



**INTrade** bid

Information System on Trade and Integration

# LATIN AMERICAN TRADE TREND ESTIMATES 2012



**IDB**



# **Latin American Trade Trend Estimates 2012**

**Paolo Giordano,  
Jeremy Harris and Matthew Shearer**

**Integration and Trade Sector  
Vice-presidency of Sectors and Knowledge  
Inter-American Development Bank**

This note presents the preliminary estimates of the Latin American 2012 trade flows produced by the Inter-American Development Bank's (IDB) Integration and Trade Sector (INT).

Overall direction was provided by Antoni Estevadeordal, Manager of the Integration and Trade Sector.

Preparation of the report was coordinated by Paolo Giordano, Principal Economist at the Integration and Trade Sector. The team included Jeremy Harris, Matthew Shearer, and Kyungjo An. Mauricio Mesquita Moreira, Alejandro Ramos, Patricia Iannuzzi, and Kathia Michalczewsky provided valuable comments. Carolina Osorio and Martha Skinner provided support to the team in the production and dissemination process. The Institute for the Integration of Latin America and the Caribbean (INT/INTAL) provided support in the production of the Spanish version of the document.

The estimates are based on partial monthly and quarterly data of sixteen available Latin American countries and are calculated on the basis of official national and international sources, as well as the IDB's INTrade Information System available online at: < <http://www.iadb.org/intradebid> >.

The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the Inter-American Development Bank, its Board of Directors, or the countries they represent. The IDB does not guarantee the accuracy of the data included in this publication and accepts no responsibility for any consequence of their use.

The unauthorized commercial use of Bank documents is prohibited and may be punishable under the Bank's policies and/or applicable laws.

Copyright © 2012 Inter-American Development Bank. All rights reserved; may be freely reproduced for any non-commercial purpose.

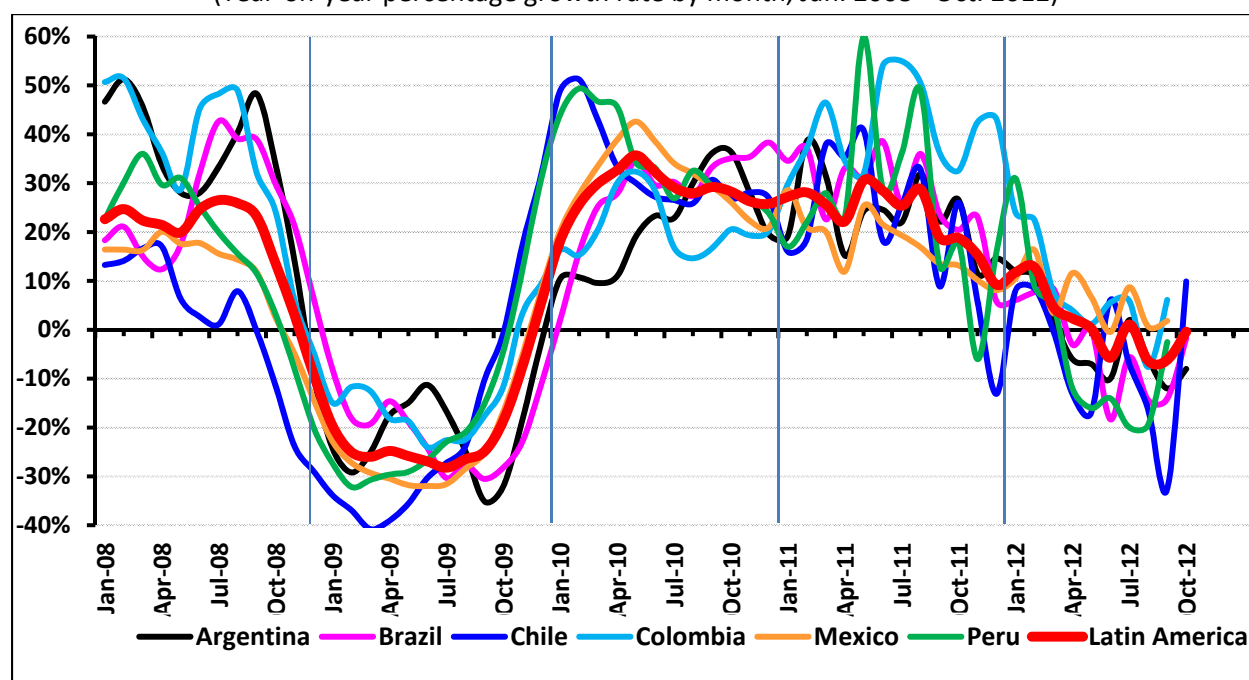
## Global slowdown weakens Latin American trade performance in 2012

The growth of Latin American exports slowed down significantly in 2012. Sluggish economic growth or recession in key export destinations, especially in the second half of the year, resulted in exports growing an estimated 1.5% to a total of US\$1,057 billion, while imports are projected to have grown by about 4%. After an impressive rebound in 2010 and 2011, when they posted an average annual growth of 26%, exports began to lose dynamism in mid-2011, with the performance worsening in 2012, virtually ending the post-crisis export recovery cycle (see Figure 1). The Latin American performance is expected to be aligned with the general trend of other emerging economies.

The slowdown was driven mainly by the Southern Cone, with exports from Chile and MERCOSUR expected to contract (-6% and -2%, respectively). On the other hand, the region's performance was boosted by solid export growth in Mexico (+6%), the Andean countries (+5%), and Central America (+6%). Figure 1 shows the growth of total exports of six representative Latin American countries and a regional weighted average compared to the same month of the previous year. While growth was stronger in the first part of the year, it has declined and even turned negative for several countries in the second half.

**Figure 1. Growth of Total Exports**

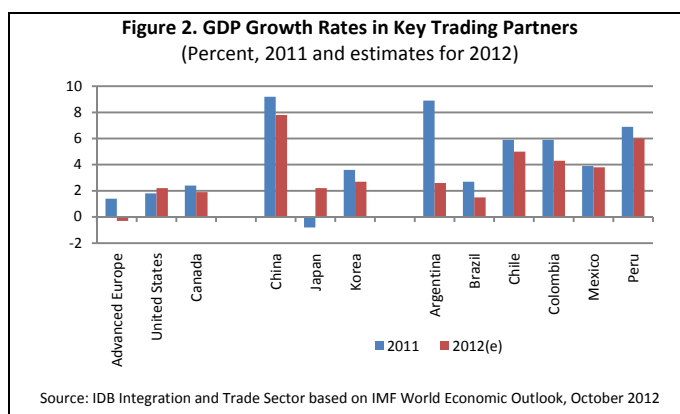
(Year-on-year percentage growth rate by month, Jan. 2008 - Oct. 2012)



Source: IDB Integration and Trade Sector based on official national data.

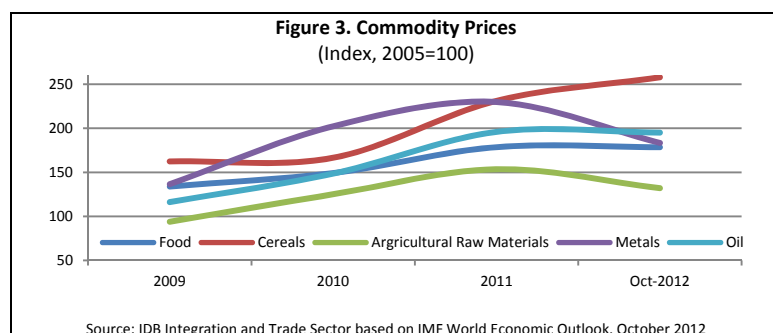
Note: the graph shows the growth of total exports of six representative Latin American countries and a regional weighted average compared to the same month of the previous year. Latin America includes eleven countries including those in the graph, as well as Costa Rica, Ecuador, El Salvador, Guatemala, and Nicaragua.

Estimates of the 2012 GDP growth rates in key trading partners outside the region are substantially lower than in 2011, and in some cases are negative, thus weakening the demand for Latin American exports (Figure 2). The biggest negative shocks came from Europe, where Latin American exports fell by 5% - reflecting an expected drop in GDP - and from Asia, where Latin American export growth slowed sharply from 25% in 2011 to only 1% this year, driven mainly by lower economic growth in China and Korea. The sole good news came from the U.S., whose clear, if subdued, recovery provided the most significant source of bilateral export growth for the region (estimated at +3%). This scenario explains the higher projected export growth in countries that rely more on the North American market, such as Mexico, Central America, and to a lesser extent the Andean countries, and a the distinctly poorer performance in countries more reliant on Europe and Asia, particularly in MERCOSUR and Chile.



The region's GDP growth is also expected to lose steam in 2012, amounting to an additional drag to total export growth. Exports to destinations within the region are expected to grow less than 2% to \$187 billion, driven by very low growth of regional exports to MERCOSUR and Central America (+1% and +3%, respectively), while slightly higher growth is expected in exports to the Andean countries (+11%) (see Annex).

The region's GDP growth is also expected to lose steam in 2012, amounting to an additional drag to total export growth. Exports to destinations within the region are expected to grow less than 2% to \$187 billion, driven by very low growth of regional exports to MERCOSUR and Central America (+1% and +3%, respectively), while slightly higher growth is expected in exports to the Andean countries (+11%) (see Annex).



Latin American export growth has also been constrained by the price trend of some key commodities. Whereas in 2011 the export performance of some major regional exporters had been buoyed by a positive terms-of-trade shock resulting from a commodity price boom, the bonanza subdued in 2012. Although weather-related events around the world have lifted the price of cereals, the price trends of other commodity groups are flat or declining compared to 2011 (Figure 3).

With these changes affecting the region's major export markets, there has been a clear reversal of fortunes among LA exporters (Table 1 and Annex). The largest contribution to regional growth is projected to come from Mexico, a country that until recently lacked in export dynamism. Mexican exports are estimated to grow 6% in 2012 to over \$371 billion. Nearly 77% of Mexican exports are directed to the U.S., where export growth is expected to exceed 4%. Shipments to the MERCOSUR and the Andean Community grew by 25% and 8% respectively, averaging to a 14% increase in exports to Latin America as a whole. Outside the Western Hemisphere, Mexican exports have also grown to Europe

and Asia (especially India), although exports to China, which had been growing rapidly in recent years, are projected to fall by about 1%.

The Andean region's total exports are expected to increase by 5% to \$141 billion. Much of this growth is due to increased exports to the U.S. (+7%) and MERCOSUR (+24%), the latter driven by increased exports from Colombia and Peru to Venezuela. The fastest growth is seen in exports from Bolivia, which boomed within the Western Hemisphere as a whole (+39 % on average), despite sharp declines of sales to Asia and Europe. Strong performance was also seen in total exports of Colombia and Ecuador (+8% and +9%, respectively) mainly explained by the fast penetration of the Asian market (+28%). In contrast, Peruvian exports are projected to fall by 3%, due to reductions of exports to the U.S. and Canada (-11%) and Europe (-8%). The Andean market proved to be anti-cyclical as intra-regional exports are projected to grow by 11%, twice as fast as the regional global average.

**Table 1. Preliminary Estimates of Total Export Growth by Destination Market**  
(% growth rates and millions of US\$)

Exporting Group/Member	Export Growth (%)						Total Exports to World (Million US\$)
	to Subregion	to Rest of Latin America	to USA and Canada	to Asia	To Europe	to World	
<b>Andean Community</b>	<b>11.2</b>	<b>15.7</b>	<b>3.5</b>	<b>11.3</b>	<b>-4.6</b>	<b>5.1</b>	141,221
Bolivia	50.2	34.2	51.9	-14.9	-18.6	21.4	11,064
Colombia	10.7	8.2	5.6	27.7	2.7	7.5	61,216
Ecuador	10.0	23.1	7.9	95.3	-4.9	8.9	354
Peru	0.2	8.6	-10.7	4.7	-8.3	-3.0	44,639
<b>CACM</b>	<b>4.7</b>	<b>20.3</b>	<b>5.6</b>	<b>-3.3</b>	<b>4.0</b>	<b>5.5</b>	29,088
Costa Rica	6.3	4.1	8.9	21.1	7.0	7.8	11,012
El Salvador	6.2	14.9	-0.7	-31.6	-28.2	0.2	4,117
Guatemala	0.6	1.9	-5.5	-19.7	-10.8	-3.4	6,824
Honduras	4.4	150.8	15.3	23.5	17.2	15.6	4,506
Nicaragua	17.9	32.0	10.0	-8.7	9.6	15.3	2,629
Panama (CACM)	3.5	0.0	-4.5	-20.4	0.0	-2.7	764
<b>MERCOSUR</b>	<b>-7.0</b>	<b>-1.0</b>	<b>-4.7</b>	<b>-2.3</b>	<b>-9.4</b>	<b>-2.2</b>	438,840
Argentina	-1.6	9.6	-0.9	-0.5	-13.6	-2.7	81,682
Brazil	-12.5	-1.1	8.5	-3.2	-8.2	-4.6	244,234
Paraguay	-2.2	-61.2	6.7	n.a.	n.a.	-12.2	4,844
Uruguay	2.6	14.4	41.3	38.3	-15.4	11.9	8,961
Venezuela	1.5	-15.8	-15.1	n.a.	n.a.	3.9	99,118
Chile (MERCOSUR)	-4.8	-10.0	-5.9	-1.3	-17.0	-6.0	75,905
<b>NAFTA</b>							
Mexico	4.3	14.0	4.3	17.6	16.0	6.3	371,426
<b>Latin America (%)</b>	<b>2.1</b>	<b>-</b>	<b>2.4</b>	<b>0.8</b>	<b>-5.4</b>	<b>1.5</b>	<b>1,057,244</b>
<b>Latin America (Million US\$)</b>	<b>186,868</b>	<b>-</b>	<b>435,225</b>	<b>181,585</b>	<b>143,853</b>	<b>1,057,244</b>	

Source: IDB Integration and Trade Sector based on national official data.

Note: In the cases of Panama and Chile, the export growth rates to the sub-regional group consider exports to Central American Common Market (CACM) and the Common Market of the South (MERCOSUR), respectively, although they are not full members of the respective integration groups. Venezuela is treated as a full member of MERCOSUR due to its accession to the group in 2012. MERCOSUR and Latin America export growth rates to Asia and Europe do not include Paraguay and Venezuela for lack of available data. See the methodological note for additional information on the procedures, time periods and data sources underlying the estimates.

Central American exports are projected to grow 6% to just over \$29 billion. Such growth is mostly explained by dynamic exports to Latin America (+10%), U.S. and Canada (+6%) and the Central American sub-region itself (+5%), which altogether outweighed the reduction of exports to Asia (-3%). Nicaragua posted the strongest performance (+15%) due to buoyant exports to the Western Hemisphere as a

whole (+17%), equally distributed between the sub-regional, North-American and Latin American markets. Honduras and Costa Rica are also both projected to register substantial growth in total exports (+16% and +8%, respectively), but with more modest growth to the sub-regional market (+4% and +6%, respectively). Total exports from El Salvador are expected to stagnate due to major reductions of shipments to Asia (-32%) and Europe (-28%). Exports from Guatemala and Panama are estimated to have fallen (-3%). The modest trade performance is explained by major reductions in the sales to the U.S. and Canada (-6% and -5%, respectively), Asia (-20% for both), and in the case of Guatemala to Europe (-11%).

Chile's global exports are projected to fall (-6%) to an estimated 2012 total of \$76 billion. The most important drop is expected to be seen in exports to Europe (-17%), in addition to a 1% decline in exports to Asia, including China, which was Chile's top export destination in 2011. Within the Western Hemisphere, exports are projected to fall to the U.S. and Canada (-6%), MERCOSUR (-5%) and the rest of Latin America (-10%), particularly due to a sharp decline of sales to Mexico (-30%).

Exports of the MERCOSUR countries are projected to fall (-2%) to an estimated \$439 billion. Export growth is expected to be negative across all markets, with major contributions coming from declining sales to Europe (-9%) and the intra-regional market (-7%). Brazil's total exports are expected to fall by 5%, driven mostly by drops to Europe (-8%) and Argentina (-20%). Brazil's exports also are forecast to decline to Chile (-18%) and China (-5%), while expanding to Mexico (+3%) and the U.S. (+11%). Argentina's total exports are projected to fall 3%, with the largest factor being a 14% drop in exports to Europe, followed by a 12% drop in exports to China, although the latter is compensated by growth to other countries in Asia. Within the region, Argentina's exports are also expected to fall 6% to Brazil, but to grow by over one third (+36%) to Venezuela, for a net drop in exports to the sub-region of about 2%.

Uruguay and Venezuela's exports, on the other hand, are projected to grow 12% and 4%, respectively. The largest drivers of Uruguay's 2012 export growth are outside the Western Hemisphere, particularly a 55% growth to China, and only 3% growth to MERCOSUR partners, particularly Venezuela. Uruguay's exports to Europe declined 15%. Projections show that Venezuela's exports increased to Argentina and Uruguay (+15% and +82%) but fell to Brazil (-21%), although starting from a low base. Venezuela's exports also fell to the Andean countries (-28%) and Central America (-4%). Paraguay's total exports are projected to fall by 12%, driven by sharp drops to Argentina and Uruguay, as well as the Andean countries and Chile.



## ANNEX

### Preliminary Estimates of Total Exports by Integration Group

(% change from 2011 to 2012)

Exporting Region	DESTINATION								
	Mercosur	Mercosur+ Chile+Bolivia	Andean Community	ALADI <sup>1</sup>	CACM	Latin America <sup>2</sup>	NAFTA	Hemisphere	Total World
MERCOSUR	(7)	(7)	2	(5)	0	(5)	(5)	(5)	(2)
Andean Community	24	23	11	18	(8)	15	3	7	5
ALADI <sup>1</sup>	0	1	5	2	2	2	2	2	1
CACM	88	64	23	33	5	10	6	6	6
Latin America <sup>2</sup>	1	2	5	2	3	2	2	2	1
NAFTA	10	11	12	10	3	10	5	5	5
Total Hemisphere	4	5	9	7	3	7	4	4	3

(Millions of US\$)

Exporting Region	DESTINATION								
	Mercosur	Mercosur+ Chile+Bolivia	Andean Community	ALADI <sup>1</sup>	CACM	Latin America <sup>2</sup>	NAFTA	Hemisphere	Total World
MERCOSUR	58,365	71,666	15,059	89,166	2,780	94,548	78,019	171,678	438,840
Andean Community	14,907	22,255	10,440	33,346	2,324	39,846	46,222	85,684	141,221
ALADI <sup>1</sup>	90,841	114,417	37,620	155,853	10,279	175,256	432,932	606,260	1,027,392
CACM	1,049	1,215	280	2,552	7,554	11,476	11,059	21,563	29,088
Latin America <sup>2</sup>	91,893	115,644	37,912	158,432	17,938	186,868	444,267	628,244	1,057,244
NAFTA	89,629	112,514	43,436	377,147	28,426	424,910	1,130,311	1,346,605	2,355,599
Total Hemisphere	170,434	214,607	72,862	513,711	41,644	583,052	1,276,909	1,647,809	3,041,417

(% Distribution)

Exporting Region	DESTINATION								
	Mercosur	Mercosur+ Chile+Bolivia	Andean Community	ALADI <sup>1</sup>	CACM	Latin America <sup>2</sup>	NAFTA	Hemisphere	Total World
MERCOSUR	13	16	3	20	1	22	18	39	100
Andean Community	11	16	7	24	2	28	33	61	100
ALADI <sup>1</sup>	9	11	4	15	1	17	42	59	100
CACM	4	4	1	9	26	39	38	74	100
Latin America <sup>2</sup>	9	11	4	15	2	18	42	59	100
NAFTA	4	5	2	16	1	18	48	57	100
Total Hemisphere	6	7	2	17	1	19	42	54	100

Source: IDB Integration and Trade Sector based on official country data.

Notes: 1) ALADI includes Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela; 2) Latin America includes Panama, the countries of ALADI and of the CACM. The groups are not mutually exclusive: MERCOSUR and the Andean Community with Mexico combine to constitute ALADI; ALADI and CACM, with Panama, together constitute Latin America; Latin America in addition to the remaining NAFTA countries constitute the Total Hemisphere. This explains the ordering of the groups and the fact that the totals are not additive.

## Methodological Note

Projections are based on the assumption that year-to-date trends in Latin American trade will continue in the remaining months of 2012, based on data available through December 1. Estimates were not run for the Caribbean for lack of an adequate year-to-date sample on which to base robust calculations.

Estimates are based on data for January-October for Brazil, Costa Rica, Chile, El Salvador, and Uruguay; January-June for Panama; January-August for Honduras; and January-September for the remaining countries.

The following official data sources were used: Argentina: Instituto Nacional de Estadística y Censos (INDEC); Bolivia: Instituto Nacional de Estadística; Brazil: Ministério do Desenvolvimento, Indústria e Comércio Exterior; Canada: Industry Canada; Chile: Servicio Nacional de Aduanas; Colombia: Departamento Administrativo Nacional de Estadística; Costa Rica: Promotora del Comercio Exterior de Costa Rica; Ecuador: Banco Central del Ecuador; El Salvador: Banco Central de Reserva de El Salvador; Guatemala: Banco de Guatemala; Honduras: Banco Central de Honduras; México: Banco de México; Nicaragua: Banco Central de Nicaragua; Panamá: Instituto Nacional de Estadística y Censo; Paraguay: Ministerio de Industria y Comercio; Perú: Superintendencia Nacional de Aduanas y de Administración Tributaria; Uruguay: Banco Central del Uruguay; United States of America: US Department of Commerce; Venezuela: Banco Central de Venezuela. Data for Venezuela's exports combines data from the Central Bank of Venezuela with estimates based on partner country imports.

This document uses the following abbreviations: ALADI – the Latin American Integration Association, consists of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, México, Paraguay, Perú, Uruguay, and Venezuela; CACM – the Central American Common Market consists of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua; MERCOSUR – the Common Market of the South consists of Argentina, Brazil, Paraguay, Uruguay, and Venezuela. Advanced Europe, as specified by the International Monetary Fund, includes the seventeen countries belonging to the Euro area in addition to the United Kingdom, Sweden, Switzerland, the Czech Republic, Norway, Denmark, Iceland, and San Marino.