

Executive summary

Accessible version

Economic Survey of Latin America and the Caribbean **2024**

Low-growth trap,
climate change and
employment trends



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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. 2023/2024) 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.

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Presentation

The seventy-sixth issue of the Economic Survey of Latin America and the Caribbean, 2024 is divided into three parts. Part I outlines the region's economic performance in 2023 and analyses trends in the early months of 2024, as well as the outlook for growth for 2024 and 2025. It examines the external and domestic factors that have influenced the region's economic performance and how these factors will affect economic growth in the coming years.

Part II examines macroeconomic and sectoral trends in employment in Latin America. Chapter II, titled "Employment growth and sectoral trends in Latin America", identifies how recent low-growth trends have affected job creation in the Latin American economies. The main findings reveal a close relationship between economic growth and job creation, at both the aggregate and the sectoral levels. The slowdown in the rate of economic growth has hindered employment growth over the last decade. This downward trend in job creation is reflected uniformly across all sectors of the economy, altering the sectoral distribution of employment. Similarly, job creation has occurred mostly in activities of lower productivity growth, including some related to the services sector and construction.

Chapter III, entitled "Informal employment in Latin America from 2013 to 2022: developments and trends" analyses how informality has spread across different sectors and branches of production. A probit model is estimated to analyse the impacts of economic growth and socioeconomic variables on the probability of being informally employed.

The findings indicate that between 2013 and 2022, total employment grew by 10%, with informal employment increasing by 18.6% and formal employment by 3.3%. Taking gender into account, informal employment grew by 22.8% among women and by 15.7% among men, thus confirming a gender bias in informality. As in the sectoral breakdown of total employment, informal employment has also been concentrated in sectors of lower productivity growth, with 74% of the informally employed working in this sector. The chapter also underscores that being a woman and having dependants in the household increases the likelihood of being informally employed. Accordingly, policies that foster the care economy can boost job creation and increase productivity, while facilitating women's access to the formal labour market. The study also shows how the probability of an employed person being in an informal job decreases at higher educational levels.

Lastly, chapter IV, "Impact of climate change on job creation in Latin American economies" analyses how the climate impact could affect growth and job creation in the region. Latin America's high vulnerability to climate change, owing to its geographical location and reliance on vulnerable sectors such as agriculture and tourism, poses a significant risk. In the absence of adequate adaptation and mitigation policies, climate change could have major adverse effects on economic growth and employment in the region. Estimated models show that, in a scenario without mitigation, GDP and employment could decline substantially by 2050. This underscores the urgent need for policies that foster sustainable and inclusive development in the region.

The results reported in these three chapters show that the low-growth trap in which the region's economies are mired has reduced the capacity to create jobs, particularly formal ones, and that groups such as young people, women, older persons, persons with low levels of education, migrants and rural dwellers are more likely to be informal workers. In

addition, an intensification of climate change effects will drastically reduce the number of jobs created in the medium term if mitigation and adaptation policies are not adopted. To address these challenges and soften the impact on labour markets, the region must harmonize productive development, employment and macroeconomic policies, together with effective climate change adaptation and mitigation measures. This will require a significant increase in public and private investment, along with structural reforms to foster sustainable and equitable economic growth.

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 2023 and the first half of 2024, together with their respective statistical annexes. The cut-off date for updating the statistical information in this publication was 30 June 2024.

Executive summary

A. Latin America and the Caribbean: the low-growth trap and macroeconomic constraints

Over the past decade, economic growth in Latin American countries has been weak, averaging 0.9% between 2015 and 2024, which is lower than the 2.0% recorded in the “lost decade” of the 1980s. The region must boost growth to meet the environmental, social and labour challenges it currently faces.

Overcoming the low-growth trap and creating good-quality jobs requires the harmonization of macroeconomic and productive development policies that stimulate investment and productivity and facilitate inclusive and sustainable growth. The macroeconomic scenario facing the countries of the region, both externally and domestically, includes weak economic growth, uncertainty and limited fiscal and monetary policy space.

1. Moderate economic and trade growth worldwide

As shown in figure 1, the global economy is expected to grow by 3.2% in 2024, one tenth lower than the figure recorded in 2023 and still below the historical average annual growth of 3.8% between 2000 and 2019. The United States, Latin America and the Caribbean’s

leading trading partner,¹ is expected to record growth of 2.6% in 2024. In China, the region's second-largest trading partner, growth is forecast to dip, from 5.2% in 2023 to 5.0% in 2024. The country continues to face problems in the property sector, and has provided successive rounds of public stimulus to counter the ongoing contraction of the housing sector. The eurozone is projected to record an increase of 0.9% in 2024 (compared to 0.5% in 2023). In this case, the somewhat higher growth anticipated this year is due to the low base of comparison in 2023, when tight monetary policy and weak external demand dampened activity. Private consumption is expected to be more buoyant in 2024, with lower inflation supporting real household incomes.

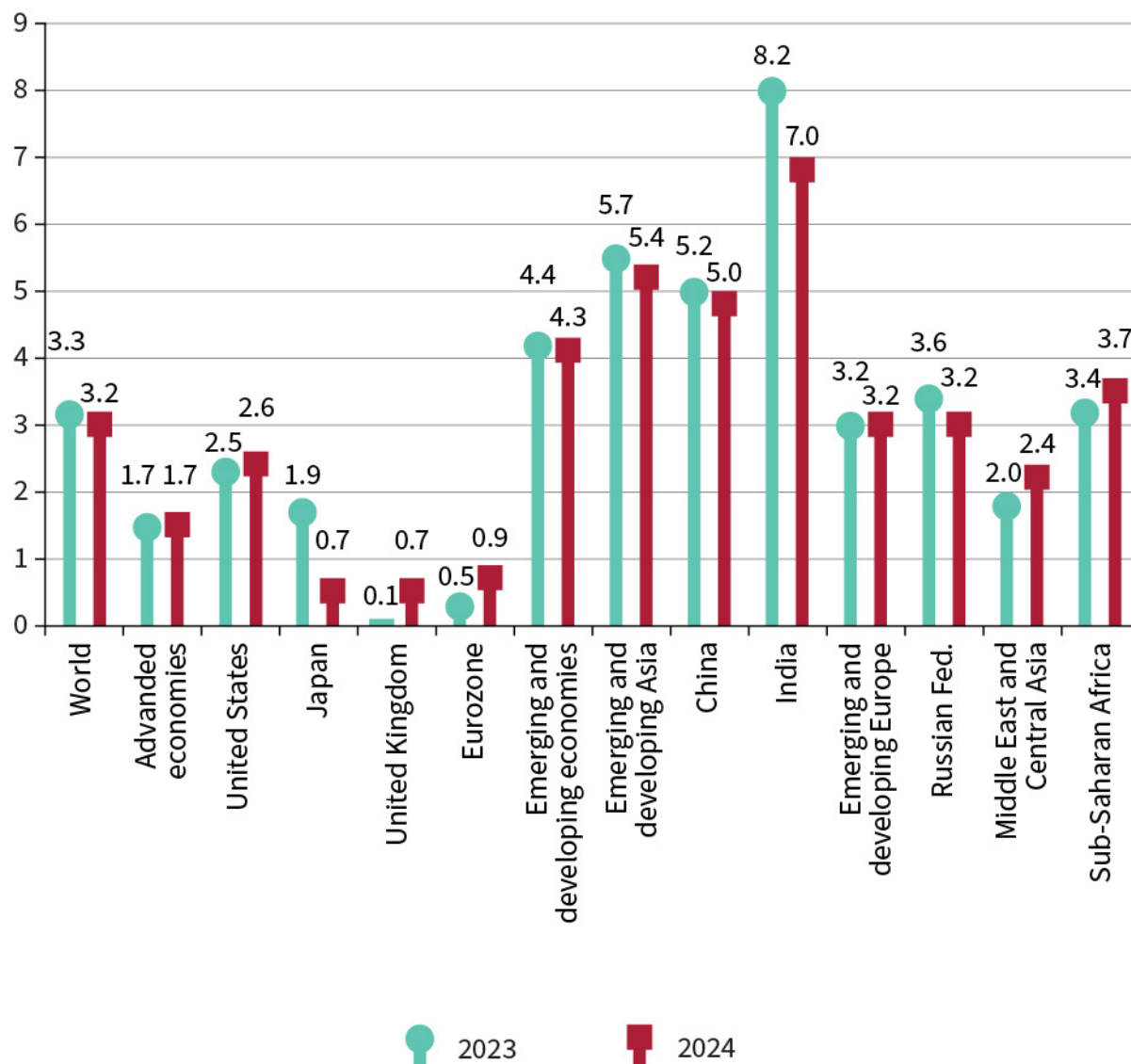
With regard to world trade, declining inflation in 2024 is expected to lead to a recovery in manufactured goods consumption, boosting goods trade volume growth. According to the World Trade Organization, world trade volume is expected to rise by 2.6% in 2024. While this rate represents a recovery from the 1.2% decline in 2023, it is well below the levels of trade growth seen prior to the 2008–2009 global financial crisis. Between the early 1980s and 2007, trade volume grew by an average of almost 6% per year.

The actual figure may be lower than projected, given increasing geopolitical tensions and policy uncertainty. In April, the International Monetary Fund published a report ([IMF, 2024](#)) reiterating its warning about the fragmentation of global trade into rival blocs and noted that countries imposed some 3,000 new trade restrictions in 2023, almost three times as many as in 2019.

¹ In 2022, 45% of Latin America and the Caribbean's exports went to the United States, 13% to China and 9% to the European Union.

Figure 1

Selected regions and countries: GDP growth in 2023 and projections for 2024
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), [World Economic Outlook Update. The Global Economy in a Sticky Spot](#), Washington, D.C., July 2024.

Note: In the case of India, the figures are for the fiscal year beginning in April and ending in March the following year.

Efforts by countries to make their supply chains more resilient, shorten them and decouple them from geopolitically remote countries are creating a situation of increasing geoeconomic fragmentation. This trend is being driven by concerns in the United States and Europe about excess production capacity in China, which has increased global manufacturing output by more than 5% since 2019. Low domestic demand in China, where consumer spending still accounts for less than 40% of GDP, compared to 70% in the United States, for example, is forcing Chinese companies to seek foreign markets to sell their surplus output into. Further escalation of trade protectionism would have an even greater effect on global supply chains and access to markets and resources, with a negative impact on the global economy. On 14 May, the United States announced higher tariffs on imports from China in several sectors, including semiconductors (up from 25% to 50%), solar cells (up from 25% to 50%), electric vehicle batteries (up from 7.5% to 25%) and electric vehicles (up from 25% to 100%).

Global trade projections may also fail to be confirmed owing to disruptions in shipping routes, particularly those through the Red Sea and Suez Canal, and adverse climatic effects on water levels in the Panama Canal,² which may increase transport costs, lengthen voyage times and disrupt supply chains ([UNCTAD, 2024](#)). However, although global freight costs increased after the attacks on commercial shipping in the Red Sea, through which 11% of world trade moves, they remained well below their 2021–2022 levels and have recently declined ([IMF, 2024](#)).

Commodity prices are projected to record a further reduction of 5% on average in 2024, in addition to the 23% drop in 2023. Energy commodity prices are projected to close the year 10% below their 2023 averages, while non-energy commodity prices are expected

² Some 6% of world merchandise trade passes through the Panama Canal.

to close at levels similar to those of the previous year. The copper price was notable, as it increased sharply from early March 2024, reaching an all-time high of US\$ 5.2 per pound in the third week of May, reflecting a stronger increase in demand than supply. In fact, the international prices of several metals are expected to rise owing to a possible reduction in supply and inventories, logistical difficulties and increased international demand, given their role in sustaining the energy transition.

2. International financial conditions to remain tight in 2024

Given the decline in inflation rates in developed countries, markets anticipate that the main central banks will cut interest rates during the remainder of 2024, although there is no certainty as to when exactly they will do so. Thus far, only the European Central Bank has begun to cut interest rates, with a reduction of 25 basis points (to 3.75%) at its June meeting. The United States Federal Reserve has maintained interest rates in a range between 5.25% and 5.50% (with a midpoint of 5.38%), while the Bank of England has left its rate unchanged at 5.25%.

Capital inflows have resumed in many emerging markets, and equity market prices have risen substantially overall so far this year, albeit most sharply in advanced economies. Sovereign lending spreads have also continued their downward trend and are now at levels similar to those prevailing in late 2019, before the coronavirus disease (COVID-19) pandemic. Although sovereign risk in emerging markets has declined, financing costs for these economies are still high and will remain so until long-term rates in the developed economies fall.

Global liquidity has risen since the beginning of 2024. This improvement reflects, on the one hand, the less restrictive monetary stance of the world's main central banks, as already

mentioned, and, on the other hand, the Federal Reserve's decision to slow the pace of its balance sheet reduction. United States fiscal policy has also boosted global liquidity. The removal of the debt ceiling set by the United States Congress (US\$ 31.4 trillion in January 2023) until January 2025 has made it possible to increase the fiscal deficit and has been a factor in expanding liquidity.

If interest rates remain high for longer than expected, vulnerabilities associated with debt could increase in a number of emerging and developing economies. Meanwhile, the financial sector could also become more vulnerable in developed countries.

3. The region's external sector has proven to be resilient in a highly uncertain economic environment

In 2023, the capital and financial accounts recorded an expanded surplus equivalent to 1.5% of regional GDP. However, the current account reflected a deficit of 1.3% of GDP, much lower than the 2.5% of GDP recorded in 2022.

While the current transfers account maintained a solid surplus (2.3% of GDP), the current account showed a smaller deficit owing to the downward trend in international commodity prices, the moderation of global inflation and the weaker impact of the dollar cycle. All of this contributed to the balance of goods recording a small surplus (0.6% of GDP) as a result of the reduction in the value of imports, which outstripped the decline in the value of exports. The trade-in-services deficit also decreased, in line with the recovery of the region's tourism sector and lower freight costs. On the contrary, the income account deficit widened, owing to the impact of reinvested earnings and the rise in interest payments, amid high international financing costs.

Given the persistent volatility in global financial markets resulting from escalating geopolitical tensions and continued tight monetary policy, especially in the United States and the European Union, net portfolio capital flows into the region were negative in 2023. However, foreign direct investment flows to the region were significant, reaching 2.8% of GDP. In 2023, net foreign direct investment inflows (US\$ 139 billion) amply financed the current account deficit of US\$ 86 billion.

The outlook for 2024 indicates a slight deterioration in the regional current account (-1.7% of GDP) amid still-fragile global growth and trade, and high global interest rates for longer than expected, resulting in a stronger dollar. Meanwhile, geopolitical conflicts and potential global supply chain disruptions could lead to a rebound in commodity prices and global inflation. The surplus in the region's financial account is expected to improve, in line with the recent trend showing an increase in capital flows to emerging economies.

Despite currently high borrowing costs, the debt issued in international markets by the region's economies grew by 40% in 2023 compared to 2022. Sovereign bonds continued to account for the largest share of total debt issued. The share of thematic bonds also rose, from 6% of total sovereign issues in 2019 to 50% in 2023. The average coupon on this type of issue is lower than on other sovereign issues. In addition, credit risk in the region decreased in 2023, and this trend is set to continue in 2024, in line with the reduction of risk in the other emerging regions.

4. Low growth has resulted in stagnant per capita GDP

Economic growth in the region's economies remains weak. In the first quarter of 2024, the economy grew by 1.5% compared to the year-earlier period. This was the

third consecutive quarter in which the GDP of the Latin American economies increased by less than 2.0%, and the sixth quarter in which growth was lower than the 4.5% recorded in the third quarter of 2022.

Monthly economic activity indicators show that all the region's economies recorded a slowdown in the first quarter of 2024. Thus, while the average growth rate in Latin America fell by 1.7 percentage points between the first quarter of 2023 and the same quarter of 2024, the decline was 1.8 percentage points in the economies of South America and 1.5 percentage points in those of Mexico and Central America.

The slowdown in economic activity reflects a weakening of both consumption and gross fixed capital formation. Private consumption growth continued to slow in the fourth quarter of 2023, although at a lower annual rate than in 2022, when it began declining in the second quarter. This slowdown occurred amid a deterioration in the purchasing power of real wages, low job creation, declining consumer confidence and the depletion of savings built up by households in recent years. Similarly, limited fiscal space translated into a reduction in public spending, especially on transfers, which weakened consumption in some economies of the region.

Gross fixed capital formation also exhibited a slowdown, with modest growth of 0.3 percentage points in the fourth quarter of 2023. This slackening was mainly due to the tight monetary policies applied to control inflation, which resulted in interest rates remaining high. Geopolitical tensions and sharp fluctuations in commodity prices on the world market also contributed to this low-growth environment.

Investment is showing signs of stagnation and remains at levels similar to those seen before the pandemic. After a slight increase in 2022, investment as a percentage of GDP continued to decline in 2023, falling back to pre-pandemic levels in a situation of high uncertainty and a deterioration in business confidence in many countries owing to the vagaries of the global economy, the effects of climate change and international conflicts. Similarly, the caution shown by monetary authorities in their interest rate management has resulted in monetary policy remaining tight, with real interest rates higher than before the pandemic.

Value added growth has slowed in all branches of economic activity. In the fourth quarter of 2023, economic expansion was led by the services sector. The services that grew the most were finance and corporate services; community, social and personal services; and electricity, gas and water. In contrast, the commerce and transport and communications sectors experienced a decline, affected by the reduced momentum of private consumption. Meanwhile, agriculture and mining, which had contributed a substantial 5% to value added in the first quarter of 2023, made a near-zero contribution in the fourth quarter of that year, much as they did in 2022.

5. Employment growth remains sluggish and gender gaps persist

In the first quarter of 2024, employment growth remained weak and the annualized growth in the number of employed persons was 0.9%, compared to 2.8% in the first quarter of 2023. Agriculture was the only sector to actually shed jobs in the first quarter of 2024 relative to the year-earlier period, with a 2.0% decrease representing the sixth consecutive quarter of shrinking employment in this sector. Although the manufacturing and services sectors saw employment grow by 1.1% and 1.4%, respectively, the rate of growth in the

first quarter of 2024 was lower than in the first half of 2023 in both cases, by 1.3 and 2.5 percentage points, respectively.

The weighted average labour participation rate³ for the region was 62.6% in the first quarter of 2024, up by 0.1 percentage points relative to the year-earlier period, and 0.3 points higher than in the first quarter of 2022. Despite this recovery, the regional participation rate is below the 63.1% average recorded between the first quarter of 2018 and the fourth quarter of 2019, reflecting the fact that many people who left the labour market during the COVID-19 pandemic have not yet returned and remain inactive.

The regional unemployment rate⁴ continues the downward trend that began in the third quarter of 2020, falling from 11.6% in the second quarter of 2020 to 6.5% in the first quarter of 2024. However, in the latter period, the rate was higher than in the second, third and fourth quarters of 2023.

The disparities between men and women in the main labour market indicators have tended to narrow since 2021, and this trend continued in the first quarter of 2024. The difference in labour participation rates between men and women is 22.3 percentage points, similar to that recorded in the first quarter of 2023. The female participation rate recovered in the first quarter of 2024, relative to the same year-earlier period, but both the male and the female rates remained below the levels recorded in the first quarter of 2019. The gap in the unemployment rate between men and women also narrowed by 0.1 percentage points

³ The labour force participation rate is measured as the economically active population (employed plus unemployed) as a percentage of the population of working age.

⁴ Jobless population who are looking for work but unable to find it, as a percentage of the economically active population.

from 2.7 percentage points in the first quarter of 2023 to 2.6 points in the first quarter of 2024. During this period, unemployment among women fell by 0.4 percentage points, compared to a 0.3-point drop in the rate for men.

The easing of inflation region-wide, in conjunction with nominal minimum wage hikes, has meant that real minimum wages in the first quarter of 2024 were above the year-earlier levels in 14 of the 18 economies for which information was available. The real minimum wage in the region grew by 3.8%, on average. Average real wages rose in seven of the nine economies in the region for which information is available. Increases of more than 4% were recorded in Costa Rica, Mexico and Uruguay, while average real wages in Argentina and the Plurinational State of Bolivia declined by 14.0% and 2.0%, respectively.

6. Limited fiscal space reflects growing pressures for interest payments on public debt

The latest fiscal projections for the Latin American countries envisage total central government income stabilizing in 2024, following the previous year's contraction. Tax revenues are expected to increase, driven by the revival of economic activity in several countries and the progressive fall in inflation, along with atypical factors, such as the expiry of anti-inflationary tax measures. Meanwhile, revenues from other sources are forecast to decrease slightly, owing in part to the fall in revenues from non-renewable natural resources.

In the Caribbean, central government revenues are also expected to increase in 2024, following the contraction the previous year. Tax revenues are expected to rise slightly, driven by consumption taxes, particularly in service-exporting countries. Income from other

sources is expected to increase, particularly in the case of external grants for investment projects. Meanwhile, inflows from citizenship-by-investment programmes—which have reflected strong momentum—are expected to be mixed in 2024, which could have an impact on total revenues in some countries.

According to updated official projections, public spending is projected to increase slightly in 2024 for central governments in Latin America, reflecting public policy decisions—such as higher budgeted capital expenditures—and the need to address the growing burden of interest payments. High interest rates in international markets have increased the cost of variable-rate public debt and of new issuances. Meanwhile, primary current spending is expected to decline as the anti-inflationary subsidies adopted in 2022 and 2023 are withdrawn.

In the Caribbean, total central government expenditure is expected to rise in 2024, with a significant increase in capital expenditure. However, execution of capital projects depends on several factors, especially the receipt of external capital grants. Interest payments are forecast to continue rising, in some cases owing to the increase in expenses associated with the debt contracted with international financial institutions, whose interest rate is linked to international benchmark interest rates.

In line with these trends, the fiscal position of Latin America's central governments is expected to remain stable in 2024, with a deficit similar to that of 2023. However, the overall deficit expected for the year (-3.2% of GDP) is higher than the average observed in 2015-2019 (-2.9% of GDP), when public debt rose sharply. In the Caribbean, meanwhile, the overall deficit is expected to expand, mainly as a result of the rise in capital spending.

These projections are subject to several variables that are hard to predict, and which could influence public spending and fiscal balances. They include the pace of execution of public investment, which tends to be used as an adjustment variable when the fiscal balances deviate from the targets set in budgets and fiscal rules. The performance of total revenues will be key in this regard, particularly in the Caribbean, where a significant portion of public investment is financed by external grants.

Central government gross public debt in Latin America declined in the first quarter of 2024, averaging 52.3% of GDP, compared to 55.0% in December 2023. Nominal GDP contributed to this reduction, although its growth rate was lower. This factor also played a key role in reducing the level of central government debt in the Caribbean, where gross public debt reached 67.9% of GDP in March 2024, compared to 70.7% of GDP in December 2023.

Given these high levels of public debt, it is essential to establish a fiscal sustainability framework focused on the strengthening and effective use of public resources. The region has a regressive tax structure, heavily biased towards indirect taxes. Therefore, major reforms in income, property and wealth taxes will be needed to mobilize resources and improve the progressiveness of the tax system.

There is also a need for measures to reduce the high level of tax evasion. In 2023, tax non-compliance in Latin America cost US\$ 433 billion, equivalent to 6.7% of regional GDP ([ECLAC, 2024](#)). The evaluation of tax expenditures would also offer opportunities to bolster public revenues. In 2021, tax expenditures in Latin America averaged 3.7% of GDP, representing 19% of central government budget expenditures ([OECD and others, 2023](#)).

7. Inflation continues to fall in the region's economies

Similar to the trend seen outside the region, inflation has slowed in the economies of Latin America and the Caribbean. Following a record increase of 9.2% in June 2022, inflation has been trending steadily downward in the region. The median regional inflation rate was 3.9% at the end of June, with a decline in most countries in the region.

The drop in regional inflation was driven by the sharp fall in international market prices for food and energy, by the restrictive monetary policies adopted in the region to curb rising prices since mid-2021 and by the slower depreciation of the region's currencies during the last quarter of 2023. In the first quarter of 2024, the average year-on-year fall in international market food prices was 8.6%. International market energy prices have also recorded year-on-year decreases since February 2023, a trend that continued until March 2024, with an average decline of 7.3% in the first quarter of 2024.

Inflation expectation surveys suggest that inflation will continue to fall. However, the central value of the Economic Commission for Latin America and the Caribbean (ECLAC) projection for the region remains at around 3.6% for the end of 2024 and mid-2025. The expected lower international market prices for food, energy and manufactured goods would contribute to the decline in regional inflation in 2024 and 2025.

8. Monetary policy space is limited amid persistent inflation and exchange-rate pressures

The decline in inflation has enabled most of the region's countries with inflation-targeting regimes to embark on, since mid-2023, a cycle of reductions in their respective monetary

policy rates. However, the pace of these adjustments moderated in the first months of 2024. The caution in lowering rates is the consequence, first, of considerations regarding the trend in core inflation, which—in some countries such as Brazil and Mexico—has been more persistent than the general level of inflation, with a resulting impact on inflation expectations. Second, such caution on the part of some countries also reflects considerations about the effect of possible exchange-rate pressures on price stability.

The trend in real-term monetary policy rates shows that, despite the recent reductions in nominal terms, the monetary policy stance in all the inflation-targeting countries remains restrictive, with real rates higher than those observed before the pandemic. Similar to the experiences of the inflation-targeting countries, at the regional level the median growth rate of the monetary base—which decelerated sharply throughout 2021 and 2022—has stabilized at a nominal year-on-year figure of around 5%.

Reductions in policy rates by central banks in inflation-targeting countries resulted in lower spreads with respect to United States interest rates, which, starting in the second half of 2023, led to a depreciation of those countries' currencies, which have flexible exchange rates. Despite the depreciation of the nominal exchange rate, the extraregional real effective exchange rate continues to appreciate in the region.

In that context, bank interest rates in the region remained high. After contracting in the second half of 2023, deposits recovered over the first two months of 2024, encouraged by higher increases in deposit rates and greater-than-expected economic activity. However, net domestic credit has contracted since the fourth quarter of 2023, as a result, on the one hand, of the lagged effect of the restrictive monetary policy on the credit channel and, on the other hand, of the partial substitution of domestic for external credit.

The banking system's credit risk is on the decline owing to credit rationing via interest rates, as well as the effect of higher requirements for access to financing and better monitoring and supervision practices. On the contrary, local currency depreciations have increased exposure to foreign exchange risk. The capitalization levels and liquidity ratios of financial institutions remained stable, above regulatory minimums, while bank profitability reached its highest level since 2012 in September 2023, thanks to rising lending rates and the limited materialization of credit risk. In order to improve risk management capacity, the monetary authorities of several of the region's countries increased their capital requirements in 2023.

After remaining relatively stable throughout 2023, the balance of net international reserves grew in the first months of 2024. Despite fluctuations throughout the period, since the beginning of 2023, inflation-targeting countries have continued to accumulate net international reserves. In contrast, both the countries with fixed exchange rates and those with targets for the exchange rate and monetary aggregates have reported drops in their net international reserve holdings. At the same time, in the countries of the chronic inflation group, whose behaviour largely mirrors developments in Argentina, the balance of net international reserves, after persistent reductions throughout 2023, has started to recover in 2024.

The convergence of inflation towards the targets and the relative strength of the anchoring of medium-term inflation expectations have allowed the region's monetary authorities to begin to relax their policy stances; they do, however, remain restrictive. Although the outlook for the rest of the year is that this trend will continue, the future conduct of monetary policy will be shaped by both external factors —notably including the policy stance of the United States— and domestic factors—in particular, each country's cyclical position. This underscores the relatively narrow policy space granted by the use of a

single instrument for conducting monetary policy. As repeatedly stated by ECLAC, the complementary use of instruments for exchange-rate and macroprudential objectives enables monetary policy to be less sensitive to external shocks and to focus on domestic stabilization objectives.

9. Growth projections and policy proposals

The Latin American and Caribbean region is expected to remain on a low-growth path in 2024, with an average rate of 1.8%. This low growth is forecast for all subregions, including 1.5% in South America, 2.2% in Central America and Mexico, and 2.6% in the Caribbean (excluding Guyana). On the contrary, a higher growth rate of 2.3% is expected for the region as a whole in 2025, as shown in table 1. The performance of South America, in particular, is forecast to drive this upturn.

Given recent performance, the region's modest economic growth remains conditioned by an uncertain external scenario, with high inflation and interest rates that remain elevated worldwide, which tends to delay the normalization of inflation and monetary policy easing in the main advanced countries, depressing external demand and keeping financial conditions tight. This situation may be aggravated by a possible exacerbation of geopolitical and trade tensions, and by the worsening effects of climate change. Although private consumption is still the main determinant of regional growth, it has been curbed by reduced household purchasing power, amid weak labour productivity and limited formal job creation. The tight monetary policy stance is undermining domestic demand and depressing investment, which is already in decline. Fiscal policy space is further limited by the heavier public debt service burden. As a result of all these factors, combined with expectations of lower external demand, the region remains stuck in a low-growth trap.

Table 1

Latin America and the Caribbean: GDP growth and projections, 2022–2025

(Percentages and percentage points)

| | GDP growth rate (Percentages) | | | | Year on year variation (Percentage points) | |
|--|----------------------------------|------------|------------|------------|---|------------|
| | 2022 | 2023 | 2024 | 2025 | 2023/2024 | 2024/2025 |
| Latin America and the Caribbean | 4.0 | 2.2 | 1.8 | 2.3 | -0.3 | 0.5 |
| Latin America | 3.9 | 2.1 | 1.7 | 2.3 | -0.3 | 0.5 |
| South America | 3.9 | 1.6 | 1.5 | 2.4 | -0.1 | 1.0 |
| Argentina | 5.3 | -1.6 | -3.6 | 4.0 | -2.0 | 7.6 |
| Bolivia (Plurinational State of) | 3.6 | 3.1 | 1.7 | 2.2 | -1.4 | 0.5 |
| Brazil | 3.0 | 2.9 | 2.3 | 2.1 | -0.6 | -0.3 |
| Chile | 2.1 | 0.2 | 2.6 | 2.3 | 2.4 | -0.3 |
| Colombia | 7.3 | 0.6 | 1.3 | 2.6 | 0.7 | 1.3 |
| Ecuador | 6.2 | 2.4 | 1.8 | 1.6 | -0.6 | -0.2 |
| Paraguay | 0.2 | 4.7 | 3.8 | 3.6 | -0.9 | -0.2 |
| Peru | 2.6 | -0.6 | 2.6 | 2.5 | 3.2 | -0.1 |
| Uruguay | 4.7 | 0.4 | 3.6 | 2.6 | 3.2 | -1.0 |
| Venezuela (Bolivarian Republic of) | 12.0 | 3.0 | 5.0 | 3.0 | 2.0 | -2.0 |
| Central America | 4.6 | 3.1 | 3.1 | 3.1 | 0.0 | 0.0 |
| Central America and Mexico | 3.9 | 3.2 | 2.2 | 1.9 | -0.9 | -0.3 |
| Costa Rica | 4.6 | 5.1 | 4.0 | 3.8 | -1.1 | -0.2 |
| Cuba | 1.8 | -1.0 | 0.5 | 1.0 | 1.5 | 0.5 |

| | GDP growth rate (Percentages) | | | | Year on year variation (Percentage points) | |
|---|----------------------------------|------------|------------|------------|---|-------------|
| | 2022 | 2023 | 2024 | 2025 | 2023/2024 | 2024/2025 |
| Dominican Republic | 4.9 | 2.4 | 5.2 | 4.5 | 2.8 | -0.7 |
| El Salvador | 2.8 | 3.5 | 3.5 | 3.1 | 0.0 | -0.4 |
| Guatemala | 4.2 | 3.5 | 3.4 | 3.2 | -0.1 | -0.2 |
| Haiti | -1.7 | -1.9 | -3.0 | -0.5 | -1.1 | 2.5 |
| Honduras | 4.1 | 3.6 | 3.8 | 3.6 | 0.2 | -0.2 |
| Mexico | 3.7 | 3.2 | 1.9 | 1.4 | -1.3 | -0.5 |
| Nicaragua | 3.8 | 4.6 | 3.7 | 3.2 | -0.9 | -0.5 |
| Panama | 10.8 | 7.3 | 2.7 | 3.3 | -4.6 | 0.6 |
| The Caribbean | 12.8 | 9.1 | 8.4 | 6.3 | -0.7 | -2.1 |
| The Caribbean (excl. Guyana) | 6.0 | 2.9 | 2.6 | 2.3 | -0.3 | -0.3 |
| Antigua and Barbuda | 9.5 | 3.9 | 6.3 | 4.8 | 2.4 | -1.5 |
| Bahamas | 10.8 | 2.6 | 2.3 | 1.8 | -0.3 | -0.5 |
| Barbados | 13.5 | 4.9 | 3.7 | 2.8 | -1.2 | -0.9 |
| Belize | 8.7 | 4.8 | 4.1 | 3.3 | -0.7 | -0.8 |
| Dominica | 5.6 | 4.7 | 4.6 | 4.3 | -0.1 | -0.3 |
| Grenada | 7.3 | 3.6 | 4.1 | 3.7 | 0.5 | -0.4 |
| Guyana | 63.3 | 39.2 | 29.2 | 17.8 | -10.0 | -11.4 |
| Jamaica | 5.2 | 2.1 | 1.8 | 1.7 | -0.3 | -0.1 |
| Saint Kitts and Nevis | 10.5 | 2.3 | 3.0 | 2.7 | 0.7 | -0.3 |
| Saint Lucia | 18.2 | 3.4 | 3.4 | 2.0 | 0.0 | -1.4 |

| | GDP growth rate (Percentages) | | | | Year on year variation (Percentage points) | |
|----------------------------------|----------------------------------|------|------|------|---|-----------|
| | 2022 | 2023 | 2024 | 2025 | 2023/2024 | 2024/2025 |
| Saint Vincent and the Grenadines | 7.2 | 6.0 | 4.7 | 4.6 | -1.3 | -0.1 |
| Suriname | 2.4 | 2.0 | 2.4 | 2.7 | 0.4 | 0.3 |
| Trinidad and Tobago | 1.5 | 2.7 | 2.4 | 2.2 | -0.3 | -0.2 |

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

Note: The calculations refer to constant figures at 2018 prices. GDP growth rates for 2024 and 2025 are projections.

The momentum of the region's exports and economic activity depends heavily on the scope of the economic slowdown in its main trading partners. Specifically, this group of countries is expected to record growth of 2.7% in 2024, similar to that of 2023, and a slowdown in 2025 (2.4%). This is mainly due to the weaker growth forecast for the region's two main trading partners, the United States (roughly 1.9% in 2025) and China (around 4.5% in 2025). In the eurozone, the latest projections by the European Central Bank place annual GDP growth at 1.4% in 2025. Given the projected weaker drive from external demand, policymaking should seek to boost intraregional demand over the medium term, given that trade within the region is significant, representing 15.1% of exports and 15.6% of imports by value in 2023. This ties in with the implementation of active employment policies that support investment and productivity to boost labour participation in strategic sectors with high value added, as discussed in the second part of this document.

Meanwhile, despite a recent downward trend, global inflation is expected to remain high (5.9% in 2024 and 4.4% in 2025). One of the most striking projections is for an increase in commodity prices, including certain foods such as cocoa, metals —particularly those critical to the energy transition— such as copper and energy products such as oil.

Amid these conditions, global prices are expected to come under additional pressure, particularly with regard to the region's main trading partners, with projected inflation rates of 6.4% for 2024 and 3.3% for 2025, depending on the trend in commodity prices, the magnitude of the impact of climate change and the geopolitical tensions mentioned above. Among the main recent concerns are core inflation, which remains high, and inflation in services, particularly in advanced countries. In emerging and developing economies, meanwhile, inflation is projected to be slower to decline, owing especially to the impact of food and fuel prices. All this suggests that the benchmark interest rates of the world's major central banks will remain high over the course of the year, and will probably be revised downward in 2025.

The region's limited macroeconomic policy space precludes an effective response to external and internal constraints. GDP growth will continue to be driven by private consumption, while investment is being held down in a context of low growth and high inflation and interest rates.

Fiscal space remains limited and public debt service costs will continue to pose a major challenge in the years ahead, because they tend to divert much of the resources that are crucial to meet demand for education, health and sustainable infrastructure. Responding to this challenge requires increasing tax revenues by making direct taxation more progressive and adopting wealth taxes, for example, while improving efficiency gains in spending and budget allocation, and refraining from using public investment as the main adjustment variable.

B. Low-growth trap, climate change and employment trends

Part II of this Economic Survey of Latin America and the Caribbean, 2024 analyses the macroeconomic and sectoral trends in employment in Latin American countries. Chapter II, “Employment growth and sectoral trends in Latin America” aims, on the one hand, to examine how low growth in the region in recent years affects job creation and, on the other hand, to analyse the sectoral composition of employment, to determine which sectors and branches of activity have generated the most employment. It also examines labour productivity and how it relates to sectoral trends in job creation.

The main findings of this chapter indicate a close relationship between growth and job creation at the aggregate and sectoral levels; thus, the slowdown in economic growth has translated into weaker growth in the number of employed persons in the past decade. Between 2014 and 2023, the number of employed persons in the region grew by an average of 1.3% per year, one third of the 3.9% recorded in the 1970s.

This diminished rate of job creation at the aggregate level is reflected across economic sectors. The decade of 2010 recorded the lowest growth in employment and value added in all sectors of production, with growth averaging -0.1% in agriculture, 0.7% in manufacturing and 1.7% in services. This growth in the number of employed persons led to a change in the distribution of workers among sectors, as the services sector’s share of total employment increased by 36.2 percentage points, from 28.5% in 1950 to 64.7% in 2020. During this period, as in other regions, the structural change in employment led to a drop in the agricultural sector’s share, down from more than 50% in 1950 to less than 15% in 2020. This reorganization of employment patterns in the region has been accentuated in recent decades, with increasing numbers of workers finding employment in the services sector.

A worrisome outcome of these changes in the employment structure, as shown in figure 2, is that some of the activities accounting for the largest share of jobs created in the region were those that recorded the least productivity growth, including some in the services and construction sectors. This sectoral trend helps to explain the poor performance of labour productivity in the region, which in 2024 has been lower than the level seen in 1980.

Figure 2

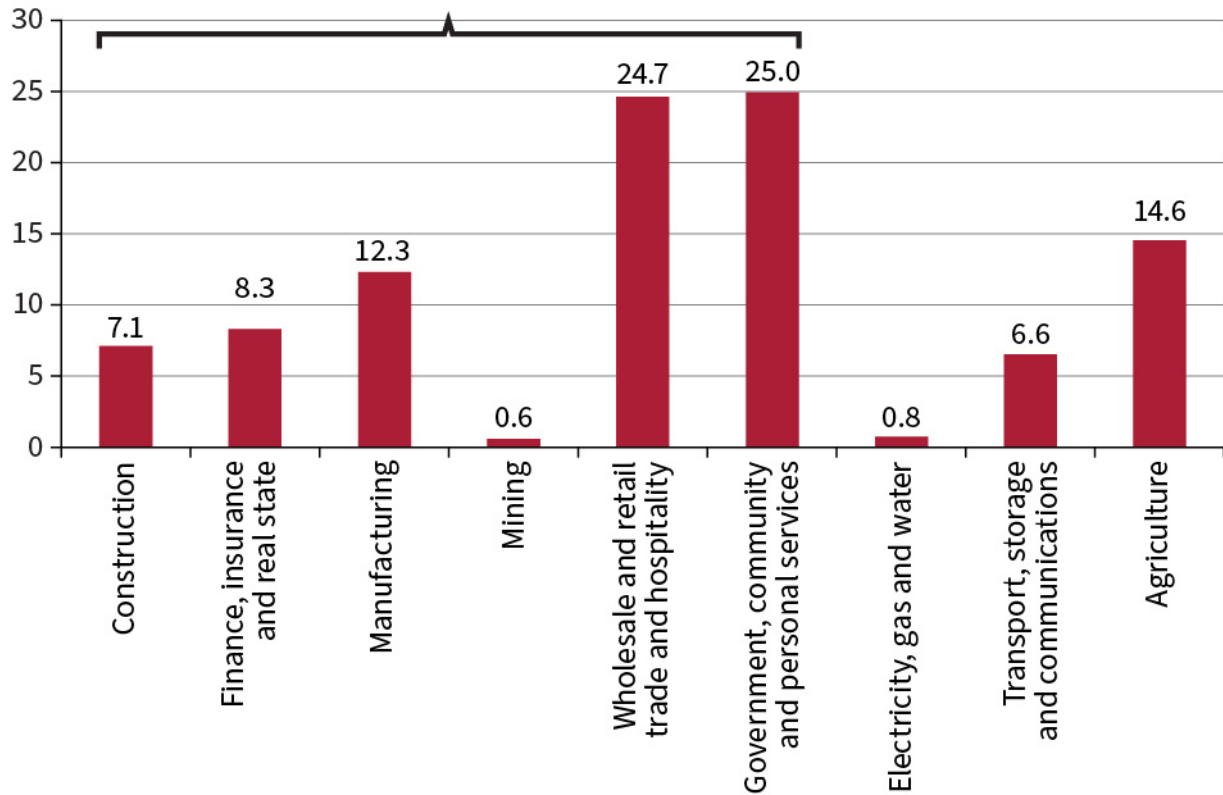
Latin America (17 countries):^a variation in labour productivity and concentration of employment, by branch of economic activity, 2010–2021
(Percentages)

A. Variation in labour productivity, 2010–2021



B. Concentration of employment, by branch of economic activity 2021

Activities with weakest labour productivity growth, 2010–2021



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures, R. C. Feenstra, R. Inklaar and M. P. Timmer, “[The next generation of the Penn World Table](#)”, American Economic Review, vol. 105, No. 10, 2015 and International Labour Organization (ILO).

^a 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.

In other words, one of the region’s structural challenges is not merely the need to generate more employment, but to create jobs in higher-productivity sectors. To achieve this, as ECLAC points out, considerable efforts will be needed to strengthen labour force capabilities.

Chapter III, entitled “Informal employment in Latin America from 2013 to 2022: developments and trends” analyses how informality has spread across different sectors and branches of production. A probit model is estimated to analyse the impacts of growth and various socioeconomic variables on the probability of being informally employed.

The main findings reported in this chapter include the importance of informal employment in explaining overall employment growth. Between 2013 and 2022, the number of employed persons rose by 10%. Informal employment grew by 18.6%, while formal employment grew by 3.3%. When the trend in informal employment is analysed by sex, the gender bias in the informal sector is confirmed, as the larger increase was among women (22.8%), while among men the increase was 15.7%. As in the case of total employment, the sectors with the lowest productivity growth also account for the largest share of informal employment (74% of the informally employed).

The estimates of the probit model confirm the close relationship between the trend in informality and economic growth. During periods of economic contraction or slowdown, informal employment tends to increase. It is also found that having secondary school, university or technical education significantly decreases the probability of employment being informal. This underscores the importance of investing resources in education and of countries increasing funding to improve the coverage and quality of technical and university education.

The likelihood of someone being informally employed is higher if that person is a woman and greater still if there are dependants in the household, which explains why women account for a larger share of informal workers. Accordingly, policies that foster the care

economy are a powerful tool, not only to boost job creation and increase productivity, but also to facilitate women's access to the formal labour market.

Lastly, chapter IV, "Impact of climate change on job creation in Latin American economies" analyses how an intensification of climate shocks could affect job creation in the region. As ECLAC has documented, Latin America and the Caribbean is highly vulnerable to climate change effects. Most countries are located in geographical areas that are highly exposed to the effects of changes in hydrometeorological conditions or the occurrence of extreme weather events. The region also depends heavily on economic activities that are likely to be affected by climate change, such as agriculture, mining and tourism.

If adaptation and mitigation policies are not implemented, climate change may have highly detrimental effects on economic growth and employment. With a view to evaluating these effects, on the basis of the methodology used in Economic Survey of Latin America and the Caribbean, 2023 and in Fiscal Panorama of Latin America and the Caribbean, 2024, a model was developed to estimate trend GDP growth and employment between 2025 and 2050. These estimates were then compared with the economic growth and employment projected for the region in the event of a worsening of the negative effects of climate change.

The results suggest that, under a scenario of intensification of climate change effects in which mitigation and adaptation policies are not incorporated, GDP in 2050 would be 12.5% lower than in the base scenario, in which these climate shocks do not occur. Meanwhile, in the scenario of intensified climate shocks, and given estimates of the elasticity of employment with respect to output, employment growth would drop to 1.1%. This disparity translates into a difference of 11.2% in the number of persons employed

by 2050, equivalent to 42.7 million jobs, or 10% of the labour force, lost between the two scenarios. By 2050, the agricultural and tourism sectors, two of the most affected by climate change, would lose about 10.9 million and 4.4 million jobs, respectively, compared to the base scenario, and between them would account for approximately 35% of the total projected job losses for that year.

Since, as previously mentioned, the scenario of intensification of climate change effects does not consider the implementation of mitigation and adaptation policies, the adverse effects on GDP and employment growth are greater than would be the case if such policies were adopted. Accordingly, the simulation result could be interpreted as the maximum loss to be expected under these conditions.

The scenarios described in this document show that inaction could be very costly and is a luxury that the region cannot afford. To avoid the losses in growth and employment caused by the worsening of climate shocks, the region must harmonize its productive development, employment and macroeconomic policies. It is crucial to implement adaptation and mitigation policies to reduce the costs that this intensification would have on economic activity and employment in the region.

On several occasions, ECLAC has reiterated the need to increase investment, both public and private, in order to attain a high, sustainable and inclusive growth path. However, increasing investment requires an expansion of public policy space, both fiscal and monetary. Expanding fiscal policy space to stimulate investment requires developing progressive tax structures, reducing tax evasion and avoidance, and implementing sovereign debt restructuring and relief mechanisms. Meanwhile, increasing the monetary policy space for this purpose requires expanding the set of

tools (monetary, exchange-rate and macroprudential) that are available to the region's authorities to underpin the macrofinancial stability of their economies.

However, the investment effort needed to offset the loss of output that would result from the intensification of climate change means increasing the rate of investment by more than 5% per year, which is difficult for a region that has maintained one of the lowest rates in the world, virtually unchanged since 1990. For this reason, ECLAC has posited the need to broaden the scope of productive development policies, focusing on specific productive sectors and activities to foster their development; working with stakeholders at the local level; and using cluster initiatives to enhance the efficiency and effectiveness of stakeholder management and collaboration processes.

Productive development, climate change mitigation and adaptation, and macroeconomic policies must also be complemented by active employment policies that encourage the creation of good-quality jobs to improve employment opportunities and make it easier for workers to enter or re-enter the labour market. The region must implement programmes aimed at improving the skills and competencies of workers to adapt to the needs of new labour market realities. Initiatives should target young people, women, migrants and older persons, who are the most vulnerable groups in labour markets and are often overrepresented in some of the activities most affected by the intensification of climate change effects. It is also necessary to strengthen social protection policies and expand and improve instruments such as unemployment insurance and other mechanisms that facilitate the transition from unemployment to employment.

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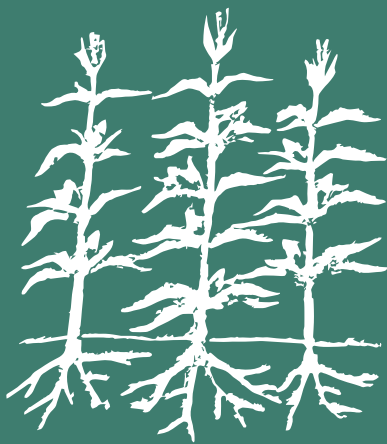
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Maize, which originated in the Americas, is one of the world's most important crops.

Bas-relief on the spiral tower at ECLAC headquarters in Santiago.

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Latin America and the Caribbean is mired in a decades-long growth trap, and further hampered by global and regional conditions that limit the space for macroeconomic policies to spur economic growth in the region. The results of the Economic Survey of Latin America and the Caribbean, 2024 reveal weaker job creation, especially in the formal sector, with young people, women, older persons, migrants and rural dwellers among the most likely to be informal workers. In addition, an intensification of climate change effects will drastically reduce the number of jobs created in the medium term if mitigation and adaptation policies are not adopted. To address these challenges and soften the impact on labour markets, the region must harmonize productive development, employment and macroeconomic policies, together with effective climate change adaptation and mitigation measures. This will require a significant increase in public and private investment, along with structural reforms to foster sustainable and equitable economic growth.



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