



2016

Economic Survey of Latin America and the Caribbean

The 2030 Agenda for Sustainable Development
and the challenges of financing for development



UNITED NATIONS

ECLAC



2016

Economic Survey of Latin America and the Caribbean

The 2030 Agenda for Sustainable Development
and the challenges of financing for development



UNITED NATIONS

ECLAC

Alicia Bárcena
Executive Secretary

Antonio Prado
Deputy Executive Secretary

Daniel Titelman
Chief, Economic Development Division

Ricardo Pérez
Chief, Publications and Web Services Division

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 2016 edition was prepared under the supervision of Daniel Titelman, Chief of the Division, and coordinated by Jürgen Weller.

In the preparation of this edition, the Economic Development Division was assisted by the Statistics Division, the ECLAC subregional headquarters in Mexico City and Port of Spain, and the Commission's country offices in Bogota, Brasilia, Buenos Aires, Montevideo and Washington, D.C.

Part I, entitled "The economic situation and outlook for 2016", was prepared with input from the following experts: Cecilia Vera (international context and external sector); Claudia de Camino (external sector); Ramón Pineda, Alejandra Acevedo, Claudio Aravena and Pablo Carvallo (economic activity); Ramón Pineda and Alda Díaz (prices); Jürgen Weller (employment and wages); Ramón Pineda, Rodrigo Cárcamo, Alejandra Acevedo, Alda Díaz and Adriana Matos (monetary, exchange-rate and macroprudential policies); and Ricardo Martner, Juan Pablo Jiménez, Michael Hanni and Ivonne González (fiscal policy).

Part II, entitled "The 2030 Agenda for Sustainable Development and the challenges of financing for development", was prepared by Ricardo Martner, Ivonne González, Michael Hanni and Ignacio Ruelas (chapter II); Ricardo Martner, Juan Carlos Gómez Sabaini, Michael Hanni, Juan Pablo Jiménez, Dalmiro Morán and Andrea Podestá (chapter III); and Esteban Pérez, with input from Cecilia Vera and assistance from Javier Ahumada, Manuel Cruz, Cecile Poulard and Matías Rodríguez (chapters IV and V).

The country notes are based on studies conducted by the following experts: Dillon Alleyne (Jamaica); Anahí Amar and Daniel Vega (Argentina); Rodrigo Cárcamo (Peru); Cameron Daneshvar (Honduras and Dominican Republic); Claudia de Camino and Michael Hanni (Plurinational State of Bolivia); Stefanie Garry (El Salvador and Guatemala); Randolph Gilbert (Haiti); Sonia Gontero (Paraguay); Michael Hendrickson (Bahamas and Belize); Cornelia Kaldewei (Ecuador); Álvaro Lalanne (Uruguay); Sheldon McLean (Guyana and Eastern Caribbean Currency Union); Rodolfo Minzer (Panama); Carlos Mussi (Brazil); Ramón Padilla (Costa Rica); Machel Pantin (Suriname and Trinidad and Tobago); Esteban Pérez (Chile); Ramón Pineda (Bolivarian Republic of Venezuela); Juan Carlos Ramírez, Olga Lucía Acosta, Tomás Concha and Yaddi Miranda (Colombia); Juan Carlos Rivas (Mexico); Indira Romero (Cuba); Jesús Santamaría (El Salvador); Nyasha Skerrette (Barbados); and Francisco Villarreal (Nicaragua). Michael Hanni and José Luis Germán reviewed the country notes for the Caribbean. Georgina Cipoletta helped to review the country notes for Latin America.

Karina Araya, Alda Díaz and María José Zambrano contributed to the processing and graphical presentation of the statistical data.

United Nations publication
ISBN: 978-92-1-121919-7 (print)
ISBN: 978-92-1-057543-0 (pdf)
ISBN: 978-92-1-358037-0 (ePub)
Sales No.: E.16.II.G.3
LC/G.2684-P
Copyright © United Nations, 2016
All rights reserved
Printed at United Nations, Santiago
S.16-00797

Explanatory notes

- Three dots (...) indicate that data are missing, 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.
- A slash (/) between years (e.g., 2013/2014) indicates a 12-month period falling between the two years.
- Individual figures and percentages in tables may not always add up to the corresponding total due to rounding.

This publication should be cited as: Economic Commission for Latin America and the Caribbean (ECLAC), *Economic Survey of Latin America and the Caribbean, 2016* (LC/G.2684-P), Santiago, 2016.

Applications for the right to reproduce this work, either in whole or in part, are welcomed and should be sent to the Secretary of the Publications Board, United Nations Headquarters, New York, N.Y. 10017, United States. Member States and their governmental institutions may reproduce this work without prior authorization, but are requested to mention the source and inform the United Nations of such reproduction.

Presentation.....	13
Executive summary.....	15
Part I	
The economic situation and outlook for 2016	21
Regional overview	23
A. The external context.....	25
1. Continued low levels of global economic growth are projected for 2016 —about 2.4%, similar to the rate in 2015— with developed countries set to grow more slowly and developing economies likely to maintain similar levels of growth to 2015.....	25
2. World trade is still languishing at levels lower than before the global financial crisis	26
3. Financial markets were off to a volatile start in 2016 but began stabilizing in February	27
4. Energy and metals posted the sharpest price declines among commodities; prices for the rest of the year are set to remain close to the levels seen in mid-2016, without significant changes.....	29
5. Uncertainty is likely to persist for the rest of the year in view of various remaining risks.....	30
B. The external sector	32
1. The region’s export commodity prices, particularly in the energy sector, are expected to fall in 2016, but by less than they did in 2015	32
2. The terms of trade for South America and Mexico are expected to deteriorate, although less than they did in 2015, while they will improve for Central America and the Caribbean	33
3. Latin American goods exports and imports plunged in 2015 and are expected to continue to fall, albeit at a slower rate, in 2016.....	34
4. The current account deficit is expected to improve in 2016, mainly as a result of a smaller goods and services deficit	39
5. Total financial inflows to the region ebbed considerably in 2015 and are not expected to pick up much in 2016.....	41
6. The region’s sovereign risk continued to follow the upward trend that it has been on since mid-2014, peaking in January 2016 with the highest levels seen since 2009.....	42
7. Debt issuances in international markets by Latin America and the Caribbean declined substantially in 2015, but picked up in April and May 2016 with issues by the new Government of Argentina and the Brazilian State oil company, Petrobras	43
C. Domestic performance	44
1. In 2015, the region’s GDP contracted (by 0.5%) for the first time since 2009	44
2. Consumption has ceased to be the main driver of aggregate domestic demand and has instead been contributing, along with investment, to the drop in aggregate demand in the region since the third quarter of 2015.....	47
3. Gross fixed capital formation contracted in the region for the seventh quarter running.....	47
4. Only the services sector is contributing positively to the region’s growth	48
5. Economic activity in the region will contract for the second year running in 2016	49
6. Average inflation in the economies of Latin America and the Caribbean has been driven higher by faster price growth in South America	53
7. Inflation was higher for tradable than for non-tradable goods, and food inflation outstripped general inflation.....	55
8. Inflation continued to rise in the first five months of 2016, especially in South America.....	56
9. In 2015, economic weakness was reflected in the first rise in regional unemployment since 2009.....	57
10. The region’s labour market performance deteriorated in early 2016, but with marked intra-regional differences	58
11. Economic developments in the region have continued to affect labour markets adversely in 2016.....	63

D. Macroeconomic policy.....	64
1. Mixed results for fiscal indicators in 2015	64
2. Figures indicate a slight improvement in the fiscal balance for 2016.....	67
3. Monetary, exchange-rate and macroprudential policy	69
4. International reserves.....	76
Bibliography.....	78
Part II	
The 2030 Agenda for Sustainable Development and the challenges of financing for development.....	79
Introduction	81
Chapter II	
Domestic resource mobilization.....	85
Introduction	87
A. Public finances must adapt to new conditions in order to cope with the reduction in the fiscal space.....	88
1. Public debt growth is gathering momentum	88
2. Medium-term conditions are tight for public finances	90
3. Fiscal institutions must give priority to protecting investment	95
B. Given financing difficulties, tax systems must become a pillar for efforts to achieve the Sustainable Development Goals.....	97
1. The tax burden remains low in relation to the region's level of development.....	97
2. The progressiveness of the region's tax systems is nil	98
3. Tax evasion remains high.....	99
4. The proliferation of tax incentives has eroded tax bases.....	101
Bibliography.....	103
Annex II.A1	104
Annex II.A2.....	106
Chapter III	
Evasion arising from international operations by multinational enterprises and high net worth individuals	117
Introduction	119
A. Profit shifting and aggressive tax planning.....	120
B. An estimation of tax losses resulting from trade misinvoicing	123
C. Coordinating efforts between countries	131
Bibliography.....	135
Annex III.A1	136
Annex III.A2.....	140
Chapter IV	
External private sector financial flows	143
Introduction	145
A. Changes in external financial flows and the growing importance of private sector sources and actors.....	146
1. Trends in ODA and official flows	146
2. External sector flows.....	148
3. The heterogeneous composition of the external flows relied on by the different countries	149
B. The Latin American and Caribbean countries' access to private sector financial markets.....	150
C. Private sector flows at the service of development.....	156
1. Public-private partnerships in Latin America and the Caribbean	157
2. Social impact bonds	160
Bibliography.....	162

Chapter V

Financial inclusion and innovation.....	163
Introduction	165
A. Financial inclusion should be conceived as part of a policy on production development.....	166
B. Financial inclusion: unfinished business for Latin America and the Caribbean	167
C. Causes of the financial inclusion gap in Latin America	172
1. Difficulties of SMEs.....	172
2. Characteristics and functioning of the financial system in Latin America.....	173
3. The importance of internal funds as a source of financing	175
D. Rethinking financial innovation: a requirement for closing the financial inclusion gap.....	177
1. Financial innovation as the creation of institutions, markets, processes and products	177
2. Similarities and differences between financial innovation and innovation in other sectors.....	179
3. Financial innovation as a public good	181
E. Conclusions.....	183
Bibliography.....	184
Annex V.A1	185
Statistical annex.....	187
ECLAC recent publications.....	227

Tables

Table I.1	GDP growth 2013-2015 and projections for 2016-2017	25
Table I.2	Latin America and the Caribbean: 12-month changes in the consumer price index (CPI), December 2013 to May 2016	54
Table I.3	Latin America and the Caribbean (19 countries): change in central government fiscal indicators, first quarter of 2015 to first quarter of 2016	67
Table I.4	Latin America and the Caribbean (14 countries): real year-on-year variation in revenue obtained from income tax and value added tax, first quarters of 2014, 2015 and 2016	69
Table I.5	Latin America and the Caribbean (21 countries): nominal currency depreciation against the dollar, annualized changes, 2013 to May 2016.....	74
Table II.1	Latin America: initial variables used for public debt scenarios	93
Table II.A1.1	Latin America (selected countries): sovereign funds	104
Table II.A2.1	Latin America and the Caribbean (selected countries): fiscal rules, by country	114
Table III.1	Financial wealth in tax havens	122
Table III.A1.1	Methodological approaches used to quantify international revenue shifting	137
Table IV.1	Latin America (17 countries): bond issuance, 2006-2013	152
Table V.1	Latin America (selected countries) and the European Union: enterprises and employment by size, 2011.....	167
Table V.2	Latin America (selected countries): banking products used by SMEs, 2010	171
Table V.3	Brazil, Chile, Ecuador, Mexico and Peru: average credit portfolio, by economic sector, 2015.....	174
Table V.4	Latin America (selected countries): number of enterprises, by size and country, 2006 and 2010.....	176
Table V.5	Latin America (13 countries): econometric estimate of investment level in relation to access to finance, 2010.....	177
Table V.6	Latin America (selected countries): share of leasing in GDP, 2012.....	178
Table V.7	Relationship between financial development and growth.....	180
Table V.A1.1	Latin America: main financial entities with leasing portfolios, 2012	185

Statistical annex

Table A.1	Latin America and the Caribbean: main economic indicators.....	189
Table A.2	Latin America and the Caribbean: gross domestic product in millions of dollars	190

Table A.3	Latin America and the Caribbean: annual growth rates in gross domestic product.....	191
Table A.4	Latin America and the Caribbean: per capita gross domestic product	192
Table A.5	Latin America and the Caribbean: quarterly growth rates in gross domestic product	193
Table A.6	Latin America and the Caribbean: gross fixed capital formation	193
Table A.7	Latin America and the Caribbean: balance of payments	194
Table A.8	Latin America and the Caribbean: international trade of goods	197
Table A.9	Latin America and the Caribbean: exports of goods, f.o.b.	198
Table A.10	Latin America and the Caribbean: imports of goods, c.i.f.	199
Table A.11	Latin America: terms of trade for goods f.o.b./f.o.b.	200
Table A.12	Latin America and the Caribbean (selected countries): remittances from emigrant workers	200
Table A.13	Latin America and the Caribbean: net resource transfer	201
Table A.14	Latin America and the Caribbean: net foreign direct investment	202
Table A.15	Latin America and the Caribbean: total gross external debt	203
Table A.16	Latin America and the Caribbean: sovereign spreads on EMBi+ and EMBI global	205
Table A.17	Latin America and the Caribbean: risk premiums on five-year credit default swaps	205
Table A.18	Latin America and the Caribbean: international bond issues	206
Table A.19	Latin America and the Caribbean: stock exchange indices	206
Table A.20	Latin America and the Caribbean: gross international reserves	207
Table A.21	Latin America and the Caribbean: real effective exchange rates	208
Table A.22	Latin America and the Caribbean: participation rate	209
Table A.23	Latin America and the Caribbean: open urban unemployment	211
Table A.24	Latin America and the Caribbean: employment rate	212
Table A.25	Latin America and the Caribbean: formal employment indicators	213
Table A.26	Latin America: visible underemployment by hours	213
Table A.27	Latin America: real average wages	214
Table A.28	Latin America and the Caribbean: monetary indicators	215
Table A.29	Latin America and the Caribbean: domestic credit	218
Table A.30	Latin America and the Caribbean: monetary policy rates	219
Table A.31	Latin America and the Caribbean: representative lending rates	220
Table A.32	Latin America and the Caribbean: consumer prices	221
Table A.33	Latin America and the Caribbean: fiscal balances	222
Table A.34	Latin America and the Caribbean: composition of tax revenue	223
Table A.35	Latin America and the Caribbean: public income and expenditure	224
Table A.36	Latin America and the Caribbean: non-financial public sector gross public debt	225
Table A.37	Latin America and the Caribbean: central government gross public debt	226

Figures

Figure I.1	World: seasonally adjusted year-on-year trade volume growth, first quarter of 2006 to fourth quarter of 2015	27
Figure I.2	Financial market volatility and stock market indices	28
Figure I.3	International commodity prices, January 2003 to June 2016	29
Figure I.4	Latin America and the Caribbean: annual changes in export commodity price indices, 2015, and projections for 2016	32
Figure I.5	Latin America and the Caribbean (selected country groupings): changes in the terms of trade, 2012-2016	33
Figure I.6	Latin America (19 countries): changes on the previous year in goods exports and imports by value, 2015	34
Figure I.7	Latin America (selected country groupings): year-on-year changes in exports by value, three-month moving averages, January 2013 to April 2016	35

Figure I.8	Latin America (selected country groupings): projected changes in goods export volumes and prices, 2016.....	36
Figure I.9	Latin America (16 countries): exports to China as a percentage of the total and total exports as a percentage of GDP.....	37
Figure I.10	Latin America (selected country groupings): year-on-year changes in imports by value, three-month moving averages, January 2013 to April 2016.....	38
Figure I.11	Latin America (selected country groupings): projected changes in goods imports volumes and prices, 2016.....	38
Figure I.12	Latin America (19 countries): balance-of-payments current account by component, 2005-2016.....	39
Figure I.13	Latin America and the Caribbean (selected countries): changes in income from emigrants' remittances, 2014-2016.....	40
Figure I.14	Latin America (18 countries): balance-of-payments current account and capital and financial accounts by component, 2010-2015.....	41
Figure I.15	Latin America (14 countries): sovereign risk according to the Emerging Market Bond Index Global (EMBIG), January 2008 to June 2016.....	43
Figure I.16	Latin America: external bond issuance by institutional sector, 12-month running totals, December 2006 to May 2016.....	44
Figure I.17	Latin America and the Caribbean: GDP growth rates, 2009-2015.....	44
Figure I.18	Latin America and the Caribbean: GDP growth rates, 2015.....	45
Figure I.19	Latin America and the Caribbean (selected countries and country groupings): contributions to regional GDP growth, 2008-2015.....	46
Figure I.20	Latin America: year-on-year GDP growth rates and growth contribution of aggregate demand components, 2008-2015.....	47
Figure I.21	Latin America: year-on-year rates of change in gross fixed capital formation, 2008-2015.....	48
Figure I.22	Latin America: year-on-year growth rates in value added and growth contribution of activity sectors, 2008-2015.....	48
Figure I.23	Latin America and the Caribbean (selected countries and country groupings): projected GDP growth rates, 2016.....	50
Figure I.24	Latin America: GDP growth rates, 2008-2016.....	51
Figure I.25	Latin America and the Caribbean (weighted averages): 12-month changes in the consumer price index (CPI), January 2008 to May 2016.....	53
Figure I.26	Latin America and the Caribbean (weighted average): 12-month changes in the consumer price index (CPI), January 2008 to December 2015.....	56
Figure I.27	Latin America and the Caribbean (12 countries): year-on-year changes in the employment, participation and unemployment rates, first quarter of 2013 to first quarter of 2016.....	58
Figure I.28	Latin America and the Caribbean (11 countries): simple averages of year-on-year changes in participation, employment and unemployment rates, by sex, first quarter of 2016.....	59
Figure I.29	Latin America and the Caribbean (9 countries): year-on-year changes in numbers employed by occupational category and gross domestic product (GDP) growth rate, 2013 to first quarter of 2016.....	60
Figure I.30	Latin America (8 countries): year-on-year changes in registered employment, January 2013 to April 2016.....	61
Figure I.31	Latin America (7 countries): year-on-year changes in real wages from formal employment, rolling quarters, January-March 2013 to February-April 2016.....	62
Figure I.32	Latin America and the Caribbean: central government fiscal indicators, 2009-2015.....	64
Figure I.33	Latin America and the Caribbean: central government gross public debt, 2014 and 2015.....	65
Figure I.34	Latin America: public debt interest payments, 2015.....	66
Figure I.35	Latin America and the Caribbean: disaggregated central government public spending, by subregion and country grouping, 2014 and 2015.....	66
Figure I.36	Latin America (14 countries): change in real central government tax revenues, without social security contributions, relative to the same quarter the year before, simple averages, first quarter of 2008 to first quarter of 2016.....	68

Figure I.37	Latin America (selected country groupings): monetary policy rates in countries where they are used as the main policy instrument, January 2013 to June 2016	70
Figure I.38	Latin America and the Caribbean (selected country groupings): monetary base in countries using monetary aggregates as the main policy instrument, first quarter of 2010 to first quarter of 2016	71
Figure I.39	Latin America and the Caribbean (selected country groupings): average annualized lending rates, January 2010 to April 2016	72
Figure I.40	Latin America and the Caribbean (selected country groupings): average annualized growth in domestic lending to the private sector, first quarter of 2013 to first quarter of 2016	73
Figure I.41	Latin America (selected countries): nominal exchange rates against the dollar, January 2014 to April 2015	74
Figure I.42	Latin America and the Caribbean: effective extraregional exchange rates, by subregion, January 2013 to April 2016	76
Figure I.43	Latin America: overall real effective exchange rates, April 2016 and December 2014	76
Figure I.44	Latin America and the Caribbean: international reserves, 2000-2016	77
Figure II.1	Latin America and the Caribbean (19 countries): overall and primary fiscal balance, 1990-2015	88
Figure II.2	Latin America (19 countries): gross public debt of the central government and the non-financial public sector, 1990-2015	89
Figure II.3	Latin America (selected countries): differences in public debt levels between the central government and the non-financial public sector, 2008 and 2015	89
Figure II.4	Latin America (19 countries): total and external gross public debt of the non-financial public sector, 2000-2015	90
Figure II.5	Latin America (19 countries): contributions to variation in public debt, 2008-2015	92
Figure II.6	Latin America (19 countries): public debt at 2025, by different primary-balance scenarios	94
Figure II.7	Latin America (16 countries): fiscal multipliers disaggregated by type of expenditure	95
Figure II.8	Latin America (selected countries): tax burden compared with per capita GDP in purchasing power parity, around 2013	97
Figure II.9	Latin America (18 countries) and OECD (34 countries): tax burden, 2000 and 2014	98
Figure II.10	Latin America (18 countries) and OECD: breakdown of income tax receipts, 2011	99
Figure II.11	Latin America (16 countries) and the European Union (27 countries): effective rate of personal income tax and reduction in inequality due to personal income tax, 2011	99
Figure II.12	Latin America: tax collection and estimated tax evasion, 2015	100
Figure II.13	Latin America: general rates for the main taxes	101
Figure III.1	Latin America and the Caribbean: tax losses associated with trade misinvoicing, 2004-2013	125
Figure III.2	Latin America and the Caribbean: estimated value of trade misinvoicing, 2004-2013	125
Figure III.3	Latin America and the Caribbean: estimated value of international goods trade price manipulation, by country, 2013	126
Figure III.4	Latin America and the Caribbean: estimated cumulative value of international goods trade price manipulation, by partner, 2004-2013	128
Figure III.5	Latin America and the Caribbean: estimated cumulative value of international goods trade price manipulation, 2004-2013, by two-digit product groups in the Harmonized System	129
Figure III.6	Latin America and the Caribbean: estimated cumulative value of price manipulation for non-renewable natural resource-related goods, by product groups at the two-digit level of the Harmonized System and transaction type, 2004-2013	130
Figure IV.1	Latin America and the Caribbean: official development assistance (ODA), 1961-2014	146
Figure IV.2	Latin America and the Caribbean: classification of official financing into concessional and non-concessional bilateral and multilateral flows, averages for each period, 1980-2014	147

Figure IV.3	Latin America and the Caribbean: private and official financing flows, 1980-2014	148
Figure IV.4	Latin America and the Caribbean: relative scale of selected external financing sources, 2010-2012 average.....	149
Figure IV.5	Value of world financial assets, derivatives and world GDP, 2000-2014	150
Figure IV.6	Lending to borrowers outside the United States, late 2013	151
Figure IV.7	Latin America and the Caribbean: international bond issuance, December 2006 to May 2016	151
Figure IV.8	Bank, corporate, sovereign, quasi-sovereign and supranational shares of international bond issuance, January 2006 to May 2016.....	152
Figure IV.9	Latin America and the Caribbean: bond issuance by sector of economic activity, 2006-2014	153
Figure IV.10	Emerging Market Bond Index (EMBI Global) for the world, Latin America and all other developing countries, quarterly data, 2004-2016	154
Figure IV.11	Stock market indices in China, the United States, Japan, Europe and emerging markets, monthly data, 16 July to 17 September 2015	155
Figure IV.12	Global stock market volatility (the VIX, V2X and VXEEM) and implied volatility, monthly data, 16 July to 17 September 2015	155
Figure IV.13	Latin America and the Caribbean: investment in public-private partnerships, 1990-2013	157
Figure IV.14	Latin America and the Caribbean: distribution of cumulative investment in public-private partnerships, 2010-2013.....	158
Figure IV.15	Latin America and the Caribbean: number of public-private partnerships and amount of investment by sector of activity, cumulative values, 1990-2013	158
Figure V.1	Adults aged 15 and older having at least one account at a financial institution, 2014	168
Figure V.2	Latin America and the Caribbean (20 countries): adults aged 15 and older in the top 60% and bottom 40% of income earners having at least one account at a financial institution, 2014	169
Figure V.3	Regions: adults aged 15 and older in the top 60% and bottom 40% of income earners having at least one account at a financial institution, 2014	169
Figure V.4	Regions: enterprises with a bank loan or line of credit, 2014	170
Figure V.5	Selected regions: value of collateral required to obtain a loan, by size of applicant company, 2010-2015	172
Figure V.6	Latin America (13 countries): density function of the value of guarantees as a percentage of debt issued, 2006 and 2010.....	173
Figure V.7	Latin America (selected countries): proportion of total financial system assets held by the five main banks, 2006-2015	174
Figure V.8	Latin America: sources of financing for SME investment, simple average, 2010	175
Figure V.A1.1	Latin America and the Caribbean (20 countries): adults aged 15 and older with at least one account at a financial institution, 2014.....	185
Boxes		
Box I.1	Economic implications of Brexit for Latin America and the Caribbean.....	31
Box I.2	Aspects of measuring and analysing labour markets in Latin America and the Caribbean	63
Box II.1	Public debt dynamics	91
Box II.2	Public investment in Latin America (selected countries)	96
Box III.1	Methodology note.....	124
Box III.2	The importance of intra-firm transactions in goods trade.....	127
Box III.A2.1	Six indicators for tracing and detecting base erosion and profit shifting manoeuvres (OECD project)	140
Box IV.1	The operating logic of social impact bonds.....	160
Box V.1	Financial innovation for inclusion: projects implemented by development banks in Latin America	182



Presentation and executive summary

Presentation

This, the sixty-eighth edition of the *Economic Survey of Latin America and the Caribbean*, which corresponds to the year 2016, consists of three parts. Part I outlines the region's economic performance in 2015 and analyses trends in the first half of 2016, as well as the outlook for the rest of the year. It examines the external and internal factors influencing the region's economic performance and highlights some of the macroeconomic policy challenges that have arisen in an external context of weak growth and high levels of uncertainty.

Part II analyses the challenges that the countries of Latin America and the Caribbean face at the domestic and international levels in mobilizing financing for development. On the domestic front, slower growth and tighter fiscal restrictions pose significant challenges for the mobilization of resources. Externally, the classification of many of the region's countries in the middle-income category limits their access to concessional external financing or international support.

Part III of this publication may be accessed on the web page of the Economic Commission for Latin America and the Caribbean (www.eclac.org). It contains the notes relating to the economic performance of the countries of Latin America and the Caribbean in 2015 and the first half of 2016, together with their respective statistical annexes. The cut-off date for updating the statistical information in this publication was 30 June 2016.

Executive summary

A. The economic situation and outlook for 2016

In 2016, the region's GDP is projected to contract for the second successive year in a context of mounting uncertainty in the world economy and a slump in domestic demand. Output is expected to fall by 0.8% in 2016, a larger decline than the 0.5% observed in 2015, resulting in a 2.0% drop in per capita GDP.

As in previous years, growth patterns differed greatly between countries and subregions. Economies in the north of the region were boosted by lower energy prices, an upturn in external demand and remittance inflows, and inflation trends that allow for a degree of policy space for stimulating domestic aggregate demand. Their southern counterparts are faced with a major deterioration in their terms of trade, weaker external aggregate demand (from China and intraregional partners) and a significant narrowing of their room to manoeuvre in terms of adopting demand-stimulus policies. Against that backdrop, the South American subregion is projected to contract by 2.1% and the Caribbean by 0.3%, while Central America is set to grow by 3.8%.

The economies of four Latin American and two Caribbean countries are expected to contract in 2016: Argentina, the Bolivarian Republic of Venezuela, Brazil, Ecuador, Suriname and Trinidad and Tobago.

These growth trends are a reflection of both external and internal factors. On the external front, global economic growth continues to be weak, and for 2016 is unlikely to surpass the sluggish rates of recent years, at around 2.4% (similar to the 2015 figure). Developed economies are set to grow more slowly this year (1.8%), while developing economies are likely to maintain similar levels of growth to those seen in 2015 (3.8%). In 2015 the Chinese economy, which is particularly important for the region, grew by less than 7% for the first time since 1990 and is projected to expand by 6.4% in 2016.

Coinciding with low GDP growth, world trade volume growth rates continue to languish at levels lower than those that preceded the global financial crisis. In the first three months of 2016, the volume of world trade in goods fell by 1% compared with the year-earlier period. This performance was attributable to lower export volumes from the emerging countries of Asia, Japan and the United States. The projection for 2016 is for goods trade volumes to grow by about 2.8%, similar to the rate posted in 2015.

Weaker external demand has been compounded by falling commodity prices, which declined sharply in early 2016 before gradually recovering later in the year. For the remainder of 2016, prices are expected to stick close to their current levels (as of the second quarter), which implies that average prices will be lower in 2016 than in 2015. For example, crude oil is expected to decline by 21% compared with 2015, copper by 13%, iron ore by 23% and soybean flour by 14%.

International financial markets had a rocky start in 2016, with volatility expected to remain high throughout the year, despite moderating somewhat during the first six months. At the time of writing, news emerged of the United Kingdom's decision to vote in favour of leaving the European Union (a process termed "Brexit"), which is generating greater financial volatility and uncertainty with regard to economic growth. Should risk aversion increase at the global level, it could reduce the availability of financing for emerging markets, including Latin America and the Caribbean.

The impact of Brexit on growth in Latin American and Caribbean in 2016, if any, is expected to be minor, stemming mainly from greater uncertainty and volatility in global financial markets. Medium-term economic effects could emerge from the trade

channel and from economic growth, although it is thought that the direct trade impact on Latin America and the Caribbean should not be too great, since trade links with the United Kingdom are weak. However, the indirect effects that may materialize owing to the impacts on the economic growth of Latin America's other trading partners are more difficult to gauge and will depend on the consequences of Brexit for growth in Europe, the United States and the world economy in general.

On the domestic front, a key factor has been the slowdown in domestic demand, with reductions in investment and consumption. In 2015, domestic demand fell by 1.6%, driven by a downturn in final consumption (down by 0.2%) and gross capital formation (down by 6.5%). In the second quarter of 2015, private consumption ceased to be the main component sustaining demand. By contrast, net exports surged in 2015, driven by an upturn in exports (up by 4.1%) and a fall in imports (down by 2.2%).

Domestic demand patterns also revealed major differences between countries. In Central America, GDP growth was spurred chiefly by private consumption, whose contribution has increased at the expense of investment, while that of public consumption remained stable. This contrasts with the trend observed in South America, where private consumption and investment made a negative contribution throughout 2015, while public consumption was mostly insignificant and only net exports made a positive contribution to growth.

In 2016, the economic performance of subregions and countries remained heterogeneous. As in 2015, the regional outcome in 2016 largely reflected contractions in two of the region's largest economies: Brazil (-3.5%) and the Bolivarian Republic of Venezuela (-8.0%). Excluding these two countries would give a regional GDP growth rate of 1.8%.

Data for the first quarter of 2016 are consistent with a drop in domestic demand as investment and private consumption continued to weaken in Latin America, marking the eighth consecutive quarter of declining investment, and the fifth of falling private consumption. The figures also revealed a further contraction in public consumption, after that posted in the fourth quarter of 2015.

This overall trend was driven largely by the performance of the South American economies, since investment and consumption both made a positive contribution to growth in the economies of Central America and Mexico.

The impact of the economic slowdown on the unemployment rate has increased. In 2015, the region's open unemployment rate rose for the first time since 2009 and only the second time since 2002. Specifically, the weaker generation of wage employment dragged the urban employment rate down by 0.3 percentage points. One consequence of lower job creation has been an increase in own-account work, to the detriment of employment quality. The unemployment rate in 2015 stood at 7.4%, up sharply from 7.0% in 2014.¹

The main regional labour indicators continued to worsen during the first quarter of 2016. A new year-on-year fall in the employment rate was estimated for a group of 12 countries—the eighth consecutive quarterly deterioration. Meanwhile, a year-on-year surge in the labour market participation rate led to a marked upturn in the region's urban unemployment rate and a deterioration in the employment structure caused by the rise in own-account work. However, a clear difference was observed between South American countries, which generally reported worsening labour indicators, and Mexico and the Central American countries, where these indicators were more favourable. The trends observed in early 2016 are expected to continue for the rest of the year, with

¹ The employment rates given here do not match the figures published by ECLAC in *Preliminary Overview of the Economies of Latin America and the Caribbean*, 2015, owing to methodological changes.

the region's unemployment rate set to rise by about 0.7 percentage points, taking the unemployment rate to approximately 8.1%.

Meanwhile, in early 2016, countries with available information reported that the rate of real wage growth had slowed by 1% (with real wages falling outright in Brazil and Colombia), which —along with weak job creation— accounts for the sluggishness of household consumption.

The capacity of the region's countries to invigorate economic growth depends on the space available to them to adopt policies in support of investment, which will be crucial for mitigating the impact of external shocks and avoiding major consequences for their medium- and long-term economic performance. These policies should coincide with efforts to strengthen public-private partnerships for investment.

In the fiscal sphere, the average overall deficit of Latin American countries at the central government level widened to 3.0% of GDP in 2015. The deficit trend reflects varying combinations of falling tax revenues, increased public spending and debt service payments. In most countries, fiscal adjustment led to a sharp reduction in capital expenditure, which in turn has weighed on public investment. With a few exceptions, the public-debt-to-GDP ratio of Latin American countries remained stable at about 30%, although borrowing by State-owned enterprises has risen in some instances.

Preliminary figures for 2016 suggest a continuation of the public income and expenditure trends observed in 2015. In the first quarter of 2016, public revenues continued to shrink; however, public spending was reined in by an even greater margin, leading to an improvement in the overall balance by an average of 0.2 percentage points of GDP.

In the English-speaking Caribbean, central government public debt stood at 73.4% of GDP in 2015. Of the 13 countries analysed, 8 increased their borrowing levels. Jamaica had the highest level of public debt in the subregion (121.7% of GDP), although it was also among the countries with the largest reductions, equivalent to 6 percentage points of GDP since 2014. There was an increase in public debt servicing in 2015; Jamaica's interest payments amounted to 7.8% of GDP.

With regard to monetary policy, the inflation patterns observed in 2015 and early 2016 determined the actions taken by monetary authorities. The economies of the north of the region —which have lower inflation rates— enjoyed greater margin for applying monetary policies to boost aggregate demand, while this policy space narrowed in the countries of the south.

Movements in monetary policy interest rates or monetary aggregates on average translated to a slowdown in domestic lending, which had a negative impact on domestic demand, particularly consumption and investment.

As in 2015, the region's currencies continued to depreciate against the dollar in the early part of 2016, with exchange rates remaining at high levels, although the currencies of Brazil, Chile, Colombia, Paraguay and Peru have regained some ground since December 2015. Other countries whose currencies lost value in 2015, such as Argentina and Uruguay, suffered further depreciation in early 2016. Between December 2014 and May 2016, all of the region's currencies monitored by ECLAC, except that of the Plurinational State of Bolivia, posted nominal depreciation against the dollar. In seven of these countries, nominal currency depreciation topped 20%: Argentina (68.4%), Brazil (34.1%), Haiti (32.2%), Uruguay (30.9%), Colombia (27.1%), Paraguay (20.3%) and Mexico (20.1%).

Shrinking trade surpluses and the spike in exchange-rate volatility caused a 5% fall in the international reserves held by the countries of the region in 2015. However,

reserves picked up 1.8% in the first four months of 2016, compared with year-end 2015, though they remained below 2014 levels. Reserves decreased in 11 economies during this period, and by more than 10% in the Bolivarian Republic of Venezuela, Suriname and Uruguay. Conversely, 15 economies managed to consolidate their international reserves, with five countries (Argentina, the Bahamas, El Salvador, Panama and Paraguay) posting increases of more than 10%.

As mentioned above, inflation patterns determined the monetary policy space. For 2016, the inflation rate is expected to remain in a similar range to that of 2015, when inflation eased in the economies of the north of the region and quickened in those of the south. On average for the region (excluding Argentina and the Bolivarian Republic of Venezuela), cumulative 12-month inflation stood at 6.1% in April 2016, compared with 6.4% in December 2015.

B. Invigorating growth and the challenges of financing for development

As stated previously, the region's growth pattern reflects, on the one hand, the uncertainties and negative shocks proceeding from the global economy and, on the other, a sharp fall in domestic consumption and investment. Returning to a growth path will require the reversal of these trends through an emphasis on investment, which will require a significant mobilization of financial resources.

The growing difficulty faced by the countries of the region in financing a countercyclical fiscal policy, together with their status as middle-income countries (which makes it harder to access concessional external financing or to benefit from international cooperation), means that mobilizing external and domestic resources for investment is a near-term policy priority.

In that context, the thematic chapters in this edition of the *Economic Survey of Latin America and the Caribbean* concentrate on the challenges encountered by Latin American and Caribbean countries in mobilizing financing for development from domestic and external perspectives.

Chapter II looks at the impact of the change in the economic cycle on public finances, including the drop in tax and non-tax revenues and the gradual rise in public borrowing, which together have eroded the fiscal space available for financing efforts to meet the Sustainable Development Goals.

It is argued that regaining that space would require comprehensive and sustained reforms to public finances to ensure public sector solvency, protect investment, safeguard achievements on the social front, and broaden tax resources.

Estimates are provided suggesting that fiscal multipliers are high and significant in the region and that, in particular, the public investment multiplier exceeds 2 after two years. Indiscriminate cutting of public expenditure is highly prejudicial because it runs the risk of deepening recessionary conditions: it is thus essential to protect the key role played by public investment in the potential growth of the region's economies.

In view of the unavoidable need to mobilize resources for financing for development and to ensure the fulfilment of the 2030 Agenda for Sustainable Development, the chapter reaffirms the need to change certain typical characteristics of the countries' tax structures, namely: tax collection that is too low (with a few notable exceptions); a system that is not progressive because income tax is weak and the rates paid by the richest decile are extremely low; high evasion —estimated at 6.7 percentage points

of regional GDP— and tax bases that have been eroded by the proliferation of tax incentives. These factors all highlight the importance of strengthening income taxation.

Chapter III examines tax evasion in relation to the external linkages of the region's countries. The more a country is engaged in the world economy, the greater the potential erosion of its tax base. There are essentially three sources of this erosion: the burgeoning of tax incentives; profit shifting and aggressive tax planning; and illicit financial flows arising from international trade and capital movements.

The current capacity of multinational and transnational firms to develop aggressive tax planning and profit shifting mechanisms lessens countries' ability to retain fiscal revenues that could be used to finance development processes or to deploy redistributive policy tools to achieve social equality and overcome poverty.

The fiscal losses associated with evasion and avoidance around the world are striking. The Organization for Economic Cooperation and Development (OECD) and the United Nations Conference on Trade and Development (UNCTAD) estimate that evasion amounts to between US\$ 100 billion and US\$ 240 billion per year, equivalent to between 4% and 10% of the corporate income tax take. ECLAC estimates show that the region's gross trade misinvoicing outflows increased by about 9% a year on average in the period 2004-2013, totalling US\$ 765 billion or about 1.8% of regional GDP. The region's tax losses associated with these flows stood at about US\$ 31 billion in 2013 (0.5 percentage points of GDP), equivalent to between 10% and 15% of the corporate income tax take for that year.

Chapter IV notes that the external development finance scene has changed considerably over recent decades in terms of the array of agents providing financing, the funding mechanisms used and the composition of financial flows. There has been a clear fall-off in official development assistance (ODA) flows to the countries of the region, with private flows becoming the main source of financing for these economies. Chief among these is foreign direct investment (FDI), whose value in 2014 equated to approximately 2.6% of Latin America's GDP, accounting for over 60% of total flows into the region. Remittances and portfolio investment inflows were equivalent to about 1.0% and 1.5% of GDP, respectively.

The reliance on private funds raises significant issues for development finance. First, not all countries have the same access to external financing sources. The degree to which a country or set of countries can access private sector financing depends on a number of factors, including size of the economy; perceived risk (in some cases reflecting the country's macroeconomic record); the production structure; the state of infrastructure; and the education and specialization level of the workforce. Second, private sector flows, including FDI, are procyclical and sometimes highly volatile, which can amplify business cycle fluctuations. Third, the behaviour of private capital flows reflects the fact that they are mainly profit-driven, which can mean that investment is inadequate in areas crucial to sustainable development, such as poverty reduction or infrastructure improvements, if the expected risk-adjusted return is unsatisfactory relative to alternative investment opportunities.

Channelling and matching private capital to sustainable development needs means creating incentives that can attract private investment into areas where it meets the production and development requirements of the economies of Latin America and the Caribbean. This must involve government action to design appropriate incentives, which means including social returns in cost-benefit analyses, supplying public financing to sectors that generate significant social benefits but do not attract enough private-sector funds, maintaining risk-return profiles that are attractive to private capital and directing this capital towards development objectives, and creating appropriate legal frameworks.

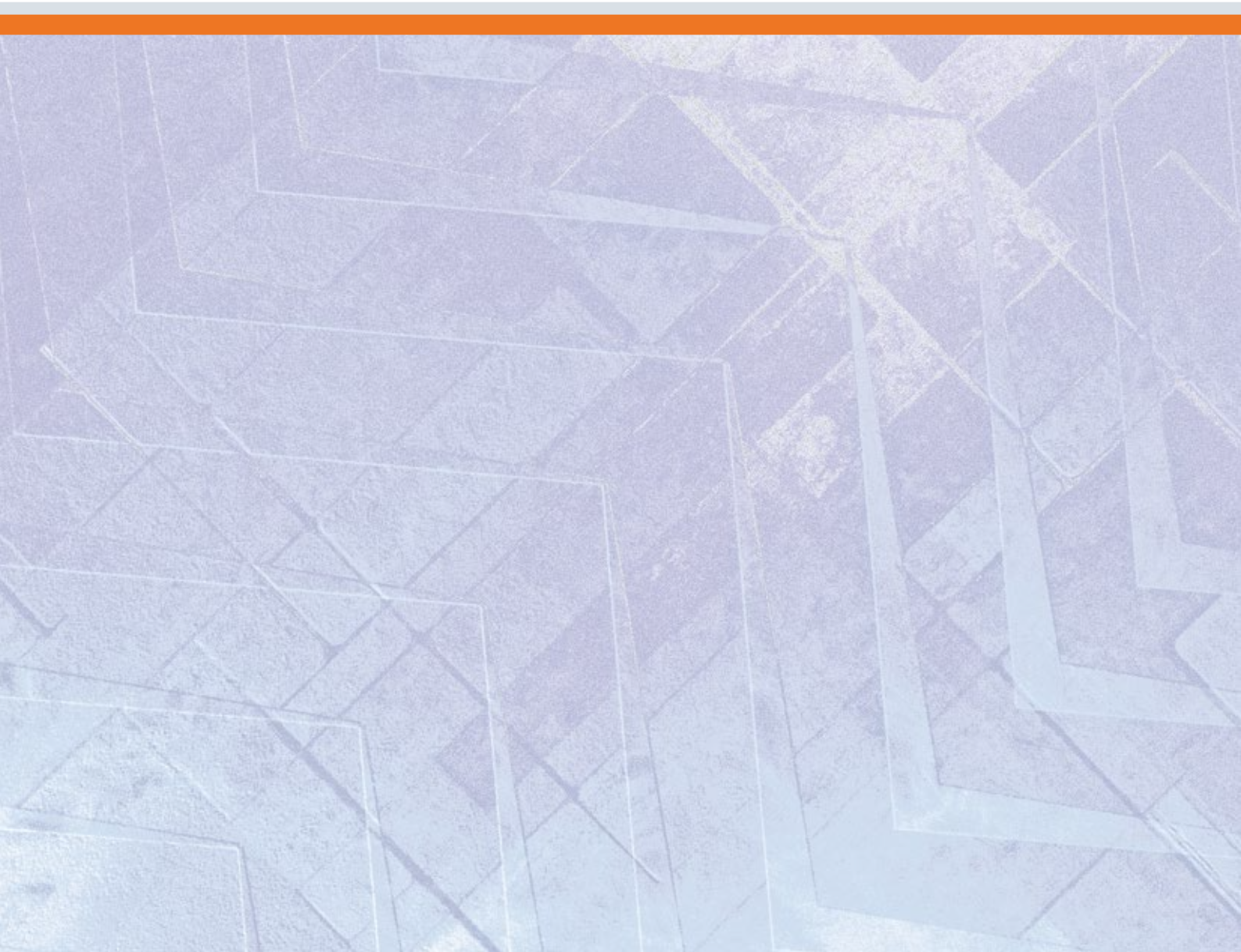
Chapter V studies financial inclusion in the countries of the region, and argues that inclusiveness is a prerequisite for financial systems to work in favour of sustainable economic and social development. In non-inclusive financial systems, small businesses and low-income persons are unable to access financial services; these systems also exhibit wide gender gaps in terms of their access and use.

Financial innovation may serve as a catalyst for the financial inclusion of households and businesses through the greater densification of the financial system. In the policy sphere, this means fostering innovation by introducing new skills, capacities and procedures to increase efficiency, including technological and methodological improvements and changes in forms of intermediation. There is also a need to develop new financial products to meet demand from households and companies.

Strengthening financial inclusion through innovation requires an effort to coordinate public and private agendas in respect of development goals and priorities. Spaces and mechanisms should therefore be created so that public policies can attract and channel private sector endeavours, with the right context and incentives, towards achieving inclusive development goals.

In that regard the presence of development banks should be reinforced, since they increase the availability of and access to financing sources and mechanisms for business, and are capable of deploying them according to the requirements, characteristics and risks inherent to different production activities.

The economic situation and outlook for 2016



Regional overview

- A. The external context
- B. The external sector
- C. Domestic performance
- D. Macroeconomic policy
- Bibliography

A. The external context

Global economic growth will continue to be lacklustre in 2016. Growth in developed countries, which was already weak, is set to slow, while developing countries on average are not expected to see any further deterioration in their growth rates, though they will remain lower than in the years before the economic crisis. For the rest of 2016, commodity prices are expected to remain close to the levels seen at the end of the first half, with no significant changes. Brexit¹ has created new uncertainty and risks against the backdrop of an already vulnerable global economy and has resulted in lower —albeit not significantly— growth projections for Europe and the global economy this year. International financial markets are therefore likely to remain volatile. The main features observed in the international context that have affected and that will continue to affect the region's economic performance for the rest of 2016 will now be described.

1. Continued low levels of global economic growth are projected for 2016 —about 2.4%, similar to the rate in 2015— with developed countries set to grow more slowly and developing economies likely to maintain similar levels of growth to 2015

The world economy grew by 2.4% in 2015. Developing countries continued to grow much more strongly than developed economies (3.8% versus 1.9% in 2015) despite a downward trend in the past few years and a marked deceleration in 2015. The position of China within this group is significant, as growth rates there have been declining steadily and in 2015 they fell below 7% for the first time since 1990 (6.9%).

Table I.1

GDP growth 2013-2015 and projections for 2016-2017
(Percentages)

	2013	2014	2015	2016	2017
World	2.3	2.6	2.4	2.4	2.8
United States	1.5	2.4	2.4	2.0	2.1
Japan	1.6	-0.1	0.5	0.5	0.5
Eurozone	-0.3	0.9	1.7	1.5	1.0
Transition economies	2.1	0.9	-2.8	-1.2	1.1
Russian Federation	1.3	0.6	-3.7	-1.9	0.6
Developing countries	4.6	4.4	3.8	3.8	4.4
India	6.5	7.2	7.3	7.3	7.5
China	7.7	7.3	6.9	6.4	6.5
Africa	3.3	3.8	3.0	2.8	3.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, *World Economic Situation and Prospects 2016*, December 2015; *World Economic Situation and Prospects 2016, Update as of mid-2016*, Department of Economic and Social Affairs, New York, 2016; and *Latin American Consensus Forecasts*, 28 June 2016.

Global economic growth is expected to hold steady in 2016, similar to the level seen in 2015 (2.4%). This is a sharp downward revision (half a percentage point) of the forecast made just a few months ago, in December 2015. Though the projections

¹ On 23 June 2016 the United Kingdom held a referendum on membership of the European Union, in which the majority voted to leave ("Brexit").

have been lowered for both developed and developing economies, the reduction was greater for the latter.

Developing economies are expected to grow by 3.8% in 2016 —the same rate as in 2015, which was the lowest recorded since the 2009 global financial crisis and half a percentage point below the forecast made in December 2015. The main growth drivers in this group include India (which is forecast to grow by 7.3%) and other emerging Asian economies, apart from China, which is expected to see its pace of growth drop to 6.4%. In the first quarter of 2016 China's growth decelerated slightly to 6.7% compared with the year-earlier period.²

At the end of June, Brexit resulted in lower forecasts for growth (much lower for 2017 than 2016) in some of the major developed economies (eurozone and the United States), in addition to the United Kingdom.³

The growth rate of 2.0% projected for the United States in 2016 is much lower than that for 2015, but should provide momentum in relative terms, given that the country is expected to outperform the eurozone and Japan once again.

Growth in the eurozone is expected to come to 1.5% in 2016, also lower than the 2015 figure, while Japan's growth is set to remain sluggish, at around the level seen in 2015 (0.5%).

2. World trade is still languishing at levels lower than before the global financial crisis

World trade volume growth rates are still languishing at levels lower than before the global financial crisis. Indeed, trade growth has not exceeded 5% since 2011 (see figure I.1). This is the longest period of growth below 5% since the data series began in the 1980s.

In 2015 world goods trade grew by about 2.8% in volume, while at the start of 2016 there were signs that trade momentum remained weak. According to the Netherlands Bureau of Economic Policy Analysis (CPB), in the first three months of 2016 world merchandise trade volume fell by 1% compared with the year-earlier period.

This fall was attributable to low volumes of exports from the emerging countries of Asia, Japan and the United States where year-on-year growth rates in the first quarter of 2016 were already negative (between -2% and -4%).

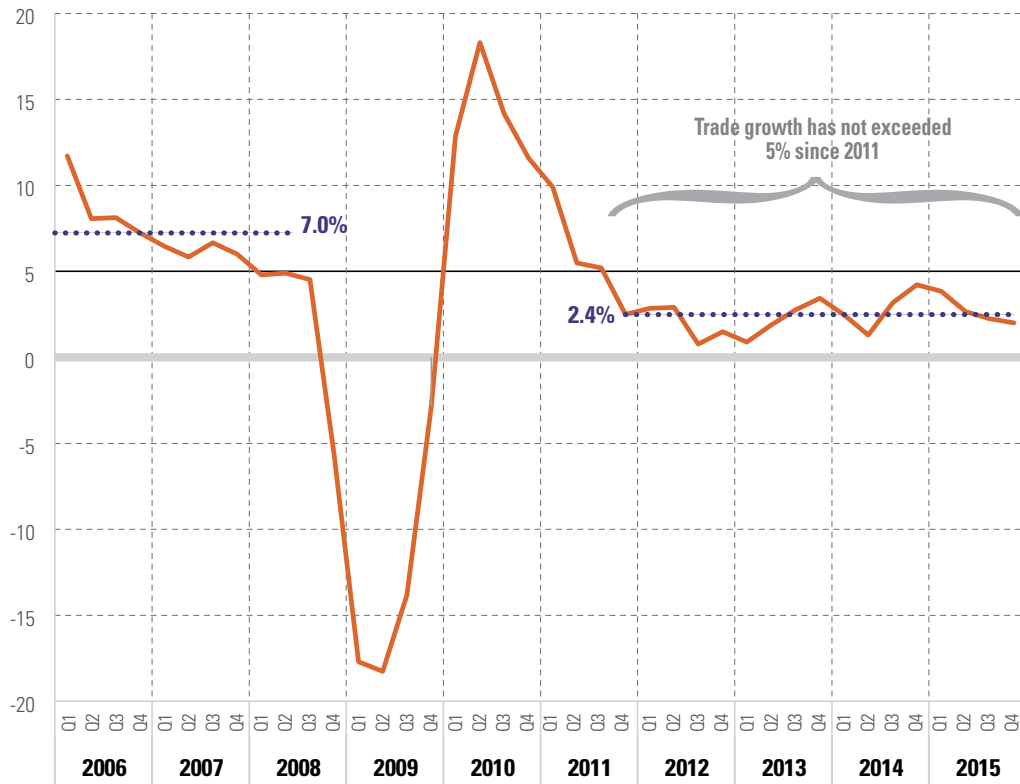
Given the sluggish global economic trends expected to persist in 2016, goods trade volumes are unlikely to improve and are expected to continue to grow at similar levels to 2015.

² In the last quarter of 2015 China had grown by 6.9% compared with the year-earlier period.

³ See Latin American Consensus Forecasts, 28 June 2016.

Figure I.1

World: seasonally adjusted year-on-year trade volume growth, first quarter of 2006 to fourth quarter of 2015 (Percentages)



Sluggish growth in global trade is expected to persist.

2016

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures provided by the World Trade Organization (WTO).

3. Financial markets were off to a volatile start in 2016 but began stabilizing in February

Financial markets were off to a volatile start in 2016 (see figure I.2A). The main contributing factors, as seen during the period of significant volatility in August 2015, were events in China. The markets overreacted when manufacturing activity indicators were published and revealed a sharper-than-expected deceleration. In one day (4 January 2016), the Shanghai Stock Exchange Index tumbled by almost 7% and the yuan plunged. The panic spread to stock markets in developed and emerging countries (see figure I.2B) and to commodity prices, which plummeted; the price of oil, for instance, fell to its lowest level in 12 years.⁴

Volatility eased as the months went by. There were positive signs that Chinese economic growth was beginning to stabilize and, though it continues to slow, there has been no hard landing. In March the government published its five-year plan for 2016-2020, which outlines growth of more than 6.5% per year during the period, and China's growth figures in the first quarter were perfectly aligned with this estimate (growth of 6.7% compared with the year-earlier period).⁵

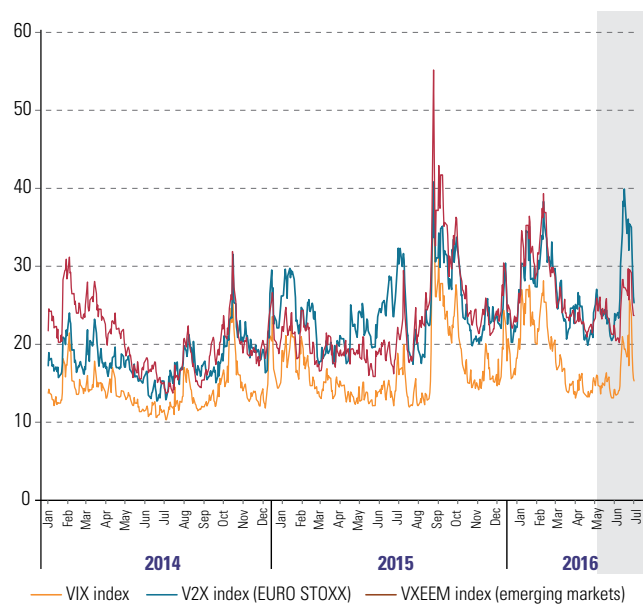
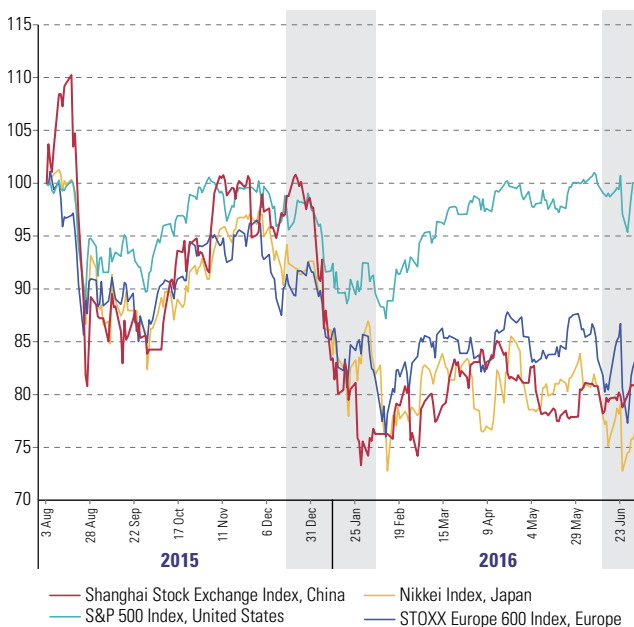
⁴ The Chinese authorities responded with various measures, including a temporary halt in trading, but these measures had the opposite effect of that intended, as they increased fears and triggered massive asset sales and further declines in share prices.

⁵ The Chinese authorities also injected liquidity into the economy and reduced reserve requirements in order to help it gain momentum.

Figure I.2

Financial market volatility and stock market indices

A. Financial market volatility

B. Stock market indices
(3 August 2015=100)

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

Note: The VIX index is prepared by the Chicago Board of Exchange (CBOE) from S&P call and put option prices, and measures expected volatility over the next 30 days. Following the same logic, the CBOE also produces the VXEM index, which measures volatility in emerging markets, while Deutsche Börse and Goldman Sachs produce the V2X index, which measures eurozone volatility.

The monetary policy decisions of the European Central Bank (ECB) and the Bank of Japan also helped soothe the markets. The Bank of Japan lowered its benchmark rate to -0.1% at the end of January, while the ECB once again extended its quantitative easing programme at its meeting in early March 2016.⁶ The United States Federal Reserve, for its part, has so far refrained from raising its benchmark rate at its meetings in 2016.

Although Brexit roiled the financial markets once again (see box I.1), the turmoil was short-lived (see figures I.2A and I.2B).

As discussed below, major risks remain for the world economy in a number of areas, and uncertainty and volatility could resurface on financial markets in the second half of the year.

⁶ It reduced its monetary policy rate to zero and also lowered the interest rate on banks' deposits in the ECB (from an already negative rate of -0.3% to -0.4%), which means that banks now have to pay more to hold deposits in the ECB. The ECB also increased monthly purchases of securities under its quantitative easing programme to US\$ 22 billion and these purchases now include investment grade non-bank corporate bonds. For a description of this programme see ECLAC, 2015.

4. Energy and metals posted the sharpest price declines among commodities; prices for the rest of the year are set to remain close to the levels seen in mid-2016, without significant changes

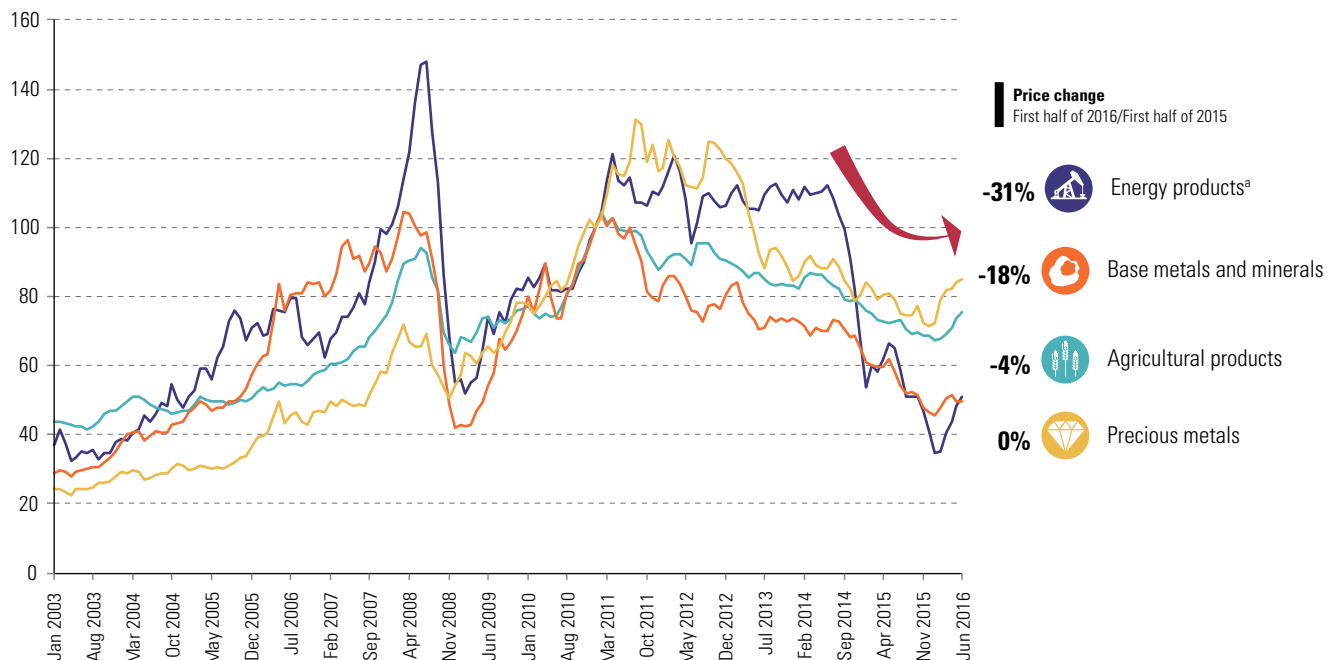
After declining sharply in 2015, commodity prices continued to slide at the beginning of 2016. The price of crude oil—the largest component of the energy product category—averaged less than US\$ 30 per barrel in January 2016, down almost 20% compared with the previous month,⁷ and at the lowest level seen in 12 years. The above-mentioned events in China and the subsequent market jitters contributed significantly to the decline.

Commodity prices began to pick up in February 2016 as financial market volatility diminished (see figure I.3), reportedly due to various factors including the depreciation of the dollar since the beginning of the year and specific oil supply problems for three major producers, namely Canada, Iraq and Nigeria.⁸

However, prices improved as of February despite the fact that most markets are expected to face a glut in 2016, which suggests that the recovery is due to other factors and is probably linked to expectations and speculative factors, as mentioned in previous ECLAC publications.

Figure I.3

International commodity prices, January 2003 to June 2016
(Monthly averages, January 2011=100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank Commodity Price Data (Pink Sheet).

^a Includes oil, natural gas and coal.

⁷ Calculations are based on the average price of West Texas Intermediate (WTI), Brent and Dubai oil, according to the World Bank's monthly Commodity Price Data (Pink Sheet).

⁸ Moreover, the crude oil industry took on significant debt when prices were soaring and many companies are now over-indebted, selling off assets and filing for bankruptcy, which is also helping reduce supply to a certain extent.

For the remainder of 2016, commodity prices are expected to stick close to the levels seen in mid-2016, with no significant changes. This stable trend until the end of the year implies that average prices will fall in 2016 compared with 2015. For example, crude oil is expected to decline by 21 % compared with 2015, copper by 13%, iron ore by 23% and soybean flour by 14%.

This trend and its impact on the region's export and import prices are discussed in chapter I, section B.

5. Uncertainty is likely to persist for the rest of the year in view of various remaining risks

As significant risks remain for the global economy on various fronts, uncertainty is likely to persist for the rest of the year. First, there are risks stemming from the future performance of the Chinese economy, which would have a direct impact on aggregate global demand and also demand for commodities. Though at present (mid-2016) there does not seem to be any evidence of the Chinese economy heading for a hard landing, there are various medium-term risks for the health of the financial sector. The Chinese authorities' efforts to stimulate the economy have led to significant levels of corporate leverage, and debt in this sector alone already stands at around 170% of GDP. Add to this debt for the public sector (44% of GDP) and the housing sector (39% of GDP), and China's debt is equivalent to 250% of GDP. The Chinese financial system is exposed to a growing proportion of non-performing loans and this situation will naturally continue to be aggravated by the government's efforts to stimulate economic activity by increasing credit.⁹

In addition to the risks stemming from China, an equally important issue is developed countries' inability to stimulate economic growth. Despite expansionary monetary policies of low interest rates and quantitative easing, the results are still not satisfactory and growth rates continue to be low, particularly in Japan. Moreover, monetary policy is being used as the stimulus tool, while fiscal policy has become more contractionary. It has been argued on a number of occasions that some developed economies with greater fiscal space should balance their tools and policies more evenly between fiscal and monetary stimulus (see, for example, United Nations, 2016).

In any case, and despite its greater or lesser effectiveness, monetary stimulus is expected to continue in 2016, given that the European Union and Japan are pursuing expansionary monetary policies and are not expected to change course in the short term.

In the United States on the other hand, projections for interest rate hikes have been pushed out to the medium term. Though global liquidity is not likely to be restricted significantly in the short term, there could be portfolio adjustments as a result of possible rate hikes by the Federal Reserve.

Lastly, Brexit has raised new questions and risks against the backdrop of an already vulnerable global economy (see box I.1).

In light of these uncertainties, financial markets are expected to remain volatile for the rest of the year.

⁹ Moreover, there is a "shadow" financial system subject to limited regulation and for which loans have grown by 30% per year over the past three years and about which not much is known (*The Economist*, 2016). The China Banking Regulatory Commission is evaluating ways of removing part of the non-performing portfolio from banks' balance sheets by securitizing them and selling them to international investors. See *Financial Times* (2016).

News of the outcome of the referendum on the United Kingdom's membership of the European Union (the vote to leave triggers the process known as "Brexit") was swiftly followed by a spike in financial market volatility. Share prices plunged, with European bank stocks taking the heaviest losses. Commodity prices also fell sharply, led by oil, which slid by 4.6% in one day. Sterling tumbled to its lowest level against the dollar since 1985, while the euro suffered one of its steepest one-day falls since its introduction in 1999.

Meanwhile, amid growing signs of financial market illiquidity, the major central banks were forced to signal their readiness to provide the liquidity needed to support the orderly functioning of financial systems. In particular, the Bank of England announced the availability of a very large line of liquidity, equivalent to 12% of the United Kingdom's GDP.

As a result, most of the stock-market losses were recovered over the following days, and volatility eased to pre-referendum levels.

Aside from these short-term impacts, Brexit has created new uncertainties and presents longer-term risks related to the growth of the United Kingdom and the world economy in general, which may materialize through the trading relations of that country.

The news of Brexit comes during a period of sluggish growth in a global economy that was already looking vulnerable. Brexit may cause an even sharper slowdown as the process advances.

In the United Kingdom specifically, repercussions for growth will depend chiefly on the withdrawal conditions that it negotiates with the rest of the European Union. The incoming administration will be responsible for triggering exit negotiations, a process that will last for up to two years,^a and which will establish the terms of separation and new agreements that will govern future relations between the United Kingdom and the European Union. Some estimates suggest that the British economy could lose 8 points of GDP growth by 2030 as a result of Brexit (BBVA, 2016).

From the perspective of Latin America and the Caribbean, the impacts of Brexit are related to short- and long-term factors.

Ongoing uncertainty during the rest of 2016 means that volatility can be expected to continue in international financial markets, and that processes of flight to quality may be repeated in a scenario of increased risk aversion at the global level.

Should this be the case, one initial short-term impact on Latin America and the Caribbean could be the reduced availability of external financing, as has occurred in previous periods of heightened financial volatility as investors plump for safe haven assets.

A second impact on the region could stem from steeper commodity price falls than previously envisaged. This would have a renewed impact on the terms of trade of commodity-exporting countries, which already suffered significant losses in this regard in 2015.

Looking to the medium term, the economic effects of Brexit could emerge from the trade channel and from economic growth. In this regard, it is thought that even if Brexit were to weigh on economic growth in the United Kingdom, the direct impact on Latin America and the Caribbean should not be too great, since trade links with that country are weak (only 1% of the region's exports go to the United Kingdom).^b

However, the indirect impacts that may materialize owing to the impacts on the economic growth of Latin America's other trading partners are more difficult to gauge. In that sense, how Brexit will affect growth in Europe, the United States and the world economy in general, remains an open question.

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

^a The negotiation period may be extended only by unanimous agreement of all European Union member countries.

^b The countries of the English-speaking Caribbean are more exposed to trade-related risks. For example, the United Kingdom receives 45% of exports from Belize and 11% of exports from Guyana.

Box I.1

Economic implications of Brexit for Latin America and the Caribbean

B. The external sector

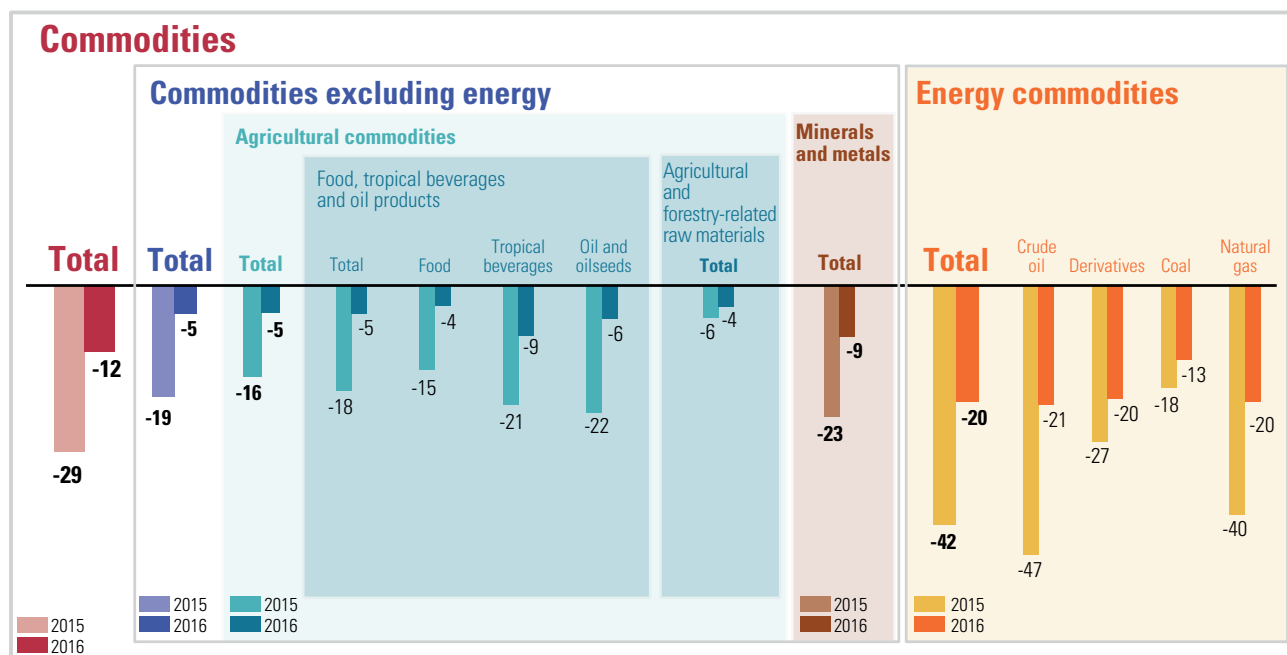
1. The region's export commodity prices, particularly in the energy sector, are expected to fall in 2016, but by less than they did in 2015

The fall in commodity prices mentioned in the analysis on the international context has been reflected in the decline in the average prices for which the countries of Latin America and the Caribbean export those products. According to the export commodity price index compiled by ECLAC,¹⁰ prices fell by 29% on average in 2015, with the following variations by sector: prices for energy products were down by 42%, metals and minerals by 23% and agricultural products by 16%.

Prices fell sharply in early 2016, but began to pick up again from February. Nevertheless, even if prices remain at similar levels to those seen in the second quarter of the year, average prices for 2016 will still be lower than the average for 2015 (see figure I.4). Prices for energy-related products are expected to decrease by around 20%, minerals by 9% and agricultural products by 5%. These falls, though substantial in the case of energy products, for example, were not as great as those seen in the previous year.

Figure I.4

Latin America and the Caribbean: annual changes in export commodity price indices, 2015, and projections for 2016 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and projections by Bloomberg, the Economist Intelligence Unit, World Bank and International Monetary Fund (IMF), World Economic Outlook.

¹⁰ The ECLAC regional export commodity price index is based on international market prices for these commodities and the weighting of product groups according to their share of the regional export basket.

2. The terms of trade for South America and Mexico are expected to deteriorate, although less than they did in 2015, while they will improve for Central America and the Caribbean

As expected, the impact of the aforementioned trend in prices on the terms of trade is uneven and depends on the weight of different commodities in the export and import basket of each country.

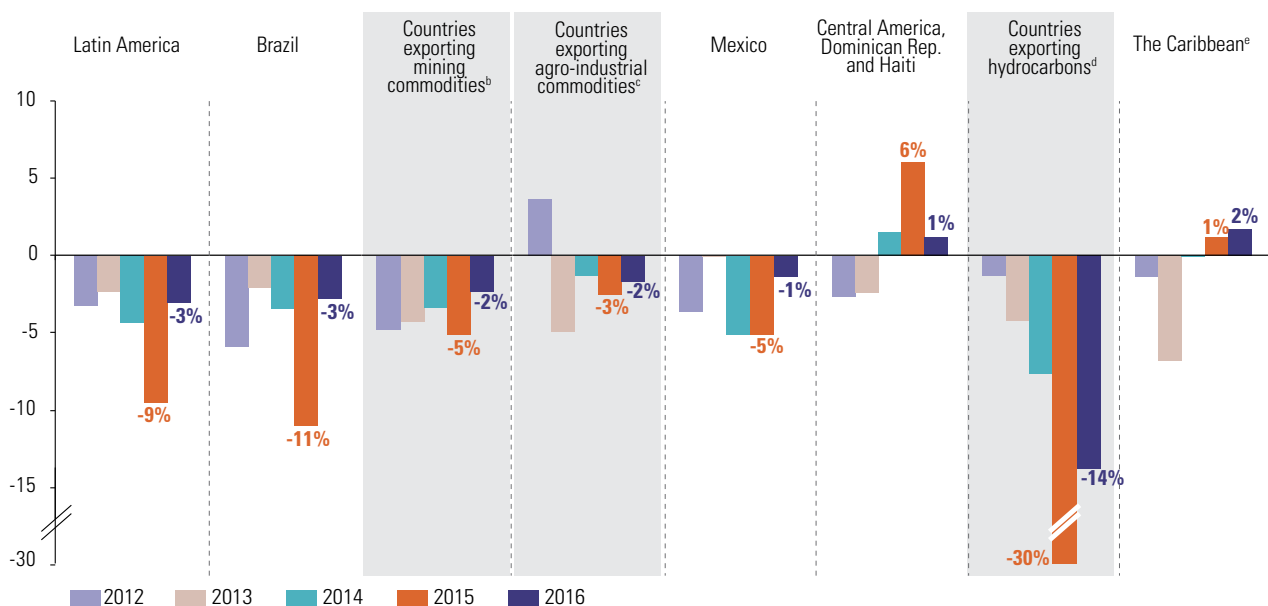
Commodities account for more than half of exports from Latin America and the Caribbean, meaning that plunging commodity prices have had a major impact on the region's average export prices. The worst deterioration in the terms of trade since 1986 occurred in 2015, worse even than the fall in 2009 caused by the global crisis.

The countries hardest hit were those whose exports are concentrated mainly in hydrocarbons (Bolivarian Republic of Venezuela, Colombia, Ecuador, Plurinational State of Bolivia and Trinidad and Tobago), as their terms of trade fell by 30%. They were followed by countries whose main exports are minerals and metals and agro-industrial products, whose terms of trade fell by 5% and 3%, respectively. These countries benefited to some extent from the lower oil prices. Brazil's terms of trade declined by 11%, since several of the commodities whose prices have dropped significantly are heavily represented in the country's export structure. The export price index fell by 22% in Brazil, where the price of iron, one of its main exports, fell sharply, as have the prices of food, such as soybeans, and, to a lesser extent, sugar and coffee. Although manufactured goods for the United States market account for a large share of its exports, Mexico is a net exporter of energy products—mainly crude oil—and was thus hit by the sharp fall in prices in this sector in 2015, leading to a 5% drop in its terms of trade.

By contrast, the change in commodity prices during 2015 benefited the Central American countries (including the Dominican Republic and Haiti) and the Caribbean countries (excluding Trinidad and Tobago). Their terms of trade improved by 6% and 1%, respectively, in 2015, as they are net importers of food and energy products—with the exception of Trinidad and Tobago—and thus the global drop in the prices of these commodities was to their advantage.

These trends are expected to continue in 2016, but with less intensity (see figure 1.5).

Figure 1.5
Latin America and the Caribbean (selected country groupings): changes in the terms of trade, 2012–2016^a
(Percentages)



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

^a The figures for 2016 are projections.

^b Chile and Peru.

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

^d Argentina, Paraguay and Uruguay.

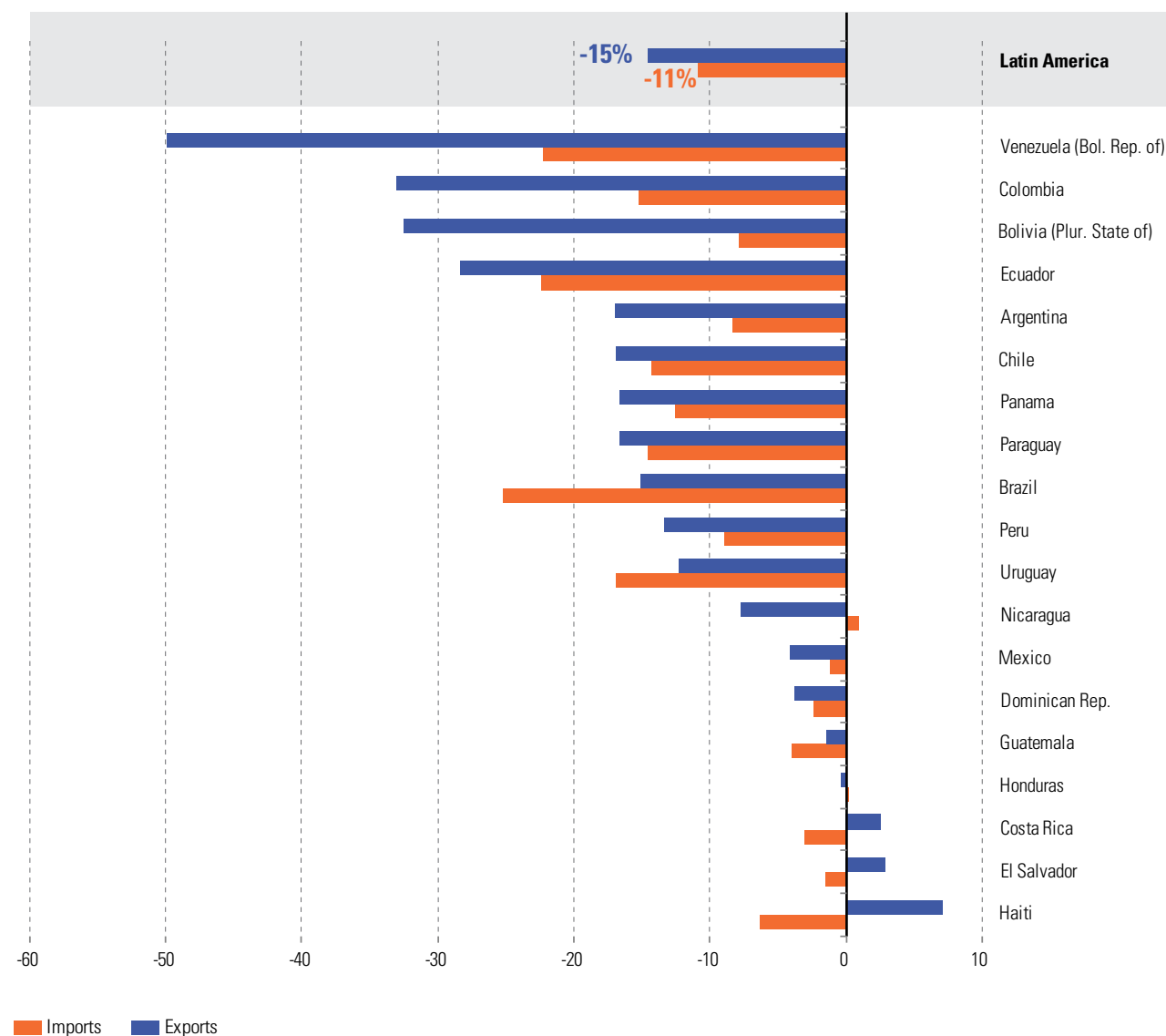
^e Excluding Trinidad and Tobago.

3. Latin American goods exports and imports plunged in 2015 and are expected to continue to fall, albeit at a slower rate, in 2016

In 2015, the value of Latin American goods exports and imports fell by 15% and 11%, respectively (see figure I.6), the largest declines seen since 2009, when the value of exports plummeted by 22% and the value of imports by 25%.

Figure I.6

Latin America (19 countries): changes on the previous year in goods exports and imports by value, 2015
(Percentages)



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

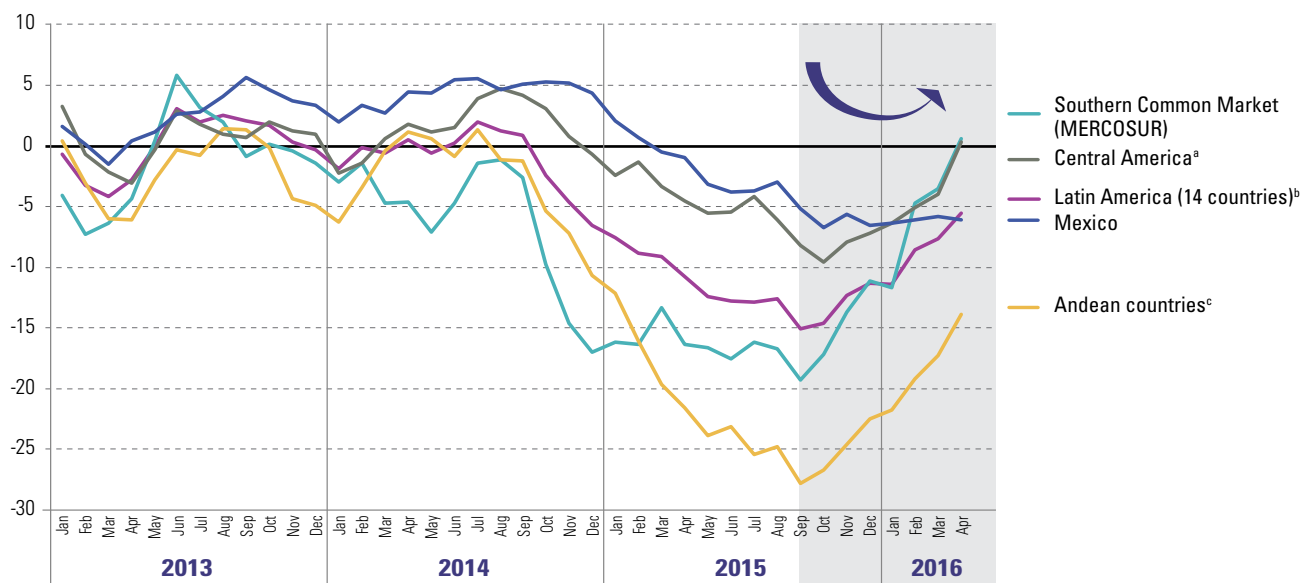
The drop in the value of exports was entirely the result of falling prices, as, in terms of volume, exports increased by almost 3% in 2015. Hydrocarbon-exporting South American countries, hard hit by the drop in their export prices, saw sharp declines in the value of their exports: 50% in the case of the Bolivarian Republic of Venezuela, more than 30% in Colombia and the Plurinational State of Bolivia, and 28% in Ecuador. In other South American countries, both exporters of mining products (Chile and Peru) and exporters of agro-industrial products (Argentina, Brazil, Paraguay and Uruguay), the effect of lower export prices was somewhat less intense: the value of their exports fell by between 12% and 17%.

Disparate behaviour among Central America countries was the result of their different national situations. In Panama, exports fell by 17% in 2015, owing mainly to the 12.5% decline in re-exports from the Colón Free Trade Zone; while in the Dominican Republic, Guatemala and Nicaragua lower prices were the biggest factor behind the drop in the value of exports. Meanwhile, exports from Haiti grew by 7% and those from Costa Rica and El Salvador increased slightly by around 3%.¹¹

Exports from all the subregions appear to be improving in 2016, as they are falling at ever slower rates or are even starting to show signs of positive growth (see figure I.7). This can be explained by the depreciation of several of the region's currencies and, in the case of Central America, the stable growth of the United States economy, which is the main destination of exports from this subregion.

Figure I.7

Latin America (selected country groupings): year-on-year changes in exports by value, three-month moving averages, January 2013 to April 2016
(Percentages)



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

^a Costa Rica, El Salvador, Guatemala and Nicaragua.

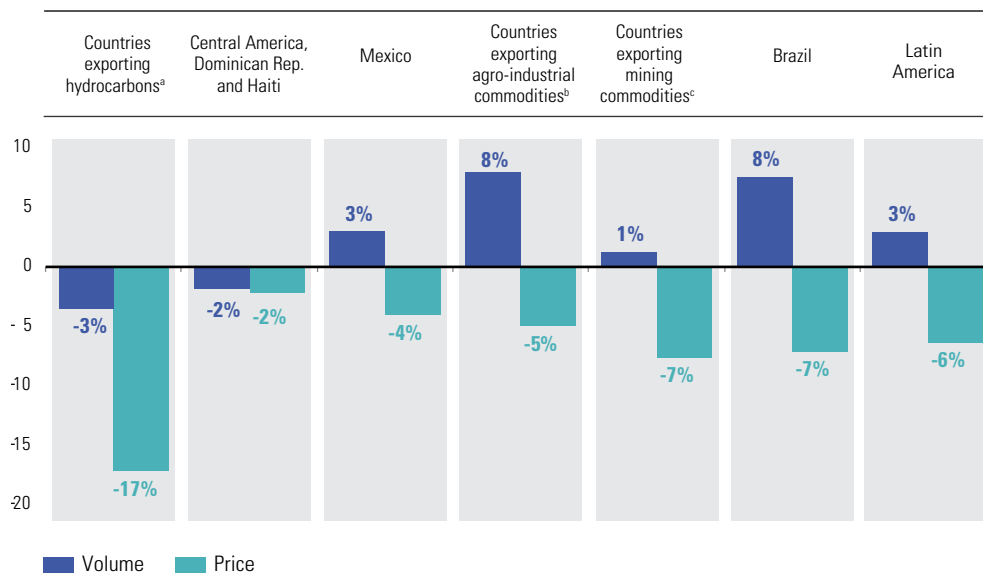
^b Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

^c Chile, Colombia, Ecuador, Peru and Plurinational State of Bolivia.

¹¹ The methodological change in the sixth edition of the *Balance of Payments and International Investment Position Manual* published by the International Monetary Fund has isolated the effect of Intel's decision to pull some operations out of Costa Rica. When calculated using the old methodology, total exports fell by 15% in 2015.

The fall in commodity prices will continue to drag down regional exports in 2016. As the projected 3% growth in volume will not be enough to offset the 6% fall in prices, Latin American exports could be down by 3% this year (see figure I.8).

Figure I.8
Latin America (selected country groupings): projected changes in goods export volumes and prices, 2016 (Percentages)



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

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

^b Argentina, Paraguay and Uruguay.

^c Chile and Peru.

However, there are several factors, both internal and external, that could lead regional export projections to take a turn for the worse. First, the heavy dependency of some South American countries on the Brazilian market could have negative effects given the current situation in Brazil. While Brazil absorbed only about 4% of total exports from Latin America and the Caribbean in 2014, that figure was more than 20% for members of the Southern Common Market (MERCOSUR). The impact that lower Brazilian external demand may eventually have on MERCOSUR countries will depend on their ability to diversify their exports to other markets.

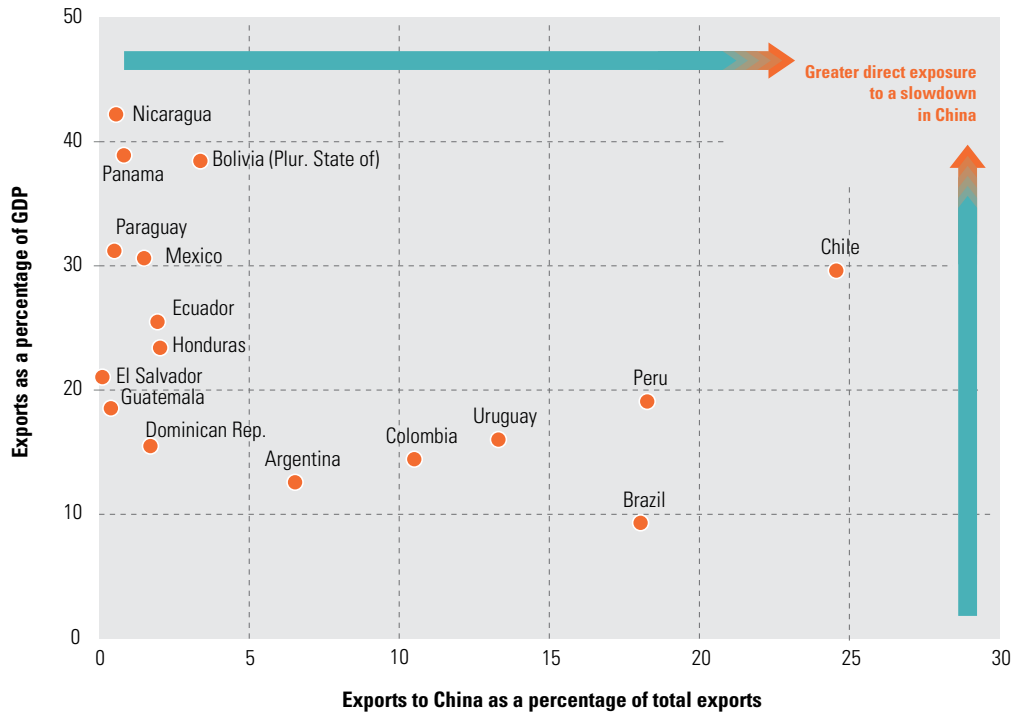
A second factor that could shift the downward projection of regional exports is countries' exposure, direct and indirect, to China's economy. Given the size of the country's economy, its weight in global economic activity and its demand for raw materials, the health of China's economy and the question of whether growth might slow more than forecast is a future latent risk.¹²

In addition to the indirect effect of Chinese demand on Latin America and the Caribbean through its impact on commodity prices, there is also a direct effect on the external demand of various Latin American countries, for which China is a very important export market. If exports account for a significant part of these countries' economic activity, then their exposure to a slowdown is naturally greater (see figure I.9).

¹² In 2015, China accounted for 15% of global GDP and 11.9% of world trade, used 12% of the world's crude oil and was the largest consumer of most of the major metals and minerals (around 50% of global demand for iron, aluminium, copper and nickel came from China) (see [online] <https://www.weforum.org/agenda/2015/09/china-king-of-commodity-consumption/>).

Figure I.9

Latin America (16 countries): exports to China as a percentage of the total and total exports as a percentage of GDP
(Percentages)



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

With regard to imports, the combined effect of low commodity prices and lower import volumes (due to the effect of depreciating real effective exchange rate in several countries in the region and low levels of economic activity in most of them) explain the 11% fall in the value of imports seen in 2015.

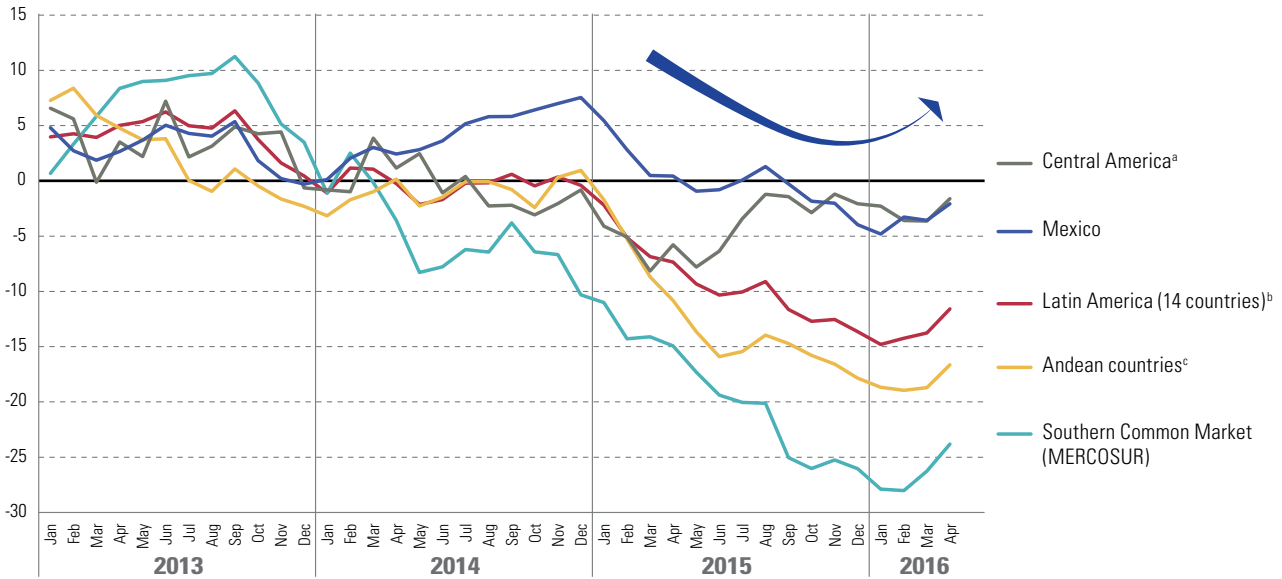
Imports dropped in almost all Latin American countries, some by over 20%, as was the case in the Bolivarian Republic of Venezuela, Brazil and Ecuador. The economic slowdown in Brazil in 2015 led imports to fall by 25% in terms of value and 15% in terms of volume, with declines in all categories, particularly fuel (47%), durable consumer goods (30%), capital goods (22%), intermediate goods (20%) and non-durable consumer goods (14%). Imports fell by 22% in the Bolivarian Republic of Venezuela as the shortage of foreign currency caused an economic slump and importing difficulties, and also in Ecuador owing to the balance-of-payment safeguard policies in place and the economic slowdown.

Imports continued to fall sharply in the first months of 2016 as a result of the same factors as in 2015 (see figure I.10). However, total imports into Latin America are expected to fall by 7% for the whole of 2016 (much less than the previous year), owing to a 3% drop in import prices and a 4% decline in import volumes (see figure I.11).¹³

¹³ The smaller fall in the volume of imports in 2016 can be partly explained by the impact of countries, such as Argentina, where—as a result of relaxing existing restrictions on imports by the new government—the volume of imports has already seen double-digit growth rates in the first three months of the year compared with the same period in 2015.

Figure I.10

Latin America (selected country groupings): year-on-year changes in imports by value, three-month moving averages, January 2013 to April 2016 (Percentages)



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

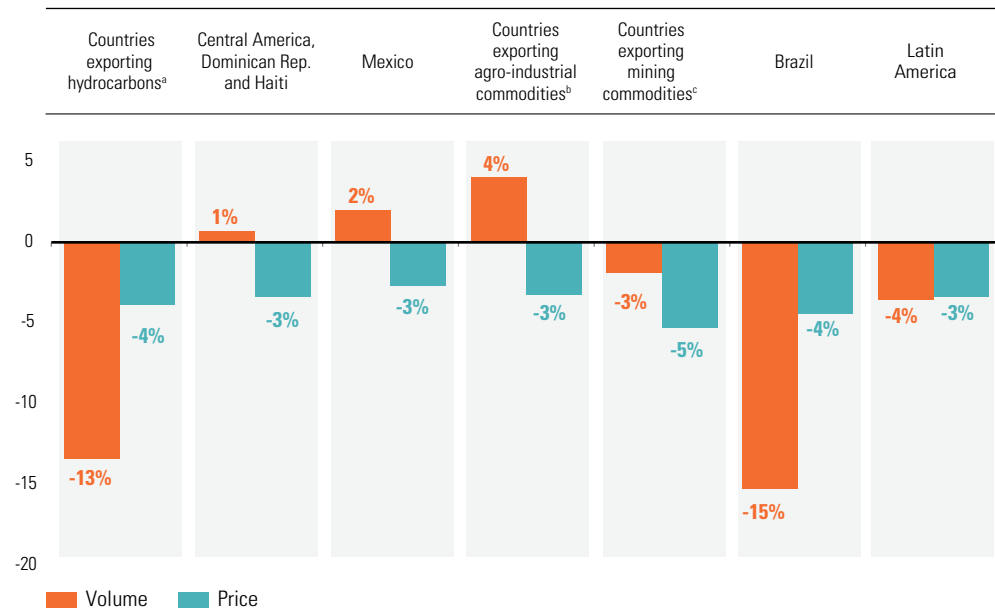
^a Costa Rica, El Salvador, Guatemala and Nicaragua.

^b Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

^c Chile, Colombia, Ecuador, Peru and Plurinational State of Bolivia.

Figure I.11

Latin America (selected country groupings): projected changes in goods imports volumes and prices, 2016 (Percentages)



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

^a Chile and Peru.

^b Argentina, Paraguay and Uruguay.

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

4. The current account deficit is expected to improve in 2016, mainly as a result of a smaller goods and services deficit

The region's balance-of-payments current account deficit, measured in dollars, improved in 2015, narrowing from US\$ 183.1 billion to US\$ 174 billion. However, this improvement in the deficit was more than offset by the fall in regional GDP, also measured in dollars, such that the current account deficit as a percentage of GDP widened in 2015 to 3.4% (see figure I.12).

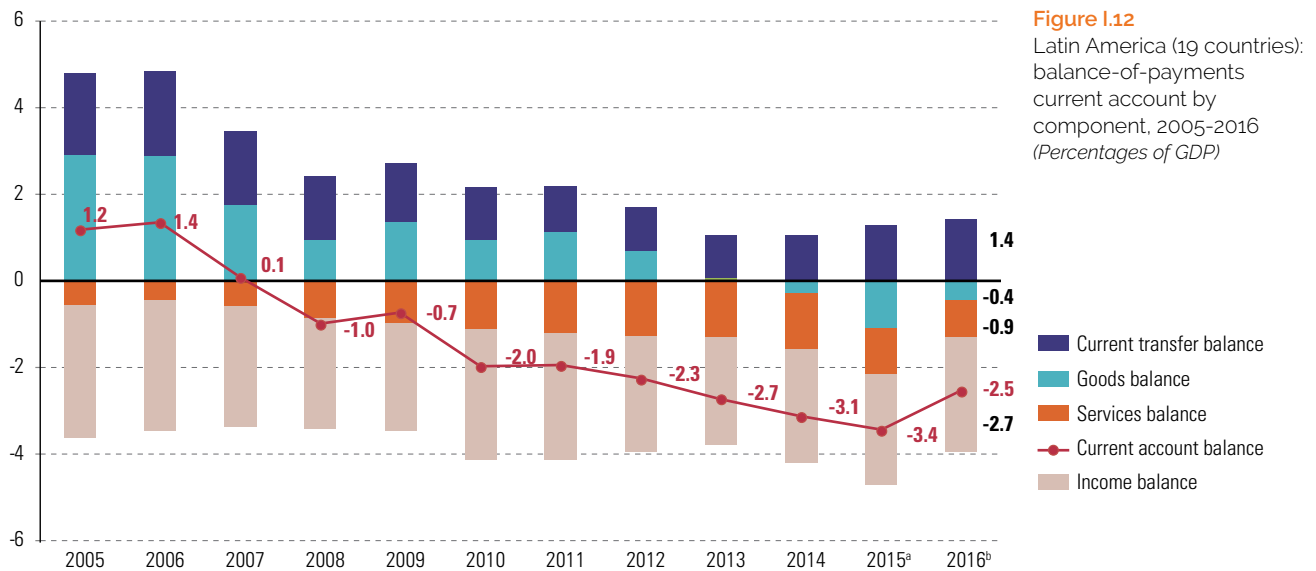


Figure I.12
Latin America (19 countries):
balance-of-payments
current account by
component, 2005-2016
(Percentages of GDP)

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

^a The 2015 figures for the Bolivarian Republic of Venezuela are estimates.

^b The 2016 figures are projections.

The current account deficit is expected to shrink further in 2016, both in dollar terms and as a percentage of GDP. The deficit is forecast to be about US\$ 120.7 billion for 2016, equivalent to 2.5% of regional GDP.

The improvement in the current account deficit in 2016 is attributable primarily to lower deficits on the goods and services accounts. In the case of the goods balance, the deficit is expected to close the year at less than US\$ 19.9 billion, (equivalent to 0.4% of GDP) because, as was stated above, exports of goods are expected to fall less sharply than imports this year.

The services balance is expected to continue to improve in 2016, closing the year with a deficit of 0.9% of GDP. Service imports will fall by more than exports this year, owing to an uptick in tourism¹⁴ and other services, and a decline in transport services imports (due to the lower volume of imported goods and lower shipping costs).

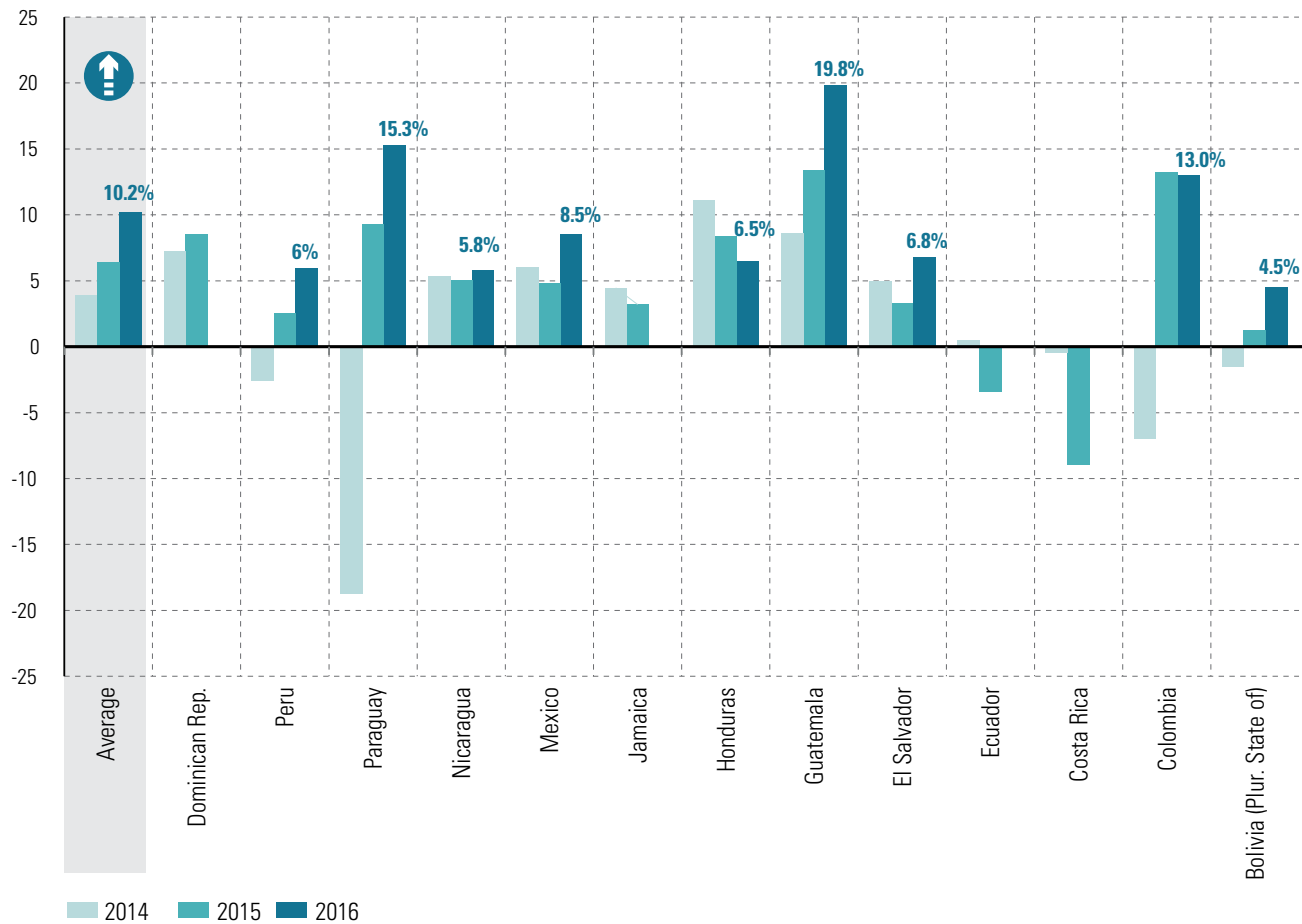
Already in positive territory, the transfers balance is expected to improve further, closing 2016 with a surplus of 1.4% of GDP, as migrant remittances, the main component of the current transfer category, are projected to rise.¹⁵ So far in 2016, remittances are up by around 10%, on average, compared with the same period last year, thanks primarily to remittances from the United States (see figure I.13).

¹⁴ The World Tourism Organization (UNWTO) expects positive growth in tourism to the region in 2016, given the strong influx of tourists to the region in the first months of the year.

¹⁵ Remittances are a very important source of financing for several countries in the region. In the last decade they have accounted for more than 21% of GDP, on average, in Haiti, more than 18% of GDP in Honduras, 17% of GDP in El Salvador, around 11% in Guatemala and 10% in Nicaragua. By contrast, in countries such as Argentina, Brazil, Chile and Uruguay, remittances accounted for less than 0.5% of GDP in the last decade.

Figure I.13

Latin America and the Caribbean (selected countries): changes in income from emigrants' remittances, 2014-2016^a
(Percentages)



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

^a The 2016 data cover January to May in Guatemala; January to April in Colombia, El Salvador, Honduras, Mexico and Nicaragua; and January to March in Peru and the Plurinational State of Bolivia.

Lastly, as shown in figure I.13, the income account posted the most negative balance within the current account, pointing to higher net outflows of funds abroad for the region as a whole. Historically, the main component of the income account were outflows for net interest payments on foreign debt, but since the 2000s —and coinciding with more inward foreign direct investment (FDI) for the region— the higher net outflows of funds correspond to profit remittances by transnational companies established in the region to their headquarters abroad.

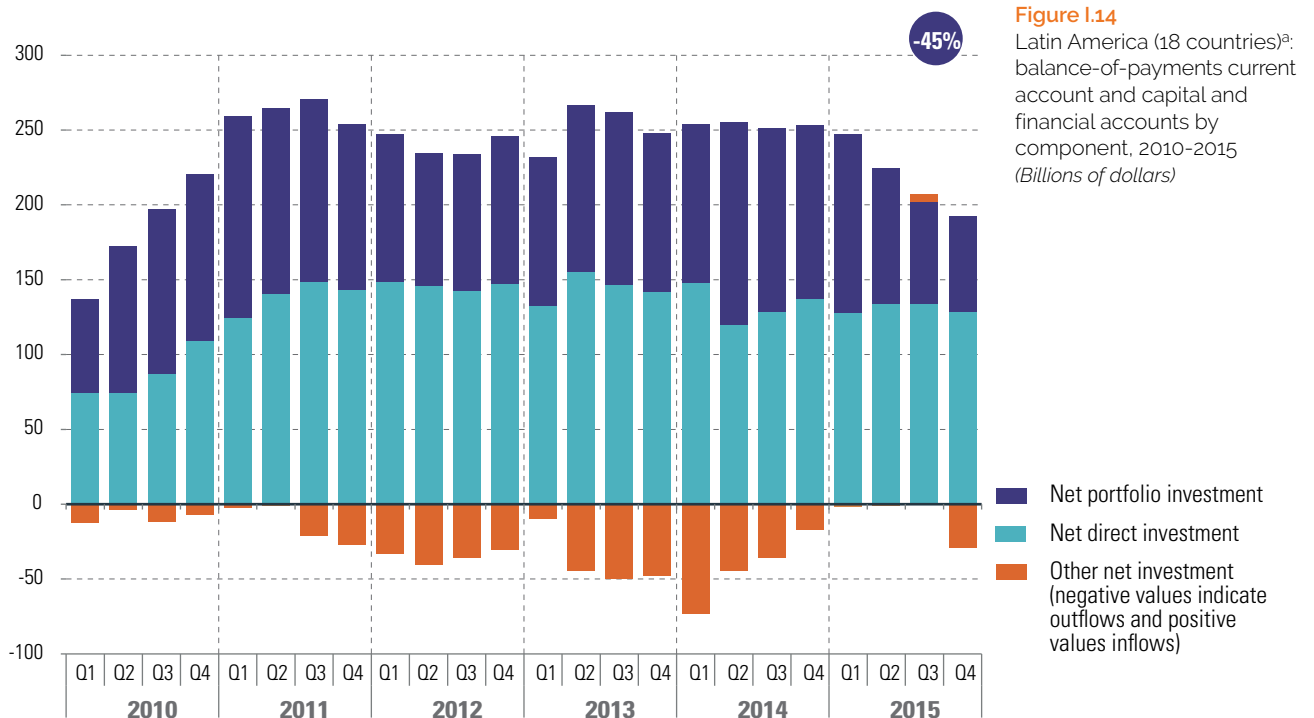
In recent years, falling export prices in the region have slashed the profits of these transnational companies and, consequently, their profit remittances to headquarters. The negative trend in commodity prices is expected to continue pushing down FDI-related remittances in 2016.

5. Total financial inflows to the region ebbed considerably in 2015 and are not expected to pick up much in 2016

In 2015, Latin America, like other emerging economies, felt the effects of the decreasing availability of financial flows, given the uncertainty and volatility that prevailed in financial markets for most of the year and the lower growth prospects in those countries. Hence, the net inflow of financial resources to the region fell significantly and closed the year at 2.9% of GDP. As a consequence of this, and despite the fact that the region reduced its current account deficit in 2015, financial inflows for that year were not enough to finance the deficit fully and international reserves in the amount of US\$ 28.7 billion (equivalent to more than 0.5% of GDP) had to be used to cover it.

Within the financial account, net direct investment and other financial inflows—basically net portfolio investment and net other investment—declined to varying degrees. In the case of direct investment—the largest inflow to the region— inflows to several countries fell (by 9% on average for the region). This was to be expected against a backdrop of lower profitability in the commodities sector, the area of operations of many of the major transnational companies based in those countries. While trans-Latin companies also cut back their investments abroad, it was not enough to offset the decline in inflows and as a result net direct investment flows dropped from US\$ 137.4 billion in 2014 to US\$ 128.6 billion in 2015.

Other financial account flows plummeted by almost 80%, from US\$ 78.5 billion in 2014 to US\$ 16.7 billion in 2015, leading to a substantial reduction in the region's net foreign liabilities. Net portfolio investment—which essentially includes investments in debt securities and equity— fell by 45% and closed 2015 at around US\$ 64 billion. Meanwhile, net other investment—which includes foreign assets, such as deposits in non-resident banks, and foreign liabilities, such as cross-border loans from non-resident banks— had already been negative in 2014 and in 2015 it decreased by almost twice as much (figure I.14).



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

^a Does not include Haiti.

Although the behaviour of the various balance-of-payments components was heterogeneous at the country level in the region in 2015, for most countries available external financing decreased relative to the previous year. This meant that in several cases, external financing was not enough to cover the current account deficit and countries had to use international reserves to make up the difference.

Financial flows are not expected to recover significantly in 2016; rather they are forecast to remain at the levels recorded towards the end of 2015 or even to decrease to some extent.

ECLAC forecasts a fall of around 8% in FDI inflows in 2016, compared with 2015 (see ECLAC, 2016a). In addition, any sharp increases in risk aversion globally, as seen already in the first quarter of 2016, could further restrict the availability of external financing for emerging markets, including Latin America. Data on non-FDI financial flows for early 2016 reveal significant falls compared with the same quarter of the previous year, in line with the stressed financial conditions.¹⁶

6. The region's sovereign risk continued to follow the upward trend that it has been on since mid-2014, peaking in January 2016 with the highest levels seen since 2009

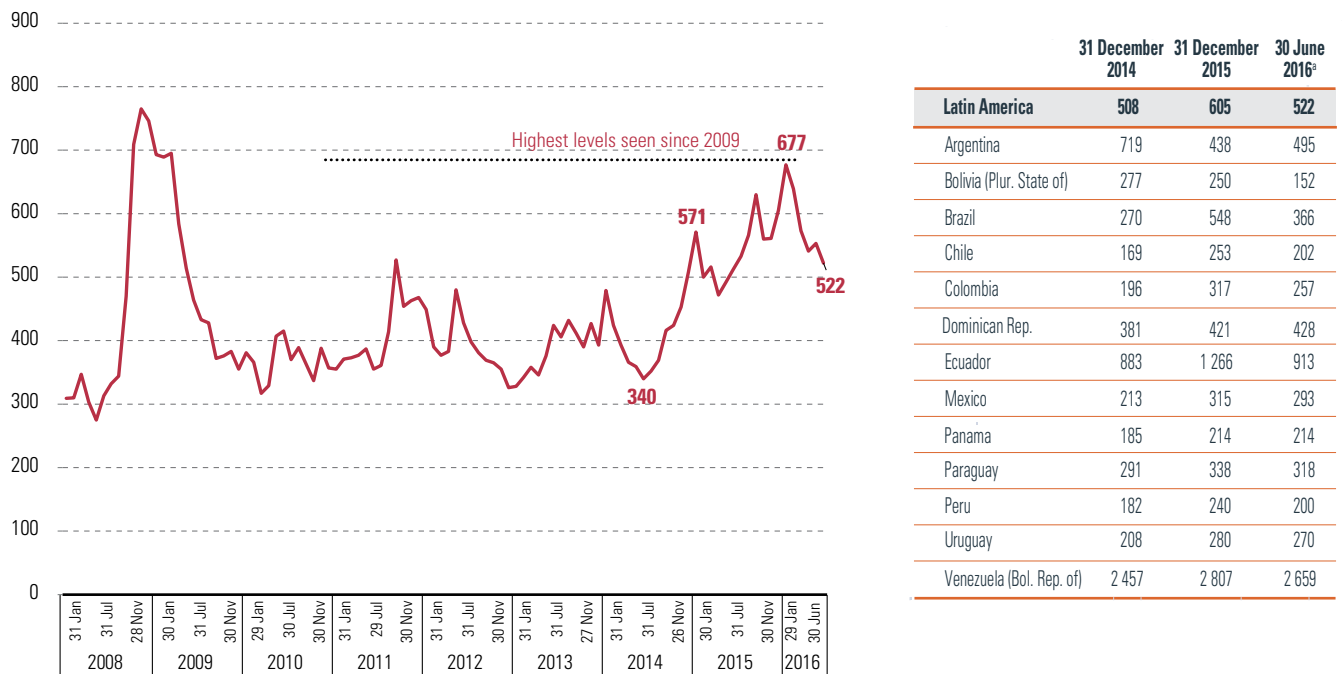
The drop in non-FDI financial flows occurred in a context of growing regional sovereign risk (measured using the Emerging Market Bond Index Global (EMBIG)). That risk increased markedly in 2015, linked, in part, to episodes of increased volatility in global financial markets and to specific national factors in some countries that pushed up the regional index. In January 2016, EMBIG reached almost 700 basis points: the highest level seen since 2009 when the world was in the middle of the global economic and financial crisis.

Sovereign risk levels began to decrease in most countries in the region in February, in line with a less tense global financial market (see figure I.15). Between 1 January and 30 June 2016, the regional EMBIG dropped 83 basis points, largely because of the decline in the sovereign risk of countries that had seen significant increases in 2015, such as Brazil and Ecuador. The regional index is currently at 522 basis points and the countries with the highest sovereign risk are now the Bolivarian Republic of Venezuela (2,659 basis points), Ecuador (913 basis points), Argentina, (495 basis points), the Dominican Republic (428 basis points) and Brazil (366 basis points).

¹⁶ Balance-of payments data for the first quarter of 2016 are available for only four economies (Brazil, Chile, Mexico and Peru), which accounted for more than 70% of total financial flows in the region in 2014.

Figure I.15

Latin America (14 countries): sovereign risk according to the Emerging Market Bond Index Global (EMBIG), January 2008 to June 2016^a
(Basis points)



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

^a Data for Paraguay and the Plurinational State of Bolivia cover the period up to 31 May 2016.

7. Debt issuances in international markets by Latin America and the Caribbean declined substantially in 2015, but picked up in April and May 2016 with issues by the new Government of Argentina and the Brazilian State oil company, Petrobras

In keeping with the performance of balance-of-payments financial flows, primary issues in international debt markets plunged in 2015 (down 40% compared with 2014). At the sector level, issues were down by 71% for banks, 48% for the private sector, 44% for quasi-sovereigns, 21% for sovereigns, and 4% for supranationals.¹⁷

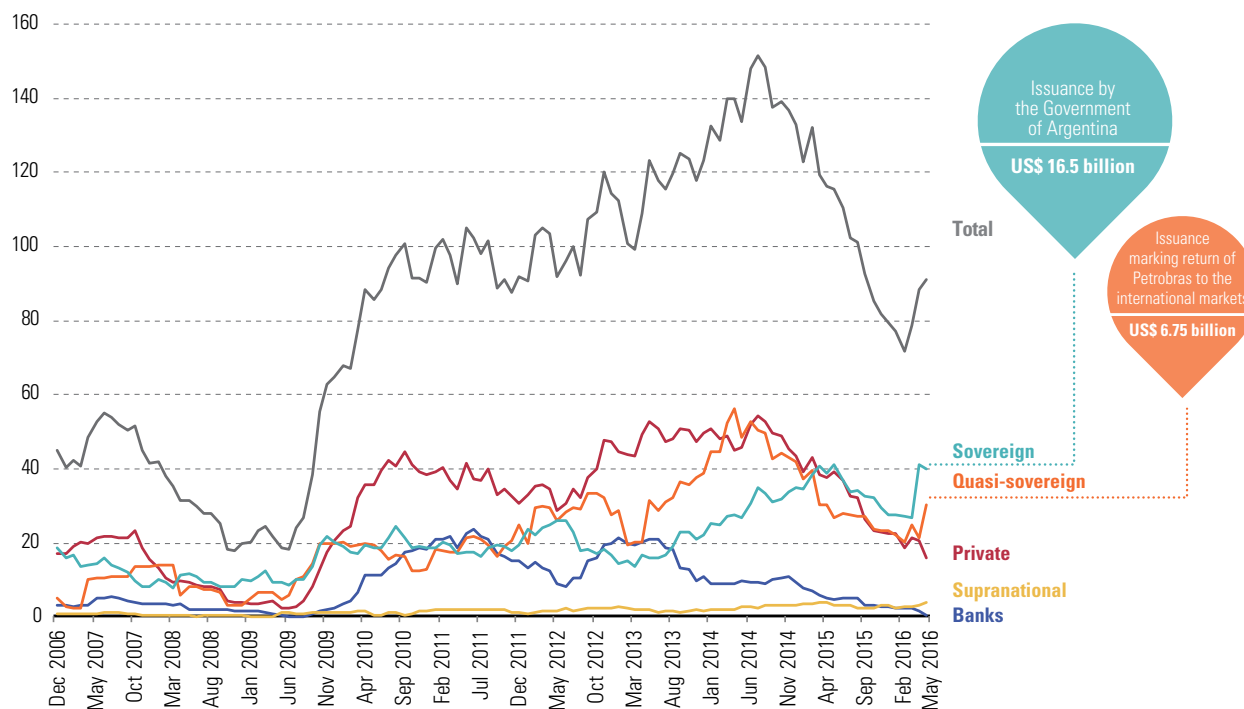
Two major issuances were carried out in April and May 2016: one by the new Government of Argentina to pay its holdout investors, having reached an agreement with them following a drawn-out law suit and default; the other marked the return of the Brazilian State-controlled oil company, Petrobras, to the international markets in May (with a US\$ 6.75 billion issuance). Petrobras was able to issue bonds for such an amount, despite the well-publicized problems the company is facing, because of the high rates offered.¹⁸ Thus, in the first five months of 2016, total issues increased by 22% compared with the same period in 2015 (see figure I.16).

¹⁷ The quasi-sovereign sector includes public development banks or State enterprises, among other entities. The supranational sector includes regional development banks, such as the Latin American Development Bank (CAF) or the Central American Bank for Economic Integration (CABEI).

¹⁸ Of the total bonds issued, the majority (US\$ 5 billion) were in five-year dollar-denominated notes at an annual rate of 8.375%. The rest (US\$ 1.75 billion) were offered at an annual rate of 8.750% over 10 years. These are high rates in the current international financial climate. In addition, demand was spread across a large number of investors (629) instead of concentrating the risk among a few large ones.

Figure I.16

Latin America: external bond issuance by institutional sector, 12-month running totals, December 2006 to May 2016
(Billions of dollars)



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

C. Domestic performance

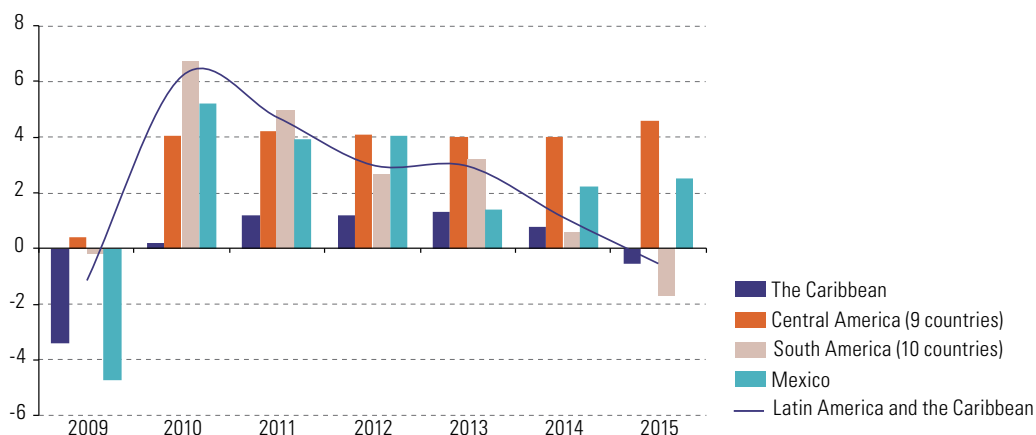
1. In 2015, the region's GDP contracted (by 0.5%) for the first time since 2009

Latin America and the Caribbean experienced a 0.5% contraction in economic activity during 2015, the first decline since 2009, prolonging the economic growth slowdown that had begun in 2011. This drop in GDP meant that per capita GDP fell by some 1.7% (see figure I.17).

Like other variables in Latin America and the Caribbean, the behaviour of GDP varied greatly across the region (see figure I.18). Some external factors, such as the evolution of commodity prices, slowing growth in emerging economies, steady if slow growth in the United States, and the volatility of international financial markets, were accompanied by domestic factors that heightened this heterogeneity.

Figure I.17

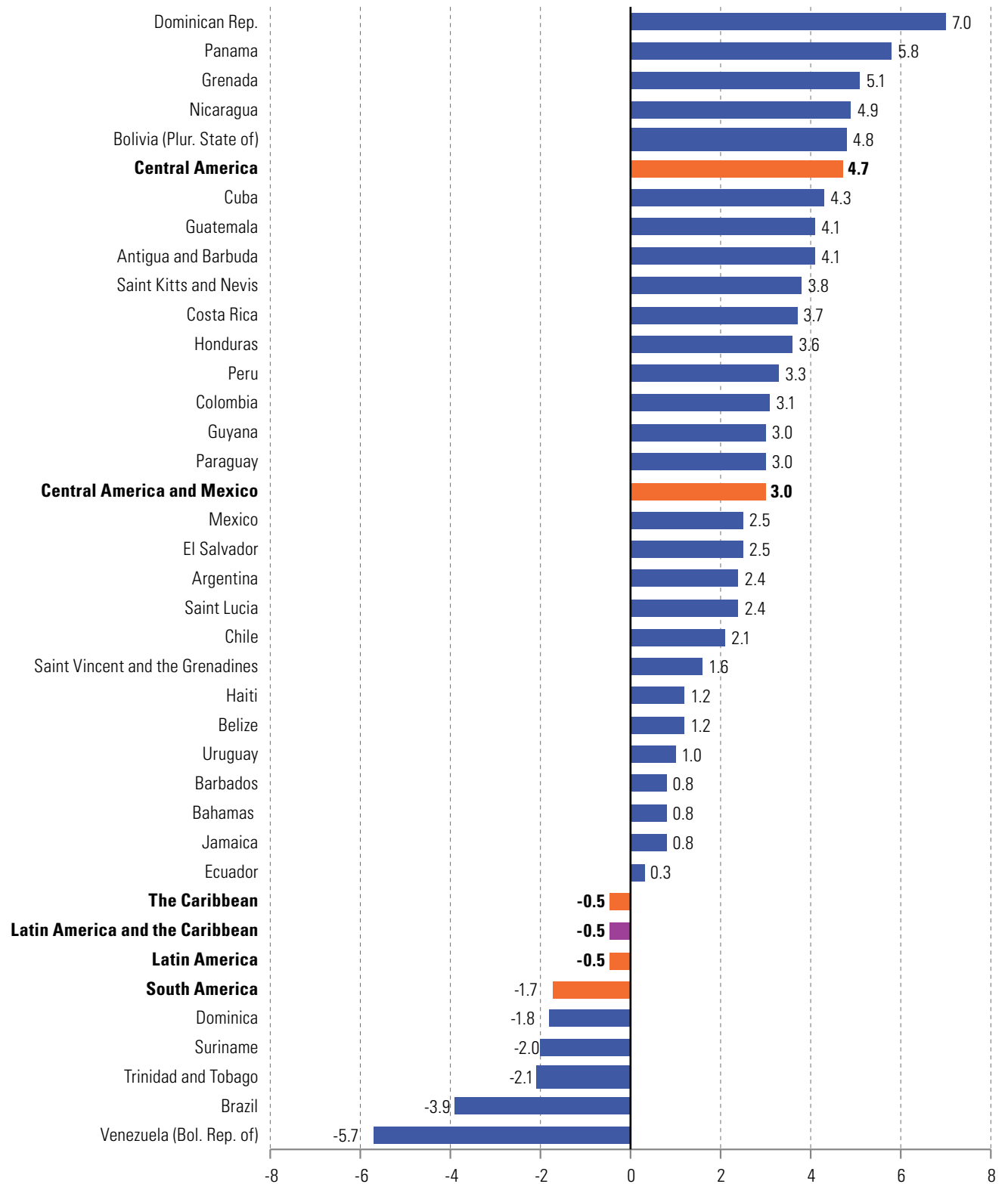
Latin America and the Caribbean: GDP growth rates, 2009-2015
(Percentages)



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

Figure I.18

Latin America and the Caribbean: GDP growth rates, 2015
(Percentages)



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

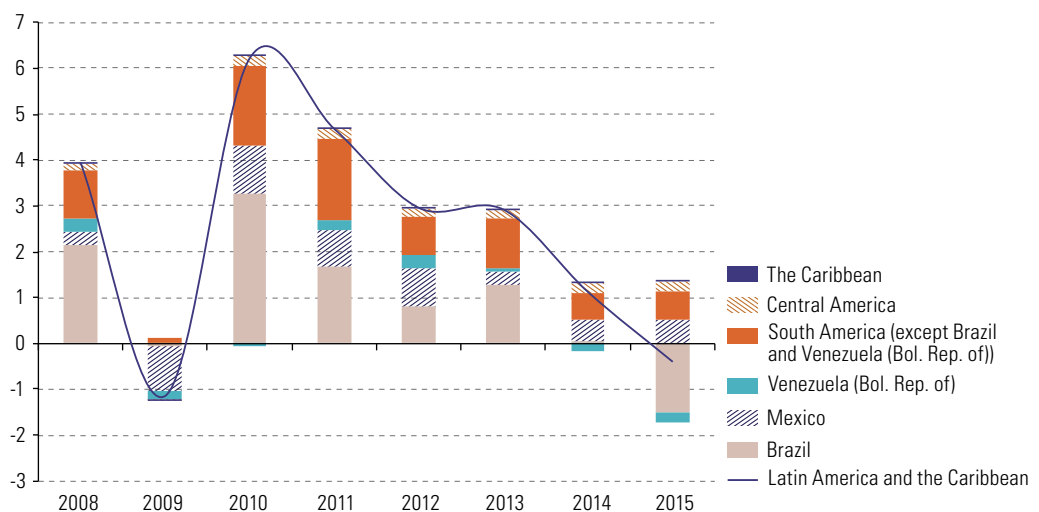
While the economies of Central America have had the benefit of lower energy prices, a recovery in external demand and remittance inflows, and a drop in inflation that has increased the scope for policies to stimulate aggregate domestic demand, those of South America have experienced a major deterioration in their terms of trade, lower aggregate external demand (from China and intraregional partners), and a considerable reduction in the scope for demand-stimulus policies because of higher inflation and lower fiscal revenues from commodity exports.

In this context, the northern economies of Latin America were able to grow at higher rates than in 2014, with those of Central America expanding by 4.7% and Mexico's by 2.5%. The best growth performers in Central America were the Dominican Republic (7.0%) and Panama (5.8%). Meanwhile, the economies of South America contracted by 1.7%, a much worse performance than during the global financial crisis of 2009, when they shrank by just 0.2%. In fact, this was the largest contraction in the subregion since the 1980s. Internally, differences between the South American economies were sharp, so that while the Bolivarian Republic of Venezuela and Brazil contracted by 5.7% and 3.9%, respectively, the Plurinational State of Bolivia was able to grow by 4.8%. This subregional GDP dynamic meant a greater (negative) contribution from South America to the contraction in regional GDP.

Contrary to what was anticipated in the *Preliminary Overview of the Economies of Latin America and the Caribbean, 2015* (ECLAC, 2015b), the economies of the non-Spanish-speaking Caribbean contracted (by 0.5%). This was due to: (i) a slowing of growth in the Caribbean economies specializing in services from 1.1% in 2014 to 0.5% in 2015; and (ii) a larger contraction in 2015 (-1.6%) than in 2014 (-0.1%) in the Caribbean economies specializing in commodity production.¹⁹ The best performers among the economies of the non-Spanish-speaking Caribbean were Grenada (5.1%), Antigua and Barbuda (4.1%) and Saint Kitts and Nevis (3.8%), while Trinidad and Tobago (-2.1%) and Suriname (-2.0%) experienced the largest contractions.

The scale of the contribution made by Brazil and the Bolivarian Republic of Venezuela to the contraction of GDP in the region is particularly noteworthy, with the former being responsible for -1.38 percentage points and the latter for -0.23 percentage points, as figure I.19 shows.

Figure I.19
Latin America and the Caribbean (selected countries and country groupings): contributions to regional GDP growth, 2008-2015
(Percentages based on dollars at constant 2010 prices)



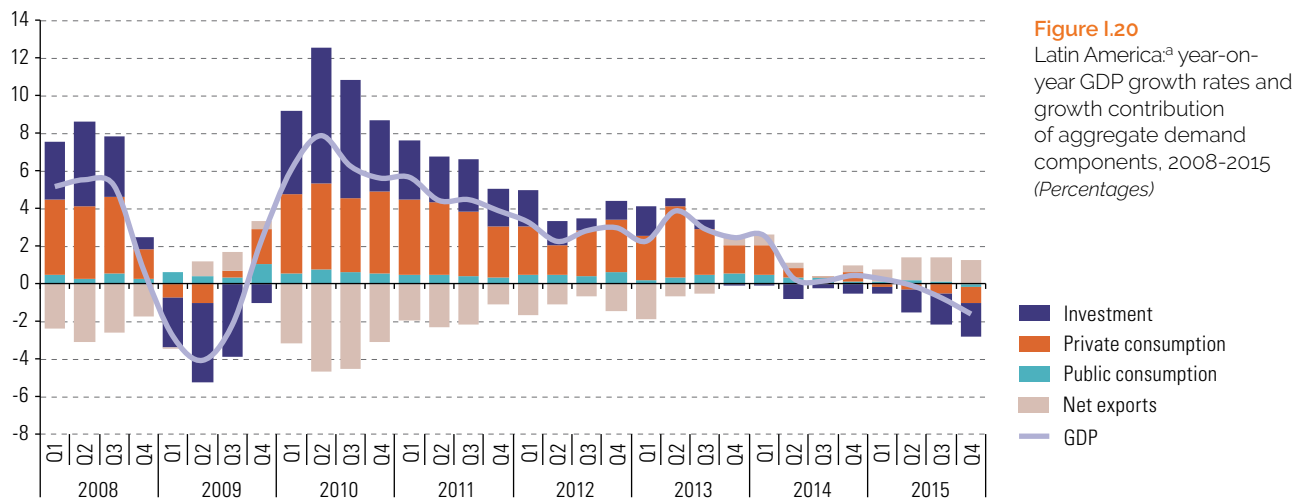
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

¹⁹ The economies of the non-Spanish-speaking Caribbean specializing in services are Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Jamaica, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines. Those specializing in commodities are Guyana, Suriname and Trinidad and Tobago.

2. Consumption has ceased to be the main driver of aggregate domestic demand and has instead been contributing, along with investment, to the drop in aggregate demand in the region since the third quarter of 2015

Domestic demand shrank by 1.6% in 2015, with declines in both final consumption (-0.2%) and gross capital formation (-6.5%). Conversely, net exports rose strongly in 2015, owing both to growth in exports themselves (4.1%) and to a decline in imports (-2.2%).

Figure I.20 shows how the contribution of private consumption to Latin American growth began to fall steadily in the second quarter of 2013 before turning negative in the first quarter of 2015, so that it ceased to underpin aggregate demand. Another point worth highlighting in the figure is that the contribution of final government consumption to the region's growth began to decline in the fourth quarter of 2013 and turned negative in the fourth quarter of 2015.



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

^a The non-Spanish-speaking economies of the Caribbean are not included because quarterly information is not available for that subregion.

With domestic aggregate demand fading and eventually contracting in the region, net exports became the driver of growth. This variable's importance as a contributor to growth in Latin America has actually increased since the fourth quarter of 2014, most particularly because of the sharp drop in goods and services imports since then.

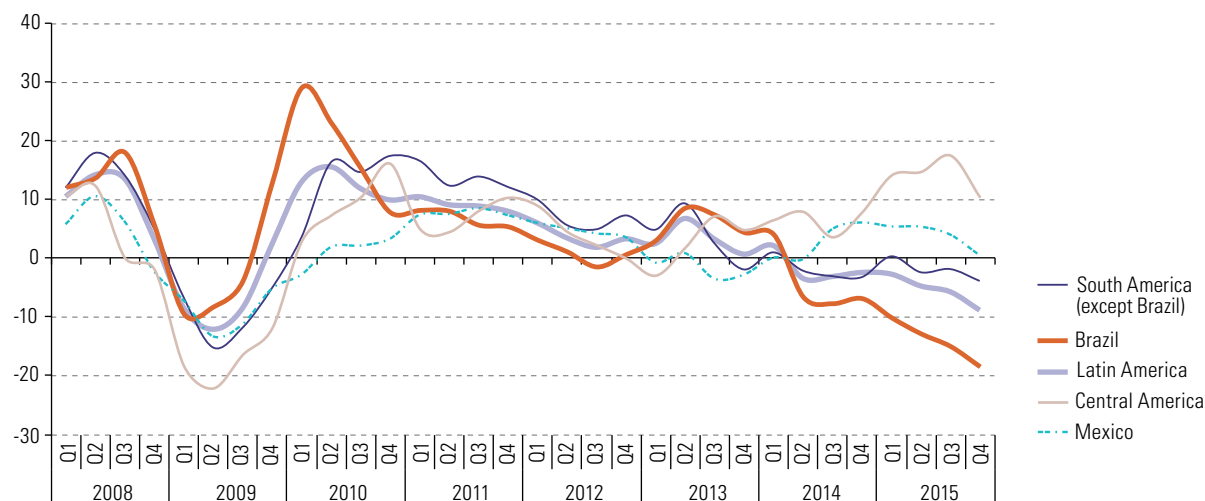
3. Gross fixed capital formation contracted in the region for the seventh quarter running

Gross fixed capital formation has been on a negative growth trend since the second quarter of 2014. This poor performance has been due to its contracting both in construction, and in machinery and equipment, but most sharply in the latter.

At the subregional level, whereas gross fixed capital formation declined in South America, contracting in Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Ecuador, Peru and Uruguay, growth rates in Mexico and especially Central America actually accelerated until the first half of 2015. However, both of these have experienced a slowdown in gross fixed capital formation growth since the second half of that year, falling into line with the weakening trend in South America (see figure I.21).

Figure I.21

Latin America: year-on-year rates of change in gross fixed capital formation, 2008-2015
(Percentages)



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

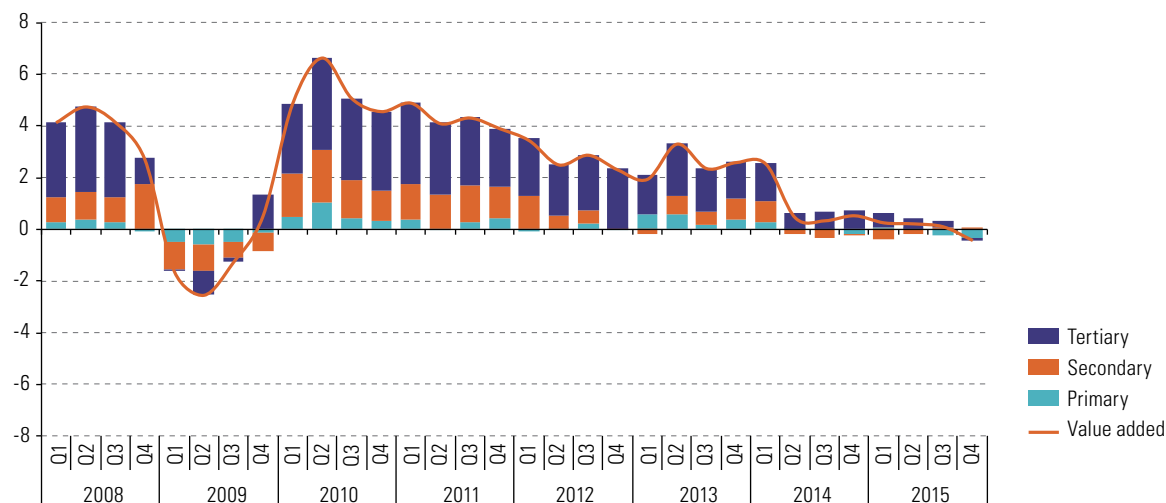
This dynamic of gross fixed capital formation is a cause for concern, not only because of its effect on the behaviour of aggregate demand in the short term, but because it considerably compromises the ability of the region's economies to grow in the future.

4. Only the services sector is contributing positively to the region's growth

Analysis by sector of economic activity shows that only the services (tertiary) sector has maintained a positive contribution to the growth of value added in the economies of Latin America since the second quarter of 2014, as the contribution of the extraction (primary) and processing (secondary) sectors has been close to zero or negative since that time. The situation has worsened since the third quarter of 2015, with all production sectors contributing negatively to growth in the region (see figure I.22).

Figure I.22

Latin America: year-on-year growth rates in value added and growth contribution of activity sectors, 2008-2015
(Percentages)



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

Since the second quarter of 2014, the contribution of processing sectors to GDP growth in the subregion comprising Central America and Mexico has increased, while the contribution of the services sector has dropped slightly and that of extraction activity has been negative. In South America, the extraction and manufacturing sectors have contributed negatively to growth, with services being the only sector to continue making a positive contribution to the expansion of value added in 2015.

5. Economic activity in the region will contract for the second year running in 2016

The GDP of Latin America and the Caribbean will decline by 0.8% in 2016 (as compared to a 0.5% decline in 2015), prolonging the growth slowdown and then contraction in economic activity that began in 2011. In consequence, regional per capita GDP will decline by 2.0%, a very far cry from the average annual increase of 3.8% seen in the 2004-2008 period. By subregion, the South American economies will perform worst (-2.1%), followed by those of the non-Spanish-speaking Caribbean (-0.3%), while Mexico and Central America will grow by 2.3% and 3.8%, respectively, a decline on 2015 (see figure I.23). If these predictions are borne out, it will be the first time since the 1980s that the region has had two consecutive years of economic contraction.

The current situation has been particularly difficult for the economies of South America, which are in what looks like being the longest and deepest recession since the debt crisis, with GDP declines in 2015 (-1.7%) and 2016 (-2.1%) far exceeding those during the subprime crisis (-0.2% in 2009) and the Asian crisis of the late 1990s (-1.0% in 1999).

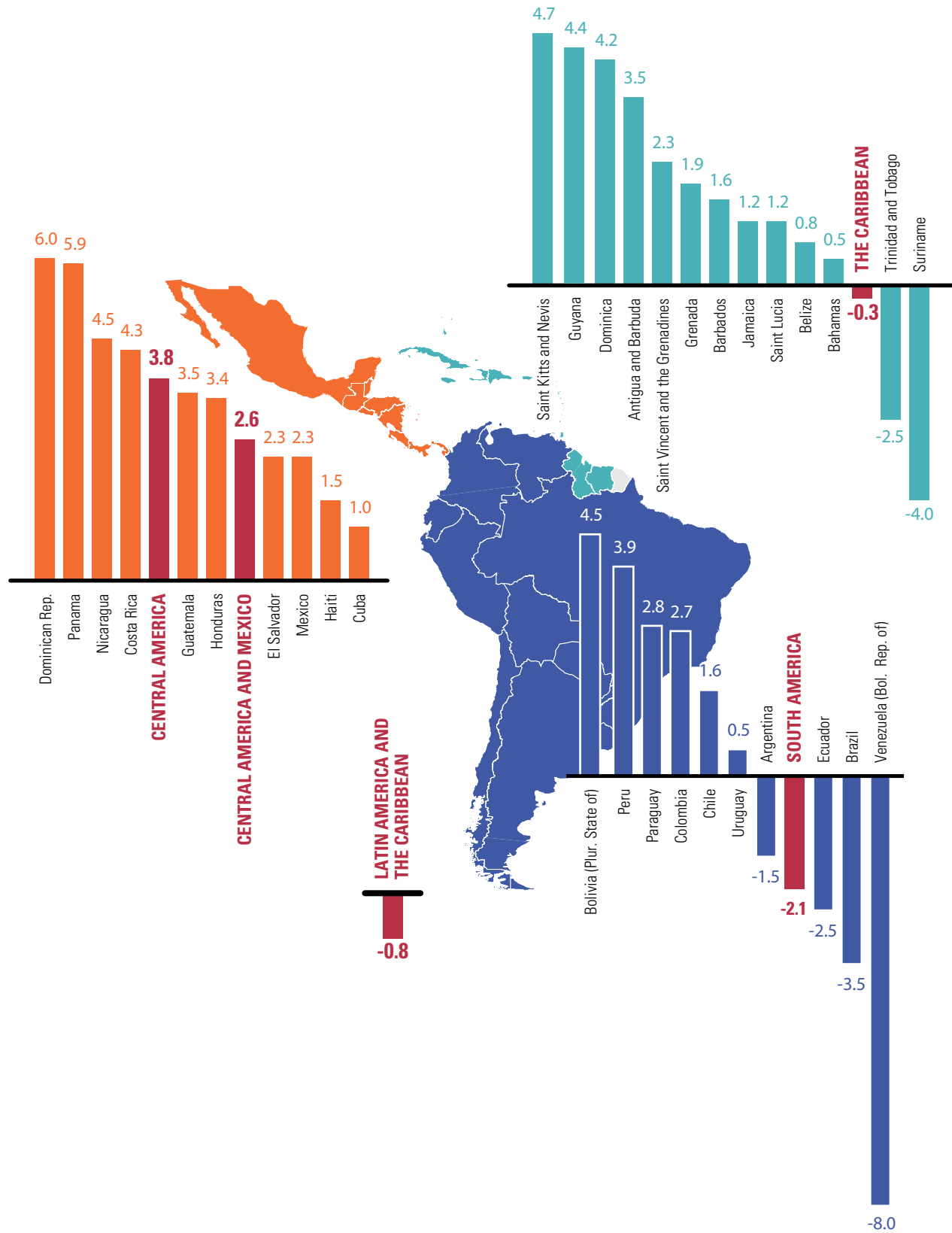
In fact, as in 2015, the average performance of Latin America and the Caribbean will be due mainly to the contractions in two of the region's largest economies, Brazil (-3.5%) and the Bolivarian Republic of Venezuela (-8.0%). If these were excluded from the regional estimate, GDP growth in Latin America and the Caribbean would be positive in 2016, at 1.7%, although this would still be a slowdown on 2015, when regional growth, excluding the two economies named, was 2.7%.

Besides the contractions in the Bolivarian Republic of Venezuela and Brazil, the other economies of South America will exhibit a slowdown in their growth rates, with combined growth slowing from 2.5% in 2015 to 0.9% in 2016. The Central American economies have maintained growth of about 4% since 2010. While the economies of the non-Spanish-speaking Caribbean are expected to contract for a second year (-0.3%) in 2016, the contraction in 2015 was larger (-0.5%).

At the country level, the Dominican Republic, Panama, Saint Kitts and Nevis, Nicaragua and the Plurinational State of Bolivia will be the fastest-growing economies in the region, while six countries will experience negative economic growth (Argentina, Trinidad and Tobago, Ecuador, Brazil, Suriname and the Bolivarian Republic of Venezuela) (see figure I.23).

Figure I.23

Latin America and the Caribbean (selected countries and country groupings): projected GDP growth rates, 2016 (Percentages)



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

The dynamic of production in the region's economies, and South America in particular, will undoubtedly be determined in large part by the effects of an external context that will remain adverse (because of lower growth in major trading partners that has fed through to weaker external demand and commodity prices), the prolonged reduction in investment and a considerable slowdown in consumption. Furthermore, situations such as rising inflation and the volatility of some of the subregion's currencies will restrict the scope for monetary policy to be employed more actively to stimulate aggregate domestic demand, while lower fiscal revenues from commodity-exporting activities are constraining the scope for expansionary fiscal policies.

At the same time, the steady if slow recovery of the United States has led to an improvement in remittance and tourist flows to the economies of the north of the region, which have been sufficient to keep economic activity growing steadily there, even though they remain well below the levels seen before the 2008 financial crisis. Another factor favourable to potential growth in these economies is the increased scope for monetary policy opened up by the easing of inflationary pressures that has been a feature of most of the subregion's economies.

Data for the first quarter of 2016 show a year-on-year GDP decline of 1.5% in Latin America, this being the fourth consecutive quarter in which the region's GDP has contracted. Figures for aggregate demand in the quarter show that investment and private consumption have continued to contract, and that public sector consumption has also been falling since the fourth quarter of 2015. This makes the first three months of 2016 the eighth quarter of contraction for gross fixed capital formation, the fifth for private sector consumption and the second for final government consumption (see figure I.24A).

Once again, this regional dynamic is essentially explained by developments in the South American economies, since in those of Central America and Mexico both gross fixed capital formation and consumption are still contributing positively to growth (see figure I.24B and C).

Figure I.24
Latin America: GDP growth rates, 2008-2016
(Percentages)

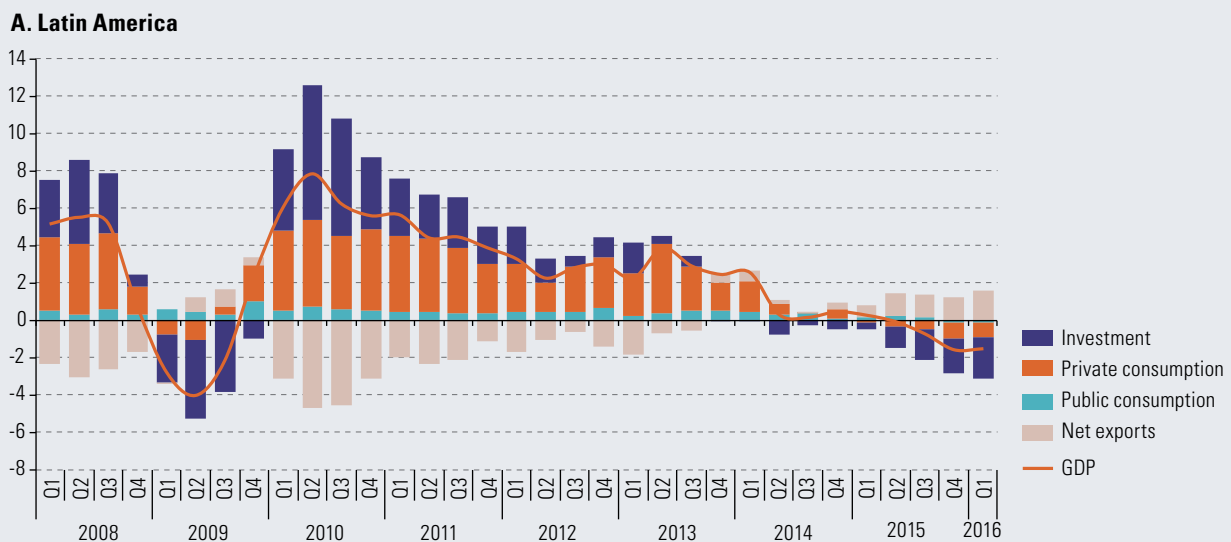
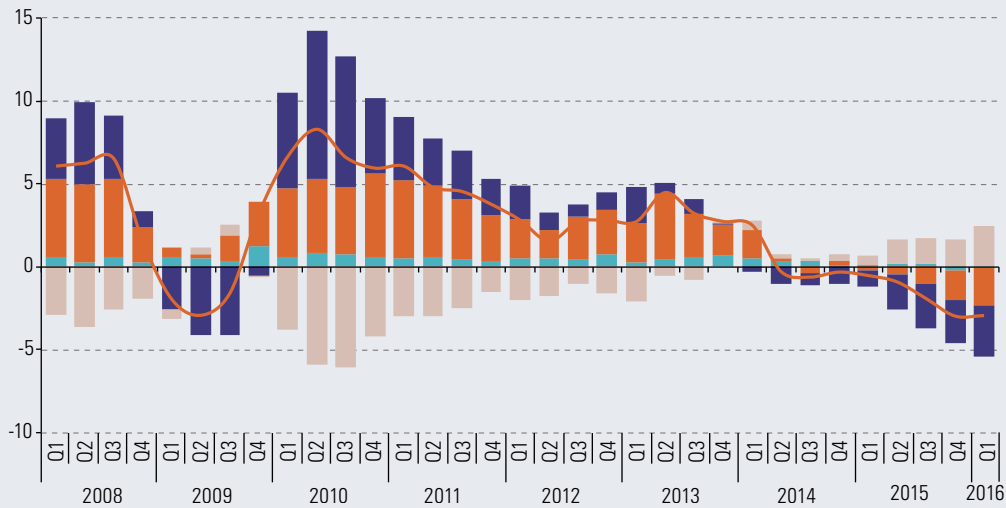
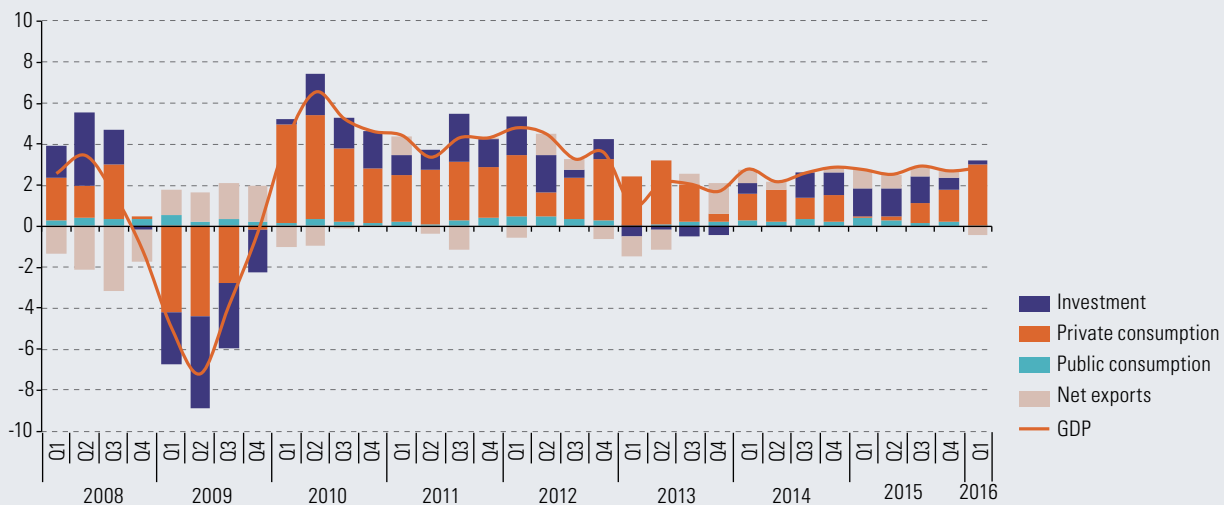


Figure I.24 (concluded)

B. South America**C. Central America and Mexico**

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

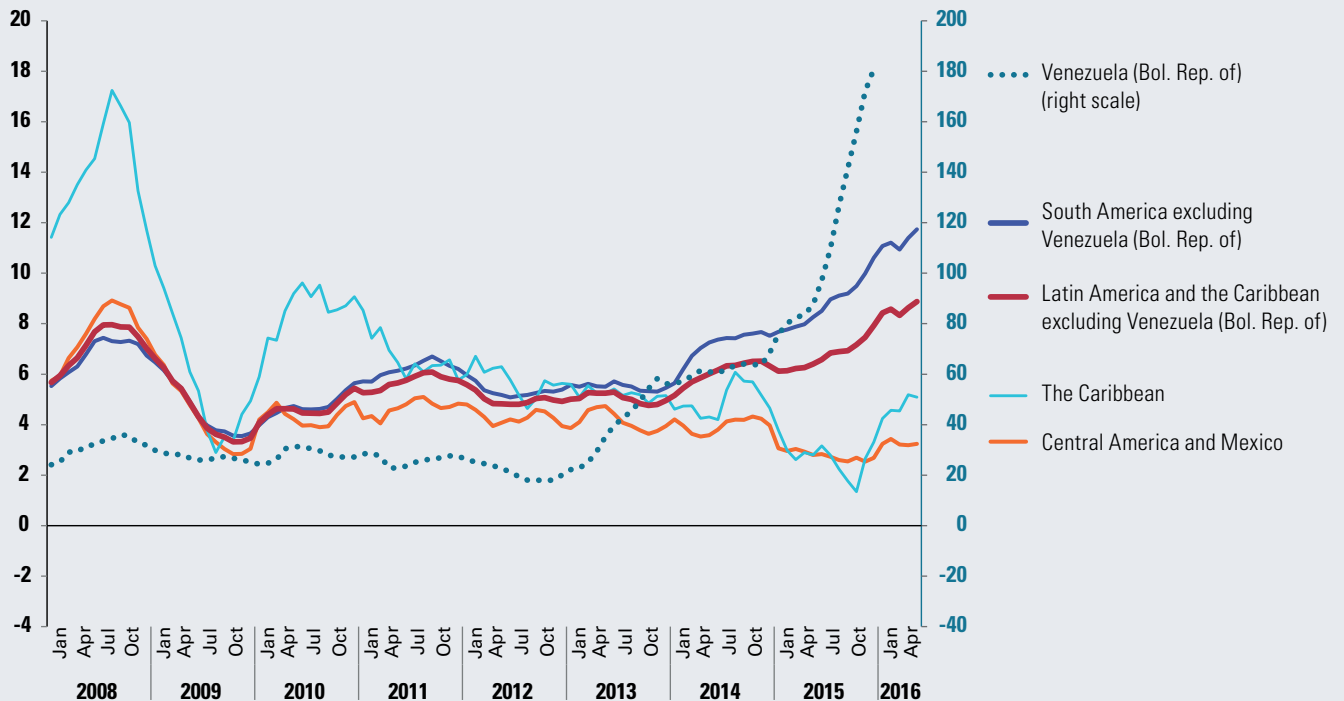
6. Average inflation in the economies of Latin America and the Caribbean has been driven higher by faster price growth in South America

Average region-wide inflation was 16.5% in 2015, a rise of 7.1 percentage points on the 2014 rate of 9.4%. This 2015 rate was the highest since 1996, when the rise in the consumer price index (CPI) was 18.0%. Figure I.25 shows that after falling in 2009, as a result of the global financial crisis, regional inflation has been rising steadily since late 2013. Although the regional average in 2015 was heavily influenced by the inflationary dynamic in the Bolivarian Republic of Venezuela, where the annual rate was 180.9%, the trend of regional inflation is upward whether or not that country is included in the sample. If it is excluded, the regional average rises from 6.3% in 2014 to 7.9% in 2015.

The behaviour of the regional inflation average conceals great heterogeneity. In general, inflation fell during 2015 in the region's northern economies (the non-Spanish-speaking Caribbean, Central America and Mexico), while price rises quickened in the South American economies (see table I.2).

Figure I.25

Latin America and the Caribbean (weighted averages): 12-month changes in the consumer price index (CPI), January 2008 to May 2016
(Percentages)



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

Table I.2

Latin America and the Caribbean: 12-month changes in the consumer price index (CPI), December 2013 to May 2016
(Percentages)

	To December 2013	To December 2014	To December 2015	To May 2016
Latin America and the Caribbean	7.5	9.4	16.5	...
Latin America and the Caribbean (excluding Venezuela (Bolivarian Republic of))	5.0	6.3	7.9	8.9
South America	9.2	12.0	23.1	...
South America (excluding Venezuela (Bolivarian Republic of))	5.5	7.5	10.6	11.7
Argentina	10.9	23.9	27.5	43.1
Bolivia (Plurinational State of)	6.5	5.2	3.0	5.0
Brazil	5.9	6.4	10.7	9.3
Chile	3.0	4.6	4.4	4.2
Colombia	1.9	3.7	6.8	8.2
Ecuador	2.7	3.7	3.4	1.6
Paraguay	3.7	4.2	3.1	3.5
Peru	2.9	3.2	4.4	3.5
Uruguay	8.5	8.3	9.4	11.0
Venezuela (Bolivarian Republic of)	56.2	68.5	180.9	...
Central America and Mexico	3.9	4.0	2.7	3.2
Costa Rica	3.7	5.1	-0.8	-0.4
Cuba	0.0	2.1	2.8	...
Dominican Republic	3.9	1.6	2.3	1.7
El Salvador	0.8	0.5	1.0	0.7
Guatemala	4.4	2.9	3.1	4.4
Haiti	3.4	6.4	12.5	15.1
Honduras	4.9	5.8	2.4	2.4
Mexico	4.0	4.1	2.1	2.6
Nicaragua	5.4	6.4	2.9	3.6
Panama	3.7	1.0	0.3	0.3
The Caribbean	5.2	4.7	3.3	...
Antigua and Barbuda	1.1	1.3	0.9	...
Bahamas	0.8	0.2	2.0	-1.4 ^a
Barbados	1.1	2.3	-2.5	...
Belize	1.6	-0.2	-0.6	1.0
Dominica	-0.4	0.5	0.5	...
Grenada	-1.2	-0.6	-1.2	...
Guyana	0.9	1.2	-1.8	0.6 ^b
Jamaica	9.7	6.2	3.7	2.1
Saint Kitts and Nevis	0.6	-0.5	-2.4	...
Saint Lucia	-0.7	3.7	-2.6	...
Saint Vincent and the Grenadines	0.0	0.1	-2.1	...
Suriname	0.6	3.9	25.2	55.0
Trinidad and Tobago	5.6	8.5	1.5	3.5 ^b

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

^a Data to March 2016.

^b Data to April 2016.

Thus, inflation in the non-Spanish-speaking Caribbean as a group fell from 4.5% in 2014 to 3.3% in 2015. Inflation was negative in 2015 in seven economies: Barbados, Belize, Grenada, Guyana, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines). Inflation fell between 2014 and 2015 in Antigua and Barbuda, Jamaica and Trinidad and Tobago, while in Dominica it held steady at 0.5%. The only countries in the non-Spanish-speaking Caribbean where inflation rose in 2015 were the Bahamas and Suriname. In the subregion formed by Central America and Mexico, average inflation fell from 4.0% in 2014 to 2.7% in 2015, with a decline in five economies (Costa Rica, Honduras, Mexico, Nicaragua and Panama) and an increase in four (the Dominican Republic, El Salvador, Guatemala and Haiti).

The dynamic has been different in the economies of South America, with inflation rising from 12.0% in 2014 to 23.1% in 2015. Inflation increased in six economies within this subregion (Argentina, the Bolivarian Republic of Venezuela, Brazil, Colombia, Peru and Uruguay) and was over 20% in Argentina and the Bolivarian Republic of Venezuela. Inflation fell in 2015 in Chile, Ecuador, Paraguay and the Plurinational State of Bolivia, being below 5% in all these cases.

The marked differences between the north and south of the region can be explained by a number of factors, chief among them is the favourable impact on the economies of the north of the sharp drop in energy prices, which bore down on inflation in a context of largely stable exchange rates.

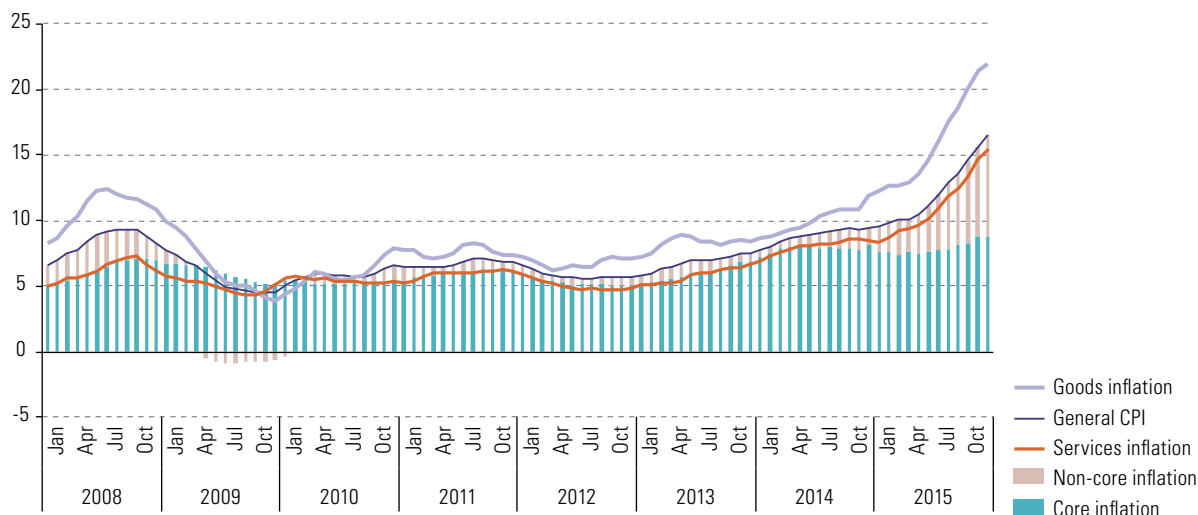
In the South American economies, inflation was driven upward by an increase in exchange-rate volatility (in a context of depreciation), a rise in fiscal dominance and the consequent expansion of monetary aggregates. In 2015, the economies where prices rose most, namely the Bolivarian Republic of Venezuela (180.9%), Argentina (27.5%), Suriname (25.2%), Haiti (12.5%) and Brazil (10.7%), also recorded the largest movements in their nominal exchange rates and the highest growth in monetary aggregates such as the monetary base.

7. Inflation was higher for tradable than for non-tradable goods, and food inflation outstripped general inflation

Tradable goods inflation in the region was 21.9% in 2015, 10.1 percentage points more than the 11.8% recorded in 2014. The rate was 30.7% in South America, 3.7% in Central America and Mexico and 1.1% in the non-Spanish-speaking Caribbean. Once again, the large rise in prices in the Bolivarian Republic of Venezuela affected these regional and subregional averages; the regional average without that country was 8.0% in 2015, a rise of just 0.3 percentage points over 2014, while the South American average was 10.3%, a rise of 1.3 percentage points. Meanwhile, non-tradable goods inflation averaged 15.4% across the region in 2015 if the Bolivarian Republic of Venezuela is included and 7.6% if it is excluded, with figures of 23.6% and 10.6%, respectively, for South America, and rates of 1.8% in Central America and Mexico and 1.1% in the non-Spanish-speaking Caribbean.

Figure I.26

Latin America and the Caribbean (weighted average): 12-month changes in the consumer price index (CPI), January 2008 to December 2015 (Percentages)



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

Food price inflation region-wide was higher than general inflation in 2015, coming in at 24.3%, or almost double the 12.6% recorded in 2014. Because food price inflation was so high in the Bolivarian Republic of Venezuela in 2015 (315.0%), excluding that country brings the figure down to 9.1% in 2015 and 7.9% in 2014. The rate was 34.0% in South America if the Bolivarian Republic of Venezuela is included and 11.8% if it is excluded, while it was 3.8% in Central America and Mexico and 5.0% in the non-Spanish-speaking Caribbean.

8. Inflation continued to rise in the first five months of 2016, especially in South America

The information available up to May 2016 suggests that inflation behaved much as in 2015, with the regional average rising by 0.9 percentage points from the end of 2015 to stand at 8.9% in May 2016. However, this figure excludes the Bolivarian Republic of Venezuela, for which the information is as yet unavailable.²⁰ In South America, inflation was higher in Argentina (43.1%), Colombia (8.2%) and Uruguay (11.0%), and lower in Brazil, Chile and Peru, although still above the levels targeted by central banks. Ecuador succeeded in bringing down inflation substantially (see table I.2).

Inflation through May 2016 was 3.2% in Central America and Mexico, a small increase from December 2015. In that period, inflation rose in Guatemala, Haiti, Mexico and Nicaragua, but exceeded 5% only in Haiti (15.1%). It fell in the Dominican Republic and El Salvador, held steady in Honduras and Panama, and remained negative in Costa Rica.

²⁰ Estimates summarized in the *Latin America Consensus Forecast* indicate that price rises are accelerating in the Bolivarian Republic of Venezuela and estimate an inflation rate of 436% for 2016.

Lack of information makes it hard to estimate average inflation in the non-Spanish-speaking Caribbean. The figures on hand indicate that inflation was negative in the Bahamas in the first three months of the year; in Belize and Guyana it turned positive, holding below 1.0% in both countries, however. Inflation to May 2016 was lower than in December 2015 in Jamaica, but higher in Trinidad and Tobago; in neither of these economies did it exceed 3.5%. It had continued to accelerate in Suriname (55.0%), with the large currency devaluation in that economy over the first five months of 2016 appearing to be one of the factors behind this rise.

9. In 2015, economic weakness was reflected in the first rise in regional unemployment since 2009

Until 2014, the economic growth slowdown seen in Latin America and the Caribbean since 2011 did not manifest itself in higher unemployment. That year, although the employment rate did drop in the region as fewer wage-paying jobs were created, an even larger contraction in the participation rate prevented this from being reflected in higher open unemployment. It has been argued that the unusually strong procyclical behaviour of the labour supply was due to greater household resilience by comparison with other situations of weak labour demand, owing to earlier progress with job creation, higher incomes and improved social policies (ECLAC/ILO, 2015).

Some of these trends altered in 2015 as a continued worsening of the macroeconomic context was manifested in a contraction of regional output, with the result that the region's open unemployment rate rose for the first time since 2009 (and the second since 2002). Specifically, a further weakening of waged job creation hastened the fall in the urban employment rate (-0.3 of a percentage point, as against -0.1 in 2014), while the decline in the urban participation rate tailed off (-0.1 of a percentage point, as against -0.3 in 2014), probably because declining incomes forced many poorer households in particular to gradually step up the search for new sources of earnings. Reflecting these needs and the weak creation of wage employment, own-account working expanded, with a concomitant deterioration in employment quality. At the same time, since not everyone who was left unemployed or entered the labour market in search of a job found work, the unemployment rate rose from 7.0% to 7.4%.²¹

This deterioration was far from universal, however, since of 20 Latin American and Caribbean countries with information available, unemployment rates rose year-on-year in just 7, fell in 10 and remained virtually unchanged in another 3. At the same time, the employment rate rose in 10 of 19 countries, fell in 7 and held steady in 2. The region-wide results were largely determined by the negative performance of the Brazilian labour market, where the key employment variables deteriorated sharply, while the labour markets of many other countries remained fairly stable if annual averages are taken. Specifically, real wages, with few exceptions, continued to rise moderately.

Over the course of 2015, however, even the simple average of national rates showed a gradual deterioration in employment performance, indicating that the resilience of labour markets to the adverse context was weakening in many countries (ECLAC/ILO, 2016).

²¹ These rates are not comparable with data published earlier because of a change in the regional series (see box I.2).

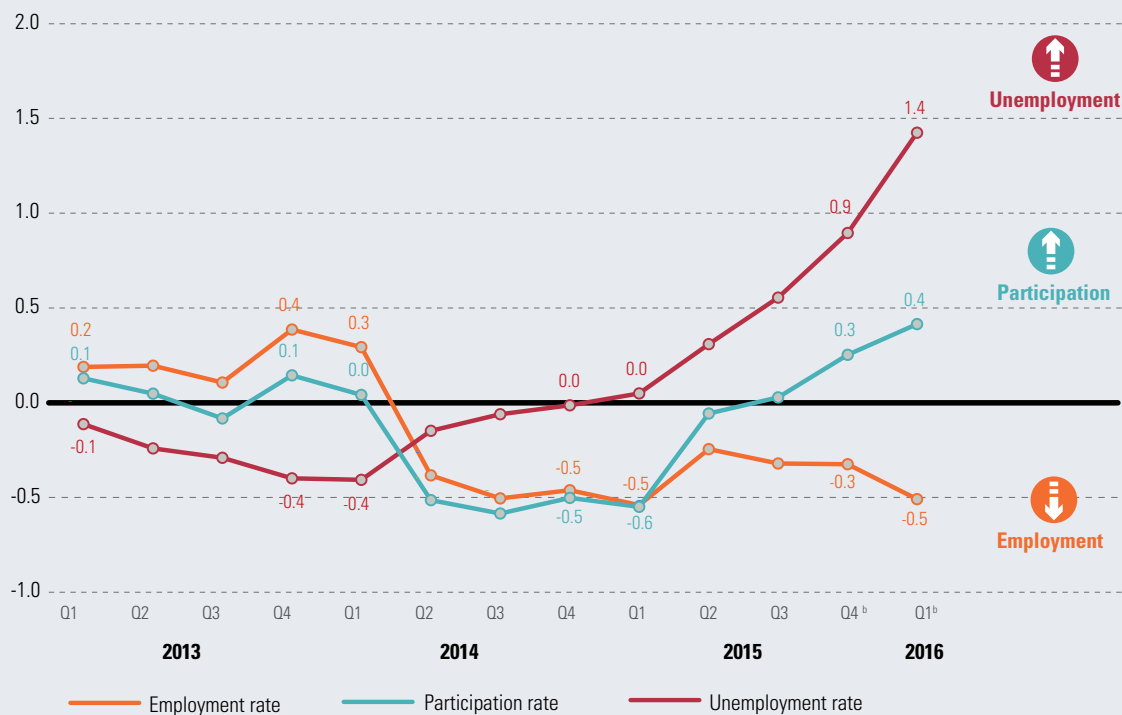
10. The region's labour market performance deteriorated in early 2016, but with marked intraregional differences

The main region-wide labour market variables continued to worsen during the first quarter of 2016. The employment rate is estimated to have fallen year-on-year once again in a group of 12 countries, the eighth consecutive quarter of deterioration. As figure I.27 shows, the decline became sharper again in this quarter after smaller reductions during previous quarters.

The participation rate once again contracted slightly on average in 2015, but began to rise towards the end of the year and then increased sharply year-on-year in the first quarter of 2016. It can be supposed that declining incomes in many households have been forcing a great many young people and women who were previously inactive to begin looking for work. Combined with the weakness of job creation illustrated by the drop in the employment rate, this influx of job-seekers has been a factor in the unemployment rate in this group of 12 countries increasing significantly to an estimated 9.0%, as compared with 7.5% in the first quarter of 2015.

Figure I.27

Latin America and the Caribbean (12 countries):^a year-on-year changes in the employment, participation and unemployment rates, first quarter of 2013 to first quarter of 2016 (Percentage points)



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

^a Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Ecuador, Jamaica, Mexico, Paraguay, Peru and Uruguay.

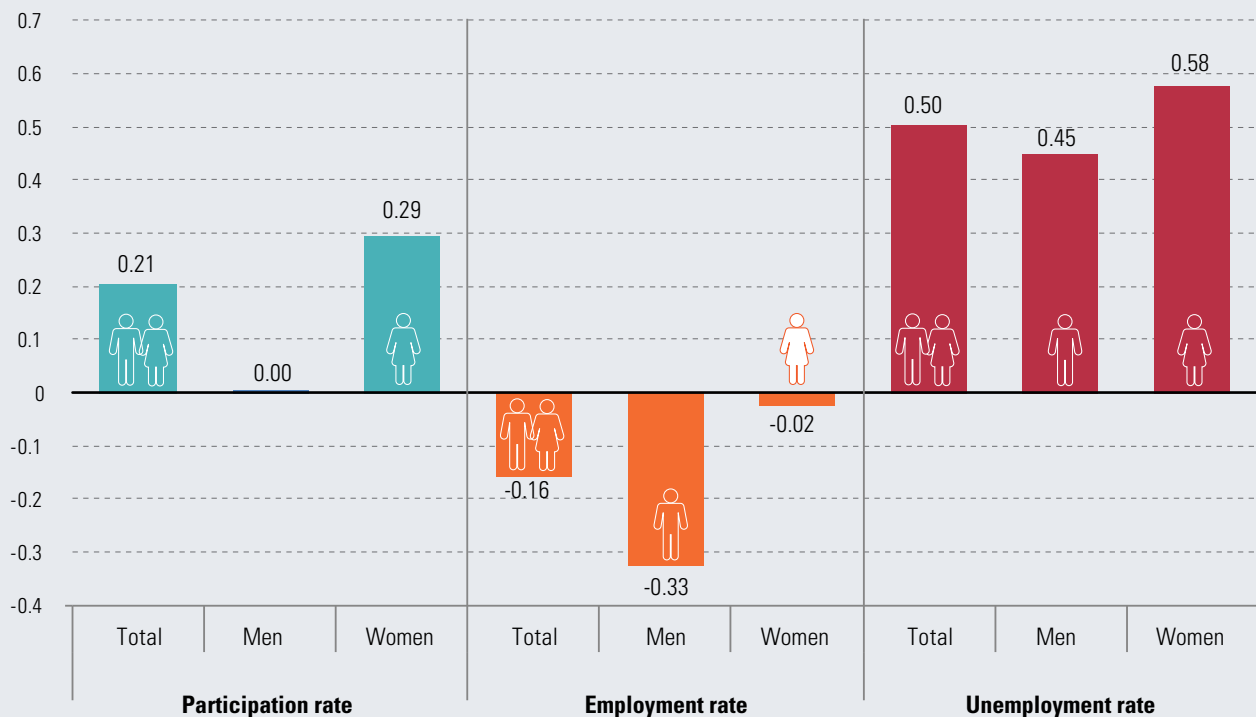
^b Preliminary data.

Although this poor regional performance continues to be largely determined by the ongoing deterioration of the employment situation in Brazil, the problem is now more widespread than in 2015.²² Of the 12 countries with information available, the unemployment rate increased in 7 (the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Ecuador, Peru and Uruguay, with the extent of the rise differing by country) and fell in only 5 (Barbados, Costa Rica, the Dominican Republic, Jamaica and Mexico). Thus, the worsening of the unemployment situation was concentrated in the countries of South America. As will be seen later, the differences in the employment situation of the various subregions are also manifested in other variables.

Taking the simple average for the countries with information available, the unemployment rate increased slightly more among women than among men in the first quarter of 2016 relative to the same period the year before (see figure I.28).

Figure I.28

Latin America and the Caribbean (11 countries):^a simple averages of year-on-year changes in participation, employment and unemployment rates, by sex, first quarter of 2016 (Percentage points)



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

^a Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Jamaica, Mexico, Peru and Uruguay.

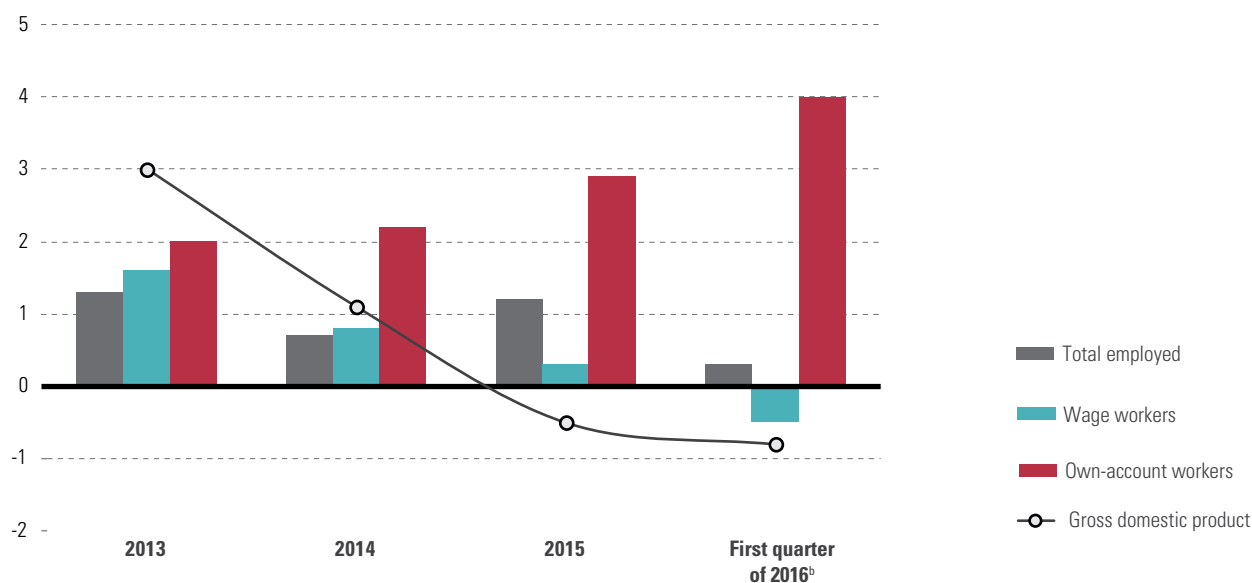
²² The analysis for the first quarter of 2016, however, is based on a smaller number of countries with information available.

The factors behind the increase in the unemployment rate varied by sex. The male unemployment rate rose because of a sharp contraction in the employment rate, while the participation rate held steady. By contrast, the female unemployment rate rose because of a large increase in labour market participation that was not accompanied by a higher level of employment, as the employment rate held steady.

Thus, the gaps between the male and female participation and employment rates have been tending to close, but the unemployment gap has increased slightly.

The weakness of job creation has been due to the stagnation of wage employment. The rate of job creation in this category has slowed continuously over recent years, from 1.6% in 2013 to 0.8% in 2014 and 0.3% in 2015. Mainly because of the sharp year-on-year drop in wage employment in Brazil (-3.7%) in the first quarter of 2016, employment in this category was down by 0.5% region-wide on the same period the year before (see figure I.29).

Figure I.29
Latin America and the Caribbean (9 countries):^a year-on-year changes in numbers employed by occupational category and gross domestic product (GDP) growth rate, 2013 to first quarter of 2016 (Percentages)



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

^a Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Mexico and Peru.

^b GDP growth rate projected for 2016.

Although wage employment carried on expanding in most of the countries (in contrast to the region-wide rate), the increase was weak, and own-account work grew at higher rates than wage employment in six of the nine countries with information available. This reflects the need of many households for some extra income, even if it is from low-quality work, in a context of low demand for labour. The exceptions are Mexico, where wage employment grew by more than own-account employment, and Costa Rica and the Dominican Republic, where the former held steady or expanded while the latter contracted.

In any event, quite apart from the deterioration in job quality entailed by the expansion of own-account work,²³ this expansion was not enough to quantitatively offset the contraction in wage work, and the employment rate in the 12 countries mentioned fell from 57.5% in the first quarter of 2015 to an estimated 56.9% in the same period of 2016.

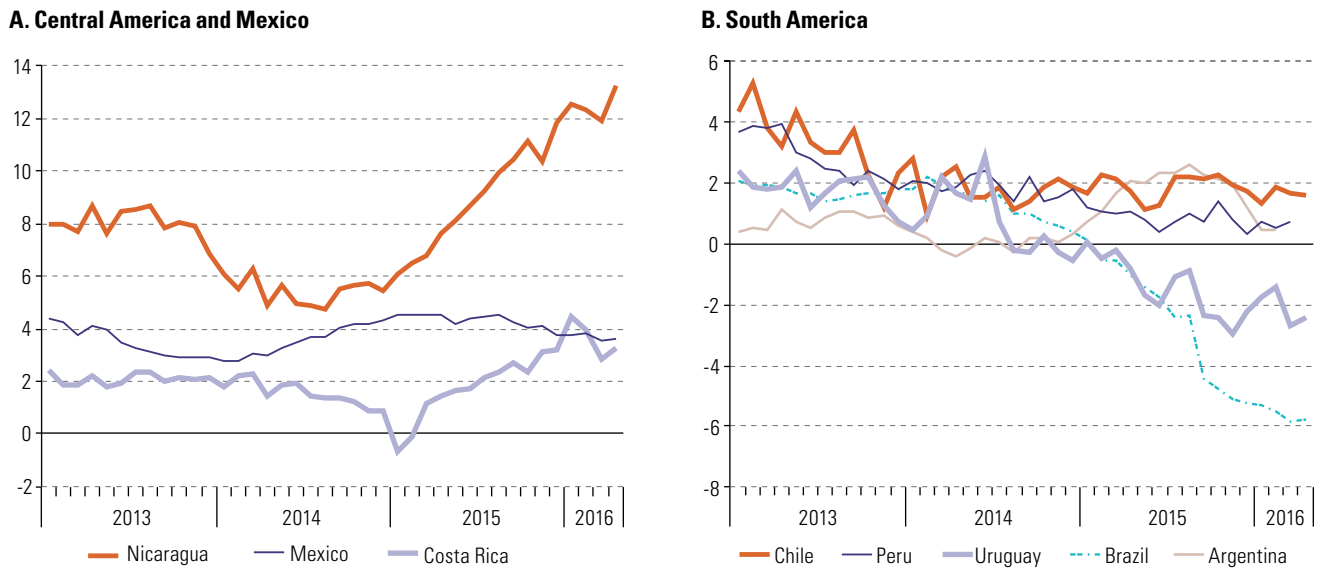
²³ In Latin America as a whole, the informality rate is 82.3% among own-account workers and 33.7% among wage workers (ILO, 2014, p. 12).

The weakness of waged job creation has also been reflected in the evolution of registered employment, which represents higher-quality jobs, since registration (with social security institutions or employment registries) usually correlates positively with a formal contract and thus with other benefits mandated by employment legislation (Ramos, Sehnbruch and Weller, 2015).

As figure I.30 shows, two of the five South American countries with information available (Brazil and Uruguay) recorded year-on-year declines in registered employment in early 2016. Employment of this type had been falling in these two countries since early 2015, and the decline accelerated in early 2016. Registered employment increased by less than 1% in Argentina and Peru (the data are limited to private-sector employment in both cases), and only Chile recorded a year-on-year expansion of as much as 2% or thereabouts.

Figure I.30

Latin America (8 countries): year-on-year changes in registered employment, January 2013 to April 2016 (Percentages)



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

By contrast, registered employment grew at rates of over 2% in Costa Rica, Mexico and Nicaragua, although in these cases, or at least in Mexico and Nicaragua, much of the increase was due to the formalization of existing jobs.

The cooling of economic activity in many countries, especially in South America, was also reflected in job creation by branch of activity. A striking feature was the year-on-year contraction of manufacturing employment (a weighted average of -5.4% in nine countries). Although the scale of this contraction was attributable to the substantial drop in manufacturing employment in Brazil (-11.5%), employment in the sector fell everywhere except Mexico, which benefited from relatively strong demand in the United States, its main trading partner, and from more stable domestic demand than most of the South American countries. Employment in construction also reflected the weakening of domestic demand, growing by just 1.3% region-wide, with much of this being accounted for by Mexico, where it rose by 6.5%.

While employment in the agricultural sector and in financial, real estate and business services dropped (mainly because of the contraction in Brazil in the latter case, since most of the countries saw an increase), employment in commerce, restaurants and hotels and in community, social and personal services grew moderately. Although detailed information is not available, this expansion in early 2016 was probably due in

large part to the rise in informal employment, which tends to centre on these branches because of the low barriers to entry characterizing some of their activities.

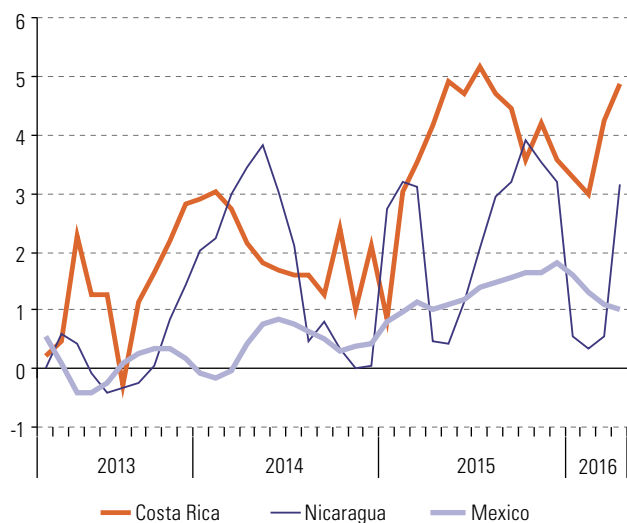
Although few countries have information on the subject, the differences in the performance of labour markets in the north and south of the region can also be observed in the evolution of rates of underemployment in terms of hours worked. This underemployment rate increased in the first quarter of 2016 from the same period the year before in four of five South American countries (Chile, Ecuador, Peru and Uruguay), Colombia being the one exception. By contrast, the rate fell in both Costa Rica and Mexico.

The South American countries display a common deteriorating real wage trend from mid-2015, in a context of higher than expected inflation. In early 2016, real wages grew modestly in Uruguay because wage negotiations succeeded in recouping earlier losses, while average real wages fell in Brazil and, to a lesser extent, Colombia. In any event, real wages did not grow by significantly more than 1% in any of these countries (see figure I.31).

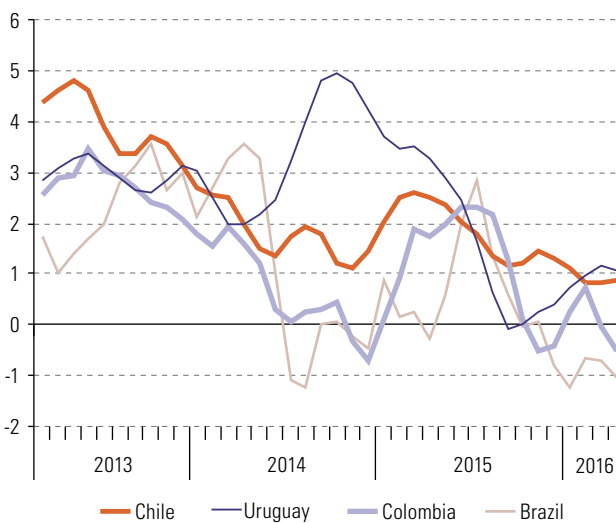
Figure I.31

Latin America (7 countries):
year-on-year changes in
real wages from formal
employment, rolling
quarters, January-March
2013 to February-April 2016
(Percentages)

A. Central America and Mexico



B. South America



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

Wages evolved more positively during 2015 in the three countries of the region's north, but real wage growth in Mexico slowed in early 2016, so that only Costa Rica and Nicaragua can show increases clearly in excess of 1%.

Thus, real wages have increased by about 1% on average in three countries, have risen by more than this in Costa Rica and Nicaragua, and have fallen in Brazil and Colombia. Combined with weak job creation, this means that wages have not on the whole had a significant effect in shoring up household consumption, with all the implications this has for economic growth.²⁴

Minimum wage policies have reflected the differences in labour market performance between the subregions. In the Central American countries (including the Dominican Republic and Haiti) and Mexico, minimum wages increased fairly strongly (a median real rise of 3.4%) during the first quarter of 2016 relative to the same period in 2015, reflecting more favourable labour market developments. In the South American countries, conversely, they generally rose more moderately (a median real rise of 1.1%). The median year-on-year increase in real wages in the complete set of countries with information available was 1.8%, implying a certain stabilizing effect on the wage floor that primarily benefits low-income workers.

²⁴ Although there are no official data on the subject, the partial information available indicates that real wages also fell in Argentina and the Bolivarian Republic of Venezuela.

11. Economic developments in the region have continued to affect labour markets adversely in 2016

At the regional level, the GDP contraction projected for 2016 as a whole indicates that the demand for labour is expected to remain weak and wage employment growth low. In addition to increasing the supply of labour and thence the participation rate, this can be expected to result in a higher unemployment rate and lower average job quality as a larger number of substandard jobs are created.

For the year on average, the region's urban unemployment rate is expected to rise by between 0.7 and 0.8 percentage points, leaving it (in the new series) at 8.1% or 8.2%.

Meanwhile, subregional differences in projected growth are expected to carry on affecting the labour market performance of the South American countries, on the one hand, and Mexico and the Central American countries, on the other.

Open unemployment is still at fairly low levels by historical standards in most of the countries, which is helping to stabilize real wages. The pattern of the early part of the year, consisting of small real-term increases in average wages for those in registered employment, can be expected to continue, except in countries where inflation is high or rises unexpectedly.

Box I.2

Aspects of measuring and analysing labour markets in Latin America and the Caribbean

Over recent years, many of the region's countries have been gradually expanding the geographical coverage of their household surveys, which are the main source of information on the evolution of labour markets. This expansion has been from the main metropolitan area or major metropolitan areas towards a larger number of urban areas or all of them, until full coverage of the country's territory has been achieved. This new situation means that the main labour market variables can be analysed nationwide in more and more countries, which facilitates international comparison. However, the analysis presented in this *Economic Survey* is still centred on urban areas, since certain characteristics of labour markets are reflected most clearly there. In this context, the expanded coverage of some surveys allows all urban areas to be considered, and not just a limited number of metropolitan areas.

In addition, the countries adjust their measuring methodologies quite frequently in order to adapt them to the recommendations of the International Conference of Labour Statisticians, among other reasons. Other changes concern the frequency of information-gathering. In recent years, for example, some countries have supplemented or replaced an annual survey with continuous or quarterly surveys to enhance their ability to analyse the labour market situation.

Regional analysis tends to use weighted averages, so the recent decision to introduce the Continuous National Household Survey (PNAD-C) in Brazil has a major impact. This survey replaces the annual National Household Survey (PNAD), carried out for the last time in 2014, and the Monthly Employment Survey (PME), which was carried out in six metropolitan areas until February 2016 and was the source of data used until then to analyse the Brazilian labour market situation. Starting with this *Economic Survey*, data collected under PNAD-C will be used. There are significant differences in coverage between PME and PNAD-C, which, together with changes in the way data are gathered and measured, will affect not just the series for Brazil, but the regional series as well.

This change in the regional series is being used as an opportunity to improve the way information on urban labour markets is incorporated, so that there are changes in coverage in the following cases:

- Brazil: coverage is expanded from 6 to 20 metropolitan areas.
- Colombia: coverage is expanded from 13 cities and metropolitan areas to all municipal capitals.
- Mexico: coverage is expanded from 32 cities to all urban areas.
- Dominican Republic: use is being made of the information on urban areas that is now available, whereas previously national-level variables were presented.

In consequence of the changes in methodology and coverage, the levels of the regional series for urban unemployment, participation and employment rates have likewise changed relative to the figures published in earlier editions of this report.

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

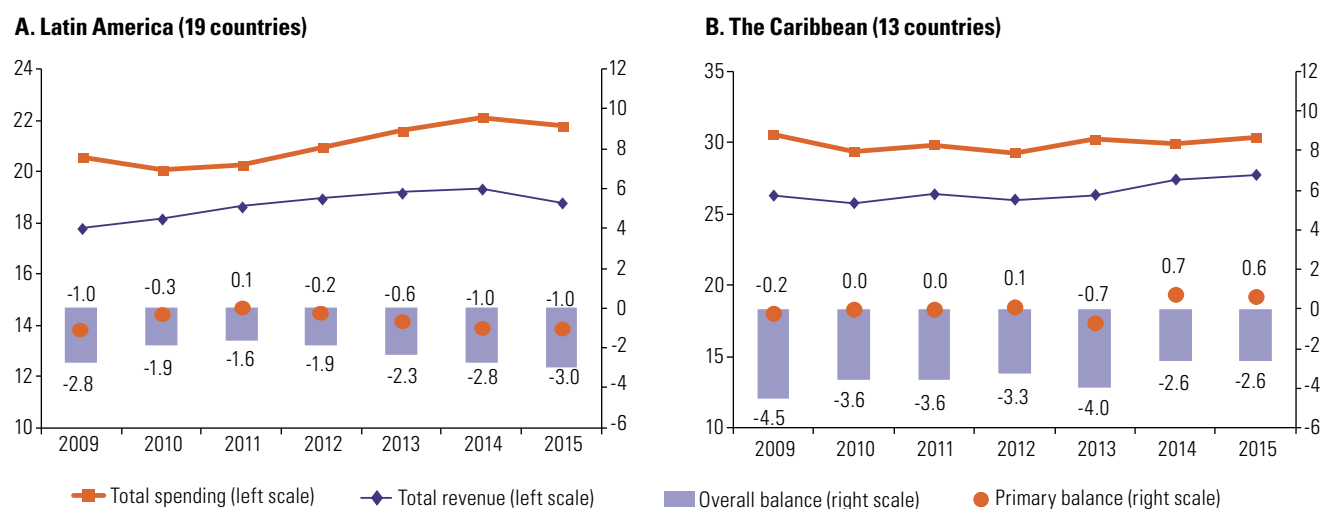
D. Macroeconomic policy

1. Mixed results for fiscal indicators in 2015

As estimated in *Preliminary Overview of the Economies of Latin America and the Caribbean, 2015* (ECLAC, 2015b), the overall deficit of Latin American countries at the central government level—taking the simple average of countries with available information—increased from 2.8% of GDP in 2014 to 3.0% of GDP in 2015 (see figure I.32). The primary deficit, which does not include interest payments, remained stable at 1.0% of GDP.

Figure I.32

Latin America and the Caribbean: central government fiscal indicators, 2009-2015
(Percentages of GDP)



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

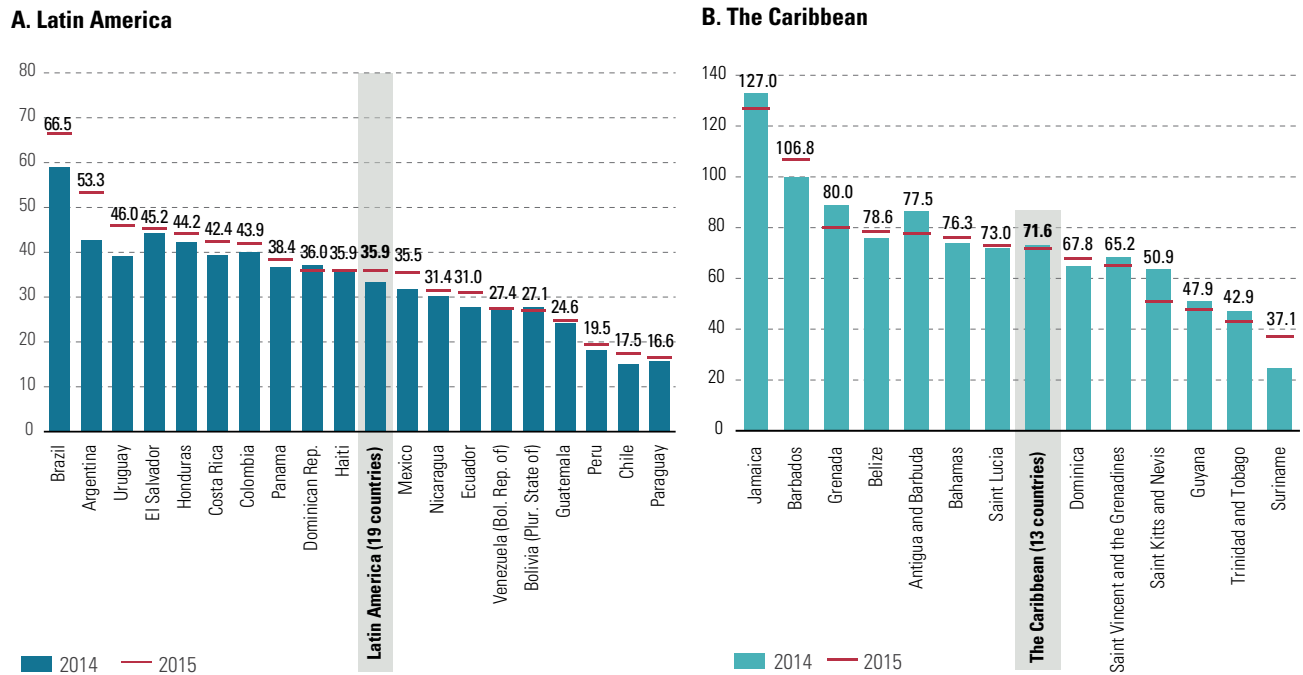
While the overall deficit deteriorated in 12 of the 19 Latin American countries under consideration, the annual trend was largely defined by Brazil, where the deficit jumped from 5.3% of GDP to 9.3% of GDP, and Peru, where it widened from 0.5% to 2.9% of GDP. Brazil's performance reflected both an increase in interest payments (which rose from 5.0% of GDP to 7.3% of GDP) and a drop in tax revenues, while the widening of Peru's deficit was caused chiefly by shrinking public revenues (down from 19.1% of GDP to 16.7% of GDP) as a result of tax cuts implemented in late 2014 and a further decline in revenues from non-renewable natural resources.

In contrast with the trend observed in Latin America, in Caribbean countries the central government fiscal balance held steady between 2014 and 2015. In fact, the overall balance improved in 8 out of 13 countries in the subregion, notably Grenada (which reduced its deficit by 3.4 percentage points of GDP) and Guyana (whose deficit narrowed by 4.1 points). However, the overall deficit deteriorated sharply in Suriname, widening by 4.5 percentage points of GDP, and Trinidad and Tobago (3 points of GDP). An increase in public revenues—which rose from an average of 26.4% of GDP in 2013 to 27.8% of GDP in 2015—was the key factor behind the improvement in the fiscal balance in recent years. This increase was concentrated in service-oriented economies, in stark contrast to the trend observed in commodity-exporting countries, where revenues from raw materials exports have slumped.

The public debt-to-GDP ratio for Latin America as a whole has increased, with average central government debt standing at 35.9% of GDP in 2015, up 2.5 percentage points on the previous year (see figure I.33). Public debt increased in 15 out of 19 Latin American countries, with Brazil reporting the highest figure (66.5% of GDP), followed by Argentina (53.3%) and Uruguay (46%). By contrast, Paraguay had the region's lowest debt at 17.3% of GDP, followed by Chile and Peru (17.5% and 19.5% of GDP, respectively).

Figure I.33

Latin America and the Caribbean: central government gross public debt, 2014 and 2015
(Percentages of GDP)



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

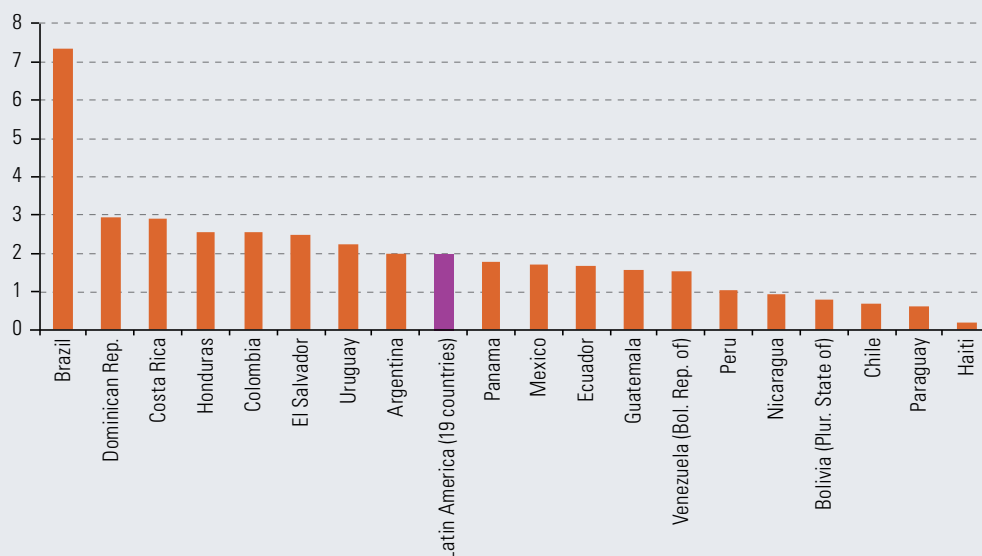
In the Caribbean, central government public debt diminished slightly to 71.6% of GDP in 2015, albeit with debt levels increasing in 6 of the 13 countries studied. Jamaica had the highest public debt in the subregion (equivalent to 127% of GDP), although it also achieved one of the region's largest reductions, equivalent to 6 percentage points of GDP since 2014. There was an increase in public debt servicing in 2015: Jamaica's interest payments amounted to 7.8% of GDP, while those of Barbados, which had the next highest debt-to-GDP ratio, were equivalent to 7.5% of GDP.

Debt service costs have risen; in 2015 they equated to 2% of GDP in Latin America and 3.2% of GDP in the Caribbean. As figure I.34 shows, Brazil had the region's highest level of interest payments in 2015, at 7.3% of GDP, ahead of the Dominican Republic and Costa Rica (2.9% of GDP in both cases). At the other extreme, Chile, Paraguay and Haiti had the region's lowest interest payments in 2015, reporting figures below 0.7% of GDP, equivalent to 3% of public revenues.

As described in chapter II of this edition of the *Economic Survey*, public spending and especially capital expenditure declined in 2015 as a result of adjustments. On average, Latin America observed a reduction in capital expenditure of 0.5 points of GDP, chiefly in hydrocarbon-exporting countries such as the Bolivarian Republic of Venezuela, Colombia, Ecuador and the Plurinational State of Bolivia (see figure I.35). Public investment also slipped by 0.6 points of GDP in the Caribbean, whereas Brazil and the mineral- and metal-exporting countries (Chile and Peru) increased capital expenditure, albeit only slightly.

Figure I.34

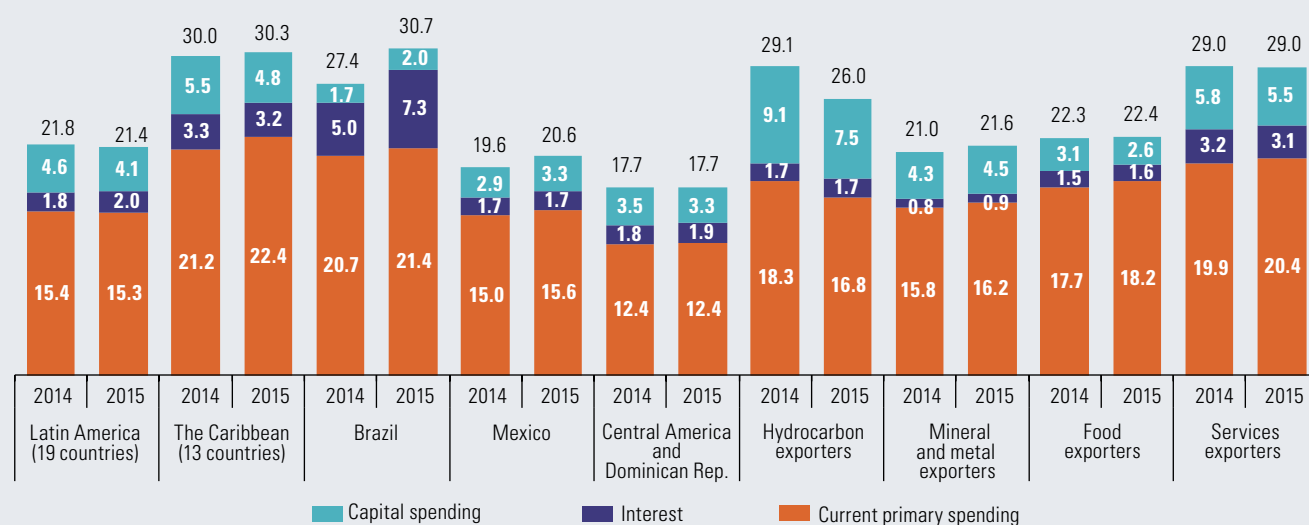
Latin America: public debt interest payments, 2015
(Percentages of GDP)



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

Figure I.35

Latin America and the Caribbean: disaggregated central government public spending, by subregion and country grouping, 2014 and 2015^{a,b}
(Percentages of GDP)



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

^a Federal public sector coverage in the case of Mexico.

^b The hydrocarbon exporter category consists of the Bolivarian Republic of Venezuela, Colombia, Ecuador and the Plurinational State of Bolivia. Chile and Peru are classified as mineral and metal exporters, while the food exporters are Argentina, Paraguay and Uruguay. Services exporters are Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Jamaica, Panama, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines.

Current primary spending in Latin America diminished slightly during 2015 after rising continuously as a share of GDP for a number of years. There was a sharp fall in hydrocarbon-exporting countries (1.4 percentage points of GDP), contrasting with a solid increase (0.5 points of GDP) in food-exporting countries (Argentina, Paraguay and Uruguay). In the Caribbean, current primary spending jumped by 1.1 points of GDP, with the largest rises in Guyana, Suriname and Trinidad and Tobago.

2. Figures indicate a slight improvement in the fiscal balance for 2016

Slower growth and deteriorating terms of trade have been having very substantial effects on the public finances in several of the region's countries, giving rise to large fiscal adjustments. Preliminary figures for the first quarter of 2016 suggest that public revenues continued to shrink; however, unlike in 2015, public spending was reined in by an even greater margin. Consequently, the overall balance improved by an average of 0.2 percentage points of GDP in the first quarter of 2016, which in turn reflects the fact that 12 out of 16 Latin American countries reported improvements for this indicator (see table I.3).

Table I.3

Latin America and the Caribbean (19 countries): change in central government fiscal indicators, first quarter of 2015 to first quarter of 2016^a
(Percentages of annual GDP)

	Revenues			Spending				Overall balance
	Total	Tax revenues (excluding social security contributions)	Other revenues ^b	Total	Current primary spending	Interest	Capital expenditure	
Latin America	0.0	0.0	0.0	-0.2	-0.1	-0.1	0.0	0.2
Argentina ^c	0.6	0.0	0.5	0.0	0.1	0.0	-0.1	0.6
Bolivia (Plurinational State of) ^d	-1.0	-0.3	-0.6	-1.3	-0.6	-0.1	-0.6	0.4
Brazil	-0.1	-0.2	0.1	-1.0	0.3	-1.2	-0.1	0.9
Chile	0.5	0.5	0.0	0.1	0.1	0.0	0.0	0.4
Costa Rica	0.0	0.0	0.0	-0.3	-0.3	0.1	-0.1	0.3
Dominican Republic ^e	0.0	0.0	0.0	1.0	0.3	0.1	0.6	-0.9
Ecuador	-0.3	-0.2	-0.1	0.2	-0.1	0.1	0.2	-0.5
El Salvador	-0.2	-0.1	-0.1	-0.2	-0.2	0.0	0.0	0.1
Guatemala	-0.2	-0.2	0.0	-0.5	-0.3	0.0	-0.1	0.3
Honduras	0.2	0.2	0.0	0.1	0.1	0.0	-0.1	0.1
Mexico	-0.4	0.1	-0.4	-0.3	-0.3	0.0	-0.1	0.0
Nicaragua	0.3	0.3	0.0	-0.3	-0.4	0.0	0.1	0.5
Panama	0.2	0.2	0.0	0.0	-0.2	0.0	0.2	0.2
Paraguay	0.1	-0.1	0.2	0.1	0.1	0.1	0.0	0.0
Peru	-0.3	-0.2	-0.2	0.0	0.2	0.1	-0.2	-0.4
Uruguay ^f	-0.1	-0.1	0.0	-0.6	-0.6	0.0	0.0	0.5
The Caribbean	-0.4	-0.7	0.3	0.3	0.2	0.0	0.1	-0.7
Guyana	0.1	-0.5	0.6	1.1	1.1	0.0	0.1	-1.0
Jamaica	0.3	0.1	0.2	0.3	0.1	0.0	0.1	0.0
Trinidad and Tobago	-1.7	-1.8	0.1	-0.5	-0.5	0.0	0.0	-1.3

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

^a Figures may not add up to the corresponding total because of rounding.

^b Social-security contributions, income from capital and external donations.

^c National non-financial public sector.

^d General government.

^e For the purposes of analysis, the extraordinary donation received by the country in January 2015 is not included.

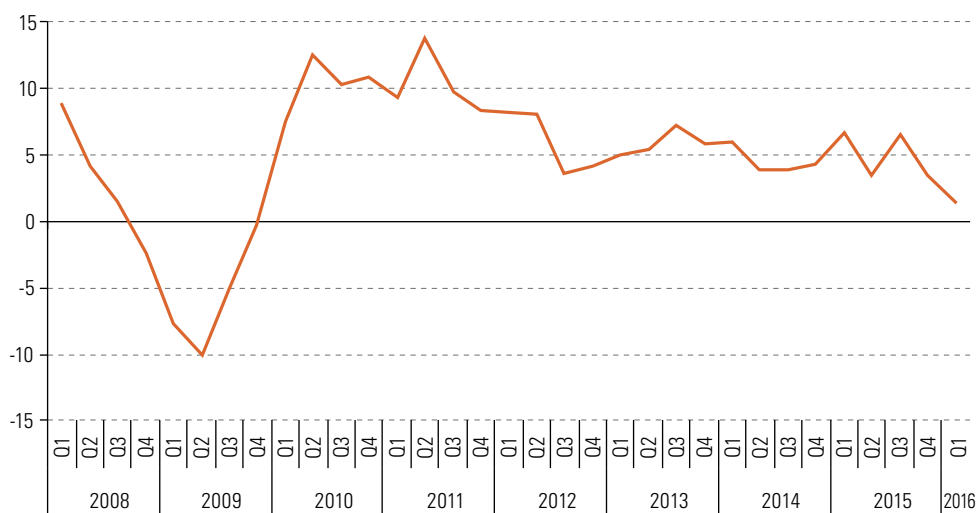
^f Consolidated central government.

Table I.3 indicates a general decline in public spending. As stated in *Fiscal Panorama of Latin America and the Caribbean, 2016* (ECLAC, 2016b), several Latin American countries announced cost-saving measures in 2016, which seem to be having an effect. Brazil, Costa Rica and Mexico are all undertaking major spending adjustments, with Brazil achieving a substantial reduction in its interest payments (down by 1.2 points of GDP) in the first quarter of the year. Reduced spending by the Plurinational State of Bolivia and Uruguay was attributable chiefly to lower payments for personal services. As regards public debt, in 2016 Argentina carried out a US\$ 16.5 billion sovereign bond issue as part of its financial programme.

In the first few months of 2016, public revenues continued to decline as a proportion of GDP in several countries, falling by 1.0 percentage point of GDP in the Plurinational State of Bolivia, 0.4 points in Mexico and 0.3 points in both Ecuador and Peru. In these countries non-tax revenues continued to retreat, due in large measure to weak income flows from non-renewable natural resources. Conversely, public revenues increased in Argentina by 0.6 percentage points of GDP, and in Chile by 0.5 points of GDP. Higher revenues in Chile reflected improved income tax receipts as a result of the tax reform adopted in 2014.

In keeping with slowing economic activity in the region, the preliminary figures for the first quarter of 2016 point to a major slowdown in real year-on-year tax revenue growth (excluding social security contributions). Tax revenues are now growing at their slowest rate since the global crisis of 2008-2009 (see figure 1.36), and in the first quarter posted negative variation in the Plurinational State of Bolivia (down by 8.4%), Brazil (8.3%), Colombia (3.3%), Ecuador (11.5%), Guatemala (2.7%), Peru (4.4%) and Uruguay (0.7%). On the other hand, tax revenues were up in Chile (12.2%), Costa Rica (7.5%), El Salvador (1.2%), Honduras (9.5%), Mexico (5.9%), Nicaragua (13.0%) and the Dominican Republic (8.3%).

Figure I.36
Latin America (14 countries):
change in real central
government tax revenues,
without social security
contributions, relative to
the same quarter the year
before, simple averages,
first quarter of 2008 to first
quarter of 2016
(Percentages)



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

Despite the slowdown in overall tax revenue growth, income tax receipts have followed a more dynamic trend, reflecting the progress achieved through various tax reforms and administrative measures implemented in the region. Chile, Costa Rica, Honduras, Mexico and Nicaragua all posted strong growth in income tax revenues, although these revenues declined in Brazil, Colombia, Ecuador, El Salvador and Guatemala (see table I.4). Moreover, value added tax receipts, which are closely linked to domestic consumption and consumer goods imports, have slowed sharply as domestic demand has weakened in the region.

Table I.4

Latin America and the Caribbean (14 countries): real year-on-year variation in revenue obtained from income tax and value added tax, first quarters of 2014, 2015 and 2016 (Percentages)

	Income tax			Value added tax		
	2014	2015	2016	2014	2015	2016
Brazil	-0.2	-0.9	-6.9	2.5	-3.5	-9.2
Chile	-13.2	13.3	12.1	5.0	4.5	4.8
Colombia	13.0	-13.6	-1.9	17.5	4.2	-4.3
Costa Rica	3.5	17.5	16.9	6.3	0.3	6.7
Dominican Republic	14.1	9.6	16.5	11.7	13.4	5.1
Ecuador	5.0	4.0	-8.6	2.2	10.1	-19.5
El Salvador	4.7	7.9	-1.1	-1.6	5.6	0.2
Guatemala	1.7	-1.4	-2.0	1.1	0.5	-5.1
Honduras	-2.3	17.0	13.3	23.5	17.0	8.3
Jamaica	-8.1	9.7	1.1	10.3	7.8	4.7
Mexico	6.9	31.5	8.8	16.9	-0.6	5.2
Nicaragua	31.4	7.9	16.1	12.5	-1.0	10.7
Peru	8.8	-8.8	0.9	8.5	-1.7	-2.2
Uruguay	10.2	0.8	6.8	10.2	-2.1	-1.4
Simple average for Latin America and the Caribbean	5.4	6.7	5.1	9.1	3.9	0.3

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

3. Monetary, exchange-rate and macroprudential policy

(a) Inflation patterns have shaped the policy space available to the region's monetary authorities: in the south, rising inflation has reduced the scope for policies to stimulate aggregate demand, while in the north, lower inflation has widened it

Three crucial factors determined monetary and exchange rate policy in Latin America and the Caribbean during 2015 and the first half of 2016. The first of these factors was the heavy fall in commodity prices, especially those of energy and mineral products. The second factor (partly related to the first) was growing uncertainty over the trend in external aggregate demand due to the slowdown in emerging economies, especially China, and the slow recovery of developed economies. The third and final factor was the volatility that has prevailed in international financial markets as a result of monetary policy normalization in the United States and the adoption of monetary stimulus in Europe and Japan, together with uncertainty created by other circumstances, such as political disruption in Brazil, the referendum on the United Kingdom's membership of the European Union, and concerns about the situation of the Chinese financial system.

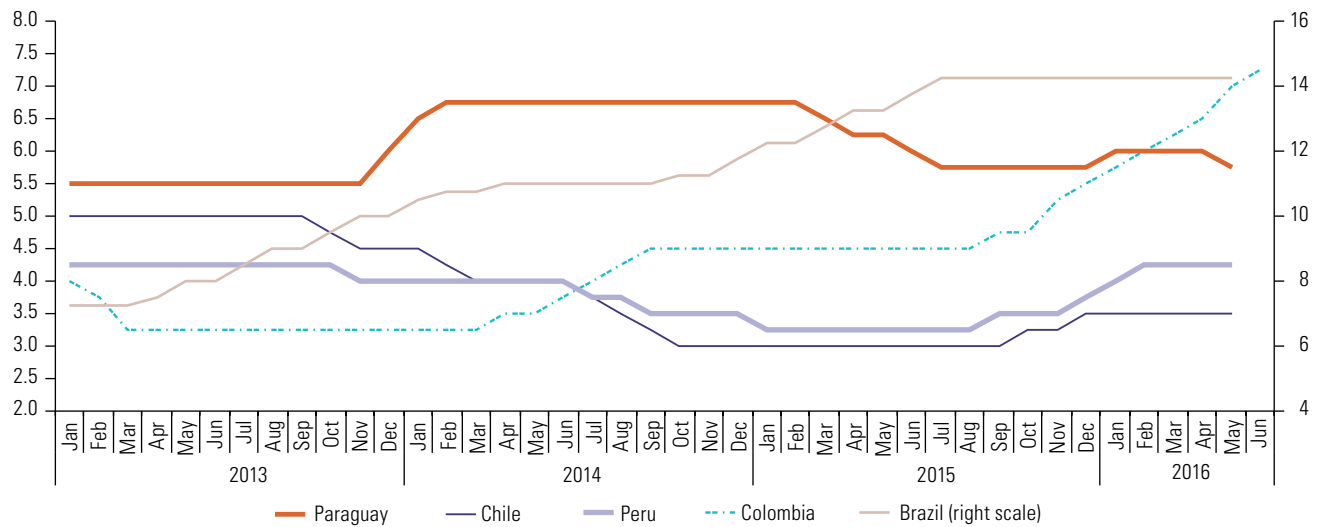
This general context has brought about major changes in the terms of trade and modifications in the fiscal balance and current account position of certain Latin American and Caribbean economies, while also diminishing capital inflows to the region. The impact of each of the aforementioned factors on variables such as inflation and economic activity varies greatly, depending on each country's structural characteristics (production structure, levels of financial and trade integration, and the funding base of government) and circumstantial aspects (political and electoral cycles and exchange rate volatility). Consequently, authorities have responded in very different ways.

The central banks of South American countries that use interest rates as their main monetary policy instrument, and which have experienced a rise in inflation, have opted to raise their monetary policy rate. In 2015, Brazil raised its rate by 250 basis points, Chile by 50 basis points, Colombia by 125 basis points, and Peru by 25 basis points (see figure I.37A).

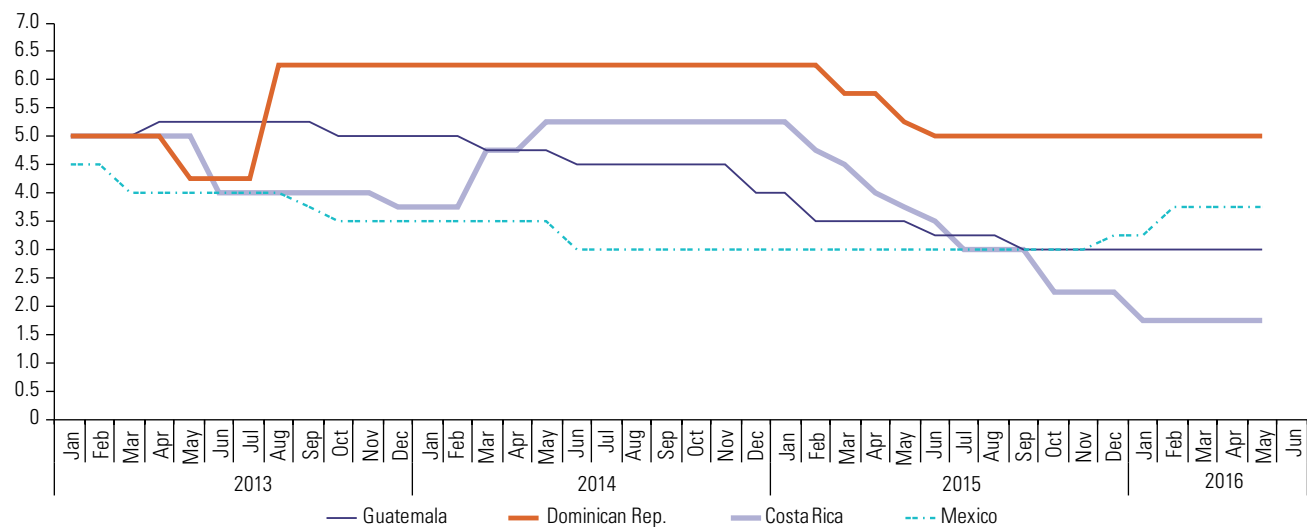
Figure I.37

Latin America (selected country groupings): monetary policy rates in countries where they are used as the main policy instrument, January 2013 to June 2016 (Percentages)

A. South America



B. Central America and Mexico



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

With the exception of Brazil, most of these rate adjustments were made in the second half of the year, partly in response to the uncertainty sown by the announcement of monetary policy normalization and a possible hike of the federal funds rate in the United States, which was eventually implemented by the Federal Reserve in December 2015.

In the first six months of 2016, Colombia and Peru both raised their monetary policy rate. In Peru the rate was increased on two occasions, in January and February, by a total of 50 basis points, while in Colombia there were five successive interventions (in February, March, April, May and June) which raised the rate by 150 basis points in total. Interest rates in Brazil and Chile remained unchanged in the first half of 2016.

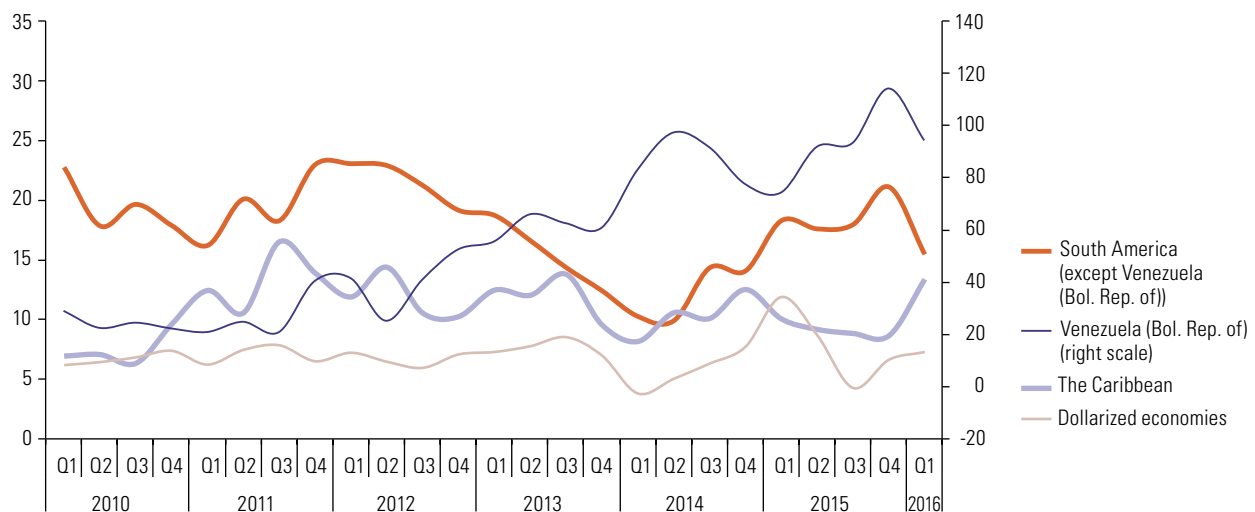
Of the South American economies that use the monetary policy rate as their main policy instrument, only Paraguay posted a drop in inflation during 2015, allowing the country's central bank to cut the monetary policy rate by 100 basis points. In May 2016, the Central Bank of Paraguay again reduced rates by 25 basis points, taking advantage of the available space to stimulate domestic aggregate demand.

Although inflation has been above the ceiling of the established target range in the group of South American countries that use the monetary policy rate as their main policy instrument, central banks reported that, according to several indicators, expectations are for 12-month inflation to remain within the target range.²⁵

In the South American economies that use monetary aggregates as the principal policy instrument, the slowdown in economic activity has persuaded the monetary authorities to adopt policies to boost aggregate demand. As a result, the monetary base expanded at a faster rate during 2015. However, the rise in prices observed during 2015 led the monetary authorities to slow the growth of monetary base in the first quarter of 2016, as figure I.38 shows.

Figure I.38

Latin America and the Caribbean (selected country groupings): monetary base in countries using monetary aggregates as the main policy instrument, first quarter of 2010 to first quarter of 2016 (Percentages)



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

²⁵ In Brazil, 12-month inflation is expected to exceed the ceiling of the target range.

In the region's southern economies, monetary authorities are facing a dilemma in that the expansionary monetary policies they have applied to stimulate aggregate demand may be undermining price stability. Moreover, the monetary authorities of some South American economies, especially those facing higher inflation (Argentina, the Bolivarian Republic of Venezuela and Brazil) must deal with situations of fiscal dominance.

Meanwhile, in the economies of Central America and the Caribbean, lower inflationary pressures have allowed central banks to adopt monetary policies to stimulate lending and aggregate demand. During 2015, Costa Rica, the Dominican Republic and Guatemala (countries where the monetary policy rate is the chief policy tool) cut their benchmark interest rates by 300, 150 and 100 basis points, respectively. Of this group, only Costa Rica reduced its monetary policy rate in the first half of 2016 (by 50 basis points), while the central banks of the Dominican Republic and Guatemala left their monetary policy rates unchanged (see figure I.37B).

Mexico was an exception to this trend in the northern part of the region. Much like the South American economies that use the monetary policy rate as their main policy instrument, the Mexican monetary authorities decided to raise rates by 25 basis points in December 2015, and again by 50 basis points in February 2016. Factors such as the hike of the United States federal funds rate and the volatility of international financial markets weighed on the decisions of the monetary authorities.

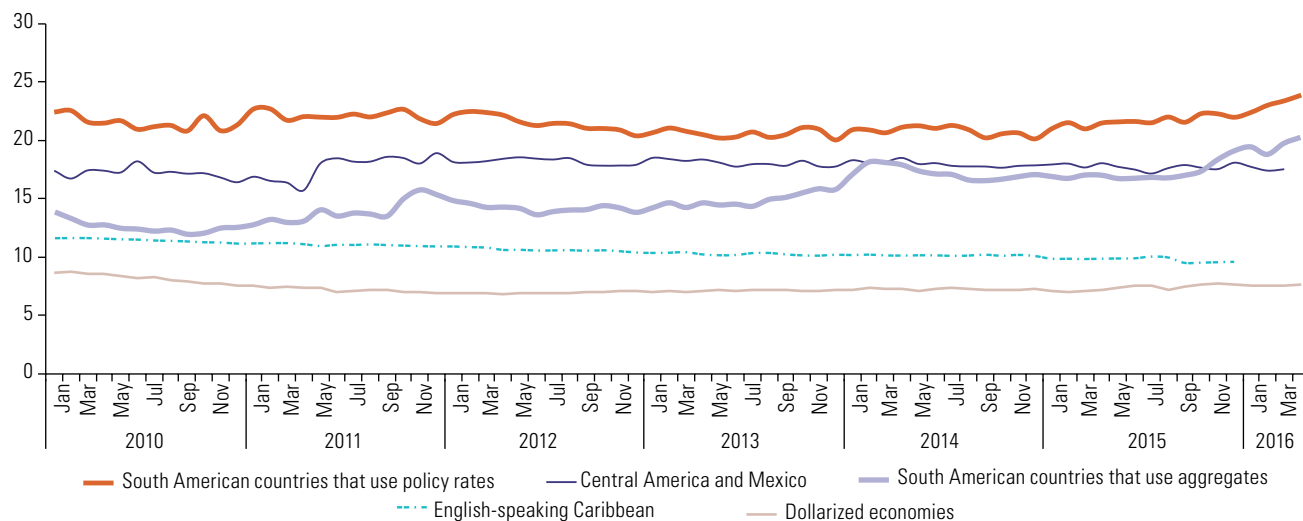
In the English-speaking economies of the Caribbean and the dollarized economies of Ecuador, El Salvador and Panama, the average growth of the monetary base was slower in 2015 than in 2014, but quickened in the first three months of 2016.

(b) Policy decisions led to a slowdown in credit growth in a context of stable lending rates

In 2015 and the first four months of 2016, the trends observed in monetary policy instruments (interest rates and monetary aggregates) translated into relatively stable lending rates in the region, with the exception of South American economies that use aggregates as their main policy instrument, in which lending rates rose (see figure I.39).

Figure I.39

Latin America and the Caribbean (selected country groupings): average annualized lending rates, January 2010 to April 2016 (Percentages)



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

In 2015 and the first quarter of 2016, domestic lending to the private sector slowed across the region, with the exception of South American economies. The deceleration was slight in Central America and Mexico, but fairly marked in the dollarized economies, especially Ecuador, where lending contracted. The Caribbean economies also reported a decline in credit during this period.

Credit trends in the region are consistent with reduced economic activity and, in particular, with the sharp slowdown in investment and private consumption. In South American economies that use aggregates as the main policy instrument, lending to the private sector contracted in real terms, amid high levels of inflation (see figure I.40).

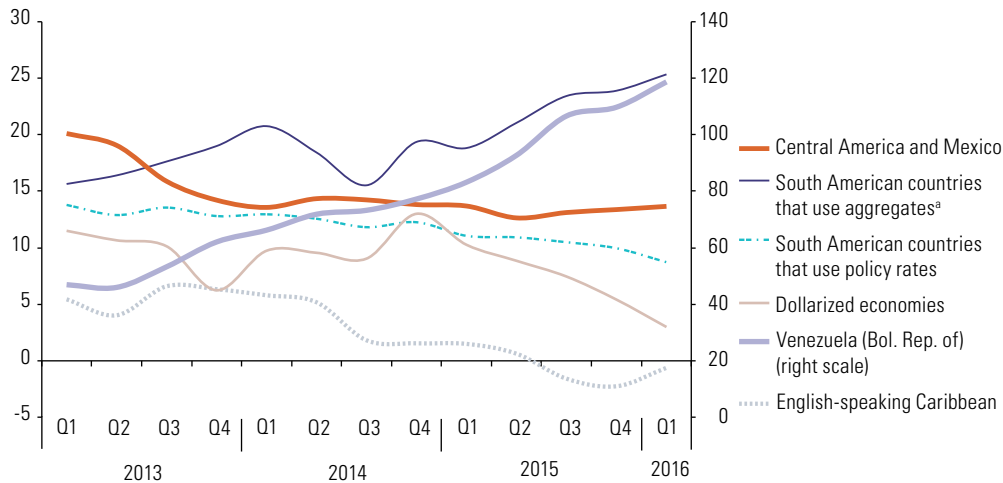


Figure I.40
Latin America and the Caribbean (selected country groupings): average annualized growth in domestic lending to the private sector, first quarter of 2013 to first quarter of 2016 (Percentages)

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

^a Excluding the Bolivarian Republic of Venezuela.

(c) The region's currencies tended to weaken against the dollar

During 2015, the region's currencies continued to depreciate: 16 countries reported nominal currency depreciation against the United States dollar; in 9 countries the depreciation topped 10% (see table I.5). The strengthening of the dollar against other world currencies amid growing expectations that the United States Federal Reserve would raise its benchmark interest rate (as occurred in December 2015), combined with falling prices for the region's commodity exports, reduced the appetite for assets denominated in the currencies of the region. This trend was compounded by the deceleration of growth in several South American countries, and by specific events in Argentina and Brazil.

Figure I.41 depicts exchange rate movements for the five countries that experienced the largest currency devaluations against the dollar in 2015. The figure does not include the Bolivarian Republic of Venezuela, whose parallel exchange rate at the end of 2015 was several times the official rate.

Currency weakness continued in the first four months of 2016, although the currencies of Brazil, Chile, Colombia, Paraguay and Peru regained some ground after December 2015. Other countries whose currencies lost value in 2015, such as Argentina and Uruguay, suffered further depreciation in early 2016. Accordingly, between December 2014 and May 2016, all of the region's tracked currencies (except that of the Plurinational State of Bolivia) experienced nominal depreciations against the dollar. For seven countries, nominal currency depreciation surpassed 20%: Argentina (68.4%), Brazil (34.1%), Haiti (32.2%), Uruguay (30.9%), Colombia (27.1%), Paraguay (20.3%) and Mexico (20.1%).

Table I.5

Latin America and the Caribbean (21 countries):^a nominal currency depreciation against the dollar, annualized changes, 2013 to May 2016

Country or subregion	2013	2014	2015	May 2016
Latin America				
Argentina	32.6	29.8	52.8	56.1
Bolivia (Plurinational State of)	0.0	0.0	-0.1	-0.2
Brazil	15.1	12.5	49.0	13.2
Chile	9.7	15.4	16.8	11.8
Colombia	9.2	23.2	33.6	22.0
Costa Rica	-1.3	7.6	-0.4	0.6
Dominican Republic	7.0	4.0	2.5	2.2
Guatemala	-0.8	-3.1	0.5	-0.6
Haiti	3.6	8.1	20.0	27.5
Honduras	1.8	3.8	6.4	3.5
Mexico	1.4	13.2	16.6	19.8
Nicaragua	5.0	5.0	5.0	5.0
Paraguay	9.0	0.8	24.7	11.6
Peru	9.6	6.5	14.6	6.9
Uruguay	12.1	13.1	23.0	14.4
Venezuela (Bolivarian Republic of) ^b	46.5	0.0	0.0	58.7
The Caribbean				
Belize	-0.5	1.0	-0.8	-0.7
Guyana	1.5	-0.1	0.2	0.1
Jamaica	14.7	7.9	4.9	7.6
Suriname	0.0	3.8	16.8	98.8
Trinidad and Tobago	-0.1	-0.6	0.8	4.4

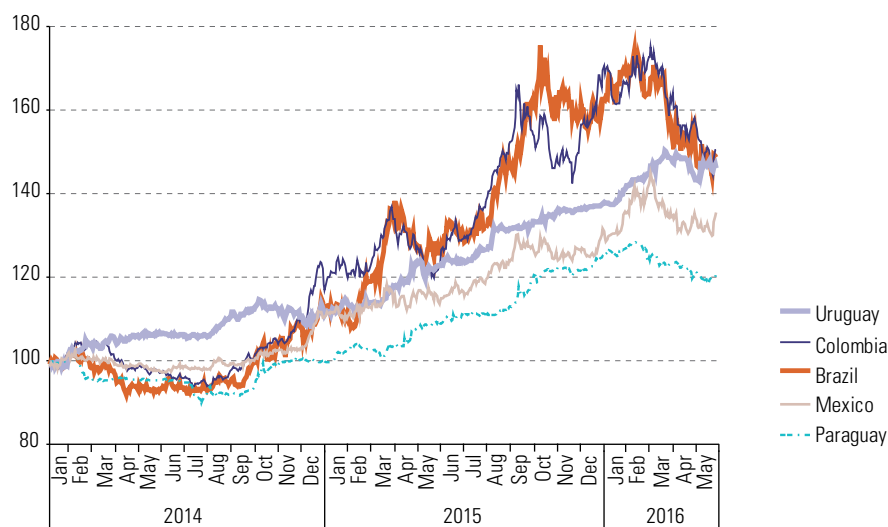
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from Bloomberg.

^a Excludes economies with fixed exchange rates.

^b Corresponds to changes in the exchange rate for priority imports.

Figure I.41

Latin America (selected countries): nominal exchange rates against the dollar, January 2014 to April 2015 (Index: January 2008=100)



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

The above analysis does not include the Bolivarian Republic of Venezuela, which does not have a single exchange rate. In March 2016, the country's exchange-rate system underwent several changes, including the devaluation of the preferential official exchange rate (DIPRO) by 59% and the adoption of an adjustable exchange rate (DICOM), which depreciated by 175% between March and the end of May 2016. The DIPRO rate will be applied to imports that the Government establishes as a priority, such as food and medicines, while the DICOM rate will be used for all other transactions concluded in the country.

In Argentina, the depreciation of the peso in late 2015 resulted from the incoming administration's decision to lift controls on dollar transactions, which had been applied in various ways since 2011, in a move to unify the official and the parallel exchange rates. In a context of high inflation, associated in particular with the problem of fiscal dominance facing the country's monetary authorities, the parallel rate was about 50% higher than the official rate. Consequently, in mid-December 2015 the peso depreciated 36.1% at the official rate on the first business day of the unified regime, accounting for most of the depreciation posted during the period.

Exchange rates remained highly volatile in several countries amid shifting expectations over the price of commodities (oil, copper and other metals), quickening inflation in countries such as Brazil and Colombia and the steps taken by authorities in response, and, in Brazil, uncertainty over the process that resulted in the suspension from office of President Dilma Rousseff in April 2016.

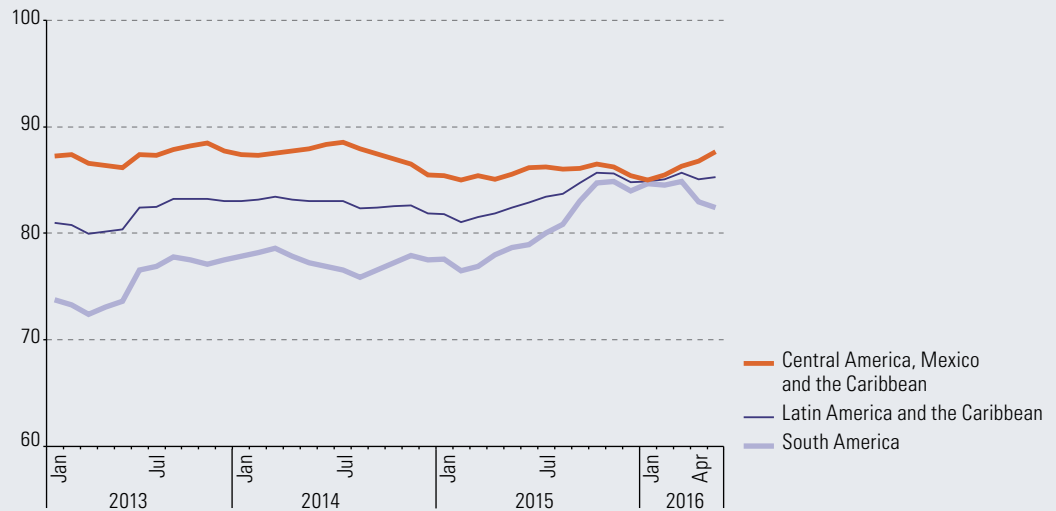
The real effective extraregional exchange rate of 18 Latin American and Caribbean countries depreciated by an average of 1% between 2014 and 2015. South America registered an effective depreciation against the rest of the world of 4.6%, while the other subregions (Central America, Mexico and the Caribbean) in aggregate experienced an appreciation of 1.8%. Between December 2014 and December 2015, depreciation in South America became much more pronounced (9.2%), while appreciation in Central America, Mexico and the Caribbean slipped to 0.5%. These regional and subregional aggregates mask considerable dissimilarities between countries, caused by differences in their exchange-rate regimes and patterns of trade. This is particularly true of the subregions other than South America, whose effective appreciation against the rest of the world was significantly diminished by the depreciation of the Mexican peso. The region's dollarized economies and countries with inflexible exchange rates registered effective appreciation, with domestic inflationary processes often coinciding with currency depreciation in the economies of extraregional trading partners. During the first four months of 2016, the impact of these depreciations was observed in Central American and Caribbean countries such as Honduras and the Dominican Republic. Consequently, the basket of Central American, Mexican and Caribbean currencies depreciated by 3.1% against the December 2015 figure. Meanwhile in South America, rising inflation and the nominal appreciation of the Brazilian real and the Colombian peso, among others, resulted in a 2.6% appreciation for the currencies of the subregion during this period (see figure I.42).

The total effective exchange rate²⁶ of the region's countries reflects movements in their own and in trading partners' exchange rates, as well as rising inflation in several countries. Figure I.43 shows that between December 2014 and April 2016, real effective exchange rates jumped in countries with greater exchange-rate flexibility (depreciation) and fell sharply in countries such as Ecuador and the Plurinational State of Bolivia (appreciation). These two countries, one with a fixed exchange rate (the Plurinational State of Bolivia) and the other a dollarized economy (Ecuador), experienced a combination of domestic inflation and the depreciation of their trading partners' floating currencies. In the Caribbean, the slight depreciation of the Trinidad and Tobago dollar in 2016 was insufficient to raise the total real effective exchange rate.

²⁶ Unlike the effective extraregional exchange rate, where the weighting excludes trade with Latin American and Caribbean countries, the total effective exchange rate includes trade with all the trading partners of each country.

Figure I.42

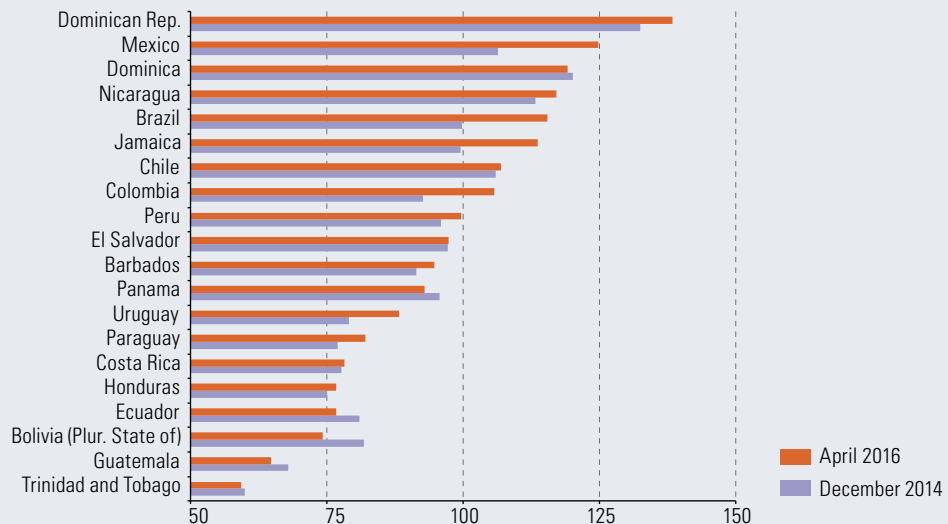
Latin America and the Caribbean: effective extraregional exchange rates, by subregion, January 2013 to April 2016
(Index: 2005=100)



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

Figure I.43

Latin America: overall real effective exchange rates, April 2016 and December 2014
(Index: 1990-2009 average=100)



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

4. International reserves

(a) International reserves declined in 2015 but recovered slightly in the first five months of 2016

International reserves in Latin America and the Caribbean contracted in 2015 due to the deterioration of the region's trade balance since the second half of 2014 (especially among commodity-exporting economies) and currency interventions by central banks seeking to counteract the effects of exchange rate volatility. Consequently, at year-end 2015 international reserves in Latin America and the Caribbean had fallen by

5% compared with the previous year, reaching their lowest level since 2011. In total, reserves declined in 19 of the region's countries in 2015, and were depleted by more than 10% in 12 countries.

The largest declines were in Suriname (-47.2%), Ecuador (-36.8%), Bolivarian Republic of Venezuela (-25.8%), Argentina (-18.7%) and Haiti (-16.0%). The group of five countries with the highest levels of international reserves (Brazil, Chile, Colombia, Mexico and Peru), saw their external assets decrease by 4.0% in 2015, with Mexico's reserves significantly down by 9.2%.

Thirteen economies were able to increase their reserves in 2015, with five countries (Antigua and Barbuda, Dominica, Grenada, Jamaica and Saint Lucia) posting gains of more than 10%. This accumulation was possible thanks to falling energy costs and consolidation programmes implemented in conjunction with multilateral institutions.

In the first five months of 2016, international reserves in Latin America and the Caribbean picked up by 1% compared with year-end 2015, albeit remaining below 2014 levels. Reserves decreased in 10 economies during this period, declining by more than 10% in the Bolivarian Republic of Venezuela, Ecuador, the Plurinational State of Bolivia, Suriname and Uruguay. Conversely, 16 economies managed to consolidate their international reserves in early 2016, with six countries (Argentina, Bahamas, El Salvador, Guatemala, Panama and Paraguay) posting increases of more than 10% (see figure I.44).

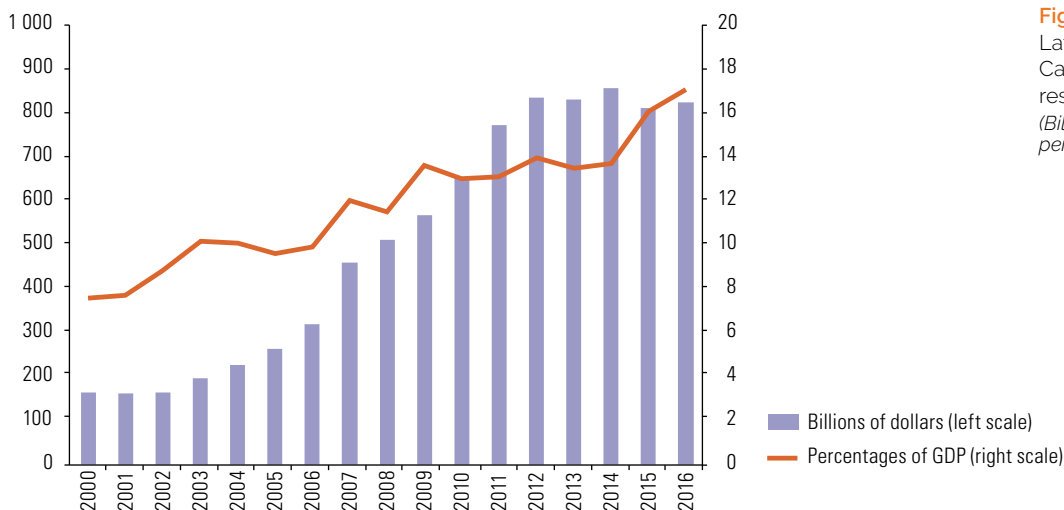


Figure I.44
Latin America and the Caribbean: international reserves, 2000-2016^a
(Billions of dollars and percentages of GDP)

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

^a The 2015 figures are ECLAC estimates. The 2016 figures are for May and contain preliminary data.

Notwithstanding the trend described above, the ratio of international reserves to GDP has increased in 2015 and 2016 to date, reflecting the aforementioned recovery of reserves on the one hand, and the effects of the region's slower growth on the other.

(b) Macroprudential regulations continue to be strengthened throughout the region

In the wake of the 2009 financial crisis, the region's economic authorities applied a raft of amendments to their regulatory frameworks with a view to ensuring macrofinancial stability. The region has continued its progress in this direction during 2015 and the first five months of 2016. Steps have been taken to reduce exchange rate volatility and bolster the international reserves position, notably the currency swaps

between China and countries such as Argentina, Chile and Suriname; the renewal of the International Monetary Fund's flexible credit line for Colombia and Mexico, and the securing of resources from multilateral agencies by Honduras and Jamaica. Argentina, the Bahamas and the Bolivarian Republic of Venezuela have implemented regulatory changes in the process of allocating foreign currency; in Argentina this meant the lifting of currency controls in late 2015. Several countries maintained their efforts to de-dollarize their payment systems, as in the Plurinational State of Bolivia, Costa Rica, Haiti and Peru. Ecuador pursued initiatives focused on new payment methods; Costa Rica and Peru made changes to reserve requirements in dollar-denominated deposits and other instruments, and Trinidad and Tobago tightened its restrictions on illegal currency transactions. Jamaica and Paraguay accorded their central banks a higher degree of autonomy, together with responsibility for safeguarding financial stability, with Jamaica also relaxing its restrictions on currency transactions by pension funds and insurance companies.

Some countries have also undertaken initiatives to prevent credit-risk situations from acquiring a systemic dimension, notably the regulatory amendments concerning financial services provision in the Bahamas, Barbados, Costa Rica, El Salvador, Guyana and Jamaica. Jamaica and the member countries of the Eastern Caribbean Currency Union (ECCU) are strengthening their credit markets (by establishing credit rating agencies). Nicaragua has strengthened its payment clearing system, while Brazil, the Dominican Republic and Peru have changed their reserve requirements for bank deposits. Steps have also been taken to develop capital markets. Brazil has promoted the development of its corporate bond market; Paraguay has introduced a secondary bond market; Guatemala has developed its leasing market, and Mexico and Peru have amended the regulations applied to their respective derivatives markets. Lastly, several authorities in the region have announced the strengthening of oversight mechanisms applied to offshore banking in the wake of the "Panama Papers" scandal.

Bibliography

- BBVA (2016) "The economic consequences of Brexit", June [online] https://info.bbva.com/es/data/8663062016/Brexit_watch.pdf.
- ECLAC (Economic Commission for Latin America and the Caribbean) (2016a), *Foreign Direct Investment in Latin America and the Caribbean 2016. Briefing paper*, Santiago.
- (2016b), *Fiscal Panorama of Latin America and the Caribbean 2016: Public finances and the challenge of reconciling austerity with growth and equality* (LC/L.4140), Santiago.
- (2015a), *Economic Survey of Latin America and the Caribbean, 2015* (LC/G.2645-P), Santiago.
- (2015b), *Preliminary Overview of the Economies of Latin America and the Caribbean, 2015* (LC/G.2655-P), Santiago.
- ECLAC/ILO (Economic Commission for Latin America and the Caribbean/International Labour Organization) (2016), "Recent improvements and persistent gaps in rural employment", *Employment Situation in Latin America and the Caribbean*, No. 14 (LC/L.4141), Santiago.
- (2015), "Universal social protection in labour markets with high levels of informality", *Employment Situation in Latin America and the Caribbean*, No. 12 (LC/L.3998), Santiago.
- Financial Times* (2016), "China plans securitization to tackle banks' bad debt burden" [online] <http://www.ft.com/cms/s/0/7debf7a6-e116-11e5-8d9b-e88a2a889797.html#axzz4CRCNgnAO>.
- ILO (International Labour Organization) (2014), *Thematic Labour Overview 1: Transition to Formality in Latin America and the Caribbean*, Lima.
- Ramos, J., K. Sehnbruch and J. Weller (2015), "Calidad del empleo en América Latina. Teoría y datos empíricos", *Revista Internacional del Trabajo*, vol. 134, No. (2015/2).
- The Economist* (2016) "The coming debt burst", 7 May.
- United Nations (2016), *World Economic Situation and Prospects 2016. Update as of mid-2016*, New York, Department of Economic and Social Affairs (DESA).

The 2030 Agenda for Sustainable Development and the challenges of financing for development



Introduction

As set out in *Horizons 2030: Equality at the Centre of Sustainable Development* (ECLAC, 2016), fulfilling the goals and targets of the 2030 Agenda for Sustainable Development will require a considerable effort to mobilize development financing, with both public- and private-sector involvement. In terms of domestic resource mobilization, one of the key challenges for the region's governments is raising the tax burden and improving the tax structure. This means addressing the problems of tax evasion and avoidance, both domestically and on the external front.

The resources mobilized for development purposes are not limited to those secured from fiscal sources, and may also be drawn from private savings. This implies the need to further develop the region's financial systems and markets, and to increase financial inclusion.

Moreover, since most of the region's countries are classed as middle-income or high-income economies, they have limited ability to tap international cooperation funding, official development assistance, and concessional loans. The region's countries also differ enormously in terms of their potential access to private international finance flows.

In this context, the thematic chapters of this edition of the *Economic Survey of Latin America and the Caribbean* concentrate on the challenges encountered by Latin American and Caribbean countries in mobilizing finance for development from domestic and external perspectives.

Chapter II looks at the impact of the change in economic cycle on public finances, including the drop in tax and non-tax revenues and the gradual rise in public borrowing, which together have eroded the fiscal space available for financing efforts to meet the Sustainable Development Goals.

It is argued that regaining that space would require comprehensive and sustained reforms to public finances to ensure public sector solvency, protect investment, safeguard achievements on the social front, and broaden tax resources.

Estimates are provided suggesting that fiscal multipliers are high and significant in the region and that, in particular, the public investment multiplier exceeds 2 after two years. Indiscriminate cutting of public expenditure is highly prejudicial because it runs the risk of deepening recessionary conditions; it is thus essential to protect the key role played by public investment in the potential growth of the region's economies.

In view of the unavoidable need to mobilize resources for financing for development and to ensure the fulfilment of the 2030 Agenda for Sustainable Development, the chapter reaffirms the need to change certain typical characteristics of the countries' tax structures, namely: tax collection that is too low (with a few notable exceptions); a system that is not progressive because income tax is weak and the rates paid by the richest decile are extremely low; high evasion—estimated at 6.7 percentage points of regional GDP—and tax bases that have been eroded by the proliferation of tax incentives. These factors all highlight the importance of strengthening income taxation.

Chapter III examines tax evasion in relation to the external linkages of the region's countries. The more a country is engaged in the world economy, the greater the potential erosion of its tax base. There are essentially three sources of this erosion: the burgeoning of tax incentives, profit shifting and aggressive tax planning, and illicit financial flows arising from international trade and capital movements.

The current capacity of multinational and transnational firms to develop aggressive tax planning mechanisms and to shift profits lessens countries' ability to retain fiscal revenues that could be used to finance development processes or to deploy distributive policy tools to achieve social equality and overcome poverty.

The fiscal losses associated with evasion and avoidance around the world are striking. The Organization for Economic Cooperation and Development (OECD) and the United Nations Conference on Trade and Development (UNCTAD) estimate that evasion amounts to between US\$ 100 billion and US\$ 240 billion per annum, equivalent to between 4% and 10% of the corporate income tax take. ECLAC estimates show that the region's losses from gross trade misinvoicing outflows increased by about 9% a year on average in the period 2004-2013, totalling US\$ 765 billion or about 1.8% of regional GDP. The region's tax losses associated with these flows stood at about US\$ 31 billion in 2013 (0.5 percentage points of GDP), equivalent to between 10% and 15% of the corporate income tax take for that year.

Chapter IV notes that the external development finance scene has changed considerably over recent decades in terms of the array of agents providing financing, the funding mechanisms used and the composition of financial flows. There has been a clear fall-off in official development assistance (ODA) flows to the countries of the region, with private flows becoming the main source of financing for these economies. Chief among these is foreign direct investment (FDI), whose value in 2014 equated to approximately 2.6% of Latin America's GDP, accounting for over 60% of total flows into the region. Remittances and portfolio investment inflows were equivalent to 1.0% and 1.5% of GDP, respectively.

The reliance on private funds raises significant issues for development finance. First, not all countries enjoy the same access to external financing sources. The degree to which a country or set of countries can access private sector financing depends on a number of factors, including size of the economy; perceived risk (in some cases reflecting the country's macroeconomic record); the production structure; the state of infrastructure; and the education and specialization level of the workforce. Second, private sector flows, including FDI, are procyclical and sometimes highly volatile, which can amplify business cycle fluctuations. Third, the behaviour of private capital flows reflects the fact that they are mainly profit-driven, which can mean that investment is inadequate in areas crucial to sustainable development, such as poverty reduction or infrastructure improvements, if the expected risk-adjusted return is unsatisfactory relative to alternative investment opportunities.

Channelling and matching private capital to sustainable development needs means creating incentives to attract private investment into areas where it meets the production and development requirements of the economies of Latin America and the Caribbean. This requires government action to design appropriate incentives, which means including social returns in cost-benefit analyses, supplying public financing to sectors that generate significant social benefits but do not attract enough private-sector funds, maintaining risk-return profiles attractive to private capital and directing this capital towards development objectives, and creating appropriate legal frameworks.

Chapter V studies financial inclusion in the countries of the region, and argues that inclusiveness is a prerequisite for financial systems to work in favour of sustainable economic and social development. In non-inclusive financial systems, small businesses and low-income individuals are unable to access financial services; these systems also exhibit wide gender gaps in terms of their access and use.

Financial innovation may serve as a catalyst for the financial inclusion of households and businesses through the greater densification of the financial system. In the policy sphere, this means fostering innovation by introducing new skills, capacities and procedures to increase efficiency, including technological and methodological improvements and changes in forms of intermediation. There is also a need to develop new financial products to meet demand from households and companies.

Strengthening financial inclusion through innovation requires an effort to coordinate public and private agendas in respect of development goals and priorities. Spaces and mechanisms should therefore be created so that public policies can attract and channel private-sector endeavours, with the right context and incentives, towards achieving inclusive development goals.

In that regard the presence of development banks should be reinforced, since they increase the availability of and access to financing sources and mechanisms for business, and are capable of deploying them according to the requirements, characteristics and risks inherent to different production activities.

Domestic resource mobilization

Introduction

- A. Public finances must adapt to new conditions in order to cope with the reduction in the fiscal space
- B. Given financing difficulties, tax systems must become a pillar for efforts to achieve the Sustainable Development Goals

Bibliography

Annex II.A1

Annex II.A2



Introduction

Proposals for mobilizing domestic resources to achieve the Sustainable Development Goals by 2030 are a key pillar of the development model put forth by the United Nations and the Economic Commission for Latin America and the Caribbean (ECLAC). As explained in previous publications by ECLAC (2015b, 2016), the commodities boom lifted fiscal revenues from primary goods in producing countries, thereby providing resources to pay down external debt, among other things.

The change in the business cycle has generated the opposite effect: a drop in tax and non-tax revenues and a gradual rise in public borrowing in countries that rely on commodities, which has eroded the fiscal space available for financing efforts to meet the Sustainable Development Goals. Regaining that space would require comprehensive and sustained reforms to public finances to ensure public sector solvency, protect investment, safeguard achievements on the social front and broaden tax resources.

This chapter considers these challenges. Section A looks at how public debt has risen, in line with policies that were devised to stabilize national economies and soften the effects of the cyclical shift, but which have also imposed limitations, tightened budgetary constraints and forced countries to adopt strict financial controls. These changes and, especially, the drop in gross fixed capital formation, have inevitable consequences for the potential growth capacity of the region's economies. By extension, borrowing conditions have turned harsher, and are unlikely to ease for some time. The deterioration in the macroeconomic environment thus ushers in a medium-term dynamic that, although not alarming for the region overall, will require active fiscal policies to keep public debt within reasonable bounds.

Indiscriminate cutting of public expenditure is also highly prejudicial, because it runs the risk of deepening recessionary conditions. ECLAC estimates show that fiscal multipliers are high and significant in the region and that, in particular, the public investment multiplier exceeds 2 after two years. The calculations presented in this chapter conclusively demonstrate the key role played by public investment in the growth potential of the region's economies. As ECLAC has emphasized in previous publications (ECLAC, 2015a), investment behaviour not only affects the speed and rate of capital accumulation but also has a direct bearing on productivity. The causal relationship between capital accumulation and productivity makes the cyclical characteristics of investment an important determinant of long-run growth capacity.

Section B discusses the diagnostic put forward by ECLAC on the region's tax systems, in view of the unavoidable need to mobilize domestic resources given the drop in financing and slowdown in investment. With a few notable exceptions, the region's tax collection is too low to meet the needs of the Sustainable Development Goals, the system is not progressive because income tax is weak and the rates paid by the richest decile are extremely low, evasion is high—estimated here at 6.7 percentage points of regional GDP, worth US\$ 340 billion in 2015—and the tax bases have been eroded by the proliferation of tax incentives.

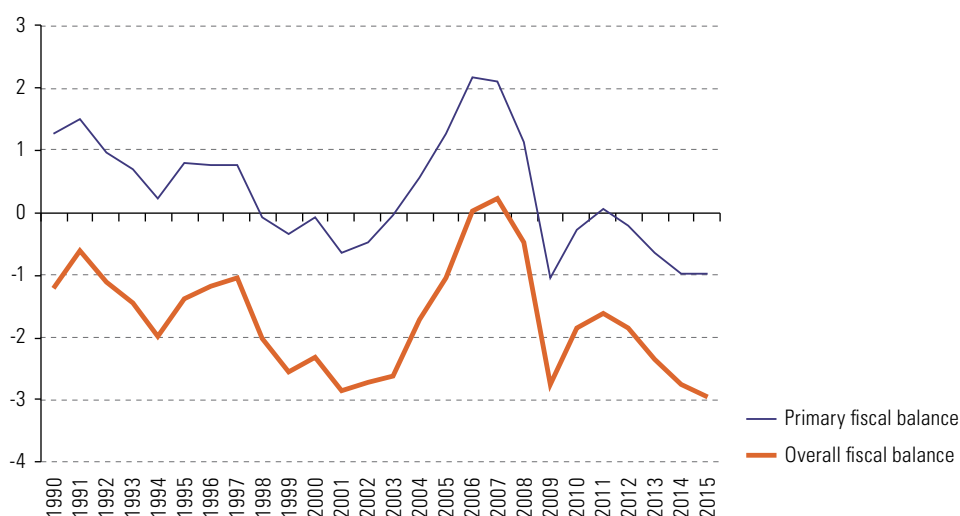
The high rate of tax evasion illustrates the magnitude of the challenge of mobilizing domestic resources. Just as the 1990s were marked in tax terms by the broadening of value added tax and tariff reduction, and the first decade of the 2000s by generalized taxation on non-renewable natural resources and commodities, in the future the reforms begun in the present decade—aimed at strengthening taxes on income and assets—will have to be consolidated.

A. Public finances must adapt to new conditions in order to cope with the reduction in the fiscal space

1. Public debt growth is gathering momentum

As documented in the first part of this edition of the *Economic Survey*, the fall in commodity prices and slack demand have eroded fiscal revenues in many of the region's countries, and this has hurt fiscal balances. For the first time since 1990, the primary balance was negative by more than one GDP point and the overall deficit at the level of central government came to 3% of GDP in 2015 (see figure II.1).

Figure II.1
Latin America and the Caribbean (19 countries):^a
overall and primary fiscal
balance, 1990-2015
(Percentages of GDP)



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

^a Does not include Cuba.

This deterioration, added to the depreciation of most of the Latin American currencies, has pushed up the cost of financing and increased public debt as a proportion of regional GDP.

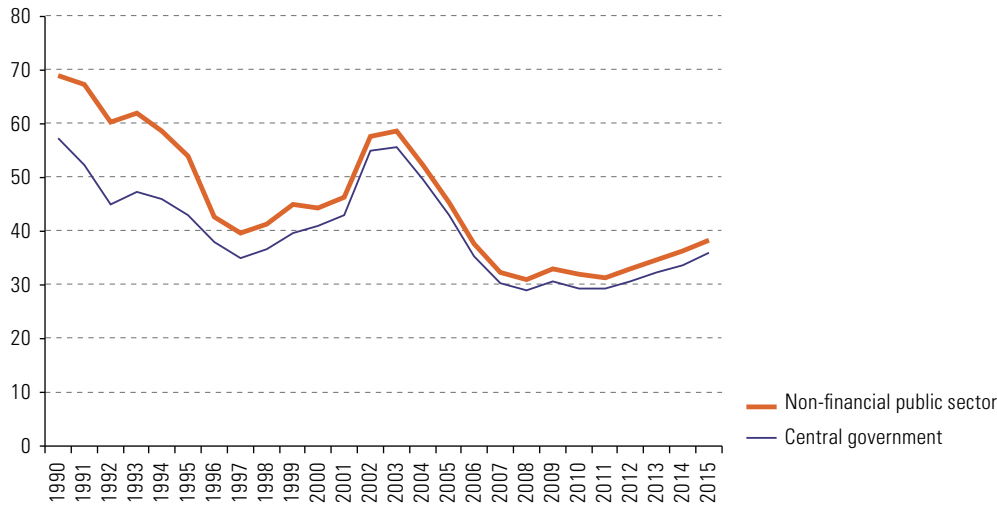
Expansion of non-financial public sector debt gathered pace and rose by 7.9 GDP points, from 30.8% to 38.7% of GDP between 2008 and 2015. Nevertheless, as shown in figure II.2, this indicator remains well below the levels of the recent past. In addition, as discussed in chapter I, these debt levels vary greatly from one country to another within the region.

Although public debt growth may be natural and even desirable in slow-growth conditions, its recent acceleration gives grounds for concern. Indeed for an increasing number of countries in the region sources of financing for public deficits are becoming scarcer and more costly.

The difference in debt levels between the central government and the non-financial public sector varies depending on the borrowing patterns of each country's non-financial public enterprises. As may be observed in figure II.3, the gap between the two measurements has widened in Chile, Mexico, Costa Rica, Colombia and Uruguay, reflecting a faster rise in borrowing by public enterprises.

Figure II.2

Latin America (19 countries):^a gross public debt of the central government and the non-financial public sector, 1990-2015. (Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information.
^a Does not include Cuba.

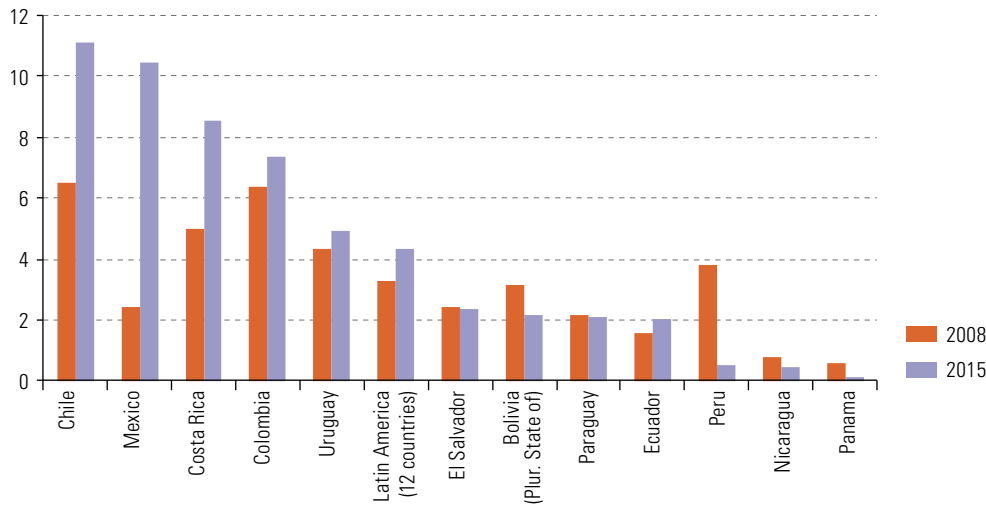


Figure II.3

Latin America (selected countries): differences in public debt levels between the central government and the non-financial public sector, 2008 and 2015 (Percentage points of GDP)

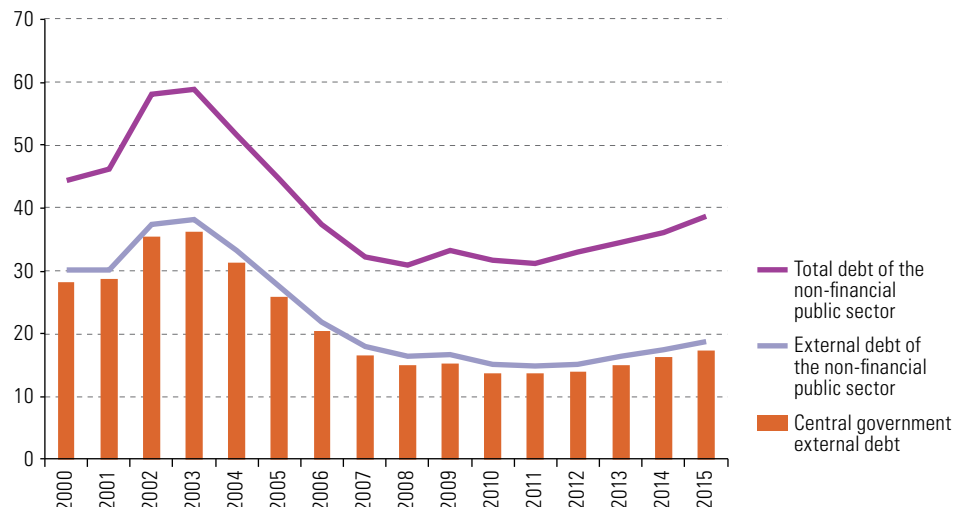
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information.

Overall, the composition of the public debt has shifted over the past few years, with a larger share borne by domestic financing. This has eased the pressure on the fiscal accounts compared with previous decades, when the weight of external debt meant that fiscal sustainability depended directly on external conditions (twin deficits).

Figure II.4 shows that the external debt of the non-financial public sector (i.e. including subnational government and public enterprises, as well as the central government) stands at below 20% of GDP, contrasting heavily with historical levels in the region, notably during the debt crisis, when this category of debt exceeded 100% of GDP.

Figure II.4

Latin America (19 countries):^a total and external gross public debt of the non-financial public sector, 2000-2015
(Percentages of GDP)



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

^a Does not include Cuba.

2. Medium-term conditions are tight for public finances

It is worthwhile to explore the medium-term solvency of the public sectors in the region, and to assess the dynamics of public debt under current parameters. The solvency of public accounts is threatened not so much by the existence of a deficit at any given time, but rather by its persistence over a lengthy period.

In aggregate terms, the public debt dynamic¹ is represented by the expression:

$$(1) \quad \Delta d_t = -sp_t + \frac{(r - n)}{(1 + n)} d_{t-1} + sf_t$$

The variation in debt in relation to GDP between 2008 and 2015 is first broken down into: (i) the cumulative changes in the primary surplus; (ii) the average spread between the real interest rate and the real growth rate of the economies, or snowball effect; and (iii) the stock-flow adjustment (see methodology in box II.1).

¹ The real interest rate 'r' was obtained by using as a proxy the implicit real interest rate paid on the public debt. In turn, this is calculated on the basis of the ratio of interest payments on the public debt divided by the public debt balance in the previous period, both over GDP. Given the difficulty in obtaining the table of interest rates paid on the different denominations of debt used in each country, using the implicit real interest rate enables us to factor in both the rates of interest paid on the different debt denominations in different currencies, and the cumulative balances from the preceding periods.

Box II.1

Public debt dynamics

In nominal terms, the public sector budget constraint is equal to the difference between public income (I) and public spending (S), where FB is the overall fiscal balance,

$$(1) FB_t = I_t - S_t;$$

a fiscal surplus occurs if >0 and a fiscal deficit occurs if <0 . In turn, the primary fiscal surplus (SP) is expressed as the fiscal balance net of interest payments ($i_t D_{t-1}$),

$$(2) SP_t = I_t - S_t + i_t D_{t-1}$$

This definition can overvalue the cost of debt, so the primary fiscal balance must be corrected for inflation (π_t),^a adjusting interest payments by $\pi_t D_{t-1}$. Where $r=i-\pi$ is the real interest rate, rewriting expression (2) we obtain the inflation-adjusted primary fiscal balance,

$$(3) SP_t = I_t - S_t + r_t D_{t-1}$$

So, if the State spends more than it receives in income, it must issue debt. Conversely, if it obtains a positive primary balance it can pay down the debt. The change in debt is expressed as,

$$(4) D_t - D_{t-1} = -SP_t + rD_{t-1}$$

The public debt dynamic is expressed using the primary balance, interest payments and an adjustment variable,

$$(5) D_t - D_{t-1} = rD_{t-1} - SP_t + SF_t,$$

where SF is the stock-flow adjustment that explains the possible mismatch between variation in the debt and in the fiscal balance. Then we define equation (5) in relation to GDP to obtain a debt sustainability indicator,

$$(6) \frac{D_t}{Y_t} = (1+r) \frac{D_{t-1}}{Y_t} - \frac{SP_t}{Y_t} + \frac{SF_t}{Y_t}$$

Since Y_t/Y_{t-1} is equal to the growth rate of output ($1+n$), we re-write the equation and remove the previous period's debt from both sides,

$$(7) \Delta \frac{D_t}{Y_t} = -\frac{SP_t}{Y_t} + \frac{(r-n)}{(1+n)} \frac{D_{t-1}}{Y_{t-1}} + \frac{SF_t}{Y_t}$$

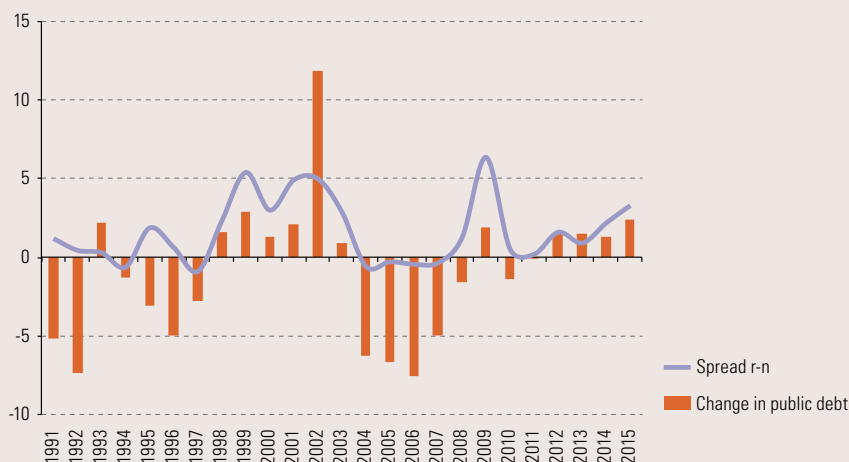
Where the variables shown in small letters are equivalent to the indicator over GDP, contributions to the change in debt (Δd) are disaggregated in a first term equal to the effect of the primary fiscal balance ($-sp$) and a second term denominated snowball effect, which includes the spread of the real interest rate paid on the debt (r) and the real growth rate (n) of the debt in the previous period (d_{t-1}), in addition to an asset valuation adjustment variable (sf).

$$(8) \Delta d_t = -sp_t + \frac{(r-n)}{(1+n)} d_{t-1} + sf_t$$

Box II.1 (concluded)

As the figure below illustrates, the spread ($r-n$) rises gradually starting in 2011, and reaches a value of around 3 percentage points in 2015.

Latin America (19 countries):^a spread between the real interest rate paid on public debt and the GDP growth rate, and change in public debt
(Percentage points)



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

^a Does not include Cuba.

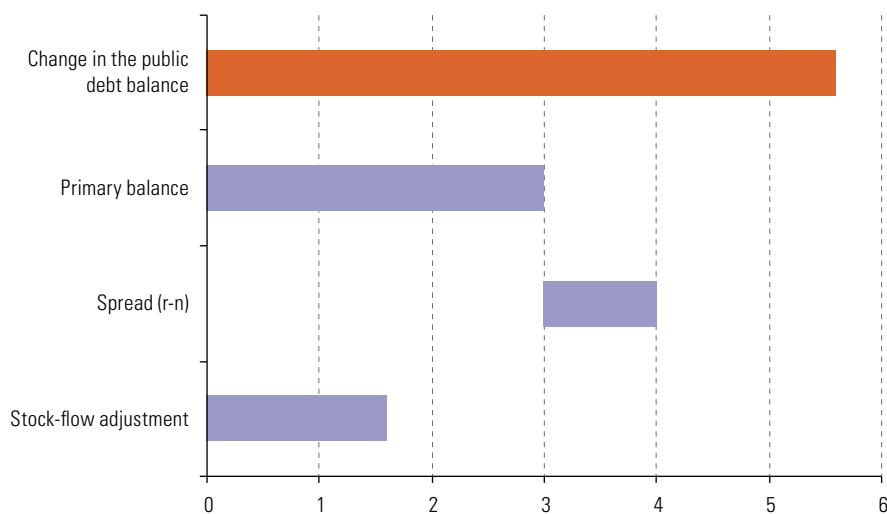
Source: Economic Commission for Latin America and the Caribbean (ECLAC).

^a See Blanchard and others (2012) for a definition of public debt sustainability concepts.

Figure II.5 shows, in terms of the regional average, the clear contribution to the increase in public debt made by the primary balance—with the deterioration mentioned earlier—that was exacerbated by the negative impact of interest rate variations not offset by economic growth. For the period 2008-2015, the average implicit real interest rate was 5.6% and the real growth rate of output was 2.5%.

Figure II.5

Latin America (19 countries):^a contributions to variation in public debt, 2008-2015
(Percentage points of GDP)



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

^a Does not include Cuba.

More precisely, according to equation (1), the cumulative change in the public debt between 2008 and 2015 amounted to 5.6 GDP percentage points at the central government level. Of these, 3 GDP points were attributable to the cumulative primary

fiscal deficit, and the effect of the average real interest rate over the period (5.6%) was 1.7 GDP points, offset in turn by average real GDP growth (2.5%), amounting to 0.7 points. Accordingly, the effect of the average interest rate spread (3.1%) over the previous period's debt contributed one GDP point to the increase in public debt over the period 2008-2015. The stock-flow effect, equivalent to the discrepancies between the variations in the debt and the fiscal balance, was 1.7 GDP percentage points, largely because of the exchange-rate depreciation that occurred at the end of the period.

The construction of scenarios to 2025 shows a clear upward path in public debt. Table II.1 summarizes the initial conditions. The arithmetic is relatively simple: assuming zero variation in the exchange rate or in other valuation effects ($sf=0$), public debt will rise by three GDP points per year, at an implicit interest rate of 5.5%, with trend growth of 3.5% and primary deficit of 1 GDP point (see equation 1). These generic averages and scenarios mask wide heterogeneities; some countries maintain very solid fiscal positions, having used the gains from the now depleted boom period to consolidate stabilization funds, which can now fulfil their function in the downswing (see details in annex II.A1).

	Growth rate of potential GDP ^a	Implicit real interest rate ^b	Primary fiscal balance over GDP	Public debt over GDP
		Latest data available			2015
Latin America	3.5	5.5	-1.0	35.9
Argentina	3.7	4.7	-1.1	53.3
Bolivia (Plurinational State of)	6.0	3.0	-3.3	27.1
Brazil	3.0	12.5	-2.0	66.5
Chile	3.0	4.5	-1.5	17.5
Colombia	3.7	6.4	-0.4	43.9
Costa Rica	4.0	7.3	-3.1	42.4
Dominican Republic	5.6	7.9	0.5	36.0
Ecuador	5.0	6.0	-1.9	31.0
El Salvador	2.0	5.6	1.3	45.2
Guatemala	4.0	6.5	0.1	24.4
Haiti	3.0	0.6	0.3	35.9
Honduras	5.0	6.1	-0.6	44.2
Mexico	4.0	5.4	-1.3	35.5
Nicaragua	4.0	3.1	0.3	31.4
Panama	6.0	4.6	-2.4	38.4
Paraguay	6.0	3.8	-1.1	16.6
Peru	5.8	5.7	-1.9	19.5
Uruguay	2.8	5.7	-0.5	46.0

Table II.1

Latin America: initial variables used for public debt scenarios (Percentages)

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

^a Growth rate for 2025 equivalent to the growth rate of potential GDP.

^b The implicit real interest rate is defined as the ratio of interest payments (divided by GDP) to the previous period's public debt (divided by GDP).

Under current parameters, in the next 10 years central government public debt could reach 54.8% of GDP on average for the region (see figure II.6). Although such a situation would not be unprecedented, the exercise illustrates the need to correct this trajectory if indebtedness levels are to be controlled. An adjustment of one point in the primary balance would break the upward spiral of debt; and adjustment of two points would be enough to return the debt-to-GDP ratio to a downward trajectory.

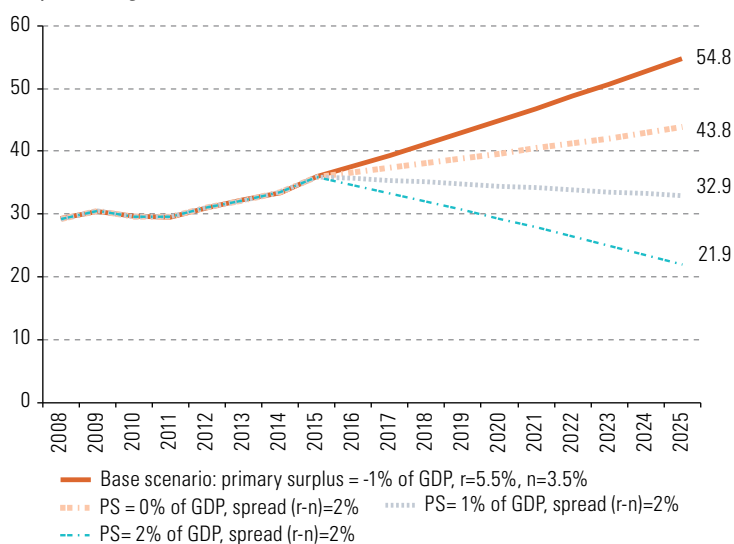
The way in which the gap is reduced is significant —different routes have very different consequences. Reducing spending on direct public investment, for example, would certainly lower potential GDP and thus render the adjustment insufficient, leading to rising debt and poor economic growth.² As well, the spending reduction itself would undercut the tax take and thereby widen the gap it was supposed to close. Austerity in the form of public capital expenditure containment alone thus runs the risk of worsening the situation it sets out to resolve.

Stronger growth in the region is by far the best antidote to the fiscal imbalances described. However, a strong enough impetus to close the existing gap is unlikely to be achieved in the current scenario. In addition, interest rates hikes on the horizon point to the end of cheap financing. These dilemmas have led to multiple efforts to reduce public deficits in the region, including through broad initiatives to cut spending and raise income, as documented in recent publications (ECLAC, 2015b, 2016).

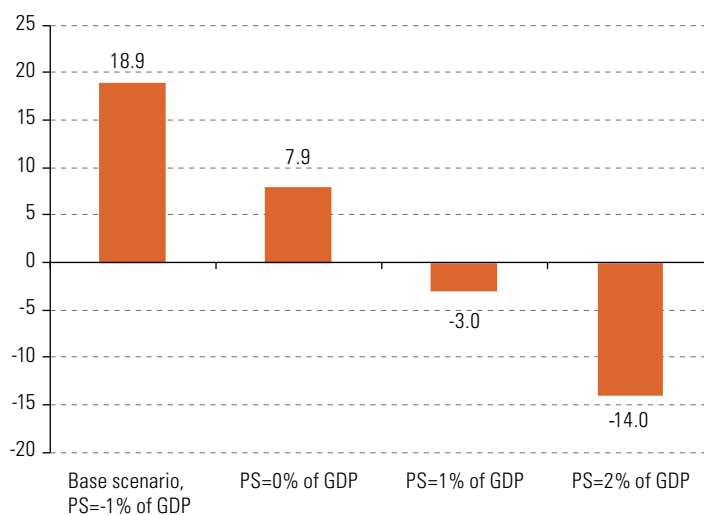
Figure II.6

Latin America (19 countries):^a public debt at 2025, by different primary-balance scenarios

A. Public debt, 2010-2025
(percentages of GDP)



B. Change in cumulative public debt, 2015-2025
(percentage points of GDP)



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

^a Does not include Cuba.

² This is a typical situation of “self-defeating austerity”, or self-fulfilling prophecy, whereby fiscal adjustments worsen macroeconomic conditions and increase the weight of the public debt.

3. Fiscal institutions must give priority to protecting investment

Given the need to steer public finances along a sustainable path, it is essential to fully assess the importance of fiscal policy for medium-term growth in the economies of the region. This is, in fact, a global discussion: recent estimates of fiscal multipliers have yielded widely varying results, depending on the methodologies used and the structural features of economies, including their degree of openness and terms of trade, and the stage of the economic cycle they are traversing (Auerbach and Gorodnichenko, 2012).

The region is no stranger to this discussion. There is ample evidence that the formulation of fiscal rules needs to protect public investment, because of its proven significance in boosting medium-term growth. Or, put the other way around, that cutting investment spending during slowdowns damages economies in the longer run. Using the ECLAC database, Riera-Crichton (2015) estimates the cumulative effects on output of changes in public spending for 16 countries of the region. The multipliers are estimated for both current and capital spending, using a panel model with annual data from 1990 to 2014.

Figure II.7 shows that the investment spending multiplier is substantially higher than the consumption multiplier. A one-unit rise in investment spending has a short-term impact close to 1, whereas the current spending multiplier is around 0.7. After two years, the current spending and investment multipliers are 1.3 and 2, respectively.

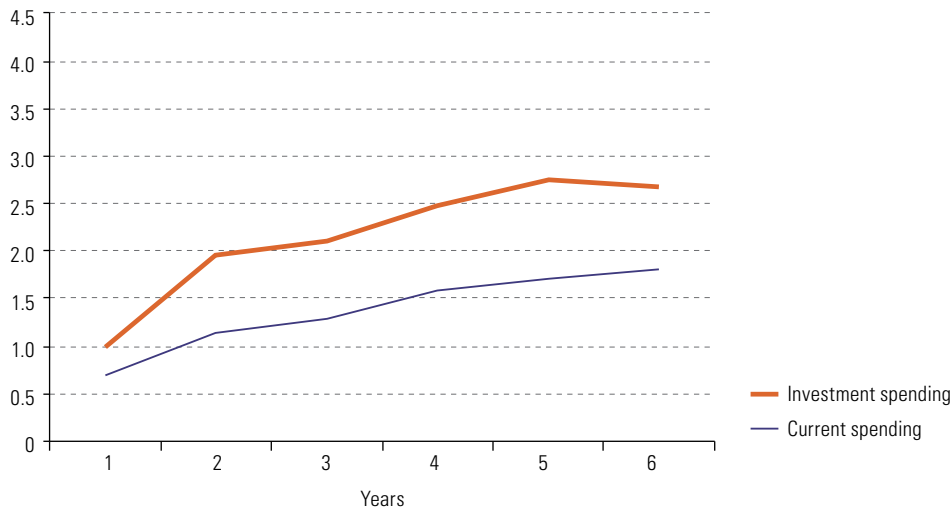


Figure II.7
Latin America (16 countries):^a
fiscal multipliers
disaggregated by type
of expenditure

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

^a Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

These results show that although public spending in Latin America has a small impact in the short term, its effects are lasting and rise significantly after two years. They also show that spending multipliers have stronger impacts during recessions or slowdowns. In these conditions, countercyclical fiscal policy has a positive impact, whereas procyclical policies have harmful effects on the economy. Unfortunately, the rules now in place in the region are largely along the lines of debt ceilings and limits on balances and spending (see box II.2 and annex II.A2) and afford little importance to investment for inclusive growth.

Achieving the Sustainable Development Goals, especially in relation to domestic resource mobilization, requires addressing the dual challenge of improving the quality of public spending and increasing tax resources, in a context of increasing budgetary constraints.

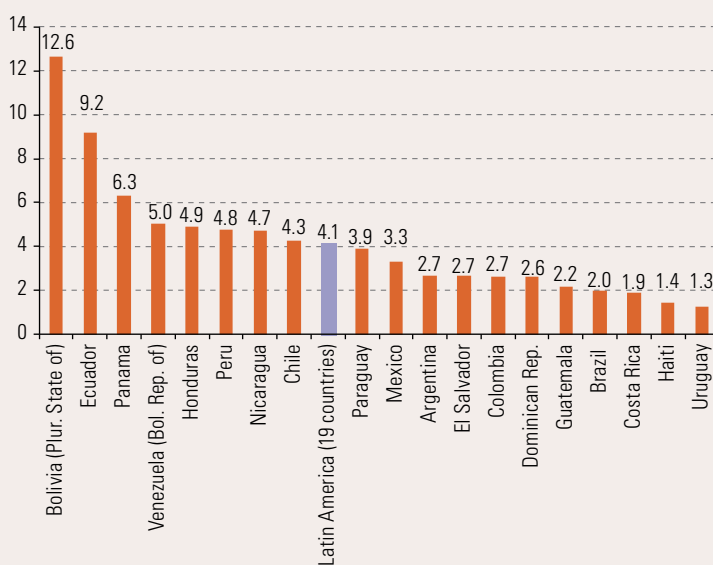
Box II.2

Public investment in Latin America (selected countries)

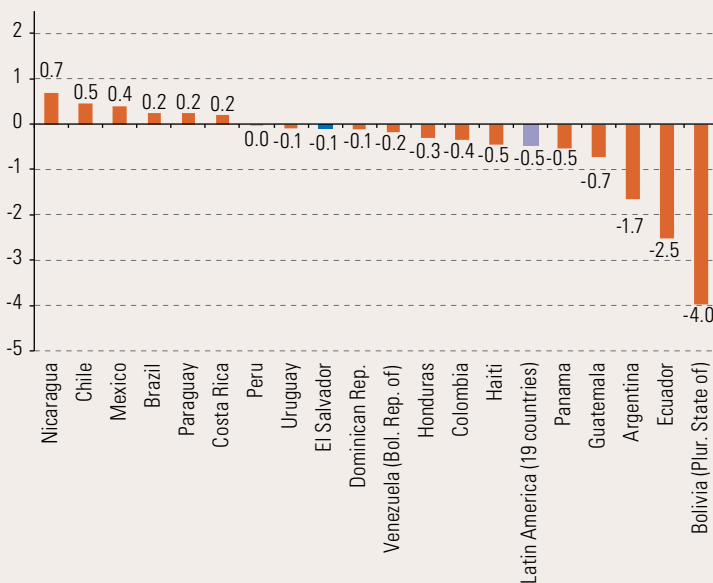
The level of central government investment rose until 2014, as a result of stimulus measures adopted to cushion the effects of the crisis that broke out in 2008. This trend changed drastically in 2015, however, when public investment dropped by 0.5 percentage points of GDP, reflecting fiscal adjustments carried out in most countries in the region. As shown in the figure below, 13 of the 19 countries in the region reduced capital spending in 2015, with the heaviest cuts in the Plurinational State of Bolivia (4 GDP points) and Ecuador (2.5 GDP points), although both these countries still show by far the highest rates of public investment in the region. Argentina, Guatemala and Panama all decreased their capital spending by more than the regional average of 0.5 points. Only Chile, Mexico and Nicaragua raised capital spending by more than 0.4 percentage points of GDP.

Latin America (19 countries): central government capital spending by country, 2015

A. Capital spending
(percentages of GDP)



B. Annual variation in capital spending
(percentage points of GDP)



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

B. Given financing difficulties, tax systems must become a pillar for efforts to achieve the Sustainable Development Goals

1. The tax burden remains low in relation to the region's level of development

Although the tax burden in the Latin American countries has expanded moderately as a result of the reforms implemented over the past few years, it remains low in relation to the region's level of development, as may be observed in figure II.8, which shows a sample from 133 countries.

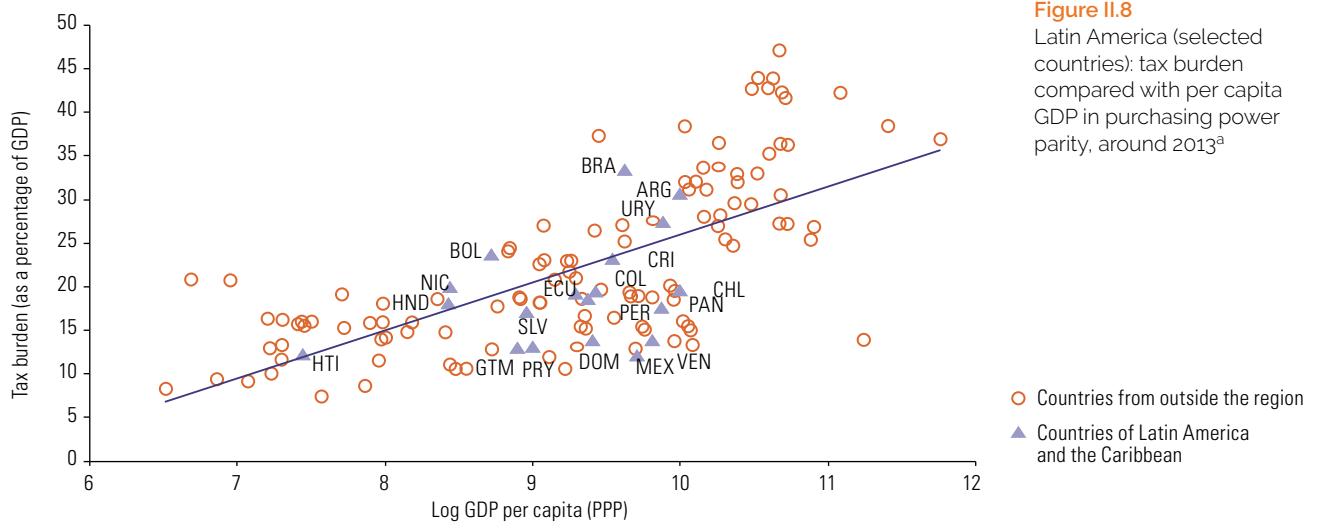


Figure II.8

Latin America (selected countries): tax burden compared with per capita GDP in purchasing power parity, around 2013^a

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information; Organization for Economic Cooperation and Development (OECD) y World Bank, World Development Indicators.

^a Corresponds to the latest data available for the period 2011-2013. The coverage refers to central government for the Latin American countries, except for Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico and the Plurinational State of Bolivia, where it refers to general government.

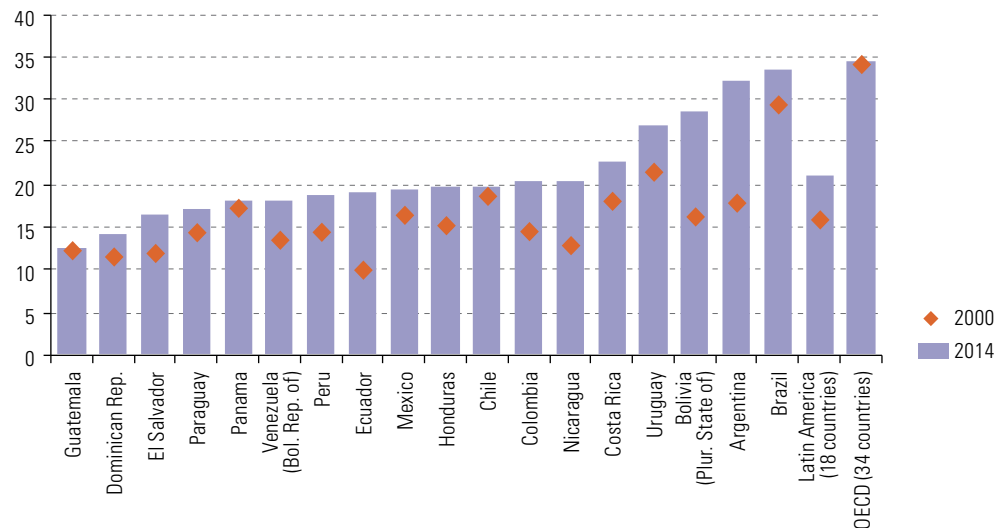
There are exceptions, however: in Argentina, Brazil, Nicaragua, the Plurinational State of Bolivia and Uruguay, tax pressure is higher than in other countries with similar levels of development. Costa Rica, Haiti and Honduras have an average level of tax pressure, while the 11 remaining countries have a lower tax burden than other countries with similar levels of per capita GDP. The Bolivarian Republic of Venezuela, Chile, the Dominican Republic, Mexico and Panama show the largest gaps with respect to the global average. These statistics include direct and indirect taxes and contributions to social security, i.e. public contributions in some cases and private in others; more detailed comparison of the tax burden would have to take these differences into account.

Many countries have been able to raise their tax receipts in relation to GDP since the start of the century, especially Argentina, Brazil, Ecuador, Nicaragua and the Plurinational State of Bolivia. Without the structural reforms made to tax systems, the current economic slowdown and falling commodity prices would threaten to undo the progress made on the tax front for most of the countries.

Still, Latin America's tax burden remains low compared with the developed countries: about half of the average for 15 European Union countries and 15 GDP points below the OECD average (see figure II.9).

Figure II.9

Latin America (18 countries) and OECD (34 countries): tax burden, 2000 and 2014 (Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organization for Economic Cooperation and Development (OECD), Revenue Statistics in Latin America and the Caribbean 1990-2014, Paris, 2016 [online] <http://www.oecd.org/ctp/revenue-statistics-in-latin-america-and-the-caribbean-24104736.htm>.

2. The progressiveness of the region's tax systems is nil

One of the key features of Latin American tax systems is the high share of general taxes on goods and services in the region's total tax revenue. The strengthening of VAT income in the region over the past few decades reflects in particular its extension to intermediate and final services, as well as a gradual rise in the rate. Between 2000 and 2014, the VAT take continued to increase, and the GDP share of revenue obtained from general goods and services taxes in Latin America is now similar to that of the OECD countries.

When indirect taxes are raised across the board, the tax burden increases disproportionately for those at the lower end of the income distribution. VAT hikes are highly regressive and deepen poverty among society's poorest.

The region's tax systems thus have a regressive bias, since direct taxes do not generate enough income to have a significant impact on in terms of redistribution (ECLAC, 2016).

Although the corporate tax burden in Latin America compares favourably with that of OECD, personal income tax in the Latin America countries raises less than a fifth of the average raised in OECD countries, measured as a percentage of GDP (see figure II.10).

Not surprisingly, the personal income tax is especially weak as a redistributive instrument in Latin America (ECLAC, 2015b). In Latin America personal income tax lowers inequality by 2.1% on average, as measured by the Gini coefficient, compared to 11.6% in the average for 27 countries of the European Union (see figure II.11). This outcome is driven largely by the lower effective tax rates in Latin America, as the ratio of Gini reduction to effective tax rate is similar in both cases. Estimates from Statistics on Distribution and Decomposition of Disposable Income (EUROMOD) suggest that the effective tax rate in the European Union averages 13.3%. For the 16 Latin American

countries under consideration, ECLAC estimates that the average effective rate is around 2.3% and this finding is broadly confirmed by national accounts data. A survey of data from eight countries finds an average effective rate of 2.2% with only Brazil (3.7%) and Mexico (3.9%) reporting higher-than-average rates, while effective rates were lowest in Colombia (1.6%), Honduras (1.2%) and Nicaragua (0.8%).

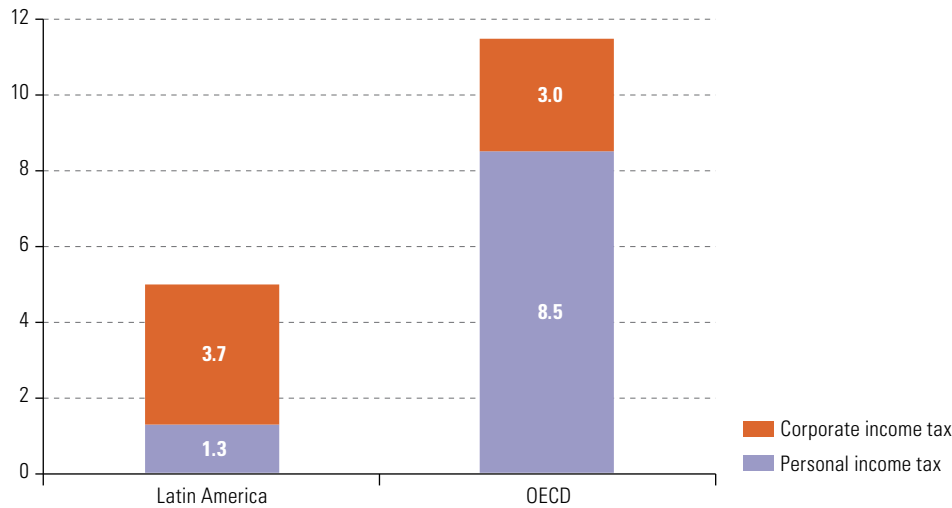


Figure II.10
Latin America (18 countries)^a
and OECD: breakdown of
income tax receipts, 2011
(Percentages of GDP)

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

^a Does not include Cuba or Haiti.

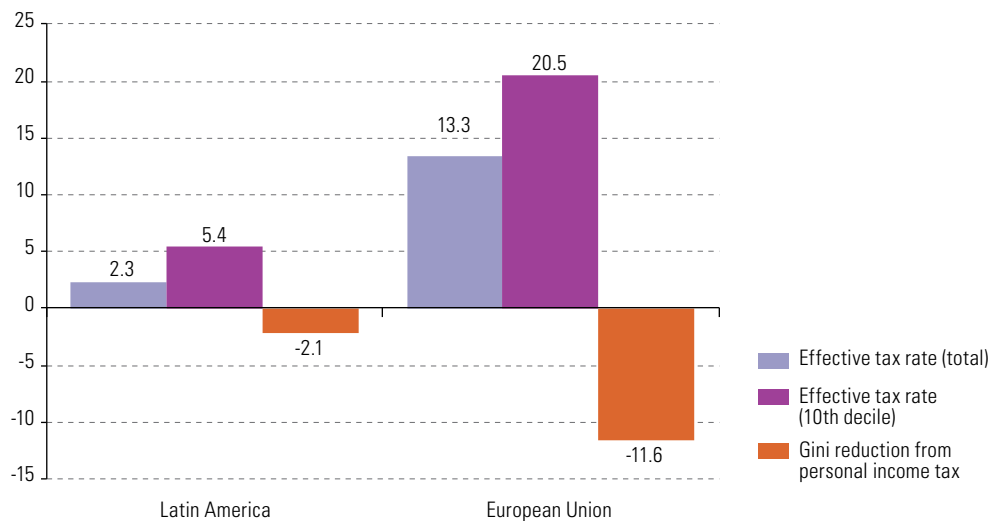


Figure II.11
Latin America (16 countries)
and the European Union
(27 countries): effective rate
of personal income tax
and reduction in inequality
due to personal income
tax, 2011^{a b}
(Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of estimates, official information and figures from Statistics on Distribution and Decomposition of Disposable Income (EUROMOD) (G2.0) and official information.

^a Calculated over gross income (market income plus public and private transfers).

^b Data from EUROMOD include additional direct taxes for some countries, including property taxes and taxes on religious institutions.

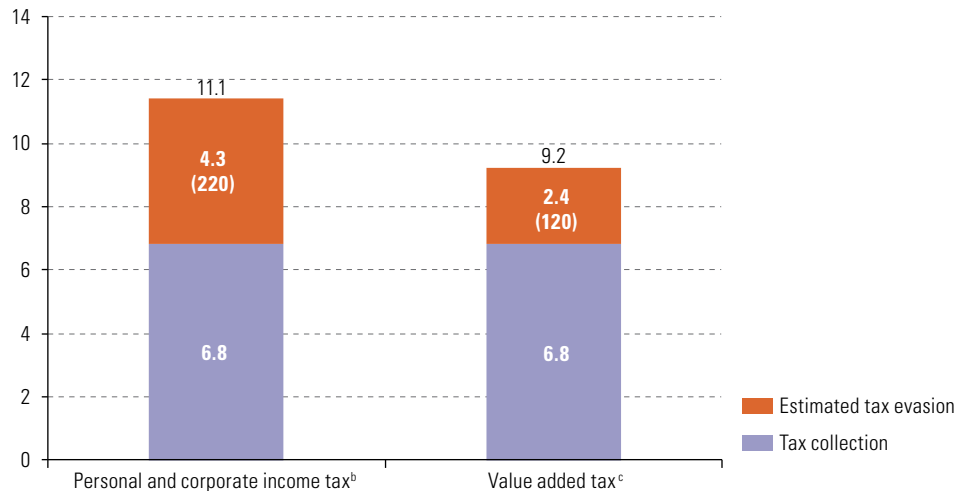
3. Tax evasion remains high

Tax evasion is one of the weakest points of the tax systems in Latin America. On the basis of the few recent studies available (see Gómez-Sabaíni and Moran, 2016, for a recent overview), ECLAC estimates that non-compliance amounts to 2.4% of GDP for VAT and 4.3% of GDP for income tax, representing a total of US\$ 340 billion in 2015 (see figure II.12). These studies reckon that corporate income tax evasion is as high

as 70% in some countries. It is, moreover, a very difficult proposition to bring down these figures at a time of economic slowdown. Worse still, the information available is inadequate to even gauge the magnitude of the problem, despite the significant risk of substantial loss of potential tax resources.

Figure II.12

Latin America: tax collection and estimated tax evasion, 2015^a
(Percentages of GDP and billions of dollars)



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

^a Effective collection and estimated evasion are calculated on the basis of the take for the two taxes expressed in dollars; the sum of this value is presented as a percentage of the GDP of the reporting countries. For this reason, the value of the effective take for the two taxes expressed as a percentage of GDP differs from the simple averages shown in figure II.10.

^b Estimate on the basis of data from Argentina, Brazil, Chile, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico and Peru.

^c Estimate on the basis of data from Argentina, Estado Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Peru, Plurinational State of Bolivia and Uruguay.

On average, Latin American countries forgo over 50% of their personal income tax revenues (32.6% in Peru, 36.3% in El Salvador, 38.0% in Mexico, 46.0% in Chile, 49.7% in Argentina, 58.1% in Ecuador and 69.9% in Guatemala). The region's endemic tax evasion is not confined to personal income tax, however. Corporate income tax and VAT also show high evasion rates, although these vary from one country to another. Corporate income tax evasion ranges, according to estimates, from 26.6% in Brazil to 65% in Costa Rica and Ecuador. What is more, these estimates are based on national accounts data and do not, therefore, distinguish losses arising from aggressive tax planning practices or transfer pricing, which artificially reduce the level of profits registered in the economy.

Evasion of VAT is less marked, but it remains significant with rates ranging from around 20% in Argentina, Chile, Colombia, Ecuador and Mexico to nearly 40% in Guatemala and Nicaragua. Although VAT evasion declined up to 2008, the economic slowdown generated a fresh rise in some of the countries that keep systemic records of these figures. In fact, the progress made in reducing VAT evasion in previous years came to a halt with the reversal of the economic cycle.

In light of the foregoing, further progress in combating tax evasion will require administrative changes and, above all, improvements in structural factors, given the high levels of informality, poverty and socioeconomic inequality, the poor quality of institutions and scant taxpayer awareness and education.

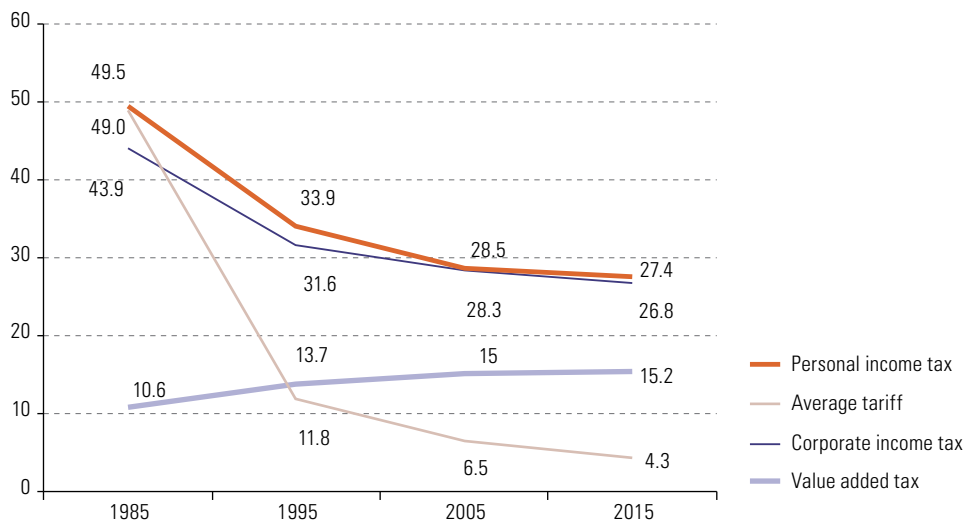
4. The proliferation of tax incentives has eroded tax bases

Over the past few decades, the macroeconomic context, the prevailing ideologies and economic policy matters have led to a wave of tax reforms, with major repercussions for tax structures. In the 1990s, incipient globalization and the search for tax efficiency and neutrality led to the elimination of excise taxes and the substitution of foreign trade taxes with indirect taxes, especially VAT. Above all, the classic Haig-Simons principle, whereby all personal income is taxed in the same way regardless of source, was abandoned.

In response to deepening globalization and moments of economic crisis, fiscal authorities have repeatedly increased tax incentives and exemptions in the (often vain) hope of stabilizing aggregate demand and softening the effects of recessions on employment. As shown in figure II.13, quite significant changes were made to tax rates: a sharp drop in the mid-1990s, along with a gradual rise in the general VAT rate, while personal and corporate income tax rates halved from their mid-1980s rate of around 50%.

Figure II.13

Latin America: general rates for the main taxes



Source: D. Morán and M. Pecho, "La tributación en América Latina en los últimos cincuenta años", Inter-American Center of Tax Administrations (CIAT), 2016, forthcoming.

The region's countries typically encounter major difficulties in applying a comprehensive personal income tax that covers all a taxpayer's income sources using a progressive structure of marginal rates. Income tax is in fact badly threatened by tax base erosion. As Tanzi (2014) described it, "Fiscal termites" (opportunities that taxpayers who operate globally can use to avoid or evade taxes) are "slowly damaging the very foundation of tax systems and contributing to increasing Gini coefficients."

Most countries have long lists of exemptions and differential treatments depending on the source of income, which interferes with the horizontal and vertical equity of taxation and limits its potential as an instrument for revenue collection and redistribution (Gómez

Sabaíni and Morán, 2014). The recent reforms and the adoption of what are known as “semi-dual systems” in many countries have enshrined this virtual dismemberment of the income tax by limiting taxation on capital income. Generalized capital incentive schemes, with low taxation on profits, dividends and interests—which tend to be justified by the difficulty of capital oversight in open economies and by the need to stimulate private investment—may be the least beneficial and perhaps even the most damaging feature of “harmful tax competition”.

In many of the region’s countries, the justification for tax incentives is that they attract foreign direct investment (FDI), which should by nature have significant positive externalities for the recipient economies (such as the take-up of new technologies or increased productivity). The question is establishing the net impact of these special arrangements, which at first glance might be described as merely a transfer of resources from poor (recipient) countries to rich ones.

Though it is difficult to generalize, the reasons sometimes used to justify tax incentives, such as the potential benefits of FDI for growth and jobs, or the multiplier effects of special economic zones, cease to be valid in a context of globalization and trade and financial openness. In terms of mobilizing financial resources for development, it would seem much more efficient to take more steps to reduce tax evasion and avoidance than to subsidize investments that very probably would have materialized anyway, given the region’s static and dynamic comparative advantages.

As discussed in ECLAC (2015a), investment decisions are largely determined by the quality of the institutional framework, and firms in fact appear to afford little importance to tax advantages. On this basis, more systemic approaches to investment dynamics could be built. For example, prioritizing public spending on social matters or public safety could boost private capital expenditure more effectively than exemptions or incentives.

A basic principle for investment promotion, then, is the need to avoid the proliferation of tax incentives or widespread subsidies. Public and private investment complement each other; one cannot replace the other. Attempting to stimulate private investment by reducing public investment is not a viable path towards development.

The question of tax incentives is also being raised in the international discussion on base erosion and profit shifting. One notable project within the United Nations aims to strengthen developing countries’ capacity to protect their tax bases by developing methods and practices to deal with tax incentives and the taxation of extractive industries. The countries participating in a number of Latin American and Caribbean forums have requested analytical frameworks and technical assistance to carry out cost-benefit studies and to consider the gradual dismantling of incentive systems. These initiatives show some promise, but they will need to garner willingness to prevent tax competition among countries with similar economic activities.

Bibliography

- Auerbach, A.J. and Y. Gorodnichenko (2012), "Measuring the output responses to fiscal policy", *American Economic Journal: Economic Policy*, vol. 4, No. 2.
- Blanchard, O., A. Amighini and F. Giavazzi (2012), *Macroeconomía*, Pearson Education S.A.
- District Finance Secretariat (2014), *Marco Fiscal de Mediano Plazo 2015-2025*, Bogota, November [online] http://www.shd.gov.co/shd/sites/default/files/documentos/MFMP_2015_2025.pdf.
- ECLAC (Economic Commission for Latin America and the Caribbean) (2016), *Fiscal Panorama of Latin America and the Caribbean 2016: Public finances and the challenge of reconciling austerity with growth and equality* (LC/L.4140), Santiago, March.
- ____ (2015a), *Economic Survey of Latin America and the Caribbean, 2015* (LC/G.2645-P), Santiago.
- ____ (2015b), *Panorama Fiscal de América Latina y el Caribe, 2015* (LC/L.3961), Santiago.
- Gomez-Sabaini, J.C. and D. Morán (2016), "Evasión tributaria en América Latina: nuevos y antiguos desafíos en la cuantificación del fenómeno en los países de la región", *Macroeconomía del Desarrollo series*, No. 172 (LC/L.4155), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC).
- ____ (2014), "Política tributaria en América Latina: agenda para una segunda generación de reformas", *Macroeconomía del Desarrollo series*, No. 133 (LC/L.3632), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC).
- Jamaica, Government of (2016), *Public Debt Annual Report, FY2015/2016*, Kingston.
- ____ (2015), *Fiscal Policy Paper FY 2015/16. Interim Report*, Kingston.
- Jiménez, J.P. and T. Ter-Minassian (2016), "Política fiscal y ciclo en América Latina: el rol de los gobiernos subnacionales", Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), unpublished.
- Marcel, M. and others (2001) "Balance estructural del gobierno central: metodología y estimaciones para Chile 1987-2000", *Estudios de Finanzas Públicas*, No. 1, Santiago, Budget Office (DIPRES), Ministry of Finance, September.
- MEF (Ministry of Economy and Finance) (2013), *Marco macroeconómico multianual 2014-2016*, Lima.
- Morán, D. and M. Pecho (2016), "La tributación en América Latina en los últimos cincuenta años", Inter-American Center of Tax Administrations (CIAT), forthcoming.
- OECD (Organization for Economic Cooperation and Development) (2016), *Revenue Statistics in Latin America and the Caribbean, 1990-2014*, Paris [online] <http://www.oecd.org/ctp/revenue-statistics-in-latin-america-and-the-caribbean-24104736.htm>.
- Riera-Crichton, D. (2015), "Fiscal multipliers in Latin America", unpublished.
- Rosignolo, D. (2015), "Efectos económicos y macrofiscales de los recursos naturales en América Latina", *Macroeconomía del Desarrollo series*, No. 170 (LC/L.4112), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC).
- Tanzi, V. (2014), "Taxation and Equitable Economic Development: A Historical Note" [online] http://www.wilsoncenter.org/sites/default/files/VitoTanzi_2014_final.pdf.

Annex II.A1

Stabilization funds in Latin America

Given the fall in raw materials prices, and the impact this has on public revenues, it is worthwhile to consider the region's stabilization funds and how they tie in with fiscal rules. The past few years in Latin America have illustrated the benefits to be gained from developing the capacity to deploy countercyclical policy, such as that used to soften the impact of the international crisis by managing the fiscal savings built up during the price boom between 2003 and 2008. Stabilization funds are one of the tools used for achieving this.

In countries which have established these types of funds, stabilization takes priority over guaranteeing pensions or intergenerational equity. Eight Latin American countries have stabilization funds: Bolivarian Republic of Venezuela, Brazil, Chile (2), Mexico, Panama, Peru and Trinidad and Tobago. Four of the eight finance their funds with revenues from extractive activities: the Economic and Social Stabilization Fund (FEES) and the Pension Reserve Fund in Chile; the Macroeconomic Stabilization Fund in the Bolivarian Republic of Venezuela; the Heritage and Stabilization Fund in Trinidad and Tobago; and the Mexican Petroleum Fund for Stabilization and Development. Only Chile's two funds and the Heritage and Stabilization Fund in Trinidad and Tobago have a built-in long-term perspective. Instruments such as stabilization funds offer countries in which natural resources are a major source of income the possibility of decoupling and stabilizing government revenues.

The priority of stabilization funds, in the strict sense, is to isolate the domestic economy from fluctuations in external conditions. Because they are necessarily cyclical, these funds must have a portfolio weighted towards liquid, low-risk assets. They are usually managed by central banks and, as noted earlier, are often linked to a fiscal policy rule. By assets in GDP terms, Chile's Economic and Social Stabilization Fund stands out at 5.6% of GDP, as does Peru's Fiscal Stabilization Fund, at 4.3%. Most of the funds, as shown in table II.A1.1, perform a stabilization function.

Table II.A1.1
Latin America (selected countries): sovereign funds

Country	Name of fund	Year established	Assets as a percentage of GDP	Financed from natural resources	Type of fund
Chile	Economic and Social Stabilization Fund (FEES)	2007	6.2	Yes	Stabilization
	Pension Reserve Fund	2007	3.6	Yes	Savings
Mexico	Mexican Petroleum Fund for Stabilization and Development	2014	0.4	Yes	Stabilization
Peru	Fiscal Stabilization Fund of Peru	1999	5.5	No	Savings
Panama	Panama Savings Fund (FAP)	2012	2.9	No	Savings

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of D. Rossignolo, "Efectos económicos y macrofiscales de los recursos naturales en América Latina", *Macroeconomía del Desarrollo* series, No. 170 (LC/L.4112), Santiago, ECLAC, 2015.

Chile's Economic and Social Stabilization Fund can be used to finance potential fiscal deficits and to pay down public debt, helping to avoid spending being affected by the economic cycle and the volatility of income from taxes, copper and other sources. The fund is financed from the surplus remaining after the contributions to the Pension Reserve Fund (FRP) and the central bank are deducted from the effective fiscal surplus, as established in the Fiscal Responsibility Act. Any debt paydowns or prepayments made the previous year are also deducted. The Pension Reserve Fund, in turn, finances obligations arising from the State guarantee of basic old-age and invalidity pensions, as well as solidary social security contributions included under the social security reform. This instrument complements financing for future pension contingencies. The Fiscal Responsibility Act decrees an annual rise in the value of the fund, of at least 0.2% and up to 0.5% of the previous year's GDP.

In Mexico, the recently established Mexican Petroleum Fund for Stabilization and Development receives, administers and distributes the income from hydrocarbons allotments and extraction contracts. The Fund also administers the financial aspects of those contracts, i.e. relating to calculation and payment of the respective contributions of the State and the contractors. The Fund transfers resources into existing stabilization funds, as well as funds with other specific purposes. Once these obligations have been covered, the remaining resources are channeled into long-term saving. Once the value of the Fund has risen above 3% of the previous year's GDP, the surplus may be spent within certain guidelines, but not for current spending (except for scholarships). If it rises above 10% of GDP, the real annual financial yield must be transferred to the Federal Treasury.

The Fiscal Stabilization Fund in Peru is financed from treasury budget surpluses, 10% of concessional rates and 10% of privatization proceeds. The fund has a ceiling of 4% of GDP, with any excess going to pay down debt.

The Panama Savings Fund, created in 2012, is financed from resources from the operation of the Panama Canal. The fund acts in both a savings and a stabilization capacity.

The Panama Savings Fund was set up to create long-term savings mechanisms for the Panamanian State, through careful investment strategies, with a view to ensuring cover for emergencies caused by natural disasters or economic slowdown, and to benefit future generations of Panamanians, as well as to reduce the need to issue debt. The Fund was started with US\$ 300 million from the Development Trust Fund, which it replaced in June 2012, then received further income of around US\$ 5.25 billion in 2015, with the broadening of the Canal. This Fund can be used only for transfers to the Treasury to cover the costs of a state of emergency exceeding 0.5% of GDP (since 2012) and economic slowdown (since 2015). The Treasury may also draw up to 0.5% of GDP annually to prepay sovereign debt, providing that the Fund's assets exceed 5% of the previous year's nominal GDP. The assets may not fall below 2% of GDP.

Annex II.A2

A summary of macrofiscal rules in place in Latin America and the Caribbean (selected countries)

Argentina

In Argentina, the Federal Fiscal Responsibility Regime was created under Act 25.917 (2004), whose provisions indicate that the nominal rate of growth of primary public spending in national, provincial and Buenos Aires City budgets³ may not exceed the nominal rate of GDP growth projected in the corresponding macrofiscal framework. When the nominal rate of variation of GDP is negative, at most primary public spending may remain constant.

The spending provisions also indicate that the proceeds of sales of fixed assets of any kind and borrowing by the national, provincial or Buenos Aires City governments may not be used for current spending nor may they generate automatic increases for the following year, except credit operations to restructure debt under more favourable conditions, financing from multilateral lending agencies and resources from national programmes for financing public works and social purposes. Proceeds from the sale of fixed assets are thus explicitly allowed to be used for capital outlays.

The legislation also provides that national, provincial and Buenos Aires City governments must execute their budgets preserving financial balance.⁴ The provincial and Buenos Aires City governments must take the necessary measures to ensure that borrowing by their jurisdictions is such that the debt service in any fiscal year amounts to no more than 15% of net current transfers through municipal revenue-sharing. Lastly, the Federal Fiscal Responsibility Council was set up to oversee fulfilment of the law in this regard.

As a result of the heavy recession that began in 1998 and deepened in 2002, subnational finances deteriorated significantly owing to the burden of servicing subnational debt, and to the closure of financial markets. Accordingly, in 2002 the provinces signed an agreement with the federal government, which up Orderly Financing Programmes (PFO) (these became Financial Assistance Programmes (PAF) after 2005). These programmes established the conditions for restructuring subnational debt and implementing the Monetary Unification Programme, among other things.

The most substantial change to the Federal Fiscal Responsibility Regime occurred in 2009, when complementary provisions (Act 26.530 of 2009) rescinded the provisions on spending (on promoting economic activity, supporting employment levels, providing coverage for health emergencies and social welfare) and on the borrowing limits to which provinces were subject for the following fiscal years.

Brazil

Brazil's Fiscal Responsibility Act was adopted in 2000 with a view to consolidating fiscal institutionality and establishing a broad framework for fiscal planning, execution

³ This refers to the sum of current and capital spending, excluding interest on public debt, expenditure financed from loans by international agencies and capital spending on basic social infrastructure necessary for economic and social development, financed any authorized use of credit in the case of the provinces and the Autonomous City of Buenos Aires.

⁴ This balance is measured as the difference between resources received—including current and capital resources—and accrued spending, including current spending net of expenditure financed by international agencies and capital spending net of expenditure on the basic social infrastructure necessary for economic and social development financed from any use of credit.

and transfers at the federal, state and municipal levels. The Act established that a balance must exist between public income and expenditure at the federal level and in the states, Federal District and municipalities. On the income side, credit operations may not exceed capital expenditures included in the corresponding draft budget. The debt ceiling is proposed by the Office of the President and adopted by the Senate. Subnational governments may not issue or guarantee debt without the authorization of the Ministry of Finance and are also subject to the debt ceiling approved by the Senate. No debt ceiling has yet been established for the federal government. On the spending side, the Act established rules for staff spending, which may not exceed certain percentages of current revenues: 50% at the federal level, 60% for the states and 60% for the municipalities.

The Fiscal Responsibility Act obliges governments to set annual fiscal targets for the following three years. The government sets multiyear targets for the budgetary balance (for the present year and the following two years), and for spending and debt. These targets exclude the balances of public enterprises, mainly Petrobras and Electrobras. The Act does provide escape clauses, however. The timescale established may be extended if economy has contracted 1% or more in the four preceding quarters, or if Congress declares a national catastrophe or a state of emergency.

The national government has the power to hold back transfers to subnational levels if they do not meet the established targets. Lastly, in 2010 fiscal transparency provisions were added, including the obligation to adopt comprehensive financial administration and accounting systems.

Chile

Since 2001, fiscal policy in Chile has been guided by a target based on the cyclically adjusted balance, or structural balance. This delinks public spending from the natural and cyclical evolution of fiscal revenues and links it instead to structural fiscal income, thereby avoiding sharp adjustments to public spending in the event of economic downturns and allowing savings during upturns. Savings and their yields can be used to ride out periods of lower fiscal income or events requiring higher public spending, thereby facilitating countercyclical policy without jeopardizing the long-run stability of the fiscal accounts.⁵

Initially, the target set was a structural surplus of 1% of GDP. In 2006, the Fiscal Responsibility Act established that the President, within 90 days of taking office, must lay down the bases of the fiscal policy to be applied during his or her administration, including an explicit statement on the implications and effects the policy will have for the structural balance over the period.⁶ In the budget law of 2008, the structural balance target was lowered to 0.5% of GDP, then in 2009 it was cut to 0% in light of the prevailing crisis conditions, although the actual structural surplus that year was 3.1% of GDP.

The structural balance target has been changed twice since 2014. That year, the administration set as a target the gradual achievement of structural equilibrium—i.e. 0% of GDP—by 2018.⁷ The decree setting that target explicitly indicated that it would be maintained unless objective macroeconomic circumstances warranted an amendment. In this regard, in light of a deeper and longer downturn than expected, in combination with a substantial fall in the copper price, the target was changed for 2016 and up to 2018, for a reduction of approximately a quarter of a GDP percentage

⁵ For more details on the methodology, see Marcel and others (2001).

⁶ See Article 1 of Act 20.128 on fiscal responsibility.

⁷ See Decree 892, Ministry of Finance, published on 3 July 2014.

point each year, measured by structural parameters that are comparable from one year to the next.⁸

In 2013 the Fiscal Advisory Council was created to collaborate, at the express request of the Ministry of Finance, in the discussion, analysis and issuing of recommendations concerning the cyclically adjusted balance. The Council takes part as an observer in meetings of the committees on trend GDP and copper benchmark price, and is expected to issue statements on the calculation of the cyclical adjustment to the structural balance performed by the Budget Office (DIPRES). Lastly, during the recent annual budget statement the President announced the Regional Fiscal Responsibility Act, which will cover regional financing, hitherto a direct responsibility of the central government.

Colombia

In 2011 Colombia passed into law a fiscal rule aimed at ensuring the long-term sustainability of public finances and contributing to the country's macroeconomic stability. The Act defines the structural balance as the total fiscal balance adjusted for the effects of the macroeconomic cycle, non-recurrent and temporary impacts of mining and energy activity and other similar effects. The sphere of application of the Act is the national central government.

Structural spending may not exceed structural income by more than the annual target established in the structural balance; accordingly, the structural deficit of the national central government may not exceed 1% of GDP as of 2022. A paragraph on interim measures provides that the central government will reduce the deficit on the structural fiscal balance year-on-year. Accordingly it must not exceed 2.3% of GDP in 2014, 1.9% of GDP in 2018 and 1% of GDP in 2022.⁹ Subject to approval by the Supreme Council on Fiscal Policy (CONFIS), the fiscal rule may be temporarily suspended in case of on-off events that threaten the country's macroeconomic stability.

According to Colombia's medium-term fiscal framework (District Finance Secretariat, 2015), the fiscal balance has maintained a total deficit of 2.4% of GDP, within the 2014 target for the structural deficit under the fiscal rule described above.

Regarding countercyclical spending, the national government may execute spending programmes under countercyclical policy when real economic growth in any given year is projected at two percentage points below the real long-term growth rate, providing that a negative output gap is also projected. Spending may not exceed 20% of the estimated gap. CONFIS, which reports to the Ministry of Finance and Public Credit, determines the methodology for calculating the output gap, the amount of countercyclical expenditure allowed and its withdrawal trajectory, considering the evolution of the output gap and the economic situation in general.

Ecuador

Ecuador's fiscal rule was established under the Organic Code of Planning and Public Finances passed in 2010. The Code provides that regular outlays may be financed only from regular income, in order to guarantee the conduct of public finances in a sustainable, responsible and transparent manner, and in the interests of economic stability. Regular outlays may be financed from non-regular income only in exceptional situations which are laid down in the Constitution, for the purposes of health, education and justice. Under the fiscal rule, capital expenditures are financed from non-recurrent income; accordingly, the rise in oil revenues enabled a large rise in direct public investment.

⁸ See Decree 1378, Ministry of Finance, published on 29 September 2015.

⁹ See Act 1473 of 2011, which establishes a fiscal rule and other provisions.

Regarding public borrowing, the Code established that the total public debt balance of a set of public bodies and agencies may in no circumstances exceed 40% of GDP. An absolute majority of the National Assembly is required to authorize exceptional borrowing in excess of this amount. The decentralized autonomous governments may not incur debt of more than 200% of their total annual revenues, and debt service payments may not exceed 25% of total annual revenues net of debt liabilities. Borrowing may be used to finance programmes, investment projects, infrastructure and refinancing of public debt under more favourable conditions, but not to finance regular spending¹⁰ except where provided in the Constitution for health, education and justice and subject to a declaration of exceptional circumstances by the President of the Republic.

In April 2016 the President decreed a state of emergency following a major earthquake which caused serious damage to several areas of the country. In this case, the state of emergency applied to the provinces of Esmeraldas, Manabi, Santa Elena, Santo Domingo de los Tsáchilas, Los Ríos and Guayas. To date, the main fiscal implications of this natural disaster consist of changes to budget items and the establishment of legally binding solidary contributions.¹¹

Jamaica

The Fiscal Responsibility Framework was adopted in 2010 and includes two pieces of legislation: one on the budget balance and the other on debt. This framework also contains provisions that restrict public-private partnership agreements and escape clauses in the event of imbalances in the national accounts.

The Financial Administration and Audit Act sets the following quantitative targets: elimination of the fiscal deficit by the end of the fiscal year (31 March 2016); reduction of the public debt to 100% of GDP or less; and reduction of expenditure on wages and salaries to no more than 9% of GDP. The aforementioned targets can be breached in the case of eventualities relating to national security or a national emergency, which have a major impact on the economy.

The *Annual Fiscal Policy Paper* (2015-2016 (Jamaica, Government of, 2015) estimates that government operations in fiscal 2015/2016, generated a primary surplus of 7.4% of GDP, compared to the projected 7.25%; the fiscal deficit is estimated at 0.3% of GDP. The report states that expenditure on wages and salaries amounted to 10.3% of GDP, up from the 10.2% recorded in the previous fiscal year. The public debt declined by about four percentage points, dropping from 130.6% of GDP to 126.8%.

The *Public Debt Annual Report*, FY 2015/2016 (Jamaica, Government of, 2016) states that since fiscal 2012/2013, in which the debt grew to 135.6% of GDP from 132% in fiscal 2011/2012, the debt has been declining gradually, mainly thanks to rapid nominal GDP growth. In fiscal 2013/2014, the debt amounted to 133% of GDP, after which it fell to 130.6% in 2014/2015; and it reached 126.8% of GDP in the most recent fiscal year.

¹⁰ The Code defines regular outlays as operational expenditures made by its entities, institutions and agencies, that need to be repeated regularly to ensure the continuous provision of public goods and services to society. Regular outlays do not directly generate capital accumulation or public assets.

¹¹ The fiscal changes are as follows: (i) modification of budgetary spending items in accordance with legal bases accounting for the origin and nature of the resources and their destination to public sector income and expenditure classifications and the corresponding entries in the general accounts catalogue (in order to properly identify, record and administer public funds that are being used for emergency situations); (ii) the passing of a Solidarity Act (the Law for Solidarity and Joint Responsibility of Citizens in the Reconstruction and Recovery of Zones Affected by the Earthquake of 16 April 2016), to raise solidary contributions for planning, construction and reconstruction of public and private infrastructure, and to reactivate the economy. Among other things, this will include plans, programmes, incentives and policies to tackle the consequences of the disaster. Solidary contributions are levied on wages, assets, profits and real estate, as well as on the book value of equity interests held in Ecuador by entities resident in tax havens or other foreign jurisdictions.

The aforementioned report highlights the changes in the business cycle and stresses the need to reconcile fiscal accountability and consolidation—specified in the laws—with fiscal policy flexibility and discretion, to be able to respond to contingencies, such as those mentioned in the previous paragraph. The legislation also provides for the suspension of the fiscal rules in specific situations, subject to approval by the Auditor General and Parliament.

Mexico

On 24 January 2014 modifications to the Federal Budget and Fiscal Responsibility Act were published in Mexico's official gazette, aimed at boosting prudent and disciplined management of public finances. The Act established that the income projected therein and under the Revenues Act, as well as the expenditure projected in the outlays budget, and expenditures executed during the fiscal year, must contribute to achieving the annual target for public sector financing requirements. The Ministry of Finance and Public Credit must, in its last quarterly report of the year, justify any deviation of more than 2% from the total approved expenditure at the end of the fiscal year.

Under the Act, total net expenditure must be consistent with budget balance. The target budget position for 2015 was set at 1.0% of GDP, resulting from a projected budget deficit of 3.5% of GDP minus investment amounting to 2.5% of GDP by *Petróleos Mexicanos* (PEMEX) and its subsidiaries. In the event that income falls below projections for the year, budget discipline rules come into effect under the Act that require offsets through other revenue items. As well, resources can be drawn from the Federal Agencies Revenue Stabilization Fund, and budgets must be cut for government departments, agencies, funds and programmes, in the following order: (i) communications costs; (ii) administrative spending not linked to services for the population; (iii) spending on personal services; (iv) budgetary savings and economies to be determined according to the authorized budget calendars.

The modifications to the Federal Budget and Fiscal Responsibility Act provided that public sector financing requirements are the financing needs of the federal government and federal public sector entities, and must cover the difference between income and expenditure other than net acquisition of financial assets and liabilities.¹² This is based on the premise that the final financial position (liabilities minus assets) of an institutional unit or sector vis-à-vis the rest of the economy in a given period of time is the sum of the financial position at the start of the period and the economic flows occurring during that period of time.

The methodological guide to the fiscal balance—which by law the Ministry of Finance and Public Credit must make available at all times—indicates that policies on public sector income, expenditure and financing impact directly on the financial position through transactions in which total income less total expenditure determines financing needs (financial requirements or fiscal balance). Financing needs are covered by acquiring liabilities or selling financial assets. The financial position is thus equal to the initial balance plus the acquisition of liabilities, the sale of financial assets and other economic flows corresponding to valuation and adjustments to the volume of financial assets and liabilities.

In sum, public sector financing requirements serve to assess the fiscal position on a cash flow and accrual basis showing the net variation in the public sector's financial

¹² Under article 2, paragraph XLVII, public sector financing requirements are defined as the financing needs of the federal government and the federal public sector entities, covering the difference between income and expenditure other than net acquisition of financial assets and liabilities, including the activities of the private and social sector when acting on behalf of the federal government or its public sector entities.

position and asset position, as recommended in the Government Finance Statistics Manual published by the International Monetary Fund in 2001.

At the subnational level, the Federated Entities and Municipalities Financial Discipline Act (2016) was approved recently. As discussed in Ter Minassian and Jiménez (2016), the governments of Mexico's federated entities maintain unsustainable levels of debt.¹³ The new Act establishes that the total expenditure proposed in the draft outlays budgets of federal entities and municipalities must contribute to a sustainable budget position.¹⁴ Both these levels of government are thus obliged to generate sustainable balances: at the end of the fiscal year the balance must be greater or equal to zero on an accruals basis. The balance may be negative in the event of GDP contractions or natural disasters.

Federal entities are obliged to plan resources to assist the population affected by infrastructure damage caused by natural disasters. They must lay aside at least 10% of the amount needed to rebuild damaged infrastructure on average over the preceding five fiscal years. A ceiling is applied to spending on personal services, based on the multiplication of the amount approved in the outlays budget for the preceding year by the value obtained by adding a real growth rate of 3% to the real rate of GDP growth indicated in the country's general economic policy criteria. In the event that income falls below projections for the year, federal entities must adjust spending items in the following order: (i) communications costs; (ii) current spending other than subsidies transferred directly to the population; and (iii) spending on personal services.

The Act also prohibits public entities from directly or indirectly borrowing or incurring other liabilities with the governments of other countries or with foreign firms or private individuals. They may incur liabilities only for public investment in production areas, refinancing or restructuring. Federal entities and municipalities may incur liabilities without authorization from local legislatures if the total outstanding balance of the principal of short-term liabilities does not exceed 6% of total income approved in the Revenues Act, after subtracting net borrowing. A number of provisions on borrowing apply exclusively to Mexico City.

The federal government may guarantee state and municipal debt if the respective contract is in place, if federal revenue-sharing is affected (the funds must be sufficient) and if the debt does not exceed 3.5% of GDP. An early warning system was set up that classifies debt levels as sustainable, under observation or high. Lastly, a single register of debt was created to record all public agency financing and liabilities in a transparent manner, for reporting and information purposes only. Failure to properly record borrowing is punishable under the legislation on the administrative responsibilities of public servants.

Panama

Panama's Fiscal Social Responsibility Act (2012) and Savings Fund Act introduce the concept of the adjusted balance of the non-financial public sector, which is defined as the balance less annual deposits in the Panama Savings Fund (FAP). Under the Act, this balance is measured on a cash basis in relation to the year's nominal GDP, and must not run into deficit by more than 1%.

In the event of natural disaster, national emergency or a real GDP growth rate of 1% or less, the Act provides that the Cabinet, through the Ministry of Economic Affairs

¹³ For example, the work cited indicates that debt ratios exceed 200% in most states, owing to the low proportion of independent state resources within their total income.

¹⁴ By budget position, the Act understands the difference between total income included in the Revenues Act and expenditure included in the outlays budget, minus debt service payments.

and Finance and on the basis of a substantiated report endorsed by the Office of the Comptroller General of the Republic, may ask the National Assembly to waive the financial ceilings. Within three calendar months of the waiver, the Executive must submit a revised financial programme to the National Assembly, reflecting and substantiating how finances will be brought back within the stipulated parameters. This must happen within three years, with a maximum deficit of 3% of nominal GDP during the first year of adjustment, 2% during the second year, and 1% in the third year.

In the case of debt, the law requires government fiscal policy to target a reduction in the level of the net public debt of the non-financial public sector as a percentage of nominal GDP, such that interest payments decrease as a proportion of current income. As an indicative target, it requires the net public debt of the non-financial sector to drop to 40% of nominal GDP over a seven-year period, as from fiscal 2008. The government will set partial targets for the next seven years, in the framework of its five-year plans, to comply with this law. Once the 40% target has been attained, the Ministry of Economy and Finance will apply public debt policies to prevent it from being breached in the future.

As described below, amounts obtained from fees and duties paid for using the Panama Canal, in excess of 3.5% of GDP, must be transferred to the Panama Savings Fund. The budget deficit ceilings were set at 2.9% of GDP for 2012, falling to 0.5% of GDP as from 2018. Escape clauses are also specified in the event of states of emergency and economic recession. The 2009 rule imposes a debt ceiling of 40% of GDP for 2015; and the balance must be brought below this level by 2017.

Peru

In 2013, the Fiscal Responsibility and Transparency Strengthening Act was passed, the main principle of which requires the government to permanently ensure fiscal sustainability, and finance public expenditure on a predictable basis, by decoupling it from the most volatile component of public income and adequately managing short and long-term fiscal risks. No later than 90 days after taking office, the government must publish a macrofiscal political statement for the presidential term. This must specify the ex-ante target for the structural fiscal balance of the non-financial public sector, which may not exceed a deficit of 1% of GDP, in accordance with the main guidelines of macrofiscal policy; and the consequent referential limits on the non-financial expenditure of the national, regional and local governments, and the primary balance of non-financial public enterprises.

With a few exceptions,¹⁵ non-financial expenditure may not exceed the limit set by Supreme Decree issued by the Ministry of Economy and Finance, and is subject to the ex-ante target for the structural fiscal outturn mentioned above. National government non-financial expenditure on permanent or temporary employees is subject to a limit defined by applying the growth rate of potential nominal GDP to the ceiling estimated for the previous year's non-financial expenditure on personnel and pensions.

In reference to the political cycle, this law states that national government non-financial expenditure executed in the first seven months of the electoral year may not exceed 60% of the limit set for the year as a whole. It further provides that in the first seven months of the year, measures may not be approved or enter into force which

¹⁵ The ceiling on this expense can be altered in the following situations: (i) if the non-financial expenditure of the national government accrued in the previous year was less than the limit set for that year, the expenditure limit can be raised by up to the equivalent amount, without exceeding 0.2% of GDP; (ii) if a positive or negative output gap of at least 2.0% of potential GDP is projected, the expenditure limit must be altered only through countercyclical transitory measures which as a whole do not exceed 25% of the estimated gap, or 0.5% of GDP; (iii) when tax policy measures have been adopted that generate permanent changes in fiscal income of at least 0.3% of GDP, the expenditure limit must be altered by up to the equivalent amount.

reduce fiscal space for the new administration, or increase the current expenditure of the national government and entail payment commitments after the outgoing administration has left office.

The law also limits the balance of the total debt of regional and local governments at 100% of total current income. The annual percentage variation in non-financial expenditure may not exceed the percentage variation of the four-year moving average of annual income, measured from the second year prior to each corresponding fiscal year. Transfers to fund public investment projects will not be considered for this purpose. Lastly, the law allows regional and local governments to obtain financing through external borrowing only with State backing and only if the proceeds are destined for public infrastructure.

This legal instrument requires a quarterly report to be published on the degree of progress in the expenditure rules. For that purpose, expenditure limits are defined in the *Multi-year Macroeconomic Framework 2014-2016* (MEF, 2013), while the rules governing the national government's total non-financial expenditure and non-financial expenditure on personnel and pensions are set in a Supreme Decree.

The Law in question entered into force in 2015 and created the Fiscal Council as an autonomous committee attached to the Ministry of Economy and Finance, with a mission to contribute to the technical and independent analysis of macrofiscal policy. Nonetheless, under the law, the council's opinions, which are not binding, must relate to the following issues: amendment and fulfilment of the fiscal rules provided for in the law; the fiscal projections included in the Multi-Year Macroeconomic Framework; the short and medium-term trend of public finances; the methodology used to calculate the structural accounts, potential GDP, and long-term export prices.

Table II.A2.1 Latin America and the Caribbean (selected countries): fiscal rules, by country

Country	Spending	Balance	Debt	Escape clause	Preferential treatment for investment	Subnational governments	Main changes after 2008-2009
Argentina	Primary spending may not exceed projected nominal GDP growth		Subnational borrowing may not exceed 15% of municipal revenue-sharing		Current spending may not be financed with debt or the proceeds of sales of fixed assets	Borrowing limit: 15% rule and Financial Assistance Programmes (2005)	The ban on financing current spending from borrowing or the proceeds of sales of fixed assets was lifted, as was the ceiling on subnational borrowing
Brazil	Staff expenditures may not exceed certain ceilings, depending on the level of government	Governments must set annual fiscal targets for the following three years	Subnational governments may not issue debt without authorization from the Ministry of Finance, subject to a debt ceiling approved by the Senate	These limits can be made more flexible in the event of economic contraction (1%), a catastrophe or a state of emergency	Any volume of investment may be financed through borrowing, with the sole restriction referring to the current account balance	The federal government is empowered to withhold transfers in case of non-compliance	Fiscal transparency provisions and changes to annual targets published in the budget law
Chile		Structural surplus of 1%, which may be amended by decree		Targets may be amended by decree, providing that the variables substantiating the change are made explicit			The structural balance has been made more flexible: in 2014 the target was changed twice, first to 0% and later -0.25% of GDP
Colombia	Countercyclical spending is allowed when an output gap is projected: up to 20% of the estimated gap	The structural deficit of the national central government may not exceed 1% of GDP starting in 2022		Rule on non-recurrent events that compromise macroeconomic stability is suspended by agreement with the Supreme Council on Fiscal Policy			Rule created in 2011
Ecuador		Regular outlays to be financed from regular income only	The debt ceiling is set at 40% of GDP	Rules on spending and debt have constitutional exceptions in relation to education, health and justice, and exceptions are also made for states of emergency declared by the President	Borrowing can be used to finance programmes, investment projects and infrastructure, among other things	Decentralized autonomous governments may not borrow more than 200% of their total annual income and payments on debt service must not exceed 25% of total annual income net of borrowing	The Code was adopted in 2010
Jamaica	Quantitative targets are set to reduce expenditure on wages and salaries	Quantitative targets are set to reduce the deficit	Quantitative targets are set to reduce the debt	The targets can be breached in the event of contingencies relating to national security or a national emergency, which have a strong impact on the economy	Quantitative targets are set to reduce expenditure on wages and salaries	Quantitative targets are set to reduce the deficit	Quantitative targets are set to reduce the debt
Mexico	Total net expenditure must contribute to budgetary balance.	Annual target for the public sector's net financing requirement.	The Federal Public Debt Act which specifies measures for contracting debt by the federal government.	In the event of economic and social conditions that impoverish the country, a deficit is permissible	Total net expenditure must contribute to budgetary balance.	Annual target for the public sector's net financing requirement.	The Federal Public Debt Act which defines measures for contracting debt by the federal government.

Table II.A2.1 (concluded)

Country	Spending	Balance	Debt	Escape clause	Preferential treatment for investment	Subnational governments	Main changes after 2008-2009
Panama		The adjusted balance of the non-financial public sector may not exceed 1% per year	An indicative target is set whereby the balance of the net public debt of the non-financial public sector is reduced to no less than 40% of nominal GDP over a seven-year period	In situations of natural disaster of emergency, or when real GDP growth is 1% or less, a request can be made to waive application of the financial limits		The adjusted balance of the non-financial public sector may not exceed 1% per year	An indicative target is set whereby the balance of the net public debt of the non-financial public sector is reduced to no less than 40% of nominal GDP over a seven-year period
Peru	Non-financial public expenditure may exceed the level specified by decree, while respecting the established fiscal outturn; limits are also set on personnel expenditure and for electoral periods	The structural fiscal outturn of the non-financial public sector may not exceed a deficit of 1% of GDP	Borrowing limits for regional and local governments	The expenditure limits can be altered if national government non-financial expenditure accrued in the previous year is less than the limit set for that year, and a reduction in the GDP gap equivalent to at least 2% of potential GDP is projected	Non-financial public expenditure may exceed the level specified by decree, while respecting the established fiscal outturn; limits are also set on personnel expenditure and for electoral periods	The structural fiscal outturn of the non-financial public sector may not exceed a deficit of 1% of GDP	Borrowing limits for regional and local governments

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

Evasion arising from international operations by multinational enterprises and high net worth individuals

Introduction

- A. Profit shifting and aggressive tax planning
- B. An estimation of tax losses resulting from trade misinvoicing
- C. Coordinating efforts between countries

Bibliography

Annex III.A1

Annex III.A2



Introduction

Tax evasion is not just a domestic issue: the more a country is engaged in the world economy, the greater the potential erosion of its tax base—the problem of so-called fiscal termites. These termites exist because of the proliferation of avoidance mechanisms, making it helpful to differentiate between three sources of erosion: (a) the burgeoning of tax incentives already described, (b) profit shifting and aggressive tax planning and (c) illicit financial flows arising from international trade and capital movements.

In today's world order, financial globalization and the progressive monopolization of the economy by corporations have enabled multinational and transnational enterprises to gain greater control over production and trade, giving them a degree of economic power that makes them better able to adapt to regulatory frameworks and deploy sophisticated strategies for reducing their overall tax burden. The corollary is a lessening of countries' ability to retain fiscal revenues that could be used to finance their development.

Strictly speaking, these practices and strategies do not entail tax evasion insofar as they do not involve any illegal manoeuvre (the breaking of laws or formal rules) but rather a systematic search for scope within tax legislation to reduce their tax obligations. From the point of view of States, therefore, efforts to deal with base erosion need to encompass the study of all these phenomena, legal or otherwise, including incentives, exemptions, avoidance, evasion and, of course, illegal activities.

What is certain, in any event, is that the tax planning of multinationals (and high net worth individuals) creates serious distortions in the equity of tax systems, reflected in large differences in effective tax rates for similar firms in a country and its residents. While these manoeuvres are not always illegal, their existence and persistence are bound up with limitations and shortcomings in tax systems, which need to be understood so that accurate diagnoses can be arrived at and action taken to resolve these issues. The rest of this chapter will deal with the impact of profit shifting and illicit flows on the tax systems of Latin America.

The fiscal losses associated with evasion and avoidance around the world are striking. The Organization for Economic Cooperation and Development (OECD) estimates that treasuries worldwide are losing between US\$ 100 billion and US\$ 240 billion a year, equivalent to between 4% and 10% of the corporate income tax take. Estimates by the United Nations Conference on Trade and Development (UNCTAD), based on a different methodology, yield a similar result, but reveal that losses in developing countries could be much greater in absolute and relative terms (see annex III.A1).

In this context, it is important to analyse and quantify these trends in Latin America and the Caribbean. Estimates of illicit financial flows for the region are presented below. One key finding is that outflows from international trade price manipulation have increased sharply in the last decade, representing 1.8% of regional GDP (totalling US\$ 765 billion in the period 2004-2013). In 2013, illicit outflows climbed to US\$ 101.6 billion and the associated tax losses stood at about US\$ 31 billion (0.5 percentage points of GDP) as a result of foreign trade price manipulation. This amount represents between 10% and 15% of the actual corporate income tax take.

A. Profit shifting and aggressive tax planning

Three principles have guided the design of corporate income taxation, first in developed countries and then in developing ones: (a) the jurisdictional criterion of the income source or place of residence; (b) arm's length pricing; and (c) bilateral tax harmonization agreements (Zucman, 2015). These guiding principles date from the 1920s and, with growing economic and financial globalization, have now been seriously undermined by the ever more sophisticated strategies being deployed by multinational enterprises in their determination to reduce their global tax payments. In relation to the precepts listed, Zucman particularly highlights the abuse of bilateral treaties to generate untaxed revenues (treaty shopping), transfer pricing manipulation and profit shifting.

In this context, stress has been laid on the importance of practices involving the transfer of profits or costs between subsidiaries of a single multinational enterprise, from countries or States with high tax levels or administrative constraints on capital flows to jurisdictions with systems applying relatively low or zero taxation (tax havens), via the manipulation of transfer prices.

These are defined as payments deriving from commercial transactions between parts of a single multinational business group, and when they differ from what would be paid for similar operations between independent firms through the operation of market forces (the "arm's length" or free competition principle), this gap is very likely to conceal an intent to reduce the amount of taxes payable in a particular country. Insofar as these actions cannot be detected and proven by the fiscal authorities, the result is a silent erosion of the tax base and consequent loss of fiscal resources in the country where the subsidiary generating the taxable revenue operates.

Where international trade is concerned, multinationals generally have incentives to overstate the expenses deductible from taxable income to reduce their tax bill. Similarly, a firm may sell goods and services at below market prices to a related entity, thus reducing the base on which corporate income tax is chargeable. Multinationals using this tax planning mechanism carry out multiple transactions in a variety of countries, including tax havens and low-tax jurisdictions, thus reducing the size of the tax base in the place where the income is generated.

There are actually many other ways of shifting profits to subsidiaries in low-tax countries. Firms may opt to locate real activities (employment, assets, production) in these jurisdictions, but they can also use a variety of legal and accounting techniques to switch profits to them. One of these mechanisms of tax evasion via transfer prices is to restructure businesses in ways that usually entail shifting functions, assets and risks between subsidiaries in different countries. In this case, the tax base in a particular country is eroded both because the amount of profits that can be obtained from the main activity conducted within a given territory is limited and because the profits of other local activities are reduced through the deduction of payments to related firms abroad for intra-group services, interest charges or royalties.

Another strategy much used by multinationals, especially manufacturing ones, is to underinvoice exports and overinvoice imports, in both cases with a view to reducing taxable income and also, in some instances, taxes payable on international trade. In both cases, there may be a third country (usually one with low or zero taxation) acting as an intermediary between the related firms, giving rise to trade triangulations that hinder fiscal oversight of these operations. Even imports of capital goods at market prices by one subsidiary from another can generate a loss for the treasury if it allows the amortization of investments that have already been amortized in the country of origin.

This does not exhaust the catalogue of aggressive fiscal planning strategies involving transfer prices, and mention may be made of others that are becoming increasingly prevalent, such as providing marketing or logistics services from abroad via a commission agent, making sales from abroad through a marketing company located in a country with low or zero taxation, registering ownership of intangible assets in these same countries (with subsidiaries in higher-tax countries making periodic payments to them to transfer profits) and providing intra-group and business services from headquarters or a third country to subsidiaries.

It has also been shown that the subsidiaries of multinational firms located in low-tax countries declare a profit margin twice as high as the average for their group and pay lower effective tax rates than similar firms operating in only one country. At the same time, the ratio of interest to revenues for the subsidiaries of multinationals located in high-tax countries is practically three times as high as the ratio for the multinational with third parties. All these indicators reveal the scale of base erosion and profit shifting around the world.

In response to this, following the principles and guidelines laid out by OECD, countries have been adopting and refining a number of methods to ensure proper calculation of transfer prices between entities forming part of a single multinational and situated in States or countries with different fiscal regimes, on the supposition that these differences give rise to aggressive fiscal planning manoeuvres and have the effect of eroding a country's tax base as a result of profits being shifted abroad.

In line with international developments, recent years have seen the gradual introduction in Latin American countries of specific regulations for dealing with transfer prices in order to prevent avoidance manoeuvres. Brazil, Chile and Mexico were the pioneers in the region, introducing provisions of this type in 1996-1997. Argentina, Colombia and Peru also included similar instruments in their tax legislation in the late 1990s and early 2000s. Ecuador, El Salvador, Panama and Uruguay have followed the same path since 2004, with differing degrees of practical implementation. Even so, the variety of situations and methodologies is the most striking feature of the region where the specific treatment of transfer prices is concerned.

Latin American countries generally follow OECD (2010) guidelines when it comes to specific regulations within tax legislation to control the abuse of transfer prices between related firms. An exception is Brazil, which has adopted a fixed margin methodology using the cost plus and resale price approaches. Conversely, a majority of the countries, such as Argentina, Colombia, Ecuador, Mexico, Peru and Uruguay, use different methods simultaneously, including the two above and the comparable uncontrolled price, profit split and transactional net margin approaches (Arias and others, 2010). Most of the countries that have brought in other methods, such as Brazil, Ecuador, Guatemala, Honduras, Peru and Uruguay, have also included the "sixth method" of Argentine legislation for commodity import and export operations.

Given the region's specific characteristics, the use and abuse of transfer prices is probably one of the main channels (along with exploitation of generous schemes of tax benefits and incentives in some cases) whereby tax bases are eroded in the countries of Latin America. Fortunately, the debate over these issues has gained a degree of prominence among the region's governments over the last few years, leading to the adoption of a number of decisions and concrete measures aimed at strengthening tax administrations in the areas mentioned.

The region's countries are also regulating transactions with tax havens, as they entail similar effects in terms of erosion of domestic tax bases. Tax havens and preferential regimes are pernicious, as their deliberate lack of transparency encourages

international tax avoidance by preventing information on the operations of physical and legal persons domiciled there from being accessed, and they usually have very low or zero tax rates. As already mentioned, planning schemes involving tax havens tend to focus on triangulating import/export operations and shifting unverifiable expenses.

Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, the Dominican Republic, Ecuador, El Salvador, Honduras, Mexico, Peru and Uruguay have anti-tax haven rules in their tax legislation. However, the definition of a tax haven varies from country to country. In some cases, it means countries or jurisdictions where income tax rates are lower by a certain percentage than in the country concerned for similar types of income (El Salvador and Mexico). Another criterion is for the rate to be below a certain value (Bolivarian Republic of Venezuela and Brazil). Other countries have adopted lists drawn up by international organizations, such as the OECD “blacklist”, or use detailed lists prepared under general tax administration rules, as happens in Argentina and Ecuador.

As may be deduced, monitoring, detecting and scrutinizing these manoeuvres with the instruments available are complex tasks. Tax administrations often do not have the resources to carry them out effectively, and when they do, the legal procedures for proving and resolving them tend to be protracted. According to a survey presented by Arias and others (2010), audits in Latin American countries to check transfer prices in operations between related firms can take anything from 4 months (Costa Rica and Peru) to 24 months (Argentina and Mexico).

Besides firms, high net worth individuals also make great use of tax havens to hide their wealth. It is calculated that 8% of the world’s wealth, equivalent to US\$ 7.6 trillion, is held in tax havens (see table III.1). It is estimated that some US\$ 700 billion of this belongs to individuals from Latin America, representing 22% of the region’s total financial wealth, and that the great bulk of this amount (averaging about 80%) has not been declared to the relevant tax authorities. In a highly unequal region like Latin America and the Caribbean, the fact that this amount of wealth (and the income it generates) lies beyond the reach of treasuries weakens yet further the already limited redistributive power of tax systems.

Table III.1
Financial wealth
in tax havens
(Billions of dollars
and percentages)

Country/region	Offshore financial wealth	Offshore share of national financial wealth
Europe	2 600	10
United States	1 200	4
Asia	1 300	4
Latin America	700	22
Africa	500	30
Canada	300	9
Russian Federation	200	52
Gulf countries	800	57
World	7 600	8

Source: G. Zucman, *The Hidden Wealth of Nations. The Scourge of Tax Havens*, Chicago, University of Chicago Press, 2015.

Even the agencies responsible for collecting taxes and monitoring taxpayers struggle to identify and quantify in detail the scale of this phenomenon, which can be summed up by the concept of “international evasion by high net worth individuals and multinational firms.” One way of approximating the extent of base erosion and profit shifting is to analyse large databases of international trade prices and transactions (price manipulation approach, see annex III.A1), as discussed in section III.B.

B. An estimation of tax losses resulting from trade misinvoicing

Illicit financial flows have taken on greater and greater importance in the international debate on development financing, within the framework of the 2030 Agenda for Sustainable Development. This debate has been informed by contributions from both governments and civil society. Of particular note is the work of the High Level Panel on Illicit Financial Flows from Africa convened by the finance ministers of that continent during the joint conference of the African Union and the Economic Commission for Africa (ECA) in 2011. Also prominent has been the role of civil society in generating greater awareness of the phenomenon (Christian Aid, 2009; Tax Justice Network, 2012). In particular, the annual reports by Global Financial Integrity (GFI) on illicit financial flows from developing countries have informed the debate with estimates of tax losses associated with these flows.

The intensification of the international debate on this issue led to the importance of illicit flows being recognized at the Third International Conference on Financing for Development held in Addis Ababa in July 2015. Among the measures it contains, the final summit document establishes the importance of mobilizing domestic resources by widening the tax base, improving collection systems and combating tax evasion and illicit financial flows (United Nations, 2015). Specifically, governments have undertaken to: (i) redouble efforts to substantially reduce illicit financial flows by 2030, with a view to eventually eliminating them, including by combating tax evasion and corruption through strengthened national regulation and increased international cooperation; (ii) invite other regions to carry out exercises similar to the High Level Panel on Illicit Financial Flows from Africa; (iii) invite appropriate international institutions and regional organizations to publish estimates of the volume and composition of illicit financial flows; (iv) strive to eliminate safe havens that create incentives for transfer abroad of stolen assets and international financial flows (United Nations, 2016).

Despite illicit financial flows being put on the international development agenda, their scale and composition are still a matter of intense debate. Because of their nature—they usually take the form of concealed transactions—there is no single measuring methodology and no definitive statistics on their extent. The estimates most often used in the current debate come from Global Financial Integrity and are based on analysis of international trade and balance-of-payments statistics (GFI, 2015). Studies aim to identify trade misinvoicing, that is, the underdeclaration or overdeclaration of imported and exported goods. These distortions may arise in trade transactions both between related firms forming part of a single multinational (through transfer prices) and between independent firms (where there is collusion between the exporter and the importer).

Although the methodology has been refined in recent years, the results do not yield enough detail to identify the key products or the trading partners involved in generating illicit financial flows, which in turn makes specific policies hard to design.

Aware of these shortcomings, the High Level Panel on Illicit Financial Flows from Africa asked ECA to construct regional estimates in order to identify key products and partners (ECA, 2015). This study concluded that illicit flows had increased substantially in recent years and mainly involved transactions with raw materials, chiefly crude oil, minerals and metals. It also highlighted the heavy concentration of flows to a small group of developed countries, plus China and India. The ECA report stresses that trade activities are the main driver of illicit flows from Africa. These findings serve to underpin the recommendations of the High Level Panel, which highlight the need for African countries to address the issues of trade misinvoicing, transfer pricing and base erosion and profit shifting, particularly with regard to the extractive sector.

In this context, it is important to analyse and quantify these flows in the countries of Latin America and the Caribbean, and to identify the sectors generating the greatest flows from trade misinvoicing. The estimates prepared by ECLAC, based on a methodology inspired by that of ECA (see box III.1), represent a lower bound and offer greater insights into the phenomenon.

Box III.1

Methodology note

Illicit financial flows are movements from one country to another of money that has been earned, transferred or used illegally. These funds usually originate in trade activities (falsification of trade invoices and abusive transfer pricing), criminal activities or corruption.^a

The estimation of illicit financial flows from the region that is presented here includes gross outflows from misinvoicing of international goods trade transactions. It does not include estimates for trade in services, owing to the lack of available data.^b

The export data come from the United Nations Commodity Trade Statistics Database (COMTRADE) and are calculated at the six-digit level of the 1996 Harmonized System (HS6). They are expressed in dollars in free on board (FOB) terms.

The import data come from the International Trade Database (BACI) operated by the Centre for International Prospective Studies and Information (CEPII). They likewise correspond to HS6 and are expressed in dollars in FOB terms, with cost, insurance and freight (CIF) figures being adjusted to FOB prices using an econometric model (Gaulier and Zignago, 2010).

Gross outflows due to trade misinvoicing are calculated in two stages. First, the value of export underinvoicing (*ExpDisc*) is calculated as the discrepancy between the value of imports recorded in partner countries (*j*) at the product level (*hs6*) and the value of exports recorded in the region's countries (*i*) at the product level (*hs6*). Second, the value of import overinvoicing (*ImpDisc*) is calculated as the discrepancy between the value of imports recorded in the region's countries (*i*) at the product level (*hs6*) and the value of exports recorded in the partner countries (*j*) at the product level (*hs6*).

The existence of global value chains creates asymmetries in bilateral statistics on global goods trade (ESCAP, 2016).^c These asymmetries result in large discrepancies in international goods trade volumes at the partner and product level. To mitigate this, the discrepancies calculated are weighted by the degree of concordance between the import and export volumes (*ImpVol* and *ExpVol*) reported by the two partners.

To make the calculations more manageable, they exclude transactions between countries by product where the discrepancies in value are less than US\$ 1 million.

$$ExpDisc_{i,j,hs6,t} = (ImpVal_{j,i,hs6,t} - ExpVal_{i,j,hs6,t}) * \left(1 - \left(\frac{|ImpVol_{j,i,hs6,t} - ExpVol_{i,j,hs6,t}|}{\max(ImpVol_{j,i,hs6,t}, ExpVol_{i,j,hs6,t})}\right)\right)$$

$$ImpDisc_{i,j,hs6,t} = (ImpVal_{i,j,hs6,t} - ExpVal_{j,i,hs6,t}) * \left(1 - \left(\frac{|ImpVol_{i,j,hs6,t} - ExpVol_{j,i,hs6,t}|}{\max(ImpVol_{i,j,hs6,t}, ExpVol_{j,i,hs6,t})}\right)\right)$$

$$Gross\ outflows\ from\ misinvoicing = \sum_{> 0} ExpDisc_{i,j,hs6} + \sum_{> 0} ImpDisc_{i,j,hs6},\ for\ ExpDisc > 0\ and\ ImpDisc > 0$$

The gross outflows from misinvoicing thus calculated represent a lower bound to the illicit flows from the region.

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

^a This definition has been adopted in a number of studies. See, for example, those of Global Financial Integrity (GFI) and the High Level Panel on Illicit Financial Flows from Africa.

^b Non-inclusion of fraudulent invoicing in international services trade means that illicit financial flows tend to be underestimated, besides which there are other types of illicit flows that are very hard to estimate because concealment is intrinsic to them, examples being illicit flows deriving from criminal activities such as drug and human trafficking, the illegal arms trade, contraband and any other illicit transaction carried out in cash.

^c See [online] http://www.unescap.org/sites/default/files/SD_Working_Paper_April2016_Asymmetries_in_International_Trade_Statistics.pdf.

As figure III.1 shows, estimated tax losses in the region resulting from trade misinvoicing were approximately US\$ 31 billion in 2013 (0.5 of a percentage point of GDP). This represented between 10% and 15% of the actual corporate income tax take in that year. Potential losses at the country level vary greatly, with illicit outflows estimated to be particularly large in countries such as Costa Rica (mainly involving integrated circuits and electronic microstructures) and Mexico (because the country is highly integrated into value chains in different sectors).

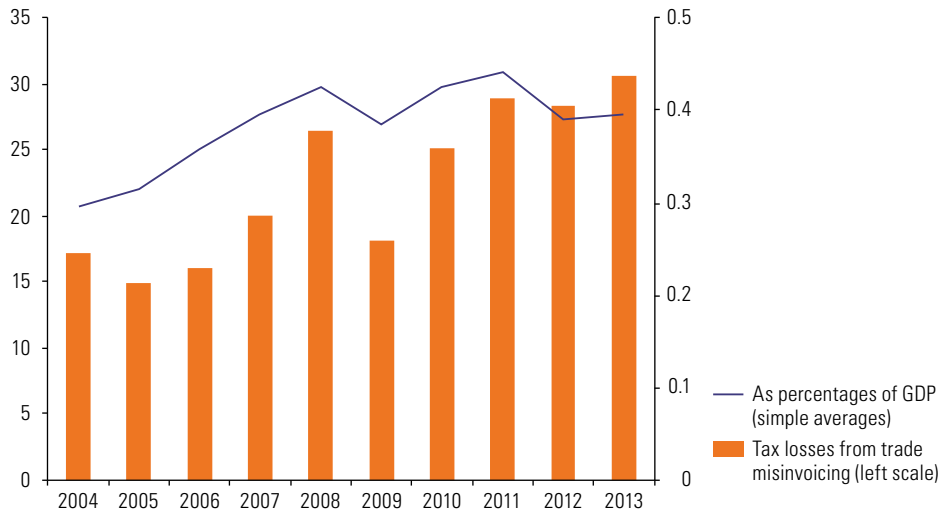


Figure III.1
Latin America and the Caribbean: tax losses associated with trade misinvoicing, 2004-2013 (Billions of dollars and percentages of GDP)

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

A key finding of this analysis is that illicit financial flows have increased sharply in the last decade, with outflows from trade misinvoicing rising by an average of some 9% a year in the Latin America and Caribbean region. These flows averaged 1.8% of regional GDP over the 10 years considered, implying a cumulative total of US\$ 765 billion in 2004-2013 (two thirds being due to overinvoicing of imports and a third to underinvoicing of exports). Illicit outflows climbed to US\$ 101.6 billion in 2013, the latest year with full information available (see figure III.2).

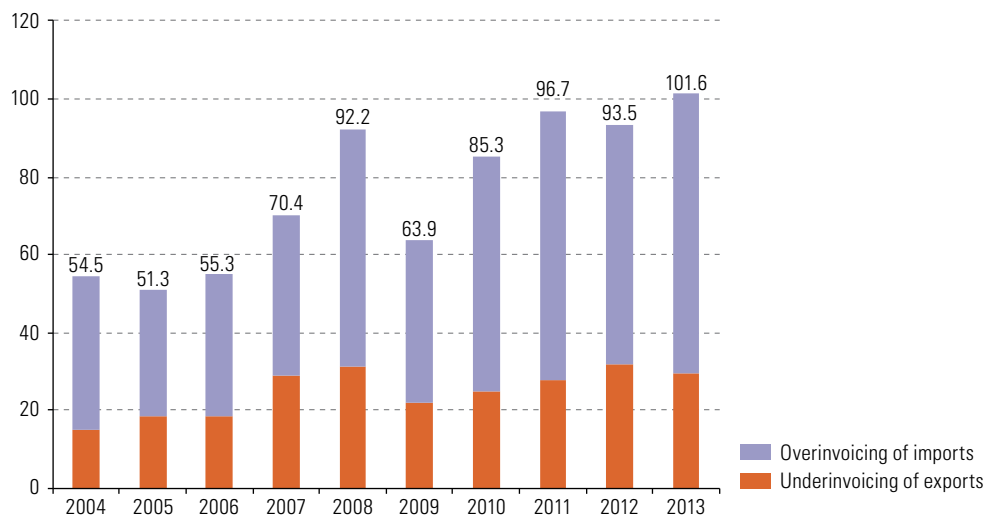


Figure III.2
Latin America and the Caribbean: estimated value of trade misinvoicing, 2004-2013 (Billions of dollars)

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

Illicit flows are distributed unevenly between the Latin American and Caribbean countries, as they tend to be concentrated in the region's largest economies (see figure III.3). The exception is Costa Rica, which produces a little under 1% of the region's GDP, but ranks third in the region for the volume of illicit outflows, with almost 8% of the total. Mexico was in first place in 2013 with US\$ 48 billion, followed by Brazil with some US\$ 18 billion. These figures indicate that the two countries generated roughly 48% and 18%, respectively, of all trade misinvoicing outflows from the region. After these three countries came Chile, Argentina and Colombia, accounting for between 7% and 3% of the regional total.

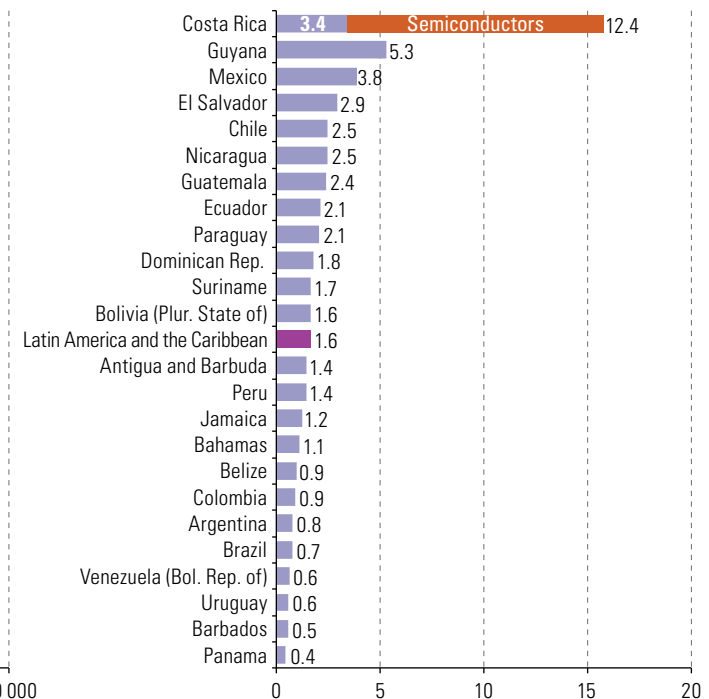
Figure III.3

Latin America and the Caribbean: estimated value of international goods trade price manipulation, by country, 2013
(Billions of dollars and percentages of GDP)

A. Billions of dollars



B. Percentages of GDP



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

When these illicit financial flows are measured as a share of GDP in each country, a number of Central American economies come out near the top of the ranking. Costa Rica was an outlier at 15% of GDP, but these illicit flows were also significant in El Salvador, Guatemala and Nicaragua, with values of some 2.5% of GDP or more. In Guyana and Mexico, illicit capital outflows represented 5.3% and 3.8% of GDP, respectively, in 2013.

In the cases of Costa Rica and Mexico, the large scale of illicit financial outflows is related to these countries' participation in global value chains (such as the production of semiconductors in the former and of electrical machinery and motor vehicles in the latter), where related party transactions are very substantial, as analysed in box III.2. In general, the findings underline the very large part played by intra-firm transactions in capital outflows. The products generating the largest discrepancies tend to be traded between entities in the same firm.

Box III.2

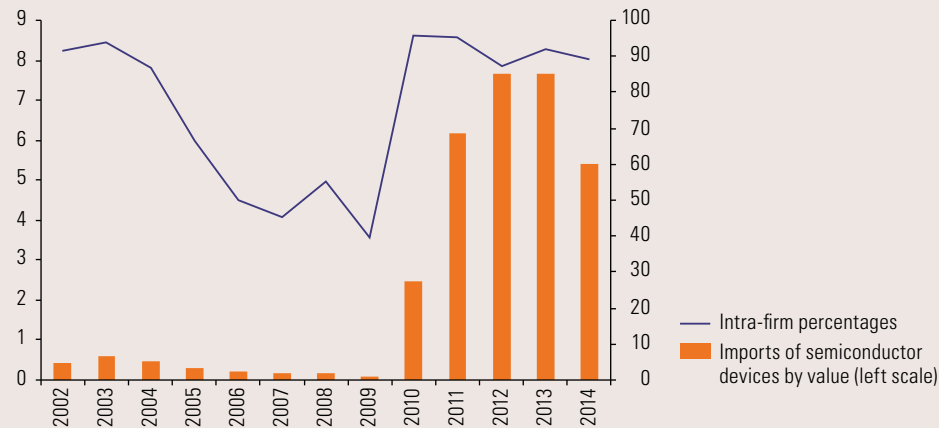
The importance of intra-firm transactions in goods trade

Since the 1990s, production processes have increasingly been decentralized all around the world. This new division of labour, usually between industrialized and developing countries, has led to a rapid increase in international trade as intermediate goods are shipped from one country to another before reaching consumers as finished products. Many of these transactions take place within individual firms that possess a global or at least regional network of subsidiaries forming part of the production process.

This dynamic has been especially striking in Asian economies, but also affects some countries in the region. This is particularly true of Costa Rica and Mexico, two countries now forming part of different global value chains that include semiconductors in the former and motor vehicles in the latter. As can be seen in figures 1, 2 and 3 below, the percentage of United States imports of these goods from these countries by value that are intra-firm transactions is very high (between 90% and 100% in some cases). Also striking is the rapid increase in imports of these goods in the period subsequent to the world economic crisis of 2008-2009.

Figure 1

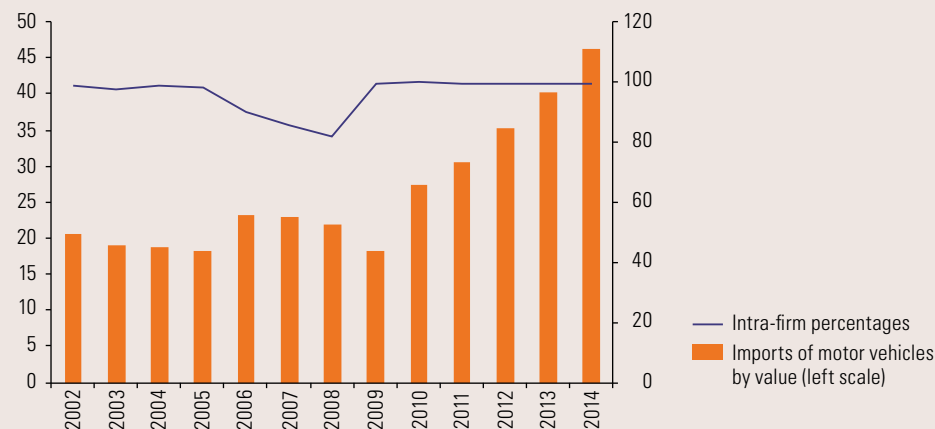
United States: imports of semiconductor devices from Costa Rica, 2002-2014
(Billions of dollars and percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United States Census Bureau figures.

Figure 2

United States: motor vehicle imports from Mexico, 2002-2014
(Billions of dollars and percentages)

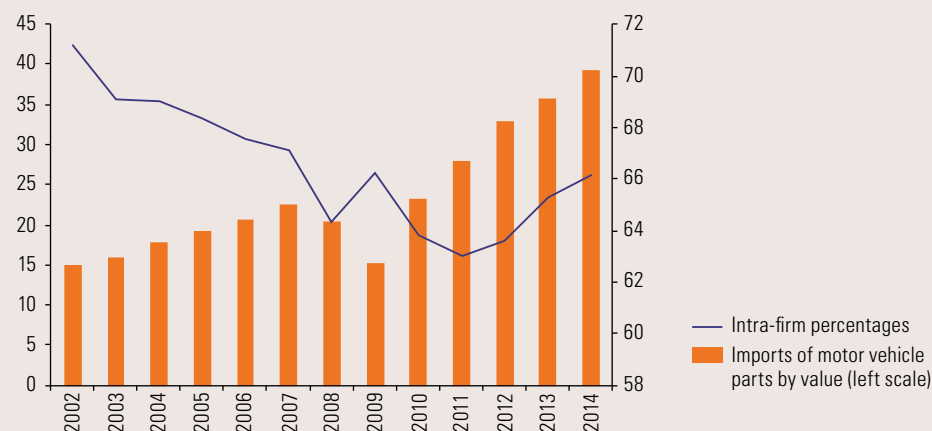


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United States Census Bureau figures.

Box III.2 (concluded)

Figure 3

United States: imports of motor vehicle parts from Mexico, 2002-2014
(Billions of dollars and percentages)



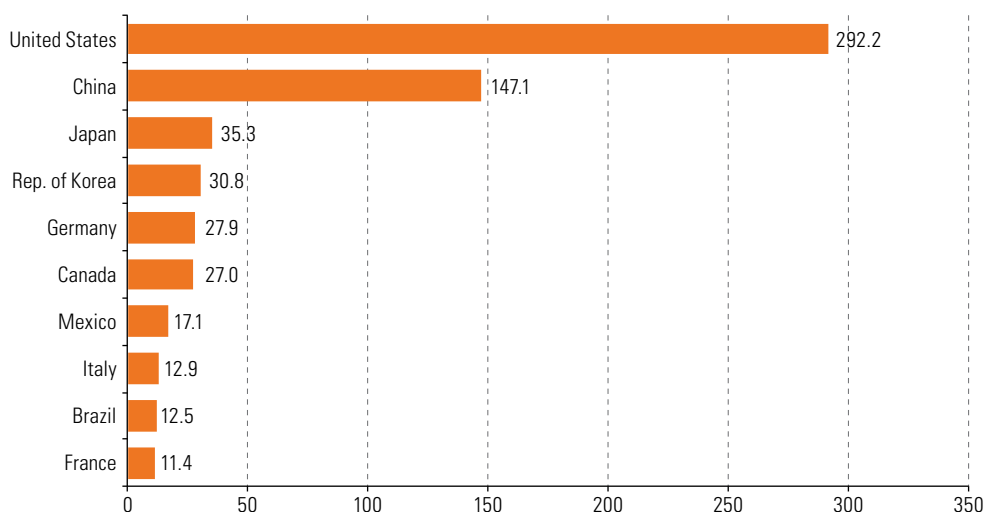
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United States Census Bureau figures.

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

The great bulk of the illicit financial flows estimated derive from transactions with the United States (38% of cumulative flows between 2004 and 2013) and China (19% of the cumulative total). In this 10-year period, the United States received about US\$ 292 billion in illicit financial flows from Latin America and the Caribbean, while the largest emerging economy received about US\$ 147 billion (see figure III.4). Other countries numbering among the 10 largest recipients of trade misinvoicing flows from the region are Japan, the Republic of Korea, Germany, Canada, Italy and France. However, not all illicit financial flows end up outside the region, since both Mexico and Brazil have received substantial sums from their neighbours, with Mexico taking in US\$ 17 billion in illicit flows from other Latin American and Caribbean countries and Brazil US\$ 12.5 billion during the decade analysed.

Figure III.4

Latin America and the Caribbean: estimated cumulative value of international goods trade price manipulation, by partner, 2004-2013
(Billions of dollars)



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

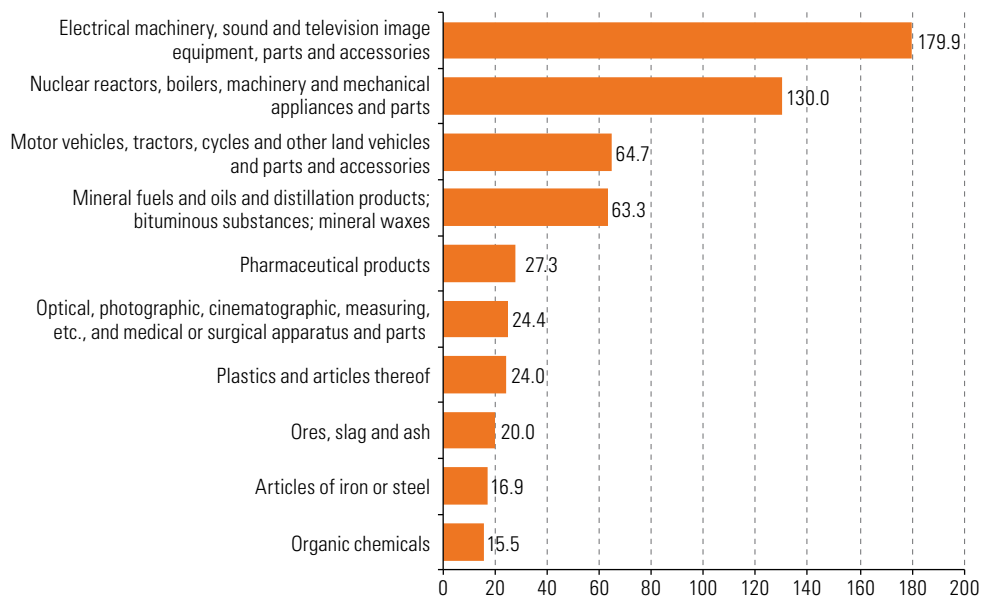
These capital outflows are largely confined not just to a small number of trading partners, but to certain product categories strongly associated with global production chains. By contrast with the situation in African countries, where most illicit flows come

from extractive industries (especially oil, precious metals and minerals), the bulk of illicit financial flows identified at the product level in Latin America and the Caribbean originate from the manufacturing sector, particularly the electronics and automotive industries (ECA, 2015). This difference is connected to the production structure and degree of diversification of exports on each continent.

The greatest losses from illicit financial outflows in the region during the 2004-2013 period were in two sectors, namely electrical machinery (including computers) and nuclear reactors, boilers, machinery, etc. (including integrated circuits). These sectors generated just over 40% of total flows, i.e., a cumulative total of US\$ 310 billion in 10 years (see figure III.5). In the last-mentioned sector in particular, there has been very significant growth in integrated circuits and electronic microstructures and parts thereof, especially since 2010. Also striking is the increase of illicit flows in operations related to electrical telephony apparatus and parts for radiotelephony, radiotelegraphy, radio broadcasting or television.

Figure III.5

Latin America and the Caribbean: estimated cumulative value of international goods trade price manipulation, 2004-2013, by two-digit product groups in the Harmonized System
(Billions of dollars)



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

Trade misinvoicing of automobiles and other land vehicles (together with their parts and accessories) was worth close to US\$ 65 billion in the period between 2004 and 2013, equivalent to 8% of illicit outflows from the region. The group comprising mineral fuels, mineral oils and products of their distillation accounted for the same percentage share, with an amount of US\$ 63 billion.

Other products among the 10 generating the greatest illicit flows include: pharmaceutical products (4% of the total), photographic, cinematographic and medical instruments and apparatus (3%), plastics and articles thereof (3%), non-metallic minerals (2.6%), articles of iron or steel (2%) and organic chemicals (2%). In the specific case of pharmaceuticals, there has been significant and steady growth of illicit outflows in transactions connected with medicines that are pre-measured or packaged for retail. This growing trend is also very apparent in the trade in medical, surgical and dental instruments and apparatus and the like.

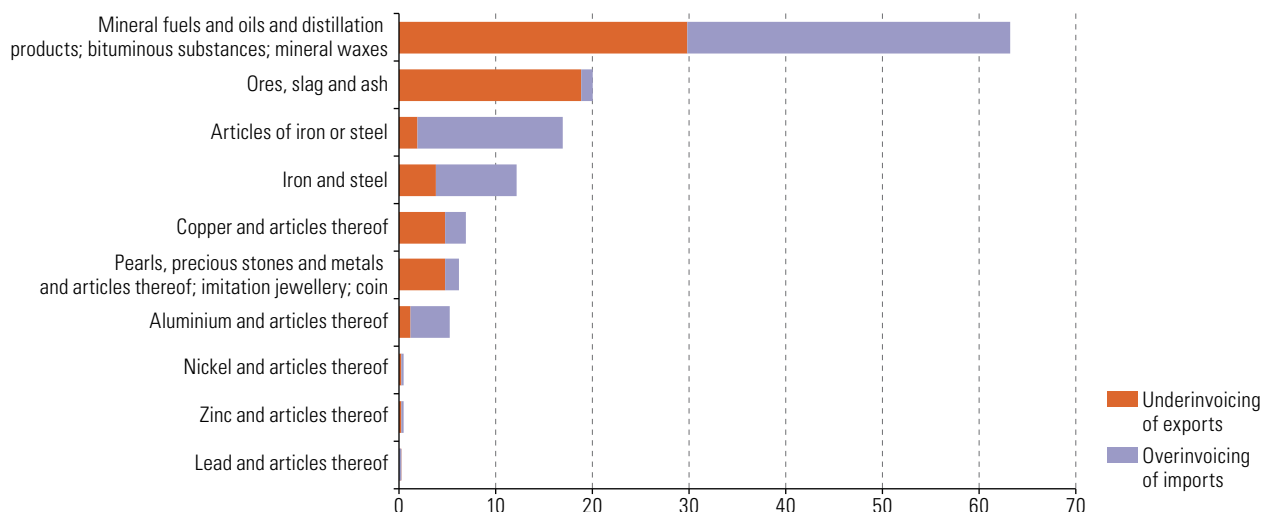
Although illicit financial flows deriving from non-renewable natural resource-related transactions are smaller, they did total a cumulative US\$ 131.5 billion or so in 2004-2013. Besides the mineral fuels and oils, non-metallic minerals and iron and steel articles mentioned earlier, there are other activities that give rise to illicit capital outflows in the non-renewable commodities sector, with amounts in some cases ranging from US\$ 5.2 billion to US\$ 12.2 billion, such as iron and steel smelting, production of copper, aluminium and articles thereof, and pearls and precious stones and metals and the like (see figure III.6).

A portion of gross capital outflows in the non-renewable commodities sector is accounted for by overinvoicing of imports, with a higher value being declared for imports than are reported by the exporting partners, generating illicit capital outflows. This is seen especially in the cases of oil, iron, steel and aluminium (although undervaluation of exports is also important for the first of these). The opposite is true of minerals, copper and precious metals: there is a greater proportion of export underinvoicing, potentially reducing the income reported in the country exporting these non-renewable resources.

There is evidence that these methodologies are underestimating illicit flows, as they do not capture cases where both the country in the region and its trading partner report a below- or above-market price for a given product. Results from other methodologies suggest that capital losses from underinvoicing of mineral and metal exports could be large. The abuse of transfer prices in related party transactions, for instance, is well documented. This is when transactions between related firms, especially within multinationals, are priced differently from similar operations conducted between independent firms under market conditions.

Figure III.6

Latin America and the Caribbean: estimated cumulative value of price manipulation for non-renewable natural resource-related goods, by product groups at the two-digit level of the Harmonized System and transaction type, 2004-2013
(Billions of dollars)



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

C. Coordinating efforts between countries

In recent years, the world has experienced a number of significant changes where trade opening and international finance are concerned, forcing countries to rethink their existing rules on international taxation. Over time, there have been major changes in the way the impact of globalization on tax policy and administration is regarded.

There have been three steps in the process since the mid-1990s, when greater international attention began to be given to these phenomena. The first step was mainly about defining and combating what has been called “harmful tax competition,” that is, the set of circumstances whereby firms, essentially multinational ones, can reduce or eliminate their effective tax burden by locating their profits in countries with low or zero taxation and in so-called tax havens (OECD, 1998).

The second stage set out from a recognition of the difficulties in the way of faster progress towards combating international tax evasion (OECD, 2005). Determined efforts were made to establish rules and criteria for automatic information sharing between tax administrations, overcoming the limitations encountered when procedures of this type had to be specifically requested.

The third stage, currently ongoing, concerns the actions and rules to be adopted to prevent investment offshoring and profit shifting. Over the years, the debate about base erosion and profit shifting has been moving up the agenda of the OECD member countries and of a growing number of countries that are not part of the organization.

In February 2013, OECD published *Addressing Base Erosion and Profit Shifting*, a document that not only picked up where previous studies had left off, but examined current issues in depth and identified the different concrete forms taken on by base erosion and profit shifting in modern economies (OECD, 2013a). This report concluded that it was imperative to act in the following areas: (i) hybrid mismatch arrangements worldwide, including hybrid entities and financial instruments that create arbitrage, (ii) tax choices between residence and source, mainly for the digital economy, (iii) the tax treatment of different financial instruments between different parts of a single international firm and (iv) transfer prices within less developed economies, chiefly in view of the shifting of risks and intangible assets as a way of avoiding high-tax jurisdictions.

Following the studies commissioned earlier and discussion of base erosion and profit shifting in OECD forums, the general view was that there was an urgent need for substantial changes to prevent double non-taxation or harmful low or zero taxation regimes. It was now generally accepted that actions by individual countries were far from enough to secure the proposed changes in a highly globalized world.

In this framework, the ministers of the Group of Twenty (G20) concluded that there was a need to develop an action plan of global scope that would deal consistently with these issues. The goal of the plan should be to provide countries with national and international instruments so that the ability to tax economic activities in each country was improved and enhanced. This was given effect in the *Action Plan on Base Erosion and Profit Shifting* (OECD, 2013b), which established 15 actions, listed below, to generate policies and tools for combating the abuses currently identified:

1. Address the tax challenges of the digital economy
2. Neutralize the effects of hybrid mismatch arrangements
3. Strengthen controlled foreign corporation (CFC) rules
4. Limit base erosion via interest deductions and other financial payments
5. Counter harmful tax practices more effectively, taking into account transparency and substance
6. Prevent treaty abuse
7. Prevent the artificial avoidance of permanent establishment status

8. Assure that transfer pricing outcomes are in line with value creation (intangibles)
9. Assure that transfer pricing outcomes are in line with value creation (risks and capital)
10. Assure that transfer pricing outcomes are in line with value creation (other high-risk transactions)
11. Establish methodologies to collect and analyse data on base erosion and profit shifting and the actions to address it
12. Require taxpayers to disclose their aggressive tax planning arrangements
13. Re-examine transfer pricing documentation
14. Make dispute resolution mechanisms more effective
15. Develop a multilateral instrument

More recently, although the initiative of addressing the issue in the OECD and G20 framework came from the finance ministers of the member countries, it has been emphasized that tax erosion is not a phenomenon exclusive to the developed world. Nonetheless, the different forms taken by base erosion and profit shifting strategies in a highly globalized world mean that the nature of the problem is very different in economies with dissimilar characteristics. The Action Plan itself constantly stresses the need for the most global approach possible so that harmful fiscal practices can be attacked more effectively, in recognition of the limited ability of countries to act alone and independently.

Given the importance of including developing countries in the debate on base erosion and profit shifting, the G20 finance ministers asked OECD to address the issue with a view to opening up a new channel of dialogue with these countries and thus engaging them in the base erosion and profit shifting project. This new channel of dialogue relies on three fundamental planks:

- (i) The direct involvement of developing countries in the activities of the OECD Committee on Fiscal Affairs (CFA) and its subsidiary bodies.
- (ii) The creation of regional networks that bring together those responsible for tax policy and administration.
- (iii) Support for training in countries' tax administrations, with the involvement of the Inter-American Centre of Tax Administrations (CIAT) being particularly important for Latin America.

In the first place, OECD has considered it necessary to invite a number of developing countries, representing different regions and income levels, to attend the meetings of CFA, the high level body for the base erosion and profit shifting project. Some regional organizations such as the African Tax Administration Forum (ATAF) and CIAT have also been invited, while the International Monetary Fund (IMF), the World Bank and the United Nations are already part of the initiative.

Second, alongside the regional consultations that have been going on since 2014, processes of ongoing dialogue about regional networks of tax policy and administration officials have continued to be created. The countries participating in the base erosion and profit shifting project will play a fundamental role by acting as a channel into the project itself, transmitting the questions and comments raised by their regional peers.

Lastly, support for capacity-building in lower-income countries in areas covered by the base erosion and profit shifting project will be crucial. The regional networks referred to will play a key role in implementing the proposals put forward within the project framework, turning each of them into a different forum. In this context, the Development Working Group asked OECD to illustrate the experiences of developing countries. Thus, a year after publication of the Action Plan, between July and August 2014, OECD presented the full report addressing the issue (OECD, 2014a and 2014b).

One of the main aspects highlighted in the report is that developing countries tend to encounter obstacles to effective action on base erosion and profit shifting. Particular attention is drawn to:

- Gaps in the legislation and information needed to deal with base erosion and profit shifting.
- Difficulty creating the capacity to implement complex measures and deal with multinational firms, which have a great deal of expertise.
- Both (a) and (b) can potentially result in more aggressive tax avoidance than is usual in developed countries.

Meanwhile, developing countries and international organizations have identified the following as the main problems with the base erosion and profit shifting initiative:

- base erosion caused by excessive payments to foreign subsidiaries by way of interest, service charges, and payments and royalties for technical management;
- profit shifting through supply chain restructuring that reallocates risks and the associated profits to subsidiaries in low-tax jurisdictions;
- significant difficulties in obtaining the data needed to address the problems of base erosion and profit shifting and applying their respective transfer price rules;
- fiscal losses resulting from the techniques used to avoid tax on sales of assets located in developing countries;
- pressures in developing countries to attract investment through tax breaks, which can erode the tax base of these economies in exchange for benefits that are difficult to quantify.

Although tax composition varies greatly among medium-low- and low-income countries, the fact is that some depend substantially on tax revenues from multinationals, usually deriving from the exploitation of their natural resources. For these economies, then, it is essential to be able to tax all profits generated by firms of this type. In any event, the impact of base erosion and profit shifting in developing countries extends beyond the revenue generated by multinationals, as local firms and individual taxpayers are typically discouraged from cooperating with the tax system if more sophisticated corporations are avoiding their tax liabilities.

Lastly, in October 2015, OECD presented its definitive package of measures for conducting a comprehensive, coherent and coordinated reform of international tax rules with a view to counteracting the phenomenon of base erosion and profit shifting on the basis of the 15 actions laid down in the Action Plan of the OECD/G20 Project. Among other measures, this package includes new minimum standards laying down country by country reporting requirements that, for the first time, will give tax administrations an overview of multinational firms' operations; prevention of treaty abuse (seeking out the most favourable agreement) to eradicate the use of investment channelling companies; limitation of harmful tax practices, mainly in the sphere of intellectual property and via automatic sharing of certain decisions or agreements between the administration and taxpayers; and effective mutual agreement procedures, to ensure that efforts to combat double non-taxation do not give rise to situations of double taxation.

Great progress on information-sharing between countries has already been consolidated. So far, over 90 countries have undertaken to adopt the Standard for Automatic Exchange of Financial Account Information, also known as the Common Reporting Standard (CRS), whose aim is to facilitate the automatic exchange of financial information between governments. This instrument came into force in most countries on 1 January 2016 (with the first annual report due in 2017 for that calendar year).

Given the scale of the project, while the CRS does allow bilateral information-sharing arrangements to be made, priority has also been given to adapting the international legal framework by means of a multilateral instrument allowing for cost savings and greater homogeneity. In 2014, accordingly, 51 countries signed the Multilateral Competent Authority Agreement, a vital milestone in international cooperation on joint actions to combat tax evasion. In the last year, a number of other countries, including Chile and Costa Rica, have been added to the list of signatory jurisdictions, bringing the number

up to the current 74 countries. They have all undertaken to implement automatic financial information-sharing from late 2017 or 2018.¹

In the context of the discussion presented so far, mention should be made of the effort to incorporate the region's countries into the debate. In February 2015, the Regional Meeting on the Base Erosion and Profit Shifting Project in Latin America and the Caribbean was held in Lima, centring on the following priority areas and their respective lines of action:

- Transfer price and revenue recharacterization risks: the countries stressed that more and better information was needed for transfer price audits and requested technical assistance to acquire the necessary skills and capabilities.
- Operations with raw materials: much of the debate turned on the particular experiences of some administrations in applying what has come to be called the "sixth method" (the method used to determine transfer prices, special measures and anti-abuse rules, among others) and approaches for dealing effectively with the problem. Specifically, observations and comments centred on the need for orientation and clear guidelines on: (i) the use of clearly defined methods so that appropriate transfer prices could be set and (ii) the data to be considered in calculating transfer prices to prevent multinationals from resorting to arbitrage. The importance of these issues for the whole region was made clear.
- Documentation on transfer prices and country by country reporting: the participants emphasized the need for tax administrations to have access to these documents.
- Automatic information exchange: the countries showed great interest in designing appropriate mechanisms for sharing information and expressed concern about whether they possessed the administrative skills and capabilities needed to meet standards.

Because of emerging countries' institutional weaknesses and limited direct involvement in the base erosion and profit shifting process, much scepticism has been expressed about the usefulness of the exercise. The process is perceived as a unilateral and highly complicated package of recommendations for international fiscal rules that will not put an end to global tax evasion (which is now organized as an "industry" or structured system of aggressive planning), does not address the share-out of fiscal sovereignty over taxes or urgently needed tax harmonization measures, and will not end the "race to the bottom", as countries are continuing to practise tax competition. This means that corporate income tax, with all its many exemptions and benefits, will continue to be eroded, undermining fiscal revenues worldwide (Barreix, Roca and Velayos, 2016).

In summary, there is clearly a need in the current international context to enhance international mechanisms for cooperation between countries and regional blocs, to which end multilateral organizations can provide spaces where agreements and consensus can be reached. The central goal is for these to create conditions of viability for progressive tax coordination and harmonization regionally and internationally, especially between the countries of Latin America and the Caribbean, rather than being confined merely to bilateral negotiations.

Cooperation from international organizations is highly beneficial for the countries of Latin America and the Caribbean in this area. ECLAC and CIAT have the necessary technical capabilities and great potential for cooperating actively with the region's countries by making available the knowledge and information they are constantly producing on tax policy and administration trends, the behaviour of trade and foreign direct investment (FDI) flows and the workings and operation of multinational firms in the region.

¹ The technical aspects and the list of countries involved can be consulted on the OECD website [online] <http://www.oecd.org/tax/automatic-exchange/>.

Bibliography

- Arias, I. and others (2010), "Estudio comparado sobre la situación actual de las legislaciones sobre precios de transferencia en Latinoamérica", *Documento de Trabajo*, No. 1-2010, Inter-American Center of Tax Administrations (CIAT).
- Barreix, A., J. Roca and F. Velayos (2016), "Breve historia de la transparencia tributaria", *Documento para Discusión*, No. IDB-DP-453 [online] <https://publications.iadb.org/bitstream/handle/11319/7670/Breve-historia-de-la-transparencia-tributaria.pdf?sequence=1>.
- Christian Aid (2009), *False Profits: Robbing the Poor to Keep the Rich Tax-Free*, London [online] <https://www.christianaid.org.uk/Images/false-profits.pdf>.
- ECA (Economic Commission for Africa) (2015), *Illicit Financial Flow: Report of the High Level Panel on Illicit Financial Flows from Africa*, Addis Ababa.
- ESCAP (Economic and Social Commission for Asia and the Pacific) (2016), "Asymmetries in international merchandise trade statistics: a case study of selected countries in Asia-Pacific", *Working Paper*, No. SD/WP/02 [online] http://www.unescap.org/sites/default/files/SD_Working_Paper_April2016_Asymmetries_in_International_Trade_Statistics.pdf.
- Fuest, C. and N. Riedel (2012), "Tax evasion and tax avoidance: the role of international profit shifting", *Draining Development? Controlling Flows of Illicit Funds from Developing Countries*, P. Reuter (ed.), Washington, D.C., World Bank.
- Gaulier, G. and S. Zignago (2010), "BACI: International Trade Database at the Product-Level. The 1994-2007 Version", *CEPII Working Papers*, No. 2010-23.
- GFI (Global Financial Integrity) (2015), *Illicit Financial Flows from Developing Countries: 2004-2013*, Washington, D.C., December.
- Gómez Sabaini, J.C. and D. Morán (2016), "Evasión tributaria en América Latina: nuevos y antiguos desafíos de la cuantificación del fenómeno en los países de la región", *Macroeconomía del Desarrollo series*, No. 172 (LC/L.4155), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC).
- ____ (2014), "Tax policy in Latin America: assessment and guidelines for a second generation of reforms", *Macroeconomía del Desarrollo series*, No. 133 (LC/L.3632), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC).
- Keejae, H., H. Pak and J. Pak (2014), "Measuring abnormal pricing – an alternative approach", *Journal of Money Laundering Control*, vol. 17, No. 2.
- OECD (Organization for Economic Cooperation and Development) (2015), *Measuring and Monitoring BEPS. ACTION 11: 2015 Final Report. OECD/G20 Base Erosion and Profit Shifting Project (BEPS)*, Paris, OECD Publishing.
- ____ (2014a), *Part 1 of a Report to G20 Development Working Group on the Impact of BEPS in Low Income Countries*, Paris, OECD Publishing.
- ____ (2014b), *Part 2 of a Report to G20 Development Working Group on the Impact of BEPS in Low Income Countries*, Paris, OECD Publishing.
- ____ (2013a), *Addressing Base Erosion and Profit Shifting*, Paris, OECD Publishing.
- ____ (2013b), *Action Plan on Base Erosion and Profit Shifting*, Paris, OECD Publishing.
- ____ (2010), *Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations*, Paris, OECD Publishing.
- ____ (2005), *Enabling Effective Exchange of Information: Availability and Reliability Standard. Joint Ad Hoc Group on Accounts (JAHGA)*, Paris, OECD Publishing.
- ____ (1998), *Harmful Tax Competition an Emerging Global Issue*, Paris.
- Tax Justice Network (2012), *The Price of Offshore Revisited* [online] http://www.taxjustice.net/cms/upload/pdf/Price_of_Offshore_Revisited_120722.pdf.
- UNCTAD (United Nations Conference on Trade and Development) (2015), "An FDI-driven approach to measuring the scale and economic impact of BEPS. Annex II", *World Investment Report, 2015. Reforming International Investment Governance* (UNCTAD/WIR/2015), Geneva.
- United Nations (2016), *Addis Ababa Action Agenda Monitoring commitments and actions. Inaugural Report 2016. Inter-agency Task Force on Financing for Development*, New York.
- ____ (2015), "Addis Ababa Action Agenda of the Third International Conference on Financing for Development" (A/RES/69/313), New York.
- Zucman, G. (2015), *The Hidden Wealth of Nations. The Scourge of Tax Havens*, Chicago, University of Chicago Press.

Annex III.A1

Methods of estimating tax losses resulting from aggressive fiscal planning.²

In any attempt to estimate the amount of fiscal resources foregone because of aggressive fiscal planning manoeuvres, it must be assumed that tax administrations normally require multinationals to submit periodic, detailed reports on their operations and transactions, both with related firms and with outside companies. Accordingly, it is generally accepted that these agencies have the most accurate information for detecting abusive price manipulation and exploitation of differences between countries in respect of rates, the types of income taxed, the tax treatment of alternative financing sources and other aspects of current tax systems.

Consequently, the first methodological option (the auditing approach) consists in conducting selective audits that compare the fiscal information declared by firms and the specific information revealed by their accounting reports in order to detect specific instances, for example, of deliberate transfer price manipulation between related firms.

When it comes to conducting these tasks effectively, of course, not all tax administrations have the same capabilities and financial, human and physical resources, and unfortunately the results of these audits, and particularly the amounts of fiscal revenue recovered, are rarely released. One exception to the rule in Latin America has been the National Tax and Customs Administration (SUNAT) of Peru, which has disclosed that audits of 187 reviewed cases were conducted in 2013, with undeclared income being calculated at US\$ 350 million, equating to a total loss of corporate income tax revenues of some US\$ 105 million.

A second methodological approach is one where the tax authority commissions an outside agent (a consultant or organization specializing in international taxation) to estimate the fiscal impact (tax loss) entailed by these manoeuvres in different sectors of a country's economy and in the aggregate (sectoral approach). For this, the authorities need to provide specific fiscal information at the individual firm level that can be used to calculate the gap between the tax that firms, previously sorted by sector of economic activity, theoretically ought to have paid (assuming different propensities to manipulate transfer prices) and the amount actually paid.

However, the general perception of an overall intensification in the use of a variety of aggressive tax planning mechanisms by multinational firms, usually following costly audits and protracted legal disputes, has resulted in a growing need to quantify the scale of these phenomena internationally. A number of empirical studies of the issue have been carried out over the past 15 years. From different perspectives, and with an awareness of the difficulties entailed, these have set out to measure the distortions generated by these types of behaviour in the "normal" operations of multinational firms and, much more importantly, the losses of tax resources they imply. Studies of this kind, originating outside tax administrations, differ in their methodology in light of the scope of the results of the estimations carried out (see table III.A1.1).

Academic studies have also focused on the concept of profit shifting, seeking to identify a hypothetical distribution of revenues generated by a multinational firm across its different subsidiaries in the absence of manoeuvres to transfer income to low-tax countries (profitability approach). These studies have concentrated specifically on the factors that might induce this behaviour by multinationals and sought to explore whether they affect the distribution of the revenues reported across the different locations from which their subsidiaries operate and, if so, to determine the scale of these effects.

² See Gómez Sabañi and Morán (2016) for further information.

Empirical studies based on this approach have provided estimates of the (marginal) impact of differences in taxation levels on corporate profit-shifting behaviour. Many of these studies have used sophisticated econometric methods and data in which foreign investment flows or some profitability-based measure act as an independent variable, yielding valuable knowledge of these phenomena in particular cases. Unfortunately, few of these studies have included developing countries, the main reason being that they have considerably less systematized firm-level information available.

		Origin of estimates	
		Tax administration	Outside studies
Scope	Micro	Audit approach Selective application of transfer price methods (arm's length principle) to transactions by large firms with global scope.	Profitability approach Econometric analyses seeking to use specific firm-level data to identify signs of income shifting between countries with different tax levels.
	Macro	Sectoral approach Calculation of gaps between observed data and theoretical values by applying benchmark indicators for each economic sector.	Price manipulation approach Construction of a price filtering matrix to detect prices that fall outside a "normal" range in international trade operations.

Table III.A1.1

Methodological approaches used to quantify international revenue shifting

Source: J.C. Gómez Sabañi and D. Morán, "Evasión tributaria en América Latina: nuevos y antiguos desafíos de la cuantificación del fenómeno en los países de la región", *Macroeconomía del Desarrollo* series, No. 172 (LC/L.4155), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2016.

Also originating in academic studies, but quickly adopted and disseminated by some non-governmental organizations, the other main methodological approach for approximating the scale of base erosion and profit shifting is one that relies on the analysis of large international trade price and transaction databases (price manipulation approach).

The aim of this research is to calculate price manipulation in trade operations, i.e., under- or overdeclaration of imported and exported goods for the clear purpose of shifting profits between different jurisdictions in light of differences in rates of corporate income tax, international trade taxes, currency restrictions and other factors. According to these studies, distortions can arise in trade operations both between related firms forming part of the same multinational (through transfer prices) and between independent firms (where there is collusion between exporters and importers).

This methodology based on comparing international prices has advantages and drawbacks. On the one hand, it is acknowledged to be an effective and low-cost procedure for detecting import and export operations involving prices outside the normal ranges and a high likelihood of manipulation. Because they use data in the public domain, the results of these studies are easy to replicate.

However, this methodology has been subject to a number of criticisms that generally undermine confidence in its results. Besides the large amounts of information required, it has been found to have a number of technical weaknesses, most of them associated with the assumptions used, the difficulty of interpreting the results and a lack of precision when it comes to policy recommendations. It has often been found that the shifts detected could very well be due to reasonable differences in comparability or variations in the quality of the products traded, or could simply reflect transfers of assets, functions and risks between subsidiaries of the same firm. Indeed, these studies do not even distinguish between transactions involving related and outside firms. What is more, most of them seem to overestimate the tax revenue forfeited, as they take legal tax rates as their benchmark, without considering tax incentives and other legal mechanisms that reduce effective tax rates.

The difficulty alone of specifying what arm's length prices for particular transactions are and specifically proving substantial, deliberate profit shifting with reference to these benchmarks makes the task of monitoring, auditing and quantifying the fiscal cost entailed for countries affected by these practices a very complex one.

A recent study by UNCTAD (2015) explores the role of countries that act as offshore investment hubs for corporate profit shifting and the loss of tax revenues that this implies for developing economies. This methodology relies on the assumption of a negative relationship between investment flows from countries that offer a relatively favourable legal and financial treatment to foreign investors and tend to be chosen as home jurisdictions for tax purposes (these are identified in advance by the study) and the rate of return on the total flow of inward FDI. It is to be expected that income from FDI originating in these countries will be more subject to different profit-shifting practices aimed at artificially lowering the rate of return.

The estimation carried out to explore the negative relationship between FDI flows and the rates of return mentioned involved a sample of 72 countries (27 developed, 34 developing and 11 transition economies) covering the 2009-2012 period, and the results obtained indicate that the (estimated) rate of return on FDI is between 1% and 1.5% lower for each extra 10% share of incoming flows originating from countries with fiscal advantages and low or zero taxation. The problem of estimating tax losses for developing countries then came down to finding the profitability gap (the level of FDI from countries with legal or tax advantages as a proxy for profit shifting) and translating that gap into overall amounts of reallocated tax revenues.

The study concludes that, taking only the FDI component financed out of equity and the average effective corporate income tax rate of 20% (to discount the effect of tax incentive schemes), the value of tax losses can be estimated at US\$ 90 billion in developing countries alone and US\$ 200 billion worldwide in 2012, or approximately 10% of corporate income tax revenues. It should be stressed that these results are only for operations where there is a direct investment relationship, so that they may not include other crucial channels of base erosion and profit shifting, such as abusive transfer pricing or borrowing operations between related firms.

Also deserving of special mention is the study recently published by OECD, *Measuring and Monitoring BEPS. Action 11: 2015 Final Report. OECD/G20 Base Erosion and Profit Shifting Project* (OECD, 2015), which forms part of the conclusion of a series of reports prepared as part of the Action Plan stipulated for the base erosion and profit shifting project, whose origins go back to 2013. As well as systematizing the information from the recent empirical literature on the subject, the study carried out a complex overall calculation of the estimated scale of base erosion and profit shifting and its fiscal impact in terms of reallocated tax revenues.

The OECD estimate was based both on an analysis of profit shifting due to tax rate differentials (the predominant methodology in academic studies) and on an evaluation of differences in effective rates between subsidiaries of large multinationals and comparable local firms, and sought to reflect mismatches between tax systems and types of preferential treatment available in each country. First, it estimated the semi-elasticity of declared profits relative to the differentials arising between the legal tax rates payable by subsidiaries and the average rate for the whole multinational they are part of. Making exhaustive use of the ORBIS database and 1.2 million records

between 2000 and 2010, this indicator was approximated to a value of -1.0.³ As a result of profit shifting, mismatches between tax systems and greater relative use of preferential treatment, average effective rates for large multinationals (those with over 250 employees) were found to be between 4.0 and 8.5 percentage points lower than those for comparable local firms.

Estimating the loss of revenue associated with base erosion and profit shifting mechanisms requires a great many parameters and assumptions to extrapolate an overall result from a database. For this, use was made not only of the ORBIS database but also of information generated by OECD (such as projections of tax revenues). Nonetheless, some factors that could cause revenue loss to be underestimated were identified, such as a lack of representativeness in the data available and uneven coverage in a number of the countries analysed, while other factors could lead to the results being overestimated.

Given these uncertainties and limitations, the total loss of net resources was estimated as being currently between 4% and 10% of annual corporate income tax revenues. Overall, this loss of revenue from base erosion and profit shifting equates to a cumulative amount of resources of between about US\$ 900 billion and US\$ 2.1 trillion over the last 10 years (2005-2014) and at least US\$ 100 billion to US\$ 240 billion in 2014, two thirds of it attributed to profit shifting and the rest to the exploitation of particular advantages for multinationals under preferential regimes.

Although this is a global, aggregate estimate, the study cited indicates that the impact of base erosion and profit shifting on the total tax take is probably greater in relative terms in developing countries than in developed ones, given the former's greater reliance on tax revenues from corporate income tax (OECD, 2015).⁴

³ ORBIS is a global database of business information produced by Bureau Van Dijk and based on a standardized format that makes it comparable for over 175 million firms worldwide (including banks and insurance companies).

⁴ According to data published in the report by Gómez Sabáini and Morán (2014), corporation tax revenues have historically averaged a higher proportion of the total tax burden for the countries of Latin America than for OECD members. Their average share in the region rose from 16.2% in 1990 to 17.4% in 2012, while for the developed countries it rose from 7.3% in 1990 to 8.9% in 2012.

Annex III.A2

Indicators for identifying and monitoring tax avoidance practices

In the interests of generating fresh, up-to-date and ongoing information, a recent report focusing on the monitoring of base erosion and profit shifting (OECD, 2015) presented six indicators that draw on multiple data sources, use different measurement parameters and analyse the different avoidance practices involved in base erosion and profit shifting (see box III.A2.1). Specifically, these six indicators are meant to show the disconnection between real economic activities and financial ones, profitability differentials between leading multinationals, differentials in tax rates between these firms and comparable ones that only operate at the national level, and profit shifting involving intangible assets and interest payments.

Box III.A2.1

Six indicators for tracing and detecting base erosion and profit shifting manoeuvres (OECD project)

Subject to all the relevant caveats regarding the limited availability of data and the care required in interpreting them, the Organization for Economic Cooperation and Development (OECD) has recently presented six indicators designed to identify the incidence of base erosion and profit shifting in the different countries:

1. High levels of foreign direct investment (FDI) relative to GDP (as an indication of the disconnection between financial activities and the real economy)
2. Differential in rates of return relative to effective tax rates
3. Differential in rates of return between the global operations of multinationals and those situated in low-tax jurisdictions
4. Effective tax rates for large subsidiaries of multinationals relative to local firms that are comparable or have similar characteristics
5. High levels of revenue from royalties relative to research and development spending (profit shifting using intangible assets)
6. Ratios between interest payments and revenues at subsidiaries of multinationals in high-tax jurisdictions (also to detect profit shifting)

Source: Organization for Economic Cooperation and Development (OECD), *Measuring and Monitoring BEPS. Action 11: 2015 Final Report. OECD/G20 Base Erosion and Profit Shifting Project*, Paris, OECD Publishing, 2015.

The report makes it clear, though, that the use of these indicators to identify the scale and economic impact of base erosion and profit shifting can only provide general indications on this in the countries analysed. The data used to estimate these indicators are affected by a number of limitations in the information sources available, which means that they should be regarded as illustrative and not definitive or strictly accurate.

Taking these reservations into account, the calculations for indicator 1 were obtained from data on 217 countries included in the Foreign Direct Investment (FDI) Statistics - OECD Data, Analysis and Forecasts database, and they show that stocks of FDI relative to GDP for a group of countries with high ratios (over 50% in net terms and over 200% in gross terms) have been growing over recent years in comparison with the average for all other countries: net FDI relative to GDP in these countries increased from a multiple of 38 times other countries' in 2005 to 99 times in 2012.

Indicators 2 and 3 show a correlation between low effective tax rates and subsidiaries' rates of profit. Going by financial information from the 250 largest multinationals, it was shown in the first case that 45% of these business groups' earnings was declared

for tax purposes through subsidiaries with below-average effective tax rates and above-average rates of profit, with a rising trend in this indicator over recent years. The other indicator connected with firms' profitability shows that the rate of return of subsidiaries based in low-tax countries is at least twice as high on average as that for the multinational of which they are part.

Indicator 4 uses unconsolidated financial information from firms in the ORBIS database to show that the effective rates paid by the subsidiaries of large multinationals were between 2.7 and 4.5 percentage points lower than those estimated for similar local firms between 2000 and 2010. Indicator 5 uses balance-of-payments and research and development spending information from the World Bank World Development Indicators to show that royalty receipts relative to research and development spending are six times as high in a group of countries with ratios in excess of 50% as the average for all other countries (in 2009 they were only three times as high). Lastly, the financial data collected to estimate indicator 6 suggest that when the subsidiaries of large multinationals are located in relatively high-tax countries, their ratio of interest over earnings before interest, tax, depreciation and amortization is almost three times as great as that of other subsidiaries in different jurisdictions.

Although very recent, this contribution is important if it is accepted that a combination of these indicators would provide solid evidence for illegal conduct and the (approximate) incidence of profit shifting worldwide and in several countries in particular.

Furthermore, as a first step towards obtaining data that are comparable across countries and over variable periods of time, the indicators have great potential for the study of these phenomena on a firmer statistical basis than at present. However, when it comes to quantifying the scale of the problem and the associated fiscal losses, they will need to be supplemented by more rigorous analyses, like those described in annex III.A1, that are able to exploit the new information produced.

The usefulness of this series of indicators can be expected to increase progressively over the coming years, when the agreements signed between the OECD countries and the G20 come into force. For example, the requirements proposed by OECD for reporting on operations with transfer prices between countries (Action 13) should begin to materialize from January 2016.

External private sector financial flows

Introduction

- A. Changes in external financial flows and the growing importance of private sector sources and actors
- B. The Latin American and Caribbean countries' access to private sector financial markets
- C. Private sector flows at the service of development

Bibliography

Introduction

The external development finance scene has changed considerably over recent decades in terms of the array of agents providing financing, the funding mechanisms used and the composition of financial flows. Analysis of the evolution of development finance flows reveals a clear fall-off in traditional flows such as official development assistance (ODA) in middle-income countries, including those of Latin America, with average ODA flows dropping from over 1% of regional GDP to 0.2% in the period from 1961 to 2014. This decline has been due to the logic driving the allocation of official assistance, which relies on per capita GDP as the sole indicator of a country's economic and social development, with the result that low-income countries are favoured over middle-income ones such as those of Latin America and the Caribbean.

As flows of official assistance have diminished, private flows have become the main source of financing for these economies, led by foreign direct investment (FDI), which in 2014 amounted to US\$ 158.803 billion, or 2.6% of regional GDP, equivalent to over 60% of total flows into the region. Remittances and portfolio investment flows, for their part, were over US\$ 60 billion and US\$ 93 billion, respectively, in 2014.

More recently, and especially since the international financial crisis of 2008-2009, the international bond market has become a major source of financing for the region's private and public sectors alike in different areas of economic activity, including natural resources, infrastructure and the financial sector. This can be accounted for, among other factors, by the substantial shift that quantitative easing in the United States has brought about in the composition of financial flows to emerging markets, including Latin America and the Caribbean, giving greater primacy to the bond market over bank lending. From US\$ 20 billion in 2009, bond issues in the region rose to over US\$ 150 billion in 2014 (2.6% of regional GDP) before stabilizing at about US\$ 80 billion in 2014-2015.

This reliance on private funds raises very significant issues for development finance. First, there is the matter of differentiated access to markets for private flows. Not all countries have the same access to external financing sources. The degree to which a country or set of countries can access external private sector financing depends on a number of factors, including the size of the economy, perceived risk (in some cases reflecting the country's macroeconomic record), the production structure, the state of infrastructure and the education and specialization level of the workforce.

Second, private sector flows, including FDI, are procyclical and sometimes highly volatile, which can amplify business cycle fluctuations. This limits the scope for securing the continuity of financing that is vital for long-run growth.

Third, the behaviour of private capital flows, including FDI, reflects the fact that they are mainly profit-driven, which can mean that investment is inadequate in areas crucial to sustainable development, such as poverty reduction or infrastructure improvements, if the expected risk-adjusted return is unsatisfactory relative to alternative investment opportunities.

Channelling and matching private capital to sustainable development needs means creating incentives that can attract private investment into areas where it meets the production and development requirements of the economies of Latin America and the Caribbean. This must involve government action to design appropriate incentives, which means, for example, including social returns in cost-benefit analyses, supplying public financing to sectors that generate significant social benefits but do not attract enough private sector funds, maintaining risk-return profiles attractive to private capital and directing this capital towards development objectives, and creating appropriate legal frameworks.

This chapter contains three sections. The first analyses changes in the composition of external flows, highlighting the diminishing role of ODA and the predominance of private funds. The second section examines issues surrounding the access of Latin America and the Caribbean to financial markets, identifying possible determinants of access to private sector finance. It also describes recent changes in the composition of international liquidity. The third section suggests measures for channelling private capital into economic development and describes two illustrative mechanisms for directing private funds towards different areas of developmental importance: public-private partnerships and social impact bonds.

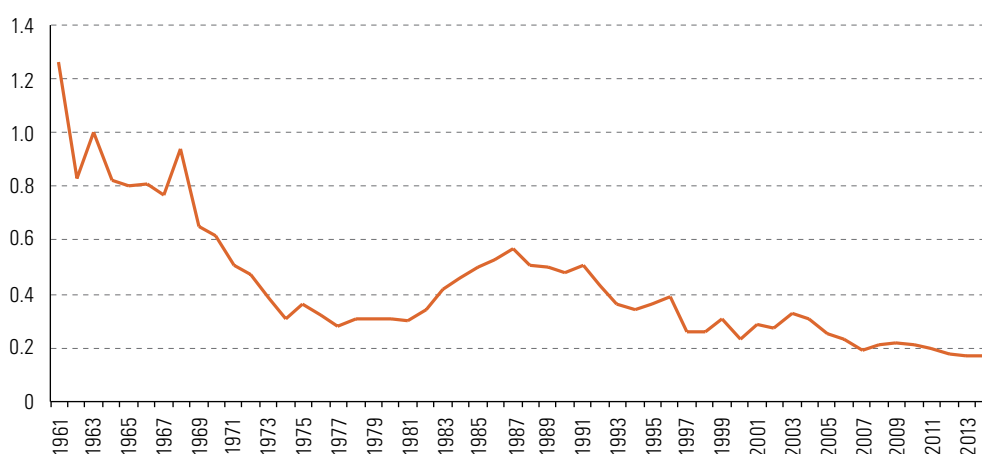
A. Changes in external financial flows and the growing importance of private sector sources and actors

Analysis of the evolution and composition of financing flows in recent decades reveals a clear decline in ODA going to middle-income countries, including those of Latin America and the Caribbean. Meanwhile, private sector flows have become the leading source of external funding for this group of countries.

1. Trends in ODA and official flows

Since the 1970s, Latin America and the Caribbean, like other middle-income regions, has seen its share of ODA diminish. More specifically, the proportion of ODA received by the region has been in clear decline, both as compared with other developing regions and relative to its average gross national income (GNI). ODA flows currently represent 0.17% of regional GNI, a sharp drop from the 0.4% that was the average for the 1970s, 1980s and 1990s (see figure IV.1).¹ At the same time, the region's share of total ODA dropped from 15% in the 1980s and 1990s to some 8% in the 2000s.

Figure IV.1
Latin America and the Caribbean: official development assistance (ODA), 1961-2014
(Percentages of gross national income)



Source: Organization for Economic Cooperation and Development (OECD), "Development Finance Statistics", 2016 [online] <http://www.oecd.org/development/stats/>.

¹ Aggregate ODA figures mask large disparities between countries, as relative levels vary widely, from 0% of GNI (Trinidad and Tobago) to roughly 17% (Haiti) in 2000-2014. Between these extremes, ODA is over 10% of GNI in 2 countries (Guyana and Nicaragua), between 1% and 6% in 10 and below 1% in another 18.

The behaviour of ODA in the aggregate reflects the logic of the international cooperation system, which relies on per capita income as the variable summarizing countries' development levels and thus guiding the allocation of official assistance flows. On this logic, countries are divided into low-income, middle-income (lower middle and upper middle) and high-income. According to the World Bank, countries with a per capita GNI of US\$ 1,045 or less (in 2014 figures) are low-income, those with per capita GNI of US\$ 1,045 to US\$ 12,735 are middle-income, and those with per capita GNI of above US\$ 12,735 are high-income. Under this classification, there are 31 low-income countries, 102 middle-income countries and 80 high-income countries.

The use of per capita income as an indicator for allocating resources is grounded essentially in two considerations. First, per capita income is assumed to be a true reflection of countries' level of economic and social development. However, the evidence indicates that countries with similar income levels are characterized by very different situations as regards economic and social development, such as different levels of access to social protection mechanisms, education and health-care quality, and financial participation and inclusion, as well as different levels of resilience in the face of economic and social shocks. An example of this great socioeconomic diversity are poverty rates in middle-income countries, which range from 0.3% to 67.4%. Similarly, the Gini coefficient presents significant variance, with a low of 0.28 and a high of 0.66.

A second rationale for using per capita income as the main resource allocation criterion is the assumption that as their per capita income rises, countries will be able to access and mobilize a larger quantity of domestic and external resources to finance their economic and social development needs and reduce their dependence on ODA. However, the evidence is that access to external resources can depend on a wide array of factors besides per capita income, including external factors beyond the control of middle-income countries such as credit ratings, risk perceptions and external demand conditions, as well as the size of the economy. Similarly, the ability to mobilize domestic resources also depends on factors unrelated to per capita income, such as the level of domestic saving, the degree of financial inclusion and the ability of governments to collect taxes.

The data available also reveal that there is no unequivocal relationship between per capita income and institutional development. Indeed, empirical estimates are far from conclusive and show positive and negative correlation coefficients coexisting with different per capita income levels.

Classifying official financing flows as bilateral (from other countries) or multilateral (from multilateral institutions) and as concessional or non-concessional reveals that concessional official flows predominate at the bilateral level and non-concessional official flows at the multilateral one (see figure IV.2).

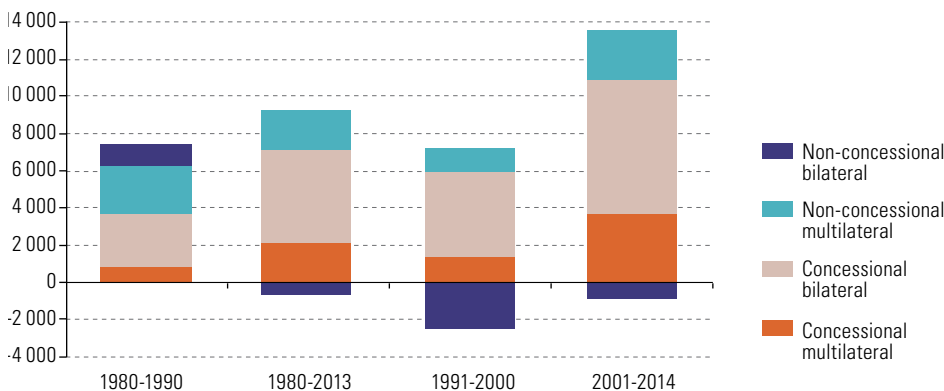


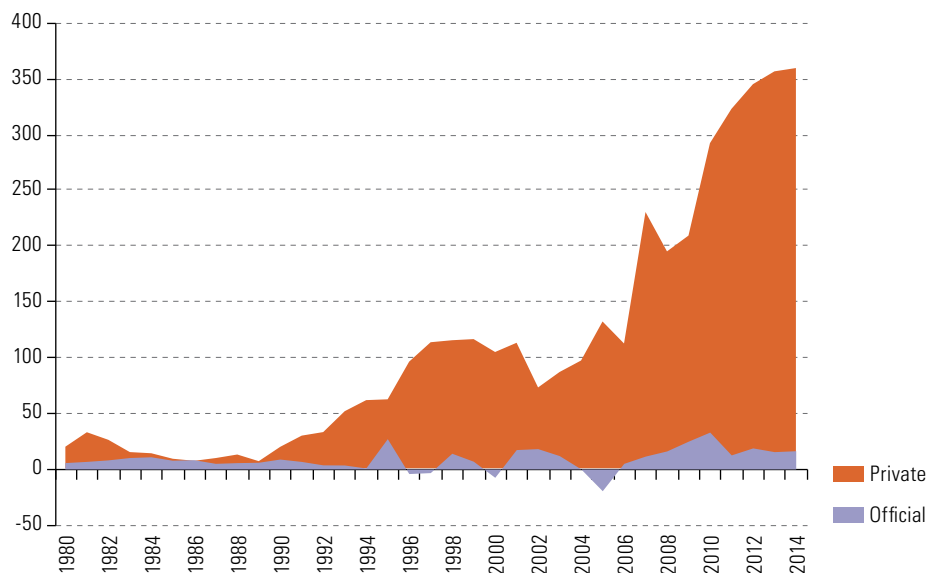
Figure IV.2
Latin America and the Caribbean: classification of official financing into concessional and non-concessional bilateral and multilateral flows, averages for each period, 1980-2014 (Millions of dollars)

Source: C. Vera and E. Pérez Caldentey, "El financiamiento para el desarrollo en América Latina y el Caribe", *Financiamiento para el Desarrollo* series, No. 257 (LC/L.4115), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2015.

2. External sector flows

As a corollary to the drop in ODA, analysis of the composition of external flows reveals the growing importance of private sector financing, which accounts for over 90% of total financial flows (see figure IV.3).

Figure IV.3
Latin America and the Caribbean: private and official financing flows, 1980-2014
(Billions of dollars)



Source: C. Vera and E. Pérez Caldentey, "El financiamiento para el desarrollo en América Latina y el Caribe", *Financiamiento para el Desarrollo* series, No. 257 (LC/L.4115), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2015.

The main component of private sector financial flows is FDI, which in the last decade represented an average of some 42% of the total in developing countries and 52% in Latin America and the Caribbean. FDI flows go mainly to natural resource and service sectors, thus tying in directly with the region's trade specialization patterns and comparative advantages.

Migrant remittances have also increased substantially in Latin America and the Caribbean, becoming the most dynamic component of financial flows together with FDI. Remittances represent 26% of total net financial flows in the region, exceeding 10% of GDP in some economies of Central America and the Caribbean.

Portfolio investment flows have also increased over the last two decades, coming to account for 7% of total non-FDI external sector financial flows into Latin America in the last decade. After Asia and the Pacific, Latin America is the region most dependent on financing from short-term financial flows. Indeed, portfolio investment flows represented the same share of the region's GDP in 2010 as FDI, an average of some 2.3%.

Analysis of the evolution of private sector financial flows reveals that they became more volatile, first in the 1990s and then, in a second stage, from 2007. Volatility is not just a characteristic of short-term private sector financial flows, but also affects the behaviour of FDI flows.

A more detailed analysis of changes in the composition of development financing shows a varied range of flows, actors, instruments and mechanisms. New and growing sources of financing include donations from philanthropic organizations and funding from development finance institutions and new donors outside the Development Assistance Committee.²

Private capital in the form of equity, bonds, debt securities, non-concessional loans and risk mitigation instruments (including guarantees) is also playing a more important role, along with private voluntary contributions.

² According to the Index of Global Philanthropy and Remittances, private philanthropy worldwide accounted for about 8% of total public and private flows in 2012.

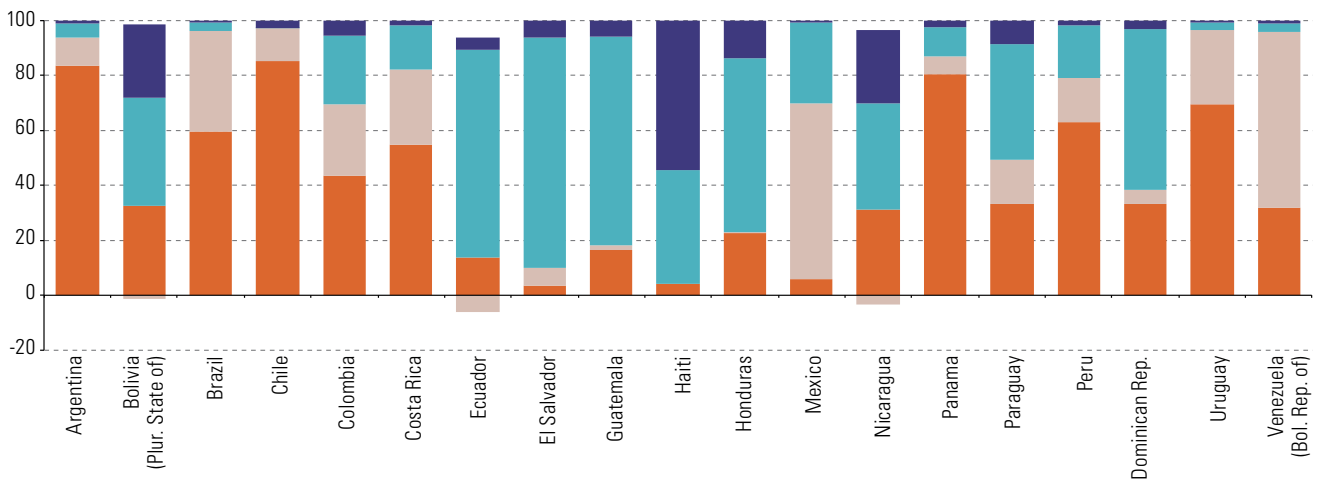
Among the changes to the composition of development financing, particular mention should be made of innovative financing mechanisms that may be important for the future shape of the developing financial architecture. These innovative mechanisms, some of them already implemented, fall into four broad categories: (i) those that generate new public revenue streams, (ii) debt-based instruments and front-loading (such as debt swaps and international finance facilities), (iii) public-private incentives, guarantees and insurance (such as advance market commitments and sovereign insurance pools) and (iv) voluntary contributions using public or public-private channels (such as person-to-person giving).

3. The heterogeneous composition of the external flows relied on by the different countries

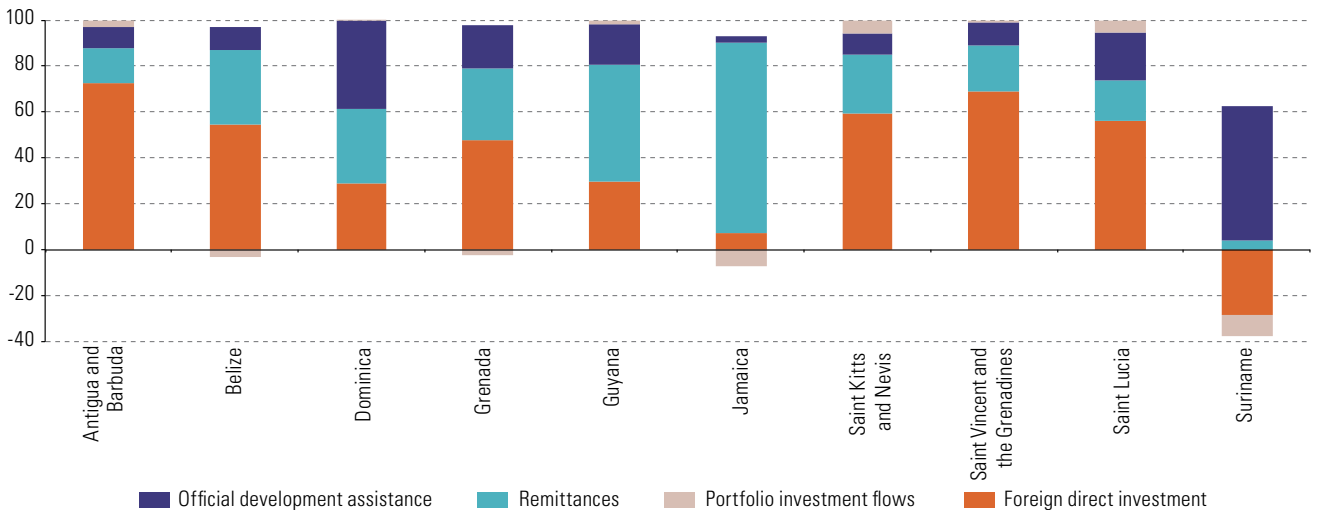
For the different countries, the relative scale of the different financial flows analysed is highly heterogeneous. There are countries such as Haiti in which ODA and remittances together account for practically the whole of the external financing flows received. Conversely, flows of this type play a lesser role in upper middle-income countries such as Brazil, where most financing comes from FDI and, depending on the period, portfolio investment flows (see figure IV.4).

Figure IV.4
Latin America and the Caribbean: relative scale of selected external financing sources, 2010-2012 average (Percentages of total flows)

A. Latin America



B. The Caribbean



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

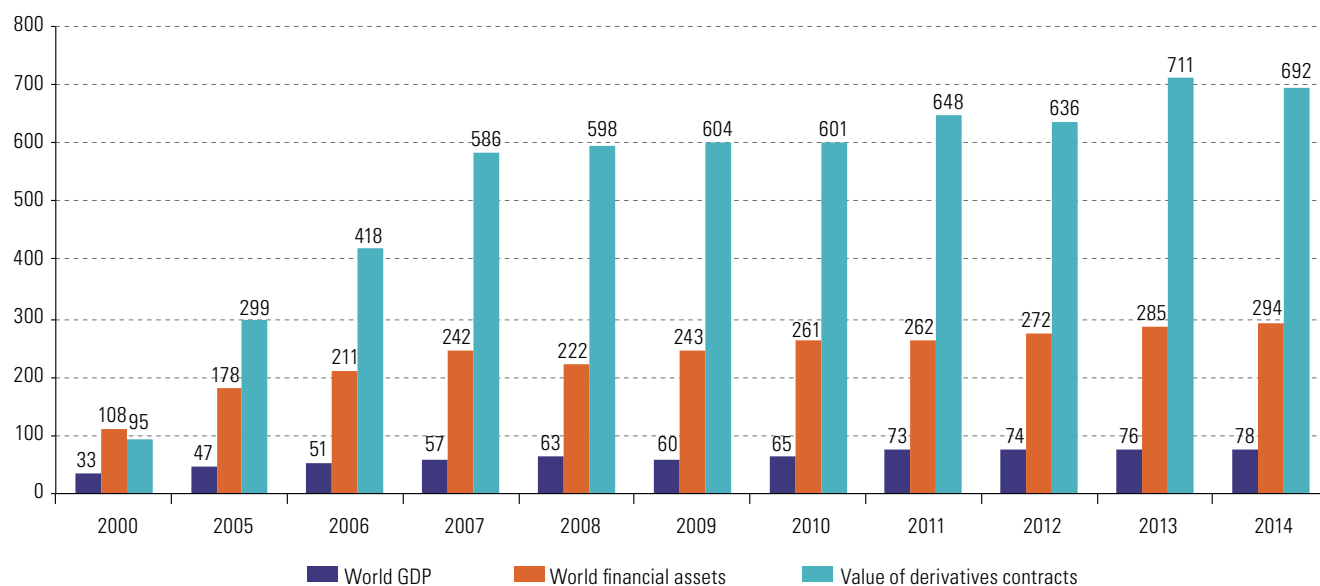
Note: Countries without full information available were not included in the chart.

B. The Latin American and Caribbean countries' access to private sector financial markets

Capital markets and private sector financial flows have grown exponentially in the last two decades. In terms of stocks, the information available indicates that worldwide assets rose from US\$ 100 trillion to US\$ 294 trillion between 2000 and 2014 (230% and 293% of world GDP, respectively). The value of derivatives contracts rose from US\$ 95 trillion to US\$ 692 trillion between 2000 and 2014 (see figure IV.5).

Figure IV.5

Value of world financial assets, derivatives and world GDP, 2000-2014
(Trillions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Bank for International Settlements (BIS) and World Bank, World Development Indicators, 2015.

The burgeoning stock of financial assets is explained partly by the expansion of the financial sector. According to information on the composition of the stock of world financial assets, the financial-sector share averaged over a quarter of the total in the period from 1990 to 2013.

This increase in financial depth translated into greater availability of funding for developing countries, including the region's economies, and into better conditions of access to external financing. For Latin America and the Caribbean in particular, the cost of external finance in the period of strongest regional growth before the international financial crisis (2008-2009) was the lowest since the 1970s (Ocampo, 2015). However, not all the countries had the same opportunities to access financing, as these depended, among other factors, on the size and openness of their economies, the depth of their national financial systems and their production structures.

Access to international private sector financial markets is also affected by changes in the composition of international liquidity. At present, because of the policy of quantitative easing applied by the United States to cope with the effects of the international financial crisis on the financial system, external financing flows to developing countries have partly relied on banks not resident in that country and, to a large extent, on the international bond market.

According to the Bank for International Settlements (BIS, 2015), the information available for 2013 shows total lending that year to be US\$ 8.7 trillion, 46% of it generated in the international bond market and 54% in the international banking market (see figure IV.6). The information also indicates that banking institutions based in the United States do not dominate lending outside that country, accounting for just 11% of it in 2013.

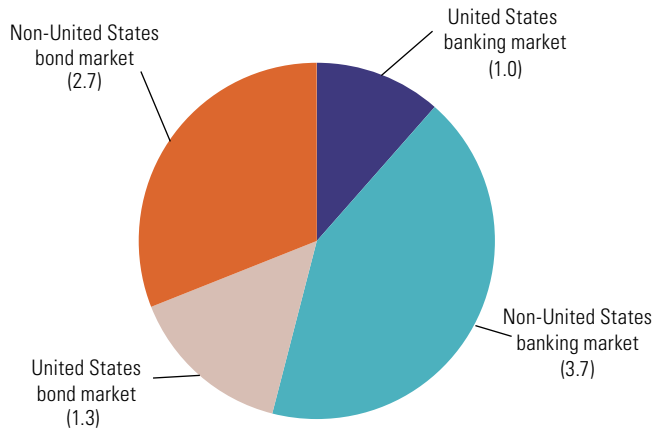


Figure IV.6
Lending to borrowers outside the United States, late 2013
(Trillions of dollars)

Source: R. McCauley and others (2015), "Global dollar credit. Links to US monetary policy and leverage", *BIS Working Paper*, No. 483, Bank for International Settlements, 2015.

In the case of Latin America and the Caribbean, international bond issues became a major financing source from early 2009, and their volume increased steadily up to late 2014. Bond issuance rose from US\$ 20 billion to US\$ 140 billion between June 2009 and December 2014. It has fallen off since then, with the latest figures available putting issuance at about US\$ 80 billion (see figure IV.7).

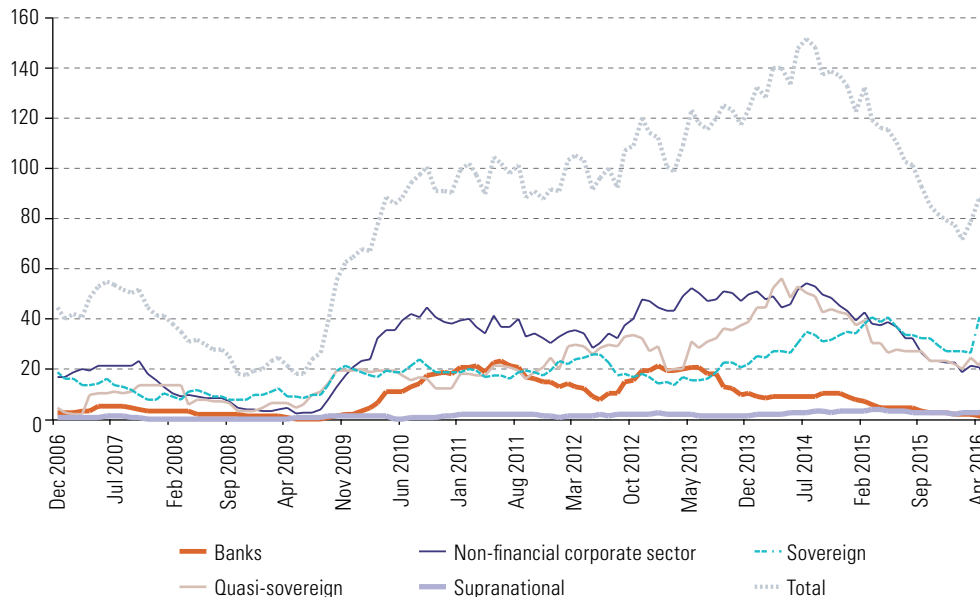


Figure IV.7
Latin America and the Caribbean: international bond issuance, December 2006 to May 2016
(Billions of dollars)

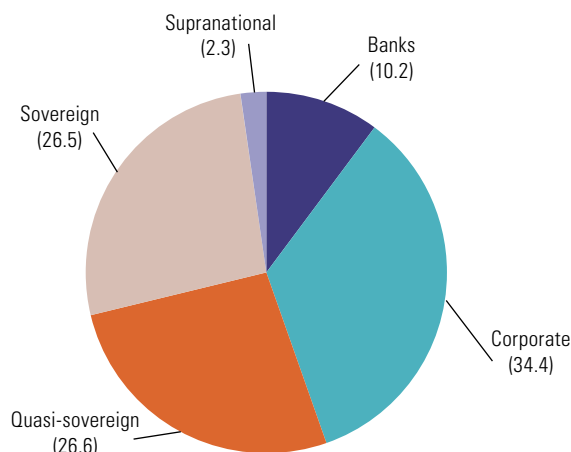
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Latin Finance Bonds Database, 2016.

Note: The different sectors shown are those issuing the bonds, and are classified into five major categories: banks, non-financial corporate sector, sovereign, quasi-sovereign and supranational. The quasi-sovereign sector includes public sector development banks and State enterprises, among others. The supranational sector includes regional development banks such as the Development Bank of Latin America (CAF) and the Central American Bank for Economic Integration (CABEI).

Breaking down total issuance between January 2006 and May 2016 by economic agent shows that the bulk was corporate (34.4% of the total), sovereign (26.5%) and quasi-sovereign (26.6%). The bank sector represents a minor share of the total and supranational issuers an even smaller one (10.2% and 2.0%, respectively) (see figure IV.8).

Figure IV.8

Bank, corporate, sovereign, quasi-sovereign and supranational shares of international bond issuance, January 2006 to May 2016 (Percentages of the total)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Latin Finance Bonds Database, 2016.

The information by country for 2006-2013 reveals that almost all the countries of Latin America have had recourse to the international bond market and that access to this market is not restricted to the region's larger economies (see table IV.1). Indeed, the countries issuing the most bonds by value as a share of GDP in 2006-2013 were small economies, namely Uruguay, Panama and El Salvador, whose issuance was equivalent to 4.8%, 4.6% and 2.3% of GDP, respectively. They were followed by Colombia, Peru, Mexico, Chile, Brazil and the Bolivarian Republic of Venezuela, with total issuance of between 1.3% and 1.7% of GDP.

Table IV.1

Latin America (17 countries): bond issuance, 2006-2013 (Percentages of GDP)

Country	2006-2007	2008-2009	2010-2013	Average
Uruguay	11.5	0.8	2.0	4.8
Panama	7.6	3.9	2.2	4.6
El Salvador	2.5	1.9	2.4	2.3
Colombia	1.8	1.4	1.8	1.7
Peru	1.3	0.9	2.8	1.7
Mexico	1.0	1.1	2.5	1.5
Chile	0.4	0.8	3.3	1.5
Brazil	1.2	1.0	1.8	1.4
Venezuela (Bolivarian Republic of)	1.7	1.5	0.8	1.3
Costa Rica	0.0	0.0	2.4	0.8
Dominican Republic	0.0	0.0	1.9	0.6
Honduras	0.0	0.0	1.4	0.5
Guatemala	0.0	0.0	1.3	0.4
Argentina	0.9	0.1	0.3	0.4
Paraguay	0.0	0.0	1.0	0.3
Bolivia (Plurinational State of)	0.0	0.0	0.9	0.3
Ecuador	0.0	0.0	0.0	0.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Latin Finance Bonds Database, 2016.

At the sectoral level, the largest share of issuance has been in the energy and financial sectors, which together accounted for about 50% of the total. Next come communications and construction, at 8.9% and 7.9%, respectively (see figure IV.9).

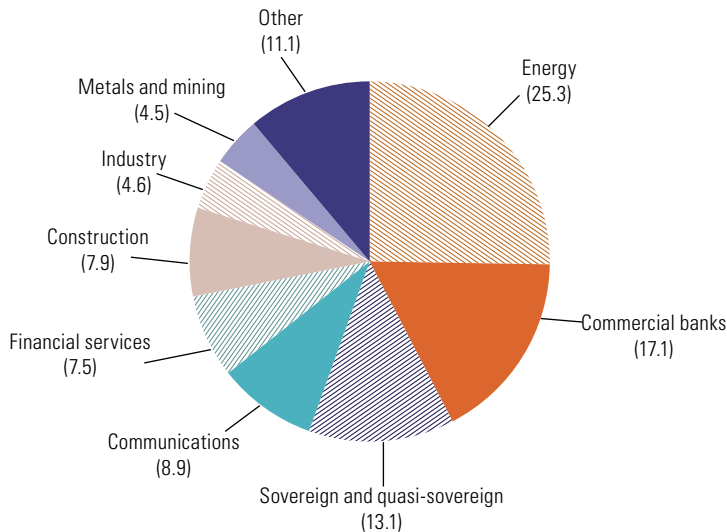


Figure IV.9
Latin America and the Caribbean: bond issuance by sector of economic activity, 2006-2014 (Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Latin Finance Bonds Database, 2016.

The sectoral composition of bond financing reflects favourable conditions in the raw materials market for some countries (the commodity supercycle in particular) and, from 2010, the appreciation of local currencies against the dollar in several of the region's countries, which cut the cost of external borrowing. Unsurprisingly, falling raw material prices, especially since mid-2014, and currency depreciation, resulting in dearer financing on the international bond markets, have prompted a process of deleveraging (reduced debt issuance).

Another of the factors influencing access to financing from private sector markets is the business cycle. This can be gauged from variations in country risk and depends on a number of factors besides national policies, including external conditions beyond the control of developing and middle-income countries. This is illustrated in figure IV.10, which shows the Emerging Markets Bond Index (EMBI) spread (the difference between the interest rates on dollar-denominated bonds issued by emerging countries and United States Treasury bonds, considered risk-free).³

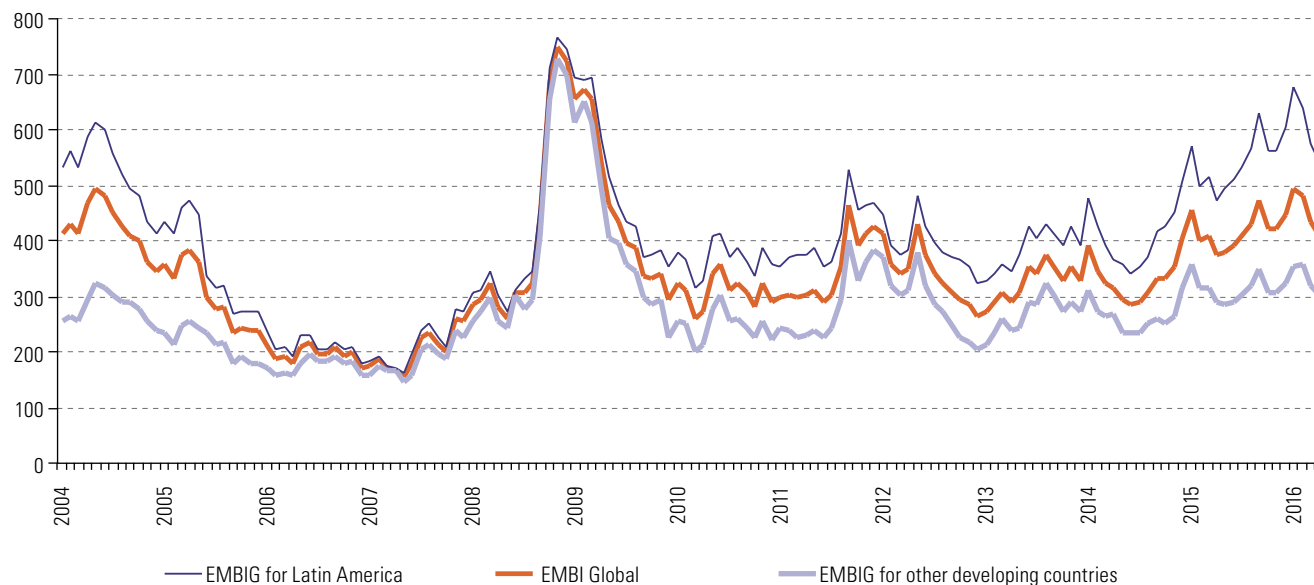
As figure IV.10 shows, the lowest rate that a financial investor would demand to invest in a given Latin American or Caribbean country closely tracks the rate for other developing countries, largely reflecting external conditions. Two illustrative examples are the international financial crisis of 2008-2009 and the current slowdown in the region.

During the financial crisis that followed the collapse of Lehman Brothers, risk increased across the board in emerging economies, even though the crisis originated in the developed world. This reflects the fact that investors tend to treat developing countries as a group rather than distinguishing and identifying their individual characteristics. By way of example, the correlation coefficient between the EMBI Global and the EMBI for Latin America is 0.98, while the correlation between the EMBI Global and the EMBI for Latin America and countries outside the region is 0.85.

³ The EMBI is based on the behaviour of external debt issued by each country. The less certainty there is that a country will meet its obligations, the higher its EMBI rating will be, and vice versa. The lowest rate that an investor would demand to invest in the country is equal to the rate on Treasury bonds plus the EMBI of that country.

Figure IV.10

Emerging Market Bond Index (EMBI Global) for the world, Latin America and all other developing countries, quarterly data, 2004-2016



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

Another more recent episode illustrating the same idea is the boom in the Chinese stock market from June 2014 to mid-June 2015, followed by an abrupt fall. The behaviour of this market was partly due to a steady increase in margin debt⁴ owing to the loosening of financial regulations and the financing of growing levels of borrowing by the Chinese government. Although the Chinese stock market is not large by international standards, its sharp decline in late August affected stock markets worldwide.⁵ The world's largest stock markets including the Standard & Poor's 500 Index in the United States, the Nikkei 225 in Japan and EURO STOXX all fell, as did emerging-market and other exchanges (see figure IV.11).

This episode increased volatility worldwide. Global and emerging-market volatility indices (the VIX and VXEEM, respectively) rose quite strongly. Furthermore, the rise in volatility was not confined to the stock market, but affected commodities, the bond market and currency markets. This can be seen in figure IV.12, which shows the evolution of stock market volatility for the different markets in the United States (VIX), Europe (V2X) and emerging economies (VXEEM), as well as implied volatility for the Group of Seven (G7) and emerging markets. In all cases, the volatility calculated began to rise in late August 2015.⁶

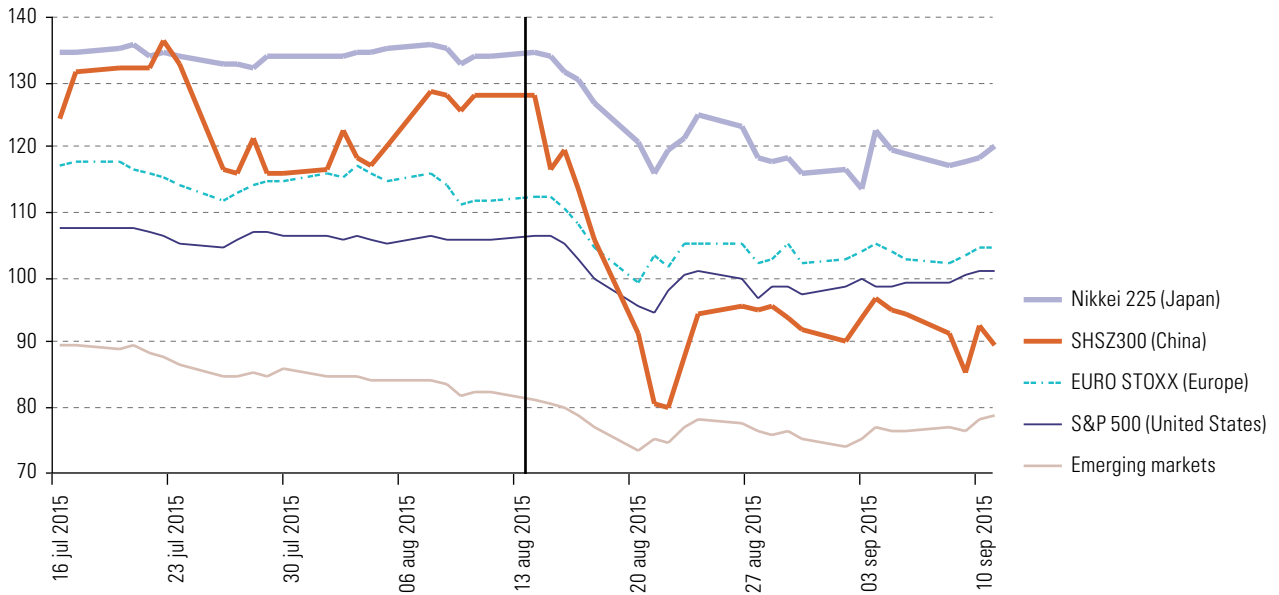
⁴ Margin debt refers to the total value of debt taken on by investors to invest in the stock market.

⁵ The situation in the Chinese stock market began to deteriorate from mid-June 2015. Between late June and early July (more specifically, between 12 June and 8 July), the benchmark Shanghai Shenzhen CSI 300 index lost a third of its value. The same index dropped again in late July, by 8.5%, its worst performance since 2007. Between 18 and 25 August, when the Chinese stock market fell again, the world's major stock exchanges all lost ground, with an average contraction of an estimated 10% (BIS, 2015).

⁶ The VIX is the volatility index of the Chicago Board Options Exchange and measures the expected volatility of options and investors' expectations about the Standard and Poor's 500 Index. The VSTOXX (formerly the V2X) and VXEEM measure the same, but for European industrial activity (EURO STOXX 50) and emerging markets, respectively. Then there are the indices created by J.P. Morgan to measure currency market volatility: the VXY for the G7 countries and the EM-VXY for emerging economies.

Figure IV.11

Stock market indices in China, the United States, Japan, Europe and emerging markets, monthly data, 16 July to 17 September 2015

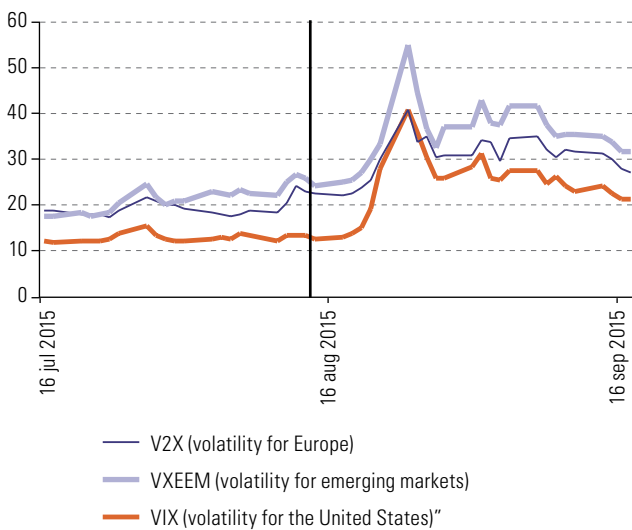


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from Bloomberg.

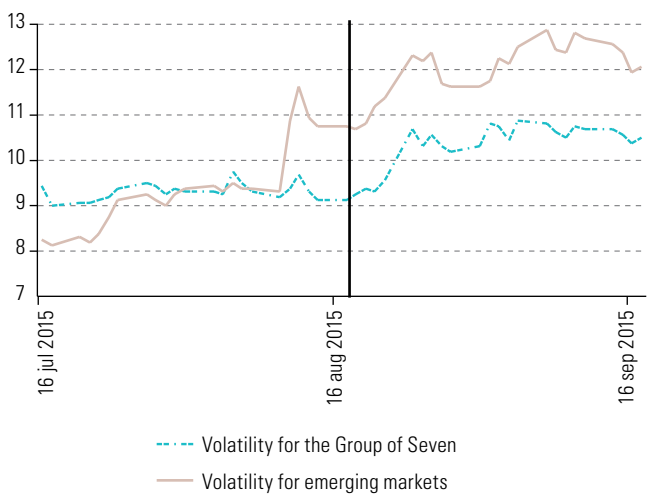
Figure IV.12

Global stock market volatility (the VIX, V2X and VXEEM) and implied volatility, monthly data, 16 July to 17 September 2015

A. Global stock market volatility



B. Implied volatility



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

C. Private sector flows at the service of development

An abundance of external financing does not guarantee that this financing can be used to enhance the region's productive development.

The evolution and allocation of private capital, including FDI, are driven mainly by criteria of profitability rather than countries' development needs. This can mean that investment is inadequate in areas crucial to sustainable development, such as poverty reduction or action on climate change, if the expected risk-adjusted return does not match up to that of other investment options.

Markets and capital flows operate in a short-term framework because of the characteristics of their incentives, such as the fact of sustainability considerations not being included in the cost of capital. This can result in long-term capital investment opportunities being foregone, sustainability being undervalued and resources not going where they are most needed. The tendency to prioritize the short term and the neglect of externalities reduce incentives to invest in sustainable businesses (Aviva, 2014).

If the goal is to channel private capital in a way that furthers sustainable development, incentives need to be created for all major actors in capital markets to take sustainability aspects into account. At the same time, policymakers need to incorporate sustainable development criteria into capital market policies, and corporate externalities should be internalized in company accounts through fiscal measures, regulations and market mechanisms (Aviva, 2014, p. 46).

Efficient and selective government interventions will be required to design appropriate incentives so that private capital can contribute to the attainment of the Sustainable Development Goals. The public sector must build on its increasingly important role in including social returns in the cost-benefit analysis. It can provide public financing for sectors that generate significant social gains but do not attract sufficient private flows. It can also establish an enabling environment and proper incentives, thereby supporting a risk-return profile capable of attracting private capital and directing it towards development objectives.

Such incentives for private financing need to go hand in hand with proper regulatory frameworks. A balance needs to be struck between business strategies and development objectives in host countries in order to: (i) allocate a larger share of FDI flows to the funding of production development (innovation, small and medium-sized technology firms and new sectors, among others), (ii) promote the incorporation of local small and medium-sized enterprises into global value chains headed by transnational corporations, (iii) prioritize FDI projects which help to close gaps in environmentally-friendly technologies and develop modern infrastructure (including broadband Internet) and (iv) develop a better institutional structure for attracting high-quality FDI. The region needs to address the challenge of attracting capital for production development if it wishes to foster greater diversification into sectors that are more intensive in specialized knowledge, develop local capabilities and maintain long-term competitiveness, while at the same time promoting sustainable development.

Two mechanisms serve to illustrate the way financial flows can be channelled towards development financing: public-private partnerships and social impact bonds. Public-private partnerships are long-term contractual agreements between the public sector and one or more private partners for the purpose of building, operating or

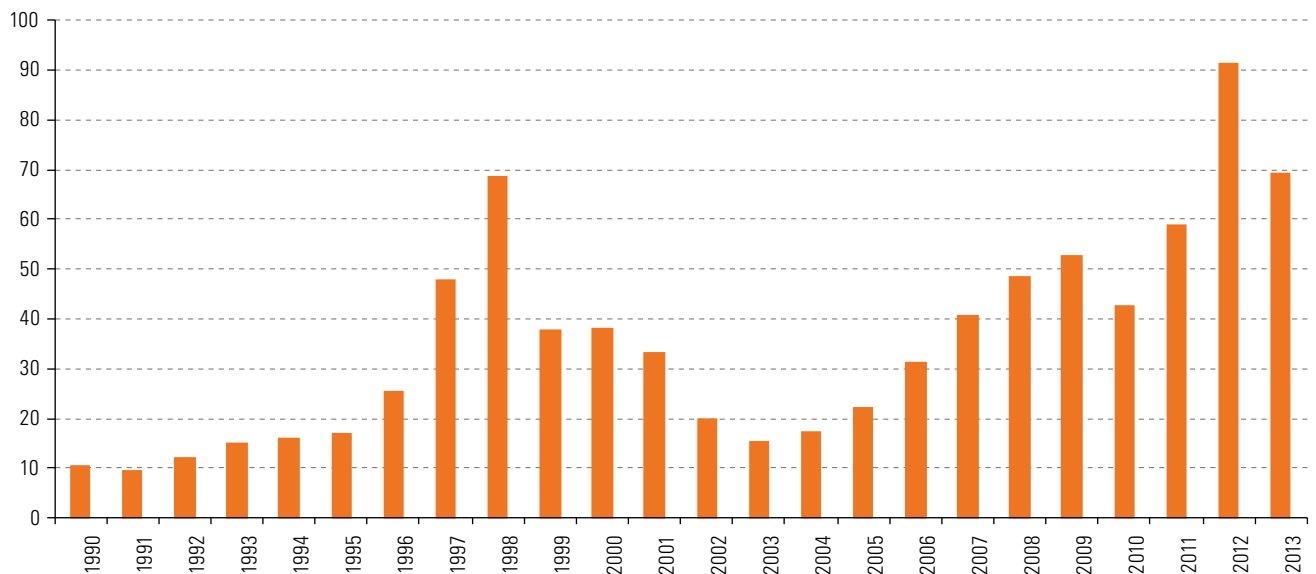
administering infrastructure that provides citizens with a good or service.⁷ Social impact bonds are another of the mechanisms whereby private capital can support the financing of development areas, in this case social ones.

The two mechanisms will now be briefly described and their progress in the region analysed, together with the challenges that have arisen and the lessons learned from their implementation.

1. Public-private partnerships in Latin America and the Caribbean

The first public-private partnerships in Latin America and the Caribbean, most of them concessions, were implemented in the late 1980s and early 1990s. Investment in such partnerships has increased in the region since then, albeit with some cyclical fluctuations (see figure IV.13).

Figure IV.13
Latin America and the Caribbean: investment in public-private partnerships, 1990-2013
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, Private Participation in Infrastructure Projects Database.

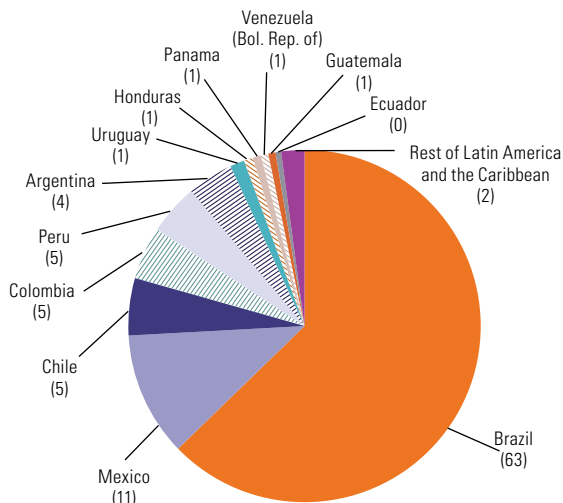
Although almost all the countries have had some experience with public-private partnerships, Brazil accounts for the bulk of such investment. In the period from 2010 to 2013, that country alone accounted for over 60% of the total investment in public-private partnerships in the region, with Mexico a distant second at 11% (see figure IV.14).

The main areas in which the public-private partnership mechanism has been applied have historically been transport (airports, ports, highways, trains, metropolitan railways and buses), telecommunications, energy (mainly electricity generation and investments in natural gas) and sanitary services (mainly drinking water distribution, water sanitation and drainage) (see figure IV.15).

⁷ While there are different definitions and positions regarding what constitutes a public-private partnership, this definition is a synthesis based on the literature cited in Alborta, Stevenson and Triania (2011) and Engel, Fischer and Galetovic (2008) that aims to capture the key aspects. Public-private partnerships encompass a variety of contractual formats.

Figure IV.14

Latin America and the Caribbean: distribution of cumulative investment in public-private partnerships, 2010-2013
(Percentages)



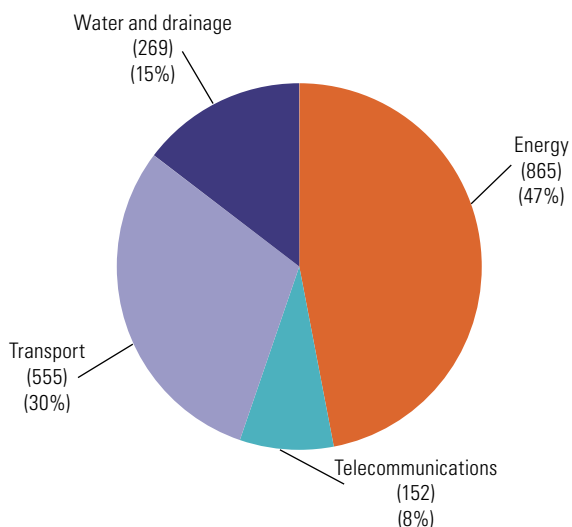
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, Private Participation in Infrastructure Projects Database.

Figure IV.15

Latin America and the Caribbean: number of public-private partnerships and amount of investment by sector of activity, cumulative values, 1990-2013

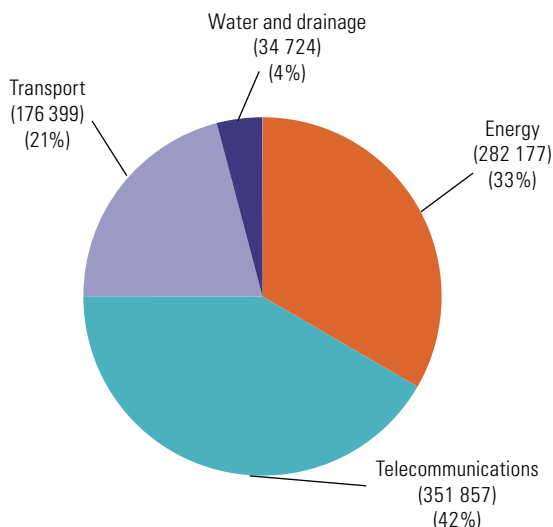
A. Public-private partnerships and distribution by sector

(numbers and percentages)



B. Investment in public-private partnerships and distribution by sector

(millions of dollars and percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, Private Participation in Infrastructure Projects Database.

In the last decade, the governments of some of the region’s countries have also begun to use public-private partnerships to meet some social infrastructure needs, such as investments in physical infrastructure or the operation of prison and health services. This has happened in Chile, Peru and Mexico, where public-private partnerships have now been tried out in the health-care sector, and Colombia and Honduras, which have

announced plans to tender out projects for public-private partnerships in the sector over the coming years (PWC, 2014). Furthermore, in the most traditional sectors such as energy, public-private partnerships have begun to play a role in new segments too, examples being investment in clean technologies that reduce carbon emissions.

While public-private partnerships have been well received around the world since they appeared as an alternative to public provision, they have not been trouble-free. In Latin America and the Caribbean in particular, a number of lessons have had to be learned from certain difficulties arising in the so-called first generation of public-private partnerships, suggesting specific ways forward if these arrangements are to be made more successful.

One major problem that has come up time and again in the region is the renegotiation of contracts once an investment has been made, entailing great costs for the countries' treasuries, as well as considerable delays in projects due to be implemented.

Regulatory shortcomings and incomplete contracts that have left scope for the private firms involved to alter factors and so increase their revenues have been a leading cause of such renegotiations. A second cause for renegotiation lies in the countries' public sectors themselves. Governments in office may have incentives to set up public-private partnerships hastily (usually with flawed and incomplete contracts) in order to increase their immediate political capital. The usual outcome is that elements of the contracts have to be corrected afterwards through renegotiations that prove costly, but usually for future administrations and users, rather than the current government.

Governments may also have incentives to invest and increase their political capital by the short cut of renegotiations that create add-ons to currently active public-private partnership projects rather than going through slow public tendering and procurement processes and submitting to parliamentary oversight of spending. Because the project is already operational, the private sector party is strongly placed in these renegotiations and can hold out for the best conditions at considerable future budgetary cost, possibly also with future conditions that are unfavourable to users.

Successful implementation of a public-private partnership requires a clear regulatory framework, rigorous evaluation, planning and design, real competition in the tendering process⁸ and well-equipped independent institutions, unaffected by political bias, to manage and supervise the process.

There is a need to formulate contracts that ensure appropriate and properly priced risk transfer to the private sector party. For example, State guarantees, if they exist, should be well designed and of limited scope and duration. Otherwise, the use of guarantees to secure financing for the private party may expose the public sector to very high (concealed) contingent costs (Akitoby, Hemming and Schwartz, 2007).

It is vital that public-private partnerships should be implemented as a way of increasing spending efficiency and not as a way of shifting spending off the government budget. For this, public sector accounting needs to find ways of properly capturing public-private partnerships in the fiscal accounts and in debt sustainability analyses, rather than creating scope for them to be kept off public sector balance sheets. Furthermore, there need to be rules to ensure transparency, i.e., proper disclosure by the State of the fiscal contingencies that may arise from public-private partnerships, including those resulting from any State guarantees provided (Akitoby, Hemming and Schwartz, 2007).

⁸ If the incentives to compete are diluted, the cost of infrastructure rises and quality may be poorer (Engel, Fischer and Galetovic, 2008). This consideration arises from the fact that in some countries foreign firms cannot compete, for example. Genuine competition is not enough, however, if there is a high risk of renegotiation once the investment has been made.

2. Social impact bonds

Social impact bonds, first implemented in 2010, are another innovative mechanism for channelling private sector financing to development objectives.

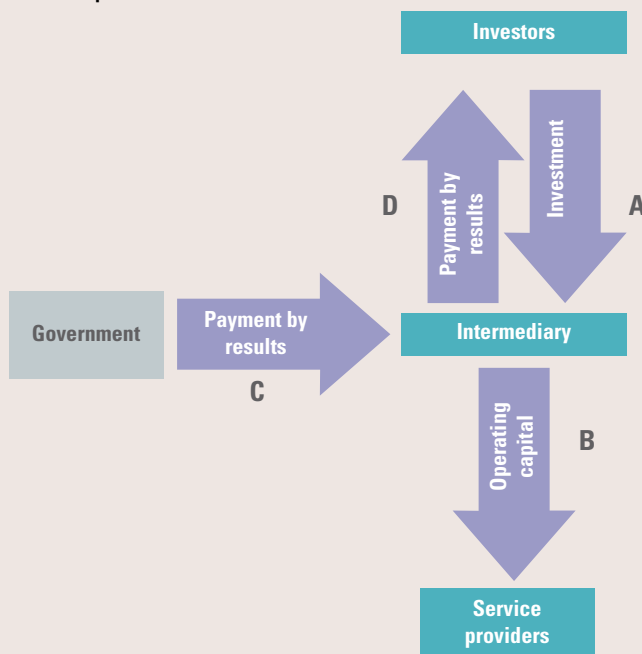
As the name indicates, this mechanism was devised to provide financing from private capital for social programmes, and it has expanded to the point where there are now a total of 25 initiatives of this type around the world.

Social impact bonds are a new way of addressing social problems, employing results-based financing. According to the Development Impact Bond Working Group set up jointly by the Center for Global Development and by Social Finance (CGD/Social Finance, 2013), social impact bonds turn social problems into investment opportunities, with private investors supplying the operating capital (and taking the risk) for social programmes implemented by specialist providers. The government remunerates the investors, reimbursing them for their capital plus an appropriate return, only if the impact established beforehand is achieved. A social impact bond is a contract that involves multiple actors and, despite the name, is not actually a bond, as no debt security is issued, but rather a collaborative partnership between the participants. Several years pass between programme implementation and payment of the investors by the government. Thus, social impact bonds facilitate implementation of preventive social services that should theoretically generate a public saving by forestalling future spending on remedial social services. Box IV.1 provides a simplified description of the structure of a social impact bond and the logic underlying the mechanism.

Box IV.1

The operating logic of social impact bonds

A social impact bond



1. Investors (usually called impact investors^a) make an investment (Y) in the project (represented by A in the diagram). The contract establishes a minimum impact (X) to be achieved in a given time period (t). Payments will be made depending on whether this impact X is achieved.
2. The intermediary receives the capital invested and transfers it to the providers of the social service, in the form of operating capital (B).
3. The service providers, usually non-governmental organizations (NGOs), work with programme beneficiaries in an effort to generate the agreed impact.
4. Once time t has passed, the impact generated by the social intervention is evaluated by an independent body. If the impact is $\geq X$, the body responsible for releasing payments to the investors (usually the government) transfers Y plus the agreed return to the intermediary (C), the latter then being responsible for remunerating the investors (D).

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Center for Global Development (CGD)/Social Finance, *Investing in Social Outcomes: Development Impact Bonds*, the Report of the Development Impact Bond Working Group, 2013 [online] <http://www.cgdev.org/sites/default/files/investing-in-social-outcomes-development-impact-bonds.pdf>.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of I. De la Peña, "A primer on social impact bonds", Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), 2015 [online] http://www.cepal.org/sites/default/files/news/files/wp_pena_2.pdf.

^a Impact investors are investors prepared to forego investment returns to a greater or lesser degree in return for creating a social impact. The concessions these investors are willing to make in terms of profitability vary: some demand a return equivalent to that of a conventional investment, while others agree to go without any profits if the investment generates a social impact.

Social impact bonds have proliferated in recent years: the first was in Peterborough in the United Kingdom in 2010, and it was followed by another 14 projects during 2012, in the United Kingdom and the United States. A total of 25 social impact bonds were in place worldwide in 2014, raising over US\$ 100 million. Moreover, in March 2014 the Multilateral Investment Fund of the Inter-American Development Bank (IDB) launched a US\$ 5.3 million programme to develop social impact bonds in Latin America (Levey, 2014).

The potential advantages of social impact bonds for project participants, and for society at large, explain the interest they have aroused in recent years. For example, governments have a limited financing capacity and often face budget restrictions; in this situation, social impact bonds provide a new financing mechanism where the risk is taken on by the investors so that governments do not need to mobilize capital immediately, but can plan out their budget years in advance to anticipate payments to investors.

Social impact bonds rely on complementarity between the different agents' comparative advantages, and on the creation of incentives for each of them. Governments select the social problems and ultimately finance the projects, investors take on the risk and provide the operating capital, and social service providers work with the beneficiaries. The financing of social services by private investors has a number of positive aspects. For example, it creates an incentive for investors to pick the most effective programmes, creating a "market" selection and thus increasing the quality of social interventions. It is also in investors' interest to promote dialogue between the different agents, gather and process data and set up performance management systems, with positive effects for the whole programme.

Despite the advantages that adopting social impact bonds in Latin America could bring, it has to be asked whether this model can be transferred to the region. Currently, virtually all social impact bonds are in developed countries, which are very different from those of Latin America socially, economically, politically and institutionally. This means that there are specific challenges for the implementation of this mechanism in a developing region such as Latin America and the Caribbean. A second challenge is the institutional context, which varies between the region's different countries, particularly by comparison with that in the developed countries where social impact bonds have already been implemented. Furthermore, it is possible that a section of public opinion might perceive social impact bonds as a mechanism for privatizing public services, potentially resulting in major opposition to such projects. Lastly, because the impact investment market is still incipient in Latin America and the Caribbean, there is the question of how social impact bonds are to be financed and how much demand there will be for them among the region's investors.

The support of multilateral organizations at the early stages of the implementation of social impact bonds, like that now being provided by IDB in Latin America, could be an important factor in overcoming these challenges. In particular, these bodies can play a role, for example, in educating public opinion and giving legitimacy to proposed social impact bonds in the face of any distrust they might arouse. They could also support case studies dealing with changes to current institutional arrangements that would be needed before social impact bonds were implemented in the different countries of the region.

Bibliography

- Akitoby, B., R. Hemming and G. Schwartz (2007), *Public Investment and Public-Private Partnerships*, Economic Issues, No. 40, International Monetary Fund (IMF) [online] <https://www.imf.org/External/Pubs/FT/issues/issues40/ei40.pdf>.
- Alborta, G., C. Stevenson and S. Triania (2011), "Asociaciones público-privadas para la prestación de servicios: una visión hacia el futuro", *Documento de Debate*, No. IDB-DP-195 Washington, D.C., Inter-American Development Bank (IDB).
- Aviva (2014), *A Roadmap for Sustainable Capital Markets: How can the UN Sustainable Development Goals harness the global capital markets?* [online] <https://sustainabledevelopment.un.org/content/documents/10574avivabooklet.pdf>.
- BIS (Bank for International Settlements) (2015), "Derivative Statistics" [online] http://www.bis.org/statistics/about_derivatives_stats.htm.
- CGD/Social Finance (Center for Global Development/Social Finance) (2013), *Investing in Social Outcomes: Development Impact Bonds*, the Report of the Development Impact Bond Working Group [online] <http://www.cgdev.org/sites/default/files/investing-in-social-outcomes-development-impact-bonds.pdf>.
- De la Peña, I. (2015), "A primer on social impact bonds", Santiago, Economic Commission for Latin America and the Caribbean (ECLAC) [online] http://www.cepal.org/sites/default/files/news/files/wp_pena_2.pdf.
- Deutsche Bank (2014), "The Random Walk Mapping of the World's Financial Markets 2014" [online] <https://etf.deutscheam.com/DEU/DEU/Download/Research-Global/47e36b78-d254-4b16-a82f-d5c5f1b1e09a/Mapping-the-World-s-Financial-Markets.pdf>.
- Engel, E. R. Fischer and A. Galetovic (2008), "Public-private partnerships: when and how", *Documento de Trabajo*, No. 257, Santiago [online] <http://www.econ.uchile.cl/uploads/publicacion/c9b9ea69d84d4c93714c2d3b2d5982a5ca0a67d7.pdf>.
- FSB (Financial Stability Board) (2014), "Who are the Standard-Setting Bodies?"
- Helleiner, E. (2010), "The Financial Stability Board and International Standards", *CIGI G20 Paper*, No.1 [online] https://www.cigionline.org/sites/default/files/g20_no_1_2.pdf.
- IMF (International Monetary Fund) (2014), "Reports on the Observance of Standards and Codes (ROSCs)" [online] <https://www.imf.org/external/NP/rosc/rosc.aspx>.
- Kar, D. and B. LeBlanc (2013), *Illicit Financial Flows from Developing Countries: 2002-2011*, Global Financial Integrity [online] http://iff.gfintegrity.org/iff2013/Illicit_Financial_Flows_from_Developing_Countries_2002-2011-HighRes.pdf.
- Levey, Z. (2014), "FAQ – Social Impact Bonds in Latin America and New MIF Pilot Program", Multilateral Investment Fund (MIF) [online] <http://www.fomin.org/en-us/Home/FOMINblog/Blogs/DetailsBlog/ArtMID/13858/ArticleID/2265/FAQ-%E2%80%93-Social-Impact-Bonds-in-Latin-America-and-New-MIF-Pilot-Program.aspx>.
- McCauley, R. and others (2015), "Global dollar credit. Links to US monetary policy and leverage", *BIS Working Paper*, No. 483, Bank for International Settlements.
- Ocampo, J.A. (2015), "América Latina frente a la turbulencia económica mundial", *Neoestructuralismo y corrientes heterodoxas a inicios del siglo XXI*, A. Bárcena and A. Prado (eds.), Libros de la CEPAL, No. 132 (LC/G.2633-P/Rev.1), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC).
- OECD (Organization for Economic Cooperation and Development) (2016), "Development Finance Statistics" [online] <http://www.oecd.org/development/stats/>.
- _____(2014), *Better Policies for Development 2014. Policy Coherence and Illicit Financial Flows*, Paris.
- Payne, R. and others (2014), "Policy Options for Addressing Illicit Financial Flows: Results from a Delphi Study" [online] <http://academicsstand.org/wp-content/uploads/2014/09/Policy-Options-for-addressing-Illicit-Financial-Flows-Results-from-a-Delphi-Study.pdf>.
- PwC (2014), "Lecciones de América Latina: primeras experiencias con Asociaciones Público-Privadas en el Sector Salud", San Francisco [online] <http://www.pwc.com/mx/es/industrias/archivo/2014-06-lecciones-aprendidas.pdf>.
- Rojas-Suárez, L. (2002), "International Standards for Strengthening Financial Systems: Can Regional Development Banks Address Developing Countries' Concerns?" [online] <http://www.new-rules.org/storage/documents/ffd/rojas-suarez-2.pdf>.

Financial inclusion and innovation

Introduction

- A. Financial inclusion should be conceived as part of a policy on production development
- B. Financial inclusion: unfinished business for Latin America and the Caribbean
- C. Causes of the financial inclusion gap in Latin America
- D. Rethinking financial innovation: a requirement for closing the financial inclusion gap
- E. Conclusions

Bibliography

Annex V.A1

Introduction

Over the past three decades, the financial sector has boomed in advanced and developing countries alike, resulting in higher employment, faster wage growth in the financial sector compared with the rest of the economy, and an increased volume of financial assets. The sector also boosted its share of overall GDP and made a stronger contribution to economic growth.

Yet the financial sector's growing importance and greater financial "deepening" do not necessarily translate into progress in financial development, which requires the design and construction of an inclusive financial system aimed at productive financing.

Inclusiveness is a prerequisite for financial systems to work in favour of sustainable economic and social development. In non-inclusive systems, small businesses and low-income individuals are unable to access financial services; these systems also exhibit wide gender gaps in terms of their access and use.

By contrast, inclusive financial systems provide services to those without recourse to formal financial sector, and therefore help to reduce poverty and inequality and to close gender gaps in access.

In addition to raising the present low levels of financial access and banking penetration in the region, inclusiveness also refers to enhancing and optimizing the use of the financial system by existing participants in formal financial channels.

Financial innovation may serve as a catalyst for the financial inclusion of households and businesses through the greater densification of the financial system. In the policy sphere, this means fostering innovation by introducing new skills, capacities and procedures to increase efficiency, including technological and methodological improvements and changes in forms of intermediation. There is also a need to develop new financial products to meet demand from households and companies.

Strengthening financial inclusion through innovation requires an effort to coordinate public and private agendas in respect of development goals and priorities. Spaces and mechanisms should therefore be created so that public policies can attract and channel private sector endeavours, with the right context and incentives, towards achieving inclusive development goals.

In that regard development banks are a key instrument whose presence should be reinforced, given their capacity as second-tier banks to mobilize resources for long-term financing covering various income groups, and because they complement the commercial activities of private banks. Development banks also increase the availability of and access to financing sources and mechanisms for business, and are capable of deploying them according to the requirements, characteristics and risks inherent to different production activities.

This chapter comprises four sections. Section A defines financial inclusion conceived as an economic participation and development policy, and explains its importance.

Section B examines the stylized facts of financial inclusion in Latin America and the Caribbean, noting in particular that 45.8% of the region's population currently has access to formal financial institutions, below the 71.6% posted by Asia and the Pacific and the average of 96.3% for advanced countries, respectively. Moreover, the differential in access between low-income and high-income groups is higher in Latin America and the Caribbean than in other world regions. In the production sector, 45.7% of small businesses had access to financing from the formal financial system; the figure for large businesses was over 65%.

Section C explains the gaps in financial inclusion based on the difficulties encountered by small- and medium-sized enterprises (SMEs) in accessing external financing, given the high risk entailed by their small size and limited resources. It also underscores the need to consider the characteristics of the financial system in Latin America, which is shallow and underdeveloped, short-termist and lacking in financial instruments; features reflected in the low level of intermediation geared to the production sector.

Section D argues that closing the financial inclusion gap requires the rethinking of innovation. Financial innovation is defined as the creation of new financial markets, institutions, processes and products, and is subsequently compared with innovation in other economic sectors, illustrating differences and similarities. Lastly, the section sets out a vision of financial innovation as a public good, and gives examples of how it may be operationalized as such.

A. Financial inclusion should be conceived as part of a policy on production development

Financial inclusion encompasses all public and private, supply- and demand-side initiatives to provide products and services appropriate to the needs of households and SMEs that are traditionally excluded from the formal financial sector. In addition to boosting levels of financial access and banking penetration, financial inclusion also relates to policies to enhance the use of the financial system by the SMEs and households that already participate in formal financial channels.

Accordingly, financial inclusion is by no means a social welfare mechanism for reducing poverty and improving living conditions, but rather should be conceived as a policy of integration into the economy.

This means using the financial system as an instrument for expanding the potential for savings and consumption, while at the same time taking fuller advantage of business talent and investment opportunities. Financial inclusiveness thus allows the financial system to respond to the disparate financing needs of households at different stages of the human life cycle, and of businesses at different stages of productive and technological advancement.

Inclusiveness is a prerequisite if financial systems are to work in favour of sustainable economic and social development. In non-inclusive systems, small businesses and low-income individuals are unable to access financial services and are forced to rely solely on their own resources, which contributes to the entrenchment of inequalities.

When firms' access to external financing is limited, their production capacity and ability to grow and prosper are also constrained, since they must draw on their own resources to finance operations. Moreover, the evidence suggests that SMEs chiefly use the financial system for deposits and as a payment method, while their use of credit products is much more limited, potentially restricting the enterprises' capacity for future expansion and growth.

This context gives rise to a vicious circle that keeps smaller production units in a constant state of vulnerability and low growth, with serious economic and social consequences. Small firms represent the bulk of businesses and account for most of the jobs created in the private sector. For both Latin America and Europe, they make up 99% of the production structure and absorb between 19% and 50% of the total workforce (see table V.1). For this reason the lack of financial inclusion, by significantly hampering the performance of small businesses, has a severe impact on the income and working conditions of a large segment of the population.

Table V.1

Latin America (selected countries) and the European Union: enterprises and employment by size, 2011^a
(Percentages)

Country	Enterprises			Employment		
	Microenterprises	SMEs	Large enterprises	Microenterprises	SMEs	Large enterprises
Argentina	69.7	28.4	1.9	11.5	39.6	48.9
Brazil	90.1	9.3	0.6	13.7	28.3	58.0
Chile	78.3	20.3	1.4	44.1	30.9	25.0
Colombia	96.4	3.5	0.1	50.6	30.3	19.1
Ecuador	95.4	4.4	0.2	47.3	29.8	22.9
El Salvador	91.2	8.4	0.4	37.8	27.7	34.6
Mexico	95.5	4.3	0.2	45.7	23.6	30.8
Peru	94.5	4.9	0.6	48.5	19.2	32.4
Uruguay	83.4	16.1	0.5	24.1	43.1	32.8
EU (25) ^b	92.0	7.8	0.2	31.5	38.3	30.2
Belgium	93.7	6.2	0.1	34.8	38.4	26.8
Czech Republic	96.0	3.8	0.1	32.8	37.6	29.6
France	94.7	5.1	0.1	31.8	35.1	33.1
Germany	82.0	17.5	0.4	19.5	44.0	36.5
Italy	95.0	4.9	0.1	48.5	33.4	18.1
Spain	94.0	5.9	0.1	41.5	35.1	23.4
United Kingdom	89.7	10.0	0.3	19.8	37.0	43.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC) (2016).

^a 2011 or latest available year. For Argentina, 2012 data based on information from the Employment and Business Dynamics Observatory (OEDE) (2013). For Brazil, 2010 data based on information from the Brazilian Geographical and Statistical Institute (IBGE) (2012). For Chile, data for companies based on information from the International Labour Organization (ILO) and the Technical Cooperation Service (SERCOTEC) (2010) for 2008, and employment data based on the National Socioeconomic Survey (CASEN) for 2009. For Colombia, 2005 data based on information from the National Administrative Department of Statistics (DANE) (2008). For Ecuador, 2009 data based on information from the Chamber of Industries and Production (2011). For El Salvador, 2005 data based on information from the Ministry of Economic Affairs (MINEC) and the Directorate-General of Statistics and Censuses (DIGESTYC) (2006). For Mexico, 2009 data based on information from the National Institute of Statistics and Geography (INEGI) (2011). For Peru, 2007 data based on information from the National Institute of Statistics and Informatics (INEI) (2011). For Uruguay, 2012 data based on information from the National Institute of Statistics (INE) (2013).

^b EU (25) comprises Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece (information from 2009), Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom.

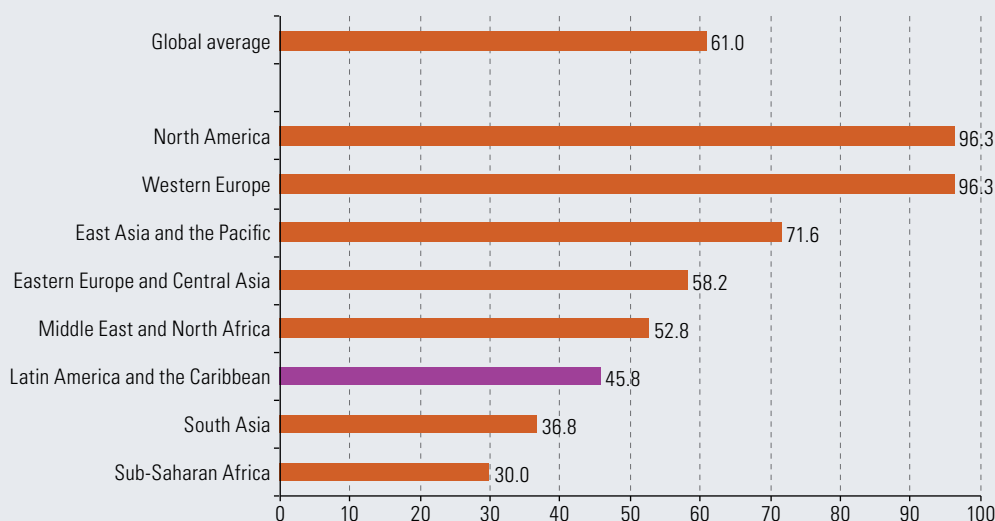
B. Financial inclusion: unfinished business for Latin America and the Caribbean

An analysis of financial inclusion in Latin America and the Caribbean reveals that the region's households have narrow and uneven access to the formal financial system, and that only a limited number of instruments and mechanisms exist for improving the financial integration of production agents already participating in the system.

The available data show that Latin America and the Caribbean is one of the regions of the world with the lowest levels of household financial inclusion (see figure V.I). On average, fewer than half (45.8%) of the region's adults over the age of 15 have at least one account at a financial institution, meaning that about 185 million people remain without access to formal financial services (CAF, 2011). This figure is below the global average (61%) and well below the average posted in developed regions such as North America and the Western Europe (approximately 93.3% in both cases) and in most developing regions, including East Asia and the Pacific (71.6%), Western Europe and Central Asia (58.2%) and the Middle East and North Africa (52.8%).

Figure V.1

Adults aged 15 and older having at least one account at a financial institution, 2014
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, G20 Basic Set of Financial Inclusion Indicators.

The average figure for financial inclusion in Latin America and the Caribbean does not reflect the marked heterogeneity of the region's countries in terms of financial access. At one extreme are Brazil, Costa Rica and Chile, in which 63% of the adult population had account access. At the other are Haiti and Nicaragua, where financial inclusion levels among the adult population are below 20% (see annex figure V.A1.1).

Levels of financial access in Latin America and the Caribbean are at once comparatively low and highly uneven. Figure V.2 depicts this stylized fact for persons older than 15 and situated in the top 60% and the bottom 40% of income earners, respectively, with an account at a financial institution. The figure clearly shows that in all Latin American and Caribbean countries, the percentage of individuals with an account is considerably higher among the top 60% of income earners than among the bottom 40%. For the region as a whole, the proportion of adults with access to the formal system was 1.5 times greater in the top 60% than in the bottom 40% of the income distribution. The only region with a wider gap between the two income strata was Sub-Saharan Africa, with a ratio of 1.9 (see figure V.3).

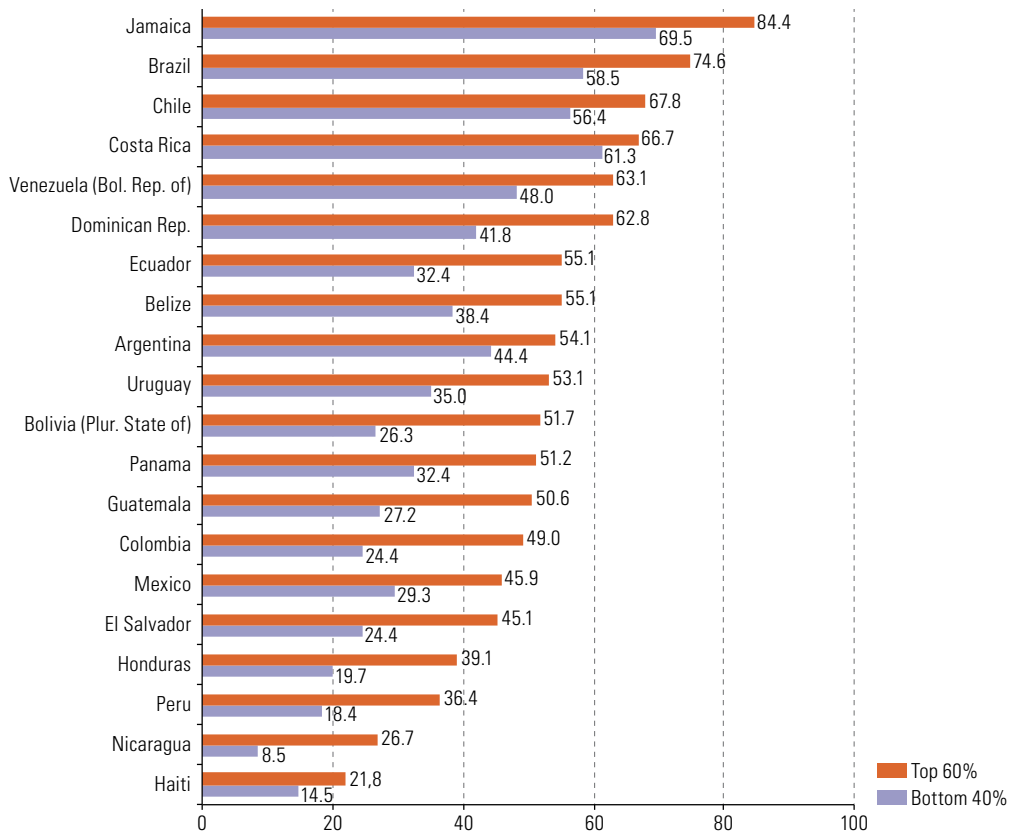
Unequal access also places women at a disadvantage. Global data from 2014 show that 54% of men had access to a current account in the formal financial system, as compared with 47% of women. In middle-income countries, access levels are lower and the gender gap is even wider, with 48% of men and 39% of women having access to the financial system.

Latin America and the Caribbean mirrored this pattern, with low, unequal financial access (44% for men and 35% for women, according to the World Bank). A gender gap was also reported in the utilization of the financial system, which according to World Bank figures was generally less used by women.

The gender gap in the degree of financial inclusion reflects a set of underlying factors related to supply and demand. On the demand side, the following factors are salient: (i) a lower level of financial education among women, (ii) more limited access to education and employment, (iii) time and mobility constraints, (iv) inadequate access to information and networks and (v) cultural norms that counteract incentives to contract financial services.

Figure V.2

Latin America and the Caribbean (20 countries): adults aged 15 and older in the top 60% and bottom 40% of income earners having at least one account at a financial institution, 2014 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, G20 Basic Set of Financial Inclusion Indicators.

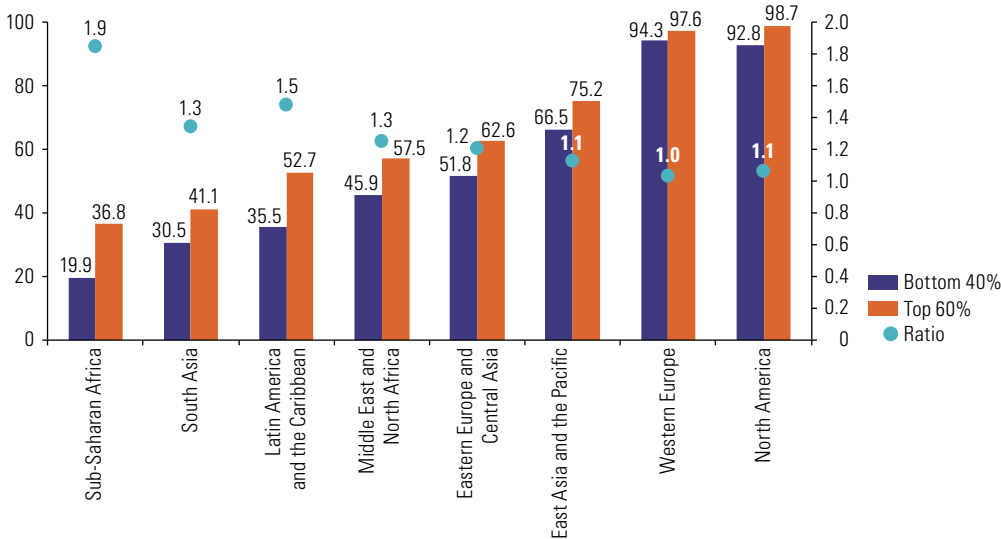


Figure V.3

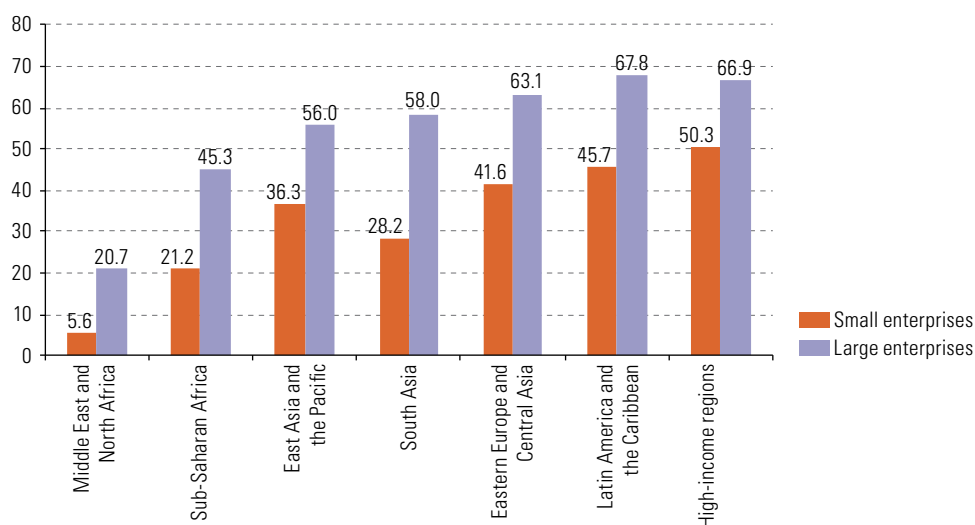
Regions: adults aged 15 and older in the top 60% and bottom 40% of income earners having at least one account at a financial institution, 2014 (Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, G20 Basic Set of Financial Inclusion Indicators.

Supply-side factors include: (i) regulatory and legal barriers that inhibit the creation of gender-differentiated financial mechanisms and products; (ii) financial infrastructure limitations, such as the lack of information for potential women borrowers, or strict collateral frameworks that prevent women from accessing the formal financial system; (iii) gender biases in the practices of formal institutions, and (iv) financial products, market strategies and services that are not adapted to the needs of potential female clients.

In the production sector, SMEs have low levels of access to the formal financial system, while a gulf exists between small and large enterprises. The available data show that on average in Latin America and the Caribbean, just over 45% of small businesses are able to access credit provided by formal financial institutions (see figure V.4).

Figure V.4
Regions: enterprises with
a bank loan or line
of credit, 2014
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, G20 Basic Set of Financial Inclusion Indicators.

SMEs also had low levels of access in other regions of the developing world. In fact, in most of these regions, including the Middle East and North Africa, Sub-Saharan Africa, East Asia and the Pacific and South Asia, the percentage of small businesses with access to bank loans or lines of credit was below 40%.

Low access levels among small businesses contrast with those of large firms. Figure V.4 shows that in Latin America and the Caribbean, 67.8% of large companies had access to the formal financial system, equivalent to 1.5 times the level of access reported by small firms.

Moreover, SMEs mainly use the financial system to make deposits and as a payment method, rather than to obtain credit products. As table V.2 shows, on average in Latin America 93.57% of SMEs used current accounts, while only 36.88% used lines of credit and 23.42% term loans. This unbalanced use of the financial system restricts SMEs' capacity for expansion and future growth (see table V.2).

Table V.2

Latin America (selected countries): banking products used by SMEs, 2010
(Percentages of SMEs)

Banking products used	Argentina	Chile	Colombia	Mexico	Peru	Venezuela (Bolivarian Republic of)	Latin America
Savings products							
Current accounts	100.0	100.0	86.90	95.80	89.70	84.60	93.57
Savings accounts	...	...	71.10	...	52.50	34.30	55.20
Term deposits	12.50	22.80	11.00	11.90	6.00	1.40	12.09
Mutual funds	2.00	27.90	4.10	6.70	0.90	0.50	6.33
Investment products	1.40	4.40	2.90	5.40	0.40	0.50	3.71
None of the above	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial products							
Lines of credit	25.70	75.10	29.40	29.80	18.00	...	36.88
None	30.80	13.20	29.80	64.00	29.10	51.30	34.27
Term loans	N/A	23.40	40.50	...	6.50	7.50	23.42
Short-term loans	38.70	...	...	...	...	2.80	20.75
Overdrafts	28.80	...	...	4.30	20.60	0.70	18.88
Credit cards	...	...	13.90	...	11.20	...	12.55
Cheque discounting	35.40	5.10	2.70	1.40	10.10	3.40	11.11
Asset-based term loans	4.40	18.80	...	2.70	...	0.30	6.55
Leases	4.30	12.60	8.90	1.20	5.90	0.30	6.50
Letters of credit	2.10	14.60	1.00	1.50	7.80	0.30	5.87
Trade finance	2.90	13.20	5.60	2.00	5.20	3.00	5.19
Loans with public programmes or guarantees	2.70	8.10	...	...	...	0.30	3.55
Factoring	1.60	7.50	1.80	1.10	1.70	0.30	2.33
Other products							
Tax payments	57.20	60.10	59.70	48.70	90.90	0.70	52.88
Insurance	63.10	45.00	48.30	23.50	62.30	0.00	43.84
Other in-branch payments	49.20	26.20	36.30	...	45.80	...	38.32
Payments to suppliers and third parties	22.50	23.60	36.90	49.70	56.00	0.00	32.41
Wage payments	52.70	23.80	45.20	37.50	12.40	8.20	31.06
Other services							
Internet banking	53.90	73.00	61.70	50.90	38.00	98.10	62.26
Transfers	49.80	35.60	53.20	36.10	92.00	0.60	43.40
Direct debits	40.60	35.00	18.50	19.00	27.30	2.10	23.51
Debit cards	28.60	29.20	20.30	...	32.20	1.10	22.27
Executive credit cards	14.00	14.60	13.50	9.60	...	0.10	13.00
Foreign exchange	16.40	17.10	10.00	12.70	22.00	1.60	11.70
Accounts receivable collection	13.30	4.90	...	...	5.80	...	7.18
None of the above	2.00	4.40	5.50	5.90	0.10	0.00	2.99

Source: Development Bank of Latin America (CAF), *Servicios financieros para el desarrollo: promoviendo el acceso en América Latina*, 2011 [online] <https://www.caf.com/media/3895/RED2011.pdf>.

C. Causes of the financial inclusion gap in Latin America

The financial inclusion gap may be explained by two sets of factors that limit the access of households and SMEs to financing. This section places special emphasis on the difficulties that directly concern SMEs and the characteristics of the financial system in Latin America and the Caribbean, including the lack of incentives for turning sources of financing towards SMEs.

1. Difficulties of SMEs

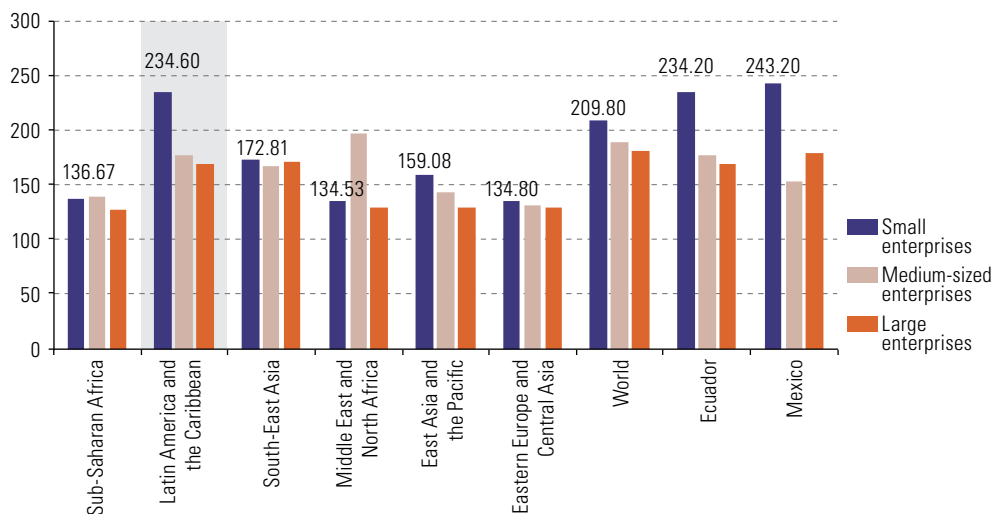
The difficulties that directly concern SMEs stem from their small size, limited resources and narrow production base, factors which restrict access to external credit. Owing to these characteristics, their production costs, risk levels and financing costs are higher than those of larger enterprises, as reflected in the steep collateral or guarantee requirements demanded of SMEs to access external sources of financing.

Collateral, which mostly consists in real estate and other fixed assets held by the company, is transferred to the banks in the event of non-compliance with the terms of the loan repayment. Such guarantees are demanded owing to insufficient financial information about SMEs, their lack of a credit history and the informal components that generally characterize them, presenting a major barrier for these enterprises when applying to access credit.

Figure V.5 shows the value of the guarantee required to secure a loan, according to the size of the applicant company in different regions. Latin America and the Caribbean is one of the regions with the highest collateral requirements for small businesses seeking loans, with guarantees on average amounting to 234.6% of the requested loan amount. This figure exceeds the global average of 209.8%.

Figure V.5

Selected regions: value of collateral required to obtain a loan, by size of applicant company, 2010-2015^a (Percentages of loan amount)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, "Enterprise Surveys Data", 2015; Organization for Economic Cooperation and Development (OECD); and ECLAC, *Economic Survey of Latin America and the Caribbean, 2015*, (LC/G.2645-P), Santiago.

^a Regional averages according to the latest available figures.

Far from being static, collateral requirements may vary over time and according to the circumstances, becoming an even greater obstacle during economic slowdowns and crises. This may be illustrated using a density function of the value of collateral furnished by enterprises as a percentage of total debt issued in 2006 and 2010. 2006 occurred during one of the periods of fastest economic growth that Latin America and the Caribbean has experienced in the last three decades (2003-2007), while in 2010 the region was feeling the after-effects of the global financial crisis.

Figure V.6 shows the long tail of the collateral distribution, owing to the existence of a set of large values outside the sample.¹ It also shows that the collateral distribution shifted dramatically between 2006 and 2010, with the average value increasing from 150% to 295%. The figure also indicates greater dispersion in 2010, with a standard deviation of 646% (as against 168% in 2006). The doubling of the average value of guarantees, and the spectacular increase in their dispersion, were characteristic of the effects of the global financial crisis in Latin America and the Caribbean, illustrating how the average value of collateral may change according to the business cycle and therefore affect SMEs as the most vulnerable production units.

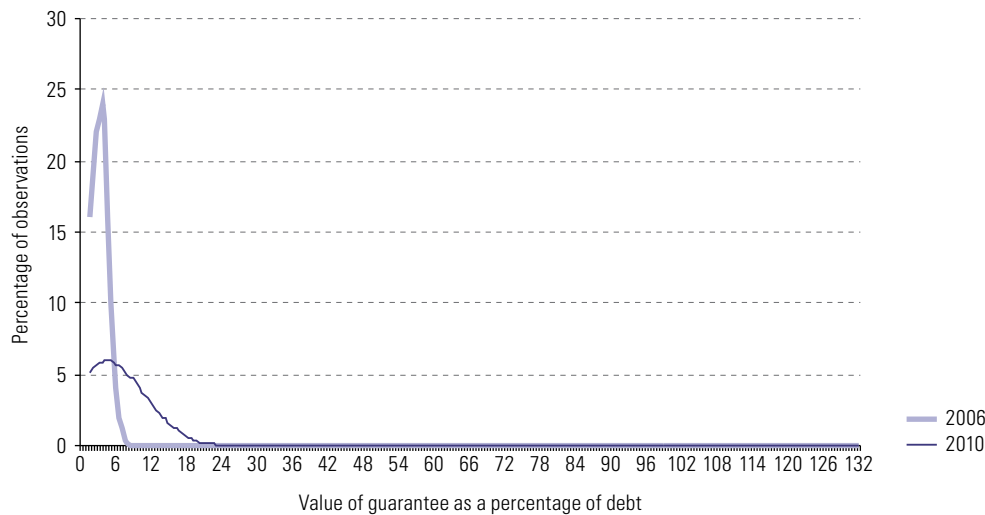


Figure V.6
Latin America (13 countries):^a
density function of the value
of guarantees as a percentage
of debt issued,
2006 and 2010
(Percentages)

Source: E. Pérez Caldentey and A. González, "Inversión, financiamiento y la paradoja de la deuda en Minsky. Un análisis microeconómico aplicado a América Latina", *Ensayos Económicos*, vol. 1, No. 73, Buenos Aires, Central Bank of Argentina, December 2015.
^a Argentina, Bolivarian Republic of Venezuela, Chile, Colombia, Ecuador, El Salvador, Guatemala, Mexico, Panama, Paraguay, Peru, Plurinational State of Bolivia, Uruguay.

2. Characteristics and functioning of the financial system in Latin America

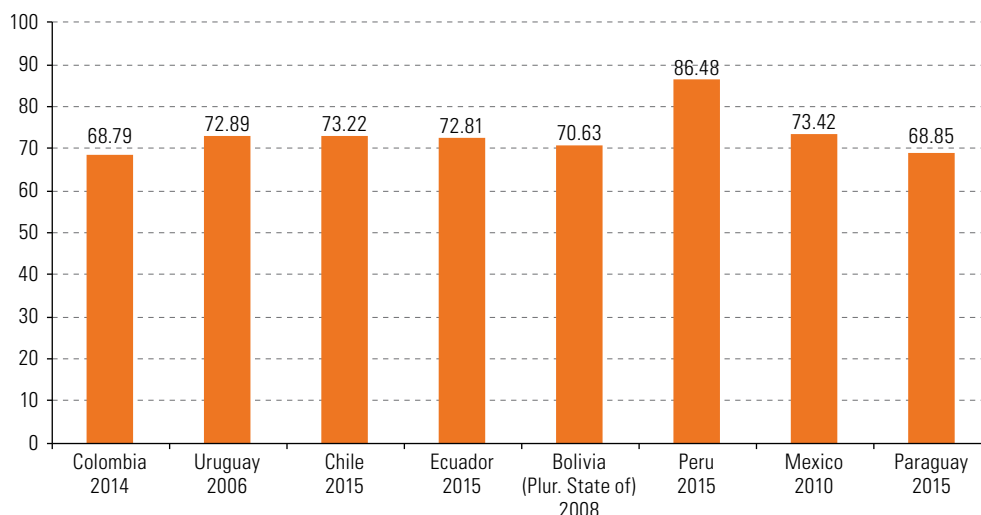
A second explanation of the financial inclusion gap in Latin America and the Caribbean may be found in the characteristics of the region's financial system. As ECLAC (2015) has pointed out, this system is shallow and underdeveloped, highly concentrated, short-termist and lacking in financial instruments. In Latin America and the Caribbean, on average commercial banking accounts for more than 90% of the financial system's assets, with the bulk of the portfolio held by the main commercial banks.

¹ In 95% of observations the value of collateral was less than 500% of debt issued, while in the remaining 5% of observations values ranged from 501% to 13,300%.

Figure V.7 shows the proportion of total financial system assets held by the region's five main banks in a number of Latin American countries: a share that in most cases amounted to about 70% or higher.

Figure V.7

Latin America (selected countries): proportion of total financial system assets held by the five main banks, 2006-2015 (Percentages)



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

Partly owing to these characteristics, commercial banks in Latin America and the Caribbean are highly profitable and have no incentive to invest in financially risky areas such as lending to SMEs. In fact, commercial banks tend to prioritize lending to sectors with links to distribution and finance, rather than productive sectors such as manufacturing, in which SMEs have an important presence (see table V.3).

Table V.3

Brazil, Chile, Ecuador, Mexico and Peru: average credit portfolio, by economic sector, 2015

	Chile	Brazil	Ecuador	Mexico	Peru
Agriculture, hunting, fisheries and forestry	7.6	1.7	7.1	3.6	6.3
Mining	2.9	3.0	1.5	0.0	4.9
Manufacturing	8.5	32.7	20.0	22.0	21.3
Construction	11.4	8.2	7.3	17.5	3.7
Services	27.7	13.6	14.3	30.5	26.5
Commerce and financial services	15.3	21.3	45.1	19.8	29.4
Transport and communications	26.6	11.6	4.4	6.6	7.6
Government	0.0	7.9	0.2	0.1	0.3
Total	100.0	100.0	100.0	100.0	100.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the respective countries. For Peru: Superintendency of Banking, Insurance and Private Pension Funds Administrators, "Carpeta de cuadros estadísticos del sistema financiero entre los meses de enero y diciembre del 2015" [online] <http://www.sbs.gob.pe/app/stats/EstadisticaBoletinEstadistico.asp?p=14#>; for Mexico: National Banking and Securities Commission and Secretariat of Finance and Public Credit, "Series acerca de información de las características de cartera de crédito -de 2009 a la fecha - de la banca múltiple y la banca de desarrollo" [online] <http://portafoliodeinformacion.cnbv.gob.mx/Paginas/default.aspx>; for Brazil: Central Bank of Brazil, "Credit operations outstanding by economic activity", from 2012 to 2016 [online] <https://www3.bcb.gov.br/sgspub/localizarseries/localizarSeries.do?method=prepararTelaLocalizarSeries>; for Chile: Superintendency of Banking and Financial Institutions, "Colocaciones regionales por actividad económica entre los meses de enero y diciembre del 2015" [online] <http://www.sbf.cl/sbifweb/servlet/InfoFinanciera?indice=4.1&idCategoria=564&tipocont=567>; for Ecuador: Superintendency of Banks of the Republic of Ecuador, "Serie anual de volumen de crédito, enero a diciembre de 2015" [online] http://www.superbancos.gob.ec/practico/sbs_index?vp_art_id=39&vp_tip=2&vp_buscr=41.

3. The importance of internal funds as a source of financing

The high cost of accessing external financing and the characteristics of the financial system mean that most SMEs finance themselves from internal resources (i.e. retained earnings). Difficulties in accessing external financing may also discourage investment, a phenomenon that has been documented in several analyses on investment and its financing—both from working capital and fixed capital—in different regions of the world. Figure V.8 shows that the largest source of financing for investment by SMEs in Latin America is own funds (66.2% of the total), providing some evidence of the difficulty they encounter in accessing other sources, such as bank loans and the securities market.²

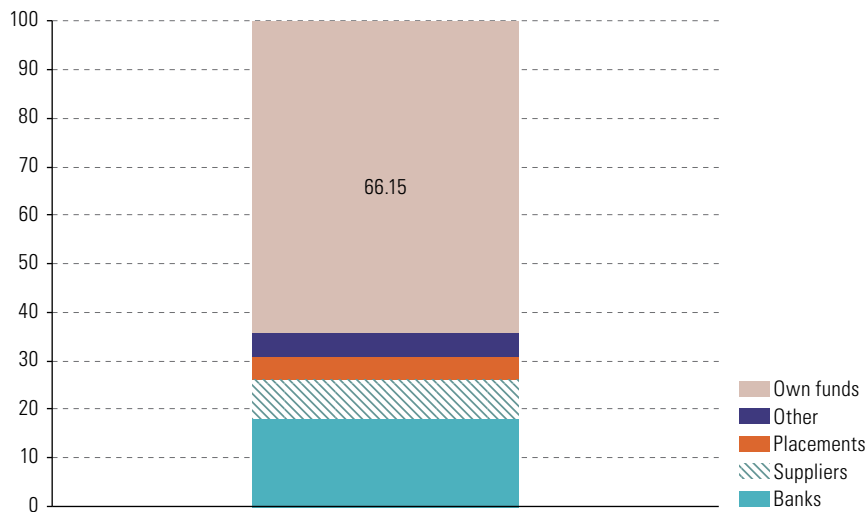


Figure V.8
Latin America: sources of financing for SME investment, simple average, 2010 (Percentages)

Source: World Bank, Enterprise Surveys Data, 2015.

To establish a causal relationship between the difficulty of accessing external finance and the volume of investment, estimates were prepared using an econometric model that links the two variables, using the Enterprise Surveys Data of the World Bank. Data for some 4,596 firms in 13 Latin American countries were set out in balanced panel format, including available information from 2006 and 2010 (see table V.4).³

The identification strategy consisted in developing a bivariate discrete choice econometric model to estimate the relationship between investment financed from own funds and that drawn from external sources. The starting point consisted in a univariate probit model, as follows:

$$(1) I_{ijt} = X_{ijt}\beta_1 + Y_j\gamma_1 + \alpha_1 RP_{ijt} + \rho\lambda_{ijt} + \varepsilon_{1ijt}$$

$$Z_{1ijt} \begin{cases} 1 & \text{si } I_{ijt} > 0 \\ 0 & \text{si } I_{ijt} \leq 0 \end{cases}$$

² See ECLAC (2015) for a more detailed analysis of this stylized fact.

³ Enterprise Surveys are conducted on behalf of the World Bank in several developing regions, every four years. They count on the participation of thousands of firms in the services and manufacturing sectors. One advantage of the Enterprise Survey in comparison with other business surveys is that it pays special attention to data on SMEs, whose relationship with the financial system differs substantially from that of large enterprises. For the purposes of this study, business size is defined by number of employees: small enterprises are those with between 1 and 20 employees, medium-sized enterprises those with 21 to 199 employees, and large enterprises those with 200 or more employees (see Pérez Caldentey y González (2015)).

Where I_{ijt} is the latent variable “marginal propensity to invest” of the enterprise i in the country j in the period t , X is a vector of the characteristics of the enterprise, Y is a vector of the characteristics of the country j , RP is the risk variable of the borrower, λ is the inverse Mills ratio and Z_{1ijt} is a dummy variable that takes the value of 1 if the company makes an investment, and 0 if it doesn't. From the previous discussion, it is expected that $\alpha_1 < 0$, i.e. that increases in the borrower's risk reduce the likelihood of the enterprise investing.

Table V.4

Latin America (selected countries): number of enterprises, by size and country, 2006 and 2010

	2006			2010		
	Small	Medium	Large	Small	Medium	Large
Argentina	200	184	114	166	176	143
Bolivia (Plurinational State of)	70	68	42	129	184	111
Chile	127	191	112	129	184	111
Colombia	129	123	54	113	135	54
Ecuador	62	68	47	64	70	41
El Salvador	40	47	29	41	40	31
Guatemala	66	43	31	50	40	45
Mexico	72	78	60	38	39	44
Panama	62	55	7	47	49	8
Paraguay	79	50	24	65	59	28
Peru	110	140	64	97	131	80
Uruguay	126	97	64	97	131	80
Venezuela (Bolivarian Republic of)	87	43	19	76	41	20
Total	1 230	1 187	667	1 112	1 279	796

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, Enterprise Surveys Data, 2015.

The model was estimated for 13 Latin America countries (Argentina, Bolivarian Republic of Venezuela, Chile, Colombia, Ecuador, El Salvador, Guatemala, Mexico, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay). Econometric results are presented in table V.5: it is noted that the proxy variable used for difficulty of access to finance (where access to finance is a minor, moderate or severe obstacle) has a statistically significant inverse relationship with the volume of investment. The results also indicate that the other variables studied, such as capacity utilization and business size, are statistically significant and give the expected sign in the investment equation, while size and export activity are statistically significant variables in the selection equation.

Table V.5

Latin America (13 countries):^a econometric estimate of investment level in relation to access to finance, 2010

Variables	Estimated parameters and standard errors
Medium	0.0870** (0.0420)
Large	0.220*** (0.0507)
Age	-0.00355* (0.00185)
Quadratic age	2.99e-05 (1.87e-05)
Minor obstacle	0.0185 (0.0373)
Moderate obstacle	-0.0908** (0.0357)
Severe obstacle	-0.0965** (0.0432)
Very severe obstacle	-0.184*** (0.0653)
Export activity	-0.0157 (0.0307)
Foreign-owned	0.0343 (0.0605)
Capacity utilization	0.00296*** (0.000674)
Number of observations	1 637

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

Note: Standard errors are given in brackets; *** p<0.01, ** p<0.05, * p<0.

^a Argentina, Bolivarian Republic of Venezuela, Chile, Colombia, Ecuador, El Salvador, Guatemala, Mexico, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

D. Rethinking financial innovation: a requirement for closing the financial inclusion gap

1. Financial innovation as the creation of institutions, markets, processes and products

In the first instance, financial innovation refers to the creation of financial instruments to improve risk management and meet market demand for certain financial services. The most traditional and best known products and services include factoring, leasing and venture capital.

In Latin America and the Caribbean, these instruments have had limited impact and scope. Factoring, for example, has been shown to account for a little less than 2% of all sources of financing used by SMEs.

Leasing is also little used as a source of financing, on average accounting for about 1% of the region's GDP, although higher amounts have been posted in Peru (4.64%), Chile (4.11%) and Colombia (3.85%) (see table V.6). Moreover, it tends not to benefit SMEs; in fact, a very large proportion of the leasing market is concentrated among multinational and trans-Latin firms, including major commercial banks (see annex table V.A1.1). Lastly, the data indicate that the financing obtained through leasing is channelled into durable consumer goods sectors, such as the automotive industry, that lie outside the sphere of activity of SMEs.

Table V.6

Latin America (selected countries): share of leasing in GDP, 2012 (Percentages)

Country	Leasing portfolio as a share of GDP
Argentina	0.29
Bolivia (Plurinational State of)	0.19
Brazil	0.85
Chile	4.11
Colombia	3.85
Costa Rica	...
Dominican Republic	0.05
Ecuador	0.18
El Salvador	...
Guatemala	....
Honduras	0.21
Mexico	0.70
Nicaragua	0.16
Panama	0.94
Peru	4.64
Puerto Rico	1.39
Venezuela (Bolivarian Republic of)	0.13
Average (weighted by GDP)	1.16

Source: R. Castillo-Triana, "Leasing in Latin America: In the leading edge of innovation and leadership", The Alta Group-Latin American Region, 2014 [online] <http://www.world-leasing-yearbook.com/wp-content/uploads/2014/02/49-52.pdf>.

On the other hand, venture capital has not achieved the sort of scale needed to serve as a source of sustained financing for SMEs. Data suggest that venture capital funds in Latin America are currently worth more than US\$ 10 billion (in 2001 they were valued at US\$ 1 billion). Latin American funds, which account for 1% of the world's venture capital, are concentrated in the region's big economies of Argentina, Chile, Colombia, Mexico and Peru, but are scarce in the smaller countries. Moreover, investments are concentrated in the growth and expansion stages of the project cycle: 58% of investments are allocated to these stages, while 15% goes to early stage financing, and just 3% to project incubation.

Financial innovation also refers to changes resulting from new ways of making financial transactions, new types of financial intermediary, and modifications to the financial system's regulatory and oversight structure. Examples of new financial markets, institutions, processes and products include the expansion of the financial system, non-banking correspondents in Colombia, Caixa Econômica Federal in Brazil, and the provision of electronic factoring services by Nacional Financiera (NAFIN), a development bank in Mexico.

Changes in financial processes also include the introduction of new capacities, skills and procedures to boost the efficiency of credit rating processes to determine clients'

repayment capacity. This includes a new evaluation of repayment capacity based on the concept of relationship banking, whereby repayment capacity is assessed not only on the basis of quantitative information contained in balance sheets and the existence of collateral and mechanisms for the effective fulfilment of contracts (“arm’s length finance”), but relies on direct, personalized and continual interaction between banks and SMEs, which helps reduce information asymmetries and facilitates monitoring. In countries such as Chile, Colombia and Ecuador, this has translated into field visits to evaluate repayment capacity.

2. Similarities and differences between financial innovation and innovation in other sectors

(a) Similarities between financial innovation and innovation in other activity sectors

Financial innovation shares certain characteristics with special types of innovation, such as general purpose technologies (GPTs). These are technologies, such as electricity, the internal combustion engine and information technology, whose general functioning in turn permits the existence of a large segment of products or production systems.

Financial innovation may perform a similar function to that of GPTs. Both types of innovation have high levels of penetration and diffusion, since they may extend across the entire economic system and be used in several activity sectors. GPTs bring together general technical principles which may be applied in types of innovation, while financial innovation may be applied to firms of all sizes (including SMEs) operating in different spheres of production. Both GPTs and financial innovation are highly dynamic, since the effort invested and the learning extracted may bring about increased efficiency and incentivize further innovation in production and finance.

Financial innovation and GPTs also encounter similar disadvantages. High development and dissemination costs entail high fixed costs and create entry barriers for the functioning and continuity of innovation processes. For example, transistors were invented in 1947 and by 1953 were widely used in the production of hearing aids, yet despite their multiple applications they were not introduced in the automotive industry until the late 1970s, partly due to their relatively high price (Helpman and Trajtenberg, 1996).

The development of venture capital followed a similar pattern. The first formal venture capital firm, American Research and Development Corporation, was established in the 1940s by the Federal Reserve Bank of Boston, but information frictions limited the scope of its operations until the late 1970s (Lerner and Tuffano, 2010).

Another disadvantage is that all types of innovation imply a risk to profitability, since they cast uncertainty over future income. Consequently, market conditions tend not to provide sufficient innovation, hence the need to combine private efforts with public initiatives.

(b) Differences between financial innovation and innovation in other activity sectors

Although financial innovation shares similarities with innovation in other economic sectors, it also differs from other types of innovation in a number of specific characteristics.

Over time, the consequences of financial innovations bring about changes in the underlying structure and the way in which each innovation is marketed and employed.

This alters the risk pattern and the profile of financial innovation, making it more difficult to assess risk.

Additionally, the profound interconnectedness of the financial system means that financial innovations can generate a complex network of external factors at the micro- and macroeconomic levels. For example, a rise in interest rates may affect the solvency of individual production and financial units at the microeconomic level, and fragility and systemic risk at the macroeconomic level.⁴

The specific features of financial innovation make it difficult to analyse and evaluate its global economic and social impact. The few empirical studies that specifically tested the hypothesis of a global economic and social impact, or that provided a quantitative analysis of financial innovation, failed to reach any definitive conclusion. Uncertainty as to the empirical effects of financial innovation is due to the absence of a coordinated mechanism whereby its potential benefits can be channelled into the real economy (see table V.7).

Table V.7
Relationship between financial development and growth

Author and year	Characteristics	Findings
Goldsmith, 1969	Compilation of data from 35 countries during the period 1860-1963, on the value of financial assets as a percentage of output. The author maintains that the size of the financial intermediation sector has a positive correlation with the quality of the financial services provided.	The author documents the positive correlation between financial development and level of economic activity, but does not interpret whether financial development is a cause of growth.
King and Levine, 1993	The authors study 77 countries during the period 1960-1989, systematically controlling for other factors that may affect long-term growth. They measure the size of financial intermediaries, the proportion of total credit allocated by the central bank and commercial banks, and credit to private firms divided by GDP, and also examine the empirical relationship between these indicators.	The difference between the slowest growing and the fastest growing quartile of countries in the sample was 5% per annum during the study period. The increase in financial depth accounted for 20% of the difference in growth rates. It was found that financial depth in 1960 was a good predictor of subsequent economic growth rates, physical capital accumulation, and improved economic efficiency.
La Porta, López de Silanes and Schleifer, 2001	The authors begin with the level of public-sector ownership of banks around the world, in order to construct an alternative indicator to reflect the financial development of an economy.	Higher levels of public ownership are associated with lower levels of banking sector development and slower economic growth.
Levine and Zervos, 1998	The authors design several measures of stock market development to assess its relationship with economic growth, capital accumulation and productivity growth. A sample of 42 countries is used for the period 1976-1993.	Both the initial level of stock market liquidity and the initial level of banking development had a significant positive correlation with future economic growth rates, capital accumulation and productivity growth in the subsequent 18 years. These findings were confirmed even after controlling for a series of relevant variables. The depth of the stock market, measured as market capitalization over GDP, has no correlation with growth, capital accumulation, or productivity gains.
La Porta and others, 1998 Levine, Loayza and Beck, 2000	The authors introduce instrumental variables referring to aspects of the legal and regulatory environment, in order to assess simultaneity bias.	A strong connection was found between financial intermediation and long-term economic growth.
Beck, Levine and Loayza, 2000	The authors use a Generalized Method of Moments (GMM) panel estimator to exploit the benefits of using time series and cross-sectional data, and of using instrumental variables for all regressors. This in turn avoids biases associated with cross-country regressions.	There is a robust relationship between indicators of financial development, economic growth and increased productivity.
Beck and Levine, 2004	The authors study longer-run growth factors based on data averaged over five-year periods.	Economic growth depends on the capacity of agents to exchange property rights in the sphere of technology.

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

⁴ Financial fragility stems from market economies' endogenous trend towards growth based on increased borrowing, and from the possible difficulties faced by different economic units and agents (especially firms in the real and the financial sector) in meeting their debt obligations. In such a scenario, small shocks can have disproportionately large reactions. Schwarcz (2008) defines systemic risk as "the risk that (i) an economic shock, such as a market or institutional failure triggers (through a panic or otherwise) either (X) the failure of a chain of markets or institutions or (Y) a chain of significant losses to financial institutions, (ii) resulting in increases in the cost of capital or decreases in its availability, often evidenced by substantial financial-market price volatility".

There is evidence to suggest that finances have an impact on growth by fostering productivity and the allocation of resources. Specifically, the availability of external financing is positively associated with entrepreneurship and higher income for businesses, as well as with dynamism and innovation. Finance also allows companies to take advantage of opportunities for investment and growth.

In fact, previous studies have found a statistically significant connection between the development of financial intermediation, per capita real GDP growth and total factor productivity growth, and have also discovered that financial development may ease liquidity restrictions on firms and facilitate long-term investment, which ultimately reduces investment volatility. For example, it is thought that financial development could be a critical factor in responding to volatility, since exchange-rate volatility weighs on growth in countries that are economically underdeveloped, but has no effect on financially developed countries (Aghion, 2006).

Conversely, information asymmetries and possible instances of the principal-agent problem may turn finance into a source of fragility, especially where banks are encouraged to take on too much risk and market discipline is undermined. In particular, it has been demonstrated that banking crises may have a disproportionate impact on industries that are more dependent on external financing. This impact is even stronger in more developed financial systems.

In recent decades, financial innovation has driven an unprecedented increase in liquidity and financial deepening; financial assets account for more than 10 times global GDP. Yet this growth has not coincided with greater financing for households and businesses, nor have funds become more accessible for developing economies.

3. Financial innovation as a public good

A new perspective on financial innovation is needed, with a view to channelling resources towards the production sector and the achievement of development goals. Financial innovation should be conceptualized as a public good in a broader sense that differs from the traditional definition based on non-rivalry and non-excludability. In other words, once the good in question has been supplied, potential consumption by the individual will not depend on consumption by others, as in the case of private goods, whose nature is defined by the possibility that availability can be reduced and consumption limited.

In that sense, public goods are not something that markets provide, either due to asymmetries, uncertainty or simply a lack of knowledge. Public goods and services thus tend not to be produced in response to demand, even where, considering their significant positive externalities, they should be widely available.

Financial inclusion should therefore be regarded as a public good, like health and education, on the grounds that exclusion is neither desirable nor justified.

Within this framework, financial innovation may also take the form of actions undertaken to channel financing to different actors, investments and production requirements, including innovation in products, processes and institutions. Each type of innovation should promote the inclusion of households and businesses, develop appropriate instruments for risk management by various economic agents in a range of sectors, and provide financing for new development goals and priorities.

Development banks play an important role in fostering innovation for financing, both directly and through coordination with other banks. While there is a complementarity between regional, subregional and national development banks that stems from shared goals and instruments, there is also scope for coordination with the private banking sector, in which potential synergies could lead to mutually beneficial innovations. This is a key aspect on which financial innovation should focus (see box V.1).

Box V.1

Financial innovation for inclusion: projects implemented by development banks in Latin America

Innovation in products

Innovation by development banks in the form of financial products plays a crucial role for financial inclusion and overcoming poverty. This type of innovation must be correctly planned and should include simplified processes for opening accounts, special conditions for small-scale transactions, regulatory policies to prevent the overindebtedness of companies and individuals and the inappropriate use of financial products, contractual clauses that are simpler and easier to understand for the population, and transparent information.

In Latin America, several products have been developed through innovation. One is the international factoring guarantee created in Mexico in 2009 to provide support for Mexican automotive industry by allowing exporters to obtain liquidity against their accounts receivable, the risk of default being assumed by the development bank Bancomext. After meeting with success, the programme was rolled out to other sectors. Another product innovation is Brazil's *Cartão Pronaf*, a card launched by Banco do Brasil in association with the National Programme for Strengthening Family Farming (PRONAF), to help Brazilian producers purchase machinery, equipment and inputs.

Innovation in processes

To facilitate financial inclusion, processes and procedures should be directed towards greater efficiency in achieving public policy goals. In general terms, public banks should encourage the automation of their operating systems, modernize their software, assess maintenance and supplier costs, standardize programming languages and infrastructure, digitize manual bureaucratic procedures and eliminate any processes that have high operating costs, where possible.

One process that has emerged as a result of innovation in the region was developed by the Brazilian National Bank for Economic and Social Development (BNDES). In 2008 it implemented a new methodology for evaluating the financial health of companies, which studied the specific features of each firm, not only in terms of their financial situation and tangible capital, but also their intangible capital and potential to prosper in future. These capacities were categorized according to different criteria, including capacity for innovation, environmental sustainability and corporate governance.

Innovation in institutions

Innovation in the sphere of public banking also extends to the institutional dimension. This might entail the appearance of new regulatory frameworks that favour successful intervention or the use of new low-cost channels that have the potential to generate positive externalities in the private sector. One notable innovation was developed in Brazil in 2003: payroll loans in which instalments are deducted directly from the worker's wages and repaid to the bank. This innovation was backed by regulatory clauses, so that workers dismissed during the repayment period would see part of their financial compensation allocated to the repayment of their debt. Borrowers also enjoyed benefits such as lower interest rates than those available on consumer loans or credit cards. The concept has also been adopted by the private sector and the pensions industry, in light of its positive results.

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

However, in Latin America and the Caribbean the pursuit of financial innovation faces significant challenges, since an array of instruments needs to be developed to address the production heterogeneity that is the region's hallmark. These new instruments must also respond to existing needs, such as ensuring the inclusion of SMEs, closing the infrastructure gap, devising financial instruments to foster international trade, and strengthening complementarity between public and private financial intermediaries.

E. Conclusions

In Latin America and the Caribbean, household financial inclusion levels are below the average for developed and developing countries alike. Meanwhile the production sector suffers from the same inequalities that characterize the sector in other regions of the developing world.

Financial inclusion does not refer merely to the analysis of financial access. Rather, it should be understood as a policy of economic integration, on the one hand encompassing all efforts and initiatives designed to provide access to formal financial services for those who are excluded, and on the other, seeking to improve the use of the financial system for agents and particularly for production units such as SMEs that already participate in formal financing channels.

Innovation may be favourable to the financial inclusion of households and SMEs through financial densification. This means expanding the range of financial services, increasing interconnectivity, and continuing to innovate in respect of institutional frameworks and instruments for improving risk management and potentially responding to the heterogeneous needs of households and SMEs. Yet the chief aspect of innovation is that its processes and strategies generate micro- and macroeconomic externalities, and it may thus be conceived as a public good.

Conceptualizing financial inclusion as a public good implies assigning development banks a central role as drivers of productive financing. Development banks may also complement commercial banks, which at present do not have enough incentives to extend their services to SME financing. Indeed, development banks have proven to be capable of expanding their financing instruments and mechanisms in view of the requirements, characteristics and risks inherent to different production activities.

Bibliography

- Aghion, P. and others (2006), "Exchange rate volatility and productivity growth: The role of financial development," *NBER Working Paper*, No. 12117 [online] <http://www.nber.org/papers/w12117.pdf>.
- BCRA (Central Bank of Argentina) (2016), "Serie trimestral para préstamos por actividades económicas" [online] <http://www.bcra.gov.ar/Estadisticas/estind020303.asp>.
- CAF (Development Bank of Latin America) (2011), *Servicios financieros para el desarrollo: promoviendo el acceso en América Latina* [online] <https://www.caf.com/media/3895/RED2011.pdf>.
- Castillo-Triana, R. (2014), "Leasing in Latin America: In the leading edge of innovation and leadership," The Alta Group–Latin American Region (LAR) [online] <http://www.world-leasing-yearbook.com/wp-content/uploads/2014/02/49-52.pdf>.
- Central Bank of Brazil (2016), "Credit operations outstanding by economic activity," Time Series Management System [online] <http://www.bcb.gov.br/>.
- CNBV (National Banking and Securities Commission of Mexico) (2016), "Datos sobre características de cartera de crédito de la banca múltiple y banca de desarrollo" [online] <http://portafoliodeinformacion.cnbv.gob.mx/Paginas/default.aspx>.
- ECLAC (Economic Commission for Latin America and the Caribbean) (2016), *Horizons 2030: Equality at the Centre of Sustainable Development* (LC/G.2660 (SES.36/3)), Santiago.
- (2015), *Economic Survey of Latin America and the Caribbean, 2015* (LC/G.2645-P), Santiago.
- Goldsmith, R. (1969), *Financial Structure and Development*, New Haven, Yale University Press.
- Helpman, E. and M. Trajtenberg, (1996), "Diffusion of general purpose technologies," *NBER Working Paper Series*, No. 5773 [online] <http://www.nber.org/papers/w5773.pdf>.
- King, R. and R. Levine (1993), "Finance and growth: Schumpeter might be right," *The Quarterly Journal of Economics*, vol. 108, No. 3.
- La Porta, R., F. Lopez de Silanes and A. Shleifer (2001), "Government Ownership of Banks," *Harvard Institute of Economic Research Paper*, No. 1890, KSG Working Paper No. 01-016.
- La Porta, R. and others (1998), "Law and finance," *Journal of Political Economy*, vol. 106, No. 6.
- Lerner, J. and P. Tuffano, (2010), "The consequences of financial innovation: A counterfactual research agenda," *The Rate and Direction of Inventive Activity Revisited*, J. Lerner and S. Stern (eds.), Chicago, University of Chicago Press.
- Levine, R. and T. Beck (2004), "Stock markets, banks, and growth: Panel evidence," *Journal of Banking & Finance*, vol. 28, No. 3.
- Levine, R. and S. Zervos (1998), "Stock markets, banks, and economic growth," *The American Economic Review*, vol. 88, No. 3.
- Levine, R., N. Loayza and T. Beck (2000), "Financial intermediation and growth: causality and causes", *Journal of Monetary Economics*, vol. 46, No. 1.
- Pérez Caldentey, E. and A. González (2015), "Inversión, financiamiento y la paradoja de la deuda en Minsky. Un análisis microeconómico aplicado a América Latina," *Ensayos Económicos*, vol. 1, No. 73, Central Bank of Argentina.
- Schwarcz, Steven (2008), "Systemic risk," *Duke Law School Legal Studies Paper*, No. 163 [online] <https://www.iiiglobal.org/sites/default/files/systemicrisk.pdf>.
- Secretariat of Finance and Public Credit of Mexico (2016), "Datos sobre cartera de crédito de México" [online] <http://www.gob.mx/hacienda>.
- Superintendency of Banks and Financial Institutions of Chile (2016), "Colocaciones regionales por actividad económica" [online] <http://www.sbif.cl/sbifweb/servlet/InfoFinanciera?indice=4.0>.
- Superintendency of Banks, Insurance and Pension Fund Administrators of Peru (2016), "Carpeta de cuadros estadísticos del sistema financiero entre enero y diciembre de 2015" [online] <http://www.sbs.gob.pe/app/stats/EstadisticaBoletinEstadistico.asp?p=14#>.
- Superintendency of Banks of Ecuador (2016), "Serie anual de volumen de crédito" [online] http://www.superbancos.gob.ec/practg/p_index.
- World Bank (2016), "G20 Financial Inclusion Indicators" [online database] <http://databank.worldbank.org/data/reports.aspx?source=g20-basic-set-of-financial-inclusion-indicators>.
- (2015), "Enterprise Surveys Data" [online database] <http://www.enterprisesurveys.org/data>.

Annex V.A1

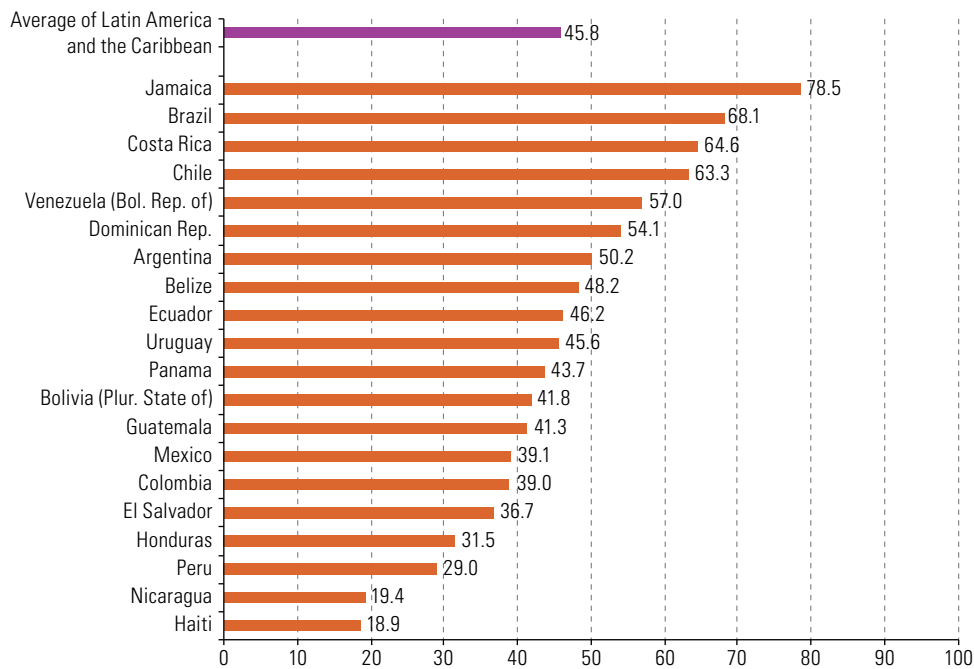


Figure V.A1.1

Latin America and the Caribbean (20 countries): adults aged 15 and older with at least one account at a financial institution, 2014 (Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, G20 Basic Set of Financial Inclusion Indicators.

Controlling entity	Total assets, 2012
Itau	8 223 703,81
Bancolombia	5 271 737,09
Santander	4 951 844,28
Grupo Aval	4 026 070,07
Bradesco	3 932 778,98
BBVA	3 881 011,63
Citibank	2 586 318,19
Scotiabank	2 264 327,96
Corpbanca	2 193 200,08
Grupo Bolívar	1 773 581,20
Caterpillar	1 310 596,94
Hewlett Packard	1 229 291,10
IBM	760 466,37
Safra	546 879,72
Volkswagen	345 107,88
CIT Group	217 746,69
CSI	197 800,51

Table V.A1.1

Latin America: main financial entities with leasing portfolios, 2012 (Thousands of dollars)

Source: R. Castillo-Triana, "Leasing in Latin America: In the leading edge of innovation and leadership", The Alta Group–Latin American Region, 2014 [online] <http://www.world-leasing-yearbook.com/wp-content/uploads/2014/02/49-52.pdf>.



Statistical annex

Table A.1

Latin America and the Caribbean: main economic indicators

	2007	2008	2009	2010	2011	2012	2013	2014	2015 ^a
Annual growth rates									
Gross domestic product ^b	5.9	4.1	-1.7	6.2	4.5	2.8	2.9	0.9	-0.5
Gross domestic product per capita ^b	4.5	2.7	-2.9	4.9	3.2	1.7	1.7	-0.2	-1.6
Consumer prices ^c	6.5	8.1	4.6	6.5	6.8	5.7	7.5	9.4	16.5
Percentages									
Urban open unemployment	8.6	8.0	9.2	8.6	7.8	7.4	7.2	7.0	7.4
Total gross external debt/GDP ^{d,e}	31.3	28.4	29.5	28.3	27.0	28.7	30.4	32.2	34.6
Total gross external debt/ exports of goods and services	80.4	73.9	101.3	97.1	88.8	96.3	101.1	113.4	134.4
Millions of dollars									
Balance of payments^e									
Current account balance	4 627	-40 248	-31 618	-96 090	-115 170	-139 540	-163 703	-187 954	-177 933
Exports of goods f.o.b.	791 140	905 587	703 691	891 889	1 104 819	1 121 119	1 116 508	1 082 901	922 611
Imports of goods f.o.b.	720 829	863 314	650 875	845 113	1 039 182	1 085 088	1 114 965	1 102 853	980 868
Services trade balance	-16 442	-31 119	-34 293	-49 719	-65 264	-71 450	-72 846	-73 361	-50 783
Income balance	-106 352	-114 644	-104 639	-151 492	-175 505	-161 997	-150 562	-155 999	-132 103
Net current transfers	66 166	67 134	57 659	61 759	63 548	62 314	62 551	65 588	67 273
Capital and financial balance ^f	120 299	78 262	76 481	187 928	216 434	196 069	177 095	223 838	147 636
Net foreign direct investment	96 920	104 134	72 064	111 528	146 323	150 272	144 421	141 488	131 275
Other capital movements	23 379	-25 872	4 417	76 400	70 111	45 797	32 674	82 350	16 361
Overall balance	124 438	38 014	44 863	91 838	101 264	57 410	13 392	35 884	-30 296
Variation in reserve assets ^g	-126 412	-41 745	-50 253	-87 467	-106 775	-57 930	-16 111	-38 001	26 823
Other financing	2 253	4 064	5 597	-4 668	5 097	407	2 206	1 319	2 496
Net transfer of resources	16 200	-32 318	-22 561	31 768	46 026	34 479	28 739	69 158	18 030
International reserves	459 581	512 727	567 444	655 389	773 632	835 735	830 018	857 438	811 762
Percentages of GDP									
Fiscal sector^h									
Overall balance	0.3	-0.4	-2.8	-1.9	-1.6	-1.9	-2.3	-2.8	-3.0
Primary balance	2.2	1.2	-1.0	-0.3	0.1	-0.2	-0.6	-1.0	-1.0
Total revenue	18.9	19.0	17.8	18.2	18.6	18.9	19.2	19.3	18.8
Tax revenue	14.3	14.2	13.6	13.8	14.4	14.8	14.9	15.2	15.5
Total expenditure	18.6	19.4	20.6	20.1	20.3	20.9	21.6	22.1	21.8
Capital expenditure	3.7	4.0	4.2	4.2	4.4	4.5	4.7	4.7	4.2
Central-government public debt	30.3	28.8	30.6	29.2	29.1	30.5	32.1	33.4	35.9
Public debt of the non-financial public-sector	32.3	30.8	32.8	31.8	31.1	32.7	34.4	36.0	38.7

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 2010 dollars.

^c December-December variation.

^d Estimates based on figures denominated in dollars at current prices.

^e Simple averages for 19 countries. Does not include Cuba.

^f Includes errors and omissions.

^g A minus sign (-) indicates an increase in reserve assets.

^h Central government. Simple averages for 19 countries.

Table A.2

Latin America and the Caribbean: gross domestic product in millions of dollars
(Current prices)

	2007	2008	2009	2010	2011	2012	2013	2014	2015 ^a
Latin America and the Caribbean	3 834 136	4 471 233	4 191 715	5 067 873	5 942 772	6 028 347	6 199 944	5 781 714	4 947 677
Latin America	3 775 909	4 404 776	4 135 703	5 007 076	5 877 046	5 960 521	6 131 314	5 711 859	4 876 418
Argentina	291 068	367 242	337 888	428 792	533 195	584 577	615 685	570 723	632 343
Bolivia (Plurinational State of)	13 120	16 674	17 340	19 650	23 963	27 084	30 659	32 996	32 998
Brazil	1 397 113	1 695 852	1 666 995	2 208 837	2 614 528	2 460 998	2 465 786	2 416 447	1 773 096
Chile	172 869	179 627	171 957	217 538	250 832	265 232	277 079	258 733	240 216
Colombia	207 417	243 983	232 901	287 018	335 415	369 660	380 192	378 416	292 080
Costa Rica	27 003	30 610	30 143	37 238	42 305	46 473	49 640	49 657	52 958
Cuba	58 604	60 806	62 080	64 328	68 990	73 141	77 148	80 656	85 356
Dominican Republic	43 845	47 992	48 187	53 753	57 747	60 614	61 966	65 231	68 103
Ecuador	51 008	61 763	62 520	69 555	79 277	87 925	94 776	100 917	100 872
El Salvador	20 105	21 431	20 661	21 418	23 139	23 814	24 351	25 054	25 850
Guatemala	34 113	39 136	37 734	41 338	47 655	50 388	53 851	58 722	63 794
Haiti	5 971	6 408	6 502	6 708	7 474	7 820	8 387	8 676	8 394
Honduras	12 361	13 882	14 587	15 839	17 731	18 102	18 281	19 041	20 176
Mexico	1 043 124	1 101 275	893 369	1 049 925	1 169 360	1 184 504	1 258 923	1 295 025	1 143 796
Nicaragua	7 458	8 491	8 381	8 741	9 756	10 439	10 875	11 790	12 693
Panama	20 958	24 522	26 594	28 917	34 374	39 955	44 856	49 166	52 132
Paraguay	13 795	18 503	15 934	20 048	25 100	24 595	28 966	30 881	27 692
Peru	102 202	120 612	120 851	147 528	171 762	192 650	201 023	202 491	190 428
Uruguay	23 411	30 366	31 661	40 285	47 962	51 264	57 531	57 236	53 442
Venezuela (Bolivarian Republic of)	230 364	315 600	329 419	239 620	316 482	381 286	371 339	...	...
The Caribbean	58 227	66 457	56 012	60 797	65 726	67 826	68 631	69 855	71 258
Antigua and Barbuda	1 302	1 360	1 218	1 148	1 142	1 216	1 196	1 274	1 356
Bahamas	8 319	8 247	7 820	7 910	7 890	8 399	8 522	8 618	8 854
Barbados	4 513	4 542	4 602	4 446	4 358	4 314	4 281	4 351	4 343
Belize	1 291	1 369	1 337	1 397	1 487	1 574	1 626	1 718	1 764
Dominica	421	458	489	494	501	486	508	528	517
Grenada	759	826	771	771	779	800	843	912	978
Guyana	1 740	1 923	2 026	2 259	2 577	2 851	2 990	3 086	3 166
Jamaica	12 800	13 709	12 119	13 218	14 428	14 786	14 262	13 927	14 005
Saint Kitts and Nevis	674	739	723	705	753	734	788	848	876
Saint Lucia	1 151	1 187	1 181	1 242	1 281	1 299	1 318	1 386	1 431
Saint Vincent and the Grenadines	678	695	675	681	676	693	721	728	738
Suriname	2 937	3 533	3 875	4 368	4 422	4 980	5 131	5 212	5 156
Trinidad and Tobago	21 642	27 870	19 175	22 158	25 433	25 694	26 444	27 267	28 074

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: annual growth rates in gross domestic product
(Constant prices)

	2007	2008	2009	2010	2011	2012	2013	2014	2015 ^a
Latin America and the Caribbean^b	5.9	4.1	-1.7	6.2	4.5	2.8	2.9	0.9	-0.5
Latin America	5.9	4.1	-1.7	6.3	4.5	2.9	2.9	0.9	-0.5
Argentina	9.0	4.1	-6.0	10.4	6.1	-1.1	2.3	-2.6	2.4
Bolivia (Plurinational State of)	4.6	6.1	3.4	4.1	5.2	5.1	6.8	5.5	4.8
Brazil	6.1	5.1	-0.1	7.5	3.9	1.9	3.0	0.1	-3.8
Chile	4.6	3.7	-1.0	5.8	5.8	5.5	4.0	1.9	2.1
Colombia	6.9	3.5	1.7	4.0	6.6	4.0	4.9	4.4	3.1
Costa Rica	7.9	2.7	-1.0	5.0	4.5	5.2	2.0	3.0	3.7
Cuba	7.3	4.1	1.5	2.4	2.8	3.0	2.7	1.0	4.3
Dominican Republic	8.5	3.2	0.9	8.3	3.1	2.8	4.7	7.6	7.0
Ecuador	2.2	6.4	0.6	3.5	7.9	5.6	4.6	3.7	0.3
El Salvador	3.8	1.3	-3.1	1.4	2.2	1.9	1.8	1.4	2.5
Guatemala	6.3	3.3	0.5	2.9	4.2	3.0	3.7	4.2	4.1
Haiti	3.3	0.8	3.1	-5.5	5.5	2.9	4.2	2.8	1.2
Honduras	6.2	4.2	-2.4	3.7	3.8	4.1	2.8	3.1	3.6
Mexico	3.2	1.4	-4.7	5.2	3.9	4.0	1.4	2.2	2.5
Nicaragua	5.3	2.9	-2.8	3.2	6.2	5.6	4.5	4.6	4.9
Panama	12.1	8.6	1.6	5.8	11.8	9.2	6.6	6.1	5.8
Paraguay	5.4	6.4	-4.0	13.1	4.3	-1.2	14.0	4.7	3.0
Peru	8.5	9.1	1.1	8.3	6.3	6.1	5.9	2.4	3.3
Uruguay	6.5	7.2	4.2	7.8	5.2	3.5	4.6	3.2	1.0
Venezuela (Bolivarian Republic of)	8.8	5.3	-3.2	-1.5	4.2	5.6	1.3	-3.9	-5.7
The Caribbean	6.5	1.4	-3.4	1.4	1.0	1.3	1.5	0.4	-0.5
Antigua and Barbuda	9.3	0.0	-12.0	-7.0	-1.8	3.8	-0.2	4.6	4.1
Bahamas	1.4	-2.3	-4.2	1.5	0.6	3.1	0.0	-0.5	-1.7
Barbados	1.7	0.3	-1.5	0.3	0.8	0.3	-0.1	0.2	0.8
Belize	1.1	3.2	0.8	3.3	2.1	3.7	1.3	4.1	1.2
Dominica	6.4	7.1	-1.2	0.7	-0.2	-1.1	0.8	4.2	-1.8
Grenada	6.1	0.9	-6.6	-0.5	0.8	-1.2	2.4	5.7	5.1
Guyana	7.0	2.0	3.3	4.4	5.4	4.8	5.2	3.8	3.0
Jamaica	17.1	-0.7	-4.4	-1.5	1.7	-0.6	0.5	0.7	0.8
Saint Kitts and Nevis	-0.2	6.3	-3.0	-2.2	2.4	-0.6	6.2	6.0	3.8
Saint Lucia	1.0	4.2	-0.4	-1.7	0.2	-1.4	0.1	0.4	2.4
Saint Vincent and the Grenadines	2.4	2.5	-2.1	-3.4	-0.4	1.4	1.8	1.2	1.6
Suriname	5.1	4.1	3.0	5.2	5.3	3.1	2.9	1.8	-2.0
Trinidad and Tobago	4.5	3.4	-4.4	3.3	-0.3	1.3	2.3	-1.0	-2.1

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 2010 dollars.

Table A.4

Latin America and the Caribbean: per capita gross domestic product
(Annual growth rates)

	2007	2008	2009	2010	2011	2012	2013	2014	2015 ^a
Latin America and the Caribbean^b	4.5	2.7	-2.9	4.9	3.2	1.7	1.7	-0.2	-1.6
Latin America	4.5	2.8	-2.9	5.0	3.3	1.7	1.7	-0.2	-1.6
Argentina	7.9	3.0	-7.0	9.2	5.0	-2.1	1.2	-3.5	1.4
Bolivia (Plurinational State of)	2.8	4.3	1.6	2.4	3.5	3.4	5.1	3.8	3.2
Brazil	4.8	3.9	-1.2	6.4	2.9	0.9	2.1	-0.8	-4.6
Chile	3.4	2.5	-2.1	4.6	4.7	4.3	2.9	0.8	1.0
Colombia	5.6	2.3	0.5	2.8	5.5	3.0	3.8	3.4	2.2
Costa Rica	6.5	1.3	-2.3	3.6	3.2	3.9	0.9	1.9	2.6
Cuba	7.2	4.1	1.4	2.3	2.7	2.8	2.6	0.9	4.2
Dominican Republic	7.0	1.8	-0.4	6.9	1.8	1.5	3.5	6.3	5.8
Ecuador	0.5	4.6	-1.1	1.8	6.2	4.0	2.9	2.1	-1.2
El Salvador	3.4	0.9	-3.5	1.0	1.8	1.5	1.4	1.0	2.0
Guatemala	3.9	1.0	-1.6	0.7	2.0	0.8	1.6	2.1	2.1
Haiti	1.7	-0.7	1.5	-6.9	4.0	1.4	2.8	1.4	-0.1
Honduras	4.3	2.4	-4.1	2.1	2.2	2.6	1.3	1.6	2.2
Mexico	1.6	-0.3	-6.3	3.6	2.4	2.6	0.0	0.9	1.2
Nicaragua	3.9	1.5	-4.0	1.9	4.9	4.3	3.3	3.4	3.8
Panama	10.2	6.7	-0.1	4.0	9.9	7.4	4.9	4.4	4.1
Paraguay	4.0	4.9	-5.2	11.6	2.9	-2.6	12.5	3.3	1.7
Peru	7.2	7.8	-0.1	7.0	4.9	4.7	4.5	1.0	1.9
Uruguay	6.3	6.8	3.9	7.5	4.8	3.2	4.3	2.9	0.6
Venezuela (Bolivarian Republic of)	7.0	3.6	-4.7	-2.9	2.7	4.2	0.0	-5.1	-6.9
The Caribbean	5.8	0.7	-4.0	0.7	0.4	0.7	0.9	-0.2	-1.1
Antigua and Barbuda	8.1	-1.1	-13.0	-8.0	-2.8	2.8	-1.2	3.5	3.1
Bahamas	-0.5	-4.1	-5.8	-0.2	-1.0	1.5	-1.4	-1.9	-2.9
Barbados	1.3	-0.1	-1.9	-0.1	0.4	0.0	-0.4	-0.1	0.5
Belize	-1.5	0.6	-1.7	0.9	-0.3	1.4	-0.9	1.9	-1.0
Dominica	6.2	7.0	-1.3	0.4	-0.6	-1.5	0.3	3.7	-2.2
Grenada	5.8	0.6	-6.9	-0.9	0.4	-1.5	1.9	5.2	4.6
Guyana	6.7	1.6	3.0	4.0	5.1	4.5	4.9	3.5	2.6
Jamaica	16.6	-1.2	-4.9	-1.9	1.3	-1.0	0.2	0.3	0.4
Saint Kitts and Nevis	-1.5	5.0	-4.2	-3.4	1.2	-1.8	4.9	4.7	2.6
Saint Lucia	-0.5	2.6	-1.8	-2.9	-0.8	-2.3	-0.7	-0.3	1.6
Saint Vincent and the Grenadines	2.3	2.4	-2.2	-3.4	-0.4	1.4	1.8	1.1	1.5
Suriname	4.1	3.0	1.8	4.0	4.2	2.1	1.9	0.9	-2.9
Trinidad and Tobago	4.0	2.9	-4.8	2.8	-0.8	0.8	1.8	-1.5	-2.5

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 2010 dollars.

Table A.5

Latin America and the Caribbean: quarterly growth rates in gross domestic product^a
(Constant prices)

	2014				2015				2016
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Argentina	-0.8	-2.0	-4.2	-3.1	0.0	3.7	3.5	2.2	0.5
Belize	-1.0	9.6	6.4	1.6	6.9	-2.1	-0.6	0.8	-2.0
Bolivia (Plurinational State of)	5.7	4.8	6.1	5.3	4.7	5.1	3.6	5.9	...
Brazil	3.2	-0.8	-1.1	-0.7	-2.0	-3.0	-4.5	-5.9	-5.4
Chile	2.7	2.3	0.9	1.6	2.7	2.1	2.2	1.3	2.0
Colombia	6.4	3.9	3.9	3.3	2.7	3.1	3.1	3.4	2.5
Costa Rica	3.9	3.8	3.4	3.0	2.5	2.6	3.0	3.3	4.8
Dominican Republic	7.6	7.8	7.8	7.3	6.9	7.5	7.9	6.0	6.1
Ecuador	4.7	4.2	3.3	2.6	3.2	0.2	-1.0	-1.2	-3.0
El Salvador	1.9	1.6	1.0	1.2	2.2	2.3	2.7	2.6	2.5
Guatemala	3.4	4.4	4.7	4.1	5.0	3.5	4.0	4.1	2.8
Honduras	2.9	2.9	2.6	3.9	4.0	2.7	3.5	4.3	3.8
Jamaica ^b	1.8	2.0	-1.4	-0.2	0.4	0.8	1.7	0.9	0.8
Mexico	2.3	1.8	2.3	2.6	2.6	2.3	2.7	2.4	2.6
Nicaragua	5.3	4.0	4.1	4.9	4.4	3.1	5.5	6.5	4.1
Panama	4.3	5.6	4.6	9.6	6.2	6.0	5.7	5.3	4.6
Paraguay	3.7	3.0	5.1	6.9	6.5	2.6	2.4	1.1	1.5
Peru	4.7	1.7	2.0	1.4	1.8	3.1	3.2	4.7	4.4
Trinidad and Tobago	0.2	1.0	2.1	0.1	-1.2	-2.2	-2.0	-2.3	...
Uruguay	3.3	3.7	3.7	2.4	4.2	-0.5	0.5	-0.1	-0.5
Venezuela (Bolivarian Republic of)	-5.2	-5.4	-2.7	-2.6	-1.4	-4.7	-7.1	...	...

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.

^b Gross domestic product measured in basic prices.

Table A.6

Latin America and the Caribbean: gross fixed capital formation^a
(Percentages of GDP)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015 ^b
Latin America and the Caribbean	18.1	19.2	20.2	19.1	20.1	20.9	21.1	21.2	20.7	20.7
Argentina	15.4	17.0	17.7	14.5	16.7	18.5	17.2	17.5	16.6	16.6
Bahamas	29.0	27.9	25.8	24.3	24.0	25.3	27.6	26.9	30.4	27.1
Belize	19.6	20.1	24.9	20.1	15.3	14.9	15.7	18.2	20.1	...
Bolivia (Plurinational State of)	13.4	14.4	16.1	16.1	16.6	19.5	19.0	19.9	20.7	20.7
Brazil	17.0	17.9	19.1	18.7	20.5	21.1	20.8	21.4	20.4	18.3
Chile	18.3	19.4	22.4	19.9	21.0	22.8	24.1	23.7	22.3	21.5
Colombia	19.6	21.0	22.3	21.7	21.9	24.4	24.6	25.0	26.3	26.2
Costa Rica	18.7	20.5	22.1	19.9	20.0	20.8	21.4	20.7	20.5	21.5
Dominican Republic	25.8	26.8	27.6	23.3	25.1	23.7	23.0	22.4	23.3	26.3
Ecuador	21.8	22.1	24.1	23.1	24.6	26.1	27.3	28.9	29.4	28.6
El Salvador	16.3	16.9	15.8	13.2	13.3	14.8	14.3	15.4	14.2	15.0
Guatemala	20.0	19.7	18.0	15.6	14.8	15.2	15.3	15.0	15.0	15.2
Haiti	25.2	25.1	25.6	25.7	25.4	...	...	...	...	...
Honduras	27.9	32.7	33.3	22.1	21.6	24.3	24.2	23.1	22.1	...
Mexico	21.7	22.3	23.1	22.0	21.2	21.9	22.1	21.5	21.6	23.5
Nicaragua	22.0	23.8	23.9	19.4	21.4	24.4	27.3	28.0	26.9	31.0
Panama	21.9	27.5	29.5	28.2	30.2	33.7	37.3	42.2	43.7	...
Paraguay	12.9	13.7	15.2	14.7	15.9	16.9	15.8	15.5	16.1	15.9
Peru	16.5	18.7	21.9	20.9	23.5	24.3	26.3	26.1	25.0	22.6
Uruguay	17.2	17.6	19.6	17.7	19.1	19.4	22.1	22.0	21.8	19.8
Venezuela (Bolivarian Republic of)	18.5	21.3	20.7	19.6	18.7	18.7	21.9	19.6	17.0	17.5

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

^a Based on official figures expressed in 2010 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		
	2013	2014	2015 ^a	2013	2014	2015 ^a	2013	2014	2015 ^a	2013	2014	2015 ^a
Latin America and the Caribbean	1 116 508	1 082 901	922 611	151 246	154 483	150 664	1 114 965	1 102 853	980 868	224 091	227 844	201 447
Latin America	1 089 578	1 060 923	906 588	141 081	143 839	140 075	1 088 337	1 077 886	960 471	217 104	220 258	194 726
Argentina	75 975	68 331	56 720	14 561	13 695	13 861	71 293	62 428	57 205	18 282	16 765	17 818
Bolivia (Plurinational State of)	11 657	12 301	8 302	1 104	1 242	1 154	9 338	10 518	9 686	1 731	2 341	1 689
Brazil	241 577	224 098	190 092	38 011	39 965	33 778	241 189	230 727	172 422	84 383	88 072	70 696
Chile	76 386	74 924	62 232	12 355	11 011	9 777	74 678	68 580	58 738	16 085	14 829	13 589
Colombia	60 281	56 923	38 125	6 859	6 876	7 265	57 101	61 553	52 151	12 802	13 558	11 247
Costa Rica	8 866	9 271	9 504	6 824	7 124	7 595	14 425	14 838	14 377	2 386	2 383	2 864
Dominican Republic	9 424	9 899	9 523	6 449	7 025	7 537	16 801	17 273	16 863	2 761	2 835	3 139
Ecuador	25 587	26 596	19 049	2 038	2 339	2 351	26 115	26 660	20 699	3 461	3 555	3 235
El Salvador	4 334	4 256	4 381	2 087	2 226	2 330	9 629	9 463	9 321	1 469	1 486	1 544
Guatemala	10 183	10 992	10 831	2 570	2 830	2 765	16 359	17 056	16 380	2 651	3 033	3 074
Haiti	915	961	1 029	652	701	724	3 329	3 666	3 436	1 090	1 075	986
Honduras	7 805	8 072	8 041	1 013	1 087	1 104	10 953	11 070	11 097	1 681	1 784	1 794
Mexico	380 729	397 650	381 049	20 194	21 086	22 609	381 638	400 440	395 573	31 177	33 537	32 057
Nicaragua	3 326	3 622	3 341	1 325	1 388	1 437	5 802	6 024	6 083	1 071	1 036	948
Panama	17 057	15 333	12 784	12 727	12 856	14 538	26 597	25 710	22 492	4 944	4 756	4 539
Paraguay	13 605	13 105	10 927	849	892	859	11 942	12 079	10 317	1 068	1 114	1 104
Peru	42 861	39 533	34 236	5 814	5 950	6 226	42 356	41 042	37 385	7 615	7 680	7 958
Uruguay	10 257	10 344	9 067	3 481	3 346	3 002	11 609	11 252	9 345	3 240	3 203	2 669
Venezuela (Bolivarian Republic of)	88 753	74 714	37 357	2 167	2 201	1 163	57 183	47 508	36 901	19 208	17 216	13 774
The Caribbean	26 930	21 978	16 023	10 164	10 644	10 589	26 628	24 967	20 397	6 987	7 586	6 722
Antigua and Barbuda	68	55	55	482	498	509	503	500	500	218	225	239
Bahamas	955	834	527	2 671	2 717	2 737	3 166	3 316	2 953	1 628	1 725	1 271
Barbados	786	792	801	1 172	1 103	1 127	-1 681	-1 652	-1 537	-466	-462	-494
Belize	608	589	538	448	494	496	876	926	961	208	225	221
Dominica	41	41	42	134	137	150	179	181	186	65	68	70
Grenada	45	46	46	169	192	202	324	299	293	100	98	100
Guyana	1 375	1 167	...	165	181	...	1 875	1 791	...	503	426	...
Jamaica	1 580	1 449	1 261	2 674	2 859	2 943	5 458	5 208	4 414	2 042	2 233	2 137
Saint Kitts and Nevis	56	58	60	253	270	300	252	270	283	128	134	150
Saint Lucia	200	182	181	408	445	446	546	522	517	190	184	185
Saint Vincent and the Grenadines	54	54	56	127	129	135	327	319	326	92	92	95
Suriname	2 416	2 145	1 652	179	211	204	2 174	2 012	2 028	552	761	674
Trinidad and Tobago	18 745	14 566	10 804	1 282	1 407	1 339	12 629	11 276	9 474	1 727	1 878	2 074

Table A.7 (continued)

	Goods and services balance			Income balance			Current transfers balance			Current account balance		
	2013	2014	2015 ^a	2013	2014	2015 ^a	2013	2014	2015 ^a	2013	2014	2015 ^a
Latin America and the Caribbean	-75 596	-97 543	-113 103	-150 562	-155 999	-132 103	62 551	65 588	67 273	-163 703	-187 954	-177 933
Latin America	-74 781	-93 383	-108 533	-147 158	-152 330	-130 260	59 598	62 587	64 761	-162 341	-183 126	-174 032
Argentina	962	2 832	-4 443	-12 279	-10 732	-11 079	-826	-175	-412	-12 143	-8 075	-15 934
Bolivia (Plurinational State of)	1 692	684	-1 919	-1 908	-1 707	-1 173	1 270	1 084	1 169	1 054	61	-1 923
Brazil	-45 984	-54 736	-19 249	-32 538	-52 170	-42 357	3 683	2 725	2 724	-74 839	-104 181	-58 882
Chile	-2 022	2 526	-317	-10 405	-7 692	-6 194	2 115	1 849	1 750	-10 311	-3 316	-4 761
Colombia	-2 762	-11 313	-18 007	-14 157	-12 638	-5 989	4 594	4 358	5 071	-12 326	-19 593	-18 925
Costa Rica	-1 120	-826	-143	-1 868	-2 008	-2 312	269	254	252	-2 719	-2 580	-2 203
Dominican Republic	-3 689	-3 185	-2 942	-2 994	-3 265	-3 045	4 147	4 309	4 680	-2 537	-2 141	-1 307
Ecuador	-1 951	-1 280	-2 534	-1 380	-1 558	-1 745	2 399	2 264	2 078	-932	-574	-2 201
El Salvador	-4 677	-4 467	-4 155	-992	-1 074	-1 137	4 083	4 234	4 372	-1 586	-1 307	-920
Guatemala	-6 257	-6 267	-5 859	-1 207	-1 408	-1 423	6 113	6 445	7 079	-1 351	-1 230	-203
Haiti	-2 852	-3 080	-2 669	32	12	10	2 283	2 291	2 436	-537	-776	-224
Honduras	-3 815	-3 695	-3 746	-1 353	-1 322	-1 380	3 405	3 572	3 835	-1 763	-1 444	-1 291
Mexico	-11 893	-15 241	-23 972	-40 170	-32 556	-32 209	21 653	22 915	24 307	-30 409	-24 882	-31 874
Nicaragua	-2 222	-2 049	-2 252	-328	-314	-342	1 369	1 450	1 548	-1 180	-913	-1 045
Panama	-1 757	-2 277	290	-2 707	-2 638	-3 599	63	120	-68	-4 401	-4 794	-3 377
Paraguay	1 443	804	365	-1 685	-1 537	-1 541	720	606	682	477	-127	-493
Peru	-1 296	-3 240	-4 882	-10 631	-9 328	-6 823	3 346	4 372	3 331	-8 582	-8 196	-8 373
Uruguay	-1 111	-764	54	-1 881	-2 022	-2 124	130	131	124	-2 861	-2 655	-1 947
Venezuela (Bolivarian Republic of)	14 529	12 191	-12 155	-8 707	-8 375	-5 798	-1 218	-218	-197	4 604	3 598	-18 150
The Caribbean	-815	-4 160	-4 570	-3 404	-3 669	-1 843	2 953	3 001	2 512	-1 362	-4 828	-3 900
Antigua and Barbuda	-171	-172	-175	-31	-37	-42	26	29	29	-176	-181	-189
Bahamas	-1 168	-1 490	-960	-329	-438	-402	3	0	-46	-1 494	-1 928	-1 409
Barbados	-189	-219	-104	-195	-197	-213	83	-14	2	-397	-431	-315
Belize	-28	-67	-149	-118	-143	-95	73	74	70	-73	-136	-175
Dominica	-68	-70	-63	-20	-19	-19	20	21	21	-68	-68	-61
Grenada	-210	-159	-144	-30	-35	-30	18	26	21	-221	-168	-154
Guyana	-838	-869	...	29	27	...	353	458	...	-456	-385	...
Jamaica	-3 246	-3 133	-2 347	-256	-286	-312	2 221	2 291	2 333	-1 281	-1 128	-326
Saint Kitts and Nevis	-71	-75	-73	-23	-23	-27	45	45	42	-49	-54	-58
Saint Lucia	-128	-78	-75	-26	-26	-21	5	10	10	-150	-94	-86
Saint Vincent and the Grenadines	-236	-229	-229	0	0	-2	14	13	13	-223	-216	-218
Suriname	-131	-417	-846	-131	-69	-27	67	71	65	-196	-415	-808
Trinidad and Tobago	5 670	2 820	595	-2 275	-2 421	-650	25	-21	-47	3 420	378	-101

Table A.7 (concluded)

	Capital and financial balance ^b			Overall balance			Reserve assets variation ^c			Other financing		
	2013	2014	2015 ^a	2013	2014	2015 ^a	2013	2014	2015 ^a	2013	2014	2015 ^a
Latin America and the Caribbean	177 095	223 838	147 636	13 392	35 884	-30 296	-16 111	-38 001	26 823	2 206	1 319	2 496
Latin America	175 240	216 671	145 301	12 899	33 545	-28 732	-15 587	-35 780	25 327	2 175	1 409	2 496
Argentina	-1 593	7 225	8 379	-13 736	-850	-7 555	11 830	-1 383	4 742	1 906	2 232	2 813
Bolivia (Plurinational State of)	67	909	280	1 122	971	-1 643	-1 122	-971	1 643	0	0	0
Brazil	68 912	115 014	60 451	-5 926	10 833	1 569	5 926	-10 833	-1 569	0	0	0
Chile	10 623	4 373	4 973	311	1 057	211	-311	-1 057	-211	0	0	0
Colombia	19 272	24 030	19 340	6 946	4 437	415	-6 946	-4 437	-415	0	0	0
Costa Rica	3 180	2 467	2 848	461	-113	645	-461	113	-645	0	0	0
Dominican Republic	3 877	2 789	2 077	1 341	648	770	-1 146	-195	-407	-197	-455	-365
Ecuador	2 778	149	712	1 846	-424	-1 489	-1 878	411	1 453	32	13	36
El Salvador	1 259	1 274	1 033	-327	-33	113	327	33	-113	0	0	0
Guatemala	2 053	1 302	678	702	73	475	-702	-73	-475	0	0	0
Haiti	178	681	66	-359	-94	-157	-58	479	155	418	-385	2
Honduras	2 235	1 904	1 584	473	459	293	-485	-459	-303	12	-1	10
Mexico	48 198	41 211	16 207	17 789	16 329	-15 667	-17 789	-16 329	15 667	0	0	0
Nicaragua	1 276	1 195	1 242	96	282	197	-96	-282	-197	0	0	0
Panama	4 292	5 175	2 260	-109	380	-1 117	-402	-1 205	210	0	0	0
Paraguay	558	1 265	-66	1 036	1 138	-560	-1 036	-1 131	560	0	-7	0
Peru	11 484	6 008	8 446	2 902	-2 188	73	-2 907	2 178	-73	5	10	0
Uruguay	5 784	4 015	159	2 923	1 360	-1 788	-2 923	-1 360	1 788	0	0	0
Venezuela (Bolivarian Republic of)	-9 194	-4 316	14 632	-4 590	-718	-3 518	4 590	718	3 518	0	0	0
The Caribbean	1 855	7 167	2 336	493	2 339	-1 564	-524	-2 220	1 496	31	-90	0
Antigua and Barbuda	218	275	189	42	94	0	-42	-94	0	0	0	0
Bahamas	1 425	1 974	1 433	-69	46	24	69	-46	-24	0	2	0
Barbados	240	386	252	-157	-46	-63	157	46	63	0	0	0
Belize	190	221	71	117	85	-104	-114	-84	104	-4	-1	0
Dominica	61	86	61	-6	18	0	6	-18	0	0	0	0
Grenada	253	191	154	31	23	0	-31	-23	0	0	0	0
Guyana	505	408	...	49	22	...	-84	-59	...	34	37	...
Jamaica	1 102	1 929	698	-179	800	372	179	-673	-440	0	-128	0
Saint Kitts and Nevis	89	81	58	40	27	0	-40	0	0	0	0	0
Saint Lucia	110	161	86	-40	67	0	40	-67	0	0	0	0
Saint Vincent and the Grenadines	249	239	218	26	23	0	-26	-23	0	0	0	0
Suriname	47	265	542	-149	-150	-266	149	150	266	0	0	0
Trinidad and Tobago	-2 634	952	-1 427	786	1 330	-1 529	-786	-1 330	1 529	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.8Latin America and the Caribbean: international trade of goods
(Index 2010=100)

	Exports of goods, f.o.b.								
	Value			Volume			Unit value		
	2013	2014	2015 ^a	2013	2014	2015 ^a	2013	2014	2015 ^a
Latin America	124.6	121.3	103.7	110.5	113.1	115.9	112.8	107.3	89.4
Argentina	111.4	100.2	83.2	93.1	85.9	84.1	119.6	116.7	98.9
Bolivia (Plurinational State of)	182.1	192.1	129.7	133.2	145.9	124.2	136.7	131.7	104.4
Brazil	120.0	111.3	94.4	105.8	103.7	112.1	113.4	107.4	84.2
Chile	107.4	105.4	87.5	109.8	111.7	109.4	97.9	94.3	80.0
Colombia	147.9	139.6	93.5	131.2	139.5	143.1	112.7	100.1	65.4
Costa Rica	117.8	123.1	126.2	116.6	122.6	132.3	100.9	100.4	95.4
Dominican Republic	138.3	145.3	139.7	135.3	143.5	148.5	102.2	101.2	94.1
Ecuador	141.1	146.6	105.0	114.4	126.3	125.4	123.3	116.1	83.7
El Salvador	124.8	122.5	126.1	114.6	110.3	112.2	108.9	111.0	112.5
Guatemala	119.3	128.8	126.9	117.4	128.0	140.2	101.6	100.6	90.5
Haiti	162.4	170.6	182.6	152.3	156.9	167.0	106.6	108.7	109.3
Honduras	124.6	128.9	128.4	125.9	130.2	135.4	98.9	98.9	94.8
Mexico	127.4	133.1	127.5	114.5	125.2	130.8	111.2	106.3	97.5
Nicaragua	137.2	149.4	137.8	124.6	135.8	128.8	110.1	109.9	107.0
Panama	134.6	121.0	100.9	125.9	113.2	95.3	106.9	106.9	105.8
Paraguay	129.9	125.1	104.3	115.3	112.3	100.7	112.6	111.4	103.6
Peru	119.7	110.4	95.6	106.8	105.8	107.7	112.1	104.4	88.8
Uruguay	127.7	128.8	112.9	106.7	108.2	106.8	119.7	119.0	105.7
Venezuela (Bolivarian Republic of)	132.7	111.7	55.9	101.3	89.6	81.5	130.9	124.7	68.6
	Imports of goods, f.o.b.								
	Value			Volume			Unit value		
	2013	2014	2015	2013	2014	2015	2013	2014	2015 ^a
Latin America	131.5	130.3	116.1	119.0	118.6	114.7	110.5	109.9	101.2
Argentina	131.6	115.3	105.6	118.4	103.4	107.3	111.2	111.4	98.5
Bolivia (Plurinational State of)	167.0	188.1	173.3	115.4	114.1	107.9	144.7	164.9	160.6
Brazil	131.9	126.2	94.3	115.7	112.9	95.7	114.0	111.8	98.5
Chile	135.4	124.3	106.5	127.2	118.8	114.8	106.4	104.7	92.8
Colombia	148.7	160.3	135.8	132.7	146.8	143.8	112.0	109.2	94.4
Costa Rica	131.4	135.1	130.9	125.0	129.5	139.4	105.1	104.3	93.9
Dominican Republic	110.5	113.6	110.9	98.9	104.8	119.0	111.7	108.4	93.2
Ecuador	133.0	135.7	105.4	121.9	123.9	100.4	109.1	109.5	104.9
El Salvador	112.0	110.1	108.4	99.1	98.8	107.4	113.1	111.4	101.0
Guatemala	127.7	133.2	127.9	115.4	123.1	131.4	110.7	108.2	97.4
Haiti	110.6	121.8	114.1	83.6	93.1	97.4	132.3	130.9	117.1
Honduras	123.0	124.3	124.6	110.1	111.5	122.9	111.7	111.4	101.4
Mexico	126.5	132.7	131.1	116.9	121.8	124.6	108.2	108.9	105.2
Nicaragua	133.4	138.5	139.8	119.2	128.8	148.7	111.9	107.5	94.1
Panama	154.5	149.3	130.6	141.2	137.5	126.6	109.4	108.6	103.2
Paraguay	124.5	125.9	107.5	113.6	115.9	111.6	109.6	108.6	96.3
Peru	147.0	142.4	129.7	129.8	127.7	128.2	113.2	111.5	101.2
Uruguay	135.7	131.5	109.2	122.6	124.1	118.3	110.7	105.9	92.4
Venezuela (Bolivarian Republic of)	137.0	113.8	88.4	124.5	104.2	87.1	110.1	109.2	101.6

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)

	2014				2015				2016	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Latin America and the Caribbean	250 584	285 193	281 299	256 186	218 529	242 332	228 373	219 235	185 426	120 127
Latin America	246 341	280 855	275 943	251 854	215 001	239 053	227 226	218 373	185 426	120 127
Argentina	13 836	20 860	18 520	15 191	12 058	16 405	15 866	12 459	12 404	4 756 ^a
Bolivia (Plurinational State of)	3 183	3 420	3 443	2 847	2 290	2 323	2 171	1 942	1 604	530 ^a
Brazil	49 358	60 678	62 858	51 203	42 539	51 338	49 860	46 356	40 375	32 800 ^b
Chile	18 942	19 678	17 849	18 455	16 929	15 957	14 457	14 890	15 064	10 118 ^b
Colombia	13 488	14 511	14 931	11 865	9 493	9 781	8 691	7 725	6 481	2 418 ^a
Costa Rica	2 862	3 018	2 807	2 575	2 389	2 540	2 279	2 371	2 493	904 ^a
Dominican Republic	2 380	2 538	2 546	2 435	2 266	2 512	2 457	2 288	...	...
Ecuador	6 655	6 785	6 526	5 759	4 870	4 934	4 438	4 088	3 627	1 263 ^a
El Salvador	1 289	1 379	1 354	1 251	1 428	1 399	1 397	1 260	1 280	507 ^a
Guatemala	2 677	2 777	2 706	2 643	2 769	2 823	2 658	2 427	2 639	939 ^a
Haiti	224	201	249	277	253	215	277	284	103	41 ^a
Honduras	1 985	2 163	1 978	1 947	2 143	2 199	1 882	1 818	...	...
Mexico	90 759	101 870	101 121	103 162	90 461	97 976	95 891	96 295	85 148	61 741 ^b
Nicaragua	687	685	644	617	672	669	567	515	554	226 ^a
Panama	3 218	4 095	4 312	3 708	3 240	3 181	3 216	3 147	2 407	...
Paraguay	2 524	2 998	2 325	1 789	2 447	2 091	2 008	1 810	2 175	759 ^a
Peru	9 780	9 491	10 364	9 898	8 164	8 275	8 590	9 207	7 751	2 713 ^a
Uruguay	1 782	2 907	2 573	1 870	1 654	2 328	2 037	1 661	1 425	454 ^a
Venezuela (Bolivarian Republic of)	20 713	20 801	18 838	14 362	8 936	12 108	8 483	7 830	...	...
The Caribbean	4 243	4 338	5 356	4 332	3 529	3 279	1 147	863	...	...
Antigua and Barbuda	5	9	5	5	5	13	5	4	...	...
Bahamas	123	127	140	134	...	...	...	...	...	...
Barbados	122	108	108	136	113	104	119	147	...	...
Belize	82	111	92	70	87	97	...	...	...	...
Dominica	10	8	9	10	10	8	6	6	...	...
Grenada	10	12	8	7	8	10	8	6	...	...
Guyana	251	278	298	328	227	298	268	...	...	...
Jamaica	384	356	375	334	338	344	287	298	...	...
Saint Kitts and Nevis	14	15	13	15	15	13	15	16	...	...
Saint Lucia	32	47	46	36	62	48	36	35	...	...
Saint Vincent and the Grenadines	11	11	13	12	10	12	11	12	...	...
Suriname	540	541	541	523	481	438	394	340	...	...
Trinidad and Tobago	2 659	2 714	3 709	2 724	2 173	1 894	...	...	...	...

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

^a Figures as of April.

^b Figures as of May.

Table A.10

Latin America and the Caribbean: imports of goods, c.i.f.
(Millions of dollars)

		2014				2015				2016	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Latin America and the Caribbean		261 919	278 085	286 941	281 416	246 165	247 401	250 631	237 071	191 107	113 061
Latin America		255 242	272 031	281 521	274 239	239 857	242 511	247 556	234 311	191 107	113 061
Argentina	CIF	16 282	17 154	17 032	14 761	13 242	15 704	16 625	14 185	12 793	4 423 ^a
Bolivia (Plurinational State of)	FOB	2 241	2 219	2 697	2 704	2 232	2 137	2 252	2 498	1 869	584 ^a
Brazil	FOB	55 739	57 789	61 783	55 416	48 347	44 265	42 193	37 617	32 579	21 902 ^b
Chile	FOB	17 126	16 951	17 164	17 338	14 690	13 774	15 449	14 825	12 955	8 817 ^b
Colombia	FOB	14 079	15 054	16 037	15 918	13 463	12 514	13 289	12 332	10 079	3 536 ^a
Costa Rica	CIF	4 520	4 404	4 240	4 022	3 691	3 823	3 963	4 028	3 666	1 369 ^a
Dominican Republic	CIF	3 976	4 475	4 428	4 394	3 941	4 296	4 373	4 254	...	...
Ecuador	CIF	6 470	6 881	7 003	7 372	6 103	5 519	5 169	4 727	3 880	1 209 ^a
El Salvador	CIF	2 615	2 756	2 534	2 608	2 534	2 676	2 647	2 558	2 328	866 ^a
Guatemala	CIF	4 380	4 632	4 625	4 645	4 185	4 424	4 632	4 400	3 931	1 438 ^a
Haiti	CIF	934	921	934	956	968	950	945	820	742	315 ^a
Honduras	FOB	2 556	2 867	2 883	2 764	2 837	2 861	2 719	2 680	...	...
Mexico	FOB	92 064	100 864	102 840	104 209	92 605	99 985	102 562	100 080	89 133	64 348 ^b
Nicaragua	FOB	1 236	1 334	1 348	1 535	1 279	1 348	1 331	1 476	1 333	459 ^a
Panama	FOB	5 612	6 662	7 001	6 434	5 665	5 417	6 146	5 264	4 561	...
Paraguay	FOB	2 587	2 698	3 044	2 970	2 445	2 381	2 452	2 251	1 940	633 ^a
Peru	FOB	10 185	10 364	10 583	9 910	9 256	9 344	9 445	9 340	8 380	2 700 ^a
Uruguay	FOB	2 854	2 711	2 598	2 600	2 438	2 315	2 098	2 053	1 680	776 ^a
Venezuela (Bolivarian Republic of)	FOB	9 786	11 296	12 744	13 682	9 935	8 778	9 265	8 923	...	...
The Caribbean		6 677	6 054	5 421	7 177	6 308	4 890	3 076	2 760	...	...
Antigua and Barbuda	CIF	158	124	136	134	126	119	115	129	...	...
Bahamas	CIF	654	692	0	756	819	...	...	...	...	...
Barbados	CIF	423	444	428	445	373	414	386	446	...	...
Belize	CIF	221	257	254	273	245	254	...	...	...	...
Dominica	CIF	50	56	61	63	53	52	56	57	...	...
Grenada	CIF	83	87	88	82	81	86	89	93	...	...
Guyana	CIF	406	441	466	478	375	395	355	...	...	...
Jamaica	CIF	1 439	1 473	1 503	1 499	1 260	1 325	1 237	1 210	...	...
Saint Kitts and Nevis	CIF	59	63	62	84	71	74	93	136	...	...
Saint Lucia	CIF	157	155	150	166	151	130	140	149	...	...
Saint Vincent and the Grenadines	CIF	80	95	89	97	75	81	81	97	...	...
Suriname	CIF	474	505	505	528	534	527	523	443	...	...
Trinidad and Tobago	CIF	2 473	1 662	1 679	2 572	2 146	1 434	...	...	...	...

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

^a Figures as of April.

^b Figures as of May.

Table A.11

Latin America: terms of trade for goods f.o.b./f.o.b.
(Index 2010=100)

	2007	2008	2009	2010	2011	2012	2013	2014	2015 ^a
Latin America	94.0	97.0	89.7	100.0	107.9	104.4	102.0	97.7	88.4
Argentina	85.5	95.9	96.6	100.0	110.3	114.8	107.5	104.7	100.4
Bolivia (Plurinational State of)	93.9	99.0	95.2	100.0	118.1	112.3	94.5	79.9	65.0
Brazil	85.3	88.5	86.2	100.0	107.8	101.5	99.4	96.1	85.5
Chile	91.7	78.4	82.0	100.0	101.3	94.8	91.9	90.1	86.2
Colombia	86.2	91.3	86.1	100.0	114.7	108.3	100.6	91.7	69.2
Costa Rica	104.7	100.8	104.1	100.0	96.3	95.8	96.1	96.3	101.6
Dominican Republic	100.5	96.0	103.8	100.0	94.7	93.8	91.5	93.4	101.0
Ecuador	89.0	103.7	86.7	100.0	112.0	112.0	113.0	106.0	79.8
El Salvador	104.0	94.1	105.9	100.0	97.5	98.0	96.3	99.6	111.3
Guatemala	95.1	92.6	100.5	100.0	99.1	93.7	91.8	93.0	93.0
Haiti	111.2	79.9	103.4	100.0	83.0	86.0	80.6	83.1	93.4
Honduras	97.0	91.1	97.3	100.0	108.4	94.6	88.6	88.8	93.5
Mexico	103.3	104.6	92.9	100.0	106.8	102.9	102.8	97.6	92.6
Nicaragua	94.6	90.9	97.9	100.0	106.6	106.7	98.4	102.2	113.8
Panama	101.9	97.3	101.9	100.0	97.8	98.2	97.7	98.4	102.5
Paraguay	95.3	102.3	100.0	100.0	102.4	103.4	102.8	102.6	107.5
Peru	95.0	84.6	82.6	100.0	107.2	104.4	99.0	93.6	87.8
Uruguay	87.1	94.1	100.5	100.0	102.4	106.3	108.1	112.3	114.5
Venezuela (Bolivarian Republic of)	93.6	115.5	84.1	100.0	120.2	121.4	118.9	114.1	67.5

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)

	2011	2012	2013	2014	2015				2016	
					Q1	Q2	Q3	Q4	Q1	Q2 ^a
Bolivia (Plurinational State of)	1 012	1 094	1 182	1 164	272	286	307	314	284	...
Brazil	2 550	2 191	2 124	2 128	540	575	684	660	581	187 ^b
Colombia	4 064	3 970	4 401	4 093	1 034	1 052	1 317	1 232	1 164	381 ^b
Costa Rica	487	527	561	559	120	129	132	...	...	...
Dominican Republic	4 008	4 045	4 262	4 571	1 200	1 272	1 262	1 227	...	...
Ecuador	2 672	2 467	2 450	2 462	530	595	616	636	...	...
El Salvador	3 628	3 880	3 938	4 133	983	1 104	1 058	1 125	1 045	384 ^b
Guatemala	4 378	4 783	5 105	5 544	1 396	1 559	1 639	1 691	1 663	1 235
Honduras	2 750	2 842	3 093	3 437	856	956	962	952	913	326 ^b
Jamaica	2 025	2 037	2 065	2 157	528	565	559	574	160 ^c	...
Mexico	22 803	22 438	22 303	23 647	5 724	6 353	6 543	6 172	6 216	2 173 ^b
Nicaragua	912	1 014	1 078	1 136	289	292	293	319	302	104 ^b
Paraguay	451	528	519	422	96	106	119	141	68 ^d	...
Peru	2 697	2 788	2 707	2 637	628	667	715	716	665	...

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 January.

^d Figures as of February.

Table A.13

Latin America and the Caribbean: net resource transfer^a
(Millions of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015 ^b
Latin America and the Caribbean	16 200	-32 318	-22 561	31 768	46 026	34 479	28 739	69 158	18 030
Latin America	17 867	-29 931	-21 533	34 766	48 045	32 991	30 258	65 749	17 537
Argentina	-198	-14 284	-15 962	-8 161	-15 507	-14 722	-11 966	-1 275	113
Bolivia (Plurinational State of)	-43	-154	-1 094	-707	923	-1 888	-1 840	-797	-893
Brazil	56 642	-9 401	37 269	57 870	65 194	38 810	36 374	62 844	18 094
Chile	-29 153	-1 352	-13 265	-15 432	3 358	-2 016	218	-3 318	-1 222
Colombia	2 776	-669	-2 857	576	-2 047	1 687	5 115	11 391	13 352
Costa Rica	1 929	2 022	-22	762	1 049	3 151	1 312	459	536
Cuba	-960	...	...	...	...	...	...	...	...
Dominican Republic	665	2 462	1 248	3 167	2 522	1 079	686	-931	-1 333
Ecuador	-2 357	-2 246	-2 264	-625	-522	-1 614	1 431	-1 396	-997
El Salvador	1 039	1 477	-36	-303	79	1 039	267	200	-104
Guatemala	1 159	809	-902	29	154	511	846	-105	-745
Haiti	688	374	373	969	573	788	627	309	79
Honduras	612	1 530	-429	546	521	32	894	581	214
Mexico	2 423	8 201	-1 921	12 579	21 204	8 679	8 028	8 655	-16 002
Nicaragua	1 124	1 316	895	761	993	777	948	881	901
Panama	712	1 732	-664	1 223	2 854	673	1 585	2 537	-1 339
Paraguay	-1 046	-915	-767	-1 036	-603	-1 184	-1 127	-279	-1 607
Peru	-165	-288	-6 728	3 531	-5 495	7 527	857	-3 310	1 623
Uruguay	710	3 045	929	-1 131	2 248	4 343	3 903	1 993	-1 966
Venezuela (Bolivarian Republic of)	-18 691	-23 589	-15 337	-19 853	-29 453	-14 681	-17 901	-12 691	8 834
The Caribbean	-1 667	-2 387	-1 027	-2 998	-2 019	1 487	-1 518	3 409	493
Antigua and Barbuda	333	292	108	146	88	136	187	238	147
Bahamas	723	903	909	627	992	1 162	1 096	1 538	1 031
Barbados	233	136	182	116	254	251	45	188	39
Belize	-84	38	22	-107	-60	-32	68	77	-24
Dominica	66	108	118	72	64	79	42	67	42
Grenada	211	201	160	154	177	157	223	156	124
Guyana	137	262	-51	101	341	311	568	471	...
Jamaica	937	2 120	430	871	1 326	439	846	1 514	386
Saint Kitts and Nevis	89	183	172	142	143	66	66	58	31
Saint Lucia	295	257	125	195	231	158	84	135	65
Saint Vincent and the Grenadines	168	204	189	221	163	208	249	239	216
Suriname	-181	-96	-68	-720	-569	-175	-84	196	514
Trinidad and Tobago	-4 594	-6 995	-3 324	-4 816	-5 170	-1 273	-4 909	-1 469	-2 077

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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015 ^b
Latin America and the Caribbean	96 920	104 134	72 064	111 528	146 323	150 272	144 421	141 488	131 275
Latin America	92 928	98 162	68 935	108 628	143 787	147 239	142 274	137 536	128 594
Argentina	4 969	8 335	3 306	10 368	9 352	14 269	8 932	3 145	10 516
Bolivia (Plurinational State of)	363	509	420	651	859	1 060	1 750	648	503
Brazil	27 518	24 601	36 033	61 689	85 091	81 399	54 240	70 855	61 576
Chile	8 326	7 453	6 159	6 049	3 057	7 937	9 491	9 428	4 663
Colombia	8 136	8 110	3 789	947	6 228	15 646	8 557	12 426	7 890
Costa Rica	1 634	2 072	1 223	1 378	2 328	1 803	2 783	2 665	2 708
Dominican Republic	1 667	2 870	2 165	1 622	2 277	3 142	1 990	2 209	2 222
Ecuador	194	1 058	308	165	644	567	727	773	1 060
El Salvador	1 455	824	366	-226	218	484	176	311	429
Guatemala	720	737	574	782	1 009	1 205	1 262	1 282	1 116
Haiti	75	30	55	178	119	156	160	99	104
Honduras	926	1 007	505	971	1 012	851	992	1 120	1 113
Mexico	24 151	27 921	8 296	11 382	11 013	-2 033	32 716	18 213	18 158
Nicaragua	366	608	463	474	929	703	700	804	785
Panama	1 777	2 196	1 259	2 363	2 956	3 254	3 612	3 980	4 511
Paraguay	202	209	95	216	557	738	72	346	283
Peru	5 425	6 188	6 020	8 189	7 518	11 840	9 161	7 789	6 734
Uruguay	1 240	2 117	1 512	2 349	2 511	2 539	3 027	2 148	1 614
Venezuela (Bolivarian Republic of)	3 783	1 316	-3 613	-918	6 110	1 679	1 928	-704	2 609
The Caribbean	3 992	5 972	3 129	2 900	2 536	3 033	2 148	3 952	2 681
Antigua and Barbuda	338	159	81	97	65	133	95	161	149
Bahamas	746	860	664	872	667	530	388	251	76
Barbados	559	689	484	747	758	186	46	791	335
Belize	139	167	108	95	95	193	92	138	59
Dominica	40	57	42	24	14	29	24	33	29
Grenada	157	135	103	60	43	31	113	40	51
Guyana	152	178	164	198	247	278	201	238	...
Jamaica	751	1 361	480	169	144	411	681	594	790
Saint Kitts and Nevis	134	178	131	116	110	108	136	118	138
Saint Lucia	272	161	146	121	81	74	92	73	74
Saint Vincent and the Grenadines	119	159	110	97	86	115	160	138	120
Suriname	-247	-231	-93	-248	73	173	188	163	276
Trinidad and Tobago	830	2 101	709	549	156	772	-66	1 214	583

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)

		2008	2009	2010	2011	2012	2013	2014	2015
Latin America and the Caribbean		769 035	834 713	998 971	1 123 322	1 234 626	1 299 969	1 422 432	1 463 531
Latin America		755 592	820 382	982 216	1 105 617	1 217 105	1 281 235	1 402 735	1 442 292
Argentina	Total	125 859	119 267	134 011	145 154	145 722	141 491	145 981	158 277
	Public	65 388	65 517	74 166	77 221	75 554	74 142	80 731	86 273
	Private	60 471	53 751	59 844	67 934	70 168	67 349	65 250	72 004
Bolivia (Plurinational State of)	Total	5 930	5 801	5 875	6 298	6 625	7 756	8 543	9 445
	Public	2 443	2 601	2 891	3 582	4 196	5 262	5 736	6 341
	Private	3 424	3 092	2 815	2 716	2 430	2 494	2 807	3 104
Brazil	Total	198 492	198 136	256 804	298 204	327 590	312 517	352 684	334 636
	Public	84 160	95 502	82 847	77 300	82 245	122 641	139 051	130 587
	Private	114 331	102 635	152 864	195 763	199 336	189 876	213 633	204 048
Chile	Total	63 534	72 617	84 986	99 306	120 446	134 550	149 652	155 656
	Public	11 530	13 617	17 498	21 091	26 242	26 883	30 094	30 576
	Private	52 003	59 000	67 488	78 216	94 205	107 667	119 558	125 080
Colombia	Total	46 369	53 719	64 738	75 568	78 763	91 976	101 282	111 197
	Public	29 447	37 129	39 546	42 434	46 065	52 119	59 645	66 941
	Private	16 921	16 590	25 192	33 135	32 698	39 856	41 637	44 255
Costa Rica	Total	8 827	8 276	9 527	11 286	15 381	19 629	21 671	23 743
	Public	3 401	3 632	4 381	4 345	7 428	7 428	8 919	10 353
	Private	5 426	4 644	5 146	6 941	7 953	12 201	12 752	13 390
Dominican Republic	Public	7 219	8 215	9 947	11 625	12 872	14 919	16 074	16 029
Ecuador	Total	16 900	13 514	13 914	15 210	15 913	18 788	24 114	27 660
	Public	10 028	7 364	8 622	9 973	10 768	12 920	17 582	20 226
	Private	6 871	6 149	5 292	5 237	5 145	5 868	6 532	7 435
El Salvador	Total	9 994	9 882	9 698	10 670	12 521	13 238	14 885	15 482
	Public	5 837	6 550	6 831	7 142	7 637	7 764	8 673	8 553
	Private	4 157	3 332	2 867	3 528	4 884	5 474	6 213	6 929
Guatemala	Total	11 163	11 248	12 026	14 021	15 339	17 307	19 530	20 300
	Public	4 423	5 391	6 038	6 027	6 823	7 429	7 510	7 878
	Private	6 741	5 857	5 988	7 993	8 516	9 877	12 020	12 422
Haiti	Public	1 921	1 333	354	709	1 173	1 562	1 875	1 948
Honduras	Total	3 499	3 365	3 785	4 208	4 861	6 709	7 184	7 462
	Public	2 358	2 481	2 843	3 218	3 664	5 202	5 569	5 932
	Private	1 141	884	942	990	1 197	1 507	1 616	1 530
Mexico	Total	123 626	160 427	193 971	209 766	225 973	259 535	285 754	297 896
	Public	56 939	96 354	110 428	116 420	125 726	134 436	147 666	162 210
	Private	66 686	64 073	83 543	93 346	100 247	125 099	138 089	135 687
Nicaragua	Public	3 512	3 661	4 068	4 263	4 481	4 724	4 796	4 804
Panama	Public	8 477	10 150	10 439	10 858	10 782	12 231	14 352	15 648
Paraguay	Total	3 124	3 044	3 621	3 864	4 471	4 600	5 978	6 317
	Public	2 204	2 234	2 335	2 291	2 241	2 677	3 680	3 993
	Private	920	810	1 286	1 573	2 230	1 923	2 298	2 324
Peru	Total	34 997	35 157	43 674	47 977	59 376	60 823	64 512	68 244
	Public	20 230	20 241	22 980	24 275	26 510	24 079	23 890	26 781
	Private	14 767	14 916	20 694	23 702	32 866	36 744	40 622	41 463
Uruguay	Total	15 425	17 969	18 425	18 345	24 030	26 518	28 100	28 678
	Public	11 064	13 117	13 182	14 436	16 662	18 044	18 950	18 938
	Private	4 361	4 853	5 243	3 909	7 368	8 473	9 149	9 740
Venezuela (Bolivarian Republic of)	Total	66 727	84 602	102 354	118 285	130 785	132 362	135 767	138 869
	Public	50 902	68 525	88 652	103 140	113 112	112 103	117 217	120 204
	Private	15 825	16 077	13 702	12 734	17 673	20 259	18 550	18 665

Table A.15 (concluded)

		2008	2009	2010	2011	2012	2013	2014	2015
The Caribbean		13 442	14 331	16 755	17 705	17 521	18 734	19 697	21 240
Antigua and Barbuda	Public	436	416	432	467	445	577	560	570
Bahamas	Public	384	703	728	799	1 038	1 188	1 593	1 671
Barbados	Public	989	1 198	1 359	1 385	1 322	1 434	1 507	1 430
Belize	Public	958	1 017	1 021	1 032	1 029	1 083	1 127	1 177
Dominica	Public	234	222	232	238	263	273	278	281
Grenada	Public	481	512	528	535	535	562	578	593
Guyana	Public	834	933	1 043	1 206	1 358	1 246	1 216	1 143
Jamaica	Public	6 344	6 594	8 390	8 626	8 256	8 310	8 659	10 314
Saint Kitts and Nevis	Public	312	325	296	320	317	320	280	210
Saint Lucia	Public	364	373	393	417	435	488	526	457
Saint Vincent and the Grenadines	Public	229	262	313	328	329	354	385	378
Suriname	Public	319	269	334	463	567	739	810	876
Trinidad and Tobago	Public	1 557	1 507	1 686	1 891	1 627	2 160	2 181	2 139

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.

Table A.16

Latin America and the Caribbean: sovereign spreads on EMBI+ and EMBI global
(Basis points to end of period)

		2011	2012	2013	2014	2015				2016	
						March	June	September	December	March	June
Latin America	EMBI +	410	317	410	491	525	528	608	584	562	514
Argentina	EMBI +	925	991	808	719	629	631	591	438	444	518
Belize	EMBI Global	1 391	2 245	807	819	784	736	804	822	1 460	1 285
Bolivia (Plurinational State of)	EMBI Global	...	...	289	277	334	268	333	250	211	...
Brazil	EMBI +	223	142	224	259	322	304	442	523	409	350
Chile	EMBI Global	172	116	148	169	158	158	244	253	213	202
Colombia	EMBI +	195	112	166	196	219	229	318	321	299	261
Dominican Republic	EMBI Global	597	343	349	381	379	351	437	421	434	428
Ecuador	EMBI Global	846	826	530	883	865	824	1 451	1 266	1 058	913
El Salvador	EMBI Global	478	396	389	414	459	443	610	634	667	671
Jamaica	EMBI Global	637	711	641	485	437	350	462	469	469	478
Mexico	EMBI +	187	126	155	182	192	194	247	232	227	213
Panama	EMBI +	201	129	199	189	199	195	249	218	212	213
Paraguay	EMBI Global	...	...	240	291	293	279	343	338	335	...
Peru	EMBI +	216	114	159	181	180	181	261	246	231	203
Uruguay	EMBI Global	213	127	194	208	214	213	305	280	279	270
Venezuela (Bolivarian Republic of)	EMBI +	1 197	773	1 093	2 295	2 804	2 611	2 986	2 658	3 007	2 546

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from JPMorgan Emerging Markets Bond Index (EMBI).

Table A.17

Latin America and the Caribbean: risk premiums on five-year credit default swaps
(Basis points to end of period)

		2011	2012	2013	2014	2015				2016	
						March	June	September	December	March	June
Argentina		922	1 442	1 654	2 987	2 987	5 393	5 393	5 393	5 393	420
Brazil		162	108	194	201	283	260	480	495	366	317
Chile		132	72	80	94	83	87	146	129	95	95
Colombia		156	96	119	141	159	169	249	243	216	206
Mexico		154	98	92	103	126	131	176	170	162	159
Panama		150	98	111	109	141	141	186	182	160	161
Peru		172	97	133	115	134	140	195	188	163	139
Venezuela (Bolivarian Republic of)		928	647	1 150	3 155	4 752	4 444	5 716	4 868	5 259	3 892

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)

	2011	2012	2013	2014	2015				2016	
					Q1	Q2	Q3	Q4	Q1	Q2
Total	91 687	114 241	123 332	133 056	30 537	31 147	9 375	7 974	29 764	45 676
Latin America and the Caribbean	90 272	111 757	121 518	129 743	29 120	30 696	9 120	6 927	28 521	43 468
Argentina	2 449	663	1 025	1 941	1 286	2 000	...	300	2 610	24 065
Bahamas	...	...	...	300	...	...	...	...	...	...
Barbados	...	...	...	2 500	...	...	320	...	...	...
Bolivia (Plurinational State of)	...	500	500	...	...	...	...	...	...	...
Brazil	38 369	50 255	37 262	45 364	...	7 188	...	...	1 500	10 047
Chile	6 049	9 443	11 540	13 768	1 263	3 884	2 425	79	2 650	94
Colombia	6 411	7 459	10 012	9 200	3 000	1 900	1 500	...	1 760	1 801
Costa Rica	250	1 250	3 000	1 000	1 000	...	...	127	...	500
Dominican Republic	750	750	1 800	1 500	2 500	1 000	...	...	1 000	870
Ecuador	...	...	...	2 000	750	750	...	...	...	...
El Salvador	654	800	310	800	...	300	...	...	...	...
Guatemala	150	1 400	1 300	1 100	...	...	...	...	...	700
Honduras	...	...	1 000	...	...	...	...	...	...	...
Jamaica	694	1 750	1 800	1 800	925	...	2 000	...	...	...
Mexico	22 276	28 147	41 729	37 592	13 945	11 589	825	4 016	16 291	4 180
Panama	897	1 100	1 350	1 935	1 250	450	...	...	1 000	575
Paraguay	100	500	500	1 000	...	280	...	...	600	...
Peru	2 155	7 240	5 840	5 944	2 002	1 155	2 050	1 200	1 110	550
Suriname	...	...	...	...	...	...	...	...	...	86
Trinidad and Tobago	175	...	550	...	...	...	...	...	...	...
Uruguay	1 693	500	2 000	2 000	1 200	200	...	1 205	...	...
Venezuela (Bolivarian Republic of)	7 200	...	...	...	...	...	...	...	...	...
Supranational issues	1 415	2 484	1 814	3 313	1 417	451	255	1 048	1 243	2 208
Central American Bank for Economic Integration (CABEI)	...	250	520	505	128	207	50	136	196	306
Caribbean Development Bank (CDB)	175	...	...	...	...	...	...	...	...	...
Foreign Trade Bank of Latin America (BLADEX)	...	400	...	...	...	...	...	...	...	73
Development Bank of Latin America (CAF)	1 240	1 834	1 294	2 808	1 289	244	205	912	1 047	1 330
Inter-American Investment Corporation (IIC)	...	...	...	...	...	...	...	...	...	500

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

^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)

	2011	2012	2013	2014	2015				2016	
					March	June	September	December	March	June
Argentina	160	185	349	556	702	755	636	757	842	951
Brazil	170	182	154	149	153	159	135	130	150	154
Chile	213	219	188	196	199	198	188	187	200	203
Colombia	133	155	137	122	105	108	98	90	104	103
Costa Rica	121	129	190	211	203	200	196	191	207	212
Ecuador	128	135	148	168	169	173	164	161	158	154
Jamaica	91	88	77	73	80	93	92	144	147	153
Mexico	208	246	240	242	246	253	239	241	258	258
Peru	406	430	328	308	259	273	209	205	251	289
Trinidad and Tobago	95	100	111	108	108	109	108	109	106	106
Venezuela (Bolivarian Republic of)	574	2 312	13 421	18 925	24 977	63 057	58 229	71 546	71 480	63 028

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)

	2011	2012	2013	2014	2015				2016	
					March	June	September	December	March	May
Latin America and the Caribbean	773 632	835 735	830 018	857 438	856 879	856 168	831 789	811 762	815 306	818 424
Latin America	756 688	820 026	813 984	839 356	839 074	838 585	814 490	795 043	800 271	803 430
Argentina	46 376	43 290	30 599	31 443	31 490	33 851	33 257	25 563	29 572	30 171
Bolivia (Plurinational State of)	12 019	13 927	14 430	15 123	14 968	14 708	14 229	13 056	12 483	11 725
Brazil	352 012	373 147	358 808	363 551	362 744	368 668	361 370	356 464	357 698	363 447
Chile	41 979	41 650	41 094	40 447	38 427	38 179	38 245	38 643	39 553	39 848
Colombia	32 303	37 474	43 639	47 328	46 920	46 982	46 733	46 740	47 229	47 539
Costa Rica	4 756	6 857	7 331	7 211	8 342	8 271	8 052	7 834	7 812	7 760
Dominican Republic	4 098	3 559	4 701	4 862	4 963	5 053	4 822	5 266	5 183	5 035
Ecuador ^a	2 958	2 483	4 361	3 949	3 668	4 739	3 512	2 496	2 573	2 159
El Salvador	2 503	3 175	2 745	2 693	2 661	2 824	2 827	2 787	3 172	3 133
Guatemala	6 188	6 694	7 273	7 333	7 770	7 718	7 536	7 751	7 586	8 549
Haiti	1 344	1 337	1 690	1 163	1 141	1 095	1 016	977	998	...
Honduras	2 880	2 629	3 113	3 570	3 636	3 928	3 728	3 874	4 047	4 123 ^b
Mexico	149 209	167 050	180 200	195 682	197 765	194 306	181 929	177 597	179 708	179 351
Nicaragua	1 793	1 778	1 874	2 147	2 201	2 212	2 283	2 353	2 338	2 377
Panama	2 234	2 441	2 775	3 994	4 763	4 362	4 082	3 911	4 711	4 502 ^b
Paraguay	4 984	4 994	5 871	6 891	6 672	7 100	6 508	6 200	6 633	6 867
Peru	48 859	64 049	65 710	62 353	61 384	60 072	61 487	61 537	61 429	60 673
Uruguay	10 302	13 605	16 290	17 555	18 584	18 324	16 424	15 634	14 291	14 055
Venezuela (Bolivarian Republic of)	29 892	29 890	21 481	22 061	20 977	16 193	16 450	16 361	13 257	12 118
The Caribbean	16 944	15 709	16 034	18 081	17 805	17 583	17 299	16 718	15 035	14 993
Antigua and Barbuda ^a	147	161	202	297	278	331	365	356	...	...
Bahamas	892	812	740	787	839	957	827	808	980	1 009
Barbados	587	630	516	467	510	465	460	434	452	460
Belize	242	289	402	483	490	535	433	432	436	441
Dominica ^a	75	92	85	100	106	118	115	125	...	...
Grenada ^a	106	104	135	158	158	164	166	189	...	...
Guyana	798	862	777	666	616	627	611	599	619	612
Jamaica	2 820	1 981	1 818	2 473	2 690	2 537	2 890	2 914	2 894	2 782
Saint Kitts and Nevis ^a	233	252	291	318	317	289	265	280	...	...
Saint Lucia ^a	192	208	168	235	309	320	302	298	...	...
Saint Vincent and the Grenadines ^a	88	109	133	156	148	143	152	165	...	...
Suriname	941	1 008	779	625	494	504	398	330	276	213
Trinidad and Tobago	9 823	9 201	9 987	11 317	10 851	10 592	10 312	9 788	9 376	9 478

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

^a Net international reserves.

^b Figures as of April.

Table A.21

Latin America and the Caribbean: real effective exchange rates^{a,b}
(Index 2005=100, average values for the period)

	2011	2012	2013	2014	2015 ^c				2016 ^c	
					Q1	Q2	Q3	Q4	Q1	Q2 ^d
Latin America and the Caribbean^e	83.5	81.3	81.3	80.3	82.1	83.4	84.9	85.3	85.5	85.7
Barbados	90.5	89.5	89.5	89.9	89.5	89.7	88.9	89.6	91.6	91.4
Bolivia (Plurinational State of)	89.8	87.0	81.7	76.4	70.0	70.2	67.0	65.4	62.1	65.5
Brazil	69.2	77.7	83.1	85.8	94.9	100.1	113.1	119.3	114.6	105.5
Chile	95.3	94.0	95.2	105.4	106.9	104.7	111.2	112.6	110.6	109.2
Colombia	79.5	76.5	80.1	84.8	98.3	98.8	115.2	117.0	119.4	110.0
Costa Rica	79.7	76.6	74.1	77.4	73.4	73.7	73.6	73.3	72.9	74.6
Dominica	109.7	109.0	110.9	112.2	111.4	111.1	111.1	109.9	110.0	110.4
Dominican Republic	110.3	112.3	115.8	120.7	122.3	124.3	124.4	125.2	125.5	127.1
Ecuador	102.4	98.4	96.7	93.7	86.5	86.1	84.2	83.4	82.1	84.1
El Salvador	102.4	103.1	104.1	105.3	104.6	105.0	105.4	103.8	103.6	105.0
Guatemala	89.5	88.3	87.2	83.8	78.9	79.1	77.3	76.1	74.4	75.3
Honduras	85.4	83.8	84.8	82.4	82.4	82.9	81.5	80.9	82.4	83.4
Jamaica	96.3	95.3	100.0	109.4	113.2	116.0	119.0	123.4	126.7	128.1
Mexico	109.1	112.6	106.8	108.2	115.3	119.6	127.4	127.4	135.1	136.3
Nicaragua	105.8	103.4	100.1	101.9	100.1	101.7	103.2	104.8	103.6	104.0
Panama	103.9	94.4	92.3	90.6	87.1	86.5	85.5	85.5	84.6	85.7
Paraguay	71.7	73.0	68.5	66.4	63.9	67.7	67.4	70.4	66.9	69.0
Peru	96.6	90.1	90.6	92.7	93.3	95.2	94.4	96.3	97.7	96.3
Trinidad and Tobago	79.6	73.9	70.9	67.3	62.2	62.3	60.8	60.3	60.6	62.2
Uruguay	77.9	76.3	70.8	74.9	73.0	77.8	79.7	81.4	81.6	82.9
Venezuela (Bolivarian Republic of)	69.6	58.7	60.3	...	...	...	...	...	...	...

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.

^b A currency depreciates in real effective terms when this index rises and appreciates when it falls.

^c Preliminary figures.

^d Figures as of May.

^e The extraregional real effective exchange rate index excludes trade with other Latin American and Caribbean countries.

Table A.22

Latin America and the Caribbean: participation rate
(Average annual rates)

			2009	2010	2011	2012	2013	2014	2015 ^a	2015	2016 ^a	
											First quarter	
Latin America and the Caribbean ^b		Global	62.1	61.8	61.7	61.7	61.6	61.5	61.6	...	...
Argentina	Urban areas	Total	59.3	58.9	59.5	59.3	58.9	58.3	57.7 ^c	...	...
		Female	48.0	47.0	47.4	47.6	47.1	46.9	46.4 ^c	...	...
		Male	72.1	72.3	72.9	72.2	72.0	70.9	70.1 ^c	...	...
Bahamas	Nationwide total	Total	73.4	...	72.1	72.5	73.2	73.7	73.0 ^d	...	...
		Female	...	...	...	69.5	70.1	70.1	71.5 ^d	...	...
		Male	...	...	...	75.8	76.9	77.8	78.5 ^d	...	...
Barbados	Nationwide total	Total	67.0	66.6	67.6	66.2	66.7	63.8	65.1	65.2	65.3	
		Female	62.2	62.0	63.0	61.1	61.8	60.4	61.7	61.3	61.4	
		Male	72.3	71.7	72.7	72.0	72.3	67.7	68.7	69.5	69.6	
Belize	Nationwide total	Total	...	...	...	65.8	64.0	63.6	63.2	...	...
		Female	...	...	...	52.6	49.8	49.2	48.7	...	...
		Male	...	...	...	79.2	78.3	78.2	77.8	...	...
Bolivia (Plurinational State of)	Nationwide total	Total	65.1	...	65.8	61.2	63.4	65.9	...	...	...
		Female	57.4	...	57.4	52.6	54.8	57.2	...	...	...
		Male	73.3	...	74.7	70.4	72.7	75.1	...	...	...
Brazil ^e	Nationwide total	Total	62.1	...	60.0	61.4	61.3	61.0	61.3	61.0	61.4	
		Female	52.7	...	50.1	50.8	50.7	50.6	51.2	50.8	51.2	
		Male	72.3	...	70.8	73.1	72.9	72.5	72.4	72.2	72.7	
Chile ^f	Nationwide total	Total	55.9	58.5	59.8	59.5	59.6	59.8	59.7	59.6	59.4	
		Female	41.3	45.3	47.3	47.6	47.7	48.4	48.2	47.7	47.6	
		Male	71.0	72.1	72.7	71.9	71.8	71.6	71.5	71.9	71.6	
Colombia	Nationwide total	Total	61.3	62.7	63.7	64.5	64.2	64.2	64.7	63.8	64.1	
		Female	49.8	51.8	52.8	54.1	53.9	54.0	54.8	53.3	54.0	
		Male	73.3	74.2	75.1	75.4	74.9	74.9	75.2	74.7	74.6	
Costa Rica ^e	Nationwide total	Total	60.4	59.1	60.7	62.5	62.2	62.6	61.2	61.8	58.7	
		Female	44.5	43.5	45.7	48.4	48.6	49.2	48.1	48.6	44.5	
		Male	77.2	75.9	76.8	76.2	75.5	75.9	74.3	74.9	72.6	
Cuba	Nationwide total	Total	75.4	74.9	76.1	74.2	72.9	71.9	...	...	...
		Female	61.0	60.5	60.5	57.4	57.3	56.3	...	...	...
		Male	88.4	87.7	90.0	89.5	87.1	86.2	...	...	...
Dominican Republic	Nationwide total	Total	55.2	56.5	57.8	59.0	58.7	59.1	59.3	58.9	59.8 ^g	
		Female	38.3	40.8	42.6	44.0	43.7	44.0	44.5	44.1	45.6 ^g	
		Male	72.5	72.4	73.4	74.4	74.1	74.6	74.5	74.1	74.2 ^g	
Ecuador ^h	Nationwide total	Total	65.3	62.5	62.5	61.68	62.1	63.2	66.2	65.8	68.56	
		Female	51.3	48.0	47.8	47.4	47.7	48.5	52.7	52.2	56.6	
		Male	80.2	77.9	78.3	76.9	77.2	78.8	80.5	80.4	81.4	
El Salvador	Nationwide total	Total	62.8	62.5	62.7	63.2	63.6	63.6	62.8	...	...
		Female	47.6	47.3	47.0	47.9	49.3	49.3	47.8	...	...
		Male	81.0	80.9	81.2	81.4	80.7	80.7	80.7	...	...
Guatemala	Nationwide total	Total	...	62.5	61.8	65.4	60.6	60.9	60.4 ⁱ	...	...
		Female	...	84.7	40.4	45.7	40.6	40.6	...	...	...
		Male	...	42.9	84.6	87.6	83.4	83.8	...	...	...
Honduras	Nationwide total	Total	53.1	53.6	51.9	50.8	53.7	56.0	58.3	...	...
		Female	35.9	37.4	34.9	33.8	37.2	40.6	44.1	...	...
		Male	72.3	71.0	70.4	69.2	72.1	73.6	74.4	...	...

Table A.22 (concluded)

			2009	2010	2011	2012	2013	2014	2015 ^a	2015	2016 ^a	
											First quarter	
Jamaica	Nationwide total	Total	63.5	62.4	62.3	61.9	63.0	62.8	63.1	63.4	64.3 ^j	
		Female	55.7	54.8	54.9	54.9	56.2	55.9	56.3	56.5	57.8 ^j	
		Male	71.8	70.4	70.2	69.1	70.0	70.0	70.3	70.4	70.9 ^j	
Mexico ^k	Nationwide total	Total	58.6	58.4	58.6	59.2	60.3	59.8	59.8	59.2	59.2	
		Female	42.0	41.6	42.0	43.0	43.9	43.1	43.4	42.5	42.9	
		Male	77.1	77.0	76.9	77.1	78.5	78.3	78.0	77.6	77.2	
Nicaragua	Nationwide total	Total	66.6	71.2	75.6	76.8	75.8	74.0	...	...	...
		Female	51.2	57.9	64.0	66.6	65.1	63.0	...	...	...
		Male	82.9	85.3	87.9	87.7	87.3	85.8	...	...	...
Panama	Nationwide total	Total	64.1	63.5	61.9	63.4	64.1	64.0	64.2	...	...
		Female	48.3	47.5	45.6	48.0	49.2	49.8	50.8	...	...
		Male	80.9	80.4	79.2	80.1	79.7	79.4	78.4	...	...
Paraguay	Nationwide total	Total	62.9	60.5	60.7	64.3	62.6	61.6	61.6	...	...
		Female	49.7	47.3	48.9	53.8	51.9	49.6	50.0	...	...
		Male	75.9	73.5	72.8	74.7	73.8	74.1	73.8	...	...
Peru	Metropolitan Lima	Total	68.4	70.0	70.0	69.1	68.9	68.4	68.3	68.5	69.0	
		Female	60.1	61.7	61.5	60.7	60.6	60.1	60.3	60.7	60.1	
		Male	77.2	79.0	79.0	78.2	77.9	77.3	76.7	76.7	78.5	
Trinidad and Tobago	Nationwide total	Global	62.7	62.1	61.3	61.8	61.3	61.9	60.6	...	...
Uruguay	Nationwide total	Total	63.4	62.9	64.8	64.0	63.6	64.7	63.8	63.8	63.9	
		Female	54.3	54.0	55.8	55.6	56.4	55.9	55.4	55.6	55.8	
		Male	74.1	73.1	74.7	73.5	73.9	74.3	72.9	72.8	72.7	
Venezuela (Bolivarian Republic of)	Nationwide total	Total	65.1	64.6	64.4	63.9	64.3	65.3	63.7	64.3	62.8	
		Female	51.0	50.5	50.3	50.1	50.6	52.1	49.8	50.3	48.4	
		Male	79.7	79.2	78.6	77.8	78.1	78.7	77.9	78.5	77.5	

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 weighted averages of national data (excluding Nicaragua and Belize) and include adjustments for lack of information and changes in methodology.

^c The figures refer to the first three quarters.

^d Figures as of May.

^e New measurements have been used since 2012; the data are not comparable with the previous series.

^f New measurements have been used since 2010; the data are not comparable with the previous series.

^g The figures in the last two columns refer to the measurement of April.

^h Up to 2013, the figures correspond to December of each year. From 2014, they correspond to the average for the year.

ⁱ The figures refer to April and May.

^j The figures in the last two columns refer to the measurement of January.

^k New measurements have been used since 2013; the data are not comparable with the previous series.

Table A.23

Latin America and the Caribbean: open urban unemployment^a
(Average annual rates)

		2008	2009	2010	2011	2012	2013	2014	2015 ^b	2015	2016 ^b	
											First quarter	
Latin America and the Caribbean^c		8.0	9.2	8.6	7.8	7.4	7.2	7.0	7.4	...	...
Argentina	Urban areas	7.9	8.7	7.7	7.2	7.2	7.1	7.3	6.5 ^d	...	...
Bahamas ^e	Nationwide total	8.7	14.2	...	15.9	14.4	15.8	14.8	12.0 ^f	...	...
Barbados ^e	Nationwide total	8.1	10.0	10.8	11.2	11.6	11.6	12.3	11.3	11.8	9.3	
Belize ^e	Nationwide total	8.2	13.1	12.5	...	15.3	13.0	11.6	10.1	...	...
Bolivia (Plurinational State of)	Urban total	4.4	4.9	...	3.8	3.2	4.0	3.5	...	...	...
Brazil ^g	Twenty metropolitan regions ^h	7.9	8.1	6.7	6.0	8.2	8.0	7.8	9.3	8.7	12.0	
Chile ⁱ	Nationwide total	7.8	9.7	8.2	7.1	6.4	5.9	6.4	6.2	6.1	6.3	
Colombia ^e	Municipal capitals	12.1	13.2	12.7	11.8	11.4	10.7	10.0	9.8	10.9	11.9	
Colombia ^j	Municipal capitals	11.4	12.4	12.0	11.1	10.8	10.0	9.4	9.2	10.3	11.3	
Costa Rica ^g	Urban total	4.8	8.5	7.1	7.7	9.8	9.1	9.5	9.7	10.3	9.8	
Cuba	Nationwide total	1.6	1.7	2.5	3.2	3.5	3.3	2.7	...	...	...
Dominican Republic	Urban total	5.3	5.8	5.7	6.7	7.2	7.9	7.2	6.9	...	...
Ecuador ^g	Urban total	6.9	8.5	7.6	6.0	4.9	4.7	5.1	5.4	4.8	7.4	
Ecuador ^l	Urban total	5.4	6.9	6.1	5.0	4.2	4.0	4.3	4.7	4.3	6.5	
El Salvador	Urban total	5.5	7.1	6.8	6.6	6.2	5.6	6.7	...	...	...
Guatemala ^k	Urban total	...	...	4.8	3.1	4.0	3.8	4.0	2.8 ^l	...	...
Honduras	Urban total	4.1	4.9	6.4	6.8	5.6	6.0	7.5	8.8	...	...
Jamaica ^e	Nationwide total	10.6	11.4	12.4	12.6	13.9	15.2	13.7	13.5	14.2	13.3 ^m	
Jamaica ^l	Nationwide total	6.9	7.5	8.0	8.4	9.3	10.3	9.4	9.5	10.3	9.1 ^m	
Mexico	Urban total	4.3	5.9	5.9	5.6	5.4	5.4	5.3	4.7	4.6	4.4	
Nicaragua ⁿ	Nationwide total	6.1	7.9	7.8	5.9	5.9	5.6	6.6	...	...	...
Panama ^e	Urban total	6.5	7.9	7.7	5.4	4.8	4.7	5.4	5.8	...	...
Panama ^l	Urban total	5.0	6.3	5.8	3.6	3.6	3.7	4.1	4.5	...	...
Paraguay	Asunción and urban areas of the Departamento Central ^o	7.4	8.2	7.2	7.1	8.1	8.1	8.0	6.8	...	...
Peru	Metropolitan Lima	8.4	8.4	7.9	7.7	6.8	5.9	5.9	6.5	7.0	7.2	
Trinidad and Tobago	Nationwide total	4.6	5.3	5.9	5.1	5.0	3.6	3.3	3.5	...	...
Uruguay	Urban total	8.3	8.2	7.5	6.6	6.7	6.7	6.9	7.8	7.3	8.2	
Venezuela (Bolivarian Republic of)	Nationwide total	7.3	7.9	8.7	8.3	8.1	7.8	7.2	7.0	7.3	7.5	

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

^a Percentage of unemployed population in relation to the total workforce.

^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 refer to the first three quarters.

^e Includes hidden unemployment.

^f Figures as of May.

^g New measurements have been used since 2012; the data are not comparable with the previous series.

^h Up to 2011, six metropolitan areas.

ⁱ New measurements have been used since 2010; the data are not comparable with the previous series.

^j Includes an adjustment for workforce figures due to exclusion of hidden unemployment.

^k New measurements have been used since 2011; the data are not comparable with the previous series.

^l The figures correspond to the average for April and May.

^m The figures in the last two columns correspond to the average for January.

ⁿ New measurements have been used since 2009; the data are not comparable with the previous series.

^o Up to 2011, urban total.

Table A.24

Latin America and the Caribbean: employment rate^a
(Average annual rates)

		2008	2009	2010	2011	2012	2013	2014	2015 ^b	2015	2016 ^b	
											First quarter	
Latin America and the Caribbean^c		57.5	57.2	57.2	57.4	57.6	57.6	57.6	57.4	...	...
Argentina	Urban areas	54.2	54.2	54.4	55.2	55.0	54.7	54.0	53.9 ^d	...	...
Bahamas	Nationwide total	69.7	63.0	...	60.6	62.1	61.6	62.8	64.2 ^e	...	...
Barbados	Nationwide total	62.1	60.3	59.4	60.0	58.5	58.9	56.0	57.7	57.5	59.2	
Belize	Nationwide total	...	...	...	...	55.7	55.7	56.3	56.8	...	...
Bolivia (Plurinational State of)	Nationwide total	63.1	63.0	...	64.1	59.8	61.6	64.4	...	...	...
Brazil ^f	Nationwide total	57.5	56.9	...	56.0	56.9	56.9	56.8	53.3	56.2	54.7	
Chile ^g	Nationwide total	51.7	50.5	53.7	55.5	55.7	56.0	56.0	56.0	55.9	55.7	
Colombia	Nationwide total	51.9	53.9	55.4	56.8	57.9	58.0	58.4	59.0	57.5	57.2	
Costa Rica ^f	Nationwide total	53.9	55.4	54.8	56.0	56.2	56.4	56.6	55.4	55.6	53.1	
Cuba	Nationwide total	73.6	74.2	73.0	73.6	71.6	70.5	70.0	...	...	...
Dominican Republic	Nationwide total	54.7	52.3	53.6	54.5	55.2	54.6	55.4	55.8	55.4	56.4 ^h	
Ecuador ⁱ	Urban total	62.2	61.1	59.4	59.9	59.1	59.5	60.4	63.3	63.3	64.6	
El Salvador	Nationwide total	59.0	59.2	58.1	58.6	59.4	59.9	58.4	...	...	...
Guatemala	Nationwide total	...	...	60.2	59.2	63.5	58.7	59.2	58.9 ^j	...	...
Honduras	Nationwide total	49.4	51.5	51.5	49.7	48.9	51.6	53.1	54.0	...	...
Jamaica	Nationwide total	58.5	56.3	54.6	54.4	53.3	53.4	54.2	54.6	54.3	55.7 ^k	
Mexico ^l	Nationwide total	56.3	55.4	55.3	55.6	56.3	57.3	56.9	57.2	56.7	56.8	
Nicaragua ^m	Nationwide total	50.1	61.3	65.8	71.2	72.3	71.5	69.1	...	...	...
Panama	Nationwide total	60.3	59.9	59.4	59.1	60.8	61.5	60.9	60.9	...	...
Paraguay	Nationwide total	57.0	57.1	57.1	57.3	61.2	59.4	57.9	58.3	...	...
Peru	Metropolitan Lima	62.4	62.7	64.5	64.5	64.4	64.8	64.3	63.8	63.7	64.0	
Trinidad and Tobago	Nationwide total	60.6	59.4	58.4	58.2	58.8	59.1	59.9	58.5	...	...
Uruguay	Nationwide total	57.7	58.5	58.4	60.7	59.9	59.5	60.4	59	59.3	58.9	
Venezuela (Bolivarian Republic of)	Nationwide total	60.2	60.0	59.0	59.0	58.7	59.3	60.4	59.2	59.6	58.3	

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 figure refers to the average for the first three quarters.

^e Figure as of May.

^f New measurements have been used since 2012; the data are not comparable with the previous series.

^g New measurements have been used since 2010; the data are not comparable with the previous series.

^h The figures in the last two columns correspond to the average for April.

ⁱ Up to 2013, the figures correspond to December of each year. From 2014, they correspond to the average for the year.

^j The figures correspond to the average for April and May.

^k The figures in the last two columns correspond to the average for January.

^l New measurements have been used since 2013; the data are not comparable with the previous series.

^m New measurements have been used since 2009; the data are not comparable with the previous series.

Table A.25

Latin America and the Caribbean: formal employment indicators
(Index 2010=100)

	2007	2008	2009	2010	2011	2012	2013	2014	2015 ^a	2015	2016 ^a
	First quarter										
Argentina ^b	91.3	97.4	97.1	100.0	105.0	107.0	107.8	107.8	109.8	109.4	109.9 ^c
Brazil ^d	86.8	92.3	94.2	100.0	105.3	108.6	110.5	112.0	109.2	110.9	104.7 ^e
Chile ^f	86.8	93.1	94.2	100.0	105.7	112.1	115.8	117.9	120.1	120.8	122.7 ^e
Costa Rica ^g	90.9	97.6	97.0	100.0	103.1	106.7	109.0	110.7	112.6	111.6	115.7 ^e
El Salvador ^g	98.4	101.3	98.5	100.0	103.3	105.5	111.0	113.5	115.0	...	...
Guatemala ^g	97.0	96.9	98.3	100.0	104.3	107.1	110.4	111.8	114.2	...	...
Jamaica ^h	102.0	104.0	103.0	100.0	99.4	99.0	100.4	...	...	...	...
Mexico ^g	97.4	99.4	96.3	100.0	104.3	109.2	113.0	117.0	122.0	120.4	124.9 ⁱ
Nicaragua ^g	85.8	92.2	94.2	100.0	108.1	116.6	125.9	132.8	144.6	139.0	156.0 ⁱ
Panama ^k	83.6	96.6	98.5	100.0	110.3	117.8	122.5	126.1	127.2	...	...
Peru ^h	87.5	94.8	96.0	100.0	105.4	109.6	112.7	114.8	115.8	112.0	112.7 ^j
Uruguay ^l	85.1	91.7	94.4	100.0	104.9	108.9	110.9	111.7	110.1	114.3	112.3 ^m

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. Up to 2012, dependent workers who contributed to the pension system.

^c The figures in the last two columns correspond to the average for January to February.

^d Workers covered by social and labour legislation.

^e The figures in the last two columns correspond to the average for January to April.

^f Dependent workers who contribute to the pension system.

^g Workers with social security coverage.

^h Workers at firms with 10 or more employees.

ⁱ The figures in the last two columns correspond to the average for January to May.

^j The figures in the last two columns correspond to the first quarter.

^k Up to 2012, workers with social security coverage. From 2013, corresponds to workers in small, medium and large enterprises in manufacturing, commerce and services.

^l Employment positions generating social security contributions.

^m The figures in the last two columns correspond to January.

Table A.26

Latin America: visible underemployment by hours
(Percentages of employed workers)

		2008	2009	2010	2011	2012	2013	2014	2015 ^a
Argentina ^b	Urban areas	9.5	11.1	9.8	9.1	9.3	9.2	9.6	9.0 ^c
Brazil ^d	Six metropolitan areas	3.1	3.1	2.7	2.3	2.0	1.8	1.5	1.8
Chile ^e	Nationwide total	9.0	10.8	11.5	11.9	11.5	11.6	11.3	10.3
Colombia ^f	Thirteen metropolitan areas	9.1	9.5	12.0	11.1	11.7	11.9	10.6	10.7
Costa Rica ^g	Nationwide total	10.5	13.5	11.2	13.4	11.3	12.5	12.8	12.4
Ecuador ^d	Urban total	11.9	12.6	12.1	9.8	8.2	8.9	9.3	10.9
El Salvador ^d	Urban total	6.3	7.7	7.0	3.4	5.8	5.8	6.7	...
Honduras ^h	Urban total	3.5	4.4	6.7	10.6	10.1	11.6	10.4	13.0
Mexico ⁱ	Nationwide total	6.8	8.8	8.7	8.6	8.5	8.3	8.1	8.4
Panama ^d	Urban total	2.1	2.1	1.8	1.3	1.9	2.0	1.8	2.4
Paraguay ^j	Urban total ^k	6.6	8.2	7.3	6.3	5.4	5.1	4.9	4.8
Peru ^b	Metropolitan Lima	15.6	15.4	14.5	12.4	12.0	11.6	11.3	10.4
Uruguay ^d	Urban total	10.8	9.2	8.9	7.6	7.4	6.9	6.9	7.3

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 The figures refer to the first three quarters.

^d Employed persons who work less than 40 hours per week and wish to work more hours.

^e Employed persons who work less than 30 hours per week and wish to work more hours. Up to 2009, refers to employed persons who work less than 35 hours per week and wish to work more hours. The series 2004-2005, 2006-2009 and 2010-2012 are not comparable owing to a change in the sample in the first case and change in the measurement in the last two.

^f Employed persons who work less than 48 hours per week and wish to work more hours.

^g 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.

^h Employed persons who work less than 36 hours per week and wish to work more hours.

ⁱ Employed persons wishing to work more than their current job permits.

^j Employed persons who work less than 30 hours per week and wish to work more hours.

^k Up to 2010, Asunción and urban areas of the Departamento Central.

Table A.27

Latin America: real average wages^a
(Index 2010=100)

	2008	2009	2010	2011	2012	2013	2014	2015 ^b	2015	2016 ^b
									First quarter	
Bolivia (Plurinational State of) ^c	94.4	96.6	100.0	98.2	99.3	100.3	101.9	109.4 ^d	...	...
Brazil ^e	96.3	98.5	100.0	101.4	104.9 |	107.4	108.4	108.9	109.9	109.1
Chile ^f	93.4	97.9	100.0	102.5	105.8	109.9	111.9	113.9	114.4	115.4 ^g
Colombia ^h	96.1	97.3	100.0	100.3	101.3	104.0	104.5 |	105.8	104.0	103.7 ^g
Costa Rica ⁱ	90.9	97.9	100.0	105.7	107.1	108.5	110.7	115.2	113.7	119.4 ^g
Cuba	92.8	97.0	100.0	100.2	100.7	101.2	123.7	...	...	...
El Salvador ^j	95.6	98.9	100.0	97.1	97.3	97.8	98.5	106.3	...	...
Guatemala ⁱ	97.1	97.2	100.0	100.4	104.4	104.3	106.8	110.4	...	...
Mexico ⁱ	101.9	100.9	100.0	100.8	101.0	100.9	101.3	102.8	102.7	103.8 ^g
Nicaragua ⁱ	93.3	98.8	100.0	100.1	100.5	100.7	102.4	105.1	105.0	106.7 ^g
Panama ^k	90.9	93.3	100.0	100.1	103.5	103.8	109.5	113.1	...	...
Paraguay	95.0	99.4	100.0	102.8	103.5	105.7	107.1	107.6	...	...
Peru ^l	100.0	103.1 |	100.0	108.4	111.0	114.7	117.9	117.5	119.4	120.6
Uruguay	90.2	96.8	100.0	104.0	108.4	111.7	115.4	117.3	118.3	119.7 ^g
Venezuela (Bolivarian Republic of)	112.1	105.6	100.0	103.0	109.1	104.3	...	...	...	...

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 Figures as of June.

^e Private-sector workers covered by social and labour legislation. New series from 2013.

^f General index of hourly remuneration.

^g The figures in the last two columns correspond to the average for January to April.

^h Manufacturing. New series from 2015.

ⁱ Average wage declared by workers covered by social security.

^j Gross salary.

^k Average wage declared by workers covered by social security. As from 2013, corresponds to workers in small, medium-sized and large businesses, in manufacturing, commerce and services.

^l Dependent workers wages in the Lima metropolitan area. Up to 2009, 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)

		2011	2012	2013	2014	2015				2016	
						Q1	Q2	Q3	Q4	Q1	Q2
Latin America											
Argentina	Monetary base	37.1	34.9	30.2	19.7	27.2	31.7	34.8	37.9	29.1	26.2
	Money (M1)	32.4	33.3	29.5	26.1	26.4	34.1	34.6	31.3	30.6	21.1 ^a
	M2	36.9	32.4	30.9	23.1	29.6	32.6	35.2	34.8	29.3	24.6 ^a
	Foreign-currency deposits	8.7	-22.6	-6.1	51.7	19.2	33.1	38.9	61.3	141.9	129.5 ^a
Bolivia (Plurinational State of)	Monetary base	11.6	18.2	10.8	9.5	24.9	18.6	18.3	16.5	13.1	9.9 ^b
	Money (M1)	27.2	18.3	13.5	15.4	13.2	11.2	7.5	6.1	8.9	...
	M2	34.0	31.3	22.6	18.8	18.3	18.6	19.2	17.7	16.1	...
	Foreign-currency deposits	-12.8	-5.0	-4.1	-3.4	0.7	2.8	6.7	4.6	3.3	...
Brazil	Monetary base	11.0	9.4	5.5	7.2	6.3	7.0	-1.2	0.2	2.4	1.6 ^b
	Money (M1)	6.1	5.9	10.7	4.7	1.8	0.0	-3.3	-4.6	-4.4	-2.5 ^a
	M2	21.0	13.4	9.3	11.7	8.7	7.2	5.5	5.9	5.6	4.8 ^a
Chile	Monetary base	14.8	13.7	16.3	5.3	10.3	12.1	7.3	8.7	9.5	7.2 ^b
	Money (M1)	10.9	9.1	10.1	12.1	13.7	14.1	14.8	14.4	12.1	9.7 ^b
	M2	14.7	14.7	9.7	8.7	7.8	11.7	12.4	12.3	13.1	11.6 ^b
	Foreign-currency deposits	11.8	8.9	18.7	29.0	28.1	14.4	17.5	16.1	9.4	15.0 ^b
Colombia	Monetary base	15.1	9.5	12.5	16.7	11.7	12.5	14.5	20.7	19.0	14.4 ^b
	Money (M1)	16.2	6.7	14.3	14.8	9.9	8.8	11.1	11.5	9.7	7.7 ^b
	M2	14.8	16.9	17.5	12.9	8.1	8.9	11.1	12.4	12.6	12.8 ^b
Costa Rica	Monetary base	11.7	12.1	14.1	11.7	11.4	9.3	12.1	11.5	9.3	11.6 ^b
	Money (M1)	19.2	9.4	11.9	13.0	4.2	8.0	10.8	14.1	22.2	22.0 ^b
	M2	11.1	13.8	13.0	14.4	10.5	9.6	8.9	8.6	5.7	6.5 ^b
	Foreign-currency deposits	-7.1	-1.2	0.1	13.0	5.8	1.7	-2.9	2.9	-0.4	2.1 ^b
Dominican Republic	Monetary base	5.8	9.0	3.9	3.3	20.9	24.5	22.4	20.8	10.2	10.4 ^b
	Money (M1)	4.9	7.3	12.1	13.6	12.0	13.3	13.1	13.1	11.9	14.2 ^a
	M2	8.8	12.1	8.0	11.2	10.5	10.3	10.8	11.1	12.1	13.1 ^a
	Foreign-currency deposits	17.8	18.4	16.1	11.5	6.6	7.9	16.1	16.9	11.9	12.4 ^a
Ecuador	Monetary base	9.9	16.1	23.3	17.5	14.0	20.1	-8.9	15.4	24.5	22.6 ^a
	Money (M1)	15.5	14.0	14.8	14.4	15.2	13.9	10.1	4.1	6.3	7.9 ^a
	M2	20.0	17.8	13.4	14.5	12.3	9.9	5.5	-0.3	1.3	2.4 ^a
El Salvador	Monetary base	-1.3	1.8	4.8	2.8	-1.4	2.5	2.3	1.4	3.6	-1.5 ^b
	Money (M1)	10.4	4.4	2.9	4.0	1.5	3.8	3.6	11.0	9.5	3.9 ^a
	M2	-2.1	0.5	1.8	0.8	0.9	3.8	4.3	5.7	6.7	5.1 ^a
Guatemala	Monetary base	10.1	5.8	9.2	5.8	11.2	12.7	12.6	11.7	8.9	9.8 ^b
	Money (M1)	9.1	5.8	7.0	5.2	11.1	13.2	12.2	11.2	7.9	7.1 ^a
	M2	10.6	9.4	9.7	8.1	11.2	12.1	11.4	11.2	9.0	8.4 ^a
	Foreign-currency deposits	4.9	3.2	11.2	9.4	5.3	8.9	5.6	4.0	7.1	4.3 ^a
Haiti	Monetary base	18.1	9.2	0.4	-1.0	6.8	14.4	19.1	20.8	28.7	...
	Money (M1)	14.4	8.7	11.1	8.7	14.7	21.6	11.5	4.7	3.4	...
	M2	11.5	5.7	9.4	8.4	12.2	14.0	12.0	9.6	8.4	...
	Foreign-currency deposits	18.4	6.9	8.2	8.5	11.6	10.9	21.6	29.6	32.3	...
Honduras	Monetary base	10.7	11.3	4.0	9.7	22.6	14.8	18.7	11.2	9.4	17.2 ^a
	Money (M1)	17.7	2.1	-5.0	8.4	18.7	17.8	20.6	18.9	10.8	8.8 ^a
	M2	17.2	8.7	3.6	8.9	12.9	12.7	13.6	11.9	9.7	10.4 ^a
	Foreign-currency deposits	7.8	15.3	12.6	7.3	13.8	15.8	11.1	4.8	5.9	3.2 ^a
Mexico	Monetary base	9.5	13.9	6.3	13.5	20.2	20.4	21.4	18.5	15.9	15.2 ^b
	Money (M1)	16.2	13.7	7.5	13.9	16.8	16.9	16.9	13.9	11.0	11.0 ^a
	M2	12.4	10.7	7.1	11.0	13.6	13.5	14.8	12.1	8.9	10.1 ^a
	Foreign-currency deposits	3.0	16.8	13.3	26.6	32.9	35.6	45.3	45.9	34.2	20.8 ^a

Table A.28 (continued)

		2011	2012	2013	2014	2015				2016	
						Q1	Q2	Q3	Q4	Q1	Q2
Nicaragua	Monetary base	20.5	18.3	6.3	12.9	19.5	13.9	14.6	21.2	13.5	8.3 ^a
	Money (M1)	24.8	17.6	8.5	16.5	19.3	21.9	19.3	23.1	14.8	8.7 ^a
	M2	24.8	17.6	8.5	16.5	19.3	21.9	19.3	23.1	14.8	8.7 ^a
	Foreign-currency deposits	7.8	21.2	13.6	20.4	14.6	17.3	17.2	16.1	16.6	18.1 ^a
Panama	Monetary base	27.1	12.7	16.0	-1.2	90.4	36.5	5.0	14.1	12.4	15.3 ^a
	Money (M1)	21.5	17.1	6.9	13.6	6.5	1.0	-3.0	-0.6	0.2	0.4 ^a
	M2	9.9	10.8	6.3	12.4	8.7	6.0	4.1	4.1	6.2	6.6 ^a
Paraguay	Monetary base	5.0	11.8	5.1	8.3	14.5	13.2	12.4	5.8	3.1	1.9 ^b
	Money (M1)	7.8	8.6	15.6	9.6	14.6	16.2	11.3	4.9	1.8	-0.1 ^a
	M2	14.0	13.7	17.4	10.6	13.2	14.6	10.8	6.6	3.0	1.1 ^a
	Foreign-currency deposits	13.5	14.9	15.8	29.3	19.7	16.6	26.0	26.5	25.8	20.8 ^a
Peru	Monetary base	31.3	31.2	21.1	-8.6	-0.2	-1.1	0.1	-2.3	0.0	2.4 ^b
	Money (M1)	19.7	18.7	14.3	4.9	7.6	5.4	3.5	4.0	2.2	3.8 ^a
	M2	18.7	23.2	18.4	2.5	6.2	3.4	0.4	1.7	3.4	5.5 ^a
	Foreign-currency deposits	13.8	0.4	16.3	21.4	3.8	12.8	23.3	29.7	26.9	14.8 ^a
Uruguay	Monetary base	23.1	21.8	15.3	11.0	7.5	6.9	7.3	24.2	8.2	21.7
	Money (M1)	19.6	18.4	11.7	6.1	7.8	7.4	5.0	8.0	1.2	2.2 ^a
	M2	26.0	17.4	12.4	8.7	9.7	8.9	7.7	11.2	6.3	12.2 ^a
	Foreign-currency deposits	10.7	19.6	14.8	25.8	21.8	25.7	27.0	31.1	38.2	30.5 ^a
Venezuela (Bolivarian Republic of)	Monetary base	27.0	40.8	61.1	86.5	74.3	91.9	93.4	114.3	101.0	95.3 ^a
	Money (M1)	44.8	62.0	66.1	69.5	62.7	76.1	93.3	101.2	102.7	97.5 ^a
	M2	37.6	57.5	65.4	69.1	63.1	76.0	92.8	100.5	103.2	98.2 ^a
The Caribbean											
Antigua and Barbuda	Monetary base	20.1	29.4	13.2	20.0	19.1	13.2	22.7	4.0	14.5	...
	Money (M1)	-6.6	-2.1	3.1	11.5	-0.1	3.9	5.4	8.6	11.8	...
	M2	-1.1	1.7	2.8	3.5	2.2	3.2	3.0	1.7	-0.8	...
	Foreign-currency deposits	5.8	-12.8	0.9	20.0	5.6	-1.5	22.6	46.6	25.6	...
Bahamas	Monetary base	26.8	-7.8	2.2	13.8	1.2	-3.9	-0.2	-4.0	10.5	...
	Money (M1)	6.2	8.6	5.6	8.4	23.6	23.8	20.2	8.6	5.2	...
	M2	2.3	1.1	-0.6	0.1	2.2	1.8	1.6	0.2	1.3	...
	Foreign-currency deposits	-2.7	11.6	15.8	-1.5	-17.7	-25.3	-20.5	-15.0	-20.6	...
Barbados	Monetary base	7.7	-0.9	10.6	5.8	28.3	36.4	34.4	27.6	23.4	20.0 ^a
	Money (M1)	-0.5	-20.3	5.5	9.4	6.2	13.3	16.3	20.3	24.0	...
	M2	0.3	-5.7	3.5	1.5	-0.3	3.0	4.8	6.2	7.1	...
Belize	Monetary base	8.2	17.5	19.2	18.8	24.4	23.2	25.8	25.0	22.2	20.1 ^a
	Money (M1)	9.1	24.0	13.7	14.0	14.2	14.9	14.7	14.4	16.1	...
Dominica	Monetary base	8.5	17.8	0.0	15.0	19.9	22.2	18.4	16.3	21.0	...
	Money (M1)	-2.1	9.8	2.5	2.2	6.7	5.3	12.8	6.7	12.7	...
	M2	3.2	7.0	4.5	6.5	5.5	3.4	4.6	3.8	5.1	...
	Foreign-currency deposits	38.8	25.4	-6.1	13.5	24.3	-3.9	4.6	-16.6	-25.0	...
Grenada	Monetary base	7.2	4.7	5.4	21.1	5.7	11.5	2.2	5.5	11.9	...
	Money (M1)	-7.3	2.9	5.4	24.1	25.1	23.0	19.8	15.3	17.1	...
	M2	0.4	1.8	3.0	5.2	4.6	4.1	3.6	2.4	3.0	...
	Foreign-currency deposits	-5.5	5.5	-18.8	7.8	0.6	14.1	20.2	34.1	57.3	...
Guyana	Monetary base	17.4	15.2	6.6	2.5	12.7	15.4	18.5	10.8	15.9	17.2 ^b
	Money (M1)	21.9	16.1	6.7	10.1	10.8	11.6	6.8	3.0	4.6	4.4 ^b

Table A.28 (concluded)

		2011	2012	2013	2014	2015				2016	
						Q1	Q2	Q3	Q4	Q1	Q2
Jamaica	Monetary base	5.3	6.3	6.3	5.9	8.3	8.9	10.0	12.1	15.3	15.8 ^b
	Money (M1)	7.8	4.7	5.9	5.0	9.2	16.4	18.4	18.8	28.3	...
	M2	5.6	3.3	6.4	2.6	4.7	10.6	11.8	12.4	17.7	...
	Foreign-currency deposits	-4.8	6.8	28.5	9.2	13.8	13.5	15.4	19.4	37.5	...
Saint Kitts and Nevis	Monetary base	36.1	13.7	22.2	10.5	-9.3	-22.1	-17.2	-8.0	14.4	...
	Money (M1)	28.6	18.2	12.3	1.6	3.9	11.5	16.1	12.1	5.1	...
	M2	10.7	8.8	6.4	6.4	3.3	5.5	7.7	7.1	4.0	...
	Foreign-currency deposits	-1.0	6.4	35.6	46.4	31.4	22.2	14.0	0.8	-9.2	...
Saint Lucia	Monetary base	16.3	4.2	8.0	8.0	33.3	38.9	16.1	15.8	6.9	...
	Money (M1)	4.0	3.2	2.2	7.1	5.7	1.5	1.8	3.2	1.2	...
	M2	4.9	3.7	3.5	-1.0	-0.3	2.5	2.1	2.2	1.8	...
	Foreign-currency deposits	16.4	14.0	-10.1	45.0	43.0	2.8	10.4	33.9	29.5	...
Saint Vincent and the Grenadines	Monetary base	0.8	11.8	26.2	16.9	11.0	1.1	11.6	10.0	19.4	...
	Money (M1)	-3.9	-0.4	9.6	5.8	11.9	12.9	7.1	3.0	9.3	...
	M2	1.9	1.2	8.6	8.1	7.5	6.8	5.1	3.2	5.7	...
	Foreign-currency deposits	30.8	-7.3	29.2	15.6	40.5	-8.0	24.1	21.3	9.2	...
Suriname	Monetary base	3.2	27.0	13.8	-7.2	-10.2	-14.9	-10.0	10.9	24.8	42.6 ^b
	Money (M1)	5.3	17.0	11.3	5.4	3.4	-9.6	-13.5	-0.3	6.5	21.0 ^a
	M2	7.0	20.0	17.7	8.1	4.8	-5.2	-9.0	-1.2	3.4	11.6 ^a
	Foreign-currency deposits	39.1	13.6	10.8	11.4	5.2	7.4	8.7	17.9	35.3	65.2 ^a
Trinidad and Tobago	Monetary base	14.1	15.4	19.5	8.0	-4.4	-6.4	-3.3	-17.1	-7.0	-3.4 ^a
	Money (M1)	17.2	15.4	19.2	19.8	6.1	0.1	2.0	-7.4	0.1	...
	M2	8.4	12.0	11.8	11.6	6.6	3.8	5.5	-0.5	2.5	...
	Foreign-currency deposits	-4.0	4.7	12.6	-6.8	1.1	-0.6	-0.7	6.1	...	...

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

^a Figures as of April.

^b Figures as of May.

Table A.29

Latin America and the Caribbean: domestic credit
(Percentage variation with respect to the year-earlier period)

	2011	2012	2013	2014	2015				2016	
					Q1	Q2	Q3	Q4	Q1	Q2 ^a
Latin America										
Argentina	59.5	33.0	40.8	24.7	31.0	33.7	38.5	40.3	27.9	29.0 ^b
Bolivia (Plurinational State of)	18.8	22.7	21.6	17.6	15.5	15.9	17.2	18.1	...	...
Brazil	17.6	16.8	11.9	9.5	11.8	9.6	7.0	7.8	9.0	10.2
Chile	12.1	15.1	9.3	7.6	6.3	8.6	8.8	10.0	11.6	...
Colombia	15.1	14.6	14.1	13.5	24.7	25.8	26.7	24.1	8.8 ^c	...
Costa Rica	12.4	11.7	9.2	19.9	13.0	14.5	13.3	14.3	16.0	18.6
Dominican Republic	9.5	12.1	12.4	11.6	10.2	15.3	16.5	17.6	15.4	17.2
Ecuador	31.5	21.5	16.7	16.2	14.5	10.9	11.8	3.4	-1.3	1.5
El Salvador	3.5	9.6	5.5	9.5	6.8	5.6	6.7	9.9	8.9	8.5
Guatemala	15.2	11.3	12.6	12.0	12.0	13.0	11.8	11.2	10.4	7.8
Haiti	-17.1	11.4	70.0	30.4	24.9	19.4	18.4	11.5	10.0	...
Honduras	10.8	18.0	9.6	6.8	9.1	8.1	7.0	7.4	4.5	3.9 ^b
Mexico	11.3	10.7	9.4	9.9	11.5	11.4	12.8	13.7	15.4	13.1 ^b
Nicaragua	-6.2	21.6	21.4	11.3	11.5	11.5	12.1	18.3	13.7	12.1 ^b
Panama	18.8	18.1	12.9	15.4	5.7	5.2	4.9	9.9	12.1	10.7 ^b
Paraguay ^d	25.5	28.4	20.8	12.0	21.6	22.0	31.0	29.0	18.6	9.3
Peru	12.0	9.5	6.2	17.1	17.7	18.1	16.8	12.8	11.7	13.3
Uruguay	24.7	19.4	16.5	18.6	4.3	4.4	20.7	22.0	41.4	51.9
Venezuela (Bolivarian Republic of) ^e	36.0	56.1	61.9	63.8	61.7	64.6	82.3	84.3	94.4	93.2 ^b
The Caribbean										
Antigua and Barbuda	-3.8	-3.0	-4.9	-0.4	-4.2	-5.5	-5.7	-8.5	-17.5	...
Bahamas	0.8	4.0	1.9	0.0	2.4	0.4	-0.2	0.3	0.9	...
Barbados	-0.9	6.6	8.0	2.3	-0.6	0.1	4.2	9.0	8.9	9.7 ^b
Belize	-1.6	0.4	-2.6	-0.6	4.0	4.9	9.0	17.5	19.4	19.9 ^b
Dominica	13.7	7.6	7.7	1.7	3.0	1.5	0.1	-11.5	-17.5	...
Grenada	2.6	5.0	-2.1	-9.0	-10.6	-10.7	-8.0	-11.5	-13.9	...
Guyana	34.5	40.1	26.3	16.0	12.0	6.9	11.0	15.1	14.0	17.8
Jamaica	-4.1	11.7	16.0	14.2	6.2	-7.5	-4.2	-3.0	-0.9	6.5
Saint Kitts and Nevis	0.2	-9.0	-20.9	-18.7	-8.8	-4.6	1.5	3.0	2.8	...
Saint Lucia	2.9	6.6	5.4	-3.1	-10.5	-14.2	-14.4	-9.4	-7.3	...
Saint Vincent and the Grenadines	-7.2	-1.0	6.4	3.5	4.7	7.9	4.9	4.3	2.7	...
Suriname	20.8	10.3	23.5	21.5	19.9	21.1	23.0	29.4	36.2	50.2
Trinidad and Tobago	9.3	7.9	-20.4	-23.8	-32.4	1.9	20.6	37.6	42.4	108.7 ^b

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.

^d Credit granted to the private sector by the banking sector.

^e Credit granted by the commercial and universal banks.

Table A.30

Latin America and the Caribbean: monetary policy rates
(Average rates)

	2011	2012	2013	2014	2015				2016	
					Q1	Q2	Q3	Q4	Q1	Q2
Latin America										
Argentina	11.8	12.8	14.6	26.7	26.5	26.0	26.0	29.4	30.8	33.6 ^a
Bolivia (Plurinational State of)	4.0	4.0	4.1	5.1	3.3	2.5	2.5	2.5	2.5	2.5
Brazil	11.8	8.5	8.4	11.0	12.4	13.4	14.3	14.3	14.3	14.3
Chile	4.8	5.0	4.9	3.7	3.0	3.0	3.0	3.3	3.5	3.5
Colombia	4.0	4.9	3.4	3.9	4.5	4.5	4.6	5.2	6.0	6.9
Costa Rica	5.6	5.0	4.4	4.9	4.8	3.8	3.0	2.3	1.8	1.8
Dominican Republic	6.4	5.8	5.3	6.3	6.1	5.3	5.0	5.0	5.0	5.0
Guatemala	4.9	5.2	5.1	4.6	3.7	3.4	3.2	3.0	3.0	3.0
Haiti	3.2	3.0	3.0	4.8	8.0	9.3	16.0	16.0	16.0	15.3
Honduras	4.8	6.6	7.0	7.0	6.8	6.5	6.3	6.3	6.1	5.7
Mexico	4.5	4.5	3.9	3.2	3.0	3.0	3.0	3.1	3.6	3.9
Paraguay	7.9	6.0	5.5	6.7	6.7	6.2	5.8	5.8	6.0	5.8
Peru	4.0	4.3	4.2	3.8	3.3	3.3	3.3	3.6	4.2	4.3
Uruguay ^b	7.5	8.8	9.3	...	...	...	...	...	...	...
Venezuela (Bolivarian Republic of)	6.4	6.4	6.2	6.4	6.2	5.9	6.1	6.5	6.5 ^c	...
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	4.8	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5 ^a
Barbados	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	...
Belize	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0 ^d
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	5.4	5.4	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0 ^a
Jamaica	6.6	6.3	5.8	5.8	5.8	5.5	5.3	5.3	5.3	5.3 ^d
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	3.2	2.9	2.8	2.8	3.6	3.8	4.3	4.6	4.8	4.8 ^a

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

^a Figures as of May.

^b As of June 2013, the interest rate was no longer used as an instrument of monetary policy.

^c Figures as of February.

^d Figures as of April.

Table A.31

Latin America and the Caribbean: representative lending rates
(Average rates)

	2011	2012	2013	2014	2015				2016	
					Q1	Q2	Q3	Q4	Q1	Q2
Latin America										
Argentina ^a	17.7	19.3	21.6	29.3	27.4	26.9	27.2	31.3	35.4	37.7 ^b
Bolivia (Plurinational State of) ^c	6.3	6.7	7.0	6.5	6.5	6.4	6.4	6.2	6.2	6.0 ^b
Brazil ^d	44.7	39.6	38.8	44.6	46.6	48.5	49.9	51.4	51.9	53.9 ^b
Chile ^e	12.4	13.5	13.2	10.8	9.7	10.0	8.8	8.6	9.9	10.0
Colombia ^f	12.8	13.7	12.2	12.1	12.3	11.8	11.9	12.5	13.7	14.8 ^b
Costa Rica ^g	18.1	19.7	17.4	16.6	16.7	16.0	15.3	15.6	15.4	14.7
Dominican Republic ^g	...	15.5	13.6	13.9	15.1	14.6	14.3	15.6	15.5	15.0
Ecuador ^h	8.3	8.2	8.2	8.1	7.5	8.4	8.2	9.2	9.0	9.0 ^b
El Salvador ⁱ	6.0	5.6	5.7	6.0	6.0	6.1	6.3	6.3	6.2	6.3 ^b
Guatemala ^g	13.4	13.5	13.6	13.8	13.5	13.2	13.1	13.1	13.1	13.1 ^b
Haiti ^j	19.8	19.4	18.9	18.6	18.8	18.8	17.9	19.8	18.9	19.9 ^b
Honduras ^g	18.6	18.4	20.1	20.6	20.8	20.9	20.8	20.1	19.8	19.6 ^k
Mexico ^l	29.9	28.6	27.9	28.6	28.6	28.6	28.5	28.3	28.3	...
Nicaragua ^m	10.8	12.0	15.0	13.5	11.5	12.0	12.9	11.7	11.8	12.0 ^b
Panama ⁿ	7.3	7.0	7.4	7.6	7.7	7.5	7.7	7.6	7.5	7.6 ^k
Paraguay ^o	16.9	16.6	16.6	15.7	14.3	14.6	13.6	15.0	16.4	16.2 ^b
Peru ^p	18.7	19.2	18.1	15.7	16.1	16.0	16.2	16.1	16.1	16.0 ^b
Uruguay ^q	11.0	12.0	13.3	17.2	17.3	16.6	16.6	17.3	18.0	18.8 ^b
Venezuela (Bolivarian Republic of) ^r	17.4	16.2	15.6	17.2	18.8	19.6	20.4	21.2	20.4	21.2 ^b
The Caribbean										
Antigua and Barbuda ^s	10.1	9.4	9.4	9.6	8.0	8.0	9.4	9.3	...	...
Bahamas ^t	11.0	10.9	11.2	11.8	11.9	12.4	12.6	12.3	11.8	12.4 ^b
Barbados ^s	9.3	8.7	8.5	8.6	7.0	7.0	6.9	6.8	6.8	...
Belize ^u	13.3	12.3	11.5	10.9	10.5	10.4	10.3	10.1	10.0	9.9 ^k
Dominica ^s	8.7	8.9	9.0	8.8	8.7	8.7	8.5	8.4	...	...
Grenada ^s	10.4	9.5	9.1	9.1	8.9	8.9	8.7	8.7	...	...
Guyana ^q	14.7	14.0	12.1	11.1	10.9	10.9	10.7	10.6	10.8	10.8 ^b
Jamaica ^u	18.3	17.8	16.3	15.1	15.0	15.0	15.0 ^v	...	...	...
Saint Kitts and Nevis ^s	9.2	8.5	8.4	8.8	8.7	8.5	8.5	8.5	...	...
Saint Lucia ^s	9.2	8.6	8.4	8.4	8.5	8.5	8.5	8.4	...	...
Saint Vincent and the Grenadines ^s	9.0	9.3	9.2	9.3	9.3	9.3	9.2	9.2	...	...
Suriname ^w	11.8	11.7	12.0	12.3	12.3	12.5	12.6	13.1	12.9	13.1 ^b
Trinidad and Tobago ^q	8.2	8.0	7.8	7.7	7.8	8.1	8.4	8.8	9.0	9.1 ^b

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.

^g Weighted average of the system lending rates in local currency.

^h Effective benchmark lending rate for the corporate commercial segment.

ⁱ Basic lending rate for up to one year.

^j Average of minimum and maximum lending rates.

^k Figures as of April.

^l Average interest rate for credit cards from commercial banks and average interest rate for mortgage loans.

^m Weighted average of short-term lending rates in local currency.

ⁿ Interest rate on one-year trade credit.

^o Commercial lending rate, local currency.

^p Market lending rate, average for transactions conducted in the last 30 business days.

^q Business credit, 30-367 days.

^r Average rate for loan operations for the six major commercial banks.

^s Weighted average of lending rates.

^t Weighted average of lending and overdraft rates.

^u Rate for personal and business loans, residential and other construction loans; weighted average.

^v Figures as of August.

^w Average of lending rates.

Table A.32

Latin America and the Caribbean: consumer prices
(12-month percentage variation)

	2011	2012	2013	2014	2015				2016	
					March	June	September	December	March	May
Latin America and the Caribbean^a	6.8	5.7	7.5	9.4	10.0	11.1	13.6	16.5	...	...
Latin America and the Caribbean^b	5.8	4.9	5.0	6.3	6.2	6.6	6.9	7.9	8.3	8.9
Latin America										
Argentina	9.5	10.8	10.9	23.9	18.6	20.1	21.9	27.5	35.3	43.1
Bolivia (Plurinational State of)	6.9	4.5	6.5	5.2	4.8	3.2	4.1	3.0	3.3	5.0
Brazil	6.5	5.8	5.9	6.4	8.1	8.9	9.5	10.7	9.4	9.3
Chile	4.4	1.5	3.0	4.6	4.2	4.4	4.6	4.4	4.5	4.2
Colombia	3.7	2.4	1.9	3.7	4.6	4.4	5.4	6.8	8.0	8.2
Costa Rica	4.7	4.5	3.7	5.1	3.0	1.6	-0.9	-0.8	-1.1	-0.4
Cuba ^c	1.3	2.0	0.0	2.1	1.4	1.6	1.9	2.8	...	...
Dominican Republic	7.8	3.9	3.9	1.6	0.6	0.6	0.4	2.3	1.6	1.7
Ecuador	5.4	4.2	2.7	3.7	3.8	4.9	3.8	3.4	2.3	1.6
El Salvador	5.1	0.8	0.8	0.5	-0.8	-0.8	-2.3	1.0	1.1	0.7
Guatemala	6.2	3.4	4.4	2.9	2.4	2.4	1.9	3.1	4.3	4.4
Haiti	8.3	7.6	3.4	6.4	6.4	8.0	11.3	12.5	14.8	15.1
Honduras	5.6	5.4	4.9	5.8	3.7	3.6	2.8	2.4	2.5	2.4
Mexico	3.8	3.6	4.0	4.1	3.1	2.9	2.5	2.1	2.6	2.6
Nicaragua	8.6	7.1	5.4	6.4	5.9	3.7	2.6	2.9	3.6	3.6
Panama	6.3	4.6	3.7	1.0	0.0	0.0	-0.4	0.3	0.6	0.3
Paraguay	4.9	4.0	3.7	4.2	2.6	2.5	3.7	3.1	4.7	3.5
Peru	4.7	2.6	2.9	3.2	3.0	3.5	3.9	4.4	4.3	3.5
Uruguay ^c	8.6	7.5	8.5	8.3	7.6	8.5	9.1	9.4	10.6	11.0
Venezuela (Bolivarian Republic of)	27.6	20.1	56.2	68.5	82.4	97.2	141.5	180.9	...	...
The Caribbean										
Antigua and Barbuda	4.0	1.8	1.1	1.3	1.4	0.6	0.9	0.9	...	...
Bahamas	3.2	0.7	0.8	0.2	1.8	2.0	2.2	2.0	-1.4	...
Barbados	9.6	2.4	1.1	2.3	-0.8	0.1	-1.1	-2.5	...	...
Belize	2.6	0.8	1.6	-0.2	-0.9	-0.8	-0.7	-0.6	0.1	1.0
Dominica	1.3	3.4	-0.4	0.5	-1.3	-0.7	-1.6	0.5	...	...
Grenada	3.5	1.8	-1.2	-0.6	-1.0	-1.4	-1.7	-1.2	...	...
Guyana	3.3	3.5	0.9	1.2	-1.0	-0.2	-1.0	-1.8	0.3	0.6 ^d
Jamaica	6.0	8.0	9.7	6.2	4.0	4.4	1.8	3.7	3.0	2.1
Saint Kitts and Nevis	2.0	0.5	0.6	-0.5	-0.9	-2.0	-2.9	-2.4	...	...
Saint Lucia	4.8	5.0	-0.7	3.7	-1.0	0.1	-2.2	-2.6	...	...
Saint Vincent and the Grenadines	4.7	1.0	0.0	0.1	-1.8	-1.8	-1.7	-2.1	...	...
Suriname	15.3	4.4	0.6	3.9	2.7	5.2	4.4	25.2	36.6	55.0
Trinidad and Tobago	5.3	7.2	5.6	8.5	5.3	5.5	4.8	1.5	3.3	3.5 ^d

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

^a Weighted average.

^b Weighted average, the Bolivarian Republic of Venezuela is excluded.

^c Refers to national-currency markets.

^d Twelve-month variation to April 2016.

Table A.33

Latin America and the Caribbean: fiscal balances
(Percentages of GDP)

	Primary balance				Overall balance			
	2012	2013	2014	2015	2012	2013	2014	2015
Latin America and the Caribbean^a	-0.1	-0.7	-0.3	-0.3	-2.2	-2.9	-2.6	-2.8
Latin America^b	-0.2	-0.6	-1.0	-1.0	-1.9	-2.3	-2.8	-3.0
Argentina	0.0	-1.3	-2.4	-1.1	-1.8	-2.5	-4.3	-3.1
Bolivia (Plurinational State of) ^c	2.7	2.0	-1.7	-3.3	1.8	1.4	-2.5	-4.1
Brazil	1.9	1.5	-0.3	-2.0	-1.8	-2.6	-5.3	-9.3
Chile	1.2	0.0	-1.0	-1.5	0.6	-0.6	-1.6	-2.2
Colombia	0.1	-0.1	-0.2	-0.5	-2.3	-2.3	-2.4	-3.0
Costa Rica	-2.3	-2.9	-3.1	-3.1	-4.4	-5.4	-5.7	-5.9
Cuba	...	...	...	...	6.7	1.9	0.6	-0.5 ^d
Dominican Republic	-2.8	-0.4	-0.1	0.5	-5.2	-2.7	-2.6	-2.5
Ecuador	-1.0	-4.5	-5.0	-1.9	-2.0	-5.8	-6.4	-3.6
El Salvador	0.5	0.6	0.8	1.3	-1.7	-1.8	-1.6	-1.1
Guatemala	-0.9	-0.6	-0.4	0.1	-2.4	-2.1	-1.9	-1.4
Haiti	2.0	-1.0	-0.5	0.3	1.7	-1.4	-0.9	0.1
Honduras	-4.3	-5.8	-2.1	-0.6	-6.0	-7.9	-4.4	-3.1
Mexico ^e	-0.7	-0.5	-1.2	-1.3	-2.6	-2.3	-3.2	-3.5
Nicaragua	1.5	1.0	0.6	0.3	0.5	0.1	-0.3	-0.7
Panama	-0.7	-1.9	-2.3	-2.4	-2.6	-3.8	-4.0	-4.2
Paraguay	-1.4	-1.4	-0.7	-1.1	-1.7	-1.7	-1.1	-1.7
Peru	2.4	1.5	0.5	-1.9	1.3	0.5	-0.5	-2.9
Uruguay	0.4	0.9	-0.1	-0.5	-1.9	-1.5	-2.3	-2.8
Venezuela (Bolivarian Republic of)	-2.2	1.0	0.9	-0.2 ^d	-4.9	-1.9	-1.6	-1.8 ^d
The Caribbean^f	0.1	-0.7	0.7	0.6	-3.3	-4.0	-2.6	-2.6
Antigua and Barbuda	1.1	-2.4	-0.2	3.1	-1.3	-4.5	-2.8	0.1
Bahamas ^g	-4.2	-3.2	-1.7	1.4 ^d	-6.6	-5.7	-4.5	-1.6 ^d
Barbados ^{h,i}	-2.0	-4.1	0.7	0.2 ^d	-8.6	-11.2	-6.9	-7.3 ^d
Belize ^h	1.5	0.9	0.4	-2.5 ^d	-0.4	-1.8	-2.3	-5.2 ^d
Dominica	-7.6	-7.4	0.4	0.4	-9.2	-9.5	-1.3	-1.2
Grenada	-2.1	-3.4	-1.2	2.3	-5.5	-6.5	-4.7	-1.2
Guyana	-3.6	-3.4	-4.5	-0.4	-4.7	-4.4	-5.5	-1.4
Jamaica ^h	5.5	7.8	7.6	7.5	-4.2	0.1	-0.5	-0.3
Saint Kitts and Nevis	17.2	17.1	13.9	6.4	11.2	13.2	10.5	4.5
Saint Lucia	-3.0	-2.9	0.2	1.4	-6.5	-6.7	-3.6	-2.4
Saint Vincent and the Grenadines	0.3	-3.7	-1.8	-0.6	-2.1	-6.2	-4.1	-2.9
Suriname ^j	-1.5	-3.1	-3.7	-7.7	-2.7	-5.9	-5.5	-10.0
Trinidad and Tobago ^k	-0.4	-1.4	-0.8	-3.5 ^d	-2.1	-3.0	-2.5	-5.5 ^d

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

^a Simple averages of the 33 countries that submitted reports. The coverage corresponds to the central government.

^b Simple averages. Does not include Cuba.

^c General government.

^d Preliminary figures.

^e Federal public sector.

^f Simple averages.

^g Fiscal years, from 1 July to 30 June.

^h Fiscal years, from 1 April to 31 March.

ⁱ Non-financial public sector.

^j Includes statistical discrepancy.

^k Fiscal years, from 1 October to 30 September.

Table A.34

Latin America and the Caribbean: composition of tax revenue
(Percentages of GDP)

	Total tax burden		Social security contributions		Direct taxes		Indirect taxes		Other taxes	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Latin America and the Caribbean^a	...	...	...	...	...	...	...	...	...	...
Latin America^b	19.3	...	3.6	...	6.0	...	9.4	...	0.3	...
Argentina ^c	32.2	35.9	7.0	8.0	9.3	10.9	15.7	16.7	0.3	0.3
Bolivia (Plurinational State of) ^c	24.4	...	2.1	...	6.7	...	14.7	...	1.0	...
Brazil ^c	33.4	32.8	8.7	8.6	9.7	9.7	13.9	13.7	1.0	0.7
Chile	18.3	19.1	1.4	1.4	6.7	7.6	10.0	10.2	0.2	-0.2
Colombia	16.9	16.7	2.5	2.5	8.0	8.0	6.3	6.2	0.0	0.1
Costa Rica ^c	23.1	...	8.7	...	5.5	...	8.7	...	0.2	...
Cuba ^c	38.3	...	4.6	...	11.3	...	20.1	...	2.2	...
Dominican Republic	14.1	13.8	0.1	0.0	5.1	4.6	8.9	9.1	0.0	0.0
Ecuador	19.0	19.6	4.7	4.8	4.3	4.7	9.9	10.0	0.1	0.1
El Salvador	16.8	17.3	1.8	1.9	6.1	6.1	8.4	8.6	0.4	0.6
Guatemala ^c	12.8	12.5	1.9	2.1	4.1	3.8	6.7	6.6	0.1	0.1
Haiti ^d	12.1	13.2	0.0	0.0	2.9	3.1	7.3	8.2	1.9	1.9
Honduras	19.3	20.6	3.0	2.8	5.4	5.9	10.9	11.9	0.0	0.0
Mexico	12.2	14.8	1.7	1.7	5.6	6.8	4.8	6.1	0.1	0.2
Nicaragua	20.4	21.9	4.9	5.5	5.9	6.4	9.5	9.9	0.0	0.0
Panama	15.5	15.2	5.7	5.8	5.1	4.8	4.7	4.4	0.1	0.1
Paraguay	14.4	13.5	1.7	1.4	2.7	2.6	9.9	9.3	0.1	0.2
Peru	18.7	16.8	2.1	2.1	7.7	6.3	8.2	7.8	0.7	0.6
Uruguay	27.3	26.9	9.1	8.9	6.9	7.1	11.4	10.9	0.0	0.0
Venezuela (Bolivarian Republic of)	16.4	20.9	1.0	1.0	5.5	4.7	9.9	15.2	0.0	0.0
The Caribbean^{e,f}	21.7	22.2	...	...	7.5	7.3	13.9	14.6	0.3	0.2
Antigua and Barbuda	17.3	18.3	...	...	2.9	3.2	14.5	15.1	0.0	0.0
Bahamas ^g	14.7	16.9	...	...	1.2	1.2	11.6	13.6	1.9	2.2
Barbados ^{h,i}	26.7	27.4	...	...	9.7	10.6	15.5	15.9	1.5	0.9
Belize ^h	25.0	24.8	...	...	8.2	7.7	16.8	17.1	0.0	0.0
Dominica	22.2	23.6	...	...	4.6	5.2	17.6	18.4	0.0	0.0
Grenada	19.4	20.7	...	...	4.5	4.9	14.9	15.8	0.0	0.0
Guyana	21.4	22.1	...	...	8.5	9.0	12.9	13.1	0.0	0.0
Jamaica ^h	24.0	25.5	...	...	9.8	10.1	14.2	15.5	0.0	0.0
Saint Kitts and Nevis	20.6	20.7	...	...	4.8	6.3	15.8	14.5	0.0	0.0
Saint Vincent and the Grenadines	23.8	23.9	...	...	7.2	6.6	16.6	17.3	0.0	0.0
Saint Lucia	22.6	23.7	...	...	6.0	6.2	16.6	17.5	0.0	0.0
Suriname	16.6	15.7	...	...	8.4	6.5	8.2	9.2	0.0	0.0
Trinidad and Tobago ^l	27.0	24.7	...	...	21.2	17.9	5.9	6.8	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 33 countries that submitted reports. The coverage corresponds to the central government.

^b Simple averages. Does not include Cuba.

^c General government.

^d Fiscal years, from 1 October to 30 September. Does not include social security contributions.

^e Simple averages.

^f Does not include social security contributions.

^g Fiscal years, from 1 July to 30 June.

^h Fiscal years, from 1 April to 31 March.

ⁱ Non-financial public sector.

^l Fiscal years, from 1 October to 30 September.

Table A.35

Latin America and the Caribbean: public income and expenditure
(Percentages of GDP)

	Total income		Current expenditure		Interest payments on public debt		Capital expenditure		Primary expenditure	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Latin America and the Caribbean^a	22.9	22.8	25.5	25.6	20.5	21.1	2.4	2.5	4.9	4.4
Latin America^b	19.3	18.8	22.1	21.8	17.3	17.5	1.8	2.0	4.7	4.2
Argentina	21.3	22.4	25.6	25.4	21.3	22.8	1.9	2.0	4.3	2.7
Bolivia (Plurinational State of) ^c	37.7	33.2	40.2	37.2	23.6	24.6	0.8	0.8	16.6	12.6
Brazil	22.1	21.4	27.4	30.7	25.6	28.7	5.0	7.3	1.7	2.0
Chile	20.7	21.4	22.3	23.6	18.5	19.3	0.6	0.7	3.8	4.3
Colombia	16.7	16.1	19.1	19.1	16.1	16.1	2.2	2.6	3.0	3.1
Costa Rica	14.2	14.8	20.0	20.7	18.2	18.8	2.6	2.8	1.7	1.9
Cuba	31.9	34.9	31.4	35.3 ^d	28.1	30.9 ^d	...		3.1	4.0 ^d
Dominican Republic	15.1	15.2	17.7	17.7	14.9	15.0	2.5	2.9	2.7	2.6
Ecuador	20.2	19.3	26.6	22.9	14.8	13.8	1.4	1.7	11.7	9.2
El Salvador	15.8	16.2	17.3	17.3	14.6	14.7	2.4	2.5	2.8	2.7
Guatemala	11.5	10.9	13.4	12.4	10.4	10.2	1.4	1.6	2.9	2.2
Haiti	13.2	13.5	14.1	13.4	12.2	12.0	0.4	0.2	1.9	1.4
Honduras	18.7	20.2	23.1	23.3	17.9	18.4	2.3	2.6	5.2	4.9
Mexico ^e	23.1	23.6	26.3	27.0	21.1	21.8	1.9	2.2	5.2	5.2
Nicaragua	17.5	18.6	17.8	19.2	13.8	14.5	0.9	0.9	4.0	4.7
Panama	14.4	13.8	18.4	18.0	11.6	11.7	1.7	1.8	6.8	6.3
Paraguay	17.9	17.8	19.0	19.5	15.4	15.6	0.4	0.6	3.6	3.9
Peru	19.1	16.7	19.6	19.6	14.8	14.8	1.1	1.0	4.8	4.8
Uruguay	19.9	19.6	22.2	22.4	20.8	21.1	2.3	2.2	1.4	1.3
Venezuela (Bolivarian Republic of)	28.1	22.4	29.6	24.1 ^d	23.6	18.6 ^d	2.5	1.5 ^d	5.2	5.0 ^d
The Caribbean^f	27.4	27.8	30.0	30.3	24.5	25.5	3.3	3.2	5.4	4.8
Antigua and Barbuda	20.6	23.8	23.5	23.7	21.8	22.2	2.7	3.0	1.7	1.5
Bahamas ^g	20.0	23.0 ^d	24.5	24.6 ^d	20.1	21.1 ^d	2.7	3.0 ^d	3.3	2.7 ^d
Barbados ^{h i}	28.8	29.1 ^d	35.7	36.4 ^d	33.5	33.9 ^d	7.6	7.5 ^d	2.2	2.5 ^d
Belize ^h	29.3	29.6 ^d	31.6	34.7 ^d	23.5	25.3 ^d	2.7	2.7 ^d	8.1	9.4 ^d
Dominica	32.1	31.0	33.4	32.2	24.8	26.3	1.8	1.6	8.6	5.9
Grenada	24.5	25.6	29.2	26.9	20.0	18.2	3.5	3.5	9.2	8.7
Guyana	23.6	26.1	29.1	27.6	21.1	22.8	1.0	1.0	8.0	4.7
Jamaica ^h	26.6	28.3	27.1	28.6	25.6	26.5	8.1	7.8	1.5	2.0
Saint Kitts and Nevis	43.1	38.4	32.7	33.9	27.0	27.0	3.4	1.9	5.6	6.9
Saint Lucia	25.3	26.4	29.0	28.8	23.3	23.1	3.9	3.9	5.7	5.7
Saint Vincent and the Grenadines	28.1	27.5	32.2	30.4	25.8	25.4	2.3	2.2	6.4	5.0
Suriname ^j	21.1	19.4	25.7	28.6	20.7	26.1	0.9	1.5	5.0	2.5
Trinidad and Tobago ^k	33.4	32.6 ^d	36.0	38.1 ^d	31.1	33.7 ^d	1.8	2.1 ^d	4.8	4.5 ^d

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

^a Simple averages of the 33 countries that submitted reports. The coverage corresponds to the central government.

^b Simple averages. Does not include Cuba.

^c General government.

^d Preliminary figures.

^e Federal public sector.

^f Simple averages.

^g Fiscal years, from 1 July to 30 June.

^h Fiscal years, from 1 April to 31 March.

ⁱ Non-financial public sector.

^j Includes statistical discrepancy.

^k Fiscal years, from 1 October to 30 September.

Table A.36

Latin America and the Caribbean: non-financial public sector gross public debt
(Percentages of GDP)

	2008	2009	2010	2011	2012	2013	2014	2015
Latin America and the Caribbean^a	46.1	50.4	50.5	50.7	52.3	53.5	53.8	55.5
Latin America^a	30.8	32.8	31.8	31.1	32.7	34.4	36.0	38.7
Argentina ^b	39.2	39.6	36.1	33.3	35.1	38.8	42.8	53.3
Bolivia (Plurinational State of) ^c	37.2	39.5	38.1	33.7	31.3	30.4	30.0	29.0
Brazil ^d	57.5	60.9	53.6	50.8	55.3	56.7	58.9	66.5
Chile	11.6	12.1	14.7	17.8	18.9	20.5	24.2	28.6
Colombia	42.7	45.1	46.2	40.2	40.6	43.1	45.9	51.3
Costa Rica	29.7	34.0	35.7	38.1	42.6	44.5	47.9	51.0
Dominican Republic ^e	23.2	27.2	27.7	28.7	31.7	37.7	37.1	36.0
Ecuador	22.1	16.3	19.6	18.3	21.1	24.0	29.8	33.1
El Salvador	36.9	45.2	45.1	44.1	47.9	46.3	46.5	48.0
Guatemala	20.1	23.3	24.4	23.9	24.5	24.7	24.4	24.8
Haiti ^{e f}	42.3	34.3	22.8	23.9	28.0	30.5	36.1	35.9 ^g
Honduras ^e	20.1	23.9	30.4	32.5	35.4	43.8	45.6	46.2
Mexico ^h	26.5	34.3	31.7	34.4	33.9	36.8	40.3	46.0
Nicaragua	29.4	34.2	34.8	32.6	32.2	31.5	30.7	32.0
Panama	42.6	45.4	43.0	37.3	35.7	35.5	37.1	38.8
Paraguay	15.5	16.8	14.9	11.5	14.2	14.4	17.6	18.7
Peru	26.9	23.7	23.5	22.1	20.4	19.6	20.1	20.0
Uruguay	48.9	49.4	43.5	43.4	45.7	41.5	44.6	51.1
Venezuela (Bolivarian Republic of) ^e	14.0	18.2	18.4	25.2	27.5	32.9	24.2	...
The Caribbean^a	68.3	76.0	77.9	79.2	81.0	81.4	79.9	77.7
Antigua and Barbuda	81.9	95.7	87.1	93.2	87.3	99.5	102.8	92.1
Bahamas ^e	37.4	44.1	45.7	55.3	60.8	66.3	73.7	76.3
Barbados	67.2	76.0	87.7	93.0	96.2	106.1	109.4	110.3
Belize	79.4	82.2	72.3	70.7	72.8	78.5	75.6	79.1
Dominica	72.6	66.4	73.1	67.4	77.8	77.0	76.0	80.1
Grenada	82.2	90.0	91.8	98.7	101.4	102.4	95.7	85.8
Guyana	62.9	67.0	68.0	66.7	63.6	58.1	51.1	47.9
Jamaica	112.3	126.3	131.7	131.4	133.9	135.5	132.7	127.0
Saint Kitts and Nevis	125.5	142.0	151.4	144.9	137.9	99.5	76.0	61.6
Saint Lucia	58.4	64.0	65.5	68.1	74.2	76.5	76.1	76.8
Saint Vincent and the Grenadines	58.0	64.7	66.7	69.8	72.6	75.9	79.7	76.7
Suriname ^e	15.7	15.7	18.6	20.1	21.5	28.9	24.6	37.1
Trinidad and Tobago	34.5	54.4	53.8	50.1	53.0	54.5	65.1	59.9

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

^a Simple averages.

^b National public sector.

^c Refers to the external debt of the non-financial public sector and central government domestic debt.

^d General government.

^e Central government.

^f Does not include public sector commitments to commercial banks.

^g Preliminary figures.

^h Federal public sector.

Table A.37

Latin America and the Caribbean: central government gross public debt
(Percentages of GDP)

	2008	2009	2010	2011	2012	2013	2014	2015
Latin America and the Caribbean^a	41.6	45.1	45.2	45.7	47.5	48.7	49.5	51.2
Latin America^a	28.8	30.6	29.2	29.1	30.5	32.1	33.4	35.9
Argentina ^b	39.2	39.6	36.1	33.3	35.1	38.8	42.8	53.3
Bolivia (Plurinational State of)	34.0	36.3	34.6	34.5	29.1	28.4	27.7	27.1
Brazil ^c	57.5	59.6	52.0	50.8	55.3	56.7	58.9	66.5
Chile	5.1	5.8	8.7	11.1	12.0	12.8	15.1	17.5
Colombia	36.2	38.0	38.6	36.5	34.6	37.1	40.0	43.9
Costa Rica	24.8	27.2	29.1	30.6	35.2	36.3	39.3	42.4
Dominican Republic	23.2	27.2	27.7	28.7	31.7	37.7	37.1	36.0
Ecuador	20.6	14.9	17.8	17.3	20.1	23.0	27.7	31.0
El Salvador	34.4	42.6	42.6	41.7	45.7	44.0	44.2	45.2
Guatemala	19.9	22.8	24.0	23.7	24.3	24.6	24.3	24.6
Haiti ^d	42.3	34.3	22.8	23.9	28.0	30.5	36.1	35.9 ^e
Honduras	20.1	23.9	30.4	32.5	35.4	43.8	45.6	46.2
Mexico	24.0	27.2	27.2	27.5	28.2	29.8	31.8	35.0
Nicaragua	28.6	32.3	33.3	31.9	31.5	30.8	30.2	31.4
Panama	42.0	40.7	39.6	36.7	35.2	35.0	36.8	38.4
Paraguay	13.4	13.9	12.1	9.8	12.6	13.0	15.8	17.3
Peru	23.1	22.8	20.7	18.4	18.3	17.3	18.1	19.5
Uruguay	44.5	53.3	39.9	38.4	40.2	36.9	39.2	46.2
Venezuela (Bolivarian Republic of)	14.0	18.2	18.4	25.2	27.5	32.9	24.2	...
The Caribbean^a	60.4	66.4	68.6	70.0	72.3	73.0	72.9	71.6
Antigua and Barbuda	73.8	80.8	74.3	77.9	72.6	77.4	86.3	77.5
Bahamas	37.4	50.2	54.3	55.3	60.8	66.3	73.7	76.3
Barbados	55.7	63.2	72.0	77.8	83.9	96.5	99.9	106.8
Belize	79.4	82.2	72.3	70.7	72.8	78.5	75.6	78.6
Dominica	59.4	53.1	56.7	54.6	64.7	64.4	64.7	67.8
Grenada	70.9	80.9	84.2	87.8	91.4	93.5	88.6	80.0
Guyana ^f	62.9	67.0	68.0	66.7	63.6	58.1	51.1	47.9
Jamaica ^f	112.3	126.3	131.7	131.4	133.9	135.5	132.7	127.0
Saint Kitts and Nevis	97.9	105.5	113.8	118.1	109.0	77.0	63.5	50.9
Saint Lucia	50.1	51.2	54.4	60.6	67.9	71.0	71.8	73.0
Saint Vincent and the Grenadines	45.8	51.0	55.6	58.4	61.1	63.6	68.1	65.2
Suriname	15.7	15.7	18.6	20.1	21.5	28.9	24.6	37.1
Trinidad and Tobago	23.8	36.3	36.1	30.9	36.9	37.9	47.2	42.9

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

^a Simple averages.

^b National public sector.

^c General government.

^d Does not include public sector commitments to commercial banks.

^e Preliminary figures.

^f Public sector.

Publicaciones recientes de la CEPAL

ECLAC recent publications

www.cepal.org/publicaciones

■ Informes periódicos / *Annual reports*

También disponibles para años anteriores / *Issues for previous years also available*

- Estudio Económico de América Latina y el Caribe 2015, 204 p.
Economic Survey of Latin America and the Caribbean 2015, 196 p.
- La Inversión Extranjera Directa en América Latina y el Caribe 2015, 150 p.
Foreign Direct Investment in Latin America and the Caribbean 2015, 140 p.
- Anuario Estadístico de América Latina y el Caribe 2015 / *Statistical Yearbook for Latin America and the Caribbean 2015, 235 p.*
- Balance Preliminar de las Economías de América Latina y el Caribe 2015, 104 p.
Preliminary Overview of the Economies of Latin America and the Caribbean 2015, 98 p.
- Panorama Social de América Latina 2015. Documento informativo, 68 p.
Social Panorama of Latin America 2015. Briefing paper, 66 p.
- Panorama de la Inserción Internacional de América Latina y el Caribe 2015, 102 p.
Latin America and the Caribbean in the World Economy 2015, 98 p.

■ Libros y documentos institucionales / *Institutional books and documents*

- Panorama fiscal de América Latina y el Caribe 2016: las finanzas públicas ante el desafío de conciliar austeridad con crecimiento e igualdad, 2016, 90 p.
- Reflexiones sobre el desarrollo en América Latina y el Caribe: conferencias magistrales 2015, 2016, 74 p.
- Panorama Económico y Social de la Comunidad de Estados Latinoamericanos y Caribeños, 2015, 58 p.
Economic and Social Panorama of the Community of Latin American and Caribbean States 2015, 56 p.
- Desarrollo social inclusivo: una nueva generación de políticas para superar la pobreza y reducir la desigualdad en América Latina y el Caribe, 2015, 180 p.
Inclusive social development: The next generation of policies for overcoming poverty and reducing inequality in Latin America and the Caribbean, 2015, 172 p.
- Guía operacional para la implementación y el seguimiento del Consenso de Montevideo sobre Población y Desarrollo, 2015, 146 p.
Operational guide for implementation and follow-up of the Montevideo Consensus on Population and Development, 2015, 139 p.
- América Latina y el Caribe: una mirada al futuro desde los Objetivos de Desarrollo del Milenio. Informe regional de monitoreo de los Objetivos de Desarrollo del Milenio (ODM) en América Latina y el Caribe, 2015, 88 p.
Latin America and the Caribbean: Looking ahead after the Millennium Development Goals. Regional monitoring report on the Millennium Development Goals in Latin America and the Caribbean, 2015, 88 p.
- La nueva revolución digital: de la Internet del consumo a la Internet de la producción, 2015, 98 p.
The new digital revolution: From the consumer Internet to the industrial Internet, 2015, 98 p.
- Globalización, integración y comercio inclusivo en América Latina. Textos seleccionados de la CEPAL (2010-2014), 2015, 326 p.
- El desafío de la sostenibilidad ambiental en América Latina y el Caribe. Textos seleccionados de la CEPAL (2012-2014), 2015, 148 p.
- Pactos para la igualdad: hacia un futuro sostenible, 2014, 340 p.
Covenants for Equality: Towards a sustainable future, 2014, 330 p.
- Cambio estructural para la igualdad: una visión integrada del desarrollo, 2012, 330 p.
Structural Change for Equality: An integrated approach to development, 2012, 308 p.
- La hora de la igualdad: brechas por cerrar, caminos por abrir, 2010, 290 p.
Time for Equality: Closing gaps, opening trails, 2010, 270 p.
A Hora da Igualdade: Brechas por fechar, caminhos por abrir, 2010, 268 p.

Libros de la CEPAL / *ECLAC books*

- 138 Estructura productiva y política macroeconómica: enfoques heterodoxos desde América Latina, Alicia Bárcena Ibarra, Antonio Prado, Martín Abeles (eds.), 2015, 282 p.
- 137 Juventud: realidades y retos para un desarrollo con igualdad, Daniela Trucco, Heidi Ullmann (eds.), 2015, 282 p.
- 136 Instrumentos de protección social: caminos latinoamericanos hacia la universalización, Simone Cecchini, Fernando Filgueira, Rodrigo Martínez, Cecilia Rossel (eds.), 2015, 510 p.
- 135 *Rising concentration in Asia-Latin American value chains: Can small firms turn the tide?*, Osvaldo Rosales, Keiji Inoue, Nanno Mulder (eds.), 2015, 282 p.
- 134 Desigualdad, concentración del ingreso y tributación sobre las altas rentas en América Latina, Juan Pablo Jiménez (ed.), 2015, 172 p.
- 133 Desigualdad e informalidad: un análisis de cinco experiencias latinoamericanas, Verónica Amarante, Rodrigo Arim (eds.), 2015, 526 p.
- 132 Neoestructuralismo y corrientes heterodoxas en América Latina y el Caribe a inicios del siglo XXI, Alicia Bárcena, Antonio Prado (eds.), 2014, 452 p.

Copublicaciones / *Co-publications*

- Gobernanza global y desarrollo: nuevos desafíos y prioridades de la cooperación internacional, José Antonio Ocampo (ed.), CEPAL/Siglo Veintiuno, Argentina, 2015, 286 p.
- *Decentralization and Reform in Latin America: Improving Intergovernmental Relations*, Giorgio Brosio and Juan Pablo Jiménez (eds.), ECLAC / Edward Elgar Publishing, United Kingdom, 2012, 450 p.
- Sentido de pertenencia en sociedades fragmentadas: América Latina desde una perspectiva global, Martín Hopenhayn y Ana Sojo (comps.), CEPAL / Siglo Veintiuno, Argentina, 2011, 350 p.

Coediciones / *Co-editions*

- Perspectivas económicas de América Latina 2016: hacia una nueva asociación con China, 2015, 240 p.
Latin American Economic Outlook 2016: Towards a new Partnership with China, 2015, 220 p.
- Perspectivas de la agricultura y del desarrollo rural en las Américas: una mirada hacia América Latina y el Caribe 2015-2016, CEPAL / FAO / IICA, 2015, 212 p.

Documentos de proyecto / *Project documents*

- Complejos productivos y territorio en la Argentina: aportes para el estudio de la geografía económica del país, 2015, 216 p.
- Las juventudes centroamericanas en contextos de inseguridad y violencia: realidades y retos para su inclusión social, Teresita Escotto Quesada, 2015, 168 p.
- La economía del cambio climático en el Perú, 2014, 152 p.

Cuadernos estadísticos de la CEPAL

- 42 Resultados del Programa de Comparación Internacional (PCI) de 2011 para América Latina y el Caribe. Solo disponible en CD, 2015.
- 41 Los cuadros de oferta y utilización, las matrices de insumo-producto y las matrices de empleo. Solo disponible en CD, 2013.

Series de la CEPAL / *ECLAC Series*

Asuntos de Género / Comercio Internacional / Desarrollo Productivo / Desarrollo Territorial / Estudios Estadísticos / Estudios y Perspectivas (Bogotá, Brasilia, Buenos Aires, México, Montevideo) / *Studies and Perspectives* (The Caribbean, Washington) / Financiamiento del Desarrollo / Gestión Pública / Informes y Estudios Especiales / Macroeconomía del Desarrollo / Manuales / Medio Ambiente y Desarrollo / Población y Desarrollo / Política Fiscal / Políticas Sociales / Recursos Naturales e Infraestructura / Seminarios y Conferencias.

Revista CEPAL / *CEPAL Review*

La Revista se inició en 1976, con el propósito de contribuir al examen de los problemas del desarrollo socioeconómico de la región. La *Revista CEPAL* se publica en español e inglés tres veces por año.

CEPAL Review first appeared in 1976, its aim being to make a contribution to the study of the economic and social development problems of the region. CEPAL Review is published in Spanish and English versions three times a year.

Observatorio demográfico / *Demographic Observatory*

Edición bilingüe (español e inglés) que proporciona información estadística actualizada, referente a estimaciones y proyecciones de población de los países de América Latina y el Caribe. Desde 2013 el Observatorio aparece una vez al año.

Bilingual publication (Spanish and English) providing up-to-date estimates and projections of the populations of the Latin American and Caribbean countries. Since 2013, the Observatory appears once a year.

Notas de población

Revista especializada que publica artículos e informes acerca de las investigaciones más recientes sobre la dinámica demográfica en la región. También incluye información sobre actividades científicas y profesionales en el campo de población. La revista se publica desde 1973 y aparece dos veces al año, en junio y diciembre.

Specialized journal which publishes articles and reports on recent studies of demographic dynamics in the region. 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.

**Las publicaciones de la CEPAL están disponibles en:
*ECLAC publications are available at:***

www.cepal.org/publicaciones

**También se pueden adquirir a través de:
*They can also be ordered through:***

www.un.org/publications

United Nations Publications
PO Box 960
Herndon, VA 20172
USA

Tel. (1-888)254-4286

Fax (1-800)338-4550

Contacto / *Contact:* publications@un.org

Pedidos / *Orders:* order@un.org

www.eclac.org



Economic Commission for Latin America and the Caribbean (ECLAC)
Comisión Económica para América Latina y el Caribe (CEPAL)
www.eclac.org

