

2013



Economic Survey of Latin America and the Caribbean

Three decades of uneven and
unstable growth



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ECLAC

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unstable growth



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ECLAC

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The *Economic Survey of Latin America and the Caribbean* is issued annually by the Economic Development Division of the Economic Commission for Latin America and the Caribbean (ECLAC). The 2013 edition was prepared under the supervision of Juan Alberto Fuentes, Chief of the Division; Jürgen Weller and Sandra Manuelito were responsible for its overall coordination.

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Part I, entitled "The economic situation in Latin America and the Caribbean in 2013" was prepared by Juan Alberto Fuentes with input from the following experts: Luis Felipe Jiménez, Cameron Daneshvar and Miryam Saade (external sector), Ricardo Martner (fiscal policy), Ramón Pineda, Rodrigo Cárcamo and Benjamin Rae (monetary, exchange-rate and macroprudential policies), Sandra Manuelito (economic activity and prices) and Jürgen Weller (employment and wages). The economic projections were produced by Sandra Manuelito and Claudio Aravena.

Part II, entitled "Three decades of uneven and unstable growth", was prepared by Juan Alberto Fuentes on the basis of input from Claudio Aravena, Rodrigo Cárcamo, Ivonne González, Gonzalo Iberti, Luis Felipe Jiménez, Cornelia Kaldewei, Sandra Manuelito, Ricardo Martner, Ramón Pineda and Jürgen Weller, and with contributions from the Division of International Trade and Integration, the Sustainable Development and Human Settlements Division and the ECLAC subregional headquarters in Mexico City.

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Notes

The following symbols have been used in the tables shown in the Survey:

Three dots (...) indicate that data are not available or are not separately reported.

A dash (-) indicates that the amount is nil or negligible.

A full stop (.) is used to indicate decimals.

The word "dollars" refers to United States dollars unless otherwise specified.

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Contents

Foreword and executive summary	9
Part I	
The economic situation in Latin America and the Caribbean in 2013	23
Chapter I	
Regional overview	25
A. The external context	27
1. The outlook for 2013 is for the global economy to grow at much the same rate as in 2012, with the prospect of a gradual upturn	27
2. World trade continues to grow slowly	29
B. The external sector in Latin America and the Caribbean	30
1. The region's terms of trade weakened, albeit with differences from one country to the next	30
2. Imports outpace exports	32
3. Remittances from Europe continue to shrink	35
4. Tourism contracts slightly	35
5. The current account shows a slight deterioration	36
6. Access to external financing is maintained notwithstanding the financial volatility	37
7. The external financing mix has changed and more countries have gained access to it	38
C. Macroeconomic policies	39
1. Inflationary pressures have increased slightly	39
2. Monetary policy strategies in the region have been diverse	44
3. The pace of lending has slowed overall, except for consumer credit	46
4. Exchange rates have been under considerable external pressure	48
5. Overall, international reserves have not fluctuated as widely	49
6. Some macroprudential policies became more flexible	50
7. Tax receipts are expected to slow	50
8. Fiscal balances will depend on differentiated public expenditure policies	52
9. Fiscal vulnerability will remain a concern in the Caribbean, primarily in the service-exporting countries	54
D. Economic growth, employment and wages	54
1. Economic growth is slowing in most of the countries	54
2. Consumption is still the main driver of growth, although it has lost some steam	56
3. The employment rate does not change significantly	58
4. Formal employment continues to grow, albeit more slowly, and real wages post modest gains	59
E. Risks and challenges	61
1. Latin America and the Caribbean still face serious risks in an adverse global economic climate	61
2. The fiscal space for facing the threat of a negative international economic scenario has expanded in many countries	63
Bibliography	67
Part II	
Three decades of uneven and unstable growth	69
Chapter I	
Growth in Latin America and the Caribbean between 1980 and 2012: stylized facts	71
Introduction	73
A. Between 1980 and 2012: gains —though uneven and insufficient— in economic growth and equality	73
B. The growing role of external variability as a growth determinant	78
1. The 1980s: debt crisis	78
2. The 1990s: unstable growth amid external financial shocks and internal disequilibria	79
3. 2000 to the present: an improved but still variable external context	80

C. Insufficient and variable capital accumulation and financing	82
1. Investment still below 1980s levels, as a proportion of GDP	82
2. Investment boosted by higher national saving, as conditions became less vulnerable in the past decade	84
D. Gradual strengthening of the fiscal accounts	88
E. Lower inflation and flexible exchange-rate regimes.....	89
F. A dramatic change in the region's international macroeconomic position.....	90
Conclusions	95
Bibliography	97
Chapter II	
Income and aggregate demand over the past three decades	99
Introduction	101
A. Over the past decade, gross domestic income growth tripled and the operating surplus share increased.....	101
B. The terms of trade contribution to disposable income surged in most of the countries	103
C. Private consumption has become increasingly important as a determinant factor of growth.....	107
D. Greater trade openness coincided with a growing (net) export component of GDP.....	109
E. There was a positive correlation between capacity use and investment	112
F. There has been a positive correlation between growth and investment	113
G. GDP growth tended to have a positive impact on investment (accelerator effect).....	116
Conclusions	120
Bibliography	121
Chapter III	
Three decades of labour productivity and structural change.....	123
Introduction	125
A. A slow recovery for labour productivity	125
B. Heterogeneous patterns in labour productivity.....	125
C. A skilled labour force and capital accumulation as drivers of productivity	126
D. The main trends have been tertiarization and investment in non-tradable sectors	129
E. Structural change as a weak source of labour productivity	133
F. The economic cycle and the negative impact of structural heterogeneity on productivity	136
G. The limited impact of international trade on productivity in Latin America and the Caribbean.....	137
1. The effect of intra-industry specialization on productivity remains small	137
2. The incipient participation of Latin America and the Caribbean in international value chains	138
3. Productivity as a driver, not a consequence, of exports	139
Conclusions	140
Bibliography	141
Chapter IV	
Macroeconomic policy enhancement and challenges for promoting growth with equality.....	143
Introduction	145
A. The contribution of fiscal policy to growth and equality has gradually strengthened	145
1. Debt reduction has helped stabilize economic agents' expectations.....	145
2. Progress has been made in implementing countercyclical policies during contractions of the economic cycle	147
3. Public investment has partially recovered.....	149
4. Social spending and fiscal policy support for growth with equality has strengthened	150
B. Monetary and exchange-rate policy have gradually come to play a greater role in reducing nominal and real volatility	153
1. Monetary policy promoted nominal stability: a low-inflation path was reached in most of the countries and made it possible to bring down interest rates as well	153
2. The establishment of flexible exchange-rate regimes with varying degrees of regulation provided more room for monetary policy action	155
3. Monetary policy helped to reduce real economic growth volatility in the face of the international financial crisis	156
4. Financial instability fed the build-up of international reserves	156

C. Strategic aspects of macroeconomic policy for boosting growth	160	
1. Sound institutions are a must for boosting investment.....	160	
2. Promoting investment in the short term calls for stabilizing, countercyclical macroeconomic policies	160	
3. Stimulating investment in the medium and long term requires eliminating the bias in favour of investment in non-tradable sectors and promoting fiscal, financial and employment policies that support structural change	163	
Bibliography	168	
Statistical annex	171	
ECLAC publications	207	
Tables		
Foreword and executive summary		
Table	Latin America and the Caribbean: variation in total gross domestic product, 2010-2013.....	22
Part I		
Table I.1	Selected regions and countries: GDP growth, 2010-2014	27
Table I.2	Latin America: year-on-year variation in export value, January 2011-April 2013	33
Table I.3	Latin America: year-on-year variation in import value, January 2011-April 2013	34
Table I.4	European Union: year-on-year variation in import value by country of origin, January 2011-March 2013	34
Table I.5	Latin America and the Caribbean (15 countries): country risk as measured through sovereign bond spreads (EMBI Global), January 2010-June 2013	38
Table I.6	Latin America and the Caribbean (19 countries): external bond issues, January 2010-June 2013.....	38
Table I.7	Latin America and the Caribbean (15 countries): cumulative real January to April year-on-year variation in public revenue and expenditure, 2011-2013	51
Table I.8	The Caribbean (13 countries): overall public balance, 2007-2012	54
Table I.9	Latin America and the Caribbean (selected countries): year-on-year quarterly variations in the index of economic activity, January 2011-March 2013	55
Table I.10	Latin America and the Caribbean (selected countries): year-on-year quarterly variations in indices of commerce sector activity, January 2011-March 2013.....	56
Table I.11	Latin America and the Caribbean (selected countries): year-on-year quarterly variations in indices of construction sector activity, January 2011-March 2013	57
Table I.12	Latin America and the Caribbean: goods exports by principal destination, 2011	62
Table I.13	Latin America and the Caribbean: GDP growth in trading partners by export destination in 2010, weighted average, 2007-2013	62
Table I.14	Latin America: spread between real growth rates of primary spending and GDP, 2009-2012.....	63
Table I.15	Latin America and the Caribbean: central government fiscal balance, 2007 and 2012	65
Part II		
Table I.1	Latin America and the Caribbean: indicators of per capita GDP growth, 1980-2012.....	74
Table I.2	Selected countries: indicators of per capita GDP growth, 1981-2012.....	75
Table I.3	Latin America: poverty and indigence, 1980-2012	78
Table I.4	Latin America and the Caribbean: average annual GDP growth of country groupings (simple average) classified by economic specialization and size, 1970-2012	80
Table I.5	Latin America: gross fixed capital formation, 1980-2012.....	83
Table I.6	Latin America: gross fixed capital formation, public and private, 1980-2012	83
Table I.7	Latin America: national saving, 1980-2010	84
Table I.8	Latin America: public saving, 1980-2010	85
Table I.9	Latin America: private saving, 1980-2010	86
Table I.10	Latin America: external saving, 1980-2010	86
Table I.11	The Caribbean: gross fixed capital formation, 1990-2011	87
Table I.12	The Caribbean: national and external saving, 1990-2011.....	88
Table I.13	Latin America and the Caribbean: annual average inflation, 1980-2011	90

Table I.14	Latin America: degree of trade openness, 1980-2011	91
Table I.15	The Caribbean: degree of trade openness, 1990-2011	91
Table I.16	Latin America and the Caribbean: remittances received from abroad (personal transfers and employee remuneration), 1980-2011	92
Table I.17	Latin America and the Caribbean: total portfolio investment, 1980-2012	95
Table II.1	Latin America: components of gross domestic income, 1980-2010	102
Table II.2	Latin America (17 countries): drivers of the growth of per capita gross national disposable income (GNDI), 1981-2011	105
Table II.3	Latin America (17 countries): annual average variation in total GDP, gross and net exports and non-export GDP, 1990-2010	111
Table II.4	Latin America: correlation between output gap and investment growth	113
Table II.5	Latin America: correlations (Pearson correlation coefficient) between annual GDP growth and gross fixed capital formation as a percentage of GDP, 1980-2010	114
Table II.6	Latin America: correlations (Pearson correlation coefficient) between annual GDP growth and public and private gross fixed capital formation as a percentage of GDP, 1980-2010	115
Table II.7	Latin America: correlations (Pearson correlation coefficient) between annual GDP growth and gross fixed capital formation in construction and machinery and equipment as a percentage of GDP, 1980-2010	115
Table III.1	Latin America (selected countries): growth in investment in tradable and non-tradable sectors and correlation to the exchange rate	131
Table III.2	Latin America and other countries and regions: intra-industry trade, 2011	138
Table IV.1	Latin America: maximum and minimum GDP gaps and cyclical balance, 1990-2012	148
Table IV.2	Latin America (20 countries): gap between real growth rates of primary spending and GDP, 1980-2012	148
Table IV.3	The Caribbean (13 countries): gap between real growth rates of primary expenditure and GDP, 1990-2012	149
Table IV.4	Latin America and the Caribbean: average rate of inflation, 1990-2012	154
Table IV.5	Latin America and the Caribbean: exchange-rate regimes, 1990-2010	155
Annex		
Table A-1	Latin America and the Caribbean: main economic indicators	173
Table A-2	Latin America and the Caribbean: gross domestic product	174
Table A-3	Latin America and the Caribbean: gross domestic product	175
Table A-4	Latin America and the Caribbean: per capita gross domestic product	176
Table A-5	Latin America and the Caribbean: gross domestic product	177
Table A-6	Latin America and the Caribbean: gross fixed capital formation	177
Table A-7	Latin America and the Caribbean: balance of payments	178
Table A-8	Latin America and the Caribbean: international trade of goods	181
Table A-9	Latin America and the Caribbean: exports of goods, f.o.b.	182
Table A-10	Latin America and the Caribbean: imports of goods, c.i.f.	183
Table A-11	Latin America: terms of trade for goods f.o.b./f.o.b.	184
Table A-12	Latin America and the Caribbean (selected countries): remittances from emigrant workers	184
Table A-13	Latin America and the Caribbean: net resource transfer	185
Table A-14	Latin America and the Caribbean: net foreign direct investment	186
Table A-15	Latin America and the Caribbean: total gross external debt	187
Table A-16	Latin America and the Caribbean: sovereign spreads on EMBI+ and EMBI Global	188
Table A-17	Latin America and the Caribbean: risk premia on five-year credit default swaps	188
Table A-18	Latin America and the Caribbean: international bond issues	189
Table A-19	Latin America and the Caribbean: stock exchange indices	189
Table A-20	Latin America and the Caribbean: gross international reserves	190
Table A-21	Latin America and the Caribbean: real effective exchange rates	191
Table A-22	Latin America and the Caribbean: participation rate	192
Table A-23	Latin America and the Caribbean: open urban unemployment	193
Table A-24	Latin America and the Caribbean: employment rate	194
Table A-25	Latin America and the Caribbean: formal employment indicators	195
Table A-26	Latin America: visible underemployment by hours	195
Table A-27	Latin America: real average wages	196

Table A-28	Latin America and the Caribbean: monetary indicators	197
Table A-29	Latin America and the Caribbean: domestic credit	199
Table A-30	Latin America and the Caribbean: monetary policy rates.....	200
Table A-31	Latin America and the Caribbean: representative lending rates.....	201
Table A-32	Latin America and the Caribbean: consumer prices	202
Table A-33	Latin America and the Caribbean: central government primary and overall balances	203
Table A-34	Latin America and the Caribbean: central government tax revenues composition	204
Table A-35	Latin America and the Caribbean: central government expenditure composition	205
Table A-36	Latin America and the Caribbean: non-financial public sector gross public debt.....	206

Figures

Part I

Figure I.1	Europe (selected countries): five-year credit default swap risk premiums, July 2009-May 2013	28
Figure I.2	Year-on-year variation in world export volume by region, three-month moving average, January 2008-April 2013	29
Figure I.3	Year-on-year variation in world import volume by region, three-month moving average, January 2008-April 2013	29
Figure I.4	Latin America: price indices for export commodities and manufactured goods, three-month moving average, January 2009-April 2013	30
Figure I.5	Latin America: variation in the terms of trade, 2009-2013	31
Figure I.6	Latin America: variation in exports by volume and price, 2013	32
Figure I.7	Latin America: variation in import volume and price, 2013.....	32
Figure I.8	Latin America and the Caribbean (selected countries): variation in inflows of remittances from migrants abroad, 2010-2013	35
Figure I.9	Latin America and the Caribbean: year-on-year variation in international tourist arrivals, 2009-2013	36
Figure I.10	Latin America: current account structure, 2006-2013.....	36
Figure I.11	Latin America (14 countries): current account balance and components of the financial account, January 2010-March 2013.....	37
Figure I.12	Latin America and the Caribbean (19 countries): external bond issues on international markets and risk according to EMBI+, January 2010-June 2013.....	39
Figure I.13	Latin America and the Caribbean: twelve-month variation in the consumer price index, simple average, January 2007-May 2013	40
Figure I.14	Latin America: twelve-month variation in the consumer price index by inflation component, simple average, January 2007-May 2013	40
Figure I.15	Latin America: twelve-month variation in the consumer price index, food price index and core inflation index, simple average, January 2007-May 2013	41
Figure I.16	Latin America: variation in the consumer price index and food price index in the 12 months to May 2013	43
Figure I.17	Latin America and the Caribbean: monetary policy rates of the central banks which raised their rates in 2013, January 2012-June 2013	44
Figure I.18	Latin America and the Caribbean: monetary policy rates of the central banks that lowered their rates in 2013, January 2012 to June 2013	45
Figure I.19	Latin America and the Caribbean (selected countries): annualized growth in the monetary base, January 2011-April 2013	45
Figure I.20	Latin America and the Caribbean (selected countries): annualized growth of net domestic credit, January 2011 to May 2013	46
Figure I.21	Latin America and the Caribbean: annualized growth in the credit portfolio for financing consumption and industrial, commercial and mortgage activities (regional average), January 2011-March 2013	47
Figure I.22	Brazil, Chile, Colombia, Mexico and Peru: nominal exchange rate and external financial conditions, July 2010-June 2013.....	48
Figure I.23	Costa Rica, Dominican Republic, Guatemala, Jamaica, Paraguay and Uruguay: nominal exchange rate and external financial conditions, July 2010-June 2013	49
Figure I.24	Latin America and the Caribbean: variation in international reserves, 2012 and 2013.....	50

Figure I.25	Latin America and the Caribbean (simple average for 14 countries): year-on-year real variation in public revenue and expenditure January 2010-April 2013	51
Figure I.26	Latin America (19 countries): central government fiscal indicators, 2000-2013	53
Figure I.27	Latin America: year-on-year change in quarterly GDP, weighted average, January 2008-March 2013	55
Figure I.28	Latin America and the Caribbean: index of industrial activity, January 2008-April 2013.....	57
Figure I.29	Latin America: quarterly year-on-year change in GDP and the growth contribution of the components of aggregate demand, January 2011-March 2013	58
Figure I.30	Latin America and the Caribbean (10 countries): year-on-year variation in employment and unemployment rates	59
Figure I.31	Latin America (selected countries): year-on-year variation in formal employment, first quarters of 2011, 2012 and 2013	60
Figure I.32	Latin America (9 countries): year-on-year variation in nominal wages, consumer price index and real wages, 2012 and first quarter of 2013	60
Figure I.33	Latin America: central government overall public balance, 2007 and 2012	66
Figure I.34	Latin America: central government public debt, 2007 and 2012	66
Figure I.35	The Caribbean: central government overall public balance, 2007 and 2012	66
Figure I.36	The Caribbean: central government public debt, 2007 and 2012	67
Part II		
Figure I.1	Latin America, Republic of Korea and China: per capita GDP compared with per capita GDP of the United States, 1950-2010	75
Figure I.2	Latin America: disparity between countries in per capita GDP, in dollars at constant 2005 prices, 1980-2012	76
Figure I.3	Latin America (18 countries): Gini coefficient, 1980-2011	77
Figure I.4	Latin America and the Caribbean: GDP growth and terms of trade, 1970-2012	82
Figure I.5	Latin America: gross fixed capital formation, 1980-2012.....	82
Figure I.6	Latin America: overall fiscal balance, 1980-2012.....	89
Figure I.7	Latin America: average annual purchasing power of goods exports, 1981-2010.....	92
Figure I.8	Latin America and the Caribbean: interest payments abroad, 1980-2012	93
Figure I.9	Latin America and the Caribbean: foreign direct investment and portfolio investment income, 1980-2012	93
Figure I.10	Latin America and the Caribbean: net FDI flows, 1980-2012	94
Figure II.1	Latin America: change in and contributions to the growth of per capita gross national disposable income, 1981-2011	106
Figure II.2	South America: change in and contributions to the growth of per capita gross national disposable income, 1981-2011	106
Figure II.3	Central America: change in and contributions to the growth of per capita gross national disposable income, 1981-2011.....	107
Figure II.4	Latin America: change in per capita gross national disposable income (GNDI) associated with changes in the terms of trade (ToT), 1990-2002 and 2003-2009.....	108
Figure II.5	Latin America and the Caribbean: GDP variation and contribution to the growth of aggregate demand components	109
Figure II.6	Latin America and the Caribbean and the world: trade openness indicators	110
Figure II.7	Latin America (17 countries): GDP share of gross and net exports, 1990-2010.....	111
Figure II.8	Latin America: findings of (Granger) causality tests between GDP growth rate and investment rate (gross fixed capital formation, GFCF), 1980-2010	116
Figure II.9	Latin America: findings of (Granger) causality tests between GDP growth rate and public investment rate, 1980-2010	117
Figure II.10	Latin America: findings of (Granger) causality tests between GDP growth rate and private investment rate, 1980-2010	118
Figure II.11	Latin America: findings of (Granger) causality tests between GDP growth rate and construction investment rate, 1980-2010	118
Figure II.12	Latin America: findings of (Granger) causality tests between GDP growth rate and machinery and equipment investment rate, 1980-2010.....	119
Figure III.1	Latin America and the Caribbean (25 countries): average labour productivity, 2012	125
Figure III.2	Latin America and the Caribbean (selected countries): value added per worker, by sector, 2000-2011	126

Figure III.3	Latin America: per capita GDP and education level of the urban economically active population, late 2000s	127
Figure III.4	Latin America and the Caribbean (19 countries): gross capital formation per worker, simple average, 1980-2011	128
Figure III.5	Latin America (16 countries): variance decomposition of labour productivity as a result of investment, 1980-2010	128
Figure III.6	Latin America (19 countries): sectoral composition of GDP, 1950-2011	129
Figure III.7	Latin America and the Caribbean: employment by sector, dates between 1950 and 2011	130
Figure III.8	Latin America (selected countries): destination of investment in tradable and non-tradable sectors and decomposition of the growth rate, 1993-2002 and 2003-2009	132
Figure III.9	Latin America and the Caribbean (23 countries): impact of intra- and intersectoral changes on annual variation in average labour productivity, 1990-2002 and 2002-2011	134
Figure III.10	Latin America and the Caribbean: contribution of the variation in employment and labour productivity to output growth, by branch of activity, 1990-2002 and 2002-2011	135
Figure III.11	Latin America (16 countries): relative income of own-account workers (not including professionals or technical workers) as a proportion of the income of private-sector employees in companies with five or more workers, by per capita GDP, around 2005-around 2010	136
Figure III.12	Latin America (selected countries): vertical integration index, 2001, 2004 and 2007	139
Figure IV.1	Latin America (19 countries): external public debt (1970-2012) and domestic public debt (1990-2012)	146
Figure IV.2	Latin America and the Caribbean: drivers of changes in central government debt, 1999-2012	147
Figure IV.3	Latin America (20 countries) and the Caribbean (13 countries): composition of public expenditure	150
Figure IV.4	Latin America and the Caribbean (selected countries): public social spending, 2011 and 1990	151
Figure IV.5	Latin America and the Caribbean: tax structure (without social security), 2000 and 2012	152
Figure IV.6	Latin America: average lending rates, 1995-2013	154
Figure IV.7	Latin America and the Caribbean: real exchange rate against the United States dollar, by subregion, 1980-2012	155
Figure IV.8	Latin America and the Caribbean: international reserves, by subregion, 1980-2012	157
Figure IV.9	Latin America and the Caribbean: international reserves, 2002-2012	157
Figure IV.10	Latin America and the Caribbean (selected countries): exchange-rate volatility and annual build-up of international reserves, January 2001 to September 2012	158
Figure IV.11	Latin America and the Caribbean: extraregional real effective exchange rate, January 2008-March 2013	159

Boxes

Part I

Box I.1	Differential inflation and income distribution: the flip side of improving terms of trade	41
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Part II

Box I.1	Natural disasters in Latin America and the Caribbean	81
Box IV.1	Economic growth and energy consumption in Latin America and the Caribbean: a long-term challenge	164



Foreword and executive summary

- Foreword
- Executive summary

Foreword

Like previous editions, the sixty-fifth edition of *Economic Survey of Latin America and the Caribbean* has two parts. The first part examines the recent performance of the economies of the region and the outlook for the current year, and the second part discusses long-term aspects of the economic development of Latin America and the Caribbean.

Part one highlights the volatile global economic climate facing the region during 2013 owing to slow debt-crisis recovery in a number of eurozone countries, heightened uncertainty as the situation in some of them worsened, the policy response on the part of developed economies that sent global liquidity soaring, and a slowdown in major Asian economies. And despite some signs of improvement in the United States, the recovery there has yet to gain traction. During 2013 Latin America and the Caribbean will continue to face a challenging external environment that will cool demand for exports, act as a drag on rising export prices and even, in some cases, drive them down. This part also analyses the consequences of this external context for the region, as well as its macroeconomic policy response seeking to buffer the impact of the global economic slowdown. Net exports are no longer the main driver of demand; for the second year in a row, consumption has played this role, on the strength of rising employment rates, real wages and lending, followed by investment. Real currency appreciation, fuelled by high global liquidity, has eroded tradable-sector competitiveness even more and encouraged spending on imported goods, thereby widening the current account deficit.

Since late 2012 and in 2013 to date, sagging exports and the outlook for a global economic slowdown have progressively dampened economic activity and slowed growth in key variables such as export volume, investment and employment. In short, from 2013 the Latin American and Caribbean countries have been facing a stagnant external environment calling for macroeconomic policy adjustments that should be cautious so as to avoid exacerbating potential imbalances, in particular in the current account. The region, with certain exceptions, can draw on substantial strengths to address these challenges: high international reserves, little external public debt and low inflation. While this provides some monetary and fiscal policy space for mitigating temporary external shocks, the expected slow global growth scenario also requires measures geared towards structural change that will boost competitiveness and enhance long-term growth factors.

The second part of this edition of the Economic Survey approaches this issue by looking at how macroeconomic policy contributes to growth. It starts by examining stylized patterns of growth during the past three decades, from the debt crisis of the 1980s to the present. Except in a few cases, per capita GDP has grown very slowly and there has been little convergence towards the levels seen in more developed countries. Emphasis is placed on the low investment rate and the degree of dependence on external saving, whose fluctuations have contributed a good deal to the swings in growth. Productivity gains have been insufficient.

But the region has seen significant changes over the past three decades in terms of external integration and macroeconomic regimes, reflected in sounder public finances, lower inflation and unemployment, and progress against poverty and in income distribution. These improvements provide a good basis for stepping up investment, which is the main channel for structural change and productivity gains. The requirements for this are multidimensional, involving production and institutional development beyond the scope of macroeconomic policy. However, macroeconomic policy has a key contribution to make. By preventing the accumulation of imbalances leading to crises, it creates the necessary conditions for deploying countercyclical measures to sustain the growth of output and employment and result in real interest rates that support investment and a real exchange rate that is conducive to tradable-sector competitiveness.

Lastly, country notes, which look at the economic situation of the countries of Latin America and the Caribbean during 2012 and the first half of 2013, may be viewed on the ECLAC webpage (www.eclac.org). These notes are published along with a statistical annex, which tracks the main economic indicators. The tables in the statistical annex show, at a glance, data for recent years and can be used to create spreadsheets.

The deadline for updating the statistical information in this publication was 30 June 2013.

Executive summary

1. The economic situation in Latin America and the Caribbean in 2013

GDP in Latin America and the Caribbean is expected to grow by 3% in 2013, similar to the pace set in 2012

Latin America and the Caribbean will see GDP grow by an estimated 3% in 2013 instead of the 3.5% estimated by ECLAC in April; this pace is similar to the figure for 2012. Region-wide, this performance is due in part to slow growth in Brazil and Mexico. Economic activity has eased off in a number of countries that had been posting high rates of growth (Chile, Panama and Peru). With external demand slackening, the main source of growth is still rising consumption, although the pace in 2013 will be slower than in 2012. The contribution of investment is expected to drop even more; the negative contribution of net exports (that is, minus import value) is expected to be larger. These trends highlight problems arising from low growth in most of the economies of the region and point to the need to broaden and diversify their sources of growth, as proposed in the second part of this issue of the *Economic Survey*.

The region's modest performance is linked to a global economic growth rate in 2013 that is expected to be similar to the 2.3% recorded in 2012, although the outlook for next year is for economic growth to pick up speed. Although the recession in eurozone economies has carried over into 2013, the developing countries will continue to drive global economic growth; it is believed that the policies adopted by the United States and Japan will help these two economies rally and boost economic growth worldwide.

The forecast is for uneven weakening of the terms of trade, modest export growth and a larger current account deficit

The first half of 2013 saw a drop in the prices of some of the region's export commodities (minerals and metals, oil and some food items). While this trend is linked to the eurozone recession, the main contributing factor is slightly slower growth in China as it transitions to a growth path that depends more on the expansion of consumption and less on the expansion of investment, unlike in the recent past. For Latin America and the Caribbean as a whole, projections are that the terms of trade will hover near the 2012 level. But the impact will vary among countries depending on their export structure. The terms of trade are likely to worsen the most in the mineral- and metal-exporting countries (Chile, Peru and Suriname). Countries that export hydrocarbons (Bolivarian Republic of Venezuela, Colombia, Ecuador, Plurinational State of Bolivia and Trinidad and Tobago) and food (Argentina and Paraguay) will also see some deterioration, to varying degrees. Net importers of food and fuel, which are concentrated in Central America and the Caribbean, could see improving terms of trade. No significant changes in this regard are expected in Mexico and Brazil, due in part to their more diversified export structure.

One of the more direct consequences of moderate global economic growth has been slower growth of exports from Latin America and the Caribbean. The region's export value is expected to expand some 4% in 2013, outpacing the 1.5% recorded in 2012. Import value is forecast to rise more, by 6% for the year. The lacklustre export performance expected for the region in 2013 after growth rates upwards of 20% in 2010 and 2011 is heavily influenced by declining exports from some countries of South America—in particular, Argentina, Brazil, Colombia and Peru—during the first few months of 2013. The main reason is the recession in eurozone countries, which are a major destination for their exports, coupled with a downtick in the prices of products that make up a high proportion of their total exports.

Remittances from Europe continue to decline, unlike those from the United States (except in Mexico, possibly because of a reversal of its migration flows). Tourism flows are slackening due to the combined impact of slower economic growth in the developed countries and the countries of Latin America and the Caribbean themselves, since intraregional tourism has soared in the past few years. These factors together are likely to worsen the region's goods and services trade balance as well as the current account balance. The current account deficit is expected to broaden to 2.0% GDP in 2013 (compared with 1.8% of GDP in 2012)—the highest in relative terms since 2001.

Access to external financing remains open despite financial volatility

International financial volatility increased in 2013 as well, as reflected in wide exchange-rate swings in several countries of the region. Recent unemployment rate trends and positive signs of economic growth in the United States led to the June announcement by United States Federal Reserve System Chairman Ben Bernanke that the monetary stimulus programme might be terminated in mid-2014. The announcement sent the value of the dollar up, pushed major stock exchanges down (both worldwide and in Latin America) and triggered a market sell-off, especially for fixed-income securities, and drove up the sovereign debt risk premium for many of the countries of the world. This suggests that withdrawing the monetary stimulus measures will spark money- and equity-market volatility, which poses a serious challenge to the authorities of the region.

Nevertheless, the region still has access to external financing to cover the wider current account deficit despite international financial volatility and a risk-perception pattern influenced by short-term reactions from financial investors that are very sensitive to announcements of possible changes in United States monetary policy and to reports on the outlook for global economic growth. Net foreign direct investment and portfolio investment flows continued to climb during the first few months of 2013, as did short-term flows of cross-border deposits and bank loans. Corporate bond issues were substantial during the first five months of 2013 (well above half the figure for all of 2012), as were sovereign bond issues by countries of the region and placements by those that are more integrated into international financial markets.

Employment and wage growth slows

As a result of the slowdown of economic growth in the region, no significant increase in the demand for labour is expected in 2013. Unemployment inched down from 6.9% to 6.7% during the first quarter of 2013, owing mainly to a lower labour-market participation rate in keeping with the drop in labour supply. The unemployment rate would not have shrunk had the labour supply trend been similar to the previous year. With regional consumption expanding at a slower pace in 2013, real wages in the countries of the region have not grown as much as in 2012, except in Chile and Colombia, where wages rose more.

Inflation edges up

In the first five months of 2013 the regional inflation rate edged up from the December 2012 level, although there were substantial differences among countries. In May 2013, cumulative 12-month inflation for the region stood at 6%, compared with 5.5% in December 2012 and 5.8% in May 2012. Double-digit price growth in countries such as Argentina and the Bolivarian Republic of Venezuela, along with more recent increases in other countries of the region, indicates that in a number of cases the scope for implementing (countercyclical) monetary measures geared towards boosting growth will shrink or vanish.

Monetary and fiscal policies are growing more disparate

Increasing uncertainties arising from the impact of international financial flows linked to monetary announcements made in developed economies (especially in the United States), and fears about a potential decline in economic activity in the face of sluggish external demand and growing inflationary pressures in some economies of the region, have led to shifting priorities and disparate responses by monetary authorities in the region. As a result, in 2013 some countries of the region have taken a more restrictive monetary policy stance (Brazil, Guatemala and Uruguay) while others (Dominican Republic, Colombia, Costa Rica, Guyana and Mexico) have followed a more robust stimulus policy. But in most of the countries the monetary policy orientation has not changed significantly. Lending has slid in Latin America and the Caribbean overall, although consumer lending is still growing and, in general, there have been no abrupt changes in the level of international reserves held by the countries of the region.

Tax receipts are likely to fall off in most of the countries in 2013, mainly as a result of cooling consumption and the slide in the price of export commodities, which are a source of public revenues. Governments have responded

to this scenario, too, in different ways. Some countries have moderated spending and others have stepped it up, within certain limits. On the one hand there are countries that have structural rules or are taking countercyclical or neutral steps (Argentina, Brazil, Chile, Colombia and Peru). On the other hand, there are countries whose policies are geared more towards achieving annual fiscal targets, regardless of the macroeconomic cycle. Lastly, a number of countries have decreased their public debt in recent years and have access to funding for their deficits, giving them fiscal space for countercyclical policies.

2. Three decades of uneven and unstable growth

Profound economic transformations have taken place

Over the past three decades Latin America and the Caribbean saw uneven economic growth, reflected in a generally slow expansion of per capita GDP despite a speed-up during the third decade, and in the fact that few countries managed to narrow their gap with more developed countries. Even in these cases, performance was significantly weaker than in the countries of Asia, where growth picked up significantly.

During the 1980s, inequality and poverty indicators deteriorated—quite sharply in some cases. It was not for some time (the 2000s) that they began to improve, on the back of stronger growth, labour-market improvements and the launch of social policies. But high levels of inequality and poverty remain in a number of cases.

The changes taking place in the region have included substantial changes in external macroeconomic integration. The vast majority of countries now have higher ratios of foreign trade and foreign direct investment, revealing a greater degree of productive interaction with the rest of the world than 30 years ago. These changes and external deleveraging have lightened the interest payment burden and increased the rents from foreign investment, although a significant proportion is reinvested. Remittances have become a major source of resources for the region—initially for the countries of the Caribbean and subsequently for the countries of Central and South America.

These three decades have also seen, to varying degrees among countries, profound changes in macroeconomic regimes and, especially, a strengthening of monetary and fiscal policies that helped to reduce inflation and improve the fiscal accounts, thereby improving performance in the face of the global financial crisis. But not all of the changes have contributed to growth, and three sources of weakness can be identified in the region. They are the potential end of the key export commodity price boom, an insufficient increase in investment, and, linked to it, an uneven and still precarious rise in labour productivity.

Despite the favourable terms-of-trade trend, capital accumulation has been insufficient and there has been little progress in labour productivity

In the first place, the terms-of-trade contribution to income growth has been particularly large during the last decade, but it is at risk of diminishing. This contribution, while negative in the 1980s, partially recovered during the 1990s and has been rising sharply since 2003, more so in those economies that are more specialized in the production and export of raw materials, where they account for at least one third of the growth of national disposable income in recent years. Income growth also fed a significant expansion of domestic demand in the past decade. Three factors contributed to this: the greater contribution of public and private consumption, procyclical investment trends, and the persistent negative contribution of net exports.¹ Indeed, the contribution to non-export GDP growth (that is, the sum of consumption and investment, referred to as absorption) was slightly greater over the past decade than in the previous period. Consumption became the component of demand that contributed the most to growth, especially in the slowdown scenario over the past few years.

¹ Net exports are total exports less total imports. When the goods and services import volume is greater than the goods and services export volume, part of the growth of domestic demand is being supplied by imports, slowing GDP growth.

The growing importance of consumption as a driver of growth is associated with increases in the wage bill resulting from labour-market improvements, redistribution policies (chiefly over the past decade) and expanding consumer credit. The operating surplus component of GDP (which can be associated with the concept of enterprise savings) has increased gradually (more markedly during the past decade) and, in most countries, eroded the compensation of employees component as well as, in some cases, the tax component. However, in a number of countries of the region, the growing operating surplus has boosted public savings as government revenues rose on the strength of higher international prices for raw materials. These countries have therefore been able to implement redistributive public policies that have tended to partially offset the concentrator effect of the higher operating surplus share. This is one of the reasons why the Gini index of income concentration tended to improve in most of the countries during the past decade.

Second, capital accumulation has been expanding more slowly, unlike consumption. Investment held at less than 20% of GDP for long periods, owing to the decline in public investment in the wake of the adjustment programmes of the 1980s and insufficient stimulus for private investment stemming from instability during the 1990s despite partial recovery from the lows of the so-called lost decade. The 2000s brought an increase in investment and savings, fuelled by rising national disposable income (thanks, in some cases, to higher export prices), brighter growth expectations that spurred an expansion of spending in developed countries, and growth in China. National savings grew faster than investment, pushing external savings down and mitigating the external vulnerability of a number of countries of the region to the shocks that would come from the international financial crisis. However, as noted above, investment did not match the levels seen in other emerging countries, such as those in Asia.

Through what is known as the accelerator effect, investment trends are to a large measure driven by aggregate demand and economic growth itself. The negative correlation between GDP gap and investment growth in the region, and the positive correlation between the GDP growth rate and the investment rate point to a close link between investment, utilized capacity and growth expectations. The findings of a causality analysis indicate that acceleration of the GDP growth rate precedes changes in investment rates, confirming that increases in the investment rate have been linked to aggregate demand pressures.

Thirdly, labour productivity has increased over the past decade, albeit unevenly, as investment and labour-force skill levels rose. The most recent surge in labour productivity stands in contrast to the decline during the 1980s (when investment slumped) and the lacklustre showing in the following decade (when investment grew very little).

Productivity trends have been shaped by investment patterns

Two related factors were behind the contribution of investment to productivity. On the one hand, in several countries exchange-rate appreciation and high raw materials prices, among other variables, likely boosted investment in the non-tradable sectors and in the exploitation of natural resources, with no equivalent or higher growth in the rest of the tradable sectors. And labour productivity grew less in the non-tradable sectors than in the rest of the tradable sectors. This helped to keep productivity increases from being lower than the levels that could have been achieved with a more balanced process and a higher investment rate. Moreover, this investment orientation meant that labour productivity gains in the past decade were chiefly the result of greater reallocation of resources within branches of activity, compared with productivity gains stemming from shifting resources from lower-productivity branches of activity towards higher-productivity ones.

The predominantly inter-industry nature of the pattern of specialization in Latin America, which was further strengthened by the increase in trade with China (especially during the past decade), has tended to be less favourable for technology dissemination and learning than the intra-industry specialization of trade and production relations in other regions (for example, in Asia), so it has contributed less to productivity gains. And the participation of the countries of Latin America and the Caribbean in international value chains, especially in higher-productivity and more learning-intensive stages, while on the rise, is still limited.

Strengthening macroeconomic policies boosts their potential for contributing to economic growth in the future

The gradual strengthening of fiscal, monetary and exchange-rate policies in recent decades suggests that these macroeconomic policies can be instrumental in boosting growth with equality in the future. After the debt crisis of the 1980s, the region managed to lower its debt burden and stabilize production agents' expectations, although some Caribbean countries are still very highly indebted. Progress was also made in implementing countercyclical fiscal policies during economic cycle contractions, especially in 2009, although for a number of countries applying such policies during booms remains a challenge. Public investment has partially recovered, and social spending and fiscal policy support for growth with equality has been enhanced.

There has been a gradual consolidation of the contribution that monetary and exchange-rate policy makes to reducing nominal and real volatility, initially by helping to bring inflation down to very low levels in most countries (which also made it possible to lower interest rates), and then through countercyclical policies that helped to smooth the volatility of economic growth during the international financial crisis. In a number of countries, flexible exchange-rate regimes, with varying degrees of regulation, provided more room for monetary policy action, as did the build-up of international reserves, which became an insurance mechanism in the face of international financial instability.

Macroeconomic policy should provide strategic support for investment in tradable sectors

Investment and a skilled workforce are key for productivity and growth, and macroeconomic policy enhancement is still uneven in the region. This calls for a strategic focus on investment promotion and workforce training, as well as on helping to create the conditions for diversifying the production structure. There are four reasons that warrant this strategic macroeconomic policy focus on fostering investment in the region, particularly in the tradable sectors:²

- (i) the likely end of the export commodity price boom associated with the expansion of China makes it advisable to diversify the production structure and promote new axes of sustainable growth in an uncertain environment where combining public and private investment can generate significant externalities;
- (ii) increasing reliance over the past few years on expanding consumption in order to grow GDP, set against the declining investment share and the negative contribution of net exports, underlines the need to make boosting investment a priority;
- (iii) the key role of investment as one of the main channels for incorporating technological progress, increasing productivity and promoting structural change make investment a must for ensuring sustainable growth; and
- (iv) the recent trend in which investment in non-tradable (lower-productivity) sectors has been increasing without an equal or greater rise in a wider variety of tradable (higher-productivity) sectors needs to be reversed. This would help to promote more balanced structural change with more linkages, where the production of goods and services, by generating net exports, would mitigate the risk of potential external constraints on growth.

Investment promotion needs sound institutions: towards social compacts for investment

The role of macroeconomic policy in promoting growth and productivity by encouraging investment and enhancing workforce skills has an institutional dimension and a short- and long-term policy dimension. On the one hand is the need for an institutional framework that fosters macroeconomic, industrial, environmental and labour policy synergies to ensure that government action is on a consistent, sustained course and includes tacit or explicit compacts between the State, the business community, workers and social organizations in general in order to move in the same direction. Boosting private investment generally requires a set of economic, institutional and social conditions that provide an attractive outlook for long-term returns; social compacts for investment could contribute to this.

² Favouring the tradable sectors by means of special stimulus measures would mean prioritizing exportable and importable sectors over non-tradable ones. But the former include natural resource-producing sectors that, because they have absolute advantages and generate rents, are unlike other sectors in that they do not need policy instruments such as subsidies to encourage investment in them. They should instead be the focus of other kinds of policies, including tax policies aimed at rent capture. That is why the proposal herein is for using subsidies to foster investment in the tradable sectors in a more limited sense that takes account of their forward and backward linkages and does not include natural resource-producing sectors.

Joint public-private sector action in each country would do much to build, for the long haul, a shared vision and institutional arrangements aimed at reducing the level of uncertainty in investment decision-making, with macroeconomic policies that ensure appropriate relative prices, financing, public investment and infrastructure (energy, transport and telecommunications) concessions and management of demand, together with labour, social, environmental, regulatory and sectoral or industrial policies that make the process sustainable. In addition to these actions, inclusive growth makes investment socially sustainable. In general, this is helped by a political and institutional framework that enjoys broad legitimacy and provides space for expressing views and interests and for channeling social, environmental or other conflicts towards a solution.

Countercyclical macroeconomic policies with a stabilizing impact are a must

To ensure sustained growth of investment, taking into account the positive correlations between degree of installed capacity utilization, investment and growth, countercyclical and macroeconomic stabilization policies need to be put in place over the short run in order to avoid idle capacity, help prevent wide fluctuations in growth and prevent crises. In the first place, bearing in mind that idle capacity disincentivizes investment, it would be necessary to achieve and maintain levels of activity in keeping with high, sustainable use of production capacities by means of proper management of aggregate demand. Macroeconomic policy that is conducive to a high use of capacities means having real interest rates that do not discourage real investment, inflation within a socially tolerable range, real exchange rates without sustained deviations from the long-term trend, sustainable public and external finances, low unemployment and sound, stable financial systems that promote intermediation and risk diversification in keeping with each country's production structure and labour market.

Secondly, the negative impacts that economic downturns have on investment call for developing countercyclical capacities in order to counteract or mitigate downswings triggered by external and internal shocks. The economies of Latin America and the Caribbean have a long history of such shocks set off by economic, social or political factors, extreme events or natural disasters, causing wide fluctuations and declines in activity that have negatively impacted investment and, therefore, growth. Achieving a high degree of production capacity use therefore justifies the implementation of temporary countercyclical policies to smooth the fluctuations resulting from such shocks.

Thirdly, beyond the fluctuations caused by temporary shocks, macroeconomic policy should, by promoting internal and external balances that are sustainable over time, help to prevent national crises that lead to recessions, slow growth and idle production capacity. Over the past few decades, Latin America and the Caribbean has gone through crises sparked by the long-term unsustainability of finances (public and private, domestic and external) together with a serious loss of tradable-sector competitiveness.

To ensure consistency over the long run by seeking debt reduction during upswings and accepting larger deficits during periods of slower growth so as to help stabilize GDP and investment growth, second-generation macro-fiscal rules should have a medium-term structural balance target, exception and transitory clauses and some room for manoeuvre to deal with catastrophic events or persistent recessionary conditions.

Second-generation macro-fiscal rules also require substantial institutional development, especially the ability to transform sensitivity analyses and prospective scenarios into budgeting procedures so as to ensure appropriate multi-year budget programming, clauses of exception and explicit treatment of major "windfall revenues". As part of a broader institutional framework, countercyclical policies, in order to be effective, should encompass actions on multiple fronts, including monetary, macroprudential, labour (including wages) and production policies.

The bias in favour of investment in non-tradable sectors should be eliminated and replaced with fiscal and financial policies that foster structural change

Stimulating investment in the medium and long term calls for eliminating any potential bias in favour of investment in non-tradable sectors and promoting fiscal, financial, trade and employment policies that support structural change, that is, the reallocation of resources and labour from lower-productivity non-tradable sectors to a wider variety of higher-productivity tradable sectors. In principle, investment in the tradable sectors can be encouraged by means of

high and stable real exchange rates, financial mechanisms that allow exchange-rate hedges, market intervention to reduce exchange-rate volatility or facilitating pension-fund or sovereign wealth-fund investment abroad.

However, the ability of exchange-rate policy to promote investment in tradable sectors can be constrained by the malleability of financial flows, making it difficult to achieve full, lasting control over them, and by the quasi-fiscal costs (opportunity costs of building up international reserves and sterilization costs, in particular). Any relative price bias against investment in tradable (non-primary) sectors resulting from overvalued exchange rates that are hard to level warrant the application of other, non-contractory, policy instruments in order to address this issue.

Fiscal policy, and financial policy in particular, should foster this structural change, driven by investments in the tradable sectors, along three fronts. First, public or public-private partnerships should target infrastructure (complementary non-tradable sector) with the aim of reducing the logistical and transport costs associated with the delivery of tradable goods and services, thereby offsetting what could be an unfavourable relative price ratio resulting from an overvalued exchange rate (or to enhance a more favourable relative price ratio stemming from exchange-rate undervaluation). This impact can be boosted by means of a region-wide financial policy orientation enabling national, regional and international public banks to focus their resources on meeting this need, on the basis of general recognition that there are marked gaps and lags in this area.

Second, subsidies could be channeled (including by means of budgets, in order to facilitate evaluation and transparency) to promote complementarities (externalities) between private investment projects as well as structural change associated with investments in the tradable sectors with greater linkages, taking account of their environmental sustainability.

Thirdly, designing appropriate incentives is just as important as improving public capacities to implement these measures and coordinate public and private investment. Fiscal transparency, which should especially be extended to encompass all subsidies, must play a key role as a deterrent against possible abuses in the use of these instruments.

National systems of vocational education and training should be strengthened to favor structural change

Long-term employment policies should include fostering investment in higher value-added tradable sectors. In other words, they should facilitate structural change. Particular attention should be paid to developing national systems of vocational education and training, with a triple focus: (i) initial technical training for young people in line with production-system demand; (ii) continuing training that enables workers to upgrade their knowledge and skills throughout their working lives; and (iii) training of workers in low-productivity sectors in order to facilitate their mobility towards higher-productivity sectors, for which many of them need additional skills.

Training poses challenges that are often related to information and communication technologies, which make up a growing share of many investments. National systems of vocational education and training must take account of the needs of small and medium-sized enterprises, which often run into difficulties in finding skilled labour that can block their expansion through new investment.

Latin America and the Caribbean: variation in total gross domestic product, 2010-2013
(Percentages on the basis of dollars at constant 2005 prices)

Country	2010	2011	2012	2013 ^a
Argentina	9.2	8.9	1.9	3.5
Bolivia (Plurinational State of)	4.1	5.2	5.2	5.5
Brazil	6.9	2.7	0.9	2.5
Chile	5.8	5.9	5.6	4.6
Colombia	4.0	6.6	4.0	4.0
Costa Rica	5.0	4.4	5.1	3.0
Cuba	2.4	2.8	3.0	3.0
Dominican Republic	7.8	4.5	3.9	3.0
Ecuador	2.8	7.4	5.0	3.8
El Salvador	1.4	2.2	1.9	2.0
Guatemala	2.9	4.2	3.0	3.0
Haiti	-5.4	5.6	2.8	3.5
Honduras	3.7	3.7	3.3	3.0
Mexico	5.3	3.9	3.9	2.8
Nicaragua	3.6	5.4	5.2	5.0
Panama	7.5	10.8	10.7	7.5
Paraguay	13.1	4.3	-1.2	12.5
Peru	8.8	6.9	6.3	5.9
Uruguay	8.9	6.5	3.9	3.8
Venezuela (Bolivarian Republic of)	-1.5	4.2	5.6	1.0
Latin America	5.7	4.4	3.0	3.0
Antigua and Barbuda	-7.1	-2.8	2.3	2.4
Bahamas	1.0	1.7	1.8	3.0
Barbados	0.2	0.6	0.2	0.7
Belize	3.9	2.3	5.3	2.7
Dominica	1.2	1.0	-1.5	1.4
Grenada	-0.4	1.0	-0.8	1.2
Guyana	4.4	5.4	4.8	4.8
Jamaica	-1.5	1.3	-0.3	0.5
Saint Kitts and Nevis	0.2	1.7	-1.1	2.5
Saint Lucia	0.2	1.4	-3.0	2.7
Saint Vincent and the Grenadines	-3.4	-0.7	1.5	1.1
Suriname	4.1	4.7	4.4	4.5
Trinidad and Tobago	0.2	-2.6	1.2	2.0
The Caribbean	0.2	0.1	1.2	2.0
Latin America and the Caribbean	5.6	4.3	3.0	3.0
Central America (including Cuba, Dominican Republic and Haiti)	4.2	4.5	4.2	3.5
Central America	4.1	5.2	5.0	4.0
South America (10 countries)	6.1	4.6	2.5	3.1

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Preliminary figures.



Part I

The economic situation in Latin America and the Caribbean in 2013

Regional overview

- A. The external context
- B. The external sector in Latin America and the Caribbean
- C. Macroeconomic policies
- D. Economic growth, employment and wages
- E. Risks and challenges
- Bibliography

A. The external context

1. The outlook for 2013 is for the global economy to grow at much the same rate as in 2012, with the prospect of a gradual upturn

In 2013, world GDP growth is projected to be similar to that of 2012, while 2014 should see economic growth pick up speed (see table I.1). Notwithstanding the persistent recession in the eurozone in 2013, the developing countries are expected to continue to drive growth in the world economy, while policies adopted by the United States and Japan should help to revitalize their own economies and boost growth worldwide.

Table I.1
Selected regions and countries: GDP growth, 2010-2014
(Percentages)

	2010	2011	2012	2013 ^a	2014 ^a
World	4.0	2.8	2.3	2.3	3.1
Developed countries	2.6	1.4	1.2	1.0	2.0
United States	2.4	1.8	2.2	1.9	2.6
Japan	4.5	-0.6	2.0	1.3	1.6
Eurozone	2.1	1.4	-0.6	-0.4	1.1
Developing countries	7.7	5.8	4.6	5.0	5.4
Latin America and the Caribbean	6.0	4.3	3.0	3.0	4.2
Brazil	7.5	2.8	0.9	3.0	4.2
Russian Federation	4.3	4.3	3.4	2.9	3.5
India	9.6	7.5	5.1	5.5	6.1
China	10.3	9.2	7.8	7.8	7.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the Department of Economic and Social Affairs
^a The figures for 2013 and 2014 are projections.

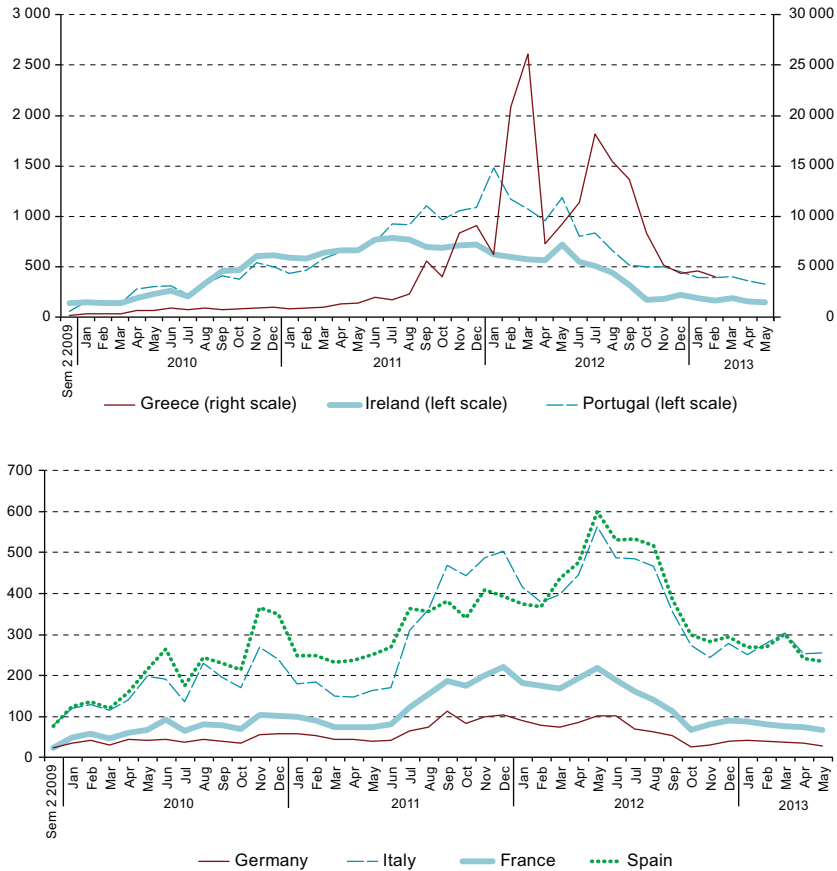
In the first half of 2013, sluggish private lending in the eurozone and record high unemployment rates (above all in Greece, Portugal and Spain), together with persistent uncertainty and a contractionary fiscal policy, were part and parcel of an already entrenched recession. The fragile financial system has curbed credit expansion and limited the scope for an economic recovery. Recent forecasts suggest that a modest increase in lending, less restrictive fiscal policies and a rally in exports will help the eurozone return to positive growth territory in the second quarter of 2013, although growth rates will remain low.¹ But even with an economic upturn in the eurozone, growth there will probably remain timid for a long time, since institutional reforms underpinned by banking and fiscal agreements and the achievement of sustained fiscal consolidation in all countries in the zone will be difficult to implement. A robust economic recovery in the United States and a return to strong, sustainable growth in China would do much to revive the eurozone's trade performance.

The announcement of the programme of direct monetary transfers (DMT) for purchasing short-term public debt from countries with economic problems has yielded positive results although so far the option has not been drawn on. The very existence of this programme has reduced and stabilized swap risk premiums in eurozone countries (see figure I.1). This programme, together with a change in policy in some countries, including Portugal and Spain, designed to avoid such extreme austerity policies as those applied in Greece, has provided temporary stability within the zone. In 2013, authorities maintained the policy that consisted in prioritizing fiscal adjustment, stabilizing public debt and easing the financial system. Consequently, forecasts for the second half of 2013 point to a slighter contraction in the eurozone.

In 2013, the Chinese economy is expected to maintain a similar growth rate to that of 2012 with a possible downtrend. This is attributable mainly to falling exports, as a result of the eurozone crisis, and a contraction in foreign direct investment (FDI). Moreover, the Government of China is in transition as it reorients the economy towards consumption, although it has not yet succeeded in consolidating this effort. China's recent economic performance has not met analysts' expectations. Rising housing prices in 2013 have raised questions about the possibility of an overheating real-estate market. If these prices continue to soar, it would put a damper on expectations that interest rates would be cut soon in order to revive economic growth.

¹ According to a recent report by Deutsche Bank (June 2013).

Figure I.1
Europe (selected countries): five-year credit default swap
risk premiums, July 2009-May 2013
(Basis points)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from Bloomberg

The monetary authorities in the United States have applied a stimulus policy, their target being to bring unemployment down to 6.5% before they wind down the programme. In June, in view of the recent trend in unemployment and the positive signs of economic growth, the Federal Reserve Chairman, Ben Bernanke, announced that the programme might be terminated in mid-2014. That announcement triggered a fall in the main stock exchanges around the world and a wave of sales especially on fixed-income markets, as well as an increase in the sovereign risk premiums of many countries around the world. This suggests that a withdrawal of monetary stimulus would feed money market and stock market volatility, posing a serious challenge to monetary authorities worldwide.

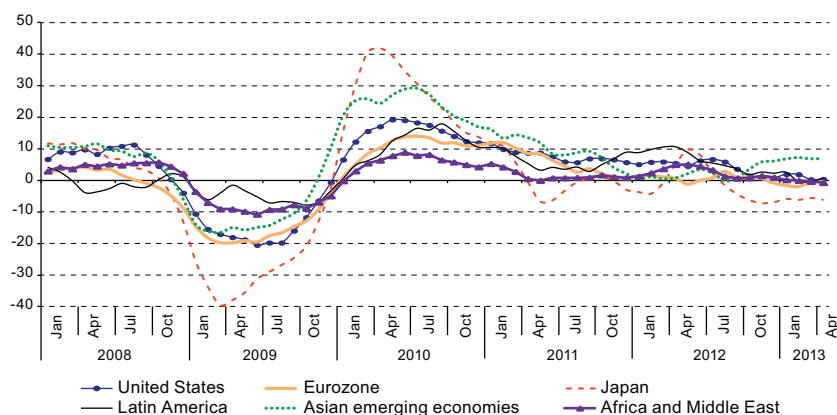
In 2013, an unemployment rate downtrend and an improvement in the credit and real estate markets in the United States have helped to boost private demand. Recent economic indicators show that economic activity in the United States seems to be posting a moderate recovery in tandem with a decrease in unemployment. However, unemployment rates remain high when compared with historical rates and their reduction is partly due to a lower labour-force participation rate and not to a stronger job market.

In April 2013 the Central Bank of Japan decided on a policy shift geared to monetary stimulus in an effort to boost the national economy. It set an inflation target of 2%, which could have a positive outcome in the short term. The rebound in Japanese exports, triggered by the depreciation of the yen, and the growth in manufacturing output are signs of a recovery. However, the sustainability of the medium- and long-term public debt in the face of high fiscal deficits poses complex economic policy challenges.

2. World trade continues to grow slowly

With a year-on-year variation of 2.1% during the first four months of 2013, slightly higher than the figure (1.8%) recorded in 2012, world export volume continues to show signs of a sustained upturn (see figure I.2). The sluggish growth in world trade flows is due mainly to the recession in the eurozone, the slowdown in the Chinese economy and the still tentative economic revival in the United States. While exports from the emerging economies in Asia have shown more robust growth since the start of 2013 than in 2012, the rate remains significantly below 2011 levels. The developed countries display the same lacklustre performance as in 2012. While United States exports recorded a very modest expansion up to April, shipments from the eurozone countries and Japan contracted.

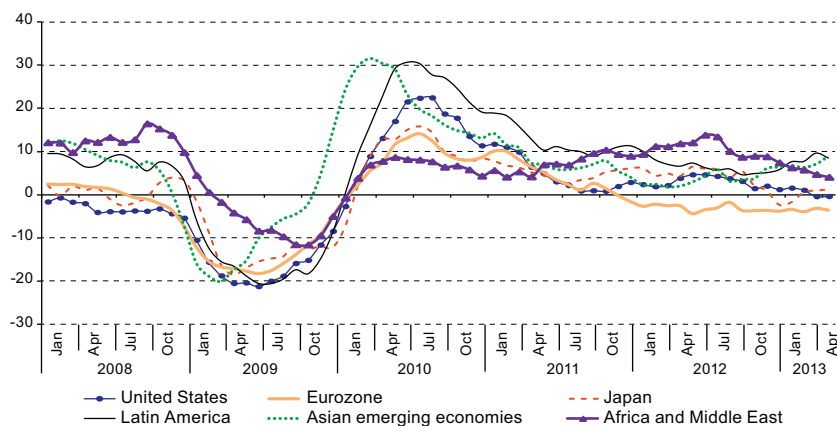
Figure I.2
Year-on-year variation in world export volume by region, three-month moving average, January 2008-April 2013
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Netherlands Bureau of Economic Policy Analysis (CPB).

Import volume into the industrialized countries has followed a similar pattern to exports. No increase in imports into the United States or Japan was observed in the first few months of 2013, representing a downturn from the moderate increase in 2012. Imports into the countries of the eurozone continued to shrink. The emerging economies of both Asia and Latin America saw a more robust rally in their imports than in 2012. The Latin American countries saw a 9.0% year-on-year increase, compared with 5.9% in 2012 (see figure I.3).

Figure I.3
Year-on-year variation in world import volume by region, three-month moving average, January 2008-April 2013
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Netherlands Bureau of Economic Policy Analysis (CPB).

B. The external sector in Latin America and the Caribbean

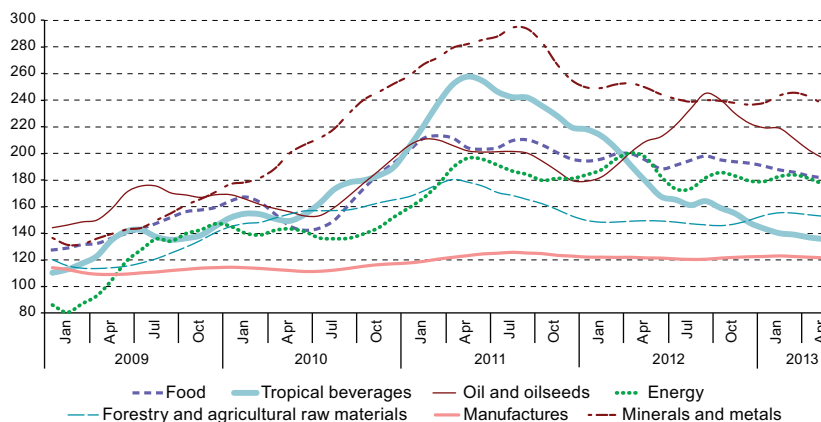
1. The region's terms of trade weakened, albeit with differences from one country to the next

The fall in price of several of the region's export commodities in 2012 and so far in 2013 may be viewed as part of a medium- to long-term stagnation and even a gradual decline in the prices of these goods. This may be caused, on the one hand, by the outlook for more moderate growth in China, the principal destination for several of the region's primary products, and, on the other, by an increase in the supply of these products worldwide.

While no sharp slump in these commodity prices is expected and no firm predictions can be made given their current volatility, price levels are expected to remain relatively high albeit less so than in the past decade. As discussed in part II of this Survey, more than a third of the growth in disposable national income in most South American countries over the past decade was attributable to the improved terms of trade. This deterioration may well have negative implications unless countries succeed in diversifying their production structure, especially in the region's tradable sectors.

During the first half of 2013, a number of the region's export products experienced a fall in prices (see figure I.4).² Following the steep drop in ore and metal prices in 2012, these prices rallied to some extent in the second half of the year and subsequently recorded a moderate but steady decline in the first half of 2013, to a level 3.9% below that of the same period in 2012 and 5.0% below the figure for January 2013.

Figure I.4
Latin America: price indices for export commodities and manufactured goods,
three-month moving average, January 2009-April 2013^a
(Index: 2005=100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the United Nations Conference on Trade and Development (UNCTAD) and the Netherlands Bureau of Economic Policy Analysis (CPB).

^a The export commodity groups are weighted according to their share of Latin America's export basket.

Year-on-year price declines were recorded for copper (6.9%), aluminium (8.4), silver (12.7%), nickel (12.0%) and zinc (2.2%); conversely, tin and lead prices rallied by 3.4% and 6.1%, respectively, over the figure of the year-earlier period. However, in comparison with the figures for January 2013, the prices of these two products were down by 15.3% and 12.7%, respectively. The 12-month increase in the price of iron —Brazil's main export commodity— was 4.2% over the same period, using the value of Brazilian exports as the benchmark. For the rest of 2013, ore and metal prices as a whole fell moderately compared with the 2012 level.

² Based on price data for January to May 2013.

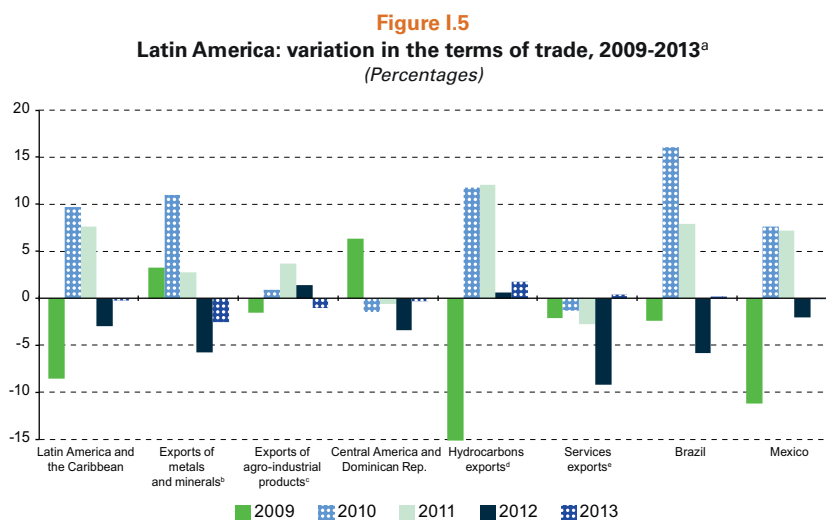
Forecasts for weak growth in the global economy and the subsequent slowdown in demand, above all in the eurozone, contributed to a sharp fall in oil prices (by 7.5% year-on-year) in the first half of the year. This was, however, partly due to the fact that oil prices had remained relatively high during the first months of 2012, prior to sustaining a significant slide in the second quarter of the year. On average, the oil price is projected to decline slightly in 2013 owing to the forecast of relatively low growth in the global economy in 2013.

Food prices fell by 6.4% in the first half of the year mainly as a result of a sharp drop (21.0%) in the price of sugar. This drop was due to the expected rebound of the sugar cane crop in Brazil (the leading exporter of this product worldwide). Wheat and maize prices soared by 15.0% and 7.5%, respectively; since the start of 2013, poor growing conditions and delays in crop planting in the United States stemmed the fall in food prices overall.

While coffee consumption continued to increase globally, growth in demand was outstripped by the expansion in world production. Prices thus continued to decline: by 28% during the first half of 2013 compared with the same period a year earlier. Oil and oilseed prices rose by 2.2% in the first half of 2013, but this trend is likely to be reversed during the rest of the year, as favourable weather conditions in South America will boost output, in particular in Argentina and Paraguay.

These variations will have different impacts on the terms of trade of the countries of the region, depending on their export mix. In the region as a whole, the terms of trade are projected to remain at much the same level as in 2012, thanks in part to the performance of Brazil and Mexico, the two leading exporting countries in the region. Both countries' terms of trade should remain stable. In the case of Brazil, the main factor behind this result was the good price being fetched for the country's iron ore exports, which offset the modest rise in the price of its imports. In the case of Mexico, the pattern of the terms of trade reflects its export structure, which is based mainly on manufactured goods.

The prospect of a marked fall in the price of oil and oilseeds triggered by the recovery in soybean production in 2013 thanks to favourable weather conditions will be reflected in a slight deterioration in the terms of trade of the subgroup of countries that export agro-industrial goods (Argentina and Paraguay). The ore- and metal-exporting countries (Chile and Peru) can expect a worsening of their terms of trade in 2013. The hydrocarbon-exporting countries (Bolivarian Republic of Venezuela, Colombia, Ecuador, Plurinational State of Bolivia and Trinidad and Tobago) will also see little improvement in their terms of trade, with results that vary from one country to another. The Central American and Caribbean countries may look forward to a modest improvement in their terms of trade, since as net importers of most food and energy products they stand to benefit from a projected drop in food and fuel prices (see figure I.5).



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.

^a The figures for 2013 are projections.

^b Chile, Guyana, Peru and Suriname.

^c Argentina, Paraguay and Uruguay.

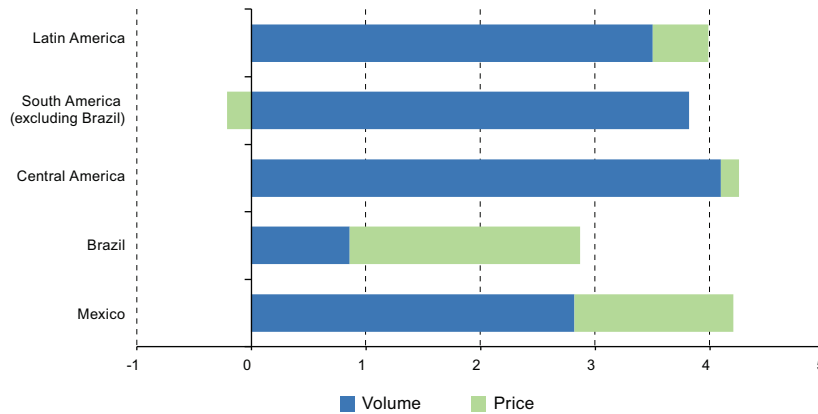
^d Bolivarian Republic of Venezuela, Colombia, Ecuador, Plurinational State of Bolivia, and Trinidad and Tobago.

^e The Caribbean excluding Guyana, Suriname, and Trinidad and Tobago.

2. Imports outpace exports

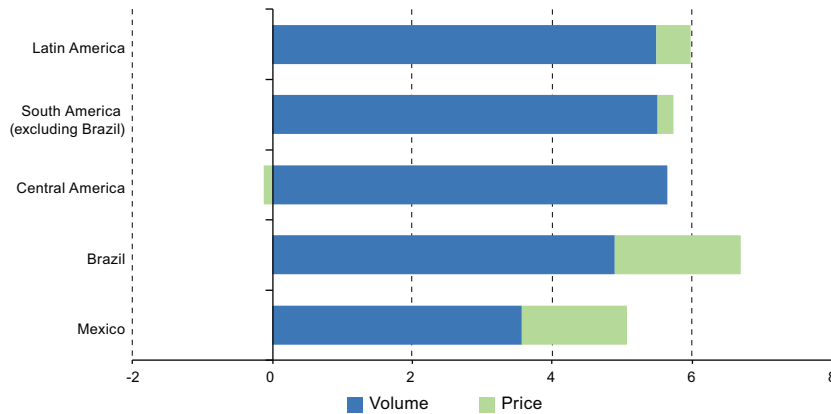
For 2013, exports from the region are expected to go up by 4.0% in value terms, an improvement compared with the rate of 1.5% recorded in 2012, but much lower than the 2011 figure (24%). As in 2012 but unlike the preceding years, the higher export values are, for most countries, attributable to expanding volumes rather than to stronger prices. Thus, the 4.0% increase in export value forecast for 2013 is based on a projected 3.5% increase in export volume, combined with an average price increase of 0.5% —with variations depending on the product (see figure I.6). The overall value of imports into the region is expected to rise by 6%, thanks to a 5.5% increase in volumes and a 0.5% increase in prices (see figure I.7).

Figure I.6
Latin America: variation in exports by volume and price, 2013^a
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.
^a Projections.

Figure I.7
Latin America: variation in import volume and price, 2013^a
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.
^a Projections.

Earlier estimates are based on the region's weaker export performance starting in the second quarter of 2012 and continuing into the first few months of 2013.³ Total exports from the region dropped by 1.2% year on year⁴ in the period January-April, although they rallied slightly in the course of the month (see table I.2). The decline in shipments from the region was due for the most part to a 2.5% decrease in exports from the South American countries. The unfavourable context, characterized by persistent uncertainty, and weak external demand, especially from the industrialized countries, continued to have a negative impact on trade flows from Latin America in the early months of 2013. The fall-off in exports from the South American countries (in particular, Argentina, Brazil, Chile, Colombia and Peru) was due mainly to the situation in the eurozone countries, a major destination for the exports from the South American economies, since shipments to that region have plummeted since the beginning of 2013 (see table I.4).

Table I.2
Latin America: year-on-year variation in export value, January 2011-April 2013
(Percentages)

	2011				2012				2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 ^a
Argentina	29.6	21.5	25.5	18.1	5.5	-8.8	-5.9	-3.1	-2.5	12.7
Bolivia (Plurinational State of)	25.0	29.8	42.5	24.6	21.8	31.7	19.0	39.0	30.8	-3.8
Brazil	30.6	34.3	28.6	15.9	7.5	-7.4	-11.6	-6.1	-7.7	5.4
Chile	29.4	30.3	4.4	-0.2	-1.7	-7.5	-10.1	3.5	-4.1	4.9
Colombia	38.3	45.9	48.0	40.9	22.9	3.0	0.5	-0.2	-9.5	-
Costa Rica	4.0	12.4	11.5	13.0	17.4	9.7	6.5	7.0	-2.4	4.6
Dominican Republic	26.6	33.6	27.0	22.6	8.4	-2.0	5.3	11.2	-	-
Ecuador	29.2	29.4	36.0	17.5	16.1	6.1	5.4	0.2	-0.5	-4.8
El Salvador	28.0	24.1	13.8	6.7	0.6	-8.0	4.2	6.4	-2.9	17.7
Guatemala	26.1	22.6	29.9	13.8	-3.0	-4.6	-3.8	-4.9	-1.3	6.7
Haiti	12.1	99.6	27.3	33.9	11.6	-7.4	4.5	0.5	16.7	-
Honduras	54.2	55.2	26.3	27.4	10.4	-0.9	40.5	-0.9	-12.6	-
Mexico	22.8	19.6	16.5	10.5	9.5	5.6	3.6	5.9	-1.4	6.3
Nicaragua	33.0	22.4	12.1	20.5	9.1	14.4	31.9	21.3	-9.1	-11.7
Panama	28.7	33.4	57.5	15.4	28.1	5.0	-7.4	5.6	-13.2	-
Paraguay	6.9	20.6	41.6	7.5	-4.5	-7.3	-14.3	4.2	36.7	49.2
Peru	27.5	43.9	38.7	13.1	18.5	-9.9	-10.0	-0.4	-15.0	-3.2
Uruguay	28.6	9.2	23.5	13.0	13.6	7.2	15.9	4.8	-10.7	-6.0
Venezuela (Bolivarian Republic of)	26.5	56.4	54.3	29.5	23.3	-5.8	-2.6	7.6	-13.7	-
Latin America	26.9	29.4	25.7	14.8	10.5	-1.6	-3.3	1.7	-5.1	5.9
South America	29.6	35.3	30.4	17.2	10.9	-5.5	-7.1	-0.7	-7.1	5.6
Central America	22.9	20.4	18.1	11.0	9.9	5.2	3.4	5.7	-2.1	6.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.

^a Data for April. The total amounts for this period relate to the countries for which data were available for this month: Argentina, Brazil, Chile, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

Imports into the region continued to expand in the first few months of 2013, but at moderate rates compared with recent years. In the period January-April, a 6.4% expansion year-on-year was recorded, driven by an 8.5% increase in imports into the South American countries (see table I.3). This reflects the resilience of consumption growth and exchange-rate appreciation in the first quarter of the year.⁵ Thus, in April, the region recorded a year-on-year 1.2% contraction in exports and a 6.4% year-on-year expansion in imports.

³ This decline is attributable in part to the fact that the fall in exports from the region started in the second quarter of 2012, making the year-on-year fall in the first quarter of 2013 look sharper.

⁴ This figure relates to the countries for which data were available for January-April 2013, namely, Argentina, Brazil, Chile, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

⁵ As explained below in the analysis of monetary, exchange-rate and macroprudential policies, the trend towards appreciation was halted and reversed after May 2013.

Table I.3
Latin America: year-on-year variation in import value, January 2011-April 2013
(Percentages)

	2011				2012				2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 ^a
Argentina	38.5	37.8	34.0	16.4	-0.1	-10.8	-13.2	-4.9	4.9	32.0
Bolivia (Plurinational State of)	28.5	31.3	47.4	38.4	23.4	9.8	-5.0	8.2	10.2	19.0
Brazil	25.4	33.3	20.9	19.8	9.5	0.4	-11.1	-1.7	6.3	15.7
Chile	37.1	31.1	27.6	18.2	7.1	3.6	0.8	11.1	6.0	12.5
Colombia	38.0	43.4	31.1	25.8	16.1	11.6	5.9	3.7	1.0	-
Costa Rica	21.7	15.8	20.9	19.7	13.5	9.3	2.2	9.0	-0.1	21.0
Dominican Republic	17.0	12.2	8.8	9.5	8.8	-0.7	5.8	-1.1	-	-
Ecuador	23.5	20.8	13.2	15.8	13.1	4.5	6.3	-6.9	6.2	-1.5
El Salvador	22.7	19.4	24.0	8.2	5.9	-3.3	2.4	7.8	0.2	14.3
Guatemala	26.1	26.7	19.3	9.8	7.1	-1.1	-2.4	6.3	0.5	21.6
Haiti	23.4	30.1	-13.5	1.1	-1.8	-9.6	-19.9	-12.6	1.7	-
Honduras	21.7	30.0	32.6	21.8	16.5	-4.1	3.7	7.2	-6.7	-
Mexico	20.6	17.8	18.1	10.0	10.0	5.6	0.5	7.2	1.6	11.8
Nicaragua	39.3	20.9	22.1	19.5	13.8	17.5	7.1	11.6	-7.6	4.7
Panama	36.6	30.5	44.7	22.4	13.5	5.5	3.2	6.2	-0.7	-
Paraguay	27.9	31.9	28.4	7.6	-2.9	-11.2	-10.0	-2.8	12.9	21.5
Peru	29.4	44.8	24.0	18.0	16.7	4.5	13.7	10.7	6.6	9.6
Uruguay	48.1	34.5	25.3	0.8	11.4	7.9	7.8	7.5	-8.9	12.9
Venezuela (Bolivarian Republic of)	18.9	23.5	18.8	26.0	52.2	5.4	23.6	33.5	1.9	-
Latin America	25.6	26.8	21.4	15.5	11.5	2.8	-1.5	5.5	3.4	14.3
South America	29.7	33.6	24.5	19.5	12.7	1.3	-2.7	4.3	4.9	16.1
Central America	20.5	17.9	17.1	10.0	9.9	5.0	0.3	7.2	1.3	12.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.

^a Data for April; the total amounts for this period relate to the countries for which data were available for the month of April (Argentina, Brazil, Chile, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Paraguay, Peru, Plurinational State of Bolivia and Uruguay).

Table I.4
European Union: year-on-year variation in import value by country of origin, January 2011-March 2013
(Percentages)

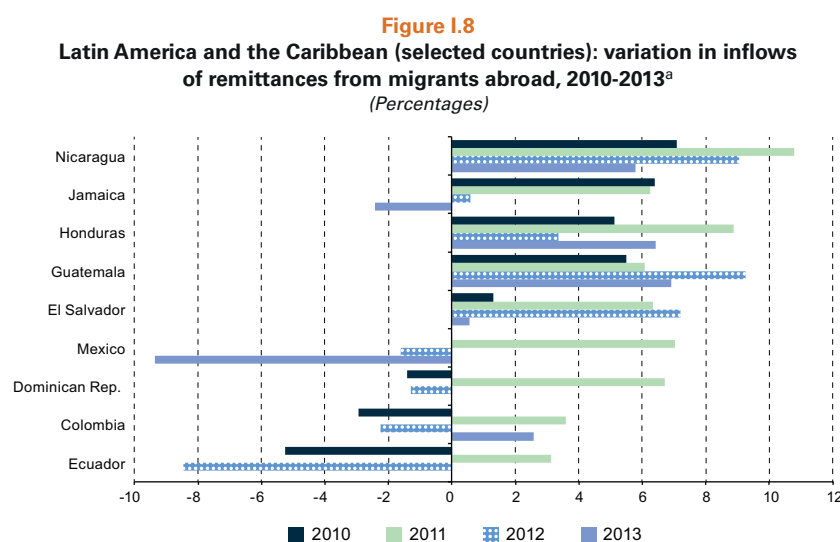
	Share in 2011 ^a	2011				2012				2013
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Argentina	16.9	34.9	24.5	8.3	0.2	-1.0	-8.3	2.0	-20.2	-29.5
Bolivia (Plurinational State of)	8.7	24.9	-17.6	-8.5	27.7	-17.2	0.1	20.1	45.2	37.0
Brazil	20.7	29.7	23.4	19.1	-0.1	3.1	-3.7	-11.4	-5.7	-13.8
Chile	17.7	33.9	28.1	11.0	-2.4	-11.4	-16.8	-9.4	-14.1	-10.3
Colombia	15.6	32.1	35.2	59.9	54.9	72.0	41.5	3.1	0.2	-33.3
Costa Rica	17.9	5.3	-1.5	-0.1	27.1	38.5	19.3	15.7	1.9	-19.8
Dominican Republic	12.8	7.0	-0.1	2.9	-18.1	21.7	2.3	-0.1	-4.4	-3.9
Ecuador	12.0	22.0	14.0	5.8	25.2	0.0	0.8	24.5	-6.8	-2.9
El Salvador	6.0	47.5	66.2	30.4	88.5	-27.2	-38.3	-26.8	-24.5	-22.9
Guatemala	6.8	29.1	49.5	17.8	9.1	5.7	-0.5	19.8	23.9	-6.4
Honduras	27.6	67.4	47.7	47.5	7.6	18.2	6.2	9.0	55.5	-23.8
Mexico	5.5	39.2	12.8	23.6	17.5	11.0	27.3	16.4	7.2	3.4
Nicaragua	12.1	40.7	27.6	56.5	8.5	1.7	-4.9	-4.3	16.6	-14.6
Panama	3.4	-70.5	-20.1	-15.6	-40.6	56.5	79.3	-9.0	-37.6	12.7
Paraguay	9.1	0.2	22.0	9.5	42.6	88.4	-38.1	-19.7	-31.9	19.2
Peru	18.2	49.2	21.7	16.2	14.0	-0.9	3.4	0.5	-8.4	-12.8
Uruguay	14.9	17.0	-1.9	-11.1	11.6	-6.6	-18.1	-3.4	-3.5	10.0
Venezuela (Bolivarian Republic of)	6.1	21.4	-7.1	1.8	22.3	0.8	21.6	22.2	-7.7	-3.7
Total	13.0	30.0	19.4	16.7	9.5	8.0	3.1	-0.3	-4.9	-12.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Statistical Office of the European Communities (EUROSTAT).

^a These figures are each country's share of total exports to the European Union.

3. Remittances from Europe continue to shrink

In the first few months of 2013, trends in remittance inflows from migrant workers varied significantly from one country to the next (see figure I.8). Significant increases were recorded in inflows into Guatemala (6.9%), Honduras (6.4%) and Nicaragua (5.8%), following a relative improvement in economic and labour-market prospects in the United States, the principal host country of migrants from Guatemala and Honduras. In the case of Nicaragua, economic growth in Costa Rica was another factor along with growth in the United States, as both of these economies are major destinations for migrants from this country. The low growth in remittance flows to Colombia reflects the still difficult labour situation in Spain, the main destination for Colombian migrants, with the unemployment rate continuing to soar to over 27% in the early months of 2013. Mexico (the top remittance-receiving country in Latin America) saw its inflows drop by 9.3% in the first four months of the year. The reversal of migration flows from Mexico to the United States seems to be one of the factors contributing to trend in remittances to Mexico. Estimates provided by the Pew Research Center show that in the past year, the number of Mexican emigrants entering the United States was offset by the number of emigrant workers returning to Mexico.⁶



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.

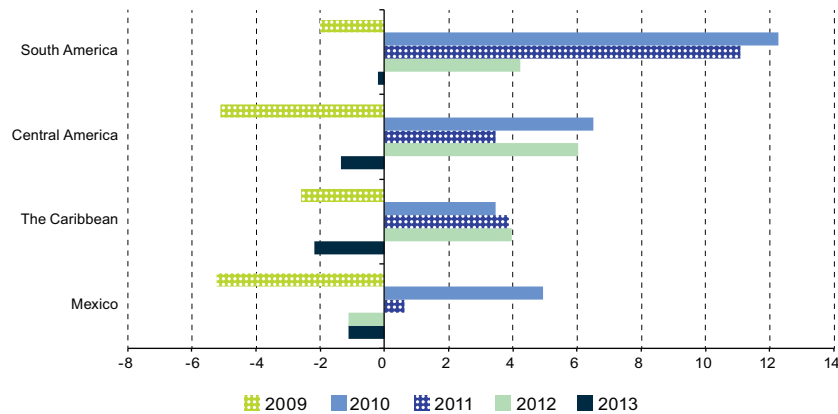
^a The figures for 2013 relate to different periods depending on the countries: Jamaica and Nicaragua: first quarter; Colombia, Honduras and Mexico: January to April; and El Salvador and Guatemala: January to May. No data were available for 2013 for Ecuador or the Dominican Republic.

4. Tourism contracts slightly

Overall international tourist flows to the region as well as all subregions —South America, Central America, the Caribbean and Mexico— (see figure I.9) fell in the early months of 2013 compared with the year-earlier period. The drop in tourist arrivals reflects the uncertainty and low economic growth prevailing in the external context. While Mexico, Central America and the Caribbean —subregions where tourism is a critical source of income for their economies— recorded falls of 1.1%, 1.3% and 2.2%, respectively, the decline in South America was just 0.2%. However, this last figure contrasts sharply with the surge in tourist arrivals in the countries of South America since 2010. The recent fall-off in tourist arrivals is believed to reflect the slowdown in economic activity within the region itself, which has had an impact on intraregional tourism and business travel.

⁶ See “Net Migration from Mexico Falls to Zero —and Perhaps Less” [online] <http://www.pewhispanic.org/2012/04/23/net-migration-from-mexico-falls-to-zero-and-perhaps-less/>.

Figure I.9
Latin America and the Caribbean: year-on-year variation in international tourist arrivals, 2009-2013^a
 (Percentages)



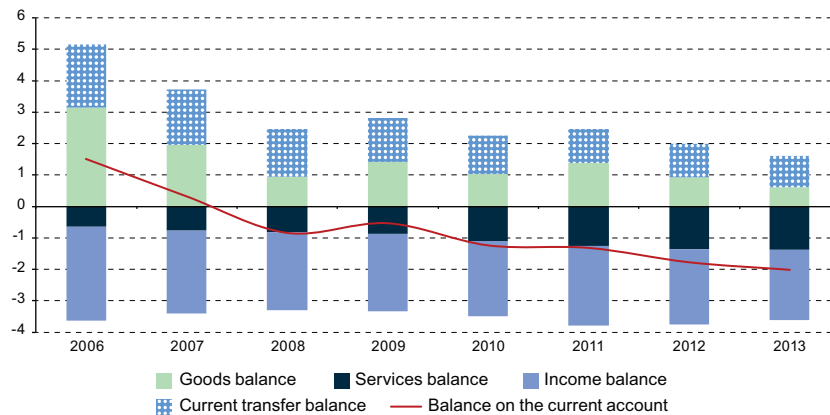
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the World Tourism Organization (UNWTO).
^a The figures for 2013 relate to the first quarter.

5. The current account shows a slight deterioration

With imports expected to outstrip exports in 2013, the goods trade balance will weaken, with the surplus falling from 0.9% of GDP in 2012 to 0.6 of GDP in 2013. The gloomy outlook for tourism in the region will mean that the service balance deficit will remain at 1.4% of GDP in 2013. Thus, the goods and services trade balance could show a deficit equivalent to 0.8% of GDP in 2013, compared with a deficit of 0.4% of GDP in 2012. The transfer balance is expected to diminish slightly to a surplus equivalent to 1% of GDP in 2013, down from a surplus of 1.1% of GDP in 2012. This outcome is due in large part to the downward trend in remittances sent to Mexico by migrant workers. A slight improvement is expected in the income balance (from a deficit equivalent to 2.4% of GDP in 2012 to 2.3% of GDP in 2013) as prices for various export commodities stagnate or fall; this trend will have a negative impact on the performance of the foreign companies that operate or invest in the region, with a resulting reduction in repatriated profits.

The deterioration in the trade balance, due to the steeper increase in imports than in exports, will drive the changes in the current account in 2013. Accordingly, the overall current account deficit for Latin America will probably climb from 1.8% of GDP in 2012 to 2.0% of GDP in 2013, the highest since 2001 (see figure I.10).

Figure I.10
Latin America: current account structure, 2006-2013^a
 (Percentages of GDP)

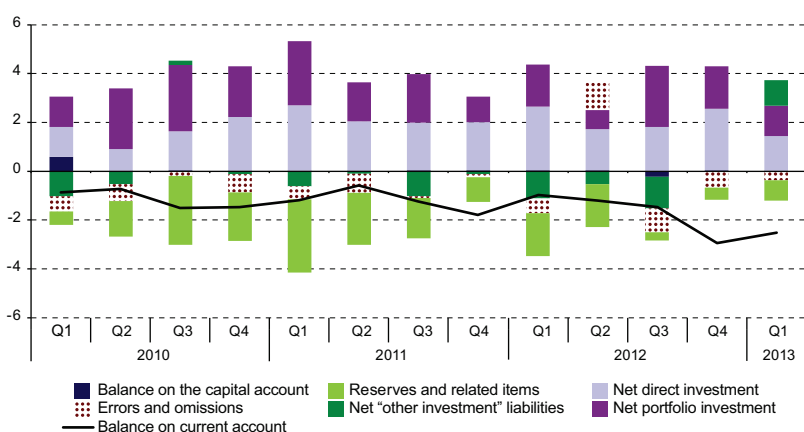


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.
^a The figures for 2013 are projections.

6. Access to external financing is maintained notwithstanding the financial volatility

External financing trends for Latin America have held in 2013 to date. As in 2012, net inflows of FDI and portfolio investments have been steady and there has been a build-up, albeit less significant, of international reserves (see figure I.11). In terms of gross flows, inward FDI has picked up since the fourth quarter of 2010 and has maintained a quarterly rate of between US\$ 30 trillion and US\$ 35 trillion. A portion of these FDI inflows is intraregional investment, with investment outflows to other countries of the region growing each quarter by between US\$ 9 trillion and US\$ 14 trillion⁷ since the end of 2011.

Figure I.11
Latin America (14 countries): current account balance and components of the financial account, January 2010-March 2013^a
(Percentages of regional GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Latin Finance Bonds Database, JP Morgan and Merrill Lynch.

^a The figures for the first quarter of 2013 include a set of six countries, which accounted for close to 76.5% of the GDP in Latin America in 2012: Bolivarian Republic of Venezuela, Brazil, Chile, Mexico, Panama and Peru. No quarterly balance-of-payments data are available for the countries of the Caribbean.

In 2012, Latin America continued to easily weather global financial market variability and had ready access to funding. The current account deficit, which averaged 1.8% of regional GDP, was easily offset by net FDI inflows (2.2% of GDP) and portfolio investments (1.7%), although there were net outflows of other more volatile financial flows in an amount equivalent to 1% of GDP, or slightly above the rate recorded in previous years. This set of factors has led to a fresh rise in international reserves equivalent to 1% of GDP in 2012, the smallest increase in reserves since 2009, at the peak of the global financial crisis. In the first quarter of 2013, net inflows of FDI and portfolio investments continued at a rate of 1.4% and 1.2%, respectively, of regional GDP. Other net investment liabilities, which corresponded to short-term cross-border deposit flows and bank lending, were positive for the first time in several quarters standing at the equivalent of 1% of regional GDP, attributable almost exclusively to inflows into Brazil. Thus, along with a current account deficit in excess of 2% of regional GDP, international reserves again expanded by 0.8% of GDP (see figure I.11).⁸

Continued access to external financial flows in 2013 is linked to a long-term improvement in the levels of external debt, international reserves and other factors, which have resulted in steady debt upgrades for many countries in Latin America. Nevertheless, risk premiums as measured by sovereign bond spreads have fluctuated in line with the uncertainty generated mainly by the situation in some of the European economies. In the first half of 2012, there was some degree of volatility and an uptrend in sovereign risk, which was eventually reined in once the European Central Bank (ECB) reframed its policy in support of debt sustainability among the eurozone governments.

⁷ In order to ensure comparability over time, these figures include just the six countries for which quarterly information for 2013 was available at the time of writing (Bolivarian Republic of Venezuela, Brazil, Chile, Mexico, Panama and Peru).

⁸ The figures for 2013 relate to a set of six countries: Bolivarian Republic of Venezuela, Brazil, Chile, Mexico, Panama and Peru. In 2012, these countries accounted for nearly 76.5% of GDP in Latin America.

Since then and throughout the first half of 2013, various spreads in the region have trended downward slightly. This risk perception dynamic has been continually shaken by financial investors' short-term response to different announcements of possible changes in United States monetary policy and global growth trends. However, some countries in the region continue to show wide spreads, linked to factors specific to each (see table I.5).

Table I.5
Latin America and the Caribbean (15 countries): country risk as measured through sovereign bond spreads (EMBI Global), January 2010-June 2013
(Basis points)

	Annual averages			2012				2013					
	2010	2011	2012	Q1	Q2	Q3	Q4	January	February	March	April	May	June
Argentina	696	701	1 007	854	1 095	1 012	1 066	1 102	1 287	1 307	1 210	1 167	1 199
Belize	818	1 011	1 968	1 656	1 706	2 195	2 317	1 558	1 350	789	777	734	872
Brazil	209	195	184	200	213	175	149	154	178	190	173	208	243
Chile	131	140	150	157	171	148	124	124	140	153	141	153	180
Colombia	194	166	150	171	172	136	119	132	141	147	131	167	193
Dominican Republic	373	453	459	535	511	439	349	344	394	385	379	359	401
Ecuador	954	819	827	810	877	795	826	704	704	700	647	626	665
El Salvador	322	383	450	470	486	442	400	332	341	350	366	382	436
Jamaica	492	485	656	624	634	662	702	668	691	680	686	653	623
Mexico	191	188	190	208	213	178	163	165	180	182	169	196	223
Panama	181	172	165	182	188	155	133	140	163	169	149	160	218
Peru	179	194	158	191	185	138	118	129	138	147	132	159	201
Trinidad and Tobago													
Uruguay	219	200	176	200	213	156	134	132	164	173	153	173	235
Venezuela (Bolivarian Republic of)	1 107	1 213	996	1 003	1 088	1 019	875	746	737	797	821	878	976
Latin America and the Caribbean (15 countries)	433	451	538	519	554	547	534	519	536	540	424	430	476

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of JP Morgan Emerging Markets Bond Index Global (EMBI Global).

7. The external financing mix has changed and more countries have gained access to it

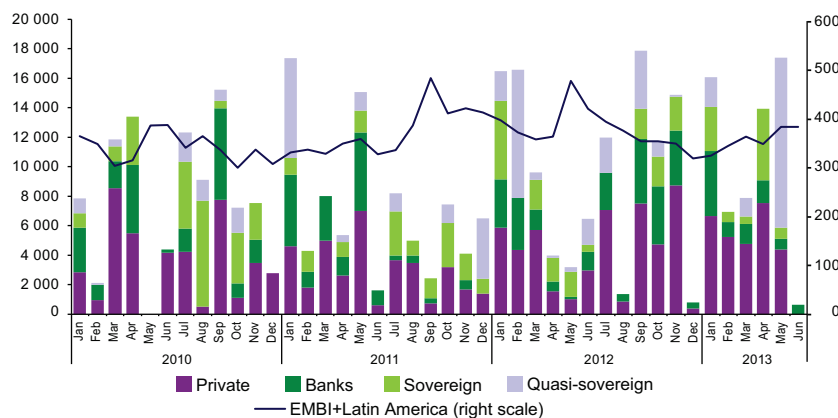
External bond issues continued at a brisk pace in 2012 and in the first six months of 2013, but with significant changes in their composition. In the first half of 2012, sovereign and quasi-sovereign bond issues remained buoyant. Since then, it is banks and private companies that have taken advantage of the low cost of borrowing and the region's risk rating to obtain funds abroad, stepping up their bond issues. During the first six months of 2013, regional bond issues totalled US\$ 59.040 billion, more than half of the figure for all of 2012, so the total for 2013 is expected to be higher than in 2012 (see table I.6 and figure I.12).

Table I.6
Latin America and the Caribbean (19 countries): external bond issues, January 2010-June 2013
(Millions of dollars)

	2010	2011	2012	January-June 2013
Argentina	3 146	2 193	663	0
Bolivia (Plurinational State of)	0	0	500	0
Brazil	39 580	38 147	50 092	25 176
Chile	6 750	6 049	9 443	5 931
Colombia	1 912	6 411	7 459	4 200
Costa Rica	0	250	1 250	1 500
Dominican Republic	1 034	750	750	1 300
Ecuador	0	0	0	0
El Salvador	450	654	800	310
Guatemala	0	150	1 400	800
Honduras	20	0	0	500
Mexico	19 957	25 846	28 147	11 399
Panama	0	897	1 100	750
Paraguay	0	100	500	500
Peru	4 693	2 455	7 240	5 375
Uruguay	0	1 493	500	0
Venezuela (Bolivarian Republic of)	3 000	7 200	0	0
Jamaica	1 075	694	1 750	1 300
Trinidad and Tobago	0	175	0	0
Latin America and the Caribbean	81 617	93 464	111 594	69 040

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Latin Finance (bonds database), JP Morgan and Merrill Lynch.

Figure I.12
Latin America and the Caribbean (19 countries): external bond issues on international markets
and risk according to EMBI+, January 2010-June 2013
(Millions of dollars and basis points)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Latin Finance (bonds database), JP Morgan and Merrill Lynch.

In 2012 and 2013, a new group of countries have also been taking advantage of these resources: Honduras and Plurinational State of Bolivia, each with sovereign issues of US\$ 500 million, and Guatemala with sovereign, corporate and bank issues totalling US\$ 2.2 billion. From January to May 2013, the main countries issuing external bonds were Brazil (due mainly to Petrobras bonds), Mexico and Peru.

The picture in the Caribbean is markedly different, even more so when the figures for Trinidad and Tobago are not included, since the size of its economy and its export profile (which differs from the rest of the region) affect the aggregate results. Thus, without Trinidad and Tobago, the current account deficit stood at 11% of subregional GDP, partly offset by net flows of FDI equivalent to 4% of GDP and of portfolio investments and other liabilities equivalent to 6% of subregional GDP. As a result, international reserves contracted by the equivalent of 1% of subregional GDP in 2012.

C. Macroeconomic policies

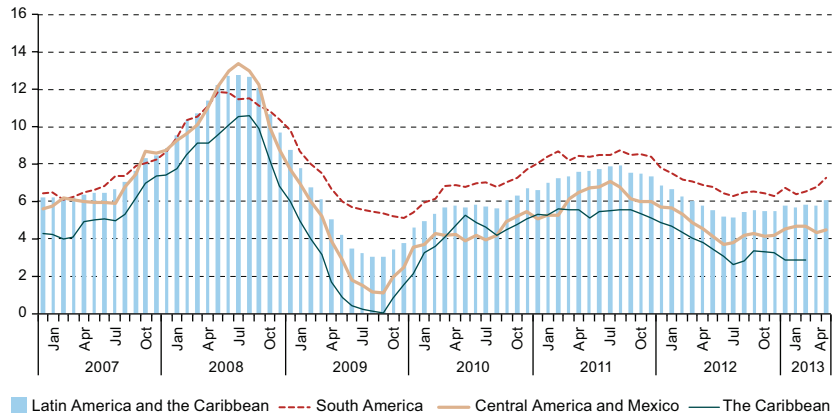
1. Inflationary pressures have increased slightly

Some countries of the region have adopted a contractionary monetary policy stance in response to higher inflationary pressures. In the first five months of 2013, regional inflation rose slightly in comparison with December 2012. Regional 12-month inflation to May 2013 stood at 6%, up from 5.5% in December 2012 and slightly higher than the 5.8% posted for the twelve months to May 2012.

The regional situation masks significant differences between countries. In May 2013, the two countries of the region with double-digit inflation were Bolivarian Republic of Venezuela and Argentina. In the former, the significant increase in consumer prices was due largely to the impact on domestic prices of the devaluation of the local currency in February 2013 and the fact that certain goods were becoming increasingly scarce. In the latter, estimates released by statistical institutes in the provinces indicate high rates of inflation. The average rate of inflation reported by the provinces that conduct a monthly consumer price index survey (Neuquén, San Luis, Santa Fe and Tierra del Fuego) stood at 20.5% for the twelve months to April 2013. Uruguay and Haiti recorded twelve-month inflation rates of 8.1% and 7.3%, respectively, while the lowest inflation rates were recorded in El Salvador (0.1%), Chile (0.9%), Paraguay (0.9%), Colombia (2%) and some economies of the Eastern Caribbean Currency Union. Of the different subregions,

South America has the highest average inflation, pushed up by rising consumer prices in the Bolivarian Republic of Venezuela; in Central America and Mexico inflation rates have trended up, albeit with some volatility (see figure I.13).

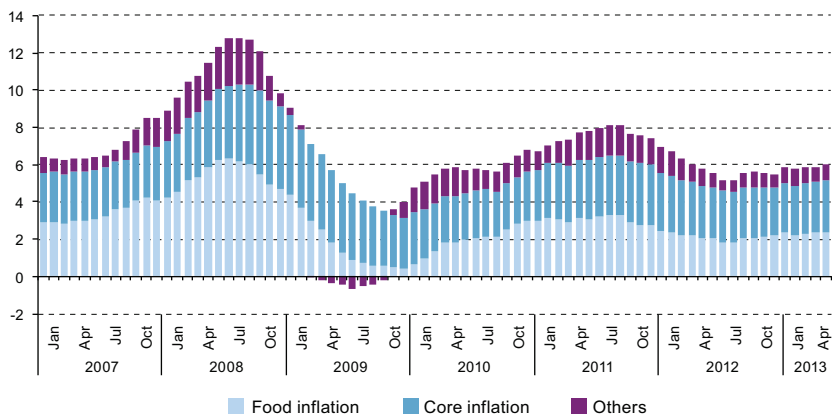
Figure I.13
Latin America and the Caribbean: twelve-month variation in the consumer price index, simple average, January 2007-May 2013
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

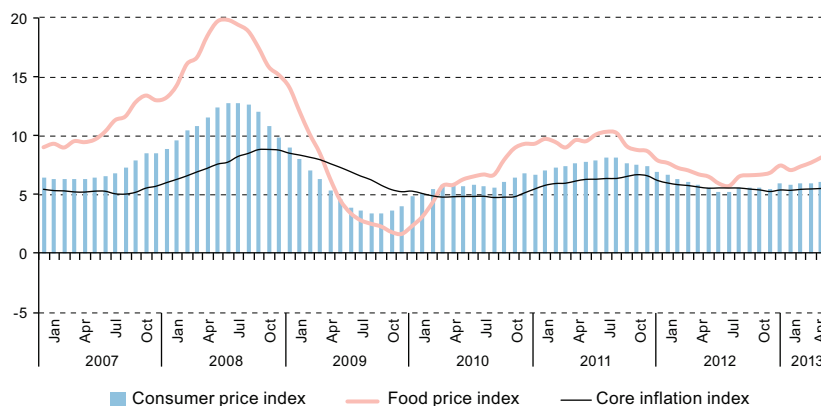
The gradual rise in regional inflation in recent months is due both to higher food prices and to core inflation (see figure I.14). Average prices for food and beverages increased by 8.2% in the 12 months to May 2013 (compared with 12-month rises of 6.9% to December 2012 and 7.1% to April 2012). Core inflation rose to 5.5% in the 12 months to May 2013, higher than the 5.2% recorded for the 12 months to December 2012 but lower than the 5.7% for the 12 months to April 2012 (see figure I.15).

Figure I.14
Latin America: twelve-month variation in the consumer price index by inflation component, simple average, January 2007-May 2013
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Figure I.15
Latin America: twelve-month variation in the consumer price index, food price index
and core inflation index, simple average, January 2007-May 2013
 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

In the 12 months to May 2013, the highest rates of food price inflation were observed in the Bolivarian Republic of Venezuela (49.6%) and Jamaica (15.4%), followed by Brazil (13.5%) and Uruguay (9.5%). In some countries, the consumer price index and food inflation behave very differently, posing serious challenges in terms of distribution owing to the regressive impact of rising food prices, which take up a larger share of the budget of low-income households (see box 1.1). In Saint Lucia, for example, food inflation is 7.2 percentage points higher than general consumer-price inflation. Other countries where this difference is substantial include Guyana (6 percentage points), Chile (4.7 percentage points), Guatemala (4.3 percentage points) and Mexico (3.4 percentage points) (see figure I.16).

Box 1.1

Differential inflation and income distribution: the flip side of improving terms of trade

Surging international demand for raw materials drove a sustained upswing in average prices for exports from Latin America and the Caribbean and this, reflected in stronger terms of trade for the region, boosted the national income (measured in dollars at constant prices) of these economies.^a This effect is particularly evident in the South American countries that are net exporters of oil, metals or food, which account for almost a third of the increase in disposable income over the past ten years.^b Conversely, the impact has been zero, or even negative, for most of the Central American and Caribbean countries that are net importers of these products.

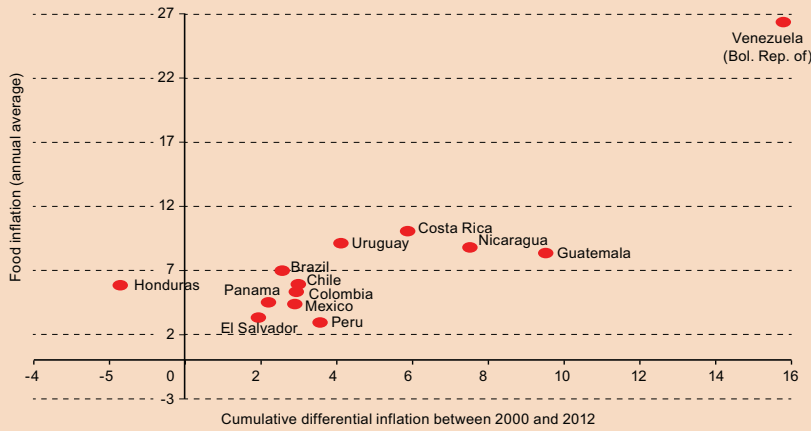
Irrespective of their status as net exporters or importers of raw materials, the countries of the region have to deal with the impact of the higher international prices for these products on domestic prices. Since food products have a greater weight in the typical basket of consumer goods of lower-income strata of the population and on average these products have increased more steeply in price than other goods and services included in the consumption basket, the sharper price rises faced by the poorest sectors of the population in these countries are expected to have a regressive distributional impact.

In order to assess this impact, the variation in inflation was estimated for the different income distribution deciles of 13 countries in the region: Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Peru and Uruguay in South America, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama in Central America, and Mexico. To this end, data from recent household expenditure surveys, where available, and disaggregated data on prices of goods and services included in the consumer price indices of this set of countries, were used to work out the consumption structure of each decile.

As a synthetic indicator of the differential effect of inflation based on differences in the composition of the consumer baskets per decile, the ratio of the average price increases for the baskets of the first four income distribution deciles (lowest average income) to those for the baskets of the two last deciles (highest average income) was calculated. In cumulative terms, the greatest differentials are observed in the Bolivarian Republic of Venezuela and, to a lesser extent, in Guatemala, Nicaragua and Costa Rica, where food inflation was the highest in the period under consideration, as shown in the figure below.

Box I.1 (continued)

Latin America (selected countries): cumulative differential inflation between 2000 and 2012
(Percentages)

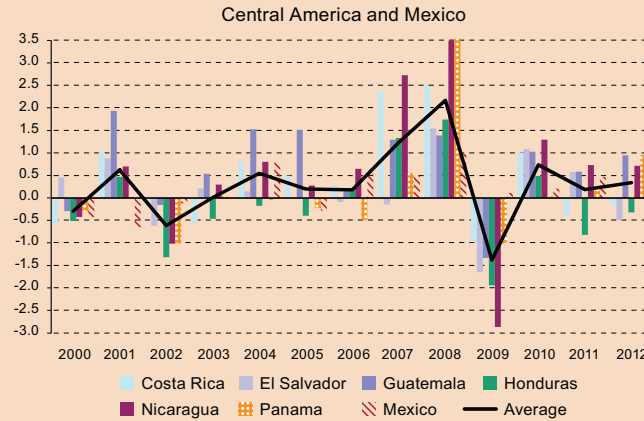
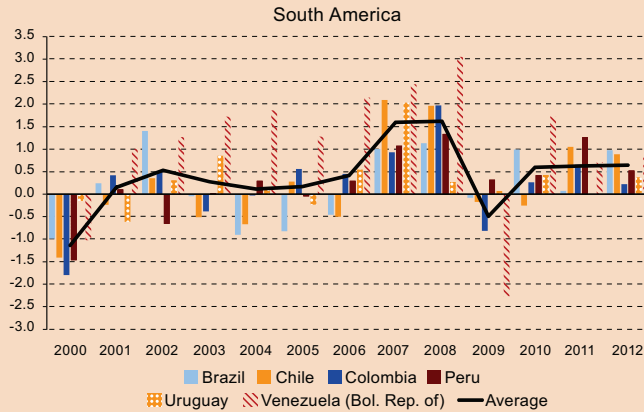


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The figure below shows the variation in differential inflation per country and per decile. It indicates a steeper increase in prices since 2002 for the lower income distribution strata than for the upper strata. This differential began to widen in 2006 and

peaked in 2007 and 2008 when food prices spiked. This is the case in the South American countries as well as in the group consisting of Mexico and the countries of Central America.

Latin America (selected countries): differential between the average variation in consumer basket prices for deciles 1-4 and deciles 9 and 10, 2000-2012
(Percentage points)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Box I.1 (concluded)

On average the price increases for the poorer strata were almost 1.5 percentage points higher than for the wealthier strata, but in several countries they were more than 2 percentage points higher (Bolivarian Republic of Venezuela, Chile and Uruguay). In Central America, average differential inflation topped two percentage points. In Costa Rica, Nicaragua and Panama it even approached 3.5% percentage points (in 2008 in the latter two).

Following a reversal in this trend in 2009 when commodity prices fell as a result of the international crisis, in 2010, the same regressive bias was observed in the variation in the consumer price indices, although it was more muted and more mixed. In South America, the average differentials hovered around 0.6 percentage points between 2010 and 2012. The Bolivarian Republic of Venezuela once again exhibited the most significant differentials, followed by Brazil (in 2010 and 2012) Peru (in 2011) and Chile (in 2011 and 2012). In Central America and Mexico, the average trended downward (by between 0.7 percentage points and 0.3 percentage points). Of special note were the differentials observed in Nicaragua and Guatemala.

When prices spiked, especially in 2008, the governments of the region implemented a series of measures to cushion

the cost of some basic foods and other goods and services, for example, public passenger transport, which account for a large share of the consumer basket of the relatively low-income population. These measures included consumption subsidies and a reduction in the tax burden, including, in some cases, lower import duties on specific food products, inventory management through State-owned distribution channels, and food production incentives, especially in countries where the supply depends more on imports. Gradually, these measures have tended to be integrated into the strategies that are part of a country's social policies.^c Unlike its experience in the past, the region was thus able to ride out the international crisis, and the repercussions were milder as far as can be gleaned from its social indicators.

Nevertheless, although poverty rates have been diminishing continuously since 2002, the pressure of steadily rising food prices has pushed up the threshold quite high and it is becoming increasingly difficult to reduce indigence rates, which now stand at more than 11% of the population. This problem must be closely monitored, especially since international demand for food may continue to increase in the next few years.

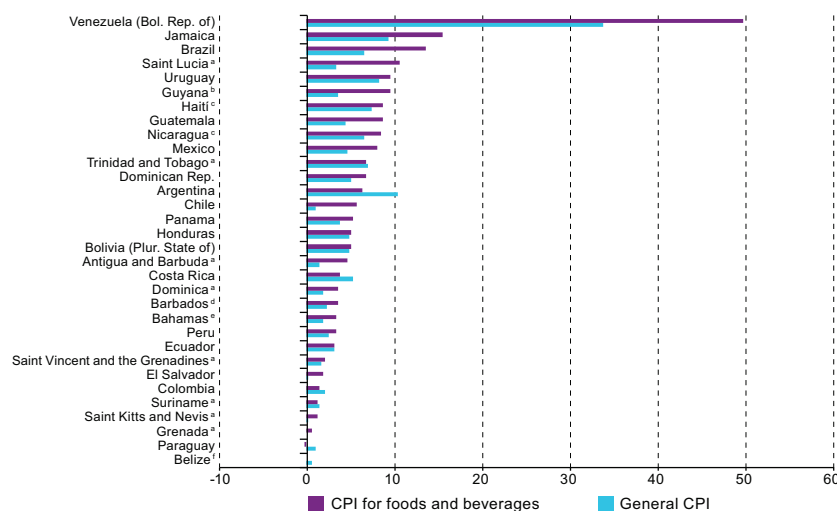
Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

^a For an analysis of the impact of the variation in the terms of trade on national income at constant prices, see Kacef and Manuelito (2008).

^b Part II, Chapter II, section 2 contains an up-to-date estimate of these impacts.

^c A review of the measures adopted by the countries in the region to address the escalation in the prices of foods and other essential goods and later to counteract the impact of the external crisis appears in ECLAC (2010) and (2012). For an analysis of the specific cases of Brazil, Mexico and Peru, see BCRA/ECLAC (2013).

Figure I.16
Latin America: variation in the consumer price index and food price index
in the 12 months to May 2013
(Percentages)



Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

^a Twelve months to March 2013.

^b Twelve months to December 2012.

^c Twelve months to April 2013.

^d Twelve months to February 2013.

^e Twelve months to October 2012.

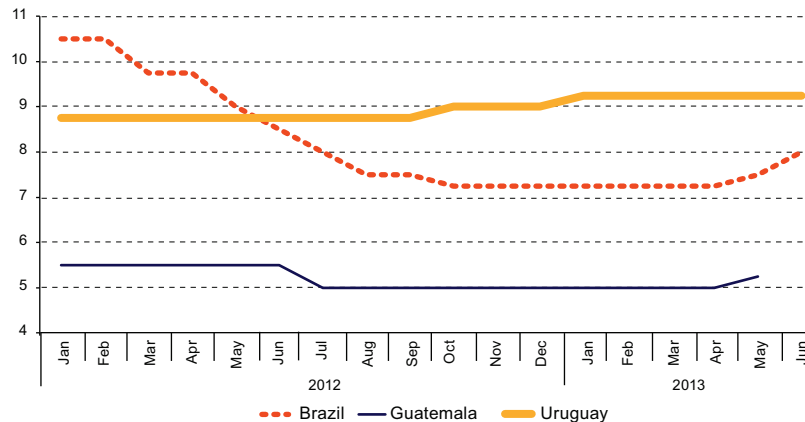
^f Twelve months to November 2012. No data available for food price inflation.

2. Monetary policy strategies in the region have been diverse

Recent variations in monetary policy benchmark rates in Latin America and the Caribbean (contrary to their behaviour over the past two years, which may be described as stable) point to the dilemmas faced by authorities in the countries of the region. Growing uncertainty in view of the impact that monetary policy announcements in the developed countries (especially the United States) have had on international financial flows, coupled with fears that sluggish growth in external demand and mounting inflationary pressures in some economies of the region will put a damper on economic activity, have been the focus of attention on the part of the authorities. The priority assigned to each of these issues by policy managers has varied and depends on specific aspects of each economy; this priority determines the way policy rates and other monetary and exchange-rate policy instruments are handled in the region. As a result, a more restrictive policy direction has been adopted in some countries (Brazil, Guatemala and Uruguay), in contrast with stronger stimulus measures elsewhere (Colombia, Costa Rica, Dominican Republic, Guyana and Mexico), although there are a number of countries in which the monetary policy stance has not changed significantly.

In Uruguay, where the main challenge for monetary authorities in recent times has been to avoid more intense inflationary spikes, the monetary policy rate has risen steadily since 2012 and at the beginning of 2013 increased further. In the first half of 2013, authorities in Brazil and Guatemala decided to change their policy direction. After implementing a rate-reduction policy in 2012 in an attempt to boost aggregate demand, the central banks in both these countries raised the benchmark rate. This change of direction could be due to growing concern over inflationary pressures and in the case of Brazil may also point to a greater desire by authorities to attract foreign capital at a time when international liquidity levels seem to be on the decline in the short term (see figure I.17).⁹

Figure I.17
Latin America and the Caribbean: monetary policy rates of the central banks
which raised their rates in 2013, January 2012-June 2013
(Percentages)



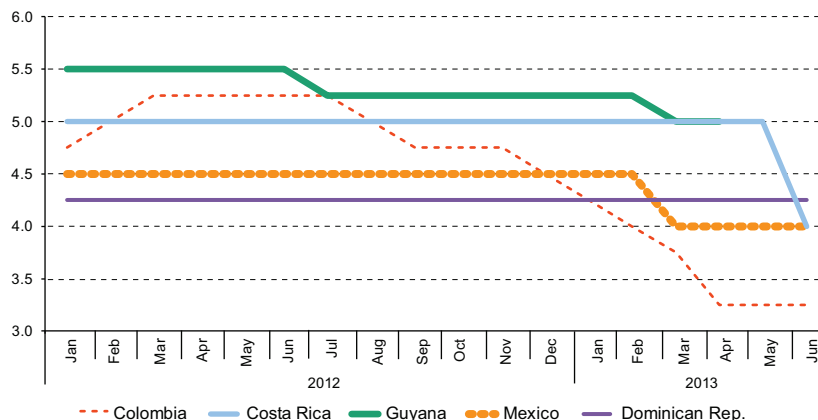
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.

Other economies of the region, such as Colombia, Costa Rica, Dominican Republic, Guyana and Mexico, lowered their monetary policy rates during the first half of 2013, as authorities were more concerned by the slowdown in economic activity. Similarly, this rate reduction shows that monetary authorities in these countries have a certain amount of leeway seeing that inflation rates are in line with established targets (see figure I.18).¹⁰

⁹ This upward trend in rates in Brazil coincides with a relaxation of some measures designed to discourage capital inflows.

¹⁰ Mexico appears to be an exception since the decline in rates occurred at a time when inflation exceeded the target set for the year.

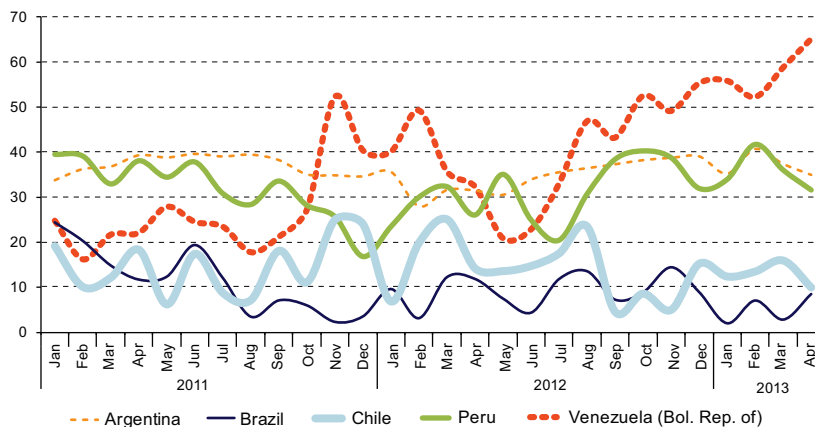
Figure I.18
Latin America and the Caribbean: monetary policy rates of the central banks that lowered their rates in 2013, January 2012 to June 2013
 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The rate of growth of the monetary base shows a differentiated pattern. While growth of the base has gathered momentum in economies such as Argentina, Bolivarian Republic of Venezuela and Peru, a slowdown has been seen in Brazil and Chile. The Bahamas has also experienced a slowdown, and during the first quarter of the year, growth in the monetary aggregate M1 slowed only in the Central American economies. As in the case of the monetary base, Argentina and Bolivarian Republic of Venezuela were the economies that recorded the strongest annualized growth in M1, with average rates of over 30% in the former and over 60% in the latter (see figure I.19).

Figure I.19
Latin America and the Caribbean (selected countries): annualized growth in the monetary base, January 2011-April 2013
 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

3. The pace of lending has slowed overall, except for consumer credit

In the first half of 2013, domestic lending in some economies in the region, such as Brazil and Chile, and to a lesser extent Colombia and Peru, has slowed sharply in comparison with 2012 (see figure I.20). A similar situation occurred in the rest of South America, where domestic lending cooled except in Bolivarian Republic of Venezuela and Plurinational State of Bolivia. By contrast, domestic lending picked up in Nicaragua and Panama in the first few months of 2013. The most recent data available for the Caribbean indicate that domestic lending has recovered except in Antigua and Barbuda and Saint Kitts and Nevis, where it has been contracting since mid-2011, and in Bahamas, Belize and Trinidad and Tobago, where it expanded more slowly and then contracted in the first quarter of 2013.

Figure I.20
Latin America and the Caribbean (selected countries): annualized growth of net domestic credit, January 2011 to May 2013
(Percentages)

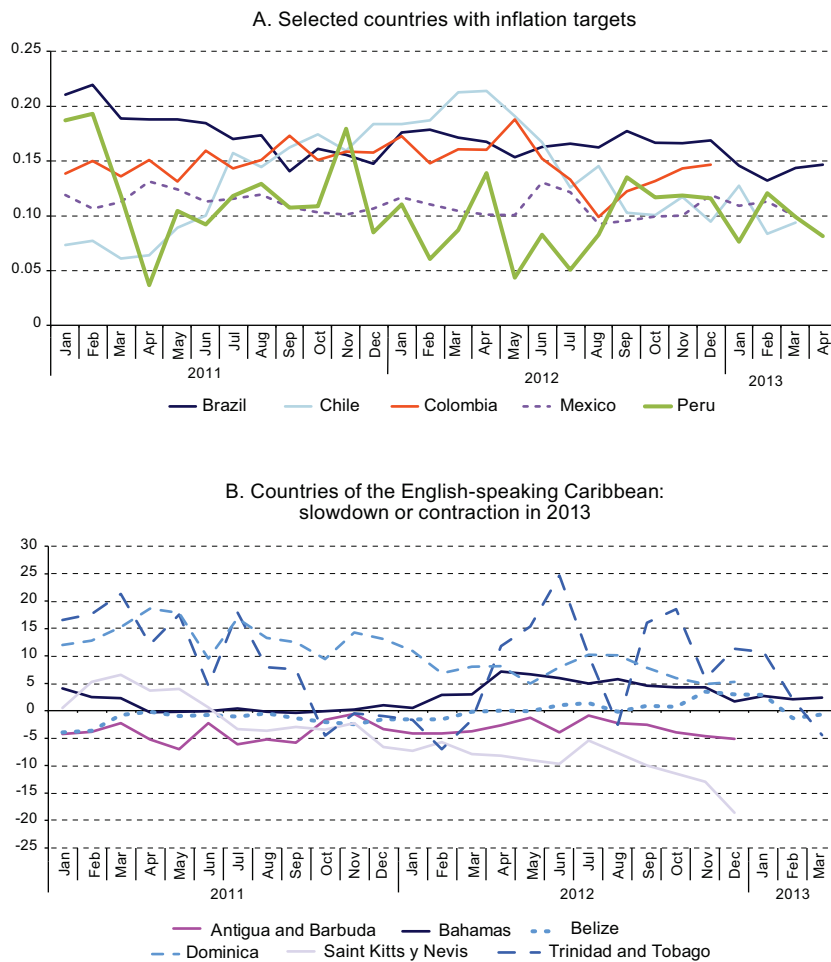
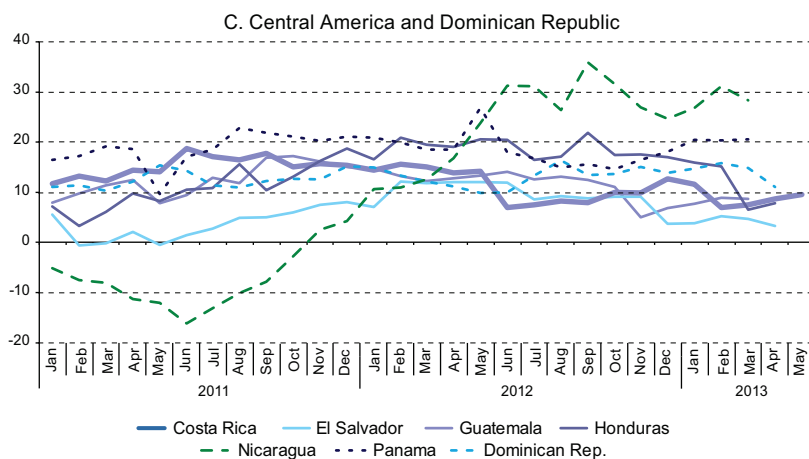


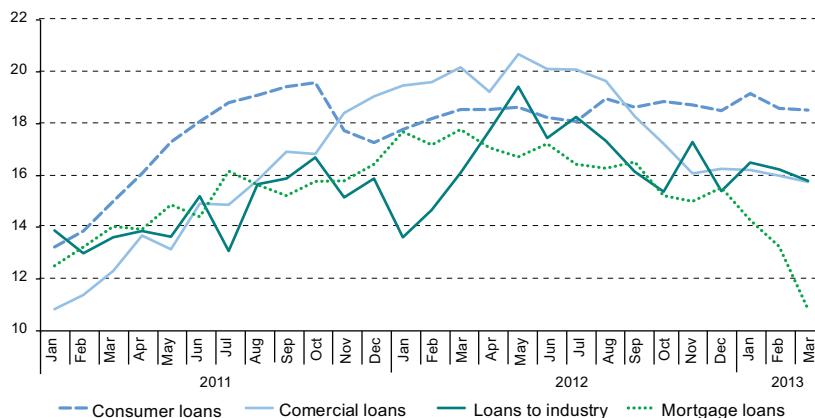
Figure I.20 (concluded)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The pattern of domestic lending described above also resulted in a slowdown in lending for financing commercial, industrial and mortgage activities (see figure I.21). This is attributable to slower growth in domestic aggregate demand in the region, especially in demand related to capital accumulation. An exception to this regional trend can be seen in the economies of the English-speaking Caribbean, where lending has picked up and growth is in the double digits.

Figure I.21
Latin America and the Caribbean: annualized growth in the credit portfolio for financing consumption and industrial, commercial and mortgage activities (regional average), January 2011-March 2013
(Percentages)



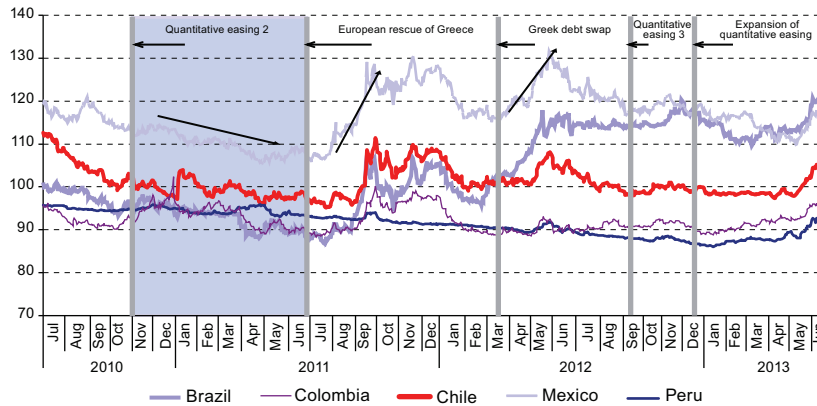
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

As for consumer lending, there was, on average for the region, no slowdown in the pace of expansion in the first quarter of 2013; rather, the levels were very similar to the second half of 2012 (see figure I.21). Much of this regional trend was due to the pattern observed in the Central American countries, where growth in consumer lending accelerated and exceeded 20% in some countries (Costa Rica, Guatemala, Honduras and Nicaragua). Similarly, in some economies of the English-speaking Caribbean, such as Guyana and Jamaica, financing for consumption grew at rates in excess of 20%. Among the countries of South America, the Bolivarian Republic of Venezuela was the only country where consumer credit expanded, with an annualized growth rate of close to 50% at the end of the first quarter of the year. The ratio of non-performing portfolio to total portfolio in the region, which remained stable except for small increases in Colombia, Mexico and Peru, is a useful indicator in this regard.

4. Exchange rates have been under considerable external pressure

The economic and social scenario in many developed economies and the economic authorities' efforts to improve the situation did much to shape the performance of the currencies of the region in 2012 and the first half of 2013. Figure I.22 tracks the currencies of those economies of the region that are more integrated in the financial markets (Brazil, Chile, Colombia, Mexico and Peru) as events unfolded in the international financial markets. During the first quarter of 2012, the high level of uncertainty as to the resolution of the crisis in Europe (in particular in Greece) and investor expectations of contagion in other countries contributed to the depreciation, to a greater or lesser extent, of the currencies of the region.

Figure I.22
Brazil, Chile, Colombia, Mexico and Peru: nominal exchange rate and external financial conditions, July 2010-June 2013
(Index, January 2008=100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

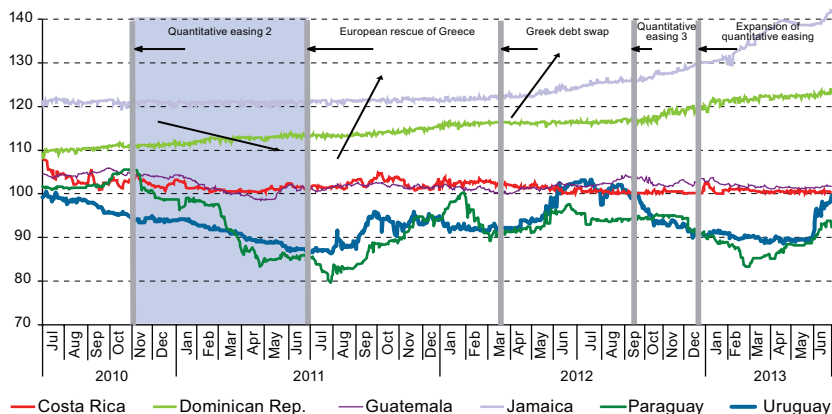
Following the announcement of the Greek debt swap, favourable growth prospects for the economies of Latin America and the Caribbean plus the worrisome situation in Europe improved the relative risk of the economies of the region. This, amid abundant international liquidity, spurred the inflow of capital along with currency appreciation in Chile, Mexico and Peru during the third quarter of 2012. However, the Colombian peso and, to a greater extent, the Brazilian real behaved differently and depreciated somewhat instead of appreciating. Among the contributing factors were announcements in both countries of measures to avoid currency appreciation; these were, at least temporarily, successful.

Between the announcement of quantitative easing (QE3) measures in September 2012 and the middle of the first quarter of 2013, the factors driving the appreciation of the Chilean peso, the Mexican peso and the Peruvian sol grew stronger and fuelled an appreciation trend for the Colombian peso and the Brazilian real as well. Recent United States Federal Reserve announcements concerning the scale-back of asset purchases point to a gradual decrease in liquidity moving forward. And increasing signs of a slowing Chinese economy have dulled the prospects for further increases in commodity prices. These factors fed nominal exchange-rate depreciation in Brazil, Chile, Colombia, Peru, Uruguay and Mexico during May and June 2013.

Exchange-rate movements in other countries were mainly attributable to internal factors. In Argentina, the nominal exchange rate depreciated throughout 2012-2013 against a backdrop of high inflation and rapid growth in monetary aggregates, which translated into a wide gap between the official rate of exchange and the parallel exchange rate during the entire period. In the Bolivarian Republic of Venezuela, the exchange rate for currency obtained through the Foreign Exchange Administration Commission (CADIVI) slid by 46.5% in February 2013 after holding steady throughout 2012, and the Transaction System for Foreign-Currency Denominated Securities (SITME) was removed. In Jamaica, the Jamaican dollar depreciated by an average 11.2% during the first six months of the year amid fiscal and balance-of-payments problems.

The currencies of Paraguay and Uruguay followed a pattern (which could be regarded as volatile) similar to the one described for those economies that are more fully integrated financially. However, specific factors, such as agricultural export trends in Paraguay and the flow of capital from Argentina to Uruguay, also contributed to exchange-rate movements in the period under review (see figure I.23).

Figure I.23
Costa Rica, Dominican Republic, Guatemala, Jamaica, Paraguay and Uruguay: nominal exchange rate and external financial conditions, July 2010-June 2013
(Index, January 2008=100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The extraregional real effective exchange rate of Latin America and the Caribbean appreciated by an average 2.7% in 2012 compared with 2011. Appreciation was greater in South America (3.5%) than in the rest of the region, driven especially by real effective appreciation in the Bolivarian Republic of Venezuela owing to its high inflation and fixed exchange rate. However, the region's extraregional effective exchange rate depreciated by 0.8% between December 2012 and June 2013 owing to nominal depreciation of the currencies of South America and Mexico associated with monetary policy announcements in the United States, in a low inflation context in the region. Depreciation in South America was 2.5% during the same period.

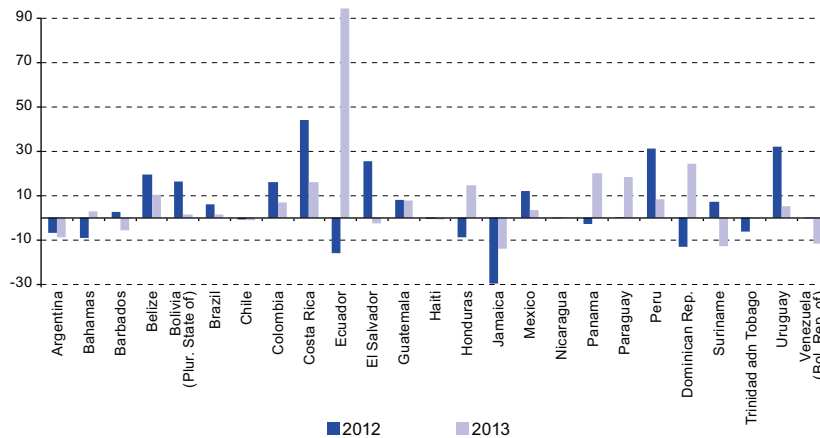
As a result of nominal currency depreciation, 10 countries saw effective depreciation between December 2012 and June 2013; it was particularly sharp in the Bolivarian Republic of Venezuela (16.9%), Colombia (4.4%), Peru (4.2%) and Jamaica (3.6%). But despite depreciation in the region, in some countries the effective exchange rate is below the historical average by 25% or more, as is the case in the Bolivarian Republic of Venezuela, Trinidad and Tobago and Guatemala.

5. Overall, international reserves have not fluctuated as widely

During the first four months of 2013, a significant number of countries of the region built up international reserves more slowly than in late 2012 (see figure I.24). Economies such as Bahamas, Brazil, Mexico, Nicaragua, the Plurinational State of Bolivia and Trinidad and Tobago recorded increases in reserves of less than 3%; in Belize, Colombia, Peru and Uruguay increases ranged between 5% and 10%. In Costa Rica, Dominican Republic, Honduras, Panama and Paraguay, reserves grew by more than 16%; Ecuador topped 90%. But reserves shrank in some countries—by less than 3% in Chile and El Salvador and more than 9% in Argentina, the Bolivarian Republic of Venezuela, Jamaica and Suriname.

The movement of reserves in some countries reflected the decision by monetary or exchange-rate authorities to intervene in the market to reduce exchange-rate volatility; the central banks of Colombia, Costa Rica and Uruguay increased the average amounts of intervention (purchases) to curb volatility. While Brazil and Peru continued to conduct interventions (purchases) in the foreign exchange market, they were smaller than in 2012.

Figure I.24
Latin America and the Caribbean: variation in international reserves, 2012 and 2013^a
 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
^a Variation in relation to December 2011. The figures for 2013 are for January to April.

6. Some macroprudential policies became more flexible

Increasing uncertainty in the international financial markets, especially in the context of recent announcements by United States Federal Reserve authorities, led the relevant authorities in some countries of the region to introduce changes in the regulatory frameworks that govern investment by foreign nationals in domestic bonds. Brazil announced more flexible measures to stimulate the flow of resources to its economy and eliminated the tax on financial transactions by foreign investors. Peru took a number of measures to facilitate long-term financing, raising the amount of long-term deposits in national currency subject to reserve requirements according to each institution's degree of foreign-currency exposure. This step was taken in a context in which reserve requirements for foreign-currency deposits had been increased (mid-February 2013).

7. Tax receipts are expected to slow

A slight cooldown in some of the countries of Latin America and the Caribbean and the prolonged lack of growth in others in the fourth quarter of 2012 and early months of 2013 were reflected in limited growth of the components of domestic demand, including private consumption. This, plus falling commodity prices, resulted in a contraction or a moderate expansion of tax bases, which has had similar consequences for tax receipts in several countries of the region.

In some countries, tax revenues increased very little (Colombia, Mexico and Peru) or declined (Brazil, Chile and Ecuador) during the first four months of 2013, perhaps linked to the drop in prices for some of their export commodities or to slower economic growth (see table I.7). Some countries saw receipts increase thanks to a rise in resources captured by State-owned enterprises (Plurinational State of Bolivia, Trinidad and Tobago and Uruguay), tax reforms (Dominican Republic and Guatemala) or a broadening of certain tax bases (Argentina and Costa Rica).

As a result, the simple average of the real rates of growth of public revenue for 13 countries over the same four-month period in the previous year showed a slowdown in the closing four months of 2012 followed by a recovery in the first four months of 2013 (see figure I.25).

Table I.7
Latin America and the Caribbean (15 countries): cumulative real January to April year-on-year variation
in public revenue and expenditure, 2011-2013^a
(Percentages)

	Coverage ^a	2011 <i>(cumulative January to April)</i>		2012 <i>(cumulative January to April)</i>		2013 <i>(cumulative January to April)</i>	
		Total revenue	Total expenditure	Total revenue	Total expenditure	Total revenue	Total expenditure
		Argentina ^b	NNFPS	21.0	19.4	21.4	24.8	13.0	12.6^{c}
Bolivia (Plurinational State of)	NFPS	7.5	-6.5	11.9	2.3	20.1	17.0
Brazil ^d	CG	11.0	9.6	6.3	6.6	-2.3	1.4 ^c
Chile	TCG	17.1	-4.9	12.8	10.7	-2.2	6.9
Colombia	CNG	14.3	-9.8	20.8	8.2	3.8	26.9
Costa Rica	CG	-2.3	3.6	7.4	3.7	5.8	7.7
Dominican Republic	CG	0.6	-8.4	7.5	40.2	13.8	-20.5 ^c
Ecuador	NFPS	19.3	23.0	15.6	8.6	-4.7	3.6 ^e
Guatemala	CA	10.8	9.4	0.0	-11.6	6.5	15.6
Mexico	FG	2.5	8.1	5.3	10.3	2.1	-8.2
Paraguay	CG	12.7	8.4	7.3	26.3	...	...
Peru	CG	13.5	-2.3	4.3	-1.7	1.3	13.2
Trinidad and Tobago	CG	-0.7	-5.5	-6.0	2.0	14.4	26.4 ^c
Uruguay	NFPS	-3.9	1.9	2.8	11.9	18.0	11.2
Venezuela (Bolivarian Republic of) ^f	CG	2.1	5.5	4.6	24.2	...	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a The coverage is as follows: CA: Central administration; CG: Central government; TCG: total central government; FG: Federal government; CNG: Central national government; NFPS: Non-financial public sector; NNFPS: National non-financial public sector.

^b Revenues include representational contributions. Expenditures include representational expenditures.

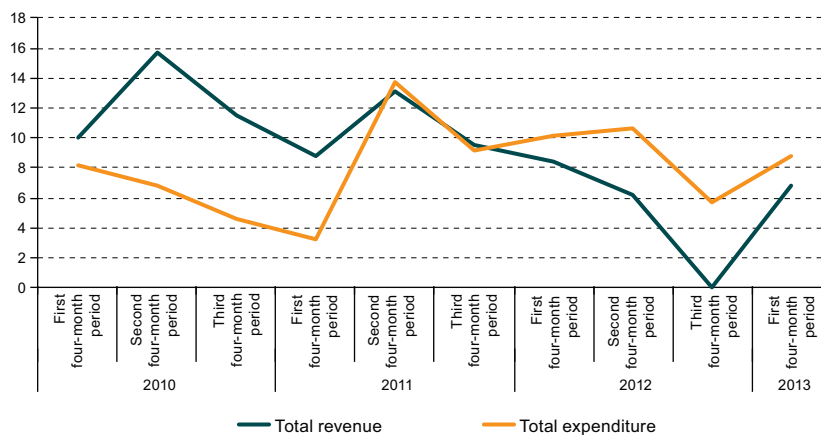
^c Income and expenditure data for 2013 cover up to March.

^d Includes the federal government and the central bank. The expenditure includes transfers to subnational states and municipalities.

^e Income and expenditure for 2013 data cover up to February.

^f Refers to quarterly figures and does not include non-recurrent income and expenditure.

Figure I.25
Latin America and the Caribbean (simple average for 14 countries): year-on-year real variation
in public revenue and expenditure January 2010-April 2013^a
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a The figures for 2013 are provisional.

One of the countries seeing a decline in tax revenue is Ecuador, where total revenue fell as oil revenues dropped by 8.5% in the first few months of the year. The most recent trade-balance data show that the fall in oil exports is steepening, so total revenue could remain low. Tax revenue increased in the first few months (6.5%), due to a jump in value-added tax (VAT) and special consumption tax (ICE) receipts.

During the same period, the central government of Chile also registered a real 12-month decrease in revenues (2.2%), owing to falling copper prices and higher copper production costs that reduced the income tax take from the major private mining companies as well as the contribution from Corporación Nacional del Cobre de Chile (CODELCO), the state-owned copper mining and production company.

Brazil announced a number of fiscal measures for promoting economic growth, such as lowering the federal tax on automobiles, household appliances and construction materials, along with other exemptions, which could total as much as 5% of the tax take in 2014. These measures and the economic slowdown in the last few quarters have driven revenue down, especially from taxes linked to production sectors.

Among the countries to see a modest increase in public revenues was Peru. After quarterly year-on-year real growth in excess of 10% over the past few years, the trend moderated to an increase of only 1.3% in the first four months of 2013. Income tax receipts fell as mineral prices slumped. In Colombia, total revenue increased at a steady pace during the first months of the year compared with the same period in 2012. But in the closing quarters of 2012 tax revenues declined in real terms in comparison with the previous year (the first decline in nine quarters). The 2012 tax reform entered into force on 1 January, which should have a favourable impact on receipts and total revenue.

In Mexico the modest increase in total revenue (a cumulative 2.1% from January to April 2013) reflects two opposing trends: federal government oil rights fell by more than 16% while non-oil revenue rose by 6.4%. The latter includes an increase in income tax receipts, especially the flat-rate business tax (IETU).

Among the countries recording the largest increases in revenue are the Plurinational State of Bolivia, Trinidad and Tobago and Uruguay, as a result of surpluses generated by public enterprises. In the Plurinational State of Bolivia, total non-financial public sector revenue, in real terms, jumped 20.1% as oil revenues soared 21.5%. Taxes increased 5.0%, slower than the 12%-to-16% year-on-year growth posted over the past few years.

In Trinidad and Tobago, the energy sector accounts for about 60% of the total treasury revenue intake. Thanks to a sharp increase in investment and in the output of natural gas and its by-products starting in 2012, receipts have recovered substantially following a period of stagnation owing to maintenance work.

In Uruguay, revenue growth was due mainly to a higher current primary balance at public enterprises owing to lower power generation costs. But tax revenue fell in real terms, because higher income tax revenues (owing in particular to the favourable personal income tax trend) were nevertheless insufficient to offset fall in the excise tax take.

Several countries saw revenue increase as a result of fiscal reforms or a broadening of their tax bases. In the Dominican Republic, tax reforms in late 2012 pushed receipts up, owing especially to the VAT hike (from 16% to 18%) and the elimination of a number of exemptions, despite a marked decline in private consumption. The impact of the tax reform put in place in Guatemala was positive but less striking because of tax administration issues at customs offices and the reversal of some of the measures initially approved.

In Argentina, the increase in revenue was due mainly to a year-on-year rise in social security contributions and tax revenue, in particular as a result of higher taxes on profits and VAT receipts that offset the substantial decline in export duties (triggered by a lower export tax rate on crude oil and the decline in exports). In Costa Rica, as of April 2013 revenues were 5.8% higher than for the same period the previous year because of a personal income tax hike and good fuel, property and tobacco product tax performance.

8. Fiscal balances will depend on differentiated public expenditure policies

In some countries, such as Mexico and Ecuador, expenditure is expected to grow at a slower pace as revenue increases slightly or declines. Mexico has set a target of returning to a balanced budget this year (according to a definition of deficit that does not include State-owned oil company investment as part of expenditure), boosting expenditure efficiency and increasing revenue by postponing the planned lowering of the top income tax rate. In Ecuador, expenditure grew more slowly than in previous years; the public investment programme was kept, but the amounts were adjusted in view of declining revenue from the oil sector.

In other countries public spending is expected to rise somewhat; in some cases this could lead to higher fiscal deficits. In Brazil, the recent Budget Guidelines Law (LDO) authorizes smaller primary surpluses for this year; a few priority investment projects and temporary tax exemptions do not figure into the targets. Given the uncertainty as to the economic activity trend, the main fiscal policy goal seems to be to play a countercyclical role by aligning balance targets with economic performance.

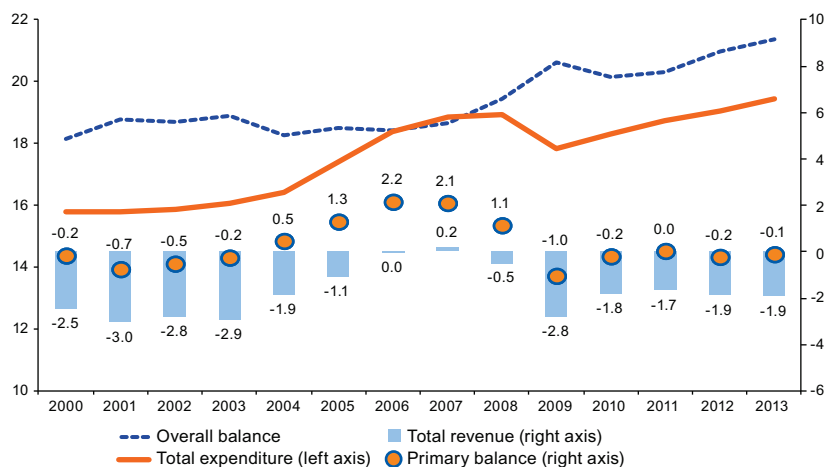
Expenditure has increased in Colombia too, mainly as a result of transfers to disadvantaged groups and the marked increase in the cost of capital in the energy sector and for infrastructure in general. In Argentina, the growth of expenditures is mainly attributable to the increase in social security benefits (owing to social security moratoria and automatic adjustments required by law) and higher wages and current transfers.

The rebound of public spending in Guatemala is attributable to improved investment execution, with the budget providing for year-on-year growth of 16.4% in 2013, mainly in roads and social infrastructure. Public investment is also expected to rally in other countries, such as Brazil, Costa Rica, Peru and the Plurinational State of Bolivia.

The direction that public expenditure in the region has taken recently suggests a degree of consensus on the part of the authorities to protect or stimulate public investment (see chapter IV of part two of this report, which analyses growth) in order to promote demand during temporary contractions and broaden, over the medium term, supply and the production capacity of the economy. Yet to be discussed is the kind of tax rules that would provide space for this, even when receipts are lower than anticipated.

Countries may be grouped into those that have structural rules or are implementing countercyclical or neutral measures (Argentina, Brazil, Chile, Colombia and Peru) and those whose policies are aimed at fiscal targets regardless of the macroeconomic cycle. Even so, national budget data (in some cases, updated in the first few months of the year) indicate that in 2013 the region as a whole will post a deficit similar to that of the previous year (see figure I.26). This projection could have something of an optimism bias, considering the economic slowdown over the past few months.

Figure I.26
Latin America (19 countries): central government fiscal indicators, 2000-2013^a
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a The figures for 2013 are provisional.

9. Fiscal vulnerability will remain a concern in the Caribbean, primarily in the service-exporting countries

As explained below, some Caribbean countries (especially those that export raw materials, such as Belize, Guyana, Suriname and Trinidad and Tobago) have kept their fiscal deficit and public debt at sustainable levels. But a number of service-providing economies (such as Antigua and Barbuda, Barbados and Jamaica) whose growth rates have sagged since the onset of the international financial crisis have, in some cases, seen public revenues drop sharply and posted acute fiscal deficits since 2009 (see table I.8).

Table I.8
The Caribbean (13 countries): overall public balance, 2007-2012^a
(Percentages of GDP)

Fiscal year ^b	2007	2008	2009	2010	2011	2012
Antigua and Barbuda	-5.8	-6.1	-11.0	-1.2	-5.3	-1.4
Bahamas ^c	-1.6	-4.4	-5.1	-2.1	-5.7	-6.2
Barbados	-1.4	-4.7	-8.3	-7.8	-5.2	-5.3
Belize	0.2	1.5	-2.9	-1.7	-1.1	-0.5
Dominica	-0.9	-2.7	-2.1	-4.9	-8.8	-12.0
Grenada	-5.3	-5.0	-4.9	-2.4	-3.2	-3.8
Guyana	-4.5	-3.8	-3.7	-2.9	-3.1	-4.7
Jamaica	-4.3	-7.6	-11.4	-6.4	-6.5	-5.1
Saint Kitts and Nevis	-1.8	-0.2	-1.0	-4.1	2.4	7.2
Saint Lucia	-1.9	0.0	-2.1	-0.6	-4.9	-7.2
Saint Vincent and the Grenadines	-2.5	-0.6	-1.7	-2.9	-2.6	-1.8
Suriname	5.0	1.5	2.1	-2.9	-0.1	-2.6
Trinidad and Tobago	1.4	6.6	-6.1	1.1	-1.3	-1.3
Simple average (13 countries)	-1.8	-2.0	-4.5	-3.0	-3.5	-3.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a The figures relate to the central government except in the case of Barbados where they relate to the non-financial public sector.

^b The fiscal year varies from country to country. It runs from 1 January to 31 December in Antigua and Barbuda, Dominica, Grenada, Guyana, Saint Vincent and the Grenadines, Saint Kitts and Nevis, Saint Lucia and Suriname; from 1 July to 30 June in Bahamas; from 1 April to 31 March in Barbados, Belize and Jamaica; and from 1 October to 30 September in Trinidad and Tobago.

^c Preliminary figures.

The English-speaking Caribbean, on average for 13 countries, recorded a deficit of 3.4% of GDP for fiscal 2012. While some countries have narrowed their negative balances, indebtedness still exceeds 100% of GDP in Jamaica and Saint Kitts and Nevis, whose interest payments equate to 9% of GDP and 6% of GDP, respectively. In view of the budgets submitted for fiscal 2013, this scenario is not expected to change much because there are no signs of a pickup in domestic demand. With mineral and energy prices trending down, receipts are not expected to improve.

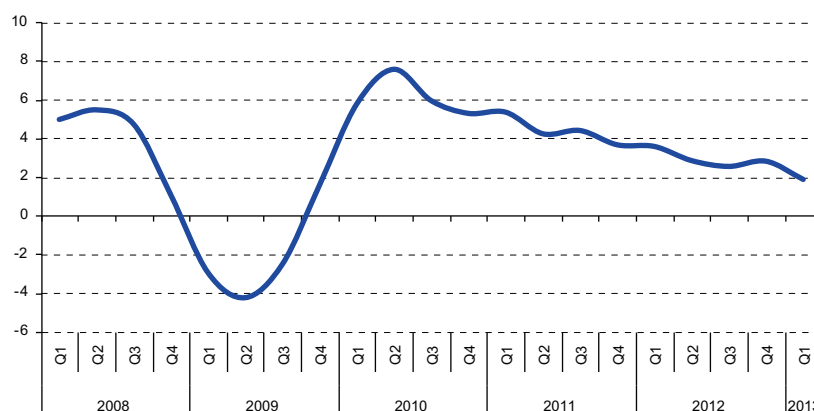
D. Economic growth, employment and wages

1. Economic growth is slowing in most of the countries

Available indicators for the first few months of 2013 suggest that GDP growth will slow in most of the region's economies, with some posting growth close to or below 3%. As in 2012, rising consumption is expected to be the primary driver of aggregate demand and GDP growth during 2013, albeit at a slower pace than in the previous year. The contribution of investment will likely decline further and the negative contribution of net exports will widen, revealing the growth sustainability challenges faced by most of the economies of the region.

During the first quarter of 2013, regional growth slackened in comparison with the quarterly pace in 2012 and fell to 1.9% versus an average year-on-year quarterly GDP growth of 2.8% for the last three quarters of 2012 (see figure I.27).

Figure I.27
Latin America: year-on-year change in quarterly GDP, weighted average, January 2008-March 2013
(Percentages, in dollars at constant 2005 prices)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Quarterly growth rates in economic activity in Chile (4.1%), Colombia (2.8%), Mexico (0.8%), Panama (6.3%), Peru (4.8%), the Dominican Republic (0.3%) and the Bolivarian Republic of Venezuela (0.7%) reflect a slower pace of expansion than in the second quarter of 2012 (see table I.9). The slowdown has been particularly sharp in the case of Mexico, the Dominican Republic and the Bolivarian Republic of Venezuela: in the previous two quarters these economies were growing at quarterly year-on-year rates of 3.2%, 4% and 5.5%, respectively. The economies of Belize and Jamaica contracted by 0.5% and 1.3%, respectively, during the period. The pace of economic growth picked up in Brazil (1.9%), Argentina (3%) and Paraguay (14.8%), although in Brazil the uptick fell short of early-year estimates. Paraguay was the country in the region that posted the highest rate of growth in the first quarter, as agricultural activity rebounded and the construction sector expanded.

Table I.9
Latin America and the Caribbean (selected countries): year-on-year quarterly variations in the index of economic activity, January 2011-March 2013
(Percentages)

	2011				2012				2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Argentina ^a	9.9	9.1	9.3	7.3	5.2	0.0	0.7	2.1	3.0
Belize ^a	7.8	0.4	2.4	-1.1	6.1	6.7	4.4	3.7	-0.5
Bolivia (Plurinational State of)	5.6	4.2	5.4	5.5	5.1	4.5	4.6	6.6	6.1
Brazil ^a	4.2	3.3	2.1	1.4	0.8	0.5	0.9	1.4	1.9
Chile ^a	9.8	5.8	3.2	5.0	5.1	5.7	5.8	5.7	4.1
Colombia ^a	5.7	6.4	7.9	6.6	5.4	4.7	2.8	3.1	2.8
Costa Rica ^a	2.9	4.3	5.0	5.6	7.7	5.7	3.8	3.4	1.2
Dominican Republic ^a	4.3	3.6	4.6	5.1	3.8	3.8	4.1	3.9	0.3
Ecuador ^a	6.8	7.8	8.4	6.8	6.8	5.0	4.1	4.2	...
El Salvador ^a	2.0	2.0	2.1	2.8	2.5	1.9	1.6	1.6	1.4
Guatemala ^a	4.3	4.5	4.7	3.5	3.5	2.8	2.4	3.1	2.4
Honduras	5.8	5.0	4.5	6.6	4.2	4.1	4.4	4.1	2.0
Jamaica ^a	1.5	1.9	0.3	1.5	-0.1	-0.1	-0.2	-0.9	-1.3
Mexico ^a	4.3	2.9	4.4	3.9	4.9	4.5	3.2	3.2	0.8
Nicaragua ^a	5.3	6.5	4.7	5.3	5.8	2.2	5.6	7.0	3.6
Panama ^a	9.9	12.2	11.4	10.0	11.4	10.8	10.5	10.0	7.0
Paraguay ^a	6.9	4.9	3.3	2.6	-2.8	-2.2	2.0	-0.4	14.8
Peru ^a	8.9	6.9	6.6	5.5	6.0	6.3	6.5	5.9	4.8
Trinidad and Tobago ^a	-2.6	1.8	-1.7	0.4	0.1	-1.6	3.0	-0.4	...
Uruguay ^a	6.7	5.1	7.7	3.5	4.4	3.7	2.9	4.8	3.7
Venezuela (Bolivarian Republic of) ^a	4.8	2.6	4.4	4.9	5.9	5.6	5.5	5.5	0.7
Latin America^b	5.3	4.1	4.3	3.7	3.7	3.0	2.7	2.9	1.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Quarterly change in GDP.

^b Weighted regional average.

2. Consumption is still the main driver of growth, although it has lost some steam

Indices of activity in the commerce sector, which in part reflect consumption trends and soared throughout 2012, slowed in the first quarter of 2013. They even contracted in some cases, falling off in Mexico, Panama and the Dominican Republic by 1.1%, 0.9% and 1.8%, respectively (see table I.10). Commerce sector activity trends in the region reflect the fact that private consumption—which in 2012 accounted for the greater part of regional GDP growth— weakened in several countries. However, in Chile and Argentina the sector expanded at a pace similar the one posted in 2012.

Table I.10
Latin America and the Caribbean (selected countries): year-on-year quarterly variations
in indices of commerce sector activity, January 2011-March 2013
(Percentages)

	2011				2012				2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Argentina	22.0	17.4	19.0	18.2	12.6	12.2	14.3	10.5	12.6
Belize ^a	8.9	5.4	6.7	-1.6	2.5	5.3	9.0	11.2	13.3
Bolivia (Plurinational State of)	4.0	3.1	3.5	4.3	3.7	3.7	4.2	4.1	2.6
Brazil	6.8	7.8	6.2	5.9	10.3	7.9	8.6	7.3	3.5
Chile	17.7	11.1	10.6	8.8	9.4	7.2	8.6	9.7	9.1
Colombia	5.8	6.8	6.3	5.3	5.3	4.9	3.3	2.9	2.8
Costa Rica	4.9	5.0	2.8	4.3	5.1	4.3	4.7	4.2	3.6
Dominican Republic ^a	4.3	4.2	2.5	6.9	5.7	4.4	3.7	0.8	-1.8
Ecuador ^a	6.8	7.1	8.2	8.9	5.4	4.7	4.7	2.8	...
El Salvador ^a	2.1	2.1	2.6	2.5	3.0	2.8	2.5	2.0	1.1
Guatemala ^a	3.7	5.4	5.0	1.4	3.0	1.3	1.5	4.6	...
Honduras	6.2	9.2	10.1	10.1	5.0	5.7	6.2	5.2	0.9
Jamaica ^a	0.8	1.0	0.6	1.1	0.9	1.4	0.9	-0.4	...
Mexico	2.2	3.5	3.5	4.5	5.4	4.5	3.8	1.5	-1.1
Nicaragua	9.9	9.1	3.0	3.6	10.8	7.2	9.6	6.6	...
Panama ^a	6.0	14.2	19.2	14.7	12.6	9.9	6.9	6.3	-0.9
Paraguay ^a	7.2	6.5	4.8	5.0	6.7	4.9	7.5	6.3	...
Peru	10.3	8.8	8.6	7.6	7.9	6.4	6.2	6.4	5.0
Trinidad and Tobago ^a	0.6	-1.8	-1.9	5.0	0.9	-1.9	0.1	1.0	...
Uruguay ^a	14.1	6.9	10.3	9.0	4.0	3.8	5.3	0.9	0.4
Venezuela (Bolivarian Republic of) ^a	5.6	2.5	2.7	2.9	6.1	6.9	7.0	7.3	1.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Quarterly change in sector GDP.

In the first quarter of 2013, construction sector activity indices, which reflect investment trends, had a mixed performance. These indicators showed a contraction of 1.3% in Argentina, 1.3% in Brazil, 6.5% in El Salvador, 7.3% in Honduras, 2.3% in Mexico, 2.9% in the Dominican Republic and 1.2% in the Bolivarian Republic of Venezuela while recording double-digit growth in Belize (17.9%), Colombia (16.9%), Panama (26.6%), Paraguay (18.1%) and Peru (11.9%) (see table I.11).

Industrial sector activity, despite a rebound in the fourth quarter of 2012, trended down in the first quarter of 2013, with sustained monthly declines in the first few months of the year. But some countries (Argentina, Brazil and Chile) saw partial recoveries in April (see figure I.28).

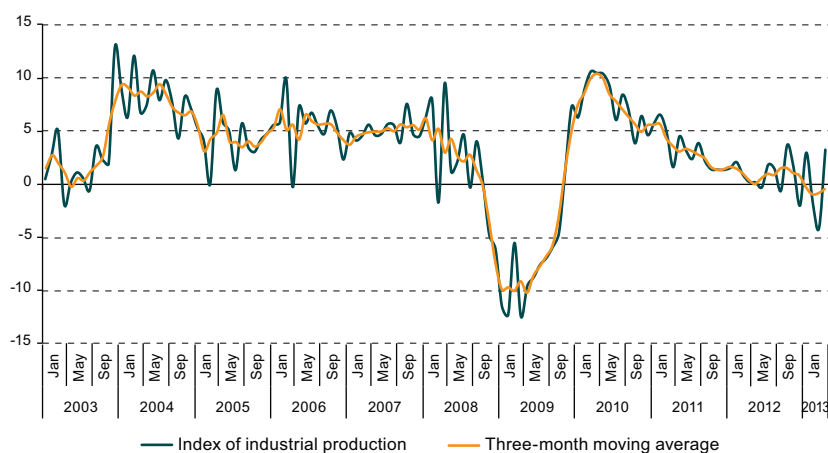
Table I.11
Latin America and the Caribbean (selected countries): year-on-year quarterly variations
in indices of construction sector activity, January 2011-March 2013
(Percentages)

	2011				2012				2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Argentina	9.8	11.2	10.4	4.1	3.5	-4.9	-6.3	-4.5	-1.3
Belize ^a	-16.3	-12.5	7.6	9.7	7.9	17.9	11.8	2.4	17.9
Bolivia (Plurinational State of)	8.1	6.3	7.4	9.4	11.5	9.6	8.6	5.9	6.6
Brazil ^a	5.5	2.3	3.8	3.1	3.3	1.5	1.2	-0.2	-1.3
Chile ^a	9.6	5.4	6.0	9.3	8.0	8.2	8.2	7.9	4.5
Colombia ^a	3.0	8.2	16.8	12.1	-1.5	10.7	-1.1	4.9	16.9
Costa Rica	-6.3	-5.8	-3.2	0.1	4.7	6.3	6.3	5.3	5.5
Dominican Republic ^a	6.6	-7.5	4.6	1.1	-0.3	-0.6	-0.3	2.7	-2.9
Ecuador ^a	12.9	21.0	26.5	25.1	27.4	17.2	9.2	5.1	...
El Salvador ^a	4.6	8.0	10.9	12.1	3.7	2.5	1.0	-1.3	-2.0
Guatemala ^a	1.0	1.9	2.0	2.4	-3.7	-1.8	2.9	3.7	...
Honduras	-0.6	-5.0	5.3	14.9	1.2	6.2	8.1	-6.8	-7.3
Jamaica ^a	0.2	1.7	1.4	0.2	-5.6	-3.4	-3.2	-2.6	...
Mexico ^a	4.7	3.1	4.5	3.7	5.4	4.9	4.0	-1.0	-2.3
Nicaragua	13.7	-3.9	6.7	9.0	3.3	7.9	-0.6	22.9	...
Panama ^a	17.4	19.7	24.5	14.8	26.7	29.1	30.3	30.3	26.6
Paraguay ^a	-8.7	-7.9	2.6	21.0	-1.1	-4.2	3.6	3.0	...
Peru	6.0	0.0	2.2	5.4	12.5	16.7	19.3	12.5	11.9
Trinidad and Tobago ^a	-0.5	-6.3	10.6	-1.8	-5.8	-5.7	16.0	-0.8	...
Uruguay ^a	7.2	1.5	10.4	6.9	16.9	31.2	14.6	13.2	1.3
Venezuela (Bolivarian Republic of) ^a	-6.8	-1.8	10.9	12.8	31.4	20.8	11.2	10.0	-1.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Quarterly change in sector GDP.

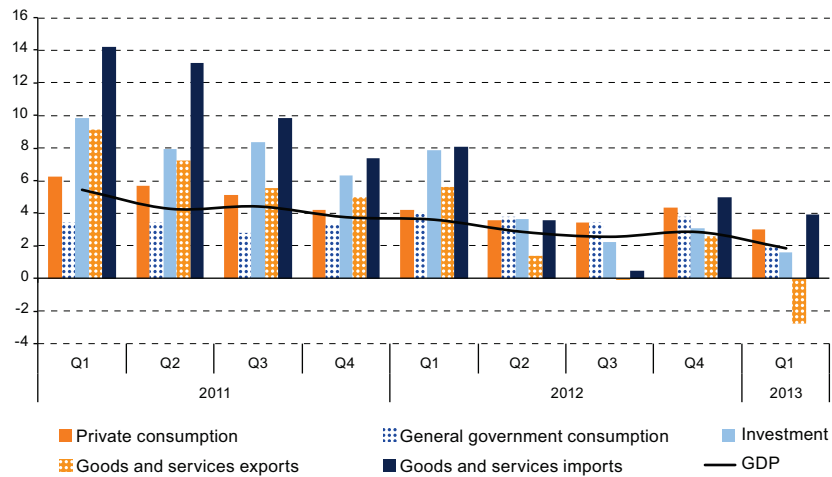
Figure I.28
Latin America and the Caribbean: index of industrial activity, January 2008-April 2013
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Economic activity sector performance was reflected in the behavior of the components of aggregate demand (see figure I.29). Private consumption grew by 3% in the first quarter of 2013. This cooldown over the same period of the previous year is a result of slower growth in employment, real wages and lending to families. The trend was the same for general government consumption, which rose by a quarterly year-on-year rate of 2%.

Figure I.29
Latin America: quarterly year-on-year change in GDP and the growth contribution
of the components of aggregate demand, January 2011-March 2013
(Percentages, in dollars at constant 2005 prices)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Gross fixed capital formation rose by 3.3% during the quarter, slightly lower than the 3.7% recorded in 2012 owing to the construction sector slowdown. The trend in domestic demand was reflected in higher goods and services import volume, which was, for the region as a whole, up 4% over the first quarter of 2012. Goods and services export volume for the region fell 2.8%. This was the pattern in all of the countries of Latin America and the Caribbean: goods and services export volume slid in seven of the nine economies for which aggregate quarterly national account information is available, with the drop ranging from 0.3% in Mexico to 11.1% in Peru.

Latin America and the Caribbean is expected to see the same rate of growth in 2013 as in 2012, around 3% despite earlier estimates in the area of 3.5%. Sagging external demand and supply-side factors in certain countries impacted goods and services exports of several of the economies of the region. Domestic demand is expected to lose momentum compared with previous years as employment and real wages post weaker growth, the unemployment rate does not improve as much and lending to the private sector cools. The outcome for the region as a whole is due in part to the slackening economic recovery in Brazil and low growth in Mexico. In addition, economic activity is slowing in a number of countries that had been growing at high rates (Chile, Panama and Peru). The exception to this trend is the Paraguay, where the economy is expected to recover nicely in comparison with the figures for 2012, on the back of surging agricultural output.

3. The employment rate does not change significantly

The labour picture during the first few months of the year and the outlook for economic growth in 2013 as a whole suggest that the employment rate will not change significantly over 2012 even though the pace of economic growth will be similar to last year's, when the employment rate rose by 0.4 percentage points. This divergence between the two periods could be due to slightly above-trend job creation in 2012, so that the decline in job creation in 2013 could be interpreted as a correction of that deviation. This could, in particular, be the result of weaker job growth in Brazil in 2013, which stands in contrast to the previous year's 0.5 percentage-point rise in the employment rate despite a meagre 0.9% economic growth figure (see figure I.30).

Figure I.30
Latin America and the Caribbean (10 countries): year-on-year variation
in employment and unemployment rates
 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Job creation dropped off sharply in Latin America and the Caribbean in the first quarter of 2013, maintaining (and to some extent deepening) the trend that ran throughout 2012. The year-on-year increase in the employment rate for the 10 countries as a whole fell from 0.5 percentage points in the first quarter of 2012 to 0.3 percentage points in the closing quarter of the year and 0.1 percentage points in the first quarter of 2013. Several countries (Argentina, Ecuador, Mexico and Uruguay) even posted a year-on-year decline in the employment rate. The partial data for the second quarter point to a deepening trend and a slight year-on-year decline in the employment rate.

Like the employment rate, the overall labour-force participation rate (which reflects the labour supply) slowed in the first quarter. While in these 10 countries as a whole the global participation rate increased by an average of some 0.2 percentage points in 2012, it flattened in the first quarter of 2013. This labour supply slowdown pushed the unemployment rate down again, to 6.7% in the first quarter against 6.9% for the same period of 2012. If the labour supply trend has been similar to the previous year's, the unemployment rate would not have decreased.

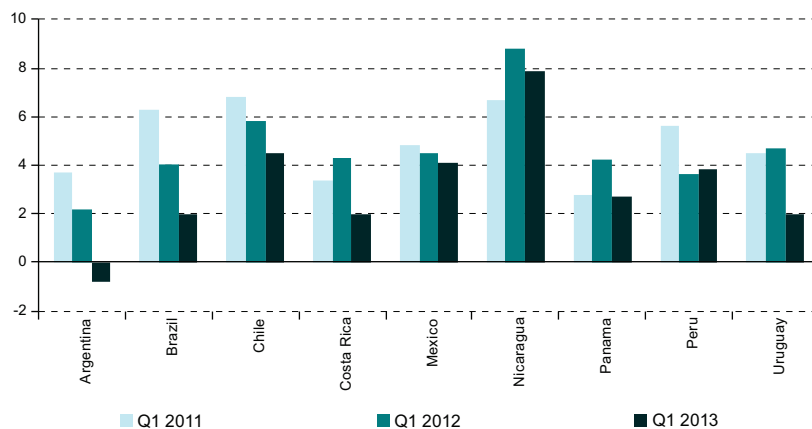
In the first quarter, the slight year-on-year decline in unemployment was once again concentrated among women. However, unlike 2012, this is due mainly to a reduction in labour-force participation rather than rising demand and employment.

While job creation has slowed, it is still concentrated in wage employment. In five of the seven countries with information available for the first quarter or for the period between January and April 2013 (the Bolivarian Republic of Venezuela, Chile, Colombia, Mexico and Peru) wage employment outpaced employment overall and increased its share of total employment. The exceptions were Brazil (where both rates were very similar in the first four-month periods of 2012 and 2013) and Argentina, where there was half-percentage-point drop in the ratio of wage workers to total workers. The fact that other occupation categories did not grow much overall despite weaker wage employment creation suggests that supply pressure in the countries (for which updated employment data are available) is relatively limited because of buoyant job creation in previous years.

4. Formal employment continues to grow, albeit more slowly, and real wages post modest gains

The slowdown in job creation is seen in formal wage employment too. With few exceptions, all of the countries with available data show year-on-year growth rates that are significantly lower than in the first quarters of 2011 and 2012. But these rates continue to be positive in all of the countries, except for Argentina (see figure I.31), where formal private employment declined throughout 2012 and inched up in the first quarter of 2013 compared with the last quarter of 2012. Nevertheless, this increase does not offset the previous decline, so the year-on-year rate remains negative.

Figure I.31
Latin America (selected countries): year-on-year variation in formal employment, first quarters of 2011, 2012 and 2013
(Percentages)

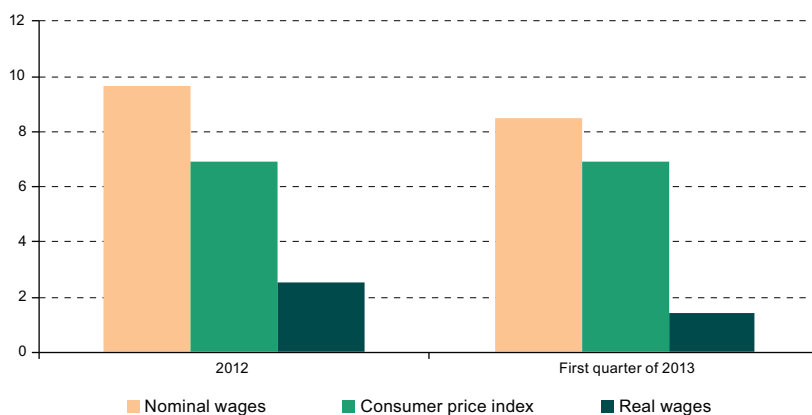


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Note: The data refer to formal employment records, except for Argentina, Panama and Peru, where they come from surveys of private-sector establishments.

The slowdown affected real wages as well, which rose less than the previous year. In the first few months of 2013, the median year-on-year increase for nine countries was 1.3% and the simple average was 1.5% (in 2012, the median was 2.6% for 11 countries and the simple average was 2.5%), owing to smaller increases in nominal wages or higher inflation in some cases (see figure I.32). The main exceptions were Chile and Colombia, where real wages grew more than in 2012 as inflation eased.

Figure I.32
Latin America (9 countries): year-on-year variation in nominal wages, consumer price index and real wages, 2012 and first quarter of 2013
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Sagging job creation and smaller increases in real wages in 2013 will likely curb labour income growth overall and thereby decrease the contribution of household demand to aggregate demand and economic growth.

E. Risks and challenges

1. Latin America and the Caribbean still face serious risks in an adverse global economic climate

The world economy could gradually start to recover but remains vulnerable to a range of factors. Growth in 2013 is projected to be similar to 2012. The outlook for 2014 is for overall growth of 3.1% as the pace of global economic growth rallies, with the exception of China. But there are still risks that could impact growth in Latin America and the Caribbean.

One of the factors that could destabilize the economies, especially in the eurozone, is the case brought before Germany's Constitutional Court in June 2013 concerning the authority of the European Central Bank in financial matters. If the appeal is won, the German court could impose conditions on German participation in the outright monetary transactions programme. This could spark uncertainty, not only in the German markets but also in the other eurozone markets and the rest of the world. Moreover, the eurozone continues to show signs of vulnerability in view of political uncertainty in Italy and the recent bailout of Cyprus. One of the main consequences of slower growth has been high unemployment rates in the eurozone, particularly in Spain and Portugal. With banks not boosting their capital levels and continuing to have weak balance sheets, the supply of credit will continue to be tight and will in some way act as a drag on consumption and investment. Meanwhile, consumption will remain constrained by fiscal adjustments and high levels of unemployment.

Looking ahead, different forecasts point to a drop in commodity prices, although there is still room for them to remain at record high levels. Among the factors are the prospects for a protracted easing of the rate of growth of the Chinese economy, in addition to a greater shift of spending in China towards consumption and away from investment. In the coming years, this could slow China's demand for raw materials and boost demand for semi- or finished products.

The short- and medium-term risk that the United States economy could pose to the world hinges primarily on its fiscal and monetary policies. On the one hand, fiscal adjustments continue to be an issue and have held back the expansion of consumption in the United States. On the other hand, monetary policy has helped to mitigate the contraction of demand and contributed to the expansion of liquidity in the world, although it has been a source of instability in the international financial markets and a factor in exchange rate-volatility in the region.

The economic slowdown in the eurozone and China affected trade in several countries of the region, widening their current account deficits. But expansionary policies in the developed countries that held interest rates very low sent foreign capital flooding into some Latin American countries, enabling them to easily fund their deficits. Countries rich in natural resources also benefited from higher raw materials prices starting in 2003. Both factors contributed to a significant accumulation of international reserves. If the United States were to wind down its monetary stimulus programme or if there were a surge in current account deficits in conjunction with a sudden and substantial decrease in global liquidity, the countries of the region would be better prepared to deal with the situation than on previous occasions, given the amount of international reserves that many of them now hold. However, this also depends on the magnitude of capital outflows and the current account deficit to be funded.

A lingering recession in the eurozone would curb the growth of exports from several countries of Latin America and the Caribbean. As table I.12 shows, the countries less exposed to the economic slowdown in the eurozone would be the Bolivarian Republic of Venezuela, the Dominican Republic, El Salvador, Guatemala, Mexico, Paraguay and the Plurinational State of Bolivia, because their share of exports to that market is smaller than the regional average of 12.6%.

The countries benefiting the most from the economic recovery in the United States would be the countries of Central America, along with Colombia, the Dominican Republic, Mexico and the Bolivarian Republic of Venezuela. As table I.12 shows, faster economic growth in Japan would bring the most trade benefits for Chile and Peru. If the cooldown in China continues, the countries with the most exposure would be Brazil, Chile, Cuba, Peru and the Bolivarian Republic of Venezuela.

Table I.12
Latin America and the Caribbean: goods exports by principal destination, 2011
(Percentages)

	Latin America and the Caribbean	United States	European Union	Japan	China	Rest of Asia	Others
Argentina	40.6	5.1	16.9	1.0	7.4	7.7	21.3
Bolivia (Plurinational State of)	59.9	9.6	8.7	5.9	3.7	4.9	7.3
Brazil	21.7	10.1	20.7	3.7	17.3	8.9	17.6
Chile	18.1	11.1	17.7	11.1	22.8	12.6	6.7
Colombia	17.3	38.1	15.6	0.9	3.5	2.2	22.5
Costa Rica	29.0	36.6	17.9	0.8	1.9	9.0	4.7
Cuba ^a	19.8	0.0	21.5	0.4	24.9	0.8	32.6
Dominican Republic	24.9	54.5	8.0	0.6	5.4	1.4	5.2
Ecuador	35.7	43.7	12.0	1.6	0.9	1.5	4.6
El Salvador	43.3	46.0	6.0	0.9	0.0	1.7	1.9
Guatemala	40.8	41.4	6.8	2.0	0.3	1.6	7.1
Honduras ^b	28.2	32.8	27.6	0.2	1.7	4.1	5.4
Mexico	7.5	78.7	5.5	0.6	1.7	2.0	4.0
Nicaragua ^b	41.2	28.7	12.1	0.0	0.0	5.3	12.7
Panama	66.4	26.3	1.5	2.0	0.3	0.7	2.8
Paraguay ^c	65.7	2.7	9.1	0.9	0.5	2.9	18.0
Peru	18.1	12.7	18.2	4.8	15.3	6.7	24.3
Uruguay	41.9	3.1	14.9	0.1	6.8	3.6	29.6
Venezuela (Bolivarian Republic of)	12.7	46.7	6.1	0.0	10.5	9.0	14.9
CARICOM	27.7	39.6	13.0	1.2	1.5	8.7	8.3
Latin America and the Caribbean	19.4	38.9	12.6	2.4	8.8	5.9	12.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Estimates using mirror statistics on imports for the countries of the region, as well as EUROSTAT.

^b Does not include maquila exports.

^c Does not include unrecorded trade.

Another way to analyze the countries' exposure to an uncertain external scenario is by means of the weighted average of GDP growth rates of their trading partners as a proxy indicator for a country's external demand. Growth rates are weighted using the export destination mix for 2010.¹¹ This exercise shows that GDP growth in the trading partners of the countries of Latin America has been losing momentum (see table I.13), going from 4.7% in 2007 to a 1.6% contraction in 2009 (the low point during the global financial crisis), climbing to 3.8% in 2011 and dropping back to 2.5% in 2013. GDP growth seems to be recovering in the trading partners of the countries of the Caribbean, going from 1.5% in 2012 to 1.7% in 2013.

Table I.13
Latin America and the Caribbean: GDP growth in trading partners by export destination in 2010, weighted average, 2007-2013
(Percentages)

	2007	2008	2009	2010	2011	2012	2013
Latin America							
Argentina	5.1	3.1	-1.0	5.0	3.5	2.5	2.8
Bolivia (Plurinational State of)	5.6	3.7	-1.0	5.4	3.6	2.1	2.6
Brazil	5.6	3.0	-0.8	4.9	4.1	2.8	2.9
Chile	6.3	3.5	0.2	5.7	4.1	3.3	3.3
Colombia	4.0	1.9	-1.8	3.5	3.2	2.8	2.4
Costa Rica	3.8	1.4	-2.2	3.2	2.9	2.6	2.2
Cuba	6.7	3.8	-2.1	2.3	3.8	3.4	1.9
Dominican Republic	3.0	0.5	-1.7	1.4	2.8	2.2	2.6
Ecuador	5.2	3.1	-1.7	3.9	4.1	3.8	2.9
El Salvador	4.6	2.2	-1.8	3.1	3.4	3.1	2.7
Guatemala	4.2	1.9	-2.5	3.1	3.1	3.0	2.5
Honduras	3.5	1.0	-2.6	2.9	2.5	2.0	1.8
Mexico	2.5	0.3	-2.7	2.8	2.2	2.3	1.9
Nicaragua	4.2	1.6	-2.8	2.3	2.8	2.7	1.8
Panama	3.5	0.8	-2.6	3.2	2.6	2.1	1.8
Paraguay	5.8	4.6	-0.7	6.1	4.7	2.8	3.0
Peru	5.1	2.7	-0.7	4.4	3.6	2.8	2.6
Uruguay	5.6	3.5	-1.6	5.1	3.7	2.0	2.7
Venezuela (Bolivarian Republic of)	4.1	1.6	-1.1	3.8	3.1	2.8	2.7
Subtotal	4.7	2.3	-1.6	3.8	3.4	2.7	2.5
The Caribbean							

¹¹ ECLAC uses the same basket to calculate the real effective exchange rate.

Table I.13 (concluded)

	2007	2008	2009	2010	2011	2012	2013
Antigua and Barbuda	4.0	1.9	-2.2	2.6	2.7	2.4	2.2
Bahamas	2.3	0.0	-2.9	2.5	2.0	2.1	1.8
Barbados	3.3	0.8	-2.8	1.4	1.4	1.6	1.8
Belize	2.5	0.1	-3.1	2.5	1.9	2.2	1.8
Dominica	3.6	1.6	-4.4	-0.6	0.8	0.6	1.7
Grenada	3.4	2.5	-3.0	0.8	1.0	0.5	1.5
Guyana	3.0	0.7	-3.0	2.0	1.9	1.5	1.4
Jamaica	2.6	0.3	-3.3	2.4	1.9	1.7	1.5
Saint Kitts and Nevis							
Saint Lucia	3.3	0.7	-3.3	1.2	0.6	1.4	1.7
Saint Vincent and the Grenadines	3.7	2.2	-3.0	0.3	0.6	0.9	1.9
Suriname	2.8	0.8	-2.8	2.5	2.1	1.4	1.3
Trinidad and Tobago	3.0	0.7	-2.3	2.5	2.3	2.1	1.9
Subtotal	3.1	1.0	-3.0	1.7	1.6	1.5	1.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

2. The fiscal space for facing the threat of a negative international economic scenario has expanded in many countries

As ECLAC has documented, during the 2008 crisis Latin America and the Caribbean as a whole announced an expansion of public spending, especially social spending and public investment. The available data show that the timing and scope of these announcements were different (see table I.14). In 2009, on average, the spread between primary public expenditure and GDP growth rates was very positive (6.5 basis points) but varied widely. In Argentina, Chile, Colombia, Costa Rica, El Salvador, Haiti, Paraguay and Peru, the spread was significantly higher than the average. In the Bolivarian Republic of Venezuela, Brazil, Cuba, Ecuador, Mexico, Nicaragua and Panama, this indicator showed a spending response that was more procyclical or neutral.

Table I.14
Latin America: spread between real growth rates of primary spending and GDP, 2009-2012
(Basis points)

	2009	2010	2011	2012
Argentina	18.0	9.1	5.4	3.5
Bolivia (Plurinational State of)	4.2	-12.3	12.9	0.5
Brazil	1.5	3.6	-3.1	4.8
Chile	15.8	-6.3	-3.1	-0.3
Colombia	9.9	-9.2	4.0	2.1
Costa Rica	13.1	14.7	-5.4	1.4
Cuba	-3.3	-10.0	-0.1	-15.1
Dominican Republic	-17.1	-4.3	-1.7	19.4
Ecuador	0.9	22.1	-2.6	12.0
El Salvador	12.2	2.2	0.7	0.2
Guatemala	4.0	2.2	1.0	-4.1
Haiti	8.5	7.8	-12.8	15.6
Honduras	5.7	-8.3	-9.9	-1.5
Mexico	1.5	-1.1	0.4	-1.6
Nicaragua	0.9	-3.5	-0.4	2.6
Panama	3.8	10.5	0.0	-13.1
Paraguay	33.7	-13.0	6.3	26.2
Peru	8.0	0.0	0.0	-1.3
Uruguay	5.2	1.1	-3.8	4.7
Venezuela (Bolivarian Republic of)	2.9	-14.4	13.8	-18.4
Latin America	6.5	-0.5	0.1	1.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The international financial crisis that began in 2008 marked a break with the traditional procyclical behaviour of fiscal policy in that impacts from the international environment (such as the terms-of-trade decline and the reversal of capital flows) were felt heavily in public spending and turned the public sector into a sounding board for external fluctuations. Although the countries have withdrawn fiscal stimulus measures in different ways and to different extents, the pace of growth in expenditure began to slow in 2010 as the economies of the region recovered.

In 2013, the potential for a very negative external scenario resulting from financial volatility or a new external shock (sparked by the announcement of an eventual withdrawal of monetary stimulus in the United States and the economic slowdown in China) that could reverse financial flows and put an end to favourable commodity prices again raised the dilemma of fiscal policy direction.

The still-moderate decline in commodity prices presages very negative effects on public revenues in some countries. Three kinds of measures have been implemented to address this situation: (a) counteract by cutting spending (in a zero-deficit approach); (b) increase certain domestic tax rates; and (c) accept the resulting deficit (allowing automatic stabilizers to operate freely). So far, and considering that these fluctuations are rather modest, the countries have responded with a combination of measures that could potentially work against primary balance targets, tax activism in several countries and expenditure containment in others. In countries where growth has slackened the most, there has been a fourth kind of measure involving announcements of increased public spending in investment and tax exemptions aimed at stimulating economic growth.

The capacity to respond to a negative scenario depends critically on whether the downturn is considered temporary or permanent and on the available fiscal space. If the drop in commodity prices is considered permanent, reforms must be structural (and aimed at diversifying the production system in order to reduce external dependence on the price of a handful of products) and fiscal policy should be geared towards changing sources of tax revenue to regain balance in the medium term while fostering structural change that boosts productivity and production diversification, as highlighted in Part II of this report. In other words, if the lower prices are permanent there would be little room for countercyclical policies such as increasing the deficit and public debt for a limited period.

There would be much more fiscal space, though, if the slowdown is considered temporary. In this regard, it is useful to examine the current fiscal situation taking 2007 (the last year of the previous terms-of-trade boom) as the baseline. It is often said that fiscal space has shrunk since then, but as table I.15 shows, the situation varies depending on the country.

In South America and Mexico, total revenue rose by an average of one percentage point between 2007 and 2012 while total expenditure increased by an average of 3.3 percentage points. In Argentina, Ecuador, Paraguay and the Plurinational State of Bolivia there has been a significant increase in both revenue and expenditure. The pattern has been different in other countries, with revenue falling (sharply in the Bolivarian Republic of Venezuela and Chile and less so in Peru and Uruguay) or inching up (Brazil, Colombia, Mexico). In several countries, the jump in expenditure in 2009 was followed by periods of withdrawal of fiscal stimulus measures.

While the overall balance decreased by 2.3 percentage points between 2007 and 2012, public debt decreased by 3.4 percentage points. This apparent contradiction is due primarily to a positive spread between the economic growth rate and interest rates paid on the public debt (which lightens the debt burden), as well as national-currency appreciation during the period (which reduces the local-currency value of external public debt and its ratio to GDP).

The picture is different in Central America, where total revenue slid 0.8 percentage points and expenditure rose by 1 percentage point, with the overall balance deteriorating by 1.9 percentage points. The downturn in revenue has been particularly marked in the Dominican Republic, Honduras and Panama; the increase in expenditure was steepest Costa Rica, the Dominican Republic, El Salvador and Panama. This subregion saw a modest increase in public debt as a percentage of GDP.

In the Caribbean revenue fell slightly, by an average 0.2 percentage points, although the situation varied widely among the 13 countries (revenue rose in seven countries and fell in the rest). Expenditure was up by 1.4 percentage points. As a result, the deficit widened by 1.6 percentage points and the overall balance was equivalent to 3.4% of GDP in 2012. In general (except in Belize and Dominica), the debt-to-GDP ratio rose, although debt remains low in some countries (such as Suriname and Trinidad and Tobago).

Table I.15
Latin America and the Caribbean: central government fiscal balance, 2007 and 2012
(Percentages of GDP)

	Total revenue		Total expenditure		Overall balance		Public debt	
	2007	2012	2007	2012	2007	2012	2007	2012
South America and Mexico								
Argentina	18.2	23.3	17.5	25.7	0.6	-2.4	55.7	38.2
Bolivia (Plurinational State of)	32.7	35.1	30.5	33.3	2.3	1.8	37.1	31.3
Brazil	23.2	24.3	25.1	26.3	-1.9	-2.0	58.0	59.3
Chile	25.6	21.9	17.8	21.4	7.8	0.6	3.9	10.2
Colombia	15.0	16.1	17.7	18.4	-2.7	-2.3	32.9	32.1
Ecuador	16.6	23.1	16.8	25.1	-0.1	-2.0	24.7	22.0
Mexico	15.2	15.9	17.1	18.5	-1.9	-2.7	20.9	28.8
Paraguay	15.6	18.8	14.8	21.5	0.9	-2.7	16.5	10.9
Peru	18.2	18.1	16.6	16.9	1.6	1.2	26.2	17.7
Uruguay	21.0	20.5	22.6	22.5	-1.6	-2.0	50.0	39.1
Venezuela (Bolivarian Republic of)	28.6	23.4	25.6	28.3	3.0	-4.8	17.8	15.7
Average (11 countries)	20.9	21.9	20.2	23.4	0.7	-1.6	31.2	27.8
Central America, Haiti and Dominican Republic								
Costa Rica	15.5	14.4	14.9	18.8	0.6	-4.4	27.6	35.3
Dominican Republic	17.7	14.0	17.6	19.3	0.1	-5.4	18.3	33.3
El Salvador	14.8	15.8	15.0	17.5	-0.2	-1.7	34.9	45.7
Guatemala	12.8	11.6	14.3	14.0	-1.4	-2.4	21.3	24.3
Haiti	11.3	13.3	12.9	14.2	-1.6	-1.0	33.6	28.2
Honduras	19.1	17.1	22.2	20.0	-3.1	-2.9	17.4	33.5
Nicaragua	17.8	17.7	17.5	15.9	0.3	1.7	32.4	31.4
Panama	19.2	17.7	18.0	21.2	1.2	-3.5	52.3	38.4
Average (8 countries)	16.0	15.2	16.6	17.6	-0.5	-2.4	29.7	33.8
The Caribbean								
Antigua and Barbuda	21.5	20.4	27.3	21.8	-5.8	-1.4	81.1	89.4
Bahamas	18.2	18.4	19.9	24.7	-1.6	-6.2	36.9	54.5
Barbados	27.2	29.2	28.6	34.5	-1.4	-5.3	51.7	78.7
Belize	30.6	26.6	30.4	27.1	0.2	-0.5	83.6	77.6
Dominica	33.2	27.2	34.1	39.2	-0.9	-12.0	81.2	72.7
Grenada	21.9	22.8	27.2	26.6	-5.3	-3.8	82.9	88.6
Guyana	26.0	24.7	30.5	29.4	-4.5	-4.7	60.0	62.0
Jamaica	29.0	26.1	33.2	31.2	-4.3	-5.1	113.0	133.3
Saint Kitts and Nevis	31.4	37.2	33.2	29.9	-1.8	7.2	134.6	129.3
Saint Lucia	23.3	26.2	25.2	33.4	-1.9	-7.2	64.7	71.0
Saint Vincent and the Grenadines	25.2	25.4	27.6	27.3	-2.5	-1.8	55.5	67.0
Suriname	29.4	26.9	24.3	29.5	5.0	-2.6	23.0	30.0
Trinidad and Tobago	28.9	31.8	27.5	33.1	1.4	-1.3	28.8	39.8
Average (13 countries)	26.6	26.4	28.4	29.8	-1.8	-3.4	69.0	76.4

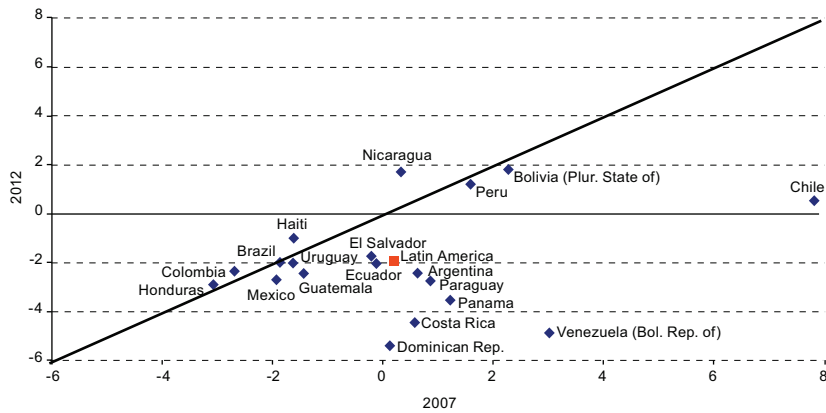
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

In short, while the public balance has, on average, deteriorated from the high point in 2007 (see figure I.33), in many Latin American countries public debt is at lower levels than in previous crises (see figure I.34). Gross debt as a percentage of GDP declined between 2007 and 2012 in Argentina, Colombia, Ecuador, Haiti, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay (by 10 points or more in some cases). By contrast, public debt has inched up in Chile, Brazil, Costa Rica, El Salvador, Guatemala, Honduras, Mexico and the Dominican Republic.¹² The same happened in 10 of the 13 countries of the Caribbean, but the starting point was much higher (see figures I.34 and I.35).

It would seem that the ability to fund these deficits and debts is more important than their absolute values; this is where the largest differences between countries (and compared with 2007) lie. This ability depends, in part, on the extent of financial integration of the economies, which has benefitted new countries. In a number of countries the rates paid on bond issues have fallen drastically, and some have reached record lows (in others, sovereign bonds have been issued for the first time). In view of all of this it can be said that, in a number of economies, the starting point is better than in the 2008 crisis and the fiscal space has expanded.

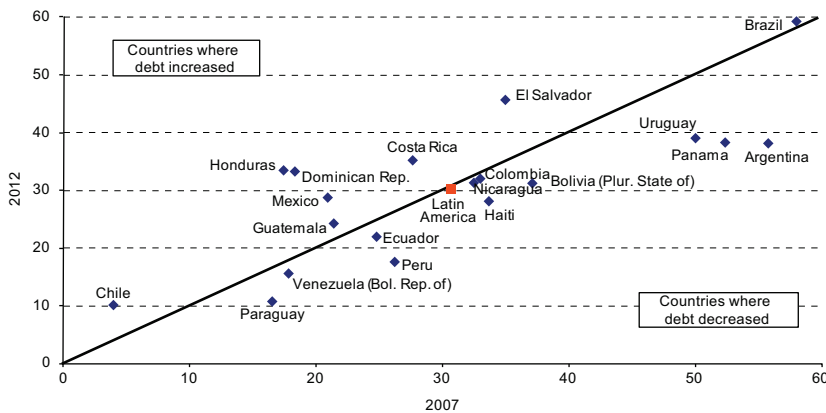
¹² Although few countries have information on the net financial asset (debt) position of the public sector, in Brazil it rose from 45% GDP in 2007 to 34% of GDP in 2012. Chile went from a negative 9.6% to a positive 0.6%. These and other countries have significant financial assets deposited in the central bank in Brazil and sovereign wealth funds in Chile. In Peru, the Fiscal Stabilization Fund has built up considerably in recent years to stand at more than US\$ 7 billion as of December 2012, or the equivalent to 3.4% of GDP.

Figure I.33
Latin America: central government overall public balance, 2007 and 2012
(Percentages of GDP)



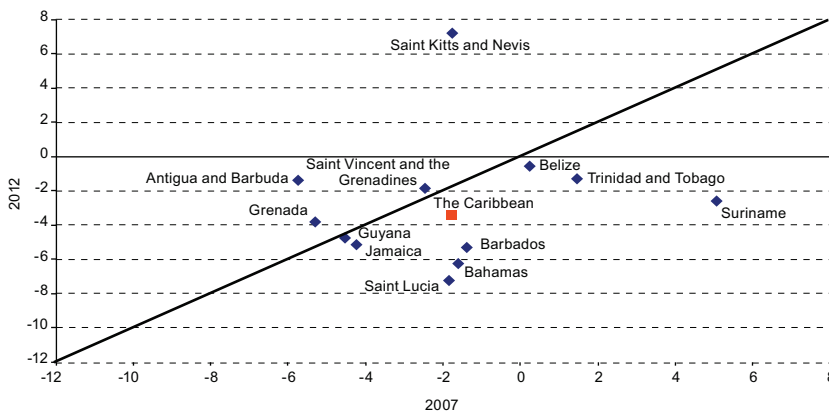
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Figure I.34
Latin America: central government public debt, 2007 and 2012
(Percentages of GDP)

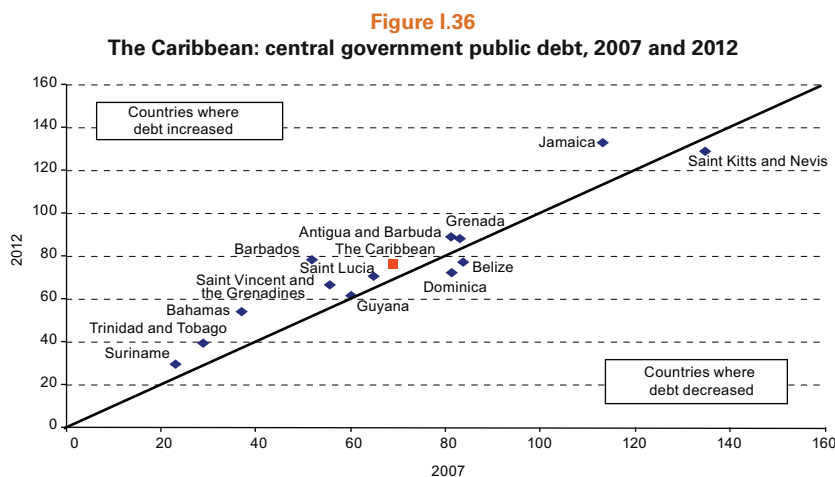


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Figure I.35
The Caribbean: central government overall public balance, 2007 and 2012
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures..



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

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Part II

Three decades of uneven and unstable growth

Growth in Latin America and the Caribbean between 1980 and 2012: stylized facts

- A. Between 1980 and 2012: gains —though uneven and insufficient— in economic growth and equality
- B. The growing role of external variability as a growth determinant
- C. Insufficient and variable capital accumulation and financing
- D. Gradual strengthening of the fiscal accounts
- E. Lower inflation and flexible exchange-rate regimes
- F. A dramatic change in the region's international macroeconomic position

Conclusions

Bibliography

Introduction

This chapter gives an account of the main stylized facts regarding growth and inequality over the past three decades (1980-2012) in Latin America and the Caribbean. Dramatic changes have occurred in policies, institutions and economic and social performance over this period. The changing patterns of GDP and inequality are examined, contrasting the more favourable performance over the past decade with that of the two before, and changes in the way external constraints or variables have shaped growth are analysed. Attention is given, as well, to the region's inadequate capital formation and sources of financing, especially public and private domestic saving, again with an emphasis on developments over the past decade. Next, progress in reducing inflation and strengthening the fiscal accounts is reviewed, along with the main changes in the way the region's economies engage with the global economy, through trade, remittances, finance and investment.

A. Between 1980 and 2012: gains —though uneven and insufficient— in economic growth and equality

The region's external environment began to change rapidly in the first decade of the 2000s, producing periods of sustained growth for a number of countries. Taking a long-term view, however, the growth performance of the Latin American and Caribbean region in the past 32 years has not been so encouraging. Table I.1 shows how per capita GDP has evolved, with the countries ranked by the average growth in this indicator in the last five-year period (2008-2012) compared with the average for the 1980s. The first observation is that the region has performed very poorly in these three decades, at least from the perspective of much of the Latin American and Caribbean population, since the average annual gain in per capita GDP during these 32 years has been less than 2% for 91.7% of the population, and less than 1% for 32.0%.

The second observation is that for a large number of countries (those shaded in table I.1) —in fact, representing 76.7% of the region's population in 2010— economic growth was insufficient to produce convergence with the per capita GDP of the developed countries (see table I.2). These countries also show cumulative growth below the regional average (54.1%) between the 1980s average and 2008-2012. The countries representing the remaining 23.3% of the population did manage to narrow the gap with the developed countries, but even the fastest-growing were unable to match the per capita GDP growth rates seen in emerging Asia.

Table I.1
Latin America and the Caribbean: indicators of per capita GDP growth, 1980-2012^a
(Dollars at constant 2005 prices)

	Per capita GDP				Percentage variation between averages for 1980-1989 and 2008-2012 (percentages)	Coefficient of variation of annual growth rates, 1980-2012 (absolute values) ^b
	Average 1980-1989	Average 1990-1999	Average 2000-2007	Average 2008-2012		
Countries with cumulative annual per capita GDP growth of 1% or less (32.0% of the region's population at 2010)						
Haiti	698	519	467	455	-34.8	2.8
Nicaragua	1 236	933	1 125	1 267	2.4	139.4
Bahamas	20 880	20 651	24 106	22 240	6.5	6.8
Venezuela (Bolivarian Republic of)	5 714	5 559	5 290	6 256	9.5	245.5
Paraguay	1 438	1 555	1 480	1 682	17.0	4.8
Barbados	12 425	12 495	14 205	14 971	20.5	4.9
Jamaica	3 370	4 117	4 154	4 108	21.9	6.6
Guatemala	1 808	1 909	2 148	2 293	26.8	4.9
Suriname	2 802	2 467	2 681	3 559	27.0	7.7
Mexico	6 532	6 863	7 898	8 333	27.6	3.4
Countries with cumulative annual per capita GDP growth of 1% - 2% (59.7% of the region's population at 2010)						
Cuba	3 793	2 776	3 543	4 930	30.0	4.9
Ecuador	2 653	2 702	2 918	3 483	31.3	3.2
Honduras	1 156	1 200	1 359	1 542	33.4	3.7
Bolivia (Plurinational State of)	890	916	1 018	1 206	35.6	5.0
Brazil	4 047	4 172	4 635	5 539	36.9	2.8
Peru	2 586	2 248	2 751	3 854	49.0	4.0
Colombia	2 550	3 060	3 305	3 995	56.6	1.3
Argentina	3 948	4 230	4 534	6 312	59.9	3.9
Countries with cumulative annual per capita GDP growth of 2% - 3% (3.6% of the region's population at 2010)						
El Salvador	1 799	2 177	2 742	2 976	65.4	5.7
Guyana	1 262	1 485	1 815	2 171	72.1	2.9
Saint Lucia	3 508	5 066	5 506	6 156	75.5	1.8
Costa Rica	3 029	3 619	4 503	5 404	78.4	2.1
Uruguay	3 779	4 647	4 979	6 779	79.4	2.4
Antigua and Barbuda	6 569	10 392	11 753	11 950	81.9	2.0
Belize	2 221	2 959	3 798	4 068	83.1	1.9
Panama	3 520	3 789	4 677	6 856	94.8	1.7
Trinidad and Tobago	7 170	6 364	11 176	14 190	97.9	3.0
Caribbean with cumulative annual per capita GDP growth of over 3% (4.7% of the region's population at 2010)						
Dominican Republic	2 199	2 589	3 573	4 722	114.7	1.3
Dominica	2 816	4 179	5 151	6 366	126.0	0.9
Grenada	2 889	4 047	6 109	6 559	127.1	1.7
Saint Vincent and the Grenadines	2 258	3 470	4 828	5 521	144.5	0.8
Chile	3 493	5 458	7 238	8 760	150.8	1.4
Saint Kitts and Nevis	4 257	7 640	10 382	10 817	154.1	1.3
Latin America and the Caribbean	3 918	4 432	5 329	6 040	54.1	1.2
Latin America	2 820	3 046	3 509	4 332	53.6	2.3
The Caribbean	5 681	6 474	7 940	8 488	49.4	1.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a The shading indicates those countries whose economic growth was insufficient to bring about convergence with the per capita GDP of developed countries.

^b Calculated as the absolute value of the ratio between the standard deviation of growth rates between 1980 and 2012, and the average of those rates.

Table I.2
Selected countries: indicators of per capita GDP growth, 1981-2012
(Dollars at constant 2005 prices)

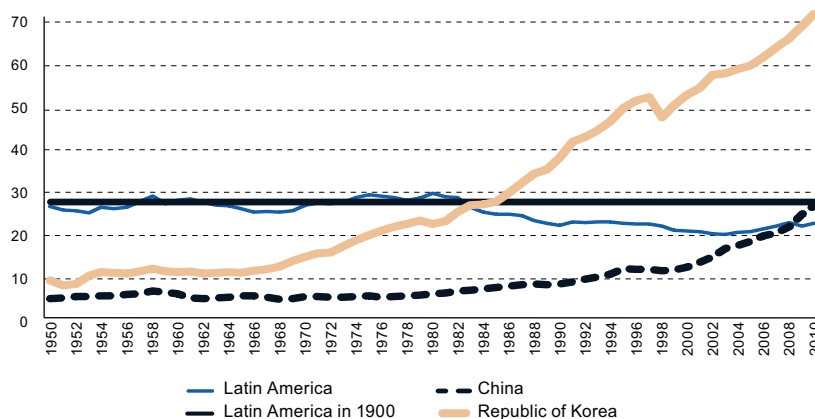
	Per capita GDP		Percentage variation between averages for 1980-1989 and 2008-2012 (percentages)	Coefficient of variation of annual growth rates, 1980-2012 (absolute values) ^a
	Average 1981-1989	Average 2008-2011		
United States	28 276	42 159	49.1	1.2
European Union (15 countries)	20 529	30 865	50.3	1.0
Spain	16 500	27 320	65.6	1.0
Portugal	12 917	21 652	67.6	1.4
Republic of Korea	7 354	26 238	256.8	0.6
China	806	6 230	672.9	0.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures provided by the Organisation for Economic Cooperation and Development (OECD).

^a Calculated as the absolute value of the ratio between the standard deviation of growth rates between 1980 and 2012, and the average of those rates.

Figure I.1 shows the per capita GDP performances of Latin America and emerging Asia as percentages of United States per capita GDP. During much of the period 1980-2010, Latin America's per capita GDP fell as a percentage of that of the United States. And although it began to pick up slightly in 2002, the region's per capita GDP still represented less of the United States figure than it had in the early twentieth century. By contrast, China and the Republic of Korea have seen much more rapid convergence in recent decades.

Figure I.1
Latin America, Republic of Korea and China: per capita GDP compared with per capita GDP of the United States, 1950-2010
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Jutta Bolt and Jan Luiten van Zanden, "The First Update of the Maddison Project: Re-Estimating Growth Before 1820", 2013.

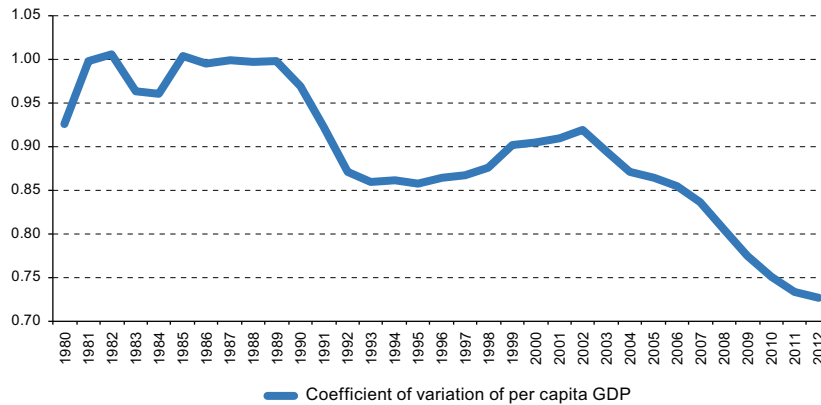
The third observation is that there is no common pattern, a priori, in terms of production of export specialization, size or geographical location by which to identify types of countries that achieve a better long-term performance. The better- and worse- performing economies include the full range of exporters: of natural resources, manufactures, services and agricultural goods. None of the larger and more diversified economies is among the fastest-growing, but this does not amount to a systematic pattern in itself because many other major differences exist between these economies.

Fourth, the coefficient of variation for GDP growth¹ throughout the period 1980-2012 throws up another stylized fact: as the coefficient falls (that is, the less variable growth is) the better the long-term performance. This holds even for those countries which achieved greater convergence with the developed countries (see table I.2). This would seem to suggest that, since structural factors act as key determinants of economic performance, other factors, like institutionality and policy style, are involved in explaining differences between countries.

¹ The coefficient of variation for GDP growth is used here as a measure of growth variability. It is estimated by measuring the absolute value of the ratio between the standard deviation of growth rates for 1980-2012 and the average of these rates.

The fifth observation is that the growth rates of the region's countries initially became more disparate, then converged somewhat in the last decade. The various critical episodes the region has traversed in these three decades affected the countries in very different ways. The great disparity between countries in terms of per capita GDP in the 1980s began to ease only with the onset of the hesitant recovery in the early 1990s. This process was then cut short by the various crises which hit the region from 1995 on, and disparity between countries sharpened again. After 2000, especially during the commodity price booms which supported higher growth rates for several years running in a number of countries, the disparity narrowed significantly (see figure I.2).

Figure I.2
Latin America: disparity between countries in per capita GDP, in dollars at constant 2005 prices, 1980-2012
(Coefficient of variation)^a



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

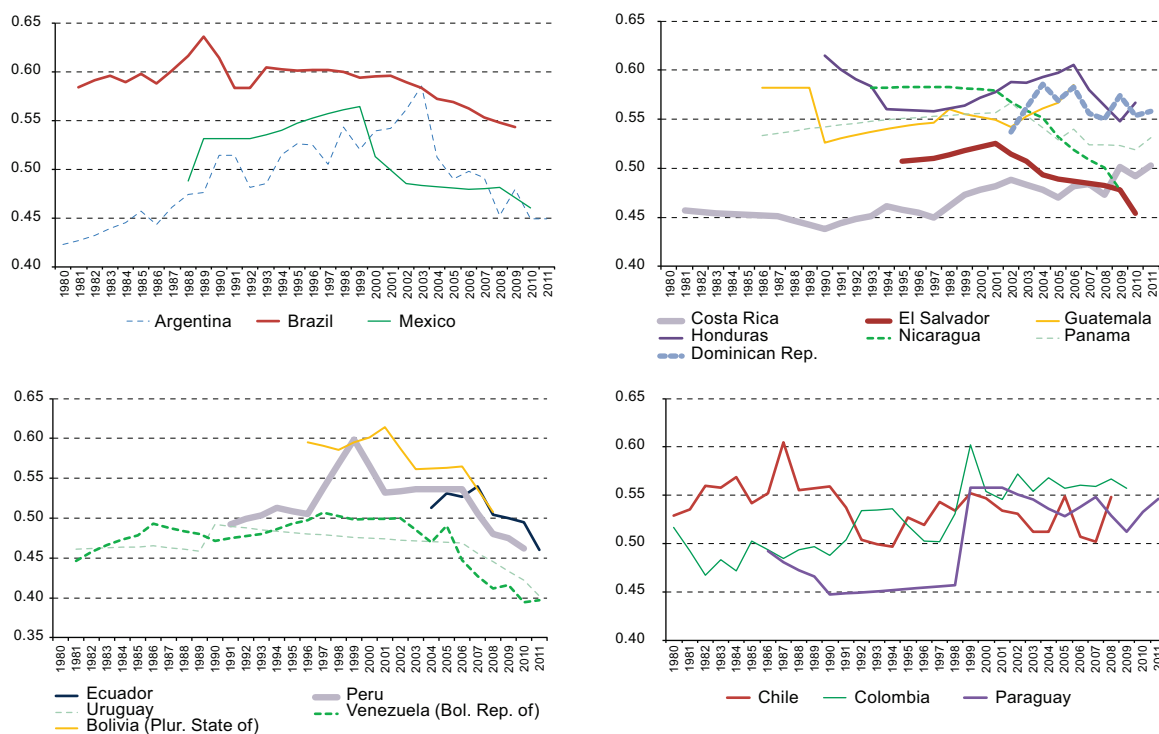
^a Calculated as the absolute value of the ratio between the standard deviation of growth rates between 1980 and 2012, and the average of those rates.

Sixth, income inequality —measured by the Gini coefficient— and poverty first rose but then began to improve in most of the countries in the last decade. Figure I.3 shows how income concentration evolved in 18 countries of the region between 1980 and 2011. Although the information is not uniformly available for the whole period, there are certain patterns. Distribution worsened overall in the 1980s and 1990s, when income concentration rose in 12 countries, including in the region's three largest economies. As will be discussed in the next section, this was a period of crisis, unstable growth and high inflation and unemployment. Starting in 1998, then more firmly after 2000, income concentration eased and the Gini coefficient fell in 13 countries between 2000 and 2011. Over this period several of the region's countries enjoyed surges in disposable national income, thanks to terms-of-trade gains (as discussed in chapter II), steadily higher rates of growth and employment, and falling inflation.

The potential of terms-of-trade gains to improve income distribution by generating higher income is illustrated by the downtrend in the Gini coefficient in hydrocarbons-exporting countries starting in 2000 (see figure I.3). But, as the figure also illustrates, this may not be enough. Colombia and Chile, whose terms of trade rose considerably, enjoyed high rates of economic growth and single-digit inflation, but showed no clear improvement in income concentration over that period.

Lastly, trends in income distribution and poverty reduction in 2003-2011 were shaped, albeit with variations between countries, by developments in the labour market, transfers to households and institutional changes. In particular, quality employment increased, as did average wages, and these two things benefited lower-income households more, proportionally, than higher-income households. A breakdown of income by ECLAC shows that in the Bolivarian Republic of Venezuela, Colombia, Costa Rica, El Salvador and Nicaragua, labour income variations accounted for at least 90% of total income variation per adult. But 50% of the reduction in income inequality in Chile, the Dominican Republic, Ecuador, Paraguay and Uruguay, and 40% in Argentina and Brazil, were attributable to distributive changes in non-labour income (ECLAC, 2011a). Wage trends per employee in this period may have reflected the increasing supply of skilled workers and the rising demand for unskilled workers associated with the expansion of the non-tradables sector (Gasparini and others, 2011; Lustig and others, 2011). This, together with policies of transfers to low-income households and institutional changes such as minimum wage policies and promotion of labour formalization, contributed to improvements in income distribution (Cornia, 2011).

Figure I.3
Latin America (18 countries): Gini coefficient, 1980-2011



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and O. Altimir, "Indicadores de desigualdad de mediano plazo en América Latina", Santiago, Chile, 2013, unpublished.

Nevertheless, the region continues to be highly unequal, distributively speaking. In Latin America, the richest 10% of the population captures 32% of total income, while the poorest 40% receives only 15% (ECLAC, 2013). Inequality levels are lower in the Caribbean, however (Rosado, 2013). Distributive improvements contributed to one of the more important recent achievements in Latin America and the Caribbean: the fall in poverty rates, which occurred across the board in the region, although not to the same extent in all the countries. Poverty trends have fluctuated in the region over the past few decades, heavily tracking the business cycle. As well as the impact of the business cycle on poverty rates, this reflects the varying scopes of policies adopted during those cycles.

The 1980s was the lost decade in the region not only in economic terms, but also as regards poverty. By the end of the decade, the poverty rate in Latin America had risen from 40.5% to 48.4%: in other words, almost one in two Latin Americans was poor. The indigence rate rose from 18.6% to 22.6% in that period (see table I.3). In absolute terms, the poor numbered 200 million in 1990 and the indigent, 93 million, or 50% more than in 1980. Amid declining well-being, the policy of fiscal restraint adopted in response to the debt crisis worsened the social situation.

Poverty rates receded slightly in the period 1990-2002, thanks to somewhat higher economic growth than in the 1980s. But growth was unstable and buffeted by severe crises in the region's larger countries. In 2002-2008, with disposable national income rising on the back of a boom in export prices, poverty and indigence levels fell in most of the region's countries. The economic growth in this period boosted employment levels and this, together with a slight rise in real labour income, helped to reduce poverty and indigence, aided further by policies of transfers to the poorest households. Economic growth was the most important factor in reducing poverty and indigence in the period analysed. Distributive improvements played their part too, however, accounting for over half of the fall in poverty and indigence in Brazil, Chile, Costa Rica, El Salvador, Panama and the Plurinational State of Bolivia (ECLAC, 2013). Together, these factors led to a drop of almost 25% in poverty and 33% in indigence in Latin America. In both cases, the rates were lower in 2008 than in 1980. Much of the reduction in poverty and indigence in this period occurred in urban areas, reversing the rise in urban poverty of earlier periods.

Table I.3
Latin America: poverty and indigence, 1980-2012^a
(Percentages of the population under the poverty and indigence lines)

	Total poverty	Total indigence	Urban poverty	Rural poverty	Urban indigence	Rural indigence
1980	40.5	18.6	29.8	59.8	10.6	32.7
1986	43.3	20.7	35.5	59.9	13.5	36.0
1990	48.4	22.6	41.4	65.2	15.3	40.1
1994	45.8	20.9	38.8	64.4	13.7	40.1
1997	43.5	19.0	36.4	63.8	12.2	38.3
1999	43.8	18.6	37.1	64.1	12.0	38.7
2002	43.9	19.3	38.3	62.4	13.4	38.4
2005	39.7	15.4	34.0	59.8	10.3	33.3
2006	36.2	13.3	30.9	55.2	8.5	30.4
2007	34.0	12.5	28.8	53.0	8.0	28.9
2008	33.5	12.9	27.7	55.0	8.1	31.0
2009	32.8	13.0	27.2	54.3	8.3	31.0
2010	31.0	12.1	25.5	52.4	7.6	29.5
2011	29.4	11.5	24.2	49.8	7.2	28.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

^a Estimate for 18 Latin American countries plus Haiti.

The global financial crisis of 2008-2009 hurt economic growth, but thanks to a number of factors (including rising real wages, countercyclical policies adopted in several countries and a rapid resumption of growth) poverty did not rise in this period, and in the following years resumed its downtrend to reach 28.8% in 2012 (ECLAC, 2013).

In the English-speaking Caribbean, comparative analysis of poverty levels presents some difficulties, because of the lack of standardized information in the subregion. The highest rates, of around 40%, occur in Belize and Grenada, with rates of around 30% in Saint Lucia, Dominica and Saint Kitts and Nevis. Antigua and Barbuda, the British Virgin Islands, Trinidad and Tobago and, especially, Anguilla and the Cayman Islands have poverty rates below the Latin American average (Rosado, 2013).

B. The growing role of external variability as a growth determinant

1. The 1980s: debt crisis

The 1980s, often referred to as the lost decade in terms of the region's growth, were marked by the outbreak of the debt crisis that began in Mexico in 1982. Several of the region's countries had run up large public and private external debts with international banks, especially in the United States, within a short period of time. This had been preceded by growing financial account liberalization in the framework of fixed or managed exchange-rate regimes, which facilitated overindebtedness by creating implicit guarantees. What was, in retrospect, over-exposure of international commercial banks, particularly those of the United States, to Latin American debt, led to several of the region's countries being unable to service their debt when United States interest rates rose amid international recession (1979) and the region's terms of trade deteriorated (Devlin 1989). Changing global financial conditions following the interest rate rise in the United States triggered a sharp capital flow reversal, and thus the solvency crisis which several countries were already experiencing was compounded by an external liquidity crisis.

The sudden dry-up of voluntary external financing, the conditionalities associated with external debt negotiations —reflected in stabilization and structural adjustment processes— and the liabilities arising from temporary payment suspensions and renegotiations of external debt led to massive devaluations, with the resulting impact on inflation and real income. Around 6% of the region's GDP per year was transferred outside the region for much of the decade. The reduction in imports needed to generate a trade surplus, together with the general uncertainty caused by these adjustment processes, led to a drop in public and private investment, and even in

consumption, and productivity and much longer-term growth capacity (potential GDP) deteriorated seriously in most of the countries. Several of the region's economies contracted heavily in the early part of the 1980s, leading to high unemployment and climbing poverty rates.²

As terms of trade declined and the region became perceived as financially unstable in the 1980s, access to external private financing became problematic even for countries which did not have difficulties in servicing their external debt, including some Central American countries, Colombia and Paraguay. In Central America net resource flows remained positive, thanks to official bilateral or multilateral financial cooperation.³ Other countries, including Chile and Colombia, also had access to such flows, and in the latter case this helped to prevent macroeconomic performance from turning as negative as in other cases. The English-speaking, services-exporting Caribbean countries experienced slow growth owing to the global recession, although they suffered no setbacks as regards terms of trade or access to external financing.

The second part of the 1980s was slightly more benign than the critical first part, thanks in part to a relative upturn in the United States and other developed regions, which contributed to a slight, albeit hesitant, recovery in Latin America and the Caribbean. As a result of these shocks, in the 1980s annual GDP growth averaged just 1.8% in Latin America, and 1.5% in the Caribbean.

2. The 1990s: unstable growth amid external financial shocks and internal disequilibria

The region regained access to voluntary financing starting with the implementation of the Brady Plan in 1989. This aided economic recovery, but also set in motion a new expansionary financial cycle which lasted from 1990 until the outbreak of the Asian crisis in 1997. Between 1993 and 1997 the region also benefited from improving terms of trade, and it began to receive increasing investment flows in the form of both portfolio investment and foreign direct investment (FDI), both associated with the privatization of State enterprises, external debt securitization and, in some countries, the onset of a new cycle of investment in commodity-exporting sectors.

But the region's growth from the second half of the 1990s up to 2002 was buffeted by powerful external and internal shocks. On the external front, the Asian crisis of 1997 was followed, in 1998, by the Russian moratorium and the Turkish crisis. These all affected the region heavily, through the channels of finance (Brazil was badly hit by the Russian and Turkish crises) and trade (the Asian crisis affected South America). However, some major shocks originated within the region. First, several of the financial crises between 1995 and 2001 (Mexico in 1994-1995, Brazil in 1998-1999, and Argentina in 2001-2002) were caused by capital inflows combined with open and inadequately regulated financial systems, especially in the larger economies, and with relatively inflexible exchange rates, which were used as anchors against inflation but led to overvaluation of the currency in real terms. The effects of these inflows were compounded by procyclical monetary and fiscal policies which sharpened the boom and bust phases of the cycle (Ffrench-Davis, 2005, pp. 75 and 83; Frenkel and Rapetti 2009).

Debt levels fell under the Brady Plan, but in most cases not enough to steadily reduce the debt-to-GDP ratio. Starting in the mid-1990s, the crises mentioned above and the resulting sluggish growth increased the burden of debt servicing and pushed up the debt-to-GDP ratio in some countries.

This was in addition, in the case of Ecuador, to deteriorating prices for its main export products, the climatic effects of the El Niño phenomenon, high inflation and a deep domestic political crisis, which led to the first default on Brady bonds in 1998. Unlike in the case of other countries which had faced difficulties previously (Mexico, Brazil and Argentina, for example), this time neither the International Monetary Fund (IMF) nor the United States Treasury Department put forward any scheme to avert default. Ecuador's default was followed in 2001 by that of Argentina, which was rooted in earlier crises. All in all, the 1990s brought a small improvement on the previous decade, and GDP growth averaged 2.7% in Latin America and 2.3% in the Caribbean.

² For example, in 1981 Argentina's GDP shrank 5.4%, and in 1982 Chile's shrank 13.6%, Guyana's 10.4%, Uruguay's 9.4%, and Brazil's 4.3%. Then in 1983 GDP contracted by a further 2.8% in Chile, 5.9% in Uruguay, 4.2% in Mexico and 12.6% in Peru.

³ However, civil wars in several Central American countries in the 1980s severely limited economic growth possibilities.

3. 2000 to the present: an improved but still variable external context

Starting in 2003, improving terms of trade in most of the countries of the region ushered in a new stage of higher growth and greater stability. Price cycles have lasted longer than previous cycles, on average, thanks mainly to greater demand from Asia and supply side constraints, while prices have risen more sharply, on average, as well. In addition, prices have risen simultaneously in a larger number of markets. These terms-of-trade gains and growing remittances from migrant workers have been reflected in a surge in disposable income in the region, which has boosted saving, as will be discussed later.

Looking at GDP growth by countries' size and export composition,⁴ the group which grew the most in the period from 2003 to 2012, and especially during the boom of 2003-2008, were the exporters of hydrocarbons (6.1%) and of minerals and metals (5.6%). These were precisely the categories of goods for which prices rose the most during this period.

Table I.4
Latin America and the Caribbean: average annual GDP growth of country groupings
(simple average) classified by economic specialization and size, 1970-2012
(Percentages)

Country groupings	1980-2012	1970-1979	1980-1989	1990-1996	1997-2002	2003-2008	2009-2012
Exporters of minerals and metals	3.3	3.0	1.1	3.5	2.7	5.6	4.8
Exporters of hydrocarbons	2.8	5.9	0.8	3.4	2.6	6.1	2.7
Exporters of services	3.2	3.0	3.9	3.3	3.0	4.2	3.3
Large, diversified economies	2.7	5.9	1.5	3.1	1.5	4.1	2.6
Exporters of agricultural and agro-industrial products	2.7	5.1	1.3	3.3	2.6	4.9	3.3
Latin America and the Caribbean	2.9	4.8	2.2	3.1	2.7	4.6	2.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Next in the ranking by GDP growth are the exporters of agricultural and agro-industrial products, i.e. the Central American countries (not including Panama), the Dominican Republic, Uruguay, Paraguay and Haiti). As a group, they grew 4.9% between 2003 and 2008, driven especially by exports of food-related agricultural products and tropical beverages and grains, whose prices rose considerably. In some cases, being net food importers (especially of grains) offset the impact of the terms-of-trade gain or even reversed it outright (especially in 2008), but this is not to deny the favourable impact of rising export prices. The deterioration was worse in countries with a limited range of agricultural exports, and those with serious environmental sustainability problems, such as El Salvador and Haiti, which were among the slowest-growing countries.

Growth in services-exporting economies —mainly the Caribbean islands— was driven largely by shifts in demand from the developed countries, which by the end of the first decade of the 2000s were experiencing sharp contractions in the wake of the global financial crisis.

The mixed performance of Argentina, Brazil and Mexico, which are classified here as large, diversified economies, may be attributed in large part to their export structure. The GDP performance of Argentina (with growth of 8.5%, the highest in the region between 2003 and 2008) was partly associated with the export of foodstuffs (soybeans) and other products that benefited from the currency devaluation of 2002. Brazil, with slightly slower growth (4.2%) in that period, also benefited from high prices for its exports of agricultural goods and minerals, while Mexico, which exports mostly manufactures, expanded only 3.1%.

The surge in the region's output growth between 2003 and mid-2008 was cut short by the outbreak of the global financial crisis originating in the financial systems of the developed countries. Growth in Latin America and the Caribbean averaged 4.6% per year between 2003-2008, then dropped sharply to -1.9% in 2009, that is, a slide of 6 GDP percentage points in a single year. In the two years following, the region recovered significantly, showing notable resilience to the crisis and expanding 5.9% in 2010 and 4.3% in 2011. This occurred against a backdrop of still-variable external conditions and sluggish growth in the developed economies, while the eurozone slid into

⁴ By these criteria, the countries are grouped as follows: those specializing in export of minerals and metals: Chile, Peru and Suriname; those specializing in export of hydrocarbons: Bolivarian Republic of Venezuela, Colombia, Ecuador, Plurinational State of Bolivia, and Trinidad and Tobago; those specializing in export of services: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Jamaica, Panama, Saint Kitts and Nevis, Saint Vincent and the Grenadines and Saint Lucia; large, diversified economies: Argentina, Mexico and Brazil; and economies specializing in the export of agricultural and agro-industrial products: Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Paraguay and Uruguay.

recession amid failure to find a route out of the crisis. The harsh external conditions also contributed to a slowdown in some of the region's major external markets, such as China, which also began to feel the need for structural adjustments in its sources of growth. So Latin America's growth remained positive, though clearly slowing, between 2010 and 2012, while in the Caribbean, especially in the services-exporting countries (given the impact of the developed countries on their exports, in addition to domestic problems in some of the region's larger economies) GDP contractions were even sharper.

Another driver of economic growth volatility in the region, and one that has become more significant in recent decades, is natural disasters. The countries of Central America and the Caribbean have suffered many hurricanes and other natural phenomena that have destroyed large chunks of their production capacity, often setting back growth and undermining living standards (see box I.1).

Box I.1

Natural disasters in Latin America and the Caribbean

The effects of natural disasters are intensely debated and the evidence on them is still mixed and even contradictory. Much depends on specific national and local conditions and on how the short-, medium- and long-term impacts are classified. However, generally speaking, natural disasters are agreed to have a negative and basically short-term effect on well-being, but not necessarily a direct impact on GDP trends. There is also evidence that regions such as Central America and the Caribbean are especially vulnerable to natural disasters (Martine and Guzman, 2002).

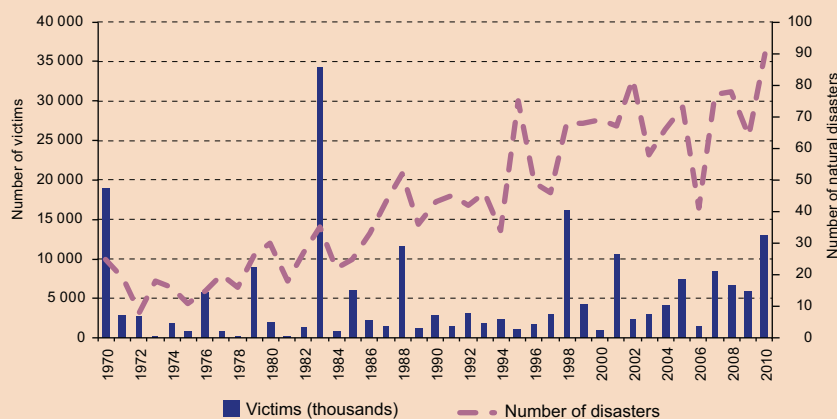
On the whole, the short-term impact of natural disasters is negative. Medium-term effects are weak or difficult to identify, and higher levels of activity can even be expected in this period.^a These impacts depend on factors that include the severity and type of disaster, the specific sector affected,^b the structure and make-up of the economy, and levels of per capita income. In this last instance, evidence indicates that developing countries are worse impacted by natural disasters than developed countries.

There are also economic side effects. Natural disasters tend to reduce fiscal revenues and increase public spending, which has a bearing on the public deficit and short-term public debt. They also affect infrastructure, cause loss of property and changes to ways of living, and disrupt transport and international trade.

Natural disasters affect social conditions, as well, with vulnerable populations normally feeling the biggest impact. This is because the poor usually depend on a single source of income, have a lower level of training, have no assets or savings to use as a cushion, and lack credit and insurance, among other factors. In addition, children and the elderly are more vulnerable to disasters and even to weather events.

The available evidence on the impact of disasters in Latin America and the Caribbean remains complex and highly uncertain (see the figure below). Nevertheless, an order of magnitude of these impacts suggests that the cumulative cost of damages and losses caused by natural disasters in the region since 1972 was approximately US\$ 213 billion.^c

Latin America and the Caribbean: natural disasters and victims, 1970-2010
(Thousands of victims and number of disasters)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the EM-DAT International Disaster Database.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of F. Caselli and P. Malhotra, "Natural disasters and growth: from thought experiment to natural experiment"; Working Paper, Harvard University, 2004; S. Hochrainer, *Macroeconomic Risk Management Against Natural Disasters: analysis focused on governments in developing countries*, December 2006; N. Loayza and others, *Natural Disasters And Growth . Going Beyond the Averages*, Washington, D.C., World Bank, July 2009; G. Martine and J.M. Guzmán, "Population, poverty, and vulnerability: mitigating the effects of natural disasters"; 2002 [online].

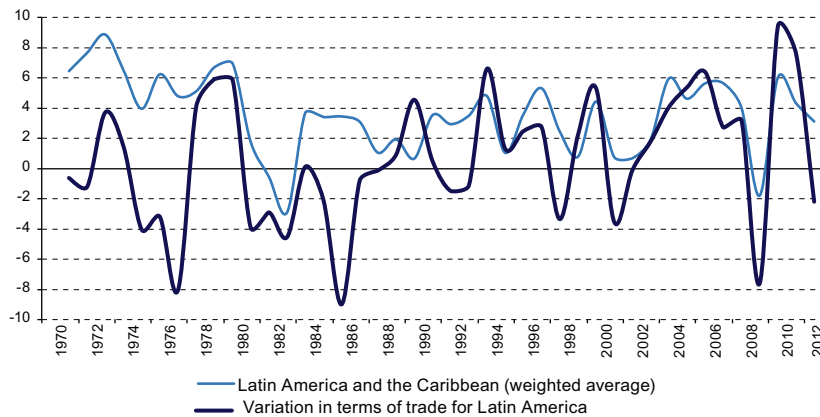
^a Hochrainer (2006), taking a sample of 225 major disasters over 45 years, concludes that there is a negative effect on GDP, while Caselli and Malhotra (2004) find that disasters do not reduce GDP in the short and medium terms.

^b For example, in some regions floods may boost agricultural productivity (Loayza and others, 2009).

^c Data reported in the preliminary version of the *Regional Commission Report on Sustainable Development. Chapter 2: The Current State of the Challenge. 2013.*

In sum, growth in Latin America and the Caribbean in the past three decades shows the heavy influence of external conditions: long periods of limited access to external financial resources, crises in large economies in the region and beyond, and negative turns of events in export markets leading to terms-of-trade deterioration, have almost always slowed growth and, in certain instances, have led output to fall outright (see figure I.4). Although the region showed significant resilience during the global financial crisis, thanks to its capacity to implement countercyclical policies and rapidly regain access to international financial markets, external variability continued to act as a drag on growth.

Figure I.4
Latin America and the Caribbean: GDP growth and terms of trade, 1970-2012
(Percentages)



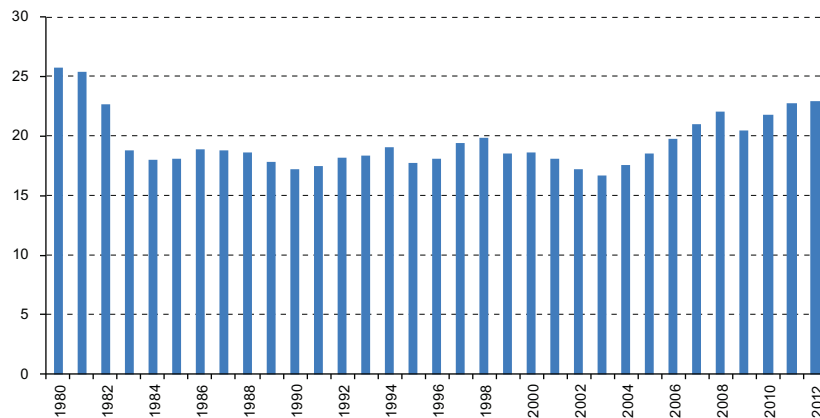
Source: Economic Commission for Latin America and the Caribbean (ECLAC).

C. Insufficient and variable capital accumulation and financing

1. Investment still below 1980s levels, as a proportion of GDP

The macroeconomic adjustments made in response to the debt crisis led to a heavy fall in investment (gross fixed capital formation), which dropped steadily as a percentage of GDP in the first half of the 1980s and remained below 20% throughout the shocks of the 1990s and up to 2007, bottoming out in 2003 (16.7%). Investment then trended upwards from 2007 on, to 22.9% in 2012. But this is still lower than the figures for 1980 and 1981 (see figure I.5).

Figure I.5
Latin America: gross fixed capital formation, 1980-2012
(Percentages of GDP, on the basis of dollars at constant 2005 prices)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of ECLAC, "América Latina y el Caribe: series históricas de estadísticas económicas 1950-2008"; *Cuadernos Estadísticos series*, No. 37 (LC/G.2415-P), Santiago, Chile, 2009; and *Preliminary Overview of the Economies of Latin America and the Caribbean 2012* (LC/G.2555-P), Santiago, Chile, December 2012.

These results contrast with those seen in other emerging economies, as in Asia, which have posted high growth rates in recent decades. China and India stand out among the Asian economies for their high rates of investment in this period: around 45% and 35% of GDP, respectively. They are followed by the Republic of Korea and Thailand with rates of around 25%. Except for the last two years, Latin America's investment levels are systematically lower. Tables I.5 and I.6 and show rates of investment⁵ for 19 Latin American and Caribbean countries for which information is available for the period 1980-2010, including its public and private components.

Table I.5
Latin America: gross fixed capital formation, 1980-2012
(Percentages of GDP, on the basis of national currency at constant prices)

	Gross fixed capital formation			
	1980-1989	1990-1998	1999-2002	2003-2010
Argentina	19.3	18.4	16.0	20.3
Bolivia (Plurinational State of)	12.1	16.0	16.6	14.8
Brazil	18.5	18.1	15.9	17.3
Chile	17.6	26.4	23.0	24.7
Colombia	16.6	20.0	13.7	21.5
Costa Rica	19.7	20.9	20.9	21.8
Cuba	25.5	14.8	11.8	11.5
Dominican Republic	18.8	19.0	23.1	19.1
Ecuador	18.4	24.9	22.7	27.0
El Salvador	12.5	17.8	19.2	18.1
Guatemala	9.7	10.4	15.6	17.3
Honduras	16.7	21.8	24.9	24.8
Mexico	18.9	17.9	20.0	21.1
Nicaragua	18.4	18.6	25.3	21.7
Panama	18.2	20.9	18.5	20.9
Paraguay	21.9	22.9	16.6	17.9
Peru	20.5	20.6	19.0	22.5
Uruguay	12.7	14.5	13.0	16.8
Venezuela (Bolivarian Republic of)	20.9	17.7	24.4	27.3
Latin America^a	17.7	19.0	19.0	20.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), *Statistical Yearbook for Latin America and the Caribbean*, various years.

^a Simple average for the countries included.

Table I.6
Latin America: gross fixed capital formation, public and private, 1980-2012
(Percentages of GDP, on the basis of national currency at constant prices)

	Public investment				Private investment			
	1980-1989	1990-1998	1999-2002	2003-2010	1980-1989	1990-1998	1999-2002	2003-2010
Argentina	1.7	1.5	1.2	2.4	17.6	16.9	14.8	17.9
Bolivia (Plurinational State of)	8.0	7.4	5.3	7.4	4.1	8.6	11.4	7.4
Brazil	2.2	2.7	1.7	1.8	16.4	15.4	14.2	15.5
Chile	2.4	2.2	2.5	2.4	15.2	24.2	20.5	22.4
Colombia	7.6	4.7	3.2	3.7	9.0	15.2	10.5	17.8
Costa Rica	6.1	4.6	2.9	1.9	13.6	16.3	18.0	19.9
Cuba		7.1	6.8	9.1		4.7	5.0	2.4
Dominican Republic	4.1	3.3	2.3	1.5	14.7	15.6	20.7	17.7
Ecuador	5.7	4.2	5.1	7.3	12.6	20.7	17.6	19.7
El Salvador	2.0	3.4	3.0	2.3	10.4	14.4	16.3	15.9
Guatemala	3.5	3.0	3.4	2.6	6.1	7.4	12.2	14.7
Honduras	7.7	7.7	5.1	3.9	9.0	14.1	19.8	20.8
Mexico	7.1	3.7	3.3	4.8	11.8	14.2	16.7	16.4
Nicaragua	10.8	7.2	6.1	4.0	7.6	11.4	19.2	17.7
Panama	5.6	3.7	5.0	5.8	12.6	17.3	13.5	15.1
Paraguay	5.2	3.8	2.7	3.0	16.7	19.2	13.9	13.1
Peru	5.4	4.3	3.7	3.9	15.1	16.3	15.3	18.6
Uruguay	4.6	3.6	3.3	4.0	8.1	10.9	9.8	12.7
Venezuela (Bolivarian Republic of)	11.4	9.6	9.0	15.7	9.5	8.1	15.4	12.0
Latin America^a	5.6	4.6	4.0	4.6	11.7	14.3	15.0	15.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and S. Manuelito and L.F. Jiménez, "Rasgos estilizados de la relación entre inversión y crecimiento en América Latina y el Caribe 1980-2012"; Santiago, Chile, ECLAC, 2013, unpublished.

^a Simple average for the countries included.

⁵ Measured as gross fixed capital formation as a percentage of GDP, in national currency at constant prices.

Four stylized facts arise from the analysis of tables I.5 and I.6. First, in 8 of 19 countries (Argentina, Brazil, Cuba, El Salvador, Guatemala, Paraguay, Plurinational State of Bolivia and Uruguay) total investment (public and private) remained below 20% of GDP for long stretches of time. Second, compared with the 1980s, public investment fell in relation to GDP in 15 of 19 countries in 1990-1998 and, in some cases, into the period 1999-2002 as well. An upturn in investment began to take shape starting in 2003 in some countries (8 of 19).⁶ However, in 13 of them, public investment remained below 1980s levels in GDP terms. Third, by contrast with the performance of public investment, in the 1990s private investment rose in most of the countries (14 of 19). Fourth, in 2003-2010 total investment figures rose again, although unevenly.

2. Investment boosted by higher national saving, as conditions became less vulnerable in the past decade

By the second half of 2003, several countries were reporting a large rise in gross national disposable income, which boosted national saving, public and private alike (see table I.7). In most cases, this was attributable to steeply climbing terms of trade on the back of rising international prices for raw materials.

Table I.7
Latin America: national saving, 1980-2010
(Percentages of GDP, on the basis of current dollars)

	1980-1989	1990-1998	1999-2002	2003-2010
Argentina	17.9	15.8	15.4	24.1
Bolivia (Plurinational State of)	15.4	9.8	10.3	21.8
Brazil	20.1	17.2	13.6	17.7
Chile	11.8	22.3	20.7	22.9
Colombia	18.5	20.6	15.4	19.8
Costa Rica	16.1	14.5	13.3	16.8
Cuba				10.9
Dominican Republic	15.7	16.5	18.9	15.0
Ecuador		17.3	22.2	22.1
El Salvador		14.9	14.3	11.6
Guatemala	9.5	11.0	12.9	15.0
Honduras	4.5	18.3	17.2	20.0
Mexico	21.7	19.1	19.4	24.0
Nicaragua	3.6	2.0	10.3	13.1
Panama	24.7	24.7	18.4	20.0
Paraguay	19.8	21.5	18.5	18.5
Peru	21.3	15.5	17.3	21.4
Uruguay	11.7	13.8	11.9	16.3
Venezuela (Bolivarian Republic of)	22.7	23.1	30.6	34.3
América Latina^a	15.9	16.5	16.7	19.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of S. Manuelito and L.F. Jiménez, “Rasgos estilizados de la relación entre inversión y crecimiento en América Latina y el Caribe 1980-2012”, Santiago, Chile, ECLAC, 2013, unpublished.

^a Simple average for the countries included.

Although the data are not available evenly throughout the period,⁷ table I.8 shows that in both periods in which investment rates rose, so did public saving, both in relation to the previous period and compared to 1980-1989. Public saving rose most in the second period, especially in countries whose public revenues come in large proportion from natural resources (Argentina, the Bolivarian Republic of Venezuela, Chile, Ecuador, Peru and the Plurinational State of Bolivia), with the exception of Mexico.⁸ There are a number of reasons for this pattern in public saving. One common factor is a rise in national income from steadily improving terms of trade.

⁶ Public investment refers to investment by the general government, i.e. it excludes investment by State enterprises, which is included in private investment.

⁷ A breakdown of variation in national saving into its public and private components reveals certain comparability issues, because some countries calculate saving in net terms (i.e. net of capital consumption) and others in gross terms. Comparisons between the two types of data are imprecise, but their performance over time nevertheless sheds light on macroeconomic aspects of investment financing. Tables I.8 and I.9 show variations in public and private savings as reported by the countries.

⁸ See ECLAC (2013), which illustrates the growing proportion of income from primary goods in fiscal revenue.

But, as well, during this period governments gradually began to adopt fiscal policies aimed at building up public finance sustainability over the entire commodity price cycle, even as these prices were climbing strongly.⁹ In other cases, the rise in public savings had to do with restricted access to external financing, as fallout from the balance-of-payments crisis.

Table I.8
Latin America: public saving, 1980-2010^a
(Percentages of GDP, on the basis of current dollars)

	1980-1989	1990-1998	1999-2002	2003-2010
Countries which report public saving gross				
Argentina		-0.2	-1.5	2.4
Bolivia (Plurinational State of)	-3.5	2.6	-1.7	5.8
Brazil		1.7	1.3	0.5
Colombia	2.5	3.6	-1.6	-0.3
Cuba				2.2
Dominican Republic		3.7	3.4	2.1
El Salvador		1.3	0.2	0.0
Guatemala		1.8	2.4	2.7
Nicaragua		2.3	0.3	1.1
Uruguay	-0.2	3.3	-2.3	-0.5
Average^b	-0.4	2.2	0.1	1.6
Countries which report public saving net				
Chile		4.4	0.8	5.5
Costa Rica	3.2	2.4	2.6	3.7
Ecuador	0.0	4.9	3.5	7.9
Honduras		1.0	2.6	0.0
México		4.1	1.6	2.0
Panama	-2.8	3.0	0.7	1.0
Paraguay	1.2	2.6	1.4	4.4
Peru	-1.7	0.6	-0.3	2.5
Venezuela (Bolivarian Republic of)		9.2	1.4	4.9
Average^b	0.0	3.6	1.6	3.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of S. Manuelito and L.F. Jiménez, “Rasgos estilizados de la relación entre inversión y crecimiento en América Latina y el Caribe 1980-2012”, Santiago, Chile, ECLAC, 2013, unpublished.

^a The information is presented as gross saving or net saving (i.e. net of capital consumption), depending on the way the various countries calculate saving.

^b Simple average for the countries included.

Private saving, too, increased considerably as a percentage of GDP (see table I.9), most intensively during the second investment surge. This performance was also related to the rise in national income between 2003 and 2011 (this is analysed in more detail in chapter II) and occurred in two thirds of the countries included in tables I.8 and I.9.¹⁰

Trends in public and private saving help to explain the rise in national saving seen in 1990-1997 and especially in 2003-2008, the years in which the investment ratio rose. In several countries, national savings increased at a higher rate than investment, which substantially reduced external saving in more than half of the countries examined (see table I.10). What is more, comparing 2003-2008 with 1999-2002, in 8 of the 19 countries, public saving rose more than private saving¹¹ in GDP terms. These larger rises in public saving were not matched by similar rises in public investment, however.¹²

⁹ See box I.1 in part II of Economic Survey of Latin America and the Caribbean 2010-2011 (ECLAC, 2011b), which discusses the adoption of fiscal rules in the region starting in 2000. Table III.1 describes the main features of funds aimed at softening the impact of public revenue fluctuations associated with primary goods specialization and box III.2 discusses the Trinidad and Tobago Heritage and Stabilization Fund (HSF).

¹⁰ Note that private saving includes individuals and firms and, given that public saving refers to the general government, the figures for private saving in table I.6 include savings by public enterprises not transferred to the general government.

¹¹ Or public saving fell less than private saving.

¹² Equivalent data are not available to compare private and public saving but, given the sharp rise in domestic private saving, the demand response of private investment may be supposed to have lagged somewhat. To this must be added business expectations or perceptions regarding investment opportunities in each country at that time.

Table I.9
Latin America: private saving, 1980-2010^a
(Percentages of GDP, on the basis of current dollars)

	1980-1989	1990-1998	1999-2002	2003-2010
Countries which report private saving gross				
Argentina		16.8	16.9	21.6
Bolivia (Plurinational State of)	18.9	7.2	12.0	16.0
Brasil		11.6	12.3	17.2
Colombia	16.1	17.0	17.0	20.3
Cuba				
Dominican Republic		12.7	15.6	12.9
El Salvador		13.6	14.1	11.7
Guatemala		9.2	10.6	11.9
Nicaragua		0.8	10.0	12.0
Uruguay	11.9	10.5	14.1	15.4
Average ^b	15.6	11.1	13.6	15.5
Countries which report private saving net				
Chile		7.3	6.7	5.8
Costa Rica	9.6	6.8	4.9	7.9
Ecuador	-3.1	11.6	16.8	14.0
Honduras		17.3	14.7	15.5
Mexico		5.2	8.1	12.9
Panama	20.6	14.7	9.6	10.0
Paraguay	8.2	14.1	13.1	11.4
Peru	17.2	8.4	10.4	12.1
Venezuela (Bolivarian Republic of)		7.2	23.1	24.0
Average ^b	10.5	10.3	11.9	12.6

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of S. Manuelito and F. Jiménez, "Rasgos estilizados de la relación entre inversión y crecimiento en América Latina y el Caribe 1980-2012", Santiago, Chile, ECLAC, 2013, unpublished.

^a The information is presented as gross saving or net saving (i.e. net of capital consumption), depending on the way the various countries calculate saving.

^b Simple average for the countries included.

Table I.10
Latin America: external saving, 1980-2010
(Percentages of GDP, on the basis of current dollars)

	1980-1989	1990-1998	1999-2002	2003-2010
Argentina	2.1	2.7	0.1	-2.7
Bolivia (Plurinational State of)	-1.4	6.9	6.6	-7.0
Brazil	2.1	1.8	3.6	0.3
Chile	7.1	3.2	0.9	-1.6
Colombia	1.3	1.1	0.2	1.8
Costa Rica	9.5	5.5	5.9	6.1
Cuba				1.0
Dominican Republic	5.6	1.8	3.2	3.0
Ecuador		4.4	-0.8	2.1
El Salvador		2.2	2.3	3.9
Guatemala	3.8	3.4	5.9	4.8
Honduras	6.8	5.6	5.7	6.7
Mexico	0.5	3.8	2.8	0.7
Nicaragua	17.0	23.2	20.6	16.0
Panama	-6.7	-0.1	2.5	1.2
Paraguay	5.0	2.8	0.9	0.0
Peru	3.6	5.9	2.3	0.1
Uruguay	2.1	1.3	1.7	2.4
Venezuela (Bolivarian Republic of)	-2.0	-3.3	-5.8	-9.9
Latin America ^a	3.5	4.0	3.3	1.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of S. Manuelito and L.F. Jiménez, "Rasgos estilizados de la relación entre inversión y crecimiento en América Latina y el Caribe 1980-2012", Santiago, Chile, ECLAC, 2013, unpublished.

^a Simple average for the countries included.

It may be concluded, then, that as well as exogenous factors boosting gross disposable national income in the most recent period (higher commodity export prices, increasing migrant remittances, smaller debt servicing burdens), policies geared towards public finance sustainability and sound international reserve management also played a role in the lesser recourse to external saving. As a counterpart to this lesser use of external saving, external indebtedness decreased as a proportion of GDP, net international reserve accumulated considerably and public savings build up in sovereign funds.¹³

What most set the period 2003-2010 apart from 1990-1998 was, therefore, the larger proportion of national saving in financing regional investment in the more recent of the two periods. This represented a shift towards more sustainable growth and a lessening of vulnerability to the vicissitudes of the external financial markets. When the crisis of 2008-2009 broke out, several of the countries were able to adopt countercyclical policy stances thanks to their more limited use of external saving and greater national saving in the preceding years, and the region as a whole was thus much better placed to weather the crisis, and with fewer losses in terms of growth, than on previous occasions.

In the case of the Caribbean, the analysis is somewhat limited by the availability of data, and comparison with the Latin America countries is difficult.¹⁴ Nevertheless, some patterns can be discerned. As shown in table I.11, investment rates in the Caribbean subregion were fairly stable throughout the period examined, which is likely related to the large amounts of FDI (in GDP terms) going to sectors exporting services and natural resources (see figure I.10). This type of investment is often found to be fairly stable, because it is directed towards long-term growth prospects and is not limited by the availability of funding from the financial systems of destination countries.

Table I.11
The Caribbean: gross fixed capital formation, 1990-2011
(Percentages of GDP, on the basis of prices in current dollars)

	1990-1998	1999-2002	2003-2008	2009-2011
Antigua and Barbuda	22.3	25.3	33.0	35.5
Bahamas	22.4	25.3	25.6	26.0
Barbados	12.7	17.5	19.0	14.7
Belize	23.1	26.2	20.9	
Dominica	22.1	17.5	18.9	21.3
Grenada	31.1	32.4	36.0	22.0
Guyana	29.4	24.1	23.2	25.3
Jamaica	24.1	24.5	26.5	20.8
Saint Kitts and Nevis	49.2	53.4	45.0	37.7
Saint Lucia	27.1	25.6	29.2	32.0
Saint Vincent and the Grenadines	25.2	24.9	27.6	25.0
Suriname	30.3			
Trinidad and Tobago	20.8	21.8	22.7 ^a	
The Caribbean^b	26.1	26.5	27.3	26.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Refers to 2003-2006.

^b Simple average for the countries included.

As a counterpart to this situation, both national and external saving are relatively unstable (see table I.12). The Caribbean economies are, with few exceptions, highly reliant on external financing and national saving can be very low. And with the developed countries, the Caribbean subregion's main trading partners, still returning low rates of growth in the wake of the global financial crisis of 2008, national saving has plummeted in some cases, increasing dependence on external saving and therefore vulnerability.

¹³ It will also be recalled that during this period Argentina and Brazil prepaid their liabilities to the International Monetary Fund (IMF). Chile also prepaid loans owed to multilateral institutions between 2004 and 2006 and, like other countries redeemed some of its external bonds.

¹⁴ The figures for the Caribbean in table I.11 and I.12 were prepared on the basis of statistics in current dollars, whereas those for Latin America were mostly prepared using statistics in dollars at constant 2005 prices. They are not, therefore, directly, comparable.

Table I.12
The Caribbean: national and external saving, 1990-2011
(Percentages of GDP, on the basis of prices in current dollars)

	National saving (percentages of GDP)			
	1990-1998	1999-2002	2003-2008	2009-2011
Antigua and Barbuda	18.3	18.6	25.3	22.4
Bahamas	17.8	17.4	15.1	14.3
Barbados	13.8	11.8	11.6	6.2
Belize	18.6	9.0	10.3	
Dominica	8.5	2.6	10.2	3.0
Grenada	16.5	14.6	19.1	-3.5
Guyana	19.8	17.8	12.9	13.2
Jamaica	21.5	18.1	15.0	10.5
Saint Kitts and Nevis	34.1	32.6	36.8	17.9
Saint Lucia	16.9	11.4	19.4	15.8
Saint Vincent and the Grenadines	9.2	14.6	15.6	-4.7
Suriname	30.0			
Trinidad and Tobago	21.3	25.0	44.0 ^a	
The Caribbean^b	18.9	16.1	19.6	9.5
	External saving (percentages of GDP)			
	1990-1998	1999-2002	2003-2008	2009-2011
Antigua and Barbuda	4.0	6.7	7.7	13.1
Bahamas	4.6	7.8	10.5	11.6
Barbados	-1.2	5.7	7.3	8.4
Belize	4.5	17.2	10.6	
Dominica	13.5	15.0	8.7	18.2
Grenada	14.6	17.8	17.0	25.4
Guyana	9.6	6.3	10.3	12.1
Jamaica	2.6	6.5	11.5	10.3
Saint Kitts and Nevis	15.1	20.8	8.2	19.8
Saint Lucia	10.2	14.3	9.8	16.1
Saint Vincent and the Grenadines	16.0	10.3	12.0	29.7
Suriname	0.3			
Trinidad and Tobago	-0.5	-3.2	-21.3 ^a	
The Caribbean^b	2.8	5.2	-2.3	1.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Refers to 2003-2006.

^b Simple average for the countries included.

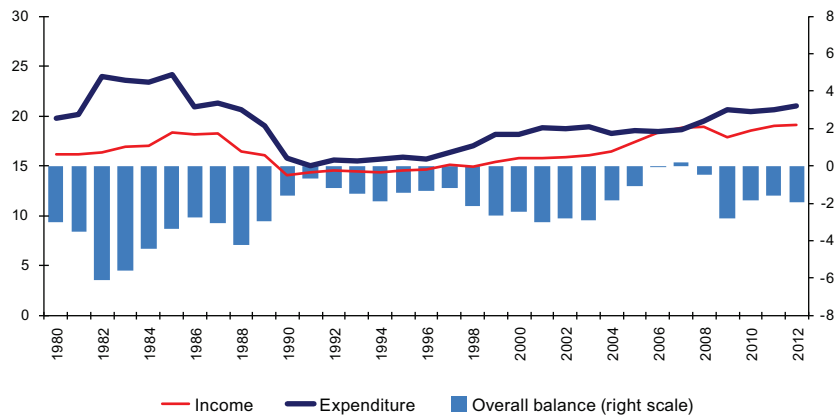
D. Gradual strengthening of the fiscal accounts

A gradual shift came about in the macroeconomic regimes of many countries in the region after the turn of the century. This was sparked by varying degrees of response to harsh recessionary adjustments after the external over-borrowing that led to the debt crisis of the 1980s, fluctuations in international capital during the 1990s, successive crises in the region's countries and a very critical view of the conditionalities imposed by multilateral funding agencies on crisis-response financing.¹⁵ Since 2000, several countries have gradually adopted institutional frameworks and fiscal policies with a greater emphasis on balancing the public finances in the medium and long terms, as discussed in more detail in chapter IV.¹⁶ Some countries were thus able to build up countercyclical fiscal capacities and bring down their deficits (see figure I.6) and public debt. These increases in public savings, in turn, boosted public investment, thereby helping to sustain growth.

¹⁵ The conditionalities imposed on some Asian countries in 1997 as part of their crisis exit strategy provoked sharp criticism and were instrumental in prompting an internal review at the International Monetary Fund (IMF) (Frankel, 2002; Grenville, 2004).

¹⁶ See box I.1 in the second part of Economic Survey of Latin America and the Caribbean 2010-2011 (ECLAC, 2011b), which outlines the progressive adoption of fiscal rules in the region since 2000.

Figure I.6
Latin America: overall fiscal balance, 1980-2012
(Percentages of GDP)



Source: Oxford Latin American Economic History Database (OxLAD), for 1980-1989; for 1990-2012: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

However, this positive overall picture is primarily a reflection of the situation in South America because fiscal fragility persists in Central America and especially in the Caribbean, where unfavourable terms of trade and the global economic cycle have taken a toll.

E. Lower inflation and flexible exchange-rate regimes

Countries in the region have adopted very different monetary and exchange-rate policies over the years, in response to the internal and external crises that have occurred during each decade; nevertheless, overall, there has been a gradual move towards stronger monetary policy. Countries have taken different approaches to achieving that end, as discussed in more detail in chapter IV. Thus, from the mid-1990s, and to an even greater extent from the year 2000, exchange-rate and monetary policies have shifted noticeably towards a greater emphasis on inflation control, with explicit inflation targets or objectives in some cases. This has helped to bring inflation down over the course of the three decades under consideration, and especially since the 2000s (see table I.13). Between 1980 and 1999, several countries, including Argentina, Brazil, Nicaragua, Peru and the Plurinational State of Bolivia, endured extremely high inflation amid economic and political crises. The Bolivarian Republic of Venezuela, Ecuador, Mexico and Uruguay recorded inflation rates above 30%. In both groups this was due to the heavy exchange-rate adjustments required to correct previous imbalances caused by a spending overheat supported, in turn, by borrowing abroad and spurred by real currency appreciations under fixed exchange-rate regimes.

In the other countries in the region, inflation held steady at lower levels during those years, in large part because they did not experience exchange-rate crises. In the 2000s, bouts of high inflation became less frequent and more economies were able to keep inflation in single digits. Along with the reorientation of monetary policy, more countries opted for relatively flexible exchange-rate regimes, although in several the monetary authority intervenes frequently, as discussed in chapter IV.

In short, the region, and especially Latin America, transitioned from a scenario of high inflation and nominal variability in the 1980s, to one of greater stability at the start of this century. At the same time, monetary policy has increasingly focused on inflation and several countries have adopted regimes with explicit inflation targets. This is not to say that other variables, such as growth and unemployment, are not taken into account in policy decisions. In the recent period (2009-2012), monetary authorities have tended to incorporate a larger number of variables, such as the two mentioned, in their policies, as they explain in the statements issued to enumerate the criteria underpinning their decisions. Furthermore, with the exception of several Caribbean countries, Honduras and the Bolivarian Republic of Venezuela, exchange-rate regimes have been made more flexible, with fewer interventions by the authorities. However, these changes have not occurred uniformly across the region and in 2012 cases of high inflation persisted.

Table I.13
Latin America and the Caribbean: annual average inflation, 1980-2011
(Percentages)

	1980-1989	1990-1999	2000-2009	2010-2011
Argentina	565.7	252.9	8.6	9.7
Bolivia (Plurinational State of)	1 383.1	10.4	5.0	6.0
Brazil	383.1	847.7	6.9	5.6
Chile	21.4	11.8	3.5	2.2
Colombia	23.5	22.1	6.3	2.7
Costa Rica	27.1	16.9	10.9	5.2
Cuba			2.2	1.3
Dominican Republic	25.3	15.3	13.1	7.2
Ecuador	33.6	39.0	17.8	3.8
El Salvador	18.6	10.2	3.6	2.9
Guatemala	11.5	15.3	7.0	4.8
Haiti	6.7	20.8	15.0	6.8
Honduras	7.4	19.7	8.2	5.6
Mexico	69.0	20.4	5.2	3.6
Nicaragua	1 379.3	1 053.8	8.9	6.8
Panama	3.2	1.1	2.4	4.4
Paraguay	20.5	16.5	8.3	6.4
Peru		761.8	2.6	2.4
Uruguay	59.8	48.9	8.6	7.1
Venezuela (Bolivarian Republic of)	23.1	47.4	21.2	26.8
Latin America^a	221.4	170.1	8.3	6.1
Bahamas	5.7	2.8	2.3	1.4
Barbados	7.3	2.9	3.8	6.9
Jamaica	15.6	27.8	10.5	10.0
Saint Lucia	3.6	3.4	3.0	0.8
Suriname	20.0	96.3	20.8	10.9
Trinidad and Tobago	11.9	6.2	6.3	7.3
The Caribbean^a	10.7	23.3	7.2	6.2
Latin America and the Caribbean^a	175.1	134.9	8.1	6.1

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Simple average for the countries included.

F. A dramatic change in the region's international macroeconomic position

The engagement of Latin America and the Caribbean, especially the larger economies, in the world markets has evolved considerably from a macroeconomic point of view since the crisis of the 1980s. As the evidence amply demonstrates, the larger economies tend to have a more diversified production structure. Consequently, larger economies tend to achieve lower scores in relation to one commonly used indicator of trade openness—the sum of exports and imports of goods and services as a proportion of GDP— than smaller economies, which rely more heavily on international trade to meet their needs for consumer goods, capital and inputs for production.

As shown in table I.14, the sum of exports and imports of goods and services as a percentage of GDP has risen significantly over the last three decades, particularly among the larger economies, which were relatively closed in the early 1980s. In all the large and several of the midsize economies, the impact of trade on GDP has at least doubled in the last three decades. This may be attributed to the conditionalities attached to the financial support packages provided to help countries in the region to exit the crises they suffered between 1980 and 1995, and to the development strategies adopted by countries actively seeking greater integration into these markets.

Table I.14
Latin America: degree of trade openness, 1980-2011
(Percentages of GDP, on the basis of figures in dollars at constant 2005 prices)

	1980-1989	1990-1999	2000-2009	2010-2011
Argentina	17.3	32.4	42.3	47.3
Bolivia (Plurinational State of)	37.8	52.4	62.4	65.2
Brazil	12.5	18.6	26.3	34.2
Chile	38.9	49.6	67.6	78.4
Colombia	19.1	29.5	35.6	40.9
Costa Rica	53.0	78.9	96.6	95.1
Cuba		29.7	34.6	
Dominican Republic	54.0	66.8	64.4	53.6
Ecuador	44.0	43.6	53.7	56.7
El Salvador	31.2	46.4	70.0	72.2
Guatemala	43.7	59.0	66.6	62.1
Haiti	23.2	25.2	55.2	71.1
Honduras	128.7	121.1	126.5	111.9
Mexico	14.2	31.0	54.7	65.1
Nicaragua	39.3	49.1	71.5	86.7
Panama	175.7	185.4	147.2	150.4
Paraguay	37.2	96.0	94.3	106.8
Peru	22.9	31.9	42.0	48.2
Uruguay	34.9	46.8	57.2	66.5
Venezuela (Bolivarian Republic of)	41.7	53.1	58.6	47.6
Latin America^a	45.8	57.3	66.4	71.6

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Simple average for the countries included.

As shown in table I.15, the countries of the Caribbean score highly for trade openness and, although the share of the external sector in the economy seems to fall, since these calculations are based on figures in nominal dollars, this may reflect local currency appreciation in recent years rather than a real reduction in the share of exports and imports in GDP.

Table I.15
The Caribbean: degree of trade openness, 1990-2011
(Percentages of GDP, on the basis of figures in dollars at current prices)

	1990-1999	2000-2009	2010-2011
Antigua and Barbuda	148.0	119.1	105.0
Bahamas	88.5	90.6	95.8
Barbados	86.2	91.8	99.1
Belize	103.8	120.9	
Dominica	100.7	89.2	89.9
Grenada	88.9	83.1	70.2
Guatemala	62.9	66.4	63.6
Jamaica	93.5	92.6	82.8
Saint Kitts and Nevis	101.8	87.6	79.4
Saint Vincent and the Grenadines	107.4	88.8	84.1
Saint Lucia	123.8	109.6	115.2
Suriname	124.9		
Trinidad and Tobago	89.2	100.9 ^a	
The Caribbean^b	101.3	94.6	88.5

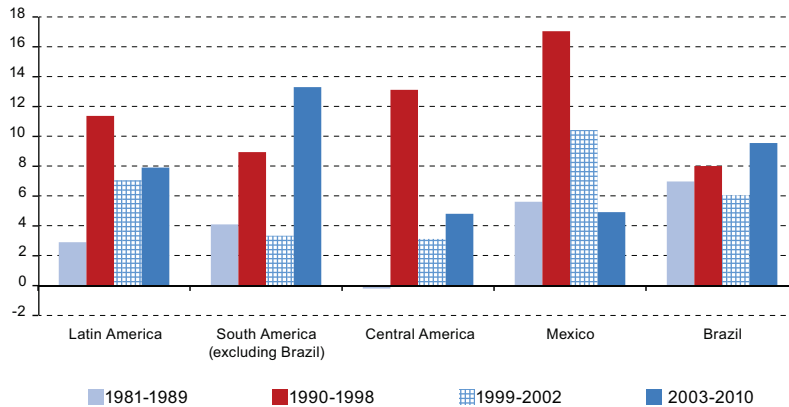
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Refers to 2000-2006.

^b Simple average for the countries included.

In addition to the expansion in imports that came with greater trade openness, there was also a significant change in the composition of export values (which are examined in more detail in chapter II) as a result of rising prices for major export commodities after 2003. In particular, in the context of limited variations in international prices for manufactures, higher export prices and larger export volumes, exports gained greater purchasing power in 2003-2010 (see figure I.7). This occurred particularly in the South American economies, owing to their greater specialization in producing and exporting raw materials.

Figure I.7
Latin America: average annual purchasing power of goods exports, 1981-2010^a
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT database.

Note: The average for Latin America is the weighted regional average. Each country is weighted by its relative share in regional exports. The average for each of the subregions is a simple average.

Remittance flows account for a large proportion of income in several of the region's countries, particularly some of those with lower per capita GDP (see table I.16). In the early 1980s, only a few countries, mainly in the Caribbean, received remittances representing more than 2% of GDP; but thereafter the number of countries in that bracket and the amounts remitted shot up. At first, the sharpest rise was seen in the amounts coming to the Caribbean, but over the past decade remittances began to decline in relation to GDP in several countries of that subregion. At the same time, in Central America and in some South American countries remittances rose significantly, reaching about 10% of GDP in some cases in 2011. In the countries that receive larger amounts, remittances have driven up consumption (including spending on health and education) and have helped to bring down poverty and extreme poverty.

Table I.16
Latin America and the Caribbean: remittances received from abroad
(personal transfers and employee remuneration), 1980-2011^a
(Percentages of GDP)

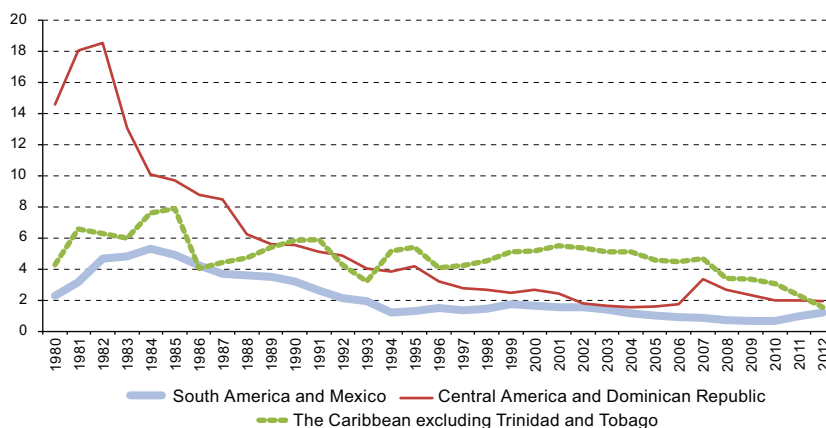
	1980	1990	2000	2011
Colombia	0.3	1.2	1.6	1.3
Costa Rica	0.1	0.2	0.9	1.3
Panama	1.7	2.1	0.1	1.4
Peru	-	0.3	1.3	1.5
Antigua and Barbuda	-	3.2	2.6	1.8
Mexico	0.5	1.2	1.3	2.0
Barbados	1.1	2.2	4.5	2.2
Saint Lucia	-	4.1	3.5	2.3
Grenada	-	8.1	8.9	3.5
Paraguay	1.1	0.6	3.9	3.7
Ecuador	-	0.5	8.3	4.1
Saint Vincent and the Grenadines	-	7.9	5.7	4.3
Bolivia (Plurinational State of)	0.0	0.1	1.5	4.4
Dominica	14.6	8.4	5.0	4.8
Belize	-	4.5	3.2	5.2
Dominican Republic	2.8	4.5	7.7	6.6
Saint Kitts and Nevis	1.7	12.1	6.5	6.8
Guatemala	0.3	1.6	3.1	9.6
Nicaragua	-	-	6.3	9.8
Guyana	-	-	3.8	14.5
Jamaica	3.6	5.0	9.9	14.6
El Salvador	1.4	7.6	13.4	15.9
Haiti	...	...	15.8	21.1

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the World Bank.

^a Includes countries in which remittances represented at least 1% of GDP in 2011. Data are obtained from the balance of payments, in current dollars each year.

A third significant change has occurred in the composition of income flows. In particular, the external debt burden eased as the economies resumed growth after the crisis in the early 1980s and also as a result of the Heavily Indebted Poor Countries (HIPC) Debt Initiative. This, in turn, lowered debt servicing in relation to GDP over the long term. The subregions did not experience this improvement in equal measure, however, and the Caribbean (except for Trinidad and Tobago), still shouldered a significant burden until almost the end of the first decade of the twenty-first century (see figure I.8).

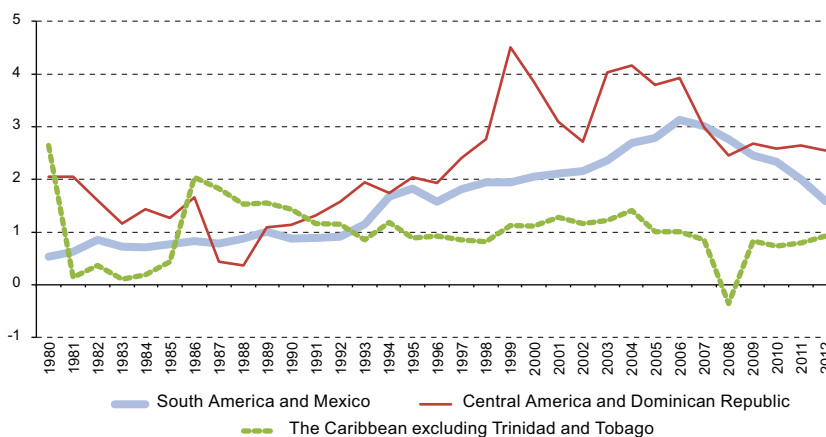
Figure I.8
Latin America and the Caribbean: interest payments abroad, 1980-2012
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

As FDI and portfolio investment inflows increased, so did the payments of the income earned on those investments. The Caribbean subregion (excluding Trinidad and Tobago) was an exception, paying out fewer earnings than the rest of the region, despite experiencing a significant rise in FDI inflows.¹⁷ The prices for South American exports, which have risen substantially since 2003, are associated with higher returns and payments abroad (see figure I.9).

Figure I.9
Latin America and the Caribbean: foreign direct investment and portfolio investment income, 1980-2012
(Percentages of GDP)

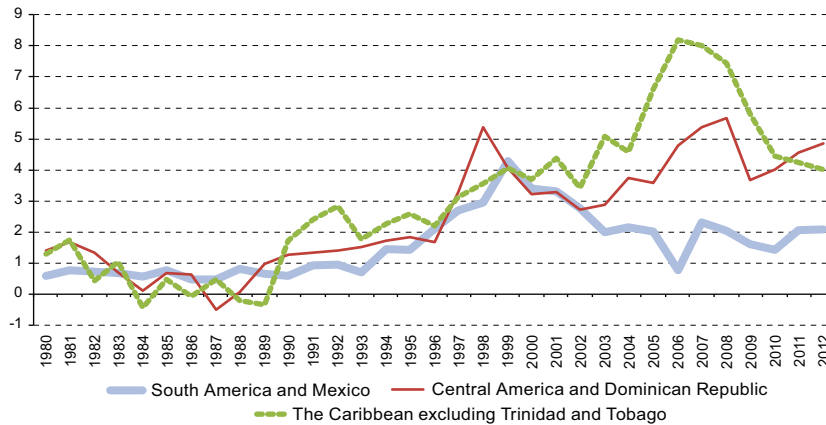


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

¹⁷ These figures refer to accrued earnings, not the amount repatriated abroad, since depending on the circumstances, a substantial proportion of total earnings can be reinvested.

As privatization schemes advanced and the region opened up to external markets as part of the deleveraging process, foreign investment in the region, both FDI and portfolio investment, expanded considerably. While in absolute terms net FDI flows go mainly towards large and midsize countries, their impact on financing as a proportion of GDP has been greater in Central America and the Caribbean (see figure I.10).

Figure I.10
Latin America and the Caribbean: net FDI flows, 1980-2012
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The region's participation in external financial markets has also undergone significant changes. While both inward and outward portfolio investment flows have risen in global markets, in the region that form of investment was initially concentrated in a small number of countries, which has expanded more recently. Two types of country have experienced significant portfolio investment flows in both directions: those with a fairly developed domestic financial market (Brazil, Chile, Colombia, Mexico and Peru) and those that have issued sovereign bonds in the international markets (Argentina, Jamaica, Uruguay in the first wave and later some Central American countries and the Plurinational State of Bolivia) (see table I.17).

Improvements in financial regulation and macroeconomic policy in the region helped to propel these changes in external financing and improved access to the international capital markets. These changes began in the 1990s when FDI replaced commercial banks as the primary source of net capital flows in Latin America and the Caribbean, and continued during the 2000s, when bond issues (sovereign and corporate) overtook commercial bank loans as the second most common source of financing.

Although the region's integration into external capital markets has been quite recent (see table I.17), as bonds gradually gained ground as a funding source, institutional investors (pension funds and insurance firms) also became increasingly important buyers of bonds, substituting the short-term or highly leveraged investors of the recent past. Corporate bonds, too, have gained ground, and exceeded sovereign bonds in value in 2011. Meanwhile, the terms and issue conditions of sovereign bonds have also improved, as exemplified by the issue of bonds in national currency in 2004. Recently, the Central American and Caribbean countries have been issuing a growing number of sovereign and corporate bonds, albeit still on an unequal footing and in less favourable conditions than other countries (Bustillo and Velloso, 2013).

Table I.17
Latin America and the Caribbean: total portfolio investment, 1980-2012^a
(Percentages of GDP)

	1980-1989	1990-1999	2000-2009	2010-2012
Argentina	0.6	5.3	3.4	1.3
Bolivia (Plurinational State of)	0.0	0.2	0.7	0.9
Brazil	0.1	2.4	1.3	2.0
Chile	0.1	2.9	6.3	8.6
Colombia	0.1	1.3	2.6	2.6
Costa Rica	0.3	0.6	1.6	2.1
Cuba		...	...	...
Dominican Republic	0.0	0.3	1.7	0.4
Ecuador	0.0	0.1	4.3	0.4
El Salvador	0.0	0.6	2.5	3.2
Guatemala	0.7	0.6	0.8	0.8
Haiti	0.0	0.0	0.0	0.0
Honduras	0.0	0.2	0.2	0.3
Mexico	0.5	3.2	1.3	5.2
Nicaragua	0.0	0.0	0.0	1.4
Panama	9.8	5.3	6.5	3.0
Paraguay	0.0	0.0	0.0	0.0
Peru	0.0	0.6	2.7	1.4
Uruguay	1.5	0.9	4.3	4.9
Venezuela (Bolivarian Republic of)	0.7	5.5	2.5	1.1
Latin America^b	0.3	1.4	2.0	2.0
Antigua and Barbuda	0.0	0.1	0.7	0.7
Bahamas	0.0	0.0	0.1	0.3
Barbados	0.6	1.5	2.7	0.0
Belize	0.1	1.3	5.5	0.6
Dominica	0.1	2.0	1.2	0.8
Grenada	0.0	0.1	4.4	1.2
Guyana	0.0	0.7	1.9	...
Jamaica	0.0	0.0	12.6	8.8
Saint Kitts and Nevis	0.0	1.3	3.9	2.4
Santa Lucía	0.0	0.2	3.1	2.9
Saint Vincent and the Grenadines	0.0	0.2	2.6	0.4
Suriname	0.1	0.0	0.1	0.2
Trinidad and Tobago	0.0	0.3	1.8	0.1
El Caribe^c	0.1	0.6	3.1	1.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Defined as the sum of the absolute value of outflows and inflows as a percentage of GDP.

^b Simple average of the countries, excluding Panama.

^c Simple average of the countries included.

Conclusions

The region's countries have experienced uneven growth in per capita GDP over the past 32 years and, despite higher growth rates in the last decade, overall growth rates have been generally low, with only a few countries managing to reduce the gap with more developed countries. And even the best performing countries fell far short of the rapid growth achieved by the Asian countries. The differences cannot be attributed a priori to specialization, geography or size, since both the high-performance and low-growth countries include cases of a very diverse nature.

The inequality both between and within countries, as well as the incidence of poverty, reflect the ups and downs that the region has experienced over the last 32 years. During the lost decade of the 1980s inequality and poverty indicators deteriorated, in some cases sharply. It was only after many years that, in the 2000s, these indicators

began to improve, on the back of higher growth, a better labour market and the implementation of social policies. Nevertheless, high levels of inequality and poverty persist in several countries.

A look at growth in each decade has highlighted the impact of external constraints on performance. In the 1980s, adjustment programmes were adopted to reduce internal and external imbalances that had become unsustainable amid limited access to external resources. Debt reduction efforts were undertaken in the 1990s, starting with the Brady Plan, but the shortcomings of this approach and the adoption of macroeconomic strategies that perpetuated imbalances, coupled with shocks from outside the region, resulted in low and unstable growth. The third period analysed (the 2000s) showed the impact of rising commodity prices, which boosted disposable income and growth in several countries in the region. In this period, external growth constraints lost their impact or ceased to apply in many countries. This stood the region in good stead when the financial crisis hit at the end of the decade, and many countries were able to draw upon countercyclical policy capabilities to restore growth more quickly.

Major changes have been made to macroeconomic regimes in the region over the past three decades, with the scope of the changes varying from one country to another. In particular, countries have strengthened monetary and fiscal policies (this is discussed in more detail in chapter IV), which has helped to reduce inflation and improve the fiscal accounts. Coupled with other factors, such as the policies adopted by third countries, especially the United States, these measures helped the region to recover relatively quickly in the wake of the global financial crisis. However, not all of the changes introduced have fostered growth.

With regard to investment and saving, gross fixed capital formation languished at below 20% of GDP for long periods. This reflected the limited public investment following the adjustment programmes of the 1980s as well as weak private investment stimulus amid the instability of the 1990s, although private investment did pick up somewhat from the low levels of the 1980s. After 2000, rising national disposable income, in some cases thanks to higher export prices, and improved growth expectations fuelled by higher spending in developed countries and China's growth, helped drive up investment and saving. In particular, national saving outpaced investment, thereby reducing external saving and significantly mitigating several countries' vulnerability to external shocks associated with the global financial crisis.

Along with these domestic changes, the external macroeconomic position has shifted significantly. Foreign trade and FDI have risen for most of the region's countries, evidencing greater production exchanges with the rest of the world than 30 years ago. Those changes, together with the external deleveraging process, have lowered the debt servicing burden and led to higher FDI income payments, although much of FDI income is reinvested. Remittances have also become an important source of income for the region, first for the countries of the Caribbean and later for Central and South America.

By the end of the three decades under review, portfolio investment flows accounted for a smaller degree of financial integration, overall, than trade or FDI. But portfolio flows are substantial for one group of countries (Brazil, Chile, Colombia, Costa Rica, El Salvador, Jamaica, Mexico, Panama, Saint Kitts and Nevis, Saint Lucia and Uruguay)¹⁸ and thus represent another channel through which external fluctuations can be transmitted to the region.

In short, following low growth for the first two decades under review and a more robust performance in the third, the region has seen some major shifts in its macroeconomic regime. These changes have not been as far-reaching in all countries and in many cases are too recent to judge their long-term effectiveness. However, to gauge by the region's response to the 2008 financial crisis and the aftermath of global instability, it would appear that some countries have succeeded in modifying the macroeconomic strategies that led to recurring crises in the past. The challenge remains of boosting growth by increasing investment and embedding technological progress, supported by higher domestic savings and sustainable use of natural resources, while advancing towards greater equality.

¹⁸ Depending on the criteria applied, Argentina could also be included in this group.

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Income and aggregate demand over the past three decades

Introduction

- A. Over the past decade, gross domestic income growth tripled and the operating surplus share increased
- B. The terms of trade contribution to disposable income surged in most of the countries
- C. Private consumption has become increasingly important as a determinant factor of growth
- D. Greater trade openness coincided with a growing (net) export component of GDP
- E. There was a positive correlation between capacity use and investment
- F. There has been a positive correlation between growth and investment
- G. GDP growth tended to have a positive impact on investment (accelerator effect)

Conclusions

Bibliography

Introduction

This chapter tracks economic growth in Latin America and the Caribbean over the past three decades from the perspective of aggregate demand. It starts by describing the path that growth and functional income distribution have followed in the region and then explains the impact that changes in the terms of trade have had on the growth of gross national disposable income, stressing how they have shaped that economic growth in a number of countries over the past decade. It goes on to discuss the growing contributions that consumption and net exports are making to GDP expansion in a context of trade openness. The chapter concludes with an assessment of investment, highlighting its relationship with installed capacity utilization and, in particular, with income growth, noting its substantial accelerator effect in the region.

A. Over the past decade, gross domestic income growth tripled and the operating surplus share increased

Between 1980 and 2012 gross national income in Latin America and the Caribbean, measured in current dollars, grew almost six-fold. But the pattern was not uniform throughout the period. Between 1980 and 1990, income climbed by 37%; it surged by 60% between 1990 and 2002. As a result, regional gross domestic income barely doubled over a 22-year span. In contrast, in the past 10 years income growth has sped up substantially, as seen in the slightly more than three-fold increase of this aggregate between 2002 and 2012.

A look at primary income distribution shows the make-up of income generation within an economy from a factor income perspective, that is, how it breaks down between compensation of employees (a proxy variable for household income), operating surplus (a proxy variable for enterprise savings), net taxes and mixed income.¹

An analysis of the data in table II.1 yields some stylized facts. First, between 1980 and 2010 operating surplus as a percentage of GDP increased in the countries of Latin America and the Caribbean. For the region as a whole, the operating surplus increased from an annual average of 43% during the 1980s to an annual average of 47% in 1990-2002 and an annual average of 51% in 2003-2010.

Second, the increase in operating surplus as a percentage of GDP is more widespread in the most recent period. In some countries that are essentially specialized in the production of mining or agricultural commodities (Chile, Peru and Uruguay), the operating surplus as a percentage of GDP, in annual average terms, rose between 4 percentage points and 6 percentage points in 2002-2010 compared with 1990-2002. However, Guatemala, Honduras and Panama also saw a significant increase in the operating surplus share of GDP between 1990-2002 and 2003-2010. In the Bolivarian Republic of Venezuela and the Plurinational State of Bolivia, while the average annual operating surplus as a percentage of GDP remained at similar levels in both periods, it is high, at around 54% and 53%, respectively.

¹ For the countries of Latin America and the Caribbean, the available information covers a limited number of years and countries and varies over time; accordingly, the statistics that are available are not homogeneous. Statistics available for the countries of the region for 1980-2010 were compiled, seeking country comparability to the extent possible. These figures were used to track compensation of employees, operating surplus and net taxes, all as a percentage of GDP, for three periods: 1980-1989, 1990-2002 and 2003-2010. For each period, the average annual share of each of the components was calculated, as was the regional average, based on the simple average of figures for individual countries. The period under review was divided into three subperiods as a means to identify the changes which occurred. This subdivision took into account the available information in terms of number of countries and years, as well as the fact that 1990 and 2003 saw significant changes. While 1990 marked the end of the lost decade and the launch, in many countries of the region, of sweeping economic reforms, 2003 brought the beginning of the rise in international prices of raw materials that fuelled the substantial increase in income in many countries of the region.

Table II.1
Latin America: components of gross domestic income, 1980-2010^a
(Percentage of GDP in local currency at current prices)

	Compensation of employees			Operating surplus			Taxes net of subsidies		
	1980-1989	1990-2002	2003-2010	1980-1989	1990-2002	2003-2010	1980-1989	1990-2002	2003-2010
Argentina	...	35.5	32.0	...	52.8	52.3	...	11.7	15.7
Bolivia (Plurinational State of)	35.5	34.8	28.9	55.8	53.1	53.2	8.7	12.1	18.1
Brazil	36.6	42.0	40.9	53.9	44.3	43.7	10.2	13.7	15.3
Chile	35.9	37.6	37.4	40.0	38.3	43.8	13.5	13.3	11.1
Colombia	40.8	37.9	32.5	49.3	54.6	57.1	10.0	9.9	10.4
Costa Rica	45.7	46.0	47.8	37.9	42.2	40.1	13.1	11.7	12.1
Ecuador	23.6	...	32.5	52.9	...	49.8	10.2	...	7.9
Guatemala	...	32.9	31.3	...	58.7	60.9	...	8.4	7.6
Honduras	48.6	43.9	45.3	34.0	36.9	43.4	10.7	12.8	10.0
Jamaica ^b	32.6	34.7	...	27.1	26.3	...	...	...	...
Mexico	30.8	31.6	29.1	49.8	49.9	52.1	8.3	8.7	9.6
Nicaragua	...	32.7	35.9	...	58.9	53.9	...	10.1	10.7
Panama	50.5	43.1	32.9	33.6	41.1	52.3	8.9	8.5	8.1
Paraguay	31.5	33.7	32.8	52.5	56.2	52.8	5.6	8.6	10.3
Peru	...	25.4	22.5	...	57.8	61.5	...	10.1	9.1
Suriname	57.0	42.6	...	21.2	39.5	...	11.1	7.1	...
Trinidad and Tobago	55.3	46.8	...	36.3	34.7	...	-0.2	7.7	...
Uruguay	35.1	40.0	33.7	48.4	46.3	50.7	14.5	13.7	15.6
Venezuela (Bolivarian Republic of)	38.3	32.7	30.9	49.5	53.7	54.3	4.5	6.9	9.1
Latin America	39.8	37.4	34.2	42.8	47.0	51.4	9.2	10.3	11.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Does not include data for Cuba, the Dominican Republic or El Salvador, since information for these countries is not available for the whole period.

^b There are no available data on net taxes.

Third, the increase in operating surplus as a percentage of GDP in most of these countries was to the detriment of the compensation of employees share, which declined by a similar magnitude between the two periods. One exception was Honduras, where the rise in the operating surplus share of GDP was at the expense of the net tax share.

While the operating surplus could be regarded as a proxy variable for private enterprise savings, the increase in its GDP share is not all due to a jump in this type of savings because in a number of countries (Bolivarian Republic of Venezuela, Chile, Colombia and the Plurinational State of Bolivia), the public sector is involved in the production of raw materials. As a matter of fact, the rise of the operating surplus in 2003-2010 in these countries is also linked to the rise of public savings owing to a combination of three factors: systematic primary surpluses (underpinned by enhanced tax systems and extraordinary revenue from commodity exports); self-insurance mechanisms (such as stabilization funds and debt prepayment schemes during booms or periods of falling interest rates) and improved management of public assets and liabilities.

Furthermore, burgeoning government resources fed by State-owned enterprise rents and income from soaring natural resource export prices and by higher tax receipts associated with faster growth and improvements in tax legislation and administration (ECLAC, 2013a) made it possible to implement redistributive fiscal policies aimed at offsetting the concentrator effect of the higher operating surplus share of GDP. These fiscal policies (reflected above all in transfers and other redistributive costs), together with lower labour income concentration as a result of improved labour qualifications that narrowed the income gap attributable to differences in education, helped to reduce income concentration overall ((Lustig, López-Calva and Ortiz-Juárez, 2013). This was reflected in the decline in income concentration ratios (Gini coefficient) in most of the countries during the past decade (ECLAC, 2013b).

In some cases, the increase in government revenues made it possible to reduce the public debt and implement countercyclical policies during the economic crisis of 2008-2009. Not only did total public debt decline in the span of a few years (between 2003 and 2008), but its composition changed significantly, shifting towards longer maturities, a higher percentage of fixed-rate debt and an increase in the portion held by residents and

the percentage in local currency. Accordingly, since 2010 domestic debt has accounted for a larger share of total public indebtedness than external debt.²

In Costa Rica and Nicaragua, the trend has been different. The operating surplus share of GDP declined between 1990-2002 and 2003-2010 while the compensation of employees share rose. In Costa Rica, the latter went from an annual average of 46% in 1990-2002 to an annual average of 48% 2003-2010. In Nicaragua, it rose from 33% to 36% between the two periods. The operating surplus share of GDP declined by the same magnitude in both countries.

In Brazil, these aggregates tended to hold steady in 1990-2002 and 2003-2010, although there were significant changes in comparison with 1980-1989. Between that period and 1990-2002, the compensation of employees' share of GDP expanded from an annual average of 37% to an annual average of 42%, while the operating surplus share shrank from an annual average of 54% to an annual average of 44% per cent. The larger decline of the latter aggregate was reflected in a similar increase in the net tax share of total income.

B. The terms of trade contribution to disposable income surged in most of the countries

Analyzing how improving terms of trade contribute to GDP growth poses two challenges. One is conceptual and the other is methodological. Conceptually, faster growth associated with improving terms of trade in Latin America and the Caribbean since 2003 contrasts with the focus in the past on the negative impact of deteriorating terms of trade on long-term growth when the deterioration is prolonged, and, especially, when the terms of trade are volatile (Blattman, Hwang and Williamson, 2003).

A prolonged improvement in the terms of trade can, however, spur an increase in income and savings. This can encourage investment but can have negative impacts too. On the one hand, favourable export price trends entail the risk (owing to exchange-rate appreciation) that the additional savings generated by higher disposable income will continue to be invested in the sector that generated them, thus reinforcing the existing pattern of specialization instead of diversification and industrialization (Palma, 2013). On the other hand, increasing export concentration in natural resources makes a country's terms of trade more volatile and acts as a drag on long-term growth. There is evidence that this has happened in Latin America and the Caribbean as a result of the surge in China's demand for raw materials (Fung, Garcia-Herrero and Nigrinis, 2013). Greater specialization in natural resources, then, produces contradictory effects.³ One reason why it is hard to reach clear conclusions about the probable impact of the so-called Dutch disease on growth could be that the benefits of commodity-based wealth more than offset the costs of greater export concentration (World Bank, 2012).

The methodological challenge in assessing the contribution that improving terms of trade makes to growth arises from the way in which GDP is calculated: since GDP changes are measured in real terms, price variations are not taken into account.⁴ One way to overcome this challenge is to assess the direct impact of the terms of trade on gross national disposable income, which, unlike GDP, takes into account the impact of the gain resulting from changes in the terms of trade.

The macroeconomic aggregates of the countries of the region, as measured by ECLAC in current and constant prices, include gross national disposable income in dollar terms. While the academic discussion as to whether national income should be in gross or net terms continues, ECLAC calculates it in gross terms because most of the countries do not estimate consumption of fixed capital. In addition, not all of the countries prepare national

² For the region as a whole, public debt fell from an average of 60% of GDP in 2003 to 32% of GDP in 2008. External public debt fell to levels close to 16% of GDP. Much of this decrease took place in 2003-2007. Despite the deteriorating primary balance from 2008 on, the debt ratio has been rather consistent. This public debt trend has been more characteristic of the countries of South America, because most of the countries of Central America and the Caribbean still have high levels of public debt as a percentage of GDP.

³ Some studies suggest that lasting terms-of-trade improvements can have a positive impact on growth (Barro and Sala-i-Martin, 2004). But there is also evidence that specialization in commodity production can be a factor in a slow-growth path (Sala-i-Martin, 1997).

⁴ Accordingly, changes in the terms of trade are not taken into account either.

accounts on the basis of institutional sectors, making it necessary to identify transactions with the rest of the world on the basis of balance of payments records (Kacef and Manuelito, 2008).

Measured in constant prices, disposable national income can be calculated using the following equation:

Equation 1:

$$GNDP = GDP + ToT + NFP + NCT$$

Where:

GNDP = Gross national disposable income

GDP = Gross domestic product

ToT = Terms of trade impact

NFP = Net factor payments abroad

NCT = Net current transfers from abroad

The terms of trade impact is determined by multiplying goods and services export value at constant prices by variations in the trade price ratio index.

Equation 2:

$$ToT = Qx * \left(\frac{Px}{Pm} - 1 \right)$$

Where:

ToT = Terms of trade impact

Qx = Goods and services exports at constant prices

Px = Unit value index of goods and services exports

Pm = Unit value index of goods and services imports

Equation 1 yields a log breakdown of gross national disposable income per capita and identifies four impacts (see equation 3): the impact of net transfers from abroad, measured as the ratio of gross national disposable income to gross domestic income ($\frac{GNDI}{GDI}$); the terms of trade impact, measured as the ratio of gross domestic income to gross domestic product ($\frac{GDI}{GDP}$); the impact of labour productivity, measured as the ratio of gross domestic income to total hours worked ($\frac{GDI}{Hr}$), and the impact of the labour participation rate, measured as the ratio of number of hours worked to total population ($\frac{Hr}{Pop}$).

Equation 3:

$$\frac{GNDI}{Pop} = \frac{GNDI}{GDI} * \frac{GDI}{GDP} * \frac{GDP}{Hr} * \frac{Hr}{Pop}$$

This breakdown was used to examine the growth of per capita gross national disposable income over the past three decades (see table II.2). The findings for Latin America as a whole show the negative terms of trade contribution and the loss of labour productivity during the 1980s as a result of low commodity prices and the sharp contraction during the period (a scenario that reversed somewhat in the 1990s). But it was between 2003 and 2011 that the average annual growth rate of gross national disposable income per capita increased more than threefold compared with the prior period, owing both to increased labour productivity and to the significant terms of trade upturn (see figure II.1)

Table II.2
Latin America (17 countries): drivers of the growth of per capita gross national disposable income (GNDI), 1981-2011
(Percentages)

	Labour productivity impact ^a	Labour participation rate impact ^b	Terms of trade impact ^c	Impact of net transfers from abroad ^d	Per capita GNI		Labour productivity impact ^a	Labour participation rate impact ^b	Terms of trade impact ^c	Impact of net transfers from abroad ^d	Per capita GNI
Argentina						Honduras					
1981-1989	-2.0	-0.5	-0.2	-0.4	-3.1	1981-1989	0.1	-0.5	0.0	0.3	-0.1
1990-2002	0.9	-0.3	-0.1	0.1	0.7	1990-2002	-0.1	0.7	0.4	0.7	1.6
2003-2011	4.3	2.7	0.9	0.0	7.9	2003-2011	1.8	0.1	-0.1	0.7	2.6
Bolivia (Plurinational State of)						Mexico					
1981-1989	-2.4	0.0	-0.6	0.4	-2.7	1981-1989	-2.1	1.6	-0.4	0.1	-0.9
1990-2002	0.8	0.5	-0.5	0.3	1.2	1990-2002	0.4	1.1	0.2	0.1	1.8
2003-2011	1.3	1.0	2.5	0.0	4.8	2003-2011	0.5	0.7	0.3	0.1	1.6
Brazil						Nicaragua					
1981-1989	0.1	0.1	0.0	-0.1	0.2	1981-1989	-4.1	0.1	0.4	0.0	-3.6
1990-2002	-0.3	0.7	0.0	0.0	0.3	1990-2002	0.0	0.8	0.8	0.6	2.3
2003-2011	1.2	1.7	0.8	-0.1	3.5	2003-2011	0.6	1.3	-0.1	0.5	2.3
Chile						Panama					
1981-1989	-0.1	1.7	0.1	-0.2	1.5	1981-1989	-1.2	0.2	-0.3	0.5	-0.8
1990-2002	4.1	0.5	-0.7	0.0	3.9	1990-2002	1.1	1.5	0.1	0.2	2.9
2003-2011	2.3	1.2	3.0	-0.7	5.7	2003-2011	4.4	2.2	-1.1	-0.8	4.7
Colombia						Paraguay					
1981-1989	0.2	1.0	-0.3	-0.2	0.7	1981-1989	0.0	0.3	0.2	0.0	0.5
1990-2002	0.4	0.6	-0.1	0.1	1.0	1990-2002	-0.4	0.1	-0.2	0.2	-0.4
2003-2011	1.4	1.8	1.1	-0.5	3.8	2003-2011	0.3	2.2	1.1	0.1	3.7
Costa Rica						Peru					
1981-1989	-1.3	1.0	-0.4	0.2	-0.6	1981-1989	-3.5	0.8	0.0	-0.1	-2.9
1990-2002	1.2	0.8	0.4	0.1	2.5	1990-2002	0.3	1.2	-0.2	0.2	1.5
2003-2011	2.1	1.1	-0.6	0.1	2.7	2003-2011	4.2	1.2	1.5	-0.8	6.1
Dominican Republic						Uruguay					
1981-1989	1.8	-0.7	-0.2	0.2	1.1	1981-1989	-0.2	0.2	0.6	-0.3	0.2
1990-2002	2.3	0.5	0.3	0.3	3.6	1990-2002	1.0	-0.3	-0.4	0.4	0.7
2003-2011	1.5	2.6	-0.6	-0.1	3.4	2003-2011	3.9	2.2	0.2	-0.8	5.4
Ecuador						Venezuela (Bolivarian Republic of)					
1981-1989	-0.5	-0.1	-0.3	-0.2	-1.1	1981-1989	-3.7	0.7	-1.6	-0.2	-4.8
1990-2002	-0.7	1.2	0.1	0.5	1.2	1990-2002	-0.8	0.3	0.4	0.0	-0.1
2003-2011	2.0	0.9	1.2	0.1	4.3	2003-2011	1.1	2.1	4.7	-0.1	7.8
Guatemala						Latin America					
1981-1989	-1.1	-0.5	-0.9	0.0	-2.6	1981-1989	-1.3	0.5	-0.3	-0.1	-1.2
1990-2002	1.2	0.3	0.3	0.6	2.4	1990-2002	0.1	0.8	0.0	0.1	1.0
2003-2011	-0.5	1.3	-0.1	0.0	0.7	2003-2011	1.2	1.5	0.9	-0.1	3.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

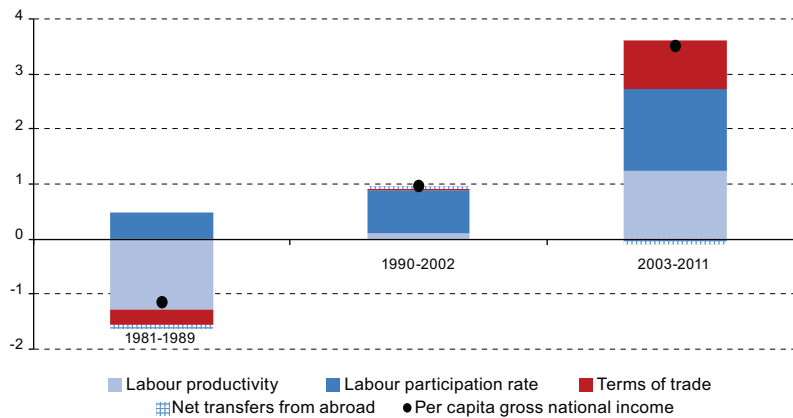
^a Ratio of gross domestic product to total hours worked.

^b Ratio of number of hours worked to total population.

^c Ratio of gross domestic income to gross domestic product.

^d Ratio of gross national disposable income to gross domestic income.

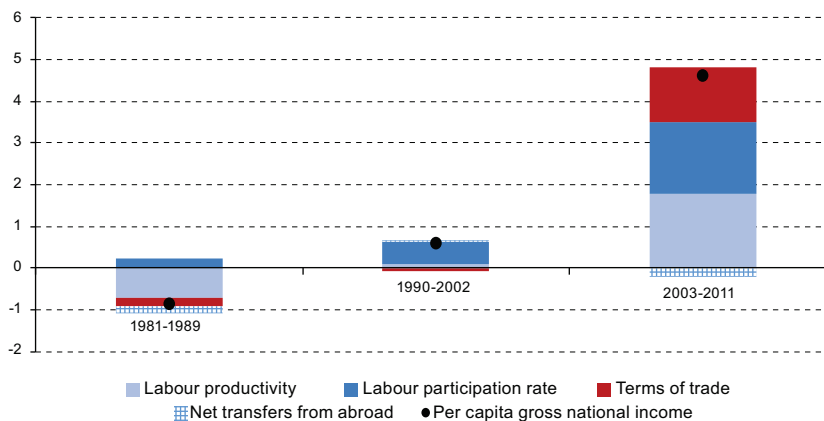
Figure II.1
Latin America: change in and contributions to the growth of per capita gross national disposable income, 1981-2011
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The terms of trade impact was more marked in South America, where the average annual growth of gross national disposable income increased from a rate of 0.6% in 1990-2002 to a pace that was almost eight times higher in 2003-2011. Nearly a third (29%) of this increase can be attributed to the terms of trade impact; the rest is due to increases in labour productivity and the labour participation rate (see figure II.2).

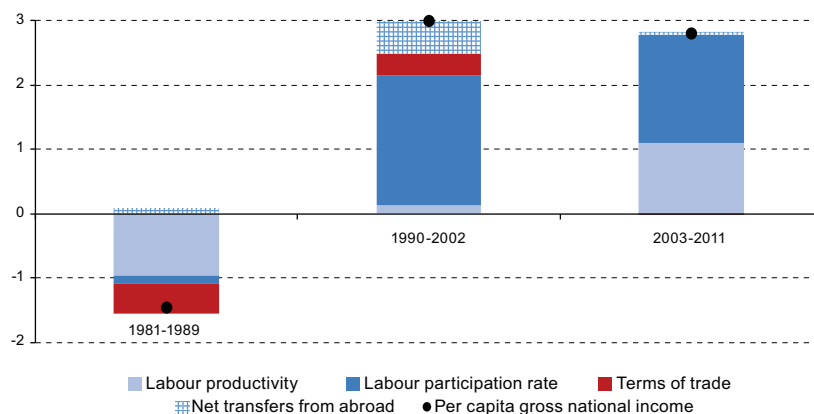
Figure II.2
South America: change in and contributions to the growth of per capita gross national disposable income, 1981-2011
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Between 2003 and 2011, the countries with the largest terms of trade impact were the Bolivarian Republic of Venezuela (where it accounted for 60% of the increase in per capita gross national disposable income), Chile (52%), Plurinational State of Bolivia (51%), Paraguay (31%), Ecuador (29%), Colombia (28%), Peru (25%), Brazil (21%), Mexico (21%), Argentina (11%) and Uruguay (4%). In the countries of Central America and in the Dominican Republic, the terms of trade impact was negative. Unlike the previous period (1990-2002), nor was the contribution of net current transfers (most of which relate to remittances from emigrants) significant in these countries between 2003 and 2011, with the exception of Honduras and Nicaragua (see figure II.3).

Figure II.3
Central America: change in and contributions to the growth of per capita gross national disposable income, 1981-2011
 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Rising gross national disposable income can boost economic growth to the extent that it contributes to an increase in aggregate demand. A first approach to the topic suggests that there is a positive correlation between the growth of per capita gross national disposable income (arising from increasing terms of trade) and a higher national savings rate; this relationship was more marked in 2003-2009 (see figure II.4). The increased level of savings made it possible to fund the increase in investment and thus in the stock of capital, with the resulting increase in production capacity. The relationship between consumption and gains in per capita gross disposable national income associated with changes in the terms of trade is positive only during 2003-2009, and it is influenced by the negative-to-positive shift in the public consumption ratio owing to the sharp increase in tax revenues as a result of improved terms of trade and expanding economic activity.

C. Private consumption has become increasingly important as a determinant factor of growth

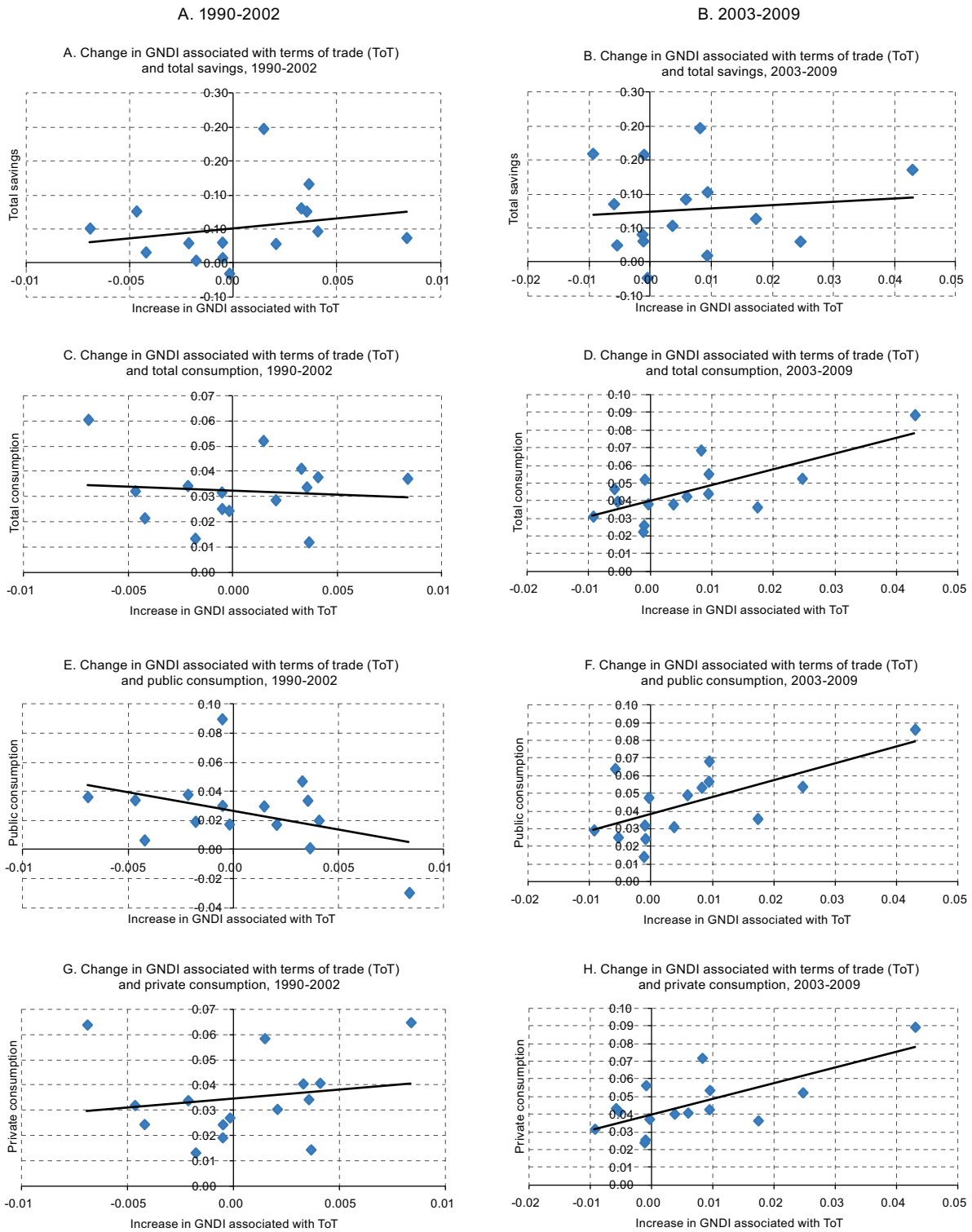
For the region as a whole and unlike the 1980s (when public and private consumption fell), consumption was the component of demand that contributed the most to growth between 1990 and 2012, especially during 2003-2008 and 2010-2012 (see figure II.5). Three main factors are behind the surge in consumption.

First, while the contribution of public consumption increased considerably in the 1990s compared with the 1980s, it did not accelerate until 2002. As tax revenues increased thanks to the jump in income associated with booming international prices for commodities exported by the countries of the region and burgeoning economic activity, public expenditure in a number of countries rose. Accordingly, the contribution of public consumption to growth remained relatively constant, in annual average terms, between 2002 and 2012.

Second, investment behaved procyclically during most of the period under review. In the 1980s, the contribution of investment to growth was very negative. It turned positive between 1990 and 2002, when it reached its highest level for the period. Although investment surged between 2003 and 2008, its contribution to growth in annual average terms fell in comparison with the previous period because consumption was a significant driver of regional GDP growth during those years. It continued to ebb in 2009-2012, albeit with significant differences between countries, largely as a result of plummeting investment in 2009. Investment patterns between 1980 and 2012 show that volatility has tended to be higher during contractions because that is when financial constraints on investment have been tighter (Fanelli, 2008).

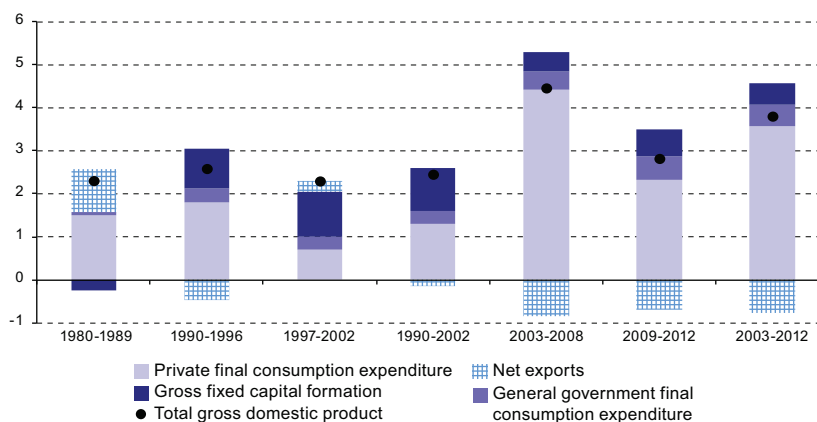
Figure II.4

Latin America: change in per capita gross national disposable income (GNDI) associated with changes in the terms of trade (ToT), 1990-2002 and 2003-2009



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Figure II.5
Latin America and the Caribbean: GDP variation and contribution to the growth of aggregate demand components
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures, and United Nations, Department of Economic and Social Affairs, Statistics Division national accounts database [online] <http://unstats.un.org/unsd/nationalaccount/madt.asp>.

Third, since the 1990s the contribution of net exports to growth has been, with some exceptions, persistently negative.⁵ This attribute of the impact of regional aggregate demand is one of the main differences between growth in Latin America and growth in Asia (De la Torre and others, 2013).

The negative contribution of net exports to GDP growth was more marked in the countries of South America, and, in average annual terms, it heightened between 2009 and 2012. The trend in Mexico and the countries of Central America and the Caribbean differed somewhat in that the contribution of net exports to GDP growth (while negative in 2003-2008) was positive in 2009-2012 owing in part to the significant contraction of imports in 2009.

In short, economic growth in Latin America and the Caribbean has been associated primarily with the expansion of domestic demand and, to a greater extent, with the expansion of private consumption. The contribution to growth made by the other components of aggregate demand (investment, public consumption and net exports) has been subject to slower growth and/or greater volatility and has therefore been limited and uneven; this has kept the region from pursuing a relatively high, stable and sustained growth path.

D. Greater trade openness coincided with a growing (net) export component of GDP

On the macroeconomic front there is ample empirical literature showing mixed findings on the link between trade and growth. These studies usually focus on the correlation between a measure of international integration or trade openness and GDP or per capita income growth. In the 1990s, several empirical studies concluded that economies that were more open to trade grew faster (Dollar, 1992; Sachs and Warner, 1995; Krueger, 1997; Edwards, 1998). However, in the period following the Washington Consensus new studies criticized those earlier ones for using unsuitable indicators of openness (some highly correlated with other variables that affect growth), for underestimating geographical factors and for being inconclusive in determining causation (Rodríguez and Rodrik, 2000). More recent studies suggest a positive relationship between trade liberalization and economic growth (Frankel and Romer, 1999; Dollar and Kraay, 2001; Kim, 2011; Giordano and Li, 2012) if openness is accompanied by complementary policies to stimulate investment and technological progress and by macroeconomic and institutional stability (Panagariya, 2004; Ulasan, 2012).

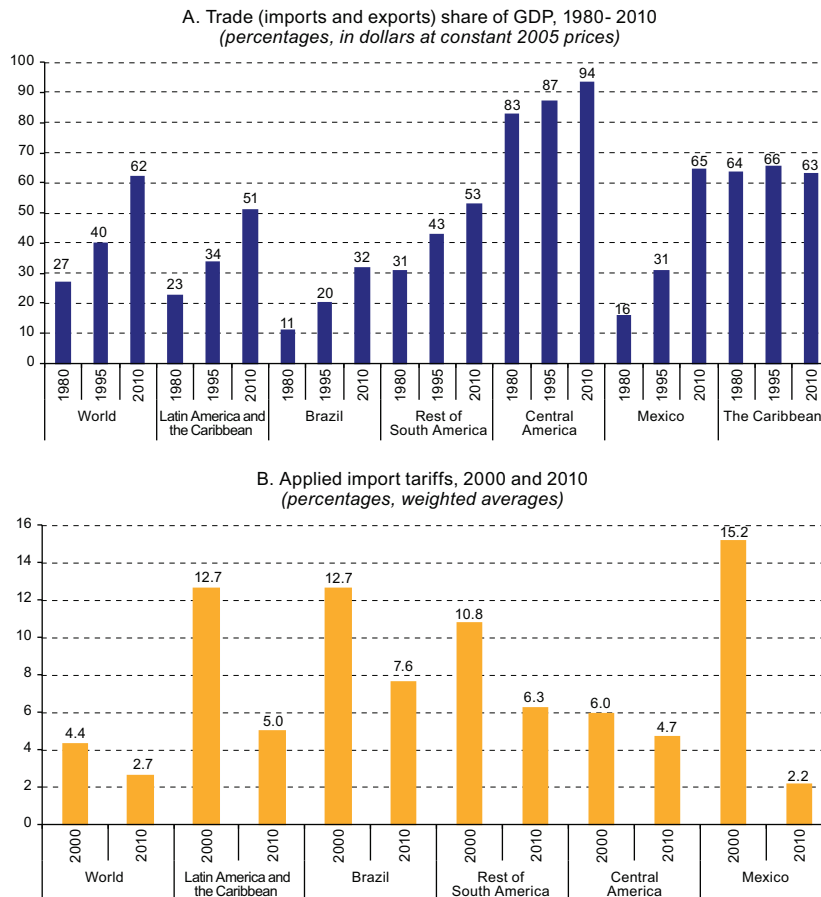
The degree of openness to international trade can be measured from different perspectives. Expressed as the export and import share of GDP, the trade openness of Latin America and the Caribbean increased from 23% in 1980

⁵ In the 1980s the profound adjustment that had to be carried out in the economies of the region was reflected in the fact that net exports were the main driver of the moderate growth recorded during this period, especially through import containment.

to 51% in 2010.⁶ Central America stands out for its greater degree of openness (83% in 1980 and 94% in 2010), followed by the Caribbean (approximately 65% in both years) and Mexico (16% in 1980 and 65% in 2010). Brazil and the other countries of South America have lower levels of openness according to this measure, although the indicator has increased significantly since 1980 (see figure II.6.A).

Another way to measure trade openness is through import tariffs. The data in figure II.6.B show that average tariffs in Latin America declined significantly over the past decade but remain significantly above the world average. Tariffs came down in all of the subregions, especially so in Mexico. However, this indicator does not take account of non-tariff barriers, which can also affect the external trade of an economy.

Figure II.6
Latin America and the Caribbean and the world: trade openness indicators



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures provided by the United Nations Conference on Trade and Development (UNCTAD) and the World Bank.

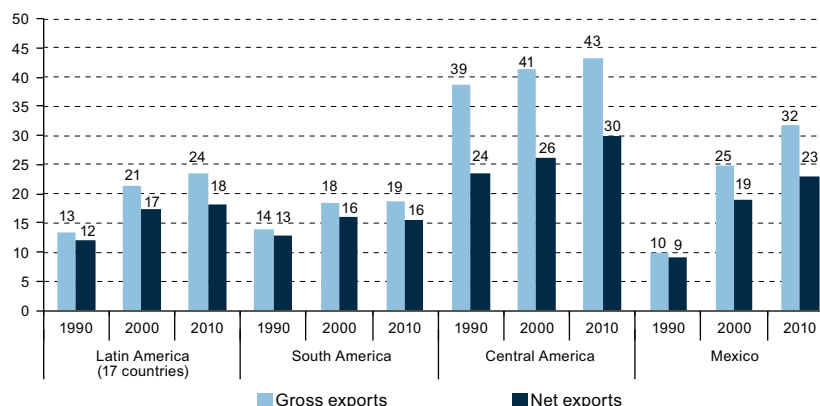
Lastly, the relative importance of foreign trade can also be measured in terms of the weight of the export sector in the economy, expressed as the export share of GDP. This indicator does not take account of the fact that imported inputs make up part of export value, so a better way to gauge the contribution of the export sector is to subtract import content from net exports.⁷ Accordingly, net exports from Latin America (excluding import content) increased from 12% of GDP in 1990 to 18% of GDP in 2010. For gross exports the change was 13% in 1990 and 24% in 2010 (see figure II.7). The difference between gross and net exports is even greater in the countries of Central America, where the export sector has always been more import-intensive and was made more so by the maquila industry and other non-traditional industrial exports. In this subregion, net exports as a percentage of GDP went from 24% in

⁶ The trend was similar to that of world trade, whose global GDP share more than doubled in the period, from 27% in 1980 to 62% in 2010.

⁷ An exercise of this kind was conducted by ECLAC (2010) for the countries of Latin America on the basis of net exports, taking the share of imported capital goods and intermediate inputs in total GDP as import content. See also Ffrench-Davis (2005).

1990 to 30% in 2010 while gross exports rose from 39% to 43% those same years. In Mexico, the import content of exports began to climb in the mid-1990s, with gross exports jumping from 10% of GDP in 1990 to 32% of GDP in 2010 while net exports rose from 9% of GDP to 23% of GDP during the same period.

Figure II.7
Latin America (17 countries): GDP share of gross and net exports, 1990-2010
(Percentages, in dollars at constant 2005 prices)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Database (COMTRADE), United Nations Conference on Trade and Development (UNCTAD), and information provided by the National Institute of Statistics and Geography (INEGI) of Mexico.

During the period between 1990 and 2010, net exports from Latin America rose at an annual average pace of 5.5% while non-export GDP increased by an annual average of 2.8% (see table II.3). However, due to the lower share of export GDP in total GDP, the export sector's contribution to economic growth was on average one-fifth of the non-export GDP contribution. Average annual growth of total GDP was similar during 1990-1999 and 2000-2010, whereas net exports rose much more quickly in the first subperiod. However, because of its greater share of the total, non-export GDP contributed slightly more to growth during 2000-2010. The pattern is the same in the subregions, with net exports rising faster in the first period and being more of a factor in GDP growth in the second.

Table II.3
Latin America (17 countries): annual average variation in total GDP, gross and net exports and non-export GDP, 1990-2010^a
(Percentages)

		Total GDP	Gross exports	Net exports	Non-export GDP
Latin America	1990-1999	3.1	7.9	7.1 (13.6)	2.4 (86.4)
	2000-2010	3.3	4.9	4.2 (18.5)	3.1 (81.5)
	1990-2010	3.2	6.3	5.5 (16.3)	2.8 (83.7)
South America	1990-1999	3.0	5.8	5.3 (13.6)	2.6 (86.4)
	2000-2010	3.8	4.4	3.8 (17.2)	3.8 (82.8)
	1990-2010	3.4	5.1	4.5 (15.6)	3.3 (84.4)
Central America	1990-1999	4.6	4.9	5.9 (23.8)	4.2 (76.2)
	2000-2010	3.8	4.8	5.2 (27.6)	3.3 (72.4)
	1990-2010	4.1	4.9	5.5 (25.9)	3.7 (74.1)
Mexico	1990-1999	3.2	13.3	11.5 (12.4)	2.1 (87.6)
	2000-2010	2.3	5.8	4.7 (19.9)	1.7 (80.1)
	1990-2010	2.7	9.2	7.8 (16.5)	1.9 (83.5)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Database (COMTRADE), United Nations Conference on Trade and Development (UNCTAD), and information provided by the National Institute of Statistics and Geography (INEGI) of Mexico.

^a The figures in parentheses denote the contributions to total growth of the economy of export GDP (net exports) and non-export GDP, in percentages, based on the ratio of each component to total GDP.

Input-output matrices provide a more accurate calculation of the net exports-to-GDP ratio by making it possible to pinpoint the imported input content of exported goods and services. Calculations for five countries of the region that have input-output matrices showed that the GDP share of gross and net exports, respectively, is 15% and 13% in Brazil (2005); 39% and 31% in Chile (2003); 17% and 15% in Colombia (2005); 25% and 16% in Mexico (2003); and 30% and 22% in Uruguay (2005).⁸

E. There was a positive correlation between capacity use and investment

The relationship between economic growth and investment has been extensively discussed in the literature. From a long-term perspective, economic theory suggests that capital accumulation and technical progress, together with population growth, labour force qualifications and, according to certain approaches (such as the one taken by ECLAC), production structure characteristics play a fundamental role in achieving a certain level of activity. On the other hand, the empirical literature confirms that investment is necessary for growth, although it is not the only relevant factor. Sala-i-Martin (1997) used sound estimation methods to identify investment as positively correlated to growth. Real exchange rate distortions and the spread between the official exchange rate and the informal market rate have also been identified as negatively correlated with growth. Recent studies look at the impact of public investment and foreign direct investment on growth and assign a positive impact to both (Toulaboe, Terry and Johansen, 2009; Cullison, 1993; Bukhari, Ali and Saddaqt, 2007).

Over the long term, investment is essential for growth, mainly because it impacts supply and helps define the economic structure. In addition to making it possible to expand production capacity, investment is a good way to incorporate technical progress that will subsequently boost capital productivity and, in turn, growth. Investment is also a vehicle for structural change, since it reallocates resources towards more dynamic sectors of the economy and consolidates production linkages; both factors spark gains in efficiency, productivity and systemic competitiveness of the economic structure. Public investment in infrastructure is special in that it complements private investment by generating the externalities needed to make private projects profitable. The lack of adequate infrastructure limits the growth of private investment and biases it in favour of enclave sectors (that is, sectors that have limited linkages to the rest of the economy).

From a short- and medium-term perspective, the level of economic activity and the pace of growth are viewed as the outcome of levels of aggregate demand, key relative prices and supply constraints. Investment spurs aggregate demand (multiplier effect) and has a lot to do with the level of investment—especially the kind that has a high impact on employment. At the same time, growth expectations drive investment (accelerator effect). Owing to the nature of long-term investment decisions, profitability and growth expectations are very high-impact factors. For this reason, good current performance in a framework of sustainable growth (in other words, economic performance that is not subject to marked and prolonged imbalances) helps generate positive expectations that favour present decisions on future investments and enhance the growth path.

In the case of Latin America, there is evidence of a direct correlation between the degree of installed capacity utilization and investment growth, taking the gap between actual GDP and estimated potential GDP as a proxy variable for idle installed capacity (ECLAC, 2010, p. 68; Ffrench Davis, 2010). For just two countries (Ecuador and the Plurinational State of Bolivia) no significant correlation was found between investment and the output gap (see table II.4).⁹ This suggests justification for aggregate demand management policies aimed at ensuring that it helps an economy operate close to the production frontier, thus promoting (private) investment. The differences between correlation coefficients (which are higher in Argentina and Mexico and lower in Brazil and Peru) point to the existence of other determinants of investment and the need to tailor aggregate demand management to the specific circumstances of each country.

⁸ See ECLAC, *Statistical Yearbook for Latin America and the Caribbean*, various years.

⁹ There is no equivalent information on the countries of the Caribbean.

Table II.4
Latin America: correlation between output gap and investment growth
(Correlation coefficients)

	Argentina	Bolivia (Plurinational State of)	Brazil	Chile
Correlation coefficient	-0.827	-0.151	-0.377	-0.496
P-value	0.000	0.402	0.031	0.003
	Colombia	Costa Rica	Ecuador	Guatemala
Correlation coefficient	-0.692	-0.382	-0.029	-0.521
P-value	0.000	0.028	0.873	0.002
	Honduras	Mexico	Nicaragua	Panama
Correlation coefficient	-0.415	-0.725	-0.434	-0.701
P-value	0.016	0.000	0.012	0.000
	Peru	Paraguay	Uruguay	Venezuela (Bolivarian Republic of)
Correlation coefficient	-0.299	-0.695	-0.605	-0.578
P-value	0.091	0.000	0.000	0.000
	Latin America			
Correlation coefficient	-0.838			
P-value	0.000			

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of the LA-KLEMS project [online].

However, a number of empirical studies suggest that in the short to medium term the causalities between economic growth and investment can be mutual (Blomström, Lipsey and Zehjan, 1993; Peltonen, Sousa and Vansteenkiste, 2011; Cheung, Dooley and Sushko, 2012). Increasing investment, then, helps boost economic activity by means of a positive impact on demand. In turn, economic growth spurs investment by reducing idle capacity and improving expectations of future profitability.

F. There has been a positive correlation between growth and investment

The causal relationship between growth and investment is a subject of discussion in the literature. The findings are not conclusive and depend a good deal on the period under review, the subject economy and considerations such as the number of lags and the estimation method. Beyond the theoretical relationship between the two variables, these exercises are hampered by the fact that, ex post, the relation between these variables falls within national accounting identity relationships, which poses problems of simultaneity between variables and makes it difficult to prove the existence of causalities in either direction.

In an initial examination of the data, the correlations between GDP growth rate and investment rates (measured as the ratio of gross fixed capital formation to GDP) were calculated, as were the correlations between GDP growth rate and public and private investment rates in Latin America between 1980 and 2010.¹⁰ For each of the countries, the correlations between the GDP growth rate and the prior-period investment rate (t-1) were calculated for the same period (t) and the subsequent period (t+1). The correlations between GDP growth rate and regional investment rates were also calculated, taking into account all available observations, that is, including all years and all countries. The same exercise was conducted to calculate the correlations between GDP growth rates and public and private investment rates, as well as the correlations between GDP growth rate and construction and machinery and equipment investment rates.

In the analysis set out in table II.5 it can be seen that, in the great majority of the countries and the region as a whole, GDP growth rate was positively and significantly correlated with the investment rate in the subsequent period. In the case of Brazil, the correlation between the two variables, although not statistically significant, was positive. In this regard, the empirical evidence suggests that an increase in present economic activity has a positive impact on the investment rate in the subsequent period. The findings are consistent with the hypothesis

¹⁰ The exercise was conducted for 18 countries, which were included depending on data availability. Haiti and the English- and Dutch-speaking countries of the Caribbean were not included because the requisite information was not available. For a number of countries the available data do not cover the entire period from 1980 to 2010, but they were included taking into account the information available.

that investment in the subject period responded to expectations of future growth based on present performance and changes in installed capacity utilization and in aggregate demand, that is to say, an essentially short-term approach prevailed. This finding is important because, with GDP growth positively and significantly correlated with the investment rate in the subsequent period, declining activity levels had a negative impact on the levels of investment and growth in subsequent periods.

Table II.5
Latin America: correlations (Pearson correlation coefficient) between annual GDP growth
and gross fixed capital formation as a percentage of GDP, 1980-2010^a
(Percentages)

	Gross fixed capital formation (GFCF)		
	GFCF(t-1)	GFCF(t)	GFCF(t+1)
Argentina	-22.3	33.0*	59.3****
Bolivia (Plurinational State of)	25.8	47.4***	55.5****
Brazil	-41.6**	27.4	23.6
Chile	14.6	44.5**	47.0****
Colombia	8.5	38.2**	50.7****
Costa Rica	-23.3	35.8**	53.5****
Dominican Republic	-18.1	29.2	41.4**
Ecuador	23.1	25.8	36.8**
El Salvador	34.3*	53.2***	66.5****
Guatemala	16.0	30.4*	38.9**
Honduras	-7.8	20.7	38.4**
Mexico	-22.8	39.0**	45.3**
Nicaragua	24.7	46.0***	57.4****
Panama	-18.8	31.7*	67.4****
Paraguay	0.0	39.8**	59.5****
Peru	-8.1	29.3	41.5**
Uruguay	-14.9	18.4	51.9****
Venezuela (Bolivarian Republic of)	-30.3*	7.8	30.7*
Latin America	-1.1	26.4****	39.3****

Source: Economic Commission for Latin America and the Caribbean (ECLAC), *Statistical Yearbook for Latin America and the Caribbean*, various years; and S. Manuelito and F. Jiménez, "La inversión y el ahorro en América Latina: nuevos rasgos estilizados, requerimientos para el crecimiento y elementos de una estrategia para fortalecer su financiamiento", *Macroeconomía del Desarrollo series*, N° 129 (LC/L.3603), Santiago, Chile, ECLAC, 2013.

^a The values at which the *p-value* starts to be significant are as follows: * the correlation is significant with a confidence level < 10%, n = 31: p-value = 0.3009; n = 558: p-value = 0.0697; ** the correlation is significant with a confidence level < 5%, n = 31: p-value = 0.3550; n = 558: p-value = 0.0830; *** the correlation is significant with a confidence level < 1%, n = 31: p-value = 0.4556; n = 558: p-value = 0.1090; **** the correlation is significant with a confidence level < 0.1%, n = 31: p-value = 0.5620; n = 558: p-value = 0.1389.

The correlations between the GDP growth rate in t and public and private investment rates in t-1, t and t+1 yield interesting findings (see table II.6). First, the number of cases in which the correlations are statistically significant is far lower than for total investment. The correlation between GDP growth rate in t and public investment rate in t-1 is significant only for some countries; the correlation coefficient has mixed signs. This may be due to the fact that in countries where the sign is negative, the increase in public investment took place in a context of low sustainability of public finances, so higher spending would have led to fiscal imbalances whose subsequent correction negatively impacted the GDP growth rate. In turn, in the few cases where the correlation between GDP growth rate and public investment rate in t and t+1 is significant, the sign is positive.

Second, the findings for private investment are quite similar to those for total investment. GDP growth rate was positively and significantly correlated with the private investment rate for the subsequent period in a large number of countries and for the region as a whole. This indicates that an increase in this type of investment would primarily be due to elements linked to aggregate demand, trends in expectations and the utilization of installed capacity).

Third, the findings for construction investment reveal a somewhat mixed pattern. However, for the region as a whole the correlations between GDP growth rate and construction investment rates in the same period and the subsequent period are positive and significant.

Table II.6
Latin America: correlations (Pearson correlation coefficient) between annual GDP growth and public and private gross fixed capital formation as a percentage of GDP, 1980-2010^a
 (Percentages)

	Public gross fixed capital formation (GFCF)			Private gross fixed capital formation (CFCE)		
	PUB(t-1)	PUB(t)	PUB(t+1)	PRIV(t-1)	PRIV(t)	PRIV(t+1)
Argentina	13.5	43.7**	58.9****	-28.3	29.4	56.7****
Bolivia (Plurinational State of)	8.5	-3.7	0.2	17.8	40.5**	45.5**
Brazil	-6.4	0.7	7.9	-43.7**	29.9	23.5
Chile	12.1	-0.2	-17.8	13.8	44.8**	48.6***
Colombia	-5.3	-3.6	4.0	10.0	32.2*	38.2**
Costa Rica	-37.1**	-23.9	-12.5	6.9	40.5**	46.9***
Dominican Republic	-46.2***	-10.3	9.5	5.9	33.9*	36.1**
Ecuador	16.2	16.2	18.6	16.3	19.3	30.0
El Salvador	47.9***	54.6***	61.3****	27.6	47.6***	61.2****
Guatemala	-62.8****	-28.6	7.7	30.9*	37.1**	36.5**
Honduras	-20.3	-17.9	-20.6	2.0	24.3	39.8**
Mexico	-23.7	10.0	26.4	-4.3	36.2**	28.1
Nicaragua	-50.7***	-34.9*	-32.7*	43.4**	49.0***	55.3***
Panama	6.5	31.9*	45.9***	-25.3	23.3	59.5****
Paraguay	10.1	10.6	26.4	-4.2	39.4**	54.6***
Peru	-17.7	-8.8	0.1	-2.3	38.4**	49.3***
Uruguay	-35.2*	-23.4	17.3	-4.0	29.4	52.6***
Venezuela (Bolivarian Republic of)	-21.4	1.4	24.5	-26.8	10.8	23.9
Latin America	-14.1****	-6.1	-0.4	7.5	29.4****	38.6****

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures. ECLAC, *Statistical Yearbook for Latin America and the Caribbean*, various years; and S. Manuelito and F. Jiménez, "La inversión y el ahorro en América Latina: nuevos rasgos estilizados, requerimientos para el crecimiento y elementos de una estrategia para fortalecer su financiamiento", *Macroeconomía del Desarrollo series*, N° 129 (LC/L.3603), Santiago, Chile, ECLAC, 2013.

^a The values at which the *p*-value starts to be significant are as follows: * the correlation is significant with a confidence level < 10%, *n* = 31: *p*-value = 0.3009; *n* = 558: *p*-value = 0.0697; ** the correlation is significant with a confidence level < 5%, *n* = 31: *p*-value = 0.3550; *n* = 558: *p*-value = 0.0830; *** the correlation is significant with a confidence level < 1%, *n* = 31: *p*-value = 0.4556; *n* = 558: *p*-value = 0.1090; **** the correlation is significant with a confidence level < 0.1%, *n* = 31: *p*-value = 0.5620; *n* = 558: *p*-value = 0.1389.

Fourth, correlations between GDP growth rate and the machinery and equipment investment rate presented a pattern quite similar to the one seen in the findings for private investment. Accordingly, in a substantial number of countries and in the region as a whole GDP growth rate was positively and significantly correlated with the machinery and equipment investment rate for the same period and, more broadly, the subsequent period (see table II.7).

Table II.7
Latin America: correlations (Pearson correlation coefficient) between annual GDP growth and gross fixed capital formation in construction and machinery and equipment as a percentage of GDP, 1980-2010^a
 (Percentages)

	Construction			Machinery and equipment		
	CONST(t-1)	CONST(t)	CONST(t+1)	MAQ(t-1)	MAQ(t)	MAQ(t+1)
Argentina	-30.4*	21.0	1.0**	-11.2	40.1**	64.4****
Bolivia (Plurinational State of)	37.5**	55.3***	0.3***	11.0	29.9	44.2**
Brazil	-33.2*	5.7	58.4	-22.3	36.9**	24.5
Chile	-6.7	10.3	8.6*	24.4	54.8***	44.7**
Colombia	21.4	40.3**	2.8**	-16.1	25.0	50.1***
Costa Rica	-46.2***	-13.1	37.5	-0.5	51.2***	56.5****
Dominican Republic	-25.9	14.0	3.3**	1.2	34.9*	24.8
Ecuador	36.7**	19.6	15.3	3.2	25.9	38.7**
El Salvador	46.6***	51.7***	0.0****	22.5	45.2**	58.6****
Guatemala	37.3**	58.6****	0.0****	64.0****	74.7****	62.6****
Honduras	-24.1	-21.1	62.0	2.7	26.6	37.4**
Mexico	-19.9	8.7	44.1	-14.0	49.7***	53.8***
Nicaragua	45.1**	50.9***	1.6**	-9.5	18.0	44.4**
Panama	-29.7	19.3	0.1****	3.8	32.9*	49.1***
Paraguay	-12.0	11.3	1.3**	13.0	48.5***	43.3**
Peru	-37.1**	-8.3	39.8	8.2	42.8**	46.7***
Uruguay	-33.1*	-10.6	5.0*	2.0	37.3**	54.9***
Venezuela (Bolivarian Republic of)	-53.9***	-13.2	25.3	-20.0	18.1	36.5**
Latin America	-2.2	16.4****	31.3****	0.7	24.4****	30.0****

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures. ECLAC, *Statistical Yearbook for Latin America and the Caribbean*, various years; and S. Manuelito and F. Jiménez, "La inversión y el ahorro en América Latina: nuevos rasgos estilizados, requerimientos para el crecimiento y elementos de una estrategia para fortalecer su financiamiento", *Macroeconomía del Desarrollo series*, N° 129 (LC/L.3603), Santiago, Chile, ECLAC, 2013.

^a The values at which the *p*-value starts to be significant are as follows: * the correlation is significant with a confidence level < 10%, *n* = 31: *p*-value = 0.3009; *n* = 558: *p*-value = 0.0697; ** the correlation is significant with a confidence level < 5%, *n* = 31: *p*-value = 0.3550; *n* = 558: *p*-value = 0.0830; *** the correlation is significant with a confidence level < 1%, *n* = 31: *p*-value = 0.4556; *n* = 558: *p*-value = 0.1090; **** the correlation is significant with a confidence level < 0.1%, *n* = 31: *p*-value = 0.5620; *n* = 558: *p*-value = 0.1389.

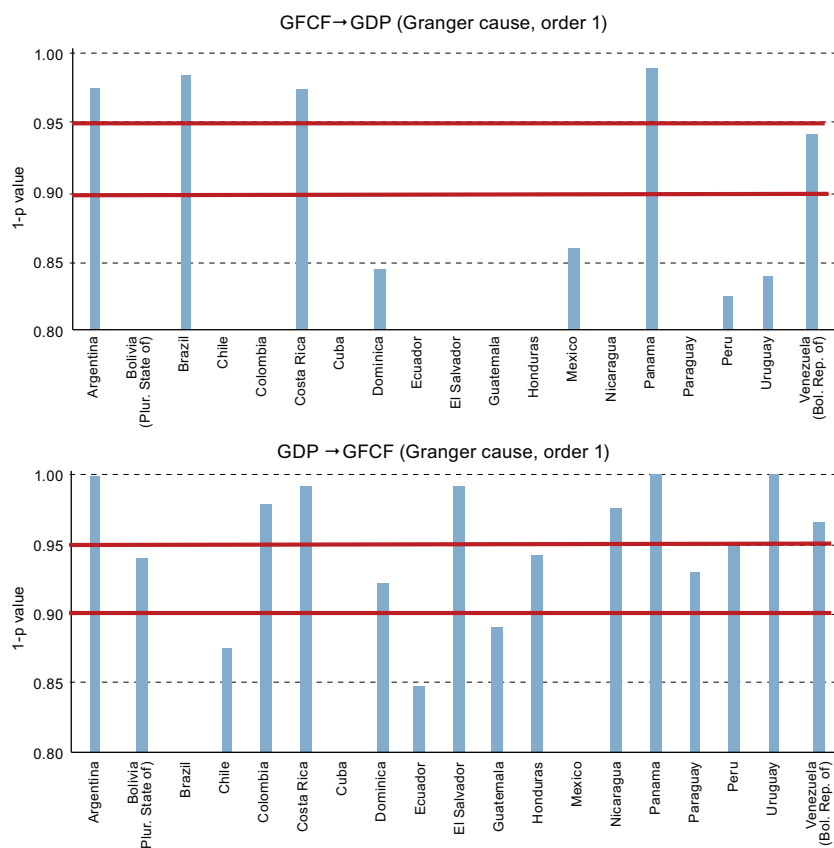
G. GDP growth tended to have a positive impact on investment (accelerator effect)

In view of the findings and bearing in mind the constraints described, the next step was to look for causality relationships (in Granger's sense) between GDP growth rate and investment rate. Exercises were performed with a greater number of lags, but significant findings were obtained for a greater number of countries using first-order lags.¹¹

Figure II.8 summarizes the findings. For presentation purposes, the value in the vertical axis of the figures corresponds to $1-p$ value. The higher this value, the higher the probability of rejecting the null hypothesis. Two null hypotheses were tested:

- Null hypothesis 1: the investment rate (in Granger's sense) does not cause the GDP growth rate. Rejection of null hypothesis 1 can be interpreted to mean that changes in the investment rate precede changes in the GDP growth rate.
- Null hypothesis 2: the GDP growth rate (in Granger's sense) does not cause the investment rate. Rejection of null hypothesis 2 can be interpreted to mean that changes in the GDP growth rate precede changes in the investment rate.

Figure II.8
Latin America: findings of (Granger) causality tests between GDP growth rate and investment rate (gross fixed capital formation, GFCF), 1980-2010

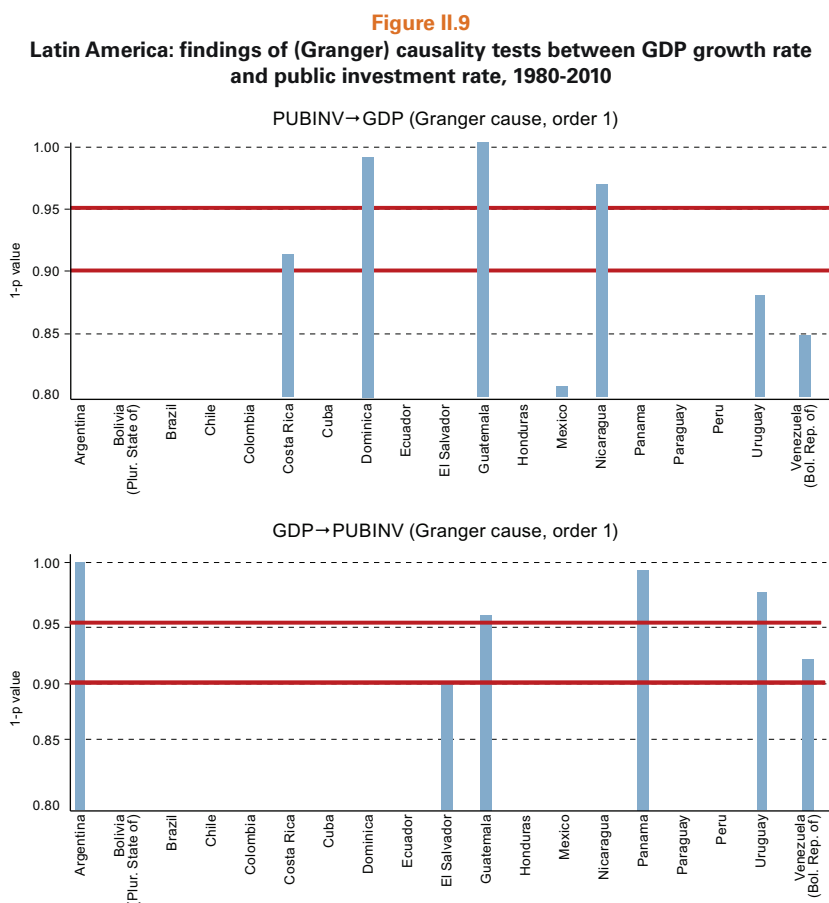


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures, ECLAC, *Statistical Yearbook for Latin America and the Caribbean*, various years; and S. Manuelito and F. Jiménez, "La inversión y el ahorro en América Latina: nuevos rasgos estilizados, requerimientos para el crecimiento y elementos de una estrategia para fortalecer su financiamiento", *Macroeconomía del Desarrollo series*, N° 129 (LC/L.3603), Santiago, Chile, ECLAC, 2013.

¹¹ Using a greater number of lags supported the interpretation of the findings using first-order lags, albeit with a lower significance level.

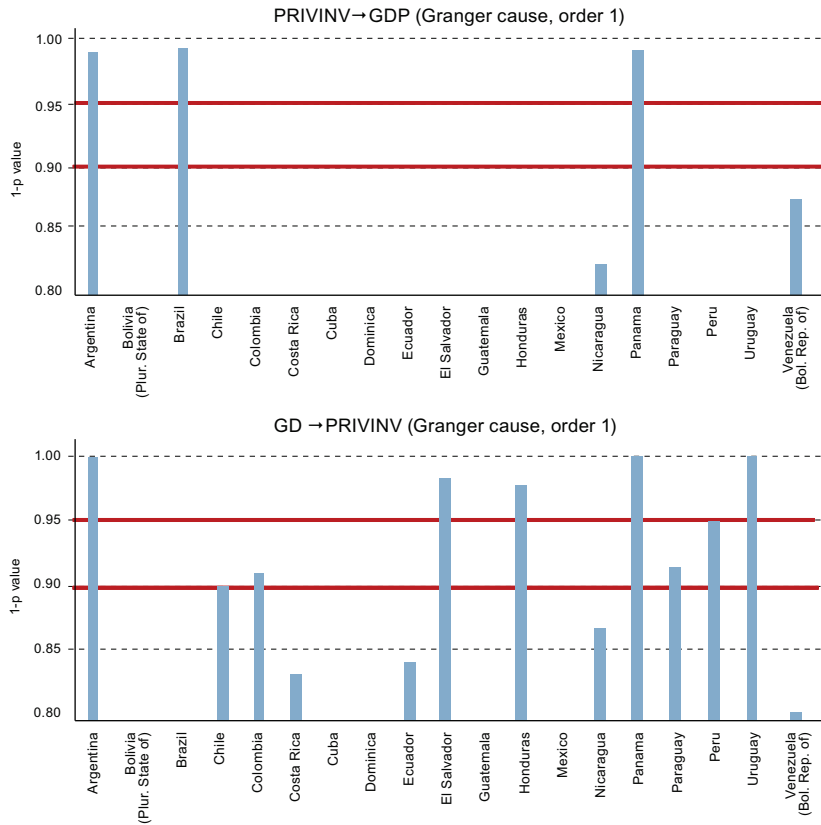
According to the findings, in general null hypothesis 1 cannot be rejected but null hypothesis 2 can, confirming the findings of the correlation tests. This provides evidence that changes in GDP growth rate preceded and were positively correlated with changes in the investment rate during the period under review. Exceptions to this finding are Argentina, Brazil, Costa Rica, Mexico and Panama. For Argentina, Costa Rica and Panama, both hypotheses can be rejected, so the causality between the two variables (in Granger's sense) is two-way. For Brazil, the findings make it possible to reject null hypothesis 1 but not null hypothesis 2, which would seem to indicate that, contrary to what occurs in most of the other countries, in Brazil changes in the investment rate precede changes in the GDP growth rate. With Mexico, neither hypothesis can be rejected. This would seem to mean that there is no causality between the two variables. However, the value of 1-p value is greater in the case of null hypothesis 1, so for Mexico it is more likely that changes in the investment rate precede changes in the GDP growth rate rather than the other way round. Nor was it possible to reject either of the hypotheses in the cases of Chile, Ecuador and Guatemala, although in these three countries the value of 1-p value is higher in null hypothesis 1 than in null hypothesis 2. Accordingly, it is more likely that a change in the GDP growth rate precedes changes in investment rates.

Figure II.9 presents the findings of the causality tests (in Granger's sense) between GDP growth rate and the public investment rate; Figure II.10 shows the findings taking private investment rate into account. These findings indicate greater heterogeneity than those discussed above. In the first case (see figure II.9), in most of the countries neither of the null hypotheses could be rejected. In contrast, in the second case (see figure II.10) null hypothesis 2 can be rejected in a significant number of countries. The findings therefore lead to a conclusion similar to the one for the overall investment rate: that the GDP growth rate precedes the private investment rate.



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures, ECLAC, *Statistical Yearbook for Latin America and the Caribbean*, various years; and S. Manuelito and F. Jiménez, "La inversión y el ahorro en América Latina: nuevos rasgos estilizados, requerimientos para el crecimiento y elementos de una estrategia para fortalecer su financiamiento", *Macroeconomía del Desarrollo series*, N° 129 (LC/L.3603), Santiago, Chile, ECLAC, 2013.

Figure II.10
Latin America: findings of (Granger) causality tests between GDP growth rate and private investment rate, 1980-2010



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures, ECLAC, *Statistical Yearbook for Latin America and the Caribbean*, various years; and S. Manuelito and F. Jiménez, “La inversión y el ahorro en América Latina: nuevos rasgos estilizados, requerimientos para el crecimiento y elementos de una estrategia para fortalecer su financiamiento”, *Macroeconomía del Desarrollo series*, N° 129 (LC/L.3603), Santiago, Chile, ECLAC, 2013.

Lastly, the same exercise was performed to test for causality (in Granger’s sense) between GDP growth rate and the construction investment rate (see figure II.11) and then between GDP growth rate and the machinery and equipment investment rate (see figure II.12). The findings are equally useful. Causality between GDP growth rate and the construction investment rate is two-way in a number of countries. And while GDP growth rate precedes the construction investment rate in a larger number of countries, the causality is inverse in a substantial number of countries.

Figure II.11
Latin America: findings of (Granger) causality tests between GDP growth rate and construction investment rate, 1980-2010

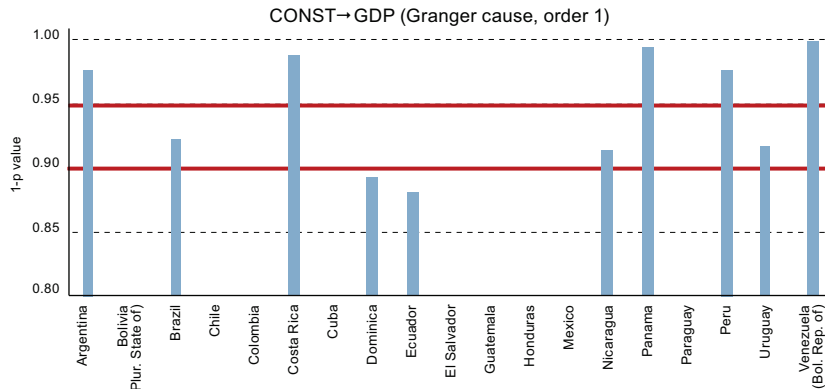
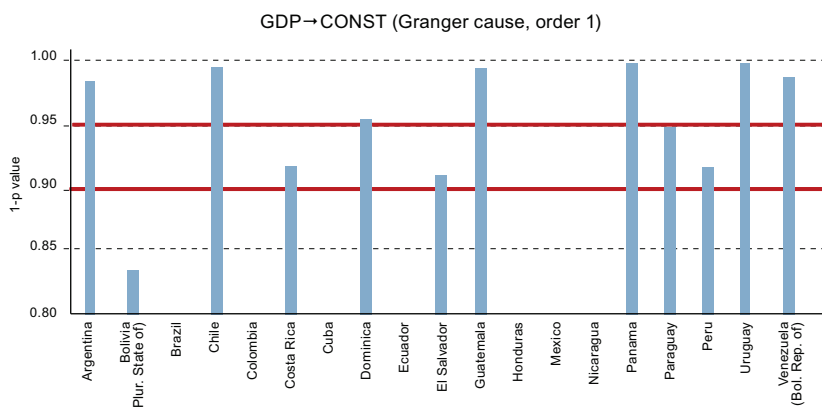
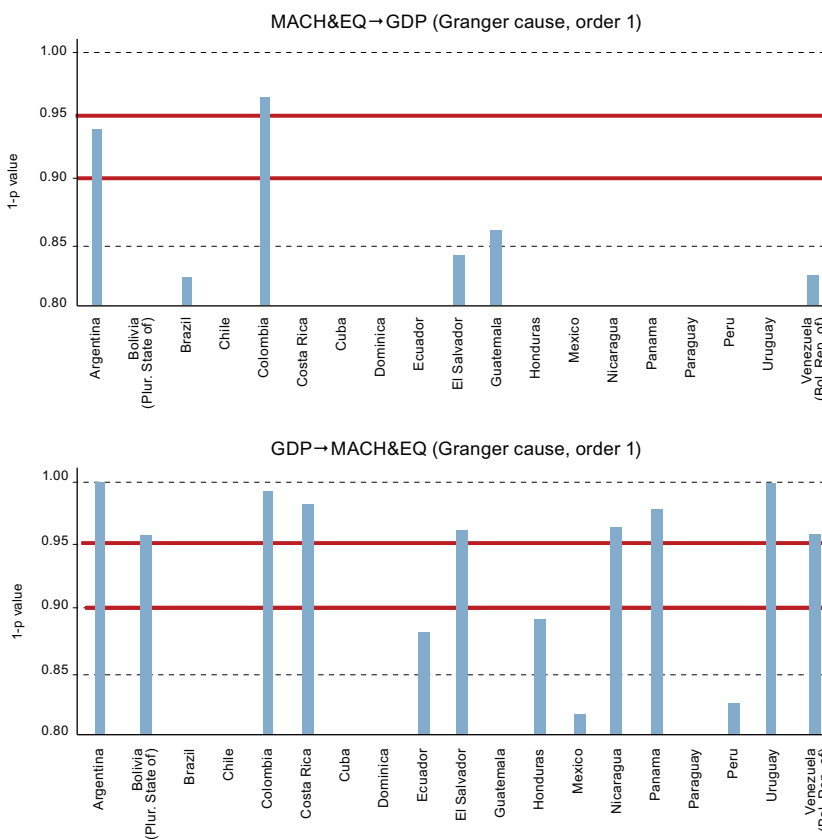


Figure II.11 (concluded)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures, ECLAC, *Statistical Yearbook for Latin America and the Caribbean*, various years; and S. Manuelito and F. Jiménez, “La inversión y el ahorro en América Latina: nuevos rasgos estilizados, requerimientos para el crecimiento y elementos de una estrategia para fortalecer su financiamiento”, *Macroeconomía del Desarrollo series*, N° 129 (LC/L.3603), Santiago, Chile, ECLAC, 2013.

Figure II.12
Latin America: findings of (Granger) causality tests between GDP growth rate and machinery and equipment investment rate, 1980-2010



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures, ECLAC, *Statistical Yearbook for Latin America and the Caribbean*, various years; and S. Manuelito and F. Jiménez, “La inversión y el ahorro en América Latina: nuevos rasgos estilizados, requerimientos para el crecimiento y elementos de una estrategia para fortalecer su financiamiento”, *Macroeconomía del Desarrollo series*, N° 129 (LC/L.3603), Santiago, Chile, ECLAC, 2013.

The causality relationship between GDP growth rate and the machinery and equipment investment rate is different. In countries where the findings are significant, null hypothesis 2 can be rejected. This would seem to indicate that changes in the GDP growth rate precede changes in the machinery and equipment investment rate. Exceptions to this are Argentina and Colombia, where the findings show that causality is two-way.

The findings suggest that in the period under review, rising investment rates have in most cases been linked to aggregate demand pressures (expectations of demand growth or an effective increase in demand). At the regional level, aggregate demand trends and their drivers provide some insight into this outcome. The increase in external demand has been mainly due to higher demand for commodities and energy products.¹² And domestic demand has grown largely on the strength of steadily rising household consumption in response to improving labour market indicators (falling unemployment, higher employment rates and rising real wages) and stepped-up bank lending to families.

Another factor behind the surge in household consumption is the substantial expansion of the consumption base in most of the countries as poverty recedes. This is not a minor factor, because consumption propensity in population segments that gain access to goods and services consumption is very high (generally, equal or close to 1), so rising family income translates almost entirely into higher consumption.¹³ Between 2002 and 2011 the poverty rate in Latin America and the Caribbean dropped from 43.9% to 29.4%. While poverty in the region remains high and bringing it down is one of the region's major challenges, this 14.4 percentage-point decrease in a 10-year span is substantial (ECLAC, 2013b). The expansion of the consumption base owing to this set of factors has therefore been one of the key drivers of rising investment in the commerce sector in a number of the economies of Latin America.

Conclusions

The rise in income in Latin America and the Caribbean gathered momentum over the past decade as the operating surplus share rose at the expense, in most countries, of the compensation of employees share. However, in a number of countries of the region the rising operating surplus share pushed public savings up as government revenues climbed thanks to booming international raw materials prices. This enabled these countries to implement redistributive public policies aimed at partially offsetting the concentrator effect of the higher operating surplus share.

The terms of trade contribution to income growth changed throughout the period reviewed. This contribution was negative during the 1980s (as was labour productivity's contribution), but it partially recovered during the 1990s and increased significantly from 2004, especially in economies that are more specialized in the production and export of raw materials. Income growth fuelled a surge in regional domestic demand in the past decade, with consumption being the component of demand that contributed the most to growth. The three main drivers here were a stronger contribution of public consumption, procyclical changes in investment and the persistent negative contribution of exports net of imports. In fact, the contribution to non-export GDP growth was somewhat larger in the past decade than in the previous period.

Lastly, an examination of 16 countries of Latin America yields evidence of a negative correlation between the GDP gap and the growth of investment in the region. And the analysis of the correlations between GDP growth rate and investment rate makes it possible to conclude that GDP growth rate is correlated positively and significantly with the investment rate in the subsequent period. The findings of a causality analysis (in Granger's sense) indicate that changes in the GDP growth rate precede changes in investment rates. The findings suggest that throughout the period under review, increases in the investment rate have been linked to aggregate demand pressures and that the accelerator effect —i.e. where investment rises a result of accelerating GDP growth— has been crucial.

¹² While for the vast majority of countries, there are no statistics on gross fixed capital formation by investment target sector, partial data from the countries themselves and information from other sources make it possible to estimate that in commodity producing and exporting countries the largest investment share has gone to projects related to mining and the energy sector. In addition, a simple correlation exercise between the total investment ratio and the level of international raw materials prices shows that in several countries the investment ratio was positively and significantly correlated with the level of international prices for the major commodities in their export basket (Manuelito and Jiménez, 2013).

¹³ The connection between rising consumption and the increase in the investment ratio is reflected in the strong correlation between the two variables (Manuelito and Jiménez, 2013).

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Three decades of labour productivity and structural change

Introduction

- A. A slow recovery for labour productivity
- B. Heterogeneous patterns in labour productivity
- C. A skilled labour force and capital accumulation as drivers of productivity
- D. The main trends have been tertiarization and investment in non-tradable sectors
- E. Structural change as a weak source of labour productivity
- F. The economic cycle and the negative impact of structural heterogeneity on productivity
- G. The limited impact of international trade on productivity in Latin America and the Caribbean

Conclusions

Bibliography

Introduction

This chapter looks at how labour productivity has evolved in the region and analyses how it ties into investment, population growth, workforce skills and structural change, in addition to its link with foreign trade. The findings of the analysis are summarized at the end of the chapter.

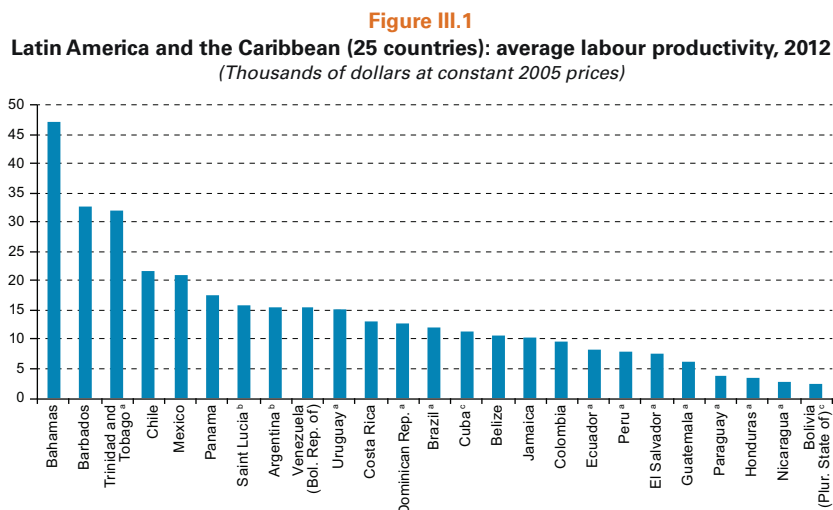
A. A slow recovery for labour productivity

During the 1980s, the combination of slow economic growth and higher employment, owing mainly to population growth and, therefore, driven by supply, triggered a fall in average labour productivity (ECLAC, 2007). Weak job creation in the 1990s came with a very slight increase in average labour productivity (0.4% per year), but the gap with more developed countries widened. As economic growth began to rally in 2004, growth in labour productivity in Latin America and the Caribbean picked up speed somewhat to an annual rate of 1.1% in the 2000s. This helped to reduce the gap with Organisation for Economic Cooperation and Development (OECD) countries, although other regions, above all East Asia, posted much stronger growth (ECLAC/ILO, 2012).

The recovery of labour productivity was uneven across the region. By around 2002 few countries (notably Chile and Uruguay, and to a lesser extent Colombia, Costa Rica and Guatemala) recorded average productivity above the level registered in 1980 (Fuentes, Aravena and Iberti, 2013), but in subsequent years that upswing continued to gain momentum and extended to more countries. The six South American countries with information available accumulated an increase of more than 15% in output per worker, with especially large increases in Ecuador and Peru. In the five countries in the north of the region with data available, the improvement in labour productivity was less marked, with only Costa Rica and Panama exceeding the 15% threshold (Weller and Kaldewei, 2013). By 2010, 8 of the 16 Latin American countries included in the study had clearly surpassed the 1980 level. Only in Nicaragua, the Bolivarian Republic of Venezuela, Mexico, and Paraguay did average labour productivity fall short of the levels recorded in 1980.

B. Heterogeneous patterns in labour productivity

Despite the modest increase in average productivity for the region as a whole, there are still major differences in productivity levels between the countries of the region (see figure III.1).



Source: J. Weller and C. Kaldewei, “Empleo, crecimiento sostenible e igualdad”, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), 2013, unpublished.

^a Data from 2011.

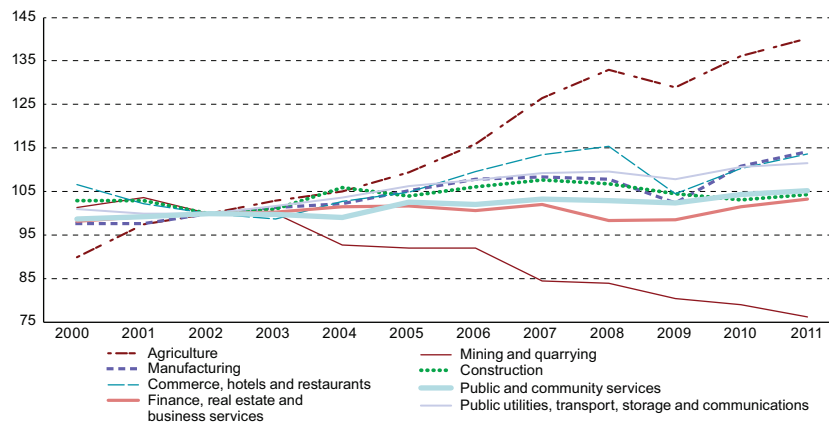
^b Data from 2010.

^c Data from 2009.

The countries with the highest levels of labour productivity include some Caribbean countries with service-based economies, such as the Bahamas and Barbados. At the other end of the spectrum are countries such as Nicaragua and the Plurinational State of Bolivia.

Productivity trends have also differed between industries; two sectors in particular have shown opposite patterns (see figure III.2). Agriculture saw the largest rise in output per worker as the absolute number of persons employed in the sector expanded by very little. This is attributable to the relative contraction of the peasant economy caused by restricted access to production resources, which encourages the rural population, especially young people, to change to a different economic activity or to migrate abroad. Furthermore, in several countries changes in the agri-business sector contributed to a substantial increase in production, often export-oriented, and led to significant increases in output per worker (Sotomayor, Rodríguez and Rodrigues, 2011).

Figure III.2
Latin America and the Caribbean (selected countries): value added per worker, by sector, 2000-2011
(Index 2002=100)



Source: J. Weller and C. Kaldewei, "Empleo, crecimiento sostenible e igualdad", Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), 2013, unpublished.

Output per worker fell markedly in the mining sector, owing, principally, to the sharp rise in the number of people employed in the industry possibly on account of high mineral prices in recent years. These prices have brought into production, sometimes informally, marginal deposits that would be unprofitable if prices were lower. The lower productivity of these mines has brought down the sector's average labour productivity.¹

Output per worker in most other industries recorded moderate increases until 2009 and resumed this uptrend in 2010 or 2011. For the period as a whole, noteworthy productivity increases were seen in basic services (public utilities and transport, storage and communications), commerce, restaurants and hotels, and manufacturing. Labour productivity patterns in the construction sector were similar to those in the manufacturing industry until 2008, and only started to pick up once more in 2011. Productivity in community, social and personal services did not change much, while the financial services, real estate and business services sector posted the weakest figures, after mining.²

C. A skilled labour force and capital accumulation as drivers of productivity

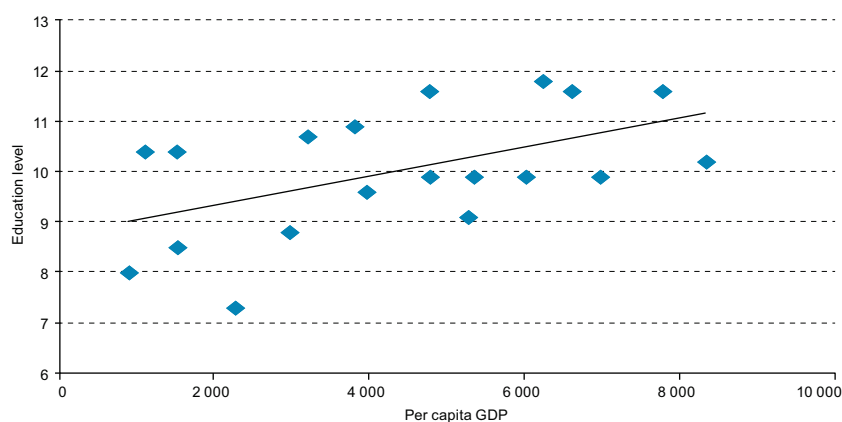
Improvements in labour productivity have depended primarily on the skills level of the labour force, and on investment and the technical progress it brings. Formal education levels are key for explaining workforce contribution to productivity

¹ Since labour productivity is measured in constant terms, it does not take into account variations in output that may result from changes in prices, especially for export products. This is the case for the mining sector, where, while investment might have increased, it has been in lower-grade mines, leading to lower productivity in constant terms but higher productivity in nominal terms owing to rising mineral prices. The opposite is true for agriculture, where falling prices can result in larger productivity increases at constant prices than at current prices.

² Measuring labour productivity in the service sector is limited by the methodological difficulties in determining sectoral output.

and economic growth (Buonomo and Yanes, 2013). While it has been difficult to quantify the contribution of education to economic growth at the global level,³ figure III.3 establishes a clear positive correlation between education level and per capita GDP for the countries of the region. This obviously does not imply a simple causal relationship, but rather the existence of virtuous and vicious circles, since higher education levels help to boost economic growth and wealthier societies have more possibilities for investing in education, which in turn drives education levels up faster. The opposite is also true: lower education levels are associated with lower levels of wealth.

Figure III.3
Latin America: per capita GDP and education level of the urban economically active population, late 2000s
(Dollars at constant 2005 prices and years of schooling)



Source: J. Weller and C. Kaldewei, “Empleo, crecimiento sostenible e igualdad”, Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), 2013, unpublished.

Workforce education levels have risen steadily in recent decades. In the 1980s, the proportion of the urban economically active population with up to five years of formal education fell from 29.4% to 20.8% (simple average of seven Latin American countries) and from 62.5% to 52.2% of the rural economically active population (simple average of four countries) (ECLAC, 2000). Between around 1990 and around 2010, the average number of years of schooling of the economically active population in 14 countries rose from 8.6 years to 9.8 years in urban areas and from 4.8 years to 6.3 years in rural areas.⁴ Consequently, the changes in labour productivity in the region—especially the decline in the 1980s and virtual stagnation in the 1990s in many countries—cannot be attributed to changes (improvements) in labour force skill levels. Rather, it can be assumed that for a large part of the past decades this growing potential was underutilized.⁵

One explanation for the decline in labour productivity during the 1980s and its subsequent weak recovery is the pattern in gross capital formation per worker, combined with other causes relating to the characteristics of labour supply. Gross capital formation per worker fell in 1980 and has not yet regained its previous level, although it has been trending up since 2000 (see figure III.4).

The theoretical debate on the process of economic growth has highlighted that capital accumulation and technical progress are closely interlinked, and that the former is a prerequisite for the latter.⁶ The rate at which technical progress is incorporated depends largely on investment (especially in machinery and equipment) and on increased growth in output associated with higher returns on investment (economies of scale and learning), known as the Kaldor-Verdoorn effect (Ocampo, Rada and Taylor, 2009; and Taylor, 2011).⁷

³ See a brief discussion of this challenge in Acemoglu (2009, chap. 10). Galor (2011) discusses the historical impact of differences in human capital formation on the dynamics of development and economic growth.

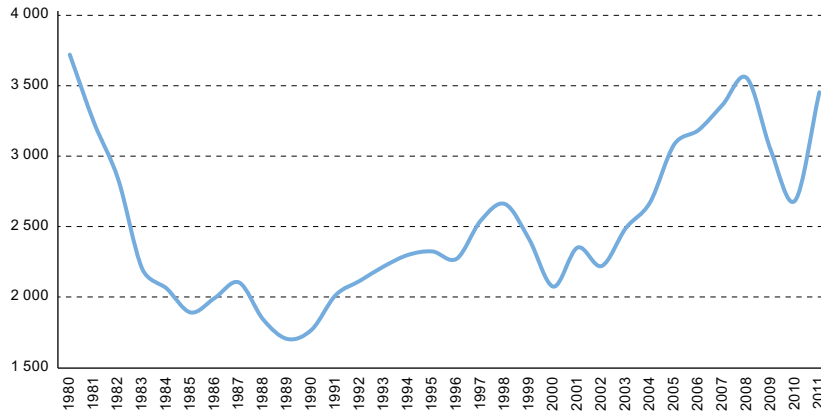
⁴ Calculated on the basis of ECLAC (2011).

⁵ Raising the average education level of the labour force in the region is not without its challenges, especially with regard to coverage, quality and segmentation. See, in this connection, Buonomo and Yanes (2013).

⁶ See Johansen (1959), Salter (1958 and 1960), Solow (1960), Kaldor and Mirrlees (1962) and Taylor (2011).

⁷ Taylor (2011, chap. 5) identifies both effects (one resulting from capital deepening and another known as the Kaldor-Verdoorn effect) using growth models developed by N. Kaldor.

Figure III.4
Latin America and the Caribbean (19 countries): gross capital formation per worker, simple average, 1980-2011
(Millions of dollars at constant 2005 prices)

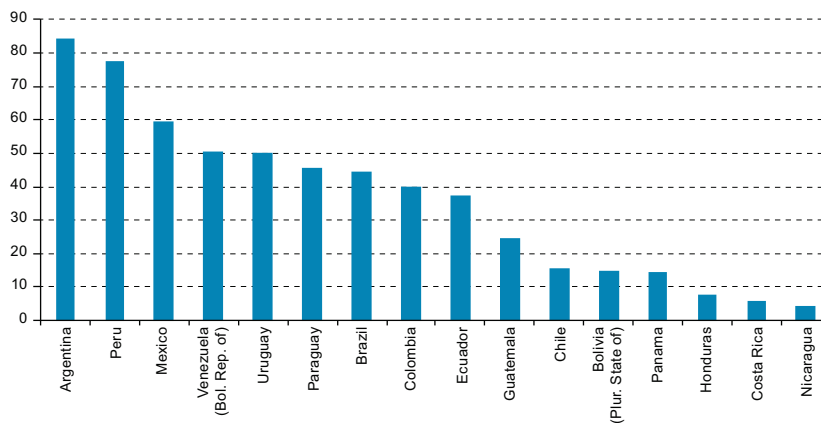


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and information provided by the World Bank.

To test the hypothesis that there is a direct relationship between investment and the incorporation of technical progress, reflected in changes in labour productivity, an empirical analysis was conducted using vector autoregressive (VAR) models including investment in machinery and equipment, GDP and labour productivity, measured as GDP per hour worked. Investment, through Keynesian multipliers, was expected to affect production, which, in turn, would have an impact on labour productivity. VAR models were estimated for these three variables using annual data for 16 Latin American countries for the period 1980-2011.⁸

The variance decomposition shows what proportion of the change in a particular variable is attributable to or the result of a simultaneous change in all the variables in the model. Theoretically, owing to the nature of the VAR autoregression method, most of the variability in labour productivity can be explained by the inertia effect of these variables, and the remaining part by the change in investment (see figure III.5).

Figure III.5
Latin America (16 countries): variance decomposition of labour productivity as a result of investment, 1980-2010
(Percentages)



Source: J.A. Fuentes, C. Aravena and G Iberti, "Tres décadas de crecimiento inestable", Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), 2013, unpublished.

⁸ See Fuentes, Aravena and Iberti (2013) for the sources of the data and details of the methodology.

Overall, the results indicate that for half of the countries studied more than 40% of the VAR model prediction errors in relation to labour productivity can be explained by investment (as high as around 80% for Argentina and Peru), while for six countries that percentage is only about 10%. This suggests that investment may be one of the main sources of change in labour productivity, which, in turn, can be used as an indicator of technological progress due to investment. However, it also suggests that total investment in machinery and equipment, on the whole, is not necessarily the main driver of productivity in all countries, and that other factors could have a fundamental role, such as investment composition and target sector, demographic trends, and the long-term uptrend in women’s labour-market participation and the resulting boost to labour supply. It is noteworthy that several of the countries where investment is not one of the main factors determining labour productivity have high population growth, such as the Plurinational State of Bolivia and some Central American countries.

D. The main trends have been tertiarization and investment in non-tradable sectors

Agriculture, manufacturing and the construction sector saw their share of GDP fall during the past three decades for the region as a whole. In the case of manufacturing and construction, this pattern was in stark contrast to previous decades (see figure III.6). Meanwhile, mining appears to have increased its share of GDP, as has the service sector, in line with global trends and with other research on Latin America that has shown that tertiarization is a major trend in the region, in part perhaps reflecting the new ways in which industrial production is carried out in an increasingly globalized world (De la Torre, Pienknagura and Levy Yeyati, 2013).

Figure III.6
Latin America (19 countries): sectoral composition of GDP, 1950-2011
(Percentages of GDP)

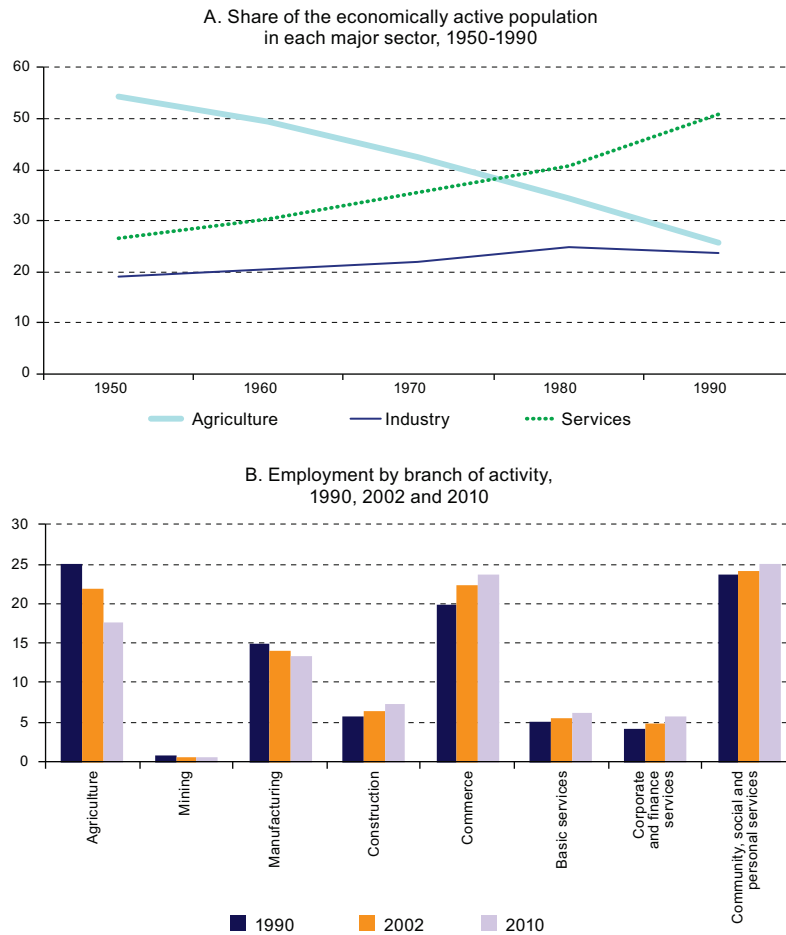


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures provided by the United Nations.

As shown in figure III.7A, between 1950 and 1990 the proportion of the economically active population working in agriculture dropped sharply (from 54.4% to 25.6%). The share of workers in manufacturing and construction rose from 19.1% in 1950 to 24.8% in 1980; after that, the trend reversed. Consequently, the proportion of the economically active population employed in the services sector shot up in the 1980s and surpassed 50% in 1990.

As can be seen in Figure III.7B, these trends broadly continued into subsequent decades, with agriculture's share of employment falling quickly both in the 1990s and in the 2000s while that of manufacturing decreased at a more moderate pace and the share of the working population employed in the tertiary sector and construction expanded, though at different rates.

Figure III.7
Latin America and the Caribbean: employment by sector, dates between 1950 and 2011



Source: Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT database and official information provided by the respective countries.

The relative, premature deindustrialization (Palma, 2005 and 2011) that started in the 1980s is associated with the profound changes in economic policy regimes and, more recently, with the reorientation of many economies in the region towards natural resource-producing sectors in the context of high international prices (Dutch disease) and exchange rates that tend to favour non-tradable sectors.

A breakdown between tradable and non-tradable goods-producing sectors in four countries in the region showed that in the most recent period (from 2003) the growth of gross fixed capital formation accelerated in the non-tradable

sectors, while this increase was less marked in the tradable sectors (see table III.1).⁹ With the exception of Brazil, where the differential impact of the exchange rate is not positive but there is no inverse correlation either, the positive correlation between real exchange rate depreciation and the increased ratio of tradable to non-tradable investment (last column of the table) supports the hypothesis that real exchange rate appreciation has been more favourable to investment in non-tradable sectors than in tradable sectors.

Table III.1
Latin America (selected countries): growth in investment in tradable and non-tradable sectors
and correlation to the exchange rate
(Percentages)

	Average growth in investment by sector						Coefficient of correlation between GCF ratio ^a and REER ^c
	1993-2002			2003-2009			
	Tradable	Non-tradable	REER ^b	Tradable	Non-tradable	REER	
Argentina	-2.9	-6.2	12.3	16.0	29.8 ^d	0.3 ^d	0.705 0.005**
Brazil	1.7 ^e	0.8 ^e	5.1 ^e	6.0	8.1	-8.0	-0.089 0.763
Chile	7.6	8.1	0.9	9.3	12.7	-2.3	0.382 0.107
Mexico	3.0	3.5	1.7	3.6	5.7	1.4	0.774 0.000*

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the LA-KLEMS project [online] www.worldklems.net.

Note: * = significant at 1%; ** = significant at 5%; *** = significant at 10%.

^a Gross capital formation (GCF) is calculated as the ratio of investment in the tradable sector to investment in the non-tradable sector.

^b REER = real effective exchange rate.

^c The correlation is calculated on the basis of the series for the whole period 1990-2010.

^d Up to 2007.

^e Since 1995.

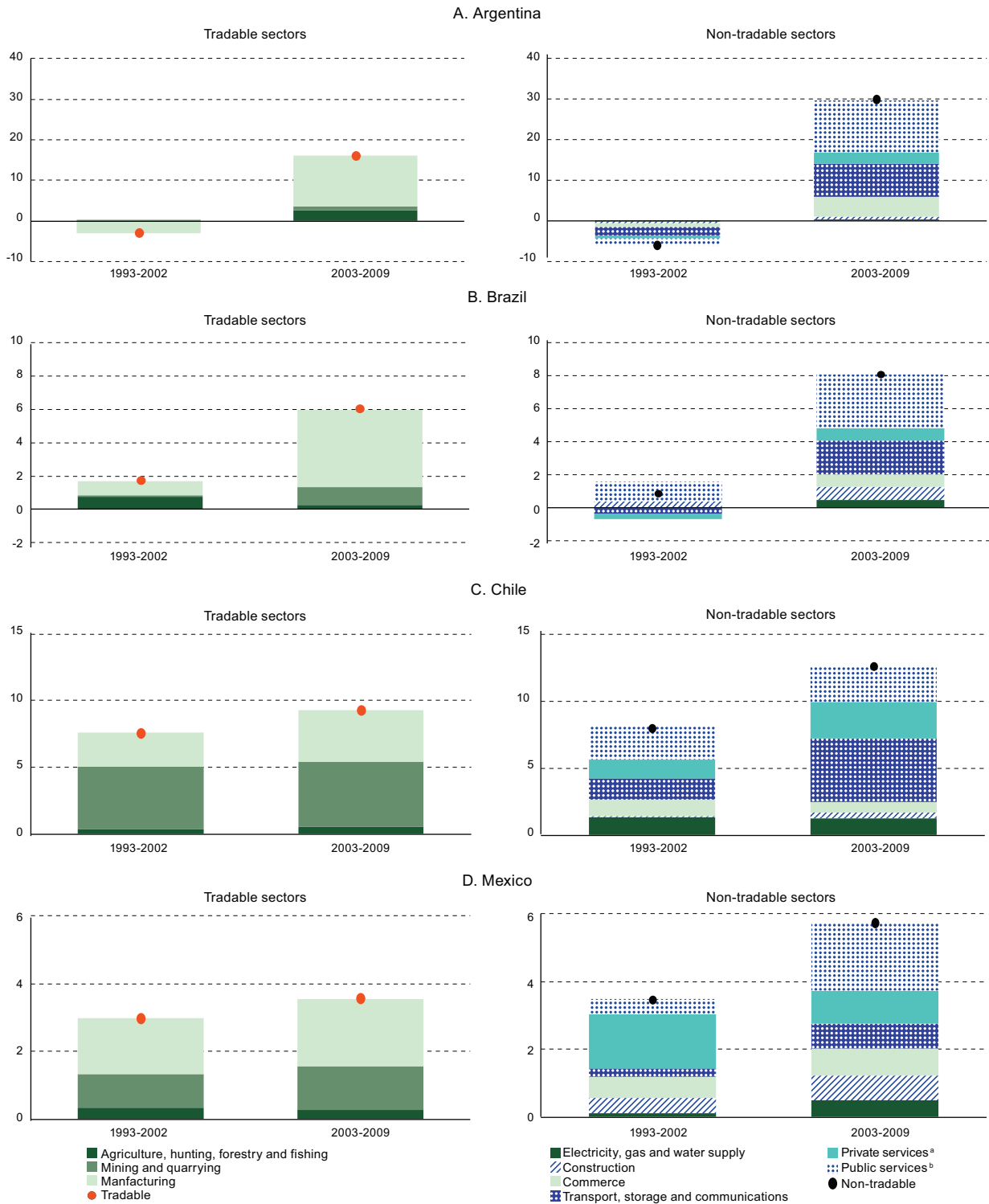
Two conclusions can be drawn from a comparative analysis of the sectoral distribution of investment in 1993-2002 and 2003-2009 for the same four countries (see figure III.8). First, the increase in investment in the industrial sector, especially in Argentina and Brazil, in the second period helped to boost overall productivity as a result of the comparatively higher productivity of the industrial sector.

Second, most of the increase in investment was in the non-tradable sectors, as well as in the sectors producing tradable commodities (mining and agriculture). On the one hand, investment grew more in non-tradable sectors, particularly public administration (excluding construction) and transport, there being no evidence it particularly targeted areas, such as infrastructure (included in the construction sector in this case), that might have contributed to boosting productivity in the economy as a whole. On the other hand, although between 2003 and 2009 investment in the tradable sectors primarily targeted the industrial sector in Brazil (where exchange-rate appreciation seems to have had less of an impact during the subject period), Argentina and Mexico, mining also saw substantial investment: in Chile it was the primary focus of investment during this period, and in Mexico and Brazil it ranked second. In Argentina agriculture ranked second among the tradable sectors as an investment destination. This highlights the importance of commodity exports (copper in Chile, iron ore in Brazil, gold and silver in Mexico and soybeans in Argentina), driven by booming prices.

Most investment is, therefore, biased towards sectors (non-tradable ones) that are more labour-intensive —albeit partly because of a pattern of employment that is governed more by labour supply than by demand— and have lower productivity levels, as well as tradable primary sectors (mining and agriculture) that have variable productivity levels. The region's countries would therefore seem to be experiencing, to varying degrees, symptoms of Dutch disease, with not enough investment aimed at diversifying tradable production. Thus, although investment has increased, its contribution to structural change, defined as the reallocation of resources from low-productivity sectors (mostly non-tradable) to high-productivity sectors (tradable) has been positive but relatively limited in these countries. This confirms that not only the amount, but also the mix and destination of investment, have influenced productivity in the region.

⁹ The tradable sectors were defined as mining, agriculture and industry; all others were considered non-tradable. This breakdown between the two sectors does not reflect the fact that some services have become tradable, although non-tradable components still make up most of the tertiary sector.

Figure III.8
Latin America (selected countries): destination of investment in tradable and non-tradable sectors
and decomposition of the growth rate, 1993-2002 and 2003-2009
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the LA-KLEMS project [online] <http://www.worldklems.net/>.
^a Private services include financial intermediation, real estate and business services.
^b Public services include public administration, defence, compulsory social security, education, social and health services, and other community, social and personal services.

E. Structural change as a weak source of labour productivity¹⁰

Steadily rising labour productivity is key to economic and social development. Achieving such an increase, which can also be measured in terms of growth in per capita GDP, requires constant transformation of the production structure by means of two simultaneous processes.

First, it calls for structural change, understood as the reallocation of resources from low-productivity sectors—which typically generate low-quality jobs—to intermediate- and high-productivity sectors. Structural change increases aggregate productivity and reduces productivity gaps between sectors. Second, the productivity of individual branches of activity can receive a boost from increased physical or human capital, technological change, more efficient use of the resources allocated to the sector, the closure of unproductive businesses and the creation of new, more productive ones. Investment plays a fundamental role in both processes, as do workforce skill levels.

Labour productivity levels and trends must be interpreted against the backdrop of the region's structural heterogeneity, which is reflected in the differing productivity levels seen within each sector. Changes in productivity associated with the reallocation of resources within each sector may be impeded by this structural heterogeneity. They may be the result of a decrease in allocated resources or reflect improvements in a single group of companies in the sector. This heterogeneity stems from the production structure and is manifested in the labour market, where, put simply, there are segments in which job creation is due to demand for labour by businesses, the public sector or—to a lesser extent—households in their role as employers, and there are segments in which job creation is the result of what can be viewed as labour oversupply (owing to limited demand) driven by household reproduction and income needs.

The rise of the Asian economies in recent decades has been characterized by the simultaneous reallocation of resources between sectors (structural change) and within each sector (McMillan and Rodrik, 2011). In contrast, recent studies in Latin America and the Caribbean, as well as Africa, have found poor reallocation of resources associated with structural change. According to McMillan and Rodrik (2011), between 1990 and 2005 the contribution of structural change to changes in aggregate labour productivity in the region was very low or negative. These authors found that in the simple average for nine countries for the period 1990-2005 the internal reallocation of resources within each sector made a positive contribution of 2.24 percentage points while structural change made a negative contribution of 0.88 percentage points to annual growth in labour productivity, which in net terms rose by 1.35%.¹¹

Below are the results of a decomposition of changes in labour productivity for 1990-2010/2011, using the same methodology as McMillan and Rodrik (2011):

$$\Delta Y_t = \sum_{i=n} \rho_{i,t-k} \Delta y_{i,t} + \sum_{i=n} y_{i,t} \Delta \rho_{i,t}$$

where Y_t and $y_{i,t}$ represent the level of productivity (measured in dollars at constant 2005 prices per worker) for the economy as a whole and for sector i , respectively; while $\rho_{i,t}$ is the share of sector i in employment. Δ denotes the change in productivity or in the employment share, accordingly. The first term on the right is the sum of changes in productivity in individual sectors, weighted for their employment share at the beginning of the subject period. This term represents productivity changes within the sectors. The second term represents the contribution of structural change to the overall variation in productivity, calculated as the sum of the changes in the different sectors' shares in overall employment, weighted by the corresponding productivity.¹²

¹⁰ This section is based largely on Weller and Kaldewei (2013).

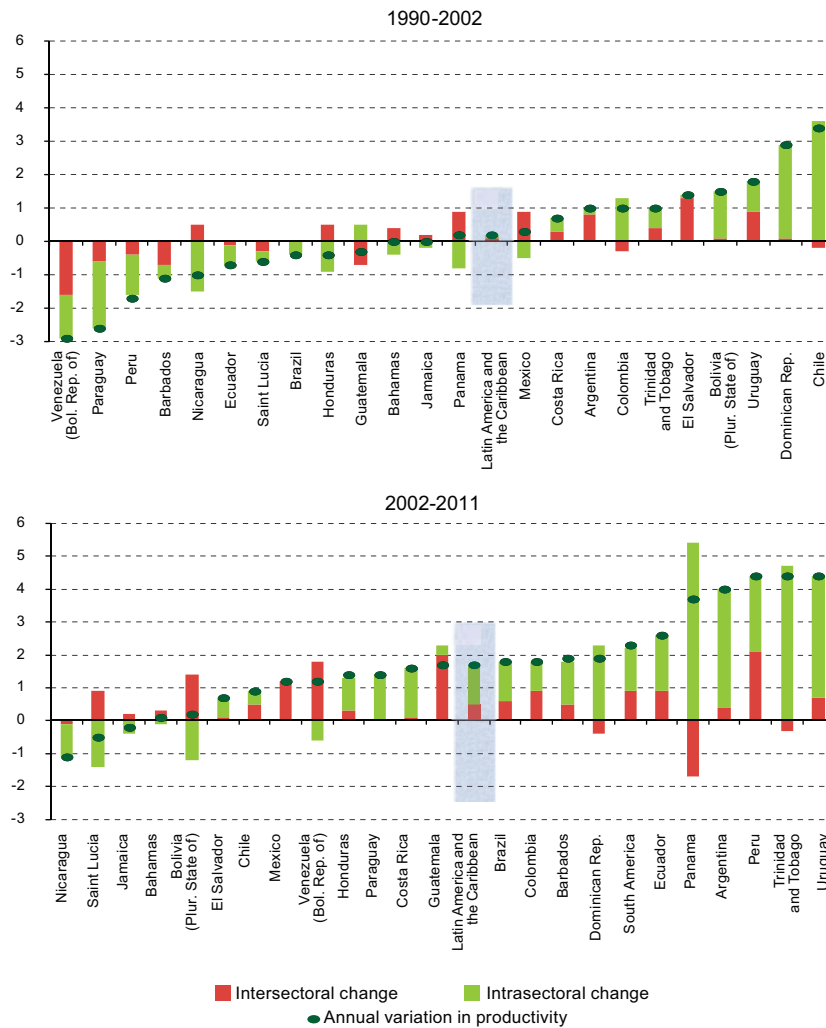
¹¹ Using another methodology, Ocampo, Rada and Taylor (2009) found that during 1990-2003/2004 structural change had a negative impact in the Andean countries and a positive one in Central America and the Caribbean. In the semi-industrialized countries (particularly Latin American countries, but also Turkey and South Africa) the positive contribution exceeded that seen in China. In an analysis of productivity trends in six of the region's countries over a longer time frame (1950-2005), Ros (2011) found that, in contrast to the previous period, between 1980 and 2005 workforce reallocation had a predominantly negative impact on productivity.

¹² If a sector loses part of its share in the employment structure to a sector with higher average productivity, aggregate productivity increases, and vice versa.

This exercise was conducted for two subperiods (between the early 1990s and 2002, and between 2002 and 2010/2011). The aim was to differentiate between one subperiod with generally modest and highly volatile economic growth and another with stronger and —with the exception of 2009— relatively stable growth rates.¹³ Despite using the same methodology as McMillan and Rodrik (2011), the results differ somewhat owing to the differences in the periods covered and the larger number of countries included.

Figure III.9 shows how intra- and intersectoral changes influenced average annual growth in labour productivity in 23 Latin American and Caribbean countries in the two periods.¹⁴

Figure III.9
Latin America and the Caribbean (23 countries): impact of intra- and intersectoral changes
on annual variation in average labour productivity, 1990-2002 and 2002-2011
(Percentage points)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of J. Weller and C. Kaldewei, "Empleo, crecimiento sostenible e igualdad", Santiago, Chile, ECLAC, 2013, unpublished.

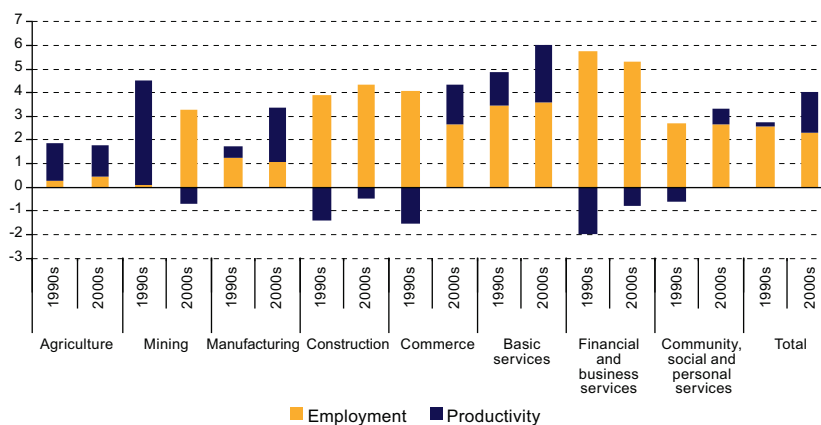
¹³ Dividing the study period into two subperiods makes it possible to weight each one more accurately, using the production structure at constant 1995 and 2005 prices, respectively.
¹⁴ See Weller and Kaldewei (2013) for detailed country-level results.

Figure III.9 confirms previous observations for the region as a whole: labour productivity (simple average of the countries) increased by very little (0.2% per year) between the early 1990s and 2002.¹⁵ On average for these countries, the contribution to labour productivity during this period (as shown by the shaded rectangle) from both the reallocation of resources between sectors (structural change) and the reallocation of resources within each sector, was minimal (0.1 of a percentage point per year). Furthermore, no directly or inversely proportional relationship was found between each contribution.

In the subsequent period (2002-2011), both contributions, while still highly dispersed, were larger than in the prior period. However, the contribution of resource reallocation among sectors (structural change) continued to be significantly weaker, as shown by the red part of the bar for each country. These bars, except for the Bolivarian Republic of Venezuela, Mexico and Peru, are substantially smaller for all of the countries. In the simple average of the countries (shaded rectangle), the 1.7% annual growth of labour productivity breaks down into a 0.5-percentage-point contribution from structural change and a 1.2-percentage-point contribution from reallocation of resources within individual sectors.¹⁶

The assessment of changes in sectoral productivity and the impact of structural change and resource reallocation within each sector shows that, between 1990 and 2002, employment grew significantly only in the tertiary sector and construction, but, with the exception of basic services, all of these branches of activity saw a fall in average productivity (see figure III.10). The slow growth in productivity during this period was attributable largely to agriculture and mining, which saw significant productivity gains but no job creation.

Figure III.10
Latin America and the Caribbean: contribution of the variation in employment and labour productivity to output growth, by branch of activity, 1990-2002 and 2002-2011
(Percentage points)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of J. Weller and C. Kaldewei, "Empleo, crecimiento sostenible e igualdad", Santiago, Chile, ECLAC, 2013, unpublished.

During this stage, labour supply pressures increased employment levels in low-productivity activities with few barriers to entry, particularly in the tertiary sector, which weakened the productivity gains arising from structural change (reallocation of resources to higher-productivity sectors), with the exception of basic services (electricity, gas and water, and transport, storage, and communications), which were privatized and modernized in many countries during this period.

In the second period (2003-2010), a number of branches of activity (including some in the tertiary sector) grew thanks to a combination of increased employment and labour productivity, and the productivity of each branch of

¹⁵ The median rate for the countries is also 0.2%; the weighted average shows no growth.

¹⁶ In this period more countries (Peru, Trinidad and Tobago, Argentina (urban areas), Ecuador, Barbados, Brazil, Colombia, Honduras and Chile) posted significant increases in the contributions of both processes, as shown by the overall annual growth rate of labour productivity. At the other extreme, only in Nicaragua did both processes have a negative impact. In contrast with the previous period, only four countries experienced negative structural change and in only six countries (three of which were Caribbean) did the changes resulting from the reallocation of resources within individual sectors have a negative impact.

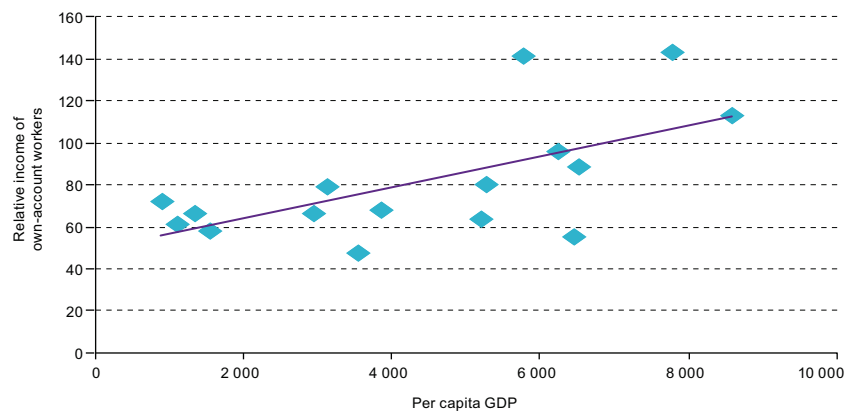
activity rose across the board for the region as a whole, with the exception of mining. In several mining or hydrocarbon-producing countries (Bolivarian Republic of Venezuela, Chile, Mexico and Peru), this sector's contribution to overall productivity was negative, possibly because less-productive fields were brought on line as international prices soared.

Most job creation continued to take place in the sectors producing mostly non-tradable goods and services, and there was a reversal of the commerce sector productivity downtrend seen in the previous period. The relatively high contribution of this sector to productivity gains suggests that this improvement does not stem exclusively from a drop in the number of jobs created owing to labour supply pressures in a context of high demand, but rather that changes within the sector played an important role in this respect, such as the expansion of supermarkets and shopping malls in many countries in the region during this period. Commerce and basic services, by combining productivity gains with a significant increase in employment, were among the main sources of productivity growth resulting from structural change, which serves as further evidence that this process took place predominantly in non-tradable sectors.

F. The economic cycle and the negative impact of structural heterogeneity on productivity

The high levels of structural heterogeneity in Latin America and the Caribbean are reflected in gaps within individual sectors owing to the co-existence of very low-productivity enterprises alongside intermediate and high-productivity enterprises (ECLAC, 2012).¹⁷ The relative share of each sector according to its productivity level depends on how developed the economy is: economies with a higher per capita GDP generally have narrower productivity gaps (Infante, 2011). In these economies, the medium- and high-productivity sectors tend to account for a larger share of employment, reflecting the greater dynamism and weight of labour demand in the labour market as a whole. This reduces the pressure exerted on low-productivity sectors by excess labour supply and thus leads to narrower income gaps (see figure III.11).

Figure III.11
Latin America (16 countries): relative income of own-account workers (not including professionals or technical workers) as a proportion of the income of private-sector employees in companies with five or more workers, by per capita GDP, around 2005-around 2010
(Percentages and dollars at constant 2005 prices)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of J. Weller and C. Kaldewei, "Empleo, crecimiento sostenible e igualdad", Santiago, Chile, ECLAC, 2013, unpublished.

Note: The values for the Dominican Republic and Guatemala were clear outliers and were therefore not included.

In the case of Latin America and the Caribbean, the existence of two distinct labour segments—one dependent on the demand of large and medium-sized enterprises, the public sector and formal employment by households, and the other consisting of a surplus labour supply seeking employment in low-productivity sectors with lower entry barriers— influences the way in which the region's labour markets adjust to the different phases of the economic

¹⁷ The level of heterogeneity within each sector varies considerably. For example, the electricity, gas and water sector is very homogeneous due to capital and technology requirements, while commerce is very heterogeneous.

cycle (Ocampo, Rada and Taylor, 2009). In marked contrast with developed economies and owing particularly to the labour supply situation, in periods of sluggish economic growth and low labour demand those markets have tended to adjust by reducing labour productivity rather than lowering employment (ECLAC/ILO, 2012). This structural heterogeneity has had an adverse effect both on structural change, since the employment driven by supply-side pressures tends to be concentrated in low-productivity sectors, and on productivity gains within individual sectors, since the higher employment in each branch of activity reduces its marginal productivity, which in turn is detrimental to its average productivity.

Specifically, under conditions of sluggish economic growth and low labour demand, income gaps between these two segments tend to widen, while the opposite takes place during periods of increased demand for labour. Thus, for the region as a whole, it is estimated that between 1980 and 1989 real average earnings fell by 7% in medium and large companies, by 30% in small companies and in the public sector, and by 42% in the informal sector (PREALC, 1990). Between the early 1990s and around 2002, the countries in the region saw average wages in microenterprises fall from 73% to 63% with respect to average salaries in small, medium-sized and large enterprises; an even greater decline was recorded in the wages of own-account workers (not including professionals or technical workers), which dropped from 113% to 86% relative to average wages in small, medium-sized and large enterprises. By contrast, in subsequent years (late 2000s), when there was an uptick in wage employment in formal enterprises, these gaps stopped widening and held steady at 64% in the case of microenterprises and at 90% in the case of own-account workers.¹⁸

The expansion of medium- and high-productivity sectors, as a result of economic growth and productive development policies, tends to have a twofold positive distributive impact. First, the emergence of new, more productive posts gives access to better jobs to workers who were previously employed in low-productivity sectors and, second, it reduces income gaps between the two segments.¹⁹

G. The limited impact of international trade on productivity in Latin America and the Caribbean

1. The effect of intra-industry specialization on productivity remains small

Intra-industry specialization implies greater production efficiency, particularly as a result of economies of scale and learning, and should lead to greater productivity and growth.²⁰ In the case of the Latin American subregions and countries, intra-industry trade relations exist mainly within subregional integration schemes (Caribbean Community, Andean Community, Central American Common Market and MERCOSUR), while trade between the members of these different schemes is predominantly inter-industry. As to partners from outside the region, the highest proportion of intra-industry trade is with the United States, followed by the European Union (see table III.2).²¹ The region's trade with developing Asia is essentially inter-industrial. Given that this was precisely the area of trade that saw the most growth in the last decade, the level of intra-industry trade in the region declined overall, suggesting that the contribution of trade to productivity, from a business perspective, was not significant.

¹⁸ Calculations on the basis of ECLAC (2010), table A-21.1.

¹⁹ The positive distributive impact is more pronounced if, as occurred during much of the 2000s, demand covers all skill levels. Calculated on the basis of a legal definition, the income gap between workers with the same personal characteristics in formal and informal jobs is between 20% and 40%, which means that informal workers who move into formal higher-productivity sectors experience a significant improvement in income (Keifman and Maurizio, 2012).

²⁰ Intra-industry trade is measured using the Grubel-Lloyd index, which shows the extent to which trade between two countries takes place between similar sectors. In contrast to inter-industry trade, growth in intra-industry trade is based on economies of scale and product differentiation. Both of these elements help to explain trade patterns within the framework of the new theory of international trade that emerged in the 1980s, another factor of which is the recognition of the existence of markets characterized by imperfect competition (Durán Lima and Álvarez, 2011). A weakness of the index is its sensitivity to the level of aggregation of trade flows: the likelihood of identifying intra-industry trade flows increases in line with the level of aggregation of the trade classification used and the number of countries.

²¹ The higher degree of intra-industry trade with the United States is mainly attributable to the extension of its value chains into Mexico and Central America. However, the benefits of this trade are limited because they are based primarily on the maquila sector, where the vast majority of inputs are imported rather than produced domestically.

Table III.2
Latin America and other countries and regions: intra-industry trade, 2011
(Grubel-Lloyd index)

	Mexico	Central America (including Panama)	The Caribbean	MERCOSUR (excluding Venezuela (Bolivarian Republic of))	Venezuela (Bolivarian Republic of)	Andean Community	Latin America and the Caribbean	United States	European Union	Developing Asia
Mexico		0.14	0.12	0.35	0.05	0.15	0.34	0.44	0.27	0.10
Central America (including Panama)	0.18	0.82	0.12	0.24	0.04	0.24	0.63	0.23	0.10	0.04
The Caribbean	0.03	0.26	0.34	0.07	0.01	0.06	0.31	0.31	0.18	0.06
MERCOSUR (excluding Venezuela (Bolivarian Republic of))	0.33	0.07	0.02	0.93	0.05	0.17	0.69	0.30	0.27	0.09
Venezuela (Bolivarian Republic of)	0.04	0.05	0.06	0.05		0.11	0.08	0.03	0.05	0.00
Andean Community	0.12	0.33	0.29	0.18	0.11	0.87	0.53	0.15	0.06	0.03
Latin America and the Caribbean	0.32	0.58	0.04	0.60	0.13	0.57	0.89	0.47	0.29	0.09
United States	0.48	0.16	0.32	0.26	0.03	0.14	0.47		0.64	0.39
European Union	0.31	0.08	0.07	0.14	0.01	0.04	0.23	0.28	0.62	0.41
Developing Asia	0.36	0.04	0.03	0.13	0.00	0.03	0.18	0.36	0.40	0.58

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Database (COMTRADE).

Note: According to the Grubel-Lloyd index, a value above 0.33 indicates a high incidence of intra-industry trade; a value between 0.10 and 0.33 indicates potential intra-industry trade; and a value lower than 0.10 indicates inter-industry trade.

2. The incipient participation of Latin America and the Caribbean in international value chains

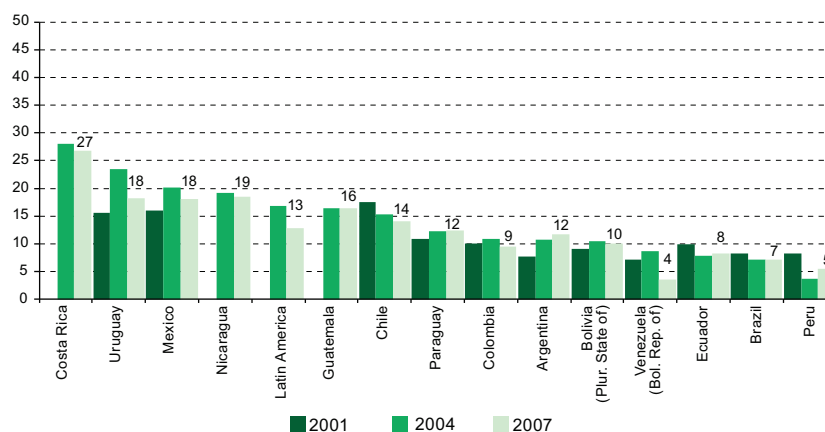
Another determinant of the impact of trade on growth is the degree to which it is part of a regional or international value chain. The involvement of a company, sector or country in a chain can benefit productivity, for example, by establishing more stable demand or access to new technologies, business practices or financing.

Latin America and the Caribbean has had little involvement in international production chains, as shown by an indicator used to measure the fragmentation of production processes. This indicator measures the share of intermediate products (including accessories, components, parts and pieces) in trade, which account for more than half of world trade (excluding fuel) (WTO/IDE-JETRO, 2011). In the region, intermediate goods accounted for only 10% of exports to destinations both within and outside the region in 2011. This figure is surprising, given that the share of manufacturing is much higher for intraregional exports than for extraregional exports. However, the large share of trade in manufactures within the region does not translate into a higher share of intermediate goods in intraregional trade. This suggests that the manufactured goods traded between the countries of the region are made almost entirely in the exporting country. In other regions, intermediate goods accounted for a substantially higher proportion of intraregional exports in 2011: 30% in the Association of Southeast Asian Nations, China, Japan and the Republic of Korea (ASEAN +3), 19% in the countries of the North American Free Trade Agreement (NAFTA) and 17% in the European Union (ECLAC, 2012).

Notwithstanding the above, there are marked differences between the countries in the region with respect to their production chains with other countries. These differences can be shown using the vertical integration indicator, which measures the proportion of exports composed of imported intermediate inputs (see figure III.12). In 2007 the most integrated countries were Costa Rica and Nicaragua, and the least integrated were the Bolivarian Republic of Venezuela and Peru. The vertical integration of Latin America as a region declined between 2004 and 2007.

The impact of participation in value chains on inclusive growth depends crucially on the value-added generated in the link in which the company, sector or country is operating and the potential for upgrading to links with higher productivity and skill levels. There are significant differences between the sectors, for example, in the development of links, opportunities for acquiring technological knowledge (especially regarding cutting-edge technologies), options for upgrading from relatively low levels of technology, and leveraging opportunities based on training of the workforce.

Figure III.12
Latin America (selected countries): vertical integration index, 2001, 2004 and 2007
(Percentages of imported inputs in export products)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), “Comercio internacional: ¿Qué aporta al crecimiento inclusivo?”, paper presented at the Seminar Macroeconomics for Growth and Equality, Santiago, 7-8 May 2013

3. Productivity as a driver, not a consequence, of exports

On the basis of the finding that the productivity of exporting firms is higher than that of other companies, further research has been conducted to ascertain the direction of causality between productivity and exports (Melitz, 2003). In general, most studies mention at least one of the following two hypotheses to explain this finding: (i) self-selection and (ii) “learning by doing”. The first refers to the observation that only the most productive firms engage in export processes, while “learning by doing” emphasizes that previous experience of exporting is a fundamental factor in future decisions to export.

Wagner (2007), based on a review of 45 studies with data from 33 countries published between 1995 and 2006, indicates that, after 10 years of research into the relationship between exports and productivity, the following broad conclusions can be drawn: (i) exporters have higher productivity levels than non-exporters; (ii) higher-productivity firms are self-selecting exporters; and (iii) exporting does not necessarily increase the productivity of firms. However, these general observations hide considerable heterogeneity since drawing comparisons between countries and even between studies on the same country is difficult, since the methodologies of the studies vary widely.

The International Study Group on Exports and Productivity (ISGEP, 2007) applied a single methodology to study the relationship between exports and productivity in 14 countries worldwide (including Chile and Colombia) and arrived at the following complementary conclusions: (i) exporters are more productive than non-exporters; (ii) productivity gains tend to increase in line with the share of exports in a company’s sales; (iii) there is strong evidence in favour of self-selection; and (iv) there is virtually no evidence supporting the “learning by doing” hypothesis. It was also found that, even when measuring using the same model, the productivity gains made by exporters vary considerably between countries. In addition, more open countries with more effective governments report higher productivity levels. Countries’ level of development does not appear to have an impact on the relationship between exports and firms’ productivity levels.

Another line of research has analysed the entry and exit of firms, which has shown systematic differences in the productivity, size and other economic characteristics of firms that are entering and those that are exiting the market (Dunne, Roberts and Samuelson, 1989). Wagner (2011) reviewed the literature available between 2006 and 2011 and concluded that the probability of survival is higher for exporters, even controlling for the company’s size, age and productivity. In the same connection, a variety of studies have shown that the size of firms is inherently linked to survival in foreign markets (Arauzo-Carod and Manjón-Antolín, 2008) and that smaller firms are more likely to exit the market (Grilli, Piva and Rossi Lamasra, 2010).

Conclusions

The most important determinant of labour productivity in the region has been investment, which, along with the increasingly skilled labour force and the demographic dividend, has helped to boost productivity in most countries since 2003. This contrasts with the fall in labour productivity during the 1980s, when investment slumped, and the lacklustre performance of the 1990s, when investment saw only limited growth.

Although the favourable external environment since 2003 has fostered savings and investment (see chapter II), thus contributing to increased productivity, exchange-rate appreciation, among other variables, has promoted higher growth of investment in non-tradable sectors (as well as in commodity-exporting sectors), which generally register lower levels of labour productivity than tradable sectors. As a result, despite the contribution of investment to labour productivity, productivity increases were lower than they would have been if there had been greater diversification in tradable production. Since investment was targeting these areas, the labour productivity growth that took place during the last decade resulted primarily from greater reallocation of resources within individual branches of activity, rather than productivity gains associated with structural change brought about by the reallocation of resources from low-productivity to high-productivity industries, although the latter was more prevalent in the 2000s than during the previous decade.

In turn, the predominantly inter-industry nature of the specialization pattern between Latin America and China, which has been reinforced by the increased trade flows between them, has been less favourable towards the processes of intra-industry specialization that have characterized other trade flows, thus making less of a contribution to learning and technological development. Furthermore, the participation of Latin American and Caribbean countries in international value chains, especially in the most intensive stages in terms of productivity and learning, has been limited and, in general, exports reflect the region's performance in terms of productivity instead of contributing to it.

This highlights the central role of investment and skilled labour, as well as the need for explicit and ambitious policies in these areas as a means of boosting productivity and promoting the diversification of investment and production, especially in tradable sectors. Ensuring the sectoral focus of investment is key, grounded in consultation processes that involve the public and private sectors in each country with a view to building a shared vision and making long-term institutional arrangements to reduce the degree of uncertainty facing decision-making in the field of investment. Another essential factor is introducing macroeconomic policies that ensure appropriate relative prices, financing, complementary public investment and demand management, as well as social, microeconomic and sectoral policies to lend sustainability to the process.

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Macroeconomic policy enhancement and challenges for promoting growth with equality

Introduction

- A. The contribution of fiscal policy to growth and equality has gradually strengthened
- B. Monetary and exchange-rate policy have gradually come to play a greater role in reducing nominal and real volatility
- C. Strategic aspects of macroeconomic policy for boosting growth

Bibliography

Introduction

The main macroeconomic policies implemented over the past three decades are outlined below, highlighting how they have been enhanced over time. In the case of fiscal policy, the discussion centres on how this enhancement contributed to growth in relation to public debt, countercyclical action, social spending and public investment. For monetary and exchange-rate policy, the focus is on the policy contribution to nominal stability (inflation and interest rate reduction) and the enhancement that comes with institutional changes and flexible exchange-rate management; these changes helped to broaden the scope for monetary policy to play a countercyclical role during the global financial crisis of 2008-2009. This chapter also looks at the build-up of international reserves as the monetary authorities responded to growing international financial volatility. The closing section proposes orienting macroeconomic policy so that (while leveraging and maintaining its strengths in an institutional framework that ensures public policy coordination and cooperation with social actors) it encourages investment, especially in the tradable sectors (the ones that produce goods and services that are exported or compete with imports) that generate linkages, thus fostering structural change to further sustainable growth with equality.¹

A. The contribution of fiscal policy to growth and equality has gradually strengthened

One of the critical aspects of the relationship between fiscal policy and growth lies in how it impacts the level and composition of public expenditure and income in the macroeconomic cycle as well as the medium-term GDP trend. This relationship is explored below, taking account of how debt, countercyclical fiscal policy, social spending and public investment affect growth.

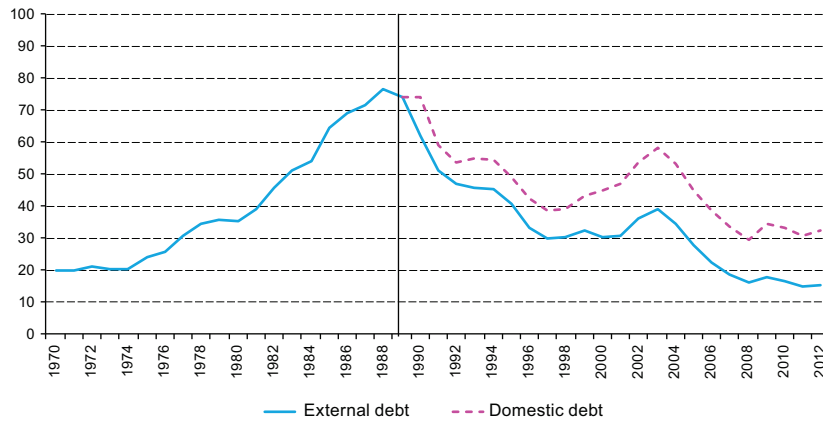
1. Debt reduction has helped stabilize economic agents' expectations

In past decades, the public-debt-to-GDP ratio has been a recurring financial constraint on economic growth in Latin America and the Caribbean as well as in other regions. It was also a drag on growth expectations and added to the cost of financing public and private investment projects.

External public debt as a percentage of GDP was already growing in the 1970s (see figure IV.1), but in the 1980s weak economic growth, capital flight and the resulting sharp depreciation of national currencies in a framework of dollarized liabilities swelled fiscal deficits and increased the public debt burden. Between 1980 and 1989 external public debt rose from less than 35% of GDP to a high of 75% of GDP on average and surpassed 100% of GDP in Ecuador, Nicaragua, Panama, Peru and the Plurinational State of Bolivia.

¹ Favouring the tradable sectors would mean prioritizing exportable and importable sectors over non-tradable ones. But the former include producers of natural resources that, because they have absolute advantages and generate rents, would not need policy instruments to encourage investment in them in comparison with investment in other sectors. That is why this proposal is for fostering investment in the tradable sectors in a more limited sense that takes account of their forward and backward linkages and does not include natural resource-producing sectors.

Figure IV.1
Latin America (19 countries): external public debt (1970-2012) and domestic public debt (1990-2012)
 (Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

In several countries, ballooning debt meant that debt service absorbed an increasing share of tax revenue. In the 1990s, the external public debt burden eased substantially as economic growth returned, albeit unevenly, and debt was renegotiated or restructured. In other cases, exchange rates that held steady or appreciated in real terms were also a factor, temporarily reducing external liabilities in national currency. But these scenarios were unsustainable, and, as explained in chapter I, new crises were set off.

The fiscal situation began to improve significantly in the region starting in 2003, as reflected in systematic primary surpluses (owing to stronger tax regimes and extraordinary revenue from export commodities as their prices rose), the launch of self-insurance mechanisms (such as stabilization funds and debt prepayment programmes during booms or in times of falling interest rates) and improved management of public assets and liabilities. Not only did the level of public debt come down in the span of a few years (between 2003 and 2007). Its make-up changed significantly, too, shifting to longer terms, a higher percentage of fixed-rate debt, a greater share held by residents and a larger portion denominated in local currency (since 2010, domestic debt has accounted for a larger share of total public debt than external debt has). Several countries issued external debt denominated in local currency, thus overcoming the so-called “original sin” that worked against this option.

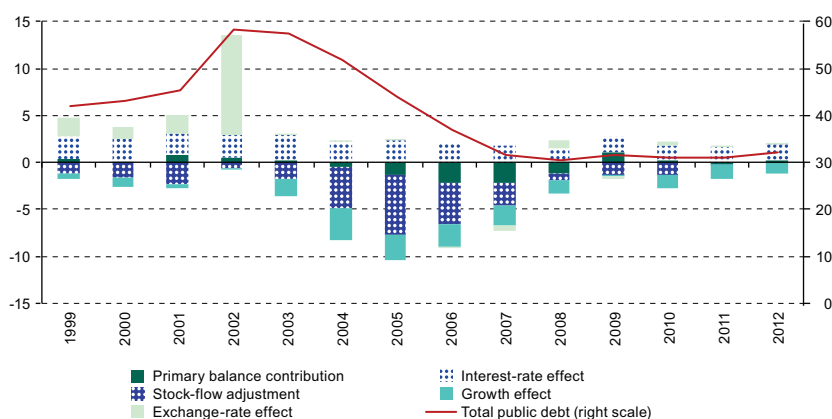
Public debt went from averages of nearly 60% of GDP in 2003 to just 32% of GDP in 2008. The external component shrank to values in the area of 16% of GDP. As noted above, much of this decline took place in 2003-2007; despite the deteriorating primary balance after 2008, the debt ratio has held fairly steady since then (32% of GDP in 2012) because the difference between interest rates and the rate of economic growth (the snowball effect) has been insignificant, except in some countries of Central America and the Caribbean.

A breakdown of the factors behind public debt trends shows high exposure to the risk of rising exchange rates until 2002. The drop in debt as a percentage of GDP starting in 2003 was due to the reversal of that trend, but also to positive primary balances, economic growth and lower external and domestic interest rates (see figure IV.2). Figure IV.2 also illustrates the importance of discretionary and composition factors (stock-flow adjustment) associated, among other things, with decisions taken by several countries to prepay external debt during that period.²

Unlike in other parts of the world, and unlike what happened in the past in the region, public finance management is now a significant asset for Latin America. This can be seen in the widespread upgrade of sovereign risk ratings, showing that public debt reduction has been a factor in stabilizing economic actors’ expectations.

² In such exercises, it is common to find a high residual (the so-called stock-flow adjustment) indicating discrepancies between fiscal balances and changes in public debt. Among the potential reasons are coverage, accounting methods, the impact of asset and liability valuation and debt renegotiation or outright debt relief.

Figure IV.2
Latin America and the Caribbean: drivers of changes in central government debt, 1999-2012
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

But the picture is still uneven. Some Central American countries are still relatively highly indebted. In the Caribbean, many countries have very high debt-to-GDP ratios. And some countries of South America need to further reduce debt levels in the medium term because public debt interest rates remain high.

Thanks to this set of factors, the region still has room (albeit constrained in a few cases) for facing adverse scenarios, mainly because public debt is below pre-crisis levels.

2. Progress has been made in implementing countercyclical policies during contractions of the economic cycle

Ideally, fiscal policies should promote the generation of surpluses during booms and allow deficits during recessions, with a fixed average balance throughout the economic cycle, so as to reduce the negative impact of public-spending procyclicality on economic growth.

Fiscal accounts in the region have tended to fluctuate widely due to their sensitivity to swings in GDP and commodity prices (Martner, González and Podestá, 2013). The primary cyclical factors have been gaps between effective growth and the trend growth rate, as well as raw materials prices. As table IV.1 shows, cyclical factors play a major role. Wide (recessionary) gaps between effective growth and the growth trend rate like the ones that opened in the early 2000s in a number of countries (Argentina, Bolivarian Republic of Venezuela, Dominican Republic, Costa Rica, Ecuador, Mexico, Panama and Uruguay) increased the cyclical component of the fiscal balance and added three or more percentage points to the cyclical deficit.

If the effective fiscal balance is corrected for these two factors, it will reflect decisions made by the authority more than cycle impacts. It will therefore be possible to identify the fiscal policy stance in certain periods by comparing variations in the cyclically-adjusted fiscal balance with the GDP gap. When the GDP gap is positive, a procyclical policy is characterized by a decrease in the cyclically-adjusted fiscal balance, which indicates an expansionary discretionary measure. By the same token, if the gap is negative (that is, GDP is in a recessionary phase that is below trend), a procyclical policy is characterized by a rising cyclically-adjusted fiscal balance, indicating a contractionary discretionary policy. In Martner (2007), an examination of 267 episodes in 18 countries in Latin America during 1990-2005 finds that 55% were procyclical and 45% were countercyclical or neutral. While confirming the prevalence of procyclical policies, it also shows that this is not always the case: a number of countries of the region implemented restrictive measures during booms, in the 1990s, and after 2003. Furthermore, there has been some degree of asymmetry, since with positive GDP gaps there has been a trend towards procyclicality. This would indicate that it would have been more difficult to apply countercyclical policies during upswings.

Table IV.1
Latin America: maximum and minimum GDP gaps and cyclical balance, 1990-2012

	GDP gap (percentages of GDP)		Cyclical balance (percentages of potential GDP)	
	Minimum	Maximum	Minimum	Maximum
Argentina	-27.9 (2001)	21.6 (1994)	-3.3	2.1
Bolivia (Plurinational State of)	-11.0 (2003)	9.2 (1998)	-9.8 (1999)	7.7 (2008)
Brazil	-3.7 (2003)	3.1 (1997)	-0.8	0.6 (2011)
Chile	-10.3 (2002)	9.8 (1995)	-2.0 (2002) ^a	7.3 (2007) ^a
Colombia	-6.2 (2003)	15.1 (1991)	-1.0	1.3
Costa Rica	-18.7 (2002)	18.2 (1997)	-3.3	2.9 (1998)
Dominican Republic	-35.8 (2002)	11.4 (1995)	-5.3	1.3
Ecuador	-44.3 (2000)	22.0 (1994)	-7.2	2.5
El Salvador	-7.1 (1992)	6.2 (2008)	-1.0	1.2
Guatemala	-5.3 (2005)	12.2 (1991)	-0.5	0.9
Mexico	-29.6 (1994)	11.4 (1992)	-3.2	2.6 (2008)
Nicaragua	-11.0 (2003)	21.9 (1992)	-2.1	3.1
Panama	-15.5 (2003)	9.5 (1998)	-4.9	2.4
Peru	-23.2 (1991)	12.5 (1997)	-3.2	2.1
Uruguay	-18.7 (2002)	18.2 (1997)	-3.4	3.0 (1998)
Venezuela (Bolivarian Republic of)	-58.7 (2003)	84.9 (1995)	-10.6	7.2 (1995)

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

^a Official projections.

Another way of examining fiscal policy stance is to compare growth in public spending and in GDP. Table IV.2 shows that, on average, in the 1980s the spread between primary public spending and GDP growth rates was only 0.3 percentage points. In subsequent upswings the spread was positive, which is evidence of the propensity to spend more during booms.³

Table IV.2
Latin America (20 countries): gap between real growth rates of primary spending and GDP, 1980-2012

	1980-1989	1990-1996	1997-2002	2003-2008	2009	2010-2012
Argentina	-0.6	4.0	-1.8	5.2	18.0	6.0
Bolivia (Plurinational State of)	3.4	4.8	5.1	1.0	4.2	0.4
Brazil	2.3	-0.1	3.8	1.6	1.5	1.7
Chile	0.2	2.6	2.3	0.0	15.8	-3.2
Colombia	1.2	5.9	9.9	1.1	9.9	-1.0
Costa Rica	1.0	1.1	1.6	0.4	13.1	3.6
Cuba	...	...	-0.9	7.7	-3.3	-8.4
Dominican Republic	-1.2	3.1	4.4	3.3	-17.1	4.5
Ecuador	-0.1	1.4	4.0	10.2	0.9	10.5
El Salvador	-1.5	0.1	1.2	-0.7	12.2	1.1
Guatemala	-1.7	-3.5	4.6	0.1	4.0	-0.3
Haiti	...	...	5.1	2.3	8.5	3.5
Honduras	-1.5	-2.7	5.8	2.5	5.7	-6.6
Mexico	2.5	0.6	1.1	2.6	1.5	-0.8
Nicaragua	2.2	0.5	-0.6	3.8	0.9	-0.4
Panama	-0.1	1.1	1.9	2.3	3.8	-0.9
Paraguay	-1.1	7.8	1.0	-2.8	33.7	6.5
Peru	-0.8	5.3	-0.6	0.1	8.0	-0.5
Uruguay	1.7	5.1	3.4	-1.9	5.2	0.7
Venezuela (Bolivarian Republic of)	-0.7	-3.5	3.6	2.6	2.9	-6.3
Latin America	0.3	1.9	2.7	2.1	6.5	0.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

³ The fact that public spending growth outpaces GDP in upswings is not always sufficient grounds for labelling fiscal policy as procyclical, because it must be established what happened with revenues, debt and the deficit. In the 2000s, income in Latin America (including tax receipts, see ECLAC, 2013) grew faster than GDP and expenditure. This improved the debt position and boosted expectations (see Martner, González and Podestá, 2013), thus mitigating the assessment.

The global financial crisis of 2008-2009 shrank the fiscal space in a number of countries, forcing them to slow the pace of expansion of public expenditure despite the recession. But spending rose sharply in other countries, such as Argentina, Chile, Colombia, Costa Rica, El Salvador, Paraguay and Peru, showing their ability to respond to a recessionary environment. Between 2010 and 2012 the average gap was much smaller because some of these countries withdrew some fiscal stimuli. While there were wide swings in the rate of growth of public expenditure when compared with the GDP growth rate, the speed-up in 2012 is likely associated with a countercyclical response to the adverse impacts of the global economic crisis.

In five countries of the Caribbean (Antigua and Barbuda, Belize, Grenada, Saint Kitts and Nevis and Saint Lucia) (see table IV.3) primary public expenditure rose by more or less the same pace as GDP during 2003-2008; six (Antigua and Barbuda, Barbados, Guyana, Saint Kitts and Nevis, Suriname and Trinidad and Tobago) saw a surge in 2009. Spending fell off in Dominica, Grenada and Jamaica, where fiscal space was constrained by the substantial public debt burden on their economies. The overall pattern between 2010 and 2012 seems to have little correlation with where any given economy is in the cycle; public expenditure growth rates are highly volatile, although, on average, they increased more in the 13 countries of the Caribbean than in the 20 countries of Latin America.

Table IV.3
The Caribbean (13 countries): gap between real growth rates of primary expenditure and GDP, 1990-2012
(Percentage points)

	1990-1996	1997-2002	2003-2008	2009	2010-2012
Antigua and Barbuda	...	7.2	0.2	7.1	-4.8
Bahamas	...	-1.8	4.0	4.1	7.1
Barbados	...	3.4	0.7	6.4	-3.5
Belize	...	4.0	-2.6	4.8	-0.1
Dominica	...	-20.2	7.1	-4.0	6.6
Grenada	...	17.0	-2.5	-10.8	-3.6
Guyana	...	-1.2	2.6	6.4	3.6
Jamaica	3.4	0.6	4.1	-3.8	4.3
Saint Lucia	...	1.4	-1.5	6.0	6.2
Saint Kitts and Nevis	...	15.8	-3.8	7.4	4.4
Saint Vincent and the Grenadines	...	-0.9	2.2	4.5	-2.1
Suriname	...	-14.5	1.4	30.2	0.3
Trinidad and Tobago	...	1.3	2.7	40.6	-1.0
The Caribbean	...	0.9	1.1	7.6	1.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

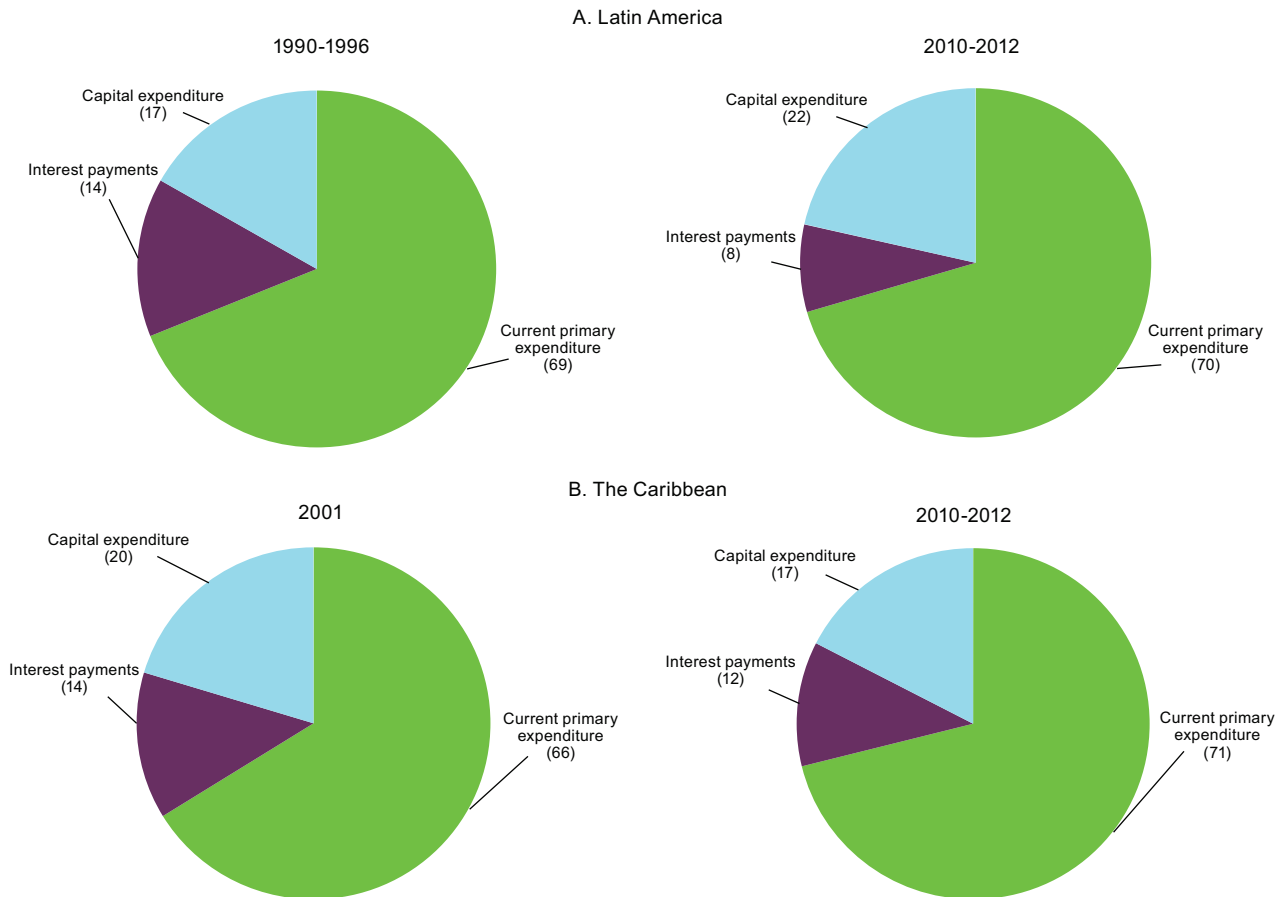
3. Public investment has partially recovered

During the 1980s and 1990s, fiscal consolidation in the region translated into a sharp decline in public investment, with its negative impact on medium-term economic growth. This has been the most procyclical component of spending, as has been documented in many studies (see, for example, Akitoby and others, 2006).

In practice it has been easier to cut back on investment during downswings. Compared with 1980-1981, public investment in Argentina, Colombia, Costa Rica, the Dominican Republic, Ecuador, Guatemala, Mexico, Panama, Paraguay, Peru and Uruguay fell by the equivalent of 1% of GDP or more in the two decades that followed (see Jiménez and Manuelito, 2013). Public investment in infrastructure fell from 3.1% of GDP to close to 1.0% of GDP in the 1980s (see Perroti and Sánchez, 2011) and remained at those levels until 2008. The stock of capital in infrastructure posted a sharp three-decade decline.

In recent years, however, there has been a recovery. In terms of composition, capital expenditure has gained considerable space and risen at the same pace that public debt interest payments have fallen (see figure IV.3). In Latin America, the simple average of public capital expenditure for 20 countries increased from 2% of GDP to 4.6% of GDP between 1990 and 2012. In the Caribbean, the average for 13 countries went from 6.0% of GDP to 5.1% of GDP between 2001 and 2012.

Figure IV.3
Latin America (20 countries) and the Caribbean (13 countries): composition of public expenditure
(Percentages of total expenditure)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Since the 2008-2009 crisis, public investment has become a more significant factor in economies. Comparing 1990-1996 with 2010-2012 shows a strong recovery in countries such as Argentina, Bolivarian Republic of Venezuela, Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, Haiti, Mexico, Panama, Paraguay, Plurinational State of Bolivia, Uruguay and Trinidad and Tobago. But capital expenditure has fallen—sharply in some cases—in a number of Caribbean countries that had a high public investment ratio in early 2000. Among them are Barbados, Belize, Dominica, Guyana, Grenada and Saint Vincent and the Grenadines.

In some Latin American countries public-private partnership initiatives have taken hold. While these practices represent a real and potentially very attractive alternative for reducing the bias against public investment, they entail future fiscal obligations that must be part of a careful assessment of the costs, benefits and risks of each initiative in this area.

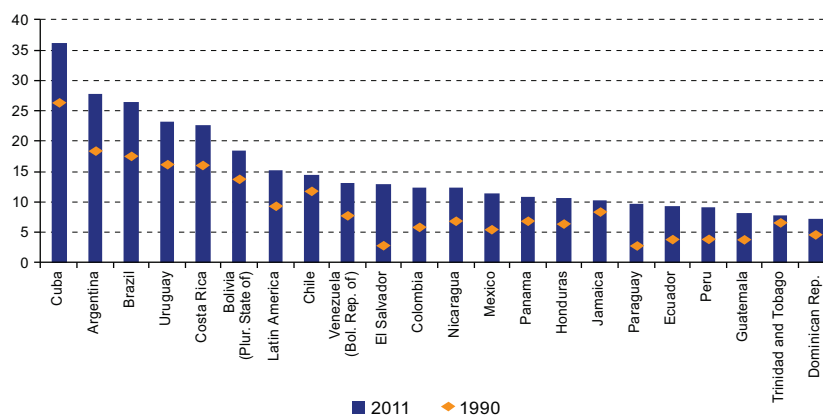
4. Social spending and fiscal policy support for growth with equality has strengthened

Fiscal policy has substantial potential for making a significant contribution to the growth and improved distribution of disposable income. In Latin America, the budget share of social expenditure has climbed from 45% in 1990-1991 to nearly 63% in 2010-2011 (see ECLAC, 2012a). In recent years, fiscal policies have given sustainability to public social

spending, which has gone from 9.4% of GDP to 15.3% of GDP on average in the region. Moreover, many countries have made social spending a macroeconomic priority. As a result, they were more agile in their countercyclical response to the 2009 crisis, showing that such spending is a cornerstone of policies aimed at macroeconomic stabilization and poverty reduction.

There were sharp increases in countries that already had a high level of social spending in 1990 (see figure IV.4), including Argentina, Brazil, Costa Rica, Cuba and Uruguay. On the other hand, public social spending still makes up less than 12% of GDP in the Dominican Republic, Ecuador, Guatemala, Honduras, Jamaica, Mexico, Panama, Paraguay and Peru.

Figure IV.4
Latin America and the Caribbean (selected countries): public social spending, 2011 and 1990
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The composition of this social spending is highly dispersed, reflecting the wide range of modalities for providing public goods and services (especially education, health and pensions) and illustrating the low level of social protection coverage in some countries.⁴

There is striking heterogeneity in spending on education, which can be explained in part by the varying public/private split in delivering education services at different levels. In certain cases, however, it is also due to insufficient capacity on the part of the State to generate the necessary resources. The impact of direct public sector spending on education, with changes in preschool and primary and secondary school coverage, has been substantial in the countries of the region (see OECD, 2012). Empirical evidence (González and Martner, 2012) shows that, in addition to the direct impact of fiscal measures and the macroeconomic cycle, the quality of education and an array of institutional variables have played a significant role in the recent improvements in income distribution in Latin America. Particular attention should be paid to human capital indicators: by any measure, they are key in determining the distribution of disposable income.

From the point of view of the tax system, the redistributive effect of fiscal action depends directly on the level, composition and degree of progressivity of each component of taxes and transfers. These three dimensions shape the picture in each country (Joumard, Pisu and Bloch, 2012). Thus, in Organisation for Economic Cooperation and Development (OECD) countries, disposable-income inequality after taxes and transfers is 30% lower than market-income inequality (before taxes and transfers). As measured by the Gini index, the decrease is 0.15 percentage points on average. OECD countries with more unequal primary distribution tend to redistribute more through fiscal action. Direct transfers reduce income dispersion more than taxes do: three quarters of the decrease in inequality between market income and disposable income can be attributed to transfers, and the rest to taxes.

In the countries of Latin America, direct fiscal action only slightly improves the markedly unequal distribution of personal income. Lustig, Pessino and Scott (2012) found that in six countries the decrease in inequality attributable

⁴ See ECLAC, 2010a and 2012a for a classification of the countries of the region on the basis of gaps in well-being.

to transfers is 2% on average, although the impact is significant in Argentina, Brazil, Chile and Uruguay (on the order of 0.05 Gini points). Along these lines, ECLAC (2012c) reported that a decomposition of changes in inequality shows that income per adult appears to be the main driver of improving distribution between 2002 and 2011 in 10 countries of the region. In the Bolivarian Republic of Venezuela, Colombia, Costa Rica, El Salvador and Nicaragua, changes in labour income were behind 90% or more of the rise in total income per adult. In five other countries changes in non-labour income (essentially, public transfers) were accountable for 40% or more of the decrease in inequality (Argentina, Brazil, Chile, Ecuador and Uruguay).

The limited impact of fiscal action on income distribution is related, on the one hand, to a lower comparative level of cash transfers, and, on the other hand, to limited direct tax receipts. The latter represent approximately half of indirect taxes, which have a regressive impact on income distribution. Accordingly, the still inadequate contribution of personal income tax despite recent progress, coupled with the small property and wealth tax take, leads to tax systems that do very little to help bring Gini coefficients down. In short, the redistribution of disposable income via taxes has been practically non-existent in the region.

Most of the countries of the region saw a marked increase in the tax burden in relation to GDP (especially from 2002 on) together with major structural changes such as the consolidation of the value added tax, a significant improvement in the share of direct taxes and the roll-back of taxes on international trade. Contributing to this increase in the tax burden, albeit with variations from country to country, were a favourable macroeconomic context, steadily rising commodity prices, new taxes such as financial transaction taxes and minimum taxes, cuts in exemptions and deductions, improved tax administration and rising consumption.

A recent change has been the increase in the portion of receipts coming from income taxes, consolidating them as the second pillar of the region's tax system (see figure IV.5 and ECLAC, 2013) and revealing a certain trend towards greater tax system progressivity in the region over the past decade. As a percentage of GDP, income tax in Latin America (simple average) climbed from the equivalent of 2.7% of GDP in 2000 to 5.0% in 2011, while in the Caribbean it went from 6.3% of GDP to 7.7% of GDP. Among the reasons were partial expansion of the base for some taxes on services, implementation of minimum taxes and contributions, improvements in tracking the universe of taxpayers, and, in some countries, the appropriation of additional resources from the production and export of commodities. There were more personal income tax reform measures in Latin America and the Caribbean in recent years; the tax base was expanded, and taxation was extended to all labour income and capital yields as well as dividends.

Figure IV.5
Latin America and the Caribbean: tax structure (without social security), 2000 and 2012

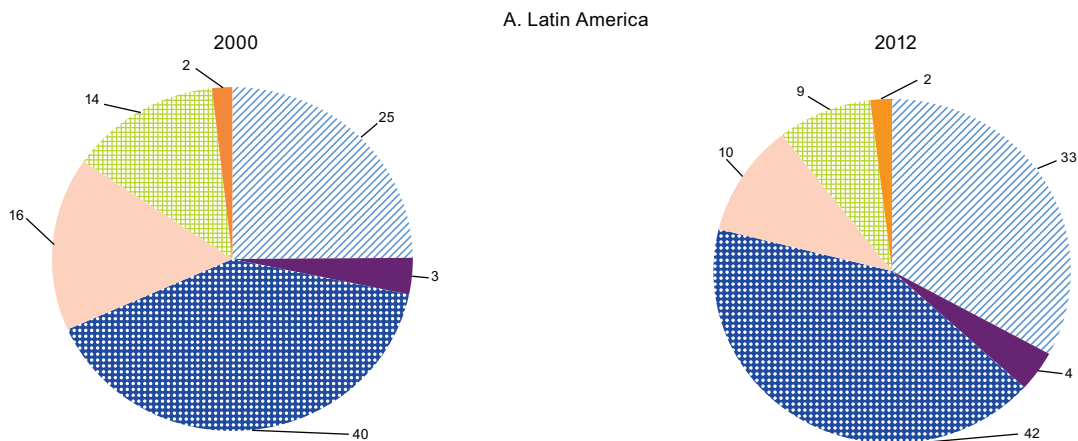
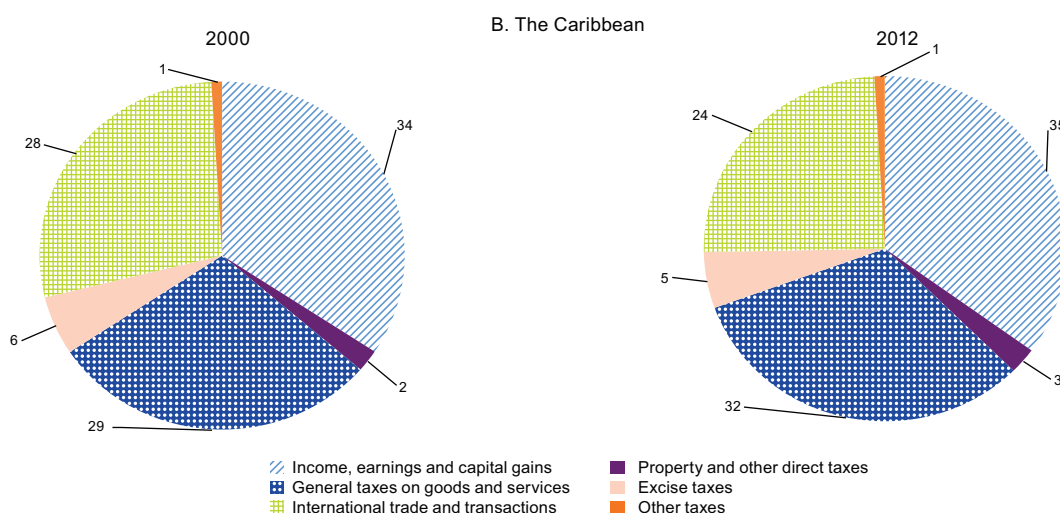


Figure IV.5 (concluded)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

B. Monetary and exchange-rate policy have gradually come to play a greater role in reducing nominal and real volatility

The evolution of monetary policy during the past three decades is outlined below, highlighting how it has helped reduce nominal volatility (inflation). The focus is on how monetary policy has been enhanced, both institutionally and, in many countries, by means of more flexible exchange rate regimes. This enabled most of the countries of the region to address the impacts of the 2008-2009 global financial crisis using countercyclical monetary policies that complemented the fiscal policies put in place at that time, in order to dampen real economic volatility and thereby promote growth. Finally, management of international reserves is examined as an increasingly important component of monetary and exchange-rate policy over the past decade and a half, spotlighting the build-up of international reserves in the region in response to international financial volatility.

1. Monetary policy promoted nominal stability: a low-inflation path was reached in most of the countries and made it possible to bring down interest rates as well

During the 1980s, monetary policy in a framework of high foreign currency-denominated external debt, stagnant economic activity, a low terms of trade ratio, external financing constraints and fiscal problems at the consolidated public sector level (which includes quasi-fiscal deficits) led to high rates of inflation and even hyperinflation in some cases (such as Argentina, Nicaragua and the Plurinational State of Bolivia). During the 1980s and part of the 1990s, the region tended to have fixed exchange-rate regimes that were often used as an exchange-rate anchor as part of a macroeconomic stabilization plan. Accordingly, monetary policy during the 1980s acted countercyclically and did not help to reduce nominal inflation volatility, nominal exchange-rate volatility or real GDP volatility. Figure I.13 (see chapter I) shows the high average rates of inflation recorded in Latin America during the 1980s, while inflation remained low in the Caribbean.

Inflation declined throughout the region during the second half of the 1990s, not only on average but also in terms of the number of countries with high inflation during the period. Table IV.4 shows that 10 countries in the region recorded inflation rates in excess of 20% during the first half of the 1990s; during the second half of the decade just 5 did so and no country posted three-digit rates. Inflation is still trending down and is in the single digits in nearly all of the countries.

Table IV.4
Latin America and the Caribbean: average rate of inflation, 1990-2012

	Number of countries						Total sample
	More than 100	99 - 50	49 - 20	19 - 10	9 - 5	5 - 1	
1990-1994	4	2	4	8	1	8	27
1995-1999	0	2	3	6	8	10	29
2000-2004	0	0	4	3	9	13	29
2005-2012	0	0	1	2	14	13	30

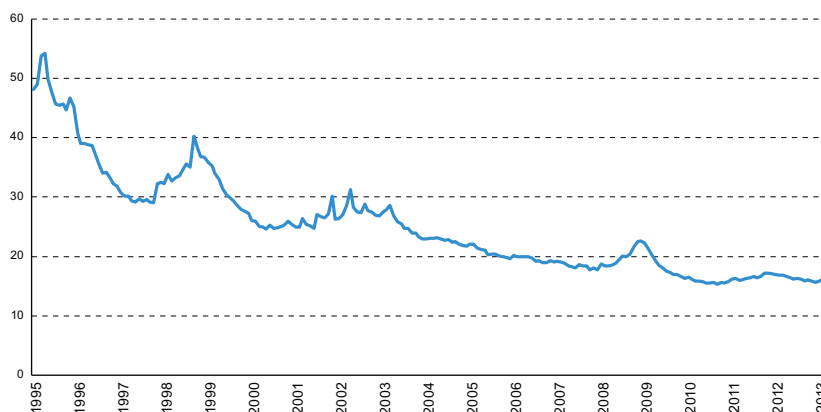
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The reasons for the decline in inflation in the region are varied and differ from country to country. Among them are falling external public debt (including restructurings under the Brady Plan), improving fiscal accounts, exchange rates that were initially used as an inflation anchor and made imports less expensive, trade opening that helped align tradable goods and services with external prices, a return to growth and the gradual strengthening of central banks as the institutions charged with the conduct of monetary policy. The latter was reflected in the gradual adoption by most of the region's central banks of low and stable inflation as a priority goal (or even, in some cases, the only goal), either implicitly or explicitly, to the point of setting official inflation rate targets in the 1990s and early 2000s. Such a change of focus towards achieving low and stable inflation crystallized in central bank charter reforms in the region, as noted by Jácome (2005)⁵ that, in addition to the anti-inflation mandate, gave these institutions greater operational independence from political pressure and, among other reforms, imposed restrictions on the central banks' ability to fund public deficits.

In addition to this shift in monetary policy orientation, external factors such as the emergence of China and India in global markets helped bring down prices for manufactures and thus mitigated external inflationary pressures.

As inflation rates in the region fell, so did bank lending rates, as shown in figure IV.6. Lending rates in the region gradually declined from an average of 48% in April 1995 to 12.7% in December 2012. This steady drop in rates in most of the countries of the region encouraged the growth of domestic consumption and investment demand, particularly from 2003 on (see chapter II).

Figure IV.6
Latin America: average lending rates, 1995-2013
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

⁵ According to the author, the following countries reformed their central banks in the 1990s and early 2000s: Chile (1989), El Salvador (1991), Argentina (1992 and 2002), Colombia (1992), Nicaragua (1992 and 1999), Bolivarian Republic of Venezuela (1992, 1999 and 2001), Ecuador (1992 and 1998), Peru (1993), Mexico (1993), Plurinational State of Bolivia (1995), Costa Rica (1995), Uruguay (1995), Paraguay (1995), Honduras (1996 and 2004), Guatemala (2001), and the Dominican Republic (2002).

2. The establishment of flexible exchange-rate regimes with varying degrees of regulation provided more room for monetary policy action

The gradual spread of more flexible exchange-rate regimes in the region (in particular in South America and Mexico from the 1990s and early 2000s, as shown in table IV.5) provided a greater degree of monetary policy freedom.⁶ However, despite the adoption of *de jure* flexible regimes, most of the countries (except for Chile and Mexico) tended towards active intervention in the foreign exchange market.

Table IV.5
Latin America and the Caribbean: exchange-rate regimes, 1990-2010

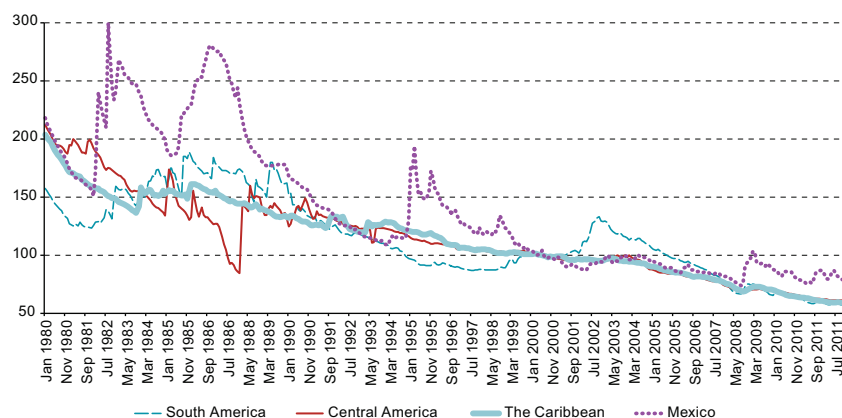
Exchange-rate regime	1990	1996	2003	2010
Fixed rate of exchange	Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Honduras, Panama, Dominican Republic, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saint Lucia, Suriname, Trinidad and Tobago	Argentina, Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, El Salvador, Grenada, Panama, Saint Kitts and Nevis, Saint Vincent y las Grenadines, Saint Lucia	Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Ecuador, El Salvador, Grenada, Panama, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saint Lucia, Suriname, Venezuela (Bolivarian Republic of)	Antigua and Barbuda, Bahamas, Barbados, Belize, Bolivia (Plurinational State of), Dominica, Ecuador, El Salvador, Grenada, Guyana, Honduras, Panama, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saint Lucia, Suriname, Trinidad and Tobago, Venezuela (Bolivarian Republic of)
Intermediate regimes	Bolivia (Plurinational State of), Chile, Colombia, Costa Rica, Ecuador, Mexico, Nicaragua, Uruguay	Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Ecuador, Honduras, Nicaragua, Uruguay, Venezuela (Bolivarian Republic of)	Bolivia (Plurinational State of), Costa Rica, Honduras, Nicaragua	Costa Rica, Nicaragua
Flexible rate of exchange	Argentina, Brazil, El Salvador, Guatemala, Jamaica, Paraguay, Peru, Venezuela (Bolivarian Republic of)	Guatemala, Guyana, Haiti, Jamaica, Mexico, Paraguay, Peru, Dominican Republic, Suriname, Trinidad and Tobago	Argentina, Brazil, Chile, Colombia, Guatemala, Guyana, Haiti, Jamaica, Mexico, Paraguay, Peru, Dominican Republic, Trinidad and Tobago, Uruguay	Argentina, Brazil, Chile, Colombia, Guatemala, Haiti, Jamaica, Mexico, Paraguay, Peru, Dominican Republic, Uruguay

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

This meant that several countries of the region recovered monetary policy as a countercyclical tool for addressing exogenous shocks, thereby reducing real volatility and spurring growth while mitigating the negative impacts of real volatility on the well-being of the population and on equality.

The 1980s and part of the 1990s were also marked by high volatility of real exchange rates against the United States dollar, as shown in figure IV.7, in particular in South America and Mexico. This volatility was largely a reflection of regular devaluations in countries with fixed exchange rates. As inflation was gradually controlled and exchange-rate regimes became more flexible, average volatility declined over time.

Figure IV.7
Latin America and the Caribbean: real exchange rate against the United States dollar, by subregion, 1980-2012
(Simple averages, 2000=100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

⁶ Two countries moved to *de jure* dollarization of their exchange-rate regimes during this period: Ecuador in 2000 and El Salvador in 2001.

3. Monetary policy helped to reduce real economic growth volatility in the face of the international financial crisis

The global financial crisis of 2008-2009, which is regarded as the most severe since the Great Depression, sent economic activity, world trade and international financial flows into a tailspin. The expected impact on Latin America and the Caribbean was a reversal of the growth trend that had begun in 2003. Many countries of the region did indeed see a contraction of economic activity as a result of the crisis. For that reason, the authorities of Latin America and the Caribbean started to aim their actions at keeping the decline in external aggregate demand and the drop in international financial flows from triggering a contraction of economic activity that would, as in the past, be prolonged and cause a sharp increase in marginalization and poverty.

Monetary authorities began by reversing the monetary policy rate increases made since mid-2008⁷ and encouraging the expansion of credit so that shrinking financial flows and negative expectations would not collapse payment and credit systems and thus the aggregate domestic demand that would be crucial for a recovery. During this period, policy rates were lowered quickly, especially in those economies that were more integrated into international financial markets. Between July 2008 and December 2009, monetary policy rates were revised downwards in 16 of the region's economies, were held unchanged in 11 economies and were increased in only 3. The most significant contractions were in the Bolivarian Republic of Venezuela, Chile and Colombia where the changes were of more than 600 basis points.

The intention behind these changes in monetary-policy reference rates was not reflected, in the short run, in monetary aggregate growth because negative expectations as to aggregate demand translated into slower growth in monetary aggregates, such as credit. However, in the course of 2010 efforts to advance expansionary monetary policy finally managed to reverse the trend; aggregates began to grow in some cases and to grow faster in others.⁸

Similarly, lending (especially by private institutions) slowed considerably and in some cases even contracted. In response to the private credit crunch, channeling resources through the public banking system was often used by the governments of the region as a tool for mitigating the adverse effects of the crisis. In Brazil, the cutback in private bank lending was offset by injecting funds into public banks (so that they could increase the supply of credit to the public) and, in some cases, into other financial institutions that might be facing temporary liquidity constraints. Growing concerns about the international liquidity squeeze and its impact on the stability of the region's financial systems gave rise to a number of measures to provide funds to national financial institutions in order to keep the lack of liquidity from creating solvency problems.

4. Financial instability fed the build-up of international reserves

After the sudden stops associated with the crisis of the late 1990s and early 2000s⁹ and as developing countries became more integrated into international capital markets, it became clear that the emerging economies were highly exposed to sudden reversals of capital flows. The lack of liquidity during these episodes, and the lack of appropriate mechanisms for providing it, brought to light one of the major weaknesses of the international financial system (ECLAC, 2012b).

The response was a build-up of international reserves in Latin America and the Caribbean. This self-insurance mechanism makes it less necessary for countries to turn to private financial markets in times of high costs¹⁰ that come with international financial market illiquidity or heightened perceived risk of certain categories of assets. The conditionality imposed by the international financial institutions that provide assistance, along with delays in the disbursement of funds, also spurred the countries into pursuing a policy of build-up of reserves (ECLAC, 2012b).

Figure IV.8 shows the growth of reserves starting in the 1990s and gathering momentum from 2005 on. However, the pattern in Central America differs from the one seen in South America because the terms of trade improved significantly in the latter.

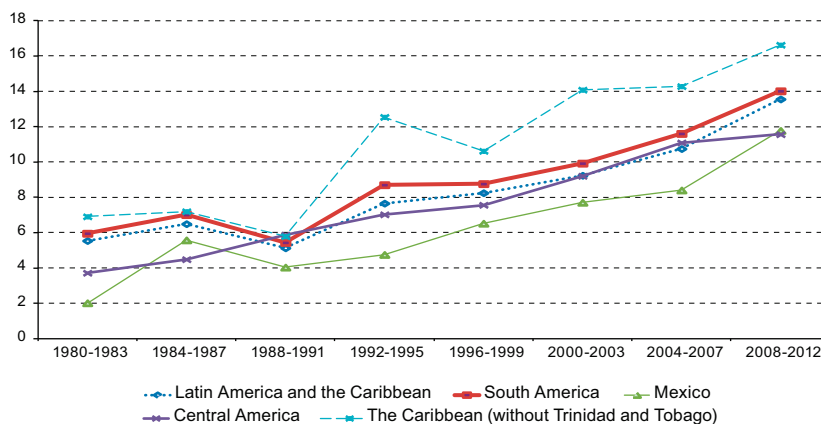
⁷ Monetary policy rate increases were in response to heightening inflationary pressures that by the third quarter of 2008 had driven food and energy prices up.

⁸ The drop in external aggregate demand in the region and the decline in financial flows, including remittances from workers abroad, sparked greater currency volatility in the region, especially in those economies that were more integrated into international financial markets. In some cases this led to central bank intervention in currency markets and therefore led to a temporary decrease in international reserves.

⁹ The Mexican crisis (1994), the Asian crisis (1997-1998), and the Argentine and Russian crises (early 2000s).

¹⁰ At the extreme, where access to borrowing is rationed or closed off outright, the cost increases to infinity.

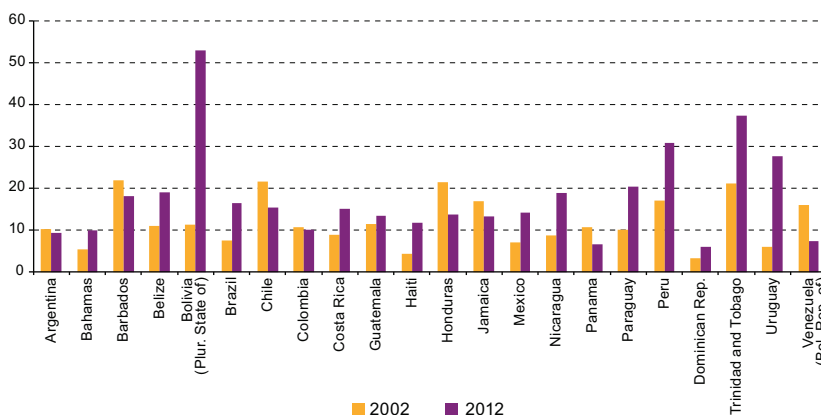
Figure IV.8
Latin America and the Caribbean: international reserves, by subregion, 1980-2012
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

But as figure IV.9 shows, the increase in international reserves in the region has been very uneven among countries, not just between subregions.

Figure IV.9
Latin America and the Caribbean: international reserves, 2002-2012
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

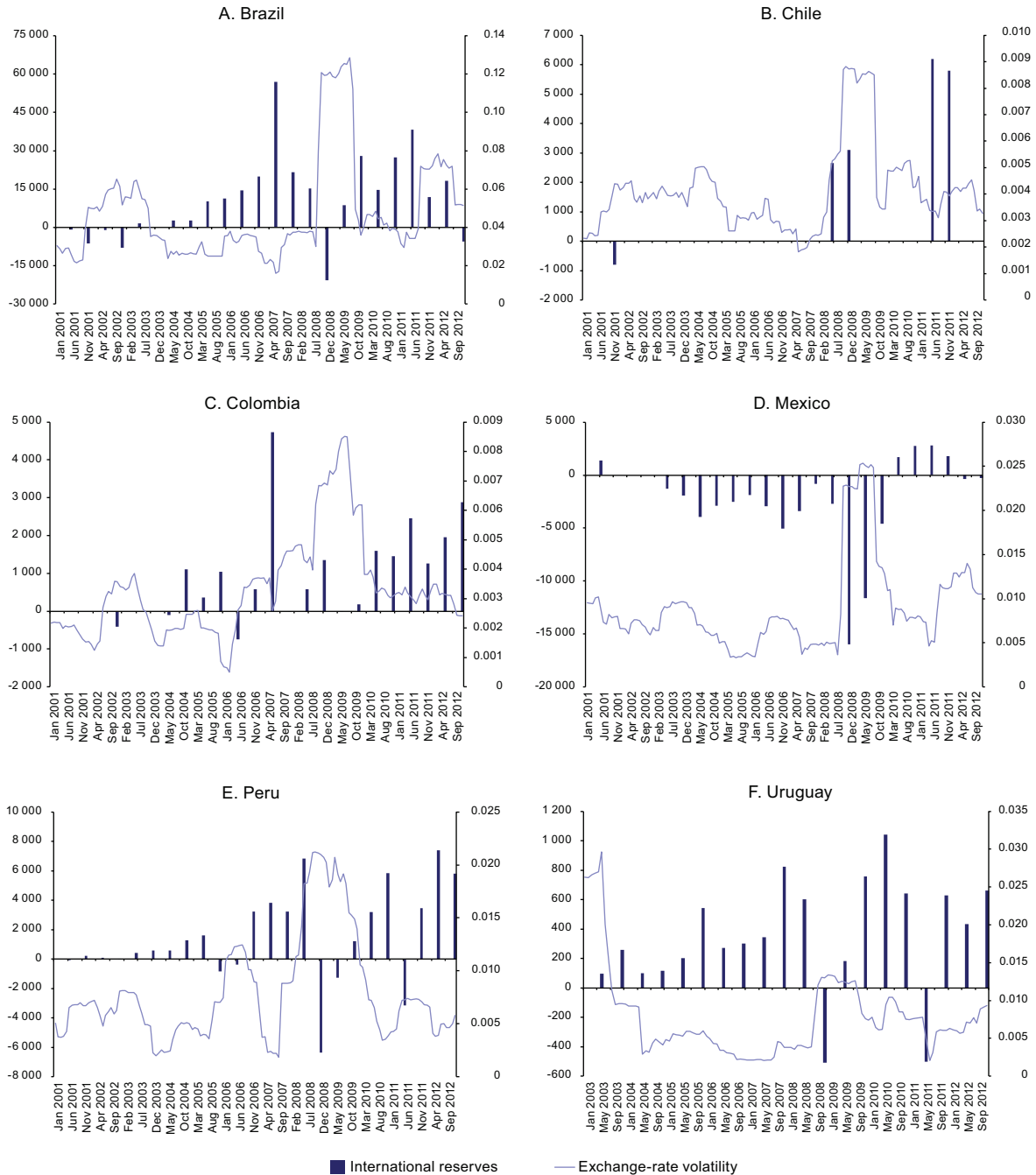
The build-up of reserves has had another objective: to reduce exchange-rate volatility.¹¹ The use of exchange-rate policy to reduce volatility in Latin America has gained prominence in recent years—even more so after the developed countries rolled out very expansionary monetary policies as a cornerstone of their strategy for weathering the financial crisis and the economic slowdown that came with it.

Figure IV.10 shows the relationship, during 2001-2012, between exchange-rate volatility and the build-up of reserves in those countries of Latin America and the Caribbean with relatively more flexible exchange rate-regimes. The solid line tracks exchange-rate volatility measured by the exchange-rate coefficient of variation; the bars show the annual accumulation of reserves in response to central bank intervention. As can be seen in the figure, exchange-rate volatility in economies with flexible exchange rates increased significantly following the financial

¹¹ While there are many empirical studies that have tested for a relationship between exchange-rate volatility and investment and growth, there are no conclusive findings (Eichengreen, 2007). However, others such as Aghion and others (2009) have found that in countries with underdeveloped financial systems, excessive exchange-rate volatility may negatively impact growth, particularly if the shocks that hit the economy are financial.

crisis. The coefficient of variation of the nominal exchange rate in these economies rose significantly between July 2008 and October 2009. After that, this indicator declined but remained above the pre-crisis level, showing that exchange-rate volatility persisted.

Figure IV.10
Latin America and the Caribbean (selected countries): exchange-rate volatility and annual build-up of international reserves, January 2001 to September 2012
(Exchange rate coefficient of variation and millions of dollars)



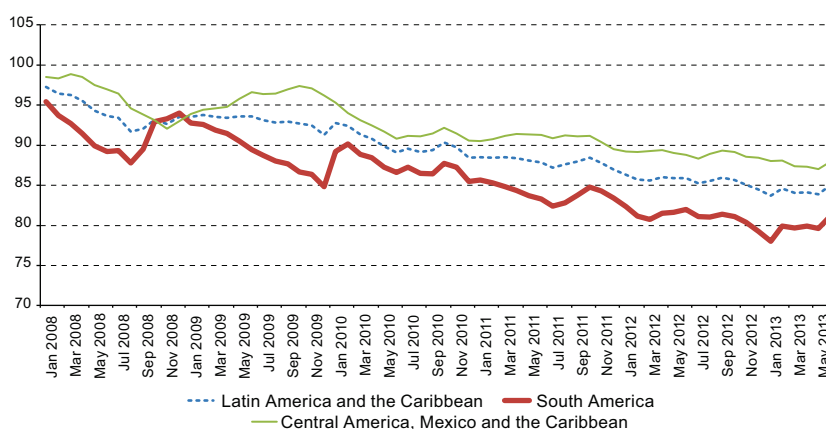
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Note: Exchange-rate volatility was determined using the natural logarithm of the average nominal monthly exchange rate, calculating the moving average standard deviation of variations in the exchange rate for a 12-month period.

The region had been building up reserves long before the crisis, but the pace accelerated markedly in its wake. In most of the countries of the region, improving terms of trade, larger inflows of short-term capital and soaring remittances and foreign direct investment boosted international reserves (ECLAC, 2011). However, after the crisis and in response to greater international financial market volatility, many central banks in the region opted for a more aggressive international reserve build-up policy in order to reduce the volatility of their currencies and prevent these fluctuations from having a long-term impact on the production capacity of the economy, especially in the tradable goods-producing sectors.

A third argument, which is currently the subject of considerable debate, refers to the build-up of reserves to influence the real exchange rate level. Changes in the average real effective exchange rate in 21 countries of the region before and after the international financial crisis can be seen in figure IV.11 and show that exchange-rate appreciation has on average been more marked in the countries of South America than in Mexico and Central America.

Figure IV.11
Latin America and the Caribbean: extraregional real effective exchange rate, January 2008-March 2013
(Average 1990-2009=100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

There is a broad recognition of the problems created by marked and sustained currency overvaluation (especially, resource allocation bias in favour of the non-tradable sector of the economy, as highlighted in chapter III),¹² but there is no consensus as to the practical feasibility or cost-benefit ratio of monetary, exchange-rate or macroprudential policies aimed at keeping a currency undervalued for a prolonged period when there is access to voluntary external financing. Despite growing recognition that short-term capital can be managed and disincentivized by means of limits, taxes or macroprudential policies, the malleability of financial flows and their ability to escape regulations after the latter have been in effect for a certain period of time work against the effectiveness of these regulations in the long term. And exchange-rate undervaluation has its costs, mainly quasi-fiscal ones. So, the costs of building up reserves include the risk that the value of central-bank assets measured in domestic currency will change over time along with the exchange rate. Another factor to take into account is the cost arising from the spread between low rates of return on external assets and the typically higher interest rates paid on debt issued by the central bank to sterilize the monetary effect of the purchase of foreign currency,¹³ as well as the additional cost of any remunerated reserve requirements.¹⁴

¹² See Aizenman and Lee (2008); Glüzmann, Levy-Yeyati and Sturzenegger (2012); Rodrik (2008), Dooley, Folkerts-Landau and Garber (2004); Haddad and Pancaro (2010); Levy-Yeyati, Sturzenegger and Glüzmann (2013); Glüzmann, Levy-Yeyati and Sturzenegger (2012) and Woodford (2009).

¹³ For a review of how sterilization works and the channels through which it can impact exchange rates, see Taylor and Sarno (2001).

¹⁴ For central banks, monetary expansion owing to payouts on sterilization instruments is an additional monetary policy constraint when it is a major source of monetary base expansion.

C. Strategic aspects of macroeconomic policy for boosting growth

The gradual strengthening of fiscal, monetary and exchange-rate policies in recent decades suggests that their contribution to greater growth with equality will be decisive in the future. There are four reasons why macroeconomic policy should give priority attention to encouraging investment in Latin America and the Caribbean and thereby help to create the conditions for diversifying the production structure. First is a likely future scenario in which high prices for the region's export commodities contribute significantly less to disposable income. In many countries, especially in South America, improving terms of trade accounted for one third or more of the rise in national disposable income during the past decade, as documented in chapter II. However, this could be coming to an end as the commodity price super-cycle winds down. It is therefore necessary to diversify the production structure with a focus on environmental sustainability and less dependence on the exploitation of natural resources and, especially, on identifying and promoting new axes of growth in an uncertain environment where coordinating public and private investment can lead to significant externalities.

Second, slowing GDP growth in the region in recent years, and the increasing dependence of growth on expanding consumption in the face of a weakening investment contribution and the negative contribution of net exports (exports minus imports) does not help reduce external vulnerability, and this casts doubts on the sustainability of GDP growth over the long term. It is therefore necessary to give priority to increasing investment, especially in the tradable sectors that produce goods and services and in infrastructure sectors that contribute to systemic competitiveness. Thirdly, investment is one of the key channels for the technological progress and increased productivity needed for growth and competitiveness in the long term. Lastly, as noted in chapter III, over the past few years investment in non-tradable (lower-productivity) sectors has increased more than in tradable (higher-productivity) sectors in a number of countries. This trend needs to be reversed in order to promote a more balanced and productive process in the future.

Set out below are macroeconomic strategy guidelines for promoting investment, especially in tradable sectors with greater linkages, as part of socially inclusive and environmentally sustainable economic growth.

1. Sound institutions are a must for boosting investment

This strategy proposal depends on an institutional setting that fosters synergies between macroeconomic, industrial, environmental and labour policies for the sake of targeted, consistent public-sector action (ECLAC 2012a, chapter VII) and includes tacit or explicit agreements or compacts between the State and social actors to move in the same direction (Devlin and Moguillansky, 2010). Boosting private investment generally requires a set of economic, institutional and social conditions that make for an attractive outlook for long-term returns; this could be provided by social compacts for investment. In addition to complementary investments in infrastructure (energy, transport and telecommunications) and other public policies, inclusive growth makes socially sustainable investment possible. In general, this is helped by a political and institutional framework that enjoys broad legitimacy and provides space for expressing views and interests and for channeling social, environmental or other conflicts towards a solution.

On the labour front, this approach involves building labour relations at different levels (ranging from individual businesses to the national level) that recognize the legitimate divergence of opinions and interests and provide forums for dialogue and negotiation, respecting the rights of internationally recognized trade unions. The institutional environment must also include rules and procedures to facilitate the management and resolution of social, environmental and other conflicts that, if not resolved, could delay or prevent the execution of private investment projects.

2. Promoting investment in the short term calls for stabilizing, countercyclical macroeconomic policies

The institutional setting for monetary and fiscal policies geared towards the steady growth of aggregate demand is crucial because it has been shown to be a determining factor in investment and growth in Latin America and the Caribbean. From a macroeconomic viewpoint, the positive correlation between investment and installed capacity utilization and, in particular, evidence of an accelerator effect that makes investment depend on the past GDP growth

path (see chapter II), justify the implementation of countercyclical fiscal and monetary policies, recognizing the greater impact potential of the former and the greater operational flexibility of the latter. Such policies should help reduce idle capacity and economic growth volatility (booms and busts)¹⁵ that, by leading to sudden downturns in GDP growth, discourage investment.

These considerations give rise to three macroeconomic policy orientations in regard to the correlation between investment and growth. While these are discussed here separately, in practice they are very much interlinked and are part of the main goal: higher rates of growth.

First, since idle capacity disincentivizes investment, it is necessary to achieve and maintain levels of activity that are consistent with high, sustainable use of production capacities. Macroeconomic policy aimed at a high degree of use of such capacities (the idea of real stability stressed by ECLAC) results in a real interest rate that does not discourage real investment, inflation that is within a socially tolerable range, a real exchange rate without sustained deviations from its long-term trend, sustainable public and external finances and low unemployment, according to the characteristics of each country's production structure and labour markets. In these conditions, aggregate demand can expand and remain high without compromising internal and external balances. However, this involves so many targets that meeting them requires, more than a single type of instrument, adopting a set of fiscal, monetary, exchange-rate, financial (domestic and external) and labour-market policies aimed in that direction in a manner that is consistent and sustained over time. Depending on the situation in each country, there is more than one way to shape a macroeconomic policy framework that is conducive to these results.

Secondly, the negative impacts that economic downturns have on investment call for developing countercyclical capacities in order to counteract or mitigate downswings triggered by external and internal shocks. The economies of Latin America and the Caribbean have a long history of domestic and external turmoil set off by economic, social or political factors, extreme events or natural disasters, causing wide fluctuations and declines in activity that have negatively impacted investment and, therefore, growth. Thus, not only is it important to achieve a high degree of use of production capacity—it needs to be maintained by implementing temporary countercyclical policies to smooth the fluctuations resulting from such shocks.

Doing so calls for creating space or scope for action on the fiscal, monetary, exchange-rate and financial (both internal and external) fronts that allows for countercyclical measures without disrupting the trends of the key variables that determine long-term growth or working against short- and medium-term policy consistency or credibility. As in the previous case, this space can be created through a range of instruments, such as the build-up of savings, international reserves and mechanisms for accessing liquidity or emergency funding. In any case, the main input for their effectiveness over time will be the reputation of the authorities in charge of macroeconomic policy because if domestic space is exhausted it will be easier to access the financial resources (whether public, private or multilateral) needed to take countercyclical action while anchoring expectations as to the future policy path even if addressing the immediate situation involves temporary extraordinary measures.

Thirdly, beyond the fluctuations caused by temporary shocks, macroeconomic policy should, by promoting internal and external balances that are sustainable over time, help to prevent crises that lead to recessions, slow growth and idle production capacity. Over the past few decades, Latin America and the Caribbean has gone through crises sparked by the long-term unsustainability of finances (public and private, domestic and external) together with a serious loss of competitiveness by the export goods- and services-producing and import-substitution sectors (tradable goods and services).

While not all of the crisis episodes were the same, they all involved a substantial expansion of spending and credit underpinned by short-term capital inflows and real exchange-rate appreciation rooted in anti-inflationary policies that used the exchange rate as a nominal anchor.¹⁶ In other cases, the authority did not react in time or in a coordinated manner to the significantly deteriorating external environment that made the pattern of domestic expenditure unsustainable. In both cases, a low domestic savings rate (both public and private) made it necessary to turn to external savings for funding investment, with vulnerabilities accumulating owing to constant and growing

¹⁵ This does not just mean ensuring nominal stability in order to control inflation, but ensuring real stability as well, so as to contribute to stable growth of demand and output.

¹⁶ Mexico (1995), Argentina (1995 and 2001) and Brazil (1999) are examples of such a scenario.

external imbalances.¹⁷ In this context, it took just a small external shock (like rising external interest rates, a debt moratorium on the part of a faraway country or falling export prices) for those vulnerabilities to surface in the form of external payment difficulties in the face of sudden capital outflows. The resulting crises sent growth and investment plummeting.

Preventing crises and avoiding the accumulation of imbalances that increase vulnerabilities is, then, a third key aspect for sustaining growth over the long term. In the current context of financial globalization, this goal is facing new challenges. In addition to fiscal, monetary and exchange-rate policies seeking public finance solvency and price and external-balance stability, macroprudential policy and financial regulation have gained greater importance, especially in the wake of the 2008-2009 global financial crisis. As that and other crises have shown, private actors (particularly the financial markets) are prone to herd behaviour, with episodes of euphoria followed by panics, perceived procyclicality of individual risks and underestimation, if not complete ignorance, of systemic risks. This therefore calls for a broader view of financial regulation and macroprudential policy to curb excessive private sector risk-taking by establishing permanent rules (such as regulations covering bank liquidity, bank leverage ratios and risk provisioning) and adopting special temporary measures in the form of direct controls to limit private behaviour that would exacerbate systemic risks (such as capital flow controls and credit limits).

Several policy issues run through the three aspects discussed above, but it is useful to highlight the role that avoiding excessive deviation of the real exchange rate from its long-term trend plays in all of them. This is key for investment, not only in terms of avoiding imbalances that give rise to crises, but also because the scale of domestic markets (population size and per capita income) in certain cases is still too low to serve as an incentive for private investment. This underlines the importance of export or tradable-sector development (which includes exportable and importable goods and services) as a source of growth—a factor in which the real exchange rate is a key variable, as highlighted in the next section.

Preventing crises also involves limiting the use of external savings. As noted, the region has tapped domestic savings for financing investment to a lesser extent than other countries, and this was a source of vulnerability for quite some time. Experience after 2003 shows that a higher domestic savings rate was among the sources of the region's resilience in the face of the financial crisis. For these savings to materialize there must be fiscal and financial development policies pointing in that direction.

Implementing countercyclical and crisis-prevention policies is not without its challenges and has substantial institutional requirements. By the early 2000s legal initiatives aimed at strengthening accountability and transparency in public finances (generically labeled as fiscal rules) were already gaining momentum. But these first-generation rules had a procyclical bias: targets that are based on a balanced budget (zero deficit) or on a reduction of public debt regardless of macroeconomic conditions exacerbate boom-and-bust cycles and thus hamper relatively stable and sustainable growth. Just setting annual deficit or public-debt ceilings is not enough to achieve stabilization.

To ensure consistency over the long run by seeking debt reduction during upswings and accepting larger deficits during periods of slower growth so as to help stabilize GDP and investment growth, second-generation macro-fiscal rules should have a medium-term structural balance target, exception and transitory clauses and some room for manoeuvre to deal with catastrophic events or persistent recessionary conditions.

Second-generation macro-fiscal rules also require substantial institutional development, especially the ability to transform sensitivity analyses and prospective scenarios into budgeting procedures so as to ensure appropriate multi-year budget programming, clauses of exception and explicit treatment of transitory income. Institutions and their capacities, reflected in monetary and fiscal authority credibility, should help ease the pressure for procyclical policies during cycle upswings and make it easier to withdraw stimulus policies when they are no longer justified. Such weaknesses have surfaced in a number of countries in recent years.

The cyclical component of public finances has been substantial in many countries of the region, so conducting fiscal policy on the basis of a medium-term objective is very much linked to institutional capacity for saving during upswings. In turn, the free operation of automatic stabilizers during downturns can lead to significant temporary deficits that will need to be addressed.

¹⁷ Chile (1997-1998) and Ecuador (1998) illustrate the second case.

The corollary of the structural rules is, then, the need for a comprehensive funding strategy that will mitigate any spending restrictions stemming from cyclical deficits and avoid the unsustainable expansion of expenditure in the face of temporary surpluses. The countries of the region have taken three approaches in this regard. First, several countries have developed strategies for integration into international financial markets that go beyond temporary deficit funding to seek a stable presence in those markets so it will be easier to tap them. Secondly, developing domestic financial markets as a source of funding for both the private and the public sector has become very important for the region. Thirdly, several countries have turned to stabilization funds. While consolidating explicit savings mechanisms during booms has proven to be complex, some stabilization funds linked to fiscal responsibility legislation (as in Chile and Peru) have become the tools of choice for public-sector funding strategies.

While the greater prudence and response capacity seen in recent years have been based on a certain consensus, in most countries of the region there is still no robust institutional framework for fiscal and monetary policy coordination. The challenge, then, is to design strategies to internalize cycle impacts on public finances and to ensure effective coordination of the set of countercyclical policies. In order to be effective, countercyclical policies must encompass actions in multiple areas, such as monetary, macroprudential, labour (including wage policies) and production policies.

There are at least two perverse dynamics that can considerably amplify macroeconomic fluctuations and act as a drag on investment. At the low point of the cycle, lack of coordination can lead to higher-than-necessary interest rates, which in turn amplifies fiscal imbalances both on the primary balance side and on the interest payment side and jeopardizes public-sector solvency by feeding expectations of higher interest rates and disincentivizing private investment. Subsequent correction of the public accounts imbalance can turn a recession into a depression, with very negative consequences for unemployment. The institutional framework has yet to be reformed in a way that encourages monetary and fiscal policy coordination. This issue is under discussion in a number of countries and should not only be part of the investment promotion agenda but also be linked to the challenge of ensuring stable, sustained growth in general.

3. Stimulating investment in the medium and long term requires eliminating the bias in favour of investment in non-tradable sectors and promoting fiscal, financial and employment policies that support structural change

On the production front, productivity varies depending on the sector where investment has taken place and this (coupled with the evidence provided in chapter III that in several countries of the region there has been a bias in favour of investment in non-tradable sectors during the past decade) highlights the need for macroeconomic policies to promote investment in the tradable sectors, especially with a view to fostering diversification, complemented by industrial policies and other microeconomic and sectoral policies (ECLAC 2012a). Any relative price bias against investment in tradable sectors resulting from overvalued exchange rates that are difficult to adjust provides justification for correcting this problem with other policy instruments, without contractionary impacts.¹⁸

The contribution of exchange-rate policy to promoting investment in the tradable sectors has both potential and limits. On the one hand, over the past few years exchange-rate volatility has increased in many countries and likely heightened uncertainty for investments that could have taken place in the tradable sectors. Setting up financial mechanisms that allow exchange-rate hedges and intervening in the market to reduce exchange-rate volatility without necessarily changing its trend are practices that several countries have already implemented and could be strengthened.

Most countries have adopted flexible exchange-rate regimes that, while subject to a certain degree of managed flexibility or dirty floats, have made it possible to relatively successfully weather external shocks. Facilitating the investment of pension fund or of sovereign wealth funds abroad can help ease appreciation pressure. So can macroprudential and short-term capital management measures. But the quasi-fiscal costs (especially, the opportunity cost of reserve build-up and sterilization costs) of warding off currency appreciation in high international financial liquidity scenarios can be high, and the malleability of financial flows makes it difficult to achieve full and lasting control over them in a globalized economy. This context warrants other policy actions that, through a variety of incentives, can encourage investment in the tradable sectors in particular.

¹⁸ In the eurozone, what is called “internal devaluation” has been used for this purpose, but by turning to contractionary fiscal policies that favour spending cuts. This runs contrary to what is proposed herein.

High international liquidity and liquidity constraints alike call for a new pro-investment fiscal policy agenda (Fanelli, 2013) geared above all towards promoting investment in the higher-productivity sectors (goods and services), especially the tradable sectors, and fostering diversification. Three fiscal and financial policy targets could further this objective. First, public or public-private investment should focus on infrastructure (complementary non-tradable sector) with the aim of reducing the logistical and transport costs associated with the delivery of tradable goods and services, thereby seeking to counteract what could be an unfavourable relative price ratio stemming from significant exchange-rate misalignments (especially, real appreciation). This could be enhanced by a region-wide financial policy orientation, so that national, regional and international public banks focus their resources on addressing this need, based on the general recognition that there are marked gaps and lags in this area (Estevadeordal and others, 2010).

Having a more adequate infrastructure and, in general, sound institutional arrangements conducive to resolving conflicts and setting rules that reduce investment risk while ensuring stability and social inclusion would be part of a suitable business climate for sustained investing. An unfavourable business climate drives up the cost of other investment attraction mechanisms (such as exemptions and subsidies) needed to offset it.

In a broader sense, moreover, the business climate hinges on perceptions of future demand and democratic and institutional stability, which can be achieved only by means of inclusive, socially sustainable growth providing quality public goods, an appropriate distribution of disposable income and environmental sustainability. This means that a high rate of long-term economic growth in Latin America and the Caribbean requires a diversified, efficient and cost-competitive energy matrix in which renewable energy plays a relevant role (see box IV.1). As noted in chapter II, improvements in education, government collection of rents generated by the exploitation of natural resources, as well as the reallocation of public expenditure, have helped decrease final income concentration despite a higher operating surplus and so are seen as public policy musts for growth to be inclusive and socially sustainable.

Box IV.1

Economic growth and energy consumption in Latin America and the Caribbean: a long-term challenge

GDP and per capita GDP in Latin America have followed an upward path over the past three decades, at a long-term pace with cyclical swings in keeping with these trends and significant differences among countries (Blanchard and Fischer, 1989; Hodrick and Prescott, 1997; Mills, 2003). The region's GDP grew at an average annual rate of 2.6% between 1980 and 2010 that breaks down into a growth rate of 1.4% in the 1980s, 3.1% in the 1990s and 3.2% in the 2000s (see figure 1). Energy consumption in Latin America and the Caribbean grew at a similar but slower pace: 2.2% between 1980 and 2010 and 1.7%, 2.7% and 2.2%, respectively, in the 1980s, 1990s and 2000s (see figure 2). So, GDP and energy consumption in Latin America and the Caribbean have followed similar paths, although energy consumption has posted a slower pace that is reflected in a gradual 0.4%-per-year decline in the energy intensity of GDP: after rising 0.3% per year in 1980-1990 there was a slight and steady decline during 1990-2000 and 2000-2010, at 0.4% and 1.0% respectively. The data show that, like modern economies overall, the economies of Latin America and the Caribbean are very dependent on energy consumption and that energy decoupling tends to be a slow process (Ozturk, 2010; Chen, Chen and Chen, 2012; Stern, 2011).

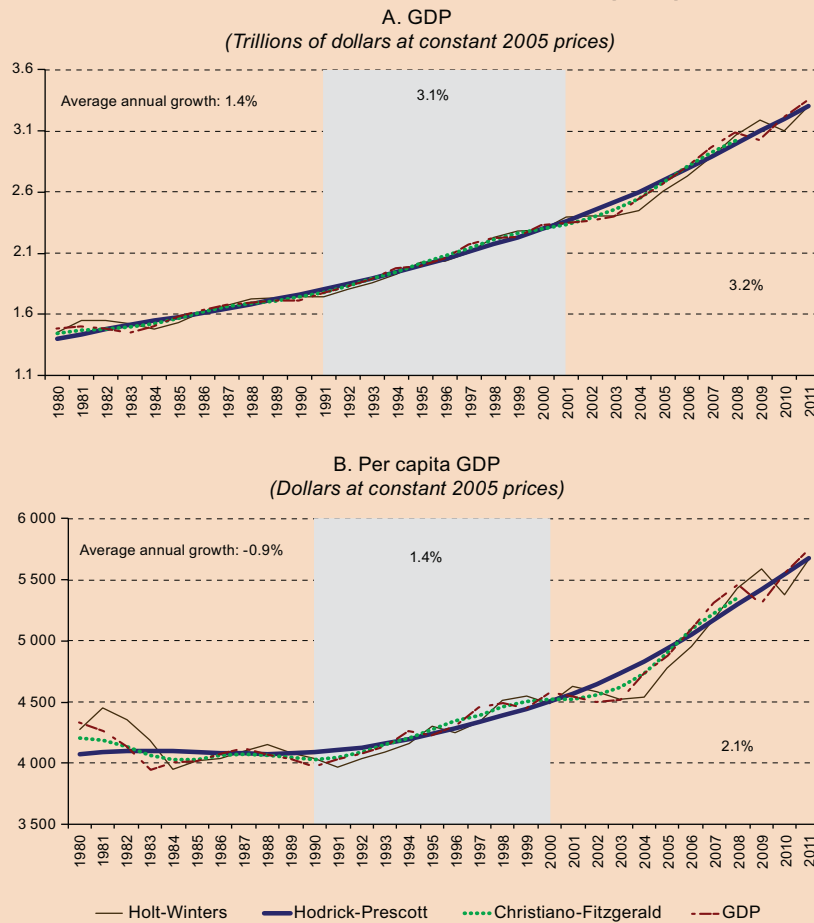
The marked correspondence between GDP and energy consumption paths in Latin America and the Caribbean is, moreover, consistent with energy demand response sensitivities to the income and relative price path, which can be synthesized by means of meta-analysis.^b The global weighted average of income elasticities of energy demand is 0.68; the estimated average including only studies for Latin America is even higher,

at 0.92 (see figure 3).^c This indicates that a high economic growth rate in the region means a similar albeit slightly smaller increase in energy consumption there. The global weighted average of price elasticities of energy demand is negative and statistically significant but relatively low (-0.206). This price elasticity is even lower in studies available for Latin America (even with a particularly small value for the entire region, at -0.014).^d This low price elasticity of demand reflects low substitutability and the lack of technology innovation and diffusion in Latin America and the Caribbean. Accordingly, the ability to influence the consumption path with the price mechanism alone is still limited in the region and should therefore be complemented by regulations and other kinds of public policies.

So, in order to maintain a high pace of growth, Latin America and the Caribbean needs to build, soon, an adequate and flexible energy supply at reasonable prices that, however, reflects all of its negative externalities. In this context, the major challenges lie in building an adequate energy supply in specific regions or sectors such as mining, air pollution in urban areas and CO₂ emissions and their impacts on climate change. These challenges are substantial and should be addressed very soon in view of the high correlation between per capita income, per capita energy consumption and per capita emissions and the fact that infrastructure built today will most likely be in use for the next 40 years (ECLAC, 2010; Hepburn and Stern, 2008). Building this clean and efficient energy matrix therefore entails an international strategic competitive advantage and a need for economic growth, but it is also essential for sustainable development.

Box IV.1 (continued)

Figure 1
Latin America and the Caribbean (selected countries^a): GDP and per capita GDP, 1980-2010

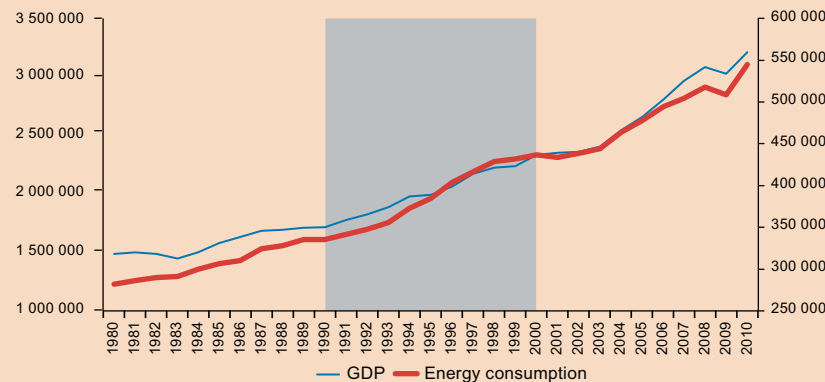


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of ECLAC, "América Latina y el Caribe: series históricas de estadísticas económicas 1950-2008", *Cuadernos Estadísticos*, No. 37 (LC/G.2415-P), Santiago, Chile, 2009; and CEPALSTAT database.

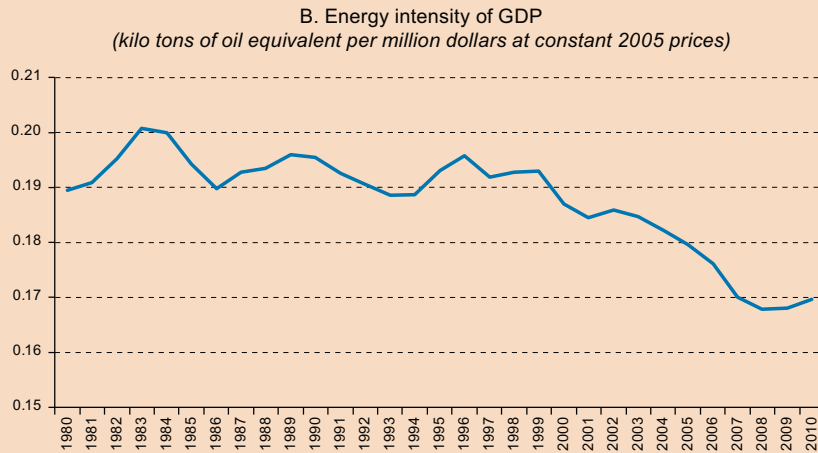
^a Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Plurinational State of Bolivia, Peru and Uruguay.

Figure 2
Latin America and the Caribbean (selected countries^a): GDP and energy consumption and energy intensity of GDP, 1980-2010

A. GDP and energy consumption
 (Millions of dollars at constant 2005 prices and kilo tons of oil equivalent)



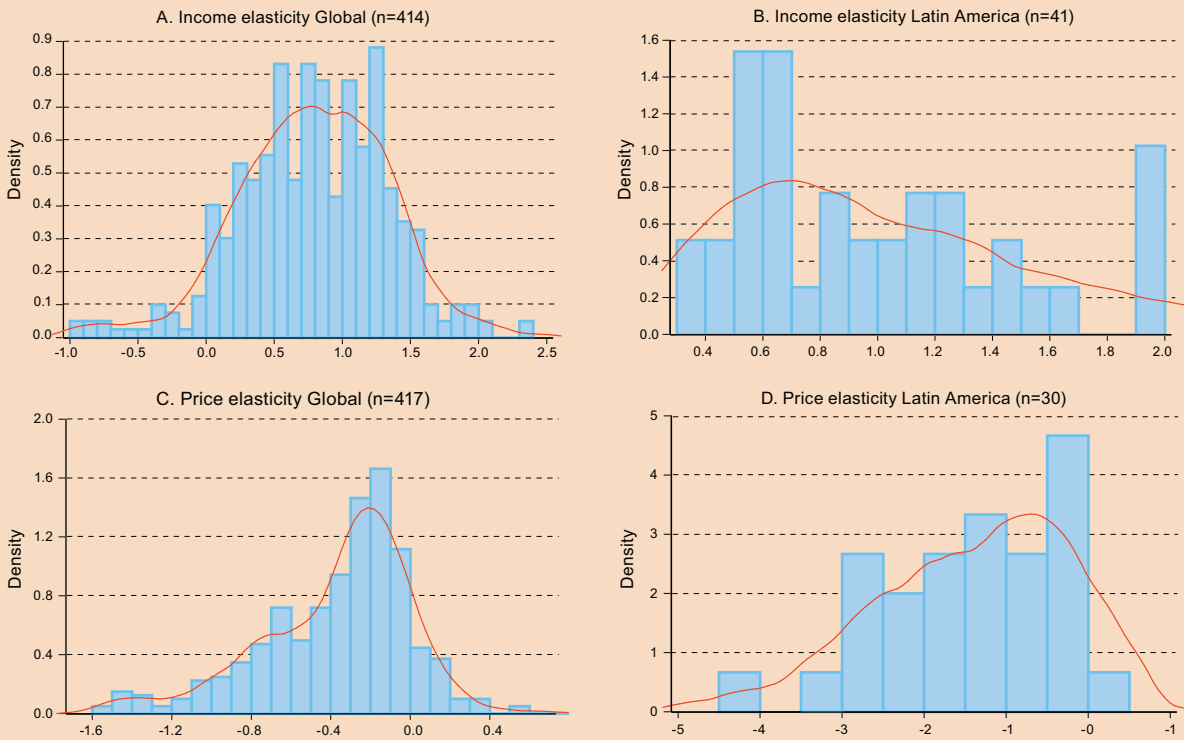
Box IV.1 (concluded)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of CEPALSTAT database and International Energy Agency (IEA), World Energy Statistics, World Energy Statistics and Balances (database) doi: 10.1787/data-00510-en [date of reference: 7 June 2012].

^a Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Plurinational State of Bolivia, Peru and Uruguay.

Figure 3
World and Latin America: income and price elasticity of energy demand



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

^a Energy consumption refers to the sum of energy consumption by end-use sectors. It includes the demand for energy by the industrial, transport, agriculture, housing, commerce and public services sectors as well as non-energy use. Another widely used indicator of energy demand is total primary energy supply, although this indicator does not substantially change the findings of the study.

^b Meta-analysis is a statistical method that combines results from different independent studies to obtain more accurate inferences than individual studies and, in some cases, to pinpoint the sources of heterogeneity of results among those studies (Borenstein and others, 2009). The estimator of the combined effect obtained via meta-analysis is the weighted average of the effect size or values found in each study, where weighting is based on the precision (variance or standard error) of the findings of each study (Sterne, 2009).

^c This evidence is based on a review of articles from a wide range of journals, reports and books published between 1981 and 2012 spanning the subject period (1948 to 2008) and compiling 63 studies, including a total of 831 elasticities. The review of the international literature on long-term income elasticity yielded 414 estimations (ranging from -6.48 to 8.01; simple average = 0.81).

^d The meta-analysis for price elasticity includes a total of 417 long-term estimations (ranging from -4.2 to 4.16; simple average = -0.398). A meta-analysis dividing OECD member countries (excluding Chile and Mexico) and non-OECD countries showed that income elasticity for OECD countries is 0.63 and for non-OECD countries it is 0.78. Price elasticity is -0.15 for OECD countries and -0.11 for non-OECD countries.

Second, subsidies could be channelled to promote complementarities (externalities) between private investment projects as well as structural change associated with diversified investments in the tradable sectors with greater linkages, taking account of their environmental sustainability. Given the risk of introducing incentives by means of tax exemptions—a scenario of extreme fiscal opacity with no clear outcomes that already exists in several countries of the region (Jiménez and Podestá, 2009)—a good alternative would be selective, fixed-term subsidies targeting investments with greater externalities and ensuring regular assessments of the impact of such measures. This transition to a new generation of subsidy-dependent incentives and loans will ensure greater transparency because the expenditures involved will have to be included in each annual government budget and will be easier to evaluate, as is the case in most OECD countries.

Third, improving public capacities to implement these measures and coordinate public and private investment is as important as designing appropriate incentives. In addition to the risk of not ensuring proper coordination among the public institutions charged with promoting structural change, there are other hazards: establishing incentives that can be diverted and manipulate eligibility rules; attracting overly risky projects; and using subsidies to encourage investments that would have been carried out without government support. Addressing these risks and ensuring compliance with criteria (such as environmental standards) that are not always consistent with private returns in the short term require robust institutional coordination, monitoring and evaluation.

Fiscal transparency, which should be extended with particular attention to all subsidies, must play a key role as a deterrent to even the most extreme abuse. In addition to budget and expenditure oversight by the legislative branch, courts of auditors and comptrollers, social oversight has to be extended as an instrument for citizen participation in the design, monitoring and follow-up of government action, including the use of subsidies and transfers. Social oversight is a useful tool for preventing corruption and enhancing citizen participation in fiscal matters. Initiatives in the area of transparency, especially social oversight, in Latin America and the Caribbean have differed in pace and scope and are still very incipient.

Long-term employment policies should include encouraging investment in higher value-added tradable sectors, that is, they should facilitate structural change. In Latin America and the Caribbean, the lack of skilled workers is often cited as a hindrance to better business performance (Weller, 2011). Investment projects are profitable only to the extent that there is an appropriately qualified labour force. This is especially crucial in the case of investments involving new technologies; fully leveraging them requires new skills and know-how that would be particularly important for structural change involving the reallocation of investment and labour to sectors with greater productivity requirements. This poses a major challenge for university education as well as for technical education and calls for the development of national systems of vocational education and training that should focus on three points:

- Initial technical training for young people in line with production-system demand, with content updated frequently as a result of a joint effort by labour and social actors.
- Continuing training that enables workers to upgrade their knowledge and skills throughout their working lives.
- Support for structural change through training of workers in low-productivity sectors in order to facilitate their mobility towards higher-productivity sectors. To this end, many of them need to acquire additional skills.

Training poses challenges that are often related to information and communication technologies (ICT), which make up a growing share of many investments. National systems of vocational education and training must also take account of the needs of small and medium-sized enterprises, which often run into difficulties in finding skilled labour that can block their expansion through new investment.

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Statistical annex

Table A-1
Latin America and the Caribbean: main economic indicators

	2004	2005	2006	2007	2008	2009	2010	2011	2012 ^a
Annual growth rates									
Gross domestic product ^b	5.8	4.5	5.5	5.5	3.8	-1.9	5.6	4.3	3.0
Latin America ^b	4.4	3.2	4.2	4.3	2.7	-3.0	4.5	3.2	1.9
Consumer prices ^c	7.3	6.1	5.1	6.5	8.1	4.6	6.5	6.8	5.9
Percentages									
Urban open unemployment	10.3	9.0	8.6	7.9	7.3	8.1	7.3	6.7	6.4
Total gross external debt / GDP ^{d,e}	34.8	25.4	21.3	20.0	17.7	20.4	20.2	19.4	21.2
Total gross external debt / exports of goods and services	139.6	102.5	85.4	83.8	74.7	102.0	97.3	88.0	94.5
Millions of dollars									
Balance of payments^e									
Current account balance	22 780	36 691	50 319	12 667	-32 877	-22 737	-57 943	-75 221	-101 841
Exports of goods f.o.b.	482 246	582 036	695 283	781 648	906 181	704 326	892 768	1 108 966	1 124 646
Imports of goods f.o.b.	424 926	502 566	598 544	713 680	868 002	653 331	846 356	1 035 703	1 076 906
Services trade balance	-11 802	-14 876	-16 243	-23 954	-30 996	-31 152	-48 253	-66 474	-74 039
Income balance	-68 097	-81 238	-94 279	-98 451	-107 843	-100 546	-117 752	-145 124	-138 197
Net current transfers	45 360	53 335	64 103	67 104	67 783	57 967	61 651	63 116	61 941
Capital and financial balance ^f	-8 059	24 349	13 589	112 512	71 372	69 022	144 067	181 163	159 144
Net foreign direct investment	50 192	57 358	32 512	92 793	99 148	70 324	76 003	125 784	125 662
Other capital movements	-58 251	-33 009	-18 924	19 720	-27 776	-1 302	68 064	55 379	33 482
Overall balance	14 721	61 040	63 908	125 180	38 495	46 285	86 124	105 943	57 182
Variation in reserve assets ^g	-23 504	-39 643	-51 162	-127 113	-42 123	-50 585	-87 573	-106 287	-57 841
Other financing	8 783	-21 397	-12 747	1 945	3 628	4 301	1 450	344	659
Net transfer of resources	-67 224	-78 919	-94 054	15 046	-32 842	-27 223	27 764	36 383	21 935
International reserves	225 943	262 402	319 242	459 464	512 611	567 421	655 993	774 230	836 041
Percentages of GDP									
Fiscal sector^h									
Overall balance	-1.9	-1.1	-0.0	0.2	-0.5	-2.8	-1.8	-1.7	-1.9
Primary balance	0.5	1.3	2.2	2.1	1.1	-1.0	-0.2	0.0	-0.2
Total revenue	16.4	17.4	18.4	18.9	18.9	17.8	18.3	18.7	19.0
Tax revenue	13.1	13.7	14.2	14.7	14.6	14.1	14.4	14.9	15.3
Total expenditure	18.2	18.5	18.4	18.7	19.4	20.6	20.1	20.4	20.9
Capital expenditure	3.5	3.5	3.5	3.9	4.3	4.3	4.3	4.4	4.5
Central-government public debt	51.2	43.2	36.1	30.6	29.7	30.7	29.7	29.5	30.3
Public debt of the non-financial public-sector	54.9	47.6	38.9	33.4	32.3	33.3	31.7	31.5	32.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Preliminary figures.

^b Based on official figures expressed in 2005 dollars.

^c December - December variation.

^d Estimates based on figures denominated in dollars at current prices.

^e Does not include Cuba.

^f Includes errors and omissions.

^g A minus sign (-) indicates an increase in reserve assets.

^h Central government, except for the Plurinational State of Bolivia, where coverage corresponds to the general government. Simple averages for 19 countries.

Table A-2
Latin America and the Caribbean: gross domestic product
(Millions of dollars)

	2004	2005	2006	2007	2008	2009	2010	2011	2012 ^a
Latin America and the Caribbean	2 235 067	2 708 071	3 185 532	3 765 878	4 384 109	4 105 071	4 924 425	5 704 717	5 702 925
Latin America	2 193 162	2 660 514	3 133 297	3 707 716	4 317 889	4 049 279	4 865 468	5 641 207	5 636 925
Argentina	153 129	183 196	214 267	262 451	328 469	308 740	370 263	448 165	477 028
Bolivia (Plurinational State of)	8 773	9 549	11 452	13 120	16 674	17 340	19 650	23 949	27 035
Brazil	663 733	882 044	1 089 253	1 366 853	1 653 535	1 620 164	2 143 034	2 476 651	2 252 926
Chile	100 631	124 404	154 412	172 869	179 627	171 957	217 556	251 191	268 310
Colombia	117 082	146 567	162 590	207 417	243 983	232 901	287 018	336 346	369 790
Costa Rica	18 595	19 965	22 526	26 322	29 838	29 383	36 298	41 031	45 107
Cuba	38 203	42 644	52 743	58 604	60 806	62 079	64 328	68 990	71 017
Dominican Republic	21 582	33 542	35 660	41 013	45 523	46 598	51 576	55 433	58 898
Ecuador	36 592	41 507	46 802	51 008	61 763	62 520	67 812	77 832	84 682
El Salvador	15 798	17 094	18 551	20 105	21 431	20 661	21 418	23 095	23 787
Guatemala	23 965	27 211	30 231	34 113	39 136	37 734	41 338	47 689	50 377
Haiti	3 660	4 154	4 880	5 971	6 408	6 470	6 635	7 346	7 865
Honduras	8 871	9 757	10 917	12 361	13 882	14 587	15 839	17 697	18 985
Mexico	758 577	846 094	949 066	1 033 176	1 091 982	880 101	1 031 109	1 155 206	1 173 600
Nicaragua	5 793	6 321	6 786	7 447	8 254	8 156	8 587	9 636	10 529
Panama	14 179	15 465	17 137	19 794	23 002	24 163	27 053	31 316	36 654
Paraguay	8 034	8 735	10 646	13 795	18 503	15 934	20 048	25 957	25 297
Peru	69 701	79 389	92 319	107 524	129 107	130 144	157 438	180 760	203 833
Uruguay	13 811	17 363	19 579	23 411	30 366	30 229	38 846	46 435	49 919
Venezuela (Bolivarian Republic of)	112 452	145 513	183 478	230 364	315 600	329 419	239 620	316 482	381 286
The Caribbean	41 905	47 557	52 235	58 163	66 220	55 793	58 957	63 511	66 000
Antigua and Barbuda	898	997	1 135	1 289	1 347	1 206	1 136	1 125	1 176
Bahamas	7 094	7 706	7 966	8 319	8 247	7 820	7 888	7 873	8 149
Barbados	3 495	3 908	4 197	4 483	4 344	4 397	4 245	4 313	4 589
Belize	1 058	1 114	1 217	1 291	1 370	1 339	1 398	1 493	1 591
Dominica	361	356	382	413	452	482	475	476	480
Grenada	599	695	699	759	826	771	770	780	790
Guyana	1 256	1 315	1 458	1 740	1 923	2 026	2 259	2 577	2 851
Jamaica	10 173	11 239	11 928	12 796	13 712	12 150	13 231	14 457	14 880
Saint Kitts and Nevis	502	543	636	686	736	710	715	748	748
Saint Lucia	849	905	1 010	1 125	1 165	1 167	1 200	1 211	1 186
Saint Vincent and the Grenadines	522	551	611	684	695	674	681	691	713
Suriname	1 816	2 244	2 626	2 936	3 533	3 876	4 367	4 305	4 908
Trinidad and Tobago	13 280	15 982	18 369	21 642	27 870	19 175	20 593	23 462	23 939

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Preliminary figures.

Table A-3
Latin America and the Caribbean: gross domestic product
(Annual growth rates)

	2004	2005	2006	2007	2008	2009	2010	2011	2012 ^a
Latin America and the Caribbean^b	5.8	4.5	5.5	5.5	3.8	-1.9	5.6	4.3	3.0
Latin America	5.8	4.4	5.3	5.5	3.9	-1.9	5.8	4.4	3.0
Argentina	9.0	9.2	8.5	8.7	6.8	0.9	9.2	8.9	1.9
Bolivia (Plurinational State of)	4.2	4.4	4.8	4.6	6.1	3.4	4.1	5.2	5.2
Brazil	5.6	3.0	3.7	5.8	4.8	-0.3	6.9	2.7	0.9
Chile	6.0	5.6	4.6	4.6	3.7	-1.0	5.8	5.9	5.6
Colombia	5.3	4.7	6.7	6.9	3.5	1.7	4.0	6.6	4.0
Cuba	5.8	11.2	12.1	7.3	4.1	1.5	2.4	2.8	3.0
Costa Rica	4.3	5.9	8.8	7.9	2.7	-1.0	5.0	4.4	5.1
Dominican Republic	1.3	9.3	10.7	8.5	5.3	3.5	7.8	4.5	3.9
Ecuador	8.2	5.3	4.4	2.2	6.4	0.6	2.8	7.4	5.0
El Salvador	1.9	3.6	3.9	3.8	1.3	-3.1	1.4	2.2	1.9
Guatemala	3.2	3.3	5.4	6.3	3.3	0.5	2.9	4.2	3.0
Haiti	-3.5	1.8	2.3	3.3	0.8	2.9	-5.4	5.6	2.8
Honduras	6.2	6.1	6.6	6.2	4.2	-2.4	3.7	3.7	3.3
Mexico	4.1	3.3	5.1	3.4	1.2	-6.0	5.3	3.9	3.9
Nicaragua	5.3	4.3	4.2	5.0	4.0	-2.2	3.6	5.4	5.2
Panama	7.5	7.2	8.5	12.1	10.1	3.9	7.5	10.8	10.7
Paraguay	4.1	2.1	4.8	5.4	6.4	-4.0	13.1	4.3	-1.2
Peru	5.0	6.8	7.7	8.9	9.8	0.9	8.8	6.9	6.3
Uruguay	11.8	6.6	4.1	6.5	7.2	2.2	8.9	6.5	3.9
Venezuela (Bolivarian Republic of)	18.3	10.3	9.9	8.8	5.3	-3.2	-1.5	4.2	5.6
The Caribbean	4.6	7.1	9.8	5.1	2.7	-1.0	1.3	1.5	2.1
Antigua and Barbuda	5.3	6.1	13.4	9.5	0.1	-12.0	-7.1	-2.8	2.3
Bahamas	0.9	3.4	2.5	1.4	-2.3	-4.2	1.0	1.7	1.8
Barbados	1.4	4.0	5.7	1.7	0.3	-4.1	0.2	0.6	0.2
Belize	4.7	3.0	4.7	1.2	3.9	0.3	3.9	2.3	5.3
Dominica	2.6	-0.3	4.6	6.0	7.8	-1.1	1.2	1.0	-1.5
Grenada	-0.6	13.3	-4.0	6.1	0.9	-6.7	-0.4	1.0	-0.8
Guyana	1.6	-2.0	5.1	7.0	2.0	3.3	4.4	5.4	4.8
Jamaica	1.3	0.9	2.9	1.4	-0.8	-3.5	-1.5	1.3	-0.3
Saint Kitts and Nevis	4.2	8.9	6.0	2.8	4.6	-6.0	0.2	1.7	-1.1
Saint Lucia	7.5	-1.2	8.9	1.6	5.1	0.4	0.2	1.4	-3.0
Saint Vincent and the Grenadines	4.2	2.5	7.7	3.3	1.6	-2.3	-3.4	-0.7	1.5
Suriname	0.5	7.2	11.4	5.1	4.1	3.0	4.1	4.7	4.4
Trinidad and Tobago	8.0	5.4	14.4	4.5	3.4	-4.4	0.2	-2.6	1.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Preliminary figures.

^b Based on official figures expressed in 2005 dollars.

Table A-4
Latin America and the Caribbean: per capita gross domestic product
(Annual growth rates)

	2004	2005	2006	2007	2008	2009	2010	2011	2012 ^a
Latin America and the Caribbean^b	4.4	3.2	4.2	4.3	2.7	-3.0	4.5	3.2	1.9
Latin America	4.5	3.2	4.2	4.3	2.7	-3.0	4.5	3.2	1.9
Argentina	8.1	8.2	7.5	7.7	5.8	-0.0	8.2	7.9	1.0
Bolivia (Plurinational State of)	2.2	2.5	3.0	2.8	4.4	1.7	2.5	3.6	3.6
Brazil	4.3	1.8	2.6	4.8	3.8	-1.2	5.9	1.9	0.1
Chile	4.9	4.5	3.5	3.6	2.7	-2.0	4.8	4.9	4.6
Colombia	3.7	3.1	5.1	5.3	2.0	0.2	2.5	5.2	2.6
Costa Rica	2.4	4.1	7.0	6.2	1.2	-2.5	3.5	3.0	3.7
Cuba	5.5	11.0	12.0	7.2	4.1	1.5	2.4	2.8	3.0
Dominican Republic	-0.2	7.7	9.1	7.0	3.8	2.1	6.3	3.1	2.6
Ecuador	6.2	3.4	2.6	0.5	4.6	-1.1	1.2	5.7	3.3
El Salvador	1.5	3.2	3.5	3.4	0.8	-3.6	0.8	1.4	1.1
Guatemala	0.6	0.7	2.8	3.7	0.8	-1.9	0.4	1.7	0.5
Haiti	-4.9	0.4	0.9	2.0	-0.4	1.6	-6.6	4.3	1.5
Honduras	4.1	4.0	4.5	4.1	2.2	-4.3	1.7	1.7	1.3
Mexico	2.8	2.0	3.7	2.1	-0.0	-7.1	4.1	2.7	2.7
Nicaragua	4.0	3.0	2.8	3.7	2.7	-3.4	2.3	4.0	3.7
Panama	5.5	5.2	6.6	10.1	8.2	2.1	5.6	9.0	8.8
Paraguay	2.1	0.2	2.9	3.5	4.5	-5.6	11.2	2.6	-2.8
Peru	3.7	5.6	6.5	7.7	8.6	-0.2	7.6	5.7	5.1
Uruguay	11.9	6.6	3.9	6.3	6.8	1.9	8.6	6.2	3.6
Venezuela (Bolivarian Republic of)	16.2	8.4	8.0	6.9	3.5	-4.8	-3.0	2.6	4.0
The Caribbean	2.9	2.9	7.1	2.6	0.7	-4.0	-0.3	-0.4	0.7
Antigua and Barbuda	3.9	4.7	12.0	8.2	-1.0	-13.0	-8.1	-3.8	1.3
Bahamas	-0.6	1.9	1.0	-0.0	-3.7	-5.5	-0.3	0.4	0.6
Barbados	1.2	3.8	5.5	1.5	0.1	-4.3	0.0	0.4	0.0
Belize	2.3	0.7	2.5	-0.9	1.7	-1.7	1.8	0.3	3.2
Dominica	2.8	-0.1	4.9	6.4	8.3	-0.8	1.4	1.1	-1.4
Grenada	-0.9	13.0	-4.3	5.8	0.6	-7.0	-0.7	0.6	-1.2
Guyana	1.2	-2.3	4.8	6.8	1.8	3.1	4.2	5.2	4.6
Jamaica	0.6	0.3	2.3	1.0	-1.2	-3.8	-1.9	0.9	-0.7
Saint Kitts and Nevis	2.8	7.5	4.6	1.5	3.3	-7.2	-1.0	0.4	-2.3
Saint Lucia	6.5	-2.2	7.8	0.5	4.0	-0.7	-0.8	0.4	-4.0
Saint Vincent and the Grenadines	4.0	2.3	7.5	3.2	1.5	-2.4	-3.4	-0.7	1.5
Suriname	-0.8	5.9	10.1	4.0	3.1	2.1	3.2	3.7	3.5
Trinidad and Tobago	7.6	5.0	14.0	4.1	3.0	-4.8	-0.2	-2.9	0.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Preliminary figures.

^b Based on official figures expressed in 2005 dollars.

Table A-5
Latin America and the Caribbean: gross domestic product^a
(Variation from same quarter of preceding year)

	2011				2012				2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Argentina	9.9	9.1	9.3	7.3	5.2	0.0	0.7	2.1	3.0
Belize	7.8	0.4	2.4	-1.1	6.1	6.7	4.4	3.7	-0.5
Bolivia (Plurinational State of)	5.6	4.2	5.4	5.5	5.1	4.5	4.6	6.5	6.0
Brazil	4.2	3.3	2.1	1.4	0.8	0.5	0.9	1.4	1.9
Chile	9.8	5.8	3.2	5.0	5.1	5.7	5.8	5.7	4.1
Colombia	5.6	6.5	7.7	6.7	5.5	4.7	2.7	3.1	2.8
Costa Rica	2.9	4.3	5.0	5.6	7.7	5.7	3.8	3.4	1.2
Dominican Republic	4.3	3.6	4.7	5.2	3.8	3.8	4.1	3.9	0.3
Ecuador	6.8	7.8	8.4	6.8	6.8	5.0	4.1	4.2	...
El Salvador	2.0	2.0	2.1	2.8	2.5	1.9	1.6	1.6	1.4
Guatemala	4.3	4.5	4.7	3.5	3.5	2.8	2.4	3.1	2.4
Jamaica	1.5	1.9	0.3	1.5	-0.1	-0.2	-0.2	-0.9	-1.3
Mexico	4.3	2.9	4.4	3.9	4.9	4.5	3.2	3.2	0.8
Nicaragua	5.3	6.5	4.7	5.3	5.8	2.2	5.6	7.0	3.6
Panama	9.9	12.2	11.4	10.0	11.4	10.8	10.5	10.0	7.0
Paraguay	6.9	4.9	3.3	2.6	-3.0	-2.3	1.4	-0.9	14.8
Peru	8.7	6.6	6.5	5.5	6.0	6.1	6.5	5.9	4.8
Trinidad and Tobago	-2.4	1.7	-2.3	-2.1	0.6	-2.8	1.8	1.0	...
Uruguay	7.5	6.3	8.8	3.8	4.4	3.7	2.9	4.8	3.7
Venezuela (Bolivarian Republic of)	4.8	2.6	4.4	4.9	5.9	5.6	5.5	5.5	0.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Based on figures in local currency at constant prices.

Table A-6
Latin America and the Caribbean: gross fixed capital formation
(Percentages of GDP)^a

	2004	2005	2006	2007	2008	2009	2010	2011	2012 ^b
Latin America and the Caribbean	17.6	18.6	19.8	21.0	22.2	20.6	21.6	22.5	22.8
Argentina	19.1	21.5	23.4	24.4	25.0	22.2	24.7	26.4	24.7
Bahamas	19.9	24.2	29.0	27.8	25.8	24.2	24.3	25.7	31.1
Belize	17.6	18.5	18.0	18.4	22.7	18.3	13.9	13.5	...
Bolivia (Plurinational State of)	12.7	13.0	13.5	14.6	16.3	16.2	16.8	19.7	19.0
Brazil	15.8	15.9	16.9	18.2	19.7	18.4	20.9	21.3	20.3
Chile	18.1	21.2	20.8	22.1	25.5	22.6	24.0	26.0	27.7
Colombia	18.2	19.7	21.8	23.3	24.7	24.0	24.2	26.9	27.5
Costa Rica	19.0	18.7	19.1	20.9	22.6	20.3	20.4	21.2	21.8
Cuba	8.3	9.0	11.5	11.0	11.4	10.5	9.9	10.2	...
Dominican Republic	15.8	16.4	17.9	18.6	19.3	15.9	17.3	16.2	16.2
Ecuador	19.4	20.4	20.5	20.8	22.7	21.8	22.3	24.0	25.5
El Salvador	15.5	15.3	16.5	17.1	16.0	13.3	13.5	15.0	14.6
Guatemala	18.1	18.3	20.1	19.8	18.1	15.6	14.9	15.2	15.5
Haiti	27.5	27.4	27.4	27.3	27.9	28.0	27.7	28.6	29.4
Honduras	26.8	24.9	26.5	31.0	31.6	21.0	20.5	24.1	24.0
Mexico	19.5	20.3	21.2	21.9	22.8	21.4	20.4	21.2	21.6
Nicaragua	21.8	23.0	22.5	23.7	23.0	20.4	20.0	23.2	28.7
Panama	16.9	16.8	18.1	22.7	25.9	23.4	24.3	25.4	26.3
Paraguay	16.5	16.6	16.5	17.6	19.5	18.9	20.3	21.6	20.2
Peru	17.5	18.3	20.2	22.9	27.5	25.0	29.0	29.6	32.0
Trinidad and Tobago	20.7	30.2	15.8	14.7	15.6	...	...	...	...
Uruguay	15.0	16.5	18.1	18.6	20.7	19.1	19.8	19.6	22.5
Venezuela (Bolivarian Republic of)	16.2	20.3	23.9	27.6	26.9	25.4	24.2	24.2	28.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Based on official figures expressed in 2005 dollars.

^b Preliminary figures.

Table A-7
Latin America and the Caribbean: balance of payments
(Millions of dollars)

	Exports of goods f.o.b.				Exports of services				Imports of goods f.o.b.				Imports of services			
	2010	2011	2012 ^a	2010	2011	2012 ^a	2010	2011	2012 ^a	2010	2011	2012 ^a	2010	2011	2012 ^a	
Latin America and the Caribbean	892 768	1 108 966	1 124 603	118 186	137 842	138 945	846 356	1 035 703	1 077 203	1 077 203	1 077 203	1 077 203	166 439	204 316	212 955	
Latin America	875 134	1 086 449	1 103 978	108 465	123 076	128 810	825 538	1 009 309	1 052 411	1 052 411	1 052 411	1 052 411	160 900	193 255	204 332	
Argentina	68 134	83 950	81 205	13 648	15 606	15 239	53 868	70 743	65 563	65 563	65 563	14 808	17 844	18 699		
Bolivia (Plurinational State of)	6 402	8 348	11 107	769	880	944	5 590	7 664	8 269	8 269	8 269	1 032	1 249	1 417		
Brazil	201 916	256 040	242 581	31 599	38 210	39 863	181 768	226 247	223 164	223 164	223 164	62 434	76 141	80 908		
Chile	71 109	81 455	78 277	10 836	13 133	12 626	55 474	70 911	74 855	74 855	74 855	12 972	15 711	15 061		
Colombia	40 828	58 171	61 637	4 446	4 856	5 240	38 464	51 984	55 633	55 633	55 633	8 070	9 503	10 577		
Costa Rica	9 516	10 383	11 442	4 320	4 973	5 560	12 956	15 534	16 752	16 752	16 752	1 783	1 780	2 035		
Dominican Republic	6 754	8 612	9 079	5 154	5 340	5 553	15 489	17 436	17 758	17 758	17 758	2 185	2 253	2 294		
Ecuador	18 137	23 082	24 654	1 472	1 587	1 808	19 641	23 243	24 585	24 585	24 585	3 011	3 166	3 251		
El Salvador	4 577	5 401	5 447	976	1 073	1 320	8 107	9 647	9 912	9 912	9 912	1 070	1 106	1 184		
Guatemala	8 536	10 519	10 107	2 266	2 267	2 342	12 806	15 482	15 838	15 838	15 838	2 293	2 386	2 394		
Haiti	563	768	785	239	249	261	2 810	3 014	2 679	2 679	2 679	1 277	1 140	1 161		
Honduras	6 111	7 800	7 931	976	1 023	1 074	8 907	10 994	11 179	11 179	11 179	1 169	1 461	1 492		
Mexico	298 860	349 946	371 378	15 256	15 394	15 913	301 744	351 116	371 028	371 028	371 028	25 976	30 302	30 335		
Nicaragua	3 158	4 057	4 628	578	663	712	4 792	6 125	6 789	6 789	6 789	720	838	919		
Panama	12 675	16 929	18 872	6 220	7 261	8 918	17 218	22 946	24 623	24 623	24 623	2 730	3 383	3 860		
Paraguay	8 520	12 634	11 962	1 473	752	719	9 916	11 737	11 117	11 117	11 117	755	903	888		
Peru	35 565	46 268	45 639	3 693	4 364	5 130	28 815	36 967	41 113	41 113	41 113	6 038	6 497	7 388		
Uruguay	8 031	9 274	9 907	2 688	3 588	3 383	8 558	10 705	12 217	12 217	12 217	1 531	2 040	2 324		
Venezuela (Bolivarian Republic of)	65 745	92 811	97 340	1 857	1 855	2 205	38 613	46 813	59 339	59 339	59 339	11 048	15 552	18 164		
The Caribbean	17 634	22 517	20 625	9 721	14 766	10 135	20 818	26 394	24 792	24 792	24 792	5 540	11 061	8 623		
Antigua and Barbuda	46	56	57	478	482	496	454	430	403	403	403	225	210	212		
Bahamas	702	834	942	2 494	2 606	...	2 591	2 966	3 318	3 318	3 318	1 181	1 292	...		
Barbados	422	448	...	1 464	1 405	...	1 562	1 703	...	...	...	588	578	...
Belize	478	604	627	338	340	414	647	775	837	837	837	162	171	188		
Dominica	35	33	41	138	153	152	197	199	183	183	183	68	64	64		
Grenada	31	35	40	153	159	153	284	290	297	297	297	94	100	97		
Guyana	885	1 129	1 396	248	298	294	1 419	1 771	1 978	1 978	1 978	344	434	525		
Jamaica	1 370	1 665	1 667	2 634	2 620	2 601	4 629	5 922	5 810	5 810	5 810	1 824	1 950	1 957		
Saint Kitts and Nevis	58	68	69	150	180	182	253	239	226	226	226	111	114	112		
Saint Lucia	239	191	190	370	381	399	583	616	579	579	579	204	204	198		
Saint Vincent and the Grenadines	45	43	49	138	139	143	298	292	315	315	315	91	84	89		
Suriname	2 084	2 467	2 563	241	201	175	1 398	1 679	1 782	1 782	1 782	259	563	594		
Trinidad and Tobago	11 239	14 944	12 983	874	5 803	5 127	6 504	9 511	9 065	9 065	9 065	387	5 297	4 589		

Table A-7 (continued)

	Goods and services balance			Income balance			Current transfers balance			Current account balance		
	2010	2011	2012 ^a	2010	2011	2012 ^a	2010	2011	2012 ^a	2010	2011	2012 ^a
Latin America and the Caribbean	-1 841	6 788	-25 396	-117 752	-145 124	-138 490	61 651	63 116	61 924	-57 943	-75 221	-101 962
Latin America	-2 838	6 960	-23 956	-115 432	-140 681	-134 066	58 903	60 373	59 096	-59 368	-73 348	-98 927
Argentina	13 106	10 970	12 182	-11 341	-11 999	-11 307	-405	-539	-397	1 360	-1 568	479
Bolivia (Plurinational State of)	548	315	2 365	-864	-1 161	-1 629	1 081	1 175	1 266	766	329	2 001
Brazil	-10 687	-8 139	-21 629	-39 486	-47 319	-35 447	2 902	2 985	2 846	-47 272	-52 474	-54 230
Chile	13 499	7 966	987	-14 686	-14 141	-12 676	4 410	2 892	2 192	3 224	-3 283	-9 497
Colombia	-1 260	1 540	667	-12 024	-16 003	-16 682	4 475	4 938	4 599	-8 809	-9 525	-11 415
Costa Rica	-902	-1 959	-1 784	-745	-567	-886	366	323	329	-1 281	-2 203	-2 341
Dominican Republic	-5 767	-5 737	-5 420	-1 686	-2 089	-2 192	3 124	3 417	3 371	-4 330	-4 409	-4 240
Ecuador	-3 042	-1 739	-1 374	-1 041	-1 223	-1 312	2 458	2 721	2 486	-1 625	-242	-200
El Salvador	-3 624	-4 279	-4 329	-551	-632	-932	3 599	3 841	4 004	-576	-1 070	-1 258
Guatemala	-4 298	-5 082	-5 783	-1 211	-1 650	-1 371	4 946	5 134	5 708	-563	-1 599	-1 447
Haiti	-3 285	-3 137	-2 795	22	41	68	3 097	2 757	2 368	-166	-339	-359
Honduras	-2 989	-3 632	-3 666	-728	-974	-1 281	2 882	3 108	3 203	-836	-1 498	-1 744
Mexico	-13 605	-16 078	-14 071	-10 451	-17 242	-19 902	21 537	22 974	22 563	-2 519	-10 347	-11 410
Nicaragua	-1 777	-2 244	-2 368	-243	-254	-292	1 161	1 230	1 310	-859	-1 268	-1 350
Panama	-1 053	-2 139	-693	-1 849	-1 854	-2 656	138	167	81	-2 765	-3 826	-3 267
Paraguay	-678	747	697	-533	-1 167	-1 358	557	714	759	-654	294	97
Peru	4 404	7 169	2 269	-11 212	-13 710	-12 701	3 026	3 200	3 296	-3 782	-3 341	-7 136
Uruguay	630	117	-1 251	-1 501	-1 612	-1 465	118	128	91	-753	-1 367	-2 626
Venezuela (Bolivarian Republic of)	17 941	32 301	22 042	-5 302	-7 124	-10 048	-568	-790	-978	12 071	24 387	11 016
The Caribbean	997	-173	-1 440	-2 320	-4 444	-4 424	2 748	2 743	2 828	1 425	-1 873	-3 036
Antigua and Barbuda	-155	-103	-63	-31	-44	-42	19	26	26	-167	-121	-79
Bahamas	-576	-818	-1 161	-235	-236	-300	-3	-36	10	-813	-1 091	-1 452
Barbados	-264	-427	...	-121	-102	...	20	23	...	-366	-506	...
Belize	7	-2	16	-139	-98	-120	92	84	76	-40	-16	-29
Dominica	-92	-77	-54	-9	-11	-17	20	16	16	-81	-71	-55
Grenada	-195	-197	-201	-40	-32	-38	32	24	24	-203	-204	-214
Guyana	-630	-778	-813	13	-9	-1	371	415	419	-246	-372	-395
Jamaica	-2 449	-3 588	-3 498	-495	-518	-403	2 010	1 996	1 996	-934	-2 110	-1 906
Saint Kitts and Nevis	-156	-106	-86	-29	-29	-31	47	47	47	-139	-88	-71
Saint Lucia	-179	-248	-188	-40	-16	-14	15	20	18	-203	-244	-184
Saint Vincent and the Grenadines	-206	-194	-212	-12	-13	-12	10	8	7	-208	-199	-216
Suriname	669	426	362	-102	-262	-194	87	87	73	653	251	241
Trinidad and Tobago	5 223	5 939	4 457	-1 080	-3 074	-3 251	29	33	116	4 172	2 899	1 322

Table A-7 (concluded)

	Capital and financial balance ^b			Overall balance			Reserve assets (variation) ^c					Other financing			
	2010	2011	2012 ^a	2010	2011	2012 ^a	2010	2011	2012 ^a	2010	2011	2012 ^a	2010	2011	2012 ^a
Latin America and the Caribbean	144 067	181 163	159 144	86 124	105 943	57 182	-87 573	-106 287	-57 841	1 450	344	659	1 450	344	659
Latin America	145 095	178 558	157 333	85 727	105 210	58 406	-86 358	-105 569	-59 023	632	359	616	632	359	616
Argentina	2 798	-4 540	-3 783	4 157	-6 108	-3 305	-4 157	6 108	3 305	0	0	0	0	0	0
Bolivia (Plurinational State of)	157	1 831	-289	923	2 160	1 712	-923	-2 160	-1 712	0	0	0	0	0	0
Brazil	96 373	111 111	73 130	49 101	58 637	18 900	-49 101	-58 637	-18 900	0	0	0	0	0	0
Chile	-200	17 473	9 130	3 023	14 190	-367	-3 023	-14 190	367	0	0	0	0	0	0
Colombia	11 945	13 270	16 840	3 136	3 744	5 425	-3 136	-3 744	-5 425	0	0	0	0	0	0
Costa Rica	1 842	2 335	4 451	561	132	2 110	-561	-132	-2 110	0	0	0	0	0	0
Dominican Republic	4 387	4 563	3 806	58	154	-434	-453	-331	542	395	177	-108	395	177	-108
Ecuador	413	514	-314	-1 212	272	-514	1 170	-336	475	42	64	39	42	64	39
El Salvador	281	656	1 907	-295	-414	649	295	414	-649	0	0	0	0	0	0
Guatemala	1 240	1 805	1 946	677	206	499	-677	-206	-499	0	0	0	0	0	0
Haiti	909	525	536	743	186	177	-845	-209	-209	102	23	31	102	23	31
Honduras	1 404	1 562	1 378	569	64	-367	-592	-81	370	24	17	-3	24	17	-3
Mexico	23 134	38 527	28 881	20 615	28 180	17 471	-20 615	-28 180	-17 471	0	0	0	0	0	0
Nicaragua	1 030	1 295	1 329	172	27	-21	-222	-73	3	50	46	18	50	46	18
Panama	3 072	3 597	3 249	307	-228	-18	-307	228	18	0	0	0	0	0	0
Paraguay	973	490	-707	319	784	-610	-319	-784	-10	-0	620	0	-0	620	0
Peru	14 955	8 032	21 944	11 173	4 691	14 808	-11 173	-4 724	-14 827	19	33	19	19	33	19
Uruguay	392	3 932	5 913	-361	2 564	3 287	361	-2 564	-3 287	0	0	0	0	0	0
Venezuela (Bolivarian Republic of)	-20 010	-28 419	-12 012	-7 939	-4 032	-996	7 939	4 032	996	0	0	0	0	0	0
The Caribbean	-1 028	2 605	1 811	397	733	-1 225	-1 215	-717	1 182	818	-15	43	818	-15	43
Antigua and Barbuda	179	133	87	12	11	8	-12	-11	-8	0	0	0	0	0	0
Bahamas	858	1 115	1 377	45	24	-75	-45	-9	75	0	-15	0	0	-15	0
Barbados	400	473	...	34	-32	...	-34	32	...	0	0	...	0	0	...
Belize	44	34	81	4	18	53	-4	-18	-53	0	0	0	0	0	0
Dominica	83	78	61	1	6	6	-1	-6	-6	0	0	0	0	0	0
Grenada	193	206	212	-10	2	-2	10	-2	2	0	0	0	0	0	0
Guyana	363	357	407	117	-15	12	-155	15	-55	38	0	43	38	0	43
Jamaica	586	1 905	1 065	-348	-205	-841	-431	205	841	779	0	0	779	0	0
Saint Kitts and Nevis	171	151	89	33	62	18	-33	-62	-18	0	0	0	0	0	0
Saint Lucia	234	251	201	32	7	16	-32	-7	-16	0	0	0	0	0	0
Saint Vincent and the Grenadines	234	176	237	25	-23	21	-25	23	-21	0	0	0	0	0	0
Suriname	-619	-127	-61	34	124	180	-34	-124	-180	0	0	0	0	0	0
Trinidad and Tobago	-3 754	-2 146	-1 944	418	753	-622	-418	-753	622	0	0	0	0	0	0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Preliminary figures.

^b Includes errors and omissions.

^c A minus sign (-) indicates an increase in reserve assets.

Table A-8
Latin America and the Caribbean: international trade of goods
(Indices 2005=100)

	Exports of goods, f.o.b.								
	Value			Volume			Unit value		
	2010	2011	2012 ^a	2010	2011	2012 ^a	2010	2011	2012 ^a
Latin America	154.3	191.5	194.5	112.8	118.1	123.2	136.8	162.2	157.9
Argentina	168.7	207.9	201.1	127.2	132.8	126.6	132.6	156.5	158.8
Bolivia (Plurinational State of)	226.5	295.3	392.9	124.4	134.1	172.4	182.0	220.3	228.0
Brazil	170.7	216.4	205.0	104.1	107.3	107.0	164.0	201.7	191.7
Chile	169.4	194.1	186.5	104.0	108.0	110.1	162.9	179.7	169.5
Colombia	187.9	267.7	283.7	128.0	148.2	157.1	146.8	180.6	180.6
Costa Rica	134.0	146.3	161.2	141.2	149.6	165.7	94.9	97.7	97.3
Dominican Republic	109.9	140.2	147.8	94.1	111.1	118.3	116.8	126.1	124.9
Ecuador	173.3	220.5	235.5	117.5	123.6	130.0	147.5	178.4	181.1
El Salvador	132.1	155.9	157.2	118.8	128.6	133.0	111.2	121.2	118.2
Guatemala	156.3	192.7	185.1	121.8	134.1	136.3	128.3	143.7	135.8
Haiti	122.6	167.1	170.8	103.2	137.8	127.7	118.8	121.3	133.8
Honduras	121.1	154.5	148.1	97.7	100.5	110.4	123.9	153.7	134.2
Mexico	139.2	163.0	173.0	121.0	123.2	133.4	115.1	132.3	129.7
Nicaragua	190.9	245.3	279.8	154.8	176.0	200.7	123.3	139.4	139.4
Panama	171.9	229.5	255.9	152.9	190.8	209.8	112.4	120.3	122.0
Paraguay	254.2	376.9	356.9	207.8	275.1	255.4	122.3	137.0	139.8
Peru	204.8	266.4	262.8	109.4	114.7	117.0	187.2	232.2	224.5
Uruguay	212.8	245.7	262.5	148.1	148.7	153.8	143.7	165.2	170.7
Venezuela (Bolivarian Republic of)	118.0	166.6	174.7	73.1	78.8	81.0	161.4	211.5	215.7

	Imports of goods, f.o.b.								
	Value			Volume			Unit value		
	2010	2011	2012	2010	2011	2012	2010	2011	2012 ^a
Latin America	170.3	208.2	217.0	141.1	156.9	163.0	120.6	132.7	133.1
Argentina	197.3	259.1	240.2	176.2	209.2	190.3	112.0	123.9	126.2
Bolivia (Plurinational State of)	230.0	315.3	340.2	178.0	223.9	241.4	129.2	140.8	140.9
Brazil	246.9	307.4	303.2	189.9	207.4	202.7	130.0	148.2	149.6
Chile	180.9	231.2	244.1	162.1	189.1	199.6	111.6	122.3	122.3
Colombia	191.0	258.2	276.3	157.5	193.5	207.3	121.3	133.4	133.3
Costa Rica	139.9	167.8	180.9	135.4	151.7	163.6	103.4	110.6	110.6
Dominican Republic	156.9	176.7	179.9	136.8	135.1	137.6	114.7	130.8	130.8
Ecuador	202.3	239.4	253.2	161.9	174.1	184.2	125.0	137.5	137.5
El Salvador	124.7	148.4	152.4	105.8	115.5	117.6	117.8	128.4	129.6
Guatemala	132.7	160.4	164.1	104.8	112.1	114.7	126.7	143.1	143.1
Haiti	214.8	230.3	204.8	152.0	132.6	110.7	141.2	173.7	185.0
Honduras	136.1	168.0	166.3	106.0	114.4	113.2	128.4	146.8	146.8
Mexico	135.7	157.9	166.9	115.2	124.9	132.0	117.8	126.4	126.4
Nicaragua	162.1	207.2	229.7	134.4	151.3	167.7	120.7	136.9	136.9
Panama	192.7	256.9	275.6	161.9	197.2	209.5	119.1	130.3	131.6
Paraguay	260.0	307.7	291.5	229.0	247.8	232.4	113.5	124.2	125.4
Peru	238.5	306.0	340.3	162.6	189.7	207.4	146.6	161.3	164.0
Uruguay	228.0	285.2	325.5	174.9	193.6	222.1	130.4	147.3	146.6
Venezuela (Bolivarian Republic of)	160.8	195.0	247.2	139.3	154.9	194.5	115.5	125.8	127.1

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Preliminary figures.

Table A-9
Latin America and the Caribbean: exports of goods, f.o.b.
(Millions of dollars)

	2011				2012				2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 ^a
Latin America and the Caribbean	243 003	285 428	288 149	277 565	267 506	280 681	278 584	282 609	247 038	156 077
Latin America	238 166	279 644	281 221	272 740	263 056	275 259	272 197	277 765	246 054	156 032
Argentina	16 902	23 173	23 522	20 454	17 826	21 142	22 139	19 820	17 376	15 994
Bolivia (Plurinational State of)	1 870	2 233	2 713	2 361	2 270	2 957	3 271	3 449	2 982	913 ^b
Brazil	51 233	67 071	71 695	66 041	55 080	62 134	63 383	61 984	50 837	42 453
Chile	20 214	21 368	19 288	20 585	19 874	19 767	17 336	21 300	19 060	14 142
Colombia	12 612	14 686	14 390	15 227	15 497	15 124	14 458	15 195	14 070	4 949 ^b
Costa Rica	2 508	2 728	2 565	2 608	2 944	2 992	2 731	2 791	2 875	1 996
Dominican Republic	1 947	2 355	2 204	2 106	2 110	2 308	2 320	2 342	...	...
Ecuador	5 344	5 704	5 602	5 672	6 205	6 051	5 907	5 684	6 187	1 969 ^b
El Salvador	1 395	1 379	1 332	1 203	1 403	1 269	1 388	1 280	1 362	1 009
Guatemala	2 718	2 702	2 494	2 487	2 638	2 577	2 399	2 364	2 605	934 ^b
Haiti	171	211	224	181	158	221	225	211	...	...
Honduras	1 159	1 205	782	856	1 279	1 194	1 099	848	1 117	...
Mexico	81 801	89 283	88 088	90 204	89 609	94 309	91 235	95 552	88 325	65 696
Nicaragua	637	611	488	527	695	699	644	639	632	231 ^b
Panama	3 315	3 796	4 573	4 211	4 244	3 999	4 294	4 427	2 333 ^c	...
Paraguay	1 709	2 129	2 244	1 684	1 633	1 974	1 923	1 754	2 233	918 ^b
Peru	10 106	11 752	12 900	11 511	11 974	10 586	11 611	11 468	10 183	3 060 ^b
Uruguay	1 656	2 140	2 178	1 938	1 881	2 290	2 523	2 031	1 678	1 767
Venezuela (Bolivarian Republic of)	20 869	25 119	23 939	22 884	25 736	23 668	23 310	24 626	22 200	...
The Caribbean	4 837	5 784	6 928	4 826	4 449	5 423	6 388	4 845	984	...
Antigua and Barbuda	10	14	3	2	8	12	5	5	8	...
Bahamas	166	204	178	181	203	190	214	220	...	...
Barbados	123	129	108	116	156	190	101	119	120	...
Belize	154	164	142	155	179	164	162	147	161	...
Dominica	6	7	7	10	8	9	8	11	8	...
Grenada	6	10	7	6	8	11	8	7	8	...
Guyana	219	363	235	313	306	276	375	438	...	...
Jamaica	418	462	407	378	444	427	417	460	...	...
Saint Kitts and Nevis	15	17	14	15	16	14	16	16	13	...
Saint Lucia	31	41	43	46	39	43	40	45	40	...
Saint Vincent and the Grenadines	8	9	11	11	11	11	10	12	11	...
Suriname	566	619	591	692	619	614	616	715	616	...
Trinidad and Tobago	3 115	3 746	5 182	2 901	2 452	3 461	4 416	2 652	...	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Figures as of May.

^b Figures as of April.

^c Figures as of February.

Table A-10
Latin America and the Caribbean: imports of goods, c.i.f.
(Millions of dollars)

		2011				2012				2013	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 ^a
Latin America and the Caribbean		228 617	262 382	275 622	270 996	255 517	269 465	272 282	284 885	253 055	160 092
Latin America		222 861	255 376	268 603	263 579	248 448	262 571	265 933	277 883	251 447	159 934
Argentina	CIF	15 330	19 051	21 418	18 520	15 314	17 002	18 585	17 607	16 066	13 505
Bolivia (Plurinational State of)	CIF	1 545	1 767	2 146	2 215	1 896	1 941	2 038	2 396	2 101	724 ^b
Brazil	FOB	48 091	57 260	61 587	59 309	52 659	57 491	54 742	58 272	55 992	42 690
Chile	CIF	17 127	18 494	20 143	19 466	18 282	19 233	20 392	21 560	19 400	13 859
Colombia	CIF	12 098	13 519	14 275	14 340	14 044	15 082	15 112	14 874	14 187	5 167 ^b
Costa Rica	CIF	3 859	3 883	4 230	4 248	4 380	4 244	4 324	4 630	4 375	3 040
Dominican Republic	FOB	3 230	3 788	3 680	3 838	3 515	3 760	3 894	3 796	...	...
Ecuador	CIF	5 333	6 104	6 220	6 629	6 032	6 380	6 612	6 173	6 407	1 907 ^b
El Salvador	CIF	2 395	2 588	2 605	2 376	2 537	2 504	2 668	2 560	2 542	1 904
Guatemala	CIF	3 855	4 394	4 250	4 114	4 127	4 347	4 147	4 373	4 148	1 609 ^b
Haiti	CIF	822	809	840	756	743	648	734	769	...	...
Honduras	CIF	2 041	2 385	2 276	2 314	2 376	2 288	2 359	2 481	2 216	...
Mexico	FOB	79 893	88 044	91 968	90 939	87 906	92 941	92 416	97 489	89 347	67 393
Nicaragua	CIF	1 225	1 274	1 320	1 385	1 395	1 497	1 414	1 545	1 288	492 ^b
Panama	CIF	2 485	2 898	2 909	3 047	2 877	3 042	3 472	3 242	2 028 ^c	...
Paraguay	CIF	2 698	3 103	3 344	3 223	2 630	2 770	3 024	3 131	2 943	2 134
Peru	FOB	8 200	9 570	9 690	9 507	9 573	10 001	11 017	10 522	10 202	3 513 ^b
Uruguay	CIF	2 600	2 750	2 652	2 724	2 889	2 968	2 859	2 930	2 649	1 996
Venezuela (Bolivarian Republic of)	CIF	10 037	13 692	13 048	14 631	15 273	14 430	16 123	19 534	15 556	...
The Caribbean		5 757	7 007	7 020	7 418	7 070	6 894	6 349	7 002	1 608	...
Antigua and Barbuda	CIF	118	128	113	111	131	132	118	152	132	...
Bahamas	CIF	727	862	897	924	1 022	868	864	893	...	...
Barbados	CIF	420	458	451	497	433	428	426	493	425	...
Belize	FOB	176	204	199	196	183	227	207	220	...	...
Dominica	CIF	54	58	57	57	46	49	52	48	45	...
Grenada	CIF	82	81	82	85	82	82	85	87	83	...
Guyana	CIF	374	487	452	457	475	473	447	583	...	...
Jamaica	FOB	1 390	1 442	1 523	1 568	1 469	1 443	1 538	1 454	...	...
Saint Kitts and Nevis	CIF	66	58	56	68	55	51	58	62	62	...
Saint Lucia	CIF	171	166	180	183	166	156	174	180	159	...
Saint Vincent and the Grenadines	CIF	82	79	83	87	83	91	89	94	84	...
Suriname	CIF	349	471	396	464	429	424	438	491	618	...
Trinidad and Tobago	CIF	1 748	2 511	2 532	2 721	2 497	2 470	1 854	2 244	...	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Figures as of May.

^b Figures as of April.

^c Figures as of February.

Table A-11
Latin America: terms of trade for goods f.o.b./f.o.b.
(Indices 2005=100)

	2004	2005	2006	2007	2008	2009	2010	2011	2012 ^a
Latin America	95.3	100.0	106.8	109.6	113.0	103.3	113.4	122.2	118.6
Argentina	102.2	100.0	106.0	110.0	124.6	118.9	118.4	126.3	125.8
Bolivia (Plurinational State of)	93.0	100.0	125.0	127.0	128.7	124.6	140.9	156.4	161.8
Brazil	98.7	100.0	105.3	107.5	111.3	108.7	126.1	136.1	128.1
Chile	89.3	100.0	131.1	135.6	117.9	119.3	146.0	146.9	138.5
Colombia	92.2	100.0	103.8	112.1	124.4	107.0	121.0	135.4	135.5
Costa Rica	104.0	100.0	97.1	96.1	92.5	95.6	91.8	88.4	87.9
Cuba	102.7	100.0	126.3	132.9	...	...	...	...	...
Dominican Republic	101.0	100.0	99.0	102.3	97.7	105.7	101.8	96.5	95.5
Ecuador	89.3	100.0	107.3	110.3	121.1	107.2	118.0	129.8	131.7
El Salvador	100.0	100.0	98.7	97.7	95.0	98.1	94.4	94.4	91.2
Guatemala	100.9	100.0	98.1	96.3	93.8	101.8	101.3	100.4	94.9
Haiti	103.8	100.0	96.2	93.5	67.2	87.0	84.1	69.8	72.3
Honduras	100.0	100.0	95.4	93.6	87.9	94.0	96.6	104.7	91.4
Mexico	98.1	100.0	100.5	101.4	102.2	90.8	97.7	104.7	102.6
Nicaragua	101.4	100.0	97.6	96.6	92.4	101.3	102.2	101.8	101.8
Panama	101.9	100.0	97.1	96.2	91.8	96.3	94.4	92.4	92.7
Paraguay	107.1	100.0	98.1	102.7	110.2	107.8	107.8	110.3	111.4
Peru	93.2	100.0	127.3	132.0	114.4	108.1	127.7	143.9	136.9
Uruguay	110.1	100.0	97.6	97.8	103.7	106.8	110.2	112.2	116.4
Venezuela (Bolivarian Republic of)	76.5	100.0	119.4	130.9	161.6	117.6	139.8	168.1	169.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Preliminary figures.

Table A-12
Latin America and the Caribbean (selected countries): remittances from emigrant workers
(Millions of dollars)

	2008	2009	2010	2011	2012				2013	
					Q1	Q2	Q3	Q4	Q1	Q2 ^a
Brazil	2 913	2 224	2 189	2 134	481	538	478	493	457	329
Colombia	4 842	4 145	4 023	4 168	961	1 033	1 006	1 074	952	382 ^b
Costa Rica	563	489	505	487	122	124	141	140	...	...
Dominican Republic	3 222	3 042	2 998	3 200	791	738	718	911	...	...
Ecuador	3 083	2 736	2 591	2 672	596	625	606	619	...	...
El Salvador	3 742	3 387	3 431	3 649	946	999	949	1 018	921	715
Guatemala	4 315	3 912	4 127	4 378	1 058	1 303	1 229	1 193	1 133	928
Honduras	2 714	2 403	2 526	2 750	673	729	718	723	685	288 ^b
Jamaica	2 021	1 792	1 906	2 025	505	522	493	517	493	...
Mexico	25 144	21 306	21 304	22 803	5 386	6 470	5 414	5 168	4 822	1 902 ^b
Nicaragua	818	768	823	912	250	244	246	254	265	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Figures as of May.

^b Figures as of April.

Table A-13
Latin America and the Caribbean: net resource transfer^a
(Millions of dollars)

	2004	2005	2006	2007	2008	2009	2010	2011	2012 ^b
Latin America and the Caribbean	-67 224	-78 919	-94 054	15 046	-32 842	-27 223	27 764	36 383	21 935
Latin America	-66 998	-77 382	-89 735	16 547	-30 400	-26 657	30 294	38 237	23 883
Argentina	-7 175	-3 722	-10 388	-198	-14 317	-16 154	-8 544	-16 539	-15 090
Bolivia (Plurinational State of)	-571	-434	-175	-43	-154	-1 094	-707	670	-1 919
Brazil	-29 955	-35 633	-10 553	56 642	-9 401	37 269	56 887	63 792	37 683
Chile	-10 615	-10 541	-23 481	-29 153	-1 352	-13 265	-14 886	3 332	-3 546
Colombia	-849	-1 846	-2 925	2 713	-788	-2 990	-79	-2 734	158
Costa Rica	432	1 166	2 058	1 929	2 022	-247	1 097	1 768	3 565
Cuba	150	-633	-618	-960	...	...	...	...	...
Dominican Republic	-2 324	-321	-221	666	2 462	1 248	3 096	2 651	1 506
Ecuador	-1 084	-1 580	-3 691	-2 138	-2 236	-2 258	-586	-646	-1 587
El Salvador	132	-59	375	1 039	1 477	179	-270	24	975
Guatemala	1 359	995	1 096	1 159	809	-902	29	154	574
Haiti	94	-20	201	286	465	479	1 033	589	636
Honduras	743	177	149	612	1 530	-428	700	605	94
Mexico	1 089	727	-10 998	1 098	7 372	-3 498	12 683	21 285	8 979
Nicaragua	616	590	804	1 178	1 315	780	838	1 087	1 056
Panama	-414	418	-1 198	925	1 562	-664	1 223	1 744	593
Paraguay	-98	72	168	400	486	546	439	-676	-1 445
Peru	-1 354	-4 596	-7 681	-165	-288	-6 619	3 762	-5 645	9 262
Uruguay	-137	84	-52	710	3 045	929	-1 109	2 319	4 447
Venezuela (Bolivarian Republic of)	-17 037	-22 225	-22 603	-20 155	-24 408	-19 968	-25 312	-35 543	-22 060
The Caribbean	-225	-1 538	-4 320	-1 500	-2 442	-566	-2 530	-1 854	-1 948
Antigua and Barbuda	56	137	260	333	282	108	148	89	45
Bahamas	349	57	787	723	903	909	623	864	1 077
Barbados	58	263	89	293	204	102	278	372	...
Belize	7	25	-51	-84	38	22	-94	-64	-39
Dominica	20	62	48	66	108	116	73	67	44
Grenada	47	138	203	211	201	160	153	175	174
Guyana	-10	143	242	215	350	474	414	348	449
Jamaica	605	623	798	937	2 120	430	871	1 386	662
Saint Kitts and Nevis	43	23	70	89	184	172	142	121	58
Saint Lucia	47	40	268	295	257	125	195	235	187
Saint Vincent and the Grenadines	99	70	106	168	204	189	221	163	225
Suriname	112	83	-179	-152	-271	-11	-721	-389	-255
Trinidad and Tobago	-1 659	-3 200	-6 962	-4 594	-7 022	-3 362	-4 833	-5 220	-4 573

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a The net resource transfer is calculated as total net capital income minus the income balance (net payments of profits and interest). Total net capital income is the balance on the capital and financial accounts plus errors and omissions, plus loans and the use of IMF credit plus exceptional financing. Negative figures indicate resources transferred outside the country.

^b Preliminary figures.

Table A-14
Latin America and the Caribbean: net foreign direct investment ^a
(Millions of dollars)

	2004	2005	2006	2007	2008	2009	2010	2011	2012 ^b
Latin America and the Caribbean	50 192	57 358	32 512	92 793	99 148	70 324	76 003	125 784	125 662
Latin America	47 946	54 744	29 321	89 145	93 644	67 628	73 778	121 194	122 862
Argentina	3 449	3 954	3 099	4 969	8 335	3 307	6 884	8 394	11 462
Bolivia (Plurinational State of)	63	-242	278	363	509	420	651	859	1 060
Brazil	8 339	12 550	-9 380	27 518	24 601	36 033	36 917	67 690	68 095
Chile	5 096	4 962	5 214	7 720	6 367	5 654	5 912	2 557	9 233
Colombia	2 873	5 590	5 558	8 136	8 110	3 789	-84	5 158	16 071
Costa Rica	733	904	1 371	1 634	2 072	1 339	1 441	2 098	1 839
Dominican Republic	909	1 123	1 085	1 667	2 870	2 165	1 896	2 275	3 610
Ecuador	837	493	271	194	1 056	306	163	639	587
El Salvador	366	398	268	1 455	824	366	117	385	516
Guatemala	255	470	552	720	737	574	782	1 009	1 167
Haiti	6	26	161	75	30	38	150	181	179
Honduras	553	599	669	926	1 007	505	971	997	1 052
Mexico	20 389	17 899	14 248	23 057	25 731	8 940	6 819	9 465	-11 872
Nicaragua	250	241	287	382	626	434	508	968	810
Panama	1 019	918	2 547	1 899	2 147	1 259	2 363	2 755	3 020
Paraguay	32	47	167	178	272	194	340	215	273
Peru	1 599	2 579	3 467	5 425	6 188	5 165	7 062	8 119	12 297
Uruguay	315	811	1 495	1 240	2 117	1 512	2 349	2 512	2 708
Venezuela (Bolivarian Republic of)	864	1 422	-2 032	1 587	45	-4 374	-1 462	4 919	756
The Caribbean	2 246	2 614	3 191	3 647	5 504	2 696	2 225	4 590	2 801
Antigua and Barbuda	80	221	359	338	159	81	97	65	71
Bahamas	274	563	706	746	860	497	872	667	445
Barbados	-16	119	200	256	223	218	...	...	...
Belize	111	126	108	139	167	108	96	93	72
Dominica	26	19	26	40	57	42	24	14	20
Grenada	65	70	90	157	135	103	60	43	30
Guyana	30	77	102	110	178	164	270	308	294
Jamaica	542	581	797	751	1 361	480	169	144	273
Saint Kitts and Nevis	56	93	110	134	178	131	116	110	100
Saint Lucia	77	78	234	272	161	146	121	97	107
Saint Vincent and the Grenadines	66	40	109	119	159	110	97	86	125
Suriname	-37	28	-163	-247	-234	-93	-248	73	69
Trinidad and Tobago	973	599	513	830	2 101	709	549	2 891	1 195

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Corresponds to direct investment in the reporting economy after deduction of outward direct investment by residents of that country. Includes reinvestment of profits.

^b Preliminary figures.

Table A-15
Latin America and the Caribbean: total gross external debt ^a
(Millions of dollars, end-of-period stocks)

		2005	2006	2007	2008	2009	2010	2011	2012
Latin America and the Caribbean		676 384	668 273	739 755	763 639	826 323	984 001	1 095 285	1 191 057
Latin America		662 303	653 596	724 726	747 790	809 286	964 290	1 079 325	1 177 011
Argentina	Total	113 768	108 839	124 542	124 916	115 537	129 333	140 655	141 126
	Public	65 374	61 086	70 796	64 446	61 803	69 489	73 208	71 334
	Private	48 394	47 753	53 746	60 471	53 734	59 844	67 447	69 792
Bolivia (Plurinational State of)	Total	7 666	6 278	5 403	5 930	5 801	5 875	6 298	6 283
	Public	4 947	3 275	2 269	2 506	2 710	3 059	3 582	3 575
	Private	2 719	3 002	3 134	3 424	3 092	2 815	2 716	2 708
Brazil	Total	169 451	172 589	193 219	198 340	198 192	256 804	298 204	312 898
	Public	87 567	76 269	70 272	67 352	77 155	82 847	77 300	82 245
	Private	81 884	96 320	122 947	130 988	121 037	173 957	220 904	230 653
Chile	Total	46 211	49 497	55 733	64 318	74 041	86 738	98 895	117 776
	Public	9 847	11 445	12 761	12 288	13 751	17 408	20 647	25 243
	Private	36 364	38 052	42 972	52 030	60 290	69 330	78 248	92 533
Colombia	Total	38 507	40 103	44 553	46 369	53 719	64 723	75 903	78 642
	Public	24 189	26 299	28 819	29 447	37 129	39 546	42 769	46 400
	Private	14 317	13 803	15 734	16 921	16 590	25 177	33 135	32 242
Costa Rica	Total	6 763	7 191	8 444	9 105	8 238	9 189	10 714	14 473
Dominican Republic	Public	5 847	6 295	6 556	7 219	8 215	9 947	11 625	12 872
Ecuador	Total	17 237	17 099	17 445	16 900	13 514	13 914	15 210	15 903
	Public	10 851	10 215	10 605	10 028	7 364	8 622	9 973	10 768
	Private	6 387	6 884	6 839	6 871	6 149	5 292	5 237	5 135
El Salvador	Total	8 877	9 692	9 349	9 994	9 882	9 698	10 670	12 121
	Public	4 976	5 693	5 444	5 837	6 550	6 806	7 116	8 021
	Private	3 901	4 000	3 905	4 157	3 332	2 893	3 554	4 100
Guatemala	Total	8 832	9 844	10 909	11 163	11 248	12 026	14 021	15 758
	Public	3 972	4 204	4 458	4 423	5 391	6 038	6 027	6 823
	Private	4 860	5 640	6 451	6 741	5 857	5 988	7 993	8 935
Haiti	Public	1 335	1 484	1 628	1 917	1 272	353	727	1 049
Honduras	Total	5 135	3 935	3 190	3 464	3 345	3 773	4 188	4 842
	Public	4 364	3 030	2 026	2 323	2 461	2 831	3 202	3 647
	Private	771	905	1 164	1 141	884	942	986	1 196
Mexico	Total	128 248	119 084	128 090	129 424	165 932	197 727	209 743	229 032
	Public	71 675	54 766	55 355	56 939	96 354	110 428	116 420	125 726
	Private	56 573	64 318	72 735	72 484	69 578	87 299	93 322	103 306
Nicaragua	Public	5 348	4 527	3 385	3 512	3 661	3 876	4 073	4 289
Panama	Public	7 580	7 788	8 276	8 477	10 150	10 439	10 800	10 782
Paraguay	Total	2 700	2 739	2 868	3 256	3 167	3 719	3 823	3 770
	Public	2 271	2 240	2 205	2 204	2 234	2 335	2 291	2 238
	Private	429	499	663	1 052	933	1 384	1 532	1 532
Peru	Total	28 657	28 897	32 894	34 838	35 157	43 674	47 544	58 830
	Public	22 302	22 026	21 002	19 973	20 241	22 980	24 275	26 377
	Private	6 355	6 871	11 892	14 865	14 916	20 694	23 269	32 452
Uruguay	Total	13 717	12 977	14 864	15 425	17 969	18 425	18 345	21 072
	Public	10 499	9 637	11 383	11 064	13 117	13 182	14 436	16 607
	Private	3 218	3 340	3 480	4 361	4 853	5 243	3 909	4 464
Venezuela (Bolivarian Republic of)	Total	46 427	44 735	53 378	53 223	70 246	84 058	97 888	115 495
	Public	32 106	29 476	35 774	37 774	55 749	72 270	85 154	102 325
	Private	14 321	15 259	17 604	15 449	14 497	11 788	12 734	13 170
The Caribbean		14 081	14 677	15 028	15 849	17 037	19 711	15 960	14 046
Antigua and Barbuda	Public	317	321	481	436	416	431	444	...
Bahamas ^b	Public	287	289	273	384	703	711	799	1 037
Barbados ^c	Total	2 695	2 991	3 130	3 487	4 009	4 485	...	...
	Public	1 783	1 851	1 994	2 239	2 513	2 989	...	...
	Private	912	1 140	1 136	1 248	1 496	1 496	...	...
Belize ^c	Public	970	985	973	958	1 016	1 009	1 398	1 457
Dominica	Public	221	225	241	234	222	242	248	254
Grenada	Public	401	481	469	481	512	538	514	...
Guyana	Public	1 215	1 043	718	834	933	1 043	1 111	...
Jamaica ^c	Public	5 376	5 796	6 123	6 344	6 594	8 390	8 390	8 875
Saint Kitts and Nevis	Public	299	310	313	328	306	302	290	...
Saint Lucia	Public	350	365	399	364	373	393	384	...
Saint Vincent and the Grenadines	Total	231	220	219	235	261	273	283	...
Suriname	Public	390	391	298	319	269	334	463	564
Trinidad and Tobago ^d	Public	1 329	1 261	1 392	1 445	1 422	1 561	1 639	1 859

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Includes debt owed to the International Monetary Fund.

^b Fiscal years, from 1 July to 30 June.

^c Fiscal years, from 1 April to 31 March.

^d Fiscal years, from 1 October to 30 September.

Table A-16
Latin America and the Caribbean: sovereign spreads on EMBI+ and EMBI global
(Basis points to end of period)

		2008	2009	2010	2011	2012				2013	
						March	June	September	December	March	June
Latin America	EMBI +	722	328	305	410	355	418	352	317	361	426
Argentina	EMBI +	1 704	660	496	925	880	1 088	897	991	1 307	1 199
Belize	EMBI Global	...	...	617	1 391	1 665	1 691	2 399	2 245	789	872
Brazil	EMBI +	428	192	189	223	177	208	166	142	189	237
Chile	EMBI Global	343	95	115	172	148	167	143	116	153	180
Colombia	EMBI +	498	196	172	195	141	158	132	112	148	195
Dominican Republic	EMBI Global	...	...	322	597	506	488	418	343	385	401
Ecuador	EMBI +	4 731	769	913	846	824	892	743	826	700	665
El Salvador	EMBI Global	...	...	302	478	453	480	426	396	350	436
Jamaica	EMBI Global	...	...	427	637	579	640	662	711	680	623
Mexico	EMBI +	376	164	149	187	159	171	142	126	158	194
Panama	EMBI +	540	171	162	201	153	187	148	129	169	218
Peru	EMBI +	509	165	163	216	157	174	125	114	145	200
Uruguay	EMBI Global	685	238	188	213	127	173	139	127	173	235
Venezuela (Bolivarian Republic of)	EMBI +	1 862	1 017	1 044	1 197	907	1 097	928	773	787	966

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from JPMorgan, Emerging Markets Bond Index Monitor.

Table A-17
Latin America and the Caribbean: risk premia on five-year credit default swaps
(Basis points to end of period)

	2008	2009	2010	2011	2012				2013	
					March	June	September	December	March	June
Argentina	4 041	914	602	922	823	1 253	960	1 442	3 754	3 009
Brazil	301	123	111	162	122	157	112	108	137	185
Chile	203	68	84	132	92	116	83	72	66	98
Colombia	309	143	113	156	110	143	103	96	98	141
Mexico	293	134	114	154	118	140	101	98	97	131
Panama	302	134	99	150	112	144	102	98	96	143
Peru	304	124	113	172	122	162	106	97	98	145
Venezuela (Bolivarian Republic of)	3 218	1 104	1 016	928	722	894	777	647	739	1 013

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from Bloomberg.

Table A-18
Latin America and the Caribbean: international bond issues^a
(Millions of dollars)

	2008	2009	2010	2011	2012				2013	
					Q1	Q2	Q3	Q4	Q1	Q2
Total	18 913	64 750	83 533	96 385	42 808	13 148	30 957	27 328	27 600	32 064
Latin America and the Caribbean	18 466	61 950	82 007	93 720	41 971	12 317	30 237	27 232	27 083	31 957
Argentina	65	500	3 146	2 449	600	63	-	-	-	-
Bahamas	100	300	-	-	-	-	-	-	-	-
Barbados	-	450	390	-	-	-	-	-	-	-
Bolivia (Plurinational State of)	-	-	-	-	-	-	-	500	-	-
Brazil	6 400	25 745	39 500	38 147	24 076	5 859	10 456	9 864	8 372	16 803
Chile	-	2 773	6 750	6 049	1 350	500	3 350	4 243	3 109	2 822
Colombia	1 000	5 450	1 912	6 411	2 850	900	3 709	-	3 600	600
Costa Rica	-	-	-	250	-	250	-	1 000	-	1 500
Dominican Republic	-	-	1 034	750	-	-	-	750	300	1 000
El Salvador	-	800	450	654	-	-	-	800	310	-
Guatemala	30	-	-	150	200	700	-	500	700	100
Honduras	-	-	20	-	-	-	-	-	500	-
Jamaica	350	750	1 075	694	250	-	1 500	-	1 300	-
Mexico	5 835	15 359	19 957	25 846	9 520	3 055	9 147	6 425	5 547	5 852
Panama	686	1 323	-	897	300	-	800	-	-	750
Paraguay	-	-	-	100	-	-	-	500	500	-
Peru	-	2 150	4 693	2 455	2 825	990	1 275	2 150	2 845	2 530
Trinidad and Tobago	-	850	-	175	-	-	-	-	-	-
Uruguay	-	500	-	1 493	-	-	-	500	-	-
Venezuela (Bolivarian Republic of)	4 000	5 000	3 000	7 200	-	-	-	-	-	-
Supranational issues	447	2 800	1 526	2 665	837	831	720	96	517	107
Central American Bank for Economic Integration	-	500	151	-	250	-	-	-	245	-
Caribbean Development Bank	-	-	-	175	-	-	-	-	-	-
Foreign Trade Bank of Latin America	-	-	-	-	400	-	-	-	-	-
Andean Development Corporation	447	1 000	1 375	1 240	187	831	720	96	272	107
NII Holdings	-	1 300	-	1 250	-	-	-	-	-	-

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from Merrill-Lynch, J.P. Morgan and Latin Finance.
^a Includes sovereign, bank and corporate bonds.

Table A-19
Latin America and the Caribbean: stock exchange indices
(National indices to end of period, 31 december 2005=100)

	2008	2009	2010	2011	2012				2013	
					March	June	September	December	March	June
Argentina	70	150	228	160	174	152	159	185	219	193
Brazil	112	205	207	170	193	162	177	182	168	142
Chile	121	182	251	213	238	224	215	219	226	205
Colombia	79	122	163	133	158	141	148	155	149	135
Costa Rica	207	142	118	121	123	123	127	129	154	172
Ecuador	128	107	126	128	130	135	136	135	138	140
Jamaica	77	80	82	91	87	84	83	88	78	83
Mexico	126	180	217	208	222	226	230	246	248	228
Peru	147	295	487	406	492	421	451	430	414	324
Trinidad and Tobago	79	72	78	95	95	96	8 168	8 629	7 681	8 137
Venezuela (Bolivarian Republic of)	172	270	320	574	979	1 235	1 511	2 312	3 039	5 639

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from Bloomberg.

Table A-20
Latin America and the Caribbean: gross international reserves
(Millions of dollars, end-of-period stocks)

	2008	2009	2010	2011	2012				2013	
					March	June	September	December	March	May
Latin America and the Caribbean	512 611	567 421	655 993	774 230	799 222	819 678	829 742	836 041	844 705	826 336
Latin America	498 617	553 242	639 889	757 067	782 185	803 012	813 847	820 140	830 220	826 336
Argentina	46 198	47 967	52 145	46 376	47 291	46 348	45 010	43 290	40 446	38 814
Bolivia (Plurinational State of)	7 722	8 580	9 730	12 018	12 746	12 438	13 419	13 969	14 188	13 998
Brazil	193 783	238 520	288 575	352 012	365 216	373 910	378 726	373 147	376 934	374 417
Chile	23 162	25 371	27 864	41 979	39 551	40 344	40 107	41 640	39 832	40 148
Colombia	23 672	24 992	28 464	32 303	33 130	34 272	35 835	37 474	39 339	40 513
Costa Rica ^a	3 799	4 066	4 627	4 756	4 745	4 870	5 140	6 857	6 937	7 885
Dominican Republic ^a	2 662	3 307	3 765	4 098	3 459	3 608	3 369	3 559	3 826	4 392
Ecuador ^b	4 473	3 792	2 622	2 958	3 368	3 931	4 883	2 483	4 373	4 191
El Salvador	2 545	2 987	2 883	2 504	2 652	2 604	2 455	3 143	2 996	3 027
Guatemala ^a	4 659	5 213	5 954	6 188	6 141	6 813	6 754	6 694	7 280	7 253
Haiti	587	733	1 283	1 343	1 345	1 333	1 471	1 337	1 332	1 298
Honduras ^a	2 690	2 174	2 775	2 880	3 128	2 842	2 524	2 629	3 108	2 895
Mexico	95 302	99 893	120 587	149 209	155 949	162 721	165 590	167 050	171 298	170 097
Nicaragua	1 141	1 573	1 799	1 892	1 932	1 862	1 815	1 887	1 859	1 886
Panama ^a	2 637	3 222	2 843	2 514	2 010	2 518	1 971	2 441	2 122	2 794
Paraguay	2 864	3 861	4 169	4 984	4 804	4 800	4 838	4 994	5 793	5 930
Peru	31 233	33 175	44 150	48 859	55 843	57 281	61 240	64 050	67 975	66 814
Uruguay	6 360	7 987	7 743	10 302	11 285	12 090	12 810	13 605	13 478	14 939
Venezuela (Bolivarian Republic of)	43 127	35 830	27 911	29 892	27 590	28 427	25 890	29 891	27 104	25 045
The Caribbean	13 994	14 178	16 104	17 162	17 037	16 666	15 895	15 901	14 485	...
Antigua and Barbuda ^c	138	108	136	147	178	191	170	158	...	...
Bahamas	563	816	861	897	890	928	757	816	793	811
Barbados	680	829	805	805	806	772	748	828	803	759
Belize	156	210	216	242	243	262	272	289	312	338
Dominica ^c	55	64	66	74	84	84	84	91	...	...
Grenada ^c	104	112	103	105	105	95	98	103	...	...
Guyana	356	628	780	798	811	762	872	862	812	764
Jamaica	1 795	1 752	2 979	2 820	2 639	2 385	2 116	1 981	1 718	1 864
Saint Kitts and Nevis ^c	110	123	156	232	259	259	247	250	...	...
Saint Lucia ^c	140	151	182	190	192	182	168	206	...	...
Saint Vincent and the Grenadines ^c	83	75	111	88	91	106	97	109	...	...
Suriname	433	659	639	941	855	905	930	1 008	861	842
Trinidad and Tobago	9 380	8 652	9 070	9 823	9 885	9 735	9 336	9 201	9 186	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Series corresponding to the harmonized monetary and financial statistics.

^b Freely available international reserves.

^c Net international reserves.

Table A-21
Latin America and the Caribbean: real effective exchange rates^a
(Indices: 2005=100, average values for the period)

	2008	2009	2010	2011	2012 ^b				2013 ^b	
					Q1	Q2	Q3	Q4	Q1	Q2 ^c
Latin America and the Caribbean^d	88.6	88.0	85.2	82.9	80.9	80.9	80.6	80.2	79.4	79.4
Argentina	97.2	99.3	98.6	99.1	95.9	93.4	93.9	96.7	100.1	101.7
Barbados	97.8	93.1	89.4	91.5	89.9	90.5	90.6	90.4	90.7	90.1
Bolivia (Plurinational State of)	92.5	84.3	88.0	86.7	84.6	82.0	80.9	80.5	79.3	78.3
Brazil	79.9	81.5	70.6	67.5	69.2	76.0	77.6	78.6	74.6	74.3
Chile	96.9	100.9	95.4	94.3	93.5	94.0	91.0	90.6	89.3	89.2
Colombia	87.9	91.9	79.1	79.1	75.7	74.5	74.9	76.1	75.4	76.9
Costa Rica	93.9	92.8	82.4	79.4	78.7	76.5	75.6	75.3	74.1	73.2
Dominica	105.5	108.1	106.8	110.1	111.2	112.5	112.5	112.9	112.5	112.3
Dominican Republic	106.3	110.4	108.9	110.4	112.0	112.4	112.3	113.7	114.0	114.4
Ecuador	109.0	101.9	100.1	102.2	100.4	99.7	99.3	99.6	98.7	97.8
El Salvador	103.0	100.4	101.9	103.2	103.1	103.0	103.8	104.4	104.3	105.2
Guatemala	91.7	94.6	94.2	90.1	88.6	88.1	88.7	88.8	87.7	86.8
Honduras	93.8	87.0	86.1	84.9	83.9	82.5	83.4	84.8	84.7	82.3
Jamaica	99.2	111.1	98.5	96.2	95.3	95.6	96.7	97.1	97.5	99.2
Mexico	103.3	117.9	108.9	108.9	110.9	116.5	112.1	109.4	105.6	101.9
Nicaragua	97.6	103.7	101.2	106.1	106.5	106.9	108.6	109.3	106.2	104.8
Panama	101.5	97.0	98.1	98.2	95.4	93.8	93.4	93.7	92.9	92.0
Paraguay	72.9	80.4	77.9	69.8	72.6	69.8	69.8	70.2	64.9	65.7
Peru	99.3	97.7	94.1	95.9	91.6	89.5	87.3	87.2	86.5	86.9
Trinidad and Tobago	90.7	82.6	78.7	79.2	75.1	73.1	73.1	72.6	71.3	71.0
Uruguay	92.1	90.7	78.7	76.6	74.6	74.7	77.0	70.2	66.9	65.3
Venezuela (Bolivarian Republic of)	68.5	52.4	79.6	69.8	61.5	59.4	57.2	54.6	64.4	68.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a A country's overall real effective exchange rate index is calculated by weighting its real bilateral exchange rate indices with each of its trading partners by each partner's share in the country's total trade flows in terms of exports and imports. The extraregional real effective exchange rate index excludes trade with other Latin American and Caribbean countries. A currency depreciates in real effective terms when this index rises and appreciates when it falls.

^b Preliminary figures, weighted by trade in 2011.

^c Figures as of May.

^d Simple average of the extraregional real effective exchange rate for 20 countries.

Table A-22
Latin America and the Caribbean: participation rate
(Average annual rates)

			2006	2007	2008	2009	2010	2011	2012 ^a	2012	2013 ^a	
											First quarter	
Latin America and the Caribbean^b			Total	61.4	61.5	61.8	61.9	61.6	61.8	61.9
			Female	48.6	48.7	49.3	49.6	49.5	49.7	50.0
			Male	74.1	74.3	74.4	74.3	73.9	74.1	73.9
Argentina	Urban areas	Total	60.3	59.5	58.8	59.3	58.9	59.5	59.3	58.4	58.5	
		Female	49.0	47.7	47.2	48.0	47.0	47.4	47.6	46.8	46.5	
		Male	73.3	73.0	72.0	72.1	72.3	72.9	72.2	71.3	72.1	
Barbados	Nationwide total	Total	67.9	67.8	67.6	67.0	66.6	67.6	66.2	...	...
		Female	62.8	61.9	62.5	62.2	62.0	63.0	61.1	...	...
		Male	73.6	74.3	73.3	72.3	71.7	72.7	72.0	...	...
Bolivia (Plurinational State of)	Departamental capitals ^c	Total	66.3	64.8	...	56.9	57.3	...	...	...	...
		Female	58.7	56.2	...	...	...	...	...	...	...
		Male	74.2	74.2	...	...	...	...	...	...	...
Brazil	Six metropolitan areas	Total	56.9	56.9	57.0	56.7	57.1	57.1	57.3	56.9	57.2	
		Female	48.1	48.5	48.7	48.6	49.0	48.9	49.3	48.8	49.5	
		Male	66.8	66.5	66.5	66.0	66.5	66.5	66.6	66.3	66.3	
Chile ^d	Nationwide total	Total	54.8	54.9	56.0	55.9	58.5	59.8	59.5	59.9	59.6	
		Female	38.5	39.1	40.9	41.3	45.3	47.3	47.6	47.7	47.6	
		Male	71.7	71.4	71.8	71.0	72.1	72.7	71.9	72.5	72.1	
Colombia	Nationwide total	Total	59.1	58.3	58.5	61.3	62.7	63.7	64.5	64.2	63.5	
		Female	46.9	46.1	46.5	49.8	51.8	52.8	54.1	53.7	52.6	
		Male	72.0	71.1	71.1	73.3	74.2	75.1	75.4	75.1	74.9	
Costa Rica ^e	Nationwide total	Total	56.6	57.0	56.7	60.4	59.1	60.7	60.1	...	...
		Female	40.7	41.6	41.7	44.5	43.5	45.7	45.2	...	...
		Male	73.5	73.2	72.5	77.2	75.9	76.8	76.0	...	...
Cuba ^f	Nationwide total	Total	72.1	73.7	74.7	75.4	74.9	76.1	...	...	...
		Female	56.7	59.3	60.2	61.0	60.5	60.5	...	...	...
		Male	86.0	86.7	87.8	88.4	87.7	90.0	...	...	...
Dominican Republic	Nationwide total	Total	56.0	56.1	55.6	53.8	55.0	56.2	56.5	...	...
		Female	43.6	43.2	43.5	40.3	42.4	44.0	45.0	...	...
		Male	68.6	69.3	67.9	67.4	67.8	68.5	68.1	...	...
Ecuador	Urban total	Total	59.1	61.3	60.1	58.9	56.9	55.2	55.9	57.2	54.9	
		Female	47.7	50.9	49.6	48.4	46.6	44.5	45.0	45.5	43.0	
		Male	71.2	72.5	71.3	70.0	68.0	67.0	67.8	69.7	68.0	
El Salvador ^g	Nationwide total	Total	52.6	62.1	62.7	62.8	62.5	62.7	63.2	...	...
		Female	40.4	46.7	47.3	47.6	47.3	47.0	47.9	...	...
		Male	67.0	81.0	81.4	81.0	80.9	81.2	81.4	...	...
Honduras	Nationwide total	Total	50.7	50.7	51.0	53.1	53.6	51.9	50.8	...	...
		Female	33.5	33.3	34.4	35.9	37.4	34.9	33.8	...	...
		Male	69.7	70.1	69.3	72.3	71.0	70.4	69.2	...	...
Jamaica	Nationwide total	Total	64.7	64.9	65.4	63.5	62.4	62.3	62.7	62.7	63.4	
		Female	56.4	56.5	57.3	55.7	54.8	54.9	55.6	55.6	56.6	
		Male	73.5	73.6	73.9	71.8	70.4	70.2	70.2	70.3	70.5	
Mexico	Nationwide total	Total	58.8	58.8	58.7	58.6	58.4	58.6	59.2	58.4	58.2	
		Female	41.2	41.7	41.5	42.0	41.6	42.0	43.0	41.9	41.9	
		Male	78.7	78.4	78.0	77.1	77.0	76.9	77.1	76.6	76.0	
Nicaragua ^e	Nationwide total	Total	51.4	53.4	53.3	66.9	72.1	...	...	...	...
Panama	Nationwide total	Total	62.6	62.7	63.9	64.1	63.5	61.9	63.5	...	...
		Female	45.8	46.8	47.2	48.3	47.5	45.6	48.2	...	...
		Male	79.9	79.3	81.5	80.9	80.4	79.2	80.1	...	...
Paraguay	Nationwide total	Total	59.4	60.8	61.7	62.9	60.5	60.7	...	...	...
		Female	45.3	48.0	47.9	49.7	47.3	48.9	...	...	...
		Male	73.7	73.9	75.8	75.9	73.5	72.8	...	...	...
Peru	Metropolitan Lima	Total	67.4	68.9	68.1	68.4	70.0	70.0	69.1	69.9	69.0	
		Female	58.7	59.6	58.9	60.1	61.7	61.5	60.7	61.9	60.4	
		Male	76.9	78.7	77.9	77.2	79.0	79.0	78.2	78.4	78.3	
Trinidad and Tobago	Nationwide total	Total	63.9	63.5	63.5	62.7	62.1	61.3	61.8 ^h	...	...
Uruguay	Nationwide total	Total	60.8	62.7	62.5	63.2	62.9	63.9	63.9	63.3	63.2	
		Female	50.9	52.9	53.4	54.1	53.9	55.1	55.5	54.7	54.6	
		Male	72.3	74.1	73.2	73.7	73.3	73.7	73.2	72.7	73.0	
Venezuela (Bolivarian Republic of)	Nationwide total	Total	65.4	64.9	64.9	65.1	64.6	64.4	63.9	63.6	63.7	
		Female	50.6	50.0	50.1	51.0	50.5	50.3	50.1	49.8	49.9	
		Male	80.4	79.9	79.9	79.7	79.2	78.6	77.8	77.5	77.7	

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Preliminary figures.

^b The data relating to the different countries are not comparable owing to differences in coverage and in the definition of the working age population. The regional series are simple averages of national data (excluding Nicaragua and the Plurinational State of Bolivia) and include adjustments for lack of information and changes in methodology.

^c Up to 2007, urban areas.

^d New measurements have been used since 2010; the data are not comparable with the previous series.

^e New measurements have been used since 2009; the data are not comparable with the previous series.

^f The working-age population is measured as follows: for males, 17 to 59 years and for females, 15 to 54 years.

^g New measurements have been used since 2007; the data are not comparable with the previous series.

^h March and June average.

Table A-23
Latin America and the Caribbean: open urban unemployment^a
(Average annual rates)

		2005	2006	2007	2008	2009	2010	2011	2012 ^b	2012 2013 ^b First quarter	
Latin America and the Caribbean^c		9.0	8.6	7.9	7.3	8.1	7.3	6.7	6.4	...	...
Argentina	Urban areas	11.6	10.2	8.5	7.9	8.7	7.7	7.2	7.2	7.1	7.9 ^d
Bahamas ^e	Nationwide total	10.2	7.6	7.9	8.7	14.2	...	15.9	14.0	...	...
Barbados ^e	Nationwide total	9.1	8.7	7.4	8.1	10.0	10.8	11.2	11.7	...	...
Belize ^e	Nationwide total	11.0	9.4	8.5	8.2	13.1	12.5	...	15.3	...	...
Bolivia (Plurinational State of)	Departamental capitals ^f	8.1	8.0	7.7	6.7	7.9	6.1	5.8	...	...	...
Brazil	Six metropolitan areas	9.8	10.0	9.3	7.9	8.1	6.7	6.0	5.5	5.9	5.7 ^g
Chile ^h	Nationwide total	9.2	7.7	7.1	7.8	9.7	8.2	7.1	6.4	6.6	6.2 ^d
Colombia ^e	13 metropolitan areas	14.3	13.1	11.4	11.5	13.0	12.4	11.5	11.2	12.0	11.6 ^g
Colombia ⁱ	13 metropolitan areas	13.1	12.2	10.7	11.0	12.4	11.8	10.9	10.6	11.4	11.1 ^g
Costa Rica ^j	Urban total	6.9	6.0	4.8	4.8	8.5	7.1	7.7	7.8	...	...
Cuba	Nationwide total	1.9	1.9	1.8	1.6	1.7	2.5	3.2	3.8	...	...
Dominican Republic	Nationwide total	6.4	5.5	5.1	4.7	5.3	5.0	5.8	6.5	...	...
Ecuador ^e	Urban total	8.5	8.1	7.4	6.9	8.5	7.6	6.0	4.9	4.9	4.6 ^d
Ecuador ⁱ	Urban total	6.5	5.7	5.5	5.3	6.8	6.1	4.9	4.2	4.3	4.2 ^d
El Salvador	Urban total	7.3	5.7	5.8	5.5	7.1	6.8	6.6	6.2	...	...
Guatemala ^k	Urban total	...	...	...	...	...	4.8	3.1	4.0	...	...
Honduras	Urban total	6.5	4.9	4.0	4.1	4.9	6.4	6.8	5.6	...	...
Jamaica ^e	Nationwide total	11.3	10.3	9.8	10.6	11.4	12.4	12.6	13.7	14.1	14.2 ^l
Jamaica ⁱ	Nationwide total	5.8	5.8	6.0	6.9	7.5	8.0	8.4	9.2	9.4	9.9 ^l
Mexico	Urban areas	4.7	4.6	4.8	4.9	6.7	6.4	6.0	5.9	5.9	5.9 ^g
Nicaragua	Urban total	7.0	7.0	6.9	8.0	10.5	9.7	...	...	...	...
Panama ^e	Urban total	12.1	10.4	7.8	6.5	7.9	7.7	5.4	4.8	...	...
Panama ⁱ	Urban total	9.8	8.4	5.8	5.0	6.3	5.8	3.6	3.6	...	...
Paraguay	Asunción and urban areas of the Central Department ^m	7.6	8.9	7.2	7.4	8.2	7.0	6.5	8.1	...	...
Peru	Urban total	9.6	8.5	8.4	8.4	8.4	7.9	7.7	6.8	8.7	6.4 ^d
Trinidad and Tobago	Nationwide total	8.0	6.2	5.6	4.6	5.3	5.9	5.1	5.2 ⁿ	...	...
Uruguay	Urban total	12.2	11.4	9.6	7.9	7.6	7.1	6.3	6.4	6.0	6.7 ^o
Venezuela (Bolivarian Republic of)	Nationwide total	12.4	9.9	8.4	7.3	7.9	8.7	8.3	8.1	8.8	8.1 ^g

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of household surveys.

^a Unemployed population as a percentage of the economically active population.

^b Preliminary figures.

^c Weighted average adjusted for lack of information and differences and changes in methodology. The data relating to the different countries are not comparable owing to differences in coverage and in the definition of the working age population.

^d The figures in the last two columns refer to the first quarter.

^e Includes hidden unemployment.

^f Up to 2008, urban areas.

^g The figures in the last two columns refer to the period January-May.

^h New measurements have been used since 2010; the data are not comparable with the previous series.

ⁱ Includes an adjustment to the figures for the economically active population for exclusion of hidden unemployment.

^j New measurements have been used since 2009; the data are not comparable with the previous series.

^k Owing to methodological changes, as of 2011 the data are not comparable with the previous series.

^l The figures in the last two columns refer to the measurement of January.

^m Up to 2011, urban total.

ⁿ March and June average.

^o The figures in the last two columns refer to the period January-April.

Table A-24
Latin America and the Caribbean: employment rate^a
(Average annual rates)

		2005	2006	2007	2008	2009	2010	2011	2012 ^b	2012 ^b	2013 ^b	
											First semester	
Latin America and the Caribbean^c		53.3	53.7	54.2	54.5	54.2	54.9	55.4	55.8	...	...
Argentina	Urban areas	52.9	54.1	54.5	54.2	54.2	54.4	55.2	55.0	54.2	53.9 ^d	
Bahamas	Nationwide total	68.5	69.4	70.2	69.7	63.0	...	60.6	64.1	...	...
Barbados	Nationwide total	63.2	61.9	62.7	62.1	60.3	59.4	60.0	58.6	...	...
Bolivia (Plurinational State of)	Departmental capitals ^e	51.2	54.0	52.7	...	52.4	53.6	...	...	...	...
Brazil	Six metropolitan areas	51.0	51.2	51.6	52.5	52.1	53.2	53.7	54.2	53.7	53.9 ^f	
Chile ^g	Nationwide total	50.4	50.5	51.0	51.7	50.5	53.7	55.5	55.7	55.9	55.9 ^d	
Colombia	Nationwide total	53.4	52.0	51.8	51.9	53.9	55.4	56.8	57.9	57.3	56.9 ^f	
Costa Rica ^h	Nationwide total	53.0	53.3	54.4	53.9	55.4	54.8	56.0	55.4	...	...
Cuba ⁱ	Nationwide total	70.7	70.7	72.4	73.6	74.2	73.0	73.6	...	...	...
Dominican Republic	Nationwide total	45.9	46.9	47.4	47.7	45.8	47.1	48.0	48.2	...	...
Ecuador	Urban total	54.4	54.3	56.8	56.0	53.9	52.6	51.9	53.2	54.4	52.3 ^d	
El Salvador ^j	Nationwide total	48.3	49.2	58.1	59.0	59.2	58.1	58.6	59.4	...	...
Honduras	Nationwide total	48.6	49.0	49.2	49.4	51.5	51.5	49.7	49.0	...	...
Jamaica ^g	Nationwide total	57.0	58.0	58.6	58.5	56.3	54.6	54.4	54.1	53.9	54.3 ^k	
Mexico	Nationwide total	55.8	56.7	56.7	56.3	55.4	55.3	55.6	56.3	55.9	55.7 ^f	
Nicaragua ^h	Nationwide total	50.8	48.8	48.6	50.1	61.8	66.8	...	...	...	...
Panama	Nationwide total	57.3	57.2	58.7	60.3	59.9	59.4	59.1	61.0	...	...
Paraguay	Nationwide total	58.2	55.4	57.4	57.0	57.1	57.1	57.3	...	...	...
Peru	Urban total	60.7	61.8	63.0	62.4	62.7	64.5	64.5	64.4	63.8	64.6 ^d	
Trinidad and Tobago	Nationwide total	58.6	59.9	59.9	60.6	59.4	58.4	58.2	58.6 ^l	...	...
Uruguay	Nationwide total ^m	51.4	54.2	56.8	57.7	58.6	59.1	60.1	59.9	59.7	59.3 ⁿ	
Venezuela (Bolivarian Republic of)	Nationwide total	58.1	58.9	59.4	60.2	60.0	59.0	59.0	58.7	58.1	58.6 ^f	

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Employed population as a percentage of the working-age population.

^b Preliminary figures.

^c Weighted average adjusted for lack of information and differences and changes in methodology. The data relating to the different countries are not comparable owing to differences in coverage and in the definition of the working age population.

^d The figures in the last two columns refer to the first quarter.

^e Up to 2007, urban areas.

^f The figures in the last two columns refer to the period January-May.

^g New measurements have been used since 2010; the data are not comparable with the previous series.

^h New measurements have been used since 2009; the data are not comparable with the previous series.

ⁱ The working-age population is measured as follows: for males, 17 to 59 years and for females, 15 to 54 years.

^j New measurements have been used since 2007; the data are not comparable with the previous series.

^k The figures in the last two columns refer to the measurement of January.

^l March and June average.

^m The figure for 2005 refers to the urban total.

ⁿ The figures in the last two columns refer to the period January-April.

Table A-25
Latin America and the Caribbean: formal employment indicators
(Indices 2005=100)

	2004	2005	2006	2007	2008	2009	2010	2011	2012 ^a	2012 ^a	2013 ^a
											First semester
Argentina ^b	90.2	100.0	108.6	117.6	125.4	125.0	128.7	135.2	137.7	...	...
Brazil ^c	94.7	100.0	104.9	110.2	117.3	119.7	127.0	133.8	138.0	134.8	137.3 ^d
Chile ^b	92.7	100.0	106.3	114.9	123.2	124.7	132.4	140.0	148.4	147.5	153.6 ^e
Costa Rica ^f	95.5	100.0	106.7	115.7	124.3	123.5	127.3	131.3	135.9	135.9	138.7 ^e
El Salvador ^f	96.6	100.0	104.9	110.3	113.5	110.4	112.1	115.8	118.2	...	...
Guatemala ^f	98.6	100.0	102.4	107.1	107.0	108.6	110.5	115.2	118.3	...	...
Jamaica ^g	98.9	100.0	101.0	102.4	104.4	103.4	...	...	...	...	...
Mexico ^f	96.9	100.0	104.8	109.1	111.4	107.9	112.0	116.9	122.3	120.5	125.4 ^d
Nicaragua ^f	91.6	100.0	110.5	120.8	129.8	132.5	140.7	152.1	164.0	161.0	174.0 ^e
Panama ^{f,h}	91.6	100.0	106.8	121.9	140.8	143.6	145.8	160.9	168.4	165.5	169.9 ⁱ
Peru ^j	95.7	100.0	107.4	116.1	125.8	127.4	132.6	139.8	145.3	138.9	144.2 ⁱ
Uruguay ^k	90.1	100.0	108.8	118.2	127.4	131.2	139.0	145.7	151.4	150.7	153.7 ^e

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Preliminary figures.

^b Dependent workers paying into pension schemes.

^c Workers covered by social and labour legislation.

^d The figures in the last two columns refer to the period January-May.

^e The figures in the last two columns refer to the period January-April.

^f Workers with social security coverage.

^g Workers of medium-sized and large firms.

^h As of 2012, corresponds to workers in small, medium-sized and large businesses, in manufacturing, commerce and services.

ⁱ The figures in the last two columns refer to the first quarter.

^j Workers at firms with 10 or more employees.

^k Employment positions generating social security contributions.

Table A-26
Latin America: visible underemployment by hours
(Percentages of employed workers)

		2004	2005	2006	2007	2008	2009	2010	2011	2012 ^a
Argentina ^b	Urban areas	17.5	14.2	12.5	10.4	9.5	11.1	9.8	9.1	9.3
Brazil ^c	Six metropolitan areas	4.6	3.7	4.1	3.6	3.1	3.1	2.7	2.3	2.0
Chile ^d	Nationwide total	8.4	8.5	8.5	8.0	9.0	10.8	11.5	11.6	11.2
Colombia ^e	Thirteen metropolitan areas	15.2	13.8	11.9	10.0	9.1	9.5	12.0	11.1	11.7
Costa Rica ^f	Nationwide total	14.4	14.6	13.5	11.5	10.5	13.5	11.2	13.4	13.8
Ecuador ^c	Urban total ^g	8.1	7.3	6.3	11.3	10.6	11.8	11.5	9.4	7.9
El Salvador ^{c,h}	Urban total	4.5	6.2	4.9	5.3	6.3	7.7	7.0	3.4	...
Honduras ⁱ	Urban total	6.5	6.9	5.4	4.3	3.5	4.4	6.7	10.6	10.1
Mexico ^j	Nationwide total	...	7.5	6.8	7.2	6.8	8.8	8.7	8.6	8.6
Panama ^c	Urban total	4.4	4.6	3.4	2.7	2.1	2.1	1.8	1.3	2.0
Paraguay ^k	Urban total	8.3	7.5	5.6	5.8	6.6	8.2	5.7	6.3	5.4
Peru ^b	Metropolitan Lima	18.1	17.8	16.4	16.5	15.6	15.4	14.5	12.4	12.2
Uruguay ^c	Urban total	15.8	17.1	13.6	12.9	10.8	9.1	8.6	7.2	7.1

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Preliminary figures.

^b Employed persons who work less than 35 hours per week and wish to work more hours; urban total.

^c Employed persons who work less than 40 hours per week and wish to work more hours.

^d Employed persons who work less than 30 hours per week and wish to work more hours. Up to 2009, employed persons who work less than 35 hours per week and wish to work more hours. The 2004-2005, 2006-2009 and 2010-2012 series are not comparable. In the first series a different sample was used and in the later series different measurements were used.

^e Employed persons who work less than 48 hours per week and wish to work more hours.

^f Employed persons wishing to work more than their current job permits. Up to 2008, employed persons who work less than 47 hours per week and wish to work more hours.

^g Up to 2006, the figures relate to Cuenca, Guayaquil and Quito

^h New measurements have been used since 2007; the data are not comparable with the previous series.

ⁱ Employed persons who work less than 36 hours per week and wish to work more hours.

^j Employed persons wishing to work more than their current job permits.

^k Employed persons who work less than 30 hours per week and wish to work more hours.

Table A-27
Latin America: real average wages
(Indices 2005=100)^a

	2005	2006	2007	2008	2009	2010	2011	2012 ^b	2012	2013 ^b
	First semester									
Bolivia (Plurinational State of) ^e	100.0	92.0	86.8	80.1	81.9	84.5	83.4	...	...	...
Brazil ^d	100.0	103.5	105.0	107.2	108.6	110.9	113.6	117.8	111.6	114.2 ^e
Chile ^f	100.0	101.9	104.8	104.6	109.6	112.0	114.8	118.5	117.0	122.3 ^e
Colombia ^g	100.0	104.0	103.8	102.2	103.5	106.4	106.7	107.8	104.7	107.3 ^h
Costa Rica ⁱ	100.0	101.6	102.9	100.9	108.6	110.9	117.2	118.8	124.3	125.0 ^e
Cuba	100.0	111.6	109.9	110.0	115.1	118.5	118.8	119.2	...	...
El Salvador ^j	100.0	100.4	98.0	94.9	98.2	99.3	96.4	93.7	...	...
Guatemala ⁱ	100.0	98.9	97.3	94.8	94.9	97.6	98.0	101.9	...	...
Mexico ⁱ	100.0	101.6	103.1	103.3	102.3	101.4	102.2	102.4	103.1	103.2 ^k
Nicaragua ⁱ	100.0	101.4	99.6	95.9	101.5	102.8	103.0	103.3	101.9	102.3 ^e
Panama	100.0	102.0	103.4	99.1	101.7	109.0	109.2	112.0 ^l	...	...
Paraguay	100.0	100.6	103.0	102.2	106.9	107.5	110.5	111.3	...	...
Peru ^m	100.0	101.2	99.4	101.6	104.8	107.5	...	...	...	...
Uruguay	100.0	104.3	109.3	113.2	121.4	125.5	130.5	136.0	136.3	140.5 ^k
Venezuela (Bolivarian Republic of)	100.0	105.1	106.4	101.6	95.7	90.6	93.3	98.8	94.4	93.6 ^h

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Figures deflated by the official consumer price index of each country.

^b Preliminary figures.

^c Private-sector average wage index.

^d Private-sector workers covered by social and labour legislation.

^e The figures in the last two columns refer to the period January-April.

^f General index of hourly remuneration.

^g Manufacturing.

^h The figures in the last two columns refer to the first quarter.

ⁱ Average wage declared by workers covered by social security.

^j Gross salary.

^k The figures in the last two columns refer to the period January-May.

^l The figure for 2012 corresponds to workers in small, medium-sized and large businesses, in manufacturing, commerce and services.

^m Private-sector workers in the Lima metropolitan area.

Table A-28
Latin America and the Caribbean: monetary indicators
(Percentage variation with respect to the year-earlier period)

		2008	2009	2010	2011	2012				2013	
						Q1	Q2	Q3	Q4	Q1	Q2 ^a
Latin America and the Caribbean											
Argentina	Monetary base	19.1	5.4	25.1	37.1	31.7	32.0	36.4	38.7	37.7	34.6
	Money (M1)	16.7	13.0	24.1	32.4	28.4	30.2	35.5	37.8	34.3	33.2 ^b
	M2	18.1	5.9	27.6	36.9	30.1	29.6	32.6	36.5	35.4	33.9 ^b
	Foreign-currency deposits	36.4	61.6	35.9	8.7	-8.4	-20.4	-36.9	-23.9	-23.2	-25.2 ^b
Bolivia (Estado Plurinacional de)	Monetary base	53.8	19.6	32.4	11.6	19.6	23.7	16.6	14.0	13.3	...
	Money (M1)	50.2	9.4	24.1	27.2	18.6	20.7	16.9	17.2	17.1	...
	M2	59.6	18.4	34.6	34.0	31.4	35.0	30.6	28.8	28.0	...
	Foreign-currency deposits	-9.2	20.4	4.7	-12.8	-3.6	-4.3	-6.8	-5.5	-4.1	...
Brazil	Monetary base	12.5	8.0	17.5	11.0	8.3	7.8	10.8	10.6	3.9	6.7
	Money (M1)	11.8	7.4	17.5	6.1	1.5	4.3	6.8	10.8	11.8	11.8
	M2	30.3	22.1	11.1	21.0	17.2	14.7	12.2	10.0	8.2	8.6
Chile	Monetary base	7.0	15.0	13.8	14.8	17.0	14.1	14.7	9.8	13.9	18.5
	Money (M1)	11.1	14.1	27.7	10.9	10.5	10.6	8.0	7.5	8.2	8.3
	M2	17.7	3.7	5.1	14.7	20.2	19.2	12.1	8.4	7.5	9.9
	Foreign-currency deposits	40.7	2.6	8.5	11.8	7.3	13.1	4.8	10.6	6.2	0.5
Colombia	Monetary base	14.3	10.3	12.4	15.1	10.0	11.2	7.3	9.6	7.5	13.8
	Money (M1)	8.0	9.7	14.7	16.2	8.0	8.2	6.1	4.9	10.0	12.2 ^b
	M2	14.6	13.2	6.9	14.8	18.8	17.2	15.6	16.1	16.0	17.0 ^b
Costa Rica	Monetary base	25.7	6.3	10.0	11.7	10.0	10.0	12.2	15.9	13.3	...
	Money (M1)	21.7	-3.4	9.5	19.2	12.0	8.7	6.6	10.4	11.1	...
	M2	22.9	1.3	2.6	11.1	11.5	13.1	15.4	15.3	14.8	...
	Foreign-currency deposits	10.7	36.8	-1.9	-5.5	-0.2	1.4	4.0	0.9	2.5	...
Dominican Republic	Monetary base	12.3	3.4	6.4	5.8	9.7	8.6	9.7	7.9	6.8	9.9
	Money (M1)	11.0	-1.1	17.7	4.9	4.2	4.5	9.6	10.2	13.3	8.8
	M2	10.6	7.2	13.3	8.8	11.6	11.8	13.7	10.7	9.0	7.7
	Foreign-currency deposits	14.9	4.6	18.7	17.8	20.8	18.0	18.6	16.8	13.7	18.5
Ecuador	Monetary base	16.4	18.1	24.1	9.9	20.0	10.0	15.3	19.7	19.2	26.0 ^b
	Money (M1)	44.5	38.0	16.1	15.5	13.8	13.8	10.7	17.8	16.1	14.4 ^b
	M2	33.0	22.0	18.6	20.0	20.8	18.8	14.8	16.9	14.6	11.9 ^b
El Salvador	Monetary base	8.1	10.8	0.4	-1.3	3.8	8.4	-3.9	-0.3	3.9	3.1
	Money (M1)	8.5	7.6	19.8	10.4	9.3	10.2	-0.8	-0.3	1.0	1.5
	M2	6.1	0.9	1.6	-2.1	-0.2	1.7	-0.3	0.9	1.7	1.1
Guatemala	Monetary base	4.1	6.6	8.0	10.1	3.8	3.1	4.0	12.1	10.3	13.7
	Money (M1)	3.4	7.6	7.2	9.1	7.6	4.3	4.7	6.5	6.3	8.4
	M2	7.3	9.4	8.4	10.6	9.9	8.4	9.1	10.1	9.4	10.5
	Foreign-currency deposits	9.9	18.1	11.6	4.9	0.8	0.9	5.2	6.1	7.7	13.3
Haiti	Monetary base	16.1	14.2	34.1	18.1	4.1	8.5	10.2	13.7	9.2	7.4 ^b
	Money (M1)	21.4	9.2	26.9	14.4	3.5	5.0	11.0	15.1	20.4	11.9
	M2	13.7	6.9	17.4	11.5	2.3	3.4	7.0	10.0	13.8	8.9
	Foreign-currency deposits	22.1	14.4	22.5	18.4	8.4	7.2	6.1	6.1	9.3	8.1
Honduras	Monetary base	24.8	11.6	-13.8	10.7	12.3	14.4	11.5	7.1	3.9	5.8 ^b
	Money (M1)	11.5	2.2	5.2	17.7	10.2	5.5	-1.9	-5.5	-11.7	-10.1 ^b
	M2	9.2	0.8	4.7	17.1	10.1	8.9	8.6	6.3	1.5	1.3 ^b
	Foreign-currency deposits	20.3	-1.0	5.4	7.8	14.8	10.6	17.8	17.9	14.2	21.0 ^b
Mexico	Monetary base	12.6	15.9	9.7	9.5	12.4	15.9	15.1	12.2	9.7	4.2
	Money (M1)	8.5	11.8	11.2	16.2	15.1	16.9	13.5	9.7	8.4	5.9
	M2	13.9	11.5	5.8	12.4	11.5	12.7	9.8	8.8	6.9	5.7
	Foreign-currency deposits	2.8	20.7	0.9	3.0	17.5	13.7	15.6	20.2	8.4	14.3
Nicaragua	Monetary base	15.2	0.7	24.0	20.5	27.6	19.5	11.1	15.7	1.5	8.0 ^b
	Money (M1)	32.9	4.4	21.4	24.8	27.3	20.9	15.9	7.8	2.9	6.2 ^b
	M2	32.9	4.4	21.4	24.8	27.3	20.9	15.9	7.8	2.9	6.2 ^b
	Foreign-currency deposits	10.2	5.3	25.8	7.8	19.8	21.4	23.3	20.1	14.7	14.4 ^b
Panama	Monetary base	17.7	11.2	7.5	27.1	15.1	10.2	10.2	15.2	16.6	28.0 ^b
	Money (M1)	26.5	17.4	19.2	21.5	17.7	19.1	15.9	15.8	10.6	12.2
	M2	17.1	9.2	11.3	9.9	9.1	11.3	11.2	11.7	10.2	10.2
Paraguay	Monetary base	27.6	30.7	5.2	5.0	12.9	13.0	9.2	12.2	8.8	4.1
	Money (M1)	30.5	6.6	28.7	7.8	9.3	8.2	7.5	9.3	16.2	20.7
	M2	38.4	13.3	26.4	14.0	16.2	13.9	12.1	13.1	17.0	21.4
	Foreign-currency deposits	21.1	40.1	16.4	13.5	10.1	16.5	18.3	14.7	8.1	9.0

Table A-28 (concluded)

		2008	2009	2010	2011	2012				2013	
						Q1	Q2	Q3	Q4	Q1	Q2 ^a
Peru	Monetary base	38.2	2.1	24.2	31.3	28.6	28.6	29.9	36.8	37.3	31.4
	Money (M1)	31.3	8.8	28.0	19.9	17.2	19.8	18.4	20.2	20.9	16.4
	M2	48.5	-2.2	27.8	18.8	17.8	25.5	23.0	27.8	27.4	22.0
	Foreign-currency deposits	11.2	23.1	-0.1	14.1	7.6	-3.3	0.3	-3.3	-3.3	6.9
Uruguay	Monetary base	28.6	6.1	12.9	23.1	28.1	22.9	22.8	14.6	15.2	13.0
	Money (M1)	22.4	13.1	24.6	19.6	20.8	23.8	18.6	11.2	12.7	8.3
	M2	26.1	11.3	25.8	26.0	20.8	21.4	16.4	11.8	12.1	9.6
	Foreign-currency deposits	4.5	25.7	0.2	7.1	6.5	18.4	19.9	9.4	9.1	7.5
Venezuela (Bolivarian Republic of)	Monetary base	39.5	18.3	24.5	27.0	41.6	25.2	40.9	52.4	55.6	65.2 ^b
	Money (M1)	24.3	28.8	27.5	44.8	59.1	62.5	62.8	63.1	63.6	63.1
	M2	16.9	28.3	18.0	37.6	54.1	57.1	57.6	60.3	62.1	61.7
The Caribbean											
Antigua and Barbuda	Monetary base	2.0	-10.5	0.9	20.1	30.6	42.7	23.8	21.4	...	...
	Money (M1)	6.7	-14.2	-7.3	-6.6	-2.0	-0.2	-1.2	-5.2	-7.2	-0.2 ^b
	M2	7.6	-2.9	-3.1	-1.1	1.3	2.2	2.8	0.7	1.7	2.6 ^b
	Foreign-currency deposits	-0.5	39.9	-45.2	5.8	4.7	-18.2	-22.5	-15.2	-22.9	-1.6 ^b
Bahamas	Monetary base	6.4	2.0	2.5	26.8	-4.9	-5.4	-15.4	-5.0	-6.4	...
	Money (M1)	0.3	-0.2	2.8	6.2	10.9	8.5	7.4	7.9	6.3	2.3
	M2	6.5	2.8	2.8	2.3	2.4	2.3	0.3	-0.5	-0.3	-2.2
	Foreign-currency deposits	15.9	8.4	0.1	-2.7	17.1	14.2	14.7	0.6	-1.7	6.2
Barbados	Monetary base	9.2	-13.9	3.4	7.7	-5.2	-4.2	-6.9	12.9	22.7	12.7
	Money (M1)	7.7	-5.3	1.7	-0.5	-18.5	-25.3	-25.7	-10.3	-3.1	...
	M2	8.8	-1.1	-1.5	-0.0	-8.8	-10.5	-7.5	0.6	2.0	...
Belize	Monetary base	11.5	11.9	-1.2	8.2	19.0	18.3	16.3	16.7	19.9	18.5
	Money (M1)	9.2	-1.9	-0.9	9.1	21.1	25.2	22.3	27.0	19.7	14.7
Dominica	Monetary base	-0.1	-4.6	9.7	8.5	14.9	20.7	19.5	16.3	...	...
	Money (M1)	4.4	-1.3	-1.5	-2.1	2.9	6.8	15.6	14.2	8.0	5.9 ^b
	M2	8.2	7.5	3.8	3.2	3.6	6.9	8.9	8.7	7.4	4.2 ^b
	Foreign-currency deposits	19.0	15.9	30.2	38.8	21.0	26.0	20.1	34.1	3.1	-9.5 ^b
Grenada	Monetary base	3.5	-8.5	6.0	7.2	8.7	8.0	0.4	2.2	...	...
	Money (M1)	3.1	-12.9	3.8	-7.3	-0.1	3.9	4.6	3.1	5.9	-0.6 ^b
	M2	8.1	1.0	3.4	0.4	1.2	2.1	1.9	2.2	3.6	1.6 ^b
	Foreign-currency deposits	2.7	17.4	-3.9	-5.5	13.5	17.5	5.5	-12.5	-26.7	-27.3 ^b
Guyana	Monetary base	16.5	10.6	17.7	17.4	10.2	11.9	20.2	18.3	15.7	12.4
	Money (M1)	18.6	8.2	12.9	21.9	16.5	14.6	16.6	16.5	13.9	11.3
Jamaica	Monetary base	9.5	22.8	5.5	5.3	7.2	4.9	5.9	7.2	6.4	6.8
	Money (M1)	9.1	7.6	7.0	7.8	6.1	2.1	5.4	5.2	7.2	7.5
	M2	7.9	4.4	6.1	5.6	4.0	1.4	4.0	3.9	6.7	6.3
	Foreign-currency deposits	10.9	17.5	-0.9	-4.8	2.5	4.6	8.6	11.9	25.5	28.5
Saint Kitts and Nevis	Monetary base	7.3	48.3	-3.2	36.1	31.8	24.9	6.2	-3.4	...	...
	Money (M1)	7.2	9.2	16.8	28.6	15.1	22.8	20.0	15.4	33.4	46.3 ^b
	M2	10.3	10.2	9.4	10.7	10.1	9.4	8.5	7.3	7.9	10.8 ^b
	Foreign-currency deposits	-9.2	-7.0	-9.0	-1.0	1.1	-2.4	2.3	25.9	28.7	25.5 ^b
Saint Lucia	Monetary base	10.2	8.5	3.6	16.3	7.2	-6.6	7.6	10.4	...	...
	Money (M1)	7.1	-2.4	-4.3	4.0	3.8	-0.2	5.2	4.3	6.5	14.7 ^b
	M2	10.7	4.1	0.2	4.9	4.9	2.1	4.6	3.4	4.7	8.1 ^b
	Foreign-currency deposits	8.9	9.3	-13.2	16.4	20.2	10.3	10.6	15.4	-17.4	-13.3 ^b
Saint Vincent and the Grenadines	Monetary base	2.0	-3.2	11.9	0.8	-4.6	20.4	17.1	16.8	...	...
	Money (M1)	-1.4	-8.3	-0.5	-3.9	-4.0	-1.9	0.4	4.4	5.5	11.2 ^b
	M2	1.9	0.8	2.2	1.9	-1.3	0.1	1.7	4.4	...	...
	Foreign-currency deposits	1.5	-6.5	-7.7	30.8	6.8	-9.0	-0.1	-25.6	3.8	28.1 ^b
Suriname	Monetary base	30.2	22.1	13.0	3.2	14.3	30.3	32.2	31.1	36.8	17.9 ^b
	Money (M1)	21.3	26.3	16.7	5.3	6.9	14.6	24.1	22.4	20.9	11.7
	M2	21.0	25.1	18.2	7.0	10.4	18.2	25.2	25.8	26.0	18.7
	Foreign-currency deposits	24.3	12.0	7.9	39.1	18.9	14.8	9.9	11.5	8.5	6.8
Trinidad and Tobago	Monetary base	32.3	37.6	24.7	14.1	25.7	21.2	10.3	7.0	12.5	...
	Money (M1)	17.6	24.0	25.5	17.2	18.5	15.1	14.3	14.1	14.4	...
	M2	17.2	17.6	17.9	8.4	11.5	11.9	12.9	11.9	11.7	...
	Foreign-currency deposits	21.1	32.2	7.9	-4.0	3.0	1.9	2.4	10.9	22.3 ^c	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Figures as of May.

^b Figures as of April.

^c Figures as of February.

Table A-29
Latin America and the Caribbean: domestic credit
(Percentage variation with respect to the year-earlier period)

	2008	2009	2010	2011	2012				2013	
					Q1	Q2	Q3	Q4	Q1	Q2 ^a
Latin America										
Argentina	23.9	2.3	51.3	59.5	31.0	28.7	33.7	37.9	41.1	39.7 ^b
Bolivia (Plurinational State of)	7.5	10.9	13.0	18.8	22.2	23.2	22.0	23.1	...	...
Brazil	15.8	11.3	18.0	17.6	17.5	16.1	16.9	16.7	14.0	14.6
Chile	18.4	6.6	-0.1	12.1	19.4	19.1	12.4	10.4	10.2	...
Colombia	15.7	14.3	20.9	15.0	16.0	16.7	11.8	14.1	...	...
Costa Rica	21.1	19.1	4.6	12.4	13.4	13.4	12.7	7.6	8.4	...
Dominican Republic	17.2	14.3	12.1	12.5	13.5	10.4	14.4	14.2	15.1	11.1 ^b
Ecuador	1.7	20.8	33.6	31.5	26.7	20.7	18.3	21.1	15.5	15.2 ^b
El Salvador	11.3	2.4	2.2	3.5	10.3	12.0	8.9	7.3	4.6	3.7
Guatemala	10.4	5.2	5.6	15.2	15.0	11.6	7.9	10.9	8.7	9.1
Haiti	7.8	9.7	-22.9	-17.0	-3.7	-0.5	15.0	35.4	76.9	71.4 ^b
Honduras	27.1	6.7	10.0	10.9	19.0	20.1	18.5	17.3	12.5	7.8 ^b
Mexico	8.7	16.7	10.6	11.3	11.1	11.1	10.3	10.6	10.4	11.0 ^b
Nicaragua	10.1	-2.1	-3.9	-7.3	11.4	23.9	30.6	25.9	27.1	30.4 ^b
Panama	15.9	1.2	9.5	18.8	19.8	21.0	15.7	16.4	20.5	17.0 ^b
Paraguay ^c	51.5	31.8	36.1	28.2	23.0	23.5	22.1	16.0	11.0	11.8
Peru	9.4	9.9	24.1	12.0	8.6	8.7	8.9	11.7	9.9	7.2
Uruguay	3.2	-2.6	13.9	39.9	27.5	13.3	18.1	-4.6	10.3	6.5 ^b
Venezuela (Bolivarian Republic of) ^d	22.0	28.4	13.7	36.0	52.9	58.8	56.7	55.8	58.2	59.9 ^b
The Caribbean										
Antigua and Barbuda	12.5	19.9	0.6	-3.9	-3.9	-2.6	-2.1	-4.8	-6.2	-6.8 ^b
Bahamas	7.5	5.3	3.4	0.8	2.1	6.6	5.1	3.4	2.4	-0.1
Barbados	10.1	6.4	-0.5	-0.9	2.6	7.5	8.4	7.9	11.3	...
Belize	9.3	5.6	-0.3	-1.6	-1.1	0.3	0.7	2.4	0.3	-1.0
Dominica	5.0	8.5	12.5	13.7	8.6	7.0	9.4	5.4	5.0	5.2 ^b
Grenada	13.1	8.9	3.9	2.6	4.0	4.7	6.5	4.7	4.2	1.4 ^b
Guyana	15.8	4.5	-0.8	34.5	45.9	66.4	38.7	18.1	22.1	21.1
Jamaica	16.3	15.0	-3.4	-4.1	10.4	10.2	13.8	12.5	15.8	17.1
Saint Kitts and Nevis	3.0	6.2	6.3	0.2	-7.0	-9.0	-7.7	-12.4	-14.5	-19.9 ^b
Saint Lucia	21.1	4.6	-0.3	2.9	4.3	6.9	7.5	7.7	8.9	9.7 ^b
Saint Vincent and the Grenadines	9.5	7.1	1.5	-7.2	-4.4	-6.6	0.9	6.5	7.7	14.6 ^b
Suriname	18.5	16.9	21.4	20.8	9.1	9.2	10.2	5.1	18.4	20.6 ^b
Trinidad and Tobago	6.5	35.5	36.6	9.3	-3.5	17.2	7.7	11.8	2.7	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Figures as of May.

^b Figures as of April.

^c Credit granted to the private sector by the banking sector.

^d Credit granted by the commercial and universal banks.

Table A-30
Latin America and the Caribbean: monetary policy rates
(Average rates)

	2008	2009	2010	2011	2012				2013	
					Q1	Q2	Q3	Q4	Q1	Q2
Latin America										
Argentina	11.3	14.0	12.3	11.8	14.0	12.4	11.9	12.8	13.1	14.0 ^a
Bolivia (Plurinational State of)	9.0	7.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Brazil	12.4	10.1	9.9	11.8	10.3	9.1	7.7	7.3	7.3	7.6
Chile	7.2	1.8	1.5	4.8	5.0	5.0	5.0	5.0	5.0	5.0
Colombia	9.8	5.8	3.2	4.0	5.0	5.3	5.0	4.7	4.0	3.3
Costa Rica	8.0	9.6	8.1	5.6	5.0	5.0	5.0	5.0	5.0	5.0
Dominican Republic	9.0	5.1	4.2	6.4	6.8	6.5	5.5	5.0	5.0	4.8
Guatemala	6.9	5.5	4.5	4.9	5.5	5.5	5.0	5.0	5.0	5.2
Haiti	6.9	6.2	5.0	3.2	3.0	3.0	3.0	3.0	3.0	3.0 ^a
Honduras	8.4	4.9	4.5	4.8	5.8	6.7	7.0	7.0	7.0	7.0
Mexico	7.8	5.7	4.5	4.5	4.5	4.5	4.5	4.5	4.3	4.0
Paraguay	5.9	2.1	2.2	8.0	6.5	6.3	5.7	5.5	5.5	5.5
Peru	5.9	3.3	2.1	4.0	4.3	4.3	4.3	4.3	4.3	4.3
Uruguay	7.4	8.5	6.3	7.5	8.8	8.8	8.8	9.0	9.3	9.3
Venezuela (Bolivarian Republic of)	12.3	8.1	6.3	6.4	6.4	6.5	6.3	6.3	6.2	6.2 ^a
The Caribbean										
Antigua and Barbuda	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Bahamas	5.3	5.3	5.3	4.8	4.5	4.5	4.5	4.5	4.5	4.5 ^a
Barbados	11.8	7.9	7.0	7.0	7.0	7.0	7.0	7.0	7.0	...
Belize	18.0	18.0	18.0	11.0	11.0	11.0	11.0	11.0	11.0	...
Dominica	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Grenada	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Guyana	6.6	6.9	6.4	5.4	5.5	5.5	5.3	5.3	5.2	5.0 ^b
Jamaica	14.1	14.8	9.0	6.6	6.3	6.3	6.3	6.3	6.1	5.8 ^b
Saint Kitts and Nevis	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Saint Lucia	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Saint Vincent and the Grenadines	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Trinidad and Tobago	8.4	7.5	4.7	3.2	3.0	3.0	2.9	2.8	2.8	2.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Figures as of May.

^b Figures as of April.

Table A-31
Latin America and the Caribbean: representative lending rates
(Average rates)

	2008	2009	2010	2011	2012				2013	
					Q1	Q2	Q3	Q4	Q1	Q2
Latin America										
Argentina ^a	19.8	21.3	15.2	17.7	21.4	18.8	18.1	18.8	19.6	20.1 ^b
Bolivia (Plurinational State of) ^c	8.9	8.5	5.2	6.3	6.7	6.5	6.7	7.0	7.1	6.8 ^b
Brazil ^d	54.1	47.5	42.9	44.9	44.7	39.6	38.1	37.2	37.5	36.8 ^b
Chile ^e	15.2	12.9	11.8	12.4	12.4	14.0	14.1	13.6	13.7	13.4
Colombia ^f	17.2	13.0	9.4	11.2	12.9	12.8	12.6	12.1	11.7	10.7 ^b
Costa Rica ^g	16.7	21.6	19.8	18.1	18.4	19.4	20.1	20.8	19.6	17.7 ^b
Dominican Republic ^h	16.0	12.9	8.3	11.7	13.7	13.1	11.8	10.1	10.6	10.9
Ecuador ⁱ	9.8	9.2	9.0	8.3	8.2	8.2	8.2	8.2	8.2	8.2 ^b
El Salvador ^j	7.9	9.3	7.6	6.0	5.6	5.5	5.6	5.8	5.7	5.7 ^b
Guatemala ^k	13.4	13.8	13.3	13.4	13.5	13.4	13.5	13.5	13.5	13.6 ^b
Haiti ^l	21.3	21.6	20.7	19.8	19.9	19.8	19.1	18.8	18.5	19.7 ^m
Honduras ⁿ	17.9	19.4	18.9	18.6	18.2	18.1	18.5	19.0	19.7	20.2 ^m
Mexico ^o	8.7	7.1	5.3	4.9	4.7	4.7	4.7	4.7	4.6	4.4 ^b
Nicaragua ^p	13.2	14.0	13.3	10.8	10.4	13.0	13.1	11.5	15.7	14.4 ^b
Panama ^q	8.2	8.3	7.9	7.3	7.0	6.9	7.0	7.1	7.2	7.1 ^b
Paraguay ^r	13.5	14.6	12.5	15.3	14.6	14.4	14.7	15.4	15.4	15.5 ^b
Peru ^s	23.7	21.0	19.0	18.7	18.9	19.4	19.4	19.2	19.3	19.0 ^b
Uruguay ^t	13.1	16.6	12.0	11.0	11.9	12.1	11.9	11.9	12.2	12.1 ^b
Venezuela (Bolivarian Republic of) ^u	22.8	20.6	18.0	17.4	16.0	16.4	16.5	16.0	15.5	15.7 ^b
The Caribbean										
Antigua and Barbuda ^v	10.1	9.5	10.2	10.1	10.0	9.1	9.0	9.5	9.4	...
Bahamas ^w	11.0	10.6	11.0	11.0	10.3	11.0	11.2	11.1	10.9	10.8 ^b
Barbados ^v	10.4	9.8	9.5	9.3	9.0	8.7	8.4	8.4	8.3 ^x	...
Belize ^y	14.1	14.1	13.9	13.4	12.8	12.6	12.3	12.1	11.9	...
Dominica ^v	9.4	10.0	9.4	8.7	8.7	9.0	9.0	9.0	9.0	...
Grenada ^v	9.4	10.7	10.3	10.4	10.3	9.2	9.2	9.2	9.2	...
Guyana ^h	13.9	14.0	15.2	14.7	14.6	14.2	14.1	13.0	12.5	12.5 ^m
Jamaica ^v	22.3	22.6	20.3	18.3	18.4	17.8	17.5	17.4	17.2	17.3 ^m
Saint Kitts and Nevis ^v	8.6	8.6	8.5	9.2	9.0	8.4	8.3	8.4	8.4	...
Saint Lucia ^v	9.3	9.5	9.5	9.2	9.1	8.4	8.4	8.5	8.4	...
Saint Vincent and the Grenadines ^v	9.5	9.1	9.0	9.0	9.1	9.4	9.4	9.4	9.4	...
Suriname ^z	12.0	11.7	11.7	11.8	11.6	11.8	11.7	11.8	12.0	12.0 ^m
Trinidad and Tobago ^h	12.3	11.9	9.2	8.0	7.8	7.8	7.8	7.6	7.5	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Local-currency loans to the non-financial private sector, at fixed or renegotiable rates, signature loans of up to 89 days.

^b Figures as of May.

^c Nominal local-currency rate for 60-91-day operations.

^d Interest rate on total consumer credit.

^e Non-adjustable 90-360 day operations.

^f Weighted average of consumer, prime, ordinary and treasury lending rates for the working days of the month. Owing to the high turnover of treasury credit, its weighting was set at one fifth of the amount disbursed daily.

^g Average system lending rate in local currency.

^h Prime lending rate.

ⁱ Effective benchmark lending rate for the corporate commercial segment.

^j Basic lending rate for up to one year.

^k Weighted average of the system lending rates in local currency.

^l Average of minimum and maximum lending rates.

^m Figures as of April.

ⁿ Weighted average of lending rates.

^o Weighted average rate of private debt issues of up to 1 year, expressed as a 28-day curve. Includes only stock certificates.

^p Weighted average of short-term lending rates in local currency.

^q Interest rate on one-year trade credit.

^r Commercial lending rate, local currency.

^s Market lending rate, average for transactions conducted in the last 30 business days.

^t Business credit, 30-367 days.

^u Average rate for loan operations for the six major commercial banks.

^v Lending rate, weighted average.

^w Weighted average of lending and overdraft rates.

^x Figures as of February.

^y Rate for personal and business loans, residential and other construction loans; weighted average.

^z Average lending rate published by the central bank.

Table A-32
Latin America and the Caribbean: consumer prices
(12-Month percentage variation)

	2008	2009	2010	2011	2012				2013	
					March	June	September	December	March	May
Latin America and the Caribbean^a	8.1	4.6	6.5	6.8	5.9	5.6	5.7	5.6	6.1	6.6
Latin America										
Argentina	7.2	7.7	10.9	9.5	9.8	9.9	10.0	10.8	10.6	10.3
Bolivia (Plurinational State of)	11.8	0.3	7.2	6.9	4.0	4.5	4.4	4.5	5.0	4.7
Brazil	5.9	4.3	5.9	6.5	5.2	4.9	5.3	5.8	6.6	6.5
Chile	7.1	-1.4	3.0	4.4	3.8	2.6	2.8	1.5	1.5	0.9
Colombia	7.7	2.0	3.2	3.7	3.4	3.2	3.1	2.4	1.9	2.0
Costa Rica	13.9	4.0	5.8	4.7	4.2	4.6	4.5	4.5	6.2	5.3
Cuba ^b	-0.1	-0.1	1.5	1.3	1.7	1.9	2.0	2.0	...	...
Dominican Republic	4.5	5.7	6.3	7.8	4.9	2.7	2.6	3.9	5.0	5.0
Ecuador	8.8	4.3	3.3	5.4	6.1	5.0	5.2	4.2	3.0	3.0
El Salvador	5.5	-0.2	2.1	5.1	4.4	0.6	0.8	0.8	1.3	0.1
Guatemala	9.4	-0.3	5.4	6.2	4.6	3.5	3.3	3.4	4.3	4.3
Haiti	10.1	2.0	6.2	8.3	5.7	4.9	6.5	7.6	7.7	7.3
Honduras	10.8	3.0	6.5	5.6	5.7	4.7	5.3	5.4	5.6	4.8
Mexico	6.5	3.6	4.4	3.8	3.7	4.3	4.8	3.6	4.3	4.6
Nicaragua	12.7	1.8	9.1	8.6	8.8	6.8	6.9	7.1	6.8	8.0
Panama	6.8	1.9	4.9	6.3	6.3	5.8	5.4	4.6	4.1	3.7
Paraguay	7.5	1.9	7.2	4.9	3.3	3.9	2.8	4.0	1.2	0.9
Peru	6.7	0.2	2.1	4.7	4.2	4.0	3.7	2.6	2.6	2.5
Uruguay	9.2	5.9	6.9	8.6	7.5	8.0	8.6	7.5	8.5	8.1
Venezuela (Bolivarian Republic of)	31.9	26.9	27.4	29.0	24.2	21.2	19.1	19.5	24.2	33.7
The Caribbean										
Antigua and Barbuda	0.7	2.4	2.9	4.0	4.5	3.9	1.9	1.8	1.4	...
Bahamas	4.6	1.3	1.4	3.2	2.9	2.2	1.8	2.0	1.2 ^c	...
Barbados	7.3	4.4	6.5	9.6	7.4	4.4	3.2	2.4	2.3 ^d	...
Belize	4.4	-0.4	0.0	2.6	2.2	1.6	0.5	1.0	-0.1	...
Dominica	2.0	3.2	2.3	1.3	1.0	0.9	1.1	1.9	1.8	...
Grenada	5.2	-2.3	4.2	3.5	3.9	1.4	1.8	1.8	0.0	...
Guyana	6.4	3.6	4.5	3.3	1.2	1.9	2.3	3.4	...	...
Jamaica	16.9	10.2	11.8	6.0	7.3	6.7	6.6	8.0	9.1	9.2
Saint Kitts and Nevis	6.5	1.2	5.2	2.9	1.9	1.5	2.2	0.2	0.1	...
Saint Lucia	8.7	-1.6	0.9	4.7	3.9	2.8	0.9	1.0	1.7	...
Saint Vincent and the Grenadines	3.4	-3.1	4.2	4.8	4.0	3.2	3.1	5.0	3.3	...
Suriname	9.4	1.3	10.3	15.3	6.5	3.5	3.7	4.4	1.4	1.5 ^e
Trinidad and Tobago	14.5	1.3	13.4	5.3	9.1	11.0	7.7	7.2	6.9	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a The only English-speaking Caribbean countries included are Barbados, Jamaica and Trinidad and Tobago.

^b Refers to national-currency markets.

^c Twelve-month variation to January 2013.

^d Twelve-month variation to February 2013.

^e Twelve-month variation to April 2013.

Table A-33
Latin America and the Caribbean: central government primary and overall balances
(Percentages of GDP)

	Primary balance				Overall balance			
	2 009	2 010	2 011	2 012	2 009	2 010	2 011	2 012
Latin America and the Caribbean^a	-0.9	0.1	0.0	-0.1	-3.5	-2.3	-2.4	-2.6
Latin America^b	-1.0	-0.2	0.0	-0.2	-2.8	-1.8	-1.7	-1.9
Argentina	1.4	1.5	-0.1	-0.2	-0.8	-0.1	-2.3	-2.4
Bolivia (Plurinational State of) ^c	-0.4	1.4	-0.2	2.7	-2.0	-0.1	-1.1	1.8
Brazil	1.2	2.1	2.3	2.0	-3.5	-1.7	-2.6	-2.0
Chile	-3.7	0.1	1.8	1.1	-4.2	-0.4	1.3	0.6
Colombia	-1.2	-1.2	-0.3	0.1	-4.1	-3.9	-2.8	-2.3
Costa Rica	-1.3	-3.1	-1.9	-2.3	-3.4	-5.2	-4.1	-4.4
Cuba	-3.8	-2.2	...	...	-4.9	-3.6	-1.7	-3.8
Dominican Republic	-1.6	-0.6	-0.5	-2.9	-3.5	-2.5	-2.6	-5.4
Ecuador	-3.5	-0.9	-0.7	-1.0	-4.2	-1.7	-1.6	-2.0
El Salvador	-1.2	-0.4	-0.1	0.5	-3.7	-2.7	-2.3	-1.7
Guatemala	-1.7	-1.8	-1.3	-0.9	-3.1	-3.3	-2.8	-2.4
Haiti	-0.7	1.8	2.5	-0.6	-1.3	1.3	2.1	-1.0
Honduras	-5.3	-3.7	-3.2	-1.7 ^d	-6.0	-4.7	-4.6	-2.9 ^d
Mexico	-0.5	-1.2	-1.0	-1.1	-2.2	-2.8	-2.5	-2.7
Nicaragua	-0.7	0.3	1.6	2.7	-1.7	-0.7	0.5	1.7
Panama	1.4	0.1	-1.2	-1.5	-1.5	-2.5	-3.5	-3.5
Paraguay	0.6	1.6	1.0	-1.5	0.1	1.2	0.7	-1.7
Peru	-0.2	1.2	2.0	2.2	-1.4	0.1	1.0	1.2
Uruguay	1.3	1.3	1.9	0.4	-1.5	-1.2	-0.6	-2.0
Venezuela (Bolivarian Republic of)	-3.7	-2.1	-1.8	-2.2	-5.0	-3.6	-4.0	-4.8
The Caribbean^e	-0.5	0.6	-0.0	0.1	-4.5	-3.0	-3.5	-3.4
Antigua and Barbuda	-8.1	1.4	-2.7	1.1	-11.0	-1.2	-5.3	-1.4
Bahamas ^f	-2.8	0.6	-3.3	-3.9	-5.1	-2.1	-5.7	-6.2
Barbados ^{g,h}	-3.5	-2.3	0.9	0.7	-8.3	-7.8	-5.2	-5.3
Belize ^g	0.8	1.8	2.3	1.3	-2.9	-1.7	-1.1	-0.5
Dominica	-1.0	-3.2	-6.9	-8.7	-2.1	-4.9	-8.8	-12.0
Grenada	-2.8	-0.4	-0.7	-0.3	-4.9	-2.4	-3.2	-3.8
Guyana	-2.1	-1.2	-1.6	-3.6	-3.7	-2.9	-3.1	-4.7
Jamaica ^g	6.3	4.7	3.3	4.5	-11.4	-6.4	-6.5	-5.1
Saint Kitts and Nevis	5.5	2.7	8.7	13.0	-1.0	-4.1	2.4	7.2
Saint Lucia	0.8	2.2	-1.9	-3.4	-2.1	-0.6	-4.9	-7.2
Saint Vincent and the Grenadines	1.1	-0.0	-0.2	0.4	-1.7	-2.9	-2.6	-1.8
Suriname	2.9	-2.0	0.9	-1.6	2.1	-2.9	-0.1	-2.6
Trinidad and Tobago ⁱ	-3.2	3.5	1.2	1.3	-6.1	1.1	-1.3	-1.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Simple averages of the figures for 33 countries.

^b Simple averages. Does not include Cuba.

^c General government.

^d Preliminary figures.

^e Simple averages.

^f Fiscal years, from 1 July to 30 June.

^g Fiscal years, from 1 April to 31 March.

^h Non-financial public sector.

ⁱ Fiscal years, from 1 October to 30 September.

Table A-34
Latin America and the Caribbean: central government tax revenues composition
(Percentages of GDP)

	Total tax burden		Social security contributions		Direct taxes		Indirect taxes		Other taxes	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Latin America and the Caribbean^a	19.7	...	3.4	...	6.0	...	11.4	...	0.3	...
Latin America^b	18.4	...	3.3	...	5.6	...	9.4	...	0.3	...
Argentina ^c	34.6	37.3	7.4	8.3	9.4	10.1	17.5	18.5	0.4	0.4
Bolivia (Plurinational State of) ^c	22.2	22.8	1.8	1.8	5.9	6.3	14.1	14.2	0.4	0.5
Brazil ^c	34.8	...	8.8	...	10.5	...	15.3	...	0.2	...
Chile	18.7	18.7	1.3	1.2	7.6	7.5	9.5	9.7	0.2	0.2
Colombia	15.1	16.1	1.7	1.8	6.9	8.0	6.6	6.3	0.0	0.0
Costa Rica ^c	21.9	...	7.5	...	5.1	...	9.2	...	0.1	...
Cuba	24.4	...	4.3	...	4.9	...	13.9	...	1.3	...
Dominican Republic	12.9	13.5	0.1	0.1	3.8	4.8	9.0	8.6	0.0	0.0
Ecuador	17.6	20.1	5.1	5.6	4.1	4.1	8.4	10.2	0.0	0.1
El Salvador	15.4	16.0	1.7	1.7	4.9	5.3	8.4	8.7	0.4	0.4
Guatemala	10.9	10.9	0.3	0.3	3.4	3.4	6.9	7.0	0.2	0.2
Haiti ^d	13.1	12.9	...	...	2.3	3.0	8.4	8.2	2.4	1.7
Honduras	16.1	16.2	1.4	1.4	5.2	5.2	9.6	9.6	0.0	0.0
Mexico	10.6	10.1	1.6	1.6	5.4	5.2	3.4	3.1	0.2	0.2
Nicaragua	18.4	18.9	3.6	3.8	5.2	5.4	9.5	9.6	0.0	0.0
Panama	17.8	18.0	6.5	5.9	5.0	6.1	6.1	5.9	0.2	0.1
Paraguay	13.4	13.8	1.2	1.5	2.4	2.6	9.7	9.7	0.1	0.1
Peru	17.0	17.5	1.7	1.8	7.4	7.6	7.5	7.5	0.4	0.7
Uruguay	27.2	27.6	7.9	8.5	7.0	6.9	12.3	12.1	0.1	0.0
Venezuela (Bolivarian Republic of)	12.5	13.5	0.5	0.6	3.9	4.3	8.0	8.6	0.0	0.0
The Caribbean^{d,e}	21.1	21.1	...	...	6.8	6.8	14.1	14.2	0.2	0.2
Antigua and Barbuda	18.2	19.0	...	...	2.8	3.1	15.3	16.0	0.0	0.0
Bahamas ^f	16.4	17.3	...	...	1.6	1.8	12.7	13.4	2.1	2.1
Barbados ^{g,h}	27.4	27.0	...	...	10.7	10.7	16.7	16.1	0.0	0.2
Belize ^g	23.3	22.5	...	...	8.7	7.5	14.6	15.0	0.0	0.0
Dominica	24.2	23.4	...	...	5.0	4.9	19.3	18.5	0.0	0.0
Grenada	19.1	18.9	...	...	4.2	4.3	14.9	14.6	0.0	0.0
Guyana	21.2	20.8	...	...	8.6	8.1	12.6	12.7	0.0	0.0
Jamaica ^g	23.4	23.9	...	...	8.8	8.9	14.6	15.0	0.0	0.0
Saint Kitts and Nevis	20.2	20.1	...	...	4.7	4.8	15.5	15.3	0.0	0.0
Saint Lucia	23.4	23.1	...	...	7.6	7.2	15.8	15.9	0.0	0.0
Saint Vincent and the Grenadines	22.1	22.4	...	...	6.3	6.5	15.8	15.9	0.0	0.0
Suriname	19.0	20.2	...	...	9.5	10.6	9.4	9.6	0.0	0.0
Trinidad and Tobago ⁱ	16.5	16.1	...	...	10.5	9.6	5.9	6.5	0.0	0.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Simple averages of the figures for 33 countries.

^b Simple averages. Does not include Cuba.

^c General government.

^d Does not include social security contributions.

^e Simple averages.

^f Fiscal years, from 1 July to 30 June.

^g Fiscal years, from 1 April to 31 March.

^h Fiscal years, from 1 October to 30 September. Corresponds to non-petroleum sector.

Table A-35
Latin America and the Caribbean: central government expenditure composition
(Percentages of GDP)

	Total expenditure		Current expenditure		Interest payments on public debt		Capital expenditure		Primary expenditure	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Latin America and the Caribbean^a	25.1	25.1	20.2	20.2	2.4	2.3	4.9	4.8	22.0	22.1
Latin America^b	20.4	20.9	16.0	16.4	1.7	1.7	4.4	4.5	18.7	19.3
Argentina	24.5	25.7	21.5	22.9	2.2	2.2	3.0	2.7	22.2	23.5
Bolivia (Plurinational State of) ^c	33.9	33.3	21.8	22.5	1.0	0.9	12.1	10.8	32.9	32.4
Brazil	26.4	26.3	21.6	21.1	4.9	4.0	4.8	5.2	21.6	22.3
Chile	21.4	21.4	17.3	17.4	0.6	0.6	4.1	4.0	20.8	20.8
Colombia	18.0	18.4	15.5	15.6	2.5	2.4	2.4	2.8	15.5	16.0
Costa Rica	18.7	18.8	17.2	17.4	2.2	2.1	1.5	1.5	16.5	16.8
Cuba	48.4	43.2	40.2	34.5	0.0	0.0	5.7	5.8	48.4	43.2
Dominican Republic	16.1	19.3	12.5	13.6	2.1	2.4	3.6	5.8	13.9	16.9
Ecuador	23.7	25.1	13.4	14.1	0.9	1.0	10.3	10.9	22.8	24.1
El Salvador	17.7	17.5	14.6	14.2	2.2	2.2	3.1	3.3	15.5	15.3
Guatemala	14.4	14.0	10.4	10.7	1.5	1.5	4.0	3.3	12.9	12.5
Haiti ^g	12.5	14.2	10.2	10.5	0.4	0.3	2.3	3.7	12.2	13.9
Honduras	21.6	20.0	17.0	16.7	1.4	1.2	4.6	3.3	20.2	18.8
Mexico	18.7	18.5	16.0	16.0	1.6	1.6	2.7	2.5	17.1	17.0
Nicaragua	16.9	15.9	13.4	13.4	1.0	1.0	3.5	2.5	15.9	15.0
Panama	21.3	21.2	13.3	12.4	2.3	2.0	8.0	8.8	19.0	19.2
Paraguay	16.7	20.1	12.8	15.5	0.3	0.2	3.9	4.7	16.5	19.9
Peru	16.8	16.9	12.7	12.7	1.0	1.0	4.1	4.2	15.8	15.9
Uruguay	21.8	22.5	20.3	21.0	2.5	2.4	1.5	1.5	19.3	20.1
Venezuela (Bolivarian Republic of)	26.4	28.3	21.7	23.5	2.1	2.7	3.1	4.8	24.3	25.6
The Caribbean^d	30.3	29.8	24.7	24.8	3.5	3.5	5.5	5.1	24.7	24.8
Antigua and Barbuda	25.8	21.8	23.5	21.1	2.5	2.5	2.2	0.7	23.5	21.1
Bahamas	25.7	24.7	20.7	20.4	2.3	2.3	5.0	4.3	20.7	20.4
Barbados ^e	34.3	34.5	33.2	32.0	6.1	6.0	1.1	3.0	33.2	31.5
Belize	29.0	27.1	24.3	22.2	3.3	1.8	4.8	4.9	24.3	22.2
Dominica	39.2	39.2	25.5	26.1	1.9	3.3	13.7	13.1	25.5	26.1
Grenada	26.2	26.6	20.0	21.5	2.4	3.5	6.2	5.1	20.0	21.5
Guyana	28.7	29.4	19.1	19.7	1.5	1.1	9.5	9.7	19.1	19.7
Jamaica	32.4	31.2	28.1	28.3	9.7	9.6	4.3	2.9	28.1	28.3
Saint Kitts and Nevis	33.6	29.9	29.5	26.3	6.2	5.7	4.1	3.6	29.5	26.3
Saint Lucia	31.0	33.4	22.8	25.8	3.1	3.8	8.2	7.6	22.8	25.8
Saint Vincent and the Grenadines	29.9	27.3	26.5	25.5	2.5	2.3	3.4	1.8	26.5	25.5
Suriname	25.2	29.5	20.3	24.6	1.0	0.9	5.0	4.9	20.3	24.6
Trinidad and Tobago	32.5	33.1	28.0	28.7	2.5	2.6	4.5	4.4	28.0	28.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Simple averages of the figures for 33 countries.

^b Simple averages. Does not include Cuba.

^c General government.

^d Simple averages.

^e Non-financial public sector.

Table A-36
Latin America and the Caribbean: non-financial public sector gross public debt
(Percentages of GDP)

	2005	2006	2007	2008	2009	2010	2011	2012
Latin America and the Caribbean^a	64.6	54.2	47.9	47.0	50.3	50.0	49.7	50.6
Latin America^a	47.6	38.9	33.4	32.4	33.6	32.2	32.0	33.0
Argentina	87.6	76.3	66.7	57.8	53.6	45.3	42.4	39.0 ^b
Bolivia (Plurinational State of) ^c	78.1	52.4	40.0	36.8	39.5	38.1	34.5	31.3
Brazil ^d	67.7	56.4	58.0	57.4	60.9	53.4	54.2	59.3
Chile	12.3	10.0	8.7	11.4	12.1	14.7	17.8	19.1
Colombia ^e	50.1	47.4	43.8	42.7	45.1	46.2	42.9	39.1 ^f
Costa Rica	42.9	38.4	31.8	29.9	34.0	35.7	38.3	42.7
Dominican Republic	...	20.9	18.9	25.5	28.7	29.5	30.4	33.5
Ecuador	34.6	28.5	26.9	22.0	16.3	19.5	18.6	21.9
El Salvador	39.7	39.9	37.0	36.9	45.2	45.1	44.2	47.9
Guatemala	21.5	21.9	21.6	20.4	23.3	24.4	23.9	24.5
Haiti ^g	47.5	38.7	35.9	44.5	35.1	23.2	24.4	28.2
Honduras	44.8	30.0	18.3	19.1	22.2	24.7	27.2	29.2
Mexico ^h	22.9	22.6	22.7	26.9	34.9	34.1	35.4	35.6
Nicaragua	71.5	53.9	33.1	30.3	34.2	34.8	33.1	32.1
Panama	66.2	61.0	52.9	45.4	45.4	43.0	40.9	38.9
Paraguay ⁱ	31.2	24.0	19.6	17.5	16.8	14.6	12.3	11.5 ^f
Peru	38.2	31.3	27.2	24.5	23.7	21.5	19.2	17.7
Uruguay	67.4	61.8	53.3	52.4	49.4	43.5	44.2	44.7
Venezuela (Bolivarian Republic of) ^j	33.1	24.0	19.1	14.0	18.2	20.2	25.1	27.4
The Caribbean^a	88.2	76.6	69.0	68.3	74.6	76.1	75.4	76.4
Antigua and Barbuda	101.8	90.5	81.1	81.5	95.7	87.1	86.7	89.4
Bahamas ^k	35.5	36.2	36.9	37.4	44.1	45.7	50.2	54.5
Barbados ^l	49.5	50.7	51.7	55.7	66.0	75.1	80.3	78.7
Belize ^l	99.5	92.5	83.6	79.4	82.2	72.3	70.7	77.6
Dominica	95.7	89.4	81.2	72.0	66.4	73.1	70.7	72.7
Grenada	83.8	87.5	82.9	79.1	90.0	91.8	86.8	88.6
Guyana	183.9	93.1	60.0	61.6	60.5	61.2	65.2	62.0
Jamaica ^l	121.1	117.7	113.0	120.3	134.4	136.1	131.3	133.3
Saint Kitts and Nevis	160.6	149.5	134.6	127.6	142.0	151.4	141.1	129.3
Saint Lucia	68.2	65.3	64.7	61.9	64.0	65.5	66.3	71.0
Saint Vincent and the Grenadines	65.9	62.3	55.5	58.4	64.7	66.7	65.5	67.0
Suriname	44.0	29.2	23.0	27.9	27.6	27.5	27.6	30.0
Trinidad and Tobago ^m	36.8	32.1	28.8	24.7	32.9	36.2	38.4	39.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Simple averages.

^b Preliminary figures to June.

^c Refers to the external debt of the non-financial public-sector and central-government domestic debt.

^d General government.

^e Consolidated non-financial public sector.

^f Preliminary figures to September.

^g Does not include public sector commitments to commercial banks.

^h Public sector.

ⁱ Internal debt includes commitments to the central bank only.

^j Central government.

^k Fiscal years, from 1 July to 30 June.

^l Fiscal years, from 1 April to 31 March.

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La Revista se inició en 1976 como parte del Programa de Publicaciones de la Comisión Económica para América Latina y el Caribe, con el propósito de contribuir al examen de los problemas del desarrollo socioeconómico de la región. Las opiniones expresadas en los artículos firmados, incluidas las colaboraciones de los funcionarios de la Secretaría, son las de los autores y, por lo tanto, no reflejan necesariamente los puntos de vista de la Organización.

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Desde 2013 el Observatorio aparece una vez al año. Valor por ejemplar: US\$ 15.

Bilingual publication (Spanish and English) providing up-to-date estimates and projections of the populations of the Latin American and Caribbean countries. Also includes various demographic indicators of interest such as fertility and mortality rates, life expectancy, measures of population distribution, etc.

Since 2013, the Observatory appears once a year. Annual. Per issue: US\$ 15.

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La revista se publica desde 1973 y aparece dos veces al año, en junio y diciembre.

Suscripción anual: US\$ 20. Valor por cada ejemplar: US\$ 12.

Specialized journal which publishes articles and reports on recent studies of demographic dynamics in the region, in Spanish with abstracts in Spanish and English. Also includes information on scientific and professional activities in the field of population.

Published since 1973, the journal appears twice a year in June and December.

Annual subscription: US\$ 20. Per issue: US\$ 12.

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