

FOREIGN TRADE 2021- 2022 REPORT



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2021 Coming to an end with satisfactory results in foreign trade (due to exogenous and hardly repeatable reasons) In 2022 exports would not grow and the balance of trade would reduce

1. RESULTS 2021: FAR MORE SUPERIOR TO THE ONES FORECAST

The Argentine foreign trade has shown more positive results in 2021 than the expected ones at the beginning of the fiscal year: numbers higher than in the last few years.

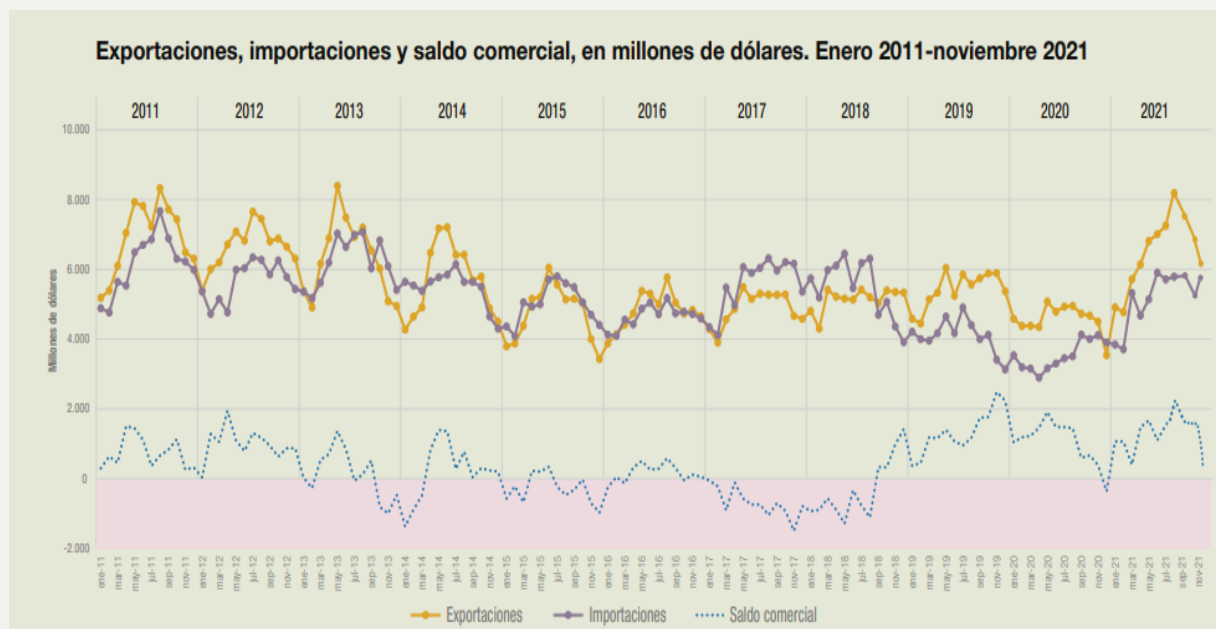
With a growth of the results in dollars in goods exports of almost 40%, and of imports for almost 50%, the recovery after a disastrous 2021, must be highlighted.

When the final numbers are available, (though December figures have not been not published yet) it may be foreseeable that the exports will have reached figures surpassing the 76,000 million dollars , while the imports will reach more than about 62,000 million dollars.

It must also be noticed that the basis of comparison is very low because in the pandemic 2020, the Argentine foreign trade had decreased in percentages which tripled the world total fall.

As the National Statistics Institute (INDEC in Spanish) graph shows below, the results of 2021 regarding external sales (not the case of the purchases) display numbers not reached since long ago.

Although putting the result in context, it should be warned that we are not in front of any record, because in 2013, the same as in 2012, 2011 and 2010, exports had been higher than the figures reached in 2021, occurring later that all the results of the external sales in all the years elapsed among those fiscal years and that of 2021, have been inferior (those of 2021 surpassed them).



Fuente: INDEC, Dirección Nacional de Estadísticas del Sector Externo y Cuentas Internacionales.

As regards imports, instead, the results in dollars had been greater than those of 2021 in the years 2018, 2017, 2014, 2013, 2012, 2011 and 2010, and lower than in 2021 in the years 2015, 2016, 2019 and 2020. The results of 2021 have generated a loose trade surplus (it will be around 16,000 million dollars in the total year).

Now, the context of this result must be considered to grant it an appropriate evaluation.

2. FACTORS INCLUDED IN THE RESULT

A strength square in favor allowed the referred result.

a) The agro exports had a generous production (they represented the 70% of the total of external sales in a percentage in relation to the total of exports – similar to 2020- never surpassed in the last 40 years). As it is shown below, the prices of these commodities also contributed to the effective production to achieve the result.

b) The world international trade measured in volumes has been growing in volumes (according to WTO) to a rate of more than 10% relative to the previous year.

And, measured in dollars, according to UNCTAD, the total international commerce – goods and services- in the planet reaches in 2021 a historical record in the third quarter and it is forecast a total global of 28 billion dollars in the year, the highest in history.

Figure: World trade to continue recovering during 2021

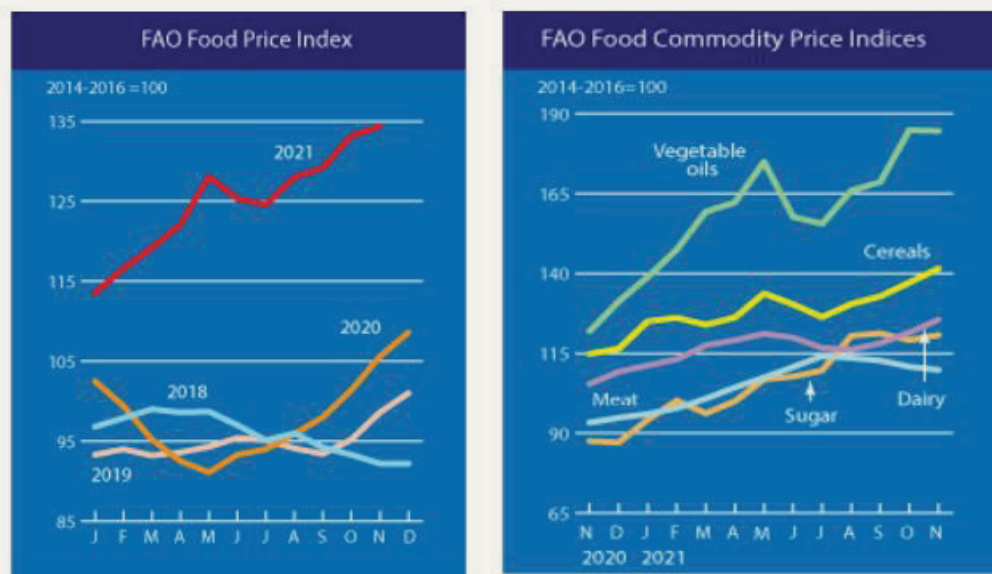


Source: UNCTAD calculations based on national statistics.

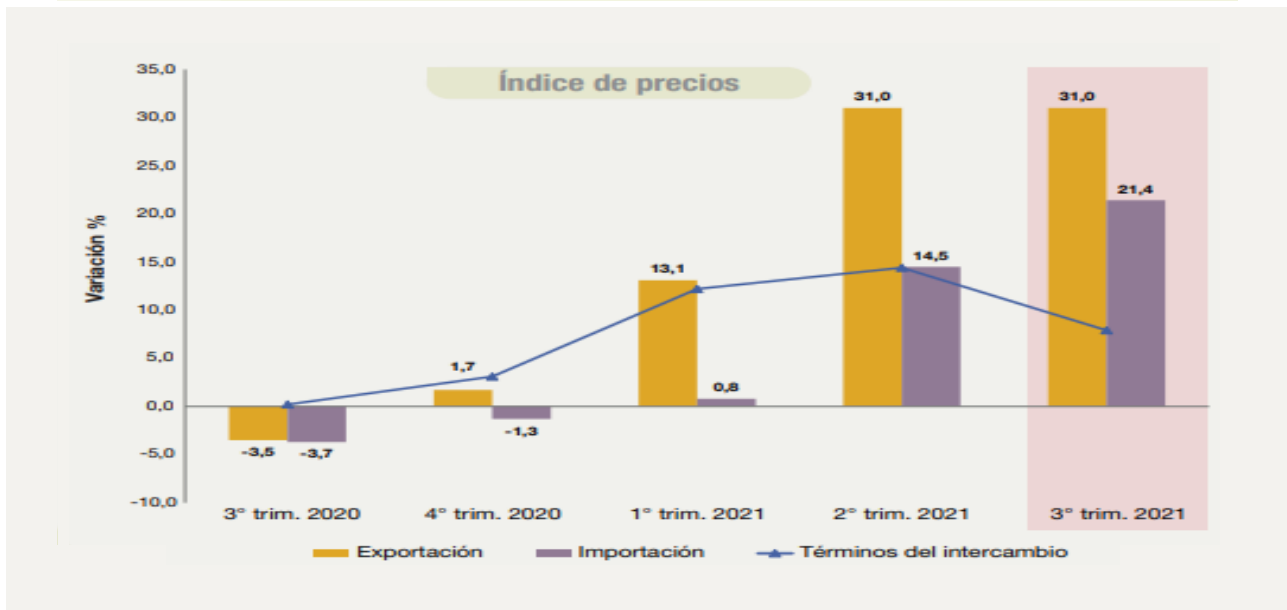
Note: Quarterly growth is the quarter over quarter growth rate of seasonally adjusted values. Annual growth refers to the last four quarters. Figures for Q3 2021 are preliminary. Q4 is a nowcast.

c) As it is expressed in item a), the international prices of commodities have been held by the post-lockdowns productive reactions (release of lagged demand and then neck bottles which increased the costs) and for the monetary expansionism in the US (in November 2021, the FAO food price index was of 27,3 %, above that of November 2020).

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Likewise, the bar chart below from INDEC, reflects the prices index variation for Argentina in each of the three quarters measured so far (it shows the influence of the best prices that not only allow to “charge” more for the amounts but also it concedes competitiveness to those who, with minor prices, would have difficulties to export, thus generating even greater volumes).



d) The good performance of the “main Argentine clients” (especially Brazil, China, India, the US and the EU).

Argentina’s exports concentrate half of the total of 8 markets, which they drove through their demand.

3. DOLLAR BALANCE

In relation with balance of trade, it must be particularly added to the above that Argentina has benefited from the exceptional decoupling taking place between the world trade recovery of goods and services (traditionally in deficit for Argentina, and this year it offers a negative trade deficit below the average) since the health crisis affects this sector more than others.

The trade balance of goods and services, therefore has shown in 2021 a great liquidity (estimated around 11-12 thousand million dollars subtracting to the surplus of goods the expectable deficit of services) generated, on the one hand, by an increase in the exports of goods which is crossed with an increase in the imports that, though it is greater than the exports, it is not still taking the external purchases to higher levels than those reached a few years ago, which it does happen with the external sales and; on the other hand, (as it has been mentioned) because the trade of balance added –the one about goods shows around 16,000 million in 2021, though adding up to it that of services in 2021, the number is almost 30% less – it had been less if the services would have recovered a normality which is still pending.

4. THE EXTENT OF GROWTH

Is this exporter result exceptional?

In the first place, it must be said that the nominal result in dollars from the goods exports of Argentina in 2021 is very satisfactory. Although it must be warned in turn that it is still below the best historical results of 2010, 2011 or 2012. The 2011 record was, according to the World Bank, of 83,119 million dollars.

Secondly, as it was previously mentioned, it is to highlight that the whole world is growing in matter.

For instance, while Argentina will still be in the annual total in results of external sales of goods (annual) – if the revisions are met-around 5,000 million below its 2011 record:

- Brazil is reaching exports record this year for more than 250,000 millions of dollars (ECLAC forecasts annual exports of 290,000 million for Brazil, a historical amount), obtaining a far superior result to any reached in the previous years.
- Chile is achieving external sales that will be around the 82,000 million dollars of exports this year, obtaining an amount that would reach the 2011 record.
- México will get historical records with exports that ECLAC foresees in more than 480,000 million dollars.

A way to explain that Argentina is getting satisfactory results (though it is far from equaling its historical records that our neighboring countries are surpassing) but in a world general context similar to great increases (therefore, it is not extraordinary but contextual) is that in relation with the world performance Argentina in 2021 has generated exports (according to the analysis based on the World Bank data) explaining 0.34% of the world's total.

Yet, it turns out that in many of the results from previous years, the participation had been greater: in 2010 Argentina had generated exports representing 0.45% of the world's total; and before in 2011, it did it displaying an amount which was equivalent to 0.46% from that total; and in 2012 in one representing 0.44%; and in 2013 in the equivalent to 0.40%, and in 2014 to a percentage of 0.36%; and in 2015 in one that represented 0.35%; and in 2016 to 0.36%.

In 2017 the ownership interest of Argentina in the world's commerce of goods was of 0.33% and maintained similar or less levels in the last few years, so that today there is a certain recovery against the previous immediate years, but the result is still far below the levels of the matter of those better previous years.

Therefore, it may be said that the recovery of exports in Argentina of this year moves together with an international trend and it is not too extraordinary.

Something extra must be said to imports: as it was mentioned above, the results from 2021-though being much higher than in 2020 (it must be highlighted that the basis of comparison is not useful, because the fall in the imports of 2002 had been unusual, to the extent that Argentina showed extremely low levels of imports in 2021, so low that our country imported – measuring results in dollars- in 2020 less than Peru and Colombia, apart from having imported less than Mexico, Brazil and Chile)- it will not equal levels of years when the economy had more greater performances.

In other words: if the GDP is expected to grow in the future, the imports should grow even more.

5. PERSPECTIVES 2022

Finally, it must be said that the “square” of reasons which fed the exports increase in Argentina in 2021 would fall apart or at least, would weaken in 2022.

Consequently, in 2022 the world trade measured in volumes (according to WTO) will grow – after a great jump of more than 10% of 2021- less than half in 2022. A table with the respective forecast shows that: In turn, Brazil (Argentina’s main client) announces a poor economic result (GDP’s growth of just around 0.5%) and the forecasts in China’s GDP (Argentina’s second client) are being adjusted to a downward trend.

In addition, it is very relevant that the monetary policy in the US will adjust itself probably weakening

Table 1: Merchandise trade volume and real GDP, 2017-2022^a

Annual % change

	2017	2018	2019	2020	2021P	2022P
Volume of world merchandise trade^b	4.8	3.1	0.1	-5.3	10.8	4.7
Exports						
North America	3.4	3.8	0.3	-8.6	8.7	6.9
South America ^c	2.2	-0.2	-2.2	-4.7	7.2	2.0
Europe	4.1	1.9	0.6	-7.9	9.7	5.6
CIS ^d	3.9	4.1	-0.3	-1.5	0.6	8.5
Africa	5.3	3.6	-0.7	-8.8	7.0	6.0
Middle East	-2.2	4.8	-2.2	-11.6	5.0	9.6
Asia	6.7	3.7	0.8	0.3	14.4	2.3
Imports						
North America	4.4	5.1	-0.6	-6.1	12.6	4.5
South America ^c	4.4	5.6	-2.6	-9.9	19.9	2.1
Europe	3.9	1.9	0.3	-7.6	9.1	6.8
CIS ^d	13.9	4.0	8.5	-5.6	13.8	-0.8
Africa	-1.7	5.3	2.8	-11.1	11.3	4.1
Middle East	1.2	-4.1	2.4	-13.9	9.3	8.7
Asia	8.5	5.0	-0.5	-1.2	10.7	2.9

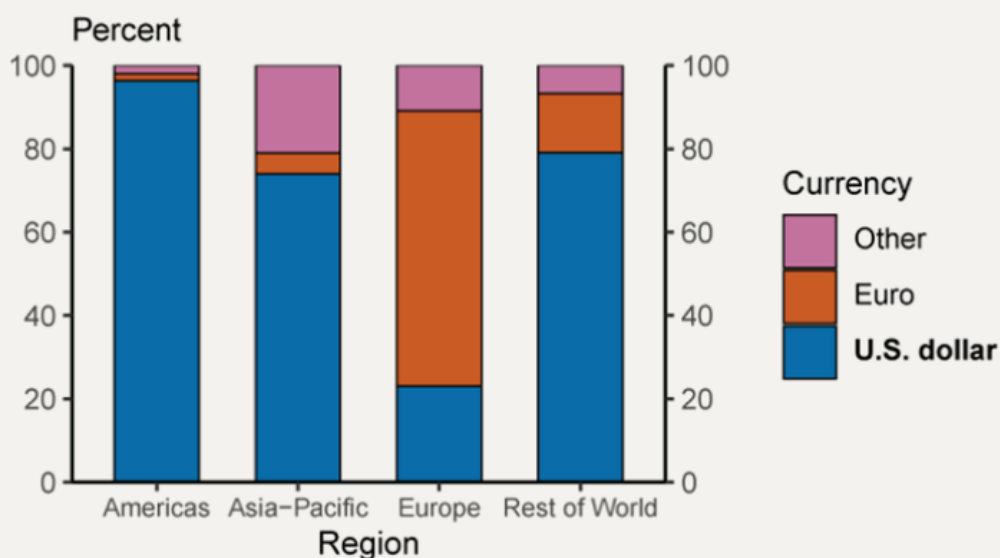
international prices (almost 80% of the world's international commerce trades in dollars).

And additionally, it must be advised that the services trade in the world and for Argentina in particular, should tend to a normality that makes more uncomfortable the dollar balances (always in deficit) in our country by 2022.

And –out of these forecasts- it must be pointed out that-in the term- the exchange gap (which trades as a reflex of a certain distortion), the tax policy (“deductions” and high productive taxes), the macroeconomic instability and its effects (making external competitiveness difficult) and the overregulated productive activity (which complicates the coupling to the innovative and technological global dynamism) obliging to be careful when it comes to forecasts.

Also, internationally, hypothetical global risks like the little predictable behavior of the pandemic, possible geopolitical news, pressures arising from the dramatic technological change, expectable volatilities in the quotations and prices, difficulties that- at least in the first half of the year- would accompany the global logistics, risks in household situations in some “clients” (Brazil, China or some Hispanic neighbors), and threats of a greater demand of quality in some others (the developed ones) may affect forecasts.

Figure 5. Share of export invoicing



Note: Average annual currency composition of export invoicing, where data are available. Data extend from 1999 through 2019. Regions are those defined by the IMF. Legend entries appear in graph order from top to bottom.

Source: IMF Direction of Trade; Central Bank of the Republic of China; Boz et al. (2020); Board staff calculations.

6. FINAL ASSESSMENT

Argentina only obtains net dollars from the foreign trade in goods.

It has virtually forbidden the access to financial dollars and the reception of direct foreign investment is very reduced, it suffers the capitals net exodus, it is in deficit in the trade of services and has little participation in the new “global innovation networks” of the intellectual capital. This makes it more volatile in exchange terms and it delays it in the coupling with the technological world revolution (the share of the “intangible value” in the Argentinian GDP is half than in developed countries).

It influences on this –and generates more pressure in the balance in dollars in the future because it foresees needs for foreign currencies- that Argentina is, among the 60 main economies measured by OECD, the second country with less imported component in its exports: while on the world average, the import share within the exports is 25% in Argentina is 6.9%, (just Saudi Arabia has a minor index). Especially in Latin America, the situation of Argentina can be compared to the one in Mexico, showing 34.6%; Costa Rica, which shows 16%; Chile, with 12.4%; Brazil: 10.2%; Colombia, with 10.1%; or Peru, displaying 9.8%. Argentina has in the world measurement referred a share that is just a little more than a quarter of the world average which affects the technological evolution and to make foresee necessities of greater imports.

To make any type of forecast for 2022, we have to admit that the basis are unstable. There could be changes as regards exchange, there may be some increase in the inflation rate, or the context been affected through the rules or tax regulations. However, according to the considerations that today can be made with the data available up to date-the end of 2021- it can be foreseen (even when it is so hard to make forecasts in Argentina) that for 2022 the exports of Argentinian goods would not grow in relation to those of 2021 and would stay below the 75,000 million dollars (would be around 72,000/74,000 millions) and that, meanwhile, the imports must grow to reach average levels of the decade to keep the productive system in motion and would surpass the 65,000 million dollars.

The balance of goods would generate thus a balance in dollars of around 8,000/9,000 million dollars (it is quite hard to forecast that since the imports do not greatly behave according to the requirements of the market but according to political decisions), and that of services (which evolution will depend especially on the behavior of the international prices of logistics and freight still affected by exceptional circumstances and, mainly, of the tourism sector, which will be subject to the evolution of the pandemic) would generate deficit (like every year) reducing such balance.

There is, though, an agenda of requirements going forward so that the Argentine foreign trade depends less on exogenous factors and relies more on its own forces. In this respect, it can be mentioned: stabilizing the macroeconomy, streamlining the regulatory framework, strengthening the institutional framework which grants guarantees and promoting the international architecture to improve the quality of the global participation.

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