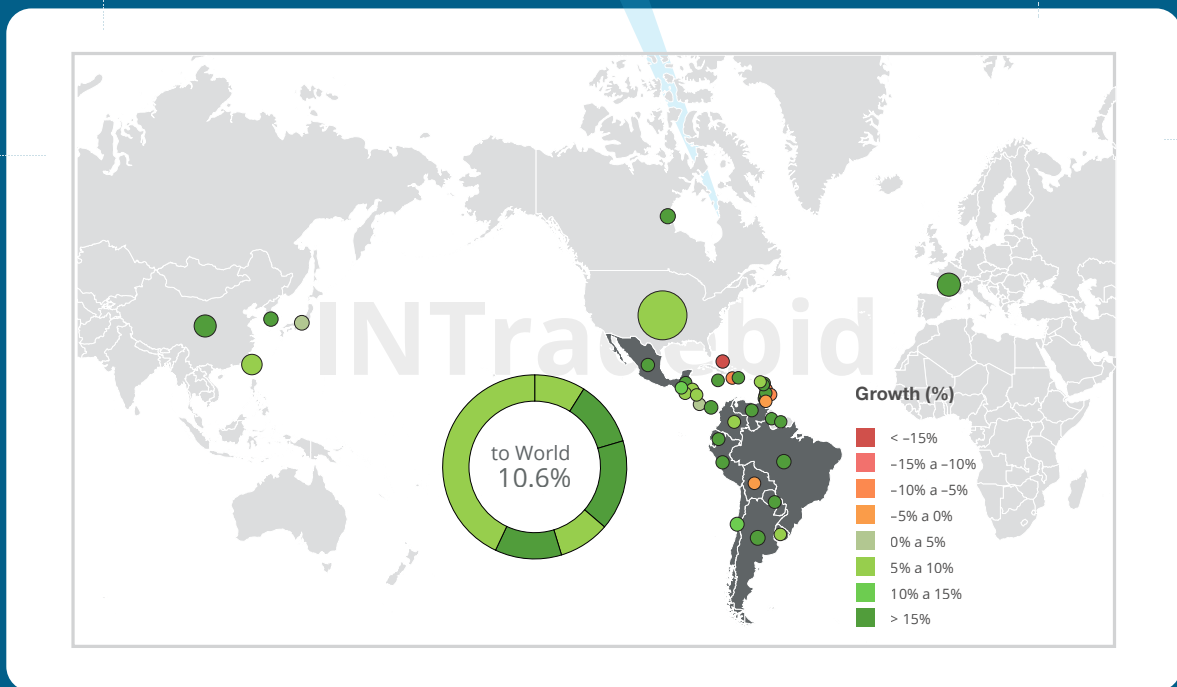
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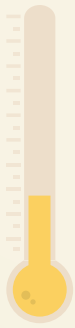
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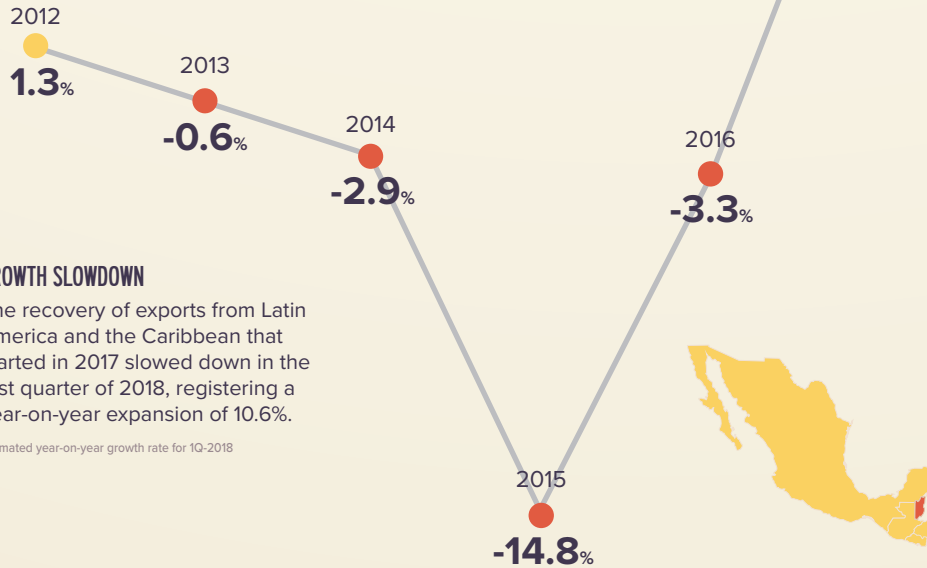




# THERMOMETER OF LATIN AMERICAN AND CARIBBEAN EXPORTS

UPDATE - FIRST QUARTER 2018

TRADE TREND ESTIMATES  
INTEGRATION AND TRADE SECTOR



## GROWTH SLOWDOWN

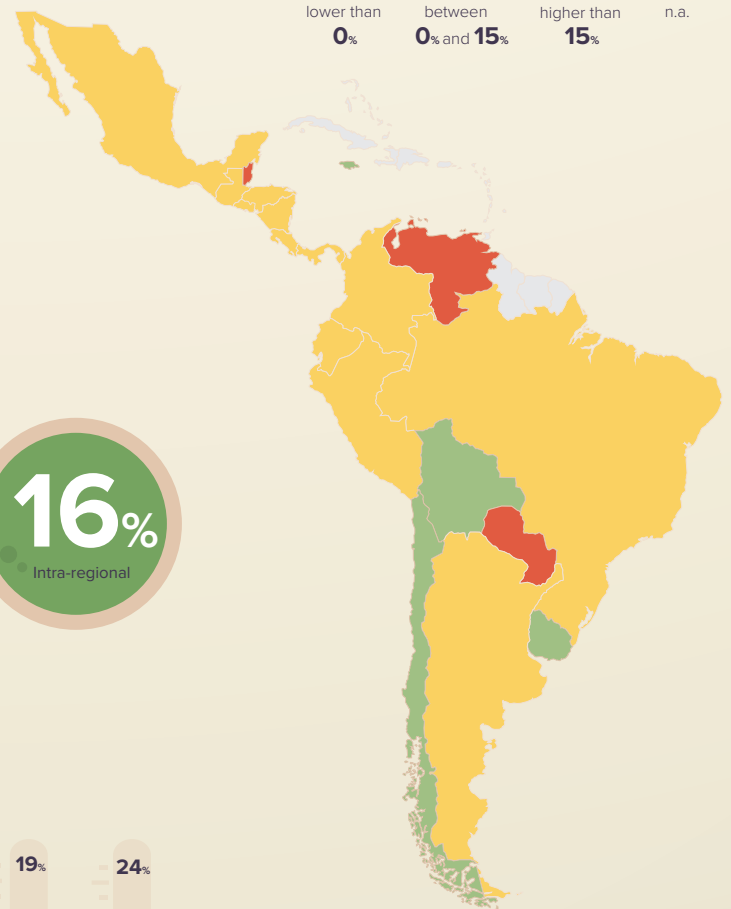
The recovery of exports from Latin America and the Caribbean that started in 2017 slowed down that in the first quarter of 2018, registering a year-on-year expansion of 10.6%.

Estimated year-on-year growth rate for 1Q-2018

## PERFORMANCE BY COUNTRY

Bolivia, Chile, Jamaica and Uruguay stand out for their performance in a region with moderate growth.

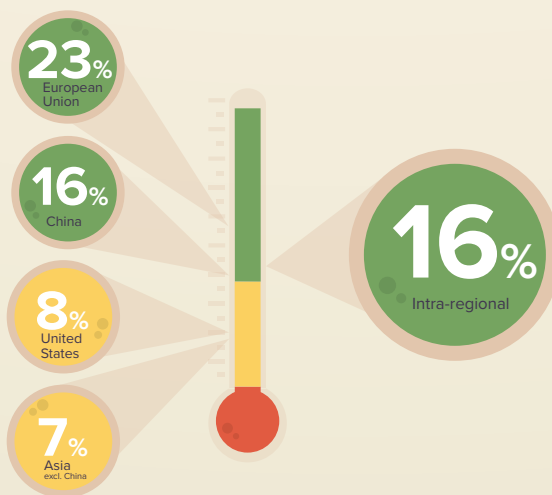
Estimated year-on-year growth rate for 1Q-2018



## CHANGE IN DEMAND

The European Union is the partner that increased the most its demand from the region, showing a 23% year-on-year increase in the first quarter of 2018.

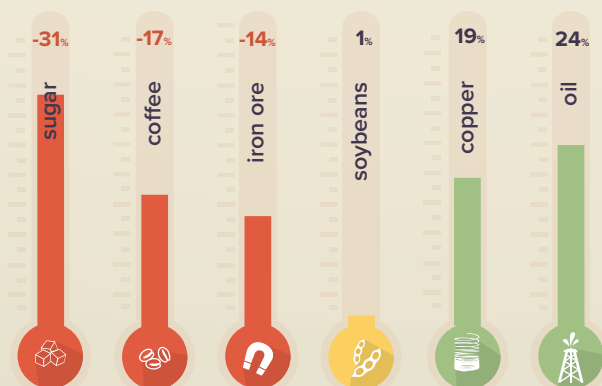
Estimated year-on-year growth rate for 1Q-2018



## PRICE REDUCTION

Most commodity prices have declined in 2018. Oil and copper stand out with an increase higher than 15%.

Estimated year-on-year growth rate for January-April 2018



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**UPDATE 1Q 2018**

## **Export recovery loses momentum in Latin America and the Caribbean**

### **Highlights**

The value of Latin American and Caribbean exports grew at an estimated year-on-year rate of 10.6 per cent in the first quarter of 2018, down from a yearly increase of 11.9 per cent in 2017.

The rebound of commodity markets tempered at the end of 2017 and in the first months of 2018, and some prices started to decline.

Export volumes continued to increase at a year-on-year rate of 4 per cent, but growth was concentrated in a few economies.

The dwindling export recovery in the first quarter of the current year was due to lower growth in South America and, to a lesser extent, in Central America.

The growth of merchandise exports in Latin America and the Caribbean (LAC) lost some momentum in 2018. Foreign sales have grown an estimated 10.6% year-on-year in the first quarter of 2018 (Figure 1).<sup>1</sup> Revised data indicate that regional exports grew 11.9% in 2017, exhibiting declining rates as the year progressed.<sup>2</sup> The regional export recovery of 2017 was in line with global trends, as world merchandise trade grew 11.0%. However, global trade recorded increasing growth rates throughout 2017 and into 2018, contrary to what was observed in LAC.

In 2017 and the first months of 2018, the region's trade performance was affected primarily by lower export growth in South America. Meanwhile, Mesoamerican exports, notably those of Mexico, rose at a slightly higher rate. Export growth in South America began to dwindle as the recovery of

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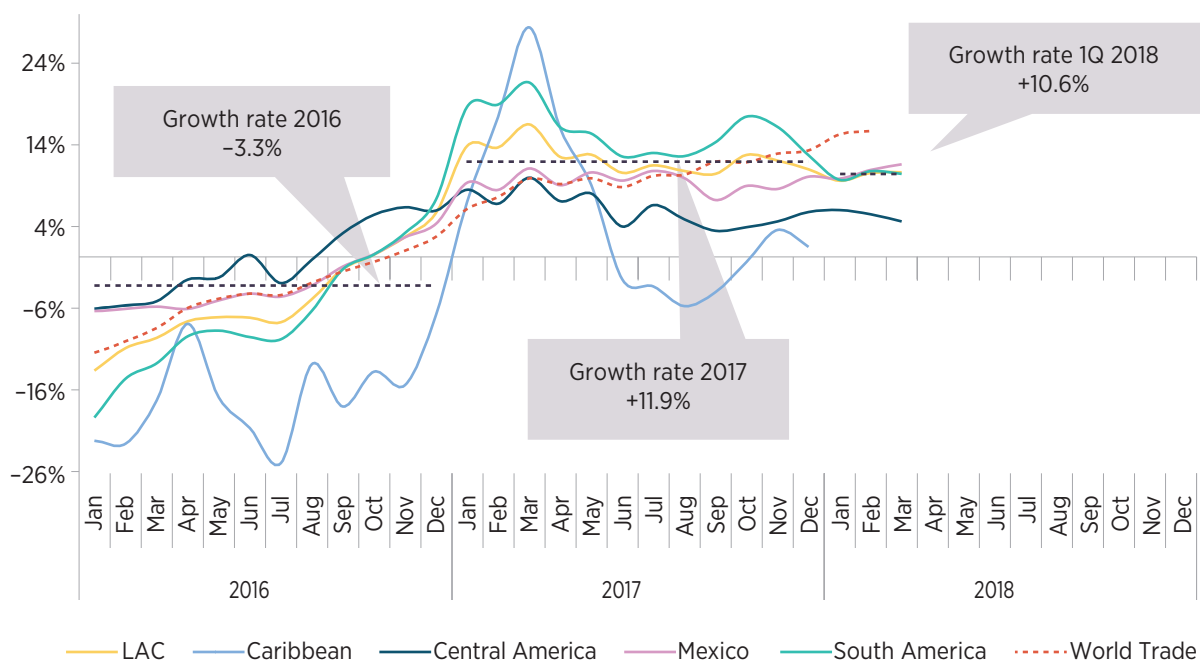
<sup>1</sup> The figure is calculated based on data for 20 Latin American and Caribbean countries (Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela). See the Methodological Note for information about procedures, periods and data utilized in these estimates.

<sup>2</sup> The estimates published in December 2017 indicating an annual export growth rate of 13% were based on data available through September or October, depending on the country. The difference between the figure previously published and the revised one is explained by the downward shift in commodity prices recorded in the last few months of the year.

commodity prices tempered, with downturns observed in some key markets. This downward trend in export prices was exacerbated by negative shocks that affected specific commodity markets and by the uncertainty following the announcement of potential tariff increases on major global export flows. Export volumes, in turn, continued to rise, with some countries displaying accelerating growth rates in the first two months of the current year.

Imports by the region grew an estimated 14.3% year-on-year in the first quarter of 2018, up from an average of 9.6% in 2017. Not only have LAC imports grown more rapidly than exports, they have done so at an accelerating pace in 2017 and into 2018.

**FIGURE 1 • VALUE OF LATIN AMERICAN AND CARIBBEAN EXPORTS, AND WORLD TRADE**  
(Year-on-year growth rate, 3-month moving average, percentage, 2016–2018)



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

Note: Calculations for 2017 include 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 Caribbean countries: The Bahamas, Barbados, Belize, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago. The Bahamas, Barbados, Guyana, Haiti, Suriname, and Trinidad and Tobago are excluded from the calculations for the first quarter of 2018. World trade is calculated as the average of world exports and imports.



## General Outlook



Exports of Latin America and the Caribbean grew at an estimated year-on-year rate of 10.6% in the first quarter of 2018, which is slightly lower than the average increase of 11.9% registered in 2017. The more modest performance was the result of lower export growth in South America, only partially compensated by faster expansion in Mesoamerica, particularly in Mexico.

Foreign sales of **South America** increased 10.4% year-on-year in the first quarter of 2018, following a 14.9% growth in 2017. As the expansion slowed down, export levels remained 25% below the historical peak of 2011. The recovery of commodity markets, which had bolstered South American exports in 2017, started to dwindle at the end of the year, with some price declines being registered. The price volatility continued in the first quarter of 2018 and negatively affected the subregion's performance. Although exports increased to all partners, the growth rates of those destined to the United States, China and the rest of Asia were lower in 2018 than in the previous year.

Exports from **Mesoamerica** are estimated to have increased 10.8% year-on-year in the first quarter of 2018. The figure combines growth of 11.5% in Mexico and 4.8% in Central America. As a result, exports from this subregion have reached an all-time peak. In the case of Mexico, the rate is higher than that of 2017 (9.5%), whereas in Central America it is lower (5.8%). Mexican exports expanded at a stable rate in the first half of 2017, which declined slightly in the third quarter and then increased at the end of the year and into 2018. With regards to partners, growth was largely due to increased sales to the United States and, to a lesser extent, the European Union. Central American exports, in turn, grew at a declining rate through most of 2017, recovered slightly in the last quarter of the year, and returned to a downward trend in the beginning of 2018, as sales to the United States increased at a more moderate pace.

The **Caribbean** recorded an estimated export growth rate of 5.3% in 2017.<sup>3</sup> This group exhibited the most volatile export performance of all LAC subregions, with above-average year-on-year rates in the first half of 2017, and contractions during most of the second semester.

In sum, LAC exports grew at a slower pace in the first quarter of 2018. The slowdown resulted from lower export growth in South America, negatively affected by volatile and sometimes declining commodity prices, and to a lesser extent in Central America. Although Mexico registered a higher growth rate at the beginning of 2018 than in the whole of 2017, it was not sufficient to compensate for the dwindling export growth elsewhere in the region.

At the country level, nearly all LAC economies still displayed positive growth rates in the first quarter of 2018, except for Belize, Paraguay, and Venezuela. However, although positive, rates were lower than those exhibited the previous year in half of the countries.

<sup>3</sup> The Caribbean includes The Bahamas, Barbados, Belize, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago. No aggregate data were available for this subregion for the first quarter of 2018.

## Prices

The rebound of commodity prices, which had bolstered the export recovery in 2017, was not sustained in some key markets during the first months of 2018. The notable increases observed at the beginning of 2017 started to lessen after the first quarter (Figure 2). In fact, in the second semester of 2017, the price of some agricultural goods (sugar, coffee, and soybeans) and of iron ore declined. Copper and oil prices, in turn, remained on an upward trajectory. These trends, still observed at the beginning of 2018, reveal the instability of the recovery, as prices are yet to reach pre-2014 levels and remain considerable below historical peaks.

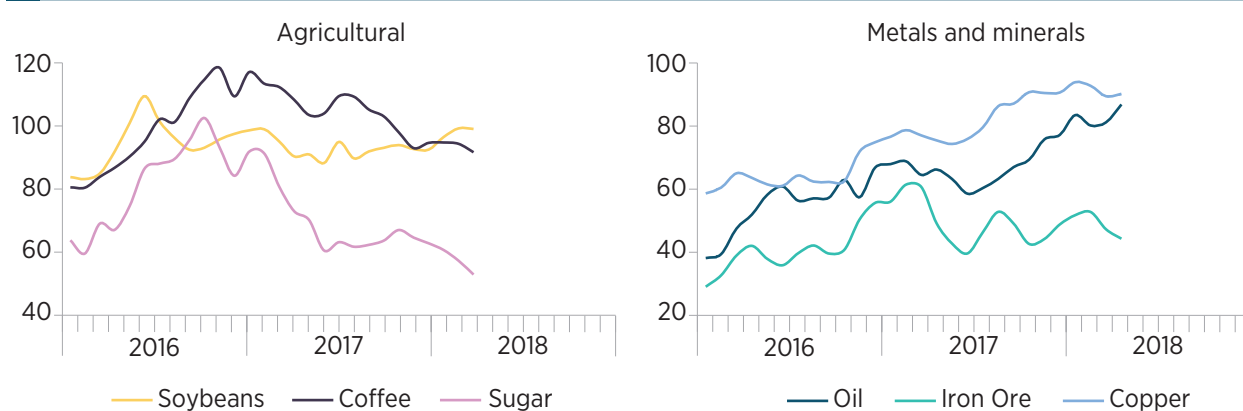
The price of **sugar** has affected regional export performance negatively since the end of 2016. Although it had stabilized by mid-2017, the downward trend reappeared at the beginning of 2018. Higher supply by Brazil, India, and Thailand, coupled with lower global demand, led to a fall in price. In 2017 the decline amounted to 12.7%, followed by a further 30.7% decrease in the first four months of 2018. The price of sugar in April of the current year was 33% below the previous peak of 2014, and at about one-third of the historical record of 2011.

Although the price of **coffee** increased 8.9% in 2017, it exhibited a downward trend throughout the year and into 2018. Between January and April of the current year, the price was 16.8% lower than in the same period of the previous year, due to a notable increase in supply, particularly in Vietnam. In April the price was 30% lower than the previous peak of 2014, and 45% below the record high of 2011.

The price of **soybeans** remained relatively stable in 2017 and the beginning of 2018 (-1.1% and 1.1%, respectively). The decline in Argentina's production due to a drought was offset by an increase in Brazil's exports. In addition, price volatility has increased due to the potential implementation of retaliatory tariffs by China against the United States. In April, the price was 40% lower than the record high registered in 2012.

The price of **oil** increased 24.0% year-on-year between January and April 2018, following a 22.7% rise in 2017. As world demand increases, Russia and members of the OPEC have agreed to further reduce production until the end of 2018, potentially bringing inventories to the lowest levels in

**FIGURE 2 • PRICES OF THE MAIN EXPORT PRODUCTS OF LATIN AMERICA AND THE CARIBBEAN**  
(Index 2010 = 100, 2016–2018)



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

5 years.<sup>4</sup> The upward price trend has been reinforced by conflicts in the Middle East and lower production in Venezuela. Despite the increases, in April 2018 the price of oil was nearly half of its record value of July 2008.

The market for **iron ore** has been volatile since 2017. Although the price increased on average 22.4% last year, it declined 13.7% year-on-year between January and April 2018, landing at a level 50% below that of the previous peak of 2014. The main factors driving the recent fall were the adoption of stricter environmental standards in China, which lowered demand for the mineral,<sup>5</sup> and the potential imposition of steel tariffs by the United States.

The price of **copper** rose at a notable pace in 2017 and the first four months of 2018, with rates of 27.7% and 18.9% year-on-year, respectively. Production disruptions in some of the world's most important mines decreased supply, while Chinese demand continued to increase. Upward pressures notwithstanding, in April 2018 the price of copper was 7% lower than the relative peak of 2014 and 31% below the historical record of 2011.

## Volumes

Export volumes continued to expand in the first months of 2018 at a rate similar to the 4% recorded in 2017, according to data available for eight countries in Latin America (Figure 3).<sup>6</sup>

**Brazil** exhibited a real export increase of 11% year-on-year in the first two months of 2018, above the 7% rate recorded in 2017.<sup>7</sup> In contrast, export volumes in **Mexico** continued to grow in the first quarter of 2018 (6% year-on-year), but at a lower rate than in 2017 (8%). Similarly, **Uruguay** registered declining growth rates, from 20% in 2017 due to a remarkable soybean harvest, to a low 2% in the first two months of 2018. In **Peru**, the growth of 8% in 2017 was replaced by a year-on-year real decline of 4% in the first two months of 2018. Given that the fall was largely due to delays in copper exports, it is possible that it will be reversed in the coming months.

**Venezuela** and **Paraguay** are the only countries, among those considered, whose real exports declined again this year. In the case of Venezuela, the fall of 27% year-on-year in the first quarter of 2018 exacerbated the 13% fall of 2017. In Paraguay, the declines were of 3% in 2017 and 4% year-on-year in the first quarter of 2018.

Lastly, **Colombia** and **Argentina** managed to increase real exports by 7% each in the first quarter, following a period of relative stagnation in 2017.

## Markets

In 2017, the export recovery in Latin America and the Caribbean was supported by robust demand from all main partners, particularly China and the United States (Figure 4). In the first quarter of

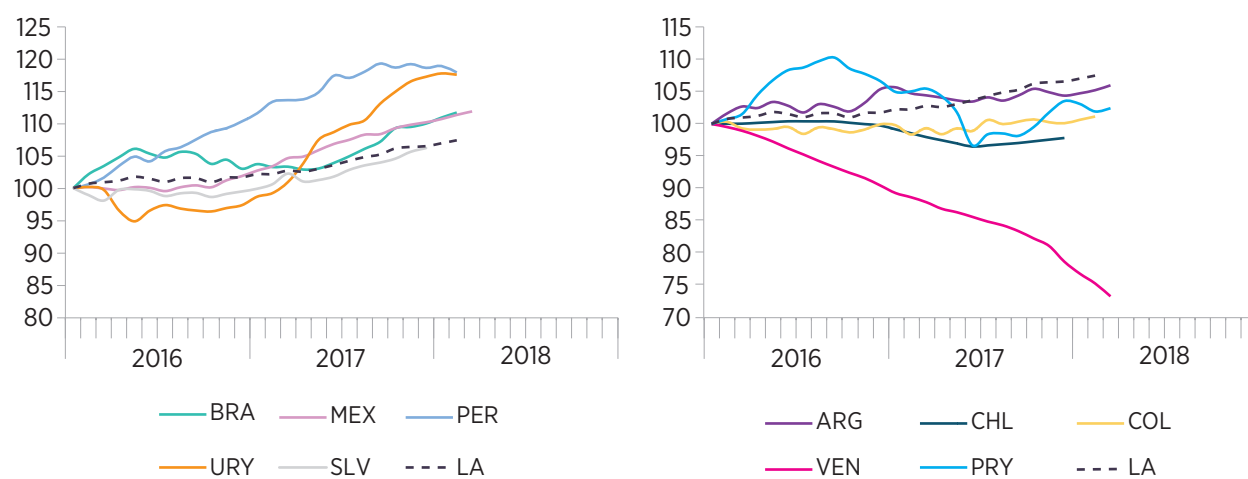
<sup>4</sup> International Energy Agency, "Oil Market Report", April 13, 2018. Available at: <https://www.iea.org/oilmarketreport/omrpublic/>.

<sup>5</sup> Steel production was temporarily reduced in Tangshan, one of China's main industrial cities.

<sup>6</sup> The estimates for 2017 are based on data available for ten countries: Argentina, Brazil, Chile, Colombia, El Salvador, Mexico, Paraguay, Peru, Uruguay, and Venezuela. The estimates for the first two months of 2018 exclude Chile and El Salvador.

<sup>7</sup> Exports of a single oil platform largely explain the real growth exhibited in the first two months of 2018.

**FIGURE 3 • VOLUME OF EXPORTS OF SELECTED COUNTRIES**  
(Indices, January 2016 = 100, 12-month moving average, 2016–2018)



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

Note: The value of Mexican exports is deflated with BLS indices and the volume exported by Venezuela is estimated with OPEC data. LA is an average of national indices weighted by the value of exports of each country in 2010. The sample represents 93% of Latin America's foreign sales in that year. The figures reported for the first two months of 2018 are estimates based on data for eight countries, representing 84% of Latin American exports in 2010. See Methodological Note for additional details.

2018, sales to the Asian giant<sup>8</sup> decelerated markedly, while those to the European Union and the region itself expanded. Exports to the United States grew at a slightly lower rate, but still drove much of the regional export expansion given the country's relevance as a trade partner.

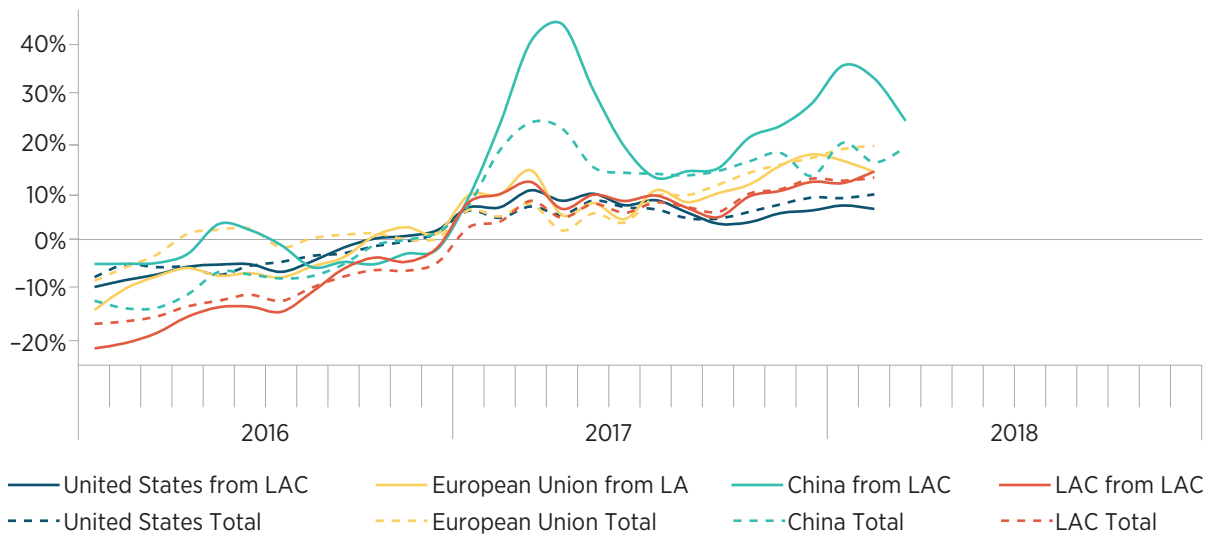
Imports by the **United States**, Latin America's main trade partner, increased an estimated 7.6% in the first quarter of 2018, a slightly lower rate than the 8.9% registered in 2017. Still, the North American economy accounted for almost a third of the regional export expansion. However, it should be noted that purchases by the United States from the rest of the world have been growing at a faster pace than those from the region since mid-2017.

The **European Union** was the partner whose purchases from the region grew the most in the first quarter of 2018. The cumulative year-on-year rate to March was 23.4%, more than double the 2017 average of 10.3%. However, similarly to the case of the United States, imports from the region have been growing at a lower rate than those from the rest of the world.

Imports by **China** from Latin America grew 15.8% year-on-year in the first quarter of 2018. This rate, although significant, is nearly half of the average 28.0% observed in 2017. The volatility observed throughout the year was still present in the first months of 2018, in line with movements in commodity prices. As opposed to the previously analyzed cases, China's global purchases have been growing at relatively stable rates, but lower than those exhibited by the country's imports from the region.

<sup>8</sup> The figures reported by China as an importer exhibit a one-month lag in relation to those reported by LAC as an exporter. Thus, the declining growth rates of regional exports, particularly those of South America, in the first quarter of 2018 are not fully apprehended in the data reported by China until March, which were used to construct Figure 4.

**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, 2016–2018)



Source: IDB Integration and Trade Sector with data from the International Monetary Fund (IMF), United States Trade Commission (USITC), Eurostat, China Customs, and national sources.

Note: The import series of all economies are valued in United States dollars.

Purchases within **Latin America** increased at a slightly higher rate between the last months of 2017 and the beginning of 2018, in line with total regional imports. In the first quarter of 2018 intraregional flows grew an estimated 16.3% year-on-year.

## Performance by Subregion



As global trade recovered, most LAC economies registered positive year-on-year export growth rates in the first quarter of 2018. The pace of growth, however, has been lower than the average rates observed in many countries in 2017 (Table 1). In addition, different factors and destinations explained the expansion of foreign sales in the various countries and subregions in 2017 and the first months of 2018 (Figure 5).

### South America

In the first quarter of 2018, exports of South American countries expanded 10.4%, lower than the average 14.9% recorded in 2017. The only countries whose growth rates did not slow down were Argentina, Bolivia, Chile and Uruguay. Sales to the European Union increased the most, at 19.5%,

but the expansion was mostly driven by intraregional trade, which grew 18.0%. Exports to both destinations increased at a faster pace in 2018 than in 2017, while those to the remaining partners did so at a considerably lower rate.

Between January and March 2018, exports of **Chile** expanded at a year-on-year rate of 24.3%, a significant increase with respect to the 2017 average (14.0%). Almost 80% of the growth was due to increases in sales to China and the rest of Asia of 53.1% and 20.4%, respectively. Exports of mineral products, namely copper, largely drove the expansion, with a 35% rise due mostly to a price increase.

In the first quarter of 2018, **Bolivia's** exports increased 21.9% year-on-year, double the average of 2017 (10.7%). Natural gas boosted the country's exports, especially those to the region, which grew 23.4% and accounted for half of the expansion. Exports of gold and zinc were also relevant. In addition to intraregional trade, foreign sales to Asia (excluding China) (33.2%) and the European Union (43.3%) expanded considerably.

Exports of **Uruguay** also grew faster in the first quarter of 2018 than in 2017 (16.1% and 12.7%, respectively). The expansion was linked to an increase of more than 60% in shipments to China, particularly of meat and timber products. Greater sales to the Asian country accounted for around three quarters of the expansion and offset the reductions in purchases by South America (-8.5%), especially Brazil, and Asia (excluding China) (-5.9%).

**Colombia's** foreign sales increased 13.9% year-on-year between January and March 2018, less than the average rate of the previous year (18.9%). Lower exports to Asia (excluding China) (-24.8%) and the European Union (-14.0%) were offset by a large increase in shipments to LAC (54.6%), especially to Mexico and Panama, and to China (19.1%) and the United States (8.1%). Fuel exports were relevant and contributed 9 percentage points to the expansion.

In the first quarter of 2018, **Argentina's** foreign sales expanded 12.9% year-on-year due to both quantity and price increases. The marked improvement compared to the average of 2017 (0.9%) was driven by growing sales to all main destinations. China (23.2%), the United States (18.9%) and South America (19.4%), especially Brazil, were the most dynamic partners. In terms of destinations, the subregion was responsible for almost half of the increase in foreign sales. With regards to products, corn, vehicles, crude oils, meat and offal contributed 10 percentage points to the export expansion.

In the first three months of 2018, exports increased 10.4% in **Peru**, equivalent to half of the average growth rate of 2017 (21.5%). The most dynamic export destinations were Asia (excluding China) and the United States, with year-on-year rates of 31.9% and 28.7%, respectively. Exports also grew to all other partners, except China (-2.4%), which was largely responsible for the slowdown in early 2018. In terms of products, minerals, particularly copper, were the most relevant.

**Ecuador** registered a year-on-year increase of 7.8% in its exports in the first quarter of 2018, lower than the 13.8% of 2017. The slowdown was largely due to a reversal in sales to the United States. After growing 11.4% in 2017, they fell 18.6% year-on-year between January and March of 2018. Significant increases in exports to China (109.5%) and LAC (30.6%) offset the decline. Oil exports were the most dynamic, growing 18%, whereas non-oil exports expanded a mere 2%.

**Brazil's** exports grew 7.8% year-on-year between January and March 2018. The previously mentioned increase in export volumes largely explained the expansion, as prices have remained relatively stagnant and have pushed the growth rate down from the 2017 average (17.6%). Exports increased to

**TABLE 1 • GROWTH OF LATIN AMERICAN AND CARIBBEAN EXPORTS BY SELECTED DESTINATIONS**  
(Annual growth rate, percentage, 2017 and 1Q 2018)

Exporting Group/ Member	1Q 2018 vs 1Q 2017							2017 vs 2016	
	Latin America							World Total	World Total
	Subregion	and the Caribbean	United States	Asia (excl. China)	China	European Union	World Total		
<b>SOUTH AMERICA</b>	<b>15.2</b>	<b>18.0</b>	<b>3.6</b>	<b>5.1</b>	<b>16.0</b>	<b>19.5</b>	↓	<b>10.4</b>	<b>14.9</b>
Argentina	19.4	19.1	18.9	5.5	23.2	4.7	↑	12.9	0.9
Bolivia	23.8	23.4	-12.0	33.2	-16.5	43.3	↑	21.9	10.7
Brazil	14.9	13.3	7.0	-17.0	2.4	37.4	↓	7.8	17.6
Chile	-0.4	0.3	25.0	20.4	53.1	11.2	↑	24.3	14.0
Colombia	30.7	54.6	8.1	-24.8	19.1	-14.0	↓	13.9	18.9
Ecuador	18.7	30.6	-18.6	22.7	109.5	4.5	↓	7.8	13.8
Paraguay	31.2	27.9	-38.5	-59.5	27.8	-68.7	↓	-6.7	2.1
Peru	10.5	11.3	28.7	31.9	-2.4	20.9	↓	10.4	21.5
Uruguay	-8.5	-3.2	17.5	-5.9	63.0	14.6	↑	16.1	12.7
Venezuela	-49.7	-26.3	-31.9	28.6	17.7	-39.1	↓	-7.8	21.7
<b>MESOAMERICA</b>	<b>5.6</b>	<b>11.2</b>	<b>8.5</b>	<b>15.1</b>	<b>13.8</b>	<b>33.0</b>	↑	<b>10.8</b>	<b>9.1</b>
Mexico	0.7	15.2	8.7	16.0	-1.8	38.2	↑	11.5	9.5
<b>Central America</b>	<b>5.9</b>	<b>5.4</b>	<b>4.5</b>	<b>8.9</b>	<b>231.7</b>	<b>12.2</b>	↓	<b>4.8</b>	<b>5.8</b>
Costa Rica	7.8	6.3	3.5	13.4	99.1	10.0	→	7.5	7.0
El Salvador	7.3	7.6	0.7	-61.6	1887.7	-25.9	↓	3.1	6.3
Guatemala	3.3	4.9	12.7	-63.9	56.6	2.5	↓	0.3	5.1
Honduras	12.8	14.4	-4.8	51.1	41.7	4.9	↓	4.1	9.3
Nicaragua	30.4	1.6	0.3	82.1	n.a.	92.1	→	7.1	7.2
Panama	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↑	9.1	3.8
Dominican Republic	-12.4	-3.0	6.6	49.4	-36.7	22.3	↑	6.8	1.0
<b>CARIBBEAN</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>5.3</b>
Bahamas	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	39.2
Barbados	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.0
Belize	-19.8	-0.2	-26.1	n.a.	n.a.	-23.5	↓	-19.0	10.9
Guyana	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	25.6
Haiti	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.4
Jamaica	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↑	17.6	9.0
Suriname	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	45.4
Trinidad and Tobago	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-7.0
<b>LATIN AMERICA</b>	<b>16.6</b>	<b>16.3</b>	<b>7.6</b>	<b>6.9</b>	<b>15.8</b>	<b>23.4</b>	↓	<b>10.6</b>	<b>12.0</b>
<b>LATIN AMERICA AND THE CARIBBEAN</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	↓	<b>10.6</b>	<b>11.9</b>

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

Note: The table does not include the growth rates or absolute changes of non-selected destinations. Thus, the sum of absolute changes does not match the total. Data for Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua include exports under special trade regimes (STR), except for 1Q 2018 data for Honduras. For individual Central American countries, the subregion corresponds to Mesoamerica, whereas for Central America, Mexico is excluded and the subregion includes only intra-Central America trade. See Methodological Note for additional information on the procedures, time periods, and data sources used in the estimates. n.a. means data not available. The arrows show the variation with respect to the previous year.



all major destinations, except Asia (excluding China) (-17.0%), with the largest growth registered in the European Union (37.4%), which accounted for three quarters of the total.<sup>9</sup> South America (14.9%) and the United States (7.0%) also exhibited significant increases driven by the automotive sector and iron and steel manufactures, respectively. Exports to the Chinese market also grew (2.4%), but at a significantly lower rate than that of 2017 (34.2%).

Unlike the other countries of South America, **Paraguay** registered an export contraction of 6.7% year-on-year in the first quarter of 2018. The decline, which exacerbated the lackluster performance of 2017 (2.1%), responded to both volume and price dynamics of all main export products (soybeans, cereals, hides and meats). The increase in shipments to South America (31.2%), especially to Argentina, and to China (27.8%) did not offset the declines registered elsewhere.

According to own estimates, exports by **Venezuela** contracted 7.8% year-on-year in the first quarter of 2018, as the increase in oil price was lower than the decrease in export volume. The decline followed the considerable expansion of 21.7% registered in 2017. In terms of destinations, sales contracted to all main partners, except China and the rest of Asia (17.7% and 28.6% respectively). The fall in exports to the United States (-31.9%) largely explained the overall contraction.

## Mesoamerica

Mesoamerica's exports grew an estimated 10.8% year-on-year in the first quarter of 2018, whereas in 2017 the average rate was 9.1%. The acceleration was driven by the higher growth rate of Mexican exports, which went from 9.5% in 2017 to 11.5% year-on-year in the first three months of 2018. In contrast, in Central America the pace of export growth declined from 5.8% to 4.8%,<sup>10</sup> with heterogeneous performance across countries. While Panama and the Dominican Republic registered higher rates at the beginning of 2018, export growth in the remaining countries was lower than in the previous year.

In terms of destinations, nearly two thirds of the Mesoamerican export growth were driven by the 8.5% year-on-year increase in sales to the United States. Exports to the European Union displayed remarkable growth rates (33.0%), as exports to all destinations, except for China and the rest of Asia, increased at a faster pace in the first months of 2018 than in 2017. These figures largely reflect the performance of Mexico. The growth of Central American foreign sales in the first quarter of 2018 was mainly driven by China, as exports to its main trade partner, the United States, slowed down.

The rate of expansion of **Mexico's** exports was higher in the first quarter of 2018 than in 2017 (11.5% and 9.5%, respectively). Exports to the United States grew 8.7%, accounting for nearly two thirds of the increase. Sales also expanded to the European Union (38.2%), LAC (15.2%), and Asia (excluding China) (16.0%). The products that contributed most to the increase were vehicles, mechanical devices and fuels.

<sup>9</sup> Over half of the growth of exports to the European Union was driven by the sale of "drilling or exploration platforms, dredges, etc." to the Netherlands.

<sup>10</sup> The figures include exports from the national customs territory and under Special Trade Regimes (STR) in Costa Rica, the Dominican Republic, El Salvador, Guatemala and Nicaragua, while exports from Honduras and Panama include only those from the respective national customs territories. STRs include regimes such as free zones and inward processing, in which goods are admitted under special provisions (customs, tariff, tax, etc.) for processing and subsequent export. Exports from the national customs territory do not benefit from these special provisions.



Data for **Panama** point to a year-on-year increase of 9.1% in the first quarter of 2018,<sup>11</sup> which is considerably above the average of 2017, at 3.8%. The products accounting for most of the expansion were raw wood and fresh fish, which offset the declines in sales of sugar, fishmeal and fish oil.

**Costa Rica's** exports grew 7.5% year-on-year in the first quarter of 2018, a rate similar to that observed in 2017 (7.0%). Shipments to China doubled, turning this country into the most dynamic export destination. Increased sales to the European Union and the rest of Mesoamerica were also relevant, with rates of 10.0% and 7.8%, respectively. In the first part of the year, sales from the national customs territory grew faster than those through special trade regimes (STR) (8.4% and 6.6%, respectively). Medical and dental instruments and supplies, pharmaceutical and medicinal products and vegetable oils explained the increase in sales through STR. Except for bananas, whose exports declined in the first quarter, products whose exports increased in 2017 continued to exhibit positive growth rates at the beginning of 2018. These include pineapples, batteries, accumulators, cables and wiring devices.

**Nicaragua's** foreign sales grew 7.1% year-on-year in the first quarter of 2018, maintaining the average expansion rate of 2017 (7.2%). Strong increases were observed in shipments to the European Union (92.1%), Asia (excluding China) (82.1%) and the rest of Mesoamerica (30.4%), while those destined to the United States remained stagnant. Exports through STR grew more than those from the national customs territory (10.1% and 4.2%, respectively). The former was driven by exports of textiles, while the latter were positively affected by the sale of coffee, gold, and sugar, and negatively by meat exports.

The **Dominican Republic** registered an increase in exports of 6.8% year-on-year in the first quarter of 2018, after a meager 1.0% increase in 2017. The most dynamic destination was Asia (excluding China) (49.4%), although shipments to the European Union (22.3%) and the United States (6.6%) also increased, offsetting the fall in sales to China (-36.7%) and LAC (-3.0%). Exports from the national customs territory grew at a similar rate as those under STR (7.1% and 6.6%, respectively). The former were driven by gold sales, while the latter increased due to higher shipments of pharmaceutical products, cigars, electrical appliances, jewelry, and cocoa.

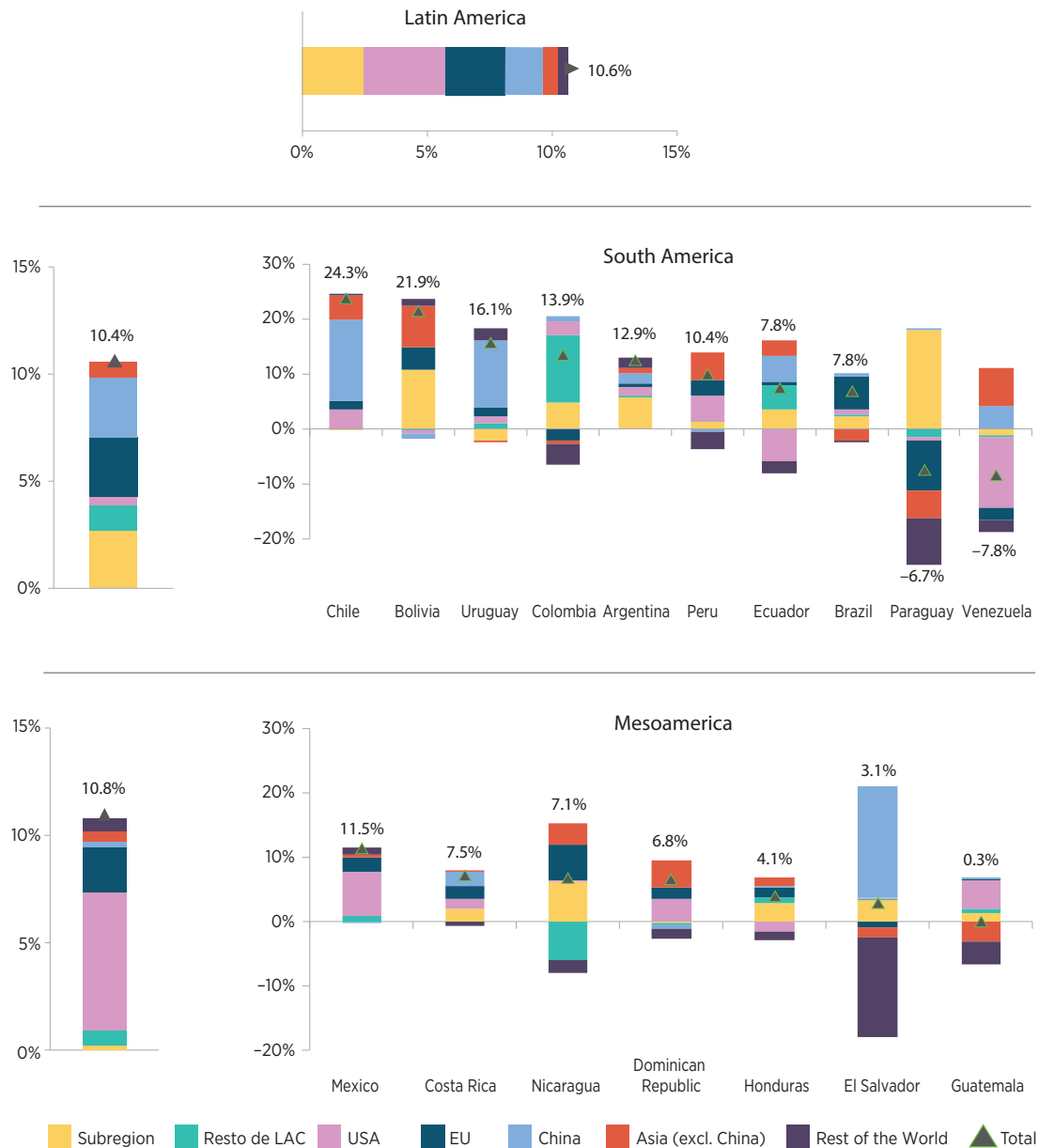
Between January and March 2018, exports from **Honduras** grew 4.1% year-on-year (excluding STR).<sup>12</sup> The performance was mainly driven by intraregional flows (14.4%) and sales to the European Union (4.9%), which offset the contraction of exports to the United States (-4.8%). China and the rest of Asia displayed significant growth (41.7% and 51.1%, respectively), but contributed relatively less to the overall export expansion. The increase in exports of industrial products such as paper and cardboard, iron manufactures, plastics, as well as certain basic products such as zinc and shrimp, compensated the fall in external sales of traditional goods, mainly sugar, bananas, coffee and palm oil.

In the first quarter of 2018, exports from **El Salvador** grew 3.1% year-on-year, less than half the rate registered in 2017 (6.3%). Sales to China were remarkable, increasing nearly 20 times, while shipments to the rest of Mesoamerica expanded by 7.3%. These increases compensated for stagnant exports to the United States and contractions to the European Union (-25.9%) and Asia (excluding China) (-61.6%). On the one hand, exports through STR increased by a notable 13.9%, driven by some

<sup>11</sup> Disaggregated data by destination were not available for Panama for the first quarter of 2018.

<sup>12</sup> Data on exports through STR were not available for Honduras for the first quarter of 2018.

**FIGURE 5 • CONTRIBUTION OF MAIN TRADING PARTNERS TO THE VARIATION IN EXPORTS OF LATIN AMERICA**  
 (Annual growth rate and percentage points, 1Q 2018 vs 1Q 2017)



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

Note: Panama is excluded from Mesoamerica, as no disaggregated data by destination were available.

electrical products such as cables and capacitors, and cotton yarns. On the other hand, exports from the national customs territory were stagnant, as larger shipments of garments and cane sugar were offset by declining sales of coffee and other textile manufactures.

**Guatemala's** exports were stagnant (0.3%) in in the first quarter of 2018, as the 6.6% increase in exports from the national customs territory was offset by the 10.9% contraction in sales through STR. The largest increases in the former were those of cardamom, bananas, oil and vegetables, while the

greatest contractions in the latter were in edible fats and oils, gasoline, and rubber. The lower export growth rate compared to that of 2017 (5.1%) resulted from a sharp drop in sales to Asia (excluding China) (-63.9%) not offset by the increase in shipments to all other destinations.

## The Caribbean

In 2017, Caribbean<sup>13</sup> exports grew an estimated 5.3%. The increase was observed in all the countries of the subregion, except Trinidad and Tobago, where foreign sales contracted 7.0%, and Barbados and Haiti, where they remained constant. Suriname, The Bahamas, and Guyana registered notable expansions of 45.4%, 39.2% and 25.6% respectively, while Belize and Jamaica exhibited more moderate rates of 10.9% and 9.0%, respectively.

The export performance of **Belize** deteriorated markedly in the first quarter of 2018, with a cumulative year-on-year rate of -19.0%. The decline in the price of sugar drove the contraction, although reductions were also observed in the sale of other major products such as bananas, seafood, and citrus products. The fall in sales to the United States (-26.1%), the European Union (-23.5%), and the rest of the Caribbean (-19.8%) were the most notable.

Finally, exports of **Jamaica** increased 17.6% year-on-year in the first quarter of 2018, after growing 9.0% on average in 2017. The stronger expansion was due to increased exports of raw materials (excluding fuel) and machinery and transportation equipment.

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<sup>13</sup> With the exception of those for Belize and Jamaica, data for Caribbean exports in the first quarter of 2018 were not available.

## Conclusion



Exports from Latin America and the Caribbean grew at an estimated year-on-year rate of 10.6% in the first quarter of 2018. The figure is lower than the 11.9% growth rate recorded in 2017, which marked the end of a four-year contractionary period. The slowdown, observed since the end of 2017, was the result of lower export growth in South America, not fully compensated by the slightly higher rate exhibited by Mexico.

The growth of regional exports not only lost momentum, but was also lower than that of world trade, estimated to have grown 16% year-on-year in the first months of 2018. Moreover, the expansion of Latin American and Caribbean external sales displayed declining rates, whereas the growth of global flows further accelerated at the beginning of 2018.

The trade performance of South America reflected the trend in key commodity markets. The rebound of commodity prices dampened at the end of 2017 and in the first months of 2018, with some declines also being observed. The exceptions were the oil and copper markets, in which specific factors sustained the upward trend. Export volumes, in turn, continued to expand at a similar pace as that of the previous year.

Demand from the United States, the region's main trade partner, slowed slightly between 2017 and the beginning of 2018. Nevertheless, the North American economy accounted for almost a third of the region's export growth. China, which had been the most dynamic destination for external sales in 2017, cut in half the growth rate of its imports from the region in the first months of 2018. In contrast, shipments to the European Union and, to a lesser extent, to the region itself expanded at a faster rate in the first quarter of the 2018 than in the preceding year.

Although exports from Latin America and the Caribbean continued to grow, the pace of the expansion started to decline as external risks increased. Thus, if instability factors already visible in the global stage deepen, regional export performance may further deteriorate.

On the one hand, export growth in South America lost pace as several commodity markets face downward pressures and price levels remain below those registered prior to the collapse of 2014. On the other hand, Mesoamerican exports increased mostly due to higher sales from Mexico to the United States, in a context of uncertainty about the direction of American trade policy. Additionally, the recovery of European demand remains fragile due to early signs of a growth slowdown going forward. Finally, the growth of intraregional trade flows is contingent on continued regional economic expansion amidst an intense electoral calendar.

## Exports growth in Latin America and the Caribbean is gathering pace

### Highlights

Latin American and Caribbean exports grew at an estimated year-on-year rate of 13 per cent in 2017, following a 3.3 per cent decline in 2016.

This recovery was mainly driven by the increase in commodity prices.

Export volumes showed an acceleration in 2017, after a weaker expansion in 2016.

South American and Caribbean exports featured the strongest recovery, while Mexico and Central America exhibited relatively lower growth rates.

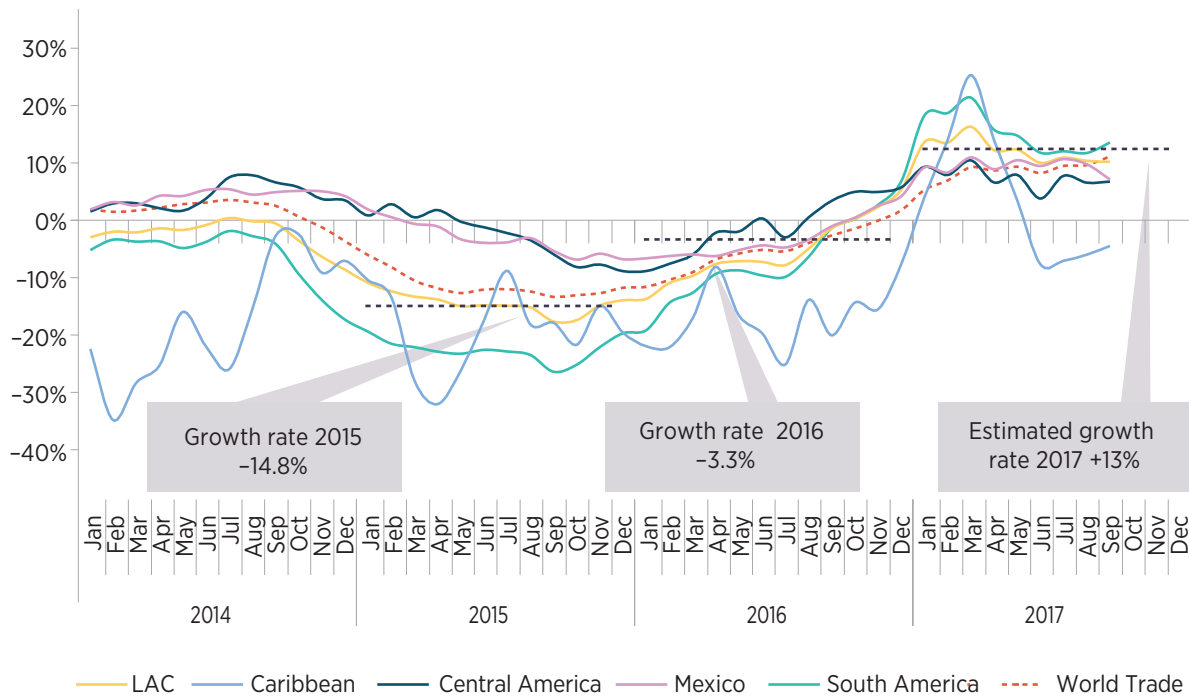
Following four consecutive years of contraction, in 2017 the value of total exports of goods of Latin America and the Caribbean (LAC) increased at an estimated rate of 13%<sup>1</sup>, reaching US\$ 985 billion. However, exports are still 10% below the maximum of US\$ 1,097 billion in 2012. The recovery was mainly driven by increases in commodity prices, in particular oil and minerals, and especially benefited South American exports. Nonetheless, the negative trend was reversed in all subregions (Figure 1).

The recovery started at the end of 2016, strengthened in early 2017, and stabilized starting in April, in line with the evolution of commodity prices. This allowed exports to achieve double-digit growth, after a long period of contraction. Export volumes showed an acceleration, although concentrated in certain countries of the region.

<sup>1</sup> This figure includes data from 26 Latin American and Caribbean countries (Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, Suriname, Trinidad and Tobago, Uruguay, and Venezuela). See the Methodological Note for information on the procedures, time periods, and data sources used in the estimates.

The January-September year-on-year growth rate of global trade was 9.7%, lower than that of Latin American and Caribbean exports, which, in relative terms, benefited more from the price recovery than the average of the rest of the world. The region's imports expanded at around 8%, driven by higher economic growth in some Latin American economies.

**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 the Netherlands Bureau for Economic Policy Analysis (CPB) for world trade.

Note: LAC includes 18 Latin American countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, 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



In 2016 LAC's exports shrunk 3.3%, which was an improvement relative to the previous year's fall of 14.8%. In the course of 2016 the contraction slowed down and turned into positive year-on-year growth by the end of the year. During the first months of 2017 the growth rate of exports exhibited a strong acceleration through April, when it stabilized, and resulted in an estimated annual export growth of 13% in 2017.

Even though the recovery spanned all subregions, **South America** experienced the largest expansion (16%). Following a decrease of 4.5% in 2016, the increase in commodity prices, in particular oil and minerals, boosted South American foreign sales, especially to Asia. The regional market was the second most important in terms of contribution to growth.

Exports from **Mesoamerica** increased at a 9% rate after a retraction of 1.5% in 2016. This increment was driven by 10% growth in Mexico and 6% in Central America. The expansion of Mexican foreign sales came from an increase in manufacturing exports to the United States.

Finally, **Caribbean** exports registered an increase of 11% in 2017.<sup>2</sup> This indicates an important trend reversal since Caribbean countries were highly affected by a contraction of foreign sales in 2016 (-17.6%).

Summarizing, the export recovery was generalized, particularly in countries with exports concentrated in commodities, which benefited from higher prices. Foreign sales of manufactured goods mainly increased due to the United States demand for Mexican products.

In 2017 most countries in the region experienced a trend reversal after the 2016 contraction (Table 1). Out of the 26 economies under consideration, only Barbados, Haiti, Paraguay, and the Dominican Republic registered a decline in exports in 2017. In particular, Paraguay and the Dominican Republic went from being among the few countries that experienced an increase in foreign sales in 2016 (2.1% and 4.3%, respectively) to suffering a retraction of 1% in 2017. Barbados and Haiti fell at a smaller rate relative to the previous year (from -48.1% in 2016 to -7% in 2017; and from -6.3% in 2016 to -3% in 2017, respectively). In total, in 2017 18 countries reversed their previous negative trend, with The Bahamas (from -8.5% to 29%), Venezuela (from -24.1% to 28%), Colombia (from -12.7% to 19%), Brazil (from -3.1% to 18%), Ecuador (from -8.4% to 16%), and Suriname (from -12.6% to 15%) standing out. Meanwhile, after experiencing positive export growth in 2017, Argentina, Costa Rica, and Guyana suffered a deceleration or stagnation of the growth rate. Finally, Peru was the only country of the region registering an acceleration in foreign sales in 2017 (from 7.6% in 2016 to 25%).

<sup>2</sup> The Caribbean includes Bahamas, Barbados, Belize, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago.

## Prices

The evolution of commodity prices was the main driver of export performance in 2017, as volumes grew only in a few economies. Prices of LAC's main export products began to recover in early 2016, although this trend was not generalized to all goods. At the beginning of 2017, prices of agricultural products decreased, while those corresponding to oil and copper kept rising. The iron ore price fluctuated throughout the year.

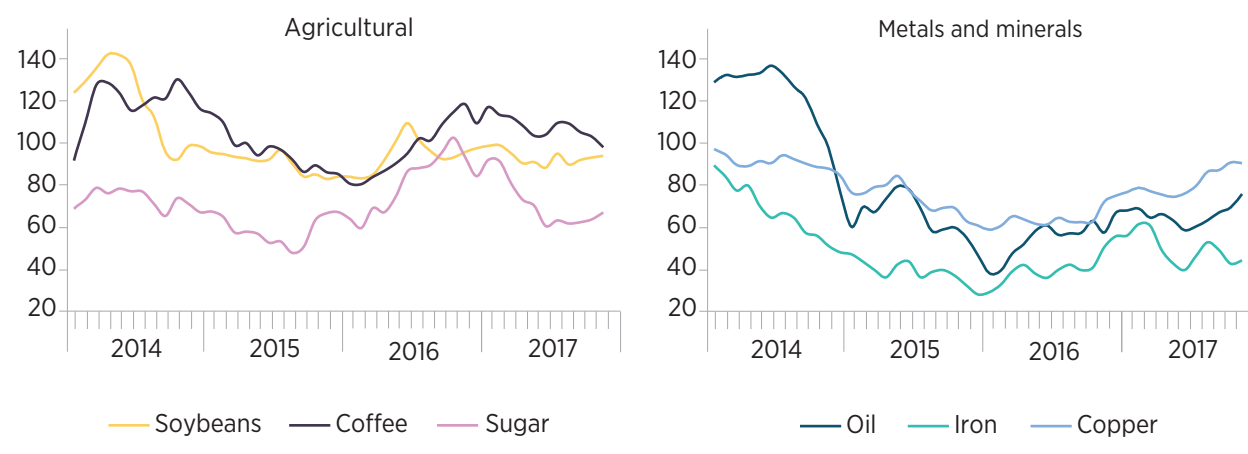
Even though the price of **sugar** increased 38.1% in 2016, it fell 11.7% year-on-year in January-November 2017 as a result of forecasts of better harvests in some of the main global suppliers, such as Brazil, Thailand, and India. Higher import tariffs applied by China and India also pushed prices downwards.

The **soybean** price decreased 0.7% year-on-year between January and November as a consequence of a record harvest in the United States. **Coffee** prices increased 11.4%, following a decline in production due to a drought in Brazil in early 2017. However, during the latter months, year-on-year variations of coffee prices were negative given the increased supply from Honduras, derived from favorable weather and the coffee leave rust disease recovery.

**Oil** price increased 23.5% year-on-year in January-November 2017. Following a strong recovery in the first quarter, prices stabilized half way through the year and increased again in August. Several factors affected the trend: a rise in demand, in particular from China which increased its strategic reserves; an inventory reduction in several countries as a result of OPEC cutbacks and forecasts of further supply restrictions; and the upward effect of geopolitical conflicts in the Middle East. Despite the positive trend recorded throughout 2017, prices are still about 50% below the level reached prior to the 2014 collapse.

The **iron ore** price exhibited one of the greatest increases among the analyzed products, growing 26.9% year-on-year in January-November. Following the same path as that of oil, the iron ore price increased at the beginning of 2017, stabilized half way through the year, and increased again in the third quarter. The latter boost was driven by Chinese demand, as steel production is increasing to

**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 Bloomberg.



prepare for the mandatory winter cuts in compliance with environmental regulations. The escalation of tensions with North Korea also played a role in the accumulation of iron ore in China.

The **copper** price increased 28.4% year-on-year in January-November. Unlike iron ore, the rise took place during the second semester of 2017. In addition to the boost from Chinese demand, production disruptions in some of the largest mines of the world (including the largest one, in Chile) drove prices upwards.

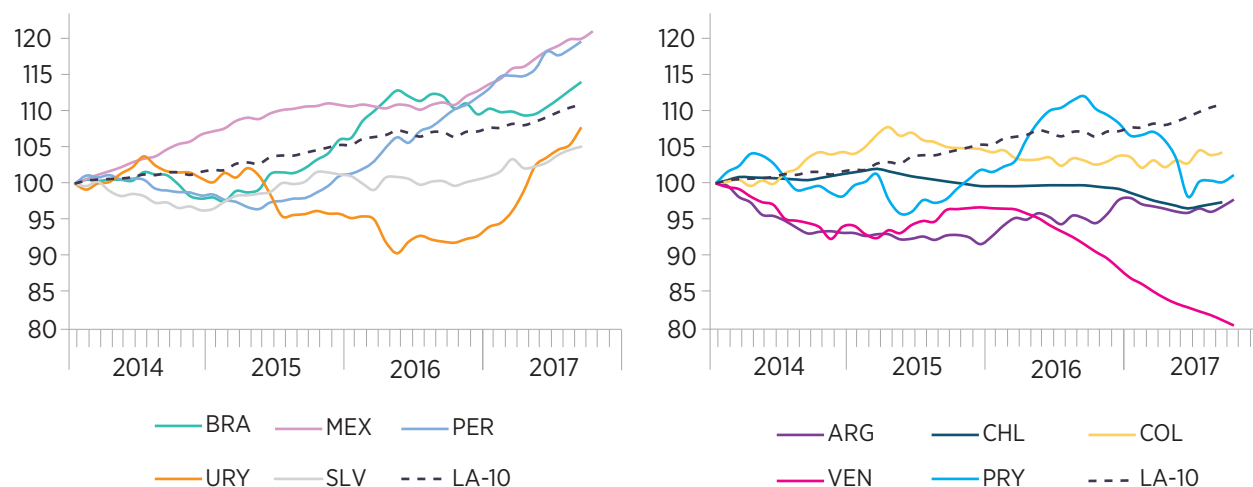
## Volumes

Export volumes recorded a remarkable acceleration in 2017, although it was concentrated in a few countries. Available data for ten countries in Latin America (LA)<sup>3</sup> show a 4% year-on-year growth during the first three quarters of the year, which almost doubles the average of the last four years. However, the increase has not been broad-based.

Real exports of **Brazil** exhibited a strong acceleration during the second half of 2017, with a 5% year-on-year January-September increase. This performance resulted from a record soybean harvest, a rise in production and exports of oil, and greater foreign sales of vehicles. **Mexico** and **Peru** reported a stable 10% year-on-year increase. **Uruguay** displayed the largest growth rate of export volumes, increasing 21% year-on-year in January-September 2017 and overcoming the declines experienced in the two previous years. This outstanding recovery was driven by the increase in soybean production that resulted from higher output per acre. Lastly, export volumes in **El Salvador** rose 6% year-on-year in January-September 2017.

**FIGURE 3. VOLUME OF MONTHLY EXPORTS OF SELECTED COUNTRIES**

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



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

Note: The value of exports for Mexico is deflated with BLS indices and the volume exported by Venezuela is estimated with OPEC data. LA-10 is an average of national indices weighted by the export value of each country in 2010; the sample represents 93% of LA's foreign sales in that year.

<sup>3</sup> Mexico, Brazil, Chile, Argentina, Venezuela, Colombia, Peru, Uruguay, Paraguay, and El Salvador.

The remaining economies with available data either exhibited contractions or no change in export volumes. **Venezuelan** and **Paraguayan** real foreign sales fell 11% and 7% year-on-year in January-October, respectively. In **Chile** they decreased 2% year-on-year in January-September, while in **Colombia** and **Argentina** they remained stagnant.

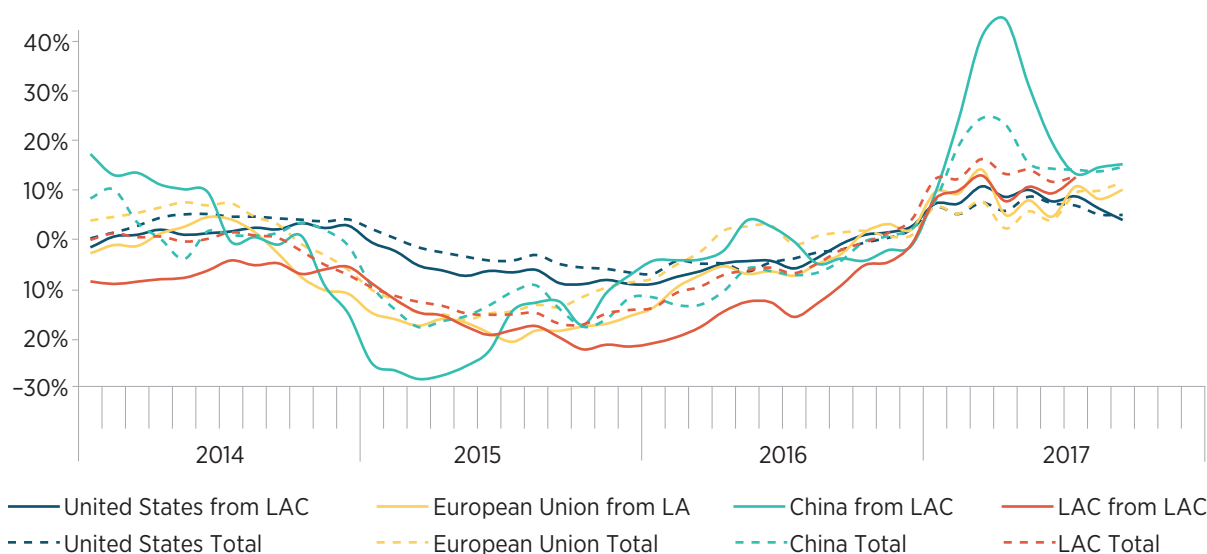
## Markets

The export recovery in Latin America and the Caribbean in 2017 was driven by the demand of all main partners. Chinese demand was the most dynamic, being concentrated in commodities whose prices increased. The price factor also explains why the growth of imports from the region by different partners was higher than growth of their total imports, with the exception of intra-regional flows (Figure 4).

Growth of imports of **China** from LAC was the largest among the region’s partners, with an estimated year-on-year variation of 30%. During the early months of the year, imports grew at a fast pace, of around 40%, while later they stabilized at 15%. **United States**’ imports from LAC increased 10%. Despite exhibiting a slowdown during the second half of the year, the United States was the country that contributed the most to the increase of Latin American and Caribbean exports, given its relative weight. The remaining partners registered a relatively stable growth rate throughout the year. **LAC**’s intra-regional demand increased 12%, while the **European Union** expanded their purchases by 10%.

**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, 2014–2017)



Source: IDB Integration and Trade Sector with data from the IMF, United States Trade Commission (USITC), Eurostat, China Customs, and national sources.

Note: In the case of China, the United States, and LAC, reported imports correspond to the aggregate for Latin America and the Caribbean, while for the European Union they correspond only to Latin America. The import series of all economies are valued in United States dollars.

## Performance by Subregion



In 2017, almost all Latin American and Caribbean countries experienced an export recovery. In terms of trading partners, the 13% variation corresponds mainly to sales to the United States and China (Table 1), which explain 36% and 23% of the overall export growth, respectively. The remaining markets also contributed positively (Figure 5). However, there is heterogeneity among subregions and countries.

### South America

In 2017, South American exports reached US\$ 508 billion and increased at a 16% rate compared to 2016. Half of this growth is attributed to sales to China and to the rest of Asia, with increases of 30% and 17%, respectively.

South American countries specialized in minerals and oil experienced the largest expansion, as prices of these products increased. Venezuela, Peru, Colombia, Brazil, and Ecuador exhibited the highest growth rates. Only in Peru export volumes rose consistently.

As in 2016, foreign sales in **Argentina** increased modestly in 2017 (2%). Growth was driven by a relative improvement of export prices and by a stagnation of volumes. The expansion of sales to the rest of South America (7%) and, to a lesser extent, to the United States (2%) and the European Union (1%), was partially compensated by contraction of sales to China (-3%) and the rest of Asia (-9%). In terms of products, freight vehicles, wheat, meat, and fish, were the major contributors to the expansion. On the other hand, soybean exports (beans, flour and pellets) declined.

The 9% increase in exports of **Bolivia** was driven by an important increase in sales to Asia (excl. China) (26%) and to other non-traditional destinations, which compensated the strong decline in sales (mainly of gold) to the United States (-45%). In Asia, Japan was the largest contributor to the expansion, due to an increase in zinc purchases. Australia also purchased more zinc from Bolivia. While gold sales to the United States declined, they increased to the United Arab Emirates and Turkey. The regional market also contributed positively to overall export growth driven, particularly, by larger exports of gas to Argentina.

Exports of **Brazil** exhibited an outstanding expansion of 18% in 2017, due to an increase in both prices and volumes (5%), in particular of soybeans, oil, and vehicles. China and the rest of Asia were the most dynamic destinations (34% and 16%, respectively) and contributed half of the total variation. The rise in Chinese demand was driven by soybeans, iron ore and concentrates, and crude oil. Exports to South America and to the United States grew at rates close to the average, mostly due to sales of freight and passenger vehicles to Argentina, in the first case, and to sales of oil, in the second.

The main contributors to **Chile's** expansion of foreign sales (13%) in 2017 were China (9%) and the rest of Asia (17%), which together explain half of the variation, and the United States (19%).

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

Exporting Group/ Member	2017 vs 2016							2016 vs 2015
	Subregion	Latin America and the Caribbean	United States	Asia (excl. China)	China	European Union	World Total	World Total
<b>SOUTH AMERICA</b>	<b>13</b>	<b>14</b>	<b>18</b>	<b>17</b>	<b>30</b>	<b>7</b>	<b>↑ 16</b>	<b>-4.5</b>
Argentina	7	7	2	-9	-3	1	→ 2	1.9
Bolivia	3	2	-45	26	-8	5	↑ 9	-18.8
Brazil	18	18	17	16	34	4	↑ 18	-3.1
Chile	11	9	19	17	9	11	↑ 13	-2.6
Colombia	15	24	3	56	60	13	↑ 19	-12.7
Ecuador	10	10	16	14	28	13	↑ 16	-8.4
Paraguay	8	6	-16	-17	45	-12	↓ -1	2.1
Peru	15	19	8	67	48	20	↑ 25	7.6
Uruguay	4	4	4	-9	72	-6	↑ 13	-8.9
Venezuela	7	16	55	35	64	85	↑ 28	-24.1
<b>MESOAMERICA</b>	<b>0</b>	<b>7</b>	<b>8</b>	<b>19</b>	<b>30</b>	<b>18</b>	<b>↑ 9</b>	<b>-1.5</b>
Mexico	1	11	9	17	28	18	↑ 10	-1.7
<b>Central America</b>	<b>2</b>	<b>2</b>	<b>5</b>	<b>26</b>	<b>51</b>	<b>15</b>	<b>↑ 6</b>	<b>0.7</b>
Costa Rica	3	4	8	41	63	9	→ 8	7.8
Dominican Rep.	12	13	-5	6	30	-12	↑ -1	4.3
El Salvador	6	7	0	58	561	6	↑ 6	-2.7
Guatemala	2	3	9	22	-4	8	↑ 6	-2.1
Honduras	2	2	2	31	71	63	↑ 11	-3.2
Nicaragua	-35	-29	27	69	n.a.	5	↑ 6	-1.3
Panama	0	7	-4	36	56	-16	↑ 3	-8.5
<b>CARIBBEAN</b>	<b>55</b>	<b>23</b>	<b>23</b>	<b>-55</b>	<b>292</b>	<b>19</b>	<b>↑ 11</b>	<b>-17.6</b>
Bahamas	-59	23	23	-63	4	66	↑ 29	-8.5
Barbados	-4	-4	9	-80	-39	-5	↑ -7	-48.1
Belize	21	19	-17	84	-16	20	↑ 10	-24.2
Guyana	251	210	-27	-77	118	-60	↓ 14	25.3
Haiti	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	↑ -3	-6.3
Jamaica	-4	10	11	121	259	6	↑ 11	-9.2
Suriname	8	8	30	71	2,063	33	↑ 15	-12.6
Trinidad and Tobago	61	17	132	-58	91	34	↑ 13	-23.8
<b>LATIN AMERICA</b>	<b>12</b>	<b>12</b>	<b>10</b>	<b>17</b>	<b>30</b>	<b>10</b>	<b>↑ 13</b>	<b>-3.1</b>
<b>LATIN AMERICA AND THE CARIBBEAN</b>	<b>12</b>	<b>12</b>	<b>10</b>	<b>17</b>	<b>30</b>	<b>10</b>	<b>↑ 13</b>	<b>-3.3</b>

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

Note: 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 in Central America, subregional export growth corresponds to Mesoamerica, for Central America as a whole, Mexico is excluded and the total represents Central American intra-regional sales. See Methodological Note for additional information on the procedures, time periods, and data sources used in the estimates. 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.

Exports to LAC increased 9%, driven by an increase in sales to Brazil and Argentina. Copper was responsible for two thirds of the increase in exports, as higher prices compensated a decline in volumes.

**Colombia** recorded an export boost of 19% in 2017. Almost 40% of the variation was driven by sales to LAC (24%), in particular to Panama<sup>4</sup>, Bahamas, Mexico, Chile, and Brazil. Foreign sales to China and the rest of Asia recorded remarkable increases of 60% and 56%, respectively, and contributed a fifth of total growth. Three quarters of the expansion were driven by sales of oil due to an increase in prices despite a stagnation of volumes.

Foreign sales of **Ecuador** experienced growth of 16%, driven by an increase in exports to all main partners. While the United States explained a third of this expansion and grew its imports by 16%, China's purchases were the fastest growing, at 28%. In LAC (10%), sales to Peru and Panama stood out. In terms of products, oil was the most important product in all destinations, as its price increased significantly.

In contrast with the rest of South America, exports from **Paraguay** fell 1% in 2017. Price increases were not able to compensate the strong decline in volumes (7%). Soybean oil and flour, cereals, and electric energy had a negative impact on exports. Additionally, the increase in sales to the subregion (8%), in particular to Argentina and Uruguay, and to China (45%), was not enough to balance out the decline in sales to the remaining partners.

In 2017 exports from **Peru** grew 25% due to increases in the demand from China (48%) and the rest of Asia (67%), which jointly explained more than three quarters of the variation. Other main destinations also contributed positively. This expansion was mostly driven by an increase in price and volume of copper exports. Zinc and fish meal also contributed positively to the total variation of exports.

Foreign sales of **Uruguay** increased 13% in 2017, resulting from a remarkable 21% increase of export volumes that cancelled out the price decline. Strong Chinese demand (72%) was responsible for three quarters of the variation in foreign sales. Sales to LAC and to the United States increased moderately (4% for both) while demand from Asia (excl. China) and the European Union declined 9% and 6%, respectively. In terms of products, the expansion was driven by an exceptional soybean harvest, and, to a lesser extent, by an increase of meat and wood sales.

According to own estimates, **Venezuela's** exports increased 28% in 2017. Higher oil prices translated into higher sales in all destinations, with the United States, China, and the rest of Asia standing out.

## Mesoamerica

Mesoamerica's exports grew at an estimated rate of 9% in 2017, reaching US\$ 462 billion. In particular, sales from Mexico increased 9% while those from Central America rose 6%.<sup>5</sup>

<sup>4</sup> It should be noted that most of the sales to Panama have final destinations elsewhere in the world.

<sup>5</sup> For Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Dominican Republic, data includes exports under the general regime and special trade regimes (STR). For Panama it only includes exports under the general regime. STR 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.

Three quarters of the 10% increase in exports from **Mexico** came from an expansion of United States imports (9%). The European Union, China, and the rest of Asia contributed 20%, with variations of 18%, 28%, and 17%, respectively. Given that prices remained stagnant, almost all the variation in exports was due to volume changes (9%). Automotive manufactures, electrical equipment and machinery, and mechanical devices contributed more than two thirds of the total variation in foreign sales.

**Costa Rica** exhibited an increase in foreign sales of 8% in 2017, driven by all its main partners. The United States and, to a lesser extent, the European Union, were the main contributors to the variation. Sales to China and the rest of Asia stand out as they grew 63% and 41%, respectively. Costa Rica was the only Central American country that experienced a significant positive variation through STR sales, that grew 11% and contributed with two thirds to the overall change in foreign sales. Sales under the general regime grew 5%. In terms of products, exports of medical and orthopedic devices and instruments were the most relevant.

In **El Salvador**, half of the 6% increase in exports was due to sales to LAC, particularly to Guatemala, Honduras, and Mexico. While exports to China and the rest of Asia strongly increased driven by cane sugar, shipments to the United States stagnated. The expansion in foreign sales was the result of a 9% increase of general regime sales (textiles, plastics, and sugar) and a 5% decrease in STR transactions.

**Guatemala** recorded 6% export growth in 2017 that resulted from a 13% increase in general regime transactions and a 1% fall in STR sales. Exports to the United States contributed with half of the variation, grew 9%, and mainly consisted of textiles, bananas, and coffee. Sales to LAC contributed with 25%, with Mexico, Honduras, and Peru standing out.

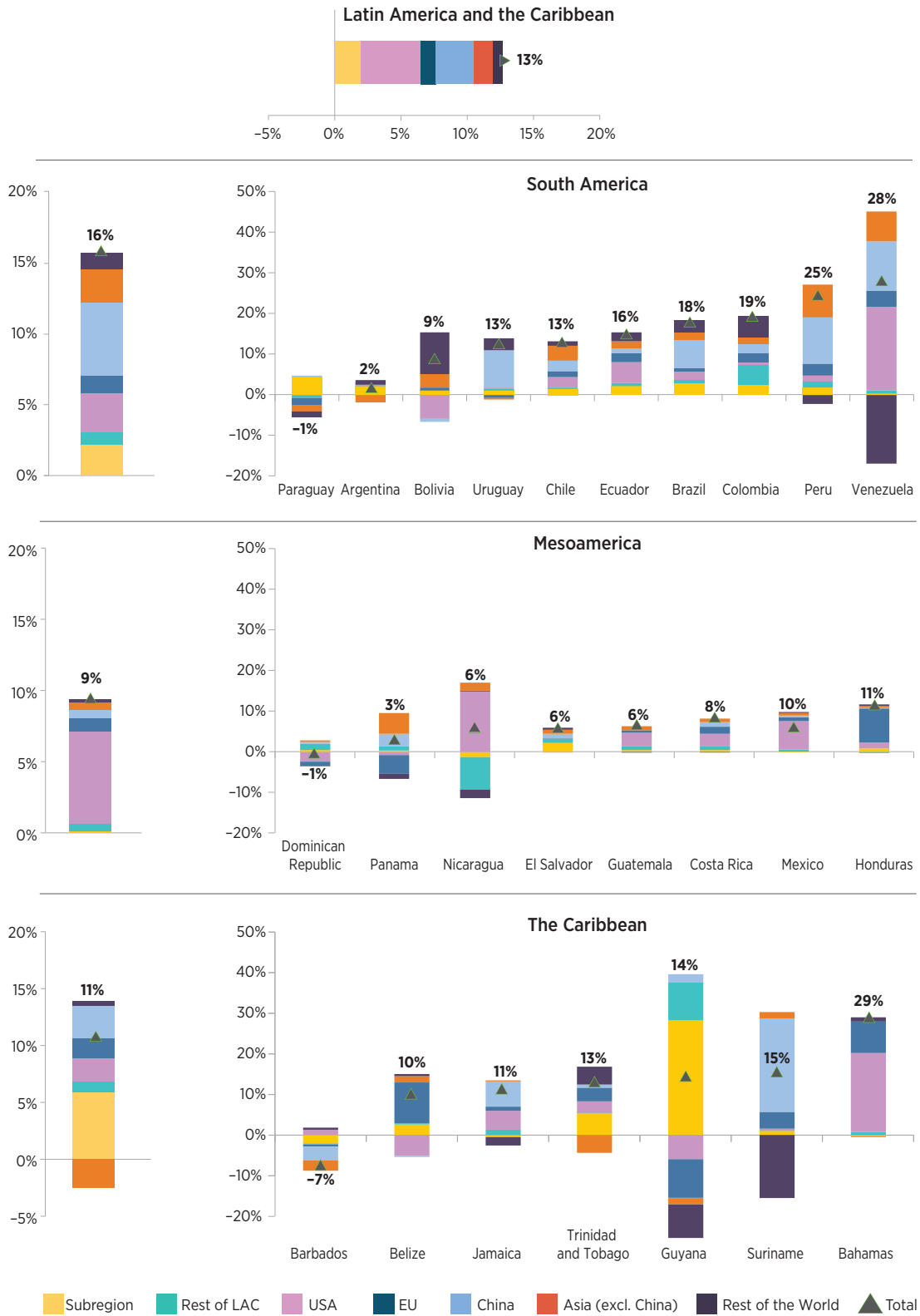
**Honduras** registered the largest export growth in Mesoamerica (11%). Almost all this variation was driven by general regime sales, particularly of coffee, which increased due to a recovery from the leaf rust disease. Three quarters of the variation are attributed to exports to the European Union, which increased at a 63% rate. The remaining destinations contributed positively, although at more modest rates. STR sales only grew 1%.

**Nicaragua's** exports grew 6% in 2017. This result was driven by a 1% fall of STR sales and a 13% increase in general regime sales. The most relevant products were sugar, coffee, and beef. In terms of destinations, exports to the United States grew strongly (27%) while intra-regional sales fell 29%. The latter was mostly due to a contraction in STR sales to Mexico.

In **Panama**, the modest 3% growth was driven by increases in exports to China (56%) and the rest of Asia (36%), and declines to the European Union (-16%) and the United States (-4%). In terms of products, higher sales of fish meal and oil, coffee, and bananas were partially compensated by lower sales of watermelons and sugar.

Lastly, **Dominican Republic** exports declined 1% in 2017 due to sales contractions to the European Union (-12%) and the United States (-5%), and increases to LAC (13%), China (30%) and the rest of Asia (6%). The expansion of general regime sales was not enough to compensate the fall in STR sales.

**FIGURE 5 • CONTRIBUTION OF MAIN TRADING PARTNERS TO THE VARIATION IN EXPORTS OF LATIN AMERICA AND THE CARIBBEAN**  
 (Annual growth rate and percentage points, 2017)



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

## The Caribbean

In 2017, foreign sales of **Caribbean** countries grew 11%, reaching US\$ 15 billion. Exports increased in all countries of the subregion, except Barbados and Haiti. Even though sales from Trinidad and Tobago were the main contributor to the total variation, The Bahamas, Suriname and Guyana recorded higher growth rates. Regarding destinations, sales to the Caribbean itself amounted to two thirds of total growth. Additionally, China contributed with a fourth.

Exports from **The Bahamas** grew 29% in 2017. Sales to the United States increased 23% and contributed with two thirds to total variation. Exports to the European Union grew strongly (66%) and represented a fourth of the growth. Following an opposite trend, sales to the Caribbean fell 59%.

**Barbados** reported a decline in foreign sales of 7%. The increase of exports to the United States (9%) was not enough to compensate declines in all other destinations, where China and the rest of Asia stood out (-39% and -80%, respectively).

The 10% growth in exports from **Belize** in 2017 was driven by an increase in sales to European Union and Caribbean countries (around 20% for each) that balanced out the 17% decline in sales to the United States.

**Guyana** exhibited a 14% increase in foreign sales. While exports to Caribbean countries (in particular Trinidad and Tobago, Barbados, and Suriname) and China grew, exports to the United States, Asia (excl. China), and the European Union declined.

**Haiti** experienced a decline in its exports of 3% as a consequence of a decline in commodity sales (eel, cocoa, and lobster) and the slow growth of manufactured goods sales.

Exports of **Jamaica** grew 11% in 2017. The United States, its main partner, accounted for close to half of the variation, as Jamaican exports there grew 11%. China was responsible for an additional 20% as exports to that destination tripled. The European Union and the regional market (in particular Venezuela and Barbados) contributed each with 10%. Meanwhile, sales to the Caribbean, Canada, and Japan declined.

**Suriname** reported an increase in exports to all its main partners. The overall 15% expansion in 2017 was driven by an outstanding increase of sales to China, which were multiplied by a factor of twenty. Likewise, sales to the European Union, the United States, and the Caribbean increased at high rates (33%, 30%, and 8%, respectively).

Exports from **Trinidad and Tobago** grew 13%. Sales to LAC contributed with nearly half of the variation. Although exports to the United States also grew, sales to Asia (excl. China) and South America declined.



## Conclusion



In 2017 the value of Latin American and Caribbean exports grew at an estimated rate of 13%, above the world average. This result consolidates a trend reversal relative to the previous four years and represents a discontinuity with 2016, when foreign sales declined 3.3%. However, the recovery is still fragile, as starting in the second quarter of the year export growth started to slow down.

The improvement in the trade performance of the region was mainly driven by the increase in commodity prices, particularly those pertaining to the extractive sector, whereas the prices of agricultural goods suffered downward pressure. Although export volumes exhibited a strong increase compared to previous years, the expansion was concentrated in a few countries.

The behavior of the main partners' demand in 2017 differed from that of 2016. Export growth was primarily driven by China's imports, which started the year exhibiting a high growth rate, and stabilized over the course of the year, in line with the commodity prices trend. Even though demand from the United States was the main contributor to the increase in exports, it exhibited a decelerating trend throughout the year. Finally, contrary to what was observed in previous years, intra-regional demand accelerated, albeit moderately.

The consolidation of the incipient export recovery in the region is contingent on the reversal of certain factors of instability in the global economy. Of particular importance are the economic growth of China, which is a main driver of metal markets, and the balance of demand and supply in the oil market. Furthermore, real growth in the region would need to strengthen in order to support the expansion of intra-regional exports. Finally, potential benefits derived from the demand growth of the United States and the European Union will depend to a large extent on current negotiations regarding market access, which are of particular relevance for Mexico in the first case, and for Mercosur countries in the second.

## Methodological Note



The estimates of Latin American and Caribbean exports to December 2017 were calculated with data available through December 4th, 2017 and were based on the assumption that trade trends observed in LAC during 2017 would be sustained until the end of the year. Data correspond to: January-November for Brazil; January-October for Argentina, Barbados, Chile, Colombia, El Salvador, Mexico, Paraguay, Uruguay and Venezuela; January-September for Bahamas, Belize, Bolivia, Costa Rica, Ecuador, Guatemala, Honduras, Jamaica, Nicaragua, Panama, Peru, Dominican Republic, Suriname, and Trinidad and Tobago; and, January-June for Guyana. Figures for Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Dominican Republic include STR exports.

The estimates of Latin American and Caribbean exports for the first quarter of 2018 were calculated with data available through May 3rd, 2018 for 18 Latin American and 2 Caribbean countries. Data correspond to: January-March for Argentina, Belize, Bolivia, Brazil, Chile, Costa Rica, El Salvador, Paraguay, Dominican Republic and Uruguay. In the case of Mexico, the variation of exports by destination was estimated using data from January-February, and the variations of total exports from January-March, assuming that the behavior of the two-month period would be sustained in the month of March. For Colombia, Ecuador, Guatemala, Honduras, Jamaica, Nicaragua, Panama and Peru, the estimates were calculated with data accumulated to February. Exports of Venezuela were estimated by combining price data from the Merely-type oil and import data from the country's main trade partners. The figures for Costa Rica, El Salvador, Guatemala and Nicaragua include exports through STR.

Indices of aggregate volume for Latin America include ten countries for 2017: Argentina, Brazil, Chile, Colombia, El Salvador, Mexico, Paraguay, Peru, Uruguay, and Venezuela. Chile and El Salvador are excluded from the 1Q 2018 estimates. Indices for export volume were calculated using data from official sources for Argentina (National Institute for Statistics and Censuses), Brazil (Center for Foreign Trade Studies Foundation), Chile (Central Bank of Chile), Colombia (Bank of the Republic), El Salvador (Central Bank of Reserves), Peru (Central Bank of Reserves), and Uruguay (Central Bank). The series for Paraguay was calculated using information for 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 information on Merely-type oil prices. The aggregation of national series was based on the participation of the countries in total export 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: Central 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: U.S. 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: U.S. Bureau of Labor Statistics; CPB – Netherlands Bureau for Economic Policy Analysis; IMF: International Monetary Fund; LA: Latin America; LAC: Latin America and the Caribbean; OPEC: Organization of Petroleum Exporting Countries; STR: Special Trade Regimes; USITC: US International Trade Commission.

