From May onward, there has been some improvement in activity in LAC’s main export markets.

The region’s exports fell by approximately 30% year-on-year in April.

China’s imports from LAC remained on positive ground in April, with the exception of oil.

Vehicle exports from Argentina, Brazil, and Mexico fell by around 30% in the first four months of the year.

In the first quarter of 2020, global trade in services contracted by an estimated 3.8%.

May brought higher levels of economic activity in LAC’s main trading partners as lockdown measures began to ease in some countries.

Based on observations up to May 26, data on travel to workplaces from the Google Mobility Report points to an increase in economic activity in LAC’s main trading partners from May onward (figure 1). By using this tool in combination with the relative importance of the different trade partners in each LAC country’s exports, we were able to estimate how activity in each buyer economy is evolving in real time.

As figure 1 shows, activity was significantly lower in April than in January but improved slightly in May, while remaining far from “normal” mobility values. The countries with the highest values on the index (that is, the ones whose trade partners are recovering fastest) include several South American countries, namely Chile, Uruguay, Peru, Brazil, and Argentina, which speak to the easing of quarantine restrictions in Asia. The countries with below-average indicator levels include most of Central America and the Caribbean, which have closer ties with the United States, where lockdown continued through April and much of May.

Figure 1 · Mobility in major LAC trade partners
Index, January 2020=100, April and May 2020

Source: INTAL/IDB with data from the Google Mobility Report (variation in mobility to workplaces compared to the average for the base period—January 3 to February 6, 2020), IMF (weighting of countries’ trade structure), and national sources. May data is for May 1 to 26. Note: Weekly moving averages were used to smooth out seasonality issues caused by weekends and holidays. In the absence of mobility data for China, data for Hong Kong was used as social isolation measures evolved similarly there.
External sales in several countries in the region have contracted significantly, bringing the average for LAC to a drop of around 30% year-on-year.\(^1\)

LAC EXPORTS TO CHINA REMAIN ON POSITIVE GROUND, EXCEPT FOR OIL.

Chinese imports of all products from LAC except hydrocarbons increased 2% in April, driven by meat and metal ores (Figure 3). China’s total purchases increased in 10 countries in the region, with Ecuador, Paraguay, El Salvador, and Bolivia among those that benefited most. However, the outcome is different when oil exports are included in the calculation, given that those represent about one quarter of LAC shipments to China and that oil prices collapsed in April. Including oil, Chinese purchases from LAC dropped 14% year-on-year.

SHARP REDUCTIONS ARE EXPECTED IN TRADE IN SERVICES, ALTHOUGH THESE WILL VARY FROM SECTOR TO SECTOR

In the first quarter of 2020, the drop in global services exports was 3.8% (based only on countries for which data is available,\(^2\) which account for 54% of total sales). In March alone, this drop reached 14%. Service exports that involve physical proximity between suppliers and consumers are being hit hard by restrictions on mobility and social distancing measures. This explains why activities such as tourism, passenger transportation, and distribution were most affected.

In other words, service provision modes 2 (consumption abroad, e.g. tourism) and 4 (movement of natural persons, e.g. consulting and construction) have been impacted most abroad, e.g. tourism) and 4 (movement of natural persons, e.g. consulting and construction) have been impacted most by the pandemic.\(^3\) In LAC, the countries whose service exports are most heavily concentrated in these activities are Central America and the Caribbean (Figure 5).\(^4\)

\(^1\) A detailed analysis of the region’s export performance in the first few months of the year, see the more detailed Trade Trend Estimates.
\(^2\)The data includes commercial and light vehicles for Argentina and Brazil.
\(^3\)Source: INTAL/IDB with data from China Customs.
\(^4\)Source: INTAL/IDB based on data from the WTO. Average 2016–2017

\(^5\)Data was obtained from the WITF database.
\(^6\)Mode 3 (foreign commercial presence) also appears to be extremely affected and is linked to foreign direct investment.

Figure 2 · Exports from Latin America Year-on-year growth rate, April 2020

Figure 3 · Chinese imports from Latin America and the Caribbean, including and excluding oil Year-on-year growth rate, April 2020

Figure 4 · Production and exports from the automotive sector in Argentina, Brazil, and Mexico

Figure 5 · Share of mode 2 and 4 service exports in total LAC service exports

Figure 6 · US markets: share of LAC exports and unemployment benefit claims

THE COMMERCIAL CONTAGION OF THE COVID-19 PANDEMIC HIT LAC EXPORTS FULLY IN APRIL.

\(^1\)This is a detailed analysis of the region’s export performance in the first few months of the year, see the more detailed Trade Trend Estimates.

\(^2\)The data includes commercial and light vehicles for Argentina and Brazil.

\(^3\)Service provision modes 2 (consumption abroad, e.g. tourism) and 4 (movement of natural persons, e.g. consulting and construction) have been impacted most by the pandemic. In LAC, the countries whose service exports are most heavily concentrated in these activities are Central America and the Caribbean (Figure 5).

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\(^7\)The five states\(^8\) that absorb 60% of LAC exports to the United States account for 32% of the country’s unemployment benefit claims, which means they are among the states that have been most affected by the economic crisis (Figure 6). Lockdown measures were in place in these states until April 7 at least, although they are now reopening (Texas and Florida) or partially reopening (California, Illinois, and Michigan), according to information available as of June 14. However, considerable uncertainty remains around how reopening will impact activity levels.

LAC exports to the United States remained stable throughout the first quarter of 2020 (+0.3%). While there was a downturn in sales to Texas, Illinois, and Florida (-7.6%, -15.5%, and -4.6%, respectively), exports to California remained on positive ground (+6.2%). However, the health crisis only really took hold in the United States in March, so the most severe effects may not be felt until the second quarter of the year.

\(^8\) Texas, California, Michigan, Florida, Illinois. If Mexico is excluded from this calculation, New Jersey replaces Michigan in the top five. https://www.nytimes.com/interactive/2020/05/24/us/states-reopen-map-coronavirus.html
NEW PUBLICATIONS AND STUDIES ON TRADE AND COVID-19

Some of last week’s main findings are summarized below:

• An article in The Economist asked whether COVID-19 spells the end for globalization and argued that less movement in flows of goods, capital, and people is to be expected.
• A McKinsey publication describes how industry has an opportunity to implement new processes that will lead to more sustainable growth for the post-COVID-19 global economy.
• A study by the Board of Innovation argues that the “low-touch economy” is here to stay and will generate new businesses while posing challenges to those who need to adapt.
• An paper from the Columbia Center on Sustainable Investment proposes creating a facility within the G20 to help FDI flows to emerging countries recover after the pandemic.
• An article from the World Economic Forum argues that global value chains are based on the efficiency principle, which means they will continue to exist after the pandemic.
• A WTO document analyses the service sectors that have been affected by COVID-19 and how it will impact the economy. It argues that trade in services will play a vital part in economic recovery.
• An IDB study analyzes the current contraction in LAC trade and estimates that there will not be a turning point in the trend until at least June 2020.

Subregional documents on the COVID-19 pandemic

• At a MERCOSUR Trade Commission (link in Spanish) meeting, countries presented the trade measures they had adopted in response to the COVID-19 pandemic and made progress on the regional agenda.
• The SICA (link in Spanish) Council of Integration Ministers and Council of Health Ministers met and approved biosafety guidelines for Central America land transportation.
• PROSUR (link in Spanish) heads of state adopted their second declaration on joint actions to tackle the pandemic.
• The CARICOM Caribbean Agriculture Research and Development Institute developed a plan to minimize disruption to the agri-food value chain.
• CAN (link in Spanish) approved various regulations to facilitate regional trade in response to the crisis sparked by the COVID-19 pandemic.

6See complete overview here