PRESS RELEASE

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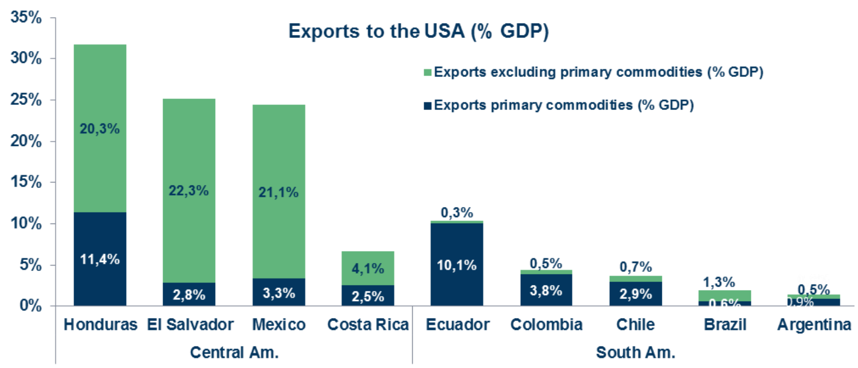
# Latin America: The Winners and Losers of “Trumponomics”

Global credit insurer Coface released a report today outlining possible outcomes of US trade policies for the region, focusing on exchange rate, trade and investment. Uncertainty regarding the Trump administration is exposing the region’s vulnerability to tighter financial conditions.

**Central America and Mexico are the Most Exposed to US Protectionist Measures**

Costa Rica, El Salvador, Honduras and México are most vulnerable to any eventual import measures imposed by the United States. This is due to their high level of trade exposure to the US, particularly for manufactured goods. In addition to the overexposure to the US, their GDPs are more dependent on exports than other countries in the region.




Based on the assumption that the Trump’s administration is expected to initially focus on countries with a strong trade deficit, Mexico’s position is particularly sensitive. In 2016, Mexico’s trade surplus with the US was only exceeded by that of China, Japan, and Germany.

Ecuador and Colombia also reported trade surpluses with the US in 2016 but it is unlikely that they would be targeted by the US administration given their irregular and weak contribution to the US total trade deficit.

**NAFTA in the Crosshairs**

Uncertainties surrounding the NAFTA agreement could delay or reduce investments. According to the Peterson Institute for International Economics, if NAFTA was to come to an end, the peso would probably devalue by more than 25%. Mexican-produced cars would be likely to become more competitive in the United States, which would further add to the trade deficit in contrast to what the US administration is trying to achieve.

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**Monetary Impacts Are Limited So Far**

Even if Trump is able to carry out his campaign promises, they would be unlikely to cause a climb in Latin American policy rates, with the exception of Mexico. Inflation generally hiked in Latin America throughout 2016 on the back of challenging weather conditions that put pressure on food prices. This trend has since dissipated in 2017. In response, the Central Banks of Colombia, Chile, Peru and especially Brazil have eased their benchmark interest rates.

Regarding the nominal exchange rate, no Latin American countries reported major depreciations when Trump won the presidential elections. Once again, the strongest volatility was seen with the Mexican Peso. In 2016, the currency depreciated by 19 % against USD, but in mid-January this year it began to rebound.


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