

ANNUAL REPORT FOREIGN TRADE

December 2015

EXPORTS & IMPORTS

Competitive Intelligence

Executive Summary

- » In 2015 **Uruguayan exports of goods** -including those from FTZs (duty free zones) - **totaled USD 8,967 million**, which implied a reduction of **11.6% over 2014**. Exports had not registered a drop since 2009, when the international financial crisis hit world trade.
- » This result was expected given the adverse international and regional context, characterized by the fall in commodity prices, China's slowdown, Argentina's stagnation and Brazil's recession. In spite of this, it is worth highlighting that Uruguay is the South American country with the lowest declines in exports in the region.
- » The fall in export value in 2015 was mainly due to lower export prices since export volumes of major products increased in general terms.
- » **Beef** and **cellulose** outperformed soybean as the main products exported in 2015.
- » **China** and **Brazil** are still the main destinations for Uruguayan products despite the fact that in 2015 exports to these destinations fell (9%) and (29%) respectively.
- » The final export results for the year were in line with the projections made by Uruguay XXI for 2015. According to our model, in 2016 exports of Uruguayan goods will experience a significantly smaller reduction in the ballpark of 1.6%, while they would resume in 2017 with an estimated growth of 3.1%.
- » Meanwhile, imports of goods without considering oil and by-products, reached **USD 8,547 million in 2015**, which means a **drop of 11.3%** over 2014. Outstanding products in this period were the imports of mills and supplies for wind power generation, which grew over 100% in 2015. This is associated with the process of change in the energy matrix of our country, which focuses on energy generation based on renewable resources.

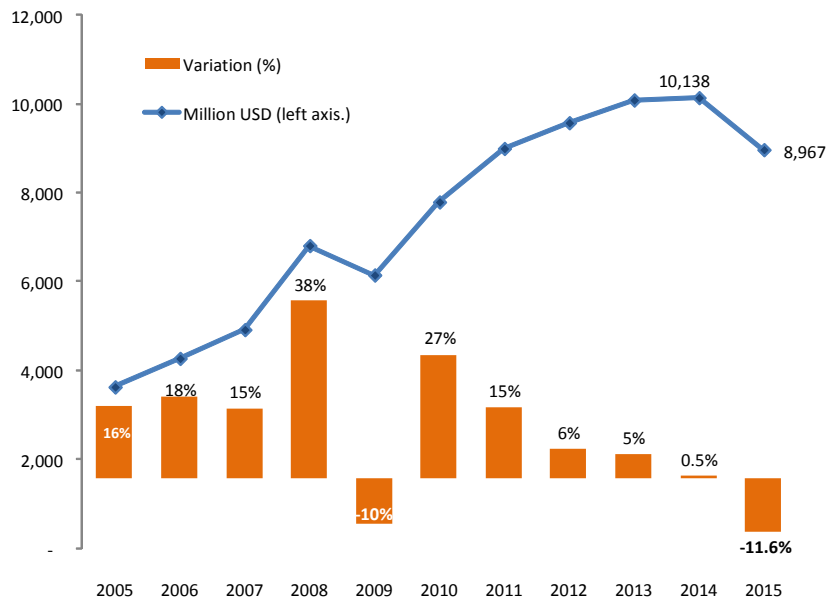
Uruguayan exports of goods fall in 2015

Uruguayan exports of goods, including those sales from free zones totaled USD 8,967 million in 2015, which implied a reduction of 11.6% compared to 2014. It is important to highlight that Uruguayan exports had not registered a drop since 2009, when the international financial crisis affected world trade negatively (see Graph No. 1).

This result was expected given the complex situation existing in the region. The fall in international commodity prices, which included the main products of the Uruguayan exports-

and the slowdown of the Chinese economy had an adverse effect on the region. The recession in Brazil and Argentina's economic stagnation worsened the situation for Uruguay. However, **Uruguay was the country in South America that showed the lowest reduction of exports in 2015¹.**

**Graph No. 1 – Exports in Uruguay
(Var % and Mill. USD)**



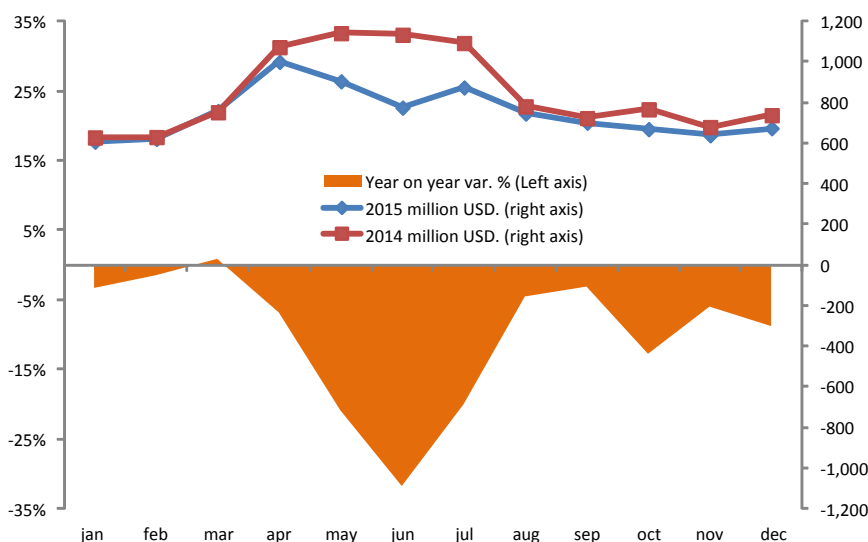
Source: Uruguay XXI based on DNA and information from companies.

The fall was cushioned by the increase in exports from the duty free zones. In particular, due to the increase in the sales of cellulose, as Montes del Plata had its first full year of production. Indeed, exports from outside duty free territory (customs territory) totaled USD 7,718 million, 15.5% less than in 2014.

¹ Source: Panorama of the international insertion of Latin America and the Caribbean 2015. CEPAL. According to this report, exports from Brazil will decrease by 15% while in Argentina the fall will be around 17%.

When reviewing 2015's performance on a monthly basis, March was the only month in which exports did not decrease when compared to 2014, while the largest declines were observed in May-June and are explained by soybean exports (see Graph No. 2). In particular, in December 2015 applications for the exports of goods totaled USD 673 million, which represented a decrease of 8.7% compared to December 2014.

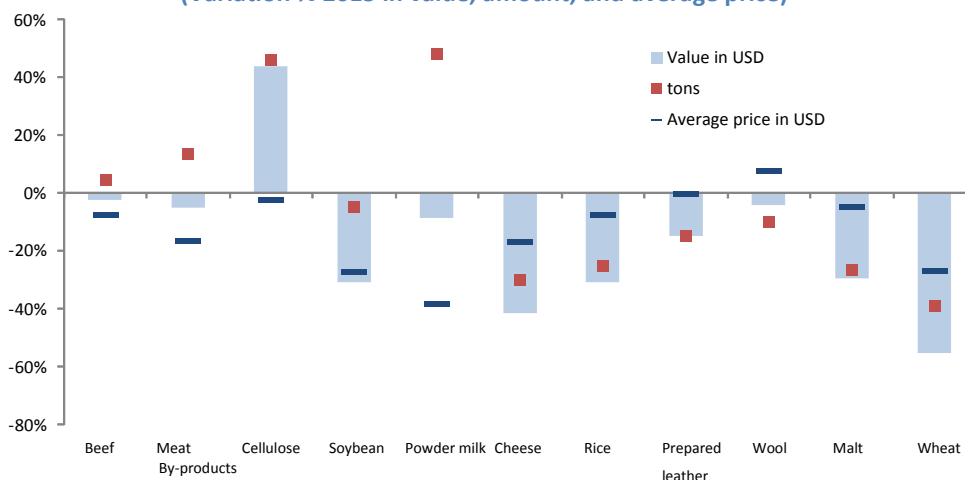
Graph No. 2 – Monthly Uruguayan exports (Var % y mill. USD)



Source: Uruguay XXI based on DNA and Montes del Plata.

Overall, the drop in exports is largely explained by a fall in prices. As shown in Graph No. 3, the exports volumes of major products rose or fell less than prices.

Graph No. 3 – Main export products (Variation % 2015 in value, amount, and average price)



Source: Uruguay XXI based on DNA and Montes del Plata.

Beef and cellulose displace soybean

Beef leads the ranking and displaces soybean as the main export product in 2015. Although exports were 2.3% less than in 2014 in value, the sales volume increased by 5.2%. Thus, **2015 was a record year in tons of exported beef**: 223,000 tons of frozen meat and 39,000 tons of chilled meat. The main destinations for Uruguayan beef were China and the United States, together totaling a share of more than 50%.

Table No. 1 – Main products exported by Uruguay – 2015
 Share, annual variation and incidence (%)

	2014	2015	Share % 2015	Variation % 2015	Incidence
Beef	1,466	1,432	16%	-2.3%	-0.3%
Cellulose	880	1,266	14%	43.8%	3.8%
Soybean	1,620	1,123	13%	-30.7%	-4.9%
Dairy products	823	631	7%	-23.3%	-1.9%
Beverage concentrate	505	546	6%	8.0%	0.4%
Rice	507	360	4%	-29.0%	-1.5%
Vehicles and auto parts	479	316	4%	-34.1%	-1.6%
Leather and its by-products	332	304	3%	-8.4%	-0.3%
Wool and knitted products	254	248	3%	-2.6%	-0.1%
Offal and meat by-products	242	228	3%	-6.0%	-0.1%
Pharmaceutical products	207	215	2%	3.9%	0.1%
Wood and wood products	284	213	2%	-24.8%	-0.7%
Plastics and manufactured products	257	203	2%	-21.2%	-0.5%
Cattle	140	151	2%	7.5%	0.1%
Wheat	302	135	2%	-55.2%	-1.6%
Others	1,839	1,597	18%	-13.2%	-2.4%
Total	10,138	8,967	100%	-11.6%	-11.6%

Source: Uruguay XXI based on DNA and Montes del Plata.

Cellulose took 2nd place in the ranking of exports in 2015, with sales in the ballpark of USD 1,266 million, being the product with the greatest positive impact. The sharp increase in exports of cellulose (44%) is mainly due to the operation of the two pulp mills throughout 2015, since Montes del Plata began exporting only in June 2014. China continues being the main market for this product.

Soybean came in 3rd place in the ranking of products exported by Uruguay in 2015. The fall in international prices –close to 20% in 2015² - largely explains this result. While volumes placed

² Projection of the World Bank/2015. In the case of Uruguay, the average export price fell by 27%.

abroad remained stable (-4.6%), revenues from exports fell by 30%, totaling USD 1,123 million. China is also the main destination of soybean (76%), while the Netherlands, Germany and Egypt have marginal shares.

The Uruguayan **dairy sector** faced difficulties in 2015, as a result of significant declines in international prices and lower purchases from major markets such as Venezuela. Despite the adverse situation, dairy products came in 4th place in the ranking of exports in 2015, reaching USD 631 million exported, thanks to higher placements in Brazil, Algeria and Mexico.

Beverage concentrate grew by 8% in sales (approximately USD 546 million). Sales were mainly destined to Mexico, the Philippines and Guatemala.

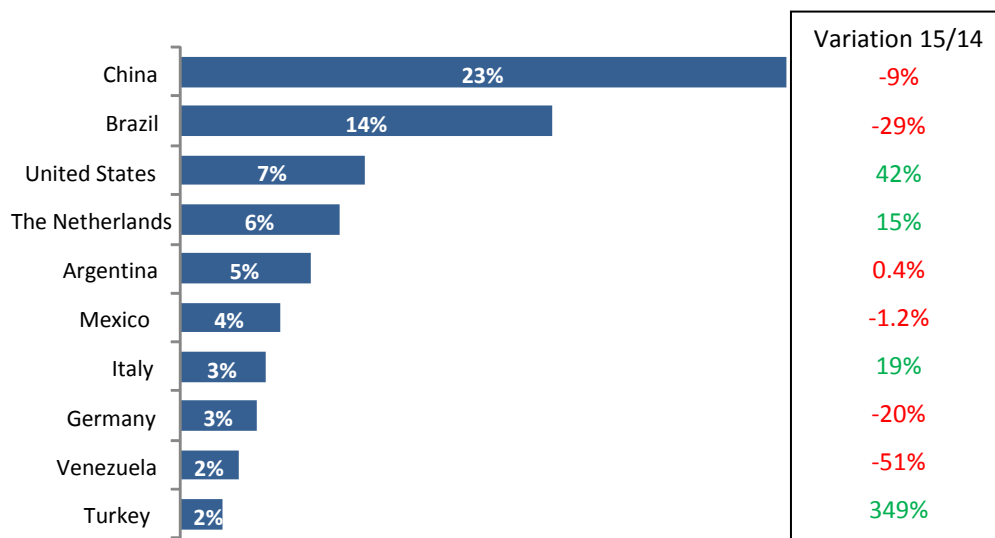
Pharmaceuticals products also showed an outstanding performance in 2015, developed both in the national territory and in the Duty Free Zone Science Park, with a growth of 4% in 2015. Sales of cattle grew by 7%, Turkey was the main market with a share of 65% of the total. Other products also experienced positive changes with lower incidence over total exports such as chemicals substances, oils and margarine and honey. Motor vehicles and auto parts, wheat and rice are among products with a negative impact.

China and Brazil are still the main destinations

Despite the economic slowdown, **China** remains the main trading partner of Uruguay, with a share of 23% of the total exports (over USD 2,070 million in sales in 2015). 75% of the soybean exported by Uruguay heads to China and this naturally makes it the main export product to China. Sales of beef, cellulose and wool were also important.

Brazil had a 14% share in 2015 (over USD 1,250 million), which represented a contraction of 29% in exports. This trend is mainly explained by the recession Brazil is going through. It is important to note that Brazil accounted for about a fifth of Uruguay's exports. By looking at sales per product, it is clear that there was a general fall. Dairy products were the main exports to Brazil, with a growth of 31%, which partially offset the decline in exports of this product to Venezuela.

**Graph No. 4 – Uruguayan exports -
Main destinations– 2015**



Source: Uruguay XXI based on DNA and Montes del Plata.

Exports to the **United States** had an outstanding growth in 2015. The main exports to that destination had a positive performance, especially beef, although cellulose was the product that experienced higher growth, almost quadrupling sales of 2014. Other significant products were leather, meat offal, wood and honey (60% of Uruguayan exports in 2015 went to this destination). Citrus continued the upward trend started with the agreement signed in 2013, with this year sales over USD 17 million.

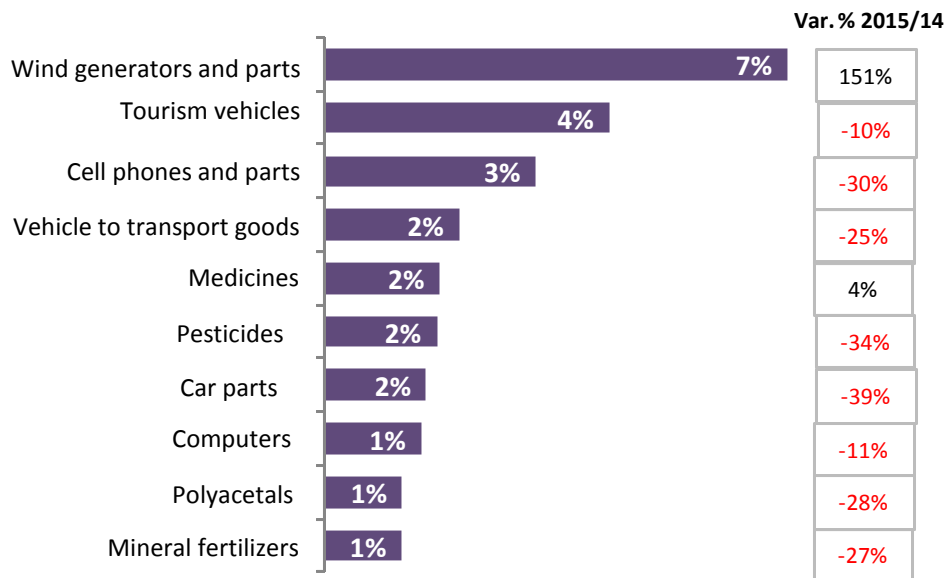
The **Netherlands** also had a positive variation of 15%, mainly due to increased soybean exports, which reached USD 73 million in 2015. Cellulose, the main export product to that destination, also recorded a positive performance and closed sales in 2015 with more than USD 300 million of exported value. It is noteworthy that some of the cellulose exported to the Netherlands is then distributed to the rest of Europe.

The value exported to **Argentina** remained virtually unchanged. Sales to the neighboring country in the River Plate, which had been falling since 2012, stabilized at USD 447 million in 2015. This level, the lowest since 2009, places Argentina in the fifth place in the ranking of destinations. The main products exported were auto parts, paper and cardboard and cellulose. Other destinations where exports increased were Italy, mainly due to the export of cellulose-; Chile, pharmaceutical products-; Peru – rice; Spain – cellulose and soybean; and Turkey – cattle, cellulose and soybean-.

Imports of goods also drop in 2015

Within a context of slower economic growth, the value of imported goods, excluding oil and oil products, **reached USD 8,547 million in 2015**, which implied a **shrinkage of 11.3% over 2014**.

Graph No. 5 – Main products imported by Uruguay- 2015
(share % and annual variation %)



Fuente: Uruguay XXI en base a DNA.

The main products imported were: wind turbines and parts, cars, cell phones and vehicles for transporting goods. The products that stand out for their impact on the fall in foreign purchases are cell phones first, followed by auto parts and pesticides, rodenticides and fungicides.

On the other hand, it is important to note that imports of mills and supplies for wind power generation grew by over 100% in 2015. This is associated with the process of change in the energy matrix of our country, which focuses on power generation based on renewable resources. In this context, the development of wind farms has been remarkable. In 2015 and 2016 nearly 1,200MW of power will be installed, a third of the available power generation capacity in 2014.

In particular, imports from China fell by 17.9% compared to 2014. Followed by Brazil and Argentina in order of importance, both countries showed drops in purchases of 13.6% and

14.2% respectively. However, there was a growth of around 23% in imports from Germany, mainly explained by the purchases of mills and supplies for wind power generation.

Export recovery perspectives for 2016 and 2017

In short, the fall in exports in 2015 is mainly explained by two factors. On the one hand, the unfavorable regional context, with the stagnant economy of Argentina, and Brazil and Venezuela through a recessive process. On the other hand, the fall in international prices, which affected the value of exports of the main products in Uruguay.

A slight improvement in global economic conditions is expected for 2016: commodity prices would stop falling, China's growth would stabilize (at a lower rate) and the United States would continue to grow with at a slightly stronger pace. Although our neighbors will continue to grow at low rates (or will hit a recession), external conditions for Uruguay are expected to be a little more favorable. A clearer business picture in Argentina could favor sales to this country. Meanwhile, the complex political and economic landscape of Brazil is expected to be resolved, which will undoubtedly generate an impact on the Uruguayan external sector.

According to the projections prepared by Uruguay XXI, in 2016 Uruguayan exports of goods will experience a slight reduction in value (about 1.6%), while exports of Uruguay would resume the growth path in 2017, with an estimated increase of 3.1%.³

To access tables with detailed information on exports outside duty free territory (customs territory) check the following link: [Statistical Appendix](#)

³ <http://www.uruguayxxi.gub.uy/informacion/knowledge-base/perspectivas-del-comercio/>



Uruguay XXI

INVESTMENT AND EXPORT
PROMOTION AGENCY

Rincón 518/528 - CP 11000

Tel.: +598 2915 3838

Montevideo - Uruguay

info@uruguayxxi.gub.uy

www.uruguayxxi.gub.uy

  Uruguay XXI