2019

# Economic Survey
## of Latin America and the Caribbean

The new global financial context:
effects and transmission mechanisms
in the region

UNITED NATIONS

ECLAC

ECLAC

FOR SUSTAINABLE
DEVELOPMENT WITH EQUALITY

# Thank you for your interest in this ECLAC publication



Please register if you would like to receive information on our editorial products and activities. When you register, you may specify your particular areas of interest and you will gain access to our products in other formats.

**www.cepal.org/en/publications**

**www.cepal.org/apps**

2019

# Economic Survey
of Latin America and the Caribbean

The new global financial context:
effects and transmission mechanisms
in the region

UNITED NATIONS

ECLAC

70
ECLAC

FOR SUSTAINABLE
DEVELOPMENT WITH EQUALITY

**Alicia Bárcena**
Executive Secretary

**Mario Cimoli**
Deputy Executive Secretary

**Raúl García-Buchaca**
Deputy Executive Secretary
for Management and Programme Analysis

**Daniel Titelman**
Chief, Economic Development Division

**Ricardo Pérez**
Chief, Publications and Web Services Division

Explanatory notes

- Three dots (...) indicate that data are not available or are not separately reported.
- A dash (-) indicates that the amount is nil or negligible.
- A full stop (.) is used to indicate decimals.
- The word "dollars" refers to United States dollars unless otherwise specified.
- 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 because of rounding.

## CONTENTS

### Tables

## Figures

## Boxes

# Introduction and executive summary

# Introduction

The 2019 edition of the Economic Survey of Latin America and the Caribbean, its seventy-first issue, consists of three parts. Part I outlines the region's economic performance in 2018 and analyses trends in the early months of 2019, as well as the outlook for the rest of the year. It examines the external and domestic factors that have influenced the region's economic performance, analyses the characteristics of economic growth, prices and the labour market. It also draws attention to some of the macroeconomic policy challenges, given that there is less space to implement such policies against a backdrop of continuing low economic growth, a high degree of uncertainty and an increasingly complex international scenario.

Part II of this edition analyses the changes in the international financial system following the global financial crisis of 2007–2008. The changes observed are in response to, inter alia, the impact this crisis had on the structure and functioning of the global financial system, as well as quantitative easing policies implemented in developed countries to address the effects of the crisis on the financial and real sectors of their economies. It is posited that the mechanisms of global financial intermediation have changed, leading to adjustments in the mechanisms by which financial impulses are transmitted from developed countries to developing economies, including the economies of Latin America and the Caribbean. Consequently, traditional macroeconomic indicators may prove insufficient when analysing possible external financial vulnerabilities to which the region is exposed. This report argues that these vulnerability indicators need to be re-examined by disaggregating the different economic sectors and analysing capital flows together with the balances of relevant accounts. The market structure under which the different stakeholders operate should also be considered.

Part III of this publication may be accessed on the website 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 2018 and the first half of 2019, together with their respective statistical annexes. The cut-off date for updating the statistical information in this publication was 30 June 2019.

# Executive summary

## A. The economic situation and outlook for 2019

After a sustained slowdown over the past five years —which included two years of contraction—, economic growth in Latin America and the Caribbean is expected to continue its downward trajectory during 2019, with a projected rate of 0.5%. Unlike previous years, 2019 will see a general slowdown that will affect 21 of the 33 countries of the region (17 of the 20 Latin American countries). On the domestic front, low growth rates are the result of poor investment and export performances and a fall in public spending. At the same time, private consumption has also slowed, reflecting the decline in GDP growth. The room for manoeuvre through macroeconomic policy has also narrowed due to the shrinking fiscal space available to the countries of the region and the difficulties that some of them face in maintaining expansive monetary policies.

Faltering economic growth is set against a backdrop of low productivity with sluggish or negative growth rates, further weakening the economy in the medium term. The poor economic performance is also reflected in a deterioration of the labour market, with an increase in informal employment and an urban unemployment rate of around 9.3%.

The average economic performance of the countries of the region has been affected, in part, by a concurrent weakening of the world economy that means the region is facing strong international headwinds. Trade tensions and geopolitical problems have resulted in a slowdown in world growth, greater financial volatility and a deterioration of the economic outlook.

Global growth in 2019 is forecast at 2.6%, four tenths of a point below the 2018 rate. Developed economies are expected to slow the most; the eurozone is expected to grow by 1.2% in 2019, seven tenths of a point below the 2018 figure, while the United States should see a rate of 2.5%, less than the 2.9% posted in 2018.

As for emerging economies, China will continue its gradual slowdown in 2019 and is estimated to grow 6.2% (four tenths of a percentage point down on 2018), the lowest rate in almost 30 years. Together with sluggish growth, global trade is increasingly weakening amid growing trade tensions. The year-on-year variation in world trade volume was negative at the start of 2019, something that had not occurred since the global financial crisis of 2008–2009. Although trade has been weak across the board in 2019, it has been particularly so in Japan and the emerging Asian economies —including China— for which trade was already down year-on-year in the first four months.

Partly as a result of the weaker pace of economic activity and trade, commodity prices —on which many economies of the region depend both in terms of their exports and fiscal revenue— are projected to be, on average, lower than prices in 2018 (-5%).

While forecasts are uncertain, the average oil price is expected to fall by around 10% in 2019, compared to 2018. Metal and mineral prices will be on average 1% below those of 2018, and agricultural products will come in at some 3% lower (in the case of soybean and related products, average price levels will likely be 8% lower).

The prolonged period of low volatility in international financial markets and lax financial conditions, which endured until the end of 2017, led to a considerable increase in indebtedness, sometimes accompanied by greater risk-taking. Rising debt levels in emerging markets —which in the first quarter of 2019 hit a record high equivalent to

216% of the GDP of these economies—[1] has left those countries more exposed to worsening international financial conditions.

Therefore, while the United States Federal Reserve and the European Central Bank are expected to maintain an expansive monetary policy in the short term —according to their latest announcements—, further deterioration of financial conditions for emerging markets cannot be ruled out for the remainder of the year. Amid elevated risk aversion and declining capital flows to emerging markets, some countries of the region may face higher levels of sovereign risk and certain pressure on their international reserves position or currencies. The impact on each country will depend on how exposed it is in terms of external financing needs and its share of dollar-denominated debt, as well as short-term debt that would have to be rolled over at a higher cost.

Global liquidity growth slowed from 8.8% in 2017 to 5.3% in 2018. This is explained by slowdowns in the growth of bond issuance (from 10.0% in 2017 to 4.8% in 2018) and, to a lesser extent, in the expansion of cross-border bank lending (from 8.0% to 6.0% in the same period) Nonetheless, the bond market continues to dominate the global credit market and accounted for 53% of total lending in 2018. At the regional level, credit growth slowed more sharply in the emerging economies (from 10.5% in 2017 to 6.1% in 2018) than in advanced ones (from 8.7% to 5.8%, respectively).

Liquidity has tightened while households and the non-financial corporate sector in the vast majority of developed economies have deleveraged. The United States is an exception among these economies, as the debt of the non-financial corporate sector is at its highest level for nearly seven decades, representing nearly 122% of GDP in 2018, accompanied by a deterioration in its loan portfolio.

Emerging economies have also experienced an increase in non-financial corporate debt since the global financial crisis, coinciding with the implementation of quantitative easing policies in the developed world. In Latin America, non-financial corporate debt grew from US$ 76 billion in 2009 to US$ 229 billion in 2014, and reached US$ 317 billion in the first quarter of 2019.

Aside from the aggravation or easing of geopolitical tensions (including trade tensions between China and the United States), the outlook for global liquidity in 2019 will depend on three factors: the trend of global economic growth, the monetary stance adopted by the major central banks and the indebtedness of the non-financial corporate sector.

Given this global context, the average current account deficit is expected to remain around 2% of regional GDP (up from 1.9% in 2018 and 1.4% in 2017). This is the result of an expected sharp decline in the goods surplus in 2019, down to almost 0% of GDP. The fall in the goods surplus reflects stagnating exports and a slight increase in imports. Meanwhile, the other three components of the current account (income, services and transfers) will improve slightly.

Exports from several countries of the region will be negatively affected, not only by falling commodity prices, but also by weaker external demand, the result of sluggish economic growth worldwide.

Lower financial volatility and more stable conditions in the first few months of 2019 resulted in a drop in sovereign risk in Latin America, but, from the second quarter onwards, it began to rise — the Emerging Markets Bond Index (EMBIG) for the region was 527 basis points in May—, reflecting greater global uncertainty. Meanwhile, debt issues in international markets fell 35% year-on-year in the first five months of 2019, amounting to US$ 43.451 billion.

---

[1]    According to data from the Institute of International Finance (IIF), Global Debt Monitor [online database] https://www.iif.com/Research/Capital-Flows-and-Debt/Global-Debt-Monitor [date consulted: 15 July 2019].

Despite the general slowdown, a significant growth differential persists at the subregional level in 2019. In the first quarter of the year, economic activity in Latin America and the Caribbean contracted by 0.1% year-on-year. Domestic demand, which has been the main source of growth, dropped by 0.2%, reflecting mainly the decline in gross fixed capital formation and public expenditure. Private consumption was the only domestic demand component to post positive growth, albeit at lower rates than in previous quarters.

South American economies shrank by 0.7% on average in the first quarter of 2019, a far poorer performance than the 1.5% growth in the first quarter of 2018. The Central American economies achieved a growth rate (3.3%) lower than that of the same period in 2018. Growth in Central America and Mexico combined came to 1.5% in the first quarter of 2019

At the national level, the Dominican Republic and the Plurinational State of Bolivia were the region's fastest-growing economies in the first quarter (5.7% and around 4.0%, respectively), followed by Panama (3.1%), Guatemala (3.0%) and Colombia (2.8%). Five economies (Argentina, Bolivarian Republic of Venezuela, Paraguay, Nicaragua and Uruguay) contracted, Brazil slowed (to 0.46%) and the rest grew by between 0.6% and 2.6%.

With regard to the labour market, the open urban unemployment rate remained stable in the first quarter of 2019 compared to the same period last year. However, other labour indicators show a deterioration in the average quality of employment. The informal sector was the main source of new jobs, although they tend to be characterized by low and unstable incomes and precarious employment conditions and social protections. Therefore, the stability of the unemployment rate hides the fact that many households must generate labour income to meet their subsistence needs without having access to good quality jobs.

Real average wages for registered employment have remained stable. This, together with weak job creation and the deterioration in the average quality of employment, helps to explain households' anaemic purchasing power and consumption that has characterized domestic demand since the beginning of the year. The open urban unemployment rate is expected to be 9.3% in 2019 (the highest rate since 2005), similar to the levels posted in 2017 and 2018. Against the backdrop of low economic growth, the average quality of employment is expected to deteriorate further over the course of the year.

With regard to fiscal policy, consolidation efforts are expected to continue in the countries of the region in 2019 in order to improve the primary balance and stablize the public debt trajectory. Latin America's primary deficit —as a measure of the short-term fiscal effort— is expected to reach 0.2% of GDP in 2019, compared to 0.4% in 2018.

This improvement is the result of an expected cut in primary spending, which will fall from 18.6% of GDP in 2018 to 18.4% in 2019. These primary spending cuts will take different forms within Latin America. In Central America, the Dominican Republic and Mexico, spending cutbacks will likely focus on capital spending (down from 3.5% of GDP in 2018 to 3.2% in 2019). In contrast, primary current expenditure in South America is expected to fall from 17.8% of GDP in 2018 to 17.4% in 2019.

Public revenues in Latin America are projected to remain at the same level as 2018 (18.2% of GDP). However, there is a risk that the economic slowdown and lower commodity prices will have a negative impact on revenues in 2019. In this context, lower tax receipts could lead to a greater adjustment in public spending during the year to achieve fiscal projections for 2019 or to a higher deficit.

Central government gross public debt in Latin America averaged 41.9% of GDP in the first quarter of 2019, down 0.6 percentage points of GDP compared to the close of 2018, although countries' levels of indebtedness varied greatly in this period.

In the Caribbean, the primary balance is expected to remain in surplus in 2019, at 1.3% of GDP, down from 1.6% of GDP in 2018. However, unlike the fiscal situation in Latin America, public spending in the Caribbean is expected to accelerate, rising to 29.2% of GDP in 2019, compared to 28.2% in 2018. This increase will be driven by higher primary current spending and capital expenditure. Higher public revenues and falling interest payments in recent years have expanded the fiscal space for more active policies. Revenue estimates point to an increase in total revenues (which are expected to stand at 27.7% of GDP in 2019, compared to 27.0% of GDP in 2018), supported by higher tax and non-tax revenues. The average central government gross public debt of the seven Caribbean countries for which information is available had decreased as of March 2019.

The region's average inflation in 2018 was 1.3 percentage points higher than in 2017 (5.7%). This increase was primarily the result of price increases in South American economies, since average inflation in Central America and the Caribbean slowed during that period. By May 2019, the situation had reversed, with an increase in average inflation. The acceleration in the regional inflation rate observed since May 2018 continued in the first five months of 2019, putting the region's average annual inflation rate at 8.1%.

In general, the high volatility of the region's foreign-exchange markets in the face of uncertainty, compounded by pessimism over commodity prices and the international financial situation, make it harder for monetary policymakers to adopt expansionary policies, since monetary stimulus could lead to greater currency depreciations, threatening macrofinancial stability. The uptick in inflation in several countries of the region has also reduced the space available to monetary and exchange-rate policymakers, as the adoption of measures to further stimulate lending could accentuate inflationary pressures in those countries, without necessarily leading to greater economic growth. In addition, high levels of domestic debt in some countries and negative expectations for economic performance could blunt the effectiveness of monetary policy in stimulating GDP growth.

In the first five months of 2018, lending interest rates in the region continued the downward trend that had begun in mid-2017, partly in response to the trend exhibited by the different monetary policy instruments (policy rates and monetary base) and, until May 2018, owing to the fall in inflation. Thereafter, however, the interest rate paths in the different subregions of Latin America and the Caribbean started to diverge. In economies that use monetary policy rates as the main instrument, lending rates continued to fall, even during the first four months of 2019. In the Latin American economies that use monetary aggregates as their main instrument, rates began to rise in May 2018 and have continued to follow this path in the first four months of 2019. In the non-Spanish-speaking Caribbean, lending rates remained broadly stable in 2018, edging down slightly; but they have been rising in the first four months of 2019.

Domestic credit to the private sector has strengthened in real terms since late 2017, in response to interest rate cuts and lower inflation, at least until May 2018. Since the third quarter of 2018, although interest rates have risen, domestic credit to the private sector has continued to accelerate in the economies of the non-Spanish-speaking Caribbean, in those that use monetary aggregates as their main monetary policy instrument, and in those that pursue inflation targets, although there are already signs of a slowdown in the latter.

Following the relative stability of the region's exchange rates in 2017, exchange-rate volatility—measured as the average absolute inter-day variation of the exchange rate against the dollar—increased in 2018 in most of the region's economies that operate a flexible exchange-rate regime. In the first half of 2019, volatility has declined compared to 2018, although it remains at higher levels than in 2017. The greater exchange-rate volatility in 2018 was accompanied by nominal depreciations in 21 of the region's currencies, with the Mexican peso the only one to appreciate in nominal terms. Exchange-rate

volatility and depreciation were both particularly forceful during the second half of the year. In the first six months of 2019, with less volatility (in other words smaller inter-day exchange-rate variations), fewer countries saw their currencies weaken.

In terms of real effective exchange rates, most countries of the region saw their currencies appreciate in 2018. However, in the first half of 2019, the pattern has reversed, with real effective exchange rates rising in most countries, mainly as a result of the aforementioned nominal depreciations in many of the region's economies.

In the first five months of 2019, the region's international reserves grew by 3.4% relative to their end-2018 level. This trend may fade during the course of the year, however, depending on how capital flows evolve. Moreover, if global economic activity cools as expected, a slight increase in the current account deficit is forecast, leading to a smaller inflow of foreign exchange.

GDP growth in Latin America and the Caribbean is now projected at 0.5% in 2019, eight tenths of a percentage point below the forecast published in April. This is due to the greater complexities and risks arising from the international context, together with the slump domestic aggregate demand, resulting from the decline in private consumption and the fact that the contribution of investment and public spending to growth will be practically zero. Although the economies of the region are currently experiencing a general slowdown, as in previous years, projected growth rates vary among countries and subregions, not only because of the differentiated impacts of the international context on each economy, but also because of the fluctuating contribution of the various expenditure components, in particular consumption and investment. Economic growth in South America as a subregion will decline from 0.4% in 2018 to 0.2% in 2019. Meanwhile, the subregions of Central America and the Caribbean are expected to grow by 2.9% and 2.1%, respectively, in 2019.

## B. The new global financial context: effects and transmission mechanisms in the region

Part II of the *Economic Survey* analyses changes in the international financial system following the global financial crisis of 2007–2008. The changes observed are in response to, inter alia, the effects this crisis had on the structure and functioning of the global banking sector, as well as quantitative easing policies implemented in developed countries to address the impact of the crisis on the financial and real sectors of their economies.

This report posits that the mechanisms of global financial intermediation have changed, leading to adjustments in the mechanisms by which financial impulses are transmitted from developed countries to developing economies, including the economies of Latin America and the Caribbean. Consequently, the indicators, categories and overall magnitudes traditionally used to analyse the countries' external vulnerability are often insufficient.

It is argued that the vulnerability indicators need to be re-examined by disaggregating the different economic sectors and analysing capital flows together with the balances of relevant accounts. The market structure under which the different stakeholders operate should also be considered.

Part II consists of three chapters. Chapter II examines changes in the structure of the financial system and their implications. It analyses the shifts that have occurred as a result of changes in the structure of the financial system, the emergence of new

financial agents and of new forms of interaction between the real sector and the financial sector.

Changes in the financial system are reflected in the increased importance of the capital market (specifically the bond market) in international financial intermediation. The emergence of new financial agents is evidenced by the growth in the asset management industry and by the fact that firms are playing an increasing role in the financial intermediation process. Lastly, the new forms of interaction between the real and financial sectors of the economy are reflected in higher debt levels globally and across different economic sectors, in particular the non-financial corporate sector in the United States and emerging economies.

As a result of these changes, not only has the global financial system become more closely interconnected and integrated, but tracking the transmission mechanisms of this new financial cycle and their impact has become more complicated.

Consequently, the indicators, categories and overall magnitudes traditionally used to analyse the countries' external vulnerability may be unrepresentative and insufficient to detect potential financial vulnerability and fragility.

Chapter III examines the approaches used to analyse potential financial vulnerabilities faced by the countries of Latin America and the Caribbean. This is done by analysing two indicators that are commonly used to evaluate external vulnerability: the net balance of the balance-of-payments financial account and the net international investment position.

The net balance on the financial account has traditionally been viewed as an indicator of external vulnerability. However, in an increasingly financially intergrated and complex world, the net balance of the financial account is the result of two sets of financial flows (gross inflows and gross outflows) that have been growing over time, which do not have a homogeneous impact on the different economic sectors, and that respond to different determinants and can offset each other. Therefore, the net balance does not necessarily capture external imbalances, either in the aggregate or at the sectoral level, which can be a source of vulnerability, depending on their significance and the extent to which they are integrated with the rest of the economy.

Based on the different categories of gross flows, vulnerability episodes are analysed through the lens of sudden stops in net capital flows. Analysis in the chapter seeks to determine to what extent resident investors can offset a fall in gross capital inflows, thus preventing a sudden stop in net capital flows and the resulting adjustment in the balance-of-payments current account.

With regard to the net international investment position, the analysis shows that a net debtor position does not necessarily reflect external vulnerability, while a net creditor position does not automatically signal financial strength. Given the increase in gross positions in terms of both assets and liabilities, it has become increasingly necessary to examine the inherent vulnerabilities of these positions and their components, as well as the aggregate balance of the net international investment position.

Lastly, chapter IV analyses transmission mechanisms and the difficulties encountered when assessing vulnerability to external shocks.

This chapter examines in greater depth the changes in the international financial system, focusing on the shift in financial intermediation from banking agents to non-banking agents, in particular to the asset management industry. It posits that, despite financial regulatory initiatives, changes in the financial system have heightened financial fragility.

It draws attention to the high concentration of financial intermediation in the asset management industry and its greater interconnectedness with the rest of the financial system. In addition, leverage has shifted from the financial sector to the real sector (the

non-financial corporate sector) and the non-financial corporate sector has assumed a leading role, in part, in financial intermediation.

The chapter also examines the logic and workings of the transmission mechanisms in the context of the new financial cycle. It outlines the interaction involved in the transmission mechanisms between an economy's different institutional sectors, including the banking, the non-banking and the non-financial corporate sectors (public and private), taking into account the interaction between stocks and flows and their respective financial positions. The analysis shows how the traditional transmission mechanisms prevailing before the global financial crisis have been reinforced; and identifies the new elements introduced by the structural changes that have occurred in the financial system.

# The economic situation and outlook for 2019

# Regional overview

# A. The international context

Global economic activity is weakening amid trade tensions and financial market uncertainty and volatility. World trade has been slowing heavily and is expected to continue doing so, as trade tensions have worsened again since May 2019. Partly as a result of this debilitated activity and trade, projections for the prices of commodities —which many of the region's economies export and depend upon for fiscal revenues— are lower on average than in 2018. The expansionary monetary policy stance apparent in recent announcements by the United States Federal Reserve and the European Central Bank could have the effect of increasing financing flows to emerging markets. Conversely, however, the escalation of trade tensions and other risks could reduce the financing available for developing economies.

## 1. World economic growth is estimated at 2.6% in 2019, four tenths of a percentage point below growth in 2018, with the slowdown heavier in developed than in developing economies

The global economy is projected to expand by 2.6% in 2019, down from 3% growth in 2018. Although the slowdown is occurring across the board, the developed economies are feeling it the most (from a rate of 2.2% in 2018 to 1.8% in 2019). Growth in the emerging economies, conversely, has edged down from 4.3% in 2018 to a projected 4.1% in 2019 (see figure I.1).

**Figure I.1**
Selected regions and countries: GDP growth rates and projections for 2018–2020
*(Percentages)*
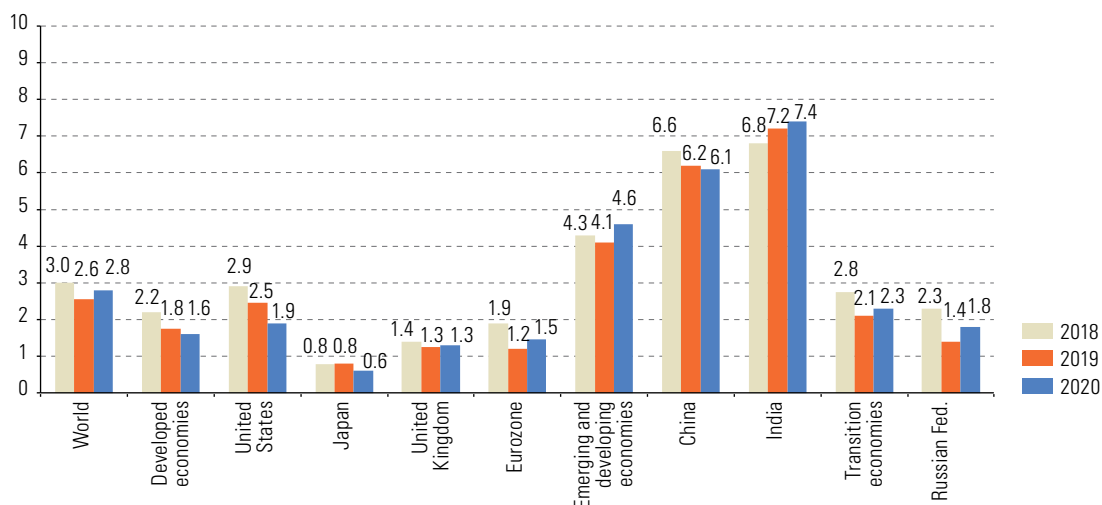


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, *Global Economic Prospects, June 2019: Heightened Tensions, Subdued Investment,* Washington, D.C., 2019; Organization for Economic Cooperation and Development (OECD), *OECD Economic Outlook*, No. 105, Paris, OECD Publishing, 2019; International Monetary Fund (IMF), *World Economic Outlook: Growth Slowdown, Precarious Recovery,* Washington, D.C., 2019; European Commission, "European Economic Forecast. Spring 2019", *Institutional Paper*, No. 102, 2019; Capital Economics [online] https://www.capitaleconomics.com/ [accessed on: 11 June 2019]; European Central Bank (ECB), "Eurosystem staff macroeconomic projections for the euro area, June 2019", 6 June 2019 [online] https://www.ecb.europa.eu/pub/projections/html/ecb.projections201906_eurosystemstaff~8e352fd82a.en.html; United Nations, *World Economic Situation and Prospects as of mid-2019*, New York, 2019; Central Bank of India [online] https://www.rbi.org.in/ [accessed on: 11 June 2019].
**Note**: The figures shown for 2019 and 2020 are projections and are the medians of data from different sources.

Within the group of developed economies, the eurozone is expected to grow by 1.2% in 2019, seven tenths of a point below the 2018 figure. Economic sentiment indicators have deteriorated in these countries, particularly in sectors exposed to international trade. The weakness of global trade, coupled with an environment of growing uncertainty —the threat of escalating protectionism and the possibility of a disorderly Brexit— are conditioning expectations of productive activity and will likely continue to weigh on eurozone activity in the short term.

The United States is expected to produce a growth rate of around 2.5% this year. Although lower than the 2018 rate (2.9%), this is an improvement on analysts' projections at the end of 2018. At that time, the United States' economic growth for the coming year was being projected at between 2.1% and 2.3%, but by June 2019 some forecasts were venturing rates of up to 2.6%.[1] The revision is due mainly to strong growth in the first quarter of the year (3.1% quarter-on-quarter in annualized terms), although this was driven by temporary factors that are unlikely to be repeated in the following quarters.[2]

Within the group of emerging economies, China continued to show a gradual slowdown in growth; its economic activity was affected by the measures the government was forced to take to reduce the substantial corporate borrowing and other financial risks that were on the rise.

In view of poor economic indicators of the start of the year, in March the Government of China announced a package of —primarily fiscal— measures aimed at reactivating the economy. Nevertheless, it is estimated that this year China's growth will be four tenths of a percentage point down on 2018, at 6.2%. Among other things, this drop reflects the weakness of manufacturing activity, as well as the lower volume of trade in the economy, owing in some measure to the country's trade disputes with the United States.

## 2.   Global trade is increasingly weakening amid growing trade tensions

Global trade volumes have been slowing significantly (see figure I.2). In fact, the year-on-year variation was negative at the start of 2019, something that had not occurred since the global financial crisis of 2008–2009.

Although trade has been weak across the board in 2019, it has been particularly so in Japan and the emerging Asian economies —including China— for which trade was already down year-on-year in the first four months (see figure I.3).

Global trade remained weak in the second quarter of 2019 according to World Trade Organization (WTO) outlook indicators (WTO, 2019). For the year overall, WTO had forecast a 2.6% rise in trade volume in April 2019; however, this projection now seems obsolete in the light of the trade data available, since to close the year with that figure trade would need to grow by 3.7% year-on-year between May and December, which looks highly unlikely. In addition, the worsening of the trade conflict as of early May had not figured in the WTO forecasts. The escalation began when the United States raised from 10% to 25% existing tariffs on Chinese products valued at US$ 200 billion, and China responded with a similar increase in tariffs on United States products worth US$ 60 billion.[3] In addition, the United States excluded India from the Generalized System of Preferences (GSP) and India retaliated by increasing tariffs on 28 United States products. In the case of Mexico, the United States used the possible imposition of tariffs to exert pressure in the discussions surrounding migration.

---

[1]   The United States Federal Reserve forecasts much lower growth than the other sources used in figure I.1. At its June 2019 meeting, the Federal Reserve projected growth of 2.1% for the year, the same figure as it gave in March.

[2]   The rebound in the United States economy in the first quarter of 2019 was almost entirely the result of temporary increases in the most volatile components of spending, such as inventories and exports.

[3]   At the same time, the United States took action against the Chinese technology company Huawei by restricting the export and import transactions of United States companies with Huawei.

**Figure I.2**
Year-on-year variation in world trade volume, January 2003–April 2019
*(Percentages, on the basis of seasonally adjusted index, three-month moving average)*
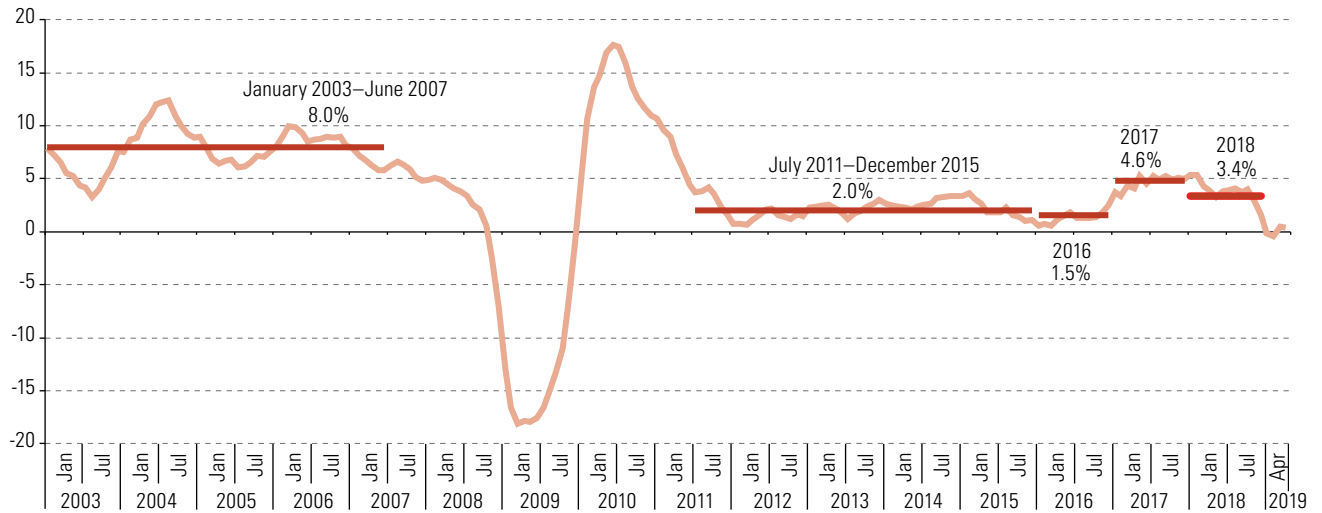
**Figure I.3**
Selected regions and countries: year-on-year variation in trade volume, 2017–2019
*(Percentages, on the basis of a seasonally adjusted index)*
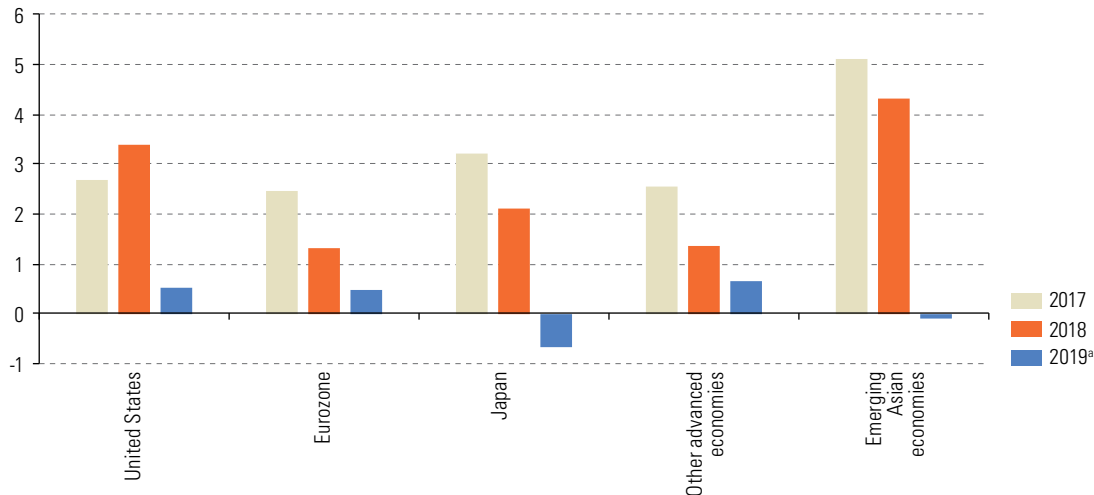
## 3. Uncertainty and volatility continue in financial markets

In the early months of the year, the easing of the monetary policy stance of the main central banks[4] —particularly the Federal Reserve and the European Central Bank—, together with some let-up in trade tensions between China and the United States, helped to assuage financial volatility and support a revival of portfolio capital flows

[4] In March 2019, the Federal Reserve reduced the number of expected rates hikes for the year from 2 to 0 and retained the projection of a rise in 2020. It also changed its schedule of balance sheet normalization (which began in October 2017) to accommodate a more gradual reduction of holdings. Also in March, the European Central Bank postponed the anticipated rate rise and announced fresh auctions of liquidity.

(bonds and equity) into emerging markets and a fairly widespread upturn in the prices of stock market assets. However, these processes were thrown into reverse by the intensification of trade tensions at the beginning of May (see figures I.4, I.5 and I.6).

**Figure I.4**
Portfolio capital flows to emerging markets, weekly data, moving monthly averages, January 2017–May 2019
*(Billions of dollars)*
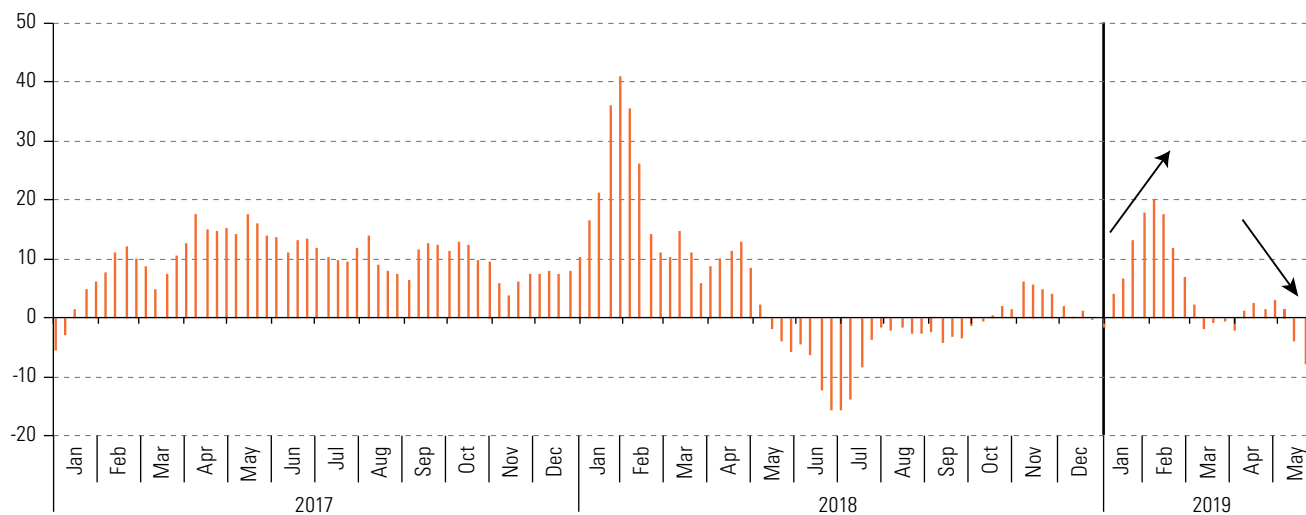


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Central Bank of Chile, *Monetary Policy Report: June 2019*, Santiago, 2019.

**Figure I.5**
Stock market price indices, January 2017–June 2019
*(MSCI index, moving five-day averages, index: January 2017=100)*
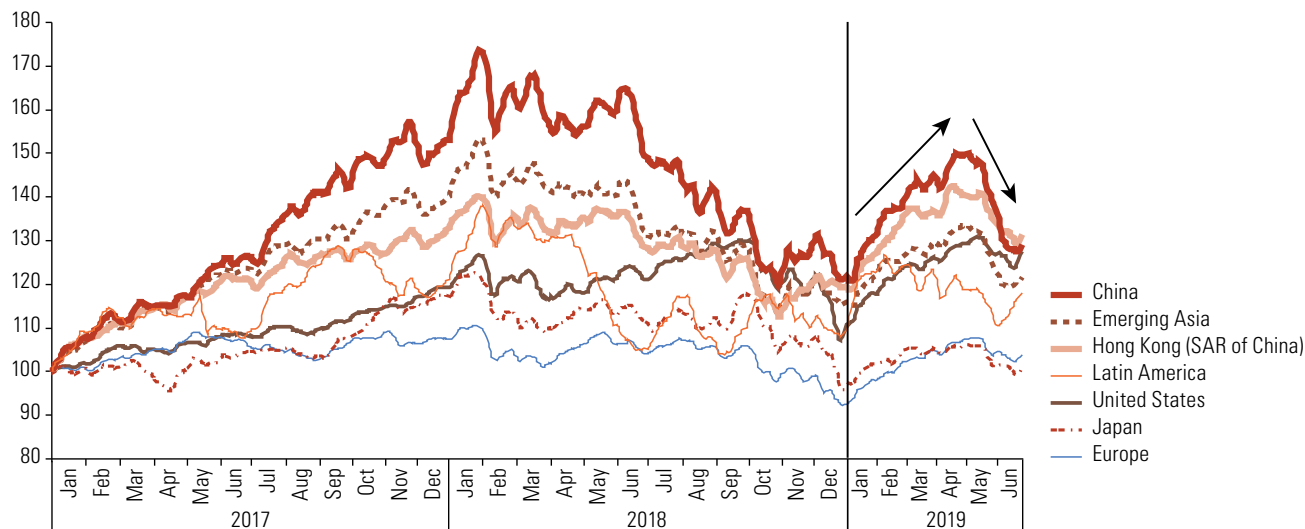


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bloomberg.

Financial market volatility indices, January 2017–June 2019
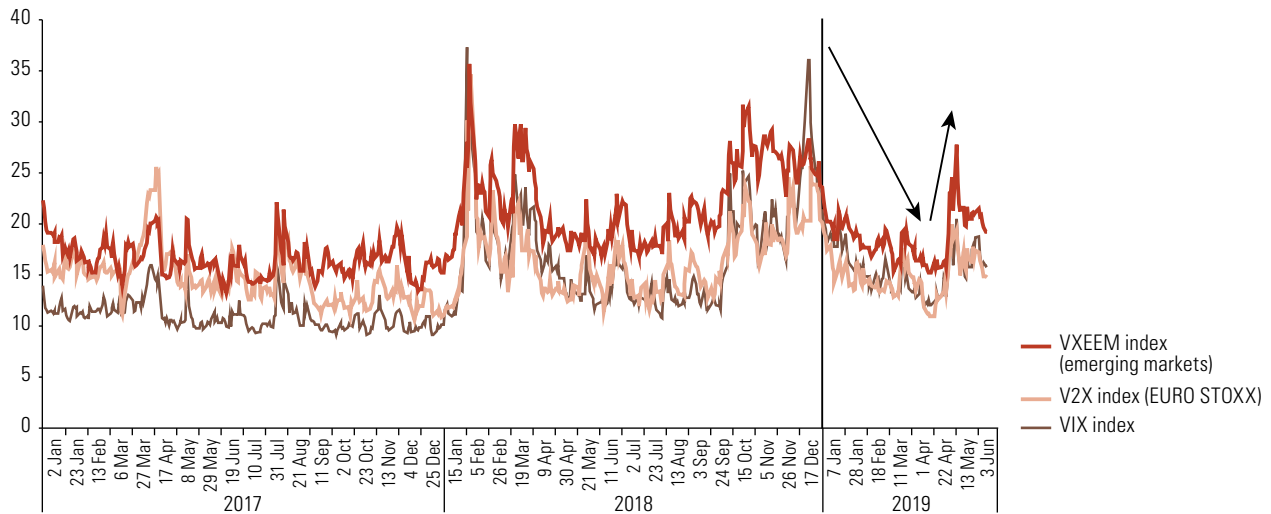


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bloomberg.
**Note**:    The VIX index is prepared by the Chicago Board of Exchange (CBOE) from S&P 500 index call and put option prices, and measures expected volatility over the next 30 days. Along similar lines, CBOE also produces the VXEEM index, which measures volatility in emerging markets, while Deutsche Börse and Goldman Sachs produce the V2X index, which measures eurozone volatility.

At its June meeting, the Federal Reserve kept the reference rate unchanged at 2.25%–2.50%, although its press release left open the possibility of future cuts. The markets are anticipating two or three interest rates cuts by the Federal Reserve (for a total of 50–75 basis points) in the second half of the year. This, coupled with the continuation of the European Central Bank's expansionary monetary policy, should help to increase financial flows to emerging markets. Weighing on these flows, however, is the escalation of trade tensions, together with other geopolitical risks that tend to act as a potential risk regarding portfolio flows to developing economies. In sum, the evolution of financial flows will depend on the factors that prevail towards the second half of the year.

## 4.    Commodity prices are projected lower than those of 2018 on average

Commodity prices have shown a mixed performance so far this year. In the first four months of 2019, energy products showed signs of recovery from the low levels of December 2018, as did the prices of metals and industrial minerals, albeit to a lesser extent. However, as in the international financial markets, the situation took a turn for the worse in May, with a decline in most commodity prices, except gold, iron ore and some agricultural products whose harvests had been hit by adverse climatic effects (see figure I.7).

**Figure I.7**
Indices of international commodity prices, January 2017–May 2019
*(Index: January 2017=100)*
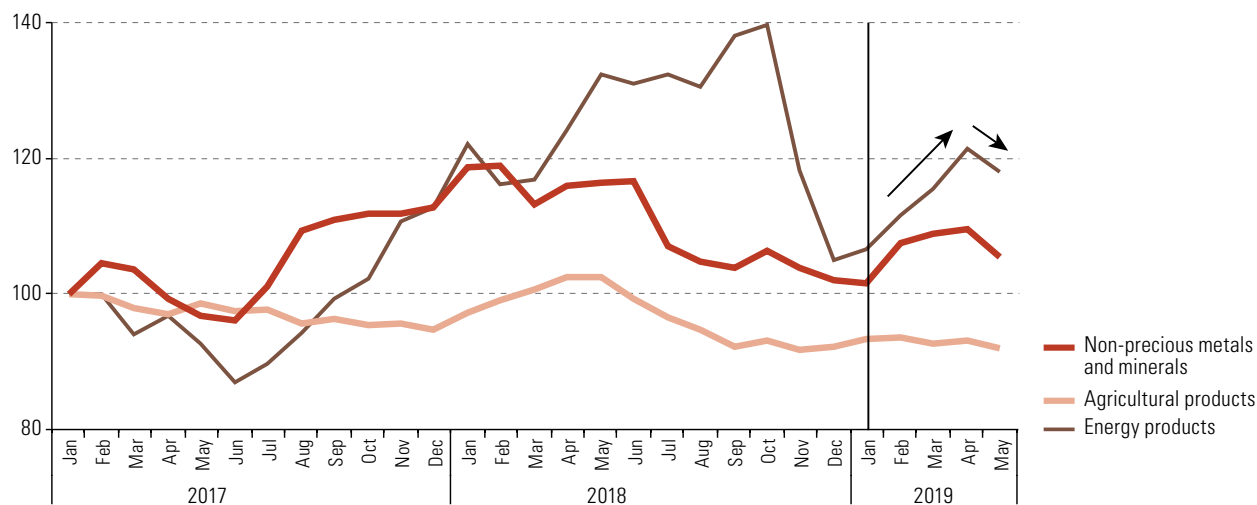


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, "World Bank Commodities Price Data (The Pink Sheet)", July 2019
[online] http://pubdocs.worldbank.org/en/298031562084790383/CMO-Pink-Sheet-July-2019.pdf.

As a reference, the price per barrel of West Texas Intermediate (WTI) oil recovered from its end-2018 fall to reach US$ 64 on average in April 2019, then fell back in June to US$ 51. The copper price followed a similar pattern, recovering early in the year only to slip back again to US$ 2.65 per pound in June, below end-2018 levels.

Although there are specific factors underlying the evolution of commodity prices, overall they have been affected by the uncertainty generated by trade tensions mainly between the United States and China, by the appreciation of the dollar and by concern over slowing global growth. However, as of mid-June 2019, specialized sources were projecting commodity price levels for the year at 5% below the 2018 level on average (see table I.1).

**Table I.1**
Year-on-year variation in global commodity prices, 2016–2019
*(Percentages, on the basis of annual average prices weighted by the average export basket for Latin America and the Caribbean)*

|  | 2016 | 2017 | 2018 | 2019[a] |
|---|---|---|---|---|
| Agricultural products | 4 | 0 | 1 | -3 |
| Food, tropical beverages and oilseed crops | 6 | -1 | -2 | -4 |
| Foods | 9 | 0 | -3 | 0 |
| Tropical beverages | 1 | -2 | -10 | -10 |
| Oils and oilseeds | 2 | -1 | 1 | -8 |
| Forestry and agricultural raw materials | -2 | 5 | 13 | 2 |
| Minerals and ores | -1 | 23 | 4 | -1 |
| Energy products[b] | -16 | 23 | 26 | -10 |
| Crude oil | -16 | 23 | 29 | -10 |
| All commodities | -4 | 15 | 10 | -5 |
| All commodities (excluding energy) | 2 | 11 | 3 | -2 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Energy Information Administration
(EIA), "Short-Term Energy Outlook", July 2019 [online] https://www.eia.gov/outlooks/steo/; Central Bank of Chile, *Monetary
Policy Report: June 2019,* Santiago, 2019 (copper price), and data from World Bank, International Monetary Fund (IMF),
The Economist Intelligence Unit, Bloomberg and Capital Economics.
[a] Projections.
[b] This category includes oil, natural gas and coal.

The price of oil, after a hefty rise of almost 30% in 2018 (compared with the average price for 2017), is expected to fall by around 10% in 2019. However, these forecasts are highly uncertain given the factors affecting crude oil prices. Concerns about global growth prospects have contributed to a decline in demand for crude oil and, on the supply side, there are several factors that have differentiated impacts. On the one hand, production by countries that are not members of the Organization of Petroleum Exporting Countries (OPEC) has increased significantly; notwithstanding, the OPEC countries and other major producers decided at their meeting in early July 2019 to extend their production cuts until 31 March 2020. At the same time, geopolitical factors have a strong impact on crude oil prices. In this regard, the United States policy towards the Islamic Republic of Iran has been crucial in these price movements; for example, the decision in November 2018 to grant sanction waivers for the main buyers of Iranian oil led to a sharp fall in oil prices of in December that year. At the same time, the opposite effect on prices has been exerted by the lower oil production resulting from the situation in the Bolivarian Republic of Venezuela and instability in Libya.

Metal and mineral prices —which have a strong impact in South American countries that are large exporters of these products— will be on average 1% lower than in 2018. With the exception of iron, industrial metals and minerals will see price decreases of between 3% and 13%. Iron prices were pushed up in 2019 by the stoppage in the operations of the world's largest iron producer and exporter, the Brazilian company Vale, following the collapse of one if its dams. Gold prices will also likely rise in 2019, owing to the metal's status as a store of value amid greater uncertainty in the global economy.

Lastly, the prices of agricultural products will come in at some 3% below those of 2018. Within this category, soybean and related products, which are particularly important to several South American countries, are likely to average price levels 8% lower than in 2018 owing to significant increases in harvests.

# B. The trend of global liquidity

## 1. In 2018 the global liquidity cycle turned down in keeping with global economic conditions

Global liquidity growth slowed to an average of 5.3% in December 2018, from 8.8% a year earlier (see figure I.8). This is explained by slowdowns in the growth of bond issuance (from 10.0% in 2017 to 4.8% in 2018) and, to a lesser extent, in the expansion of cross-border bank lending (from 8.0% to 6.0% in the same period).

**Figure I.8**
Global liquidity: quarterly growth rates, December 2015–December 2018
*(Percentages)*
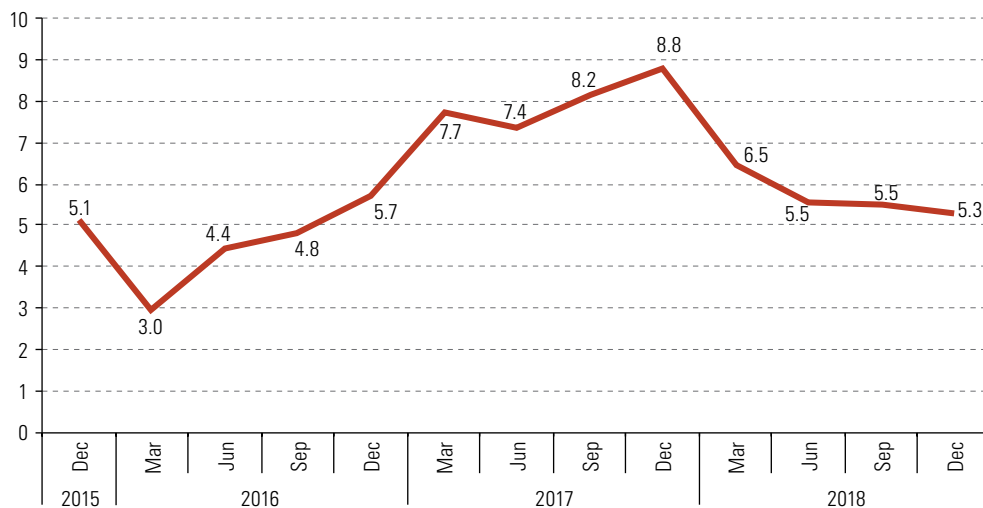


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the Bank for International Settlements (BIS).
**Note**:     Liquidity comprises total cross-border lending by banks in the United States, Europe and Japan, plus debt issuance on international markets by the same countries.

Nonetheless, the bond market continues to dominate the global credit market and accounted for 53% of total lending in 2018.[5] One factor that reinforces the role of the non-bank market in the supply of credit is the global banks' declining share of bond holdings, which dropped from 40% to 27% between 2008 and 2018 (Aldasoro and Ehlers, 2018). The data also show that the United States leads both in cross-border bank lending and in the expansion of the bond market. In 2018, its bond issuance was equivalent to about 7% of world GDP, compared to less than 3% in the case of Europe.[6]

The importance of dollar credit extended through the capital market can also be seen regionally, in the case of Latin America and the Caribbean. In 2018, bond financing represented about 12% of the region's GDP, while cross-border bank lending was equivalent to roughly half of that.

---

[5]     In 2008, bond issues represented 48% of global liquidity.
[6]     This reinforces the United States dollar's role as the international reserve currency (see Aldasoro and Ehlers, 2018).

## 2.   The turning point in the liquidity cycle is partly explained by the normalization of monetary policy in the United States

The factors explaining the tightening of liquidity include the steps taken to normalize monetary policy in the United States.

In 2018, the United States Federal Reserve reduced the size of its balance sheet by approximately US$ 400 billion. In conjunction with depreciations of the euro and the yuan against the dollar, the combined balance sheet of the world's main central banks (the United States Federal Reserve, the European Central Bank (ECB), the Bank of Japan and the Bank of China) shrank by the equivalent of US$ 549 billion between March and December 2018. This was the largest reduction in the joint balance sheet since 2003, after which the aggregate balance sheet had expanded regularly every year until and including 2017 (Borgen Gjerde, 2019) (see figure I.9).

**Figure I.9**
World: combined assets of the four main central banks, March 2016–December 2018
*(Trillions of dollars)*
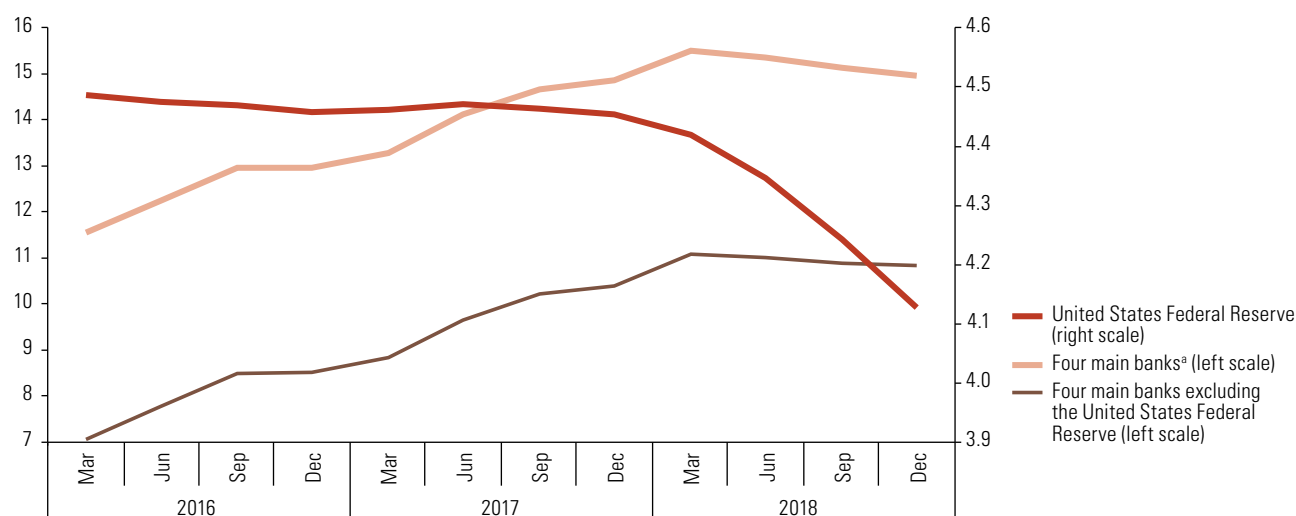


Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on the Federal Reserve Bank of St. Louis, Federal Reserve Economic Data (FRED), and Bloomberg.
[a] United States Federal Reserve, European Central Bank (ECB), Bank of Japan and Bank of China.

## 3.   Cross-border financing to emerging economies drops sharply

At the regional level, credit growth slowed more sharply in the emerging economies (from 10.5% in 2017 to 6.1% in 2018) than in advanced ones (from 8.7% to 5.8%, respectively) (see figure I.10).

**Figure I.10**
Emerging and advanced economies: global liquidity growth rates, 2017 and 2018
*(Percentages)*
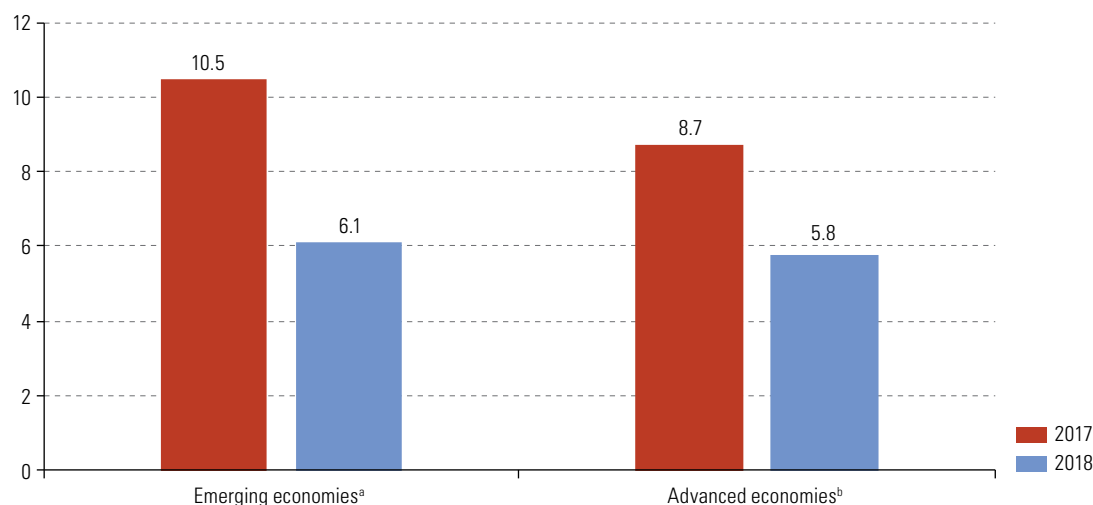


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the Bank for International Settlements (BIS).
[a] Argentina, Brazil, Chile, China, India, Indonesia, Malaysia, Mexico, Republic of Korea, Russian Federation, Saudi Arabia, Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei), South Africa, Thailand and Turkey.
[b] Australia, Austria, Belgium, Canada, Czechia, Denmark, Finland, France, Germany, Greece, Hong Kong (Special Administrative Region of China), Hungary, Ireland, Israel, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Singapore, Spain, Sweden, Switzerland, United Kingdom and United States.

An analysis by source shows that the slackening pace of credit to emerging economies corresponded mainly to lending by the United States. Between 2017 and 2018, the growth of credit from Europe slowed from 13.0% to 9.7%, and that from the United States slumped from 13.0% to 2.2%. This was the result of a slowdown in bond financing (from growth of 16.1% in 2017 to 8.2% in 2018) and a contraction in bank lending (growth dropping from 2.2% to -2.3%, respectively). This, in turn, is explained by the heightened uncertainty and risk prevailing in emerging economies in 2018 and the rise in international interest rates during that year.

The trend of cross-border lending in the emerging economies varied across regions (see figure I.11). An analysis comparing 2017 and 2018 shows that the emerging economies of Europe and of Asia and the Pacific were the most affected by the financing constraint (in the first case, growth slowed from 5.5% in 2017 to -4.9% in 2018, and in the second it went from 14.9% to 9.4% in the same period) (see figure I.11). In the case of the emerging economies of Europe, this pattern reflected the delicate economic and financial situation that Turkey experienced in 2018 and the reduction in lending to the Russian Federation (-16.6% in 2018). In the emerging economies of Asia and the Pacific, the rate of growth of credit to China slowed sharply, owing to the collapse of financial flows from the United States (from 8.1% to -6.4% in the case of dollar credit and from 81.7% to 3.0% in credit denominated in euros).

**Figure I.11**
Developing regions: global liquidity growth rates, 2017–2018
*(Percentages)*
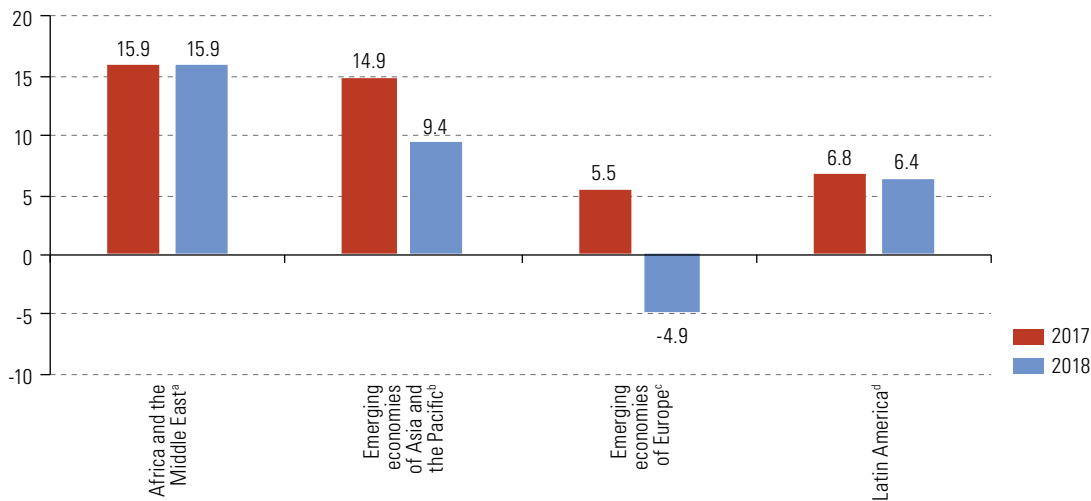


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the Bank for International Settlements (BIS).
ᵃ Saudi Arabia and South Africa.
ᵇ China, India, Indonesia, Malaysia, Republic of Korea and Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei).
ᶜ Russian Federation and Turkey.
ᵈ Argentina, Brazil, Chile and Mexico.

An analysis shows that China received financial flows totalling US$ 485 billion in 2018, rising to an all-time high of US$ 725 billion in the first quarter of that year. Nonetheless, the trade tensions with the United States and the restrictions on capital movements imposed by the Chinese government in the last quarter of 2018 may partly explain why financial flows in that period became negative (-US$1.305 billion).

The pace of international credit flows to Latin America eased slightly, with growth slackening to 6.4% in 2018 from the previous year's 6.8%. This reflected the situations, firstly in Argentina (credit growth slowed to 8.7% in 2018 from 18.6% in the previous year), which experienced a steep increase in sovereign risk in early 2018 and a consequent depreciation of its currency, and secondly, albeit to a lesser extent in Chile (where the rate of expansion slowed to 11.2% in 2018 from 16.7% in 2017) (see figure I.12).

Latin America (selected countries): global liquidity growth rates, 2017–2018
*(Percentages)*
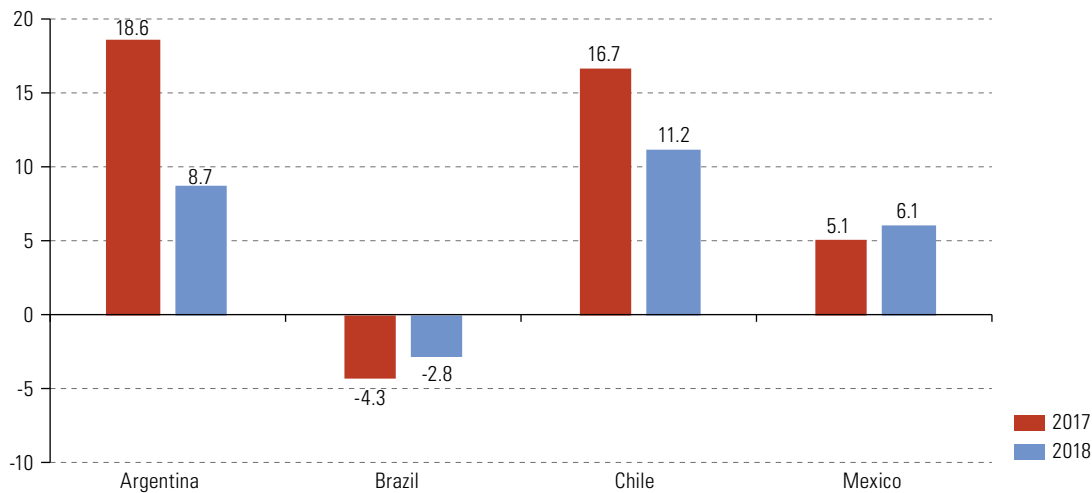
In the case of Argentina, the data reveal a large financial outflow in 2018, particularly at the start of the second quarter, which triggered a sharp devaluation, along with an increase in country risk and a substantial rise in central bank interest rates.

In Chile, the retreat of lending is reflected in portfolio flows, which dropped to US$ 5.4 billion in 2018 from the previous year's level of US$ 9.937 billion. An analysis shows that this trend is explained by a slump in international bond issuance (from US$ 14.448 billion in 2017 to US$ 8.457 billion in 2018), while cross-border bank lending expanded.[7]

## 4. Liquidity has tightened while households and the non-financial corporate sector in the vast majority of developed economies have deleveraged

Since the global financial crisis, the various sectors of the economy (including households, the non-financial corporate sector and government) have generally deleveraged. Table I.2 reports a drop in the overall debt-to-GDP ratio of the more developed European countries (Austria, Belgium, France, Germany, Netherlands and the United Kingdom) since 2010. Household debt retreated from 82.9% of GDP in 2010, to 80.4% in 2016 and 80.0% in 2018; that of non-financial corporations fluctuated, rising from 131.2% in 2010 to 147.6% in 2016 and then falling to 143.8% in 2018; and government debt declined from 83.4% to 82.6% and 79.8%, respectively, in the same years.

---

[7]    The data available on the issuance of debt in 2018 cover January to October.

| Sectors | 2010 | 2016 | 2018 |
|---|---|---|---|
| **More developed European countries**[a] | | | |
| Households | 82.9 | 80.4 | 80.0 |
| Non-financial corporate sector | 131.2 | 147.6 | 143.8 |
| Government | 83.4 | 82.6 | 79.8 |
| **Less developed European countries**[b] | | | |
| Households | 64.7 | 57.8 | 57.1 |
| Non-financial corporate sector | 154.7 | 139.2 | 139.9 |
| Government | 170.9 | 201.4 | 202.8 |
| **United States** | | | |
| Households | 93.6 | 80.1 | 79.8 |
| Non-financial corporate sector | 110.7 | 120.9 | 122.0 |
| Government | 95.5 | 106.8 | 105.2 |
| **Japan** | | | |
| Households | 63.5 | 60.1 | 60.3 |
| Non-financial corporate sector | 146.2 | 139.3 | 142.0 |
| Government | 207.9 | 235.6 | 237.6 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from Global Database and Bank for International Settlements (BIS).
[a] Austria, Belgium, France, Germany, the Netherlands and the United Kingdom.
[b] Greece, Ireland, Italy, Portugal and Spain.

The less developed countries of Europe (Spain, Greece, Italy and Portugal) display a similar trend to that of the more developed ones, except in the government sector. Between 2010 and 2018, household debt in this group of countries was cut from 64.7% to 57.1% of GDP; and non-financial corporate sector debt fell from 154.7% to 139.9% of GDP in the same period. In contrast, general government debt expanded from 170.9% to 202.8% of GDP in this group of countries.

A similar pattern can be seen in Japan, where government debt grew from 207.9% to 237.6% of GDP between 2010 and 2018.

## 5. The United States is an exception to non-financial corporate sector deleveraging

Unlike what has happened in most developing economies, non-financial corporate sector debt has grown substantially in the world's largest economy, the United States. In 2018 non-financial corporate debt was equivalent to 74% of GDP, when measured in terms of financial system loans and debt issues; but it represented about 122% of GDP when a broader set of debt instruments is taken into account.

The debt of the United States corporate sector is at its highest level for nearly seven decades. An analysis of this debt in relation to business cycles reveals the current expansionary phase to be one of the longest in the recent history of the United States (see figure I.13).

**Figure I.13**
United States: trend of non-financial corporate debt, 1950–2018
*(Percentages of GDP)*
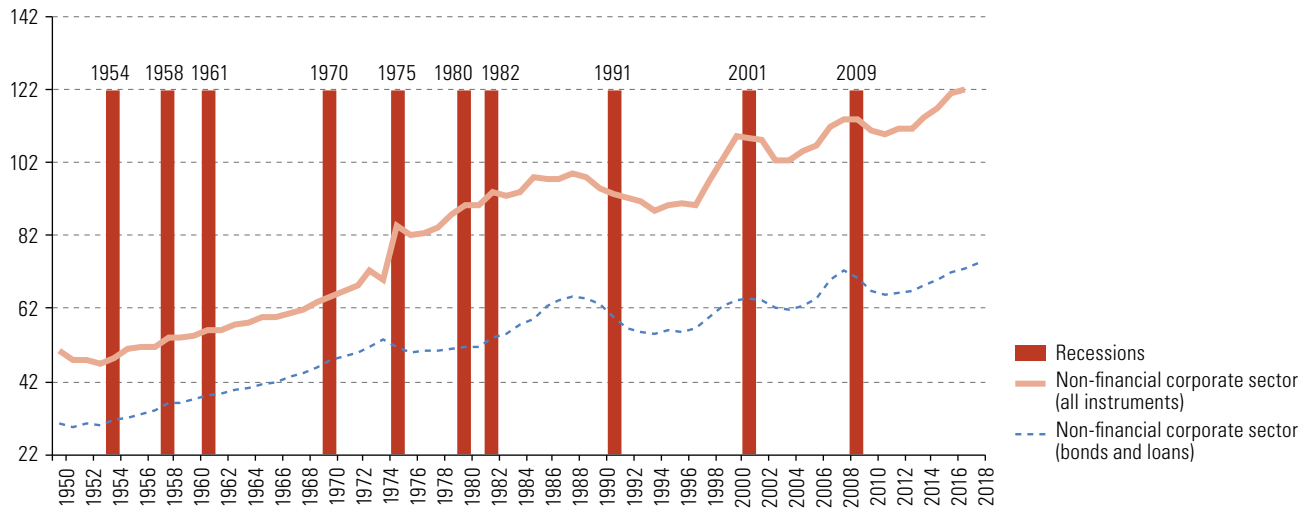


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from Global Database and Bank for International Settlements (BIS).
**Note**:    The red columns identify periods of economic recession, as defined by the National Bureau of Economic Research (NBER).

A substantial portion of the debt has been financed through the capital market and, in particular, through bond issues. Data spanning 2010 to the first quarter of 2019 show that the stock of non-financial corporate sector bonds almost doubled from US$ 3.8 trillion to US$ 6.4 trillion (see figure I.14).

**Figure I.14**
United States: non-financial corporate sector bond issuance, 2010 to first quarter of 2019
*(Trillions of dollars)*
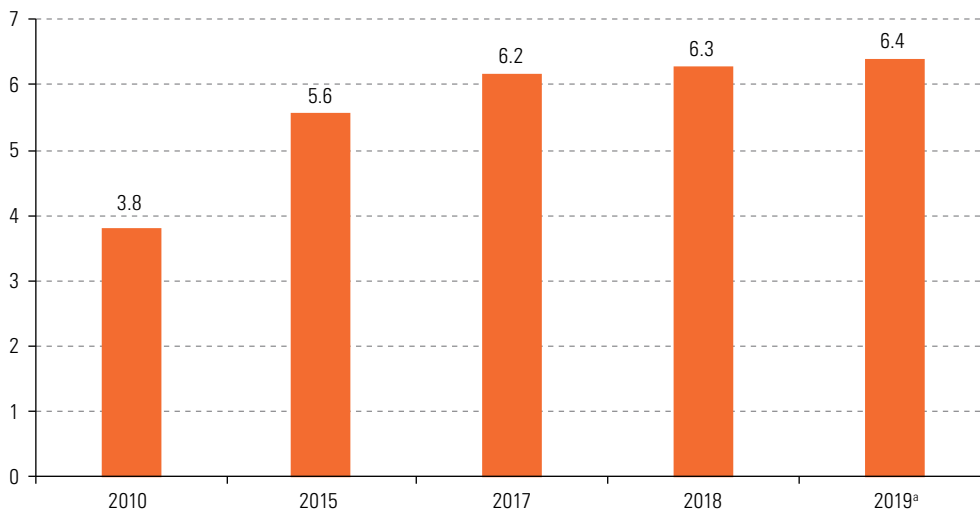


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Federal Reserve Bank of St. Louis, Federal Reserve Economic Data (FRED).
[a] First quarter.

Roughly 95% of issuance corresponded to high-rated bonds. Nonetheless, the available data show a significant increase at the lower end of that category, with the stock of such bonds increasing from US$ 743 billion in 2007 to US$ 2.0 trillion in 2018. The data also reveal a concentration of this type of bond by issuer, with 10% of issuers in this category accounting for 20% of their total issuance, and the largest 5% representing 15% of the total. Lastly, financial indicators (turnover, spreads and marketing costs) report tighter liquidity in the corporate bond market.

These factors are indicative of a deterioration in the loan portfolio and heightened financial risk in this sector. Firstly, as a large part of the debt issue is at the lower end of the high-rated bond category, it could lose its high-rated status and result in losses for investors. Secondly, the fact that these types of bonds are issuer-concentrated may result in a large percentage of them dropping out of the high-rated segment.

The indebtedness of the non-financial corporate sector also harbours contagion risk. Non-financial corporates are funded by non-bank financial institutions, particularly in the shadow financial sector, which are not subject to the regulations of the banking system, or else are regulated more lightly.

Lastly, the state of non-financial corporate sector balance sheets plays a major role in the business cycle, as one of the key determinants of an economy's credit conditions.

How corporate sector risk perceptions and the United States economy as a whole evolve will be critical to the refinancing of corporate sector debt. The available data show that 90% of debt issues will need to be either repaid or refinanced by 2023.

## 6. Non-financial corporate sector debt has grown in developing economies

As noted in ECLAC (2018, chapter II), aside from the United States, the emerging economies have also experienced an increase in non-financial corporate debt since the global financial crisis, coinciding with the implementation of quantitative easing policies in the developed world.

In Latin America, non-financial corporate debt grew from US$ 76 billion in 2009 to US$ 229 billion in 2014; and it reached US$ 317 billion in the first quarter of 2019, when Mexico and Chile had outstanding international debt securities in the amount of US$ 160 billion and US$ 52 billion, respectively (see figure I.15).

In Mexico, the State-owned Petróleos Mexicanos (PEMEX) is the world's most heavily indebted oil company, with debt estimated at 9% of the country's GDP. In 2019, PEMEX is facing the tricky challenge of refinancing US$ 6 billion against a backdrop of lower production and higher credit risk (OECD, 2019; Financial Times, 2019). The deterioration of its financial situation will have major fiscal consequences and could harm the economy's growth expectations.

**Figure I.15**
Latin America (selected countries): outstanding international debt securities of the non-financial corporate sector,
2010–2015, 2017, 2018 and first quarter of 2019
*(Billions of dollars)*
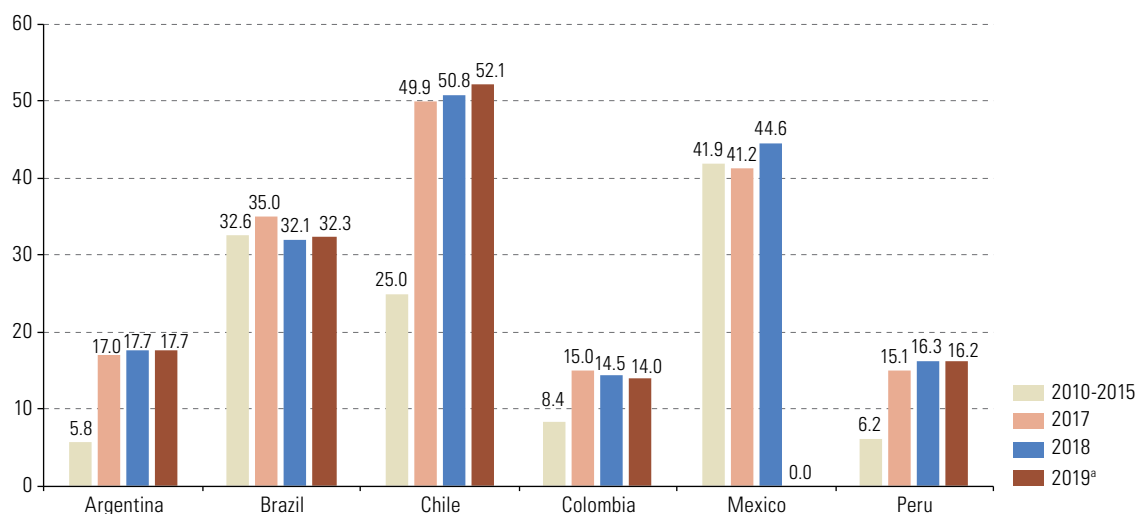


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the Bank for International Settlements (BIS) and Bloomberg.
[a] First quarter.

Chile is the Latin American country with the highest levels of both non-financial corporate and household debt relative to GDP. The former was equivalent to 93.6% of GDP in 2017 and 98.9% in the fourth quarter of 2018, while its household debt stood at 43.6% and 45.4% of GDP in the same periods (see table I.3). In the fourth quarter of 2018 (the latest period for which information is available) Chile's non-financial corporations display debt levels that are above the averages for both advanced and emerging economies (89.2% and 95.5% of GDP, respectively). In fact, after China, Chile is the emerging economy with the highest level of non-financial corporate debt in the world relative to GDP (152% in 2018). Moreover, as shown in figure I.16, this debt has been accompanied by an increase in short-term borrowing. Higher debt levels and shorter maturities can undermine investment and thus impede economic growth.

| | Households | | Non-financial corporate sector | |
|---|---|---|---|---|
| | **2017** | **2018[a]** | **2017** | **2018[a]** |
| Argentina | 6.9 | 6.6 | 13.7 | 15.8 |
| Brazil | 27.3 | 28.2 | 40.8 | 42.2 |
| Chile | 43.6 | 45.4 | 93.6 | 98.9 |
| Colombia | 27.0 | 27.0 | 35.4 | 35.4 |
| Mexico | 16.0 | 16.0 | 26.5 | 25.7 |

**Table I.3**
Latin America (selected countries): household and non-financial corporate debt, 2017 and fourth quarter of 2018
*(Percentages of GDP)*

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the Bank for International Settlements (BIS).
[a] Fourth quarter.

**Figure I.16**
Chile: stock of non-financial corporate debt and debt maturing within one year on the international bond market,
January 2015–January 2019
*(Billions of dollars)*
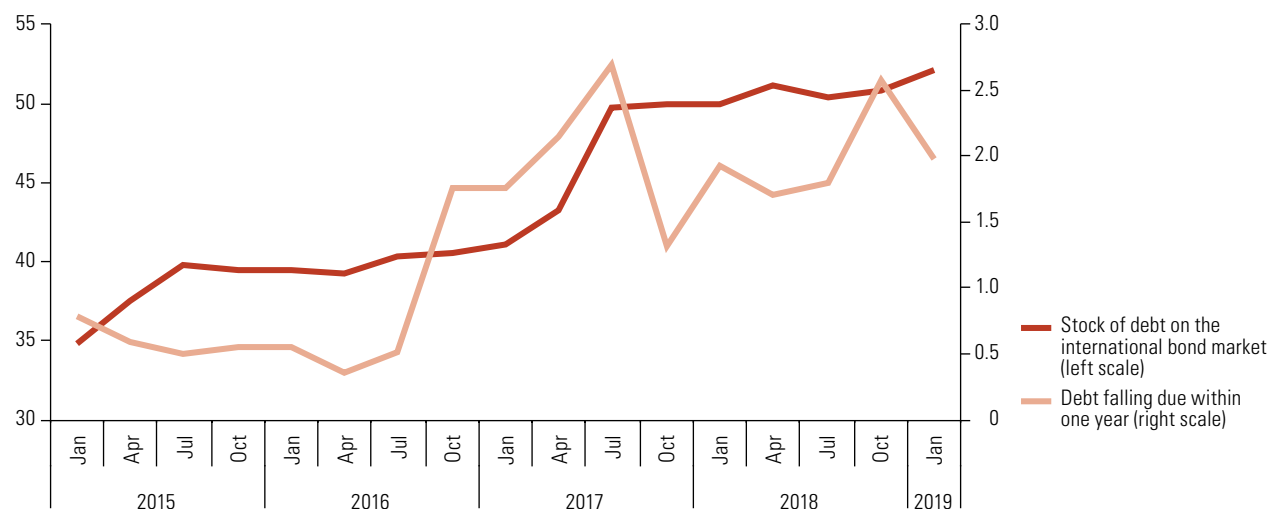
## 7.    The outlook for 2019

Aside from whether geopolitical tensions (including trade tensions between China and the United States) ease or intensify, the outlook for global liquidity in 2019 will depend on three factors: the trend of global economic growth, the monetary stance adopted by the major central banks and the indebtedness of the non-financial corporate sector.

Growth prospects point to a systemic weakening of the world economy. The European Central Bank (ECB) has not only signalled that it stands ready to lower its monetary policy rates, but also that it will revive the monetary stimulus it applied between 2015 and 2018 if economic conditions in the eurozone deteriorate. The monetary stimulus took the form of bond purchases worth 2.6 trillion euros in that period. There is also the possibility of extending the limit on public debt purchases by ECB to supranational agencies such as the European Investment Bank (EIB). Expansionary policies aim not only to promote growth, but also to increase the banks' profitability, which according to ECB, does not cover the cost of capital.

In the United States, the Federal Reserve has indicated that it could return to a monetary policy of cutting the federal funds rate if the country's ongoing economic expansion were to be stymied by its trade tensions with China. Nor has it explicitly ruled out unconventional monetary policy to cope with a possible economic slowdown. The current expansion of the United States economy started in 2010 and is the longest-lasting upswing since the Second World War. Like the European Central Bank, the Federal Reserve has little room for manoeuvre to cut short-term rates, which remain at historically low levels. The change in the monetary policy stance would also respond to the adverse effect of a deterioration in business-sector balance sheets.

# C.    The external sector

## 1.    The balance-of-payments current account deficit remained relatively stable in 2019

The current account deficit of the balance of payments of Latin America was 1.9% of the GDP in 2018, having widened slightly with respect to 2017. The deficit is expected to reach 2.0% of GDP in 2019 (see figure I.17).
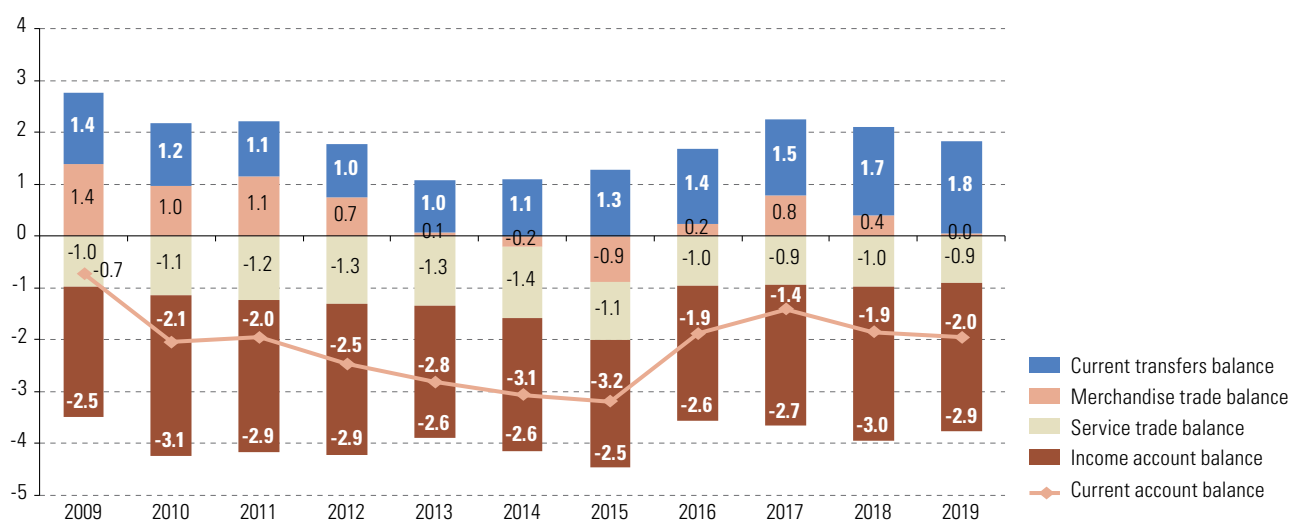
This is the result of a sharp decline in the goods surplus which has fallen to almost 0% of GDP, while the other components of the current account have improved slightly: the income account deficit has narrowed from -3% of GDP in 2018 to -2.9% of GDP in 2019; the services deficit shrank from -1% of GDP in 2018 to -0.9% of GDP this year; and the transfers surplus has improved from 1.7% of GDP in 2018 to 1.8% of GDP in 2019.

Although the outlook is mixed at the country level, with the current account balance improving in some and worsening in others —it has risen in 10 countries and deteriorated in nine—, in most cases the variations between 2018 and 2019 are very small. The exception to this trend is Argentina, where the current account deficit will shrink by more than 40% mainly as a result of a significant adjustment in domestic absorption that has had a major impact on import volumes.

## 2.    The merchandise trade surplus is expected to fall sharply in 2019 as a result of a slowdown in export volumes and a drop in export prices

On average, the region's terms of trade were better in 2018, which, together with an increase in the volume of net exports, helped to keep the trade balance in surplus.

The sharp reduction in the trade surplus is likely to be repeated in 2019, bringing the trade balance down to practically zero as a percentage of GDP, compared to the surplus of 0.4% of GDP recorded in 2018. A slight drop in the value of goods exports in 2019, well below the 10% increase seen in 2018, will contribute to the erosion of the surplus. The modest increase in the volumes exported by the region will be more than offset by a 2.5% drop in export prices, in line with the downward trend in commodity prices discussed in section A, since the region is a net exporter of commodities (see figure I.18). Hydrocarbon exporters will be hit hardest, as their export prices are expected to fall by around 6%, while those of exporters of mining and agribusiness products will drop by 3%. Meanwhile, export volumes are expected to grow by just 2%, following the decelerating trend in trade volumes worldwide which will result in weaker demand from the region's trading partners (see box I.1).

**Figure I.18**
Latin America and the Caribbean (selected countries and groups): projected variation in goods exports, by volume and price, 2019
*(Percentages)*
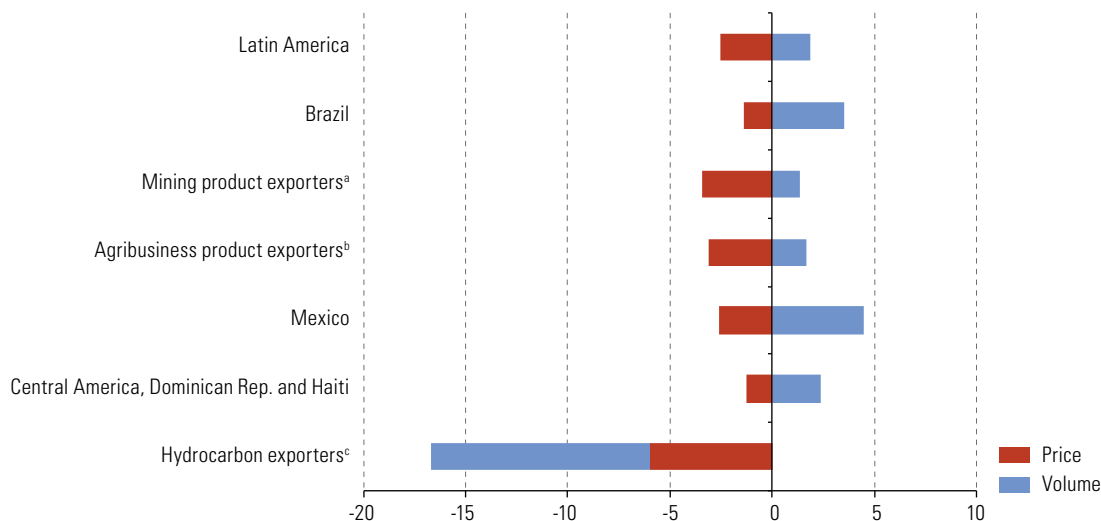


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC).
[a] Chile and Peru.
[b] Argentina, Paraguay and Uruguay.
[c] Bolivarian Republic of Venezuela, Colombia, Ecuador, Plurinational State of Bolivia and Trinidad and Tobago.

The contraction in the export volumes of the hydrocarbon-exporting countries is mainly due to the collapse in crude oil exports from the Bolivarian Republic of Venezuela and the drop in natural gas exports from the Plurinational State of Bolivia. Oil production in the Bolivarian Republic of Venezuela has been falling since 2015 when it averaged 2.36 million barrels per day. It fell by 6% in 2016, by 12% in 2017, by 28% in 2018 and in the first five months of 2019, it tumbled by 38.6% —compared to the same period in 2018—, down to an average of 0.96 million barrels per day. With regard to natural gas exports from the Plurinational State of Bolivia, production has been declining since 2014, plunging in the last quarter of 2018 by 24% compared to the same period of 2017, a decrease which has not been reversed in the first quarter of 2019.

**Box I.1**
Growth of Latin America's trading partners in 2019

In addition to the drop in export prices, the global economic headwinds felt in 2019 mean that the region is facing sluggish external demand and, therefore, a slowdown in export volumes is also to be expected in 2019.

If the current global activity prospects are borne out (see figure I.1 in section A), the 2019 projections for the weighted GDP growth rate of the trading partners of the countries of the region indicate that, year-on-year, the growth of external demand will be lower than in 2018 both for South America and for Central America and Mexico (see table).

Latin America (17 countries): Indicator of trading partners' GDP growth, 2013–2019[a]
*(Percentages)*

|  | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| **South America** | **3.2** | **2.8** | **2.9** | **2.5** | **3.4** | **3.1** | **2.8** |
| Argentina | 3.1 | 2.4 | 2.0 | 2.1 | 3.0 | 3.0 | 2.9 |
| Bolivia (Plurinational State of) | 2.9 | 1.1 | 1.2 | 0.9 | 2.7 | 1.9 | 2.2 |
| Brazil | 3.3 | 2.9 | 3.3 | 2.8 | 3.6 | 3.1 | 2.8 |
| Chile | 3.7 | 3.4 | 3.4 | 3.2 | 3.7 | 3.5 | 3.3 |
| Colombia | 2.8 | 2.9 | 2.6 | 1.7 | 2.8 | 2.5 | 2.2 |
| Ecuador | 2.6 | 2.5 | 2.7 | 2.3 | 2.9 | 3.2 | 2.9 |
| Paraguay | 2.7 | 1.5 | 0.3 | 0.0 | 2.4 | 1.7 | 1.8 |
| Peru | 3.1 | 3.2 | 3.1 | 3.0 | 3.7 | 3.7 | 3.4 |
| Uruguay | 2.9 | 1.8 | 1.5 | 1.2 | 2.8 | 2.3 | 2.2 |
| **Central America and Mexico** | **2.1** | **2.5** | **2.8** | **1.7** | **2.4** | **2.7** | **2.3** |
| Costa Rica | 2.5 | 3.0 | 3.2 | 2.3 | 2.8 | 2.4 | 2.2 |
| Dominican Republic | 2.3 | 2.4 | 2.7 | 2.1 | 2.5 | 2.7 | 2.4 |
| El Salvador | 2.5 | 3.1 | 3.4 | 2.6 | 3.0 | 2.5 | 2.2 |
| Guatemala | 2.4 | 2.5 | 2.9 | 2.4 | 3.0 | 2.5 | 2.2 |
| Honduras | 2.4 | 2.6 | 2.7 | 2.1 | 2.4 | 2.1 | 1.8 |
| Mexico | 2.1 | 2.5 | 2.8 | 1.7 | 2.4 | 2.8 | 2.4 |
| Nicaragua | 1.8 | 2.1 | 2.4 | 1.6 | 2.0 | 2.2 | 1.8 |
| Panama | 2.5 | 2.0 | 2.0 | 1.0 | 1.2 | 1.1 | 0.6 |
| **Latin America** | **2.7** | **2.7** | **2.8** | **2.1** | **2.8** | **2.8** | **2.5** |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of UN Comtrade - International Trade Statistics Database (for trade partner weightings), and International Monetary Fund (IMF), *World Economic Outlook: Growth Slowdown, Precarious Recovery*, Washington, D.C., 2019, and updates (for GDP growth).

[a] The growth indicator was calculated on the basis of trading partners' growth rates weighted according to each partner's share of the goods exported by the country under consideration. Weights are calculated for each year. The figures for 2019 are projections.

The indicator of trading partners' GDP growth serves as a proxy for the demand for exports that the countries of the region must meet and has shown a high correlation (more than 0.9 for the period 2000–2018) with changes in the region's export volumes (see figure).

Latin America: trading partners' GDP growth and variation in export volumes, 2000–2019[a]
*(Year-on-year percentage variation)*
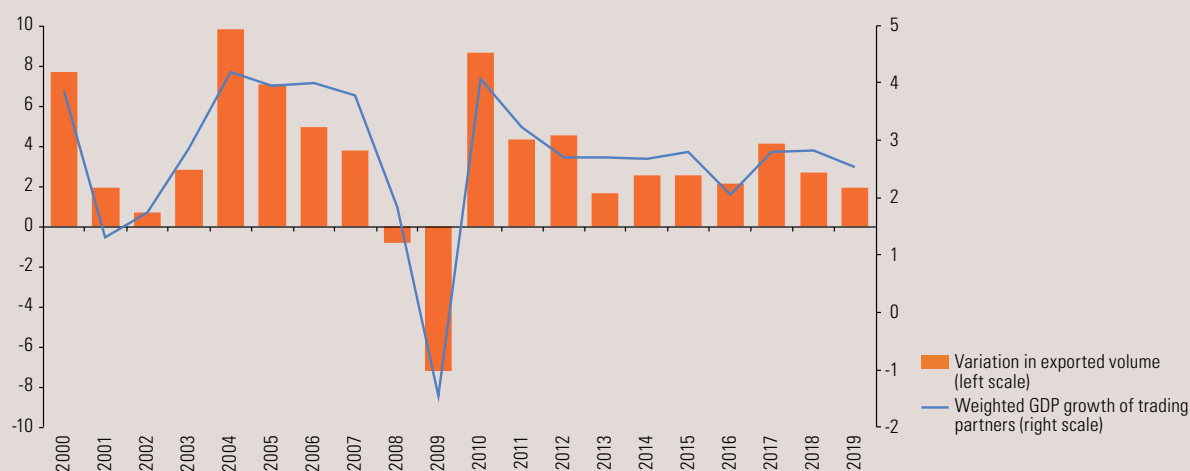


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of UN Comtrade - International Trade Statistics Database (for trade partner weightings), and International Monetary Fund (IMF), *World Economic Outlook: Growth Slowdown, Precarious Recovery*, Washington, D.C., 2019, and updates (for GDP growth).

[a] The figures for 2019 are projections.

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

The slowdown in most Latin American economies since the third quarter of 2018 has led to a downturn in the volume of imports. Import volumes are projected to grow by just 1.8% in 2019, which, together with lower prices for imports of both energy and industrial inputs, will mean that the value of imports will increase by only 1.5 %, well below the 12% hike seen in 2018 (see figure I.19). Imports are projected to contract sharply this year in some economies, most notably Argentina, the Bolivarian Republic of Venezuela and Nicaragua (see figure I.19).

**Figure I.19**
Latin America and the Caribbean (selected countries and groups): projected variation in goods imports, by volume and price, 2019
*(Percentages)*
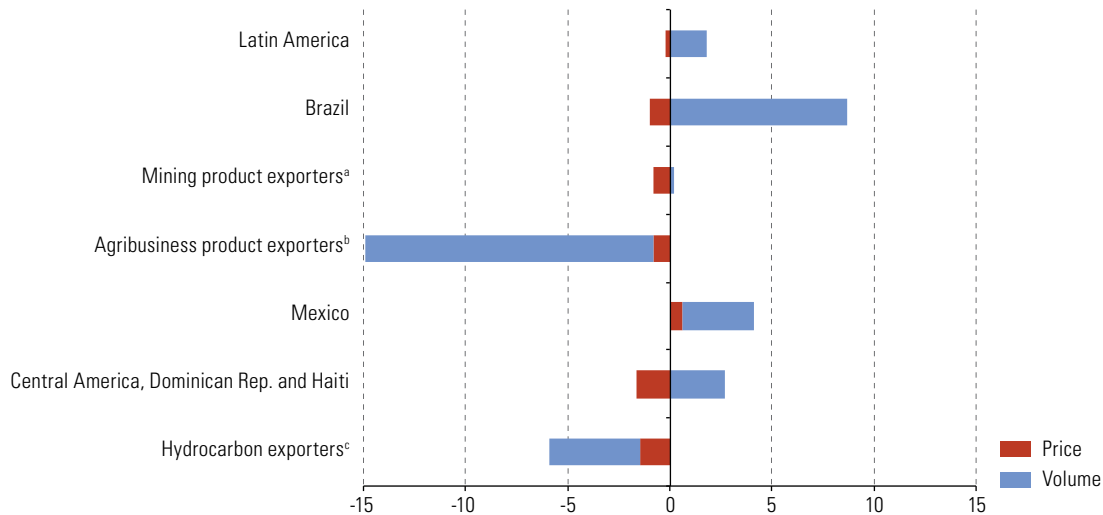


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC).
[a] Chile and Peru.
[b] Argentina, Paraguay and Uruguay.
[c] Bolivarian Republic of Venezuela, Colombia, Ecuador, Plurinational State of Bolivia and Trinidad and Tobago.

## 3.    On average, the region's terms of trade are expected to worsen in 2019, although the Caribbean and Central American economies should benefit from lower energy prices

In 2018, higher energy and mineral prices boosted the terms of trade in Latin America on average for the second year in a row, after having fallen for five consecutive years between 2012 and 2016.

As discussed in the section A, average commodity prices are expected to be lower in 2019 than those seen in 2018, leading to a 2.3% fall in the terms of trade for Latin America and the Caribbean (see figure I.20).

**Figure I.20**
Latin America and the Caribbean (selected countries and groups): terms-of-trade variation, 2015–2019[a]
*(Percentages)*
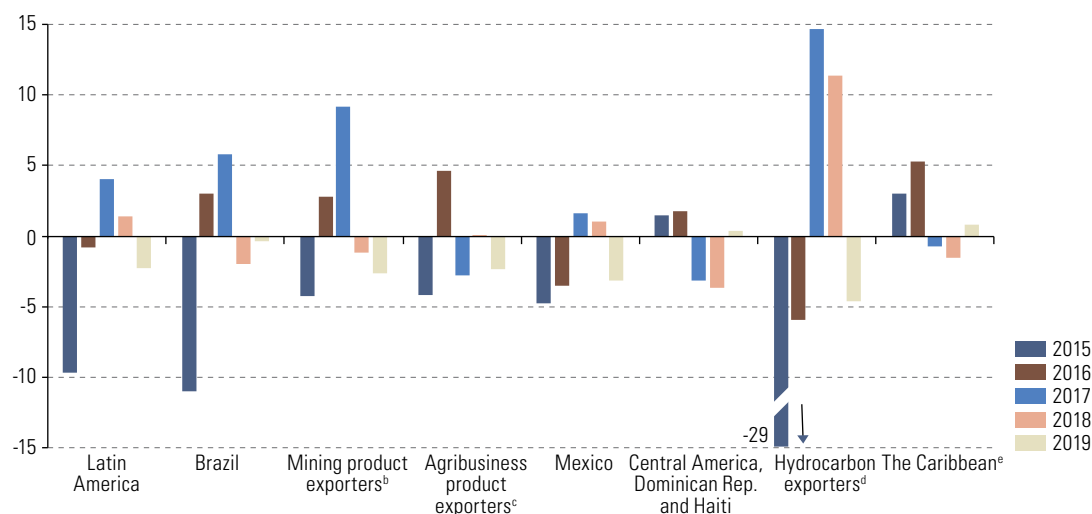


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] The figures for 2019 are projections.
[b] Chile and Peru.
[c] Argentina, Paraguay and Uruguay.
[d] Bolivarian Republic of Venezuela, Colombia, Ecuador, Plurinational State of Bolivia and Trinidad and Tobago.
[e] Excluding Trinidad and Tobago.

However, as usual, the terms of trade will behave differently at the subregional level, since South America is a net exporter of commodities, while the Caribbean (excluding Trinidad and Tobago) and Central America are net importers of fuel and food.[8] Consequently, in 2019, the terms of trade are expected to deteriorate by 1.9% for South America, and to improve by 0.4% for Central America and by 0.8% for the Caribbean, excluding Trinidad and Tobago (a hydrocarbon exporter).

## 4.    The services deficit is expected to narrow in 2019, mainly as a result of lower imports in line with the regional economic slowdown

The services trade deficit was 1.0% of GDP in 2018, with both purchases from and sales of services to the rest of the world expanding by only 1.0% compared to 2017.

The deficit is expected to narrow to 0.9% of GDP in 2019, in line with the regional economic downturn, which translates into declining demand for transport, insurance and construction services and other business services, as well as lower spending by nationals travelling abroad. As a result, the value of service imports for the entire region is projected to fall by 1% in 2019.

Service exports will also be affected, albeit to a lesser extent, by the global economic slowdown, with zero growth in 2019. According to available first quarter data, growth in revenues from business and transport services decelerated. With regard to the travel account, inbound tourism services are a major economic component in the region, which is a net exporter of these services that accounted for more than 45% of total

---

8    See box I.1 in ECLAC (2018).

service revenues in 2018.[9] According to figures from the World Tourism Organization (UNWTO, 2019), during the first quarter of 2019, year-on-year international tourist arrivals rebounded in both the Caribbean (16.7%)[10] and Central America (7.1%),[11] while arrivals decreased by nearly 10% in South America. This decrease is mainly the result of the sharp decline in outbound travel from Argentina, due to the economic crisis and the weakening of its currency. Uruguay has been the economy most affected by this, with Argentine tourist arrivals down 40% year-on-year during the first quarter of 2019.

## 5.    The income deficit will narrow in 2019 because foreign companies' profits will fall

As is usual when commodity export prices, domestic activity and debt issues on international markets increase, the income balance deteriorated in 2018, posting a deficit of 3.0%, compared to 2.7% in 2017.[12] This deterioration is attributed mainly to the fact that foreign companies' profits grew much faster than output, followed by portfolio investment income (dividends and interest on traded instruments), while interest paid as income on other investment declined (mainly interest on sovereign loans).

Conversely, the income balance is expected to improve slightly in 2019, as its deficit narrows to 2.9% of GDP. Deteriorating export prices, in addition to weaker domestic activity, will be detrimental to foreign companies' profits and the dividends paid on shares held by foreigners, which will more than offset slightly higher interest payments, as more debt will be incurred.

## 6.    The balance of transfers, composed mainly of remittances, is expected to have a larger surplus in 2019

The balance of transfers surplus was 1.7% of regional GDP in 2018, compared to 1.5% in the previous year. Its main component, migrant remittance flows, grew by 10% in nominal terms in the main recipient countries as a result, in part, of improved activity in the remitting economies (mainly the United States and Spain). Remittances to Mexico, the largest recipient in the region —accounting for more than one third of inflows—, grew by 10% in 2018 in nominal terms.

In 2019, the balance of transfers surplus will continue to grow, 6.1% in nominal terms, equivalent to 1.8% of regional GDP, because the growth in emigrants' remittance inflows to the region is expected to continue to exceed GDP growth. In the first few months of 2019, remittances were already up by 7.7% compared to the same period of the previous year (see figure I.21).

---

[9]    In 2018, tourism service revenues accounted for 36% of total service exports in South America, 60% in Central America and over 70% in the Caribbean.

[10]   Several Caribbean destinations saw a jump in tourist arrivals in the first months of 2019 as infrastructure was rehabilitated following the strong hurricanes at the end of 2017. Larger destinations, such as Jamaica, have been also benefited thanks to increased air connectivity.

[11]   The celebration of World Youth Day 2019 in Panama contributed to the growth in tourism in Central America in the first quarter of 2019.

[12]   In general, when commodity prices rise, so do the profits of foreign companies operating in the region, especially those whose main business is exporting commodities. Meanwhile, other investment income payments (mainly external debt interest payments) tend to increase —although not always—when the countries of the region increase debt issuances on international markets, as was the case in 2016 and 2017.

Latin America and the Caribbean (selected countries): year-on-year variation in income
from emigrant remittances, 2017–2019[a]
*(Percentages)*
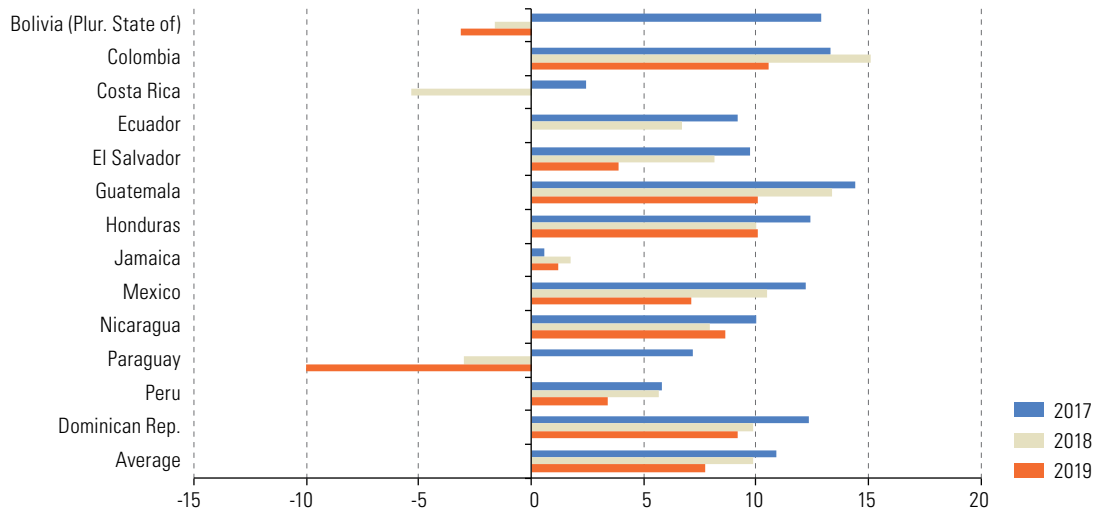


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

[a] Figures for 2019 correspond to the following periods: January–April in the case of Colombia, the Dominican Republic, El Salvador, Guatemala and Honduras; January–March in the case of Mexico, Nicaragua, Paraguay and Peru; and January–February in the case of Jamaica and the Plurinational State of Bolivia. No data were available for 2019 for Costa Rica and Ecuador at the time of writing.

## 7. Financial flows to the region recovered slightly during the first quarter of 2019, a situation that could have been reversed since May, following the trend seen in the group of emerging markets

As has been observed in the group of emerging markets, capital inflows to Latin America also increased in the first months of 2019, according to the capital flows indicator constructed by the Economic Commission for Latin America and the Caribbean (ECLAC) (see figure I.22). This indicator is constructed from monthly data, which are published more regularly, so a regional forecast for the first quarter of the year can be made prior to the publication of countries' official balance-of-payments data. As was pointed out in relation to the group of emerging countries, this trend could have been reversed in the second quarter in line with the greater volatility in the international financial markets.

**Figure I.22**
Latin America (14 countries): proxy indicator of cumulative net capital inflows to the region
in the previous 12 months, January 2016 to March 2019
*(Index: January 2016=100)*
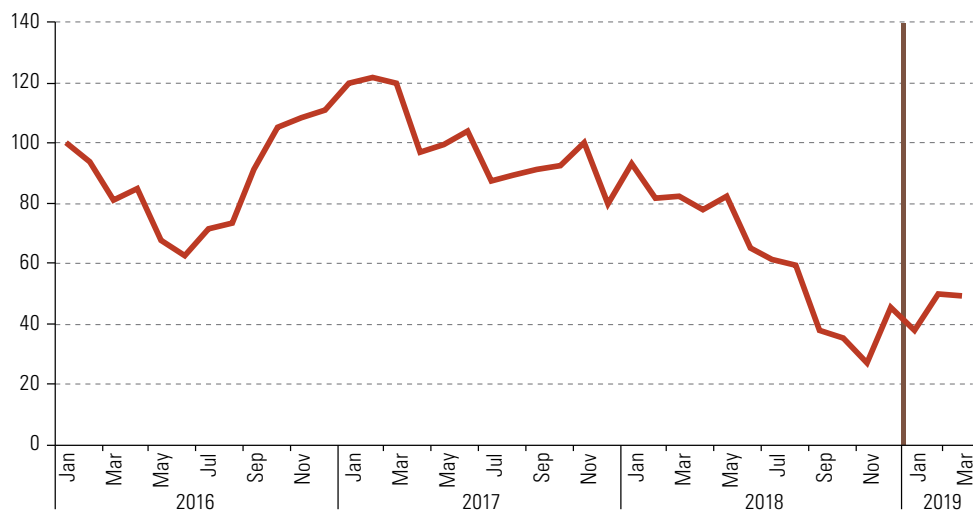


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Note:    The proxy indicator of net capital flows constructed in ECLAC for this document is calculated using data from the following countries: Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

## 8.    The growth in sovereign risk seen throughout 2018 stalled at the beginning of the year but picked up again recently in response to greater global uncertainty

According to the Emerging Markets Bond Index (EMBIG), sovereign risk in the region stood at 568 basis points in December 2018, its highest value since March 2016. Lower financial volatility and more stable conditions generally in the first few months of 2019 resulted in a sharp drop in sovereign risk in Latin America, reflected in the decrease in the EMBIG index in the first two months of the year. However, greater global uncertainty led to a deterioration in sovereign risk, reaching 527 basis points in May 2019 see (figure I.23).

Nevertheless, this general regional trend masks divergent situations in some countries. In Argentina, for example, sovereign risk has risen steadily, approaching 1,000 basis points, partly reflecting fears about the country's ability to meet its payment commitments, as well as uncertainty surrounding the presidential elections to be held in October 2019.

Level of EMBIG at:

| | 31 December 2016 | 31 December 2017 | 31 December 2018 | 31 May 2019 |
|---|---|---|---|---|
| Argentina | 455 | 351 | 817 | 985 |
| Bolivia (Plurinational State of) | 83 | 203 | 378 | 282 |
| Brazil | 330 | 232 | 273 | 267 |
| Chile | 158 | 117 | 166 | 145 |
| Colombia | 225 | 173 | 228 | 212 |
| Dominican Republic | 407 | 275 | 371 | 348 |
| Ecuador | 647 | 459 | 826 | 619 |
| Mexico | 296 | 245 | 357 | 329 |
| Panama | 187 | 119 | 171 | 159 |
| Paraguay | 281 | 200 | 260 | 245 |
| Peru | 170 | 136 | 168 | 148 |
| Uruguay | 244 | 146 | 207 | 194 |
| Venezuela (Bolivarian Republic of) | 2 168 | 4 854 | 6 845 | 5 578 |
| Latin America | 473 | 419 | 568 | 527 |
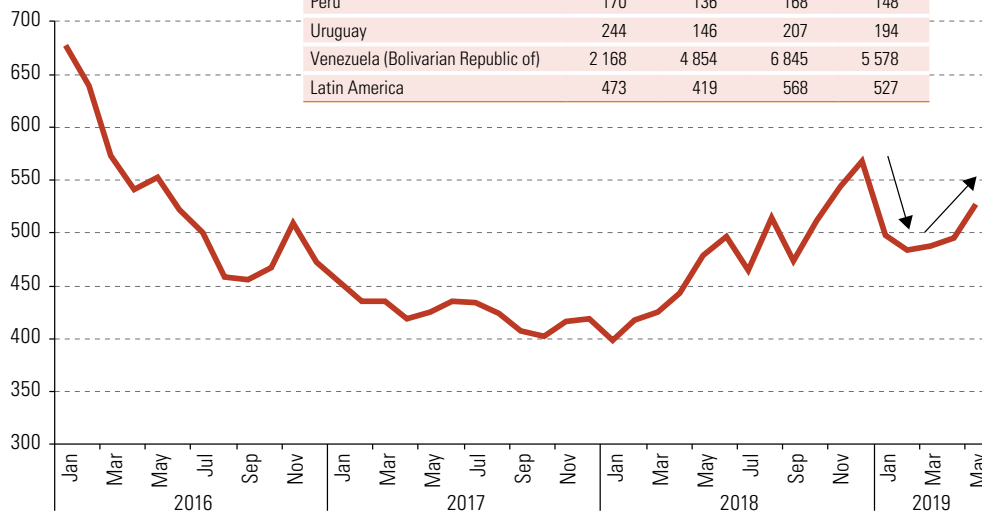


**Figure I.23**
Latin America (13 countries): sovereign risk as measured by the Emerging Markets Bond Index (EMBIG), January 2016–May 2019
*(Basis points)*

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

## 9. Debt issues fell 35% year-on-year in the first five months of 2019

Gross debt issues by Latin American and Caribbean countries in international markets amounted to US$ 43.451 billion in the first five months of 2019, a sharp year-on-year fall of 35%.

Issuances decreased in most countries, most notably in Argentina, which has not issued any international bonds this year, and Mexico, where the drop is the result of the high base of comparison of sovereign and quasi-sovereign issuances in the first half of 2018. Other countries, such as Costa Rica, El Salvador, Honduras and the Plurinational State of Bolivia, did not issue debt on international markets in 2018 or in the first five months of 2019 (see figure I.24). Although it does not figure in the data analysed because it is too recent, the government of Ecuador issued bonds at the beginning of June valued at US$ 1.125 billion, in an effort to improve its external debt profile.

Latin America (16 countries): cumulative debt issues on international markets between
January and May of 2018 and 2019
*(Billions of dollars)*
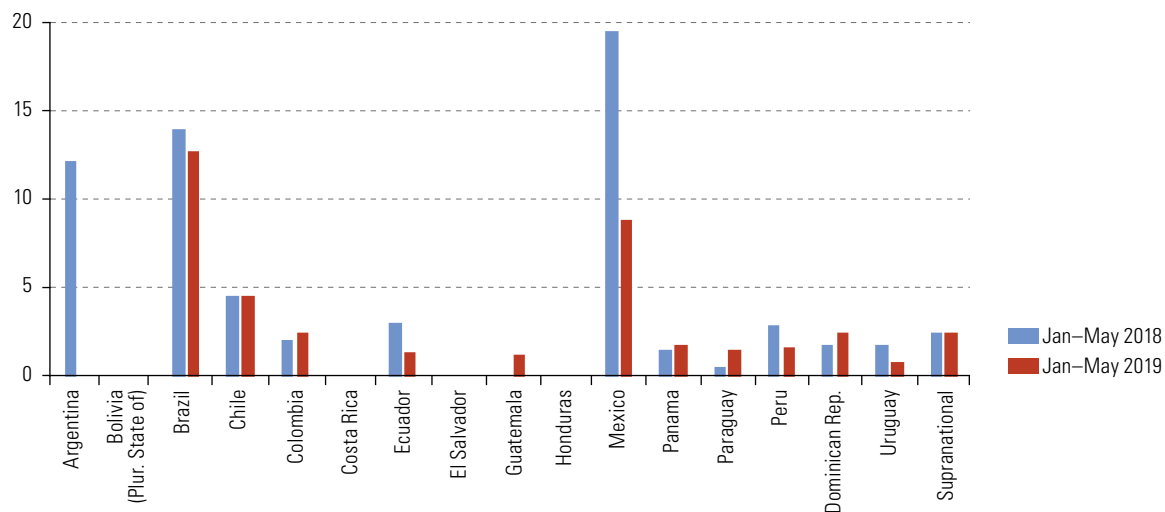


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from LatinFinance.
**Note**:    The absence of data means that the country did not issue debt during the period under consideration.

The largest drop (78%) was recorded in quasi-sovereign bonds, bringing its share
of total issuances down to 8% between January and May 2019. More importantly,
given that it accounts for 35% of total issues, the sovereign bond sector was down
45%, while banking sector issuances fell 48%, but it accounts for only 4% of the total.
Private sector corporate bond issues rose 19%, bringing its share of the total to 47%.

# D.    Economic activity

## 1.    Economic activity has contracted in Latin America

In the first quarter of 2019, economic activity in Latin America and the Caribbean contracted by 0.1%, year-on-year (see figure I.25). Domestic demand dropped by 0.2%, exceeding the decline in GDP.

**Figure I.25**
Latin America: GDP growth rates, 2014–2019
*(Percentage variation with respect to the year-earlier period, in dollars at constant 2010 prices)*
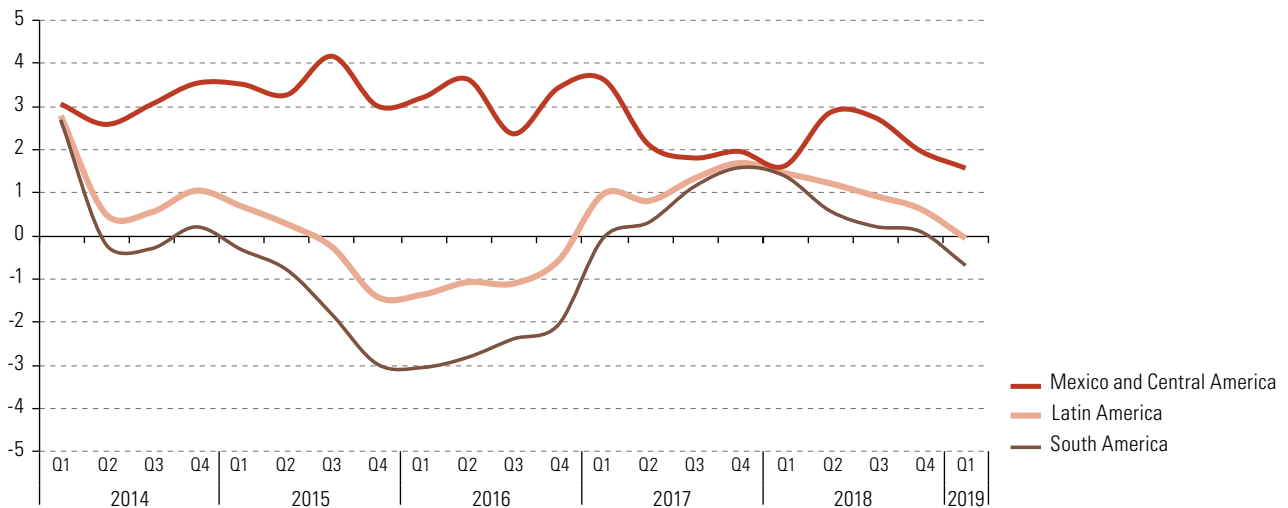


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

GDP was affected by lower domestic demand, although this effect was partially offset by slight growth in net exports. The downturn in domestic demand reflected mainly the drop in gross fixed capital formation. Public consumption also weighed on domestic demand, as it declined for the second consecutive quarter. Conversely, private consumption was the only domestic demand component to post positive growth, albeit at lower rates than in previous quarters.

With regard to external trade in goods and services, exports increased by 0.8% and imports by 0.6%, representing a heavy slowdown in both cases, owing to both weaker external demand and more sluggish domestic activity, respectively.

As in previous years, the region has very uneven economic prospects. On the one hand, the South American economies shrank by 0.7% on average in the first quarter, a far poorer performance than the 1.5% growth in the prior-year quarter; in addition, 4 of the 10 countries show a contraction in year-on-year terms.

The Central American economies achieved a growth rate of 3.3% in the first quarter of 2019, 0.7 percentage points less than in the same period of 2018. Growth in Central America and Mexico combined came to 1.5% in the first quarter of 2019, similar to the figure for the year-earlier period.

The Dominican Republic and the Plurinational State of Bolivia were the region's fastest-growing economies in the first quarter (5.7% and around 4.0%, respectively), followed by Panama (3.1%), Guatemala (3.0%) and Colombia (2.8%). Five economies (Argentina, Bolivarian Republic of Venezuela, Paraguay, Nicaragua and Uruguay) contracted, Brazil slowed (to 0.46%) and the rest grew by between 0.6% and 2.6%.

## 2.    The drop in domestic demand was led by investment

Domestic demand dropped by 0.2% in the first quarter of 2019, mainly reflecting investment, followed by public consumption (see figure I.26).

**Figure I.26**
Latin America: GDP growth rates and contribution of aggregate demand components to growth, 2014–2019[a]
*(Percentages with respect to the year-earlier period)*
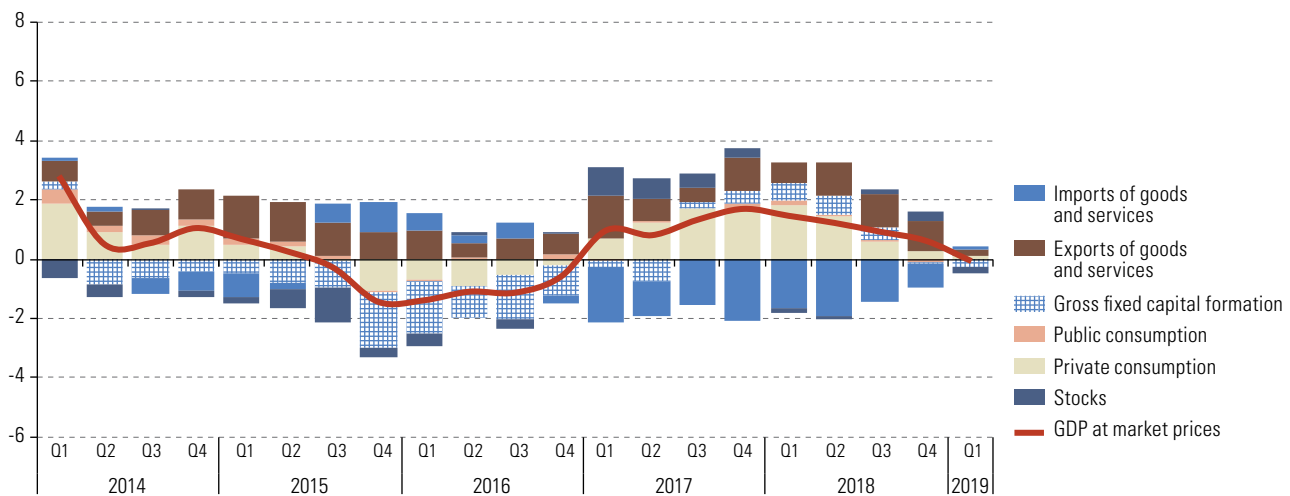


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] The data for the first quarter of 2019 are estimates.

For the second quarter in a row, investment was down by 2.2 % year-on-year in the first quarter of 2019 (see figure I.27). The weaker investment performance reflected both a decline in gross fixed capital formation and a negative variation in stocks. Gross fixed capital formation fell by 1.6%, owing to both the construction and the machinery and equipment components. Expenditure on construction dropped by 1.4%, mainly in the non-residential segment. Meanwhile, investment in machinery and equipment declined by 1.7%. Inventories also contracted.

Total consumption was up by 0.4%, with this slower growth attributable to both a drop in public consumption and slowing private consumption (see figure I.28). On the spending side, private consumption remained the strongest driver of the region's growth, but its contribution was barely a sixth of that of the prior-year period, because of the slow growth in credit to the private sector, weaker economic activity and the resulting stagnation in the labour market, reflected in worsening conditions with a shift towards lower-quality occupations, lower incomes and a standstill in real wages.

**Figure I.27**
Latin America and the Caribbean: gross fixed capital formation, 2014–2019[a]
*(Percentages with respect to the year-earlier period)*
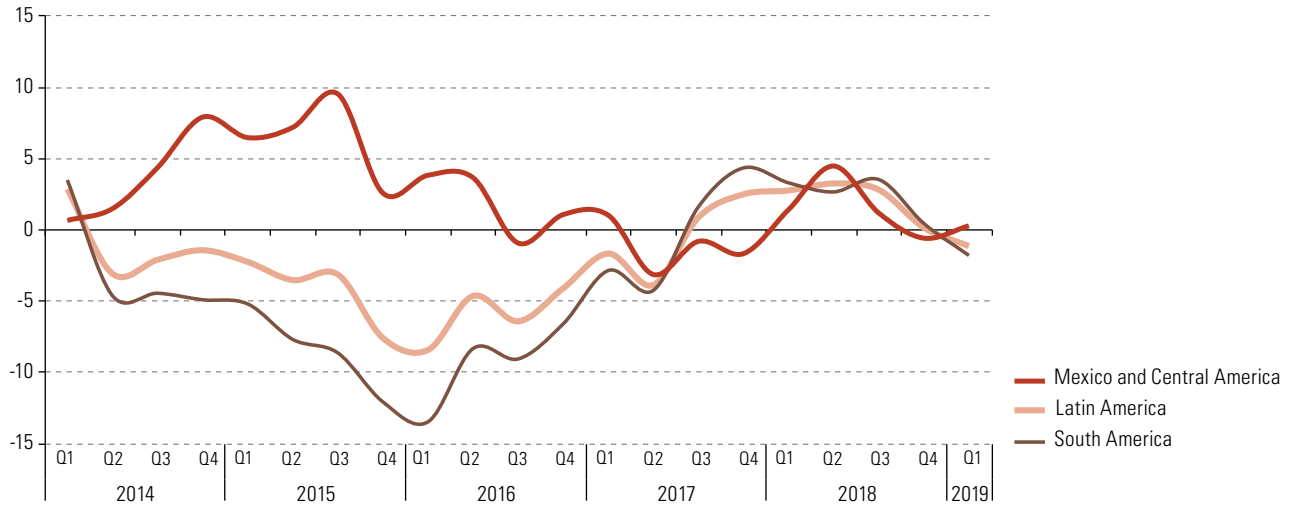


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

**Figure I.28**
Latin America: contribution of public and private consumption to GDP growth, 2014–2019
*(Percentage change with respect to the year-earlier period)*
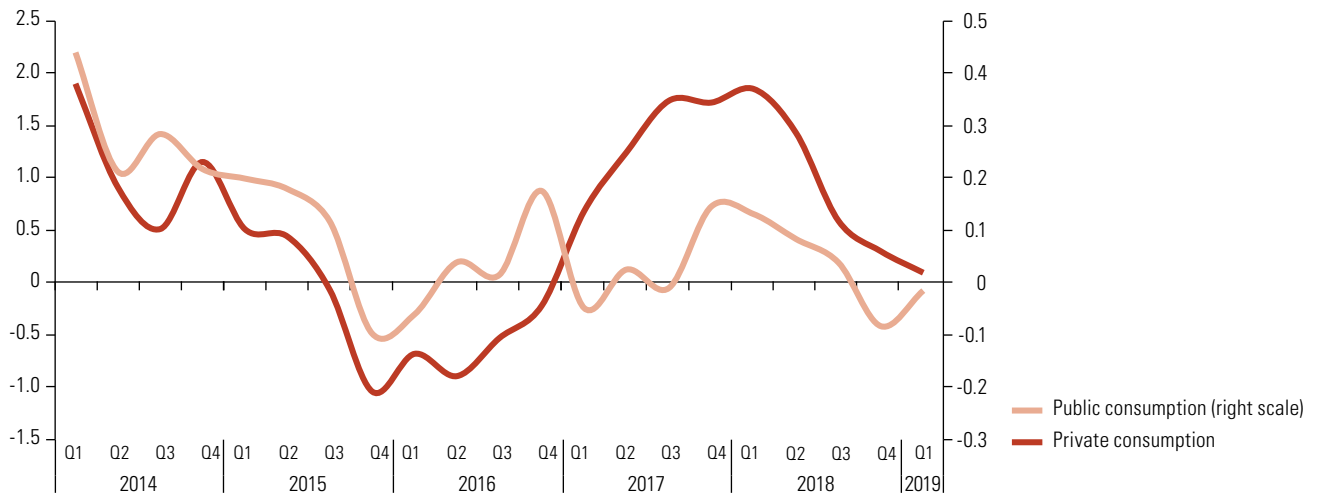


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

With respect to foreign trade in goods and services, in the first quarter of 2019, despite only a small (0.8%) increase in the quantity of exports of goods and services over the previous year, the external sector's contribution to GDP was positive, thanks to a smaller increase (0.6%) in the volume of goods and services imports, reflecting both the decline in investment in machinery and equipment —which is mainly imported— and the slow pace of private consumption.

## 3. The pattern of overall slowdown holds at the subregional level, but the magnitudes and causes vary

Overall, the subregions of South America and Mexico and Central America have shown a heavy slowdown and contraction in activity since the second quarter of 2018. In South America, the contributions of private consumption and exports to GDP growth have decreased sharply. Conversely, in Mexico and Central America, private consumption has maintained its contribution to GDP growth, which has nevertheless been slowed by the weakening contributions of investment and exports (see figure I.29).

**Figure I.29**
Latin America: GDP growth rates and contribution of aggregate demand components to growth, 2014–2019
*(Percentage change with respect to the year-earlier period)*

A. South America
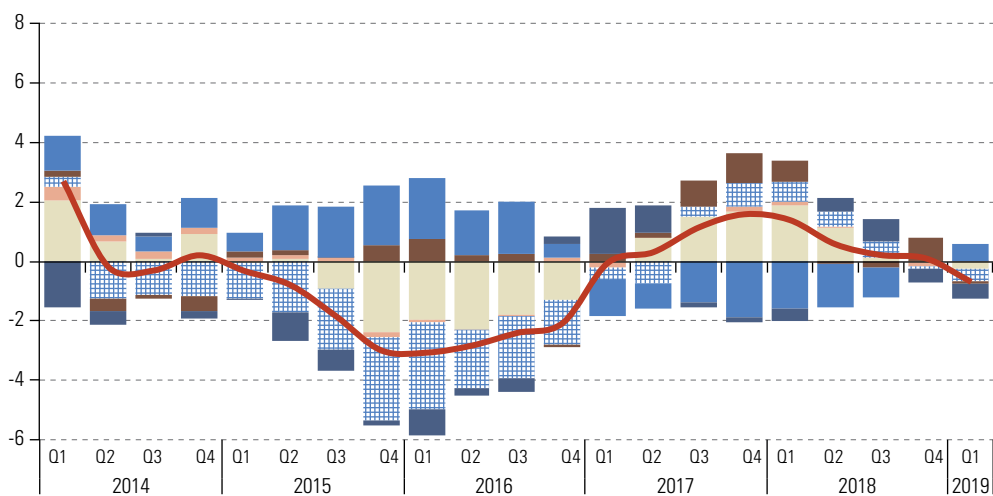


B. Mexico and Central America
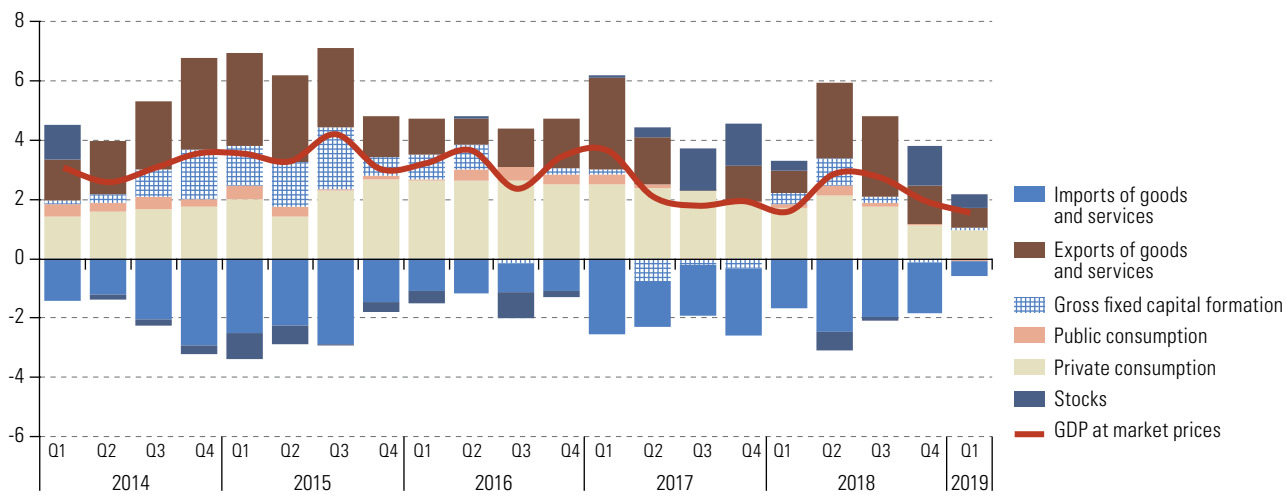


Imports of goods and services
Exports of goods and services
Gross fixed capital formation
Public consumption
Private consumption
Stocks
GDP at market prices

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

## 4.    The drop in mining, construction and manufacturing, along with weaker trade, account for the contraction in the first quarter

In the first quarter of 2019, the contraction in GDP was led by the drop in mining, construction and manufacturing, coupled with the sharp slowdown in commerce. An upturn in agriculture and the rest of the services was not enough to offset the decline in GDP (see figure I.30).

**Figure I.30**
Latin America: GDP growth rates by sector of economic activity, 2015–2018
*(Percentage change with respect to the year-earlier period)*
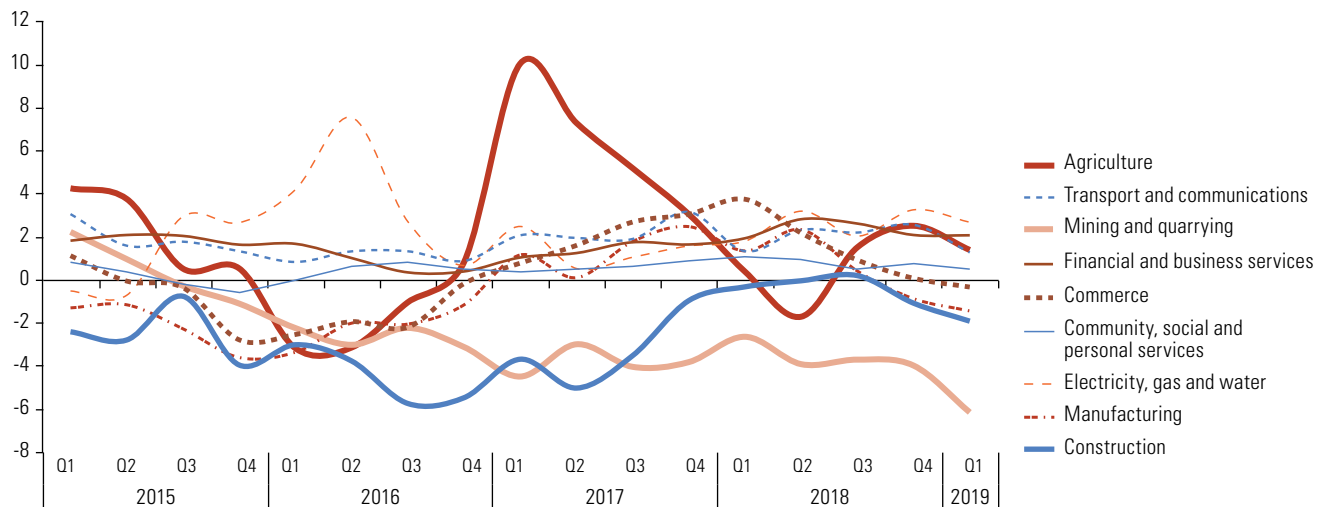


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The manufacturing industry failed to consolidate the recovery shown in 2017 and stronger growth rate in 2018, and shrank in the first quarter of 2019, reflecting poor performances in Argentina (-11%) and Brazil (-1.7%). At the same time, the mining sector continued the contraction begun in the fourth quarter of 2015. This chiefly reflects the unbroken decline in mining production in the Bolivarian Republic of Venezuela, Mexico, Guatemala and Ecuador for 23, 18, 11 and 9 straight quarters, respectively, added to downturns in mining in Chile, Peru and the Plurinational State of Bolivia. The drop in the construction sector is in line with the contraction of investment in mining assets.

Agriculture has recovered after its contraction in the second quarter of 2018, when the drought in Argentina led to a 31% downturn in the sector. The adjustment policies implemented by the governments in the region have not been reflected in the performance of community, social and personal services, which have kept up low but stable growth. The other services sectors show growth rates of around 2%, which is too low to provide growth impetus.

## 5.    A rise in the factors of production did not translate into GDP growth

Weaker growth in the factors of production —capital and labour— over the past few years has undermined production capacity. This, coupled with negative productivity growth, has conspired against boosting economic growth in the region. Over the past year, despite a larger rise in the production factors, growth declined reflecting the larger fall in productivity (see figure I.31).

**Figure I.31**
Latin America: determinants of GDP growth, 2010–2018
*(Percentages)*
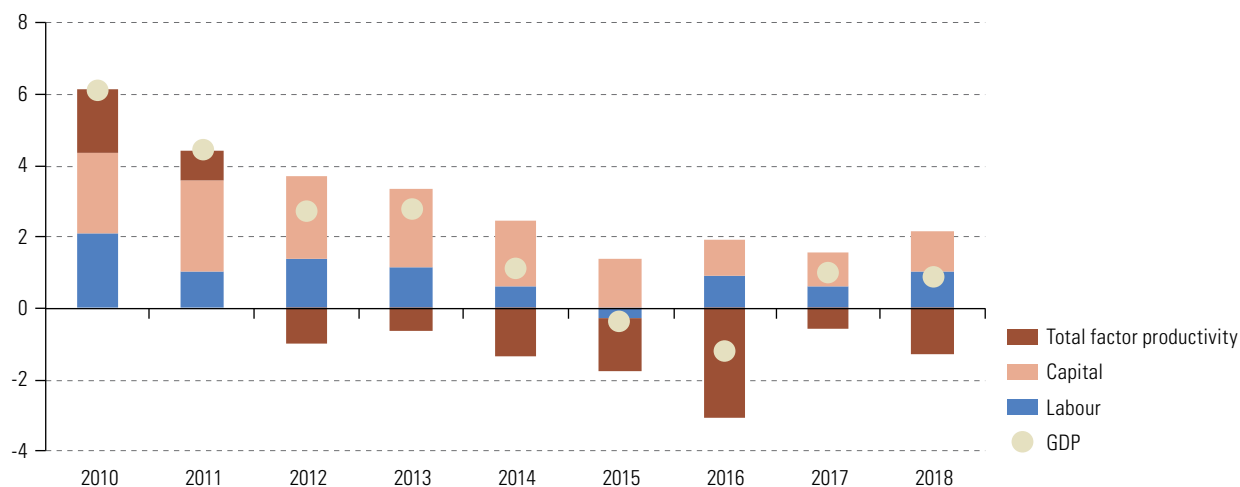


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC).

## 6.    Following a decline in 2017, average inflation for the region has been climbing steadily since May 2018

The region's average inflation rose in 2018 to 7.0%, up 1.3 percentage points from its 2017 level (see table I.4). This acceleration was primarily the result of price increases in South American economies, since average inflation in Central America and Mexico and in the Caribbean slowed during that period. In South America, average inflation rose from 5.3% in 2017 to 8.2% in 2018, while in Central America and Mexico it fell from 6.4% in 2017 to 4.7% in 2018 and in the non-Spanish-speaking Caribbean inflation dropped from 3.7% to 2.0%.

Inflation in the Bolivarian Republic of Venezuela has not been included in these regional figures, as the country's economy has been experiencing a very severe period of hyperinflation since November 2017 and its extreme rates would distort the averages.

## Table I.4
Latin America and the Caribbean: 12-month variation in consumer price index (CPI), December 2017 to May 2019[a][b]
*(Percentages)*

| | December 2017 | December 2018 | May 2018 | May 2019 |
|---|---|---|---|---|
| **Latin America and the Caribbean (not including the Bolivarian Republic of Venezuela)** | **5.7** | **7.0** | **5.0** | **8.1** |
| **South America (not including the Bolivarian Republic of Venezuela)** | **5.3** | **8.2** | **5.2** | **9.8** |
| Argentina | 25.0 | 47.1 | 26.4 | 56.8 |
| Bolivia (Plurinational State of) | 2.7 | 1.5 | 3.2 | 1.7 |
| Brazil | 2.9 | 3.7 | 2.9 | 4.7 |
| Chile | 2.3 | 2.6 | 2.0 | 2.8 |
| Colombia | 4.1 | 3.2 | 3.2 | 3.3 |
| Ecuador | -0.2 | 0.3 | -1.0 | 0.4 |
| Paraguay | 4.5 | 3.2 | 3.5 | 3.8 |
| Peru | 1.4 | 2.2 | 0.9 | 2.7 |
| Uruguay | 6.6 | 8.0 | 7.2 | 7.7 |
| **Central America and Mexico** | **6.4** | **4.7** | **4.7** | **4.8** |
| Costa Rica | 2.6 | 2.0 | 2.0 | 2.3 |
| Cuba | 0.6 | 2.4 | 2.2 | 4.3 |
| Dominican Republic | 4.2 | 1.2 | 4.5 | 1.3 |
| El Salvador | 2.0 | 0.4 | 0.8 | 0.8 |
| Guatemala | 5.7 | 2.3 | 4.1 | 4.5 |
| Haiti | 13.3 | 16.5 | 12.7 | 18.6 |
| Honduras | 4.7 | 4.2 | 4.0 | 5.1 |
| Mexico | 6.8 | 4.8 | 4.5 | 4.3 |
| Nicaragua | 5.8 | 3.4 | 5.0 | 5.8 |
| Panama | 0.5 | 0.2 | 0.8 | 0.0 |
| **The Caribbean** | **3.7** | **2.0** | **2.5** | **3.1** |
| Antigua and Barbuda | 2.4 | 1.7 | 1.2 | 1.2[c] |
| Bahamas | 1.8 | 2.0 | 1.7 | 3.6[d] |
| Barbados | 6.6 | 0.6 | 5.1 | 1.1[d] |
| Belize | 1.0 | -0.1 | 0.3 | 0.0 |
| Dominica | 0.6 | 2.8 | 1.3 | 1.6[c] |
| Grenada | 0.5 | 1.4 | 0.8 | 0.9[c] |
| Guyana | 1.5 | 1.6 | 1.1 | 2.7[e] |
| Jamaica | 5.2 | 2.4 | 3.1 | 4.8 |
| Saint Kitts and Nevis | 0.8 | -0.8 | -0.9 | -0.2[c] |
| Saint Lucia | 2.0 | 1.6 | 1.5 | 2.1[e] |
| Saint Vincent and the Grenadines | 3.0 | 1.4 | 2.0 | 1.0[c] |
| Suriname | 9.3 | 5.4 | 7.8 | 4.7 |
| Trinidad and Tobago | 1.3 | 1.0 | 1.0 | 1.1 |
| Venezuela (Bolivarian Republic of) | 862.6 | 130 060.2 | 5 937.5 | 282 972.8[e] |

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

[a] Regional and subregional averages are population-weighted.

[b] Data for the Bolivarian Republic of Venezuela are not included in the regional and subregional averages.

[c] Data at March 2019.

[d] Data at February 2019.

[e] Data at April 2019.

Although the regional average shows an increase, rates of inflation slowed from 2017 to 2018 in 20 economies, but gathered pace in 12. Two non-Spanish-speaking Caribbean economies —Barbados and Suriname— recorded the largest declines, while Argentina and the Bolivarian Republic of Venezuela recorded the largest rises. By May 2019, the situation had reversed and just eight countries registered lower inflation than in December 2018. Although more economies posted upturns in inflation in 2019, these exceeded 9 percentage points only in Argentina and the Bolivarian Republic of Venezuela. In addition, the vast majority of the region's economies had inflation rates below 5%: 26 countries at December 2018 and 25 at May 2019.

## 7.    Inflation began to climb in the second half of 2018 and has continued to do so through to May 2019

Figure I.32 shows the monthly variation in inflation at the regional and subregional levels, illustrating how average inflation for the region slowed between December 2017 and May 2018 and then began to rise once more, accelerating from 5.0% in May 2018 to 7.0% in December of the same year. This pattern continued in the first five months of 2019, putting the region's average inflation at 8.1%.

**Figure I.32**
Latin America and the Caribbean: weighted average 12-month variation in consumer price index (CPI), January 2015 to May 2019
*(Percentages)*
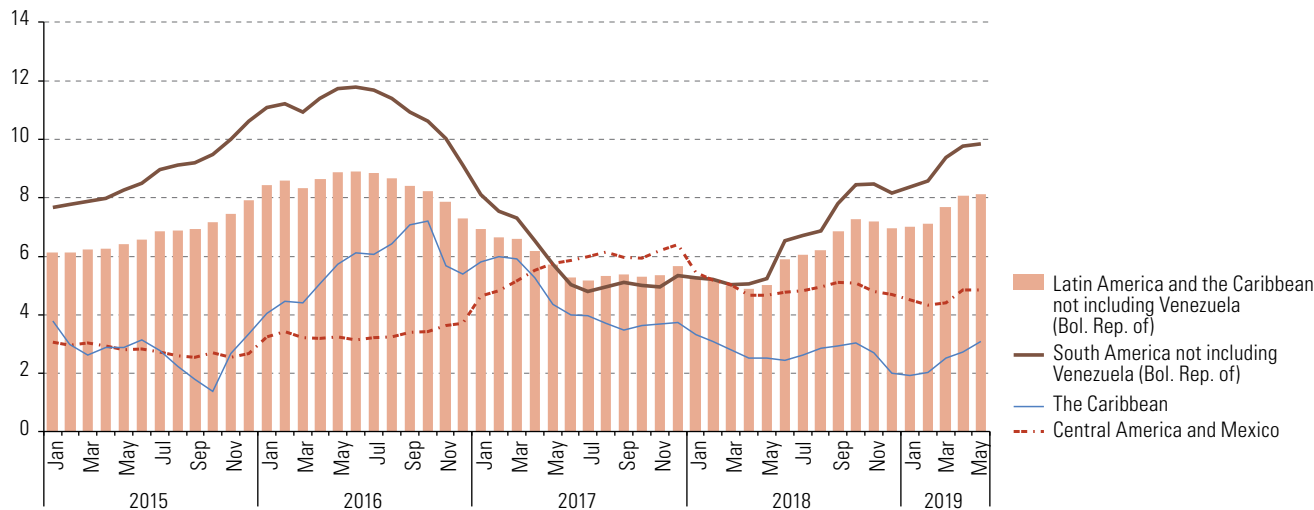


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Once again, regional trends were driven by the movements in South America. In southern economies, inflation rose from 5.2% in May 2018 to 8.2% in December 2018 on average, picking up pace once more in the first five months of 2019 and closing at 9.8% in May. By contrast, in the economies of Central America and Mexico, inflation slackened from 5.0% in September 2018 to 4.4% in February 2019. However, since February 2019, there has been a slight increase in inflation in the subregion, and in May 2019 the rate stood at 4.8%. In the non-Spanish-speaking Caribbean, inflation also declined in the last quarter of 2018, from 3.0% in October to 2.0% in December. Nevertheless, the rate gathered pace again in the subregion over the first five months of 2019 and gained 1.1 percentage points, closing at 3.1% in May.

## 8.    Food-related items saw the largest increases in inflation

The rise in inflation seen since May 2018 has been reflected in all components of the headline consumer price index, but the food index has led the upturn: food price inflation climbed 2.9 percentage points, from 4.0% at the end of 2017 to 6.9% at the end of 2018. For the first five months of 2019, food price inflation was 8.7%, up 1.8 percentage points on December 2018. Core inflation rose 1.5 percentage points from 5.1% in 2017 to 6.6% in 2018, subsequently accelerating a further 1.2 percentage points between December 2018 and May 2019.

In 2018, inflation in goods (tradables) came in at 6.4%, 1.7 percentage points higher than the 4.9% recorded at year-end 2017. In the first five months of 2019, inflation in goods slowed 0.1 percentage points compared to the rate at December 2018. Inflation in services (non-tradables) followed a similar trend to goods, climbing 0.5 percentage points in 2018 to 7.2% in December, then retreating 0.3 percentage points over the first five months of 2019 (see figure I.33).

**Figure I.33**
Latin America and the Caribbean: weighted average 12-month variation in consumer price index (CPI) for headline, core, food, goods and service inflation, January 2015 to May 2019
*(Percentages)*
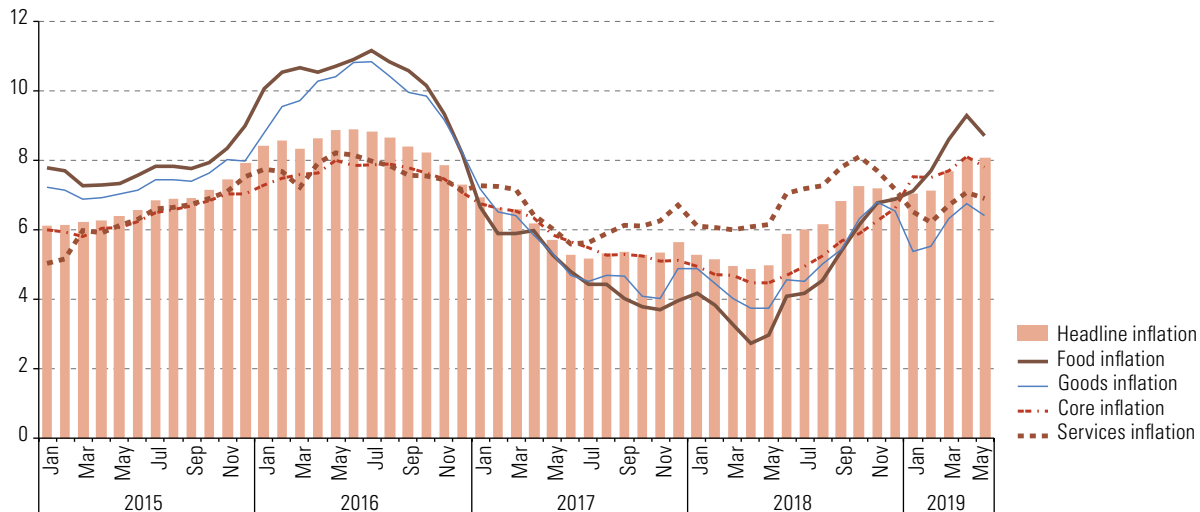


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

These patterns in regional inflation were driven by a number of factors, including movements in exchange rates, changes in the prices of public goods, fiscal consolidation processes and variations in energy prices. For the highest-inflation economies, the use of monetary financing has played a key role in the surge in inflation and the high levels it has reached.

The slump in aggregate domestic demand, especially in private consumption and gross fixed capital formation, suggests that the moderate inflationary pressures seen in most of the region's economies could ease in the future. Consequently, inflation could fall slightly after the rising rates of recent months. However, heightened exchange-rate volatility and further depreciation of the region's currencies —should the current external constraint tighten further— could slacken the downward pressure on inflation.

## 9.    Employment quality deteriorated in 2018

In a context of slowing economic growth in the region, around 2014 labour market conditions began to gradually deteriorate in Latin America and the Caribbean. Over the following years, indicators such as the open unemployment rate, the composition of employment by occupational category, labour (in)formality and hourly underemployment have fluctuated, but generally within an overall downtrend, thereby partially reversing the progress made in labour conditions since the mid-2000s.

For example, between 2013 and 2017, for the region as a whole, the proportion of the working-age population employed (the employment rate) fell from 58.1% to 57.1%, and the urban unemployment rate rose from 7.1% to 9.3%. This was accompanied by a deterioration in the composition of employment: low economic growth weakened labour demand in private firms and the public sector, so that wage job creation —which is on average of better quality than other categories of employment— rose by a mere 0.6% per year. Since this sluggish growth was clearly insufficient to meet the income needs of many households, work expanded in other categories of employment of lower average quality, especially own-account work. Although the concept of own-account works covers a wide range of labour situations, in a context of low wage employment creation most of it is characterized by low and variable income and precarious working conditions. Between 2013 and 2017, own-account work expanded by 2.8% per year. Accordingly, employment declined not only by the measure of the employment rate, but also in terms of quality.

In 2018 the rise in urban unemployment came to a halt, and the rate held steady at 9.3%; this was partly thanks to the first gain in the employment rate since 2012. However, this increase was very weak (0.1 percentage point) and new job creation was again concentrated in own-account work which —with a rise of 3.0%— contributed 49% of the new jobs, while a 1.1% expansion in wage employment contributed only 37%.[13] In turn, the hourly underemployment rate rose in most of the countries with data available, from a simple average of 8.7% in 2017 to 9.1% in 2018.[14] On average in the countries for which information is available, informal employment was up by 0.25 percentage points. Lastly, in those countries real wages for registered employment rose by just 1.1%, the smallest gain seen over the course of the decade, reflecting the apparent weakening of workers' bargaining power in slack labour markets.

The start of 2019 brought no sign of improvement in the labour market performance. While the urban unemployment rate has held stable at the regional level, a number of other indicators reveal a deterioration with respect to 2018, pointing to a new loss in job quality.

The main features of developments in the region's labour markets in early 2019 are outlined in the subsequent sections.

---

[13]   See ECLAC/ILO (2019) for a review of developments in the region's labour markets during 2018.
[14]   Hourly underemployment refers to employed persons who work less than a minimum number of hours set in each country, wish to work more hours and are available to do so.

**Box I.2**
Why does the unemployment rate hold steady amid low economic growth?

The —at first sight perhaps surprising— stability of the unemployment rate in the context of a very modest economic growth (in both 2018 and 2019) may be explained by a historical overview of Latin American labour markets and their characteristics.

For example, developments in the open unemployment rate during other low-growth crisis periods are enlightening. The greatest crisis to have affected the region in recent decades —the debt crisis of the early 1980s— initially led to a surge of some 2 percentage points in the unemployment rate at the regional level. Economic growth picked up somewhat in the mid-1980s, but cooled again sharply at the end of the decade. Even so, and although this period produced the weakest economic growth of the post-war era in the region (1.7% annually for the decade overall), in the late 1980s the urban unemployment rate was in fact slightly lower than its 1980 level. At the same time, the subsistence needs of many households generated a strong expansion of employment in the informal sector and in micro- and small enterprises (PREALC, 1991).

The backdrop for this unemployment performance is the segmentation of the labour market in Latin America, in which a segment driven by labour demand —whose evolution is positively correlated with economic growth— coexists with another segment driven by the subsistence needs of low-income households, which often shows countercyclical behaviour.[a] In a context of weak demand for labour, the prospects for joining the first segment are substantially reduced. Rather than waiting for an opportunity there, many members of low-income households are forced to find ways to generate their own labour income, particularly if the low growth persists for a lengthy period (as in the "lost decade" of the 1980s). These self-generated occupations are often precarious, lack protection and usually generate only low incomes.

From this point of view, the recent evolution of the Latin American labour market may be interpreted as follows:[b]

- The cooling of economic growth in 2013 and 2014 weakened wage employment creation (which slowed to 1.2% growth per year, compared with 3.1% per year between 2010 and 2012). This represented a departure from the previous trend of a rising employment rate. However, it did not produce a rise in the unemployment rate, given that the long-term trend of a climbing participation rate was also reversed. The procyclical behaviour of the labour supply was probably caused by the preceding relatively long period of fast employment growth had endowed households with some level of savings. As a result, amid deteriorating job prospects —possibly expected to be a temporary situation— many people may have withdrawn from the labour market with the intention of rejoining it after the anticipated upturn in labour market conditions. The expansion of social policies in the preceding period may also have helped to ease the pressure for immediate re-entry to the labour market.

- In the period 2015–2017, however, economic growth weakened further, with regional output contracting for two years in a row. As a result, labour demand fell even more and wage employment creation growth dropped to just 0.2% per year. By this point, expectations of an improvement in the labour market may have dissipated and many households' cash reserves were probably much reduced. Consequently, the rate of labour market entry picked up and the participation rate resumed the uptrend that had been interrupted in the previous biennium. This increase in the labour supply had a dual impact: first, with job creation still weak, the need for labour earnings resulted in an even stronger concentration of employment in precarious work, such as the bulk of own-account work, as the numbers occupied in this category rose 2.4% per year in 2015–2017 (compared with 2.1% in the previous biennium). This (self)generation of employment was not enough to offset the weakness of wage employment creation, so that the employment rate declined significantly. The result was the second main impact on the labour markets: a sharp rise in the unemployment rate.

- Lastly, in 2018 and early 2019, wage employment creation picked up slightly (1.1% in 2018), although not enough to meet the needs of households, with the result that growth in own-account work has gathered further pace (3.0% in 2018). With the expansion in both categories of employment, the employment rate has now risen slightly and this, coupled with a continued increase of similar magnitude in the participation rate, has produced a standstill in the unemployment rate. However, the insufficient generation of relatively good quality jobs is evident in a number of indicators, which show a decline in the average quality of employment in the region.

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC).
[a] The presentation of the Latin American labour market as consisting of two segments is a simplification that overlooks, for example, the transitions between them. It is, however, useful for understanding certain dynamics.
[b] This is a regional vision that evidently does not accurately describe labour market evolution in each of the region's countries.

## 10.  In the first quarter of 2019, the unemployment rate has remained high and stable

As shown in figure I.34, for the group of countries for which quarterly employment data are available, both the urban participation rate and the employment rate edged up at the beginning of 2019 in year-on-year terms, similarly to their behaviour in 2018. Accordingly, compared with the first quarter of 2018, the urban unemployment rate remained stable at a high level of close to two digits. This stable picture at the regional level is the result of an uneven performance among the countries, since of the 12 countries included in figure I.34, in the first quarter of 2019 the unemployment rate was up year-on-year in 5 (Argentina, Colombia, Costa Rica, the Dominican Republic and Mexico) and down in another 5 (Brazil, Ecuador, Jamaica, Paraguay and Peru), while in Chile and Uruguay it held steady (with variation of no more than a tenth of a percentage point) (see annex table A.22).

**Figure I.34**
Latin America and the Caribbean (12 countries):[a] employment, participation and unemployment rates and year-on-year changes, first quarter of 2016–first quarter of 2019
*(Percentages and percentage points)*
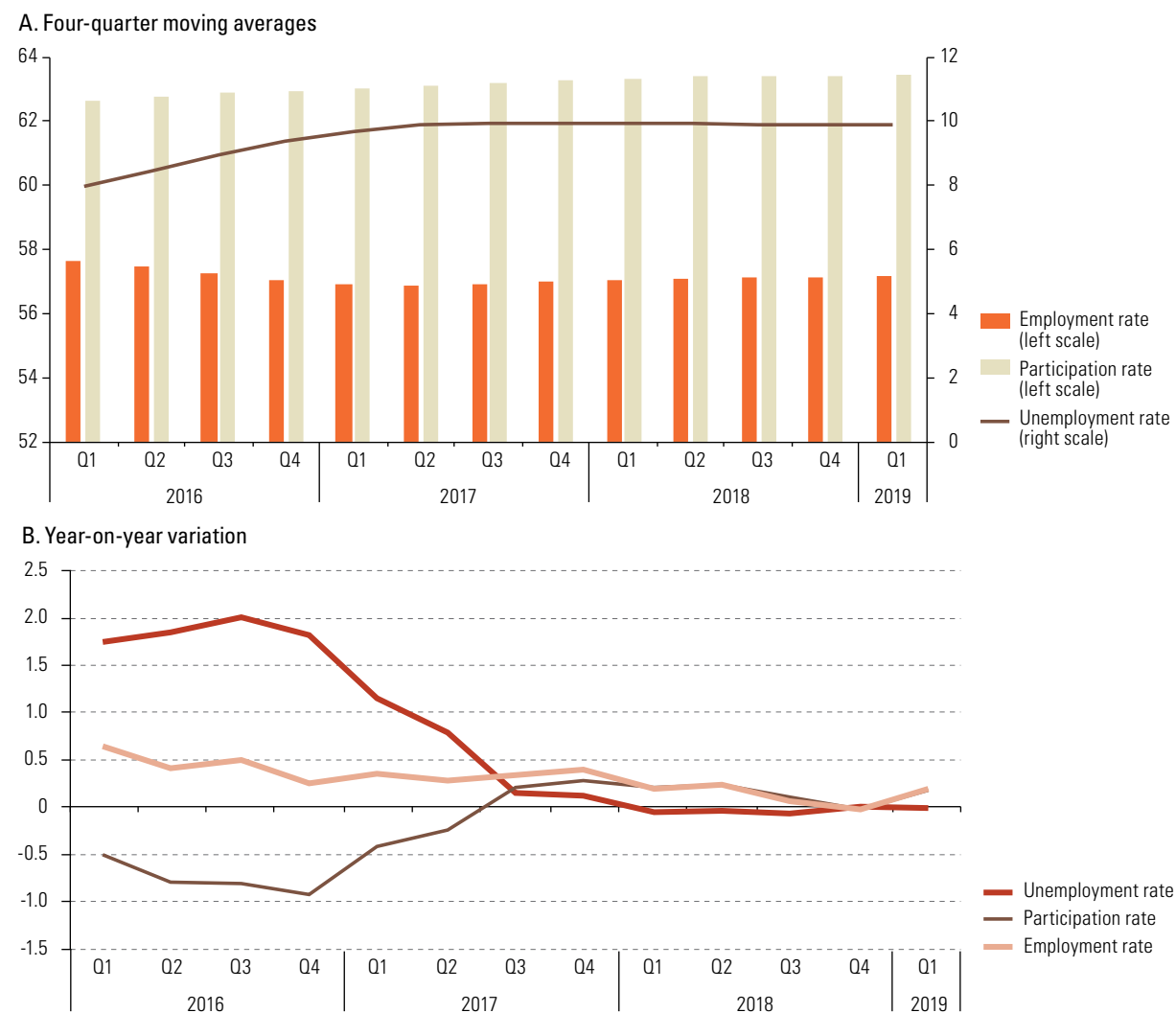


A. Four-quarter moving averages



B. Year-on-year variation

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC).
[a] Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Jamaica, Mexico, Paraguay, Peru and Uruguay.

## 11. The gender gap in the unemployment rate is widening

As shown in figure I.35, at the national level the changes were similar to the ones observed in urban data, with slightly larger variations in the participation and employment rates and a stable unemployment rate. However, the labour market performance by gender shows stark differences, as the participation and employment rates fell for men but rose for women, in a continuation of the long-term trend of a gradual reduction in gender gaps —which nevertheless remain considerable— in the two rates. However, this stronger entry by women into the sphere of paid employment is occurring in a context in which most emerging jobs are of poor quality, as discussed below.
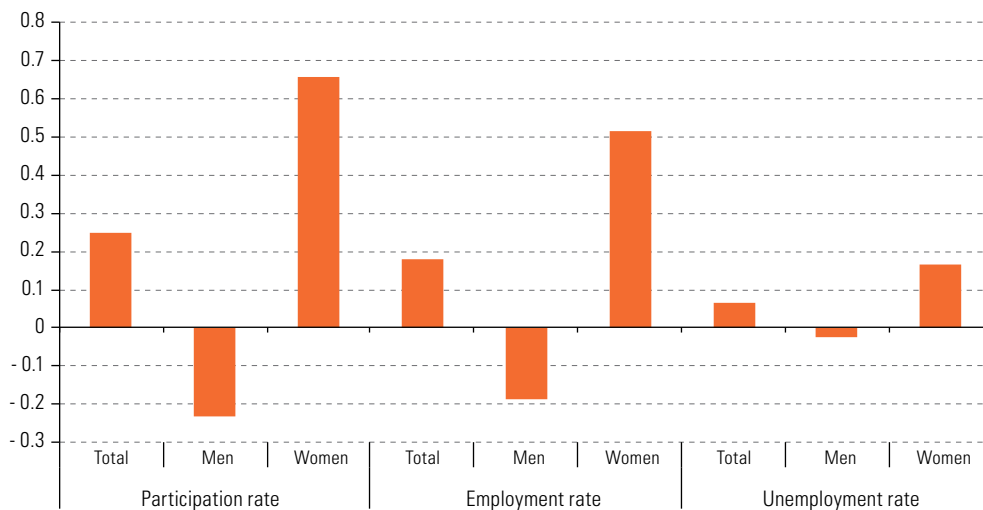


**Figure I.35**
Latin America and the Caribbean (12 countries): year-on-year variation in national participation, employment and unemployment rates by sex, weighted averages, first quarter of 2019
*(Percentage points)*

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

In the case of women, the participation rate increased more than the employment rate, which pushed up the female unemployment rate. By contrast, in the case of men, falls of a similar magnitude in both participation and employment rates led to the male unemployment rate remaining stable. As a result, the gender gap in the unemployment rate, which stood at 2.6 percentage points in urban areas in 2018 (with a rate of 10.7% for women and 8.1% for men) is widening further.

## 12. Job quality is deteriorating once again

For the seventh consecutive year, weak labour demand led to a larger rise in own-account work (3.8%) than in wage employment (1.4%) in the first quarter of 2019 (weighted average). This speaks to a deterioration of the average quality of employment, given that wage employment tends to offer better-quality conditions —in terms of social protection, remuneration and working conditions— than own-account work. The greater growth in own-account work has been a fairly widespread phenomenon among the countries for which data are available, having occurred in Argentina, Brazil, Chile, Costa Rica, Ecuador, Mexico and Peru, although not in Colombia, the Dominican Republic or Paraguay.

In only two of the seven years examined —those when regional output contracted, in 2015 and 2016— has the difference between the growth in wage employment and

in own-account work exceeded the early-2019 gap; this underscores the distance between households' needs and the availability of jobs of decent quality, albeit this is not evident in the form of a higher open unemployment rate (see figure I.36).

**Figure I.36**
Latin America (10 countries): economic growth and year-on-year variation in employment, by employment category, 2010–first quarter of 2019
*(Percentages)*
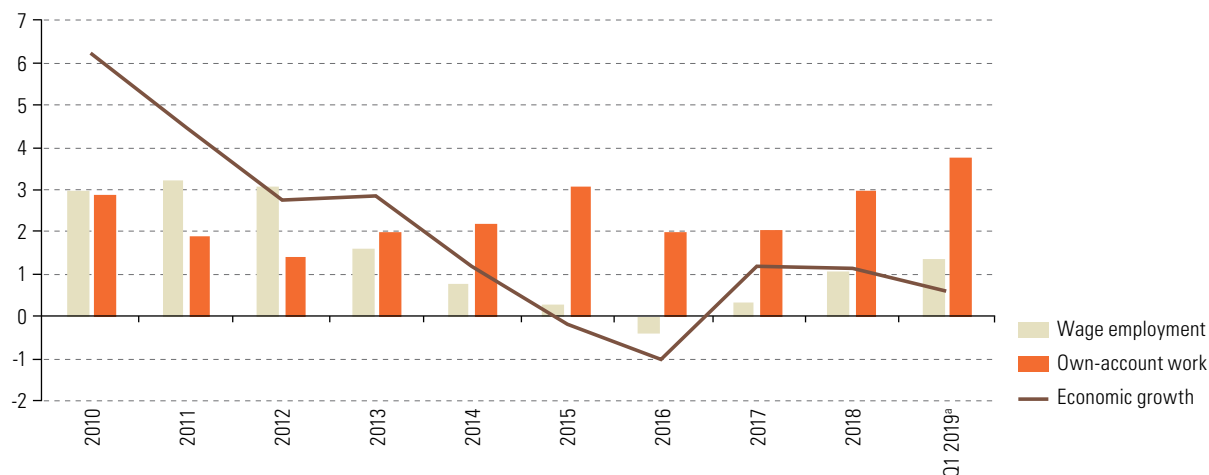


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC).
a The economic growth rate refers to the projection for the year overall.

Another, related indicator of deterioration in employment quality is labour informality.[15] Comparing the first quarter of 2019 to the year-earlier period, employment informality increased in 7 of 10 countries with information available (Argentina, Brazil, Chile, Costa Rica, Ecuador, Peru and Uruguay), and declined only in the Dominican Republic. It remained stable (with a change of up to a tenth of a percentage point) in Colombia and Mexico. In the median for these countries, informality rose by 0.35 percentage points in the first quarter of 2019.

The increase in informality may be due to the expansion of the informal sector —largely associated with rising numbers of own-account workers— but it also reflects wage employment conditions becoming more precarious. In Brazil, for example, formal private wage employment —which had contracted by 385,000 jobs in the 2018 average with respect to 2017— showed some recovery in year-on-year terms in early 2019, and in the first quarter of the year, the number of private sector wage earners in the formal sector was up by 81,000 on first-quarter 2018. However, the expansion of informal private wage employment was much larger (467,000 jobs), pointing to a continuation of the decline in the average quality of wage employment. It therefore seems likely that the informalization of pre-existing formal jobs has continued, albeit less severely than in previous years (see ECLAC, 2018, pp. 72–73).

In addition to these two processes (new jobs in the informal sector and informalization of jobs in the formal sector), a new informality is emerging in occupations that are generally intermediated by little-regulated digital platforms. This is due in part to the fact that it has not been clearly established whether these jobs come into the category

---

[15]    The methodology for measuring informality varies from one country to another, so their levels are not comparable. It should be recalled that the evolution of labour (in)formality depends both on the generation of new (in)formal jobs and on the (in)formalization of existing jobs.

of dependent or independent work (ECLAC/ILO, 2019). Although the scale of this type of work is still limited (especially as a main job), it is an emerging trend that is posing major challenges for labour and social regulation.

Coupled with rising informality, the prevailing trend in the countries for which data are available is a slowdown in the growth of absolute numbers of registered jobs. As shown in figure I.37, in the first quarter of 2019, growth in this relatively good-quality employment underperformed the 2018 average in six countries (see annex table A.24). The main exceptions are Brazil, El Salvador and Uruguay, where growth in this type of employment has picked up slightly, although still at low rates in all three cases. As noted above, at least for Brazil and Uruguay, that acceleration has not been sufficient to reverse the trend towards greater informality. In Panama, formal employment continues to contract, although slightly less sharply than in 2018. Conversely, in Chile, Mexico and Peru, despite a slowdown compared to 2018, growth in registered employment is relatively high. Lastly, in Argentina the expansion in registered employment has been reverted in the context of an economic downturn, and in Nicaragua domestic sociopolitical conflict has had a significant impact on economic activity and registered employment, which contracted by 10.5% on average in 2018 and 16.7% in the first two months of 2019, compared with the year-earlier period. In the median for these countries, in the first quarter of 2019 registered employment rose by 1.0%, compared with 1.3% in 2018 (see figure I.37).

**Figure I.37**
Latin America (selected countries): year-on-year variation in registered employment, 2017–first quarter of 2019[a]
*(Percentages)*
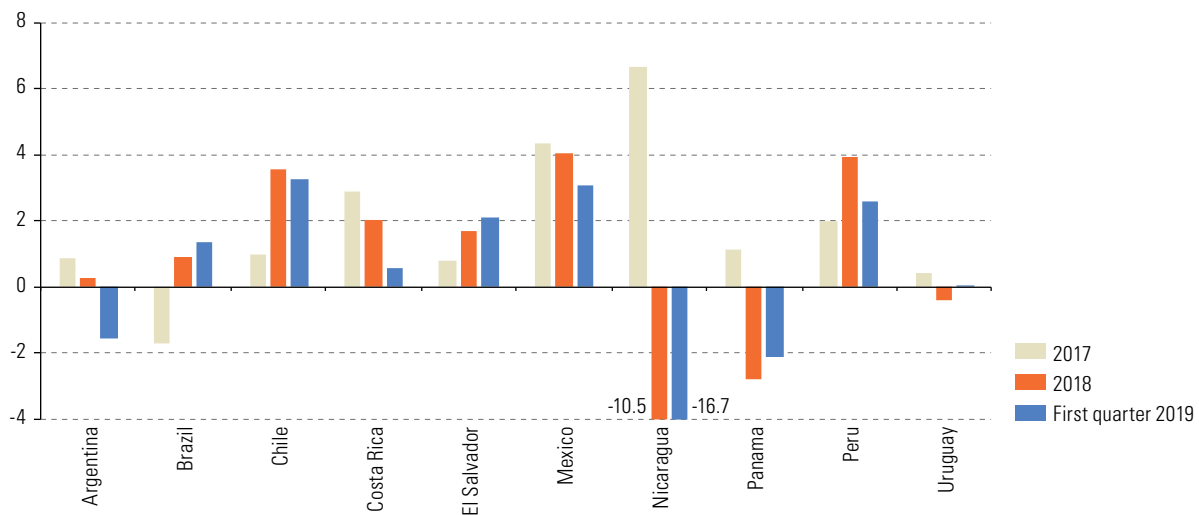


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC).
[a] Data refer to wage earners contributing to social security systems, except in the case of Brazil, where they refer to private sector wage earners reported by firms to the General Register of the Employed and Unemployed, and Panama, where the figures reflect the results of a survey of firms with five or more employees. For El Salvador and Nicaragua, the 2019 data refer to the first two months.

The situation with regard to hourly underemployment also showed a fairly widespread deterioration at the beginning of 2019. Indeed, among the 10 countries with first-quarter data, in 7 (Argentina, Brazil, Colombia, Costa Rica, Ecuador, Paraguay and Uruguay) this indicator of job-quality issues had worsened; it was stable in Chile and Mexico, and only data from Peru (Metropolitan Lima) showed a slight improvement (see annex table A.25).

In the median for these countries, the rise in hourly underemployment was 1 percentage point over the first quarter of 2018.

## 13. Structural aspects and conditions affecting employment generation by branch of activity

Employment generation by branch of activity reflects both long-term trends and the impact of the current economic conditions and their effect on a highly segmented labour market. The great majority of new jobs have long been created in the tertiary sector, with a smaller number coming from manufacturing and a sharp fall in those generated by the primary sector. The region shares these structural megatrends with the shifts that have occurred in employment at the global level and, especially, in the developed countries.

However, the region's labour markets have their own specific characteristics, with a sizeable segment whose evolution does not closely track labour demand but rather reflects the subsistence needs of low-income households. Thus, for example, a structural change towards a growing proportion of employment in the tertiary sector is not necessarily positive, given that it may involve movements towards low-productivity sectors and poor job quality.

The differences between economic sectors with respect to drivers of job creation are evident in the variations in the correlation coefficients between employment growth by sector and GDP. The differences in these coefficients indicate the extent to which employment creation in each sector depends on economic growth dynamics and, therefore, on labour demand from firms and the public sector. Specifically, if the coefficient is low (or negative) in a given industry, it may be inferred that a significant portion of jobs there are not driven by formal labour demand but by household needs.

As shown in figure I.38, for the period 1995–2018, this correlation is highest in the manufacturing industry and construction, which indicates that these are the sectors most closely linked to demand dynamics.[16]

**Figure I.38**
Latin America and the Caribbean: correlation coefficients between economic growth and variation in numbers employed, by branch of activity, 1995–2018
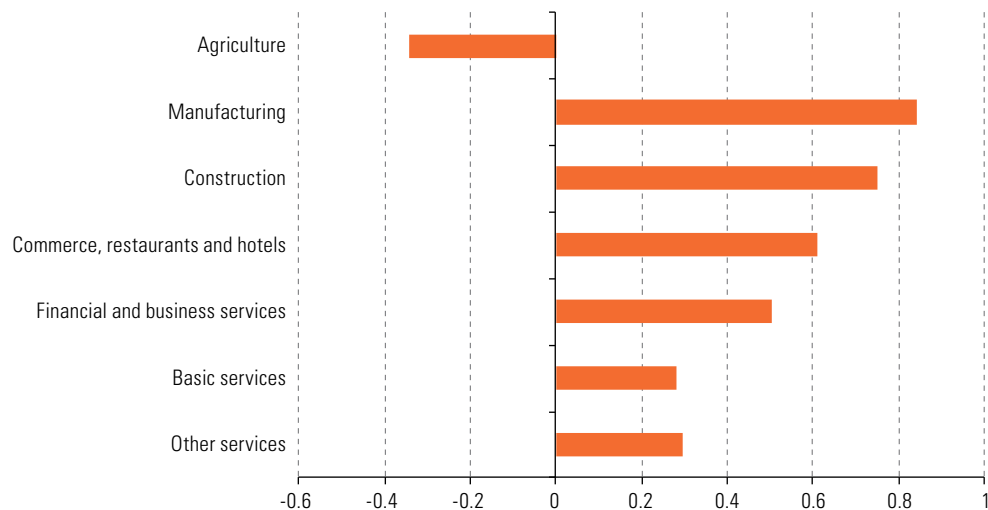


Source: Economic Commission for Latin America and the Caribbean (ECLAC).

---

[16]  It should be noted that the values in the chart do not show the employment-output elasticity of the various branches of activity and thus, do not reflect the labour intensity of economic growth in each sector, but rather the extent to which the employment generation in each is related to economic growth at the national level. Therefore, employment generation in each branch of activity is compared with economic growth in the economy overall, not with the value added in the same branch of activity.

The commerce, restaurants and hotel sector also shows a relatively high correlation, which may appear surprising, given that a non-negligible segment of employment in commerce could be taken to reflect the subsistence needs of low-income households, in view of the low entry barriers associated with this activity. The explanation could be, first, that during this period —in the context of relatively buoyant household consumption— this period saw a sharp expansion in formal commerce (hypermarkets, supermarkets, shopping centres and so forth) and, second, employment in the restaurants and hotels subsector is relatively strongly correlated with economic activity. Nevertheless, the correlation is low in other branches of the tertiary sector, while in agriculture it turns negative. This reflects the role of the small farmer economy, which many young people tend to leave when there are attractive employment options elsewhere, but in which they will remain —or to which they will return— in the absence of such alternatives.

As shown in figure I.39, in the first quarter of 2019 commerce and services expanded notably, maintaining the long-term trend. Manufacturing employment maintained a moderate rate of expansion, as recorded in 2017 and 2018, mainly reflecting gains in Mexico, although in that country the expansion was smaller than in previous years. Amid weak domestic demand, construction showed only a slight increase in employment in the first quarter of 2019. Employment in this sector was down in comparison to the same prior-year period in both Brazil and Mexico, and this was offset by the expansion in other countries, especially Colombia. Lastly, agricultural employment contracted in most countries (including Colombia, Chile, Mexico and Peru) and held steady in Brazil, which together produced a decline at the regional level.

**Figure I.39**
Latin America (11 countries):[a] year-on-year variation in employment by branch of activity, 2017–first quarter of 2019
*(Percentages)*
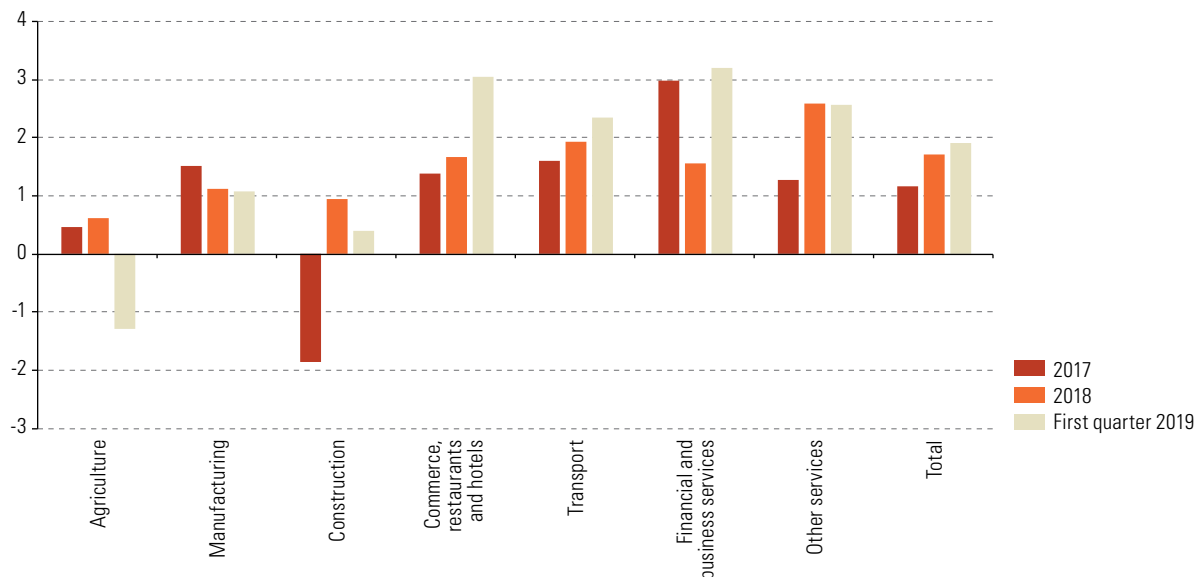


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC).
[a] Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Jamaica, Mexico, Paraguay and Peru.

## 14. At the regional level, wages have not strengthened household purchasing power

The evolution of real average wages for registered employment was mixed in the first quarter of 2019 (see figure I.40 and annex table A.26). At one extreme is Argentina, where increases in nominal wages were not large enough to offset a surge in inflation.[17] The year-on-year variations in the first quarter of 2019 compared with the prior-year period show slight rises in inflation leading to smaller real wage gains in Brazil, Chile, Peru and Uruguay. In Panama, as a result of the smaller increases in nominal wages, real wages increased less in 2019, despite deflation in the first quarter of the year. Conversely, in Colombia, Costa Rica, El Salvador and Mexico, lower inflation strengthened the purchasing power of wages. In Colombia and Mexico, real wages benefited additionally from larger nominal increases than during the earlier period.

**Figure I.40**
Latin America (selected countries): year-on-year variation in average real wages in registered employment, 2017–first quarter of 2019
*(Percentages)*
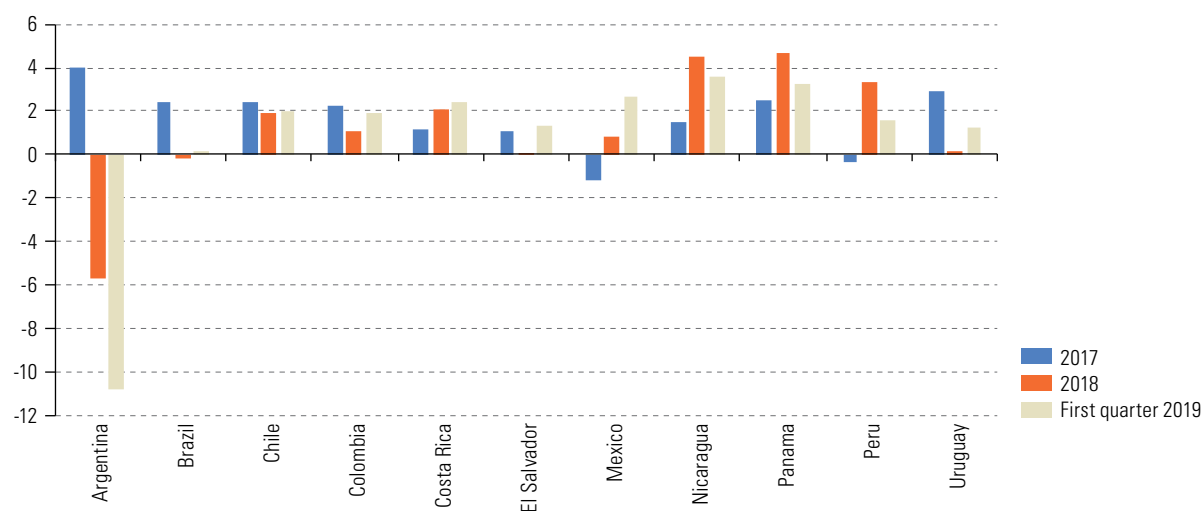


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC).

In the median for the countries for which data are available, real wages in registered employment increased by 1.9% between the first quarter of 2018 and the same period in 2019. However, while most countries recorded a slight rise in real wages in registered employment, the scenario is less auspicious when each country's real wage variation is weighted by the size of its urban workforce. Indeed, owing to the decline in real wages in Argentina and their stagnation in Brazil, at the regional level their evolution is much less positive in the weighted figures (with only a 0.2% increase) than in the median. In addition, in light of the deteriorating composition of employment —with a growing proportion of low-wage labour— average labour income overall (not only in

---

[17]   Another country where high inflation is exerting heavy pressure on real wages is the Bolivarian Republic of Venezuela. Although the authorities stopped publishing data on the evolution of average wages in 2014, the sharp increase in inflation led to a drop in the real minimum wage in 2018 and in early 2019. Specifically, in the first quarter of 2019, the real minimum wage was 40% down year-on-year.

registered employment) is likely to have performed even worse. For example, in March 2019, in Argentina, the average wage for registered employment (public and private) was down by 10.5% in real terms. However, the decline was 14.3% in the unregistered private sector, and for all wages it was 11.2%. These considerations help to explain the weakness of household consumption at the regional level.

In 2018 policies sought mainly to contain minimum wage rises, so that the median for the 21 countries with information available rose by just 0.8% in real terms, representing the lowest gain of the decade. Many countries tend to adjust minimum wages at the start of the year, making it readily apparent whether their policy stance has shifted with respect to the previous year. As of the first quarter of 2019, the median real rise in the minimum wage was 1.4%. This indicates not only that the wage containment policy has been largely pursued as in 2018, but unlike the period 2005–2017, real minimum wage gains were generally smaller than the rises seen in real average wages in registered employment.

## 15. Employment prospects for the second half of 2019 are not auspicious

In early 2019, the region's labour indicators reflected slack economic activity. The main exception was the open unemployment rate, which remained stable between 2017 and 2018 and in the first quarter of 2019 was no higher than in early 2018. However, it will be recalled that the open urban unemployment rates of 9.3% posted in 2017 and 2018 —and likely in 2019, in the average— are the highest since 2005, so in itself this stability does not reflect good conditions in the labour market. The second exception has been real median wages for registered employment which, on average for the countries with data available, show a moderate increase. Taking into account the differentiated weight of countries in the regional employment and output figures, however, in the weighted average of wage variations, real wages remain virtually unchanged.

The other variables reviewed (composition of employment by category, informality, registered employment, underemployment) suggest that labour market conditions have largely deteriorated in the region. The projections for economic activity for the second half of 2019 do not support expectations for any significant improvement in labour market indicators. Specifically, the trends towards the concentration of new jobs in precarious occupations, especially in own-account work, and labour informalization, are expected to continue, leading to a further deterioration in the average quality of employment.

# E.   Macroeconomic policies

## 1.   Fiscal consolidation is still the fiscal policy objective in Latin America in 2019

As can be seen in the 2019 budgets of the governments of the region, fiscal consolidation efforts will continue this year. Figure I.41 shows that the primary deficit of Latin America —as a measure of the short-term fiscal efforts to control the public debt trajectory— is expected to reach 0.2% of GDP in 2019, compared to 0.4% of GDP in 2018. This improvement is the result of a likely cut in primary spending, which will fall from 18.6% of GDP in 2018 to 18.4% of GDP in 2019. Meanwhile, public revenues should remain at the same level as 2018 (equivalent to 18.2% of GDP). However, there is a risk that actual total revenues could fall short, as the macroeconomic projections used to prepare them at the end of 2018 were based on more favourable scenarios of economic activity and prices for non-renewable natural resources in 2019 than that described by recent data. In this context, lower tax receipts could lead to either a greater adjustment in public spending during the year to attain the projected fiscal balance for 2019 or a greater deficit.

**Figure I.41**
Latin America (16 countries):[a] central government fiscal indicators, 2010–2019[b]
*(Percentages of GDP)*
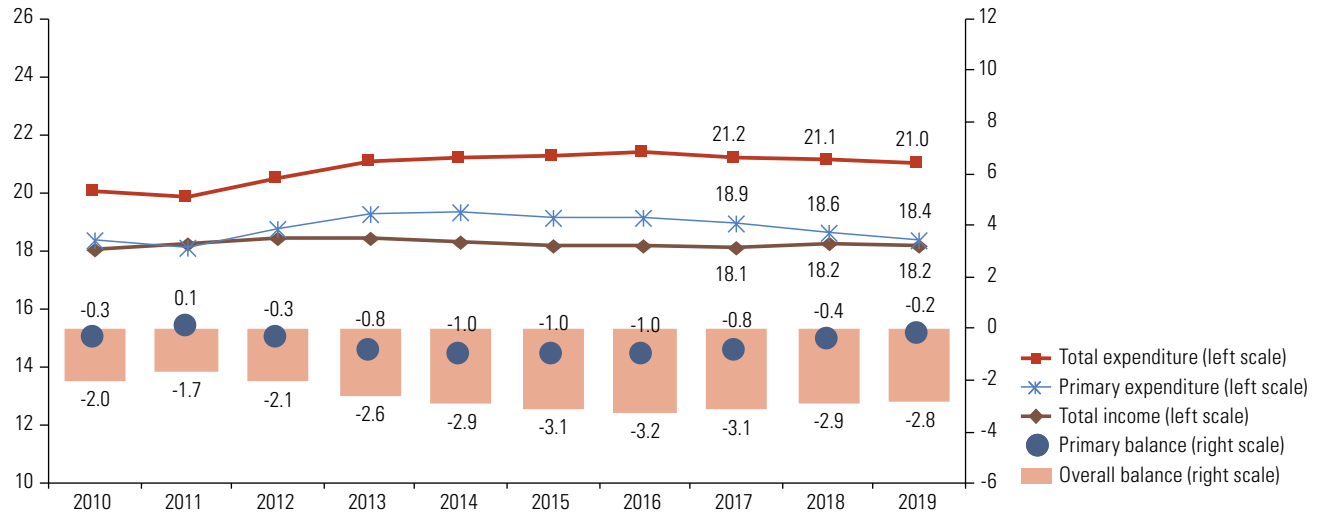


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
**Note**:    The figures are simple averages federal public sector.
[a] Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay.
[b] The figures for 2019 are official estimates or projections derived from 2019 budgets.

According to official projections, the different fiscal situations observed in the subregions of Latin America in 2018 will persist in 2019. As can be seen in figure I.42, the average primary balance for Central America, the Dominican Republic and Mexico is expected to remain stable, as a result of primary spending cuts, standing at 16.4% of GDP in 2019 compared to 16.5% of GDP in 2018. Those adjustments would offset the fall in total revenues, down from 16.6% of GDP in 2018 to 16.4% in 2019. The average

primary balance at the subregional level for 2019 masks the different results among countries: from a deficit of 3.4% of GDP in Costa Rica to surpluses of 1 percentage point of GDP or more in the Dominican Republic, El Salvador, Honduras and Mexico. Meanwhile, the expected increase in total expenditure, as a result of a higher interest payments and primary current spending, would boost the overall deficit, widening it to 2.9% of GDP in 2019, up from 2.5% of GDP in 2018.

**Figure I.42**
Latin America: central government fiscal indicators, by subregion, 2015–2019[a]
*(Percentages of GDP)*

A. Central America,[b] Dominican Republic and Mexico
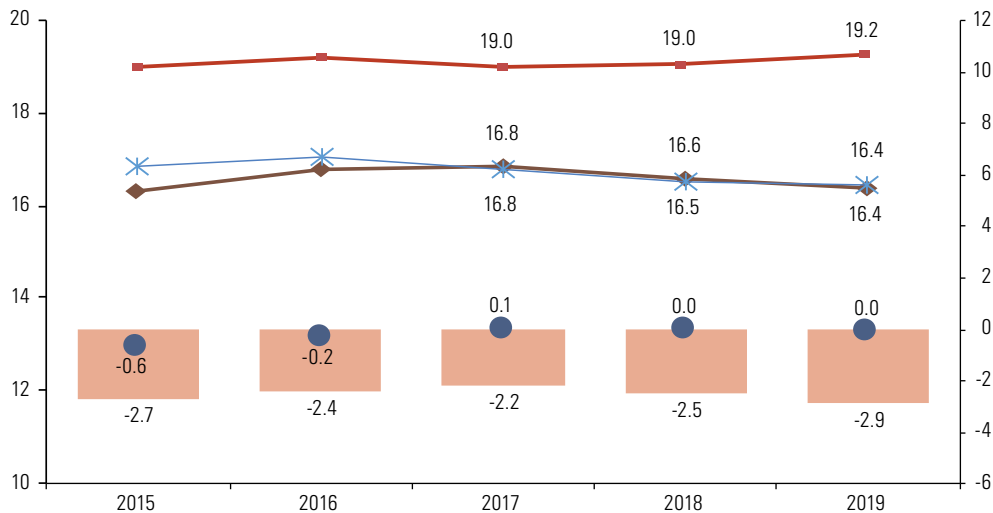


B. South America (8 countries)[c]
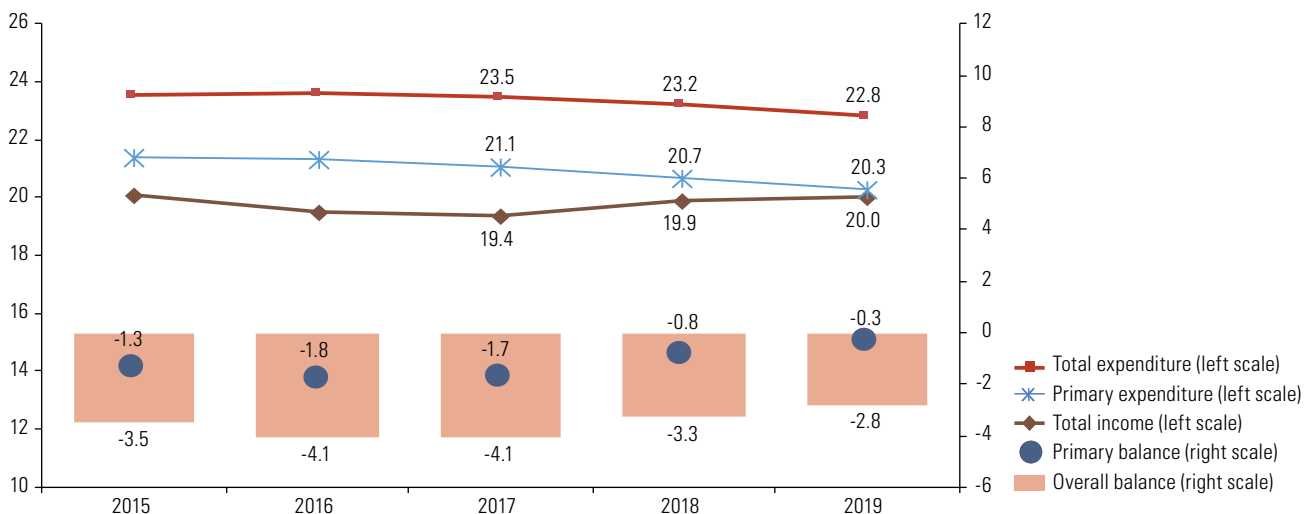


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
**Note**:    The figures are simple averages. In the cases of Argentina, Mexico and Peru the figures are for the national public administration, the federal public sector and the general government, respectively.
[a] The figures for 2019 are official estimates or projections derived from 2019 budgets.
[b] Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.
[c] Argentina, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru and Uruguay.

Fiscal adjustments will continue in South America in 2019, as part of efforts to control public spending. The primary deficit is expected to narrow to 0.3% of GDP in 2019, compared to 0.8% of GDP in 2018. This improvement is the result of primary expenditure cuts (from 20.7% of GDP in 2018 to 20.3% of GDP in 2019) proposed in South American government budgets, following the downward trend seen in recent years. Meanwhile, public revenues are projected to rise slightly —standing at 20.0% of GDP compared to 19.9% of GDP in 2018— mainly thanks to windfall revenues in some countries. Unlike the countries of Central America, the Dominican Republic and Mexico, the anticipated fall in total expenditure in South America will improve the global balance, shrinking from -3.3% of GDP in 2018 to -2.8% of GDP in 2019.

In contrast to the fiscal situation in Latin America, primary spending in the Caribbean is expected to accelerate in 2019, given that public revenues have opened up fiscal space for more active policies (see figure I.43). Total revenues are expected to continue to rise, up from 27.0% of GDP in 2018 to 27.7% of GDP in 2019, while primary spending should stand at 26.4% of GDP in 2019, after reaching 25.4% of GDP in 2018. The primary balance will remain in surplus in 2019 (1.3% of GDP), albeit below the value recorded in 2018 (1.6% of GDP).

**Figure I.43**
The Caribbean (12 countries):[a] central government fiscal indicators, 2010–2019[b]
*(Percentages of GDP)*
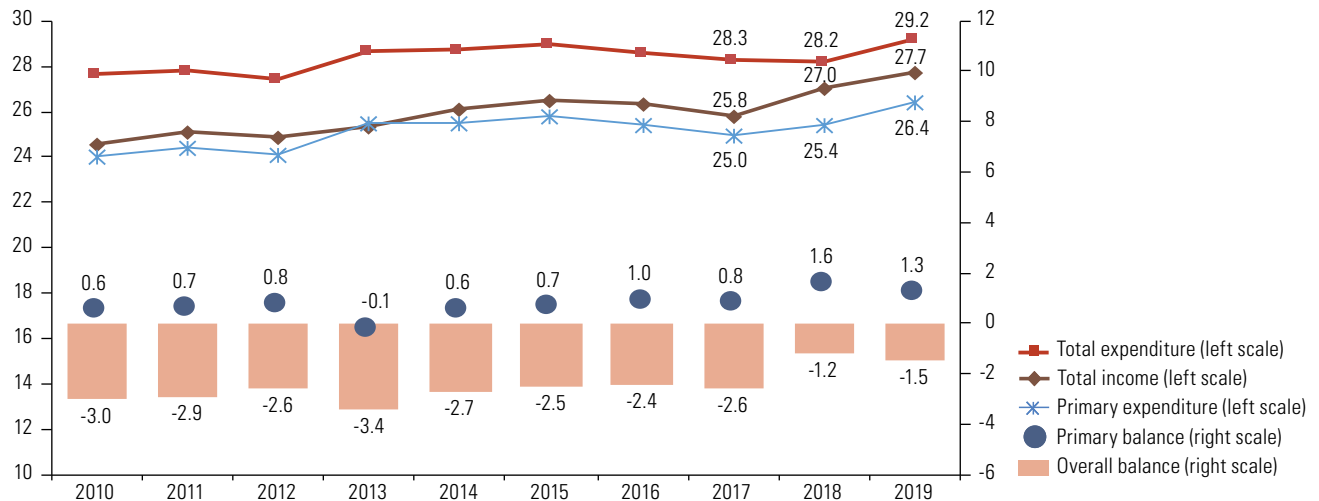


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
**Note**:    The figures are simple averages.
[a] Antigua and Barbuda, Bahamas, Barbados, Belize, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saint Lucia, Suriname, and Trinidad and Tobago.
[b] The figures for 2019 are official estimates or projections derived from 2019 budgets.

The region's current macrofiscal situation points to the need to strengthen fiscal policy as a macroeconomic instrument. In recent years, sluggish revenues, coupled with higher spending needs, has led to an increase in the public debt-to-GDP ratio for most of the countries of the region. This greater indebtedness has resulted in higher debt servicing costs, which in turn has meant that authorities have pursued fiscal consolidation to adjust public spending in order to create greater budgetary

space to pay those costs. This trend makes it difficult to adopt countercyclical policies at the exact moment when economic activity decelerates. This fiscal policy limits authorities' ability to boost growth, which is exacerbated by capital spending cuts.

## 2.   Gross public debt followed diverse trends in the first quarter of 2019

Central government gross public debt in Latin America was 41.9% of GDP on average during the first quarter of 2019, down 0.6 percentage points of GDP compared to the close of 2018. However, levels of gross public indebtedness still vary across the region, with a slight improvement in 11 of the 16 countries for which 2019 data are available. The initial decline in the debt levels of this group of countries during the first quarter of 2019 is mainly due to a lower primary balance. In addition to this, growth rates remain positive, despite decelerating, which means that the spread of real interest rates (r) and real growth (n) remains negative (r-n) in some countries. Nevertheless, these figures are preliminary and could change over the course of the year.

Of the 18 countries analysed, 16 have data available for the first quarter of 2019 (see figure I.44). Argentina has the highest level of gross public debt in the region (88.5% of GDP), followed by Brazil (78.7% of GDP) and Costa Rica (52.9% of GDP). At the other extreme is Paraguay with the lowest level of gross public debt (18.4% of GDP), followed by Peru (21.3% of GDP).

**Figure I.44**
Latin America (18 countries): central government gross public debt, 2018–2019[a]
*(Percentages of GDP)*
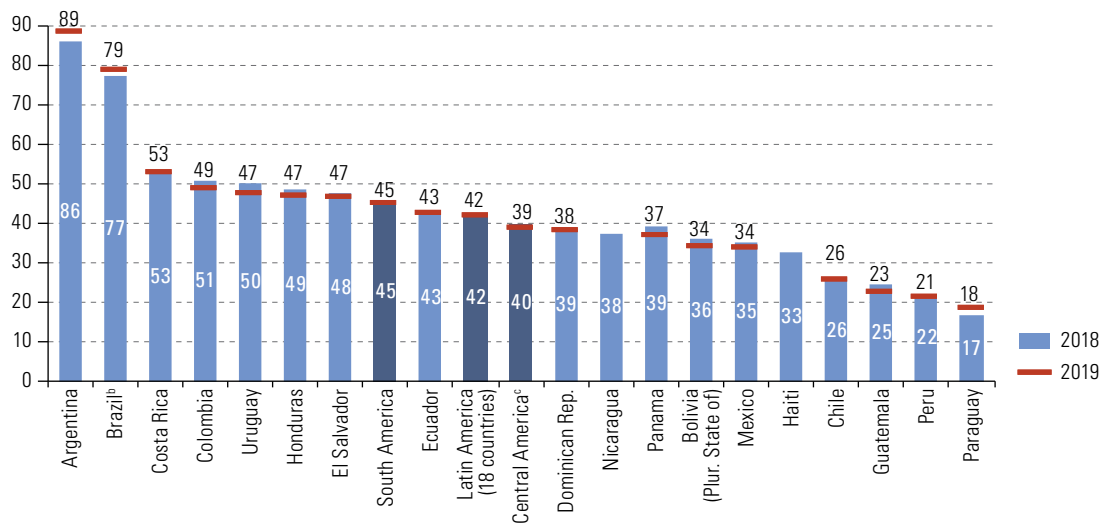


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

[a] The figures for 2019 correspond to the end of March. The figures for 2018 are for the period up to the close of 2018, except in the case of Haiti (end of April 2018). The 2019 average for Latin America was calculated from the latest data available for the 18 countries analysed.

[b] The figures for Brazil are for the general government.

[c] The figures for Central America include Costa Rica, the Dominican Republic El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, and Panama.

The ratio of public debt to GDP has increased in Argentina in the period between the close of 2018 and March 2019 (up from 86% to 88.5% of GDP), despite the decrease in the level of indebtedness in nominal terms over the same period, which went from US$ 332.192 billion to US$ 324.898 billion. The main factor explaining the increase in this ratio is exchange rate fluctuations, given that a high proportion of the country's public debt (close to 78%) is denominated in foreign currency, which exacerbates the volatility of the public debt figures published each quarter.

At the subregional level, public debt in South America edged down by 0.2 percentage points of GDP between the close of 2018 and the end of March 2019, to stand at an average of 45.1% of GDP. The largest decreases were seen in Uruguay (2.8 points) and the Plurinational State of Bolivia (1.9 points). Central America's debt shrank by 1 percentage point, down to an average of 38.7% of GDP, with Panama posting the largest decrease (2.5 percentage points of GDP), followed by Guatemala (2.0 points).

Analysis of changes in Latin America's gross public debt (see figure I.45) reveals that debt levels have been trending upwards since 2011, growing by around 12 percentage points of GDP between 2011 and 2018. That trajectory seems to have stabilized a little in the first quarter of 2019. However, it is still too early to determine how public debt levels will evolve during 2019.
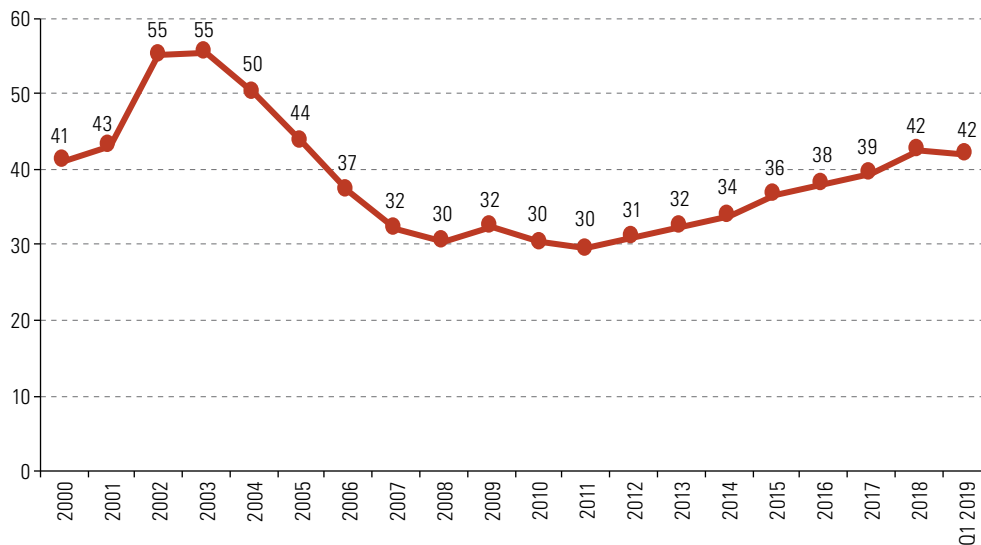


**Figure I.45**
Latin America: gross public debt, 2000–2019[a]
*(Percentages of GDP)*

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] The figures for 2019 are from March.

The data available for seven Caribbean countries shows that, on average, central government gross public debt decreased in the subregion. At the national level, Barbados still has the highest level of public debt, equivalent to 124.7% of GDP as of March 2019, followed by Jamaica (93.8% of GDP), even though the latter has reduced its debt by almost 9 percentage points of GDP since the close of 2018. The Caribbean country with the lowest level of public debt is Guyana (41.7% of GDP). The average gross public debt of the Caribbean countries was 71.8% at the end of 2018, a year-on-year drop of 2.6 percentage points.

**Figure I.46**
The Caribbean (13 countries): central government gross public debt, 2018–2019[a]
*(Percentages of GDP)*
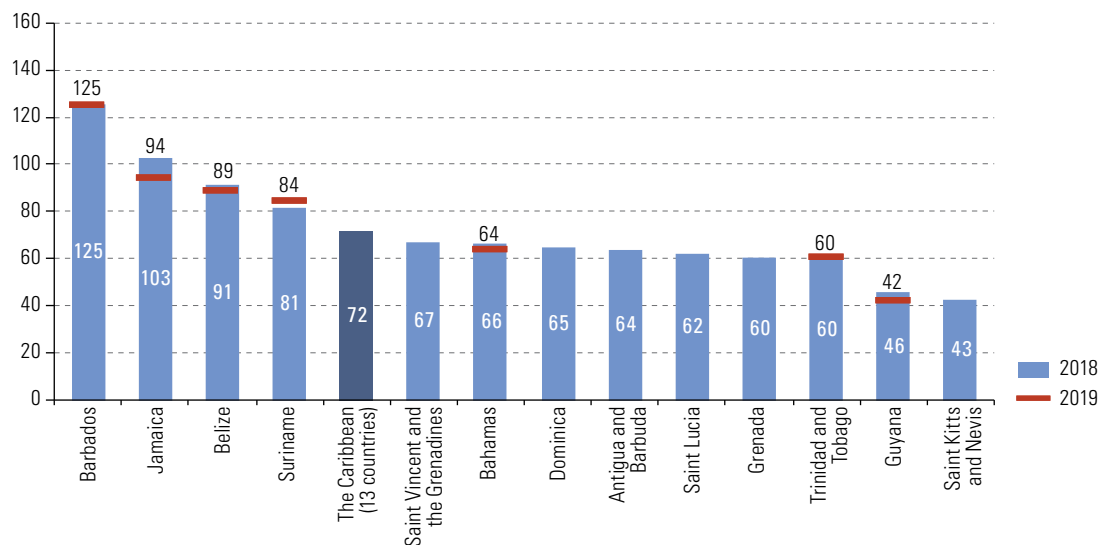


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a]  The figures for 2018 are from the close of the year and the figures for 2019 are from March.

Debt servicing costs are expected to continue to rise in most countries of the region, reaching an average of 2.7% of GDP in 2019. As can be seen in figure I.47, central government interest payments have been steadily increasing since 2013. In 2018, they outstriped the average recorded between 2000 and 2006.

**Figure I.47**
Latin America: interest payments on central government public debt, 2000–2019[a]
*(Percentages of GDP)*
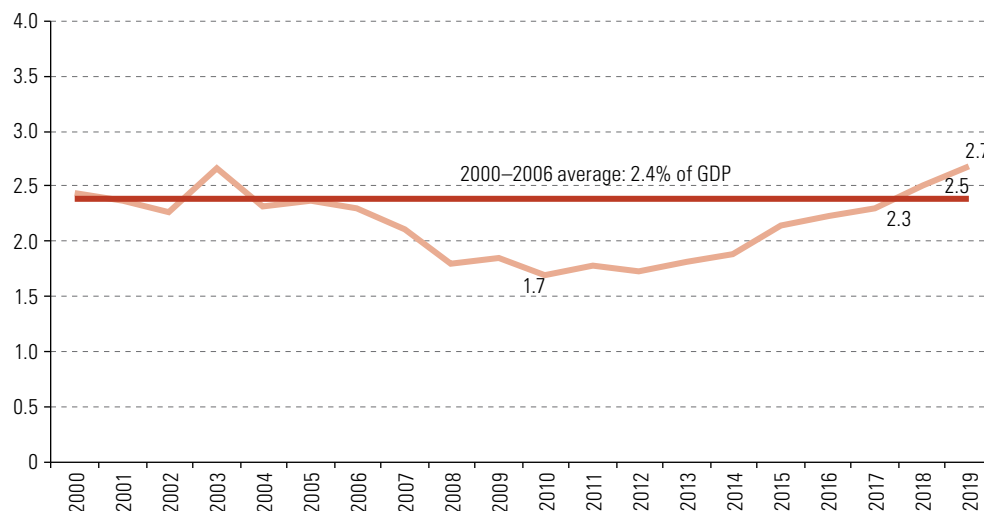


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a]  The figures for 2019 are preliminary, based on estimates derived from official budgets.

At the subregional level, interest payments in South America are expected to be equivalent to 2.5% of GDP in 2019, almost the same as in 2018. Central American debt servicing costs are expected to rise by 0.3 percentage points of GDP, reaching an average of 2.8% of GDP. This increase follows the upward trend that began in 2018, which is why the debt servicing costs are growing at a faster rate than in previous years. This is mainly reflected in the hike in interest payments expected during the year in countries such as Costa Rica, where debt servicing costs will rise by 1 percentage point of GDP (see figure I.48).

**Figure I.48**
Latin America and the Caribbean: central government[a] public debt interest payments, 2018–2019[b]
*(Percentages of GDP)*

A. Latin America (16 countries)
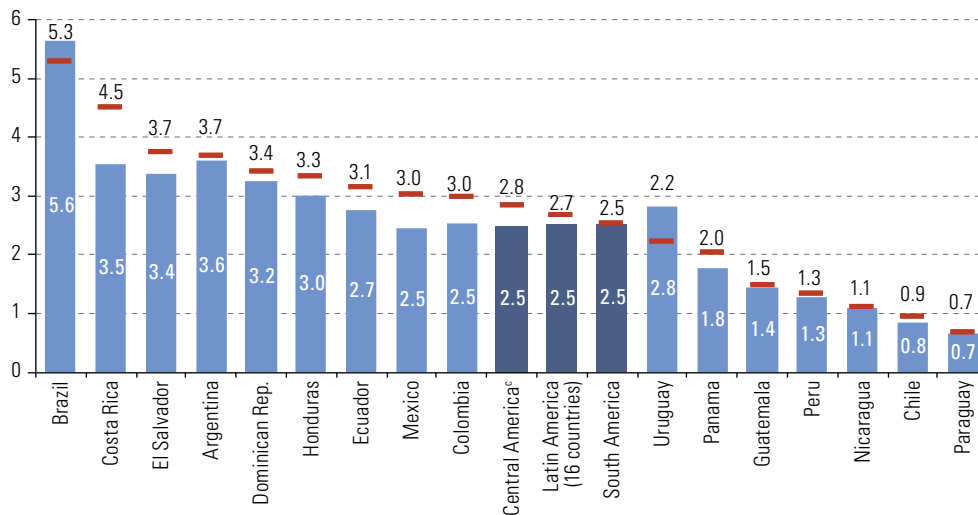


B. The Caribbean (12 countries)
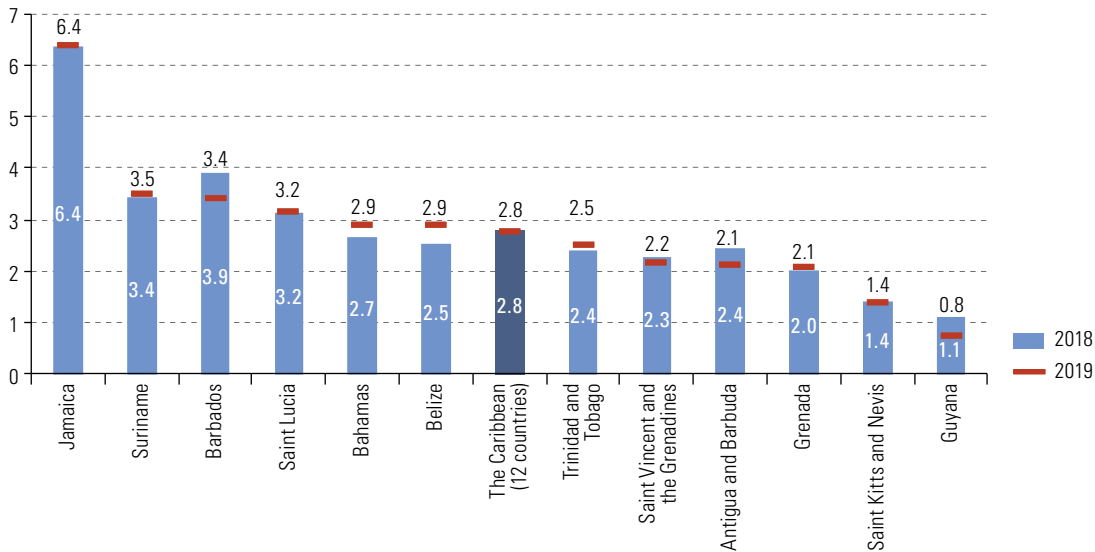


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] The figures for Peru correspond to general government, for Mexico to the federal public sector and for Barbados to the non-financial public sector.
[b] The figures for 2019 are preliminary, based on estimates derived from official budgets.
[c] Includes the Dominican Republic and Mexico.

At the country level, Brazil will still have the highest debt servicing costs in the region in 2019 (5.3% of GDP, which would represent a decrease compared to 2018), followed by Costa Rica and El Salvador, where debt costs are equivalent to 4.5% and 3.7% of GDP, respectively. At the other extreme, interest payments for Chile and Paraguay were below 1% of GDP.

Interest payments on the public debt in the Caribbean subregion are expected to be 2.8% of GDP, similar to the level reached in 2018. Jamaica is still the country with the largest debt servicing burden on its public accounts (6.4% of GDP), followed by Barbados and Suriname, both with figures under 4% of GDP. Of the 13 countries for which data are available, interest payments are expected to fall in almost half in 2019, most notably in Guyana and Barbados. Public debt costs for most countries of the subregion have remained under 3% of GDP, which is close to the average for the subregion in 2018 (see figure I.48B).

## 3.    Curtailing public spending will lead to cuts in primary and capital expenditures during 2019

The need to tackle accumulated budget deficits —which have led to higher public debt and interest payments— has intensified pressure to cut primary spending in order to contain the growth in total public spending. In this regard, budgets across the region include primary spending cuts.

**Figure I.49**
Latin America and the Caribbean: central government spending, 2017–2019[a]
*(Percentages of GDP)*



**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
**Note**:    The figures are simple averages. In the cases of Argentina, Mexico and Peru the figures are for the national public administration, the federal public sector and the general government, respectively.
[a] The figures for 2019 are official estimates or projections derived from 2019 budgets.
[b] Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay.
[c] Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.
[d] Argentina, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru and Uruguay.
[e] Antigua and Barbuda, Bahamas, Barbados, Belize, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

Primary current spending in Latin America is expected to fall slightly in 2019, down from 15.4% of GDP in 2018 to 15.3% in 2019. This average masks divergent trends among the different country groupings. On the one hand, in Central America, the Dominican Republic and Mexico these expenditures are projected to rise to 13.2% of GDP in 2019, compared to 13.0% in 2018, driven by higher spending in El Salvador and Guatemala. On the other hand, primary current expenditure in South America is projected to decrease from 17.8% of GDP in 2018 to 17.4% in 2019, the lowest level since 2014.

Capital expenditures are also expected to fall during the year, standing at 3.1% of GDP in 2019, down from 3.2% in 2018. As figure I.50 illustrates, this component of total expenditure will be slightly above the average for the period 2000–2006 of 2.9% of GDP. The decrease in 2019 is mainly due to spending cuts among the Central American countries, the Dominican Republic and Mexico, where capital expenditures are expected to drop to 3.2% of GDP in 2019, compared to 3.5% in 2018. In South America, by contrast, capital expenditure levels are not expected to change.

**Figure I.50**
Latin America (16 countries):[a] central government capital spending, 2000–2019[b]
*(Percentages of GDP)*
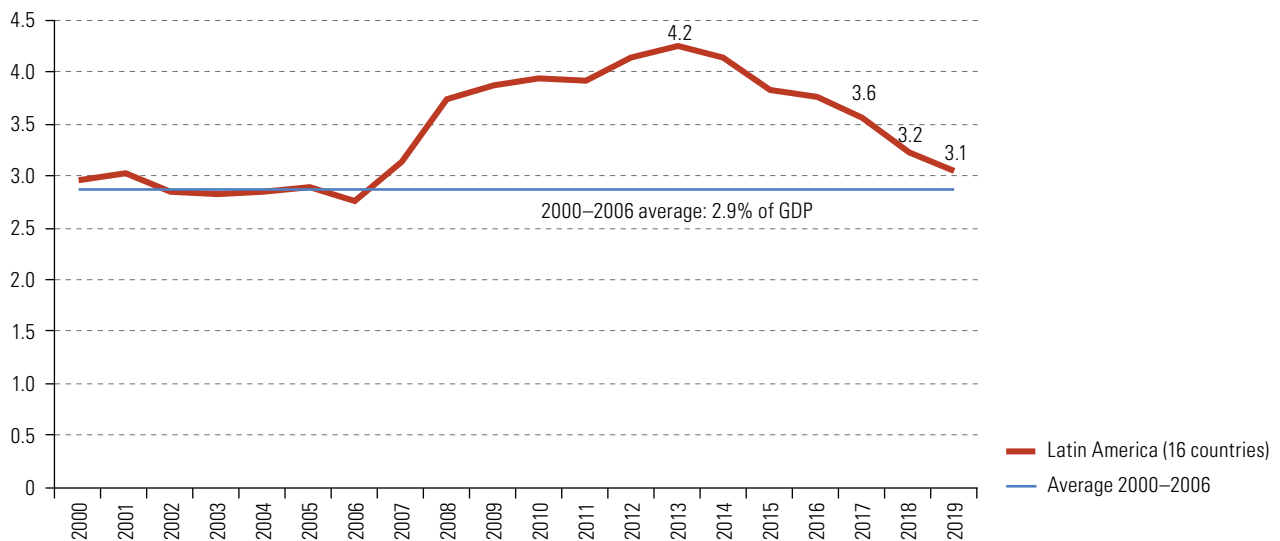


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
**Note**:    The figures are simple averages. In the cases of Argentina, Mexico and Peru the figures are for the national public administration, the federal public sector and the general government, respectively.
[a] Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay.
[b] The figures for 2019 are official estimates or projections derived from 2019 budgets.

The Caribbean countries are expected to take advantage of the greater space offered by higher public revenues to increase their total spending, which will rise to 29.2% of GDP in 2019, up from 28.2% in 2018. In particular, capital expenditures will rise from 3.4% of GDP in 2018 to 4.2% in 2019. These expenditures, linked to public investment, are expected to increase in 8 of the 12 Caribbean countries analysed, up 1 percentage point of GDP or more in Antigua and Barbuda, Grenada, Guyana, and Saint Kitts and Nevis.

## 4.   Public revenues are projected to remain stable as a percentage of GDP, but they showed signs of weakening in the first months of 2019

Total income in Latin America in 2019 is expected to remain at the same level as in 2018 (18.2% of GDP) (see figure I.51). While the average will remain stable, income levels will follow divergent trends among the different country groupings. On the one hand, a slight increase in total income is expected in South America, up to 20.0% of GDP in 2019 from 19.9% in 2018, mainly as a result of projected increases in Colombia and Ecuador. On the other hand, total revenues are expected to fall among the Central American countries, the Dominican Republic and Mexico in 2019, following the trend observed in recent years.

**Figure I.51**
Latin America and the Caribbean: central government revenue, 2017–2019[a]
*(Percentages of GDP)*



**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
**Note**:    The figures are simple averages. In the cases of Argentina, Mexico and Peru the figures are for the national public administration, the federal public sector and the general government, respectively.
[a] The figures for 2019 are official estimates or projections derived from 2019 budgets.
[b] Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay.
[c] Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.
[d] Argentina, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru and Uruguay.
[e] Antigua and Barbuda, Bahamas, Barbados, Belize, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

As stated above, these projections were based on more favourable scenarios in terms of expected GDP growth and international commodity prices. In that regard, depending on the extent to which these projections are not borne out, total revenues could fall. This is especially true in the case of revenue sources that exhibit high levels of elasticity with respect to changes in their tax base, such as income tax or property income —mainly royalty payments and share of production— from the exploitation of non-renewable natural resources.

With regard to tax revenues, projections derived from Latin American governments' budgets suggest that public revenues will remain at the same level as in 2018 (15.6% of GDP). However, these projections must be compared to the actual receipts of the main taxes, namely value added tax (VAT) and income tax. As can be seen in figure I.52, there is a progressive slowdown in VAT receipts that is expected to continue in 2019. Table I.5 shows that this is a relatively general trend, with year-on-year decreases in 9 of the 11 countries analysed. Particular attention is drawn to Argentina, Brazil, El Salvador, Mexico and Peru, where the slowdown has been sharper.

**Figure I.52**
Latin America (11 countries):[a] real year-on-year change in value added tax (VAT) receipts, January 2016–May 2019
*(Percentages)*
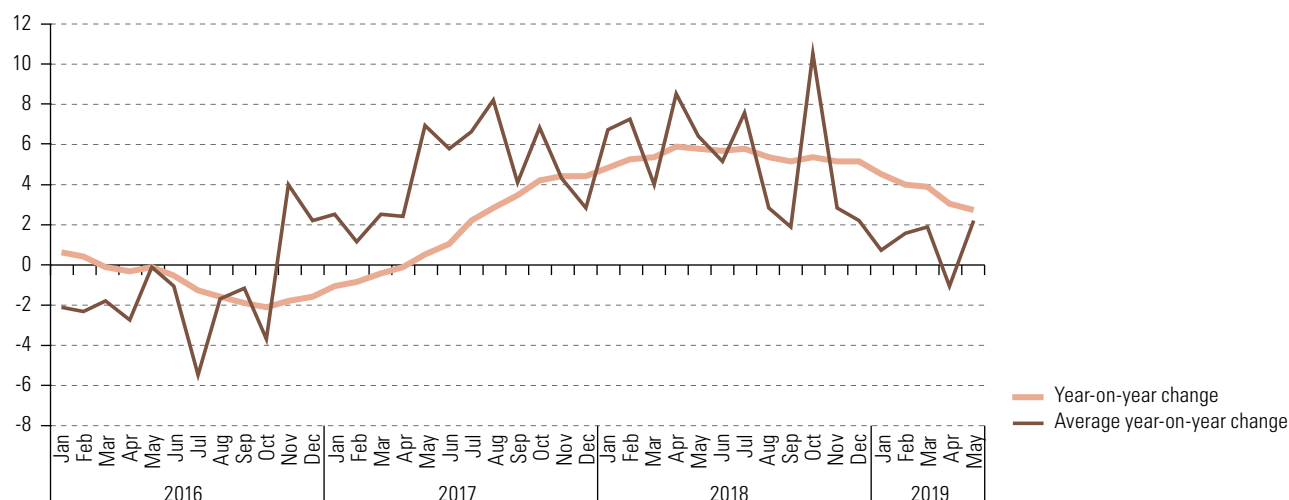


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
**Note**:    The figures are simple averages.
[a] Figures are for Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Peru and Uruguay.

| Country | Period | VAT | | Income tax | | VAT and income tax | |
|---|---|---|---|---|---|---|---|
| | | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** |
| Argentina | January–June | 15 | -10 | 8 | -1 | 12 | -6 |
| Brazil | January–May | 7 | 0 | 5 | 4 | 6 | 2 |
| Chile | January–May | 5 | 1 | -2 | 3 | 1 | 2 |
| Colombia | January–May | 6 | 5 | -2 | 5 | 2 | 5 |
| Costa Rica | January–June | -2 | 0 | 0 | 16 | -1 | 8 |
| Ecuador | January–April | 5 | 2 | 10 | 11 | 7 | 6 |
| El Salvador | January–May | 10 | 1 | 7 | 2 | 8 | 2 |
| Guatemala | January–June | 2 | 1 | -5 | -3 | -1 | -1 |
| Mexico | January–May | 9 | 1 | 0 | 2 | 3 | 1 |
| Peru | January–June | 12 | 3 | 21 | 3 | 16 | 3 |
| Uruguay | January–May | -1 | 1 | 5 | -1 | 2 | 0 |
| **Median** | | **6.2** | **1.1** | **5.1** | **2.6** | **2.7** | **1.7** |
| **Average** | | **6.2** | **0.5** | **4.2** | **3.6** | **5.0** | **2.0** |

**Table I.5**
Latin America (selected countries): real year-on-year change in value added tax (VAT)[a] and income tax receipts, 2018–2019
*(Percentages)*

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] In the case of VAT, in Brazil receipts of the (federal) tax on industrialized products and the (state-level) tax on the movement of goods and services are included.

Income tax revenues in Latin America exhibit greater heterogeneity. While growth in these revenues has slowed in terms of the average and median for this group of countries, income tax receipts have picked up in some countries in 2019, largely thanks to tax measures that came into force at the beginning of the year. This was the case in Chile, Colombia and Costa Rica, where the year-on-year change was more than 5 percentage points, thanks entirely or partially to changes in the tax framework or temporary measures.

In Chile, this result is mainly explained by the higher monthly provisional payments, in line with latest hike in the first category tax rate pursuant to the 2014 tax reform. The increase observed in Colombia between January and May 2019 is due to modifications to the withholding tax included in the Finance Act of 2018, as well as higher revenues from 2018, particularly from the hydrocarbons sector. Income tax revenues could also pick up in Colombia in 2019, thanks to a tax to normalize capital, returns for which must be filed by 25 September 2019.[18] Higher income tax yields in Costa Rica are mainly the result of income received as part of an amnesty included in the tax reform approved at the end of 2018.[19]

With regard to non-tax revenue, projections derived from the budgets of the governments of Latin America suggest that these revenues will, on average, fall in the countries of Latin America and of Central America, the Dominican Republic and Mexico. In South America, non-tax revenues should remain stable, but this is only because they will rise in Colombia (thanks to greater dividends paid out by Ecopetrol as a result of higher profits last year) and in Ecuador. If these countries are excluded, non-tax revenues would fall in South America, owing to a contraction in property income —mainly royalty payments and share of production— from the exploitation of non-renewable natural resources.

As can be seen in figure I.53, the real year-on-year change in mining revenues in the main producers of region (Chile and Peru) has been negative since the last months of 2018, a trend which has not been reversed in 2019. With regard to oil revenues, the monthly figures clearly show a deacceleration in revenue growth has since the last quarter of 2018. This trend has continued in the first months of 2019 and even the Mexican federal public sector's oil revenues are declining in real terms. The fall in the international prices of these commodities in the first half of the year reduces the likelihood that these trends will be reversed in the second half of the year.

---

[18]  Pursuant to the Tax Reform Act, a normalization tax with an applicable rate of 13% was created in addition to income tax and wealth tax.

[19]  Taxpayers could participate in this tax amnesty between 4 December 2018 and 4 March 2019, inclusive. Under the programme, interest will be forgiven and there will be a reduction (ranging from 40% to 80% depending on when the taxpayer submitted his or her return) of the penalties to be imposed.

Latin America (selected countries): real year-on-year changes in fiscal revenues from non-renewable resources,
January 2017–March 2019
*(Percentages of GDP)*
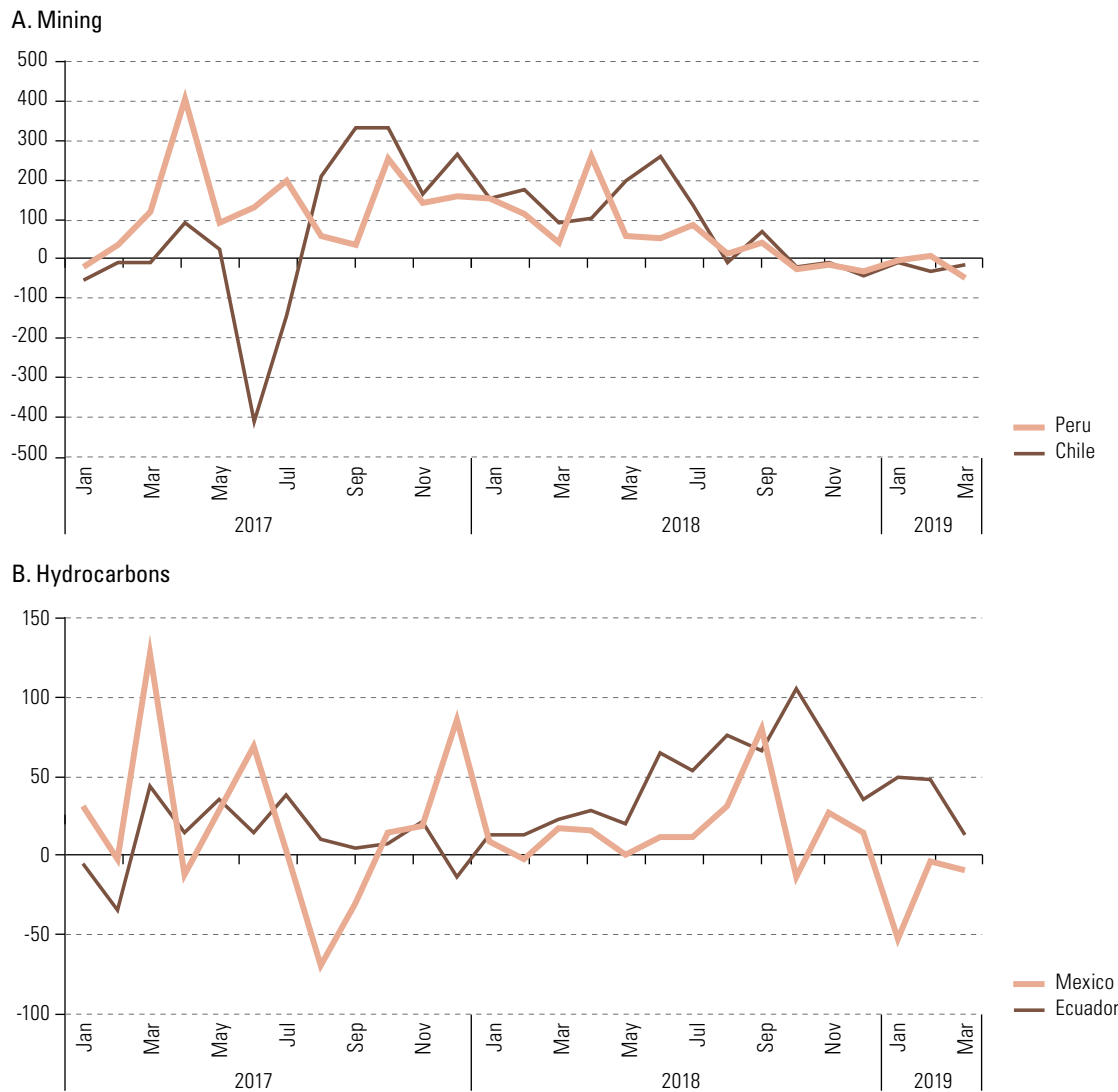
A. Mining



B. Hydrocarbons



**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
**Note**:     Mining revenues in Chile include central government gross receipts from copper and private mining tax yields. In Peru, they include receipts from mining royalty payments, the special mining tax, third category income tax and the regularization of the mining sector by the central government. With regard to hydrocarbons, the figures correspond to oil revenues in Ecuador (non-financial public sector) and Mexico (federal public sector).

In the Caribbean, public revenues are projected to continue to rise in 2019, albeit at a slower pace than was seen in 2018. This increase —up from 27.0% of GDP in 2018 to 27.7% in 2019— will be the result of both higher tax and non-tax revenues. With regard to tax receipts, Guyana, Saint Vincent and the Grenadines and Trinidad and Tobago are expected to see increases of more than 1 percentage point of GDP in 2019. Conversely, a significant drop in tax revenues is expected in Suriname. Meanwhile, non-tax revenues are projected to increase by more than 1 percentage point of GDP in Grenada, Saint Vincent and the Grenadines, and Trinidad and Tobago. In the latter, this increase will be partly due to the projected recovery in oil revenues.

## 5.    The dilemmas faced by monetary and exchange-rate policymakers in the region are becoming more acute

The uptick in regionwide average inflation since May 2018, which has persisted in the first five months of 2019, has reduced the space for policymakers to stimulate domestic aggregate demand in several of the region's countries. Moreover, the high volatility of the region's foreign exchange markets in the face of uncertainty, compounded by pessimism over commodity prices and the international financial situation, make it harder for the authorities in question to adopt expansionary policies in contexts in which the second-order effects on inflation may now be greater. In addition, high levels of domestic debt in some countries and negative expectations for economic performance could blunt the effectiveness of monetary policy in stimulating GDP growth.

Nonetheless, given the possibility of interest rate cuts by the United States Federal Reserve, the economic slowdown and the fact that —despite the aforementioned uptick— inflation rates remain relatively low, the opportunity to adopt more expansionary monetary policies may arise.

Against this conflicting backdrop, seven of the countries that pursue explicit inflation targets altered their policy interest rates in 2018, and four did so in the first half of 2019. Chile, Costa Rica, the Dominican Republic and Mexico all raised rates in 2018, with Costa Rica and Mexico doing so more than once. In these countries, the monetary policy rate hikes responded to their currencies' greater volatility over the course of 2018, especially in the second half of the year.

The central banks of Brazil, Colombia and Peru cut their rates twice in 2018, taking advantage of the greater space generated by lower inflation in those countries. Nonetheless, all of the increases occurred as from May in that year. Guatemala, Honduras and Paraguay did not change their monetary policy rates at all in 2018. In the first half of 2019, four countries altered their policy rates: Honduras raised rates once, Costa Rica and Paraguay cut rates twice; and, lastly, Chile changed its rates twice, once up and once, more recently, down, as authorities' became concerned at the slackening pace of domestic aggregate demand (see figure I.54).

In the Latin American economies that use monetary aggregates as their main policy tool, the deceleration in the growth of the money supply, which had started in 2016, became more pronounced in 2018 (see figure I.55). The monetary base grew on average by 12.6% in 2016, and then by 8.9% and 6.4% in the two following years, respectively. In the first three months of 2019, base money expanded by 4.8% in this group of countries. To control the growth of the monetary aggregates, the region's countries generally altered their reserve ratios and established differentiated marginal and reserve requirements for the different types of instrument. In Argentina,[20] the Bolivarian Republic of Venezuela and Haiti, the fact that base money growth has gathered pace reflects the use of monetary financing for fiscal management in these countries, which, despite efforts to reduce it, remains at historically high levels.

---

[20]    In October 2018, Argentina's central bank adopted a new policy programme that abandoned inflation targeting in favour of controlling the growth of the monetary base.

Latin America (selected countries): monetary policy interest rate in countries that use this as the main policy instrument, January 2016–June 2019
*(Percentages)*

A. Countries that maintained or lowered their rates
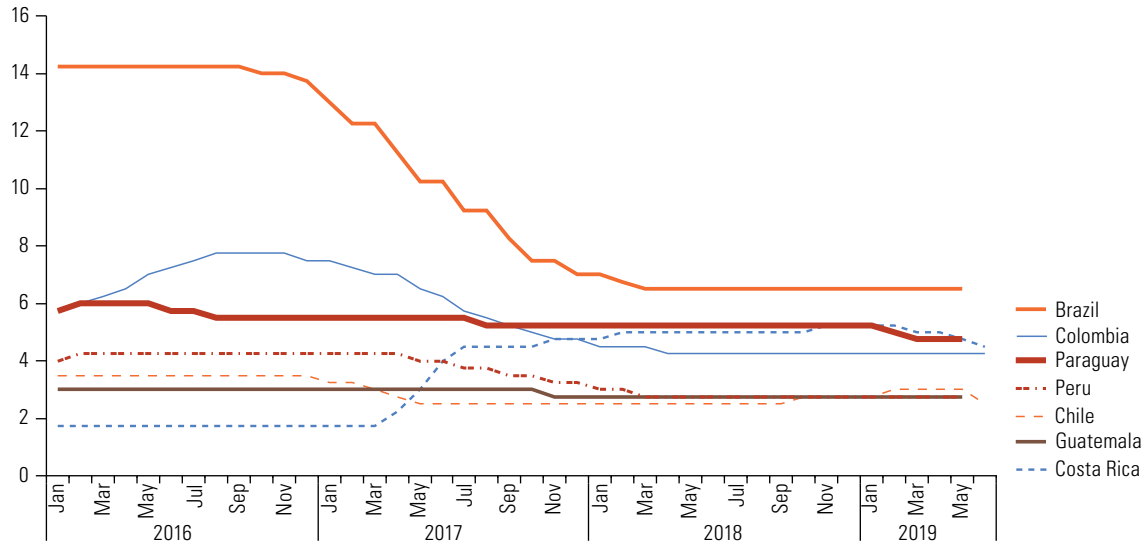


B. Countries that raised their rates
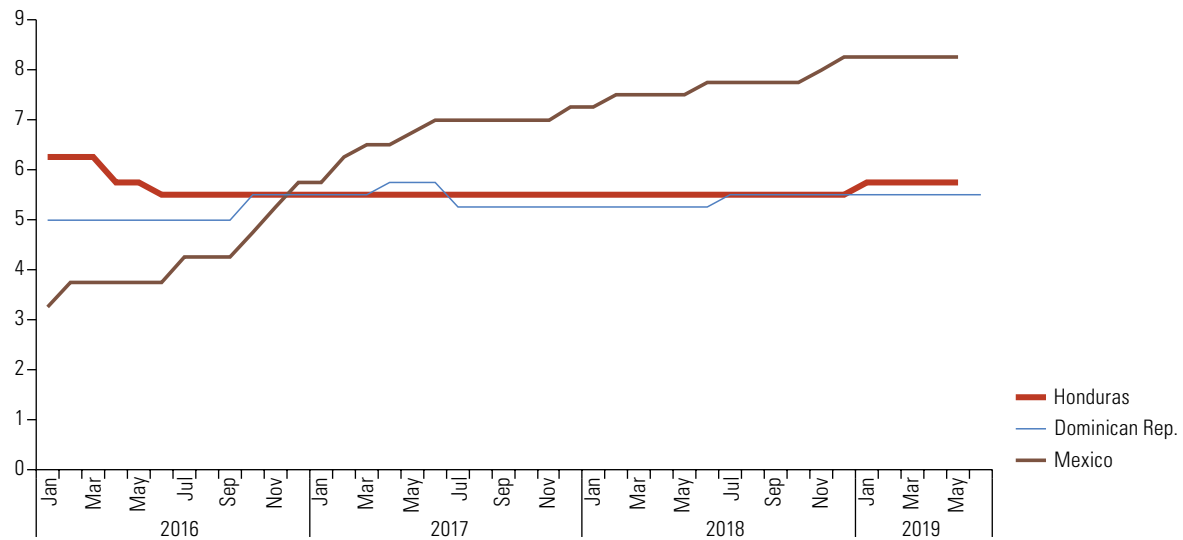


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

**Figure I.55**
Latin America and the Caribbean (selected groups of countries): trend of the monetary base in countries that use
monetary aggregates as the main monetary policy instrument, first quarter of 2010 to second quarter of 2019
*(Percentages)*
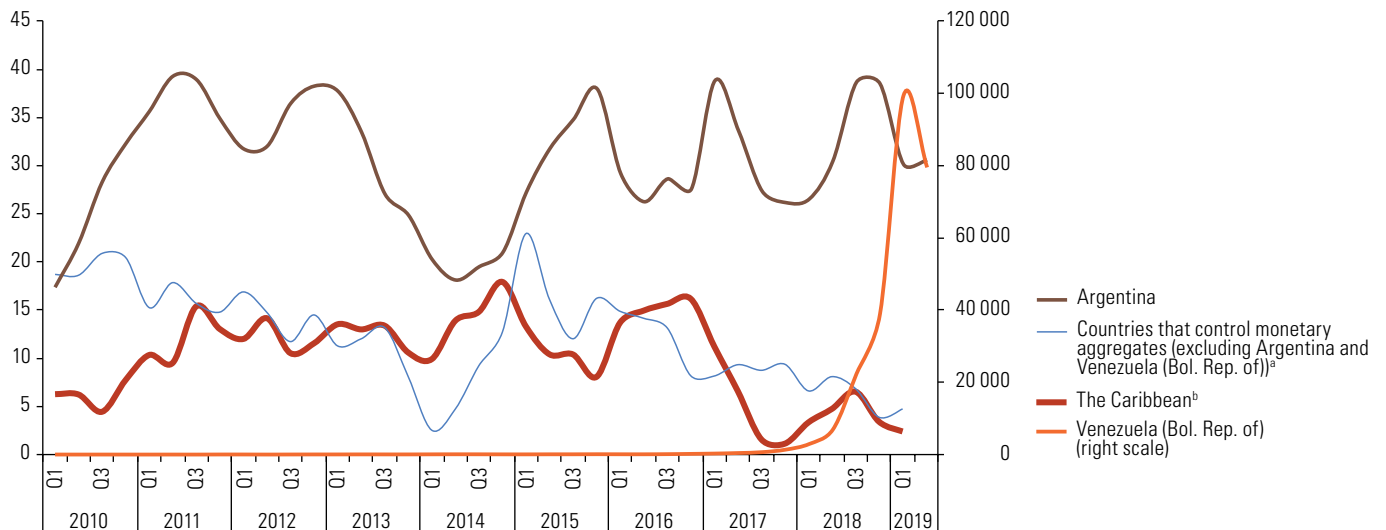


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Ecuador, El Salvador, Haiti, Nicaragua, Panama, Plurinational State of Bolivia and Uruguay.
[b] Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname,
Trinidad and Tobago.

In the non-Spanish-speaking Caribbean countries, base money growth gathered
pace in 2018. This contrasts with the weaker expansion in 2017, especially in the third
and fourth quarters, when the monetary base actually shrank as an average for that
group of countries. In Suriname, the growth of the monetary aggregates reflects
the increasing use of monetary financing for fiscal management; and, as in its South
American counterparts (Argentina and the Bolivarian Republic of Venezuela) base money
growth rates exceed 20%.

In the first quarter of 2019, the growth of the monetary base slackened in the
economies of the non-Spanish-speaking Caribbean, while rebounding but remaining
at historically low levels in Latin American countries that use monetary aggregates as
their main monetary policy tool. Base money growth is also slowing in Argentina,
while in the Bolivarian Republic of Venezuela, despite the deceleration seen in the
second quarter, it was over 80,000%.

## 6.    Lending rates continue to fall in part of the region while domestic credit to the private sector is gathering pace

In early 2018, lending interest rates in the region continued the downward trend that
had begun in the middle of the previous year, partly in response to the behaviour of the
different monetary policy instruments (policy rates and monetary base) and, until May
2018, owing to the fall in inflation. Thereafter, however, the interest rate paths in the

different subregions of Latin America and the Caribbean started to diverge. In economies that use monetary policy rates as the main instrument, lending rates continued to fall, even in the first five months of 2019. Conversely, in the Latin American economies that target control of the money supply, rates started to rise as from May 2018 and have continued to trend up in the first five months of 2019. An example is Argentina, where the lending rate rose by more than 30 percentage points in 2018 owing to the sharp hike in the monetary policy rate that year. In the non-Spanish-speaking Caribbean, lending rates remained broadly stable in 2018, edging down slightly; but they have been rising in the first four months of 2019 (see figure I.56).

**Figure I.56**
Latin America and the Caribbean (selected groups of countries): average lending rates, January 2010–May 2019
*(Percentages)*
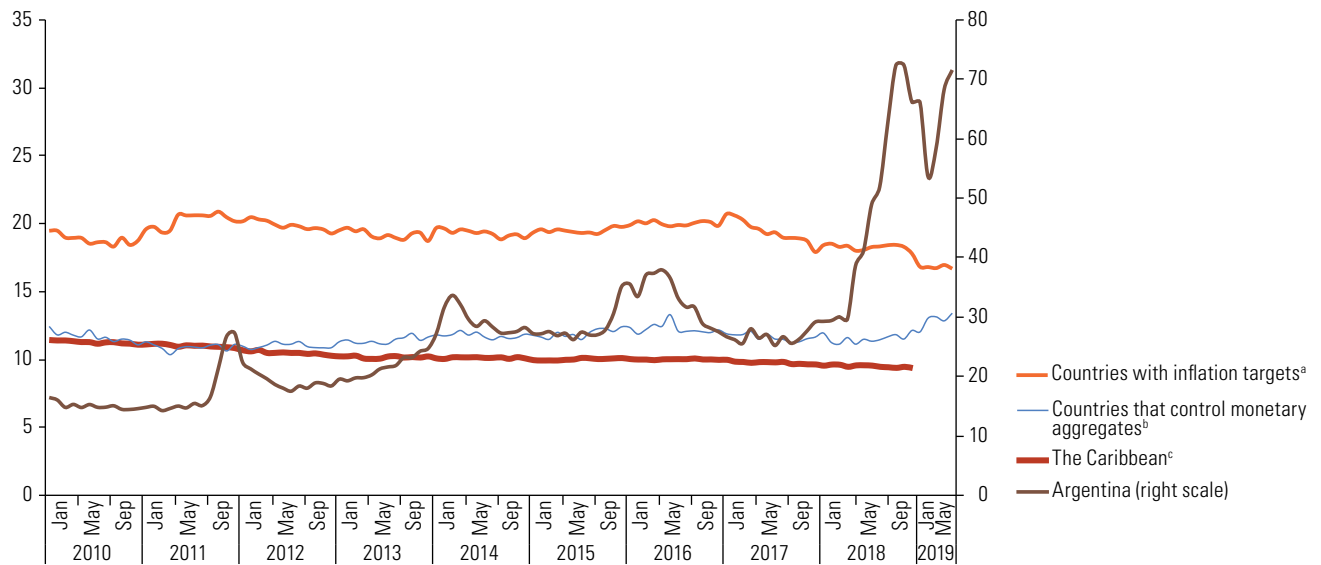


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Guatemala, Honduras, Mexico, Paraguay and Peru.
[b] Bolivarian Republic of Venezuela, Ecuador, El Salvador, Haiti, Nicaragua, Panama, Plurinational State of Bolivia and Uruguay.
[c] Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago.

Legend:
— Countries with inflation targets[a]
— Countries that control monetary aggregates[b]
— The Caribbean[c]
— Argentina (right scale)

Domestic credit to the private sector has strengthened in real terms since late 2017, in response to interest rate cuts and lower inflation, at least until May 2018. Since the third quarter of 2018, although interest rates have risen, domestic credit to the private sector has continued to accelerate in economies that pursue inflation targets, in those of the non-Spanish-speaking Caribbean, and in those that use monetary aggregates as their main monetary policy instrument, apart from Argentina and the Bolivarian Republic of Venezuela (see figure I.57). In the latter two economies, however, domestic credit to the private sector has been weakening since mid-2018, and in the first quarter of 2019 it was down by 10% in both countries.

**Figure I.57**
Latin America and the Caribbean (selected groups of countries): real domestic credit to the private sector, averages of year-on-year rates, first quarter of 2013 to second quarter of 2019
*(Percentages)*
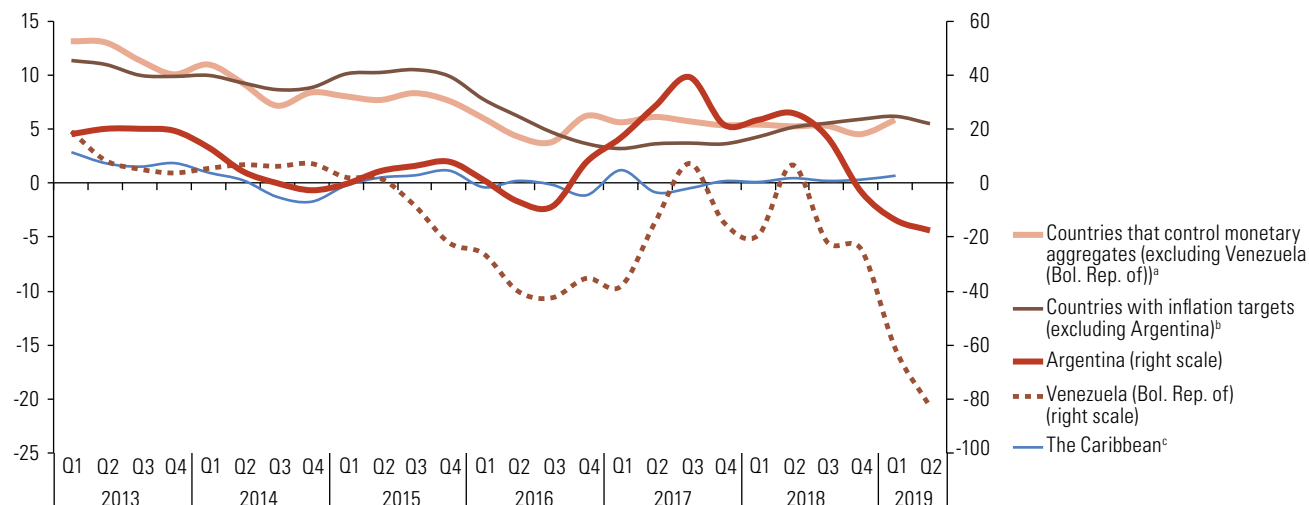


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Ecuador, El Salvador, Haiti, Nicaragua, Panama, Plurinational State of Bolivia and Uruguay.
[b] Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Guatemala, Honduras, Mexico, Paraguay and Peru.
[c] Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

## 7.    Although exchange rate volatility has tended to ease in 2019, it remains higher than in 2017

Following the relative stability of the region's exchange rates in 2017, exchange rate volatility—measured as the average absolute inter-day variation of the exchange rate against the dollar—increased in 2018 in most of the region's economies that operate a flexible exchange rate regime (see figure I.58). In the first half of 2019, volatility has declined, although it remains at higher levels than in 2017.

The greater exchange rate volatility in 2018 was accompanied by nominal depreciations in 21 of the region's currencies, with the Mexican peso the only one to appreciate in nominal terms. The largest variations occurred in the currencies of Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Haiti, and Uruguay, which all weakened by more than 10% in nominal terms. Exchange rate volatility and depreciation were both particularly forceful during the second half of the year. In the first six months of 2019, with less volatility (in other words smaller inter-day exchange rate variations), 13 countries saw their currencies weaken, the largest depreciations occurring in Argentina, the Bolivarian Republic of Venezuela, Haiti and Uruguay. In contrast, Brazil, Costa Rica, Mexico and Peru all saw their currencies strengthen in nominal terms.

In 2018, various changes were made to the exchange rate regime in the Bolivarian Republic of Venezuela, to unify the official exchange rate and make the foreign exchange market more flexible. As a result, a regime was created in which the exchange rate fluctuates as determined through auctions. The changes also made it possible to narrow the spread between the official and parallel exchange rates: from a multiple of 31.8 times at the end of 2017 to 2.8 at end-2018, and practically 1 in June 2019.

**Figure I.58**
Latin America and the Caribbean (16 countries): nominal exchange rate volatility, average absolute daily variations, 2016–2019[a]
*(Percentages)*
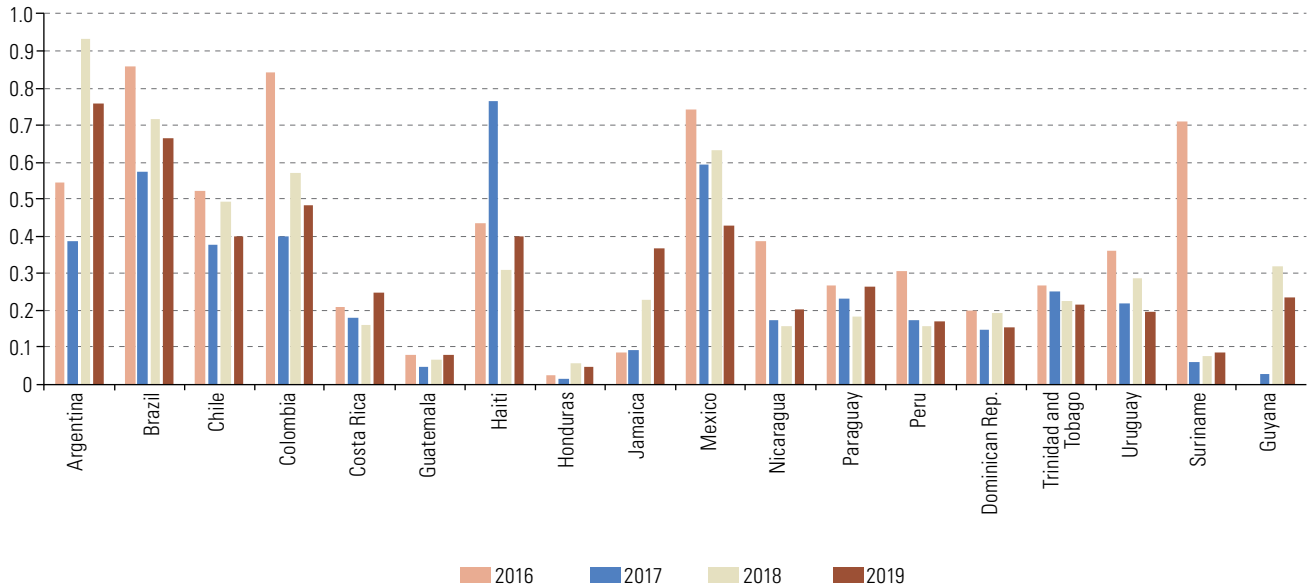


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] January to June 2019.

In terms of real effective exchange rates, 16 of the region's countries saw their currencies appreciate in 2018, while five experienced a real depreciation. In the first half of 2019, the pattern has reversed, with real effective exchange rates rising in most countries. This is explained mainly by the nominal depreciations that occurred in many of the region's economies, as noted above. In fact, a comparison of real effective exchange rates between May 2019 and December 2018 shows that 14 currencies have weakened while eight have strengthened.

## 8.    International reserves were stable in absolute terms in 2018, but higher relative to GDP

Figure I.59 shows that the region's international reserves increased slightly (by 0.9%) over the course of 2018 as a whole. In the first quarter of the year there was a pronounced accumulation of reserves; but this was more than dissipated during the second and third quarters, before the fourth quarter saw a recovery. This result includes the US$ 38 billion received by Argentina from the International Monetary Fund (IMF), other international organizations and the People's Bank of China, in the framework of the expansion of the currency swap program with the International Monetary Fund (IMF), other international organizations and the People's Bank of China.

**Figure I.59**
Latin America and the Caribbean: trend of gross international reserves, 2000–2018
*(Billions of dollars and percentages of GDP at the year-end)*
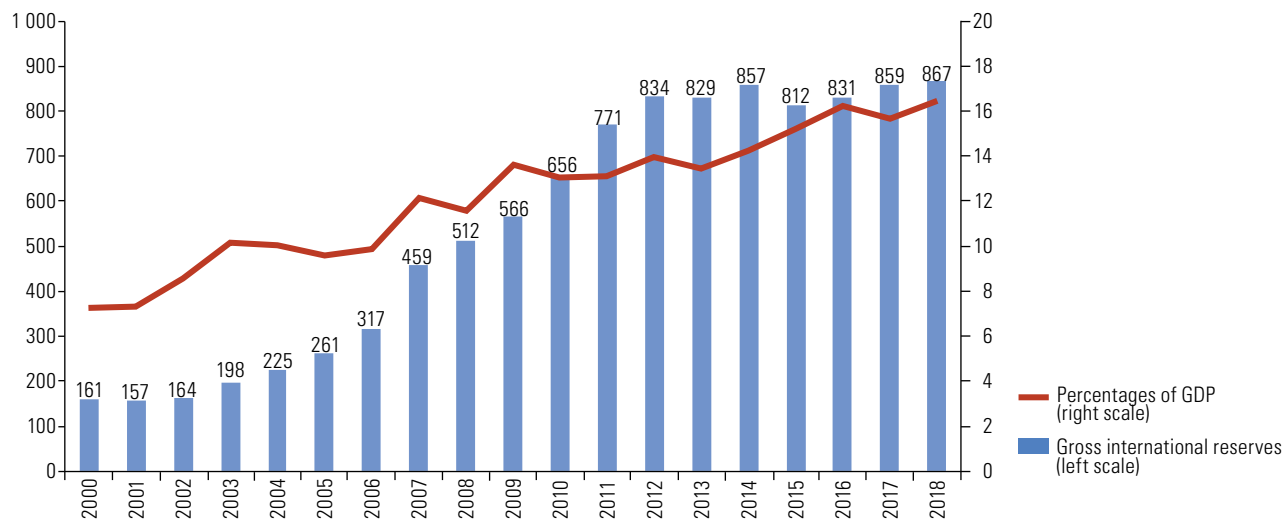


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Reserves increased in absolute terms in 16 countries, with relative increases of over 19% in Argentina, Barbados and Suriname, while in absolute terms Argentina's reserves grew by US$ 10.751 billion. Reserves shrank in 16 countries, and by more than 15% in the Bahamas, Nicaragua and Panama. The largest absolute reductions occurred in Peru (by US$ 3.443 billion) and in the Plurinational State of Bolivia (by US$ 1.314 billion).

In short, in 2018 inflows from multilateral organizations were the main source used to maintain the level of reserves, while interventions on the foreign exchange markets to keep exchange rates stable depleted them. The effect of these interventions can be seen clearly in the trend of reserves relative to GDP, which declined in 21 countries and increased in just 11.

Data up to June 2019 report a continuation of the recovery that had started in the last quarter of the previous year, with reserves growing by 3.4% relative to their end-2018 level. This trend may fade during the course of the year, however, depending on how capital flows evolve in a more volatile international financial market. Moreover, if global economic activity cools as expected, a slight increase in the current account deficit is forecast, leading to a smaller inflow of foreign exchange.

In the first half of 2019, reserves increased in 15 countries and decreased in another 11. The steepest falls in relative terms from the end-2018 levels were recorded in Panama (-76.9%), the Bolivarian Republic of Venezuela (-10.0%) and Belize (-8.9%). In this period, Argentina and Panama experienced the steepest falls in reserves in absolute terms (down by US$ 1.062 billion and by US$ 2.334 billion, respectively). In Argentina this occurred despite receiving a fourth payment from the IMF of US$ 10.830 billion in April. The largest increases occurred in Ecuador (+52.6%), the Bahamas (+32.5%) and El Salvador (+28.1%). The countries holding the largest stock of reserves were Brazil (US$ 11.447 billion), Mexico (US$ 9.033 billion) and Peru (US$ 6.133 billion).

# F. Risks in the international scenario and projections for Latin America and the Caribbean for 2019

## 1. The new GDP growth forecasts for Latin America and the Caribbean for 2019 are made against a backdrop of a more downbeat international outlook than at the start of the year

In the first few months of 2019, a lull in the trade tensions between China and the United States, together with a more moderate tone to central banks' monetary policy —particularly from the Federal Reserve and the European Central Bank (ECB)— contributed to an easing of financial volatility and a recovery in portfolio capital flows (bonds and shares) into emerging markets. However, these processes reversed in early May when trade tensions re-escalated.

World economic activity and global trade have continued to slacken and commodity prices have been driven down, partly as a result of slower growth in activity and partly owing to trade tensions and adverse trends in trade flows. Many of the economies in the region that export commodities —and especially those in South America— have been hurt by these falls, since they will lead to a worsening of terms of trade in 2019 and potentially also to lower fiscal revenues from extractive activities.

In addition, the concerns of recent years over the strength of China's economy remain. The slowdown that had been projected year after year finally materialized in 2018, driven not only by United States tariff measures but also by the steps that the Chinese Government itself had taken to rein in credit growth and other emerging financial risks. Although the authorities have recently implemented measures —mostly of a fiscal nature— aimed at mitigating a sharper deceleration, it is estimated that growth in the Chinese economy will drop to 6.1% this year. A perceived greater-than-expected slowdown could weaken financial markets, hitting global financial asset prices but also commodity prices.

As regards international financial markets and financing terms, the prolonged period of low volatility and relaxed financial conditions which lasted until the end of 2017 led to a significant increase in debt, sometimes accompanied by greater risk-taking. In the case of emerging markets, the increase in debt —which in the first quarter of 2019 reached a record level of 216% of their GDP (IIF, 2019)— has left them more exposed to worsening international financial conditions. In this respect, although recent announcements would suggest the Federal Reserve and the ECB will maintain expansionary monetary policy in the short term, further deterioration of financing terms for emerging markets cannot be ruled out for the remainder of the year. In the event of a surge in risk aversion and a slackening of capital flows to emerging markets, some countries in the region may face higher levels of sovereign risk and find their international reserves or currencies under pressure. The consequences for each economy will depend on its exposure to external financing needs, its proportion of dollar-denominated debt, and its volume of short-term debt, which have to be rolled over at a higher cost.

Lastly, looking at the remainder of 2019 and further into the future, there are still a number of risks that could spark greater volatility, a deterioration in financial conditions, greater uncertainty and thus a sharper slowdown in activity in different regions. In addition to perennial geopolitical risks, the potential global impact of certain other processes is not yet clear, such as Brexit and the shape of the future relations between the United Kingdom and the European Union. The fiscal situation in Italy —the fourth largest economy in the European Union, accounting for 11% of its GDP—could also lead to new waves of market volatility.

In short, the balance of risks from the international context is more downbeat than it was a few months ago and the effect on activity in the economies of the region will depend in part on the domestic tools each country can deploy in response. Countries' capacity to employ monetary policy or expand fiscal space may be a contributing factor in this regard.

However, the room for manoeuvre in terms of fiscal policy seems limited, since countries' 2019 budgets were based on consolidation processes aimed at improving primary balances, with a view to stabilizing the path of public debt. These measures entail lower planned primary expenditure, supported by reductions in both capital expenditure and primary current expenditure. An additional risk to public finances stems from the slowdown shown by the preliminary first quarter figures for tax revenues and revenues from non-renewable natural resources, which could result in lower public revenues for the year in relation to GDP. In this context, a potential decline in revenue could lead to further cuts to public spending and larger deficits.

In terms of monetary policy, the space available to authorities to adopt strategies to stimulate aggregate demand is also shrinking. On one hand, maintaining monetary policies that stimulate aggregate demand, in the current context of high uncertainty on international financial markets, could increase foreign exchange volatility throughout the region and lead to additional depreciation of currencies. In some cases, these exchange rate tensions could be mitigated by intervention in foreign exchange markets, but again, in a context of lower financial flows, such a strategy may prove unsustainable. Furthermore, greater depreciation would also push up the prices of imported goods, which could trigger a rise in inflation. On the other hand, in some countries of the region supervisors find themselves even more restricted, because although domestic aggregate demand is weakening, there is also high inflation, caused by an upsurge in the monetary financing of fiscal management.

## 2. Projected growth for Latin America and the Caribbean has been revised down to 0.5%, as a result of across-the-board slowdown in the countries of the region

The region remains trapped on a path of sluggish growth. After shrinking -0.2% in 2015 and -1% in 2016, Latin America and the Caribbean grew by little more than 1% in 2017 before slowing to 0.9% in 2018. The latest projections from ECLAC put the region on course for further deceleration this year.

GDP growth for Latin America and the Caribbean is now projected at 0.5% in 2019, eight tenths of a percentage point below the forecast published in April. This is the result of downward revisions for 15 of the 20 countries of Latin America and unchanged projections for the remaining 5. These numbers reflect the general deterioration suffered by the economies of the region. However, upon examination the region shows great heterogeneity in terms of the specific performance of each country: while 3 countries are expected to grow by more than 5%, 11 countries are set to grow by between 2.6% and 5% and 16 countries by between 0% and 2.5%. In contrast, Argentina, Nicaragua and Venezuela (Bolivarian Republic of) are projected to see activity contract (see figure I.60).
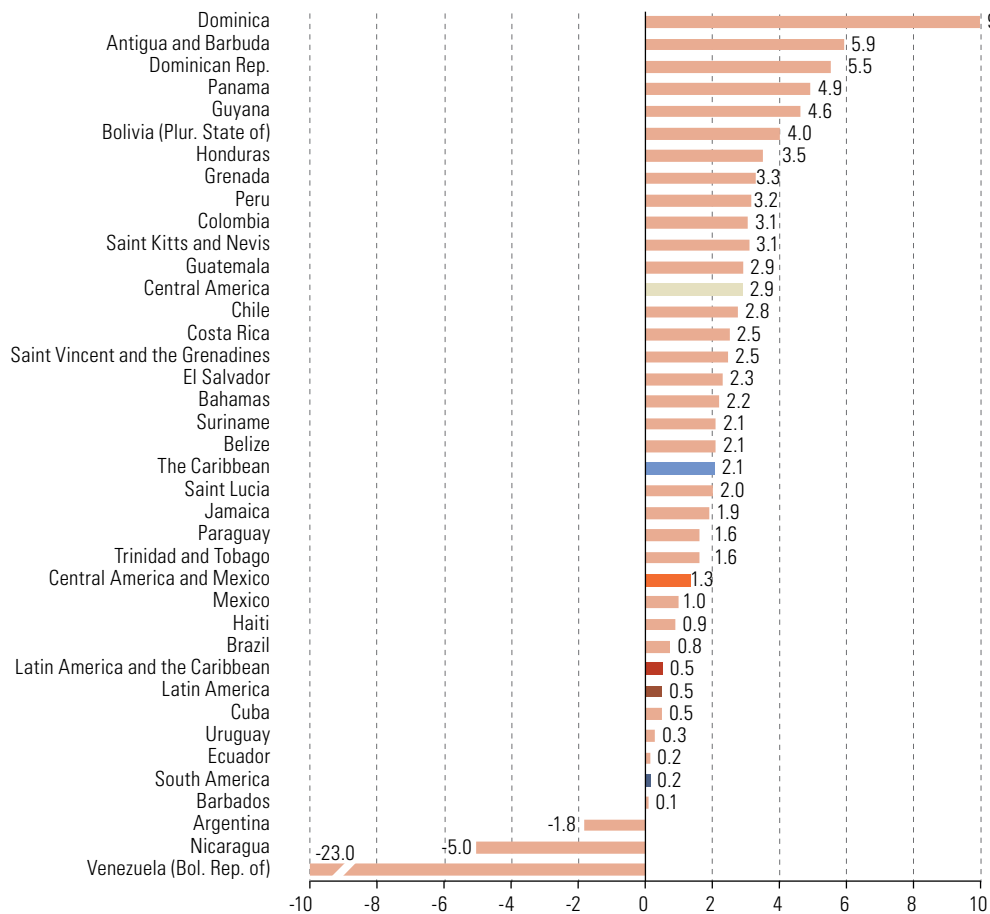


**Figure I.60**
Latin America and the Caribbean: GDP growth projections, 2019
*(Percentages, on the basis of dollars at constant 2010 prices)*

| Country | Value |
|---|---|
| Dominica | 9.9 |
| Antigua and Barbuda | 5.9 |
| Dominican Rep. | 5.5 |
| Panama | 4.9 |
| Guyana | 4.6 |
| Bolivia (Plur. State of) | 4.0 |
| Honduras | 3.5 |
| Grenada | 3.3 |
| Peru | 3.2 |
| Colombia | 3.1 |
| Saint Kitts and Nevis | 3.1 |
| Guatemala | 2.9 |
| Central America | 2.9 |
| Chile | 2.8 |
| Costa Rica | 2.5 |
| Saint Vincent and the Grenadines | 2.5 |
| El Salvador | 2.3 |
| Bahamas | 2.2 |
| Suriname | 2.1 |
| Belize | 2.1 |
| The Caribbean | 2.1 |
| Saint Lucia | 2.0 |
| Jamaica | 1.9 |
| Paraguay | 1.6 |
| Trinidad and Tobago | 1.6 |
| Central America and Mexico | 1.3 |
| Mexico | 1.0 |
| Haiti | 0.9 |
| Brazil | 0.8 |
| Latin America and the Caribbean | 0.5 |
| Latin America | 0.5 |
| Cuba | 0.5 |
| Uruguay | 0.3 |
| Ecuador | 0.2 |
| South America | 0.2 |
| Barbados | 0.1 |
| Argentina | -1.8 |
| Nicaragua | -5.0 |
| Venezuela (Bol. Rep. of) | -23.0 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
**Note**:    Central America includes Cuba, the Dominican Republic and Haiti.

The variations in projected economic growth rates between countries and subregions are not only because of the different way international conditions may impact each economy, but also because of different trends in spending components —mainly consumption and investment— in the economies of the north and south of the region.

In the subregion of South America, growth is expected to slow from 0.4% in 2018 to 0.2% in 2019. In terms of expenditure, domestic demand is projected to increase this year by just 0.7%, owing to a deterioration in consumption and in gross fixed

capital formation, with inventories alone contributing to an increase in investment (see figure I.61). With regard to foreign trade in goods and services, net exports are expected to contribute negatively to growth this year.

**Figure I.61**
South America: GDP growth rates and contribution of expenditure components to growth, 2008–2019[a]
*(Percentages)*
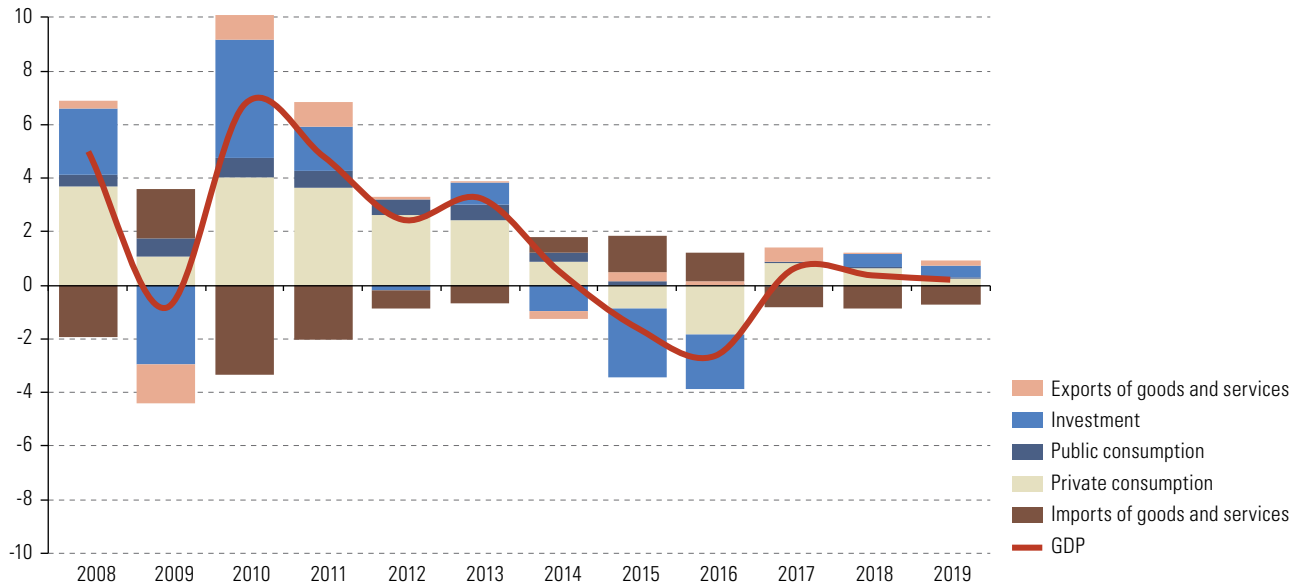


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Figures for 2019 are projections

Similarly, in Central America,[21] slower growth in all countries except Panama is projected to result in a lower rate of the growth in the subregion, down from 3.2% in 2018 to 2.9% in 2019. Growth in Mexico is expected to dip by 1 percentage point, from 2.0% in 2018 to 1.0% in 2019. A shift is expected in the aggregate demand components driving growth in Mexico and Central America: although private consumption and exports are set to remain the largest contributors, investment is projected to make a negative contribution (see figure I.62). Lastly, the economies of the English-and Dutch-speaking Caribbean are expected to expand by 2.1%, up two tenths of a percentage point from the 1.9% seen in 2018.

---

[21]    Costa Rica, Cuba, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua and Panama.

**Figure I.62**
Central America and Mexico[a]: GDP growth rates and contribution of expenditure components to growth, 2008–2019[b]
*(Percentages)*
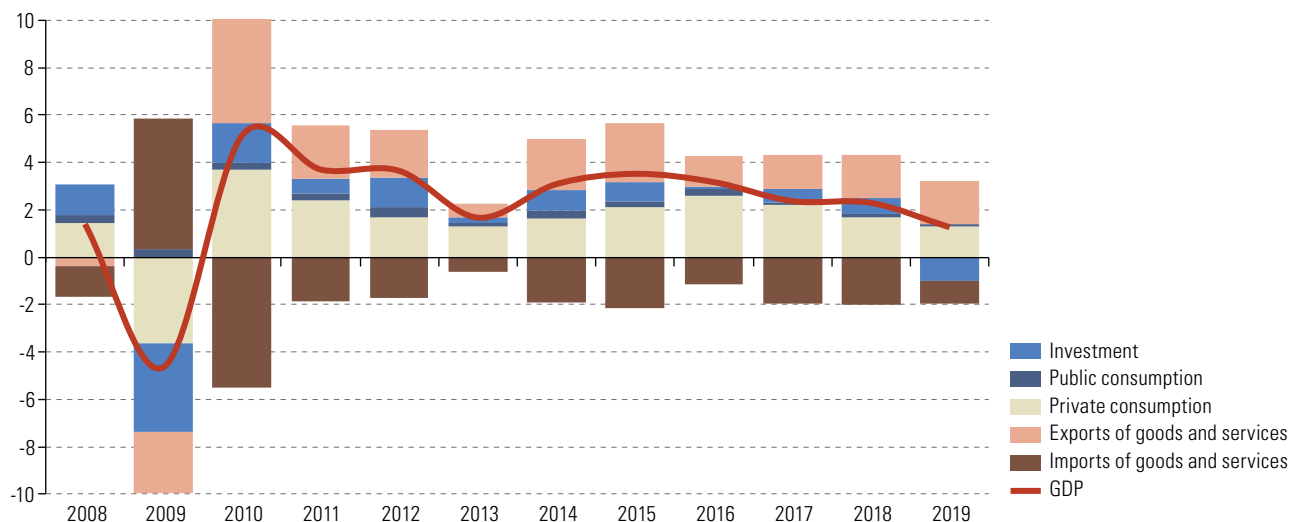


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Includes Costa Rica, the Dominican Republic, Guatemala, Honduras, Mexico and Nicaragua.
[b] Figures for 2019 are projections

# Bibliography

Aldasoro, I. and T. Ehlers (2018), "Global liquidity: changing instruments and currency patterns", *BIS Quarterly Review*, September.

BIS (Bank for International Settlements) (2019a), "Global liquidity indicators", 4 June [online] http://www.bis.org/statistics/gli.htm.

___(2019b), "Statistical release: BIS global liquidity indicators at end-December 2018", 30 April [online] https://www.bis.org/statistics/gli1904.pdf.

Borgen Gjerde, I. (2019), "Continued liquidity drain dampens 2019 outlook", DNB Markets, 7 January.

De Guindos, L. (2019), "Euro area banks: the profitability challenge", 25 June, European Central Bank (ECB) [online] https://www.ecb.europa.eu/press/key/date/2019/html/ecb.sp190625~6d33411cff.en.html.

ECLAC (Economic Commission for Latin America and the Caribbean) (2018), *Economic Survey of Latin America and the Caribbean, 2018* (LC/PUB.2018/17-P), Santiago.

ECLAC/ILO (Economic Commission for Latin America and the Caribbean/International Labour Organization) (2019), "The future of work in Latin America and the Caribbean: old and new forms of employment and challenges for labour regulation", *Employment Situation in Latin America and the Caribbean*, No. 20 (LC/TS.2019/31), Santiago, May.

*Financial Times* (2019), "Traders fear ‹avalanche› of Pemex bond sales", 26 June [online] https://www.ft.com/content/c0cef652-91aa-11e9-b7ea-60e35ef678d2.

IIF (Institute of International Finance) (2019), Global Debt Monitor [online database] https://www.iif.com/Research/Capital-Flows-and-Debt/Global-Debt-Monitor [accessed on: 15 July].

___(2018), "Capital Flows to Emerging Markets Report" [online] https://www.iif.com/Research/Capital-Flows-and-Debt/Capital-Flows-to-Emerging-Markets-Report/lapg-903/1.

Kaplan, R. (2019), "Corporate debt as a potential amplifier in a slowdown", Federal Reserve Bank of Dallas, 5 March [online] https://www.dallasfed.org/research/economics/2019/0305.

OECD (Organization for Economic Cooperation and Development) (2019), *OECD Economic Surveys: Mexico 2019*, Paris, OECD Publishing.

PREALC (Regional Employment Programme for Latin America and the Caribbean) (1991), *Empleo y equidad: el desafío de los 90*, Santiago.

Qendro, S. (2019), "Corporate leverage: par for the course or harbinger of an upcoming crisis?", *Investment Research*, Capital Advisors Group, 22 February.

UNWTO (World Tourism Organization) (2019), *World Tourism Barometer*, vol. 17, No. 2, May.

WTO (World Trade Organization) (2019), "World Trade Outlook Indicator", 20 May [online] https://www.wto.org/english/news_e/news19_e/wtoi_20may19_e.htm.

Xinhuanet (2019), "Non-resident capital flows into China to grow in 2019: report", 6 April [online] http://www.xinhuanet.com/english/2019-04/06/c_137954293.htm.

# The new global financial context: effects and transmission mechanisms in the region

# Changes in the global financial cycle and their implications

# Introduction

As a result of the global financial crisis (2008–2009) and the quantitative easing policies adopted by developed countries (the United States, the eurozone and Japan) to mitigate the impact on growth and employment, there have been significant changes in how the global financial cycle operates and in its transmission mechanisms.

From the 1990s until the advent of the crisis, the international financial cycle was primarily dependent on the performance of global banking, largely located in the United States and the eurozone. The financial cycle functioned on the basis of interaction between the financial system's leverage, its interconnectedness and the concentration of financial institutions (Shin, 2014).

Leverage, together with a process of financial concentration, allowed high profits to be generated with low net interest margins. In turn, the leverage was sustained by high interconnectedness in the financial system. This interconnection meant that banks' financing sources were found within the financial system itself, in the form of interbank loans and debt. As a result, the financial system became increasingly dependent on internal sources of financing to operate and expand, and less dependent on external sources (savings deposits). The whole system was highly procyclical, and particularly the larger banks, where a significant portion of total assets were concentrated. Balance sheets tended to expand in boom periods —as occurred prior to the global financial crisis— a tendency which reversed in contractive phases of the cycle, as occurred during the crisis. These expansions and contractions in balance sheets determined the level of liquidity available in both developed and developing economies.

Following the global financial crisis, there were changes in the relative importance of the participants in the financial system.[1]

The banking system's relative importance as a generator and transmitter of global liquidity declined. The capital market, and more specifically the bond market, compensated for sluggishness in international banking, taking on a more important role in providing global liquidity, in relative terms.

In tandem with the increasing relative importance of the bond market, the asset management industry (characterized by being very procyclical, with high levels of concentration at the regional and enterprise levels, interconnection with the shadow financial system, and substantial risks to financial stability) has taken on a greater role in the international financial system and in the supply of financing. In fact, the asset management industry has become the main buyer of corporate debt issued on international markets (McCrum, 2015).

In addition, overall indebtedness in the global economy has continued the ascent begun in the late 1990s, reaching record levels both in absolute terms and as a percentage of global GDP in 2018.[2] In contrast with the pre-crisis period, the post-crisis rise in debt poses a risk of systemic financial fragility, affecting all sectors

---

[1] The impact of financial regulations on the change in the financial cycle is analysed in chapter IV of this edition of the *Economic Survey of Latin America and the Caribbean.*

[2] The Bank for International Settlements (BIS) publishes an international debt database, currently covering the period from the last quarter of 1962 to the fourth quarter of 2018. For an analysis of trends in global debt and its components, see BIS (2019), Cochrane, Ell and Korobkin (2019), Credit Suisse (2019), and IIF (2019).

(government, households and financial and non-financial corporations) and every region of the developed and developing world.[3]

At the sector level, the indebtedness of the non-financial corporate sector poses significant risks to financial stability.

The sector's debt is at record levels in the world's largest economy and is very high in the largest emerging economies. This accumulation of debt has been accompanied by a fall in profits, calling into question the debt's sustainability. What is more, emerging economies as a whole, and particularly the larger economies, have opted to take on more debt in foreign currency, exposing them to currency mismatches and making them vulnerable to monetary policy transmission mechanisms that no longer operate solely through banking but also through the capital market.[4] Lastly, in some of the larger emerging economies, the non-financial corporate sector is borrowing through subsidiaries of parent companies registered abroad. Therefore, this debt must be measured on the basis of nationality and not residence.

A significant part of the income obtained by issuing debt is transferred to the country of origin and is recorded in the form of foreign direct investment, when in reality it is a portfolio flow, and could easily constitute speculative financial flows.[5] Evidence indicates that 20% of such transfers are used for liquid and short-term assets (Bruno and Shin, 2015). This adds a new transmission mechanism for international monetary policy and for the financial flows that characterize the new financial cycle.

In short, the changes in the relative importance of financial markets and the participants therein, combined with the accompanying increased complexity of monetary and financial transmission mechanisms, make it necessary to rethink and reconsider concepts and means of measuring, evaluating and examining financial globalization, in order to understand its transmission mechanisms and their impact.

This chapter analyses the two financial cycles, while chapter III ("Towards a new approach to analysing the potential vulnerabilities facing Latin America and the Caribbean in the new financial cycle") examines some new means of identifying and measuring financial vulnerabilities in the case of Latin America and the Caribbean.

---

[3]   There are different understandings of financial fragility. Here it is assumed that this fragility is the result of the innate tendency of market economies to expand by taking on debt and of the potential difficulties that different economic agents and units can have in meeting their debt obligations (especially real sector and financial firms). One well-known description of financial fragility is that of Hyman Minsky who identified three types of financing regimes: hedge, speculative and Ponzi. If actual and expected income flows are sufficient to settle obligations (liabilities), it is a hedge financing situation. If actual and expected income flows are not sufficient to pay obligations (liabilities) the only way to address the situation is to refinance debt or increase debt. Debt refinancing is a financing situation that Minsky calls speculative. Lastly, increasing debt to repay debt is a financing situation that Minsky calls Ponzi. According to Minsky, the degree of financial robustness or fragility depends on the mixture of hedge, speculative and Ponzi finance. As the proportion of hedge financing decreases and that of speculative and Ponzi finance increase, the financial structure becomes more fragile (Minsky, 1986, p. 44). financial fragility can characterize any economic sector or agent, including the household and financial and non-financial corporate sectors (See Minsky, 1982 and 1986; Pérez Caldentey and González, 2015; and Pérez Caldentey, Favreau and Méndez, 2019). According to this view, both the non-financial and financial corporate sectors operate on the basis of a speculative financing scheme.

[4]   In the bond market, the channel of monetary policy transmission runs through the inverse relationship between the nominal interest rate and the present value of a bond. This mechanism operates particularly effectively when bonds are issued with fixed yields, as is the case of the bulk of bond issuance on international markets. Under the bank lending channel (Kashyp and Stein, 1995; Myers, 2001), increases in the nominal interest rate result in erosion of the capital of financial institutions, which can jeopardize compliance with capital requirements. Restructuring the capital base by issuing shares can be costly, owing to information asymmetry between new shareholders and existing ones. Faced with this situation, banks choose to take on bank credit in order to continue to meet capital requirements.

[5]   According to accounting conventions, an international transaction consisting of the repatriation of income from issuance of a bond by a subsidiary resident abroad to the parent company in a given country is recorded in the balance of payments as part of that country's foreign investment. In contrast, the same transaction performed by a subsidiary resident abroad to a company other than the parent company is recorded in the balance of payments as a portfolio flow operation. The different means of recording two inflows that are ultimately similar can lead to significant errors in analysis of the stability/instability of an economy. More specifically, a flow recorded as foreign direct investment can be, in effect, a portfolio flow with all that this entails in terms of financial stability (see Avdjiev, Chui and Song Shin, 2014).

# A.    Leverage, interconnection and concentration

From the 1990s to the present, there have been two financial cycles (Shin, 2014). The first financial cycle from the 1990s to the onset and resolution of the global financial crisis (2008–2009) was characterized by marked growth in global assets.[6]

This expansion of global financial assets was driven and underpinned by the growth of global banking and its concentration in large complex financial institutions. These institutions functioned as a global network of offices and subsidiaries, with centralized financing distributed within the financial groups as part of a global strategic plan, dominating the global financial system. These large and complex financial institutions grew substantially during the period and accounted for the bulk of financial intermediation between countries (ECLAC, 2016).

These financial conglomerates were closely interrelated, as evidenced by an analysis of correlation between the quarterly variation in assets for 11 of the world's largest financial institutions for 2000–2006 and 2008–2009. In at least half of the cases examined, the relationship was positive and statistically significant. Specifically, this relationship strengthened in the 2008–2009 period.

This interconnection meant that financial institutions became less dependent on external sources such as deposits (savings) but more dependent on internal sources, from within the financial system. This required interconnection capable of generating the level of liquidity needed to finance a leverage-based financial system (increased financial sector debt).

The interconnection was facilitated by a high degree of leverage which, together with heightened concentration, substantially improved banks' profits, even with low interest rate spreads.[7]

The authors estimate that global banks, and more specifically investment banks (such as Lehman Brothers, Merrill Lynch, Morgan Stanley and Goldman Sachs) had leverage ratios of around 30:1. This meant that they financed over 95% of asset acquisitions by issuing debt. Evidence available for all insured depository institutions in the United States shows that they declined in number from 18,083 in 1985 to 8,833 in 2005, and then to 8,012 by the end of 2009. Over the same period, financial institutions with more than US$ 250 billion in assets increased their share of the banking sector's total assets from 10% to 45% (see figure II.1).

The upturn in banks' earnings power is visible from the 1990s through to the onset of the global financial crisis. Available data show that the average quarterly rate of return on equity was 5.5% between 1984 and 1990 and increased to around 12.7% between 1991 and 2007. The global financial crisis significantly eroded banks' rate of return on capital (by at least 40%). Measured as the rate of return on capital, average profitability for banks in the United States fell to 7.7% as a result of the global financial crisis. In the case of banks with assets over US$ 250 billion, the return on capital was above average (13.7%) in the pre-crisis period and fell by more than 50% during the crisis.

---

[6]    See empirical information illustrating the functioning of the first financial cycle in terms of procyclicality, concentration and interconnection in Pérez Caldentey and Cruz (2012).

[7]    Traditionally, at least until the early 2000s, low interest rate spreads were equated with greater efficiency in the financial system. Thus, banks in developed countries including the United States, the countries of the eurozone and Japan, were considered to be highly efficient despite their high leverage, owing to low interest spreads. Conversely, Latin American and Caribbean banking was considered highly inefficient (with high interest rate spreads) despite low levels of leverage. Experience has shown that a highly leveraged bank with low interest rate spreads can be inefficient (in the sense that it does not channel resources optimally) and very unstable.

**Figure II.1**
United States: return on assets, asset growth and share of total assets of banks with more than
US$ 250 billion in assets, 1985–2018
*(Percentages)*
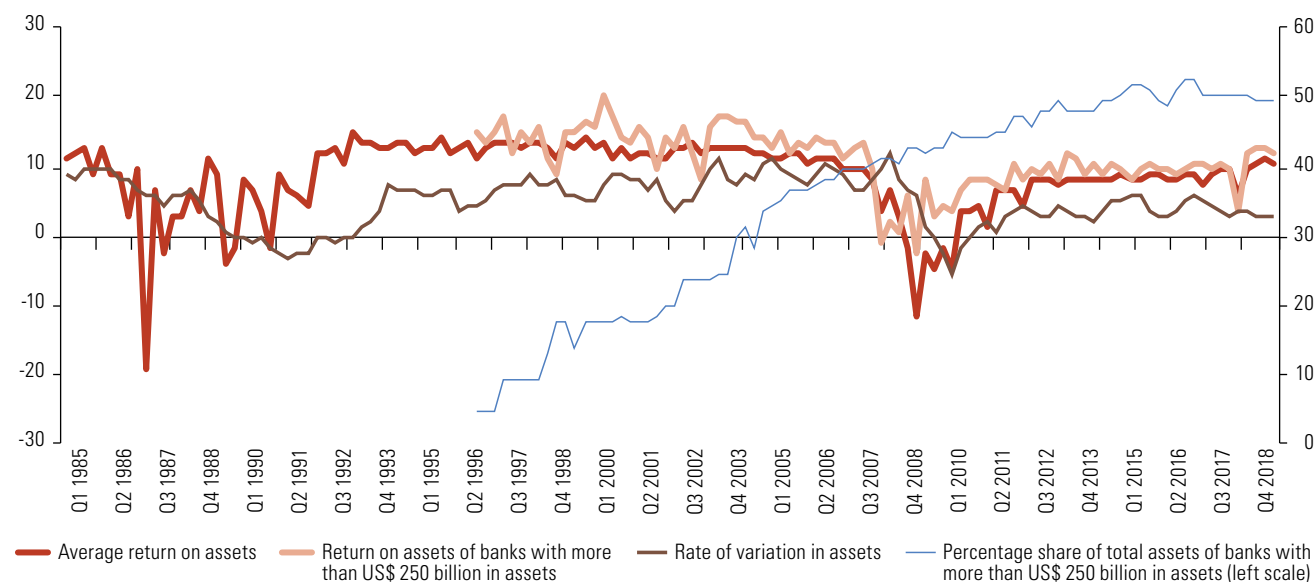


Source: Federal Deposit Insurance Corporation (FDIC), "Statistics", 2019 [online] https://www.fdic.gov/.
Note:    The sample of banks includes only those with deposit guarantees.

In this regard, boom periods are characterized by financing of expansion in gross asset value through debt. In other words, financial institutions skewed the structure of their liabilities towards greater leverage. In periods of contraction (or recession), in contrast, financial institutions react by reducing debt or deleveraging. Deleveraging led to a decline in the value of assets, as institutions attempted to dispose of assets in order to meet obligations.[8]

In short, just as boom periods translate into an expansion of financial institutions' balance sheets, recession periods result in a contraction of balance sheets.[9] This tendency can be a key source of instability in the financial system, reflected in a cumulative upward trend in boom periods and a cumulative downward trend during recessions. In other words, trends in leverage generate instability in the financial system because the periods of expansion and contraction do not have self-correcting mechanisms (there is no tendency to reduce cumulative upward or downward deviations).

Lastly, since it causes cumulative upward or downward movements in financial system balance sheets, leverage and its procyclical nature end up translating into strong expansions and contractions in credit. This, in turn, leads to growth or a slowdown in economic activity. In particular, credit crunches can have a medium-term or more permanent negative effect on an economy's growth trajectory in the shape of investment retrenchments, loss of human capital, run down production factors and the impact on the labour market.

---

[8]    See, for example, Adrian and Shin (2008a and 2008b), Shin (2010), and Drehman, Borio and Tsatsaronis (2012).
[9]    The variations in liquidity are linked here with variations in the balance sheets of financial institutions.

# B. Stylized facts of the banking system in the post-crisis period (2010–2018)

## 1. The slowdown in the banking sector and balance sheet restructuring

In the aftermath of the global financial crisis, around the world financial assets continued to climb, but their growth rate slackened. Between 2002 and 2017, financial assets expanded from US$ 128 trillion to US$ 366 trillion, a growth rate of 15.7% (see figure II.2). The segment of the financial sector with the highest growth rate was commercial banking (including investment banks), at 15.7%. From the appearance of first symptoms of the global financial crisis through to 2009 the growth rate of financial assets slowed to 4% and has remained around this level since. Commercial banking was the sub-sector that underwent the largest reduction in assets, contracting by 0.4% and sitting at around 3.2% on average between 2010 and 2017.[10]
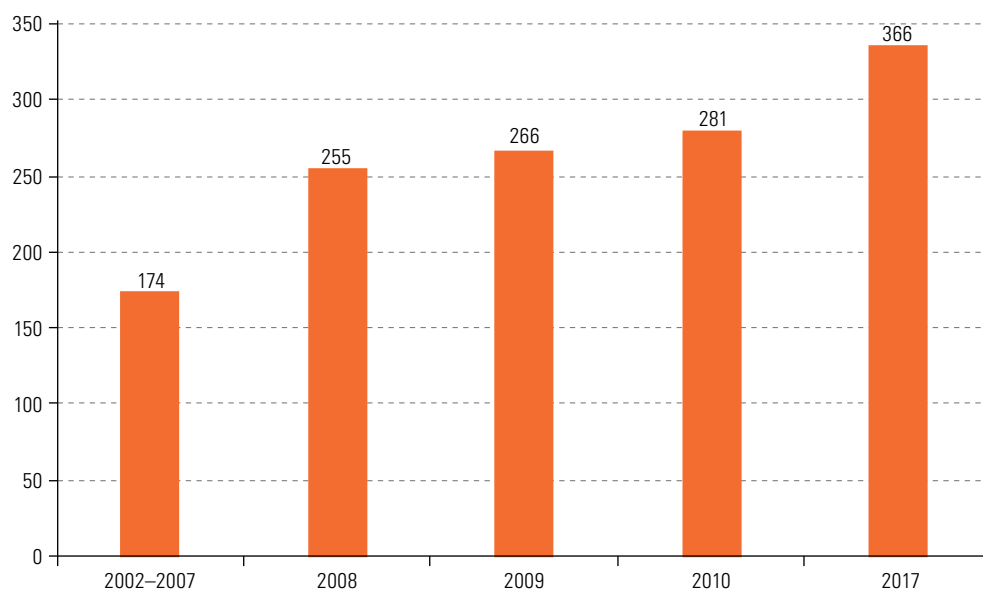


**Figure II.2**
Assets of the global financial system, 2000–2017
*(Trillions of dollars)*

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bloomberg and the Financial Stability Board (FSB), 2018.
**Note**: Includes the following countries: Argentina, Australia, Belgium, Brazil, Canada, Cayman Islands, Chile, China, France, Germany, Hong Kong (Special Administrative Region (SAR)), India, Indonesia, Ireland, Italy, Japan, Luxembourg, Mexico, Netherlands, Republic of Korea, Russian Federation, Saudi Arabia, Singapore, South Africa, Spain, Switzerland, Turkey, United Kingdom and United States. Financial institutions include central banks, commercial banks, insurance corporations, pension funds and other financial intermediaries.

In line with this trend and the decline in profitability, the growth rate of cross-border commercial bank lending increased steadily between early 2002 and late 2007, in emerging economies and globally, averaging 11.2% and 8.5% respectively, and peaking at 34.3% and 25% (see figure II.3). Following the global financial crisis, and until the second quarter of 2018, the growth rate of cross-border lending dropped to 5.5% globally and to 4.7% for emerging markets and developing economies.[11]

---

[10]    See FSB (2018).

[11]    In the case of the United States this is explained not only by prevailing financial conditions in the wake of the global financial crisis, but also by the expansion of Federal Reserve balance sheets, meaning that quantitative easing policy was implemented on the basis of the income received by the global banking industry from the purchase of a portion of its assets (Pérez Caldentey, 2017).

**Figure II.3**
Rate of growth in global cross-border bank lending to all countries and emerging market economies,
December 2000–September 2018
*(Percentages)*
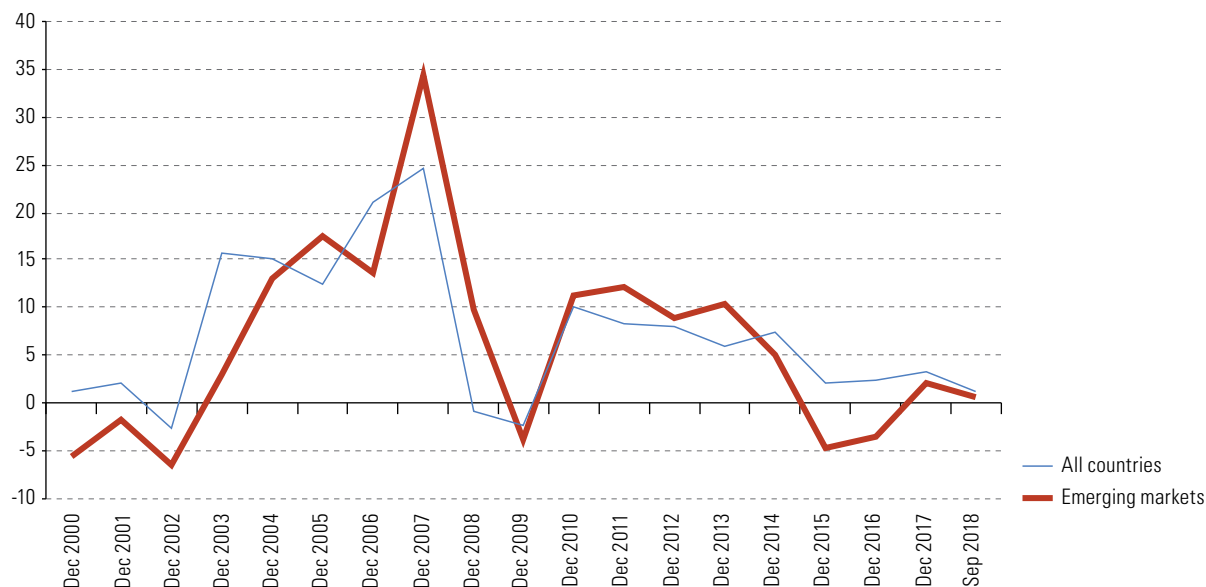


**Source**: Bank for International Settlements (BIS), "Debt securities statistics", 2019 [online] https://www.bis.org/statistics/secstats.htm.

In tandem with this trend, the banking sector has also undergone a process of balance sheet restructuring. Available empirical evidence shows that the performance indicators of the banking sector have improved for most developed countries.

By way of illustration, most banks in the developed world have strengthened their capital base.[12] In the case of the United States, for all institutions and for the larger banks, capital to risk-weighted assets ratio went from 13.5% and 12.8%, respectively, in 2008–2009 to 14.7% and 13.9%, respectively, in 2010–2018 (see table II.1).

Commercial banks have also come to rely on more stable sources of financing. There is greater dependence on internal financing relative to external financing than within commercial banking, which should, in principle, contribute to financial stability. During these same periods, the share of total deposits in the total assets of commercial banks increased, for all institutions and for larger banks, from 67.9% to 75.3% and from 65.5% to 73.8%, respectively. Lastly, the percentage of institutions and larger banks reporting losses has decreased substantially (from 34.9% and 47.6% in 2008–2009 to 14.0% and 3.7% in 2010–2018, respectively) and more than half of all financial institutions reported annual income growth.

---

[12]   As indicated in chapter IV of this edition of the *Economic Survey*, this is partly a result of the financial regulations put in place after the global financial crisis.

**Table II.1**
United States: commercial banking performance indicators, 2000–2018
*(Percentages)*

| Indicator | Bank type | 2000–2007 | 2008–2009 | 2010–2018 |
|---|---|---|---|---|
| Institutions reporting negative quarterly net income | Assets > US$ 250 billion | 11.5 | 47.6 | 3.7 |
| | All institutions | 12.3 | 34.9 | 14.0 |
| Institutions reporting year-on-year income growth | Assets > US$ 250 billion | 46.9 | 36.9 | 67.5 |
| | All institutions | 55.7 | 41.3 | 58.8 |
| Quarterly loan-loss provisions as a percentage of net operating revenue | Assets > US$ 250 billion | 10.1 | 40.4 | 6.9 |
| | All institutions | 11.0 | 48.6 | 10.2 |
| Quarterly net charge-offs to loans and leases | Assets > US$ 250 billion | 0.8 | 2.2 | 0.8 |
| | All institutions | 0.9 | 2.6 | 0.9 |
| Equity capital to assets ratio | Assets > US$ 250 billion | 8.1 | 8.9 | 10.4 |
| | All institutions | 9.7 | 10.1 | 11.2 |
| Total risk-based capital ratio (PCA) | Assets > US$ 250 billion | 11.7 | 12.8 | 13.9 |
| | All institutions | 12.9 | 13.5 | 14.7 |
| Risk-weighted assets to total assets | Assets > US$ 250 billion | 74.9 | 70.7 | 68.1 |
| | All institutions | 74.1 | 72.6 | 69.9 |
| Net loans and leases to total assets | Assets > US$ 250 billion | 52.0 | 47.4 | 46.2 |
| | All institutions | 59.9 | 54.8 | 53.8 |
| Total deposits as a percentage of total assets | Assets > US$ 250 billion | 63.6 | 65.5 | 73.8 |
| | All institutions | 65.6 | 67.9 | 75.3 |
| Retail loans as a percentage of total loans | Assets > US$ 250 billion | 47.3 | 53.8 | 48.7 |
| | All institutions | 50.3 | 49.1 | 46.1 |
| Assets > 5 years as a percentage of total assets | Assets > US$ 250 billion | 21.5 | 22.1 | 23.9 |
| | All institutions | 22.1 | 21.1 | 25.4 |

**Source**: Federal Deposit Insurance Corporation (FDIC), "Statistics", 2019 [online] https://www.fdic.gov/.

## 2. Decline in importance of global banking in developed countries and increased concentration in banking

In addition to the aforementioned effects, the global financial crisis had a significant impact on the global importance of the foremost institutions in the financial system (measured in terms of asset volume). A comparison of the world's top 100 banks between 2008 and 2017 shows, firstly, a large gain for Asia (see table II.2). Asian banks, and particularly Chinese banks, went from accounting for 17% of the world's top 100 banks in 2008 to 35% in 2017, doubling their share. In terms of assets, they increased their share from 16% to 40% of the total.

| Region | 2008 Banks | 2008 Total assets | 2017 Banks | 2017 Total assets |
|---|---|---|---|---|
| Sub-Saharan Africa | 1 | 165.23 | 0 | 0 |
| North America (United States and Canada) | 21 | 14 868.87 | 17 | 15 486.38 |
| Latin America and the Caribbean | 3 | 737.39 | 4 | 1 593.89 |
| Asia | 17 | 10 450.62 | 35 | 33 773.53 |
| Europe | 54 | 39 953.86 | 40 | 30 067.98 |
| Oceania | 4 | 1 472.82 | 4 | 2 641.10 |
| **Total** | **100** | **67 483.56** | **100** | **83 562.88** |

**Table II.2**
Largest banks by region and total assets, 2008 and 2017
*(Numbers and billions of dollars)*

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from Banks around the World [online] www.relbanks.com and S&P Dow Jones Indices.

Secondly, the most significant decline was in European banking. In 2008, 54% of the 100 largest banks were headquartered in Europe and the banks located there accounted for 59% of the total assets of major banks. By 2017, Europe's share of the top 100 banks had fallen to 40% and it held 35% of the total asset volume.

Thirdly, although the epicentre of the global financial crisis was in the United States, the North American banking sector accumulated more assets (up from US$ 14.8 trillion in 2008 to US$ 15.5 trillion in 2017) and its share of the total assets of the top 100 banks declined only slightly (22% in 2008 compared to 19% in 2017).

A more detailed analysis reveals that the concentration of the banking sector in the United States, which began before the global financial crisis, continued in its wake. Currently, four institutions hold around 50% of banking system assets and account for more than 80% of banks with more than US$ 250 billion in assets (FDIC, 2019; Bloomberg, 2019).

They are: JPMorgan Chase (US$ 2.6 trillion in assets), Bank of America (US$ 2.3 trillion in assets), Wells Fargo (US$ 1.87 trillion in assets) and Citigroup (US$ 1.9 trillion in assets).[13]

This level of concentration could explain the recovery in returns on equity, which currently stands at 12% for this group of banks. In fact, econometric evidence shows that bank concentration improves profitability, irrespective of economies of scale or market share. The growth in profits is considered to be 'rents' arising from banking concentration (Tregenna, 2009). Banking concentration is not only relevant to understanding trends in profitability in the most developed countries, it is also an important explanatory variable in developing economies, as reflected in the case of Latin America (see box II.1).

**Box II.1**
Latin America and the Caribbean: effect of banking concentration on rate of return

Empirical evidence for developed countries shows a positive and statistically significant relationship between bank concentration and profitability. This relationship can also be seen in Latin America. Based on panel data, a regression l is estimated for 24 countries using three different methodologies (ordinary least squares (OLS), generalized method of moments (GMM) and two-step GMM) to assess the effect of bank concentration on the rate of return.

**Econometric specification**

$$Roe_{it} = B_1 + B_2\,ConcIndex + B_2\,MS_{it} + B_2\,SB_{it} + B_2 CA_{it}$$

$Roe_{it}$: Return on equity of bank $i$ in year $t$.

$ConcIndex_{it}$: Index of banking sector concentration of bank $i$ for year $t$.

$MS_{it}$: Market share of bank $i$ in year $t$.

$SB_{it}$: Size of bank $i$ in year $t$.

$CA_{it}$: Capital-to-asset ratio of bank $i$ in period $t$.

The bank microdata panel was constructed on the basis of data from Bloomberg. Only banks with continuous series for 10 years were included in the estimate.

The variables used in the analysis include, as a dependent variable, the rate of return, measured through return on capital, and as an independent variable, a bank concentration index obtained by dividing the total assets of the largest 20% of banks (above the eighth decile) by total bank assets by country (all assets reported by the banks in the sample in a given year and country). A control was performed with a lagged rate of return to avoid endogeneity through autocorrelation. In addition, three variables expressing a bank's structure were included: (a) market share (MS), which is the net income of bank $i$ in year $t$ as a percentage of total income in year $i$; (b) the size of bank (SB) $i$ in year $t$, calculated as the logarithm of

---

[13]     Other major financial institutions are: USBC (US$ 959 billion in assets), PNC Financial Services Group (US$ 366 billion in assets), GRP US (US$ 302 billion in assets), Capital One (US$ 357 billion in assets) and Bank of New York Mellon (US$ 333 billion in assets).

**Box II.1 (concluded)**

the assets; and (c) capital-to-assets (CA), which is the capital-to-assets ratio of bank *i*. Lastly, fixed effects by country and year were included. In order to prevent spurious regression due to two-way causality —in other words the effects that the rate of return may have on concentration— lagged concentration was used as an instrumental variable for concentration.

**Results**

| Variable | Two-step GMM | | One-step GMM | | OLS | |
|---|---|---|---|---|---|---|
| | All banks | Assets > US$ 10 billion | All banks | Assets > US$ 10 billion | All banks | Assets > US$ 10 billion |
| **Dependent variable: rate of return on equity** | | | | | | |
| Concentration index | 0.13 | 0.46(*) | 0.12(*) | 0.27(*) | 0.06 | 0.05 |
| Return on equity | 0.12 | (-)0.09 | 0.12 | -0.12 | 0.07 | -0.04 |
| MS | (-)0.15(*) | -0.3 | -0.14 | -0.42 | -0.04 | -0.44 |
| SB | 1.34(**) | 1.32 | 1.93(***) | 1.97(***) | 6.4(***) | 6.99(***) |
| CA | 0.49(**) | 0.7 | 0.50(**) | 0.72 | 0.58(**) | 0.56 |
| $R^2$ | 0.54 | 0.73 | 0.57 | 0.72 | 0.73 | 0.8 |
| No. of observations | 835 | 271 | 835 | 271 | 835 | 271 |

**Note**: (*), (**) and (***) indicate significance at 1%, 5% and 10%, respectively. In the econometric estimate the lagged rate of return on capital was used as the instrumental variable of the concentration index.

The results show that two of the variables considered have statistically significant effects on the rate of return: the size of the bank (logarithms of the assets) and the concentration index. The size of the bank shows, on average, an increase of 1.7 percentage points for the two estimates made using the generalized method of moments; specifically, a 1% increase in assets has an impact of 1.7 percentage points on the rate of return. Because concentration is expressed, to some degree, by the volume of assets, this first result shows that concentration does affect the rate of return.

In addition, the concentration index shows statistically significant results, with substantial effects when considering the larger banks (more than US$ 10 billion in assets). A 1 percentage point increase in concentration produces an increase of 0.46 percentage point and 0.27 percentage point in the rate of return for the banks in which the greatest volume of assets is concentrated (eighth decile or more in terms of size), for the estimates using the generalized method of the moments and two-step generalized method of the moments, respectively.

In the 2009–2018 period, the concentration index increased from 0.52% to 0.67% on average. This reflects almost 15% more assets being concentrated in the banks (above the eighth decile in terms of size). According to the results, this could have an effect of around 4.5 percentage points on the rate of return, translating into an impact of 0.75 percentage points per year.

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of F. Tregenna, "The fat years: the structure and profitability of the United States banking sector in the pre-crisis period", *Cambridge Journal of Economics*, vol. 33, No. 4, 2009.

# C.  Growth in the asset management industry

## 1.  Growth and profitability

Asset management is the financial sub-sector that underwent the largest expansion following the global financial crisis. Generally speaking, asset management refers to the segment of the financial industry that manages and increases the value of financial assets on behalf of investors, either through the collective management of an investment fund or through the discretionary management of an individual investor's portfolio (FSMA, 2017).[14]

---

[14]  These portfolios include mutual funds, closed-end funds and listed investment funds. Chapter IV provides more precise information on the asset management industry.

According to available information, total assets under management averaged US$ 44.5 trillion in the 2002–2007 period, increasing to US$ 64.5 trillion in 2008 and then to US$ 99.0 trillion in 2017. The growth rate in assets under management in the 2011–2017 period (average of 9%) outpaced other sub-sectors of the financial system (see table II.3). Regional analysis for 2007–2017 shows that in the case of developed countries, the value of the assets administered by the asset management industry increased from US$ 24 trillion to US$ 37 trillion in the United States, from US$ 14 trillion to US$ 22 trillion in Europe and from US$ 4 trillion to US$ 6 trillion in Japan. In the same period, the assets overseen by the asset management industry in developing countries swelled from US$ 600 billion to US$ 1.8 trillion in Latin America and the Caribbean, from US$ 900 billion to US$ 1.4 trillion in the Middle East and Africa, and from US$ 1.5 trillion to US$ 3.5 trillion in developing Asia.

**Table II.3**
Selected countries:[a] performance indicators for the financial system, 2011–2017

|  | Financial corporations | Central banks | Banks | Public financial institutions | Insurance | Pension funds | Other financial intermediaries[b] |
|---|---|---|---|---|---|---|---|
| Volume of assets *(trillions of dollars)* | 335.8 | 24.2 | 134.6 | 16.5 | 28.7 | 30.9 | 99.2 |
| Relative share of the total *(percentages)* | 100.0 | 7.2 | 40.1 | 4.9 | 8.5 | 9.2 | 29.5 |
| Asset growth rate, 2017 *(percentages)* | 7.5 | 12.3 | 6.9 | 6.3 | 5.9 | 6.4 | 8.0 |
| Asset growth rate, 2011–2017 *(percentages)* | 5.6 | 8.3 | 3.1 | 3.7 | 5.8 | 6.3 | 9.0 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bloomberg and the Financial Stability Board (FSB), 2018.
[a] Argentina, Australia, Belgium, Brazil, Canada, Cayman Islands, Chile, China, France, Germany, Hong Kong SAR, India, Indonesia, Ireland, Italy, Japan, Luxembourg, Mexico, Netherlands, Republic of Korea, Russian Federation, Saudi Arabia, Singapore, South Africa, Spain, Switzerland, Turkey, United Kingdom and United States.
[b] Includes money market funds, hedge funds, other investment funds, financial companies and structured financial vehicles.

The strong global growth in this sector has been driven, in part, by high returns. A comparison of financial investments with maturity periods of between 1 and 19 years shows that the internal rate of return surpasses that of the stock market, making the asset management industry highly lucrative (see figure II.4).

**Figure II.4**
Internal rate of return for investments in private equity funds and for the stock market (S&P 500), 2017
*(Percentages)*
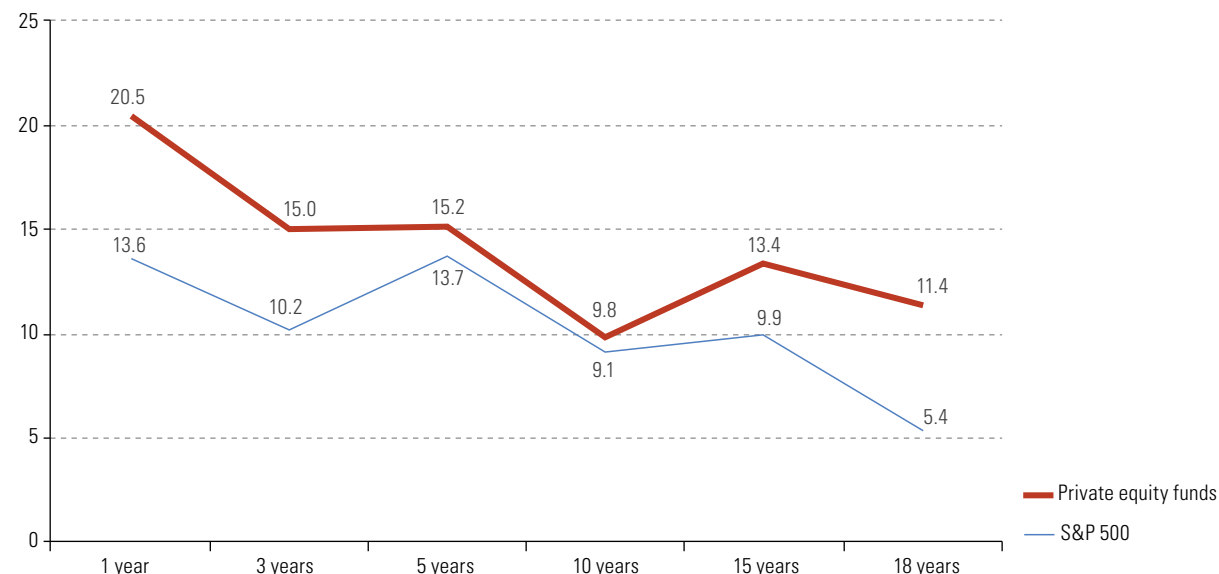


**Source**: Deloitte, *2019 Investment Management Outlook: A mix of opportunity and challenge*, Deloitte Center for Financial Services, 2019.

This sector has characteristics that make it a new contributor to increasing global financial fragility. It is characterized by a high concentration at the regional and asset levels. Evidence available for the 2006–2016 period indicates that 70% of assets under management globally are in the hands of United States companies. At the individual level, although there are more than 500 companies, 10% of the companies held 15% of the total assets and 15% held 36% (see table II.4).

**Table II.4**
Major asset management companies, total assets under management, country of registration of parent company and principal activity, 2017

| Main asset management companies | Assets under management *(trillions of dollars)* | Country of registration of parent company | Principal activity |
|---|---|---|---|
| BlackRock, Inc. | 5.148 | United States | Asset management/custodian bank |
| The Vanguard Group, Inc. | 3.900 | United States | Asset management/custodian bank |
| State Street Corporation | 2.468 | United States | Asset management/custodian bank |
| Fidelity Investments | 2.131 | United States | Asset management/custodian bank |
| Allianz SE Group (incl. PIMCO) | 1.973 | Germany | Insurance |
| J.P. Morgan Chase & Co | 1.771 | United States | Banking/capital markets |
| The Bank of New York Mellon Corp. | 1.648 | United States | Asset management/custodian bank |
| AXA Group SA | 1.507 | France | Insurance |
| The Capital Group | 1.400 | United States | Asset management/custodian bank |
| The Goldman Sachs Group Inc. | 1.379 | United States | Banking/capital markets |
| Deutsche Bank Group AG | 1.192 | Germany | Banking/capital markets |
| Morgan Stanley | 1.169 | United States | Banking/capital markets |
| Groupe Crédit Agricole SA (incl. Amundi) | 1.142 | France | Banking/capital markets |
| UBS Group AG | 1.138 | Switzerland | Banking/capital markets |
| Legal & General Group Plc | 1.104 | United Kingdom | Insurance |

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

Because asset managers pursue returns and compete for clients on the basis of relative earnings, their performance is evaluated according to a common framework or benchmark. As a result, the asset management industry follows a procyclical pattern, taking advantage, for example, of boom periods to increase returns on assets under management. Furthermore, when evaluated on the basis of this common benchmark, asset managers tend to act homogeneously and follow the herd.[15]

The asset management industry also faces other risks, including the risk of redeeming investment securities (redemption risk), which can lead to liquidity problems under certain circumstances.

Liquidity problems may also result from the fact that the asset management industry has a significant percentage of bond holdings, including bonds issued by the non-financial corporate sector. According to the Federal Reserve, the asset management industry has a stake of more than 25% in total non-financial corporate sector bonds and bonds issued on international markets by companies' resident in foreign countries. Changes in monetary policy —such as interest rate hikes— can lead to capital losses. In addition, since corporate bonds are considered less liquid, sell-offs, if significant, can deepen capital losses, leading to a liquidity mismatch between assets and liabilities, and triggering sell-offs of other market instruments.

Finally, because of the type of business it conducts and the legal definition of a company (such as that of a hedge fund), the asset management industry is interrelated with the shadow banking sector. Despite the regulatory initiatives put in place following the global financial crisis (such as the Dodd-Frank Wall Street Reform and Consumer Protection Act), the shadow banking sector has grown exponentially in both developed and developing countries.

[15] See Epstein (2019)

Available data for 18 developed economies and 11 economies in the developing world, including some Latin American countries (Argentina, Brazil, Chile and Mexico), shows that the median growth rate of the shadow financial sector was 4.6% in the developed world and even higher in developing economies (11.5%) (see table II.5). In both cases, expansion in the shadow financial sector has tended to outpace GDP growth.

**Table II.5**
Growth in the shadow financial sector, 2011–2015
*(Percentages)*

| Country | Compound growth, 2011–2015 |
|---|---|
| Argentina | 47.1 |
| Australia | 4.9 |
| Belgium[a] | 21.9 |
| Brazil | 13.4 |
| Canada | 12.8 |
| Cayman Islands | 17.4 |
| Chile | 11.4 |
| China[b] | 48.1 |
| France | -1.3 |
| Germany | 9.8 |
| Hong Kong SAR[c] | 18.4 |
| India | 16.2 |
| Indonesia | 7.0 |
| Ireland | 10.3 |
| Italy | 2.4 |
| Japan | 8.2 |
| Luxembourg | 11.5 |
| Mexico | 9.3 |
| Netherlands | 4.1 |
| Republic of Korea | 13.7 |
| Russian Federation[d] | 10.7 |
| Saudi Arabia | 14.8 |
| Singapore | 1.7 |
| South Africa | 16.7 |
| Spain | 3.5 |
| Switzerland | 6.0 |
| Turkey | 15.9 |
| United Kingdom | 2.3 |
| United States | 0.1 |

**Source**: Financial Stability Board (FSB), 2018.
**Note**:    The Financial Stability Board defines shadow banking as "credit intermediation involving entities and activities (fully or partially) outside of the regular banking system" (see FSB, 2018, p.1, footnote 1), which can become a source of systemic risk in the economies in which it operates.
[a] Belgium's growth rate is based on data for 2014–2015, owing to a lack of information for subsequent years.
[b] China's growth rate is based on data for 2013–2015 and on estimated values for certain types of entities.
[c] The growth rate for Hong Kong SAR is based on data for 2012–2015, due to a lack of data for 2011.
[d] The Russian Federation's growth rate is based on data for 2014–2015, because the preceding data is incomplete.

# D.   Rising global debt: a systemic trend

## 1.    Mounting debt affects all sectors of the economy

Some of the main features of the current cycle relate to the accumulation of debt at the global level. Global debt has been climbing since the late 1990s: from 1997 to 2018 it rose from US$ 74 trillion to US$ 257 trillion (217% and 317% of world GDP, respectively). This increase in global debt has several different features.

Firstly, mounting debt is a systemic trend, affecting developed and developing economies and all sectors (non-financial corporate, government, household and financial). Available evidence for 2007–2018 shows that debt rose from US$ 35 trillion to US$ 48 trillion for households, from US$ 35 trillion to US$ 70 trillion for government, from US$ 54 trillion to US$ 65 trillion for the financial sector and from US$ 43 trillion to US$ 74 trillion for the non-financial corporate sector (see figure II.5).

**Figure II.5**
Global debt by sector, fourth quarter of 1997, 2007 and 2018
*(Trillions of dollars)*
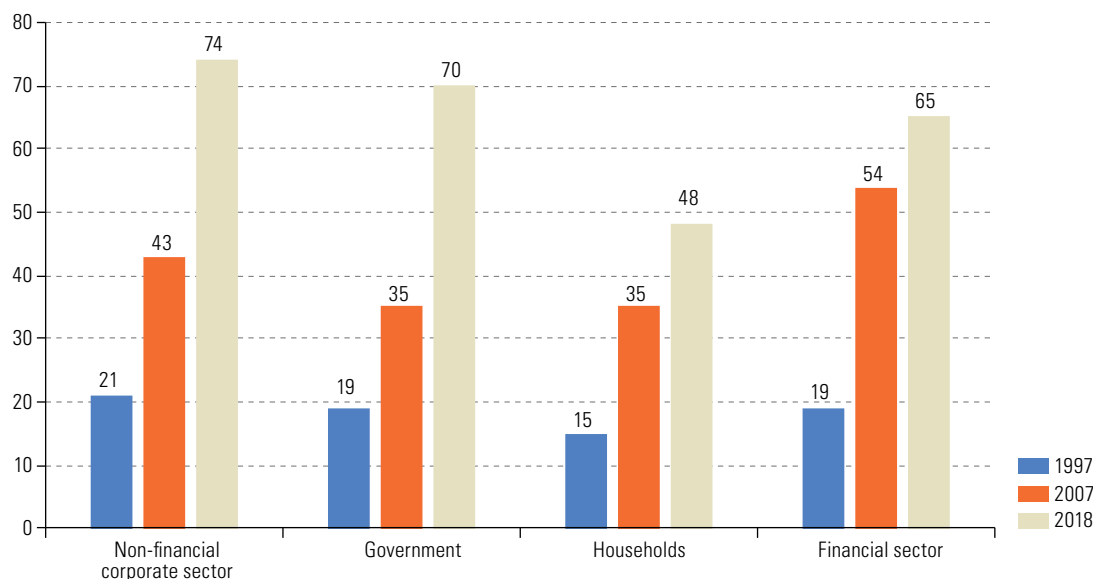


Source: Institute of International Finance (IIF), Global Debt Monitor, April 2019 [online database] https://www.iif.com/publications/global-debt-monitor.

The sectors whose debt has grown the most following the global financial crisis are the government and the non-financial corporate sectors.

## 2.    Debt in developed countries

Total indebtedness has traditionally been higher in developed countries than in developing countries (US$ 174 trillion and US$ 66 trillion, respectively, in 2018). In the post-crisis period, however, the pace of growth in developed countries' debt slowed across the board.

Available evidence for 2003 onward indicates that in 2003–2008 the total debt of developed countries grew from US$ 96 trillion to US$ 149 trillion, a rise of US$ 53 trillion. The increase was just US$ 18 trillion in 2008–2013 and was even smaller in 2013–2018 (US$ 9.3 trillion).

This trend in developed countries is explained by slackening growth in household debt and, with the exception of the United States, in the debt of the non-financial corporate sector, which offset the pace of growth in public debt.

The pattern in household debt reflects a process of deleveraging following the global financial crisis. Available data shows that household debt in developed countries climbed, on average, from 63.7% to 85% of GDP between 2000 and 2009, before returning to 72% by the end of 2018. The deleveraging is explained, in part, by more

restrictive conditions for granting credit, as real estate values were affected by house price deflation. Additionally, non-payment by some debtors contributed to lowering existing debt levels.

In the same periods, the debt of the non-financial corporate sector in advanced economies climbed from 81% to 96% of GDP, before receding to 89%.

As noted above, the United States is an exception to this pattern. Between 2000 and 2018, corporate sector debt in the United States underwent three phases. The first phase covered the period 2000–2008 and was characterized by a rise in non-financial corporate sector debt from 63.5% to 72.5% of GDP. The second phase, which ran from 2009 to 2012, saw debt levels fall to 65.5% of GDP. From 2012 onward, there was a new upturn in leverage, pushing debt levels to 74% of GDP by 2018. Some estimates for the same year put debt at 93% of GDP (Veneroso Associates, 2019).

The current level of indebtedness of the United States non-financial corporate sector is the highest since the 1940s. Furthermore, it represents a large percentage of the total debt of the non-financial corporate sector in developed countries. Estimates indicate that the debt stock of the United States non-financial corporate sector accounts for 36% of the total debt of the sector in all developed economies. Similarly, United States corporate non-financial sector debt issuance represents more than 60% of the total debt issued by the sector in the developed world.

In addition, general government debt in developed economies rose by ten percentage points of GDP between 2010 and 2017. The empirical evidence available for 25 developed economies shows that 9 have reduced their level of public debt. The bulk of the growth in public debt is concentrated in a handful of economies, including all the peripheral countries of the eurozone (Greece, Italy, Portugal and Spain with increases of 62, 27, 41 and 50 percentage points of GDP, respectively, between 2010 and 2017). The list also includes Japan, the United Kingdom, Australia and France, which, for the same period, recorded rises of 37, 31, 21 and 20 percentage points of GDP in their public debt, respectively.

## 3.    Developing countries' debt: the non-financial corporate sector

In contrast with developed countries, the rate at which developing countries have taken on debt has quickened. Available evidence indicates that from 2003 to 2008 the total debt of developing countries grew from US$ 11 trillion to US$ 24 trillion, a rise of US$ 13 trillion. Between 2008 and 2018, developing countries' debt increased by US$ 44 trillion.

Analysis at the sector level highlights the sharp rise in debt of the non-financial corporate sector in the post-crisis period. The debt stock for developing economies as a whole expanded from 61% to 95% of GDP. For the same period, non-financial corporate sector debt in advanced economies only grew from 88% to 91%.

The surge in non-financial corporate sector debt has been shown to be a widespread trend for emerging economies (see figure II.6). All the countries analysed (Argentina, Brazil, Chile, China, Colombia, India, Indonesia, Malaysia, Mexico, Poland, Russian Federation, Saudi Arabia, South Africa, Thailand and Turkey) saw an increase in the debt of this sector in the period 2010–2017. The countries with the largest debt stock, measured as a percentage of GDP, are China (157%), Chile (95%), Turkey (69%), Malaysia (67%), the Russian Federation (48%) and Thailand (48%). With the exception of Chile, the non-financial corporate sector in the larger countries in Latin America (Argentina, Brazil, Colombia, Mexico and Peru) has also expanded its debt levels.

Developing economies (selected countries): non-financial corporate sector debt, 2010 and 2017
*(Percentages of GDP)*
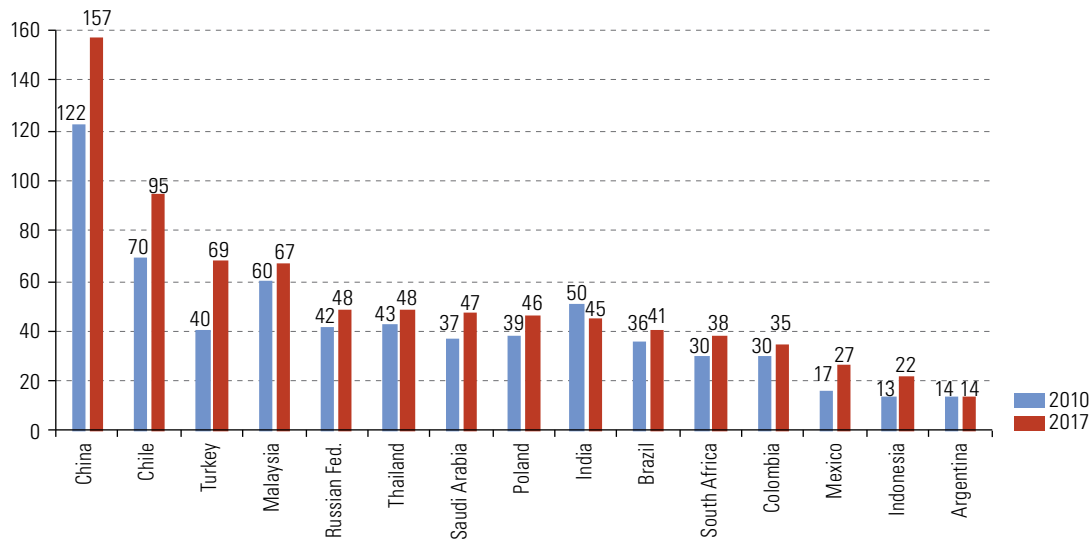


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the Bank for International Settlements (BIS), "Debt securities statistics", 2019 [online] https://www.bis.org/statistics/secstats.htm.

A second characteristic of non-financial corporate sector debt is its sizable foreign currency component. The data presented in figure II.7 shows that non-financial corporations and the financial sector are the sectors with the highest percentage of debt issued in foreign currency (40% and 59% on average, respectively, compared to 22% for the government and 4% for households). Of the regions, Latin America has the highest percentage of international debt in the non-financial corporate sector (51%), followed by Europe (44%), Asia (34%) and Africa and the Middle East (32%).

**Figure II.7**
Total foreign currency debt, April 2019
*(Percentages)*
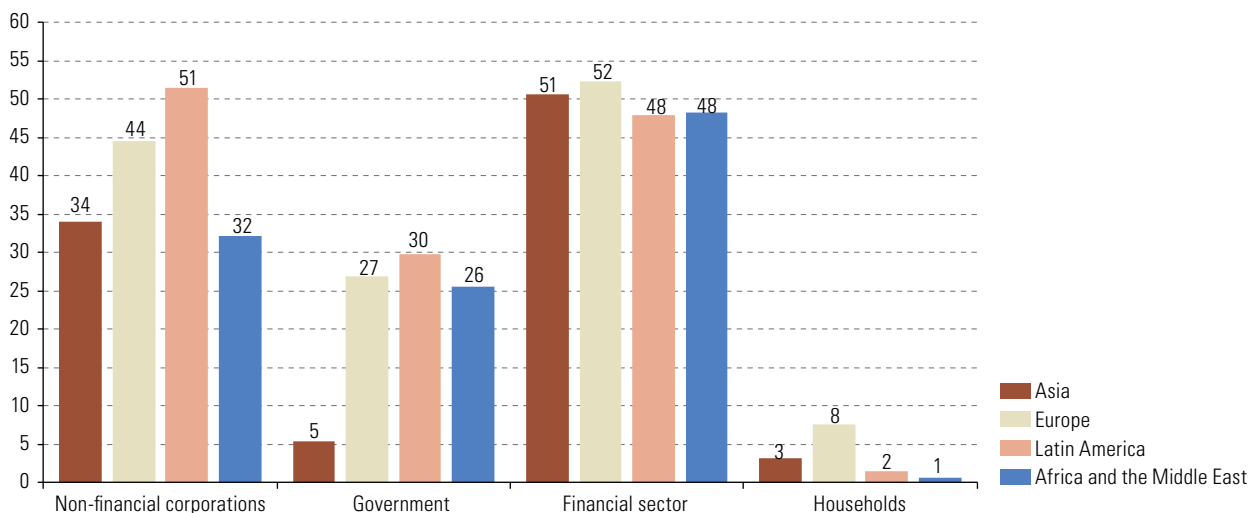


**Source**: Institute of International Finance (IIF), "Global debt Monitor. Slowdown in 2018. Pause of Trend?", 2019 [online] http://files.clickdimensions.com/iifcom-ai7nn/files/globaldebtmonitor_april_vf.pdf.

Companies in emerging economies have made extensive use of the international bond market to finance their operations. Table II.6 shows the number of companies that issue bonds on the local and international bond markets, as well as the number of bond issues by region in the developing world (including Latin America, Africa and the Middle East, and the emerging economies of Asia and Europe). The total sample consists of 7,831 companies, 29% of which have issued bonds on the international market. Among the regions of the developing world, Africa and the Middle East, followed by Latin America and the emerging economies of Asia, have the highest percentages of companies issuing bonds on the international market (39%, 29% and 29% of the total, respectively).

**Table II.6**
Companies that issue bonds on the domestic and international bond markets, and bonds issued by region of the developing world, 2017

| Group of countries | Number of companies | | | | Number of bonds issued | | | Bonds issued on international markets (percentage of total) | Bonds issued on international markets per company |
|---|---|---|---|---|---|---|---|---|---|
| | International issuers | Domestic issuers | International issuers (percentage of total) | Total number of firms issuing bonds | Bonds issued on international markets | Domestic bonds | Total | | |
| Total | 2 305 | 6 589 | 29 | 7 831 | 7 211 | 39 826 | 47 037 | 15 | 3 |
| Small advanced economies[a] | 680 | 1 331 | 39 | 1 753 | 3 130 | 5 446 | 8 576 | 36 | 5 |
| Latin America[b] | 380 | 1 103 | 29 | 1 324 | 1 431 | 3 802 | 5 233 | 27 | 4 |
| Emerging Asian economies[c] | 956 | 2 941 | 29 | 3 316 | 2 057 | 27 372 | 29 429 | 7 | 2 |
| Emerging European economies[d] | 225 | 1 097 | 18 | 1 275 | 440 | 2 642 | 3 082 | 14 | 2 |
| Africa and the Middle East[e] | 64 | 117 | 39 | 163 | 153 | 564 | 717 | 21 | 2 |

**Source**: J. M. Serena Garralda and R. Moreno, "Domestic financial markets and offshore bond financing", *BIS Quarterly Review*, September 2016.
[a] Australia, Canada, Denmark, New Zealand, Norway, Sweden and Switzerland.
[b] Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Ecuador, Mexico and Peru.
[c] India, Indonesia, Malaysia, Philippines, Republic of Korea and Thailand.
[d] Bosnia and Herzegovina, Bulgaria, Croatia, Estonia, Hungary, Lithuania, Poland, Romania, Russian Federation, Serbia, Slovakia, Slovenia, Turkey and Ukraine.
[e] Egypt, Morocco, Nigeria, Saudi Arabia, South Africa and United Arab Emirates.

A more detailed analysis shows that Latin American companies have issued the largest proportion of bonds on international markets with regard to total bonds issued (27% of the total), while Asian emerging economies have the smallest share (7% of the total). Latin America also has the highest number of bond issues per company (4), almost double that of the other developing regions included in the analysis. Finally, evidence shows that, compared with other regions, the countries of Latin America, and specifically Mexico and Brazil, are among the economies that have issued the highest value bonds on international markets (see table II.7).

**Table II.7**
Top ten companies with largest volume of bonds issued in offshore markets for each jurisdiction, 2016

| Company name | Country | Number of offshore bonds[a] | Value of offshore bonds[a] *(billions of dollars)* | Total assets[b] *(billions of dollars)* |
|---|---|---|---|---|
| PEMEX | Mexico | 136 | 118.121 | 148.611 |
| Petrobras | Brazil | 47 | 62.278 | 299.749 |
| America Movil | Mexico | 68 | 55.854 | 86.683 |
| Roche | Switzerland | 30 | 55.548 | 76.105 |
| PDVSA | Venezuela (Bolivarian Republic of) | 18 | 47.096 | 231.120 |
| Gazprom | Russian Federation | 42 | 42.169 | 403.955 |
| BHP Billiton | Australia | 44 | 38.045 | 124.580 |
| Volvo | Sweden | 262 | 35.878 | 23.785 |
| Statoil | Norway | 47 | 32.419 | 131.729 |
| Nestlé | Switzerland | 101 | 31.153 | 134.269 |

**Source**: J. M. Serena Garralda and R. Moreno, "Domestic financial markets and offshore bond financing", *BIS Quarterly Review*, September 2016.
[a] Bonds issued in the period 2000–2015 outside the company's country of nationality, by the parent company and its subsidiaries, provided they are guaranteed.
[b] For the last year that companies took advantage of offshore bond markets.

A last noteworthy point is that, on international markets, a large portion of debt is issued through subsidiaries of firms in the non-financial corporate sector. This is a stylized fact seen throughout the world, particularly in various parts of the developing world (including in Europe, Asia and Latin America), in the aftermath of the global financial crisis and especially since quantitative easing policies were rolled out by the Federal Reserve and the European Central Bank (see figure II.8).

**Figure II.8**
Emerging market economies and developing countries (selected countries): gross issuance of debt securities (onshore and offshore) by non-financial corporations, 1990–2018
*(Trillions of dollars)*

A. Selected emerging market economies and developing countries
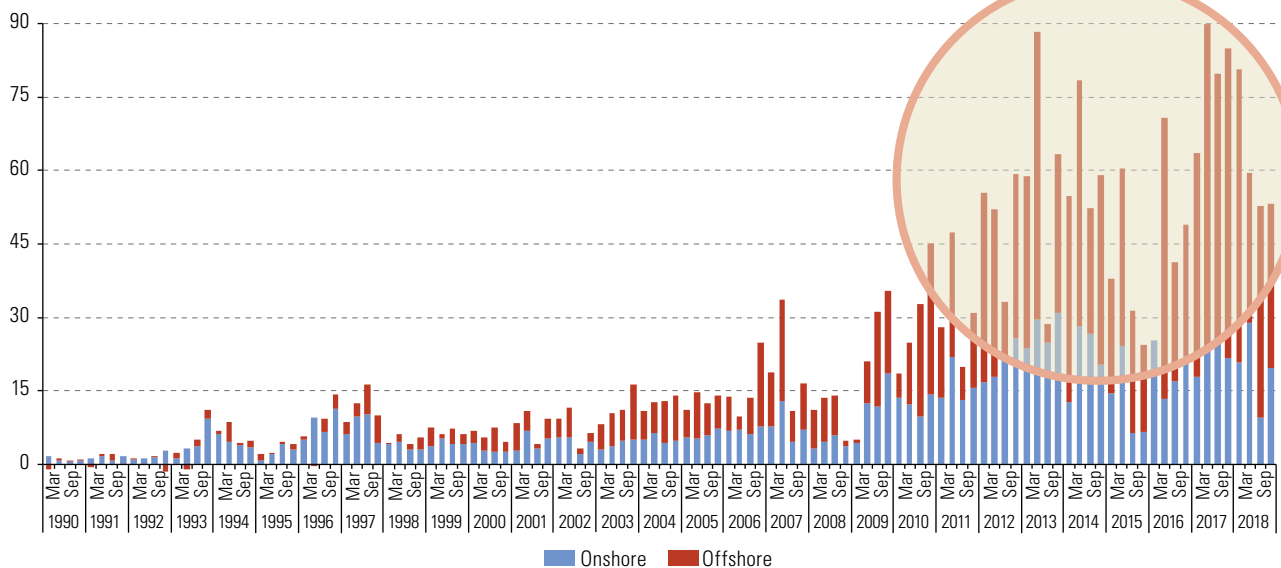
**Figure II.8 (concluded)**

B. Selected emerging market economies and developing countries in Europe[a]
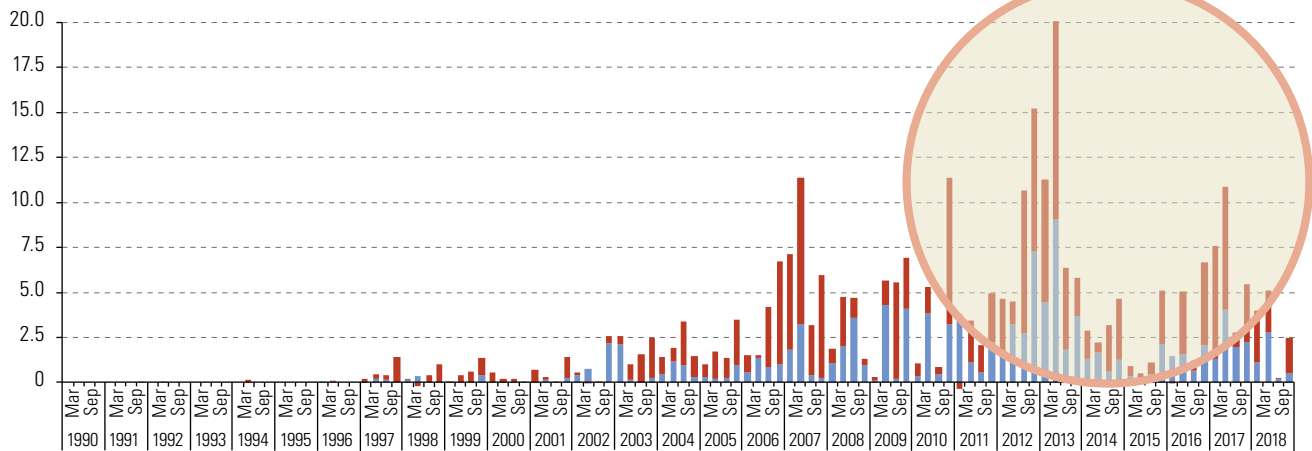


C. Selected emerging market economies and developing countries in Asia[b]
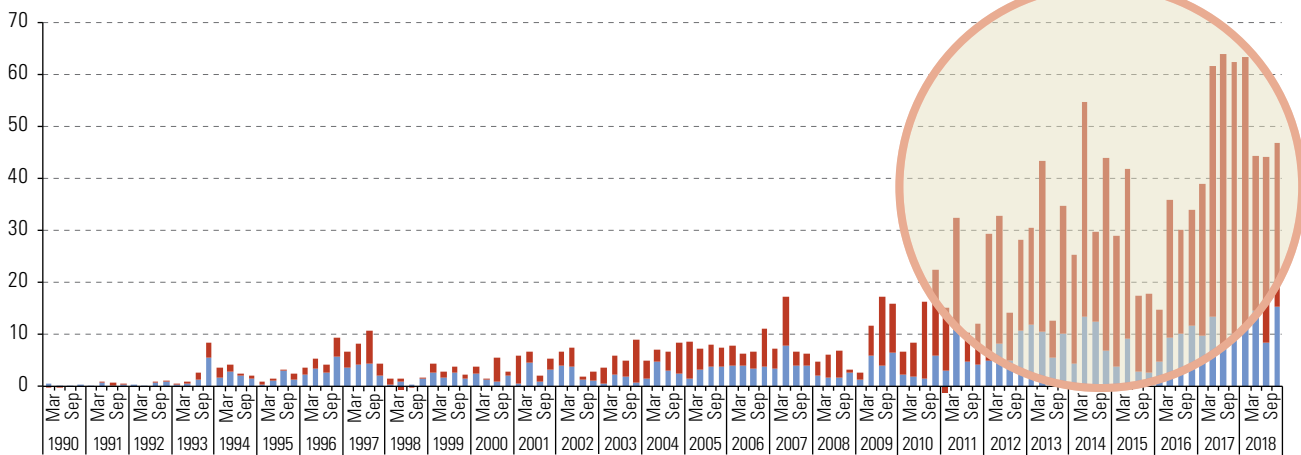


D. Selected emerging market economies and developing countries in Latin America and the Caribbean[c]



■ Onshore   ■ Offshore

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bank for International Settlements (BIS), "Debt securities statistics", 2019 [online] https://www.bis.org/statistics/secstats.htm.
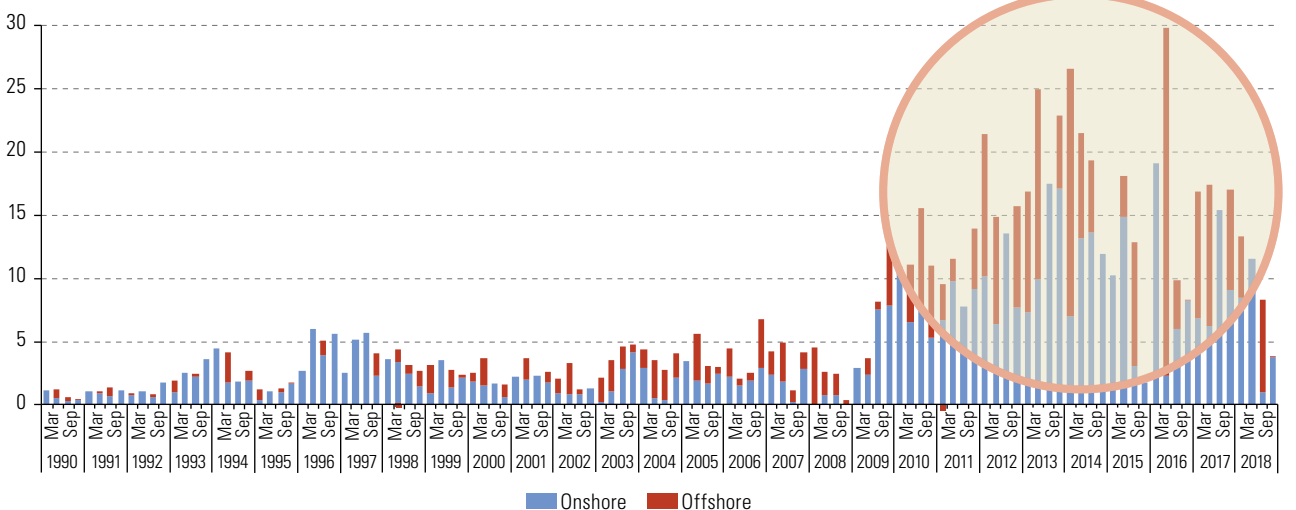
**Note**:   Offshore issuance is an indirect variable of the gross issuance of debt securities, since it is calculated as the difference between that issued in a particular country by companies whose parent is headquartered in that country (i.e. nationals) and that issued by companies incorporated in that country (i.e. residents).

[a]   The sample includes: Bulgaria, Czechia, Hungary, Poland, Romania, the Russian Federation, Turkey and Ukraine.

[b]   The sample includes: China, Hong Kong SAR, India, Indonesia, Malaysia, the Philippines, the Republic of Korea and Thailand.

[c]   The sample includes: Brazil, Chile, Colombia, Mexico and Peru.

By 2018, the value of issuance of bonds by subsidiaries incorporated abroad had surpassed issuance of bonds by companies' resident in all emerging and developing economies and most parts of the developing world (with the exception of Africa and the Middle East, and Latin America and the Caribbean).

In addition, empirical evidence for 2018 shows that the non-financial corporate sector is the main issuer of bonds through subsidiaries incorporated abroad at the global level and at the level of emerging and developing economies in general, and at that of emerging and developing economies in Europe, Asia and the Pacific, Africa and the Middle East, and Latin America and the Caribbean. For the world and for emerging and developing economies as a whole, the value of issuance by non-financial corporate sector subsidiaries incorporated abroad is more than double that of bonds issued by subsidiaries of the banking sector (see table II.8).[16]

**Table II.8**
Issuance of debt securities by the banking sector, other financial corporations and non-financial corporations, 2018
*(Billions of dollars)*

| Offshore/Onshore | Banking sector | Other financial corporations | Non-financial corporations |
|---|---|---|---|
| **World** | | | |
| Offshore | 1 032 | -3 794 | 2 761 |
| Onshore | 6 897 | 9 878 | 3 726 |
| **Emerging and developing economies** | | | |
| Offshore | 371 | 110 | 813 |
| Onshore | 499 | 273 | 655 |
| **Emerging and developing economies in Europe[a]** | | | |
| Offshore | 22 | 1 | 69 |
| Onshore | 111 | 12 | 57 |
| **Emerging and developing economies in Asia and the Pacific[b]** | | | |
| Offshore | 275 | 68 | 514 |
| Onshore | 232 | 170 | 192 |
| **Emerging and developing economies in Africa and the Middle East[c]** | | | |
| Offshore | 36 | 44 | 73 |
| Onshore | 79 | 35 | 79 |
| **Emerging and developing economies in Latin America and the Caribbean[d]** | | | |
| Offshore | 23 | -5 | 129 |
| Onshore | 72 | 47 | 324 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bank for International Settlements (BIS), "Debt securities statistics", 2019 [online] https://www.bis.org/statistics/secstats.htm.

[a] The emerging and developing economies in Europe include: Albania, Belarus, Bulgaria, Croatia, Czechia, Hungary, Montenegro, North Macedonia, Poland, Romania, the Russian Federation, Serbia, Turkey and Ukraine.

[b] The emerging and developing economies in Asia and the Pacific include: Armenia, Azerbaijan, Bangladesh, China, Georgia, India, Indonesia, Kazakhstan, the Lao People's Democratic Republic, Malaysia, the Marshall Islands, Mongolia, Pakistan, Papua New Guinea, the Philippines, the Republic of Korea, Sri Lanka, Taiwan Province of China, Tajikistan, Thailand and Viet Nam.

[c] The emerging and developing economies in Africa and the Middle East include: Angola, Cameroon, Côte d'Ivoire, Egypt, Ethiopia, Gabon, Ghana, Iraq, Israel, Jordan, Kenya, Kuwait, Liberia, Morocco, Mozambique, Namibia, Nigeria, Oman, Qatar, Saudi Arabia, Senegal, South Africa, Sudan, Tunisia, United Arab Emirates, the United Republic of Tanzania and Zambia.

[d] The emerging and developing economies in Latin America and the Caribbean include: Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Paraguay, Peru, the Plurinational State of Bolivia, Suriname, Trinidad and Tobago, and Uruguay.

At the regional level, the value of bond issues by non-financial corporate sector subsidiaries was double that of issues by the banking sector in emerging and developing economies in Europe and in Africa and the Middle East in 2018. In Latin America and the Caribbean, this trend is even more pronounced. For this region, the value of bond issues by foreign subsidiaries in the non-financial corporate sector is five times greater than that of bond issues by the banking sector.

---

[16] This does not in itself mean that companies are obtaining more financing through bonds than through bank credit. Companies in the non-financial corporate sector partly issue more bonds than banks because they have more alternatives, which are also less expensive.

Brazil (quarterly data): outstanding international debt securities for all sectors, non-financial corporations and financial corporations (onshore and offshore), 1990–2018
*(Billions of dollars)*

A. All sectors
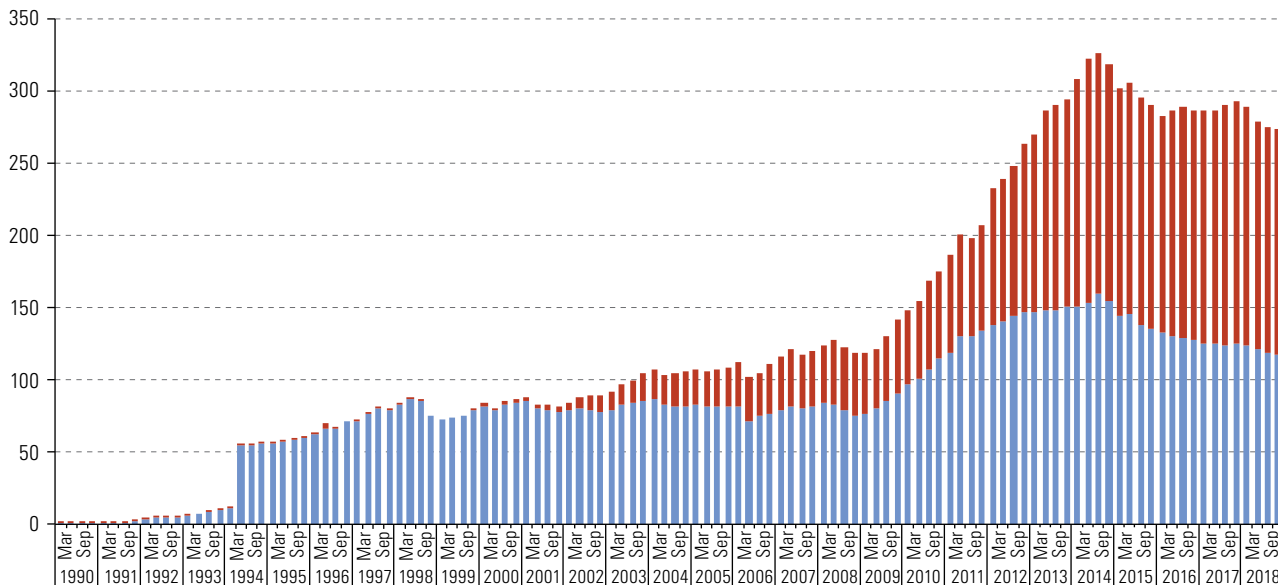


B. Non-financial corporate sector
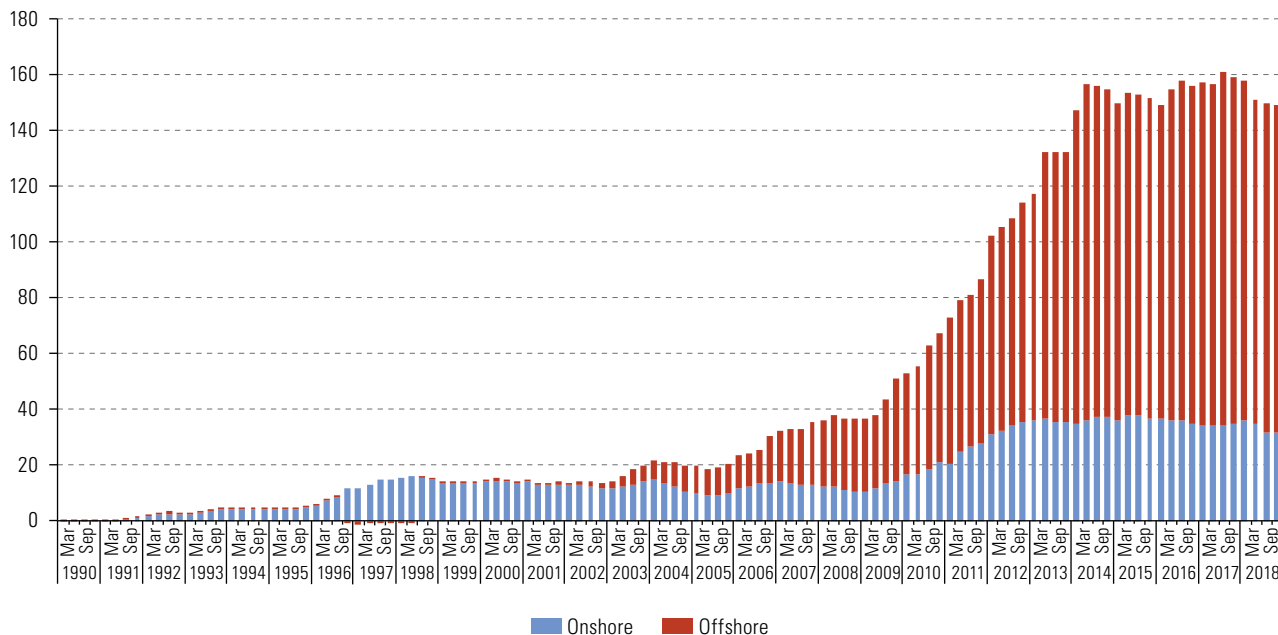


■ Onshore    ■ Offshore

C. Financial corporations
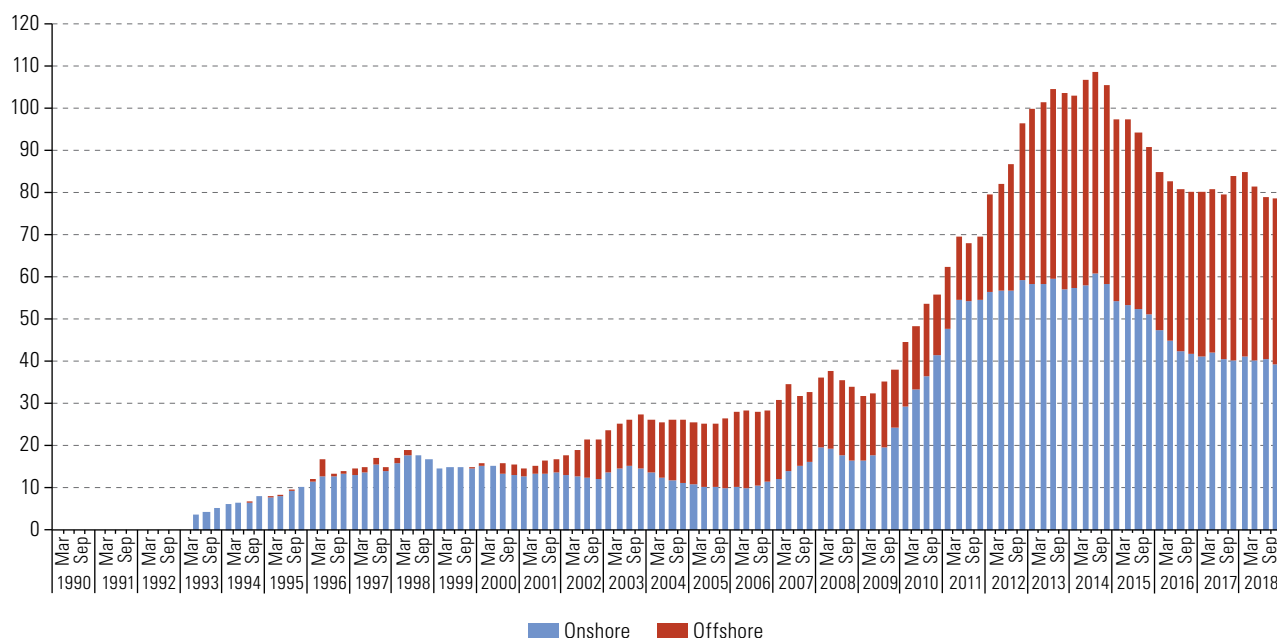


Onshore ◼ Offshore

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bank for International Settlements (BIS), "Debt securities statistics", 2019 [online] https://www.bis.org/statistics/secstats.htm.

**Note**: Offshore issuance is an indirect variable of outstanding debt security amounts, since it is calculated as the difference between the outstanding amounts of national companies and that of resident companies. Financial corporations refer to private banks and the central bank.

# E. Latent vulnerabilities and transmission mechanisms in the new financial cycle

Changes in the structure of the financial system, in the relative importance of financial market agents and in forms and instruments of financing have all strengthened the traditional mechanism for transmission of financial flows between countries and between the real sector and the financial sector. Transmission of international monetary flows through the banking channel remains both important and robust. To this transmission mechanism must be added the mechanism that has arisen as a result of the change in the international interest rate in the bond market.

In addition, new pockets of vulnerability have been created, exemplified in part by the increase in global debt in all sectors and the specific characteristics of this debt in the case of the non-financial corporate sector. Financial fragility is not only present in the financial sector, as it was prior to the global financial crisis, it is now also affecting the production sector.

## 1. Mechanisms of transmission of monetary policy from the United States to the rest of the world

Firstly, despite being the epicentre of the global financial crisis, the United States financial system has consolidated, in terms of both commercial banking and the asset management industry. This has reinforced the dollar's hegemony as the main

international reserve currency. Worldwide, around 80% of international transactions are conducted in dollars.[17]

As a result, changes in United States monetary policy and in the value of the dollar have a significant impact on other economies. The effect is particularly pronounced when a significant proportion of debt is in foreign currency, as is the case in the financial sector and the non-financial corporate sector in Latin America. This can become a source of currency mismatches. Changes in monetary policy (when contractionary) drive up debt servicing costs, principal payments and the cost of a potential refinancing.

The debt structure means that changes in monetary policy are transmitted through the banking channel, as in the first financial cycle. In addition, there is another transmission mechanism that operates by affecting the bond market, which is one of the characteristics of the second financial cycle.[18] This transmission channel through the bond market may also be more important than the bank loans transmission channel.

While changes in monetary policy primarily affect debtors (borrowers), bondholders are affected by the inverse relationship between a bond's price and the interest rate. The yield on a bond is equal to the dividend received plus the change in price ($Yield = Interest + (P_{t1}-P_{t2})$). For a given interest rate (taking into account, as noted above, that the bulk of international bond issues are fixed interest), a decrease in a bond's price between two points in time ($t_1$ and $t_2$) reduces its yield and results in a capital loss for bondholders. Under certain circumstances, this may reduce the incentive to retain bonds as assets and thus limit the potential to use the bond market as a borrowing and financing mechanism.

Global econometric information for a set of 49 countries for the period 1995–2018 shows that, as is to be expected, the federal funds rate has an inverse relationship with credit flows and debt securities. However, the impact tends to be greater when considering only debt securities. Other variables that can hamper credit flows are the level of volatility, as measured by the Chicago Board Options Exchange (CBOE) Volatility Index (VIX), and sovereign risk. More specifically, a 25-basis-point rise in the rate results in an 80-basis-point reduction in credit flows to banking institutions. Furthermore, the impact is more significant for debt securities, which fall by 100 and 66 basis points in case of financial and non-financial corporations, respectively. This causation is replicated in the countries of Latin America and in emerging economies[19]. In the case of Latin America, the results indicate that a 25-basis-point hike in the federal funds rate results in an 86-basis-point drop in credit flows, and a similar situation for debt securities issued by financial corporations, whose growth rates plunge 794 basis points.

---

[17]    Calculations based on BIS (2019) show that, in 2018, in emerging markets and developing economies, dollar-denominated debt accounted for 80% of total issuance in emerging markets and developing economies: 76% in developing countries in Europe; 78% in developing countries in Asia and the Pacific; 84% in developing countries in Africa and the Middle East; and 90% in developing countries in Latin America and the Caribbean.

[18]    See the explanation of transmission mechanisms given in footnote 4.

[19]    The aim was to identify the determinants of financial flows in the world and towards Latin America and the Caribbean. To this end, a panel of quarterly data was compiled on financial flows into 49 countries from around the wold and 12 in Latin America and the Caribbean, for the period 1995–2018. Two databases were used, from the Bank for International Settlements (BIS) "Locational banking statistics" and "Debt securities statistics" (BIS, 2019). Meanwhile, for the global factors, global quarterly GDP figures were used for member countries of the Organization for Economic Cooperation and Development (OECD), supplemented by the quarterly GDP figures produced by ECLAC for non-OECD countries. The second global factor is change in United States monetary policy, in other words the short-term federal funds rate. For example, the VIX Volatility Index is included as a measure of global risk levels. To capture the determinants by country, consideration was given to quarterly GDP (from OECD and ECLAC), capital account openness (Chinn-Ito Index), sovereign risk rating (averages for Moody's, Standard & Poor's and Fitch) and a macroprudential policy index (Cerutti, Claessens and Laeven, 2018). In formal terms, the model is described as:

$$F_{it} = B_1 + B_2 \Delta FFR_t + B_2\, VIX_t + B_2\, PIBPa\acute{\imath}s_{it} + B_2\, \Delta RankingSob_{it}$$

$$+ B_2 Ch.itoindex_{it} + B_2 GlobalGDP_t + B_2 MPINDEX_{it} + \gamma_t + \delta_i + e_{it}$$

The model takes into account the fixed effects by year and country, the federal funds rate and the sovereign rating are first differences, and the dependent variable $F_{it}$ is the rate of growth in cross-border credit or debt securities for country $i$ and quarter $t$.

# 2.   Financial fragility affects the production sector

The new financial cycle is characterized by financial fragility that affects not only the financial sector per se, as in the first financial cycle, but has spread to the production sector. This occurs both in the world's largest economy (the United States) and in emerging economies. In addition, the growth in non-financial corporate sector debt in the United States and emerging economies has been accompanied by a decline in profitability and a fall in credit quality, putting a question mark over the sustainability of the debt stock.

According to some recent estimates, in the case of the United States, in 2017 twice the volume of debt was issued in low-rated bonds than in high-rated bonds (US$ 1.9 trillion and US$ 1 trillion, respectively). Low-rated bonds carry a higher default risk than high-rated bonds and are therefore a riskier investment. In addition, debt levels are higher among issuers of low-rated bonds.

This situation may be a major source of financial vulnerability and fragility for the United States and the world economy as a whole, given the international importance of the country's non-financial corporate sector. A ranking of the world's top firms from 19 sectors in the real economy shows that the United States leads 7 sectors (see table II.9).

**Table II.9**
World market share, 2017

| Sector | Market share (Percentages) | | Leading company | | |
|---|---|---|---|---|---|
| | Top 10 companies | Top 5 companies | Company | Nationality | Market share (percentages) |
| Tobacco | 88 | 80 | China National Tobacco Corporation | China | 43 |
| Non-alcoholic beverages | 73 | 70 | The Coca-Cola Co | United States | 46 |
| Beer | 67 | 55 | Anheuser-Busch InBev | Belgium | 27 |
| Automobiles | 74 | 48 | Volkswagen AG | Germany | 11 |
| Commercial vehicles | 89 | 62 | Daimler | Germany | 22 |
| Clothing design[a] | 100 | 99 | VF Corporation | United States | 36 |
| Mobile telephones[b] | 73 | 61 | Samsung | Republic of Korea | 22 |
| LCD televisions[c] | 100 | 83 | LG Display | Republic of Korea | 20 |
| LCD tablets | 99 | 87 | BOE Display | China | 25 |
| Computer hardware and storage | 100 | 83 | HP Inc | United States | 23 |
| Electronic transmission/distribution equipment | 100 | 93 | Siemens T&D | Germany | 26 |
| Power generation equipment | 100 | 95 | Siemens Power Generation | Germany | 54 |
| Aircraft manufacturers[d] | NA | 100 | Airbus-Boeing | Netherlands/United States | 42 |
| Pharmaceuticals | 88 | 54 | Johnson & Johnson | United States | 15 |
| Biopharmaceutical services[e] | 100 | 91 | Quintiles Transnational Holdings | United States | 44 |
| Construction equipment | 80 | 57 | Caterpillar Inc | United States | 21 |
| Mining equipment | 100 | 90 | Komatsu Ltd | Japan | 35 |
| Weapons and defence | 98 | 68 | Lockheed Martin | United States | 23 |
| Chemical fertilizers | 100 | 76 | PotashCorp | Canada | 19 |
| Global banking | 100 | 74 | JPMorgan Chase | United States | 19 |
| Fixed income issuance | 100 | 82 | JPMorgan Chase, Bank of America | United States | 20 |
| Asset management | 51 | 36 | BlackRock Inc | United States | 12 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC).
[a] Data available for the first seven market-leading companies only.
[b] Calculated using data on telephone handset units shipped.
[c] Data available for the first nine market-leading companies only.
[d] There are only four multinationals in this sector.
[e] Data available for eight companies only.

In the case of emerging economies, and Latin American economies in particular, there is a high level of debt in companies in the non-financial corporate sector, accompanied, as in the rest of the emerging world, by a fall in profitability (see figure II.10).

**Figure II.10**
Emerging market economies and developing countries (selected countries): return on capital in the non-financial corporate sector, 2002–2018
*(Percentages)*

A. Latin America[a]
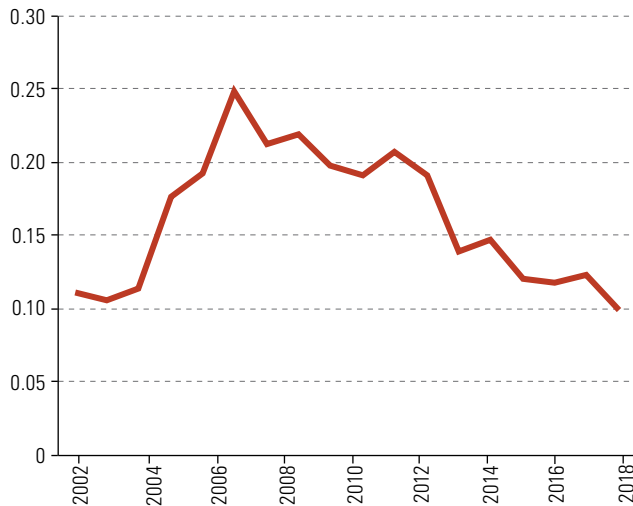
B. All emerging market economies and developing countries
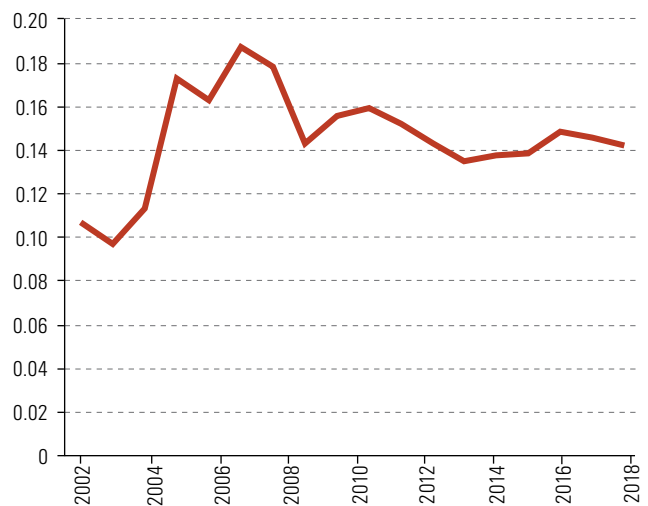
C. China
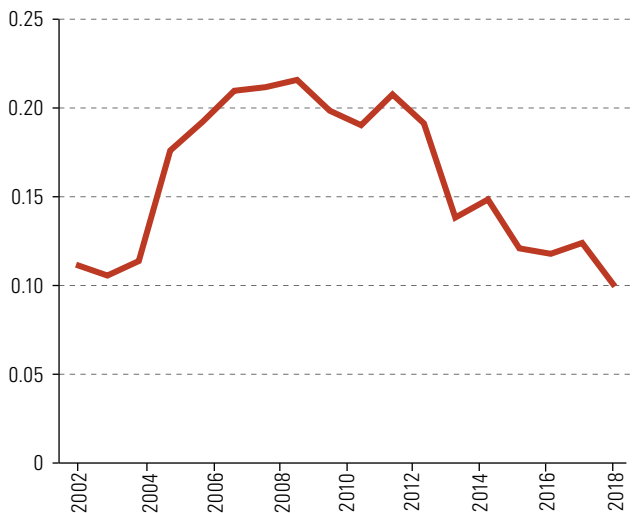
D. Other Asian countries[b]
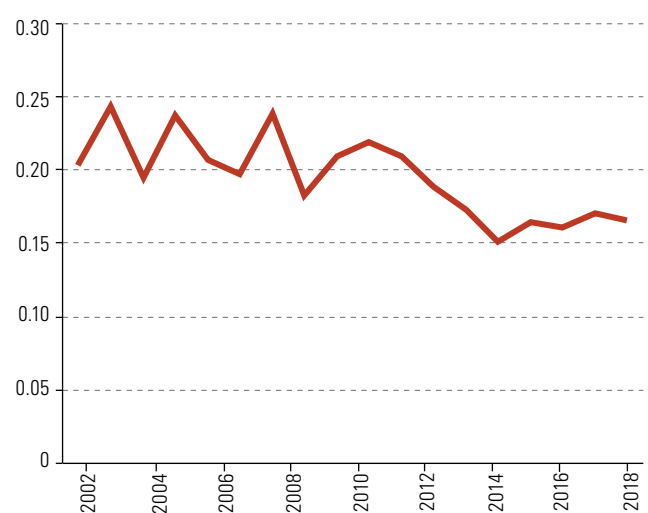


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC).
**Note**:    Calculated using the median of the ratio of net income to total equity (total equity is defined as the company's total assets minus total liabilities).
[a]  The sample includes: Brazil, Chile, Mexico and Peru.
[b]  The sample includes: India, Indonesia, Republic of Korea and Thailand.

In this type of situation an inverse relationship may be found between cash flow and investment and liquidity and investment. In principle, if companies resort to external financing sources, debt and leverage should rise together with greater levels of capital expenditure and financing. In the absence of external financing constraints, there should be no relationship between firms' cash flow, liquidity holdings (determined in part by retained earnings) and investment. However, when companies' debt passes a certain threshold and their profitability declines, they may feel more economically restricted and, as a result, may increase their retained earnings and cash reserves to guard against illiquidity and, ultimately, insolvency. Accordingly, beyond a certain leverage threshold, the relationship between cash flows and investment must be negative (Fazzari, Hubbard and Petersen (1988), cited in ECLAC, 2018).

Moreover, in the case of emerging economies this situation is even more serious, as a significant portion of debt is issued in foreign currency, thus exposing issuers in these countries to possible currency mismatch situations.

# Bibliography

Adrian, T. and H.S. Shin (2008a), "Liquidity and financial contagion", *Financial Stability Review*, No. 11, Paris, Banque de France.

___(2008b), "Financial intermediaries, financial stability and monetary policy", paper presented at the annual International Symposium of the Federal Reserve Bank of Kansas City, Jackson Hole, 21–23 August.

Avdjiev, S., M. Chui and H. Song Shin (2014), "Non-financial corporations from emerging market economies and capital flows", *BIS Quarterly Review*, December.

Avdjiev, S. and others (2018), "Tracking the international footprints of global firms", *BIS Quarterly Review*, March.

BIS (Bank for International Settlements) (2019), "Debt securities statistics" [online] https://www.bis.org/statistics/secstats.htm.

Bloomberg (2019), "Data and content: Bloomberg professional services" [online] https://www.bloomberg.com/professional/solution/data-and-content/.

Borio, C. and P. Disyatat (2015), "Capital flows and the current account: taking financing (more) seriously", *BIS Working Papers*, vol. 525.

Bruno, V. and H.S. Shin (2015), "Global dollar credit and carry trades: a firm-level analysis", *BIS Working Paper*, No. 510.

Cerutti, E., S. Claessens and L. Laeven (2018), "The use and effectiveness of macroprudential policies: new evidence", *Journal of Financial Stability*, vol. 28, February.

Chinn, M. and H. Ito (2008), "A new measure of financial openness", *Journal of Comparative Policy Analysis: Research and Practice*, vol. 10, No. 3, September.

Cochrane, S., K. Ell and M. Korobkin (2019), *Some Rising Pressure Points in Global Debt*, Moody's Analytics, January.

Credit Suisse (2019), *Assessing Global Debt*, Research Institute, Davos Edition.

Deloitte (2019), *2019 Investment Management Outlook A mix of opportunity and challenge*, Deloittte Center for Financial Services.

Drehmann, M., C. Borio and K. Tsatsaronis (2012), "Characterising the financial cycle: don't lose sight of the medium term!", *BIS Working Papers*, No. 380, June.

ECLAC (Economic Commission for Latin America and the Caribbean) (2018), *Economic Survey of Latin America and the Caribbean, 2018* (LC/PUB.2018/17-P), Santiago, October.

___(2016), *Horizons 2030: Equality at the Centre of Sustainable Development* (LC/G.2660/Rev.1), Santiago.

Epstein, G. (2019), "The asset management industry", unpublished.

Fazzari, S. M., R. G. Hubbard and B. C. Petersen (1988), "Financing constraints and corporate investment", *Brookings Papers on Economic Activity*, No. 1, Washington, D.C., Brookings Institution.

FDIC (Federal Deposit Insurance Corporation) (2019), "Statistics" [online] https://www.fdic.gov/.

FSB (Financial Stability Board) (2018), *Global Shadow Banking Monitoring. Report 2017*.

FSMA (Financial Services and Market Authority) (2017), *Report on Asset Management and Shadow Banking*, National Bank of Belgium [online] https://www.nbb.be/doc/ts/publications/other/report_asset_management_shadow_banking.pdf.

IIF (Institute of International Finance) (2019), Global Debt Monitor, April [online database] https://www.iif.com/publications/global-debt-monitor.

Kashyap, A. K. and J. C. Stein (1995), "The impact of monetary policy on bank balance sheets", *Carnegie-Rochester Conference Series on Public Policy*, vol. 42, Elsevier.

McCrum, D. (2015), "Who are the buyers of company bonds?", *Financial Times*, 22 December.

Minsky, H. (1986), *Stabilizing an Unstable Economy*, New Haven, Yale University Press.

___(1982), *Can "It" Happen Again. Essays on Stability and Finance*, New York, M.E. Sharpe.

Myers, S. C. (2001), "Capital structure", *Journal of Economic Perspectives*.

Pérez Caldentey, E. (2017), "Quantitative easing (QE), changes in global liquidity, and financial stability", *International Journal of Political Economy*, vol. 46, No. 2-3.

Pérez Caldentey, E. and M. Cruz (2012), "Regulación financiera y política macroprudencial", unpublished.

Pérez Caldentey, E. and A. González (2015), "Inversión, financiamiento y la paradoja de la deuda en Minsky. Un análisis microeconométrico aplicado a América Latina", *Ensayos Económicos*, vol. 1, No. 73, Banco Central de la República Argentina.

Pérez Caldentey, E., N. Favreau and L. Méndez (2019), "Corporate debt in Latin America and its macroeconomic implications", *Journal of Post Keynesian Economics* [online] https://www.tandfonline.com/doi/full/10.1080/01603477.2019.1616563.

Serena Garralda, J. M. and R. Moreno (2016), "Domestic financial markets and offshore bond financing", *BIS Quarterly Review*.

Shin, H.S. (2014), "The second phase of global liquidity and its impact on emerging economies", *Volatile Capital Flows in Korea*, K. Chung and others (eds.), New York Palgrave Macmillan.

___(2010), "Financial intermediation and the post-crisis financial system", *BIS Working Papers*, No. 304.

S&P Global Market Intelligence (2018), "The world's 100 largest banks" [online] https://platform.mi.spglobal.com/web/client?auth=inherit#news/article?id=44027195&cdid=A-44027195-11060.

Tregenna, F. (2009), "The fat years: the structure and profitability of the US banking sector in the pre-crisis period", *Cambridge Journal of Economics*, vol. 33, No. 4.

Veneroso Associates (2019), "28th Annual Minsky Conference, April 17, 2019. Record Global Private Indebtedness and a Global House Price Bubble" [online] http://www.levyinstitute.org/conferences/minsky2019/veneroso_minsky_2019.pdf.

# Towards a new approach to analysing the potential vulnerabilities facing Latin America and the Caribbean in the new financial cycle

# Introduction

Chapter II offered an analysis of the changes that have occurred in the global financial cycle as a result of (i) changes in the financial institutional framework; (ii) the emergence of new financial agents; and (iii) new forms of interaction between the real sector and the financial sector. As a result of these shifts, the operation, potential effects and transmission mechanisms of the external context have changed for Latin America and the Caribbean. Consequently, the indicators, categories and overall magnitudes traditionally used to analyse the countries' external vulnerability are often insufficient. The approach needs to be fine-tuned, with new indicators and disaggregations that lend themselves to more accurate assessment of fragilities.

This chapter illustrates this idea by analysing two indicators that are commonly used to evaluate external vulnerability: the net balance of the balance-of-payments financial account and the net international investment position. The experiences of Latin American countries are used as examples of the limitations of these indicators for gauging an economy's aggregate external vulnerability. It is also argued that these indicators need to be broken down to assess the determinants of vulnerability and financial fragility more accurately and reliably.

The chapter has two parts. The first analyses the balance-of-payments capital flows and the importance of looking not only at the net balance on the financial account —or its counterpart, the current account— as an indicator of vulnerability, but also at capital inflows and outflows separately (i.e. gross flows). Although the current account balance (net flows) has traditionally been viewed as an indicator of external vulnerability, in a financially integrated and complex world, it does not necessarily capture external imbalances —hence the need for an analysis of gross flows as well. The examination of vulnerability should look separately at the behaviour of gross inflows and gross outflows of capital, as well as the composition of these flows (investment in bonds or equity, loans or direct investment, among others).

The second part of the chapter considers the analysis of external stocks of assets and liabilities, gauging the extent to which the net international investment position —the statistical balance that measures countries' external positions as debtors or creditors at a given moment— can be considered an indicator of vulnerability. The analysis shows that a net debtor position does not necessarily reflect external vulnerability, while a net creditor position does not automatically signal financial strength. Given the increase in gross positions in terms of both assets and liabilities, it has become increasingly necessary to study the inherent vulnerabilities of these positions and their components. It has become necessary to examine the levels of gross stocks and, in particular, the composition of assets and liabilities in terms of instruments, institutional sectors, currencies and geographical distribution of counterparts.

# A.   Net flows, gross flows and external vulnerability

## 1.   The net financial account and current account balances are not enough to analyse external vulnerability and threats to financial stability

Traditionally, the net position of the balance-of-payments current account and net capital flows (in other words, capital inflows minus outflows) have played a key role in the analysis of a country's vulnerabilities to external conditions. However, although a high current account deficit is normally associated with greater external vulnerability —given that a sudden stop could force a recessionary adjustment in domestic absorption— it is also true that countries with a small deficit or even a surplus on their current account could be adversely affected by abrupt changes in financial flows entering or leaving the economy.

This is because a balanced current account could be the result of large gross capital inflows and outflows that offset each other, leading to a balanced net position on the financial account. Financial flows are not only the counterpart (payment) of goods or services transactions; they may also involve inward and outward financial asset transactions. Large capital inflows (financing of an economy by non-residents, representing liabilities of that economy vis-à-vis the rest of the world) may coexist with large capital outflows (outward investments made by residents that represent assets abroad); when these offset each other, they do not necessarily generate an observable balance on the financial account or the current account of the balance of payments.[1]

Although gross capital flows and their components have been generating increasing interest in specialized literature for some time,[2] the 2007–2009 global financial crisis brought the need for this analysis more strongly to the fore for determining potential risks to financial stability. Prior to the outbreak of the crisis, European countries' current accounts were basically balanced. However, there were significant flows of cross-financing from the United States to European banks and from the latter —sometimes through international financial centres— to the real-estate and mortgage market in the United States. As a result, the subprime crisis in the United States had major impacts on the European financial system, which could not have been foreseen solely by analysing vulnerabilities in terms of the size of the current account deficit or the net capital flows of European countries.

In short, in a world of increasingly financially integrated economies and of considerable gross financing flows in different directions that can offset each other at the country level, the net balance of the financial account does not reveal much about the magnitude of financial flows into and out of any one country. Thus, traditional indicators —based on net balances of the financial account and the current account of the balance of payments— are not enough to analyse countries' external vulnerability or financial stability risks.

---

[1]    See Borio and Disyatat (2015) for a discussion of this theme.
[2]    See, for example, Kraay and Raddatz (2005), Lane and Milesi-Ferretti (2007), Cowan and others (2007), Rothenberg and Warnock (2006), Forbes and Warnock (2012) and Broner and others (2013).

## 2.    The analysis of financial vulnerability should be expanded to include gross capital inflows and outflows

Gross capital flows —inward and outward— have increased in recent decades in developed and emerging economies alike. This phenomenon of growing international financial integration, which is manifested in countries' increasing stocks of external assets and liabilities, has been widely documented in different studies.[3] Latin America has seen a similar pattern since the 1990s, with larger gross inflows into the region as well as gross outflows to the rest of the world, not only in absolute terms, but also as a percentage of GDP. This has occurred both in the average figures for Latin America, where the flows of the larger countries weigh more heavily, and in the median for the countries of the region.

Figure III.1 shows the median of gross capital inflows and outflows as a percentage of GDP in 1984–2017 in three groups of countries: the total for the region, which includes 17 countries;[4] a group of countries classified as more financially open; and a group of countries classified as less finally open.[5] The three groups examined show an upward trend in both inward and outward gross flows. Gross inflows posted much stronger growth than gross outflows, and, in 2017, amounted to roughly 6% of GDP in the three groups, compared with 2% of GDP for gross outflows.

**Figure III.1**
Latin America (17 countries):[a] gross capital inflows and outflows, 1984–2017
*(Percentages of GDP)*



A. Capital inflows

More financially open countries
Less financially open countries
Total

---
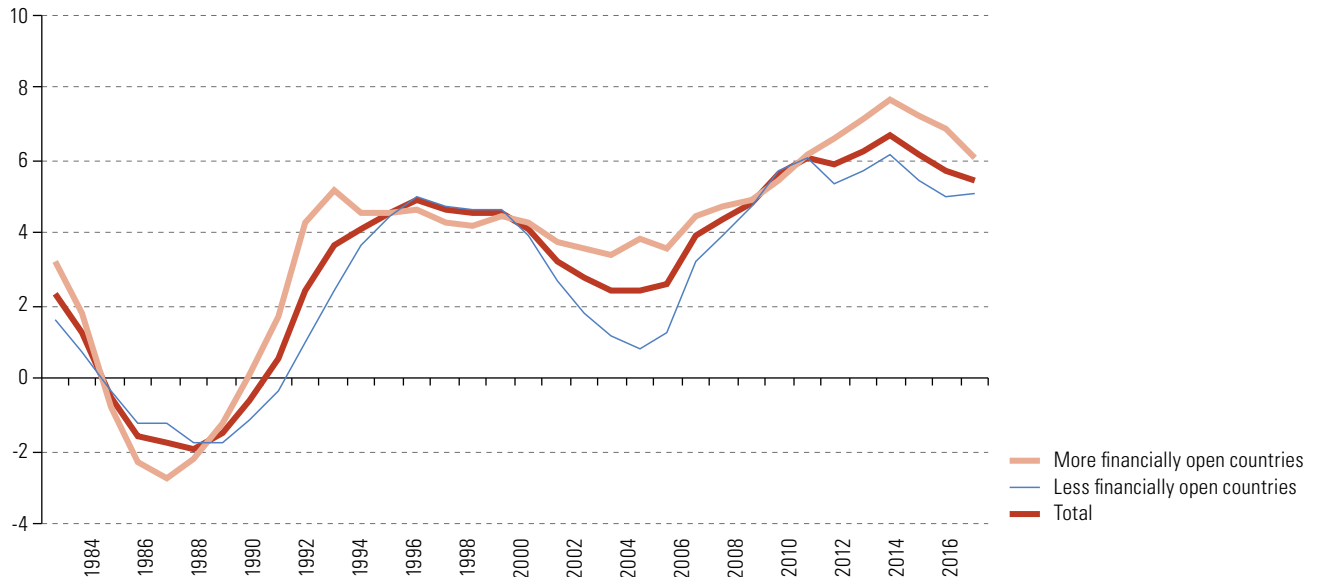
[3]    The global financial crisis partly reversed the process of growing financial integration, as documented by Lane and Milesi-Ferretti (2018).

[4]    The calculations of gross inflows and outflows were made for Argentina, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay, for which data were available for 1980–2017.

[5]    The 17 countries of the region are classified into two groups by financial openness de jure (using the Chinn-Ito index) and de facto (using information from the international investment position), on the basis of cluster analysis using data from the most recent year available (2016). This technique classifies a set of heterogeneous units into a specific number of clusters on the basis of specific characteristics. A measure of similarity or difference between the values taken by the indicators in each country (unit) is used to determine the most similar countries, and thus to design the groupings. In this case, the technique used is known as "k-medians" and the indicators used are standardized in advance to correct differences of scale. The group of more financially open countries consisted of Chile, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Peru and Uruguay. The group of less financially open countries comprised Argentina, Brazil, Colombia, Honduras, Paraguay and the Plurinational State of Bolivia.

**Figure III.1 (concluded)**

**B. Capital outflows**
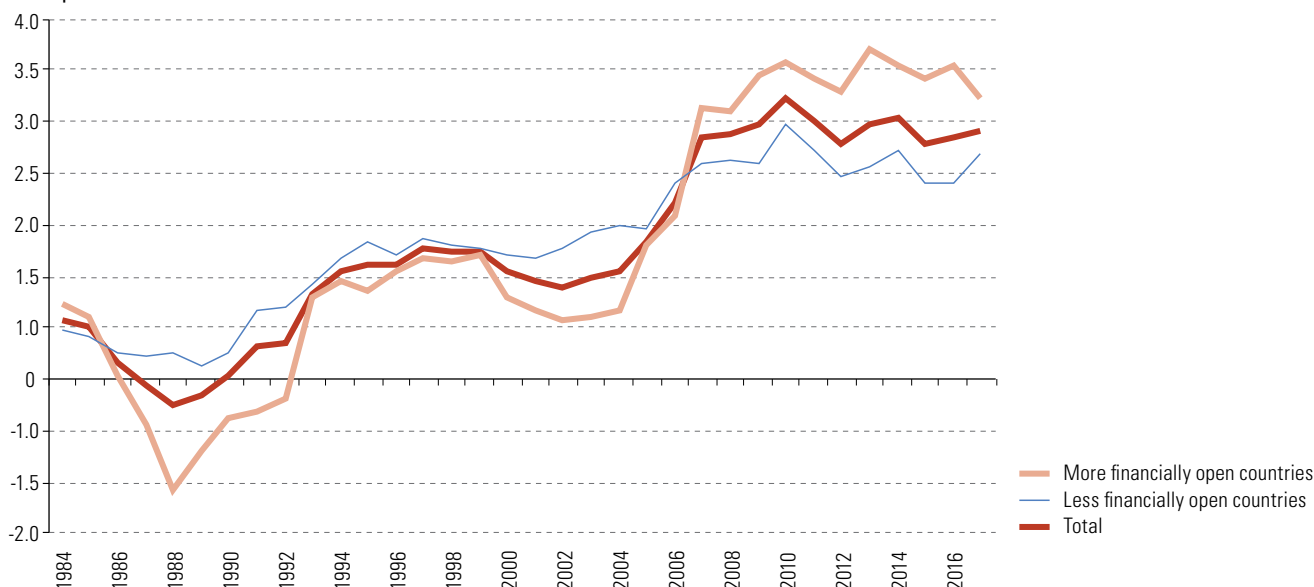


Legend:
- More financially open countries
- Less financially open countries
- Total

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), Balance of Payments and International Investment Position Statistics (BOP/IIP) [online database] http://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52.

**Note**:   Flows include financial derivatives. Capital outflows are measured with a positive sign, thus a larger percentage indicates stronger relative outflows (greater external asset formation by the residents of a country). The lines show the median for each group of countries.

ª Group of more financially open countries: Chile, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Peru and Uruguay. Group of less financially open countries: Argentina, Brazil, Colombia, Honduras, Paraguay and Plurinational State of Bolivia.

## 3.    Inflows and outflows do not necessarily respond to the same factors and movements can occur in opposing directions

In relation to the balance of payments —see equation (1)— a sudden stop in net capital flows (decline in the financial account balance) will require either an improvement in the current account balance or a drawdown of international reserves.[6]

$$Current\ account - financial\ account = \Delta\ international\ reserves \qquad (1)$$

Given that the financial account can be expressed as the difference between gross flows, outflows (external assets) and inflows (external liabilities), the balance of payments can also be described as follows (IMF, 2013):

$$Capital\ inflows = -\ current\ account\ balance + capital\ outflows + \Delta\ international\ reserves \quad (2)$$

This shows, for example, that a sudden stop in gross capital inflows does not necessarily lead to a current account adjustment or a loss of international reserves, if gross outflows are able to absorb this shock by falling as well. For instance, in a period of global financial market stress, investors residing in the country could offset a sudden stop in gross capital inflows by reducing their asset formation abroad, and thus the volume of gross outflows, which could even result in the repatriation of capital. In this case, the decline in gross capital inflows would not translate into a reduction in net flows, the resident agents would offset this effect.

---

[6]    Equation 1 is formulated according to the sixth edition of the *Balance of Payments and International Investment Position Manual* (IMF, 2009), in which the financial account is defined as the difference between the net acquisition of financial assets (that have a positive sign) and net incurrence of liabilities (that have a negative sign).

At the empirical level, various studies have addressed the question of whether the two types of flows offset or, conversely, reinforce each other (see a review of recent works on the subject in annex III.A1). This analysis is of particular interest when designing policies to reduce countries' vulnerability to shifts in financial flows. Understanding the behaviour of different types of flows can support more accurate decision-making.

The fact that resident and non-resident investors exhibit contrasting behaviours in periods of financial stress may not appear to make sense, but various authors have raised arguments that could account for these differences in investment decisions. For example, asymmetric information about returns on domestic assets and varied levels of risk aversion have been cited as possible causes of differentiated behaviour by resident and non-resident investors.[7] Also an institutional framework that treats investors differently by place of residence could have varied effects on capital inflows and outflows. Other authors have also argued that there are factors that mitigate the risk of stops in inflows to trigger in addition capital flight (surge in residents' outflows), thereby reducing the chances of the episode to escalate to a sudden stop in net flows. Such factors are those related to reducing domestic risk, such as low levels of liability dollarization, inflation kept in check and reliable inflation-targeting regimes along with a flexible exchange rate or solid institutions, and could convince resident agents to reduce capital outflows.[8]

## 4.    In Latin America, outflows —being of smaller magnitude— do not offset inflows, even in cases when the two move in opposing directions

For an analysis of Latin America in particular, regressions of gross inflows and outflows were estimated with panel data for 17 countries of the region from 1980 to 2017, following the same methodology as Broner, Martin and Ventura (2010) and Broner and others (2013). Specifically, regressions were estimated for inflows versus outflows as shown in the following formula:

$$Gross\ inflows_{c,t} = \alpha_c + \gamma_c t + \beta\ Gross\ outflows_{c,t} + \varepsilon_{c,t}$$

which included the possibilities of fixed effects by country $\alpha_c$ and of a linear trend by country $\gamma_c t$.[9] A positive $\beta$ coefficient between inflows and outflows indicates that one type of flow offsets the other, and thus, for example, if gross inflows from non-resident investors into the economy diminish, so do gross outflows.[10]

For Latin America, a highly significant (at 1%) $\beta$ coefficient of 0.28 was obtained, in line with those calculated by Broner and others (2013), which indicates that gross inflows and outflows offset each other to some extent (see table III.1). The same estimate was made separating the 17 countries into two groups —more and less financially open— according to the classification outlined at the beginning of this section. The coefficients were positive and highly significant (at 1%) in both cases, but higher in the case of the more financially open countries. This implies a stronger correlation between outflows and inflows in countries that are more financially open.

Regardless of the coefficients obtained, the de facto behaviour of net capital flows in Latin America is very similar to that of capital inflows, while outflows, being smaller, tend to have only a slight impact on net flows (see figure III.2).[11] In this regard, and despite the correlation observed, the difference in relative magnitude between inflows and outflows may cast doubt on the ability of the latter to offset the former.

---

[7]    See Milesi-Ferretti and Tille (2010) and Broner, Martin and Ventura (2010).
[8]    See Cavallo, Izquierdo and León-Díaz (2017).
[9]    With a view to ensuring that the results are not disproportionately affected by individual countries, inflows and outflows are expressed as a percentage of GDP and standardized according to a median of 0 and a variance of 1. As well as the fixed effects model, another was estimated with combinations of independent cross sections (a data pool), which yielded very similar results, as shown in table III.1.
[10]   Outflows are expressed with a positive sign.
[11]   This is true not only in the average for the region and for each group, but also in the median figures for the three groups (the total group of 17 countries, the group of more financially open countries and the group of less financially open countries).

**Table III.1**
Latin America
(17 countries):[a] results
of panel data estimates,
1980–2017

| | Fixed effects | Combinations of independent cross sections (data pool) | Less financially open countries | More financially open countries |
|---|---|---|---|---|
| $\gamma_c t$ | 0.024*** | 0.024*** | 0.021*** | 0.026*** |
| | (7.10) | (7.05) | (3.39) | (6.53) |
| $\beta$ | 0.283*** | 0.285*** | 0.206** | 0.324*** |
| | (7.62) | (7.75) | (2.93) | (7.42) |
| $\alpha_c$ | 0.145* | 0.138 | 0.308* | 0.049 |
| | (2.00) | (1.10) | (2.45) | (0.56) |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC).
**Note**:    $t$ coefficients are included in brackets. Levels of statistical significance: * significant at 10%; ** significant at 5%
*** significant at 1%.
[a] Group of more financially open countries: Chile, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico,
Nicaragua, Panama, Peru and Uruguay. Group of less financially open countries: Argentina, Brazil, Colombia, Honduras, Paraguay
and Plurinational State of Bolivia.

**Figure III.2**
Latin America (17 countries):[a] gross inflows, gross outflows and net flows of capital, 1980–2017
*(Median figures for three groups of countries as a percentage of GDP)*

A. All countries
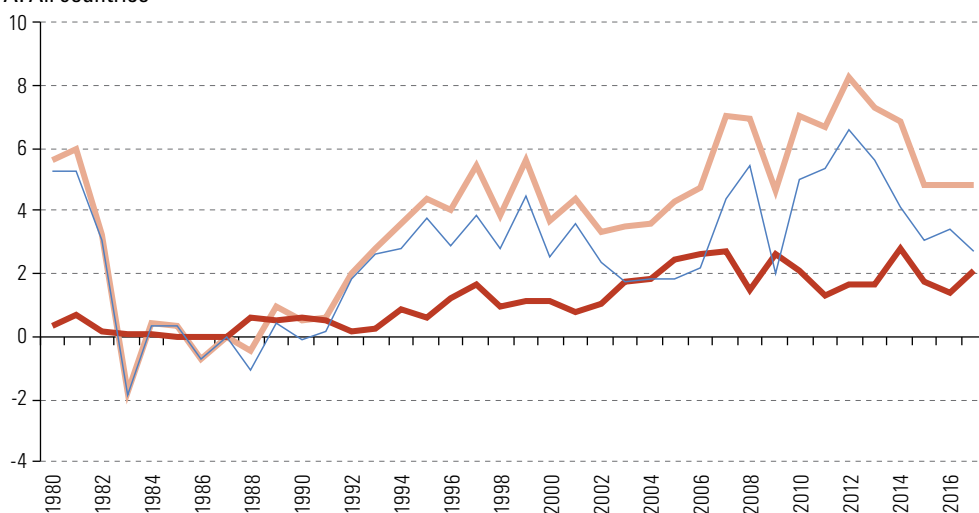


B. More financially open countries
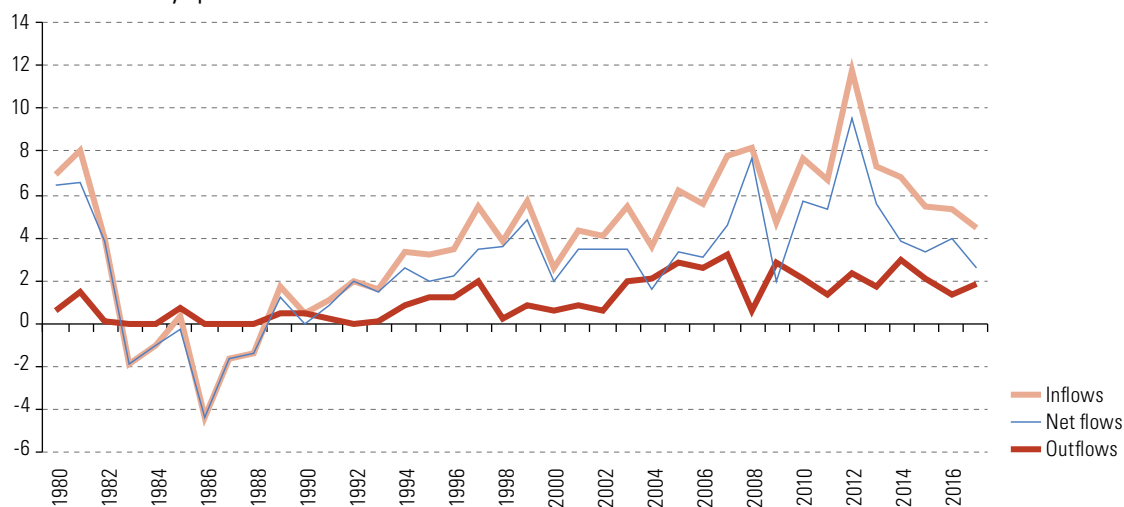
C. Less financially open countries
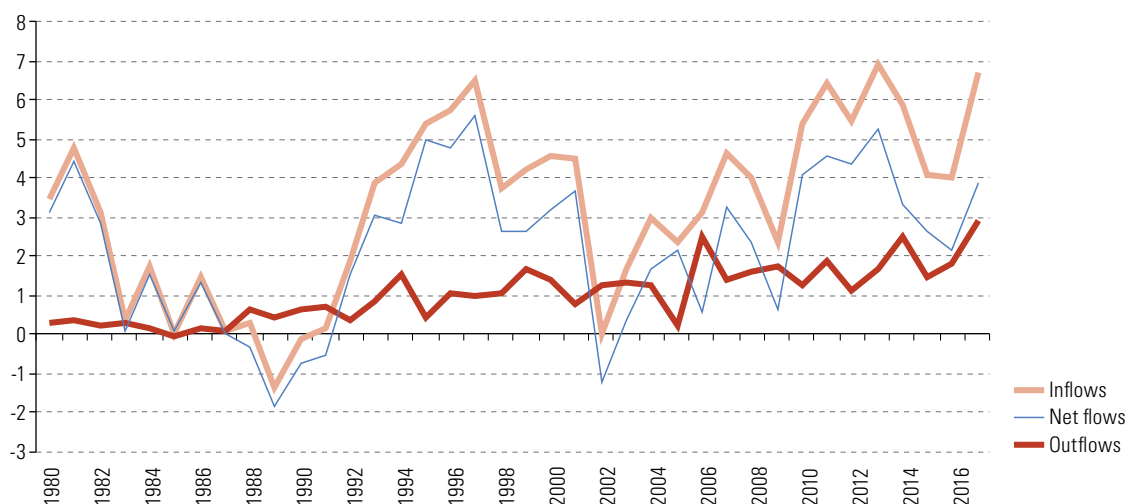


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), Balance of Payments and International Investment Position Statistics (BOP/IIP) [online database] http://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52.

[a] Group of more financially open countries: Chile, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Peru and Uruguay. Group of less financially open countries: Argentina, Brazil, Colombia, Honduras, Paraguay and Plurinational State of Bolivia.

With a view to addressing this topic and determining whether inflows and outflows do in fact offset or reinforce each other at the country level, there follows an empirical analysis of sudden stops, in capital flows. The methodology developed by Cavallo, Izquierdo and León-Diaz (2017) is used to determine empirically whether the Latin American countries have benefited from offsetting effects; in other words, whether domestic investors have acted to "prevent" sudden stops in capital inflows from becoming sudden stops in net capital flows.[12]

The methodology used is sequential. First, sudden stops in gross capital inflows are identified. This is followed by an analysis of whether these episodes resulted in sudden stops in net capital flows (in other words, whether they coincided). If not, this means that gross capital flows offset each other and, thus, the sudden stop in net flows was "prevented".

Net flows are calculated for country $i$ in quarter $t$ as follows:

$$Net\ flows_{i,t} = gross\ inflows_{i,t} - gross\ outflows_{i,t}$$

Sudden stop episodes[13] were identified using quarterly series of the balance of payments for 18 Latin American countries.[14] The identification technique was developed by Calvo, Izquierdo and Mejía (2008) and generally consists of identifying a sudden stop as a period in which the variation in capital flows is at least two standard deviations below the historical mean.[15]

---

[12]    Central to this idea is what the authors call "prevention", not in terms of reducing the risk of diminishing inflows, which is usually outside countries' control, but with respect to the behaviour of resident agents, so that a sudden stop in capital inflows does not translate into a sudden stop in net capital flows. The concept of prevention is used in this regard throughout the rest of the chapter.

[13]    The analysis period runs from the first quarter of 1993 to the second quarter of 2018 (for some countries, the series begins later). Given the methodology used —which implies obtaining, first, the cumulative four-quarter value and the year-on-year differences in these values, and then, the average of eight observations— the start of the series is truncated to the third quarter of 1996.

[14]    The idea is to identify the quarters in which there is a sudden stop in flows. When these are identified, the entire period is termed an "episode".

[15]    Strictly speaking, both the beginning and end of a sudden stop episode occur when the variation is one standard deviation below the mean. The calculation is the opposite for outflows, as risks are recognized when these flows increase abruptly. Thus, the focus is on identifying situations in which the variation in outflows is two standard deviations higher than the mean. See Titelman and others (2014) for a detailed explanation of the methodology applied to Latin American countries.

There follow three examples of the exercise carried out, which illustrate the notion of offsetting falls in inflows to avoid sudden stops in net flows. The first involves Brazil, which recorded three episodes of sudden stops in capital inflows, as shown by the bars in figure III.3.A. During the crisis of 1998 and 1999, the capital inflow stop lasted three quarters and resulted in —coincided with— a sudden stop in net capital flows (see figure III.3.B). A similar situation is reflected in the episodes recorded during the 2008–2009 global financial crisis and the period of high volatility in China in 2015,[16] which both lasted six quarters, as the reversal in inflows also spread to net flows. In all three situations, there was no offsetting mechanism by resident investors to prevent the sudden stop in net capital flows.

**Figure III.3**
Brazil: sudden stops in gross capital inflows and net flows, third quarter of 1996–second quarter of 2018
*(Billions of dollars)*

A. Gross inflows



B. Net flows



Sudden stop
Average cumulative flows
Four-quarter cumulative (year-on-year difference)
Average minus two standard deviations
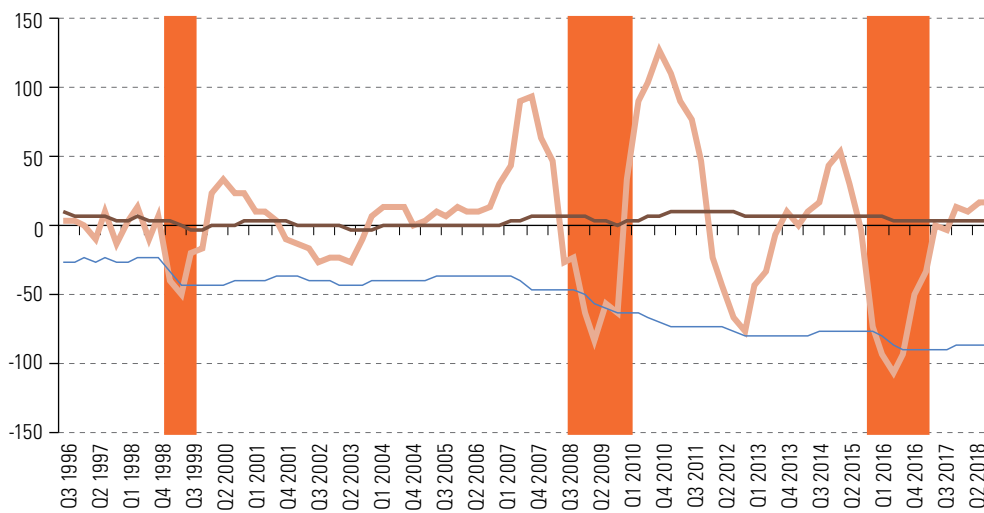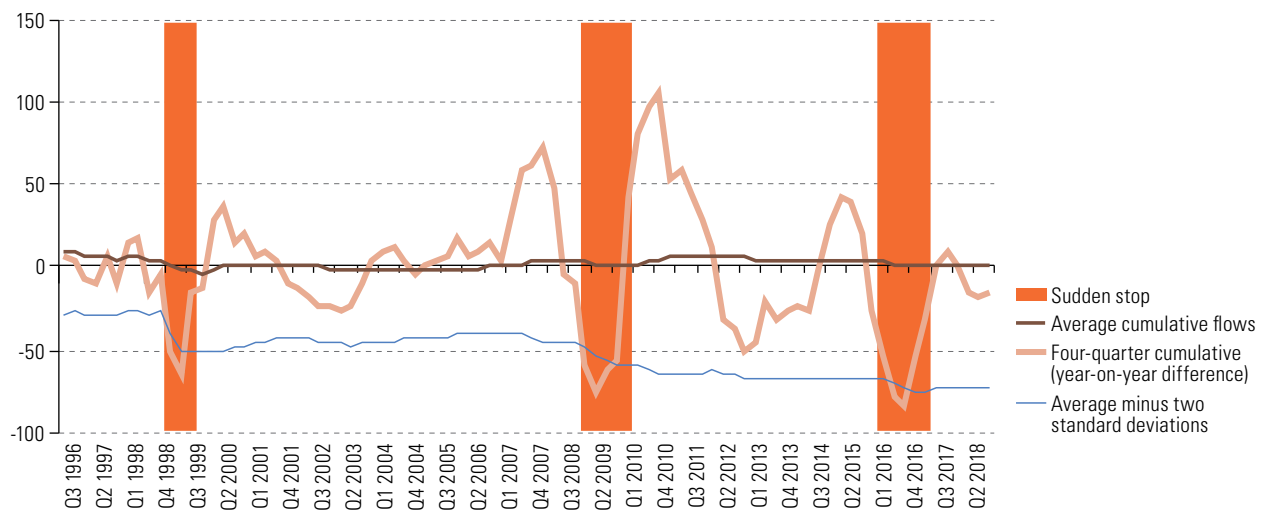
**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

[16]    There was a period of high volatility in financial markets in August 2015 and again in early 2016. 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 and to commodity prices, which plummeted; the price of oil, for instance, fell to its lowest level in 12 years (ECLAC, 2016).

The second example is Mexico, which recorded three sudden stops in gross capital inflows (see figure III.4.A). Of these episodes that lasted a total of 12 quarters, two (7 quarters in total) coincided with sudden stops in net flows, which means that there was no prevention effect (see figure III.4.B). However, one of the stops in inflows, which occurred in 2007, has no associated episode in net flows. In that case, the sudden stop was prevented by resident agents, who reduced outflows or repatriated resources. During the period in which inflows slowed, the year-on-year variation in outflows was highly positive, which indicates a reduction in annual outflows. This retrenchment prevented the sudden stop in net flows.

**Figure III.4**
Mexico: sudden stops in gross capital inflows and net flows, third quarter of 1996–second quarter of 2018
*(Billions of dollars)*

A. Gross inflows



B. Net flows



Legend:
- Sudden stop
- Average cumulative flows
- Four-quarter cumulative (year-on-year difference)
- Average minus two standard deviations
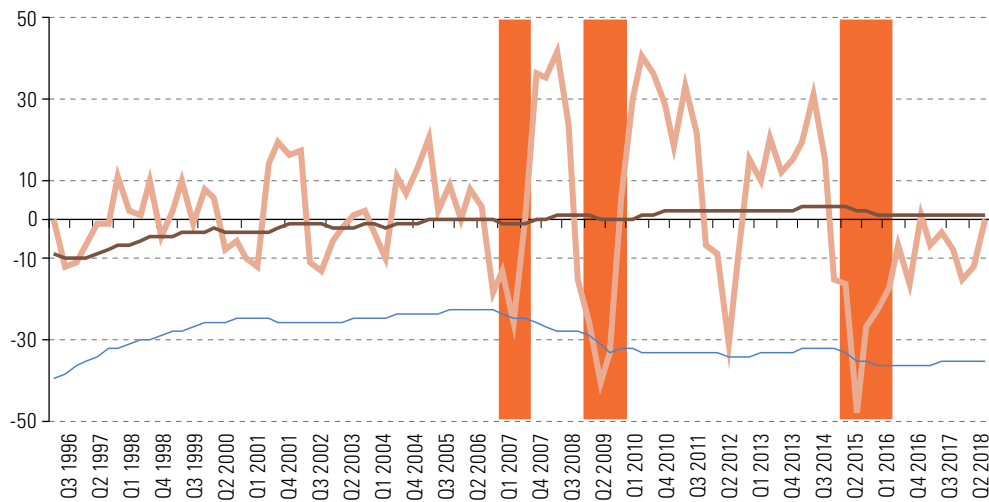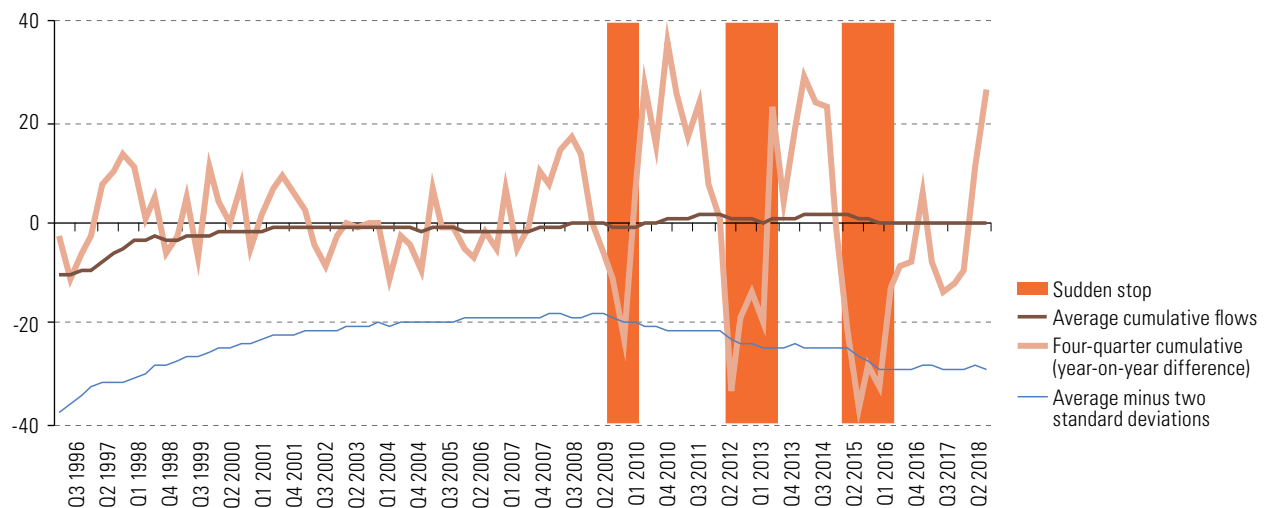
**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The third example is Chile, which differs from the two previous cases as it recorded three episodes of sudden stops in net flows, which are attributable solely to increases in capital outflows. Figure III.5.C shows how the episodes identified in net flows are reflected in gross outflows (see figure III.5.B). Although there were also three episodes of sudden stops in gross inflows (lasting a total of 14 quarters), these did not occur at the same time and were offset by gross outflows in almost all the quarters (12 in total). It may be concluded that only 12% was not offset with outflows, and thus, resulted in a sudden stop in net flows. In this case, the public sector played a crucial role by repatriating funds saved abroad, for example, during the 2008–2009 global financial crisis, precisely to cope with the effects of the crisis and the scarcity of available financing at the time.[17]

**Figure III.5**
Chile: sudden stops in gross capital inflows and net flows, third quarter of 1996–second quarter of 2018
*(Billions of dollars)*

A. Gross inflows



B. Gross outflows
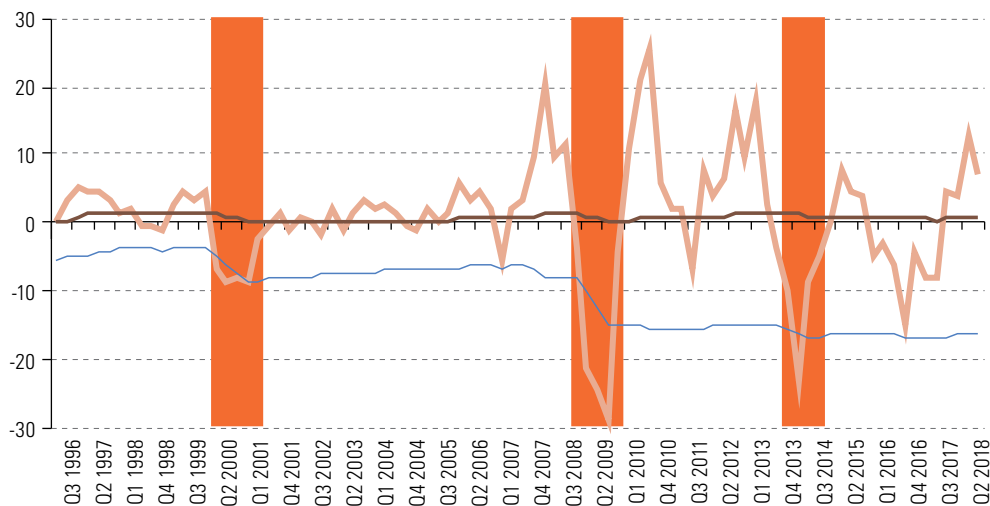


Sudden stop
Average cumulative flows
Four-quarter cumulative (year-on-year difference)
Average minus two standard deviations

---
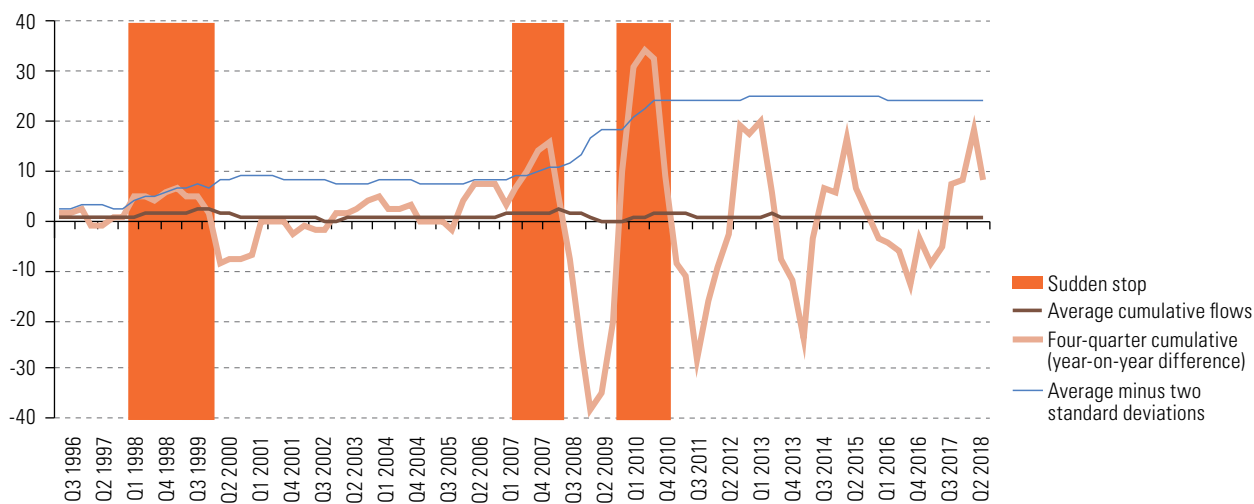
[17]    The government used the savings it had abroad (in its Economic Stabilization Fund) to deploy a countercyclical fiscal policy, which included the capitalization of public companies including the National Copper Corporation (CODELCO), Banco Estado and the National Petroleum Corporation (ENAP), and an increase in investment and social spending (see [online] https://www.camara.cl/prensa/noticias_detalle.aspx?prmid=81825).

**Figure III.5 (concluded)**
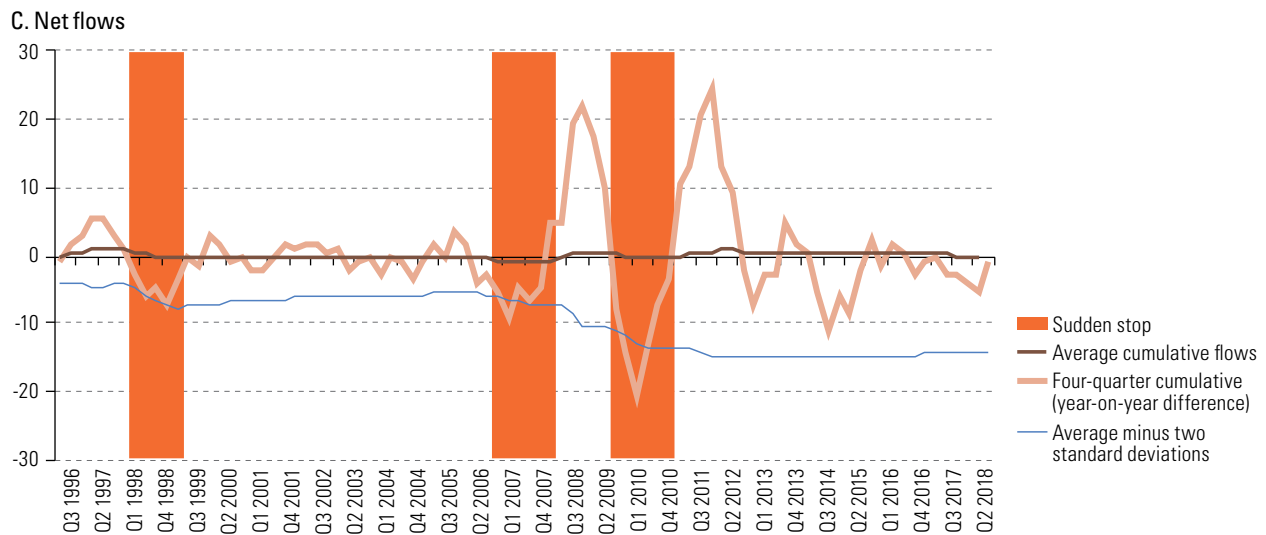
C. Net flows



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

A first result of the analysis is that in most cases in the region, the behaviour of outflows was not sufficient to offset that of inflows. During the period under analysis, sudden stops in gross inflows occurred in 170 quarters, of which sudden stops in net capital flows also occurred —that is, were not prevented— in 121 (71% of the total) (see table III.2). In only the remaining 29% of cases, sudden stops in inflows were offset by the behaviour of outflows such that a reversal of net flows was avoided. Within the overall regional results, different cases may be observed at the country level. At one extreme are those where there was no offsetting effect at all, as in the Dominican Republic, Ecuador, Nicaragua, Paraguay and Peru; in these countries, on every occasion, a reversal in inflows was passed through to net flows. At the other extreme are the cases such as Chile, described above, or Colombia, where, sudden stops in inflows were offset and not passed through to net flows in the great majority of episodes (all of them, in the case of Colombia).

There follows an analysis similar to the above, but including international reserves as a potential offsetting mechanism of sudden stops in inflows. As noted earlier, a sudden stop in inflows does not necessarily lead to a current account adjustment if gross outflows or international reserves are able to absorb that shock through downward adjustment in turn. This is because a country's international reserves are simply external assets held by the central bank, so that, by divesting these assets, the country can prevent a sudden stop in inflows from being passed to net flows.

To evaluate the existence of this preventive mechanism of international reserve use in Latin America, the previous exercise of identifying sudden stops was repeated, this time including reserves as part of the outflows. Net flows for country $i$ in quarter $t$ are thus given as:

$$Net\ flows_{i,t} = gross\ inflows_{i,t} - (outflows_{i,t} - \Delta\ international\ reserves_{i,t})$$

Including international reserves reduces the number of quarters with stops in inflows that translate into reversals of net flows. Whereas in the previous exercise this occurred in 121 quarters, in this one it occurs in only 73 quarters, or 43% of the 170 quarters in which a sudden stop in capital inflows occurred. This means that in some cases international reserves acted as a buffer against sudden stops in net capital flows.

At the same time, some interesting relations arise within the countries, which differ from those seen previously. With the use of international reserves, there are now only two cases (the Dominican Republic and El Salvador) where there is no compensation effect whatsoever, whereas in several countries the compensation effect is absolute, as in Bolivarian Republic of Venezuela, Colombia, Mexico, Paraguay and Uruguay, where the reversal of inflows was prevented from producing a reversal in net flows in all quarters.

**Table III.2**
Latin America (18 countries): total sudden stops in inflows and in net capital flows, third quarter of 1996–second quarter of 2018
*(Number of quarters and percentages)*

| | Number of quarters with sudden stops in inflows | Quarters in which the sudden stop in inflows became a sudden stop in net flows (not including use of international reserves) | | Quarters in which the sudden stop in inflows became a sudden stop in net flows (including variation in international reserves) | |
|---|---|---|---|---|---|
| | | Number of quarters | Percentage of all quarters with sudden stops in inflows | Number of quarters | Percentage of all quarters with sudden stops in inflows |
| Argentina[a] | 5 | 4 | 80 | 4 | 80 |
| Bolivia (Plurinational State of) | 18 | 16 | 89 | 16 | 89 |
| Brazil | 15 | 13 | 87 | 8 | 53 |
| Chile | 14 | 2 | 14 | 1 | 7 |
| Colombia | 4 | 0 | 0 | 0 | 0 |
| Costa Rica | 14 | 10 | 71 | 5 | 36 |
| Dominican Republic | 4 | 4 | 100 | 4 | 100 |
| Ecuador | 9 | 9 | 100 | 8 | 89 |
| Guatemala | 11 | 10 | 91 | 8 | 73 |
| Honduras | 0 | 0 | - | 0 | - |
| Mexico | 12 | 7 | 58 | 0 | 0 |
| Nicaragua | 12 | 12 | 100 | 7 | 58 |
| Panama | 6 | 4 | 67 | 4 | 67 |
| Peru | 14 | 14 | 100 | 1 | 7 |
| Paraguay | 3 | 3 | 100 | 0 | 0 |
| El Salvador | 7 | 6 | 86 | 7 | 100 |
| Uruguay | 8 | 4 | 50 | 0 | 0 |
| Venezuela (Bolivarian Republic of) | 14 | 3 | 21 | 0 | 0 |
| **Total** | **170** | **121** | **71** | **73** | **43** |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Although it may appear striking that Argentina displays only five quarters with sudden stops in capital inflows during the analysis period, it should be recalled that the country maintained a system of capital account controls between 2011 and late 2015.

## 5.    An analysis of external vulnerability should also consider the different categories of gross capital inflows and outflows

As well as broadening the study from net flows to gross flows, it is also important to look at their composition, because the different categories have different determinants and thus behave differently. Financial flows are classified into foreign direct investment (FDI), portfolio investment, financial derivatives, other investment and international reserves.

Analysis of the composition of gross flows in the case of Latin America during the period 1980–2017 shows that most inflows are FDI, particularly so in the period 2000–2009. In the case of outflows, the largest category of flows is other investment, which correspond mainly to deposits by agents domiciled outside national economies (see figure III.6 and table III.3).[18] This is important from the point of view of stability of flows because direct investment flows tend to be more stable than portfolio or other investment flows.

It is important to be aware, however, that in some Latin American economies inter-company loans represent quite a large share of FDI flows. This has a larger impact on inflows, given their greater magnitude. The significance of inter-company lending within total financial flows (as mentioned in chapter II) is consistent with the increase in borrowing in international bond markets by the non-financial corporate sector in emerging markets, including in large Latin American countries.

---

[18]    Foreign direct investment (FDI) is investment made to acquire a lasting interest or effective control in a company operating outside the economy of the investor (as a guideline, the International Monetary Fund (IMF) suggests that an investment should represent at least 10% of a company's voting stock to classify as FDI). FDI is composed of equity shares and debt instruments. Equity shares include reinvested earnings. Debt instruments refer to loans between related enterprises. See more details in IMF (2009).

**Figure III.6**
Latin America (17 countries):[a] composition of capital inflows and outflows, 1980–2017
*(Percentages of the total)*

A. Capital inflows
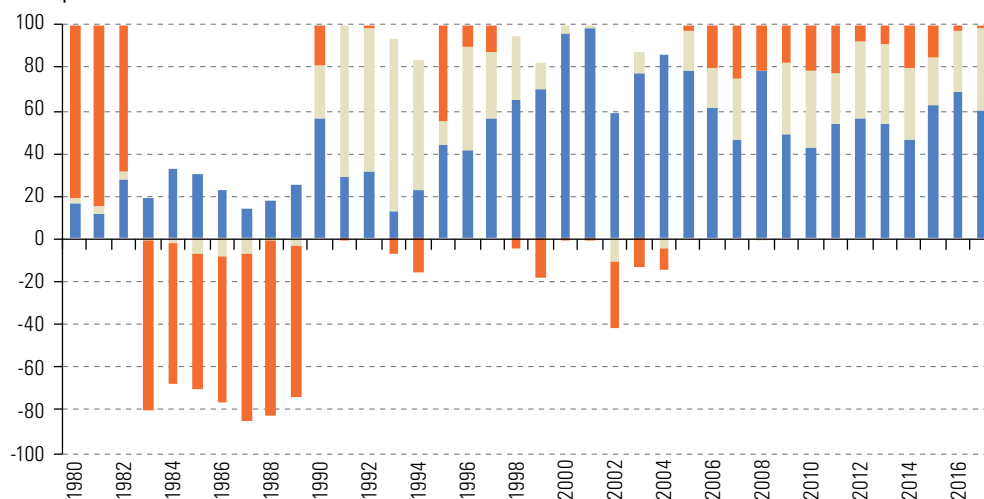


B. Capital outflows
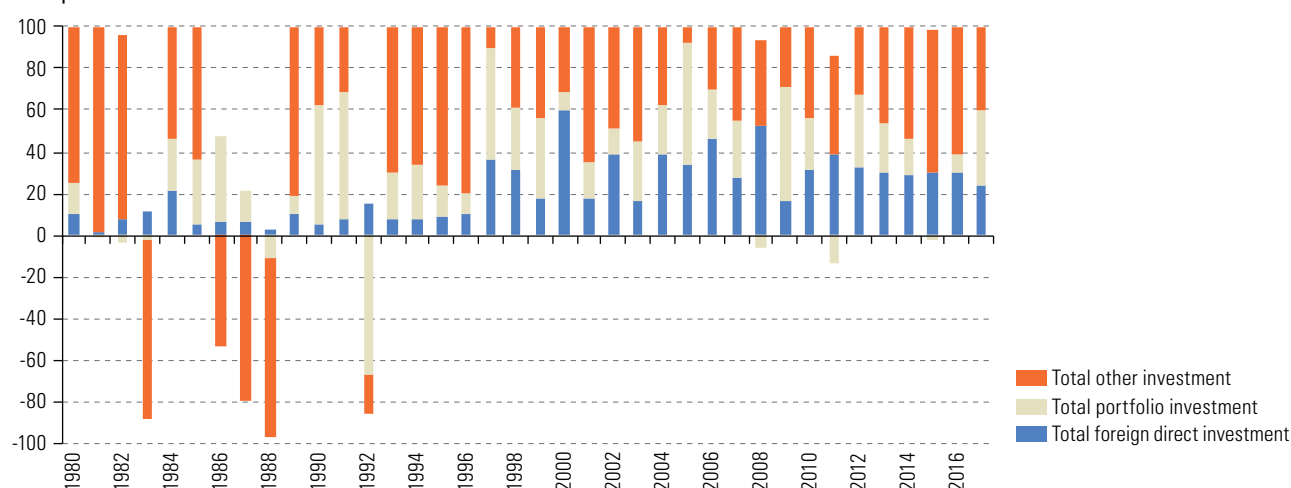


Total other investment
Total portfolio investment
Total foreign direct investment

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), Balance of Payments and International
Investment Position Statistics (BOP/IIP) [online database] http://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52.
[a] Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational
State of Bolivia and Uruguay.

| | 1990–1999 | 2000–2009 | 2010–2017 | 1980–2017 |
|---|---|---|---|---|
| **Capital inflows** | | | | |
| Foreign direct investment | 51 | 73 | 54 | 59 |
| Portfolio investment | 49 | 16 | 32 | 31 |
| Other investment | 0 | 11 | 14 | 10 |
| **Capital outflows** | | | | |
| Foreign direct investment | 7 | 37 | 33 | 16 |
| Portfolio investment | 45 | 24 | 15 | 6 |
| Other investment | 47 | 39 | 52 | 78 |

**Table III.3**
Latin America
(17 countries):[a]
composition of capital
inflows and outflows,
1980–2017
*(Percentages)*

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), Balance
of Payments and International Investment Position Statistics (BOP/IIP) [online database] http://data.imf.org/?sk=7A51304B-
6426-40C0-83DD-CA473CA1FD52.
[a] Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua,
Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

As debt instruments, these loans could be considered less stable than capital instruments and, being parcelled with FDI, they could hide a greater degree of volatility and thus external vulnerability in the economy. To gauge the importance of these flows, an exercise was performed in which inter-company loans were deducted from FDI and included with other flows. In this case, it may be seen that non-FDI-related flows become the main component of inflows to the region in 2010–2017 (see table III.4).

**Table III.4**
Latin America
(17 countries):[a] share of foreign direct investment flows in total inflows and outflows, by period, 1990–2017
*(Percentages of the total)*

| Capital flows | Capital inflows | | | Capital outflows | | |
|---|---|---|---|---|---|---|
| | 1990–1999 | 2000–2009 | 2010–2017 | 1990–1999 | 2000–2009 | 2010–2017 |
| FDI (including loans) | 51 | 73 | 54 | 21 | 35 | 33 |
| Other flows | 49 | 27 | 46 | 79 | 65 | 67 |
| FDI (excluding loans) | 45 | 60 | 41 | 18 | 27 | 30 |
| Other flows (including FDI loans) | 55 | 40 | 59 | 82 | 73 | 70 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), Balance of Payments and International Investment Position Statistics (BOP/IIP) [online database] http://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52.

[a] Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

Several studies have analysed the volatility of different categories of financing over time in emerging economies, and the general rule that has emerged is that direct investment (which gains control or significant influence over the management of a firm) is the most stable type of financing and, thus, the least prone to capital flight or sudden stops. Conversely, bank-intermediated cross-border loans and deposits (i.e. the "other investment" category, excluding sovereign loans) and portfolio investment —basically equity and securities— are more volatile.

In the case of Latin America, analysis of the volatility of different types of financing in the period between 2010 and 2018 yields results consistent with those obtained for emerging economies more broadly (see box III.1).

**Box III.1**
Volatility of the components of gross capital inflows and outflows in six Latin American countries

The box outlines the results obtained by Klein and Titelman (2019), who calculated the volatility of the various components of gross capital inflows and outflows (foreign direct investment, portfolio investment —equity and bonds— and other investment) for six Latin American countries during the period following the global financial crisis, between 2010 and 2018.

The analysis uses quarterly data and a methodology similar to that employed by Broto, Díaz-Cassou and Erce (2011) and Pagliari and Hannan (2017). First, an autoregressive integrated moving average (ARIMA) model (p,d,q)[a] is adjusted for each time series and each country $i$[b]. Next, the presence of autoregressive conditional heteroskedasticity (ARCH) effects in the residual is tested. In the event of ARCH effects, a generalized autoregressive conditional heteroskedasticity (GARCH) model is specified (1,1) and a conditional volatility estimation is performed. In the absence of ARCH effects,[c] the annual variation of the residuals $\varepsilon_{it}$ is calculated to obtain their variance, defined as: $\sigma_{it}^2 = \frac{1}{4}\sum_{j=0}^{3}(\varepsilon_{it-j})^2$, and the standard deviation, defined as $\sigma_{it}$. This last measure is interpreted as the volatility of the unexpected component of the flows and, thus, reflects the unpredictability of each instrument.

However, given the difference in the volumes of each instrument, the standard deviation is not a suitable measure for comparing relative volatilities. Accordingly, the coefficient of variation is used as an alternative measure of volatility, that is the standard deviation $\sigma_{it}$ divided by the series annual average (absolute value) in quarter $t$ (see more details on the calculations in Klein and Titelman (2019)).

With respect to gross inflows, the results obtained confirm the findings of earlier studies in the cases of all six countries (for example, Bluedorn and others, 2013; Pagliari and Hannan, 2017; Eichengreen, Gupta and Massetti, 2018), to the effect that foreign direct investment is the least volatile category. For the other categories (portfolio investment —equity and bonds— and other investment), the results were more uneven among countries. Nevertheless, it is clear that these categories are more volatile than FDI, although the magnitude of the difference in terms of relative volatility varies for each country (see figure 1).

With regard to the relative volatility of gross outflows, it was also concluded that, in general, FDI is more stable than the other three categories (see figure 2).[d] However, this was more uneven among countries and the differences between the relative volatility of instruments was smaller than in the case of inflows.

Box III.1 (concluded)

**Figure 1**
Latin America (6 countries): volatility of gross inflows by instrument, first quarter of 2010–fourth quarter of 2018
*(Median of the coefficient of variation)*
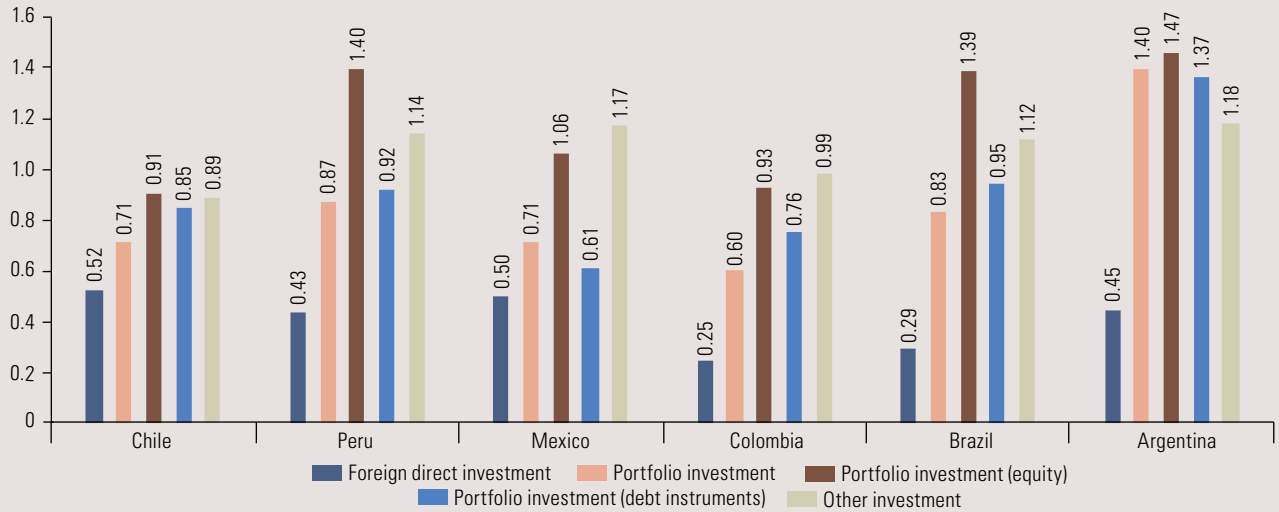


**Source**: A. Klein and D. Titelman, "The behavior of international capital flows in Latin America: stylized facts", unpublished, 2019.

**Figure 2**
Latin America (6 countries): volatility of gross outflows by instrument, first quarter of 2010–fourth quarter of 2018
*(Median of the coefficient of variation)*
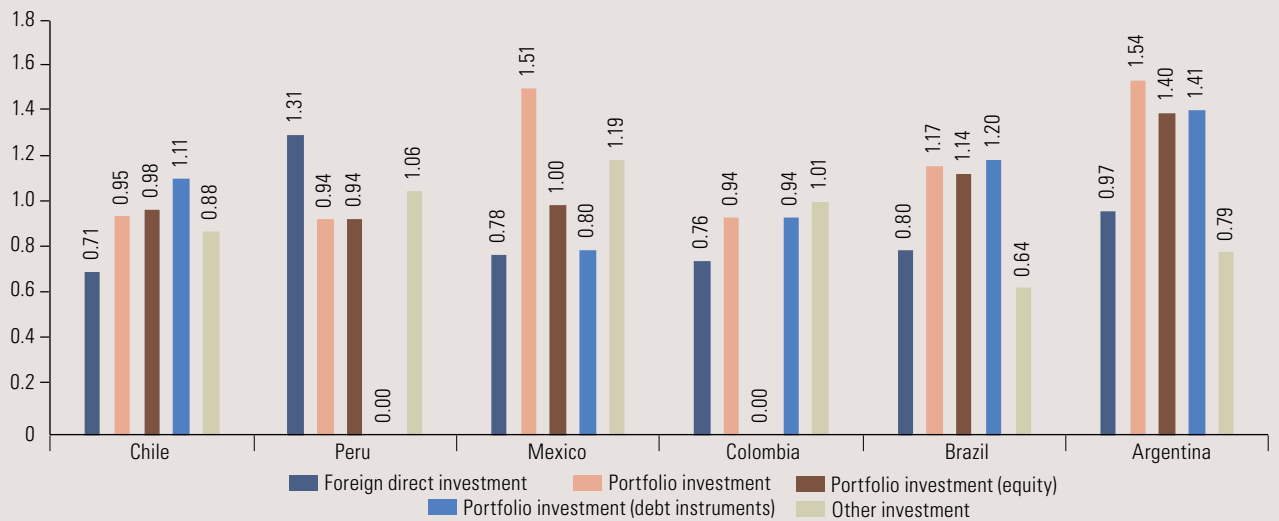


**Source**: A. Klein and D. Titelman, "The behavior of international capital flows in Latin America: stylized facts", unpublished, 2019.
**Note**: Owing to lack of data, the calculations do not include the series of gross outflows of portfolio investment (equity) in the case of Colombia or gross outflows of portfolio investment (debt instruments) in the case of Peru.

**Source**: C. Broto, J. Díaz-Cassou and A. Erce, "Measuring and explaining the volatility of capital flows to emerging countries", *Journal of Banking & Finance*, vol. 35, No. 8, 2011; J. Bluedorn and others, "Capital flows are fickle: anytime, anywhere", *IMF Working Paper*, No. WP/13/183, Washington, D.C., International Monetary Fund (IMF), 2013; B. Eichengreen, P. Gupta and O. Masetti, "Are capital flows fickle? Increasingly? And does the answer still depend on type?", *Asian Economic Papers*, vol. 17, No. 1, 2018; A. Klein and D. Titelman, "The behavior of international capital flows in Latin America: stylized facts", unpublished, 2019; M. Pagliari and S. Hannan, "The volatility of capital flows in emerging markets: measures and determinants", *IMF Working Paper*, No. WP/17/41, Washington, D.C., International Monetary Fund (IMF), 2017.
[a] Where *p* is the quantity of autoregressive terms, *d* is the differencing needed to stationarize the original series and *q* refers to the moving average terms.
[b] The series are gross capital inflows and outflows of different kinds for each country expressed as percentages of GDP. The series used to estimate the ARIMA and GARCH models are longer than the period between the first quarter of 2010 and the fourth quarter of 2018. The full length of each series was used to calculate the volatility measure, then the reference period was isolated and the median for that period was taken.
[c] ARCH effects were found in only three cases. Accordingly, conditional volatility was used three times and the volatility measure $\sigma\_it$ comes from the residuals of the ARIMA model on 55 occasions.
[d] Exceptions to this are FDI outflows in the case of Peru, which is the most volatile category. Similarly, in Argentina and Brazil other investment outflows behave in a less volatile manner than FDI outflows.

# B.    The international investment position and its limitations as an indicator of vulnerability

## 1.    The external asset and liability position (international investment position) has risen substantially in Latin America and the Caribbean

Consistently with the rise in gross capital flows —both inflows and outflows— that has been occurring globally, countries' stocks of foreign assets and liabilities have also been on the rise. The international investment position is the statistical balance between holdings of external assets and liabilities at a given point in time and the literature has tended to associate higher cross-border investment positions with greater financial integration (see, among others, Lane and Milesi-Ferretti (2003) and Jadresic and others (2003)).

Latin America has been no exception to this rising international financial integration and its external asset and liability position has undergone significant increases (see figure III.7).[19] Three subperiods may be distinguished: a first phase of rapid growth at above-GDP rates which ended in 2001 with the Argentine crisis; a second phase of stabilization or slight contraction until the outbreak of the global financial crisis in 2008, and a third phase of resumed acceleration up till 2017, the latest year for which data are available.

**Figure III.7**
Latin America (18 countries):[a] international investment position (stock of external assets and liabilities), 1992–2017
*(Percentages of GDP, weighted averages)*
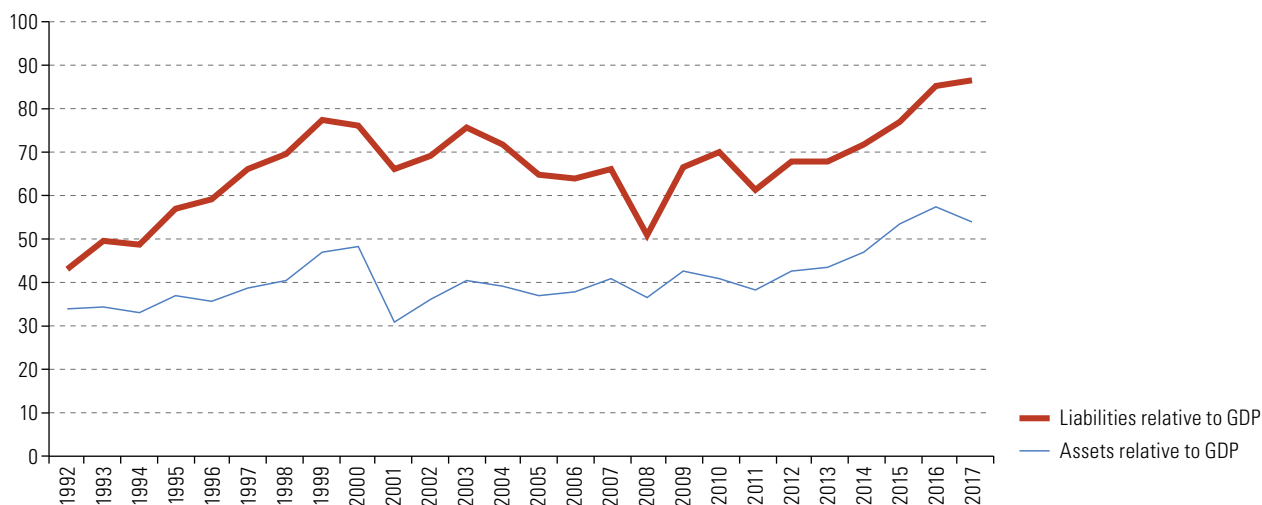


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from International Monetary Fund (IMF) and official figures.
[a] Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay. Includes the countries with data for each subperiod.

The third subperiod, in which the international investment position of the Latin American countries increased, coincided with the period when the central banks of large developed countries injected large quantities of low-cost liquidity into the markets —quantitative easing— to stimulate their economies in the wake of the crisis. At the end of 2017, the weighted average of Latin America's external financial assets represented 54% of GDP and its liabilities, over 85%.

---

[19]    This trend towards rising stocks of external assets and liabilities has occurred both in absolute terms and in relation to GDP and is seen both in the average for Latin America —where the stocks of the larger countries weigh more heavily— and in the median of the countries —which represents the central tendency of the countries as a group.

Latin America has historically maintained a negative net international investment position (NIIP) —the measure of the difference between external stocks of assets and liabilities (see figure III.8). This means that the region has traditionally been a debtor to the rest of the world, although to differing extents in the different subperiods. After a steady rise in the net debtor position in relation to GDP until 2001, the first sharp correction occurred from then until 2008, mainly owing to a period of relative deleveraging, which was followed by a five-year period of relative stabilization. The past few years (since 2016) have seen a considerable rise in the region's net debtor position in relation to GDP, which although uneven from one country to another, is evidence of a cycle marked by a growing gap between domestic saving and investment.
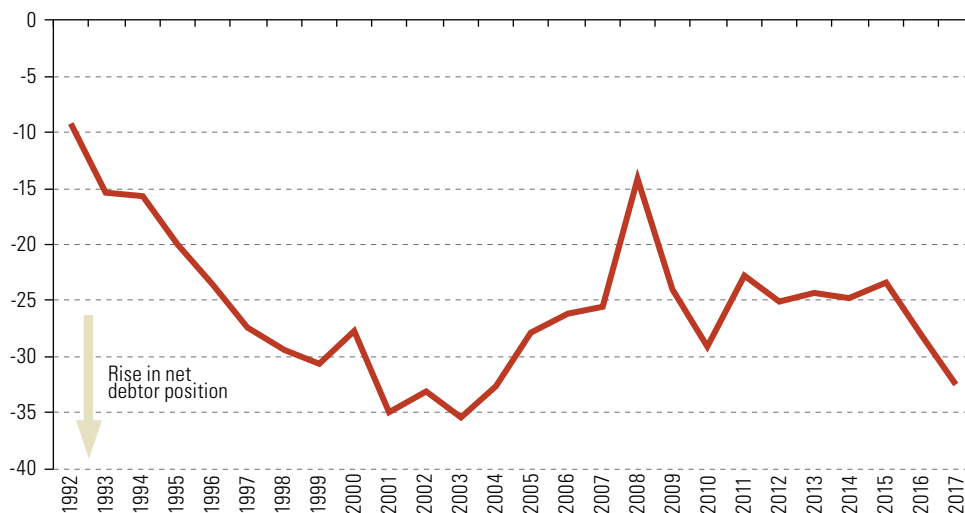


**Figure III.8**
Latin America (18 countries):[a] net international investment position, 1992–2017
*(Percentages of GDP, weighted averages)*

Rise in net debtor position

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from International Monetary Fund (IMF) and official figures.

[a] Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay. Includes the countries with data for each subperiod.

## 2. The net international investment position may be heavily affected by changes in the valuation of the instruments that comprise it

The variation in the net international investment position (NIIP) between one period and the next is closely linked to the balance-of-payments financial account outturn, since this reflects a country's flows of assets and liabilities. According to the sixth edition of the *Balance of Payments and International Investment Position Manual* (IMF, 2009), a negative financial account balance implies net formation of external liabilities, i.e. either a rise in the stock of external liabilities or a fall in the stock of external assets —or a combination of the two. Conversely, a positive balance on the financial account represents a net formation of external assets, i.e. a rise in the stock of external assets or fall in the stock of external liabilities, or a combination of both.

However, balance-of-payments financial account transactions are not the only reason for variations in the net international investment position, since this can also be affected by changes in the valuation of stocks of assets and liabilities from one period to the next. The components of external assets and liabilities —stocks of FDI, portfolio investment, financial derivatives, other investment and international reserves— are affected by price changes and nominal exchange-rate variations, depending on the currency in which they are denominated.

The change in the net international investment position between periods can thus be expressed as the sum of the net balance on the financial account (transactions) plus those valuation effects, which can be positive or negative (3).[20]

$$NIIP_t - NIIP_{t-1} = FA_t + VE_t \tag{3}$$

In some cases, the net international investment position is best expressed using the balance on the current account of the balance of payments, since this is the opposite of the financial account. Thus, (3) is equivalent to (4).[21]

$$NIIP_t - NIIP_{t-1} = -CA_t + VE_t \tag{4}$$

This is because a highly negative net international investment position tends to be associated with accumulation of current account deficits over time. Viewed thus, the most direct way to revert a highly negative net international investment position is to obtain current account surpluses.

However, given the increasing financial integration of the emerging economies, including those in Latin America, the valuation effects have been becoming increasingly important in accounting for variations in the net international investment position. Some authors have even begun talking about two channels of external adjustment: trade and valuation (Gourinchas and Rey, 2014). The increase in cross-border asset and liability positions has made it possible for relatively small movements in exchange rates and asset prices to translate into capital gains or losses of significant magnitude for the countries.

In the case of the Latin American countries, the aggregate valuation effect can rival —and even surpass— the effect of the current account balance in accounting for the variation in the net international investment position between one period and the next (see figure III.9).[22] Valuation effects have tended to be particularly dominant at times of crisis or tension in the international financial markets. For example, the valuation effect for Latin America overall represented 8% of GDP in 2002, 2008, 2009 and 2015.

---

[20]   Strictly speaking, other changes in volume also occur owing to forgiveness of liabilities when funds are deemed unrecoverable, reclassifications of assets and liabilities without any transaction occurring, or changes in the residence of issuers or holders, but in practice these are usually negligible.

[21]   On the working supposition that the capital account has no significant balance and that errors and omissions are not significant or mostly reflect financial account transactions.

[22]   For each country in Latin America, the valuation effect is calculated as the difference between the variation of the net international investment position and the net balance of financial transactions on the balance of payments; then, for each year the effect is added for all the countries that have data on both variables. This naturally means that the negative effects of one country cancel out the positive effects of another in the same year.

Latin America (18 countries):[a] annual current account balance and annual valuation effect, 1993–2017
*(Percentages of GDP, weighted averages)*
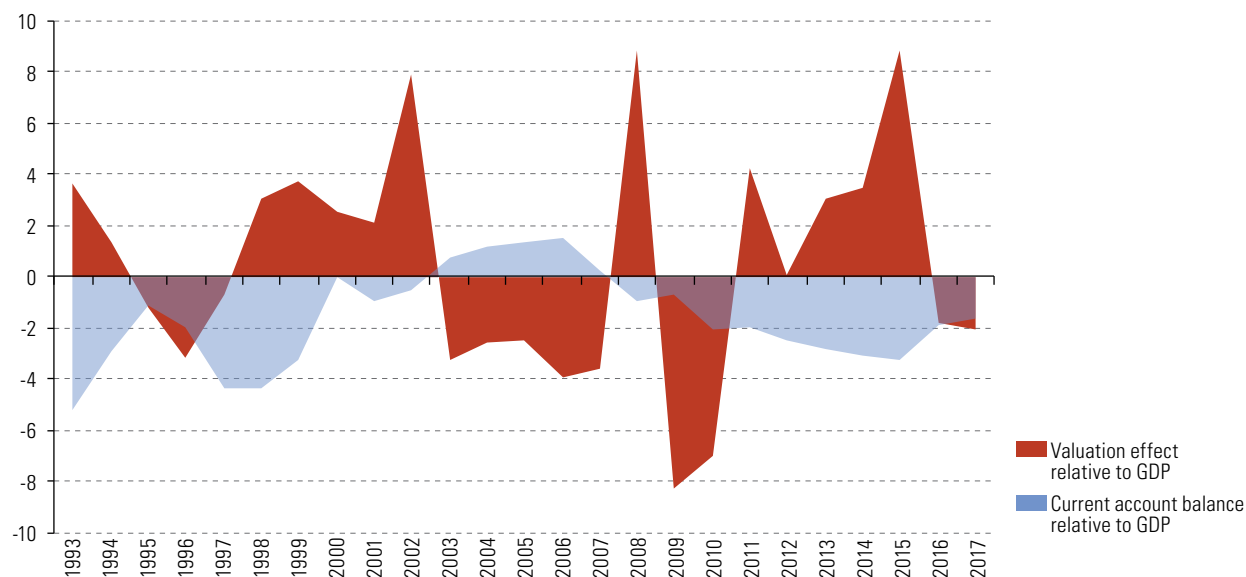


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from International Monetary Fund (IMF) and official figures.
[a] Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay. Includes the countries with data for each subperiod.

## 3. The net international investment position is not enough to indicate external vulnerability and needs to be complemented by a breakdown of assets and liabilities by instrument, institutional sector, currencies and geographical distribution of counterparts

The net international investment position has tended to be used as an indicator of an economy's external vulnerability. For example, the European Commission includes net international investment position among the 14 macroeconomic indicators in the scoreboard of its macroeconomic imbalance procedure (MIP) (European Commission, 2018b). It uses the net international investment position as an indicator of the external vulnerability of its member countries, which it compares with prudential benchmarks (see European Commission, 2018b). Catão and Milesi-Ferreti (2014) obtain empirical findings that suggest the likelihood of external crisis grows the more negative a country's net international investment position becomes in relation to GDP.

Generally speaking, it is true that a highly negative net international investment position implies a significant refinancing burden and can increase vulnerability in the case of difficulties in accessing external financing. For example, before the European crisis of 2012, the net international investment positions had deteriorated to highly

negative levels in several European Union countries, which were seen by the markets as vulnerable economies owing to their high levels of debt. This was the case of Portugal (with a net international investment position of -103% of GDP), Ireland (-98%), Spain (-92%) and Cyprus (-81%), among others (European Commission, 2012).

Other examples show that a heavy debtor position is not a sure sign of imminent vulnerability, nor is a creditor position necessarily synonymous with financial strength or the ability to achieve it. Given the increase in gross asset and liability positions, it has become increasingly necessary to study the vulnerabilities inherent in these as well as assessing the net position.

For example, in December 2017, Argentina was a net creditor to the rest of the world, to the tune of 3% of GDP. However, four months later —in April 2018— the country was unable to avoid a run on its currency and the outbreak of a crisis that forced it to seek financial support from IMF. Conversely, Panama was a net debtor in December 2017, by over 80% of GDP, close to the figures seen in the European countries that were hit by the crisis of 2012. However, it experienced no external financing difficulties in 2018. Its sovereign risk, measured by the emerging market bond index (EMBI), posted one of the region's lowest averages in 2018 (137 basis points[23]), and the balance-of-payments financial account continued to receive net financing inflows (which were up by 22% on the previous year).

As well as the net position, an analysis of external vulnerability must include a review of the levels of gross stocks and, in particular, the composition of assets and liabilities in terms of instruments, institutional sectors, currencies and geographical distribution of counterparts (see, for example, the analysis by Zorell (2017)).

The composition by type of instrument is important, because a country whose highly negative net international investment position is structurally weighted towards direct investment (as in Panama in 2017) is not as vulnerable as one whose net position is similar but weighted more heavily towards portfolio and other investment liabilities (as in the case of Argentina in 2017) (see figure III.10).

In Latin America overall, the composition by instrument has changed notably over time. In the case of liabilities, in a first subperiod (1992–2001), most financing came from cross-border credit and deposit positions (other investment), which represented around 50% of all external liabilities. The other half was equally split between portfolio investment and direct investment. FDI flows began to gain momentum in the mid-1990s, however, and in the second subperiod (2002–2008), the direct investment position came to represent 42% of the liability stock and this trend has held through to the most recent subperiod (2009–2017), when it reached 48% of the total liability position. Portfolio positions also gained ground over this period, though less strongly, and came to account for around 32% of the external liability position in 2009–2017 (see table III.5 and figure III.11.B). This reweighting towards more stable types of liabilities occurred at the expense of cross-border lending and deposit positions, bringing their share of liabilities down to 19% in the most recent subperiod. The evolution was similar in the case of assets. The weight of direct investment rose from 11% to 28%, and the weight of cross-border lending and deposits fell from 49% to 27% of the total asset stock (see table III.6 and figure III.11.A).

---

[23]    Simple 12-month average of the index at the year-end.

**Figure III.10**

Latin America (19 countries): net international investment position, external assets and composition of external assets, 2017
*(Percentages of GDP and percentages of the total)*

A. Net international investment position
*(percentages of GDP)*
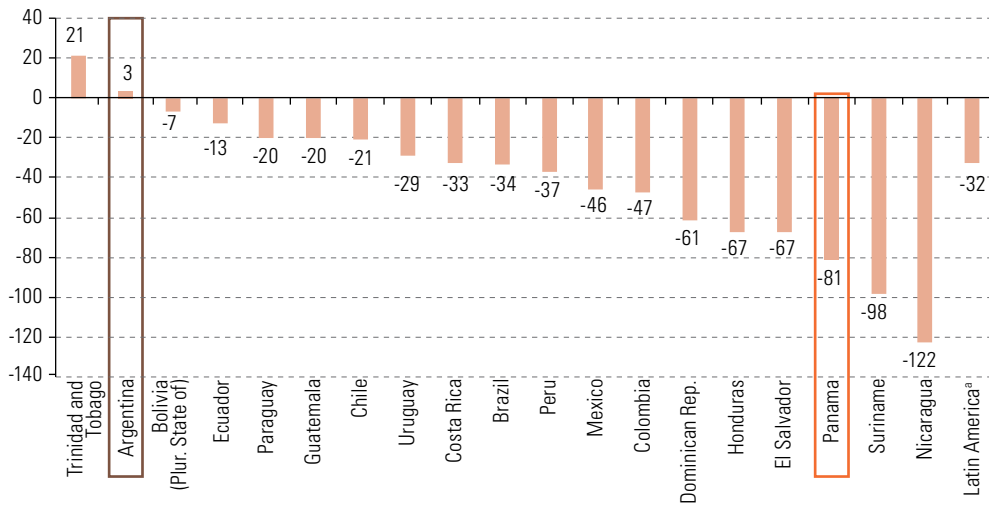


B. External liabilities
*(percentages of GDP)*
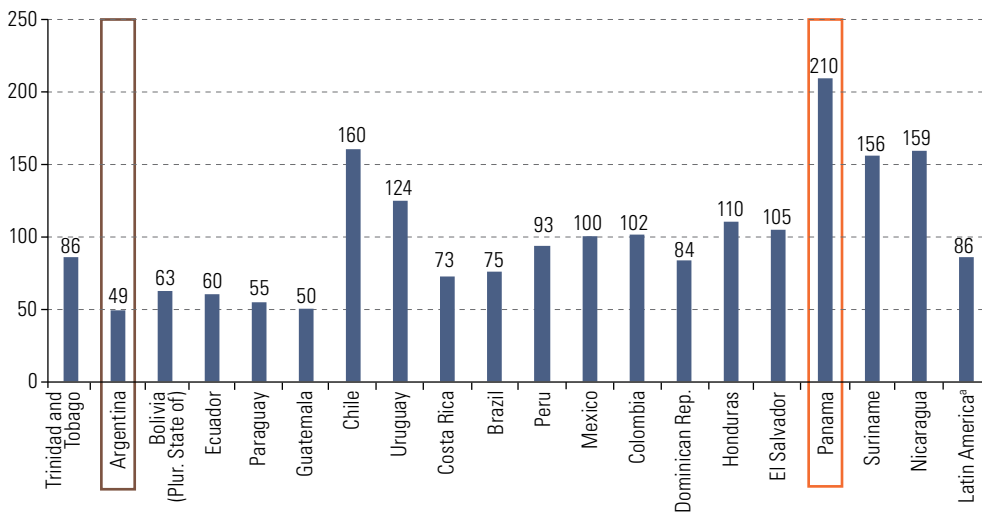


C. Composition of external financial liabilities
*(percentages of the total)*
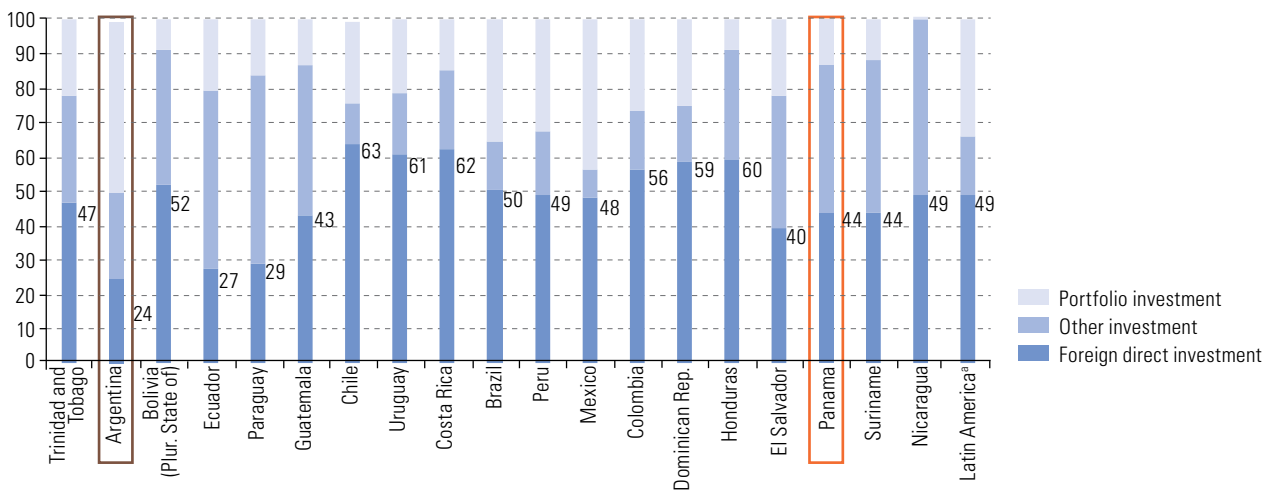


Portfolio investment
Other investment
Foreign direct investment

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from International Monetary Fund (IMF).

[a] Weighted average for 19 countries.

**Table III.5**
Latin America
(17 countries):[a] average
composition[b] of external
stocks of assets and
liabilities
*(Percentages)*

|  | 1992-2001 | 2002-2008 | 2009-2017 |
|---|---|---|---|
| **Assets** |  |  |  |
| Foreign direct investment | 11 | 25 | 28 |
| Portfolio investment | 14 | 13 | 14 |
| Financial derivatives | 0 | 0 | 0 |
| Other investment | 49 | 35 | 27 |
| Reserve assets | 28 | 27 | 31 |
| **Liabilities** |  |  |  |
| Foreign direct investment | 25 | 42 | 48 |
| Portfolio investment | 26 | 32 | 32 |
| Financial derivatives | 0 | 0 | 0 |
| Other investment | 51 | 25 | 19 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from International Monetary Fund (IMF).
[a] Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay. Includes the countries with data for each subperiod.
[b] Simple average of percentage share by period.

**Figure III.11**
Latin America (18 countries):[a] composition of international investment position by instrument, 1992–2017
*(Percentages)*

A. Assets
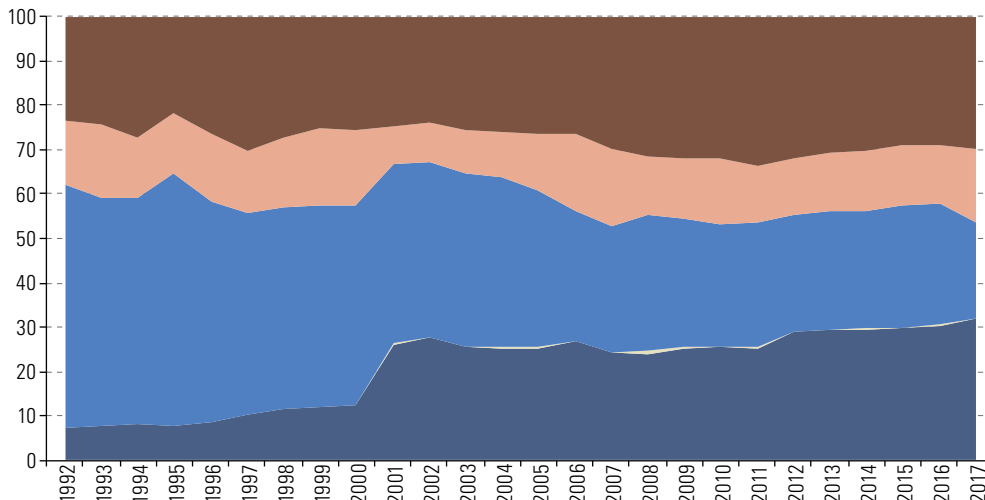


B. Liabilities
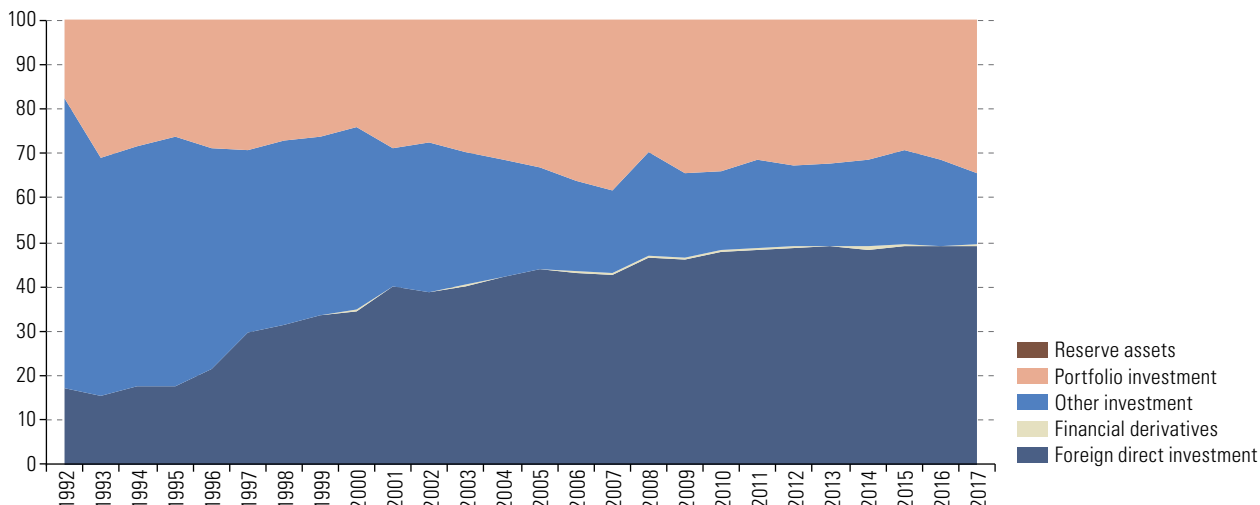


**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), Balance of Payments and International Investment Position Statistics (BOP/IIP) [online database] http://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52.
[a] Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay. Includes the countries with data for each subperiod.

On the basis of the data obtained from the volatility analysis described in the previous section, it may be concluded that FDI accounts for the bigger share of Latin America's liabilities, a share which has grown over time, making financing more stable. With regard to the other components, portfolio investment has become increasingly important, to the detriment of the other investment category.

Is it also important to analyse the international investment position by institutional sector. Disequilibria can occur between assets and liabilities in the different institutional sectors of an economy that are not visible in the consolidated balance, since opposing positions among sectors are offset in the aggregate meaning that unbalances can remain hidden.[24] An example of this is the case of the Republic of Korea during the global economic and financial crisis of 2008 and 2009. On the basis of the country's aggregate positive net international investment position before the crisis, it might have been be supposed that a rise in the value of the dollar with respect to the local currency —as in fact occurred— would have yielded a positive wealth effect. However, the aggregate net international investment position masked a strong sectoral imbalance. The central bank held a large stock of external assets in the form of international reserves (it was a net creditor to the rest of the world), but the reverse was true of the non-financial corporate sector. The depreciation of the local currency with respect to the dollar produced a positive wealth effect for the central bank, but burdened the non-financial corporate sector with its heavy liabilities denominated in dollars. The deterioration in the balance sheets of this sector narrowed its access to credit and hurt its performance, which rebounded on the country's economic activity (Avdjiev and others, 2018). In other words, unless there is an automatic mechanism to transfer exchange-rate gains in one sector —usually, the central bank— to another, a positive wealth effect in the aggregate net international investment position can go hand in hand with a negative effect on the corporate sector balance and, thus, on economic activity.

For Latin America overall, the external assets of financial institutions and the general government weigh relatively little in the total, since they are mainly in the hands of central banks and "other sectors". However, in the case of liability positions, the other sectors, general government and, to a lesser extent, the financial sector, hold most liabilities. In other words, there are considerable disequilibria between sectors (see figure III.12).

---

[24]  The institutional sectors that form part of the institutional investment position are: (i) general government; (ii) the central bank; (iii) deposit-taking institutions (essentially credit institutions); and (iv) other sectors, including non-financial corporations, households and financial corporations other than those included in (iii) (for example, pension funds).

**Figure III.12**

Latin America (18 countries[a]): international investment position by institutional sector,[b] 1992–2017

*(Percentages of GDP)*

A. Assets
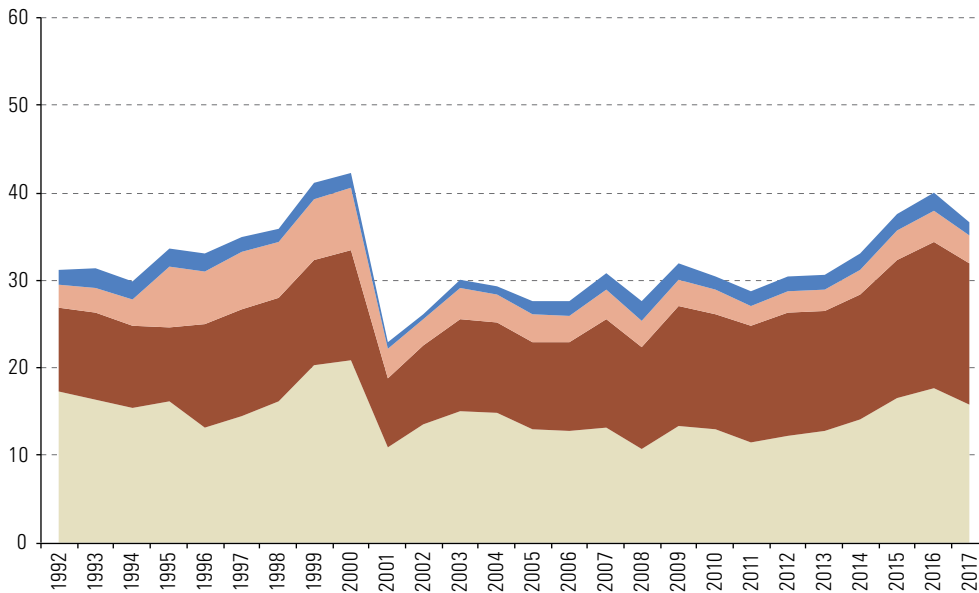


B. Liabilities
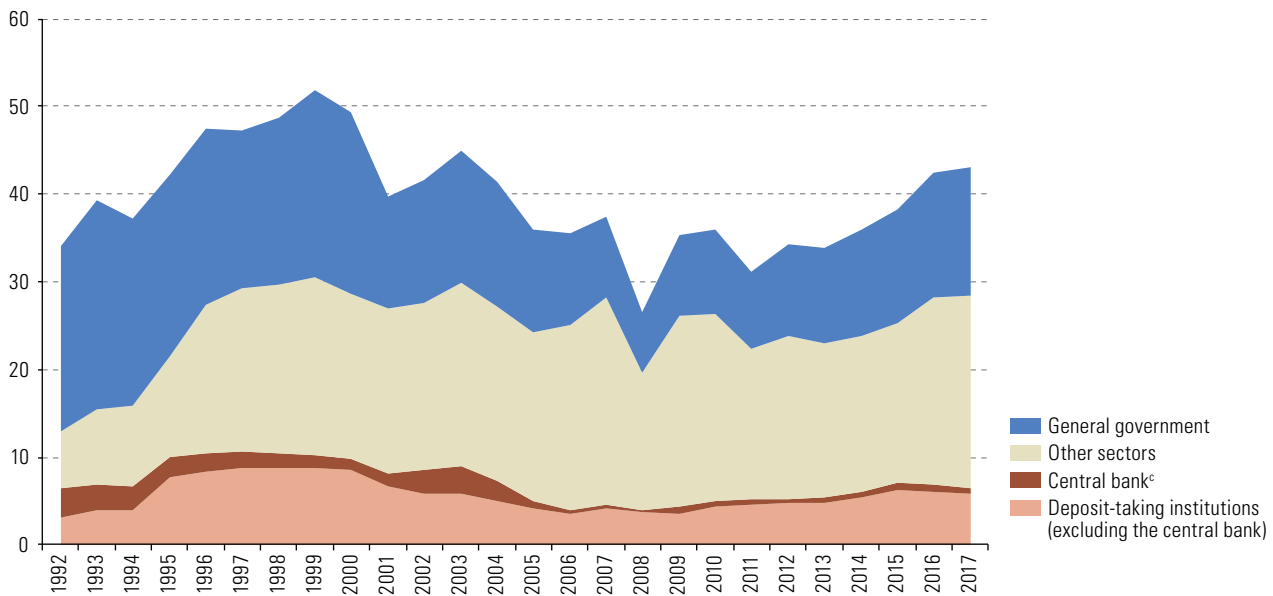


- General government
- Other sectors
- Central bank[c]
- Deposit-taking institutions (excluding the central bank)

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from International Monetary Fund (IMF).

[a]    Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Plurinational State of Bolivia, Peru and Uruguay. Includes the countries with data for each subperiod.

[b]  Includes portfolio and other investment, and excludes direct investment and financial derivatives, since data are not published by institutional sector for these instruments.

[c]  The central bank category includes international reserves and liabilities corresponding to allocations of special drawing rights.

An indicator of the degree of disequilibrium between sectors may be obtained from the Grubel-Lloyd index (GLI). This index was developed for the analysis of intra-industry trade, but it is useful in the context of the international investment position, because it provides precisely a measure of the mismatch of external assets and liabilities within each sector (Obstfeld, 2004).

In this context, the index is calculated as follows:

$$GL = \frac{(A + L) - |A - L|}{(A + L)},$$
(5)

where $A$ are external assets and $L$ are external liabilities within the economy or within each sector.

The GLI varies between 0 and 1. A value close to 1 implies that assets and liabilities are of similar magnitude (and, thus, balanced), while a value close to 0 implies that assets and liabilities are of very different magnitude.

To continue with the example of Argentina, an analysis was performed of the country's net international investment position at the end of 2017, by sector. It may be observed that, although Argentina was a net creditor at that time, some sectors show imbalances between assets and liabilities. For example, the public sector was a heavy net debtor to the rest of the world (21% of GDP), while the other sectors were large net creditors (26% of GDP). The GLI illustrates this situation, given that in 2017 it stood at close to 0.9 for the economy as a whole, but only 0.09 in the public sector and 0.42 in the other sectors.

Table III.6 shows the value of GLI for the net international investment position of the Latin American countries at year-end 2017 and 2018, both overall and by institutional sector. In the latter case, FDI and derivative assets and liabilities were excluded, since disaggregation by sector does not exist for these categories.

Analysis of the currency composition of the assets and liabilities making up the international investment position is also useful for assessing the effect of exchange-rate movements on the net position since, as discussed, changes in currency prices can produce important wealth effects. An asymmetrical currency composition of international assets and liabilities will have an impact on an economy's net position in the case of domestic currency appreciation or depreciation with respect to foreign currencies.

Lastly, analysis of the international investment position by geographical distribution of the counterpart is also useful for identifying significant exposures to certain countries and regions on the asset side, as well as excessive reliance on the liabilities side. Although, in general, countries do not publish information on their international investment position broken down by bilateral counterpart, for some instruments this information may be inferred from international databases. For example, the countries of origin and destination of cross-border bank loans and the degree of geographical dependency or exposure may be ascertained in the databases of the Bank for International Settlements (BIS). It is also possible to verify the country of origin of foreign direct investment and portfolio investment —and thus assess their degree of concentration of origin— in the databases of IMF, for example.[25]

---

[25]   See Coordinated Direct Investment Survey (CDIS) [online] http://data.imf.org/?sk=40313609-F037-48C1-84B1-E1F1CE54D6D5 and Coordinated Portfolio Investment Survey (CPIS) [online] http://data.imf.org/?sk=B981B4E3-4E58-467E-9B90-9DE0C3367363.

**Table III.6**
Latin America: Grubel and Lloyd index (IGL), 2017 and 2018

| | 2017 | | | | | | 2018 | | | | | |
| | | | Sectors[a] | | | | | | Sectors[a] | | | |
| | Total | Total excluding foreign direct investment | Central bank | Deposit-taking institutions | General government | Other sectors | Total | Total (excluding foreign direct investment) | Central bank | Deposit-taking institutions | General government | Other sectors |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Latin America[b]** | **0.77** | **0.90** | **0.09** | **0.61** | **0.18** | **0.82** | **0.78** | **0.78** | **0.10** | **0.63** | **0.18** | **0.85** |
| Argentina | 0.97 | 0.89 | 0.51 | 0.49 | 0.09 | 0.42 | 0.91 | 0.84 | 0.54 | 0.92 | 0.09 | 0.37 |
| Bolivia (Plurinational State of) | 0.93 | 0.75 | 0.05 | 0.32 | 0.08 | 0.38 | 0.87 | 0.82 | 0.06 | 0.34 | 0.03 | 0.27 |
| Brazil | 0.73 | 0.79 | 0.02 | 0.21 | 0.01 | 0.37 | 0.75 | 0.81 | 0.02 | 0.25 | 0.01 | 0.39 |
| Chile | 0.93 | 0.78 | 0.09 | 0.38 | 0.83 | 0.74 | 0.91 | 0.80 | 0.07 | 0.33 | 0.94 | 0.74 |
| Colombia | 0.70 | 0.90 | 0.05 | 0.51 | 0.18 | 0.95 | 0.70 | 0.90 | 0.04 | 0.43 | 0.19 | 0.94 |
| Costa Rica | 0.66 | 0.93 | 0.07 | 0.43 | 0.07 | 0.59 | 0.67 | 0.91 | 0.27 | 0.44 | 0.10 | 0.54 |
| Dominican Republic | 0.38 | 0.67 | 0.16 | 0.55 | 0.00 | 0.78 | 0.41 | 0.73 | 0.13 | 0.63 | 0.00 | 0.66 |
| Ecuador | 0.88 | 0.62 | 0.48 | ... | 0.44 | 0.00 | 0.87 | 0.56 | 0.44 | ... | 0.39 | 0.00 |
| El Salvador | 0.55 | 0.72 | 0.33 | 0.76 | 0.03 | 0.97 | 0.55 | 0.73 | 0.28 | 0.75 | 0.03 | 0.95 |
| Guatemala | 0.75 | 1.00 | 0.05 | 0.64 | 0.00 | 0.98 | 0.79 | 0.95 | 0.04 | 0.70 | 0.00 | 0.99 |
| Haiti | 0.85 | 0.92 | 0.31 | 0.12 | 0.00 | 0.79 | ... | ... | ... | ... | ... | ... |
| Honduras | 0.58 | 0.87 | 0.10 | 0.66 | 0.05 | 0.89 | 0.57 | 0.86 | 0.10 | 0.52 | 0.05 | 0.90 |
| Mexico | 0.68 | 0.75 | 0.05 | 0.95 | 0.23 | 0.51 | 0.67 | 0.75 | 0.04 | 0.84 | 0.22 | 0.53 |
| Nicaragua | 0.38 | 0.57 | 0.72 | 0.78 | 0.00 | 0.36 | 0.39 | 0.59 | 0.87 | 0.75 | 0.00 | 0.61 |
| Panama | 0.74 | 0.93 | 0.16 | 0.96 | 0.19 | 0.77 | 0.72 | 0.92 | 0.18 | 0.96 | 0.17 | 0.71 |
| Paraguay | 0.77 | 0.93 | 0.03 | 0.82 | 0.00 | 0.60 | 0.76 | 0.92 | 0.03 | 0.83 | 0.00 | 0.63 |
| Peru | 0.75 | 0.94 | 0.03 | 0.64 | 0.18 | 0.83 | ... | ... | ... | ... | ... | ... |
| Uruguay | 0.88 | 0.91 | 0.10 | 0.56 | 0.00 | 0.86 | 0.89 | 0.91 | 0.07 | 0.55 | 0.00 | 0.90 |
| Venezuela (Bolivarian Republic of)[c] | 0.69 | 0.62 | 0.44 | 0.43 | 0.96 | 0.56 | ... | ... | ... | ... | ... | ... |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from International Monetary Fund (IMF).

[a] Excludes direct investment and financial derivatives.
[b] Weighted average of all the countries in the table, except the Bolivarian Republic of Venezuela in 2017, and except the Bolivarian Republic of Venezuela, Haiti and Peru in 2018.
[c] The IGL of the Bolivarian Republic of Venezuela refers to 2016, since more up-to-date data were not available.

# Bibliography

Adler, G., M. Djigbenou and S. Sosa (2016), "Global financial shocks and foreign asset repatriation: Do local investors play a stabilizing role?", *Journal of International Money and Finance*, vol. 60, February.

Alberola, E., A. Erce and J. Serena (2016), "International reserves and gross capital flows dynamics", *Journal of International Money and Finance*, vol. 60, February.

Alberola, E., A. Estrada and F. Viani (2018), "Global imbalances from a stock perspective: the asymmetry between creditors and debtors", *BIS Working Papers*, No. 707, Basel, Bank for International Settlements (BIS), March.

Avdjiev, S. and others (2018), "Tracking the international footprints of global firms", *BIS Quarterly Review*, Basel, Bank for International Settlements (BIS), March.

Borio, C. and P. Disyatat (2015), "Capital flows and the current account: taking financing (more) seriously", *BIS Working Papers*, No. 525, Basel, Bank for International Settlements (BIS), October.

Broner, F., A. Martin and J. Ventura (2010), "Sovereign risk and secondary markets", *American Economic Review*, vol. 100, No. 4, September.

Broner, F. and others (2013), "Gross capital flows: dynamics and crises", *Journal of Monetary Economics*, vol. 60, No. 1, January.

Calderón, C. and M. Kubota (2013), "Sudden stops: Are global and local investors alike?", *Journal of International Economics*, vol. 89, No. 1, January.

Calvo, G., A. Izquierdo and L. Mejía (2008), "Systemic sudden stops: the relevance of balance-sheet effects and financial integration", *IDB Working Paper*, No. 537, Washington, D.C., Inter-American Development Bank (IDB), July.

Catão, L. and G. Milesi-Ferretti (2014), "External liabilities and crises", *Journal of International Economics*, vol. 94, No. 1, September.

Cavallo, E., A. Izquierdo and J. León-Díaz, (2017), "Domestic antidotes to sudden stops", *IDB Working Paper Series*, No. IDB-WP-851, Washington, D.C., Inter-American Development Bank (IDB).

Chinn, M. and H. Ito (2008), "A new measure of financial openness", *Journal of Comparative Policy Analysis: Research and Practice*, vol. 10, No. 3, September.

Cowan, K. and others (2007), "Financial diversification, sudden stops and sudden starts", *Working Papers*, No. 423, Santiago, Central Bank of Chile, July.

ECLAC (Economic Commission for Latin America and the Caribbean) (2016), *Economic Survey of Latin America and the Caribbean, 2016* (LC/G.2684-P), Santiago.

Eichengreen, B., P. Gupta and O. Masetti (2017), "Are capital flows fickle? Increasingly? And does the answer still depend on type?", *Policy Research Working Paper*, No. 7972, Washington, D.C., World Bank, February.

European Commission (2018a), *Quarterly Report on the Euro Area*, vol. 17, No. 3, Luxembourg.

____(2018b), *Report from the Commission to the European Parliament, the Council, the European Central Bank and the European Economic and Social Committee: Alert Mechanism Report 2019*, Brussels, February.

____(2012), "Scoreboard for the surveillance of macroeconomic imbalances", *Occasional Paper*, No. 92, Brussels, February.

Forbes, K. and F. Warnock (2012), "Capital flow waves: surges, stops, flight, and retrenchment", *NBER Working Paper*, No. 17351, Cambridge, National Bureau of Economic Research (NBER), February.

Gourinchas, P. and H. Rey (2014), "External adjustment, global imbalances, valuation effects", *Handbook of International Economics*, vol. 4, G. Gopinath, E. Helpman and K. Rogoff (eds.), Amsterdam, Elsevier.

Iacoviello, M. and R. Minetti (2006), "International business cycles with domestic and foreign lenders", *Journal of Monetary Economics*, vol. 53, October.

IMF (International Monetary Fund) (2013), "The yin and yang of capital flow management: balancing capital inflows with capital outflows", *World Economic Outlook: Transition and Tensions*, Washington, D.C.

___(2009), *Balance of Payments and International Investment Position Manual*, sixth edition, Washington, D.C.

Jadresic, E. and others (2003) "Análisis del balance financiero externo de Chile", *Economic Policy Papers*, No. 7, Santiago, Central Bank of Chile, September.

Kraay, A. and C. Raddatz (2005), "Poverty traps, aid, and growth", *Policy Research Working Papers*, No. 3631, Washington, D.C., World Bank, June.

Lane, P. and G. Milesi-Ferretti (2018), "The External Wealth of Nations revisited: international financial integration in the aftermath of the global financial crisis", *IMF Economic Review*, vol. 66, No. 1, March.

___(2007), "Europe and global imbalances", *IMF Working Paper*, No. WP/07/144, Washington, D.C., International Monetary Fund (IMF), June.

___(2003), "International financial integration", *IMF Staff Papers*, vol. 50, special edition, Washington, D.C., International Monetary Fund (IMF), August.

Mendoza, E. and K. Smith (2013), "Financial globalization, financial crises, and the external portfolio structure of emerging markets", *NBER Working Paper*, No. 19072, Cambridge, National Bureau of Economic Research (NBER), May.

Milesi-Ferretti, G. and C. Tille (2010), "The great retrenchment: international capital flows during the global financial crisis", *IHEID Working Papers*, No. 18-2010, Geneva, Graduate Institute of International Studies (HEI), September.

Obstfeld, M. (2004), "External adjustment", *NBER Working Paper*, No. 10843, Cambridge, National Bureau of Economic Research (NBER), October.

Rothenberg, A. and F. Warnock (2006), "Sudden flight and true sudden stops", *NBER Working Paper*, No. 12726, Cambridge, National Bureau of Economic Research (NBER), December.

Titelman, D. and others (2014), "A regional reserve fund for Latin America", *CEPAL Review*, No. 112 (LC/G.2601-P), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC), April.

Zorell, N. (2017), "Large net foreign liabilities of euro area countries: risks, prospects and policy options", *Ocassional Paper*, No. 198, Frankfurt, European Central Bank (ECB), October.

## Annex III.A1

## Recent studies on the behaviour of capital inflows and outflows, 2006–2017

| Paper | Findings |
|---|---|
| Broner and others (2013) | Opposing movements of gross flows from resident and non-resident investors during certain episodes (banking crises, currency crises, debt crises and GDP growth) are established as a stylized fact. |
| | Composite indicators are developed to detect these episodes and examine the dynamics of gross quarterly flows at these times. Data are included from 103 countries, most classified as high- or middle-income, from 1970 to 2009. |
| Adler, Djigbenou and Sosa (2016) | The type of shock is determinant: the behaviour of resident investors offsets that of non-resident investors in the event of global risk aversion shocks, but the two are similar in the case of global monetary policy shocks. |
| | This work uses a vector autoregressive (VAR) model with quarterly data on gross flows in emerging economies (1990–2012). |
| Cavallo, Izquierdo and León-Díaz (2017) | Certain elements under a country's control increase the probability of flows from resident and non-resident investors moving in opposite directions (and thus, avoiding a sudden stop): inflation-targeting, a flexible exchange rate, low levels of liability dollarization and solid institutions. |
| | This work uses a sequential logit model to estimate the probability of the occurrence of different types of sudden stop, with data on gross flows for 48 countries (1980–2014). |
| Avdjiev and others (2018) | The opposing movements of resident and non-resident investment flows stem mainly from bank flows. The relationship is not the same for sovereign or corporate flows. |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of G. Adler, M. Djigbenou and S. Sosa, "Global financial shocks and foreign asset repatriation: Do local investors play a stabilizing role?", Journal of International Money and Finance, vol. 60, 2016; S. Avdjiev and others, "Tracking the international footprints of global firms", BIS Quarterly Review, Bank for International Settlements (BIS), March 2018; F. Broner and others, "Gross capital flows: dynamics and crises", Journal of Monetary Economics, vol. 60, No. 1, 2013; E. Cavallo, A. Izquierdo and J. León-Díaz, "Domestic antidotes to sudden stops", IDB Working Paper Series, No. IDB-WP-851, Washington, D.C., Inter-American Development Bank (IDB), 2017.

# Changes in the financial system, macroprudential regulation and transmission mechanisms

# Introduction

The global financial crisis showed that financial markets were not allocating and evaluating risk efficiently. It also disproved the hypothesis that asset prices, by reflecting all available information, ruled out the possibility of arbitrage and financial speculation.[1] Just as financial markets were incapable of pricing risk correctly, financial institutions proved unable to protect real and financial asset values or prevent their collapse (Greenspan, 2008).[2]

This consensus on the causes of the global financial crisis led to important regulatory initiatives at the micro- and macroeconomic levels. In the former case, steps were taken to improve the soundness of individual financial institutions during periods of financial volatility and stress. At the macro level, attention focused on macroprudential regulation.

The two general objectives of macroprudential policy are to regulate the financial system as a whole and to maintain its stability by minimizing systemic risk.[3] The latter is defined as "a risk of disruption to financial services that is caused by an impairment of all or parts of the financial system and has the potential to impose serious negative consequences on the real economy" (CEF/IMF/BPS, 2009, quoted in IMF, 2010).[4]

There have been three key initiatives in this connection. The first consists of steps to increase the capital requirements of financial institutions, as embodied in the Basel III (2010) accords. The second initiative, led by the Financial Stability Board (FSB, 2011), includes the design of a methodology to classify and monitor banks which are considered to have global systemic importance and, hence, greater capacity to generate a contagion effect in financial markets worldwide. The third initiative, and perhaps the one with the largest regulatory perimeter in terms of agents and instruments, is the Dodd-Frank Wall Street Reform and Consumer Protection Act in the United States (2010).

Financial regulation initiatives have failed to eliminate some of the factors that led to the global financial crisis, such as interconnectedness or the leverage that facilitated balance sheet growth and generated high levels of volatility and cumulative financial upswings or downswings (see chapter II).

---

[1] Financial market efficiency has two components: informational efficiency and arbitrage efficiency. In its simplest form informational efficiency means that the spot price is the best predictor of the future price. This is important because it suggests that prices reveal all information existing in an economy. This property implies that the price of any asset must be equal to its fundamental value or spot price —namely the present value of the expected income (payments) from dividends on an asset over its entire life discounted at the risk-free rate. The expected income is calculated through a stochastic process. Arbitrage efficiency means that, through the buying and selling process, no one can make a profit in one state of the economy without suffering losses in another state. This implies that no economic agent can systematically beat market expectations or take advantage of other agents with less information in the market.

[2] The prevailing consensus on the post-crisis financial system can be summarized as follows: "One of the main reasons the economic and financial crisis became so severe was that the banking sectors of many countries had built up excessive on- and off-balance sheet leverage. This was accompanied by a gradual erosion of the level and quality of the capital base. At the same time, many banks were holding insufficient liquidity buffers. The banking system therefore was not able to absorb the resulting systemic trading and credit losses nor could it cope with the reintermediation of large off-balance sheet exposures that had built up in the shadow banking system. The crisis was further amplified by a procyclical deleveraging process and by the interconnectedness of systemic institutions through an array of complex transactions. During the most severe episode of the crisis, the market lost confidence in the solvency and liquidity of many banking institutions. The weaknesses in the banking sector were transmitted to the rest of the financial system and the real economy, resulting in a massive contraction of liquidity and credit availability. Ultimately the public sector had to step with unprecedented injections of liquidity, capital support and guarantees, exposing the taxpayer to large losses" (BCBS, 2009, pp. 1–2).

[3] The term "macroprudential" was first used in the 1970s (see Clement (2010) and more recent references in Galati and Moessner (2011) and in (Delgado and Meza (2011)).

[4] According to part of the literature on macroprudential regulation, systemic risk has two key dimensions: a temporal one (how the risk of the financial system evolves over time, how it accumulates and how it is linked to the real business cycle); and another, intersectoral, one (how risk is distributed through the financial system and what interconnections and common exposures may exist among its agents) (IMF, 2010; Kaufman and Scott, 2003; Pérez Caldentey and Cruz, (2012).

The regulatory initiatives, in conjunction with the effects of the global financial crisis, have undoubtedly changed the way banks operate, particularly those with global projection. In the post-crisis period, banks —and especially global ones— substantially reduced their leverage and their holdings of derivatives, while increasing their capital and improving its quality.

Nonetheless, global banking became even more interconnected with the non-bank sector, and in particular with the asset management industry, which has assumed a leading role in financial intermediation. Although leverage has decreased among global banks, this has been transferred to the non-financial corporate sector. In fact, as noted in chapter II, one of the most striking financial phenomena in the post-crisis period is the significant increase in the indebtedness of the non-financial corporate sector, particularly in the United States and developing countries. In addition, firms in the non-financial corporate sector have also become financial intermediaries in some countries.

The strengthening of the non-bank sector, which coexists with the banks as a source of financing and an intermediation channel, in conjunction with the non-financial corporate sector's growing share of debt issuance on international markets, have made the mechanisms by which financial impulses are transmitted from developed to developing countries more complex.

To analyse these transmission mechanisms more precisely, along with their impact and the vulnerabilities they generate, it is necessary to expand the toolbox to assess the potential sources of vulnerability in developing countries, including those of Latin America and the Caribbean. These indicators should form the basis for designing macroprudential policies.

## A.  The financial cycle in the run-up to the crisis

The way the financial cycle worked in the run-up to the crisis, centred basically on global banking, can be illustrated by an accounting framework developed by Shin (2010a and 2010b). This is based on the components of the assets and liabilities of a representative global bank, referred to as bank $i$ (see table IV.1).

**Table IV.1**
Balance sheet of a representative financial institution

| Assets | Liabilities | |
|---|---|---|
| **Loans to end-users** *(P$_i$)* | **Debt** *(D$_i$)* | |
| – Households | – Non-bank agents/institutions | |
| – Business | – Banks | |
| – Government | | |
| **Intermediary loans** *(P$_{ij}$)* | **Capital/Equity** *(E$_i$)* | |
| – Interbank loans | | |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of H. Shin, "Financial intermediation and the post-crisis financial system", *BIS Working Papers*, No. 304, Basel, Bank for International Settlements (BIS), March 2010; ECLAC, "Regulación financiera y política macroprudencial", presentation at the II Meeting on Financial Stability, Centre for Latin American Monetary Studies (CEMLA), Bogotá, 25–26 October 2012, and Pérez Caldentey and M. Cruz, "La regulación financiera y la política macroprudencial", 2012, unpublished.

Assets include loans to end-user borrowers, including those extended to households, firms and government *(P$_i$)*. They also include loans made by bank $i$ to other financial institutions, in this case other global banks or another type of financial institution ($P_{ij}$ where $j$ denotes other financial institutions). In turn, loans from bank $i$ to other financial

institutions $(P_{ij})$ are equal to the value of bank $j$ liabilities of held by bank $i$ $(D_{ji})$ and to the share of bank $j$ liabilities in the total liabilities of other financial institutions held by bank $j$ $(\pi_{ji})$ (for example, interconnectedness).

Liabilities include debt held by the bank issued by other financial institutions $(D_i)$ along with its capital/equity $(E_i)$.

The balance sheet of the representative global bank can be used to explain credit growth and thus financial stability (see table IV.1 and annex IV.A1), by breaking it down into leverage $(\lambda)$, outside funding of the banking system (in other words deposits) $(1–\Pi)$ (where $\Pi$ is interconnectedness), and equity $(E)$ Leverage is defined as the ratio of assets to equity, that is $\lambda = \frac{A}{E}$ where $A=$ assets and $E=$ equity. Credit growth is formally expressed through identity (1), which shows each of these components in aggregate for the financial system as a whole.

| $P \equiv$ | $(\lambda–1)*$ | $(1–\Pi)*$ | $E + E$ | (1) |
|---|---|---|---|---|
| Credit growth (e.g. bank loans) | Leverage | External funding of the banking system as a whole (residents and non-residents) | Equity | |

Note that if leverage is defined as the ratio of assets to equity $(\lambda = \frac{A}{E})$, then $\lambda–1$ is equal to the debt-to-equity ratio (that is, $\lambda–1 = \frac{A}{E} –1 \frac{A-E}{E} = \frac{D}{E}$ where $D=$ debt). Substituting this expression in identity (1) shows that credit growth is explained by the proportion of bank debt (obligations) that originates outside the financial system, plus equity. In other words:

$$P \equiv D * (1–\Pi) + E \qquad (2)$$

Identity (2) reflects the fact that credit can expand in aggregate, either through greater leverage, or through higher capitalization of the banking system, or through an increase in funding from sources outside the financial system (leading to greater interconnectedness). This framework makes it possible to distinguish and explore different scenarios. A scenario that matches the trend of the financial system prior to the global financial crisis involves growing financial system credit based on greater leverage, which increases profitability.[5]

Given a specific non-financial sector financing source (for example outside funding for the domestic financial sector), a higher degree of leverage is generated through an increase in interbank claims, which implies greater interconnectedness $(\nabla(1–\Pi)$. In practice, this led to a sharp increase in global financial deepening and in derivatives, which was accompanied by a growing and close relationship between the banking system and the capital market. This, in turn, altered the pattern of financial intermediation by increasing the role of market-based financial institutions relative to that of the banks. Among market financial institutions, the "shadow banking system", or unregulated banking sector, took on a key role, which stoked profitability further. As the financial system becomes more interconnected, the maturity terms of the debt acquired tends to shorten because the cost of financing it is lower (Shin, 2010b, p. 160).[6]

---

[5]   The profitability of the financial system is measured by return on equity (ROE), which is the ratio of net income to equity. Return on equity can be expressed as the product between two ratios: net income to assets (return on assets or ROA) and assets to equity (leverage). Formally,

$$ROE = \frac{Net\ income}{Equity} \equiv \left(\frac{Net\ income}{Assets}\right) * \left(\frac{Assets}{Equity}\right) = ROA * Leverage = ROA * \lambda$$

where $\lambda$ = leverage.

[6]   This assumes that the yield curve is upward-sloping —in other words, the interest rate on short-term debt is lower than the rate on longer-term debt.

In this business model, credit growth is thus sustained by greater leverage, interconnectedness and short-term debt. The increase in lending is accompanied by balance sheet expansion.

To mirror what happened in the global financial crisis, a scenario corresponding to the contractionary phase of the cycle entails deleveraging $(\nabla\lambda)$ and a reduction in equity $\nabla E$. This also reduces financial institutions' profitability $(\nabla ROE)$ and a weakens their financial position. Both require less reliance on internal funding and an increase in outside funding $(\Delta(1-\Pi))$. Replacing internal funding with outside funding can lead to asset deflation, liquidity shortage and potential insolvency. A credit contraction in this scenario implies lower leverage and a smaller capital base, lower asset prices, and situations of illiquidity and insolvency.

# B.  Brief overview of the key post-crisis financial regulation initiatives

## 1.  General summary of the different initiatives

In this accounting framework, the proposed regulatory initiatives give rise to three types of macroprudential intervention in developed countries aimed at stabilizing the financial system as a whole (Shin, 2010).

The first category of intervention is regulatory and aims to moderate leverage and make it less procyclical. It includes limits on leverage growth, countercyclical capital requirements and measures that restrict liquidity creation by the banks, such as liquidity requirements. The second type of intervention seeks to moderate the degree to which credit fluctuates, by applying countercyclical regulations. The third type aims to reform the market structure of financial institutions, with a view to shortening the financial system intermediation chain (Pérez Caldentey and Cruz, 2012).

The three major initiatives for regulating the financial system in the aftermath of the global financial crisis have all moved in that direction.

## 2.  Basel III and the strengthening of bank capital

The first initiative involves the changes to global financial regulations proposed by the Basel Committee on Banking Supervision (BCBS)[7] in 2010 in the wake of the global financial crisis. The BCBS holds chief responsibility for formulating global standards for prudential regulation of the banks; and it serves as a forum for periodic cooperation on banking supervision. The changes in financial regulation proposed by the BCBS largely relate to the microprudential domain, but they also have a macroprudential component. Starting in 2012, the Basel Committee launched the Basel III Regulatory Consistency Assessment Program (RCAP) to assess progress made in implementing the proposed measures.

---

[7]     The Basel Committee on Banking Supervision (BCBS) consists of 45 members from 28 jurisdictions, representing central banks and supervisory authorities. In addition, the Committee has nine observers, including central banks, supervisory groups, international organizations and other bodies. In 2019, the following jurisdictions were members of the committee: Argentina, Australia, Belgium, Brazil, Canada, China, European Union, France, Germany, Hong Kong (Special Administrative Region of China), India, Indonesia, Italy, Japan, Mexico, Luxembourg, Netherlands, Republic of Korea, Russian Federation, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom and United States. The observer countries are Chile, Malaysia and the United Arab Emirates.

In the microprudential sphere, regulatory initiatives have largely focused on reinforcing capital requirements. The aim is to adequately internalize the risks faced by individual financial institutions (including credit, liquidity, interest rate and exchange rate risks).[8] The primary function of capital is to protect a financial institution's customers against unexpected losses; thus, a higher capital requirement strengthens the solvency and stability of financial institutions.[9]

To that end, the regulation increased the minimum ordinary capital requirement (Tier 1) to 4.5% of risk-weighted assets, which is the first step in progressively prioritizing Tier 1 capital by improving its quality and increasing its amount.[10] Basel III proposed to increase the Tier 1 share of total capital. As table IV.2 shows, the minimum Tier 1 capital requirement rises from 4% of risk-weighted assets (50% of the total) in 2012 to 6% (75% of the total) in 2019. It also suggested increasing the share of higher-quality capital (ordinary shares and retained earnings, or common equity) from 50% to 75% of Tier 1 capital (see table IV.2).

**Table IV.2**
Basel II and III capital requirements, 2011–2019
*(Percentages)*

|  | 2011 Basel II | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 Basel III |
|---|---|---|---|---|---|---|---|---|---|
| Total capital requirement | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 |
| Tier 1 capital requirement | 4.0 | 4.0 | 4.5 | 5.5 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| Common equity requirement | 2.0 | 2.0 | 3.5 | 4.0 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 |
| Conservation buffer | 0 | 0 | 0 | 0 | 0 | 0.625 | 1.25 | 1.875 | 2.5 |
| Total capital plus conservation buffer | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.625 | 9.25 | 9.875 | 10.5 |
| Countercyclical capital buffer | 0 | 0 | 0 | 0 | 0 | 0.625 | 1.25 | 1.875 | 2.5 |

**Source**: Basel Committee on Banking Supervision (BCBS), *Sixteenth progress report on adoption of the Basel regulatory framework*, Basel, Bank for International Settlements (BIS), 2019.

Basel III also introduced a capital conservation buffer, comprising common equity to the value of 2.5% of risk-weighted assets, thereby raising the total minimum common equity standard to 7%.[11] In addition, it provided for a countercyclical buffer of between 0% and 2.5%, consisting of common equity, to be applied when credit growth is judged to be resulting in an unacceptable build-up of systemic risks. Lastly, it introduced the concept of capital loss-absorption at the point of non-viability, which means that capital instruments can be written off or converted into ordinary shares if the bank is judged to be non-viable. This will reduce moral hazard by increasing the private sector's contribution to resolving future banking crises.

---

[8]  A commercial bank's equity is the difference in value between its total assets and its total liabilities.

[9]  Equity has three characteristics: (i) it is owned by the institution and does not have to be repaid; (ii) there is no requirement for periodic dividend or interest payments; and (iii) it has low bankruptcy priority (Elliott, 2010). There is consensus on the need to maintain an adequate level of capitalization, despite its high cost. Equity is seen as a trade-off between financial security and efficiency.

[10]  Under Basel III, Tier 1 capital comprises shareholders' equity and retained earnings. The definition of Tier 1 capital is restricted by requiring that the rest of the Tier 1 capital base be composed of subordinated instruments with no maturity date and no incentives for redemption. For Tier 2 capital, Basel II included a number of components, including reserves, credit risk provisions, hybrid debt/equity instruments and subordinated bonds (debt). In addition, it made a distinction between upper and lower Tier 2 capital. Basel III, for its part, makes significant changes to Tier 2 capital: it eliminates the aforementioned subcategories and specifies the type of capital included in that tier (see BCBS, 2011).

[11]  The Basel capital requirements, as defined in the Basel I, II and III accords, distinguish between Tier 1 capital and Tier 2 capital. Tier 1 capital is composed of the highest quality capital, while Tier 2 capital is known as supplementary capital or subordinated capital. Tier 1 capital consists of instruments that can absorb losses without the risk of the financial institution becoming insolvent or illiquid. Tier 2 capital is available to absorb losses under an insolvency situation but without putting depositors' funds at risk (see Elliot, 2011).

Basel III also introduced measures to strengthen risk coverage through periodic revisions and limitations on the application of standard approaches for calculating credit, market and operational risks. These aimed to increase risk sensitivity and make measurement methodologies comparable. In addition, it established more stringent requirements for measuring exposure and provided capital incentives to use central counterparties when trading in derivatives. It also increased the requirements on inter-financial-sector exposures and established a non-risk-based leverage ratio to include off-balance-sheet positions, which is meant to serve as a backstop to the risk-based capital requirement. Lastly, it instituted rules to contain systemwide leverage build-up.

Basel III also envisages the implementation of liquidity measures and in particular the maintenance of a sufficient stock of high-quality liquid assets to withstand adverse situations. The proposed liquidity framework includes intraday and longer-term monitoring metrics in order to improve processes for measuring and identifying liquidity risk trends, both at the bank level and systemwide.

Two important indicators for assessing liquidity and solvency are the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). In both cases, the idea is that an obligation of given maturity (recorded in a financial institution's liabilities) should be covered with an asset of similar maturity.[12]

In short, Basel III focuses on: (i) requiring more high-quality capital, especially in systemically important financial institutions; (ii) strengthening financial product risk-hedging mechanisms; (iii) restricting leverage in off-balance sheet positions; (iv) defining liquidity standards; and (v) reducing the procyclicality of the banking business (Acharya, 2012; BCBS, 2019; Pollin, 2012; Tarullo, 2009).

## 3. Initiatives to reduce interconnectedness

The second initiative involves the introduction of stricter requirements for banks which, because of their size and importance, can have systemic effects at the global level. To this end, a methodology has been developed that assesses a bank's systemic importance, using an indicator based on six factors: (i) the bank's cross-jurisdictional activity, for the purpose of determining its global reach; (ii) its size; (iii) its interconnectedness with other financial institutions, measured by the size of its assets and liabilities (see section A of this chapter); (iv) the degree of oligopoly in the provision of services and in its infrastructure; (v) its operational structure and complexity, measured by factors such as turnover, the amount of liquid assets and its degree of financial complexity; and (vi) the stock of derivatives.

Using this methodology, in 2018 a list was published of 29 global banks that were identified as systemically important financial institutions owing to their size, measured in terms of assets. Their geographical distribution is as follows: six banks based in the United States (J. P. Morgan Chase, Goldman Sachs, Citigroup, Bank of America,

---

[12] Formally these are defined as:

$$LCR = \frac{Stock\ of\ high\text{-}quality\ liquid\ assets}{Total\ net\ cash\ outflows\ over\ the\ next\ 30\ days} > 1 \qquad (1)$$

$$NSFR = \frac{Available\ amount\ of\ stable\ funding}{Required\ amount\ of\ stable\ funding} > 1 \qquad (2)$$

In the case of the LCR, the stock of high-quality liquid assets comprises assets that are traded regularly and therefore have an available quoted price, and also assets for which a price can be derived using a financial model. The denominator represents the difference between expected payments and receipts. Both expected payments and receipts are weighted by a factor representing expected enforceability for making payments and the availability of receipts. In terms of the NSFR, total available stable financing includes capital, preferred shares and liabilities with a maturity of longer than one year. It also includes the share of deposits and wholesale financing with a maturity period of less than one year that would remain in the institution in the event of an idiosyncratic stress event (BCBS, 2013). The required stable sources of financing include cash, assets without a debt counterpart, bonds, residential mortgages, wholesale loans with a maturity of less than one year, and off-balance sheet items (PwC, 2011).

Wells Fargo, Bank of New York Mellon and Morgan Stanley); four in China (Bank of China, Industrial and Commercial Bank of China, Agricultural Bank of China and China Construction Bank); two based in the United Kingdom (Barclays and HSBC Holdings); three based in France (BNP Paribas, Crédit Agricole and Société Générale); three based in Japan (Mitsubishi UFJ Financial Group, Mizuho Financial Group and Sumitomo Mitsui Financial Group); one based in Germany (Deutsche Bank); two in Switzerland (UBS and Crédit Suisse); one in Belgium (Dexia), Italy (Unicredit), the Netherlands (ING Groep), Spain (Banco Santander), and Canada (Royal Bank of Canada) (CEF, 2018).

## 4.    The Dodd-Frank Act: decreasing interconnectedness and strengthening capital

The third regulatory initiative is the Dodd-Frank Wall Street Reform and Consumer Protection Act. This is the response made by the United States Government to the need to retarget its regulatory and supervision system to address systemic risk and improve microprudential regulation, by formulating stricter and more conservative macroprudential regulations for financial activity (Tarullo, 2009). The Dodd-Frank Act is the most important and comprehensive package of regulatory measures since the Glass-Steagall Act of the 1930s.[13]

The most important measures of the Dodd-Frank Act include the Volcker Rule, which prohibits commercial banks from engaging in speculative activities and from proprietary trading. In particular, the Volcker Rule restricts investment banks' participation in hedge funds and private equity funds. The Act also created the Consumer Financial Protection Bureau, which serves as an independent regulatory office to oversee consumer-related financial markets, including those of mortgages, student loans and credit cards.

Third, under the Dodd-Frank Act, the banks' capital requirements and composition were strengthened to enable them to meet the obligations arising from their liabilities. In this connection, the law provides that banks such as Citibank, Bank of America and Goldman Sachs must maintain a liquid capital-to-assets ratio of 9.5%.

Fourth, the Financial Stability Oversight Council was created, as an interagency group comprised of the United States Department of the Treasury and independent financial regulators. The Council is responsible for identifying and monitoring risks to the financial system, and for identifying systemically important financial institutions for the purpose of ensuring they are compliant with the capital regulations and standards.

Fifth, the Dodd-Frank Act emphasizes the need to regulate derivatives markets, particularly the over-the-counter derivatives market where these instruments are bought and sold by private agents and not on regulated markets such as stock exchanges. This legislation also provides that firms that trade in derivatives must do so through clearing houses (with collateral and credit evaluation requirements), in order to reduce the exposure to liabilities and the risk inherent in this type of operation.

Sixth, the Act seeks to prevent the economic and social consequences of the failure of global systemically important financial institutions. To this end, it allows the Federal Deposit Insurance Corporation to liquidate an insolvent systemically important financial institution in an orderly way. Global banks are also required to specify how they would handle a potential bankruptcy without imposing contagion effects on the financial system.

---

[13]    The Glass-Steagall Act was passed in 1933 in the wake of the 1929 stock market crisis. This law separated investment activities from commercial banking, since the main trigger of the financial crisis was considered to have been the banks' excessive participation in stock market speculation. In 1999, however, the U.S. Congress repealed the Glass-Steagall Act and passed the Gramm-Leach-Bliley Act, which lifted restrictions on partnerships between commercial and investment banking, thereby opening the door for banks to re-engage in high-risk investments with a view to increasing their profits.

According to available information, 67 provisions of the Dodd-Frank Act have thus far been implemented, covering private fund issues, the Volcker Rule, swaps, clearing agencies, advisory services, executive compensation, rating agencies, information disclosure and other issues such as streamlining filing procedures for self-regulating organizations.

## C.    The change in the rationale of global banking operations and its consequences for financial stability

Financial regulation has partly contributed to a change in the rationale of global banking operations and in particular those of systemic financial institutions. As noted in chapter I, the global banking business model in the pre-crisis period consisted of the inter-relationship between leverage, interconnectedness and concentration. Leverage fuelled interconnectedness, which in turn fostered concentration. According to calculations made by developed countries (including Austria, Belgium, France, Germany, Greece, Italy, the Netherlands, Portugal and Spain) for the period 1999–2007, the bulk of the funding came from within the financial system itself, in other words from other financial intermediaries.

On average, during the period under review, the rest of the financial system accounted for 60% of total funding, and in some countries, such as Belgium and France, for about 70%. These high levels of leverage and interconnectedness sustained high levels of profitability. Thus, during the pre-crisis period, there was a positive relationship between leverage, interconnectedness and asset growth. An empirical exercise reports a statistically significant positive correlation coefficient of 0.88 between leverage and the rate of growth of assets among investment banks in the United States in 2002–2009.

In contrast, since the crisis, global banking has ceased to depend on leverage and, in fact, there has been a negative relationship between leverage and asset growth among systemically important banks in the United States as shown in figure IV.1. Moreover, the banks have become dependent on external and more stable sources and have also increased their capital. Figure IV.1 also shows that as the average capital of systemically important banks in the United States has increased in the post-crisis period, derivatives (measured here by the derivatives on the asset side of those banks' balance sheets) have decreased. This may also reveal less reliance on interconnectedness to generate bank funding.

This change in the rationale of global banking operations tends to enhance financial stability in the banking sector. Lower leverage levels reduce the banking system's reliance on debt to finance its activity. This makes it possible to reduce connectedness between the banks and leads to greater funding of banking activity from sources outside the financial system.

Nonetheless, these trends towards greater stability do not encompass the entire financial system. Certainly, the stylized fact in the post-crisis period is in the financial sphere and consists of a shift in the intermediation of financial activity from the banking system towards the non-bank sector. In this respect, the asset management industry has not mitigated concentration, interconnectedness and leverage, which are the determinants of the procyclical nature of the volatility and instability of the financial system.

In fact, the evidence shows that concentration in the financial system and in the asset management industry has actually increased. Global banks and the asset management industry are also highly interconnected in terms of activity and ownership. Leverage has also shifted from the financial sector to the real sector of the economy —the non-financial corporate sector, which has become a financial intermediary, at least in part.

**Figure IV.1**
United States: trend of assets, net equity, derivatives and leverage for the average of four major banks,[a] 2009–2016
*(Billions of dollars)*

A. Derivatives and equity
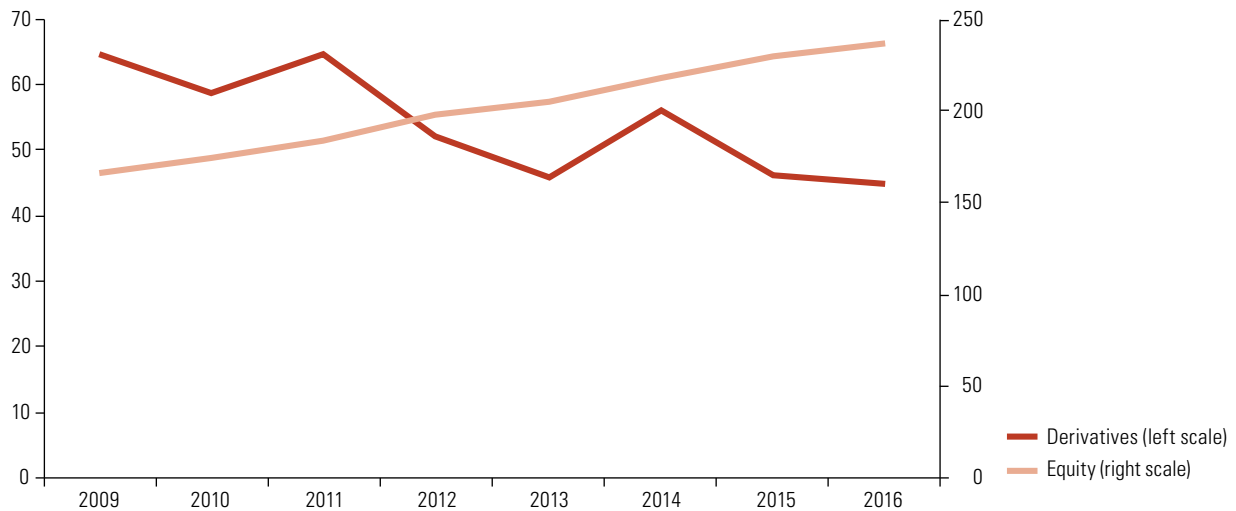


B. Leverage and assets
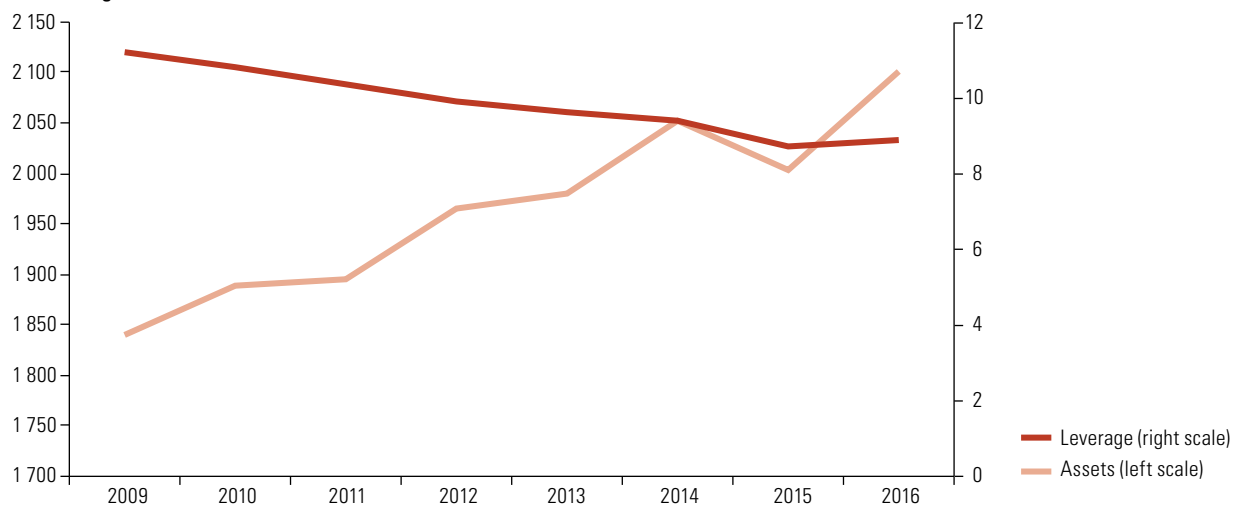


**Source**: Economic Commission for Latin America and the Caribbean, on the basis of data from Bloomberg.
[a] Citicorp, Wells Fargo, Bank of America and J. P. Morgan.

## 1. The concentration of the financial and non-bank sector in the asset management industry

Global finance is one of the sectors of highest market concentration, as reflected in the increase in mergers and acquisitions between financial conglomerates, through which financial institutions have consolidated their dominant position in the global marketplace.

The available evidence for 2000–2018 shows that the number of mergers and acquisitions rose sharply in the post-crisis period to far exceed those recorded previously. The number of mergers and acquisitions rose from 3,828 in 2012 to 7,580 in 2018 (peaking at 8,527 in 2017) (see figure IV.2).

**Figure IV.2**
Global financial sector: mergers and acquisitions, 2000–2018
*(Number of transactions)*
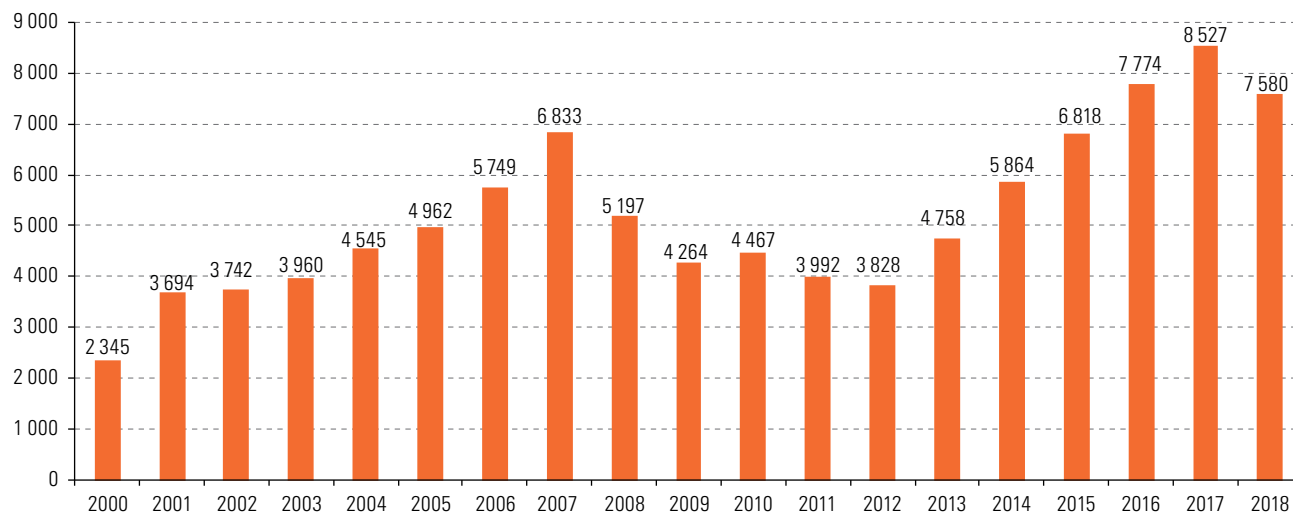


Source: Economic Commission for Latin America and the Caribbean, on the basis of data from Bloomberg.

Part of this concentration is explained by the consolidation and growth of the asset management industry. As noted in chapter I the latter is the financial subsector that has grown most strongly since the global financial crisis, with a sales turnover of more than US$ 93 trillion (slightly exceeding global GDP, which in 2017 amounted to US$ 90.3 trillion). This is a global phenomenon that has occurred in developed and developing countries alike.

The evidence for 2007–2016 and for 2017 shows that assets under management grew at rates of 4% and 13%, respectively in North America, by 4% and 7% in Europe, and by 3% and 10% in Japan and Australia together. In the case of developing countries, the asset management industry has grown fastest in China (by 16% and 22% for the same periods), followed by Latin America and the Caribbean (12% and 17%, respectively). Assets under management grew by 8% and 13% in Asia (excluding Japan, Australia and China) and by 4% and 7% in the Middle East and Africa (see Fages and others, 2018).

The industry is highly concentrated geographically, with the United States and Europe accounting for 53% and 35% of total assets, respectively, between 2008 and 2017. The evidence shows that Japan accounts for 6% of total assets under management (see figure IV.3).

Developing regions as a whole accounted for just 11% of total assets under management in 2017: US$ 4.2 trillion in the case of China; US$ 3.5 trillion in Asia (excluding Australia, China and Japan); US$ 1.8 trillion in Latin America; and US$ 1.4 trillion in the Middle East and Africa (see Fages and others, 2018). The growth of the financial sector does not entail an endogenous risk to developing economies; instead, the risk it may pose stems mainly from potential situations of financial fragility in developed economies and the types of mechanisms through which this is transmitted to developing countries.

The concentration prevailing in this sector is also evident in terms of ownership. As shown in table IV.3, in 2017 the 20 largest asset management companies held 43% of total assets under management; and the largest 50 firms had over 60%. The concentration of assets under management has also increased over time (from 38.3% of the total in 2008 to 43.3% in 2017).

**Figure IV.3**
Selected world regions: total value of assets under management, by residence, 2008–2017
*(Trillions of dollars)*
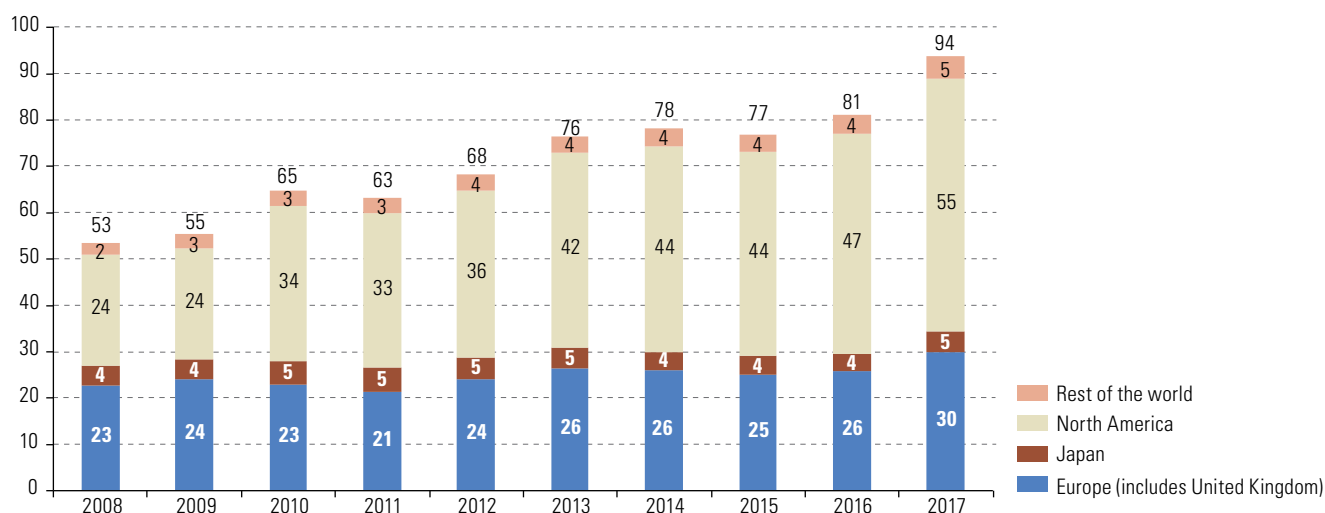
**Table IV.3**
World: share of total assets under management by manager segment, 2008–2107
*(Percentages)*

| Year | Top 20 | 21–50 | 51–250 | 251–500 |
|------|--------|-------|--------|---------|
| 2008 | 38.3 | 22.8 | 33.6 | 5.2 |
| 2009 | 40.2 | 21.5 | 32.7 | 5.6 |
| 2010 | 40.7 | 22.5 | 31.5 | 5.4 |
| 2011 | 38.7 | 23.1 | 32.8 | 5.4 |
| 2012 | 41.4 | 22.3 | 31.0 | 5.2 |
| 2013 | 41.0 | 22.2 | 31.1 | 5.7 |
| 2014 | 41.6 | 22.9 | 29.5 | 6.0 |
| 2015 | 41.9 | 23.2 | 29.0 | 5.8 |
| 2016 | 42.3 | 23.0 | 28.8 | 5.9 |
| 2017 | 43.3 | 22.9 | 28.2 | 5.6 |

## 2.    Asset management industry interconnectedness

As noted above, financial interconnectedness was one of the factors that exacerbated the breadth and depth of the severe financial crisis of 2007–2008, and is thus a potentially destabilizing factor. In the pre-crisis period, interconnectedness was more important than most analysts and regulators acknowledged, because it was not easy to detect. Identifying interconnectedness is therefore very important for assessing the potential risks emanating from the burgeoning asset management industry (FSB, 2019).[14]

If, as the Financial Stability Board puts it, one or more banks —particularly those with a high degree of leverage or significant maturity/liquidity transformation— are significant borrowers from non-bank financial institutions, the deterioration of their balance sheets could precipitate contagion through multiple banks and non-bank financial institutions. Similarly, if a large asset management company has a bank as a major counterparty in a commercial or lending activity, then contagion could also occur (Epstein, 2019).

---

[14]    Annex IV. A2 provides a description of the financial agents and instruments that are part of the asset management industry.

The interconnections between the two can be direct or indirect (FSB, 2019). Lending between two counterparties is an example of direct interconnection. Multiple chains connected by a chain of liabilities can thus be generated. Indirect interconnection arises when two entities have common assets or when the market value of their capital or fixed income assets moves in the same direction (FSB, 2019).

Interconnection can be a particularly problematic for financial stability if it involves the banking system, which occupies a central place in most financial systems and also in the economy at large. Interconnectedness between the asset management industry and other sectors of the economy, including banking, can involve a number of different channels, for example ownership connections between asset management companies and banks (Epstein, 2019).

Table IV.4 lists the top 50 asset managers, which include about half of the banks considered systemically important, such as J. P. Morgan, Bank of New York Mellon, Goldman Sachs, Deutsche Bank, BNP Paribas, UBS, Wells Fargo, Morgan Stanley, Sumitomo Mitsui Trust Holdings and Mitsubishi UFJ Financial Group.

The evidence shows that among the top 20 managers, banks hold assets of US$ 10.6 trillion, representing 26% of the total. For the top 50 managers, banks manage assets worth US$ 14.9 trillion, or 24% of the total assets under management among those on the list (see table IV.4).

**Table IV.4**
World: top 50 asset managers, 2017

| Rank | Manager | Market | Total assets (trillions of dollars) | Rank | Manager | Market | Total assets (trillions of dollars) |
|------|---------|--------|------------------------------------|------|---------|--------|------------------------------------|
| 1 | BlackRock | United States | 6.3 | 26 | Morgan Stanley | United States | 1.0 |
| 2 | Vanguard Group | United States | 5.0 | 27 | M&G Prudential | United Kingdom | 1.0 |
| 3 | State Street Global Advisors | United States | 2.8 | 28 | Affiliated Managers Group (AMG) | United States | 0.9 |
| 4 | Fidelity Investments | United States | 2.5 | 29 | Sumitomo Mitsui Trust Holdings | Japan | 0.8 |
| 5 | Allianz Group International | Germany | 2.4 | 30 | Standard Life Aberdeen | United Kingdom | 0.8 |
| 6 | J. P. Morgan Chase | United States | 2.1 | 31 | Sun Life Financial | Canada | 0.8 |
| 7 | Bank of New York Mellon | United States | 1.9 | 32 | MassMutual | United States | 0.8 |
| 8 | Capital Group | United States | 1.8 | 33 | Legg Mason | United States | 0.8 |
| 9 | AXA Group | France | 1.8 | 34 | Manulife Financial Corporation | Canada | 0.8 |
| 10 | Amundi | France | 1.8 | 35 | Franklin Templeton | United States | 0.8 |
| 11 | Goldman Sachs Group | United States | 1.5 | 36 | Ameriprise Financial | United States | 0.8 |
| 12 | Deutsche Bank | Germany | 1.5 | 37 | Nippon Life Insurance | Japan | 0.8 |
| 13 | BNP Paribas | France | 1.5 | 38 | Principal Financial | United States | 0.7 |
| 14 | Prudential Financial | United States | 1.4 | 39 | Mitsubishi UFJ Financial Group | Japan | 0.7 |
| 15 | Legal & General Group | United Kingdom | 1.4 | 40 | MetLife | United States | 0.7 |
| 16 | UBS | Switzerland | 1.3 | 41 | Schroder Investment Management | United Kingdom | 0.6 |
| 17 | Northern Trust Asset Management | United States | 1.2 | 42 | Dimensional Fund Advisors | United States | 0.6 |
| 18 | Wellington Management | United States | 1.1 | 43 | Great-West Lifeco | Canada | 0.6 |
| 19 | Wells Fargo | United States | 1.1 | 44 | Generali Group | Italy | 0.6 |
| 20 | Natixis Global Asset Management | France | 1.0 | 45 | New York Life Investments | United States | 0.6 |
| 21 | T. Rowe Price | United States | 1.0 | 46 | Asset Management One | Japan | 0.6 |
| 22 | Aegon Group | Netherlands | 1.0 | 47 | Royal Bank of Canada | Canada | 0.6 |
| 23 | Nuveen | United States | 1.0 | 48 | Credit Suisse | Switzerland | 0.5 |
| 24 | HSBC Holdings | United Kingdom | 1.0 | 49 | Blackstone Group | United States | 0.5 |
| 25 | Invesco | United States | 1.0 | 50 | Eaton Vance | United States | 0.5 |

**Source**: Willis Towers Watson, *Asset Manager Update*, Reigate, March 2018.

Banks are themselves the parent firms of more than a third of the 25 largest asset management companies. At the same time, large asset management companies have major shareholdings in the largest banks. Thus there are very significant ownership interconnections between large asset managers and large banks in the United States (see table IV.5 and figure IV.4) (Epstein, 2019).

**Table IV.5**
United States: large banks owned by asset management companies, 2002 and 2013
*(Percentages)*

| J. P. Morgan Chase | | Bank of America | | Citigroup | |
|---|---|---|---|---|---|
| BlackRock | 6.4 | Berkshire Hathaway | 6.9 | BlackRock | 6.1 |
| Vanguard Group | 4.7 | BlackRock | 5.3 | Vanguard Group | 4.4 |
| State Street Global Advisors | 4.5 | Vanguard Group | 4.5 | State Street Global Advisors | 4.2 |
| Fidelity Investments | 2.7 | State Street Global Advisors | 4.3 | Fidelity Investments | 3.6 |
| Wellington Management | 2.5 | Fidelity Investments | 2.1 | Capital World Investors | 2.4 |
| **Wells Fargo** | | **U.S. Bank** | | **PNC Bank** | |
| Berkshire Hathaway | 8.8 | BlackRock | 7.4 | Wellington Management | 8.0 |
| BlackRock | 5.4 | Vanguard Group | 4.5 | BlackRock | 4.7 |
| Vanguard Group | 4.5 | Fidelity Investments | 4.4 | Vanguard Group | 4.6 |
| State Street Global Advisors | 4.0 | State Street Global Advisors | 4.4 | State Street Global Advisors | 4.6 |
| Fidelity Investments | 3.5 | Berkshire Hathaway | 4.3 | Barrow Hanley | 4.0 |

**Source**: J. Azar, M. Schmalz and I. Tecu, "Anticompetitive effects of common ownership", *Journal of Finance*, vol. 73, No. 4, 2018.
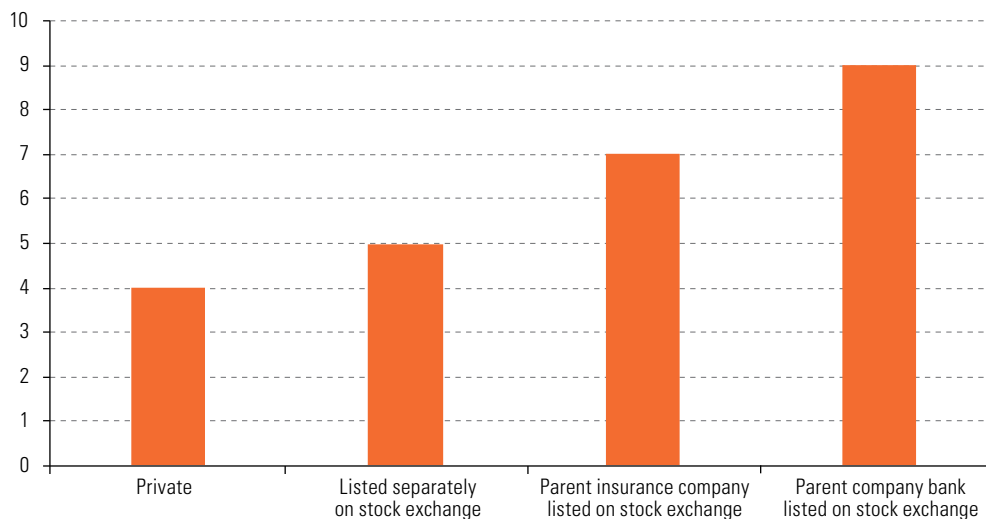


**Figure IV.4**
Ownership structure of the top 25 global asset management companies, 2015
*(Number of firms)*

**Source**: International Monetary Fund (IMF), "The asset management industry and financial stability", *Global Financial Stability Report: Navigating Monetary Policy Challenges and Managing Risks*, Washington, D.C., 2015.
**Note**: The parent banks include Amundi, Bank of New York Mellon, BNP Paribas, Deutsche Bank, Goldman Sachs, HSBC, J.P. Morgan Chase and Natixis Global Asset Management, and UBS. The parent companies of the insurance companies are Allianz (PIMCO), Axa Group, MetLife, Generali, Legal and General Group and Prudential Financial.

# D.  The non-financial corporate sector: its leverage and role in financial intermediation

As noted in chapter II, the international bond market has become a major source of financing for emerging economies, including Latin American ones.

In the region, the stock of debt issued on international markets stood at around US$ 310 billion in the period 2000–2007, reaching as much as US$ 761 billion in 2017.

A breakdown of debt by sector (including government, central bank, financial corporations and commercial banks) in 2000–2017 shows, firstly, that the government is the main issuer of international debt, although its importance has been decreasing. In 2000–2007 and also in 2017, the share of debt issued by central governments on international markets declined from 70.8% to 39.8% of the total regionally. In South America, public debt shrank from 71.5% in 2000–2007 to 44.7% in 2017, while in Central America it dropped from 89% to 57.2% (see table IV.6).

Second, the available evidence shows that non-financial corporate sector debt grew rapidly from US$ 49 billion in 2000–2007 to US$ 289 billion in 2017. Non-financial corporate sector debt is particularly important for Mexico and South American countries. In the latter, this category of debt grew from 12.2% of the total in 2000–2007 to 25% in 2017, and from 2.4% of GDP to 4.0% in the same period (see table IV.6).

Table IV.6
Latin America (selected countries): stock of non-financial corporate sector debt, various periods and years

| Country | Billions of dollars | | | | | | | | Percentages of GDP | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2000–2007 | 2008 | 2009 | 2012 | 2014 | 2015 | 2016 | 2017 | 2000–2007 | 2008 | 2009 | 2012 | 2014 | 2015 |
| Argentina | 6 599 | 2 863 | 2 593 | 3 767 | 6 148 | 8 189 | 11 975 | 13 793 | 3.2 | 0.8 | 0.8 | 0.7 | 1.2 | 1.4 |
| Brazil | 21 464 | 37 002 | 51 468 | 114 910 | 155 654 | 152 615 | 156 511 | 157 634 | 2.7 | 2.2 | 3.1 | 4.7 | 6.3 | 8.5 |
| Chile | 4 983 | 5 999 | 7 665 | 17 169 | 33 543 | 38 766 | 39 499 | 40 028 | 4.7 | 3.3 | 4.5 | 6.5 | 13.0 | 16.1 |
| Colombia | 717 | 2 354 | 4 754 | 6 360 | 17 191 | 18 415 | 18 038 | 17 894 | 0.6 | 1.0 | 2.0 | 1.7 | 4.5 | 6.3 |
| Mexico | 31 913 | 34 614 | 43 575 | 89 208 | 125 699 | 135 703 | 158 456 | 162 619 | 3.9 | 3.1 | 4.9 | 7.5 | 9.7 | 11.9 |
| Paraguay | 0 | 0 | 0 | 300 | 300 | 300 | 300 | 300 | 0.0 | 0.0 | 0.0 | 1.2 | 1.0 | 1.1 |
| Peru | 164 | 14 | 139 | 3 332 | 8 313 | 8 521 | 8 523 | 8 324 | 0.2 | 0.0 | 0.1 | 1.7 | 4.1 | 4.5 |
| Uruguay | 0 | 0 | 0 | 0 | 1 | 11 | 10 | 10 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Venezuela (Bol. Rep. of) | 4 180 | 8 995 | 13 579 | 20 393 | 18 993 | 17 693 | 22 518 | 22 518 | 3.1 | 2.9 | 4.1 | 5.3 | 0.0 | 0.0 |
| Total | 70 459 | 93 346 | 125 226 | 257 269 | 367 782 | 382 153 | 418 306 | 425 596 | | | | | | |

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bank of International Settlements (BIS), "Debt securities statistics" [online] http://www.bis.org/statistics/secstats_to1509.htm; and Banco Mundial, World Development Indicators [online database] http://data.worldbank.org/data-catalog/world-development-indicators.

The countries most exposed to non-financial corporate sector debt are Mexico and, in South America, Brazil, Chile, Colombia and Peru. Data for 2000–2015 show that in Mexico, the debt stock of the non-financial corporate sector grew from 3.1% to 11.9% of GDP in that period; while in Brazil, Chile, Colombia and Peru it expanded by 2.2%, 3.3%, 1.0% and 0% of GDP, respectively, to 8.5%, 16.1%, 6.3% and 4.9%. Other South American countries, such as Argentina and Paraguay, have comparatively lower levels of debt (1.4% and 1.1% of GDP in 2015, respectively), while Uruguay has no corporate debt (Pérez Caldentey, Favreau-Negront and Méndez, 2019).

In addition to its participation in the asset management industry, the non-financial corporate sector has also started to play a role in financial intermediation. As noted

in chapter II, this can be analysed through the difference that exists between debt issuance by residents and by external economic agents. The income generated by the bond issue can be used for three purposes: (i) inter-firm loans; (ii) financing of non-bank institutions; and (iii) onlending to another firm. The empirical evidence shows that a large part of the income generated by the bond issues of subsidiaries resident abroad is used to build up liquidity and for short-term investment. Nonetheless, inter-firm loans are recorded as foreign direct investment.

The case of Brazil illustrates the correlation between bond issuance by subsidiaries and inter-firm lending. Figure IV.5 shows the trend of issues by subsidiaries and inter-firm loans from the first quarter of 1995 to the first quarter of 2019. It also shows how the series of bond issues by subsidiaries and inter-firm loans remained relatively stable before 2008 and then experienced significant joint growth, which may reflect foreign subsidiaries issuing debt securities to finance the operations of their respective parent companies.

**Figure IV.5**
Brazil: international bond issues by Brazilian non-financial corporations and liabilities
in the form of net direct investment and credits from foreign subsidiaries
to their parent companies (cumulative over four quarters), 1995–2019
*(Billions of dollars)*
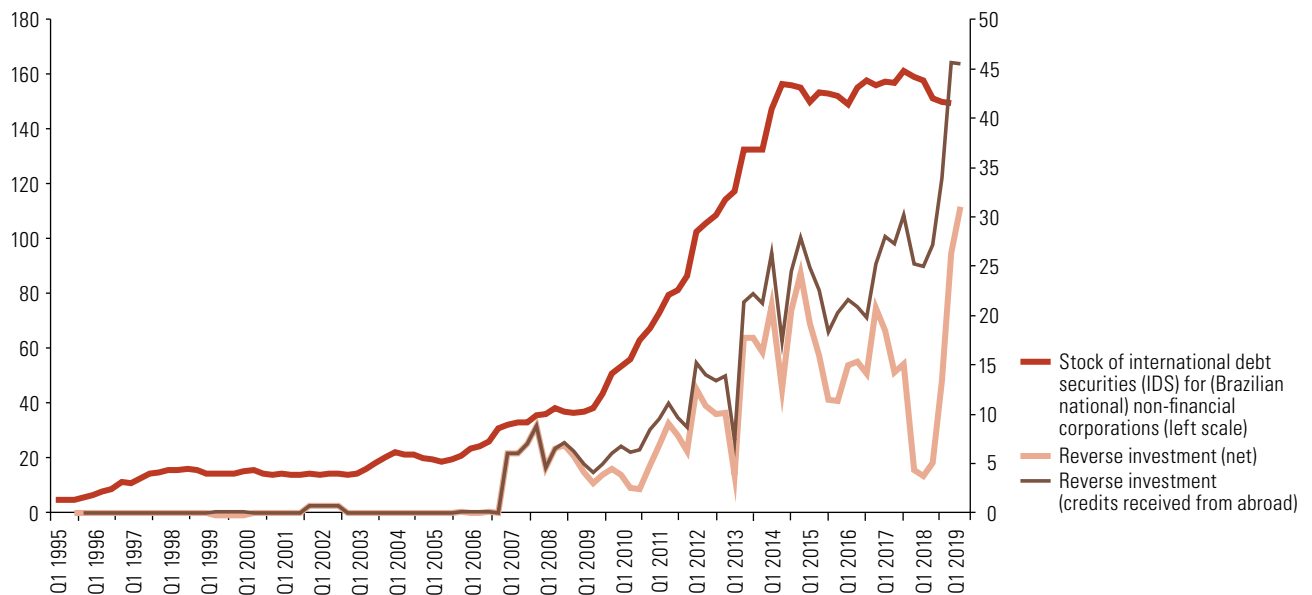


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bank of International Settlements (BIS) (data on international debt securities) and Central Bank of Brazil (data on direct investment).
Note:    Net reverse investment corresponds to credits received abroad less amortizations paid abroad.

Table IV.7 shows the correlations between the reverse investment (credits received from abroad by parent companies net of amortizations paid) and the stock of debt securities issued by Brazilian domestic non-financial corporations on international markets before and after 2008. Before 2008, the correlations are low and even negative for net investment (8.5%) while since 2008 there has been a significant relationship with correlations on the order of 42.3% and 32.3% for credits received from abroad and net investment respectively; this would suggest that part of the issue will finance the parent companies' operations.

Brazil: correlation between international bond issues by Brazilian non-financial corporations and liabilities
in the form of net direct investment and credits from foreign subsidiaries to their parent companies
(cumulative over four quarters) before and after 2018
*(Percentages)*

|  | Before 2008 | After 2008 |
|---|---|---|
| Correlation between credits received and issuance of international debt securities | 4.3 | 42.3 |
| Correlation between net investment and issuance of international debt securities | -8.5 | 32.2 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bank of International Settlements (BIS) (data on international debt securities)
and Central Bank of Brazil (data on direct investment).
**Note**:    Net reverse investment corresponds to credits received abroad less amortizations paid abroad.

# E.   Transmission mechanisms in the new financial context

The structural changes that have occurred in the financial system, particularly in financial intermediation, make it necessary to rethink macroeconomic transmission mechanisms. These are especially relevant for Latin America and the Caribbean, since the region experienced one of the highest levels of volatility of all developing regions between the 1990s and the latter years of the 2000 decade (Pérez Caldentey and Titelman, 2014).

The high levels of real volatility in Latin America and the Caribbean can be explained by balance-of-payments predominance, in a context of great financial openness and greater complexity in the financial structure itself.[15]

These transmission mechanisms involve interaction between the bank, non-bank and non-financial corporate sectors. Because of its complexity, the transmission mechanism needs to be examined from the standpoint of the different agents interacting in the financial markets and the context in which they do so. This means not only integrating the macroeconomic perspective with the microeconomic analysis, but also taking into account the interaction between stocks and flows.

The traditional analysis examined balance-of-payments predominance through shocks on the financial account and cycles. The main crises that have affected the region, including the debt crisis (1981–1984), the Mexican crisis (1995), the Asian crisis (1997), the Argentine crisis (2001–2002) and the most recent global financial crisis of 2008–2009, were all caused by sudden stops in outside funding. Recent analyses have linked fluctuations in economic activity not only to the availability of outside funding, but also to fluctuations in commodity prices and hence to the terms of trade.

The analyses presented in the chapters of this *Economic Survey* show how the traditional transmission mechanisms prevailing before the global financial crisis have been reinforced; and they identify the new elements introduced by the structural changes that have occurred in the financial system.

As in the pre-crisis period, fluctuations in international interest rates and exchange rates have a significant impact on financial flows. In a context in which the asset management industry and the bond market have assumed central roles in financial intermediation, both variables not only have an impact on the flow of bank loans but also influence the supply of financing through the capital market. Thus, a rise in international interest rates or a currency depreciation (a fall in the yield curve of the international

---

[15]    Balance-of-payments predominance is defined as a macroeconomic system in which the short-term macroeconomic dynamic is essentially determined by external financial and terms-of-trade shocks, whether positive or negative (Ocampo, 2011).

interest rate structure or an increase in the slope of the yield curve expressed in local currency) restricts financing through the banking and capital markets.

This transmission mechanism is also affected by the degree of foreign-currency leverage in the non-financial corporate sector and how this affects the sector's investment decisions.

The evidence shows that in a situation where firms are over-leveraged, they restrict their investment and increase their cash holdings to protect against potential situations of lack of liquidity and insolvency. This result is particularly relevant for issuers on the international bond market, since over 50% of these firms have leverage ratios of over 0.80 and represent a large proportion of total assets and investments.

An econometric estimation that relates investment in tangible assets to cash flow by degree of leverage for 270 firms in six Latin American countries (Argentina, Brazil, Chile, Colombia, Mexico and Peru) for the 2010–2016 period, shows that when leverage exceeds a 0.77 threshold, a 1% increase in cash flow-to-assets is associated with a reduction in investment of 0.25%–0.24%. In terms of the growth of tangible assets, the estimated equation shows that when leverage exceeds the 0.77 threshold a 1% increase in cash flow-to-assets is associated with a 0.75% reduction in the rate of growth of tangible assets (Pérez Caldentey, Favreau-Negront and Méndez, 2019).

Leverage thresholds above which firms choose not to invest are likely to remain constant over time and tend to decline in periods of uncertainty, lower expectations and weak growth. This situation may lead to a cycle characterized by low levels of investment and growth, together with high levels of debt. These conditions may then impose a severe funding constraint if asset managers decide to reduce their positions in corporate non-financial sector bonds in international markets.

The conditions may be aggravated by the role played in financial intermediation by the non-financial corporate sector, through the corporate debt issued by subsidiaries resident abroad. If that role is important, the effective foreign currency debt may be greater than that declared according to residence criteria, which makes the firm more financially fragile, while restricting financing. If revenues from debt issuance are channelled into the financial system and form part of an economy's liquidity, this could be restricted.

## F. Expanding the toolbox to assess macroeconomic vulnerability and design macroprudential policy

To evaluate the impact of the type of transmission mechanism described in the previous section, it is first necessary to delve deeper into the different components of aggregates such as the balance of payments, agents' balance sheets and their mode of operation.

As noted in chapter III, the indicator traditionally used to measure external performance, namely the current account, may not be suitable for assessing an economy's external vulnerability. A current account in balance may indicate either external stability or instability. To obtain a more accurate picture of external imbalances, gross flows need to be analysed rather than net flows.

Similarly, the net international investment position is not an adequate indicator of an economy's external fragility. Evidence for 1990–2000 shows that this indicator was an adequate reflection of an economy's creditor and debtor positions, and thus its strength, in the period prior to the global financial crisis. Since then, however, it has

been hard to determine whether an economy has a creditor or debtor position using this indicator alone.

Also as noted in ECLAC (2018, chapters II and III), assessing the vulnerability of an economy requires analysing the financial positions of the key agents according to the state of their balance sheets. This is particularly important in the case of the non-financial corporate sector, since, as shown in ECLAC (2018), investment spending is highly concentrated in a small group of large firms.

This entails evaluating indicators of non-financial firms in both the public and the private sector; and, in the former, it is important to include State enterprises in estimates of the fiscal deficit and to consider the non-financial public sector as a whole rather than just central government.

In the case of the private non-financial sector, a methodology needs to be devised for assessing debt sustainability. While there are methodologies and criteria for analysing the sustainability of public debt, no similar criteria or methodologies exist for the private sector. In ECLAC (2018), three types of indicators were proposed as a first stage, referring to liquidity, solvency and profitability.

Firms in the non-financial corporate sector can also be classified according to their financial structures. Following Minsky (1986), there are three financial structures: hedge, speculative and Ponzi. If the realized and anticipated income streams are sufficient to meet the obligations (liabilities), this is a hedged financing position. If the realized and anticipated income streams are not sufficient for this, the only way to deal with the situation is to refinance the debt or increase it. Debt refinancing is a situation that Minsky considers speculative. Increasing debt to pay off debt is a funding situation that Minsky describes as Ponzi finance.[16]

This analysis should precede any macroprudential policy design initiative, especially for developing countries such as those in Latin America and the Caribbean.

---

[16] Few studies propose a measurable criterion and a threshold for distinguishing between hedged, speculative and Ponzi financial positions. Those that exist include the following: Tymoigne (2010), Mulligan (2013), Nishi (2016), Davis, De Souza and Hernandez (2017), Torres Filho, Martins and Miaguti (2017). In this chapter the criteria proposed by Mulligan (2013) and by Torres Filho, Martins and Miaguti (2017) are calculated, which are the first and the latest study to establish criteria for evaluating an economic unit's financial position. The criterion proposed by Torres Filho, Martins and Miaguti (2017) to obtain the Minskyan classification is the financial fragility index (FFI), which is defined as follows:

$$FFI= \frac{FO+STD}{EBITDA} \qquad (8)$$

where FO corresponds to financial obligations, which were measured by interest expense; STD corresponds to the stock of short-term debt over EBITDA (earnings before interest, taxes, depreciation and amortization). This coefficient then determines the financial positions as follows:

$$\begin{cases} FFI \leq 1 & \Rightarrow Hedge \\ \begin{cases} FFI>1 \\ FO<EBITDA \end{cases} & \Rightarrow Speculative \\ \begin{cases} FFI>1 \\ FO<EBITDA \\ STD>EBITDA \end{cases} & \Rightarrow Ponzi \end{cases} \qquad (9)$$

# Bibliography

Acharya, V. (2012), "The Dodd-Frank Act and Basel III: intentions, unintended consequences, and lessons for emerging markets", *ADBI Working Paper*, No. 392.

Azar, J., M. Schmalz and I. Tecu (2018), "Anticompetitive effects of common ownership", *Journal of Finance*, vol. 73, No. 4.

BCBS (Basel Committee on Banking Supervision) (2019), *Sixteenth progress report on adoption of the Basel regulatory framework*, Basel, Bank for International Settlements (BIS).

___(2013), *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools*, Basel, Bank for International Settlements (BIS).

___(2012), *Progress report on Basel III implementation*, Basel, Bank for International Settlements (BIS).

___(2011), *Basel III: A global regulatory framework for more resilient banks and banking systems*, Basel, Bank for International Settlements (BIS).

___(2009), *Strengthening the resilience of the banking sector*, Basel, Bank for International Settlements (BIS).

BIS (Bank for International Settlements) (2019), "Debt securities statistics" [online] http://www.bis.org/statistics/secstats_to1509.htm.

Clement, P. (2010), "The term 'macroprudential': origins and evolution", *BIS Quarterly Review*, March.

Davis, L., J. de Souza and G. Hernandez (2017), "An empirical analysis of Minsky regimes in the US economy", *Economics Department Working Paper Series*, No. 224, Amherst, University of Massachusetts Amherst.

Delgado, F. and M. Meza (2011), "Developments in financial supervision and the use of macroprudential measures in Central America", *IMF Working Paper*, No. 11/299, December.

ECLAC (Economic Commission for Latin America and the Caribbean) (2018), *Economic Survey of Latin America and the Caribbean, 2018* (LC/PUB.2018/17-P), Santiago.

___(2012), "Regulación financiera y política macroprudencial", presentation at the II Meeting on Financial Stability, Centre for Latin American Monetary Studies (CEMLA), Bogotá, 25–26 October.

Elliott, D. (2010), "A primer on bank capital", 28 January, Brookings Institution [online] https://www.brookings.edu/wp-content/uploads/2016/06/0129_capital_primer_elliott.pdf.

Epstein, G. (2019), "The asset management industry", unpublished.

Fages, R. and others (2018), *Global Asset Management 2018: The Digital Metamorphosis*, Boston, The Boston Consulting Group.

Fazzari, S., R. Hubbard and B. Petersen (1988), "Financing constraints and corporate investment", *Brookings Papers on Economic Activity*, No. 1.

FSB (Financial Stability Board) (2019), *Global Monitoring Report on Non-Bank Financial Intermediation 2018*, Basel.

___(2018), "2018 list of global systemically important banks (G-SIBs)", 16 November [online] https://www.fsb.org/wp-content/uploads/P161118-1.pdf.

Galati, G. and R. Moessner (2011), "Macroprudential policy – a literature review", *BIS Working Papers*, No. 337, Basel, Bank for International Settlements (BIS), February.

Greenspan, A. (2008), "Testimony of Dr. Alan Greenspan. Committee of Government Oversight and Reform", 23 October [online] https://oversight.house.gov/sites/democrats.oversight.house.gov/files/migrated/20081023100438.pdf.

IMF (International Monetary Fund) (2010), Heating up in the south, cooler in the north", *Regional Economic Outlook: Western Hemisphere*, Washington, D.C., October.

Kaufman, G. and K. Scott (2003), "What is systemic risk, and do bank regulators retard or contribute to it?", *The Independent Review*, vol. 7, No. 3.

KPMG International (2018), "End of the post-financial crisis consensus?", *Evolving Asset Management Regulation Report* [online] https://assets.kpmg/content/dam/kpmg/xx/pdf/2018/05/an-end-to-post-financial-crisis-consensus.pdf.

Minsky, H. (1986), *Stabilizing an Unstable Economy*, New Haven, Yale University Press.

___(1982), *Can "It" Happen Again?: Essays on Stability and Finance*, New York, M.E. Sharpe.

Mulligan, R. (2013), "A sectoral analysis of the financial instability hypothesis", *The Quarterly Review of Economics and Finance*, vol. 53, No. 4.

Nishi, H. (2016), "An empirical contribution to Minsky's financial fragility: evidence from non-financial sectors in Japan", *Discussion Paper*, No. E-16-007, Kyoto, Kyoto University.

Ocampo, J. (2011), "Macroeconomy for development: countercyclical policies and production sector transformation", *CEPAL Review*, No. 104 (LC/G. 2498-P), Santiago, Economic Commission for Latin America and the Caribbean (ECLAC).

Pérez Caldentey, E. and M. Cruz (2012), "La regulación financiera y la política macroprudencial", unpublished.

Pérez Caldentey, E. and D. Titelman (2014), "Macroeconomics for development in Latin America and the Caribbean", *International Journal of Political Economy*, vol. 43, No. 1.

Pérez Caldentey, E., N. Favreau and L. Méndez (2019), "Corporate debt in Latin America and its macroeconomic implications", *Journal of Post Keynesian Economics* [online] https://www.tandfonline.com/doi/full/10.1080/01603477.2019.1616563.

Pollin, R. (2012), "Building a sustainable full employment economy", *Back to Full Employment*, Cambridge, MIT Press.

PwC (2011), "Risk & capital management under Basel III", London, 15 February [online] https://www.pwc.com/gx/en/banking-capital-markets/pdf/workshop_session_2.pdf.

Shin, H. (2010a), "Financial intermediation and the post-crisis financial system", *BIS Working Papers*, No. 304, Basel, Bank for International Settlements (BIS), March.

___(2010b), *Risk and Liquidity*, Oxford, Oxford University Press.

Sironi, A. (2018), "The evolution of banking regulation since the financial crisis: a critical assessment", *BAFFI CAREFIN Centre Research Paper*, No. 2018–103, Milan, Centre for Applied Research on International Markets, Money Banking and Regulation (Baffi Carefin).

Tarullo, D. (2009), "Financial regulation in the wake of the crisis", presentation at Petersen Institute for International Economics (PIIE), Washington, D.C., 8 June.

Torres Filho, E., N. Martins and C. Miaguti (2017), "Minsky's financial fragility: an empirical analysis of electricity distribution companies in Brazil (2007–15)", *Working Paper*, No. 896, New York, Levy Economics Institute of Bard College.

Tymoigne, E. (2010), "Detecting Ponzi finance: an evolutionary approach to the measure of financial fragility", *Working Paper*, No. 605, New York, Levy Economics Institute of Bard College.

United States Treasury Department (2017), *A Financial System that Creates Economic Opportunities: Asset Management and Insurance*, Washington, D.C.

Willis Towers Watson (2018), *Asset Manager Update*, Reigate, March.

World Bank (2019), World Development Indicators, Washington, D.C. [online database] http://data.worldbank.org/data-catalog/world-development-indicators.

# Annex IV.A1

## Taxonomy for financial cycle analysis[17]

An accounting analysis of financial institutions' balance sheets can provide the basis for constructing a macroprudential policy framework or taxonomy for open and developing economies. To that end, table IV.A1.1 shows the components of the assets and liabilities of a representative commercial bank, referred to as bank *i*.

The assets side includes loans to end-users, which include households, businesses and government *($P_i$)*. Secondly, it includes loan from bank *i* to other financial institutions (for example, $P_{ij}$ where *j* refers to other financial institutions). The latter are also equal to the value of the liabilities of bank *j* held by bank *i ($D_{ji}$)* and the share of the liabilities of bank *j* in the total liabilities of other financial institutions held by bank *j ($\pi_{ji}$)*.

The liabilities side includes debt held by bank *i* from other banking and non-banking institutions *($D_i$)* and also capital/equity *($E_i$)*.

**Table IV.A1.1**
Balance sheet of a representative financial institution

| Assets | Liabilities |
|---|---|
| **Loans to end-users *($P_i$)*** | **Debt *($D_i$)*** |
| – Households | – Non-bank agents/institutions |
| – Business | – Banks |
| – Government | |
| **Intermediary loans *($P_{ij}$)*** | **Capital/Equity *($E_i$)*** |
| – Interbank loans | |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of H. Shin, "Financial intermediation and the post-crisis financial system", *BIS Working Papers*, No. 304, Basel, Bank for International Settlements (BIS), March 2010; ECLAC, "Regulación financiera y política macroprudencial", presentation at the II Meeting on Financial Stability, Centre for Latin American Monetary Studies (CEMLA), Bogotá, 25–26 October 2012, and Pérez Caldentey and M. Cruz, "La regulación financiera y la política macroprudencial", 2012, unpublished.

By definition, assets are equal to liabilities; in other words, loans to end-users plus claims on other financial institutions are equal to the sum of debt and equity. In other words:

$$Assets = Liabilities \Leftrightarrow P_i + P_{ij} = D_i + E_i \Leftrightarrow P_i + D_{ji}\,\pi_{ji} = D_i + E_i \tag{1}$$

where, $D_{ji}\,\pi_{ji} = P_{ij}$

Expressing loans $P_i$ in terms of the other components of identity (1) gives:

$$P_i = D_i - D_{ji}\,\pi_{ji} + E_i \tag{2}$$

Summating (2) generalizes identity (2) to the whole financial system,

$$\sum_{i=0}^{t} P_i = \sum_{i=0}^{t} D_i - \sum_{i=0}^{t} D_{ji}\pi_{ji} + \sum_{i=0}^{t} E_i \Leftrightarrow P = D\,(1 - \Pi) + E \tag{3}$$

According to (3), loans from the banking system *(P)* are a function of debt *(D)*, capital *(E)* and the funding of the banking system, whether from non-bank financial intermediaries or outside sources *(1-Π)*.

In turn, debt *(D)* can be expressed as the difference between assets and equity,

---

[17]  See Shin (2010a and 2010b).

$$Debt = Assets - Equity \Leftrightarrow Debt = \left(\frac{Assets}{Equity}\right) - 1) * Equity \qquad (4)$$

$$\Leftrightarrow D = \left(\frac{A}{E} - 1\right) * E$$

Where $\left(\frac{A}{E}\right)$ is leverage $(\lambda)$,

Substituting (4) in (3) gives,

$$P = D\ (1 - \Pi) + E \Leftrightarrow P = (\lambda - 1) * E * (1 - \Pi) + E \qquad (5)$$

According to (5), loans from the banking system *(P)* are a function of leverage *(λ)*, equity *(E)*, the funding of the banking system either from non-bank financial intermediaries or from outside sources *(1-Π)*.

The latter component can be divided into non-bank funding from residents and non-bank financing from abroad. Formally,

$$(1 - \Pi) = (\alpha_1 + \alpha_2)(1 - \Pi) \qquad (6)$$

Where,

*α1* = proportion of funding from resident non-bank sources,

*α2* = proportion of funding from non-resident non-bank sources, and

*$0 < \alpha_1, \alpha_2 < 1\ y\ \alpha_1 + \alpha_2 = 1$*

This conceptual framework makes it possible to articulate a macroprudential regulatory framework around four pillars: (i) credit growth; (ii) leverage; (iii) interconnectedness (financing external to the banking system as a whole); and (iv) equity. This is formalized in identity (7).

| $P \equiv$ | $(\lambda - 1)*$ | $(1 - \Pi)*$ | $E + E$ | (7) |
|---|---|---|---|---|
| Credit growth (e.g. bank loans) | Leverage | External funding of the banking system as a whole (residents and non-residents) | Equity | |

# Annex IV.A2

## Asset management industry instruments

The instruments used by the asset management industry include: (i) investment companies; (ii) mutual funds; (iii) closed-end funds; (iv) quoted investment funds; and (v) private funds. Asset management industry players include: (i) investment advisors; (ii) fund operators; and (iii) commodity pool operators.

Investment companies (also known as "investment funds") are a collective investment vehicle in which the main activities are the investment, reinvestment or trading of securities such as stocks, bonds and money-market instruments. They are subject to additional regulatory oversight. Registered investment firms are registered with their respective national securities and exchange commission and are also subject to additional regulatory oversight.

Mutual funds are the most common form of registered investment company. A mutual fund offers a redemption value; in other words, an investor can buy and sell his or her shares in the fund at a settlement value that is set each day on the basis of the market value of the fund's assets.

Closed-end funds typically raise capital in a single initial public offering; and investors buy and sell the fund's shares at the prices prevailing on the secondary market, which may differ from the fund's liquidation value.

Listed investment funds are a particular type of registered investment company. They enter into contracts with authorized participants, usually large stockbrokers, who are allowed to buy and exchange their shares from the listed fund directly. All other investors purchase shares of the listed funds at market prices that may differ from the liquidation value of the fund's net assets.

Private funds are collective investment consortia that are not required to register as investment companies with the respective national securities and exchange commission. They are generally limited in terms of the number of authorized investors who have specific requirements. Hedge funds, venture capital funds and private equity funds are types of private funds.

Investment advisors provide investment advice and manage the portfolios of investment companies and private funds. Some offer investment advice to individual clients. A registered investment advisor is an investment advisor registered with the National Securities Market Commission or a related securities regulator.

A commodity pool operator a is a person or organization that operates a pool of securities linked to raw materials and other commodities. A commodity pool is an entity in which funds contributed by many individual investors are combined for the purpose of investing in futures contracts or futures options, over-the-counter currency contracts or swaps.

# Statistical annex

Table A-1

**LATIN AMERICA AND THE CARIBBEAN: MAIN ECONOMIC INDICATORS**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 a/ |
|---|---|---|---|---|---|---|---|---|---|
| **Annual growth rates** | | | | | | | | | |
| Gross domestic product b/ | 6.2 | 4.5 | 2.8 | 2.9 | 1.2 | -0.2 | -1.0 | 1.1 | 0.9 |
| Gross domestic product per capita b/ | 4.9 | 3.3 | 1.6 | 1.7 | 0.1 | -1.2 | -2.1 | 0.1 | -0.1 |
| Consumer prices c/ | 5.4 | 5.8 | 4.9 | 5.0 | 6.3 | 7.9 | 7.3 | 5.7 | 7.0 |
| **Percentages** | | | | | | | | | |
| Urban open unemployment | 8.4 | 7.7 | 7.2 | 7.1 | 6.9 | 7.3 | 8.9 | 9.3 | 9.3 |
| Total gross external debt / GDP d/ e/ | 23.9 | 23.0 | 25.4 | 27.3 | 30.5 | 35.1 | 38.0 | 37.1 | 40.0 |
| Total gross external debt / exports | | | | | | | | | |
| of goods and services d/ e/ | 118.7 | 108.3 | 117.5 | 128.2 | 145.0 | 169.0 | 180.3 | 172.1 | 167.4 |
| Balance of payments | **Millions of dollars** | | | | | | | | |
| Current account balance | -100 143 | -113 851 | -147 193 | -170 603 | -183 337 | -170 252 | -99 620 | -79 816 | -97 035 |
| Exports of goods f.o.b. | 892 266 | 1 107 530 | 1 128 505 | 1 119 395 | 1 087 836 | 927 584 | 896 464 | 995 188 | 1 078 477 |
| Imports of goods f.o.b. | 847 298 | 1 041 619 | 1 087 409 | 1 116 699 | 1 104 564 | 981 385 | 893 929 | 961 256 | 1 058 829 |
| Services trade balance | -52 123 | -69 191 | -75 072 | -79 801 | -77 210 | -54 452 | -44 625 | -45 575 | -49 081 |
| Income balance | -155 851 | -175 174 | -176 863 | -157 826 | -156 859 | -131 227 | -132 990 | -149 497 | -156 229 |
| Net current transfers | 62 863 | 64 603 | 63 646 | 64 329 | 67 567 | 69 319 | 75 586 | 81 391 | 88 655 |
| Capital and financial balance f/ | 185 940 | 219 989 | 204 045 | 186 361 | 220 706 | 142 481 | 119 176 | 98 745 | 82 568 |
| Net foreign direct investment | 107 793 | 148 917 | 159 394 | 150 548 | 136 904 | 131 477 | 124 257 | 121 432 | 143 157 |
| Other capital movements | 78 147 | 71 072 | 44 651 | 35 813 | 83 802 | 11 004 | -5 081 | -22 687 | -60 589 |
| Overall balance | 85 796 | 106 138 | 56 853 | 15 758 | 37 369 | -27 771 | 19 556 | 18 929 | -14 420 |
| Variation in reserve assets g/ | -87 214 | -106 407 | -57 943 | -16 179 | -37 750 | 27 071 | -19 260 | -19 473 | -14 246 |
| Other financing | 1 418 | 254 | 1 081 | 422 | 467 | 746 | -136 | 583 | 28 615 |
| Net transfer of resources | 31 506 | 45 069 | 28 263 | 28 957 | 64 314 | 12 000 | -13 950 | -50 169 | -45 047 |
| International reserves | 656 118 | 771 019 | 834 207 | 829 112 | 857 144 | 811 729 | 830 956 | 859 366 | 867 143 |
| Fiscal sector h/ | **Percentages of GDP** | | | | | | | | |
| Overall balance | -2.0 | -1.7 | -2.1 | -2.6 | -2.9 | -3.1 | -3.2 | -3.1 | -2.9 |
| Primary balance | -0.3 | 0.1 | -0.3 | -0.8 | -1.0 | -1.0 | -1.0 | -0.8 | -0.4 |
| Total revenue | 18.1 | 18.2 | 18.4 | 18.5 | 18.3 | 18.2 | 18.2 | 18.1 | 18.2 |
| Tax revenue | 14.4 | 14.8 | 15.1 | 15.3 | 15.4 | 15.5 | 15.5 | 15.4 | 15.6 |
| Total expenditure | 20.1 | 19.9 | 20.5 | 21.1 | 21.2 | 21.3 | 21.4 | 21.2 | 21.1 |
| Capital expenditure | 3.9 | 3.9 | 4.1 | 4.2 | 4.1 | 3.8 | 3.8 | 3.6 | 3.2 |
| Central-government public debt e/ | 30.3 | 29.7 | 30.9 | 32.3 | 33.9 | 36.5 | 38.1 | 39.5 | 42.5 |
| Public debt of the non-financial public-sector e/ | 32.9 | 32.0 | 33.3 | 34.7 | 36.5 | 39.2 | 41.4 | 42.7 | 45.7 |

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/ Weighted average. Does not include the Bolivarian Republic of Venezuela.

d/ 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/ Coverage corresponds to the central government. Simple averages for 16 countries.
    Does not include the Bolivarian Republic of Venezuela, Cuba, Haiti or the Plurinational State of Bolivia.

Table A-2
**Latin America and the Caribbean: annual growth rates in gross domestic product**
*(Constant prices)*

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 a/ |
|---|---|---|---|---|---|---|---|---|---|
| **Latin America and the Caribbean b/** | **6.2** | **4.5** | **2.8** | **2.9** | **1.2** | **-0.2** | **-1.0** | **1.1** | **0.9** |
| **Latin America** | **6.3** | **4.5** | **2.8** | **2.9** | **1.2** | **-0.2** | **-1.0** | **1.1** | **0.9** |
| Argentina | 10.1 | 6.0 | -1.0 | 2.4 | -2.5 | 2.7 | -2.1 | 2.7 | -2.5 |
| Bolivia (Plurinational State of) | 4.1 | 5.2 | 5.1 | 6.8 | 5.5 | 4.9 | 4.3 | 4.2 | 4.2 |
| Brazil | 7.5 | 4.0 | 1.9 | 3.0 | 0.5 | -3.5 | -3.3 | 1.1 | 1.1 |
| Chile | 5.8 | 6.1 | 5.3 | 4.0 | 1.8 | 2.3 | 1.7 | 1.3 | 4.0 |
| Colombia | 4.3 | 7.4 | 3.9 | 4.6 | 4.7 | 3.0 | 2.1 | 1.4 | 2.6 |
| Costa Rica | 5.0 | 4.3 | 4.8 | 2.3 | 3.5 | 3.6 | 4.2 | 3.4 | 2.7 |
| Cuba | 2.4 | 2.8 | 3.0 | 2.8 | 1.0 | 4.4 | 0.5 | 1.8 | 1.1 |
| Dominican Republic | 8.3 | 3.1 | 2.7 | 4.9 | 7.6 | 7.0 | 6.6 | 4.6 | 7.0 |
| Ecuador | 3.5 | 7.9 | 5.6 | 4.9 | 3.8 | 0.1 | -1.2 | 2.4 | 1.4 |
| El Salvador | 2.1 | 3.8 | 2.8 | 2.2 | 1.7 | 2.4 | 2.5 | 2.3 | 2.5 |
| Guatemala | 2.9 | 4.2 | 3.0 | 3.7 | 4.2 | 4.1 | 3.1 | 2.8 | 3.1 |
| Haiti | -5.5 | 5.5 | 2.9 | 4.2 | 2.8 | 1.2 | 1.5 | 1.2 | 1.5 |
| Honduras | 3.7 | 3.8 | 4.1 | 2.8 | 3.1 | 3.8 | 3.9 | 4.8 | 3.7 |
| Mexico | 5.1 | 3.7 | 3.6 | 1.4 | 2.8 | 3.3 | 2.9 | 2.1 | 2.0 |
| Nicaragua | 4.4 | 6.3 | 6.5 | 4.9 | 4.8 | 4.8 | 4.6 | 4.7 | -3.8 |
| Panama | 5.8 | 11.3 | 9.8 | 6.9 | 5.1 | 5.7 | 5.0 | 5.3 | 3.7 |
| Paraguay | 11.1 | 4.2 | -0.5 | 8.4 | 4.9 | 3.1 | 4.3 | 5.0 | 3.7 |
| Peru | 8.3 | 6.3 | 6.1 | 5.9 | 2.4 | 3.3 | 4.0 | 2.5 | 4.0 |
| Uruguay | 7.8 | 5.2 | 3.5 | 4.6 | 3.2 | 0.4 | 1.7 | 2.6 | 1.6 |
| Venezuela (Bolivarian Republic of) | -1.5 | 4.2 | 5.6 | 1.3 | -3.9 | -6.2 | -17.0 | -15.7 | … |
| **The Caribbean** | **1.5** | **0.8** | **0.7** | **0.7** | **0.4** | **1.2** | **-1.7** | **0.0** | **1.9** |
| Antigua and Barbuda | -7.8 | -2.0 | 3.4 | -0.6 | 3.8 | 3.8 | 5.5 | 3.2 | 7.4 |
| Bahamas | 1.5 | 0.6 | 0.0 | -3.0 | 0.7 | 0.6 | 0.4 | 0.1 | 1.6 |
| Barbados | -2.2 | -0.8 | -0.1 | -1.4 | -0.2 | 2.2 | 2.3 | -0.2 | -0.6 |
| Belize | 3.4 | 2.2 | 2.9 | 0.9 | 3.7 | 3.4 | -0.6 | 1.4 | 3.0 |
| Dominica | 0.7 | -0.2 | -1.1 | -1.0 | 4.5 | -2.7 | 2.8 | -8.8 | 4.0 |
| Grenada | -0.5 | 0.8 | -1.2 | 2.4 | 7.3 | 6.5 | 3.7 | 4.4 | 4.1 |
| Guyana | 4.1 | 5.2 | 5.3 | 5.0 | 3.9 | 3.1 | 3.4 | 2.2 | 4.1 |
| Jamaica | -1.5 | 1.7 | -0.6 | 0.5 | 0.7 | 0.9 | 1.4 | 1.0 | 1.7 |
| Saint Kitts and Nevis | 1.5 | 3.2 | -4.4 | 6.4 | 7.2 | 1.6 | 1.8 | 0.9 | 2.4 |
| Saint Lucia | 0.3 | 4.1 | -0.3 | -2.0 | 0.0 | 0.3 | 3.9 | 3.3 | 1.5 |
| Saint Vincent and the Grenadines | -3.4 | -0.4 | 1.4 | 1.8 | 1.2 | 1.3 | 1.9 | 1.0 | 2.2 |
| Suriname | 5.1 | 5.3 | 3.3 | 2.9 | 0.3 | -3.4 | -5.6 | 1.7 | 1.9 |
| Trinidad and Tobago | 3.3 | -0.3 | 1.3 | 2.0 | -1.0 | 1.8 | -6.5 | -1.9 | 1.9 |

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Preliminary figures.
b/ Based on official figures expressed in 2010 dollars.

Table A-3
**Latin America and the Caribbean: per capita gross domestic product**
*(Annual growth rates)*

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 a/ |
|---|---|---|---|---|---|---|---|---|---|
| **Latin America and the Caribbean b/** | **4.9** | **3.3** | **1.6** | **1.7** | **0.1** | **-1.2** | **-2.1** | **0.1** | **-0.1** |
| **Latin America** | **5.0** | **3.3** | **1.6** | **1.7** | **0.1** | **-1.3** | **-2.1** | **0.1** | **-0.1** |
| Argentina | 9.0 | 4.9 | -2.1 | 1.3 | -3.5 | 1.7 | -3.0 | 1.7 | -3.4 |
| Bolivia (Plurinational State of) | 2.4 | 3.5 | 3.4 | 5.1 | 3.8 | 3.2 | 2.7 | 2.6 | 2.7 |
| Brazil | 6.4 | 2.9 | 0.9 | 2.0 | -0.4 | -4.4 | -4.1 | 0.3 | 0.3 |
| Chile | 4.8 | 5.1 | 4.3 | 3.1 | 0.9 | 1.4 | 0.8 | 0.5 | 3.2 |
| Colombia | 3.2 | 6.2 | 2.8 | 3.5 | 3.7 | 2.0 | 1.2 | 0.5 | 1.8 |
| Costa Rica | 3.6 | 3.0 | 3.6 | 1.1 | 2.4 | 2.6 | 3.2 | 2.4 | 1.8 |
| Cuba | 2.3 | 2.7 | 2.8 | 2.6 | 0.9 | 4.3 | 0.5 | 1.6 | 1.2 |
| Dominican Republic | 6.9 | 1.8 | 1.4 | 3.6 | 6.3 | 5.8 | 5.4 | 3.4 | 5.9 |
| Ecuador | 1.8 | 6.2 | 4.0 | 3.3 | 2.2 | -1.4 | -2.7 | 0.9 | 0.0 |
| El Salvador | 1.7 | 3.4 | 2.4 | 1.8 | 1.3 | 2.0 | 2.1 | 1.9 | 2.1 |
| Guatemala | 0.6 | 1.9 | 0.8 | 1.5 | 2.1 | 2.1 | 1.1 | 0.9 | 1.3 |
| Haiti | -6.9 | 4.0 | 1.4 | 2.8 | 1.4 | -0.1 | 0.1 | -0.1 | 0.3 |
| Honduras | 1.8 | 2.0 | 2.3 | 1.1 | 1.4 | 2.2 | 2.4 | 3.3 | 2.3 |
| Mexico | 3.5 | 2.2 | 2.2 | 0.0 | 1.4 | 1.9 | 1.6 | 0.8 | 0.7 |
| Nicaragua | 3.1 | 5.0 | 5.2 | 3.7 | 3.6 | 3.6 | 3.4 | 3.6 | -4.8 |
| Panama | 4.0 | 9.5 | 8.0 | 5.2 | 3.4 | 4.1 | 3.3 | 3.7 | 2.2 |
| Paraguay | 9.7 | 2.8 | -1.9 | 7.0 | 3.5 | 1.8 | 3.0 | 3.7 | 2.5 |
| Peru | 7.0 | 4.9 | 4.7 | 4.4 | 1.0 | 1.9 | 2.7 | 1.3 | 2.8 |
| Uruguay | 7.5 | 4.8 | 3.2 | 4.3 | 2.9 | 0.0 | 1.3 | 2.2 | 1.2 |
| Venezuela (Bolivarian Republic of) | -2.9 | 2.7 | 4.2 | 0.0 | -5.1 | -7.4 | -18.1 | -16.7 | … |
| **The Caribbean** | **0.9** | **0.2** | **0.1** | **0.1** | **-0.2** | **0.6** | **-2.3** | **-0.5** | **1.4** |
| Antigua and Barbuda | -9.0 | -3.1 | 2.3 | -1.7 | 2.7 | 2.7 | 4.5 | 2.2 | 6.4 |
| Bahamas | -0.1 | -1.0 | 1.6 | -4.3 | -0.6 | -0.6 | -0.7 | -1.0 | 0.6 |
| Barbados | -2.6 | -1.2 | -0.5 | -1.7 | -0.5 | 1.9 | 2.0 | -0.5 | -0.8 |
| Belize | 0.9 | -0.2 | 0.7 | -1.4 | 1.5 | 1.3 | -2.7 | -0.7 | 1.0 |
| Dominica | 0.4 | -0.6 | -1.5 | -1.5 | 4.0 | -3.2 | 2.3 | -9.3 | 3.5 |
| Grenada | -0.9 | 0.4 | -1.5 | 1.9 | 6.9 | 6.1 | 3.3 | 3.9 | 3.6 |
| Guyana | 4.0 | 4.8 | 4.7 | 4.3 | 3.2 | 2.4 | 2.7 | 1.6 | 3.5 |
| Jamaica | -1.9 | 1.3 | -1.0 | 0.1 | 0.3 | 0.6 | 1.0 | 0.7 | 1.4 |
| Saint Kitts and Nevis | 0.4 | 2.1 | -5.5 | 5.3 | 6.1 | 0.6 | 0.8 | -0.1 | 1.5 |
| Saint Lucia | -0.6 | 3.4 | -0.9 | -2.5 | -0.4 | -0.2 | 3.4 | 2.8 | 1.0 |
| Saint Vincent and the Grenadines | -3.4 | -0.4 | 1.4 | 1.8 | 1.2 | 1.2 | 1.7 | 0.8 | 1.9 |
| Suriname | 4.0 | 4.3 | 2.3 | 1.9 | -0.7 | -4.3 | -6.4 | 0.8 | 1.0 |
| Trinidad and Tobago | 2.8 | -0.8 | 0.8 | 1.5 | -1.4 | 1.4 | -6.8 | -2.2 | 1.6 |

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: year-on-year growth rates in gross domestic product a/**
*(Constant prices)*

| | 2017 | | | | 2018 | | | | 2019 |
| | Q-1 | Q-2 | Q-3 | Q-4 | Q-1 | Q-2 | Q-3 | Q-4 | Q-1 |
|---|---|---|---|---|---|---|---|---|---|
| Argentina | 0.3 | 2.1 | 3.8 | 4.5 | 4.1 | -3.8 | -3.7 | -6.1 | -5.8 |
| Belize | 1.3 | 0.6 | 0.0 | 3.9 | 1.3 | 6.2 | 3.3 | 1.3 | ... |
| Bolivia (Plurinational State of) | 3.3 | 3.8 | 4.3 | 5.2 | 4.9 | 4.8 | 4.0 | 3.3 | ... |
| Brazil | 0.1 | 0.6 | 1.4 | 2.2 | 1.2 | 0.9 | 1.3 | 1.1 | 0.5 |
| Chile | -0.4 | 0.4 | 2.0 | 3.0 | 4.7 | 5.3 | 2.6 | 3.6 | 1.6 |
| Colombia | 1.2 | 1.3 | 1.6 | 1.3 | 2.0 | 2.9 | 2.6 | 2.7 | 2.8 |
| Costa Rica | 3.7 | 3.7 | 2.8 | 3.4 | 3.0 | 3.8 | 2.5 | 1.4 | ... |
| Dominican Republic | 5.5 | 3.1 | 3.1 | 6.5 | 6.6 | 7.2 | 7.4 | 6.6 | ... |
| Ecuador | 1.7 | 2.1 | 2.9 | 2.8 | 1.8 | 1.4 | 1.5 | 0.8 | ... |
| El Salvador | 3.6 | 0.8 | 2.1 | 2.8 | 2.9 | 2.9 | 2.2 | 2.2 | ... |
| Guatemala | 3.2 | 2.2 | 2.7 | 2.9 | 1.8 | 3.6 | 3.6 | 3.5 | ... |
| Honduras | 5.7 | 3.6 | 5.6 | 4.3 | 3.0 | 4.0 | 3.4 | 4.5 | ... |
| Jamaica b/ | 0.3 | 0.1 | 1.0 | 1.2 | 1.4 | 2.2 | 1.9 | 2.0 | ... |
| Mexico | 3.5 | 1.9 | 1.5 | 1.5 | 1.2 | 2.6 | 2.5 | 1.7 | 1.2 |
| Nicaragua | 7.3 | 4.0 | 3.6 | 4.1 | 2.4 | -5.2 | -4.4 | -7.7 | ... |
| Panama | 6.6 | 5.1 | 5.2 | 4.4 | 4.0 | 3.1 | 3.6 | 4.0 | ... |
| Paraguay | 7.8 | 2.4 | 4.6 | 5.0 | 5.4 | 6.6 | 1.4 | 1.2 | -2.7 |
| Peru | 2.2 | 2.5 | 2.9 | 2.4 | 3.2 | 5.5 | 2.4 | 4.8 | 2.3 |
| Trinidad and Tobago | -5.9 | -3.5 | 2.7 | -1.4 | 3.0 | 2.9 | -1.9 | ... | ... |
| Uruguay | 4.3 | 2.7 | 1.9 | 1.6 | 2.0 | 2.2 | 1.8 | 0.6 | ... |
| Venezuela (Bolivarian Republic of) | -12.2 | -15.6 | -15.8 | -18.9 | -18.1 | -17.6 | -22.5 | ... | ... |

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-5
**Latin America and the Caribbean: gross fixed capital formation a/**
*(Percentages of GDP)*

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 b/ |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | 21.2 | | | |
| **Latin America and the Caribbean** | **19.4** | **20.5** | **21.4** | **21.5** | **21.5** | **20.8** | **19.8** | **18.6** | **18.2** | **18.7** |
| Argentina | 14.5 | 16.6 | 18.4 | 17.3 | 17.3 | 16.5 | 16.7 | 16.0 | 17.5 | 16.9 |
| Bahamas | 26.4 | 26.2 | 27.6 | 30.1 | 27.6 | 30.8 | 24.9 | 25.4 | 28.0 | 24.9 |
| Belize | 20.1 | 15.3 | 14.8 | 14.3 | 17.7 | 18.0 | 21.7 | 23.4 | 20.3 | ... |
| Bolivia (Plurinational State of) | 16.1 | 16.6 | 19.5 | 19.0 | 19.9 | 20.7 | 20.7 | 20.6 | 22.1 | 21.9 |
| Brazil | 18.7 | 20.5 | 21.1 | 20.9 | 21.4 | 20.4 | 18.2 | 16.6 | 16.0 | 16.5 |
| Chile | 20.2 | 21.6 | 23.6 | 24.9 | 24.8 | 23.1 | 22.6 | 21.9 | 21.0 | 21.2 |
| Colombia | 20.3 | 21.1 | 23.4 | 23.3 | 23.6 | 25.2 | 24.2 | 23.7 | 22.6 | 22.8 |
| Costa Rica | 19.8 | 19.7 | 19.5 | 20.4 | 19.9 | 19.8 | 19.7 | 19.8 | 18.6 | 18.4 |
| Dominican Republic | 23.3 | 25.2 | 23.9 | 23.1 | 21.5 | 22.5 | 25.3 | 26.4 | 25.4 | 26.9 |
| Ecuador | 23.1 | 24.6 | 26.1 | 27.3 | 28.7 | 28.3 | 26.5 | 24.5 | 25.2 | 25.4 |
| El Salvador | 16.9 | 14.8 | 15.7 | 15.7 | 16.3 | 14.5 | 15.4 | 15.6 | 15.7 | 16.3 |
| Guatemala | 15.6 | 14.8 | 15.2 | 15.3 | 15.0 | 15.0 | 15.3 | 15.2 | 15.3 | 15.3 |
| Honduras | 22.1 | 21.6 | 24.3 | 24.2 | 23.1 | 22.5 | 24.4 | ... | ... | ... |
| Mexico | 21.7 | 21.6 | 22.5 | 22.7 | 21.7 | 21.7 | 22.1 | 21.7 | 20.9 | 20.6 |
| Nicaragua | 20.6 | 21.2 | 24.3 | 27.5 | 27.6 | 27.3 | 30.4 | 29.5 | 28.0 | 23.4 |
| Paraguay | 18.6 | 21.3 | 21.0 | 19.3 | 19.2 | 19.6 | 18.7 | 18.3 | 18.4 | 18.0 |
| Peru | 20.9 | 23.5 | 24.3 | 26.3 | 26.2 | 25.1 | 22.5 | 20.7 | 20.4 | 20.5 |
| Uruguay | 17.7 | 19.1 | 19.4 | 22.1 | 22.0 | 21.8 | 19.7 | 19.1 | 15.7 | 15.0 |
| Venezuela (Bolivarian Republic of) | 19.6 | 18.7 | 18.7 | 21.9 | 19.6 | 17.0 | 14.4 | 9.5 | 6.2 | ... |

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-6
**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 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 a/ | 2016 | 2017 | 2018 a/ | 2016 | 2017 | 2018 a/ | 2016 | 2017 | 2018 a/ |
| **Latin America and the Caribbean** | **896 464** | **995 188** | **1 078 477** | **155 262** | **165 418** | **160 324** | **893 929** | **961 256** | **1 058 829** | **199 887** | **210 993** | **209 405** |
| **Latin America** | **882 087** | **988 563** | **1 076 067** | **142 565** | **153 882** | **156 991** | **870 369** | **946 014** | **1 055 335** | **191 306** | **204 788** | **207 384** |
| Argentina | 57 960 | 58 639 | 61 638 | 13 425 | 14 752 | 14 717 | 53 544 | 64 101 | 62 505 | 21 876 | 24 901 | 23 998 |
| Bolivia (Plurinational State of) | 7 030 | 8 105 | 8 879 | 1 245 | 1 439 | 1 466 | 7 931 | 8 621 | 9 354 | 2 858 | 3 118 | 3 256 |
| Brazil | 184 453 | 217 243 | 239 034 | 33 300 | 34 478 | 34 023 | 139 416 | 153 215 | 185 447 | 63 747 | 68 329 | 67 974 |
| Chile | 60 718 | 68 859 | 75 452 | 9 526 | 10 195 | 10 273 | 55 855 | 61 500 | 70 783 | 12 840 | 13 590 | 14 269 |
| Colombia | 34 091 | 39 676 | 44 373 | 7 771 | 8 461 | 9 511 | 43 239 | 44 247 | 49 583 | 11 301 | 12 438 | 13 407 |
| Costa Rica | 10 100 | 10 808 | 11 477 | 8 537 | 8 704 | 9 092 | 14 526 | 15 150 | 15 871 | 3 427 | 3 704 | 3 847 |
| Dominican Republic | 9 840 | 10 135 | 10 908 | 8 309 | 8 857 | 9 284 | 17 399 | 17 734 | 20 209 | 3 370 | 3 307 | 3 399 |
| Ecuador | 17 425 | 19 618 | 22 123 | 2 140 | 2 191 | 2 540 | 15 858 | 19 307 | 22 386 | 3 194 | 3 294 | 3 249 |
| El Salvador | 4 322 | 4 667 | 4 735 | 2 549 | 2 557 | 2 798 | 8 976 | 9 512 | 10 671 | 1 741 | 1 824 | 1 997 |
| Guatemala | 10 581 | 11 100 | 11 079 | 2 784 | 2 854 | 2 805 | 15 767 | 17 110 | 18 366 | 3 026 | 3 267 | 3 480 |
| Haiti | 995 | 992 | 1 078 | 607 | 566 | 571 | 3 183 | 3 618 | 4 556 | 1 014 | 1 072 | 1 060 |
| Honduras | 7 960 | 8 647 | 8 669 | 1 269 | 1 318 | 1 323 | 10 559 | 11 324 | 12 200 | 1 732 | 1 907 | 2 129 |
| Mexico | 374 305 | 409 806 | 451 054 | 24 213 | 27 643 | 28 763 | 387 375 | 420 790 | 464 850 | 33 179 | 37 511 | 37 767 |
| Nicaragua | 3 772 | 4 143 | 4 169 | 1 394 | 1 558 | 1 343 | 6 292 | 6 549 | 5 802 | 1 000 | 1 029 | 929 |
| Panama | 11 687 | 12 474 | 13 356 | 12 824 | 14 002 | 14 449 | 20 699 | 22 298 | 23 969 | 4 767 | 4 663 | 4 424 |
| Paraguay | 11 984 | 13 396 | 13 813 | 883 | 937 | 946 | 9 789 | 11 524 | 12 926 | 1 104 | 1 210 | 1 280 |
| Peru | 37 082 | 45 422 | 49 066 | 6 353 | 7 394 | 7 365 | 35 128 | 38 722 | 41 870 | 8 355 | 8 828 | 9 897 |
| Uruguay | 10 379 | 10 804 | 11 488 | 4 156 | 5 016 | 4 925 | 8 463 | 8 668 | 9 123 | 3 336 | 3 517 | 3 732 |
| Venezuela (Bolivarian Republic of) | 27 403 | 34 030 | 33 677 | 1 281 | 959 | 798 | 16 370 | 12 023 | 14 866 | 9 440 | 7 280 | 7 289 |
| **The Caribbean** | **14 378** | **6 625** | **2 410** | **12 697** | **11 536** | **3 333** | **23 560** | **15 242** | **3 495** | **8 581** | **6 205** | **2 022** |
| Antigua and Barbuda | 85 | 208 | 87 | 951 | 931 | 971 | 443 | 554 | 501 | 468 | 437 | 456 |
| Bahamas | 444 | 570 | ... | 2 930 | 2 839 | ... | 2 594 | 3 108 | ... | 1 702 | 1 866 | ... |
| Barbados | 835 | 803 | ... | 1 249 | 1 297 | ... | 1 792 | 1 833 | ... | -161 | -223 | ... |
| Belize | 443 | 458 | ... | 526 | 581 | ... | 916 | 846 | ... | 216 | 241 | ... |
| Dominica | 26 | 22 | 21 | 255 | 212 | 103 | 188 | 174 | 200 | 126 | 134 | 110 |
| Grenada | 38 | 35 | 38 | 555 | 549 | 578 | 315 | 370 | 399 | 238 | 231 | 242 |
| Guyana | 1 434 | 1 042 | ... | 166 | 31 | ... | 1 341 | 1 027 | ... | 447 | 62 | ... |
| Jamaica | 1 195 | 1 306 | ... | 3 218 | 3 523 | ... | 4 169 | 5 149 | ... | 2 167 | 2 363 | ... |
| Saint Kitts and Nevis | 47 | ... | ... | 239 | ... | ... | 295 | ... | ... | 119 | ... | ... |
| Saint Lucia | 125 | 129 | 117 | 951 | 931 | 971 | 576 | 576 | 567 | 343 | 353 | 371 |
| Saint Vincent and the Grenadines | 47 | ... | ... | 239 | ... | ... | 295 | ... | ... | 119 | ... | ... |
| Suriname | 1 440 | 2 028 | 2 124 | 166 | 139 | 151 | 1 202 | 1 293 | 1 498 | 500 | 518 | 610 |
| Trinidad and Tobago | 8 214 | ... | ... | 1 025 | ... | ... | 9 422 | ... | ... | 2 210 | ... | ... |

(Continues)

Table A-6 (continued)

| | Goods and services balance | | | Income balance | | | Current transfers balance | | | Current account balance | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 a/ | 2016 | 2017 | 2018 a/ | 2016 | 2017 | 2018 a/ | 2016 | 2017 | 2018 a/ |
| **Latin America and the Caribbean** | **-42 216** | **-11 859** | **-29 460** | **-132 990** | **-149 497** | **-156 229** | **75 586** | **81 391** | **88 655** | **-99 620** | **-79 816** | **-97 035** |
| **Latin America** | **-37 023** | **-8 357** | **-29 660** | **-130 813** | **-147 477** | **-155 399** | **72 783** | **78 998** | **88 582** | **-95 053** | **-76 836** | **-96 477** |
| Argentina | -4 035 | -15 611 | -10 149 | -12 192 | -16 388 | -18 629 | 1 123 | 401 | 1 300 | -15 105 | -31 598 | -27 479 |
| Bolivia (Plurinational State of) | -2 514 | -2 195 | -2 265 | -621 | -1 060 | -975 | 1 228 | 1 385 | 1 251 | -1 907 | -1 871 | -1 990 |
| Brazil | 14 590 | 30 178 | 19 636 | -41 544 | -40 045 | -36 668 | 2 944 | 2 632 | 2 522 | -24 009 | -7 235 | -14 510 |
| Chile | 1 550 | 3 965 | 673 | -6 791 | -11 379 | -12 241 | 1 282 | 1 450 | 2 411 | -3 960 | -5 965 | -9 157 |
| Colombia | -12 678 | -8 548 | -9 106 | -5 228 | -8 405 | -11 421 | 5 898 | 6 611 | 7 618 | -12 008 | -10 341 | -12 908 |
| Costa Rica | 684 | 658 | 851 | -2 452 | -2 976 | -3 193 | 510 | 503 | 464 | -1 257 | -1 815 | -1 878 |
| Dominican Republic | -2 619 | -2 050 | -3 416 | -3 253 | -3 794 | -3 845 | 5 058 | 5 711 | 6 101 | -815 | -133 | -1 160 |
| Ecuador | 513 | -792 | -973 | -1 843 | -2 354 | -2 794 | 2 654 | 2 665 | 2 409 | 1 324 | -481 | -1 358 |
| El Salvador | -3 846 | -4 111 | -5 136 | -1 246 | -1 388 | -1 472 | 4 542 | 5 034 | 5 366 | -550 | -465 | -1 242 |
| Guatemala | -5 428 | -6 423 | -7 962 | -1 507 | -1 363 | -1 311 | 7 959 | 8 975 | 9 911 | 1 023 | 1 189 | 638 |
| Haiti | -2 595 | -3 132 | -3 966 | 48 | 54 | 53 | 2 464 | 2 832 | 3 577 | -83 | -246 | -336 |
| Honduras | -3 062 | -3 266 | -4 337 | -1 508 | -1 636 | -1 600 | 4 003 | 4 493 | 4 934 | -567 | -409 | -1 004 |
| Mexico | -22 036 | -20 852 | -22 800 | -28 791 | -28 380 | -31 521 | 26 527 | 29 674 | 32 678 | -24 300 | -19 558 | -21 643 |
| Nicaragua | -2 126 | -1 878 | -1 219 | -357 | -364 | -310 | 1 612 | 1 567 | 1 611 | -871 | -675 | 83 |
| Panama | -956 | -485 | -588 | -3 559 | -4 331 | -4 408 | -119 | -125 | -72 | -4 634 | -4 941 | -5 067 |
| Paraguay | 1 974 | 1 599 | 553 | -1 474 | -1 216 | -1 179 | 775 | 823 | 801 | 1 276 | 1 206 | 175 |
| Peru | -49 | 5 266 | 4 665 | -8 982 | -11 523 | -11 814 | 3 967 | 3 589 | 3 556 | -5 064 | -2 669 | -3 594 |
| Uruguay | 2 736 | 3 635 | 3 558 | -2 594 | -3 362 | -4 098 | 183 | 192 | 193 | 325 | 465 | -348 |
| Venezuela (Bolivarian Republic of) | 2 874 | 15 686 | 12 320 | -6 918 | -7 567 | -7 973 | 174 | 587 | 1 951 | -3 870 | 8 706 | 6 298 |
| **The Caribbean** | **-5 193** | **-3 503** | **199** | **-2 177** | **-2 020** | **-831** | **2 803** | **2 393** | **73** | **-4 567** | **-2 980** | **-558** |
| Antigua and Barbuda | 125 | 148 | 101 | -109 | -68 | -72 | -55 | -46 | -48 | -39 | 34 | -20 |
| Bahamas | -922 | -1 565 | ... | -421 | -360 | ... | 236 | -55 | ... | -1 106 | -1 981 | ... |
| Barbados | 452 | 490 | ... | -237 | -242 | ... | -421 | -436 | ... | -206 | -189 | ... |
| Belize | -163 | -48 | ... | -109 | -155 | ... | 108 | 72 | ... | -163 | -131 | ... |
| Dominica | -33 | -74 | -187 | -20 | -11 | 1 | 57 | 286 | 45 | 5 | 202 | -141 |
| Grenada | 40 | -17 | -25 | -61 | -104 | -109 | -12 | -23 | -25 | -34 | -144 | -159 |
| Guyana | -188 | -161 | ... | -5 | -15 | ... | 320 | 102 | ... | 128 | 75 | ... |
| Jamaica | -1 922 | -2 684 | ... | -570 | -421 | ... | 2 389 | 2 392 | ... | -103 | -713 | ... |
| Saint Kitts and Nevis | 4 | -5 | 21 | -81 | -65 | -67 | -26 | -17 | -19 | -102 | -86 | -64 |
| Saint Lucia | 30 | 57 | 122 | -107 | -121 | -125 | 21 | 17 | 17 | -57 | -47 | 14 |
| Saint Vincent and the Grenadines | -127 | ... | ... | -25 | ... | ... | 30 | ... | ... | -122 | ... | ... |
| Suriname | -96 | 355 | 167 | -176 | -457 | -459 | 102 | 100 | 103 | -170 | -2 | -189 |
| Trinidad and Tobago | -2 392 | ... | ... | -258 | ... | ... | 53 | ... | ... | -2 598 | ... | ... |

(Continues)

Table A-6 (concluded)

| | Capital and financial balance b/ | | | Overall balance | | | Reserve assets (variation) c/ | | | Other financing | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 a/ | 2016 | 2017 | 2018 a/ | 2016 | 2017 | 2018 a/ | 2016 | 2017 | 2018 a/ |
| **Latin America and the Caribbean** | **119 176** | **98 745** | **82 568** | **19 556** | **18 929** | **-14 420** | **-19 260** | **-19 473** | **-14 246** | **-136** | **583** | **28 615** |
| **Latin America** | **114 629** | **94 986** | **81 930** | **19 576** | **18 150** | **-14 547** | **-19 378** | **-18 704** | **-14 079** | **-198** | **554** | **28 627** |
| Argentina | 29 416 | 46 154 | 10 426 | 14 311 | 14 556 | -17 052 | -14 311 | -14 556 | -11 277 | 0 | 0 | 28 329 |
| Bolivia (Plurinational State of) | -1 139 | 1 638 | 760 | -3 046 | -232 | -1 230 | 3 046 | 232 | 1 230 | 0 | 0 | 0 |
| Brazil | 33 247 | 12 328 | 17 438 | 9 237 | 5 093 | 2 928 | -9 237 | -5 093 | -2 928 | 0 | 0 | 0 |
| Chile | 5 765 | 3 215 | 10 554 | 1 805 | -2 750 | 1 397 | -1 805 | 2 750 | -1 397 | 0 | 0 | 0 |
| Colombia | 12 173 | 10 887 | 14 095 | 165 | 545 | 1 187 | -165 | -545 | -1 187 | 0 | 0 | 0 |
| Costa Rica | 1 022 | 1 397 | 2 268 | -235 | -419 | 390 | 235 | 419 | -390 | 0 | 0 | 0 |
| Dominican Republic | 1 707 | 861 | 1 994 | 892 | 728 | 835 | -780 | -731 | -849 | -112 | 3 | 14 |
| Ecuador | -117 | -1 377 | 1 266 | 1 207 | -1 859 | -92 | -1 763 | 1 808 | -225 | 556 | 51 | 317 |
| El Salvador | 1 002 | 773 | 1 244 | 452 | 308 | 2 | -452 | -308 | -2 | 0 | 0 | 0 |
| Guatemala | 368 | 1 377 | 319 | 1 392 | 2 566 | 957 | -1 392 | -2 566 | -957 | 0 | 0 | 0 |
| Haiti | 164 | 273 | 172 | 81 | 27 | -164 | -142 | -202 | 25 | 61 | 175 | 139 |
| Honduras | 617 | 1 293 | 1 049 | 50 | 885 | 46 | -66 | -884 | -50 | 16 | -1 | 4 |
| Mexico | 24 164 | 14 793 | 22 126 | -136 | -4 765 | 483 | 136 | 4 765 | -483 | 0 | 0 | 0 |
| Nicaragua | 814 | 975 | -596 | -57 | 300 | -513 | 57 | -300 | 513 | 0 | 0 | 0 |
| Panama | 5 961 | 3 644 | 4 612 | 1 327 | -1 296 | -455 | -609 | 971 | 632 | -718 | 325 | -177 |
| Paraguay | -318 | -329 | -358 | 957 | 877 | -183 | -957 | -877 | 183 | 0 | 0 | 0 |
| Peru | 5 233 | 4 297 | -36 | 168 | 1 629 | -3 629 | -168 | -1 629 | 3 629 | 0 | 0 | 0 |
| Uruguay | -2 513 | 1 984 | -61 | -2 189 | 2 449 | -408 | 2 189 | -2 449 | 408 | 0 | 0 | 0 |
| Venezuela (Bolivarian Republic of) | -2 938 | -9 196 | -5 343 | -6 808 | -490 | 955 | 6 808 | 490 | -955 | 0 | ... | ... |
| **The Caribbean** | **4 548** | **3 759** | **638** | **-19** | **779** | **127** | **118** | **-769** | **-166** | **62** | **29** | **-12** |
| Antigua and Barbuda | 13 | -51 | 44 | -26 | -16 | 24 | 26 | 16 | -24 | 0 | 0 | 0 |
| Bahamas | 1 201 | 2 485 | ... | 95 | 504 | … | -95 | -504 | ... | 0 | 0 | ... |
| Barbados | 83 | 52 | ... | -123 | -137 | ... | 123 | 137 | ... | ... | ... | ... |
| Belize | 104 | 64 | ... | -59 | -67 | ... | 59 | 67 | ... | 0 | 0 | ... |
| Dominica | 91 | -211 | 157 | 96 | -10 | 16 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grenada | 44 | 164 | 147 | 10 | 20 | -12 | 0 | 0 | 0 | 10 | 20 | -12 |
| Guyana | -181 | -119 | ... | -53 | -45 | ... | 2 | 19 | ... | 51 | 25 | ... |
| Jamaica | 482 | 1 197 | ... | 379 | 484 | ... | -379 | -468 | ... | 0 | -16 | ... |
| Saint Kitts and Nevis | 147 | 94 | 20 | 44 | 8 | -44 | 0 | 0 | 0 | 0 | 0 | 0 |
| Saint Lucia | 43 | 62 | -20 | -13 | 15 | -5 | 13 | -15 | 5 | 0 | 0 | 0 |
| Saint Vincent and the Grenadines | 142 | ... | ... | 20 | ... | ... | -20 | ... | ... | 0 | ... | ... |
| Suriname | 248 | 23 | 290 | 78 | 21 | 148 | -78 | -21 | -148 | 0 | 0 | 0 |
| Trinidad and Tobago | 2 130 | ... | ... | -467 | ... | ... | 467 | ... | ... | 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-7
**LATIN AMERICA AND THE CARIBBEAN: INTERNATIONAL TRADE OF GOODS**
*(Index 2010=100)*

**Exports of goods, f.o.b.**

| | Value | | | Volume | | | Unit value | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 a/ | 2016 | 2017 | 2018 a/ | 2016 | 2017 | 2018 a/ |
| **Latin America** | **100.9** | **113.0** | **123.0** | **119.0** | **123.9** | **126.7** | **84.7** | **91.2** | **97.1** |
| Argentina | 84.9 | 85.8 | 90.2 | 90.1 | 89.8 | 89.2 | 94.1 | 95.6 | 101.1 |
| Bolivia (Plurinational State of) | 109.8 | 126.6 | 138.7 | 127.8 | 124.7 | 121.5 | 85.9 | 101.5 | 114.2 |
| Brazil | 91.6 | 107.9 | 118.7 | 115.9 | 124.0 | 129.8 | 79.0 | 87.0 | 91.5 |
| Chile | 85.4 | 96.8 | 106.1 | 110.7 | 108.8 | 115.3 | 77.1 | 89.0 | 92.0 |
| Colombia | 83.6 | 97.3 | 108.9 | 146.9 | 144.1 | 140.1 | 56.9 | 67.5 | 77.7 |
| Costa Rica | 134.8 | 144.2 | 153.2 | 140.2 | 145.7 | 152.5 | 96.1 | 99.0 | 100.4 |
| Dominican Republic | 144.4 | 148.7 | 160.0 | 152.4 | 151.4 | 158.3 | 94.7 | 98.2 | 101.1 |
| Ecuador | 96.1 | 108.2 | 122.0 | 123.4 | 119.1 | 116.6 | 77.8 | 90.9 | 104.6 |
| El Salvador | 124.4 | 134.4 | 136.3 | 119.1 | 128.8 | 128.3 | 104.5 | 104.3 | 106.3 |
| Guatemala | 124.0 | 130.0 | 129.8 | 140.3 | 145.9 | 146.6 | 88.3 | 89.1 | 88.6 |
| Haiti | 176.6 | 176.1 | 190.2 | 177.6 | 169.3 | 180.4 | 99.4 | 104.0 | 106.1 |
| Honduras | 127.1 | 138.0 | 138.4 | 145.6 | 157.4 | 159.6 | 87.2 | 87.7 | 86.7 |
| Mexico | 125.2 | 137.1 | 150.9 | 133.9 | 140.5 | 147.9 | 93.6 | 97.6 | 102.0 |
| Nicaragua | 138.4 | 152.0 | 152.9 | 136.7 | 147.5 | 149.7 | 101.2 | 103.0 | 102.1 |
| Panama | 92.2 | 98.4 | 105.4 | 94.4 | 99.4 | 104.4 | 97.7 | 99.0 | 100.9 |
| Paraguay | 114.4 | 127.9 | 131.9 | 122.2 | 135.5 | 135.2 | 93.6 | 94.4 | 97.6 |
| Peru | 103.6 | 126.9 | 137.0 | 121.2 | 131.4 | 133.5 | 85.4 | 96.5 | 102.7 |
| Uruguay | 129.2 | 134.5 | 143.0 | 130.1 | 133.0 | 140.0 | 99.4 | 101.1 | 102.2 |
| Venezuela (Bolivarian Republic of) | 41.0 | 50.9 | 50.3 | 49.1 | 49.2 | 39.4 | 83.5 | 103.4 | 127.9 |

**Imports of goods, f.o.b.**

| | Value | | | Volume | | | Unit value | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2016 | 2017 | 2018 | 2016 | 2017 | 2018 a/ |
| **Latin America** | **105.3** | **114.5** | **127.7** | **108.9** | **114.3** | **120.2** | **96.7** | **100.1** | **106.2** |
| Argentina | 98.9 | 118.4 | 115.4 | 112.0 | 128.2 | 119.7 | 88.3 | 92.3 | 96.4 |
| Bolivia (Plurinational State of) | 141.9 | 154.2 | 167.3 | 109.9 | 116.8 | 121.6 | 129.1 | 132.0 | 137.7 |
| Brazil | 76.3 | 83.8 | 101.4 | 85.0 | 89.8 | 102.0 | 89.7 | 93.3 | 99.4 |
| Chile | 101.2 | 111.4 | 128.2 | 119.1 | 125.0 | 136.3 | 84.9 | 89.1 | 94.0 |
| Colombia | 112.6 | 115.2 | 129.1 | 134.8 | 136.0 | 144.6 | 83.5 | 84.7 | 89.3 |
| Costa Rica | 131.6 | 137.2 | 143.8 | 138.3 | 137.6 | 138.5 | 95.1 | 99.7 | 103.8 |
| Dominican Republic | 114.4 | 116.6 | 132.9 | 125.2 | 119.5 | 128.6 | 91.4 | 97.6 | 103.4 |
| Ecuador | 80.7 | 98.3 | 114.0 | 78.6 | 94.8 | 106.4 | 102.8 | 103.7 | 107.1 |
| El Salvador | 119.8 | 126.9 | 142.4 | 124.4 | 129.2 | 137.9 | 96.3 | 98.2 | 103.2 |
| Guatemala | 123.1 | 133.6 | 143.4 | 146.3 | 149.2 | 154.1 | 84.2 | 89.6 | 93.1 |
| Haiti | 105.8 | 120.2 | 150.2 | 91.8 | 100.4 | 117.2 | 115.2 | 119.8 | 128.1 |
| Honduras | 118.5 | 127.1 | 137.0 | 122.5 | 123.5 | 125.8 | 96.8 | 103.0 | 108.9 |
| Mexico | 128.4 | 139.4 | 154.0 | 123.1 | 130.3 | 139.1 | 104.3 | 107.0 | 110.7 |
| Nicaragua | 139.4 | 145.1 | 128.6 | 158.5 | 155.4 | 130.2 | 87.9 | 93.4 | 98.8 |
| Panama | 120.2 | 129.5 | 139.2 | 115.8 | 120.3 | 125.0 | 103.8 | 107.7 | 111.3 |
| Paraguay | 102.0 | 120.1 | 134.7 | 103.1 | 116.4 | 126.0 | 99.0 | 103.2 | 106.9 |
| Peru | 121.9 | 134.4 | 145.3 | 124.3 | 130.0 | 131.9 | 98.1 | 103.4 | 110.2 |
| Uruguay | 98.9 | 101.3 | 106.6 | 117.1 | 117.3 | 116.3 | 84.5 | 86.3 | 91.7 |
| Venezuela (Bolivarian Republic of) | 39.2 | 28.8 | 35.6 | 36.8 | 26.4 | 31.9 | 106.6 | 109.3 | 111.6 |

Source: Economic Commission for Latin America and the Caribbean (ECLAC), Economic Development Division, calculations for
*Economic Survey of Latin America and the Caribbean, 2019* .
a/ Preliminary figures.

Table A-8
**LATIN AMERICA: EXPORTS OF GOODS, f.o.b.**
*(Millions of dollars)*

|  | 2017 | | | | 2018 | | | | 2019 | |
|---|---|---|---|---|---|---|---|---|---|---|
|  | Q-1 | Q-2 | Q-3 | Q-4 | Q-1 | Q-2 | Q-3 | Q-4 | Q-1 | Q-2 a/ |
| **Latin America** | **226 686** | **431 034** | **247 771** | **254 800** | **251 022** | **267 763** | **270 313** | **272 431** | **237 052** | **113 637** |
| Argentina | 12 752 | 15 503 | 15 774 | 14 398 | 14 410 | 15 478 | 15 599 | 15 985 | 14 186 | 5 305 b/ |
| Bolivia (Plurinational State of) | 1 652 | 1 922 | 2 165 | 2 006 | 2 078 | 2 386 | 2 351 | 2 090 | 1 956 | ... |
| Brazil | 50 342 | 57 110 | 56 776 | 53 015 | 54 264 | 59 224 | 63 536 | 62 489 | 53 041 | 40 956 |
| Chile | 15 708 | 201 142 | 17 769 | 19 215 | 19 702 | 19 135 | 17 827 | 19 183 | 18 635 | 12 219 |
| Colombia | 8 798 | 9 064 | 9 666 | 10 353 | 9 693 | 10 800 | 10 829 | 10 513 | 9 593 | 3 867 b/ |
| Costa Rica | 2 544 | 2 852 | 2 612 | 2 599 | 2 731 | 2 980 | 2 768 | 2 766 | 2 777 | 946 b/ |
| Dominican Republic | 2 401 | 2 612 | 2 463 | 2 644 | 2 593 | 1 929 | 2 775 | 2 713 | 2 755 | 867 b/ |
| Ecuador | 4 721 | 4 696 | 4 625 | 5 080 | 5 239 | 5 432 | 5 596 | 5 339 | 5 302 | 1 989 b/ |
| El Salvador | 1 438 | 1 448 | 1 502 | 1 373 | 1 482 | 1 566 | 1 470 | 1 387 | 1 466 | 466 b/ |
| Guatemala | 2 908 | 2 827 | 2 634 | 2 614 | 2 846 | 2 782 | 2 672 | 2 667 | 2 806 | 934 b/ |
| Honduras | 2 218 | 2 336 | 2 146 | 1 947 | 2 296 | 2 274 | 2 170 | 1 929 | ... | ... |
| Mexico | 94 709 | 102 657 | 101 851 | 110 183 | 105 242 | 113 842 | 114 063 | 117 426 | 108 052 | 39 447 b/ |
| Nicaragua | 740 | 715 | 592 | 501 | 733 | 671 | 596 | 517 | 434 c/ | ... |
| Panama | 3 064 | 3 297 | 2 899 | 3 215 | 3 476 | 3 576 | 3 379 | 2 924 | ... | ... |
| Paraguay | 2 462 | 1 859 | 2 345 | 2 014 | 2 304 | 2 597 | 2 161 | 1 983 | 3 231 | 2 241 |
| Peru | 10 164 | 10 519 | 11 766 | 12 468 | 11 785 | 12 709 | 12 032 | 12 371 | 11 184 | 3 719 b/ |
| Uruguay | 1 498 | 2 166 | 2 212 | 1 996 | 1 728 | 1 992 | 1 878 | 1 891 | 1 633 | 681 b/ |
| Venezuela (Bolivarian Republic of) | 8 568 | 8 309 | 7 974 | 9 179 | 8 419 | 8 389 | 8 612 | 8 257 | ... | ... |

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Figures as of May.
b/ Figures as of April.
c/ Figures as of February.

Table A-9
**LATIN AMERICA AND THE CARIBBEAN: IMPORTS OF GOODS, c.i.f.**
*(Millions of dollars)*

| | | 2017 | | | | 2018 | | | | 2019 | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| | | Q-1 | Q-2 | Q-3 | Q-4 | Q-1 | Q-2 | Q-3 | Q-4 | Q-1 | Q-2 a/ |
| **Latin America** | | **220 236** | **230 291** | **283 688** | **250 765** | **245 734** | **261 572** | **274 582** | **269 182** | **232 684** | **100 183** |
| Argentina | CIF | 13 931 | 16 941 | 18 318 | 17 709 | 16 891 | 18 007 | 17 188 | 13 355 | 12 171 | 4 174 b/ |
| Bolivia (Plurinational State of) | FOB | 2 084 | 2 033 | 2 237 | 2 286 | 2 080 | 2 249 | 2 272 | 2 685 | 2 228 | ... |
| Brazil | FOB | 36 532 | 35 999 | 40 470 | 40 214 | 43 244 | 41 964 | 51 537 | 45 882 | 42 136 | 28 600 |
| Chile | FOB | 14 605 | 14 585 | 15 578 | 16 541 | 16 335 | 17 441 | 17 897 | 18 878 | 16 455 | 11 236 |
| Colombia | FOB | 10 781 | 11 027 | 11 144 | 11 025 | 10 928 | 12 783 | 12 976 | 13 824 | 12 555 | 4 528 b/ |
| Costa Rica | CIF | 3 897 | 3 921 | 3 859 | 4 251 | 3 877 | 4 336 | 3 967 | 4 362 | 4 011 | 1 309 b/ |
| Dominican Republic | CIF | 4 181 | 4 346 | 4 374 | 4 800 | 4 600 | 3 459 | 5 197 | 5 347 | 4 789 | 1 563 b/ |
| Ecuador | CIF | 4 471 | 4 789 | 5 241 | 5 509 | 5 265 | 5 759 | 6 022 | 6 147 | 5 573 | 2 010 b/ |
| El Salvador | CIF | 2 497 | 2 622 | 2 647 | 2 827 | 2 687 | 3 059 | 3 074 | 3 008 | 2 905 | 983 b/ |
| Guatemala | CIF | 4 388 | 4 413 | 44 027 | 5 007 | 4 475 | 5 138 | 4 989 | 5 122 | 4 772 | 1 622 b/ |
| Honduras | FOB | 2 646 | 2 784 | 3 008 | 2 885 | 2 820 | 3 156 | 3 137 | 3 087 | ... | ... |
| Mexico | FOB | 97 480 | 102 959 | 107 901 | 112 030 | 107 019 | 116 615 | 119 736 | 120 907 | 109 868 | 38 077 b/ |
| Nicaragua | FOB | 1 325 | 1 378 | 1 400 | 1 559 | 1 367 | 1 265 | 1 072 | 1 136 | 701 c/ | ... |
| Panama | FOB | 5 078 | 5 596 | 5 455 | 5 783 | 5 931 | 6 023 | 6 212 | 5 794 | ... | ... |
| Paraguay | FOB | 2 455 | 2 478 | 2 948 | 3 146 | 2 930 | 2 934 | 3 236 | 3 335 | 2 841 | 1 950 |
| Peru | FOB | 8 992 | 9 213 | 10 002 | 10 444 | 10 035 | 10 500 | 10 757 | 10 590 | 9 957 | 3 460 b/ |
| Uruguay | FOB | 1 757 | 1 893 | 2 020 | 2 241 | 1 881 | 2 149 | 2 194 | 2 082 | 1 723 | 671 b/ |
| Venezuela (Bolivarian Republic of) | FOB | 3 140 | 3 316 | 3 061 | 2 506 | 3 369 | 4 735 | 3 121 | 3 641 | ... | ... |

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Figures as of May.
b/ Figures as of April.
c/ Figures as of February.

Table A-10
**LATIN AMERICA: TERMS OF TRADE FOR GOODS f.o.b. / f.o.b.**
*(Index 2010=100)*

|  | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 a/ |
|---|---|---|---|---|---|---|---|---|---|
| **Latin America** | **100.0** | **108.0** | **104.4** | **102.1** | **97.8** | **88.4** | **87.7** | **91.2** | **92.5** |
| Argentina | 100.0 | 110.3 | 114.8 | 107.5 | 105.3 | 100.6 | 106.6 | 103.6 | 104.9 |
| Bolivia (Plurinational State of) | 100.0 | 118.1 | 112.3 | 100.4 | 95.1 | 76.9 | 66.5 | 76.9 | 82.9 |
| Brazil | 100.0 | 107.8 | 101.5 | 99.4 | 96.1 | 85.5 | 88.1 | 93.2 | 92.1 |
| Chile | 100.0 | 101.8 | 94.6 | 91.7 | 89.9 | 87.2 | 90.8 | 99.9 | 97.9 |
| Colombia | 100.0 | 114.7 | 108.4 | 100.6 | 91.5 | 68.9 | 68.1 | 79.7 | 87.0 |
| Costa Rica | 100.0 | 96.3 | 95.8 | 96.1 | 97.0 | 97.3 | 97.0 | 95.0 | 92.5 |
| Dominican Republic | 100.0 | 94.7 | 93.8 | 91.5 | 93.3 | 97.9 | 98.9 | 95.1 | 92.5 |
| Ecuador | 100.0 | 112.4 | 112.1 | 113.2 | 106.7 | 80.0 | 75.7 | 83.5 | 93.1 |
| El Salvador | 100.0 | 97.5 | 97.1 | 94.5 | 96.7 | 105.6 | 108.6 | 106.2 | 103.0 |
| Guatemala | 100.0 | 99.1 | 93.7 | 91.8 | 92.3 | 97.2 | 105.0 | 99.5 | 95.2 |
| Haiti | 100.0 | 83.0 | 86.0 | 80.6 | 83.1 | 87.4 | 86.4 | 86.9 | 82.8 |
| Honduras | 100.0 | 108.4 | 94.6 | 88.6 | 90.4 | 84.6 | 87.4 | 84.7 | 79.2 |
| Mexico | 100.0 | 106.8 | 102.9 | 102.8 | 97.6 | 93.0 | 89.7 | 91.2 | 92.1 |
| Nicaragua | 100.0 | 106.6 | 106.5 | 98.2 | 100.1 | 113.3 | 115.1 | 110.3 | 103.4 |
| Panama | 100.0 | 97.8 | 98.2 | 97.7 | 99.7 | 97.1 | 94.1 | 92.0 | 90.7 |
| Paraguay | 100.0 | 102.4 | 103.4 | 102.8 | 103.3 | 95.5 | 94.6 | 91.5 | 91.2 |
| Peru | 100.0 | 107.9 | 105.3 | 99.0 | 93.3 | 87.5 | 87.1 | 93.4 | 93.2 |
| Uruguay | 100.0 | 102.4 | 106.3 | 108.1 | 112.3 | 114.5 | 117.6 | 117.1 | 111.4 |
| Venezuela (Bolivarian Republic of) | 100.0 | 120.2 | 121.4 | 118.9 | 111.8 | 65.9 | 55.3 | 64.8 | 78.6 |

Source: Economic Commission for Latin America and the Caribbean (ECLAC), Economic Development Division, calculations for
*Economic Survey of Latin America and the Caribbean, 2019* .
a/ Preliminary figures.

Table A-11
**LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): REMITTANCES FROM EMIGRANT WORKERS**
*(Millions of dollars)*

|  | 2014 | 2015 | 2016 | 2017 | 2018 | | | | 2019 | |
|---|---|---|---|---|---|---|---|---|---|---|
|  |  |  |  |  | Q.1 | Q.2 | Q.3 | Q.4 | Q.1 | Q.2 a/ |
| Bolivia (Plurinational State of) | 1 164 | 1 178 | 1 233 | 1 392 | 349 | 343 | 329 | 348 | 219 b/ | ... |
| Brazil | 2 128 | 2 459 | 2 365 | 2 300 | 617 | 654 | 661 | 633 | 693 | 228 |
| Colombia | 4 093 | 4 635 | 4 851 | 5 498 | 1 388 | 1 541 | 1 633 | 1 767 | 1 520 | 581 |
| Costa Rica | 559 | 518 | 515 | 527 | 112 | 126 | 131 | 131 | ... | ... |
| Dominican Republic | 4 571 | 4 961 | 5 261 | 5 912 | 1 551 | 1 665 | 1 651 | 1 628 | 1 713 | 568 |
| Ecuador | 2 462 | 2 378 | 2 602 | 2 840 | 715 | 767 | 768 | 780 | ... | ... |
| El Salvador | 4 139 | 4 257 | 4 544 | 4 985 | 1 225 | 1 426 | 1 332 | 1 408 | 1 298 | 478 |
| Guatemala | 5 544 | 6 285 | 7 160 | 8 192 | 2 019 | 2 380 | 2 425 | 2 464 | 2 205 | 865 |
| Honduras | 3 437 | 3 727 | 3 949 | 4 438 | 1 078 | 1 281 | 1 257 | 1 268 | 1 193 | 462 |
| Jamaica | 2 157 | 2 226 | 2 291 | 2 305 | 553 | 588 | 596 | 609 | 338 b/ | ... |
| Mexico | 23 647 | 24 785 | 26 993 | 30 291 | 7 187 | 9 058 | 8 460 | 8 766 | 7 699 | ... |
| Nicaragua | 1 136 | 1 193 | 1 264 | 1 391 | 353 | 371 | 373 | 404 | 384 | ... |
| Paraguay | 422 | 461 | 547 | 587 | 142 | 148 | 130 | 149 | 127 | ... |
| Peru | 2 637 | 2 725 | 2 884 | 3 051 | 774 | 811 | 809 | 831 | 800 | ... |

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 February.

Table A-12
**LATIN AMERICA AND THE CARIBBEAN: NET RESOURCE TRANSFER a/**

*(Millions of dollars)*

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 b/ |
|---|---|---|---|---|---|---|---|---|---|
| **Latin America and the Caribbean** | **31 506** | **45 069** | **28 263** | **28 957** | **64 314** | **12 000** | **-13 950** | **-50 169** | **-45 047** |
| **Latin America** | **34 525** | **48 398** | **31 895** | **31 836** | **64 621** | **13 048** | **-16 382** | **-51 938** | **-44 842** |
| Argentina | -8 767 | -15 841 | -14 921 | -11 864 | -1 240 | 611 | 17 224 | 29 766 | 20 126 |
| Bolivia (Plurinational State of) | -707 | 923 | -1 888 | -1 840 | -1 336 | -811 | -1 760 | 578 | -215 |
| Brazil | 57 870 | 65 194 | 38 810 | 36 374 | 62 844 | 18 078 | -8 297 | -27 717 | -19 230 |
| Chile | -15 522 | 3 006 | -2 493 | -486 | -3 796 | -1 459 | -1 026 | -8 164 | -1 687 |
| Colombia | 647 | -1 945 | 1 762 | 5 224 | 11 678 | 13 252 | 6 945 | 2 482 | 2 675 |
| Costa Rica | 589 | 979 | 3 065 | 1 064 | 226 | 185 | -1 429 | -1 579 | -925 |
| Dominican Republic | 2 563 | 2 420 | 933 | 735 | -882 | -1 249 | -1 659 | -2 930 | -1 837 |
| Ecuador | -625 | -522 | -1 611 | 1 450 | -1 286 | -961 | -1 404 | -3 681 | -1 211 |
| El Salvador | -302 | 79 | 1 020 | 201 | 145 | -225 | -244 | -615 | -228 |
| Guatemala | 142 | 313 | 693 | 989 | -105 | -827 | -1 139 | 14 | -992 |
| Haiti | 969 | 573 | 784 | 625 | 325 | 165 | 273 | 502 | 364 |
| Honduras | 546 | 521 | 32 | 894 | 225 | -145 | -874 | -343 | -547 |
| Mexico | 13 638 | 22 166 | 9 708 | 11 231 | 9 644 | -15 422 | -4 627 | -13 587 | -9 395 |
| Nicaragua | 749 | 980 | 802 | 967 | 812 | 979 | 457 | 611 | -905 |
| Panama | 1 223 | 2 854 | 1 667 | 2 096 | 4 134 | 171 | 1 684 | -362 | 27 |
| Paraguay | -1 036 | -603 | -1 184 | -1 127 | -279 | -1 775 | -1 792 | -1 545 | -1 538 |
| Peru | 3 531 | -5 495 | 7 738 | 1 214 | -2 999 | 1 714 | -3 749 | -7 226 | -11 850 |
| Uruguay | -1 131 | 2 248 | 1 657 | 1 990 | -428 | -3 573 | -5 107 | -1 378 | -4 159 |
| Venezuela (Bolivarian Republic of) | -19 853 | -29 453 | -14 681 | -17 901 | -13 062 | 4 339 | -9 856 | -16 763 | -13 316 |
| **The Caribbean** | **-3 019** | **-3 329** | **-3 632** | **-2 879** | **-307** | **-1 048** | **2 432** | **1 769** | **-205** |
| Antigua and Barbuda | 146 | 88 | 140 | 191 | 23 | -66 | -95 | -119 | -29 |
| Bahamas | 627 | 992 | 1 162 | 1 096 | 1 499 | 829 | 780 | 2 125 | ... |
| Barbados | 96 | 150 | 139 | -38 | 188 | -13 | -154 | -191 | ... |
| Belize | -107 | -60 | -30 | 72 | 78 | -24 | -4 | -91 | ... |
| Dominica | 70 | 67 | 81 | 23 | 29 | 18 | 71 | -222 | 158 |
| Grenada | 154 | 177 | 157 | 223 | 28 | 37 | -7 | 80 | 27 |
| Guyana | 101 | 341 | 311 | 568 | 471 | 236 | -134 | -110 | ... |
| Jamaica | 871 | 1 326 | 400 | 860 | 1 472 | 430 | -88 | 760 | 0 |
| Saint Kitts and Nevis | 142 | 129 | 52 | 50 | -7 | -35 | 66 | 29 | -48 |
| Saint Lucia | 195 | 231 | 158 | 84 | -54 | -132 | -64 | -59 | -144 |
| Saint Vincent and the Grenadines | 221 | 163 | 208 | 247 | 182 | 114 | 117 | ... | ... |
| Suriname | -720 | -569 | -175 | -83 | 196 | 507 | 72 | -434 | -168 |
| Trinidad and Tobago | -4 816 | -6 364 | -6 236 | -6 173 | -4 411 | -2 950 | 1 872 | ... | ... |

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-13
**LATIN AMERICA AND THE CARIBBEAN: NET FOREIGN DIRECT INVESTMENT a/**
*(Millions of dollars)*

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 b/ |
|---|---|---|---|---|---|---|---|---|---|
| **Latin America and the Caribbean** | **107 793** | **148 917** | **159 394** | **150 548** | **136 904** | **131 477** | **124 257** | **121 432** | **143 157** |
| **Latin America** | **105 293** | **147 058** | **158 812** | **149 696** | **134 853** | **129 529** | **122 771** | **119 289** | **142 561** |
| Argentina | 10 368 | 9 352 | 14 269 | 8 932 | 3 145 | 10 884 | 1 474 | 10 361 | 10 071 |
| Bolivia (Plurinational State of) | 672 | 859 | 1 060 | 1 750 | 690 | 556 | 246 | 633 | 344 |
| Brazil | 55 627 | 86 360 | 90 485 | 59 568 | 67 107 | 57 200 | 58 684 | 50 905 | 74 259 |
| Chile | 6 559 | 3 898 | 9 736 | 10 937 | 10 936 | 5 125 | 5 141 | 680 | 4 134 |
| Colombia | 947 | 6 227 | 15 646 | 8 557 | 12 268 | 7 505 | 9 333 | 10 147 | 6 231 |
| Costa Rica | 1 589 | 2 328 | 1 803 | 2 401 | 2 818 | 2 541 | 2 127 | 2 583 | 2 076 |
| Dominican Republic | 2 024 | 2 277 | 3 142 | 1 991 | 2 209 | 2 205 | 2 407 | 3 571 | 2 535 |
| Ecuador | 166 | 644 | 567 | 727 | 772 | 1 322 | 767 | 618 | 1 401 |
| El Salvador | -226 | 218 | 466 | 179 | 306 | 396 | 348 | 889 | 840 |
| Guatemala | 782 | 1 009 | 1 205 | 1 262 | 1 282 | 1 104 | 1 068 | 1 001 | 821 |
| Haiti | 178 | 119 | 156 | 162 | 99 | 106 | 105 | 375 | 105 |
| Honduras | 971 | 1 012 | 851 | 992 | 1 315 | 952 | 900 | 1 013 | 1 146 |
| Mexico | 12 888 | 12 329 | -952 | 33 664 | 24 640 | 25 143 | 29 821 | 28 825 | 26 414 |
| Nicaragua | 475 | 929 | 704 | 665 | 790 | 905 | 833 | 707 | 284 |
| Panama | 2 363 | 2 956 | 3 254 | 3 612 | 4 130 | 3 966 | 4 652 | 4 631 | 5 391 |
| Paraguay | 462 | 581 | 697 | 245 | 412 | 308 | 371 | 456 | 454 |
| Peru | 8 018 | 7 340 | 11 867 | 9 334 | 2 823 | 8 125 | 5 583 | 6 360 | 6 469 |
| Uruguay | 2 349 | 2 511 | 2 175 | 2 792 | 2 512 | 815 | -1 117 | -2 164 | -636 |
| Venezuela (Bolivarian Republic of) | -918 | 6 110 | 1 679 | 1 928 | -3 401 | 370 | 27 | -2 302 | 225 |
| **The Caribbean** | **2 500** | **1 859** | **582** | **852** | **2 051** | **1 948** | **1 486** | **2 143** | **596** |
| Antigua and Barbuda | 97 | 65 | 133 | 95 | 42 | 94 | 67 | 98 | 106 |
| Bahamas | 872 | 667 | 526 | 382 | 251 | 76 | 74 | 595 | ... |
| Barbados | 329 | 83 | 565 | -62 | ... | ... | ... | ... | ... |
| Belize | 95 | 95 | 193 | 92 | 138 | 59 | 31 | 25 | ... |
| Dominica | 43 | 35 | 59 | 23 | 14 | 23 | 32 | -3 | -38 |
| Grenada | 60 | 43 | 31 | 113 | 58 | 89 | 91 | -3 | -38 |
| Guyana | 198 | 247 | 278 | 201 | 238 | 117 | 6 | 141 | ... |
| Jamaica | 169 | 144 | 411 | 631 | 584 | 921 | 564 | 857 | 0 |
| Saint Kitts and Nevis | 116 | 110 | 108 | 136 | 158 | 132 | 89 | 51 | 85 |
| Saint Lucia | 121 | 81 | 74 | 92 | 53 | 86 | 117 | 118 | 115 |
| Saint Vincent and the Grenadines | 97 | 86 | 115 | 160 | 108 | 48 | 90 | ... | ... |
| Suriname | -248 | 218 | 169 | 187 | -283 | 101 | 173 | 154 | 214 |
| Trinidad and Tobago | 549 | -13 | -2 080 | -1 197 | 689 | 205 | 153 | ... | ... |

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-14
**LATIN AMERICA AND THE CARIBBEAN: TOTAL GROSS EXTERNAL DEBT a/**
*(Millions of dollars, end-of-period stocks)*

| | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| **Latin America and the Caribbean** | | **1 362 211** | **1 509 879** | **1 644 095** | **1 823 003** | **1 848 313** | **1 918 689** | **2 021 510** | **2 097 079** |
| **Latin America b** | | **1 343 644** | **1 491 410** | **1 624 400** | **1 802 350** | **1 825 805** | **1 894 299** | **1 995 853** | **2 071 274** |
| Argentina | Total | 156 300 | 156 478 | 155 489 | 158 742 | 167 412 | 181 170 | 234 549 | 277 921 |
| | Public | 92 632 | 91 861 | 91 444 | 98 229 | 101 659 | 121 760 | 161 289 | 197 330 |
| | Private | 63 668 | 64 617 | 64 045 | 60 513 | 65 753 | 59 410 | 73 260 | 80 591 |
| Bolivia (Plurinational State of) | Total | 6 553 | 6 954 | 8 078 | 8 842 | 9 796 | 10 703 | 12 687 | 12 382 |
| | Public | 3 837 | 4 525 | 5 584 | 6 036 | 6 613 | 7 268 | 9 428 | 10 178 |
| | Private | 2 716 | 2 430 | 2 494 | 2 807 | 3 183 | 3 435 | 3 259 | 2 204 |
| Brazil | Total | 516 030 | 570 831 | 621 439 | 712 655 | 665 101 | 676 647 | 667 103 | 665 777 |
| | Public | 77 300 | 82 245 | 122 641 | 139 051 | 130 587 | 130 274 | 125 492 | 129 139 |
| | Private | 413 590 | 442 577 | 498 797 | 573 604 | 534 513 | 546 373 | 541 611 | 536 638 |
| Chile | Total | 100 973 | 122 668 | 136 351 | 152 135 | 160 904 | 166 974 | 181 513 | 184 440 |
| | Public | 22 262 | 27 757 | 27 994 | 31 285 | 31 831 | 35 679 | 47 437 | 50 895 |
| | Private | 78 711 | 94 912 | 108 357 | 120 849 | 129 073 | 131 295 | 134 076 | 133 545 |
| Colombia | Total | 75 622 | 78 784 | 92 073 | 101 404 | 111 927 | 120 414 | 124 481 | 132 025 |
| | Public | 42 487 | 46 116 | 52 216 | 59 767 | 66 158 | 71 078 | 71 870 | 72 997 |
| | Private | 33 135 | 32 669 | 39 856 | 41 637 | 45 769 | 49 336 | 52 611 | 59 028 |
| Costa Rica | Total | 11 286 | 15 381 | 19 629 | 21 671 | 24 030 | 25 565 | 27 159 | 28 655 |
| | Public | 4 345 | 7 428 | 7 428 | 8 919 | 10 312 | 10 907 | 10 938 | 11 626 |
| | Private | 6 941 | 7 953 | 12 201 | 12 752 | 13 717 | 14 658 | 16 221 | 17 029 |
| Dominican Republic | Public | 12 761 | 13 888 | 16 132 | 17 280 | 16 928 | 18 170 | 19 124 | 21 860 |
| Ecuador | Total | 15 210 | 15 913 | 18 744 | 24 115 | 27 813 | 34 181 | 40 397 | 44 296 |
| | Public | 9 973 | 10 768 | 12 920 | 17 582 | 20 226 | 25 680 | 31 750 | 35 730 |
| | Private | 5 237 | 5 145 | 5 824 | 6 533 | 7 588 | 8 787 | 8 647 | 8 566 |
| El Salvador | Total | 11 858 | 13 353 | 14 035 | 14 800 | 15 217 | 16 376 | 16 474 | 16 661 |
| | Public | 6 663 | 7 636 | 7 764 | 8 673 | 8 553 | 9 169 | 9 414 | 9 236 |
| | Private | 5 195 | 5 717 | 6 271 | 6 127 | 6 664 | 7 207 | 7 060 | 7 425 |
| Guatemala | Total | 14 021 | 15 339 | 17 826 | 20 031 | 20 885 | 21 651 | 23 153 | 22 574 |
| | Public | 6 027 | 6 823 | 7 429 | 7 510 | 7 878 | 8 393 | 8 673 | 8 531 |
| | Private | 7 993 | 8 516 | 10 396 | 12 521 | 13 007 | 13 258 | 14 480 | 14 043 |
| Haiti | Public | 727 | 1 126 | 1 503 | 1 875 | 1 993 | 2 019 | 2 107 | 2 124 |
| Honduras | Total | 4 208 | 4 861 | 6 709 | 7 184 | 7 456 | 7 499 | 8 600 | 9 019 |
| | Public | 3 218 | 3 664 | 5 202 | 5 569 | 5 927 | 6 108 | 7 145 | 7 378 |
| | Private | 990 | 1 197 | 1 507 | 1 616 | 1 530 | 1 391 | 1 455 | 1 641 |
| Mexico | Total | 210 535 | 225 267 | 258 752 | 285 412 | 296 396 | 314 200 | 333 392 | 342 020 |
| | Public | 116 420 | 125 726 | 134 436 | 147 666 | 162 210 | 180 986 | 193 981 | 202 355 |
| | Private | 94 115 | 99 541 | 124 316 | 137 747 | 134 187 | 133 214 | 139 411 | 139 664 |
| Nicaragua | Public | 8 126 | 8 957 | 9 677 | 10 132 | 10 543 | 11 028 | 11 516 | 11 667 |
| | Public | 4 263 | 4 481 | 4 724 | 4 796 | 4 804 | 5 042 | 5 546 | 5 950 |
| | Private | 3 863 | 4 476 | 4 953 | 5 336 | 5 739 | 5 986 | 5 970 | 5 717 |
| Panama | Public | 10 858 | 10 782 | 12 231 | 14 352 | 15 648 | 16 689 | 18 390 | 20 575 |
| Paraguay | Total | 3 970 | 4 563 | 4 780 | 5 839 | 6 197 | 6 540 | 7 585 | 8 288 |
| | Public | 2 291 | 2 241 | 2 677 | 3 680 | 3 993 | 4 822 | 5 592 | 6 402 |
| | Private | 1 679 | 2 322 | 2 103 | 2 159 | 2 203 | 1 717 | 1 992 | 1 885 |
| Peru | Total | 47 977 | 59 376 | 60 823 | 69 215 | 73 274 | 74 645 | 76 499 | 77 787 |
| | Public | 24 275 | 26 510 | 24 079 | 23 951 | 26 781 | 29 617 | 32 953 | 34 912 |
| | Private | 23 702 | 32 866 | 36 744 | 45 264 | 46 493 | 45 028 | 43 547 | 42 875 |
| Uruguay | Total | 18 345 | 36 104 | 37 767 | 40 898 | 43 311 | 39 970 | 41 157 | 41 994 |
| | Public | 14 436 | 16 662 | 18 044 | 18 953 | 18 954 | 17 942 | 18 628 | 19 207 |
| | Private | 3 909 | 19 439 | 19 721 | 21 946 | 24 357 | 22 028 | 22 528 | 22 787 |
| Venezuela (Bolivarian Republic of) | Total | 118 285 | 130 785 | 132 362 | 135 767 | 150 976 | 149 859 | 149 967 | 151 209 |
| | Public | 103 140 | 113 112 | 112 103 | 117 217 | 129 153 | 128 056 | 128 768 | 131 320 |
| | Private | 15 145 | 17 673 | 20 259 | 18 550 | 21 823 | 21 803 | 21 199 | 19 889 |

Table A-14 (concluded)

| | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| **The Caribbean** | | **18 567** | **18 469** | **19 695** | **20 653** | **22 509** | **24 390** | **25 657** | **25 805** |
| Antigua and Barbuda | Public | 473 | 443 | 577 | 560 | 573 | 562 | 584 | 637 |
| Bahamas | Public | 1 045 | 1 465 | 1 616 | 2 095 | 2 176 | 2 373 | 3 234 | 3 172 |
| Barbados | Public | 1 385 | 1 322 | 1 434 | 1 462 | 1 462 | 1 443 | 1 413 | 1 485 |
| Belize | Public | 1 032 | 1 029 | 1 083 | 1 127 | 1 177 | 1 203 | 1 256 | 1 267 |
| Dominica | Public | 242 | 263 | 275 | 287 | 285 | 270 | 267 | 253 |
| Grenada | Public | 585 | 537 | 618 | 634 | 613 | 602 | 533 | 561 |
| Guyana | Public | 1 206 | 1 358 | 1 246 | 1 216 | 1 143 | 1 162 | 1 248 | 1 322 |
| Jamaica | Public | 8 626 | 8 256 | 8 310 | 8 659 | 10 314 | 10 244 | 10 103 | 9 937 |
| Saint Kitts and Nevis | Public | 389 | 345 | 345 | 284 | 214 | 199 | 156 | 149 |
| Saint Lucia | Public | 464 | 481 | 485 | 526 | 509 | 529 | 598 | 597 |
| Saint Vincent and the Grenadines | Public | 328 | 329 | 354 | 387 | 399 | 477 | 387 | 387 |
| Suriname | Public | 601 | 707 | 878 | 942 | 1 156 | 1 870 | 2 046 | 2 060 |
| Trinidad and Tobago | Public | 2 191 | 1 934 | 2 474 | 2 473 | 2 489 | 3 454 | 3 831 | 3 978 |

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-15
**LATIN AMERICA AND THE CARIBBEAN: SOVEREIGN SPREADS ON EMBI+ AND EMBI GLOBAL**
*(Basis points to end of period)*

| | | 2014 | 2015 | 2016 | 2017 | 2018 | | | | 2019 | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| | | | | | | March | June | September | December | March | May |
| **Latin America** | **EMBI +** | **491** | **584** | **483** | **466** | **471** | **547** | **524** | **608** | **540** | **594** |
| Argentina | EMBI + | 719 | 438 | 455 | 351 | 420 | 610 | 623 | 817 | 774 | 985 |
| Belize | EMBI Global | 819 | 822 | 1837 | 771 | 753 | 750 | 761 | 858 | 845 | 811 |
| Bolivia (Plurinational State of) | EMBI Global | 277 | 250 | 83 | 203 | 209 | 295 | 202 | 378 | 280 | 282 |
| Brazil | EMBI + | 259 | 523 | 328 | 240 | 248 | 332 | 293 | 276 | 253 | 274 |
| Chile | EMBI Global | 169 | 253 | 158 | 117 | 128 | 144 | 124 | 166 | 133 | 145 |
| Colombia | EMBI + | 196 | 321 | 227 | 174 | 182 | 198 | 169 | 231 | 186 | 210 |
| Dominican Republic | EMBI Global | 381 | 421 | 407 | 275 | 292 | 348 | 305 | 331 | 318 | 348 |
| Ecuador | EMBI + | 883 | 1 266 | 647 | 459 | 544 | 761 | 622 | 826 | 592 | 619 |
| El Salvador | EMBI Global | 414 | 634 | 536 | 383 | 380 | 450 | 445 | 515 | 447 | 496 |
| Jamaica | EMBI Global | 485 | 469 | 375 | 304 | 295 | 340 | 297 | 346 | 318 | 344 |
| Mexico | EMBI + | 182 | 232 | 232 | 189 | 191 | 211 | 180 | 241 | 206 | 227 |
| Panama | EMBI + | 189 | 218 | 186 | 112 | 132 | 148 | 115 | 170 | 135 | 145 |
| Paraguay | EMBI Global | 291 | 338 | 281 | 200 | 218 | 245 | 214 | 260 | 222 | 245 |
| Peru | EMBI + | 181 | 246 | 175 | 111 | 132 | 141 | 109 | 141 | 106 | 122 |
| Uruguay | EMBI Global | 208 | 280 | 244 | 146 | 168 | 200 | 156 | 207 | 170 | 194 |
| Venezuela (Bolivarian Republic of) | EMBI + | 2 295 | 2 658 | 2 138 | 5 780 | 4 422 | 5 367 | 5 730 | 6 799 | 5 071 | 5 498 |

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from JPMorgan Emerging Markets Bond Index (EMBI).

Table A-16
**LATIN AMERICA AND THE CARIBBEAN: RISK PREMIA ON FIVE-YEAR CREDIT DEFAULT SWAPS**
*(Basis points to end of period)*

| | 2014 | 2015 | 2016 | 2017 | 2018 | | | | 2019 | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| | | | | | March | June | September | December | March | June |
| Argentina | 2 987 | 5 393 | 419 | 232 | 272 | 451 | 590 | 814 | 792 | 945 |
| Brazil | 201 | 495 | 281 | 162 | 164 | 270 | 262 | 210 | 174 | 151 |
| Chile | 94 | 129 | 83 | 49 | 51 | 61 | 44 | 65 | 46 | 41 |
| Colombia | 141 | 243 | 164 | 105 | 107 | 125 | 112 | 160 | 110 | 95 |
| Mexico | 103 | 170 | 156 | 106 | 109 | 134 | 113 | 157 | 125 | 113 |
| Panama | 109 | 182 | 127 | 67 | 70 | 76 | 58 | 88 | 69 | 59 |
| Peru | 115 | 188 | 108 | 72 | 82 | 89 | 74 | 97 | 69 | 55 |
| Venezuela (Bolivarian Republic of) | 3 155 | 4 868 | 3 750 | … | … | 11 154 | 9 284 | 8 236 | 7 785 | 5 611 |

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

Table A-17
**LATIN AMERICA AND THE CARIBBEAN: INTERNATIONAL BOND ISSUES a/**
*(Millions of dollars)*

| | 2014 | 2015 | 2016 | 2017 | 2018 | | | | 2019 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Q-1 | Q-2 | Q-3 | Q-4 | Q-1 | Q-2 |
| **Total** | **133 056** | **79 033** | **129 364** | **144 202** | **47 509** | **22 826** | **9 577** | **15 855** | **22 209** | **21 742** |
| **Latin America and the Caribbean** | **129 743** | **75 863** | **124 528** | **140 355** | **45 658** | **21 649** | **9 286** | **13 899** | **19 909** | **21 730** |
| Argentina | 1 941 | 3 586 | 33 783 | 27 676 | 10 250 | 1 987 | 880 | 250 | - | - |
| Bahamas | 300 | - | - | 750 | - | - | - | - | - | - |
| Barbados | 2 500 | 320 | - | - | - | - | - | - | - | - |
| Bolivia (Plurinational State of) | - | - | - | 1 000 | - | - | - | - | - | - |
| Brazil | 45 364 | 7 188 | 20 481 | 32 066 | 10 800 | 3 129 | 1 500 | 3 550 | 7 700 | 6 051 |
| Chile | 13 768 | 7 650 | 5 336 | 14 449 | 3 737 | 3 461 | 392 | 1 045 | 2 774 | 1 780 |
| Colombia | 9 200 | 6 400 | 4 061 | 7 842 | 1 371 | 970 | 3 445 | 2 410 | 2 410 | 50 |
| Costa Rica | 1 000 | 1 127 | 500 | 300 | - | - | - | - | - | - |
| Dominican Republic | 1 500 | 3 500 | 1 870 | 2 017 | 1 818 | - | 1 300 | - | - | 2 500 |
| Ecuador | 2 000 | 1 500 | 2 750 | 5 800 | 3 000 | - | - | - | 1 400 | - |
| El Salvador | 800 | 300 | - | 951 | - | - | - | - | - | - |
| Guatemala | 1 100 | - | 700 | 1 330 | - | - | - | - | - | 1 200 |
| Honduras | - | - | - | 850 | - | - | - | - | - | - |
| Jamaica | 1 800 | 2 925 | 364 | 869 | - | - | - | - | 600 | - |
| Mexico | 37 592 | 30 375 | 41 539 | 29 222 | 12 458 | 7 282 | 1 769 | 2 370 | 3 101 | 6 205 |
| Panama | 1 935 | 1 700 | 2 200 | 3 321 | - | 1 425 | - | 1 211 | - | 1 800 |
| Paraguay | 1 000 | 280 | 600 | 500 | 530 | - | - | - | 800 | 732 |
| Peru | 5 944 | 6 407 | 1 960 | 9 062 | 1 694 | 1 120 | - | 3 063 | 273 | 1 412 |
| Suriname | - | - | 636 | - | - | - | - | - | - | - |
| Trinidad and Tobago | - | - | 1 600 | - | - | 525 | - | - | - | - |
| Uruguay | 2 000 | 2 605 | 1 147 | 2 350 | - | 1 750 | - | - | 850 | - |
| Venezuela (Bolivarian Republic of) | - | - | 5 000 | - | - | - | - | - | - | - |
| **Supranational issues** | **3 313** | **3 171** | **4 837** | **3 847** | **1 851** | **1 177** | **291** | **1 956** | **2 300** | **12** |
| Central American Bank for Economic Integration (CABEI) | 505 | 521 | 887 | 382 | 264 | 316 | 32 | 160 | 198 | - |
| Caribbean Development Bank (CDB) | - | - | - | - | - | - | - | - | - | - |
| Foreign Trade Bank of Latin America (BLADEX) | - | - | 73 | - | - | - | - | - | - | - |
| Development Bank of Latin America (CAF) | 2 808 | 2 650 | 3 376 | 3 465 | 1 587 | 861 | 259 | 1 796 | 2 102 | 12 |
| 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-18
**LATIN AMERICA AND THE CARIBBEAN: STOCK EXCHANGE INDICES**
*(National indices to end of period, 31 December 2005=100)*

| | 2014 | 2015 | 2016 | 2017 | 2018 | | | | 2019 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | March | June | September | December | March | June |
| Argentina | 556 | 757 | 1 096 | 1 948 | 2 016 | 1 687 | 2 168 | 1 963 | 2 166 | 2 700 |
| Brazil | 149 | 130 | 180 | 228 | 255 | 217 | 237 | 263 | 285 | 302 |
| Chile | 196 | 187 | 211 | 283 | 282 | 270 | 269 | 260 | 268 | 258 |
| Colombia | 122 | 90 | 106 | 121 | 119 | 131 | 131 | 118 | 137 | 132 |
| Costa Rica | 88 | 80 | 114 | 116 | 110 | 102 | 98 | 92 | 80 | 78 |
| Ecuador | 168 | 161 | 150 | 185 | 188 | 196 | 204 | 202 | 201 | 201 |
| Jamaica | 73 | 144 | 184 | 276 | 282 | 293 | 343 | 364 | 371 | 448 |
| Mexico | 242 | 241 | 256 | 277 | 259 | 268 | 278 | 234 | 243 | 242 |
| Peru | 308 | 205 | 324 | 416 | 428 | 412 | 407 | 403 | 439 | 429 |
| Trinidad and Tobago | 108 | 109 | 113 | 119 | 118 | 116 | 114 | 122 | 124 | 131 |
| Venezuela (Bolivarian Republic of) | 133 | 500 | 1 067 | 42 100 | 154 900 | 3 097 733 | 11 421 933 | 53 508 667 | 285 596 333 | 615 128 333 |

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

Table A-19
**LATIN AMERICA AND THE CARIBBEAN: GROSS INTERNATIONAL RESERVES**
*(Millions of dollars, end-of-period stocks)*

| | 2014 | 2015 | 2016 | 2017 | 2018 | | | | 2019 | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| | | | | | March | June | September | December | March | May |
| **Latin America and the Caribbean** | **857 144** | **811 729** | **830 956** | **859 366** | **874 913** | **870 334** | **848 910** | **867 143** | **885 950** | **879 172** |
| **Latin America** | **838 882** | **794 866** | **814 069** | **842 692** | **858 664** | **854 139** | **834 989** | **851 371** | **871 713** | **879 172** |
| Argentina | 31 443 | 25 563 | 38 772 | 55 055 | 61 726 | 61 881 | 49 003 | 65 806 | 66 187 | 64 744 |
| Bolivia (Plurinational State of) | 15 123 | 13 056 | 10 081 | 10 261 | 9 805 | 9 522 | 8 729 | 8 946 | 7 947 | 8 253 |
| Brazil | 363 551 | 356 464 | 365 016 | 373 972 | 379 577 | 379 500 | 380 738 | 374 715 | 384 165 | 386 162 |
| Chile | 39 957 | 38 459 | 39 883 | 38 708 | 37 337 | 37 576 | 37 457 | 38 909 | 37 902 | 39 457 |
| Colombia | 47 328 | 46 740 | 46 683 | 47 637 | 47 614 | 47 497 | 47 520 | 48 402 | 51 267 | 51 979 |
| Costa Rica | 7 211 | 7 834 | 7 574 | 7 150 | 8 474 | 8 090 | 7 469 | 7 501 | 8 356 | 7 759 |
| Dominican Republic | 4 862 | 5 266 | 6 047 | 6 781 | 7 577 | 6 598 | 7 329 | 7 628 | 7 354 | 6 981 |
| Ecuador a/ | 3 949 | 2 496 | 4 259 | 2 451 | 4 868 | 3 167 | 2 693 | 2 677 | 3 973 | 4 084 |
| El Salvador | 2 693 | 2 787 | 3 238 | 3 567 | 3 403 | 3 809 | 3 947 | 3 569 | 3 869 | 4 571 |
| Guatemala | 7 333 | 7 751 | 9 160 | 11 770 | 11 741 | 11 979 | 12 309 | 12 756 | 12 759 | 14 070 |
| Haiti | 1 163 | 977 | 1 105 | 1 258 | 1 181 | 1 209 | 1 253 | 1 309 | 1 335 | … |
| Honduras | 3 570 | 3 874 | 4 100 | 5 012 | 5 064 | 5 108 | 4 850 | 5 073 | 5 050 | 5 247 |
| Mexico | 195 682 | 177 597 | 178 025 | 175 450 | 177 601 | 178 009 | 177 040 | 176 384 | 182 071 | 185 417 |
| Nicaragua | 2 147 | 2 353 | 2 296 | 2 593 | 2 723 | 2 482 | 2 125 | 2 080 | 1 940 | 1 987 b/ |
| Panama | 3 994 | 3 911 | 4 511 | 3 531 | 2 811 | 2 915 | 2 221 | 2 932 | 677 | 598 b/ |
| Paraguay | 6 891 | 6 200 | 7 144 | 8 146 | 8 771 | 8 440 | 7 959 | 8 010 | 8 324 | 7 946 |
| Peru | 62 353 | 61 537 | 61 746 | 63 731 | 62 230 | 59 113 | 57 998 | 60 288 | 63 151 | 66 421 |
| Uruguay | 17 555 | 15 634 | 13 436 | 15 959 | 16 397 | 17 779 | 15 908 | 15 557 | 16 356 | 15 552 |
| Venezuela (Bolivarian Republic of) | 22 077 | 16 367 | 10 992 | 9 662 | 9 762 | 9 466 | 8 439 | 8 830 | 9 029 | 7 945 |
| **The Caribbean** | **18 262** | **16 863** | **16 887** | **16 674** | **16 249** | **16 195** | **13 921** | **15 773** | **14 237** | **13 708** |
| Antigua and Barbuda a/ | 297 | 356 | 330 | 314 | 319 | 339 | ... | 328 | ... | … |
| Bahamas | 787 | 808 | 902 | 1 408 | 1 597 | 1 588 | 1 316 | 1 197 | 1 392 | 1 587 |
| Barbados | 467 | 434 | 315 | 237 | 206 | 213 | 289 | 525 | 532 | … |
| Belize | 483 | 432 | 371 | 306 | 294 | 301 | 288 | 287 | 268 | 262 |
| Dominica a/ | 100 | 125 | 221 | 211 | 246 | 226 | ... | 189 | ... | … |
| Grenada a/ | 158 | 189 | 201 | 195 | 189 | 193 | ... | 231 | ... | … |
| Guyana | 666 | 599 | 616 | 584 | 499 | 473 | 453 | 528 | 516 | 525 |
| Jamaica | 2 473 | 2 914 | 3 291 | 3 781 | 3 657 | 3 687 | 3 569 | 3 532 | 3 605 | 3 579 |
| Saint Kitts and Nevis a/ | 318 | 280 | 313 | 357 | 320 | 356 | ... | 355 | ... | … |
| Saint Lucia a/ | 235 | 298 | 289 | 307 | 308 | 295 | ... | 275 | ... | … |
| Saint Vincent and the Grenadines a/ | 156 | 165 | 191 | 180 | 179 | 174 | ... | 168 | ... | … |
| Suriname | 625 | 330 | 381 | 424 | 447 | 533 | 541 | 581 | 573 | 605 |
| Trinidad and Tobago a/ | 11 497 | 9 933 | 9 466 | 8 370 | 7 988 | 7 816 | 7 465 | 7 575 | 7 351 | 7 151 |

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-20
**LATIN AMERICA AND THE CARIBBEAN: REAL EFFECTIVE EXCHANGE RATES a/ b/**
*(Index 2005=100, average values for the period)*

| | 2014 | 2015 | 2016 | 2017 | 2018 c/ | | | | 2019 c/ | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Q-1 | Q-2 | Q-3 | Q-4 | Q-1 | Q-2 d/ |
| **Latin America and the Caribbean e/** | **83.5** | **84.4** | **85.4** | **84.2** | **85.5** | **86.5** | **86.3** | **86.2** | **86.0** | **86.6** |
| Barbados | 87.9 | 84.4 | 82.9 | 80.8 | 80.2 | 81.2 | 79.4 | 78.7 | 78.4 | 76.1 |
| Bolivia (Plurinational State of) | 74.9 | 65.6 | 62.6 | 64.8 | 64.7 | 62.0 | 58.1 | 57.8 | 58.2 | 57.7 |
| Brazil | 85.4 | 106.2 | 101.8 | 94.3 | 95.1 | 101.4 | 105.1 | 100.0 | 98.2 | 102.1 |
| Chile | 105.4 | 109.4 | 108.4 | 105.1 | 99.7 | 100.4 | 103.0 | 104.7 | 103.2 | 104.4 |
| Colombia | 84.5 | 104.3 | 108.7 | 105.7 | 99.4 | 94.0 | 94.7 | 100.7 | 98.0 | 100.8 |
| Costa Rica | 77.4 | 73.5 | 75.0 | 79.2 | 79.4 | 78.3 | 77.9 | 81.0 | 81.5 | 80.2 |
| Dominica | 111.6 | 110.4 | 109.9 | 111.1 | 113.2 | 112.8 | 111.8 | 110.8 | 110.0 | 109.7 |
| Dominican Republic | 118.9 | 115.8 | 117.2 | 123.0 | 122.2 | 118.6 | 115.9 | 116.2 | 116.6 | 116.6 |
| Ecuador | 93.3 | 85.1 | 83.8 | 87.4 | 88.6 | 86.8 | 84.2 | 83.3 | 83.4 | 83.9 |
| El Salvador | 104.6 | 103.7 | 103.9 | 107.1 | 106.0 | 103.8 | 101.7 | 101.2 | 101.5 | 102.2 |
| Guatemala | 83.3 | 77.9 | 73.5 | 69.8 | 69.6 | 69.3 | 68.8 | 69.3 | 68.6 | 68.1 |
| Honduras | 82.8 | 82.6 | 84.1 | 85.9 | 85.6 | 84.9 | 83.9 | 83.0 | 83.2 | 83.1 |
| Jamaica | 105.9 | 104.9 | 115.1 | 125.4 | 105.1 | 93.0 | 89.4 | 84.7 | 83.1 | 85.6 |
| Mexico | 108.0 | 122.2 | 140.8 | 137.9 | 134.8 | 139.6 | 133.1 | 136.6 | 131.4 | 131.0 |
| Nicaragua | 105.5 | 100.9 | 104.0 | 113.0 | 105.2 | 97.8 | 94.8 | 94.4 | 93.3 | 93.5 |
| Panama | 89.0 | 85.5 | 84.6 | 86.2 | 88.3 | 87.5 | 86.3 | 85.9 | 86.7 | 86.8 |
| Paraguay | 66.0 | 67.1 | 69.7 | 71.8 | 70.7 | 67.5 | 64.9 | 66.1 | 68.3 | 69.3 |
| Peru | 93.0 | 94.9 | 96.4 | 93.4 | 95.8 | 94.5 | 92.1 | 92.9 | 92.1 | 91.4 |
| Trinidad and Tobago | 93.0 | 94.9 | 96.4 | 93.4 | 95.8 | 94.5 | 92.1 | 92.9 | 92.1 | 91.4 |
| Uruguay | 74.3 | 74.1 | 74.7 | 72.2 | 66.5 | 64.7 | 62.6 | 63.7 | 62.4 | 65.2 |

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-21
**LATIN AMERICA AND THE CARIBBEAN: PARTICIPATION RATE**
*(Average annual rates)*

| | | | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 a/ | 2018 a/ First quarter | 2019 a/ First quarter |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Latin America and the Caribbean b/** | | **Total** | **62.2** | **62.1** | **61.9** | **61.9** | **62.0** | **62.2** | **62.3** | **...** | **...** |
| Argentina c/ | Urban areas | Total | 59.3 | 58.9 | 58.3 | 57.7 d/ | 57.5 e/ | 57.8 | 58.5 | 58.5 | 58.9 |
| | | Female | 47.6 | 47.1 | 46.9 | 46.4 d/ | 46.9 e/ | 47.1 | 48.7 | 48.5 | 49 |
| | | Male | 72.2 | 72.0 | 70.9 | 70.1 d/ | 69.4 e/ | 69.7 | 69.6 | 69.8 | 69.8 |
| Bahamas | Nationwide total | Total | 72.5 | 73.2 | 73.7 | 74.3 | 77.1 | 80.5 | 82.8 | ... | ... |
| | | Female | 69.5 | 70.1 | 70.1 | 71.7 | 73.1 | 74.7 | 76.7 | ... | ... |
| | | Male | 75.8 | 76.9 | 77.8 | 79.5 | 81.7 | 83.7 | 85.5 | ... | ... |
| Barbados | Nationwide total | Total | 66.2 | 66.7 | 63.8 | 65.1 | 66.5 | 65.3 | 64.8 | ... | ... |
| | | Female | 61.1 | 61.8 | 60.4 | 61.7 | 62.8 | 61.5 | 60.6 | ... | ... |
| | | Male | 72.0 | 72.3 | 67.7 | 68.7 | 70.4 | 69.7 | 69.4 | ... | ... |
| Belize | Nationwide total | Total | 65.8 | 64.0 | 63.6 | 63.2 | 64 | 64.1 | 65.5 | ... | ... |
| | | Female | 52.6 | 49.8 | 49.2 | 48.7 | 50.3 | 50.2 | 52.9 | ... | ... |
| | | Male | 79.2 | 78.3 | 78.2 | 77.8 | 78 | 78.2 | 78.3 | ... | ... |
| Bolivia (Plurinational State of) f/ | Nationwide total | Total | 61.2 | 63.4 | 65.8 | 61.0 \| | 66.0 | 67.4 | 70.8 | ... | ... |
| | | Female | 52.6 | 54.8 | 57.1 | 50.4 \| | 56.1 | 58.3 | 63.0 | ... | ... |
| | | Male | 70.4 | 72.6 | 75.0 | 72.1 \| | 76.4 | 76.8 | 79.1 | ... | ... |
| Brazil | Nationwide total | Total | 61.4 | 61.3 | 61.0 | 61.3 | 61.4 | 61.7 | 61.6 | 61.7 | 61.7 |
| | | Female | 50.8 | 50.7 | 50.6 | 51.2 | 51.4 | 52.3 | 52.5 | 52.3 | 52.8 |
| | | Male | 73.1 | 72.9 | 72.5 | 72.4 | 72.3 | 72.0 | 71.7 | 71.9 | 71.6 |
| Chile | Nationwide total | Total | 59.5 | 59.6 | 59.8 | 59.7 | 59.5 | 59.7 | 59.7 | 59.9 | 59.5 |
| | | Female | 47.6 | 47.7 | 48.4 | 48.2 | 48 | 48.5 | 49.1 | 49.3 | 48.9 |
| | | Male | 71.9 | 71.8 | 71.6 | 71.5 | 71.3 | 71.2 | 70.6 | 71 | 70.4 |
| Colombia | Nationwide total | Total | 64.5 | 64.2 | 64.2 | 64.7 | 64.5 | 64.4 | 64.0 | 63.2 | 63.5 |
| | | Female | 54.1 | 53.9 | 54.0 | 54.8 | 54.5 | 54.5 | 53.8 | 52.7 | 53.3 |
| | | Male | 75.4 | 74.9 | 74.9 | 75.2 | 74.9 | 74.8 | 74.6 | 74.1 | 74.2 |
| Costa Rica | Nationwide total | Total | 62.5 | 62.2 | 62.6 | 61.2 | 58.4 | 58.8 | 60.7 | 57.7 | 62.4 |
| | | Female | 48.4 | 48.6 | 49.2 | 48.1 | 44.3 | 44.5 | 46.9 | 42.7 | 50.3 |
| | | Male | 76.2 | 75.5 | 75.9 | 74.3 | 72.4 | 73.0 | 74.3 | 72.6 | 74.4 |
| Cuba | Nationwide total | Total | 74.2 | 72.9 | 71.9 | 67.1 | 65.2 | 63.4 | 63.8 | ... | ... |
| | | Female | 57.4 | 57.3 | 56.3 | 52.6 | 50.9 | 49.4 | 49.5 | ... | ... |
| | | Male | 89.5 | 87.1 | 86.2 | 80.4 | 78.2 | 76.2 | 76.9 | ... | ... |
| Dominican Republic g/ | Nationwide total | Total | 59.0 | 58.7 | 59.1 \| | 61.8 | 62.3 | 62.2 | 63.6 | 62.9 | 64.9 |
| | | Female | 44.0 | 43.7 | 44.0 \| | 48.1 | 48.9 | 49 | 50.4 | 49.9 | 52.0 |
| | | Male | 74.4 | 74.1 | 74.6 \| | 76.3 | 76.6 | 76.1 | 77.8 | 76.7 | 78.8 |
| Ecuador h/ | Nationwide total | Total | 61.7 | 62.1 | 63.2 | 66.2 | 68.2 | 68.8 | 67.0 | 68.1 | 66.5 |
| | | Female | 47.4 | 47.7 | 48.5 | 52.7 | 56.2 | 56.9 | 55.0 | 55.6 | 54.4 |
| | | Male | 76.9 | 77.2 | 78.8 | 80.5 | 81 | 81.0 | 79.7 | 81.4 | 79.1 |
| El Salvador | Nationwide total | Total | 63.2 | 63.6 | 63.6 | 62.8 | 62.1 | 61.9 | 61.3 | ... | ... |
| | | Female | 47.9 | 49.3 | 49.3 | 47.8 | 46.7 | 46.3 | 46.1 | ... | ... |
| | | Male | 81.4 | 80.7 | 80.7 | 80.7 | 80.2 | 80.6 | 79.5 | ... | ... |
| Guatemala | Nationwide total | Total | 65.4 | 60.6 | 60.9 | 60.7 | 60.8 | 61 | 60.2 i/ | ... | ... |
| | | Female | 45.7 | 40.6 | 40.6 | 38.9 | 39.2 | 39.2 | 39.2 i/ | ... | ... |
| | | Male | 87.6 | 83.4 | 83.8 | 84.7 | 85.0 | 85.3 | 84.2 i/ | ... | ... |
| Honduras | Nationwide total | Total | 50.8 | 53.7 | 56.0 | 58.3 | 57.5 | 59 | 60.4 | ... | ... |
| | | Female | 33.8 | 37.2 | 40.6 | 44.1 | 43 | 43.8 | 46.0 | ... | ... |
| | | Male | 69.2 | 72.1 | 73.6 | 74.4 | 74 | 76.0 | 76.3 | ... | ... |
| Jamaica | Nationwide total | Total | 61.9 | 63.0 | 62.8 | 63.1 | 64.8 | 65.1 | 64.1 | 63.9 | 64.2 j/ |
| | | Female | 54.9 | 56.2 | 55.9 | 56.3 | 58.6 | 59.1 | 58.0 | 58 | 58.6 j/ |
| | | Male | 69.1 | 70.0 | 70.0 | 70.3 | 71.2 | 71.3 | 70.4 | 70.0 | 70.0 j/ |
| Mexico k/ | Nationwide total | Total | 59.2 \| | 60.3 | 59.8 | 59.8 | 59.7 | 59.3 | 59.6 | 59 | 59.5 |
| | | Female | 43.0 \| | 43.9 | 43.1 | 43.4 | 43.4 | 43 | 43.5 | 42.6 | 43.7 |
| | | Male | 77.1 \| | 78.5 | 78.3 | 78.0 | 77.7 | 77.6 | 77.4 | 77.1 | 76.9 |
| Nicaragua | Nationwide total | Total | 76.8 | 75.8 | 74.0 | 72.4 | 73.6 | 73.5 | 71.7 | ... | ... |
| | | | 66.6 | 65.1 | 63.0 | 60.9 | 63.1 | 63.2 | 61.6 | ... | ... |
| | | | 87.7 | 87.3 | 85.8 | 84.6 | 84.9 | 84.7 | 82.6 | ... | ... |
| Panama | Nationwide total | Total | 63.4 | 64.1 | 64.0 | 64.2 | 64.4 | 64 | 65.4 | 66.6 | 65.9 l/ |
| | | Female | 48.0 | 49.2 | 49.8 | 50.8 | 51.1 | 51.2 | 52.8 | 54.2 | 54.3 l/ |
| | | Male | 80.1 | 79.7 | 79.4 | 78.4 | 78.6 | 77.6 | 78.8 | 79.6 | 78.4 l/ |
| Paraguay m/ | Nationwide total | Total | 64.3 | 62.6 | 61.6 | 62.1 | 62.64 \| | 71.0 | 71.9 | 71.9 | 73.6 |
| | | Female | 53.8 | 51.9 | 49.6 | 50.2 | 50.8 \| | 57.8 | 59.4 | 58.4 | 61.3 |
| | | Male | 74.7 | 73.8 | 74.1 | 74.1 | 74.5 \| | 84.4 | 84.5 | 85.5 | 86.2 |
| Peru | Nationwide total | Total | 73.6 | 73.2 | 72.3 | 71.6 | 72.2 | 72.4 | 72.2 | 73 | 72.9 |
| | | Female | 64.8 | 64.5 | 63.3 | 62.3 | 63.3 | 64 | 64.2 | 64.1 | 64.4 |
| | | Male | 82.4 | 82.0 | 81.4 | 81.0 | 81.2 | 81 | 80.2 | 82 | 81.5 |
| Trinidad and Tobago | Nationwide total | Total | 61.8 | 61.3 | 61.9 | 60.6 | 59.7 | 59.2 | ... | ... | ... |
| | | Female | ... | ... | 51.8 | 50.1 | 50.1 | 49.5 | ... | ... | ... |
| | | Male | ... | ... | 72.2 | 71.2 | 69.5 | 68.9 | ... | ... | ... |
| Uruguay | Nationwide total | Total | 64.0 | 63.6 | 64.7 | 63.8 | 63.4 | 62.9 | 62.4 | 62.6 | 62.4 |
| | | Female | 55.6 | 56.4 | 55.9 | 55.4 | 55.3 | 55 | 54.9 | 54.7 | 55.2 |
| | | Male | 73.5 | 73.9 | 74.3 | 72.9 | 72.3 | 71.4 | 70.7 | 71.2 | 70.2 |
| Venezuela (Bolivarian Republic of) | Nationwide total | Total | 63.9 | 64.3 | 65.3 | 63.7 | 64 | ... | ... | ... | ... |
| | | Female | 50.1 | 50.6 | 52.1 | 49.8 | 50.2 | ... | ... | ... | ... |
| | | Male | 77.8 | 78.1 | 78.7 | 77.9 | 77.9 | ... | ... | ... | ... |

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 Belize and Nicaragua) and include adjustments for lack of information and changes in methodology.
c/ The National Institute of Statistics and Censuses (INDEC) of Argentina does not recognize the data for the period 2007-2015 and has them under review.
    These data are therefore preliminary and will be replaced when new official data are published.
d/ The figures correspond to the average for the first three quarters.
e/ The figures correspond to the average for the last three quarters.
f/ New measurements have been used since 2016; the data are not comparable with the previous series.
g/ New measurements have been used since 2015; the data are not comparable with the previous series.
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 correspond to the measurement for June.
j/ The figures in the last two columns correspond to the measurement for January.
k/ New measurements have been used since 2013; the data are not comparable with the previous series.
l/ The figures in the last two columns correspond to the measurement for March.
m/ New measurements have been used since 2017; the data are not comparable with the previous series.

**Table A-22**
**LATIN AMERICA AND THE CARIBBEAN: OPEN URBAN UNEMPLOYMENT a/**
*(Average annual rates)*

| | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 b/ | 2018 b/ | 2019 b/ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | First quarter | |
| **Latin America and the Caribbean c/** | | **7.7** | **7.2** | **7.1** | **6.9** | **7.3** | **8.9** | **9.3** | **9.3** | … | … |
| Argentina d/ | Urban areas | 7.2 | 7.2 | 7.1 | 7.3 | 6.5 e/ | 8.5 f/ | 8.4 | 9.2 | 9.1 | 10.1 |
| Bahamas g/ | Nationwide total | 15.9 | 14.4 | 15.8 | 14.8 | 13.4 | 12.2 | 10.0 | 10.4 | … | … |
| Barbados g/ | Nationwide total | 11.2 | 11.6 | 11.6 | 12.3 | 11.3 | 9.7 | 10.0 | 10.1 | … | … |
| Belize g/ | Nationwide total | … | 15.3 | 13 | 11.6 | 10.1 | 9.5 | 9.3 | 9.4 | … | … |
| Bolivia (Plurinational State of) h/ | Urban total | 3.8 | 3.2 | 4.0 | 3.5 | 4.4 | 4.7 | 5.1 | 4.9 | … | … |
| Brazil | Twenty metropolitan regions i/ | 6.0 | 8.2 | 8.0 | 7.8 | 9.3 | 13.0 | 14.5 | 14.2 | 14.8 | 14.3 |
| Chile | Urban total | 7.4 | 6.7 | 6.2 | 6.7 | 6.4 | 6.8 | 6.9 | 7.3 | 7.3 | 7.2 |
| Colombia g/ | Municipal capitals | 11.8 | 11.4 | 10.7 | 10.0 | 9.8 | 10.3 | 10.5 | 10.9 | 12.0 | 13.0 |
| Colombia j/ | Municipal capitals | 11.1 | 10.8 | 10.0 | 9.4 | 9.2 | 9.7 | 9.9 | 10.3 | 11.4 | 12.4 |
| Costa Rica k/ | Urban total | 7.7 | 9.8 | 9.1 | 9.5 | 9.7 | 9.6 | 9.0 | 10.3 | 10.4 | 11.5 |
| Cuba | Nationwide total | 3.2 | 3.5 | 3.3 | 2.7 | 2.5 | 2.0 | 1.7 | 1.7 | … | … |
| Dominican Republic | Urban total l/ | 6.7 | 7.2 | 7.9 | 7.2 | 7.9 | 7.9 | 6.1 | 6.1 | 5.9 | 6.1 |
| Ecuador g/ | Urban total | 6.0 | 4.9 | 4.7 | 5.1 | 5.4 | 6.8 | 5.6 | 5.2 | 5.7 | 5.8 |
| Ecuador j/ | Urban total | 5.0 | 4.2 | 4.0 | 4.3 | 4.7 | 5.9 | 5.0 | 4.7 | 5.3 | 5.1 |
| El Salvador g/ | Urban total | 6.6 | 6.2 | 5.6 | 6.7 | 6.5 | 6.9 | 6.8 | 6.1 | … | … |
| Guatemala | Urban total | 3.1 | 4.0 | 3.8 | 4.0 | 3.2 | 3.4 | 3.2 | 3.9 m/ | … | … |
| Honduras | Urban total | 6.8 | 5.6 | 6.0 | 7.5 | 8.8 | 9.0 | 8.2 | 8.0 | … | … |
| Jamaica g/ | Nationwide total | 12.6 | 13.9 | 15.2 | 13.7 | 13.5 | 13.2 | 11.7 | 9.1 | 9.6 | 8.0 n/ |
| Jamaica j/ | Nationwide total | 8.4 | 9.3 | 10.3 | 9.4 | 9.5 | 9.0 | 7.7 | 5.6 | 5.7 | 5.2 n/ |
| Mexico | Urban total | 5.6 | 5.4 | 5.4 | 5.3 | 4.7 | 4.3 | 3.8 | 3.6 | 3.4 | 3.7 |
| Nicaragua | Urban total | 8.1 | 8.7 | 7.7 | 8.5 | 7.7 | 6.3 | 5.2 | 7.5 | … | … |
| Panama g/ | Urban total | 5.4 | 4.8 | 4.7 | 5.4 | 5.8 | 6.4 | 6.9 | 7.1 | 6.9 | 7.2 o/ |
| Panama j/ | Urban total | 3.6 | 3.6 | 3.7 | 4.1 | 4.5 | 5.2 | 5.5 | 5.8 | 5.6 | 6.1 o/ |
| Paraguay p/ | Asunción and urban areas of the Departamento Central | 6.9 | 7.9 | 7.7 | 7.8 | 6.5 | 7.7 | 6.9 | 7.1 | 8.1 | 7.6 |
| Peru | Urban total | 5.1 | 4.7 | 4.8 | 4.5 | 4.4 | 5.2 | 5.0 | 4.8 | 6.5 | 6.2 |
| Trinidad and Tobago | Nationwide total | 5.1 | 5.0 | 3.6 | 3.3 | 3.5 | 4 | 4.8 | … | … | … |
| Uruguay | Urban total | 6.6 | 6.7 | 6.7 | 6.9 | 7.8 | 8.2. | 8.3 | 8.6 | 9.2 | 9.1 |
| Venezuela (Bolivarian Republic of) | Nationwide total | 8.3 | 8.1 | 7.8 | 7.2 | 7.0 | 7.3 | … | … | … | … |

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 National Institute of Statistics and Censuses (INDEC) of Argentina does not recognize the data for the period 2007-2015 and has them under review.
  These data are therefore preliminary and will be replaced when new official data are published.
e/ The figures correspond to the average for the first three quarters.
f/ The figures correspond to the average for the last three quarters.
g/ Includes hidden unemployment.
h/ New measurements have been used since 2016; the data are not comparable with the previous series.
i/ Up to 2011, six metropolitan areas.
j/ Includes an adjustment for workforce figures due to exclusion of hidden unemployment.
k/ New measurements have been used since 2012; the data are not comparable with the previous series.
l/ Up to 2014, nationwide total.
m/ The figures correspond to the measurement for June.
n/ The figures in the last two columns correspond to the measurement for January.
o/ The figures in the last two columns correspond to the measurement for March.
p/ New measurements have been used since 2017; the data are not comparable with the previous series.

Table A-23
**LATIN AMERICA AND THE CARIBBEAN: EMPLOYMENT RATE a/**
*(Average annual rates)*

| | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 b/ | 2018 b/ | 2019 b/ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | First quarter | |
| **Latin America and the Caribbean c/** | | **57.9** | **58.2** | **58.1** | **58.1** | **57.8** | **57.2** | **57.2** | **57.3** | … | … |
| Argentina d/ | Urban areas | 55.2 | 55.0 | 54.7 | 54.0 | 53.9 e/ | 52.6 f/ | 52.9 | 53.1 | 53.2 | 52.9 |
| Bahamas | Nationwide total | 60.6 | 62.1 | 61.6 | 62.8 | 64.3 | 67.7 | 72.5 | 74.2 | … | … |
| Barbados | Nationwide total | 60.0 | 58.5 | 58.9 | 56.0 | 57.7 | 60 | 58.8 | 58.3 | … | … |
| Belize | Nationwide total | … | 55.7 | 55.9 | 56.6 | 56.8 | 57.9 | 58.1 | 59.0 | … | … |
| Bolivia (Plurinational State of) g/ | Nationwide total | 64.2 | 59.7 | 61.5 | 64.3 | 58.9 | | 63.8 | 64.9 | 68.4 | … | … |
| Brazil h/ | Nationwide total | 56.0 | | 56.9 | 56.9 | 56.8 | 56.1 | 54.3 | 53.9 | 54.1 | 53.6 | 53.9 |
| Chile | Nationwide total | 55.5 | 55.7 | 56.0 | 56.0 | 56.0 | 55.6 | 55.7 | 55.5 | 55.8 | 55.4 |
| Colombia | Nationwide total | 56.8 | 57.9 | 58.0 | 58.4 | 59.0 | 58.5 | 58.4 | 57.8 | 57.8 | 56 |
| Costa Rica h/ | Nationwide total | 56.0 | | 56.2 | 56.4 | 56.6 | 55.4 | 52.8 | 53.5 | 54.4 | 51.8 | 55.4 |
| Cuba | Nationwide total | 73.6 | 71.6 | 70.5 | 70.0 | 65.4 | 63.8 | 62.4 | 62.7 | … | … |
| Dominican Republic i/ | Nationwide total | 54.5 | 55.2 | 54.6 | 55.4 | | 57.3 | 57.9 | 58.7 | 60.0 | 59.5 | 61.1 |
| Ecuador j/ | Nationwide total | 59.9 | 59.1 | 59.5 | 60.4 | 63.3 | 64.6 | 65.5 | 64.3 | 65.1 | 63.4 |
| El Salvador | Nationwide total | 58.6 | 59.4 | 59.9 | 58.4 | 57.8 | 57.9 | 57.6 | 57.4 | … | … |
| Guatemala | Nationwide total | 59.2 | 63.5 | 58.7 | 59.1 | 59.2 | 59.2 | 59.4 | 58.6 k/ | … | … |
| Honduras | Nationwide total | 49.7 | 48.9 | 51.6 | 53.1 | 54.0 | 53.2 | 55.1 | 57.0 | … | … |
| Jamaica | Nationwide total | 54.4 | 53.3 | 53.4 | 54.2 | 54.6 | 56.2 | 57.5 | 58.2 | 57.7 | 59.1 l/ |
| Mexico m/ | Nationwide total | 55.6 | 56.3 | | 57.3 | 56.9 | 57.2 | 57.4 | 57.3 | 57.6 | 57.1 | 57.5 |
| Nicaragua | Nationwide total | 71.2 | 72.3 | 71.5 | 69.1 | 68.1 | 70.2 | 70.8 | 67.8 | … | … |
| Panama | Nationwide total | 59.1 | 60.8 | 61.5 | 60.9 | 60.9 | 60.8 | 60.1 | 61.5 | 62.7 | 61.7 n/ |
| Paraguay o/ | Nationwide total | 57.3 | 61.5 | 60.1 | 58.6 | 58.7 | 58.9 | | 66.7 | 67.4 | 66.6 | 68.5 |
| Peru | Nationwide total | 70.9 | 70.8 | 70.3 | 69.6 | 68.9 | 69.2 | 69.5 | 69.5 | 69.2 | 69.2 |
| Trinidad and Tobago | Nationwide total | 58.2 | 58.8 | 59.1 | 59.9 | 58.5 | 57.4 | 56.3 | … | … | … |
| Uruguay | Nationwide total | 60.7 | 59.9 | 59.5 | 60.4 | 59.0 | 58.4 | 57.9 | 57.2 | 57.1 | 56.9 |
| Venezuela (Bolivarian Republic of) | Nationwide total | 59.0 | 58.7 | 59.3 | 60.4 | 59.2 | 59.3 | … | … | … | … |

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 National Institute of Statistics and Censuses (INDEC) of Argentina does not recognize the data for the period 2007-2015 and has them under review.
  These data are therefore preliminary and will be replaced when new official data are published.

e/ The figures correspond to the average for the first three quarters.

f/ The figures correspond to the average for the last three quarters.

g/ New measurements have been used since 2016; the data are not comparable with the previous series.

h/ New measurements have been used since 2012; the data are not comparable with the previous series.

i/ New measurements have been used since 2015; the data are not comparable with the previous series.

j/ Up to 2013, the figures correspond to December of each year. From 2014, they correspond to the average for the year.

k/ The figures correspond to the measurement for June.

l/ The figures in the last two columns correspond to the average for January.

m/ New measurements have been used since 2013; the data are not comparable with the previous series.

n/ The figures in the last two columns correspond to the measurement of March.

o/ New measurements have been used since 2017; the data are not comparable with the previous series.

Table A-24
**LATIN AMERICA AND THE CARIBBEAN: FORMAL EMPLOYMENT INDICATORS**
*(Index 2010=100)*

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2018 | 2019 a/ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | First semester | |
| Argentina b/ | 100.0 | 105.0 | 107.0 | 109.6 | 110.9 | 114.0 | 114.3 | 115.3 | 115.6 | 116.2 | 114.7 c/ |
| Brazil d/ | 100.0 | 106.6 | 111.4 | 114.8 | 117.2 | 115.2 | 110.6 | 108.7 | 109.7 | 109.0 | 110.4 c/ |
| Chile e/ | 100.0 | 105.7 | 112.1 | 115.8 | 117.9 | 120.1 | 122.2 | 123.4 | 127.8 | 128.3 | 132.3 c/ |
| Costa Rica f/ | 100.0 | 103.1 | 106.7 | 109.0 | 110.7 | 112.6 | 116.3 | 119.7 | 122.1 | 122.0 | 122.4 g/ |
| El Salvador f/ | 100.0 | 103.3 | 105.5 | 111.0 | 113.5 | 115.1 | 117.3 | 118.3 | 120.3 | 120.3 | 122.9 h/ |
| Guatemala f/ | 100.0 | 104.3 | 107.1 | 110.4 | 111.8 | 114.2 | 117.4 | 118.6 | 119.6 | … | … |
| Jamaica i/ | 100.0 | 99.4 | 99.0 | 100.4 | … | … | … | … | … | … | … |
| Mexico j/ | 100.0 | 104.3 | 109.2 | 113.0 | 117.0 | 122.0 | 126.7 | 132.2 | 137.6 | 135.8 | 139.8 c/ |
| Nicaragua f/ | 100.0 | 108.1 | 116.6 | 125.9 | 132.8 | 144.6 | 160.3 | 170.9 | 153.0 | 169.8 | 141.5 h/ |
| Panama k/ | 100.0 | 110.3 | 117.8 | 122.5 | 126.1 | 127.2 | 125.4 | 126.8 | 123.3 | 123.4 | 120.8 l/ |
| Peru m/ | 100.0 | 105.4 | 109.6 | 112.7 | 114.8 | 115.8 | 118.3 | 120.7 | 125.4 | 123.7 | 126.7 c/ |
| Uruguay n/ | 100.0 | 104.9 | 108.9 | 110.9 | 111.7 | 110.1 | 108.9 | 109.4 | 108.9 | 110.4 | 110.5 l/ |

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Preliminary figures.
b/ Dependent workers paying into pension schemes.
c/ The figures in the last two columns correspond to the average for January-April.
d/ Workers covered by social and labour legislation.
e/ Dependent workers who contribute to the pension system.
f/ Workers with social security coverage.
g/ The figures in the last two columns correspond to the average for January-May.
h/ The figures in the last two columns correspond to the average for January-February.
i/ Workers at firms with 10 or more employees.
j/ Private workers covered by social and labour legislation.
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/ The figures in the last two columns correspond to the first quarter.
m/ Jobs reported to the National Superintendency of Customs and Tax Administration. Until 2015, workers of companies with 10 or more employees.
n/ Employment positions generating social security contributions.

Table A-25
**LATIN AMERICA: VISIBLE UNDEREMPLOYMENT BY HOURS**
*(Percentages of employed workers)*

| | | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 a/ | 2018 a/ | 2018 | 2019 a/ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | First semester | |
| Argentina b/ c/ | Urban areas | 9.1 | 9.3 | 9.2 | 9.6 | 9.0 d/ | 11.5 e/ | 11.4 | 12.3 | 10.8 | 13.1 |
| Brazil f/ | Nationwide total | … | 6.8 | 5.5 | 4.9 | 5.4 | 5.3 | 6.6 | 7.2 | 6.8 | 7.4 |
| Chile g/ | Nationwide total | 11.9 | 11.5 | 11.6 | 11.3 | 10.3 | 10.9 | 9.9 | 9.8 | 9.1 | 9.2 |
| Colombia h/ | Nationwide total | 11.2 | 12.1 | 11.8 | 10.1 | 10.3 | 9.9 | 9.5 | 8.9 | 8.0 | 10.1 |
| Costa Rica i/ | Nationwide total | 13.4 | 11.3 | 12.5 | 12.8 | 12.4 | 9.0 | 8.1 | 8.7 | 7.2 | 8.6 |
| Ecuador f/ | Nationwide total | 9.1 | 7.9 | 9.9 | 10.6 | 11.7 | 15.7 | 17.0 | 15.4 | 15.3 | 16.4 |
| El Salvador f/ | Urban total | 3.4 | 5.8 | 5.8 | 6.7 | 6.8 | 7.7 | 7.6 | 6.3 | … | … |
| Honduras j/ | Nationwide total | 10.4 | 10.5 | 11.7 | 12.5 | 14.1 | 11.5 | 11.8 | 14.2 | … | … |
| Mexico i/ | Nationwide total | 8.6 | 8.5 | 8.3 | 8.1 | 8.3 | 7.6 | 7.1 | 6.9 | 6.8 | 6.8 |
| Panama f/ | Nationwide total | 1.5 | 2.4 | 2.5 | 2.0 | 2.5 | 2.3 | 2.5 | 3.7 | … | … |
| Paraguay k/ | Asunción and urban areas of the Departamento Central | 6.1 | 5.3 | 4.7 | 4.8 | 4.6 | 4.0 | 5.5 | 5.3 | 5.2 | 7.2 |
| Peru b/ | Metropolitan Lima | 12.4 | 12.0 | 11.6 | 11.3 | 10.4 | 11.3 | 11.5 | 13.6 | 13.2 | 13.0 |
| Uruguay f/ | Nationwide total | 7.2 | 7.1 | 6.8 | 6.6 | 7.1 | 8.3 | 8.4 | 8.5 | 8.6 | 9.5 |

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 and are available to do so.
c/ The National Institute of Statistics and Censuses (INDEC) of Argentina does not recognize the data for the period 2007-2015 and has them under review.
These data are therefore preliminary and will be replaced when new official data are published.
d/ The figures correspond to the average for the first three quarters.
e/ The figures correspond to the average for the last three quarters.
f/ Employed persons who work less than 40 hours per week and wish to work more hours and are available to do so..
g/ Employed persons who work less than 30 hours per week and wish to work more hours and are available to do so. Since 2017, employed persons who work
   two thirds of the established full-time work, and wish to work more hours and are available to do so.
h/ Employed persons who work less than 48 hours per week and wish to work more hours and are available to do so..
i/ Employed persons wishing to work more than their current job permits.
j/ Employed persons who work less than 36 hours per week and wish to work more hours and are available to do so..
k/ Employed persons who work less than 30 hours per week and wish to work more hours and are available to do so..
l/ Up to 2017, nationwide total.

Table A-26
**LATIN AMERICA: REAL AVERAGE WAGES a/**
*(Index 2010=100)*

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 b/ | 2018 b/ | 2019 b/ |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | January-April | |
| Bolivia (Plurinational State of) c/ | 98.2 | 99.3 | 100.3 | 101.8 | 107.7 | 109.5 | 111.5 d/ | ... | ... | ... |
| Brazil e/ | 101.4 | 104.9 \| | 107.4 | 108.4 | 108.9 | 107.6 | 110.2 | 110.0 | 110.0 | 110.2 f/ |
| Chile g/ | 102.5 | 105.8 | 109.9 | 111.9 | 113.9 | 115.4 | 119.0 | 121.3 | 121.2 | 123.8 |
| Colombia h/ | 100.3 | 101.3 | 104.0 | 104.5 \| | 105.7 | 103.4 | 106.6 | 107.7 | 105.7 | 107.7 |
| Costa Rica i/ | 105.7 | 107.1 | 108.5 | 110.7 | 115.2 | 118.2 | 119.6 | 121.7 | 121.5 | 124.3 |
| El Salvador i/ | 97.1 | 97.3 | 97.8 | 98.5 | 100.9 | 102.3 | 103.4 | 103.4 | 102.6 | 103.9 j/ |
| Guatemala i/ | 100.4 | 104.4 | 104.3 | 106.8 | 110.4 | 108.2 | 107.2 | 107.9 | ... | ... |
| Mexico k/ | 101.1 | 101.2 | 101.3 | 101.7 | 103.2 | 104.1 | 102.9 | 103.7 | 103.9 | 106.6 |
| Nicaragua i/ | 100.1 | 100.5 | 100.7 | 102.4 | 105.1 | 107.5 | 109.1 | 114.1 | 109.7 | 113.7 j/ |
| Panama l/ | 100.1 | 103.5 | 103.8 | 109.5 | 113.1 | 117.5 | 120.4 | 126.1 | 118.9 | 122.8 f/ |
| Paraguay m/ | 102.8 | 103.5 | 105.7 | 107.0 | 107.5 | 108.2 | 108.5 | 110.4 | ... | ... |
| Peru n/ | 108.4 | 111.0 | 114.7 | 117.9 | 117.5 \| | 122.2 | 121.8 | 125.8 | 122.1 | 123.6 |
| Uruguay o/ | 104.0 | 108.4 | 111.7 | 115.4 | 117.3 | 119.1 | 122.6 | 122.8 | 124.2 | 125.6 |
| Venezuela (Bolivarian Republic of) p/ | 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/ The figures correspond to the average of March and June.
e/ Private-sector workers covered by social and labour legislation. New series from 2013.
f/ The figures in the last two columns correspond to the first quarter.
g/ General index of hourly remuneration.
h/ Manufacturing. New series from 2015.
i/ Average wage declared by workers registered with and paying into social security.
j/ The figures in the last two columns correspond to the average for January and February.
k/ Average wage declared by private workers covered by social security.
l/ Average wage declared by workers covered by social security. As from 2013, corresponds
   to workers in small, medium and large businesses, in manufacturing, commerce and services.
m/ Wage and salary index.
n/ Average income in the formal sector. Until 2015, wages of employed workers in Lima metropolitan area.
o/ Average salary index
p/ Remuneration index.

Table A-27
**LATIN AMERICA AND THE CARIBBEAN: MONETARY INDICATORS**
*(Average percentage variation with respect to the year-earlier period)*

| | | 2014 | 2015 | 2016 | 2017 | 2018 | | | | 2019 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Q-1 | Q-2 | Q-3 | Q-4 | Q-1 | Q-2 |
| **Latin America and the Caribbean** | | | | | | | | | | | |
| Argentina | Monetary base | 19.7 | 33.2 | 27.9 | 31.0 | 26.5 | 30.4 | 38.6 | 38.5 | 30.1 | 30.5 |
| | Money (M1) | 26.1 | 31.6 | 20.2 | 29.4 | 24.2 | 30.2 | 23.7 | 17.3 | 9.4 | 12.6 b/ |
| | M2 | 23.1 | 33.2 | 23.9 | 28.0 | 32.4 | 35.0 | 40.5 | 42.5 | 30.3 | 27.4 b/ |
| | Foreign-currency deposits | 51.7 | 38.5 | 172.5 | 96.1 | 20.9 | 72.0 | 107.4 | 121.6 | 117.9 | 141.4 b/ |
| Bolivia (Plurinational State of) | Monetary base | 9.5 | 19.2 | 3.9 | 0.1 | 10.0 | 13.3 | 9.3 | 3.2 | 6.1 | ... |
| | Money (M1) | 15.4 | 9.4 | 9.6 | 2.0 | 5.8 | 9.2 | 6.9 | 4.1 | 3.5 | ... |
| | M2 | 18.8 | 18.4 | 12.5 | 7.7 | 12.0 | 13.3 | 11.1 | 7.4 | 6.0 | ... |
| | Foreign-currency deposits | -3.4 | 3.7 | -1.0 | -2.7 | -4.3 | -2.9 | -4.6 | -4.8 | -1.0 | ... |
| Brazil | Monetary base | 7.2 | 3.0 | 3.2 | 6.2 | 5.1 | 5.4 | 8.0 | 6.5 | 5.4 | 4.6 |
| | Money (M1) | 5.1 | -1.1 | 0.2 | 4.4 | 6.8 | 9.0 | 9.5 | 7.7 | 6.6 | 2.5 |
| | M2 | 4.6 | -0.9 | 3.7 | 12.2 | 13.0 | 11.7 | 12.2 | 13.3 | 12.0 | 9.4 |
| Chile | Monetary base | 5.3 | 9.6 | 11.4 | 7.1 | 1.4 | 5.9 | 11.9 | 4.6 | 13.7 | 5.0 |
| | Money (M1) | 12.1 | 14.3 | 6.4 | 8.7 | 12.7 | 12.8 | 11.3 | 10.6 | 8.9 | 10.5 |
| | M2 | 7.7 | 11.3 | 9.8 | 4.9 | 9.7 | 10.4 | 8.7 | 10.5 | 6.7 | 6.6 |
| | Foreign-currency deposits | 29.0 | 18.7 | 8.0 | -2.8 | 1.8 | 5.8 | -0.7 | 7.3 | 8.8 | 8.5 |
| Colombia | Monetary base | 16.7 | 15.0 | 8.8 | 1.3 | 8.4 | 6.3 | 6.8 | 7.6 | 6.9 | 12.1 |
| | Money (M1) | 14.8 | 10.4 | 3.9 | 1.1 | 5.4 | 6.6 | 7.3 | 7.4 | 8.2 | 10.9 |
| | M2 | 12.9 | 10.2 | 10.5 | 5.7 | 6.2 | 5.2 | 5.5 | 5.4 | 5.5 | 7.2 |
| Costa Rica | Monetary base | 11.7 | 11.1 | 10.1 | 7.5 | 6.4 | 3.9 | 3.5 | 2.7 | 2.6 | 4.6 |
| | Money (M1) | 12.3 | 9.6 | 17.8 | 1.7 | 0.7 | 4.6 | 5.6 | 6.8 | 7.0 | 4.1 |
| | M2 | 14.0 | 8.9 | 4.1 | 0.5 | -1.2 | -1.6 | -2.5 | -0.1 | 1.9 | 1.0 |
| | Foreign-currency deposits | 15.9 | 0.8 | 1.4 | 11.6 | 1.9 | 0.6 | -0.8 | 8.6 | 10.7 | 6.8 |
| Ecuador | Monetary base | 17.5 | 16.9 | 22.8 | 12.9 | 4.1 | 5.0 | 5.9 | 3.3 | 2.1 | 2.3 b/ |
| | Money (M1) | 14.4 | 10.6 | 10.4 | 13.1 | 7.9 | 5.2 | 5.5 | 3.8 | 2.9 | 3.8 b/ |
| | M2 | 14.5 | 6.7 | 6.6 | 13.5 | 9.9 | 8.3 | 8.3 | 7.0 | 5.6 | 5.7 b/ |
| El Salvador | Monetary base | 2.8 | 1.2 | 3.5 | 9.3 | 9.0 | 5.9 | 4.2 | 3.2 | 7.1 | 7.7 |
| | Money (M1) | 4.0 | 4.9 | 3.9 | 6.5 | 8.8 | 8.4 | 6.2 | 0.2 | 6.1 | 4.2 |
| | M2 | 1.3 | 2.9 | 5.6 | 7.1 | 8.7 | 8.4 | 7.4 | 4.8 | 5.5 | 5.3 |
| Guatemala | Monetary base | 5.8 | 12.1 | 9.7 | 11.3 | 11.5 | 6.5 | 8.5 | 8.7 | 8.3 | 10.8 |
| | Money (M1) | 5.2 | 11.9 | 6.1 | 7.7 | 9.6 | 7.3 | 7.6 | 8.1 | 8.8 | 11.3 |
| | M2 | 8.1 | 11.5 | 7.9 | 8.4 | 9.4 | 8.7 | 8.5 | 8.7 | 8.8 | 9.8 |
| | Foreign-currency deposits | 9.4 | 6.0 | 4.2 | -1.9 | 1.4 | 6.0 | 8.4 | 11.4 | 11.1 | 4.8 |
| Haiti | Monetary base | -1.0 | 15.4 | 26.2 | 15.6 | 10.4 | 14.8 | 16.1 | 17.4 | 12.7 | 5.2 b/ |
| | Money (M1) | 8.7 | 12.7 | 6.0 | 16.6 | 17.4 | 21.4 | 26.0 | 24.3 | 16.4 | ... |
| | M2 | 8.4 | 12.5 | 8.5 | 13.5 | 12.6 | 16.1 | 22.0 | 21.6 | 16.0 | ... |
| | Foreign-currency deposits | 8.5 | 18.5 | 27.7 | 18.2 | 6.4 | -0.6 | 5.0 | 11.0 | 20.6 | ... |
| Honduras | Monetary base | 9.7 | 16.6 | 14.9 | 18.8 | 13.5 | 8.6 | 6.0 | 5.0 | 2.2 | 8.5 b/ |
| | Money (M1) | 8.4 | 18.9 | 10.2 | 18.2 | 11.0 | 4.8 | 6.8 | 5.3 | 3.0 | 4.8 b/ |
| | M2 | 9.1 | 12.7 | 10.9 | 18.4 | 13.0 | 10.4 | 9.4 | 7.9 | 6.6 | 7.2 b/ |
| | Foreign-currency deposits | 7.3 | 11.3 | 8.3 | 16.3 | 4.4 | 6.4 | 5.4 | 3.6 | 7.3 | 6.9 b/ |
| Mexico | Monetary base | 13.5 | 20.1 | 15.9 | 10.9 | 8.8 | 10.1 | 11.6 | 10.2 | 5.8 | 4.7 |
| | Money (M1) | 13.9 | 16.1 | 11.9 | 10.0 | 8.7 | 10.2 | 10.8 | 10.2 | 7.2 | 5.8 |
| | M2 | 11.1 | 11.7 | 10.6 | 9.5 | 9.7 | 11.1 | 12.3 | 12.1 | 8.8 | 6.1 |
| | Foreign-currency deposits | 26.1 | 39.7 | 30.2 | 29.6 | 13.8 | 20.3 | 0.6 | -10.6 | -7.8 | -4.4 |
| Nicaragua | Monetary base | 12.9 | 17.4 | 11.3 | 7.4 | 7.7 | 12.0 | 6.1 | -9.3 | -10.0 | -3.3 b/ |
| | Money (M1) | 16.4 | 21.0 | 9.5 | 8.9 | 10.5 | 7.4 | -4.3 | -12.2 | -13.3 | -16.3 b/ |
| | M2 | 16.4 | 21.0 | 9.5 | 8.9 | 10.5 | 7.4 | -4.3 | -12.2 | -13.3 | -16.3 b/ |
| | Foreign-currency deposits | 19.5 | 16.5 | 14.0 | 11.6 | 10.2 | 0.4 | -12.3 | -19.1 | -21.9 | -23.6 b/ |
| Panama | Monetary base | -1.2 | 28.5 | 7.9 | 3.2 | 4.8 | 6.2 | 5.8 | 4.0 | 10.9 | ... |
| | Money (M1) | 15.1 | -0.4 | 0.2 | 0.5 | 0.9 | 3.0 | -2.0 | 2.5 | -0.7 | ... |
| | M2 | 13.3 | 4.8 | 6.1 | 5.4 | 4.1 | 3.4 | 1.8 | 2.7 | 2.1 | ... |
| Paraguay | Monetary base | 8.3 | 11.3 | 2.7 | 11.1 | 15.2 | 16.6 | 13.5 | 8.3 | 6.5 | 4.2 |
| | Money (M1) | 9.6 | 11.6 | 3.1 | 14.2 | 14.7 | 13.9 | 8.5 | 4.1 | 5.2 | 0.5 |
| | M2 | 10.6 | 11.2 | 3.9 | 13.2 | 14.4 | 13.1 | 9.7 | 6.5 | 7.5 | 5.0 |
| | Foreign-currency deposits | 29.3 | 22.3 | 13.9 | 1.8 | 2.9 | 6.9 | 1.6 | 4.8 | 7.5 | 5.2 |
| Peru | Monetary base | -8.6 | -0.9 | 3.3 | 5.5 | 8.5 | 8.3 | 7.8 | 7.9 | 5.6 | 6.7 |
| | Money (M1) | 6.4 | 6.6 | 5.1 | 7.9 | 15.4 | 13.7 | 12.9 | 12.1 | 9.8 | 11.1 |
| | M2 | 8.0 | 5.2 | 7.8 | 11.0 | 14.6 | 13.2 | 12.9 | 12.3 | 10.6 | 11.0 |
| | Foreign-currency deposits | 15.2 | 20.8 | 9.6 | -4.7 | 6.3 | 7.4 | 6.2 | 5.8 | 1.6 | 4.8 |

Table A-27 (concluded)

| | | 2014 | 2015 | 2016 | 2017 | 2018 Q-1 | 2018 Q-2 | 2018 Q-3 | 2018 Q-4 | 2019 Q-1 | 2019 Q-2 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Dominican Republic | Monetary base | 3.3 | 22.1 | 9.1 | 1.7 | -3.1 | -3.5 | -3.0 | 4.4 | 7.6 | 13.6 |
| | Money (M1) | 13.6 | 12.9 | 13.9 | 6.2 | 17.2 | 18.0 | 13.6 | 6.3 | 5.3 | 7.5 |
| | M2 | 11.2 | 10.7 | 12.2 | 7.5 | 9.8 | 10.3 | 7.5 | 5.0 | 5.3 | 6.4 |
| | Foreign-currency deposits | 11.5 | 11.9 | 8.9 | 9.9 | 10.1 | 11.3 | 15.2 | 14.5 | 12.7 | 11.4 |
| Uruguay | Monetary base | 11.0 | 11.5 | 10.9 | 13.2 | 0.3 | -0.5 | -1.3 | 5.2 | 4.3 | 12.2 |
| | Money (M1) | 6.1 | 7.1 | 2.2 | 13.1 | 6.2 | 8.8 | 4.3 | 2.8 | 8.3 | 8.3 |
| | M2 | 8.7 | 9.4 | 11.1 | 15.4 | 11.0 | 13.1 | 10.0 | 8.8 | 10.1 | 11.4 |
| | Foreign-currency deposits | 25.8 | 26.6 | 17.2 | -6.9 | -0.1 | 6.0 | 9.7 | 11.4 | 14.0 | 17.7 |
| Venezuela (Bolivarian Republic of) | Monetary base | 86.5 | 95.2 | 144.2 | 873.1 | 2 950.8 | 6 932.4 | 22 338.1 | 38 944.8 | 99 509.2 | 79 552.4 |
| | Money (M1) | 69.5 | 85.1 | 116.6 | 551.7 | 2 220.8 | 7 004.1 | 23 616.6 | 53 256.7 | 102 128.2 | 58 599.4 |
| | M2 | 69.1 | 84.9 | 116.4 | 544.9 | 2 202.9 | 6 957.3 | 2 262.2 | 5 222.8 | 102 119.9 | 58 750.7 |
| **The Caribbean** | | | | | | | | | | | |
| Antigua and Barbuda | Monetary base | 22.7 | 19.6 | 12.5 | -17.1 | 3.7 | 1.8 | 3.0 | 13.5 | 5.9 | ... c/ |
| | Money (M1) | 11.5 | 4.4 | 12.0 | 12.6 | 13.3 | 7.3 | 9.1 | 5.7 | 9.3 | ... c/ |
| | M2 | 3.5 | 2.5 | 0.1 | 5.1 | 5.3 | 4.3 | 5.3 | 4.3 | 4.6 | ... c/ |
| | Foreign-currency deposits | 20.0 | 17.0 | 17.3 | 18.3 | 45.7 | 41.7 | 23.8 | 22.6 | 12.0 | ... c/ |
| Bahamas | Monetary base | 13.8 | -1.8 | 24.7 | 9.9 | 19.0 | 23.4 | 3.0 | -12.5 | -14.3 | ... |
| | Money (M1) | 8.4 | 18.7 | 9.0 | 13.6 | 9.0 | 8.4 | 4.6 | 3.5 | 2.1 | ... |
| | M2 | 0.1 | 1.5 | 2.7 | 4.9 | 2.4 | 2.3 | 0.6 | -0.3 | -0.7 | ... |
| | Foreign-currency deposits | -1.5 | -19.9 | 1.2 | 32.2 | -2.9 | 12.9 | 63.9 | 45.6 | 49.4 | ... |
| Barbados | Monetary base | 5.8 | 31.5 | 24.1 | 12.5 | -2.3 | -3.0 | 2.6 | ... | ... | ... |
| | Money (M1) | 9.4 | 14.1 | 15.0 | 9.3 | 5.6 | 4.7 | ... | ... | ... | ... |
| | M2 | 1.5 | 3.4 | 4.3 | 2.6 | 1.5 | 1.8 | ... | ... | ... | ... |
| Belize | Monetary base | 18.8 | 24.6 | 12.6 | -11.9 | -16.3 | -7.5 | -5.8 | -8.0 | -4.3 | -6.8 b/ |
| | Money (M1) | 14.0 | 14.6 | 10.3 | -4.9 | 6.3 | 8.0 | 7.4 | 4.2 | 2.7 | 5.9 b/ |
| Dominica | Monetary base | 14.6 | 22.9 | 40.7 | 25.4 | 0.5 | 7.2 | 1.7 | -14.5 | -30.7 c/ | ... |
| | Money (M1) | 2.2 | 7.8 | 18.1 | 13.2 | 63.0 | 56.3 | 46.8 | 13.6 | -12.7 c/ | ... |
| | M2 | 6.5 | 4.3 | 6.0 | 7.5 | 24.4 | 23.1 | 17.8 | 5.5 | -5.5 c/ | ... |
| | Foreign-currency deposits | 13.5 | 1.3 | 3.2 | -20.6 | -24.3 | -28.3 | 19.5 | 16.4 | 8.6 c/ | ... |
| Grenada | Monetary base | 19.7 | 10.2 | 5.6 | 1.7 | -3.8 | -2.6 | 8.5 | 6.5 | 12.1 c/ | ... |
| | Money (M1) | 24.1 | 20.6 | 11.1 | 3.0 | 10.2 | 12.7 | 10.7 | 10.4 | 10.6 c/ | ... |
| | M2 | 5.2 | 3.7 | 1.7 | 0.9 | 4.0 | 4.5 | 4.3 | 4.1 | 4.4 c/ | ... |
| | Foreign-currency deposits | 7.8 | 17.4 | 35.9 | 10.2 | 7.4 | -7.8 | -4.0 | 7.2 | 22.7 c/ | ... |
| Guyana | Monetary base | 2.5 | 14.3 | 13.5 | 6.2 | 2.7 | 12.8 | 14.6 | 12.3 | 11.2 | 6.1 |
| | Money (M1) | 10.1 | 7.9 | 7.1 | 9.0 | 8.0 | 9.0 | 8.7 | 9.8 | 11.9 | 13.9 |
| Jamaica | Monetary base | 43.3 | -4.1 | 10.7 | 15.2 | 12.5 | 8.5 | 15.4 | 14.2 | 18.0 | 25.4 |
| | Money (M1) | 5.0 | 15.7 | 21.8 | 11.2 | 15.9 | 21.0 | 23.0 | 20.0 | 15.9 | 18.0 |
| | M2 | 2.6 | 9.9 | 15.2 | 24.1 | 22.7 | 22.2 | 16.4 | 13.3 | 13.2 | 16.2 |
| | Foreign-currency deposits | 9.2 | 13.6 | 19.4 | 21.0 | 12.7 | 7.2 | 10.4 | 11.9 | 12.2 | 11.7 |
| Saint Kitts and Nevis | Monetary base | 11.5 | -13.3 | 15.8 | 2.3 | 2.3 | 8.2 | -3.2 | 7.4 | 8.2 c/ | ... |
| | Money (M1) | 1.5 | 10.8 | -0.7 | -7.9 | -5.6 | -0.5 | -0.7 | 1.6 | 26.2 c/ | ... |
| | M2 | 6.4 | 5.9 | 0.2 | -4.2 | 0.1 | 1.9 | 2.0 | 1.4 | 7.2 c/ | ... |
| | Foreign-currency deposits | 46.4 | 16.3 | -6.3 | -5.9 | -12.2 | -11.7 | -14.9 | -12.8 | -8.7 c/ | ... |
| Saint Vincent and the Grenadines | Monetary base | 19.5 | 15.6 | 8.9 | 2.4 | 2.4 | -6.9 | 1.5 | -5.3 | 3.4 c/ | ... |
| | Money (M1) | 5.8 | 8.6 | 10.0 | 4.6 | -1.0 | -3.0 | 1.2 | 3.7 | 7.2 c/ | ... |
| | M2 | 8.1 | 5.6 | 4.6 | 3.6 | 1.0 | -0.5 | 0.3 | 0.8 | 3.0 c/ | ... |
| | Foreign-currency deposits | 15.8 | 17.6 | 6.4 | -7.4 | -8.7 | -6.1 | 6.7 | -20.1 | 4.9 c/ | ... |
| Saint Lucia | Monetary base | 9.6 | 28.5 | 3.3 | -4.9 | 7.8 | 7.5 | 11.3 | -2.5 | -12.0 c/ | ... |
| | Money (M1) | 7.1 | 3.0 | 6.5 | 8.3 | 5.6 | 6.5 | 13.7 | 10.1 | 6.2 c/ | ... |
| | M2 | -1.0 | 1.6 | 3.1 | 1.3 | 0.1 | 0.5 | 3.6 | 3.8 | 2.7 c/ | ... |
| | Foreign-currency deposits | 45.0 | 20.1 | 11.1 | 5.5 | -14.3 | -18.5 | -3.5 | -3.8 | 8.7 c/ | ... |
| Suriname | Monetary base | -7.2 | -6.2 | 30.3 | 23.9 | 19.8 | 16.6 | 26.7 | 33.3 | 38.1 | 60.3 b/ |
| | Money (M1) | 5.4 | -4.5 | 15.0 | 14.1 | 11.0 | 8.1 | 16.8 | 22.5 | 29.5 | 38.5 b/ |
| | M2 | 8.1 | -2.4 | 12.4 | 11.7 | 11.0 | 10.6 | 16.8 | 21.2 | 26.8 | 30.9 b/ |
| | Foreign-currency deposits | 11.4 | 9.9 | 85.5 | 20.3 | 7.8 | 7.6 | 4.7 | 3.1 | -0.1 | -2.9 b/ |
| Trinidad and Tobago | Monetary base | 8.0 | -7.9 | -7.3 | -8.4 | -5.2 | -4.6 | 3.6 | -3.8 | -7.2 | -7.2 b/ |
| | Money (M1) | 19.8 | 0.0 | 1.2 | -1.9 | -0.7 | -4.1 | 2.3 | 2.9 | -0.3 | 1.9 b/ |
| | M2 | 11.6 | 3.8 | 2.8 | -1.4 | -0.7 | -1.8 | 0.9 | 2.1 | 1.8 | 2.6 b/ |
| | Foreign-currency deposits | -5.7 | 1.6 | 7.3 | 0.4 | -1.8 | -0.1 | -1.0 | -2.2 | 0.8 | 1.3 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.

Table A-28
**LATIN AMERICA AND THE CARIBBEAN: DOMESTIC CREDIT**
*(Percentage variation with respect to the year-earlier period)*

| | 2014 | 2015 | 2016 | 2017 | 2018 | | | | 2019 | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| | | | | | Q-1 | Q-2 | Q-3 | Q-4 | Q-1 | Q-2 a/ |
| **Latin America** | | | | | | | | | | |
| Argentina | 24.4 | 35.2 | 25.0 | 35.0 | 22.5 | 34.7 | 48.8 | 57.0 | 47.4 | 39.6 b/ |
| Bolivia (Plurinational State of) | 17.6 | 16.7 | 18.5 | 16.9 | 14.2 | 14.2 | 13.7 | 12.7 | ... | ... |
| Brazil | 9.5 | 9.0 | 9.5 | 7.5 | 3.1 | 2.8 | 1.6 | 4.9 | 5.7 | 7.6 |
| Chile | 7.6 | 20.0 | 8.8 | 5.5 | 10.5 | 11.3 | 8.8 | 10.2 | 8.0 | 7.8 b/ |
| Colombia | 12.2 | 16.6 | 8.4 | 9.8 | 10.9 | 8.4 | 10.6 | 7.4 | 8.8 c/ | ... |
| Costa Rica | 19.4 | 13.1 | 13.5 | 11.0 | 7.0 | 5.2 | 4.9 | 6.5 | 5.3 | 3.8 |
| Dominican Republic | 11.6 | 15.0 | 14.5 | 8.6 | 10.2 | 10.7 | 8.5 | 7.9 | 11.1 | 13.4 |
| Ecuador | 16.2 | 10.1 | 5.6 | 12.0 | 3.1 | 10.1 | 13.7 | 14.7 | 15.7 | 10.9 b/ |
| El Salvador | 9.5 | 7.3 | 8.1 | 4.4 | 6.0 | 5.8 | 3.1 | 2.7 | 3.6 | 3.6 |
| Guatemala | 12.0 | 12.0 | 6.0 | 2.2 | 0.6 | 2.4 | 4.6 | 5.1 | 4.3 | 2.9 |
| Haiti | 30.4 | 18.2 | 10.2 | 11.7 | 18.9 | 19.4 | 27.9 | 27.5 | 23.1 | ... |
| Honduras | 7.0 | 7.8 | 7.4 | 17.0 | 18.9 | 16.6 | 17.4 | 16.2 | 11.4 | 10.5 b/ |
| Mexico | 9.9 | 12.6 | 14.1 | 8.0 | 8.8 | 13.7 | 10.0 | 8.1 | 5.7 | 6.9 b/ |
| Nicaragua | 11.6 | 11.8 | 14.2 | 15.7 | 7.8 | 3.0 | -2.0 | -6.8 | ... | ... |
| Panama | 15.9 | 5.8 | 10.4 | 10.3 | 10.9 | 9.7 | 9.1 | 6.0 | 4.3 | ... |
| Paraguay | 12.0 | 26.0 | 5.9 | -1.1 | 5.8 | 11.0 | 15.0 | 16.9 | 15.1 | 18.6 |
| Peru | 43.0 | 21.2 | 12.8 | 11.3 | 37.5 | 46.4 | 37.4 | 31.0 | 13.8 | 3.2 |
| Uruguay | 18.6 | 12.9 | 33.4 | 4.1 | -11.2 | -18.0 | 4.0 | 12.2 | 7.1 | 38.4 |
| Venezuela (Bolivarian Republic of) d/ | 63.8 | 74.5 | 100.1 | 302.9 | 3 118.1 | 9 969.9 | 119 947.3 | 414 319.8 | 550 201.0 | 264 530.8 |
| **The Caribbean** | | | | | | | | | | |
| Antigua and Barbuda | -0.4 | -5.9 | -10.5 | 5.1 | -2.6 | -3.5 | -1.4 | 0.7 | 4.6 c/ | ... |
| Bahamas | 0.0 | 0.7 | 0.7 | 1.9 | -4.0 | -4.9 | -5.0 | -0.2 | 0.6 | ... |
| Barbados | 2.3 | 3.2 | 7.4 | 2.4 | ... | ... | ... | ... | ... | ... |
| Belize | -0.6 | 8.9 | 18.5 | 2.5 | 4.3 | 7.8 | 7.8 | 5.1 | 4.1 | 6.2 b/ |
| Dominica | 1.7 | -1.8 | -24.3 | -24.6 | -13.6 | 20.2 | 38.2 | 63.0 | 64.6 c/ | ... |
| Grenada | -9.0 | -10.2 | -11.2 | -6.7 | -1.1 | -2.6 | -9.5 | -8.8 | -10.3 c/ | ... |
| Guyana | 16.0 | 11.3 | 11.3 | 9.3 | 13.2 | 22.7 | 22.5 | 18.0 | 14.3 | 12.8 |
| Jamaica | 14.2 | -2.2 | 4.7 | 5.6 | -5.0 | 3.3 | 23.1 | 28.0 | 31.3 | 30.3 |
| Saint Kitts and Nevis | -18.7 | -79.9 | -78.8 | 105.8 | 52.0 | 55.5 | -25.1 | -53.5 | 15.8 c/ | ... |
| Saint Lucia | -3.1 | -12.2 | -6.1 | -8.0 | -8.4 | -7.3 | -5.5 | -4.9 | -3.4 c/ | ... |
| Saint Vincent and the Grenadines | 3.5 | 5.4 | 0.3 | 0.1 | 3.3 | 5.0 | 1.9 | 1.7 | 2.5 c/ | ... |
| Suriname | 21.5 | 23.5 | 33.8 | 13.3 | 10.8 | -7.5 | -9.8 | -4.5 | 2.4 | 8.4 b/ |
| Trinidad and Tobago | -23.8 | 3.2 | 36.6 | 13.5 | 13.2 | 9.3 | 18.0 | 10.4 | 5.7 | 17.4 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 by the commercial and universal banks.

Table A-29
**LATIN AMERICA AND THE CARIBBEAN: REFERENCE MONETARY POLICY RATES**
*(Average rates)*

| | 2014 | 2015 | 2016 | 2017 | 2018 | | | | 2019 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Q-1 | Q-2 | Q-3 | Q-4 | Q-1 | Q-2 |
| **Latin America** | | | | | | | | | | |
| Argentina | 26.7 | 27.0 | 28.8 | 26.4 | 27.5 | 36.8 | 48.3 | 65.1 | 55.5 | 69.0 |
| Bolivia (Plurinational State of) | 5.1 | 2.7 | 2.5 | 2.4 | 2.5 | 2.2 | 2.5 | 2.5 | 2.5 | 2.5 a/ |
| Brazil | 11.0 | 13.6 | 14.2 | 9.8 | 6.8 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 b/ |
| Chile | 3.7 | 3.1 | 3.5 | 2.7 | 2.5 | 2.5 | 2.5 | 2.8 | 2.9 | 2.8 |
| Colombia | 3.9 | 4.7 | 7.1 | 6.0 | 4.5 | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 |
| Costa Rica | 4.9 | 3.5 | 1.8 | 3.5 | 4.9 | 5.0 | 5.0 | 5.2 | 5.2 | 4.8 |
| Dominican Republic | 6.3 | 5.4 | 5.1 | 5.4 | 5.3 | 5.3 | 5.5 | 5.5 | 5.5 | 5.5 |
| Guatemala | 4.6 | 3.3 | 3.0 | 3.0 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 b/ |
| Haiti | 4.8 | 12.3 | 14.7 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 15.3 |
| Honduras | 7.0 | 6.5 | 5.7 | 5.5 | 5.5 | 5.5 | 5.5 | 5.5 | 5.8 | 5.8 b/ |
| Mexico | 3.2 | 3.0 | 4.2 | 6.8 | 7.4 | 7.6 | 7.8 | 8.0 | 8.3 | 8.3 b/ |
| Paraguay | 6.7 | 6.1 | 5.7 | 5.4 | 5.3 | 5.3 | 5.3 | 5.3 | 5.0 | 4.8 b/ |
| Peru | 3.8 | 3.4 | 4.2 | 3.8 | 2.9 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 b/ |
| Venezuela (Bolivarian Republic of) | 6.4 | 6.2 | 6.5 | 6.4 | 6.5 | 6.2 | 6.1 | 6.0 | 6.1 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 a/ |
| Bahamas | 4.5 | 4.5 | 4.5 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 a/ |
| Barbados | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 d/ | ... |
| Belize | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 a/ |
| Dominica | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 a/ |
| Grenada | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 a/ |
| Guyana | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 a/ |
| Jamaica | 5.8 | 5.5 | 5.1 | 4.2 | 2.8 | 2.4 | 2.0 | 1.9 | 1.5 | 1.0 b/ |
| Saint Kitts and Nevis | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 a/ |
| Saint Lucia | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 a/ |
| 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 a/ |
| Trinidad and Tobago | 2.8 | 4.1 | 4.8 | 4.8 | 4.8 | 4.8 | 5.0 | 5.0 | 5.0 | 5.0 b/ |

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.
c/ Figures as of January.
d/ Figures as of February.

Table A-30
**LATIN AMERICA AND THE CARIBBEAN: REPRESENTATIVE LENDING RATES**
*(Average rates)*

| | 2014 | 2015 | 2016 | 2017 | 2018 | | | | 2019 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Q-1 | Q-2 | Q-3 | Q-4 | Q-1 | Q-2 a/ |
| **Latin America** | | | | | | | | | | |
| Argentina b/ | 29.3 | 28.2 | 33.3 | 26.8 | 29.6 | 36.6 | 54.6 | 70.4 | 59.5 | 70.0 |
| Bolivia (Plurinational State of) c/ | 6.5 | 6.4 | 6.2 | 6.0 | 6.4 | 6.2 | 6.3 | 6.6 | 6.7 | 5.0 |
| Brazil d/ | 45.0 | 49.5 | 53.7 | 49.9 | 46.6 | 44.9 | 44.8 | 44.2 | 44.8 | 45.2 |
| Chile e/ | 10.8 | 9.3 | 10.4 | 11.5 | 11.1 | 10.1 | 10.4 | 10.6 | 10.1 | 8.9 |
| Colombia f/ | 12.1 | 12.1 | 14.7 | 13.7 | 12.1 | 12.3 | 12.4 | 11.7 | 12.2 | 12.1 |
| Costa Rica g/ | 16.6 | 15.9 | 14.7 | 14.5 | 15.1 | 15.4 | 16.1 | 15.8 | 13.7 | 13.9 |
| Dominican Republic g/ | 13.9 | 14.9 | 15.1 | 13.9 | 12.2 | 12.3 | 13.0 | 12.7 | 12.9 | 12.9 |
| Ecuador h/ | 8.1 | 8.3 | 8.7 | 7.9 | 7.5 | 7.2 | 7.7 | 8.5 | 8.5 | 8.6 |
| El Salvador i/ | 6.0 | 6.2 | 6.4 | 6.5 | 6.5 | 6.5 | 6.6 | 6.6 | 6.5 | 6.7 |
| Guatemala g/ | 13.8 | 13.2 | 13.1 | 13.1 | 13.0 | 13.0 | 12.9 | 12.8 | 12.8 | 12.7 |
| Haiti j/ | 18.6 | 18.8 | 19.7 | 18.0 | 18.1 | 18.2 | 17.4 | 17.2 | 17.1 | 17.0 |
| Honduras g/ | 20.6 | 20.7 | 19.3 | 19.3 | 18.1 | 17.9 | 17.6 | 17.6 | 17.4 | 17.3 |
| Mexico k/ | 28.6 | 28.5 | 26.8 | 27.0 | 27.4 | 27.8 | 28.9 | 29.0 | 29.6 l/ | ... |
| Nicaragua m/ | 13.5 | 12.0 | 11.4 | 10.9 | 9.8 | 10.1 | 11.1 | 12.5 | 12.5 | 13.1 |
| Panama n/ | 6.9 | 6.5 | 6.6 | 6.8 | 6.8 | 6.9 | 6.9 | 7.0 | 7.1 | 7.1 o/ |
| Paraguay p/ | 15.7 | 14.4 | 15.6 | 14.3 | 12.6 | 13.2 | 12.9 | 12.8 | 12.4 | 13.5 |
| Peru q/ | 15.7 | 16.1 | 16.5 | 16.8 | 15.6 | 14.2 | 14.2 | 14.2 | 14.4 | 14.5 |
| Uruguay r/ | 17.2 | 17.0 | 17.6 | 15.4 | 14.3 | 14.3 | 14.1 | 14.1 | 13.7 | 12.8 |
| Venezuela (Bolivarian Republic of) s/ | 17.1 | 19.9 | 21.4 | 21.5 | 22.1 | 21.8 | 21.6 | 22.0 | 29.5 | 31.3 |
| **The Caribbean** | | | | | | | | | | |
| Antigua and Barbuda t/ | 9.6 | 8.7 | 9.2 | 9.0 | 9.0 | 9.1 | 8.5 | 8.4 | ... | ... |
| Bahamas u/ | 11.8 | 12.3 | 12.5 | 11.8 | 11.4 | 11.3 | 11.6 | 11.3 | 10.3 | 10.4 o/ |
| Barbados t/ | 7.0 | 6.9 | 6.7 | 6.6 | 6.7 | 6.6 | 6.7 | 6.7 | 6.7 | ... v/ |
| Belize w/ | 10.9 | 10.3 | 9.8 | 9.5 | 9.2 | 9.2 | 9.1 | 9.0 | 9.1 | 9.2 o/ |
| Dominica t/ | 8.8 | 8.6 | 8.2 | 8.0 | 7.9 | 7.8 | 7.6 | 7.6 | ... | ... |
| Grenada t/ | 9.1 | 8.8 | 8.4 | 8.2 | 7.9 | 7.7 | 7.6 | 7.6 | ... | ... |
| Guyana s/ | 11.1 | 10.8 | 10.7 | 10.6 | 10.5 | 10.4 | 10.4 | 10.3 | 9.2 | 8.9 |
| Jamaica w/ | 17.2 | 17.0 | 16.5 | 14.9 | 14.4 | 14.1 | 14.1 | 13.8 | 13.3 | 13.3 o/ |
| Saint Kitts and Nevis t/ | 8.8 | 8.5 | 8.5 | 8.5 | 8.4 | 8.4 | 8.1 | 8.1 | ... | ... |
| Saint Lucia t/ | 8.4 | 8.5 | 8.2 | 8.1 | 8.0 | 8.1 | 8.0 | 7.9 | ... | ... |
| Saint Vincent and the Grenadines t/ | 9.3 | 9.3 | 9.1 | 8.7 | 8.5 | 8.4 | 8.4 | 8.4 | ... | ... |
| Suriname x/ | 12.3 | 12.6 | 13.5 | 14.4 | 14.3 | 14.3 | 14.2 | 14.3 | 14.8 | 14.9 |
| Trinidad and Tobago r/ | 7.5 | 8.2 | 9.0 | 9.0 | 9.0 | 9.0 | 9.1 | 9.3 | 9.3 | 9.3 |

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Figures as of May.
b/ Local-currency loans to the non-financial private sector, at fixed or renegotiable rates, signature loans of up to 89 days.
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/ Average interest rate for credit cards from commercial banks and the TAC rate (Total Annual Cost).
l/ Figures as of February.
m/ Weighted average of short-term lending rates in local currency.
n/ Interest rate on one-year trade credit.
o/ Figures as of April.
p/ Commercial lending rate, local currency.
q/ Market lending rate, average for transactions conducted in the last 30 business days.
r/ Business credit, 30-367 days.
s/ Average rate for loan operations for the six major commercial banks.
t/ Weighted average of lending rates.
u/ Weighted average of lending and overdraft rates.
v/ Figures as of January.
w/ Rate for personal and business loans, residential and other construction loans; weighted average.
x/ Average of lending rates.

Table A-31
**LATIN AMERICA AND THE CARIBBEAN: CONSUMER PRICES**
*(12-month percentage variation)*

| | 2014 | 2015 | 2016 | 2017 | 2018 | | | | 2019 | |
| | | | | | March | June | September | December | March | May |
|---|---|---|---|---|---|---|---|---|---|---|
| **Latin America and the Caribbean a/** | **6.3** | **7.9** | **7.3** | **5.7** | **5.0** | **5.9** | **6.9** | **7.0** | **7.7** | **8.1** |
| **Latin America** | | | | | | | | | | |
| Argentina b/ | 23.9 | 27.5 | 38.5 | 25.0 | 25.6 | 29.5 | 40.3 | 47.1 | 54.1 | 56.8 |
| Bolivia (Plurinational State of) | 5.2 | 3.0 | 4.0 | 2.7 | 2.7 | 3.2 | 0.9 | 1.5 | 1.1 | 1.7 |
| Brazil | 6.4 | 10.7 | 6.3 | 2.9 | 2.7 | 4.4 | 4.5 | 3.7 | 4.6 | 4.7 |
| Chile | 4.8 | 4.4 | 2.7 | 2.3 | 1.8 | 2.5 | 3.1 | 2.6 | 2.5 | 2.8 |
| Colombia | 3.7 | 6.8 | 5.7 | 4.1 | 3.1 | 3.2 | 3.2 | 3.2 | 3.2 | 3.3 |
| Costa Rica | 5.1 | -0.8 | 0.8 | 2.6 | 2.6 | 2.1 | 2.2 | 2.0 | 1.4 | 2.3 |
| Cuba c/ | 2.1 | 2.4 | -3.0 | 0.6 | 1.5 | 1.9 | 2.0 | 2.4 | 2.8 | 4.3 |
| Dominican Republic | 1.6 | 2.3 | 1.7 | 4.2 | 3.9 | 4.6 | 3.3 | 1.2 | 1.5 | 1.3 |
| Ecuador | 3.7 | 3.4 | 1.1 | -0.2 | -0.2 | -0.7 | 0.2 | 0.3 | -0.1 | 0.4 |
| El Salvador | 0.5 | 1.0 | -0.9 | 2.0 | 0.9 | 0.9 | 1.4 | 0.4 | 0.7 | 0.8 |
| Guatemala | 2.9 | 3.1 | 4.2 | 5.7 | 4.1 | 3.8 | 4.6 | 2.3 | 4.2 | 4.5 |
| Haiti | 6.4 | 12.5 | 14.3 | 13.3 | 12.9 | 13.0 | 14.5 | 16.5 | 17.7 | 18.6 |
| Honduras | 5.8 | 2.4 | 3.3 | 4.7 | 4.4 | 4.1 | 4.4 | 4.2 | 4.1 | 5.1 |
| Mexico | 4.1 | 2.1 | 3.4 | 6.8 | 5.0 | 4.6 | 5.0 | 4.8 | 4.0 | 4.3 |
| Nicaragua | 6.4 | 2.9 | 3.1 | 5.8 | 5.0 | 5.3 | 4.8 | 3.4 | 4.7 | 5.8 |
| Panama | 1.0 | 0.3 | 1.5 | 0.5 | 0.6 | 1.2 | 0.8 | 0.2 | -0.2 | 0.0 |
| Paraguay | 4.2 | 3.1 | 3.9 | 4.5 | 4.1 | 4.4 | 4.0 | 3.2 | 2.8 | 3.8 |
| Peru | 3.2 | 4.4 | 3.2 | 1.4 | 0.4 | 1.4 | 1.3 | 2.2 | 2.2 | 2.7 |
| Uruguay | 8.3 | 9.4 | 8.1 | 6.6 | 6.7 | 8.1 | 8.3 | 8.0 | 7.8 | 7.7 |
| Venezuela (Bolivarian Republic of) | 68.5 | 180.9 | 274.4 | 862.6 | 2 127.9 | 10 470.7 | 44 950.5 | 130 060.2 | 329 567.6 | 282 972.8 d/ |
| **The Caribbean** | | | | | | | | | | |
| Antigua and Barbuda | 1.3 | 0.9 | -1.1 | 2.4 | 0.3 | 1.5 | 1.2 | 1.7 | 1.2 | ... |
| Bahamas | 0.2 | 2.0 | 0.8 | 1.8 | 0.7 | 1.9 | 3.7 | 2.0 | 3.6 | ... e/ |
| Barbados | 2.3 | -2.3 | 3.8 | 6.6 | 6.2 | 5.5 | 1.5 | 0.6 | 1.1 | ... e/ |
| Belize | -0.2 | -0.6 | 1.1 | 1.0 | -0.6 | 0.6 | 1.0 | -0.1 | 0.3 | 0.0 |
| Dominica | 0.5 | -0.5 | 0.6 | 0.6 | 0.7 | 1.0 | 1.6 | 2.8 | 1.6 | ... |
| Grenada | -0.6 | 1.1 | 0.9 | 0.5 | 0.4 | 0.7 | 1.2 | 1.4 | 0.9 | ... |
| Guyana | 1.2 | -1.8 | 1.4 | 1.5 | 0.6 | 1.3 | 1.5 | 1.6 | 2.0 | 2.7 d/ |
| Jamaica | 6.2 | 3.7 | 1.7 | 5.2 | 3.9 | 2.8 | 4.3 | 2.4 | 3.4 | 4.8 |
| Saint Kitts and Nevis | -0.5 | -2.4 | 0.0 | 0.8 | -0.1 | -0.8 | -2.0 | -0.8 | -0.2 | ... |
| Saint Lucia | 3.7 | -2.6 | -2.8 | 2.0 | 1.9 | 1.9 | 2.1 | 1.6 | 2.1 | ... |
| Saint Vincent and the Grenadines | 0.1 | -2.1 | 1.0 | 3.0 | 3.1 | 2.4 | 2.3 | 1.4 | 1.3 | 1.0 d/ |
| Suriname | 3.9 | 25.2 | 49.2 | 9.3 | 8.7 | 7.0 | 5.5 | 5.4 | 4.1 | 4.7 |
| Trinidad and Tobago | 8.5 | 1.5 | 3.1 | 1.3 | 0.8 | 0.9 | 1.1 | 1.0 | 1.5 | 1.1 |

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Weighted average.
b/ As from 2017, the data is matched with those corresponding to Gran Buenos Aires; in order to make an interannual comparison.
c/ Refers to national-currency markets.
d/ Figures as of April.
e/ Figures as of February.

Table A-32
**LATIN AMERICA AND THE CARIBBEAN: FISCAL BALANCES**
*(Percentages of GDP)*

| | Primary balance | | | | Overall balance | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2015 | 2016 | 2017 | 2018 |
| **Latin America and the Caribbean a/** | **-0.2** | **-0.2** | **-0.1** | **0.5** | **-2.8** | **-2.9** | **-2.9** | **-2.1** |
| **Latin America b/** | **-1.0** | **-1.0** | **-0.8** | **-0.4** | **-3.1** | **-3.2** | **-3.1** | **-2.9** |
| Argentina | -1.9 | -2.1 | -2.8 | -1.6 | -3.7 | -5.7 | -5.8 | -5.2 |
| Bolivia (Plurinational State of) c/ | -3.6 | -2.8 | -4.4 | … | -4.5 | -3.4 | -5.0 | … |
| Brazil | -1.9 | -2.5 | -1.8 | -1.7 | -9.1 | -7.6 | -7.7 | -7.3 |
| Chile | -1.5 | -2.0 | -1.9 | -0.8 | -2.1 | -2.7 | -2.7 | -1.6 |
| Colombia | -0.8 | -1.6 | -1.1 | -0.6 | -3.0 | -4.0 | -3.7 | -3.1 |
| Costa Rica | -3.0 | -2.4 | -3.0 | -2.3 | -5.7 | -5.2 | -6.1 | -5.9 |
| Cuba | … | … | … | … | -0.4 | … | … | … |
| Dominican Republic | 0.3 | 0.5 | 0.0 | 1.2 | -2.4 | -2.4 | -2.4 | -2.0 |
| Ecuador | -2.1 | -3.6 | -3.5 | -0.9 | -3.8 | -5.6 | -5.9 | -3.6 |
| El Salvador | 1.5 | 1.9 | 3.0 | 2.3 | -1.2 | -0.9 | -0.1 | -1.1 |
| Guatemala | -0.1 | 0.4 | 0.1 | -0.3 | -1.5 | -1.1 | -1.3 | -1.8 |
| Haiti d/ | 0.3 | 0.9 | 0.7 | -2.4 | 0.1 | 0.6 | 0.4 | -2.7 |
| Honduras | -0.5 | -0.3 | 0.0 | 0.9 | -3.0 | -2.7 | -2.7 | -2.1 |
| Mexico e/ | -1.2 | -0.2 | 1.2 | 0.4 | -3.4 | -2.5 | -1.1 | -2.0 |
| Nicaragua | 0.3 | 0.4 | 0.5 | -0.9 | -0.6 | -0.6 | -0.6 | -2.0 |
| Panama | -2.0 | -2.1 | -1.4 | -1.1 | -3.7 | -3.8 | -3.1 | -2.9 |
| Paraguay | -0.9 | -0.5 | -0.5 | -0.6 | -1.3 | -1.1 | -1.1 | -1.3 |
| Peru | -1.0 | -1.1 | -1.8 | -0.8 | -2.0 | -2.2 | -2.9 | -2.0 |
| Uruguay | -0.5 | -1.0 | -0.3 | 0.7 | -2.8 | -3.7 | -3.0 | -2.1 |
| Venezuela (Bolivarian Republic of) | … | … | … | … | -0.1 | … | … | … |
| **The Caribbean f/** | **0.7** | **1.0** | **0.8** | **1.6** | **-2.5** | **-2.4** | **-2.6** | **-1.2** |
| Antigua and Barbuda | 4.6 | 2.2 | 0.1 | 0.1 | 2.2 | -0.4 | -2.4 | -2.3 |
| Bahamas g/ | -0.3 | -3.4 | -0.8 | 0.6 | -2.6 | -5.6 | -3.4 | -2.1 |
| Barbados h/ i/ | -2.1 | 2.4 | 3.3 | 3.6 | -9.4 | -5.8 | -4.8 | -0.3 |
| Belize h/ | -4.8 | -1.8 | 1.4 | 2.2 | -7.3 | -4.3 | -1.3 | -0.3 |
| Dominica | 0.0 | 15.6 | -3.6 | … | -1.7 | 13.9 | -5.2 | … |
| Grenada | 2.1 | 4.7 | 5.8 | 6.2 | -1.2 | 1.8 | 3.2 | 4.2 |
| Guyana | -0.4 | -3.4 | -3.4 | -2.5 | -1.4 | -4.4 | -4.5 | -3.6 |
| Jamaica h/ | 7.3 | 7.7 | 7.6 | 7.6 | -0.3 | -0.2 | 0.5 | 1.2 |
| Saint Kitts and Nevis | 7.7 | 6.4 | 3.4 | 6.9 | 5.8 | 4.8 | 1.9 | 5.5 |
| Saint Vincent and the Grenadines | 0.9 | 4.3 | 1.2 | 1.2 | -1.3 | 2.2 | -1.2 | -1.0 |
| Saint Lucia | 1.3 | 2.8 | 1.9 | 2.2 | -2.1 | -0.5 | -1.2 | -0.9 |
| Suriname d/ | -8.3 | -7.5 | -4.4 | -7.6 | -10.7 | -11.2 | -8.7 | -11.1 |
| Trinidad and Tobago j/ | 0.5 | -2.9 | -6.0 | -1.0 | -1.7 | -5.5 | -9.0 | -3.4 |

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Simple averages of the 28 countries that submitted reports. The Coverage corresponds to the central government.
b/ Simple averages for 16 countries. Does not include the Bolivarian Republic of Venezuela, Cuba, Haiti or the Plurinational State of Bolivia.
c/ General government.
d/ Includes statistical discrepancy.
e/ Federal public sector.
f/ Simple averages for 12 countries. Does not include Dominica.
g/ Fiscal years, from 1 July to 30 June.
h/ Fiscal years, from 1 April to 31 March.
i/ Non-financial public sector.
j/ Fiscal years, from 1 October to 30 September.

Table A-33
**LATIN AMERICA AND THE CARIBBEAN: COMPOSITION OF TAX REVENUE**
*(Percentages of GDP)*

| | Total tax burden | | Social security contributions | | Direct taxes | | Indirect taxes | | Other taxes | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| **Latin America and the Caribbean a/** | **22.0** | **22.5** | **3.6** | **3.7** | **6.5** | **6.7** | **11.4** | **11.7** | **0.4** | **0.4** |
| **Latin America a/** | **20.4** | **20.5** | **4.1** | **4.2** | **6.3** | **6.4** | **9.4** | **9.3** | **0.6** | **0.6** |
| Argentina | 30.1 | 28.9 | 6.9 | 6.3 | 8.4 | 8.1 | 14.0 | 14.3 | 0.7 | 0.2 |
| Bolivia (Plurinational State of) | 27.3 | 26.0 | 6.1 | 5.6 | 4.1 | 4.0 | 13.1 | 12.6 | 3.9 | 3.7 |
| Brazil | 32.0 | 32.9 | 8.9 | 8.8 | 9.1 | 9.4 | 13.7 | 14.3 | 0.4 | 0.3 |
| Chile | 20.1 | 21.1 | 1.4 | 1.4 | 7.9 | 8.6 | 10.9 | 11.0 | -0.2 | 0.0 |
| Colombia | 20.4 | 22.0 | 3.0 | 4.8 | 8.6 | 8.4 | 8.0 | 8.0 | 0.9 | 0.8 |
| Costa Rica | 21.9 | 22.0 | 7.4 | 7.6 | 5.2 | 5.3 | 8.7 | 8.4 | 0.6 | 0.6 |
| Cuba | 43.5 | … | 5.4 | … | 12.0 | … | 23.2 | … | 2.9 | … |
| Dominican Republic | 13.8 | 13.8 | 0.1 | 0.1 | 4.9 | 4.8 | 8.9 | 8.9 | 0.0 | 0.0 |
| Ecuador | 20.3 | 20.9 | 4.5 | 4.4 | 5.5 | 6.4 | 9.9 | 9.8 | 0.3 | 0.3 |
| El Salvador | 20.0 | 20.2 | 2.3 | 2.3 | 7.4 | 7.4 | 10.3 | 10.5 | 0.0 | 0.0 |
| Guatemala | 12.4 | 12.2 | 2.1 | 2.1 | 3.9 | 3.7 | 6.4 | 6.4 | 0.1 | 0.1 |
| Haiti b/ | 14.3 | 13.3 | 0.7 | 0.7 | 3.7 | 3.3 | 7.9 | 7.3 | 2.0 | 2.0 |
| Honduras | 22.8 | 23.1 | 3.3 | 3.4 | 6.7 | 6.9 | 11.6 | 11.6 | 1.2 | 1.2 |
| Mexico | 16.1 | 16.0 | 2.1 | 2.2 | 7.9 | 7.7 | 5.8 | 5.8 | 0.2 | 0.3 |
| Nicaragua | 23.0 | 22.2 | 5.7 | 5.9 | 6.9 | 7.1 | 9.6 | 8.4 | 0.8 | 0.8 |
| Panama | 15.2 | 15.1 | 5.7 | 5.6 | 4.9 | 5.2 | 4.5 | 4.3 | 0.1 | 0.0 |
| Paraguay c/ | 13.8 | 13.5 | 3.7 | 3.5 | 2.5 | 2.4 | 7.6 | 7.5 | 0.0 | 0.0 |
| Peru | 15.6 | 16.9 | 2.0 | 2.0 | 6.4 | 6.7 | 7.1 | 7.9 | 0.2 | 0.3 |
| Uruguay | 27.2 | 28.6 | 7.7 | 8.9 | 8.7 | 9.0 | 10.8 | 10.8 | 0.0 | 0.0 |
| Venezuela (Bolivarian Republic of) | … | … | … | … | … | … | … | … | … | … |
| **The Caribbean a/** | **24.2** | **25.3** | **3.0** | **3.1** | **6.9** | **7.1** | **14.2** | **15.0** | **0.1** | **0.1** |
| Antigua and Barbuda | 19.2 | 19.1 | 3.4 | 3.6 | 2.3 | 2.3 | 12.2 | 12.3 | 1.2 | 0.9 |
| Bahamas d/ | 17.3 | 17.0 | 2.2 | 2.2 | 1.0 | 1.0 | 14.1 | 13.7 | 0.0 | 0.0 |
| Barbados e/ | 34.5 | 35.0 | 6.3 | 6.3 | 9.8 | 10.7 | 17.9 | 17.2 | 0.5 | 0.9 |
| Belize e/ | 28.4 | 29.7 | 2.2 | 2.2 | 7.4 | 7.6 | 18.8 | 19.8 | 0.0 | 0.0 |
| Dominica | 28.7 | 33.9 | 4.2 | 4.4 | 5.5 | 4.0 | 18.9 | 25.6 | 0.0 | 0.0 |
| Grenada | 25.2 | 25.3 | 3.2 | 3.3 | 5.4 | 5.5 | 16.6 | 16.5 | 0.0 | 0.0 |
| Guyana | 26.1 | 28.8 | 2.8 | 2.9 | 9.7 | 10.8 | 13.6 | 15.0 | 0.0 | 0.0 |
| Jamaica e/ | 27.2 | 27.9 | 1.1 | 1.1 | 8.4 | 8.6 | 17.8 | 18.2 | 0.0 | 0.0 |
| Saint Kitts and Nevis | 22.6 | 23.5 | 4.1 | 4.2 | 6.2 | 6.8 | 12.3 | 12.4 | 0.0 | 0.0 |
| Saint Lucia | 22.5 | 22.5 | 2.3 | 2.3 | 5.5 | 5.5 | 14.7 | 14.8 | 0.0 | 0.0 |
| Saint Vincent and the Grenadines | 27.8 | 26.7 | 3.3 | 3.5 | 9.6 | 8.4 | 14.9 | 14.8 | 0.0 | 0.0 |
| Suriname | 14.6 | 16.1 | 0.7 | 0.7 | 7.3 | 8.0 | 6.7 | 7.4 | 0.0 | 0.0 |
| Trinidad and Tobago b/ | 20.8 | 22.9 | 3.1 | 2.9 | 11.3 | 12.7 | 6.4 | 7.2 | 0.0 | 0.0 |

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Simple averages. Does not include Bolivarian Republic of Venezuela or Cuba .
b/ Fiscal years, from 1 October to 30 September.
c/ Does not include tax collection by subnational governments.
d/ Fiscal years, from 1 July to 30 June.
e/ Fiscal years, from 1 April to 31 March.

Table A-34
**LATIN AMERICA AND THE CARIBBEAN: PUBLIC INCOME AND EXPENDITURE**
*(Percentages of GDP)*

| | Total income | | Total expenditure | | Current expenditure | | Interest payments | | Capital expenditure | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| **Latin America and the Caribbean a/** | **21.4** | **22.0** | **24.3** | **24.2** | **18.0** | **18.2** | **2.7** | **2.6** | **3.6** | **3.3** |
| **Latin America b/** | **18.1** | **18.2** | **21.2** | **21.1** | **15.4** | **15.4** | **2.3** | **2.5** | **3.6** | **3.2** |
| Argentina | 18.3 | 17.3 | 24.1 | 22.6 | 19.3 | 17.6 | 3.0 | 3.6 | 1.9 | 1.4 |
| Bolivia (Plurinational State of) c/ | 29.3 | … | 34.3 | … | 21.6 | … | 0.7 | … | 12.0 | … |
| Brazil | 21.1 | 21.8 | 28.8 | 29.1 | 21.9 | 22.5 | 5.9 | 5.6 | 1.0 | 1.0 |
| Chile | 20.9 | 22.0 | 23.7 | 23.6 | 19.1 | 19.1 | 0.8 | 0.8 | 3.8 | 3.7 |
| Colombia | 15.7 | 15.3 | 19.3 | 18.4 | 14.6 | 14.3 | 2.6 | 2.5 | 2.1 | 1.5 |
| Costa Rica | 14.4 | 14.3 | 20.5 | 20.2 | 15.4 | 15.2 | 3.1 | 3.5 | 2.0 | 1.4 |
| Cuba | … | … | … | … | | | … | … | … | … |
| Dominican Republic | 14.9 | 15.0 | 17.3 | 17.0 | 11.4 | 11.2 | 2.4 | 3.2 | 3.5 | 2.6 |
| Ecuador | 17.4 | 18.7 | 23.3 | 22.3 | 12.6 | 13.2 | 2.4 | 2.7 | 8.3 | 6.4 |
| El Salvador | 19.2 | 19.3 | 19.2 | 20.3 | 13.5 | 13.9 | 3.1 | 3.4 | 2.7 | 3.0 |
| Guatemala | 10.8 | 10.6 | 12.1 | 12.3 | 8.5 | 8.5 | 1.4 | 1.4 | 2.2 | 2.4 |
| Haiti d/ | 13.8 | 13.2 | 12.7 | 13.9 | 11.3 | 11.8 | 0.3 | 0.3 | 1.1 | 1.9 |
| Honduras | 20.3 | 20.3 | 23.0 | 22.4 | 15.0 | 14.1 | 2.7 | 3.0 | 5.3 | 5.3 |
| Mexico e/ | 22.6 | 21.7 | 23.6 | 23.8 | 17.8 | 18.2 | 2.3 | 2.5 | 3.6 | 3.1 |
| Nicaragua | 18.7 | 17.4 | 19.2 | 19.4 | 13.4 | 13.8 | 1.1 | 1.1 | 4.8 | 4.6 |
| Panama | 13.9 | 13.9 | 17.1 | 16.7 | 9.2 | 9.2 | 1.7 | 1.8 | 6.1 | 5.7 |
| Paraguay | 14.2 | 13.9 | 15.3 | 15.1 | 11.1 | 11.4 | 0.6 | 0.7 | 3.6 | 3.0 |
| Peru | 18.6 | 19.9 | 21.5 | 21.9 | 15.6 | 15.7 | 1.1 | 1.3 | 4.8 | 5.0 |
| Uruguay | 28.8 | 30.6 | 31.8 | 32.7 | 27.8 | 28.4 | 2.7 | 2.8 | 1.3 | 1.5 |
| Venezuela (Bolivarian Republic of) | … | … | … | … | … | … | … | … | … | … |
| **The Caribbean f/** | **25.8** | **27.0** | **28.3** | **28.2** | **21.4** | **22.0** | **3.3** | **2.8** | **3.5** | **3.4** |
| Antigua and Barbuda | 19.7 | 19.6 | 22.1 | 21.9 | 18.1 | 17.7 | 2.5 | 2.4 | 1.5 | 1.8 |
| Bahamas g/ | 16.7 | 19.4 | 20.2 | 21.5 | 15.4 | 16.9 | 2.6 | 2.7 | 2.2 | 1.9 |
| Barbados h/ i/ | 30.2 | 30.6 | 35.0 | 30.9 | 25.0 | 24.9 | 8.1 | 3.9 | 1.8 | 2.0 |
| Belize h/ | 29.8 | 30.7 | 31.2 | 31.0 | 24.3 | 24.4 | 2.7 | 2.6 | 4.1 | 4.1 |
| Dominica | 47.3 … | | 52.5 … | | 31.5 … | | 1.7 … | | 19.4 … | |
| Grenada | 25.6 | 25.8 | 22.4 | 21.6 | 17.2 | 16.8 | 2.6 | 2.0 | 2.6 | 2.8 |
| Guyana | 28.2 | 29.8 | 32.7 | 33.4 | 23.6 | 25.1 | 1.1 | 1.1 | 8.0 | 7.2 |
| Jamaica h/ | 29.6 | 31.1 | 29.1 | 29.8 | 19.5 | 20.2 | 7.1 | 6.4 | 2.5 | 3.3 |
| Saint Kitts and Nevis | 31.5 | 37.3 | 29.6 | 31.8 | 22.9 | 24.6 | 1.5 | 1.4 | 5.2 | 5.8 |
| Saint Lucia | 22.6 | 23.0 | 23.8 | 23.9 | 16.3 | 18.0 | 3.1 | 3.2 | 4.4 | 2.8 |
| Saint Vincent and the Grenadines | 29.8 | 28.2 | 31.0 | 29.2 | 24.4 | 23.9 | 2.4 | 2.3 | 4.2 | 3.1 |
| Suriname d/ | 22.2 | 22.3 | 29.6 | 33.3 | 22.9 | 25.7 | 3.0 | 3.4 | 3.7 | 4.2 |
| Trinidad and Tobago j/ | 24.0 | 26.7 | 33.0 | 30.0 | 27.7 | 25.5 | 3.0 | 2.4 | 2.3 | 2.1 |

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Simple averages of the 28 countries that submitted reports. The coverage corresponds to the central government.
b/ Simple averages for 16 countries. Does not include the Bolivarian Republic of Venezuela, Cuba, Haiti or the Plurinational State of Bolivia.
c/ General government.
d/ Includes statistical discrepancy.
e/ Federal public sector.
f/ Simple averages for 12 countries. Does not include Dominica.
g/ Fiscal years, from 1 July to June 30.
h/ Fiscal years, from 1 April to March 31.
i/ Non-financial public sector.
j/ Fiscal years, from 1 October to September 30.

Table A-35
**LATIN AMERICA AND THE CARIBBEAN: NON-FINANCIAL PUBLIC SECTOR GROSS PUBLIC DEBT**
*(Percentages of GDP)*

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|
| **Latin America and the Caribbean a/** | **51.6** | **53.4** | **54.8** | **55.5** | **56.6** | **58.0** | **59.2** | **59.5** |
| **Latin America a/** | **32.0** | **33.3** | **34.7** | **36.5** | **39.2** | **41.4** | **42.7** | **45.7** |
| Argentina b/ | 38.9 | 40.4 | 43.5 | 44.7 | 52.6 | 53.1 | 56.6 | 86.0 |
| Bolivia (Plurinational State of) c/ | 33.7 | 31.3 | 30.4 | 30.0 | 31.6 | 34.1 | 37.2 | 38.7 |
| Brazil d/ | 50.8 | 55.2 | 56.7 | 58.9 | 66.5 | 70.0 | 74.0 | 77.2 |
| Chile | 17.6 | 18.9 | 20.5 | 24.2 | 27.6 | 30.7 | 31.9 | 34.1 |
| Colombia | 43.1 | 40.7 | 43.1 | 46.0 | 50.1 | 54.9 | 54.4 | 57.6 |
| Costa Rica | 37.2 | 41.5 | 44.1 | 46.9 | 49.2 | 52.8 | 58.3 | 63.3 |
| Dominican Republic | 28.5 | 32.2 | 37.4 | 36.0 | 35.1 | 37.0 | 38.9 | 39.6 |
| Ecuador | 18.3 | 21.1 | 24.0 | 29.6 | 33.0 | 38.2 | 44.5 | 45.1 |
| El Salvador | 50.3 | 53.3 | 51.3 | 51.8 | 52.2 | 52.8 | 52.3 | 51.4 |
| Guatemala | 23.9 | 24.5 | 24.7 | 24.5 | 24.3 | 24.1 | 23.9 | 24.8 |
| Haiti e/ f/ | 23.9 | 28.0 | 30.5 | 35.1 | 39.7 | 40.8 | 35.1 | 32.7 |
| Honduras | 32.8 | 34.9 | 43.4 | 44.7 | 43.5 | 47.1 | 49.0 | 50.1 |
| Mexico g/ | 34.1 | 33.9 | 36.8 | 40.1 | 44.2 | 49.4 | 46.9 | 46.8 |
| Nicaragua | 32.6 | 32.0 | 31.5 | 30.7 | 30.4 | 31.8 | 34.3 | 38.0 |
| Panama | 36.9 | 35.3 | 34.9 | 36.5 | 37.4 | 37.4 | 37.5 | 39.5 |
| Paraguay | 8.1 | 10.7 | 10.8 | 13.5 | 15.1 | 17.3 | 18.2 | 19.4 |
| Peru | 22.0 | 20.4 | 19.6 | 20.0 | 20.9 | 22.7 | 23.1 | 24.3 |
| Uruguay | 43.4 | 45.7 | 41.5 | 44.6 | 52.2 | 50.2 | 51.7 | 54.1 |
| Venezuela (Bolivarian Republic of)f/ | 25.1 | 27.5 | 32.9 | 28.5 | 31.7 | 31.1 | … | … |
| **The Caribbean h/** | **78.8** | **81.2** | **82.5** | **81.7** | **80.8** | **81.1** | **82.1** | **78.6** |
| Antigua and Barbuda | 92.2 | 86.8 | 100.1 | 98.1 | 85.5 | 80.3 | 80.6 | 77.2 |
| Bahamas | 53.4 | 57.5 | 65.4 | 71.3 | 69.7 | 73.0 | 78.5 | 80.0 |
| Barbados | 109.6 | 120.3 | 131.5 | 137.0 | 144.2 | 151.2 | 148.4 | 126.3 |
| Belize | 70.7 | 72.8 | 78.5 | 75.6 | 78.8 | 87.3 | 95.0 | 93.7 |
| Dominica | 67.5 | 77.6 | 77.3 | 77.6 | 74.1 | 68.4 | 77.8 | 76.3 |
| Grenada | 98.7 | 101.4 | 103.7 | 96.9 | 88.6 | 80.0 | 69.7 | 64.3 |
| Guyana | 66.7 | 63.6 | 58.1 | 51.8 | 48.7 | 45.9 | 47.0 | 45.6 |
| Jamaica | 131.4 | 133.9 | 135.5 | 131.8 | 128.1 | 122.1 | 106.7 | 102.7 |
| Saint Kitts and Nevis | 128.9 | 126.1 | 92.2 | 71.7 | 62.8 | 59.8 | 59.6 | 57.5 |
| Saint Lucia | 60.8 | 67.2 | 68.9 | 69.5 | 66.6 | 66.2 | 65.1 | 65.9 |
| Saint Vincent and the Grenadines | 69.9 | 68.6 | 71.4 | 80.5 | 79.0 | 82.9 | 75.3 | 73.1 |
| Suriname f/ | 26.8 | 27.1 | 36.5 | 33.7 | 50.9 | 57.4 | 86.9 | 81.4 |
| Trinidad and Tobago | 48.1 | 52.2 | 53.8 | 66.5 | 73.5 | 80.1 | 76.6 | 78.3 |

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Simple averages. Does not include the Bolivarian Republic of Venezuela.
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/ Does not include public sector commitments to commercial banks.
f/ Central government.
g/ Federal public sector.
h/ Simple averages.

Table A-36
**Latin America and the Caribbean: central government gross public debt**
*(Percentages of GDP)*

|  | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|
| **Latin America and the Caribbean a/** | **46.5** | **48.1** | **49.3** | **50.4** | **51.6** | **52.6** | **54.1** | **54.8** |
| **Latin America a/** | **29.7** | **30.9** | **32.3** | **33.9** | **36.5** | **38.1** | **39.5** | **42.5** |
| Argentina b/ | 38.9 | 40.4 | 43.5 | 44.7 | 52.6 | 53.1 | 56.6 | 86.0 |
| Bolivia (Plurinational State of) | 34.5 | 29.1 | 28.4 | 27.7 | 29.5 | 31.4 | 34.4 | 36.0 |
| Brazil c/ | 50.8 | 55.2 | 56.7 | 58.9 | 66.5 | 70.0 | 74.0 | 77.2 |
| Chile | 11.0 | 11.9 | 12.8 | 15.1 | 17.4 | 21.3 | 23.6 | 25.6 |
| Colombia | 36.5 | 34.5 | 37.1 | 40.2 | 45.0 | 46.0 | 47.0 | 50.7 |
| Costa Rica | 29.9 | 34.3 | 35.9 | 38.5 | 41.0 | 44.9 | 48.7 | 52.9 |
| Dominican Republic | 28.3 | 31.5 | 37.2 | 35.9 | 34.4 | 36.2 | 38.0 | 38.8 |
| Ecuador | 17.3 | 20.1 | 22.9 | 27.5 | 30.9 | 35.7 | 41.3 | 42.6 |
| El Salvador | 47.6 | 50.9 | 49.2 | 49.6 | 49.7 | 49.6 | 48.3 | 47.6 |
| Guatemala | 23.7 | 24.3 | 24.6 | 24.3 | 24.2 | 24.0 | 23.8 | 24.7 |
| Haiti d/ | 23.9 | 28.0 | 30.5 | 35.1 | 39.7 | 40.8 | 35.1 | 32.7 |
| Honduras | 32.8 | 34.4 | 43.4 | 44.4 | 44.4 | 46.1 | 47.8 | 48.7 |
| Mexico | 27.3 | 27.8 | 29.8 | 31.7 | 34.1 | 37.0 | 35.2 | 35.3 |
| Nicaragua | 31.8 | 31.2 | 30.8 | 30.2 | 29.9 | 30.5 | 33.9 | 37.6 |
| Panamá | 36.4 | 34.8 | 34.4 | 36.2 | 37.1 | 37.0 | 37.3 | 39.3 |
| Paraguay | 6.9 | 9.5 | 9.7 | 12.1 | 13.3 | 15.1 | 15.7 | 16.7 |
| Peru | 18.4 | 18.3 | 17.3 | 18.2 | 19.7 | 21.6 | 21.7 | 22.2 |
| Uruguay | 38.4 | 40.2 | 36.9 | 39.2 | 47.2 | 46.1 | 47.9 | 50.3 |
| Venezuela (Bolivarian Republic of) | 25.1 | 27.5 | 32.9 | 28.5 | 31.7 | 31.1 | …. | …. |
| **The Caribbean a/** | **69.8** | **72.0** | **72.8** | **73.2** | **72.5** | **72.7** | **74.3** | **71.8** |
| Antigua and Barbuda | 77.1 | 72.2 | 77.9 | 82.3 | 69.9 | 66.5 | 65.4 | 63.7 |
| Bahamas | 42.3 | 45.1 | 52.6 | 57.4 | 56.5 | 59.6 | 64.9 | 66.2 |
| Barbados | 96.8 | 106.3 | 116.2 | 121.9 | 129.5 | 138.4 | 136.9 | 125.4 |
| Belize | 70.7 | 72.8 | 78.5 | 75.6 | 78.4 | 83.8 | 92.4 | 91.1 |
| Dominica | 54.6 | 64.6 | 64.6 | 64.8 | 64.0 | 57.5 | 65.2 | 64.9 |
| Grenada | 87.8 | 91.4 | 94.6 | 89.6 | 82.7 | 75.7 | 65.7 | 60.4 |
| Guyana f/ | 66.7 | 63.6 | 58.1 | 51.8 | 48.7 | 45.9 | 47.0 | 45.6 |
| Jamaica f/ | 131.4 | 133.9 | 135.5 | 131.8 | 128.1 | 122.1 | 106.7 | 102.7 |
| Saint Kitts and Nevis | 105.0 | 99.7 | 71.3 | 59.9 | 50.6 | 48.5 | 47.8 | 42.8 |
| Saint Lucia | 54.1 | 61.5 | 64.0 | 65.6 | 63.3 | 63.6 | 61.0 | 62.1 |
| Saint Vincent and the Grenadines | 58.5 | 61.2 | 59.1 | 68.8 | 67.5 | 66.6 | 68.2 | 67.1 |
| Suriname | 26.8 | 27.1 | 36.5 | 33.7 | 50.9 | 57.4 | 86.9 | 81.4 |
| Trinidad and Tobago | 35.8 | 36.4 | 37.5 | 48.2 | 52.8 | 59.8 | 58.3 | 59.7 |

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
a/ Simple averages. Does not include the Bolivarian Republic of Venezuela.
b/ National public sector.
c/ General government.
d/ Does not include public sector commitments to commercial banks.
e/ Simple averages.
f/ Public sector.

# Publicaciones recientes de la CEPAL
## *ECLAC recent publications*

## www.cepal.org/publicaciones

**Informes Anuales/***Annual Reports*
**También disponibles para años anteriores/***Issues for previous years also available*

Estudio Económico de América Latina y el Caribe 2018
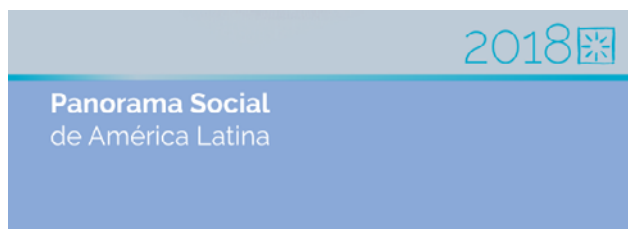*Economic Survey of Latin America and the Caribbean 2018*

La Inversión Extranjera Directa en América Latina y el Caribe 2018
*Foreign Direct Investment in Latin America and the Caribbean 2018*

Balance Preliminar de las Economías de América Latina y el Caribe 2018
*Preliminary Overview of the Economies of Latin America and the Caribbean 2018*

Anuario Estadístico de América Latina y el Caribe 2018
*Statistical Yearbook for Latin America and the Caribbean 2018*

Panorama Social de América Latina 2018
*Social Panorama of Latin America 2018*

Perspectivas del Comercio Internacional de América Latina y el Caribe 2018
*International Trade Outlook for Latin America and the Caribbean 2018*

## El Pensamiento de la CEPAL/*ECLAC Thinking*

Desarrollo e igualdad: el pensamiento de la CEPAL en su séptimo decenio.
Textos seleccionados del período 2008-2018

La ineficiencia de la desigualdad
*The Inefficiency of Inequality*

Horizontes 2030: la igualdad en el centro del desarrollo sostenible
*Horizons 2030: Equality at the centre of sustainable development*
*Horizontes 2030: a igualdade no centro do desenvolvimento sustentável*
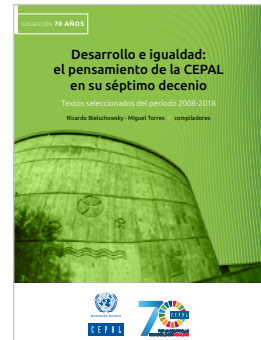
## Libros y Documentos Institucionales/*Institutional Books and Documents*

Acuerdo Regional sobre el Acceso a la Información, la Participación Pública
y el Acceso a la Justicia en Asuntos Ambientales en América Latina y el Caribe
*Regional Agreement on Access to Information, Public Participation and Justice*
*in Environmental Matters in Latin America and the Caribbean*

Hacia una agenda regional de desarrollo social inclusivo: bases y propuesta inicial
*Towards a regional agenda for inclusive social development: bases and initial proposal*

## Libros de la CEPAL/*ECLAC Books*

Logros y desafíos de la integración centroamericana: aportes de la CEPAL

Envejecimiento, personas mayores y Agenda 2030 para el Desarrollo Sostenible:
perspectiva regional y de derechos humanos

La inclusión financiera para la inserción productiva y el papel de la banca de desarrollo
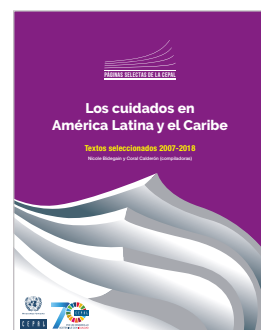
## Páginas Selectas de la CEPAL/*ECLAC Select Pages*

Los cuidados en América Latina y el Caribe. Textos seleccionados 2007-2018

Empleo en América Latina y el Caribe. Textos seleccionados 2006-2017

Desarrollo inclusivo en América Latina. Textos seleccionados 2009-2016

**Revista CEPAL/*CEPAL Review***
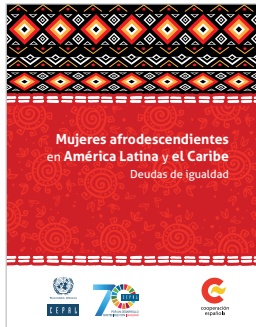
**Series de la CEPAL/*ECLAC Series***

**Notas de Población**
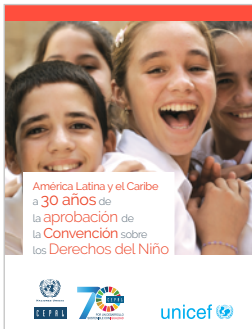
**Observatorio Demográfico**
*Demographic Observatory*

**Documentos de Proyectos**
*Project Documents*

**Metodologías de la CEPAL**

**Coediciones/*Co-editions***

**Copublicaciones/*Co-publications***

www.eclac.org

ECLAC