2014

# Economic Survey
## of Latin America and the Caribbean

Challenges to sustainable growth
in a new external context

UNITED NATIONS

ECLAC

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

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# Foreword and executive summary

Foreword
Executive summary

# Foreword

This, the sixty-sixth edition of the *Economic Survey of Latin America and the Caribbean*, which corresponds to the year 2014, consists of three parts. Part I considers the economic performance of the region in the first half-year as well as the outlook for the year as a whole, against the backdrop of a world economy marked by opportunities and setbacks. The causes of the modest economic growth forecast for the year are examined and attention is drawn to some of the challenges facing public policymakers.

Part II discusses aspects of medium- and long-term economic development in Latin America and the Caribbean. The new external context (slower growth in the emerging economies, a sluggish performance by the developed countries, less buoyant commodity prices and more costly external financing) poses further challenges for economically and socially sustainable growth and development in the region. In the effort to define these challenges, emphasis is placed on the region's heterogeneity and on the diverse structural issues and specific vulnerabilities that macroeconomic policies must address in each country. The drivers of growth in recent decades are analysed: it is pointed out that sweeping changes will be needed to underpin the new economically and socially sustainable growth and that this growth is contingent on significantly higher levels of investment and productivity.

Part III of this publication may be accessed on the ECLAC web page (www.eclac.org). It contains the notes relating to the economic performance of the different countries of the region in 2013 and the first half of 2014, together with their respective statistical annexes, which present the main economic indicators of the countries of Latin America and the Caribbean.

The cut-off date for updating the statistical information in this publication was 30 June 2014.

# Executive Summary

Economic growth in Latin America and the Caribbean has been slowing since 2011, and the data available for the first six months of 2014 indicate that the region will not match the growth rate of 2.5% recorded in 2013. Growth has been muted over the first few months of the year, owing to stagnant gross fixed capital formation and faltering private consumption. Government consumption, on the other hand, has picked up, and the net contribution of exports has been more positive than during the same period of the previous year. A regional growth rate of 2.2% is forecast for 2014.

World economic trends, which present both opportunities and pitfalls for the region, will also contribute to this result. The world economy is expected to expand slightly more in 2014 than in 2012 and 2013, although below the rates seen during much of the previous decade. While growth continues to be brisker in developing countries, developed countries are behind the small uptick in global growth in 2014. Since growth in these economies is less commodity-intensive, this may have a limited impact on demand for these products and on their prices. Prices for the main commodities were down significantly on the early months of 2013. Nevertheless, many commodity prices did not continue to fall in the first half of 2014 and, from a long-term perspective, are still relatively high.

Once the asset purchase programmes implemented by the United States Federal Reserve come to an end, international financial markets should continue to return to normal, which may result in a stronger dollar and higher international interest rates. However, besides some volatility early in 2014, there were few signs of changes on the international financial markets during the first half of the year.

In short, even though external conditions are less auspicious than they were for much of the first decade of this century, certain factors may still be considered relatively favourable in 2014, including commodity prices and international financial market liquidity.

The outlook for Latin America and the Caribbean in 2014 is to a large extent explained by the main external variables. Terms of trade for the region are expected to decline by 0.8%, a far smaller reduction than during the previous two years. This will vary considerably between countries, however, depending on their foreign trade structure.

While first-quarter data indicate a lacklustre performance by foreign trade, a slight upswing in regional exports of 3.1% is expected for the year overall, chiefly owing to larger export volumes. Imports are forecast to grow by 3.8%, thanks to a similar increase in volume and a small uptick in prices. Thus, the goods trade surplus, which has shrunk notably in previous years, may post a further, albeit moderate, contraction, bringing it closer to zero. The impact of this further deterioration in the goods trade balance on the balance-of-payments current account will be offset by a relatively dynamic performance by migrant remittances and tourism, on the back of the tenuous recovery in some developed economies. The regional current account deficit will therefore not differ markedly from 2013, and will stand at around 2.8% of GDP.

During the early months of 2014, the current account deficit was financed by foreign direct investment and portfolio investment flows. Despite international financial market volatility at the beginning of the year, fuelled in part by the shift in United States monetary policy and expectations regarding its impact, especially in economies with high external financing needs, most of the region's countries continued to have access to these markets. Although some ratings were downgraded, the stable outlook was in general reflected in lower risk indicators. Regional international monetary reserves expanded moderately.

Trends in the main external variables, in conjunction with domestic factors, largely explain the uneven performance forecast for the region's countries in 2014. A growth rate of 4.4% is anticipated for the economies of the Central

American isthmus, the Dominican Republic and Haiti, well above the regional average. Virtually all of these countries should match or surpass their 2013 performance. The English- and Dutch-speaking Caribbean economies will grow by 2.0% on average, which —while a fairly low rate— reflects that growth is picking up slowly, continuing the trend of the past few years. The Mexican economy will also expand more in 2014 than in 2013 (2.5% versus 1.1%), although by a smaller margin than originally estimated. In contrast, the South American countries are experiencing a generalized slowdown (from 3.1% to 1.8% on average), Colombia and Ecuador being the only exceptions. The economies of Argentina and the Bolivarian Republic of Venezuela, which are contending with specific macroeconomic imbalances, are a significant factor in this loss of momentum. All the same, faltering investment and private consumption in other South American countries have also brought about a greater slowdown than previously projected.

Although there is considerable variation between countries, generally speaking, cooling household demand curbed commercial growth in early 2014. Construction activity contracted in several countries, while double-digit growth was recorded in others (Colombia, Dominican Republic, Panama and Paraguay). Manufacturing also put in a mixed performance, with higher growth in Colombia and several countries in the north of the region, and low or falling rates (even contractions) in South America.

The slender economic growth recorded in the region in early 2014 was reflected in a lower demand for labour, and as in 2013, the region's employment rate fell year on year, primarily because of inadequate levels of wage employment creation. Progress on improving the quality of employment, as measured by the number of workers covered by contributory social security systems, has also been slower than in previous years. However, in the region overall, weak job creation has not resulted in a higher unemployment rate since the labour supply has contracted, as reflected by a lower participation rate. While these trends will not be sustainable in the medium term, the regional unemployment rate is not expected to rise in 2014.

Thanks to low unemployment rates, and despite weak labour demand, real wages are still rising at a moderate pace in most countries. The wage bill thus continues to expand in real terms despite weak job creation, and this is sustaining the small increase in household consumption. Lending is also a contributory factor since, although credit growth is decelerating overall, it is expanding at relatively high rates in several countries.

At the regional level, inflation accelerated during the first half of 2014, with 12-month cumulative inflation rising to 8.7% in May from 7.6% in December 2013, mainly as a result of higher core inflation. However, this trend was not universal and eased around mid-year. The higher regional rate is being driven primarily by rising prices in the Bolivarian Republic of Venezuela and Argentina, while inflation has retreated somewhat in Mexico and in several Central American and Caribbean countries.

The combination of low economic growth rates and higher inflation has posed a dilemma for monetary policy in the region. In the first few months of 2014, some countries raised their monetary policy interest rates and others slowed the expansion of the monetary base. However, towards mid-year, inflationary pressures seemed to have eased in many economies and the regional rate appeared to have hit a ceiling. This context has broadened the scope for expansionary policies, with several countries lowering their interest rates to stimulate growth. Furthermore, a number of countries implemented macroprudential measures to improve regulation and oversight of the financial sector and adjust their management of reserves and capital flows.

Volatility in the financial markets and expectations regarding changes in the monetary policy of certain developed countries, especially the United States, led to the depreciation of the currencies of some Latin American countries in the second half of 2013 and in early 2014. In the second quarter of 2014, exchange rates stabilized in some cases and went down in others although, in the light of the variation in international interest rates and commodity prices, among other factors, the predominant medium-term trend in the region is expected to be towards currency depreciation. This would pose new challenges for monetary policy, but it could also boost (albeit somewhat belatedly) the competitiveness of regional production, especially production that is not linked with the exploitation of natural resources.

A wider fiscal deficit in recent years means that there is less scope to apply expansionary measures. For 2014, the average central government deficit is expected to hold steady at about 2.5% of GDP. Tax revenues are limited by the low economic growth rate and some countries' revenues have been hit by a decline in income from natural resources. Higher expenditure is expected to centre primarily on non-primary current expenditure, while capital

spending and interest payments will remain at the same level in GDP terms. Although wider deficits in recent years have squeezed the scope for policies to support the expansion of economic activity —especially bearing in mind the resources that many countries used to address the 2008-2009 crisis— public-sector savings and low debt levels often give authorities the leeway to introduce more expansionary policies, if deemed necessary.

The trends in the external environment in 2014 —some of which have already been established in previous years— could become more marked in the coming years and contrast with the favourable context in the region between 2003 and the global financial crisis in 2008-2009, characterized by stronger external demand for commodities, which triggered higher exports and international prices, exceptional international liquidity conditions, surging foreign direct investment inflows and growing remittances primarily to the countries of Central America and the Caribbean.

The cooldown of the world economy compared with much of the previous decade and the relative drop in demand for commodities (although not to the same extent for all goods) had a negative impact on commodity prices. Although these prices are not expected to plummet, in the medium term they will not return to the levels recorded during much of the 2000s. Moreover, as a result of higher interest rates in the United States financial market and larger returns, capital flows are expected to shift away from assets denominated in emerging-economy currencies towards lower-risk investments. This will push up the cost of external financing for the countries of the region.

This context generates new challenges for the sustainability of economic growth and development. This edition of the *Economic Survey of Latin America and the Caribbean* addresses the different elements of economic sustainability and reviews the progress made and potential obstacles in relation to social sustainability, with an emphasis on labour issues but also reflecting on fiscal and social policy challenges and perspectives.

The consequences of the change in external context are not the same for all the region's countries owing to the differences in their structure and the policies they applied during the boom of the last decade. These factors shape the strengths and vulnerabilities that form a framework for the macroeconomic policies designed to address the new international scenario. In more specific terms, the following elements can be highlighted:

- The accumulation of production factors and productivity gains determines the growth potential of an economy and creates scope for macroeconomic policies that maximize the use of production capacities, without jeopardizing internal or external balances.
- Countries with a high concentration of exports in a small number of products and destination markets are extremely vulnerable when demand declines in those markets. In the present circumstances, the countries specializing in the exploitation and export of certain commodities are particularly hard hit.
- Trends in the balance-of-payments current account and the levels of external debt and international monetary reserves help to determine to what extent external constraints could hold back economic growth.
- Fiscal positions (public debt, primary and overall balance) help to shape the fiscal policy space for managing phases of slow growth. In countries where a significant proportion of tax revenues come from natural resources, the fiscal space is constricted by volatile international prices for these products.
- The level of inflation affects authorities' room for manoeuvre in applying monetary policy as an expansionary instrument. Also, the quality of the loan portfolio determines whether the financial system will be able to boost growth through expansionary policies that promote the expansion of credit.

In order to weigh the costs and the scope of the countercyclical policy instruments available, the expected duration of the change in circumstances would have to be calculated for each country. That is, if the unfavourable externalities affecting a given economy are expected to be transitory, expansionary measures could be considered, depending on the space available. This would avoid unnecessary adjustments which could be detrimental to growth in both the short and the long term. However, if the adverse elements represent a longer term scenario, expansionary policies could be costly and have only a fleeting positive impact, while failing to solve the underlying problems.

In order to face the challenges of the current external context, the region needs not only the right macroeconomic policies, specifically adapted to the strengths and vulnerabilities of each country, and an assessment of the immediate and future challenges, but also medium- and long-term policies to ensure the sustainability of economic growth and development. The modest expansion of regional GDP between 1990 and 2012 was attributable to capital and labour accumulation, rather than productivity gains. Capital accumulation explains about two thirds of economic growth and, on the whole, information and communication technologies have made a small, though growing contribution. However, despite the predominant contribution of investment to growth, the levels of capital formation in the region remain low in comparison with other countries that achieved sustained levels of robust economic growth.

As a reflection of the region's demographic dynamic, the factor that has contributed most to economic growth from the labour-market perspective has been the increase in the number of workers. Changes in the composition of the labour force, particularly as a result of improved education levels, had less of an impact on economic growth in the region.

The contribution of total factor productivity (TFP), which is often interpreted as an indicator of efficiency in the use of said factors, was low and even turned negative during several subperiods. Only between 2004 and 2008 did TFP make a positive contribution. This outcome partly reflects the procyclical nature of this indicator, especially in regions such as Latin America and the Caribbean.

In accounting terms, the region's economic growth —other than in the period 2004-2008— was solely due to the increase in the quantity and quality of factors of production. This suggests that Latin America and the Caribbean, as well as needing to strengthen investment and recruit an increasingly skilled labour force, is facing the challenge of utilizing these resources more efficiently, by means of structural change and improvements in different sectors and markets. Such a transformation is ultimately essential for raising the region's labour productivity and closing its wide and persistent productivity gaps, both in comparison with other countries and regions, and within each country.

Economic growth and productivity trends have had a major impact on labour indicators, while the social and employment sustainability of development has benefited from economic and institutional progress since 2003. Between 2003 and 2012, the region maintained relatively high, labour-intensive economic growth, while recording a jump in the employment rate and a steep fall in unemployment. Employment quality indicators improved amid buoyant job creation in medium- and high-productivity sectors and as a result of business and labour formalization policies. Average real wages gradually increased, so that —despite a deterioration in functional distribution— the wage bill posted relatively strong growth. These factors boosted household consumption, which became the main driver of economic growth.

During this period, important progress was achieved in overcoming obstacles to good quality employment. At the same time, rising wage income was influential in reducing inequalities between households.

Nevertheless, deep divides persist, both in terms of opportunities for overcoming the obstacles that hinder access to good quality employment, and in respect of labour-market inequality and its consequent impact on distribution. Moreover, the new global environment is weakening job-creation mechanisms, as was observed at the regional level in 2013 and in early 2014. Labour supply is not expected to fuel a large rise in aggregate employment, owing to the demographic changes that are reducing the relative size of the age groups from which first-time labour-market entrants are drawn, and to the predominance of long-term labour-market participation trends.

This does not mean that job creation is becoming less important. On the contrary, generating jobs in medium- and high-productivity sectors, with all the rights associated with formal employment, remains a cornerstone of social sustainability. However, in contrast with the earlier period, it is thought that aggregate job creation will be reflected less in a rising employment rate, and more in the growth of labour productivity. This is because, as the labour supply expands more slowly as a result of demographic factors, job creation in medium- and high-productivity sectors would entail a reduction in the share of low-productivity sectors. This restructuring of employment would lead to increased aggregate labour productivity.

The changes in the external scenario that will probably occur over the coming years will require modifications to proposed economic policies, so that the region's economies can cope with the new reality without renouncing the possibility of continued growth.

In this context, macroeconomic policy priorities will depend on the strengths and vulnerabilities of each country. The expansion of the macroeconomic policy space over the business cycle, the strengthening of public finances, the development of mechanisms to cushion external shocks and the reinforcement of financial systems, are factors which, weighted according to their priority, must form part of the region's macroeconomic agenda. Such an approach would yield a wider range of options for increasing the potential GDP growth rate, which is essential both for sustained and significant economic expansion, and for increasing macroeconomic policies' room for manoeuvre in managing the business cycle. As such, there is evidently a close link between macroeconomic policies and policies in support of economic growth over the longer term.

Finding a path to sustained, high growth requires an increase in investment, which is generally very low in the region. Initiatives designed to boost competitiveness, especially through productivity gains, are important in this regard. There is a particular need to increase public investment, which would help narrow the infrastructure deficit which, albeit with differences between countries, is widespread throughout the region. This requires that decisions be taken regarding the strategy for expanding the fiscal space; a strategy that would differ according to the features of the countries. Greater public investment would favour an increase in economies' competitiveness and widen the scope for private investment. At the same time, private investment must play a central role in generating processes that enable productivity gains, through the absorption of technical progress and the incorporation of knowledge, without detriment to employment quality and quantity. In other words, although the main purpose of policies to promote investment and raise productivity is to strengthen the economic sustainability of development, they are also essential for its social sustainability. This context generates new challenges for fiscal policy which, moreover, should strengthen its redistributive impact on both the revenue and the expenditure side. Meanwhile, many social policies, whose paramount objective is to improve the well-being of the population, and especially that of the most vulnerable segments, are extremely important in heightening the potential of economic growth.

The challenge of increasing productivity is also connected to labour supply trends. Slower labour-force expansion (caused by demographic changes, only partly counteracted by the growing inclusion of women in the labour market) means that the contribution of the labour factor to economic growth increasingly must be linked to higher skill levels. These may be achieved through continuing improvements in the quality and coverage of education and national vocational training systems, which allow them to respond to the needs of changing economies.

In short, the fact that the external scenario is set to be less favourable than in recent years means that greater effort and skill must be deployed in the economic policy arena, so that Latin America and the Caribbean can maintain a growth rate that allows jobs to be created with the quality and in the quantity required for the economic and social sustainability of an inclusive development process. As ECLAC (2014b) has proposed, social compacts, inspired by a basic consensus regarding their guiding principles and most suitable instruments, are required in order to embrace the long-term vision needed to design and implement many of the policies summarized herein. Important in the context of this document are the compacts for a tax structure and public spending for equality, for natural-resource governance, for investment, for industrial policy, for inclusive financing, and for equity in the world of work. Diverse structures and policies exist in the region, which underscores the importance that compacts be based on dialogue processes within countries, and that they take into account national specificities, circumstances and historical perspectives.

# Part I

# The economic situation in Latin America and the Caribbean in 2014

# Chapter I

# Regional overview

Introduction
A. The external context
B. The external sector
C. Domestic performance
D. Macroeconomic policy
E. Outlook and challenges

# Introduction

During the years following the 2008-2009 economic and financial crisis, economic growth in Latin America and the Caribbean was driven primarily by surging consumption. Gross fixed capital formation did not rally across the board; external demand did not return to the dramatic expansion it had seen before. Contributing factors were the deepening of the crisis in the European Union, the slowdown and incipient realignment of economic growth in China and the sagging pace of expansion of other emerging economies such as India.

While the post-crisis recovery was quick and robust, regional growth began to slacken in 2011 as external demand faltered and internal demand gradually lost steam owing to less dynamic gross fixed capital formation and household consumption. At the regional level, slower export growth (due to shrinking trading volume and falling prices for the region's raw materials exports) and growth in domestic demand that was sluggish but somewhat higher than external demand pushed up the current account balance-of-payments deficit. With economic activity slowing and fiscal revenues from raw materials falling while public spending continued to grow, fiscal space gradually shrank. Starting in 2013, this scenario was compounded by greater international financial market volatility sparked by the announcement and subsequent implementation of a shift in the monetary policy stance of the United States. On the other hand, during the past decade, many of the countries of the region had drawn on surpluses to reduce their vulnerability (for example, lowering their levels of public debt and improving their debt service conditions) and to build up international reserves.

Against this backdrop, the region turned in a mediocre economic performance in 2013, with growth slowing to 2.5% (from 2.9% in 2012). Household consumption continued to underpin the expansion of economic activity but grew by only 3.1% (4.2% in 2012). Growth of gross fixed capital formation slid from 3.0% to 2.4%; goods and services export volume barely inched up. A further setback in export prices and a slight uptick in imports pushed the current account deficit up from 1.8% of regional GDP to 2.7% of regional GDP. But these figures mask wide dissimilarities between countries and subregions, owing to structural differences in international market insertion and varying rates of internal growth.

This first part of the *Economic Survey of Latin America and the Caribbean 2014* examines the region's economic performance during the first half of the year. In broad terms, many of the trends of late 2013 held steady in an external context that, while complex, did see a slight upturn in global economic growth. In spite of this improvement, preliminary data indicate that in 2014 economic activity in Latin America and the Caribbean will grow at a rate that is a bit slower than in 2013.

# A. The external context

## 1. The pace of world economic growth picks up slightly

According to projections and figures for the year to date, the changes in the growth dynamics in the world's major economies in 2013 and the persistence of these patterns will lead to a modest upturn in global growth in 2014. In a number of eurozone countries that were still seeing slowdowns in the first half of 2013, the slide began to ease in the second half of that year, in others it reversed after months (or years) of recession. The second half of 2013 also brought some consolidation of the economic recovery in the United States, with steady declines in the unemployment rate there. The trend was the same in the United Kingdom.

During the first half of 2014, the pace of activity in developed countries such as Germany, Japan, the United Kingdom and the United States pointed to further slow economic recovery. While the United States economy posted negative year-on-year growth in the first quarter, this was mainly due to extremely harsh weather; the indicators point to a strong rebound thereafter. In some parts of the eurozone, production and employment have not yet returned to their pre-crisis levels. But projections indicate that in 2014 and 2015 economic growth in these countries as a whole is likely to average 1.4%, which is better than the 0.2%, on average, recorded between 2007 and 2013. The figures for the first four months of 2014 do not yet fully confirm sound eurozone growth, although a number of eurozone countries are performing better than in the prior year. The indicators do not yet show a marked slowdown in China,

whose authorities have set 7% growth as a minimum target for 2014. However, evidence of recent tensions in China's financial system and the slowing rate of manufacturing industry expansion constitute a warning sign. For 2014, then, the global economy is projected to expand by 2.8% (see table I.1).[1]

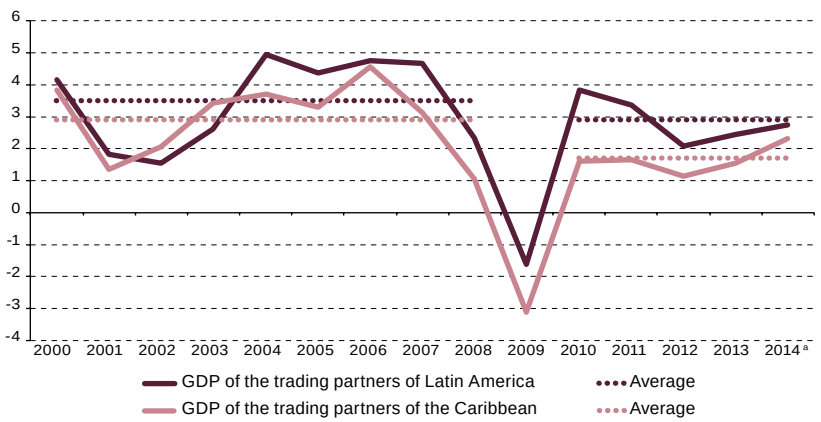
**Table I.1**
**Selected regions and countries: GDP growth, 2007-2014**
*(Percentages)*

| | 2007-2010 | 2011 | 2012 | 2013 | 2014 [a] |
|---|---|---|---|---|---|
| **World** | **1.8** | **2.8** | **2.3** | **2.2** | **2.8** |
| Developed countries | 0.3 | 1.5 | 1.3 | 1.1 | 2.0 |
| United States | 0.3 | 1.8 | 2.8 | 1.9 | 2.5 |
| Japan | 0.0 | -0.6 | 1.4 | 1.5 | 1.4 |
| Eurozone | 0.2 | 1.6 | -0.7 | -0.4 | 1.2 |
| Russian Federation | 2.4 | 4.3 | 3.4 | 1.3 | 1.0 |
| Developing countries | 5.9 | 5.9 | 4.7 | 4.6 | 4.7 |
| India | 8.1 | 7.3 | 4.7 | 4.8 | 5.0 |
| China | 10.8 | 9.3 | 7.7 | 7.7 | 7.3 |
| South Africa | 2.6 | 3.5 | 3.5 | 3.1 | 3.6 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Department of Economic and Social Affairs (DESA), *World Economic Situation and Prospects 2014, update as of mid-2014*, New York, 2014.
[a] Projections.

The slight uptick in the global economy will mean some degree of growth for the region's main trading partners. As shown in figure I.1, the export destination markets of Latin America and, to a lesser extent, the Caribbean, will see growth that, while slightly higher, will still fall below the average for most part of the previous decade.

**Figure I.1**
**Latin America and the Caribbean: GDP growth in the trading partners, 2000-2014**
*(Percentages)*



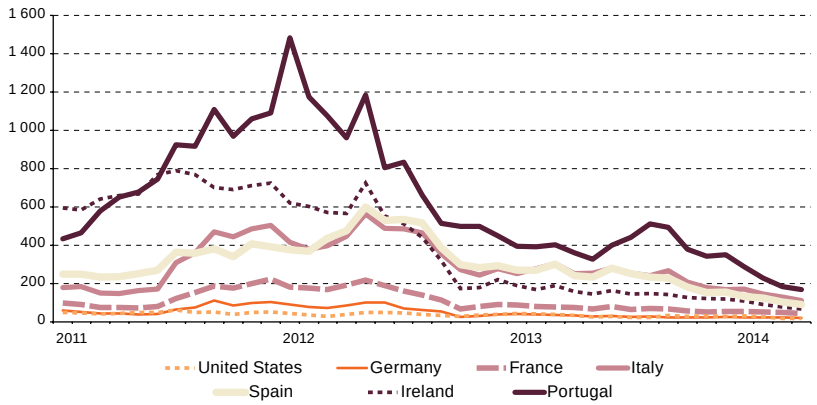

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Department of Economic and Social Affairs (DESA), *World Economic Situation and Prospects 2014, update as of mid-2014*, New York, 2014.
[a] Estimates.

Together with the policies adopted by major central banks, these developments in the world economy in 2013 and 2014 translated into two important changes in the external environment for the region.

First, following the monetary policy shift in the eurozone in mid-2012 and signs of an incipient recovery in 2013 and 2014 to date, global risk indicators have continued to fall, as seen in the gradual convergence towards lower levels of risk in financial markets (see figure I.2). Among other things, this enabled Greece and Portugal (which were hit hard by the 2008-2009 crisis) to return to the markets and obtain voluntary financing at reasonable rates. Furthermore, contrary to expectations in a global slow growth environment, lower risk in the core countries has not put upward pressure on country risk in the emerging countries of Latin America in 2013-2014, as discussed below.

[1] The contraction of the United States economy in the first quarter of 2014 could mean that growth for the year as a whole could be slightly lower than shown in the table, which would also impact the rate of growth of the world economy.

**Figure I.2**
**Europe (selected countries): five-year credit default swap risk premiums, 2011-April 2014**
*(Basis points)*

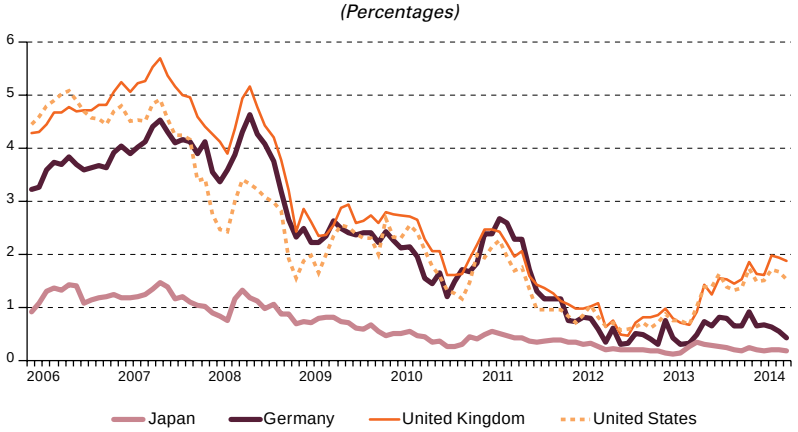



**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures provided by Bloomberg.

## 2. International financial market conditions are still returning to normal

Secondly, the performance posted by the United States in 2013-2014 sparked a turnabout in expectations as to the course of its monetary policy, which had hitherto had a strong expansionary bias. On the strength of improving unemployment and activity indicators, the United States monetary authorities announced a tapering of monetary stimulus and likely termination of the programme in 2014. This would be followed by monetary policy rate hikes that might not be very steep, given the absence of significant inflation expectations. After the financial markets briefly overreacted in mid-2013, this shift has pushed up financial asset yields in some key global financial markets (see figure I.3). The ensuing realignment of investment portfolios triggered outward financial flows from emerging countries and put depreciation pressure on their currencies. As a result, early 2014 brought a short period of heightened global financial market volatility linked to episodes of political uncertainty in a number of emerging economies.

**Figure I.3**
**Selected countries: yield on five-year treasury bonds, 2006-March 2014**
*(Percentages)*




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

In the first half of 2014 the United States monetary authorities implemented a policy for tapering the monetary stimulus, cutting monthly asset purchases from a peak of US$ 85 billion to US$ 35 billion by mid-year. This trend is expected to continue throughout the year. In the eurozone, monetary policy in the first half of the year was still aimed mainly at stabilizing sovereign debt markets. But low inflation figures for the first six months have heightened fears of deflation, leading the European Central Bank (ECB) to lower its refinancing interest rates and to take steps to boost liquidity. These measures, while they did result in moderate depreciation of the euro against the dollar and lower

financial asset yields in the eurozone, have not yet substantially increased lending nor sparked a recovery of domestic demand. That is why it cannot be ruled out that during the second half of the year the European Central Bank might take more drastic measures similar to those implemented earlier by the United States monetary authorities in order to boost liquidity. Japan, too, is expected to keep its fiscal spending and expansionary monetary policies in place, in particular to counteract the impact (slight, at least initially) of consumption-tax hikes in April.

As activity in developed countries picks up and United States monetary policy gradually returns to normal, the dollar is expected to strengthen against the currencies of most countries (with the exception of China), including those of Latin America and the Caribbean. A gradual rise in the cost of financial resources in international markets is very likely by late this year and throughout next year, in line with the financial return trends in developed countries tracked in figure I.3, which shows that financial asset yields have been trending up but are still well below the levels seen in previous years.

Global economic growth and financial market trends are pushing commodity markets in different directions. On the one hand, rising interest rates in the USA and the resulting expectations of dollar appreciation tend to drive prices down by curbing demand. On the other hand, with global growth picking up and economic growth in China holding relatively steady, demand should continue to edge up. The dominant factor behind faster global growth in 2014 is expected to be an upswing in activity in the developed countries, where growth is not as directly commodity-intensive. Projections therefore point to a further moderate drop in commodity prices although they should still be higher than in the past and price trends for different product groups will differ (on this, see section B).

## 3. The pace of global trade growth remains sluggish

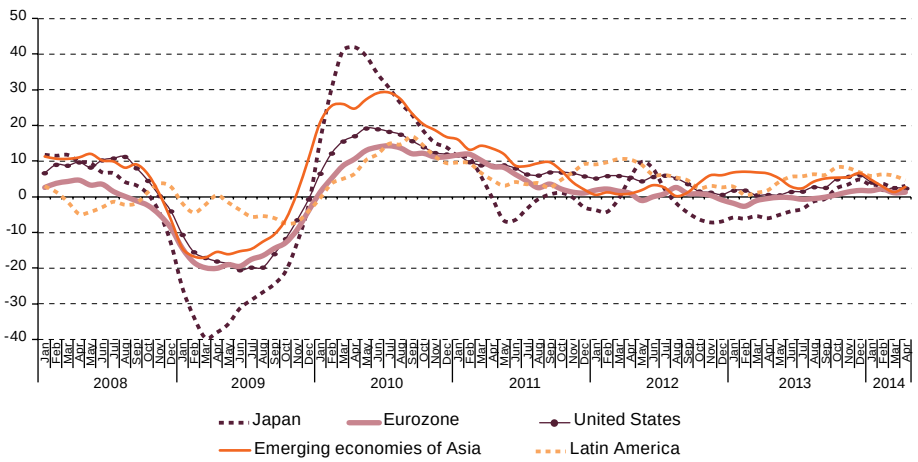
With a year-on-year variation of 2.6% during the first four months of 2014 (slightly below average growth of 2.7% in 2013), global trade volume is still expanding more slowly than in previous years. Listless global trade flows are due mainly to the slowing of emerging economies, especially China's.

During the first few months of 2014 the emerging economies of Asia saw a sudden downturn in export volume, most likely related to the moderate economic slowdown and realignment in China. Exports had already fallen off sharply in 2013, growing by an average 5.4% compared with a year-on-year average of 11.8% during 2010-2012. This downtrend continued into the first few months of 2014, with an increase of just 2.5% year-on-year to April. As for the developed countries, Japan, the United States and the eurozone posted improved trade flows starting in the second half of 2013. Japanese exports rallied, to grow 2.3% year-on-year in the first four months of 2014 after falling 1.4% on average in 2013. Exports from the eurozone countries rose by 1.3% during the first few months of the year after expanding by only 0.1% on average in 2013. Exports from the United States are holding steady, with growth averaging 2.6% in 2013 and the first four months of 2014 (see figure I.4).

**Figure I.4**

**Year-on-year variation in world export volume by region, three-month moving average, January 2008-March 2014**

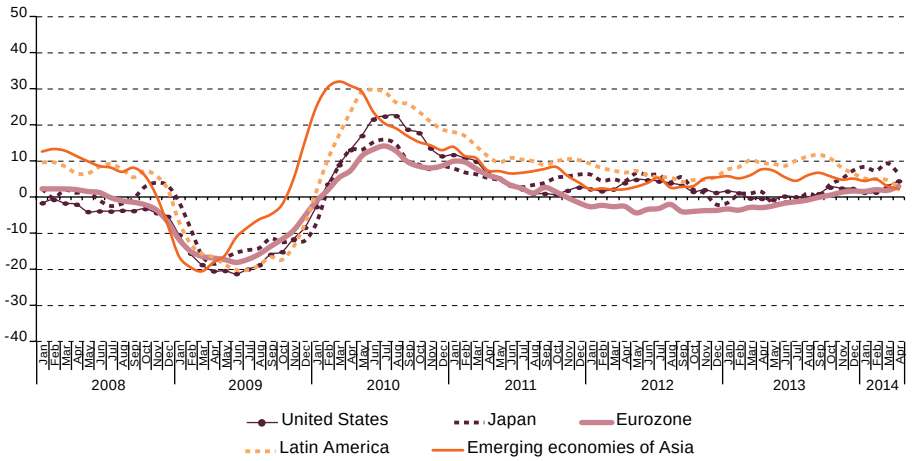
*(Percentages)*




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

Import volume trends in industrialized and emerging economies alike have mirrored export trends, with imports picking up in industrialized countries and sliding in emerging economies (see figure I.5). In Japan, imports jumped 7.7% in the first four months of 2014 (compared with an average 1.6% in 2013) while the United States and the eurozone countries saw increases of 3.8% and 2.4%, respectively (compared with an average increase of 0.8% in the United States and an average decrease of 0.8% for the eurozone countries in 2013). Imports into the emerging economies of Asia slowed from an average growth of 5.8% in 2013 to 2.6% as of April 2014. As will be seen later in more detail, year-on-year import growth figures for Latin America for the first part of the year were also down from 2013 levels.

**Figure I.5**
**Year-on-year variation in world import volume by region, three-month moving average, January 2008-April 2014**
*(Percentages)*




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

# B. The external sector

## 1. Most of the region's export commodity prices are down slightly or flat

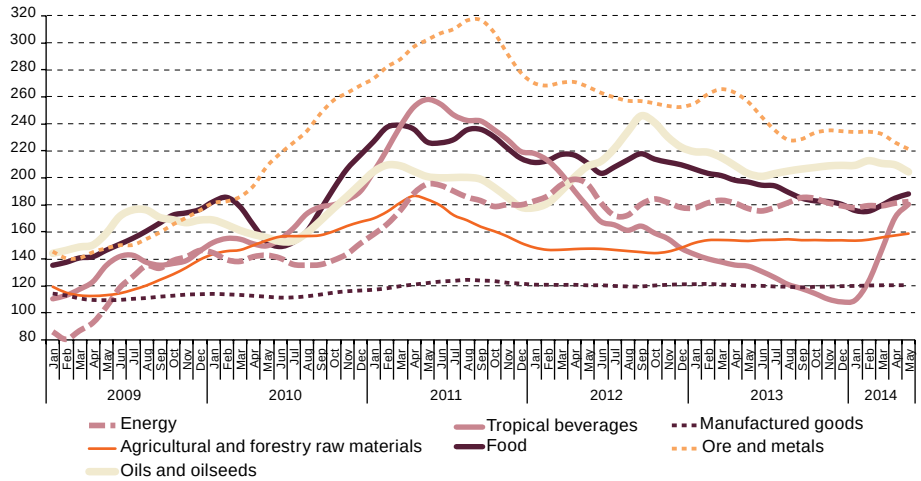
The pattern of stagnating and gradually falling prices for a number of the region's export commodities that began in 2012 continued into the first few months of 2014. One of the contributing factors was less dynamic global demand for these products, due above all to a slower pace of growth of the Chinese economy. Another factor was an expanding supply of these products worldwide thanks to investments in natural resource sectors during the past decade's price boom.

But early 2014 did not bring price falls as steep as in the ones posted for a number of commodities in 2013. Between December 2013 and May 2014, prices rose for food items (7.5%), tropical beverages (63.4%) and energy (1.9%) and fell for oils and oilseeds (down by 4.1%) and minerals and metals (by 6.7%). On average for 2014, prices are projected to flatline or trend slightly down. As figure I.6 shows, the price of a number of the region's export products fell year-on-year during the first five months of 2014. Mining and metal products posted year-on-year price slumps of 12.8%; among the contributing factors were copper, iron and gold prices that slid 9.2%, 11.3% and 17.0%, respectively. The remainder of 2014 is expected to bring a drop in mining and metal product prices that, while significant, will ease the dramatic year-on-year decline observed during the first few months of the year.

Early in the year, the average price of oil was still projected to decline slightly in 2014 owing to significant changes in the global energy supply resulting from technological advances and weaker economic activity in emerging countries

during the year. But political conflicts like the ones in Iraq and Ukraine are affecting the supply of hydrocarbons or could do so. Output in Libya faced serious operational constraints as a result of political instability in that country. These factors continue to feed a significant degree of uncertainty in this market; expectations for a moderate decline in hydrocarbon prices by mid-year therefore shifted towards relative price stability as already seen in the first five months, with a year-on-year increase of 1.6%.

**Figure I.6**
**Latin America: price indices for export commodities and manufactured goods, three-month moving average, January 2009-May 2014** [a]
*(Index: 2005=100)*




**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the United Nations Conference on Trade and Development (UNCTAD) and the Netherlands Bureau of Economic Policy Analysis (CPB).
[a] The export commodity groups are weighted according to their share of Latin America's export basket.

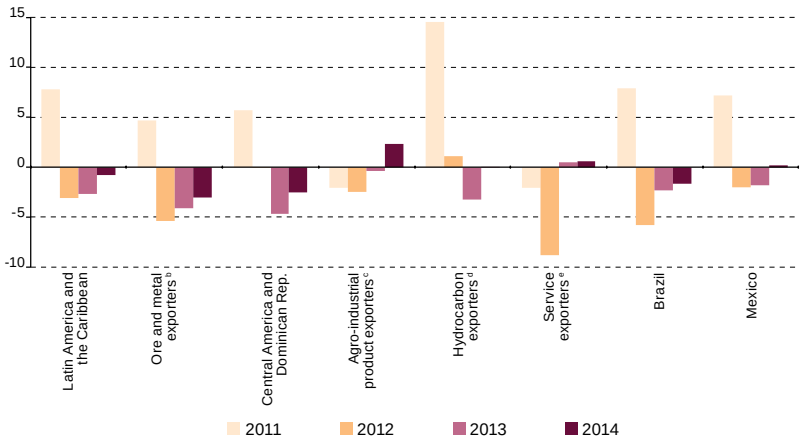
Food prices posted an 8.0% year-on-year drop during the first five months of the year, owing largely to plummeting maize, rice and sugar prices (down 25.1%, 24.2% and 5.5%, respectively). Under tropical beverages, the price of coffee has jumped 16.2% year-on-year to date in 2014, reversing the sharp downtrend of the past two years. The main reason is low coffee output in Brazil (one of the world's major coffee producers) owing to bad weather. Tropical beverage prices are therefore expected to soar this year in comparison with 2013. Prices for oils and oilseeds have fallen 0.3% year-on-year in 2014 to date, as expectations of a good soybean harvest pushed soybean prices down by 2.6% during the period. This trend is likely to hold for the remainder of the year.

## 2. The region's terms of trade weakened somewhat, with differences from one country to the next

Projected variations in the prices of the region's key export commodities will impact the terms of trade in different ways depending on each country's export structure. For the region as a whole, the terms of trade are projected to deteriorate by a slight 0.8% owing, among other factors, to a 1.7% weakening of Brazil's terms of trade as the price of its two main export commodities (soybeans and iron) drops. Mexico, the region's other major exporting country, is expected to see its terms of trade remain virtually stable as a slight uptick in the price of its exports (most of which are manufactured goods for the United States market) is likely to be offset by a corresponding increase in the price of its imports.

Prospects for declining oil and oilseed prices will be reflected in a slight deterioration of the terms of trade of the subgroup of countries that export agro-industrial goods (Argentina, Paraguay and Uruguay). The ore- and metal-exporting countries (Chile and Peru) can expect worsening terms of trade in 2014; for hydrocarbon-exporting countries (Bolivarian Republic of Venezuela, Colombia, Ecuador, Plurinational State of Bolivia and Trinidad and Tobago) they should remain stable, albeit with differences between countries. The countries of Central America and the Caribbean can expect their terms of trade to improve slightly because as net importers of most food items they stand to benefit from a projected drop in food prices (see figure I.7).

**Figure I.7**
**Latin America and the Caribbean: variation in the terms of trade, 2011-2014** [a]
*(Percentages)*




**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] The figures for 2014 are projections.
[b] Chile, Guyana, Peru and Suriname.
[c] Argentina, Paraguay and Uruguay.
[d] Bolivarian Republic of Venezuela, Colombia, Ecuador, Plurinational State of Bolivia and Trinidad and Tobago.
[e] The Caribbean, excluding Guyana, Suriname and Trinidad and Tobago.

## 3. Exports and imports stagnate

During the first quarter of 2014, exports from Latin America and the Caribbean fell year-on-year as the slowing trend seen in previous quarters continued (see tables I.2 and A.9). But the pattern in Mexico and some of the countries of Central America (where exports edged up) stood in contrast with the year-on-year declines that prevailed in South America. Among the contributing factors were differences in performance among the major trading partners and uneven export price trends.

**Table I.2**
**Latin America: year-on-year variation in export value, first quarter 2011-first quarter 2014**
*(Percentages)*

| | 2011 | | | | 2012 | | | | 2013 | | | | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| Argentina | 29.6 | 21.5 | 25.5 | 18.1 | 5.5 | -8.8 | -5.9 | -3.1 | -2.0 | 10.9 | -1.9 | -4.0 | -9.1 |
| Bolivia (Plurinational State of) | 13.5 | 17.3 | 30.4 | 17.1 | 26.1 | 38.7 | 24.6 | 47.7 | 35.8 | 3.4 | -3.7 | -14.6 | 2.8 |
| Brazil | 30.6 | 34.3 | 28.6 | 15.9 | 7.5 | -7.4 | -11.6 | -6.1 | -7.7 | 2.3 | -0.2 | 4.1 | -2.5 |
| Chile | 29.4 | 30.3 | 4.4 | -0.2 | -1.7 | -7.5 | -10.1 | 3.5 | -5.9 | 1.8 | 6.9 | -9.2 | 1.8 |
| Colombia | 38.3 | 45.9 | 48.0 | 40.9 | 22.9 | 2.0 | 0.5 | -0.2 | -8.8 | 1.2 | 0.2 | -0.9 | -4.6 |
| Costa Rica | 4.0 | 12.4 | 11.5 | 13.0 | 17.4 | 9.7 | 6.5 | 7.0 | -2.9 | 0.0 | 4.7 | 3.1 | -0.4 |
| Dominican Republic | 24.2 | 32.5 | 25.9 | 20.0 | 9.3 | -0.4 | 5.1 | 14.4 | 8.1 | 13.0 | 6.0 | -1.1 | 5.5 |
| Ecuador | 29.2 | 29.4 | 36.0 | 17.5 | 16.1 | 6.1 | 5.4 | -1.2 | 0.3 | -1.3 | 8.8 | 13.1 | 6.1 |
| El Salvador | 28.0 | 24.1 | 13.8 | 6.7 | 0.6 | -8.0 | 4.2 | 6.4 | -2.9 | 15.0 | 0.5 | -0.4 | -5.4 |
| Guatemala | 26.1 | 22.6 | 30.0 | 13.9 | -2.9 | -4.6 | -3.8 | -4.9 | -1.2 | 3.3 | -1.4 | 1.4 | 3.5 |
| Haiti | 12.1 | 99.6 | 27.3 | 33.9 | 11.6 | -7.4 | 4.5 | 0.5 | 16.9 | 19.4 | 9.5 | 6.5 | 2.0 |
| Honduras | 53.7 | 54.4 | 23.7 | 25.0 | 10.7 | -0.4 | 43.5 | -2.6 | -12.5 | -13.9 | -19.3 | 12.2 | -8.5 |
| Mexico | 22.8 | 19.6 | 16.5 | 10.5 | 9.5 | 5.6 | 3.6 | 5.9 | -1.4 | 2.6 | 5.5 | 3.5 | 2.9 |
| Nicaragua | 33.0 | 22.4 | 12.2 | 20.5 | 9.1 | 14.4 | 31.8 | 21.3 | -9.9 | -9.0 | -11.8 | -10.8 | 8.6 |
| Panama | 28.7 | 33.4 | 57.5 | 15.4 | 28.1 | 5.0 | -7.4 | 5.6 | -13.2 | -4.9 | 3.7 | -7.5 | -25.2 |
| Paraguay | 6.9 | 20.6 | 41.6 | 8.1 | -4.5 | -7.3 | -14.3 | 3.6 | 36.7 | 42.6 | 31.5 | 5.8 | 14.2 |
| Peru | 27.7 | 42.7 | 35.7 | 14.8 | 18.5 | -9.8 | -6.0 | 0.3 | -14.1 | -5.4 | -6.9 | -9.4 | -12.3 |
| Uruguay | 28.6 | 9.2 | 23.5 | 13.0 | 13.5 | 7.0 | 15.6 | 4.3 | -10.9 | 18.0 | 4.1 | 1.8 | 0.1 |
| Venezuela (Bolivarian Republic of) | 26.5 | 56.4 | 54.3 | 29.5 | 23.3 | -5.8 | -2.6 | 7.6 | -13.5 | -5.4 | -4.6 | -10.3 | - |
| **Latin America** | **26.8** | **29.3** | **25.4** | **14.8** | **10.5** | **-1.6** | **-3.0** | **1.8** | **-5.0** | **2.3** | **1.8** | **-0.2** | **-0.8** |
| **South America** | **29.5** | **35.1** | **30.0** | **17.3** | **10.9** | **-5.6** | **-6.8** | **-0.7** | **-7.1** | **2.2** | **-0.1** | **-2.2** | **-2.9** |
| **Central America** | **23.0** | **20.6** | **18.2** | **11.1** | **9.9** | **5.1** | **3.5** | **5.9** | **-1.9** | **2.4** | **4.9** | **2.9** | **1.7** |

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

The region's import value expanded, albeit slightly, during the first quarter of 2014. Rising imports in Mexico and the countries of Central America were a factor (see tables I.3 and A.10). One driver of import growth in Mexico and the Central American subregion could be the expanding maquila s ector in these countries, which boosts imports of inputs. Imports into the countries of South America continued to trend down during the first quarter of the year. They are forecast to recover slightly in the remainder of the year, but Mexico and the countries of Central America are expected to be the main engine of import expansion in the region in 2014.

**Table I.3**
**Latin America: year-on-year variation of import value, first quarter 2011-first quarter 2014**
*(Percentages)*

| | 2011 | | | | 2012 | | | | 2013 | | | | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| Argentina | 38.5 | 37.8 | 34.0 | 16.4 | -0.1 | -10.8 | -13.2 | -4.9 | 4.3 | 16.5 | 9.0 | 0.1 | -1.3 |
| Bolivia (Plurinational State of) | 33.6 | 35.2 | 52.4 | 42.8 | 18.7 | 6.3 | -8.3 | 4.9 | 10.0 | 12.1 | 15.9 | 13.4 | 13.2 |
| Brazil | 25.4 | 33.3 | 20.9 | 19.7 | 9.5 | 0.4 | -11.1 | -1.7 | 6.3 | 7.0 | 12.8 | 3.6 | -0.6 |
| Chile | 36.0 | 29.6 | 25.8 | 16.2 | 7.4 | 4.3 | 3.2 | 14.0 | 5.6 | 4.2 | -2.3 | -10.2 | -6.4 |
| Colombia | 38.0 | 43.4 | 31.1 | 25.8 | 16.1 | 11.6 | 5.9 | 3.7 | 0.9 | -2.8 | 0.8 | 3.0 | 4.2 |
| Costa Rica | 21.7 | 15.8 | 20.9 | 19.7 | 13.5 | 9.3 | 2.2 | 9.3 | 0.3 | 5.6 | 5.6 | -1.4 | 2.5 |
| Dominican Republic | 17.0 | 11.7 | 9.6 | 8.8 | 8.7 | -0.5 | 5.0 | -0.8 | -5.7 | -9.3 | -10.1 | -3.2 | -0.3 |
| Ecuador | 23.5 | 20.8 | 13.2 | 15.8 | 13.1 | 4.5 | 6.3 | -5.3 | 9.7 | 9.3 | 6.3 | 6.4 | -2.1 |
| El Salvador | 22.7 | 19.4 | 24.0 | 8.2 | 5.9 | -3.3 | 2.4 | 7.8 | 0.2 | 14.4 | 2.4 | 2.9 | 2.9 |
| Guatemala | 26.1 | 26.6 | 19.3 | 9.8 | 7.1 | -1.1 | -2.4 | 6.3 | 0.5 | 5.6 | 5.9 | 0.3 | 5.5 |
| Haiti | 23.4 | 30.1 | -13.5 | 1.1 | -1.8 | -9.6 | -19.9 | -12.6 | 21.5 | 25.3 | 46.8 | 6.2 | 4.6 |
| Honduras | 21.7 | 30.0 | 32.6 | 21.8 | 17.0 | -3.2 | 4.0 | 0.3 | -7.3 | -1.8 | -2.7 | 4.7 | -2.0 |
| Mexico | 20.6 | 17.8 | 18.1 | 10.0 | 10.0 | 5.6 | 0.5 | 7.2 | 1.6 | 5.0 | 5.3 | -0.5 | 3.0 |
| Nicaragua | 39.3 | 20.9 | 22.1 | 19.5 | 13.8 | 17.5 | 7.1 | 11.6 | -7.7 | -3.9 | 2.3 | -6.0 | 3.2 |
| Panama | 49.1 | 36.3 | 51.3 | 26.7 | 7.9 | 4.4 | 1.3 | 6.0 | -0.8 | -2.1 | -7.3 | -8.0 | -13.7 |
| Paraguay | 27.9 | 31.9 | 28.4 | 7.6 | -2.9 | -11.2 | -10.0 | -2.8 | 12.9 | 9.4 | 1.3 | -1.8 | -6.3 |
| Peru | 29.4 | 45.3 | 24.0 | 19.9 | 16.8 | 4.1 | 13.7 | 9.1 | 6.8 | 5.2 | 1.0 | -1.9 | -2.7 |
| Uruguay | 48.1 | 34.5 | 25.3 | 0.8 | 11.4 | 7.9 | 7.8 | 7.5 | -8.5 | -4.4 | 9.4 | 3.3 | 12.5 |
| Venezuela (Bolivarian Republic of) | 18.9 | 23.5 | 18.8 | 26.0 | 52.2 | 5.4 | 23.6 | 33.5 | 3.5 | 1.4 | -18.0 | -52.1 | - |
| **Latin America** | **26.2** | **26.7** | **22.3** | **15.7** | **11.4** | **2.9** | **-1.1** | **5.5** | **3.3** | **5.2** | **4.2** | **-3.7** | **0.5** |
| **South America** | **29.7** | **33.4** | **24.4** | **19.4** | **12.7** | **1.4** | **-2.4** | **4.6** | **5.2** | **6.0** | **4.4** | **-5.9** | **-0.9** |
| **Central America** | **22.3** | **19.1** | **19.7** | **11.2** | **9.9** | **4.8** | **0.7** | **6.7** | **1.0** | **4.3** | **4.0** | **-0.8** | **2.1** |

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

Export values in the region are expected to edge up an estimated 3.1% in 2014, which is an improvement over the slight (0.1%) decline during the previous year. However, forecast growth falls far short of the pace seen during 2010 and 2011 (26% on average) and before the financial crisis (16% on average in 2006-2008). With most export commodity prices falling or stable, the main factor behind the moderate growth in export values in the region is rising export volume (up by 2.8%). Export prices are expected to rise by an average 0.3% because slightly higher prices for manufactured goods offset declines for a number of commodities (see figure I.8). The only exception to this general trend is Central America, where export prices are rising at the same pace as export volume (due mainly to the prospect for higher coffee prices).

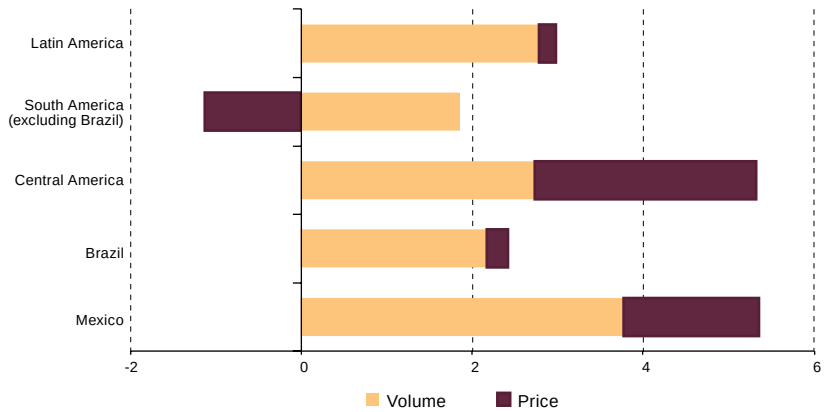
The region's import value is expected to rise by 3.8%, owing to a 2.7% increase in import volume and, to a lesser extent, to an average 1.1% uptick in import prices (see figure I.9).

These estimates are based on the expectation that the slow —and in some cases negative— export growth posted in 2013 bottomed out in the first quarter of 2014 and that the pace of growth, while still low, will gather speed over the remainder of the year. This positive outlook for the region's exports for the year is grounded primarily in the likely trend for exports from Mexico and Central America. The expected upturn in exports from these countries is due above all to expectations for economic recovery in the United States (with which Mexico and the Central American countries have close trade ties) and in rising prices for their main export products. Exports from South America, after declining two years in a row, are expected to climb throughout the remainder of the year. This improvement, while slight, should be enough to counteract the first quarter's downtrend and nudge the figures into positive territory for the year. In Argentina and Paraguay, export growth will be driven by a good soybean harvest. Export value will inch

up in countries that depend on ore and metal exports (Chile and Peru), owing above all to a 3.9% increase in export volume in a context of falling metal prices. In the hydrocarbon-exporting countries (Bolivarian Republic of Venezuela, Colombia Ecuador, and Plurinational State of Bolivia), trends will be mixed. Colombia, Ecuador and the Plurinational State of Bolivia are forecast to see higher-than-average export growth; export volume is expected to contract in the Bolivarian Republic of Venezuela in a stable price environment.

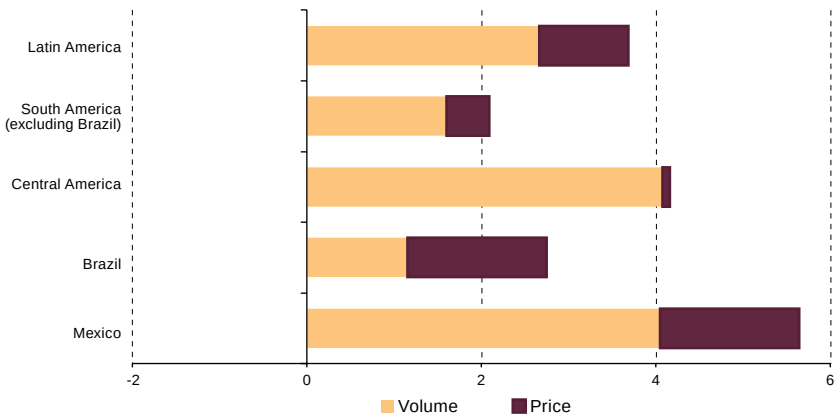
Import growth is still outpacing exports in the region, as has been the trend over the past two years. But the gap is not expected to be as large in 2014 as in previous years.

**Figure I.8**
**Latin America: variation in exports by volume and price, 2014** [a]
*(Percentages)*




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

**Figure I.9**
**Latin America: variation in import volume and price, 2014** [a]
*(Percentages)*

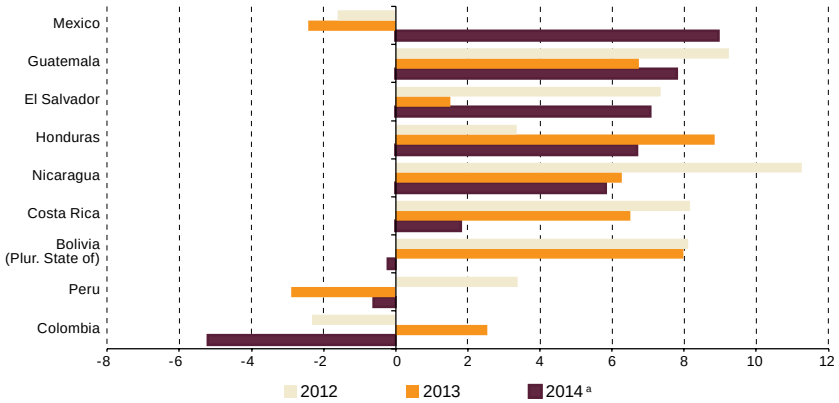



**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Projections.

## 4. Remittances from the United States are growing

The first quarter of 2014 saw remittances jump 7.6% year-on-year, the highest first-quarter year-on-year growth rate since 2007. Nevertheless, remittances are not up throughout the region yet, and the situation varies from one receiving country to the next (see figure I.10 and table A.12). On the whole, countries where the largest share of remittances comes from the United States posted year-on-year growth of 7.8%; the rate of growth for countries receiving remittances mainly from Europe was still low, at 0.8%.

**Figure I.10**
**Latin America (selected countries): variation in inflows of remittances from migrants abroad, 2012-2014**
*(Percentages)*




**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] The figures for 2014 relate to different periods depending on the countries: January to May for El Salvador and Guatemala; January to April for Colombia, Mexico, Nicaragua and the Plurinational State of Bolivia; and January to March for Costa Rica, Honduras and Peru.

The most significant increases in the first quarter of 2014 were in Mexico (11.7%) and, in Central America, Guatemala (9.2%), El Salvador (7.8%) and Nicaragua (7.7%). Remittances flowing into these countries come mainly from the United States. This shows that rallying employment figures in the United States have a positive impact on remittances to Latin America. The first quarter of 2014 was particularly positive for Mexico, where until just recently (between the third quarter of 2012 and the second quarter of 2013) remittances had been declining. This trend has been in sharp reversal so far this year. The only country where remittances come mainly from the United States that showed no growth in these flows was Peru (where they fell by 0.6%).

Remittances flowing into Colombia and the Plurinational State of Bolivia grew by a mere 0.9% and 0.4%, respectively. The latter receives the bulk of its remittances from Spain. This was also the case in Colombia for many years, but now the largest share comes from the United States. That said, trends in both countries reflect the still difficult employment situation in Spain, which is just beginning to show the first signs of recovery.

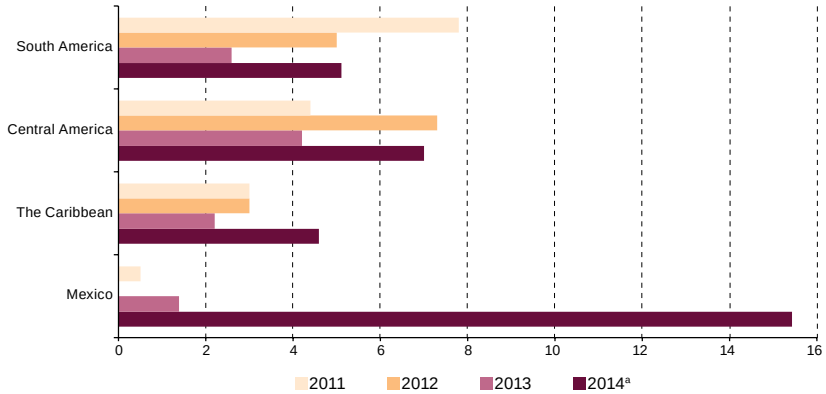
## 5. Tourism registers healthy growth rates

Overall international tourist flows to the region as well as all subregions —South America, Central America, the Caribbean and Mexico— (see figure I.11) rose substantially year-on-year during the first few months of 2014. The surge in tourist arrivals reflects an external context marked by improving economic conditions in the industrialized countries, especially the United States and European countries, which are the main sources of tourists for the region. Mexico, Central America and the Caribbean, where tourism is a critical source of income for their economies, recorded year-on-year increases of 15.4%, 7.0% and 4.6%, respectively; South America posted an increase of 5.1%. These figures are a marked improvement over the slow growth recorded in 2013 for the region as a whole and for its subregions.

## 6. The current account deteriorates slightly

With imports outstripping export growth in 2014, the goods trade balance will weaken and push the surplus down from 0.3% of GDP to 0.1% of GDP. Bright prospects for tourism in the region will be offset by rising expenditures for freight, insurance and other services linked to goods imports (which, as noted above, will continue to grow in volume albeit at a slower pace than in previous years). The service trade balance deficit should therefore remain unchanged at 1.4% of GDP. The goods and services trade balance deficit is thus expected to rise to 1.3% of GDP compared with the prior-year deficit equivalent to 1.1% of GDP. The transfer balance is expected to improve slightly, to a surplus of 1.2% in 2014 (1.1% in 2013) on the strength of remittances from migrant workers. Falling prices for various export commodities will affect the earnings of foreign companies with investments in the region and contain the growth of repatriated earnings. This will be reflected in the income balance, as its deficit will increase only slightly from 2.6% of GDP in 2013 to 2.7% of GDP in 2014.

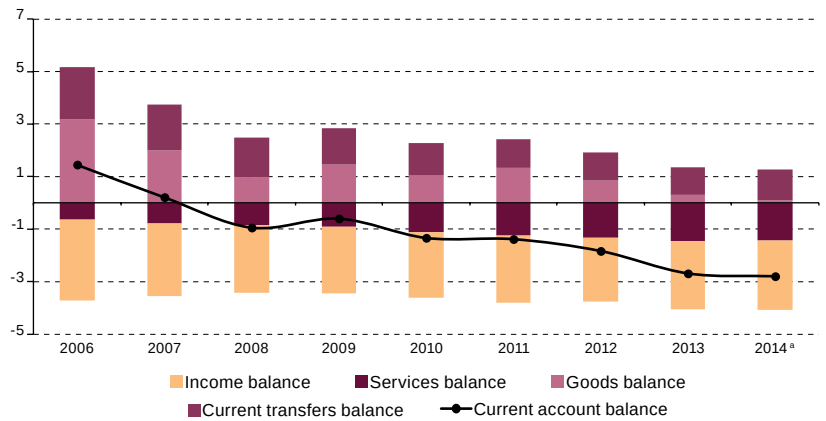
**Figure I.11**
**Latin America and the Caribbean: year-on-year variation in international tourist arrivals, 2011-2014**
*(Percentages)*




**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the World Tourism Organization (UNWTO).
[a] The figures for 2014 are for the first quarter.

The worsening trade balance due to the steeper increase in imports than in exports will be the main driver of changes in the current account in 2014. Accordingly, the current account deficit for Latin America as whole will continue the trend that began in 2010 and is expected to climb slightly from 2.7% of GDP in 2013 to 2.8% of GDP in 2014 (see figure I.12), the largest since 1999 (when the deficit was equivalent to 2.9% of GDP).

**Figure I.12**
**Latin America, current account structure, 2006-2014** [a]
*(Percentages of GDP)*



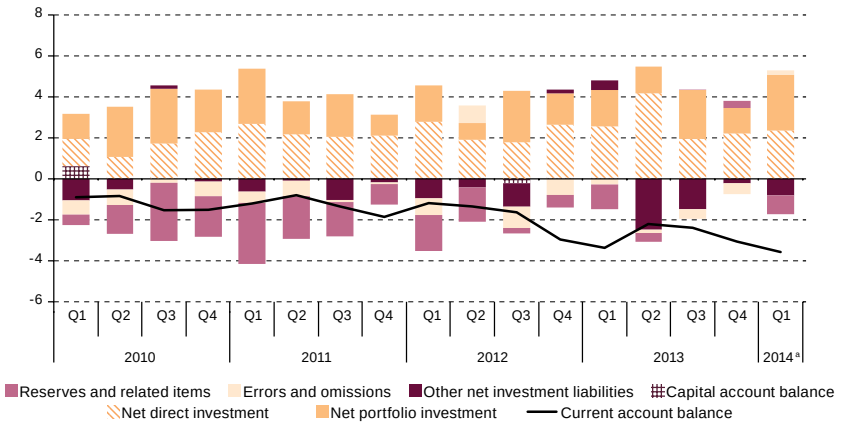

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Data for 2014 are projections.

## 7. Financial flows and funding terms are holding steady

The main external financing trends for the region have held fairly steady over the first few months of 2014, albeit with a slight downturn in net inflows. The current account deficit has been covered first by net foreign direct investment (FDI) and second by net portfolio investment. Both flows, despite fluctuations in international financial and commodity markets, are holding at similar levels ranging from 3.6% of regional GDP to 4% of regional GDP. By contrast, the most volatile flows (those grouped in other net investment liabilities) have fluctuated more widely in response to swings in expectations as to yields in international markets, at times with net outflows. So, with a current account deficit of almost 3% of regional GDP, the build-up of reserves scaled back substantially towards the end of 2013 but turned positive in early 2014 while falling short of previous periods (see figure I.13 and table A.20).[2]

[2] The data for the first quarter of 2014 in figure I.13 are for a limited number of countries, so the current account deficit as shown is not necessarily consistent with the projection for the year as a whole according to figure I.12.

**Figure I.13**
**Latin America (17 countries): current account balance and components of the financial account, first quarter 2010-first quarter 2014**
*(Percentages of regional GDP)*

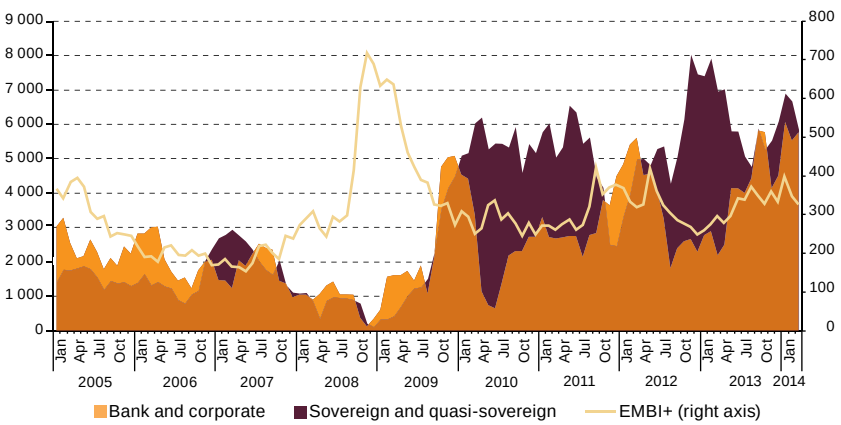



**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] For data availability reasons, includes only Brazil, Chile, Mexico and Peru.

Brazil, Chile, Colombia, Mexico and Peru are still the main FDI destinations in the region; gross inflows rose 5% in 2013. As shown in figure I.13 on the basis of information from four countries that are among the top recipients of FDI, net inward FDI in the first quarter of 2014 held at the level posted in the second half of 2013, indicating a slight year-on-year decline for the year as a whole.

Portfolio investment flows have, on average, held steady, but the mix has changed significantly. Nearly 80% of these flows has been made up of external debt securities (bonds) issues. After the 2008-2009 crisis, owing in part to lower interest rates resulting from monetary policies implemented by developed countries, private external bond issues (corporate and bank) surged. Between mid-2013 and 2014 to date, sovereign and quasi-sovereign external debt bond issues (by State-owned enterprises, for example) are the ones whose pace has picked up to stand at unprecedented levels (figure I.14).

**Figure I.14**
**Latin America and the Caribbean (19 countries): external bond issues on international markets and risk according to EMBI+, January 2005-March 2014** [a]
*(Millions of dollars and basis points)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Latin Finance Bonds Database, JP Morgan and Merrill Lynch.
[a] The external bond issue trend for 2014 was determined using the monthly moving average for the previous six months.

Brazil and Mexico have, because of the size of their economies, been the leading issuers of these bonds, followed by Chile, Colombia and Peru (see table I.4). In 2013, the issue boom was driven by Mexican sovereign bonds, bond sales by State-owned companies in Mexico and Colombia (PEMEX and ECOPETROL) and private issues in Chile. Of

particular note in the first quarter of 2014 were PETROBRAS issues, which amounted to US$ 12.15 billion, topped the total for all issues in 2013 (US$ 11 billion) and by themselves made up 26% of issues in the region overall. The factors behind this pattern are PETROBRAS's cash requirements arising from its investment projects, pricing policies and higher imports owing to delays in domestic production.

**Table I.4**
**Latin America and the Caribbean (17 countries): external bond issues, January 2010-March 2014**
*(Millions of dollars)*

| | 2010 | 2011 | 2012 | 2013 | January-March 2014 |
|---|---|---|---|---|---|
| Argentina | 3 146 | 2 193 | 663 | 650 | 0 |
| Bolivia (Plurinational State of) | 0 | 0 | 500 | 500 | 0 |
| Brazil | 39 580 | 38 147 | 49 946 | 37 262 | 20 542 |
| Chile | 6 750 | 6 049 | 9 443 | 11 540 | 1 274 |
| Colombia | 1 912 | 6 411 | 7 459 | 10 012 | 2 000 |
| Costa Rica | 0 | 250 | 1 250 | 3 000 | 0 |
| Dominican Republic | 1 034 | 750 | 750 | 1 800 | 0 |
| Ecuador | 0 | 0 | 0 | 0 | 0 |
| El Salvador | 450 | 654 | 800 | 310 | 0 |
| Guatemala | 0 | 150 | 1 200 | 1 200 | 800 |
| Honduras | 20 | 0 | 0 | 1 000 | 0 |
| Mexico | 19 957 | 25 846 | 28 147 | 41 729 | 14 713 |
| Panama | 0 | 897 | 1 100 | 1 350 | 0 |
| Paraguay | 0 | 100 | 500 | 500 | 0 |
| Peru | 4 693 | 2 455 | 7 240 | 5 840 | 1 600 |
| Uruguay | 0 | 1 493 | 500 | 2 000 | 0 |
| Venezuela (Bolivarian Republic of) | 3 000 | 7 200 | 0 | 0 | 0 |
| Jamaica | 1 075 | 694 | 1 750 | 1 800 | 1 000 |
| Trinidad and Tobago | 0 | 175 | 0 | 550 | 0 |
| **Latin America and the Caribbean** | **81 617** | **93 464** | **111 248** | **121 043** | **41 929** |

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

The long-term impact of this external financing trend is seen in the rising external-debt-to-GDP ratio, which has gone from a low of 17.6% in 2008 to 21.6% in 2013. This figure is well below the 40.5% posted in 1999, but further increases in borrowing combined with potential depreciation of local currencies could increase the debt burden as a share of GDP.

Figure I.14 also tracks EMBI+, an indicator of emerging-economy risk worldwide. While developed-country risk has trended down (see figure I.2), there has been a slight uptrend in emerging economies since late 2012. As shown in table I.5, the countries of Latin America in general were not affected by higher risk perception —to the contrary, measures of country risk have been declining since 2013 in a pattern that has in most cases carried over to mid-2014.

The risk rating agencies have upgraded their outlook for Mexico, Peru and the Plurinational State of Bolivia and held them at stable for most of the other countries. The exceptions were Argentina, the Bolivarian Republic of Venezuela and Brazil, whose risk ratings were downgraded in view of fiscal and external balance issues and poor growth prospects.

In June the United States Supreme Court refused to overturn a lower court's ruling on a dispute between Argentina and bondholders who did not accept participating in the 2005 and 2010 debt swaps (8% of all bondholders). The ruling required Argentina to pay the bondholders in keeping with the financial terms of the original debt issue while making good on its commitments to the bondholders who did participate in the swaps. The Government of Argentina has rejected those terms and indicated that it will meet its commitments to the holders of its restructured debt. In the meantime, Argentina's country risk has deteriorated and some agencies have downgraded its debt rating.

**Table I.5**
**Latin America and the Caribbean (19 countries): country risk as measured through sovereign bond spreads (EMBI Global), January 2010-June 2014**
*(Basis points)*

| | 2010 | 2011 | 2012 | 2013 | 2014 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | January | February | March | April | May | June |
| Argentina | 696 | 701 | 1 007 | 1 091 | 1 085 | 907 | 799 | 786 | 833 | 785 |
| Belice | 818 | 1 011 | 1 968 | 937 | 807 | 719 | 724 | 744 | 757 | 754 |
| Bolivia (Plurinational State of) | | | | | 315 | 306 | 246 | 247 | 253 | |
| Brazil | 209 | 195 | 184 | 217 | 278 | 251 | 230 | 217 | 214 | 210 |
| Chile | 131 | 140 | 150 | 157 | 172 | 151 | 143 | 137 | 129 | 123 |
| Colombia | 194 | 166 | 150 | 167 | 208 | 184 | 168 | 157 | 147 | 147 |
| Costa Rica | | | 390 | 296 | 379 | 353 | 333 | 362 | 332 | 321 |
| Dominican Republic | 373 | 453 | 459 | 383 | 392 | 359 | 330 | 332 | 324 | 325 |
| Ecuador | 954 | 819 | 827 | 626 | 605 | 609 | 508 | 361 | 372 | 384 |
| El Salvador | 322 | 383 | 450 | 383 | 463 | 482 | 420 | 389 | 382 | 383 |
| Guatemala | | | 288 | 263 | 286 | 259 | 218 | 213 | 188 | 205 |
| Jamaica | 492 | 485 | 656 | 653 | 626 | 613 | 531 | 519 | 531 | 494 |
| Mexico | 191 | 188 | 190 | 194 | 219 | 195 | 182 | 177 | 165 | 162 |
| Panama | 181 | 172 | 165 | 185 | 236 | 214 | 188 | 186 | 172 | 176 |
| Paraguay | | | | | 255 | 221 | 204 | 218 | 197 | |
| Peru | 179 | 194 | 158 | 167 | 202 | 181 | 165 | 149 | 150 | 147 |
| Trinidad and Tobago | | | | 278 | 230 | 214 | 190 | 169 | 181 | 166 |
| Uruguay | 219 | 200 | 176 | 188 | 239 | 217 | 192 | 187 | 167 | 170 |
| Venezuela (Bolivarian Republic of) | 1 107 | 1 213 | 996 | 944 | 1 400 | 1 255 | 1 165 | 1 018 | 1031 | 890 |
| **Latin America and the Caribbean** [a] | **433** | **451** | **513** | **419** | **442** | **405** | **365** | **346** | **343** | **344** |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures provided by JP Morgan.
[a] Simple average.

# C. Domestic performance

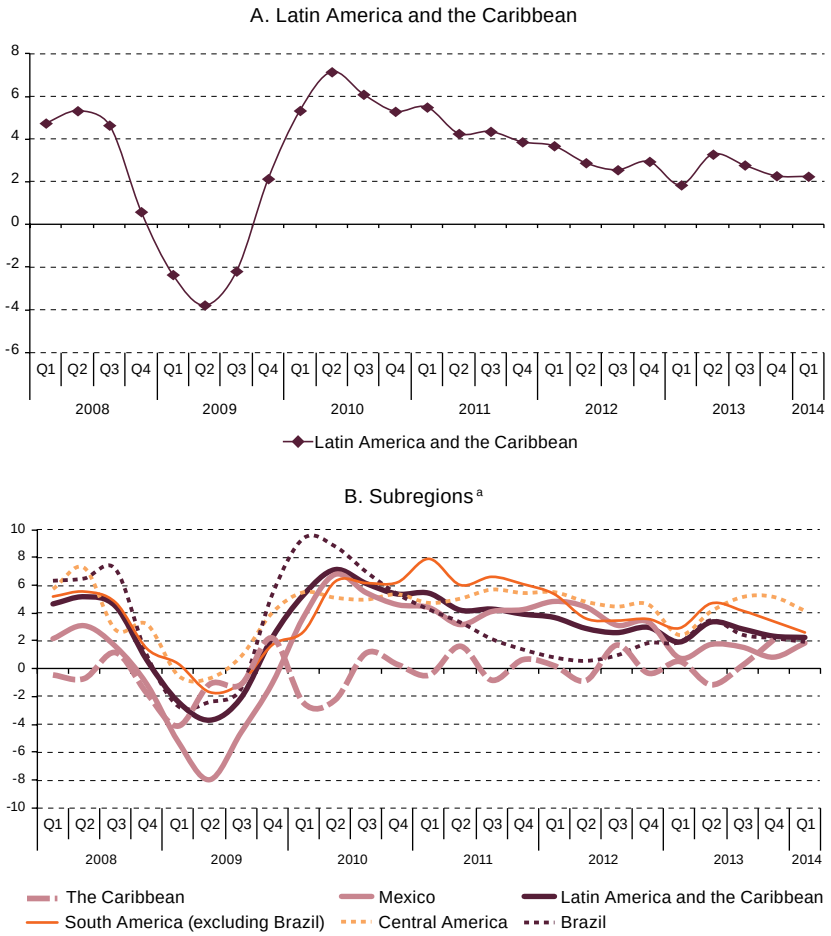
## 1. Economic activity remained sluggish throughout the region during the first quarter of 2014

The regional economic slowdown that began in 2010 carried over into 2013, with GDP in Latin America and the Caribbean growing by 2.5% (compared with 2.9% in 2012). For the region as a whole, then, GDP per inhabitant rose by 1.4%, which is well below the annual average increase of 3.8% during 2004-2008. By subregions, the economies of the countries of Central America, including Haiti and the Dominican Republic, grew faster (at 4.3%) than those of South America (3.1%) and the English- and Dutch-speaking Caribbean (1.2%).

During the opening months of 2014, economic activity for the region overall grew at a pace similar to the figure for the fourth quarter of 2013. In the first quarter of 2014 the region's GDP was up by 2.3% over the same period in 2013 —the same as the year-on-year measurement for the fourth quarter of 2013 (see figure I.15A).

But performance varied among the subregions (see figure I.15B and table A.5). Except for Colombia and Ecuador, the countries of South America posted a slowdown in economic activity. In Mexico and Central America, except for Panama, growth outpaced or matched the figures for 2013 as the United States economy recovered, emigrant remittances rose and, in some cases, financial system lending picked up. The slowdown of Panama's economy is attributable to an easing of investment growth upon completion of major infrastructure projects undertaken in recent years, and to the impact that temporary halting of work on the Panama Canal project had on economic activity in the first quarter of the year.

**Figure I.15**
**Latin America and the Caribbean: year-on-year change in quarterly GDP, weighted average, first quarter 2008-first quarter 2014**
*(Percentages, in dollars at constant 2005 prices)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] The data for South America include Argentina, Bolivarian Republic of Venezuela, Chile, Colombia, Ecuador, Paraguay, Plurinational State of Bolivia, Peru and Uruguay. The data for Central America include Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and Panama. The data for the Caribbean include Belize, Jamaica and Trinidad and Tobago. For the Caribbean, the series is updated to the fourth quarter of 2013.

Commerce sector activity, after posting strong growth throughout 2013, expanded more slowly region-wide in the first quarter of 2014 (see table I.6). But the pattern varied from one country to another. Over the past two quarters, the pace of growth in Colombia, the Dominican Republic and Peru was similar to the first three quarters of 2013 and topped 5%. Chile and, to a lesser extent, Mexico, still saw commerce activity expand in the first quarter of 2014 (by just over 2%), but this was a substantial slowdown compared with the figures for 2013.

In the first few months of the year construction activity trends at the country level were mixed, too (see table I.7). According to available data, activity in this sector contracted in Argentina (down by 2.1%), Brazil (by 0.9%), Honduras (by 3.0%), Mexico (by 2.8%) and Uruguay (by 2.1%). Meanwhile, sector activity surged in Colombia (17.2%), the Dominican Republic (14.6%), Panama (15.9%), Paraguay (14.7%) and the Plurinational State of Bolivia (8.0%). In Peru (5.3%) growth in this sector outpaced the aggregate economy, although the pace was slower than in 2013.

Manufacturing industry activity in a number of countries rallied compared with the second half of 2013, although growth throughout the region remains uneven (see figure I.16). Indices of industrial output fell or stagnated between the first quarter of 2013 and the first quarter of 2014 in Argentina (down by 3.1%), Brazil (up by 0.2%), Chile (down by 1%) and Uruguay (down by 7.4%). Meanwhile, the sector grew at a better pace in Colombia (5.0%), the Dominican Republic (5.6%), Mexico (4.3%) and Nicaragua (8.0%) than in the second half of 2013. Costa Rica and Peru saw a slowdown in the growth of industrial output.

**Table I.6**

**Latin America (selected countries): year-on-year variations in indices of commerce sector activity, first quarter 2012-first quarter 2014**

*(Percentages)*

| | 2012 | | | | 2013 | | | | 2014 |
|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| **Indices of commerce sector activity** | | | | | | | | | |
| Bolivia (Plurinational State of) (IGAE [a]) | 3.7 | 3.4 | 4.2 | 3.9 | 2.6 | 4.3 | 4.2 | 4.5 | 4.1 |
| Honduras (IMAE [b]) | 5.0 | 5.7 | 6.2 | 5.2 | 0.9 | 1.6 | 1.1 | 2.3 | 1.1 |
| **Commerce sector gross value added** | | | | | | | | | |
| Argentina | 6.0 | -0.7 | -0.2 | 1.5 | 1.2 | 5.0 | 3.1 | -0.9 | -2.5 |
| Brazil | 2.8 | 2.2 | 3.6 | 4.2 | 2.5 | 2.8 | 2.4 | 2.5 | 2.2 |
| Chile | 7.7 | 8.5 | 7.4 | 7.9 | 8.2 | 7.0 | 7.6 | 4.2 | 2.2 |
| Colombia | 5.6 | 4.7 | 3.4 | 3.6 | 2.9 | 4.3 | 4.6 | 5.5 | 5.6 |
| Costa Rica | 4.5 | 3.6 | 4.1 | 3.7 | 2.9 | 3.5 | 3.0 | 3.0 | 4.0 |
| Dominican Republic | 5.7 | 4.4 | 3.7 | 0.7 | -1.9 | -0.4 | 3.3 | 6.8 | 5.5 |
| El Salvador | 4.6 | 2.5 | 3.5 | 4.3 | -5.4 | 2.0 | 2.8 | 0.5 | 4.1 |
| Jamaica | -0.5 | 0.0 | -0.5 | -1.7 | -0.5 | -0.2 | 0.1 | 1.3 | 0.1 |
| Mexico | 6.5 | 4.9 | 2.1 | 3.9 | 1.4 | 4.0 | 4.6 | 2.9 | 2.1 |
| Nicaragua | 5.2 | 3.6 | 5.1 | 3.6 | 1.8 | 5.9 | 3.9 | 3.3 | 3.6 |
| Panama | 15.1 | 7.7 | 4.9 | 5.5 | 0.9 | 1.8 | 1.2 | 11.2 | 1.9 |
| Paraguay | 6.2 | 4.7 | 6.9 | 6.4 | 10.8 | 11.9 | 11.1 | 5.1 | 3.6 |
| Peru | 9.6 | 8.5 | 7.5 | 6.5 | 5.6 | 6.3 | 5.3 | 6.8 | 5.4 |
| Uruguay | 4.1 | 4.1 | 5.5 | 1.7 | -0.8 | 5.3 | 1.3 | 5.3 | 4.2 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Global index of economic activity.
[b] Monthly index of economic activity.

**Table I.7**

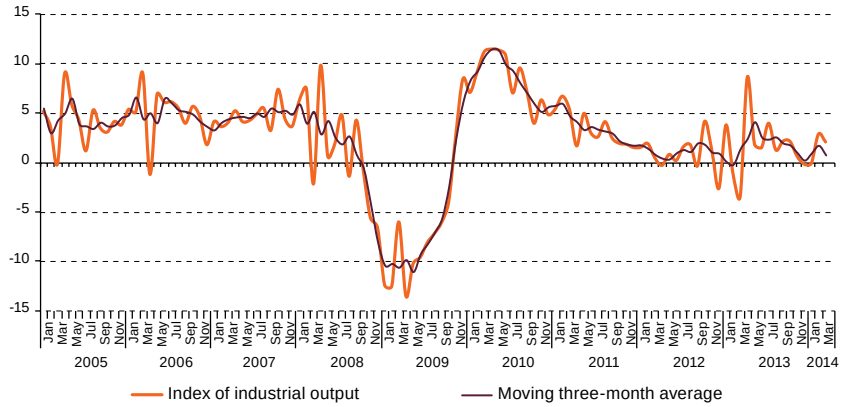
**Latin America (selected countries): year-on-year variations in indices of construction sector activity, first quarter 2012-first quarter 2014**

*(Percentages)*

| | 2012 | | | | 2013 | | | | 2014 |
|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| **Indices of construction sector activity** | | | | | | | | | |
| Bolivia (Plurinational State of) (IGAE [a]) | 11.6 | 9.4 | 8.8 | 5.5 | 6.7 | 7.3 | 10.5 | 14.0 | 8.0 |
| Honduras (IMAE [b]) | 1.2 | 6.2 | 8.1 | -6.2 | -4.4 | -0.7 | -8.5 | -9.7 | -10.5 |
| **Construction sector gross value added** | | | | | | | | | |
| Argentina | 3.9 | -2.9 | -5.2 | -5.4 | -3.0 | 2.8 | 4.4 | 3.0 | -2.1 |
| Brazil | 3.2 | 1.5 | 1.2 | -0.2 | -1.2 | 3.7 | 2.0 | 2.0 | -0.9 |
| Chile | 6.6 | 6.9 | 6.9 | 7.6 | 4.2 | 4.4 | 4.3 | 0.2 | 1.3 |
| Colombia | 14.9 | 18.1 | -4.0 | -3.1 | 11.1 | 6.1 | 23.3 | 8.6 | 17.2 |
| Costa Rica | 5.2 | 6.6 | 6.2 | 4.5 | 4.2 | 2.5 | 1.6 | 1.3 | 3.3 |
| Dominican Republic | -0.3 | -0.6 | -0.3 | 2.6 | -2.9 | -6.0 | 8.6 | 20.3 | 14.6 |
| El Salvador | 1.6 | 0.6 | 0.0 | -0.7 | -1.9 | 0.3 | 0.7 | 0.5 | 0.0 |
| Jamaica | -6.0 | -4.2 | -4.0 | -3.3 | 0.4 | 2.2 | 2.2 | 2.8 | 1.2 |
| Mexico | 3.6 | 4.3 | 2.9 | 0.9 | -2.9 | -3.5 | -6.5 | -4.5 | -2.8 |
| Nicaragua | 48.6 | 40.4 | 33.2 | 19.1 | 33.3 | 37.7 | 20.8 | -13.0 | -5.4 |
| Panama | 26.7 | 29.1 | 30.3 | 30.3 | 26.9 | 21.8 | 35.0 | 36.2 | 15.9 |
| Paraguay | -1.0 | -4.0 | 4.2 | 3.8 | 15.0 | 14.1 | 5.1 | 8.3 | 14.7 |
| Peru | 14.9 | 18.2 | 20.0 | 11.2 | 10.6 | 15.8 | 7.6 | 4.1 | 5.3 |
| Uruguay | 12.3 | 20.1 | 9.2 | 8.1 | 3.9 | 0.9 | -1.4 | 2.6 | -2.1 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Global index of economic activity.
[b] Monthly index of economic activity.

**Figure I.16**
**Latin America and the Caribbean: index of industrial activity, January 2005-March 2014**
*(Percentages)*



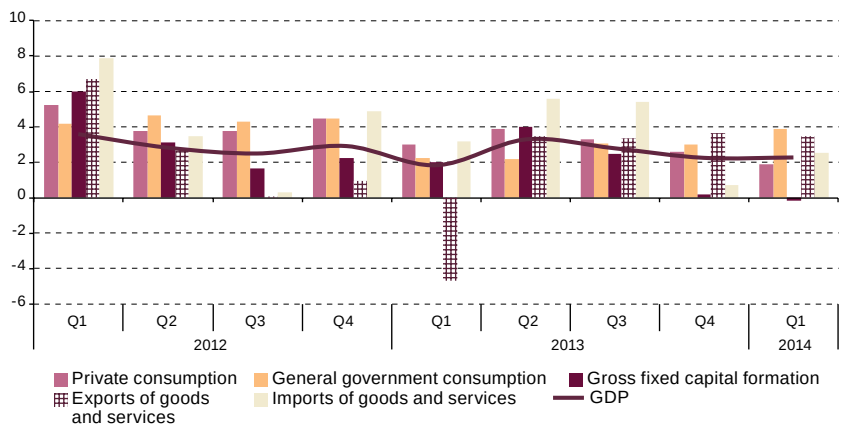

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The other branches of economic activity posted low growth across the region, albeit with some exceptions. Despite low aggregate economic growth, the agricultural sector performed well in Chile (up 7.1%), the Dominican Republic (6.2%), Costa Rica (5.9%) and Mexico (4.9%), while it contracted in Argentina (down by 6.7%) and Uruguay (by 5.4%). Mining sector activity remained stagnant in Chile and Mexico and picked up by close to 5% in Colombia, Peru and the Plurinational State of Bolivia. A number of the countries of Central America recorded double-digit rates of expansion. In Brazil, where activity in this sector fell throughout 2012 and 2013, the first quarter of 2014 brought an upturn as oil production increased.

## 2. Household consumption and gross fixed capital formation slow

Economic activity sector trends were reflected in the behaviour of the components of aggregate demand (see figure I.17).

**Figure I.17**
**Latin America: quarterly year-on-year change in GDP and the components of aggregate demand, first quarter 2012-first quarter 2014**
*(Percentages, in dollars at constant 2005 prices)*




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

In most of the countries private consumption grew more slowly in the first quarter of 2014 than in the same period of 2013. But the opposite was the case for general government consumption, which expanded faster in year-on-year terms than in 2013 in Brazil (3.4%), Chile (9.6%), Colombia (7.5%), the Dominican Republic (6.0%), Mexico (2.9%), Nicaragua (9.1%) and Peru (12.9%).

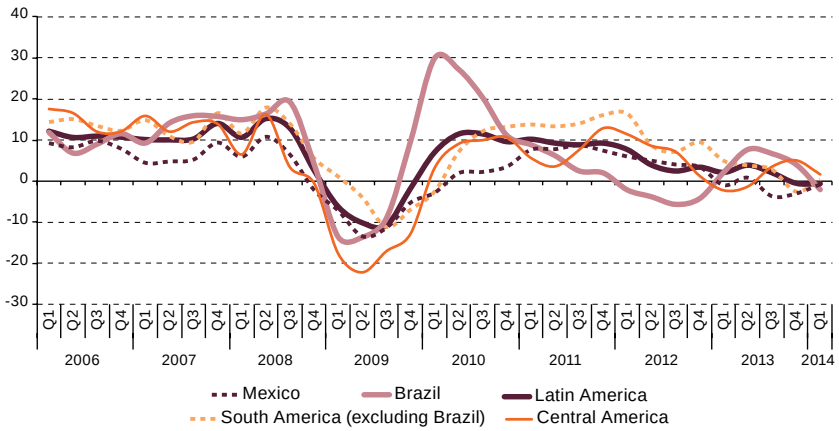
Gross fixed capital formation continued the cooldown that began in 2013, when it rose by 2.4% compared with 3.0% in 2012 and an annual average rate of expansion of 10.7% in 2004-2008, and stagnated on a regional level in the first quarter of 2014. Between the first quarter of 2013 and the first quarter of 2014, gross fixed investment contracted in Argentina (by 1.8 per cent), Brazil (by 2.1%), Chile (by 5.0%), Mexico (by 0.8%) and Nicaragua (by 5.2%). In Peru it continued to expand at a pace (3.3%) similar to the one posted in the second half of 2013, when growth of this indicator dropped off significantly as private investment lost steam. Paraguay also saw a slowdown in gross fixed investment in the first quarter of 2014 (1.5% versus an average annual rate of 12.1% in 2012). In Colombia (14.6%) and Uruguay (8.5%), gross fixed capital formation grew faster than in 2013.

Sluggish gross fixed capital formation reflects both the region-wide slowdown in investment in machinery and equipment[3] (which contracted in a number of countries) and low growth in the construction sector (see figure I.18).

**Figure I.18**

**Latin America: quarterly year-on-year change in gross fixed capital formation, first quarter 2006-first quarter 2014**

*(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.

As domestic demand slackened, imports expanded more slowly; this, combined with rising export volumes in a number of countries (Brazil, Chile, Mexico and Paraguay) pushed net export contribution to growth down to nearly zero.[4]

## 3. Regional inflation rises slightly, but with differences between countries

Regional 12-month inflation to May 2014 stood at 8.7%[5], versus 7.6% as of December 2013. Although most of the countries of the region have seen an uptrend, there are significant differences between them. Major factors region-wide have been the sharp increase in the official inflation rate reported by the authorities of Argentina and the steady increase in the cost of living in the Bolivarian Republic of Venezuela. In the latter, cumulative inflation over the first four months of 2014 stood at 16.3% compared with December 2013. In Argentina it stood at 11.9%. In the Bolivarian Republic of Venezuela, consumer prices rose steadily (by 61.5%) in the 12 months to April 2014 owing to shortages of some goods, the domestic-price impact of depreciation of the bolivar fuerte and strong growth in monetary aggregates. In 2014, Argentina began to publish the new national urban consumer price index (IPCNu) instead of the greater Buenos Aires index (IPC-GBA); it shows rising consumer inflation rates.

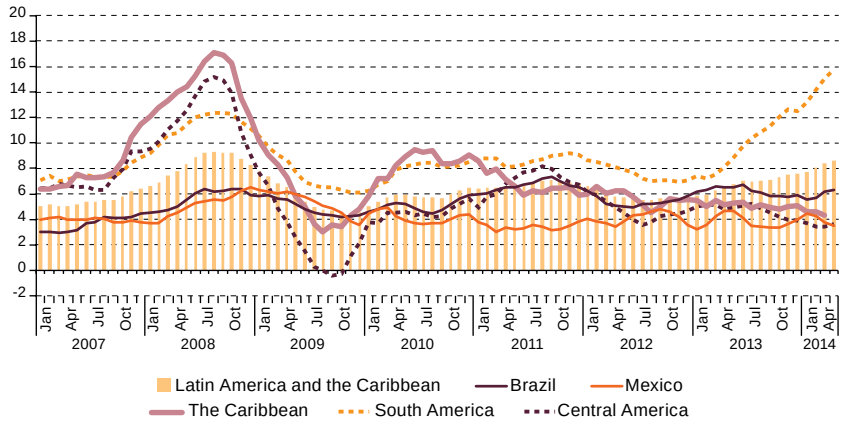
3 The pattern for imports of capital goods varied across the region, with declines in Brazil (down 6.4%), Mexico (down 1.5%), Nicaragua (down 6.6%) and Peru (down 2.7%) in January to April 2014 compared with the same period in 2013 and increases in Costa Rica (2.3%), El Salvador (4.6%), Guatemala (1.7%) and Uruguay (9%). Between January and May 2014, Chile posted a drop (down 22.7%) and Argentina saw an increase (3%) compared with the same period of 2013.

4 Real exports of goods and services contracted in Argentina, Peru and Uruguay, by 6.4%, 5.4% and 2.0%, respectively, in the first quarter of 2014 compared with the same period in 2013.

5 The figure for the region is average inflation across the countries, weighted for their share of the total population of the region.

Except for Argentina and the Bolivarian Republic of Venezuela, cumulative inflation for the 12 months to April 2014 was highest in Uruguay (9.2%) and Jamaica (8.3%). The lowest rates of inflation were in El Salvador (0.6%) and some economies of the Eastern Caribbean Currency Union (see table A.32). Among the subregions, South America posted the highest average rate of inflation (some 10.9%), fuelled by rising consumer prices in Argentina and the Bolivarian Republic of Venezuela. Despite some volatility, inflation eased in Central America and Mexico, reflecting above all lower rates of inflation in Guatemala and Mexico. In the Caribbean, consumer prices rose 4.5% during the first three months of the year compared with December 2013 (see figure I.19).

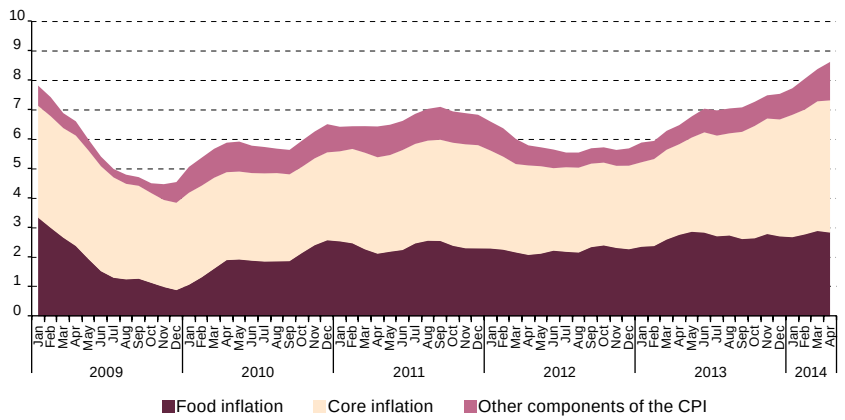
**Figure I.19**
**Latin America and the Caribbean: twelve-month variation in the consumer price index (CPI), weighted average, January 2007-April 2014**
*(Percentages)*




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

Although on average across the region food prices rose faster than general inflation, the sharpest increase was in core inflation,[6] which picked up in most of the countries. Its contribution to total inflation thus increased more than food inflation's contribution (see figure I.20). Of the 1.1 percentage point increase in regional inflation between December 2013 (7,6%) and April 2014 (8,7%), 0,5 percentage points can be contributed to core inflation, while the increase in food and other prices added 0.3 percentage points each.

**Figure I.20**
**Latin America: consumer price index (CPI) and 12-month inflation by component, weighted average, January 2009-April 2014**
*(Percentages)*




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

[6] Core inflation does not include food, beverage or fuel prices.

On average across the region, food prices climbed 9.7% in the 12 months to April 2014 (versus a 9.4% increase in the 12 months to December 2012). Core inflation rose from 7.0% for the 12 months to December 2013 (5.5% to April 2013) to 8.0% for the 12 months to April 2014 (see table I.8).

**Table I.8**
**Latin America and the Caribbean: 12-month variation in the consumer price index (CPI) and food and beverage price index, December 2013 and April 2014**
*(Percentages)*

| | Cumulative 12-month inflation to December 2013 | | Cumulative 12-month inflation to April 2014 | |
|---|---|---|---|---|
| | General CPI | Food and beverage CPI | General CPI | Food and beverage CPI |
| **Latin America and the Caribbean** | **7.6** | **9.3** | **8.7** | **9.7** |
| **South America** | **9.2** | **11.7** | **11.1** | **12.8** |
| Argentina [a] | 10.9 | 9.3 | 20.4 | 19.6 |
| Bolivia (Plurinational State of) | 6.5 | 9.2 | 6.2 | 8.8 |
| Brazil | 5.9 | 8.5 | 6.3 | 7.4 |
| Chile | 3.0 | 5.7 | 5.0 | 7.0 |
| Colombia | 1.9 | 0.8 | 2.7 | 2.4 |
| Ecuador | 2.7 | 2.2 | 3.2 | 4.4 |
| Paraguay | 3.7 | 6.2 | 6.4 | 8.7 |
| Peru | 2.9 | 2.2 | 3.5 | 3.8 |
| Uruguay | 8.5 | 8.5 | 9.2 | 9.4 |
| Venezuela (Bolivarian Republic of) | 56.2 | 73.9 | 61.5 | 75.2 |
| **Central America and Mexico** | **3.9** | **4.3** | **3.5** | **3.1** |
| Costa Rica | 3.7 | 3.4 | 3.7 | 3.3 |
| Dominican Republic | 3.9 | 2.1 | 3.5 | 3.7 |
| El Salvador | 0.8 | 1.9 | 0.6 | 0.6 |
| Guatemala | 4.4 | 8.7 | 3.3 | 6.0 |
| Haiti | 3.4 | 2.9 | 3.5 | 2.7 |
| Honduras | 4.9 | 4.9 | 6.0 | 5.3 |
| Mexico | 4.0 | 4.1 | 3.5 | 2.5 |
| Nicaragua | 5.4 | 5.1 | 4.9 | 5.3 |
| Panama | 3.7 | 4.6 | 3.5 | 5.1 |
| **The Caribbean** | **5.1** | **5.3** | **4.4** | **4.1** |
| Antigua and Barbuda [b] | 1.1 | 2.1 | 0.7 | 1.1 |
| Bahamas | 0.7 | 1.2 | 1.1 | 3.0 |
| Barbados [c] | 1.1 | 0.5 | 0.9 | 0.6 |
| Belize | 0.0 | 0.4 | 1.4 | 1.4 |
| Dominica [b] | -1.1 | -1.1 | -1.3 | -1.3 |
| Grenada [c] | -0.1 | -0.1 | -1.3 | -1.3 |
| Guyana | 0.9 | 0.0 | ... | ... |
| Jamaica | 9.7 | 7.9 | 8.3 | 6.8 |
| Saint Kitts and Nevis [b] | 0.4 | 0.4 | -0.1 | -0.1 |
| Saint Vincent and the Grenadines [b] | 0.0 | 0.4 | -0.4 | -0.1 |
| Saint Lucia [b] | -0.7 | -0.7 | 3.6 | 3.6 |
| Suriname [b] | 1.4 | 2.4 | 3.0 | 4.3 |
| Trinidad and Tobago | 5.6 | 10.2 | 3.3 | 4.1 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Twelve-month inflation to April 2014 was calculated using CPI figures for Greater Buenos Aires published by INDEC (for 2013) and the national urban CPI published as from January 2014.
[b] Data as of March 2014.
[c] Data as of February 2014.

In the 12 months to April 2014, the highest food price inflation rates were in the Bolivarian Republic of Venezuela (75.2%), Uruguay (9.4%), Plurinational State of Bolivia (8.8%) and Paraguay (8.7%). In Guatemala and Chile food inflation was, respectively, 2.7 percentage points and 2 percentage points higher than the general inflation rate. In Mexico and some countries of Central America and the Caribbean, food prices have risen more slowly than the consumer price index.

Wholesale price and producer price indices also show different trends at the country level. In Chile and El Salvador industrial producer prices fell a cumulative 3.4% and 2.1%, respectively in the 12 months to March 2014, while wholesale price indices in Argentina, Brazil and Uruguay outpaced consumer inflation to rise by 25.8%, 7.7% and 10.2%, respectively.

## 4. Job creation is still weak, but unemployment continues to fall

The region's main labour market trends carried over from 2013 into the first few months of 2014. The employment rate continued to fall year-on-year; this was not reflected in a higher unemployment rate because of an even steeper drop in the participation rate. In the set of 10 countries, the unemployment rate even fell from 6.6% in the first quarter of 2013 to 6.3% during the first three months of 2014. The year-on-year decline was, therefore, even sharper than in the immediately preceding quarters (see figure I.21).

**Figure I.21**
**Latin America and the Caribbean (10 countries): year-on-year variation in employment and unemployment rates, first quarter 2008-first quarter 2014**
*(Percentage points)*

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

The year-on-year comparison shows that the cooling of job creation was fairly widespread, but not all of the countries saw a slowdown sharp enough to trigger a year-on-year downturn in the urban employment rate. Even so, for the region as a whole (weighted average for 10 countries), the urban employment rate contracted by 0.2 percentage points because during the first few months of the year it fell in some of the larger countries (Argentina, and especially Brazil). In Mexico, the second largest economy in the region, it remained stable (see figure I.21 and table A.24).[7]

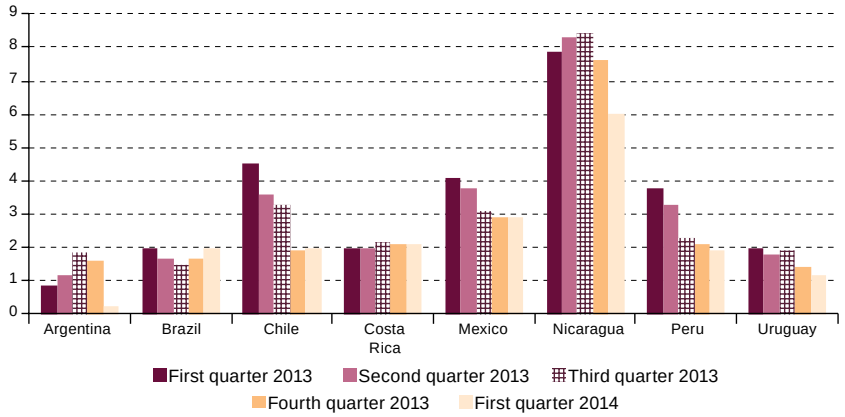
However, the cooling of labour demand has been fairly widespread and is seen in the slight expansion of formal employment. In most of the countries, formal employment is expanding much more slowly than in recent years, particularly in comparison with early 2013 (see figure I.22 and table A.25). In most of the countries (Argentina, Chile, Mexico, Nicaragua, Peru and Uruguay) gains in formal employment were more modest than in the first quarter of 2013; in others (Brazil and Costa Rica) the rates are still low but are holding steady. Most of the countries, however, saw no further slowdown compared with the immediately preceding quarter, which was the last quarter of 2013.[8]

In line with the trend in economic activity, early 2014 brought a slowdown in job creation in commerce and services. In terms of the weighted average for eight countries, employment in the commerce sector grew by only 1% during the first quarter while employment in community, social and personal services stagnated. These figures are worse than the average for 2013, when employment in both sectors rose by some 1.9%. Job creation in the

[7] If Brazil were left out of the calculation, the (smaller) 0.2 percentage-point decline in the unemployment rate would be due less to falling labour participation and more to a modest increase in the employment rate (between 0.1 percentage points and 0.2 percentage points).
[8] Registered employment reflects the total for new jobs and pre-existing unregistered (informal) jobs that became registered as a result of business or employment formalization policies. Such policies could be behind much of the strong employment growth figures in Nicaragua, because the number of employers contributing to the Nicaraguan Institute of Social Security in 2013 was more than double the number in 2004.

construction sector picked up somewhat on the strength of the growth posted by Colombia and Peru; there was little growth in manufacturing-sector employment, although there was a slight increase over 2013 thanks above all to a surge of job creation in Mexico. In the small set of countries for which information is available, the slight contraction in agricultural employment recorded in the previous year continued.

**Figure I.22**
**Latin America (selected countries): year-on-year variation in registered employment, first quarter 2013-first quarter 2014** [a]
*(Percentages)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] The data refer to formal employment records, except for Peru, where they come from a survey of private-sector establishments.

As in 2013, weak job creation did not boost the labour participation rate. At the regional level, therefore, the behaviour of labour-market supply remained predominantly procyclical.[9] But this behaviour was far more marked in late 2013 and early 2014 than on other occasions. Moreover, the steep decline in the participation rate seen in late 2013 carried over into the first quarter, with a year-on-year drop of 0.4 percentage points versus an average 0.2 percentage-point decline for 2013. In the specific context of 2013 and 2014, rising employment levels throughout the previous 10-year period and the resulting increase in the average number of recipients of labour income per household most likely lessened the pressure to try to improve labour market insertion. In addition, as shown below, in most of the countries real average wages continue to rise; this is important for maintaining household income levels.

The participation rate did not decline across the board but only in three countries (including Argentina and Brazil) between the first quarter of 2013 and the same period in 2014, while remaining virtually unchanged in two countries (including Mexico) and climbing in five. This can also be seen in the simple average for the 10 countries, especially when disaggregated by sex: labour force participation rose by 0.2 percentage points overall but fell by 0.1 percentage points for men and rose by 0.3 percentage points for women.

At the regional level, the plummeting labour participation rate helped to fuel the already significant drop in the unemployment rate for the set of countries for which information is available. But the unemployment rate is not declining in all of the countries (during the first quarter it fell in 5 out of 10, remained largely stable in 2 and rose in 3). In the simple average for the 10 countries, the unemployment rate among men held steady while falling by 0.4 percentage points for women. In 2013 the slowing pace of new hires was already impacting the youth insertion rate, driving the employment rate for this age group down and its unemployment rate up.[10]

Weak job creation fed by a cooling of labour demand can increase labour supply pressure. In such a scenario, many poor households step up their job search in order to meet their need for additional employment income (Sabarwal, Sinha and Buvinic, 2010). But, just as the unemployment rate fell despite slower job creation, the changing visible underemployment rate indicates that there has still been no significant increase in labour supply pressure: out of 10 countries for which year-on-year information is available, the visible underemployment rate saw a decline in 4, remained virtually unchanged in 4 others and rose in just 2.

9 In the past, however, it is not in all of the countries that labour supply behaviour has been procyclical.
10 See ECLAC/ILO, "Conditional transfer programmes and the labour market", *The Employment Situation in Latin America and the Caribbean*, No. 10, Santiago, Chile, April 2014.

## 5. The modest rise in real wages continues

In line with the above, most of the countries with available data saw average real wages in the formal sector continue to grow at a moderate pace. Brazil, Chile, Colombia, Costa Rica, Nicaragua and Uruguay posted year-on-year rises in real wages ranging between 1.5% and 3.5% (see table A.27).

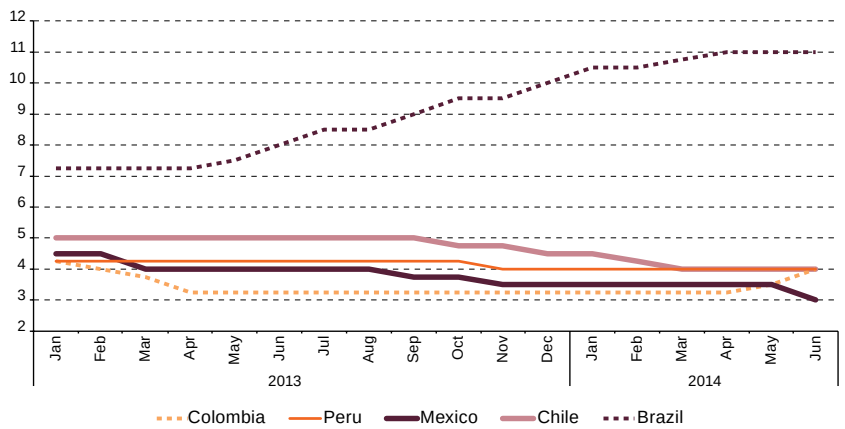
Just as in 2013, then, sagging labour demand has not yet translated into marked labour market imbalances that would be reflected in rising unemployment and underemployment rates, soaring informal employment or stagnating or falling real wages. Accordingly, in most of the countries low job creation and rising real wages continue to stabilize income and, thus, household consumption, contributing to the modest economic growth projected for the year. But labour force participation at the regional level could stop contracting late in the year, meaning that the unemployment rate would not be expected to decline further or, much less, fall faster, as happened with the regional aggregate during the first quarter. It is therefore likely that on average for the year the unemployment rate will not differ much from the one posted in 2013 and will range between 6.0% and 6.2%.

# D. Macroeconomic policy

## 1. In a number of countries, authorities remain watchful for slowing domestic demand but their monetary policy reveals growing concern also as to the potential for inflationary pressure

In the first half of 2014, the central banks of Brazil, Chile and Mexico maintained the monetary policy stance they adopted in 2013, with upward movement in Brazil (100 basis points) and cuts of 50 basis points in Chile and Mexico (see table A.30). Peru's central bank held its benchmark rate at year-end 2013 levels. Colombia's central bank changed its policy stance; between May and June 2014 it raised its benchmark rate by 50 basis points, 25 basis points at time (see figure I.23).

**Figure I.23**
**Latin America (countries with inflation targets): monetary policy rate, January 2013-June 2014**
*(Percentages)*




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

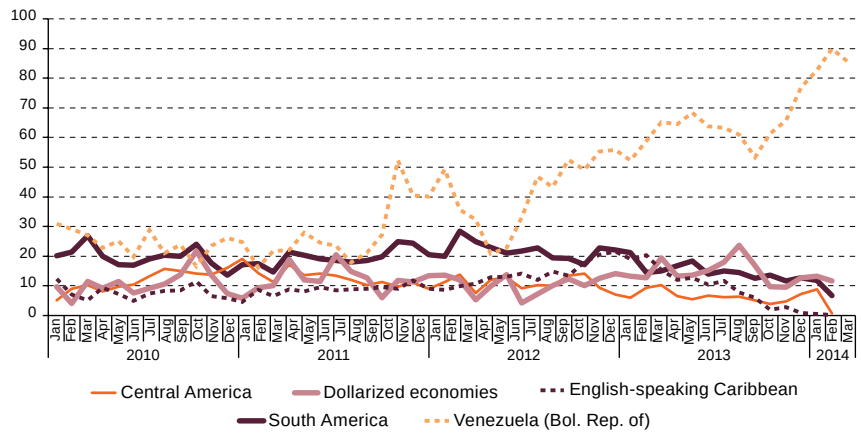
In the economies of the region that use aggregates as their main policy instrument, the trend has been towards slower monetary base growth during the first quarter of 2014.

In the economies of South America (excluding the Bolivarian Republic of Venezuela) the monetary base grew far more slowly in the first quarter of 2014 than at year-end 2013 and the end of the first quarter of 2013 (see figure I.24 and table A.28). The pattern was similar in the economies of Central America and the English-speaking Caribbean, where average monetary-base growth rates at the close of the first quarter of 2014 tended to zero. In the dollarized economies of the region, the monetary base increased slightly over the year-end 2013 level owing to the severe monetary-base contraction in Panama at the end of 2013, which stands in contrast to the expansion recorded in the first few months of 2014.

**Figure I.24**

**Latin America and the Caribbean (groupings of countries where aggregates are the principal monetary policy instrument): annualized growth in the monetary base, January 2010-March 2014**

*(Percentages)*




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

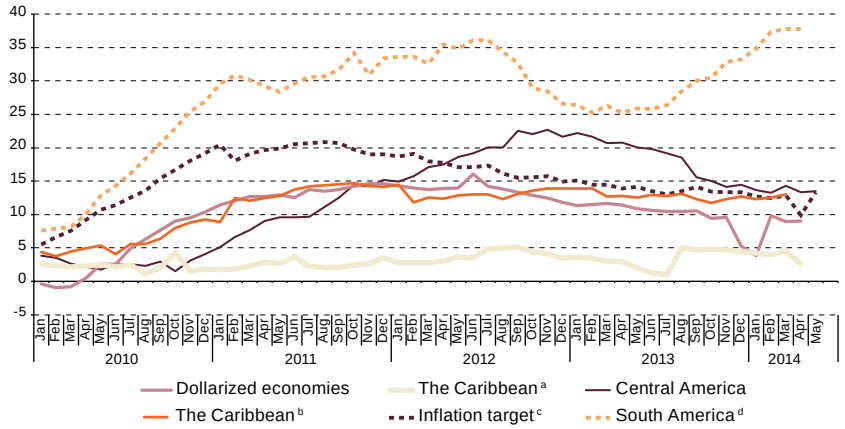
In the Bolivarian Republic of Venezuela, the first few months of 2014 saw further marked expansion of the monetary base; by the end of the first quarter it had grown at an annualized rate (89.9%) that far outstripped the one recorded at the end of 2013 (65.7%). Substantial injections in the form of central bank loans to public enterprises, in particular Petróleos de Venezuela, S.A. (PDVSA), are the main reason for the sharply higher monetary base growth rate in 2013 and to date in 2014.

## 2. Lending rates are trending up; lending to the private sector is cooling in many of the countries

In 2014, a less expansionary monetary policy stance has tended to push up interest rates in most of the economies of the region, although in many cases the changes are relatively small (see table A.31). But as of March 2014 average lending rates had soared in comparison with late 2013 in economies like Argentina (11.85 percentage points), Brazil (8.39 percentage points) and Uruguay (6.15 percentage points). In others, lending rates declined, as in Peru (3.42 percentage points), Jamaica (1.96 percentage points), Paraguay (1.31 percentage points) and Guyana (1.30 percentage points).

Domestic lending by the financial sector to the private sector has seen a further slowing of growth in 2014 in economies that are more integrated in the international financial markets, in the economies of Central America and in the service-producing economies of the English-speaking Caribbean (see figure I.25 and table A.29). In the region's dollarized economies and in the goods-producing economies of the English-speaking Caribbean, domestic lending grew at a slightly faster pace in the first quarter of 2014 compared with the levels posted at year-end 2013. In the non-inflation-targeting economies of South America, credit growth picked up substantially during the first months of 2014 in keeping with the trend that started in July 2013. This performance would be the same even if the Bolivarian Republic of Venezuela were excluded from the figures. In a number of economies of the region (in particular, Brazil, Ecuador, Mexico, Panama and Peru), during the first quarter of the year lending by public institutions tended to grow faster than lending by private institutions as the authorities sought to stimulate aggregate domestic demand.

**Figure I.25**
**Latin America and the Caribbean (groupings of countries): annualized growth in domestic credit to the private sector, January 2010-May 2014**
*(Percentages)*

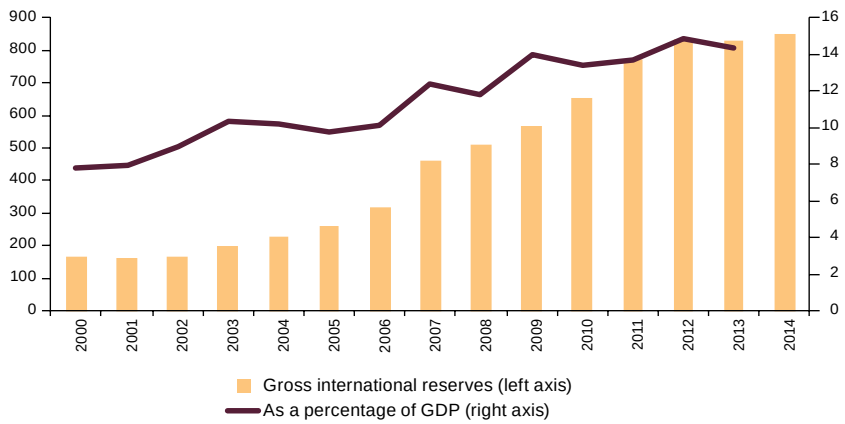



**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Mainly service-based economies.
[b] Mainly goods-based economies.
[c] Countries that use the interest rate as the main policy instrument.
[d] Countries that use monetary aggregates as the main policy instrument.

## 3. There are no signs of a significant increase in international reserves

Rising current account deficits, lower financial flows and currency-market intervention policies aimed at reducing volatility led to a contraction of international reserves in Latin America and the Caribbean in 2013. Even so, reserves are at historically high levels in most of the economies of the region when international reserves in absolute terms are compared with international reserves relative to variables such as GDP, imports, short-term external debt and monetary liquidity (see figure I.26).[11] This general trend does not include Argentina or the Bolivarian Republic of Venezuela, where international reserves have shrunk considerably over the past few years.

**Figure I.26**
**Latin America and the Caribbean: international reserves, 2000-2014 [a]**
*(Billions of dollars and percentage of GDP)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] The figures for 2014 are for May and contain preliminary data.

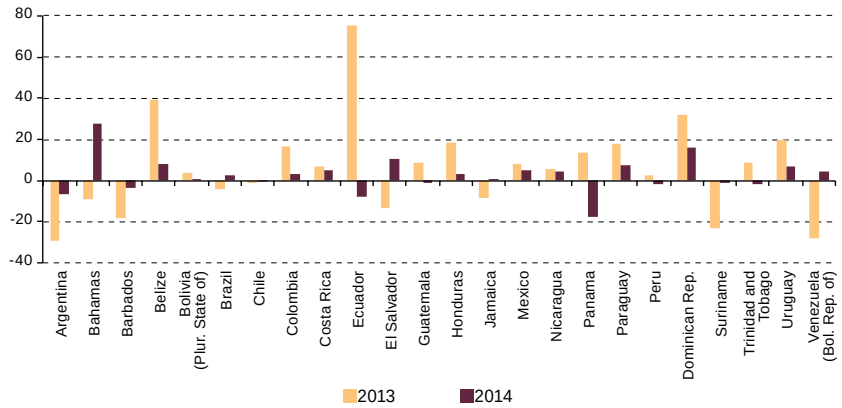
The region as a whole saw growth of reserves recover only slightly during the first few months of 2014 to stand at US$ 850 billion in May 2014 —just above the US$ 830 billion posted at year-end 2013. At the country level, reserves continued to decline in Argentina, where they shrank 6.7% in the first five months of 2014. International

[11] See other indicators, for example, in Box II.2 in ECLAC, Preliminary Overview of the Economies of Latin America and the Caribbean, 2011, Santiago, Chile, December 2011.

reserves also dropped in Barbados (down by 3.7%), Ecuador (by 8%), Guyana (by 10.1%) and Panama (by 17.4%). Significant increases were recorded by economies such as Bahamas (up by 28%), El Salvador (10.3%), the Dominican Republic (16%) and, to a lesser extent, Paraguay (7.8%) and Uruguay (7%). And between December 2013 and May 2014, reserves grew in the biggest national reserve holders in the region: Brazil (2.8%) and Mexico (4.8 per cent).

The slower build-up of international reserves is also due to their use as a tool to reduce exchange-rate volatility and, especially, depreciation pressure as monetary policy returns to normal in the developed economies. In early 2014 the central banks of the Dominican Republic, Costa Rica, Peru and Trinidad and Tobago actively intervened in currency markets by selling dollars in order to ease the volatility sparked by rapid depreciation of their currencies. The central bank of Brazil extended the daily currency-swap programme it introduced in August 2013 to keep from drawing on international reserves.

**Figure I.27**
**Latin America and the Caribbean: changes in international reserves, 2013 and 2014** [a]
*(Percentages)*




**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Change over December of the previous year. The figures for 2004 are from January to May.

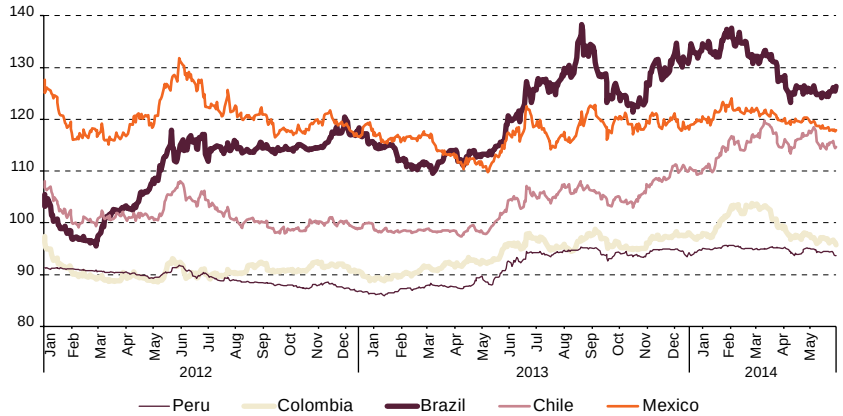
## 4. Several of the region's currencies continued to depreciate early in the year, but this trend eased in the second quarter

During 2013 nominal exchange rates in 12 countries of the region depreciated against the dollar, particularly in those economies most fully integrated in international capital markets.[12] The remaining countries saw little change in the exchange rate value of their currencies (see figure 28).[13] Depreciation in the more fully integrated countries started in May 2013 as economic performance indicators in the United States improved and United States Federal Reserve announcements in this regard fuelled international capital market expectations that it would begin to cut back its asset purchases and thus gradually lower international liquidity going forward. Monetary stimulus tapering effectively began in December 2013 but had already been widely expected by the market months earlier.

The trend towards depreciation of the currencies of the countries of the region that began early in the second quarter of 2013 continued into the first quarter of 2014. Between April 2013 and March 2014, 11 countries recorded depreciation in excess of 5%, including Argentina (53.9%), Chile (19.4%), Uruguay (19.1%), Brazil (16.3%), Colombia (10.2%) and Jamaica (10.0%). In Argentina and Jamaica the reasons were domestic, as they were in the Bolivarian Republic of Venezuela. In Argentina, the authorities stepped up the pace of peso depreciation (especially after the change of economic authorities in November 2013); it rose to 31.8% between then and March 2014. The Jamaican dollar depreciated during the period, against a backdrop of low economic growth, a major fiscal adjustment and relatively low levels of international reserves. In the Bolivarian Republic of Venezuela, in March 2014 the government launched a new mechanism for allocating dollars to the private sector (Alternative Currency Exchange Rate System, or SICAD II). The country now has three official exchange rates at very different parities.

12 Brazil, Chile, Colombia, Mexico and Peru.
13 Mexico and Paraguay posted slight nominal appreciation against the dollar: 3% and 2.6%, respectively.

**Figure I.28**
**Latin America (selected countries): nominal exchange rates in relation to the United States dollar, January 2012-May 2014**
*(Index: January 2008=100)*

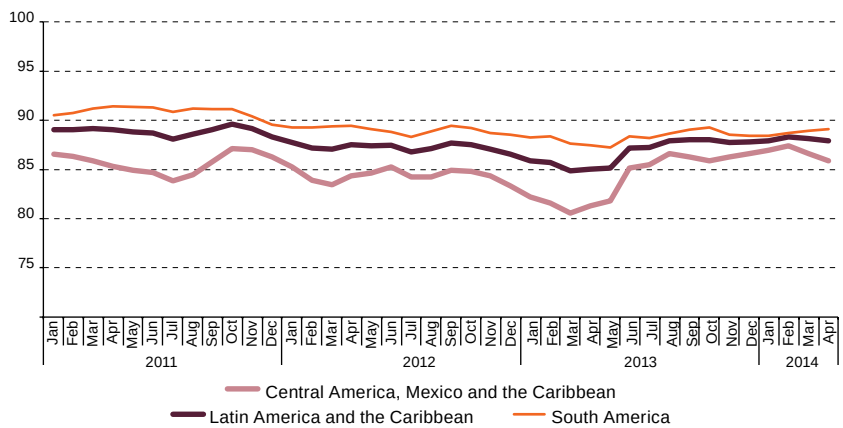



**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The second quarter of the year brought a reversal of nominal exchange rate trends in the five countries that are most fully integrated internationally. Their currencies appreciated overall, especially the Colombian peso, which appreciated 5% between March and May 2014. This trend could be due to the combination of low growth in the developed countries and greater appetite for risk among international investors, which would make emerging-country assets attractive again.

The real effective extraregional exchange rate in Latin America and the Caribbean depreciated by an average of 1.5% between December 2012 and December 2013.[14] Depreciation was steeper in South America (4%) than in the rest of the region, above all because those countries that are integrated in international capital markets saw their currencies lose value against the dollar. In the rest of the region (Central America, Mexico and the Caribbean) the aggregate shows few changes (0.1% appreciation), although this masks differing patterns between countries. On average, the effective exchange rate for the region remained nearly unchanged during the first four months of 2014 compared with December 2013, although there were differences from one country to the next. In South America six countries posted slight effective appreciation; in the rest of the region the pattern was still one of effective depreciation, except in Honduras and Trinidad and Tobago (see figure I.29).

**Figure I.29**
**Latin America and the Caribbean: real effective extraregional exchange rates, by subregion, January 2011-April 2014**
*(Index: 2005=100)*




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

[14] Includes only countries with a single exchange rate.

At the individual country level, total effective exchange rate[15] behaviour was similar to the one described for nominal and effective extraregional exchange rates. The exception was the Plurinational State of Bolivia, where the total effective exchange rate appreciated by 7.6% between December 2012 and April 2014 owing to use of the nominal exchange rate as an exchange rate anchor, domestic inflation and nominal depreciation of the currencies of the country's trading partners (particularly, Chile and Brazil).

Effective exchange rates are more than 25% below the historical average in three countries.[16] They are Honduras, Guatemala and Trinidad and Tobago. In the latter, the total effective exchange rate has appreciated, on average, in eight of the past nine years. Its exchange rate is therefore 34.7% lower (appreciation) than the average for 1990-2009.

## 5. The region implemented macroprudential instruments to improve financial regulation and oversight

Between December 2013 and June 2014, a number of countries implemented macroprudential measures to improve regulation and oversight of the financial sector and align their management of reserves and capital flows with the new external context. The measures include changes in reserve requirements, intervention in the foreign exchange market and reform of financial system regulatory frameworks. Argentina and the Bolivarian Republic of Venezuela implemented measures aimed at normalizing their currency markets and stemming the substantial loss of international reserves that these economies have seen in recent years. Table I.9 summarizes the main macroprudential measures adopted in the region between December 2013 and June 2014.

**Table I.9**

**Latin America and the Caribbean: macroprudential measures adopted between December 2013 and June 2014**

| | |
|---|---|
| Argentina | In December 2013 the central bank issued short-term dollar-denominated bonds for farmers. The tax on credit and debit card purchases abroad was increased from 20% to 35%.<br>In January 2014, the government lifted the ban on the purchase of dollars for savings. With permission from the tax office, individuals are allowed to buy dollars up to one fifth of their reported monthly income at the official exchange rate.<br>In February 2014, the central bank set a limit on foreign-currency holdings of private banks, at 30% of total liquid assets and 10% of holdings in futures. |
| Bolivia (Plurinational State of) | The central bank has repeatedly increased the reserve requirement for foreign-currency deposits, which is currently 38%, and is expected to raise it to 66.5% in 2016.<br>From May 2014, bank loans to the productive sector are no longer exempted from the 12% reserve requirement for national-currency deposits. |
| Brazil | In December 2013 it was announced that the daily currency swap programme would initially be extended until June 2014. The termination date for the programme was subsequently pushed back again.<br>In December 2013, the central bank replaced the weekly dollar repurchase auctions with another swap contract auction programme. At the same time it lowered the daily auction ceiling from US$ 500 million to US$ 200 million.<br>In January 2014 the government repealed the 6% tax on financial transactions that applied to foreign loans with maturities of between six months and one year. |
| Colombia | The central bank expanded its daily dollar purchase programme, committing to buy up to US$ 1 billion per quarter in the first half of 2014 and up to US$ 2 billion in the third quarter of 2014. |
| Jamaica | In December 2013 the central bank rolled out a new standing liquidity facility for deposit-taking institutions to meet their overnight cash requirements.<br>In January 2014 the central bank announced it was gradually raising the cap on equity investments in foreign currency from the current 5% to at least 25% by the end of 2015. The cap would be eliminated at the end of 2016. |
| Nicaragua | In March 2014 the capital required for establishing and operating financial institutions was increased from 50 million Nicaraguan córdobas (some US$ 1.9 million) to 55 million córdobas (about US$ 2.1 million). |
| Peru | The central bank repeatedly lowered reserve requirements for local-currency deposits, from 16% in December 2013 to 11.5% from mid-June 2014. It also cut the foreign trade finance deposit requirement from 20% to 14%. |
| Trinidad and Tobago | The central bank implemented a new distribution mechanism for foreign exchange sales, whereby commercial banks and non-bank financial institutions can access foreign exchange through a competitive auction process. |
| Venezuela (Bolivarian Republic of) | The central bank raised legal reserve requirements in December 2013 and again in March 2014, from 19% to 21.5% for existing net liabilities and ceded investments and from 22% to 31% for new investments.<br>In January 2014, it was announced that the official exchange rate for expenditures such as travel, airline tickets and remittances (previously calculated at the official exchange rate of 6.3 bolívares per dollar) would be changed to the Complementary Foreign Exchange Administration System (SICAD) rate of about 10 bolívares per dollar. The amount offered at the weekly auction was expanded from US$ 100 million to US$ 220 million.<br>The launch of SICAD II Alternative Currency Exchange Rate System was announced in February 2014 and took effect in March. Under the new system, the official exchange rate of 6.3 bolívares per dollar is for imports of essential goods such as food and medicines. The SICAD rate is for other items; SICAD II will provide a platform for requesting dollars without restrictions on their use. |

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the central banks and ministries of finance of the respective countries.

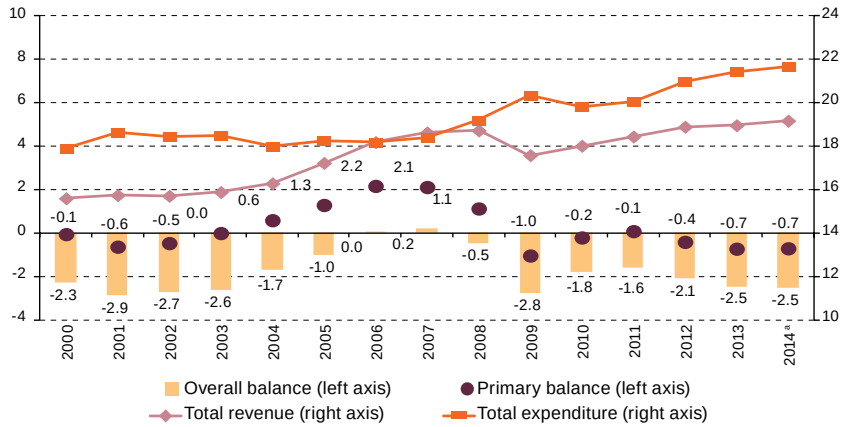
15 Unlike the effective extraregional exchange rate, where trade with the countries of Latin America and the Caribbean is not included in the weighting factor, the total effective exchange rate takes into account trade with all trading partners of each country.

16 Refers only to countries with a single rate of exchange.

## 6. The fiscal accounts are still running deficits

A review of budgets and first-quarter results indicates that in 2014, fiscal deficits in Latin America can be expected to average some 2.5% of GDP (see figure I.30), although the balance could worsen owing to the slowdown of some of the economies of the region. The region's persistent deficits point to a structural deterioration of public finances, particularly since they are combined with fiscal and external imbalances for extended periods. While this does not pose a systemic macroeconomic risk, the uptrend in public expenditures and the relative stagnation of tax revenues as a percentage of GDP make for a divergent dynamic over the medium term.

**Figure I.30**
**Latin America and the Caribbean (19 countries): central government fiscal indicators, 2000-2014**
*(Percentages)*

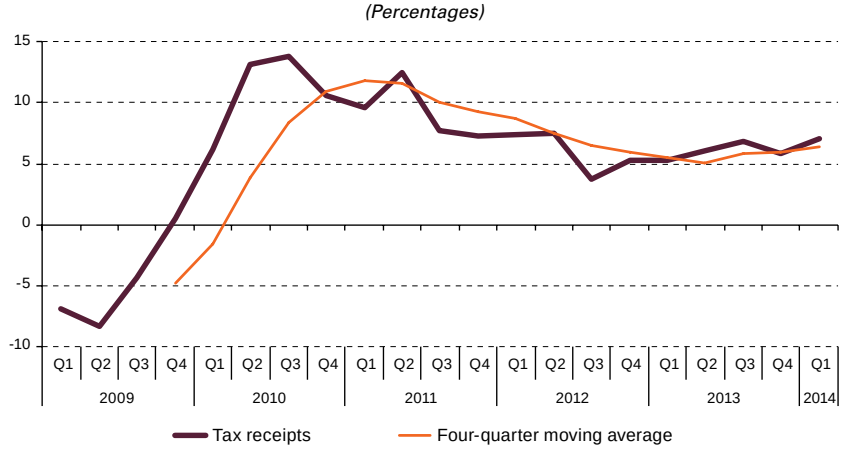



**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] The figures for 2014 are provisional.

## 7. Public revenues are expected to increase slightly in 2014

Trends in public revenues in the first quarter of 2014 reveal the wide variety of scenarios faced by the countries of the region. On average, data and approved budget provisions point to slight growth of fiscal revenues as a percentage of GDP. There was a tax receipt turnaround in the second quarter of 2013 (see figure I.31), but it is threatened by weakness in revenue from non-renewable natural resources and the slowdown in domestic demand.

**Figure I.31**
**Latin America (15 countries): quarterly year-on-year real variation in tax revenues, and moving averages, 2009-2014**
*(Percentages)*




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

In the first quarter of the year, then, a number of countries of the region saw total tax revenue expand more slowly than GDP (Colombia, Costa Rica, El Salvador, Paraguay, Peru and the Plurinational State of Bolivia) or even decline in absolute terms compared with the same period in 2013 (Antigua and Barbuda, Barbados, Chile, Dominica, Guatemala, Saint Kitts and Nevis, Saint Lucia, Trinidad and Tobago and Uruguay) (see table I.10).

**Table I.10**

**Latin America and the Caribbean (25 countries): year-on-year real variation in public revenue and expenditure, first quarters 2012, 2013 and 2014**

*(Percentages)*

| | First quarter (2012) | | First quarter (2013) | | First quarter (2014) | |
|---|---|---|---|---|---|---|
| | Total revenue | Total expenditure | Total revenue | Total expenditure | Total revenue | Total expenditure |
| Antigua and Barbuda | -6.2 | -15.0 | -4.8 | -22.0 | -0.8 | 16.5 |
| Argentina | 22.8 | 26.4 | 13.0 | 12.6 | 19.4 | 22.5 |
| Bahamas | -21.1 | 0.5 | -6.7 | 3.2 | 12.8 | -4.2 |
| Barbados | -4.2 | -21.2 | -12.2 | 8.5 | -1.3 [a] | -11.1 [a] |
| Bolivia (Plurinational State of) [b] | 29.4 | 10.2 | 12.2 | 5.4 | 1.9 | 28.5 |
| Brazil | 7.6 | 5.3 | -2.4 | 3.0 | 5.8 | -10.4 |
| Chile | 11.0 | 11.6 | -3.0 | 3.4 | -0.9 | 9.1 |
| Colombia | 3.7 | 9.6 | 25.2 | 28.7 | 4.5 | 29.2 |
| Costa Rica | 8.3 | 4.2 | 4.6 | 4.7 | 2.5 | 5.3 |
| Dominica | -21.0 | -14.9 | 13.1 | -15.9 | -6.0 | 3.2 |
| Dominican Republic | 7.3 | 30.9 | 12.8 | -19.3 | 6.2 | 26.0 |
| Ecuador | 26.0 | 10.5 | -0.6 | 9.8 | ... | ... |
| El Salvador | 4.6 | 1.1 | -1.8 | -3.1 | 0.6 | -5.7 |
| Grenada | -9.9 | -0.9 | -7.7 | 2.0 | 24.0 | 10.9 |
| Guatemala | 1.3 | -9.7 | 2.6 | 6.2 | -0.3 | -1.0 |
| Jamaica | -6.3 | -1.2 | 5.8 | -10.9 | 7.6 | -16.8 |
| Mexico | 3.7 | 11.3 | 2.4 | -10.1 | 4.4 | 11.5 |
| Nicaragua | 19.0 | 25.1 | -3.4 | -8.3 | 15.4 | 14.2 |
| Paraguay | 7.1 | 23.8 | 2.9 | 30.8 | 2.7 | -11.8 |
| Peru | 7.1 | -2.4 | 3.6 | 6.5 | 5.1 | 12.0 |
| Saint Kitts and Nevis | -23.9 | -20.9 | 57.4 | -8.7 | -10.9 | 24.6 [a] |
| Saint Lucia | 6.3 | 1.0 | -6.8 | 9.3 | -3.6 | -8.7 |
| Saint Vincent and the Grenadines | 2.1 | -15.0 | 7.7 | 3.6 | 6.6 | 14.8 |
| Trinidad and Tobago | 7.9 | -0.6 | 14.4 | 26.4 | -36.0 | -21.0 |
| Uruguay [c] | 0.3 | 24.4 | 17.1 | -6.0 | -2.4 | 8.2 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Figures to February.
[b] General government.
[c] Non-financial public sector.

One of the key factors behind sagging fiscal receipts in some of these counties is the decline in revenue from non-renewable natural resources. In Chile, the 0.9% drop in fiscal revenue is due above all to falling tax receipts, especially the 25% slide in receipts from taxes on private mining activities. In the Plurinational State of Bolivia, the hydrocarbon tax take dropped by 1%. Total tax receipts rebounded in Peru, with income tax receipts up by 8.8% and general sales tax receipts rising by 8.5%, although receipts from all kinds of mining continued to decline.

In some countries the public revenue pattern reflects opposing trends. In Paraguay sharp increases in tax collections, particularly for income tax and value-added tax, have been somewhat offset by a drop in capital revenue and non-tax revenue. Colombia, too, posted a significant increase in domestic value-added tax; income tax receipts increased by about 5%, but total revenue did not grow as much because of a drop in financial surpluses at ECOPETROL. In Uruguay, while total central government and social security contributions climbed 3.9%, weaker public enterprise performance dragged down total non-financial public sector income.

In the countries of Central America, tax revenue slackened in the first quarter. In Guatemala, a decline in donations combined with a shrinking indirect tax take caused a drop in total revenue in the first quarter. Total revenue increased in El Salvador despite a lower value-added tax take and a drop in donations. In Costa Rica, external sales tax receipts increased 14.6%.

In a number of countries total tax revenue growth has outstripped the expected increase in GDP (Dominican Republic, Brazil, Jamaica, Mexico and Nicaragua). In Brazil, total revenue climbed on the strength of social contributions and a sharp increase in income from dividends. In Jamaica, the rise in non-tax revenue from telecommunications licence renewals fuelled an increase in total income. Tax receipts in Mexico surged, especially for the value-added tax, which jumped by 17%. This trend was offset somewhat by a decline in non-tax revenue, especially for hydrocarbon royalties. Nicaragua saw a marked increase in the income tax take (31.5%) and in value-added tax receipts (12.6%).

## 8. Public spending (especially current expenditure) is expected to grow faster than economic activity

The public spending uptrend seen in recent years in Latin America and the Caribbean is continuing where it is covered by the central government, according to public budget guidelines in the region for 2014 as well as recent figures (see tables I.10 and I.11). It is very difficult to predict annual public spending patterns based on data available in the first quarter, but quarterly national accounts figures do point to a sharp increase in expenditure —especially public consumption— in some countries. The countries with the steepest increases are Costa Rica, Dominican Republic, Ecuador, Guatemala, Nicaragua and Peru. In the Caribbean, Grenada, Guyana and Saint Lucia expect to be able to step up spending, funded mainly by rising levels of activity.

**Table I.11**
**Latin America and the Caribbean: central government expenditure, simple average, 2013-2014**
*(Percentage of GDP)*

| | Current primary expenditure | | Interest | | Capital expenses | |
|---|---|---|---|---|---|---|
| | 2013 | 2014 [a] | 2013 | 2014 [a] | 2013 | 2014 [a] |
| Latin America and the Caribbean (32 countries) | 17.8 | 18.0 | 2.3 | 2.4 | 5.2 | 5.2 |
| Latin America (19 countries) | 14.8 | 15.2 | 1.7 | 1.7 | 4.9 | 4.8 |
| The Caribbean (13 countries) | 22.1 | 22.1 | 3.2 | 3.4 | 5.5 | 5.8 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Estimated figures based on information from public budgets.

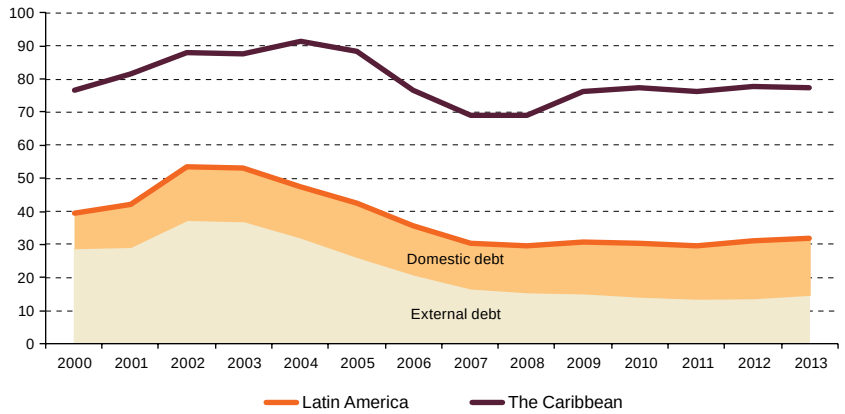
According to budget data, 2014 will likely see central government current spending in Latin America increase slightly as a percentage of GDP, eating into capital expenditure. Nevertheless, some countries have announced sweeping infrastructure programmes for the coming years, and public-private partnership initiatives are on the rise. In others, public investment has focused on State-owned enterprises (whose data are usually not included in central government budgets). Ecuador and the Plurinational State of Bolivia continue to invest heavily in infrastructure: upwards of 12% of GDP in both cases.

Investment is up throughout the Caribbean in the budgets for fiscal year 2014-2015, especially in Antigua and Barbuda, Guyana and Saint Lucia. On average, in the countries of the Caribbean current primary expenditure as a percentage of GDP is expected to hold at levels very similar to 2013, with a growing interest payment burden. Commodity-dependent countries like Belize and Trinidad and Tobago are tending to trim spending in view of an overall decline in revenue.

## 9. Public debt is inching up but on average remains relatively low

As deficits inch up, public debt could see a new, albeit modest, increase in 2014, as in the previous two years. On average in 2013, Latin America recorded a slight increase in gross public debt, from 31.2% of GDP to 31.9% of GDP (see figure I.32), which is lower than the deficit. External public debt climbed to just 14.7% of GDP; domestic debt stood at 17.2% of GDP. In the Caribbean the fiscal deficit rose to 3.6% of GDP in 2013 (the outlook is it to fall to 3.2% of GDP in 2014); public debt (mostly external) remained in the area of 77% of GDP.

**Figure I.32**
**Latin America and the Caribbean: gross public debt of the central government, 2000-2013**
*(Percentage of GDP)*




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

Levels of public debt rose in 15 countries and fell in 17. Those with the largest jumps were Barbados and Suriname (with increases of nearly 10 percentage points of GDP) and the Dominican Republic, Honduras and Saint Lucia (where the debt rose by more than 5 percentage points of GDP). Jamaica cut indebtedness by more than 7 percentage points of GDP; Antigua and Barbuda, Brazil, Ecuador and Saint Vincent and the Grenadines reduced their debt by more than 2 percentage points of GDP (see table A.36).

# E. Outlook and challenges

## 1. Growth prospects for 2014

The external context for economic development in Latin America and the Caribbean is no longer as favourable as it was for much of the past decade. The slow pace of growth that the region as a whole posted in the closing quarter of 2013 carried over into the first few months of 2014. Low growth persisted in some countries; economic activity slowed in others, coupled with a slight increase or, in some cases, a drop in gross fixed investment. It is therefore estimated that regional economic growth will slow from 2.5% in 2013 to 2.2% in 2014; this is a downward revision from the 2.7% expansion of regional GDP that ECLAC forecast in April 2014.[17]

During the year, though, gradual improvement in some of the world's major economies should help to reverse the slowdown of growth in Latin America and the Caribbean, bringing different benefits to each country and subregion. The flow of remittances and tourism revenue has already begun to recover, and global goods trade is expected to rally slightly by the second half of the year. While external conditions are less favourable than during the period immediately prior to the 2008-2009 financial crisis, they are still better in a longer historical perspective. Key export commodity prices as well as access to and conditions for financing in international markets are still relatively favourable. This is expressed, among other things, in relatively low risk premiums and stable exchange rates for many countries of the region.

Uneven trends in the economies of the principal trading partners of the countries of Latin America and the Caribbean will lead to very different patterns of growth in the region. In many of the countries, growth will continue to slacken in 2014; in others the pace of growth will be higher than in 2013. On a subregional level, it is estimated that in Central America plus Haiti and the Dominican Republic the pace of growth will be 4.4%; in South America the rate of expansion will be 1.8%, with widely different growth rates among the countries. The trend is expected to be different in the Caribbean, with growth picking up to 2.0 % in 2014 from 1.2% in 2013.

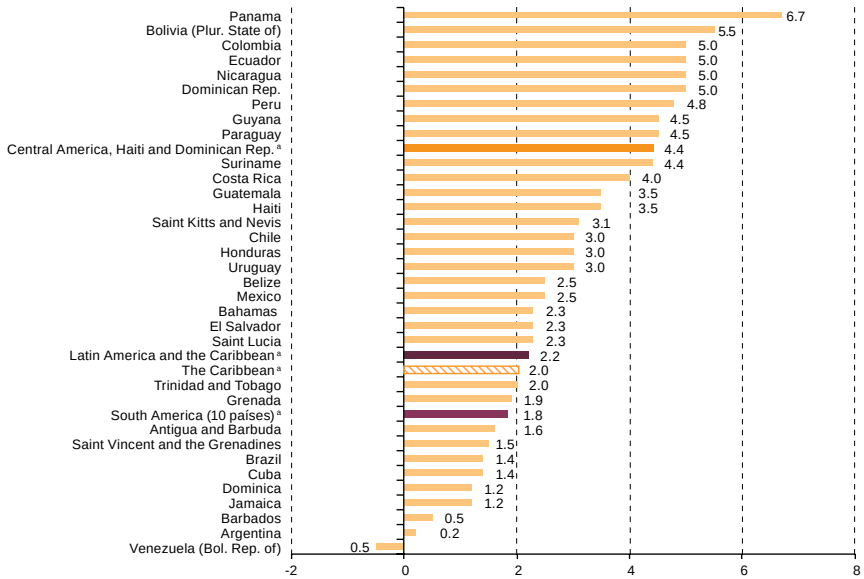
[17] ECLAC, *Updated Economic Overview of Latin America and the Caribbean 2013* (LC/G.2605), Santiago, Chile, April 2014.

Lower estimates of regional economic growth for 2014 are due to a number of factors. In some cases (Argentina and the Bolivarian Republic of Venezuela), figures for the first few months of 2014 reflect a deepening of the imbalances seen in recent years and the increasing risk that the growth of domestic economic activity will have to be adjusted in the light of the ability of these countries to fund domestic spending. In other countries (Chile and Peru) the slowdown in economic activity reflects sagging investment and slower growth of household consumption. In Brazil, economic activity, and particularly investment, remain sluggish. And in Mexico, despite a pace of growth in 2014 that is expected to outstrip 2013, growth is not recovering at the rate forecast earlier (see figure I.33).

**Figure I.33**

**Latin America and the Caribbean: growth of gross domestic product, 2014**

*(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.
[a] On the basis of dollars at constant 2005 prices.

Weak gross capital formation during the first quarter in several of the larger economies of the region casts a shadow of concern as to growth prospects for the year as a whole.

As for the external context, the resumption of economic growth in the United States after the contraction in the first quarter of 2014 will benefit Mexico and the countries of Central America because of its importance as a trading partner. These countries, along with those economies of the Caribbean that are more service export-oriented, will also gain from the economic recovery in the United Kingdom and several of the eurozone economies as tourist arrivals (most of which come from these economies) increase. Slower growth in China is dragging on those economies of the region that are more oriented towards the export of raw materials to China because it is impacting international prices for raw materials and thus the national income and export volume of these countries. Estimates are that growth in Colombia, Ecuador, Panama and the Plurinational State of Bolivia will far outpace the regional average as investment and household consumption climb.

Weak economic growth in the region is affecting labour demand, which remains low. Like economic growth, formal job creation stopped slowing early in the year compared with the fourth quarter of the previous year, but it is still not enough for households to meet their labour income needs over the longer term. There are no signs of a brightening outlook for hiring (Manpower, 2014). Low job creation is not driving the unemployment rate up because the participation rate is falling, especially in certain countries. This mix could lead to a new decline in the regional unemployment rate for 2014, but over the longer term weak job creation would tend to push up informal employment and unemployment. That is why it is important to bolster the short-, medium- and long-term foundations for growth as discussed in the second part of this edition of the *Economic Survey*.

Given the base-case scenario for the global economy in 2014 as set out in this first part, the performance of China is the main source of adverse risks. If the risk of greater Chinese financial-system insolvency materializes, or if efforts to keep the pace of growth above 7% are unsuccessful, the external environment could take a marked turn

for the worse for some of the countries of the region. Another source of uncertainty is the potential for materialization of deflation risks in the eurozone and for deferral, until next year, of a European Central Bank (ECB) monetary policy shift, making the eurozone recovery lose momentum. Unfortunately, the potential for political and military conflicts to deepen and negatively impact key global economic variables cannot be ruled out, either.

If any of these risks became a reality the external scenario for the region would worsen, although the impact would, again, vary, and could in some cases (such as a sharp increase in oil prices) bolster growth in some countries.

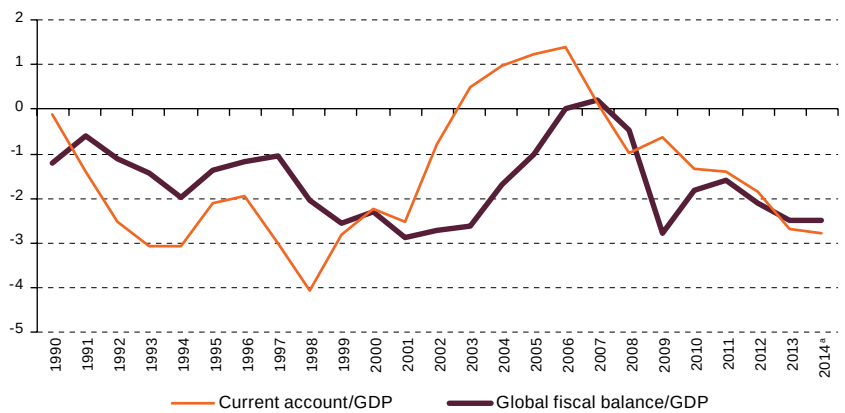
## 2. Policy challenges for 2014

Over the short term, in many countries there is some scope for monetary policy aimed at supporting economic growth. But creeping inflation in several countries and the corresponding policy measures implemented by the economic authorities indicate that this scope is limited. This applies in particular to countries with high inflation, which, together with the other imbalances, adds new challenges to those that the changing external context already poses for the region. Moreover, expansionary monetary policies have a delayed impact and their multiplier is relatively low compared with fiscal policy.

The region's fiscal position in 2013 and 2014 reveals persistent vulnerabilities in several countries of the Caribbean, Central America and South America that could exacerbate macroeconomic imbalances.[18] Traditionally, the sustainability of public finances —and the potential for setting off negative economic trends— is measured by the public-debt-to-GDP ratio. The consolidation effort in recent years, particularly during 2003-2008, helped to keep this indicator fairly low in most of the countries of the region.

This does not preclude systemic risks, however, because fiscal and external balances have been highly correlated in recent years (see figure I.34). This is not surprising: in many countries tax receipts have increasingly depended on commodity exports by way of income taxes, royalties, specific taxes or direct transfers by public enterprises. Whatever the mechanism, starting in 2011 the gradual decline in raw materials prices and the currency appreciation trend exacerbated the twin-deficit situation. Although certain stabilization is projected for 2014, this highlights a financial constraint and a macroeconomic risk for Latin America and the Caribbean.

**Figure I.34**
**Latin America: fiscal and current account balances, 1990-2014**
*(Percentages of GDP)*



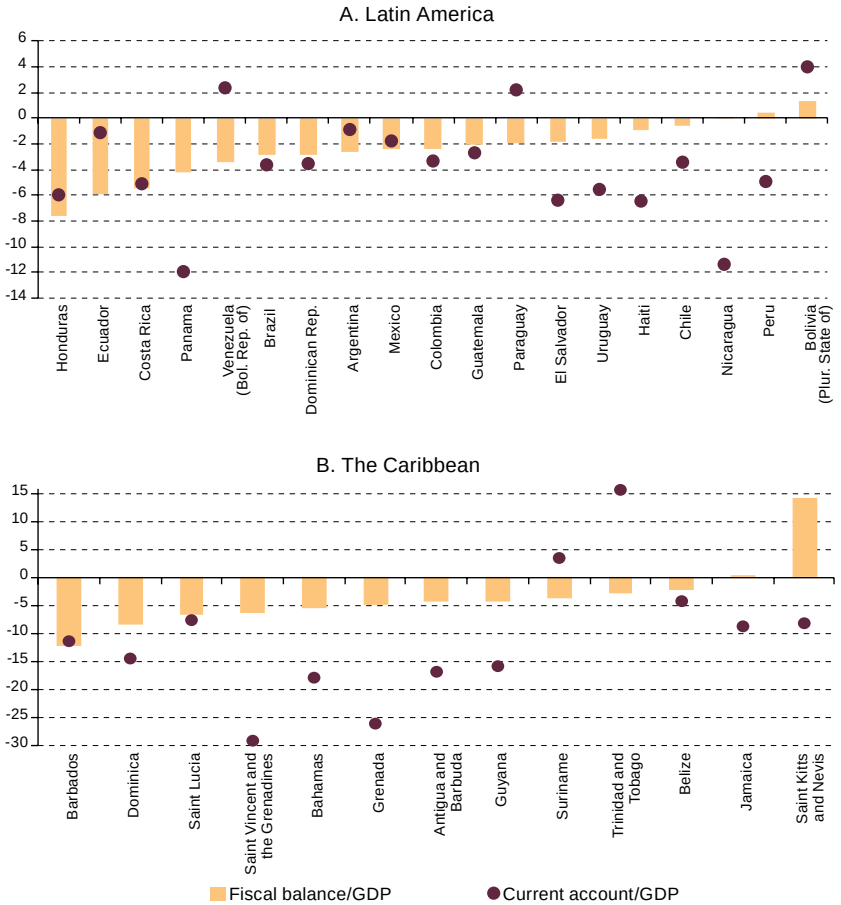

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Projections.

Fifteen countries of Latin America and ten countries of the Caribbean are facing a scenario where their fiscal and external balances are deteriorating at the same time, albeit to varying degrees (see figure I.35). Central America (with a current account deficit in the area of 6.0% of GDP and a fiscal deficit of 3.0% of GDP on average for 2013) and the Caribbean (where the figures are 10% of GDP and 5% of GDP, respectively) are the subregions where vulnerability is

[18] For more information, see ECLAC, *Panorama fiscal de América Latina y el Caribe 2014. Hacia una mayor calidad de las finanzas públicas* (LC/L.3766), Santiago, Chile, 2014, and chapter II of part II hereof.

highest, although the trend is positive. The expected uptick in activity in Europe and the United States would enable the countries of Central American and the Caribbean to improve their external balance, especially in the service sector. Recent tax reforms (especially in Central America) and public-spending adjustments (in the Caribbean) should bolster the public purse.

**Figure I.35**
**Latin America and the Caribbean: fiscal and current account balances, 2013** [a]
*(Percentages of GDP)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Fiscal data refer to the central government.

For Mexico and the countries of South America, too, the risk seems limited as long as commodity prices do not plummet in a baseline scenario with a current account deficit of 1.6% of GDP, a fiscal deficit equal to 1.7% of GDP in 2013 and relatively low levels of debt. This overview does not exclude the possibility of scenarios with greater funding issues in some countries that are more heavily indebted than the regional average.

Coordinating monetary and exchange rate policies is of great importance for addressing the risks associated with the combined worsening of the region's fiscal and external deficit. Monetary policy should ensure that public debt interest rates are consistent with the point in the macroeconomic cycle. In countries with flexible exchange-rate regimes, the external gap could be narrowed (by lowering imports and encouraging non-traditional exports) at the same time as the fiscal gap (improving national-currency receipts generated by commodity exports). Beyond short-term stabilization measures, reducing vulnerabilities is a long-term endeavour because it involves deploying policies that are concomitant with structural change aimed at reducing commodity dependence, which is a source of external and fiscal vulnerabilities.

# Part II

## Challenges to sustainable growth in a new external context

# Introduction

The external context has been less favourable for the economies of Latin America and the Caribbean in the first five years of the current decade than in much of the previous decade. Beyond the current economic situation, projections of economic and financial trends suggest that patterns in the various markets of the world economy will change in the medium term, leading to a weakening of the external drivers for the region's growth in comparison with much of the first decade of the century. The processes underlying these trends are not entirely negative, however, as they reflect the partial redressing of certain major imbalances present in the world economy in the past decade and the economic upturn in the United States, which is good news for many of the countries in the region. Although the dynamics of the goods and services and financial markets may be less favourable, making it difficult for the region to attain the rates of economic growth seen between 2003 and 2008, the key variables of these markets in the region (such as the prices of the main export goods and financing conditions) are not expected to plumb the depths seen on occasion in the past three decades.

The external context will pose new public policy challenges in respect of ensuring the sustainability of high economic growth, which, although insufficient in isolation, is a necessary precondition for the development processes that the countries of the region wish to set in motion. As has been discussed in detail by ECLAC (2014b), sustainable development with equality in Latin America and the Caribbean faces threats in three areas: the economic, the social and the environmental.

Economic sustainability is based on the capacity to achieve sustained, high economic growth as one of the prerequisites (but not the only one) for development with equality. This sustainability is exposed to internal and external vulnerabilities. The former are closely linked to the needs and constraints relating to access to external borrowing, which in the past have aborted many phases of economic growth in the region. Huge balance-of-payments current account deficits, unsustainable rates of exchange, high levels of external debt, onerous financial charges due to international financial market trends or natural disasters and specific national situations have been the hallmarks of many of the crises in the region's economic history. On some occasions, these crises have been linked to internal disequilibria, such as large fiscal deficits or high levels of inflation. These vulnerabilities become evident when external conditions worsen, usually owing to export volume-related , or more often, price-related shocks on goods markets or shocks on financial markets (ECLAC, 2008). Sustainable, robust economic growth is also contingent on a diversified, competitive production structure. Under the present circumstances, a key component on the region's path to a production structure with these characteristics is structural change. This should consist in gearing the factors of production towards activities that produce tradable goods and services with a high and ever-increasing knowledge component and sectors with a high impact on systemic productivity and competitiveness (energy, telecommunications, road and port infrastructure, among others) as well as on a growing effort in the area of innovation and technological change.

Socially sustainable development in Latin America and the Caribbean depends on the advances in resolving long-standing problems in the region, such as "the high rate of inequality, capacity gaps, the redistributive inefficiency of the fiscal system, poor coverage of social protection systems and employment segmentation" (ECLAC,2014b). Confronting these problems calls for a multifaceted strategy of inclusion, mainly by means of labour markets (access to good quality jobs) and public policy (social policy and its financing), and encompasses both objective and subjective issues. Recently, the region has made significant strides in this area, but the sustainability of some key mechanisms (especially those relating to recent patterns of economic growth) is doubtful. Social sustainability is closely linked to economic sustainability. For example, capacity generation and the closure of gaps that persist in this regard are essential elements for advancing towards structural change with equality and many social policies play a decisive role in promoting economic growth in the longer term.

Lastly, environmentally sustainable development in Latin America and the Caribbean, a dimension not examined in depth in this document, is threatened by both production and consumption patterns in the region. The specialization of growth geared to static comparative advantages, based on the exploitation of mostly non renewable natural resources, exerts considerable pressure with numerous repercussions on sustainability. Moreover, the consumption structure tends to generate negative outcomes; for example, since the supply of public goods is weak, the priority is given to the consumption of private goods, which generally create more negative environmental externalities. Clearly, environmental sustainability is also related to economic sustainability since environmental impact studies are an increasingly important requirement in the development of a diversified and competitive production structure.

As this brief summary reveals, there are two dimensions that have a cross-cutting impact on the three challenges referred to above, both in terms of their characteristics and in terms of the chances of overcoming them. First, the challenges faced by the region are determined to a great extent by the dominant production structure and, closely related to it, the socio-economic structure. For example, the high degree of structural heterogeneity, which manifests itself in very low productivity in broad segments of the production structure, is translated into a low average labour productivity and hampers increases in this area, even when more advanced segments close external gaps relating to this indicator. Productivity gaps, meanwhile, are reflected in major differences in the quality of employment. In addition, structural weaknesses —which vary significantly in magnitude between the countries in the region— constrain the countries' scope for action.

Second, these capacities are also undermined by institutional weaknesses. Specifically, they are linked to the limited human and financial resources available for implementing public policy, insufficient regulatory capacity, weak budget institutions and lack of coordination between different macroeconomic and sectoral policies, as well as between different levels of government. These shortcomings and others mean that the improvements in public accounts over the past decade do not translate into better quality public goods and services.

In this, the second part of the *Economic Survey of Latin America and the Caribbean 2014*, the challenges to economic and social sustainability are analysed against the backdrop of recent advances. Attention is focused on the sustainability of economic growth bearing in mind that this is a necessary, albeit insufficient, condition for achieving sustainable development.

Chapter I discusses the growth prospects of the major economies of the world and examines the highly varied problems that they face. The conclusion drawn is that, despite some degree of recovery in certain cases, in the medium term the global economy appears to be less buoyant than in much of the past decade. In this context, the possible effects of this sluggish performance on the financial and commodities markets are analysed.

The heterogeneous performance of its economies means that the countries of Latin America and the Caribbean will be affected in different ways. This, together with the differences in leeway in implementing macroeconomic policies due to structural factors and the economic results of the previous phase of growth, gives rise to an unequal regional scenario for counter-cyclical macroeconomic policies aimed at ensuring sustainable economic growth. The second chapter therefore analyses the vulnerability of the region's economies to this scenario and the disparities in their capacities to carry through macroeconomic policies to underpin economic growth. These capacities are dependent on each country's starting point, which is, in turn, determined by its growth potential, fiscal and financial vulnerabilities and external gaps and vulnerabilities, among other factors.

The period between 2003 and 2008 saw the highest, most sustained level of economic growth in the region in recent decades. The rapid recovery after the financial crisis of 2008-2009 and the subsequent rally fed hopes that this growth dynamic could be maintained for a longer time. However, the changing landscape and the dampening of growth since 2011 have marked the end of this dynamic growth in what is, as has been noted, a less favourable context. In the third chapter of this second part, a different growth accounting methodology —with a longer-term perspective— is used to ascertain what factors explain the growth dynamic and the challenges to strengthening it in this new context. Emphasis is placed on the important role that multiple production factors have played in bringing about growth in the past and on the poor productivity figures over much of the last two decades, although there was something of an uptick in the 2000s. This provides an illustration of the challenges facing the region in increasing its levels of investment and productivity.

The social sustainability of growth is a multifaceted issue, but the dynamic creation of quality jobs and ensuring that growing sections of the population have access to them are essential. The recent relatively high rates of economic growth, together with policies that helped overcome numerous obstacles to access to good quality jobs, have underpinned this sustainability. Another contributing factor was the pattern of job creation, which also led to a reduction of the sharp inequalities between households. Yawning gaps remain, however, and the prospect of slower growth in the medium term poses new public policy challenges. The fourth chapter analyses the labour market's impact on social and employment sustainability and, more specifically, progress made in overcoming the various obstacles to wider access to quality jobs and the effects of transformations in the world of work on the reduction of inequality. This chapter also discusses what policies are required for further progress, in a less benign external context, with special emphasis on the need to promote labour productivity.

The final chapter of this part of the *Economic Survey of Latin America and the Caribbean 2014* summarizes the conclusions drawn on the public policies needed to promote sustainable economic growth in the medium-term external context. The existence of a strategic triangle can be seen; if progress is to be made in terms of sustainable development, action must be taken to join up its three points, namely by: (i) addressing external vulnerability (by means of macroeconomic policies and a production structure that reduces external productivity gaps); (ii) ensuring social and employment sustainability (by fostering the creation of good quality jobs, providing access to them and reducing the internal gaps characteristic of structural heterogeneity), and (iii) strengthening the institutions and implementing the policies required to meet these objectives (ECLAC, 2014b).

Chapter I

# Main medium-term features of the external scenario

Introduction
A. The favourable winds taper off: the global economy in the medium term
B. Summary

# Introduction

Between mid-2003 and the global financial crisis of 2008, the international economy operated in extraordinary circumstances that set the stage for steady growth in Latin America and the Caribbean, the likes of which had rarely been seen in the economic history of the region. The combination of a sustained level of activity in the developed economies and the emergence of influential new actors on the world stage, such as China and India, led not only to an increase in the volume of international trade to the benefit of the Latin American and Caribbean economies, but also to a steady rise in the prices of commodities, which are the main or among the main exports of the economies of South America. Although the countries of Central America and the Caribbean are, on the whole, net importers of commodities,[1] they benefited from the favourable international economic situation through exports of maquila services and certain agricultural goods, increased foreign currency inflows in the form of remittances from emigrant workers in developed countries and significant tourist arrivals generally from the developed countries.

Surging foreign direct investment flows to the region and abundant liquidity in the international financial markets enabled the countries of Latin America and the Caribbean to access resources with very favourable terms and rates, including for refinancing or rescheduling existing debt. This set of factors drove the economies of the region not only directly, but also indirectly, by creating greater policy space for boosting domestic demand without clashing, as used to be the case, with the internal and external constraints that used to stymie growth at regular intervals.[2]

The global financial crisis of 2008-2009 brought to a sudden halt this lengthy international economic boom and changed for a long time to come, if not permanently, the external context in which the economies of Latin America and the Caribbean operate. As will be shown in this chapter, although the systemic threats that emerged with the crisis have been overcome, at least for the moment, and the developed-country economies are beginning to grow again, the recovery is slower than in other post-crisis eras. In response to signs that their past development strategies are faltering, even some of the most dynamic emerging economies are facing the need to address the changing conditions, which is likely to translate into slower growth in the short term. Finally, the combination of a gradual decrease in international liquidity and greater vulnerability in some economies, both developed and emerging, leaves open the possibility of high international market volatility.

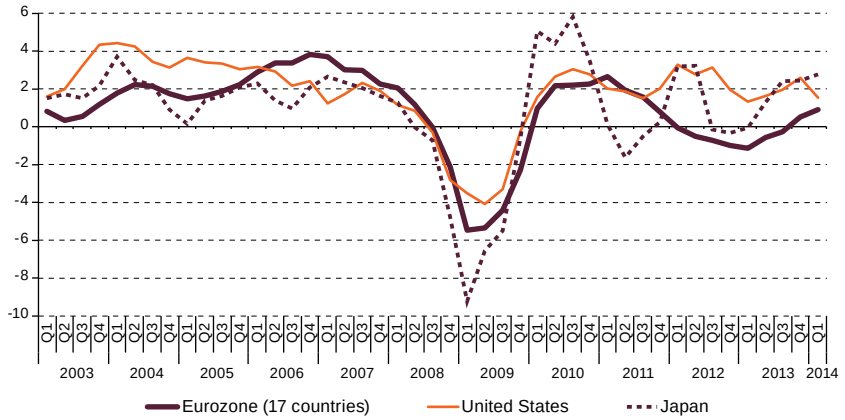
# A. The favourable winds taper off: the global economy in the medium term

Slower global growth (which is a drag on the recovery of trade flows and commodity prices) and the prospect of worsening conditions for access to international financial markets (although with limited systemic risks), represent the "new normal" to which the economies of Latin America and the Caribbean will have to adapt. Figure I.1 shows that, of the developed economies, only the United States has returned to sustained growth, with rates of about 2% per year. The economy of Japan seems to be moving out of negative growth territory, although instability is still prevalent and growth is fluctuating around fairly modest rates. The eurozone economy —with wide differences between individual countries, as will be shown below— has only recently halted its decline and begun to post lean growth.

The slowdown in economic growth has taken a toll on world trade in goods and services, which is expanding at a quarter of its pre-crisis rate (see figure I.2). This is reflected in commodity prices, which have already stopped rising and in some cases are falling (see figure I.6 in part I of this *Economic Survey*). This "new normal" is being built on a set of factors that are affecting both developed and emerging economies. The sections below examine the most likely outlook for the main trading partners of Latin America and the Caribbean and some of the consequences for the global markets.

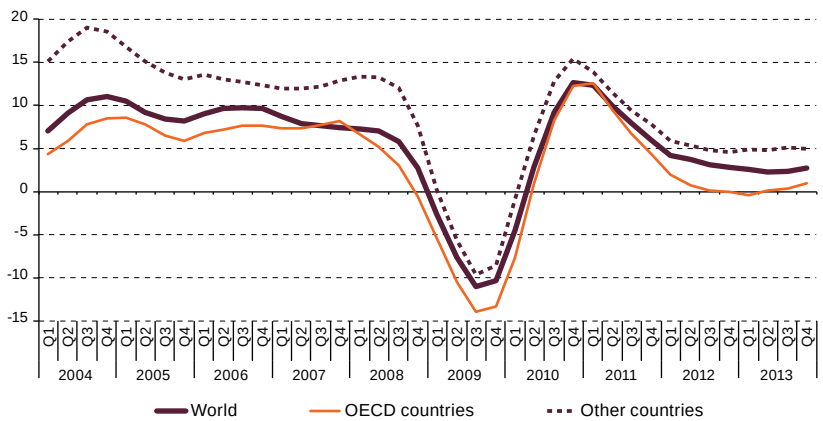
1 With the notable exceptions of Trinidad and Tobago (oil exporter), Suriname and Jamaica (exporters of metals).
2 See Kacef and López-Monti (2010) for an analysis of the period of growth in Latin America between 2003 and 2008.

**Figure I.1**
**Developed countries: GDP growth, year-on-year variation, first quarter of 2003 to first quarter of 2014**
*(Percentages)*




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

**Figure I.2**
**Year-on-year growth in world trade in goods, first quarter of 2004 to fourth quarter of 2013**
*(Percentages)*




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

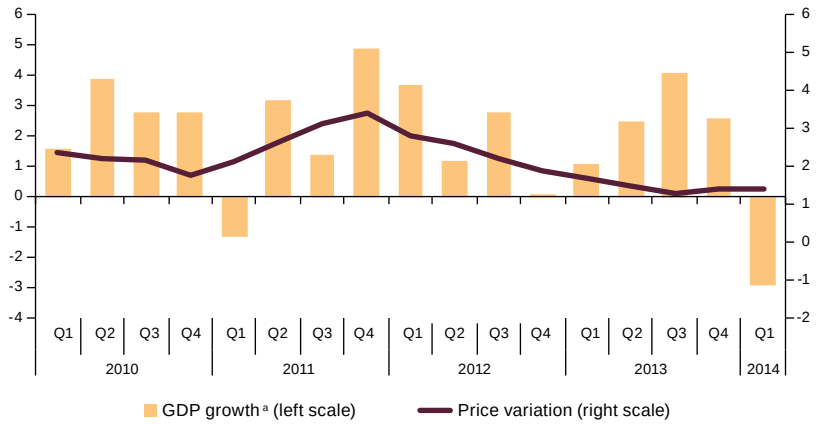
## 1. United States

Up to the first half of 2013 the United States economy was recovering slowly, mainly because the negative impact of fiscal restraint was offsetting the increase in private spending. The main macroeconomic indicators for the year were GDP growth of 1.9%, an unemployment rate of 7% and annual inflation of 1.5% towards the end of the year. Although these variables were far from the levels originally established for the Federal Reserve to change the direction of monetary policy (an unemployment rate of less than 6% and an inflation rate higher than 2.5%), their trends over the year led to a reduction in the pace of monetary expansion, which is expected to be terminated in 2014. Growth is expected to accelerate in 2014 as the negative impact of fiscal adjustment decreases, the real estate sector consolidates its improvement and households continue to rebalance their financial position.

If more robust economic growth resulted in a significant improvement in labour market indicators, it could lead, gradually, to a more restrictive monetary policy and to a rise in monetary policy interest rates in 2015. Even though the unemployment rate declined to 6.1% in May, it remains above pre-crisis levels and, as seen in figure I.4, part of the decrease is attributable to the falling participation rate. In other words, it does not reflect an increase in demand for labour but rather a drop in supply. For this reason, the Chair of the Federal Reserve, Janet Yellen, said that despite an

improving labour market the monetary authorities see the situation as far from satisfactory, and she clearly signalled that the Federal Reserve was in no hurry to raise interest rates.[3]

**Figure I.3**
**United States: economic growth and inflation, 2010-2014**
*(Percentages)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the United States Bureau of Economic Analysis (BEA) and the United States Bureau of Labor Statistics (BLS).
[a] GDP growth corresponds to annualized growth compared with the previous quarter.

**Figure I.4**
**United States: labour market indicators, 2008-2014**
*(Percentages)*

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the United States Bureau of Labor Statistics (BLS).

From this starting point, there are two possible scenarios that could influence the global economy beyond the short term. On one hand, the monetary policy shift, along with moderately higher growth than in the recent past, has given rise to an incipient upturn in yields on financial assets. If these trends were to continue and deepen, agents might be prompted to change their financial positions and move towards more liquid, more profitable and less risky assets (in general from the United States market). The speed and scale of any such changes would depend not only on how the policy shift was implemented, but also on the reaction of international financial markets. In that scenario, the conditions of access to the financial markets for emerging economies would tend to be less favourable than in the recent past and new episodes of financial and exchange-rate volatility, such as were seen in mid-2013 and early 2014, could not be ruled out.

On the other hand, there is a latent risk that withdrawing monetary stimuli and raising the interest rate in a context of negative fiscal impulse (though less marked than in recent years) could cut off the incipient recovery,

[3] See, for example, Financial Times (2014).

leading to renewed debate about the danger of potential secular stagnation,[4] from which it would be impossible to escape without introducing more forceful public policies that go beyond loose monetary policy. In that situation, excess household debt, low population growth and rising inequality would weaken consumer demand and increase savings, while low growth and low productivity would discourage investment. The economy would then face a typical Keynesian situation in which, despite the lowering of monetary policy interest rates,[5] investment does not expand and the balance of the financial system is compatible with an activity level significantly below full employment.

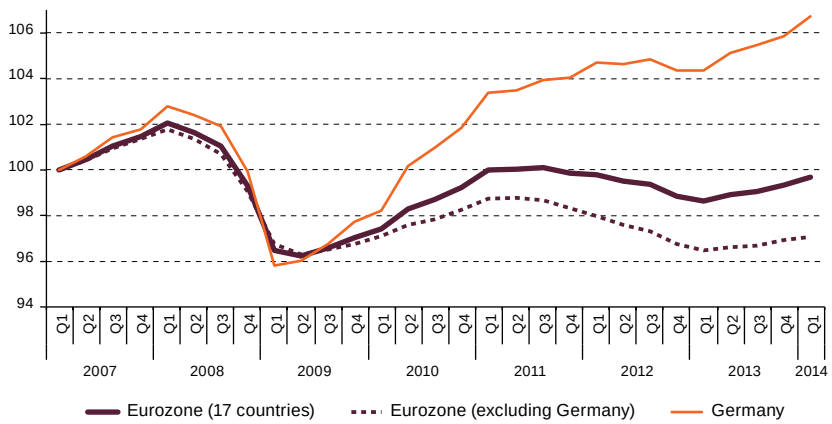
Although the risk of stagnation in the United States economy cannot be ruled out, the first scenario outlined above is the most likely: a moderate recovery and a gradual change in monetary policy. According to estimates, average annual growth of 2.5% to 2.7% is expected for the next five years.[6]

## 2. Eurozone

Although the critical moment at which the euro's survival was in doubt appears to have passed, the European economy still faces an extremely difficult road ahead. In 2013, the eurozone economy contracted by about half a percentage point of GDP; for 2014 growth of 1.2% is projected for the area as a whole (United Nations, 2014). Data for the countries in southern Europe paint a rather more pessimistic picture, with an estimated fall of 2.3% for 2013 and projected growth of only 0.6% for 2014 (simple average of the projections for Spain, Greece and Italy). Meanwhile, the annual inflation rate remains very low, at about 1%, well below the target of about 2% established by the European Central Bank and still close to deflation.

As shown in figure I.5, economic activity has remained below pre-crisis levels. Moreover, the scant growth in the second half of 2013 is attributable to the relatively positive trend in Germany and a few other economies. While the German economy rallied and grew at an average (though gradually diminishing) rate of around 2.2% per year between 2010 and 2013 (IMF, 2014), the regional aggregate excluding Germany reveals a disappointing trend and at year-end 2013 stood at about 5% below pre-crisis levels. This disparity highlights a problem that has so far been impossible to resolve: the imbalance between the centre and the periphery of the eurozone, which perpetuates the latent threat of a systemic event.

**Figure I.5**
**Eurozone: economic activity, first quarter of 2007 to first quarter of 2014**
*(Index: first quarter of 2007=100)*




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

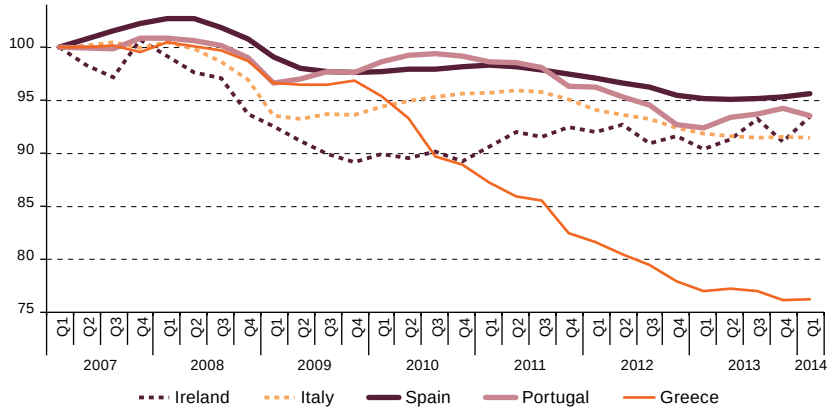
4 For more information on this subject, see the transcript of the presentation by Lawrence Summers at the International Monetary Fund Fourteenth Annual Research Conference in Honor of Stanley Fischer [online] http://larrysummers.com/imf-fourteenth-annual-research-conference-in-honor-of-stanley-fischer/; Krugman (2014 and 2013); and Ball, DeLong and Summers (2014).

5 In fact, real interest rates have been falling systematically and for different reasons since the beginning of the 1980s. In this connection, see IMF (2014) and Eichengreen (2014).

6 See Roubini Global Economics and IMF (2014).

Figure I.6 illustrates the serious situation in Greece, Ireland, Italy, Portugal and Spain —the countries hit hardest by the crisis. The extent of the deterioration with respect to the pre-crisis period is almost 25% in Greece and between 7% and 8%, approximately, in the other four countries. What is more, there is so far no indication that these negative trends will reverse in the short term, since these economies are at best still stagnant.

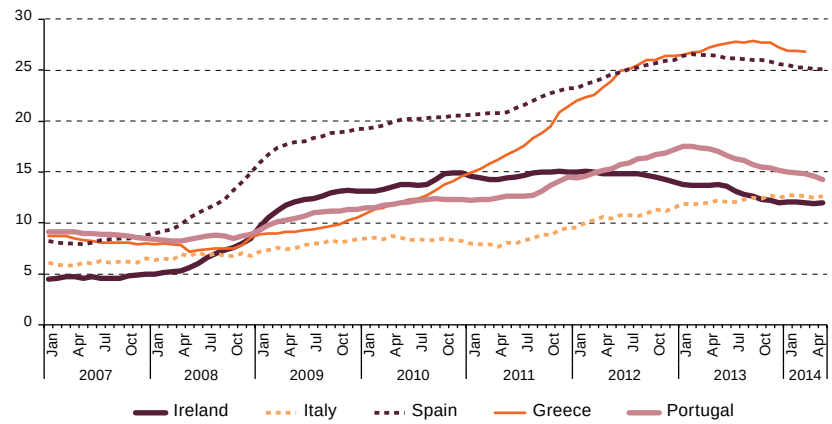
**Figure I.6**
**Eurozone (selected countries): economic activity, first quarter of 2007 to first quarter of 2014**
*(Index: first quarter of 2007=100)*




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

The depth and duration of the recession correlated with the worsening performance of labour market indicators, which paints a picture not only of the dramatic social situation but also of how difficult it will be for these countries to return to reasonable growth rates in the near future. Unemployment in 2013 exceeded 25% in Spain and Greece and was between 10% and 15% in the other three countries. Such high unemployment rates, coupled with the deterioration of real wages, ruled out an upturn in consumption. Furthermore, since boosting investment depends on the recovery of demand, the only option in the short term is to expand exports, which presents these countries with the challenge of regaining their competitiveness.

**Figure I.7**
**Eurozone (selected countries): unemployment rate, January 2007 to April 2014**
*(Percentages)*




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

This is precisely the problem that European governments have so far been unable to resolve, and it is preventing them from taking coordinated action and following a strategy to minimize the costs of the major adjustment that they are carrying out. If the inflation rate stays low in the faster-growing economies (those with the potential to increase the demand for products from the peripheral countries), the greater level of competitiveness needed by the peripheral

countries can be achieved only through deflation. This would increase the real debt burden and require a much more onerous adjustment. Structural reforms would also help, but their results would take time to materialize, especially in a context of low growth. If, on the other hand, Germany and the northern European countries were to introduce less austere spending strategies and allow the inflation rate to rise, they would give the economies of the periphery room to enhance their relative competitiveness at a lower (but still significant) cost in terms of effort.

Weak economic growth with extremely low inflation rates (close to deflation), added to a macroeconomic situation that increases financing needs, is pushing debt-to-GDP ratios towards levels at which their sustainability is once again in question and which could lead to a need for new rounds of debt rescheduling in the peripheral countries. J. Bradford DeLong said recently that if European authorities did not take decisive action to implement a strategy that facilitated the adjustment of the peripheral economies, the options would narrow to "either lost decades for southern Europe (and perhaps northern Europe as well), or continued north-south payment imbalances that will have to be financed through fiscal transfers —that is, by taxing the north" (DeLong, 2012).

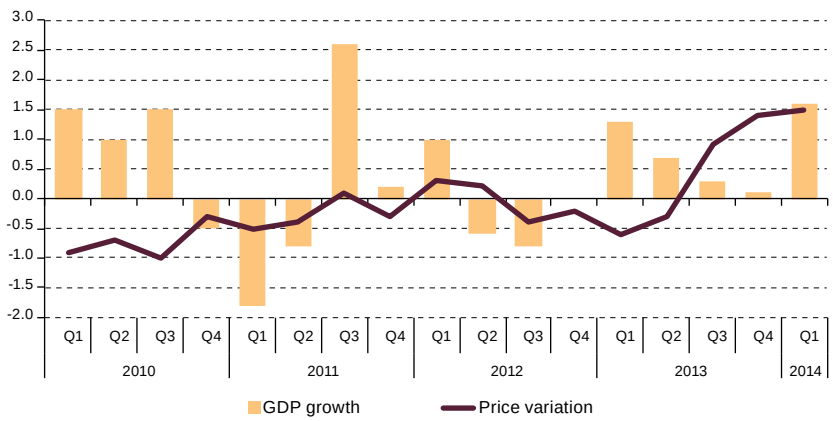
In sum, although systemic risks have declined in the eurozone, the economic recovery is still incipient and limited to certain countries. The region as a whole is therefore expected to exhibit low growth for several years, at an annual average of 1.2% to 1.5%.[7]

## 3. Japan

The Japanese economy has long been weighed down by serious problems. In addition to weak domestic demand, which has persisted for many years, more recently the country's main trading partners have also lost momentum. Chronic deflation completes the picture, which is simply a manifestation of the prolonged recession in which the economy has been mired. Public debt amounts to about 250% of GDP, which drastically restricts the fiscal policy space.

Against this backdrop, Prime Minister Shinzo Abe's administration proposed a programme to accelerate GDP growth based on three pillars (called the "three arrows"): an expansionary monetary policy, fiscal stimulus and a set of structural reforms.

**Figure I.8**
**Japan: economic growth and inflation, 2010-2014**
*(Percentages)*




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

The scenario facing this programme is complex. Companies have preferred to save and maintain their liquidity, while consumption is suffering from population ageing and the declining proportion of the strata more inclined to spend. Companies have adapted to that smaller domestic market, in particular by reducing the wage bill, which in turn discourages consumption and bolsters deflation. Breaking this vicious circle has so far been very difficult, although some positive signs have appeared lately.

[7] See Roubini Global Economics and IMF (2014).

The most forceful part of the "three arrows" package has been a firmly expansionary monetary policy. A set of initiatives was also announced to expand the economy through fiscal stimulus equivalent to 2% of GDP. The details of the third pillar, a package of structural reforms, are not yet clearly defined, although it has been mentioned that it will include the deregulation of some markets, changes in agriculture and the use of incentives to boost women's participation in the labour market.

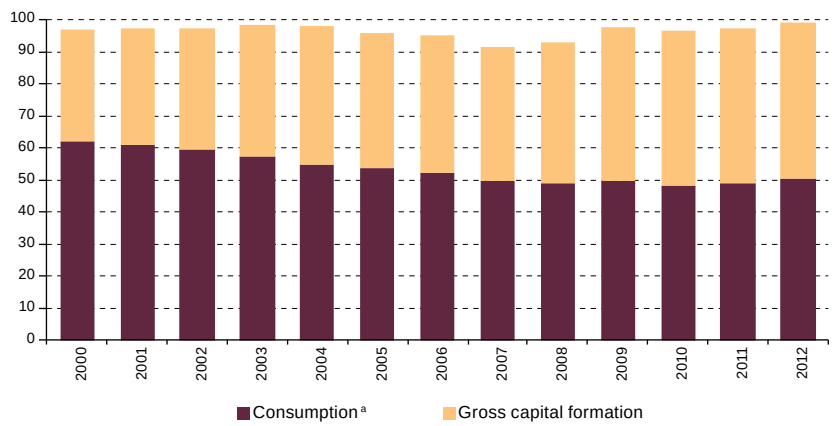
As the first outcome of the programme, Japan has exported deflation through the depreciation of the yen (by about 20%), which has made Japanese products more competitive at the expense of other economies in East Asia. GDP data for the first half of 2013 indicated annual growth of about 4% and inflation approaching an annual rate of 1%, which is half the target rate set by the Bank of Japan for 2015. But the economy slowed in the second half of the year to close with growth of 1.5%.

Despite five consecutive quarters of growth, the slowdown in the second half of 2013 sparked fears that the economic recovery had been interrupted by a sales tax hike in April that had a negative impact on demand. According to the Government of Japan, the country's fiscal needs left no leeway for postponing the entry into force of the tax. By mid-2014, even though the tax hike had not hit demand as hard as expected, growth projections were scaled down from 1.7% to 1.4%. According to most projections, average annual growth of 1.0% to 1.2% is expected for the next five years.[8]

## 4. China

In the wake of the 2008-2009 global financial crisis, net exports ceased to be an engine of growth and the policies implemented to avoid a downturn emphasized the role of investment, which rose from about 40% of GDP to about 50% of GDP. This substantial increase (from already high levels) required a surge in lending, which, in turn, gave rise to a typical financial bubble: high debt, increased debt burden, rising levels of default, decapitalization of some banks and a marked expansion of poorly regulated segments of the financial system (shadow banking). Correcting this situation could call for a drastic decrease in the expansion of credit and in the spending that relies heavily thereon, as is the case for investment.

**Figure I.9**
**China: consumption and gross capital formation as a proportion of GDP, 2000-2012**
*(Percentages)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Organization for Economic Cooperation and Development (OECD).
[a] The data include public and private consumption.

Given the low growth projected for exports and investment, the new Chinese authorities have proposed boosting household consumption to sustain future growth. Currently, household consumption is at a very low level: 35% of GDP, which is about half the world average. According to some estimates, in order for household consumption to

[8] See Roubini Global Economics and IMF (2014).

increase to 50% of GDP over the next 10 years, it would have to consistently outpace GDP growth by 4 percentage points. Such a high rate would be very difficult to achieve and would require a huge redistribution of resources towards households, quite the opposite of what has been seen in recent years. In order to boost household income to the extent necessary to finance the required increase in consumption, a huge amount of resources would have to be transferred from the State to households, whether through transfers, subsidies or increases in real wages. This does not necessarily mean that China's economy will stop growing in the short term, but the inherent difficulty in the changes that must occur in the economy does generate significant risks. In the best-case scenario, the economy would likely grow at a lower average rate than in the past decade and with a different structure, characterized by a lower rate of investment and a greater share of consumption.

In early 2014, the economy showed a few signs of weakening, which generated some concern and led to a discussion on the potential need to launch a programme to stimulate demand in order to achieve the country's growth objectives. The situation is complex; the risks are clearly biased towards the downside, depending on real estate market and construction activity trends and how the financial system absorbs the problems arising from the potential increase in credit default over the coming months. Credit has ballooned in the last four or five years, in many cases for financing projects that have not produced the expected outcomes; loan portfolio quality has thus gradually deteriorated. Ultimately, the authorities face a trade-off between the need to promote change in the development model to put the economy on a sustainable path and the need to prevent the economic growth rate from falling below a socially tolerable level in the short term, even if doing so means maintaining certain strategies (such as the abundance of cheap credit and the promotion of investment) that can aggravate macroeconomic imbalances.

Growth is expected to decline gradually from 7.2% in 2015 to 6.5% in 2019.[9] As the pace of growth in China's economy moderates, its production structure will also be reoriented from the production and processing of goods for export towards the provision of services and products for domestic consumption. This change is reflected in the fact that in 2013, for the first time in 50 years, the value of services provided surpassed the value of industrial output. Furthermore, the reorientation of spending towards the strengthening of consumption and away from investment will lead to a restructuring of the imports basket, which will contain a smaller proportion of raw materials and a larger percentage of semi-finished and finished products.

## 5. India

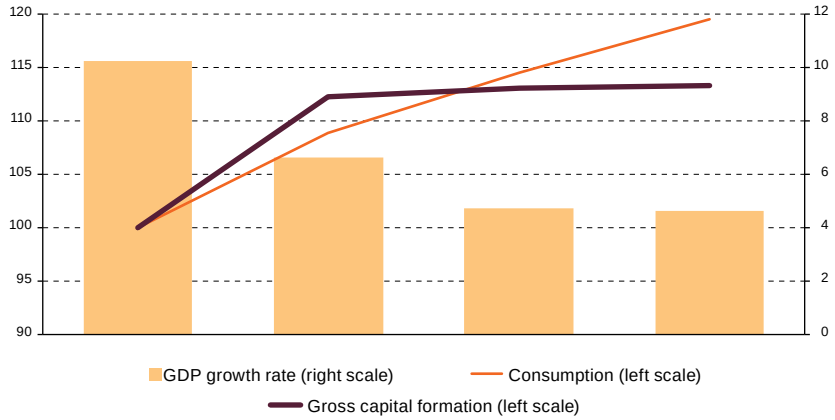
Until very recently, India was one of the world's fastest-growing economies, surpassed only barely by China. Between 2003 and 2007 GDP expanded at an annual average rate of 8.8%. The international financial crisis interrupted this rapid growth; although the economy recovered quickly thanks to the countercyclical policies implemented by the Government and grew by 10.3% in 2010, a marked slowdown has been seen in the past few years.

Figure I.10 shows that the growth rate fell until it stabilized far below the potential growth rate, estimated at 6%. For reasons that will be expounded below, it is highly likely that the Indian economy will continue to grow at this rate in 2014, for the third consecutive year. Although for most of the countries of Latin America and the Caribbean stable growth within a range of 4.5% and 5% would be a sign of a healthy economy, for a country with the demographic characteristics of India it is not enough to create the number of jobs needed. In addition, as shown in figure I.10, not only was recent growth slow, but it was underpinned exclusively by the expansion of consumption while investment stagnated. This highlights a problem not only with the quantity, but also with the quality of the jobs that are being created: they are often low-productivity and low-wage ones, which exacerbates the already serious issues of poverty and inequality.

The low growth was accompanied by a marked deterioration in key macroeconomic variables: inflation shot up and contributed to a drop in the real exchange rate. The slower growth of the world economy and the loss of competitiveness adversely affected exports at the same time that imports of some metals increased, particularly gold, which has a special significance in Indian culture. The deterioration in the trade balance led to a wider balance-of-payments current account deficit equivalent to almost 5% of GDP. Moreover, spending commitments undertaken during the crisis, as low growth undermined tax revenues, resulted in a fiscal deficit that remains above 5% of GDP.

[9] IMF projections (2014). The corresponding projections by Roubini Global Economics indicate a fall from 6.6% in 2015 to 5.7% in 2019.

**Figure I.10**
**India: GDP growth and components of domestic demand, 2010-2013**
*(Percentages and index: 2010=100)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Ministry of Statistics and Programme Implementation of India.

Structural reasons help explain recent developments, including the impact of inequality on availability of resources, the infrastructure deficit and the weak industrial base. These problems were also present when the economy was growing fast but are now magnified in the face of export-sapping low global growth and a complex domestic macroeconomic scenario. However, taking a possibly optimistic view of the effectiveness of the structural reforms proposed by the new Government to address the aforementioned structural obstacles, growth is projected to pick up to an average of between 6% and 6.6% in the next five years.[10]

## 6. The change in direction of China's growth and its effect on the demand for commodities

For the next few years, then, the external context may be less favourable than in the years leading up to the global financial crisis, when the value of exports rose significantly for many of the Latin American countries. The primary factor behind that increase was the rapid expansion of the Chinese economy, which boosted demand for various commodities exported from Latin America. Thus, from 2003 to 2011, export values in the region grew by an annual average of 14%; most (9.8%) of this rise was attributable to higher prices while larger volumes accounted for 4.6%.[11]

Since 2011 demand has declined for several of the region's main export products owing to the slow recovery of the United States economy after the financial crisis of 2008-2009, the prolonged recession in the eurozone and slacker growth in a number of emerging economies. However, the main factor behind this new environment was the slowdown of China's economy, which was reflected in a marked cooldown of the growth of demand and pressure on global commodity prices. As a result, the exports of the countries of the region slowed sharply, edging up by only 1.6% in 2012 (an increase of 4.0% in volume and a decrease of 2.4% in price) and dropping by 0.2% in 2013 (an increase of 1.9% in volume and a decrease of 2.1% in price).

Looking ahead, this new scenario is expected to persist in the short and medium term, on the back of the more moderate expansion of economic activity in China, changes in its production structure and the reorientation of spending towards consumption. That reorientation is already reflected in China's basket of imports, in which the proportion of primary metals and minerals fell from 15.4% of total imports in 2011 to 13.5% in 2012. This is particularly striking because it involves a reversal of the trend seen for several consecutive years as the proportion of mining products to total imports grew (from 9.7% in 2002 to 15.4% in 2011) (see figure I.11). On the other hand, China could see an increase in its agricultural imports in the coming years, as crop-growing areas and agricultural labour become less available owing to urbanization and as the population's greater well-being leads to greater meat consumption

[10] See Roubini Global Economics and IMF (2014).
[11] According to ECLAC figures.

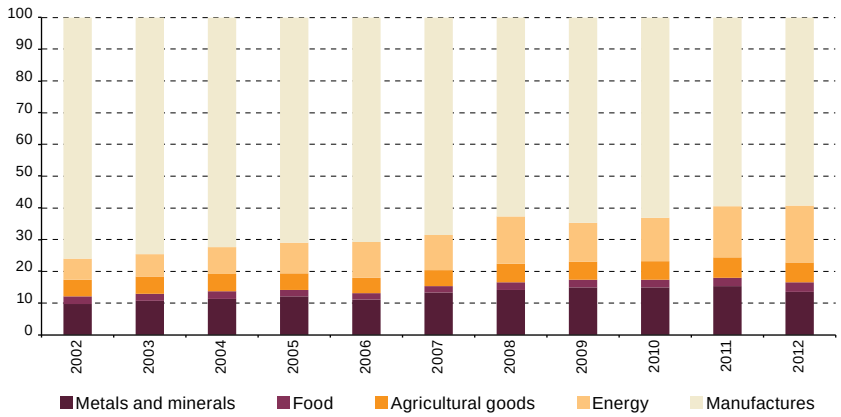
(OECD/FAO, 2013). Therefore, in addition to the expected slowdown of China's economic growth, the restructuring of its production and expenditure will have a major impact on worldwide demand for commodities.

That said, although commodity prices are projected to stagnate and decline somewhat in the coming years, they are not expected to plummet. This is because in terms of consumption the Chinese economy has already reached a critical mass which, even with slower economic growth, significantly pushes up demand for raw materials in absolute terms. Indeed, despite the prospect of a slowdown and reorientation of the economy in the coming years, ongoing urbanization will require consistent investments in construction and infrastructure.[12] This will slow the fall in demand and, by extension, the price of raw materials, particularly metals and minerals, in the short and medium term.

To some extent, the slowdown of the Chinese economy is expected to be partly offset by an upturn in the United States economy and a return to growth, albeit very moderate, in the economies of the eurozone. Economic activity in these countries is, however, considerably less commodity-intensive.

One factor that will have a significant impact on commodity price trends in the medium term will be the withdrawal of monetary stimulus by the United States Federal Reserve and the rise in the value of the United States dollar. The expected gradual appreciation of the dollar over the next few years will exert downward pressure on commodity prices owing to several factors. First, when the dollar appreciates, raw materials (which are generally priced in dollars) become more expensive in other currencies, resulting in a decline in the demand for these products. On the other hand, dollar appreciation increases the return on dollar-denominated assets in other currencies, making commodities less attractive as an alternative investment for international investors. Finally, a rise in the dollar's value may lead other countries to adopt tighter monetary policies in order to mitigate the depreciation of their currencies, which could reduce external demand, including the demand for commodities.

**Figure I.11**
**China: goods imports, by product category, 2002-2012**
*(Percentages)*




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

This combination of factors is expected to lead to a modest drop or a gradual and prolonged stagnation of commodity prices in the next few years (see table I.1), which will result in less favourable terms of trade than in the last decade for the net commodity-exporting countries of the region. In 2012, China absorbed an estimated 45% of the global output of refined metals, which is why a slowdown in its pace of expansion will exert downward pressure on prices. Between 2013 and 2018 copper prices are projected to fall by about 6% and iron prices by about 2% (see table I.1). This decline is attributable to both supply —and demand-side factors. Investments in the mining sectors during the mineral price boom will be reflected in a much larger supply of metal products in the coming years. These two trends —both increased production and the slowdown in demand— will result in downward pressure on the prices of these products.

[12] Recently, the Government of China announced the new National Urbanization Plan 2014-2020, which provides for an 8% increase in the urban population to 60% by 2020. The plan envisages an increase in the urban population of between 70 million and 100 million people by the end of the decade and a massive investment of about US$ 7 trillion in housing, railways, highways and the improvement of basic services.

**Table I.1**
**Projected commodity price trends, 2013-2018**
*(Percentages)*

| Minerals and metals | Projection |
|---|---|
| Aluminium | 3 |
| Copper | -6 |
| Gold | -16 |
| Iron | -1 |
| Lead | 2 |
| Nickel | 5 |
| Silver | -12 |
| Tin | 5 |
| Zinc | 13 |
| **Hydrocarbons** | |
| Coal | 6 |
| Oil [a] | -6 |
| **Agricultural products** | |
| Coffee [b] | 6 |
| Cacao | -1 |
| Soybeans | -2 |
| Maize | -10 |
| Wheat | -5 |
| Bananas | 2 |
| Beef | -1 |
| Oranges | -8 |
| Sugar | -8 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the World Bank.
[a] Simple average for West Texas Intermediate (WTI), Dubai and Brent.
[b] Simple average for Arabica and Robusta varieties.

With respect to oil, almost all future increases in demand will come from developing countries since the countries of the Organization for Economic Cooperation and Development (OECD) are becoming less hydrocarbon-intensive in their pursuit of growth through efficiency gains and the use of alternative energy sources. On the supply side, there are long-term trends towards lower prices as other energy sources gain ground. The most significant impact on the market will be made by new supplies of gas, including shale gas, and the extraction of oil and gas using new methods, such as fracking in the United States and other countries. As a result, the energy imports needs of the United States could change significantly in the coming years, which would lead to a strategic transformation in the global hydrocarbons market. Meanwhile, political conflicts in certain exporting countries continue to be a source of uncertainty.

The short- and medium-term scenario for agricultural products is rather different to that for the other commodities. This is because, while the restructuring of the pattern of growth in the Chinese economy could lead to a less intensive expansion in the use of some commodities, especially mining products, this is not necessarily the case for agricultural products. Furthermore, unlike other commodities, such as mining products, the volatility of food prices in the short term tends to come from the supply side and not the demand side. Owing to the impact of weather on annual output, the supply of agricultural products is highly volatile. But it is also much more elastic than mining products or hydrocarbons, whose production cycle is much longer.

Between 2013 and 2018, prices for different food products will follow separate paths. The price of soybeans (the main export product for several South American countries) is expected to decline by 2% over the next five years. Sugar (which makes up a significant proportion of exports from some Central American and Caribbean countries) is expected to see prices fall by 8%. By contrast, the prices of coffee and bananas (which are also among the primary exports from Central America and the Caribbean) are expected to rise by 6% and 2%, respectively, in that period.

## 7. Changing external financial conditions

Yields on financial assets in the major global financial centres have shown a long-term downward trend. This was exacerbated by the monetary policy adopted by several developed countries in response to the global financial crisis of 2008-2009, which pushed interest rates and yields down to the lowest levels in recent history (see figure I.3 in part I). Meanwhile, inflationary pressures have remained very low, with a risk of deflation even in certain cases. Given the influence of the United States financial market in the global markets, the future outlook is closely linked to possible developments in its economy and to the Federal Reserve's decisions.

As discussed in the section on the United States above, there are two potential scenarios. The first is that, starting in 2015, after several months of moderate growth, the Federal Reserve could begin to gradually reduce the asset holdings it acquired in the context of quantitative easing, thereby raising interest rates. The second is that the United States economy could fall into a secular stagnation trap, where interest rates could remain at their present, historically low level for an extended period. According to projections, the first scenario is more likely, making it more probable that interest rates will start to rise in the international markets in the next two years, moderated by the low growth and low rates of inflation and interest expected in the rest of the developed world. The implication is that the cost of external financing will rise steadily in the future.

# B. Summary

Latin America and the Caribbean is facing a new international scenario that, for various reasons, will be less favourable for sustaining high growth rates than the first years of the twenty-first century, before the global financial crisis. Although the worst of the crisis seems to be over and the probability of systemic events is low, certain changes that took place in the world economy may have a lasting effect and lead to slower growth in the coming years.

Among the developed countries, only the United States economy shows clear signs of recovery. The picture in the eurozone is rather mixed: while Germany and a small number of other countries are starting to grow, the European periphery economies are still far from overcoming the difficulties caused by the crisis that cast doubt on the very survival of the euro. In the best of instances, their activity levels have only recently stopped contracting; they continue to have very high unemployment rates and there is still potential for a deflationary process that could be very harmful. Meanwhile, Japan has begun to recover very slowly but continues to see considerable variability, and economic policy has failed to produce clear signs that it is underpinning a recovery, beyond an initial push.

If the recovery of the United States economy were to gain momentum, a speeding of the so far very gradual tapering of monetary stimulus would become more likely. That raises the question as to how strong the recovery can be, taking into account the impact that the monetary policy shift and rising interest rates could have on private spending and how difficult it is to achieve stimulus through fiscal measures. On the other hand, as happened on a couple of occasions last year, higher interest rates in the United States financial market are expected to shift capital flows towards more profitable and less risky assets and away from assets denominated in emerging-economy currencies, which are usually associated with higher risk levels.

Looking beyond the short term, a discussion is under way about the likelihood that the United States and other developed economies will enter a period of secular stagnation in which the combination of higher savings, lower consumer demand and fewer investment opportunities will stifle the capacity of monetary policy to stimulate the economy and force fiscal policy to take on a much more active role than in recent years.

Low growth in the United States would entail a knock-on decline in the rate of growth of world trade that would erode not only trade volume but also (as is already happening) commodity prices, aggravated further by the outlook for the developing economies, especially China. In addition, low global growth would also hit trade in services, in particular those whose demand is more income-elastic, such as tourism.

With the Chinese economy accounting for a growing proportion of global trade, especially in commodities, its slower growth and the prospect of a change in its development pattern (shifting away from investment and towards consumption) could mean a cooldown in the pace of growth in the demand for commodities and lower prices in the near future. It could also shift the composition of demand towards goods more linked to consumption, such as food, and away from those that are more investment-linked, such as metals. The expected fall in international commodity prices could therefore be quite heterogeneous.

In sum, the countries of Latin America and the Caribbean, like all emerging economies, are facing a context in which the external factors that drove growth (especially prior to the international financial crisis) have been waning. They need to rethink their development strategies to adapt to slower-growing trade volumes and weaker international prices for their exports. At the same time, low international interest rates will gradually return to normal; in some cases this could make it more difficult to tap the international financial markets. As discussed in the next chapter, the consequences of this change are not the same for all countries in the region. Instead, they depend on each country's starting point in terms of the types of goods and services exported, target markets and scope for applying countercyclical policies.

Chapter II

# Short- and medium-term consequences of the new external context and growth-oriented macroeconomic policy options

Introduction
A. The starting point: recent trends in economic growth and contributing factors
B. Strengths and vulnerabilities in the light of the new global scenario
C. Macroeconomic policies in the light of the post-crisis external context
D. Conclusions

# Introduction

The Latin America and Caribbean region's external economic environment and the policy responses adopted by the countries have been key determinants of the region's performance. The most recent evidence of this was the pronounced 1.6% contraction of regional GDP in 2009 as a result of the global financial crisis. The diverse consequences of external shocks and countries' differing response capacities depend on multiple factors such as the intensity of the relationship with the world economy through trade and financial channels, export specialization and composition of imports, and strengths and weaknesses in relation to debt, the sustainability of public and private finance, levels of international reserves, access to external liquidity and the characteristics of the financial system. This chapter examines the repercussions of the external scenario forecast for the medium term (discussed in chapter I) on growth in the short and medium term for different groups of countries in the region in the light of their respective strengths and vulnerabilities. On the basis of these specific features, the chapter discusses guidelines for the macroeconomic policies of the different groups of countries.

# A. The starting point: recent trends in economic growth and contributing factors

In the first decade of the twenty-first century, the ups and downs of the world economy once again left their mark on economic growth in the region, as did domestic crises in some countries, which led to pronounced fluctuations in activity levels. As the decade began, the lingering effects of the decline in growth of the United States economy were being felt and the dot-com crisis hit in 2000-2002. From that point until early 2009 global demand set in motion a strong expansionary process, which was reflected in higher exported volumes and commodity prices. From 2003 onwards, several developed and developing economies posted significant growth, but the fastest growth was in Asia, especially China. Latin America and the Caribbean as a whole benefitted from the increased external demand, but it was the countries whose trade was more oriented towards China, including several in South America, that profited the most. Thus Latin America recorded a remarkable average growth rate of 4.6% for six consecutive years, the likes of which had not been seen in the previous 40 years. The Caribbean expanded by 4.3% on average between 2003 and 2008, but Trinidad and Tobago, a commodity exporter, grew by 8.3%.

The consequences for national income and the level of well-being differed from one country to another, depending on whether they were net exporters or net importers of the goods that saw the highest price hikes. The net exporters of metallic minerals (Chile and Peru) and hydrocarbons (Bolivarian Republic of Venezuela, Ecuador and Plurinational State of Bolivia) recorded the biggest improvements, while the net importers of those products (Central America and the primarily service-based economies of the Caribbean) did not benefit to the same extent by the rise in global demand. Moreover, the countries that are net importers of food suffered a deterioration of terms of trade during this period.[1]

This worldwide process of expansion was abruptly interrupted by the global financial crisis that began in mid-2008 and had the greatest impact in 2009. Despite countercyclical efforts by China, the United States, Europe and Latin America, world growth stagnated and some countries, especially those (for example, in the Caribbean) who primarily export to the developed countries, suffered economic downturns between 2009 and 2011. Average growth in Latin America fell to 2.9% and in the Caribbean it dropped by 1% over the same period.

In the subsequent two years, the world economy continued to be buffeted by strong turbulence, this time caused by the intensification of the crisis in several eurozone economies, which drove down activity levels. This weakened their demand for goods exported by the rest of the world. The more rapid post-crisis recovery of the United States contributed to the stronger performance of many economies in Central America and the Caribbean in 2012 and 2013, some of which returned to positive growth, although still low rates on average. In response to the fall in demand for their exports, several

[1] See the information on external goods prices and on terms of trade that is included in each edition of the *Economic Survey of Latin America and the Caribbean*.

South American countries adopted domestic spending stimulus policies, which prevented a greater decline in activity levels, but also deepened the current account deficit.[2] The Latin American countries maintained an average annual growth rate of 2.8% between 2012 and 2013, which implied a marked slowdown for the largest economies of South America.

**Table II.1**
**Latin America and the Caribbean: GDP growth, 2000-2013**
*(Percentages)*

| | 2000-2002 | 2003-2008 | 2009-2011 | 2012-2013 |
|---|---|---|---|---|
| Argentina | -5.4 | 8.5 | 6.3 | 2.4 |
| Bolivia (Plurinational State of) | 2.2 | 4.5 | 4.2 | 6.0 |
| Brazil | 2.8 | 4.2 | 3.3 | 1.7 |
| Chile | 3.4 | 4.7 | 3.5 | 4.8 |
| Colombia | 2.4 | 5.2 | 4.1 | 4.3 |
| Costa Rica | 1.9 | 6.0 | 2.8 | 4.3 |
| Cuba | 3.5 | 7.4 | 2.2 | 2.9 |
| Dominican Republic | 4.4 | 5.8 | 5.2 | 4.0 |
| Ecuador | 3.1 | 4.9 | 4.0 | 4.8 |
| El Salvador | 2.1 | 2.8 | 0.1 | 1.8 |
| Guatemala | 3.3 | 4.0 | 2.5 | 3.3 |
| Honduras | 4.1 | 5.6 | 1.7 | 3.2 |
| Mexico | 2.4 | 3.0 | 1.4 | 2.5 |
| Nicaragua | 2.6 | 4.2 | 2.3 | 4.9 |
| Panama | 1.8 | 8.3 | 7.4 | 9.6 |
| Paraguay | -1.1 | 4.5 | 4.5 | 6.2 |
| Peru | 2.7 | 7.0 | 5.5 | 6.0 |
| Uruguay | -5.3 | 6.4 | 5.9 | 4.2 |
| Venezuela (Bolivarian Republic of) | -0.6 | 7.5 | -0.2 | 3.5 |
| **Latin America** [a] | **1.9** | **4.6** | **2.9** | **2.8** |
| Antigua and Barbuda | 0.4 | 6.7 | -7.1 | 2.0 |
| Bahamas | 3.2 | 0.8 | -0.5 | 1.3 |
| Barbados | 0.1 | 2.5 | -1.0 | -0.1 |
| Belize | 7.5 | 4.5 | 1.8 | 2.4 |
| Dominica | -0.3 | 4.7 | 0.1 | -0.9 |
| Grenada | 6.3 | 4.2 | -2.1 | -0.2 |
| Guyana | 0.7 | 2.2 | 4.4 | 5.0 |
| Jamaica | 1.0 | 1.6 | -1.1 | -0.1 |
| Saint Kitts and Nevis | ... | ... | ... | ... |
| Saint Lucia | -1.3 | 4.1 | 0.2 | 0.8 |
| Saint Vincent and the Grenadines | 3.3 | 4.5 | -1.9 | 0.5 |
| Suriname | 3.5 | 5.9 | 3.9 | 4.2 |
| Trinidad and Tobago | 6.3 | 8.3 | -1.9 | 1.5 |
| **The Caribbean** [a] | **3.1** | **4.3** | **-1.0** | **1.2** |

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

The impact of external demand on the region's growth is shown in table II.2 through the correlation coefficients between each country's GDP and the growth of its trading partners.[3] The higher GDP growth of the region's trading partners has gone hand in hand with increased growth in regional GDP. This occurred through two channels. First, increased demand for exports tends to raise activity levels. Second, and probably more importantly, higher export prices led to increased income, which in turn fed domestic demand and helped to keep the momentum in the economy.

The impact of external factors is illustrated in table II.2 through two additional variables: the correlation coefficient between GDP growth and the variation in export purchasing power. Export purchasing power brings together the effects

[2] See part I, section B of this document.
[3] This indicator consists in the weighted average of the GDP growth rates of each country's trading partners. Calculations were based on data on the composition of exports in 2010 for 40 destinations, inside and outside the region.

of fluctuations in the terms of trade and in the volume of exports. The table shows a positive correlation, which in many cases is very high. Thus, an increase in export purchasing power, either through improvements in the terms of trade or higher export volumes, boosts the country's growth. Since most countries in the region do not have the economic clout to single-handedly influence the growth of their trading partners (with regard to terms of trade and demand for their exports), in terms of causal direction, it is more likely to be the external environment that determines economic growth. Trade has therefore been confirmed as one of the main channels for the transmission of external variability.

**Table II.2**
**Latin America and the Caribbean: external variability indicators**

| | Correlation coefficient between country GDP and trading partners' GDP 2000-2014 | Correlation coefficient between GDP and export purchasing power 2000-2013 | Correlation coefficient between GDP and EMBIG [a] 2002-2013 | Variation coefficient of trading partners' GDP 2000-2014 | Variation coefficient of GDP 2000-2014 |
|---|---|---|---|---|---|
| Argentina | 54.2 | 69.5 | -40.9 | 48.8 | 152.6 |
| Bolivia (Plurinational State of) | 34.2 | 24.7 | | 60.6 | 34.4 |
| Brazil | 70.1 | 72.8 | -18.3 | 49.6 | 66.4 |
| Chile | 76.9 | 44.1 | -65.4 | 36.8 | 43.3 |
| Colombia | 67.2 | 72.1 | -52.3 | 56.3 | 39.5 |
| Costa Rica | 71.5 | 80.0 | | 60.9 | 61.0 |
| Cuba | 72.9 | ... | ... | 95.5 | 71.4 |
| Dominican Republic | 31.7 | 24.6 | | 65.5 | 58.9 |
| Ecuador | 47.7 | 61.1 | -40.1 | 54.8 | 50.1 |
| El Salvador | 92.3 | 42.6 | -74.2 | 52.6 | 83.5 |
| Guatemala | 74.5 | 9.3 | | 60.8 | 38.2 |
| Honduras | 93.9 | 26.6 | | 69.5 | 55.3 |
| Mexico | 89.5 | 94.3 | -72.4 | 76.8 | 108.0 |
| Nicaragua | 84.8 | 57.6 | | 80.6 | 55.8 |
| Panama | 21.6 | 54.4 | -80.2 | 70.4 | 50.5 |
| Paraguay | 55.7 | 91.0 | | 79.5 | 139.2 |
| Peru | 52.2 | 26.9 | -43.7 | 43.6 | 49.2 |
| Uruguay | 60.9 | 88.8 | -71.2 | 62.5 | 158.9 |
| Venezuela (Bolivarian Republic of) | 49.6 | 53.3 | -15.1 | 47.7 | 218.6 |
| **Latin America** [b] | **63.2** | **55.2** | ... | **61.7** | **80.8** |
| Antigua and Barbuda | 81.4 | ... | ... | 61.9 | 368.4 |
| Bahamas | 78.4 | ... | ... | 83.1 | 189.7 |
| Barbados | 85.6 | ... | ... | 85.3 | 263.6 |
| Belize | 52.7 | ... | ... | 84.0 | 79.0 |
| Dominica | 40.8 | ... | ... | 119.7 | 177.5 |
| Grenada | 40.2 | ... | ... | 107.8 | 252.6 |
| Guyana | -21.1 | ... | ... | 84.7 | 93.1 |
| Jamaica | 71.4 | ... | ... | 87.6 | 257.4 |
| Saint Lucia | 45.1 | ... | ... | 97.3 | 192.8 |
| Saint Vincent and the Grenadines | 81.6 | ... | ... | 110.0 | 140.9 |
| Suriname | 21.3 | ... | ... | 82.9 | 53.8 |
| Trinidad and Tobago | 62.8 | ... | ... | 71.8 | 115.3 |
| **The Caribbean** [b] | **53.3** | ... | ... | **89.7** | **182.0** |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Emerging Market Bond Index Global.
[b] Simple averages.

Table II.2 also presents (for the countries with information available) the correlation between GDP growth and a measure of country risk, the Emerging Market Bond Index Global (EMBIG).[4] To varying degrees, this correlation is negative in all cases, that is, growth falls as country risk increases and vice versa. However, the direction of causality, in this case, is less obvious than in the case of export purchasing power. Indeed, lower growth can be interpreted as a pessimistic sign for the future, which elevates the perception of risk. However, if perceived risk rises owing to

[4] EMBIG represents country risk as the difference between yields on emerging market bonds and yields on United States Treasury bonds.

factors other than growth, for example, because of contagion or higher risk aversion, external financing can become scarcer or more expensive, which can result in a drag on growth.

Table II.2 also presents indicators showing growth volatility and external demand (variation coefficients) for the countries in the region. Greater variability is seen in the economies of Latin America and the Caribbean in general than in the economies of their trading partners. This is associated with two situations. First, in the countries subject to external constraints, declines in financing require strong internal adjustments, usually a squeeze on imports by lowering spending, which in turn leads to pronounced fluctuations in output and employment. Conversely, in the countries restricted by financing constraints, external boom periods trigger procyclical spending behaviour, which also causes marked fluctuations in activity levels. Second, growth volatility is not necessarily caused by changes in the external environment: it can also be triggered by internal imbalances, including those brought on by weather and seismic events that impair production or by existing domestic economic policies or changes to those policies.

Some internal factors have also had a significant impact on the region's performance. In particular, as stated in ECLAC (2013b) and Manuelito and Jiménez (2013), investment levels for many countries in the region have been persistently lower than during periods of rapid, long-term growth. Also, as discussed in more detail in the next chapter, progress in terms of productivity has been disappointing in many cases. Nevertheless, some countries have recently raised their levels of investment in physical and human capital and, as a result, have increased their activity levels and given a boost to future growth.

## B. Strengths and vulnerabilities in the light of the new global scenario

On the basis of the scenario described in chapter I and the features of the current situation of the economies of Latin America and the Caribbean, this section discusses the main vulnerabilities shaping these economies' performance and macroeconomic policy in the short and medium term.

### 1. Space for countercyclical policies: potential output

The set of elements referred to above (combination of production factors and productivity gains) is reflected in the changes in potential growth, that is, the medium-term rate of growth in activity to which macroeconomic policymakers can aspire without compromising the sustainability of macroeconomic equilibrium. Figure II.1 illustrates the latest developments for this variable: potential growth is currently low, at close to or less than 3% per year in a significant number of countries, including most of Central America, the region's largest economies (Brazil and Mexico), the Bolivarian Republic of Venezuela and, in the Caribbean, the Bahamas, Barbados, Belize and Jamaica. The levels in Chile are higher, but have shown a long-term downtrend. Another group of countries has shown improvement, with potential growth above 4% (Colombia, Dominican Republic, Ecuador, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay). This is important because the countries with higher growth potential, when they are not subject to restricted availability of foreign currency, enjoy wider scope to apply countercyclical policies in contexts of low demand in order to stimulate activity levels without necessarily facing supply-side limitations.[5] This translates into reduced risk of demand-driven inflationary pressures. The reverse is also true: low potential growth rates narrow the scope for applying countercyclical policies and complicate decision-making in the face of policy dilemmas relating to economic growth and price stability. It is also more difficult in such circumstances to use domestic demand policies to counteract external low-growth scenarios without eroding the current account balance. In summary, low potential growth makes it difficult to achieve the triad of growth, inflationary stability and a sustainable external balance.

[5] According to the figures, Argentina and Trinidad and Tobago should also be included in the group of countries with growth potential equal to or greater than 4%. However, given the acute restriction of external financing in Argentina and the lean recent performance of Trinidad and Tobago, potential GDP is not the factor restricting growth in these cases.

**Figure II.1**
**Latin America and the Caribbean: potential GDP growth, 1991-2014**
*(Percentages)*

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

## 2. External vulnerabilities: the trade channel

### (a) The predominance of commodities in the basket of exports

Trade is one of the main channels for the transmission of external conditions to the economies of the region, which are highly vulnerable because of the high concentration of their exports, either in terms of products or in terms of destination markets, or both.

The products exported by the countries of the region (especially South America) are predominantly raw materials and the countries can be divided into three main groups on the basis of their exports. The first group is made up of exporters of mining products, including Chile (copper accounts for 57% of total exports), Peru (copper represents 26% of total exports and gold 22%) and Suriname. Second are the hydrocarbons exporters: Plurinational State of Bolivia (47% of its exports are hydrocarbons), Colombia (62%), Ecuador (57%), Trinidad and Tobago (61%) and Bolivarian Republic of Venezuela (95%). Third are the exporters of agro-industrial products, such as Argentina (agricultural products represent 36% of exports), Paraguay (48%) and Uruguay (30%). Brazil is considered a special case among the region's commodity exporters because its two main export products are iron ore (16%) and agro-industrial goods (21%).

Table II.3 shows a high product concentration in commodity-exporting countries, significantly higher than for the other groups. Furthermore, the concentration of these products has become more entrenched since 2003, making these countries even more vulnerable to fluctuations in demand for and the prices of these products.

**Table II.3**
**Latin America and the Caribbean: Herfindahl-Hirschman export concentration index, 2011**
*(Index 1=perfect concentration, 0=perfect diversification)*

| | Concentration index by product | Concentration index by destination |
|---|---|---|
| Argentina | 0.1 | 0.1 |
| Bolivia (Plurinational State of) | 0.3 | 0.1 |
| Brazil | 0.1 | 0.1 |
| Chile | 0.2 | 0.1 |
| Colombia | 0.3 | 0.2 |
| Costa Rica | 0.1 | 0.2 |
| Cuba | 0.2 | 0.1 [a] |
| Dominican Republic | 0.1 | 0.3 |
| Ecuador | 0.4 | 0.2 |
| El Salvador | 0.1 | 0.2 |
| Guatemala | 0.1 | 0.1 |
| Honduras | 0.2 | 0.1 |
| Mexico | 0.1 | 0.6 |
| Nicaragua | 0.1 | 0.1 |
| Panama | 0.3 | 0.2 [a] |
| Paraguay | 0.2 | 0.1 |
| Peru | 0.2 | 0.1 |
| Uruguay | 0.1 | 0.1 [b] |
| Venezuela (Bolivarian Republic of) | 0.9 | 0.3 |
| **Latin America** [c] | **0.2** | **0.2** |
| Antigua and Barbuda | 0.1 | 0.2 [b] |
| Bahamas | 0.2 | 0.7 |
| Barbados | 0.3 | 0.2 |
| Belize | 0.3 | 0.6 [b] |
| Dominica | 0.2 | 0.1 [b] |
| Grenada | 0.1 | 0.1 [d] |
| Guyana | 0.2 | 0.1 |
| Jamaica | 0.2 | 0.3 [b] |
| Saint Lucia | 0.1 | 0.2 [d] |
| Saint Vincent and the Grenadines | 0.1 | 0.1 |
| Suriname | ... | 0.1 |
| Trinidad and Tobago | 0.2 | 0.3 [b] |
| **The Caribbean** [c] | **0.2** | **0.2** |
| Mining exporters | 0.2 | 0.1 |
| Hydrocarbon exporters | 0.4 | 0.2 |
| Agro-industrial exporters of South America | 0.1 | 0.1 |
| Central America and the Dominican Republic | 0.1 | 0.2 |
| The Caribbean (excluding Trinidad and Tobago and Suriname) | 0.2 | 0.3 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from External Trade Data Bank for Latin America and the Caribbean (BADECEL).
[a] Destination data from 2009.
[b] Destination data from 2010.
[c] Simple average.
[d] Destination data from 2008.

According to projections by the Economist Intelligence Unit, the International Monetary Fund (IMF) and the World Bank, the prices of most of the region's export commodities will continue their downward trend over the next five years. For the hydrocarbon-exporting countries, oil prices are projected to decline by about 6% during this period (World Bank, 2014b). Exporters of mining products are expected to see a gradual decrease in the price of metals and minerals in the medium term. For the countries that are predominantly agricultural exporters, such as Argentina, Paraguay and Uruguay, the prices of food products are expected to slip back somewhat in the coming years.

The situation over the last 10 years has played out rather differently in the Central American countries since they are net importers of many of these commodities, in particular oil. That is why, despite higher prices for their agricultural exports, these countries registered an 11% deterioration in their terms of trade between 2003 and 2012. The forecast stagnation of commodity prices in the next few years would lead to an improvement in the terms of trade for those countries. Mexico is another case apart because of its unique export structure, based primarily on manufactures exports to the United States.

## (b) The concentration of destination markets

Another cause of the external vulnerability of the countries in Latin America and the Caribbean is the high concentration of exports in a small number of intra- and extraregional trading partners. As a result, the countries' export performance is largely contingent on the economic development of their main destination markets.

The United States is the main destination for exports from Mexico and Central America and the relatively robust recovery of the United States economy that is expected for the coming years should benefit them. Tourism is an important source of income for several Central American and Caribbean countries and its expansion has historically been susceptible to the economic situation in the main countries of origin of tourists: European countries, Canada and the United States.

Although to a lesser extent than Central America and Mexico, South American countries also display a relatively high concentration of exports in a limited number of destination markets. As shown in table II.4, a large share of goods from South America is exported to China, the countries of the European Union and the United States. Intraregional trade also accounts for a substantial proportion of the exports of some countries in the region, although a smaller share than exports to Asia (WTO, 2012).

**Table II.4**

**Latin America (19 countries): structure of goods exports by destination, averages, 2010-2012**

*(Percentages)*

| Country of origin | Destination | | | | | | |
|---|---|---|---|---|---|---|---|
| | China | Japan | United States | European Union (27 countries) | Latin America (19 countries) | Rest of the world | Total |
| Argentina | 7.3 | 1.3 | 5.2 | 15.9 | 41.4 | 29.0 | 100 |
| Bolivia (Plurinational State of) | 3.1 | 5.2 | 11.9 | 7.8 | 62.1 | 10.0 | 100 |
| Brazil | 16.7 | 3.5 | 10.3 | 20.7 | 20.0 | 28.8 | 100 |
| Chile | 23.5 | 10.9 | 11.1 | 16.5 | 17.7 | 20.3 | 100 |
| Colombia | 4.6 | 0.9 | 39.0 | 14.7 | 25.1 | 15.6 | 100 |
| Costa Rica | 2.7 | 0.9 | 38.0 | 17.3 | 27.2 | 14.0 | 100 |
| Dominican Republic | 4.6 | 0.4 | 56.0 | 8.3 | 6.0 | 24.7 | 100 |
| Ecuador | 1.4 | 2.2 | 41.6 | 11.6 | 34.6 | 8.6 | 100 |
| El Salvador | 0.1 | 0.7 | 47.0 | 4.8 | 43.4 | 4.2 | 100 |
| Guatemala | 0.3 | 1.8 | 40.6 | 6.3 | 40.8 | 10.2 | 100 |
| Honduras | 2.7 | 1.0 | 41.0 | 24.5 | 24.0 | 6.8 | 100 |
| Mexico | 1.6 | 0.7 | 78.7 | 5.4 | 7.1 | 6.5 | 100 |
| Nicaragua | 0.5 | 0.9 | 30.9 | 10.1 | 40.1 | 17.4 | 100 |
| Panama | 0.3 | 1.5 | 23.5 | 1.3 | 63.1 | 10.3 | 100 |
| Paraguay | 0.5 | 0.6 | 1.5 | 17.4 | 58.4 | 21.6 | 100 |
| Peru | 16.0 | 5.2 | 14.5 | 17.2 | 17.4 | 29.8 | 100 |
| Uruguay | 7.2 | 0.1 | 3.4 | 13.2 | 40.0 | 36.0 | 100 |
| Venezuela (Bolivarian Republic of) | 14.2 | 0.6 | 35.8 | 5.0 | 15.0 | 29.3 | 100 |
| **Latin America (simple average)** | **6.0** | **2.1** | **29.4** | **12.1** | **32.4** | **17.9** | **100** |

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

The exports of the agro-industrial countries of South America (Argentina, Paraguay and Uruguay) are oriented mainly towards other countries in the region. In the period 2010-2012 an average of 43% of the exports from these three countries went to countries in Latin America and the Caribbean. The European Union was another significant destination, with 16%. Almost half of Argentina's intraregional exports go to Brazil and, consequently, Brazil's economic performance has an impact on Argentina. Uruguay exports manufactured goods to its main intraregional partners (Argentina and Brazil) and is also influenced by their growth. Food and agricultural products make up a very high proportion (70% of trade with the European Union and 83% of exports to China) of Uruguay's exports to other regions.

For Chile and Peru, both exporters of metals and minerals, the main destination of their extraregional exports is China. In the period 2010-2012, China accounted for 16% of goods exports from Peru and 23% from Chile. In their trade with China, the share of metals in the export basket is extremely high: 88% for Chile (mainly copper) and 80% for Peru (principally copper and gold).

A substantial proportion of Brazil's exports are also destined for China (16.7% of the country's total exports). In the period 2010-2012, metals accounted for 42% of exports to China, while food and agricultural products made up 40%. Compared with other countries in the region, Brazil has a greater diversification of trading partners, with intraregional partners (20%) and the European Union (21%) each accounting for a relatively high share, thus spreading its risk in the global economy.

The United States is the destination for a considerable share (19%) of the exports from the hydrocarbon exporters (Bolivarian Republic of Venezuela, Colombia, Ecuador and Plurinational State of Bolivia). These countries can be divided into those which export mainly natural gas (Plurinational State of Bolivia) and those which export mainly oil (Colombia, Ecuador and Bolivarian Republic of Venezuela). Natural gas accounts for 52% of exports from the Plurinational State of Bolivia and, during the period 2010-2012, Argentina and Brazil were the destinations for those exports (28% and 72%, respectively).

As for the oil exporters, the primary trading partners of the Bolivarian Republic of Venezuela in 2010-2012 were China (14% of total exports) and the United States (36% of exports). A large share of exports from Colombia and Ecuador (39% and 42%, respectively) were also oriented towards the United States. Consequently, the huge expansion in domestic production in the United States energy market will signify a major change and will have a significant impact on these countries.

Lastly, for the Central American subregion in particular, flows of remittances from migrant workers constitute a major source of external income. In addition to the transmission of external fluctuations through trade channels, the economic health of the destination countries of migrants is another source of vulnerability, as evidenced when the 2008-2009 global financial crisis dragged down employment levels in developed economies. The primary destination for most migrants from Mexico and the Central American countries is the United States, while those from Colombia and Ecuador tend to favour the United States, Spain and Italy. A significant proportion of migrants from the Plurinational State of Bolivia migrate within the region, especially to Argentina, while the main destinations for migrants from Nicaragua and Peru are Costa Rica and Chile, respectively.

## 3. External vulnerabilities: the financial channel

In addition to the concentration of exports in a few destination markets and the predominance of commodities in the region's export basket, external vulnerability is also influenced by external financing needs and the composition of that financing, as well as liquidity factors, which are indicators of how strong or how vulnerable an economy vis-à-vis an external scenario. As noted in ECLAC (2013b), the structure of financing for the balance-of-payments current account has changed radically in the past 15 to 20 years, with FDI flows gaining share from portfolio investment and other liabilities. Table II.5 shows the additional net financing needed to cover the current account deficit.[6] That net financing can take the form of new debt, international reserves, savings drawn from sovereign wealth funds and capital transfers from other governments. This indicator is the minimum level required since any debt roll-overs would have to be included in order to calculate gross financing needs. While the long-term nature of some investment projects tends to produce significant inertia in FDI flows, there is no guarantee that flows will maintain their past rates.

[6] This indicator is calculated as follows: additional net financing needs = (current account balance + net FDI) * (-1). A positive number indicates effective requirements, in which case net FDI flows do not cover the current account deficit. Conversely, a negative number reflects a situation in which there is no need for additional financing.

As illustrated in table II.5, in the past 20 years non-FDI financing needs were negative on average, and very strongly so for the South American countries, Mexico and Trinidad and Tobago, and more recently, Belize, Saint Kitts and Nevis and Suriname. These countries were thus able to reduce their external debt, accumulate reserves or save in sovereign wealth funds. The reasons for this development lie in the export price boom (which improved the current account balance and attracted investment to the region), the growth of world trade (which boosted trade balances) and the long-term trend towards lower interest rates. In other cases, the suspension of external debt servicing also yielded greater external financial leeway. With the probable exception of that last group, most of these countries are better placed than before to deal with an external scenario of scarcer financial resources than in the recent past. However, the data also indicate that this leeway has narrowed considerably since the global financial crisis and that the trend towards wider current account deficits in some countries has recently weakened the strong position achieved through external deleveraging and asset accumulation.

**Table II.5**
**Latin America and the Caribbean: use of new external borrowing requirements, own external assets and capital transfers, 1990-2013** [a]
*(Percentages of GDP)*

| | 1990-1997 | 1998-2002 | 2003-2008 | 2009-2010 | 2011-2013 |
|---|---|---|---|---|---|
| Argentina | 0.5 | -2.3 | -5.1 | -3.2 | -1.5 |
| Bolivia (Plurinational State of) | 2.1 | -4.5 | -9.0 | -7.0 | -8.4 |
| Brazil | 0.4 | -0.5 | -1.8 | -0.1 | -0.2 |
| Chile | 0.1 | -2.3 | -5.4 | -4.9 | 0.4 |
| Colombia | 0.1 | -0.8 | -1.2 | 1.9 | 0.4 |
| Costa Rica | 1.3 | 0.7 | 0.6 | -1.5 | 0.5 |
| Cuba | 3.8 | 1.7 | -0.2 | 0.0 | 0.0 |
| Dominican Republic | 0.9 | -1.5 | -2.3 | 2.5 | 2.1 |
| Ecuador | 0.9 | -1.3 | -2.9 | 0.6 | -0.0 |
| El Salvador | 2.3 | -1.5 | 2.0 | 1.6 | 4.4 |
| Guatemala | 3.8 | 4.3 | 3.1 | -1.4 | 0.6 |
| Haiti | 1.7 | 1.7 | 0.7 | 1.6 | 2.5 |
| Honduras | 3.5 | 1.0 | 1.2 | -0.7 | 2.9 |
| Mexico | 1.5 | -0.3 | -1.1 | -0.2 | 0.6 |
| Nicaragua | 16.2 | 11.8 | 9.3 | 4.0 | 4.4 |
| Panama | -1.9 | -0.1 | -2.3 | -1.5 | 3.1 |
| Paraguay | -0.9 | -3.6 | -1.8 | -2.2 | -2.4 |
| Peru | 3.1 | 0.4 | -3.6 | -2.9 | -1.7 |
| Uruguay | 0.2 | 0.1 | -3.5 | -4.0 | -0.6 |
| Venezuela (Bolivarian Republic of) | -6.3 | -5.9 | -13.4 | -2.5 | -5.0 |
| **Latin America** | **0.9** | **-0.8** | **-2.5** | **-0.7** | **-0.4** |
| Antigua and Barbuda | -2.2 | 0.2 | 0.2 | 6.8 | 4.5 |
| Bahamas | 1.7 | 7.4 | 1.3 | 1.5 | 11.3 |
| Barbados | -2.2 | 4.7 | 4.0 | 4.1 | 3.9 |
| Belize | 1.4 | 11.2 | 1.8 | -2.8 | -5.5 |
| Dominica | 5.5 | 8.7 | 10.9 | 13.0 | 11.9 |
| Grenada | 8.0 | 8.3 | 12.1 | 15.4 | 19.3 |
| Guyana | 1.8 | 1.5 | 4.8 | 2.7 | 4.8 |
| Jamaica | 0.5 | 1.4 | 4.9 | 5.6 | 9.5 |
| Saint Kitts and Nevis | 5.8 | 2.5 | 0.4 | 5.1 | -2.8 |
| Saint Lucia | 3.2 | 3.9 | 6.8 | 2.8 | 7.3 |
| Saint Vincent and the Grenadines | 3.7 | 1.2 | 7.7 | 14.6 | 13.2 |
| Suriname | 0.3 | 9.8 | 3.4 | -4.8 | -3.5 |
| Trinidad and Tobago | -8.9 | -8.6 | -28.3 | -17.6 | -14.7 |
| **The Caribbean** | **-1.2** | **1.2** | **-7.7** | **-3.9** | **-1.1** |
| **Latin America and the Caribbean** | **0.9** | **-0.7** | **-2.6** | **-0.7** | **-0.4** |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Averages for each period.

The situation is different for the majority of countries in Central America and the Caribbean: in addition to domestic microeconomic policy factors and weather events that have severely curtailed production capacity on numerous occasions, as net importers they suffer a negative impact from the external context that favours the commodity-exporting countries. As a result, these countries have had large new net financing needs for long periods, which leaves them vulnerable to any reduction in external resource availability in the future. Although some of them receive concessional financing from developed countries, the largest Caribbean and Central American countries do not necessarily have access to that type of support and must resort to international markets or multilateral financial institutions.

It is interesting to look at both the immediate aftermath of the crisis and more recent developments: table II.6 shows that in 2013 most countries in the region, with a few exceptions, posted current account deficits and in 17 of the 33 countries those deficits exceeded 4% of GDP.[7] In many cases the deterioration has occurred recently, in the wake of the global financial crisis of 2008-2009. This, along with the forecast of moderate global growth in the coming years, means that financing needs are projected to rise. The chances of meeting those needs without resorting to borrowing will depend on the region's ability to continue attracting FDI, which will be more difficult for the countries whose export destinations are expected to post slower growth.

**Table II.6**
**Latin America and the Caribbean: current account balance, external debt, international reserves and real effective exchange rate index**

| | Current account-to-GDP ratio (percentages) | | External debt-to-GDP ratio (percentages) | | Short-term external debt (percentages of total) | International reserves (months of goods and services imports) | | Real effective exchange rate in November (index: 2005=100 and percentages) | |
|---|---|---|---|---|---|---|---|---|---|
| | 2013 | Change 2010-2013 | 2013 | Change 2010-2013 | 2012 | 2011-2013 | Change 2009-2013 | 2013 | Change 2010-2013 |
| Argentina | -0.9 | -0.7 | 29.5 | -5.4 | 11.6 | 5.5 | -4.9 | ... | ... |
| Bolivia (Plurinational State of) | 3.3 | -0.6 | 24.2 | -5.7 | 10.4 | 16.3 | -2.3 | 76.4 | -13.2 |
| Brazil | -3.6 | -1.4 | 14.0 | 2.0 | 7.4 | 14.0 | -1.3 | 79.5 | 12.7 |
| Chile | -3.4 | -5.0 | 46.7 | 6.8 | ... | 5.6 | 0.1 | 92.8 | -2.8 |
| Colombia | -3.4 | -0.2 | 23.9 | 1.4 | 13.5 | 6.9 | -0.7 | 78.3 | -1.1 |
| Costa Rica | -5.1 | -1.6 | 32.4 | 7.1 | 19.6 | 3.9 | 0.2 | 73.6 | -10.7 |
| Cuba | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Dominican Republic | -4.3 | 4.1 | 24.8 | 5.5 | 12.8 | 2.5 | -0.2 | 116.3 | 6.8 |
| Ecuador | -1.3 | 1.0 | 19.4 | -0.6 | 4.0 | 1.4 | -0.6 | 98.2 | -1.9 |
| El Salvador | -6.4 | -4.0 | 50.5 | 5.2 | 12.2 | 3.2 | -0.8 | 105.0 | 3.0 |
| Guatemala | -2.7 | -1.3 | 29.4 | 0.3 | 13.2 | 4.4 | -0.4 | 86.8 | -7.8 |
| Haiti | -3.2 | -0.7 | 15.0 | 3.9 | ... | 4.6 | -1.1 | ... | ... |
| Honduras | -8.6 | -4.3 | 34.5 | 10.7 | 6.9 | 2.7 | -0.5 | 84.6 | -1.7 |
| Mexico | -2.0 | -1.6 | 18.7 | -0.1 | 20.4 | 5.0 | 0.5 | 106.3 | -2.4 |
| Nicaragua | -11.2 | -1.2 | 39.7 | -5.4 | 18.3 | 3.1 | -0.9 | 107.3 | 6.1 |
| Panama | -12.0 | -1.7 | 30.5 | -8.1 | ... | 1.1 | -0.9 | 91.7 | -6.5 |
| Paraguay | 2.1 | 2.4 | 16.5 | -1.6 | 24.0 | 5.0 | -0.6 | 66.8 | -14.3 |
| Peru | -4.2 | -2.0 | 27.8 | 0.1 | 15.8 | 15.1 | -0.2 | 89.7 | -4.7 |
| Uruguay | -5.5 | -3.6 | 39.3 | -8.2 | ... | 11.3 | 0.8 | 68.6 | -12.8 |
| Venezuela (Bolivarian Republic of) | 2.1 | -2.9 | 32.0 | -8.5 | 26.9 | 4.6 | -3.0 | 61.0 | -23.4 |
| **Latin America [a]** | **-2.7** | **-1.4** | **28.9** | **-0.0** | **14.5** | **6.1** | **-0.9** | **87.2** | **-4.4** |
| Antigua and Barbuda | -16.5 | -1.8 | 37.2 | -0.8 | ... | 3.0 | 0.9 | ... | ... |
| Bahamas | -19.7 | -9.6 | 13.9 | 4.9 | ... | 2.1 | -0.6 | 90.7 | 1.4 |
| Barbados | ... | ... | 29.7 | -1.0 | ... | 3.0 | -0.4 | ... | ... |
| Belize | -4.5 | -1.2 | 65.9 | -7.1 | 1.5 | 3.6 | 0.4 | ... | ... |
| Dominica | ... | ... | 52.6 | 1.7 | ... | 3.9 | 0.9 | 112.6 | 5.4 |
| Grenada | -25.6 | 0.8 | 69.8 | 0.1 | 9.3 | 3.4 | -0.1 | ... | ... |
| Guyana | -14.1 | -3.1 | 41.3 | -4.9 | 29.8 | 4.5 | -0.7 | ... | ... |
| Jamaica | -9.8 | -2.7 | 57.3 | -6.1 | 12.7 | 3.4 | ... | 100.4 | 1.8 |
| Saint Kitts and Nevis | -8.3 | 11.7 | 39.9 | -5.9 | ... | 9.2 | 4.6 | ... | ... |
| Saint Lucia | -7.4 | 8.8 | 34.9 | 3.5 | 30.2 | 3.2 | 0.4 | ... | ... |
| Saint Vincent and the Grenadines | -29.2 | 1.4 | 40.8 | 0.6 | ... | 3.1 | 0.2 | ... | ... |
| Suriname | -3.8 | -18.7 | 9.3 | 1.7 | ... | 4.6 | -0.2 | ... | ... |
| Trinidad and Tobago | 17.6 | -2.7 | 8.3 | 0.7 | ... | 10.3 | -4.6 | 70.5 | -10.4 |
| **The Caribbean [a]** | **-0.4** | **-2.8** | **38.5** | **-1.0** | **16.7** | **4.4** | **-0.0** | **93.5** | **-0.4** |
| **Latin America and the Caribbean [a]** | **-2.6** | **-1.4** | **32.8** | **-0.4** | **15.0** | **5.4** | **-0.5** | **88.4** | **-3.6** |

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

Table II.6 also shows the level of external debt over time, which is predictably higher as a share of GDP, in general, among the countries with greater financing needs, as described above.[8] Nevertheless, the region's external borrowing levels are generally lower than in other regions and did not increase dramatically between 2010 and 2013. In fact, only 5 (Chile, Costa Rica, Dominican Republic, El Salvador and Honduras) of the 33 countries included in

[7] As a rule, the region has experienced no great difficulty in financing external deficits of less than 4% of GDP in the past, and that figure has therefore typically been accepted as a benchmark for the external balance.

[8] The most notable exception to that rule is Chile, which has not experienced any major new external financing needs in this period, yet has a relatively high level of external debt, particularly private debt. This is attributable to distortionary tax practices in previous years which encouraged borrowing by subsidiary companies in Chile with headquarters abroad, that is, there were several cases of intra-firm private borrowing.

this table expanded their external debt stock by more than 5 percentage points of GDP between 2010 and 2013. In the rest, foreign debt fell or held steady as a proportion of GDP, or rose only slightly. The proportion of short-term debt is generally quite low, being higher than 20% of total debt in only a few countries.

However, these values warrant certain caveats as indicators of strength or vulnerability. The burden of foreign debt, measured as a share of GDP, may be underestimated in cases where the currency is overvalued, either by exchange-rate policy or by market forces that temporarily keep the dollar artificially low. When these policies become unsustainable or market forces bring the availability of external financial resources back into line with medium- and long-term trends, exchange-rate adjustments can increase the debt burden quite dramatically, sometimes even threatening debtors' solvency of and financial system stability.

Second, the level of external debt is only a partial indicator of possible pressure on the balance of payments and demand for foreign exchange. Countries with relatively open capital accounts are also affected by the behaviour of resident and foreign participants in the domestic financial market. In the event of rising external asset yields or expectations of devaluation, resident and foreign agents alike will try to obtain foreign exchange or foreign-currency-denominated assets, triggering capital outflows and pressure on international reserves. Indeed, as has been seen several times in the region, even in countries with a closed capital account, residents can put pressure on reserves by hoarding foreign exchange to defend the value of their assets against potential devaluation. A similar reasoning applies in cases of high inflation, which also induce defensive behaviours such as currency hoarding.

One of the factors contributing to devaluation expectations is the level of international reserves and any recent changes in that level (these two variables appear in table II.6). Taking a long-term view, as noted in previous ECLAC publications, the region built up its international reserves considerably from the start of the boom in commodities exports and world trade until the financial crisis. More recently, the pace of accumulation has slowed markedly.[9] By the end of 2013, in very few cases were reserves equivalent to less than four months of goods and services imports,[10] which provides a wide margin for facing pressures in the foreign-exchange market and adopting the policies needed to prevent sharp fluctuations in activity levels. However, that margin has narrowed recently in several countries.

Even though the present indicators are mostly favourable, future reserve requirements could rise if current account deficits continue to widen as they have done in several countries and if monetary authorities were to intervene more in foreign-exchange markets in response to greater exchange-rate volatility. Debt levels are particularly high in the English-speaking Caribbean and if international interest rates were to rise, those countries would need more resources to service their debt, which would increase the pressure on reserves.

The last two columns of table II.6 present the real effective exchange rate in 2013 and how much it has changed since the financial crisis. In 15 of the 22 countries for which relevant information is available, the real exchange rate has risen since 2005, and in several cases by more than 20%. In only eight cases has this recently been corrected to some degree. What is more, in countries with an exchange-rate control and pricing regime, the real effective exchange rate probably underestimates the appreciation. From the point of view of the external debt burden, a sharp currency appreciation —especially in the context of high inflation— represents a vulnerability, because the cost of servicing the external debt will rise as a proportion of GDP when the projected global financial scenario forces an exchange-rate correction.

## 4. Strengths and vulnerabilities of public finances

The region's public finances have been through significant changes: the Latin American debt crisis in the 1980s and the various domestic and external critical episodes that occurred in the 1990s, as well as the measures taken to address those situations.[11] During the 1990s, these measures were generally geared towards debt reduction and fiscal consolidation through reforms aimed at expanding the tax base and curbing spending. At the start of the new century, higher public revenues produced by changes in the world commodity markets and the global cycle, significantly strengthened the primary balance of almost all the region's countries from 2003 onwards (see table II.7). Although

9 See the analysis of the balance-of-payment financial account in section B of part I of this document.

10 Months of import cover is just one of the possible measures of international reserve adequacy. For a more in-depth discussion, see box II.2 of ECLAC (2011b), and section II.C of part 2 of ECLAC (2011c).

11 See a recent analysis of the origins of the debt crisis, its consequences and the solutions adopted to address it in ECLAC (2014c).

the public revenue boom was most evident in South America, there were also improvements in the Caribbean and Central American countries. Since the 2008-2009 crisis, the external environment has been less favourable and the primary balance has deteriorated owing to the adoption by some countries of countercyclical spending policies in 2009, sustained spending between 2011 and 2013 and the shrinking of the tax base as a result of the economic slowdown in the aftermath of the crisis.[12]

**Table II.7**
**Latin America: primary balance, 1990-2013**
*(Percentages of GDP at current prices)*

| | 1990-1998 | 1999-2002 | 2003-2008 | 2009-2011 | 2012-2013 |
|---|---|---|---|---|---|
| Argentina [a] | 0.5 | 0.5 | 2.2 | 0.8 | -0.8 |
| Bolivia (Plurinational State of) [b] | -0.8 | -4.0 | 0.3 | 0.3 | 2.3 |
| Brazil | ... | 2.0 | 2.4 | 1.9 | 1.7 |
| Chile | 3.6 | 0.1 | 4.9 | -0.6 | 0.6 |
| Colombia | -0.9 | -2.1 | -0.2 | -0.9 | -0.0 |
| Costa Rica | 0.3 | 0.8 | 2.3 | -2.1 | -2.6 |
| Cuba [a] | -1.2 | -1.6 | -3.0 | -3.0 | ... |
| Dominican Republic | 1.4 | 0.9 | 0.9 | -0.7 | -2.4 |
| Ecuador [a] | 2.4 | 3.5 | 1.5 | -1.7 | -2.8 |
| El Salvador | -0.0 | -1.4 | 1.2 | -0.6 | 0.5 |
| Guatemala | 0.1 | -0.6 | -0.4 | -1.6 | -0.7 |
| Haiti [a] | -1.6 | -1.9 | -1.0 | 1.2 | -0.6 |
| Honduras | -0.5 | -2.2 | -1.8 | -4.1 | -4.9 |
| Mexico | 3.0 | 0.5 | 0.0 | -0.9 | -1.0 |
| Nicaragua [b] | 1.2 | -1.8 | 0.5 | 0.5 | 1.4 |
| Panama | 2.1 | 2.2 | 1.9 | 0.1 | -1.5 |
| Paraguay | 0.7 | -1.7 | 1.8 | 1.1 | -1.6 |
| Peru [b] | 0.6 | -0.6 | 2.1 | 1.1 | 1.9 |
| Uruguay | 0.4 | -1.5 | 2.2 | 1.5 | 0.6 |
| Venezuela (Bolivarian Republic of) [a] | 0.8 | 0.3 | 2.2 | -2.6 | -1.3 |
| **Latin America** [c] | **0.6** | **-0.4** | **1.0** | **-0.5** | **-0.6** |
| Antigua and Barbuda | ... | -6.0 | 1.5 | -3.3 | -0.6 |
| Bahamas [a] | ... | 0.5 | -0.4 | -2.5 | -3.7 |
| Barbados [a d] | 1.1 | 1.1 | 1.4 | -1.6 | -3.3 |
| Belize [a] | ... | -3.3 | 1.5 | 1.7 | 1.2 |
| Dominica | ... | -2.7 | 1.4 | -4.1 | -6.9 |
| Grenada | ... | -7.7 | -0.6 | -1.3 | -1.9 |
| Guyana [a] | ... | 0.1 | -3.4 | -1.6 | -3.6 |
| Jamaica [a] | 8.0 | 7.9 | 8.4 | 4.7 | 7.1 |
| Saint Kitts and Nevis | ... | -5.8 | 3.0 | 5.7 | 17.8 |
| Saint Lucia | ... | -0.6 | -0.4 | 0.4 | -3.0 |
| Saint Vincent and the Grenadines | ... | 0.9 | 0.0 | 0.3 | -1.8 |
| Suriname [a] | ... | 0.0 | 2.6 | -0.9 | -2.4 |
| Trinidad and Tobago | ... | 8.6 | 3.7 | 0.4 | -0.1 |
| **The Caribbean** [c e] | **...** | **-0.5** | **1.4** | **-0.2** | **-0.1** |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] The 2013 figures are preliminary data based on information in government budgets for 2013-2014.
[b] The figures refer to the general government.
[c] Simple averages for countries with information available for each year.
[d] The figures refer to the non-financial public sector.
[e] Fiscal years.

Several countries in Central America and the Caribbean run a primary balance that is consistently lower than in the rest of the region and their public finances are, therefore, more vulnerable. Underlying this weaker primary balance in those countries are a low tax burden in several cases, higher spending to meet the growing social demands that go hand in hand with development and the vulnerability of their economies to natural disasters.

This situation is mirrored in public debt levels and the burden of interest, resulting in very different realities across the region as a whole. Total public debt levels have trended downward in the Latin American countries since the beginning of the last decade, with the exception of El Salvador, Guatemala, Mexico, Panama and Brazil, whose debt exceeds 50% of GDP. Most of the countries in the Latin American subregion have comparatively low external public debt levels today. The rise in external and public revenues between 2003 and 2008, together with lower international interest rates, boosted output and brought down foreign debt as a proportion of GDP. The composition of public debt shifted in most countries towards a larger domestic component (see table II.8).

[12] See a more detailed analysis in the specific section on the region's public finances in each edition of the *Economic Survey*.

**Table II.8**

**Latin America: gross public debt of the non-financial public sector, 2009-2013** [a]

*(Percentages of GDP)*

| | 2000-2002 | 2003-2008 | 2009-2010 | 2011-2013 |
|---|---|---|---|---|
| Argentina [b] | 70.1 | 69.8 | 37.9 | 34.1 |
| Internal debt | 26.2 | 34.4 | 23.7 | 23.5 |
| External debt | 43.9 | 35.4 | 14.1 | 10.7 |
| Bolivia (Plurinational State of) | 74.1 | 63.4 | 38.9 | 33.8 |
| Internal debt | 24.7 | 27.8 | 23.8 | 17.6 |
| External debt | 49.4 | 35.6 | 15.1 | 16.2 |
| Brazil [c] | 72.8 | 64.1 | 57.4 | 57.0 |
| Internal debt | 56.6 | 55.7 | 54.3 | 53.5 |
| External debt | 16.2 | 8.4 | 3.2 | 2.9 |
| Chile | 19.3 | 13.0 | 13.4 | 18.9 |
| Internal debt | 13.3 | 7.1 | 10.8 | 16.1 |
| External debt | 6.1 | 5.9 | 2.6 | 2.8 |
| Colombia | 53.0 | 49.2 | 44.6 | 39.9 |
| Internal debt | 30.6 | 32.3 | 31.6 | 28.7 |
| External debt | 22.4 | 16.9 | 13.0 | 11.3 |
| Costa Rica | 43.2 | 39.2 | 34.6 | 41.1 |
| Internal debt | 27.8 | 23.5 | 24.0 | 31.3 |
| External debt | 15.5 | 15.7 | 10.7 | 9.9 |
| Dominican Republic | ... | 20.9 | 28.4 | 33.6 |
| Internal debt | ... | 4.0 | 9.8 | 11.1 |
| External debt | ... | 16.9 | 18.6 | 22.5 |
| Ecuador | 57.6 | 32.4 | 17.6 | 19.5 |
| Internal debt | 12.2 | 7.8 | 5.6 | 7.5 |
| External debt | 45.4 | 24.6 | 12.0 | 12.0 |
| El Salvador | 34.1 | 39.1 | 45.2 | 46.2 |
| Internal debt | 11.0 | 11.5 | 14.7 | 15.4 |
| External debt | 23.1 | 27.5 | 30.5 | 30.8 |
| Guatemala | 20.6 | 21.6 | 23.8 | 24.4 |
| Internal debt | 5.9 | 8.0 | 10.4 | 11.9 |
| External debt | 14.7 | 13.6 | 13.3 | 12.5 |
| Haiti [d] | 55.4 | 46.9 | 28.9 | 27.4 |
| Internal debt | 15.2 | 13.1 | 16.2 | 13.4 |
| External debt | 40.3 | 33.8 | 12.7 | 14.0 |
| Honduras | 54.5 | 38.5 | 23.4 | 31.7 |
| Internal debt | 2.6 | 3.8 | 7.0 | 10.6 |
| External debt | 51.8 | 34.8 | 16.4 | 21.2 |
| Mexico | 24.4 | 24.8 | 35.3 | 41.3 |
| Internal debt | 12.5 | 16.7 | 24.5 | 29.0 |
| External debt | 12.0 | 8.1 | 10.7 | 12.4 |
| Nicaragua | 92.3 | 62.2 | 34.4 | 31.8 |
| Internal debt | 16.6 | 14.8 | 11.1 | 8.1 |
| External debt | 86.8 | 47.4 | 23.3 | 23.6 |
| Panama [e] | 64.7 | 56.6 | 41.3 | 37.9 |
| Internal debt | 16.9 | 13.8 | 3.7 | 7.7 |
| External debt | 47.8 | 42.8 | 37.7 | 30.2 |
| Paraguay | 40.3 | 28.3 | 15.9 | 12.4 |
| Internal debt | 6.2 | 5.2 | 3.6 | 4.2 |
| External debt | 34.1 | 23.1 | 12.3 | 8.2 |
| Peru | 45.9 | 35.9 | 24.7 | 20.1 |
| Internal debt | 10.1 | 9.7 | 10.7 | 10.4 |
| External debt | 35.8 | 26.2 | 14.1 | 9.7 |
| Uruguay | 61.2 | 72.5 | 48.8 | 44.9 |
| Internal debt | 15.5 | 13.8 | 14.6 | 15.8 |
| External debt | 43.7 | 53.9 | 32.6 | 29.1 |
| Venezuela (Bolivarian Republic of) [d] | 33.7 | 29.4 | 25.1 | 28.3 |
| Internal debt | 11.8 | 10.7 | 11.0 | 15.6 |
| External debt | 21.9 | 18.7 | 14.1 | 12.7 |
| **Latin America** | **51.0** | **43.1** | **32.6** | **32.9** |
| **Internal debt** | **17.5** | **16.8** | **16.4** | **17.4** |
| **External debt** | **33.9** | **26.1** | **16.2** | **15.4** |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Averages for each period.
[b] National public sector.
[c] General government.
[d] Central government.
[e] Public sector.

In terms of the level and composition of public debt, Latin America's public finances are in a better position than in past decades to assume potentially higher financing costs. The higher proportion of domestic debt represents an advantage in the light of the changes in the international financial environment, especially if at the same time the financial markets (and the currency markets, in particular) are on a sustainable, balanced track. Those markets must be in balance to maintain public finance stability, since devaluation expectations will prompt resident and non-resident holders of financial assets —denominated in local and foreign currency— to seek refuge in foreign-currency-denominated assets. The concomitant drop in demand for local-currency-denominated assets would significantly raise the cost of borrowing for the treasury, in particular when much of domestic debt is short-term or indexed to short-term interest rates. Again, a similar reasoning applies in cases of high inflation, which deflate demand for non-indexed financial assets and push up demand for foreign-currency-denominated assets.

The significantly higher public debt levels in the Caribbean[13] set it apart from the rest of the region (see table II.9). The Caribbean countries are markedly heterogeneous: the public debt of its two largest economies (Jamaica and Trinidad and Tobago) has taken divergent paths to arrive at very different levels. Owing to the special nature of external financing in the Caribbean, a significant portion of public debt is external (see table II.5) and occasionally concessional. Although, in principle, that protects public finances to some degree from the vagaries of the international markets, it does not shield them entirely, as reflected in the burden of public debt interest.

**Table II.9**

**The Caribbean: gross public debt of the non-financial public sector, 2002-2013** [a]

*(Percentages of GDP)*

| | 2000-2002 | 2003-2008 | 2009-2010 | 2011-2013 |
|---|---|---|---|---|
| Antigua and Barbuda | 113.7 | 102.6 | 91.4 | 87.7 |
| Bahamas | 30.5 | 36.1 | 44.9 | 54.7 |
| Barbados [b] | 45.1 | 49.9 | 67.6 | 87.1 |
| Belize | 73.2 | 91.8 | 77.3 | 71.6 |
| Dominica | 100.2 | 87.5 | 69.7 | 71.6 |
| Grenada | 64.2 | 85.2 | 90.9 | 87.9 |
| Guyana | 201.2 | 123.2 | 60.9 | 62.5 |
| Jamaica | 108.9 | 120.5 | 135.2 | 130.8 |
| Saint Kitts and Nevis | 115.4 | 146.2 | 146.7 | 126.8 |
| Saint Lucia | 50.1 | 65.1 | 64.8 | 71.3 |
| Saint Vincent and the Grenadines | 58.1 | 62.0 | 65.7 | 65.8 |
| Suriname | 51.2 | 35.3 | 27.6 | 30.4 |
| Trinidad and Tobago [c] | 55.0 | 37.5 | 54.1 | 54.3 |
| **Average (13 countries)** | **82.1** | **80.2** | **76.7** | **77.1** |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Averages for each period.
[b] General government.
[c] Public sector.

Owing to the variation in public revenues and primary balances, international interest rates and the level and composition of public debt, the interest on public debt has fallen for most of the countries in Latin America and the Caribbean. Nevertheless, debt servicing still costs more than 2% of GDP in several cases, which remains significant compared with what the region spends in other areas. Two cases that stand out are Brazil, where the considerable burden of interest is commensurate with the level of debt, and Jamaica, where interest stood recently at 9.4% of GDP, having, on several occasions, exceeded 10% of GDP (see table II.10).

Thus, notwithstanding the progress made, the level of interest on the public debt continues to be a source of vulnerability in several cases.

Lastly, public revenues from the production and export of commodities were one of the factors helping to strengthen public finances in several countries in the recent past, but they also exacerbate vulnerability from a medium-term perspective, on the basis of the outlook discussed in the first chapter. In order to measure the magnitude of the risk to the region's public finances posed by falling commodity prices, table II.11 shows the share of income from non-renewable natural resources in total public revenue.

[13] The information available in this case cannot be broken down into internal and external components.

**Table II.10**

**Latin America and the Caribbean: interest paid by the central government, 2000-2013** [a]

*(Percentages of GDP)*

| | 2000-2002 | 2003-2008 | 2009-2010 | 2011-2013 |
|---|---|---|---|---|
| Argentina | 2.6 | 1.5 | 1.6 | 1.6 |
| Bolivia (Plurinational State of) [b] | 1.9 | 2.0 | 1.5 | 0.8 |
| Brazil | 3.7 | 5.0 | 4.2 | 4.5 |
| Chile | 1.1 | 0.8 | 0.5 | 0.6 |
| Colombia | 3.2 | 3.3 | 2.7 | 2.5 |
| Costa Rica | 3.9 | 3.6 | 2.1 | 2.3 |
| Dominican Republic | 0.8 | 1.3 | 1.9 | 2.3 |
| Ecuador | 4.1 | 2.0 | 0.8 | 1.0 |
| El Salvador | 1.4 | 2.2 | 2.4 | 2.2 |
| Guatemala | 1.4 | 1.4 | 1.5 | 1.5 |
| Haiti | 0.3 | 0.6 | 0.5 | 0.4 |
| Honduras | 1.4 | 0.9 | 0.8 | 1.7 |
| Mexico | 1.8 | 1.5 | 1.6 | 1.6 |
| Nicaragua | 1.7 | 1.5 | 1.1 | 1.0 |
| Panama | 3.9 | 3.7 | 2.6 | 2.0 |
| Paraguay | 1.1 | 0.9 | 0.5 | 0.3 |
| Peru | 2.2 | 1.8 | 1.2 | 1.1 |
| Uruguay | 2.7 | 4.2 | 2.6 | 2.4 |
| Venezuela (Bolivarian Republic of) | 3.3 | 2.7 | 1.4 | 2.6 |
| **Latin America** | **2.3** | **2.1** | **1.7** | **1.7** |
| Antigua and Barbuda | 4.0 | 3.4 | 2.7 | 2.3 |
| Bahamas | 1.5 | 1.7 | 2.5 | 2.4 |
| Barbados | 4.2 | 3.9 | 5.2 | 6.6 |
| Belize | 2.6 | 5.2 | 3.5 | 2.9 |
| Dominica | 4.6 | 3.3 | 1.4 | 1.8 |
| Grenada | 2.8 | 2.4 | 2.1 | 3.0 |
| Guyana | 5.2 | 2.6 | 1.7 | 1.2 |
| Jamaica | 12.1 | 13.4 | 14.4 | 9.3 |
| Saint Kitts and Nevis | 4.7 | 6.3 | 6.7 | 5.5 |
| Saint Lucia | 2.1 | 2.6 | 2.8 | 3.4 |
| Saint Vincent and the Grenadines | 2.1 | 2.4 | 2.8 | 2.4 |
| Suriname | 2.1 | 1.5 | 0.8 | 0.9 |
| Trinidad and Tobago | 4.3 | 2.5 | 2.7 | 1.9 |
| **The Caribbean** | **4.1** | **3.9** | **3.8** | **3.4** |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Averages for each period.
[b] General government.

**Table II.11**

**Latin America and the Caribbean (12 countries): share of income from non-renewable natural resources in public revenue, 1990-2012** [a]

*(Percentages)*

| | 1990-1997 | 1998-2003 | 2004-2008 | 2009-2012 |
|---|---|---|---|---|
| Argentina | 6.4 | 9.2 | 10.3 | 10.1 |
| Bolivia (Plurinational State of) | 29.9 | 21.1 | 33.6 | 35.2 |
| Brazil | ... | 6.6 | 7.8 | 6.3 |
| Chile [b] | 9.9 | 3.6 | 25.6 | 16.5 |
| Colombia | 14.8 | 14.3 | 17.1 | 21.6 |
| Ecuador | 33.6 | 26.9 | 28.6 | 34.9 |
| Jamaica | 5.7 | 2.4 | 1.7 | 0.4 |
| Mexico | 29.2 | 31.2 | 37.2 | 33.4 |
| Peru | ... | 8.9 | 18.1 | 15.1 |
| Suriname | ... | 15.7 | 18.8 | 22.0 |
| Trinidad and Tobago | 29.2 | 23.4 | 48.4 | 41.9 |
| Venezuela (Bolivarian Republic of) | 65.7 | 43.7 | 49.7 | 39.8 |
| **Simple average (12 countries)** | **24.9** | **17.3** | **24.7** | **23.1** |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Figures correspond to the central government for the Bolivarian Republic of Venezuela, Chile, Colombia, Jamaica, Suriname, and Trinidad and Tobago; general government for Brazil, Peru and Plurinational State of Bolivia; non-financial public sector for Argentina and Ecuador; and public sector for Mexico.
[b] From 1994 on, the data for Chile include taxes on private mining.

As shown, those revenues make up an extremely high proportion (over 30%) of the total in several cases. Moreover, in some cases where exposure to the risks associated with lower commodity prices appears to be minimal, this impression may be deceptive because the figures do not include revenues from agricultural exports (such as soybean), which are very significant in certain countries (Argentina and Paraguay).

## 5. Strengths and vulnerabilities of the financial and currency markets

### (a) The reduction of monetary policy space

The Latin American and Caribbean region has suffered frequent financial crises, which have had, on the whole, an adverse impact on economic activity. The recent global financial crisis squeezed liquidity in many of the region's financial systems and the private financial institutions reined in credit, reflecting both extreme caution and the higher cost of external and domestic financing. Yet, thanks to the rapid intervention of public banks in several economies, the authorities' efforts to expand liquidity and the rapid recovery of capital flows to emerging economies and of commodity markets, credit picked up quickly and short-term liquidity problems did not upset economic activity in the region for long.

During the recent global financial crisis, the authorities in the region adopted a series of measures to strengthen the performance of their financial systems and mitigate the effects of the turbulence prevailing in international financial markets. Lower reserve requirements, new credit lines for financial institutions, increased public bank involvement in the financing of the private sector and the signing of stand-by agreements with the United States Federal Reserve and IMF to secure external liquidity were some of the measures adopted to stimulate lending activity and sustain bank liquidity. These measures reversed the slowdown in private credit recorded at the beginning of 2009 and ensured the continued expansion of credit throughout the 2009-2010 period, albeit at a slower rate (see table II.12).

However, in the new context, as the international financial markets begin to normalize and the factors contributing to low inflation in the region weaken, financial systems will probably find it more difficult to take a countercyclical expansionary approach in the near future. The current context is different and it is less likely that a countercyclical fiscal policy is being applied. First, on the supply side, an uptick in inflation caused a reduction in monetary policy space. During the global financial crisis, central banks did not face the same dilemma as today since prices were on the decline, owing mainly to the fall in international food and fuel prices, and they could expand the monetary aggregates or reduce rates without this translating into inflationary pressures. Today, the resurgence of inflationary pressures in several cases seems to indicate that policy instruments will tend towards stable or gently rising monetary policy interest rates and a brake on growth in monetary aggregates.

Second, in the months that followed the most critical moments of the financial crisis, capital inflows to the region improved (through foreign investment or financial portfolios), leading to a trend towards currency appreciation and creating the conditions for lower inflationary pressures and higher demand for loans (through the wealth effect). The potential return to normal of the international financial markets and the higher cost of external financing as a result could cause currency depreciation in the region, which would, in turn, push up domestic prices and, consequently, reduce the scope for monetary policy.

Third, in some cases, annual nominal growth in credit recently exceeded 30% (see table II.12): such a rate is hard to sustain over several years without risking imbalances in terms of inflation and the external balance.

On the demand side, a depreciation of the region's currencies, a pessimistic outlook for economic activity and an eventual rise in interest rates would reduce demand for credit, despite capacity to expand on the supply side. This might diminish the ability of monetary policy to pursue an expansionary countercyclical strategy.

**Table II.12**
**Latin America and the Caribbean: total credit and credit to the private sector, 2000-2013**
*(Annual growth rates in percentages)*

| | Total | | | | Private | | | |
|---|---|---|---|---|---|---|---|---|
| | 2000-2002 | 2003-2008 | 2009-2010 | 2011-2013 | 2000-2002 | 2003-2008 | 2009-2010 | 2011-2013 |
| Antigua and Barbuda | 5.0 | 8.0 | 0.6 | -4.1 | 6.0 | 9.5 | 0.2 | -3.5 |
| Argentina | 22.2 | 3.5 | 51.3 | 36.9 | -13.2 | 25.3 | 20.5 | 33.0 |
| Bahamas | 7.5 | 8.8 | 3.4 | 2.9 | 6.0 | 9.3 | 0.4 | -0.1 |
| Barbados | ... | 12.2 | -0.5 | 7.3 | ... | 13.7 | 0.0 | 1.9 |
| Belize | 9.4 | 11.9 | -0.3 | -1.0 | 12.6 | 11.2 | -0.9 | 1.0 |
| Bolivia (Plurinational State of) | 0.5 | 2.9 | 13.0 | 20.6 | -3.4 | 4.2 | 15.1 | 18.9 |
| Brazil | ... | ... | 18.0 | 14.3 | ... | ... | 21.8 | 18.4 |
| Chile | 6.7 | 13.4 | -0.1 | 12.6 | 8.1 | 15.7 | 4.3 | 12.3 |
| Colombia | 2.1 | 14.0 | 20.6 | 14.3 | 0.4 | 19.1 | 18.1 | 16.8 |
| Costa Rica | ... | 18.8 | 4.6 | 10.5 | ... | 28.6 | 1.8 | 13.0 |
| Dominica | -3.2 | -0.4 | 12.5 | 7.7 | -2.3 | 6.4 | 8.9 | 3.8 |
| Dominican Republic | ... | 16.9 | 12.5 | 14.1 | ... | 10.1 | 16.0 | 9.8 |
| Ecuador | ... | 10.1 | 33.6 | 19.1 | ... | 18.9 | 11.4 | 15.3 |
| El Salvador | ... | 16.1 | 2.2 | 7.5 | ... | 8.8 | -3.7 | 5.8 |
| Grenada | 2.1 | 7.2 | 3.9 | 1.4 | 2.3 | 8.9 | 5.6 | -0.3 |
| Guatemala | ... | 15.5 | 5.6 | 11.9 | ... | 15.8 | -1.4 | 25.4 |
| Guyana | 2.0 | 15.8 | -0.8 | 33.0 | -0.6 | 10.6 | 12.8 | 18.0 |
| Haiti | 16.8 | 6.5 | -23.0 | 37.6 | 9.9 | 12.9 | 1.6 | 25.7 |
| Honduras | ... | 21.5 | 10.0 | 13.7 | ... | 21.3 | 2.1 | 13.7 |
| Jamaica | 10.4 | 9.2 | -3.4 | 13.9 | 20.7 | 26.2 | -0.9 | 18.1 |
| Mexico | ... | 12.1 | 10.6 | 10.0 | ... | 17.4 | 9.0 | 15.0 |
| Nicaragua | ... | 7.4 | -4.1 | 22.0 | ... | 29.1 | -3.4 | 24.6 |
| Panama | ... | 11.4 | 9.5 | 15.5 | ... | 12.0 | 8.1 | 13.2 |
| Paraguay | 16.5 | 8.1 | 36.3 | 24.5 | 9.2 | 17.1 | 34.8 | 18.0 |
| Peru | ... | 17.2 | 24.1 | 7.8 | ... | 15.0 | 14.3 | 12.9 |
| Saint Kitts and Nevis | 0.2 | 13.5 | 6.3 | -15.2 | -1.1 | 9.2 | 3.9 | 9.8 |
| Saint Lucia | 9.3 | 18.4 | -0.3 | 6.0 | 7.6 | 15.6 | 1.5 | 2.8 |
| Saint Vincent and the Grenadines | 6.6 | 10.0 | 1.5 | 2.7 | 3.2 | 6.6 | 3.0 | 2.5 |
| Suriname | ... | ... | 21.4 | 16.7 | ... | ... | 11.0 | 15.4 |
| Trinidad and Tobago | 1.7 | 2.1 | 36.6 | -7.3 | 5.4 | 19.2 | -5.0 | 5.1 |
| Uruguay | ... | -8.4 | 13.9 | 8.4 | ... | ... | ... | ... |
| Venezuela (Bolivarian Republic of) | 17.1 | 54.4 | 13.7 | 59.0 | 14.6 | 66.6 | 14.3 | 51.8 |
| **Latin America and the Caribbean** | **7.4** | **11.9** | **10.4** | **13.3** | **4.7** | **16.7** | **7.3** | **13.5** |
| **The Caribbean** | **4.1** | **9.8** | **7.0** | **4.2** | **3.9** | **10.9** | **3.5** | **4.7** |
| **Central America** [a] | **16.8** | **14.3** | **2.2** | **16.6** | **9.9** | **17.3** | **2.6** | **16.4** |
| **Countries with an inflation target** [b] | **4.4** | **14.2** | **14.6** | **11.8** | **4.3** | **16.8** | **13.5** | **15.1** |
| **Other South American countries** [c] | **14.1** | **11.8** | **27.0** | **28.1** | **1.8** | **26.4** | **19.2** | **27.4** |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua and Panama.
[b] Brazil, Chile, Colombia, Mexico and Peru.
[c] Argentina, Bolivarian Republic of Venezuela, Ecuador, Paraguay, Plurinational State of Bolivia and Uruguay.

## (b) The quality of the credit portfolio and the cost of credit

The region's financial systems have undergone major reforms in recent decades, which have generally made them more solvent and improved their risk management capabilities. This has translated into higher levels of capitalization, better risk coverage and improved quality of the loan portfolios. In the last 10 years the region has managed to avoid the type of financial crisis seen frequently in the 1980s and 1990s, although it should be borne in mind that its systems have not been subject to significant prolonged tension. As noted, the only recent episode of serious tension —the global financial crisis— was quickly resolved through domestic measures and the reaction of the United States monetary authority and the IMF, which managed to recoup the region's external liquidity through stand-by arrangements. In view of the normalization of external liquidity conditions as the Federal Reserve withdraws its monetary stimulus and the return to economic growth rates in the region that are compatible with a less dynamic external environment than the favourable situation between 2003 and 2008, one of the possible risks that financial institutions face is a possible deterioration of the loan portfolio.

In general terms, the loan portfolio has improved recently, as seen in a reduction in non-performing loans in most economies in the region, with current levels lower than in the period 2000-2002 (see table II.13). However, arrears rates are very high in several cases, especially in the Caribbean. In addition, given the procyclical nature of risk, lower rates of economic growth could lead to new defaults, forcing countries to resort to allowances for expected losses and, if those were insufficient, to capital.

**Table II.13**
**Latin America and the Caribbean: non-performing loan portfolio, 2000-2013**
*(Percentages of the total loan portfolio)*

| | 2000-2002 | 2003-2008 | 2009-2010 | 2011-2013 |
|---|---|---|---|---|
| Argentina | 38.6 | 11.7 | 2.9 | 1.7 |
| Bahamas | ... | 5.0 | 2.9 | 13.1 |
| Barbados | ... | 4.1 | 10.0 | 11.6 |
| Belize | ... | 8.2 | 13.5 | 11.4 |
| Bolivia (Plurinational State of) | 17.7 | 12.3 | 3.7 | 1.8 |
| Brazil | 4.0 | 3.7 | 3.9 | 3.5 |
| Chile | 1.8 | 1.1 | 1.3 | 1.1 |
| Colombia | 8.7 | 4.4 | 4.3 | 3.0 |
| Costa Rica | 3.0 | 1.6 | 2.1 | 1.9 |
| Dominican Republic | 5.7 | 7.1 | 4.1 | 3.2 |
| Ecuador | 24.1 | 14.6 | 6.7 | 4.0 |
| El Salvador | 3.5 | 2.5 | 4.0 | 3.4 |
| Guatemala | 3.9 | 2.9 | 2.8 | 1.6 |
| Guyana | ... | 12.2 | 7.5 | 5.5 |
| Haiti | 6.2 | 10.3 | 9.1 | 3.4 |
| Honduras | 5.3 | 2.7 | 1.9 | 1.1 |
| Jamaica | ... | ... | 6.1 | 6.7 |
| Mexico | 4.6 | 2.7 | 2.8 | 2.5 |
| Nicaragua | 3.6 | 2.6 | 3.0 | 2.0 |
| Panama | 5.3 | 3.0 | 2.7 | 1.8 |
| Paraguay | 19.4 | 6.1 | 1.6 | 2.0 |
| Peru | 7.6 | 3.4 | 1.6 | 1.8 |
| Trinidad and Tobago | ... | 1.8 | 5.0 | 6.0 |
| Uruguay | 49.7 | 24.8 | 10.5 | 2.6 |
| Venezuela (Bolivarian Republic of) | 6.6 | 1.9 | 3.1 | 1.7 |
| **Latin America and the Caribbean** | **11.5** | **6.3** | **4.7** | **3.9** |
| **The Caribbean** | **4.9** | **5.0** | **6.6** | **7.1** |
| **Central America** [a] | **13.0** | **7.5** | **4.5** | **3.7** |
| **Countries with an inflation target** [b] | **4.8** | **3.8** | **3.3** | **2.6** |
| **Other South American countries** [c] | **19.3** | **8.9** | **4.0** | **1.9** |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua and Panama.
[b] Brazil, Chile, Colombia, Mexico and Peru.
[c] Argentina, Bolivarian Republic of Venezuela, Ecuador, Paraguay, Plurinational State of Bolivia and Uruguay.

One element that could increase this risk is the significant process of financial inclusion under way in many economies of the region, through which, within the framework of credit expansion, large sectors of the low-income population have gained access to bank financing, particularly consumer credit, and other financial services. If a weaker labour market results in the stagnation of the income of these sectors and the cost of financing soars, their ability to pay could be compromised, leading to a deterioration of the credit portfolio.[14]

In view of this set of factors, it is highly likely that interest rates on domestic credit will rise. Moreover, in the face of slower growth in commodity prices and the higher cost of external financing, the public sector in many countries of the region may seek financing in the local systems, which would reinforce the factors driving the rise in domestic interest rates and disincentivize the expansion of credit to the private sector. Table II.14 shows that domestic lending to the public sector has increased considerably and in some countries is equivalent to more than 10 percentage points of GDP.

[14] That same phenomenon engendered the financial crisis in certain developed economies in 2008 and 2009, known as the subprime mortgage crisis.

**Table II.14**
**Latin America and the Caribbean: total domestic credit and domestic credit to the public and private sectors, 2000-2013**
*(Percentages of GDP)*

| | Total credit | | | | Credit to the public sector | | | | Credit to the private sector | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2000-2002 | 2003-2008 | 2009-2010 | 2011-2013 | 2000-2002 | 2003-2008 | 2009-2010 | 2011-2013 | 2000-2002 | 2003-2008 | 2009-2010 | 2011-2013 |
| Antigua and Barbuda | 69.7 | 66.9 | 94.7 | 87.0 | 4.0 | 2.0 | 14.4 | 11.9 | 65.7 | 64.9 | 80.2 | 75.1 |
| Argentina | 35.4 | 24.6 | 16.2 | 21.5 | 24.5 | 27.2 | 17.4 | 18.7 | 21.2 | 11.3 | 12.6 | 13.4 |
| Bahamas | 70.1 | 80.6 | 103.6 | 106.5 | 11.6 | 13.4 | 20.2 | 25.2 | 58.5 | 68.0 | 83.4 | 81.4 |
| Barbados | ... | 63.3 | 76.8 | 85.8 | ... | 14.6 | 15.7 | 20.0 | ... | 48.7 | 61.1 | 65.8 |
| Belize | 51.4 | 60.9 | 71.8 | 61.8 | 9.1 | 7.6 | 7.6 | 4.6 | 42.3 | 53.4 | 64.2 | 57.2 |
| Bolivia (Plurinational State of) | 67.4 | 48.8 | 40.8 | 43.3 | 12.6 | 11.5 | 8.7 | 8.4 | 54.8 | 37.3 | 32.1 | 34.9 |
| Brazil | ... | 77.8 | 88.0 | 101.8 | ... | 39.1 | 34.0 | 31.9 | ... | 33.8 | 46.2 | 61.4 |
| Chile | 57.6 | 54.0 | 57.7 | 58.6 | 5.9 | 0.4 | -2.1 | -0.8 | 60.3 | 59.5 | 67.9 | 71.0 |
| Colombia | 28.9 | 28.2 | 34.6 | 39.5 | 8.1 | 7.4 | 7.3 | 6.2 | 20.5 | 20.8 | 27.3 | 33.3 |
| Costa Rica | 39.5 | 40.6 | 45.2 | 45.4 | 4.0 | 5.4 | 3.0 | 3.8 | 27.6 | 33.9 | 45.7 | 45.6 |
| Dominica | 60.2 | 43.3 | 39.3 | 49.0 | 8.9 | -4.8 | -11.5 | -8.8 | 51.3 | 48.1 | 50.8 | 57.8 |
| Dominican Republic | 36.3 | 38.1 | 39.1 | 40.9 | 0.7 | 9.0 | 20.3 | 20.9 | 32.0 | 23.2 | 21.2 | 22.4 |
| Ecuador | 21.0 | 14.1 | 16.5 | 22.8 | -0.1 | -4.7 | -5.9 | -3.0 | 21.1 | 18.8 | 22.4 | 25.8 |
| El Salvador | 36.1 | 45.9 | 56.2 | 56.5 | 4.3 | 11.4 | 21.8 | 26.2 | 40.0 | 41.1 | 41.9 | 39.2 |
| Grenada | 69.3 | 62.7 | 79.4 | 81.7 | 3.9 | 0.0 | -1.1 | -0.3 | 65.3 | 62.6 | 80.5 | 81.9 |
| Guatemala | 25.9 | 29.9 | 30.8 | 32.9 | 4.8 | 7.0 | 10.4 | 9.3 | 21.5 | 24.6 | 24.2 | 26.7 |
| Guyana | 10.2 | 12.2 | 12.4 | 17.3 | -9.4 | -3.7 | -6.6 | -5.0 | 22.5 | 19.2 | 22.0 | 25.3 |
| Haiti | 187.9 | 343.4 | 363.2 | 95.5 | 88.6 | 145.7 | 68.7 | -28.5 | 99.3 | 197.7 | 294.5 | 124.1 |
| Honduras | 21.2 | 23.7 | 32.4 | 34.8 | -2.2 | -1.8 | 0.3 | 3.5 | 35.6 | 40.8 | 49.3 | 48.7 |
| Jamaica | 33.5 | 31.9 | 30.6 | 27.3 | 27.5 | 18.9 | 13.3 | 9.5 | 7.6 | 14.1 | 18.8 | 19.4 |
| Mexico | 29.7 | 32.1 | 41.7 | 44.3 | 15.5 | 14.8 | 19.1 | 18.2 | 14.2 | 17.2 | 22.6 | 26.1 |
| Nicaragua | 56.6 | 47.0 | 35.5 | 27.9 | 57.8 | 36.6 | 23.8 | 17.3 | 13.8 | 21.6 | 24.8 | 23.7 |
| Panama | 68.0 | 61.4 | 57.4 | 57.4 | -6.4 | -3.8 | -6.9 | -3.8 | 90.4 | 84.4 | 86.1 | 81.4 |
| Paraguay | ... | ... | ... | ... | ... | ... | ... | ... | 18.9 | 11.9 | 21.8 | 31.1 |
| Peru | 13.4 | 14.2 | 18.1 | 19.8 | -4.9 | -3.3 | -5.0 | -9.1 | 28.6 | 27.0 | 33.5 | 39.0 |
| Saint Kitts and Nevis | 67.6 | 76.2 | 89.8 | 77.6 | 10.6 | 15.7 | 21.3 | 2.0 | 56.9 | 60.5 | 68.5 | 75.6 |
| Saint Lucia | 69.0 | 76.1 | 104.3 | 105.2 | -13.1 | -10.3 | -9.3 | -6.6 | 82.0 | 86.4 | 113.5 | 111.8 |
| Saint Vincent and the Grenadines | 47.7 | 45.2 | 54.4 | 50.0 | -5.9 | -1.8 | 2.6 | -4.3 | 53.6 | 46.9 | 51.8 | 54.3 |
| Suriname | ... | 21.9 | 24.6 | 26.8 | ... | 3.1 | 1.1 | 2.3 | ... | 18.6 | 23.1 | 23.8 |
| Trinidad and Tobago | 26.6 | 13.5 | 21.4 | 21.5 | -1.6 | -10.7 | -11.3 | -5.9 | 28.2 | 24.2 | 32.6 | 27.3 |
| Uruguay | 45.9 | 18.9 | 10.8 | 12.8 | 7.6 | 8.0 | 3.9 | 7.1 | 68.1 | 30.0 | 23.7 | 24.3 |
| Venezuela (Bolivarian Republic of) | 13.7 | 20.9 | 28.3 | 32.5 | 3.1 | 3.8 | 4.6 | 10.0 | 9.4 | 12.1 | 19.0 | 20.2 |
| **Latin America and the Caribbean** | **48.6** | **52.2** | **58.6** | **51.1** | **9.6** | **11.5** | **9.0** | **5.8** | **41.8** | **42.6** | **52.1** | **48.4** |
| **The Caribbean** | **52.3** | **50.4** | **61.8** | **61.3** | **4.2** | **3.4** | **4.3** | **3.4** | **48.5** | **47.3** | **57.7** | **58.2** |
| **Central America** [a] | **40.5** | **40.9** | **42.4** | **42.3** | **9.0** | **9.1** | **10.4** | **11.0** | **37.3** | **38.5** | **41.9** | **41.1** |
| **Countries with an inflation target** [b] | **32.4** | **41.2** | **48.0** | **52.8** | **6.1** | **11.7** | **10.7** | **9.3** | **30.9** | **31.7** | **39.5** | **46.2** |
| **Other South American countries** [c] | **30.6** | **21.2** | **18.8** | **22.1** | **7.9** | **7.6** | **4.8** | **6.9** | **29.1** | **18.2** | **18.3** | **19.8** |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua and Panama.
[b] Brazil, Chile, Colombia, Mexico and Peru.
[c] Argentina, Bolivarian Republic of Venezuela, Ecuador, Paraguay, Plurinational State of Bolivia and Uruguay.

# C. Macroeconomic policies in the light of the post-crisis external context

The objectives of macroeconomic policy in the short to medium term consist of maximizing the sustainable use of production capacities (including labour) over time. Policy must also aim to create incentives and conditions for the steady expansion of production capacities, in order to foment both an increase in per capita GDP and progress towards an equitable distribution of the benefits of growth.[15]

[15] Growth is understood to be economically sustainable when it is steady and the fluctuations associated with domestic imbalances (such as high inflation and acute unemployment) and external imbalances (acute and sustained current account deficit, significantly misaligned real exchange rate) are avoided or prevented. As discussed in the introduction, a broader definition of the sustainability of growth includes social dimensions and preserving the environment for future generations. A narrower definition is used in this chapter in order to focus the discussion on the macroeconomic elements. The aspects relating to social sustainability are addressed in chapter IV.

From the perspective of macroeconomic policy, achieving high, stable growth poses several challenges. First, it means preventing the economy from overheating during the expansionary phase of the cycle and creating domestic imbalances (inflation) or external imbalances (current account deterioration fuelled by excessive domestic spending and currency appreciation), which would then have to be corrected through drastic adjustments, as seen in the past. In the region's experience, these corrections sent long-term growth plummeting and aggravated unemployment and poverty. At the same time, during the downswing policy must prevent the economy from moving too far away from the production frontier (with the consequent increase in unemployment and idle installed capacity) with a view to avoiding socially regressive effects and helping to prevent the kind of negative expectations relating to investment among productive agents that hinder the continuous expansion of the production frontier.

Second, the above implies that macroeconomic policy must continue to stimulate the production of exportable goods and services and import substitution to prevent external imbalances which, owing to the shortage of foreign currency, may prevent the full use of production capacities and thwart growth. This entails establishing a stable real exchange rate that can enhance the competitiveness of the export and import-substitute sectors and which is compatible with a sustainable external balance.

Third, macroeconomic policy must keep inflation within a socially tolerable range to prevent it from having regressive effects and from generating expectations of sudden changes in policy, which derail the extension of the productive frontier because greater uncertainty discourages investment.

Fourth, macroeconomic policy must create the conditions for the uninterrupted expansion of the production frontier, promoting investment and supporting sufficient funding in order to avoid excessive exposure to fluctuations in the availability of external resources.[16] Both aspects, investment and its financing by means of national savings, are fundamental and complementary to contributing to the growth of a production frontier that is less vulnerable to external shocks. It should also seek to protect investment, particularly public investment in key areas for long-term growth, from extreme reductions during downturns, as has happened in the past in most of the region's countries. Moreover, achieving an uninterrupted expansion of the production frontier creates the conditions for continuous improvements in productivity and higher degrees of social well-being and equality.

Four guidelines to orient countercyclical policy would help to achieve those objectives. First, to be effective, fiscal, monetary, exchange-rate and regulatory policies (including those of a macroprudential nature) must be country-specific and take into account the type of shock being faced and the macroeconomic features of each case, which together will determine the impact of external cyclical fluctuations and to what extent they will spread to the rest of the economy.

Second, in general more than one policy is needed to achieve the four aims outlined above, since focusing the burden of adjustment on just a few variables and markets results in more lengthy and costly recovery processes. Moreover, such policies must be coordinated and applied deliberately and authoritatively since in the region's experience, automatic balance mechanisms suffer from serious flaws caused by short-sightedness, euphoria and moral hazard that translate into an excessive expansion of credit and spending and the delusion that others will pay the price for the region's errors.

Third, the spectrum of applicable policies is not only conditioned by a country's macroeconomic features, but also restricted by the space available in which to implement the right policies. Sometimes countries face constraints in terms of their fiscal or external solvency that prevent them from applying the most desirable option from a social point of view. The contribution of multilateral and regional funding agencies to stave off acute recessions, unemployment and low income is crucial to prevent such restrictive conditions and to ensure greater variety and flexibility in policy.

Fourth, macroeconomic policy must necessarily be complemented with other microeconomic or sectoral action to promote the expansion of the production frontier. While macroeconomic policy helps create the conditions for pushing back the frontier, alone it is not enough and must be accompanied by long-term growth-oriented production development policies.

How should the challenge of achieving these four policy objectives be approached in the light of the projected changes in the external context and the vulnerabilities discussed in the previous section? The next section seeks to answer this question, while bearing in mind the four guidelines outlined above and the analysis of vulnerabilities and strengths in the previous section.

[16] The short-term objectives of macroeconomic policy are generally discussed in the somewhat static framework of what is known as the trilemma of growth, inflation and the external balance. The dynamic approach taken here emphasizes the interaction between levels of activity in the short and long term and this adds a new dimension to this discussion: the financing of expenditure and its breakdown between consumption and investment.

# 1. Macroeconomic policy challenges in the light of the main characteristics of the countries

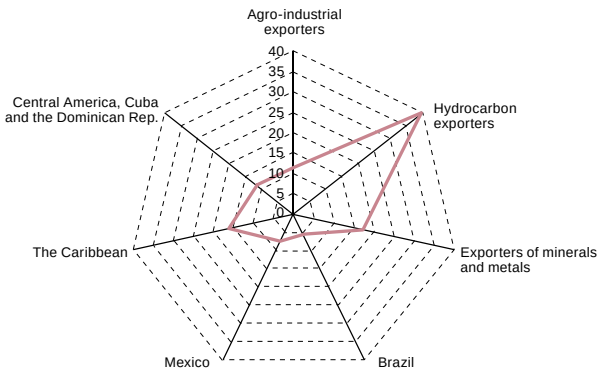
## (a) Stylized representations of the initial conditions that backdrop the new external context

With a view to presenting a synthesis of the detailed information on countries' macroeconomic vulnerabilities and strengths in the face of the future external context and with the purpose of conducting a joint analysis of countries affected by similar external shocks, countries were classified according to export specialization and geographical grouping.[17] Figures II.2, II.3, II.4 and II.5 represent in stylized form the different conditions facing countries in 2013, presenting 14 macroeconomic features grouped by indicators of external strength or vulnerability (trade and financial), public finances and the financial system.[18] This stylized representation, together with the additional indicators discussed in the previous section, facilitates a differential analysis of the implications of the forecast external context for macroeconomic policy.

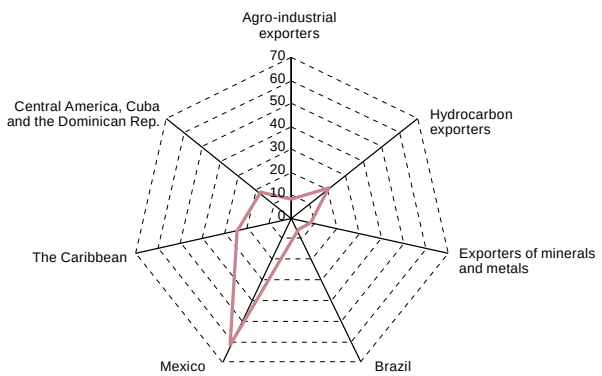
**Figure II.2**

**Latin America and the Caribbean: selected indicators of external strength or vulnerability through the trade channel, 2013**

A. Export concentration index by product




B. Export concentration index by destination

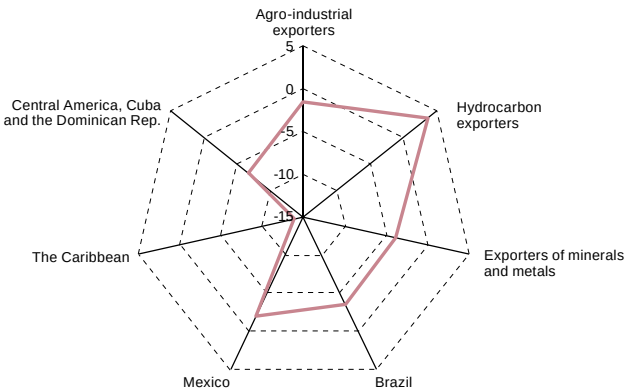



[17] The following country groupings were established: (i) Central America and the Dominican Republic; (ii) the Caribbean (excluding Trinidad and Tobago); (iii) hydrocarbon exporters (Bolivarian Republic of Venezuela, Colombia, Ecuador, Plurinational State of Bolivia and Trinidad and Tobago); (iv) exporters of minerals and metals (Chile and Peru); (v) agro-industrial exporters in South America (Argentina, Paraguay and Uruguay); and (vi) Brazil and Mexico (treated as a separate group because of their large share in regional GDP).

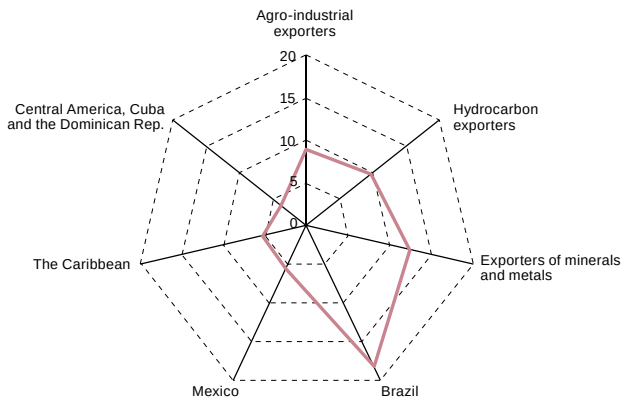
[18] The indicators used were: (i) external trade strength or vulnerability (export concentration indices by product and destination, current account balance and international reserves); (ii) external financial strength or vulnerability (new net external financing needs, external debt and share of short-term external debt in total debt (one year or less); (iii) the public finances position (primary balance, public revenues from non-renewable natural resources, total public debt, domestic public debt and interest on the debt); and (iv) the situation of the financial system (domestic credit and non-performing loans).

Figure II.2 (concluded)

C. Current account balance
*(percentages of GDP)*




D. International reserves
*(months of import coverage)*




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

**Figure II.3**

**Latin America and the Caribbean: selected indicators of external strength or vulnerability through the financial channel, 2013**

A. External financing needs, 2003-2013
*(percentages of GDP)*

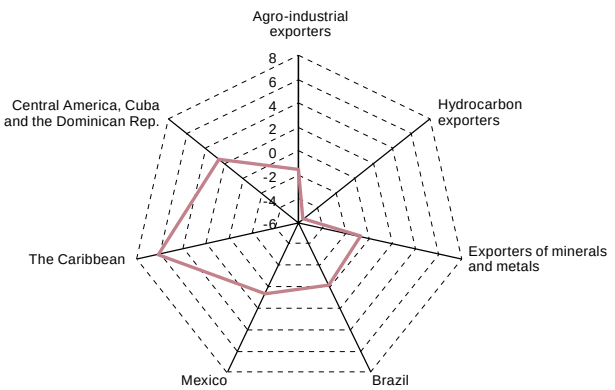
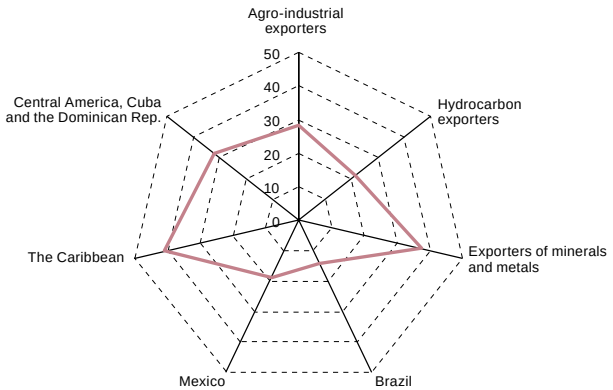
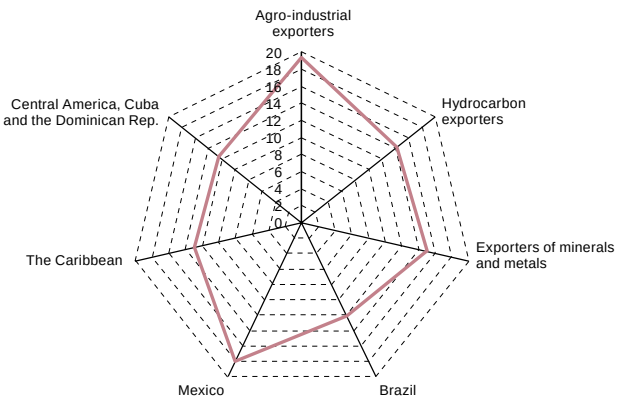


Figure II.3 (concluded)

B. External debt
*(Percentages of GDP)*




C. Short-term external debt
*(percentages of total debt)*




**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 indicators of the public finances position, 2013**

A. Central government primary balance
*(percentages of GDP)*

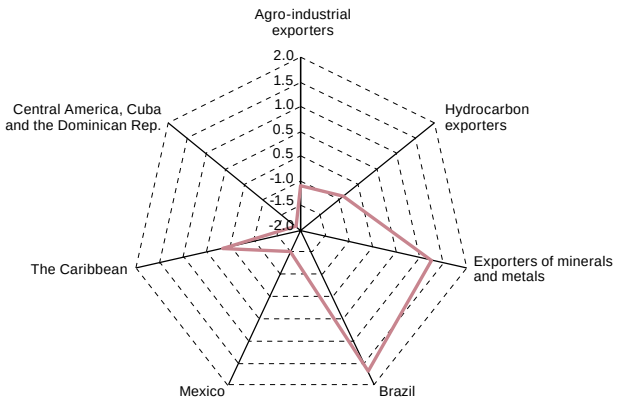
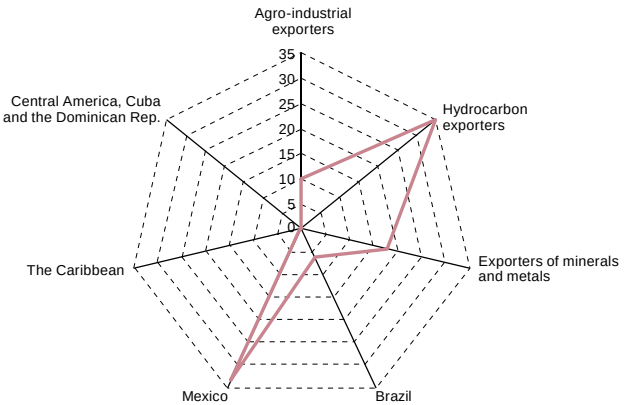
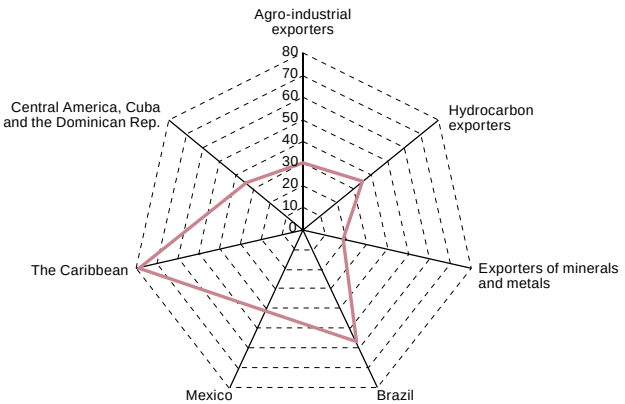


Figure II.4 (concluded)

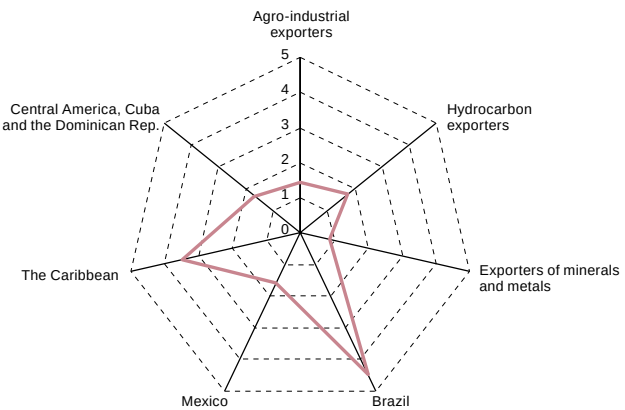
B. Relative share of income from non-renewable natural resources
*(percentages of total public revenues)*




C. Gross public debt of the non-financial public sector
*(percentages of GDP)*




D. Public debt interest
*(percentages of GDP)*

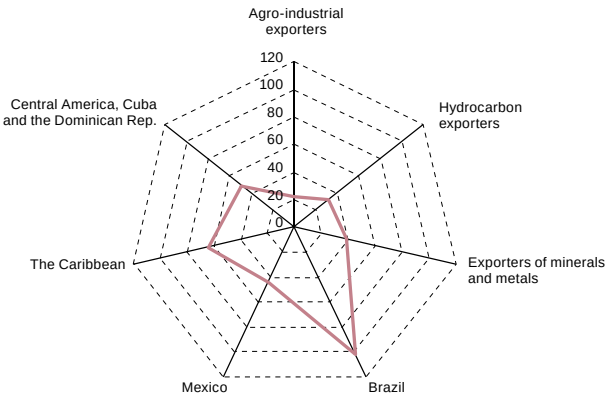



**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

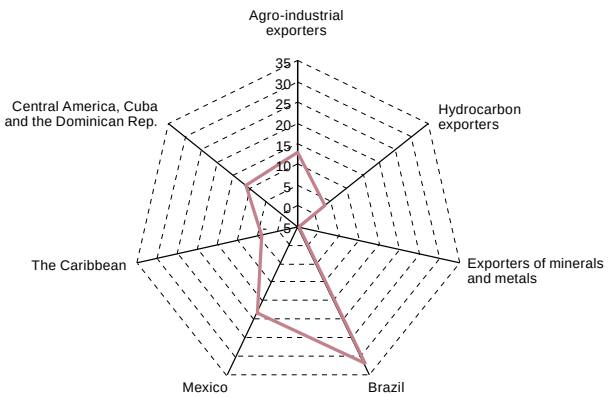
**Figure II.5**

**Latin America and the Caribbean: selected indicators on the situation of the financial system, 2013**

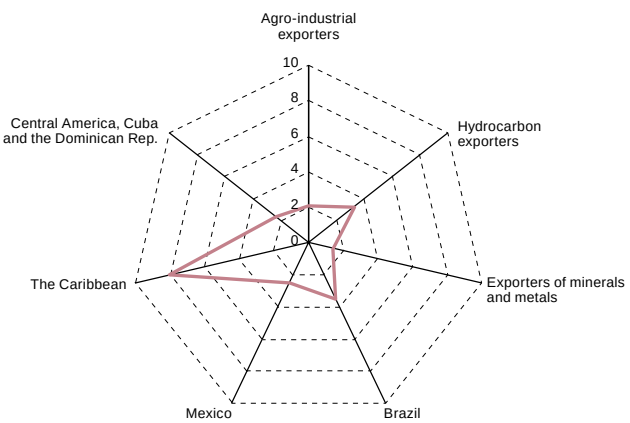
A. Domestic credit
*(percentages of GDP)*




B. Net domestic credit to the public sector
*(percentages of GDP)*




C. Non-performing loans
*(percentages of the total loan portfolio)*




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

## (b) Macroeconomic policy guidelines in the light of the characteristics of the countries

### *(i) Central America and the Dominican Republic*

The countries in this grouping may vary in size and in the diversification of their production structures, but one trait they share is the high concentration of their exports in one destination: the United States. In many of these countries, remittances account for a very large proportion of foreign exchange inflows and the income of individuals. In some cases, external financing needs are high as a proportion of GDP owing to sustained and significant current account deficits (see figures II.2 and II.3 and table II.6). External debt is comparatively low in relation to other regions of the world, generally lower than 50% of GDP, but in 2013 it was above the average for Latin America (28.9%). International reserves as a proportion of imports fall short of the regional average. Recently, some countries have posted a negative primary fiscal balance for several consecutive years, while making interest payments on the public debt above the regional average. It is thus possible that public debt and interest payments will increase in the future (see figure II.4 and tables II.7 and II.10). With the exception of Panama and the Dominican Republic, potential growth has frequently been low and in decline.

Since the group's exports are primarily oriented towards the United States, the buoyant future outlook for that country could result in improved external variables for Central America and the Dominican Republic, provided that internal imbalances do not worsen and deteriorate external accounts. The subregion's terms of trade are not expected to see the type of reductions seen between 2003 and 2008, and are likely to remain stable. Since the external sector is expected to contribute positively to growth, countercyclical policies should not be oriented towards an ever greater expansion of aggregate demand, but rather should focus on creating the spaces for fiscal and monetary policy that are lacking today, maintaining a real exchange rate that stimulates exports, and real interest rates that do not discourage investment and that encourage financial savings to be kept in the country. In addition, owing to the low potential growth (except in Panama and the Dominican Republic) (see figure II.1), any increases in aggregate demand could quickly translate into a widening of the current account deficit and inflationary pressures. External finances, even if they remain within reasonable bounds compared with other country groupings, can become a source of new risk if internal and external imbalances persist. Thus, although short-term debt accounts for only 12.5% of total external debt and risk levels are therefore low with respect to possible increases in international interest rates or the need to renegotiate the foreign debt, the ongoing need for external financing, owing to the current account deficit, will gradually raise the level of risk in the coming years.

The key guidelines for this group of countries consist, first, in strengthening public finances, especially where tax burdens are comparatively low in relation to per capita income and do not provide sufficient and sustainable coverage for public spending on social programmes, building human capital and investment in infrastructure for growth. Second, fiscal and financial policies and policies for the restructuring of production should give high priority to investment and boosting productivity to raise potential output which, if it continues to grow slowly in these countries, could soon become an obstacle to achieving greater well-being, equality and poverty reduction.

### *(ii) The Caribbean*[19]

The countries of the Caribbean orient their exports to developed countries, they are net importers of food and raw materials, and their growth is very sensitive to the performance of their trade partners (see table II.2). As a result of these factors, the external scenario projected for the next five years as regards the trade balance is expected to be more benign than in the last four years.

The recent current account deficit is, on average, the largest in the region in GDP terms (see table II.6 and figure II.2). International reserves measured in months of imports are at a similar level, on average, to the rest of the region. External financing requirements as a proportion of GDP have traditionally been high, far exceeding the rest of the region, and although the level of external debt is low in comparison with other regions of the world, it is higher than the average Latin America (see figure II.3). Despite much diversity from one country to another, overall the primary fiscal balance is low and often negative. High levels of public debt mean substantial interest payments,

[19] For the purposes of analysis, Trinidad and Tobago is excluded from this group and is analysed instead as part of the group of hydrocarbon-exporting countries.

which, as in the case of Central America, tends to create a vicious cycle of expanding public debt and interest (see figure II.4 and table II.10). Domestic credit as a percentage of GDP remains at moderate levels, but the quality of the loan portfolio is poor, with a high proportion of non-performing loans, in comparison with both the rest of the region and regulatory standards (see figure II.5 and table II.13). In the countries for which information is available, the share of raw materials in public revenue is very low, with the exception of Suriname, where that share has grown systematically to reach 22% of the total.

Thus, in most of the countries of the Caribbean, the availability of external financing and low growth potential (for the countries with enough information to estimate it) pose constraints on sustained growth. As was noted for Central America, the challenges for macroeconomic policy consist in the progressive strengthening of public finances and investment as key elements towards cementing long-term growth.

### *(iii) The hydrocarbon exporters*[20]

The two main characteristics of this group are its very high concentration of exports in hydrocarbons (while concentration by destination is no higher than the regional average) and the large share of income from these goods in public revenues. This means that perturbations in the commodity markets translate almost directly into perturbations in public finances, unless there are buffers in place in the form of sovereign wealth funds, as is the case for Trinidad and Tobago.[21] The economies belonging to this group are diverse, with Colombia having a much more diversified production and export structure than the rest. On the whole, the current account balance, external debt and the level of international reserves do not point to pronounced imbalances and external financing needs have been very low and, in some cases, negative (see tables II.5 and II.6 and figure II.3). Short-term debt accounts for only 14.1% of external debt, which means that risk levels are low with respect to higher international interest rates or refinancing needs. By contrast, domestic public debt and interest payments are not so low (see tables II.8 and II.10). Though progress has been made, the non-performing loan rate remains high (see table II.13). In recent years, economic growth has held steady at a good level in these countries, with the exception of Trinidad and Tobago and the Bolivarian Republic of Venezuela. With these same exceptions, potential growth is above average for the region.

The future external environment of these countries will be influenced by the price of hydrocarbons and that market will experience structural changes as new sources and new suppliers of hydrocarbons come to the fore, while being continuously subjected to episodes of acute uncertainty caused by geopolitical conflicts.

Consequently, external uncertainty will remain high for these countries and they will face significant fiscal policy challenges. In particular, in order to exercise countercyclical capacities, mechanisms will have to be developed to mitigate these external shocks with a view to ensuring that the cyclical nature of external revenues is not transmitted fully to public expenditure, in particular towards investment. At the same time, high exposure to risk in the hydrocarbons market should be countered progressively, fostering productivity gains in other areas with a view to diversifying the production structure.

Some of the features of the Bolivarian Republic of Venezuela set it apart somewhat from this group of countries. In this particular case, in addition to the challenges already mentioned, the country also needs to stabilize the economy in the short term.

### *(iv) Exporters of minerals and metals*

Two countries make up this group: Chile and Peru.[22] From the point of view of export specialization, the two countries share many traits, such as an ever higher concentration of export products, but with some diversification in terms of destination markets. In fact, they are more diversified in terms of destination than the other groups analysed, but Chile is more exposed than Peru to the variability of China. The share of public revenues from commodities is high, although lower than for the hydrocarbon exporters, and both countries have established systems to prevent fluctuations in revenue from directly affecting spending (see table II.11). The current account deficit has been moderate during the last two years (between 3% and 4% of GDP) but with a tendency towards further decline. Average foreign

[20] This group includes the Bolivarian Republic of Venezuela, Colombia, Ecuador, the Plurinational State of Bolivia and Trinidad and Tobago.
[21] For information on the heritage and stabilization fund in Trinidad and Tobago, see box III.2 of the second part of ECLAC (2011c).
[22] Suriname also shares the characteristics of a mineral-exporting country, but owing to the absence of information on several of the indicators, it is included in the Caribbean group.

debt is equivalent to slightly less than 40% of GDP, with a high proportion of private debt. In fact, the Government of Chile is a net creditor to the rest of the world. The percentage of short-term external debt is small, close to 15% of the total, which indicates low exposure to the risks associated with higher international interest rates and refinancing needs. Thanks to the substantial FDI inflows that both countries have received, external financing needs have been low and often negative (see table II.5). International reserves are especially high in Peru (equivalent to almost 16 months of goods and services imports) and equal to the Latin American average in Chile (6 months of goods and services imports) (see table II.6).

In terms of public finances, the recent primary balance has been positive and the burden of interest paid has fallen. Similarly, the public debt, both internal and external, remains at low levels (see tables II.8 and II.10). The position of the non-financial public sector of Peru as a net debtor has improved consistently and in early 2014 its debt was equivalent to only 2% of GDP. As a result, Peru's country risk is low (Chile has the lowest country risk in the region, followed closely by Colombia and Peru).[23]

In short, public and external finances are a source of strength in both countries. The main vulnerability with respect to the forecast external context lies in exposure to variability in demand for a small number of export goods and fluctuations in China's economy. Projections indicate that the trade partners of Chile and Peru, in particular the United States, Japan and some European countries, will return to growth in the short term. However, in the medium and long term, more modest growth in China and the change in its demand structure will lead to slower growth in exports of raw materials from these two countries. This could result in a cooldown with respect to the period 2003-2008.

The possible responses to this scenario are largely dependent on the space available for countercyclical policies. Peru's potential output has expanded at annual rates over 5% and rising, but with some moderation in recent years. That potential offers the chance to maintain, through a combination of appropriate policies on demand and relative prices (real interest rate and real exchange rate), a healthy rate of growth in spending and activity level without risking a serious external imbalance. In Chile potential GDP has trended steadily downward to about 3% per year, which leaves a very tight space for demand policies aiming to sustain growth without affecting the external balance or putting pressure on inflation. The cyclical position of the two countries is very different. The main challenges in Chile are long term: boosting potential growth through increased productivity, improving the quality of factors, especially labour, overcoming the constraints imposed by energy shortages and maintaining the pace of investment in a sustainable framework of public and external finance. For both countries, the challenge of production and export diversification remains pending.

### *(v) The agro-industrial exporters*[24]

The revenue of these countries is subject to changes in raw materials prices. This is a trait they share with other commodity-exporting countries, but their exports are less concentrated than those of the rest of the region, with the exception of Paraguay. Argentina, because of its size, shows greater export and production diversification than many countries in Latin America and the Caribbean. In terms of the destination of their exports, in all three countries intraregional trade is higher than the regional average. In Paraguay, demand from China is very low, whereas in Argentina and Uruguay it is slightly higher than the regional average (see table II.4). New net external financing needs have been negative for several years owing to a combination of factors. Argentina posted sustained current account surpluses over several periods owing to the rise in external revenues caused by improvements in its terms of trade; only in recent years has it recorded deficits, which were addressed using various direct control measures. In Paraguay and Uruguay, net FDI flows have more than offset the current account deficit. External debt is comparatively low in relation to other country groupings, except in Uruguay where it was higher than the average for Latin America (39.3% of GDP). International reserves are high only in Uruguay (equivalent to 11 months of imports). The real effective exchange rate index shows a significant degree of real appreciation in Paraguay and Uruguay (see table II.6). In Argentina, this index is influenced by exchange and price controls. It is possible, then, that these external solvency indicators could be adversely affected in a future environment characterized by a stronger dollar and less robust external prices that in the past, which would require an exchange-rate correction to prevent the intensification of external imbalances.

[23] For more on country risk as measured by the Emerging Markets Bond Index (EMBI) see section B of part I of this *Survey*.
[24] These countries include Argentina, Paraguay and Uruguay.

The primary balance in these three countries is so low that, after interest payments, the overall balance is negative. Interest as a proportion of GDP is particularly high in Argentina and Uruguay, which could lead to greater financing needs in the future (see tables II.8 and II.10). A significant share of public revenue comes from natural resources in Argentina (10% of the total), which exposes public finances to the risks associated with commodity markets.

The financial systems of this group of countries are not deep in terms of the weight of credit in relation to GDP, although Argentina has recorded very high rates of credit expansion in recent years. Nevertheless, the loan portfolio has improved over the long term (see tables II.12 and II.13).

In all three countries, potential GDP growth is about 4%, which is higher than in past decades. This would indicate that there is some space for short-term macroeconomic policies targeting the potential growth rate, which is similar to or less than the actual recent performance of Paraguay and Uruguay, but is higher than the growth recorded in Argentina for the most recent period (see table II.1). The difference is, in part, that the Argentine economy is currently subject to constraints on financing at a time when the deterioration of the current account is generating a greater need for external financing.[25] This limits the options for using demand policies to take full advantage of the country's productive potential as such a move would further aggravate the external imbalance.

To differing degrees, the public finances of Argentina and Uruguay, with their low primary balances and high interest payments, do not have space for a sustainable countercyclical policy. While the level of public debt is still moderate by international standards, the deficit will call for future increases in internal and external financing needs that could very soon reach a limit if the availability of external financing is reduced. In Paraguay, space for countercyclical fiscal policy is wider because current debt levels are much lower.

Monetary policy space will be further restricted, on the one hand, in cases where the real effective exchange rate appreciates significantly, owing to the prospect of exchange-rate corrections and the consequent impact on domestic prices; and on the other hand, in cases where inflationary rhythms would make expansionary monetary action ill-advised. The recovery of macroeconomic policy space is then a priority objective that requires different options to ensure the sustained strengthening of public finances.

### *(vi) Brazil and Mexico*

These two countries are the largest economies in the region and together represent 62% of regional GDP. Their production structure and exports are considerably more diversified than those of the other countries. However, this is not the case for their export destinations: Mexico has the highest degree of concentration in the region, sending 78.7% of its exports to the United States, while Brazil presents one of the lowest degrees of concentration. Both countries have posted moderate current account deficits for several consecutive years, which have been offset by net FDI inflows, especially in Brazil, to the extent that net additional external financing needs have often been negative. As a result, external debt is low by international standards and lower than the Latin American average. In Brazil, international reserves are very high in terms of months of import coverage (equivalent to 14 months) (see table II.6).

The primary balance in both countries is low and insufficient to cover the interest on public debt (see tables II.7 and II.10). Mexico's primary balance has been negative for several years; meanwhile, in Brazil, despite being positive, it is not directly comparable with other countries because certain expenditures are excluded from the calculation. As a result, in both countries the public debt, especially domestic public debt, has increased steadily: equivalent to 57% of GDP in Brazil, the highest in Latin America, and 41.3% of GDP in Mexico (see table II.8). Accordingly, the interest payments on Brazil's public debt are very high (4.2% of GDP), while Mexico's are equal to the regional average (1.7% of GDP).

The proportion of revenues from commodities is very high in Mexico (33.4% on average in the period 2009-2012), a percentage that is surpassed only by the hydrocarbon-exporting countries. The share in Brazil reached only 6.3% on average in the same period.

The financial systems of both countries are very diversified and, in the case of the Brazil, the system is also deep, as seen in the high proportion of total credit as a percentage of GDP. This can be attributed to the rapid expansion in lending seen recently in Brazil as a result of a countercyclical policy pursuing higher domestic demand to sustain the pace of economic growth. These increases were more moderate in Mexico. In addition, as a result of this policy and the public finances deficit, the proportion of credit to the public sector in Brazil is the highest in Latin America. In both countries, the quality of the loan portfolio has improved, but the level of non-performing loans in Brazil is still high.

[25] See the country note on Argentina included in the electronic version this *Economic Survey*.

In the last decade, the pace of economic growth in both countries was modest or low (see table II.1). Potential output grew slowly in Brazil, while its expansion declined in Mexico. This indicates that the expansionary aggregate demand policies have little space to raise the growth rate, since increased spending will lead quickly to a wider current account deficit or inflationary pressures. At the same time, despite the stable external financial position in both countries, which would allow them to continue posting moderate current account deficits, the public finances position is not as robust as in previous years, and if the primary balances remain low it could give rise to a vicious circle of ever higher interest and debt burdens. Low growth rates tend to exacerbate this vicious circle, which leads to falling tax revenues. Furthermore, low potential growth limits the space for adopting a non-inflationary expansionary monetary policy, which compounds what was stated above regarding the future shrinking of monetary policy spaces in most of the region's countries.

In both countries, therefore, the main challenge of macroeconomic policy is to help raise potential output, that is, boost investment, particularly in infrastructure and in support for public programmes to enhance productivity. This presupposes some consolidation of public finances, as high debt levels tend to discourage real investment through three channels that are used to differing degrees in Brazil and Mexico. The first is to raise the real interest rate, which makes financing more expensive; the second is linked to the displacement effect known as "crowding out", when public debt captures a substantial portion of financial savings; and the third is the tendency towards real appreciation as financial inflows are attracted by high interest rates under relatively open capital account regimes, as is the case for both countries.

## D. Conclusions

This chapter has examined the macroeconomic situation as the region looks towards a future external environment showing some recovery in the global economy compared with the post-crisis years, but with growth rates that remain lower than during the boom of 2003-2008. The region's countries were grouped according to a combination of geographical location and production and export specialization and, on the basis of a series of key indicators, macroeconomic policy guidelines were identified taking into account the diversity of each group. Certain common traits were identified through this analysis.

First, in many countries and in many ways the present macroeconomic situation in the region is considerably more solid than one or two decades ago, and progress in certain key areas of development, such as poverty reduction and improving living standards, is evident, though as yet insufficient.[26] Indeed, while growth in the region was hit by the global financial crisis in 2008 and 2009, the enhanced macroeconomic response capacity and the measures taken by the developed countries and China to tackle the crisis facilitated improved performances after the crisis, in the majority of cases. However, the external environment is changing and macroeconomic policy must follow suit. In terms of its medium-term macroeconomic strategy, the region needs to make a policy shift from the countercyclical action of the peak years of the crisis towards the creation of conditions for sustained growth in the context of a less dynamic global economy than in previous years.

Second, in many cases policy spaces are reduced owing to cyclical reasons. The former include the countercyclical response adopted by various countries in the wake of the financial crisis of 2008-2009, which, though it helped prevent a drop in growth through higher spending, especially on consumption, it has led today to low or negative primary fiscal balances and weighty interest on public debt. Furthermore, in several cases levels of investment have been low —precisely because of the emphasis on consumption— and productivity gains have been insufficient, as will be shown in chapter III. As potential growth fell, the space for an expansionary demand policy also shrank, making it more likely that spending increases will lead to current account deterioration and inflationary pressures than in higher activity levels. In short, the countercyclical strategy that was once used to avoid further deterioration is now, with a few exceptions, considerably less effective.

[26] Part II of the *Economic Survey of Latin America and the Caribbean, 2013* contains an exhaustive analysis of macroeconomic developments in the region over the past 30 years.

Third, certain structural features are also constricting policy spaces. Public finances constitute a key area and one in which several countries have exhibited weaknesses over many years, such as tax burdens that are inconsistent with the level of per capita income and that fail to meet the demands arising from development needs, such that public investment, social programmes and the performance of the economy in general have continued to be subject to fluctuations in the availability of external financing. Also, despite some progress, levels of domestic investment and savings have been low for several years (compared with countries outside the region that saw steady growth in these areas), which restricts policy space inasmuch as it results in low growth potential and a reliance on external funding.

Fourth, low potential growth constitutes a risk to the sustainability of public finances. It is well known that when real interest rates exceed the rate of GDP growth, the public debt-to-GDP ratio rises, unless there is a primary surplus. On many occasions a primary deficit has been more common and interest is high in some cases. A possible rise in borrowing costs is a risk that should be avoided, both through support for long-term growth and for fiscal and tax measures that promote a better balance over time between revenue and expenditure. If spending patterns are both predictable and sustainable over time, that alone can bring down financing costs by improving the level of country risk, which also helps stimulate real investment.

The above factors represent just as much of a risk to private finance. From the global financial crisis to the present day, the financial systems in the region have not shown the same degree of instability as in the past and overall solvency indicators are positive; nevertheless, with the exception of a few months at the height of the recent crisis, these systems have also not been subjected to the kind of tensions that they faced in previous decades.

Fifth, the majority of countries with information available have recorded differing degrees of (and in some cases quite substantial) real appreciation with respect to the previous decade. This situation is very likely to be corrected in the future and therefore the current solvency indices (public and private) may not reflect accurately the risks of external borrowing.

Lastly, countries' capacity to sustain the level of growth required to reduce the existing gaps with respect to developed countries depends largely on boosting competitiveness through higher levels of productivity. ECLAC has made proposals in that connection in several of its main publications.[27] The contribution that macroeconomic policy can make to that objective can be summarized as follows on the basis of the information presented in this chapter: policy spaces must be extended by strengthening public finances, supporting investment in key areas of the economy and creating incentives for building up domestic savings in order to reduce dependence on external resources. Furthermore, this set of objectives allows for the provision of solid financial backing, through the budget, public-private partnership, the creation of incentives and financial support, among other sources, to strategies for fostering greater human capacity-building and the diversification and revitalization of the production structure with a view to pursuing activities with greater value added and growth potential.

[27] See, for example, ECLAC (2012b).

Chapter III

# Economic growth and productivity in Latin America and the Caribbean

Introduction
A. Productivity gaps between Latin America and developed countries
B. Productivity and growth in Latin America and the Caribbean
C. Concluding remarks

# Introduction

Over the past 30 years, economic growth has tended to be low and unstable in Latin America and the Caribbean, as was noted in the 2013 edition of the *Economic Survey* (ECLAC, 2013b). The analysis presented in this chapter helps explain the factors behind this poor performance, and discusses the challenges the region faces in achieving long-term growth, taking the most immediate determinants into account. A number of exercises, designed to quantify the factors that have driven growth, were therefore carried out on the basis of a "growth accounting" approach. The aim of this analysis is to identify elements that can help gear public policies towards raising growth rates sustainably for the economies of Latin America and the Caribbean.

The international literature on growth accounting is generally structured around an approach which, according to Caselli (2004), might be expressed as:

Output = F (factors, efficiency)

In other words, output, usually measured in per capita terms, is a function of certain factor inputs, normally some measurement of capital and labour, and of total factor productivity (TFP) or the "efficiency" with which inputs are utilized. TFP in turn is a measure of the shift in the production function (of an economy, a production facility or an economic sector), for a given level of capital and labour inputs. Intuitively, it also measures the shift in the production function that results in addition to the contributions of the capital and labour inputs. Many factors might cause this shift: technical innovation, organizational or institutional changes, changes in factor shares, scale effects, variations in work intensity, and measurement errors, among others (Hulten, 2001).

As with many growth theories, this approach considers a long-term relationship and assumes the full employment of resources. Accordingly, the empirical studies are based on long statistical time series and in some cases use averages over several years, in order to obtain a quantitative approximation of growth trends that is unaffected by short-term cyclical fluctuations, insofar as is possible.

This approach intrinsically presents two major challenges. The first consists in attempting to determine the content of the inputs as best possible. The second, and the more difficult, is to determine what is explained by "efficiency". Maddison (1987, page 651) states that, "growth accounting of this kind cannot provide a full causal story. It deals with 'proximate' rather than 'ultimate' causality and registers the facts about growth components; it does not explain the elements of policy or circumstance, national or international, that underlie them, but it does identify which facts need more ultimate explanation".

In this context, ECLAC, the Groningen Growth and Development Centre, the Valencian Institute of Economic Research and Harvard University, working together to implement the LA-KLEMS project, have developed a database that will help improve the identification of "proximate" causes of growth trends in the region.[1] The result is a homogeneous database, known as KLEMS, which allows the improved measurement and identification of capital (K), labour (L), energy (E), materials (M) and services (S) inputs.

Section B of this chapter contrasts the key growth-related dimensions in five Latin American countries and seven developed economies. This comparison illustrates some of the gaps that determine the region's lower productivity levels. Section C examines the evidence, based on detailed exercises, regarding the "proximate" causal factors of growth in Latin America and the Caribbean between 1990 and 2013. Lastly, section D brings together the main findings and briefly discusses some policy guidelines for sustainable growth in the difficult external environment described in chapter I.

[1] The LA-KLEMS project currently includes 10 Latin American and Caribbean countries. The database is built on employment and national accounts statistics provided by the countries of Latin America and the Caribbean and generated by their respective national statistical institutes and central banks. The results of LA-KLEMS are comparable with those of the World KLEMS database and support disaggregated analysis of a large group of developed and developing countries.

# A. Productivity gaps between Latin America and developed countries

In line with the approach of Maddison (1987), an initial exercise was carried out to identify the factors that account for the region's low growth and require subsequent explanation. This took the form of a comparative analysis of the key dimensions of growth and shed some initial light on the challenges of devising policies to improve the long-term performance of Latin America and the Caribbean. The subsequent sections expand on this analysis.

Table III.1 compares the values of variables that are key under different growth theories. They include labour productivity (the ratio between output and employment), capital intensity (the ratio between the capital stock and employment) and TFP. Capital is broken down into the components of ICT capital (associated with information and communications technologies) and non-ICT capital. The comparison includes seven developed countries (France, Germany, Italy, Japan, Spain, the United Kingdom and the United States) and five Latin American countries (Argentina, Brazil, Chile, Colombia and Mexico). The latter accounted for about 81% of Latin American and Caribbean GDP, in nominal dollars, between 2009 and 2013.

**Table III.1**
**Latin America and developed countries (selected countries): labour productivity indicators, 1995-2007**
*(PPP dollars at constant 1995 prices)*

| | Germany | Spain | United States | France | Italy | Japan | United Kingdom | Argentina | Brazil | Chile | Colombia | Mexico |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total economy labour productivity** | | | | | | | | | | | | |
| 1995 | 25.8 | 22.8 | 25.8 | 25.6 | 24.0 | 19.9 | 20.7 | 11.0 | 6.3 | 7.8 | 6.6 | 10.0 |
| 2007 | 31.0 | 24.5 | 33.3 | 30.8 | 25.4 | 25.7 | 26.7 | 13.5 | 6.7 | 10.9 | 8.4 | 11.7 |
| **Annual growth rate of total economy labour productivity** | | | | | | | | | | | | |
| 1995-2007 | 1.6 | 0.7 | 2.0 | 1.5 | 0.5 | 2.1 | 2.1 | 1.7 | 0.6 | 2.6 | 2.0 | 1.2 |
| **Total economy capital-labour ratio** | | | | | | | | | | | | |
| 1995 | 50.3 | 45.9 | 40.9 | 52.9 | 99.2 | 46.0 | 31.6 | 15.9 | 9.2 | 10.8 | 4.6 | 20.0 |
| 2007 | 66.3 | 57.4 | 60.0 | 62.2 | 113.5 | 65.4 | 46.0 | 18.0 | 10.6 | 21.8 | 29.9 | 23.8 |
| **Annual growth rate of total economy capital-labour ratio** | | | | | | | | | | | | |
| 1995-2007 | 3.48 | 2.56 | 3.71 | 2.49 | 2.33 | 3.45 | 3.97 | 1.82 | 0.79 | 6.05 | 15.5 | 1.64 |
| **Total economy non-ITC capital-labour ratio** [a] | | | | | | | | | | | | |
| 1995 | 47.9 | 43.7 | 37.8 | 50.9 | 96.9 | 43.9 | 29.5 | 15.2 | 8.0 | 10.7 | 4.2 | 19.4 |
| 2007 | 57.7 | 50.8 | 45.7 | 57.5 | 106.9 | 60.2 | 35.0 | 15.5 | 7.3 | 19.9 | 24.2 | 21.1 |
| **Annual growth rate of total economy non-ITC capital-labour ratio** | | | | | | | | | | | | |
| | 2.1 | 1.6 | 1.3 | 1.6 | 1.6 | 2.7 | 1.4 | 1.1 | -1.0 | 5.2 | 15.7 | 0.8 |
| **Total economy ITC capital-labour ratio** [a] | | | | | | | | | | | | |
| 1995 | 2.4 | 2.3 | 3.1 | 2.0 | 2.3 | 2.1 | 2.1 | 0.6 | 1.3 | 0.1 | 0.4 | 0.6 |
| 2007 | 8.6 | 6.6 | 14.4 | 4.7 | 6.6 | 5.2 | 11.0 | 2.5 | 3.3 | 1.9 | 2.4 | 2.7 |
| **Annual growth rate of total economy ITC capital-labour ratio** | | | | | | | | | | | | |
| | 10.8 | 8.9 | 12.8 | 7.7 | 8.8 | 8.2 | 13.9 | 8.9 | 8.0 | 27.2 | 14.0 | 11.9 |
| **Total economy total factor productivity** | | | | | | | | | | | | |
| 1995 | 95.9 | 86.3 | 100.0 | 94.4 | 75.6 | 75.4 | 86.3 | 61.5 | 37.4 | 46.0 | 43.4 | 49.6 |
| 2007 | 100.8 | 79.5 | 109.7 | 99.6 | 71.4 | 78.0 | 92.8 | 66.7 | 33.0 | 43.6 | 32.6 | 47.0 |
| **Annual growth rate of total economy total factor productivity** | | | | | | | | | | | | |
| 1995-2007 | 0.4 | -0.7 | 0.8 | 0.5 | -0.5 | 0.3 | 0.6 | 0.7 | -1.0 | -0.5 | -2.4 | -0.4 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of LA-KLEMS.
[a] Information and communications technologies.

The first finding is the significant labour productivity gap (measured in purchasing power parity (PPP) at constant 1995 prices) between the Latin American and the developed countries, both in 1995 and in 2007. Moreover, labour productivity grew more slowly in the region's three largest economies (Argentina, Brazil and Mexico) than in the United States, so in practice the gap widened. Colombia maintained its relative position, while Chile narrowed the gap, having started from a low level.

These differences in labour productivity are in turn associated with wide gaps in the capital-labour ratio, with labour measured by the number of hours worked. Capital deepening is seen to be much greater in developed countries. Moreover, although Chile and Colombia have increased their capital-labour ratio significantly, the other three Latin American countries have done so only very slowly, which has prevented them from closing the gap with the developed countries. Indeed, K/L ratios intensified in all the industrialized countries included, from an average of 52.4 in 1995 to 67.2 in 2007. The five Latin American economies also posted an increase in that period, from an average of 12.1 in 1995 to 20.8 in 2007. However, this capital deepening process was very uneven, occurring most vigorously in Colombia and, to a lesser extent, in Chile. These lower levels of capital per worker, and their slowness to increase, help explain the region's growing labour productivity lag.

A disaggregation of capital enables an evaluation of the pace at which information and communications technologies (ICTs) have been integrated in Latin American economies, compared with the industrialized countries. Comparing the ICT-capital-to-hours-worked ratio (K-ICT/L) in the five Latin American countries with the average for the industrialized countries shows that the gap between them has narrowed slightly, from a multiple of 3.8 to a multiple of 3.2. Yet this convergence is due to the rapid rise of K-ICT/L in Chile and Colombia, while in the other countries the change is much slower.

In brief, the capital-labour ratio (measured in PPP dollars at 1995 constant prices) in these five Latin American countries is approximately one third (31%) of the ratio in the developed countries used as a reference, and has remained fairly stable over the study period. However, if Chile and Colombia are excluded from the analysis, the region has lagged further behind the industrialized countries in respect of capital intensity. The productivity gaps between Latin America and the developed countries may therefore be expected widen even further unless major additional efforts are made over a lengthy period of time.

Lastly, table III.1 includes an index of total factor productivity (TFP), taking the 1995 figure for the United States as the base value of 100. In comparative terms, TFP replicates the behaviour of the other variables, being much lower in the five selected Latin American economies than in the developed countries and actually falling —meaning that productivity declined— in some cases.

# B. Productivity and growth in Latin America and the Caribbean

This section discusses the findings obtained by applying the growth accounting method. As explained below, the analysis progresses from a "traditional" approach, towards more refined applications and the inclusion of more disaggregated information. The exercises under the traditional methodology are presented in order to include the greatest possible number of countries using comparable data. As the methodology demands more rigorous and accurate measurements, the bar is raised regarding information requirements, leaving some countries out of the analysis.

## 1. Methodology

For the purposes of this analysis, data on 23 Latin American and Caribbean countries were collected for the period between 1990 and 2013. As in previous chapters, the study period was divided into four subperiods: 1990-1997, 1998-2003, 2004-2008 and 2009-2013. Depending on the availability of data, three types of exercise were performed. The first covers 23 countries of the region: 18 from Latin America (17 continental countries plus the Dominican Republic) and five from the Caribbean (the Bahamas, Barbados, Belize, Jamaica, and Trinidad and Tobago). The approach taken in this exercise could be termed "traditional" growth accounting. The capital stock was examined using series of gross capital formation at constant prices,[2] with labour corresponding to the total number of hours worked.

[2] This is known as the "perpetual inventory" method.

In the second exercise, performed for only 18 Latin American countries and termed "modified" growth accounting, the number of hours worked is structured by educational level (primary, secondary and tertiary) and valued according to their respective rates of return. Capital is also broken down by various components,[3] whose estimation differs from the previous method in that measurement is based on the capital stocks available at the time, instead of the accumulation of investment flows. Once the components of the capital stock have been estimated, the respective user cost,[4] which varies depending on the nature of each component, is calculated. Different types of capital can thus be aggregated into an index of capital services.[5]

The third exercise, applied to just five Latin American countries, uses the LA-KLEMS database[6] to obtain disaggregated information on nine economic sectors. In each of these sectors, a distinction is made between three characteristics of the labour factor (sex, age and education level) and eight types of capital asset. These disaggregated data are available only for Argentina, Brazil, Chile, Colombia and Mexico. The TFP series were estimated in all cases by deducting, from GDP growth, the sum of capital and labour inputs weighted by each input's share in the income recorded in national accounts.[7] [8]

## 2. Findings of the traditional method of growth accounting

Table III.2 presents the main findings resulting from the application of the traditional methodology. As can be seen, with the sole exception of Argentina, factor accumulation (capital and labour) accounted for most of the growth between 1990 and 2013. The situation in the Caribbean is similar, so that in most cases, TFP exerts very little influence, or even reduces growth. In almost half of the countries, labour contributed more to growth than capital only slightly more often, so that on average both factors made virtually equal contributions to growth. In short, the main conclusion is that growth in Latin America and the Caribbean is driven more by factor accumulation than by productivity or efficiency gains, which in the past 23 years have had very little impact in the region.

## 3. Findings of the modified method of growth accounting

The modified method of growth accounting is better than the traditional method for two main reasons. First, because it distinguishes capital components by their production capacity, it reveals how changes in the composition of capital over time potentially improve that capacity (for example, improvements in the school enrolment rate and in education levels, or the take-up of more modern technologies through a relative increase in the proportion of computing and telecommunications equipment compared with traditional capital). Second, valuing these capital components using parameters closer to the cost of their services give a more accurate value of the inputs utilized by an economy to generate a certain level of production.

The improvements in the calculation are expressed in the changes in the contributions made by the "proximate" factors of growth, as shown in table III.3.

3 Capital components include machinery and equipment (including transport equipment), buildings, telecommunications equipment and computing equipment.

4 User cost includes the long-term real interest rate and the rate of depreciation, which differs for each capital component.

5 Capital measurement has long been a source of dispute between those who believe it is not possible to obtain an adequate measurement of something as heterogeneous as capital (along the lines of Robinson (1961) and Sraffa (1960)) and those who consider that the use of appropriate indexes yields useful measures (Jorgensen and Griliches, 1967). This is not a case of Keynesian versus neoclassical, since not all the authors of growth accounting studies are neoclassical economists, nor do they adopt neoclassical approaches (for example, authors such as Denison (1967), and ECLAC). A capital measurement is used herein that helps better measure the "services" provided by this heterogeneous inventory of buildings, machinery, equipment and, more recently, information and communications technologies (ICTs), without entering into the substantive debate. See Harcourt and Laing (1971) for a description of the technical debate on capital.

6 See Aravena and Hofman (2014) and www.cepal.org/la-klems.

7 Since mixed income cannot be distributed, it is allocated to remuneration of labour.

8 Data are from Aravena and Fuentes (2013).

**Table III.2**

**Latin America and the Caribbean: contributions to GDP growth measured with the traditional growth accounting method, 1990-2013**

*(Percentages)*

| | Average annual GDP growth | Contributions to GDP growth | | |
|---|---|---|---|---|
| | | Capital stock | Hours worked | Total Factor Productivity |
| Argentina | 3.9 | 1.0 | 1.0 | 2.0 |
| Bolivia (Plurinational State of) | 4.0 | 1.6 | 3.6 | -1.2 |
| Brazil | 2.5 | 0.9 | 1.2 | 0.4 |
| Chile | 4.9 | 2.3 | 0.8 | 1.8 |
| Colombia | 3.6 | 1.2 | 1.4 | 1.0 |
| Costa Rica | 4.6 | 2.4 | 1.3 | 0.9 |
| Dominican Republic | 4.9 | 1.9 | 1.7 | 1.2 |
| Ecuador | 3.3 | 1.6 | 1.2 | 0.5 |
| El Salvador | 4.2 | 1.8 | 1.5 | 0.9 |
| Guatemala | 3.7 | 1.4 | 1.8 | 0.4 |
| Honduras | 3.5 | 1.6 | 2.2 | -0.4 |
| Mexico | 2.8 | 1.6 | 0.8 | 0.4 |
| Nicaragua | 3.1 | 0.5 | 2.8 | -0.2 |
| Panama | 6.0 | 2.9 | 1.6 | 1.6 |
| Peru | 4.4 | 1.4 | 1.9 | 1.1 |
| Paraguay | 3.1 | 1.4 | 1.9 | -0.3 |
| Uruguay | 3.4 | 0.7 | 0.7 | 2.0 |
| Venezuela (Bolivarian Republic of) | 2.8 | 0.8 | 1.4 | 0.7 |
| **Latin America** | **3.8** | **1.5** | **1.6** | **0.7** |
| Bahamas | 1.5 | 1.1 | 1.0 | -0.6 |
| Barbados | 0.9 | 0.1 | 0.5 | 0.3 |
| Belize | 4.1 | 1.6 | 2.0 | 0.5 |
| Jamaica | 0.7 | 1.0 | 0.6 | -0.8 |
| Trinidad and Tobago | 4.5 | 0.0 | 1.3 | 3.2 |
| **The Caribbean (1990-2012)** | **2.3** | **0.8** | **1.1** | **0.5** |

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

**Table III.3**

**Latin America: contributions to GDP growth measured with the modified growth accounting method, 1990-2013**

| | Average annual GDP growth | Contributions to GDP growth | | |
|---|---|---|---|---|
| | | Capital services | Hours worked weighted by labour skill level | Total factor productivity |
| Argentina | 3.9 | 1.7 | 0.9 | 1.4 |
| Bolivia (Plurinational State of) | 4.0 | 3.0 | 4.0 | -3.0 |
| Brazil | 2.5 | 2.3 | 2.0 | -1.8 |
| Chile | 4.9 | 3.6 | 1.2 | 0.0 |
| Colombia | 3.6 | 3.1 | 2.1 | -1.6 |
| Costa Rica | 4.6 | 3.2 | 1.8 | -0.5 |
| Dominican Republic | 4.9 | 3.8 | 2.1 | -1.0 |
| Ecuador | 3.3 | 1.2 | 1.5 | 0.6 |
| El Salvador | 4.2 | 3.6 | 1.9 | -1.2 |
| Guatemala | 3.7 | 2.5 | 2.4 | -1.2 |
| Honduras | 3.5 | 4.0 | 2.8 | -3.3 |
| Mexico | 2.8 | 2.4 | 1.2 | -0.8 |
| Nicaragua | 3.1 | 1.6 | 3.5 | -2.0 |
| Panama | 6.0 | 3.5 | 2.0 | 0.6 |
| Peru | 4.4 | 2.2 | 2.4 | -0.3 |
| Paraguay | 3.1 | 2.5 | 2.3 | -1.8 |
| Uruguay | 3.4 | 1.5 | 1.1 | 0.9 |
| Venezuela (Bolivarian Republic of) | 2.8 | 0.9 | 1.9 | 0.0 |
| **Latin America** | **3.8** | **2.6** | **2.1** | **-0.8** |

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

The results shown in this table are significant, especially by comparison with the first exercise. First, Latin America has increased the use of capital services compared with those of human capital, which is consistent with findings of table III.1, which noted a rise in the capital-labour ratio. More rigorous application of the growth accounting methodology thus found that capital had a greater impact than labour on growth, since on average it contributed 68% of Latin America's growth in 1990-2013. Much of this has to do with the great shift in the structure of capital in recent decades, especially in relation to ICTs, whose rapid spread should be reflected by an increase in production capacity. Furthermore, the boom in certain commodities led to a surge in investment in extractive industries (such as metal mining and hydrocarbons), which are extremely capital-intensive. Improving the measurement of capital services had an especially large impact in faster-growing countries (Chile, Colombia, El Salvador, Panama, the Plurinational State of Bolivia and, to a lesser extent, Costa Rica and Peru), which constitutes evidence that not only the amount, but also the quality of investment (as reflected by the adjustment to take into account its composition and especially the use of ICTs) has assumed greater importance as a source of growth.

Labour inputs also made a larger contribution to growth, owing to an increase in total hours worked and the progress achieved in the sphere of education during the study period.[9] These advances, captured by the measurement of labour skill level, also increase production potential, albeit less quickly than capital, given the inertia typical of demographic processes.

The progress of capital and labour inputs outperformed GDP growth (as documented in the first column of table III.2 and table III.3), meaning that total factor productivity actually made a negligible or even negative contribution to regional growth in the last 23 years (see the final column of table III.3). In other words, the region has been unable to efficiently use the totality of its investment effort in physical and human capital. Following Maddison (1987), this is a stylized feature requiring explanation, which will be discussed later.

In summary, the improved application of the growth accounting approach yielded certain findings that help explain the region's poor long-term growth. Capital is largely responsible for growth, despite increasing only modestly owing to low levels of investment both as a proportion of GDP and in comparison with other regions. Other elements, in particular the quality of the labour force and total productivity, have made low or even negative contributions to growth. It follows that to boost the growth rate, countries will have to overcome lags in the areas of investment, workforce skills and productivity.

## 4. Recent performance of the proximate determinants of growth: procyclical productivity

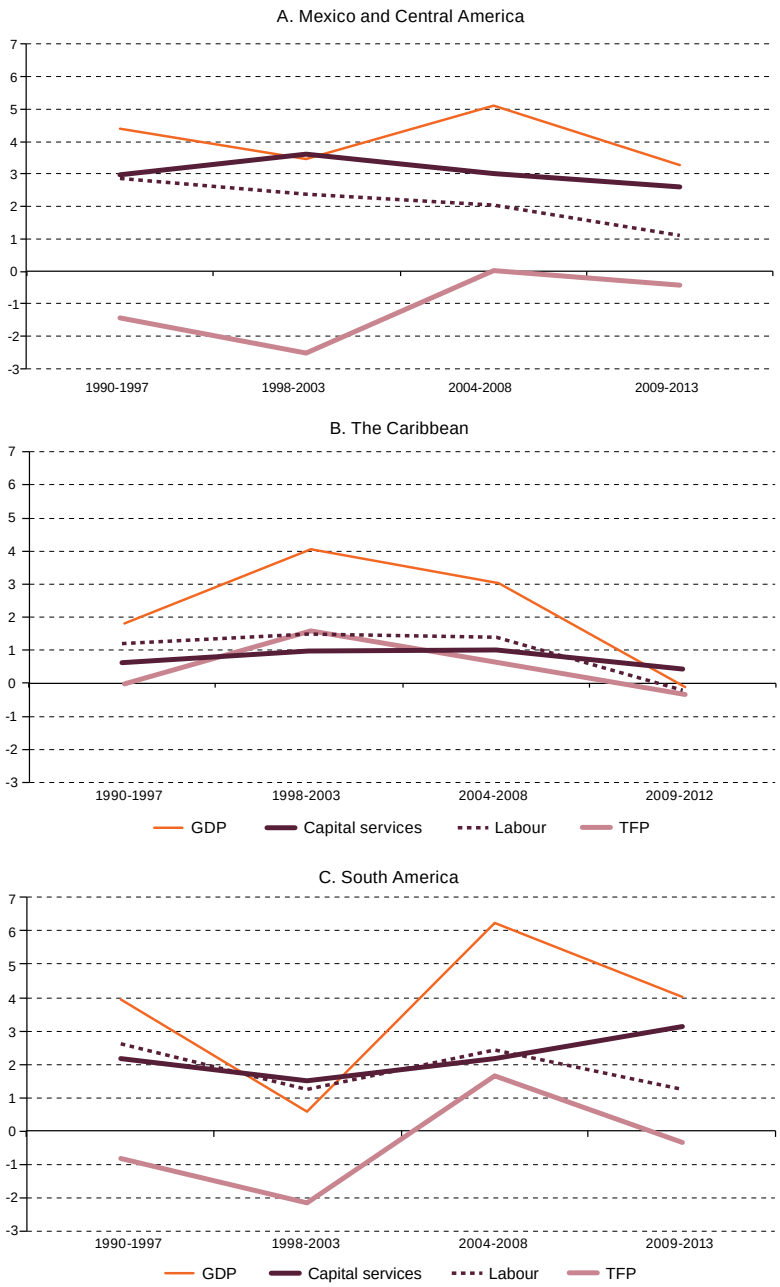
By examining contributions to growth over time, some explanations may be formulated regarding the region's slack productivity growth. For this analysis, growth components were calculated for shorter time periods than in the previous exercise, so that the calculation of TFP is influenced by cyclical factors, among others. For this reason, the basis for calculating TFP over shorter periods is conceptually different to that used in the preceding sections, which is more focused on long-term resource utilization efficiency. The calculation of TFP over shorter periods reflects instead the degree of capacity utilization, which is largely determined by cyclical fluctuations.

The following figures illustrate the performance of contributions to growth, by subregion and period. They also reflect the procyclical nature of TFP during shorter periods: its contribution to growth is positive in countries and in periods with faster GDP growth, but turns negative where activity levels slump; in other words, when capacity utilization diminishes. The collapse and revival of TFP during downturns and booms give rise to the theory that these swings in estimated TFP reflect not technological factors, but financial constraints and macroeconomic shocks (Calvo, Izquierdo and Talvi, 2006). In the absence of countercyclical action, these shocks translate into changes in the utilization of factors. As growth slows (quickens) the number of hours worked falls (increases), and less (more) is produced with the same capital endowment. The consequence is that the economy's total productivity diminishes (or increases).

As is documented in ECLAC (2013b), in the past 30 years the region's economy has yielded only low and unstable growth,[10] with frequent external shocks and domestic crises resulting in economic contractions and setting back living standards and productivity. Productivity losses are therefore due partly to the vulnerabilities described in the previous chapter and the lack of countercyclical capacities to prevent or mitigate the consequences of external shocks and internal imbalances (i.e. the capacity to make the region more resilient).

[9] Labour contributed 54% of growth and TFP made a negative contribution (-22%).
[10] See part II of *Economic Survey 2013* (ECLAC, 2013b).

**Figure III.1**
**Latin America and the Caribbean: evolution of the determinants of GDP growth measured with the modified growth accounting method, by subregion and period, 1990-2013** [a]
*(Percentages)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of LA-KLEMS.
[a] Simple average for the countries.

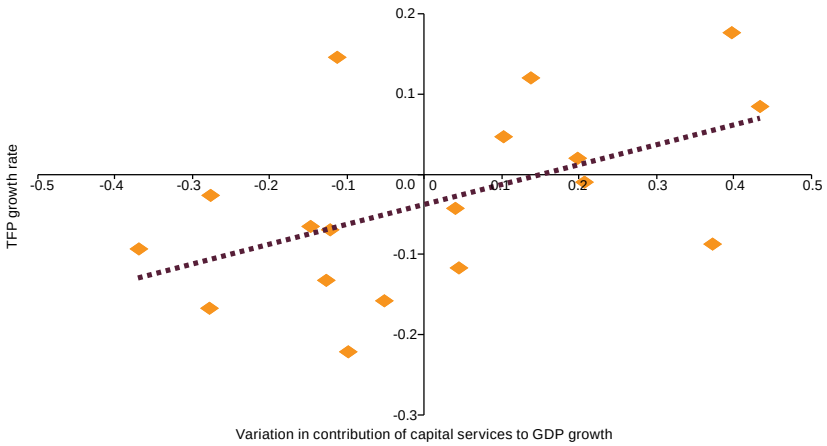
However, as indicated in ECLAC (2013b), the structural heterogeneity of the region's economies, manifested in major differences in productivity between large corporations and SMEs (which are much more numerous), with the consequent segmentation of the labour market, has a further adverse impact on productivity, in addition to the aforementioned macroeconomic variability. Two different labour segments exist in Latin America and the Caribbean. One is dependent on the demand for formal employment from large and medium-sized enterprises and some households, and the other comprises a surplus labour force that finds work in low-productivity sectors with fewer access barriers. This structure affects the way in which the region's labour markets adapt to different phases of the

business cycle (Ocampo, Rada and Taylor, 2009). Unlike in developed economies, labour supply patterns are such that adjustments in times of low economic growth and weak labour demand take the form of falling labour productivity more than falling employment (ECLAC/ILO, 2012).

This trend is aggravated by the underdevelopment of unemployment insurance, in that unemployment does not increase as much during slowdowns as it would in industrialized countries. This is because people take up less productive activities and seek refuge in (often informal) microenterprises as a defensive strategy against falling labour demand, thereby reducing the total productivity of the economy in a procyclical manner.

In short, unless the effects of short-term shocks on the level of economic activity are offset or moderated through countercyclical policies, production capacity utilization and productivity will fall. Moreover, these short-term effects influence long-term growth in two ways. First, the decline in growth (and the increase in idle capacity) usually has a negative impact on investment (Jiménez and Manuelito, 2013), so that temporary shocks affect trend growth. Second, as can be seen in figure III.2, variations in the contribution of capital to growth are positively correlated with changes in TFP. In other words, as capacity utilization decreases during cyclical downturns, total factor productivity also diminishes, thus constituting a second channel for the deterioration of long-term growth.

**Figure III.2**
**Latin America: ratio between variation in the contribution of capital to GDP growth and total factor productivity (TFP), 2000-2013**
*(Percentage points and percentages)*




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

## 5. Sectoral aspects of productivity determinants in five Latin American countries

Up to this point, the analysis of productivity trends has been conducted at the aggregate level. This section examines economic growth, productivity and its determinants in nine economic sectors in five Latin American countries (Argentina, Brazil, Chile, Colombia and Mexico) during the period 1990-2012.

Series on output by economic sector, as well as on employment and capital services, are taken from the LA-KLEMS database. For employment, the analysis considers changes in the structure of the labour force, and for capital, it includes the effects of the rate at which investment has shifted in favour of ICT assets in recent years.

### (a) Investment by asset type

Gross fixed capital formation in ICTs covers three types of asset: office and computing equipment, telecommunications equipment and software. The disaggregation of gross fixed capital formation by ICT and non-ICT assets, as presented in table III.4, shows that investment in ICTs makes a significant contribution to GDP in Brazil, which in relative terms is double that of Colombia, the country with the second highest rate of ICT investment. Chile, which in 1995 lagged behind the other countries in its percentage of ICT investment, achieved the fastest rise, overtaking Argentina and

Mexico. On average during the period, about 7% of the investment effort was allocated to ICTs in Argentina, Chile and Mexico, 12% in Colombia and 19% in Brazil.

**Table III.4**

**Latin America (5 countries): disaggregation of gross fixed capital formation, selected years between 1995 and 2010** [a]

*(Percentages of GDP)*

| | Investment effort (gross fixed capital formation) | | | | | |
|---|---|---|---|---|---|---|
| | Total | ICT | No TIC | Total | ICT | No TIC |
| | 1995 | | | 2000 | | |
| Argentina | 19.1 | 1.2 | 17.9 | 17.2 | 1.8 | 15.4 |
| Brazil | 22.2 | 4.0 | 18.2 | 21.0 | 3.9 | 17.1 |
| Chile | 26.0 | 0.3 | 25.7 | 22.1 | 1.3 | 20.8 |
| Colombia | 19.3 | 2.0 | 17.3 | 12.7 | 1.6 | 11.0 |
| Mexico | 18.2 | 1.0 | 17.2 | 21.5 | 1.9 | 19.6 |
| | 2005 | | | 2010 | | |
| Argentina | 23.2 | 1.6 | 21.6 | 25.4 | 1.4 | 24.0 |
| Brazil | 20.0 | 4.1 | 15.9 | 24.7 | 4.9 | 19.7 |
| Chile | 23.9 | 1.5 | 22.4 | 24.0 | 2.1 | 22.0 |
| Colombia | 18.3 | 2.6 | 15.7 | 20.2 | 2.0 | 18.1 |
| Mexico | 21.4 | 1.4 | 19.9 | 22.5 | 1.7 | 20.8 |

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

[a] The investment rates shown do not correspond to the official figures in the countries' national accounts, since ICT investment series are deflated by hedonic price indices. See Aravena and Hofman (2014) for further information.

Table III.5, in which data is disaggregated by type of non-ICT asset, shows the greater sustained investment effort made by Chile, Colombia and Mexico in non-residential construction, as well as that of Argentina in residential construction. Brazil's investment is most concentrated in the "other machinery" category, closely followed by residential investment.

Considering that investment brings technical progress, the investment destination by type of asset is important. With regard to the size of non-ICT production investment (not including residential investment), Argentina allocates 60% of total investment to production investment, Brazil and Mexico 70% and Chile and Colombia 80%. Capital makes a greater contribution to GDP in the latter two countries, which have also made larger improvements in productivity.

**Table III.5**

**Latin America (5 countries): disaggregation of gross fixed capital formation by type of non-ICT asset, selected years between 1995 and 2010**

*(Percentages of GDP)*

| | Investment effort (gross fixed capital formation) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total non-ICT | Residential structures | Other structures | Transport equipment | Other machinery | Total non-ICT | Residential structures | Other structures | Transport equipment | Other machinery |
| | 1995 | | | | | 2000 | | | | |
| Argentina | 17.9 | 7.2 | 4.9 | 2.0 | 5.0 | 17.2 | 6.3 | 4.5 | 1.8 | 4.6 |
| Brazil | 18.2 | 5.1 | 4.0 | 3.4 | 5.6 | 17.1 | 5.4 | 4.2 | 2.2 | 5.2 |
| Chile | 25.7 | 6.5 | 8.7 | 2.3 | 8.1 | 20.8 | 4.6 | 8.5 | 1.6 | 6.1 |
| Colombia | 17.3 | 2.1 | 11.4 | 1.0 | 2.8 | 11.0 | 1.9 | 5.6 | 1.0 | 2.6 |
| Mexico | 17.2 | 4.6 | 5.4 | 1.3 | 5.9 | 19.6 | 6.0 | 6.3 | 2.5 | 4.9 |
| | 2005 | | | | | 2010 | | | | |
| Argentina | 21.6 | 7.2 | 4.9 | 2.0 | 5.0 | 17.2 | 6.3 | 4.5 | 1.8 | 4.6 |
| Brazil | 15.9 | 4.4 | 3.5 | 2.5 | 5.6 | 19.7 | 5.0 | 3.9 | 3.8 | 7.0 |
| Chile | 22.4 | 4.6 | 8.8 | 2.4 | 6.6 | 22.0 | 3.8 | 9.5 | 1.7 | 7.0 |
| Colombia | 15.7 | 3.7 | 7.2 | 1.7 | 3.0 | 18.1 | 4.0 | 8.8 | 2.1 | 3.1 |
| Mexico | 19.9 | 6.5 | 6.6 | 2.1 | 4.8 | 20.8 | 6.5 | 7.2 | 1.9 | 5.3 |

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

## (b) Proximate determinants of growth by sector

The findings of the aggregate analysis reveal that in four of the five countries, investment (particularly in non-ICT assets) was the main driver behind the overall growth of value added, as well as growth in the best performing sector, transport and communications. An exception was noted in Brazil, where it was mainly the contributions of labour —especially hours worked— that fuelled the rise in value added, including in the transport and communications sector (see table III.6). By contrast, the quality of labour and TFP generally made only minor contributions.

**Table III.6**

**Latin America (5 countries): determinants of growth in value added, by economic sector, 1990-2009** [a]

| | Value added | Hours worked | Quality of labour | ICT capital [b] | Non-ICT capital [b] | Total factor productivity |
|---|---|---|---|---|---|---|
| **Argentina** | | | | | | |
| Total | 3.9 | 0.8 | 0.2 | 0.6 | 2.6 | -0.3 |
| Agriculture, forestry and fishing | 3.0 | 0.0 | 0.5 | 0.0 | 3.3 | -0.9 |
| Mining | 3.0 | 2.2 | -0.3 | 0.2 | 9.4 | -8.5 |
| Manufacturing | 3.5 | 0.0 | 0.5 | 0.4 | 3.0 | -0.3 |
| Electricity, gas and water | 5.3 | -0.9 | 0.0 | 0.7 | 3.4 | 2.1 |
| Construction | 5.6 | 2.1 | -0.2 | 0.1 | 0.9 | 2.7 |
| Commerce, restaurants and hotels | 4.0 | 2.1 | 0.0 | 0.6 | 2.1 | -0.8 |
| Transport and communications | 6.9 | 0.5 | 0.4 | 0.3 | 3.5 | 2.2 |
| Financial and business services | 4.2 | 0.8 | 0.0 | 1.7 | 3.2 | -1.5 |
| Community, social and personal services | 2.9 | 1.0 | 0.3 | 0.3 | 0.6 | 0.7 |
| **Brazil** | | | | | | |
| Total | 2.6 | 1.8 | 1.0 | 0.8 | 0.4 | -1.4 |
| Agriculture, forestry and fishing | 3.5 | -0.8 | 1.0 | 0.3 | 0.6 | 2.4 |
| Mining | 3.9 | 1.1 | 0.8 | 2.7 | 1.6 | -2.4 |
| Manufacturing | 1.1 | 1.3 | 0.7 | 1.1 | 0.2 | -2.2 |
| Electricity, gas and water | 2.9 | 0.3 | 0.5 | 1.4 | 1.2 | -0.6 |
| Construction | 2.0 | 2.0 | 0.8 | 0.2 | 0.8 | -1.8 |
| Commerce, restaurants and hotels | 2.5 | 2.2 | 1.0 | 0.2 | 0.1 | -1.1 |
| Transport and communications | 4.0 | 1.5 | 0.6 | 1.2 | 0.7 | 0.0 |
| Financial and business services | 3.5 | 4.0 | 0.5 | 0.6 | 0.0 | -1.6 |
| Community, social and personal services | 2.6 | 1.3 | 1.6 | 0.9 | 0.6 | -1.7 |
| **Chile** | | | | | | |
| Total | 4.3 | 1.6 | 0.9 | 0.3 | 2.0 | -0.4 |
| Agriculture, forestry and fishing | 4.3 | -0.6 | 0.9 | 0.1 | -0.7 | 4.6 |
| Mining | 4.0 | 0.1 | 0.7 | 0.3 | 4.5 | -1.6 |
| Manufacturing | 3.1 | 0.4 | 1.1 | 0.2 | 2.1 | -0.7 |
| Electricity, gas and water | 4.6 | 0.4 | 0.1 | 0.4 | 6.2 | -2.5 |
| Construction | 4.1 | 3.0 | 1.1 | 0.1 | 0.4 | -0.4 |
| Commerce, restaurants and hotels | 6.0 | 2.1 | 1.1 | 0.3 | 1.1 | 1.4 |
| Transport and communications | 6.9 | 1.8 | 0.9 | 0.4 | 3.7 | 0.1 |
| Financial and business services | 5.9 | 4.3 | 0.6 | 0.5 | 2.0 | -1.5 |
| Community, social and personal services | 3.3 | 1.5 | 1.5 | 0.3 | 1.2 | -1.2 |
| **Colombia** | | | | | | |
| Total | 3.2 | 2.3 | 0.4 | 0.4 | 2.5 | -2.5 |
| Agriculture, forestry and fishing | 1.8 | 0.0 | -1.8 | 0.0 | 2.5 | 1.1 |
| Mining | 3.8 | 0.9 | 0.2 | 0.7 | 9.3 | -7.3 |
| Manufacturing | 1.9 | 1.5 | 0.8 | 0.1 | 3.0 | -3.5 |
| Electricity, gas and water | 3.0 | -0.4 | -0.9 | 0.0 | 10.3 | -6.1 |
| Construction | 3.2 | 3.8 | -0.9 | 0.0 | 1.3 | -1.1 |
| Commerce, restaurants and hotels | 2.5 | 3.2 | 1.6 | 0.3 | 1.4 | -4.0 |
| Transport and communications | 4.4 | 2.4 | 1.7 | 4.1 | 3.4 | -7.1 |
| Financial and business services | 3.4 | 4.4 | 1.3 | 0.3 | 1.1 | -3.7 |
| Community, social and personal services | 4.9 | 0.4 | -1.0 | 0.1 | 1.7 | 3.8 |
| **Mexico** | | | | | | |
| Total | 1.8 | 1.2 | 0.5 | 0.4 | 1.2 | -1.4 |
| Agriculture, forestry and fishing | 1.0 | 0.0 | 0.4 | 0.1 | 1.6 | -1.0 |
| Mining | 0.4 | -0.4 | 0.6 | 0.1 | 2.0 | -1.9 |
| Manufacturing | 1.6 | -0.1 | 0.4 | 0.2 | 1.1 | 0.0 |
| Electricity, gas and water | 2.9 | 0.3 | 0.1 | 0.5 | 1.0 | 1.1 |
| Construction | 1.6 | 2.3 | 1.0 | 0.4 | 1.3 | -3.3 |
| Commerce, restaurants and hotels | 1.6 | 3.5 | 1.1 | 0.8 | 0.9 | -4.7 |
| Transport and communications | 3.9 | 1.1 | 0.7 | 0.6 | 1.1 | 0.5 |
| Financial and business services | 2.9 | 1.2 | 0.0 | 0.4 | 1.8 | -0.5 |
| Community, social and personal services | 0.5 | 1.1 | 0.1 | 0.4 | 0.5 | -1.5 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of KLEMS [online] http://www.worldklems.net/data.htm.

[a] Data for Argentina refer to 1993-2008, while those of Brazil refer to 1996-2009.

[b] ICT: Information and communications technologies.

In all countries, the labour input that contributed most to value added was the number of hours worked, with the quality of labour much less influential. This contribution of labour was concentrated in the non-tradable services sectors, mainly commerce, financial and business services, and construction. The number of hours worked in the manufacturing sector rose very slightly in all countries except Mexico, where it fell. Labour quality improved in all sectors in four countries, although in Colombia this indicator decreased in some activities. In the primary sector, in keeping with the usual patterns of structural change observed elsewhere, the number of hours worked generally rose very slightly or decreased, while the quality of labour registered some improvement.

The more disaggregated exercise reported above, covering nine sectors in five countries, found that TFP was generally negative during the study period. The main exception was Argentina, in which TFP was positive in five of the nine sectors considered, although it was negative for the economy as a whole.

In four of the five countries studied, the sectors with the lowest levels of TFP were those in which capital made a greater contribution to growth in value added: the mining sector in Argentina and Brazil; electricity, gas and water in Chile, and transport and communications in Colombia. This could be a sign that weaker value added growth in the region might be due not only to a low level of investment, but also to its sectoral allocation and management, two areas in which further study is required.

## C. Concluding remarks

This chapter has examined the available empirical evidence with respect to growth in Latin America and the Caribbean during the period 1990-2013. For these purposes, the "growth accounting" model was used, following the tradition of authors such as Solow (1956), Denison (1967), Jorgensen and Griliches (1967) and Maddison (1987). In keeping with the available information, four exercises were carried out in order to explain the "immediate causes" of the region's economic growth. The first exercise applied a traditional growth accounting method, using the cumulative value of investment and the number of hours worked as inputs. The second exercise introduced changes to account for the different types of asset which comprise capital, and the quality of the labour force by education level. The third exercise examined how the proximate factors of growth evolve over time, and the fourth exercise analysed the sectoral dimensions of these factors, in greater depth and for a smaller group of countries. Analysis of the data enabled the deduction of a series of observations and stylized facts, giving deeper insights into the challenge faced by the region's countries in order to achieve long-term growth.

- Latin American countries have considerably lower labour productivity than developed countries and, with rare exceptions, these gaps are widening.
- One of the main reasons for this disparity is the much greater capital deepening in developed countries, which translates into considerably higher capital-labour ratios. Latin American and Caribbean countries are lagging further behind in this respect, which could lead to losses in competitiveness compared with developed countries, owing to lower relative growth in productivity.
- In the projected external environment —described in chapter I— in which global demand will be less buoyant than in 2003-2008, these trends will have to be reversed in order to sustain growth on the basis of competitiveness. This is a serious challenge.
- The region has experienced low growth over the past 30 years. This is due partly to the small contribution of certain factors, especially labour-force quality and productivity. Although the region's investment levels are lower than those of countries that maintained high growth over a lengthy period, the increase in capital services on average accounted for 68% of Latin America's growth between 1990 and 2013, while the contribution of other factors was either very modest or negative.
- Labour inputs made a positive contribution, although largely through the number of hours worked. Up until now, the quality of labour, measured by employee skill levels, has exerted a smaller influence.
- This predominance of quantity over quality draws attention to one of the region's toughest challenges: the urgency of increasing skill levels and the contribution of the labour force to production, both by improving education at all levels, and by promoting employment in higher-productivity sectors. These are among the issues that are addressed in chapter IV.

- The largest capital contribution has been made by non-ICT capital. However, several countries have recently increased their ICT capital investment.
- In the short and medium terms, total factor productivity behaves procyclically, increasing during economic booms and diminishing as growth slows. Productivity losses associated with low-growth periods in turn have an adverse impact on long-term growth, both because of disincentives to investment resulting from reduced capacity utilization, and because of the fall in TFP caused by the lower utilization of capital services.

In view of the policy challenges facing the region, the following guidelines are relevant for initiatives to promote sustainable growth.

- Macroeconomic policies that maximize the utilization of production capacity, on a sustainable basis, are critical for long-term growth and for protecting labour productivity and income.
- Macroeconomic policies need to place emphasis on promoting investment. As the exercises show, neither productivity nor income will increase without a significant investment effort. However, the near-universal prevalence of negative total factor productivity in the region, over a period of 23 years is a symptom that the allocation and utilization of resources has not been as efficient as it should have been. While factor accumulation through investment and human capital gains are necessary for long-term growth, so too are microeconomic policies that use appropriate stimulus and public measures to help overcome the structural barriers that limit productivity and prevent the transformation of production patterns, as envisaged by ECLAC (2012b).
- Macroeconomic policies must also focus on safeguarding the competitiveness of tradable sectors, in order to raise productivity in the spheres in which competition and innovation stand a greater chance of becoming a reality. While some services (such as telecommunications) contribute to increasing productivity, this has proved difficult in other service-related spheres.
- Microeconomic policies must aim to improve labour productivity and total factor productivity in key sectors. This may be achieved in a number of ways, for example by identifying barriers to production and competition, improving training to raise labour productivity per unit of capital invested, or supporting investment in key infrastructures for growth.
- It should be recalled that the average productivity of the region's economies is less than one third of that of the industrialized countries (see table III.1) and that until now, the main contribution of the labour factor has been through the rise in the number of hours worked, which has its limits. Boosting the region's growth therefore requires strengthening investment, productivity and competitiveness, given that the external environment is expected to provide less impetus in the coming years.

None of the above suggests that there is a single recipe for achieving and maintaining high growth rates. The experience of other regions shows that policy mixes that have enabled a small group of countries to make rapid progress towards higher income levels entail much "sweat and sacrifice" (high rates of investment, which defer present consumption). The available evidence for Latin America and the Caribbean seems to support this hypothesis, while the current gaps in productivity and resource utilization efficiency also represent opportunities for boosting growth.

# Chapter IV

# Aspects of socio-labour sustainability

Introduction
A. Employment and wages
B. Obstacles to quality employment, recent trends and new challenges
C. Aspects of labour income inequality
D. Policies to promote social and employment sustainability
E. Conclusions

# Introduction

The sustainability of development and economic growth undoubtedly depends on a variety of (long- and short-term) economic factors, as discussed in the preceding chapters. Yet for some time it has been recognized that this sustainability is also determined by environmental and social aspects. While environmental factors are not addressed in this document,[1] this chapter does examine some of the issues related to the social sustainability of growth, with emphasis on the relevant labour dimensions. As stated below, social and economic sustainability complement one another and are linked by key variables such as investment and productivity.

Achieving social sustainability requires the majority of the population to accept the existing patterns of economic growth, with regard to both production and distribution. Historical evidence suggests that high economic growth rates are not necessarily enough to secure this support. For example, several Central American countries enjoyed rapid growth during the 1970s,[2] but far-reaching questions were raised regarding the prevailing economic, social and political structures amid social demands for profound change. In China, which has been a paradigm of economic success over recent decades, potential risk factors for sustainable growth include, besides strictly economic aspects, the emergence of social conflicts (generally related to how the rewards of growth are shared) and the rise in inequality (Xie and Zhou, 2014). In Africa, the lack of access to suitable employment, especially for young people with relatively high levels of education, has been identified as a major factor in social instability (Monga, 2013).

Magis and Shinn (2009) argue that social sustainability is founded on four principles: human well-being, equity, democratic government and democratic civil society. These are key principles in the long term, but not necessarily essential in the short term. Indeed, history shows that some economies can grow very rapidly over lengthy periods, even without democratic governments or societies, if there is a hegemonic discourse (which may be revolutionary, religious or nationalist) in place of at least some of these principles. However, from a rights-based, participatory perspective, there is no justification for basing sustainability on a discourse of this type or for disregarding the four principles mentioned, which must be treated at least as a long-term objective.

An analysis by the International Labour Organization (ILO) (2011), with more immediate significance, stated that the international economic and financial crisis sparked social unrest in many countries as a result of its impact on labour markets and on the living standards of many people. Perceptions of inequality arose, both in terms of how the costs of the crisis were shared, and regarding governments' ineffectiveness in resolving problems efficiently and fairly. It is thought that the consequent uncertainty and pessimistic expectations could have had a negative impact on consumption and investment, holding back economic growth.

One of the dimensions highlighted by Magis and Shinn (2009) is inequality. While the traditional wisdom is that some inequality is favourable to economic growth (owing to the system of incentives and higher savings capacity associated with a certain degree of inequality), it has recently been stressed that greater equality favours longer periods of strong economic growth (Berg and Ostry, 2011). Redistributive measures are therefore justified not only for reasons of social justice, but also because —except in extreme cases— they tend to boost economic growth (Ostry, Berg and Tsangarides, 2014). ECLAC (2010b) has targeted a virtuous circle between equality and economic growth, with the political goal of "equality for growth and growth for equality".

The Organization for Economic Cooperation and Development (OECD) (2012) claims that social cohesion —a concept related to social sustainability— is based on three components, namely social inclusion, social capital and social mobility, and that this cohesion not only underpins patterns of economic growth, but actively contributes to it.

Martínez Franzoni and Sánchez-Ancochea (2012) propose that social integration poses a double challenge, involving both the dynamics of the labour market and social policies.[3] This chapter studies the labour market's recent contribution to social sustainability, adopting an approach that does not underestimate the contribution of relevant social policies —some related aspects are examined in the final sections of the chapter— but puts emphasis on the key importance of work.[4]

1 See, for example, chapter V in ECLAC (2014b).

2 Between 1970 and 1977, five Central American countries posted average annual growth of 5.7% (calculated on the basis of data expressed in dollars at constant 1980 prices).

3 In ECLAC (2012c), particular attention is drawn to the relationship between employment and social protection, linking both with the challenges presented by a heterogeneous production structure.

4 "Work is not just the place where gaps in income and access to social security can be closed, but also a key sphere for mutual recognition through social interaction, socialization outside the home and development of potential to achieve greater personal autonomy." (ECLAC, 2014b: page 20).

The World Bank maintains that development is founded on three pillars: better living standards, increased productivity, and strong social cohesion, which are essentially dependent on job creation. More specifically, weak job creation tends to lead to dissatisfaction and detracts from social cohesion (World Bank, 2013). Social sustainability is largely based on individuals' subjective perception of their position, their relationship with the rest of society and their future prospects. In this context, ILO has proposed the concept of economic security and shown that this bears a high degree of correlation with happiness (ILO, 2004). Similarly, Lora (2008) notes that a high level of job insecurity significantly reduces individual satisfaction.

Wietzke (2014) examines the channels by which access to quality employment is translated into greater social cohesion. Notable factors include the importance of the workplace for interaction with people from different socioeconomic backgrounds, which helps bridge possible divides. Quality jobs also perform an important role for subjective, as well as objective, well-being. Efficient institutions are required in order to transform these relations at individual (micro) level into aggregate (macro) outcomes. Labour-market trends are particularly important in this regard, since job instability and weak protection for the unemployed tend to generate insecurity, including among those in work (Wietzke and MacLeod, 2013). In this context, it is emphasized that not just any job generates the required security, since precarious, temporary and poorly paid jobs disseminate a perception of exclusion and insecurity (Wietzke, 2014). More quality employment therefore needs to be created with a view to social and employment sustainability.[5] In this regard, both the cited literature and empirical evidence in the regional sphere (Weller and Roethlisberger, 2011) point to the importance of formal employment relations as a platform for progress on different aspects of employment quality.[6]

The following section looks at the evolution of employment and labour income during the decade 2003-2012, showing that the high labour intensity of economic growth had significant influence over recent economic and social patterns related to the social sustainability of growth. Section B examines four types of obstacle to access to quality employment, their recent trends, and the challenges emerging in the new macroeconomic environment. Section C highlights the contribution of the labour market to equality (an important aspect of social and labour sustainability) and section D reviews the available policy instruments for developing employment patterns that promote increased productivity and sustainable distributive outcomes. The final section presents the main conclusions.

## A. Employment and wages

Recent developments in the labour market have had a positive impact on indicators of human well-being, which is one of the principles of social sustainability established by Magis and Shinn (2009). It seems clear that the jump in the urban employment rate between 2002 and 2012, from 52.0% to 56.5% (ECLAC/ILO, 2013), owes much to the acceleration of economic growth during this period, given the positive correlation between economic growth and variation in the employment rate.[7]

However, the brisk pace of job creation during this time frame is also explained by an increase in the labour intensity of economic growth. As figure IV.1 shows, the elasticities between economic growth and the employment rate have changed. For example, between 1991 and 2002, economic growth of 3% had no positive effect on the urban employment rate (which fell slightly by 0.1 percentage points); while in the period that followed (2003-2012), the same economic growth rate was accompanied by a 0.4 percentage point rise in the employment rate.

As will be seen below, the increase in the labour-force participation rate, caused by growing inclusion of women in the labour market, did not accelerate from one period to the next, so the greater impact of economic growth on employment in the second period translated directly into a drop in the employment rate. Between 1991 and 2002, the

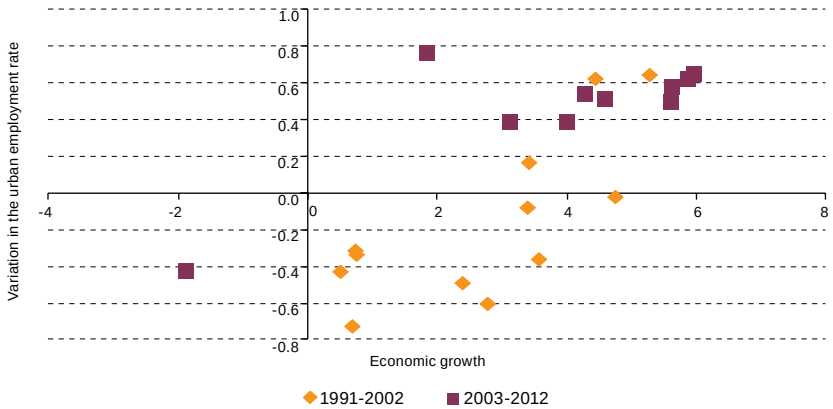
5 The definition of quality employment varies (see, for example, IDB, 2003; Weller and Roethlisberger, 2011). At global level, the concept of "decent work", developed by ILO, is important for describing this type of employment. For an overview of the progress achieved and the difficulties encountered in measuring decent work in Latin America and the Caribbean, see ECLAC/ILO (2013).

6 ILO (2013: page 66), on the basis of Latinobarómetro survey data, highlights that higher levels of formal employment have a positive correlation with support for democracy.

7 See ECLAC (2012a: pages 41-43).

regional unemployment rate crept up by almost 0.2 percentage points in a context of 3% economic growth, whereas in the subsequent period growth of the same magnitude came with a drop in unemployment of almost 0.3 percentage points. The trend for inertia in the region's employment rate, as identified by Ball, de Roux and Hofstetter (2011) for the period 1990-2007, was thus broken.

**Figure IV.1**
**Latin America and the Caribbean: economic growth and variation in the urban employment rate, 1991-2012**
*(Percentages and percentage points)*




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

While no single cause has been put forward to explain the increased labour intensity of growth in the second period, the evidence suggests that the economic reforms applied between the mid-1980s and the late 1990s tended to reduce the job-creating capacity of economic growth, while currency appreciation (a regular phenomenon during this period) had a similar effect (Weller, 2000).[8]

During the 2000s, reforms were reversed in some countries, while in others their impact on the labour intensity of growth became less acute. These factors weighed most heavily on certain South American economies, where the labour intensity of growth was very low during a period in which profound changes were made to deregulate markets. In the case of Argentina between 1991 and 1996, economic growth of 3% was associated with a drop in employment of almost 0.8 percentage points, while similar economic growth in the subsequent period entailed a 0.25 percentage point increase in the employment rate (see figures IV.2.A and IV.2.B).[9] In Brazil, between 1990 and 2002, economic growth of 3% was associated with a fall in the employment rate of around 0.3 percentage points, while economic growth of the same magnitude saw the employment rate gain half a percentage point in the subsequent period (see figures IV.2.C and IV.2.D), albeit with a greater dispersion.[10]

It may thus be proposed that the adverse employment impact of the reforms implemented in the 1990s became less severe in the decade 2003-2012, and that in a context of growth, the most productive companies began to create more and more jobs. This shift in the labour intensity of economic growth could be related, among other factors, to the characteristics of foreign direct investment (FDI). In the first phase, FDI focused on acquisitions —often of State-owned enterprises— which resulted in layoffs, while in the second phase the generation of new production capacities (greenfield investment) predominated (ECLAC, 2014a). As a result of these transformations, it was noted that in the recent period of growth, larger enterprises —which are generally more productive and competitive— accounted for an increased share of the employment structure (Weller and Kaldewei, 2013: pages 70 and 71).

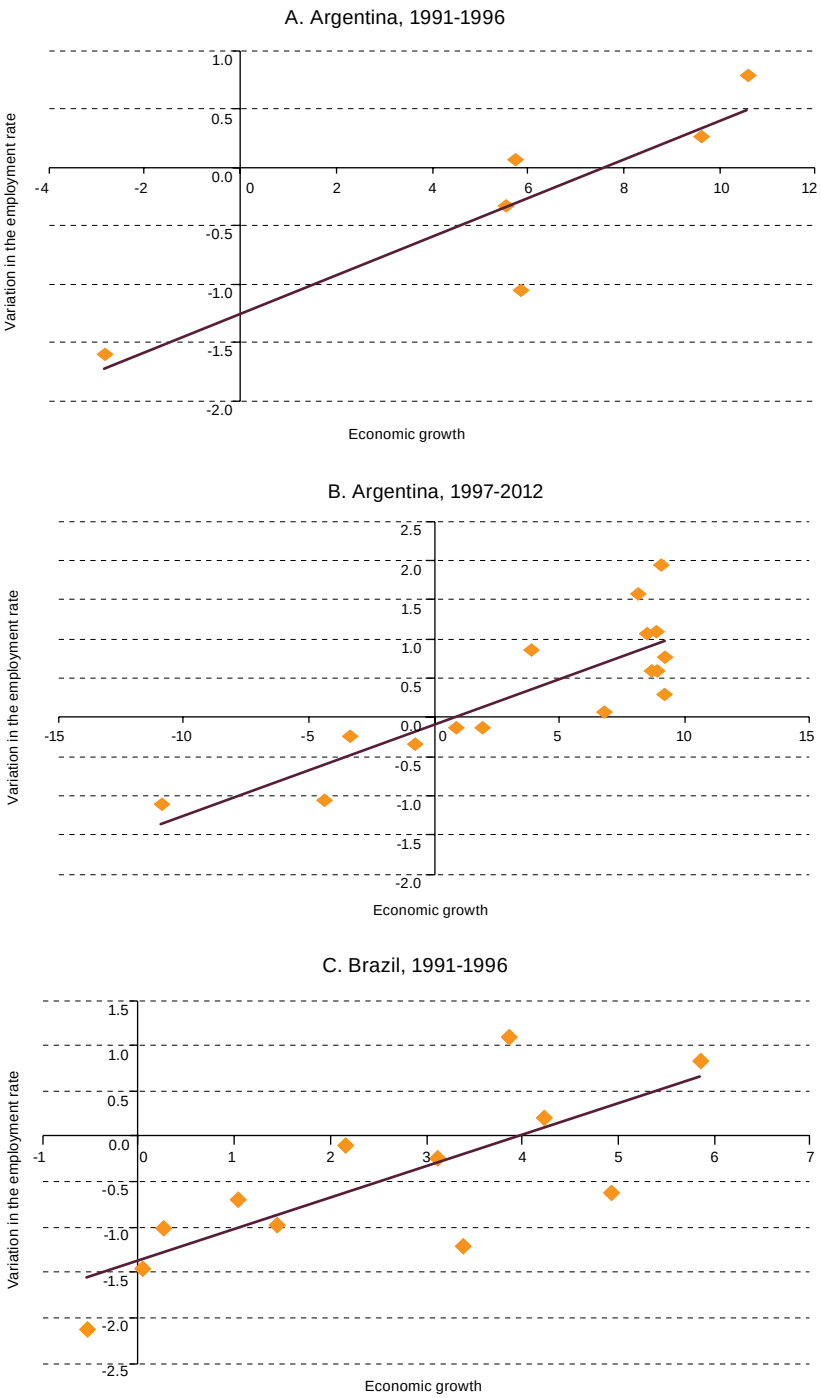
[8] The Inter-American Development Bank (IBD, 2003) detected that several of the structural reforms carried out during the period had negative impacts on jobs and wages. However, it emphasized that these effects were modest and often limited to certain groups of workers.

[9] In Argentina, economic reforms were under way by the 1980s, but were stepped up in the early 1990s. Between 1990 and 1996, the structural reform index calculated by Lora (2012) rose from 0.50 to 0.61, while subsequently the rate at which new reforms were introduced slowed sharply, reaching 0.65 in 2009 (the last year for which data are available).

[10] In Brazil, between 1990 and 2002, the structural reform index proposed by Lora (2012) climbed from 0.43 to 0.61, and subsequently rose more slowly, reaching 0.66 in 2009.

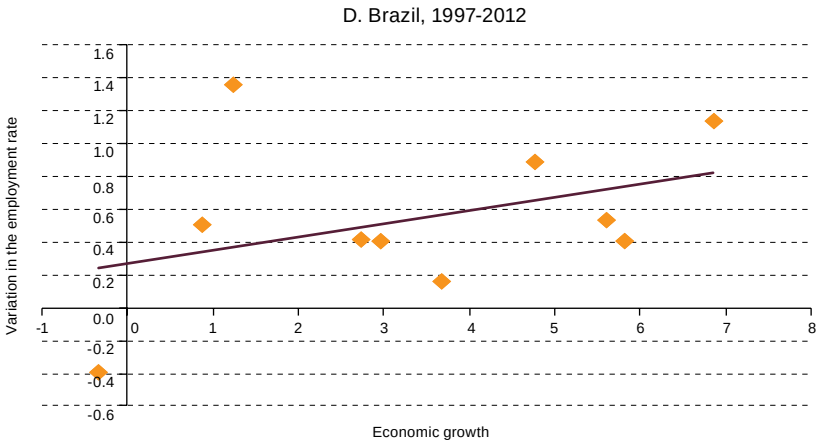
Labour income also rose —albeit at a moderate rate— during the period 2003-2012. Specifically, formal wages saw average annual growth of 1.3% in the countries with available information.[11] Breaking down this income trend reveals the impact of the structural aspects of job creation.

**Figure IV.2**
**Argentina and Brazil: economic growth and variation in the employment rate, 1991-2012**
*(Percentages and percentage points)*




[11] Calculation by ECLAC, on the basis of official figures from the countries.

Figure IV.2 (concluded)




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

In this regard, theory suggests that during phases of sluggish economic growth, the income gap widens between labour-market segments that respond to the dynamics of labour demand (wage employees, with numerous exceptions in the case of microenterprises) and those that reflect supply pressures (Fields, 2004). This is because in low-growth periods, many people are unable to obtain wage employment appropriate to their qualifications, and are forced to meet subsistence needs by generating self-employment in sectors with low entry barriers. Employment growth in these sectors leads to a fall (at least relatively) in average earnings, thereby widening the income gap. Meanwhile, the opposite occurs during periods in which labour demand grows strongly and wage employment is created in medium- and high-productivity sectors, as labour supply pressure on low-productivity sectors eases, resulting in rising average earnings in these sectors.[12]

This is exactly what happened in recent decades, as table IV.1 shows. Between 1990 and 2002, the income gap widened between wage earners (not in professional or technical occupations) in small, medium-sized and large enterprises, and own-account workers (not in professional or technical occupations), since the income of the former remained stable (with a modest increase during the 1990s and a subsequent decrease) while the average income of the latter fell steeply in real terms.

**Table IV.1**
**Latin America: average labour income of the employed urban population, by occupational category, 1990, 2002 and 2012** [a]
*(Multiples of the per capita poverty line and percentages)*

| | Total | Wage earners | Public-sector wage earners | Private-sector wage earners | Non-professional non-technical wage earners in establishments employing up to five persons | Non-professional non-technical own-account workers |
|---|---|---|---|---|---|---|
| 1990 | 4.4 | 3.8 | 4.8 | 3.5 | 3.2 | 3.9 |
| 2002 | 4.3 | 4.1 | 5.7 | 3.7 | 3.2 | 3.0 |
| 2012 | 5.0 | 4.7 | 6.9 | 4.3 | 3.9 | 4.0 |
| **Percentage change** | | | | | | |
| 1990-2002 | -2 | +8 | +19 | +6 | 0 | -23 |
| 2002-2012 | +16 | +15 | +21 | +16 | +22 | +33 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America, 2013* (LC/G.2580), Santiago, Chile, 2013. United Nations publication, Sales No. E.14.II.G.6.
[a] Simple average of countries.

By contrast, in the period 2002-2012, there was a general increase in average earnings, which was greater among non-professional and non-technical own-account workers than in the other categories. The creation of higher productivity jobs in the second period therefore had a beneficial effect beyond job creation in its own right.

[12] Low-productivity sectors are conceptualized according to the characteristics of production units. However, given the absence of relevant data, especially with the frequency required for continuous monitoring, ECLAC measures the performance of these sectors using employment characteristics as proxy indicators. For these purposes, low-productivity sectors are measured using data for employees in microenterprises (employers and employees), domestic workers, own-account workers and unpaid family workers (excluding professionals and technicians). As such, low-productivity sectors do not represent specific branches of activity; rather, all branches of activity include low-, medium- and high-productivity sectors, to a greater or less extent (see section B.3).

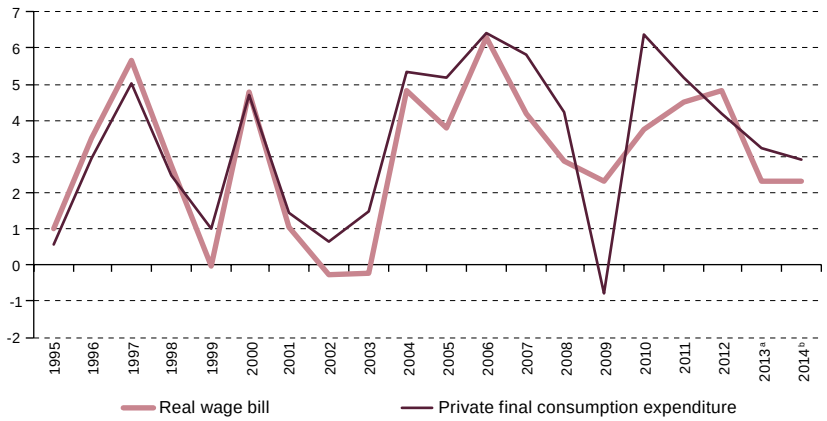
The joint increase in employment and wages resulted in the faster growth of the wage bill (total wage earnings) which in turn was a determinant factor in the expansion of household demand and its repercussions for domestic demand and economic growth.

As shown in figure IV.3, variation in the wage bill has been closely linked with the growth of private final consumption expenditure, reflecting the considerable importance of employment and labour income for this expenditure component and, consequently, for domestic demand.[13]

**Figure IV.3**

**Latin America and the Caribbean: annual variation in the real wage bill and in household consumption, 1995-2013**

*(Percentages)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the countries.
[a] Preliminary data.
[b] Projections.

Since the early 2000s, private consumption has risen somewhat faster than total wage earnings, possibly reflecting the rapid growth of consumer credit in some countries, which increased the spending capacity of many households. On the other hand, in recent years the growth of the wage bill —and consequently that of household consumption— lost some momentum which, combined with the modest contributions of investment and net exports, resulted in lower economic growth.

Job creation and increases in labour income made a significant contribution to poverty reduction. The region's poverty and indigence rates even fell in the period between 1990 and 2002; though this reduction was smaller and followed a different pattern compared with the subsequent period. As table IV.2 shows, between 1990 and 2002, poverty fell more sharply among unemployed and economically inactive individuals than among the employed (although, as might be expected, the latter presented lower poverty rates). Modest improvements were reported among own-account workers and unpaid family workers in particular.

By contrast, in the more recent period, the trend reversed, with the greatest progress made among employees, especially wage earners. From these varied patterns, it emerged that non-labour income (such as that obtained from remittances and social programmes) had a greater impact on poverty reduction during the 1990s than in the subsequent period, when the increase in labour income (through job creation and rising average wages) quickened the pace of poverty reduction.[14]

[13] The data presented in figure IV.3 give an approximation of the trend in total wage earnings. Since it was not possible to differentiate between wage and non-wage earnings, information was taken regarding the variation in average real wages in the formal sector which, as stated in this section, may differ from that of other labour income. The variables matched each other closely, with a notable break in this pattern in 2009. The concentration of job creation in non-wage-earning categories, with lower average income, could have led to overestimation in relation to the wage bill trend. However, the steep fall in inflation in 2009 led to faster growth in real wages (from 0.4% in 2008 to 1.0% in 2009) which in fact boosted household income. Greater caution may have been exercised in a context of acute uncertainty, which would have led households to curb consumer spending and possibly reduce their debt levels.

[14] Given that individuals' poverty status is not defined according to their own income, but rather according to per capita household income, a reduction in the poverty of unemployed and inactive persons may be result of higher income among employed household members. Yet since neither employment levels nor average earnings increased substantially during the first period, this factor would have been limited. As such, the reason why only modest differences were noted between poverty reduction among employed and unemployed individuals cannot clearly be identified on the basis of the available data, though there is a striking contrast with the second period, which unlike the first was characterized by robust job creation.

**Table IV.2**
**Latin America: urban poverty rate by occupational category, 1990-2012** [a]
*(Percentages)*

| | Total | Employed | Wage earners | Own-account workers and unpaid family workers | Unemployed | Inactive |
|---|---|---|---|---|---|---|
| 1990 | 36 | 31 | 32 | 37 | 58 | 41 |
| 2002 | 32 | 27 | 29 | 36 | 52 | 36 |
| 2012 | 18 | 14 | 18 | 25 | 34 | 22 |
| **Percentage change** | | | | | | |
| 1990-2002 | -8 | -7 | -10 | -2 | -11 | -9 |
| 2002-2012 | -33 | -36 | -39 | -31 | -28 | -27 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America*, 2013 (LC/G.2580), Santiago, Chile, 2013. United Nations publication, Sales No. E.14.II.G.6.
[a] Simple average.

Slowing economic growth rates, as forecast for the coming years, will necessarily affect job-creating capacity, especially in wage employment, even if the elasticity observed in recent years between employment and growth is maintained. It is also possible that the labour intensity of economic growth will diminish, as has already occurred in 2013 (ECLAC, 2013a) and in early 2014 (see part I of this document). This may be related to changing economic growth trends and their impact on the employment structure, specifically the weakening of the capacity to generate quality employment in sectors that produce goods and services for the domestic market, which played a key role in recent progress in labour-market integration (see section II.3, below). At the same time, better labour productivity is required to sustain continuing increases in real wages and improvements in employment quality. As discussed below, this has emerged as a key challenge for the near future.

# B. Obstacles to quality employment, recent trends and new challenges

As stated at the beginning of this chapter, access to quality employment is vitally important for social sustainability. This section examines four types of obstacle that prevent access to quality jobs — obstacles to labour-market access, obstacles to employment in general, obstacles to employment in medium- or high-productivity sectors, and obstacles to formal employment in these sectors— along with recent developments and the challenges presented by the new macroeconomic climate.

## 1. Obstacles to labour-market access

Some of the obstacles faced by seekers of quality employment are caused by factors originating in other contexts. This is frequently the case in respect of labour-force participation. Indeed, involuntary exclusion from the labour market, generally related to unpaid care work commitments, represents one initial obstacle to quality employment, and one which especially affects women, principally but not exclusively those living in rural areas. Power relations and cultural aspects that are not founded in labour-market dynamics contribute to this exclusion (ECLAC and others, 2013).

As table IV.3 indicates, labour-market exclusion particularly affects women with low levels of formal education. It is striking that labour-force participation did not see a proportional increase in the group with the least formal education, meaning that the slight increase in the participation rate —in both urban and rural areas— above all reflected rising formal education levels among women, since labour-force participation tends to increase in line with the number of years of schooling. Female labour-force participation increased in all age groups, which the exception of the youngest women, among whom —as with males of the same age— there was little change owing to a longer-term tendency to remain longer in the education system.

**Table IV.3**

**Latin America: labour-force participation rate in urban and rural areas, by sex, age and years of schooling**

*(Percentages)*

| | Age group | | | | | Total | Years of schooling | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 15 to 24 | 25 to 34 | 35 to 44 | 45 to 59 | 60 and over | | 0 to 5 | 6 to 9 | 10 to 12 | 13 and over |
| **Urban areas** | | | | | | | | | | |
| **Men** | | | | | | | | | | |
| 1990 | 60 | 95 | 97 | 90 | 46 | 78 | 75 | 77 | 77 | 81 |
| 2002 | 60 | 95 | 96 | 91 | 48 | 78 | 74 | 77 | 77 | 83 |
| 2012 | 57 | 94 | 96 | 92 | 48 | 77 | 68 | 75 | 78 | 83 |
| **Women** | | | | | | | | | | |
| 1990 | 38 | 56 | 57 | 43 | 15 | 43 | 33 | 39 | 50 | 65 |
| 2002 | 41 | 66 | 68 | 57 | 20 | 51 | 39 | 47 | 55 | 71 |
| 2012 | 39 | 69 | 71 | 62 | 23 | 53 | 38 | 45 | 54 | 72 |
| **Rural areas** | | | | | | | | | | |
| **Men** | | | | | | | | | | |
| 1997 | 81 | 97 | 97 | 95 | 72 | 88 | 89 | 85 | 82 | 86 |
| 2002 | 77 | 96 | 97 | 95 | 71 | 87 | 88 | 85 | 82 | 85 |
| 2012 | 72 | 96 | 96 | 95 | 68 | 84 | 82 | 85 | 81 | 85 |
| **Women** | | | | | | | | | | |
| 1997 | 35 | 44 | 47 | 41 | 26 | 39 | 36 | 38 | 50 | 71 |
| 2002 | 36 | 48 | 52 | 45 | 28 | 42 | 38 | 41 | 49 | 68 |
| 2012 | 35 | 54 | 58 | 52 | 29 | 45 | 40 | 44 | 49 | 69 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America*, 2013 (LC/G.2580), Santiago, Chile, 2013. United Nations publication, Sales No. E.14.II.G.6.

Table IV.3 also shows that faster job creation was not matched by a rise in female labour-market integration —women's workforce participation actually grew more slowly in the second period than in the first. While male labour-force participation remained unchanged in urban areas and gradually declined in rural areas, a different trend was observed among women. In urban areas, female labour-force participation rose from 43% to 51% between 1990 and 2002, but only added a further two percentage points between 2002 and 2012. In rural areas, female labour-force participation rose by 3 percentage points (from 39% to 42%) in the five years between 1997 and 2002. This increase was matched over the following 10 years (reaching 45%). This could indicate that labour demand factors, which were stronger in the second period, are not as important as labour supply dynamics, determined by the economic needs of households and the aforementioned sociocultural factors, in terms of contribution to the labour-force participation rate.

Nevertheless, it cannot be ruled out that labour-force participation responds to variations in the labour demand over the economic growth cycle. Indeed, it has been noted that while labour supply behaves in a procyclical manner in some Latin American countries, in others it is countercyclical (Machinea, Kacef and Weller, 2009). Poverty levels are the main reason for this difference, since labour supply in the poorest households is usually countercyclical during the economic cycle, given that losses in labour income, including relatively modest ones, can weaken the subsistence levels of these households (Sabarwa, Sinha and Buvinic, 2010). Conversely, in households (and countries) with higher income levels, labour-force participation tends to be procyclical.

The behaviour of the youth population carries significant weight, and more than that of the female population, in this process of adapting to the economic cycle. This was observed in 2013 when, amid slowing labour demand, a sharp downturn in youth labour-force participation (male and female), even though the adult rate remained stable, caused a break in the gradual long-term uptrend in the labour-force participation rate (ECLAC/ILO, 2014).

The long-term labour-force participation trend is thus expected to hold steady in the near future, as the impact of the increased female presence will be partially offset by two other long-term tendencies weighing in the opposite direction. First, youth labour-market participation is trending downward as young people remain longer in the education system. Second, older adults, whose participation rate is lower than that of younger age cohorts, are gaining as a proportion of the working-age population.

Excluding this second trend, it is observed that Latin America is closing the labour-force participation gap with OECD countries for the main working-age population range (aged 15 to 64), while the Caribbean has already reached a level very similar to the OECD countries. As can be seen in table IV.4, this narrowing of the gap is due to the

aforementioned rise in female labour-force participation, although in Latin America this rate remains well below that of the OECD, where female workforce participation continues to increase. The male participation rate is higher in both Latin America and the Caribbean than in the OECD, owing to the earlier labour-market integration of young men.

**Table IV.4**
**OECD, Latin America, and the Caribbean: labour-force participation rate by age group, 2005 and 2010**
*(Percentages)*

| | OECD [a] | | Latin America | | The Caribbean | |
|---|---|---|---|---|---|---|
| | 2005 | 2010 | 2005 | 2010 | 2005 | 2010 |
| **Total** | | | | | | |
| 15-64 | 71.4 | 72.2 | 67.7 | 69.4 | 70.9 | 71.2 |
| 65 and over | 7.9 | 9.1 | 29.1 | 30.3 | 15.9 | 17.3 |
| **Men** | | | | | | |
| 15-64 | 78.7 | 78.6 | 82.9 | 83.3 | 81.1 | 80.6 |
| 65 and over | 11.8 | 12.9 | 43.5 | 44.1 | 24.3 | 25.5 |
| **Women** | | | | | | |
| 15-64 | 64.1 | 65.7 | 52.9 | 55.8 | 60.9 | 62.0 |
| 65 and over | 5.1 | 6.3 | 17.1 | 18.9 | 9.3 | 10.9 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the International Labour Organization (ILO), "Key Indicators of the Labour Market" (KILM).
[a] Does not include Chile or Mexico.

The average participation rate of persons aged 65 and over was 30.3% in Latin America, 17.3% in the Caribbean, and just 9.1% in OECD countries. These figures point to the weakness of retirement schemes in the region, which are far from providing universal access to decent pensions.

In conclusion, labour-market access remains subject to wide and persistent gaps, which seem to have their origins more in supply (sociocultural aspects) than in labour demand, although the latter also presents an imbalance, as will be seen below. These gaps chiefly affect women, particularly those with lower levels of formal education.

Labour-force participation gaps remain high —for example, when compared with those of OECD countries— but they are gradually narrowing. Since it is mainly supply-side factors that exert influence over labour participation trends, more limited economic growth does not necessarily act as a brake on female workforce participation. The task of public policies is therefore to foster a sociocultural change that improves job options for women, especially in the area of unpaid care work, offering appropriate, accessible services and promoting gender equality.

It is likewise important to limit early labour-market integration among young people, and late retirement among older adults. It is vital that young people be given the maximum encouragement to remain in good-quality education systems, while the development and strengthening of pension systems is essential in the case of older adults.

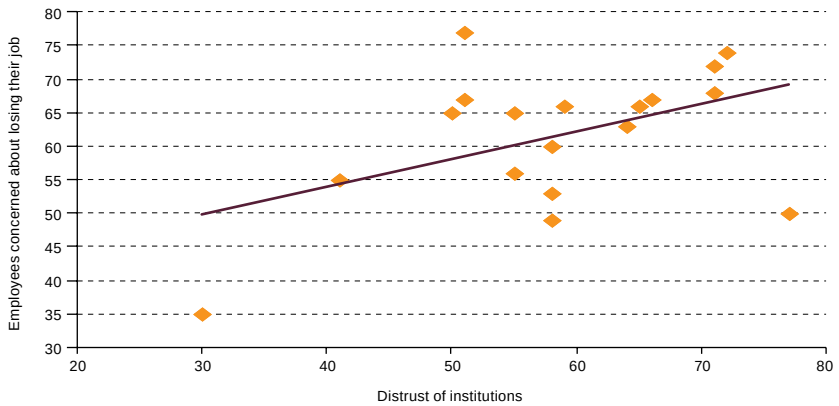
## 2. Obstacles to employment in general

The loss of a job, and time spent out of work, have severe objective and subjective consequences for the well-being of the individuals affected, and their households. Besides the immediate impact on income, Sen (based on a previous study) highlighted the following effects of a high level of open unemployment: lower economic growth, an increased tax burden (if social policies exist to deal with unemployment), the loss of freedom and social exclusion; skill loss with long-run consequences; psychological harm, especially for young people; ill health and higher mortality; loss of motivation; loss of human relations and damage to family life; increased ethnic tensions and gender divides; loss of social values; greater organizational inflexibility, and technological conservatism (Sen, 1997).

Subsequent empirical studies have confirmed these aspects, for example with regard to the negative consequences of joblessness for the health of the unemployed and the school performance of their children (International Monetary Fund, 2010: pages 17-20), as well as the high degree of dissatisfaction that seriously undermines their well-being (Krauss and Graham, 2013). Unemployment also takes a toll on human capital —particularly specific human capital— which affects earnings when jobless persons find a new job, generally lower paid than the previous one (Corseuil and others, 2009; Amarante, Arim and Dean, 2012), and reduces the potential for economic growth.

In summary, open unemployment comes with objective and subjective impacts that weaken the social and employment sustainability of economic growth. Moreover, economic insecurity —of which employment insecurity is an important component (ILO, 2004)— is inversely related to the social sustainability of development. Specifically, as shown in figure IV.4, there is a positive relationship between concern over the possible loss of a job, and distrust of institutions.[15]

**Figure IV.4**
**Latin America: job insecurity and distrust of institutions, 2011**
*(Percentages)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from Latinobarómetro, 2011 and CEPALSTAT database [online] http://websie.eclac.cl/infest/ajax/cepalstat.asp?carpeta=estadisticas.

On the labour front, one of the most significant outcomes of the recent period was the pronounced fall in the unemployment rate, as a result of strong employment growth in the context of a modest increase in labour-force participation. This reduction in regional unemployment, from 11.2% in 2002 to 6.4% in 2012 and 6.2% in 2013, is closely related to the pattern of stable economic growth over a relatively lengthy time frame (ECLAC, 2012a: page 41) and contrasts with the increase in unemployment during the previous period.

An analysis of the unemployment rate in terms of sex, age and education level reveals some important aspects:[16]

- The gap between the male and female unemployment rates widened after 1990, in the context of a general increase in unemployment that affected women more severely.
- The overall open urban unemployment rate began to fall in 2002 and the divide between men and women narrowed modestly, albeit with something of a lag (from 2005 according to the weighted average, and from 2008 according to the simple average) and without returning to the levels of the early 1990s.
- Unemployment rates by age group followed the overall trend and remained relatively stable, with a negative correlation between age and the unemployment rate.
- The youth unemployment rate was an exception since, despite falling on the back of faster economic growth since 2002, it has risen in relative terms. Therefore it may be deduced that specific problems persist, obstructing the labour-market integration of young men and women.
- With regard to the unemployment rates of groups with different education levels, an inverted U pattern continued to persist, with relatively low unemployment among the least and most educated individuals, and the highest unemployment among those in the intermediate categories.
- Unemployment rates for these groups held steady in relative terms, and all groups, regardless of education level, were initially hit by the rise in unemployment, and subsequently benefited from the trend shift towards lower unemployment. The most educated group constituted an exception, since its unemployment rate trended upwards in relative terms. This might mean that an expanding labour supply of highly educated individuals presents characteristics that are not fully adapted to the requirements of demand.[17]

15 The perception of job insecurity is subject to fluctuations in the economic situation, whereas confidence in institutions responds to more stable attitudes and perceptions. As such, it is unsurprising that this relationship shows a degree of dispersion. However, it is still interesting to note the connection.

16 This summary is based on the analysis of information contained in the statistical annex of ECLAC (2013c).

17 This may be due to an imbalance between the qualifications required by enterprises and the study paths preferred by many young people, or because the quality of education does not meet the requirements of the labour market. Indeed, various enterprise surveys have revealed the widest gap between companies' requirements and the qualifications of young people occurred in the highest educational category (Weller, 2011).

In brief, the rapid pace of job creation over the recent period translated into a significant fall in the unemployment rate, which benefited all worker groups, although large gaps still remain in this regard. Weaker job creation is expected in a context of lower economic growth rates. In response to this obstacle to quality employment, it is important to reduce the structural component of unemployment by adapting education and vocational training systems. This is particularly important for young people, who are usually the first to suffer when labour demand slows, as was observed in 2013 (ECLAC/ILO, 2014). In view of the long-term impact of youth unemployment, mechanisms must be designed to help young people enter the labour market for the first time, while it will also be necessary to refine systems to curb frictional unemployment, especially among the most vulnerable groups. The region has built up some experience in this regard, particularly during the 2009 economic and financial crisis.

## 3. Obstacles to employment in medium- and high-productivity sectors

One structural barrier to quality employment is the incapacity of high- or medium-productivity sectors to provide sufficient jobs. This shortcoming is reflected in the region's structural heterogeneity, characterized by large gaps within and between sectors.[18] These gaps undermine social cohesion and, therefore, social sustainability (ECLAC, 2010b and 2014b).

Productivity gaps and varied coverage by labour institutions result in significant disparities in employment quality, among other aspects. For example, table IV.5 concerning health and pension coverage reveals the wide gap between the main low-productivity occupational categories (wage earners in microenterprises, own-account workers and contributing family workers) on the one hand, and private-sector workers employed in larger establishments and public-sector workers, on the other.

**Table IV.5**
**Latin America: urban employed population with health and pension coverage, 2012**
*(Percentages)*

| | Total | Public-sector wage earners | Private-sector wage earners in establishments with 5 or fewer workers | Private-sector wage earners in establishments with 6 or more workers | Own-account workers and contributing family workers | Domestic workers |
|---|---|---|---|---|---|---|
| **Health** | | | | | | |
| Total | 59.8 | 92.6 | 39.2 | 84.6 | 23.2 | 31.9 |
| Men | 59.2 | 91.0 | 34.7 | 84.0 | 21.6 | 45.6 |
| Women | 60.7 | 93.8 | 47.7 | 85.6 | 25.2 | 31.7 |
| **Pensions** | | | | | | |
| Total | 60.5 | 92.8 | 41.7 | 84.9 | 25.8 | 34.9 |
| Men | 60.8 | 90.6 | 37.9 | 84.9 | 26.1 | 56.5 |
| Women | 60.0 | 94.4 | 49.1 | 84.9 | 25.8 | 33.7 |

**Source**: International Labour Organization (ILO), "Statistical Annex", *Labour Overview. Latin America and the Caribbean*, Lima.

Other indicators have also called attention to employment quality gaps. On the basis of data from around 2007, Weller and Roethlisberger (2011) obtained the following results, based on the average of the countries for which information was available:

- 32.3% of self-employed workers received earnings lower than the value of the poverty line in their country; 12.3% of wage earners were in this situation.
- 28.4% of self-employed workers work excessively long hours (26.8% in the case of wage earners).
- Only 4.8% of self-employed workers received training, compared with 18.6% of wage earners.

Access to jobs in high- or medium-productivity sectors is evidently conditional not just on the restrictions associated with weak labour demand, but on personal characteristics, with qualifications being the main factor determining the likelihood of gaining employment in said sectors.

It is probable that many individuals with low levels of formal education are aware of the imbalance of labour demand from enterprises in these sectors, which helps explain two of the findings obtained by different studies.

[18] See ECLAC (2012b) and Infante (2011). Large and increasing productivity gaps were recently detected in Mexico (Bilo and others, 2014) and Peru (Infante and Chacaltana, 2014).

First, not all informal workers try to gain employment in the formal sector, though the majority generally do make some attempt (Soares, 2004; Puentes and Contreras, 2009). It will be recalled that sectors with different productivity levels are measured using proxy indicators, on the basis of labour-market information. Within the various occupational categories, especially among own-account workers, there are both those who engage in informal work to meet subsistence needs (labour supply pressure) and those who take the opportunity to generate income and make the most of the advantages this type of employment offers, for example, in the organization of their work.[19] The first group behaves in a countercyclical manner, while the second tends to be procyclical (Weller and Kaldewei, 2013).

Second, especially in the poorest countries, self-employed workers may be more satisfied with their employment situation than wage earners (Lora, 2008). This could be explained by the hypothesis that many of these workers, who have low levels of formal education, are probably aware that the current structural conditions of the region's labour markets make it largely unrealistic for them to aspire to a quality job in a high- or medium-productivity enterprise. If their satisfaction is based on what they see as the realistic option, and on the career paths of their peers, rather than on access to quality jobs, this would reflect their perception of the reality of their productive and work-related environment.

Many formal enterprises suggest that the shortage of suitably qualified labour is an obstacle to improved performance.[20] As such, the disconnect between the supply of skilled labour and demand is simultaneously a problem for the more productive labour-market integration of many individuals, and a bottleneck for economic growth spurred by the expansion of high- or medium-productivity enterprises (Cazes and Vedrick, 2013).[21]

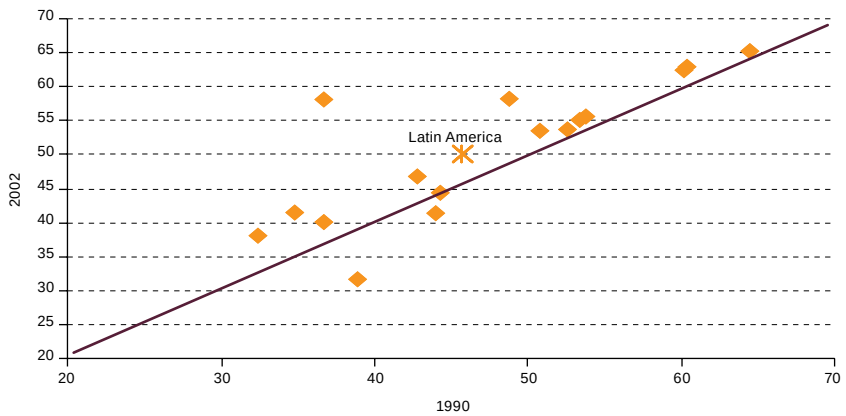
Low-productivity sectors accounted for a share of urban employment that increased from 45.7% to 50.1% between 1990 and 2002, and subsequently decreased to 46.9% in 2012.[22] This trend clearly reflects the high correlation between economic growth (relatively low in the first period and higher in the second) and wage employment, especially in the high- and medium-productivity sectors that contribute the bulk of GDP.

This was a general finding across both periods, with few exceptions. However, a marked difference was noted between the South American countries —where, taking the simple average, the proportion of low-productivity employment diminished by 5.5 percentage points between 2002 and 2012— and the countries of the north of the region (the Central America subregion (including Panama) plus Mexico and the Dominican Republic, where the decrease was an extremely modest 0.9 percentage points.[23]

**Figure IV.5**

**Latin America: urban population employed in low-productivity sectors, 1990-2002 and 2002-2012**

*(Percentages)*




19 The World Bank (Perry and others, 2007) has proposed the simultaneous existence of voluntary and involuntary informal employment.

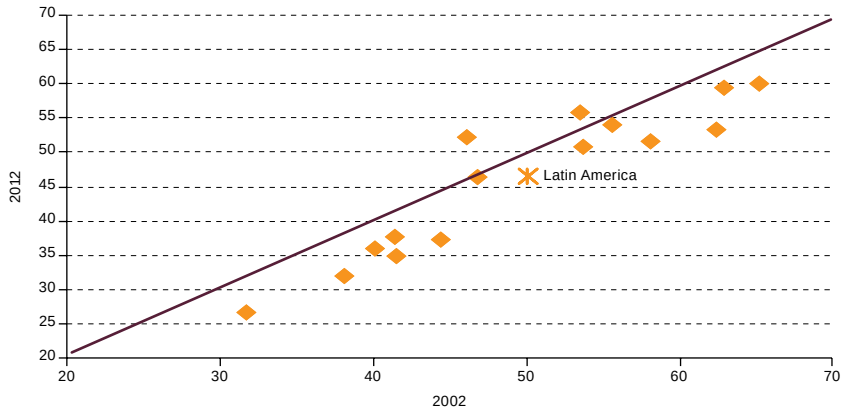
20 Taking the simple average of 20 countries, 31.5% of surveyed enterprises reported that their workforce's qualification level presented a serious obstacle to their corporate performance (Weller, 2011: page 19, based on data from the Enterprise Analysis Unit of the World Bank).

21 The Manpower Group's 2014 Talent Shortage Survey revealed that in eight Latin American countries, a significant proportion of enterprises (ranging from 44% of those surveyed in Mexico to 67% in Peru) reported difficulties in finding personnel with the required qualifications. In all Latin American countries, the percentage of employers reporting difficulties exceeded the global average (36%). Throughout virtually the whole region, technicians constituted the occupational category in which employers suffered the most acute shortage (the category ranked second in Brazil and Peru). This contrasted with the global average, where technicians were in third place in terms of the jobs employers had most difficulty filling (www.manpowergroup.com/talent-shortage-explorer).

22 Simple average of countries with available information (ECLAC, 2013b, statistical annex, table 19).

23 Of this group of countries, only Panama recorded a significant decrease (6.1 percentage points) in the proportion of employment contributed by low-productivity sectors.

Figure IV.5 (concluded)




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America, 2013* (LC/G.2580), Santiago, Chile, 2013. United Nations publication, Sales No. E.14.II.G.6.

For the region as a whole, the shrinking of low-productivity employment as a percentage of total employment is due to the reduced proportions of each of the three main occupational categories that comprise the low-productivity sector for measurement purposes: unskilled self-employed workers, (non-professional non-technical) employees of microenterprises, and domestic workers.

As seen in table IV.6, taking the average of the countries with available information, the rise in employment in high- or medium-productivity sectors was concentrated in activities producing non-tradable goods and services, which benefited from the expansion of domestic demand. Commerce, hotels and restaurants on the one hand, and community, social and personal services on the other, each contributed about 20% of the additional employment generated between 2002 and 2011; these jobs were created in small, medium-sized and large enterprises and the public sector. Together with the contributions of financial services, real estate and business services (11%), transport, storage and communications (8%), and construction (6%), approximately 65% of new jobs were created on the back of demand from these enterprises and the public sector; this employment tends to be better quality.[24] At the same time, low-productivity employment in these activities accounted for 22% of new jobs.[25]

In this respect, a similar pattern was noted in both parts of the region, although job creation in high- or medium-productivity sectors was somewhat more prominent in South American countries. Significant differences can be seen in the two tradable-goods-producing activities that are most important for employment. In the north of the region, on average 10% of new jobs were created in the peasant economy (low-productivity agriculture), with another 12% created in larger scale agricultural concerns. By contrast, in the south of the region, on aggregate the agricultural sector ceased to play an important role in job creation, with several countries noting a drop in employment in smaller scale agriculture, although larger businesses reported slight increases.

Differences between subregions were also observed in the manufacturing industry, since in the north manufacturing employment in larger enterprises declined, possibly partly owing to growing competition from China, which affected Central America's maquila industries during the period. Conversely, in South America on average higher-productivity enterprises created new jobs, although not in all countries.[26]

If the region's economies are examined according to per capita GDP rather than the geographical location of the countries, a different picture emerges. It is striking that, taking the average of the countries with low per capita GDP, high- and medium-productivity sectors accounted for the minority (40%) of additional jobs created, whereas in the group of countries with high per capita GDP, virtually all new jobs (96%) were created in higher productivity sectors.

This difference is not a consequence of disparities in economic growth. Even though the countries with low per capita GDP on average posted slower annual growth than those with high per capita GDP, the difference (4.2%

[24] This total includes employment in the electricity, gas and water sector, which is not of a significant quantity.

[25] While there were fewer countries with available information in the earlier period, it is interesting observed that in this period, these branches of activity contributed 46% of additional employment in low-productivity sectors and 28% in higher productivity sectors.

[26] This was a reversal of the pattern recorded in both parts of the region during the earlier period, in which manufacturing employment increased among larger enterprises in the north, and decreased in the south.

compared with 5.0%) was not of sufficient magnitude to explain the gap in the composition of new jobs. Weak job creation in high- and medium-productivity sectors is mainly to be blamed on the countries' starting point, which in the case of the first group is a highly imbalanced employment structure in which the bulk of jobs are low productivity. Under these circumstances, high-productivity sectors, even with faster rates of employment growth, might create fewer jobs than low-productivity sectors. Since higher productivity sectors were incapable of supplying all of the new jobs required in these countries, it is unsurprising that low-productivity activities in the tertiary sector continue to expand; specifically, employment in low-productivity commerce grew by almost 20%. On average for this group of countries, the agricultural sector —and especially the peasant economy— continues to see rising job creation, contrasting with the feeble performance of more productive and better paid activities.

**Table IV.6**

**Latin America (12 countries): contribution to increase in employment, by branch of activity and productivity category, 2002-2011** [a]

*(Percentages)*

| | Latin America | North of the region [b] | South of the region [c] | High per capita GDP [d] | Low per capita GDP [e] |
|---|---|---|---|---|---|
| **Agriculture** | | | | | |
| Low | 3 | 10 | -2 | -11 | 20 |
| Medium and high | 7 | 12 | 3 | 5 | 9 |
| **Mining** | | | | | |
| Low | 0 | 0 | 0 | 0 | 0 |
| Medium and high | 2 | 0 | 3 | 3 | 1 |
| **Manufacturing** | | | | | |
| Low | 1 | 1 | 1 | -1 | 3 |
| Medium and high | 1 | -9 | 7 | 5 | -6 |
| **Electricity, gas and water** | | | | | |
| Low | 0 | 0 | 0 | 0 | 0 |
| Medium and high | 1 | 1 | 1 | 1 | 0 |
| **Construction** | | | | | |
| Low | 4 | 5 | 4 | 3 | 7 |
| Medium and high | 6 | 3 | 8 | 12 | -2 |
| **Commerce, restaurants and hotels** | | | | | |
| Low | 8 | 3 | 11 | 0 | 19 |
| Medium and high | 21 | 21 | 20 | 28 | 11 |
| **Transport, storage and communications** | | | | | |
| Low | 3 | -1 | 6 | 1 | 5 |
| Medium and high | 8 | 9 | 6 | 10 | 4 |
| **Financial system** | | | | | |
| Low | 0 | -1 | 1 | -1 | 2 |
| Medium and high | 11 | 10 | 12 | 12 | 10 |
| **Community, social and personal services** | | | | | |
| Low | 7 | 20 | -2 | 10 | 3 |
| Medium and high | 19 | 17 | 21 | 23 | 13 |
| **Total** | | | | | |
| Low | 27 | 37 | 20 | 4 | 60 |
| Medium and high | 73 | 63 | 80 | 96 | 40 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special processing of the household surveys conducted in the respective countries.
[a] Simple average.
[b] Includes Central America and Mexico.
[c] Includes South America.
[d] Data refer to the following countries with a relatively high per capita GDP: Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Costa Rica, Mexico and Panama.
[e] Data refer to the following countries with a relatively low per capita GDP: Ecuador, El Salvador, Honduras, Peru and the Plurinational State of Bolivia.

Taking the average of the countries with a higher per capita GDP, it was observed that the concentration of new jobs is much greater in higher productivity employment categories in non-tradable activities, which contribute 86% of new jobs. Higher productivity sectors in other branches of activity (agriculture, mining and manufacturing) also made positive contributions, albeit modest in terms of quantity.

This picture might be subject to change, since slackening domestic demand, especially on account of lower rates of household consumption, would presumably cause job creation to slow in high- and medium-productivity categories, especially in activities that produce non-tradable goods and services. Indeed, in 2013 job creation under commerce, restaurants and hotels, having posted average annual increases of 2.5% between 2003 and 2012, slowed to 1.9%. The deceleration in community, social and personal services was even sharper (from 2.9% to 1.9%).[27] As stated in the first part of this document, this slowdown continued in early 2014, as goods-and-services-producing activities for the domestic market continued to cool.

As suggested in chapters II and III of this part of *Economic Survey of Latin America and the Caribbean 2014*, in responding this scenario it is important to strengthen macroeconomic policy to create the conditions for high, sustained growth, and to promote investment and productivity gains to boost growth in the medium and long term. An important part of this strategy is based on productive development policies, largely designed to enhance the growth potential of small and medium-sized enterprises.

## 4. Obstacles to formal employment in medium- and high-productivity sectors

Globally, processes have been identified in which working conditions in the formal sector (in other words, in high- and medium-productivity employment) have become more precarious, with a growing prevalence of temporary contracts, subcontracting and forms of pseudo-self-employment, among others, that tend to offer fewer labour rights than "standard" contracts, and involve higher levels of staff turnover.[28] These processes have implications for the various components of economic security, and the perception of insecurity dramatically reduces job satisfaction (Lora, 2008).

Table IV.7 shows, during the recent period, a tendency towards formalization in the two main employment categories that correspond to high- and medium-productivity sectors: public-sector wage earners and private-sector wage earners in enterprises with six or more workers. The proportion of workers with health and pension coverage increased in both groups between 2000 and 2012.

**Table IV.7**
**Latin America: public-sector wage earners and private-sector wage earners in enterprises with six or more employees with health and pension coverage, 2000 and 2012** [a]
*(Percentages)*

| | Health coverage | | Pension coverage | |
|---|---|---|---|---|
| | 2000 | 2012 | 2000 | 2012 |
| Public-sector wage earners | 88.2 | 92.2 | 86.2 | 92.8 |
| Private-sector wage earners in enterprises with six or more employees | 80.5 | 84.6 | 77.5 | 84.9 |

**Source**: International Labour Organization (ILO), "Statistical Annex", *Labour Overview. Latin America and the Caribbean*, Lima.
[a] All data refer to the urban population.

Despite this progress, approximately 15% of private-sector wage earners in enterprises with 6 or more employees, and almost 10% of public-sector wage earners do not yet enjoy these benefits, which are associated with quality employment. These data reflect that fact that, according to ILO (2013), 11.7% of non-agricultural employees in 13 of the region's countries are informally employed in the formal sector.[29]

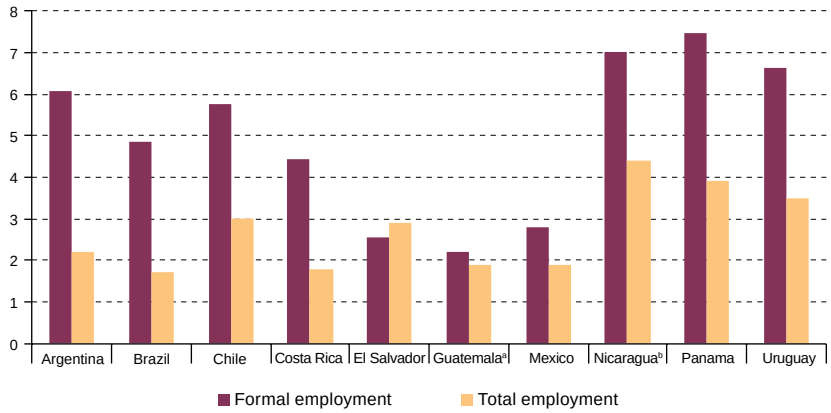
The recent period also saw some progress on other indicators of wage employment quality, including paid holidays, Christmas bonuses, above-poverty-line income, union affiliation, access to training and a written contract. Nevertheless, coverage remains very low in some of these cases (Weller and Roethlisberger, 2011).

A written contract seems to be a key component for accessing other aspects of employment quality. In recent years, many of the region's countries have developed labour formalization strategies, generally with a combination of incentives and greater oversight.[30] Turning informal jobs into formal ones has contributed to a surge in formal

[27] Calculation by ECLAC, on the basis of official figures from the countries.
[28] See, for example, Standing (2009).
[29] A further 31.0% have an informal job in the informal sector, and 5.1% are domestic employees, meaning that informal employment accounts for 47.7% of the total. (ILO, 2013: page 63).
[30] See ILO (2014) for a summary of formalization policies and recent progress in 10 of the region's countries.

employment, which was also boosted by the creation of new jobs for wage earners, especially in high- and medium-productivity sectors, which naturally have higher levels of formality. As a result, in nearly all countries with available information, formal employment —understood as employment in which workers pay social-security contributions— grew significantly faster than total employment (see figure IV.6).

**Figure IV.6**
**Latin America (selected countries): annual growth in formal (registered) employment and total employment, 2003-2012**
*(Percentages)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the countries.
[a] 2002-2011.
[b] 2002-2010.

However, certain inequalities were again noted between different parts of the region, given that some countries in the north of Latin America (Guatemala and Mexico) reported only minor differences between the growth rates of total and formal employment, while in El Salvador formal employment actually grew more slowly than total employment.[31]

Other policies applied in this period, which often entailed a shift in focus compared with the previous period —and which favoured improvements in employment quality— were the expansion of union rights, real-terms increases in the minimum wage, and the regulation of subcontracting.

Yet, as in other regions, there are signs that less stable employment contacts are becoming more prevalent (Weller and Roethlisberger, 2011). This trend could be a consequence of more volatile labour markets, and of employers making use of new contractual arrangements introduced in many countries, mainly in the 1980s and 1990s (Vega Ruiz, 2001).

In summary, the combination of buoyant growth and institutional changes led to improvements in employment quality, although many workers, including in activities with higher productivity levels, are far from enjoying "decent work", as defined by ILO. There is room for improvement in respect of formalization policy instruments (through various types of incentive and more effective work inspection), although slower job creation in high- and medium-productivity sectors stands in the way of better access to quality jobs with labour rights.

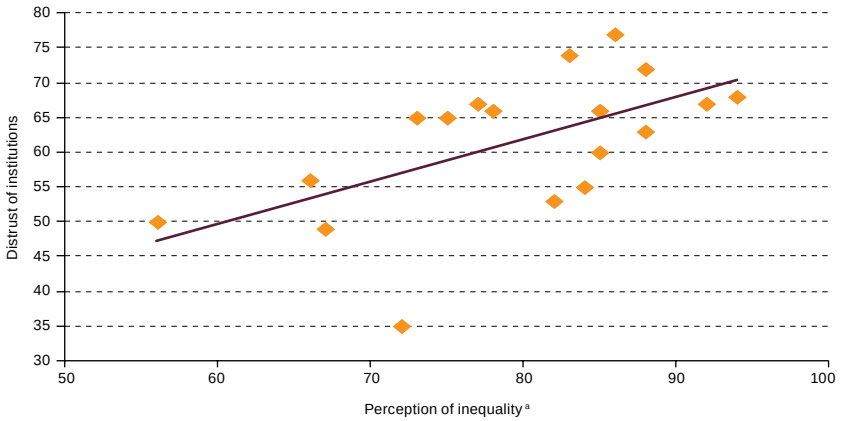
## C. Aspects of labour income inequality

As highlighted previously, the analysis by Magis and Shinn (2009) proposes that equality is one of the pillars of social sustainability. In their examination of the literature, Clark and D'Ambrosio (2013) found that many, if not all studies observe a negative relationship between inequality and happiness or life satisfaction. The relationship between inequality and conflict is complex and dynamic, and there are different mechanisms whereby greater inequality can work to undermine social cohesion and sustainability. Furthermore, large income disparities can hold back economic growth by weakening aggregate demand (United Nations, 2013).

[31] This trend is consistent with that of employment in sectors with different productivity levels, since El Salvador was one of two countries (of those with available information) in which employment in low-productivity sectors increased in proportional terms between 2002 and 2012.

As figure IV.7 indicates, there is a positive correlation between the perception of social inequality and the distrust of political institutions and the State.

**Figure IV.7**
**Latin America: perception of unfair income distribution and distrust of political and State institutions**
*(Percentages)*




**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from Latinobarómetro, 2011 and CEPALSTAT database [online] http://websie.eclac.cl/infest/ajax/cepalstat.asp?carpeta=estadisticas.
[a] The proportion of individuals who believe that income distribution in their country is unfair.

On the economic front, Berg and Ostry (2011) and Ostry, Berg and Tsangarides (2014) note that greater equality is also conducive to strong and stable economic growth, without discussing possible causal relationships. ECLAC (2014b), in insisting that equality should be understood in a broad sense —and should include quantifiable and transferable means, capacities and relational aspects (socialization, autonomy and recognition), as well as the subjective dimension regarding the degree of equality and inequality— suggests possible channels by which greater (or lesser) equality could strengthen (or weaken) social sustainability.

Household distribution is determined by the primary distribution and the impact of both taxation and spending policies. The widening of income gaps between employees with differing education levels in the 1980s and 1990s was something of a surprise, considering the expected labour supply and demand trends. On the one hand, the expansion of education systems increased the supply of better qualified personnel. On the other, it was expected that liberalizing economic reforms would benefit the sectors that mainly used more plentiful factors of production, especially low- and medium-skilled labour. The outcome of these processes would have been to boost the wages of the low- and medium-skilled workers.

The fact that the opposite occurred is explained by various factors, one prominent theory being that the reforms encouraged a technical shift that incorporated a bias towards skilled labour. In any case, the debate has not established any single factor behind the increase in labour income equality, with the impact of trade liberalization, the effects of macroeconomic policies on relative prices, and the reforms of labour institutions (minimum wage, changes in contractual arrangements, collective bargaining), all mentioned.[32]

This contrasts with the recent period, in which the narrowing of wage gaps was, in general, the main factor in reducing inequality between household incomes. As table IV.8 shows, the increase in labour income per employee was especially beneficial to individuals with lower incomes and contributed to about two thirds of the reduction in household income inequality.[33]

Non-labour income (especially public transfers) had an effect that, while smaller, was nevertheless significant, reflecting a relative strengthening of the redistributive impact of public policies, which is comparatively weak in the region (see box IV.1). Demographic changes barely contributed to reducing inequality between households, while the rise in employment had no positive impact, as both high- and low-income households benefited from job creation.[34]

[32] Developed countries have also reported widening wage gaps between population groups with differing levels of education. Of the multiple factors that could have contributed to this trend, it was not possible to identify any single key cause, it being considered that a series of interactions are likely to be responsible (Fishlow and Parker, 1999).
[33] Lustig, López-Calvo and Ortiz-Juárez (2013) carried out a similar study, with comparable results.
[34] Not all measurements of income inequality have yielded positive findings. For example, in many of the region's countries, functional income distribution worsened in the context of the commodity price boom (ECLAC, 2013b and 2014b).

**Table IV.8**

**Latin America (15 countries): contribution of income determinants to the change in the per capita income gap between households in the first and fifth quintiles [a]**

*(Percentages)*

| | | Proportion of adults in the household | Non-labour income | Income per employee | Employment rate |
|---|---|---|---|---|---|
| Argentina [b] | 2002-2009 | 18 | 37 | 68 | -23 |
| Brazil | 2001-2009 | 7 | 39 | 65 | -11 |
| Chile | 2000-2006 | 13 | 48 | 52 | -13 |
| Colombia | 2002-2005 | -14 | 6 | 86 | 23 |
| Costa Rica | 2002-2005 | -13 | 8 | 69 | 36 |
| Dominican Republic | 2004-2007 | -19 | 188 | 49 | -118 |
| Ecuador | 2005-2010 | 2 | 38 | 64 | -4 |
| El Salvador | 2001-2010 | 3 | 14 | 86 | -3 |
| Mexico | 2000-2010 | 7 | 24 | 83 | -14 |
| Nicaragua | 2001-2005 | 10 | -41 | 95 | 37 |
| Panama | 2002-2009 | -9 | 26 | 84 | -1 |
| Paraguay | 2001-2009 | 48 | 66 | -6 | -8 |
| Peru | 2001-2010 | 15 | 26 | 52 | 7 |
| Uruguay | 2004-2010 | -1 | 77 | 29 | -5 |
| Venezuela (Bolivarian Republic of) | 2002-2010 | -4 | 12 | 89 | 3 |
| **Latin America (simple average)** | | **4** | **38** | **64** | **-6** |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America, 2011* (LC/G.2514-P), Santiago, Chile, 2012. United Nations publication, Sales No. E.12.II.G.6.

[a] In the original source, the annual reduction in the per capita income gap is specified in each case. This table presents the contributions of the final disaggregated variables to this reduction; as such, the stated values given in each row add up to 100, save where rounded figures have resulted in a small discrepancy.

[b] Urban areas.

**Box IV.1**

**The impact of fiscal policy on income distribution**

Against the backdrop of discussions over the origins and consequences of the international financial crisis of 2008-2009, recent years have seen an intense renewal of the debate regarding inequality and its economic and social impacts. Various topics have been raised, notably those referring to the possibility of requiring a greater contribution from households or individuals with higher levels of income and wealth, given the suspicion that they are not being taxed in accordance with their means. This greater contribution would help finance public and social goods and services, enhancing the distributive impact of fiscal policy.

In Latin American countries, inequality remains a hallmark of social and economic structures. One of the most documented circumstances refers to the large income disparities between households. Better measurement of income inequality levels and trends, especially in relation to the highest incomes, is required in order to improve the design and calibration of redistributive fiscal policies. However, the need for more precise measurement is not yet fully built into the discussion agenda on distributive equity. Moreover, for the time being there is a lack of essential statistical information that would enable, on the one hand, a consistent comparison of the region's countries in order to assess the quality and effectiveness of the measures applied, and on the other, a specific analysis of countries attempting to make their current fiscal system more progressive (Gómez Sabaini and Rossignolo, 2014).

One alternative for measuring inequality, which has gained importance in recent years, is the use of data on income and wealth from the fiscal records of tax administrations (Piketty, 2003; Atkinson and Piketty, 2007 and 2010). As well as this progress in terms of measurement, the research agenda has opened a window for discussion on aspects related to the regulation and taxation of capital, as highlighted by Piketty and Zucman (2013). Studies by Alvaredo (2010), Alvaredo and Londoño (2013) and Burdín, Esponda and Vigorito (2013) examined this information for Argentina, Colombia and Uruguay, respectively, and reported tax-collection trends for the high-income group, as well as their impact on overall distribution. These three studies yielded very interesting findings regarding the concentration of high earnings in the region, compared with the rest of the world. In around 2005, the 1% of the population with the highest income accounted for 19.7% of total income in Colombia and 15.8% of the total in Argentina. In comparative terms, this concentration is relatively high, and is similar to that of the United States, for example. In Uruguay, a country with less inequality than Argentina and Colombia, the top 1% accounts for a much lower proportion of total income (11.3% in 2007). Nevertheless, this remains higher than the average of the countries for which calculations are available using a comparable methodology (Amarante and Jiménez, 2014).

Fiscal policy may improve a given country's income distribution through public expenditure, especially under social spending, ensuring the provision of public goods and services to the most vulnerable sectors. The State may also exert influence over the level of income concentration, before transfers, through the application of direct taxes (especially on personal income tax and wealth).

The region's high levels of income and wealth concentration mean that the most efficient way of achieving results is to combine spending and taxation policies, so that they have a redistributive impact, complementing and reinforcing each other in the search for a common solution.

Box IV.1 (concluded)

Yet this does not seem to have been an implicit objective of the policies implemented in past decades. Redistribution was largely sidelined, and where this was not the case, redistributive impacts were sought solely through spending policies. In many instances, growth in redistributive public expenditure was financed through regressive taxes, meaning that the net impact of fiscal policy was substantially weakened (Gómez Sabaini and Morán, 2014).

As a result, the redistributive impact of fiscal policy in Latin America has traditionally been slight and has focused more on the spending side, especially when compared with more developed countries (such as those of the European Union and OECD), owing to low tax revenues and smaller and less progressive transfer levels. However, in recent years various authors and organizations have highlighted the heterogeneity within the region and emphasized the progress achieved in this sphere over the past decade (ECLAC, 2013c; Cornia, 2010; World Bank, 2013; IMF, 2014; Lustig, Pessino and Scott, 2014).

Indeed, it appears that a paradigm shift is in progress, as the spending-focused approach to redistribution is abandoned and replaced with a more comprehensive view of fiscal policy, in which both taxation and spending instruments may be applied simultaneously in order to narrow the marked income inequality that characterizes the region.

In a recent study conducted by ECLAC on 17 Latin American countries, and which followed an approach comparable with international methodologies, it was found that the Gini coefficient fell by just three percentage points after the application of direct taxes and the payment of public cash transfers. By contrast, in OECD countries the coefficient dropped by 17 percentage points following direct fiscal action. On average for the region, 63% of this reduction was achieved thanks to public cash transfers and the rest as a result of income tax measures, which illustrates the need to strengthen the latter. Effectiveness in reducing inequality varies from one country to another: in Argentina, Brazil and Uruguay, the analysed instruments reduced the Gini coefficient by an average of seven percentage points, with public pensions having a significant impact. Above-average reductions were also observed in Chile, Costa Rica and Mexico, though these were largely explained by transfers and direct subsidies. In Colombia, the Dominican Republic, El Salvador and Paraguay, personal income tax and transfers had the effect of reducing the Gini coefficient by an average of just one percentage point (Hanni, Martner and Podestá, 2014).

Income tax (and particularly personal income tax) has been the focus of many recent studies, in view of its relative importance in terms of distributive impact. For some years, Latin American income taxes, at least in practice, typically had a "schedular" nature that meant separately taxing the different types of income received by the same taxpayer (from wage employment, interest received on deposits, share dividends, and so forth (Gómez Sabaini and Morán, 2014). Moreover, several countries have maintained a large number of exemptions and exceptions according to the generating source, particularly in the sphere of capital income. Consequently, a hefty proportion of personal income taxation has generally fallen on salaried workers' wages, weakening the redistributive effect.

Aside from the determinants imposed by the countries' per capita income levels, and the degree of income concentration, it is noted that the potential for increasing personal income tax revenues and expanding their distributive impact in Latin America has encountered three fundamental problems: (i) the low level of the top marginal rate applied by the countries on average; (ii) the narrow tax base owing to the existence of numerous deductions or exemptions that leave a significant amount of income untaxed, and (iii) the high rate of non-compliance (tax evasion and delinquency) observed in almost all countries.

In recent years, tentative progress has been made in expanding the income tax base, as in the case of Peru, Uruguay and several Central American countries (see Gómez Sabaini and Morán, 2014; Barreix and Roca, 2007; Amarante, Arim and Salas, 2007; ICEFI, 2011). There is room for improving the impact of this tax, since by simulating the effects of potential personal income tax reforms, it was possible to confirm that its redistributive impact could be boosted in the region, either through the reduction or elimination of tax expenditures (so that capital income is treated the same as employment income, for example); through the application of a household tax system, or through various measures to increase the average tax rates paid by the wealthiest decile (Hanni, Martner and Podestá, 2014).

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

An end to the widening of wage gaps, which has taken place since the 2000s, would reflect a "normalization", in the sense that the increase in the supply of workers with higher formal education levels would have the effect of reducing the corresponding relative wage premium (Cruces, García Domenech and Gasparini, 2012).[35] However, it has also been claimed that demand factors also may have had some influence, by reducing the relative demand for highly educated individuals as a consequence of the end of the impact of technological shift towards skilled labour, the expansion of commodity production and the concentration of growth in activities producing non-tradable goods and services (World Bank, 2012; Gasparini and others, 2011; López-Calva and Lustig, 2010). A study of the characteristics of recent job creation, in which wage employment was compared with non-wage employment, yielded the conclusion that, as in the 1990s, labour demand continued to favour the recruitment of individuals with medium and high levels of education, although there were new opportunities for those with lower levels of formal education (Weller, 2014).

These opportunities seem to have had some connection to the growth of medium- or high- productivity employment in various activities producing non-tradable goods and services. As table IV.6 indicates, in many countries these activities accounted for a high percentage of the jobs generated over this period, and many of these sectors, such as commerce, transport and construction also offered jobs for people with low or medium levels of formal education.

[35] The average wages of workers with high levels of formal education are also affected by the mismatch between the specific requirements of enterprises and the type of training provided by the education system (Gasparini and others, 2011).

Demand for workers from enterprises and the public sector would therefore have been more balanced with regard to different levels of education, which would have helped close wage gaps.

Furthermore, and aside from the dimensions of supply and demand, recent literature has placed more emphasis on the role of labour institutions in influencing wage gap trends. For example, it was detected that in OECD member countries (OECD, 2011), the increase in wage inequality was explained more by institutional factors —such as "atypical" employment arrangements, part-time work and the reduction of collective bargaining coverage— than by other factors, such as technological change.

Studies of Latin America have also attached greater relevance to institutional aspects. For example, it was found that the fall in the real minimum wage accounted for much of the rise in inequality in Mexico during the 1990s (Cortez, 2001; Bosch and Manacorda, 2010), while increased real minimum wages during the 2000s helped reduce inequality in several countries (ECLAC, 2014b). Other labour-related institutional changes with a positive distributive impact, as identified in the literature, took the form of policies for the formalization and expansion of collective bargaining (Cornia, 2011; Keifman and Maurizio, 2012). In particular, formal employment growth in branches of activity characterized by labour forces with low or medium-low education levels indicates that labour institutions have expanded their coverage among these groups of workers. Formal (registered) employment grew noticeably in construction and commerce, among other sectors (Weller, 2014). In agriculture and commerce, a significant gap was noted between lower growth in total and higher growth in formal employment, which in turn could reflect a structural change in these activities, thanks to the expansion of formal enterprises (normally of a larger scale) and the effects of formalization policies.

Disparities between men and women form another central aspect of labour-market inequality. While not limited to income gaps, these do condense different aspects such as the uneven distribution of care work (which leaves less time for labour-market integration), fewer opportunities for upward career mobility, and wage discrimination. As table IV.9 shows, in the decade 2002-2012 as in the previous period, the average labour income gap decreased in urban areas in Latin American countries.

**Table IV.9**

**Latin America: ratio of average female income to average male income, by age group, years of schooling and residential area** [a]

*(Percentages)*

| | Age group | | | | | Total | Years of schooling | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 15 to 24 years | 25 to 34 years | 35 to 44 years | 45 to 54 years | 55 years and over | | 0 to 5 | 6 to 9 | 10 to 12 | 13 or more |
| **Urban areas** | | | | | | | | | | |
| 1990 | 79 | 72 | 59 | 55 | 53 | 63 | 59 | 62 | 68 | 54 |
| 2002 | 87 | 76 | 66 | 59 | 57 | 69 | 67 | 65 | 69 | 61 |
| 2012 | 87 | 77 | 71 | 70 | 64 | 74 | 65 | 65 | 69 | 70 |
| **Rural areas** | | | | | | | | | | |
| 1997 | 78 | 69 | 67 | 62 | 56 | 67 | 63 | 60 | 66 | 60 |
| 2002 | 88 | 76 | 73 | 71 | 66 | 76 | 67 | 66 | 71 | 64 |
| 2012 | 82 | 72 | 69 | 70 | 64 | 72 | 64 | 64 | 70 | 69 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America, 2013* (LC/G.2580), Santiago, Chile, 2013. United Nations publication, Sales No. E.14.II.G.6.

[a] Simple averages.

Nevertheless, analysis by education group revealed that the labour-income gap narrowed only among the most educated, and remained unchanged among other groups. As such, the aggregate improvement was largely the consequence of a composition effect and reflected a higher proportion of more educated women in the labour market, compared with groups with lower education levels.[36] This contrasts with the widespread improvements achieved in the earlier period.

In terms of age group, it may be observed that the income gaps between women and men diminished in the 35-to-44, 44-to-54 and 55-and-over age brackets, although they persisted in the younger groups. The trend was negative in rural areas, since the income gap widened both on aggregate and in a large majority of age and education strata.[37]

[36] The income gap between men and women therefore widens if individuals' educational characteristics are taken into account (Atal, Ñopo and Winder, 2009).

[37] Gaps associated with ethnicity formed another aspect of labour-market inequality of many of the region's countries. In this regard see Atal, Ñopo and Winder (2009) and ECLAC (2014b: pages 175-181). For the effects of inequality on the living conditions of young people, older adults, persons with disabilities and migrants, see United Nations (2013).

It is thought that the economic environment projected for the near future will tend to weaken the aspects of demand that contributed to reducing some wage gaps, specifically, job creation in medium- or high-productivity segments, especially those that produce non-tradable goods and services, which hitherto benefited individuals with low or medium levels of formal education.

Moreover, in many countries, successful business and labour formalization policies may exhaust their potential once they have achieved the formalization of companies and workers whose productivity levels allowed the associated costs to be borne (in some cases through systems that reduced these costs, especially in the case of micro-enterprises and small businesses). As a result, without decisive policies to increase the productivity of those activities that remain informal, and which have growth potential, the marginal cost-effectiveness of formalization policies is likely to diminish.

## D. Policies to promote social and employment sustainability

To advance the social sustainability of development and economic growth, policies must promote access to quality employment and equality in the labour market, while strengthening the corresponding social measures. This section firstly examines the policies designed to overcome the obstacles to quality employment, and to reduce existing labour-market gaps on various fronts. This is followed by an examination of the manner in which social policies can fulfil their priority functions while simultaneously targeting economic growth.

Considering the current gender distribution of work, overcoming the first of the obstacles addressed in this chapter (that of labour-market access) above all requires that labour-force participation be made easier for women who are presently excluded for reasons not directly related to the labour market.

As noted in this chapter, the increase in labour-force participation —particularly by women— did not pick up speed, even though employment options broadened over the recent period of high economic growth. It therefore seems that supply trends were the determining factor in female labour-market integration. The uneven distribution of household work is a major obstacle to women's labour-market access, and a cultural and social change is needed to overcome it (ECLAC, 2014b).

Although the processes that would transform deeply entrenched customs and power relations, and which require a cultural shift among all household members, are not easy to manage through public policies, experience shows that well designed policies and incentives can help bring about such a change.[38] For example, improving access to childcare facilities tends to promote the labour-market integration of women with family commitments. Information services and vocational education and training programmes that adopt a gender focus taking women's specific requirements into account are also required to facilitate women's entry to the jobs market. It is likewise important to ensure non-discrimination in recruitment processes (ECLAC and others, 2013).

A labour supply trend that promotes social and employment sustainability must be consistent with the working life cycle. Apart from requiring that labour-force participation be promoted among the most productive age groups, this means, first of all, preventing the early entry of young people by increasing the coverage of the education systems that provide them with the skills required to successfully engage in productive work and embark on upward career paths. Secondly, it entails reducing the length of time that older adults are forced to remain in work owing to the absence of pension systems that provide them with the income for a decent retirement.

[38] These policies not only promote the first-time labour integration of women, but also promote their early return to work after having children. Kluve and Schmitz (2014) claim that earlier re-entry improves women's employment quality, since employers tend to reward it. This is consistent with the observation that lengthy absences from the labour market are disadvantageous for women's careers, compared with men in the same age bracket. Another dimension of the policies designed to encourage female labour integration (among other objectives) relates to maternity and paternity leave. See Addati, Cassirer and Gilchrist (2014) for a global analysis of the corresponding legislation.

Reform of the education system, through mechanisms that would allow an effective combination of work and study, would also be conducive to keeping young people, especially those from vulnerable households, in the education system for longer, as well as boosting access to good quality education. It is also important to strengthen retirement systems so that older adults have access to income that will provide them with decent living standards and allow them retire from the labour market. This is an area in which much progress is still required.

Overcoming the second obstacle to quality employment —the difficulties standing in the way of access to employment in general and reduced unemployment— are largely dependent on labour demand. Aspects related to labour supply and intermediation are also relevant. Major weaknesses have been noted in vocational training and education systems, along with significant mismatches, either in the form of imbalances between qualifications and job requirements, or in terms of quality problems. Considering the steep fall in unemployment in the recent period, the imbalance between labour supply and demand seems to account for an ever-increasing proportion of persistent unemployment (Bassi and others, 2012; Cazes and Verick, 2013).

Reforms therefore are needed to ensure that the education system constantly adapts to the needs of sustainable development and economic growth. To achieve this, it is important to create national vocational education and training systems that recognize the triple relevance of knowledge-building and skills development; meaning that training and educational content accords with employers' requirements, the aspirations of individuals —especially young people— and sustainable development needs (Biavaschi and others, 2012). In this context, and in view of the identified weaknesses, special emphasis must be laid on non-university technical training (Jacinto, 2013).

Lastly, on the labour intermediation front, it is essential to develop information systems which, beyond intermediation itself, support (re-)entry into the labour market through measures that are adapted to specific individual needs. This requires the close integration of the different active and passive labour-market policies, including unemployment insurance.

Macroeconomic and productive development policies, as mentioned in the two previous chapters, must be applied in order to stimulate job creation in medium- and high-productivity sectors (thereby overcoming the third obstacle). A key dimension is that of increasing productivity, both by reassigning workers from one sector to another (structural change), and by making improvements within sectors. In this regard, the following aspects are of note:

- From the perspective of social and employment sustainability, managing the economic cycle means containing the negative job and wage impacts of economic crises and periods of low growth. This requirement is due to the possible effect of high employment insecurity on confidence in political institutions, as well as the short- and long-term impact on the well-being of households, especially those with low income levels (ECLAC, 2010a: page 51). This also means not reversing course in respect of the labour advances achieved in the recent period. During the crisis of 2009, the region's countries built up experience with labour-market policy instruments that limit the impact of labour demand on employment. As stated previously, promoting the labour-market integration of young people is a key challenge.
- An increase in investment would stimulate labour demand over the longer term. Productive development policies would boost productive job creation, especially through the growth of small and medium-sized enterprises, and would help reduce the wide productivity gaps that prevail in the region. To achieve this, governments would have to promote the development of innovation processes and the take-up of new technologies, especially in relation to information and communication technologies (ICTs). Many new jobs would be created in the transformation towards more environmentally sustainable economies (green jobs), although neither should it be overlooked that jobs would also be lost as activities contract. Job creation in areas currently lacking in coverage, but important from a social development perspective, should also be considered (Infante, 2011, chapter IX).

Nevertheless, promoting the creation of formal jobs is not enough. Even in the recent period of high economic growth and especially in countries with lower per capita GDP, a large proportion of new jobs emerged in low-productivity sectors. This is because higher productivity sectors in these economies are relatively small, so that even with strong expansion and adequate labour intensity, they are unable to generate all of the jobs required by a growing labour force. As such, policies are also needed to support the production capacity of these sectors and, where potential is limited, to support household incomes through targeted social policy instruments (ECLAC/ILO, 2014). On the supply side, the continued improvement of labour skills through the educational and vocational training systems, as mentioned previously, is indispensable.

Overcoming the fourth obstacle (to formal employment in medium- and high-productivity sectors), depends in large part on labour institutions. The institutional framework performs an important function in improving employment quality, and can help boost productivity by allowing workers to share in gains, through collective bargaining. These

institutions should therefore be designed in a way that generates and strengthens virtuous circles between the distribution of labour productivity and the distribution of the consequent gains.

Considering the importance of formality in gaining access to the components of quality employment, business and labour formalization policies —recently introduced by many countries— need to be deepened, both by scaling up incentives and strengthening work inspection (ILO, 2014). In several countries that successfully introduced instruments to promote labour formalization over the last decade, the marginal effectiveness of these policies is diminishing. However, these countries may refine their existing instruments, while others still have significant potential for new instruments.[39] In any case, these tools are less effective is low-productivity sectors, which means that productive development initiatives are essential.

Active and passive labour-market policies must carry out a complementary function in this process. Specifically, the development of national vocational education and training systems that meet the aforementioned "triple relevance" criteria is critical for the introduction of new technologies and their efficient application. Unemployment insurance, as well as protecting the income of those who lose their jobs, facilitates a more productive re-entry to the world of work —especially where integrated with employment information and vocational education and training systems— since they reduce the pressure to find a job. This raises the likelihood of unemployed workers re-entering the labour market in a job befitting their qualifications, thereby avoiding a more severe drain of human capital.[40]

It is increasingly suggested in the literature that the impact of labour institutions depends on the specific features of countries, including the characteristics of non-labour markets (Eichholtz, Feil and Braun, 2008; Betcherman, 2014). As such, there is no optimum design for these institutions, applicable to all countries, and neither does such a design exist across different time periods (Berg and Kucera, 2008). It is therefore critical that these institutions be developed on the basis of a social dialogue process that guarantees their legitimacy and sustainability.

In Latin America and the Caribbean, the development of an institutional framework geared towards these goals has been hampered by the low levels of interpersonal trust that characterize the region (ECLAC, 2014b: page 115). The fact that a large majority of people in many countries perceive high levels of conflict "between rich and poor" seems to confirm this distrust, which makes it harder for employers and workers to reach agreement. The complicated and occasionally violent history of the relationship between the two parties illustrates the magnitude of the challenge ahead.[41] Securing labour covenants through social dialogue, as ECLAC (2014b) has proposed —among other covenants relevant to social development— requires long-term commitments and perhaps a gradual procedure which, based on agreements over the least controversial aspects, generates the trust required to make progress on more complex issues.

Many of the policies designed to help overcome the four obstacles to quality employment include the objectives of addressing and reducing the high levels of inequality that typify the region's labour markets. The following guidelines have been proposed:

- Education reforms must aspire to reduce the segmentation of educational systems, which tends to perpetuate inequality by making educational opportunities largely conditional on family background (Poggi, 2014).
- Effective employment information systems would help reduce the opportunity gaps created by the uneven distribution of social capital.
- Active labour-market policies must adopt a gender approach, by virtue of which women's specific disadvantages and needs in relation to labour-market integration (gender division of labour, training and information) are taken into account.
- Support programmes for the labour-market integration of vulnerable groups help narrow the divides that exist in terms of access to quality employment (Weller, 2009).
- Anti-discrimination programmes are crucial for reducing gender and ethnicity gaps in employment quality.
- Extending and implementing labour rights (such as unionization and collective bargaining) would boost the distributive impact of labour institutions.[42]

[39] For example, the number of active employers contributing to the Nicaraguan Social Security Institute comfortably doubled between 2004 and 2013, mainly thanks to the current formalization programme.

[40] See Velásquez (2014), for further information on the challenges presented by the development of effective and efficient unemployment insurance.

[41] Cazes and Verick (2013: page 83) underscore that lack of trust is a major obstacle to social dialogue, especially in developing countries.

[42] In contrast with the findings for other regions, ILO/IILS (2008: page 87) did not note any positive distributive impacts as a result of higher rates of unionization. The cause of this irregularity might be that unionization in the region is concentrated in the public sector and in relatively high-income activities (for example, mining). Extending union coverage would probably have an equalizing effect, as is typically associated with increased unionization.

- Business and labour formalization particularly benefits workers with low and medium levels of education, so progress in this area would have a positive distributive impact.
- An appropriate minimum wage policy is beneficial to lower-income workers and can contribute to reducing inequality (ECLAC, 2014b).

As stated in the introduction to this chapter, social sustainability depends not just on labour-market integration through access to quality jobs, but also on social policy, which relies on fiscal policy for its resources. Previous chapters described how fiscal policy is critical for the sustainability of short- and long-term economic growth, and is also important for social sustainability. On the one hand, measures designed to stimulate long-term economic growth, through the provision of public goods, have an influence on the productivity of poor workers, delivering significant returns in support of equality. Well-designed public expenditure in education, justice, citizen security, infrastructure and public transport, health, job training, social inclusion and many other areas, is disproportionately beneficial to the poorest segments of society, for example by integrating them into the labour force under better conditions.

Meanwhile, some social components of public spending, combining current and capital expenditure, are conducive to better income distribution and tend to boost long-term economic growth. Public spending on some key components thus includes or entails a double dividend, simultaneously meeting the objectives of growth and disposable income redistribution (Lindert, 2003).

Expenditure on education, health, the prevention of social exclusion, housing, families and children, pensions, and unemployment, increases macroeconomic efficiency, since it is favourable to formality, quality employment, female and youth labour-force participation, and the labour-market integration of excluded individuals. Many components of social spending, aside from direct expenditure on education and health, are potentially progressive and conducive to growth: these components include food and nutritional security, social and environmental protection, housing, culture and recreation (see table IV.10).

**Table IV.10**
**Economic impacts of social spending**

| Social spending component | Economic impacts |
|---|---|
| Education | The theory of human capital provides the framework by which it may be interpreted that education has economic repercussions. Education increases workers' productivity by making them more skilled and better trained for the labour market, thereby impacting on economic growth. |
| Health | Investing in health generates increased production capacity, with benefits both for individuals and production units. |
| Food and nutritional security | Undernutrition, overweight and obesity incur personal and social costs, so reducing their prevalence results in direct health and education savings for countries' economies, along with productivity increases. This in turn provides incentives for key sectors of the economy, such as food production and distribution. |
| Social protection | Securing individuals' income levels and mitigating the effects of economic crises or unemployment, also helps ensure a minimum level of consumption by the population, directly injecting resources into the market through demand. Social protection also has a direct impact on employment, in that its functions include the regulation of the labour market, and with it, the promotion of decent work. |
| Environmental protection | Environmental protection may have an economic impact as a result of pollution reduction. It also has an impact on the construction sector, in which housing and other structures are built in accordance with green criteria. |
| Housing and related services | Housing expenditure directly affects the construction sector, which makes a significant contribution to the region's GDP. The public sector forges partnerships with the private sector in order to carry out infrastructure and housing projects. |
| Culture and recreation | The production of cultural goods and services generally bolsters activity in the private sector, for example through the payment of wages. |

**Source**: R. Martinez and others, "El impacto económico de las políticas sociales", *Project Documents*, No. 531 (LC/W.531), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), 2013.

An evaluation of economic performance in terms of the distribution and growth of disposal income reveals that fiscal policy can have positive impacts in both respects. Recent empirical evidence shows the importance of these complementarities (Hoeller and others, 2012) and, specifically, that measures in favour of better distribution may stimulate economic growth (Ostry, Berg and Tsangarides, 2014).

# E. Conclusions

On the basis of international debate and the recent contributions of ECLAC, this chapter has examined various aspects of the social sustainability of economic growth and development. Previous studies have highlighted that social sustainability has two components: the first based on labour-market integration and the second on social policies. This chapter has placed particular emphasis on social sustainability based on access to quality jobs, without ignoring the relevance of fiscal policy, particularly its redistributive function, and social policy, notably the close relationship between many of these initiatives and long-term economic growth.

In contrast with the previous period, from 2003 the region was characterized by relatively high, labour-intensive economic growth. As a result, and thanks to the expansion of wage employment, the employment rate rose sharply, with a corresponding fall in unemployment. At the same time, average real wages gradually increased, so that —despite a deterioration in the functional distribution— the wage bill posted relatively strong growth, boosting household consumption, which in due course became the main engine of economic growth.

During this period, important progress was achieved in overcoming the four types of obstacle to quality employment: obstacles to labour-market integration, to employment in general, to employment in high- or medium-productivity sectors, and to formal employment in these sectors. This progress was aided by favourable macroeconomic conditions and several changes in the institutional framework. At the same time, rising wage income significantly contributed to reducing inequalities between households.

Nevertheless, deep divides persist, both in opportunities for overcoming the obstacles to quality employment, and in respect of labour-market inequality and its impact on income distribution. Moreover, the changing global economic context is weakening job-creation mechanisms, as has already been observed at regional level in 2013 and early 2014. Labour demand is not expected to fuel a strong rise in aggregate employment, owing to demographic changes that are reducing the relative size of the age groups from which first-time labour-market entrants are drawn, and the predominance of long-term labour-force participation trends.

This does not mean that job creation is becoming less important. On the contrary, generating jobs in medium- and high-productivity sectors, with all the rights associated with formal employment, remains a cornerstone of social sustainability. However, unlike in the earlier period, aggregate job creation will be expressed less through a rising employment rate and more through increasing labour productivity. A goodly part of the increase in aggregate labour productivity could be due to labour supply trends, as employment growth will be fuelled less by the expansion of the labour force than by the restructuring of the labour market, thanks to a rise in the proportion of jobs in high- and medium-productivity sectors and a corresponding reduction in the share of low-productivity sectors.

Support for this process will require that investment be stepped up significantly as a precondition for job creation in higher productivity sectors, which would simultaneously weigh in favour of increased productivity, as discussed in the previous chapter. Moreover, it is essential to encourage productive development and investment in small and medium-sized enterprises as a means of reducing internal productivity gaps. Consequently, investment and productivity must be promoted, since both perform a complementary role in the transformation of the employment structure, which will help strengthen social sustainability. This change in the occupational structure must be accompanied by the development of an institutional framework that is favorable to the growth of productivity and ensures an adequate distribution of its rewards, so that progress towards greater equality reinforces social sustainability.

There is also a need to strengthen instruments to support low-productivity activities. However, since many of them have limited potential, such a policy would have to be supplemented with social programmes to support household incomes —for example, conditional cash transfer programmes— which would be linked to programmes to promote labour-market integration. The countries' different production and employment structures mean that instruments would vary in importance depending on the specific characteristics of each case.

Lastly, social sustainability requires the development of social policies that facilitate the enjoyment of acquired rights. Many of these policies will have a positive impact on the long-term sustainability of economic growth.

Chapter V

# Sustainable economic growth and development in the medium term: conclusions and policy challenges

A. Conclusions
B. Policies for sustainable growth: challenges

# A. Conclusions

In its publication *Compacts for Equality: Towards a Sustainable Future*, ECLAC (2014b) suggests that there are three threats to the sustainability of egalitarian development in Latin America and the Caribbean: economic, social and environmental.

This second part of the *Economic Survey of Latin America and the Caribbean 2014* has analysed the challenges facing economic and social sustainability in light of recent developments. It has focused on the sustainability of economic growth, considering it to be a prerequisite for sustainable development, although not the only one.

During much of the previous decade, the external environment was relatively favourable. Higher external demand for commodities (which fuelled export volume growth and pushed up international prices), exceptional international liquidity conditions, abundant foreign direct investment, and an increase in remittances (especially to Central America and the Caribbean) all facilitated progress in many areas of economic and social sustainability. This scenario was key to the strong economic growth (at least compared with past regional growth rates) observed during virtually the whole of the first decade of the twenty-first century.

Following the relative easing of external restrictions, some Latin American and Caribbean economies were able to obtain foreign currency to drive growth based on domestic demand, and in particular consumption, thanks to robust job creation and efforts by the countries of the region to combat poverty and hunger, as well as some progress on closing the huge distributional gaps present in Latin American and Caribbean societies at the start of the new century. Many countries reduced their external and public debt vulnerabilities and built up their international reserves.[1] Major strides were also made in improving access to good-quality employment. However, the new external environment will make it impossible to sustain the consumption-driven growth rates seen until recently in the region.

For various reasons, the new international scenario will be less favourable for sustaining high growth rates in Latin America and the Caribbean than the early years of the twenty-first century, before the financial crisis that struck the world economy at the end of the last decade and the beginning of this one (whose epicentre was initially located in the United States and later in the eurozone). Although the worst of the crisis appears to be over and the probability of systemic events is low, certain changes that have taken place in the world economy may have a lasting effect and lead to slower growth in the coming years.

Among the developed countries, only the United States economy is showing clear signs of recovery. The picture in the eurozone is rather mixed: while some countries are starting to grow, others are still far from overcoming the difficulties caused by the crisis that cast doubt on the very survival of the euro. Unemployment rates will continue to be high for some time to come and there is still potential for a deflationary process that could be very harmful. Japan has begun to recover very slowly but continues to see considerable variability, and economic policy has failed to produce clear signs that it is underpinning a recovery, beyond an initial push. China's growth is slowing and the country is striving to change its pattern of development, attributing greater importance to consumption and less to investment, while weaknesses in the financial and real estate sectors heighten the risk of a hard landing.

Low economic growth would entail a knock-on decline in the rate of growth of world trade that would erode not only trade volumes but also commodity prices. The slowdown and restructuring of growth in China also raises the prospect of a shift in the composition of demand towards goods more linked to consumption, such as food, and away from those that are more investment-linked, such as metals and minerals. Trends in international commodity prices could therefore be quite uneven.

Rising interest rates in the United States financial market (and the greater profitability they offer) are expected to shift capital flows towards less risky assets and away from assets denominated in emerging-economy currencies, which are usually associated with higher levels of risk.

The Latin American and Caribbean countries will need to rethink their development strategies in order to adapt to slower-growing international trade volumes and weaker international prices for their exports. In addition, low international interest rates will gradually return to normal; in some cases this could make it more difficult to tap the international financial markets.

[1] While the external climate was favourable, this does not mean that economic sustainability challenges had been overcome, either in terms of macroeconomic management or growth dynamics. See ECLAC (2011c).

This second part of the *Economic Survey of Latin America and the Caribbean 2014* has analysed alternative approaches to the challenges of sustainable development in view of the new external climate. While other aspects are undeniably important, it has focused on the challenges of economic sustainability, in particular macroeconomic policy and the long-term outlook for growth. However, it also considers the progress made to date and the challenges in respect of social sustainability, especially in terms of employment, and examines the challenges and outlook for fiscal and social policy.

The impact of the new external conditions on each country in the region will vary, given their structural differences and the range of policies they have implemented during the cyclical upswing of the past 10 years. These characteristics provide an indication of the strengths and vulnerabilities that will form the basis of the macroeconomic policies needed to contend with the new international situation. In particular, the following points must be considered:

- The accumulation of factors of production and productivity gains determine an economy's growth potential and leave room for macroeconomic policies to fully exploit production capacities without jeopardizing internal and external balances.
- Concentrating exports in only a few products and a few destination markets leaves a country highly vulnerable to any slowdowns in demand from those markets. In the current circumstances, this principally affects countries that specialize in exploiting and exporting certain commodities.
- Trends in the balance-of-payments current account, external debt and international monetary reserves determine to some extent the likelihood that external constraints will hinder further economic growth.
- Fiscal balances (that is, public debt and the primary and overall balances) help provide fiscal policy space to deal with periods of sluggish growth. In some countries, a large proportion of tax revenues are natural-resource-based, meaning that fiscal space is determined by the volatility of international prices for these products.
- Inflation limits the authorities' scope to take an expansionary monetary stance and employ monetary policy countercyclically. In addition, quality differences in the loan portfolio make it difficult for the financial system to use expansionary policies to drive growth by expanding credit.

Furthermore, the possible duration of the external changes needs to be assessed, adopting a different approach for each country and weighing the costs and the scope of the available countercyclical policies. If the unfavourable external conditions affecting a particular economy are expected to be temporary, expansionary measures could be employed, assuming sufficient fiscal space was available for this purpose. This would avoid unnecessary adjustments that could have a negative impact on both short- and long-term growth. If, on the other hand, the adverse conditions are likely to persist over the longer term, expansionary policies could generate costs and the positive impact may be only provisional, leaving the underlying problems unaddressed.

In order to meet the challenges of the current external environment, macroeconomic policies must be appropriate and tailored to the specific strengths and vulnerabilities of each country, and both present and future challenges must be evaluated. Nevertheless, the region also requires medium- and long-term policies that address the economic sustainability of growth and development. The analysis presented herein, based on an enhanced growth accounting methodology, shows that the modest regional GDP expansion recorded between 1990 and 2012 was derived from an increase in the factors of labour and capital, rather than from productivity gains. Around two thirds of economic growth is attributable to greater capital, and information and communication technologies are in general making a limited, though growing contribution. Over the same period, most investment was channelled into non-tradable goods-producing sectors. Even given the predominant contribution of investment to growth, levels of capital formation in the region remain low when compared with countries that have achieved high and sustained levels of economic growth.

From a labour-market perspective, the main factor contributing to economic growth was an increase in the number of workers, reflecting demographic trends. Changes in labour-force composition, chiefly owing to higher levels of educational attainment, made a smaller contribution to economic expansion, which highlights that continuous improvements (both in qualitative and in quantitative terms) in education offer considerable scope for boosting growth.

According to the enhanced methodology, the contribution made by the residual of the accounting exercise, known as total factor productivity and often viewed as an indicator of the efficiency of the use of these factors, was low and even turned negative during several subperiods. Its contribution was positive only between 2004 and 2008.

This reflects, in part, the procyclical nature of total factor productivity,[2] especially in regions such as Latin America and the Caribbean. During a prolonged boom, total factor productivity makes a larger contribution to growth, underlining the importance of adopting macroeconomic policies that target real as well as nominal stability.

The fact that, in accounting terms, economic growth is attributable exclusively (except in the period 2004-2008) to increases in the quality and quantity of the factors of production indicates that the challenge for the region, in addition to strengthening investment and incorporating an increasingly better qualified workforce, is to better exploit these resources. This will entail implementing structural change and making improvements in the different sectors and markets. Ultimately, this change will be key to boosting regional labour productivity and closing the large, persistent gaps in that respect, both with other countries and regions and within individual countries.[3]

Trends in economic growth and productivity have significantly influenced labour indicators and, from 2003 onwards, the socio-labour sustainability of development benefited from economic and institutional developments. Between 2003 and 2012, regional economic growth remained relatively high and labour intensive, and there was a sharp increase in the employment rate and a marked decline in the unemployment rate. Employment quality indicators improved thanks to vigorous job creation in high- and medium productivity sectors and to company and labour formalization policies. Average real wages gradually increased, so that —despite a deterioration in functional distribution— the wage bill posted relatively strong growth. These factors boosted household consumption, which has become the main engine of economic growth.

During this period, considerable headway was made in overcoming the four obstacles to good-quality employment: obstacles to labour-market integration; obstacles to employment in general; obstacles to employment in high- or medium-productivity sectors; and obstacles to good-quality employment in these sectors. Rising wage income was a significant factor in reducing inequalities between households.

Nevertheless, deep divides persist, both in terms of opportunities for overcoming the obstacles to quality employment, and in terms of labour-market inequality and its impact on income distribution. Moreover, the new global economic context is weakening job-creation mechanisms, as was already observed at the regional level in 2013 and early 2014. Labour supply is not expected to fuel a strong rise in aggregate employment, owing to demographic changes that are reducing the relative size of the age groups from which first-time labour-market entrants are drawn, and the predominance of long-term labour-force participation trends, marked above all by gradually rising numbers of women entering the labour market.

That is not to say that job creation is becoming less important. On the contrary, creating jobs in medium- and high-productivity sectors, with all the rights associated with formal employment, remains a cornerstone of social sustainability. However, unlike in the earlier period, aggregate job creation will be reflected less in a climbing employment rate and more in rising labour productivity. Owing to slackening labour supply as a result of demographic changes, the creation of new jobs in high- and medium-productivity sectors will mean a corresponding reduction in low-productivity sectors. This shift in the composition of employment may lead to higher aggregate labour productivity.

Support for this process will require that investment be stepped up significantly as a precondition for job creation in higher productivity sectors, which would simultaneously weigh in favour of increased productivity. Moreover, it is essential to encourage productive development and investment in small and medium-sized enterprises as a means of narrowing internal productivity gaps. This applies above all to countries with low per capita GDP, where the smaller size of the high- and medium-productivity sectors limits their potential to create jobs in the short and medium term. Consequently, investment and productivity must be promoted, since they perform a complementary role in the transformation of the employment structure, and thus help strengthen social sustainability. The region's countries must also redouble their efforts to improve the quality and coverage of their education and training systems. In short, structural change with equality is needed, strengthened by social policies that underpin social sustainability, with an impact on economic sustainability over the longer term.

[2] This procyclicality is explained by the fact that the utilization rate of factors of production is lower during periods of crisis or low growth. The same inventory, capital services and employed labour force are being counted, but the use of installed capacity is reduced and employment is redirected towards informal, low-productivity activities.

[3] Higher investment is not, however, inconsistent with total factor productivity growth, given that, as shown in this publication, higher investment is associated with productivity gains.

## B. Policies for sustainable growth: challenges

Owing to the likely changes in the external environment over the coming years, economic policy proposals will need to be adjusted to allow the region's countries to adapt to this new reality, yet continue to grow. This gives rise to several policy challenges.

As discussed in chapter II, the macroeconomic policy priorities will depend on each country's strengths and vulnerabilities. The region's macroeconomic agenda should include making space for macroeconomic policy over the cycle; strengthening public finances; and developing mechanisms for absorbing external shocks and strengthening financial systems, although the priority accorded to each item will vary in each country. This would provide more options for boosting the potential GDP growth rate, essential both for achieving significant and sustained economic expansion and for giving cycle-management macroeconomic policies greater room for manoeuvre.

If sustained high growth is the goal, investment levels, currently very low in the region overall, will need to be raised. But pushing up investment requires, on the one hand, projects whose individual or social profitability is sufficient to attract public and private capital, and, on the other, the resources to finance them. Of particular importance are initiatives designed to enhance competitiveness regardless of exchange-rate fluctuations, especially through productivity gains. First and foremost, steps must be taken to increase public investment, which is currently at very low levels as a result of the policies implemented during the final decades of the twentieth century. The infrastructure deficit (which is evident throughout the region, with some variation between countries) could thus be reduced, boosting economies' competitiveness and opening up more space for private investment. At the same time, private investment must be given a central role in the generation of productivity-boosting processes through the absorption of technical progress and the incorporation of knowledge, but not at the expense of the quality and quantity of employment.

Labour supply trends are also a factor here. Slowing labour-force expansion (caused by demographic changes, which are only partially offset by the entry of women into the labour market in rising numbers) suggests that labour's contribution to economic growth will have to be increasingly driven by higher qualification levels. These may be achieved by continuing to improve the quality and coverage of education and by building national vocational education and training systems that are able to meet the demands of economies undergoing sweeping changes.

The foregoing underscores the importance of initiatives that will help ensure a better allocation of resources and will create incentives for promoting activities or sectors that, as stated by ECLAC (2014b), embody more dynamic and more sustainable growth paths from a macroeconomic, social and environmental perspective. Policies designed to overcome large internal productivity gaps (thus helping to improve average productivity) are another essential element (ECLAC, 2012b). Given that employment in high- and medium-productivity sectors has a considerable impact on employment quality and distribution, progress in this area will significantly influence social sustainability. Policies that promote investment and boost productivity are thus fundamental to social sustainability, although their primary role is to strengthen the economic sustainability of development. At the same time, many social policies whose core goal is to improve the well-being of the population, particularly the most vulnerable segments, are extremely important in terms of raising the potential for economic growth.

For more dynamic investment, a stronger financial system must be developed that is able to promote saving and channel these funds into investment in sufficient volumes and for adequate periods of time. Hence, the high intermediation margins and the lack of financial depth commonly found in the region need to be tackled, as they mean that consumption is financed at the expense of productive ventures. Long-term financing in local currency is unusual and external financing is confined to large companies, with the result that many potentially profitable projects proposed by small and medium-sized enterprises cannot be carried out. By reviving the development banks (another casualty of the strategies implemented in the 1980s and 1990s), an essential instrument for providing inclusive financing to support investment and growth could be reinstated.

Policy coordination at the regional level and, more broadly, the promotion of intraregional trade and integration offer an opportunity to heighten the positive effects of strategies that are implemented and to counter the scenario of low growth in GDP and world trade that is looming on the horizon. Furthermore, intraregional trade has a higher innovation and knowledge content, and its impact on the production system would therefore be more significant. Intraregional trade also enjoys more participation from small and medium-sized enterprises, meaning it would create more jobs and result in greater equity. These advances would be furthered by the development of intraregional value

chains, which allow for the expansion of productive and competitive diversification and facilitate greater technological development (ECLAC, 2014d). The benefits of integration could be further enhanced by a strategy for financial support, which indicates that regional financial institutions such as the Inter-American Development Bank (IDB), the Development Bank of Latin America (CAF) and the Latin American Reserve Fund (FLAR), have an important role to play as providers of liquidity to finance these efforts (Levy-Yeyati, Castro and Cohan, 2012).

In summary, the external climate will offer fewer opportunities than in the recent past. Hence, greater economic policy efforts and skills must be employed so that Latin America and the Caribbean can sustain a growth rate that will create employment in the quantity and the quality required to ensure the economic and social sustainability of an inclusive development process. Formulating and implementing many of the policies summarized herein will require a long-term approach. As set forth in ECLAC (2014b), social compacts will be needed, inspired by a basic consensus regarding the overall direction and the most appropriate instruments. Of these compacts, the most relevant here concern equality-based tax structures and public spending, natural resource governance, investment, industrial policy, inclusive financing and equity in the world of work. As has already been pointed out, the region's structures and policies are extremely diverse, and, as such, it is extremely important that these compacts be discussed within each country and that they take account of national specificities, circumstances and historical perspectives.

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# Statistical annex

## Table A.1
## Latin America and the Caribbean: main economic indicators

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 [a] |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Annual growth rates | | | | |
| Gross domestic product [b] | 4.5 | 5.6 | 5.5 | 3.7 | -1.6 | 5.8 | 4.3 | 2.9 | 2.5 |
| Latin America [b] | 3.2 | 4.3 | 4.3 | 2.5 | -2.7 | 4.7 | 3.2 | 1.8 | 1.5 |
| Consumer prices [c] | 6.1 | 5.1 | 6.5 | 8.1 | 4.6 | 6.5 | 6.8 | 5.6 | 7.6 |
| | | | | | Percentages | | | | |
| Urban open unemployment | 9.0 | 8.6 | 7.9 | 7.3 | 8.1 | 7.3 | 6.7 | 6.4 | 6.2 |
| Total gross external debt/GDP [d e] | 24.6 | 20.5 | 19.2 | 17.0 | 19.7 | 19.8 | 19.1 | 20.6 | 21.0 |
| Total gross external debt exports of goods and services | 101.7 | 84.0 | 82.4 | 74.6 | 101.8 | 98.2 | 89.0 | 94.5 | 99.3 |
| | | | | | Millions of dollars | | | | |
| Balance of payments [e] | | | | | | | | | |
| Current account balance | 33 510 | 46 807 | 8 304 | -36 790 | -25 067 | -59 742 | -79 690 | -106 455 | -155 506 |
| Exports of goods f.o.b. | 584 114 | 698 528 | 786 084 | 902 369 | 701 222 | 893 652 | 1 108 133 | 1 123 914 | 1 121 889 |
| Imports of goods f.o.b. | 508 839 | 606 817 | 722 708 | 864 461 | 649 995 | 844 855 | 1 036 871 | 1 081 413 | 1 107 782 |
| Services trade balance | -10 221 | -11 121 | -17 626 | -29 517 | -31 197 | -48 066 | -66 551 | -71 577 | -78 651 |
| Income balance | -84 512 | -98 135 | -104 298 | -112 246 | -102 529 | -121 836 | -147 674 | -139 581 | -153 256 |
| Net current transfers | 52 968 | 64 352 | 66 852 | 67 715 | 57 976 | 62 054 | 63 273 | 62 202 | 62 294 |
| | | | | | | | | | |
| Capital and financial balance [f] | 27 671 | 16 854 | 117 323 | 61 439 | 63 775 | 134 968 | 178 170 | 158 217 | 162 029 |
| Net foreign direct investment | 57 653 | 33 317 | 93 756 | 100 555 | 69 082 | 80 462 | 126 704 | 128 887 | 152 235 |
| Other capital movements | -29 982 | -16 462 | 23 567 | -39 116 | -5 306 | 54 506 | 51 466 | 29 330 | 9 795 |
| | | | | | | | | | |
| Overall balance | 61 042 | 63 876 | 125 139 | 38 645 | 46 413 | 86 134 | 106 016 | 58 030 | 15 627 |
| Variation in reserve assets [g] | -39 645 | -51 130 | -127 084 | -42 273 | -50 635 | -87 534 | -106 423 | -58 122 | -15 929 |
| Other financing | -21 397 | -12 746 | 1 945 | 3 628 | 4 222 | 1 400 | 407 | 92 | 302 |
| | | | | | | | | | |
| Net transfer of resources | -78 238 | -94 027 | 14 970 | -47 179 | -34 531 | 14 531 | 30 903 | 18 728 | 9 075 |
| International reserves | 262 257 | 319 025 | 459 238 | 512 374 | 567 070 | 655 672 | 773 910 | 835 727 | 830 009 |
| | | | | | Percentages of GDP | | | | |
| Fiscal sector [h] | | | | | | | | | |
| Overall balance | -0.9 | 0.2 | 0.5 | -0.3 | -2.7 | -1.7 | -1.5 | -2.0 | -2.4 |
| Primary balance | 1.5 | 2.4 | 2.4 | 1.3 | -0.9 | -0.1 | 0.2 | -0.3 | -0.7 |
| Total revenue | 17.6 | 18.6 | 19.0 | 19.2 | 18.0 | 18.5 | 18.9 | 19.4 | 19.5 |
| Tax revenue | 13.9 | 14.4 | 14.8 | 14.8 | 14.3 | 14.6 | 15.1 | 15.6 | 15.7 |
| Total expenditure | 18.5 | 18.4 | 18.6 | 19.5 | 20.7 | 20.2 | 20.4 | 21.4 | 21.9 |
| Capital expenditure | 3.4 | 3.4 | 3.8 | 4.2 | 4.3 | 4.2 | 4.3 | 4.7 | 4.9 |
| | | | | | | | | | |
| Central-government public debt | 42.4 | 35.6 | 30.2 | 29.5 | 30.7 | 30.4 | 29.4 | 31.2 | 31.9 |
| Public debt of the non-financial public-sector | 45.2 | 38.2 | 32.8 | 32.1 | 33.1 | 32.5 | 31.7 | 33.4 | 34.3 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Preliminary figures.
[b] Based on official figures expressed in 2005 dollars.
[c] December - December variation.
[d] Estimates based on figures denominated in dollars at current prices.
[e] Does not include Cuba.
[f] Includes errors and omissions.
[g] A minus sign (-) indicates an increase in reserve assets.
[h] Central government, except in the case of the Plurinational State of Bolivia, Nicaragua and Peru, whose coverage relates to general government. Simple averages for 19 countries.

**Table A.2**

**Latin America and the Caribbean: gross domestic product**

*(Millions of dollars)*

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 [a] |
|---|---|---|---|---|---|---|---|---|---|
| **Latin America and the Caribbean** | **2 764 246** | **3 249 869** | **3 841 309** | **4 467 114** | **4 182 831** | **5 031 410** | **5 825 050** | **5 830 086** | **6 021 062** |
| **Latin America** | **2 716 673** | **3 197 472** | **3 783 097** | **4 400 684** | **4 126 854** | **4 972 232** | **5 761 444** | **5 764 462** | **5 953 280** |
| Argentina | 222 911 | 264 738 | 331 865 | 408 346 | 380 454 | 464 616 | 560 382 | 604 996 | 635 972 |
| Bolivia (Plurinational State of) | 9 549 | 11 452 | 13 120 | 16 674 | 17 340 | 19 650 | 23 949 | 27 067 | 30 601 |
| Brazil | 882 044 | 1 089 253 | 1 366 853 | 1 653 535 | 1 620 164 | 2 143 034 | 2 476 651 | 2 249 091 | 2 261 555 |
| Chile | 124 404 | 154 412 | 172 869 | 179 627 | 171 957 | 217 556 | 251 005 | 266 410 | 277 818 |
| Colombia | 146 567 | 162 590 | 207 417 | 243 983 | 232 901 | 287 018 | 335 415 | 370 328 | 379 277 |
| Costa Rica | 19 965 | 22 526 | 26 322 | 29 838 | 29 383 | 36 298 | 41 237 | 45 375 | 49 673 |
| Cuba | 42 644 | 52 743 | 58 604 | 60 806 | 62 079 | 64 328 | 68 990 | 73 242 | 75 792 |
| Dominican Republic | 33 542 | 35 660 | 41 013 | 45 523 | 46 598 | 51 576 | 55 433 | 58 898 | 60 937 |
| Ecuador | 41 507 | 46 802 | 51 008 | 61 763 | 62 520 | 69 555 | 79 780 | 87 499 | 93 746 |
| El Salvador | 17 094 | 18 551 | 20 105 | 21 431 | 20 661 | 21 418 | 23 139 | 23 814 | 24 259 |
| Guatemala | 27 211 | 30 231 | 34 113 | 39 136 | 37 734 | 41 338 | 47 655 | 50 388 | 54 104 |
| Haiti | 4 154 | 4 880 | 5 971 | 6 408 | 6 502 | 6 708 | 7 474 | 7 820 | 8 400 |
| Honduras | 9 757 | 10 918 | 12 361 | 13 882 | 14 587 | 15 839 | 17 731 | 18 564 | 18 617 |
| Mexico | 864 809 | 965 281 | 1 043 124 | 1 101 275 | 893 369 | 1 049 925 | 1 169 360 | 1 183 677 | 1 268 109 |
| Nicaragua | 6 321 | 6 786 | 7 458 | 8 491 | 8 381 | 8 938 | 9 899 | 10 645 | 11 314 |
| Panama | 16 502 | 18 287 | 21 122 | 24 884 | 25 925 | 28 814 | 33 271 | 37 956 | 42 408 |
| Paraguay | 8 735 | 10 646 | 13 795 | 18 503 | 15 934 | 20 048 | 25 100 | 24 595 | 30 560 |
| Peru | 76 080 | 88 659 | 102 202 | 120 612 | 120 487 | 147 070 | 171 257 | 192 806 | 202 042 |
| Uruguay | 17 363 | 19 579 | 23 411 | 30 366 | 30 461 | 38 881 | 47 237 | 50 003 | 56 393 |
| Venezuela (Bolivarian Republic of) | 145 513 | 183 478 | 230 364 | 315 600 | 329 419 | 239 620 | 316 482 | 381 286 | 371 702 |
| **The Caribbean** | **47 572** | **52 396** | **58 212** | **66 431** | **55 977** | **59 178** | **63 606** | **65 624** | **67 781** |
| Antigua and Barbuda | 997 | 1 135 | 1 289 | 1 347 | 1 206 | 1 136 | 1 127 | 1 194 | 1 230 |
| Bahamas | 7 706 | 7 966 | 8 319 | 8 247 | 7 820 | 7 888 | 7 873 | 8 149 | 8 232 |
| Barbados | 3 892 | 4 314 | 4 513 | 4 542 | 4 593 | 4 434 | 4 369 | 4 225 | 4 277 |
| Belize | 1 114 | 1 217 | 1 291 | 1 370 | 1 339 | 1 398 | 1 489 | 1 573 | 1 602 |
| Dominica | 356 | 382 | 413 | 452 | 482 | 475 | 491 | 496 | 505 |
| Grenada | 695 | 699 | 759 | 826 | 771 | 771 | 779 | 802 | 834 |
| Guyana | 1 315 | 1 458 | 1 740 | 1 923 | 2 026 | 2 259 | 2 577 | 2 851 | 3 025 |
| Jamaica | 11 239 | 11 928 | 12 796 | 13 708 | 12 125 | 13 231 | 14 434 | 14 795 | 14 423 |
| Saint Kitts and Nevis | 543 | 636 | 684 | 735 | 709 | 692 | 728 | 732 | 743 |
| Saint Lucia | 937 | 1 055 | 1 146 | 1 184 | 1 180 | 1 252 | 1 296 | 1 318 | 1 332 |
| Saint Vincent and the Grenadines | 551 | 611 | 684 | 695 | 675 | 681 | 677 | 694 | 726 |
| Suriname | 2 244 | 2 626 | 2 936 | 3 533 | 3 876 | 4 367 | 4 305 | 4 908 | 5 202 |
| Trinidad and Tobago | 15 982 | 18 369 | 21 642 | 27 870 | 19 175 | 20 593 | 23 462 | 23 888 | 25 651 |

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

**Table A.3**
**Latin America and the Caribbean: gross domestic product**
*(Annual growth rates)*

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 [a] |
|---|---|---|---|---|---|---|---|---|---|
| **Latin America and the Caribbean** [b] | **4.5** | **5.6** | **5.5** | **3.7** | **-1.6** | **5.8** | **4.3** | **2.9** | **2.5** |
| **Latin America** | **4.6** | **5.5** | **5.6** | **3.8** | **-1.6** | **5.9** | **4.4** | **3.0** | **2.6** |
| Argentina | 9.2 | 8.4 | 8.0 | 3.1 | 0.1 | 9.1 | 8.6 | 0.9 | 3.0 |
| Bolivia (Plurinational State of) | 4.4 | 4.8 | 4.6 | 6.1 | 3.4 | 4.1 | 5.2 | 5.2 | 6.8 |
| Brazil | 3.2 | 4.0 | 6.1 | 5.2 | -0.3 | 7.5 | 2.7 | 1.0 | 2.5 |
| Chile | 5.6 | 4.6 | 4.6 | 3.7 | -1.0 | 5.8 | 5.8 | 5.4 | 4.1 |
| Colombia | 4.7 | 6.7 | 6.9 | 3.5 | 1.7 | 4.0 | 6.6 | 4.0 | 4.7 |
| Costa Rica | 5.9 | 8.8 | 7.9 | 2.7 | -1.0 | 5.0 | 4.5 | 5.1 | 3.5 |
| Cuba | 11.2 | 12.1 | 7.3 | 4.1 | 1.5 | 2.4 | 2.8 | 3.0 | 2.7 |
| Dominican Republic | 9.3 | 10.7 | 8.5 | 5.3 | 3.5 | 7.8 | 4.5 | 3.9 | 4.1 |
| Ecuador | 5.3 | 4.4 | 2.2 | 6.4 | 0.6 | 3.5 | 7.8 | 5.1 | 4.5 |
| El Salvador | 3.6 | 3.9 | 3.8 | 1.3 | -3.1 | 1.4 | 2.2 | 1.9 | 1.7 |
| Guatemala | 3.3 | 5.4 | 6.3 | 3.3 | 0.5 | 2.9 | 4.2 | 3.0 | 3.7 |
| Haiti | 1.8 | 2.3 | 3.3 | 0.8 | 3.1 | -5.5 | 5.5 | 2.9 | 4.3 |
| Honduras | 6.1 | 6.6 | 6.2 | 4.2 | -2.4 | 3.7 | 3.8 | 3.9 | 2.6 |
| Mexico | 3.1 | 5.0 | 3.2 | 1.4 | -4.7 | 5.2 | 3.9 | 4.0 | 1.1 |
| Nicaragua | 4.3 | 4.2 | 5.3 | 2.9 | -2.8 | 3.3 | 5.7 | 5.0 | 4.6 |
| Panama | 7.2 | 8.5 | 12.1 | 9.1 | 4.0 | 5.9 | 10.8 | 10.2 | 8.4 |
| Paraguay | 2.1 | 4.8 | 5.4 | 6.4 | -4.0 | 13.1 | 4.3 | -1.2 | 13.6 |
| Peru | 6.3 | 7.5 | 8.5 | 9.1 | 1.0 | 8.5 | 6.5 | 6.0 | 5.8 |
| Uruguay | 6.6 | 4.1 | 6.5 | 7.2 | 2.4 | 8.4 | 7.3 | 3.7 | 4.4 |
| Venezuela (Bolivarian Republic of) | 10.3 | 9.9 | 8.8 | 5.3 | -3.2 | -1.5 | 4.2 | 5.6 | 1.3 |
| **The Caribbean** | **3.6** | **7.7** | **3.2** | **1.3** | **-3.5** | **0.2** | **0.1** | **1.1** | **1.2** |
| Antigua and Barbuda | 6.1 | 13.4 | 9.5 | 0.1 | -12.0 | -7.2 | -2.0 | 3.3 | 0.6 |
| Bahamas | 3.4 | 2.5 | 1.4 | -2.3 | -4.2 | 1.5 | 1.1 | 1.0 | 0.7 |
| Barbados | 4.0 | 5.7 | 1.7 | 0.3 | -4.1 | 0.3 | 0.8 | 0.0 | -0.7 |
| Belize | 3.0 | 4.7 | 1.2 | 3.9 | 0.3 | 3.1 | 2.1 | 4.0 | 0.7 |
| Dominica | -0.3 | 4.6 | 6.0 | 7.8 | -1.1 | 1.2 | 0.2 | -1.2 | -0.7 |
| Grenada | 13.3 | -4.0 | 6.1 | 0.9 | -6.6 | -0.5 | 0.8 | -1.8 | 1.5 |
| Guyana | -2.0 | 5.1 | 7.0 | 2.0 | 3.3 | 4.4 | 5.4 | 4.8 | 5.3 |
| Jamaica | 0.9 | 2.9 | 1.4 | -0.8 | -3.5 | -1.5 | 1.3 | -0.2 | 0.1 |
| Saint Kitts and Nevis | 9.3 | 5.9 | 2.8 | 4.1 | -5.6 | -3.2 | 1.7 | -1.2 | 2.0 |
| Saint Lucia | -0.4 | 7.2 | 1.4 | 4.7 | -0.1 | -0.7 | 1.4 | -1.3 | -0.5 |
| Saint Vincent and the Grenadines | 2.5 | 7.7 | 3.3 | 1.6 | -2.1 | -3.3 | -0.4 | 1.6 | 2.8 |
| Suriname | 7.2 | 11.4 | 5.1 | 4.1 | 3.0 | 4.2 | 5.3 | 3.9 | 4.4 |
| Trinidad and Tobago | 5.4 | 14.4 | 4.5 | 3.4 | -4.4 | 0.2 | -2.6 | 1.2 | 1.6 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Preliminary figures.
[b] Based on official figures expressed in 2005 dollars.

**Table A.4**

**Latin America and the Caribbean: per capita gross domestic product**

*(Annual growth rates)*

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 [a] |
|---|---|---|---|---|---|---|---|---|---|
| **Latin America and the Caribbean** [b] | **3.2** | **4.3** | **4.3** | **2.5** | **-2.7** | **4.7** | **3.2** | **1.8** | **1.5** |
| **Latin America** | **3.2** | **4.3** | **4.3** | **2.6** | **-2.7** | **4.7** | **3.3** | **1.9** | **1.5** |
| Argentina | 8.2 | 7.4 | 7.1 | 2.2 | -0.8 | 8.2 | 7.6 | 0.1 | 2.1 |
| Bolivia (Plurinational State of) | 2.5 | 3.0 | 2.8 | 4.4 | 1.7 | 2.5 | 3.6 | 3.6 | 5.2 |
| Brazil | 2.0 | 2.9 | 5.1 | 4.2 | -1.2 | 6.6 | 1.9 | 0.2 | 1.7 |
| Chile | 4.5 | 3.5 | 3.6 | 2.7 | -2.0 | 4.8 | 4.9 | 4.5 | 3.2 |
| Colombia | 3.1 | 5.1 | 5.3 | 2.0 | 0.2 | 2.5 | 5.1 | 2.6 | 3.3 |
| Costa Rica | 4.1 | 7.0 | 6.2 | 1.2 | -2.5 | 3.5 | 3.1 | 3.7 | 2.2 |
| Cuba | 11.0 | 12.0 | 7.2 | 4.1 | 1.5 | 2.4 | 2.8 | 3.0 | 2.7 |
| Dominican Republic | 7.7 | 9.1 | 7.0 | 3.8 | 2.1 | 6.3 | 3.1 | 2.6 | 2.8 |
| Ecuador | 3.4 | 2.6 | 0.5 | 4.6 | -1.1 | 1.8 | 6.0 | 3.4 | 2.8 |
| El Salvador | 3.2 | 3.5 | 3.4 | 0.8 | -3.6 | 0.8 | 1.7 | 1.3 | 1.1 |
| Guatemala | 0.7 | 2.8 | 3.7 | 0.8 | -1.9 | 0.4 | 1.7 | 0.5 | 1.2 |
| Haiti | 0.4 | 0.9 | 2.0 | -0.4 | 1.8 | -6.7 | 4.2 | 1.6 | 3.0 |
| Honduras | 4.0 | 4.5 | 4.1 | 2.2 | -4.3 | 1.7 | 1.8 | 1.9 | 0.6 |
| Mexico | 1.8 | 3.7 | 1.9 | 0.1 | -5.9 | 4.0 | 2.7 | 2.8 | -0.1 |
| Nicaragua | 3.0 | 2.8 | 4.0 | 1.6 | -4.0 | 2.0 | 4.2 | 3.5 | 3.1 |
| Panama | 5.2 | 6.6 | 10.1 | 7.2 | 2.2 | 4.1 | 8.9 | 8.4 | 6.6 |
| Paraguay | 0.2 | 2.9 | 3.5 | 4.5 | -5.6 | 11.2 | 2.6 | -2.8 | 11.8 |
| Peru | 5.0 | 6.3 | 7.4 | 8.0 | -0.0 | 7.3 | 5.3 | 4.7 | 4.5 |
| Uruguay | 6.6 | 3.9 | 6.3 | 6.8 | 2.0 | 8.1 | 7.0 | 3.3 | 4.0 |
| Venezuela (Bolivarian Republic of) | 8.4 | 8.0 | 6.9 | 3.5 | -4.8 | -3.0 | 2.6 | 4.0 | -0.1 |
| **The Caribbean** | **2.8** | **6.9** | **2.4** | **0.6** | **-4.2** | **-0.5** | **-0.6** | **0.4** | **0.5** |
| Antigua and Barbuda | 5.0 | 12.2 | 8.3 | -1.0 | -13.0 | -8.2 | -3.0 | 2.3 | -0.4 |
| Bahamas | 1.3 | 0.5 | -0.5 | -4.1 | -5.8 | -0.2 | -0.5 | -0.5 | -0.8 |
| Barbados | 3.5 | 5.2 | 1.2 | -0.1 | -4.6 | -0.2 | 0.3 | -0.5 | -1.2 |
| Belize | 0.4 | 2.0 | -1.3 | 1.3 | -2.2 | 0.6 | -0.4 | 1.5 | -1.7 |
| Dominica | -0.6 | 4.4 | 5.8 | 7.7 | -1.3 | 1.0 | -0.1 | -1.6 | -1.2 |
| Grenada | 12.9 | -4.3 | 5.8 | 0.6 | -6.9 | -0.9 | 0.4 | -2.2 | 1.1 |
| Guyana | -2.5 | 4.5 | 6.3 | 1.3 | 2.6 | 3.7 | 4.8 | 4.2 | 4.8 |
| Jamaica | 0.3 | 2.3 | 1.0 | -1.2 | -3.9 | -1.9 | 0.8 | -0.7 | -0.4 |
| Saint Kitts and Nevis | 7.7 | 4.4 | 1.5 | 2.8 | -6.7 | -4.4 | 0.5 | -2.4 | 0.9 |
| Saint Lucia | -1.6 | 5.7 | -0.1 | 3.1 | -1.5 | -2.0 | 0.4 | -2.2 | -1.3 |
| Saint Vincent and the Grenadines | 2.3 | 7.5 | 3.2 | 1.5 | -2.2 | -3.3 | -0.4 | 1.6 | 2.8 |
| Suriname | 5.8 | 10.1 | 4.0 | 3.1 | 2.1 | 3.3 | 4.3 | 2.9 | 3.5 |
| Trinidad and Tobago | 4.8 | 13.8 | 3.9 | 2.9 | -4.8 | -0.2 | -2.9 | 0.9 | 1.4 |

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

[a] Preliminary figures.

[b] Based on official figures expressed in 2005 dollars.

## Table A.5
**Latin America and the Caribbean: gross domestic product** [a]
*(Variation from same quarter of preceding year)*

| | 2012 | | | | 2013 | | | | 2014 |
|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| Argentina | 4.6 | -1.5 | 0.2 | 0.9 | 1.5 | 5.5 | 3.4 | 1.4 | -0.2 |
| Belize | 4.4 | 5.0 | 3.6 | 3.0 | 0.1 | 0.8 | 0.5 | 1.5 | ... |
| Bolivia (Plurinational State of) | 5.1 | 4.5 | 4.6 | 6.5 | 6.7 | 6.7 | 6.8 | 7.0 | ... |
| Brazil | 0.8 | 0.6 | 0.9 | 1.8 | 1.9 | 3.5 | 2.4 | 2.2 | 1.9 |
| Chile | 5.1 | 5.8 | 5.5 | 5.2 | 4.9 | 3.8 | 5.0 | 2.7 | 2.6 |
| Colombia | 6.0 | 5.1 | 2.5 | 2.7 | 2.9 | 4.6 | 5.8 | 5.3 | 6.4 |
| Costa Rica | 7.1 | 5.3 | 4.1 | 4.1 | 1.2 | 3.4 | 5.2 | 4.2 | 4.3 |
| Dominican Republic | 3.8 | 3.7 | 4.0 | 4.0 | 0.3 | 2.8 | 5.5 | 7.3 | 5.5 |
| Ecuador | 6.6 | 5.6 | 4.3 | 4.1 | 3.5 | 3.8 | 5.1 | 5.6 | ... |
| El Salvador | 2.5 | 1.9 | 1.7 | 1.5 | 1.3 | 1.7 | 1.9 | 1.8 | 2.0 |
| Guatemala | 3.5 | 2.8 | 2.4 | 3.2 | 3.0 | 4.7 | 4.0 | 3.1 | 3.4 |
| Honduras | 5.0 | 4.3 | 2.3 | 3.9 | 1.2 | 2.7 | 2.9 | 3.4 | ... |
| Jamaica [b] | -0.3 | -0.1 | -0.3 | -1.2 | -1.2 | -0.2 | 0.4 | 1.8 | 1.6 |
| Mexico | 4.9 | 4.5 | 3.2 | 3.4 | 0.6 | 1.6 | 1.4 | 0.7 | 1.8 |
| Nicaragua | 6.0 | 5.1 | 4.9 | 3.9 | 4.1 | 6.4 | 5.3 | 2.6 | 5.3 |
| Panama [c] | 11.7 | 10.8 | 10.6 | 10.1 | 7.6 | 6.4 | 7.9 | 11.4 | 5.8 |
| Paraguay | -3.3 | -2.4 | 1.3 | -0.6 | 16.4 | 15.5 | 13.7 | 12.1 | 4.1 |
| Peru | 5.9 | 6.3 | 6.3 | 5.3 | 4.5 | 6.3 | 5.3 | 6.9 | 4.8 |
| Trinidad and Tobago | 0.3 | -2.8 | 1.6 | 1.1 | 2.5 | 2.3 | -0.4 | 2.1 | ... |
| Uruguay | 4.3 | 3.2 | 2.5 | 4.7 | 4.1 | 6.0 | 3.0 | 4.6 | 2.4 |
| Venezuela (Bolivarian Republic of) | 5.9 | 5.6 | 5.5 | 5.5 | 0.8 | 2.6 | 1.1 | 1.0 | ... |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Based on figures in local currency at constant prices.
[b] Gross domestic product measured in basic prices.
[c] For 2013 and first quarter of 2014, growth rates are published based on the new System of National Accounts (2007).

## Table A.6
**Latin America and the Caribbean: gross fixed capital formation** [a]
*(Percentages of GDP)*

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 [b] |
|---|---|---|---|---|---|---|---|---|---|
| **Latin America and the Caribbean** | **18.5** | **19.5** | **20.6** | **21.8** | **20.1** | **21.0** | **21.9** | **21.9** | **21.7** |
| Argentina | 19.1 | 20.8 | 22.4 | 23.1 | 17.5 | 22.2 | 23.7 | 20.9 | 20.8 |
| Bahamas | 25.3 | 30.1 | 28.9 | 26.8 | 25.3 | 25.1 | 26.8 | 27.9 | 27.2 |
| Belize | 20.9 | 18.5 | 18.7 | 24.2 | 18.0 | 11.1 | 15.1 | 13.8 | ... |
| Bolivia (Plurinational State of) | 14.3 | 13.6 | 13.7 | 16.7 | 16.8 | 17.3 | 20.3 | 18.4 | 20.0 |
| Brazil | 16.2 | 16.7 | 18.2 | 19.6 | 18.4 | 20.8 | 21.1 | 20.1 | 21.7 |
| Chile | 22.8 | 23.2 | 24.2 | 27.9 | 21.5 | 26.3 | 28.1 | 28.7 | 27.7 |
| Colombia | 20.2 | 22.6 | 23.9 | 25.2 | 23.7 | 24.5 | 27.4 | 27.5 | 27.6 |
| Costa Rica | 24.3 | 25.5 | 23.3 | 27.3 | 18.0 | 22.9 | 24.7 | 25.0 | 25.4 |
| Cuba | 10.8 | 12.1 | 11.6 | 13.5 | 10.8 | 10.5 | 10.9 | 11.5 | ... |
| Dominican Republic | 16.4 | 17.9 | 18.6 | 19.3 | 15.9 | 17.3 | 16.2 | 16.2 | 15.1 |
| Ecuador | 21.6 | 22.3 | 22.8 | 26.2 | 24.2 | 25.8 | 26.9 | 26.8 | 27.4 |
| El Salvador | 16.1 | 17.3 | 17.1 | 16.0 | 13.3 | 13.5 | 15.0 | 14.5 | 15.6 |
| Guatemala | 19.7 | 20.8 | 21.1 | 16.4 | 13.4 | 14.0 | 15.6 | 15.5 | 14.9 |
| Haiti | 27.4 | 27.4 | 27.3 | 27.9 | 28.0 | 27.7 | 28.7 | 29.7 | 30.2 |
| Honduras | 27.6 | 27.8 | 32.6 | 34.1 | 19.5 | 21.0 | 25.1 | 25.0 | 22.2 |
| Mexico | 22.3 | 23.6 | 23.7 | 24.9 | 22.6 | 22.5 | 22.8 | 23.1 | 22.3 |
| Nicaragua | 25.9 | 24.8 | 28.4 | 29.6 | 21.6 | 19.6 | 22.5 | 23.0 | 20.8 |
| Panama | 16.8 | 18.1 | 22.7 | 25.9 | 23.4 | 24.3 | 25.4 | 26.3 | ... |
| Paraguay | 16.6 | 16.5 | 17.6 | 19.5 | 18.9 | 20.3 | 21.6 | 20.2 | 20.3 |
| Peru | 17.3 | 21.6 | 25.7 | 30.8 | 24.3 | 30.6 | 31.7 | 33.4 | 35.2 |
| Trinidad and Tobago | 30.2 | 15.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Uruguay | 16.5 | 18.1 | 18.6 | 20.7 | 19.3 | 20.2 | 20.0 | 23.0 | 23.4 |
| Venezuela (Bolivarian Republic of) | 20.3 | 23.9 | 27.6 | 26.9 | 25.4 | 24.2 | 24.2 | 28.3 | 26.8 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Based on official figures expressed in 2005 dollars.
[b] Preliminary figures.

## Table A.7
## Latin America and the Caribbean: balance of payments
*(Millions of dollars)*

| | Exports of goods f.o.b. | | | Exports of services | | | Imports of goods f.o.b. | | | Imports of services | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 [a] | 2011 | 2012 | 2013 [a] | 2011 | 2012 | 2013 [a] | 2011 | 2012 | 2013 [a] |
| **Latin America and the Caribbean** | **1 108 133** | **1 123 914** | **1 121 889** | **139 763** | **144 787** | **149 095** | **1 036 871** | **1 081 413** | **1 107 782** | **206 314** | **216 364** | **227 746** |
| **Latin America** | **1 085 211** | **1 102 174** | **1 100 978** | **125 303** | **130 793** | **135 994** | **1 010 604** | **1 054 467** | **1 083 236** | **195 271** | **205 415** | **217 155** |
| Argentina | 84 051 | 80 927 | 83 026 | 15 610 | 15 107 | 14 415 | 71 126 | 65 556 | 70 871 | 17 857 | 18 473 | 19 518 |
| Bolivia (Plurinational State of) | 8 358 | 11 233 | 11 496 | 880 | 1 006 | 1 046 | 7 927 | 8 269 | 9 338 | 1 249 | 1 348 | 1 555 |
| Brazil | 256 040 | 242 578 | 242 179 | 38 209 | 39 864 | 39 133 | 226 247 | 223 183 | 239 626 | 76 141 | 80 905 | 86 349 |
| Chile | 81 438 | 77 965 | 76 684 | 13 105 | 12 456 | 12 787 | 70 398 | 75 458 | 74 568 | 16 158 | 14 732 | 15 694 |
| Colombia | 58 322 | 61 447 | 59 992 | 4 766 | 5 264 | 5 762 | 52 232 | 56 703 | 57 160 | 9 503 | 10 767 | 11 232 |
| Costa Rica | 10 414 | 11 460 | 11 526 | 4 988 | 5 468 | 5 852 | 15 542 | 16 801 | 17 149 | 1 780 | 2 013 | 1 972 |
| Dominican Republic | 8 362 | 8 936 | 9 504 | 5 823 | 6 140 | 6 549 | 17 302 | 17 673 | 16 810 | 2 899 | 2 939 | 2 948 |
| Ecuador | 23 082 | 24 569 | 25 700 | 1 587 | 1 809 | 2 058 | 23 243 | 24 532 | 26 331 | 3 150 | 3 198 | 3 530 |
| El Salvador | 4 243 | 4 235 | 4 334 | 1 636 | 1 859 | 2 068 | 9 015 | 9 162 | 9 629 | 1 187 | 1 351 | 1 484 |
| Guatemala | 10 519 | 10 103 | 10 190 | 2 267 | 2 491 | 2 561 | 15 482 | 15 838 | 16 356 | 2 386 | 2 413 | 2 619 |
| Haiti | 768 | 776 | 884 | 544 | 549 | 652 | 3 314 | 3 079 | 3 329 | 1 119 | 1 116 | 1 090 |
| Honduras | 7 977 | 8 274 | 7 833 | 1 023 | 1 066 | 1 136 | 11 126 | 11 374 | 11 026 | 1 446 | 1 512 | 1 640 |
| Mexico | 349 946 | 371 378 | 380 903 | 15 582 | 16 146 | 19 591 | 351 209 | 371 151 | 381 638 | 30 375 | 30 708 | 31 817 |
| Nicaragua | 3 666 | 4 146 | 4 123 | 773 | 862 | 877 | 5 844 | 6 442 | 6 402 | 841 | 922 | 933 |
| Panama | 16 926 | 18 872 | 17 505 | 8 075 | 9 348 | 9 767 | 24 143 | 25 413 | 24 256 | 4 143 | 4 184 | 4 715 |
| Paraguay | 12 639 | 11 654 | 13 605 | 722 | 756 | 842 | 11 784 | 11 083 | 11 942 | 903 | 927 | 1 070 |
| Peru | 46 376 | 46 367 | 42 177 | 4 264 | 4 915 | 5 814 | 37 152 | 41 135 | 42 217 | 6 508 | 7 335 | 7 615 |
| Uruguay | 9 274 | 9 916 | 10 317 | 3 594 | 3 482 | 3 286 | 10 704 | 12 277 | 11 591 | 2 075 | 2 408 | 3 373 |
| Venezuela (Bolivarian Republic of) | 92 811 | 97 340 | 89 000 | 1 855 | 2 205 | 1 800 | 46 813 | 59 339 | 53 000 | 15 552 | 18 164 | 18 000 |
| **The Caribbean** | **22 922** | **21 740** | **20 912** | **14 459** | **13 994** | **13 101** | **26 267** | **26 947** | **24 546** | **11 043** | **10 949** | **10 591** |
| Antigua and Barbuda | 56 | 59 | 64 | 482 | 483 | 465 | 431 | 484 | 494 | 211 | 204 | 220 |
| Bahamas | 834 | 984 | 909 | 2 494 | 2 691 | 2 527 | 2 966 | 3 385 | 3 126 | 1 292 | 1 538 | 1 624 |
| Barbados | 849 | 826 | ... | 1 214 | 1 128 | ... | 1 729 | 1 688 | ... | 554 | 486 | ... |
| Belize | 604 | 626 | 609 | 340 | 407 | 448 | 775 | 837 | 876 | 172 | 188 | 208 |
| Dominica | 36 | 39 | 41 | 155 | 122 | 129 | 199 | 183 | 179 | 66 | 68 | 70 |
| Grenada | 37 | 43 | 47 | 159 | 164 | 163 | 295 | 300 | 324 | 100 | 95 | 99 |
| Guyana | 1 129 | 1 415 | 1 376 | 298 | 298 | 165 | 1 771 | 1 997 | 1 847 | 434 | 526 | 500 |
| Jamaica | 1 663 | 1 747 | 1 597 | 2 620 | 2 674 | 2 756 | 5 761 | 5 905 | 5 573 | 1 953 | 2 085 | 2 142 |
| Saint Kitts and Nevis | 68 | 63 | 58 | 175 | 194 | 236 | 246 | 228 | 251 | 115 | 120 | 126 |
| Saint Lucia | 192 | 212 | 205 | 381 | 392 | 409 | 613 | 566 | 497 | 203 | 190 | 187 |
| Saint Vincent and the Grenadines | 43 | 48 | 53 | 139 | 140 | 141 | 292 | 315 | 333 | 84 | 87 | 91 |
| Suriname | 2 467 | 2 695 | 2 394 | 201 | 175 | 179 | 1 679 | 1 994 | 2 174 | 563 | 594 | 542 |
| Trinidad and Tobago | 14 944 | 12 983 | 13 558 | 5 803 | 5 127 | 5 485 | 9 511 | 9 065 | 8 871 | 5 297 | 4 768 | 4 782 |

Table A.7 (continued)

| | Goods and services balance | | | Income balance | | | Current transfers balance | | | Current account balance | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 [a] | 2011 | 2012 | 2013 [a] | 2011 | 2012 | 2013 [a] | 2011 | 2012 | 2013 [a] |
| **Latin America and the Caribbean** | **4 711** | **-29 076** | **-64 545** | **-147 674** | **-139 581** | **-153 256** | **63 273** | **62 202** | **62 294** | **-79 690** | **-106 455** | **-155 506** |
| **Latin America** | **4 640** | **-26 915** | **-63 420** | **-143 042** | **-135 092** | **-149 620** | **60 630** | **59 429** | **59 406** | **-77 772** | **-102 578** | **-153 634** |
| Argentina | 10 678 | 12 006 | 7 052 | -12 402 | -11 503 | -10 709 | -547 | -455 | -673 | -2 271 | 48 | -4 330 |
| Bolivia (Plurinational State of) | 62 | 2 622 | 1 650 | -1 161 | -1 629 | -1 908 | 1 175 | 1 266 | 1 270 | 77 | 2 259 | 1 012 |
| Brazil | -8 139 | -21 647 | -44 663 | -47 319 | -35 448 | -39 778 | 2 984 | 2 846 | 3 366 | -52 473 | -54 249 | -81 075 |
| Chile | 7 987 | 231 | -791 | -13 920 | -11 503 | -11 102 | 2 865 | 2 191 | 2 408 | -3 068 | -9 081 | -9 485 |
| Colombia | 1 353 | -759 | -2 638 | -16 042 | -15 654 | -14 656 | 4 834 | 4 579 | 4 572 | -9 854 | -11 834 | -12 722 |
| Costa Rica | -1 921 | -1 886 | -1 742 | -589 | -829 | -1 095 | 323 | 333 | 309 | -2 187 | -2 382 | -2 529 |
| Dominican Republic | -6 016 | -5 536 | -3 705 | -2 176 | -2 344 | -2 907 | 3 833 | 3 909 | 4 145 | -4 359 | -3 971 | -2 467 |
| Ecuador | -1 723 | -1 353 | -2 103 | -1 220 | -1 305 | -1 406 | 2 619 | 2 327 | 2 277 | -325 | -331 | -1 232 |
| El Salvador | -4 323 | -4 419 | -4 711 | -618 | -890 | -966 | 3 830 | 4 021 | 4 100 | -1 112 | -1 288 | -1 577 |
| Guatemala | -5 082 | -5 657 | -6 224 | -1 650 | -1 298 | -1 239 | 5 134 | 5 645 | 5 998 | -1 599 | -1 310 | -1 465 |
| Haiti | -3 121 | -2 871 | -2 884 | 41 | 68 | 57 | 2 757 | 2 368 | 2 283 | -323 | -434 | -544 |
| Honduras | -3 572 | -3 547 | -3 696 | -974 | -1 275 | -1 301 | 3 138 | 3 235 | 3 343 | -1 408 | -1 587 | -1 655 |
| Mexico | -16 056 | -14 335 | -12 963 | -19 473 | -23 282 | -34 693 | 22 974 | 22 559 | 21 801 | -12 556 | -15 058 | -25 856 |
| Nicaragua | -2 246 | -2 356 | -2 335 | -250 | -301 | -313 | 1 230 | 1 310 | 1 369 | -1 267 | -1 347 | -1 280 |
| Panama | -3 284 | -1 376 | -1 700 | -1 911 | -2 534 | -3 081 | 202 | 94 | -25 | -4 993 | -3 816 | -4 806 |
| Paraguay | 674 | 401 | 1 435 | -1 278 | -1 381 | -1 502 | 714 | 759 | 688 | 109 | -222 | 621 |
| Peru | 6 980 | 2 812 | -1 841 | -13 357 | -12 399 | -10 631 | 3 201 | 3 307 | 3 346 | -3 177 | -6 281 | -9 126 |
| Uruguay | 89 | -1 287 | -1 361 | -1 618 | -1 537 | -1 890 | 156 | 115 | 131 | -1 374 | -2 709 | -3 120 |
| Venezuela (Bolivarian Republic of) | 32 301 | 22 042 | 19 800 | -7 124 | -10 048 | -10 500 | -790 | -978 | -1 300 | 24 387 | 11 016 | 8 000 |
| **The Caribbean** | **71** | **-2 161** | **-1 125** | **-4 632** | **-4 489** | **-3 636** | **2 643** | **2 773** | **2 888** | **-1 917** | **-3 877** | **-1 872** |
| Antigua and Barbuda | -104 | -146 | -185 | -39 | -51 | -50 | 26 | 30 | 30 | -118 | -167 | -204 |
| Bahamas | -931 | -1 248 | -1 315 | -226 | -268 | -329 | -36 | 11 | 7 | -1 193 | -1 505 | -1 637 |
| Barbados | -219 | -219 | ... | -300 | -172 | ... | -70 | -31 | ... | -590 | -423 | ... |
| Belize | -3 | 7 | -27 | -98 | -118 | -118 | 84 | 76 | 73 | -17 | -35 | -72 |
| Dominica | -74 | -91 | -79 | -11 | -18 | -14 | 16 | 17 | 21 | -68 | -92 | -72 |
| Grenada | -199 | -189 | -213 | -32 | -34 | -26 | 24 | 30 | 26 | -207 | -193 | -213 |
| Guyana | -778 | -810 | -807 | -9 | 24 | 29 | 415 | 419 | 353 | -372 | -367 | -425 |
| Jamaica | -3 430 | -3 570 | -3 362 | -518 | -207 | -267 | 1 990 | 2 048 | 2 216 | -1 959 | -1 729 | -1 413 |
| Saint Kitts and Nevis | -119 | -90 | -83 | -30 | -24 | -15 | 47 | 29 | 35 | -102 | -85 | -63 |
| Saint Lucia | -243 | -152 | -70 | -20 | -38 | -38 | 21 | 7 | 7 | -243 | -183 | -100 |
| Saint Vincent and the Grenadines | -194 | -214 | -231 | -13 | -4 | -4 | 8 | 25 | 24 | -199 | -193 | -210 |
| Suriname | 426 | 283 | -142 | -262 | -191 | -122 | 87 | 73 | 67 | 251 | 164 | -198 |
| Trinidad and Tobago | 5 939 | 4 277 | 5 390 | -3 074 | -3 387 | -2 682 | 33 | 39 | 28 | 2 899 | 929 | 2 736 |

Table A.7 (concluded)

| | Capital and financial balance [b] | | | Overall balance | | | Reserve assets (variation) [c] | | | Other financing | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 [a] | 2011 | 2012 | 2013 [a] | 2011 | 2012 | 2013 [a] | 2011 | 2012 | 2013 [a] |
| **Latin America and the Caribbean** | **178 170** | **158 217** | **162 029** | **106 016** | **58 030** | **15 627** | **-106 423** | **-58 122** | **-15 929** | **407** | **92** | **302** |
| **Latin America** | **175 181** | **154 542** | **160 754** | **105 242** | **59 157** | **15 151** | **-105 559** | **-59 206** | **-15 411** | **317** | **49** | **260** |
| Argentina | -3 837 | -3 353 | -7 494 | -6 108 | -3 305 | -11 824 | 6 108 | 3 305 | 11 824 | 0 | 0 | 0 |
| Bolivia (Plurinational State of) | 2 083 | -547 | 110 | 2 160 | 1 712 | 1 122 | -2 160 | -1 712 | -1 122 | 0 | 0 | 0 |
| Brazil | 111 110 | 73 148 | 75 148 | 58 637 | 18 900 | -5 926 | -58 637 | -18 900 | 5 926 | 0 | 0 | 0 |
| Chile | 17 258 | 8 714 | 9 796 | 14 190 | -367 | 311 | -14 190 | 367 | -311 | 0 | 0 | 0 |
| Colombia | 13 598 | 17 257 | 19 679 | 3 744 | 5 423 | 6 957 | -3 744 | -5 423 | -6 957 | 0 | 0 | 0 |
| Costa Rica | 2 319 | 4 492 | 2 990 | 132 | 2 110 | 461 | -132 | -2 110 | -461 | 0 | 0 | 0 |
| Dominican Republic | -3 312 | -3 662 | -4 225 | 162 | -441 | 1 340 | -340 | 548 | -1 146 | 178 | -108 | -195 |
| Ecuador | 597 | -251 | 3 078 | 272 | -582 | 1 846 | -336 | 475 | -1 878 | 64 | 107 | 32 |
| El Salvador | 698 | 1 939 | 1 250 | -414 | 651 | -327 | 414 | -651 | 327 | 0 | 0 | 0 |
| Guatemala | 1 805 | 1 808 | 2 168 | 206 | 499 | 702 | -206 | -499 | -702 | 0 | 0 | 0 |
| Haiti | 509 | 687 | 158 | 186 | 252 | -385 | -209 | -285 | -32 | 23 | 32 | 418 |
| Honduras | 1 477 | 1 304 | 2 140 | 69 | -283 | 485 | -86 | 283 | -485 | 18 | -0 | -0 |
| Mexico | 40 736 | 32 582 | 43 644 | 28 180 | 17 524 | 17 789 | -28 180 | -17 524 | -17 789 | 0 | 0 | 0 |
| Nicaragua | 1 354 | 1 332 | 1 375 | 87 | -15 | 96 | -87 | 15 | -96 | 0 | 0 | 0 |
| Panama | 4 765 | 3 841 | 5 428 | -228 | 24 | 622 | 228 | -24 | -622 | 0 | 0 | 0 |
| Paraguay | 673 | 198 | 415 | 782 | -24 | 1 036 | -784 | 25 | -1 036 | 2 | -0 | 0 |
| Peru | 7 829 | 21 069 | 12 028 | 4 653 | 14 788 | 2 902 | -4 686 | -14 806 | -2 907 | 33 | 19 | 5 |
| Uruguay | 3 938 | 5 996 | 6 065 | 2 564 | 3 287 | 2 945 | -2 564 | -3 287 | -2 945 | 0 | 0 | 0 |
| Venezuela (Bolivarian Republic of) | -28 419 | -12 012 | -13 000 | -4 032 | -996 | -5 000 | 4 032 | 996 | 5 000 | 0 | 0 | 0 |
| **The Caribbean** | **2 988** | **3 674** | **1 275** | **775** | **-1 126** | **475** | **-864** | **1 084** | **-518** | **90** | **43** | **42** |
| Antigua and Barbuda | 128 | 178 | 247 | 11 | 11 | 42 | -11 | -11 | -42 | 0 | 0 | 0 |
| Bahamas | 1 217 | 1 430 | 1 568 | 24 | -75 | -69 | -24 | 75 | 69 | 0 | 0 | 0 |
| Barbados | 601 | 398 | ... | 11 | -25 | ... | -11 | 25 | ... | 0 | 0 | 0 |
| Belize | 95 | 180 | -79 | 79 | 145 | 117 | -79 | -145 | -114 | 0 | 0 | -4 |
| Dominica | 74 | 98 | 66 | 6 | 6 | -6 | -6 | -6 | 6 | 0 | 0 | 0 |
| Grenada | 209 | 191 | 244 | 2 | -2 | 31 | -2 | 2 | -31 | 0 | 0 | 0 |
| Guyana | 654 | 700 | 289 | -15 | 33 | -119 | -25 | -76 | 74 | 40 | 43 | 45 |
| Jamaica | 1 691 | 890 | 1 234 | -268 | -839 | -179 | 218 | 839 | 179 | 49 | 0 | 0 |
| Saint Kitts and Nevis | 165 | 109 | 102 | 63 | 24 | 40 | -63 | -24 | -40 | 0 | 0 | 0 |
| Saint Lucia | 251 | 199 | 61 | 8 | 16 | -40 | -8 | -16 | 40 | 0 | 0 | 0 |
| Saint Vincent and the Grenadines | 176 | 214 | 234 | -23 | 21 | 24 | 23 | -21 | -24 | 0 | 0 | 0 |
| Suriname | -127 | 16 | 46 | 124 | 180 | -152 | -124 | -180 | 152 | 0 | 0 | 0 |
| Trinidad and Tobago | -2 146 | -929 | -2 736 | 753 | -622 | 786 | -753 | 622 | -786 | 0 | 0 | 0 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Preliminary figures.
[b] Includes errors and omissions.
[c] A minus sign (-) indicates an increase in reserve assets.

## Table A.8
**Latin America and the Caribbean: international trade of goods**
*(Indices 2005=100)*

| | Exports of goods, f.o.b. | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Value | | | Volume | | | Unit value | | |
| | 2011 | 2012 | 2013 [a] | 2011 | 2012 | 2013 [a] | 2011 | 2012 | 2013 [a] |
| **Latin America** | **191.3** | **194.3** | **194.1** | **117.9** | **123.0** | **126.2** | **162.3** | **158.0** | **153.8** |
| Argentina | 208.1 | 200.4 | 205.6 | 133.0 | 126.2 | 132.3 | 156.5 | 158.8 | 155.4 |
| Bolivia (Plurinational State of) | 295.7 | 397.4 | 406.7 | 134.2 | 174.3 | 181.5 | 220.3 | 228.0 | 224.0 |
| Brazil | 216.4 | 205.0 | 204.7 | 107.3 | 107.0 | 110.6 | 201.7 | 191.7 | 185.1 |
| Chile | 194.0 | 185.7 | 182.7 | 108.0 | 109.6 | 113.5 | 179.7 | 169.5 | 161.0 |
| Colombia | 268.4 | 282.8 | 276.1 | 148.6 | 156.6 | 162.6 | 180.6 | 180.6 | 169.8 |
| Costa Rica | 146.7 | 161.4 | 162.4 | 150.1 | 166.0 | 169.5 | 97.7 | 97.3 | 95.8 |
| Dominican Republic | 136.1 | 145.4 | 154.7 | 107.9 | 116.4 | 129.5 | 126.1 | 124.9 | 119.4 |
| Ecuador | 220.5 | 234.7 | 245.5 | 123.6 | 129.6 | 136.1 | 178.4 | 181.1 | 180.4 |
| El Salvador | 227.6 | 227.2 | 232.5 | 187.7 | 192.2 | 198.7 | 121.2 | 118.2 | 117.0 |
| Guatemala | 192.7 | 185.0 | 186.7 | 134.1 | 136.3 | 143.2 | 143.7 | 135.8 | 130.4 |
| Haiti | 167.1 | 168.8 | 192.2 | 137.8 | 126.2 | 151.8 | 121.3 | 133.8 | 126.7 |
| Honduras | 158.0 | 163.9 | 155.2 | 102.8 | 122.2 | 126.5 | 153.7 | 134.2 | 122.6 |
| Mexico | 163.0 | 173.0 | 177.5 | 123.2 | 133.4 | 137.2 | 132.3 | 129.7 | 129.3 |
| Nicaragua | 221.6 | 250.7 | 249.2 | 159.0 | 179.8 | 197.2 | 139.4 | 139.4 | 126.4 |
| Panama | 229.5 | 255.9 | 237.3 | 190.8 | 209.8 | 197.5 | 120.3 | 122.0 | 120.2 |
| Paraguay | 260.2 | 239.9 | 280.1 | 189.9 | 171.7 | 203.3 | 137.0 | 139.8 | 137.8 |
| Peru | 267.0 | 267.0 | 242.8 | 115.0 | 118.9 | 116.6 | 232.2 | 224.5 | 208.2 |
| Uruguay | 245.7 | 262.7 | 273.4 | 148.7 | 154.0 | 161.8 | 165.2 | 170.7 | 169.0 |
| Venezuela (Bolivarian Republic of) | 166.6 | 174.7 | 159.7 | 78.8 | 81.0 | 75.6 | 211.5 | 215.7 | 211.4 |
| | Imports of goods, f.o.b. | | | | | | | | |
| | Value | | | Volume | | | Unit value | | |
| | 2011 | 2012 | 2013 | 2011 | 2012 | 2013 | 2011 | 2012 | 2013 [a] |
| **Latin America** | **209.0** | **218.0** | **224.0** | **157.5** | **163.8** | **169.0** | **132.7** | **133.2** | **132.6** |
| Argentina | 260.5 | 240.1 | 259.6 | 210.3 | 190.2 | 198.0 | 123.9 | 126.2 | 131.1 |
| Bolivia (Plurinational State of) | 326.1 | 340.2 | 384.1 | 231.6 | 241.4 | 272.6 | 140.8 | 140.9 | 140.9 |
| Brazil | 307.4 | 303.2 | 325.6 | 207.4 | 202.7 | 220.2 | 148.2 | 149.6 | 147.8 |
| Chile | 229.6 | 246.1 | 243.2 | 187.7 | 201.2 | 203.2 | 122.3 | 122.3 | 119.7 |
| Colombia | 259.4 | 281.6 | 283.9 | 194.4 | 211.3 | 214.9 | 133.4 | 133.3 | 132.1 |
| Costa Rica | 167.9 | 181.5 | 185.2 | 151.8 | 164.1 | 170.5 | 110.6 | 110.6 | 108.6 |
| Dominican Republic | 175.3 | 179.1 | 170.3 | 134.0 | 136.9 | 132.9 | 130.8 | 130.8 | 128.2 |
| Ecuador | 239.4 | 252.7 | 271.2 | 174.1 | 183.8 | 200.7 | 137.5 | 137.5 | 135.1 |
| El Salvador | 167.1 | 169.9 | 178.5 | 130.1 | 131.1 | 138.6 | 128.4 | 129.6 | 128.8 |
| Guatemala | 160.4 | 164.1 | 169.5 | 112.1 | 114.7 | 120.8 | 143.1 | 143.1 | 140.3 |
| Haiti | 253.3 | 235.3 | 254.4 | 145.8 | 127.2 | 136.2 | 173.7 | 185.0 | 186.9 |
| Honduras | 170.0 | 173.8 | 168.5 | 115.8 | 118.4 | 117.6 | 146.8 | 146.8 | 143.3 |
| Mexico | 158.0 | 167.0 | 171.7 | 125.0 | 132.1 | 136.1 | 126.4 | 126.4 | 126.2 |
| Nicaragua | 197.7 | 217.9 | 216.6 | 144.4 | 159.1 | 160.0 | 136.9 | 136.9 | 135.4 |
| Panama | 270.3 | 284.5 | 271.5 | 207.5 | 216.2 | 208.5 | 130.3 | 131.6 | 130.2 |
| Paraguay | 319.0 | 300.0 | 323.3 | 256.9 | 239.2 | 259.9 | 124.2 | 125.4 | 124.4 |
| Peru | 307.5 | 340.5 | 349.4 | 190.6 | 207.5 | 218.9 | 161.3 | 164.1 | 159.7 |
| Uruguay | 285.2 | 327.1 | 308.8 | 193.6 | 223.2 | 216.5 | 147.3 | 146.6 | 142.6 |
| Venezuela (Bolivarian Republic of) | 195.0 | 247.2 | 220.8 | 154.9 | 194.5 | 173.7 | 125.8 | 127.1 | 127.1 |

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

**Table A.9**

**Latin America and the Caribbean: exports of goods, f.o.b.**

*(Millions of dollars)*

| | 2012 | | | | 2013 | | | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 [a] |
| **Latin America and the Caribbean** | **267 512** | **280 475** | **278 853** | **282 714** | **254 453** | **285 988** | **283 617** | **259 442** | **226 978** | **189 534** |
| **Latin America** | **263 045** | **275 000** | **272 435** | **277 856** | **249 658** | **280 997** | **277 459** | **255 188** | **226 032** | **189 534** |
| Argentina | 17 826 | 21 142 | 22 139 | 19 820 | 17 466 | 23 456 | 21 718 | 19 020 | 15 877 | 13 515 |
| Bolivia (Plurinational State of) | 2 270 | 2 957 | 3 271 | 3 449 | 2 982 | 2 775 | 3 143 | 3 080 | 3 192 | 2 200 |
| Brazil | 55 080 | 62 134 | 63 383 | 61 984 | 50 837 | 63 588 | 63 226 | 64 528 | 49 588 | 60 943 |
| Chile | 19 926 | 19 673 | 17 291 | 21 075 | 18 693 | 20 117 | 18 526 | 19 348 | 19 037 | 19 982 |
| Colombia | 15 497 | 14 978 | 14 458 | 15 192 | 14 135 | 15 153 | 14 480 | 15 056 | 13 488 | 4 303 [b] |
| Costa Rica | 2 944 | 2 992 | 2 731 | 2 791 | 2 857 | 2 990 | 2 872 | 2 884 | 2 860 | 2 034 |
| Dominican Republic | 2 063 | 2 296 | 2 258 | 2 318 | 2 230 | 2 589 | 2 391 | 2 293 | 2 353 | ... |
| Ecuador | 6 205 | 6 051 | 5 907 | 5 601 | 6 217 | 5 970 | 6 427 | 6 336 | 6 604 | 4 495 |
| El Salvador | 1 403 | 1 269 | 1 388 | 1 280 | 1 362 | 1 460 | 1 394 | 1 275 | 1 289 | 910 |
| Guatemala | 2 638 | 2 578 | 2 399 | 2 364 | 2 606 | 2 662 | 2 365 | 2 397 | 2 679 | 1 901 |
| Haiti | 158 | 221 | 225 | 211 | 189 | 242 | 240 | 206 | 191 | 73 [b] |
| Honduras | 1 279 | 1 194 | 1 099 | 819 | 1 119 | 1 028 | 886 | 920 | 1 024 | ... |
| Mexico | 89 609 | 94 309 | 91 234 | 95 618 | 88 228 | 96 663 | 96 307 | 98 829 | 90 750 | 68 454 |
| Nicaragua | 695 | 699 | 644 | 639 | 626 | 636 | 568 | 571 | 696 | 215 [b] |
| Panama | 4 244 | 3 999 | 4 294 | 4 427 | 3 650 | 3 764 | 4 389 | 3 776 | 2 771 | ... |
| Paraguay | 1 633 | 1 974 | 1 923 | 1 754 | 2 233 | 2 814 | 2 529 | 1 857 | 2 549 | 2 961 |
| Peru | 11 960 | 10 577 | 11 963 | 11 867 | 10 278 | 10 004 | 11 143 | 10 752 | 9 306 | 5 677 |
| Uruguay | 1 879 | 2 290 | 2 518 | 2 021 | 1 686 | 2 702 | 2 622 | 2 060 | 1 777 | 1 872 |
| Venezuela (Bolivarian Republic of) | 25 736 | 23 668 | 23 310 | 24 626 | 22 264 | 22 386 | 22 231 | ... | ... | ... |
| **The Caribbean** | **4 467** | **5 475** | **6 418** | **4 858** | **4 795** | **4 991** | **6 158** | **4 255** | **946** | **...** |
| Antigua and Barbuda | 8 | 12 | 5 | 5 | 7 | 19 | 4 | 3 | 6 | ... |
| Bahamas | 203 | 190 | 214 | 220 | 192 | 216 | 211 | ... | ... | ... |
| Barbados | 156 | 190 | 101 | 119 | 115 | 117 | 103 | 123 | 83 | ... |
| Belize | 172 | 158 | 154 | 138 | 163 | 170 | 147 | 129 | ... | ... |
| Dominica | 8 | 9 | 8 | 11 | 8 | 9 | 10 | 11 | 8 | ... |
| Grenada | 8 | 11 | 8 | 7 | 9 | 14 | 8 | 6 | 9 | ... |
| Guyana | 305 | 274 | 379 | 437 | 274 | 319 | 392 | 381 | 246 | ... |
| Jamaica | 444 | 429 | 417 | 457 | 476 | 387 | 365 | 367 | ... | ... |
| Saint Kitts and Nevis | 16 | 14 | 16 | 16 | 13 | 14 | 14 | 16 | 14 | ... |
| Saint Lucia | 41 | 51 | 43 | 47 | 40 | 48 | 38 | 48 | 31 | ... |
| Saint Vincent and the Grenadines | 11 | 11 | 10 | 12 | 11 | 11 | 13 | 14 | 12 | ... |
| Suriname | 644 | 665 | 647 | 739 | 616 | 614 | 609 | 557 | 538 | ... |
| Trinidad and Tobago | 2 452 | 3 461 | 4 416 | 2 652 | 2 872 | 3 053 | 4 244 | 2 601 | ... | ... |

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

[a] Figures as of May.

[b] Figures as of April.

**Table A.10**
**Latin America and the Caribbean: imports of goods, c.i.f.**
*(Millions of dollars)*

| | | 2012 | | | | 2013 | | | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 [a] |
| **Latin America and the Caribbean** | | **255 525** | **269 449** | **272 674** | **285 453** | **263 677** | **281 762** | **280 279** | **262 697** | **245 023** | **183 132** |
| **Latin America** | | **248 409** | **262 526** | **266 235** | **278 399** | **256 964** | **276 013** | **274 485** | **256 292** | **243 279** | **183 132** |
| Argentina | c.i.f. | 15 314 | 17 002 | 18 585 | 17 607 | 15 967 | 19 809 | 20 259 | 17 622 | 15 756 | 11 330 |
| Bolivia (Plurinational State of) | c.i.f. | 1 896 | 1 941 | 2 038 | 2 396 | 2 101 | 2 123 | 2 359 | 2 719 | 2 397 | 1 551 |
| Brazil | f.o.b. | 52 659 | 57 491 | 54 742 | 58 272 | 55 992 | 61 505 | 61 764 | 60 364 | 55 660 | 57 360 |
| Chile | c.i.f. | 18 227 | 19 189 | 20 690 | 21 967 | 19 251 | 19 990 | 20 213 | 19 724 | 18 024 | 17 957 |
| Colombia | c.i.f. | 14 044 | 15 082 | 15 112 | 14 874 | 14 171 | 14 660 | 15 234 | 15 317 | 14 760 | 5 455 [b] |
| Costa Rica | c.i.f. | 4 380 | 4 245 | 4 325 | 4 641 | 4 391 | 4 484 | 4 565 | 4 574 | 4 518 | 3 023 |
| Dominican Republic | f.o.b. | 3 470 | 3 702 | 3 843 | 3 739 | 3 275 | 3 354 | 3 463 | 3 608 | 3 189 | ... |
| Ecuador | c.i.f. | 6 074 | 6 424 | 6 654 | 6 325 | 6 618 | 6 976 | 7 027 | 6 684 | 6 478 | 2 211 [b] |
| El Salvador | c.i.f. | 2 537 | 2 493 | 2 668 | 2 560 | 2 542 | 2 866 | 2 731 | 2 634 | 2 615 | 1 876 |
| Guatemala | c.i.f. | 4 128 | 4 347 | 4 147 | 4 373 | 4 149 | 4 589 | 4 393 | 4 384 | 4 379 | 3 184 |
| Haiti | c.i.f. | 743 | 648 | 734 | 918 | 931 | 951 | 780 | 961 | 969 | ... |
| Honduras | c.i.f. | 2 388 | 2 309 | 2 368 | 2 320 | 2 213 | 2 267 | 2 305 | 2 428 | 2 170 | ... |
| Mexico | f.o.b. | 87 906 | 92 941 | 92 416 | 97 489 | 89 347 | 97 561 | 97 280 | 97 022 | 92 064 | 67 813 |
| Nicaragua | c.i.f. | 1 395 | 1 497 | 1 414 | 1 545 | 1 287 | 1 439 | 1 446 | 1 452 | 1 330 | 445 [b] |
| Panama | c.i.f. | 2 877 | 3 042 | 3 472 | 3 242 | 3 108 | 3 299 | 3 188 | 3 440 | 3 169 | ... |
| Paraguay | c.i.f. | 2 630 | 2 770 | 3 024 | 3 131 | 2 943 | 2 134 | ... | ... | 2 790 | 1 949 |
| Peru | f.o.b. | 9 575 | 10 004 | 11 021 | 10 535 | 10 230 | 10 529 | 11 128 | 10 331 | 9 957 | 7 084 |
| Uruguay | c.i.f. | 2 895 | 2 968 | 2 859 | 2 930 | 2 649 | 2 838 | 3 128 | 3 028 | 3 053 | 1 893 |
| Venezuela (Bolivarian Republic of) | c.i.f. | 15 273 | 14 430 | 16 123 | 19 534 | 15 801 | 14 639 | 13 222 | ... | ... | ... |
| **The Caribbean** | | **7 116** | **6 923** | **6 439** | **7 055** | **6 712** | **5 750** | **5 795** | **6 405** | **1 744** | **...** |
| Antigua and Barbuda | c.i.f. | 131 | 132 | 118 | 152 | 140 | 120 | 119 | 129 | 133 | ... |
| Bahamas | c.i.f. | 1 022 | 868 | 864 | 893 | 821 | 811 | 829 | ... | ... | ... |
| Barbados | c.i.f. | 433 | 428 | 426 | 493 | 425 | 425 | 425 | 485 | 423 | ... |
| Belize | f.o.b. | 183 | 227 | 207 | 220 | ... | ... | ... | ... | ... | ... |
| Dominica | c.i.f. | 50 | 52 | 53 | 54 | 51 | 51 | 48 | 53 | 47 | ... |
| Grenada | c.i.f. | 83 | 83 | 86 | 89 | 82 | 88 | 89 | 109 | 84 | ... |
| Guyana | c.i.f. | 480 | 478 | 451 | 588 | 451 | 456 | 448 | 492 | 402 | ... |
| Jamaica | f.o.b. | 1 469 | 1 443 | 1 538 | 1 454 | 1 533 | 1 272 | 1 341 | 1 428 | ... | ... |
| Saint Kitts and Nevis | c.i.f. | 55 | 51 | 58 | 62 | 58 | 57 | 60 | 74 | 55 | ... |
| Saint Lucia | c.i.f. | 162 | 155 | 174 | 152 | 126 | 141 | 147 | 148 | 126 | ... |
| Saint Vincent and the Grenadines | c.i.f. | 83 | 91 | 89 | 94 | 84 | ... | ... | ... | ... | ... |
| Suriname | c.i.f. | 469 | 445 | 520 | 559 | 519 | 548 | 594 | 513 | 474 | ... |
| Trinidad and Tobago | c.i.f. | 2 497 | 2 470 | 1 854 | 2 244 | 2 422 | 1 781 | 1 695 | 2 973 | ... | ... |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Figures as of May.
[b] Figures as of April.

## Table A.11
**Latin America: terms of trade for goods f.o.b./f.o.b.**
*(Indices 2005=100)*

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 [a] |
|---|---|---|---|---|---|---|---|---|---|
| **Latin America** | **100.0** | **106.7** | **109.6** | **113.1** | **103.3** | **113.4** | **122.3** | **118.7** | **116.0** |
| Argentina | 100.0 | 106.0 | 110.0 | 124.6 | 118.9 | 118.4 | 126.3 | 125.8 | 118.5 |
| Bolivia (Plurinational State of) | 100.0 | 125.0 | 127.0 | 128.7 | 124.6 | 140.9 | 156.4 | 161.8 | 158.9 |
| Brazil | 100.0 | 105.3 | 107.5 | 111.3 | 108.7 | 126.1 | 136.1 | 128.1 | 125.2 |
| Chile | 100.0 | 131.1 | 135.6 | 117.9 | 119.3 | 146.0 | 146.9 | 138.5 | 134.5 |
| Colombia | 100.0 | 103.8 | 112.1 | 124.4 | 107.0 | 121.0 | 135.4 | 135.5 | 128.5 |
| Costa Rica | 100.0 | 97.1 | 96.1 | 92.5 | 95.6 | 91.8 | 88.4 | 87.9 | 88.2 |
| Cuba | 100.0 | 126.3 | 132.9 | ... | ... | ... | ... | ... | ... |
| Dominican Republic | 100.0 | 99.0 | 102.3 | 97.7 | 105.7 | 101.8 | 96.5 | 95.5 | 93.2 |
| Ecuador | 100.0 | 107.3 | 110.3 | 121.1 | 107.2 | 118.0 | 129.8 | 131.7 | 133.5 |
| El Salvador | 100.0 | 98.7 | 97.7 | 95.0 | 98.1 | 94.4 | 94.4 | 91.2 | 90.8 |
| Guatemala | 100.0 | 98.1 | 96.3 | 93.8 | 101.8 | 101.3 | 100.4 | 94.9 | 92.9 |
| Haiti | 100.0 | 96.2 | 93.5 | 67.2 | 87.0 | 84.1 | 69.8 | 72.3 | 67.8 |
| Honduras | 100.0 | 95.4 | 93.6 | 87.9 | 94.0 | 96.6 | 104.7 | 91.4 | 85.6 |
| Mexico | 100.0 | 100.5 | 101.4 | 102.2 | 90.8 | 97.7 | 104.7 | 102.6 | 102.5 |
| Nicaragua | 100.0 | 97.6 | 96.6 | 92.4 | 101.3 | 102.2 | 101.8 | 101.8 | 93.4 |
| Panama | 100.0 | 97.1 | 96.2 | 91.8 | 96.3 | 94.4 | 92.4 | 92.7 | 92.3 |
| Paraguay | 100.0 | 98.1 | 102.7 | 110.2 | 107.8 | 107.8 | 110.3 | 111.4 | 110.8 |
| Peru | 100.0 | 127.3 | 132.0 | 114.4 | 108.1 | 127.7 | 143.9 | 136.9 | 130.4 |
| Uruguay | 100.0 | 97.6 | 97.8 | 103.7 | 106.8 | 110.2 | 112.2 | 116.4 | 118.5 |
| Venezuela (Bolivarian Republic of) | 100.0 | 119.4 | 130.9 | 161.6 | 117.6 | 139.8 | 168.1 | 169.7 | 166.3 |

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

## Table A.12
**Latin America and the Caribbean (selected countries): remittances from emigrant workers**
*(Millions of dollars)*

| | 2009 | 2010 | 2011 | 2012 | 2013 | | | | | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Total | Q1 | Q2 | Q3 | Q4 | Q1 [a] |
| Bolivia (Plurinational State of) | 1 023 | 939 | 1 012 | 1 094 | 1 182 | 287 | 285 | 300 | 311 | 288 |
| Brazil | 2 224 | 2 189 | 2 134 | 1 990 | 1 944 | 453 | 500 | 488 | 502 | 466 |
| Colombia | 4 090 | 3 996 | 4 064 | 3 970 | 4 071 | 916 | 1 070 | 1 035 | 1 049 | 924 |
| Costa Rica | 489 | 505 | 487 | 527 | 561 | 134 | 137 | 140 | 150 | 137 |
| Dominican Republic | 3 042 | 2 998 | 3 200 | 3 158 | 3 333 | 817 | 740 | 737 | 1 039 | ... |
| Ecuador | 2 736 | 2 591 | 2 672 | 2 467 | 2 450 | 552 | 617 | 639 | 642 | ... |
| El Salvador | 3 387 | 3 455 | 3 628 | 3 894 | 3 953 | 917 | 1 032 | 970 | 1 034 | 989 |
| Guatemala | 3 912 | 4 127 | 4 378 | 4 783 | 5 105 | 1 133 | 1 345 | 1 323 | 1 304 | 1 237 |
| Honduras | 2 403 | 2 526 | 2 750 | 2 842 | 3 093 | 689 | 822 | 803 | 779 | 736 |
| Jamaica | 1 792 | 1 906 | 2 025 | 2 037 | 2 065 | 493 | 528 | 512 | 533 | 514 |
| Mexico | 21 306 | 21 304 | 22 803 | 22 438 | 21 892 | 4 889 | 5 941 | 5 570 | 5 493 | 5 459 |
| Nicaragua | 768 | 823 | 912 | 1 014 | 1 078 | 257 | 264 | 266 | 290 | 277 |
| Peru | 2 409 | 2 534 | 2 697 | 2 788 | 2 707 | 637 | 687 | 675 | 708 | 633 |

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

**Table A.13**
**Latin America and the Caribbean: net resource transfer** [a]
*(Millions of dollars)*

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 [b] |
|---|---|---|---|---|---|---|---|---|---|
| **Latin America and the Caribbean** | **-78 238** | **-94 027** | **14 970** | **-47 179** | **-34 531** | **14 531** | **30 903** | **18 728** | **9 075** |
| **Latin America** | **-76 843** | **-89 675** | **16 499** | **-39 125** | **-31 967** | **17 735** | **32 457** | **19 500** | **11 393** |
| Argentina | -3 722 | -10 388 | -198 | -14 317 | -16 154 | -8 544 | -16 239 | -14 855 | -18 203 |
| Bolivia (Plurinational State of) | -434 | -175 | -43 | -154 | -1 094 | -707 | 923 | -2 176 | -1 798 |
| Brazil | -35 633 | -10 553 | 56 642 | -9 401 | 37 269 | 56 887 | 63 791 | 37 701 | 35 371 |
| Chile | -10 541 | -23 481 | -29 153 | -1 352 | -13 265 | -15 244 | 3 339 | -2 789 | -1 306 |
| Colombia | -1 846 | -2 896 | 2 776 | -669 | -2 857 | 41 | -2 443 | 1 602 | 5 023 |
| Costa Rica | 1 166 | 2 058 | 1 929 | 2 022 | -247 | 1 097 | 1 730 | 3 662 | 1 895 |
| Cuba | -633 | -618 | -960 | ... | ... | ... | ... | ... | ... |
| Dominican Republic | -319 | -221 | 665 | -5 719 | -4 411 | -7 127 | -5 310 | -6 113 | -7 326 |
| Ecuador | -1 580 | -3 691 | -2 138 | -2 236 | -2 258 | -602 | -560 | -1 449 | 1 704 |
| El Salvador | -59 | 375 | 1 040 | 1 477 | 179 | -302 | 79 | 1 049 | 284 |
| Guatemala | 995 | 1 096 | 1 159 | 809 | -902 | 29 | 154 | 511 | 928 |
| Haiti | -20 | 201 | 296 | 374 | 375 | 969 | 573 | 787 | 633 |
| Honduras | 177 | 149 | 612 | 1 530 | -429 | 546 | 521 | 29 | 839 |
| Mexico | 2 498 | -9 698 | 2 423 | 8 201 | -1 921 | 12 579 | 21 263 | 9 301 | 8 951 |
| Nicaragua | 590 | 804 | 1 178 | 1 315 | 946 | 837 | 1 104 | 1 031 | 1 062 |
| Panama | 418 | -1 198 | 925 | 1 562 | -664 | 1 223 | 2 854 | 1 306 | 2 347 |
| Paraguay | -1 161 | -1 101 | -1 046 | -915 | -767 | -1 036 | -603 | -1 184 | -1 087 |
| Peru | -4 596 | -7 681 | -165 | -288 | -6 728 | 3 531 | -5 495 | 8 688 | 1 402 |
| Uruguay | 84 | -52 | 710 | 3 045 | 929 | -1 131 | 2 320 | 4 459 | 4 175 |
| Venezuela (Bolivarian Republic of) | -22 225 | -22 603 | -20 155 | -24 408 | -19 968 | -25 312 | -35 543 | -22 060 | -23 500 |
| **The Caribbean** | **-1 395** | **-4 352** | **-1 529** | **-8 054** | **-2 564** | **-3 204** | **-1 554** | **-773** | **-2 318** |
| Antigua and Barbuda | 137 | 260 | 333 | 292 | 108 | 146 | 89 | 127 | 197 |
| Bahamas | 57 | 787 | 723 | 903 | 909 | 606 | 991 | 1 163 | 1 239 |
| Barbados | 263 | 89 | 293 | 221 | 223 | 229 | 301 | 225 | ... |
| Belize | 25 | -51 | -84 | 38 | 22 | -88 | -3 | 61 | -201 |
| Dominica | 62 | 48 | 66 | 108 | 118 | 72 | 64 | 80 | 52 |
| Grenada | 138 | 203 | 211 | 201 | 160 | 154 | 177 | 157 | 219 |
| Guyana | 143 | 242 | 215 | 576 | 970 | 675 | 685 | 767 | 363 |
| Jamaica | 623 | 798 | 937 | -3 921 | -2 131 | -3 | 1 222 | 682 | 967 |
| Saint Kitts and Nevis | 23 | 70 | 89 | 184 | 172 | 143 | 135 | 85 | 88 |
| Saint Lucia | 40 | 268 | 295 | 257 | 125 | 195 | 231 | 162 | 23 |
| Saint Vincent and the Grenadines | 70 | 106 | 168 | 204 | 189 | 221 | 163 | 210 | 231 |
| Suriname | 225 | -211 | -181 | -96 | -68 | -720 | -389 | -175 | -76 |
| Trinidad and Tobago | -3 200 | -6 962 | -4 594 | -7 022 | -3 362 | -4 833 | -5 220 | -4 317 | -5 418 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] The net resource transfer is calculated as total net capital income minus the income balance (net payments of profits and interest). Total net capital income is the balance on the capital and financial accounts plus errors and omissions, plus loans and the use of IMF credit plus exceptional financing. Negative figures indicate resources transferred outside the country.
[b] Preliminary figures.

**Table A.14**

**Latin America and the Caribbean: net foreign direct investment [a]**

*(Millions of dollars)*

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 [b] |
|---|---|---|---|---|---|---|---|---|---|
| **Latin America and the Caribbean** | **57 653** | **33 317** | **93 756** | **100 555** | **69 082** | **80 462** | **126 704** | **128 887** | **152 235** |
| **Latin America** | **55 039** | **30 125** | **90 109** | **95 007** | **66 364** | **78 308** | **123 610** | **125 892** | **148 594** |
| Argentina | 3 954 | 3 099 | 4 969 | 8 335 | 3 307 | 10 368 | 9 232 | 11 064 | 7 857 |
| Bolivia (Plurinational State of) | -242 | 278 | 363 | 509 | 420 | 651 | 859 | 1 060 | 1 750 |
| Brazil | 12 550 | -9 380 | 27 518 | 24 601 | 36 033 | 36 919 | 67 689 | 68 093 | 67 541 |
| Chile | 4 962 | 5 214 | 7 720 | 6 367 | 5 654 | 6 264 | 3 192 | 6 212 | 9 335 |
| Colombia | 5 590 | 5 558 | 8 136 | 8 110 | 3 789 | -147 | 5 101 | 16 135 | 9 120 |
| Costa Rica | 904 | 1 371 | 1 634 | 2 072 | 1 339 | 1 441 | 2 118 | 1 904 | 2 409 |
| Dominican Republic | 1 123 | 1 085 | 1 667 | 2 870 | 2 165 | 1 622 | 2 277 | 3 142 | 1 990 |
| Ecuador | 493 | 271 | 194 | 1 058 | 308 | 163 | 644 | 585 | 703 |
| El Salvador | 398 | 267 | 1 455 | 824 | 366 | -226 | 218 | 484 | 137 |
| Guatemala | 470 | 552 | 720 | 737 | 574 | 782 | 1 009 | 1 205 | 1 275 |
| Haiti | 26 | 161 | 75 | 30 | 55 | 178 | 119 | 156 | 186 |
| Honduras | 599 | 669 | 926 | 1 007 | 505 | 971 | 1 012 | 1 004 | 1 033 |
| Mexico | 18 206 | 15 105 | 23 997 | 27 156 | 7 727 | 8 303 | 10 718 | -4 842 | 25 348 |
| Nicaragua | 241 | 287 | 382 | 626 | 463 | 491 | 961 | 761 | 784 |
| Panama | 918 | 2 547 | 1 899 | 2 147 | 1 259 | 2 363 | 2 956 | 3 162 | 4 371 |
| Paraguay | 36 | 114 | 202 | 209 | 95 | 216 | 557 | 480 | 382 |
| Peru | 2 579 | 3 467 | 5 425 | 6 188 | 5 165 | 7 062 | 7 518 | 11 840 | 9 161 |
| Uruguay | 811 | 1 495 | 1 240 | 2 117 | 1 512 | 2 349 | 2 511 | 2 693 | 2 812 |
| Venezuela (Bolivarian Republic of) | 1 422 | -2 032 | 1 587 | 45 | -4 374 | -1 462 | 4 919 | 756 | 2 400 |
| **The Caribbean** | **2 614** | **3 191** | **3 647** | **5 548** | **2 718** | **2 153** | **3 093** | **2 995** | **3 641** |
| Antigua and Barbuda | 221 | 359 | 338 | 159 | 81 | 97 | 65 | 129 | 134 |
| Bahamas | 563 | 706 | 746 | 860 | 497 | 872 | 667 | 526 | 382 |
| Barbados | 119 | 200 | 256 | 264 | 240 | ... | 701 | 426 | ... |
| Belize | 126 | 108 | 139 | 167 | 108 | 96 | 94 | 195 | 89 |
| Dominica | 19 | 26 | 40 | 57 | 42 | 24 | 14 | 23 | 18 |
| Grenada | 70 | 90 | 157 | 135 | 103 | 60 | 43 | 31 | 75 |
| Guyana | 77 | 102 | 110 | 178 | 164 | 198 | 247 | 294 | 214 |
| Jamaica | 581 | 797 | 751 | 1 361 | 480 | 169 | 144 | 253 | 536 |
| Saint Kitts and Nevis | 93 | 110 | 134 | 178 | 131 | 116 | 110 | 92 | 111 |
| Saint Lucia | 78 | 234 | 272 | 161 | 146 | 121 | 81 | 76 | 84 |
| Saint Vincent and the Grenadines | 40 | 109 | 119 | 159 | 110 | 97 | 86 | 115 | 127 |
| Suriname | 28 | -163 | -247 | -231 | -93 | -248 | 73 | 61 | 113 |
| Trinidad and Tobago | 599 | 513 | 830 | 2 101 | 709 | 549 | 771 | 772 | 1 759 |

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

[a] Corresponds to direct investment in the reporting economy after deduction of outward direct investment by residents of that country. Includes reinvestment of profits.

[b] Preliminary figures.

**Table A.15**

**Latin America and the Caribbean: total gross external debt** [a]

*(Millions of dollars, end-of-period stocks)*

| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|
| **Latin America and the Caribbean** | | **666 155** | **737 430** | **761 192** | **823 333** | **994 166** | **1 110 570** | **1 198 926** | **1 262 443** |
| **Latin America** | | **653 506** | **724 529** | **747 810** | **809 107** | **977 553** | **1 093 180** | **1 181 240** | **1 244 640** |
| Argentina | Total | 108 839 | 124 542 | 124 916 | 115 537 | 129 333 | 141 139 | 141 889 | 133 672 |
| | Public | 61 086 | 70 796 | 64 446 | 61 803 | 69 489 | 73 206 | 72 014 | 68 309 |
| | Private | 47 753 | 53 746 | 60 471 | 53 734 | 59 844 | 67 934 | 69 875 | 65 363 |
| Bolivia (Plurinational State of) | Total | 6 278 | 5 403 | 5 930 | 5 801 | 5 875 | 6 298 | 6 711 | 7 756 |
| | Public | 3 248 | 2 209 | 2 443 | 2 601 | 2 891 | 3 582 | 4 282 | 5 262 |
| | Private | 3 002 | 3 134 | 3 424 | 3 092 | 2 815 | 2 716 | 2 430 | 2 494 |
| Brazil | Total | 172 621 | 193 159 | 198 492 | 198 136 | 256 804 | 298 204 | 312 898 | 308 625 |
| | Public | 89 245 | 85 956 | 84 160 | 95 502 | 82 847 | 77 300 | 82 245 | 118 749 |
| | Private | 83 376 | 107 203 | 114 331 | 102 635 | 152 864 | 195 763 | 199 336 | 189 876 |
| Chile | Total | 49 497 | 55 733 | 64 318 | 74 041 | 86 738 | 98 895 | 117 569 | 130 724 |
| | Public | 11 445 | 12 761 | 12 288 | 13 751 | 17 408 | 20 647 | 25 171 | 25 344 |
| | Private | 38 052 | 42 972 | 52 030 | 60 290 | 69 330 | 78 248 | 92 398 | 105 380 |
| Colombia | Total | 40 103 | 44 553 | 46 369 | 53 719 | 64 723 | 75 903 | 78 763 | 91 879 |
| | Public | 26 299 | 28 819 | 29 447 | 37 129 | 39 546 | 42 769 | 46 065 | 52 102 |
| | Private | 13 803 | 15 734 | 16 921 | 16 590 | 25 177 | 33 135 | 32 698 | 39 777 |
| Costa Rica | Total | 7 191 | 8 444 | 9 105 | 8 238 | 9 135 | 10 919 | 14 509 | 17 158 |
| | Public | 3 566 | 3 768 | 3 401 | 3 632 | 4 381 | 4 345 | 7 428 | 7 428 |
| | Private | 3 625 | 4 676 | 5 704 | 4 606 | 4 754 | 6 574 | 7 081 | 9 730 |
| Dominican Republic | Public | 6 295 | 6 556 | 7 219 | 8 215 | 9 947 | 11 625 | 12 872 | 14 919 |
| Ecuador | Total | 17 099 | 17 445 | 16 900 | 13 514 | 13 914 | 15 210 | 15 913 | 18 488 |
| | Public | 10 215 | 10 605 | 10 028 | 7 364 | 8 622 | 9 973 | 10 768 | 12 802 |
| | Private | 6 884 | 6 839 | 6 871 | 6 149 | 5 292 | 5 237 | 5 145 | 5 685 |
| El Salvador | Total | 9 692 | 9 349 | 9 994 | 9 882 | 9 698 | 10 670 | 12 530 | 13 113 |
| | Public | 5 693 | 5 444 | 5 837 | 6 208 | 6 495 | 6 663 | 7 637 | 7 763 |
| | Private | 4 000 | 3 905 | 4 157 | 3 674 | 3 203 | 4 007 | 4 894 | 5 350 |
| Guatemala | Total | 9 844 | 10 909 | 11 163 | 11 248 | 12 026 | 14 021 | 15 339 | 17 493 |
| | Public | 4 204 | 4 458 | 4 423 | 5 391 | 6 038 | 6 027 | 6 823 | 7 429 |
| | Private | 5 640 | 6 451 | 6 741 | 5 857 | 5 988 | 7 993 | 8 516 | 10 064 |
| Haiti | Public | 1 484 | 1 628 | 1 917 | 1 272 | 734 | 562 | 980 | 1 248 |
| Honduras | Total | 3 935 | 3 190 | 3 464 | 3 345 | 3 773 | 4 188 | 4 844 | 6 642 |
| | Public | 3 030 | 2 026 | 2 323 | 2 461 | 2 831 | 3 202 | 3 647 | 5 190 |
| | Private | 905 | 1 164 | 1 141 | 884 | 942 | 990 | 1 197 | 1 451 |
| Mexico | Total | 119 084 | 128 090 | 129 424 | 165 932 | 197 727 | 209 743 | 227 323 | 258 560 |
| | Public | 54 766 | 55 355 | 56 939 | 96 354 | 110 428 | 116 420 | 125 726 | 134 436 |
| | Private | 64 318 | 72 735 | 72 484 | 69 578 | 87 299 | 93 322 | 101 597 | 124 124 |
| Nicaragua | Public | 4 527 | 3 385 | 3 512 | 3 661 | 3 876 | 4 073 | 4 289 | 4 532 |
| Panama | Public | 7 788 | 8 276 | 8 477 | 10 150 | 10 439 | 10 800 | 10 782 | 12 231 |
| Paraguay | Total | 2 618 | 2 731 | 3 124 | 3 044 | 3 621 | 3 864 | 4 580 | 5 131 |
| | Public | 2 240 | 2 205 | 2 204 | 2 234 | 2 335 | 2 291 | 2 241 | 2 695 |
| | Private | 377 | 526 | 920 | 810 | 1 286 | 1 573 | 2 339 | 2 436 |
| Peru | Total | 28 897 | 32 894 | 34 838 | 35 157 | 43 674 | 47 977 | 59 376 | 60 823 |
| | Public | 22 026 | 21 002 | 19 973 | 20 241 | 22 980 | 24 275 | 26 510 | 24 079 |
| | Private | 6 871 | 11 892 | 14 865 | 14 916 | 20 694 | 23 702 | 32 866 | 36 744 |
| Uruguay | Total | 12 977 | 14 864 | 15 425 | 17 969 | 18 425 | 18 345 | 21 122 | 22 882 |
| | Public | 9 637 | 11 383 | 11 064 | 13 117 | 13 182 | 14 436 | 16 658 | 18 060 |
| | Private | 3 340 | 3 480 | 4 361 | 4 853 | 5 243 | 3 909 | 4 464 | 4 822 |
| Venezuela (Bolivarian Republic of) | Total | 44 735 | 53 378 | 53 223 | 70 246 | 97 092 | 110 745 | 118 949 | 118 766 |
| | Public | 29 476 | 35 774 | 37 774 | 55 749 | 85 304 | 98 011 | 105 779 | 104 262 |
| | Private | 15 259 | 17 604 | 15 449 | 14 497 | 11 788 | 12 734 | 13 170 | 14 504 |

Table A.15 (concluded)

| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|---|
| **The Caribbean** | | **12 649** | **12 901** | **13 383** | **14 226** | **16 613** | **17 389** | **17 686** | **17 803** |
| Antigua and Barbuda | Public | 321 | 481 | 436 | 416 | 431 | 441 | 431 | 462 |
| Bahamas | Public | 289 | 273 | 384 | 703 | 711 | 799 | 1 037 | 1 152 |
| Barbados | Public | 958 | 997 | 989 | 1 198 | 1 359 | 1 382 | 1 325 | 1 268 |
| Belize | Public | 985 | 973 | 958 | 1 017 | 1 021 | 1 032 | 1 029 | 1 065 |
| Dominica | Public | 225 | 241 | 234 | 222 | 242 | 248 | 254 | 266 |
| Grenada | Public | 481 | 469 | 481 | 512 | 538 | 551 | 555 | 580 |
| Guyana | Public | 1 043 | 718 | 834 | 933 | 1 043 | 1 206 | 1 358 | 1 248 |
| Jamaica | Public | 5 796 | 6 123 | 6 344 | 6 594 | 8 390 | 8 626 | 8 256 | 8 266 |
| Saint Kitts and Nevis | Public | 310 | 313 | 328 | 306 | 317 | 342 | 306 | 301 |
| Saint Lucia | Public | 365 | 399 | 364 | 373 | 393 | 391 | 432 | 471 |
| Saint Vincent and the Grenadines | Public | 187 | 219 | 235 | 261 | 273 | 271 | 277 | 294 |
| Suriname | Public | 391 | 298 | 319 | 269 | 334 | 463 | 567 | 737 |
| Trinidad and Tobago | Public | 1 299 | 1 399 | 1 476 | 1 422 | 1 561 | 1 639 | 1 861 | 1 693 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Includes debt owed to the International Monetary Fund.

## Table A.16
**Latin America and the Caribbean: sovereign spreads on EMBI+ and EMBI Global**
*(Basis points to end of period)*

| | | 2009 | 2010 | 2011 | 2012 | 2013 | | | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | March | June | September | December | March | June [a] |
| **Latin America** | **EMBI+** | **328** | **305** | **410** | **317** | **361** | **426** | **415** | **410** | **404** | **347** |
| Argentina | EMBI+ | 660 | 496 | 925 | 991 | 1 307 | 1 199 | 1 035 | 808 | 799 | 669 |
| Belize | EMBI Global | ... | 617 | 1 391 | 2245 | 789 | 872 | 872 | 807 | 724 | 754 |
| Bolivia (Plurinational State of) | EMBI Global | ... | ... | ... | ... | ... | ... | ... | 289 | 246 | 253 [b] |
| Brazil | EMBI+ | 192 | 189 | 223 | 142 | 189 | 237 | 236 | 224 | 228 | 208 |
| Chile | EMBI Global | 95 | 115 | 172 | 116 | 153 | 180 | 171 | 148 | 143 | 123 |
| Colombia | EMBI+ | 196 | 172 | 195 | 112 | 148 | 195 | 187 | 166 | 165 | 143 |
| Dominican Republic | EMBI Global | ... | 322 | 597 | 343 | 385 | 401 | 429 | 349 | 330 | 325 |
| Ecuador | EMBI+ | 769 | 913 | 846 | 826 | 700 | 665 | 628 | 530 | 508 | 384 |
| El Salvador | EMBI Global | ... | 302 | 478 | 396 | 350 | 436 | 409 | 389 | 420 | 383 |
| Jamaica | EMBI Global | ... | 427 | 637 | 711 | 680 | 623 | 637 | 641 | 531 | 494 |
| Mexico | EMBI+ | 164 | 149 | 187 | 126 | 158 | 194 | 181 | 155 | 156 | 138 |
| Panama | EMBI+ | 171 | 162 | 201 | 140 | 169 | 218 | 208 | 199 | 189 | 177 |
| Paraguay | EMBI Global | ... | ... | ... | ... | ... | ... | ... | 240 | 204 | 197 [b] |
| Peru | EMBI+ | 165 | 163 | 216 | 129 | 145 | 200 | 181 | 159 | 163 | 146 |
| Uruguay | EMBI Global | 238 | 188 | 213 | 127 | 173 | 235 | 200 | 194 | 192 | 170 |
| Venezuela (Bolivarian Republic of) | EMBI+ | 1 017 | 1 044 | 1 197 | 786 | 787 | 966 | 991 | 1 093 | 1130 | 890 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from JPMorgan, Emerging Markets Bond Index Monitor.
[a] Figures as of June 23 2014.
[b] Figures as of May.

## Table A.17
**Latin America and the Caribbean: five-year sovereign credit default swaps**
*(Basis points to end of period)*

| | 2009 | 2010 | 2011 | 2012 | 2013 | | | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | March | June | September | December | March | June |
| Argentina | 914 | 602 | 922 | 1 442 | 3 754 | 3 009 | 2 527 | 1 654 | 1 876 | 1 761 |
| Brazil | 123 | 111 | 162 | 108 | 137 | 185 | 176 | 194 | 170 | 144 |
| Chile | 68 | 84 | 132 | 72 | 66 | 99 | 89 | 80 | 78 | 64 |
| Colombia | 143 | 113 | 156 | 96 | 98 | 141 | 134 | 119 | 108 | 81 |
| Mexico | 134 | 114 | 154 | 98 | 97 | 131 | 122 | 92 | 87 | 68 |
| Panama | 134 | 99 | 150 | 98 | 96 | 141 | 133 | 111 | 100 | 81 |
| Peru | 124 | 113 | 172 | 97 | 98 | 144 | 148 | 133 | 112 | 84 |
| Venezuela (Bolivarian Republic of) | 1 104 | 1 016 | 928 | 647 | 739 | 1 004 | 933 | 1 150 | 1 261 | 918 |

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

## Table A.18
**Latin America and the Caribbean: international bond issues** [a]
*(Millions of dollars)*

| | 2009 | 2010 | 2011 | 2012 | 2013 | | | | 2014 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Q1 | Q2 | Q3 | Q4 | Q1 |
| **Total** | **71 979** | **83 355** | **96 130** | **113 545** | **27 600** | **31 964** | **37 830** | **25 463** | **44 364** |
| **Latin America and the Caribbean** | **69 001** | **82 007** | **93 464** | **111 248** | **27 083** | **31 857** | **37 128** | **24 975** | **43 586** |
| Argentina | 686 | 3 146 | 2 193 | 663 | - | - | 150 | 500 | - |
| Bahamas | 300 | - | - | - | - | - | - | - | 300 |
| Barbados | 450 | 390 | - | - | - | - | - | - | 1 250 |
| Bolivia (Plurinational State of) | - | - | - | 500 | - | - | 500 | - | 108 |
| Brazil | 30 631 | 39 580 | 38 147 | 49 946 | 8 372 | 16 803 | 7 929 | 4 158 | 20 542 |
| Chile | 3 773 | 6 750 | 6 049 | 9 443 | 3 109 | 2 822 | 1 999 | 3 610 | 1 274 |
| Colombia | 3 450 | 1 912 | 6 411 | 7 459 | 3 600 | 600 | 4 100 | 1 712 | 2 000 |
| Costa Rica | - | - | 250 | 1 250 | - | 1 500 | 500 | 1 000 | - |
| Dominican Republic | - | 1 034 | 750 | 750 | 300 | 1 000 | - | 500 | - |
| El Salvador | 800 | 450 | 654 | 800 | 310 | - | - | - | - |
| Guatemala | - | - | 150 | 1 200 | 700 | - | - | 500 | 800 |
| Honduras | - | 20 | - | - | 500 | - | - | 500 | - |
| Jamaica | 750 | 1 075 | 694 | 1 750 | 1 300 | - | - | 500 | 1 000 |
| Mexico | 19 338 | 19 957 | 25 846 | 28 147 | 5 547 | 5 852 | 19 700 | 10 630 | 14 713 |
| Panama | 1 323 | - | 897 | 1 100 | - | 750 | 100 | 500 | - |
| Paraguay | - | - | 100 | 500 | 500 | - | - | - | - |
| Peru | 1 150 | 4 693 | 2 455 | 7 240 | 2 845 | 2 530 | 150 | 315 | 1 600 |
| Trinidad and Tobago | 850 | - | 175 | - | - | - | - | 550 | - |
| Uruguay | 500 | - | 1 493 | 500 | - | - | 2 000 | - | - |
| Venezuela (Bolivarian Republic of) | 5 000 | 3 000 | 7 200 | - | - | - | - | - | - |
| **Supranational issues** | **2 978** | **1 348** | **2 665** | **2 297** | **517** | **107** | **702** | **488** | **778** |
| Central American Bank for Economic Integration | 500 | 151 | - | 250 | 245 | - | - | 275 | 201 |
| Caribbean Development Bank | - | - | 175 | - | - | - | - | - | - |
| Foreign Trade Bank of Latin America | - | - | - | 400 | - | - | - | - | - |
| Andean Development Corporation | 1 178 | 1 197 | 1 240 | 1 647 | 272 | 107 | 702 | 213 | 577 |
| NII Holdings | 1 300 | - | 1 250 | - | - | - | - | - | - |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from Merrill-Lynch, J.P. Morgan and Latin Finance.
[a] Includes sovereign, bank and corporate bonds.

## Table A.19
**Latin America and the Caribbean: stock exchange indices**
*(National indices to end of period, 31 december 2005=100)*

| | 2009 | 2010 | 2011 | 2012 | 2013 | | | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | March | June | September | December | March | June |
| Argentina | 150 | 228 | 160 | 185 | 219 | 193 | 310 | 349 | 413 | 511 |
| Brazil | 205 | 207 | 170 | 182 | 168 | 142 | 156 | 154 | 151 | 159 |
| Chile | 182 | 251 | 213 | 219 | 226 | 205 | 195 | 188 | 192 | 197 |
| Colombia | 122 | 163 | 133 | 155 | 149 | 135 | 148 | 137 | 145 | 148 |
| Costa Rica | 142 | 118 | 121 | 129 | 154 | 172 | 183 | 190 | 197 | 208 |
| Ecuador | 107 | 126 | 128 | 135 | 138 | 140 | 142 | 148 | 152 | 156 |
| Jamaica | 80 | 82 | 91 | 88 | 78 | 83 | 81 | 77 | 72 | 68 |
| Mexico | 180 | 217 | 208 | 246 | 248 | 228 | 226 | 240 | 227 | 240 |
| Peru | 295 | 487 | 406 | 430 | 414 | 324 | 332 | 328 | 298 | 347 |
| Trinidad and Tobago | 72 | 78 | 95 | 100 | 103 | 106 | 107 | 111 | 110 | 109 |
| Venezuela (Bolivarian Republic of) | 270 | 320 | 574 | 2 312 | 3 040 | 5 641 | 8 802 | 13 421 | 12 374 | 10 362 |

**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)*

| | 2009 | 2010 | 2011 | 2012 | 2013 | | | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | March | June | September | December | March | May |
| **Latin America and the Caribbean** | **567 070** | **655 672** | **773 910** | **835 727** | **845 486** | **834 470** | **838 862** | **830 009** | **834 067** | **849 176** |
| **Latin America** | **553 157** | **639 798** | **756 967** | **820 018** | **830 143** | **818 936** | **823 744** | **813 978** | **818 610** | **833 647** |
| Argentina | 47 967 | 52 145 | 46 376 | 43 290 | 40 446 | 37 005 | 34 741 | 30 599 | 27 007 | 28 542 |
| Bolivia (Plurinational State of) | 8 580 | 9 730 | 12 018 | 13 927 | 14 189 | 13 951 | 14 516 | 14 430 | 14 490 | 14 540 |
| Brazil | 238 520 | 288 575 | 352 012 | 373 147 | 376 934 | 369 402 | 368 654 | 358 808 | 363 914 | 368 752 |
| Chile | 25 371 | 27 864 | 41 979 | 41 640 | 39 832 | 41 003 | 42 303 | 41 094 | 40 970 | 40 904 |
| Colombia | 24 992 | 28 464 | 32 303 | 37 474 | 39 339 | 40 821 | 43 070 | 43 639 | 44 302 | 45 041 |
| Costa Rica [a] | 4 066 | 4 627 | 4 756 | 6 857 | 6 937 | 7 878 | 7 617 | 7 331 | 6 786 | 7 705 |
| Dominican Republic [a] | 3 307 | 3 765 | 4 098 | 3 559 | 3 826 | 4 168 | 3 667 | 4 701 | 3 888 | 4 885 |
| Ecuador [b] | 3 792 | 2 622 | 2 958 | 2 483 | 4 373 | 3 761 | 4 233 | 4 361 | 3 976 | 4 010 |
| El Salvador | 2 985 | 2 882 | 2 503 | 3 175 | 3 028 | 3 037 | 3 089 | 2 745 | 2 957 | 3 027 |
| Guatemala [a] | 5 213 | 5 954 | 6 188 | 6 694 | 7 280 | 7 071 | 6 584 | 7 273 | 7 111 | 7 174 |
| Haiti | 733 | 1 284 | 1 343 | 1 337 | 1 332 | 1 245 | 1 793 | 1 690 | 1 163 | ... |
| Honduras [a] | 2 174 | 2 775 | 2 880 | 2 629 | 3 108 | 2 970 | 2 618 | 3 113 | 3 126 | 3 269 |
| Mexico | 99 893 | 120 587 | 149 209 | 167 050 | 171 298 | 168 901 | 175 003 | 180 200 | 185 467 | 190 594 |
| Nicaragua | 1 490 | 1 708 | 1 793 | 1 778 | 1 748 | 1 748 | 1 772 | 1 874 | 1 884 | 1 953 |
| Panama [a] | 3 222 | 2 843 | 2 514 | 2 441 | 2 122 | 2 813 | 2 451 | 2 775 | 2 096 | 2 292 [c] |
| Paraguay | 3 861 | 4 169 | 4 984 | 4 994 | 5 793 | 5 759 | 5 900 | 5 876 | 6 022 | 6 333 |
| Peru | 33 175 | 44 150 | 48 859 | 64 049 | 67 975 | 66 735 | 66 825 | 65 710 | 65 000 | 64 721 |
| Uruguay | 7 987 | 7 743 | 10 302 | 13 605 | 13 478 | 14 863 | 15 861 | 16 281 | 16 504 | 17 425 |
| Venezuela (Bolivarian Republic of) | 35 830 | 27 911 | 29 892 | 29 890 | 27 104 | 25 804 | 23 047 | 21 481 | 21 948 | 22 480 |
| **The Caribbean** | **13 913** | **15 874** | **16 944** | **15 709** | **15 343** | **15 534** | **15 119** | **16 031** | **15 458** | **15 529** |
| Antigua and Barbuda [d] | 108 | 136 | 147 | 161 | 217 | 197 | 204 | 202 | ... | ... |
| Bahamas | 816 | 861 | 892 | 812 | 793 | 807 | 646 | 740 | 947 | 1 003 |
| Barbados | 563 | 575 | 587 | 630 | 615 | 526 | 425 | 516 | 524 | 497 |
| Belize | 210 | 216 | 242 | 289 | 312 | 350 | 371 | 402 | 422 | 436 |
| Dominica [d] | 64 | 66 | 75 | 92 | 84 | 88 | 80 | 85 | ... | ... |
| Grenada [d] | 112 | 103 | 106 | 104 | 106 | 123 | 113 | 135 | ... | ... |
| Guyana | 628 | 780 | 798 | 862 | 812 | 732 | 660 | 777 | 709 | 671 |
| Jamaica | 1 752 | 2 979 | 2 820 | 1 981 | 1 718 | 1 881 | 1 714 | 1 818 | 2 049 | 1 821 |
| Saint Kitts and Nevis [d] | 123 | 156 | 233 | 252 | 292 | 297 | 350 | 291 | ... | ... |
| Saint Lucia [d] | 151 | 182 | 192 | 208 | 230 | 201 | 198 | 168 | ... | ... |
| Saint Vincent and the Grenadines [d] | 75 | 111 | 88 | 109 | 118 | 126 | 119 | 133 | ... | ... |
| Suriname | 659 | 639 | 941 | 1 008 | 861 | 812 | 813 | 775 | 794 | 739 |
| Trinidad and Tobago | 8 652 | 9 070 | 9 822 | 9 200 | 9 186 | 9 396 | 9 427 | 9 987 | 10 013 | 10 362 [c] |

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

[a] Serie corresponding to the harmonized monetary and financial statistics.

[b] Freely available International reserves.

[c] Figures as of April.

[d] Net international reserves.

**Table A.21**

**Latin America and the Caribbean: real effective exchange rates [a]**

*(Indices: 2005=100, average values for the period)*

| | 2009 | 2010 | 2011 | 2012 [b] | 2013 [b] | | | | 2014 [b] | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 [c] |
| **Latin America and the Caribbean [d]** | **88.5** | **85.8** | **83.7** | **81.5** | **80.2** | **80.7** | **82.0** | **81.6** | **83.7** | **83.5** |
| Barbados | 88.7 | 85.7 | 82.9 | 80.0 | 79.9 | 79.5 | 79.3 | 79.6 | 80.3 | 80.8 |
| Bolivia (Plurinational State of) | 73.7 | 75.7 | 74.0 | 70.6 | 68.0 | 66.8 | 65.7 | 65.1 | 64.4 | 64.6 |
| Brazil | 79.6 | 68.6 | 65.4 | 72.8 | 72.3 | 74.0 | 81.7 | 81.2 | 82.4 | 77.0 |
| Chile | 98.0 | 91.5 | 90.0 | 88.5 | 85.7 | 87.7 | 91.2 | 93.3 | 98.1 | 98.0 |
| Colombia | 86.5 | 76.3 | 76.0 | 72.1 | 72.0 | 74.4 | 76.2 | 77.2 | 80.3 | 76.9 |
| Costa Rica | 91.5 | 80.3 | 77.2 | 74.3 | 71.7 | 70.8 | 70.9 | 71.6 | 74.5 | 76.9 |
| Dominica | 98.7 | 97.9 | 99.9 | 99.4 | 99.9 | 100.8 | 100.2 | 101.1 | 103.2 | 105.2 |
| Dominican Republic | 105.0 | 103.4 | 103.1 | 104.0 | 105.4 | 106.7 | 108.7 | 109.3 | 110.0 | 110.3 |
| Ecuador | 95.9 | 94.4 | 95.4 | 91.5 | 90.7 | 90.4 | 90.7 | 90.4 | 89.3 | 89.5 |
| El Salvador | 96.4 | 96.8 | 96.4 | 95.8 | 95.8 | 96.2 | 96.6 | 96.8 | 96.5 | 97.7 |
| Guatemala | 92.7 | 90.9 | 86.4 | 84.7 | 83.3 | 82.0 | 82.5 | 82.5 | 80.8 | 80.8 |
| Honduras | 85.0 | 83.5 | 81.3 | 79.7 | 80.2 | 78.8 | 80.9 | 81.0 | 76.4 | 75.9 |
| Jamaica | 100.6 | 90.5 | 86.8 | 84.5 | 86.1 | 88.5 | 89.3 | 88.8 | 91.0 | 93.4 |
| Mexico | 116.7 | 107.5 | 107.2 | 110.5 | 104.1 | 102.6 | 106.4 | 105.9 | 106.1 | 105.3 |
| Nicaragua | 92.8 | 94.4 | 97.2 | 96.0 | 95.0 | 94.3 | 95.2 | 96.3 | 95.5 | 96.3 |
| Panama | 94.9 | 93.9 | 93.4 | 89.1 | 87.4 | 86.2 | 86.0 | 86.1 | 85.6 | 85.7 |
| Paraguay | 73.7 | 70.1 | 61.7 | 63.7 | 58.8 | 61.0 | 64.0 | 64.1 | 63.4 | 61.3 |
| Peru | 94.7 | 90.8 | 92.4 | 85.5 | 83.2 | 85.0 | 88.3 | 89.3 | 89.1 | 88.3 |
| Trinidad and Tobago | 80.6 | 74.6 | 74.6 | 69.0 | 67.0 | 65.7 | 67.3 | 66.3 | 65.4 | 64.7 |
| Uruguay | 82.1 | 70.2 | 67.0 | 65.3 | 59.7 | 60.4 | 65.4 | 64.4 | 64.5 | 66.4 |
| Venezuela (Bolivarian Republic of) | 52.3 | 79.3 | 70.2 | 58.7 | 64.5 | 66.8 | 59.5 | 52.7 | ... | ... |

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

[a] Annual averages. A country's overall real effective exchange rate index is calculated by weighting its real bilateral exchange rate indices with each of its trading partners by each partner's share in the country's total trade flows in terms of exports and imports. The extraregional real effective exchange rate index excludes trade with other Latin American and Caribbean countries. A currency depreciates in real effective terms when this index rises and appreciates when it falls.

[b] Preliminary figures.

[c] Figures as of May.

[d] Simple average of the real effective extraregional exchange rate for 21 countries. As from 2014, the Bolivarian Republic of Venezuela is not included.

## Table A.22
**Latin America and the Caribbean: participation rate**
*(Average annual rates)*

| | | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 [a] | 2013 | 2014 [a] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | First quarter | |
| **Latin America and the Caribbean [b]** | | **Global** | **61.5** | **61.8** | **61.9** | **61.6** | **61.8** | **61.9** | **61.9** | ... | ... |
| | | **Female** | **48.7** | **49.3** | **49.6** | **49.5** | **49.7** | **50.0** | **50.3** | ... | ... |
| | | **Male** | **74.3** | **74.4** | **74.3** | **73.9** | **74.1** | **73.9** | **73.9** | ... | ... |
| Argentina | Urban areas | Global | 59.5 | 58.8 | 59.3 | 58.9 | 59.5 | 59.3 | 58.9 | 58.5 | 58.5 |
| | | Female | 47.7 | 47.2 | 48.0 | 47.0 | 47.4 | 47.6 | 47.1 | 46.5 | 46.5 |
| | | Male | 73.0 | 72.0 | 72.1 | 72.3 | 72.9 | 72.2 | 72.0 | 72.1 | 71.8 |
| Barbados | Nationwide total | Global | 67.8 | 67.6 | 67.0 | 66.6 | 67.6 | 66.2 | 66.7 | ... | ... |
| | | Female | 61.9 | 62.5 | 62.2 | 62.0 | 63.0 | 61.1 | 61.8 | ... | ... |
| | | Male | 74.3 | 73.3 | 72.3 | 71.7 | 72.7 | 72.0 | 72.3 | ... | ... |
| Bolivia (Plurinational State of) | Departamental capitals [c] | Global | 64.8 | ... | 56.9 | 57.3 | ... | ... | ... | ... | ... |
| | | Female | 56.2 | ... | ... | ... | ... | ... | ... | ... | ... |
| | | Male | 74.2 | ... | ... | ... | ... | ... | ... | ... | ... |
| Brazil | Six metropolitan areas | Global | 56.9 | 57.0 | 56.7 | 57.1 | 57.1 | 57.3 | 57.1 | 57.2 | 56.2 |
| | | Female | 48.5 | 48.7 | 48.6 | 49.0 | 48.9 | 49.3 | 49.3 | 49.5 | 48.2 |
| | | Male | 66.5 | 66.5 | 66.0 | 66.5 | 66.5 | 66.6 | 66.2 | 66.3 | 65.5 |
| Chile [d] | Nationwide total | Global | 54.9 | 56.0 | 55.9 | 58.5 | 59.8 | 59.5 | 59.6 | 59.6 | 60.1 |
| | | Female | 39.1 | 40.9 | 41.3 | 45.3 | 47.3 | 47.6 | 47.7 | 47.6 | 48.5 |
| | | Male | 71.4 | 71.8 | 71.0 | 72.1 | 72.7 | 71.9 | 71.8 | 72.1 | 72.2 |
| Colombia | Nationwide total | Global | 58.3 | 58.5 | 61.3 | 62.7 | 63.7 | 64.5 | 64.2 | 63.5 | 63.2 |
| | | Female | 46.1 | 46.5 | 49.8 | 51.8 | 52.8 | 54.1 | 53.9 | 52.6 | 52.7 |
| | | Male | 71.1 | 71.1 | 73.3 | 74.2 | 75.1 | 75.4 | 74.9 | 74.9 | 74.1 |
| Costa Rica [e] | Nationwide total | Global | 57.0 | 56.7 | 60.4 | 59.1 | 60.7 | 60.1 | 59.8 | ... | ... |
| | | Female | 41.6 | 41.7 | 44.5 | 43.5 | 45.7 | 45.2 | 45.2 | ... | ... |
| | | Male | 73.2 | 72.5 | 77.2 | 75.9 | 76.8 | 76.0 | 75.7 | ... | ... |
| Cuba [f] | Nationwide total | Global | 73.7 | 74.7 | 75.4 | 74.9 | 76.1 | 74.2 | ... | ... | ... |
| | | Female | 59.3 | 60.2 | 61.0 | 60.5 | 60.5 | 57.4 | ... | ... | ... |
| | | Male | 86.7 | 87.8 | 88.4 | 87.7 | 90.0 | 89.5 | ... | ... | ... |
| Dominican Republic | Nationwide total | Global | 56.1 | 55.6 | 53.8 | 55.0 | 56.2 | 56.5 | 56.1 | ... | ... |
| | | Female | 43.2 | 43.5 | 40.3 | 42.4 | 44.0 | 45.0 | 44.5 | ... | ... |
| | | Male | 69.3 | 67.9 | 67.4 | 67.8 | 68.5 | 68.1 | 67.9 | ... | ... |
| Ecuador | Urban total | Global | 61.3 | 60.1 | 58.9 | 56.9 | 55.2 | 55.9 | 54.8 | 54.9 | 54.0 |
| | | Female | 50.9 | 49.6 | 48.4 | 46.6 | 44.5 | 45.0 | 43.8 | 43.0 | 42.5 |
| | | Male | 72.5 | 71.3 | 70.0 | 68.0 | 67.0 | 67.8 | 66.7 | 68.0 | 66.1 |
| El Salvador | Nationwide total | Global | 62.1 | 62.7 | 62.8 | 62.5 | 62.7 | 63.2 | ... | ... | ... |
| | | Female | 46.7 | 47.3 | 47.6 | 47.3 | 47.0 | 47.9 | ... | ... | ... |
| | | Male | 81.0 | 81.4 | 81.0 | 80.9 | 81.2 | 81.4 | ... | ... | ... |
| Honduras | Nationwide total | Global | 50.7 | 51.0 | 53.1 | 53.6 | 51.9 | 50.8 | 53.7 | ... | ... |
| | | Female | 33.3 | 34.4 | 35.9 | 37.4 | 34.9 | 33.8 | 37.2 | ... | ... |
| | | Male | 70.1 | 69.3 | 72.3 | 71.0 | 70.4 | 69.2 | 72.1 | ... | ... |
| Jamaica | Nationwide total | Global | 64.9 | 65.4 | 63.5 | 62.4 | 62.3 | 61.9 | 63.0 | 62.5 | 62.7 |
| | | Female | 56.5 | 57.3 | 55.7 | 54.8 | 54.9 | 54.9 | 56.2 | 55.7 | 55.6 |
| | | Male | 73.6 | 73.9 | 71.8 | 70.4 | 70.2 | 69.1 | 70.0 | 69.6 | 70.2 |
| Mexico | Nationwide total | Global | 58.8 | 58.7 | 58.6 | 58.4 | 58.6 | 59.2 | 59.1 | 58.1 | 58.5 |
| | | Female | 41.7 | 41.5 | 42.0 | 41.6 | 42.0 | 43.0 | 43.0 | 41.9 | 42.2 |
| | | Male | 78.4 | 78.0 | 77.1 | 77.0 | 76.9 | 77.1 | 76.8 | 76.0 | 76.4 |

Table A.22 (concluded)

| | | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 [a] | 2013 | 2014 [a] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | First quarter | |
| Nicaragua [e] | Nationwide total | Global | 53.4 | 53.3 | 66.9 | 72.1 | ... | ... | ... | ... | ... |
| Panama | Nationwide total | Global | 62.7 | 63.9 | 64.1 | 63.5 | 61.9 | 63.4 | 64.1 | 61.8 | 64.3 |
| | | Female | 46.8 | 47.2 | 48.3 | 47.5 | 45.6 | 48.0 | 49.2 | 46.6 | 50.1 |
| | | Men | 79.3 | 81.5 | 80.9 | 80.4 | 79.2 | 80.1 | 79.7 | 78.0 | 79.4 |
| Paraguay | Nationwide total | Global | 60.8 | 61.7 | 62.9 | 60.5 | 60.7 | 64.3 | 62.6 | ... | ... |
| | | Female | 48.0 | 47.9 | 49.7 | 47.3 | 48.9 | 53.8 | 51.9 | ... | ... |
| | | Men | 73.9 | 75.8 | 75.9 | 73.5 | 72.8 | 74.7 | 73.8 | ... | ... |
| Peru | Metropolitan Lima | Global | 68.9 | 68.1 | 68.4 | 70.0 | 70.0 | 69.1 | 68.9 | 69.0 | 69.6 |
| | | Female | 59.6 | 58.9 | 60.1 | 61.7 | 61.5 | 60.7 | 60.6 | 60.4 | 61.1 |
| | | Men | 78.7 | 77.9 | 77.2 | 79.0 | 79.0 | 78.2 | 77.9 | 78.3 | 78.0 |
| Trinidad and Tobago | Nationwide total | Global | 63.5 | 63.5 | 62.7 | 62.1 | 61.3 | 61.8 | 61.3 [g] | ... | ... |
| Uruguay | Nationwide total | Global | 62.5 | 62.7 | 63.4 | 62.9 | 64.8 | 64.0 | 63.6 | 63.5 | 65.0 |
| | | Female | 52.7 | 53.6 | 54.3 | 54.0 | 55.8 | 55.6 | 56.4 | 54.3 | 56.4 |
| | | Men | 74.0 | 73.3 | 74.1 | 73.1 | 74.7 | 73.5 | 73.9 | 73.8 | 74.5 |
| Venezuela (Bolivarian Republic of) | Nationwide total | Global | 64.9 | 64.9 | 65.1 | 64.6 | 64.4 | 63.9 | 64.3 | 63.7 | 64.6 |
| | | Female | 50.0 | 50.1 | 51.0 | 50.5 | 50.3 | 50.1 | 50.6 | 49.9 | 50.5 |
| | | Men | 79.9 | 79.9 | 79.7 | 79.2 | 78.6 | 77.8 | 78.1 | 77.7 | 79.0 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Preliminary figures.
[b] The data relating to the different countries are not comparable owing to differences in coverage and in the definition of the working age population. The regional series are simple averages of national data (excluding Nicaragua and the Plurinational State of Bolivia) and include adjustments for lack of information and changes in methodology.
[c] Up to 2007, the figures correspond to the nationwide total.
[d] New measurements have been used since 2010; the data are not comparable with the previous series.
[e] New measurements have been used since 2009; the data are not comparable with the previous series.
[f] The working-age population is measured as follows: for males, 17 to 59 years and for females, 15 to 54 years.
[g] Average for March and June.

## Table A.23
**Latin America and the Caribbean: open urban unemployment [a]**
*(Average annual rates)*

| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 [b] | 2013 [b] First semester | 2014 [b] First semester |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Latin America and the Caribbean [c]** | | **8.6** | **7.9** | **7.3** | **8.1** | **7.3** | **6.7** | **6.4** | **6.2** | **...** | **...** |
| Argentina | Urban areas | 10.2 | 8.5 | 7.9 | 8.7 | 7.7 | 7.2 | 7.2 | 7.1 | 7.9 | 7.1 [d] |
| Bahamas [e] | Nationwide total | 7.6 | 7.9 | 8.7 | 14.2 | ... | 15.9 | 14.0 | 15.8 | ... | ... |
| Barbados [e] | Nationwide total | 8.7 | 7.4 | 8.1 | 10.0 | 10.8 | 11.2 | 11.6 | 11.6 | ... | ... |
| Belize [e] | Nationwide total | 9.4 | 8.5 | 8.2 | 13.1 | 12.5 | ... | 15.3 | 13.2 | ... | ... |
| Bolivia (Plurinational State of) | Departamental capitals [f] | 8.0 | 7.7 | 6.7 | 7.9 | 6.1 | 5.8 | ... | ... | ... | ... |
| Brazil | Six metropolitan areas | 10.0 | 9.3 | 7.9 | 8.1 | 6.7 | 6.0 | 5.5 | 5.4 | 5.6 | 5.0 [g] |
| Chile [h] | Nationwide total | 7.7 | 7.1 | 7.8 | 9.7 | 8.2 | 7.1 | 6.4 | 5.9 | 6.2 | 6.5 [d] |
| Colombia [e] | Thirteen metropolitan areas | 13.1 | 11.4 | 11.5 | 13.0 | 12.4 | 11.5 | 11.2 | 10.6 | 11.6 | 10.6 [i] |
| Colombia [j] | Thirteen metropolitan areas | 12.2 | 10.7 | 11.0 | 12.4 | 11.8 | 10.9 | 10.6 | 10.1 | 11.1 | 10.1 [i] |
| Costa Rica [k] | Urban total | 6.0 | 4.8 | 4.8 | 8.5 | 7.1 | 7.7 | 7.8 | 8.2 | 9.2 | 10.0 [d l] |
| Cuba | Nationwide total | 1.9 | 1.8 | 1.6 | 1.7 | 2.5 | 3.2 | 3.5 | 3.4 | ... | ... |
| Dominican Republic | Nationwide total | 5.5 | 5.1 | 4.7 | 5.3 | 5.0 | 5.8 | 6.5 | 7.0 | ... | ... |
| Ecuador [e] | Urban total | 8.1 | 7.4 | 6.9 | 8.5 | 7.6 | 6.0 | 4.9 | 4.7 | 4.6 | 5.6 [d] |
| Ecuador [j] | Urban total | 5.7 | 5.5 | 5.3 | 6.8 | 6.1 | 4.9 | 4.2 | 4.0 | 4.2 | 4.7 [d] |
| El Salvador | Urban total | 5.7 | 5.8 | 5.5 | 7.1 | 6.8 | 6.6 | 6.2 | ... | ... | ... |
| Guatemala [m] | Urban total | ... | ... | ... | ... | 4.8 | 3.1 | 4.0 | 3.8 | ... | ... |
| Honduras | Urban total | 4.9 | 4.0 | 4.1 | 4.9 | 6.4 | 6.8 | 5.6 | 6.0 | ... | ... |
| Jamaica [e] | Nationwide total | 10.3 | 9.8 | 10.6 | 11.4 | 12.4 | 12.6 | 13.9 | 15.2 | 14.4 | 13.4 [h] |
| Jamaica [j] | Nationwide total | 5.8 | 6.0 | 6.9 | 7.5 | 8.0 | 8.4 | 9.3 | 10.3 | 10.0 | 9.3 [n] |
| Mexico | Urban areas | 4.6 | 4.8 | 4.9 | 6.7 | 6.4 | 5.9 | 5.8 | 5.7 | 5.9 | 6.0 [i] |
| Nicaragua | Urban total | 7.0 | 6.9 | 8.0 | 10.5 | 9.7 | ... | ... | ... | ... | ... |
| Panama [e] | Urban total | 10.4 | 7.8 | 6.5 | 7.9 | 7.7 | 5.4 | 4.8 | 4.7 | 5.1 | 5.0 [d] |
| Panama [j] | Urban total | 8.4 | 5.8 | 5.0 | 6.3 | 5.8 | 3.6 | 3.6 | 3.7 | 3.8 | 3.7 [d] |
| Paraguay | Asunción and urban areas of the Departamento Central [o] | 8.9 | 7.2 | 7.4 | 8.2 | 7.2 | 7.1 | 8.1 | 8.1 | 8.4 | 9.7 |
| Peru | Urban total | 8.5 | 8.4 | 8.4 | 8.4 | 7.9 | 7.7 | 6.8 | 5.9 | 6.4 | 6.9 [d] |
| Trinidad and Tobago | Nationwide total | 6.2 | 5.6 | 4.6 | 5.3 | 5.9 | 5.1 | 5.0 | 3.6 [p] | ... | ... |
| Uruguay | Urban total | 11.3 | 9.8 | 8.3 | 8.2 | 7.5 | 6.6 | 6.7 | 6.7 | 7.1 | 7.1 [i] |
| Venezuela (Bolivarian Republic of) | Nationwide total | 9.9 | 8.4 | 7.3 | 7.9 | 8.7 | 8.3 | 8.1 | 7.8 | 8.2 | 7.8 [g] |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of household surveys.
[a] Percentage of unemployed population in relation to the total workforce.
[b] Preliminary figures.
[c] Weighted average adjusted for lack of information and differences and changes in methodology. The data relating to the different countries are not comparable owing to differences in coverage and in the definition of the working age population.
[d] The figures in the last two columns refer to the first quarter.
[e] Includes hidden unemployment.
[f] Up to 2008, urban areas.
[g] The figures in the last two columns correspond to the average for January to April.
[h] New measurements have been used since 2010; the data are not comparable with the previous series.
[i] The figures in the last two columns correspond to the average for January to May.
[j] Includes an adjustment for workforce figures due to exclusion of hidden unemployment.
[k] New measurements have been used since 2009; the data are not comparable with the previous series.
[l] The quarterly figures in the last two columns do not come from the same survey as the annual series and therefore are not comparable with them.
[m] Owing to methodological changes, as of 2011 the data are not comparable with the previous series.
[n] The figures in the last two columns refer to the measurement of January.
[o] Up to 2009, urban total.
[p] Average for March and June.

## Table A.24
**Latin America and the Caribbean: employment rate [a]**
*(Average annual rates)*

| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 [b] | 2013 | 2014 [b] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | First semester | |
| **Latin America and the Caribbean [c]** | | **54.0** | **54.6** | **54.9** | **54.6** | **55.3** | **55.7** | **56.2** | **56.1** | **...** | **...** |
| Argentina | Urban areas | 54.1 | 54.5 | 54.2 | 54.2 | 54.4 | 55.2 | 55.0 | 54.7 | 53.9 | 54.3 [d] |
| Bahamas | Nationwide total | 69.4 | 70.2 | 69.7 | 63.0 | ... | 60.6 | 64.1 | 61.6 | ... | ... |
| Barbados | Nationwide total | 61.9 | 62.7 | 62.1 | 60.3 | 59.4 | 60.0 | 58.5 | 58.9 | ... | ... |
| Bolivia (Plurinational State of) | Departamental capitals [e] | 54.0 | 52.7 | ... | 52.4 | 53.6 | ... | ... | ... | ... | ... |
| Brazil | Six metropolitan areas | 51.2 | 51.6 | 52.5 | 52.1 | 53.2 | 53.7 | 54.2 | 54.0 | 53.9 | 53.3 [f] |
| Chile [g] | Nationwide total | 50.5 | 51.0 | 51.7 | 50.5 | 53.7 | 55.5 | 55.7 | 56.0 | 55.9 | 56.2 [d] |
| Colombia | Nationwide total | 52.0 | 51.8 | 51.9 | 53.9 | 55.4 | 56.8 | 57.9 | 58.0 | 56.9 | 57.2 [h] |
| Costa Rica [i] | Nationwide total | 53.3 | 54.4 | 53.9 | 55.4 | 54.8 | 56.0 | 55.4 | 54.7 | ... | ... |
| Cuba [j] | Nationwide total | 70.7 | 72.4 | 73.6 | 74.2 | 73.0 | 73.6 | 71.6 | ... | ... | ... |
| Dominican Republic | Nationwide total | 46.9 | 47.4 | 47.7 | 45.8 | 47.1 | 48.0 | 48.2 | 47.7 | ... | ... |
| Ecuador | Urban total | 54.3 | 56.8 | 56.0 | 53.9 | 52.6 | 51.9 | 53.2 | 52.2 | 52.3 | 51.0 [d] |
| El Salvador [k] | Nationwide total | 49.2 | 58.1 | 59.0 | 59.2 | 58.1 | 58.6 | 59.4 | ... | ... | ... |
| Honduras | Nationwide total | 49.0 | 49.2 | 49.4 | 51.5 | 51.5 | 49.7 | 48.9 | 51.6 | ... | ... |
| Jamaica [g] | Nationwide total | 58.0 | 58.6 | 58.5 | 56.3 | 54.6 | 54.4 | 53.3 | 53.4 | 53.5 | 54.3 [l] |
| Mexico | Nationwide total | 56.7 | 56.7 | 56.3 | 55.4 | 55.3 | 55.6 | 56.3 | 56.2 | 55.7 | 55.7 [h] |
| Nicaragua [i] | Nationwide total | 48.8 | 48.6 | 50.1 | 61.8 | 66.8 | ... | ... | ... | ... | ... |
| Panama | Nationwide total | 57.2 | 58.7 | 60.3 | 59.9 | 59.4 | 59.1 | 60.8 | 61.5 | 59.0 | 61.5 |
| Paraguay | Nationwide total | 55.4 | 57.4 | 57.0 | 57.1 | 57.1 | 57.3 | 61.2 | 59.4 | ... | ... |
| Peru | Urban total | 61.8 | 63.0 | 62.4 | 62.7 | 64.5 | 64.5 | 64.4 | 64.8 | 64.6 | 64.8 [d] |
| Trinidad and Tobago | Nationwide total | 59.9 | 59.9 | 60.6 | 59.4 | 58.4 | 58.2 | 58.8 | 59.1 [m] | ... | ... |
| Uruguay | Nationwide total | 54.1 | 56.7 | 57.7 | 58.5 | 58.4 | 60.7 | 59.9 | 59.5 | 59.3 | 60.5 [h] |
| Venezuela (Bolivarian Republic of) | Nationwide total | 58.9 | 59.4 | 60.2 | 60.0 | 59.0 | 59.0 | 58.7 | 59.3 | 58.6 | 59.6 [f] |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Employed population as a percentage of the working-age population.
[b] Preliminary figures.
[c] Weighted average adjusted for lack of information and differences and changes in methodology. The data relating to the different countries are not comparable owing to differences in coverage and in the definition of the working age population.
[d] The figures in the last two columns refer to the first quarter.
[e] Up to 2007, urban areas.
[f] The figures in the last two columns correspond to the average for January to April.
[g] New measurements have been used since 2010; the data are not comparable with the previous series.
[h] The figures in the last two columns correspond to the average for January to May.
[i] New measurements have been used since 2009; the data are not comparable with the previous series.
[j] The working-age population is measured as follows: for males, 17 to 59 years and for females, 15 to 54 years.
[k] New measurements have been used since 2007; the data are not comparable with the previous series.
[l] The figures in the last two columns refer to the measurement of January.
[m] Average for March and June.

## Table A.25
**Latin America and the Caribbean: formal employment indicators**
*(Indices 2005=100)*

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 [a] | 2013 | 2014 [a] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | First semester | |
| Argentina [b] | 100.0 | 108.5 | 117.5 | 125.4 | 125.3 | 128.7 | 135.2 | 137.7 | 139.6 | 139.4 | 139.8 [c] |
| Brazil [d] | 100.0 | 104.9 | 110.2 | 117.3 | 119.7 | 127.0 | 133.8 | 138.0 | 140.4 | 137.3 | 139.9 [e] |
| Chile [b] | 100.0 | 107.4 | 116.4 | 124.8 | 126.3 | 134.1 | 141.8 | 150.3 | 155.3 | 155.6 | 158.8 [f] |
| Costa Rica [g] | 100.0 | 106.7 | 115.7 | 124.3 | 123.5 | 127.3 | 131.3 | 135.9 | 138.7 | 138.7 | 141.4 [f] |
| El Salvador [g] | 100.0 | 104.9 | 110.3 | 113.5 | 110.4 | 112.1 | 115.8 | 118.2 | 124.5 | ... | ... |
| Guatemala [g] | 100.0 | 102.4 | 107.1 | 107.0 | 108.6 | 110.5 | 115.2 | 118.3 | 121.9 | ... | ... |
| Jamaica [h] | 100.0 | 101.0 | 102.4 | 104.4 | 103.4 | ... | ... | ... | ... | ... | ... |
| Mexico [g] | 100.0 | 104.8 | 109.1 | 111.4 | 107.9 | 112.0 | 116.9 | 122.3 | 126.6 | 125.4 | 129.1 [e] |
| Nicaragua [g] | 100.0 | 110.5 | 120.8 | 129.8 | 132.5 | 140.7 | 152.1 | 164.0 | 177.1 | 174.0 | 183.9 [f] |
| Panama [g] [i] | 100.0 | 106.8 | 121.9 | 140.8 | 143.6 | 145.8 | 160.9 | 171.8 | 178.9 | ... | ... |
| Peru [j] | 100.0 | 107.4 | 116.1 | 125.8 | 127.4 | 132.6 | 139.8 | 145.3 | 149.5 | 144.2 | 147.0 [c] |
| Uruguay [k] | 100.0 | 108.8 | 118.2 | 127.4 | 131.2 | 139.0 | 145.7 | 151.4 | 154.1 | 153.7 | 155.7 [f] |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Preliminary figures.
[b] Dependent workers paying into pension schemes.
[c] The figures in the last two columns refer to the first quarter.
[d] Workers covered by social and labour legislation.
[e] The figures in the last two columns correspond to the average for January to May.
[f] The figures in the last two columns correspond to the average for January to April.
[g] Workers with social security coverage.
[h] Workers of medium-sized and large firms.
[i] As from 2013, corresponds to workers of small, medium and large enterprises in manufacturing, commerce and services.
[j] Workers at firms with 10 or more employees.
[k] Employement positions generating social security contributions.

## Table A.26
**Latin America: underemployment indicators in hours**
*(Percentages of employed workers)*

| | | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 [a] |
|---|---|---|---|---|---|---|---|---|---|---|
| Argentina [b] | Urban areas | 14.2 | 12.5 | 10.4 | 9.5 | 11.1 | 9.8 | 9.1 | 9.3 | 9.2 |
| Brazil [c] | Six metropolitan areas | 3.7 | 4.1 | 3.6 | 3.1 | 3.1 | 2.7 | 2.3 | 2.0 | 1.8 |
| Chile [d] | Nationwide total | 8.5 | 8.5 | 8.0 | 9.0 | 10.8 | 11.5 | 11.6 | 11.2 | 11.3 |
| Colombia [e] | Thirteen metropolitan areas | 13.8 | 11.9 | 10.0 | 9.1 | 9.5 | 12.0 | 11.1 | 11.7 | 11.9 |
| Costa Rica [f] | Nationwide total | 14.6 | 13.5 | 11.5 | 10.5 | 13.5 | 11.2 | 13.4 | 11.3 | 12.9 |
| Ecuador [c] | Urban total [g] | 7.3 | 6.3 | 11.3 | 10.6 | 11.8 | 11.5 | 9.4 | 7.9 | 8.6 |
| El Salvador [c] [h] | Urban total | 6.2 | 4.9 | 5.3 | 6.3 | 7.7 | 7.0 | 3.4 | 5.8 | ... |
| Honduras [i] | Urban total | 6.9 | 5.4 | 4.3 | 3.5 | 4.4 | 6.7 | 10.6 | 10.1 | 11.6 |
| Mexico [j] | Nationwide total | 7.5 | 6.8 | 7.2 | 6.8 | 8.8 | 8.7 | 8.6 | 8.5 | 8.3 |
| Panama [c] | Urban total | 4.6 | 3.4 | 2.7 | 2.1 | 2.1 | 1.8 | 1.3 | 1.9 | 2.0 |
| Paraguay [k] | Urban total | 7.5 | 5.6 | 5.8 | 6.6 | 8.2 | 5.7 | 6.3 | 5.4 | 5.1 |
| Peru [b] | Metropolitan Lima | 17.8 | 16.4 | 16.5 | 15.6 | 15.4 | 14.5 | 12.4 | 12.0 | 11.6 |
| Uruguay [c] | Urban total | 17.1 | 13.6 | 12.9 | 10.8 | 9.1 | 8.6 | 7.2 | 7.1 | 6.8 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Preliminary figures.
[b] Employed persons who work less than 35 hours per week and wish to work more hours; urban total.
[c] Employed persons who work less than 40 hours per week and wish to work more hours.
[d] Employed persons who work less than 30 hours per week and wish to work more hours.
[d] Up to 2009, refers to employed persons who work less than 35 hours per week and wish to work more hours. New measurements have been used since 2010; the data are not comparable with the previous series.
[e] Employed persons who work less than 48 hours per week and wish to work more hours.
[f] Employed persons wishing to work more than their current job permits. Up to 2008, employed persons who work less than 47 hours per week and wish to work more hours.
[g] Up to 2006, the figures relate to Cuenca, Guayaquil and Quito.
[h] New measurements have been used since 2007; the data are not comparable with the previous series.
[i] Employed persons who work less than 36 hours per week and wish to work more hours.
[j] Employed persons wishing to work more than their current job permits.
[k] Employed persons who work less than 30 hours per week and wish to work more hours.

**Table A.27**
**Latin America: real average wages**
*(Indices 2005=100)* [a]

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 [b] | 2013 | 2014 [b] |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | First semester | |
| Bolivia (Plurinational State of) [c] | 92.7 | 86.8 | 80.1 | 81.9 | 84.9 | 83.3 | 84.1 | 84.6 [d] | ... | ... |
| Brazil [e] | 103.5 | 105.0 | 107.2 | 108.6 | 110.9 | 113.6 | 117.8 | 119.1 | 114.2 | 117.6 [f] |
| Chile [g] | 101.9 | 104.8 | 104.6 | 109.6 | 112.0 | 114.8 | 118.5 | 123.1 | 122.3 | 125.0 [h] |
| Colombia [i] | 104.0 | 103.8 | 102.2 | 103.5 | 106.4 | 106.7 | 107.8 | 110.7 | 108.8 | 110.4 [h] |
| Costa Rica [j] | 101.6 | 102.9 | 100.9 | 108.6 | 110.9 | 117.2 | 118.8 | 120.3 | 125.0 | 128.1 [h] |
| Cuba | 111.6 | 109.9 | 110.0 | 115.1 | 118.5 | 118.8 | 119.2 | ... | ... | ... |
| El Salvador [k] | 100.4 | 98.0 | 94.9 | 98.2 | 99.3 | 96.4 | 96.6 | 97.1 | ... | ... |
| Guatemala [j] | 98.9 | 97.3 | 94.8 | 94.9 | 97.6 | 98.0 | 101.9 | 101.7 | ... | ... |
| Mexico [j] | 101.6 | 103.1 | 103.3 | 102.3 | 101.4 | 102.2 | 102.4 | 102.3 | 103.2 | 103.4 [l] |
| Nicaragua [j] | 101.4 | 99.6 | 95.9 | 101.5 | 102.8 | 103.0 | 103.3 | 103.6 | 102.2 | 105.5 [h] |
| Panama | 102.0 | 103.4 | 99.1 | 101.7 | 109.0 | 109.2 | 112.0 | 114.1 [m] | ... | ... |
| Paraguay | 100.6 | 103.0 | 102.2 | 106.9 | 107.5 | 110.5 | 111.3 | 113.7 | ... | ... |
| Peru [n] | 101.2 | 99.4 | 101.6 | 104.8 | 107.5 | ... | ... | ... | ... | ... |
| Uruguay | 104.3 | 109.3 | 113.2 | 121.4 | 125.5 | 130.5 | 136.0 | 140.1 | 140.5 | 143.6 [l] |
| Venezuela (Bolivarian Republic of) | 105.1 | 106.4 | 101.6 | 95.7 | 90.6 | 93.3 | 98.8 | 94.5 | ... | ... |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Figures deflated by the official consumer price index of each country.
[b] Preliminary figures.
[c] Private-sector average wage index.
[d] Figures as of June.
[e] Private-sector workers covered by social and labour legislation.
[f] The figures in the last two columns refer to the first quarter.
[g] General index of hourly remuneration.
[h] The figures in the last two columns correspond to the average for January to April.
[i] Manufacturing.
[j] Average wage declared by workers covered by social security.
[k] Gross salary.
[l] The figures in the last two columns correspond to the average for January to May.
[m] The figure for 2013 corresponds to workers in small, medium-sized and large businesses, in manufacturing, commerce and services.
[n] 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)*

| | | 2009 | 2010 | 2011 | 2012 | 2013 | | | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| **Latin America and the Caribbean** | | | | | | | | | | | |
| Argentina | Monetary base | 5.4 | 25.1 | 37.1 | 34.9 | 37.7 | 33.4 | 27.0 | 24.8 | 20.2 | 18.1 |
| | Money (M1) | 13.0 | 24.1 | 32.4 | 33.3 | 34.4 | 29.5 | 29.0 | 26.0 | 26.9 | 21.7 [a] |
| | M2 | 5.9 | 27.6 | 36.9 | 32.4 | 35.5 | 32.2 | 29.3 | 27.6 | 23.6 | 22.0 [a] |
| | Foreign-currency deposits | 61.6 | 35.9 | 8.7 | -22.6 | -23.2 | -15.2 | 9.3 | 11.4 | 57.6 | 51.4 [a] |
| Bolivia (Plurinational State of) | Monetary base | 19.6 | 32.4 | 11.6 | 18.2 | 13.3 | 12.8 | 12.4 | 5.6 | 0.7 | 7.3 [b] |
| | Money (M1) | 9.4 | 24.1 | 27.2 | 18.3 | 14.4 | 12.8 | 13.1 | 13.8 | 16.0 | 16.8 [b] |
| | M2 | 18.4 | 34.6 | 34.0 | 31.3 | 25.8 | 22.4 | 21.9 | 20.9 | 20.0 | 20.4 [b] |
| | Foreign-currency deposits | 20.4 | 4.7 | -12.8 | -5.0 | -4.1 | -4.6 | -4.3 | -3.5 | -5.4 | -4.0 [b] |
| Brazil | Monetary base | 8.0 | 17.5 | 11.0 | 9.4 | 3.9 | 7.1 | 6.6 | 4.5 | 7.4 | 6.5 [a] |
| | Money (M1) | 7.4 | 17.5 | 6.1 | 5.9 | 12.1 | 12.5 | 10.8 | 8.0 | 8.1 | 5.2 [a] |
| | M2 | 22.1 | 11.1 | 21.0 | 13.4 | 8.2 | 9.0 | 9.3 | 10.4 | 12.9 | 12.1 [a] |
| Chile | Monetary base | 15.0 | 13.8 | 14.8 | 13.7 | 13.9 | 19.1 | 19.1 | 13.5 | 7.9 | 5.4 |
| | Money (M1) | 14.1 | 27.7 | 10.9 | 9.1 | 7.2 | 7.9 | 13.0 | 12.2 | 13.0 | 14.9 |
| | M2 | 3.7 | 5.1 | 14.7 | 14.7 | 6.6 | 8.4 | 12.0 | 11.6 | 13.5 | 7.7 |
| | Foreign-currency deposits | 2.6 | 8.5 | 11.8 | 8.9 | 8.4 | 13.4 | 31.9 | 21.6 | 29.0 | 29.0 |
| Colombia | Monetary base | 10.3 | 12.4 | 15.1 | 9.5 | 7.5 | 13.0 | 15.0 | 14.2 | 19.3 | 18.2 |
| | Money (M1) | 9.7 | 14.7 | 16.2 | 6.7 | 10.0 | 13.5 | 17.4 | 16.1 | 19.0 | 16.0 |
| | M2 | 13.2 | 6.9 | 14.8 | 16.9 | 16.0 | 17.7 | 19.2 | 16.9 | 16.4 | 14.4 |
| Costa Rica | Monetary base | 6.3 | 10.0 | 11.7 | 12.1 | 13.3 | 14.3 | 15.6 | 13.4 | 13.4 | 12.9 |
| | Money (M1) | -3.4 | 9.5 | 19.2 | 9.4 | 10.9 | 10.3 | 13.0 | 13.5 | 14.9 | 16.9 [a] |
| | M2 | 1.3 | 2.6 | 11.1 | 13.8 | 14.4 | 13.0 | 11.9 | 12.8 | 14.3 | 15.5 [a] |
| | Foreign-currency deposits | 36.8 | -1.9 | -7.1 | -1.2 | 0.3 | 0.4 | 1.1 | -1.4 | 7.6 | 12.8 [a] |
| Dominican Republic | Monetary base | 3.4 | 6.4 | 5.8 | 9.0 | 6.8 | 9.4 | -0.8 | 0.3 | -0.7 | -2.5 |
| | Money (M1) | -1.1 | 17.5 | 4.9 | 7.3 | 13.2 | 11.3 | 12.2 | 11.7 | 13.7 | 13.9 |
| | M2 | 7.6 | 13.5 | 8.8 | 12.1 | 9.2 | 8.3 | 6.6 | 7.9 | 10.5 | 11.3 |
| | Foreign-currency deposits | 4.4 | 18.9 | 17.8 | 18.4 | 13.7 | 18.4 | 18.2 | 14.2 | 18.4 | 12.3 |
| Ecuador | Monetary base | 18.1 | 24.1 | 9.9 | 16.2 | 19.2 | 24.2 | 23.8 | 25.0 | 22.0 | 15.4 [a] |
| | Money (M1) | 38.0 | 16.1 | 15.5 | 14.0 | 16.1 | 14.8 | 15.7 | 12.9 | 11.7 | 10.9 [a] |
| | M2 | 22.0 | 18.6 | 20.0 | 17.8 | 14.6 | 12.0 | 13.5 | 13.4 | 13.3 | 13.1 [a] |
| El Salvador | Monetary base | 10.8 | 0.4 | -1.3 | 1.8 | 3.9 | 1.5 | 6.5 | 7.6 | 3.5 | 3.8 [a] |
| | Money (M1) | 7.6 | 19.8 | 10.4 | 4.4 | 1.0 | 1.1 | 4.5 | 5.0 | 5.1 | 6.3 [a] |
| | M2 | 0.9 | 1.6 | -2.1 | 0.5 | 1.7 | 1.2 | 2.4 | 2.0 | 1.2 | 0.5 [a] |
| Guatemala | Monetary base | 6.6 | 8.0 | 10.1 | 5.8 | 10.3 | 12.3 | 8.9 | 5.8 | 3.9 | 4.9 [a] |
| | Money (M1) | 7.6 | 7.2 | 9.1 | 5.8 | 6.3 | 8.3 | 8.4 | 4.9 | 3.2 | 5.1 [a] |
| | M2 | 9.4 | 8.4 | 10.6 | 9.4 | 9.4 | 10.4 | 10.3 | 8.9 | 7.6 | 8.1 [a] |
| | Foreign-currency deposits | 18.1 | 11.6 | 4.9 | 3.2 | 7.7 | 13.5 | 11.5 | 12.1 | 13.5 | 8.7 [a] |
| Haiti | Monetary base | 14.2 | 34.1 | 18.1 | 9.2 | 9.2 | 1.2 | -1.2 | -6.6 | -3.1 | ... |
| | Money (M1) | 9.2 | 26.9 | 14.4 | 8.7 | 20.4 | 12.9 | 7.1 | 5.1 | 4.8 | ... |
| | M2 | 6.9 | 17.4 | 11.5 | 5.7 | 13.8 | 9.7 | 7.0 | 7.1 | 6.0 | ... |
| | Foreign-currency deposits | 14.4 | 22.5 | 18.4 | 6.9 | 9.3 | 9.4 | 8.5 | 5.5 | 6.0 | ... |
| Honduras | Monetary base | 11.6 | -13.8 | 10.7 | 11.3 | 3.9 | -1.0 | 4.0 | 9.4 | 3.5 | 8.3 [a] |
| | Money (M1) | 2.2 | 5.2 | 17.7 | 2.1 | -11.6 | -7.9 | -1.4 | 2.1 | 5.4 | 8.5 [a] |
| | M2 | 0.8 | 4.7 | 17.2 | 8.7 | 1.5 | 2.0 | 3.7 | 7.1 | 8.1 | 8.8 [a] |
| | Foreign-currency deposits | -1.0 | 5.4 | 7.8 | 15.3 | 14.2 | 17.0 | 11.1 | 8.6 | 6.4 | 1.9 [a] |
| Mexico | Monetary base | 15.9 | 9.7 | 9.5 | 13.9 | 9.7 | 3.9 | 4.3 | 7.4 | 9.4 | 13.6 |
| | Money (M1) | 11.8 | 11.2 | 16.2 | 13.7 | 8.4 | 5.7 | 7.2 | 8.9 | 12.5 | 13.9 [a] |
| | M2 | 11.5 | 5.8 | 12.4 | 10.7 | 7.0 | 5.9 | 7.5 | 7.9 | 10.5 | 12.6 [a] |
| | Foreign-currency deposits | 20.7 | 0.9 | 3.0 | 16.8 | 8.4 | 14.0 | 16.3 | 14.4 | 28.3 | 33.3 [a] |
| Nicaragua | Monetary base | 0.7 | 24.0 | 20.5 | 18.3 | 1.5 | 7.6 | 11.8 | 4.8 | 12.0 | 19.4 [b] |
| | Money (M1) | 4.4 | 21.4 | 24.8 | 17.6 | 2.9 | 8.1 | 9.9 | 13.5 | 14.7 | 19.0 [b] |
| | M2 | 4.4 | 21.4 | 24.8 | 17.6 | 2.9 | 8.1 | 9.9 | 13.5 | 14.7 | 19.0 [b] |
| | Foreign-currency deposits | 5.3 | 25.8 | 7.8 | 21.2 | 14.7 | 12.4 | 11.2 | 16.1 | 21.0 | 18.8 [b] |
| Panama | Monetary base | 11.2 | 7.5 | 27.1 | 12.7 | 16.6 | 20.7 | 26.6 | 2.6 | -33.5 | -20.3 [a] |
| | Money (M1) | 17.4 | 19.2 | 21.5 | 17.1 | 10.6 | 10.6 | 9.5 | -2.6 | 9.9 | 8.8 [a] |
| | M2 | 9.2 | 11.3 | 9.9 | 10.8 | 10.2 | 9.9 | 8.9 | -3.2 | 8.5 | 8.4 [a] |
| Paraguay | Monetary base | 30.7 | 5.2 | 5.0 | 11.8 | 8.8 | 4.2 | 5.7 | 1.9 | 4.3 | 8.1 |
| | Money (M1) | 6.6 | 28.7 | 7.8 | 8.6 | 16.2 | 19.4 | 14.1 | 13.0 | 8.0 | 4.1 [a] |
| | M2 | 13.3 | 26.4 | 14.0 | 13.7 | 17.0 | 20.6 | 17.1 | 15.3 | 11.4 | 7.3 [a] |
| | Foreign-currency deposits | 40.1 | 16.4 | 13.5 | 14.9 | 8.1 | 11.5 | 20.6 | 22.6 | 36.1 | 34.9 [a] |

Table A.28 (concluded)

| | | 2009 | 2010 | 2011 | 2012 | 2013 | | | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| Peru | Monetary base | 2.1 | 24.2 | 31.3 | 31.2 | 37.3 | 30.6 | 17.7 | 3.8 | -10.0 | -11.4 |
| | Money (M1) | 8.8 | 28.0 | 19.9 | 18.9 | 20.9 | 15.9 | 12.7 | 7.5 | 4.0 | 2.9[a] |
| | M2 | -2.2 | 27.8 | 18.8 | 23.6 | 27.4 | 21.8 | 17.8 | 8.5 | -1.6 | -1.8[a] |
| | Foreign-currency deposits | 23.1 | -0.1 | 14.1 | 0.2 | -3.3 | 8.0 | 24.6 | 35.0 | 47.7 | 33.1[a] |
| Uruguay | Monetary base | 6.1 | 12.9 | 23.1 | 21.8 | 15.2 | 16.1 | 12.5 | 17.4 | 15.9 | 6.3 |
| | Money (M1) | 13.1 | 24.6 | 19.6 | 18.4 | 12.7 | 10.2 | 13.1 | 11.2 | 9.0 | 7.2[a] |
| | M2 | 11.3 | 25.8 | 26.0 | 17.4 | 12.1 | 10.9 | 13.7 | 13.0 | 12.0 | 9.1[a] |
| | Foreign-currency deposits | 25.7 | 0.2 | 7.1 | 13.5 | 9.1 | 7.4 | 16.4 | 22.5 | 29.9 | 28.7[a] |
| Venezuela (Bolivarian Republic of) | Monetary base | 18.3 | 24.5 | 27.0 | 40.8 | 55.6 | 66.0 | 62.6 | 60.8 | 83.0 | 93.5[a] |
| | Money (M1) | 28.8 | 27.5 | 44.8 | 62.0 | 63.8 | 63.3 | 64.7 | 70.9 | 76.8 | 76.3[a] |
| | M2 | 28.3 | 18.0 | 37.6 | 57.5 | 62.3 | 61.9 | 64.2 | 71.1 | 75.8 | 75.4[a] |
| **The Caribbean** | | | | | | | | | | | |
| Antigua and Barbuda | Monetary base | -10.5 | 0.9 | 20.1 | 29.4 | ... | ... | ... | ... | ... | ... |
| | Money (M1) | -14.2 | -7.3 | -6.6 | -2.1 | -7.2 | 1.1 | 11.1 | 8.7 | 19.6 | 14.0[b] |
| | M2 | -2.9 | -3.1 | -1.1 | 1.7 | 1.6 | 2.6 | 3.7 | 3.3 | 4.3 | 4.0[b] |
| | Foreign-currency deposits | 39.9 | -45.2 | 5.8 | -12.8 | -22.9 | 2.2 | 15.2 | 17.0 | 29.8 | 36.3[b] |
| Bahamas | Monetary base | 2.0 | 2.5 | 26.8 | -7.8 | -6.4 | 3.4 | 6.2 | 5.9 | 18.3 | ... |
| | Money (M1) | -0.2 | 2.8 | 6.2 | 8.6 | 6.3 | 4.8 | 6.1 | 5.0 | 3.9 | ... |
| | M2 | 2.8 | 2.8 | 2.3 | 1.1 | -0.3 | -1.3 | -0.6 | -0.2 | -1.6 | ... |
| | Foreign-currency deposits | 8.4 | 0.1 | -2.7 | 11.6 | -1.7 | 5.4 | 26.8 | 34.4 | 23.3 | ... |
| Barbados | Monetary base | -13.9 | 3.4 | 7.7 | -0.9 | 22.7 | 14.3 | 11.7 | -3.5 | -5.5 | 0.3[a] |
| | Money (M1) | -5.3 | 1.7 | -0.5 | -20.3 | -1.9 | 3.3 | 12.1 | 9.1 | 9.6 | 10.3[b] |
| | M2 | -1.1 | 25.7 | 1.2 | -4.3 | -23.2 | -23.4 | -21.6 | -22.6 | 2.6 | 3.8[b] |
| Belize | Monetary base | 11.9 | -1.2 | 8.2 | 17.5 | 19.9 | 21.7 | 19.7 | 15.8 | 16.4 | 16.1[a] |
| | Money (M1) | -1.9 | -0.9 | 9.1 | 24.0 | 19.7 | 15.1 | 14.8 | 6.1 | 10.3 | 11.8[a] |
| Dominica | Monetary base | -4.6 | 9.7 | 8.5 | 17.8 | ... | ... | ... | ... | ... | ... |
| | Money (M1) | -1.3 | -1.5 | -2.1 | 9.8 | 8.0 | 8.5 | -1.4 | -4.6 | 0.9 | 3.8[b] |
| | M2 | 7.5 | 3.8 | 3.2 | 7.0 | 7.4 | 4.7 | 3.3 | 2.7 | 4.9 | 8.2[b] |
| | Foreign-currency deposits | 15.9 | 30.2 | 38.8 | 25.4 | 3.1 | -8.9 | -0.8 | -16.3 | 1.6 | 1.5[b] |
| Grenada | Monetary base | -8.5 | 6.0 | 7.2 | 4.7 | ... | ... | ... | ... | ... | ... |
| | Money (M1) | -12.9 | 3.8 | -7.3 | 2.9 | 5.9 | -0.3 | 3.2 | 12.7 | 13.9 | 26.7[b] |
| | M2 | 1.0 | 3.4 | 0.4 | 1.8 | 3.6 | 2.0 | 2.7 | 3.8 | 3.5 | 6.2[b] |
| | Foreign-currency deposits | 17.4 | -3.9 | -5.5 | 5.5 | -26.7 | -23.6 | -16.2 | -6.3 | 9.9 | 14.2[b] |
| Guyana | Monetary base | 10.6 | 17.7 | 17.4 | 15.2 | 15.7 | 10.7 | 1.1 | 0.5 | -2.9 | 1.8[a] |
| | Money (M1) | 8.2 | 12.9 | 21.9 | 16.1 | 13.9 | 9.9 | 4.6 | -0.1 | 6.8 | 7.8[a] |
| Jamaica | Monetary base | 22.8 | 5.5 | 5.3 | 6.3 | 6.4 | 6.8 | 6.4 | 5.7 | 5.5 | 5.6[a] |
| | Money (M1) | 7.6 | 7.0 | 7.8 | 4.7 | 7.2 | 7.0 | 7.8 | 1.7 | 4.4 | 6.3[b] |
| | M2 | 4.4 | 6.1 | 5.6 | 3.3 | 6.7 | 6.2 | 7.8 | 4.9 | 4.2 | 3.7[b] |
| | Foreign-currency deposits | 17.5 | -0.9 | -4.8 | 6.8 | 25.5 | 28.3 | 31.7 | 28.5 | 12.8 | 7.5[b] |
| Saint Kitts and Nevis | Monetary base | 48.3 | -3.2 | 36.1 | 13.7 | ... | ... | ... | ... | ... | ... |
| | Money (M1) | 9.2 | 16.8 | 28.6 | 18.2 | 33.4 | 25.5 | 3.0 | -5.7 | 4.5 | -3.6[b] |
| | M2 | 10.2 | 9.4 | 10.7 | 8.8 | 7.9 | 8.2 | 5.3 | 4.2 | 9.5 | 7.8[b] |
| | Foreign-currency deposits | -7.0 | -9.0 | -1.0 | 6.4 | 28.7 | 30.0 | 46.3 | 37.4 | 45.1 | 55.7[b] |
| Saint Lucia | Monetary base | 8.5 | 3.6 | 16.3 | 4.2 | ... | ... | ... | ... | ... | ... |
| | Money (M1) | -2.4 | -4.3 | 4.0 | 3.2 | 6.4 | 8.0 | -2.2 | -3.3 | 3.8 | -0.2[b] |
| | M2 | 4.1 | 0.2 | 4.9 | 3.7 | 4.5 | 5.8 | 2.2 | 1.3 | 1.4 | -4.5[b] |
| | Foreign-currency deposits | 9.3 | -13.2 | 16.4 | 14.0 | -16.5 | -13.6 | -2.6 | -6.9 | 14.5 | 64.8[b] |
| Saint Vincent and the Grenadines | Monetary base | -3.2 | 11.9 | 0.8 | 11.8 | ... | ... | ... | ... | ... | ... |
| | Money (M1) | -8.3 | -0.5 | -3.9 | -0.4 | 5.5 | 9.1 | 12.5 | 11.5 | 6.8 | 4.9[b] |
| | M2 | 0.8 | 2.2 | 1.9 | 1.2 | 6.0 | 8.4 | 9.6 | 10.3 | 9.4 | 8.5[b] |
| | Foreign-currency deposits | -6.5 | -7.7 | 30.8 | -7.3 | 3.8 | 20.6 | 35.4 | 67.8 | 7.4 | 30.9[b] |
| Suriname | Monetary base | 22.1 | 13.0 | 3.2 | 27.0 | 36.8 | 12.6 | 10.6 | -0.9 | -11.0 | -6.6[a] |
| | Money (M1) | 26.3 | 16.7 | 5.3 | 17.0 | 20.9 | 9.8 | 10.0 | 5.6 | 1.6 | 8.0[a] |
| | M2 | 25.1 | 18.2 | 7.0 | 20.0 | 26.0 | 17.6 | 16.3 | 12.2 | 6.9 | 9.3[a] |
| | Foreign-currency deposits | 12.0 | 7.9 | 39.1 | 13.6 | 8.5 | 7.3 | 11.9 | 15.5 | 13.8 | 15.2[a] |
| Trinidad and Tobago | Monetary base | 37.6 | 24.7 | 14.1 | 15.4 | 13.2 | 20.7 | 23.4 | 20.7 | 12.3 | 13.2[b] |
| | Money (M1) | 24.0 | 25.5 | 17.2 | 15.4 | 14.4 | 17.6 | 24.0 | 20.5 | 22.2 | 27.5[b] |
| | M2 | 17.6 | 17.9 | 8.4 | 12.0 | 11.7 | 11.6 | 11.9 | 11.8 | 12.4 | 15.7[b] |
| | Foreign-currency deposits | 32.2 | 7.9 | -4.0 | 4.7 | 21.7 | 18.6 | 9.6 | 1.9 | -9.3 | -5.9[b] |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Figures as of May.
[b] Figures as of April.

**Table A.29**

**Latin America and the Caribbean: domestic credit**

*(Percentage variation with respect to the year-earlier period)*

| | 2009 | 2010 | 2011 | 2012 | 2013 | | | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 [a] |
| **Latin America** | | | | | | | | | | |
| Argentina | 2.3 | 51.3 | 59.5 | 33.0 | 41.1 | 41.2 | 41.5 | 39.7 | 29.6 | 26.7 |
| Bolivia (Plurinational State of) | 10.9 | 13.0 | 18.8 | 22.7 | 22.4 | 22.3 | 22.3 | ... | ... | ... |
| Brazil | 11.3 | 18.0 | 17.6 | 16.8 | 14.0 | 14.0 | 10.7 | 9.3 | 7.2 | 8.2 [b] |
| Chile | 6.6 | -0.1 | 12.1 | 15.1 | 10.2 | 8.0 | 11.8 | 10.3 | 9.1 | ... |
| Colombia | 14.4 | 20.6 | 15.1 | 14.6 | 12.0 | 15.4 | 16.5 | 12.4 | 14.7 | 13.6 [b] |
| Costa Rica | 19.1 | 4.6 | 12.4 | 11.7 | 8.6 | 5.6 | 7.8 | 14.7 | 18.7 | 20.7 |
| Dominican Republic | 12.8 | 12.9 | 12.2 | 13.2 | 15.3 | 13.7 | 15.7 | 12.1 | 15.1 | 13.3 |
| Ecuador | 20.8 | 33.6 | 31.5 | 21.5 | 15.5 | 17.2 | 16.7 | 17.4 | 20.2 | 23.5 |
| El Salvador | 2.4 | 2.2 | 3.5 | 9.6 | 4.6 | 3.9 | 5.2 | 8.3 | 10.8 | 12.3 |
| Guatemala | 5.2 | 5.6 | 15.2 | 11.3 | 8.7 | 11.0 | 16.9 | 13.6 | 12.8 | 13.4 |
| Haiti | 9.7 | -23.0 | -17.1 | 11.4 | 76.8 | 78.1 | 75.0 | 55.5 | 32.0 | ... |
| Honduras | 6.7 | 10.0 | 10.8 | 18.0 | 12.3 | 7.3 | 9.7 | 9.0 | 7.2 | 8.0 |
| Mexico | 16.7 | 10.6 | 11.3 | 10.7 | 10.2 | 9.1 | 8.2 | 9.8 | 9.5 | 9.6 [b] |
| Nicaragua | -1.7 | -3.8 | -9.5 | 26.9 | 26.7 | 25.3 | 17.9 | 16.3 | 15.0 | 13.5 [b] |
| Panama | 1.2 | 9.5 | 18.8 | 18.1 | 20.5 | 16.8 | 15.8 | 0.2 | 13.9 | 14.5 |
| Paraguay [c] | 12.7 | 36.3 | 25.5 | 28.4 | 19.0 | 21.6 | 23.3 | 19.3 | 18.5 | 14.1 |
| Peru | 9.9 | 24.1 | 12.0 | 9.5 | 10.2 | 6.2 | 3.8 | 4.5 | 9.9 | 16.3 |
| Uruguay | -2.6 | 13.9 | 39.9 | 12.6 | 10.3 | 9.6 | -4.4 | 1.6 | -5.4 | 3.2 |
| Venezuela (Bolivarian Republic of) [d] | 28.4 | 13.7 | 36.0 | 56.1 | 58.2 | 59.1 | 60.0 | 68.5 | 66.6 | 67.4 |
| **The Caribbean** | | | | | | | | | | |
| Antigua and Barbuda | 19.9 | 0.6 | -3.8 | -3.0 | -6.3 | -7.7 | -4.0 | -1.6 | 1.3 | 0.9 [b] |
| Bahamas | 5.3 | 3.4 | 0.8 | 4.0 | 2.4 | 0.9 | 2.6 | 1.7 | -0.7 | ... |
| Barbados | 6.4 | -0.5 | -0.9 | 6.6 | 11.1 | 5.4 | 8.1 | 7.6 | 6.1 | 5.5 [b] |
| Belize | 5.6 | -0.3 | -1.6 | 0.6 | 0.3 | -1.2 | -3.6 | -5.7 | -3.2 | -3.4 |
| Dominica | 8.5 | 12.5 | 13.7 | 7.6 | 5.0 | 9.5 | 8.2 | 8.3 | 4.4 | 4.9 [b] |
| Grenada | 8.9 | 3.9 | 2.6 | 5.0 | 4.2 | 0.0 | -5.0 | -7.4 | -8.7 | -8.8 [b] |
| Guyana | 4.5 | -0.8 | 34.5 | 40.1 | 22.1 | 19.8 | 30.6 | 32.4 | 22.7 | 21.0 |
| Jamaica | 15.0 | -3.4 | -4.1 | 11.7 | 15.8 | 18.5 | 18.4 | 11.7 | 11.8 | 15.2 [b] |
| Saint Kitts and Nevis | 6.2 | 6.3 | 0.2 | -9.0 | -14.5 | -20.5 | -24.7 | -24.4 | -25.4 | -23.4 [b] |
| Saint Lucia | 4.6 | -0.3 | 2.9 | 6.6 | 9.2 | 5.6 | 4.6 | 2.7 | 0.4 | -0.6 [b] |
| Saint Vincent and the Grenadines | 7.1 | 1.5 | -7.2 | -1.0 | 7.7 | 9.3 | 4.1 | 4.9 | 3.2 | -0.6 [b] |
| Suriname | 16.9 | 21.4 | 20.8 | 10.3 | 18.4 | 22.0 | 23.5 | 29.7 | 24.4 | 21.3 |
| Trinidad and Tobago | 35.5 | 36.6 | 9.3 | 7.9 | 1.9 | -17.1 | -31.2 | -34.0 | -23.4 | -37.6 [b] |

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

[a] Figures as of May.

[b] Figures as of April.

[c] Credit granted to the private sector by the banking sector.

[d] Credit granted by the commercial and universal banks.

**Table A.30**
**Latin America and the Caribbean: monetary policy rates**
*(Average rates)*

| | 2009 | 2010 | 2011 | 2012 | 2013 | | | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| **Latin America** | | | | | | | | | | |
| Argentina | 14.0 | 12.3 | 11.8 | 12.8 | 13.1 | 14.5 | 15.4 | 15.3 | 25.8 | 27.3 |
| Bolivia (Plurinational State of) | 7.0 | 3.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.2 | 4.5 | 5.3 |
| Brazil | 10.1 | 9.9 | 11.8 | 8.6 | 7.3 | 7.6 | 8.7 | 9.7 | 10.6 | 11.0 |
| Chile | 1.8 | 1.5 | 4.8 | 5.0 | 5.0 | 5.0 | 5.0 | 4.7 | 4.3 | 4.0 |
| Colombia | 5.8 | 3.2 | 4.0 | 5.0 | 4.0 | 3.3 | 3.3 | 3.3 | 3.3 | 3.5 |
| Costa Rica | 9.6 | 8.1 | 5.6 | 5.0 | 5.0 | 5.0 | 4.0 | 4.0 | 4.1 | 5.1 |
| Dominican Republic | 5.1 | 4.2 | 6.4 | 5.9 | 5.0 | 4.8 | 4.9 | 6.3 | 6.3 | 6.3 |
| Guatemala | 5.5 | 4.5 | 4.9 | 5.3 | 5.0 | 5.2 | 5.3 | 5.1 | 5.0 | 4.8 |
| Haiti | 6.2 | 5.0 | 3.2 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 5.0 |
| Honduras | 4.9 | 4.5 | 4.8 | 6.6 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Mexico | 5.7 | 4.5 | 4.5 | 4.5 | 4.3 | 4.0 | 3.9 | 3.6 | 3.5 | 3.3 |
| Paraguay | 2.1 | 2.2 | 7.9 | 6.0 | 5.5 | 5.5 | 5.5 | 5.7 | 6.6 | 6.8 |
| Peru | 3.3 | 2.1 | 4.0 | 4.3 | 4.3 | 4.3 | 4.3 | 4.1 | 4.0 | 4.0 |
| Uruguay | 8.5 | 6.3 | 7.5 | 8.8 | 9.3 | 9.3 [a] | ... | ... | ... | ... |
| Venezuela (Bolivarian Republic of) | 8.1 | 6.3 | 6.4 | 6.4 | 6.2 | 6.2 | 6.2 | 6.3 | 6.4 | 6.5 [b] |
| **The Caribbean** | | | | | | | | | | |
| Antigua and Barbuda | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 |
| Bahamas | 5.3 | 5.3 | 4.8 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 [c] |
| Barbados | 7.9 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 [b] |
| Belize | 18.0 | 18.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 [c] |
| Dominica | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 |
| Grenada | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 |
| Guyana | 6.9 | 6.4 | 5.4 | 5.4 | 5.2 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Jamaica | 14.8 | 9.0 | 6.6 | 6.3 | 6.1 | 5.8 | 5.8 | 5.8 | ... | ... |
| Saint Kitts and Nevis | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 |
| Saint Lucia | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 |
| Saint Vincent and the Grenadines | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 |
| Trinidad and Tobago | 7.5 | 4.7 | 3.2 | 2.9 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] As from June 2013, the interest rate stops using as an instrument of monetary policy.
[b] Figures as of April.
[c] Figures as of May.

**Table A.31**
**Latin America and the Caribbean: representative lending rates**
*(Average rates)*

| | 2009 | 2010 | 2011 | 2012 | 2013 | | | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| **Latin America** | | | | | | | | | | |
| Argentina [a] | 21.3 | 15.2 | 17.7 | 19.3 | 19.6 | 20.5 | 22.3 | 24.1 | 30.9 | 30.1 |
| Bolivia (Plurinational State of) [b] | 8.5 | 5.2 | 6.3 | 6.7 | 7.1 | 7.1 | 6.7 | 7.0 | 6.8 | 6.6 |
| Brazil [c] | 47.5 | 42.9 | 44.9 | 39.9 | 37.5 | 37.2 | 39.9 | 41.8 | 43.6 | 45.0 [d] |
| Chile [e] | 12.9 | 11.8 | 12.4 | 13.5 | 13.7 | 13.4 | 12.8 | 13.0 | 12.1 | 11.7 |
| Colombia [f] | 13.0 | 9.4 | 11.2 | 12.6 | 11.7 | 10.5 | 11.0 | 10.6 | 10.8 | 10.6 [d] |
| Costa Rica [g] | 21.6 | 19.8 | 18.1 | 19.7 | 19.6 | 17.4 | 16.2 | 16.1 | 16.4 | 16.8 |
| Dominican Republic [h] | 12.9 | 8.3 | 11.7 | 12.2 | 10.6 | 10.9 | 10.2 | 11.0 | 10.8 | 10.6 |
| Ecuador [i] | 9.2 | 9.0 | 8.3 | 8.2 | 8.2 | 8.2 | 8.2 | 8.2 | 8.2 | 8.0 |
| El Salvador [j] | 9.3 | 7.6 | 6.0 | 5.6 | 5.7 | 5.7 | 5.9 | 5.7 | 6.0 | 5.9 |
| Guatemala [g] | 13.8 | 13.3 | 13.4 | 13.5 | 13.5 | 13.6 | 13.6 | 13.7 | 13.8 | 13.8 |
| Haiti [k] | 21.6 | 20.7 | 19.8 | 19.4 | 18.5 | 19.7 | 18.8 | 18.5 | 18.5 | 18.9 [d] |
| Honduras [g] | 19.4 | 18.9 | 18.6 | 18.4 | 19.6 | 20.2 | 20.2 | 20.3 | 20.5 | 20.6 [d] |
| Mexico [l] | 7.1 | 5.3 | 4.9 | 4.7 | 4.6 | 4.3 | 4.2 | 3.8 | 3.9 | 3.7 |
| Nicaragua [m] | 14.0 | 13.3 | 10.8 | 12.0 | 15.7 | 14.0 | 15.4 | 14.9 | 14.6 | 14.3 [d] |
| Panama [n] | 8.3 | 7.9 | 7.3 | 7.0 | 7.3 | 7.5 | 7.4 | 7.5 | 7.6 | 7.7 [d] |
| Paraguay [o] | 14.6 | 12.5 | 16.9 | 16.6 | 17.3 | 17.3 | 16.1 | 15.7 | 17.6 | 15.8 [d] |
| Peru [p] | 21.0 | 19.0 | 18.7 | 19.2 | 19.3 | 18.9 | 18.1 | 16.3 | 15.8 | 15.7 |
| Uruguay [q] | 16.6 | 12.0 | 11.0 | 12.0 | 12.2 | 12.1 | 12.9 | 16.0 | 17.5 | 18.2 [d] |
| Venezuela (Bolivarian Republic of) [r] | 20.6 | 18.0 | 17.4 | 16.2 | 15.5 | 15.5 | 15.9 | 15.5 | 15.9 | 16.5 |
| **The Caribbean** | | | | | | | | | | |
| Antigua and Barbuda [s] | 9.5 | 10.2 | 10.1 | 9.4 | 9.4 | 9.4 | 9.5 | 9.5 | 9.7 | ... |
| Bahamas [t] | 10.6 | 11.0 | 11.0 | 10.9 | 10.9 | 10.8 | 11.3 | 11.7 | 11.1 | 11.9 [d] |
| Barbados [s] | 9.8 | 9.5 | 9.3 | 8.6 | 8.5 | 8.5 | 8.5 | 8.5 | 8.5 | 8.0 [u] |
| Belize [v] | 14.1 | 13.9 | 13.3 | 12.3 | 11.8 | 11.6 | 11.5 | 11.2 | 11.1 | 10.9 [d] |
| Dominica [s] | 10.0 | 9.4 | 8.7 | 8.9 | 9.0 | 9.0 | 9.0 | 9.0 | 8.9 | ... |
| Grenada [s] | 10.7 | 10.3 | 10.4 | 9.5 | 9.1 | 9.1 | 9.1 | 9.1 | 9.1 | ... |
| Guyana [p] | 14.0 | 15.2 | 14.7 | 14.0 | 12.5 | 12.4 | 12.0 | 11.7 | 11.2 | 11.2 [d] |
| Jamaica [w] | 22.6 | 20.3 | 18.3 | 17.8 | 17.2 | 16.9 | 16.3 | 14.6 | 15.6 | 14.8 [u] |
| Saint Kitts and Nevis [s] | 8.6 | 8.5 | 9.2 | 8.5 | 8.4 | 7.6 | 8.8 | 8.8 | 8.8 | ... |
| Saint Vincent and the Grenadines [s] | 9.1 | 9.0 | 9.0 | 9.3 | 9.4 | 8.4 | 9.4 | 9.4 | 9.4 | ... |
| Saint Lucia [s] | 9.5 | 9.5 | 9.2 | 8.6 | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 | ... |
| Suriname [w] | 11.7 | 11.7 | 11.8 | 11.7 | 12.0 | 12.0 | 12.0 | 12.0 | 12.2 | 12.2 [d] |
| Trinidad and Tobago [p] | 11.9 | 9.2 | 8.0 | 7.7 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Local-currency loans to the non-financial private sector, at fixed or renegotiable rates, signature loans of up to 89 days.
[b] Nominal local-currency rate for 60-91-day operations.
[c] Interest rate on total consumer credit.
[d] Figures as of May.
[e] Non-adjustable 90-360 day operations.
[f] Weighted average of the consumer, preferential, ordinary and treasury credit rates for the month's working days.
[g] Average system lending rate in local currency.
[h] Prime lending rate.
[i] Effective benchmark lending rate for the corporate commercial segment.
[j] Basic lending rate for up to one year.
[k] Average of minimum and maximum lending rates.
[l] Weighted average rate of private debt issues of up to 1 year, expressed as a 28-day curve. Includes only stock certificates.
[m] Weighted average of short-term lending rates in local currency.
[n] Interest rate on one-year trade credit.
[o] Commercial lending rate, local currency.
[p] Market lending rate, average for transactions conducted in the last 30 business days.
[q] Business credit, 30-367 days.
[r] Average rate for loan operations for the six major commercial banks.
[s] Weighted average of lending rates.
[t] Weighted average of lending and overdraft rates.
[u] Figures as of April.
[v] Rate for personal and business loans, residential and other construction loans; weighted average.
[w] Average lending rates in local currency.

**Table A.32**

**Latin America and the Caribbean: consumer prices**

*(12-Month percentage variation)*

| | 2009 | 2010 | 2011 | 2012 | 2013 | | | | 2014 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | March | June | September | December | March | May |
| **Latin America and the Caribbean** | **4.6** | **6.5** | **6.8** | **5.6** | **6.3** | **7.0** | **7.1** | **7.6** | **8.4** | **8.7** |
| **Latin America** | | | | | | | | | | |
| Argentina | 7.7 | 10.9 | 9.5 | 10.8 | 10.6 | 10.5 | 10.5 | 10.9 | 19.2 | 21.3 |
| Bolivia (Plurinational State of) | 0.3 | 7.2 | 6.9 | 4.5 | 5.0 | 4.8 | 7.1 | 6.5 | 6.1 | 6.4 |
| Brazil | 4.3 | 5.9 | 6.5 | 5.8 | 6.6 | 6.7 | 5.9 | 5.9 | 6.2 | 6.4 |
| Chile | -1.4 | 3.0 | 4.4 | 1.5 | 1.5 | 1.9 | 2.0 | 3.0 | 3.9 | 5.2 |
| Colombia | 2.0 | 3.2 | 3.7 | 2.4 | 1.9 | 2.2 | 2.3 | 1.9 | 2.5 | 2.9 |
| Costa Rica | 4.0 | 5.8 | 4.7 | 4.5 | 6.2 | 5.1 | 5.4 | 3.7 | 3.3 | 4.2 |
| Cuba [a] | -0.1 | 1.5 | 1.3 | 2.0 | 1.0 | 0.7 | 0.3 | 0.0 | ... | ... |
| Ecuador | 4.3 | 3.3 | 5.4 | 4.2 | 3.0 | 2.7 | 1.7 | 2.7 | 3.1 | 3.4 |
| El Salvador | -0.2 | 2.1 | 5.1 | 0.8 | 1.3 | 0.9 | 0.8 | 0.8 | 0.4 | 0.9 |
| Dominican Republic | 5.7 | 6.3 | 7.8 | 3.9 | 5.0 | 4.8 | 5.1 | 3.9 | 3.0 | 3.7 |
| Guatemala | -0.3 | 5.4 | 6.2 | 3.4 | 4.3 | 4.8 | 4.2 | 4.4 | 3.2 | 3.2 |
| Haiti | 2.0 | 6.2 | 8.3 | 7.6 | 7.7 | 6.5 | 4.5 | 3.4 | 3.2 | ... |
| Honduras | 3.0 | 6.5 | 5.6 | 5.4 | 5.6 | 5.3 | 5.0 | 4.9 | 5.8 | 6.2 |
| Mexico | 3.6 | 4.4 | 3.8 | 3.6 | 4.3 | 4.1 | 3.4 | 4.0 | 3.8 | 3.5 |
| Nicaragua | 1.8 | 9.1 | 8.6 | 7.1 | 6.8 | 8.4 | 7.2 | 5.4 | 5.0 | 4.7 |
| Panama | 1.9 | 4.9 | 6.3 | 4.6 | 4.1 | 4.1 | 3.9 | 3.7 | 3.3 | 3.2 |
| Paraguay | 1.9 | 7.2 | 4.9 | 4.0 | 1.2 | 1.7 | 3.2 | 3.7 | 6.1 | 7.0 |
| Peru | 0.2 | 2.1 | 4.7 | 2.6 | 2.6 | 2.8 | 2.8 | 2.9 | 3.4 | 3.6 |
| Uruguay | 5.9 | 6.9 | 8.6 | 7.5 | 8.5 | 8.2 | 9.0 | 8.5 | 9.7 | 9.2 |
| Venezuela (Bolivarian Republic of) | 25.1 | 27.2 | 27.6 | 20.1 | 25.1 | 39.6 | 49.4 | 56.2 | 59.3 | 60.9 |
| **The Caribbean** | | | | | | | | | | |
| Antigua and Barbuda | 2.4 | 2.9 | 4.0 | 1.8 | 1.4 | 0.8 | 1.0 | 1.1 | 0.7 | ... |
| Bahamas | 1.3 | 1.4 | 3.2 | 0.7 | 0.5 | 0.1 | 0.1 | 0.8 | 1.2 | ... |
| Barbados | 4.4 | 6.5 | 9.6 | 2.4 | 0.9 | 1.8 | 2.1 | 1.1 | 0.9 [b] | ... |
| Belize | -0.4 | 0.0 | 2.6 | 0.8 | 0.2 | 0.0 | 0.8 | 1.6 | 1.4 | ... |
| Dominica | 3.2 | 0.3 | 2.0 | 2.0 | 0.6 | -1.3 | -0.2 | -1.7 | -1.3 | ... |
| Grenada | -2.3 | 4.2 | 3.5 | 1.8 | 0.0 | 0.4 | 0.4 | -1.7 | -1.3 [b] | ... |
| Guyana | 3.6 | 4.5 | 3.3 | 3.4 | 2.9 | 1.8 | 1.8 | 0.9 | ... | ... |
| Jamaica | 10.2 | 11.8 | 6.0 | 8.0 | 9.1 | 8.8 | 10.4 | 9.7 | 8.3 | ... |
| Saint Kitts and Nevis | 1.2 | 5.2 | 2.9 | 0.1 | 0.5 | 0.9 | 0.4 | 0.3 | -0.1 | ... |
| Saint Lucia | -3.1 | 4.2 | 4.8 | 5.0 | 3.3 | 2.6 | 1.3 | -0.7 | 3.6 | ... |
| Saint Vincent and the Grenadines | -1.6 | 0.9 | 4.7 | 1.0 | 1.7 | 0.9 | 0.9 | 0.0 | -0.4 | ... |
| Suriname | 1.3 | 10.3 | 15.3 | 4.4 | 1.4 | 3.6 | 1.7 | 0.6 | 2.9 [b] | ... |
| Trinidad and Tobago | 1.3 | 13.4 | 5.3 | 7.2 | 6.9 | 6.8 | 3.0 | 5.6 | 4.5 | ... |

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

[a] Refers to national-currency markets.

[b] Twelve-month variation to February 2014.

**Table A.33**
**Latin America and the Caribbean: fiscal balances, 2010-2013**
*(Percentages of GDP)*

| | Primary balance | | | | Overall balance | | | |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2010 | 2011 | 2012 | 2013 |
| **Latin America and the Caribbean** [a] | **-0.1** | **0.1** | **-0.1** | **-0.6** | **-2.4** | **-2.3** | **-2.6** | **-2.8** |
| **Latin America** [b] | **-0.1** | **0.2** | **-0.3** | **-0.7** | **-1.7** | **-1.5** | **-2.0** | **-2.4** |
| Argentina | 1.2 | -0.1 | -0.2 | -1.4 | -0.1 | -1.9 | -1.9 | -2.6 |
| Bolivia (Plurinational State of) [c] | 1.4 | -0.2 | 2.7 | 1.9 | -0.1 | -1.1 | 1.8 | 1.3 |
| Brazil | 2.1 | 2.3 | 1.8 | 1.6 | -1.7 | -2.6 | -2.3 | -2.9 |
| Chile | 0.1 | 1.8 | 1.2 | -0.0 | -0.4 | 1.3 | 0.6 | -0.6 |
| Colombia | -1.2 | -0.3 | 0.1 | -0.1 | -3.9 | -2.8 | -2.5 | -2.4 |
| Costa Rica | -3.1 | -1.9 | -2.3 | -2.9 | -5.2 | -4.1 | -4.4 | -5.4 |
| Cuba | -2.2 | ... | ... | ... [d] | -3.6 | -1.8 | -4.5 | 1.2 [d] |
| Dominican Republic | -0.7 | -0.1 | -4.1 | -0.8 | -2.7 | -2.2 | -6.6 | -3.1 |
| Ecuador | -0.9 | -0.7 | -1.0 | -4.6 | -1.6 | -1.5 | -1.9 | -5.9 |
| El Salvador | -0.4 | -0.1 | 0.5 | 0.6 | -2.7 | -2.3 | -1.7 | -1.8 |
| Guatemala | -1.8 | -1.3 | -0.9 | -0.6 | -3.3 | -2.8 | -2.4 | -2.1 |
| Haiti | 1.8 | 2.5 | -0.5 | -0.7 [d] | 1.3 | 2.1 | -0.8 | -1.0 [d] |
| Honduras | -3.7 | -3.2 | -4.3 | -5.4 | -4.7 | -4.6 | -6.0 | -7.6 |
| Mexico | -1.2 | -1.0 | -1.1 | -0.8 | -2.7 | -2.5 | -2.7 | -2.4 |
| Nicaragua [c] | 1.2 | 2.1 | 1.6 | 0.8 | 0.1 | 0.9 | 0.1 | -0.1 |
| Panama | 0.1 | -1.1 | -0.8 | -2.3 | -2.4 | -3.3 | -2.7 | -4.2 |
| Paraguay | 1.6 | 1.0 | -1.6 | -1.6 | 1.2 | 0.7 | -1.8 | -1.9 |
| Peru [c] | 2.3 | 4.3 | 4.2 | 2.9 | 1.1 | 3.2 | 3.1 | 1.8 |
| Uruguay | 1.3 | 1.9 | 0.4 | 0.9 | -1.2 | -0.6 | -2.0 | -1.6 |
| Venezuela (Bolivarian Republic of) | -2.1 | -1.8 | -2.2 | -0.3 | -3.6 | -4.0 | -4.9 | -3.4 |
| **The Caribbean** [e] | **0.2** | **-0.1** | **0.2** | **-0.4** | **-3.4** | **-3.5** | **-3.2** | **-3.6** |
| Antigua and Barbuda | 1.0 | -2.7 | 1.1 | -2.4 | -1.4 | -5.3 | -1.4 | -4.4 |
| Bahamas [f] | -2.0 | -3.4 | -4.3 | -3.1 [d] | -4.7 | -5.7 | -6.7 | -5.6 [d] |
| Barbados [g h] | -3.0 | 1.6 | -1.4 | -5.2 [d] | -8.7 | -4.4 | -8.0 | -12.3 [d] |
| Belize [g] | 2.2 | 2.0 | 1.3 | 1.0 [d] | -1.2 | -1.4 | -0.5 | -2.3 [d] |
| Dominica | -4.7 | -6.7 | -7.5 | -6.2 | -6.4 | -8.6 | -9.0 | -8.3 |
| Grenada | -0.4 | -0.7 | -2.1 | -1.7 | -2.4 | -3.2 | -5.5 | -4.8 |
| Guyana | -1.2 | -1.6 | -3.8 | -3.4 [d] | -2.9 | -3.1 | -4.9 | -4.3 [d] |
| Jamaica [g] | 4.7 | 3.2 | 6.4 | 7.8 | -6.4 | -6.5 | -4.0 | 0.1 |
| Saint Kitts and Nevis | 2.7 | 8.9 | 17.2 | 18.5 | -4.3 | 2.5 | 11.2 | 14.4 |
| Saint Lucia | 2.1 | -1.8 | -3.0 | -3.0 | -0.6 | -4.6 | -6.4 | -6.7 |
| Saint Vincent and the Grenadines | -0.0 | -0.2 | 0.3 | -3.8 | -2.9 | -2.7 | -2.1 | -6.2 |
| Suriname | -1.7 | -1.0 | -1.8 | -3.0 [d] | -2.5 | -2.0 | -2.7 | -3.8 [d] |
| Trinidad and Tobago [i] | 2.6 | 1.2 | 0.5 | -0.7 | 0.1 | -0.7 | -1.4 | -2.7 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Simple averages of the 33 countries that submitted reports. The coverage corresponds to the central government.
[b] Simple averages. Does not include Cuba.
[c] General government.
[d] Preliminary figures.
[e] Simple averages.
[f] Fiscal years, from July 1 to June 30.
[g] Fiscal years, from April 1 to March 31.
[h] Non-financial public sector.
[i] Fiscal years, from October 1 to September 30.

**Table A.34**

**Latin America and the Caribbean: composition of tax revenue**

*(Percentages of GDP)*

| | Total tax burden | | Social security contributions | | Direct taxes | | Indirect taxes | | Other taxes | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 |
| **Latin America and the Caribbean** [a] | **19.9** | **...** | **3.4** | **...** | **6.5** | **...** | **11.2** | **...** | **0.3** | **...** |
| **Latin America** [b] | **18.6** | **...** | **3.4** | **...** | **5.7** | **...** | **9.4** | **...** | **0.3** | **...** |
| Argentina [c] | 29.5 | 31.1 | 6.5 | 7.0 | 8.0 | 8.7 | 14.6 | 15.2 | 0.3 | 0.2 |
| Bolivia (Plurinational State of) [c] | 22.9 | 23.8 | 1.8 | 1.8 | 6.3 | 6.6 | 14.2 | 14.5 | 0.7 | 1.0 |
| Brazil [c] | 35.3 | ... | 9.2 | ... | 10.3 | ... | 15.6 | ... | 0.2 | ... |
| Chile | 18.8 | 17.9 | 1.3 | 1.2 | 7.6 | 6.8 | 9.8 | 9.8 | 0.2 | 0.1 |
| Colombia | 16.1 | 16.1 | 1.8 | 1.8 | 8.0 | 8.2 | 6.2 | 6.0 | 0.0 | 0.0 |
| Costa Rica [c] | 21.9 | 23.1 | 7.5 | 8.6 | 5.2 | 5.6 | 9.1 | 8.9 | 0.1 | 0.1 |
| Cuba | 20.5 | ... | 4.2 | ... | 4.6 | ... | 10.5 | ... | 1.3 | ... |
| Dominican Republic | 13.5 | 14.0 | 0.1 | 0.1 | 4.8 | 5.2 | 8.6 | 8.8 | 0.0 | 0.0 |
| Ecuador | 19.4 | 19.5 | 5.4 | 4.9 | 4.0 | 4.4 | 9.9 | 10.2 | 0.1 | 0.1 |
| El Salvador | 16.0 | 17.1 | 1.7 | 1.8 | 5.2 | 6.1 | 8.7 | 8.9 | 0.4 | 0.4 |
| Guatemala | 10.9 | 11.1 | 0.3 | 0.3 | 3.4 | 3.8 | 7.0 | 6.9 | 0.2 | 0.1 |
| Haiti [d] | 12.9 | 12.2 | ... | ... | 3.0 | 2.6 | 8.2 | 7.8 | 1.7 | 1.8 |
| Honduras | 16.1 | 15.9 | 1.4 | 1.5 | 4.9 | 5.1 | 9.8 | 9.3 | 0.0 | 0.0 |
| Mexico | 10.0 | 11.4 | 1.6 | 1.7 | 5.2 | 5.9 | 3.1 | 3.6 | 0.2 | 0.2 |
| Nicaragua | 18.9 | 18.7 | 3.8 | 3.9 | 5.4 | 5.4 | 9.6 | 9.4 | 0.0 | 0.0 |
| Panama | 17.4 | 17.8 | 5.7 | 6.3 | 5.9 | 6.0 | 5.7 | 5.4 | 0.1 | 0.1 |
| Paraguay | 14.3 | 12.7 | 1.6 | 1.2 | 2.7 | 2.4 | 10.0 | 9.0 | 0.1 | 0.1 |
| Peru | 18.5 | 18.6 | 1.9 | 2.0 | 8.0 | 7.4 | 7.9 | 8.1 | 0.7 | 1.0 |
| Uruguay | 27.6 | 28.3 | 8.5 | 9.0 | 6.9 | 7.4 | 12.1 | 11.9 | 0.0 | 0.0 |
| Venezuela (Bolivarian Republic of) | 13.6 | ... | 0.6 | ... | 4.3 | ... | 8.7 | ... | 0.0 | ... |
| **The Caribbean** [e] [f] | **21.7** | **...** | **...** | **...** | **7.7** | **...** | **13.8** | **...** | **0.2** | **...** |
| Antigua and Barbuda | 18.7 | 16.7 | ... | ... | 3.0 | 3.1 | 15.7 | 13.6 | 0.0 | 0.0 |
| Bahamas [g] | 15.0 | ... | ... | ... | 1.4 | ... | 11.8 | ... | 1.8 | ... |
| Barbados [h] [i] | 27.8 | 23.6 | ... | ... | 10.7 | 8.7 | 16.9 | 14.8 | 0.1 | 0.1 |
| Belize [h] | 22.5 | 22.5 | ... | ... | 7.7 | 7.5 | 14.8 | 15.0 | 0.0 | 0.0 |
| Dominica | 22.6 | 22.2 | ... | ... | 4.7 | 4.9 | 17.8 | 17.4 | 0.0 | 0.0 |
| Grenada | 18.6 | 18.6 | ... | ... | 4.2 | 3.6 | 14.4 | 15.0 | 0.0 | 0.0 |
| Guyana | 20.5 | 20.5 | ... | ... | 8.0 | 7.9 | 12.2 | 12.3 | 0.3 | 0.2 |
| Jamaica [h] | 24.4 | 24.0 | ... | ... | 10.6 | 9.8 | 13.8 | 14.3 | 0.0 | 0.0 |
| Saint Kitts and Nevis | 20.2 | 21.4 | ... | ... | 4.8 | 5.0 | 15.4 | 16.4 | 0.0 | 0.0 |
| Saint Lucia | 20.8 | 22.6 | ... | ... | 6.5 | 6.4 | 14.3 | 16.2 | 0.0 | 0.0 |
| Saint Vincent and the Grenadines | 23.0 | 21.3 | ... | ... | 6.7 | 6.0 | 16.3 | 15.3 | 0.0 | 0.0 |
| Suriname | 18.3 | ... | ... | ... | 9.6 | ... | 8.7 | ... | 0.0 | ... |
| Trinidad and Tobago [j] | 29.2 | 28.5 | ... | ... | 22.3 | 21.7 | 6.9 | 6.8 | 0.0 | 0.0 |

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

[a] Simple averages of the 33 countries that submitted reports. The coverage corresponds to the central government.

[b] Simple averages. Does not include Cuba.

[c] General government.

[d] Fiscal years, from 1 October to 30 September. Does not include social security contributions.

[e] Simple averages.

[f] Does not include social security contributions.

[g] Fiscal years, from July 1 to June 30.

[h] Fiscal years, from April 1 to March 31.

[i] Non-financial public sector.

[j] Fiscal years, from October 1 to September 30.

**Table A.35**
**Latin America and the Caribbean: public income and expenditure**
*(Percentages of GDP)*

| | Total income | | Total expenditure | | Current expenditure | | Interest payments | | Capital expenditure | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 |
| **Latin America and the Caribbean** [a] | **22.6** | **23.3** | **25.1** | **26.0** | **20.3** | **20.8** | **2.4** | **2.3** | **4.8** | **5.2** |
| **Latin America** [b] | **19.4** | **19.5** | **21.4** | **21.9** | **16.7** | **16.9** | **1.7** | **1.7** | **4.7** | **4.9** |
| Argentina | 18.4 | 19.7 | 20.3 | 22.3 | 18.1 | 19.5 | 1.7 | 1.2 | 2.2 | 2.8 |
| Bolivia (Plurinational State of) [c] | 35.1 | 36.8 | 33.2 | 35.4 | 22.4 | 21.9 | 0.9 | 0.6 | 10.8 | 13.6 |
| Brazil | 24.1 | 24.3 | 26.4 | 27.2 | 21.2 | 21.6 | 4.0 | 4.5 | 5.2 | 5.4 |
| Chile | 22.1 | 20.9 | 21.5 | 21.5 | 17.6 | 17.9 | 0.6 | 0.6 | 4.0 | 3.7 |
| Colombia | 16.1 | 16.9 | 18.6 | 19.4 | 15.7 | 16.0 | 2.6 | 2.3 | 2.8 | 3.3 |
| Costa Rica | 14.3 | 14.2 | 18.7 | 19.6 | 17.3 | 18.0 | 2.1 | 2.5 | 1.5 | 1.6 |
| Cuba | 37.4 | 43.3 | 41.9 | 42.1 [d] | 35.9 | 35.6 [d] | ... | ... | 5.6 | 5.3 [d] |
| Dominican Republic | 14.0 | 14.7 | 20.5 | 17.8 | 14.0 | 14.1 | 2.4 | 2.3 | 6.5 | 3.7 |
| Ecuador | 22.3 | 21.9 | 24.3 | 27.7 | 13.7 | 15.3 | 0.9 | 1.3 | 10.6 | 12.4 |
| El Salvador | 16.2 | 16.5 | 17.9 | 18.3 | 14.8 | 15.0 | 2.2 | 2.3 | 3.1 | 3.3 |
| Guatemala | 11.6 | 11.7 | 14.0 | 13.8 | 10.7 | 10.7 | 1.5 | 1.6 | 3.3 | 3.0 |
| Haiti | 15.6 | 15.4 | 16.4 | 16.4 [d] | 11.2 | 11.3 [d] | 0.4 | 0.3 [d] | 5.2 | 5.1 [d] |
| Honduras | 16.6 | 16.4 | 22.6 | 24.0 | 17.9 | 19.1 | 1.7 | 2.2 | 4.6 | 5.1 |
| Mexico | 15.7 | 16.8 | 18.4 | 19.3 | 15.9 | 16.1 | 1.6 | 1.6 | 2.5 | 3.1 |
| Nicaragua [c] | 23.4 | 22.9 | 22.9 | 23.0 | 20.3 | 20.1 | 1.0 | 0.9 | 2.6 | 2.9 |
| Panama | 17.1 | 16.3 | 19.8 | 20.5 | 12.0 | 11.4 | 1.9 | 1.9 | 7.8 | 9.1 |
| Paraguay | 19.0 | 16.6 | 20.8 | 18.6 | 16.0 | 14.6 | 0.2 | 0.3 | 4.8 | 3.6 |
| Peru [c] | 22.4 | 22.5 | 19.3 | 20.7 | 13.6 | 14.5 | 1.1 | 1.1 | 5.7 | 6.2 |
| Uruguay | 20.4 | 21.3 | 22.4 | 22.9 | 20.9 | 21.5 | 2.4 | 2.5 | 1.5 | 1.5 |
| Venezuela (Bolivarian Republic of) | 23.5 | 23.6 | 28.4 | 27.0 | 23.6 | 22.4 | 2.7 | 3.0 | 4.8 | 4.6 |
| **The Caribbean** [e] | **26.2** | **27.3** | **29.3** | **30.9** | **24.4** | **25.5** | **3.4** | **3.2** | **4.8** | **5.5** |
| Antigua and Barbuda | 20.1 | 18.0 | 21.5 | 22.4 | 20.8 | 21.1 | 2.5 | 2.0 | 0.6 | 1.3 |
| Bahamas [f] | 16.6 | 18.9 | 23.3 | 24.5 [d] | 19.0 | 20.9 [d] | 2.4 | 2.5 [d] | 3.2 | 3.6 [d] |
| Barbados [g h] | 27.8 | 26.0 | 35.8 | 38.4 [d] | 34.3 | 37.0 [d] | 6.6 | 7.1 [d] | 1.1 | 1.4 [d] |
| Belize | 26.6 | 28.1 | 27.2 | 30.4 [d] | 22.5 | 24.3 [d] | 1.8 | 3.3 [d] | 4.7 | 6.1 [d] |
| Dominica | 27.1 | 30.0 | 36.1 | 38.3 | 23.6 | 26.3 | 1.5 | 2.1 | 12.5 | 12.0 |
| Grenada | 20.7 | 22.6 | 26.2 | 27.4 | 21.2 | 20.5 | 3.4 | 3.1 | 5.0 | 6.9 |
| Guyana | 24.5 | 23.3 | 29.4 | 27.7 [d] | 19.7 | 19.6 [d] | 1.1 | 1.0 [d] | 9.7 | 8.1 [d] |
| Jamaica [g] | 27.5 | 27.8 | 31.5 | 27.6 | 27.5 | 25.2 | 10.4 | 7.7 | 3.0 | 2.5 |
| Saint Kitts and Nevis | 42.6 | 45.9 | 31.3 | 31.6 | 27.7 | 26.9 | 5.9 | 4.1 | 3.7 | 4.7 |
| Saint Lucia | 23.6 | 24.6 | 30.0 | 31.3 | 23.2 | 23.6 | 3.5 | 3.7 | 6.8 | 7.7 |
| Saint Vincent and the Grenadines | 26.9 | 25.6 | 29.0 | 31.9 | 26.1 | 25.6 | 2.4 | 2.4 | 2.9 | 6.3 |
| Suriname | 24.3 | 29.7 | 27.0 | 33.6 [d] | 22.3 | 28.0 [d] | 0.9 | 0.8 [d] | 4.4 | 5.5 [d] |
| Trinidad and Tobago [i] | 31.7 | 33.9 | 33.1 | 36.6 | 29.0 | 32.5 | 1.9 | 2.0 | 5.0 | 5.8 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Simple averages of the 33 countries that submitted reports. The coverage corresponds to the central government.
[b] Simple averages. Does not include Cuba.
[c] General government.
[d] Preliminary figures.
[e] Simple averages.
[f] Fiscal years, from 1 July to 30 June.
[g] Fiscal years, from 1 April to 31 March.
[h] Non-financial public sector.
[i] Fiscal years, from 1 October to 30 September.

**Table A.36**

**Latin America and the Caribbean: non-financial public sector gross public debt**

*(Percentages of GDP)*

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|
| **Latin America and the Caribbean** [a] | **53.7** | **47.5** | **47.0** | **50.5** | **50.7** | **49.7** | **51.4** | **51.8** |
| **Latin America** [a] | **38.2** | **32.8** | **32.1** | **33.1** | **32.5** | **31.7** | **33.4** | **34.3** |
| Argentina | 62.1 | 52.9 | 46.4 | 43.8 | 36.3 | 33.9 | 35.1 | 34.4 [b] |
| Bolivia (Plurinational State of) [c] | 52.5 | 40.1 | 36.8 | 39.5 | 38.1 | 34.8 | 32.9 | 33.8 |
| Brazil [d] | 56.7 | 58.5 | 58.9 | 60.9 | 53.6 | 53.6 | 60.5 | 56.8 |
| Chile | 9.9 | 8.7 | 11.8 | 12.1 | 14.7 | 17.7 | 19.2 | 19.8 |
| Colombia [e] | 48.2 | 44.3 | 43.7 | 45.1 | 46.2 | 43.1 | 38.2 | 38.5 |
| Costa Rica | 38.3 | 31.8 | 29.7 | 34.0 | 35.7 | 37.7 | 41.7 | 44.0 |
| Dominican Republic [f] | 20.1 | 18.1 | 24.4 | 28.0 | 28.8 | 30.3 | 33.0 | 38.5 |
| Ecuador | 28.5 | 26.9 | 22.0 | 16.3 | 19.6 | 18.2 | 21.2 | 19.1 [b] |
| El Salvador | 39.9 | 37.0 | 36.9 | 45.2 | 45.1 | 44.1 | 47.9 | 46.5 |
| Guatemala | 21.9 | 21.6 | 20.1 | 23.3 | 24.4 | 23.9 | 24.5 | 24.9 |
| Haiti [f g] | 36.2 | 33.6 | 42.3 | 34.3 | 22.8 | 24.0 | 28.0 | 30.2 [b] |
| Honduras [f] | 28.7 | 17.4 | 20.1 | 23.9 | 29.2 | 31.5 | 34.9 | 41.7 |
| Mexico [h] | 22.2 | 24.3 | 30.8 | 34.3 | 31.7 | 32.6 | 45.0 | 46.4 |
| Nicaragua | 55.1 | 33.0 | 30.3 | 34.2 | 34.8 | 33.0 | 32.0 | 30.2 |
| Panama | 57.2 | 49.6 | 41.9 | 45.4 | 43.0 | 38.5 | 37.6 | 37.5 |
| Paraguay | 24.6 | 19.0 | 17.3 | 16.8 | 14.9 | 12.7 | 11.9 | 12.5 [b] |
| Peru | 32.3 | 28.5 | 25.8 | 23.7 | 23.5 | 21.4 | 19.7 | 19.2 |
| Uruguay | 66.4 | 57.8 | 56.6 | 49.4 | 43.5 | 45.5 | 44.5 | 44.6 |
| Venezuela (Bolivarian Republic of) [f] | 24.0 | 19.1 | 14.0 | 18.2 | 32.0 | 25.1 | 27.5 | 32.3 |
| **The Caribbean** [a] | **76.5** | **69.0** | **68.8** | **76.1** | **77.2** | **76.0** | **77.8** | **77.5** |
| Antigua and Barbuda | 90.5 | 81.1 | 81.5 | 95.7 | 87.1 | 86.7 | 89.4 | 87.0 |
| Bahamas | 36.2 | 36.9 | 37.4 | 44.1 | 45.7 | 50.2 | 54.5 | 59.3 |
| Barbados | 49.4 | 51.4 | 53.3 | 63.2 | 72.0 | 77.8 | 85.7 | 97.8 |
| Belize | 92.5 | 83.6 | 79.4 | 82.2 | 72.3 | 70.7 | 72.8 | 71.3 |
| Dominica | 89.4 | 81.2 | 72.0 | 66.4 | 73.1 | 70.7 | 72.7 | 71.4 |
| Grenada | 87.5 | 82.9 | 79.1 | 90.0 | 91.8 | 86.8 | 88.6 | 88.4 |
| Guyana | 93.1 | 60.0 | 61.6 | 60.5 | 61.2 | 65.2 | 62.0 | 60.5 |
| Jamaica | 117.7 | 113.0 | 120.3 | 134.4 | 136.1 | 131.5 | 134.1 | 126.7 |
| Saint Kitts and Nevis | 149.5 | 134.6 | 127.6 | 142.0 | 151.4 | 141.1 | 129.3 | 110.0 |
| Saint Lucia | 65.3 | 64.7 | 61.9 | 64.0 | 65.5 | 66.3 | 71.0 | 76.5 |
| Saint Vincent and the Grenadines | 62.3 | 55.5 | 58.4 | 64.7 | 66.7 | 65.5 | 67.0 | 64.9 |
| Suriname | 29.2 | 23.0 | 27.9 | 27.6 | 27.5 | 27.6 | 27.1 | 36.5 |
| Trinidad and Tobago [h] | 32.1 | 28.8 | 34.5 | 54.4 | 53.8 | 48.6 | 56.8 | 57.6 |

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Simple averages.
[b] Preliminary figures.
[c] Refers to the external debt of the non-financial public-sector and central-government domestic debt.
[d] General government.
[e] Consolidated non-financial public sector.
[f] Central government.
[g] Does not include public sector commitments vis-à-vis the commercial banks.
[h] Public sector.

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