THE RELAPSE IN GLOBAL TRADE IS SLOWING

The new export orders component of the global PMI\(^1\) began to show signs of recovery after hitting a record low in April. All the same, it remains on a downward trend. This indicator is closely correlated with the evolution of world trade, which means that global trade volumes may start to shrink at a slower rate, the first signs of which began to emerge in May.

\(^1\) The Purchasing Manager Index is an indicator that is based on surveys of companies’ purchasing managers. The data they provide allow analysts to anticipate how economic activity in international trade will perform.

EXPORTS OF SERVICES HAVE DECLINED SHARPLY IN LATIN AMERICA AND THE CARIBBEAN, ESPECIALLY IN THE TRAVEL SECTOR

Global sales of services from LAC fell 10% year-on-year in the first quarter of 2020, with travel falling at almost double that rate. This impact began to be observed even before the health emergency hit the region fully in April.

Figure 1 · New export orders and volume of world trade
(indexes and year-on-year growth rate)

Source: IDB/INTAL with data from IHS Markit and CPB Netherlands Bureau for Economic Policy Analysis.

Figure 2 · Total exports of services and travel services from Latin America and the Caribbean
(Year-on-year growth rate, Q1 2020)

Source: IDB/INTAL based on data from WTO and CEMCA. The “total services” category represents commercial services. The aggregate for LAC only includes countries for which the data described in the figure was available.
Hotel occupancy data points to a sharp drop in tourism in these subregions, where the travel sector accounts for more than half of total service exports. The greatest decline was in April, when occupancy rates fell below 10% of capacity. They have only risen slightly in subsequent months.

The contraction of Latin American goods exports slowed in June

The region’s goods exports are estimated to have contracted by 12.5% year-on-year in June after falling by around 40% in May and 30% in April. There was a relative improvement in the performance of external sales in most of the region, although this was significantly more Notable in Mexico, which was affected more than any other country by the earlier downturn.

Prices have had a net positive effect on foreign trade for several Latin American countries

Since the start of the year, changes in commodity prices have had varying impacts on countries in the region. These changes have caused the value of some countries’ sales to the world to drop while bringing foreign currency relief to the import patterns of others. The net impact of prices on imports and exports was positive in Argentina, Chile, Costa Rica, Mexico, Panama, Paraguay and Uruguay due to the positive effects of falling oil prices (oil was the import product whose price changed most) and, on the export side, a slight improvement in the prices of food and agricultural products. In contrast, Venezuela, Bolivia and Colombia have been hit hardest by price changes.

The application of trade policy measures to sensitive products has begun to ease

Countries stopped implementing new trade measures in the food and medical and pharmaceutical input sectors from April onwards. The number of active policies has also decreased since May. Similar effects were observed in LAC, where there was an 8% drop in the number of measures as of May.

The economic recovery has begun to slow in Latin America and the Caribbean’s main trading partners

This indicator, which INTAL built using data from the Google Mobility Report weighted according to each economy’s buyer structure, shows that the trend toward economic recovery began to contract again between July and the first week of August. Although some of this decrease may be linked to the summer vacation period in the northern hemisphere, it also reflects the application of some restrictions on labor mobility and/or lockdown measures in different countries.

The real bilateral exchange rate with the United States appreciated at record lows in the Caribbean and Central America

Following the changes observed in several LAC countries’ real exchange rates at the start of the health emergency, several countries have experienced real appreciations or slower rates of depreciation in their currencies in recent months. In parallel, some LAC economies that did not see any changes in their exchange rates in the first part of the year experienced currency depreciations between April and July. Between December 2019 and April 2020, the average real exchange rate in Latin America devalued by 6.4%, but between April and July 2020 the decrease was 9.8%.

Figure 3 · Hotel occupancy rates in the Caribbean and Central America

Figure 4 · Exports from Latin America

Figure 5 · Net effect of changes in commodity prices on trade balances

Figure 6 · Number of trade policy measures applied to trade in medical inputs and food

Figure 7 · Evolution of mobility in LAC’s main trading partners

Figure 8 · Real bilateral exchange rate with the United States

The application of trade policy measures to sensitive products has begun to ease

Since the start of the year, changes in commodity prices have had varying impacts on countries in the region. These changes have caused the value of some countries’ sales to the world to drop while bringing foreign currency relief to the import patterns of others. The net impact of prices on imports and exports was positive in Argentina, Chile, Costa Rica, Mexico, Panama, Paraguay and Uruguay due to the positive effects of falling oil prices (oil was the import product whose price changed most) and, on the export side, a slight improvement in the prices of food and agricultural products. In contrast, Venezuela, Bolivia and Colombia have been hit hardest by price changes.

Prices have had a net positive effect on foreign trade for several Latin American countries

Since the start of the year, changes in commodity prices have had varying impacts on countries in the region. These changes have caused the value of some countries’ sales to the world to drop while bringing foreign currency relief to the import patterns of others. The net impact of prices on imports and exports was positive in Argentina, Chile, Costa Rica, Mexico, Panama, Paraguay and Uruguay due to the positive effects of falling oil prices (oil was the import product whose price changed most) and, on the export side, a slight improvement in the prices of food and agricultural products. In contrast, Venezuela, Bolivia and Colombia have been hit hardest by price changes.

The application of trade policy measures to sensitive products has begun to ease

Countries stopped implementing new trade measures in the food and medical and pharmaceutical input sectors from April onwards. The number of active policies has also decreased since May. Similar effects were observed in LAC, where there was an 8% drop in the number of measures as of May.

The economic recovery has begun to slow in Latin America and the Caribbean’s main trading partners

This indicator, which INTAL built using data from the Google Mobility Report weighted according to each economy’s buyer structure, shows that the trend toward economic recovery began to contract again between July and the first week of August. Although some of this decrease may be linked to the summer vacation period in the northern hemisphere, it also reflects the application of some restrictions on labor mobility and/or lockdown measures in different countries.

The real bilateral exchange rate with the United States appreciated at record lows in the Caribbean and Central America

Following the changes observed in several LAC countries’ real exchange rates at the start of the health emergency, several countries have experienced real appreciations or slower rates of depreciation in their currencies in recent months. In parallel, some LAC economies that did not see any changes in their exchange rates in the first part of the year experienced currency depreciations between April and July. Between December 2019 and April 2020, the average real exchange rate in Latin America devalued by 6.4%, but between April and July 2020 the decrease was 9.8%.

Figure 3 · Hotel occupancy rates in the Caribbean and Central America

Figure 4 · Exports from Latin America

Figure 5 · Net effect of changes in commodity prices on trade balances

Figure 6 · Number of trade policy measures applied to trade in medical inputs and food

Figure 7 · Evolution of mobility in LAC’s main trading partners

Figure 8 · Real bilateral exchange rate with the United States

Hotel occupancy data points to a sharp drop in tourism in these subregions, where the travel sector accounts for more than half of total service exports. The greatest decline was in April, when occupancy rates fell below 10% of capacity. They have only risen slightly in subsequent months.

The contraction of Latin American goods exports slowed in June

The region’s goods exports are estimated to have contracted by 12.5% year-on-year in June after falling by around 40% in May and 30% in April. There was a relative improvement in the performance of external sales in most of the region, although this was significantly more Notable in Mexico, which was affected more than any other country by the earlier downturn.

Prices have had a net positive effect on foreign trade for several Latin American countries

Since the start of the year, changes in commodity prices have had varying impacts on countries in the region. These changes have caused the value of some countries’ sales to the world to drop while bringing foreign currency relief to the import patterns of others. The net impact of prices on imports and exports was positive in Argentina, Chile, Costa Rica, Mexico, Panama, Paraguay and Uruguay due to the positive effects of falling oil prices (oil was the import product whose price changed most) and, on the export side, a slight improvement in the prices of food and agricultural products. In contrast, Venezuela, Bolivia and Colombia have been hit hardest by price changes.

The application of trade policy measures to sensitive products has begun to ease

Countries stopped implementing new trade measures in the food and medical and pharmaceutical input sectors from April onwards. The number of active policies has also decreased since May. Similar effects were observed in LAC, where there was an 8% drop in the number of measures as of May.

The economic recovery has begun to slow in Latin America and the Caribbean’s main trading partners

This indicator, which INTAL built using data from the Google Mobility Report weighted according to each economy’s buyer structure, shows that the trend toward economic recovery began to contract again between July and the first week of August. Although some of this decrease may be linked to the summer vacation period in the northern hemisphere, it also reflects the application of some restrictions on labor mobility and/or lockdown measures in different countries.

The real bilateral exchange rate with the United States appreciated at record lows in the Caribbean and Central America

Following the changes observed in several LAC countries’ real exchange rates at the start of the health emergency, several countries have experienced real appreciations or slower rates of depreciation in their currencies in recent months. In parallel, some LAC economies that did not see any changes in their exchange rates in the first part of the year experienced currency depreciations between April and July. Between December 2019 and April 2020, the average real exchange rate in Latin America devalued by 6.4%, but between April and July 2020 the decrease was 9.8%.

Figure 3 · Hotel occupancy rates in the Caribbean and Central America

Figure 4 · Exports from Latin America

Figure 5 · Net effect of changes in commodity prices on trade balances

Figure 6 · Number of trade policy measures applied to trade in medical inputs and food

Figure 7 · Evolution of mobility in LAC’s main trading partners

Figure 8 · Real bilateral exchange rate with the United States

Figure 3 · Hotel occupancy rates in the Caribbean and Central America

Figure 4 · Exports from Latin America

Figure 5 · Net effect of changes in commodity prices on trade balances

Figure 6 · Number of trade policy measures applied to trade in medical inputs and food

Figure 7 · Evolution of mobility in LAC’s main trading partners

Figure 8 · Real bilateral exchange rate with the United States
NEW PUBLICATIONS AND STUDIES ON TRADE AND COVID-19

The most noteworthy publications of the last few weeks are summarized below

- A Friedrich Ebert Foundation paper analyzed how the international outlook has been changed by the COVID-19 pandemic and noted that this has brought an opportunity to revive the WTO (by modifying special and differential treatment, among other factors).

- The McKinsey Global Institute examined the resilience and rebalancing of global value chains that may emerge in the postpandemic world.

- ECLAC anticipated more regionalized production and argued that regional integration in LAC is key to moving past the current crisis.

- An IDB (link in Spanish) report emphasized the role that infrastructure investment has to play in boosting LAC’s recovery from the COVID-19 pandemic, stressing its importance in stimulating trade and improving countries’ regional and global integration.

- The WTO estimated how the costs associated with international trade have increased as a result of the COVID-19 pandemic, notably with regard to transportation, logistics, and regulation.

- The WTO goods barometer suggested that figures are confirming the least pessimistic estimates of the annual drop in global trade (13%).

Subregional documents on the COVID-19 pandemic

- Tourism officials from the Pacific Alliance (link in Spanish) countries met to coordinate good practices to foster the sector’s recovery.

- CAN (link in Spanish) is fast-tracking the implementation of the Andean Digital Agenda (especially in relation to tourism), given how important this will be after the pandemic.

- CARICOM officials made headway on a program focusing on collaboration, harmonization, and digitalization within the region’s service sector to mitigate the impacts of the pandemic.

- The MERCOSUR Trade Commission finalized a list of international trade measures adopted by its partner countries in 2020.

2 See the complete list here

Information up-to-date as of August 24, 2020