

2012



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

Policies for an adverse  
international economy

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UNITED NATIONS

**ECLAC**

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international economy

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ECLAC

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The *Economic Survey of Latin America and the Caribbean* is issued annually by the Economic Development Division of the Economic Commission for Latin America and the Caribbean (ECLAC). The 2012 edition was prepared under the supervision of Juan Alberto Fuentes, Chief of the Division; Jürgen Weller was responsible for its overall coordination.

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

Chapter I, “Macroeconomic report”, was prepared by Juan Alberto Fuentes with input from Rodrigo Cárcamo, Cameron Daneshvar, Luis Felipe Jiménez, Sandra Manuelito, Ricardo Martner, Ramón Pineda, Andrea Podestá and Jürgen Weller. Chapter II, “The policy response of Latin America and the Caribbean to the adverse global economic scenario (2008-2012)”, was prepared by Juan Alberto Fuentes with input from Vianka Aliaga, Fernando Cantú, Rodrigo Cárcamo, Juan Pablo Jiménez, Luis Felipe Jiménez, Cornelia Kaldewei, Sandra Manuelito, Ramón Pineda, Andrea Podestá and Jürgen Weller. The third chapter, “Investment and saving in Latin America and the Caribbean: stylized facts”, was written by Sandra Manuelito, Luis Felipe Jiménez, Juan Alberto Fuentes and Ricardo Martner, in collaboration with Yvonne González and drawing on material prepared by Jorge Carvajal, a consultant. Chapter IV, “The role of the region’s financial architecture in an adverse global economic climate”, is based on a paper delivered by the consultant José Antonio Ocampo, and was written by Rodrigo Cárcamo, Esteban Pérez, Ramón Pineda and Daniel Titelman, also drawing on material prepared by the consultant José Nogueira.

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#### Notes

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

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

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

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

The word “dollars” refers to United States dollars unless otherwise specified.

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United Nations Publication

ISBN: 978-92-1-221065-0 • ISSN printed version: 0257-2184

E-ISBN: 978-92-1-055367-4

LC/G.2546-P • Sales No.: E.12.II.G.3

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Printed in Santiago, Chile • 2012-826

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# Contents

	<i>Page</i>
<b>Foreword</b> .....	9
<b>Executive summary</b> .....	11
<b>Chapter I</b>	
<b>Macroeconomic report</b> .....	21
A. The external context .....	21
1. Conditions remain uncertain.....	21
B. The performance of the region's economies .....	23
1. Economic growth slowed in the second quarter in Latin America and the Caribbean, although several of the region's economies maintained their momentum.....	23
2. With external demand slackening, consumption and, to a lesser extent, investment are still the most dynamic components of aggregate demand in the region .....	24
3. Growth is picking up in non-tradable sectors, contrasting with a slackening performance by the tradable sectors .....	25
4. Regional inflation continued to trend down in the second quarter of 2012, but is under threat from rising food prices .....	27
5. Wage and employment conditions are still helping to drive domestic demand growth, but there are signs this impulse may be weakening.....	28
6. The performance in some countries suggests that job creation is gradually losing momentum and labour indicators are expected to cool in the second semester .....	30
7. Global trade is slowing .....	31
8. Terms of trade are gradually deteriorating for most of the countries in the region .....	31
9. Exports are slowing more heavily than imports .....	32
10. Remittances from the United States rallied, while those from Europe fell. Tourism picked up overall, though intraregional tourism lagged behind.....	33
11. The balance-of-payments current account deteriorated slightly.....	34
12. Most countries in the region continued to enjoy access to foreign capital.....	35
C. Macroeconomic policy .....	37
1. Fiscal policy.....	37
2. Monetary, exchange-rate and macroprudential policy.....	43

**Chapter II****The policy response of Latin America and the Caribbean to the adverse global economic scenario (2008-2012)**

<b>The policy response of Latin America and the Caribbean to the adverse global economic scenario (2008-2012)</b> .....	47
A. The region's response to the adverse global economic scenario in 2008-2012 .....	48
1. Main trends in the external environment .....	48
2. Fiscal policy responses in Latin America and the Caribbean .....	51
3. Monetary, exchange-rate and macroprudential policy responses .....	54
4. Labour and social policies in the context of recent shocks .....	58
5. Trade and sectoral policies .....	60
6. Inflation patterns.....	63
7. Economic activity .....	64
8. Employment and wages.....	67
9. The balance of payments and external shocks during 2008-2012.....	69
B. Two imperatives: ensuring full use of production capacity and expanding the production frontier .....	71
1. Macroeconomic policy as an economic cycle stabilizer.....	71
C. Fiscal policy as a means of stabilizing the cycle.....	72
1. How fiscal policy differs during a boom and a recession.....	72
2. Discretionary countercyclical fiscal policies .....	73
3. Automatic fiscal stabilizers.....	73
4. Fiscal rules.....	74
D. Countercyclical monetary policy.....	74
E. Exchange-rate policy.....	74
F. Countercyclical employment and income policies.....	75
G. Countercyclical macroprudential policies.....	75

**Chapter III****Investment and saving in Latin America and the Caribbean: stylized facts**

<b>Investment and saving in Latin America and the Caribbean: stylized facts</b> .....	77
A. Stylized facts on investment.....	77
1. Investment levels .....	77
2. Composition of gross fixed capital formation: construction and machinery and equipment .....	79
3. Composition of gross fixed capital formation: public investment and private investment.....	80
B. Stylized facts on saving.....	85
1. Composition of savings: national and external savings.....	85
2. Composition of savings: public and private savings.....	89
C. Policy guidelines to strengthen investment .....	91
1. Creation of macroeconomic conditions conducive to investment and its sustainable financing.....	91
2. Strengthening public investment, especially investment in infrastructure .....	92
3. Support for small and medium-sized enterprises and public banks .....	93
4. Capital market development .....	93

**Chapter IV****The role of the region's financial architecture in an adverse global economic climate**

<b>The role of the region's financial architecture in an adverse global economic climate</b> .....	95
A. Introduction .....	95
B. Support for trade and integration through payment systems.....	96
1. Payment systems in Latin America and the Caribbean .....	96
2. How payment systems work.....	97
C. Liquidity and balance-of-payments support through management of reserves .....	99
1. Regional reserve funds as a complement to global financial institutions.....	99
2. Objectives and instruments of the Latin American Reserve Fund.....	99
D. Development banks, funding for production development and countercyclical policies.....	101
1. The evolving subregional development banks.....	102
2. The countercyclical role of the regional development banks .....	103
E. The coordination and cooperation needed for facing future developments .....	105
F. Future challenges for the region's financial institutions .....	107
1. The development banks .....	108
2. Payment systems.....	108
3. Reserve funds .....	109
4. Economic policy cooperation in the region .....	109

<b>Bibliography</b> .....	111
<b>Statistical annex</b> .....	113
<b>ECLAC publications</b> .....	151
<b>Tables</b>	
Table I.1 Latin America and the Caribbean (selected countries): monthly indicators of economic activity, 2011-2012 .....	26
Table I.2 Latin America: year-on-year quarterly variation in industrial production index, 2011-2012 .....	26
Table I.3 Latin America: year-on-year quarterly variation in indicators of construction activity, 2011-2012.....	27
Table I.4 Latin America: year-on-year quarterly variation in commerce indicators, 2011-2012.....	27
Table I.5 European Union: year-on-year variation in import value by origin and product, 2011-2012 .....	35
Table I.6 Latin America and the Caribbean: country risk (EMBI global), 2007-2012 .....	36
Table I.7 Latin America (13 countries): quarterly year-on-year real variation in public revenue and expenditure .....	39
Table I.8 Latin America (12 countries): quarterly year-on-year real variation in total tax receipts, 2011 to second quarter of 2012.....	41
Table II.1 Latin America and the Caribbean (33 countries): main fiscal measures adopted to tackle rising food and fuel prices, 2008.....	52
Table II.2 Latin America and the Caribbean (35 countries): main fiscal measures announced in response to the international crisis of 2008 and 2009.....	54
Table II.3 Latin America and the Caribbean: main monetary, exchange-rate and macroprudential policy measures applied in response to recent crises, October 2008-June 2012 .....	56
Table II.4 Latin America and the Caribbean: labour and social measures in response to recent external shocks.....	60
Table II.5 Latin America and the Caribbean: trade and sectoral measures adopted to address the financial and economic crisis of 2008 and 2009 .....	61
Table III.1 The Caribbean: gross fixed capital formation, 2000-2011 .....	78
Table III.2 Latin America: average annual public investment rates over the period 1980-2011 .....	81
Table III.3 Latin America: central government spending on the acquisition of fixed assets, real annual average, by subperiod, 1991-2011 .....	82
Table III.4 Latin America: average annual private investment rates over the period 1980-2011.....	82
Table III.5 Latin America: total savings, average annual rates over the period 1980-2011 .....	87
Table III.6 Latin America: national savings, average annual rates over the period 1980-2011 .....	87
Table III.7 Latin America: external savings, average annual rates over the period 1980-2011 .....	88
Table III.8 The Caribbean: national savings, average annual rates over the period 2000-2011 .....	89
Table III.9 The Caribbean: external savings, average annual rates over the period 2000-2011 .....	89
Table III.10 Latin America (10 countries): gross public savings, average annual rates over the period 1980-2011 .....	89
Table III.11 Latin America (10 countries): gross private savings, average annual rates over the period 1980-2011 .....	90
Table III.12 Latin America (9 countries): net public savings, average annual rates over the period 1980-2011.....	90
Table III.13 Latin America and the Caribbean (9 countries): net private savings, average annual rates over the period 1980-2011 .....	90
Table III.14 Latin America (9 countries): fixed capital consumption, average annual rates over the period 1980-2011 .....	90
Table IV.1 Latin American Reserve Fund: paid-in and subscribed capital.....	99
Table IV.2 Latin American Reserve Fund and International Monetary Fund (IMF): lending to member countries, 1978-2011.....	100
Table IV.3 Latin America and the Caribbean: multilateral development bank lending, 2003-2011.....	104
Table A-1 Latin America and the Caribbean: main economic indicators .....	115
Table A-2 Latin America and the Caribbean: gross domestic product.....	116
Table A-3 Latin America and the Caribbean: gross domestic product.....	117
Table A-4 Latin America and the Caribbean: per capita gross domestic product.....	118
Table A-5 Latin America and the Caribbean: gross domestic product.....	119
Table A-6 Latin America and the Caribbean: gross fixed capital formation.....	119
Table A-7 Latin America and the Caribbean: balance of payments.....	120
Table A-8 Latin America and the Caribbean: international trade of goods.....	123
Table A-9 Latin America and the Caribbean: exports of goods, f.o.b.....	124
Table A-10 Latin America and the Caribbean: imports of goods, c.i.f. ....	125
Table A-11 Latin America: terms of trade for goods, f.o.b./f.o.b. ....	126
Table A-12 Latin America and the Caribbean (selected countries): remittances from emigrant workers .....	126
Table A-13 Latin America and the Caribbean: net resource transfer .....	127
Table A-14 Latin America and the Caribbean: net foreign direct investment.....	128

Table A-15	Latin America and the Caribbean: gross external debt.....	129
Table A-16	Latin America and the Caribbean: sovereign spreads on EMBI+ and EMBI global .....	131
Table A-17	Latin America and the Caribbean: risk premia on five-year credit default swaps .....	131
Table A-18	Latin America and the Caribbean: international bond issues .....	132
Table A-19	Latin America and the Caribbean: stock exchange indices .....	132
Table A-20	Latin America and the Caribbean: gross international reserves .....	133
Table A-21	Latin America and the Caribbean: real effective exchange rates .....	133
Table A-22	Latin America and the Caribbean: participation rate .....	134
Table A-23	Latin America and the Caribbean: open urban unemployment.....	136
Table A-24	Latin America and the Caribbean: employment rate.....	137
Table A-25	Latin America and the Caribbean: formal employment indicators .....	138
Table A-26	Latin America: visible underemployment by hours .....	138
Table A-27	Latin America: real average wages.....	139
Table A-28	Latin America and the Caribbean: monetary indicators.....	140
Table A-29	Latin America and the Caribbean: domestic credit.....	142
Table A-30	Latin America and the Caribbean: monetary policy rates .....	143
Table A-31	Latin America and the Caribbean: representative lending rates.....	144
Table A-32	Latin America and the Caribbean: consumer prices.....	145
Table A-33	Latin America and the Caribbean: fiscal balance.....	146
Table A-34	Latin America and the Caribbean: central government tax burden and composition of tax revenues .....	147
Table A-35	Latin America and the Caribbean: non-financial public sector gross public debt.....	149

## Figures

Figure I.1	Europe (selected countries): five-year credit default swap risk premiums, 2009-2012.....	22
Figure I.2	Latin America and the Caribbean: contribution to regional GDP growth by country or country grouping, 1991-2012.....	23
Figure I.3	Latin America and the Caribbean: year-on-year variation in gross domestic product, 2011-2012 .....	24
Figure I.4	The Caribbean: year-on-year variation of gross domestic product, 2011-2012.....	24
Figure I.5	Latin America: GDP variation and contribution to growth of aggregate demand components .....	26
Figure I.6	Latin America and the Caribbean: indexes for consumer prices, food prices and core inflation, 12-month variation, simple average, 2009-2012.....	28
Figure I.7	Latin America and the Caribbean: consumer price index, 12-month variation, simple average, 2007-2012 .....	28
Figure I.8	Latin America and the Caribbean (10 countries): year-on-year variation in employment and unemployment rates, 2008-2012.....	29
Figure I.9	Latin America (9 countries): nominal wages, inflation and real wages, simple average, 2008-first semester 2012 .....	29
Figure I.10	Latin America (selected countries): year-on-year variation in formal wage employment, first semester 2011 to first semester 2012.....	30
Figure I.11	Year-on-year variation in world export volume by region, three-month moving average, 2008-2012.....	31
Figure I.12	Year-on-year variation in world import volume by region, three-month moving average, 2008-2012 .....	31
Figure I.13	Latin America: prices indices for export commodities and manufactured goods, 2009-2012.....	32
Figure I.14	Latin America: estimated variation in the terms of trade, 2009-2012.....	32
Figure I.15	Latin America: variation in exports by volume and price, 2012.....	33
Figure I.16	Latin America and the Caribbean (10 countries): variation in emigrant remittances, 2010-2012.....	34
Figure I.17	Latin America and the Caribbean: year-on-year variation in international tourist arrivals, 2009-2012 .....	34
Figure I.18	Latin America: current account structure, 2006-2012 .....	34
Figure I.19	Latin America (11 countries): current account balance and components of the financial account, 2007-2012.....	35
Figure I.20	Latin America: bond issues on international markets, 2007-2012.....	36
Figure I.21	Latin America (19 countries): central government fiscal indicators, simple average, 2000-2012.....	37
Figure I.22	South America, Mexico and Trinidad and Tobago: central government total expenditure and tax and non-tax revenue, 2005-2011 .....	37
Figure I.23	Central America, Dominican Republic and Haiti: central government total expenditure and tax and non-tax revenue, 2005-2011 .....	38
Figure I.24	The Caribbean: central government total expenditure and tax and non-tax revenue, 2005-2011 .....	38
Figure I.25	Latin America (9 countries): quarterly year-on-year real variation in public revenue and expenditure .....	39
Figure I.26	Latin America and OECD: overall fiscal balance and public debt, 2011.....	41
Figure I.27	Latin America and the Caribbean and OECD: overall fiscal balance and public debt, 2011 average .....	42

Figure I.28	Latin America: gap between the primary balance needed to stabilize public debt in 2012 and the actual primary balance in 2011 .....	42
Figure I.29	Latin America: gap between the primary balance needed to stabilize public debt at 40% of GDP in 2012 and the actual primary balance in 2011.....	42
Figure I.30	Latin America and the Caribbean (selected countries): monetary policy rate cuts, first quarter 2011 to second quarter 2012 .....	43
Figure I.31	Latin America and the Caribbean (selected subregions): total domestic lending, 2010-2012 .....	44
Figure I.32	Latin America and the Caribbean: rate of variation in the nominal exchange rate, December 2011-August 2012.....	45
Figure I.33	Latin America and the Caribbean: rate of variation in the real effective exchange rate, July 2012 compared with the 1990-2009 average .....	45
Figure I.34	Latin America and the Caribbean: variation in international reserves .....	45
Figure I.35	Latin America and the Caribbean: foreign-exchange market intervention as a proportion of international reserves .....	46
Figure II.1	Price indices for selected commodities, January 2005-March 2012 .....	49
Figure II.2	GDP growth by region, 2006-2012 .....	49
Figure II.3	Latin America and the Caribbean (selected countries): central government capital public spending, 2007-2011 .....	53
Figure II.4	Latin America and the Caribbean (selected countries): central government primary current spending, 2007-2011.....	53
Figure II.5	Latin America and the Caribbean: monetary policy rates, quarterly averages, July 2007-March 2012 .....	55
Figure II.6	Latin America and the Caribbean: quarterly variation in total lending, in real terms, July 2007-March 2009 .....	55
Figure II.7	Latin America and the Caribbean: quarterly variation in public bank lending, January 2008-September 2009 .....	57
Figure II.8	Latin America and the Caribbean: quarterly variation in the monetary base, January 2011-March 2012.....	57
Figure II.9	Latin America and the Caribbean: nominal exchange rates, quarterly averages, January 2007-March 2012 .....	57
Figure II.10	Latin America and the Caribbean: quarterly variation in private bank lending, January 2011-March 2012 .....	58
Figure II.11	Latin America and the Caribbean: cumulative 12-month inflation rates, simple averages, January 2007-May 2012.....	64
Figure II.12	Latin America and the Caribbean: variation in terms of trade, 2006-2011 .....	65
Figure II.13	Latin America and the Caribbean: annual variation in GDP, 2007-2011 .....	65
Figure II.14	Latin America and the Caribbean: variation in GDP and components of aggregate demand compared with the same quarter of the previous year, constant prices in national currency, simple average, January 2009-March 2012.....	66
Figure II.15	Latin America and the Caribbean: variation in GDP and components of aggregate demand compared with the same quarter of the previous year, January 2011-March 2012.....	66
Figure II.16	Latin America and the Caribbean (8 countries): average year-on-year growth of nominal and real wages in the formal sector and the CPI, 2008-2011 .....	67
Figure II.17	Latin America and the Caribbean: urban employment and unemployment rates, four-quarter moving average, 2008-2012.....	67
Figure II.18	Latin America and the Caribbean: quarterly urban employment and unemployment rates, by country group, simple averages, January 2008-March 2012.....	68
Figure II.19	Latin America: balance-of-payments current account balance, 2007-2011 .....	69
Figure II.20	Latin America (14 countries): components of the balance of payments, by quarter, 2007-2011.....	69
Figure II.21	Latin America: bond issues on international markets and sovereign risk, January 2007-March 2012.....	70
Figure III.1	Latin America: gross fixed capital formation.....	78
Figure III.2	Latin America: annual variation in gross domestic product, by component, 1991-2011.....	79
Figure III.3	Latin America: yearly variation in gross fixed capital formation, by component, 1991-2011 .....	79
Figure III.4	Latin America: contribution of gross fixed capital formation to growth, 1991-2011 .....	79
Figure III.5	Latin America: commodity prices and gross fixed capital formation, 1990-2011 .....	80
Figure III.6	Latin America: contribution of public and private investment to gross fixed capital formation, 1991-2010.....	80
Figure III.7	Latin America and the Caribbean: composition of central government spending, 1990-2011 .....	84
Figure III.8	Latin America and the Caribbean: investment financing, 1980-2011 .....	86
Figure IV.1	Latin American Integration Association countries: transactions under the agreement on reciprocal payments and credits, 1966-2011 .....	97
Figure IV.2	Argentina and Brazil: local currency payment system transactions, 2009-2011 .....	98
Figure IV.3	Bolivarian Republic of Venezuela, Cuba, Ecuador, Honduras, Nicaragua and Plurinational State of Bolivia: transactions under the Unified System for Regional Compensation (SUCRE), 2010-2012.....	98
Figure IV.4	Latin American Reserve Fund: lending by type of credit facility, 1978-2011 .....	100

Figure IV.5	Latin American Reserve Fund: member countries using the fund in times of crisis.....	101
Figure IV.6	Latin America and the Caribbean: subregional development bank loan approvals, 1990-2011 .....	102
Figure IV.7	Latin America and the Caribbean: multilateral development bank lending, 1990-2011.....	102
Figure IV.8	Central American Bank for Economic Integration: loan portfolio by economic sector, June 2011 .....	103
Figure IV.9	CAF - Development Bank of Latin America: loan portfolio by economic sector, 2011.....	103
Figure IV.10	Caribbean Development Bank: total loans approved by economic sector, 1970-2010.....	103

**Boxes**

Box IV.1	Latin America and the Caribbean: recent regional policy coordination and cooperation initiatives .....	107
Box IV.2	Latin America and the Caribbean: recent subregional policy coordination and cooperation initiatives.....	107

## Foreword

The sixty-fourth edition of the *Economic Survey of Latin America and the Caribbean* is divided into four chapters. The first chapter reviews the region's economic performance during the first half of 2012, against the backdrop of a global economic slowdown and heightened uncertainty as to prospects for growth in the major economies. This scenario contributed to a slight cooling of economic expansion in Latin America and the Caribbean as a whole, especially through the trade channel. Demand continued to edge up, thanks primarily to household consumption, while rising investment or the positive contribution of net exports helped sustain brisk economic growth in a number of countries. This chapter also examines how macroeconomic policies were tailored to this unfavourable environment and sought to broaden the space for facing an external context that could turn even more negative.

The second chapter assesses the economic policies implemented by the countries of the region in the face of three adverse external scenarios: spiralling food and fuel prices in 2008; the global financial crisis (the worst of which ran from September 2008 to late 2009); and international uncertainty and the global economic cooldown

starting in the second half of 2011. This chapter shows how the region has developed the capacity to respond to the challenges that such conditions pose, although the policy space differs substantially from one country to another.

One of the key factors for achieving high, sustainable growth and reducing vulnerability to an adverse external environment is investment. The third chapter tracks investment in the region over time, identifying its components and examining the pattern of savings for funding investment.

Recent adverse events have highlighted the need to develop appropriate national policies for dealing with them, as well as the importance of strengthening response capacity at the regional level. The fourth chapter examines the challenges faced and the progress made on four important fronts: the countercyclical response on the part of the regional development banks; new instruments for facilitating intraregional trade; changes to the Latin American Reserve Fund; and the creation or strengthening of mechanisms for fiscal and monetary authorities to cooperate in exchanging information and drafting common standards.



## Executive summary

### I. Macroeconomic performance in Latin America and the Caribbean in 2012

#### Global uncertainty continues

The slowdown in economic growth posted by Latin America and the Caribbean in 2011 continued through the first half of 2012, prompting ECLAC to project that economic activity would expand by 3.2% for the year as a whole. Private consumption was the main driver of growth, thanks to favourable labour market trends, an expansion of credit and, in some cases, an increase in remittances. In a number of countries, brisk investment (especially in the construction sector) and net exports helped temper the slowdown. Overall, though, foreign trade was the primary channel through which the faltering global economy impacted the economic performance of Latin America and the Caribbean: the price of most of the region's main export commodities trended down, and external demand cooled markedly, particularly in Europe and Asia. As a result, most of the countries are seeing deteriorating terms of trade and slightly wider balance-of-payments current account deficits reflecting a downturn in the trade balance.

The region has not lost access to the international financial markets, so funding the deficit has not posed a problem and international currency reserves continue to

grow. The build-up of reserves, the slight improvement in fiscal balances in most of the countries, and the space for cutting interest rates in a relatively low inflation environment show that the countries of the region have some room for manoeuvre as the external context takes a turn for the worse.

The economic performance of Latin America and the Caribbean in 2012 and 2013 largely depends on how adjustment unfolds in the developed countries and the extent of the slowdown in China, but it will also hinge on the region's response capacity. Adjustment in the developed countries is likely to be mirrored, to varying degrees, in restrictive fiscal policy and more relaxed monetary policy, paired with gradual bank, household and business deleveraging that has made more headway in the United States than in the European Union. Delays in these measures, the outcome of which largely depends on an unpredictable political process, have already had three impacts that could continue into the future.

First, these delays could add to international financial market instability and perceived risk. Second, they could depress aggregate demand and world trade, which has become the main channel transmitting the crisis from the euro zone to Latin America and the

Caribbean. Difficulties in reaching an agreement as to the path towards fiscal consolidation and banking and finance cooperation in the European Union could prolong the contraction of aggregate demand there, which is already being reflected in sagging imports from other regions, including Latin America and the Caribbean. In the United States, fiscal tightening equivalent to nearly 5% of GDP (more radical than the consolidation under way, equivalent to some 2.5% of GDP per year) triggered by an unresolved legislative impasse could spark further contraction of aggregate demand and global trade. Third, a more relaxed monetary policy would favour currency appreciation in emerging and developing economies.

Growth projections for Latin America and the Caribbean for 2012 and 2013 are based on a scenario assuming that the political process in the European Union and the United States will manage to avoid even tighter fiscal consolidation and deeper government, bank, business and household indebtedness and thus ward off prolonged contraction of aggregate demand and world trade. Such a scenario assumes, on the one hand, that drastic fiscal tightening in the United States can be avoided and, on the other hand, that the euro zone countries will gradually implement agreements on banking and financial cooperation and, possibly more slowly, albeit no less decisively, on fiscal consolidation. It also assumes that the feared sharp jump in oil prices, subject to geopolitical risks in the Middle East, will not materialize.

The base case scenario shows a different outlook for Latin America and the Caribbean, but it, too, assumes a certain response capacity in the region, especially in those countries with more fiscal space. First, the slowdown in China has taken a heavier toll on the countries of South America that export commodities to China and could have an even stronger impact, especially on metals and minerals, if the cooldown shrinks the contribution of investment to economic growth in China. Nevertheless, most of the countries of South America have a certain degree of fiscal space that could offset the contractionary effect of falling external demand, at least during 2013.

Second, the relatively good performance of the United States economy, where fiscal consolidation threatens to be a drag on growth in 2013, has mainly favoured Mexico, the countries of Central America and the countries of the Caribbean, which send a high percentage of their exports of goods and services (primarily tourism) to the United States market. In this case, the narrower fiscal space available to the countries of Central America and the Caribbean for offsetting—even partially—drastic

adjustments in the United States exposes them to economic policy developments in the United States.

Third, the recession in Europe has had a greater impact on some economies of South America, such as Brazil, Chile and Uruguay, and it has contributed to financial market instability. However, these countries are also in a position to deploy countercyclical and macroprudential policies to temporarily mitigate the impact of these negative external factors. Most of the countries of the region are making an integrated monetary, exchange-rate and macroprudential policy effort to cushion the impact of global economic volatility. The region's hydrocarbon-exporting countries have performed well thanks to relatively high oil prices in 2012, and some of them also have fiscal space for temporarily dampening the blow if oil product prices slump.

On the other hand, failure of the political process aimed at resolving the banking, financial and fiscal problems in the developed countries, combined with a further cooling of the Chinese economy, could mean a different scenario, with a sharp contraction and consequences similar to those of the Great Recession of 2009. Coupled with sharply rising oil prices, this would seriously worsen the outlook despite a certain capacity for countercyclical response on the part of most of the countries of the region.

### **Growth in the region is slowing, but most of the countries are maintaining their momentum**

The global economic downturn following the crisis that broke out in 2009 began to drag down economic activity in Latin America and the Caribbean in the second half of 2011. However, in a number of countries the slowdown eased up in the first half of 2012, prompting forecasts that growth rates could stabilize in the second half of the year at similar levels to those seen during the first half. This continued moderate growth was made possible by expanding consumption, although investment (especially in the construction sector) was also a factor in the more buoyant economies, as were net exports in a handful of countries despite shrinking global trade. As a result, many South American and Central American countries, in addition to Mexico, should post GDP growth rates for 2012 that are similar to or just slightly lower than the figures for 2011. This growth, ranging from 3.5% to 5.5% and based primarily on consumption and, to a lesser extent, on investment, has been reflected in an uptick in activity in non-tradable sectors like domestic commerce and construction and a cooldown in tradable sectors such as manufacturing (see table 1).

**Table 1**  
**PERCENTAGE VARIATION IN TOTAL GROSS DOMESTIC PRODUCT**  
*(Millions of dollars at constant 2005 prices)*

Country	2010	2011	2012	2013
Argentina	9.2	8.9	2.0	3.5
Bolivia (Plurinational State of)	4.1	5.2	5.0	4.5
Brazil	7.5	2.7	1.6	4.0
Chile	6.1	6.0	5.0	4.8
Colombia	4.0	5.9	4.5	4.5
Costa Rica	4.7	4.2	5.0	4.0
Cuba	2.4	2.7	3.0	3.0
Dominican Republic	7.8	4.5	4.5	4.5
Ecuador	3.6	7.8	4.5	4.5
El Salvador	1.4	1.5	2.0	2.0
Guatemala	2.9	3.9	3.5	3.5
Haiti	-5.4	5.6	6.0	7.5
Honduras	2.8	3.6	3.2	3.0
Mexico	5.6	3.9	4.0	4.0
Nicaragua	4.5	4.7	5.0	5.0
Panama	7.6	10.6	9.5	7.0
Paraguay	13.1	4.4	-2.0	5.0
Peru	8.8	6.9	5.9	5.5
Uruguay	8.9	5.7	3.5	4.0
Venezuela (Bolivarian Republic of)	-1.5	4.2	5.0	3.0
<b>Subtotal Latin America</b>	<b>6.1</b>	<b>4.3</b>	<b>3.2</b>	<b>4.0</b>
Antigua and Barbuda	-7.9	-5.0	2.3	2.6
Bahamas	0.2	1.6	2.5	2.7
Barbados	0.2	0.6	1.0	1.5
Belize	2.9	2.5	2.4	2.5
Dominica	0.9	-0.3	2.6	2.6
Grenada	0.0	1.0	1.9	2.2
Guyana	4.4	5.4	3.8	4.5
Jamaica	-1.5	1.3	1.0	1.3
Saint Kitts and Nevis	-2.4	2.1	1.0	1.8
Saint Lucia	0.4	1.3	2.3	2.5
Saint Vincent and the Grenadines	-2.8	0.1	1.8	2.0
Suriname	7.3	4.5	4.3	4.0
Trinidad and Tobago	0.0	-1.4	1.0	2.2
<b>Subtotal Caribbean</b>	<b>-0.1</b>	<b>0.4</b>	<b>1.6</b>	<b>2.2</b>
<b>Latin America and the Caribbean</b>	<b>6.0</b>	<b>4.3</b>	<b>3.2</b>	<b>4.0</b>
<b>Memo item:</b>				
<b>Central America (9 countries)</b>	<b>4.2</b>	<b>4.3</b>	<b>4.4</b>	<b>4.0</b>
<b>South America (10 countries)</b>	<b>6.5</b>	<b>4.5</b>	<b>2.8</b>	<b>4.1</b>

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

However, Argentina and Brazil (which account for a large portion of the region's weighted GDP) saw considerably slower growth than the rest of Latin America and the Caribbean. This could be the prime factor bringing growth in the region down from 4.3% in 2011 to 3.2% in 2012. The slowdown in the second half of 2011 across all of the countries of Latin America was sharper in Brazil, where signs of recovery were not seen until early in the second half of 2012. In Argentina, the downturn was steeper in the first half of 2012. Paraguay is a special case in that the production of soybeans (its main export product) fell because of bad weather. The English- and Dutch-speaking countries of the Caribbean are in a different position from the rest of the region: they recovered more slowly from

the global financial crisis of 2009, and recovery, while more gradual, was steady, with 1.7% growth forecast for 2012 compared with just 0.4% in 2011. Among these countries, the natural resource-dependent economies, like Suriname and Guyana, performed better than those that depend chiefly on tourism.

Expectations are that 2013 will bring neither a general recovery nor an across-the-board slowdown, but rather slightly lower growth in most of the countries of South America (which depend more on commodity exports to China) and growth similar to last year's in Mexico and the countries of Central America. In the Caribbean, recovery should continue at a slow pace, with growth rates slightly higher in the more tourism-dependent

countries. Argentina and Brazil should, after their sharp downturn in economic activity in 2012, see something of a recovery in 2013 that would contribute a great deal to pushing regional growth up from 3.2% in 2012 to an expected 4.0% in 2013.

### **Inflation in the region continues to trend down but is under threat from the rising price of some food items**

In the second quarter of 2012, inflation in Latin America and the Caribbean continued its first-quarter downtrend. Simple average cumulative 12-month inflation to June 2012 was 5.5%, the lowest since November 2010, and could remain there for the rest of the year if pressure from the rising price of some food items is not excessive. Argentina, the Bolivarian Republic of Venezuela and Trinidad and Tobago were the only countries to record significantly higher rates of inflation during the period.

### **Wage and employment conditions are still helping to drive domestic demand growth, but there are signs this impulse may be weakening**

Improving employment rates and job quality, along with higher wages, continued to help drive a moderate expansion of domestic demand in the region, particularly through consumption. For the group of 10 countries for which quarterly information is available, in the first semester of 2012 the urban unemployment rate fell by 0.4 percentage points year-on-year, from 7.2% to 6.8% of the economically active population. The labour market participation rate for women rose in most of countries; the variation in the rate for men was uneven. In many countries, wage employment continued to lead job creation, and the visible underemployment rate dropped in the first semester compared with the same period in 2011.

Although the employment rate continued to rise for the region as a whole, not all of the countries saw year-on-year improvements. In Argentina, the Bolivarian Republic of Venezuela, Jamaica, Paraguay, Peru and Uruguay, this indicator slid compared with the first half of 2011. Some of the jump in the region's employment rate (weighted average) was due to sharply higher employment figures for Mexico starting in the last few months of 2011. Another contributing factor was the steady rise in the urban employment rate in Brazil despite lacklustre economic growth. Some countries (especially Argentina, Brazil and Peru) are showing clear signs of a slowdown in formal job creation; in others, this kind of employment is increasing at a relatively steady pace.

Wage trends in a context of falling unemployment and contained inflation helped push wages in the formal sector (simple average for nine countries) up, in real terms,

faster than in the two preceding years, with increases topping 3.0% in the Bolivarian Republic of Venezuela, Brazil, Panama and Uruguay and ranging between 2% and 3% in Chile and Costa Rica. Colombia, Mexico and Nicaragua posted changes of less than 1%.

The principal labour variables are projected to continue to improve for 2012 as a whole, albeit to a lesser extent than in the two preceding years. With the employment rate expected to rise by some 0.4 percentage points and unemployment projected to recede further, by 0.2 percentage points, urban unemployment for the region as a whole is likely to stand at 6.5%. The uptrend in real wages could slow in the second half of the year if the price of some food items (especially maize and wheat) rises as a result of global supply issues caused by climate events.

### **Exports slow more than imports and the region maintains access to foreign capital**

The growth of exports to the United States and Asia slowed sharply in the second quarter of 2012; exports to the European Union shrank. Slowing or receding aggregate demand in the developed countries and the slowdown in China were among the contributing factors, and they also helped push Latin American export commodity prices down in the first six months of 2012. Exporters of minerals, metals and food bore the brunt of these declines. Import value growth also slowed in the first half of 2012, but import growth did outpace exports. Year-on-year import growth slowed by 3.3% in the second quarter of 2012; the region's export value slipped 1.5% compared with the same period in 2011. On this basis, the trade surplus is projected to narrow in 2012.

The inflow of remittances into countries with the highest number of migrants in the United States (the countries of Central America and the Caribbean) continued to rise in the first half of 2012, while countries like Colombia and Ecuador (which have more migrants in Europe, especially Spain) saw sharp drops. Tourism, which posted a recovery compared with the same period in 2011, grew modestly in most of the countries of the Caribbean and, in particular, Central America, but slackened in South America.

Estimates for 2012 to date show that the region is still running a moderate current account deficit. That deficit narrowed somewhat in the first quarter, but as export value slipped in the second quarter the current account deficit widened to about 1.3% of GDP for the period and is expected to reach 1.9% of GDP for the year as a whole. The terms for funding this gap are expected to be similar to 2011, when the current account deficit came in at the equivalent of 1.2% of GDP. In the first half of 2012, the components of the financial account emulated the pattern of recent years, with robust net foreign direct investment

(FDI) once again the main source of external funding, followed by net portfolio investment. As in 2011, the countries of the region continued to build up reserves in the first half of 2012.

### **Fiscal balance consolidation continues, albeit with significant regional differences**

The region's overall fiscal balance in 2011 was similar on average to that of 2010, with public revenue and expenditure climbing by similar percentages of GDP. Total revenue represented 19.3 percentage points of GDP, a similar proportion to that recorded in 2008. The average overall fiscal balance is expected to be similar in 2012, with revenues and spending continuing to expand in line with GDP growth, with current spending in particular accelerating somewhat.

Fiscal revenue from natural resources is expected to stagnate or fall slightly in 2012, mirroring deteriorating terms of trade for most of the countries of the region, but will continue to represent a significant proportion of total revenue. This average masks very different situations, however; total fiscal revenue for 2011 exceeds pre-crisis levels in Argentina, Ecuador, the Plurinational State of Bolivia and Uruguay, but still falls short of these levels in the Bolivarian Republic of Venezuela, Chile, Colombia and Peru.

The situation is different in Central America, where both public expenditure and public revenue represent a smaller proportion of GDP and tax revenue accounts for over 90% of total receipts. As expenditure has risen in recent years, reflecting countries' efforts to safeguard social spending in a context of lower economic growth (ECLAC, 2012a), public deficits have become a chronic problem. Nevertheless, the upward trend in public revenue since 2010 should help to correct this in several countries, essentially as a result of recent tax and administrative reforms (El Salvador, Guatemala, Honduras, Nicaragua and Panama).

There was virtually no decline in revenues in the Caribbean despite the global financial crisis, but public spending rose and the public deficit widened. In most of the countries, public debt still accounts for a fairly high percentage of GDP—more than 70%, on average—except for the Bahamas, Suriname and Trinidad and Tobago.

In 2011, a number of countries in Latin America—the Bolivarian Republic of Venezuela, Chile, Ecuador, Guatemala, Haiti, Paraguay and Peru—held public debt levels below 30% of GDP and others—the Dominican Republic, Honduras, Mexico and the Plurinational State of Bolivia—were close to the regional average. The remainder—Argentina, Brazil, Colombia, Costa Rica, El Salvador, Nicaragua, Panama and Uruguay—still showed

levels that, although comparatively low, were above the average for the region. Based on the fiscal policies in place as well as growth forecasts, the downward trend should continue over the next few years. In fact, the regional average is expected to be around 30% of GDP by 2015.

### **Few changes have been made to reference rates; domestic lending continues to surge, although there are signs of a slowdown in many countries**

Most central banks in the region kept their policy rates steady during the first half of 2012; any changes have tended to be downward. This may be attributed to the regional economic slowdown, including the easing of supply-side inflation pressures thanks to stable or lower commodity prices (including for food) during the first half of 2012.

In Argentina, Brazil, Ecuador, Mexico, Peru and Uruguay, the cooldown in lending began in the second quarter of 2010 but gathered momentum in the first two quarters of 2012. Conversely, total domestic lending continues to expand in the Bolivarian Republic of Venezuela and Chile. In the countries of Central America, lending was mostly up until the third quarter of 2012, when the trend reversed after some countries posted a slight slowdown in the second quarter. In the economies of the Caribbean, domestic lending has recorded positive growth rates, albeit lower than in the rest of the region.

### **Countries continue to intervene to minimize exchange-rate fluctuations and are building up international reserves**

Financial market volatility and the trend in relative returns in the countries of the region compared with other parts of the world, such as Europe, led to marked nominal appreciation of some of the region's currencies during the first eight months of 2012. This was especially true of countries that are more integrated into international financial markets, such as Chile (7.0%), Colombia (6.6%) and Mexico (4.5%). However, for another group of countries, currencies depreciated in nominal terms between December 2011 and August 2012. This group includes, in particular, Brazil, Argentina and Uruguay, where depreciation for the period was 10.1%, 7.5% and 6.6%, respectively. The depreciation reflects the impact of factors such as a poorer growth outlook, falling prices for key goods exported by the region (such as iron), lower interest rates, and the introduction of macroprudential measures to discourage short-term capital inflows.

Exchange-rate volatility, which could continue through to the end of the year, led many of the region's central banks to intervene actively in foreign-exchange

markets. This trend continued into the first half of 2012, and leaned towards foreign-exchange purchases, suggesting that central banks have been more concerned about avoiding local-currency appreciation than depreciation. Foreign-exchange purchases during the first semester of 2012 exceeded those registered in

the second half of 2011 in Brazil, Colombia and Peru. Conversely, foreign-exchange market intervention in Haiti, Honduras and Paraguay added up to net sales of foreign exchange by the central bank, for amounts representing a substantial percentage of these countries' total reserves.

## II. The policy response of Latin America and the Caribbean to the adverse global economic scenario in 2008-2012

### Three crucial moments

Over the past few years, Latin America and the Caribbean has faced three different kinds of adverse external shocks; the governments of the region responded with an array of policies and other measures. The experience gained then can be useful now in dealing with the global economic downturn. The major adverse shocks included (i) the food and fuel price boom of 2008 following an extended period of rising export commodity prices that began in 2003; (ii) the global financial crisis, the worst of which ran from September 2008 to late 2009; and (iii) mounting international uncertainty and slowing global economic growth from the second half of 2011.

### Most of the fiscal policy response to the adverse global economic scenario has been countercyclical

Between 2003 and 2012, most of the countries of Latin America and the Caribbean tailored their fiscal policy to the region's economic cycle as follows: (i) generating primary surpluses and reducing public debt between 2003 and 2008, before the external environment turned negative in 2008-2009; (ii) redirecting spending and taxes to avoid the regressive effects of rising prices in 2008; (iii) stabilizing domestic demand by stepping up public spending in 2009; and (iv) launching fiscal reforms on the revenue side and on the expenditure side in order to consolidate public finances, starting in 2010.

Redirecting spending and taxes in 2008 involved, on the revenue side, cutting taxes on consumption and food imports, providing transport and energy subsidies, food aid, preferential loans for fostering agricultural production and, in some cases, direct purchases of food by the public sector. Assessing the impact of these measures is not easy

because the global financial crisis sent food and fuel prices plummeting starting in September 2008, reversing the trend that earlier efforts sought to curb and highlighting their extreme vulnerability and the need for policies to manage the risks associated with food insecurity.

The primary surpluses built up before the crisis hit Latin America made it easier to implement countercyclical fiscal policies in 2009, because spending did not adjust automatically to the decline in fiscal revenue that year and could be increased. Initiatives focused on increasing infrastructure investment, housing programmes, programmes for supporting small and medium-sized enterprises and a wide array of social programmes. Delays in the design and legislative approval of investment projects, as well as implementation capacity issues, held up investment execution in some countries; responses on the social spending front were more agile.

Governments also responded by amending income and sales taxes; measures included lowering rates and establishing deductions and advance rebates. Fiscal restrictions on subnational governments were eased; several governments lowered their primary surplus targets. A number of countries turned to regional and multilateral development banks to fund the increase in public spending as revenue fell. In short, while there were differences among countries, the fiscal space built up earlier was put to use and public debt was kept within limits that, generally speaking, did not jeopardize fiscal sustainability.

The region's fiscal balance (simple average) went from a deficit equal to 0.5% of GDP in 2008 to a deficit of 2.9% in 2009 that narrowed to 1.8% in 2010. Action on the spending side in 2009 seems to have had more of an impact than stimulus measures based on tax cuts, not only because of their scope but also because they affected

consumption more directly at a time when there was a risk of a sharp contraction in aggregate demand and uncertainty was keeping the private sector from investing more despite stimulus measures and incentives. Gross fixed investment in the region, which had expanded at a steady pace between 2003 and 2008 (rising from 16.8% of GDP to 22.1% of GDP), fell back to 20.5% of GDP but later rallied. By 2012, most of the countries (with the notable exception of the English-speaking countries of the Caribbean and some Central American countries) had also managed to recover some of the fiscal space used during the crisis. But that space was still narrower than it had been.

**A growing number of countries have adopted a stronger countercyclical monetary stance, exchange-rate flexibility and new macroprudential policy measures**

Most of the countries of Latin America and the Caribbean addressed the adverse events of 2008- 2012 with (i) a combination of restrictive monetary policies and currency appreciation in response to rising food and fuel prices in 2008; (ii) liquidity injections, lower reference interest rates and exchange-rate depreciation to mitigate the impact of the global financial crisis in 2009; and (iii) a cautious monetary and exchange-rate policy stance starting in the second half of 2011, paired with growing implementation of macroprudential policies. The preferred approach in 2008 was to raise the reference interest rate or slow monetary aggregate growth in order to cushion the impact (especially the indirect impact) of rising food and fuel prices. In some cases, this approach was coupled with exchange-rate appreciation that dampened the effect of external inflationary pressures by lowering the price of imported goods.

During the global financial crisis, many monetary authorities sought to boost liquidity in each country; key countries in the region (Brazil, Colombia and Mexico) conducted liquidity swaps with the United States Federal Reserve in order to keep their national financial systems from facing situations of insolvency owing to loss of access to external funding. Several currencies depreciated, and financial regulations, provisioning standards and capital requirements were changed to keep potential bank portfolio impairment from impacting bank solvency. These efforts were successful. But lowering the reference interest rate had no significant impact on the monetary base or on other monetary aggregates. Private lending slowed or even shrank, leading a number of countries to provide credit through public institutions (among them, the Brazilian Development Bank (BNDES) and Chile's Production Development Corporation (CORFO)). This partially offset the slowdown of private lending.

Starting in 2010, a growing number of governments in the region adopted a set of macroprudential measures to disincentivize inflows of short-term capital. These measures included raising reserve requirements on deposits in foreign currency, especially on deposits of under one year, and taxing foreign exchange gains obtained by foreigners on buying or selling domestic assets. Some governments took steps to constrain the supply of foreign currency on the exchange market, by intervening directly or by offering the option to pay tax and other fiscal obligations in foreign currency. When the global economy began to slow in the second half of 2011, monetary policy grew more cautious, with fewer variations and some reductions of the reference interest rate. The accumulation of international reserves continued in order to ease intermittent exchange-rate appreciation pressure or have some form of self-insurance against global economic uncertainty.

**Labour and social policies were reinforced during the worst of the crisis**

Labour and social policies primarily sought to (i) attenuate the impact of rising food prices on the most vulnerable households in 2008 and (ii) protect employment during the crisis, between September 2008 and late 2009. The number of new measures tailed off between 2010 and 2012 because job creation and wages had improved during this period, thanks to the resumption of economic growth.

In order to mitigate the negative impact of rising food and fuel prices, governments either adopted or strengthened cash transfer programmes targeting the poorest segments of the population, and introduced subsidies, price controls and food distribution programmes. Several countries prevented a drop in real wages by raising the minimum wage. Since the upward fuel and food price spiral reversed, higher real wages helped curb the fall in consumption triggered by the recession and spurred economic activity in the region during the crisis years of 2008 and 2009. In addition, in order to protect jobs during the crisis old programmes were reinforced and new ones put in place; these included shorter working hours, training programmes, lower employer social security contributions as a way to cut labour costs, emergency job creation programmes, broader access to unemployment insurance or extended benefits, and the creation or expansion of subsidies for hiring young people. Conditional cash transfer programmes were created or expanded during this period; some countries established basic non-contributory pension schemes, reinforced food support programmes or gave allowances to vulnerable persons or households.

### **Trade and sectoral policies varied widely between 2008 and 2012**

With differences from country to country, trade and sectoral policies primarily involved (i) reducing tariffs and supporting the agricultural sector in 2008; (ii) lowering taxes temporarily (tax incentives) and creating favorable borrowing conditions, especially for housing and small and medium-sized enterprises in 2009; and (iii) implementing incentives and protection schemes for manufacturing in several countries between 2011 and 2012.

In order to promote food production, governments backed favourable credit terms for agriculture and preferential terms of access to inputs such as agricultural machinery, water, seeds and fertilizer. In some cases, these measures became permanent programmes; in others, a decision was taken to set export quotas for certain products (maize, wheat, beef and rice), but these were later withdrawn. To address the crisis, a number of governments lowered (usually temporarily) tariffs on importing capital goods and inputs in key sectors such as the automobile industry, tourism and agriculture, established favourable credit terms and temporary tax incentives for exporters or for purchasing a home or certain durable goods (including cars), using promotion policies that became longer-term programmes in the case of small and medium-sized enterprises (especially export-oriented ones) and housing, in addition to other targeted measures that varied from one country to the next. In addition to these measures, the authorities in some countries took other steps beginning in 2011. These included increasing protection for manufacturing under MERCOSUR or by some of its individual members, as well as other stimulus measures and investment promotion programmes based on public guarantees or government funding.

### **Future macroeconomic policy challenges for Latin America and the Caribbean**

A look at investment trends in Latin America and the Caribbean shows that the region has been highly vulnerable to external shocks (as explained in chapter III) set off by changes in the terms of trade and capital flows, and that sustained, relatively stable growth requires a set of macroeconomic and sectoral policy measures to smooth the growth path of employment, investment and output (ECLAC, 2012). The region's experience with policies implemented in the face of adverse external scenarios suggests the need for macroeconomic policy that helps stabilize the path to greater growth, investment and employment (real, not just nominal, stabilization), on the basis of four guidelines:

- (i) Tailor macroeconomic policy to the nature of the shock (more gradual now than in 2009) and the propagation mechanisms in each country.
- (ii) Identify the limitations (fiscal space, external constraints, inflationary pressures) that condition macroeconomic policy.
- (iii) Ensure an integrated approach to stabilization in real terms, coordinating fiscal, monetary, exchange-rate and macroprudential policy.
- (iv) Integrate cycle-stabilizing policy (in particular, the management of aggregate domestic demand: consumption, investment and net exports) with other policies that operate on domestic supply and external demand, such as industrial, labour and trade policy.

With a few exceptions, the countries have enough fiscal space to face adverse scenarios; this could be especially useful for the economies hardest hit by the slowdown in China if external demand plummets. But the impact of discretionary countercyclical policy would be limited in a scenario of prolonged slow growth. For countries with less fiscal space, regional and multilateral financial institutions have a key role to play in facilitating a gradual process of fiscal reforms aimed at achieving a sustainable fiscal path.

From a longer-term perspective, automatic fiscal stabilizers (progressive, broad-based taxes that decrease more than proportionally in a recession and contribute to equality, together with unemployment insurance and compensatory social programmes triggered by certain indicators) should be strengthened. Because there can be a strong link between fiscal policy and labour policy, consideration should be given to the proposal for working towards implementing non-contributory social protection systems that can be funded by taxes and help formalize employment by reducing labour formalization costs. Fiscal, labour and social policies must be firmly coordinated in order to achieve a pro-equality public policy package overall. Trade policy, by favouring access to faster-growing markets (like those of Asia and the Pacific and Latin America and the Caribbean) can also help further more stable, sustained growth in the region.

Establishing fiscal rules entails meeting strict requirements, including stability, credibility, solvent subnational governments, a fiscal pact or covenant to ensure that the rules are lasting, and budget flexibility. To meet these requirements, most countries would have to take a gradual approach for moving in this direction. In particular, a strict structural balance rule can be counterproductive by increasing the inflexibility of budgets that, because of earmarking, seriously constrain the scope for implementing responsive fiscal policy.

In the current adverse external environment, caution has governed monetary, exchange-rate and macroprudential policy management, although the policy interest rate cuts in some countries in 2012 suggest that monetary policy might take on a more active countercyclical role in most of the countries in the immediate future, taking advantage of its greater flexibility as a short-term instrument (not subject to prior legislative approval) than is the case with countercyclical fiscal policy. The limits of interest rate cuts for encouraging investment in uncertain times should be borne in mind, as should the need for public financial institutions that can help revive economies in periods of heightened uncertainty. In this connection, public development banks and properly regulated capital markets must mobilize and redirect credit and savings in order to promote the sort of investments that can support structural change for equality, with a particular emphasis of SMEs (ECLAC, 2012c). Public investment must catalyse aggregate investment, especially investment that incorporates innovation and embeds more value added into exports.

The exchange-rate policy lessons learned in Latin America and the Caribbean suggest that exchange rates should not be the only (or the main) adjustment variable in the face of internal or external imbalances (especially when the latter are associated with fluctuations in capital flows or the terms of trade). Regulating short-term capital inflows, primarily by means of macroprudential regulations that disincentivize speculative financial activities, should be part of the solution. When implementing an international reserve management policy in line with the exchange-rate objective, especially in order to avoid a bias against tradable sectors, both its potential positive impacts and the cost of accumulating reserves (opportunity cost and sterilization costs) should be weighed. Since macroprudential and international reserve management measures are being used increasingly to administer the capital account and stabilize the exchange rate, macroeconomic policy must gradually be incorporated so as to ensure stable growth of income, employment and investment as part of a process of structural change. In this macroeconomic policy approach, monetary and exchange-rate policy would not have to focus exclusively on controlling inflation (nominal stability). Instead, they would require a greater number of instruments for operating more directly on monetary aggregates or national- and foreign-currency assets and liabilities, and would have to be coordinated with other policies, including fiscal and sectoral policies. This would help not only to stabilize growth, but also to reduce structural heterogeneity and promote equality.

### **Responses and challenges for the region in the face of the adverse external scenario**

The discussion of international responses to the deteriorating global economy—specifically, as it concerns the international financial architecture—has included explicit recognition of the role to be played by regional institutions as a complement to international financial institutions. Several regional institutions launched fresh initiatives in the face of the global economic downturn between 2008 and 2012, including (i) the countercyclical response of some regional development banks, especially CAF-Development Bank of Latin America and the Inter-American Development Bank (IDB), which helped complement the countercyclical fiscal policy adopted by several countries in 2009; (ii) the launch or consideration of new instruments for facilitating intraregional trade, such as the local-currency payment system between Argentina and Brazil, the Unified System for Regional Compensation (SUCRE), and the evaluation of potential amendments to the Latin American Integration Association (LAIA) Reciprocal Payments and Credits Agreement; (iii) changes to the Latin American Reserve Fund (FLAR), which, although it did not play a significant role during the crisis of 2008-2009, did make it possible to support certain countries in earlier financial crises; and (iv) the creation or enhancement of cooperation mechanisms for exchanging information and drafting common guidelines for financial and monetary authorities.

The challenges for these institutions or for the regional financial architecture would include (i) strengthening the role of the regional development banks in providing countercyclical funding and designing risk management instruments, which would be essential for economies with less fiscal and external space and for funding regional public goods such as investments for dealing with climate change; (ii) ensuring the existence of payment systems that reduce the transaction costs of intraregional trade, including the management of exchange-rate risk associated with settlements between central banks; (iii) reducing the cost of reserves as self-insurance strategies, by means of enhanced regional reserve funds (including a capital increase for FLAR by increasing the number of members) in order to create new instruments, with better terms, both for support in times of crisis and for fostering the development of regional capital markets, especially debt markets; and (iv) enhancing public policy cooperation in the region by promoting spaces such as forums for financial and monetary authorities as a way to further South-South technical cooperation, shared positions and joint management of conflicts that are economic in origin.



## Chapter I

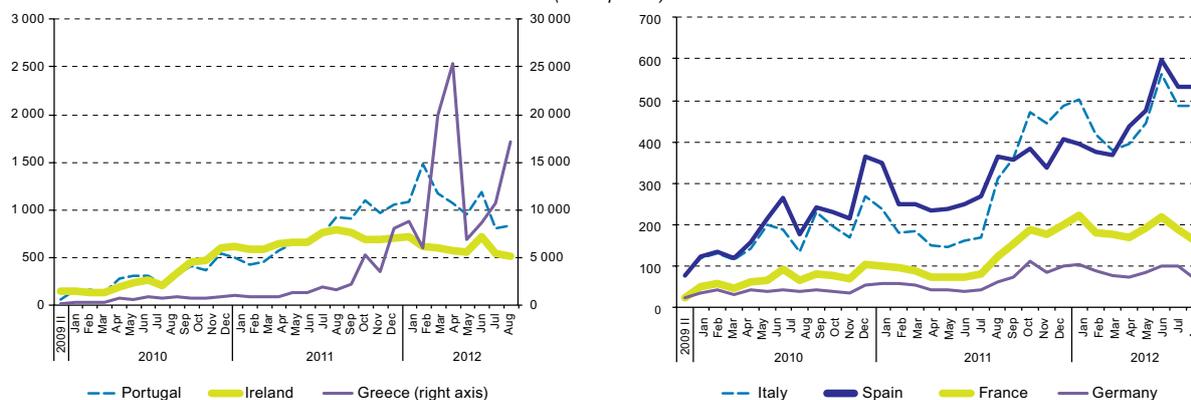
# Macroeconomic report

## A. The external context

### 1. Conditions remain uncertain

The first semester of 2012 unfolded against an international backdrop clouded by uncertainty over the route out of the sovereign debt crisis beleaguering a number of euro zone countries, weak recovery in the United States and slowing growth in China and India. Global economic growth projections were revised downwards, triggering a fall in prices for most raw materials, except for some foodstuffs whose prices were pushed up somewhat by climate and supply factors. Amid this uncertainty, in the first half of 2012 sovereign risk ratings for euro zone countries either rose —particularly in Greece, Spain and Italy— or, after rising in 2011, remained above the levels seen during the recent international financial crisis (see figure I.1).

Figure I.1  
**EUROPE (SELECTED COUNTRIES): FIVE-YEAR CREDIT DEFAULT SWAP RISK PREMIUMS, 2009-2012**  
 (Basis points)



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

The main base case scenario assumptions adopted here are that the United States economy will continue to grow, albeit slowly and unsteadily, that growth in the economies of the euro zone countries will be even slacker or will turn negative in some cases, but that the sovereign debt crisis in certain countries will not unleash a global financial crisis. It is also assumed that the Chinese economy will continue to lose vigour, although still growing at rates well above those seen in Latin America. This international scenario will impact the countries of the region in different ways, depending to a large extent on their export structure and the relative weight of their export destinations. Mexico and some Central American and Caribbean countries will benefit from a modest upturn in economic activity in the United States. Economies specializing in producing and exporting commodities will be more dependent on the performance of the Asian economies, which are the primary destination for these exports, and on the impact of global economic cooling on commodity prices.

In this scenario, the global economy will continue to show lacklustre growth in 2013. Personal debt reduction, limited availability of bank credit owing to portfolio and capital recomposition, sluggish domestic growth as a result of unemployment and negative expectations, and a low or even negative fiscal impulse will all continue to weigh on the euro zone economies. This state of affairs is likely to last for several years: the experience of other developed countries in extricating themselves from similar situations has been that it takes at least three or four. In the case of the United States, the risks for 2013 are mainly slanted towards low growth, depending on how the issue of the debt ceiling and imminent automatic fiscal cuts are dealt with in late 2012. The impacts of developments in China on global demand will depend on how quickly the country can shift its spending patterns from heavy investment expenditure to domestic consumption. Preliminary estimates suggest that,

although Chinese consumers' real income has risen in the past few years, the resulting higher consumption will not have a large enough multiplier effect to offset the projected fall in investment levels owing to the excess capacity built up by several years of hefty investment (close to 50% of GDP).<sup>1</sup> Here too, then, there are downside risks to growth.

Even if the euro zone crisis gets no worse, the international capital markets will remain highly volatile. Several of the risks mentioned will not be resolved in the short run, but are likely to see only halting progress in view of the major institutional changes needed—fiscal consolidation in the United States in a context of elections, changes in European Union treaties that must be ratified by plebiscite—and uncertainties that can only be worked out gradually. In this setting, episodes of risk aversion are only to be expected and since such occurrences have become one of the main determinants of asset prices and financial inflows in emerging markets, these variables are likely to show some volatility in the region.

In sum, the external context in 2012 and 2013 is one of slow growth in global demand. This will last as long as developed countries are still working out overindebtedness problems and emerging economies are reconfiguring their spending patterns to raise worldwide demand. In the meantime, external variability, real and financial, will remain because a number of developed countries still need to borrow more amid low growth and are thus likely to deepen their sovereign debt sustainability problems. Even if this leads to the adoption of the sort of financial, monetary and fiscal measures that a number of European countries are now considering to tackle their liquidity and solvency problems, the varying viewpoints on possible solutions inevitably make the outcome uncertain.

<sup>1</sup> According to a recent report by Deutsche Bank, estimates point to an average value of 1.3 for the investment multiplier, but only 0.6 for the consumption multiplier. See Ma (2012).

## B. The performance of the region's economies

### 1. Economic growth slowed in the second quarter in Latin America and the Caribbean, although several of the region's economies maintained their momentum

The downturn in the international economy, combined with particular circumstances in individual countries, led to a slowdown in economic activity in the Latin American and Caribbean region overall in 2011. This downturn came to a halt in the first quarter of 2012, but resumed in some countries in the second quarter. This was particularly evident in Argentina, whereas growth in Brazil remained modest after slowing in the second half of 2011. Paraguay saw its GDP contract for the second consecutive quarter, by 3.4%.<sup>2</sup> In contrast, the other countries for which data are available for the first semester of 2012 maintained or increased their economic growth rates in the second quarter, in year-on-year terms. GDP growth rose in Mexico by 4.1% and by over 5% in the Plurinational State of Bolivia (5.1%), Chile (5.4%), Costa Rica (5.7%) and Peru (6.1%). Panama, with growth of 9%, was again the region's fastest-growing economy.

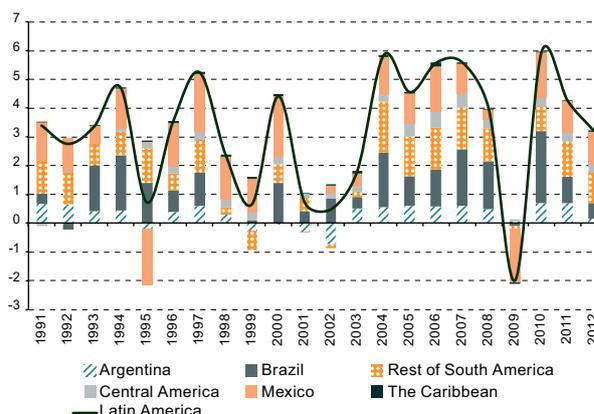
On the basis of the situation observed in the first half of 2012, ECLAC projects a growth rate of 3.2% for Latin America and the Caribbean in 2012. As shown in figure I.2, which identifies the proportion of regional GDP growth accounted for by the various countries or country groupings, the lower growth rate for 2012 mainly reflects slacker economic activity in Argentina and, to a lesser extent, more modest growth in Brazil. The other countries or groupings overall are contributing to the regional rate in a manner consistent with the pattern of recent years.

Although Argentina and Brazil will post growth rates of 2.0% and 1.6%, respectively, in 2012, a relatively large group of countries will register growth of 5.0% or more. In South America these include Peru (5.9%), the Plurinational State of Bolivia (5.0%), Chile (5.0%) and the Bolivarian Republic of Venezuela (5.0%), and in Central America and the Caribbean, the

fastest-growing economies will be Panama (9.5%) and Haiti (6.0%), followed by Costa Rica and Nicaragua (both with 5.0%). Mexico will see growth of around 4.0% and the other countries of the region will be in intermediate positions, with the exception of Paraguay, whose economy will contract by 2.0% owing to the drastic fall in soybean production as a result of climatic factors (see figure I.3).

In the English- and Dutch-speaking Caribbean, the strongest growth will be posted by countries with natural resources endowments, especially Suriname (4.3%) and Guyana (3.8%), while the other countries in the subregion will see growth of between 1.0% and 3.0%. A growth rate of 1.6% is projected for the subregion overall in 2012, contrasting with 0.4% in 2011 amid sluggish recovery from the crisis of 2009 (see figure I.4).

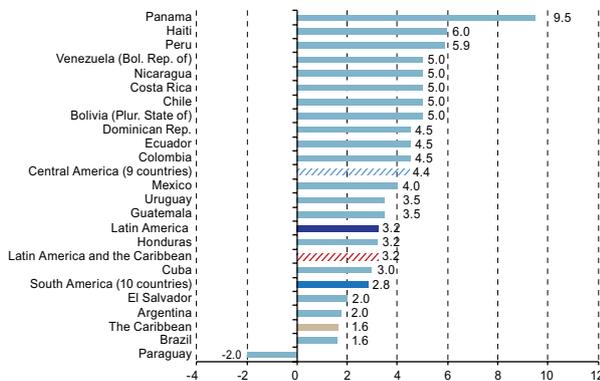
Figure I.2  
LATIN AMERICA AND THE CARIBBEAN: CONTRIBUTION TO REGIONAL GDP GROWTH BY COUNTRY OR COUNTRY GROUPING, 1991-2012  
(Percentages)



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

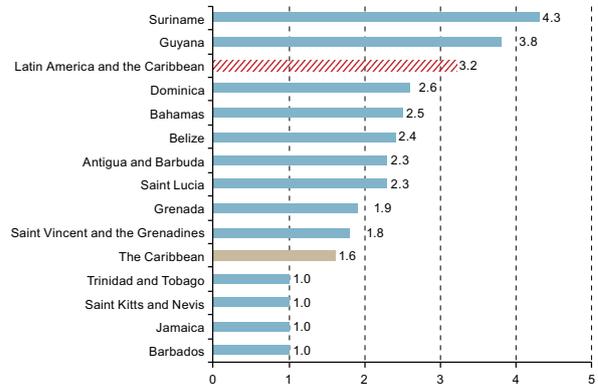
<sup>2</sup> Figures for Brazil, Costa Rica, Panama, Paraguay and the Plurinational State of Bolivia are ECLAC estimates.

Figure I.3  
LATIN AMERICA AND THE CARIBBEAN: YEAR-ON-YEAR  
VARIATION IN GROSS DOMESTIC PRODUCT, 2011-2012  
(Percentages)



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

Figure I.4  
THE CARIBBEAN: YEAR-ON-YEAR VARIATION OF  
GROSS DOMESTIC PRODUCT, 2011-2012  
(Percentages)



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

## 2. With external demand slackening, consumption and, to a lesser extent, investment are still the most dynamic components of aggregate demand in the region

The region's growth has been driven chiefly by rising domestic demand, both public and private consumption and investment, although in the case of investment not equally strongly in all the countries. Higher consumption was attributable to private sector credit, improving labour indicators and, in the case of Central America, rising migrant remittances. Investment growth in several countries has been sustained primarily by buoyancy in the construction sector.

The contribution of private consumption and investment to growth fell substantially in 2011 then stabilized somewhat in the first quarter of 2012—although at lower levels than in previous years. Conversely, the contribution of public consumption rose slightly. With domestic demand relatively buoyant, growth of goods and services import volumes rose above the previous year, while slacker external demand showed in slower growth of exports of goods and services. As a result, net exports made a negative contribution to output growth. Regionwide, this contribution has been gradually falling since the third quarter of 2011. Nevertheless, the performance for the region hides contrasting situations among country groupings.

Mexico and Central America posted a relatively stable average growth rate between the third quarter of

2011 and the first quarter of 2012, with a positive and growing contribution to output growth from consumption, both public and private, and a positive contribution too from net exports. These countries have benefited from the economic upturn in the United States and their export structure has enabled them to continue exporting to the European Union too. As well, emigrant remittances from the United States have continued to increase and investment has grown steadily in some countries (including Mexico and Panama).<sup>3</sup>

In South America overall, the fall-off in GDP growth steepened in the third quarter of 2011, with exports making a negative net contribution, albeit with variations from one country to another. Growth slowed heavily in Argentina and remains low in Brazil, and is being sustained mainly by rising consumption, including, in both countries, public consumption. Growth is slowing too, although not as sharply, in Ecuador, where consumption is also making a strong contribution. In the Bolivarian Republic of Venezuela, Chile, Colombia, Peru, the Plurinational State of Bolivia and Uruguay, output has been growing

<sup>3</sup> In Mexico, investment has been driven by rising outlays for imported machinery and equipment, while in Panama it has chiefly been sustained by construction.

at similar rates to 2011, or even faster, thanks in this instance to investments which have boosted production, as well as consumption.

In the South American countries, the mixed contribution of domestic demand is combined with slower export volume growth, given these countries'

greater exposure to developments in the Asian economies, the main market for their raw materials exports. The crisis in the euro zone has dampened South America's exports to Europe as well as the flow of remittances from Spain, which is a major destination for migrants from Colombia and Ecuador.

### 3. Growth is picking up in non-tradable sectors, contrasting with a slackening performance by the tradable sectors

The data available on economic activity by sector for the first semester of 2012 largely shows a slowdown in the tradable sectors (manufacturing, agriculture and mining), with the exception of Mexico and the Central American countries. Non-tradable sectors (construction and commerce) are tending to remain more buoyant.

The manufacturing sector has slowed overall, although with differences between Central America and Mexico, on the one hand, and the large South American countries, on the other. Second-quarter manufacturing growth was down year-on-year in Argentina, Brazil and Colombia, but continued to rise in Mexico and a few other countries. Agriculture was down in Argentina, Brazil, Chile and Paraguay in the first semester of 2012, compared with the prior-year period, but expanded 7.5% in Mexico, alongside a rise in agro-industrial exports, mainly to the United States. In the other countries agriculture continued to post positive growth, but below the rate for output overall.

In most of the countries, mining was less buoyant in the first half of 2012 than in recent years. In Ecuador and Mexico the mining sector stagnated and in Trinidad and Tobago oil production dropped by around 15%. Growth in this sector was modest in Argentina, Bolivarian Republic of Venezuela and Brazil, and below the rate of global economic growth—but contrasting with the downturn throughout 2011—in Chile and Peru. The slowdown in mining spared only a few Central American countries, which posted two-digit expansions in the sector (starting, admittedly, from a very low base) Colombia and the Plurinational State of Bolivia, where this sector's activity was up by around 10% in the first semester of 2012.

With regard to the non-tradable sectors, construction has showed some buoyancy, associated with rising

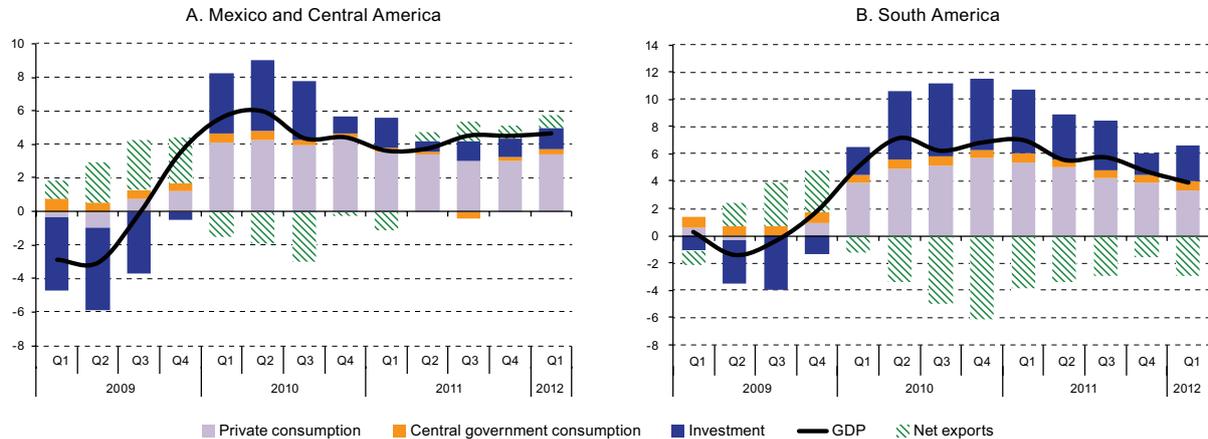
investment in a number of countries, as has commerce, thanks to the upturn in public and private consumption in the region overall. Construction showed second-quarter year-on-year expansion of around 10% or more in some countries (Bolivarian Republic of Venezuela, Honduras, Peru and Plurinational State of Bolivia), but downturns in others (Argentina, El Salvador and Nicaragua). The differentiated performance of construction across the region reflects investment behaviour. Countries with vibrant construction sectors also show rising investment. A number of countries with available second-quarter data on gross fixed capital formation show this variable rising strongly over the same period of 2011: the Bolivarian Republic of Venezuela (15.9%), Chile (8%), Mexico (7.9%)<sup>4</sup> and Peru (15.8%).<sup>5</sup> Investment in Brazil shows a dip in the second quarter (-3.7%), owing to sluggish construction activity and falling investment in machinery and equipment.

Lastly, illustrating still-rising consumption in the region's economies, the services sector, especially retail sales, remained very buoyant in the second quarter in most of the countries. Colombia was an exception: here, 2012 second-quarter retail sales were heavily down on the year-earlier period.

<sup>4</sup> Refers to year-on-year figure for April-May 2012.

<sup>5</sup> Capital goods imports also showed an uneven performance. In cumulative year-on-year terms for the first semester, capital goods imports were up by less than 10% in Brazil, Chile and Colombia, by between 10% and 20% in Ecuador, Guatemala, Honduras, Mexico, Panama, Peru and the Plurinational State of Bolivia, and more than 20% in the Bolivarian Republic of Venezuela, Costa Rica and Nicaragua. This category of imports fell in Argentina (-25%), Paraguay (-19.2%), El Salvador (-1.1%) and Uruguay (-1.1%), and in the Dominican Republic.

Figure I.5  
**LATIN AMERICA: GDP VARIATION AND CONTRIBUTION TO GROWTH OF AGGREGATE DEMAND COMPONENTS**  
*(Percentages, weighted average, dollars at constant 2005 prices)*



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

Note: The sum of the various demand components is not necessarily equal to the rate of GDP variation, because the results shown for the subregions correspond to simple averages of the data for each country.

Table I.1  
**LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): MONTHLY INDICATORS OF ECONOMIC ACTIVITY, 2011-2012**  
*(Quarterly year-on-year GDP variation)*

	2011				2012	
	I	II	III	IV	I	II
Argentina	9.9	9.1	9.3	7.3	5.2	0.0
Bolivia (Plurinational State of)	5.6	4.2	5.4	5.5	5.1	5.1 <sup>a</sup>
Brazil <sup>b</sup>	4.2	3.3	2.1	1.4	0.8	0.5
Chile	9.9	6.3	3.7	4.5	5.3	5.5
Colombia <sup>b</sup>	5.0	5.1	7.5	6.1	4.7	4.9
Costa Rica	1.9	3.6	4.6	5.4	7.9	5.7
Dominican Republic <sup>b</sup>	4.3	3.6	4.6	5.1	3.8	3.8
Ecuador <sup>b</sup>	8.8	8.5	7.8	6.1	4.8	...
El Salvador	4.4	2.0	4.0	0.6	1.8	0.5
Guatemala	4.8	4.1	3.3	4.6	3.3	3.6
Honduras	5.8	5.1	4.8	6.7	5.3	5.0
Mexico	4.4	3.1	4.3	3.9	4.5	4.1
Nicaragua	8.5	7.8	6.5	4.9	5.8	4.6
Panama	5.9	8.5	7.0	9.8	9.4	9.6
Paraguay	7.0	4.6	2.8	1.9	-2.6	-3.4 <sup>a</sup>
Peru	8.6	6.9	6.6	5.6	6.1	6.1
Uruguay <sup>b</sup>	6.7	5.1	7.7	3.5	4.2	3.8
Venezuela (Bolivarian Republic of) <sup>b</sup>	4.8	2.6	4.4	4.9	5.8	5.4
Latin America <sup>c</sup>	5.8	4.4	4.5	3.8	3.6	2.4

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

<sup>a</sup> Average for April- May 2012 in relation to year-earlier period.

<sup>b</sup> Refers to GDP variation in relation to the same quarter of the previous year.

<sup>c</sup> Weighted regional average.

Table I.2  
**LATIN AMERICA: YEAR-ON-YEAR QUARTERLY VARIATION IN INDUSTRIAL PRODUCTION INDEX, 2011-2012**  
*(Percentages)*

	2011				2012	
	I	II	III	IV	I	II
Argentina	9.3	8.4	5.7	3.4	2.3	-3.3
Bolivia (Plurinational State of)	2.3	2.9	4.1	5.3	4.5	6.0 <sup>a</sup>
Brazil	2.7	0.4	0.2	-2.1	-3.3	-4.8
Chile	14.4	7.5	4.4	2.0	4.1	2.8
Colombia	5.8	3.4	6.1	3.8	1.4	-0.1
Costa Rica	-3.4	1.9	7.3	9.2	15.5	11.1
Ecuador <sup>b</sup>	9.3	8.6	8.4	2.6	4.5	...
El Salvador	0.7	1.4	2.4	2.2	1.7	1.6
Guatemala <sup>b</sup>	3.3	4.6	3.2	1.8	1.1	...
Honduras	5.0	8.1	6.8	6.4	3.3	2.7
Mexico	5.4	3.4	3.5	3.2	4.6	3.6
Nicaragua	6.6	4.5	5.3	7.6	6.4	6.6
Panama <sup>b</sup>	3.1	2.3	3.1	4.3	4.0	...
Paraguay <sup>b</sup>	1.5	0.2	-2.7	-4.6	2.1	...
Peru	12.1	6.0	3.7	1.0	-0.7	0.1
Uruguay	6.5	4.0	4.5	-11.8	-4.5	4.3
Venezuela (Bolivarian Republic of)	6.2	-1.3	0.5	2.1	2.5	2.0

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

<sup>a</sup> Average for April- May 2012 in relation to year-earlier period.

<sup>b</sup> Refers to variation in manufacturing value added in relation to the same quarter of the previous year.

**Table I.3**  
**LATIN AMERICA: YEAR-ON-YEAR QUARTERLY VARIATION IN INDICATORS OF CONSTRUCTION ACTIVITY, 2011-2012**  
 (Percentages)

	2011				2012	
	I	II	III	IV	I	II
Argentina	9.8	11.2	10.4	4.1	3.5	-4.9
Bolivia (Plurinational State of)	8.1	6.3	7.4	9.4	11.5	12.3 <sup>a</sup>
Brazil <sup>b</sup>	5.5	2.3	3.8	3.1	3.3	1.5
Chile <sup>b</sup>	13.4	9.8	9.4	11.7	8.7	7.3
Colombia <sup>b</sup>	-1.5	-3.7	18.5	10.1	-0.6	...
Costa Rica	-5.6	-5.3	-3.5	-1.5	2.2	3.0
Dominican Republic <sup>b</sup>	6.6	-7.5	4.6	1.1	-0.3	...
Ecuador <sup>b</sup>	17.1	22.5	22.8	21.4	13.0	...
El Salvador	12.5	21.5	25.2	-1.5	1.9	-0.9
Guatemala <sup>b</sup>	0.6	1.5	1.8	2.1	-4.7	...
Honduras	-0.6	-5.0	5.3	14.9	13.2	9.1
Mexico	4.1	2.4	4.2	4.2	5.6	5.0 <sup>a</sup>
Nicaragua	19.3	18.6	18.6	12.9	-0.5	0.0
Panama <sup>b</sup>	16.8	18.9	23.6	14.1	26.4	...
Paraguay <sup>b</sup>	-8.7	-7.9	2.6	21.0	-0.6	...
Peru	6.0	0.0	2.2	5.4	12.5	17.0
Uruguay <sup>b</sup>	7.2	1.5	10.4	6.9	12.9	...
Venezuela (Bolivarian Republic of) <sup>b</sup>	-6.8	-1.8	10.9	12.8	29.9	17.6

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

<sup>a</sup> Average for April- May 2012 in relation to year-earlier period.

<sup>b</sup> Refers to variation in value added in the construction sector in relation to the same quarter of the previous year.

**Table I.4**  
**LATIN AMERICA: YEAR-ON-YEAR QUARTERLY VARIATION IN COMMERCE INDICATORS, 2011-2012**  
 (Percentages)

	2011				2012	
	I	II	III	IV	I	II
Argentina <sup>a</sup>	22.0	17.4	19.0	18.2	12.6	12.7
Bolivia (Plurinational State of) <sup>a</sup>	4.0	3.1	3.5	4.3	3.4	3.7 <sup>b</sup>
Brazil <sup>a</sup>	6.8	7.8	6.2	5.9	10.0	7.9
Chile <sup>a</sup>	17.7	11.1	10.6	8.8	9.4	7.2
Colombia <sup>a</sup>	13.3	15.2	9.9	5.4	6.9	0.8
Costa Rica <sup>a</sup>	4.9	5.0	2.8	4.3	5.1	4.3
Dominican Republic <sup>c</sup>	...	...	...	...	...	...
Ecuador <sup>a</sup>	6.9	6.4	6.7	5.3	4.7	...
El Salvador <sup>a</sup>	11.0	5.4	5.6	0.5	3.3	1.0
Guatemala <sup>c</sup>	2.6	4.3	4.4	1.3	4.2	...
Honduras <sup>a</sup>	6.2	9.2	10.1	10.0	5.0	5.7
Mexico <sup>a</sup>	2.2	3.5	3.5	4.5	5.4	4.5
Nicaragua <sup>a</sup>	9.9	9.1	3.0	3.6	10.7	8.8
Panama <sup>c</sup>	7.9	15.1	20.0	15.0	11.0	...
Paraguay <sup>c</sup>	7.3	6.6	4.8	5.0	6.9	...
Peru <sup>a</sup>	10.3	8.8	8.6	7.6	7.9	6.4
Uruguay <sup>c</sup>	14.1	6.9	10.3	9.0	5.0	...
Venezuela (Bolivarian Republic of) <sup>a</sup>	5.4	4.9	9.6	7.9	8.3	14.4

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

<sup>a</sup> Refers to variation in the commercial sector activity index in relation to the same quarter of the previous year.

<sup>b</sup> Average for April-May 2012 in relation to year-earlier period.

<sup>c</sup> Refers to variation in value added in the commerce, restaurants and hotels sector in relation to the same quarter of the previous year.

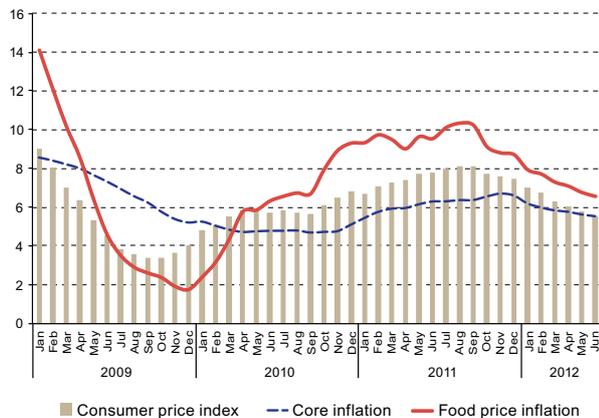
#### 4. Regional inflation continued to trend down in the second quarter of 2012, but is under threat from rising food prices

In the second quarter of 2012, inflation continued the downward trend seen in the first quarter of the year. For Latin America and the Caribbean overall, simple average cumulative 12-month inflation to June 2012 was 5.5%, the lowest value since November 2010. The gradual easing of the region's rate of inflation may be attributed to slower growth in food prices and, up until April 2012, slowing core inflation, which had risen steadily between November 2010 and December 2011. Food price inflation has remained considerably higher than the overall inflation index, however.

Argentina, the Bolivarian Republic of Venezuela, and Trinidad and Tobago registered the region's highest rates of inflation and the latter two also experienced the highest rates of food inflation—over 20%—in the 12 months to June 2012, although reflecting opposing trends. Whereas in Bolivarian Republic of Venezuela inflation has been falling gradually since December 2011, when the cumulative 12-month rate hit 29%, in Trinidad and Tobago inflation rose steadily from mid-2011 up to May 2012, when the cumulative 12-month rate reached 12.6%. Higher

inflation in Trinidad and Tobago chiefly reflects rapidly rising food prices in the first five months of the year, owing to the impact of poor climate conditions on local food production combined with rising international grain prices, which represent a significant component of the country's food basket.

Figure I.6  
LATIN AMERICA AND THE CARIBBEAN: INDEXES FOR CONSUMER PRICES, FOOD PRICES AND CORE INFLATION, 12-MONTH VARIATION, SIMPLE AVERAGE, 2009-2012  
(Percentages)



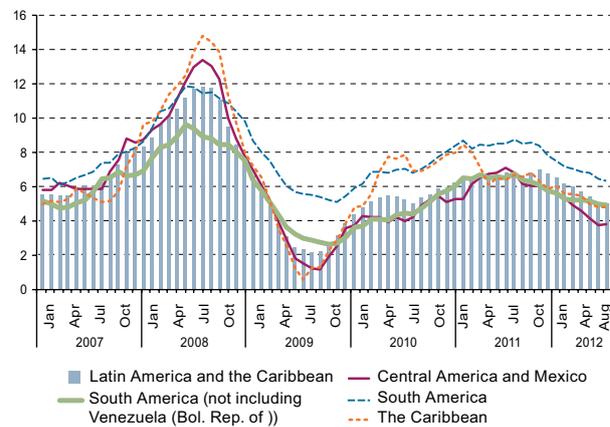
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The Central American countries saw the largest drops in inflation, thanks to smaller rises in prices for food and, in some countries, for fuels (see figure I.7). In average terms, inflation in Central America fell from a cumulative 7.8% in the 12 months up to September 2011 to 4.2% up to June 2012. El Salvador and the Dominican Republic stood out within this group of countries, with a drop from 6.3% to 0.6% and from 9.3% to 1.6%, respectively, in cumulative 12-month inflation to June 2012, reflecting lower food and fuel price inflation.

## 5. Wage and employment conditions are still helping to drive domestic demand growth, but there are signs this impulse may be weakening

Rising employment, improving employment conditions and higher wages continued to drive a moderate expansion of domestic demand in the region, particularly through consumption. For the group of 10 countries for which quarterly information is available, in the first semester of 2012 the urban unemployment rate fell

Figure I.7  
LATIN AMERICA AND THE CARIBBEAN: CONSUMER PRICE INDEX, 12-MONTH VARIATION, SIMPLE AVERAGE, 2007-2012<sup>a</sup>



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

<sup>a</sup> The figure for Caribbean includes the Bahamas, Barbados, Jamaica, Suriname and Trinidad and Tobago.

The Caribbean subregion overall shows a similar pattern. Here, average cumulative 12-month inflation went from 6.1% in 2011 to 5% in June 2012,<sup>6</sup> mainly thanks to lower price inflation for food and fuels, especially in Suriname, and despite higher prices for this group of products in Trinidad and Tobago. As net importers of food and fuels, the Central American and Caribbean economies feel the impacts of rises or falls in international food and fuel prices on domestic prices more acutely than other countries.

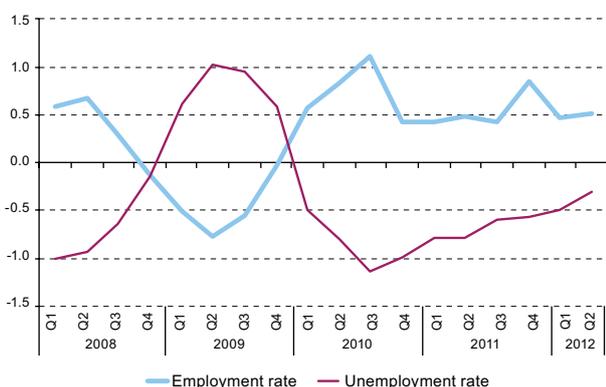
Although the Central American and Caribbean countries are the most vulnerable to international food price variations, the impact on domestic inflation is not inconsiderable for other countries in the region. Higher food inflation in the international markets stemming from the impact of poor weather conditions on wheat and maize production in the United States is likely to exert inflationary pressure for the region overall in the second half of 2012.

by 0.4 percentage points year-on-year, from 7.2% to 6.8% of the economically active population.

<sup>6</sup> The calculation for average inflation includes the Bahamas, Belize, Jamaica, Suriname and Trinidad and Tobago, which had data available up to June 2012.

This fresh drop in unemployment may be attributed to vigorous growth in employment at the regional level: in the same group of 10 countries, labour demand drove urban employment up by around 0.5 percentage points, just slightly under the year-on-year rise of 0.6 percentage points posted last year. Since the labour supply rose faster in 2012 than in previous years, however—0.3 percentage points in the first half of 2012 compared with a standstill in the same semester of 2011—the higher employment rate had a smaller impact on unemployment than in 2011 (see figure I.8).<sup>7</sup>

Figure I.8  
LATIN AMERICA AND THE CARIBBEAN (10 COUNTRIES):  
YEAR-ON-YEAR VARIATION IN EMPLOYMENT AND  
UNEMPLOYMENT RATES, 2008-2012<sup>a</sup>  
(Percentage points)



Source: Economic Commission for Lac (ECLAC), on the basis of official figures.  
<sup>a</sup> Includes Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Ecuador, Jamaica, Mexico, Peru and Uruguay.

During the past few years when economic growth in the region has been relatively buoyant, wage employment has led job creation. In five of the 10 countries with information available, wage employment continued to rise as a proportion of total employment and in two others it held steady, suggesting that employment quality continues to improve. Specifically, formal wage employment (covered by social security systems) increased during the early months of 2012 by between 3% and 4% in Argentina, Brazil, Costa Rica and Peru; by between 4% and 5% in Mexico, Panama and Uruguay; and by over 5% in Chile and Nicaragua. In all these cases, this was above the rate of growth in the working-age population.

What is more, in most of the countries with information available (Brazil, Chile, Ecuador, Paraguay, Peru and Uruguay), the visible underemployment rate—a negative indicator of employment quality, because it represents the proportion of employed who work fewer hours per week than they would like and who are available to work more—came down in the first half-year, compared with the

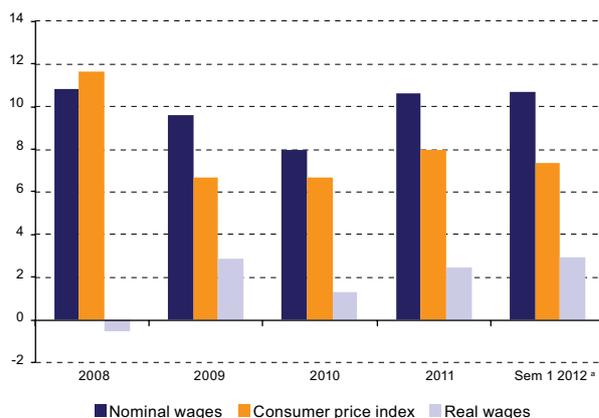
same period in 2011. Conversely, this indicator remained virtually unchanged in Argentina and rose slightly in Colombia and Mexico.

That domestic demand has been the main driver of growth in the first half of 2012 reflects the fact that job generation has been slanted towards the non-tradable sector, in commerce or services in most of the countries for which information exists and, in some cases (like Brazil, Colombia and Paraguay), construction. By contrast, the share of the main tradables sectors (agriculture and manufacturing) in total employment fell in almost all the countries that record these data.

Women’s labour market participation rate rose in almost all the countries, while the variation in the rate for men was different from one country to another. The employment rate also rose faster for women than for men: a simple average for 13 countries shows that the female employment rate rose by 0.9 percentage points, but the male rate by only 0.3 points. As a result, the unemployment rate fell for both sexes, by slightly more in the case of women (-0.2% and -0.4%, respectively).

Wage trends reflect the relatively favourable employment situation prevailing in the region, with unemployment falling in a context of still-strong labour demand. The containment of inflation has also boosted growth of formal sector wages over the past two years in real terms, by 3.0% as a simple average for nine countries (see figure I.9). Year-on-year, real wages rose by over 3% in Argentina, the Bolivarian Republic of Venezuela, Brazil, Panama and Uruguay; by between 2% and 3% in Chile and Costa Rica; and by under 1% in Colombia, Mexico and Nicaragua.

Figure I.9  
LATIN AMERICA (9 COUNTRIES): NOMINAL WAGES,  
INFLATION AND REAL WAGES, SIMPLE AVERAGE,  
2008-FIRST SEMESTER 2012



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

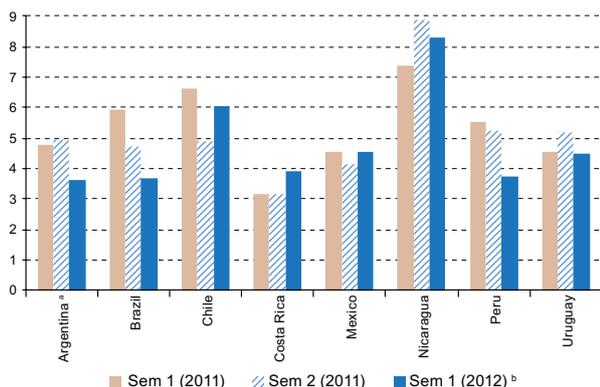
<sup>a</sup> Preliminary data.

<sup>7</sup> In the first semester of 2011, the urban unemployment rate fell by 0.8 percentage points in these countries.

## 6. The performance in some countries suggests that job creation is gradually losing momentum and labour indicators are expected to cool in the second semester

Although the employment rate has continued to climb at the regional level, the year-on-year variation is not positive for all the countries. In Argentina, the Bolivarian Republic of Venezuela, Jamaica, Paraguay, Peru and Uruguay the employment rate slipped with respect to the first semester of 2011. The large rise in the rate at the regional level (weighted average) was influenced by the large jump in employment measured in Mexico in the latter months of 2011 and by the steady rise in urban employment posted in Brazil despite weak economic growth. Formal job creation showed clear signs of slowing in some countries, especially Argentina, Brazil and Peru, but continued to grow fairly steadily in other countries (see figure I.10).

Figure I.10  
LATIN AMERICA (SELECTED COUNTRIES): YEAR-ON-YEAR VARIATION IN FORMAL WAGE EMPLOYMENT, FIRST SEMESTER 2011 TO FIRST SEMESTER 2012 (Percentages)



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

<sup>a</sup> The figure for 2012 refers to the first semester only.

<sup>b</sup> Preliminary figures.

In the first semester of 2012, Argentina, the Bolivarian Republic of Venezuela, Jamaica, Paraguay and Peru have shown the clearest signs of weakening job creation, with year-on-year falls in the employment rate and, in some cases, slackening formal employment creation. Brazil, too, is showing a loss of momentum in formal employment, but here the employment rate continues to rise, whereas in Uruguay the employment rate has

fallen slightly year-on-year, but formal employment is still expanding rapidly.

Conversely, formal employment creation remained buoyant in Chile, Costa Rica, Mexico, Nicaragua and Panama in the first semester. In Chile, Mexico and Panama, the employment rate has also risen year-on-year. These five countries are enjoying relatively robust economic growth, thanks to a strong investment and export performance, rather than consumption alone.<sup>8</sup>

The improvements in labour conditions are expected to lose momentum between the first and second semesters of 2012, although this is not to suggest that the region overall will post negative labour market indicators for the second half of the year. Underlying this gradual tailing off are cooling economies and lower business expectations in most of the region, which will affect hiring behaviour.<sup>9</sup> The year-on-year comparison will also be coloured by the positive comparison data from the latter months of 2011.

For 2012 overall, then, the main labour variables will continue to show improvements, although on a smaller scale than in the two preceding years. The employment rate will likely rise by around 0.4 percentage points and the unemployment rate will fall again, by 0.2 percentage points, taking regional urban unemployment to 6.5%. At the same time, the real wage climb will probably slow in the second semester, in view of the higher food prices projected amid climate-related global supply problems.

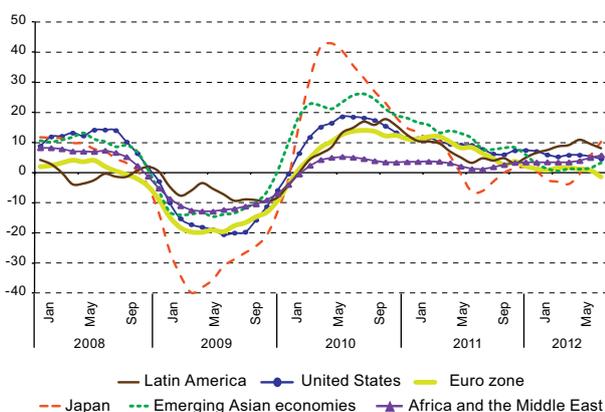
<sup>8</sup> The Bolivarian Republic of Venezuela and Peru are also experiencing relatively rapid economic growth, but as noted, first semester data show a loss of momentum in job creation compared with 2011. However, in both countries 2012 second-quarter data show better results in employment than in the first quarter, and an improved performance of formal employment, especially in Peru. In this case, therefore, employment generation is not showing the same steady slowdown as in other countries.

<sup>9</sup> Of the Latin American countries covered by the survey conducted by Manpower on hiring expectations for the fourth quarter of 2012, in Argentina and Brazil expectations worsened with respect to the previous survey (on the third quarter); in Colombia and Peru expectations were virtually unchanged, and in Costa Rica, Guatemala, Mexico and Panama they were slightly more positive. However, in all the countries employment is expected to increase in that quarter, with expectations especially high in Brazil, Panama and Peru (see [online] [www.manpowergroup.com](http://www.manpowergroup.com)).

## 7. Global trade is slowing

With a year-on-year growth rate of just 2.6% for the first five months of 2012, as against 6.0% in 2011 and 15.4% in 2010, global export volumes continued to recede from the peaks of 2010. Underlying this decline are the debt crisis in the euro zone, a slowing Chinese economy and a sluggish upturn in the United States. Exports from emerging Asian economies posted very low growth again in 2012, and those from the euro zone dropped slightly. Exports from the United States expanded at rates below those of 2011. The only exceptions to this downtrend have been Japan, Latin America, and Africa and the Middle East

Figure I.11  
YEAR-ON-YEAR VARIATION IN WORLD EXPORT VOLUME BY REGION, THREE-MONTH MOVING AVERAGE, 2008-2012  
(Percentages)

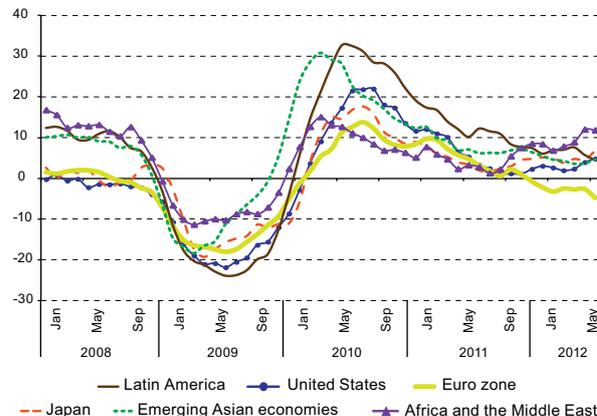


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Netherlands Bureau of Economic Policy Analysis (CPB).

East, whose exports have performed better than in 2011 in volume terms. Exports from the Latin American region showed year-on-year growth of 8.9% in the first five months of 2012 (see figure I.11).

Imports by the beleaguered euro zone countries fell in the early months of 2012. In fact, all the world regions, with the exception of Japan and Africa and the Middle East, registered below-2011 rates of import growth. Latin America's imports, too, are reflecting this downtrend, with growth of 6% by volume in the first five months of 2012, compared with 10.1% in the prior-year period (see figure I.12).

Figure I.12  
YEAR-ON-YEAR VARIATION IN WORLD IMPORT VOLUME BY REGION, THREE-MONTH MOVING AVERAGE, 2008-2012  
(Percentages)



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

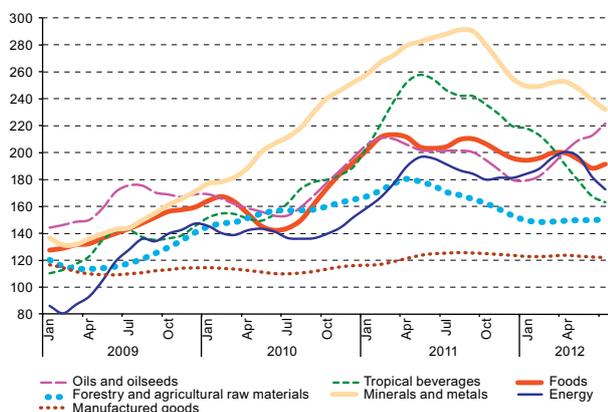
## 8. Terms of trade are gradually deteriorating for most of the countries in the region

The first half of 2012 saw export Latin America's commodity prices decline across the board (see figure I.13), reflecting deteriorating global growth prospects amid the euro zone crisis, the unsteady economic upturn in the United States and mounting evidence of cooling in the emerging economies, including China.

The prices of food products specifically fell by 6.8% in the first six months of 2012, owing chiefly to a steep drop in prices for sugar (13.4%) and wheat (17%) following a record grain harvest in Australia, India and

China, among other countries, and an upturn in global sugar production. In the case of coffee, although global consumption is rising, increased global production led to a price drop of almost 25% year-on-year in the first semester of 2012. Prices for oils and oilseeds edged up by 1.8% in the first semester of 2012, as poor weather conditions reduced the soybean harvest in Argentina, Brazil and Paraguay, thus preventing global prices for these products from dropping as fast as those for other agricultural commodities.

Figure I.13  
**LATIN AMERICA: PRICES INDICES FOR EXPORT COMMODITIES  
 AND MANUFACTURED GOODS, 2009-2012<sup>a</sup>**  
 (Index: 2000=100, three-month moving average)



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

<sup>a</sup> The groups of export commodities are weighted by their share in Latin America's export basket.

Metals prices fell heavily in the first half of 2012. The price of copper was 14% down on the first semester of 2011, and the prices of nickel, tin, lead and zinc fell by between 15% and 28% between the two first semesters. The price of iron, Brazil's chief export commodity and the second largest for the region after copper, tumbled by 21.7% in this interval. Gold was the only metal whose prices rose in the first semester of 2012.

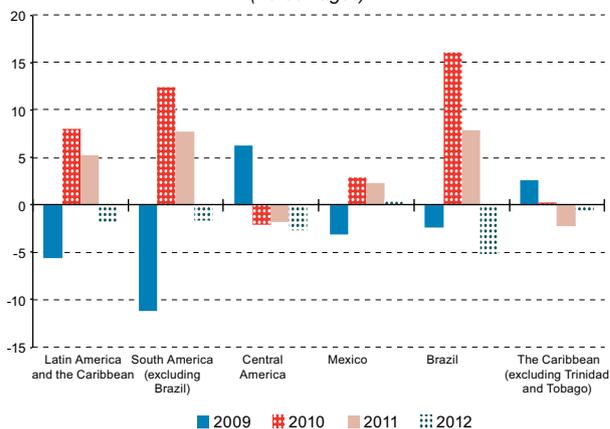
Having remained high throughout the first quarter of 2012, oil prices fell back in the second quarter. In the first six months of the year, then, oil prices rose by 2.7% over the prior-year period, compared with 12.7% in the first quarter. The downtrend in the price of oil in recent months reflects a rise in global production (particularly in the Middle East) and slowing demand, mainly in the euro zone countries.

With the outlook for global economic activity taking a turn for the worse, the downtrend in export commodity

prices seen in the second quarter of 2012 is expected to continue. Prices for food products will not fall as much as had been projected previously, however, owing to the uptick in prices for cereals, oils and oilseeds caused by lower production amid poor climate conditions, especially in the United States, and supply constraints. Energy prices are expected to remain at very similar levels to 2011.

These developments will pull down the region's terms of trade by around 1.9% in 2012. Only the hydrocarbon-exporting countries (Bolivarian Republic of Venezuela, Ecuador, Plurinational State of Bolivia and Trinidad and Tobago) and Mexico will see a moderate upturn in their terms of trade this year. In the first case, higher prices posted in the first quarter will outweigh a gentle downtrend for the rest of the year and, in Mexico, the slight upturn reflects the country's export structure as an exporter chiefly of manufactured products.

Figure I.14  
**LATIN AMERICA: ESTIMATED VARIATION IN THE TERMS  
 OF TRADE, 2009-2012<sup>a</sup>**  
 (Percentages)



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

<sup>a</sup> The figures for 2012 are projections.

## 9. Exports are slowing more heavily than imports

After a modest upturn in the first quarter of 2012 (10.7% in the case of exports and 11.3% for imports), trade flows to and from the Latin American and Caribbean region slowed heavily in the second quarter of 2012. Year-on-year import growth slowed down to 3.3% by value in the second quarter, while exports decreased by 1.5%, as the region's terms of trade deteriorated and

global demand, particularly from the European Union and Asian countries, slackened.

The region's export value growth has slipped steadily in year-on-year terms, from 29.1% in the second quarter of 2011 to 10.7% in the first quarter of 2012, and turned negative by 1.5% in the second quarter of 2012 (see table A-9 in the statistical annex). The downswing is attributable

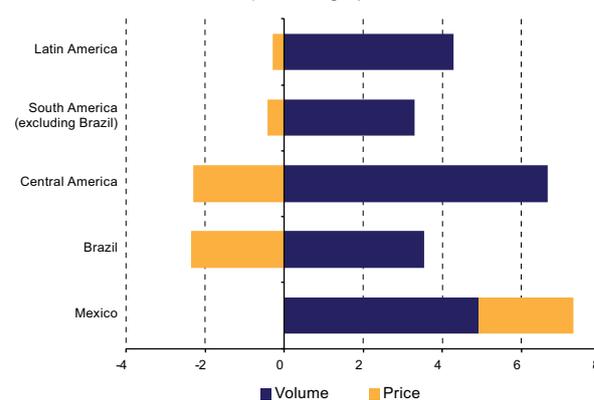
chiefly to the fall in exports to the European Union by the countries of South America (Brazil, Chile, Ecuador, Paraguay, Peru and Uruguay) and the members of the Caribbean Community (CARICOM), contrasting with the rise in exports to that region by Mexico and some Central American countries (ECLAC, 2012d).

In value terms, Latin America's imports have risen faster than its exports, although the rate for imports too has been slowing since the third quarter of 2011. Imports into the region showed year-on-year growth of just 3.3% in the second quarter of 2012 (see table A-10 in the statistical annex), perhaps reflecting slowing economic growth in the region and the introduction in 2012 of trade-restricting measures. As of February 2012, Argentina requires an import licence before overseas purchase orders can be placed. This administrative requirement has acted as a drag on imports, in addition to the de facto policy whereby importers must offset every dollar imported with a dollar of exports (or a dollar of investment in Argentina). In addition, in June 2012 economic complementarity agreement No. 55 (ACE 55) governing motor vehicle trade between Mexico and MERCOSUR was suspended. Shortly before, in March 2012, Brazil had renegotiated this agreement with Mexico, overturning the free trade arrangements existing hitherto and raising the regional content requirement for vehicles traded under the agreement from 30% to 40%. In May 2012 Brazil also suspended automatic import licences for a dozen food products and in August the MERCOSUR Trade Commission authorized the members of the grouping to temporarily raise tariffs above the common external tariff up to the bound rate under the rules of the World Trade Organization (WTO)

(ECLAC, 2012d, box III.1). In January, Ecuador imposed a number of trade restrictions applicable to 627 tariff items from all over the world.

In 2012 the value of Latin American and Caribbean exports is projected to rise by 4%, much less vigorously than in previous years, which is consistent with lower prices for the region's export commodities. In 2012 export value growth in most of the countries will be driven by volume, not prices as in earlier years. The 4% expansion projected for 2012 reflects a projected 0.5% dip in prices and 4.5% rise in volume (see figure I.15). Import value is projected to rise by 7.5%, with a combination of 6.0% in volume and 1.5% in price.

Figure I.15  
LATIN AMERICA: VARIATION IN EXPORTS BY VOLUME  
AND PRICE, 2012<sup>a</sup>  
(Percentages)



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

<sup>a</sup> Projections.

## 10. Remittances from the United States rallied, while those from Europe fell. Tourism picked up overall, though intraregional tourism lagged behind

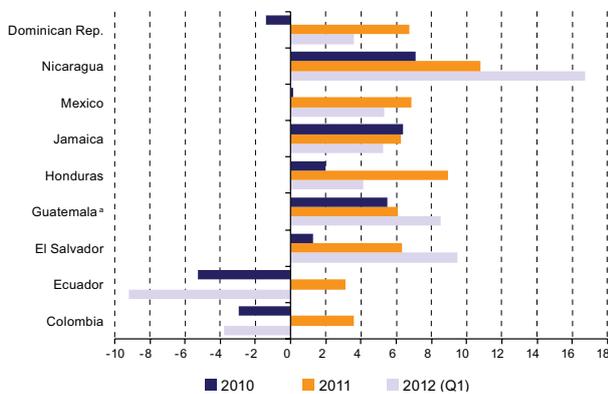
Remittances rose significantly in the first three months of 2012 in several countries in the region, especially Nicaragua (16.8%), El Salvador (9.5%) and Guatemala (8.5%), on the back of rising economic activity and brightening labour-market prospects in the United States, the main destination for Central American migrants. Nicaragua's incoming remittances also closely track economic performance in Costa Rica, which is a major destination for Nicaraguan migrants.

Conversely, remittance flows to Colombia and Ecuador shrank by 3.8% and 9.2%, respectively, during the first quarter of 2012, reflecting labour market problems

in Spain (the foremost destination for Colombian and Ecuadorian migrants), where the unemployment rate topped 24% in the first quarter amid a sombre outlook for the rest of the year.

Year-on-year growth in international tourist arrivals was up in the first four months of 2012 in Central America, the Caribbean and Mexico. The rise was quite substantial in Central America and the Caribbean (6.8% and 4.6%, respectively), where tourism is an important source of revenue, and more modest (1.3%) in Mexico —though this nonetheless an improvement on the 0.6% growth recorded in 2011.

Figure I.16  
LATIN AMERICA AND THE CARIBBEAN (10 COUNTRIES):  
VARIATION IN EMIGRANT REMITTANCES, 2010-2012  
(Percentages)

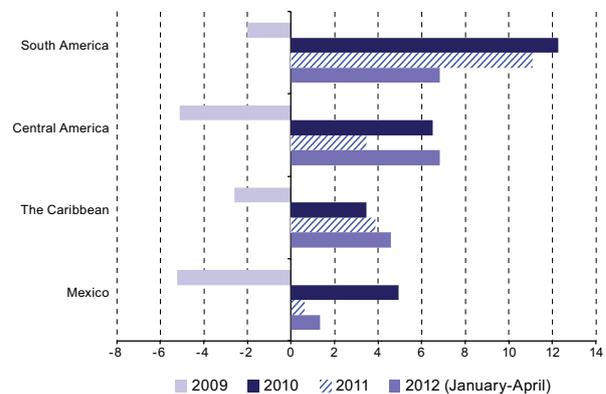


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>a</sup> The 2012 data for Guatemala refer to the first semester of the year.

International tourist arrivals in South America climbed by a considerable 6.8%, although this rate still fell short of the even stronger growth seen in the subregion in 2010

Figure I.17  
LATIN AMERICA AND THE CARIBBEAN: YEAR-ON-YEAR  
VARIATION IN INTERNATIONAL TOURIST  
ARRIVALS, 2009-2012  
(Percentages)



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

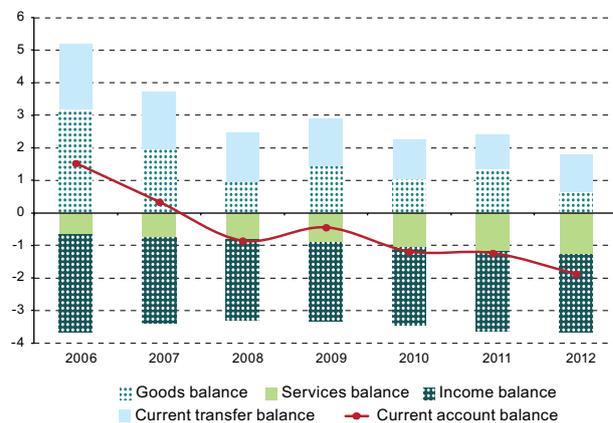
and 2011, reflecting the worsening economic outlook within the region, which has had a particular impact on intraregional tourism and business travel.

## 11. The balance-of-payments current account deteriorated slightly

The uptick in tourism in Central America, the Caribbean and Mexico offset the slower growth in the travel balance in South America and no significant changes are expected in imports and exports of other services, as a result of which the services balance should vary little in 2012. A similar result is expected for the current transfers balance, with a sharper expansion in remittances in Central America and the Caribbean than in South America. No significant changes are projected for the income balance.

This means that current account variation is mainly a reflection of the deterioration in the trade balance, as imports outperform exports, which in part is explained by the worsening terms of trade. For Latin America as a whole, the current account deficit is thus projected to widen by 1.9% of GDP—the largest increase in relative terms since 2001 (see figure I.18).

Figure I.18  
LATIN AMERICA: CURRENT ACCOUNT STRUCTURE, 2006-2012<sup>a</sup>  
(Percentages of GDP)



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

<sup>a</sup> The figures for 2012 are projections.

**Table I.5**  
**EUROPEAN UNION: YEAR-ON-YEAR VARIATION IN IMPORT VALUE BY ORIGIN AND PRODUCT, 2011-2012**  
 (Percentages)

Origin	Product	Share in 2011	2011				2012	
			I	II	III	IV	I	II <sup>a</sup>
<b>World</b>	<b>Total</b>	<b>100.0</b>	<b>21.1</b>	<b>11.1</b>	<b>9.5</b>	<b>4.2</b>	<b>3.3</b>	<b>0.3</b>
	Food, beverages and tobacco products	8.0	15.1	10.6	8.4	5.7	4.0	1.0
	Raw materials	4.5	42.0	21.7	13.2	4.3	-3.6	-5.5
	Fuels and lubricants	16.0	37.7	28.2	29.0	20.4	18.6	9.8
	Manufactured goods	69.6	18.1	8.6	4.9	0.4	-0.7	-2.4
	Unclassified	1.9	-2.1	-27.3	46.3	21.3	42.9	15.8
<b>Latin America</b>	<b>Total</b>	<b>100.0</b>	<b>30.4</b>	<b>19.2</b>	<b>16.2</b>	<b>8.7</b>	<b>7.9</b>	<b>2.2</b>
	Food, beverages and tobacco products	27.6	29.1	18.0	7.2	2.3	2.0	-6.2
	Raw materials	22.1	41.9	28.7	6.9	6.7	1.1	-11.9
	Fuels and lubricants	12.5	20.8	8.9	72.0	39.7	79.9	55.4
	Manufactured goods	34.2	25.0	15.0	13.0	4.7	-2.3	3.1
	Unclassified	3.4	77.6	56.1	24.3	12.0	0.2	7.4

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

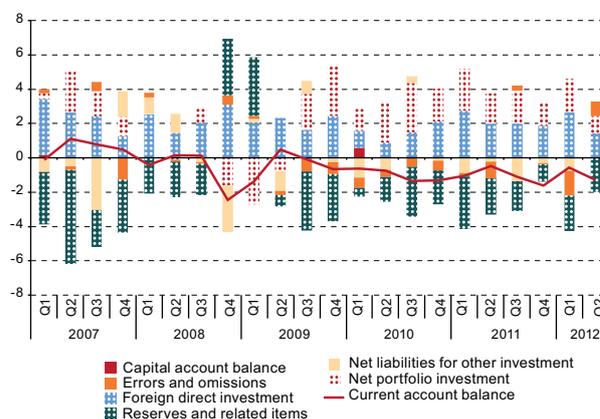
<sup>a</sup> The data for Latin America refer to the second quarter of 2012. For the world as a whole, total imports refer to the second quarter and the breakdown by product refers to April-May 2012.

## 12. Most countries in the region continued to enjoy access to foreign capital

Although external financial conditions during the first half of 2012 remained turbulent, owing to the difficulties in finding a solution to the sovereign debt crisis in several euro zone countries, Latin America and the Caribbean continued to access the international markets readily.

Estimates for 2012 to date indicate that the region is running a moderate current account deficit. That deficit narrowed somewhat in the first quarter, but as the value of exports slipped during the second quarter the current account deficit widened to 1.3% of GDP, and is expected to reach 1.9% of GDP for the year as a whole. The region is expected to finance this gap by using similar mechanisms to those employed in 2011, when the current account deficit came in at 1.2% of GDP. In the first half of 2012 the components of the financial account emulated the pattern of recent years, with robust foreign direct investment (FDI) once again the main source of external funding, followed by net portfolio investment. Other investment liabilities—which often used to reflect net outflows resulting from the flight of foreign-currency deposits, rising asset holdings abroad, lower lending from foreign banks and deleveraging—were again of little significance in the first quarter of 2012. As in 2011, the countries of the region continued to build up international reserves in the first half of 2012.

**Figure I.19**  
**LATIN AMERICA (11 COUNTRIES): CURRENT ACCOUNT BALANCE AND COMPONENTS OF THE FINANCIAL ACCOUNT, 2007-2012<sup>a</sup>**  
 (Percentages of regional GDP)



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

<sup>a</sup> The countries included account on average for 93% of the GDP of Latin America and the Caribbean: Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Peru, Plurinational State of Bolivia and Uruguay. The figures for the second quarter of 2012 are estimates.

The uncertain external conditions have led to steadily increasing perceived sovereign risk for Latin America and the Caribbean. As shown in table I.6, the sharp fall in country risk in the region after the outbreak of the 2008-2009 global financial crisis was followed by a gradual rise beginning in

2011 as the sovereign debt crisis in the euro zone worsened. Current risk levels are substantially lower than those seen at the peak of the global crisis but higher than pre-crisis levels; and several of the region's countries continue to have lower levels of risk than certain European countries.

**Table I.6**  
**LATIN AMERICA AND THE CARIBBEAN: COUNTRY RISK (EMBI GLOBAL), 2007-2012**  
(Basis points)

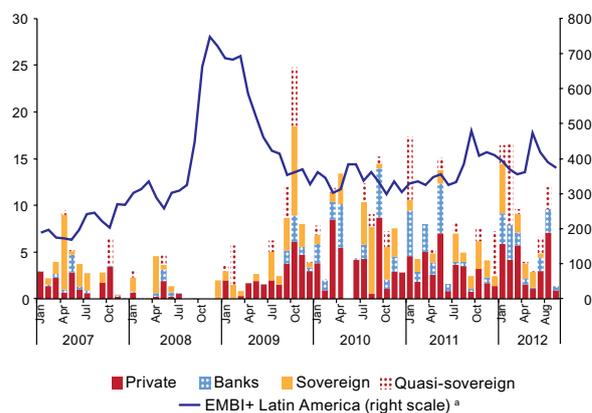
	Annual average					2012							
	2007	2008	2009	2010	2011	January	February	March	April	May	June	July	August
Argentina	327	871	1 174	696	701	840	843	880	962	1 236	1 088	1 087	1 051
Belize	484	827	1 421	818	1 011	1 466	1 836	1 665	1 732	1 694	1 691	1 765	2 422
Brazil	182	293	300	209	195	225	197	177	188	244	208	183	179
Chile	103	216	206	131	140	162	160	148	156	191	167	154	146
Colombia	163	301	320	194	166	200	171	141	152	207	158	140	137
Dominican Republic	212	680	...	373	453	557	543	506	513	532	488	481	418
Ecuador	661	1 398	2 016	954	819	818	788	824	792	948	892	852	791
El Salvador	164	419	488	322	383	485	473	453	470	508	480	471	430
Jamaica	373	545	845	492	485	669	625	579	610	653	640	662	663
México	129	251	298	191	188	229	209	185	187	249	202	176	186
Panama	157	299	304	181	172	212	180	153	158	218	187	169	149
Peru	141	276	282	179	194	221	195	157	166	216	174	145	145
Trinidad and Tobago	166	378	868	...	...	...	...	...	...	...	...	...	...
Uruguay	200	417	412	219	200	222	206	173	190	251	197	172	158
Venezuela (Bolivarian Republic of)	352	877	1 254	1 107	1 213	1 155	916	939	926	1 209	1 129	1 099	1 001
<b>Latin America and the Caribbean (15 countries)<sup>a</sup></b>	<b>261</b>	<b>548</b>	<b>717</b>	<b>433</b>	<b>451</b>	<b>533</b>	<b>524</b>	<b>499</b>	<b>514</b>	<b>597</b>	<b>550</b>	<b>540</b>	<b>563</b>

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

Despite the turmoil, the region has maintained ready access to resources on the international capital markets. Thus bond issues in those markets have gone from a monthly average of US\$ 7.166 billion in 2011 to US\$ 8.729 billion between January and August 2012 and have increased across the board, including sovereign, quasi-sovereign, corporate and bank bonds, as shown in figure I.20.

These factors combined enabled the region to continue to strengthen its external position during the first half of 2012 as, with certain exceptions, it continued to build up international reserves. As of April 2012 gross reserves stood at more than US\$ 800 billion.

**Figure I.20**  
**LATIN AMERICA: BOND ISSUES ON INTERNATIONAL MARKETS, 2007-2012**  
(Billions of dollars and basis points)



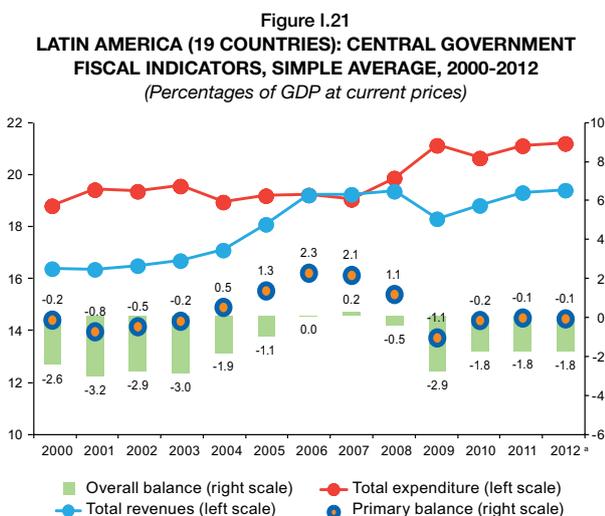
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from LatinFinance (bonds database), JP Morgan and Merrill Lynch.  
<sup>a</sup> Emerging Markets Bond Index Plus.

## C. Macroeconomic policy

### 1. Fiscal policy

#### (a) Fiscal balances continue to be consolidated, albeit with significant regional differences

The region’s overall fiscal balance in 2011 was similar on average to that of 2010, with public revenue and expenditure climbing by similar percentages of GDP (see figure I.21). Total revenue represented 19.3 percentage points of GDP, similarly to the figure for 2008. No major changes in the overall fiscal balance are expected for 2012, and revenues and spending are expected to continue to expand in line with GDP growth.

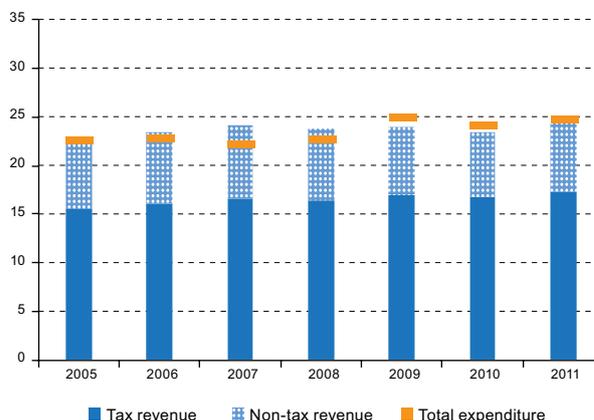


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.  
\* Estimate.

The 2010 and 2011 balances are the result of the initial upturn in the terms of trade (in countries whose fiscal revenues are in large measure natural-resource- or commodity-related) and of growth in tax receipts on the back of strengthening domestic demand and imports. High raw materials prices have swelled central government fiscal revenue in several countries in the region (see figure I.22), whether directly (from taxation and profits of State-owned enterprises in the Bolivarian Republic of Venezuela, Chile, Colombia, Ecuador, Mexico and

the Plurinational State of Bolivia) or from royalties and direct taxation of private enterprises (withholding tax on exports in Argentina and income tax in Chile and Peru). This kind of fiscal revenue is expected to stagnate or fall slightly in 2012, mirroring deteriorating terms of trade for most of the region, although it will continue to represent a significant proportion of total revenue.

Figure I.22  
SOUTH AMERICA, MEXICO AND TRINIDAD AND TOBAGO: CENTRAL GOVERNMENT TOTAL EXPENDITURE AND TAX AND NON-TAX REVENUE, 2005-2011



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.  
Note: Includes Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Plurinational State of Bolivia (general government), Trinidad and Tobago and Uruguay.

The average masks very different situations, however; total fiscal revenue for 2011 exceeds pre-crisis levels in Argentina,<sup>10</sup> Ecuador, the Plurinational State of Bolivia and Uruguay, but still falls short of these levels in the Bolivarian Republic of Venezuela, Chile, Colombia and Peru.<sup>11</sup> In any event, a sustained fall in

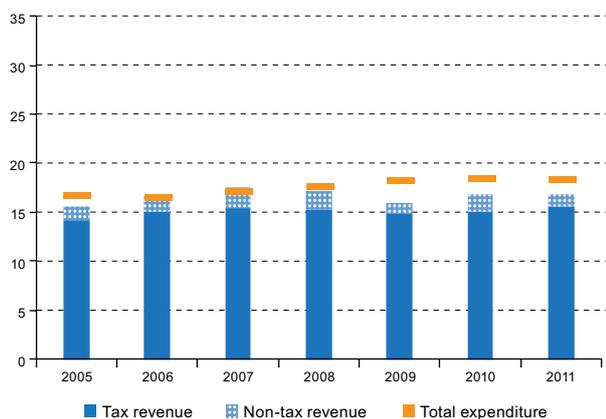
<sup>10</sup> From 2009, fiscal revenue in Argentina includes higher contributions to social security owing to the unification in late 2008 of the pension system under the State pay-as-you-go scheme.

<sup>11</sup> In the case of the Bolivarian Republic of Venezuela, central government fiscal revenue fell from a high of 29.5 points of GDP in 2006 to 19 points of GDP in 2011, following a heavy fall in oil revenues.

hydrocarbon and mineral prices would take time to be fully felt in countries where direct taxation of private mining and drilling activities makes up a significant part of revenue.

The situation is different in Central America, where the public sector's expenditure and revenue alike represent a smaller proportion of GDP and tax revenue accounts for over 90% of total receipts (see figure I.23). The overriding importance of taxation, while limiting potential sources of volatility, also reduces the likelihood of an influx of additional funds in the event that terms of trade become more favourable. As expenditure has risen in recent years, reflecting countries' efforts to safeguard social spending in a context of lower economic growth, public deficits have become a chronic problem (ECLAC, 2012e). Nevertheless, the upward trend in public revenue, recorded since 2010, should help to correct this in several countries, essentially as a result of recent tax and administrative reforms (El Salvador, Guatemala, Honduras, Nicaragua and Panama).

Figure I.23  
CENTRAL AMERICA, DOMINICAN REPUBLIC AND HAITI:  
CENTRAL GOVERNMENT TOTAL EXPENDITURE AND  
TAX AND NON-TAX REVENUE, 2005-2011



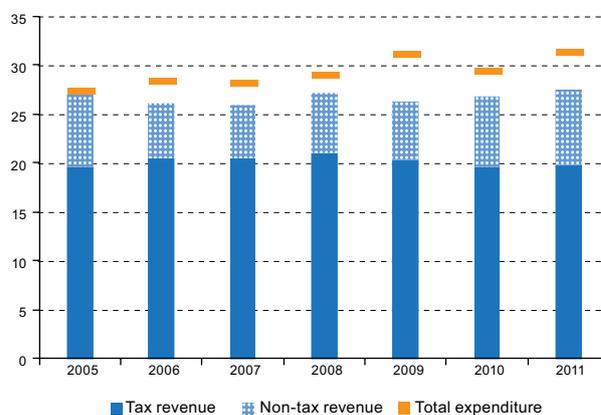
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Note: Includes Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua and Panama.

Revenues held steady in the Caribbean subregion, despite the global financial crisis, but public spending rose and the public deficit widened (see figure I.24).

In this subregion, the average fiscal deficit moved from 2.0% of GDP in the period 2004-2007 to 3.1% of GDP in 2008-2011. This increase was due to an expansion in capital spending, designed to cushion the impact of the crisis, and to higher interest payments due to mounting public debt.

Figure I.24  
THE CARIBBEAN: CENTRAL GOVERNMENT TOTAL  
EXPENDITURE AND TAX AND NON-TAX  
REVENUE, 2005-2011



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

Note: Includes Antigua and Barbuda, Bahamas, Barbados (non-financial public sector), Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis (federal government), Saint Lucia, Saint Vincent and the Grenadines and Suriname.

However, the commodity-producing Caribbean economies and those that rely primarily on the production and export of services have differed in terms of their fiscal performance. As a result of the crisis, the latter saw their fiscal deficit widen sharply from an average of 1.9% of GDP in the pre-crisis period to 3.7% of GDP in the period 2008-2011. This deterioration stems from the fall in fiscal revenue due to a decline in tourism, offshore financial services and other services. Like several Latin American countries, commodity-based economies in the Caribbean cashed in on the high prices for minerals and hydrocarbons, which boosted their fiscal revenues. This group of Caribbean countries (Guyana, Suriname, and Trinidad and Tobago) had the fiscal space necessary to implement some type of fiscal stimulus and cushion the impact of the global crisis. Moreover, as the crisis abated, they were able to improve their fiscal accounts: in 2008-2011, they recorded a lower deficit than in the period 2004-2007 (1.5% compared with 2.1% of GDP).

Fiscal balances in the second quarter of 2012 were sounder overall than in the year-earlier quarter (see table I.7 and figure I.25), reflecting both higher total revenue and spending restraint. Two alternative routes towards healthier fiscal balances were thus seen in the region. First, as in Guatemala and Peru, revenue continued rising while expenditure dropped significantly. Guatemala's overall deficit shrank by a third compared with the same quarter of 2011. Peru tripled its surplus between the second quarter of 2011 and the second quarter of 2012. Similarly, in Uruguay, revenue was up and spending was contained.

**Table I.7**  
**LATIN AMERICA (13 COUNTRIES): QUARTERLY YEAR-ON-YEAR REAL VARIATION IN PUBLIC REVENUE AND EXPENDITURE**  
*(Percentages)*

	Second quarter (2010)		Second quarter (2011)		Second quarter (2012)	
	Total revenue	Total expenditure	Total revenue	Total expenditure	Total revenue	Total expenditure
Argentina	24.5	18.7	20.1	23.2	16.2	18.2
Bolivia (Plurinational State of)	-1.9	-10.8	6.2	16.2	12.3	5.1
Brazil	12.2	2.4	13.5	15.6	-1.3	-0.9
Chile	72.7	4.6	6.1	-1.8	-0.2	8.1
Colombia	-16.5	-1.2	48.5	7.7	32.5	2.2
Costa Rica	14.0	17.2	9.7	6.1	...	...
Ecuador	19.0	22.0	37.6	22.6	...	...
Guatemala	6.0	11.4	10.7	13.4	1.1	-13.3
Mexico	-6.0	1.3	7.8	7.8	10.8	5.5
Peru	22.1	16.4	17.2	24.0	4.2	-18.3
Trinidad and Tobago	25.6	7.0	6.4	31.0	...	...
Uruguay	21.6	2.8	3.1	11.0	3.9	-3.9
Venezuela (Bolivarian Republic of)	2.1	-5.9	15.0	5.5	...	...

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

Note: For a breakdown of government figures, see annex table A-33.

**Figure I.25**  
**LATIN AMERICA (9 COUNTRIES): QUARTERLY YEAR-ON-YEAR REAL VARIATION**  
**IN PUBLIC REVENUE AND EXPENDITURE**  
*(Percentages)*

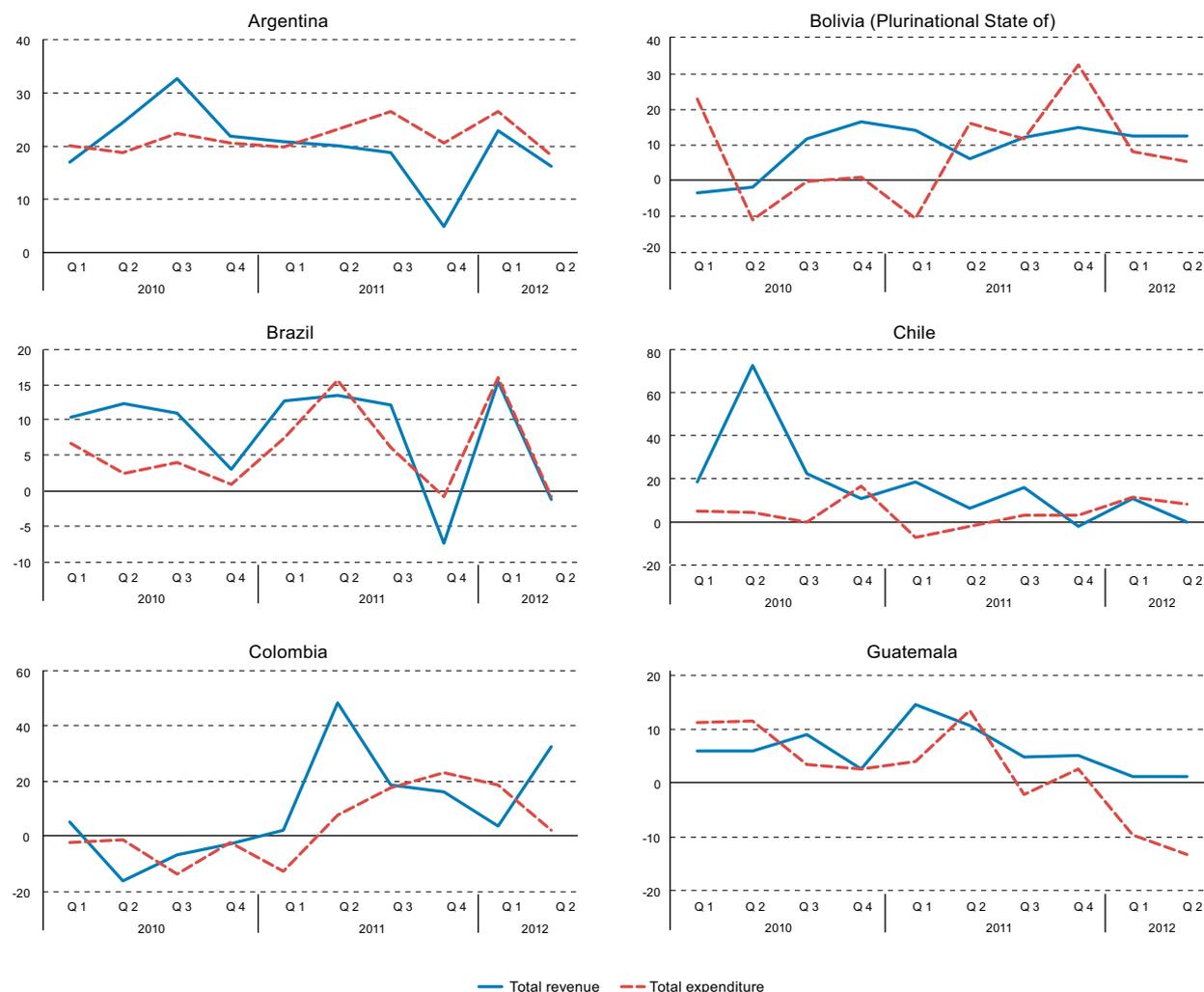
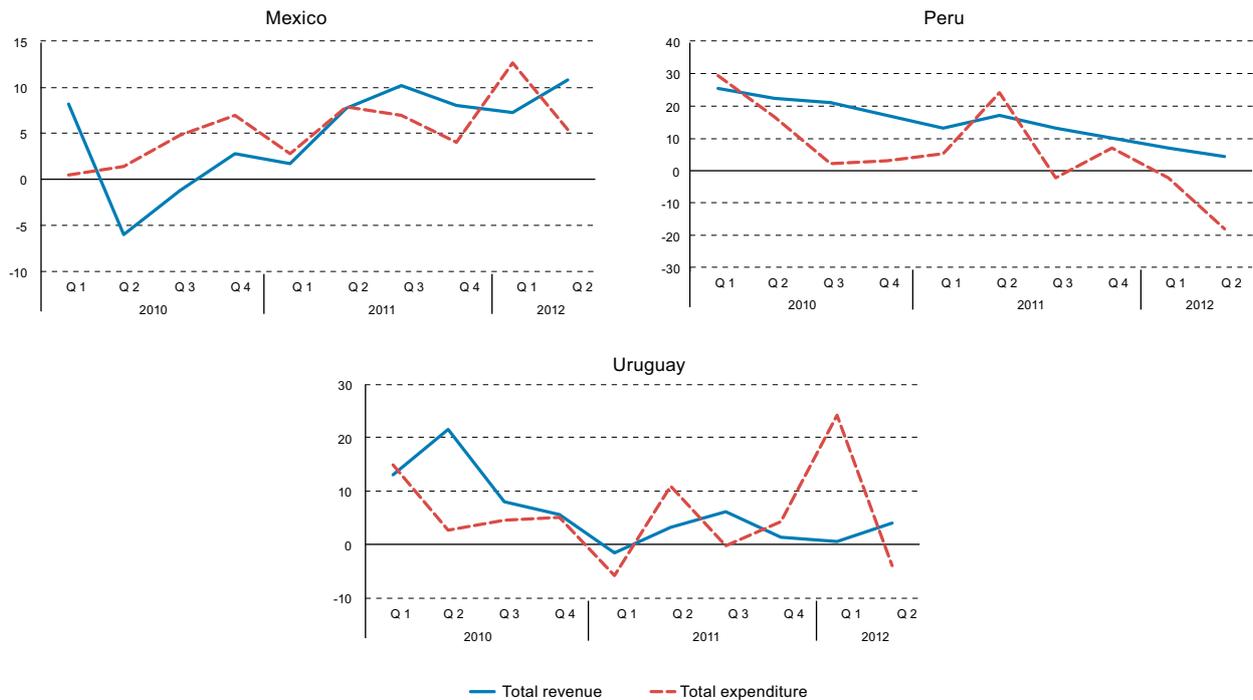


Figure I.25 (concluded)



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

The second route was evident in Colombia, Mexico and the Plurinational State of Bolivia. In all these countries, a fiscal revenue surge of over 10% in real terms, coupled with smaller increases in spending, reversed the fiscal downturn observed in the first quarter of the year (Colombia and Mexico) or in 2011 (Plurinational State of Bolivia).

Patterns in Argentina, Brazil and Chile were different and their fiscal balances showed no improvement on the prior-year quarter. The slowdown in Brazil's economy reduced its revenue slightly in real terms, while its expenditure also fell thanks to lower interest payments. Argentina curbed spending amid slower total revenue growth. Real revenues dipped very slightly in Chile, while spending climbed steeply compared with the second quarter of 2011.

Forecasts indicate that spending execution in 2012 will be very much as budgeted and, given that spending rises in most budgets differed little from GDP projections and were consistent with deficit and public debt targets, public spending in relation

to regional GDP should vary little in 2012 compared with 2011 on average. Budgetary projections for 2013 suggest that public investment will continue to rise and the share of current expenditure will fall. The public sector throughout Latin America has acquired more non-financial assets in recent years, as part of efforts to recapture fiscal space (ECLAC, 2012c). Alongside this recovery process, public debt has fallen sharply in several countries, although to a lesser extent in the Central American and Caribbean countries.

The harsh external conditions have had little effect on expectations for consolidation of the public accounts, since they have no significant impact on assumptions associated with revenue projections or on the fiscal rules in place in the region. The slowdown continued into the second quarter of 2012, and in Brazil tax receipts were actually down in real terms (see table I.8). During that quarter, receipts were up by just over 5.9% in real terms (on average for the 12 countries for which information is available), less than for both the preceding and the prior-year quarter (7.5% and 13.4%, respectively).

Table I.8  
**LATIN AMERICA (12 COUNTRIES)<sup>a</sup>: QUARTERLY YEAR-ON-YEAR REAL VARIATION  
 IN TOTAL TAX RECEIPTS, 2011 TO SECOND QUARTER OF 2012**  
 (Percentages)

	2011				2012	
	I	II	III	IV	I	II
Argentina	23.2	17.1	19.9	18.3	16.5	8.6
Brazil	13.0	14.7	13.7	1.9	6.6	-2.4
Chile	21.2	12.0	18.5	13.6	8.5	4.8
Colombia	8.0	48.6	9.8	9.2	9.2	28.7
Costa Rica	-1.8	11.5	3.6	10.3	8.4	5.5
El Salvador	14.4	7.7	5.8	4.3	2.2	4.8
Guatemala	14.6	11.2	7.5	3.8	1.1	1.9
Mexico	0.9	4.0	4.4	14.1	1.3	3.8
Panama	29.2	11.6	-0.9	-11.6	23.9	6.1
Paraguay	11.3	4.6	10.0	3.1	-1.3	1.6
Peru	16.8	14.9	12.0	9.8	8.2	3.8
Uruguay	5.5	3.2	9.5	6.5	5.6	3.4

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

<sup>a</sup> Not including social security contributions. For Mexico, non-oil revenue only.

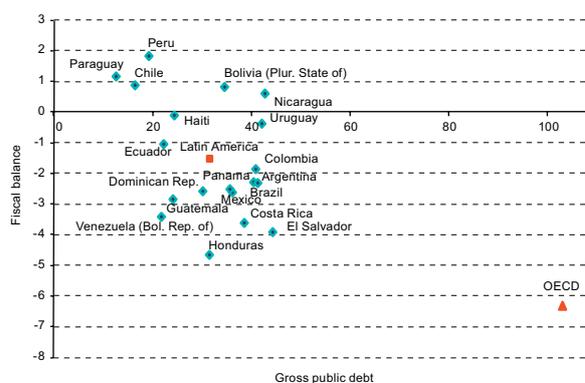
**(b) The region continues to recoup fiscal space and reduce public debt, which nevertheless still represents a substantial proportion of GDP in most Caribbean countries**

ECLAC publications have frequently drawn attention the fall in the public debt to GDP ratio in most of the region's countries and the shift in public debt composition, with domestic debt recently coming to account for a much larger share. The region's external public debt now represents around 15% of GDP, compared with 85% in 1990 (OECD/ECLAC, 2011).

Figure I.26 compares overall balances in 2011 (flow) and the “legacy” effect (debt stock) on the fiscal accounts. The results show diverse situations, but without sharp extremes and a far cry from the fiscal imbalances being posted in the developed countries that are members of the Organisation for Economic Cooperation and Development (OECD). A few countries show an overall fiscal surplus—Chile, Paraguay, Peru and the Plurinational State of Bolivia—but in general borrowing needs were quite limited in 2011 and remain so in 2012, so the fiscal position is not expected to show large variations in borrowing levels.

The situation is fairly diverse in the 19 Latin American countries for which information is available. In 2011, a number of countries—the Bolivarian Republic of Venezuela, Chile, Ecuador, Guatemala, Haiti, Paraguay and Peru—had public debt levels of less than 30% of GDP and others—the Dominican Republic, Honduras and Mexico—were close to the regional average. The remainder—Argentina, Brazil, Colombia, Costa Rica, El Salvador, Nicaragua, Panama and Uruguay—still showed levels which, although not especially high, were above the average for the region. Based on the fiscal policies in place in the region and the growth forecasts, the downward trend should continue over the next few years. In fact, all the projections indicate a regional average of around 30% of GDP by 2015.

Figure I.26  
**LATIN AMERICA AND OECD: OVERALL FISCAL BALANCE  
 AND PUBLIC DEBT, 2011**  
 (Percentages of GDP)

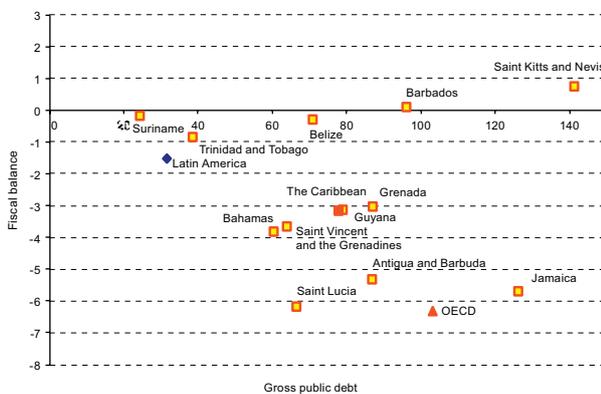


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and OECD.

Note: The broadest public sector institutional coverage as officially published is used. The figures for the overall fiscal balance and public debt are presented within the same institutional coverage for each country. Central government coverage for Bolivarian Republic of Venezuela, Dominican Republic, Guatemala, Haiti, Honduras and Nicaragua. Net public debt for Brazil. OECD average, excludes Chile, Mexico and Turkey.

Nevertheless, levels of debt began to rise in several Central American countries in 2009 owing to difficulties in reducing public deficits widened by countercyclical fiscal policy efforts. Furthermore, public debt continues to represent a much higher proportion of GDP—over 70% on average (see figure I.27)—in most Caribbean countries, except the Bahamas, Suriname and Trinidad and Tobago. Trinidad and Tobago used the funds accumulated during the commodities boom to pay off a portion of its debt. The soaring debt in Saint Kitts and Nevis reflects the country's limited capacity to generate fiscal revenues due to huge outlays on repairs to infrastructure in the aftermath of the numerous hurricanes. In Jamaica, debt had been trending downward since 2003, but expanded once again after the financial crisis of 2008 and remains very high.

Figure I.27  
**LATIN AMERICA AND THE CARIBBEAN AND OECD: OVERALL FISCAL BALANCE AND PUBLIC DEBT, 2011 AVERAGE**  
*(Percentages of GDP)*

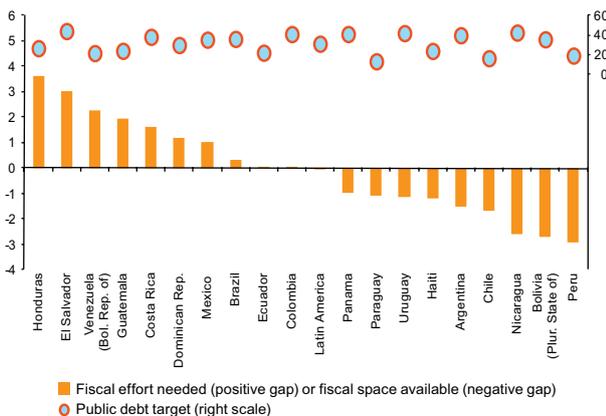


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Note: Central government coverage for the Caribbean. The figures for the overall fiscal balance and public debt are presented within the same institutional coverage for each country.

A classic way of illustrating the fiscal space available is to calculate sustainability indicators. The simplest of these is the primary balance that would be needed to stabilize public debt. Figure I.28 shows, for the Latin American countries, the difference between the actual primary balance in 2011 and the primary balance that would be needed to keep debt levels constant in 2012. This indicator thus measures, in GDP points, the leeway countries have to increase spending or forgo revenues in order to provide economic stimulus, without increasing the economy's public debt burden.

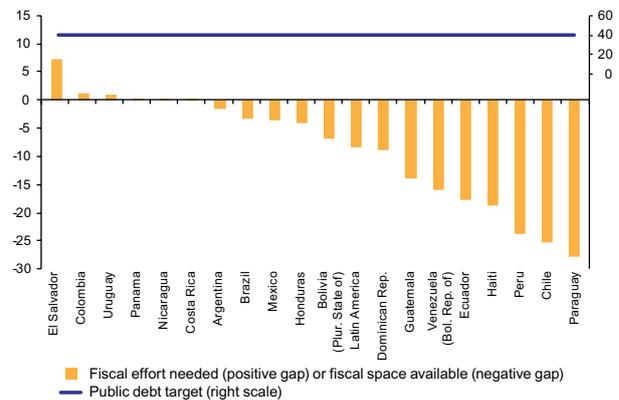
Figure I.28  
**LATIN AMERICA: GAP BETWEEN THE PRIMARY BALANCE NEEDED TO STABILIZE PUBLIC DEBT IN 2012 AND THE ACTUAL PRIMARY BALANCE IN 2011**  
*(Percentages of GDP)*



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

Note: Estimates include ECLAC projections of GDP for 2012 and the implicit interest rate for 2012 calculated using each country's 2011 interest payments.

Figure I.29  
**LATIN AMERICA: GAP BETWEEN THE PRIMARY BALANCE NEEDED TO STABILIZE PUBLIC DEBT AT 40% OF GDP IN 2012 AND THE ACTUAL PRIMARY BALANCE IN 2011**  
*(Percentages of GDP)*



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

Note: Estimates include ECLAC projections of GDP for 2012 and the implicit interest rate for 2012 calculated using each country's 2011 interest payments. In addition, a public debt target of 40% of GDP was set for 2012.

Naturally, the countries with a larger overall deficit also show a positive gap between the actual primary balance and that needed to stabilize the debt (short-term taxation gap). Thus, some countries would have to make a "fiscal effort" of around one GDP point or more to achieve a primary balance compatible with the target of stabilizing the public debt to GDP ratio. Others are running large enough primary surpluses to keep reducing their public debt in 2012 and still have considerable fiscal space to call upon in the event of a cyclical macroeconomic downturn.

An alternative methodology used by ECLAC is to adopt a common debt standard or rule, such as 40% of GDP, for 2012 (ECLAC, 2012a). Figure I.29 depicts the results of this exercise, and shows a larger fiscal space available than in the more classic approach. This is because most of the countries had debt levels well below the 40% standard in 2011 and can, therefore, finance short-term fiscal stimulus packages through borrowing.

These indicators are intended merely to illustrate the effort needed or the fiscal space available in the short term, not the probability or feasibility of debt stabilization, since they do not take into account the countries' particular objectives (which may be other than debt stabilization) or potential changes in financing conditions. Furthermore, the gross debt indicator used does not include available financial assets, which are considerable in some countries.<sup>12</sup>

<sup>12</sup> Notable examples are Peru's Fiscal Stabilization Fund and Chile's Economic and Social Stabilization Fund.

As noted and as these figures show, many of the region's countries are well placed to deploy countercyclical fiscal policies to deal with temporary lulls in aggregate demand. As a result, starting in 2008, for the first time ever fiscal policy became a key instrument of macroeconomic stabilization for the governments of the region. Nevertheless, this singular success must not be allowed to overshadow the other (and no less important) functions of fiscal policymaking, such as the provision of public goods, the redistribution of available income and the promotion of long-run growth (ECLAC, 2012a).

The vulnerabilities arising from the concentration of production and exports in a few primary goods—the reprimarization of the economies of the region—also seem to represent an obvious Achilles' heel for several countries' fiscal sectors in the event of a turnaround in the favourable terms of trade they have enjoyed in recent years. Furthermore, with the global economy apparently entering a prolonged period of low growth, countercyclical fiscal policy (which is temporary by definition) may not be the best instrument to tackle longstanding, structural problems.

## 2. Monetary, exchange-rate and macroprudential policy

### (a) Prudence has guided monetary policy in the region and the few changes made to reference rates have been primarily reductions

Most central banks in the region kept their policy rates steady during the first half of 2012; any changes have tended to be downward. This may be attributed to the regional economic slowdown, including the easing of supply-side inflationary pressures thanks to stable or lower commodity prices (including for food) during the first half of 2012.

Argentina, the Bolivarian Republic of Venezuela, Brazil, the Dominican Republic and Paraguay lowered their rates in the second quarter of 2012, followed by Guatemala in July (see figure I.30). Colombia and Honduras were the only economies in the region to raise monetary policy rates in the first half of 2012.

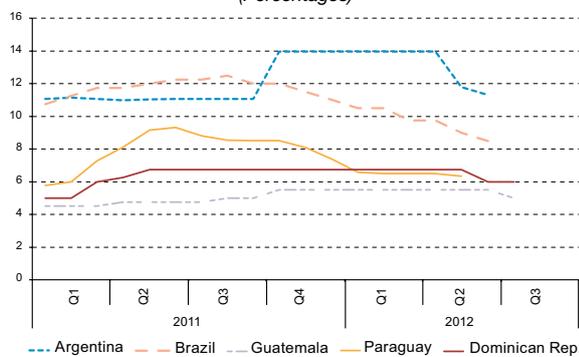
These minimal changes to monetary policy rates illustrate the caution that guided monetary policy management during the first half of 2012. If external aggregate demand slows further and spills over into components of domestic demand, there are likely to be larger interest rate cuts to avoid a further cooling of aggregate domestic demand and thus of economy activity. Should interest rates fall very low and inflationary pressures emerge in response to rising international prices, the margin to deploy this kind of measure could become smaller.

### (b) Domestic lending continues to surge in most of the region, although there are signs of a slowdown in many countries

In Argentina, Brazil, Ecuador, Mexico, Peru and Uruguay, the cooldown in lending began in the second quarter of 2010, but gathered momentum during the first two quarters of 2012. Conversely, total domestic lending continues to expand in the Bolivarian Republic of Venezuela and Chile, and in Central American countries, where some growth rates are stabilizing and others are rising. In the economies of the Caribbean, domestic lending has recorded positive growth rates, albeit lower than in the rest of the region (see figure I.31).

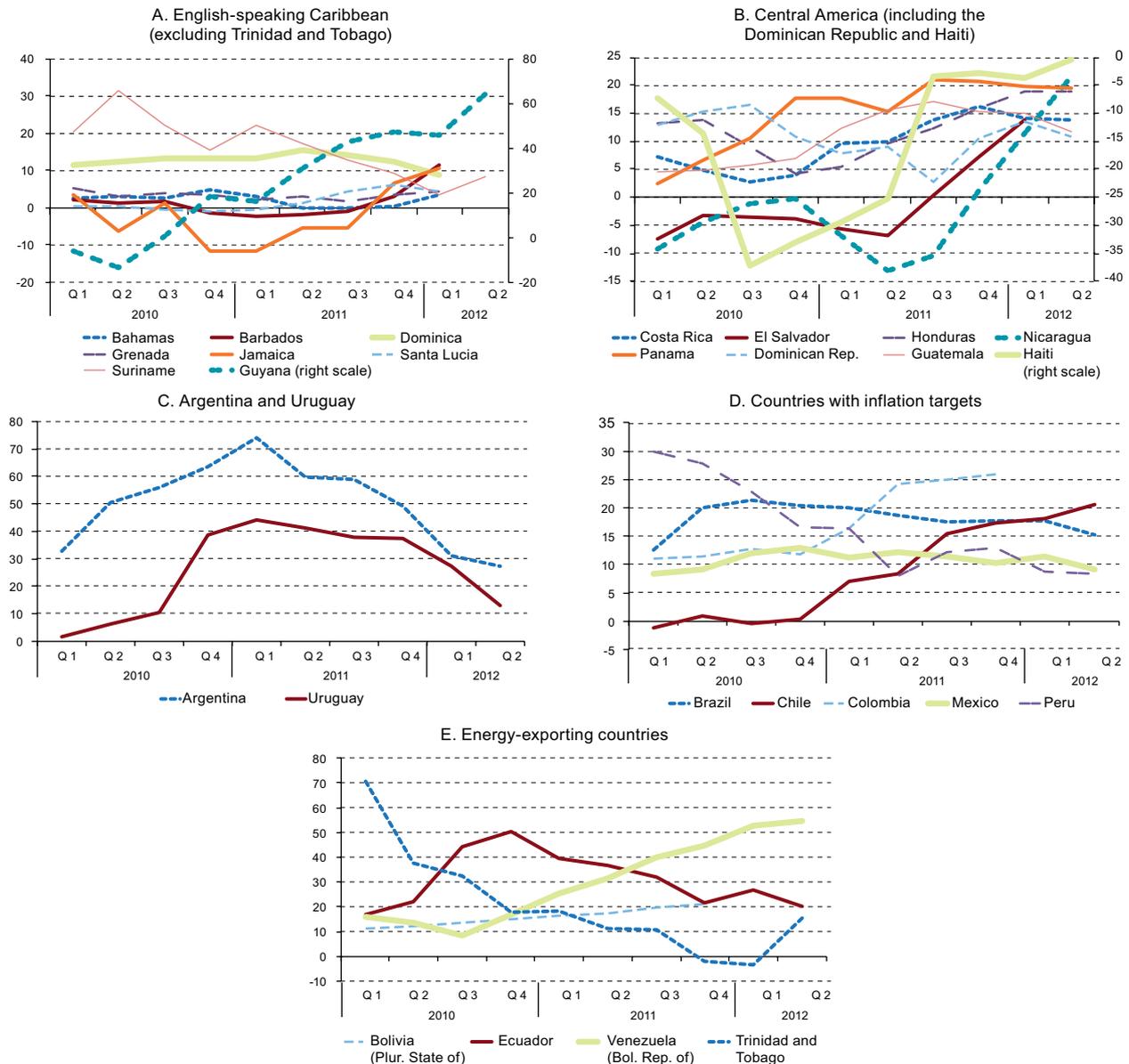
Consumer and business lending grew across the board in the region, albeit at varying rates. Business lending growth picked up in the Bolivarian Republic of Venezuela, El Salvador and Guatemala, while in Brazil, Paraguay, Uruguay and especially Peru, it continued to rise in the second quarter of 2012 but at lower rates than before. The picture is equally diverse in the Caribbean.

Figure I.30  
LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES):  
MONETARY POLICY RATE CUTS, FIRST QUARTER 2011  
TO SECOND QUARTER 2012  
(Percentages)



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

Figure I.31  
**LATIN AMERICA AND THE CARIBBEAN (SELECTED SUBREGIONS): TOTAL DOMESTIC LENDING, 2010-2012**  
*(Quarterly year-on-year variation, percentages)*



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

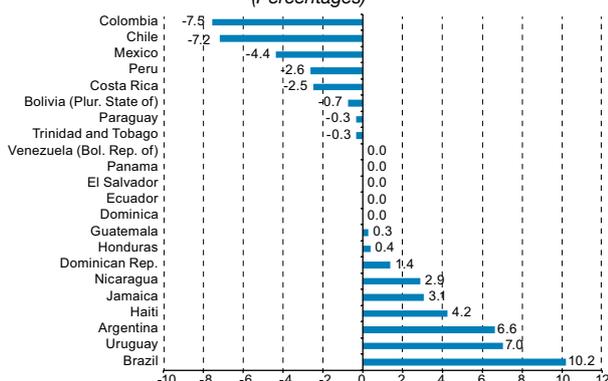
Consumer lending has slowed in Argentina, Brazil, Colombia, Ecuador, Paraguay, Peru, the Plurinational State of Bolivia, Uruguay and, in the English-speaking Caribbean, in the Bahamas, Barbados, Dominica and Saint Lucia (based on first-quarter data for the latter group of countries). Growth in this lending category has also risen in Chile, Costa Rica, El Salvador, Grenada, Guatemala, Mexico and Saint Vincent and the Grenadines. Only Antigua and Barbuda and Saint Kitts and Nevis have registered a consumer lending contraction.

### (c) Most countries are still experiencing some exchange-rate volatility

With financial markets remaining volatile and the countries of the region offering higher relative returns than other parts of the world, especially Europe, some of the region's currencies appreciated strongly during the first eight months of 2012 in nominal terms. This was especially true of countries that are more integrated into international financial markets, such as Chile (7.0%),

Colombia (6.6%) and Mexico (4.5%). Mexico’s nominal exchange rate remained volatile in 2012, reflecting the prevailing uncertainty in the global economy and in particular the European debt crisis (see figure I.32).

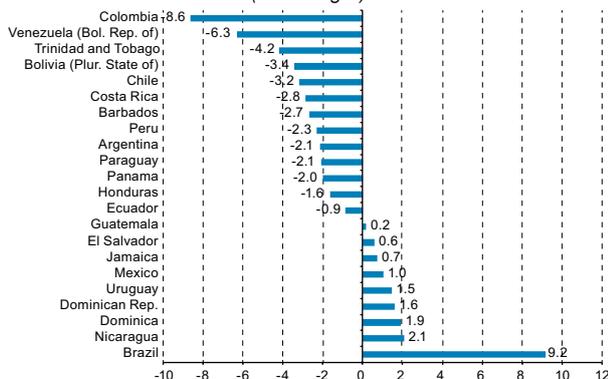
**Figure I.32**  
**LATIN AMERICA AND THE CARIBBEAN: RATE OF VARIATION IN THE NOMINAL EXCHANGE RATE, DECEMBER 2011-AUGUST 2012**  
(Percentages)



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

However, for another group of countries, currencies depreciated in nominal terms between December 2011 and August 2012. This group includes in particular Brazil (10.1%), Argentina (7.5%) and Uruguay (17.2%). The depreciation reflected the impact of factors such as poorer growth prospects, falling prices for key goods exported by the region (such as iron), lower interest rates, and the introduction of macroprudential measures to discourage short-term capital inflows.

**Figure I.33**  
**LATIN AMERICA AND THE CARIBBEAN: RATE OF VARIATION IN THE REAL EFFECTIVE EXCHANGE RATE, JULY 2012 COMPARED WITH THE 1990-2009 AVERAGE**  
(Percentages)



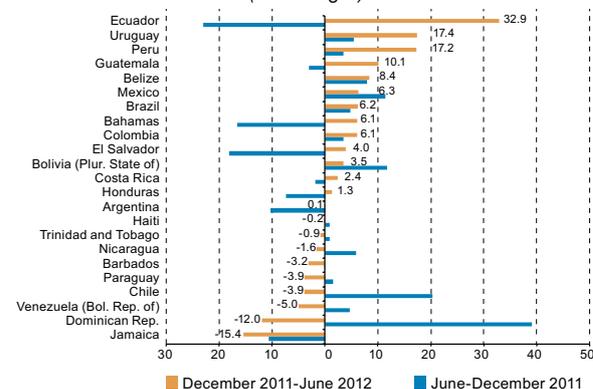
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Real effective exchange rates have deviated the most from the values recorded over a 20-year period (1990-2009) in a group of countries that includes two oil-producing nations: the Bolivarian Republic of Venezuela, which has a fixed exchange rate and high inflation, and Trinidad and Tobago, whose exchange rate has also remained almost entirely stable (depreciating by just 1.7% between July 2005 and July 2012). Other countries in this group include Colombia, whose nominal exchange rate has appreciated alongside a good economic performance and significant FDI inflows, and two countries with high levels of migrant remittances —Guatemala and Honduras.

**(d) Countries have continued to intervene in the currency market to minimize exchange-rate fluctuations and have built up significant levels of international reserves during the first half of the year**

While trends have been somewhat uneven with regard to international reserves in the region, the general tendency during the first six months of 2012 was to accumulate reserves. Over this period, reserves swelled considerably over year-end 2011 values in Ecuador (33%), Peru (17.4%) and Uruguay (17.2%). In the Dominican Republic and Jamaica, by contrast, reserves contracted heavily over the same period, by 12.0% and 15.4%, respectively (see figure I.34).

**Figure I.34**  
**LATIN AMERICA AND THE CARIBBEAN: VARIATION IN INTERNATIONAL RESERVES**  
(Percentages)

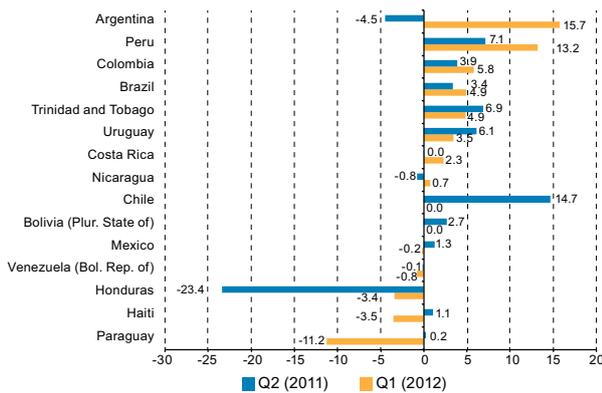


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Many of the region’s central banks were forced to intervene actively in foreign-exchange markets to combat volatility, and this trend carried over into the first half of 2012. Interventions leaned towards foreign-exchange purchases, suggesting that central banks have been more

concerned about avoiding local-currency appreciation than depreciation. Foreign-exchange purchases during the first semester of 2012 exceeded those registered in the second half of 2011 in Brazil, Colombia and Peru (see figure I.35). In Argentina, the exchange-rate measures adopted in early 2012 led to positive net central bank intervention in the currency market, and net purchases represented 15.7% of central bank reserves. Conversely, foreign-exchange market intervention in Haiti, Honduras and Paraguay added up to net sales of foreign exchange by the central bank, for amounts representing 3.5%, 3.4% and 11.2% of these countries' total reserves, respectively.

Figure I.35  
**LATIN AMERICA AND THE CARIBBEAN: FOREIGN-EXCHANGE  
 MARKET INTERVENTION AS A PROPORTION  
 OF INTERNATIONAL RESERVES**  
 (Percentages)



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

### (e) Macprudential policy: the framework goes from strength to strength

Several countries implemented new macroprudential policies during the first half of 2012. In the Plurinational State of Bolivia, the government announced a temporary new tax—for 36 months—on dollar sales, payable by banks, equivalent to 0.7% of total transaction value. This measure is aimed at deepening “bolivianization”. Two new measures were implemented in Ecuador in 2012. First, the proportion of their balance that private financial institutions must contribute to the liquidity fund increased from 3% to 5%. This share will go up by one percentage point each year to 2018 until it reaches 10% of deposits subject to banking reserve regulations. Second, a countercyclical measure was introduced to the effect that during upswings banks must set resources aside for a fund that can be drawn on during recession, with a view to offsetting the impacts of the business cycle.

In Uruguay, the government adopted a resolution in August 2012 requiring buyers of short-term debt from the central bank (who are seeking better returns) to deposit 40 pesos for every 100 pesos of bonds that they buy, thereby making it more costly to take short-term positions in low-risk bonds denominated in Uruguayan pesos. Also in August 2012, the Government of Brazil stepped up its campaign to lower lending rates and hence narrow the spread between these rates and the monetary policy rate. Several commercial banks did lower their interest rates, although these remained high in comparison with other countries in the region.

## Chapter II

# The policy response of Latin America and the Caribbean to the adverse global economic scenario (2008-2012)

This chapter reviews three major external events that had an impact on the region between 2008 and 2012: (a) the 2008 food and fuel price boom; (b) the global financial crisis of 2008-2009; and (c) mounting international uncertainty from the second half of 2011. It also identifies the main macroeconomic, social and sectoral policies implemented by the countries of Latin America and the Caribbean to deal with the consequences of these events, which, unlike in the past, originated in the economic and financial spheres of developed countries. It would not be venturing too far to assert that this sequence of negative external shocks reached magnitudes surpassed only by the Great Depression of the 1930s.

In addition to identifying the policies adopted at each juncture to face these adverse events—including macroeconomic, labour and social, and trade and sectoral measures—this document explains how specific measures were tailored to address each of the episodes described and reviews the economic performance of the region, taking into account both the policies implemented and the degree of exposure of the different countries to the sources of the shocks (the United States and European economies), to the markets that were hit the hardest at each point (primary goods market,

tourism, international financial markets and labour markets) and to the factors that have contributed to the slight global recovery (the major Asian economies).

Besides the varying degree of exposure of each country to the factors underlying each of the three major events, the situation of the countries in the region at the outset helped determine the type and scope of the policies implemented to face these shocks. With the exception of some Caribbean countries, when the financial crisis broke out in 2008, the region's economies were generally

characterized by lower external and public debt than in previous decades, a more healthy fiscal account balance and sufficient international reserves to cushion the impact of a temporary slump in external liquidity. As a result, the policies implemented by governments in the region, together with the countercyclical policies pursued by the governments of developed countries and the major Asian economies, enabled the region to emerge from this crisis more quickly than from previous ones.

Most countries in Latin America and the Caribbean are still able to draw on the same strengths that enabled them to weather previous crises: low debt, generally balanced public finances and significant international reserves. But the fiscal space has narrowed in a number of countries owing to sluggish growth levels and the use of the resources accumulated during boom periods to offset the negative impact of these episodes. In several Caribbean countries,

the fiscal space is insufficient owing to high debt levels. The advantages that work in the region's favour, combined with the lessons learned in implementing countercyclical, social, labour and sectoral policies to moderate the social and economic effects of the crisis, put most of the countries in a strong position to cope with an unsteady international economy which could well deteriorate. A precautionary approach to these external situations should therefore be adopted. This means expanding the fiscal space in countries where it has eroded or is very tight and encouraging the development of plans drawing on the experience gained during these three episodes so that the necessary policies can be reimplemented as necessary. It is hoped that this year's edition of the *Economic Survey* can contribute to achieving those goals by analysing the measures<sup>1</sup> implemented by the countries in the region. Policy guidelines drawing on the region's recent experiences are set out in a second section.

## A. The region's response to the adverse global economic scenario in 2008-2012

### 1. Main trends in the external environment

#### (a) The food and fuel price boom of 2008

Since mid-2003, commodity prices had been rising steadily for several reasons, such as brisk growth in the emerging countries (especially China and India) and the rapid expansion of global financial systems. Prices skyrocketed in the first three quarters of 2008, especially food prices. After rising by a year-on-year average of 27.1% in 2007, grain prices shot up by an average of 58.5% in the first three quarters of 2008. In that same period, similar trends were observed in the prices of vegetable oils (47.6%), beverages (28.1%) and other foodstuffs (22.2%) (see figure II.1).

This upcycle differed from previous episodes in ways that made it hard to absorb the higher prices, especially in net importing economies where they triggered terms of trade losses, deteriorating external balances and inflationary pressures. Besides the particularly strong impact of the 2008 commodity price boom, the general cycle of rising prices had three distinguishing features. First, average cycle duration, in terms of months of sustained rises, was easily twice as long—or even three times as long in some cases—for almost all the raw materials and commodities whose prices soared. Second, the average jump in prices

compared with the start of the boom was higher than the average increase during previous booms. Third, the upswings were often not limited to just a single product or market but coincided with rises in the prices of substitute goods or those with similar market characteristics.<sup>2</sup>

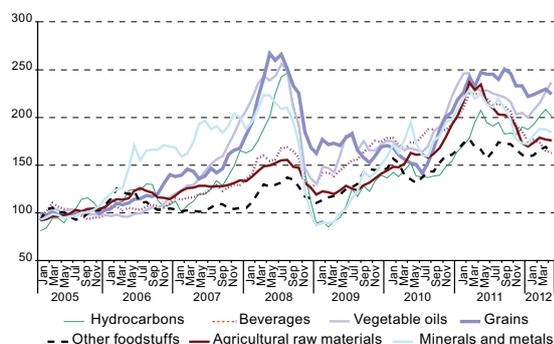
In the case of energy products, several factors combined to drive the remarkable surge in prices. One was the sharp upturn in demand fuelled by the burgeoning manufacturing sector in China and India. Additionally, fuel subsidies kept demand buoyant, especially among emerging countries. On the supply side, the market was hit by lags in production capacity expansion in some of the world's main producers from 2000. Other factors were the policies pursued by the Organization of the Petroleum Exporting Countries (OPEC) and conflicts in oil-producing regions which threatened to cause supply problems.<sup>3</sup>

<sup>1</sup> For information about the measures implemented by the countries, see ECLAC (2012b).

<sup>2</sup> See International Monetary Fund (IMF), *World Economic Outlook*, Washington D.C., April 2008.

<sup>3</sup> See Economic Commission for Latin America and the Caribbean (ECLAC), *Preliminary Overview of the Economies of Latin America and the Caribbean*, 2007.

**Figure II.1**  
**PRICE INDICES FOR SELECTED COMMODITIES,**  
**JANUARY 2005-MARCH 2012**  
(Average for 2005=100)



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

Food prices also surged as a result of supply and demand factors, including some of a structural nature. On the supply side, bad weather impacted some of the world’s major wheat producers, such as Australia. The situation was then exacerbated when several countries halted exports. On the demand side, two factors helped drive prices up: (a) the burgeoning global demand for food as increasing urbanization throughout the developing Asian subregion brought large numbers of consumers into the market; and (b) enormous demand for certain agricultural products as a result of subsidies introduced in the United States and Europe to boost biofuel production.

**(b) The global financial crisis: from September 2008 to late 2009**

In the second half of 2008 a financial crisis broke out in the United States and the developed countries and rapidly spread to the rest of the world’s economies. The immediate fallout was huge, as world trade slumped, uncertainty prompted a flood of financial outflows from the region (causing currency depreciation), country risk shot up and access to international financial markets was cut off (especially towards the fourth quarter of 2008). As a result, commodity prices collapsed. By December 2008, hydrocarbon prices had plummeted by 63.8% compared with their record high; prices of vegetable oils had dropped by 49.2%, grains by 38.8% and beverages by 22.4%.

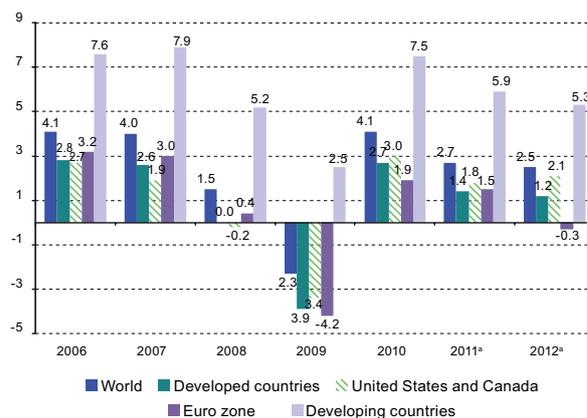
The financial crisis took a very heavy toll in the first half of 2009. Between mid-2008 and the first quarter of 2009 global manufacturing activity contracted by 11.6%, with the sharpest decline recorded in the developed countries (16.4%). Global trade volume shrank by around 19%.

In mid-2009, global trade and activity began to pick up, however. The rapid emergence from the worst of

the crisis was made possible chiefly by the coordinated expansionary monetary policies implemented by the world’s major central banks, followed by action on the part of other monetary authorities in developing countries, which injected significant liquidity into markets. This, combined with fiscal stimulus policy measures, helped sustain the incipient recovery. The relatively strong performance of the Asian developing economies, especially China, prevented a further slump in global demand.

Initial fears of a prolonged global depression were therefore dispelled; signs began to indicate that the major world economies were pulling out of the crisis. In the United States, after four consecutive quarters of decline beginning in mid-2008, GDP edged up by an annualized, seasonally-adjusted 2.8% in the third quarter of 2009 compared with the previous quarter. Growth also picked up in the euro zone countries from the third quarter of 2009, but was not strong enough to prevent a 4.2% contraction of GDP for the year as a whole (see figure II.2). The developing Asian economies managed to reverse the negative effects of the crisis quickly; indeed, some countries, such as China, India and Indonesia, experienced a slowdown but did not slip into recession.

**Figure II.2**  
**GDP GROWTH BY REGION, 2006-2012**  
(Percentages)



Source: United Nations, *World Economic Situation and Prospects 2012*, New York, Department of Economic and Social Affairs, December 2011, and International Monetary Fund, *Global Economic Outlook*, Washington, D.C., 2012.

Several factors help to explain why the global economy performed better than in earlier crises: (a) resilient growth in emerging countries, particularly China and India; (b) the timely countercyclical response in both developed and developing countries; and (c) the effectiveness and scale of the financial rescue packages, especially in the United States. These measures were successful in averting the danger of a global depression and, in 2009, laid the groundwork for a gradual recovery in trade and global industrial output and the normalization of financial flows. In 2009, however, global GDP shrank by 2.3%.

### (c) International uncertainty from the second half of 2011

In 2010, the international economy continued its incipient recovery, but there were still marked differences in growth rates across regions. As shown in figure II.2, the emerging and developing countries as a group led global growth, expanding by 7.5% (compared with 2.7% in developed countries). Europe posted slower growth than the United States as a result of both temporary and structural factors. The former include larger-scale countercyclical action in the United States and financial system rescue packages that were further-reaching in their results than those implemented by European countries. Structural factors include the fact that several European countries began to be faced with the urgent need for fiscal consolidation to ensure the sustainability of their sovereign debt after the efforts made to contain the financial crisis, and their rescue packages had the effect of transferring risk from their financial systems to their burgeoning sovereign debt. In several major European economies, the efforts to tackle the debt sustainability crisis were expressed in lower fiscal spending and higher taxes that depressed domestic demand.

This was not the only external shock to affect Latin America and the Caribbean, however. The continued buoyancy of the emerging economies created renewed, vigorous demand for commodities, pushing up prices of metals, hydrocarbons and food. Rising prices were further fuelled by value slippage of the main reserve currencies (see figure II.1). The currencies of net commodity exporters thus came under appreciation pressure, which worsened inflationary pressures in importing countries.

In 2011, this complex external scenario deteriorated, with marked differences in the macroeconomic measures adopted in the United States and the euro zone. In the United States, the priority continued to be to foster the recovery of output and employment levels, which were viewed as one of the conditions necessary for restoring the financial system to health. Moreover, with inflation expectations low, the monetary authorities were able to maintain monetary stimulus. Fiscal adjustments were not as sharp as in the European countries. As a result, the global liquidity originating in the United States expanded significantly in 2010 and 2011.

In the euro zone, unlike in the United States, the monetary effects of measures implemented in response to the financial crisis were largely sterilized. In addition, the European Central Bank began raising interest rates in April 2011 as inflation expectations mounted. Fiscal policy in the euro zone focused on restoring solvency as a prerequisite for economic recovery, on the assumption that, in the medium term, confidence in public sector

stability and solvency would stimulate investment and employment despite any short-term recessionary impact of these budget adjustments.

The public debt sustainability issues of the hardest-hit countries remained unsolved, however. Greece again became a source of uncertainty as it became clear that the measures taken to meet the fiscal targets agreed upon with the International Monetary Fund, European Central Bank and the European Financial Stability Facility would fail to reduce the country's deficit as much as it had been hoped. The lack of a solution for the sovereign debt problems in Greece and other countries in the region cast a heavy pall of uncertainty over the future of the euro zone, which encouraged flows of financial resources towards other, safer areas of the world financial market. The downgrading of the sovereign debt rating of some of the more compromised countries in the second quarter of 2011 further stoked the flight of financial resources.

The overall picture at the global level was therefore one of strongly contrasting macroeconomic policies adopted in the main financial and economic centres. Financial flows into emerging countries continued, setting the stage for real currency appreciation, high commodity prices and inflationary pressures in countries that are net importers. Global growth in 2011 slipped to 2.7% and was once again led by developing countries (5.9%), while the developed economies expanded by 1.4% (see figure II.2).

In the first quarter of 2012, the euro zone crisis continued to be the principal source of external turmoil, in addition to slackening growth in China (which was already evident in 2011) and India. The United States continued to show signs of recovery in response to liquidity programmes that have to some extent shored up domestic demand and employment. As a result, the United States is expected to grow by 2.1% in 2012. Uncertainty remains, however, given the persistent lack of agreement on how to limit and deal with government borrowing. This could trigger automatic fiscal contraction mechanisms in January 2013 that would hurt prospects for growth.

In Europe, two contrasting situations arose: the banking situation eased thanks to the long-term swap lines established by the European Central Bank, but the level of uncertainty was subsequently heightened considerably as financial bailout plans for rescuing Greece grew less and less viable. As a result, doubts over the future of the euro zone mounted significantly in the second quarter of 2012, especially as it began to look more likely that Greece would exit the monetary union. The situation in the euro zone was exacerbated in the following months as a result of banking and fiscal troubles in Spain and Italy, which were at risk of contagion putting them in the same position as other European countries that had already needed financial bailouts (Greece, Ireland and Portugal).

In this context of uncertainty and recession expectations, along with slower (albeit still brisk) growth in the major emerging Asian economies, commodity prices (with the exception of copper and oil) fell in the second half of 2011 but then flattened out. As a result, at the end of the first quarter of 2012 commodity prices were similar to before the crisis. The global economy is forecast to

grow by 2.5%, in 2012, with the developing countries expanding by 5.3% and growth in the developed countries holding steady at 1.2%. GDP in the euro zone countries is forecast to contract by 0.3%. Two risks are looming for the second half of 2012: in addition to the situation in the euro zone, oil prices could go up if geopolitical instability in the Middle East worsens.

## 2. Fiscal policy responses in Latin America and the Caribbean

### (a) Fiscal policy in the face of the 2008 food and fuel price boom: a shift in spending and taxes to avoid the regressive impacts of rising prices

Following the spike in inflation in the first half of 2008 —fuelled mainly by rising food prices and partly by increasing fuel prices— the countries of Latin America and the Caribbean adopted monetary and exchange-rate policies designed to curb inflation, as well as fiscal measures primarily intended to minimize the regressive effects of surges in prices, especially food prices, on income distribution. On the income side, measures focused on jumpstarting the agricultural sector by means of tax cuts targeting the domestic market, notably the elimination of VAT on foodstuffs such as grains and flour in the countries of the Organization of Eastern Caribbean States. Another widely used instrument was the reduction—or in some cases lifting—of food import tariffs.

On the spending side, policies varied more. Although consumption subsidies tended to focus on food, transport and electricity, they were also introduced for the purchase of agricultural inputs (in Guatemala, Mexico and Panama). Several funds were created to maintain or establish food networks, such as in El Salvador, Nicaragua, Panama and the Plurinational State of Bolivia, and direct credit was granted to this sector or measures were implemented to facilitate its access to financing (in Mexico and Panama). Wages were increased (in the Bahamas, Saint Kitts and Nevis, Saint Vincent and the Grenadines and Suriname). Some governments directly purchased food for distribution or to control domestic market prices (such as in Ecuador, Honduras, Mexico and the Plurinational State of Bolivia).

As shown in table II.1, the countries of Central America and South America adopted fiscal measures mainly on the public spending side, whereas the Caribbean countries focused on fiscal income measures.

### (b) Fiscal policy response to the global financial crisis (September 2008 to late 2009): stabilization of domestic demand through increased public spending

Countries responded to the crisis with a broad range of fiscal measures that varied widely given the different capacities each country had to manage and execute them and depending on the availability of resources. All measures were clearly countercyclical in nature, however. The countries in the region had different levels of fiscal space, which determined their response to the crisis. In 2008, Chile and Peru had the most fiscal space, followed by the Bolivarian Republic of Venezuela, Ecuador, Mexico, Paraguay and the Plurinational State of Bolivia. The Central American countries had less fiscal space, and it was even tighter in most Caribbean countries.

During the crisis, the countercyclical measures adopted in Latin America and the Caribbean on the public spending front included increased investment in infrastructure, housing plans, programmes to support small- and medium-sized enterprises and small farmers and various social programmes implemented in most countries in the region. These measures were designed mainly to stabilize aggregate demand and mitigate the effects of the crisis on the hardest hit sectors, although, contrary to what might be expected from a countercyclical policy, increases in some current expenditures, especially those relating to salaries and wages, were not temporary. On the other hand, implementation of these measures was held up in some countries because of delays in formulating investment projects, falling fiscal revenue, funding constraints and limited capacity to execute investment projects.

Table II.1  
LATIN AMERICA AND THE CARIBBEAN (33 COUNTRIES): MAIN FISCAL MEASURES ADOPTED TO TACKLE  
RISING FOOD AND FUEL PRICES, 2008

	Argentina	Bolivia (Plurinational State of)	Brazil	Chile	Colombia	Costa Rica	Cuba	Dominican Republic	Ecuador	El Salvador	Guatemala	Haiti	Honduras	Mexico	Nicaragua	Panama	Paraguay	Peru	Uruguay	Venezuela (Bolivarian Republic of)	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	Total number of Latin American and Caribbean countries
<b>Measures affecting fiscal income</b>																																		
General tax cuts									X				X	X	X	X		X	X					X	X		X	X	X	X	X	X	X	13
Food tax cuts																					X					X								2
Reduction of primary producer taxes																						X												1
General tariff reduction														X							X			X	X			X	X	X				7
Food tariff reduction	X	X							X	X	X	X	X	X				X																8
Oil tariff reduction																						X												1
<b>Measures affecting fiscal spending</b>																																		
Wage increase																						X						X	X	X				4
Food subsidy	X				X			X		X				X	X							X							X					8
Transport and/or electricity subsidy	X								X	X	X	X	X	X																				6
Agricultural input subsidy										X				X																				2
General subsidies							X	X																										3
Import of food	X							X					X	X														X						4
Other spending in the food sector	X										X			X	X										X									5
Other social spending						X		X							X												X							4
Other spending													X																					1
Spending cuts				X																														1
<b>Other measures affecting the fiscal balance</b>																																		
							X	X							X							X									X			5

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

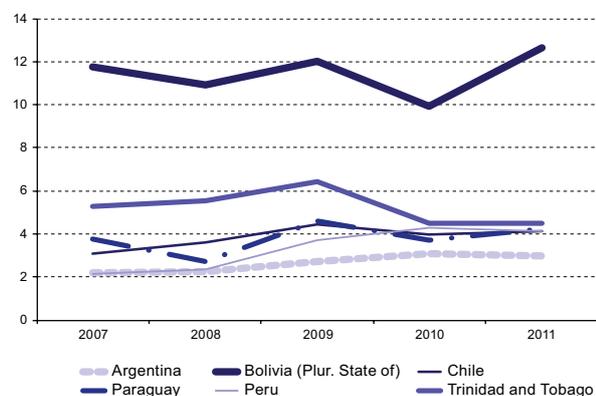
In 2009, capital spending shot up most in the hydrocarbon-exporting countries, especially the Plurinational State of Bolivia and Trinidad and Tobago, as well as in Argentina, Chile, Paraguay and Peru (see figure II.3). Other actions that boosted public investment included measures to expand the borrowing capacity of Petrobras, the pouring of fresh capital into the Brazilian Development Bank (BNDES) to keep up planned investment levels, capital injections for the National Copper Corporation (CODELCO) and other bodies in Chile designed to support investments by public and private companies, and the creation of a national infrastructure fund (FONADIN) in Mexico.

Central government capital spending as a proportion of GDP shrank in most countries in Central America and the Caribbean even though these countries, like most countries in the region, made significant efforts to increase social spending, as reflected in the expansion of current spending as a proportion of GDP. The increase was especially sharp

in Trinidad and Tobago, Argentina and Chile. Taking into account the massive surge in their capital spending, these countries implemented the broadest fiscal stimulus measures during the crisis, especially in 2009.

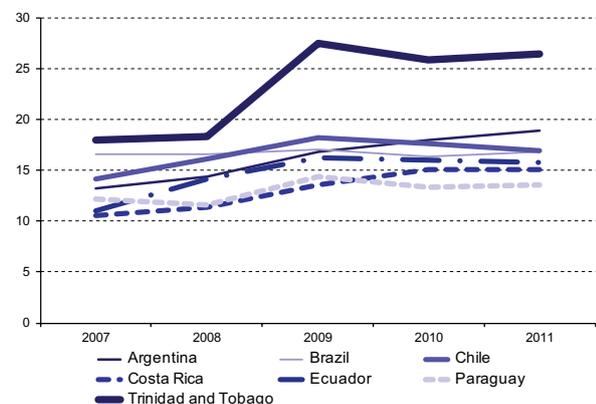
With regard to fiscal revenue, tax receipts fell as activity declined. In countries with a high proportion of income from taxes on commodity exports, tax revenue shrank as commodity export prices fell. In the Central American and Caribbean countries that are net importers of food and fuel, the sharp contraction in import value resulted in lower receipts from tariffs and sales tax. A wide range of measures were implemented in the region, including income tax adjustments in the form of changes in the tax base (deductions, exemptions and accelerated depreciation) or nominal rate reductions, as well as reforms of taxes on goods and services. Although tax cuts and expanded tax benefits were not as common as spending measures, several cases stand out.

Figure II.3  
LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES):  
CENTRAL GOVERNMENT CAPITAL PUBLIC SPENDING, 2007-2011  
(Percentages of GDP)



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

Figure II.4  
LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES):  
CENTRAL GOVERNMENT PRIMARY CURRENT SPENDING,  
2007-2011  
(Percentages of GDP)



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

Brazil temporarily lowered taxes on industrialized products (levied on vehicles), electrical appliances and construction materials, cut the tax rate on financial transactions and introduced lower personal income tax rates (of 7.5% and 22.5%) for the middle class, that is, those earning up to US\$ 875 per month. Chile temporarily reduced monthly income tax withholdings; in 2009 it eliminated the stamp duty on loans and broadened tax incentives for some sectors. Several countries, such as Peru, implemented mechanisms for early tax rebates and accelerated the drawback of taxes for companies and exporters. In many Caribbean countries, adjustments were made to tackle rising food prices or jumpstart the economy, including reductions in import tariffs for certain products, changes in VAT rates and amendments to specific taxes on goods and services.

Given that fiscal space before the crisis was tighter in most Central American and Caribbean countries than in the rest of the region, between 2009 and 2010 some of these countries took steps to expand that space by increasing revenue. The measures included the approval of tax reforms in some Central American countries (El Salvador, Honduras, Nicaragua and Panama). As a result of the crisis, some countries, such as Brazil, Chile, Colombia, Panama and Peru, lowered their primary surplus targets. To compensate for the fall in intergovernmental transfers (owing to the decline in central government tax revenue), some countries, including Peru, implemented compensatory transfer mechanisms. Argentina eased restrictions on subnational governments, while other countries, such as Brazil, allowed mayors' offices to renegotiate their social security debts. Lastly, the countries comprising the Organization of Eastern Caribbean States established a debt management programme designed to align the debt of member countries to bring it down to 60% of GDP by 2020.

### (c) Fiscal policy responses to international uncertainty from the second half of 2011: tax reforms to consolidate public finances

As part of their efforts to regain the fiscal space lost as a result of the countercyclical measures adopted between 2008 and 2009, several Central American and Caribbean countries subsequently launched initiatives to increase fiscal revenue. In 2011, many of the region's countries approved tax reforms designed to increase tax receipts. Some Caribbean countries raised or introduced taxes on goods and services, such as VAT. Honduras unveiled a reform designed to promote social equity and buttress public finances with new taxes mainly targeting banking, commerce, mining and telecommunications. Peru made two changes to its mining tax legislation. The Dominican Republic raised the corporate income tax rate and the tax on sales from free trade zones to local markets, and it introduced new taxes on financial assets held by banks and on gambling proceeds. Ecuador raised the tax on foreign-currency outflows and some specific consumption taxes; El Salvador increased the corporate income tax rate and established a minimum tax on gross revenue. Guatemala tightened controls on costs and expenses that are deductible for income tax purposes and put in place a tax on dividends. As an environmental protection measure, Ecuador adopted a tax on vehicle pollution and a levy on plastic bottles; Guatemala raised its vehicle circulation tax. Chile, Colombia, Costa Rica and Paraguay also submitted tax reforms to the legislature for approval.

Table II.2  
LATIN AMERICA AND THE CARIBBEAN (35 COUNTRIES): MAIN FISCAL MEASURES ANNOUNCED IN RESPONSE TO THE INTERNATIONAL CRISIS OF 2008 AND 2009

	Argentina	Bolivia (Plurinational State of)	Brazil	Chile	Colombia	Costa Rica	Cuba	Dominican Republic	Ecuador	El Salvador	Guatemala	Haiti	Honduras	Mexico	Nicaragua	Panama	Paraguay	Peru	Uruguay	Venezuela (Bolivarian Republic of)	Anguilla	Antigua and Barbuda	Bahamas	Barbados	Belize	Dominica	Grenada	Guyana	Jamaica	Montserrat	Saint Kitts and Nevis	Saint Lucia	Saint Vincent and the Grenadines	Suriname	Trinidad and Tobago	Total number of Latin American and Caribbean countries		
<b>Tax system</b>																																						
Corporate income tax			X	T	X	T		X	X	X	X		X	X	X	X		T	T						X				X								16	
Personal income tax	X		X	T	X			X	X	X	X		X	X	X	X					T				X	X		X		X							17	
Tax on foreign trade and international transactions	X	X	X					X	X					X	T				X			X	X		X	T	X		X		X	X	X			X	18	
Tax on goods and services				T				X	X	X			X	X		X			X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	23	
Social contributions	X													T										X													3	
Other	X		X	T	X										X				T				X					X								X	9	
<b>Public spending</b>																																						
Investment in infrastructure	X	X	X	X	X	X		X	X		X		X	X	X		X	X	X		X	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	26
Housing	X	X	X	T	X	X		X	X	X		X	X	X	X		X	X	X				X				X					X					X	19
Support for SMEs or agricultural producers		X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X		X	X		X	X		X	X		X	X						X	23
Support for strategic sectors	T	X	X	X	X						X	X	X	X				X	X			X	X	X			X	X		X	X	X	X			X	20	
Direct transfers to families	T	X		T		X		X	X	X		X	X	X	X	X	X					X	X						X			X	X				17	
Other social programmes	X		X	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	28
Other spending			X		X	T	X													X		X		X		X		X		X						9		

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

Note: T = temporary measures.

On the spending side, most measures involved increased investment in infrastructure and housing plans (the Bahamas, Barbados, Belize, Guyana, Haiti and Trinidad and Tobago), programmes to support small- and medium-sized enterprises, small farmers, tourism and other strategic sectors (Barbados, Belize, Brazil, Cuba, Dominican Republic, Peru and Trinidad

and Tobago) and various social and labour policies (the Bahamas, Barbados, Belize, Montserrat, Suriname and Trinidad and Tobago). In some cases, current spending was contained by postponing the entry of new civil servants (Brazil) or cutting or freezing their wages, promotions and benefits (the Bahamas and Saint Kitts and Nevis).

### 3. Monetary, exchange-rate and macroprudential policy responses

#### (a) Monetary, exchange-rate and macroprudential policies in the face of the 2008 food and fuel price boom: restrictive policies and exchange-rate appreciation

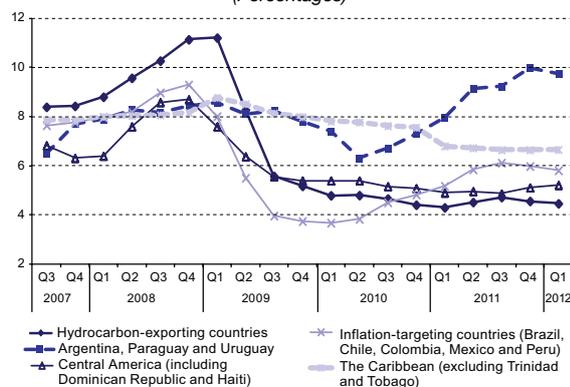
Before the global financial crisis broke out in the third quarter of 2008, the main concern of monetary- and exchange-rate policymakers revolved around preventing rising food and fuel prices—which had been trending upwards since 2003 and began to skyrocket in 2008—from having

a knock-on effect on the price structure in the economy and the inflation expectations of agents. This situation prompted authorities throughout the region to raise the monetary policy benchmark rate in the second quarter of 2008, especially in hydrocarbon-exporting countries, in Central America (including Haiti and the Dominican Republic) and in inflation-targeting countries (Brazil, Chile, Colombia, Mexico, Peru) (see figure II.5). In other countries in the region, policy rates were not increased because of other

considerations (concerns about currency appreciation or the fact that the interest rate was not one of the main monetary policy variables) and held relatively steady during the period.

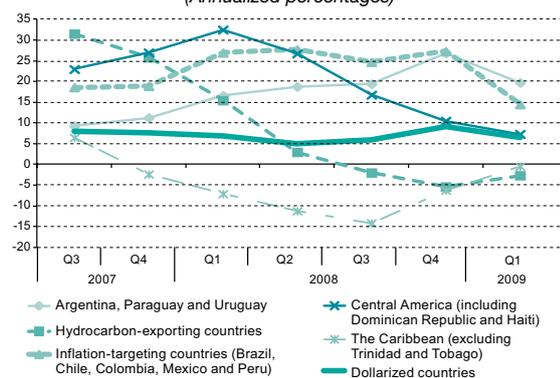
The upward adjustments to the benchmark rates were accompanied by slower growth in the monetary base, which reflected efforts to ease the supply shock by means of open-market operations and currency market interventions. International reserves (another variable reflecting the steps taken by the authorities) shrank in economies that absorbed a deterioration in their terms of trade (Central American and Caribbean countries except Trinidad and Tobago) owing to the surge in the value of fuel and food imports. In general, policy initiatives triggered a slowdown in the expansion of the broadest aggregates, such as M2, which—in the long run—slowed growth in lending, especially in the hydrocarbon-exporting countries and in Central America (see figure II.6).

Figure II.5  
LATIN AMERICA AND THE CARIBBEAN: MONETARY POLICY RATES, QUARTERLY AVERAGES, JULY 2007-MARCH 2012  
(Percentages)



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

Figure II.6  
LATIN AMERICA AND THE CARIBBEAN: QUARTERLY VARIATION IN TOTAL LENDING, IN REAL TERMS, JULY 2007-MARCH 2009  
(Annualized percentages)



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

Given that the strong performance of the region's external sector coincided with high external liquidity and an abundance of foreign currency, several countries allowed

real and nominal currency appreciation as a means of easing external inflationary pressures. Of the 20 countries in the region for which information is available, 17 showed real year-on-year currency appreciation in June 2008, just before the financial crisis broke out in September of that year. The largest real currency appreciation was recorded in the Bolivarian Republic of Venezuela, Brazil, Colombia, Guatemala, Nicaragua, Paraguay, the Plurinational State of Bolivia and Uruguay.

### (b) Monetary, exchange-rate and macroprudential policies in the face of the global financial crisis (September 2008 to late 2009): liquidity injections to mitigate the impact

During the global financial crisis, the region's authorities focused on preventing the decline in external aggregate demand from plunging countries into a prolonged recession that would cause a sharp spike in marginalization and poverty. To that end, they began by cutting monetary policy rates and creating conditions conducive to an expansion of lending to prevent the drop in financial flows and negative growth prospects from crushing domestic aggregate demand. During this period, monetary policy rates were lowered, especially in countries with monetary policies based on inflation targeting, hydrocarbon-exporting countries and the Central American countries (see figure II.5).

However, the intent behind the monetary policy benchmark rate adjustments was not reflected in the expansion of the monetary base or the other monetary aggregates, whose sluggishness was associated with the effects of dampened expectations on the demand in the region's economies. At the same time, lending, especially by private institutions, cooled considerably and in some cases even contracted. In addition, the slump in external aggregate demand in the region and in financial flows, including worker remittances from abroad, caused a temporary drop in international reserves and increased the volatility of the region's currencies, especially in countries that are more integrated into international financial markets.

Deepening concern about the lack of liquidity and its repercussions on the stability of the region's financial systems prompted a series of steps designed to inject funds in both national and foreign currency into national financial institutions to prevent the lack of liquidity from causing solvency problems. Liquidity swap lines with the United States Federal Reserve enabled the foreign currency liquidity needs of key countries in the region (Brazil, Colombia and Mexico) to be met and stabilized expectations towards a more moderate perception of the crisis. Capital requirements, provisioning and regulations were adjusted to ensure that bank solvency would not be threatened in the event of a worsening of their loan portfolio (see table II.3).

**Table II.3**  
**LATIN AMERICA AND THE CARIBBEAN: MAIN MONETARY, EXCHANGE-RATE AND MACROPRUDENTIAL**  
**POLICY MEASURES APPLIED IN RESPONSE TO RECENT CRISES, OCTOBER 2008-JUNE 2012**

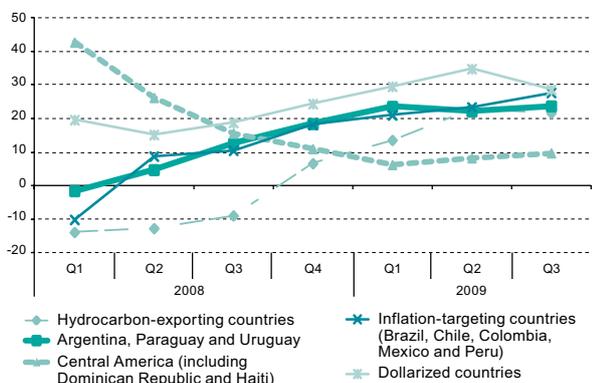
Policy	Sub-prime crisis								Debt situation in Europe						
	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2
Reforms to financial regulations	South American agroindustrial exporting countries	PY		AR				AR		PY				AR, PY	
	English-speaking Caribbean countries (excluding Trinidad and Tobago)	JM	BB, BH, GY	GY		GR	BZ, GR, DM	JM		BB, KN		LC		BS, SR	BS
	Central America (including Haiti and the Dominican Republic)	SV		RD						HT		SV		CU	
	Countries integrated into financial markets	BR	BR	PE										BR	
	Hydrocarbon-exporting countries	EC, TT										TT		TT	
Changes to reserve requirement	South American agroindustrial exporting countries	PY	AR, PY			UY	UY					PY, UY			UY
	English-speaking Caribbean countries (excluding Trinidad and Tobago)	JM	JM					BZ	JM		SR	BB		BB	BO
	Central America (including Haiti and the Dominican Republic)	GT, HN	RD	SV, RD							GT			RD	HN
	Countries integrated into financial markets	BR, CO, PE				PE		BR						PE	PE
	Hydrocarbon-exporting countries									BO, TT	BO				VE
Exchange-rate interventions	South American agroindustrial exporting countries			AR										AR	
	English-speaking Caribbean countries (excluding Trinidad and Tobago)												BS		
	Central America (including Haiti and the Dominican Republic)		CR, NI							CR	CR	CR	HT		
	Countries integrated into financial markets	BR, CH	MX	CO, MX	CO, MX	BR, MX	BR, CH, CO, CO, MX, PE	BR, CH, CO, CO, MX, PE	BR, CH, CO, CO, MX, PE	BR, CH, CO, CO, MX, PE	BR, CH, CO, CO, MX, PE	BR, CH, CO, CO, MX, PE	BR, CH, CO, CO, MX, PE	BR, CH, CO, CO, MX, PE	CO, BR, MX, PE
	Hydrocarbon-exporting countries			BO, TT	TT	TT	TT	TT	TT	BO, TT	BO, TT	BO, TT	BO, TT	BO, TT	TT
Liquidity injections	South American agroindustrial exporting countries	PY, UY	PY	AR					PY						PY
	English-speaking Caribbean countries (excluding Trinidad and Tobago)	BB, JM		AG, BB, DM, GR, VC, LC, KN		BB		BZ							
	Central America (including Haiti and the Dominican Republic)	CR, GT, NI, RD	GT, NI, PA, SV	SV	SV, PA	SV									
	Countries integrated into financial markets	BR, MX	CO	CO	CO, CH	BR, CO	CO,	CO, PE	CO, PE	CO	CO	CO	CO	CO	CO
	Hydrocarbon-exporting countries	EC	EC	EC, TT					BO				BO		

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

Another tool used in the region to cushion the negative impacts of the crisis was the channelling of resources through public banks. The downturn in resources provided by private banks was offset in countries such as Brazil and Chile by means of injections into public systems, so that these institutions could boost the supply of credit available to the public and, in some cases, to other financial

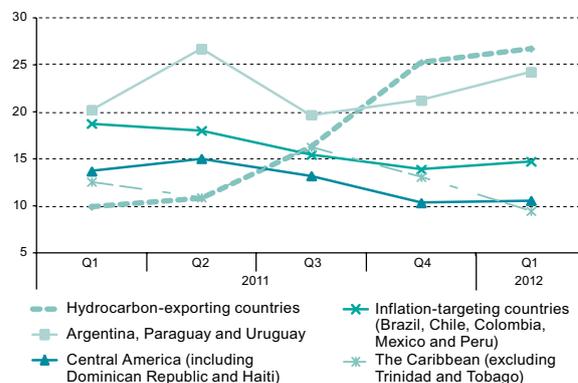
institutions facing temporary liquidity problems. Figure II.7 shows how the economies with monetary policies based on inflation targeting, the group comprising Argentina, Paraguay and Uruguay and the hydrocarbon-exporting countries pushed up lending by public institutions after the fourth quarter of 2008. Public lending also expanded during this period in dollarized countries such as Ecuador.

**Figure II.7**  
**LATIN AMERICA AND THE CARIBBEAN: QUARTERLY VARIATION IN PUBLIC BANK LENDING, JANUARY 2008-SEPTEMBER 2009**  
(Percentages)



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

**Figure II.8**  
**LATIN AMERICA AND THE CARIBBEAN: QUARTERLY VARIATION IN THE MONETARY BASE, JANUARY 2011-MARCH 2012**  
(Annualized percentages)



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

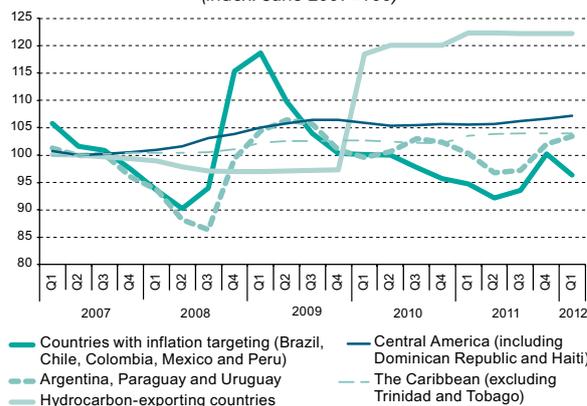
**(c) Monetary, exchange-rate and macroprudential policies in the face of international uncertainty from the second half of 2011: caution is the byword**

In the first half of 2011, before the outlook for the international capital markets clouded over, the central banks of some economies (especially the inflation-targeting economies, as well as the group comprising Argentina, Paraguay and Uruguay) adopted measures aimed at managing the growth of domestic aggregate demand in order to prevent the economy from overheating and driving prices up. Other economies in the region, particularly in Central America and the Caribbean, sought to maintain the momentum of domestic aggregate demand. However, monetary policy management has become more cautious since the Greek crisis and bailout, as reflected in smaller interest-rate variations as heightening uncertainty surrounds the European economies and their potential impact on economic growth in the United States —already hit by the financial crisis— and Asia.

A more prudential approach could also be seen — starting in late 2011 and extending into the first quarter of 2012 for the countries of the Caribbean— in the slightly slower expansion of the monetary base in the Central American Caribbean countries that are more integrated into the financial markets. The monetary base continued to swell in the hydrocarbon-exporting economies owing to the growth posted by the Bolivarian Republic of Venezuela, and in the agroindustrial economies, thanks to growth in Argentina (see figure II.8).

Financial market volatility in a context of high international liquidity and significant dissimilarities in the return on national assets compared with the developed economies led the monetary and exchange-rate authorities of several countries (in particular those with monetary policies based on inflation targeting) to adopt measures to curb exchange-rate volatility and mitigate the pattern of nominal appreciation observed during the first half of 2011. That currency appreciation, shown in figure II.9, was followed by a period of volatility as the possibility of finding a quick solution to the crisis affecting the peripheral European countries seemed increasingly unlikely.

**Figure II.9**  
**LATIN AMERICA AND THE CARIBBEAN: NOMINAL EXCHANGE RATES, QUARTERLY AVERAGES, JANUARY 2007-MARCH 2012**  
(Index: June 2007=100)



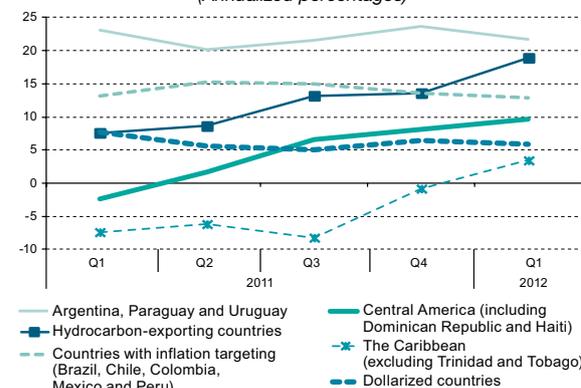
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.

In the first half of 2011 the countries of the region adopted a series of measures to disincentivize inflows of short-term capital. These measures included raising reserve requirements on deposits in foreign currency, especially on deposits of under one year, and taxing foreign exchange gains obtained by foreigners on buying or selling domestic assets. Some governments in the region adopted measures to constrain the supply of foreign currency on the exchange market, for example, by intervening directly in the market or offering the option to pay tax and other fiscal obligations in foreign currency. With a view to shoring up the financial systems in the region against the possibility of investors losing interest in national currency-denominated assets, changes were made to financial regulations, bringing them more into line with Basel III standards, particularly with regard to linking capital and credit provisions to the economic cycle (see table II.3).

Starting in March 2012, however, expectations deteriorated once again owing to uncertainty surrounding the magnitude of the problems faced by Spain's vulnerable financial sector and the possibility of further complications in the euro zone. As a result, the currencies of those countries in the region that are more financially integrated into the global economy remained volatile, leading, as some economies slowed, to nominal depreciation in the second quarter of 2012. Nevertheless, the policies adopted

in Latin America and the Caribbean in the last few quarters of 2011 and first few quarters of 2012 continued to allow for an expansion in credit, which was one of the drivers of growth in domestic aggregate demand, especially private consumption. This boosted growth in most of the economies during the period, with the exception of Brazil, which sought to increase public bank lending starting in the second half of 2012. Figure II.10 shows real growth in private bank lending, which exceeded an annual rate of 10% in several countries in the region.

Figure II.10  
LATIN AMERICA AND THE CARIBBEAN: QUARTERLY VARIATION  
IN PRIVATE BANK LENDING, JANUARY 2011-MARCH 2012  
(Annualized percentages)



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

## 4. Labour and social policies in the context of recent shocks

### (a) Labour and social policies in the face of the 2008 food and fuel price boom: stabilizing the income of vulnerable households

Higher food and fuel prices affected real labour income, but not employment, so the social and labour policies aimed at attenuating the impact of this shock focused on stabilizing prices and boosting income, especially in vulnerable households.

Some countries introduced targeted transfers to the poorest households (Chile, Costa Rica, Dominican Republic, Ecuador, El Salvador and Mexico). With regard to prices, the measures taken were both direct, such as subsidies, lower taxes and price controls (Dominican Republic, Ecuador, El Salvador, Haiti, Panama, Peru and Uruguay) and indirect, including lower tariffs on food imports (Panama and Uruguay) and the promotion of national production by providing inputs, credit and technical assistance (Brazil, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama and

Plurinational State of Bolivia). In addition, to facilitate the access of poor households to basic provisions, several countries implemented food distribution programmes (Bolivarian Republic of Venezuela, Brazil, Costa Rica, Ecuador, El Salvador, Guatemala, Nicaragua, Panama, Peru, Plurinational State of Bolivia and Uruguay).<sup>4</sup>

The detrimental effect of soaring prices on the income of low-skilled workers led many governments to raise the minimum wage in order to restore its real value. With the help of lower inflation in 2009, the median regional real minimum wage went up by 5.1%, thus returning to the level recorded in 2007 in many countries.

<sup>4</sup> The measures taken to offset the higher fuel prices cannot strictly be classified as social policies because lowering taxes, applying subsidies and establishing price stabilization funds brings down prices for users regardless of social group. One exception could be, to some extent, the measures introduced to prevent marked increases in the prices of products that are more commonly used in lower-income households, such as liquefied gas, especially where targeted subsidies have been applied.

**(b) Labour and social policies in the face of the global financial crisis (September 2008 to late 2009): protecting jobs and income**

In response to the global economic and financial crisis, many countries applied instruments specifically in the area of employment policy, in some cases reactivating existing mechanisms and in others introducing new programmes. Some examples are set out below (ECLAC, 2009; ECLAC/ILO, 2009 and 2011).

- Stabilization of existing jobs at risk of being cut owing to the difficulties that companies faced (Argentina, Barbados, Chile, Jamaica, Mexico and Uruguay). In several countries plans were drawn up to prevent layoffs by reducing the number of hours worked in order to bring down labour costs or by establishing training schemes. To compensate for the drop in their income, workers received wage or training subsidies funded by public resources or unemployment-insurance funds. Another measure to lower labour costs was the temporary reduction of employers' social security contributions.
- Strengthening of emergency programmes for creating labour-intensive jobs in activities such as maintaining or building socially useful infrastructure (Argentina, Bahamas, Chile, Costa Rica, Dominican Republic, El Salvador, Mexico, Paraguay, Peru, Plurinational State of Bolivia, Saint Lucia and Uruguay). In some cases, efforts were made to link these temporary jobs with training designed to improve workers' future employment prospects.
- Expansion of access to unemployment insurance and, under certain conditions, extension of benefits in some of the few countries in the region with such insurance schemes (Argentina, Bahamas, Brazil, Chile, Ecuador and Mexico (Federal District only)).
- Enhancement of training programmes to improve workers' chances of remaining employed or finding work. Examples include retraining programmes and more places made available on schemes to train young people for future labour-market integration (Argentina, Bahamas, Belize, Chile, Colombia, Mexico, Peru and Uruguay).
- Creation or extension of subsidies to encourage the hiring of young people from low-income households or other targeted groups whose difficulties in finding employment had compounded since the outbreak of the crisis (Argentina, Chile, Colombia and Nicaragua).
- Protection of the real purchasing power of wages in various countries through a combination of lower inflation and higher minimum wages.

Many countries in the region boosted social policies and expenditure to prevent the most vulnerable segments of the population from being hit the hardest. Conditional transfer programmes played a key role, with countries expanding such programmes where they already existed or introducing them where they did not (Argentina, Barbados, Belize, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Plurinational State of Bolivia, Suriname and Uruguay). Other instruments used in different countries to protect specific groups of the population included:

- Introducing a basic non-contributory pension (El Salvador and Plurinational State of Bolivia) or increasing existing pensions.
- Temporarily extending access to contributory social security services for the unemployed (Costa Rica, El Salvador and Mexico).
- Providing food support programmes, including school meals (Barbados, Belize, Costa Rica, Dominican Republic, El Salvador, Haiti, Jamaica, Mexico, Nicaragua and Panama).
- Creating low-cost housing programmes (for example, El Salvador, Guyana and Honduras).
- Paying grants to vulnerable individuals or households (Argentina and Chile).

**(c) Labour and social policies in the face of international uncertainty from the second half of 2011: preparing for a possible worsening of the employment situation**

As will be shown below, the external situation did not have a negative impact on employment or wages in the second half of 2011 or the first quarter of 2012. Therefore, on the whole, countries did not take specific measures to stimulate employment or bolster the real value of wages. Instead, they focused on broader measures to foster economic growth; these had a positive knock-on effect on the labour market. Exceptions to this included reducing employer contributions for workers employed in labour-intensive activities in Brazil and expanding temporary job programmes in Peru. Several countries indicated that they would take specific labour measures if job creation prospects deteriorated significantly, in which case they would apply the lessons learned from their experiences during the crisis in 2008 and 2009. Similarly, structural policies and programmes predominated in the area of social policy up to the second quarter of 2012; no specific additional measures were adopted to address the possible impact of this external shock.

Table II.4  
LATIN AMERICA AND THE CARIBBEAN: LABOUR AND SOCIAL MEASURES IN RESPONSE TO RECENT EXTERNAL SHOCKS

	External price shock	Economic and financial crisis	European debt
<b>Labour</b>			
Subsidies for hiring or retaining staff		AR, CL, CO, JM, MX, NI, UY	
Changes to unemployment insurance		AR, BH, BR, CL, EC, MX, UY	
Training programmes		AR, BH, BZ, CL, CO, MX, PE, UY	CR, PE, TT
Emergency employment programmes		AR, BH, BO, CL, CR, MX, PE, PY, RD, SL, SV, UY	PE
<b>Social</b>			
Introduction or expansion of transfer programmes		AR, BB, BO, BR, BZ, CL, CO, CR, GT, HN, NI, PA, PY, RD, SR, SV, UY	
Pensions		AR, BB, BR, EC, PA, PY, SR, SV	PE
Food support	BO, BR, CR, EC, GT, HA, MX, NI, PA, PE, RD, SV, UY, VE	BB, BZ, CR, SV, GT, HT, JM, NI, PA, RD	
Other	CL, CR, EC, MX, RD, SV	AB, BB, CL, CR, GY, MX, RD, SV	

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

## 5. Trade and sectoral policies

### (a) Trade and sectoral policies in the face of the 2008 food and fuel price boom: tariff cuts and support for the agricultural sector

In response to soaring international food and fuel prices, several governments in the region lowered import tariffs or duties on certain food products with a view to limiting the pass-through of higher external prices to domestic prices and thus protecting the most vulnerable segments of the population. For example, the countries of the Eastern Caribbean Currency Union temporarily suspended the common external tariff on 31 food and non-food products.

Sectoral policies focused on agriculture, with increased funds earmarked for credit to that sector, tax exemptions and preferential terms of access to inputs such as agricultural machinery, water, seeds and fertilizer. In some countries these measures targeted specific problems, such as those caused by the influenza A (H1N1) virus in Mexico or the drought in Paraguay. Several governments in the region turned to more direct interventions, even buying food on the international market to resell on the domestic market at controlled prices (Ecuador, Honduras, Mexico and Plurinational State of Bolivia). In Guatemala, voluntary price control agreements were put into place on some commodities; the Government of Guyana opted to intervene directly in the flour, rice and sugar markets by making cash transfers to producers and suppliers.

The governments of some of the region's net exporters of food products applied quotas or quantitative limits on exports to curb the rise of prices in the domestic market. Examples include Argentina with maize, wheat and beef, Brazil with rice and the Plurinational State of Bolivia with beef. However, these measures were abandoned in

2009 following the vehement protests of producers (in the case of Argentina) and the fall in international prices caused by the financial crisis.

Although not all of the measures were necessarily designed to be temporary, most were discontinued as prices slipped owing to the financial crisis. Nevertheless, some countries (including the Dominican Republic, Plurinational State of Bolivia and several Caribbean countries) maintained their support policies for the agricultural sector in the longer term as part of a strategic focus on food security and economic development in rural areas.

### (b) Trade and sectoral policies in the face of the global financial crisis (September 2008 to late 2009): focus on sector-based fiscal and financial incentives

As shown in table II.5, both temporary and longer-term measures covering the full range of trade and sectoral policies were adopted in Latin America and the Caribbean to address the international financial crisis.

The trade measures introduced were predominantly temporary. This was true for most of the cases in which tariff reductions were applied to imports of capital goods and inputs for key sectors (automotive, tourism or agriculture, depending on the country). These reductions were retained for longer periods only in some exceptional cases: (a) Ecuador eliminated tariffs on inputs and capital goods that were not produced in the country; (b) Mexico lowered the tariffs on goods imported from countries with which it did not have a free trade agreement; (c) Paraguay made a commitment to maintain a 0% tariff on commodities until 2013; and (d) the Bahamas kept the reduced tariffs on food products that it had introduced in 2009.

**Table II.5**  
**LATIN AMERICA AND THE CARIBBEAN: TRADE AND SECTORAL MEASURES ADOPTED TO ADDRESS THE FINANCIAL AND ECONOMIC CRISIS OF 2008 AND 2009**

	Temporary measures	Longer-term measures
<b>Trade policies</b>		
Tariff increases or import restrictions	Protective tariffs on selected imports to address the balance-of-payments deficit projected for 2009 (Ecuador).	Higher import tariffs on products that compete with national products (Argentina, Ecuador, Plurinational State of Bolivia and Uruguay); antidumping measures against unfair competition (Argentina, Brazil and Paraguay); introduction of import licencing (Argentina and Brazil); increase of selected tariffs as a fiscal consolidation measure (Belize and Trinidad and Tobago).
Tariff reductions	Preferential tariff rates on imports of capital goods and inputs for key sectors, such as tourism, agriculture and the automotive sector (Brazil, Paraguay, Barbados, Belize, Dominica and Saint Kitts and Nevis); imports of inputs for tax-free re-export (Uruguay).	Reduction or elimination of import tariffs (Ecuador, Mexico, Paraguay and the Bahamas).
Financing and support for exporters	Income-tax exemptions or reductions for exporters (Brazil and Ecuador); increase in the rebate rate for export taxes (Peru); accelerated VAT refunds to exporters (Chile); expansion of credit available to exporters (Brazil and Ecuador); preferential prefinancing rates on exports (Uruguay); guarantee funds for loans to exporters (Peru); support and advisory programme for exporters (Costa Rica); financing to cover the payment of tariffs by firms exporting to the United States that are excluded from tariff preferences (Plurinational State of Bolivia).	Facilitation of access to credit for exporters, in some cases with a focus on SMEs or exporters of non-traditional goods (Chile, Colombia, Paraguay and Plurinational State of Bolivia); guarantee funds for loans to exporters (Uruguay); facilitation of tax refunds for exporters (Brazil and Ecuador); reduction in withholding tax on exports of grains, fruits and vegetables (Argentina); elimination of the tax paid by airlines for transporting cargo to lower export costs (Dominican Republic).
<b>Sectoral policies</b>		
Housing	Special credit lines for housing (Argentina and Brazil); lower interest rates on mortgages (Costa Rica, Dominican Republic and Trinidad and Tobago); tax exemptions for construction companies (Dominican Republic); increase in the housing subsidy (Chile).	Social housing programmes: facilitation of access to mortgages, preferential interest rates on mortgages, family housing benefit, preferential tax rates, public investment in social housing (Plurinational State of Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru, Uruguay, Barbados, Belize, Guyana, Trinidad and Tobago and Saint Lucia).
Small and medium-sized enterprises	Facilitation of access to credit, sometimes with preferential interest rates (Chile, Costa Rica, Honduras and Belize); guarantee funds for loans to SMEs (Chile and Peru); tax incentives (Argentina and Chile); tariff exemption on capital goods and inputs (Paraguay); direct State procurement from SMEs (Peru).	Facilitation of access to credit (Plurinational State of Bolivia, Chile, Colombia, El Salvador, Guatemala, Honduras, Mexico, Paraguay, Dominican Republic, the Bahamas, Trinidad and Tobago and Saint Lucia); permanent guarantee funds (Brazil, Chile, El Salvador, Uruguay and Barbados); preferential tax rates (Argentina, Colombia and Uruguay); extension and institutionalization of public-sector hiring programmes (Plurinational State of Bolivia, Mexico and Uruguay); special support for export-oriented SMEs (Plurinational State of Bolivia and Uruguay); technical advice (Mexico and Barbados).
Agricultural sector	Facilitation of access to credit (Brazil, Honduras, Paraguay, Barbados and Belize); exemptions on advance payments of income tax (Dominican Republic); tariff exemptions on capital goods and inputs (Paraguay); provision of land and essential inputs (Saint Kitts and Nevis); discounts on water bills (Barbados); increase in the fuel subsidy (Belize); grants for the use of solar energy in livestock farming (Barbados).	Facilitation of access to credit, in some cases targeting specific subsectors (Chile, Mexico, Paraguay, Dominican Republic, Uruguay and Guyana); expansion of public-sector hiring programmes (Plurinational State of Bolivia and Paraguay); agricultural inputs and fertilizers imported by the government and distributed at cost price (El Salvador); reduction in withholding tax on exports of grains, fruits and vegetables (Argentina); marketing strategy (Jamaica).
Tourism	Facilitation of access to credit (Saint Vincent and the Grenadines); preferential tariff rates on imported inputs (Barbados and Saint Kitts and Nevis); preferential tax rates (Jamaica, Antigua and Barbuda and Saint Vincent and the Grenadines); discounted electricity bills (Antigua and Barbuda and Saint Vincent and the Grenadines).	Facilitation of access to credit (Jamaica and Trinidad and Tobago); permanent guarantee funds (Barbados); marketing strategy (Guatemala, the Bahamas, Barbados, Jamaica, Antigua and Barbuda and Saint Lucia); tax refunds for tourists on purchases of specific products of domestic origin (Uruguay).
Industry	Credit lines for strategic sectors (Brazil, Chile, Honduras and Jamaica); preferential tax rates (Uruguay and Jamaica); public investment in key sectors, especially infrastructure (Plurinational State of Bolivia, Colombia, Mexico, Paraguay and Peru); State support for or nationalization of individual companies (Argentina, Brazil and Suriname); specific measures to support the automotive sector ("Cash for Clunkers", credit lines and guarantees for the automotive industry and distributors, reductions in tariffs on imported inputs, preferential tax rates) (Brazil, Mexico, Peru, Uruguay and Jamaica); special credit lines for vehicle sales (Argentina, Colombia and Mexico); special lines of credit or direct support for the purchase of consumer durables (Argentina and Mexico).	Facilitation of access to credit and tax incentives for investment, in some cases targeting strategic sectors (Argentina, Plurinational State of Bolivia, Brazil, Colombia, Mexico, Paraguay, Uruguay, Guyana, Jamaica and Trinidad and Tobago); increased investment in infrastructure (including electric power) (Costa Rica, Uruguay, Paraguay, Guatemala, the Bahamas, Barbados, Guyana, Saint Kitts and Nevis and Saint Lucia); extension and institutionalization of public-sector hiring programmes (Brazil and Paraguay); consolidation of free zones to attract foreign direct investment (Nicaragua and Paraguay).

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

**Note:** This summary does not include the measures taken in Cuba or Haiti because they were introduced to address the specific needs of those countries and were not in response to the international crisis. Panama is also left out as the measures introduced there were related to the damage caused by weather events and to longer-term development projects within a countercyclical policy framework.

Most of policies to provide financing and support to exporters were also temporary, including the lowering of income and export taxes in certain circumstances, accelerated VAT refunds and policies facilitating access to credit, sometimes at preferential rates or backed by a guarantee fund. A temporary programme to help and advise exporters was implemented in Costa Rica; the Plurinational State of Bolivia introduced a policy on financing the payment of tariffs on exports to the United States. Longer-term support for exporters included easier

access to credit, the establishment of a guarantee fund (Uruguay) and tax refunds (Brazil and Ecuador).

Very few of the countries that raised tariffs or restricted imports did so on a temporary basis. Only Ecuador eliminated some of the protective tariffs that it introduced in 2009, though it kept others. Most countries retained the import tariffs and antidumping policies that were introduced to safeguard national production or, as was the case in Belize and Trinidad and Tobago, to boost fiscal revenue. Argentina and Brazil introduced import licensing for selected products.

Even though sectoral measures were, in general, of a more long-term nature, temporary action was also taken in many areas. In the countries of Latin America, the latter were concentrated in the agricultural sector, tourism and industry; in the countries of the Caribbean most of the industrial measures that were introduced were strategic rather than short-term. In all sectors (including housing and SMEs, where long-term measures predominated) the temporary measures included facilitated access to credit—often at preferential rates—and tax and tariff exemptions or preferential rates. In the agricultural sector, some countries applied specific measures, such as the provision of land and essential inputs (Saint Kitts and Nevis), discounted water rates (Barbados) and fuel subsidies (Belize) and grants for solar power use (Barbados). In the tourism sector, Antigua and Barbuda and Saint Vincent and the Grenadines also offered discounted electricity rates.

Chile temporarily increased its housing subsidy. SMEs benefited from direct State procurement in Peru and temporary credit guarantees in Peru and Chile. In the industrial sector, temporary measures favoured the automotive industry, such as grants to promote the exchange of used cars for new ones and support for the purchase of consumer durables (Argentina and Mexico). Several countries opted for public investment in key sectors, especially infrastructure; in some cases governments bailed out individual companies (Argentina, Brazil and Suriname).

The long-term sectoral measures were applied above all in the housing sector (which has an important social component) and with respect to SMEs (which have a strategic role in economic development). In the countries of the Caribbean, with the exception of Jamaica, the industrial measures tended to be more permanent and formed part of the countries' development strategies. Some longer-term measures were implemented in all sectors. The most common measures were facilitation of access to credit (including through the institutionalization of guarantee funds) and tax incentives. The housing sector saw preferential interest rates, different types of family grants and public investment programmes. Public-sector contracts were one of the policies deployed to benefit SMEs, the agricultural sector and industry. SMEs could also take advantage of technical advice (Barbados and Mexico); export-oriented SMEs received special support in the Plurinational State of Bolivia and Uruguay. In tourism (especially in the Caribbean) and agriculture (Jamaica), national marketing strategies were introduced. Industry was supported through public investments in infrastructure, including the electrical power sector, and the consolidation of free zones (Nicaragua and Paraguay).

In some countries, grant schemes to promote the exchange of used automobiles for new ones were extended beyond their original cut-off date (Mexico and Peru).

**(c) Trade and sectoral policies in the face of international uncertainty from the second half of 2011: incentives and protection for domestic industry**

Brazil and Peru were the only countries to implement specific anti-crisis measures on a national level in 2011. Chile announced a contingency plan that it would put into effect if the international economy experienced a further downturn. Uruguay secured precautionary loans from the World Bank. In terms of trade and sectoral measures, the Brazilian government announced an additional support measure for exporters at the beginning of December 2011: tax refunds for exporters of industrialized products for an amount equivalent to up to 3% of their sales. In the same month Brazil implemented ad valorem taxes on imported vehicles not originating in MERCOSUR countries or Mexico and announced new per-unit taxes for early 2012. The Government of Peru passed two emergency decrees in September and October 2011, with which it, among other things, reactivated the guarantee fund for loans to SMEs and non-traditional exporters that had expired in March 2011. As part of a new fiscal stimulus package, various legislative changes to benefit export SMEs were introduced in June 2012, including sales tax refunds on exports and other tariff and tax breaks. Chile announced that some key sectors, such as the real estate sector, would receive a fresh injection of liquidity, if necessary (as they had in 2009).

At the start of 2011, the Government of Argentina expanded the list of products requiring a non-automatic import licence, from 400 tariff lines to more than 600. In February 2012, it started requiring an advance import affidavit for importing goods; in April 2012 it introduced a similar requirement for some imported services. In July 2012, a 14% tariff was put in place on the import of capital goods not originating in MERCOSUR, while those not produced in Argentina were subject to a 2% tariff. Other measures implemented subsequently include the requirement that importers balance imports with exports, increase the local content of products manufactured in Argentina or not transfer revenues abroad.

At the subregional level, MERCOSUR authorized its member countries to raise their import tax rates above the common external tariff for up to 100 tariff lines, for a period of up to 12 months, with the possibility of a further 12-month extension. This measure was agreed in December 2011 and came into force in January 2012.

## 6. Inflation patterns

### (a) The 2008 food and fuel price boom: inflation trends up throughout the region

In 2008, inflation in Latin America and the Caribbean surged beyond the levels recorded in 2005-2007 to stand at 8.2%.<sup>5</sup> Inflation climbed steadily from the beginning of 2007 until September 2008, affecting the countries of South America as well as those in the Caribbean and Central America. However, prices shot up by the most in the countries of Central America. The sustained rise in international prices for food (grains, oilseeds and oils) and fuels (natural gas, gasoline and other petroleum products) beginning in the second half of 2007 and steepening until August 2008, contributed to the soaring inflation. The large share of food items in the basket of goods on which the consumer price index is based in the countries of the region was another reason why the rise in food prices had such a marked impact.<sup>6</sup>

Despite currency appreciation in some countries and the restrictive monetary measures adopted in most of them, as well as other measures highlighted above, towards the second half of 2008, core inflation for the region as a whole began to climb steadily as higher food prices passed through to other areas, principally the service sectors where pricing mechanisms are, in a way, indexed to aggregate inflation over the preceding months. This was most noticeable in the prices of basic services and in health and education services.

<sup>5</sup> This figure is the weighted average. In terms of the simple average, regional inflation rose from a cumulative 12-month figure of 6.4% in January 2007 to 9.8% in the 12 months to December 2008.

<sup>6</sup> The relative share of the food and beverages component in the basket of goods used to calculate the consumer price index is 23% in Brazil; between 25% and 30% in the Bolivarian Republic of Venezuela, Chile, Colombia, Costa Rica, Ecuador, Mexico and Uruguay; between 30% and 35% in Argentina, the Dominican Republic, Honduras and Panama; and between 35% and 40% in El Salvador, Guatemala, Paraguay and the Plurinational State of Bolivia. The countries where this component accounts for the highest percentage of the consumer price index are Haiti (50%) and Peru (47.5%, consumer price index measured in the metropolitan area of Lima). Food accounts for a larger share of the consumer baskets of the lowest-income population segments, so soaring food prices have hit this group the hardest. In the countries of the region that publish such data, the consumer price index for the lowest-income segments is consistently higher than the general consumer price index, while the index for higher-income group is the least affected.

### (b) The global financial crisis (September 2008 to late 2009): inflation fell as international food and fuel prices eased

October 2008 brought a trend reversal revealing the transitory dimension of food and fuel price spikes. Inflation began to slow sharply in the countries of the region thanks to the marked decline in international food and fuel prices. Moreover, domestic demand plummeted as the international crisis took a toll on national economies. International price declines were transmitted to domestic prices, moderately at first as national currencies depreciated in late 2008 and early 2009, and then more steeply as those currencies began to appreciate in the second half of 2009.

Inflation thus dropped to a cumulative rate of 4.7% in the 12 months to December 2009. Even though all of the countries in the region saw inflation rates fall steadily throughout 2009, it was the countries of Central America that, having seen the most dramatic rises in 2008, posted the steepest decline. A number of countries in the region (Chile, El Salvador and Guatemala) even experienced deflation as a result of lower domestic demand and the effect of international prices on domestic prices.<sup>7</sup>

### (c) International uncertainty from the second half of 2011: inflation remained low despite surging food prices

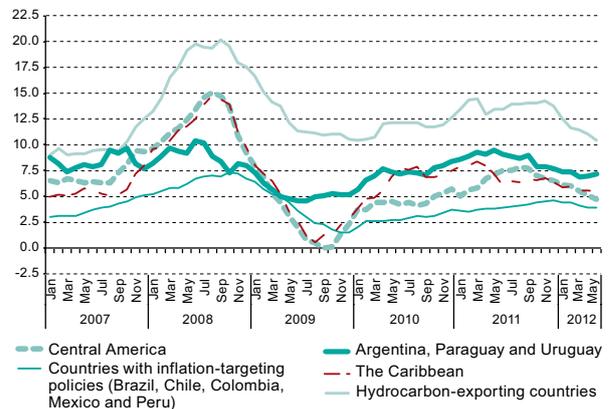
From the fourth quarter of 2009, and especially in early 2010, the inflation trends seen since the fourth quarter of 2008 reversed once more owing to higher food and fuel prices, hitting the net importers of those products hardest. Core inflation rose in several of the region's countries as a result of three factors: (a) pass-through of higher food and fuel prices to other prices; (b) sustained growth in domestic activity; and (c) higher cost of regulated services or services whose price variations remained indexed to some extent. These trends persisted into the third quarter of 2011 when, to make matters worse, unfavourable weather conditions in some countries led to supply-side problems. As a result, inflation rose from 6.5% in 2010 to 6.9% in 2011.

The upsurge began to ease in September 2011 as international food and fuel prices started to fall. The main

<sup>7</sup> There was also a statistical effect that can be attributed to a high base of comparison (inflation had been escalating in those countries until October 2008).

beneficiaries were the countries that are net importers of those products, although in some cases the effect of declining domestic prices was dampened by depreciating national currencies—in stark contrast to the pattern seen only a short time before. In early 2012, inflation continued to trend downwards as it had been doing since the last quarter of 2011 in most countries in the region. Given the uncertainty cloaking the world economy, this favoured cautious policies stressing the control of monetary aggregates and limited variations in interest rates. There were some exceptions, such as Brazil, where the monetary policy rate was lowered as a countercyclical measure in response to the slowdown in private lending, and Colombia, where the monetary policy rate was raised in response to higher inflationary pressures than in other countries in the region. For Latin America and the Caribbean as a whole, cumulative 12-month inflation to April 2012 was 5.5%. On average, inflation rates were highest in the hydrocarbon-exporting countries and lowest in the most financially integrated countries (see figure II.11).

Figure II.11  
**LATIN AMERICA AND THE CARIBBEAN: CUMULATIVE  
 12-MONTH INFLATION RATES, SIMPLE AVERAGES,  
 JANUARY 2007–MAY 2012**  
 (Percentages)



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

## 7. Economic activity

### (a) The 2008 food and fuel price boom: continued growth in South America but a slowdown in Central America and the Caribbean

Before the 2008-2009 crisis, economic activity in the countries of the region was expanding briskly against a backdrop of global economic growth, high liquidity and easy access for emerging economies to the international financial markets. A surge in the price of commodities, mainly food and hydrocarbons, meant that several countries in the region continued to enjoy favourable terms of trade in 2008, as they had in 2003-2007. In the region as a whole, and as a percentage of GDP, the terms-of-trade gains rose from 2.3% of GDP in 2007 to 3% of GDP in 2008. The countries that derived the most benefit were the hydrocarbon-exporting countries and Argentina, Paraguay and Uruguay. Chile and Peru recorded a decline in this aggregate. In the countries of Central America and in the Dominican Republic, the terms of trade have had an increasingly negative impact since 2002; by 2008 this amounted to 2.9% of GDP.<sup>8</sup>

High international food and fuel prices through September 2008 mirrored strong external demand and pushed up the export income of most countries in the

region, although not the Central American or Caribbean countries (except Trinidad and Tobago). Domestic demand—consumption as well as investment—shot up. Private consumption was fuelled by the ongoing availability of credit and an improvement in labour indicators; investment benefited from expansion in the construction sector and currency appreciation in many countries, both of which encouraged the import of machinery and equipment.

Growth across the countries was not uniform, a factor further magnified by soaring food and fuel prices. GDP growth rates were relatively high and stable in the countries of South America and increasing in hydrocarbon-exporting countries. In Central America and the Dominican Republic, on the other hand, growth slowed, in part because of a fall in disposable income following a steep decline in the terms of trade, although growth rates continued to be high. The Caribbean countries experienced an even sharper slowdown (see figure II.12).

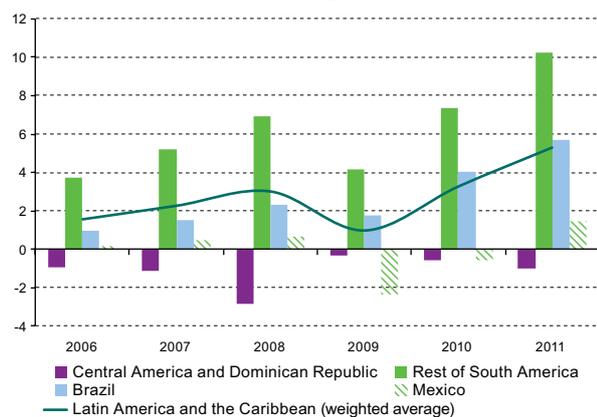
### (b) The global financial crisis (September 2008 to late 2009): widespread downturn in economic activity

During the fourth quarter of 2008 and the first quarter of 2009, slumping external demand took a toll on economic activity in the region; export volume and value plummeted. The supply of credit began to dry up and interest rates rose, making it increasingly difficult to access credit. There was considerable uncertainty over the outcome of the

<sup>8</sup> There is more heterogeneity among the Caribbean countries than among those of Central America because some export hydrocarbons and natural resources (Guyana, Suriname and Trinidad and Tobago) and others export services.

international financial system crisis: whether developed economies would be able to recover, what the impact on emerging economies would be, and what would happen to raw material prices and exchange rates.

Figure II.12  
LATIN AMERICA AND THE CARIBBEAN: VARIATION  
IN TERMS OF TRADE, 2006-2011  
(Percentages)



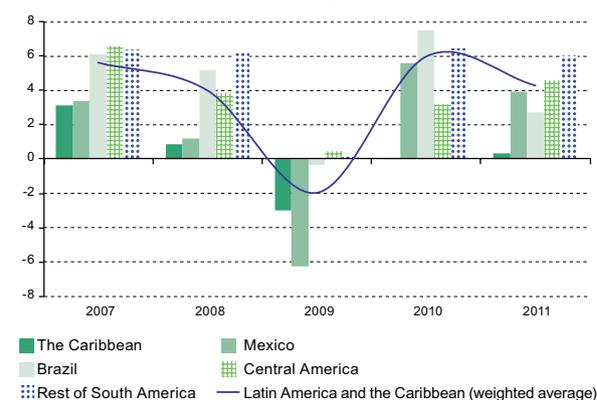
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Economic agents' expectations changed radically; amid great uncertainty and growing difficulties in accessing credit, this translated into a sharp drop in total spending and a 2% decline in regional GDP (see figures II.13 and II.14). Household consumption was down 0.9%, prompted in part by fears over job security and a sharp contraction in migrant remittances feeding into dips in the commercial sector in many countries of the region. Gross fixed capital formation fell sharply (9.2%) as private investment projects were put on hold and investment in machinery and equipment slumped because of the increase in installed idle capacity and the greater cost of imported goods following depreciation of several currencies in the region during the fourth quarter of 2008 and the first quarter of 2009. Goods and services import volume contracted significantly, by 14.7%; goods and services export volume fell by 9.7%. Gross fixed investment, which had expanded at a steady pace between 2003 and 2008 (rising from 16.8% of GDP to 22.1% of GDP), fell back to 20.5% of GDP.

Economic activity was most severely affected in the English-speaking and Dutch-speaking Caribbean in 2009 as the crisis hit tourism and external demand for raw materials and narrowed the space for implementing fiscal stimulus policies. The most financially integrated countries were next, although the impact on them varied widely. Peru managed to avoid any contraction in production activity, partly by implementing an aggressive public investment programme. In Mexico, the measures taken by the government failed to compensate for the disadvantages of

closer proximity to and dependence on the United States economy, the source of the global financial crisis. Mexico also had to contend with the influenza A (H1N1) virus during the second quarter of 2009. Countercyclical fiscal and monetary measures and labour, social and sectoral policies also explain why the contraction was less severe in the South American countries that export hydrocarbons and agroindustrial products. Similar policies (including an ambitious public investment programme in Panama) and less unfavourable terms of trade explain the fairly robust economic performance of the Central American countries; GDP growth rates were positive in the Dominican Republic, Guatemala and Panama.

Figure II.13  
LATIN AMERICA AND THE CARIBBEAN: ANNUAL  
VARIATION IN GDP, 2007-2011  
(Percentages)

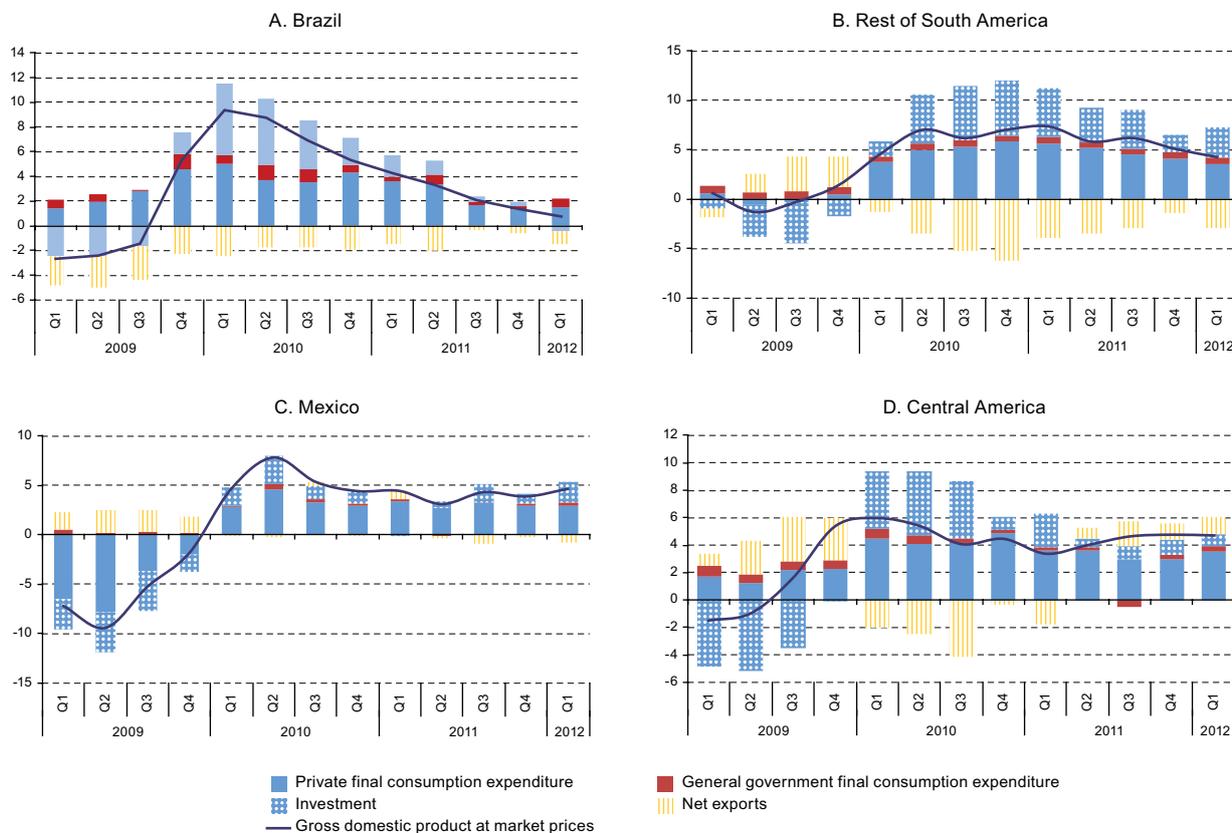


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

### (c) International uncertainty from the second half of 2011: the region's growth slows

Thanks to public policies implemented by the governments of the region and the recovery of the global economy, the economy of Latin America and the Caribbean rebounded briskly in 2010, posting GDP growth of 6%. This recovery boosted private consumption (up by 6.2%) on the strength of gradually improving labour indicators, increased lending to the private sector and rising real wages. In addition, interest rates remained low and expectations among economic agents brightened regarding the impact of the crisis on the economies of the region, employment and household income. Strong demand and a rapid economic recovery were both facilitated by high levels of idle installed capacity, which made it possible to quickly ramp up production levels. Gross fixed investment was up 13.4% (to the equivalent of 21.8% of GDP). Government consumption expanded rapidly, and exports and imports of goods and services rallied.

Figure II.14  
**LATIN AMERICA AND THE CARIBBEAN: VARIATION IN GDP AND COMPONENTS OF AGGREGATE DEMAND  
 COMPARED WITH THE SAME QUARTER OF THE PREVIOUS YEAR, CONSTANT PRICES  
 IN NATIONAL CURRENCY, SIMPLE AVERAGE, JANUARY 2009-MARCH 2012**  
 (Percentages)

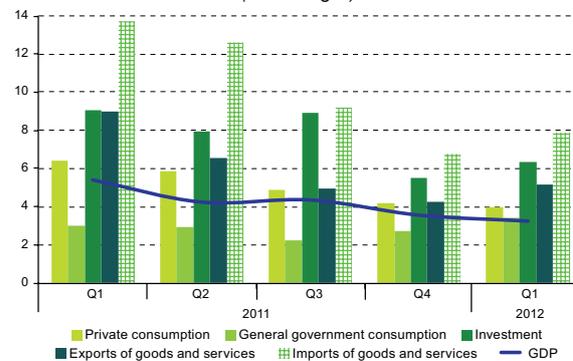


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

However, the worsening international economic situation, principally in the countries of the European Union, affected the outlook for regional growth throughout 2011; the pace of regional GDP growth slowed to 4.3%. Most of the economies of the region saw slower growth over the year, especially during the second half of 2011, although the timing was not the same in all countries. To mitigate the effects of the global crisis, several countries in the region announced economic stimulus programmes and many reinstated measures implemented during the 2008-2009 crisis.

The first quarter of 2012 brought a partial reversal of the 2011 slowdown (see figure II.15). Despite differences among countries, private consumption continued to rise and public consumption and investment both edged up compared with the same quarter of 2011, indicated by the expansion of import and export volume in the region.

Figure II.15  
**LATIN AMERICA AND THE CARIBBEAN: VARIATION IN GDP<sup>a</sup>  
 AND COMPONENTS OF AGGREGATE DEMAND COMPARED  
 WITH THE SAME QUARTER OF THE PREVIOUS YEAR,  
 JANUARY 2011-MARCH 2012**  
 (Percentages)



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

<sup>a</sup> In dollars at constant 2005 prices.

## 8. Employment and wages

### (a) The 2008 food and fuel price boom; a blow to real wages

The surge in inflation in 2008 sparked by soaring food and fuel prices did not have serious repercussions for employment, which continued to rise at a robust pace. At the regional level, the open urban unemployment rate fell again, to an unprecedented low of 7.3%. With the exception of the Caribbean (excluding Trinidad and Tobago),<sup>9</sup> both the employment rate and the unemployment rate improved in every country group. Nevertheless, rising prices affected workers' purchasing power. Nominal wages climbed sharply thanks to strong demand for labour and relatively low levels of unemployment, but these increases were practically cancelled out by high inflation, and real wages thus exhibited only very slight growth (see figure II.16). Expressed as a median of 21 countries, real minimum wages shrank by 1.3%, their first fall since 1997.<sup>10</sup>

Figure II.16  
LATIN AMERICA AND THE CARIBBEAN (8 COUNTRIES): AVERAGE YEAR-ON-YEAR GROWTH OF NOMINAL AND REAL WAGES IN THE FORMAL SECTOR AND THE CPI, 2008-2011

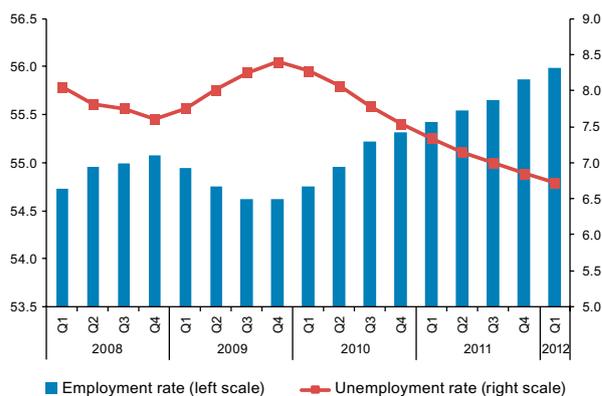


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

<sup>9</sup> Rather than reflecting the influence of high food and fuel prices, the 2008 labour market data for the Caribbean indicate that these countries were already suffering the consequences of the global economic and financial crisis in the form of a drop in tourism, mainly from the United States. In addition, several countries in this subregion were affected by a very active hurricane season.

<sup>10</sup> Despite relatively strong economic growth and brisk job creation, soaring prices in 2008, in particular for food, meant that poverty in the region fell only marginally and indigence actually increased, given that food represents a larger proportion of the consumption basket of the poorest (ECLAC, 2010b).

Figure II.17  
LATIN AMERICA AND THE CARIBBEAN: URBAN EMPLOYMENT AND UNEMPLOYMENT RATES, FOUR-QUARTER MOVING AVERAGE, 2008-2012



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

### (b) The global financial crisis (September 2008 to late 2009): despite slower employment growth, the labour market aids recovery from the crisis

Some of the consequences of the 2008-2009 economic and financial crisis for the region's labour markets were foreseeable, but certain variables differed from previous economic crises. The uptrend in regional employment began to reverse in the fourth quarter of 2008 and, with a short lag, pushed the unemployment rate up (see figure II.17). In comparison with 2008 and 2009 averages, the urban employment rate fell by 0.5 percentage points in Latin America and the Caribbean overall, while the urban unemployment rate increased from 7.3% to 8.1%. At the same time, the proportion of involuntary part-time employment rose. Weak demand for labour also had an impact on the proportion of employment in low-productivity sectors, as reflected in the fact that own-account employment expanded in 2009 while the level of wage employment stalled.

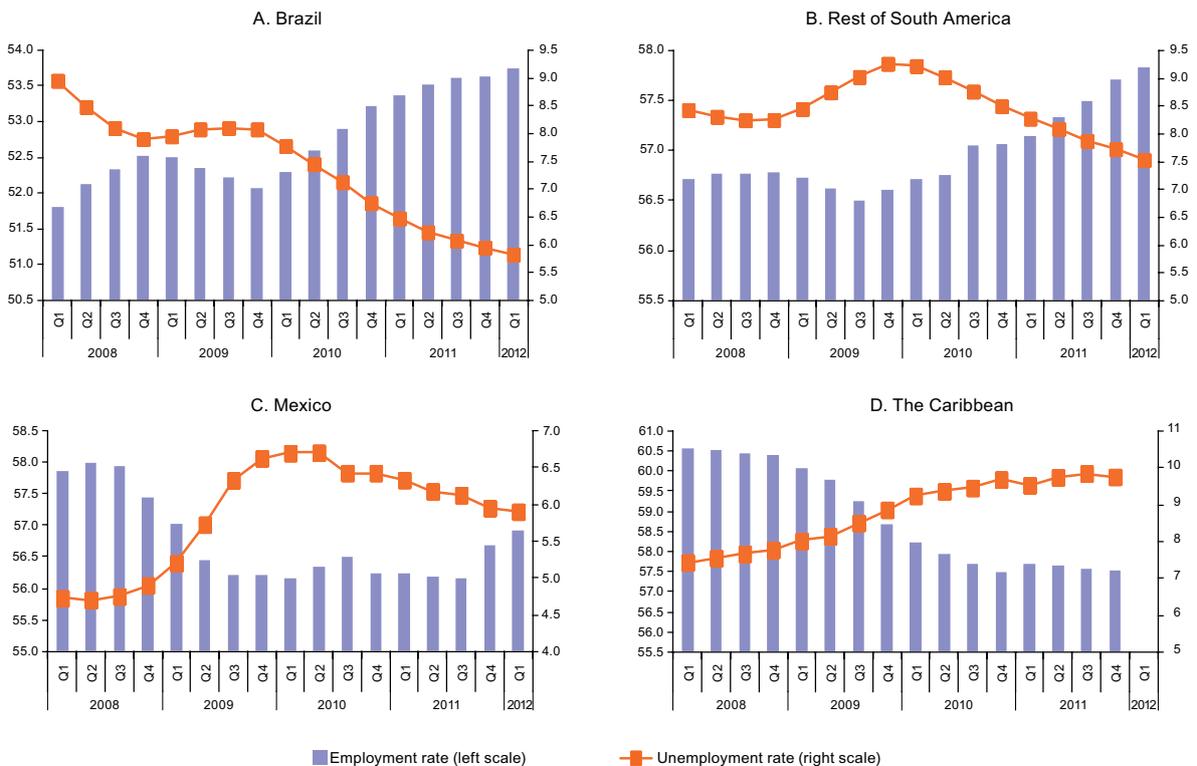
However, the impact of the crisis on labour markets differed from previous crises in two ways. First, efforts to formalize employment continued and kept formal employment from declining as might have been expected in response to a 2.0% contraction in GDP. The labour market policies deployed as part of the countercyclical policies implemented in many countries contributed to this outcome. Second, as already mentioned, the crisis was not accompanied by high inflation; in fact, inflation was down, so real wages did not fall (see figure II.16). These factors

helped prevent a sharper contraction in domestic demand and thus contributed to a fairly rapid exit from the crisis.

The employment rate fell and unemployment rose in almost every country group (see figure II.18). The South American countries that export agroindustrial products were the only exception: the average employment rate rose slightly, owing to a higher level of employment in Uruguay and a virtually stable employment rate in Argentina and Paraguay, but unemployment rose in this group of countries because the rising participation rate more than cancelled out the higher employment level.

As economic growth picked up again in 2010 and 2011, employment and unemployment rates recovered rapidly as a regional aggregate but unevenly across the groups of countries. When 2008 and 2011 figures are compared, only the South American countries recorded clearly higher employment rates; in Central America rates remained the same, whereas in Mexico and the Caribbean employment in 2011 was down from 2008 levels. Unemployment trends are similar, since the average rate was below 2008 levels only in the South American countries.

Figure II.18  
LATIN AMERICA AND THE CARIBBEAN: QUARTERLY URBAN EMPLOYMENT AND UNEMPLOYMENT RATES,  
BY COUNTRY GROUP, SIMPLE AVERAGES, JANUARY 2008-MARCH 2012  
(Percentages)



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

### (c) International uncertainty from the second half of 2011: employment and wages continue to grow

The deteriorating international situation from the second half of 2011 to the first quarter of 2012 had no negative effects on employment or unemployment in the region as a whole (see figure II.18). Formal jobs (with social security coverage) continued to be created,

although at lower rates than in 2010 and the first half of 2011 (ECLAC, 2012a). During the first quarter of 2012 the time-related underemployment rate also improved and, in general, real wages continued to rise, thanks in part to a slight retreat in inflation in the countries of the region. However, job creation is expected to slow somewhat over the year, in keeping with a lower rate of economic growth in 2012 compared with the two years prior.

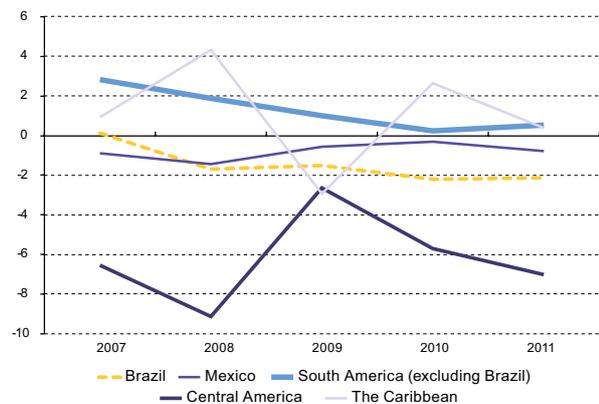
## 9. The balance of payments and external shocks during 2008-2012

### (a) The 2008 food and fuel price boom: varying impact in the region

The year 2008 may be divided into two clear stages. To the third quarter, there was a current account deficit equivalent to 0.3% of GDP. Trade in goods (both imports and exports) surged. Exports grew at an increasing pace owing to the particular buoyancy of several markets for commodities exported by the region (oil, minerals, food and agricultural raw materials). Quarterly exports were up 26.5% on average in value terms, although export volumes grew at a slower pace. Rising prices, in conjunction with the expansion of domestic activity and currency appreciation in several countries, gave further impetus to the rise in imports that began in 2007. As a result, quarterly imports were at similar levels to exports and rose by an average of 28.5%.

Over this period, high commodity prices affected the current account balance in the countries of the region in different ways. The impact on the terms of trade was strongest for hydrocarbon-exporting countries (Bolivarian Republic of Venezuela, Ecuador and the Plurinational State of Bolivia), Central America (net importers of energy products) and mining countries. Therefore the current account of hydrocarbon-exporting countries presented a growing surplus over this period, while the Central American and Caribbean countries that import hydrocarbons saw a marked current-account deterioration during the first three quarters of 2008 (see figure II.19).

Figure II.19  
LATIN AMERICA: BALANCE-OF-PAYMENTS CURRENT ACCOUNT BALANCE, 2007-2011  
(Percentages of GDP)

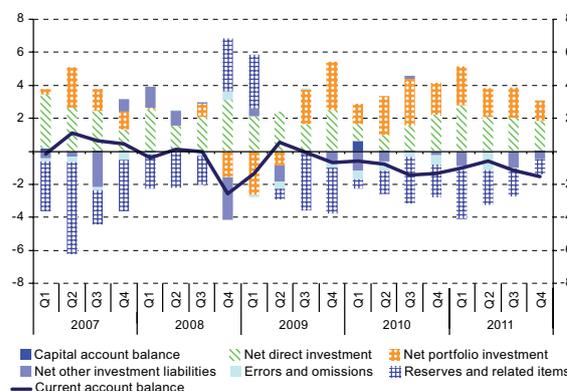


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Foreign currency continued to pour into the region during this period in the form of migrant remittances, which make up a large proportion of the external accounts of several countries, especially in Central America and the Caribbean. Remittances accounted for over 10% of GDP in several countries, including El Salvador, Guatemala, Haiti, Honduras, Jamaica and Nicaragua, and a smaller but still significant slice in some South American economies, such as Colombia, Ecuador and the Plurinational State of Bolivia.

Consequently, during the first three quarters of 2008, the region's current account balance as a percentage of GDP was virtually zero (see figure II.20).

Figure II.20  
LATIN AMERICA (14 COUNTRIES): COMPONENTS OF THE BALANCE OF PAYMENTS, BY QUARTER, 2007-2011  
(Percentages of GDP)



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

### (b) The global financial crisis (September 2008 to late 2009): profound initial impact on the region but continued external solvency

The global economic crisis began to take its toll in the fourth quarter of 2008, when the regional current account deficit reached 2.6% of quarterly GDP. This was due to a marked 10.4% decline in export volume and prices during the fourth quarter as a result of plummeting external demand. As was to be expected, Central America and Mexico bore the brunt of faltering external demand, since their economies are relatively more open and a large share of their exports goes to the United States. Imports likewise slowed as economic activity slackened and several countries showed signs of exchange-rate instability. However, in average annual terms, the value of goods exports and imports grew faster in 2008, increasing by 18.3% and 23.0%, respectively.

Over the year as a whole, the regional current account deficit equated to 0.8% of GDP, marking the end of a five-year period of consecutive current account surpluses. All Latin American countries apart from Argentina, the Bolivarian Republic of Venezuela, Ecuador and the Plurinational State of Bolivia posted a current account deficit in 2008. In the Caribbean, Suriname and Trinidad and Tobago were the only countries to run a current-account surplus. Positive balances tended to be found in countries specializing heavily in the export of grain, energy products and certain minerals, all of which benefited from the inflationary phase in the commodity market.

Falling international commodity prices from late 2008 had a substantial impact on external accounts. Although prices gradually recovered over the course of 2009, they were on average still considerably lower than in 2008 (see figure II.1). Thus, the current account for Latin America and the Caribbean recorded a deficit equivalent to 0.4% of regional GDP in 2009, slightly smaller than in 2008. This was largely because imports contracted by more than exports (24.8% versus 22%). The current account balance improved in most countries, with the exception of the hydrocarbon-exporting group, whose surplus dropped from 9.8% of GDP to 1.7% of GDP. This was due to plunging international fuel prices and was reflected in a 23.4% decline in the terms of trade for this group of countries (see figure II.12). On the other hand, the subregions that depend on imports of energy products saw a substantial improvement: in Central America, the deficit narrowed from 7.0% of GDP to 2.0% of GDP, while in the Caribbean (excluding Trinidad and Tobago) it shrank from 10.6% of GDP to 6.1% of GDP. These countries benefited from falling international prices, especially for energy products, and in 2009 Central America recorded a 6.2% improvement in its terms of trade (see figure II.12).

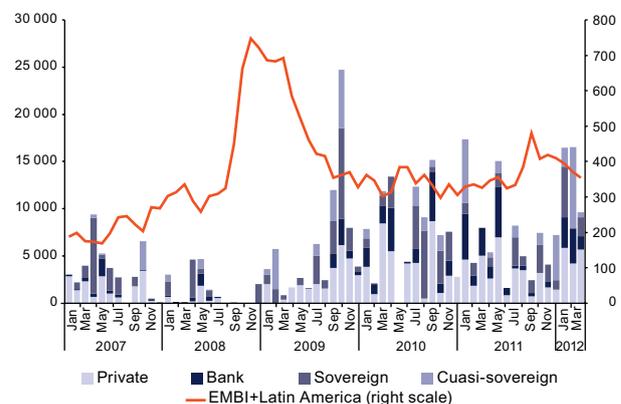
In some countries of the region, one of the consequences of the deteriorating external scenario was a subdued tourist trade, which translated into an 11.5% fall in service exports for the Caribbean and a 9.2% decline for Latin America in 2009. Remittances also declined sharply as the global financial crisis hit the jobs of migrants from the region working in the United States and Europe.

Financial flows, which had performed favourably during the early quarters of 2008, came to a sudden stop with the outbreak of the financial crisis. International uncertainty triggered a flight to quality, which resulted in net outflows of portfolio investment and other short-term liabilities such as deposits and foreign lines of credit (see figure II.20). For the first time in six years, international reserves contracted to the first quarter of 2009. Net foreign direct investment flows, however, remained positive despite the turmoil.

International uncertainty resulted in a much higher perceived risk for the region (see figure II.21), and bond

issues on international markets were temporarily put on hold. Short-term financial outflows continued until the second half of 2009. From then onwards, but in particular during the fourth quarter of that year, perceived risk for the region fell significantly, in a global climate suggestive of a recovery of world trade and commodity prices. As may be seen in figures II.20 and II.21, financial flows to the region rallied; access to international markets was restored, and the process of accumulating international reserves resumed.

Figure II.21  
LATIN AMERICA: BOND ISSUES ON INTERNATIONAL MARKETS  
AND SOVEREIGN RISK, JANUARY 2007-MARCH 2012  
(Millions of dollars and basis points)



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

### (c) International uncertainty from the second half of 2011: perceived global risk heightens

In early 2011, external conditions continued to be relatively favourable for the region, as seen in buoyant demand for its main export products. Several countries performed better than in 2010, including a number of oil exporters (thanks to high international prices) and some Central American and Caribbean countries (which benefited from an increase in exports to the United States and migrant remittances). Nevertheless, from the middle of the year, mounting uncertainty regarding the world economy and the prospect of a fall in external demand hit international commodity prices, particularly for metals and certain agricultural products, which in the second half of the year were nowhere near the highs seen earlier that year.

Although the uptrend in prices reversed in late 2011, they had surged to such an extent during the first half of the year that the region's terms of trade as a whole improved by 5.3%, albeit with some variation depending on the structure of international trade in each subregion (see figure II.12). Hydrocarbon-exporting countries derived the most benefit, with an estimated increase of 16.5%. Central American countries on the other hand, as

net importers of food and oil products, found themselves in the opposite situation from the rest of the region; their terms of trade worsened by around 1.9%.

The balance-of-payments current account for Latin America closed 2011 with a deficit equivalent to 1.2% of regional GDP. This may be attributed to three factors: (a) export volume grew less than import volume, and this discrepancy was not offset by the improved terms of trade; (b) remittances were up but grew at a slower rate, reducing their relative weight; and (c) the services trade and income balances ran a deficit. After a slump in 2009 and a period of volatility in 2010, remittances from migrant workers abroad (the main component of current transfers) posted positive growth rates in most countries in the region in 2011. Yet these growth rates were only moderate, and income from family remittances did not match the peaks seen in several countries before the crisis.

During the first quarter of 2012, export volumes for the region as a whole were up 11.2% year-on-year. However, lower prices for the main export commodities led to a drop in the export value for the region over this period. Meanwhile, growth in the value of Latin American imports also slowed during the first quarter of 2012, although to a lesser degree than exports, against a backdrop of rapidly expanding consumption and a trend towards currency appreciation.

Countries with a large share of their exports going to Europe were hit harder by weaker demand from Europe. The rate of export value growth, both overall and to the European Union, has slackened considerably since early 2011 and in some cases fell in absolute terms (negative year-on-year variations). This trend intensified during the first quarter of 2012 and also had an impact on remittance flows and on tourism.

Perceived risk in 2011 and 2012 remained higher than pre-crisis levels, owing to external turbulence arising primarily from the sovereign debt crisis in some euro zone countries, but was still much lower than at the height of the 2008-2009 crisis. Net foreign direct investment flows remained constant, as did, on average, portfolio investment and other short-term flows. As a result, several countries took steps to contain currency appreciation pressures, by, for example, taxing these inflows and building up reserves. This situation changed significantly in late 2011 when the crisis in the euro zone deepened and even triggered net financial outflows and reductions in international reserves in some countries. This enabled some countries to scale back or suspend interventions in currency markets that had sought to curb further appreciation. In certain cases controls on the outflow of foreign currency were put in place. All the same, despite inauspicious external conditions, the region has continued to tap into international financial markets easily by issuing sovereign and corporate bonds (see figure II.21).

## B. Two imperatives: ensuring full use of production capacity and expanding the production frontier

The interplay between the macroeconomic dimension and production transformation over the short and long terms poses two crucial challenges. One is to ensure that the region's economies make maximum use of production capacity—that is, installed capacity and employment—during business cycle upswings and downswings. The second is to expand the production frontier in each country by building up production investment and human capital capacities even during sharp cycle upswings and downturns.

Ensuring full, continuous use of production capacity can set off a virtuous process: increasing investment during the initial stages boosts output and can in turn crank up productivity. Higher productivity then triggers more investment and output growth. In other words, fullest possible use of production capacities helps expand the production frontier: the two factors are thus directly linked.

### 1. Macroeconomic policy as an economic cycle stabilizer

How far an economy is from the production frontier depends, on the one hand, on its exposure to external shocks and, on the other, on policies on interest rates,

the real exchange rate, government spending and taxes, as well as macroprudential measures, employment and wages, and growth prospects. The historical experience

in Latin America and the Caribbean and, more recently, the response of the region's economic authorities to the Great Recession of 2008-2009 preceded by an upswing in 2004-2008 show how important it is for macroeconomic policy to play a stabilizing role and smooth the extremes of the economic cycle, during both the upswing and the downswing.

Macroeconomic policy can perform a function in stabilizing the cycle —through countercyclical policy action— in two broad ways. First, during upswings the objective is to prevent the economy from overheating and to avert internal or external imbalances that could prematurely choke the higher growth that occurs during the boom phase. Second, during the downswing it must prevent the economy from moving too far away from the production frontier because underuse of installed capacity would likely drive unemployment up and investment down.

Fully exploiting installed capacity, keeping employment high and averting inflationary pressures and excessively deep current-account deficits all help ensure steady economic growth. The aim is greater real stability, encompassing (high) growth in output, employment and wages, not only nominal stability based on low inflation. Avoiding unstable growth<sup>11</sup> and, in particular, preventing unemployment and underemployment from rising, goes hand in hand with the imperative of building equality.

The external shocks resulting from variations in the terms of trade and sudden reversals in capital flows, along with transmission mechanisms that vary from country to

country (depending on how financially extended each country is and how much of its fiscal revenue comes from natural resources) set off supply and demand fluctuations that translate into inflationary pressures and the accumulation of internal and external imbalances. When these cumulative imbalances reach unsustainable levels, they can lead to major setbacks in terms of output, employment and wages. These are the most conspicuous and costly manifestations of real instability which, in addition to having immediate, negative consequences, limit the capacity for growth and structural change and bring about permanent losses. It is vital that the authorities have the capacity to implement countercyclical macroeconomic policies that address instability stemming from cycles associated with external shocks.

Countercyclical macroeconomic policy should be guided by four general principles:

- (i) it must be adapted to each country, taking into consideration the nature of the shock in question and how it is transmitted;
- (ii) more than one policy will usually be needed, and coordinated implementation is a must;
- (iii) the financial, fiscal supply side, as well as external constraints that may limit the scope for appropriate policy measures must be considered; and
- (iv) cycle-stabilizing macroeconomic policy, which primarily acts on aggregate demand, must be accompanied by other macroeconomic, sectoral and microeconomic policies that impact supply.

## C. Fiscal policy as a means of stabilizing the cycle

### 1. How fiscal policy differs during a boom and a recession

The experience gained by Latin America and the Caribbean in managing the 2004-2008 economic boom and the 2008-2009 recession has demonstrated how useful fiscal policy can be in stabilizing economic cycles and has highlighted that fiscal policy orientation differs in keeping with the phase of the cycle an economy is in. Its potential impact will also depend, to a large extent, on the available fiscal space and the way external shocks are transmitted in each country.

<sup>11</sup> Growth involves a process of production transformation and profound changes that, by nature, cannot be stable, but it can follow a path that avoids the booms and busts that have characterized various periods in Latin American and Caribbean economic history.

The boom phase is the moment to expand the fiscal space, understood to mean the room available for boosting government spending during recessions without jeopardizing medium- to long-term fiscal sustainability. Most countries in the region have a low tax burden, and private consumption tends to surge during boom periods; both factors justify increasing the tax burden as a way of progressively expanding the fiscal space, preferably through income tax reform. This would not only help promote sustainable growth but would also contribute to equality. Generating public-sector savings during boom periods is a good idea for two reasons: it creates reserves in order to meet spending needs during future recessions, and it prevents the overheating that can lead

to undesirable countercyclical processes such as inflation, exchange-rate appreciation and a growing current-account deficit, all of which can halt the growth of investment, output and employment.

The extent to which a country can resort to higher public spending during a downswing and fund a higher deficit by borrowing or drawing on reserves will depend on whether its previous fiscal situation was sustainable. Additional public spending can therefore stimulate aggregate demand

until the economy approaches its production frontier and thus create the right conditions for boosting investment, productivity and GDP growth. If countries find themselves in a cycle downswing with no fiscal space, international and regional organizations are called upon to facilitate gradual fiscal adjustment by providing access to external financing under flexible terms that take into account the stage of the cycle and ensure that the adjustment does not prolong or magnify the downturn and thereby heighten inequality.

## 2. Discretionary countercyclical fiscal policies

Once a certain amount of fiscal space has been created, countercyclical fiscal policy can be pursued via discretionary measures that temporarily raise public spending or cut taxes during the downturn, like those that were deployed in Latin America during the 2008-2009 crisis. Part of the debate surrounding the impact of these measures centres on measuring the multiplier effects of these temporary changes on the economy. According to the available evidence, temporarily boosting public expenditure does

have a positive impact, but this varies according to the point in the cycle and to how close the economy is to the production frontier when the stimuli are implemented. Temporarily cutting taxes is not as beneficial, since it only helps build savings without boosting aggregate demand. During the 2008-2009 crisis several countries implemented these kinds of temporary measures, increasing both public investment and current expenditure (social spending) and cutting taxes.

## 3. Automatic fiscal stabilizers

Because discretionary policies present some difficulties in terms of economic policy and temporary inconsistency, countercyclical policies should be automatic or permanent wherever possible. These difficulties include legislative delays in approving potentially urgent measures when the economy enters a cyclical downturn; potential conflicts of interest between managing the economic cycle and handling the political or electoral cycle during a boom; pressure to not reduce spending or raise taxes once the downturn has come to an end; and difficulty in pinpointing when a particular phase of the cycle has in fact ended. Based on these considerations, automatic stabilizers or certain permanent fiscal rules should be in place.

Automatic stabilizers can be applied to both fiscal revenue and public expenditure. Combining progressive taxation with a broad tax base can ease the pressures of increased private consumption (particularly among higher-income groups) during a boom or reduce their impact more than proportionally, besides encouraging consumption among lower-income sectors when incomes

fall and aggregate demand contracts. The tax that best meets these requirements is income tax (provided it is well designed), and it should be given greater weight in order to effectively fulfil this role.

Unlike in developed countries, where spending on unemployment insurance can have a significant countercyclical impact, this kind of automatic instrument is not widely used in the region and must be enhanced. The scope of automatic countercyclical public spending could be extended via legislation to enable the immediate deployment of (i) programmes designed by the executive branch of government as soon as it is clear that the economy has entered a downturn; (ii) temporary conditional transfer programmes on the downswing; and (iii) investment programmes with a clear countercyclical stance, whose projects are periodically updated and evaluated. Public spending automatic stabilizers that are applicable during a downturn should also be deployed during the boom phase. These could include phasing out special investment or emergency programmes or setting goals to reduce public debt.

#### 4. Fiscal rules

Another tool for limiting the real instability associated with economic cycles is a fiscal rule or a stabilization fund. A fiscal rule requires transparency and institutions that are sufficiently robust, so as to be able to resist pressure to increase public spending unnecessarily during boom periods because doing so would lead to a shortage of resources during a subsequent recession. Nor should rigid rules be imposed that circumscribe the use of available funds, or a rule that simply obliges governments to maintain the fiscal deficit at a certain level whatever the circumstances, which tends to have a procyclical impact. Furthermore, in cases where budgets are already bound by multiple restrictions (earmarking),

an additional rule may make public spending excessively rigid and may even hinder the use of fiscal policy as a countercyclical tool.

An effective countercyclical fiscal rule requires macroeconomic stability, credibility, technical capacity, solvent subnational governments, a certain degree of budgetary flexibility (without excessive earmarking) and sufficient fiscal space. Broad political support is also needed if the rule is to be viable over the medium and long term. It should therefore be set in a gradual process in which the above conditions could be met while negotiations or a fiscal covenant confer greater institutional strength by consolidating political consensus.

### D. Countercyclical monetary policy

Countercyclical monetary policy is a more versatile short-term tool because, unlike fiscal policy, it is not subject to prior legislative approval; this advantage should be put to good use and coordinated with fiscal policy. Poor coordination during downturns has resulted in the adoption of over-expansionary and unsustainable fiscal policies in combination with extremely contractionary monetary policies.

Less emphasis should be placed on monetary policy instruments such as adjustment of interest rates or management of monetary aggregates and lending so that, without neglecting the basic objective of controlling inflation, other goals may be pursued, such as ensuring financial stability, preventing exchange-rate volatility, and facilitating steady growth. If these tools are implemented rigidly and without regard for other objectives such as fostering employment and growth, nominal price stability may be achieved, but

at the expense of stability in terms of growth, employment and production investment, fuelling inequality. In particular, cycles can be more difficult to manage when governments have to contend with capital flows that respond swiftly to differences between internal and external interest rates.

To prevent or minimize these negative effects, governments must have more policy instruments at their disposal, including tools to stabilize the exchange rate, control the capital account, and adopt prudential countercyclical measures that uncouple short-term capital inflows from interest rate differentials. Likewise, there must be a comprehensive and coordinated approach to monetary, fiscal and prudential policy, possibly facilitated by a financial policy or stability committee or team. A sign of progress would be the adoption of monetary policy objectives that go beyond inflation targets.

### E. Exchange-rate policy

Exchange-rate policy should serve to ensure a sustainable current account, reflecting changes in each country's relative productivity, and be based on a development strategy in which the production of tradable goods and services plays a central role. This would also help boost systemic competitiveness and build production capacity for external markets and the domestic market alike. In conjunction with other macroeconomic policies, exchange-rate policy should also prevent fluctuations in the exchange rate, especially

those caused by sudden changes in capital flows, which amplify cycle upswings and downswings.

Drawing on the lessons that Latin America and the Caribbean has learned in these areas, four exchange-rate policy guidelines are proposed:

- (a) Avoid using the exchange rate as the only (or the main) adjustment variable in the face of external or internal imbalances (in particular, when these imbalances are associated with fluctuations in capital flows or

- terms of trade). Any solution should also include the regulation of short-term capital inflows, especially via macroprudential regulations that discourage speculative financial activities. Regulation could take the form of taxes or non-interest-bearing deposits required for capital inflows or assets and liabilities in foreign currency.
- (b) Implement an international reserve management policy that coincides with exchange-rate goals. Both the benefits and the opportunity and sterilization costs of accumulating reserves should be considered when implementing such a policy.
  - (c) Recognize the limits and the consequences in each country of setting an exchange-rate objective that is not biased against tradable sectors, especially bearing in mind the position of those economies of the region that are dollarized or have a long history of fixed exchange rates.
  - (d) Anticipate future cycle trends and scenarios so as to be able to intervene promptly (in particular, via monetary or macroprudential measures) and thereby avoid the need for more drastic action later.

## F. Countercyclical employment and income policies

Policies that regard wages as essentially a production cost tend to lead to greater inequality and have negative ethical repercussions. Conversely, policies that seek to stimulate domestic demand through substantial wage increases that are not tied to rising productivity can trigger a wage-inflation spiral that jeopardizes the competitiveness of many companies. Employment and income policies must aim to strike a sustainable balance between their long-term goals (in which wages are a significant production cost) and their short-term goals (in which wage increases may be perceived as a way to stimulate domestic demand).

During a cycle downturn, wage increases can, within certain limits, have a positive impact by helping to expand aggregate demand, contributing to equality and keeping the economy from falling significantly below its production frontier. For example, in 2009 the impact of the crisis on economic activity in a number of countries was mitigated by a combination of higher wages in response to higher

food prices the year before, lower inflationary pressures that did not erode wage increases, and minimum wage hikes that helped stabilize the purchasing power of wage-earners and had a positive effect on household consumption (the main component of aggregate demand).

Programmes that may be considered countercyclical from a fiscal perspective can also be evaluated in terms of employment and their contribution to equality. They include unemployment insurance, emergency public job programmes, and pre-existing targeted social programmes that can be rapidly expanded. Stronger labour institutions, as have been achieved in many countries over the past decade, have made it possible to consolidate these programmes. This suggests that fiscal and labour policy should be closely coordinated in order to help ensure that these initiatives have the necessary resources and acquire a quasi-automatic countercyclical dimension in the future.

## G. Countercyclical macroprudential policies

Macroprudential policies have become an increasingly relevant component of countercyclical macroeconomic policy management. The growing concentration of credit within certain segments of the market heightens systemic risk owing to an underlying fallacy of composition. The regulator should therefore conduct stress tests on the market as a whole, on the basis of total exposure. Prudential regulations should be used to curb the growth of lending in the market when the tests indicate potentially high liquidity requirements. Because prudential regulations recognize the risk to financial institutions of exposure to major debtors and to parties involved in bank ownership or management, quantitative limits should be established for such loans.

Some of the most effective countercyclical macroprudential instruments may be non-interest-bearing deposits and dynamic provisioning, in addition to accumulating reserves for use in financial-sector emergencies during downswings, which is when problems created during the boom usually make themselves apparent. Monetary and macroprudential policies may in fact be more relevant during an upswing than during a downswing. Fiscal policy during a downswing must also weigh spending the necessary resources to address financial problems that were created but not addressed during the upswing.



## Chapter III

# Investment and saving in Latin America and the Caribbean: stylized facts

Along with technical progress, human capital building and structural change, the formation of fixed capital is one of the main factors of sustained, long-term growth. Analysis of fixed capital formation patterns therefore sheds light on the difficulties which must be tackled in order to speed growth in Latin America and the Caribbean. This chapter reviews some stylized facts concerning the evolution of investment and investment financing from a macroeconomic perspective—i.e. saving—in the region. This exercise draws upon estimates of the components of investment that were not available until very recently.

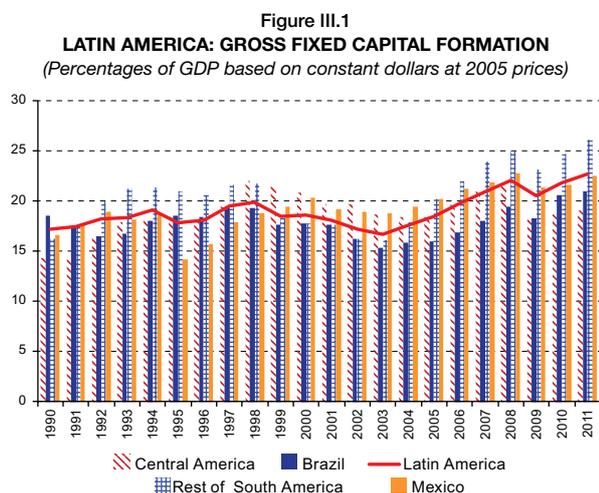
## A. Stylized facts on investment

### 1. Investment levels

Comparatively speaking and as a percentage of GDP, Latin America's investment rate has been historically lower than that of other emerging regions, particularly developing Asia, whose investment rate rose from 27.8% in 1980 to around 35% in the mid-1990s and over 40% today. In 2008, the region achieved its highest investment rate since 1980: 23.6% of GDP measured in current dollars (Jiménez and Manuelito, 2011).

Investment patterns across the subregions have been mixed in the past 30 years, (see figure III.1). After falling sharply between 1980 and 1984 (from 25.4% to 17.8%), in Latin America gross fixed capital formation held steady at under 20% of GDP, with the exception of 1998. Between 1990 and 1998 it trended upwards, though with fluctuations. From 1998 on, gross fixed investment in the region as a percentage of GDP fell steadily until 2003,

when it hit the lowest point in the period examined. Trends in the various subregions followed a similar pattern, albeit with minor variations. In 2004 the trends began to change direction, and in 2004-2008 gross fixed investment rose in all the subregions. In 2010-2011, recovery after the international financial crisis of 2008-2009 was centred in South America and in Mexico. In Brazil, the gross fixed investment rate has trended steadily upwards since 2003. Although 2011 has seen levels above 20% for the first time since 1989, they are still below those of the early 1980s, before the debt crisis broke out in Latin America.



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

The investment rate in Central America had been quite similar to the regional aggregate but fell sharply in 2009 and then remained at levels similar to those of the first half of the 1990s, and well below the highs of 1998. Mexico's investment rate rebounded from the 2009 drop but did not regain the levels of 2008.<sup>1</sup> In both cases, especially in the countries of Central America, the slower recovery of investment was partly attributable to the impacts of the global financial crisis on the United States, their main export market. Other, local factors, such as unconsolidated fiscal positions, also hindered countercyclical action through heightened public investment in several of these countries.

<sup>1</sup> In terms of the contribution of the different subregions and countries to the growth of regional gross fixed capital formation, in 2003-2008 the rest of South America was the main driver of growth in regional investment, accounting for around 50% of this growth.

For the Caribbean economies, only limited information is available on investment patterns. The data available for the most recent period (2000-2011) show that, as in the case of Latin America, patterns are very heterogeneous in this subregion. With a few exceptions, investment rates are trending down. In the 2010-2011 (the most recent period), Barbados shows the lowest investment rate in GDP terms, at close to 14%. The highest rates, of over 30%, are posted in the Bahamas and some of the economies of the Eastern Caribbean Currency Union (see table III.1).

**Table III.1**  
**THE CARIBBEAN: GROSS FIXED CAPITAL FORMATION, 2000-2011**  
(Percentages of GDP at current prices  
in the national currency of each country)

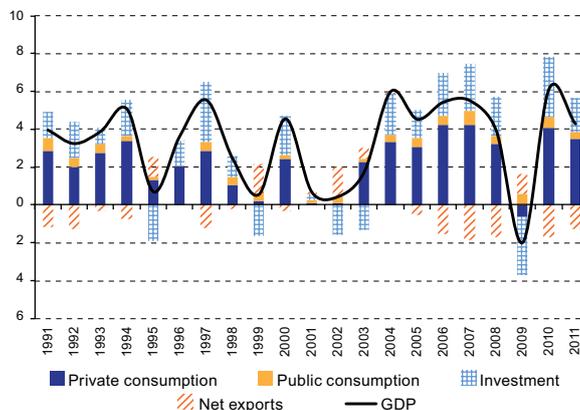
	2000-2002	2003-2008	2009	2010-2011
Antigua and Barbuda	24.5	33.0	40.7	34.3
Bahamas	24.9	25.6	25.8	26.0
Barbados	16.9	19.0	15.1	14.1
Belize	26.8	20.9	...	...
Dominica	16.2	18.9	21.3	15.8
Grenada	31.8	36.0	23.8	20.8
Guyana	21.8	23.2	26.6	24.6
Jamaica	25.6	26.4	21.2	20.0
Saint Kitts and Nevis	58.2	45.0	43.7	35.6
Saint Lucia	25.9	30.3	29.8	34.1
Saint Vincent and the Grenadines	23.2	27.6	24.2	25.9
Trinidad and Tobago	22.0	19.1	...	...
<b>The Caribbean</b>	<b>26.5</b>	<b>27.1</b>	<b>27.2</b>	<b>25.1</b>

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

Like in other regions, in Latin America investment has been the most variable component of aggregate demand. Whereas variations in consumption have made a positive contribution to GDP in the past 20 years, investment contractions have caused most of the downturns in GDP growth in this period (see figure III.2). When investment has grown at positive rates, however, it has usually more than made up for the contractionary impact of other components during this period, especially negative net exports. This shows how important investment is, not only as a determinant of the economic growth rate, but also of its volatility.

Brazil and Mexico accounted for 25% and 20%, respectively, of the increase in investment in this period. In 2010-2011 the rest of Latin America, Brazil and Mexico accounted for around 40%, 19.5% and 37%, respectively, of gross fixed capital formation growth.

**Figure III.2**  
**LATIN AMERICA: ANNUAL VARIATION IN GROSS DOMESTIC PRODUCT, BY COMPONENT, 1991-2011**  
*(Percentages, in dollars at constant 2005 prices)*



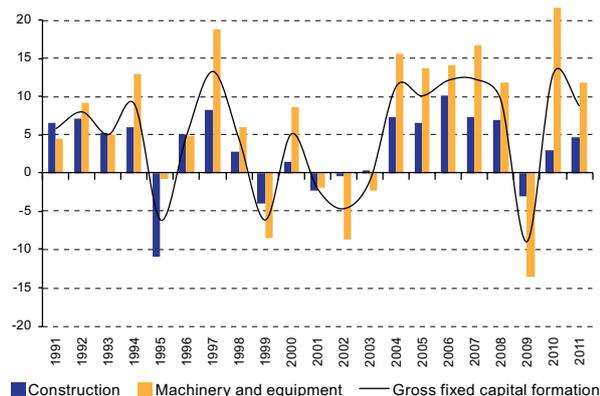
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

## 2. Composition of gross fixed capital formation: construction and machinery and equipment <sup>2</sup>

In 1990-2003 (the years before the boom in international commodity prices), gross fixed capital formation grew at an annual rate of 2.7%, with average annual growth of 1.9% in construction investment and 3.7% in machinery and equipment investment. These rates surged between 2004 and 2011: gross fixed capital formation expanded at an annual average of 8.5%, with construction investment growing 5.3% annually and machinery and equipment investment by 11.4% annually in that period (see figure III.3).

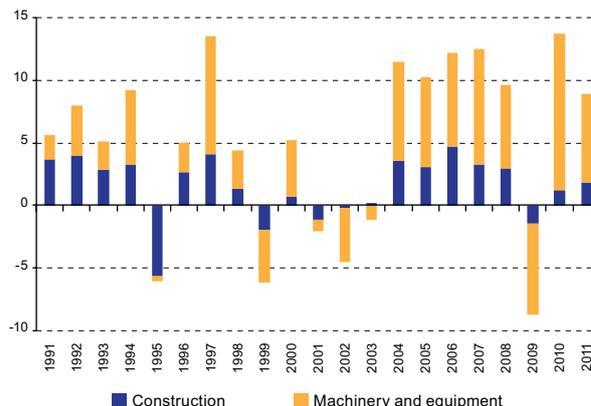
Investment in machinery and equipment made a rising contribution to gross fixed capital formation growth starting in the late 1990s. At the start of the 2000s, construction represented around 55% of gross fixed capital formation, and machinery and equipment made up around 45%. Towards 2010 these percentages reversed, so that in 2011 construction investment represented around 45% and machinery and equipment investment, 55% (see figure III.4).

**Figure III.3**  
**LATIN AMERICA: YEARLY VARIATION IN GROSS FIXED CAPITAL FORMATION, BY COMPONENT, 1991-2011**  
*(Percentages on the basis of constant dollars at 2005 prices)*



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

**Figure III.4**  
**LATIN AMERICA: CONTRIBUTION OF GROSS FIXED CAPITAL FORMATION TO GROWTH, 1991-2011**  
*(Percentages, on the basis of dollars at constant 2005 prices)*



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

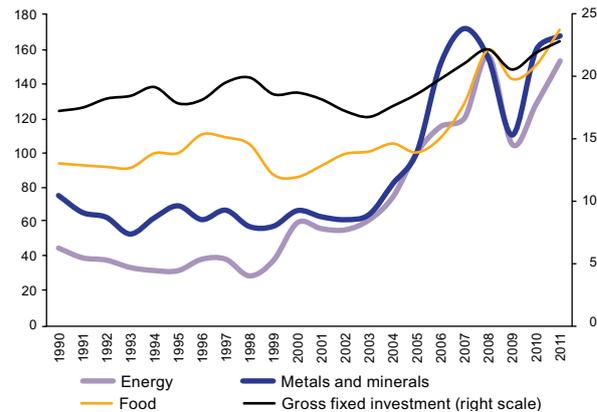
<sup>2</sup> The extremely limited availability of information for 1980-1989 made it impossible to estimate investment by component for a large number of countries.

Machinery and equipment is not only the fastest-growing component of investment; it is also the most variable. As figures III.2 and III.3 show, the declines coincide with critical regional and international episodes (the Mexican crisis in 1995, the Asian crisis in 1998-1999, the dot-com crisis and the attacks on the Twin Towers in New York in 2001 and the global financial crisis in 2008-2009) that led to marked slowdowns, if not outright contraction, of economic activity in the region. Rises in investment are seen in periods of faster economic growth in the region, especially in 2004-2008, which corresponds to an upcycle in raw material prices and brought greatly increased revenues for countries specialized in producing and exporting raw materials (see figure III.5).

The rate of investment in the region has been heavily influenced by changes in external financial conditions and by economic cycles associated with commodity price trends. As the following sections will show, this poor performance is also linked to the way governments responded to these crises, particularly in the case of public investment (especially in infrastructure). Given the level of development of the countries of the region, which tend to have significant infrastructure weaknesses, downturns

in public investment in infrastructure constrain growth potential because investment in infrastructure tends to have positive externalities for production sector productivity.

Figure III.5  
LATIN AMERICA: COMMODITY PRICES AND GROSS  
FIXED CAPITAL FORMATION, 1990-2011  
(Index 2005=100 and percentages of GDP on  
the basis of dollars at constant 2005 prices)

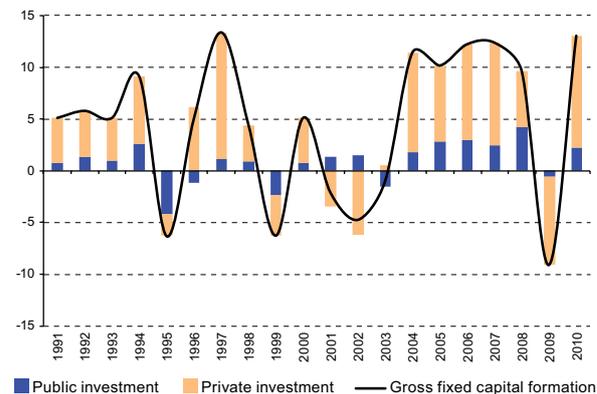


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and World Bank, Commodity Price Data (Pink Sheet).

### 3. Composition of gross fixed capital formation: public investment and private investment

Figure III.6 and tables III.2 and III.4 show public and private investment estimates as a percentage of GDP for the countries of Latin America during 1980-2011.<sup>3</sup> Two conclusions can be drawn from this data: (a) although public investment fell as a proportion of total investment between 1980 and 2003, this trend was partially reversed—notwithstanding differences between countries—in subsequent years; and (b) although public investment had a procyclical effect during the first two financial crises (1995 and 1999), moving in the same direction as private investment, this effect was more moderate during the 2001-2002 and 2009 crises.

Figure III.6  
LATIN AMERICA: CONTRIBUTION OF PUBLIC AND PRIVATE  
INVESTMENT TO GROSS FIXED CAPITAL FORMATION, 1991-2010  
(Percentages on the basis of dollars at constant 2005 prices)



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

<sup>3</sup> In tables III.2 and III.4 this period is divided into subperiods according to the years in which the countries in the region were faced with shocks that changed their GDP growth paths. The period 1980-1981 corresponds to the years leading up to the debt crisis in Latin America; 1982-1990 corresponds to the debt crisis years; and 1991-1994 and 1995-1998 are periods of growth in the countries of the region. This growth was cut short in 1995 by the financial crisis in Mexico and in 1998 by the Asian crisis. The period 1999-2003 was one of weak growth in the region because of fallout from the Asian crisis, domestic financial crises in some countries in the region and the economic

crisis in the United States. Lastly, 2004-2010 corresponds to the current stage of growth in the Latin American economies. Although this growth was interrupted in 2009 as the global financial crisis took its toll, growth in the region rebounded in 2010 to rates similar to those recorded between 2004 and 2008.

Both regionally and as a percentage of GDP, public investment as a proportion of total investment was at its highest in 1980-1981 (6.7%), after which rates declined gradually until 1999-2003 (3.9%). In 2004-2010 there was a widespread recovery (4.8%) although the intensity varied across countries. This figure was the highest posted since 1982-1990, when average public investment in the region was 5.2%. Nonetheless, in some countries (Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua), public investment as a percentage of GDP trended steadily down throughout 1980-2010.

The initial retreat of public investment as a percentage of GDP largely reflects the shrinking footprint of government in the economy in most of the countries of the region, owing to privatizations that mostly took place

in the 1990s and the increasing presence of private actors in supplying goods and services that were previously provided by public agencies.

The region's economic cycles have had budget implications for public investment, as emerges from analysing government capital spending patterns for the countries, both in overall terms and for acquisition of fixed assets. Table III.3 shows that bouts of recession in 1995, 1998 and 2001-2002 were marked by slowdowns in the acquisition of fixed assets by central governments. Periods in which the global economy expanded and export prices soared resulted in dramatic spikes.<sup>4</sup> In 2003-2008 there was a huge jump in the acquisition of fixed assets compared with the average for 1999-2002, a trend that continued through 2011.

Table III.2  
LATIN AMERICA: AVERAGE ANNUAL PUBLIC INVESTMENT RATES OVER THE PERIOD 1980-2011<sup>a</sup>  
(Percentages of GDP at constant prices in the national currency of each country)

	1980-1981	1982-1990	1991-1998	1999-2002	2003-2008	2009	2010-2011
Argentina <sup>b</sup>	2.2	1.5	1.6	1.2	2.3	2.5	2.8
Bolivia (Plurinational State of)	6.9	8.2	7.4	5.3	6.8	9.0	9.9
Brazil <sup>b</sup>	2.2	2.2	2.7	1.7	1.8	1.9	2.1
Chile <sup>b</sup>	1.9	2.4	2.3	2.5	2.3	2.9	2.5
Colombia <sup>b</sup>	7.1	7.5	4.6	3.2	3.5	4.3	4.3
Costa Rica <sup>b</sup>	8.0	5.5	4.5	2.9	1.9	2.0	2.1
Cuba <sup>b</sup>	...	...	7.1	6.8	9.2	9.9	7.7
Dominican Republic <sup>b</sup>	4.4	4.2	3.1	2.3	1.4	1.6	1.9
Ecuador <sup>b</sup>	8.9	5.0	4.1	5.1	6.3	10.6	10.5
El Salvador	2.0	2.1	3.5	3.0	2.3	2.1	2.1
Guatemala <sup>b</sup>	5.6	3.0	3.0	3.4	2.6	3.0	2.7
Honduras	8.3	7.4	7.9	5.1	4.2	3.0	3.6
Mexico <sup>b</sup>	11.3	5.8	3.6	3.3	4.4	5.9	6.0
Nicaragua	10.5	10.5	7.1	6.1	4.1	3.9	3.6
Panama <sup>b</sup>	8.9	4.4	4.0	5.0	5.2	7.2	7.9
Paraguay <sup>b</sup>	5.0	5.1	3.8	2.7	3.0	...	...
Peru <sup>b</sup>	6.3	5.0	4.4	3.7	3.2	5.9	6.3
Uruguay	5.3	4.3	3.7	3.3	3.3	5.2	4.4
Venezuela (Bolivarian Republic of) <sup>b</sup>	16.0	10.0	9.7	9.0	14.2	19.3	21.3
<b>Latin America<sup>c</sup></b>	<b>6.7</b>	<b>5.2</b>	<b>4.6</b>	<b>4.0</b>	<b>4.3</b>	<b>5.6</b>	<b>5.7</b>

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures taken from *Statistical Yearbook for Latin America and the Caribbean*, various years, and *Cuadernos estadísticos*, No. 37 (LC/G.2415-P), Santiago, Chile, ECLAC, 2009.

<sup>a</sup> Public investment refers to general government gross fixed capital formation as a percentage of GDP, at constant prices in national currency.

<sup>b</sup> The last column refers to 2010 data only.

<sup>c</sup> Simple average of the countries in the sample.

<sup>4</sup> The acquisition of fixed capital assets, as defined in the *Government Finance Statistics Manual* published by the International Monetary Fund (IMF), is a variable that is closer to the definitions used in fiscal budgets to illustrate public investment efforts, whereas the definition applied in national accounts attempts to capture the

effects of capital public spending in terms of the accumulation of physical capital in the sector. Given that the aim is to illustrate fiscal budget variability according to economic cycle, the concept of acquisition of fixed capital assets used here is the one recorded in fiscal accounts.

**Table III.3**  
**LATIN AMERICA: CENTRAL GOVERNMENT SPENDING ON THE ACQUISITION OF FIXED ASSETS,**  
**REAL ANNUAL AVERAGE, BY SUBPERIOD, 1991-2011**  
*(Percentages)*

	1991-1994	1995-1998	1999-2002	2003-2008	2009	2010	2011
Argentina	-24.1	-4.1	-14.1	38.2	2.6	-1.9	31.5
Bolivia (Plurinational State of)	14.1	6.2	7.6	9.3	14.0	-12.9	27.5
Brazil	...	7.5	1.9	5.8	-4.2	41.9	-11.3
Chile	20.4	8.8	-4.2	5.5	19.4	-13.4	7.5
Colombia	8.8	0.8	-2.1	17.4	6.1	-12.2	63.2
Costa Rica	9.2	2.8	-4.8	10.2	22.8	-6.6	9.8
Cuba	-2.7	1.0	2.7	15.9	2.6	-29.9	...
Dominican Republic	...	-7.2	21.0	10.3	-31.0	32.3	-6.5
Ecuador	20.8	11.0	6.8	36.5	-14.9	6.9	39.6
El Salvador	31.7	3.6	23.0	-6.6	0.4	26.9	-11.6
Guatemala	21.8	26.4	-8.5	9.4	-5.2	4.3	4.4
Honduras	2.3	9.8	-14.0	7.3	45.1	-38.5	5.0
Mexico	4.4	-3.2	11.8	13.9	-29.4	3.0	12.4
Nicaragua	11.3	6.7	15.9	-0.4	1.4	-3.5	-3.7
Panama	30.4	30.2	-5.5	26.0	17.1	26.3	20.1
Paraguay	21.7	19.9	5.7	-7.7	63.4	-6.8	21.4
Peru	33.4	-2.1	-10.2	10.4	58.8	25.9	4.1
Uruguay	16.6	1.9	-13.1	12.5	-8.6	14.6	-6.9
Venezuela (Bolivarian Republic of)	6.9	-2.7	56.1	-20.7	-8.8	-8.8	12.2
<b>Latin America (simple average)</b>	<b>13.4</b>	<b>6.2</b>	<b>4.0</b>	<b>10.2</b>	<b>8.0</b>	<b>2.5</b>	<b>12.2</b>

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

**Note:** The initial figure for Argentina is from 1994; for Brazil it is from 1997; for Cuba, it is from 1999; for Panama, it is from 1992; and for the Dominican Republic, it is from 1996. The most recent data available for Cuba are from 2010.

**Table III.4**  
**LATIN AMERICA: AVERAGE ANNUAL PRIVATE INVESTMENT RATES OVER THE PERIOD 1980-2011**  
*(Percentages of GDP at constant prices in the national currency of each country)*

	1980-1981	1982-1990	1991-1998	1999-2002	2003-2008	2009	2010-2011
Argentina <sup>a</sup>	22.9	15.8	17.5	14.8	17.6	18.0	20.0
Bolivia (Plurinational State of)	7.1	3.5	9.1	11.4	7.4	7.6	8.7
Brazil <sup>a</sup>	20.3	15.1	15.7	14.2	15.0	15.4	18.4
Chile <sup>a</sup>	16.6	15.7	24.4	20.5	21.8	22.3	25.8
Colombia <sup>a</sup>	10.0	9.0	15.8	10.5	17.0	19.8	20.8
Costa Rica <sup>a</sup>	14.2	14.1	16.0	18.0	19.9	20.3	19.5
Cuba <sup>a</sup>	...	...	4.7	5.0	2.4	1.3	3.6
Dominican Republic <sup>a</sup>	16.8	14.3	15.6	20.7	18.0	16.1	17.5
Ecuador <sup>a</sup>	13.5	13.1	21.0	17.6	20.4	16.6	18.5
El Salvador	10.6	10.5	14.8	16.3	16.6	13.5	14.4
Guatemala <sup>a</sup>	6.8	6.0	7.6	12.2	15.6	11.9	11.9
Honduras	12.2	8.5	14.5	19.8	22.0	17.1	18.5
Mexico <sup>a</sup>	14.3	11.4	14.3	16.7	16.5	15.8	15.9
Nicaragua	7.8	7.5	11.9	19.2	18.5	15.4	17.2
Panama <sup>a</sup>	15.5	11.4	18.5	13.5	14.6	16.5	16.7
Paraguay <sup>a</sup>	23.0	15.5	19.3	13.9	13.1	...	...
Peru <sup>a</sup>	19.2	14.1	16.5	15.3	17.7	19.5	23.1
Uruguay	12.2	7.1	11.2	9.8	12.1	14.0	15.3
Venezuela (Bolivarian Republic of) <sup>a</sup>	13.3	8.1	8.7	15.4	12.5	12.5	9.0
<b>Latin America<sup>b</sup></b>	<b>14.3</b>	<b>11.1</b>	<b>14.6</b>	<b>15.0</b>	<b>15.7</b>	<b>15.2</b>	<b>16.4</b>

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures taken from *Statistical Yearbook for Latin America and the Caribbean*, various years, and *Cuadernos estadísticos*, No. 37 (LC/G.2415-P), Santiago, Chile, ECLAC, 2009.

<sup>a</sup> The last column refers only to 2010 data.

<sup>b</sup> Simple average of the countries in the sample.

The increase in capital spending<sup>5</sup> is also reflected in the trends noted between 1990 and 2011. Figure III.7 shows the marginal share (as a percentage of GDP and as a percentage of total spending) of capital spending by subregion in the 1990s and the subsequent upturn from 2003. On average, the region's capital spending went up from 3% of GDP in 1990 to 5% of GDP in 2011; in Central America it grew by 2% of GDP in the same period. In Brazil and Mexico capital spending has held steady at around 5% and 3% of GDP respectively. In South America, Ecuador and the Plurinational State of Bolivia capital spending has shot up in recent years to around 10% of GDP. It has also increased significantly in the Caribbean countries, to around 6% of GDP in 2011. Despite these notable increases, capital spending is still too low in some countries. As shown in figure III.7, countries whose total spending is below the regional average also show lower levels of capital spending.<sup>6</sup> The downtrend in public investment recorded in the 1980s and 1990s was not offset in all economic sectors by an increase in private investment, which has resulted in a significant infrastructure gap in the region.

Private investment behaved differently. As a percentage of GDP region-wide, private investment fell from an annual average of 14.3% in 1980-1981 to an annual average of 11.1% in 1982-1990 (coinciding with the debt crisis) and then rose in 1991-1994 (14.1%) and 1995-1998 (15.6%). Between 1999 and 2003, private investment fell from prior-period levels (14.7%) owing to external fluctuations that impacted growth expectations (especially the dot-com crisis in the United States) and domestic crises in some countries in Latin America. During 2004-2008, when the region's export commodity prices soared and growth prospects improved, the pace of private investment picked up substantially and brought the regional average up to 15.9% of GDP in 2008 (it then fell in 2009 but rebounded in 2010).

Private investment patterns vary from one country to another. In some cases, during 2004-2008

and 2010-2011 it remained below the levels posted in 1980-1981 (Argentina, Bolivarian Republic of Venezuela, Brazil and Paraguay). In others, the annual average for 2004-2010 is significantly higher than in 1980 and 1981 (Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras and Nicaragua). In several countries in the latter group, foreign direct investment (FDI) has played a decisive role. Chile, Honduras, Costa Rica, Peru and Colombia have recorded the highest levels of FDI as a proportion of GDP in the region, in that order; they have also posted the highest levels of private investment.

However, this is not the case in other countries recording high levels of FDI.<sup>7</sup> For example, although Brazil and Mexico attracted significant FDI inflows and these account for a substantial percentage of GDP, albeit a smaller percentage than the above countries, private investment levels have generally remained low.

Several conclusions can be drawn from tables III.2 and III.4 concerning the composition of investment by institutional sector. Besides Cuba, whose economy exhibits specific characteristics, the Bolivarian Republic of Venezuela, Ecuador and the Plurinational State of Bolivia have the highest levels of public investment. In these three hydrocarbon-exporting countries, the public sector plays an extremely prominent role in the industry and the public investment component has been the most dynamic, largely accounting for the expansion of investment between 1998 and 2010.<sup>8</sup>

In the other countries, the increase in gross fixed capital formation as a percentage of GDP in 2004-2010 was primarily due to rising private investment, although in some cases public investment also expanded. Examples include Mexico, Panama and Peru, where public investment rose markedly in 2004-2010 compared with 1999-2003. Nonetheless, in some cases, especially in the case of infrastructure, the growth in private investment was not enough to offset the contraction of public investment, which limits future growth.

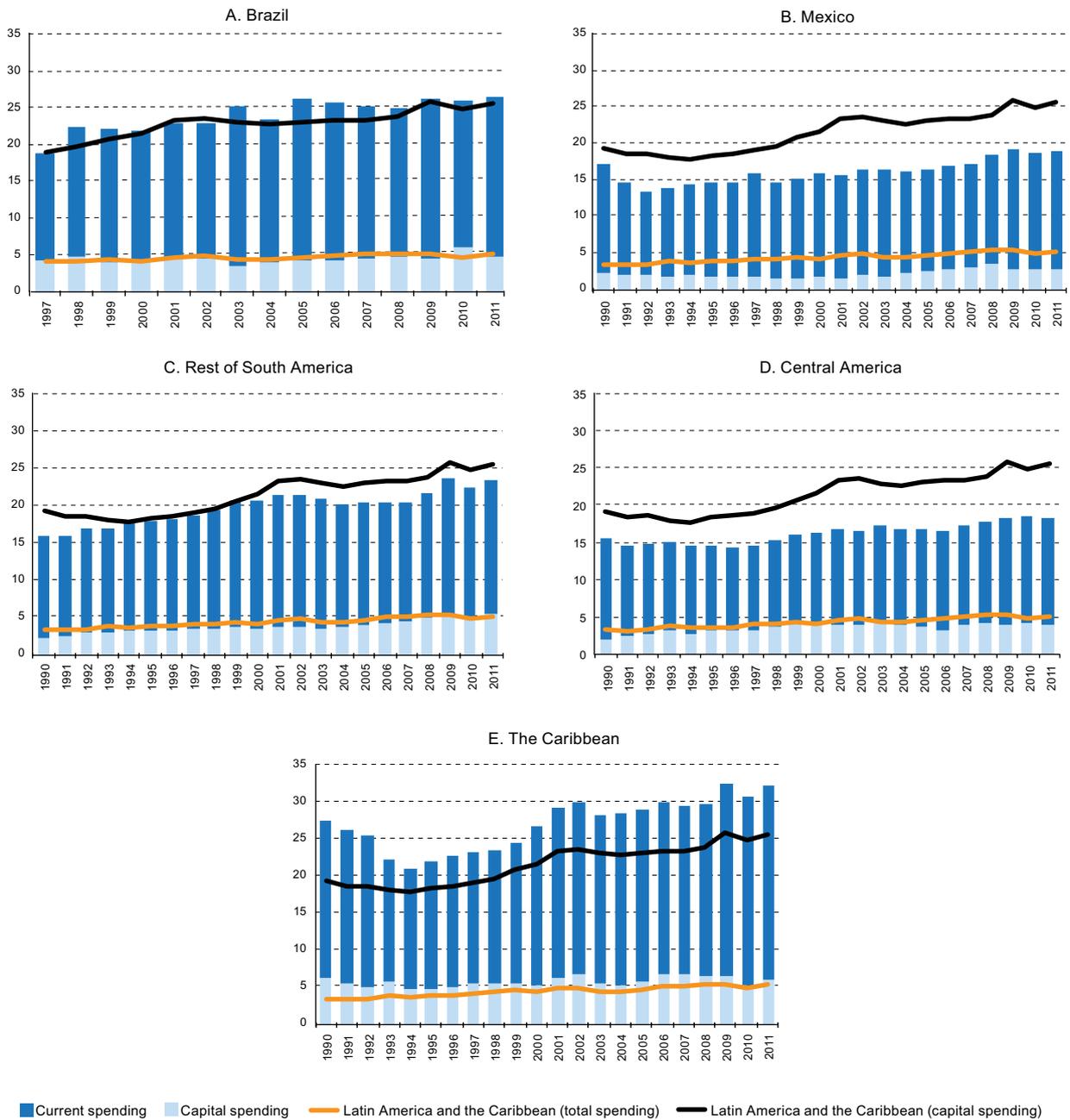
<sup>5</sup> Most countries divide capital spending into two categories: acquisition of fixed capital assets and capital transfers. Capital transfers are generally transfers to the private sector, such as housing subsidies. Capital spending trends should be understood as the direct efforts made by governments to invest in the economy and not just as the mere acquisition of assets.

<sup>6</sup> By way of reference, public investment in the Republic of Korea stood at 20% of GDP in 1999 and 13.7% of GDP in 2010.

<sup>7</sup> For further information on the significance of FDI as a proportion of GDP, see ECLAC, *Foreign Direct Investment in Latin America and the Caribbean 2011* (LC/G.2538-P), Santiago, Chile, 2012.

<sup>8</sup> In the Bolivarian Republic of Venezuela oil companies are owned entirely by the State. In Ecuador around 70% of oil is produced by public companies, and in the Plurinational State of Bolivia the State owns Yacimientos Petrolíferos Fiscales Bolivianos (YPFB).

Figure III.7  
**LATIN AMERICA AND THE CARIBBEAN: COMPOSITION OF CENTRAL GOVERNMENT SPENDING, 1990-2011**  
*(Percentages of GDP)*



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

## B. Stylized facts on saving

### 1. Composition of savings: national and external savings

In general, Latin America has covered its investment with national and external savings (see figure III.8). Before 2003, investment rates fell during periods when access to external financing was constrained as a result of changes in the global financial environment or domestic crises that exacerbated country risk indicators. However, several countries saw a significant change in this scenario in 2003-2008, when regional investment rates rose steadily and national savings swelled, thanks mainly to a sharp rise in disposable national income. This was due to high prices for commodity exports, which generated significant terms of trade gains. As shown in figure III.8, in 2003-2008 several South American countries, as well as Trinidad and Tobago in the Caribbean, posted a current account surplus (negative external savings). In recent decades, external saving has been more significant—relatively speaking—in Central America than in the other subregions, as disposable national income<sup>9</sup> has contracted owing to deteriorating terms of trade, although this was partially offset by an increase in income from emigrant worker remittances. These factors, together with the Heavily Indebted Poor Countries (HIPC) Initiative and fiscal improvements brought about by the surge in export prices in several South American countries, have slashed external debt in the region.<sup>10</sup> In addition, inward FDI in the region grew steadily during the decade and the sovereign risk rating of several countries was upgraded, which greatly improved their access to international financial markets from 2003.<sup>11</sup>

There are differences between countries and between regions. Tables III.5, III.6 and III.7 show total, national and external savings in national currency as percentages of GDP. Both region-wide and in most of the countries, total savings increased in 2004-2008 compared with earlier periods. Nonetheless, in many countries the savings rates in that period were similar to or below those recorded in 1980-1981.

In Latin America as a whole, national savings has increased gradually while external savings as a percentage of total savings has declined. The years 2004-2008 saw the highest levels of national savings during 1980-2010 (with a partial recovery in 2010-2011). National savings rates vary widely between countries, however. Argentina, the Bolivarian Republic of Venezuela, Chile, Mexico and the Plurinational State of Bolivia recorded the highest levels of national savings, some of which posted marked increases in 2004-2008. They are followed by Ecuador, Panama and Peru, with national savings rates above 20% of GDP. By contrast, in the Central American countries, except Honduras, the total national savings rates are between 10% and 17% of GDP, since they have not been able to rely on natural resources exports to boost disposable income.<sup>12</sup>

External savings has trended in the opposite direction, posting its lowest levels most recently (2004-2008 and 2010-2011). As is the case with national savings, the figures are very heterogeneous. Argentina, the Bolivarian Republic of Venezuela, Chile and the Plurinational State of Bolivia have negative external savings rates. In Brazil, Mexico, Paraguay and Peru, the contribution of external savings to investment financing remains positive but is very low.

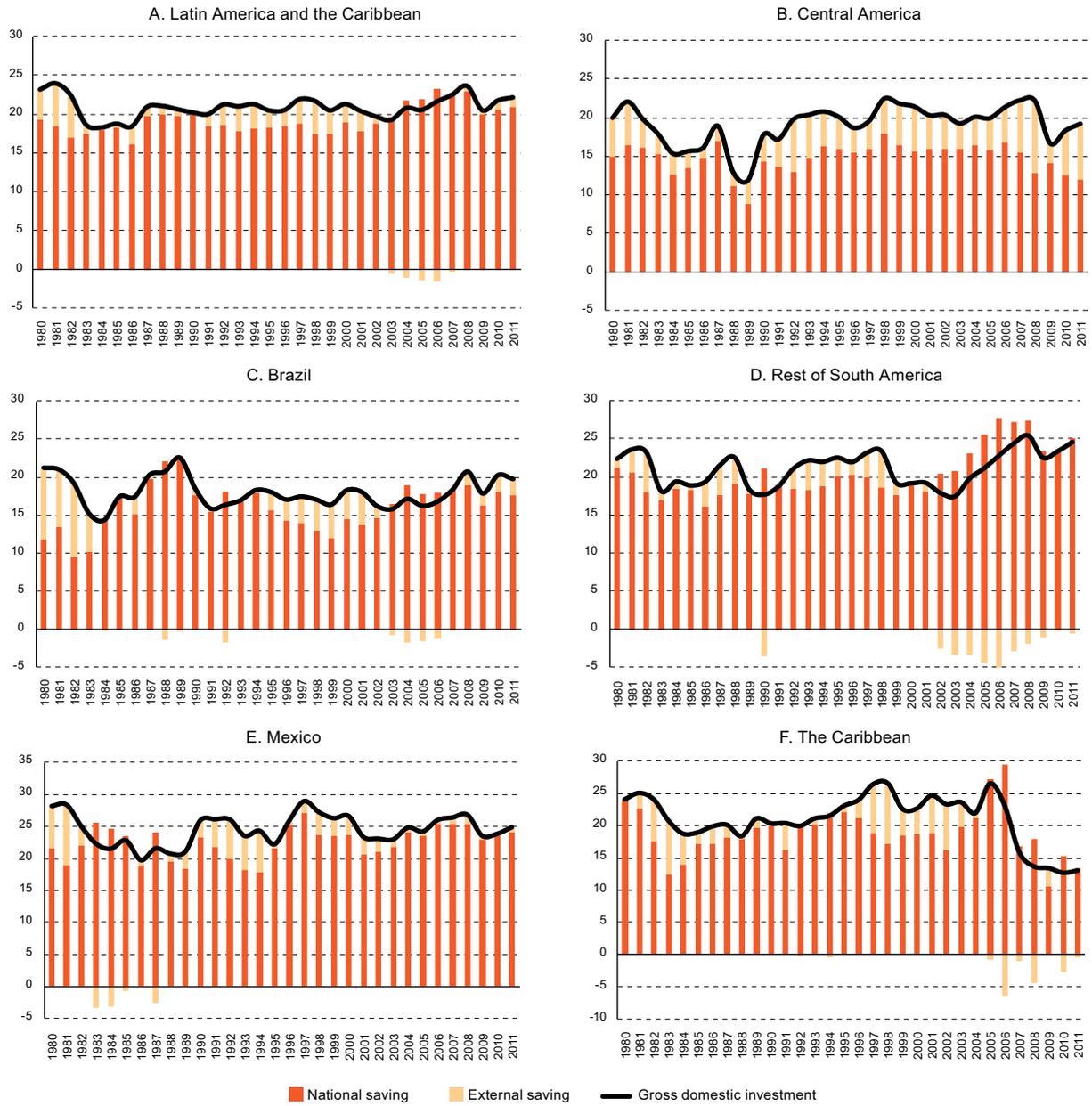
<sup>9</sup> For a detailed analysis of the evolution of gross disposable national income in the countries of Latin America from the historical perspective and by component, see O. Kacef and S. Manuelito, “El ingreso nacional bruto disponible en América Latina: una perspectiva de largo plazo”, *Macroeconomía del desarrollo* series, No. 69 (LC/L.2982-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), 2008.

<sup>10</sup> The decline was sharper in countries whose terms of trade improved.

<sup>11</sup> See the various editions of *Economic Survey of Latin America and the Caribbean*, in particular chapter 1 of part 2 of *Economic Survey of Latin America and the Caribbean 2010-2011* (LC/G.2506-P), Santiago, Chile, 2011.

<sup>12</sup> As shown in table III.6, the Bolivarian Republic of Venezuela is the country in the region with the highest national savings rate (35%), significantly higher than in the other countries. If this country is excluded from the calculation, the regional average national savings rate stands at 19.1%.

**Figure III.8**  
**LATIN AMERICA AND THE CARIBBEAN: INVESTMENT FINANCING, 1980-2011**  
*(Percentages of GDP on the basis of dollars at current prices)*



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

**Table III.5**  
**LATIN AMERICA: TOTAL SAVINGS, AVERAGE ANNUAL RATES OVER THE PERIOD 1980-2011**  
*(Percentages of GDP in dollars at current prices)*

	1980-1981	1982-1990	1991-1998	1999-2002	2003-2008	2009	2010-2011
Argentina	24.5	18.4	18.9	15.5	21.0	21.2	25.3
Bolivia (Plurinational State of)	15.8	13.5	17.2	16.9	14.2	17.0	17.4
Brazil	24.1	21.5	18.9	17.2	17.7	17.8	19.6
Chile	21.5	19.0	25.6	21.6	21.5	18.9	23.5
Colombia	19.8	19.9	22.3	15.6	21.3	22.7	23.3
Costa Rica	27.8	25.4	19.0	19.2	24.5	16.3	20.7
Cuba	...	25.4	10.4	11.3	10.8	10.3	10.4
Dominican Republic	23.7	21.0	17.6	22.0	18.7	14.8	16.5
Ecuador	24.6	20.2	21.7	21.4	24.1	23.3	26.8
El Salvador	...	13.9	17.5	16.6	16.2	13.4	13.8
Guatemala	16.5	12.6	15.5	18.9	19.8	12.9	13.8
Honduras	22.9	17.5	30.9	28.3	30.1	19.8	25.0
Mexico	27.3	21.2	22.8	22.2	25.1	23.4	24.1
Nicaragua	20.2	21.6	23.9	30.9	30.2	24.6	29.5
Panama	28.2	15.7	25.5	20.8	21.2	...	...
Paraguay	28.8	23.7	24.5	19.3	19.1	15.4	17.7
Peru	29.4	23.5	21.4	19.6	20.8	22.5	26.7
Uruguay	16.4	13.1	15.5	13.6	17.4	17.2	18.6
Venezuela (Bolivarian Republic of)	23.8	18.9	21.0	24.8	24.0	25.8	22.5
<b>Latin America<sup>a</sup></b>	<b>23.3</b>	<b>19.3</b>	<b>20.5</b>	<b>19.8</b>	<b>20.9</b>	<b>18.7</b>	<b>20.8</b>

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

<sup>a</sup> The regional figure corresponds to the simple average for the countries.

**Table III.6**  
**LATIN AMERICA: NATIONAL SAVINGS, AVERAGE ANNUAL RATES OVER THE PERIOD 1980-2011**  
*(Percentages of GDP in dollars at current prices)*

	1980-1981	1982-1990	1991-1998	1999-2002	2003-2008	2009	2010-2011
Argentina	22.0	16.5	16.1	15.4	24.0	24.4	25.6
Bolivia (Plurinational State of)	15.5	14.8	9.8	10.3	21.9	21.6	21.6
Brazil	19.3	20.2	17.0	13.6	18.0	15.9	17.5
Chile	10.8	13.3	22.2	20.7	23.1	20.5	23.8
Colombia	18.2	19.1	20.3	15.4	19.9	20.5	19.7
Costa Rica	12.8	17.1	14.0	13.3	17.2	15.1	16.0
Cuba	...	...	...	...	10.9	...	...
Dominican Republic	13.7	16.6	15.7	18.9	17.0	9.8	8.1
Ecuador	10.8	(0.2)	17.3	22.2	21.8	22.9	23.4
El Salvador	...	9.6	15.5	14.3	11.1	15.2	10.0
Guatemala	12.1	9.0	11.1	12.9	15.0	...	...
Honduras	5.1	5.4	18.8	17.2	21.2	16.7	17.3
Mexico	21.8	21.6	18.9	19.4	24.3	22.8	23.6
Nicaragua	(1.8)	5.7	2.0	10.3	13.4	11.8	13.2
Panama	25.7	24.4	24.8	18.4	20.0	...	...
Paraguay	23.4	18.8	21.8	18.5	20.0	14.0	14.9
Peru	24.2	20.5	15.0	17.3	20.8	22.5	24.5
Uruguay	10.8	11.8	14.3	11.9	14.9	17.0	24.5
Venezuela (Bolivarian Republic of)	30.8	21.3	22.8	30.6	36.8	22.5	20.0
<b>Latin America<sup>a</sup></b>	<b>16.2</b>	<b>14.7</b>	<b>16.5</b>	<b>16.7</b>	<b>19.5</b>	<b>18.3</b>	<b>19.0</b>

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

<sup>a</sup> The regional figure corresponds to the simple average for the countries.

**Table III.7**  
**LATIN AMERICA: EXTERNAL SAVINGS, AVERAGE ANNUAL RATES OVER THE PERIOD 1980-2011**  
*(Percentages of GDP in dollars at current prices)*

	1980-1981	1982-1990	1991-1998	1999-2002	2003-2008	2009	2010-2011
Argentina	2.5	1.9	3.1	0.1	(2.9)	(3.2)	(0.2)
Bolivia (Plurinational State of)	0.3	(1.3)	7.4	6.6	(7.7)	(4.6)	(4.2)
Brazil	5.0	1.3	1.9	3.6	(0.3)	1.9	2.2
Chile	10.7	5.7	3.4	0.9	(1.6)	(1.6)	(0.3)
Colombia	1.6	0.8	1.6	0.2	1.5	2.2	3.0
Costa Rica	15.0	8.3	5.0	5.9	7.2	1.2	4.7
Cuba	...	...	...	...	1.0	...	...
Dominican Republic	10.0	4.4	1.3	3.2	1.7	5.0	8.3
Ecuador	4.4	6.5	4.4	(0.8)	2.2	0.5	3.3
El Salvador	...	4.3	2.0	2.3	5.1	(1.8)	3.8
Guatemala	4.4	3.6	3.4	5.9	4.8	...	...
Honduras	11.5	5.2	6.0	5.7	7.2	3.1	7.7
Mexico	5.5	(0.3)	3.9	2.8	0.8	0.6	0.5
Nicaragua	22.0	15.0	23.2	20.6	16.8	12.8	16.3
Panama	2.5	(8.7)	0.7	2.5	1.2	...	...
Paraguay	5.4	4.8	2.7	0.9	(0.9)	1.4	2.8
Peru	5.3	3.0	6.4	2.3	(0.1)	(0.1)	1.8
Uruguay	5.5	1.3	1.2	1.7	2.5	2.0	2.1
Venezuela (Bolivarian Republic of)	(7.0)	(2.4)	(1.8)	(5.8)	(12.3)	4.7	(0.8)
<b>Latin America<sup>a</sup></b>	<b>6.1</b>	<b>3.0</b>	<b>4.2</b>	<b>3.3</b>	<b>1.4</b>	<b>1.5</b>	<b>3.2</b>

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

<sup>a</sup> The regional figure corresponds to the simple average for the countries.

The drop in external savings reflects stronger current accounts in most countries in the region owing to soaring raw material prices that fuelled a substantial rise in exports of goods and a marked increase in national income. This in turn triggered an increase in domestic savings in countries that are more specialized in producing and exporting these goods. This group includes the Bolivarian Republic of Venezuela and the Plurinational State of Bolivia, where external savings as a percentage of GDP stood at -9.2% and -8.5%, respectively, during this period. Although this could indicate reduced external vulnerability, these levels of external dissaving indicate that domestic investment has been financed primarily by national savings and that, given that national savings is higher, part of these savings have been channelled abroad.

The picture in the countries of Central America is different, with external savings remaining high and positive. In conjunction with low levels of national savings, this illustrates a pattern of investment financing similar to the pattern observed throughout the region before the surge in raw material prices in 2003-2008.

In the Caribbean, the behaviour of savings is very different to the rest of the region. First, as shown in table III.8, national savings varies considerably, most likely owing to the sharp fluctuations in the economies of this subregion in response to external shocks, including weather-related shocks. In addition, from a broader perspective, national savings has tended to shrink. By contrast, external savings is also variable, but is increasing and significantly higher than in Latin America (see table III.9).

**Table III.8**  
**THE CARIBBEAN: NATIONAL SAVINGS, AVERAGE ANNUAL RATES OVER THE PERIOD 2000-2011**  
*(Percentages of GDP in national currency at current prices)*

	2000-2002	2003-2008	2009	2010-2011
Antigua and Barbuda	18.2	13.2	26.8	21.8
Bahamas	16.2	15.1	15.4	14.1
Barbados	11.6	11.6	10.1	5.5
Belize	7.1	10.3	...	...
Dominica	0.4	0.1	-1.6	6.2
Grenada	11.9	8.9	-3.7	-6.9
Guyana	15.6	12.9	15.8	11.9
Jamaica	17.8	15.0	12.0	13.1
Saint Kitts and Nevis	36.3	27.6	21.7	20.3
Saint Lucia	11.2	7.0	17.2	19.2
Saint Vincent and the Grenadines	15.3	2.2	-5.2	-5.5
Trinidad and Tobago	26.1	42.2	...	...
<b>The Caribbean<sup>a</sup></b>	<b>15.6</b>	<b>13.9</b>	<b>10.8</b>	<b>10.0</b>

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

<sup>a</sup> Simple average for the countries considered.

**Table III.9**  
**THE CARIBBEAN: EXTERNAL SAVINGS, AVERAGE ANNUAL RATES OVER THE PERIOD 2000-2011**  
*(Percentages of GDP in national currency at current prices)*

	2000-2002	2003-2008	2009	2010-2011
Antigua and Barbuda	6.3	19.8	13.9	12.5
Bahamas	8.7	10.5	10.5	11.9
Barbados	5.3	7.3	5.0	8.6
Belize	19.7	10.6	...	...
Dominica	16.2	18.9	21.3	15.8
Grenada	19.9	27.1	27.5	27.7
Guyana	6.2	10.3	10.9	12.7
Jamaica	7.8	11.4	9.2	6.9
Saint Kitts and Nevis	21.9	17.4	21.9	15.3
Saint Lucia	14.7	23.3	12.6	14.8
Saint Vincent and the Grenadines	7.9	25.4	29.4	31.4
Trinidad and Tobago	-4.1	-23.1	...	...
<b>The Caribbean<sup>a</sup></b>	<b>10.9</b>	<b>13.2</b>	<b>16.2</b>	<b>15.8</b>

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

<sup>a</sup> Simple average for the countries considered.

## 2. Composition of savings: public and private savings<sup>13</sup>

Tables III.10, III.11, III.12 and III.13 show the behaviour of public and private savings in the region. In 2004-2008, public savings rates recovered from their 1999-2003 levels. Despite the lower availability of data for 1980-1990, it has been shown that the average public savings rate in Latin America was quite low in this period and even close

to zero between 1982 and 1990 (see table III.10). Public savings jumped in the 1990s, fuelled by a surge in raw materials prices up to the outbreak of the Asian crisis (albeit well below the levels of 2004-2008, particularly in the case of metals) and by privatizations in several of the region's countries during the first half of the decade.

**Table III.10**  
**LATIN AMERICA (10 COUNTRIES): GROSS PUBLIC SAVINGS, AVERAGE ANNUAL RATES OVER THE PERIOD 1980-2011**  
*(Percentages of GDP in national currency at current prices)*

	1980-1981	1982-1990	1991-1998	1999-2002	2003-2008	2009	2010-2011
Argentina	...	0.3	(0.3)	(1.5)	2.6	1.5	...
Bolivia (Plurinational State of)	(2.4)	(3.2)	2.8	(1.7)	5.3	9.1	...
Brazil	...	...	1.7	1.3	0.9	(2.1)	...
Colombia	2.2	2.6	3.7	(1.6)	0.3	(4.0)	...
Cuba <sup>a</sup>	...	...	...	...	2.6	2.1	1.0
Dominican Republic <sup>a</sup>	...	...	3.7	3.4	2.6	0.2	0.8
El Salvador <sup>a</sup>	...	(0.4)	1.5	0.2	0.5	(3.0)	(0.2)
Guatemala	...	(0.6)	2.1	2.4	3.0	0.9	...
Nicaragua <sup>a</sup>	...	(0.0)	2.6	0.3	0.6	0.9	4.0
Uruguay	1.3	(0.1)	3.3	(2.3)	(0.6)	0.1	...
<b>Average (10 countries)</b>	<b>0.4</b>	<b>(0.2)</b>	<b>2.3</b>	<b>0.1</b>	<b>1.8</b>	<b>0.6</b>	<b>1.4</b>

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

<sup>a</sup> The last column refers only to 2010 data.

<sup>13</sup> The country data used for this analysis are mostly official figures from national accounts. Where these figures were not available, estimates

were made wherever possible. The methodology used to reach these estimates is detailed in Manuelito and Jiménez (2012, forthcoming).

**Table III.11**  
**LATIN AMERICA (10 COUNTRIES): GROSS PRIVATE SAVINGS, AVERAGE ANNUAL RATES OVER THE PERIOD 1980-2011**  
*(Percentages of GDP in national currency at current prices)*

	1980-1981	1982-1990	1991-1998	1999-2002	2003-2008	2009	2010-2011
Argentina	...	...	16.8	16.9	21.4	22.9	...
Bolivia (Plurinational State of)	17.9	18.0	7.0	12.0	16.6	12.5	...
Brazil	...	...	11.6	12.3	17.1	18.0	...
Colombia	16.0	16.5	16.6	17.0	19.6	24.5	...
Cuba	...	...	...	...	...	...	...
Dominican Republic <sup>a</sup>	...	...	12.7	15.6	14.4	9.7	7.2
El Salvador <sup>a</sup>	...	9.9	14.1	14.1	10.6	18.2	11.2
Guatemala	...	11.1	8.7	10.6	12.0	11.4	...
Nicaragua <sup>a</sup>	...	...	0.8	10.0	12.8	10.9	8.8
Uruguay	9.6	11.9	11.0	14.1	15.5	15.1	...
<b>Average (10 countries)</b>	<b>14.5</b>	<b>13.5</b>	<b>11.0</b>	<b>13.6</b>	<b>15.6</b>	<b>14.3</b>	<b>9.1</b>

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

<sup>a</sup> The last column refers only to 2010 data.

**Table III.12**  
**LATIN AMERICA (9 COUNTRIES): NET PUBLIC SAVINGS, AVERAGE ANNUAL RATES OVER THE PERIOD 1980-2011**  
*(Percentages of GDP in national currency at current prices)*

	1980-1981	1982-1990	1991-1998	1999-2002	2003-2008	2009	2010-2011
Chile <sup>a</sup>	...	3.9	4.4	0.8	6.9	(0.4)	3.1
Costa Rica	(0.9)	3.7	2.7	2.6	4.0	1.8	...
Ecuador <sup>a</sup>	3.7	5.2	7.4	3.5	7.3	12.1	7.1
Honduras <sup>a</sup>	...	(1.5)	1.3	2.6	0.9	(3.5)	(2.5)
Mexico <sup>a</sup>	...	1.5	4.4	1.6	2.4	0.3	1.3
Panama	(1.1)	(2.6)	3.1	0.7	1.2	...	...
Paraguay	3.1	0.9	2.7	1.4	4.4	4.1	...
Peru <sup>a</sup>	1.3	(2.3)	0.8	(0.3)	2.2	1.9	5.2
Venezuela (Bolivarian Republic of)	...	17.0	8.2	1.4	5.6	0.8	...
<b>Average (9 countries)</b>	<b>1.2</b>	<b>2.9</b>	<b>3.9</b>	<b>1.6</b>	<b>3.9</b>	<b>1.9</b>	<b>2.9</b>

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

<sup>a</sup> The last column refers only to 2010 data.

**Table III.13**  
**LATIN AMERICA AND THE CARIBBEAN (9 COUNTRIES): NET PRIVATE SAVINGS, AVERAGE ANNUAL RATES OVER THE PERIOD 1980-2011**  
*(Percentages of GDP in national currency at current prices)*

	1980-1981	1982-1990	1991-1998	1999-2002	2003-2008	2009	2010-2011
Chile <sup>a</sup>	...	9.2	7.1	6.7	4.7	8.8	9.1
Costa Rica	8.7	10.5	5.6	4.9	8.0	6.8	...
Ecuador <sup>a</sup>	7.2	(5.7)	11.6	16.8	13.7	15.7	...
Honduras <sup>a</sup>	...	15.6	17.5	14.7	15.9	14.5	13.6
Mexico <sup>a</sup>	...	9.7	4.6	8.1	13.1	12.1	12.0
Panama	20.0	20.0	14.7	9.6	11.7	...	...
Paraguay	9.6	7.6	15.1	13.1	12.4	5.8	...
Peru <sup>a</sup>	17.6	16.8	7.7	10.4	11.7	13.7	12.9
Venezuela (Bolivarian Republic of)	...	2.2	7.8	23.1	25.5	15.2	...
<b>Average (9 countries)</b>	<b>12.6</b>	<b>9.5</b>	<b>10.2</b>	<b>11.9</b>	<b>13.0</b>	<b>10.3</b>	<b>11.9</b>

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

<sup>a</sup> The last column refers only to 2010 data.

**Table III.14**  
**LATIN AMERICA (9 COUNTRIES): FIXED CAPITAL CONSUMPTION, AVERAGE ANNUAL RATES OVER THE PERIOD 1980-2011**  
*(Percentages of GDP in national currency at current prices)*

	1980-1981	1982-1990	1991-1998	1999-2002	2003-2008	2009	2010-2011
Chile <sup>a</sup>	9.5	10.7	10.7	13.2	11.5	12.0	12.0
Costa Rica	5.0	2.8	5.7	5.9	6.0	7.8	...
Ecuador <sup>a</sup>	9.4	14.3	...	...	...	...	...
Honduras <sup>a</sup>	6.3	6.8	6.1	5.3	6.0	5.7	...
Mexico <sup>a</sup>	8.6	11.3	9.9	9.8	8.8	10.4	...
Panama	6.8	7.0	7.0	8.0	7.1	...	...
Paraguay	10.7	10.3	4.0	4.3	3.2	4.1	4.0
Peru <sup>a</sup>	5.3	6.0	6.5	7.2	7.0	6.9	6.6
Venezuela (Bolivarian Republic of)	6.8	7.8	6.8	6.1	5.3	5.0	5.9
<b>Average (9 countries)</b>	<b>7.6</b>	<b>8.6</b>	<b>7.1</b>	<b>7.5</b>	<b>6.9</b>	<b>6.5</b>	<b>5.7</b>

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

<sup>a</sup> The last column refers only to 2010 data.

Data availability at the country level varies. Some countries publish figures on gross public and private savings, that is, without deducting the part corresponding to the depreciation of their capital stock; others do so net of fixed-capital consumption, which is reported separately. Where possible, this analysis uses official figures; as a result, the trend of these aggregates is shown below in accordance with how they are reported by the countries.

Tables III.10 and III.11 show gross public and private savings. Tables III.12 and III.13 show public and private savings net of fixed capital consumption. Table III.14 shows the figures for fixed capital consumption.

Regardless of whether savings are calculated in gross or net terms, the tables show that there was an overall increase in both public and private savings in 2004-2008 as a percentage of GDP. The upward trend was interrupted in 2009 and resumed only partially

in 2010-2011. Private savings levels were at their highest in the 2004-2008 subperiod. The pattern of public savings was different: while this aggregate rose in 2004-2008 compared with 1999-2003, on average it is still below the levels recorded in the first half of the 1990s. As happened with domestic and external savings, the growth of public savings has been concentrated largely in countries that are more specialized in producing and exporting commodities, particularly those in which the public sector owns commodity-producing or mining companies.

Fixed capital consumption<sup>14</sup> stands at around 7% of GDP, although the figures vary between countries. Whereas Chile and Mexico show the highest levels, consumption is lowest in the Bolivarian Republic of Venezuela and Paraguay and the figures in the other countries are close to the regional average.

## C. Policy guidelines to strengthen investment

Ongoing capital accumulation, strong job creation and solid productivity growth are prerequisites for achieving sustained growth and advances in living standards. Investment plays a pivotal role here, although not an exclusive one. It not only causes a direct increase in production capacity, but also boosts productivity through the incorporation of technological progress, which makes it one of the main forces driving the transformation of production. There are other dimensions to this transformation, however, which do not boil down to the accumulation of factors. ECLAC has discussed these dimensions extensively

in its official publications.<sup>15</sup> This section focuses on strengthening investment.

Section A illustrated the low levels of investment in Latin America (despite recent growth in some countries), low levels of public investment and, with few exceptions, the sluggish performance of private investment. The macroeconomic aspects of investment financing described in section B 2 showed that national savings levels are insufficient and that this has acted as a drag on investment. This section provides some general guidelines arising from the above analysis, which are designed to support investment growth in Latin America.

### 1. Creation of macroeconomic conditions conducive to investment and its sustainable financing

As pointed out by ECLAC recently, two macroeconomic factors have a decisive influence on investment.<sup>16</sup> First, given that investment decisions are long-term, they are positively affected by an economic environment in which fluctuations are kept at bay and are not exacerbated by external or internal imbalances. Especially useful here are countercyclical policies aimed at preventing macroeconomic imbalances and counteracting shocks faced by the region. The notion of stability proposed

does not focus purely on inflation targets, however; it also concerns the consequences of shocks and policies on the variables determining living standards and, in particular, employment.

<sup>14</sup> Fixed capital consumption corresponds to capital depreciation, as recorded in countries' national accounts.

<sup>15</sup> ECLAC, *Structural Change for Equality: An Integrated Approach to Development*, 2012 (LC/G.2524(SES.34/3)), Santiago, Chile, July 2012.

<sup>16</sup> Ibid.

Second, the degree of utilization of production capacity is one of the main determinants of investment rates. The contribution of macroeconomic policy in this area —by means of countercyclical policies— consists in the establishment of a set of macro prices (interest rate, exchange rate and wages, all in real terms) and demand variables (public and private spending) which encourage maximum capacity use. Where such policies are sustainable, they will likely stimulate investment and therefore future growth.

Macroeconomic sustainability is closely connected with the composition of the sources of financing which help to make up external savings. Thus, where external savings are complemented by net FDI inflows and the most stable

investment portfolio components, together with less reliance on foreign debt, external vulnerabilities will be reduced. This composition will enable higher levels of production capacity use, since production will not be subject to restrictions imposed by the availability of foreign currency.

Lastly, macroeconomic strategy should be anchored in a long-term vision, so that temporary situations are tackled with temporary measures which do not alter long-term investment incentives. For example, temporary surges in income levels fuelled by terms of trade gains should be translated into increases in public and private savings, in order to avoid procyclical behaviour. This will help to stabilize investment incentives and strengthen investment financing.

## 2. Strengthening public investment, especially investment in infrastructure

The first challenge in strengthening public investment lies in pushing up public savings, which are at rock-bottom levels in many of the region's countries. To do that, several countries need to adjust the tax burden<sup>17</sup> based on their development needs, while also streamlining spending. The tax burden should be tailored to each national reality and the right conditions should be fostered to promote continued public investment, in order to prevent the sharp fluctuations that have undermined its long-term effectiveness.

Investment in infrastructure is crucial to establishing the basic conditions for long-term growth, given that its impact is spread across the entire production structure and it is therefore one of the key pillars of systemic competitiveness. Continued public investment needs to be sustained through financing even during periods when income drops owing to sluggish economic performance. The conflict between short- and long-term economic policy objectives has tended in some cases to be resolved to the detriment of continued investment plans. An alternative to tackle this dilemma is to establish multi-year budgetary frameworks for investment which are compatible with the sustainable management of public finances and complemented by domestic and external financing strategies.

A complementary measure is to increase the flexibility of fiscal accounts management. An overly simplified accounting treatment which does not distinguish between the long-term economic effects of spending on public investment and current spending overestimates the medium- to long-term effective deficit and fails to represent the variation in State assets properly. This discourages investment in infrastructure by putting the burden of cost entirely on the shoulders of the current generation, even though the benefits are spread out over time. This treatment widens the infrastructure gap and compromises future economic growth. The line of action designed to increase the flexibility of fiscal goals is therefore especially relevant in view of how wide the territorial infrastructure gaps are in some countries.

Another alternative has been to implement public-private partnerships as a tool for financing investment in infrastructure and the provision of public goods. In the right circumstances, in particular where the institutional capacities are in place to oversee service quality and level, and taking into account the potential risks for public finances in the form of contingent liabilities, this tool can contribute to financing infrastructure investment.

However, some aspects of public-private partnerships need to be handled with special care: the government needs to have adequate institutional capacities relating to service level, oversight and evaluation; competition during the process for the awarding of contracts needs to be enhanced, as well as the State's role as a regulatory

<sup>17</sup> As has been demonstrated in several ECLAC publications, the tax burden in the region is too low, in terms of both level and composition. See ECLAC, *Structural Change for Equality: An Integrated Approach to Development*, 2012, op. cit.

and supervisory agent; the design of the project's production characteristics should be as exhaustive as possible; and the guarantees afforded should not undermine the private agent's incentive to provide an efficient service at the agreed level. Furthermore, the guarantees provided by the State should fall within the scope of public action and the State should not assume all risks.

When private investment is used to finance basic services, the role of the State consists in creating the

conditions to achieve medium and long-term profitability in accordance with the risk characteristics of the sector concerned. One strategy may be to establish regulatory frameworks in basic service industries, such as power generation, transmission and distribution, telecommunications, water and sanitation. The main instrument in this area is medium or long-term rate-setting procedures for services, which meet growth and equity needs, balance the interests of users and producers and are public and transparent.

### 3. Support for small and medium-sized enterprises and public banks

Macroeconomic policy should foster conditions that will allow the continued expansion of the production boundary. This has to be supported by appropriate financing and risk reduction to create favourable prospects. A strategy designed to boost investment has to increase the capacity of the financial system, in terms of both the banking system and the shares and bonds market, in order to finance long-term projects and strengthen access by small and medium-sized enterprises to long-term debt and capital resources. This will contribute to both growth and equality.

Specific mechanisms are needed to address the difficulties encountered by small and medium-sized enterprises in accessing credit. These could include long-term credit lines, most likely provided through commercial banks, and loan guarantee schemes. Public, commercial and development banks should develop these market segments and promote the expansion of the regional coverage of the financial system, thereby creating the conditions for

the subsequent incorporation of private banks. The need for support from public banks is especially important in small countries because the transaction costs associated with satisfying liquidity and risk diversification needs are subject to economies of scale.

The provision of capital resources to medium-sized enterprises and innovative firms makes it necessary to tackle the key issues of moral hazard and information asymmetries between investors (or venture capitalists) and company managements. The "limited partnership" corporate structure introduced in the United States to provide venture capital to medium-sized enterprises and innovative firms has gradually been adopted by several countries and should be extended further. Development banks should play a key role in this market segment, both by channelling funds through intermediary companies in the case of venture capital or by taking a direct share in the company's ownership as a minority shareholder.

### 4. Capital market development

The development of capital markets is a key instrument for developing and coordinating the link between saving and investment in each country. In the stock market the initial challenge lies in overcoming the main restrictions on the supply of securities derived from traditional ownership structures which prevent their broader acquisition, the sharing of control or the admission of minority shareholders. Other challenges consist in increasing market liquidity, which is low in the region's stock markets, and bringing

down the high transaction costs. In particular, the presence of institutional investors—which, because of the nature of their obligations, demand long-term securities—needs to be strengthened and measures implemented to prevent their financial savings capacity from being used up by public debt securities. To that end, the development of institutional savings agents (pension funds, life insurance companies, mutual funds and general investment funds), which boost the volume of financial saving and increase

liquidity in capital markets, should form part of a financial development strategy designed to support investment.

With regard to demand for shares, measures are needed to tackle the main disincentive to investment financing: inadequate protection of potential minority investors, who often face the risk of an extraction of value by the controlling partner. In the case of the bond (debt) market, the institutional factors conducive to its development are

very similar to the factors determining the expansion of stock markets; as a result, the policies are largely complementary. The most important measures required to overcome these problems include the establishment of institutions and practices which reduce the information asymmetries between debtors and creditors, as well as other oversight mechanisms which provide greater security for possible investors.

## Chapter IV

# The role of the region's financial architecture in an adverse global economic climate<sup>1</sup>

## A. Introduction

The global financial crisis (2008-2009) and its intense and prolonged impact on economic activity worldwide have once again highlighted the need to reform the international financial architecture so that countries are better able to respond to negative shocks as finance and trade become ever more globalized. The most recent crisis has, like previous ones, sparked heated debate on how the international monetary system works, how the world's global financial markets are regulated and what tools international financial institutions need in order to support countries in the efficient and timely adoption of countercyclical policies aimed at minimizing the impact of turmoil on well-being.

The global crisis showed that international market volatility is neither a thing of the past nor a problem that only affects emerging economies. And it left no doubt that developed and developing countries alike are vulnerable to the ups and downs of the international financial markets and their contagion effects. This unfolding situation has brought back and given new urgency to the discussion about the need for reform.

The reforms being weighed, though limited, are aimed in the right direction; they have revitalized the multilateral financial institutions by increasing their capital and enabling them to provide financing on more flexible terms. The reforms have also brought new mechanisms for providing liquidity through central bank liquidity swap lines. This time around, greater priority has been given to financial

regulation with the introduction of national, regional and international regulatory standards and the return of the debate surrounding the regulation of global capital flows. Another area where efforts have been redoubled is in improving policy coordination among the world's largest economies through the Group of Twenty (G-20).

The current discussion on reforming the global financial architecture is different in that there is explicit recognition that regional institutions have a role to play in complementing the operations of the international ones, especially when it comes to setting the global development

<sup>1</sup> This chapter was prepared jointly by the Economic Development Division and the Financing for Development Division of ECLAC and draws heavily on work by José Antonio Ocampo (2012).

agenda and preventing and managing crises. This is because the institutions making up the regional financial architecture in the emerging economies have the credibility and legitimacy needed to be more actively involved as another layer safeguarding global stability. Strengthening the regional financial institutions is therefore one of the prime goals on the global cooperation agenda because doing so would greatly contribute to stability and to the smooth operation of the international financial system.

Cooperation and financial integration at the subregional level should increase the capacity to provide countercyclical financing for dealing with external shocks and warding off financial contagion. But they should also mobilize resources for development and promote intraregional trade as a way to achieve greater integration among the countries of the region. The region's financial institutions should thus be seen as complementing global institutions in a multi-level structure of financial cooperation based on subsidiarity and solidarity.

The regional financial architecture of Latin America and the Caribbean is one of the oldest in the developing world. With few exceptions, its history is intertwined with trade integration agreements. It is built on four fundamental pillars: support for trade; development finance; support

for liquidity and balance-of-payments financing; and economic policy coordination and cooperation among countries. Progress has been made on all of these fronts, and the recent crisis has spurred fresh initiatives to reinforce existing institutions. In Latin America and the Caribbean, for example, the countercyclical response by some development banks (notably, CAF - Development Bank of Latin America) during the 2008-2009 crisis contributed to greater stability. The measures taken included creating new liquidity facilities for the countries of the region, more flexible lending and capital increases.

But much remains to be done, especially in view of the mounting uncertainty and prospects for slow growth in store for the global economy over the short run. And implementing the development policy with equity that ECLAC has advocated for Latin America and the Caribbean for quite some time would benefit from a wider array of tools for supporting macroeconomic stability in the countries of the region, enhanced trade and growth with equity. This chapter looks at how important the current financial architecture of Latin America and the Caribbean is for addressing crises. It also describes the most recent reforms in this regard and reviews some case studies of regional technical cooperation.

## B. Support for trade and integration through payment systems

### 1. Payment systems in Latin America and the Caribbean

Intraregional trade payment systems are the oldest mechanism for financial cooperation in the region. Their primary objective is to promote trade and regional integration by reducing the use of foreign exchange in commercial transactions. Regional settlement systems have other advantages, as well, such as cutting transaction costs for converting foreign exchange into local currency and reducing exchange risk for the parties involved.

Cárcamo and Pineda (2012) show how the currency used to price international trade transactions depends on the transaction costs faced by importers and exporters in obtaining foreign currency. When an exporter in country A is deciding on what currency to use in setting the price for an importer in country B, its options include the exporter's

currency, the importer's currency and a third currency referred to in the literature as a "vehicle currency". Where the exporter (or importer) faces costs in converting the currency of the importer (or exporter) into its own currency, the transaction will usually be conducted in a third currency. In Latin America and the Caribbean, this tends to be the United States dollar. On the other hand, the fact that such mechanisms can reduce exchange risk favours the use of local currencies in foreign trade because the greater the exchange risk involved in using local currencies the greater the incentive to use an alternative currency.

The Latin American Integration Association (LAIA) Agreement on Reciprocal Payments and Credit (ARPC) is the oldest payment system in the region, except for the one

set up in Central America in the early 1960s that proved to be unworkable during the external debt crisis of the 1980s.<sup>2</sup>

One of the pillars of the agreement is a mechanism for multilateral settlements once every four months. Under the agreement, payments related to international trade transactions (purely financial operations excluded) are made and offset among members; at the end of each four-month settlement period the net credit or debit balance is transferred or received among the participating countries' central banks. Another pillar is a system of guarantees among participating central banks, covering the transactions as well as payment to exporters through the central banks.

Since the middle of the 2000-2009 decade there have been two other intraregional payment initiatives. The first was the launch, in 2006, of a local-currency payment system between Argentina and Brazil that began to operate in 2008 with the expectation that it would subsequently be extended to other members of the Common Market of the South (MERCOSUR). The other initiative is the Unified System for Regional Compensation (SUCRE)

set up by the Bolivarian Republic of Venezuela, Cuba, Ecuador, Honduras, Nicaragua and the Plurinational State of Bolivia in 2009, backed by a reserve and trade convergence fund and based on a common unit of account, the sucre. SUCRE has been operative since January 2010 between the Bolivarian Republic of Venezuela and Cuba; Ecuador and the Plurinational State of Bolivia entered in mid-2010.<sup>3</sup>

Like the ARPC, the local-currency payment system and SUCRE include a clearing mechanism for offsetting and settling debts on payments for exports and imports of goods and services.<sup>4</sup>

Unlike the ARPC, neither the local-currency payment system nor SUCRE includes a system of guarantees. Indeed, the central banks do not guarantee transactions or payments; only transactions that are paid are cleared. SUCRE includes a Reserve and Trade Convergence Fund (FRCC) created in part to smooth the operations of the clearing house by funding temporary external imbalances among participating central banks.

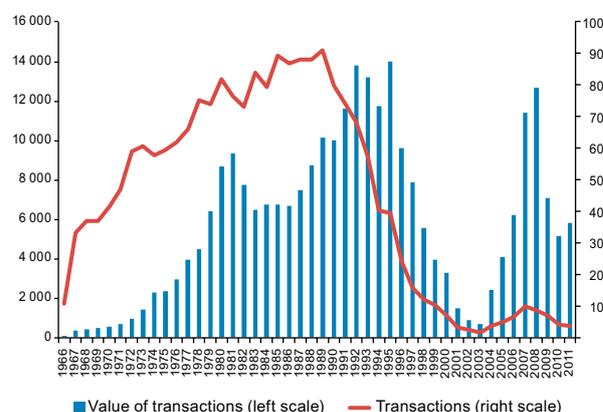
## 2. How payment systems work

Payment systems have helped strengthen regional trade. They have enabled participating countries to make more efficient use of the foreign exchange available for intraregional trade and furthered cooperation among central banks.

During its first three decades of operation, the ARPC proved to be very useful for the signatory countries. The external debt crisis and the ensuing shortage of foreign exchange spurred use of the agreement to the point that by the late 1980s some 90.9% of intraregional import transactions were channeled through this mechanism, with participation evenly balanced among virtually all of the signatories. But the elimination of exchange controls, the unification of markets for all foreign exchange transactions (whether commercial or financial in nature) and, in general, the deregulation of trade and finance gradually rendered the ARPC less relevant. By 2003 its share of intraregional import transactions was just 1.5%. Despite a subsequent uptick it has not passed the double-digit mark and stood at 3.7% in 2011 (see figure IV.1).

By 2011, trade transactions channeled through the agreement totalled US\$ 268.67 billion (LAIA Secretariat, 2012); foreign exchange settlements stood at US\$ 118.07 billion.

Figure IV.1  
LATIN AMERICAN INTEGRATION ASSOCIATION COUNTRIES:  
TRANSACTIONS UNDER THE AGREEMENT ON RECIPROCAL  
PAYMENTS AND CREDITS, 1966-2011  
(Millions of dollars and percentages of intraregional import transactions)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of LAIA General Secretariat, *Convenio de pagos y créditos recíprocos. Evaluación del funcionamiento del sistema de pagos de la ALADI en el año 2011* (ALADI/SEC/di 2468), March 2012.

<sup>3</sup> Honduras withdrew from the initiative in 2010.

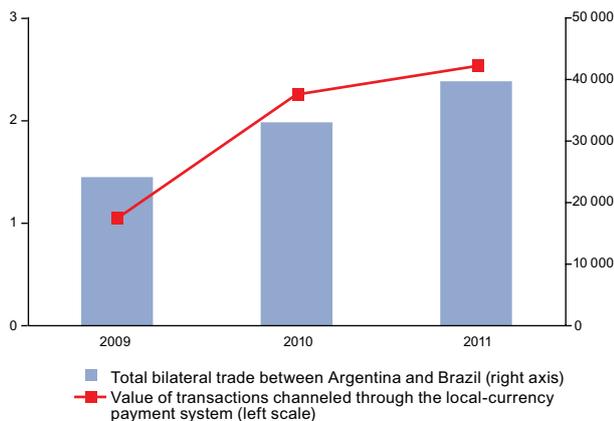
<sup>4</sup> Clearing mechanisms have different settlement periods. Under the Agreement on Reciprocal Payments and Credits, clearing is once every four months. Under the local-currency payment system, clearing is daily; under SUCRE it is half-yearly.

<sup>2</sup> The Central American Clearing House (CACH) was closed down in 1993.

The number of transactions channelled through the local-currency payment system has quadrupled in three years of operations (owing mainly to growing use for Brazilian exports to Argentina). But despite this positive trend, transactions in 2011 accounted for only 2.5% of the total trade value between the two countries.

In 2011, Brazil averaged more than 414 export transactions per month (up some 50% over the previous year); Argentina averaged barely over 4 a month (with a high of 13 transactions in December). Bilateral trade transactions since the system began operating stand at US\$ 106.564 billion as of 2011 (see figure IV.2); just a small fraction of them were channelled through the mechanism.

**Figure IV.2**  
**ARGENTINA AND BRAZIL: LOCAL CURRENCY PAYMENT SYSTEM TRANSACTIONS, 2009-2011**  
(Millions of dollars and percentages of total bilateral trade)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures, 2012.

The local-currency payment system has been used primarily by Argentinean importers of Brazilian products. Between system start-up and May 2012 there have been 11,316 transactions valued at more than US\$ 2.200 billion and involving somewhat more than 1,200 firms (60% from Brazil, concentrated in the southern states of Brazil, and 40% from Argentina). The frequency distribution of transactions during the same period shows that 46% of all transactions channelled through the mechanism were for less than US\$ 50,000; transactions between US\$ 500,000 and US\$ 1 million and transactions in excess of US\$ million accounted for nearly 4% each.

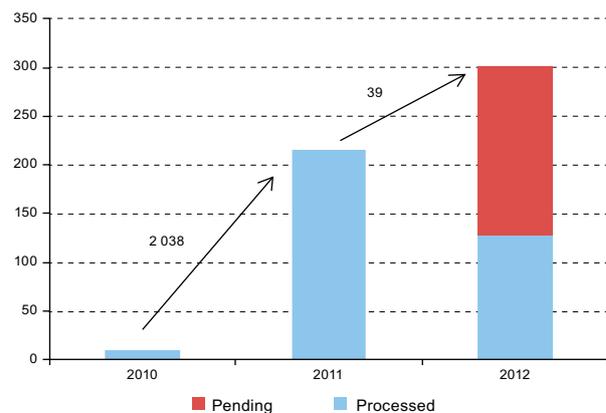
Private firms account for the bulk of the transactions channelled through the local-currency payment system. It has proven useful for small and medium-sized enterprises lacking access to the foreign currency instruments

provided by commercial banks. While the fraction of total exports from Brazil to Argentina funded through the system is small, excluding exports with reference prices in dollars, commodities and automobile sector exports brings the share of transactions channelled through it in 2011 to nearly 14%. Small and medium-sized enterprises account for 25% of the total export value mobilized by the system (Cárcamo and Pineda, 2012).

The positive results posted by SUCRE since its implementation a little more than two years ago suggest that its objectives are on the way to being met. SUCRE is an initial step towards building a cross-border payment system within the framework of the Bolivarian Alliance for the Peoples of Our America-Peoples' Trade Agreement, which is regarded as a cornerstone for the financial integration of its member States.

The States Parties seem to be making incipient progress towards the goal of building trade among themselves and phasing out the use of the United States dollar in these transactions (see figure IV.3). According to the most recent information available (Borja, 2012), as of March 2012 SUCRE had channelled a cumulative 760 transactions since it began operations in 2010, totaling 301.2 million sucres (approximately US\$ 270 million). The 323 transactions conducted during the first three months of 2012 equate to 77 % of the 431 transactions recorded in all of 2011, which came to 216 million sucres (about US\$ 173 million). Transactions are expected to top 750 million sucres (approximately US\$ 938 million) towards year-end 2012—a sign that use of the system by the member States is being consolidated.

**Figure IV.3**  
**BOLIVARIAN REPUBLIC OF VENEZUELA, CUBA, ECUADOR, HONDURAS, NICARAGUA AND PLURINATIONAL STATE OF BOLIVIA: TRANSACTIONS UNDER THE UNIFIED SYSTEM FOR REGIONAL COMPENSATION (SUCRE), 2010-2012<sup>a</sup>**  
(Sucres and percentages of growth)



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

<sup>a</sup> Payment transactions through 16 March 2012.

## C. Liquidity and balance-of-payments support through management of reserves

### 1. Regional reserve funds as a complement to global financial institutions

Latin America has a Latin American Reserve Fund (FLAR) in which six of the 12 members of the Union of South American Nations (UNASUR) participate. They are the Bolivarian Republic of Venezuela, Colombia, Ecuador, Peru, the Plurinational State of Bolivia and Uruguay, plus Costa Rica. The fund is seen as a complementary line of defence for dealing with the impacts of financial

crises and preventing financial contagion by providing countercyclical funding and by supplementing resources that developing countries might receive from international institutions like the International Monetary Fund (IMF). The reserve fund thus helps fill the gaps in the structure of the international financial system by providing regional public goods.

### 2. Objectives and instruments of the Latin American Reserve Fund

The FLAR has three basic functions: (i) provide balance of payments assistance by means of loans and guarantees; (ii) improve the terms of investments of international reserves made by member countries; and (iii) help harmonize the countries' exchange, monetary and financial policies.

The first function has, in practice, turned out to be the most important. The second function has gained in importance in recent years, helping manage not only country reserve portfolios but also portfolios held by other public institutions and providing advice and training in this field. This can be seen in the growth of deposits in

the institution, especially since 2006 (US\$ 2.297 billion 2011 versus an average of US\$ 359 million during the 10 years prior to 2006). The third function has been rather marginal and has involved participating in dialogues.

The financial support that the FLAR provides its participating countries depends on coverage and level of capitalization. At present the fund comprises seven countries; its subscribed capital is in excess of US\$ 2.3 billion and its paid-in capital stands at more than US\$ 2 billion. The latter figure represents, on average, 0.21% of GDP and 1.6% of the international reserves of the fund's member countries (see table IV.1).

Table IV.1  
LATIN AMERICAN RESERVE FUND: PAID-IN AND SUBSCRIBED CAPITAL <sup>a</sup>  
(Millions of dollars and percentages)

Country	Paid-in capital (millions of dollars)	Subscribed capital (millions of dollars)	Paid-in capital (percentage of GDP)	Paid-in capital (percentage of international reserves)
Bolivia (Plurinational State of)	195.7	234.4	1.00	2.01
Colombia	391.3	468.8	0.14	1.39
Costa Rica	234.4	234.4	0.65	5.06
Ecuador	195.7	234.4	0.33	7.46
Peru	391.3	468.8	0.25	0.88
Uruguay	234.4	234.4	0.59	3.06
Venezuela (Bolivarian Republic of)	391.3	468.8	0.10	1.32
<b>Total</b>	<b>2 034.1</b>	<b>2 344.0</b>	<b>0.21</b>	<b>1.61</b>

Source: Cecilia Vera and others, "Hacia una cobertura regional más amplia de un fondo de reservas", Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), August 2012, unpublished.

<sup>a</sup> Capital paid in by the countries as of March 2012. Data on the stock of international reserves and GDP are for 2010.

In practice, FLAR functions as a savings and loans cooperative from which the central banks of member countries may draw loans proportional to the capital they pay in and depending on the credit arrangements

they use. FLAR offers its members five types of facility: balance-of-payments support, external debt restructuring support, liquidity support, standby facilities and treasury credits (see table IV.2).

**Table IV.2**  
**LATIN AMERICAN RESERVE FUND (FLAR) AND INTERNATIONAL MONETARY FUND (IMF): LENDING TO MEMBER COUNTRIES, 1978-2011**  
(Millions of dollars)

	Liquidity facility	Balance-of-payments support	Debt restructuring	Standby facility	Total granted by FLAR	Percentage	IMF disbursements	Difference between FLAR and IMF
<b>Old members</b>								
Bolivia (Plurinational State of)	779	153	0	0	931	15.1	998	0.93
Colombia	560	229	0	375	1 164	18.8	0	
Ecuador	700	1 588	200	0	2 488	40.2	1 159	2.15
Peru	519	631	0	0	1 149	18.6	2 213	0.52
Venezuela (Bolivarian Republic of)	23	271	0	0	294	4.7	3 642	0.08
<b>New members</b>								
Costa Rica <sup>a</sup>	0	0	156	0	156	2.5	0	
Uruguay <sup>a</sup>	0	0	0	0	0	0.0	0	
<b>Total</b>	<b>2 579</b>	<b>2 871</b>	<b>356</b>	<b>375</b>	<b>6 181</b>	<b>100.0</b>	<b>8 011</b>	<b>0.77</b>
Percentage	41.7	46.4	5.8	6.1	100.0			

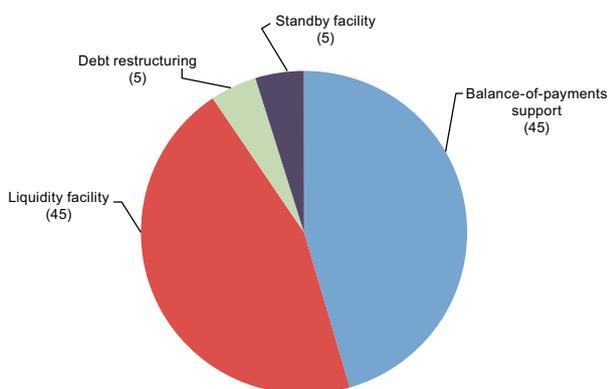
Source: José Antonio Ocampo, "La arquitectura financiera mundial y regional a la luz de la crisis", Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), unpublished, 2012.

<sup>a</sup> For Costa Rica and Uruguay, funding since they became members.

The balance-of-payments credit facility provides funding for up to three years with a drawdown limit equivalent to 2.5 times paid-in capital. The liquidity facility provides financing for up to one year with a drawdown limit equivalent to 1.0 times paid-in capital.<sup>5</sup>

The most frequently used credit arrangements are balance-of-payments support and liquidity loans. Of the US\$ 9.768 billion in loans granted by the FLAR between its creation and 2011, the two arrangements accounted for US\$ 4.442 billion and US\$ \$4.403 billion, respectively (45% of the total in each case) (see figure IV.4).

**Figure IV.4**  
**LATIN AMERICAN RESERVE FUND: LENDING BY TYPE OF CREDIT FACILITY, 1978-2011**  
(Percentages)



Source: Cecilia Vera and others, "Hacia una cobertura regional más amplia de un fondo de reservas", Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), August 2012, unpublished.

<sup>5</sup> For balance-of-payments support, central bank debt restructuring, liquidity and standby loans, Ecuador and the Plurinational State of Bolivia have drawdown limits that are equivalent to 0.1 times paid-in capital higher than the other participating countries.

Little use has been made of the debt restructuring and standby facilities. The former has been used just twice (by Ecuador in 1995 and by Costa Rica in 2003). The standby facility has been used just once, by Colombia in 1999. The treasury facility has never been used.

Despite the limitations arising from its geographic coverage and the level of capitalization of the participating countries, the FLAR has provided timely, expeditious funding (its average loan approval period is 45 days) at a relatively low cost thanks to its credit rating.

All of the participating countries (except for Uruguay, which joined in 2008) have drawn on the fund's credit facilities. In absolute terms, Ecuador has done so the most, benefitting from two fifths of all loans granted by the FLAR and nearly half of its disbursements. Colombia, Peru and the Plurinational State of Bolivia follow, in that order, at nearly one fifth each of the loans granted (15% in terms of disbursements). The Bolivarian Republic of Venezuela and Costa Rica (the most recent member) have drawn smaller amounts from the facilities. The Plurinational State of Bolivia and Colombia have preferred to turn to the liquidity facilities; Peru and, in particular, Ecuador have made more active use of the balance-of-payments facilities. More than half of the funding disbursed through this facility in the history of the fund has gone to Ecuador. In July 2012, the FLAR approved a US\$ 514.6 million loan to Ecuador to support balance-of-payments financing.<sup>6</sup>

But, as is to be expected, the credit facilities have been drawn on more frequently in times of crisis, especially during the external debt crisis (1980-1989) and the Asian, Russian and Brazilian crises (1997-1999). During the external debt crisis, the FLAR granted loans to virtually all of its members.

<sup>6</sup> The loan is for three years including a one-year grace period, at three-month LIBOR plus a spread of 3.6% to 4% to be defined on the date the loan agreement is signed.

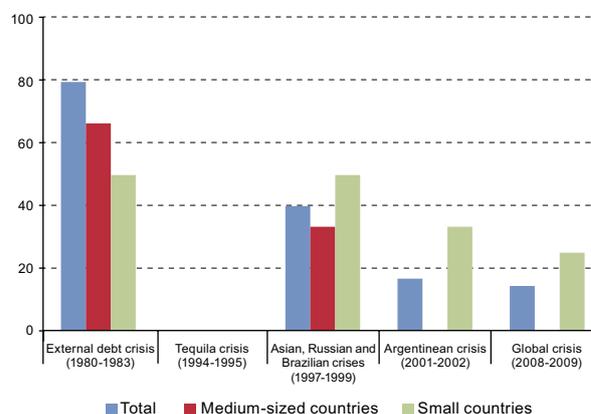
By contrast, during the Asian, Russian and Brazilian crises half of the participants received loans. During the Argentinean crisis and the recent global crisis (2009), only one country each turned to the FLAR because of liquidity requirements.

Even during crises, though, greater frequency of use did not mean that the countries drew on the fund at the same time (see figure IV.5). This might be because the likelihood of simultaneous contagion is not high; indeed, the impacts of crises are felt by the countries of the region sequentially instead of at the same time.

These findings could also mean that the FLAR is not the only line of defence for covering liquidity needs, especially for the large and medium-sized countries. Some of the countries of Latin America and the Caribbean (Brazil, Colombia and Mexico, for example) have used funding from the International Monetary Fund and from central banks of the region to deal with the impacts of the global crisis.

Nevertheless, FLAR loan disbursements have at times exceeded IMF loan disbursements. During the external debt crisis (1983-1988), the FLAR disbursed twice as much funding as the IMF —75% more during the Asian, Russian and Brazilian crises (see table IV.2).

Figure IV.5  
LATIN AMERICAN RESERVE FUND: MEMBER COUNTRIES  
USING THE FUND IN TIMES OF CRISIS  
(Percentages)



Source: Cecilia Vera and others, "Hacia una cobertura regional más amplia de un fondo de reservas", Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), August 2012, unpublished.

## D. Development banks, funding for production development and countercyclical policies

The subregional development banks were created in the 1960s to support the economic integration of Latin America and the Caribbean. Their operations primarily targeted small and medium-sized economies. The idea was for them to perform specific, local functions that were not always among the capabilities of other financial institutions. They are also an indispensable source of information and know-how in the spheres of economic growth and development; as such, they make it possible to tailor policies to the economic needs and political constraints of the countries of the region. Besides, they do not use macroeconomic conditionality mechanisms and are able to build simple, flexible relationships between the holders and the beneficiaries of funding. And they can reduce information asymmetries, which tend to be less marked at the regional or subregional level.

The region's development banks include CAF - Development Bank of Latin America, Central American Bank for Economic Integration (CABEI), Caribbean Development Bank (CARIBANK) and the

Financial Fund for the Development of the River Plate Basin (FONPLATA).<sup>7</sup> The Bank of the South is expected to start operations very soon.

<sup>7</sup> The shareholder countries of CAF - Development Bank of Latin America (1971) are Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Jamaica, Mexico, Panama, Paraguay, Peru, Plurinational State of Bolivia, Portugal, Spain, Trinidad and Tobago and Uruguay. CABEI (1961) member countries include the founding members (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua), the extraregional members (Argentina, Colombia, Dominican Republic, Mexico, Panama, Spain and Taiwan Province of China) and a beneficiary country (Belize). CARIBANK groups most of the English-speaking States of the Caribbean, plus Haiti, as well as other countries outside the Caribbean that cannot borrow from it, such as Bolivarian Republic of Venezuela, Canada, China, Colombia, Germany, Italy, Mexico and the United Kingdom of Great Britain and Northern Ireland. The Agreement on Reciprocal Payments and Credit under the Latin American Integration Association was signed in 1965 and amended in 1982; the CARICOM Multilateral Clearing Facility was established in 1977.

The subregional development banks have, over the years, been a significant source of resources for the countries of Latin America and the Caribbean. Their traditional functions centred on mobilizing medium- and long-term resources for funding production investment in areas that favoured economic complementation. They have gone beyond being a source of funding to take on a more active role in the financial development of the countries of the region that can be seen in their growing relevance. In addition to their

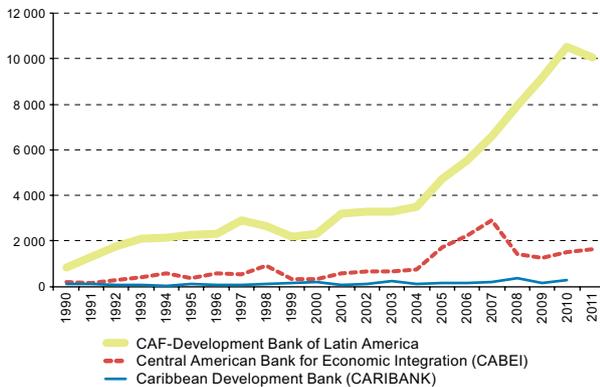
founding members, the subregional development banks have admitted non-founding and even extraregional members.

Like the FLAR, the subregional development banks have higher investment ratings than the countries, partly because they more than comply with capital requirements set by international agreements such as the Basel Accord. They are therefore in a position to intermediate with private funds at a lower cost than their member countries would be able to obtain.

## 1. The evolving subregional development banks

As is the case with national development banks, the subregional banks lost some of their relevance during the 1980s but started to regain it in the 1990s. As figures IV.6 and IV.7 show, there was a qualitative leap in the 2000s, when the subregional banks significantly increased the volume of resources channeled through them and their share of total multilateral development bank lending to Latin America and the Caribbean. In 2011, subregional banks made almost US\$ 12 billion in loans to the region, representing 36% of total multilateral development bank lending to Latin America and the Caribbean.<sup>8</sup>

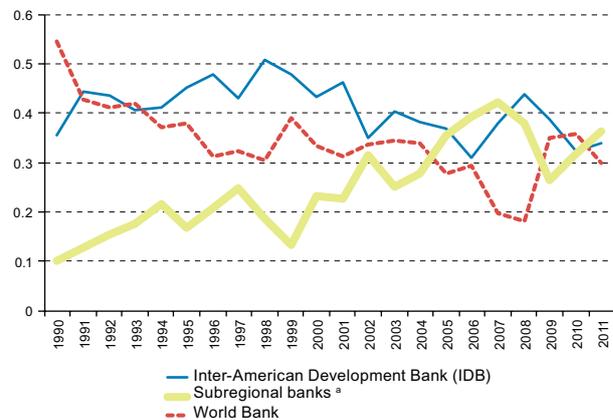
**Figure IV.6**  
**LATIN AMERICA AND THE CARIBBEAN: SUBREGIONAL DEVELOPMENT BANK LOAN APPROVALS, 1990-2011**  
(Millions of current dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of annual reports published by the respective institutions.

<sup>8</sup> That same year, the Inter-American Development Bank accounted for 34% of the lending and the World Bank for 30%.

**Figure IV.7**  
**LATIN AMERICA AND THE CARIBBEAN: MULTILATERAL DEVELOPMENT BANK LENDING, 1990-2011**  
(Percentages)

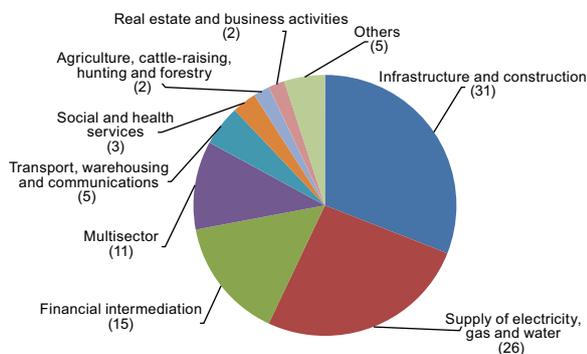


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of annual reports published by the respective institutions.

<sup>a</sup> CAF - Development Bank of Latin America, Central American Bank for Economic Integration (CABEI) and Caribbean Development Bank (CARIBANK).]

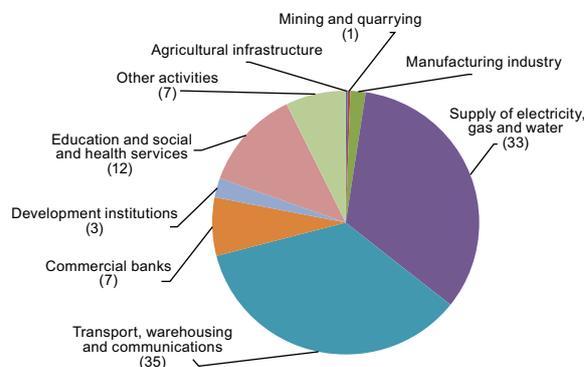
The subregional banks' higher profile is seen not only in the growing volume of resources mobilized towards the countries but also in their broader sectoral diversification and their focus on providing financing for infrastructure and the production sector and on financial intermediation. As figures IV.8, IV.9 and IV.10 show, these sectors account for a substantial share of the loan portfolios of CABEI, CAF and CARIBANK.

**Figure IV.8**  
**CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION:**  
**LOAN PORTFOLIO BY ECONOMIC SECTOR, JUNE 2011**  
*(Percentages)*



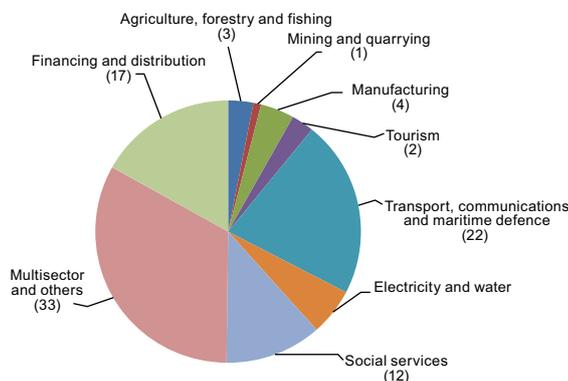
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of annual reports published by the respective institutions.

**Figure IV.9**  
**CAF - DEVELOPMENT BANK OF LATIN AMERICA: LOAN**  
**PORTFOLIO BY ECONOMIC SECTOR, 2011**  
*(Percentages)*



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of annual reports published by the respective institutions.

**Figure IV.10**  
**CARIBBEAN DEVELOPMENT BANK: TOTAL LOANS APPROVED**  
**BY ECONOMIC SECTOR, 1970-2010**  
*(Percentages)*



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

## 2. The countercyclical role of the regional development banks

The development banks are more than a major source of resources for production development in the region and for deepening trade and financial integration. They are also a stable source of countercyclical financing. This not only ensures access to external sources of funding; it also smoothes business cycle fluctuations and thus complements the role played by regional financial institutions like the FLAR. In Central America, for example, CABEL has played a clearly countercyclical role, increasing the volume of

its portfolio of loans to the subregion during 1998-2003 as GDP growth slowed.

There is, however, considerable space for increasing these banks' countercyclical capabilities. Institutions like the World Bank and the IDB are better able to step up the provision of financing during crises because of implicit guarantees from the United States and other industrialized countries. This can be seen in table IV.3, which tracks the financing provided yearly by all of

these institutions during the 2003-2007 boom and the recent global financial crisis. Both the World Bank and the IDB were able to ramp up financing for the region quickly and substantially; their operations in 2009 topped average levels for 2003-2007 by 162%

and 124%, respectively. Something similar took place during the crisis of the late twentieth century. Thus, within the long-term downtrend, the World Bank's share of financing for the region has tended to increase during international crises (see table IV.3).

**Table IV.3**  
**LATIN AMERICA AND THE CARIBBEAN: MULTILATERAL DEVELOPMENT BANK LENDING, 2003-2011**  
(Millions of dollars and percentages)

	World Bank	Inter-American Development Bank (IDB)	CAF - Development Bank of Latin America	Central American Bank for Economic Integration (CABEI)	Caribbean Development Bank (CARIBANK)
2003	5 821	6 810	3 304	682	219
2004	5 320	6 020	3 504	750	114
2005	5 166	6 858	4 746	1 722	153
2006	5 911	6 239	5 521	2 241	137
2007	4 553	8 735	6 607	2 892	211
2008	4 660	11 226	7 947	1 416	348
2009	14 031	15 507	9 170	1 258	174
2010	13 907	12 464	10 533	1 503	301
2011	9 629	10 911	10 066	1 629	
2009 versus average for 2003-2007	162.1%	123.7%	93.6%	-24.1%	4.3%

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

CAF has played a clear countercyclical role, too, especially during the recent crisis. This role was already set out in its objectives as a development bank. The outcome was a new record of loan approvals in 2009 and substantial support from the shareholder countries by means of fast-disbursing operations and standby credit facilities. CAF also enhanced its support for the region's public and private financial systems, and it supported government investment programmes included in each country's anti-crisis strategy. In order to enhance its important countercyclical role, a US\$2.5 billion capital increase for CAF was approved (doubling its paid-in capital).

Nevertheless, this increase in financing was somewhat less substantial than in the case of the World Bank and the IDB. In 2009, World Bank loan approvals for Latin America and the Caribbean were 200% higher than in 2008; IDB approvals were up 38%. Also in 2009, the World Bank established a targeted credit line with a deferred drawdown option that was extremely useful for a number of countries. Eight deferred drawdown option loans for five countries (Colombia, Costa Rica, Guatemala, Peru and Uruguay) were approved in fiscal year 2009 and provided immediate liquidity for responding to disruptions.<sup>9</sup> In 2008 the IDB approved its Liquidity Program for Growth Sustainability, under which it approved US\$ 900 million

in loans that year, increasing to US\$ 1.600 billion in 2009. The opposite happened at CABEI, which substantially cut back on lending during the crisis years and thus showed clearly procyclical behaviour. On a smaller scale, the same was the case at CARIBANK, whose uptrend was halted.

The approximately US\$ 158 million decline in CABEI lending in 2009 was due to a drop in lending to Guatemala and Honduras, which went from US\$ 374 million to US\$ 148 million and from US\$ 276.4 million to US\$ 95.5 million, respectively. Loan approvals for the rest of the economies of the region rose in 2009. Initially, it would seem that the decline in loan approvals for Guatemala and Honduras reflects specific circumstances in those economies rather than any CABEI policy. Disbursements were down for all of the borrowing countries, although the sharpest drop—73% of the total decline—was again in Guatemala (from US\$ 294.1 million to US\$ 121.2 million) and Honduras (from US\$ 201 million to US\$ 381 million).

The drop in CARIBANK lending was seen in all of its instruments. Between 2008 and 2009, ordinary operations went from US\$ 175 million to US\$ 116 million. Special Development Fund operations fell from US\$ 122 million to S\$ 35 million; donations were down from US\$ 50 million to US\$ 15 million. This trend in CARIBANK lending could mean that the countries of the Caribbean were less willing to increase their already high levels of indebtedness. But, although loan approvals declined total disbursements rose by 41% during the period.

<sup>9</sup> The catastrophe deferred drawdown option is a contingent loan product that provides immediate liquidity in the case of adverse events such as a natural disaster, a downturn in economic growth, or unfavourable changes in commodity prices or terms of trade (World Bank, 2009).

An innovation developed by the development banks—particularly IDB and CAF—that has helped boost their countercyclical capability has been the issuance of bonds denominated in currencies of their Latin American member countries. Since the innovation was rolled out in 2004, these bond issues have accounted for a large percentage of total CAF placements. The investor base has been local as well as international. These bonds make it possible to separate currency risk from credit risk and thus add value for investors.

This innovation has several positive implications both for the banks and for the countries. First, they benefit from the development of local bond markets that is in turn enhanced by the participation of agents that investors see as highly reliable. Second, it helps reduce dependence on financing from international sources, which is still procyclical for the countries of the region. Moreover, these bond issues enable the multilateral banks to broaden their sources of funding while reducing their exposure as lenders by cutting the exchange risk of the projects they finance that do not generate foreign currency revenue. Last, these operations lower the countries' exposure to debts denominated in foreign currency, whose value climbs during crises as national currencies depreciate.

Another, more recent (September 2009), development was the Bank of the South initiative, whose mandate is to operate like a monetary fund and lender and further

the economic integration of Latin America. The project groups Argentina, the Bolivarian Republic of Venezuela, Brazil, Ecuador, Paraguay, the Plurinational State of Bolivia and Uruguay, with Chile as an observer. The Bank of the South is expected to have an initial capital of US\$ 20 billion and provide funding for economic and social development projects to support the public and private sectors in Latin America. It would be a step towards the creation of a common currency for the subregion. The Bank of the South will be governed by principles of equality, with one vote per country, although the financial contributions to be made by the countries that have supported the idea have yet to be determined. The Bank of the South complements existing institutions; its capital volume will enable it to play, in the medium run, a substantial role in narrowing social gaps.

The Bank of the South, which will start operations soon, was a long time in the making; the proposal launched in 2007 was completed in 2009 with the signature of the agreement establishing the bank. Its start-up capital could be US\$ 7 billion once the seven potential members come on board.<sup>10</sup> The main challenge is to have sound professional management from the beginning, in order to ensure access to the international financial markets on preferential terms (that is, better than the members have individually) and, over the long run, to be able to tap those markets regularly, like CAF does, in order to play a countercyclical role.

## E. The coordination and cooperation needed for facing future developments

The recent global financial crisis has once again cast a spotlight on one of the weaknesses of the global financial architecture: the lack of policy coordination mechanisms for preventing and managing crises. In the years leading up to the crisis there were many signs of global macroeconomic imbalances between developing and developed countries that likely helped trigger it by encouraging low-cost borrowing in the developed countries. There is also empirical evidence that the impacts of a negative shock are transmitted among the central economies and from them to the peripheral ones through real transmission channels such as trade, the terms of trade and capital flows, especially short-term ones.

Monetary and fiscal policy coordination in the face of negative shocks with contagion effects from one country to another tends to be unwieldy, for several reasons (Cárcamo-Díaz, 2012). There is consensus as to the importance of internalizing the external impacts

of macroeconomic policies where strong channels of transmission exist among countries, which usually calls for some kind of supranational entity. Europe, for example, addressed the issue of monetary policy coordination by adopting a common currency (the euro); fiscal policy remained uncoordinated, as can be seen in dissimilar trends in the public accounts of countries like Greece, Portugal and Spain, on the one hand, and Germany on the other.

But the recent crisis also spurred many initiatives aimed at enhancing cooperation among policy managers worldwide. Mechanisms like the Group of Seven (G7) and the Group of Twenty (G20) have played an important role in coordinating policies aimed at mitigating the impacts of

<sup>10</sup> Argentina, the Bolivarian Republic of Venezuela and Brazil will contribute US\$ 2 billion each; Ecuador and Uruguay will contribute US\$ 400 million each. Paraguay and the Plurinational State of Bolivia will contribute US\$ 100 million. However, ratification by Brazil and Paraguay is still pending.

the crisis. These measures strengthened the international institutions charged with providing liquidity (such as the IMF), led to the creation of other mechanisms for providing financial assistance to countries requiring it (for example, the swaps offered by the United States Federal Reserve to emerging economies like Brazil and Mexico), and enhanced the channels whereby countries communicate their sovereign fiscal policy intentions, thus reducing uncertainty as to the principal effects of such measures, both for the governments themselves and for all economic agents.

Despite efforts by these groupings of the large economies to foster dialogue and cooperation, there is a need to strengthen these mechanisms and find ways to make cooperation groups more representative and inclusive. One of the actions that many emerging economies have taken has been to consolidate their regional macroeconomic cooperation mechanisms with two goals in mind. The first is to try to consolidate positions reflecting common interests in order to devise joint strategies for reinforcing the regional instruments available for influencing the global development agenda. The second objective is to create regional instruments and strengthen existing ones so as to reduce, before the fact, the likelihood of crises appearing and spreading, and to take steps to reduce the intensity and duration of any crises that do hit the region.

Regional cooperation can be an especially powerful tool for achieving the second objective, particularly once it is understood that macroeconomic cooperation among countries should not be limited to cases where there are significant real channels of transmission among countries (such as trade and financial market integration). The existence of knowledge spillovers from non-rival information in the face of substantial uncertainty in implementing monetary, fiscal, exchange and other types of macroeconomic policy provides reason enough for regional and international macroeconomic cooperation in the form of macroeconomic dialogue and cooperation for learning (Cárcamo-Díaz, 2012).

The countries of Latin America and the Caribbean have a long tradition of economic cooperation among themselves dating at least as far back as the end of the Second World War, although the results of that cooperation have been mixed (Noguera, 2012). With the added incentive of the recent crisis, a number of initiatives have been discussed. Some have been adopted to strengthen existing mechanisms for cooperation, above all in the economic sphere and, particularly, in trade. Many of them have involved existing institutions. Others have been the outcome of new efforts and initiatives for fostering the integration of the region.

During the crisis, groups like the Andean Community, MERCOSUR, the Central American Integration System and CARICOM enhanced their cooperation mechanisms in order to monitor developments and work together in

assessing potential repercussions for their economies. This effort has led to regional and subregional meetings of ministers of finance and central bank chairpersons for sharing experiences and responses to the global financial crisis, as well as preparatory meetings for others that are global in scope, such as G20 meetings. It is in this context that the ministers of finance have been meeting yearly since 2008 (that year, in Mexico) and the ministers of finance of Central America have met to coordinate joint efforts in the sphere of public finance. Work has continued on enhancing the exchange of experiences and joint efforts at the technical level among officials from the central banks of the region, both in informal groups and in formal ones such as the Monetary Policy Committee of the Central American Monetary Council and meetings of monetary policy advisers organized by CEMLA. These activities at the technical level are laying the groundwork for building macroeconomic cooperation over the long term by providing targeted solutions for specific problems facing the countries. They are also a key platform for discussing policy options among peers.

New regional policy forums such as UNASUR and CELAC have also stressed the need to strengthen the region's institutions charged with managing reserves, development banks and payment systems. To this end a number of working groups have been created where policy technicians and managers of the region are discussing strategies for enabling existing institutions to meet the challenges the region will face in the near future.

As they share information and experiences and shape a joint approach and response to the impacts of the crisis, the institutions that make up the region's financial architecture (payment systems, development banks and reserve funds) play a dual role in as process facilitators and entities that are subject to evaluation and change in light of how they have responded. As facilitators, these entities have put their technical capabilities at the service of the region's policy managers and have at times operated as a technical secretariat for many of the commissions created by the political authorities of regional bodies.

Facilitating, coordinating and providing services is essential for creating and maintaining networks for cooperation among international and regional agencies, not only because many of the economic cooperation networks are, totally or in part, a public good, but also because of their competitive advantages in providing coordination, research and data collection services and technical assistance, among other functions. ECLAC has supported the region's policymakers as they discuss, implement and operate such initiatives, acting as technical secretariat (drafting studies and providing technical advice), promoting meetings and providing technical inputs, information and analyses.

## Box IV.1

**LATIN AMERICA AND THE CARIBBEAN: RECENT REGIONAL POLICY COORDINATION AND COOPERATION INITIATIVES**

In setting its work agenda (the Caracas Action Plan), the Community of Latin American and Caribbean States (CELAC) expressed the need to step up efforts aimed at boosting the exchange of technical know-how and experiences in macroeconomic and trade issues among the countries of Latin America and the Caribbean. It also committed to develop a preferential tariff area for the entire region.

Since the outbreak of the global financial crisis, the region's ministers of finance have held four yearly meetings, where discussions have centred on four general concepts:<sup>a</sup> (i) constant exchange of financial and economic information; (ii) dissemination and replication of successful experiences; (iii) search for greater regional integration; and (iv) development of regional public goods such as transport

infrastructure and telecommunications. Matters such as capital flows, exchange rates and inflationary pressure were taken up at the fourth meeting.

Other high-level meetings (presidents, ministers of finance, chairs of central banks, and superintendents of banks, insurance and capital markets) have sought to identify areas of cooperation for improving the policymaking process.

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from Inter-American Development Bank (IDB) and the ministries of finance of the countries of the Community of Latin American and Caribbean States (CELAC).

<sup>a</sup> First Meeting of Ministers of Finance of the Americas and the Caribbean, 23-24 June 2008, Cancún, Mexico; Second Meeting of Ministers of Finance of Latin America and the Caribbean, 3 July 2009, Viña del Mar, Chile; Third Meeting of Ministers of Finance of Latin America and the Caribbean, 28 May 2010, Lima, Peru; Fourth Meeting of Ministers of Finance of Latin America and the Caribbean, 26 March 2011, Calgary, Canada.

## Box IV.2

**LATIN AMERICA AND THE CARIBBEAN: RECENT SUBREGIONAL POLICY COORDINATION AND COOPERATION INITIATIVES**

Groups such as the Andean Community, the Central American Integration System (SICA) and MERCOSUR have mechanisms for fostering convergence among their member states in some macroeconomic variables, although these are usually referential.

In August 2009 the CARICOM member states agreed to set up the CARICOM Development Fund, with US\$ 67 million in initial capital, to promote the economic and social development of the countries of this subregion. And there is the Eastern Caribbean Currency Union (ECCU), which requires broad monetary and financial policy coordination efforts. However, as with the euro zone countries, this currency union has no fiscal policy coordination mechanisms; this is a source of considerable tension among the member countries. CARICOM country presidents and prime ministers meet yearly to discuss progress on economic integration and development in this subregion.

In Central America, the Central American Monetary Council (CAMC) has fostered subregional macroeconomic policy convergence, especially in monetary,

exchange and financial policy matters. There has also been an effort to encourage the use of open market operations to control liquidity in the subregion, and to adopt joint measures for preventing and counteracting speculative financial movements and for using national currencies in intraregional transactions. Action has also been taken to start up the regional interconnected payment system and promote the development of a regional capital market by harmonizing and managing public debt. An ad hoc financial stability group was created. The Council of Ministers of Finance of Central America (COSEFIN) has addressed the task of reaching agreements to improve the dissemination and harmonization of fiscal information, and create conditions and spaces for cooperation in fiscal policymaking in the subregion. In response to the crisis, a number of meetings were held to strengthen this grouping's institutions and set strategic axes for dealing with the situation: more forceful and flexible fiscal policy; macroeconomic stability; support for production; defence of the most

disadvantaged sectors; and deepening of regional economic integration.

The Working Group on Financial Integration (GTIF) of the Union of South American Nations (UNASUR) has drafted an agenda for improving coordination in managing international reserves. The goal is for the reserve funds to include all of the UNASUR countries. Also discussed was the need to push for mechanisms promoting trade integration among the countries, particularly the use of the national currencies of the subregion in intraregional trade transactions (the Agreement on Reciprocal Payments and Credit, the local-currency payment system and the Unified System for Regional Compensation (SUCRE)). The agenda also calls for strengthening the role of the development banks (both the existing ones, CAF and the Bank of the South and new initiatives to expand areas of cooperation and spur regional development. In general, policymakers in all the subregional groupings meet regularly to assess progress towards economic and trade integration in the subregion.

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

## F. Future challenges for the region's financial institutions

The region's financial institutions are an essential complement to an international architecture for ensuring macroeconomic stability and economic and

social development. The rationale for regional financial cooperation is recognition that the globalization the world has seen over the past few decades is also a process of

open regionalism.<sup>11</sup> This trend is most obvious in the area of trade. The region's financial institutions can be seen, on the one hand, as a correlate of its trade institutions, encompassing the creation of payment mechanisms that facilitate intraregional trade, support for countries facing balance-of-payments imbalances, providing financing for economies and subregions that are lagging behind and for building regional infrastructure, as well as, on a more general level, providing regional public goods.

There is also an underlying defence having to do with economic policy: a greater sense of member country ownership of regional and subregional institutions. This is especially the case for small and medium-sized countries, which correctly perceive having a stronger voice in such institutions. The result is a special relationship among institutions and countries that is expressed above all in financing facilities tailored to the countries' needs and in

firm preferred creditor status. Because of this, and for the reason cited in the previous paragraph, a global financial architecture based on a network of global, regional and subregional institutions is much more balanced in terms of power relationships than one based on a handful of global institutions. The former not only helps improve the structure of the global economy but also contributes to policy equilibria at the international level.

There are four key areas for improving the regional financial architecture: defining the new role that the subregional development banks should play; strengthening the reserve system; enhancing payment systems; and improving mechanisms so that they become channels for macroeconomic policymaking cooperation and coordination. All of these tools can help reduce the risk that the current global economic cooldown will drag on and negatively impact the region.

## 1. The development banks

The subregional development banks should, first, enhance their role in providing countercyclical funding. This function is key for mitigating the economic and social impacts of crises and external shocks, as the 2008-2009 crisis showed. If the period of slow global growth persists (with its negative impacts on the growth rate in Latin America and the Caribbean), some countries (especially those with less fiscal space and smaller international reserves) would benefit from access to short-term funding in order to avoid procyclical cutbacks in spending in the face of stagnant or falling government revenue.

Second, the subregional development banks are not impacted, either, by sudden changes in perceived risk that have in the past sparked sudden stops in capital flows. Expanding standby access to these institutions brings greater intertemporal external-account stability and

sounder footing for the development of the more open economies of the region, which might be more exposed in the event of a sudden reversal of access to international capital markets. Giving these banks a broader role could be particularly useful if the global economic cooldown persists and capital flows into the region decline. Besides, the regional development banks contribute substantially to the stabilization of financial flows by improving risk management instruments. They should also expand the ways they facilitate access to international financial markets for the countries of the region, such as by supporting the operation of national and regional debt markets.

Third, the role that subregional development banks play as providers of medium- and long-term funding—especially in the area of infrastructure and regional public goods—should be highlighted.

## 2. Payment systems

Intraregional payment systems (including the bilateral ones) and other kinds of trade agreements aimed at cutting transaction costs for the region's exporters and

importers can be especially useful tools in situations like the present one, with its high volatility and uncertainty. International financial market turmoil tends to push up the cost of instruments related to international trade transactions such as loans, commercial letters of credit and insurance. If the external environment for the region worsens significantly, payment mechanisms could (as

<sup>11</sup> ECLAC was one of the first to highlight this regional component of globalization and to propose appropriate integration processes for addressing the issue. See ECLAC (1994).

they have in previous crises) once again prove useful for countries facing external constraints because they are less costly.

In view of the job creation capacity of the region's small and medium-sized enterprises and the fact that they are the main beneficiaries of some intraregional payment systems (the local-currency payment system, for example), improving how these arrangements work would help promote their exports in calm markets and protect them during market turmoil by encouraging the redirection of sales towards regional markets and thus mitigating the impacts of shrinking aggregate external

demand. This would, however, require revising many of the financial costs (such as fees and repayment terms) associated with schemes like LAIA.

For these systems to be sustainable, a good deal of attention needs to be paid to managing the exchange risk associated with central bank clearing processes. In the past, major imbalances in clearing procedures eventually led to cutting off credit facilities and termination of the agreement in question. Other actions that should be considered include improving the integration of existing payment systems and encouraging increased use of those based on the use of local currencies.

### 3. Reserve funds

As for the regional funds, it would be useful to broaden the coverage of the Latin American Reserve Fund in terms of countries and capital. Building up international reserves for individual protection against external shocks is a costly strategy, so it is advisable to have complementary joint instruments to bring down the financial costs of self-insurance.

Increasing the capital of regional reserve funds would make it possible to create new instruments for assistance, with better terms (repayment periods and financial costs).

The FLAR should diversify its functions beyond balance-of-payments support and assistance with liquidity shortages. The fund, along with the regional and subregional development banks and other regional agencies such as ECLAC, can contribute to the discussion and the technical work needed to establish harmonized standards for macroprudential regulation and supervision. The regional reserve funds, like the development banks, should contribute to regional financial integration by supporting the region's capital markets—particularly, the debt markets.

### 4. Economic policy cooperation in the region

Amid heightened uncertainty as to how long the global economic slowdown will last, progress towards enhanced macroeconomic cooperation in Latin America and the Caribbean faces a number of challenges.

First, cooperation can become more difficult as the global downturn reduces the room for manoeuvre. This is particularly the case where monetary or fiscal policies that trigger changes in rates of exchange give rise to conflicts of interest.

Nevertheless, in an uncertain external scenario policymakers assign higher value to the exchange of information and technical experiences for addressing specific policy challenges. This strengthens the argument in favour of the role of regional institutions in establishing

and enhancing linkages among the bodies charged with monetary, exchange, macroprudential and fiscal policy.

A second challenge facing cooperation is the shortage of government resources, especially in terms of response times and human resources. Macroeconomic cooperation is a tool that should be used long enough to be effective. Because such cooperation requires high-level technical and political human resources, authorities can regard it as less of a priority in times of uncertainty with a negative outlook.

Last, it is still essential for regional institutions—development banks, funds and agencies such as ECLAC—to deepen their work and act as facilitators and key links in building and strengthening networks of technical cooperation among national and regional institutions.



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## **Statistical annex**



Table A-1  
LATIN AMERICA AND THE CARIBBEAN: MAIN ECONOMIC INDICATORS

	2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>a</sup>
<b>Annual growth rates</b>									
Gross domestic product <sup>b</sup>	1.8	5.8	4.6	5.6	5.6	4.0	-1.9	6.0	4.3
Per capita gross domestic product <sup>b</sup>	0.5	4.5	3.3	4.3	4.4	2.8	-3.0	4.8	3.1
Consumer prices <sup>c</sup>	8.2	7.3	6.1	5.1	6.5	8.1	4.6	6.5	6.9
<b>Percentages</b>									
Urban open unemployment	11.1	10.3	9.0	8.6	7.9	7.3	8.1	7.3	6.7
Total gross external debt/GDP <sup>d,e</sup>	39.8	34.3	25.0	21.0	19.7	17.2	19.9	19.7	17.6
Total gross external debt/ exports of goods and services <sup>d,e</sup>	170	138	101	84	83	74	101	96	81
<b>Millions of dollars</b>									
<b>Balance of payments<sup>e</sup></b>									
Current account balance	9 128	22 751	36 198	49 907	12 970	-33 171	-23 093	-57 138	-68 097
Exports of goods f.o.b.	392 400	484 274	584 071	698 570	785 646	906 206	704 467	892 210	1 102 880
Imports of goods f.o.b.	353 771	430 019	510 156	608 037	723 734	868 022	653 390	846 168	1 032 326
Services trade balance	-9 052	-9 092	-8 881	-10 165	-16 485	-31 272	-31 666	-47 820	-62 166
Income balance	-59 476	-68 747	-81 883	-94 929	-99 455	-107 772	-100 405	-117 025	-140 130
Net current transfers	39 027	46 334	53 047	64 468	66 999	67 690	57 901	61 667	63 090
Capital and financial balance <sup>f</sup>	697	-7 181	24 856	13 453	112 598	71 664	69 059	143 647	173 488
Net foreign direct investment	39 790	50 212	57 309	32 519	92 803	99 375	70 774	75 555	125 344
Other capital movements	-39 093	-57 392	-32 453	-19 066	19 795	-27 710	-1 716	68 093	48 144
Overall balance	9 826	15 584	60 975	63 599	125 165	38 495	46 034	86 509	105 391
Variation in reserve assets <sup>g</sup>	-28 495	-24 438	-39 604	-50 932	-127 098	-42 123	-50 488	-87 747	-105 795
Other financing	18 674	8 855	-21 371	-12 666	1 945	3 628	4 456	1 237	384
Net transfer of resources	-40 105	-67 073	-78 398	-94 143	15 088	-32 479	-26 891	27 860	33 742
International reserves	174 175	196 435	224 688	273 219	413 837	453 172	514 185	610 494	722 156
<b>Percentages of GDP</b>									
<b>Fiscal sector<sup>h</sup></b>									
Overall balance	-2.9	-1.9	-1.1	-0.0	0.2	-0.5	-2.9	-1.8	-1.8
Primary balance	-0.2	0.5	1.3	2.2	2.1	1.1	-1.1	-0.2	-0.1
Total revenue	16.4	16.8	17.8	18.8	19.3	19.4	18.3	18.8	19.3
Tax revenue	12.9	13.3	14.0	14.5	15.0	14.9	14.3	14.1	14.6
Total expenditure	19.3	18.6	18.9	18.8	19.1	19.9	21.2	20.7	21.1
Capital expenditure	3.7	3.6	3.7	3.6	4.0	4.4	4.5	4.4	4.6
Central-government public debt	57.2	50.9	42.8	35.9	30.1	28.7	30.2	27.4	29.7
Public debt of the non-financial public-sector	61.1	53.9	46.9	39.6	33.6	31.8	33.4	32.5	32.1

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

<sup>a</sup> Preliminary figures.

<sup>b</sup> Based on official figures expressed in 2005 dollars.

<sup>c</sup> December-December variation.

<sup>d</sup> Estimates based on figures denominated in dollars at current prices.

<sup>e</sup> Does not include Cuba.

<sup>f</sup> Includes errors and omissions.

<sup>g</sup> A minus sign (-) indicates an increase in reserve assets.

<sup>h</sup> Central government, except for the Plurinational State of Bolivia, where coverage corresponds to general government. Simple averages for 19 countries.

Table A-2  
**LATIN AMERICA AND THE CARIBBEAN: GROSS DOMESTIC PRODUCT**  
*(Millions of dollars)*

	2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>a</sup>
Latin America and the Caribbean	1 931 924	2 230 438	2 702 652	3 179 434	3 759 303	4 375 373	4 093 656	4 911 800	5 676 245
Antigua and Barbuda	849	905	1 002	1 141	1 296	1 355	1 214	1 154	1 118
Argentina	129 596	153 129	183 196	214 267	262 451	328 469	308 740	370 263	448 165
Bahamas	6 949	7 094	7 706	7 966	8 319	8 247	7 717	7 771	7 788
Barbados	3 245	3 495	3 908	4 197	4 483	4 344	4 397	4 245	4 313
Belize	988	1 056	1 115	1 213	1 277	1 359	1 344	1 395	1 443
Bolivia (Plurinational State of)	8 082	8 773	9 549	11 452	13 120	16 674	17 340	19 650	23 949
Brazil	552 383	663 733	882 044	1 089 253	1 366 853	1 653 535	1 620 164	2 143 034	2 476 648
Chile	77 840	100 631	124 404	154 412	172 869	179 627	172 591	216 309	248 585
Colombia <sup>b</sup>	94 641	117 082	146 567	162 590	207 417	243 983	232 901	286 398	333 161
Costa Rica	17 518	18 595	19 965	22 526	26 322	29 838	29 383	36 218	40 870
Cuba	35 901	38 203	42 644	52 743	58 604	60 806	62 079	64 328	68 234
Dominica	341	367	362	388	419	462	481	472	484
Dominican Republic	20 045	21 582	33 542	35 660	41 013	45 523	46 598	51 576	55 611
Ecuador	28 409	32 646	36 942	41 705	45 504	54 209	52 022	57 978	65 393
El Salvador	15 047	15 798	17 094	18 551	20 105	21 431	20 661	21 428	23 054
Grenada	596	602	701	705	764	832	776	784	816
Guatemala	21 918	23 965	27 211	30 231	34 113	39 136	37 734	41 341	46 898
Guyana	1 185	1 256	1 315	1 458	1 740	1 923	2 026	2 259	2 576
Haiti	2 827	3 660	4 154	4 880	5 971	6 417	6 470	6 635	7 346
Honduras	8 234	8 871	9 757	10 917	12 361	13 882	14 176	15 400	17 447
Jamaica	9 430	10 173	11 239	11 928	12 796	13 752	12 150	13 231	14 457
Mexico	700 325	758 577	846 094	949 066	1 033 176	1 091 982	880 101	1 032 553	1 150 731
Nicaragua <sup>c</sup>	5 322	5 793	6 321	6 786	7 447	8 222	8 062	8 427	9 317
Panama	12 933	14 179	15 465	17 137	19 794	23 002	24 163	26 590	31 075
Paraguay	6 588	8 034	8 735	10 646	13 795	18 503	15 934	20 048	25 638
Peru	61 356	69 701	79 389	92 319	107 524	129 107	130 144	157 438	180 760
Saint Kitts and Nevis	461	498	536	630	689	740	689	673	697
Saint Lucia	781	858	909	1 018	1 132	1 175	1 174	1 209	1 219
Saint Vincent and the Grenadines	482	523	551	611	685	699	672	675	688
Suriname	1 122	1 114	1 376	1 610	1 850	2 305	2 179	2 432	2 517
Trinidad and Tobago	11 305	13 280	15 982	18 369	21 642	27 870	19 662	20 855	22 449
Uruguay	11 695	13 811	17 363	19 579	23 411	30 366	30 497	39 412	46 710
Venezuela (Bolivarian Republic of)	83 529	112 452	145 513	183 478	230 364	315 600	329 419	239 620	316 087

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

<sup>a</sup> Preliminary figures.

<sup>b</sup> Based in the new quarterly national accounts figures published by the country, base year 2005.

<sup>c</sup> After completion of the updated data collection for this edition, Nicaragua published a new series of national accounts with a more recent base year. This information will be incorporated into the analysis in forthcoming economic studies published by ECLAC.

Table A-3  
**LATIN AMERICA AND THE CARIBBEAN: GROSS DOMESTIC PRODUCT**  
*(Annual growth rates)*

	2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>a</sup>
Latin America and the Caribbean <sup>b</sup>	1.8	5.8	4.6	5.6	5.6	4.0	-1.9	6.0	4.3
Antigua and Barbuda	6.6	4.9	6.1	13.5	9.6	0.0	-11.9	-7.9	-5.0
Argentina	8.8	9.0	9.2	8.5	8.7	6.8	0.9	9.2	8.9
Bahamas	-1.3	0.9	3.4	2.5	1.4	-2.3	-4.9	0.2	1.6
Barbados	2.0	1.4	4.0	5.7	1.7	0.3	-4.1	0.2	0.6
Belize	9.3	4.6	3.0	4.7	1.2	3.8	-0.0	2.9	2.5
Bolivia (Plurinational State of)	2.7	4.2	4.4	4.8	4.6	6.1	3.4	4.1	5.2
Brazil	1.1	5.7	3.2	4.0	6.1	5.2	-0.3	7.5	2.7
Chile	3.9	6.0	5.6	4.6	4.6	3.7	-1.0	6.1	6.0
Colombia <sup>c</sup>	3.9	5.3	4.7	6.7	6.9	3.5	1.7	4.0	5.9
Costa Rica	6.4	4.3	5.9	8.8	7.9	2.7	-1.0	4.7	4.2
Cuba	3.8	5.8	11.2	12.1	7.3	4.1	1.4	2.4	2.7
Dominica	7.7	3.3	-0.5	4.4	6.0	7.7	-0.7	0.9	-0.3
Dominican Republic	-0.3	1.3	9.3	10.7	8.5	5.3	3.5	7.8	4.5
Ecuador	3.3	8.8	5.7	4.8	2.0	7.2	0.4	3.6	7.8
El Salvador	2.3	1.9	3.6	3.9	3.8	1.3	-3.1	1.4	1.5
Grenada	9.6	-1.0	13.5	-3.9	5.9	1.0	-6.6	-0.0	1.0
Guatemala	2.5	3.2	3.3	5.4	6.3	3.3	0.5	2.9	3.9
Guyana	-0.6	1.6	-2.0	5.1	7.0	2.0	3.3	4.4	5.4
Haiti	0.4	-3.5	1.8	2.3	3.3	0.8	2.9	-5.4	5.6
Honduras	4.5	6.2	6.1	6.6	6.2	4.2	-2.1	2.8	3.6
Jamaica	3.7	1.3	0.9	2.9	1.4	-0.8	-3.5	-1.5	1.3
Mexico	1.4	4.1	3.3	5.1	3.4	1.2	-6.0	5.6	3.9
Nicaragua <sup>d</sup>	2.5	5.3	4.3	4.2	5.0	2.9	-1.4	3.1	5.1
Panama	4.2	7.5	7.2	8.5	12.1	10.1	3.9	7.6	10.6
Paraguay	4.3	4.1	2.1	4.8	5.4	6.4	-4.0	13.1	4.4
Peru	4.0	5.0	6.8	7.7	8.9	9.8	0.9	8.8	6.9
Saint Kitts and Nevis	-1.4	4.4	9.9	4.7	2.8	4.7	-6.9	-2.4	2.1
Saint Lucia	4.4	8.4	-1.9	9.3	1.5	5.3	0.1	0.4	1.3
Saint Vincent and the Grenadines	7.6	4.2	2.5	7.7	3.4	1.4	-2.2	-2.8	0.1
Suriname	6.8	0.5	4.5	4.7	4.6	4.1	3.5	4.5	4.5
Trinidad and Tobago	14.4	8.0	5.4	14.4	4.6	2.3	-3.0	-0.0	-1.4
Uruguay	2.2	11.8	6.6	4.1	6.5	7.2	2.4	8.9	5.7
Venezuela (Bolivarian Republic of)	-7.8	18.3	10.3	9.9	8.8	5.3	-3.2	-1.5	4.2

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

<sup>a</sup> Preliminary figures.

<sup>b</sup> Based on official figures expressed in 2005 dollars.

<sup>c</sup> Based in the new quarterly national accounts figures published by the country, base year 2005.

<sup>d</sup> After completion of the updated data collection for this edition, Nicaragua published a new series of national accounts with a more recent base year. This information will be incorporated into the analysis in forthcoming economic studies published by ECLAC.

Table A-4  
**LATIN AMERICA AND THE CARIBBEAN: PER CAPITA GROSS DOMESTIC PRODUCT**  
*(Annual growth rates)*

	2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>a</sup>
Latin America and the Caribbean <sup>b</sup>	0.5	4.5	3.3	4.3	4.4	2.8	-3.0	4.8	3.1
Antigua and Barbuda	5.0	3.5	4.8	12.2	8.4	-1.1	-12.8	-8.9	-6.0
Argentina	7.9	8.1	8.2	7.5	7.7	5.8	-0.0	8.2	7.9
Bahamas	-2.7	-0.6	1.9	1.0	-0.0	-3.7	-6.2	-1.1	0.4
Barbados	1.8	1.2	3.8	5.5	1.5	0.1	-4.3	0.0	0.4
Belize	6.8	2.3	0.8	2.4	-0.9	1.7	-2.1	0.8	0.5
Bolivia (Plurinational State of)	0.7	2.2	2.6	3.0	2.8	4.4	1.7	2.5	3.5
Brazil	-0.2	4.4	2.0	2.9	5.1	4.2	-1.2	6.6	1.8
Chile	2.8	4.9	4.5	3.5	3.6	2.7	-2.0	5.1	5.0
Colombia <sup>c</sup>	2.3	3.7	3.1	5.1	5.3	2.0	0.2	2.6	4.5
Costa Rica	4.4	2.4	4.1	7.0	6.2	1.2	-2.5	3.1	2.7
Cuba	3.5	5.5	11.0	12.0	7.2	4.1	1.5	2.4	2.7
Dominica	7.8	3.4	-0.2	4.8	6.4	8.1	-0.3	1.2	-0.2
Dominican Republic	-1.7	-0.2	7.7	9.1	7.0	3.8	2.1	6.3	3.1
Ecuador	1.5	7.0	4.0	3.1	0.5	5.7	-1.1	2.1	6.3
El Salvador	2.0	1.5	3.2	3.5	3.4	0.8	-3.6	0.8	0.9
Grenada	9.4	-1.3	13.2	-4.1	5.6	0.7	-6.9	-0.4	0.6
Guatemala	0.0	0.6	0.7	2.8	3.7	0.8	-1.9	0.4	1.3
Guyana	-1.0	1.2	-2.3	4.8	6.8	1.8	3.1	4.2	5.2
Haiti	-1.2	-5.0	0.3	0.8	2.0	-0.5	1.5	-6.6	4.2
Honduras	2.5	4.1	4.0	4.5	4.1	2.2	-4.1	0.7	1.6
Jamaica	2.9	0.6	0.3	2.3	1.0	-1.2	-3.8	-1.9	0.9
Mexico	0.2	2.8	2.0	3.7	2.1	-0.1	-7.2	4.3	2.7
Nicaragua <sup>d</sup>	1.2	4.0	3.0	2.8	3.7	1.6	-2.7	1.8	3.6
Panama	2.3	5.6	5.3	6.7	10.2	8.3	2.2	5.9	8.9
Paraguay	2.3	2.1	0.2	2.9	3.5	4.5	-5.7	11.1	2.6
Peru	2.7	3.7	5.6	6.6	7.7	8.6	-0.1	7.6	5.8
Saint Kitts and Nevis	-2.7	3.0	8.5	3.3	1.4	3.4	-8.1	-3.6	0.9
Saint Lucia	3.4	7.4	-2.9	8.2	0.4	4.2	-0.9	-0.6	0.3
Saint Vincent and the Grenadines	7.4	4.0	2.3	7.5	3.2	1.3	-2.3	-2.8	0.1
Suriname	5.4	-0.8	5.9	10.1	2.9	2.1	6.7	6.3	3.6
Trinidad and Tobago	14.0	7.6	5.0	14.0	4.2	1.9	-3.4	-0.4	-1.7
Uruguay	2.2	11.9	6.6	3.9	6.3	6.8	2.1	8.5	5.3
Venezuela (Bolivarian Republic of)	-9.4	16.2	8.4	8.0	6.9	3.5	-4.8	-3.1	2.6

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

<sup>a</sup> Preliminary figures.

<sup>b</sup> Based on official figures expressed in 2005 dollars.

<sup>c</sup> Based in the new quarterly national accounts figures published by the country, base year 2005.

<sup>d</sup> After completion of the updated data collection for this edition, Nicaragua published a new series of national accounts with a more recent base year. This information will be incorporated into the analysis in forthcoming economic studies published by ECLAC.

Table A-5  
**LATIN AMERICA AND THE CARIBBEAN: GROSS DOMESTIC PRODUCT<sup>a</sup>**  
*(Variation from same quarter of preceding year)*

	2010				2011 <sup>b</sup>				2012 <sup>b</sup>	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Argentina	6.8	11.8	8.6	9.2	9.9	9.1	9.3	7.3	5.2	0.0
Belize	2.7	1.8	1.1	5.5	6.6	-1.2	2.8	-0.3	7.2	...
Bolivia (Plurinational State of)	3.2	3.8	3.7	5.7	5.6	4.2	5.4	5.5	5.2	...
Brazil	9.3	8.8	6.9	5.3	4.2	3.3	2.1	1.4	0.8	0.5
Chile	2.8	7.1	7.7	6.7	9.9	6.3	3.7	4.5	5.3	5.5
Colombia	3.7	4.6	2.9	4.7	5.0	5.0	7.4	6.2	4.8	4.9
Costa Rica	7.1	5.0	3.1	3.5	2.7	3.6	5.0	5.4	6.9	...
Dominican Republic	7.5	7.5	7.7	8.3	4.3	3.6	4.7	5.2	3.8	...
Ecuador	0.4	2.5	4.5	7.0	8.8	8.5	7.8	6.1	4.8	...
El Salvador	1.2	1.4	1.3	1.5	1.7	1.6	1.6	1.0	1.6	...
Guatemala	3.3	3.6	1.4	3.4	3.6	4.4	4.3	3.3	3.4	...
Jamaica <sup>c</sup>	-1.7	-2.5	-1.1	-0.7	1.5	1.9	0.3	1.5	-0.1	...
Mexico	4.7	7.8	5.3	4.4	4.4	3.1	4.3	3.9	4.5	4.1
Nicaragua	2.1	7.7	0.3	7.5	5.3	1.9	7.0	4.6	5.1	...
Panama	7.1	6.2	8.7	7.8	9.9	12.2	11.4	10.0	10.8	10.4
Paraguay	13.6	14.3	10.8	13.7	6.9	4.9	3.3	2.7	-2.6	...
Peru	6.2	10.0	9.6	9.3	8.9	6.9	6.6	5.5	6.1	6.1
Trinidad and Tobago	1.9	-1.2	1.5	-3.3	-2.4	1.7	-2.3	-2.2	0.0	...
Uruguay	8.8	10.3	7.6	6.5	6.3	4.9	7.5	3.4	4.2	3.8
Venezuela (Bolivarian Republic of)	-4.8	-1.7	-0.2	0.5	4.8	2.6	4.4	4.9	5.8	5.4

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

<sup>a</sup> Based on figures in local currency at constant prices.

<sup>b</sup> Preliminary figures.

<sup>c</sup> At basic prices.

Table A-6  
**LATIN AMERICA AND THE CARIBBEAN: GROSS FIXED CAPITAL FORMATION<sup>a</sup>**  
*(Percentages of GDP)*

	2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>b</sup>
Latin America and the Caribbean	16.7	17.6	18.5	19.8	21.0	22.1	20.5	21.8	23.0
Argentina	15.5	19.1	21.5	23.4	24.4	25.0	22.2	24.7	26.4
Bahamas	21.2	19.9	24.2	29.0	27.8	25.8	24.5	23.5	25.5
Belize	19.5	17.6	18.5	18.0	18.7	24.6	...	...	...
Bolivia (Plurinational State of)	13.4	12.7	13.0	13.5	14.6	16.3	16.2	16.8	19.7
Brazil	15.4	15.9	15.9	16.8	18.1	19.5	18.3	20.6	21.0
Chile	17.5	18.1	21.2	20.8	22.1	25.5	22.6	24.4	27.0
Colombia	17.2	18.2	19.7	21.8	23.3	24.7	24.0	24.1	26.6
Costa Rica	19.9	19.0	18.7	19.1	20.9	22.6	20.3	20.2	20.9
Cuba	8.2	8.3	9.0	11.5	11.0	11.4	10.1	9.6	...
Dominican Republic	16.3	15.8	16.4	17.9	18.6	19.3	15.9	17.3	16.2
Ecuador	21.9	21.1	22.1	21.9	22.0	23.8	22.7	24.2	25.2
El Salvador	16.6	15.5	15.3	16.5	17.1	16.0	13.3	13.5	14.8
Guatemala	18.9	18.1	18.3	20.1	19.8	18.1	15.6	14.9	15.2
Haiti	27.4	27.5	27.4	27.4	27.3	27.9	28.0	27.7	28.6
Honduras	23.1	26.8	24.9	26.5	31.0	31.6	21.1	22.0	24.2
Mexico	18.8	19.5	20.3	21.2	21.9	22.8	21.4	21.6	22.6
Nicaragua	21.5	21.8	23.0	22.5	23.7	23.3	19.3	19.0	21.0
Panama	16.7	16.9	16.8	18.1	22.7	25.9	23.4	24.2	25.4
Paraguay	16.4	16.5	16.6	16.5	17.6	19.5	18.9	20.3	21.6
Peru	17.0	17.5	18.3	20.2	22.9	27.5	25.0	29.0	29.6
Trinidad and Tobago	24.9	20.7	30.2	15.8	14.7	15.6	...	...	...
Uruguay	12.9	15.0	16.5	18.1	18.6	20.7	19.2	19.7	19.7
Venezuela (Bolivarian Republic of)	12.8	16.2	20.3	23.9	27.6	25.3	24.0	24.2	24.2

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

<sup>a</sup> Based on official figures expressed in 2005 dollars.

<sup>b</sup> Preliminary figures.

Table A-7  
**LATIN AMERICA AND THE CARIBBEAN: BALANCE OF PAYMENTS**  
*(Millions of dollars)*

	Exports of goods f.o.b.			Exports of services			Imports of goods f.o.b.			Imports of services		
	2009	2010	2011 <sup>a</sup>	2009	2010	2011	2009	2010	2011 <sup>a</sup>	2009	2010	2011 <sup>a</sup>
<b>Latin America and the Caribbean</b>	<b>704 467</b>	<b>892 210</b>	<b>1 102 880</b>	<b>105 436</b>	<b>117 112</b>	<b>130 821</b>	<b>653 390</b>	<b>846 168</b>	<b>1 032 326</b>	<b>137 101</b>	<b>164 932</b>	<b>192 987</b>
Antigua and Barbuda	217	45	53	511	479	499	626	454	440	248	226	224
Argentina	55 669	68 134	84 315	11 029	13 086	14 252	37 141	53 868	70 754	12 089	14 186	16 541
Bahamas	711	702	758	2 351	2 494	2 553	2 535	2 590	2 797	1 196	1 181	1 323
Barbados	379	422	448	1 432	1 464	1 405	1 295	1 562	1 703	635	588	578
Belize	384	478	566	344	351	338	621	619	727	162	160	139
Bolivia (Plurinational State of)	4 960	6 390	8 332	515	769	801	4 545	5 380	7 664	724	1 032	1 123
Brazil	152 995	201 916	256 040	27 728	31 599	38 210	127 705	181 768	226 234	46 974	62 434	76 161
Chile	55 463	70 897	81 411	8 493	10 831	12 406	40 103	55 572	70 618	10 503	12 637	14 823
Colombia	34 025	40 867	57 721	4 202	4 446	4 856	31 479	38 628	52 225	7 023	8 070	9 501
Costa Rica	8 838	9 516	10 383	3 661	4 320	4 972	10 877	12 956	15 534	1 473	1 783	1 735
Dominica	37	36	34	120	147	148	198	198	204	66	67	69
Dominican Republic	5 483	6 754	8 536	4 836	5 154	5 341	12 296	15 489	17 423	1 849	2 185	2 232
Ecuador	14 412	18 137	23 082	1 337	1 472	1 587	14 268	19 641	23 243	2 618	3 011	3 166
El Salvador	3 930	4 577	5 402	863	976	1 073	7 038	8 189	9 801	953	1 070	1 106
Grenada	35	30	33	139	137	150	263	284	285	98	94	96
Guatemala	7 295	8 536	10 517	1 925	2 291	2 359	10 643	12 806	15 482	2 084	2 381	2 504
Guyana	768	885	1 129	170	248	298	1 169	1 419	1 771	272	344	434
Haiti	551	565	751	379	237	340	2 032	2 809	2 516	772	1 267	1 286
Honduras	4 825	5 742	7 204	953	1 022	1 083	7 299	8 550	10 338	1 103	1 331	1 556
Jamaica	1 388	1 370	1 663	2 651	2 634	2 649	4 476	4 629	5 923	1 881	1 824	1 951
Mexico	229 975	298 860	349 946	14 497	14 937	15 298	234 901	301 820	351 116	23 076	25 257	29 497
Nicaragua	2 391	3 158	4 057	560	573	660	3 929	4 792	6 125	664	719	838
Panama	12 038	12 680	16 949	5 525	6 070	7 150	14 218	17 235	22 946	2 201	2 648	3 375
Paraguay	5 867	8 520	10 389	1 432	1 473	1 917	6 910	9 916	12 066	538	755	903
Peru	26 962	35 565	46 268	3 636	3 693	4 364	21 011	28 815	36 967	4 812	6 038	6 497
Saint Kitts and Nevis	54	79	88	132	130	142	251	236	238	96	99	102
Saint Lucia	191	239	240	353	390	374	458	575	581	190	203	203
Saint Vincent and the Grenadines	53	45	42	139	139	145	294	298	307	94	91	94
Suriname	1 404	2 084	2 467	287	241	201	1 296	1 398	1 679	285	259	563
Trinidad and Tobago	9 175	11 204	12 148	765	876	...	6 973	6 504	7 488	383	391	...
Uruguay	6 392	8 031	9 307	2 245	2 576	3 395	6 896	8 558	10 690	1 315	1 553	2 014
Venezuela (Bolivarian Republic of)	57 603	65 745	92 602	2 227	1 857	1 857	39 646	38 613	46 441	10 724	11 048	12 353

Table A-7 (continued)

	Goods and services balance			Income balance			Current transfers balance			Current account balance		
	2009	2010	2011 <sup>a</sup>	2009	2010	2011 <sup>a</sup>	2009	2010	2011 <sup>a</sup>	2009	2010	2011 <sup>a</sup>
<b>Latin America and the Caribbean</b>	<b>19 413</b>	<b>-1 779</b>	<b>8 945</b>	<b>-100 405</b>	<b>-117 025</b>	<b>-140 130</b>	<b>57 901</b>	<b>61 667</b>	<b>63 090</b>	<b>-23 093</b>	<b>-57 138</b>	<b>-68 097</b>
Antigua and Barbuda	-145	-156	-112	-51	-32	-32	27	22	22	-169	-166	-122
Argentina	17 469	13 166	11 272	-9 012	-9 939	-10 815	12	-398	-462	8 469	2 830	-5
Bahamas	-670	-575	-809	-152	-234	-218	14	-3	-19	-809	-811	-1 047
Barbados	-120	-264	-427	-140	-121	-102	42	20	23	-218	-366	-506
Belize	-54	51	39	-108	-155	-136	79	92	80	-83	-12	-17
Bolivia (Plurinational State of)	206	747	346	-674	-860	-986	1 213	1 081	1 177	746	969	537
Brazil	6 044	-10 687	-8 145	-33 684	-39 486	-47 319	3 338	2 902	2 985	-24 302	-47 272	-52 481
Chile	13 350	13 519	8 376	-11 395	-14 765	-14 015	1 563	4 515	2 418	3 518	3 269	-3 220
Colombia	-275	-1 384	851	-9 298	-11 849	-15 767	4 613	4 475	4 938	-4 960	-8 758	-9 978
Costa Rica	149	-902	-1 914	-1 084	-745	-584	359	366	323	-576	-1 281	-2 176
Dominica	-108	-82	-92	-14	-9	-8	19	20	20	-102	-71	-80
Dominican Republic	-3 826	-5 767	-5 778	-1 721	-1 686	-2 128	3 216	3 124	3 406	-2 331	-4 330	-4 499
Ecuador	-1 138	-3 042	-1 739	-1 374	-1 042	-1 223	2 648	2 475	2 740	136	-1 610	-221
El Salvador	-3 198	-3 706	-4 432	-556	-551	-632	3 442	3 599	3 843	-312	-658	-1 222
Grenada	-187	-211	-198	-66	-51	-48	40	32	31	-213	-230	-215
Guatemala	-3 507	-4 361	-5 110	-1 111	-1 211	-1 553	4 626	4 946	5 207	8	-626	-1 456
Guyana	-502	-630	-778	-17	13	-9	300	371	415	-220	-246	-373
Haiti	-1 875	-3 273	-2 711	13	21	40	1 635	3 097	2 643	-227	-155	-28
Honduras	-2 625	-3 117	-3 606	-530	-598	-955	2 639	2 760	3 058	-516	-955	-1 503
Jamaica	-2 318	-2 449	-3 563	-668	-495	-548	1 858	2 010	2 043	-1 128	-934	-2 069
Mexico	-13 505	-13 280	-15 370	-13 143	-11 318	-16 561	21 531	21 504	22 902	-5 116	-3 094	-9 030
Nicaragua	-1 643	-1 781	-2 246	-251	-275	-247	1 118	1 173	1 192	-775	-883	-1 302
Panama	1 144	-1 133	-2 222	-1 449	-1 859	-1 799	126	129	129	-179	-2 862	-3 892
Paraguay	-149	-678	-664	-302	-533	-307	519	557	701	68	-654	-270
Peru	4 775	4 404	7 169	-8 385	-11 212	-13 710	2 887	3 026	3 200	-723	-3 782	-3 341
Saint Kitts and Nevis	-161	-126	-111	-35	-34	-31	45	46	46	-151	-115	-96
Saint Lucia	-104	-149	-170	-48	-41	-40	12	15	20	-140	-175	-190
Saint Vincent and the Grenadines	-196	-206	-214	-13	-17	-16	11	10	10	-197	-213	-220
Suriname	110	669	426	5	-102	-262	94	87	87	210	653	251
Trinidad and Tobago	2 584	5 185	5 217	-997	-1 058	-590	27	65	283	1 614	4 192	4 911
Uruguay	426	498	-3	-1 013	-1 479	-1 565	138	118	126	-449	-863	-1 442
Venezuela (Bolivarian Republic of)	9 460	17 941	35 665	-3 134	-5 302	-7 964	-291	-568	-496	6 035	12 071	27 205

Table A-7 (concluded)

	Capital and financial balance <sup>b</sup>			Overall balance			Reserve assets (variation) <sup>c</sup>			Other financing		
	2009	2010	2011 <sup>a</sup>	2009	2010	2011 <sup>a</sup>	2009	2010	2011 <sup>a</sup>	2009	2010	2011 <sup>a</sup>
<b>Latin America and the Caribbean</b>	<b>69 059</b>	<b>143 647</b>	<b>173 488</b>	<b>46 034</b>	<b>86 509</b>	<b>105 391</b>	<b>-50 488</b>	<b>-87 747</b>	<b>-105 795</b>	<b>4 456</b>	<b>1 237</b>	<b>384</b>
Antigua and Barbuda	159	179	115	-10	12	-7	30	-31	7	-20	19	0
Argentina	-8 885	1 328	-6 103	-416	4 157	-6 108	-1 327	-4 157	6 108	1 743	0	0
Bahamas	1 062	856	1 147	253	45	100	-253	-45	-100	0	0	0
Barbados	243	400	473	25	34	-32	-25	-34	32	0	0	0
Belize	130	16	9	47	4	-8	-47	-4	8	0	0	0
Bolivia (Plurinational State of)	-488	-46	1 623	325	923	2 160	-325	-923	-2 160	0	0	0
Brazil	70 953	96 373	111 118	46 651	49 101	58 637	-46 651	-49 101	-58 637	0	0	0
Chile	-1 870	-245	17 410	1 648	3 023	14 190	-1 648	-3 023	-14 190	0	0	0
Colombia	6 307	11 893	13 722	1 347	3 136	3 744	-1 347	-3 136	-3 744	0	0	0
Costa Rica	836	1 842	2 308	260	561	132	-260	-561	-132	0	0	0
Dominica	123	73	76	21	1	-4	-8	-1	4	-12	0	0
Dominican Republic	2 737	4 387	4 653	406	58	154	-638	-453	-331	232	395	177
Ecuador	-2 783	397	493	-2 647	-1 212	272	681	1 170	-336	1 966	42	64
El Salvador	735	363	807	423	-295	-414	-423	295	414	0	0	0
Grenada	239	221	205	26	-10	-9	-8	10	9	-18	0	0
Guatemala	465	1 303	1 661	473	677	206	-473	-677	-206	0	0	0
Guyana	454	363	358	234	117	-15	-271	-155	-25	37	38	40
Haiti	76	1 139	165	-150	984	137	-240	-845	-137	390	-139	0
Honduras	91	1 523	1 560	-424	569	57	354	-592	-81	71	24	24
Jamaica	1 098	586	1 864	-29	-348	-205	29	-431	205	0	779	0
Mexico	9 645	23 709	37 210	4 528	20 615	28 180	-4 528	-20 615	-28 180	0	0	0
Nicaragua	956	1 055	1 329	181	172	27	-259	-222	-73	78	50	46
Panama	785	3 313	3 545	606	452	-347	-606	-452	347	0	0	0
Paraguay	849	973	1 054	916	319	784	-915	-319	-784	-0	-0	0
Peru	1 730	14 955	8 032	1 007	11 173	4 691	-1 043	-11 192	-4 724	36	19	33
Saint Kitts and Nevis	177	147	142	26	33	45	-13	-33	-45	-13	0	0
Saint Lucia	173	206	219	33	32	29	-10	-32	-29	-23	0	0
Saint Vincent and the Grenadines	202	238	192	5	25	-28	8	-36	28	-12	10	0
Suriname	-16	-619	-77	193	34	174	-193	-34	-174	0	0	0
Trinidad and Tobago	-2 327	-3 774	-4 594	-713	418	316	713	-418	-316	0	0	0
Uruguay	2 037	502	4 006	1 588	-361	2 564	-1 588	361	-2 564	-0	0	0
Venezuela (Bolivarian Republic of)	-16 834	-20 010	-31 237	-10 799	-7 939	-4 032	10 799	7 939	4 012	0	0	0

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

<sup>a</sup> Preliminary figures.

<sup>b</sup> Includes errors and omissions.

<sup>c</sup> A minus sign (-) indicates an increase in reserve assets.

Table A-8  
**LATIN AMERICA AND THE CARIBBEAN: INTERNATIONAL TRADE OF GOODS**  
*(Indices 2005=100)*

	Exports of goods, f.o.b.								
	Value			Volume			Unit value		
	2009	2010	2011 <sup>a</sup>	2009	2010	2011 <sup>a</sup>	2009	2010	2011 <sup>a</sup>
<b>Latin America</b>	<b>121.6</b>	<b>154.2</b>	<b>191.0</b>	<b>102.9</b>	<b>112.7</b>	<b>117.7</b>	<b>118.2</b>	<b>136.8</b>	<b>162.2</b>
Argentina	137.8	168.7	208.8	109.4	127.2	133.4	125.9	132.6	156.5
Bolivia (Plurinational State of)	175.5	226.1	294.8	116.6	124.2	133.8	150.4	182.0	220.3
Brazil	129.3	170.7	216.4	95.1	104.1	107.3	136.0	164.0	201.7
Chile	132.1	168.9	194.0	105.2	103.7	107.9	125.6	162.9	179.7
Colombia	156.6	188.1	265.6	129.0	128.1	147.1	121.3	146.8	180.6
Costa Rica	124.5	134.0	146.3	128.6	141.2	149.6	96.8	94.9	97.7
Dominican Republic	89.2	109.9	138.9	80.2	94.1	110.1	111.2	116.8	126.1
Ecuador	137.7	173.3	220.5	112.0	117.5	123.6	122.9	147.5	178.4
El Salvador	113.4	132.1	155.9	105.0	118.8	128.6	108.0	111.2	121.2
Guatemala	133.6	156.3	192.6	113.0	121.8	134.0	118.3	128.3	143.7
Haiti	119.9	123.0	163.3	100.2	103.6	134.7	119.6	118.8	121.3
Honduras	95.6	113.7	142.7	87.1	91.8	92.9	109.7	123.9	153.7
Mexico	107.1	139.2	163.0	104.5	121.0	123.2	102.5	115.1	132.3
Nicaragua	144.5	190.9	245.3	127.7	154.8	176.0	113.2	123.3	139.4
Panama	163.2	171.9	229.8	149.5	152.9	191.0	109.2	112.4	120.3
Paraguay	175.0	254.2	309.9	150.2	207.8	226.2	116.5	122.3	137.0
Peru	155.2	204.8	266.4	107.8	109.4	114.7	144.0	187.2	232.2
Uruguay	169.4	212.8	246.6	132.0	148.1	149.3	128.3	143.7	165.2
Venezuela (Bolivarian Republic of)	103.4	118.0	166.2	80.7	73.1	78.6	128.1	161.4	211.5
	Imports of goods, f.o.b.								
	Value			Volume			Unit value		
	2009	2010	2011 <sup>a</sup>	2009	2010	2011 <sup>a</sup>	2009	2010	2011 <sup>a</sup>
<b>Latin America</b>	<b>130.5</b>	<b>170.2</b>	<b>207.9</b>	<b>114.1</b>	<b>141.1</b>	<b>156.7</b>	<b>114.4</b>	<b>120.6</b>	<b>132.7</b>
Argentina	136.0	197.3	259.2	128.4	176.2	209.2	106.0	112.0	123.9
Bolivia (Plurinational State of)	187.0	221.3	315.3	154.9	171.3	223.9	120.7	129.2	140.8
Brazil	173.5	246.9	307.4	138.6	189.9	207.4	125.2	130.0	148.2
Chile	130.8	181.2	230.3	124.2	162.4	188.3	105.3	111.6	122.3
Colombia	156.3	191.9	259.4	137.9	158.2	194.4	113.4	121.3	133.4
Costa Rica	117.5	139.9	167.8	115.9	135.4	151.7	101.3	103.4	110.6
Dominican Republic	124.6	156.9	176.5	118.4	136.8	135.0	105.2	114.7	130.8
Ecuador	147.0	202.3	239.4	128.2	161.9	174.1	114.7	125.0	137.5
El Salvador	108.2	125.9	150.7	98.3	106.9	117.4	110.1	117.8	128.4
Guatemala	110.3	132.7	160.4	94.9	104.8	112.1	116.2	126.7	143.1
Haiti	155.3	214.7	192.3	112.9	152.0	110.7	137.5	141.2	173.7
Honduras	111.5	130.6	158.0	95.6	101.8	107.6	116.7	128.4	146.8
Mexico	105.6	135.7	157.9	93.5	115.2	124.9	113.0	117.8	126.4
Nicaragua	132.9	162.1	207.2	119.0	134.4	151.3	111.7	120.7	136.9
Panama	159.2	192.9	256.9	140.4	162.0	197.2	113.4	119.1	130.3
Paraguay	181.2	260.0	316.3	167.6	229.0	254.7	108.1	113.5	124.2
Peru	173.9	238.5	306.0	130.6	162.6	189.7	133.2	146.6	161.3
Uruguay	183.7	228.0	284.8	152.9	174.9	193.4	120.1	130.4	147.3
Venezuela (Bolivarian Republic of)	165.1	160.8	193.4	151.6	139.3	153.7	108.9	115.5	125.8

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

<sup>a</sup> Preliminary figures.

Table A-9  
**LATIN AMERICA AND THE CARIBBEAN: EXPORTS OF GOODS, f.o.b.**  
*(Millions of dollars)*

	2010				2011				2012 <sup>a</sup>	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Latin America and the Caribbean</b>	<b>189 989</b>	<b>218 040</b>	<b>225 325</b>	<b>239 583</b>	<b>242 264</b>	<b>284 283</b>	<b>282 218</b>	<b>274 011</b>	<b>264 559</b>	<b>271 146</b>
Antigua and Barbuda	6	15	8	6	10	14	3	4	...	...
Argentina	13 045	19 076	18 734	17 319	16 900	23 169	23 508	20 373	18 283	21 364
Bahamas	136	162	137	185	166	204	178	181	...	...
Barbados	105	112	101	111	123	128	108	115	156	70 <sup>b</sup>
Belize	77	82	73	72	101	112	84	79	124	110
Bolivia (Plurinational State of)	1 492	1 736	1 916	1 892	1 870	2 233	2 713	2 361	2 270	2 935
Brazil	39 230	49 958	55 742	56 986	51 233	67 071	71 695	66 041	55 080	62 134
Chile	15 611	16 395	18 430	20 462	20 210	21 337	19 299	20 565	19 845	19 676
Colombia	9 135	10 114	9 745	10 825	12 629	14 555	14 400	15 370	15 418	14 950
Costa Rica	2 412	2 426	2 301	2 309	2 508	2 728	2 565	2 608	2 964	2 987
Dominica	10	6	7	12	6	7	7	9	...	...
Dominican Republic <sup>c</sup>	1 538	1 762	1 736	1 717	1 944	2 337	2 187	2 068	2 182	...
Ecuador	4 135	4 407	4 119	4 829	5 344	5 704	5 602	5 672	6 205	6 036
El Salvador	1 090	1 111	1 170	1 128	1 395	1 379	1 332	1 203	1 404	1 269
Grenada	3	2	1	1	6	10	7	9	...	...
Guatemala	862	748	608	890	2 718	2 702	2 494	2 487	2 639	2 580
Guyana	176	220	220	268	219	314	283	312	305	...
Haiti	120	224	231	162	171	211	224	177	156	...
Honduras	768	751	585	645	1 141	1 184	726	846	1 301	811 <sup>d</sup>
Jamaica	368	320	330	354	419	462	407	378	456	...
Mexico	66 597	74 641	75 590	81 645	81 801	89 283	88 088	90 204	89 671	94 466
Nicaragua	479	499	435	438	637	611	488	527	676	686
Panama	2 683	2 880	2 984	3 637	3 315	3 797	4 573	4 213	4 244	2 743 <sup>d</sup>
Paraguay <sup>e</sup>	1 112	1 266	1 092	1 064	1 152	1 558	1 673	1 134	1 086	1 403
Peru	7 924	8 164	9 299	10 178	10 106	11 752	12 900	11 511	11 808	10 302
Saint Kitts and Nevis	11	13	14	15	11	13	9	5	...	...
Saint Lucia	113	40	32	29	28	52	44	45	...	...
Saint Vincent and the Grenadines	10	11	9	10	8	9	11	11	...	...
Suriname	...	...	...	...	566	619	591	692	619	614
Trinidad and Tobago	2 959	2 873	2 394	3 012	3 016	3 503	...	...	...	...
Uruguay	1 288	1 959	1 763	1 715	1 656	2 140	2 184	1 940	1 885	2 291
Venezuela (Bolivarian Republic of)	16 494	16 064	15 520	17 667	20 856	25 088	23 837	22 872	25 782	23 719

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

<sup>a</sup> Preliminary figures.

<sup>b</sup> Figures as of April.

<sup>c</sup> Includes free zone trade.

<sup>d</sup> Figures as of May.

<sup>e</sup> Refers to registered trade.

Table A-10  
**LATIN AMERICA AND THE CARIBBEAN: IMPORTS OF GOODS, c.i.f.**  
*(Millions of dollars)*

		2010				2011				2012 <sup>a</sup>	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Latin America and the Caribbean</b>		<b>181 998</b>	<b>207 136</b>	<b>225 715</b>	<b>234 051</b>	<b>229 336</b>	<b>263 205</b>	<b>273 612</b>	<b>268 471</b>	<b>249 887</b>	<b>257 963</b>
Antigua and Barbuda	CIF	115	126	130	130	118	128	113	134	...	...
Argentina	CIF	11 067	13 827	15 983	15 915	15 330	18 933	21 152	18 520	15 315	16 997
Bahamas	CIF	615	713	758	777	727	862	897	924	...	...
Barbados	CIF	365	377	394	433	412	446	444	503	433	191 <sup>b</sup>
Belize	CIF	144	176	167	212	188	207	220	216	199	242
Bolivia (Plurinational State of)	CIF	1 168	1 295	1 401	1 538	1 545	1 767	2 146	2 215	1 896	1 941
Brazil	FOB	38 349	42 958	50 937	49 524	48 088	57 257	61 593	59 303	52 649	57 495
Chile	CIF	12 502	14 221	16 018	16 647	17 006	18 459	20 107	19 336	18 342	19 572
Colombia	CIF	8 811	9 486	10 976	11 410	12 189	13 690	14 388	14 407	13 848	14 970
Costa Rica	CIF	3 170	3 355	3 498	3 547	3 859	3 883	4 230	4 248	4 379	4 235
Dominica	CIF	58	59	49	58	49	58	55	59	...	...
Dominican Republic <sup>c</sup>	FOB	2 722	3 334	3 347	3 492	3 896	4 512	4 465	4 550	4 119	...
Ecuador	CIF	4 317	5 054	5 493	5 726	5 333	6 104	6 220	6 629	6 032	6 380
El Salvador	CIF	1 967	2 187	2 122	2 223	2 424	2 624	2 650	2 420	2 577	2 548
Grenada	CIF	84	83	67	83	82	81	82	95	...	...
Guatemala	CIF	3 057	3 470	3 563	3 748	3 855	4 394	4 250	4 114	4 126	4 347
Guyana	CIF	319	365	354	382	372	488	454	458	475	...
Haiti	CIF	631	941	832	809	822	809	770	756	738	...
Honduras	CIF	1 737	1 814	1 717	1 865	2 094	2 348	2 205	2 306	2 356	1 544 <sup>d</sup>
Jamaica <sup>e</sup>	CIF	1 208	1 288	1 294	1 505	1 570	1 635	1 732	1 190 <sup>e</sup>	...	...
Mexico	FOB	66 225	74 725	77 841	82 691	79 893	88 044	91 968	90 939	87 906	92 941
Nicaragua	CIF	880	1 054	1 081	1 158	1 226	1 274	1 320	1 385	1 392	1 497
Panama	CIF	2 069	2 362	2 313	2 401	2 485	2 899	2 910	3 048	2 877	2 076 <sup>d</sup>
Paraguay <sup>f</sup>	CIF	2 099	2 354	2 600	2 987	2 687	3 091	3 331	3 207	2 614	2 753
Peru	FOB	6 336	6 610	7 815	8 054	8 200	9 570	9 690	9 507	9 571	9 992
Saint Kitts and Nevis	CIF	56	67	58	87	66	58	56	61	...	...
Saint Lucia	CIF	140	162	157	193	192	187	182	198	...	...
Saint Vincent and the Grenadines	CIF	81	82	84	91	82	79	83	87	...	...
Suriname	FOB	...	...	...	...	349	471	396	464	399	405
Trinidad and Tobago	FOB	1 656	1 592	1 666	1 590	1 744	2 503	...	...	...	...
Uruguay	CIF	1 756	2 045	2 118	2 703	2 600	2 750	2 652	2 724	2 664	2 886
Venezuela (Bolivarian Republic of)	CIF	8 295	10 953	10 883	12 070	9 856	13 591	12 852	14 470	14 978	14 952

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

<sup>a</sup> Preliminary figures.

<sup>b</sup> Figures as of April.

<sup>c</sup> Includes free zone trade.

<sup>d</sup> Figures as of May.

<sup>e</sup> Figures as of November.

<sup>f</sup> Refers to registered trade.

Table A-11  
**LATIN AMERICA: TERMS OF TRADE FOR GOODS, f.o.b. / f.o.b.**  
*(Indices 2005=100)*

	2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>a</sup>
<b>Latin America</b>	<b>91.0</b>	<b>95.3</b>	<b>100.0</b>	<b>106.8</b>	<b>109.6</b>	<b>113.0</b>	<b>103.3</b>	<b>113.4</b>	<b>122.3</b>
Argentina	100.3	102.2	100.0	106.0	110.0	124.6	118.9	118.4	126.3
Bolivia (Plurinational State of)	88.1	93.0	100.0	125.0	127.0	128.7	124.6	140.9	156.4
Brazil	97.8	98.7	100.0	105.3	107.5	111.3	108.7	126.1	136.1
Chile	73.5	89.3	100.0	131.1	135.6	117.9	119.3	146.0	146.9
Colombia	85.8	92.2	100.0	103.8	112.1	124.4	107.0	121.0	135.4
Costa Rica	108.1	104.0	100.0	97.1	96.1	92.5	95.6	91.8	88.4
Cuba	93.2	102.7	100.0	126.3	132.9	...	...	...	...
Dominican Republic	102.2	101.0	100.0	99.0	102.3	97.7	105.7	101.8	96.5
Ecuador	87.7	89.3	100.0	107.3	110.3	121.1	107.2	118.0	129.8
El Salvador	101.0	100.0	100.0	98.7	97.7	95.0	98.1	94.4	94.4
Guatemala	101.9	100.9	100.0	98.1	96.3	93.8	101.8	101.3	100.4
Haiti	106.8	103.8	100.0	96.2	93.5	67.2	87.0	84.1	69.8
Honduras	100.9	100.0	100.0	95.4	93.6	87.9	94.0	96.6	104.7
Mexico	95.4	98.1	100.0	100.5	101.4	102.2	90.8	97.7	104.7
Nicaragua	103.3	101.4	100.0	97.6	96.6	92.4	101.3	102.2	101.8
Panama	103.9	101.9	100.0	97.1	96.2	91.8	96.3	94.4	92.4
Paraguay	104.2	107.1	100.0	98.1	102.7	110.2	107.8	107.8	110.3
Peru	85.6	93.2	100.0	127.3	132.0	114.4	108.1	127.7	143.9
Uruguay	114.0	110.1	100.0	97.6	97.8	103.7	106.8	110.2	112.2
Venezuela (Bolivarian Republic of)	63.9	76.5	100.0	119.4	130.9	161.6	117.6	139.8	168.1

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

<sup>a</sup> Preliminary figures.

Table A-12  
**LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): REMITTANCES FROM EMIGRANT WORKERS**  
*(Millions of dollars)*

	2008	2009	2010	2011				2012	
				Q1	Q2	Q3	Q4	Q1	Q2
Brazil	2 913	2 224	2 189	536	522	545	531	481	538
Colombia	4 842	4 145	4 023	999	1 013	1 051	1 105	960	704 <sup>a</sup>
Costa Rica	...	489	505	132	126	110	120	122	...
Dominican Republic	3 222	3 042	2 998	764	776	799	862	791	...
Ecuador	...	2 736	2 591	656	698	671	647	596	...
El Salvador	3 742	3 387	3 431	864	948	895	941	946	681 <sup>a</sup>
Guatemala	4 315	3 912	4 127	972	1 203	1 124	1 079	1 058	1 303
Honduras	2 808	2 476	2 524	643	737	705	665	670	241 <sup>b</sup>
Jamaica	2 021	1 792	1 906	480	508	516	522	505	177 <sup>b</sup>
Mexico	25 139	21 245	21 271	5 101	6 061	6 117	5 451	5 372	4 362 <sup>a</sup>
Nicaragua	818	768	823	214	221	227	250	250	165 <sup>a</sup>

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

<sup>a</sup> Figures as of May.

<sup>b</sup> Figures as of April.

Table A-13  
**LATIN AMERICA AND THE CARIBBEAN: NET RESOURCE TRANSFER<sup>a</sup>**  
*(Millions of dollars)*

	2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>b</sup>
<b>Latin America and the Caribbean</b>	<b>-40 105</b>	<b>-67 073</b>	<b>-78 398</b>	<b>-94 143</b>	<b>15 088</b>	<b>-32 479</b>	<b>-26 891</b>	<b>27 860</b>	<b>33 742</b>
Antigua and Barbuda	67	56	136	261	333	291	88	166	83
Argentina	-12 535	-7 175	-3 722	-10 388	-198	-14 317	-16 154	-8 611	-16 917
Bahamas	431	349	358	1 077	1 037	903	909	622	928
Barbados	131	58	263	89	293	204	102	278	372
Belize	64	7	25	-51	-84	38	22	-139	-126
Bolivia (Plurinational State of)	-235	-565	-535	-428	-143	-155	-1 162	-906	637
Brazil	-14 234	-29 955	-35 633	-10 553	56 642	-9 401	37 269	56 887	63 799
Chile	-4 047	-10 615	-10 541	-23 481	-29 153	-1 352	-13 265	-15 011	3 396
Colombia	-2 609	-849	-1 846	-2 925	2 713	-788	-2 991	45	-2 044
Costa Rica	443	432	1 166	2 058	1 929	2 022	-247	1 097	1 724
Cuba	-450	150	-633	-618	-960	...	...	...	...
Dominica	29	20	62	48	66	103	97	63	68
Dominican Republic	-2 787	-2 324	-321	-221	666	2 462	1 248	3 096	2 702
Ecuador	-953	-1 084	-1 580	-3 691	-2 138	-2 148	-2 191	-602	-666
El Salvador	595	132	-59	375	1 039	1 477	179	-188	175
Grenada	87	47	138	203	232	220	155	169	158
Guatemala	1 251	1 359	995	1 096	1 159	1 075	-646	92	108
Guyana	-6	-10	143	242	215	350	474	414	389
Haiti	5	94	-20	201	286	465	479	1 022	205
Honduras	94	743	177	149	612	1 530	-368	949	629
Jamaica	-246	605	623	798	937	2 120	430	871	1 315
Mexico	4 128	1 089	727	-10 998	1 098	7 372	-3 498	12 391	20 649
Nicaragua	520	616	590	804	1 178	1 315	784	830	1 128
Panama	-539	-414	418	-1 198	925	1 562	-664	1 455	1 746
Paraguay	168	-98	72	168	400	486	546	439	747
Peru	-718	-1 354	-4 596	-7 681	-165	-288	-6 619	3 762	-5 645
Saint Kitts and Nevis	71	43	23	70	88	157	130	113	111
Saint Lucia	115	47	40	268	295	264	102	165	179
Saint Vincent and the Grenadines	55	99	70	106	168	204	177	231	176
Suriname	118	112	83	-179	-152	-271	-11	-721	-340
Trinidad and Tobago	-1 418	-1 513	-2 878	-7 088	-4 787	-7 016	-3 323	-4 832	-5 184
Uruguay	979	-137	84	-52	710	3 045	1 024	-976	2 441
Venezuela (Bolivarian Republic of)	-8 679	-17 037	-22 225	-22 603	-20 155	-24 408	-19 968	-25 312	-39 201

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

<sup>a</sup> 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.

<sup>b</sup> Preliminary figures.

Table A-14  
**LATIN AMERICA AND THE CARIBBEAN: NET FOREIGN DIRECT INVESTMENT<sup>a</sup>**  
*(Millions of dollars)*

	2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>b</sup>
<b>Latin America and the Caribbean</b>	<b>39 790</b>	<b>50 212</b>	<b>57 309</b>	<b>32 519</b>	<b>92 803</b>	<b>99 375</b>	<b>70 774</b>	<b>75 555</b>	<b>125 344</b>
Antigua and Barbuda	166	80	221	359	338	174	81	97	59
Argentina	878	3 449	3 954	3 099	4 969	8 335	3 307	6 090	5 592
Bahamas	190	274	563	706	746	860	664	862	900
Barbados	58	-16	119	200	256	223	218	...	...
Belize	-11	111	126	108	139	167	108	96	89
Bolivia (Plurinational State of)	195	83	-291	284	362	508	426	672	859
Brazil	9 894	8 339	12 550	-9 380	27 518	24 601	36 033	36 917	67 690
Chile	2 625	5 096	4 962	5 214	7 720	6 367	5 654	6 351	5 477
Colombia	783	2 873	5 590	5 558	8 136	8 366	4 049	184	5 447
Costa Rica	548	733	904	1 371	1 634	2 072	1 339	1 441	2 099
Dominica	31	26	19	26	40	57	41	24	25
Dominican Republic	613	909	1 123	1 085	1 667	2 870	2 165	1 896	2 371
Ecuador	872	837	493	271	194	1 006	321	158	585
El Salvador	123	366	398	268	1 455	824	366	117	386
Grenada	89	65	70	90	157	142	103	60	40
Guatemala	218	255	470	552	720	737	574	782	967
Guyana	26	30	77	102	110	178	164	270	308
Haiti	14	6	26	161	75	30	38	150	...
Honduras	391	553	599	669	926	1 007	523	799	1 008
Jamaica	604	542	581	797	751	1 361	480	169	180
Mexico	17 301	20 389	17 899	14 248	23 057	25 731	8 940	6 638	10 608
Nicaragua	201	250	241	287	382	626	434	508	968
Panama	818	1 019	918	2 547	1 899	2 147	1 259	2 350	2 790
Paraguay	22	32	47	167	178	272	194	340	483
Peru	1 275	1 599	2 579	3 467	5 425	6 188	5 165	7 062	8 119
Saint Kitts and Nevis	76	56	93	110	134	178	131	120	142
Saint Lucia	106	77	78	234	272	161	146	110	76
Saint Vincent and the Grenadines	55	66	40	109	130	159	97	103	135
Suriname	-76	-37	28	-163	-247	-234	-93	-248	73
Trinidad and Tobago	583	973	599	513	830	2 101	709	549	533
Uruguay	401	315	811	1 495	1 240	2 117	1 512	2 349	2 206
Venezuela (Bolivarian Republic of)	722	864	1 422	-2 032	1 587	45	-4 374	-1 462	5 129

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

<sup>a</sup> Corresponds to direct investment in the reporting economy after deduction of outward direct investment by residents of that country. Includes reinvestment of profits.

<sup>b</sup> Preliminary estimate. Includes an adjustment due to a lack of data.

Table A-15  
**LATIN AMERICA AND THE CARIBBEAN: GROSS EXTERNAL DEBT <sup>a</sup>**  
*(Millions of dollars, end-of-period stocks)*

		2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>b</sup>
Antigua and Barbuda	Public	497	532	317	321	481	436	416	431	444
Argentina	Total	164 645	171 205	113 768	108 839	124 542	124 916	115 537	128 993	139 715
	Public	105 895	115 884	65 374	61 086	70 796	64 446	61 803	69 489	72 992
	Private	58 751	55 322	48 394	47 753	53 746	60 471	53 734	59 504	66 723
Bahamas	Public	364	345	338	334	337	443	767	898	...
Barbados	Total	2 475	2 435	2 695	2 991	3 130	3 487	4 009	4 485	...
	Public	1 495	1 595	1 783	1 851	1 994	2 239	2 513	2 989	...
	Private	980	839	912	1 140	1 136	1 248	1 496	1 496	...
Belize	Public	822	913	970	985	973	958	1 016	1 009	...
Bolivia (Plurinational State of)	Total	7 734	7 562	7 666	6 278	5 403	5 930	5 801	5 875	5 936
	Public	5 167	5 045	4 947	3 275	2 269	2 506	2 710	3 059	3 185
	Private	2 567	2 516	2 719	3 002	3 134	3 424	3 092	2 815	2 751
Brazil	Total	214 929	201 373	169 451	172 589	193 219	198 340	198 192	256 804	291 648
	Public	119 785	114 713	87 567	76 269	70 272	67 352	77 155	82 847	78 281
	Private	95 144	86 660	81 884	96 320	122 947	130 988	121 037	173 957	213 367
Chile	Total	43 067	43 515	46 211	49 497	55 733	64 318	74 041	73 578	77 090
	Public	9 280	9 837	9 847	11 445	12 761	12 288	13 751	13 739	13 958
	Private	33 787	33 678	36 364	38 052	42 972	52 030	60 290	59 839	63 132
Colombia	Total	38 065	39 497	38 507	40 103	44 553	46 369	53 719	64 723	68 893
	Public	24 584	25 835	24 189	26 299	28 819	29 447	37 129	39 546	39 627
	Private	13 480	13 662	14 317	13 803	15 734	16 921	16 590	25 177	29 267
Costa Rica	Total	5 575	5 766	6 763	7 191	8 444	9 105	8 174	9 123	9 043
Dominica	Public	223	209	221	225	241	234	222	242	248
Dominican Republic	Public	5 987	6 380	5 847	6 295	6 556	7 219	8 215	9 947	10 304
Ecuador	Total	16 756	17 211	17 237	17 099	17 445	16 900	13 498	13 895	13 929
	Public	11 484	11 059	10 851	10 215	10 605	10 028	7 364	8 622	8 664
	Private	5 272	6 151	6 387	6 884	6 839	6 871	6 134	5 273	5 247
El Salvador	Total	7 917	8 211	8 877	9 692	9 349	9 994	9 882	9 698	9 819
	Public	4 717	4 778	4 976	5 693	5 444	5 837	6 550	6 831	7 073
	Private	3 200	3 433	3 901	4 000	3 905	4 157	3 332	2 867	2 746
Grenada	Public	279	331	401	481	469	481	512	538	514
Guatemala	Public	3 467	3 844	3 723	3 958	4 226	4 382	4 928	5 562	5 531
Guyana	Public	1 199	1 189	1 215	1 043	718	834	933	1 043	1 111
Haiti	Public	1 316	1 376	1 335	1 484	1 628	1 917	1 272	353	549
Honduras	Total	5 343	6 023	5 135	3 935	3 190	3 464	3 345	3 773	3 911
	Public	4 783	5 201	4 364	3 030	2 026	2 323	2 461	2 831	2 943
	Private	559	822	771	905	1 164	1 141	884	942	968
Jamaica	Public	4 192	5 120	5 376	5 796	6 123	6 344	6 594	8 390	8 390

Table A-15 (concluded)

		2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>b</sup>
Mexico	Total	132 524	130 925	128 248	119 084	127 669	128 851	165 132	196 702	206 096
	Public	79 275	79 226	71 675	54 766	55 355	56 939	96 354	110 428	111 130
	Private	53 249	51 700	56 573	64 318	72 314	71 912	68 778	86 274	94 967
Nicaragua	Public	6 596	5 391	5 348	4 527	3 385	3 512	3 661	3 876	3 989
Panama	Public	6 504	7 219	7 580	7 788	8 276	8 477	10 150	10 439	10 618
Paraguay	Total	2 951	2 901	2 700	2 739	2 868	3 256	3 154	3 718	3 588
	Public	2 478	2 391	2 271	2 240	2 205	2 204	2 234	2 335	2 203
	Private	474	511	429	499	663	1 052	920	1 383	1 385
Peru	Total	29 587	31 244	28 657	28 897	32 894	34 838	35 157	43 674	46 040
	Public	22 779	24 484	22 302	22 026	21 002	19 973	20 241	22 980	23 208
	Private	6 808	6 760	6 355	6 871	11 892	14 865	14 916	20 694	22 832
Saint Kitts and Nevis	Public	316	304	299	310	313	328	306	302	290
Saint Lucia	Total	338	369	388	404	415	364	375	393	370
	Public	324	344	350	365	399	364	373	393	384
Saint Vincent and the Grenadines	Total	195	219	231	220	219	235	261	305	303
	Public	137	167	183	187	...	...	...	...	...
	Private	58	52	48	44	...	...	...	...	...
Suriname	Public	383	384	390	391	298	319	269	334	...
Trinidad and Tobago	Public	1 553	1 364	1 329	1 261	1 392	1 445	1 422	1 561	...
Uruguay	Total	11 013	11 593	11 418	10 560	12 218	12 021	14 064	14 468	15 588
	Public	9 585	10 231	10 198	9 330	11 081	10 748	12 775	12 825	13 855
	Private	1 428	1 362	1 220	1 229	1 137	1 273	1 290	1 643	1 733
Venezuela (Bolivarian Republic of)	Total	40 456	43 679	46 427	44 735	53 855	53 757	69 494	80 831	91 228
	Public	26 421	29 502	32 106	29 476	36 034	38 838	55 918	71 228	81 138
	Private	14 035	14 177	14 321	15 259	17 821	14 919	13 576	9 603	10 090

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

<sup>a</sup> Includes debt owed to the International Monetary Fund.

<sup>b</sup> Preliminary figures.

Table A-16  
**LATIN AMERICA AND THE CARIBBEAN: SOVEREIGN SPREADS ON EMBI+ AND EMBI GLOBAL**  
*(Basis points to end of period)*

		2008	2009	2010	2011				2012	
					March	June	September	December	March	June
Argentina	EMBI+	1 704	660	496	539	568	993	925	880	1 088
Belize	EMBI Global	...	...	617	680	938	1 308	1 391	1 665	1 691
Brazil	EMBI+	428	192	189	173	148	275	223	177	208
Chile	EMBI Global	343	95	115	117	131	181	172	148	167
Colombia	EMBI+	498	196	172	153	121	244	195	141	158
Dominican Republic	EMBI Global	...	...	322	393	393	587	597	506	488
Ecuador	EMBI+	4 731	769	913	780	783	868	846	824	892
El Salvador	EMBI Global	...	...	302	330	321	510	478	453	480
Jamaica	EMBI Global	...	...	427	405	400	629	637	579	640
Mexico	EMBI+	376	164	149	135	123	238	187	159	171
Panama	EMBI+	540	171	162	150	127	252	201	153	187
Peru	EMBI+	509	165	163	171	169	279	216	157	174
Uruguay	EMBI Global	685	238	188	176	151	312	213	173	197
Venezuela (Bolivarian Republic of)		1 862	1 017	1 044	1 035	1 050	1 376	1 197	907	1 097

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from JPMorgan, Emerging Markets Bond Index Monitor.

Table A-17  
**LATIN AMERICA AND THE CARIBBEAN: RISK PREMIUMS ON FIVE-YEAR CREDIT DEFAULT SWAPS**  
*(Basis points to end of period)*

		2008	2009	2010	2011				2012	
					March	June	September	December	March	June
Argentina		4 041	914	602	592	589	1 084	922	823	1 253
Brazil		301	123	111	111	110	202	162	122	157
Chile		203	68	84	61	76	154	132	92	116
Colombia		309	143	113	108	108	199	156	110	143
Ecuador		...	...	...	2 300	2 300	2 250	2 300	2 300	2 300
Mexico		293	134	114	105	107	197	154	118	140
Panama		302	134	99	91	99	195	150	112	144
Peru		304	124	113	138	131	203	172	122	162
Venezuela (Bolivarian Republic of)		3 218	1 104	1 016	1 015	992	1 224	928	722	894

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

Table A-18  
**LATIN AMERICA AND THE CARIBBEAN: INTERNATIONAL BOND ISSUES <sup>a</sup>**  
*(Millions of dollars)*

	2008	2009	2010	2011				2012	
				Q1	Q2	Q3	Q4	Q1	Q2
<b>Total</b>	<b>18 913</b>	<b>64 750</b>	<b>90 183</b>	<b>29 337</b>	<b>22 217</b>	<b>19 694</b>	<b>21 172</b>	<b>42 645</b>	<b>13 348</b>
<b>Latin America and the Caribbean</b>	<b>18 466</b>	<b>61 950</b>	<b>88 657</b>	<b>28 110</b>	<b>22 093</b>	<b>19 019</b>	<b>20 533</b>	<b>41 808</b>	<b>12 517</b>
Argentina	65	500	3 146	1 250	630	313	...	600	63
Bahamas	100	300	...	...	...	...	...	...	...
Barbados	...	450	390	...	...	...	...	...	...
Brazil	6 400	25 745	39 305	13 514	14 485	3 317	7 308	23 913	5 859
Chile	...	2 773	6 750	2 214	300	1 750	1 785	1 350	500
Colombia	1 000	5 450	1 912	1 601	1 300	2 000	1 510	2 850	900
Costa Rica	...	...	...	...	...	...	250	...	250
Dominican Republic	...	...	1 034	...	...	500	250	...	...
El Salvador	...	800	450	654	...	...	...	...	...
Guatemala	30	...	...	...	...	150	...	200	700
Honduras	...	...	20	...	...	...	...	...	...
Jamaica	350	750	1 075	400	...	...	294	250	...
Mexico	5 835	15 359	26 882	6 700	4 685	6 044	4 331	9 520	3 055
Panama	686	1 323	...	502	...	395	...	300	...
Paraguay	...	...	...	100	...	...	...	...	200
Peru	...	2 150	4 693	1 000	...	350	805	2 825	990
Trinidad and Tobago	...	850	...	175	...	...	...	...	...
Uruguay	...	500	...	...	693	...	1 000	...	...
Venezuela (Bolivarian Republic of)	4 000	5 000	3 000	...	...	4 200	3 000	...	...
<b>Supranational issues</b>	<b>447</b>	<b>2 800</b>	<b>1 526</b>	<b>1 227</b>	<b>124</b>	<b>675</b>	<b>639</b>	<b>837</b>	<b>831</b>
Central American Bank for Economic Integration	...	500	151	...	...	...	...	250	...
Caribbean Development Bank	...	...	...	...	...	175	...	...	...
Foreign Trade Bank of Latin America	...	...	...	...	...	...	...	400	...
Andean Development Corporation	447	1 000	1 375	477	124	500	139	187	831
NII Holdings	...	1 300	...	750	...	...	500	...	...

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the International Monetary Fund, Merrill-Lynch and JP Morgan and Latin Finance.

<sup>a</sup> Includes sovereign, bank and corporate bonds.

Table A-19  
**LATIN AMERICA AND THE CARIBBEAN: STOCK EXCHANGE INDICES**  
*(National indices to end of period, 31 December 2005=100)*

	2008	2009	2010	2011				2012	
				March	June	September	December	March	June
Argentina	70	150	228	220	218	160	160	174	152
Brazil	112	205	207	205	187	156	170	193	162
Chile	121	182	251	235	244	198	213	238	224
Colombia	79	122	163	152	148	136	133	158	141
Costa Rica	207	142	118	117	134	132	121	123	123
Ecuador	128	107	126	129	126	127	128	130	135
Jamaica	77	80	82	83	85	88	91	87	84
Mexico	126	180	217	210	205	188	208	222	226
Peru	147	295	487	457	393	382	406	492	421
Trinidad and Tobago	79	72	78	82	89	93	95	95	96
Venezuela (Bolivarian Republic of)	172	270	320	345	394	488	574	979	1 235

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

Table A-20  
**LATIN AMERICA AND THE CARIBBEAN: GROSS INTERNATIONAL RESERVES**  
*(Millions of dollars, end-of-period stocks)*

	2008	2009	2010	2011				2012	
				March	June	September	December	March	June
<b>Latin America and the Caribbean</b>	<b>453 172</b>	<b>514 185</b>	<b>610 494</b>	<b>655 461</b>	<b>686 948</b>	<b>708 738</b>	<b>722 156</b>	<b>747 612</b>	<b>766 612</b>
Antigua and Barbuda <sup>a</sup>	138	108	136	128	129	148	...	...	...
Argentina	46 198	47 967	52 145	51 298	51 695	48 590	46 376	47 291	46 348
Bahamas	563	816	861	975	1 076	979	897	897	953
Barbados	680	829	805	824	806	796	805	806	795
Belize	156	210	216	207	224	235	242	243	262
Bolivia (Plurinational State of)	7 722	8 580	9 730	10 485	10 751	11 408	12 018	12 746	12 438
Brazil	193 783	238 520	288 575	317 146	335 775	349 708	352 012	365 216	373 910
Chile	23 162	25 371	27 864	31 481	34 884	37 840	41 979	39 551	40 344
Colombia	23 672	24 992	28 464	29 859	31 204	32 439	32 303	33 130	34 272
Costa Rica <sup>b</sup>	3 799	4 066	4 627	4 642	4 843	4 763	4 756	4 745	4 870
Dominica <sup>a</sup>	55	64	66	66	65	68	...	...	...
Dominican Republic <sup>b</sup>	2 662	3 307	3 765	2 990	2 945	3 419	4 098	3 459	3 608
Ecuador <sup>c</sup>	4 473	3 792	2 622	3 947	3 841	3 635	2 958	3 368	3 931
El Salvador	2 545	2 987	2 883	3 250	3 059	2 665	2 504	2 652	2 603
Grenada <sup>a</sup>	104	112	103	102	93	109	...	...	...
Guatemala <sup>b</sup>	4 659	5 213	5 954	6 191	6 383	6 303	6 188	6 141	6 813
Guyana	356	628	780	782	779	805	798	...	...
Haiti	587	733	1 283	1 272	1 332	1 350	1 343	1 345	1 333
Honduras <sup>b</sup>	2 690	2 174	2 775	3 046	3 109	2 594	2 880	3 128	2 842
Jamaica	1 795	1 752	2 979	3 435	3 157	2 949	2 820	2 639	2 385
Mexico	95 302	99 893	120 587	128 261	133 894	141 088	149 209	155 949	162 721
Nicaragua	1 141	1 573	1 799	1 715	1 787	1 711	1 892	1 932	1 862
Panama <sup>b</sup>	2 637	3 222	2 843	2 482	2 650	1 814	2 234	1 727	2 241
Paraguay	2 864	3 861	4 169	4 377	4 907	4 881	4 984	4 804	4 800
Peru	31 233	33 175	44 150	46 177	47 195	48 109	48 859	55 843	57 281
Saint Kitts and Nevis <sup>a</sup>	110	123	156	157	201	230	...	...	...
Saint Lucia <sup>a</sup>	140	151	182	204	212	166	...	...	...
Saint Vincent and the Grenadines <sup>a</sup>	83	75	111	91	82	84	...	...	...
Suriname <sup>d</sup>	433	659	639	683	779	779	941	825 <sup>e</sup>	...
Trinidad and Tobago	9 380	8 652	9 070	9 144	9 738	9 346	9 823	9 885	9 735
Uruguay	6 360	7 987	7 743	7 755	9 768	10 221	10 302	11 285	12 090
Venezuela (Bolivarian Republic of)	43 127	35 830	27 911	26 864	28 540	31 109	29 892	27 590	28 391

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

<sup>a</sup> Net international reserves.

<sup>b</sup> Serie corresponding to the harmonized monetary and financial statistics.

<sup>c</sup> Freely available International reserves.

<sup>d</sup> Does not include gold.

<sup>e</sup> Balance as of February.

Table A-21  
**LATIN AMERICA AND THE CARIBBEAN: REAL EFFECTIVE EXCHANGE RATES <sup>a</sup>**  
*(Indices: 2005=100, average values for the period)*

	2008	2009	2010	2011 <sup>b</sup>				2012 <sup>b</sup>	
				Q1	Q2	Q3	Q4	Q1	Q2
<b>Latin America and the Caribbean <sup>c</sup></b>	<b>88.5</b>	<b>87.9</b>	<b>85.0</b>	<b>83.2</b>	<b>82.9</b>	<b>82.5</b>	<b>82.6</b>	<b>80.8</b>	<b>80.8</b>
Argentina	97.2	99.3	98.5	98.8	101.5	101.8	96.0	96.2	93.6
Barbados	97.7	86.8	89.3	87.6	87.1	85.6	83.6	83.5	83.2
Bolivia (Plurinational State of)	92.5	84.3	88.1	86.7	88.8	87.8	84.3	84.7	82.0
Brazil	79.9	81.5	70.6	66.9	65.0	66.2	70.9	68.9	75.6
Chile	96.9	100.9	95.4	93.3	92.9	93.4	98.4	93.7	94.1
Colombia	87.9	91.9	79.8	80.7	79.1	79.2	83.0	77.4	76.3
Costa Rica	93.4	91.8	81.7	78.8	80.1	80.2	79.1	78.9	76.7
Dominica	105.5	108.1	106.8	108.9	110.0	111.4	110.0	111.2	112.3
Dominican Republic	108.6	110.4	108.8	109.9	111.0	109.8	109.7	111.7	112.0
Ecuador	108.7	101.9	100.1	101.8	103.6	103.2	100.5	100.4	99.7
El Salvador	103.0	100.4	101.9	104.1	102.9	102.6	101.8	102.6	102.5
Guatemala	91.7	94.6	94.2	91.6	90.6	90.4	88.9	88.9	88.4
Honduras	93.8	87.0	85.9	85.6	86.0	84.7	83.9	84.2	82.7
Jamaica	99.2	111.1	98.5	96.3	97.0	96.4	95.1	95.3	95.6
Mexico	103.3	117.9	108.9	104.1	103.9	109.4	118.0	110.9	116.5
Nicaragua	97.6	103.7	101.1	104.4	106.7	107.4	106.2	106.9	107.4
Panama	101.5	97.0	98.1	98.8	99.5	98.8	95.9	95.5	93.8
Paraguay	72.9	80.3	77.9	73.7	67.7	66.3	71.1	72.5	69.9
Peru	99.3	97.7	94.1	96.1	98.6	96.5	92.4	91.6	89.5
Trinidad and Tobago	90.7	82.6	78.2	78.4	81.2	79.0	76.5	74.6	72.6
Uruguay	91.5	90.7	78.7	78.0	76.4	75.5	76.4	74.6	74.8
Venezuela (Bolivarian Republic of)	67.4	51.2	77.9	73.0	70.9	66.5	61.8	59.9	57.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the International Monetary Fund and national sources.

<sup>a</sup> A country's overall real effective exchange rate index is calculated by weighting its real bilateral exchange rate indices with each of its trading partners by each partner's share in the country's total trade flows in terms of exports and imports. The extraregional real effective exchange rate index excludes trade with other Latin American and Caribbean countries. A currency depreciates in real effective terms when this index rises and appreciates when it falls.

<sup>b</sup> Preliminary figures, weighted by trade in 2010.

<sup>c</sup> Simple average of the extraregional real effective exchange rate for 20 countries.



Table A-22 (concluded)

			2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>a</sup>	First semester	
												2011	2012 <sup>a</sup>
Panama	Nationwide total	Total	62.8	63.3	63.6	62.6	62.7	63.9	64.1	63.5	61.8	61.8	63.4 <sup>i</sup>
		Female	45.9	46.6	47.4	45.8	46.8	47.2	48.3	47.5	45.6	46.1	48.2 <sup>j</sup>
		Male	79.9	80.6	80.3	79.9	79.3	81.5	80.9	80.4	79.2	78.2	79.6 <sup>k</sup>
Paraguay	Nationwide total	Total	59.8	63.4	61.8	59.4	60.8	61.7	62.9	60.5	60.7	62.5	62.7 <sup>l</sup>
		Female	45.7	50.4	48.6	45.3	48.0	47.9	49.7	47.3	48.9	53.6	53.5 <sup>j</sup>
		Male	74.3	76.6	75.1	73.7	73.9	75.8	75.9	73.5	72.8	71.9	72.7 <sup>l</sup>
Peru	Metropolitan Lima	Total	67.4	68.0	67.1	67.4	68.9	68.1	68.4	70.0	70.0	70.1	69.2
		Female	58.3	58.6	57.6	58.7	59.6	58.9	60.1	61.7	61.5	61.3	60.9
		Male	77.1	78.1	77.2	76.9	78.7	77.9	77.2	79.0	79.0	79.6	78.1
Trinidad and Tobago	Nationwide total	Total	61.6	63.0	63.7	63.9	63.5	63.5	62.7	62.1	61.6	...	...
Uruguay	Nationwide total <sup>l</sup>	Total	58.1	58.5	58.5	60.8	62.7	62.5	63.2	62.9	63.9	64.1	63.7
		Female	48.9	48.7	49.5	50.9	52.9	53.4	54.1	53.9	55.1	55.0	55.2
		Male	69.0	70.0	69.3	72.3	74.1	73.2	73.7	73.3	73.7	74.2	73.2
Venezuela (Bolivarian Republic of)	Nationwide total	Total	69.3	68.5	66.3	65.4	64.9	64.9	65.1	64.6	64.4	64.2	63.8
		Female	55.5	54.5	51.5	50.6	50.0	50.1	51.0	50.5	50.3	50.3	50.1
		Male	83.0	82.6	81.2	80.4	79.9	79.9	79.7	79.2	78.6	78.3	77.7

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

<sup>a</sup> Preliminary figures.

<sup>b</sup> The data relating to the different countries are not comparable owing to differences in coverage and in the definition of the working age population. The regional series are simple averages of national data (excluding Nicaragua and the Plurinational State of Bolivia) and include adjustments for lack of information and changes in methodology.

<sup>c</sup> Up to 2007, urban areas.

<sup>d</sup> New measurements have been used since 2010; the data are not comparable with the previous series.

<sup>e</sup> New measurements have been used since 2009; the data are not comparable with the previous series.

<sup>f</sup> The working-age population is measured as follows: for males, 17 to 59 years and for females, 15 to 54 years.

<sup>g</sup> New measurements have been used since 2007; the data are not comparable with the previous series.

<sup>h</sup> January-July average.

<sup>i</sup> The figures in the last two columns refer to the measurement of March.

<sup>j</sup> The figures in the last two columns refer to Asunción and urban areas of the Departamento Central.

<sup>k</sup> The figures in the last two columns refer to the measurement of April.

<sup>l</sup> Up to 2005, urban total.

Table A-23  
**LATIN AMERICA AND THE CARIBBEAN: OPEN URBAN UNEMPLOYMENT<sup>a</sup>**  
*(Average annual rates)*

		2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>b</sup>	First semester	
											2011	2012 <sup>b</sup>
<b>Latin America and the Caribbean<sup>c</sup></b>		<b>11.1</b>	<b>10.3</b>	<b>9.0</b>	<b>8.6</b>	<b>7.9</b>	<b>7.3</b>	<b>8.1</b>	<b>7.3</b>	<b>6.7</b>	...	...
Argentina	Urban areas	17.3	13.6	11.6	10.2	8.5	7.9	8.7	7.7	7.2	7.4	7.1
Bahamas <sup>d</sup>	Nationwide total	10.8	10.2	10.2	7.6	7.9	8.7	14.2	...	13.7	...	...
Barbados <sup>d</sup>	Nationwide total	11.0	9.8	9.1	8.7	7.4	8.1	10.0	10.8	11.2	...	...
Belize <sup>d</sup>	Nationwide total	12.9	11.6	11.0	9.4	8.5	8.2	13.1	...	...	...	...
Bolivia (Plurinational State of)	Departamental capitals <sup>e</sup>	9.2	6.2	8.1	8.0	7.7	6.7	7.9	6.1	5.8	...	...
Brazil	Six metropolitan areas	12.3	11.5	9.8	10.0	9.3	7.9	8.1	6.7	6.0	6.3	5.9
Chile <sup>f</sup>	Nationwide total	9.5	10.0	9.2	7.7	7.1	7.8	9.7	8.2	7.1	7.3	6.6
Colombia <sup>d</sup>	Thirteen metropolitan areas	17.1	15.8	14.3	13.1	11.4	11.5	13.0	12.4	11.5	12.5	12.2
Colombia <sup>g</sup>	Thirteen metropolitan areas	15.7	14.4	13.1	12.2	10.7	11.0	12.4	11.8	10.9	11.9	11.6
Costa Rica <sup>h</sup>	Urban total	6.7	6.7	6.9	6.0	4.8	4.8	8.5	7.1	7.7	...	...
Cuba	Nationwide total	...	...	...	...	...	...	...	...	...	...	...
Dominican Republic <sup>d</sup>	Nationwide total	16.7	18.4	17.9	16.2	15.6	14.1	14.9	14.3	14.6	14.6	14.6
Dominican Republic <sup>g</sup>	Nationwide total	6.8	6.1	6.4	5.5	5.1	4.7	5.3	5.5	6.4	6.2	6.4
Ecuador <sup>d</sup>	Urban total	11.6	9.7	8.5	8.1	7.4	6.9	8.5	7.6	6.0	6.7	5.0
Ecuador <sup>g</sup>	Urban total	8.4	7.0	6.5	5.7	5.5	5.3	6.8	6.1	4.9	5.5	4.3
El Salvador	Urban total	6.9	6.8	7.8	6.6	6.3	5.9	7.3	7.0	...	...	...
Guatemala	Urban total	3.4	3.1	...	...	2.5	...	...	3.5	4.1	...	...
Honduras	Urban total	7.6	8.0	6.5	4.9	4.0	4.1	4.9	6.4	6.8	...	...
Jamaica <sup>d</sup>	Nationwide total	11.4	11.7	11.3	10.3	9.8	10.6	11.4	12.4	12.6	12.9	14.1
Jamaica <sup>g</sup>	Nationwide total	5.3	6.4	5.8	5.8	6.0	6.9	7.5	8.0	8.4	8.4	9.3
Mexico	Urban areas	4.6	5.3	4.7	4.6	4.8	4.9	6.7	6.4	6.0	6.0	5.8
Nicaragua	Urban total	10.2	9.3	7.0	7.0	6.9	8.0	10.5	9.7	...	...	...
Panama <sup>d</sup>	Urban total	15.9	14.1	12.1	10.4	7.8	6.5	7.9	7.7	5.4	6.4	5.4 <sup>i</sup>
Panama <sup>g</sup>	Urban total	13.7	11.4	9.3	8.4	5.8	5.0	6.3	5.8	3.6	4.9	4.4 <sup>i</sup>
Paraguay	Urban total	11.2	10.0	7.6	8.9	7.2	7.4	8.2	7.0	6.5	7.8	8.7 <sup>j</sup>
Peru	Metropolitan Lima	9.4	9.4	9.6	8.5	8.4	8.4	8.4	7.9	7.7	8.4	8.7
Trinidad and Tobago	Nationwide total	10.5	8.4	8.0	6.2	5.6	4.6	5.3	5.9	5.8	...	...
Uruguay	Urban total	16.9	13.1	12.2	11.4	9.6	7.9	7.6	7.1	6.3	6.5	5.8
Venezuela (Bolivarian Republic of)	Nationwide total	18.0	15.3	12.4	9.9	8.4	7.3	7.9	8.7	8.3	8.8	9.1

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

<sup>a</sup> Unemployed population as a percentage of the economically active population.

<sup>b</sup> Preliminary figures.

<sup>c</sup> 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.

<sup>d</sup> Includes hidden unemployment.

<sup>e</sup> Up to 2008, urban areas.

<sup>f</sup> New measurements have been used since 2010; the data are not comparable with the previous series.

<sup>g</sup> Excludes hidden unemployment. Includes an adjustment to the economically active population statistics.

<sup>h</sup> New measurements have been used since 2009; the data are not comparable with the previous series.

<sup>i</sup> The figures in the last two columns refer to the measurement of March.

<sup>j</sup> The figures in the last two columns refer to Asunción and urban areas of the Departamento Central.

Table A-24  
**LATIN AMERICA AND THE CARIBBEAN: EMPLOYMENT RATE <sup>a</sup>**  
*(Average annual rates)*

		2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>b</sup>	First semester	
											2011	2012 <sup>b</sup>
<b>Latin America and the Caribbean <sup>c</sup></b>		52.4	52.9	53.3	53.7	54.2	54.5	54.2	54.9	55.4	...	...
Argentina	Urban total	49.8	52.0	52.9	54.1	54.5	54.2	54.2	54.4	55.2	55.0	54.6
Bahamas	Nationwide total	69.7	68.0	68.5	69.4	70.2	69.7	63.0	...	62.4	...	...
Barbados	Nationwide total	61.6	62.7	63.2	61.9	62.7	62.1	60.3	59.4	60.0	...	...
Bolivia (Plurinational State of)	Departamental capitals <sup>d</sup>	54.9	55.0	51.2	54.0	52.7	...	52.4	53.6	...	...	...
Brazil	Six metropolitan areas	50.1	50.6	51.0	51.2	51.6	52.5	52.1	53.2	53.7	53.3	53.7
Chile <sup>e</sup>	Nationwide total	49.3	49.5	50.4	50.5	51.0	51.7	50.5	53.7	55.5	55.5	55.9
Colombia	Nationwide total	54.1	53.7	54.3	53.9	54.8	55.3	56.2	57.6	59.1	57.8	58.7
Costa Rica <sup>f</sup>	Nationwide total	51.8	50.9	53.0	53.3	54.4	53.9	55.4	54.8	56.0	...	...
Cuba <sup>g</sup>	Nationwide total	69.2	69.7	70.7	70.7	72.4	73.6	74.2	74.9	...	...	...
Dominican Republic	Nationwide total	45.4	46.0	45.9	46.9	47.4	47.7	45.8	47.1	48.0	48.0	48.4 <sup>j</sup>
Ecuador	Urban total	51.5	53.5	54.4	54.3	56.8	56.0	53.9	52.6	51.9	51.4	54.4
El Salvador <sup>h</sup>	Nationwide total	49.7	48.2	48.3	49.2	58.1	59.0	58.2	58.1	...	...	...
Honduras	Nationwide total	47.4	48.6	48.6	49.0	49.2	49.4	51.5	51.5	49.7	...	...
Jamaica <sup>e</sup>	Nationwide total	57.1	56.8	57.0	58.0	58.6	58.5	56.3	54.6	54.4	55.2	53.9
Mexico	Nationwide total	55.3	55.4	55.8	56.7	56.7	56.3	55.4	55.3	55.6	56.2	56.8
Nicaragua <sup>f</sup>	Nationwide total	49.5	49.6	50.8	48.8	48.6	50.1	...	...	...	...	...
Panama	Nationwide total	54.6	55.9	57.3	57.2	58.7	60.3	59.9	59.4	59.1	...	...
Paraguay	Nationwide total	55.0	58.8	58.2	55.4	57.4	58.2	58.9	57.1	57.3	57.6	57.2 <sup>i</sup>
Peru	Metropolitan Lima	61.1	61.6	60.7	61.8	63.0	62.4	62.7	64.5	64.5	64.3	63.8
Trinidad and Tobago	Nationwide total	55.2	57.8	58.6	59.9	59.9	60.6	59.4	58.4	58.0	...	...
Uruguay	Nationwide total <sup>k</sup>	48.3	50.9	51.4	54.2	56.8	57.7	58.5	59.0	60.0	60.2	59.9
Venezuela (Bolivarian Republic of)	Nationwide total	56.8	58.1	58.1	58.9	59.4	60.2	60.0	59.0	59.0	58.4	57.7

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

<sup>a</sup> Employed population as a percentage of the working-age population.

<sup>b</sup> Preliminary figures.

<sup>c</sup> 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.

<sup>d</sup> Up to 2007, urban areas.

<sup>e</sup> New measurements have been used since 2010; the data are not comparable with the previous series.

<sup>f</sup> New measurements have been used since 2009; the data are not comparable with the previous series.

<sup>g</sup> The working-age population is measured as follows: for males, 17 to 59 years and for females, 15 to 54 years.

<sup>h</sup> New measurements have been used since 2007; the data are not comparable with the previous series.

<sup>i</sup> The figures in the last two columns refer to Asunción and urban areas of the Departamento Central.

<sup>j</sup> The figures in the last two columns refer to the measurement of April.

<sup>k</sup> Up to 2005, urban total.

Table A-25  
**LATIN AMERICA AND THE CARIBBEAN: FORMAL EMPLOYMENT INDICATORS**  
*(Indices 2005=100)*

	2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>a</sup>
Argentina <sup>b</sup>	81.0	90.2	100.0	108.6	117.6	125.4	125.0	128.8	135.0
Brazil <sup>c</sup>	90.1	94.7	100.0	104.9	110.2	117.3	119.7	127.1	133.8
Chile <sup>b</sup>	89.6	92.7	100.0	106.3	114.9	123.2	124.7	132.4	140.0
Costa Rica <sup>d</sup>	92.0	95.5	100.0	106.7	115.7	124.3	123.5	127.3	131.3
El Salvador <sup>d</sup>	94.3	96.6	100.0	104.9	110.3	113.5	110.4	112.1	115.8
Guatemala <sup>d</sup>	95.5	98.6	100.0	102.4	107.1	107.0	108.6	110.4	115.1
Jamaica <sup>e</sup>	97.2	98.9	100.0	101.0	102.4	104.4	103.4	...	...
Mexico <sup>d</sup>	95.5	96.9	100.0	104.8	109.1	111.4	108.0	112.1	116.9
Nicaragua <sup>d</sup>	84.2	91.6	100.0	110.5	120.8	129.8	132.8	140.7	152.1
Panama <sup>d</sup>	88.2	91.6	100.0	106.8	121.9	140.8	143.6	145.8	160.9
Peru <sup>e</sup>	93.2	95.7	100.0	107.4	116.1	125.8	127.4	132.7	139.9
Uruguay <sup>f</sup>	84.9	90.1	100.0	108.8	118.2	127.4	131.2	139.0	145.7

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

<sup>a</sup> Preliminary figures.

<sup>b</sup> Dependent workers paying into pension schemes.

<sup>c</sup> Workers covered by social and labour legislation.

<sup>d</sup> Workers with social security coverage.

<sup>e</sup> Workers of medium-sized and large firms.

<sup>f</sup> Employment positions generating social security contributions.

Table A-26  
**LATIN AMERICA: VISIBLE UNDEREMPLOYMENT BY HOURS**  
*(Percentages of employed workers)*

		2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>a</sup>
Argentina <sup>b</sup>	Urban total	20.7	17.5	14.2	12.5	10.4	9.5	11.1	9.8	9.1
Brazil <sup>c</sup>	Six metropolitan areas	5.0	4.6	3.7	4.1	3.6	3.1	3.1	2.7	2.3
Chile <sup>d</sup>	Nationwide total	6.5	8.4	8.5	8.5	8.0	9.0	10.8	11.5	11.6
Colombia <sup>e</sup>	Thirteen metropolitan areas	15.3	15.2	13.8	11.9	10.0	9.1	9.5	12.0	11.1
Costa Rica <sup>f</sup>	Nationwide total	15.2	14.4	14.6	13.5	11.5	10.5	13.5	11.2	13.4
Ecuador <sup>c</sup>	Urban total <sup>g</sup>	9.8	8.1	7.3	6.3	11.3	10.6	11.8	11.5	9.4
El Salvador <sup>c,h</sup>	Urban total	4.8	4.5	6.2	4.9	5.3	6.3	7.7	7.0	...
Honduras <sup>i</sup>	Urban total	5.9	6.5	6.9	5.4	4.3	3.5	4.4	6.7	10.6
Mexico <sup>j</sup>	Nationwide total	...	...	7.5	6.8	7.2	6.8	8.8	8.7	8.6
Panama <sup>c</sup>	Urban total	...	4.4	4.6	3.4	2.7	2.1	2.1	1.8	1.3
Paraguay <sup>d</sup>	Urban total	8.8	8.3	7.5	5.6	5.8	6.6	8.2	5.7	5.0
Peru <sup>b</sup>	Metropolitan Lima	19.0	18.1	17.8	16.4	16.5	15.6	15.4	14.5	12.4
Uruguay <sup>c</sup>	Urban total	19.3	15.8	17.1	13.6	12.9	10.8	9.1	8.9	7.6

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

<sup>a</sup> Preliminary figures.

<sup>b</sup> Employed persons who work less than 35 hours per week and wish to work more hours; urban total.

<sup>c</sup> Employed persons who work less than 40 hours per week and wish to work more hours.

<sup>d</sup> Employed persons who work less than 30 hours per week and wish to work more hours. Up to 2009, employed persons who work less than 35 hours per week and who wish to work more; national total; third quarter of each year. New measurements have been used since 2010; the data are not comparable with the previous series. The figures up to 2005 and as from 2006 are not comparable since the sample changed.

<sup>e</sup> Employed persons who work less than 48 hours per week and wish to work more hours.

<sup>f</sup> Employed persons who work less than 47 hours per week and wish to work more hours. New measurements have been used since 2009; the data are not comparable with the previous series.

<sup>g</sup> Up to 2006, Cuenca, Guayaquil and Quito.

<sup>h</sup> New measurements have been used since 2007; the data are not comparable with the previous series.

<sup>i</sup> Employed persons who work less than 36 hours per week and wish to work more hours.

<sup>j</sup> Employed workers wishing to work more than their current job permits.

Table A-27  
**LATIN AMERICA: REAL AVERAGE WAGES**  
*(Indices 2005=100)<sup>a</sup>*

	2003	2004	2005	2006	2007	2008	2009	2010	2011 <sup>b</sup>	First semester	
										2011	2012 <sup>b</sup>
Argentina <sup>c</sup>	85.2	93.1	100.0	108.9	118.8	129.2	144.3	163.0	196.1	182.5	223.3
Bolivia (Plurinational State of) <sup>d</sup>	101.0	103.7	100.0	92.0	86.8	80.1	81.9	84.5	84.0	...	...
Brazil <sup>e</sup>	99.6	100.4	100.0	103.5	105.0	107.2	108.6	110.9	113.6	108.3	112.0
Chile <sup>f</sup>	96.4	98.1	100.0	101.9	104.8	104.6	109.6	112.0	114.8	114.2	116.9
Colombia <sup>g</sup>	96.6	98.7	100.0	104.0	103.9	102.4	103.8	106.7	106.6	105.3	103.8
Costa Rica <sup>h</sup>	104.7	101.9	100.0	101.6	102.9	100.9	108.6	110.9	117.2	122.0	130.6
Cuba	83.2	88.5	100.0	111.6	109.9	110.0	115.1	118.5	...	...	...
El Salvador <sup>i</sup>	106.1	102.4	100.0	100.4	98.0	94.9	98.2	99.3	96.4	...	...
Guatemala <sup>h</sup>	106.5	104.2	100.0	98.9	97.3	94.8	94.9	97.6	98.0	...	...
Mexico <sup>h</sup>	96.5	98.1	100.0	101.6	103.1	103.3	102.3	101.4	102.2	102.7	102.9
Nicaragua <sup>h</sup>	102.0	99.8	100.0	101.4	99.6	95.9	101.5	102.8	102.9	102.2	101.9
Panama	102.0	101.2	100.0	102.0	103.4	99.1	101.8	103.7	109.2	...	...
Paraguay	97.3	99.0	100.0	100.6	103.0	102.3	106.8	107.6	110.5	...	...
Peru <sup>j</sup>	100.9	102.0	100.0	101.2	99.4	101.6	104.8	107.5	...	...	...
Uruguay	95.6	95.6	100.0	104.3	109.3	113.2	121.4	125.5	130.5	129.4	136.9
Venezuela (Bolivarian Republic of)	97.2	97.5	100.0	105.1	106.4	101.5	94.8	89.9	92.5	89.4	94.3

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

<sup>a</sup> Figures deflated by the official consumer price index of each country.

<sup>b</sup> Preliminary figures.

<sup>c</sup> Registered private-sector workers. The International Monetary Fund is currently providing technical assistance regarding design and methodology for a new national level CPI.

<sup>d</sup> Private-sector average wage index.

<sup>e</sup> Private-sector workers covered by social and labour legislation.

<sup>f</sup> General index of hourly remuneration.

<sup>g</sup> Manufacturing.

<sup>h</sup> Average wage declared by workers covered by social security.

<sup>i</sup> Gross salary.

<sup>j</sup> Private-sector workers in the Lima metropolitan area.

Table A-28  
**LATIN AMERICA AND THE CARIBBEAN: MONETARY INDICATORS**  
*(Percentage variation with respect to the year-earlier period)*

		2008	2009	2010	2011				2012	
					Q1	Q2	Q3	Q4	Q1	Q2
Antigua and Barbuda	Monetary base	2.0	-10.5	0.9	19.2	20.6	26.3	14.9	...	...
	Money (M1)	4.2	-13.2	-7.9	-4.0	-9.8	-10.6	-3.2	-1.2	-0.1
	M2	4.6	-2.4	-3.2	-1.5	-2.0	-2.3	1.4	1.5	2.1
	Foreign-currency deposits	-14.7	44.7	-0.8	3.1	4.9	6.8	-2.2	3.5	-10.1
Argentina	Monetary base	19.1	5.4	25.1	35.6	39.2	38.9	34.8	31.7	32.0
	Money (M1)	17.4	7.7	27.1	60.3	60.9	57.0	56.9	28.4	30.2
	M2	18.6	3.0	29.3	55.3	52.0	47.7	44.0	30.1	29.6
	Foreign-currency deposits	36.4	61.6	35.9	27.2	2.1	15.3	-5.0	-8.4	-20.4
Bahamas	Monetary base	6.4	2.0	2.5	35.4	26.2	35.2	11.9	-4.9	-5.4
	Money (M1)	0.3	-0.2	2.8	4.5	6.5	6.3	7.4	10.9	8.5
	M2	6.5	2.8	2.8	2.4	2.3	2.3	2.2	2.4	2.3
	Foreign-currency deposits	15.9	8.4	0.1	-8.8	-4.1	2.8	-0.3	17.1	14.2
Barbados	Monetary base	9.2	-13.9	3.4	6.2	8.6	8.6	7.4	-5.2	-3.9
	Money (M1)	7.5	-5.4	2.2	1.9	3.0	4.0	-12.9	-18.6	-25.3
	M2	8.7	-1.1	-1.1	2.7	2.7	-0.5	-6.7	-9.1	-10.6
Belize	Monetary base	11.5	11.9	-1.2	-6.4	11.4	12.7	16.4	19.0	18.3
	Money (M1)	9.2	-1.9	-0.9	0.4	7.3	12.2	16.9	21.1	25.2
Bolivia (Plurinational State of)	Monetary base	53.8	19.6	32.4	4.3	0.3	14.2	28.2	19.6	23.7
	Money (M1)	50.2	9.4	24.1	27.6	27.1	29.9	24.7	18.6	20.7
	M2	59.6	18.4	34.6	31.2	32.0	38.0	34.6	31.4	35.0
	Foreign-currency deposits	-9.2	20.4	4.7	-13.3	-13.4	-13.3	-11.0	-3.6	-4.3
Brazil	Monetary base	12.5	8.0	17.5	19.8	14.5	7.4	3.9	8.3	7.8
	Money (M1)	11.8	7.5	17.3	12.0	8.2	3.9	1.4	1.2	3.9
	M2	30.3	22.2	11.0	18.8	21.9	22.6	20.5	17.2	14.3
Chile	Monetary base	10.3	11.8	17.7	14.6	13.8	12.8	17.3	14.4	14.0
	Money (M1)	12.0	13.1	28.7	16.1	11.0	8.1	10.3	10.8	11.8
	M2	19.1	2.5	3.9	7.4	8.6	15.9	20.6	21.1	23.3
	Foreign-currency deposits	47.3	-0.6	6.5	24.7	13.5	12.1	3.9	6.8	15.7
Colombia	Monetary base	14.3	10.3	12.4	14.4	14.4	17.2	14.4	10.0	11.2
	Money (M1)	8.0	9.8	14.7	17.9	15.8	15.7	15.5	8.0	8.2
	M2	14.6	13.2	6.9	10.9	13.4	15.8	18.8	18.8	17.2
Costa Rica	Monetary base	25.7	6.3	10.0	13.3	11.4	9.6	12.3	10.0	10.0
	Money (M1)	21.7	-3.4	9.4	19.5	20.3	21.9	16.2	12.0	8.7
	M2	22.9	1.3	2.6	9.6	10.3	12.4	11.9	12.0	12.7
	Foreign-currency deposits	10.7	36.8	-1.9	-5.0	-7.5	-8.3	-0.6	-0.9	0.7
Dominica	Monetary base	-0.1	-4.6	9.7	5.0	-2.2	15.7	16.3	...	...
	Money (M1)	2.6	-1.1	-1.4	-4.2	-4.2	-0.0	-0.1	2.8	6.8
	M2	4.0	7.5	3.8	2.3	2.7	4.1	3.6	3.6	6.9
	Foreign-currency deposits	27.1	16.4	29.3	75.9	42.6	48.7	9.4	21.2	25.9
Dominican Republic	Monetary base	12.4	3.3	6.3	4.6	5.8	5.7	7.1	10.1	8.6
	Money (M1)	10.9	-1.2	17.6	6.8	5.4	5.0	5.9	3.8	4.0
	M2	10.5	7.7	13.0	7.8	8.7	8.6	10.1	12.0	12.4
	Foreign-currency deposits	14.9	3.1	20.4	18.6	17.1	17.8	17.9	20.8	18.0
Ecuador	Monetary base	16.4	18.1	24.1	4.1	11.6	13.2	10.5	20.0	9.9
	Money (M1)	44.5	38.0	16.1	17.0	17.1	16.3	12.1	13.8	13.8
	M2	...	...	...	19.2	20.7	21.3	19.0	20.8	18.8
El Salvador	Monetary base	8.1	10.8	0.4	-4.2	-4.8	6.1	-2.3	3.8	8.4
	Money (M1)	8.2	8.1	18.3	9.6	13.9	17.2	4.3	6.3	8.4
	M2	6.9	1.4	0.9	-2.9	-3.4	-1.8	-3.5	-0.8	1.1
Grenada	Monetary base	3.5	-8.5	6.0	3.6	3.3	9.4	12.7	...	...
	Money (M1)	3.1	-12.9	3.8	-11.0	-8.2	-3.9	-4.8	1.6	5.3
	M2	8.1	1.0	3.4	-0.5	0.5	1.3	0.4	1.5	2.9
	Foreign-currency deposits	2.7	17.4	-3.9	-17.7	-9.7	2.2	6.1	13.5	17.5
Guatemala	Monetary base	4.1	6.6	8.0	10.0	11.9	12.1	6.8	3.8	3.1
	Money (M1)	3.4	7.6	7.2	8.0	11.0	9.6	7.7	7.6	4.3
	M2	7.3	9.4	8.4	10.2	11.7	10.9	9.7	9.9	8.4
	Foreign-currency deposits	9.9	18.1	11.6	4.9	6.7	5.1	3.0	0.8	0.9
Guyana	Monetary base	16.5	10.6	17.7	21.6	20.3	16.8	11.7	10.2	11.9
	Money (M1)	18.6	8.2	12.9	21.3	20.5	24.8	21.2	16.5	14.6
Haiti	Monetary base	16.1	14.2	34.1	36.8	22.6	11.3	6.6	4.1	8.5
	Money (M1)	21.3	9.2	27.0	24.5	18.8	11.1	5.7	3.5	5.0
	M2	13.7	6.9	17.4	17.6	13.2	7.8	2.8	2.3	3.5
	Foreign-currency deposits	22.1	14.4	22.5	30.0	20.4	14.2	11.5	8.4	7.2
Honduras	Monetary base	24.8	11.6	-13.8	6.0	15.7	12.2	9.4	12.3	14.4
	Money (M1)	11.5	2.2	5.2	19.4	19.0	19.8	13.1	10.2	5.5
	M2	9.2	0.8	4.7	18.4	19.3	17.1	13.9	10.1	8.9
	Foreign-currency deposits	20.3	-1.0	5.4	1.7	10.7	8.0	10.9	14.8	10.6

Table A-28 (concluded)

		2008	2009	2010	2011				2012	
					Q1	Q2	Q3	Q4	Q1	Q2
Jamaica	Monetary base	9.5	22.8	5.5	2.2	2.1	9.1	7.9	7.2	4.9
	Money (M1)	9.1	7.6	14.0	7.4	10.2	4.8	9.4	6.7	...
	M2	7.9	4.4	9.0	6.3	7.0	3.8	6.0	4.1	...
	Foreign-currency deposits	10.9	17.5	-0.9	-7.7	-4.9	-4.3	-2.2	2.5	...
Mexico	Monetary base	12.6	15.9	9.7	7.8	10.6	8.9	10.7	12.4	16.7
	Money (M1)	8.5	11.8	11.2	15.1	16.2	16.6	16.8	15.1	16.9
	M2	13.9	11.5	5.8	11.7	12.7	12.7	12.4	11.5	12.7
	Foreign-currency deposits	2.8	20.7	0.9	-5.0	2.0	5.6	10.1	17.5	13.7
Nicaragua	Monetary base	15.2	0.7	24.0	17.6	22.2	20.3	21.8	27.6	19.5
	Money (M1)	32.9	4.4	21.4	25.0	24.7	25.4	24.3	27.3	20.9
	M2	32.9	4.4	21.4	25.0	24.7	25.4	24.3	27.3	20.9
	Foreign-currency deposits	10.2	5.3	25.8	12.6	6.6	3.2	9.7	19.8	21.4
Panama	Monetary base	17.7	11.2	7.5	25.4	35.4	28.2	21.0	15.1	10.2
	Money (M1)	26.5	17.4	19.2	20.8	19.8	24.8	20.7	17.7	19.1
	M2	17.1	9.2	11.3	9.8	8.7	11.1	9.8	9.1	11.3
Paraguay	Monetary base	27.6	30.7	5.2	2.2	3.1	3.5	11.1	12.9	13.0
	Money (M1)	30.5	6.6	28.7	8.9	6.4	7.3	8.4	9.3	8.2
	M2	38.4	13.3	26.4	12.7	12.7	14.7	15.5	16.2	13.9
	Foreign-currency deposits	21.1	40.1	16.4	26.9	17.1	5.8	6.8	10.1	16.5
Peru	Monetary base	38.2	2.1	24.2	37.1	36.8	30.9	23.1	28.6	28.6
	Money (M1)	31.3	8.8	28.0	23.8	19.4	20.8	16.1	17.2	19.8
	M2	48.5	-2.2	27.8	27.5	21.7	15.6	12.3	17.8	25.5
	Foreign-currency deposits	11.2	23.1	-0.1	10.6	18.7	14.6	12.7	7.6	-3.3
Saint Kitts and Nevis	Monetary base	7.3	48.3	-3.2	19.4	22.4	55.2	49.3	...	...
	Money (M1)	7.2	9.2	19.5	16.0	13.9	38.1	33.7	15.1	22.8
	M2	10.3	10.2	10.3	5.8	7.3	13.4	12.5	10.1	9.4
	Foreign-currency deposits	-9.2	-7.0	-9.2	-0.5	3.7	-2.1	-4.1	1.1	-2.4
Saint Lucia	Monetary base	10.2	8.5	3.6	19.9	22.1	18.3	5.0	...	...
	Money (M1)	7.1	-2.4	-4.3	1.8	4.2	4.6	5.6	3.8	-0.2
	M2	10.7	4.1	0.2	3.0	4.8	5.4	6.5	4.9	2.1
	Foreign-currency deposits	8.9	9.3	-13.2	5.3	16.7	25.0	20.4	20.2	10.3
Saint Vincent and the Grenadines	Monetary base	2.0	-3.2	11.9	16.8	-5.4	-6.2	-1.0	...	...
	Money (M1)	-1.4	-8.3	-0.5	-3.4	-5.6	-2.2	-4.2	-4.0	-1.9
	M2	1.9	0.8	2.2	3.1	1.7	2.1	0.9	-1.3	-0.0
	Foreign-currency deposits	1.5	-6.5	-7.7	20.4	31.5	38.3	34.8	6.8	-9.0
Suriname	Monetary base	23.8	20.6	19.0	7.9	1.4	-5.7	4.4	15.4	32.3
	Money (M1)	15.0	24.8	13.2	15.1	4.2	-1.7	2.7	6.6	13.9
	M2	15.4	25.1	11.3	14.0	7.9	2.7	5.6	10.3	17.7
	Foreign-currency deposits	26.5	5.3	-0.6	27.0	43.2	42.0	38.5	18.9	15.1
Trinidad and Tobago	Monetary base	32.3	37.6	24.7	10.3	6.6	16.9	21.9	25.7	21.2
	Money (M1)	17.6	24.0	25.5	17.5	17.8	14.7	18.7	18.5	15.1
	M2	17.2	17.6	17.9	7.4	8.0	7.5	10.5	11.5	11.9
	Foreign-currency deposits	21.1	32.2	7.9	-15.9	-7.0	5.2	4.2	3.0	1.9
Uruguay	Monetary base	28.6	6.1	12.9	22.9	37.8	16.7	17.8	28.1	22.9
	Money (M1)	22.4	13.1	24.6	20.3	20.8	19.3	18.2	20.8	23.8
	M2	26.6	11.1	26.2	27.6	29.3	25.8	23.1	20.8	21.3
	Foreign-currency deposits	4.5	25.7	0.2	11.2	6.8	3.3	7.5	6.5	18.4
Venezuela (Bolivarian Republic of)	Monetary base	39.5	18.3	24.5	20.9	24.8	20.8	40.4	41.6	25.2
	Money (M1)	24.3	28.8	27.5	35.4	40.2	44.8	56.3	59.1	62.5
	M2	16.9	28.3	18.0	26.1	33.1	38.6	50.2	54.1	57.1
Countries of the Eastern Caribbean Currency Union	Monetary base	4.7	2.5	4.8	14.7	13.8	19.2	15.4	...	...
	Money (M1)	...	-6.7	-0.8	-1.1	-1.9	2.7	4.3	2.7	4.2
	M2	...	2.5	1.7	1.6	2.2	3.5	4.3	3.5	3.6
	Foreign-currency deposits	...	12.5	-5.7	1.3	6.2	7.1	2.3	6.6	-1.1

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

Table A-29  
**LATIN AMERICA AND THE CARIBBEAN: DOMESTIC CREDIT**  
*(Percentage variation with respect to the year-earlier period)*

	2008	2009	2010	2011				2012	
				Q1	Q2	Q3	Q4	Q1	Q2
Antigua and Barbuda	12.5	19.9	0.5	-3.4	-4.9	-5.7	-1.9	-4.0	-2.7
Argentina	23.9	2.3	51.3	74.2	59.9	59.0	49.3	31.0	28.7
Bahamas	7.5	5.3	3.4	2.9	-0.2	-0.0	0.4	3.3	6.6
Barbados	9.9	6.6	0.9	-2.4	-2.5	-2.9	-1.6	0.7	7.0
Belize	9.3	5.6	-0.3	-2.8	-0.6	-1.0	-2.0	-1.1	0.8
Bolivia (Plurinational State of)	7.5	10.9	13.0	16.6	17.5	19.5	21.2	22.2	...
Brazil	19.5	14.1	18.6	19.9	18.6	17.5	17.6	17.6	16.1
Chile	18.4	6.6	-0.1	7.1	8.4	15.5	17.3	18.1	20.6
Colombia	15.7	14.3	20.9	14.2	14.7	15.6	15.6	16.0	16.7
Costa Rica	21.1	19.1	4.6	9.7	9.9	13.9	16.3	14.2	14.7
Dominica	4.9	8.5	12.5	13.3	15.2	14.2	12.2	8.6	7.0
Dominican Republic	14.5	9.7	13.9	7.9	9.1	2.9	10.4	13.4	10.9
Ecuador	1.7	20.8	33.6	39.3	36.6	31.9	21.4	26.7	20.7
El Salvador	11.6	2.6	2.3	1.6	1.1	4.3	7.3	10.5	11.9
Grenada	13.1	8.9	4.0	2.1	2.9	1.9	3.4	4.0	5.0
Guatemala	10.4	5.2	5.6	12.4	15.7	17.1	15.3	15.0	11.6
Guyana	15.8	4.5	-0.8	16.3	31.1	42.7	46.9	45.9	66.4
Haiti	7.8	9.7	-22.9	-29.3	-25.1	-3.5	-2.9	-3.7	-0.5
Honduras	27.1	6.5	9.9	5.5	9.5	12.3	16.0	19.0	20.0
Jamaica	16.3	15.0	-3.4	-11.6	-5.2	-5.2	6.7	10.4	...
Mexico	8.7	16.7	10.6	11.3	12.3	11.4	10.4	11.4	11.5
Nicaragua	10.1	-2.1	-3.9	-6.9	-13.2	-10.4	1.4	11.4	23.9
Panama	15.9	1.2	9.5	17.6	15.2	21.0	20.7	19.6	20.9
Paraguay <sup>a</sup>	51.5	31.8	36.1	38.1	29.9	23.4	23.7	23.0	23.5
Peru	9.4	9.9	23.9	16.3	7.9	12.2	12.9	8.8	8.5
Saint Kitts and Nevis	3.0	6.2	6.7	4.1	2.7	-3.3	-4.1	-7.0	-9.0
Saint Lucia	21.1	4.6	-0.3	-0.4	1.4	4.3	6.1	4.3	6.9
Saint Vincent and the Grenadines	9.5	7.0	1.5	-9.8	-6.9	-7.1	-4.8	-4.4	-6.6
Suriname	18.8	17.0	21.9	21.9	17.4	12.8	9.3	3.6	9.2
Trinidad and Tobago	6.5	35.5	36.6	18.5	11.3	10.7	-2.0	-3.5	17.2
Uruguay	3.2	-2.6	13.9	44.1	41.3	37.7	37.3	27.5	13.3
Venezuela (Bolivarian Republic of) <sup>b</sup>	22.0	28.4	13.7	25.2	31.7	40.0	44.9	52.9	3.2

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

<sup>a</sup> Credit granted to the private sector by the banking sector.

<sup>b</sup> Credit granted by the commercial and universal banks.

Table A-30  
**LATIN AMERICA AND THE CARIBBEAN: MONETARY POLICY RATES**  
*(Average rates)*

	2008	2009	2010	2011				2012	
				Q1	Q2	Q3	Q4	Q1	Q2
Antigua and Barbuda	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Argentina	11.3	14.0	12.3	11.1	11.0	11.1	14.0	14.0	12.4
Bahamas	5.3	5.3	5.3	5.3	5.0	4.5	4.5	4.5	4.5
Barbados	11.8	7.9	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Belize	12.0	18.0	18.0	11.0	11.0	11.0	11.0	11.0	11.0
Bolivia (Plurinational State of)	9.2	7.0	3.0	3.0	4.0	4.8	4.3	4.0	4.0
Brazil	12.4	10.1	9.9	11.3	12.0	12.3	11.5	10.3	9.1
Chile	7.2	1.8	1.5	3.6	4.9	5.3	5.3	5.0	5.0
Colombia	9.8	5.8	3.2	3.1	3.8	4.4	4.6	5.0	5.3
Costa Rica	8.0	9.6	8.1	6.5	6.0	5.0	5.0	5.0	5.0
Dominica	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Dominican Republic	9.0	5.1	4.2	5.3	6.6	6.8	6.8	6.8	6.5
Grenada	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Guatemala	6.9	5.5	4.5	4.5	4.8	4.9	5.5	5.5	5.5
Guyana	6.6	6.9	6.4	5.6	5.3	5.3	5.4	5.5	5.5
Haiti	6.9	6.2	5.0	3.7	3.0	3.0	3.0	3.0	3.0
Honduras	8.4	4.9	4.5	4.5	4.5	4.7	5.3	5.8	6.7
Jamaica	14.1	14.8	9.0	7.0	6.8	6.4	6.3	6.3	6.3
Mexico	7.8	5.7	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Paraguay	5.9	2.1	2.2	6.3	8.9	8.6	8.0	6.5	6.4
Peru	5.9	3.3	2.1	3.5	4.2	4.3	4.3	4.3	4.3
Saint Kitts and Nevis	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Saint Lucia	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Saint Vincent and the Grenadines	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Trinidad and Tobago	8.4	7.5	4.7	3.5	3.3	3.0	3.0	3.0	3.0
Uruguay	7.4	8.5	6.3	6.5	7.5	8.0	8.0	8.8	8.8
Venezuela (Bolivarian Republic of)	12.3	8.1	6.3	6.4	6.3	6.3	6.4	6.4	6.4 <sup>a</sup>

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

<sup>a</sup> Figures as of May.

Table A-31  
**LATIN AMERICA AND THE CARIBBEAN: REPRESENTATIVE LENDING RATES**  
*(Average rates)*

	2008	2009	2010	2011				2012	
				Q1	Q2	Q3	Q4	Q1	Q2
Antigua and Barbuda <sup>a</sup>	10.1	9.5	10.2	10.0	10.0	10.1	10.2	10.0	9.1
Argentina <sup>b</sup>	19.8	21.3	15.1	14.8	14.9	15.8	25.3	21.4	18.8
Bahamas <sup>a</sup>	11.0	10.6	11.0	11.2	11.1	11.0	10.6	10.3	11.0
Barbados <sup>a</sup>	10.4	9.8	9.5	9.3	9.3	9.4	9.0	9.0	8.7 <sup>c</sup>
Belize <sup>a</sup>	14.1	14.1	13.9	13.6	13.5	13.2	13.1	12.8	12.6
Bolivia (Plurinational State of) <sup>d</sup>	8.9	8.5	5.2	5.9	6.5	6.4	6.7	6.7	6.5
Brazil <sup>e</sup>	38.8	40.4	38.5	41.2	42.1	41.2	38.3	37.7	33.2
Chile <sup>f</sup>	15.2	12.9	11.8	12.2	12.6	12.8	12.2	12.4	14.0
Colombia <sup>a</sup>	17.2	13.0	9.4	10.3	11.0	11.6	12.0	12.9	12.8
Costa Rica <sup>g</sup>	16.7	21.6	19.4	18.1	17.5	17.4	17.3	17.8	18.9
Cuba <sup>h</sup>	9.0	9.3	9.3	...	...	...	...	...	...
Dominica <sup>a</sup>	9.1	10.0	9.4	8.8	8.7	8.8	8.8	8.7	8.9
Dominican Republic <sup>e</sup>	16.0	12.9	8.3	9.2	10.6	13.2	13.7	13.7	13.1
Ecuador <sup>i</sup>	9.8	9.2	9.0	8.5	8.4	8.4	8.2	8.2	8.2
El Salvador <sup>j</sup>	7.9	9.3	7.6	6.5	6.1	5.8	5.5	5.6	5.5
Grenada <sup>a</sup>	9.4	10.7	10.3	10.4	10.4	10.3	10.3	10.3	9.3
Guatemala <sup>a</sup>	13.4	13.8	13.3	13.3	13.4	13.4	13.5	13.5	13.4
Guyana <sup>k</sup>	13.9	14.0	15.2	15.0	14.5	14.9	14.5	14.7	14.5
Haiti <sup>l</sup>	23.3	21.6	20.7	20.3	19.4	19.7	19.9	19.9	19.8
Honduras <sup>a</sup>	17.9	19.4	18.9	19.0	18.8	18.3	18.2	18.2	18.1
Jamaica <sup>g</sup>	22.3	22.6	20.3	18.5	18.1	18.4	18.3	18.4	17.8
Mexico <sup>m</sup>	8.7	7.1	5.3	5.1	5.0	4.8	4.8	4.7	4.7
Nicaragua <sup>n</sup>	13.2	14.0	13.3	11.0	9.5	10.4	10.3	10.0	12.6
Panama <sup>o</sup>	8.2	8.3	7.9	7.4	7.2	7.2	7.2	7.0	6.9
Paraguay <sup>a</sup>	14.6	15.6	13.2	15.5	17.0	16.8	15.9	15.8	15.4
Peru <sup>p</sup>	23.7	21.0	19.0	18.6	18.5	18.6	18.9	18.9	19.4
Saint Kitts and Nevis <sup>a</sup>	8.6	8.6	8.5	8.5	9.2	9.2	9.1	9.0	8.2
Saint Lucia <sup>a</sup>	9.3	9.0	9.5	9.3	9.2	9.1	9.0	9.1	7.9
Saint Vincent and the Grenadines <sup>a</sup>	9.5	9.1	9.0	8.9	8.9	8.9	9.1	9.1	9.3
Suriname <sup>q</sup>	12.2	11.7	11.6	11.9	11.7	11.6	11.7	11.6	11.8
Trinidad and Tobago <sup>k</sup>	12.3	11.9	9.2	8.2	8.0	7.9	7.8	7.8	7.8
Uruguay <sup>r</sup>	13.1	16.6	12.0	10.8	10.7	11.2	11.2	11.9	12.1
Venezuela (Bolivarian Republic of) <sup>s</sup>	22.8	20.6	18.0	17.5	17.8	17.8	16.7	16.0	16.4

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

<sup>a</sup> Weighted average of the system lending rates.

<sup>b</sup> Local-currency loans at fixed or renegotiable rates, signature loans of up to 89 days.

<sup>c</sup> Figures as of April.

<sup>d</sup> Nominal local-currency rate for 60-91-day operations.

<sup>e</sup> Preset lending rates for legal persons.

<sup>f</sup> Lending rates for 90-360 days, non-adjustable operations.

<sup>g</sup> Average lending rate.

<sup>h</sup> Corporate lending rate in convertible pesos.

<sup>i</sup> Effective benchmark lending rate for the corporate commercial segment.

<sup>j</sup> Basic lending rate for up to 1 year.

<sup>k</sup> Prime lending rate.

<sup>l</sup> Average of minimum and maximum lending rates.

<sup>m</sup> Weighted average rate of private debt issues of up to 1 year, expressed as a 28-day curve. Includes only stock certificates.

<sup>n</sup> Short-term loans rate, weighted average.

<sup>o</sup> Interest rate on 1-year trade credit.

<sup>p</sup> Market lending rate, average for transactions conducted in the last 30 business days.

<sup>q</sup> Average bank lending rate in local currency.

<sup>r</sup> Business credit, 30-367 days.

<sup>s</sup> Average rate for loan operations for the six major commercial banks.

Table A-32  
**LATIN AMERICA AND THE CARIBBEAN: CONSUMER PRICES**  
*(12-month percentage variation)*

	2007	2008	2009	2010	2011				2012	
					March	June	September	December	March	June
Latin America and the Caribbean <sup>a</sup>	6.5	8.1	4.6	6.5	6.5	6.6	7.0	6.9	5.9	5.6
Antigua and Barbuda	5.2	0.7	2.4	2.9	2.8	3.2	3.8	3.9	4.5	...
Argentina	8.5	7.2	7.7	10.9	9.7	9.7	9.9	9.5	9.8	9.9
Bahamas	2.8	4.6	1.3	1.4	3.1	3.8	3.6	3.2	2.7	2.2
Barbados	4.7	7.3	4.4	6.5	7.9	9.3	10.4	9.6	7.4	5.9 <sup>b</sup>
Belize	4.1	4.4	-0.4	0.0	0.9	1.0	2.3	2.6	2.2	1.6
Bolivia (Plurinational State of)	11.7	11.8	0.3	7.2	11.1	11.3	9.9	6.9	4.0	4.5
Brazil	4.5	5.9	4.3	5.9	6.3	6.7	7.3	6.5	5.2	4.9
Chile	7.8	7.1	-1.4	3.0	3.4	3.4	3.3	4.4	3.8	2.7
Colombia	5.7	7.7	2.0	3.2	3.2	3.2	3.7	3.7	3.4	3.2
Costa Rica	10.8	13.9	4.0	5.8	4.6	5.2	5.2	4.7	4.2	4.6
Cuba <sup>c</sup>	10.6	-0.1	-0.1	1.5	1.7	1.0	1.2	1.7	...	...
Dominica	6.0	2.0	3.2	0.1	0.4	2.8	3.2	5.4	2.5	...
Dominican Republic	8.9	4.5	5.7	6.3	7.6	9.3	9.6	7.8	4.9	2.7
Ecuador	3.3	8.8	4.3	3.3	3.6	4.3	5.4	5.4	6.1	5.0
El Salvador	4.9	6.9	-0.0	2.1	2.7	6.3	6.2	5.1	4.4	0.6
Grenada	7.4	5.2	-2.3	4.2	2.3	2.6	3.2	3.5	2.4	...
Guatemala	8.7	9.4	-0.3	5.4	5.0	6.4	7.2	6.2	4.6	3.5
Guyana	14.6	6.4	2.0	4.5	6.1	5.7	4.7	3.2	...	...
Haiti	10.0	10.1	2.0	6.2	7.2	9.3	10.4	8.3	5.7	4.9
Honduras	8.9	10.8	3.0	6.5	6.6	7.7	6.8	5.6	5.7	4.7
Jamaica	16.8	16.9	10.2	11.8	7.9	7.2	8.1	6.0	7.3	6.7
Mexico	3.8	6.5	3.6	4.4	3.0	3.3	3.1	3.8	3.7	4.3
Nicaragua	16.2	12.7	1.8	9.1	7.2	9.2	9.9	8.6	8.8	6.8
Panama	6.4	6.8	1.9	4.9	5.5	6.5	6.1	6.3	6.3	5.8
Paraguay	6.0	7.5	1.9	7.2	10.3	8.8	9.4	4.9	3.3	3.9
Peru	3.9	6.7	0.2	2.1	2.7	2.9	3.7	4.7	4.2	4.0
Saint Kitts and Nevis	2.9	6.5	1.2	5.2	7.8	7.2	8.2	2.9	1.9	...
Saint Lucia	8.3	8.7	-1.6	0.8	1.8	3.1	4.6	4.7	3.8	...
Saint Vincent and the Grenadines	6.8	3.4	-3.1	4.2	1.8	2.9	2.6	4.8	4.0	...
Suriname	8.3	9.4	1.3	10.3	21.2	17.7	16.5	15.3	6.6	3.7 <sup>d</sup>
Trinidad and Tobago	7.6	14.5	1.3	13.4	9.4	0.8	2.5	5.3	9.0	11.0
Uruguay	8.5	9.2	5.9	6.9	8.2	8.6	7.8	8.6	7.5	8.0
Venezuela (Bolivarian Republic of)	22.5	31.9	26.9	27.4	28.7	25.1	26.7	29.0	24.2	21.2

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

<sup>a</sup> The only English-speaking Caribbean countries included are Barbados, Jamaica and Trinidad and Tobago.

<sup>b</sup> Twelve-month variation to April 2012.

<sup>c</sup> Refers to national-currency markets.

<sup>d</sup> Twelve-month variation to May 2012.

Table A-33  
LATIN AMERICA AND THE CARIBBEAN: FISCAL BALANCE

Coverage <sup>a</sup>		2008	2009	2010	2011 <sup>b</sup>	2011		2012 <sup>b</sup>	
						Q1	Q2	Q1	Q2
		Percentages of GDP, end-of-year stocks				Real-term year-on-year quarterly variation			
Argentina	NNFPS								
	Total revenue <sup>c</sup>	26.1	27.9	30.4	30.1	20.9	20.1	22.8	16.2
	Total expenditure <sup>d</sup>	24.7	28.5	30.2	31.8	19.8	23.2	26.4	18.2
	Interest payment	1.7	2.1	1.5	1.9	3.9	12.9	27.7	-4.6
Bolivia (Plurinational State of)	NNFPS								
	Total revenue	48.4	45.0	44.7	45.5	14.1	6.2	12.4	12.3
	Total expenditure	45.2	44.9	43.1	44.7	-10.6	16.2	8.3	5.1
	Interest payment	0.9	1.6	1.6	1.2	-42.9	5.1	38.1	-24.0
Brazil	CG <sup>e</sup>								
	Total revenue	23.6	22.8	24.3	23.8	12.7	13.5	15.4	-1.3
	Total expenditure <sup>f</sup>	24.8	26.2	26.0	26.4	7.6	15.6	16.0	-0.9
	Interest payment	3.6	4.7	3.8	4.9	25.9	64.2	10.1	-13.1
Chile	TCG								
	Total revenue	24.2	19.0	21.7	22.9	18.8	6.1	11.1	-0.2
	Total expenditure	20.1	23.2	22.1	21.6	-6.8	-1.8	11.6	8.1
	Interest payment	0.5	0.5	0.5	0.6	-1.5	-68.6	63.6	163.5
Colombia	NCG								
	Total revenue	15.6	15.3	13.8	15.3	2.1	48.5	3.6	32.5
	Total expenditure	17.9	19.4	17.7	18.1	-12.6	7.7	18.7	2.2
	Interest payment	2.9	3.0	2.7	2.7	-13.3	14.8	13.7	-18.3
Costa Rica	CG								
	Total revenue	15.9	14.0	14.4	14.6	-0.3	9.7	8.2	...
	Total expenditure	15.7	17.4	19.6	18.7	4.3	6.1	4.2	...
	Interest payment	2.2	2.1	2.1	2.2	-0.4	61.3	-9.7	...
Ecuador	NNFPS								
	Total revenue	40.7	35.3	40.0	48.2	17.8	37.6	15.0	...
	Total expenditure	40.1	39.6	41.6	49.2	33.8	22.6	-0.6	...
	Interest payment	1.3	0.7	0.7	0.8	23.0	11.7	59.5	...
Guatemala	CA								
	Total revenue	12.0	11.1	11.2	11.8	14.6	10.7	1.3	1.1
	Total expenditure	13.6	14.2	14.5	14.7	4.1	13.4	-9.7	-13.3
	Interest payment	1.4	1.4	1.5	1.5	6.0	0.0	6.4	4.8
Mexico	PS								
	Total revenue <sup>g</sup>	23.5	23.7	22.7	22.9	1.6	7.8	7.2	10.8
	Total expenditure <sup>g</sup>	23.6	26.0	25.6	25.4	2.8	7.8	12.6	5.5
	Interest payment	1.6	1.9	1.9	1.8	-19.6	8.6	28.2	7.9
Peru	CG								
	Total revenue	18.1	15.6	17.0	17.8	13.0	17.2	6.9	4.2
	Total expenditure	16.0	17.1	16.9	16.9	5.3	24.0	-2.1	-18.3
	Interest payment	1.4	1.2	1.1	1.0	4.1	5.8	-2.4	-1.7
Trinidad and Tobago	CG								
	Total revenue	0.0	21.5	35.7	37.3	-8.5	6.4	8.0	...
	Total expenditure	0.0	25.6	33.6	36.5	-0.6	31.0	-0.6	...
Uruguay	NNFPS								
	Total revenue	26.9	28.8	29.8	28.9	-1.6	3.1	0.4	3.9
	Total expenditure	28.6	30.8	30.6	29.5	-5.9	11.0	24.3	-3.9
	Interest payment	2.9	2.8	2.4	2.5	-1.6	4.0	-4.9	11.5
Venezuela (Bolivarian Republic of)	CG								
	Total revenue	24.5	21.4	19.5	22.7	2.1 <sup>h</sup>	15.0 <sup>h</sup>	4.6 <sup>h</sup>	...
	Total expenditure	25.7	26.5	23.0	26.1	5.5 <sup>h</sup>	5.5 <sup>h</sup>	24.2 <sup>h</sup>	...

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

<sup>a</sup> The acronyms for the coverage correspond to: CA, Central administration; NNFPS, National non-financial public-sector; NFPS, Non-financial public-sector; CG, Central government; TCG, Total central government; CNG, Central national government; GG, General government and PS: Public sector.

<sup>b</sup> Preliminary figures.

<sup>c</sup> Includes figurative contributions.

<sup>d</sup> Includes figurative expenditure.

<sup>e</sup> Includes federal government and central bank.

<sup>f</sup> Includes transfers to states and municipalities.

<sup>g</sup> Revenues and expenditures do not include extrabudgetary items.

<sup>h</sup> Excluding extraordinary revenues and expenditures.

Table A-34  
**LATIN AMERICA AND THE CARIBBEAN: CENTRAL GOVERNMENT TAX BURDEN AND COMPOSITION OF TAX REVENUES**  
*(Percentages of GDP)*

	Total		Social security contributions		Direct taxes		Income tax and capital gains tax		Property tax		Other direct taxes	
	2010	2011 <sup>a</sup>	2010	2011 <sup>a</sup>	2010	2011 <sup>a</sup>	2010	2011 <sup>a</sup>	2010	2011 <sup>a</sup>	2010	2011 <sup>a</sup>
<b>Latin America and the Caribbean (33 countries)<sup>b</sup></b>	<b>19.7</b>	<b>...</b>	<b>3.3</b>	<b>...</b>	<b>6.0</b>	<b>...</b>	<b>4.9</b>	<b>...</b>	<b>0.6</b>	<b>...</b>	<b>0.1</b>	<b>...</b>
<b>Latin America and the Caribbean (19 countries)<sup>c</sup></b>	<b>18.1</b>	<b>18.8</b>	<b>3.3</b>	<b>3.4</b>	<b>5.3</b>	<b>5.6</b>	<b>4.6</b>	<b>4.9</b>	<b>0.7</b>	<b>0.7</b>	<b>0.1</b>	<b>0.1</b>
<b>Caribbean (13 countries)<sup>b</sup></b>	<b>22.1</b>	<b>...</b>	<b>2.4</b>	<b>...</b>	<b>7.3</b>	<b>...</b>	<b>5.8</b>	<b>...</b>	<b>0.6</b>	<b>...</b>	<b>0.1</b>	<b>...</b>
Antigua and Barbuda	18.5	19.0 <sup>d</sup>	...	...	3.5	2.8	3.0	2.3	0.6	0.5	0.0	0.0
Argentina <sup>e</sup>	33.5	34.9	7.1	7.4	8.7	9.4	5.4	6.0	3.3	3.4	0.0	0.0
Bahamas	16.7	...	...	...	1.5	...	0.0	...	1.5	...	0.0	...
Barbados	28.1	29.2	2.4	1.7	10.4	10.7	8.2	8.3	1.3	1.4	0.8	1.0
Belize	23.1	23.4 <sup>d</sup>	...	...	8.8	8.7	8.6	8.5	0.2	0.2	0.0	0.0
Bolivia (Plurinational State of) <sup>e</sup>	20.2	22.1	1.8	1.7	5.7	5.9	4.5	4.8	1.1	1.1	0.0	0.0
Brazil <sup>e</sup>	32.5	34.0	8.4	8.7	9.6	10.4	6.9	7.7	1.9	1.9	0.9	0.8
Chile	17.3	18.8	1.4	1.2	6.8	7.7	6.6	7.5	...	...	0.0	0.0
Colombia	14.4	14.2	2.1	1.8	5.8	6.3	4.8	5.2	1.0	1.1	0.0	0.0
Costa Rica <sup>e</sup>	21.4	22.0	7.3	7.5	5.1	5.2	3.9	4.0	1.0	1.0	0.1	0.2
Cuba	18.1	...	4.6	...	3.3	...	2.9	...	...	...	0.4	...
Dominica	25.7	23.9 <sup>d</sup>	...	...	5.6	4.9	4.9	4.3	0.7	0.6	0.0	0.0
Dominican Republic	12.8	12.8	0.1	0.1	3.5	3.7	2.8	3.1	0.7	0.7	0.0	0.0
Ecuador	19.6	20.9	4.4	5.9	4.3	4.9	4.1	4.6	0.3	0.3	0.0	0.0
El Salvador	14.9	15.5	1.7	1.7	4.5	5.0	4.4	4.9	0.1	0.1	0.0	0.0
Grenada	18.6	18.4 <sup>d</sup>	...	...	4.5	4.1	3.7	3.4	0.8	0.8	0.0	0.0
Guatemala	10.8	11.4	0.3	0.3	3.1	3.5	3.1	3.5	0.0	0.0	0.0	0.0
Guyana	21.9	21.2 <sup>d</sup>	...	...	8.8	...	8.5	...	0.3	...	0.0	...
Haiti	11.9	13.1 <sup>d</sup>	...	...	2.3	2.3	2.3	2.3	0.0	0.0	0.0	0.0
Honduras	15.7	15.8	1.1	0.8	4.6	5.2	4.4	5.1	0.2	0.2	0.0	0.0
Jamaica	27.3	23.4 <sup>d</sup>	...	...	9.1	8.8	...	...	...	...	...	...
Mexico	11.3	10.7	1.6	1.6	5.4	5.5	5.2	5.4	0.2	0.1	0.0	0.0
Nicaragua	22.9	24.3	4.8	4.8	6.0	6.9	5.9	6.8	0.1	0.1	0.0	0.0
Panama	17.8	18.0	6.2	6.6	5.7	5.0	5.0	4.3	0.5	0.5	0.2	0.2
Paraguay	13.1	13.4	1.2	1.2	2.2	2.4	2.2	2.4	0.0	0.0	0.0	0.0
Peru	16.3	17.0	1.6	1.7	6.6	7.4	6.4	7.3	0.2	0.1	0.0	0.0
Saint Kitts and Nevis	18.9	22.1 <sup>d</sup>	...	...	5.6	5.1	5.1	4.6	0.5	0.5	0.0	0.0
Saint Lucia	22.3	21.4 <sup>d</sup>	...	...	6.9	7.1	6.8	7.0	0.1	0.1	...	...
Saint Vincent and the Grenadines	22.4	22.2 <sup>d</sup>	...	...	6.1	6.3	5.9	6.2	0.2	0.1	0.0	0.0
Suriname	28.1	32.4 <sup>d</sup>	...	...	14.5	16.3	...	...	...	...	...	...
Trinidad and Tobago <sup>f</sup>	16.0	...	...	...	9.0	...	8.9	...	0.0	...	0.0	...
Uruguay	25.9	26.5	7.4	7.9	6.5	6.4	5.2	5.2	1.3	1.3	0.0	0.0
Venezuela (Bolivarian Republic of)	11.4	12.5	0.5	0.5	3.6	3.9	3.6	3.9	0.0	0.0	0.0	0.0

Table A-34 (concluded)

	Indirect taxes		General goods and services taxes		Specific goods and services taxes		Tax on trade and International transactions		Other indirect taxes		Other taxes	
	2010	2011 <sup>a</sup>	2010	2011 <sup>a</sup>	2010	2011 <sup>a</sup>	2010	2011 <sup>a</sup>	2010	2011 <sup>a</sup>	2010	2011 <sup>a</sup>
<b>Latin America and the Caribbean (33 countries)<sup>b</sup></b>	<b>11.4</b>	<b>...</b>	<b>6.8</b>	<b>...</b>	<b>1.3</b>	<b>...</b>	<b>2.7</b>	<b>...</b>	<b>0.2</b>	<b>...</b>	<b>0.3</b>	<b>...</b>
<b>Latin America and the Caribbean (19 countries)<sup>c</sup></b>	<b>9.5</b>	<b>9.6</b>	<b>6.5</b>	<b>6.4</b>	<b>1.6</b>	<b>1.6</b>	<b>1.3</b>	<b>1.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>0.3</b>
<b>Caribbean (13 countries)<sup>b</sup></b>	<b>14.4</b>	<b>...</b>	<b>7.3</b>	<b>...</b>	<b>0.7</b>	<b>...</b>	<b>5.3</b>	<b>...</b>	<b>0.8</b>	<b>...</b>	<b>0.4</b>	<b>...</b>
Antigua and Barbuda	15.0	16.2	7.1	7.6	0.0	0.0	6.8	7.7	1.0	1.0	0.0	0.0
Argentina <sup>e</sup>	17.3	17.7	11.4	12.2	1.9	1.8	4.0	3.8	0.0	0.0	0.4	0.4
Bahamas	11.8	...	0.0	...	2.3	...	9.5	...	0.0	...	3.4	...
Barbados	15.3	16.7	...	...	...	...	2.2	2.3	2.3	1.3	...	...
Belize	14.4	14.7	8.6	8.3	0.0	0.0	5.8	6.4	...	...	...	...
Bolivia (Plurinational State of) <sup>e</sup>	12.3	14.1	9.0	10.1	2.2	2.6	1.1	1.3	0.0	...	0.4	0.4
Brazil <sup>e</sup>	14.2	14.6	13.0	...	0.6	...	0.6	...	0.0	...	0.2	...
Chile	9.3	9.6	7.6	7.9	1.4	1.5	0.2	0.3	0.0	0.0	-0.1	0.2
Colombia	6.4	6.0	5.3	5.2	0.3	0.2	0.9	0.6	0.0	0.0	0.1	0.1
Costa Rica <sup>e</sup>	8.9	9.2	5.1	5.3	2.7	2.9	1.0	1.0	0.1	0.1	0.1	0.1
Cuba	8.9	...	7.7	...	1.3	...	0.0	...	0.0	...	1.2	...
Dominica	20.2	19.0	14.4	13.6	0.0	0.0	5.7	5.4	0.0	0.0	0.0	0.0
Dominican Republic	9.2	9.0	4.3	4.2	3.7	3.7	1.2	1.1	0.0	0.0	0.0	0.0
Ecuador	10.3	10.0	6.7	6.4	0.9	0.9	2.7	2.6	0.0	0.0	0.5	0.0
El Salvador	8.3	8.5	6.7	6.8	0.9	0.9	0.7	0.7	0.0	0.0	0.5	0.4
Grenada	14.1	14.3	4.2	7.7	0.7	0.7	9.0	5.6	0.2	0.2	0.0	0.0
Guatemala	7.2	7.4	5.1	5.3	1.1	1.0	0.8	0.8	0.2	0.3	0.2	0.2
Guyana	13.0	...	10.5	...	0.4	...	2.1	...	...	...	...	...
Haiti	8.1	8.4	3.2	3.5	0.6	0.3	4.4	4.6	0.0	0.0	1.5	2.4
Honduras	9.9	9.7	5.5	5.7	3.6	3.2	0.8	0.8	0.0	0.0	0.0	0.0
Jamaica	18.2	14.6	...	...	...	...	...	...	...	...	...	...
Mexico	4.1	3.4	3.9	3.8	0.1	-0.5	0.2	0.2	0.0	0.0	0.2	0.1
Nicaragua	12.1	12.5	7.4	7.9	3.9	3.7	0.8	0.9	0.0	0.0	0.0	0.0
Panama	5.8	6.3	2.9	3.4	1.4	1.7	1.5	1.3	0.0	0.0	0.2	0.1
Paraguay	9.7	9.7	6.2	6.3	1.9	1.8	1.6	1.6	0.0	0.0	0.0	0.1
Peru	7.7	7.5	6.2	6.2	1.1	1.0	0.4	0.3	0.0	0.0	0.4	0.4
Saint Kitts and Nevis	13.3	17.0	5.8	11.0	0.8	0.4	5.0	5.5	1.6	...	0.0	0.0
Saint Lucia	15.4	14.3	6.2	4.6	1.8	1.5	6.9	7.7	0.5	0.4	0.0	...
Saint Vincent and the Grenadines	16.3	15.9	10.9	10.6	0.0	0.0	4.1	4.4	1.2	0.8	0.0	0.0
Suriname	13.6	16.1	...	...	...	...	...	...	...	...	...	...
Trinidad and Tobago <sup>f</sup>	6.9	...	5.5	...	...	...	1.4	...	0.0	...	0.0	...
Uruguay	11.6	11.8	8.6	8.5	2.0	2.1	1.1	1.2	0.0	0.0	0.4	0.4
Venezuela (Bolivarian Republic of)	7.2	8.0	5.5	6.2	0.9	0.7	0.8	1.1	0.0	0.0	0.0	0.0

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

<sup>a</sup> Preliminary figures.

<sup>b</sup> Simple averages.

<sup>c</sup> Simple averages. Includes information on 19 countries of Latin America and the Caribbean: Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay.

<sup>d</sup> Does not include social security contributions.

<sup>e</sup> General government.

<sup>f</sup> Corresponds to non-petroleum sector.

Table A-35  
**LATIN AMERICA AND THE CARIBBEAN: NON-FINANCIAL PUBLIC SECTOR GROSS PUBLIC DEBT**  
*(Percentages of GDP, end-of-period stocks)*

		2008	2009	2010	2011				2012 <sup>a</sup>	
					March	June	September	December	March	June
Latin America and the Caribbean	Total	31.8	33.4	32.5	29.4	30.0	30.6	32.1	...	...
	Domestic	14.4	15.9	16.3	14.9	15.5	15.8	16.3	...	...
	External	17.3	17.6	16.2	14.5	14.6	15.0	15.9	...	...
Argentina <sup>b</sup>	Total	48.5	48.5	45.1	37.9	39.2	39.8	41.6	...	...
	Domestic	30.0	30.4	28.3	24.1	25.0	25.8	27.5	...	...
	External	18.5	18.2	16.8	13.9	14.2	14.0	14.1	...	...
Bolivia (Plurinational State of)	Total	36.8	39.5	38.1	31.7	32.3	31.7	34.5	30.7	29.8
	Domestic <sup>c</sup>	22.7	24.4	23.1	19.0	19.3	19.2	19.9	17.0	16.5
	External <sup>c</sup>	14.1	15.1	15.0	12.7	13.0	12.5	14.6	13.7	13.3
Brazil <sup>d</sup>	Total	38.5	42.1	39.6	36.5	37.5	35.3	36.1	34.8	34.0
	Domestic	49.5	51.1	49.3	46.3	47.7	47.8	49.0	47.1	48.0
	External	-11.0	-9.0	-9.7	-9.7	-10.2	-12.5	-12.9	-12.4	-14.0
Chile <sup>b e</sup>	Total	3.4	6.1	11.1	12.1	12.3	11.7	12.8	12.3	12.0
	Domestic	2.1	4.7	9.2	10.1	11.5	9.6	10.6	10.6	10.4
	External	1.4	1.4	1.9	2.0	0.8	2.1	2.2	1.7	1.6
Colombia <sup>f</sup>	Total	42.7	45.1	46.2	39.8	38.8	41.2	43.4	39.8	...
	Domestic	29.4	31.5	33.7	28.7	28.4	29.4	31.2	28.7	...
	External	13.3	13.6	12.5	11.0	10.4	11.8	12.2	11.1	...
Costa Rica	Total	29.9	34.0	35.8	33.3	35.3	36.1	38.5	35.9	37.5
	Domestic	18.1	22.9	25.4	24.7	26.6	27.4	28.8	27.8	28.9
	External	11.8	11.0	10.4	8.7	8.7	8.7	9.7	8.1	8.6
Dominican Republic <sup>g</sup>	Total	25.5	28.7	29.5	26.5	26.8	27.9	30.4	29.2	29.8
	Domestic	9.1	10.9	9.7	8.2	8.2	8.1	9.1	8.4	8.4
	External	16.4	17.8	19.8	18.3	18.6	19.8	21.3	20.7	21.4
Ecuador	Total	25.0	19.6	22.8	20.4	19.9	20.0	22.2	20.8	22.3
	Domestic <sup>c</sup>	6.7	5.5	8.0	7.0	6.7	6.9	6.9	6.7	8.5
	External <sup>c</sup>	18.3	14.1	14.7	13.4	13.2	13.1	15.3	14.1	13.8
El Salvador	Total	36.9	45.2	45.1	44.9	45.0	43.7	44.3	43.3	43.4
	Domestic <sup>c</sup>	11.6	15.0	14.4	15.0	15.4	14.7	15.1	15.3	15.0
	External <sup>c</sup>	25.2	30.2	30.7	29.9	29.7	29.0	29.2	28.0	28.4
Guatemala	Total	20.4	23.3	24.4	22.5	23.2	23.9	24.3	22.6	24.5
	Domestic <sup>c</sup>	8.9	9.9	11.0	10.9	11.4	12.1	12.3	11.8	12.0
	External <sup>c</sup>	11.5	13.4	13.4	11.6	11.8	11.8	12.0	10.8	12.5
Haiti <sup>h</sup>	Total	44.5	35.1	23.2	20.3	21.6	24.2	24.6	22.7	24.2
	Domestic	14.1	14.9	17.8	14.6	14.1	15.2	14.6	12.2	12.3
	External	30.5	20.2	5.3	5.7	7.4	9.0	10.0	10.5	11.9
Honduras	Total	19.1	22.9	25.4	22.9	24.5	25.1	27.6	26.0	26.8
	Domestic	3.5	6.5	7.9	7.5	8.5	9.0	10.0	9.3	9.5
	External	15.6	16.3	17.5	15.4	16.1	16.2	17.6	16.8	17.3
Mexico	Total	26.9	34.9	34.1	31.7	32.5	33.7	35.6	33.5	34.2
	Domestic <sup>i</sup>	20.6	24.3	23.6	22.5	23.3	23.1	24.2	23.5	23.4
	External <sup>i</sup>	6.3	10.6	10.5	9.2	9.2	10.7	11.4	10.0	10.8
Nicaragua	Total	39.3	44.8	45.4	39.8	41.9	41.9	43.7	39.5	40.5
	Domestic	14.2	15.0	14.2	12.0	12.7	12.4	12.6	11.0	11.6
	External	25.1	29.9	31.2	27.8	29.2	29.5	31.1	28.5	28.9
Panama	Total	45.4	45.4	43.7	38.4	40.3	41.5	41.2	38.2	38.9
	Domestic	8.5	3.4	4.5	4.3	6.1	6.9	6.1	7.9	8.2
	External	36.9	42.0	39.3	34.1	34.2	34.6	35.1	30.3	30.8

Table A-35 (concluded)

		2008	2009	2010	2011				2012 <sup>a</sup>	
					March	June	September	December	March	June
Paraguay	Total	17.5	16.8	14.6	12.0	11.0	11.3	12.5	12.3	13.0
	Domestic	3.8	3.8	3.4	2.8	2.8	2.8	3.1	3.1	3.3
	External	13.7	13.0	11.2	9.2	8.2	8.6	9.5	9.2	9.7
Peru	Total	24.5	23.7	21.5	19.3	19.1	19.4	19.2	17.8	17.8
	Domestic	8.5	8.5	9.0	8.0	8.0	8.1	8.2	7.7	7.8
	External	16.0	15.2	12.6	11.3	11.0	11.2	10.9	10.1	10.0
Uruguay	Total	52.4	49.0	42.8	39.4	39.7	42.1	43.9	41.0	44.2
	Domestic	11.9	14.4	12.4	13.3	13.3	13.6	14.7	14.4	14.9
	External	40.5	34.6	30.5	26.2	26.4	28.4	29.2	26.6	29.2
Venezuela (Bolivarian Republic of)	Total	14.0	18.2	20.2	20.3	21.7	23.6	25.1	21.4	21.4
	Domestic	4.5	7.5	9.1	8.5	10.2	11.0	11.4	10.6	11.6
	External	9.5	10.7	11.1	11.8	11.5	12.6	13.7	10.8	10.7

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

<sup>a</sup> Preliminary figures.

<sup>b</sup> Central government.

<sup>c</sup> Refers to the external debt of the non-financial public-sector and central-government domestic debt.

<sup>d</sup> Net public debt. Public sector.

<sup>e</sup> Consolidated debt.

<sup>f</sup> Consolidated non-financial public sector.

<sup>g</sup> Public sector.

<sup>h</sup> Does not include public sector commitments to commercial banks.

<sup>i</sup> Includes public sector external debt and federal government domestic debt.



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La Revista se inició en 1976 como parte del Programa de Publicaciones de la Comisión Económica para América Latina y el Caribe, con el propósito de contribuir al examen de los problemas del desarrollo socioeconómico de la región. Las opiniones expresadas en los artículos firmados, incluidas las colaboraciones de los funcionarios de la Secretaría, son las de los autores y, por lo tanto, no reflejan necesariamente los puntos de vista de la Organización.

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*CEPAL Review first appeared in 1976 as part of the Publications Programme of the Economic Commission for Latin America and the Caribbean, its aim being to make a contribution to the study of the economic and social development problems of the region. The views expressed in signed articles, including those by Secretariat staff members, are those of the authors and therefore do not necessarily reflect the point of view of the Organization.*

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COMISIÓN ECONÓMICA PARA AMÉRICA LATINA Y EL CARIBE (CEPAL)



United Nations Publication  
E1200826 - November 2012  
E-ISBN 978-92-1-055367-4  
ISSN printed version 0257-2184  
Sales No. E.12.II.G.3  
Copyright © United Nations 2012  
Printed in Santiago, Chile