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**Economic change
in
Latin America and
the Caribbean
Indicators**



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Economic Commission for
Latin America and the Caribbean

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FILE 90526



ECONOMIC CHANGE IN LATIN AMERICA AND THE CARIBBEAN

Indicators



ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN

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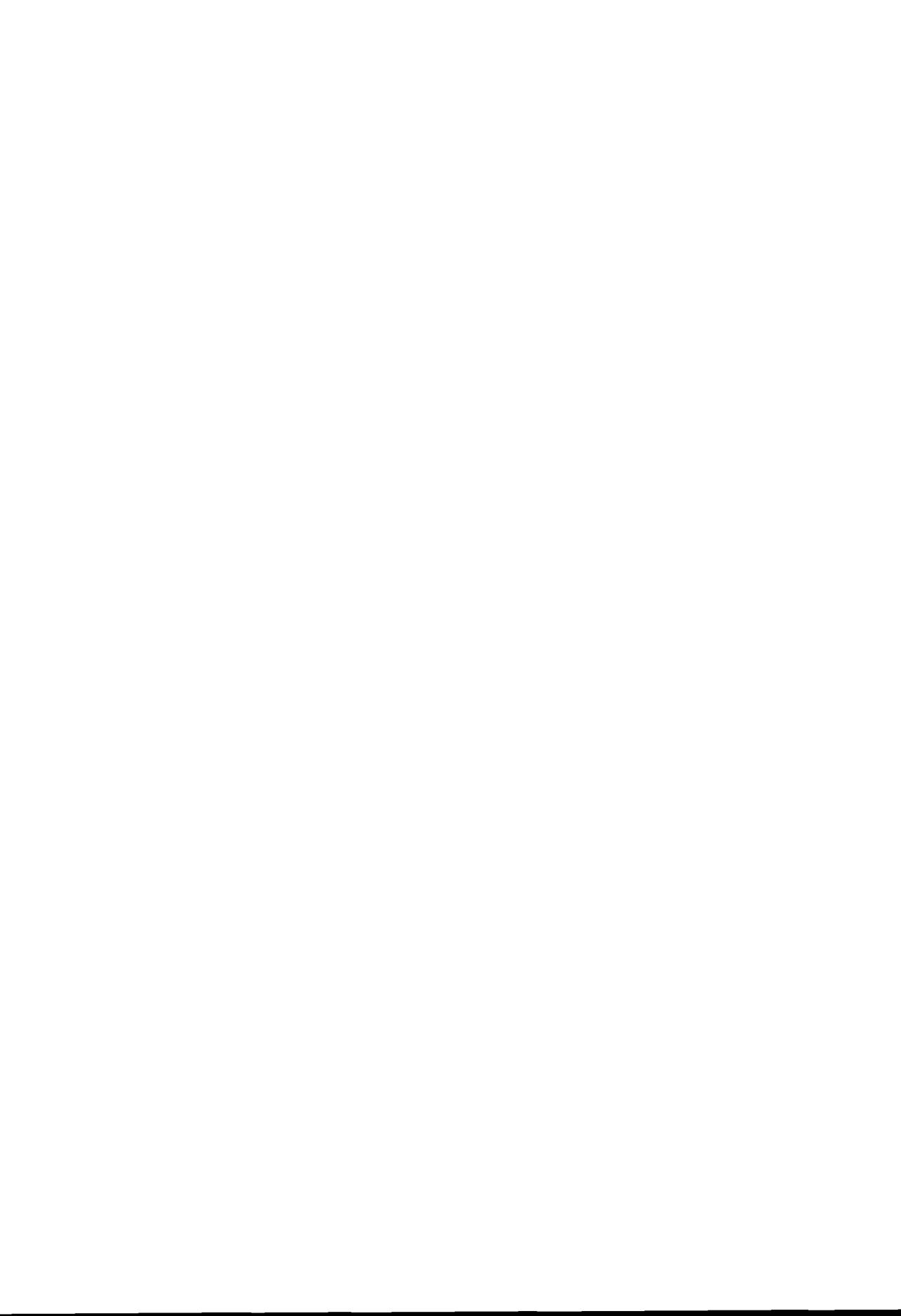


PRESENTATION

The hemispheric scene of today is profoundly different from that of the four previous decades. Relations between the United States and Canada, on the one hand, and Latin America and the Caribbean, on the other, basically revolve around economic and social considerations.

The globalization of the economy means that intra-hemispheric ties are also closely related to the linkages of the region's economies with the global economy, as well as to relations among Latin American countries themselves.

It is the purpose of the secretariat of the Economic Commission for Latin America and the Caribbean (ECLAC) to present in this document a number of indicators concerning recent changes in both the economic and social spheres. In providing this information to the Governments of member States of ECLAC participating in the Summit of the Americas, ECLAC seeks to make a contribution to the task of formulating an agenda for hemispheric cooperation, and to ensure that this agenda reflects matters of priority on the agenda of Latin America and the Caribbean.



ECONOMIC CHANGE IN LATIN AMERICA AND THE CARIBBEAN

Indicators

The profound processes of change that the economies of Latin America and the Caribbean are undergoing not only reflect the need for them to adapt their method of operation and development to economic changes which are global in scope, but are also the result of the severe structural adjustments and reforms that have followed in the wake of the traumatic crisis of the 1980s.

Already there are encouraging signs of a new dynamism in a large number of countries and in diverse areas of activity. However, the crisis and adjustments have had social consequences that are reflected in the level of well-being and the morale of large segments of the population. Although still incipient, the new dynamism raises the hope that the region will be able to count on effective resources and ways for overcoming those consequences, and that the changes in progress will lay the foundations not only for more prosperous economies but also for more just societies.

The diagrams included in this publication are intended to illustrate the main features of economic change in the region. Of these changes, the following are worthy of special note:

- After falling by 9% in the previous decade, per capita gross domestic product has grown moderately over the last four years, within a framework of growing price stability combined with major flows of external capital. This growth, while considerable, is still insufficient;

what is especially significant, however, is the fact that this growth occurred against a backdrop of weak performance by the global economy, which is only now showing signs of recovery.

- Now, four years on, a larger number of countries have seen their per capita gross domestic product recover to the level recorded prior to the crisis; in addition, more countries are enjoying relative macroeconomic stability. It is however disquieting that as a general rule the countries which have recorded the least growth are those with the lowest per capita incomes.
- The volume of exports from Latin America and the Caribbean has risen significantly, despite a sluggish global economy. The major export drive has in part been undermined by the fall in prices for commodities over the three-year period 1991-1993.
- Not only have exports increased in value and volume, but their composition has also shifted in favour of manufactured goods; furthermore, export markets have been increasingly characterized by their geographical diversification.
- The growth in intraregional trade has been boosted both by the processes of liberalization and deregulation and by preferential agreements signed within the framework of integration processes: this growth has been the main factor contributing to the surge in exports. Intraregional trade has assumed greater importance than it had before the crisis, and today accounts for a fifth of all exports of the countries of the region.
- The last few years have been marked by the growth in intraregional investment, as well as by an increasing number of complementary alliances or agreements between firms from different countries in Latin America and the Caribbean.

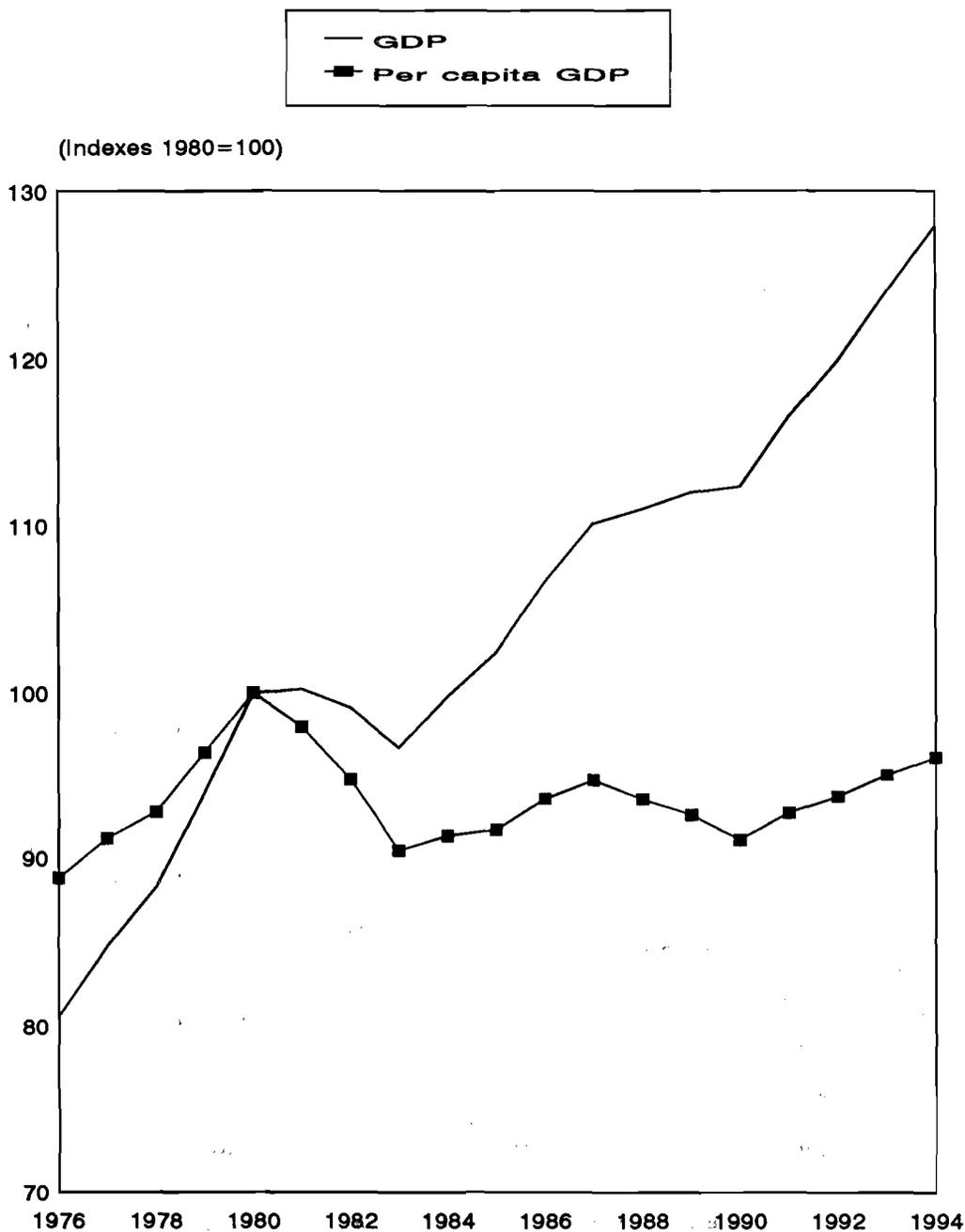
- Imports, spurred by economic recovery, trade liberalization with favourable exchange rates and abundant external financing, expanded rapidly during the period. In these circumstances, the region's trade deficit has increased considerably, despite the steady growth of exports.
- The trade deficit has been financed by a rising tide of foreign (mostly private) capital, attracted *inter alia* by the new circumstances in the countries of the region and greater confidence in the stability of their economic policies.
- Prices have been progressively stabilized in most of the region. In 1993, most of the countries recorded annual inflation rates of less than 15%. This outcome was attributable in part to the fiscal adjustments undertaken in recent years, which were quite drastic in some countries.
- Fiscal revenues benefited from the effects of economic recovery and the substantial inflows of capital resulting from the privatization of public enterprises. However, the adjustments were still reflected to some extent by cuts in public investment and current expenditure, notably in the social sector.
- Private investment, buoyed by the stability of the new macroeconomic context and of economic policy, as well as by external financing, helped to boost low rates of investment in most of the countries. In many cases, however, these rates are still lower than they were before the crisis.
- The expansion of productive employment in the region has not kept pace with the growth of the labour force. Most of the region's manpower is entering urban occupations, mainly in the informal sector and in small businesses, or else remains unemployed; only a small proportion has secured employment in big companies with higher productivity.
- In the formal sector, real wages and salaries have declined; only a few countries have seen them recover or surpass their pre-crisis levels in recent years.

- The region's historically wide income disparities increased in most of the countries during the 1980s. This phenomenon, together with the economic recession, led to a dramatic rise in poverty. At the dawn of the 1990s, nearly 200 million Latin Americans and Caribbeans —46% of the total population— did not receive enough income to meet their basic needs. Of that group, nearly half —some 22% of the regional population— were living in extreme poverty.
- In many cases, the current economic recovery is slowly reversing this trend. As real incomes for the entire population —including low-resource households— have risen, the proportion of poor people has begun to recede. However, it still exceeds the percentages recorded before the crisis in almost all of the countries, and in many of them it remains unconscionably high.
- Governments have sought, in various ways, to restore the proportion of public resources earmarked for social purposes to its former levels. In some countries, per capita social spending now equals or even exceeds its pre-crisis levels; however, many countries still spend far less on social programmes than they did before the crisis.
- With regard to living conditions, the most stable and slowest-moving indicators continue to improve in all the countries of the region. The Latin American and Caribbean population is in a process of transition marked by an early decline in mortality rates, followed by a sudden drop in fertility rates. In most of the countries, this process has slowed demographic growth considerably.
- Today, life expectancy at birth is much longer than it was two decades ago; in some countries, it approaches the levels in the United States or Canada. Infant mortality, though still relatively high in many parts of the region, has declined in all of the countries. Illiteracy has also declined significantly in the past twenty years, to less than 15% of the adult population in a number of countries.

In sum, the changes under way are manifold and profound. They are laying the foundations that will enable the Latin American and Caribbean countries to achieve higher economic growth rates while conserving their natural resource endowment, enhancing social equity and consolidating pluralistic, participatory political systems. The progress made thus far varies from one country to another, and much remains to be done. However, it can be affirmed that the worst features of the crisis of the 1980s are a thing of the past, and that the countries of the region can face the challenges of the future optimistically, in the stimulating climate of progressive intraregional cooperation.



Figure 1
**LATIN AMERICA AND THE CARIBBEAN:
GROSS DOMESTIC PRODUCT (GDP)**

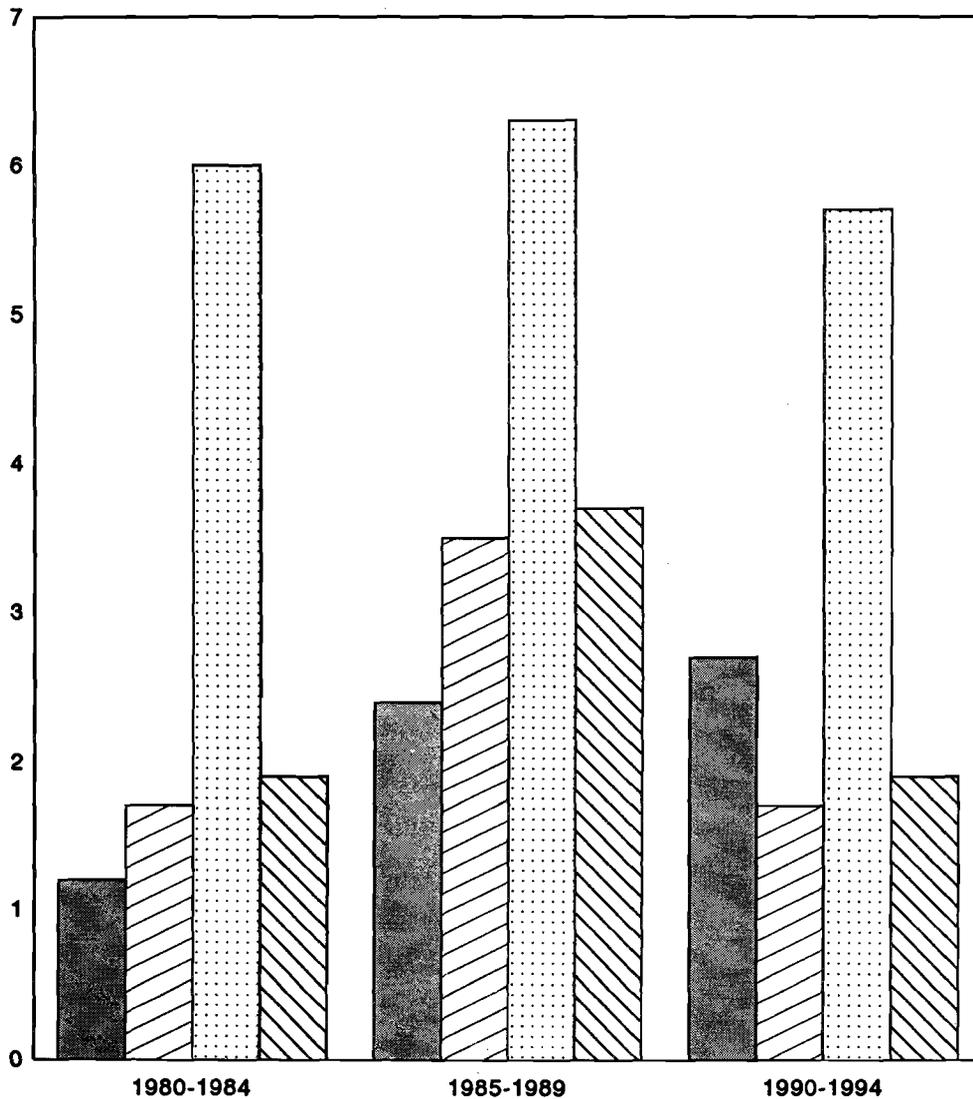


Source: ECLAC, on the basis of official figures.

Figure 2
GROWTH OF GROSS DOMESTIC PRODUCT
(Annual average)

Latin America and the Caribbean
 EU
 Asia a/
 World

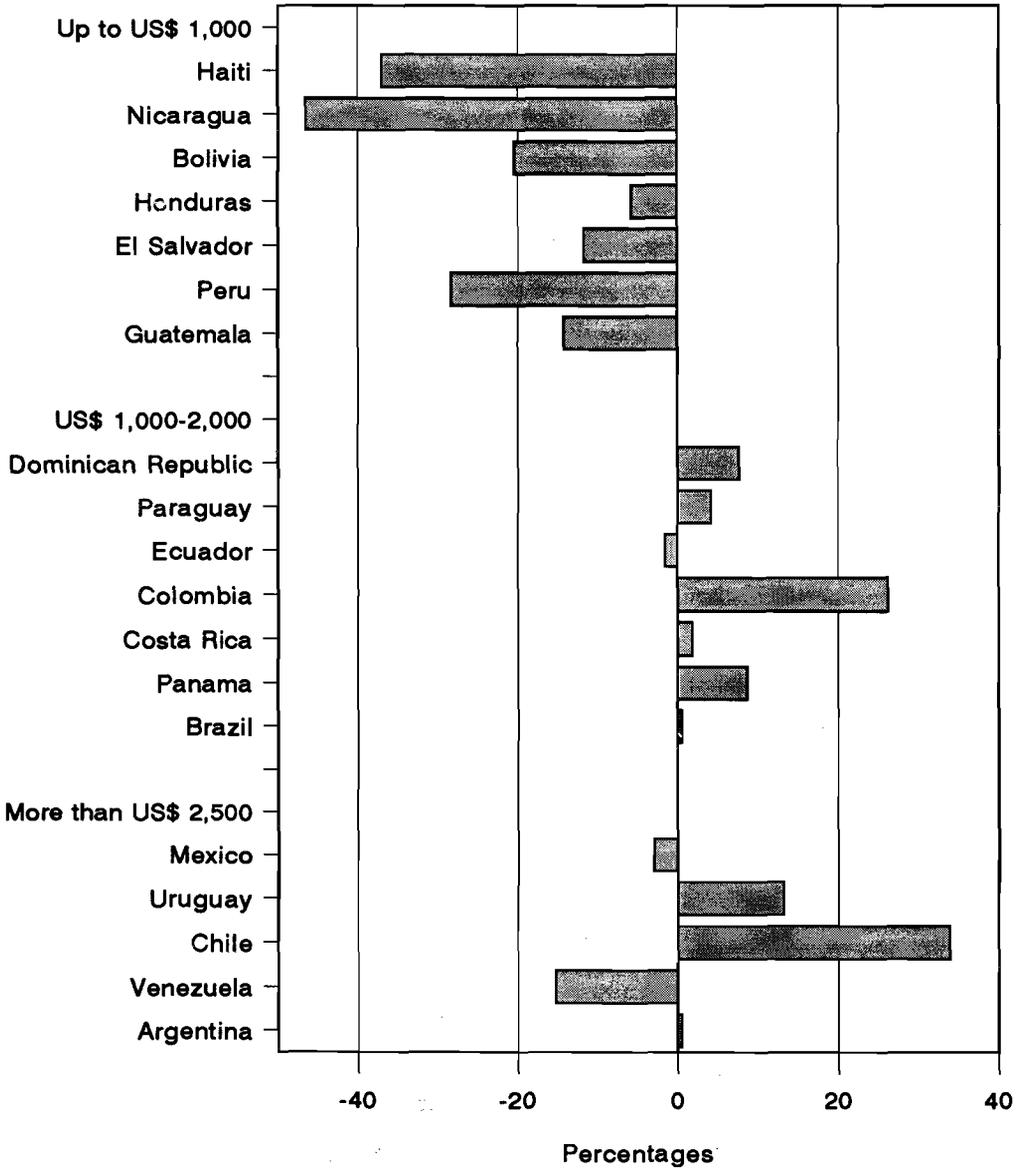
Rate of variation



Source: ECLAC, on the basis of United Nations, *World Economic and Social Survey, 1994. Current Trends and Policies in the World Economy (E/1994/65: ST/ESA/240)*, New York. United Nations publication, Sales No. E.94.II.C.1

a/ South-east Asia.

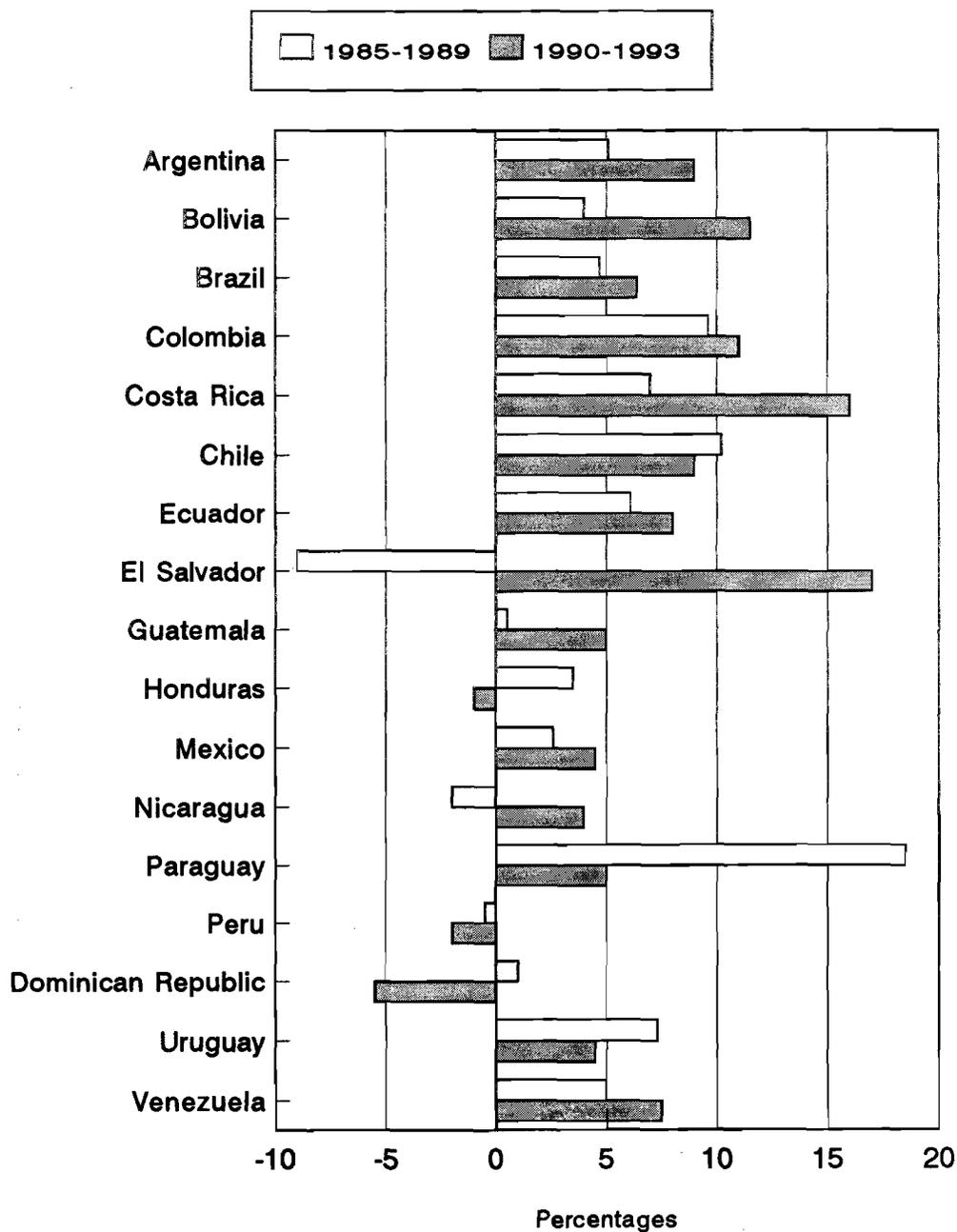
Figure 3
PER CAPITA GROSS DOMESTIC PRODUCT ^a
(1993 level with respect to average 1978-1981)



Source: ECLAC, on the basis of official figures.

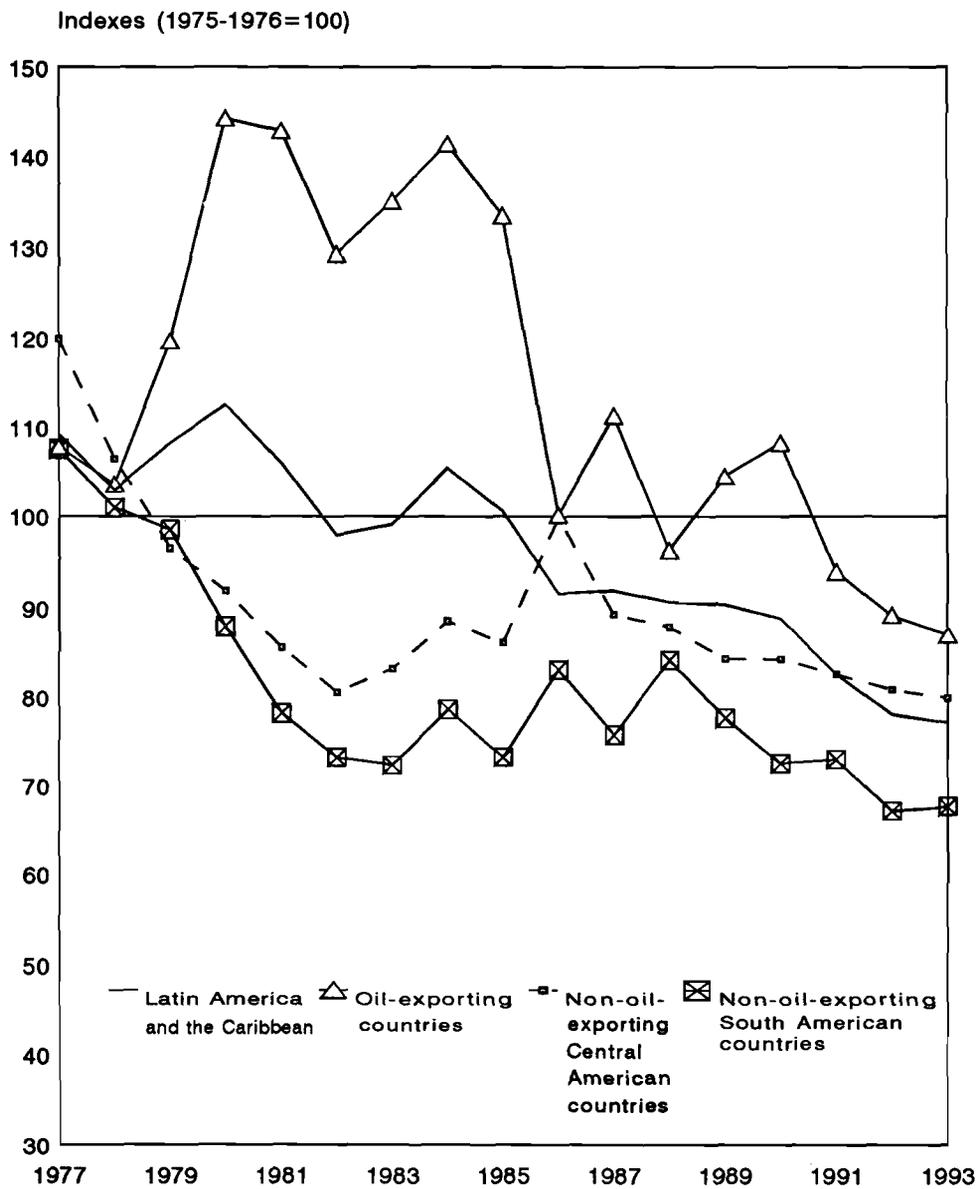
a/ Figures in 1980 dollars. Countries appear in ascending order (from lowest to highest per capital GDP).

Figure 4
VARIATION IN THE VOLUME OF MERCHANDISE EXPORTS
(Annual averages)



Source: ECLAC, on the basis of official figures.

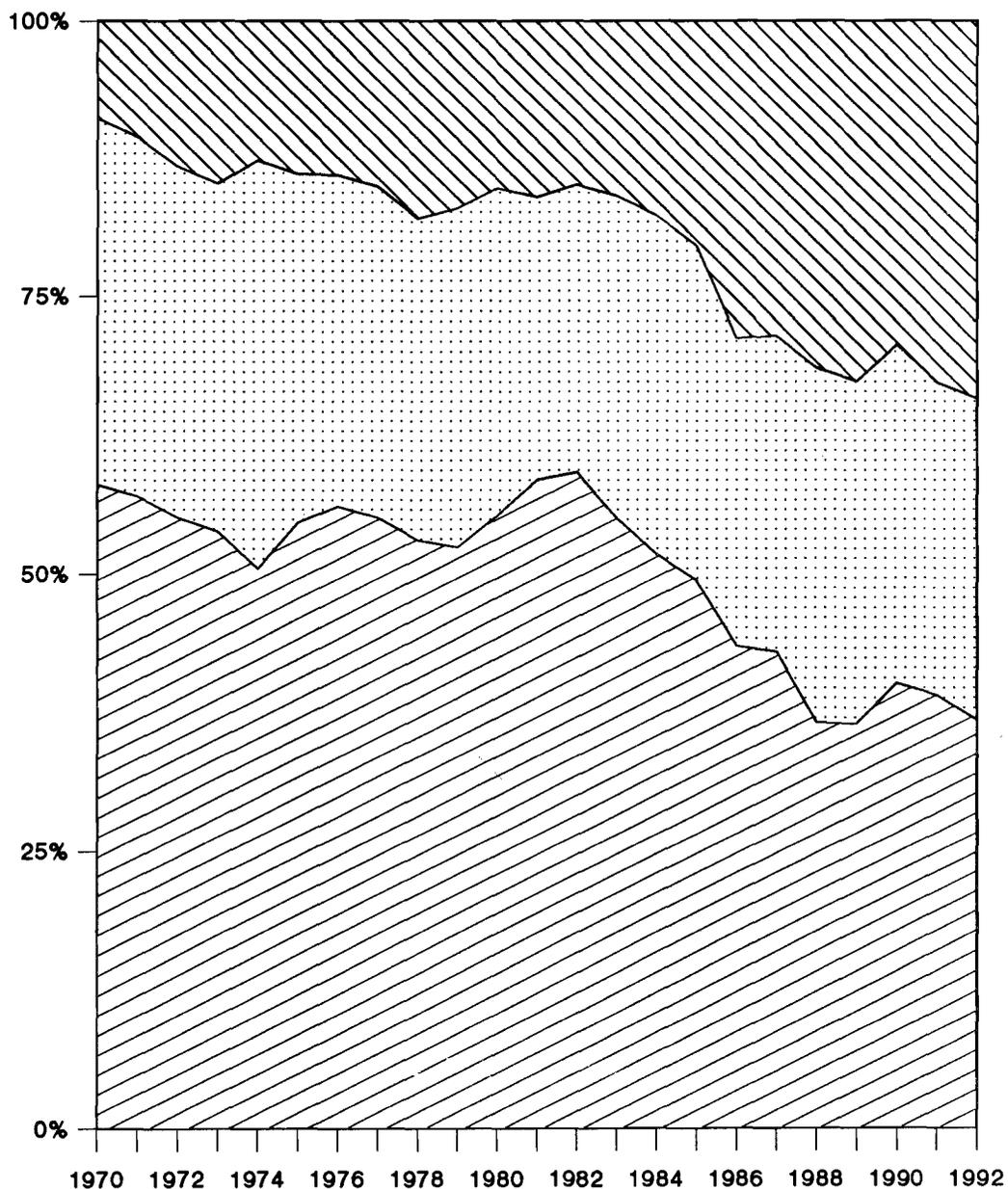
Figure 5
**LATIN AMERICA AND THE CARIBBEAN:
 TERMS OF TRADE (GOODS)**



Source: ECLAC.

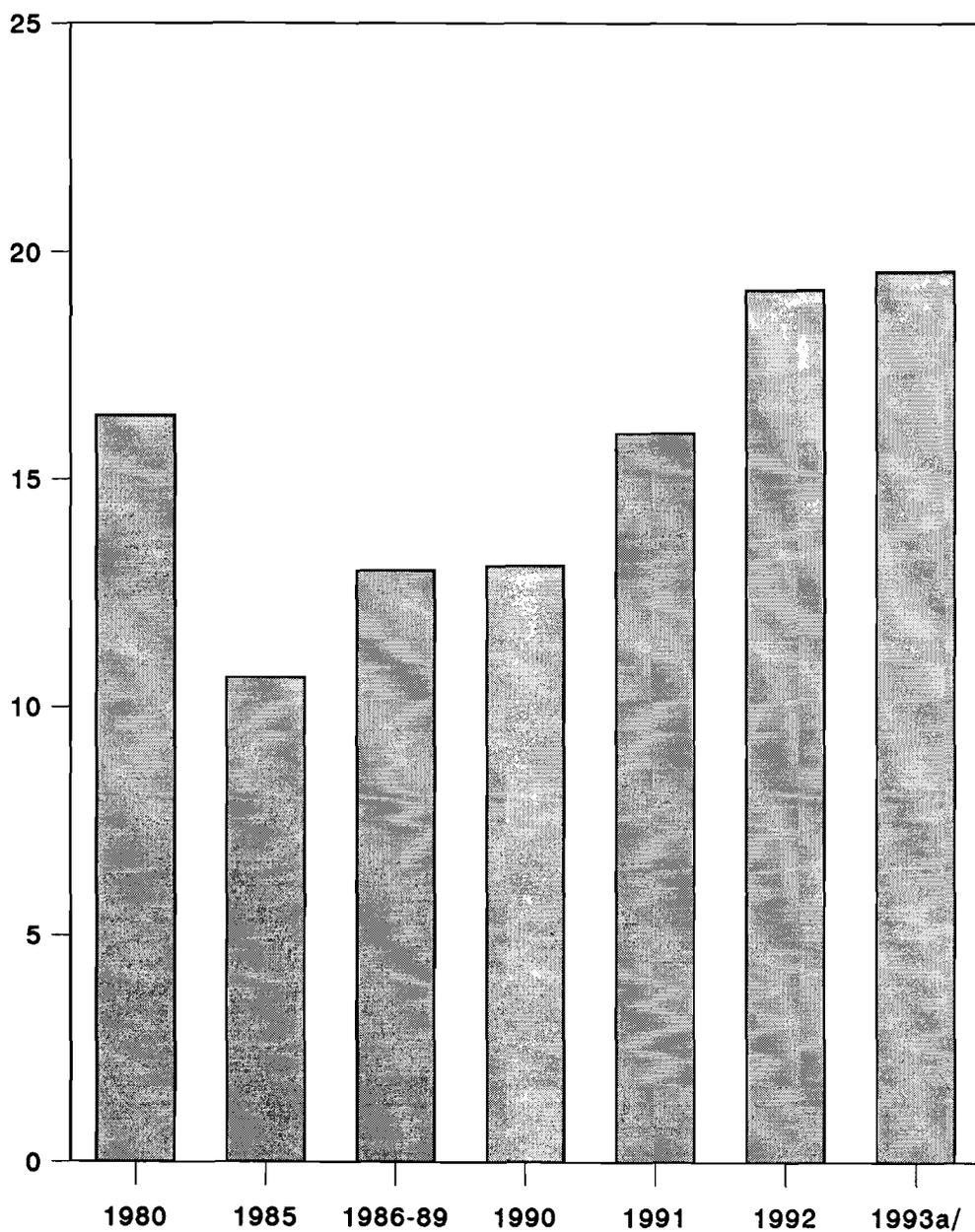
Figure 6
**LATIN AMERICA AND THE CARIBBEAN:
 COMPOSITION OF MERCHANDISE EXPORTS**

 Primary goods
  Semi-manufactures
  Manufactures



Source: ECLAC.

Figure 7
**LATIN AMERICA AND THE CARIBBEAN:
INTRAREGIONAL TRADE**
(Percentages of total exports)

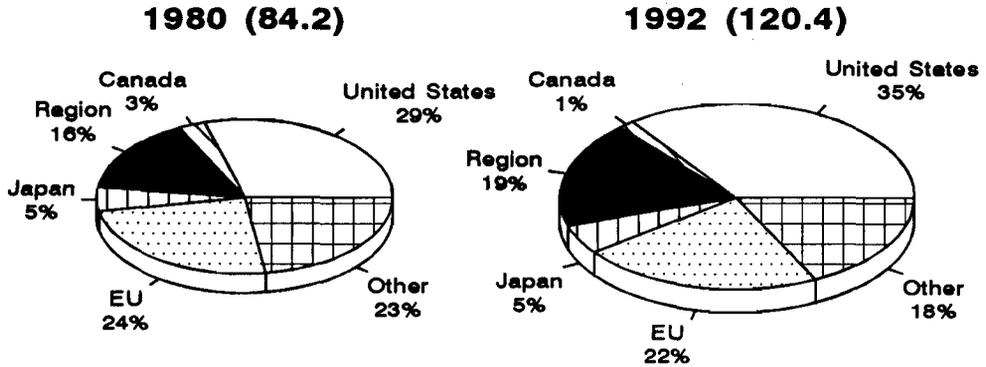


Source: ECLAC, on the basis of official figures.

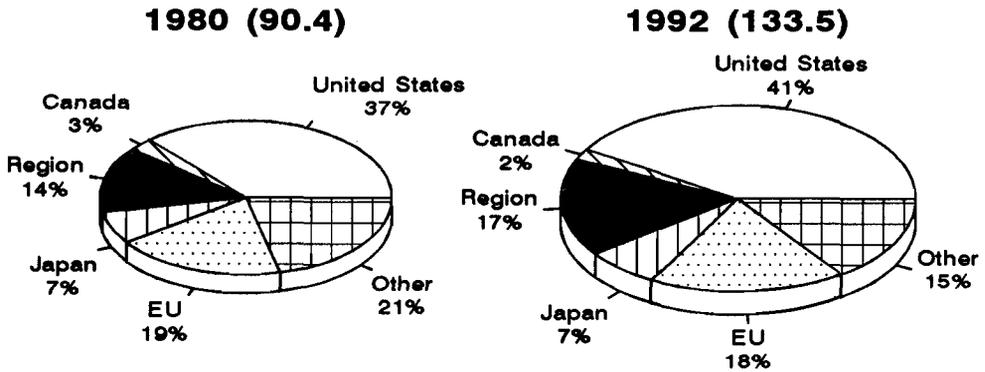
a/ Estimates.

Figure 8
LATIN AMERICA AND THE CARIBBEAN:
GEOGRAPHICAL DISTRIBUTION OF TRADE
(Billions of dollars and percentages)

Exports of goods



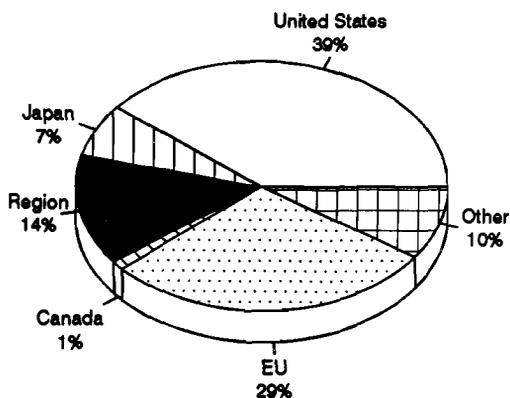
Imports of goods



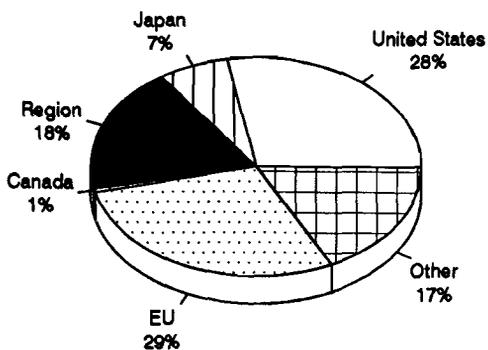
Source: ECLAC.

Figure 9
LATIN AMERICA AND THE CARIBBEAN:
EXPORT MARKETS, 1992
(Billions of dollars and percentages)

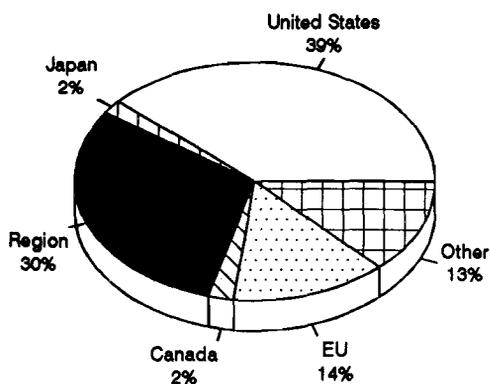
Primary goods (43.4)



Semi-manufactures (34.1)

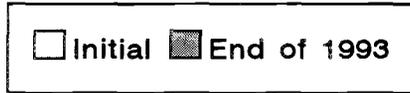


Manufactures (40.1)

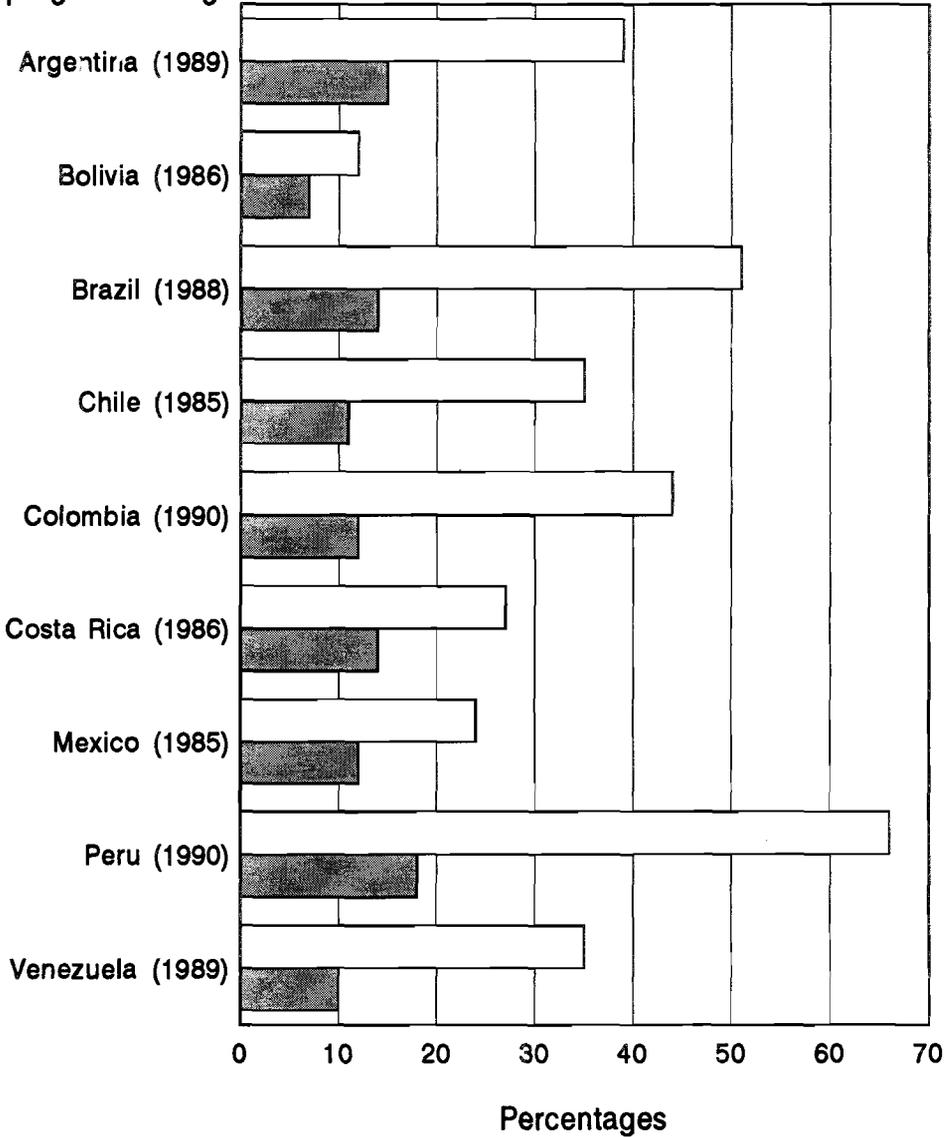


Source: ECLAC.

Figure 10
AVERAGE TARIFF



Country and year in which programme began

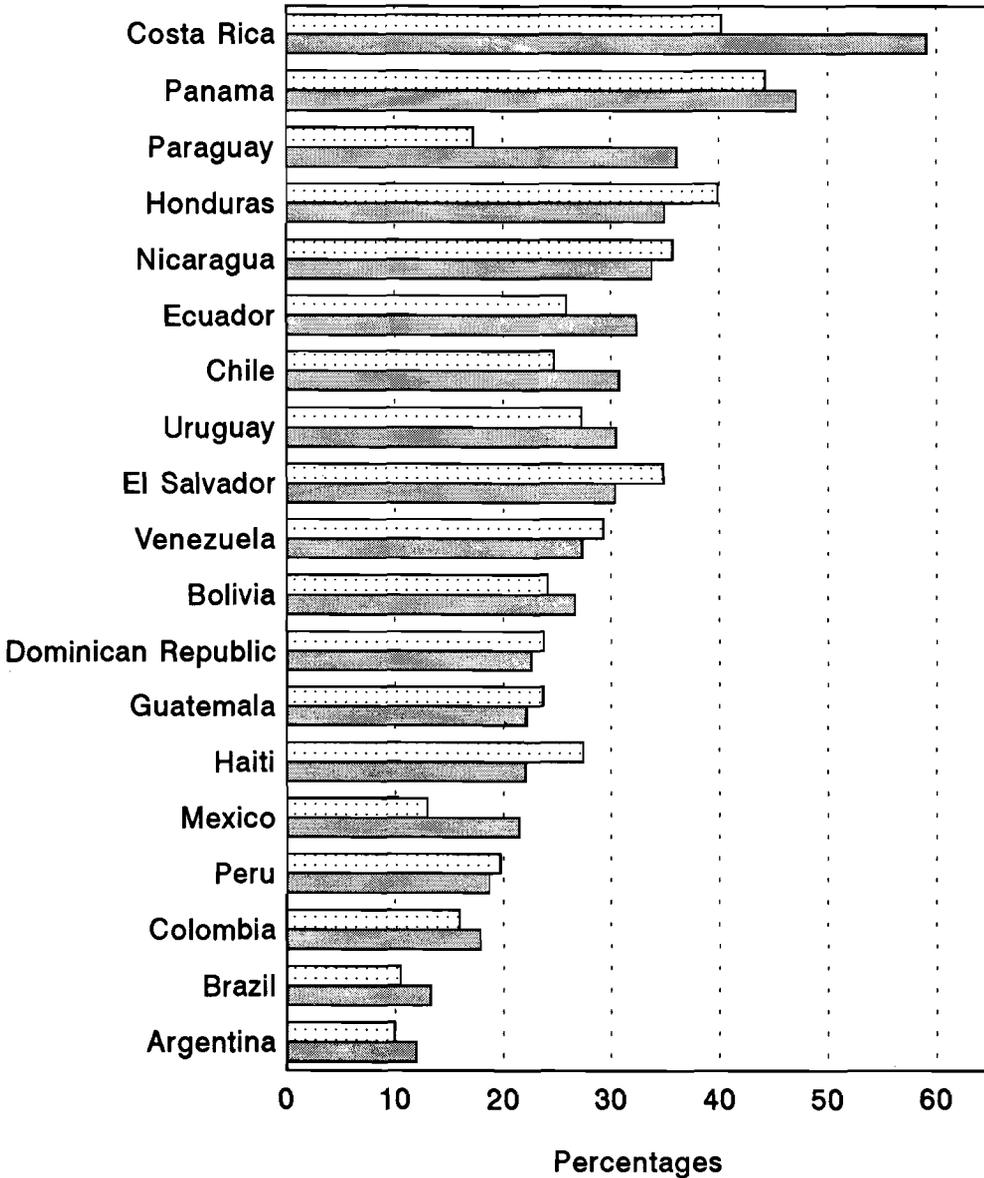
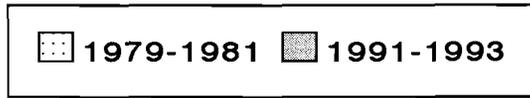


Source: ECLAC, on the basis of official figures.

a/ Average tariff of 10% prevailed between 1979 and 1982.

Figure 11
OPENNESS RATIO a/

(Average of exports and imports of goods and services with respect to GDP)



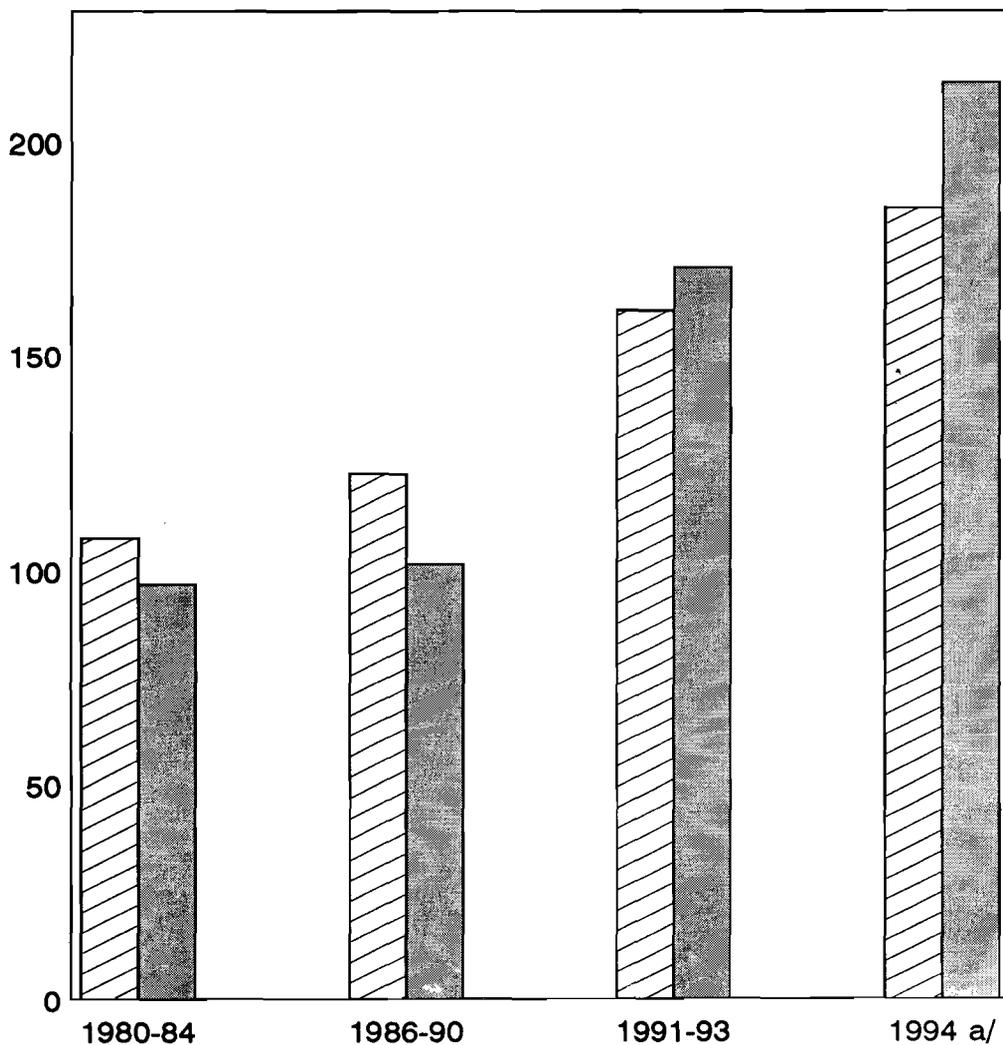
Source: ECLAC.

a/ Countries appear in descending order from largest to smallest ratio in 1991-1993.

Figure 12
**LATIN AMERICA AND THE CARIBBEAN:
EXPORTS AND IMPORTS OF GOODS AND SERVICES**

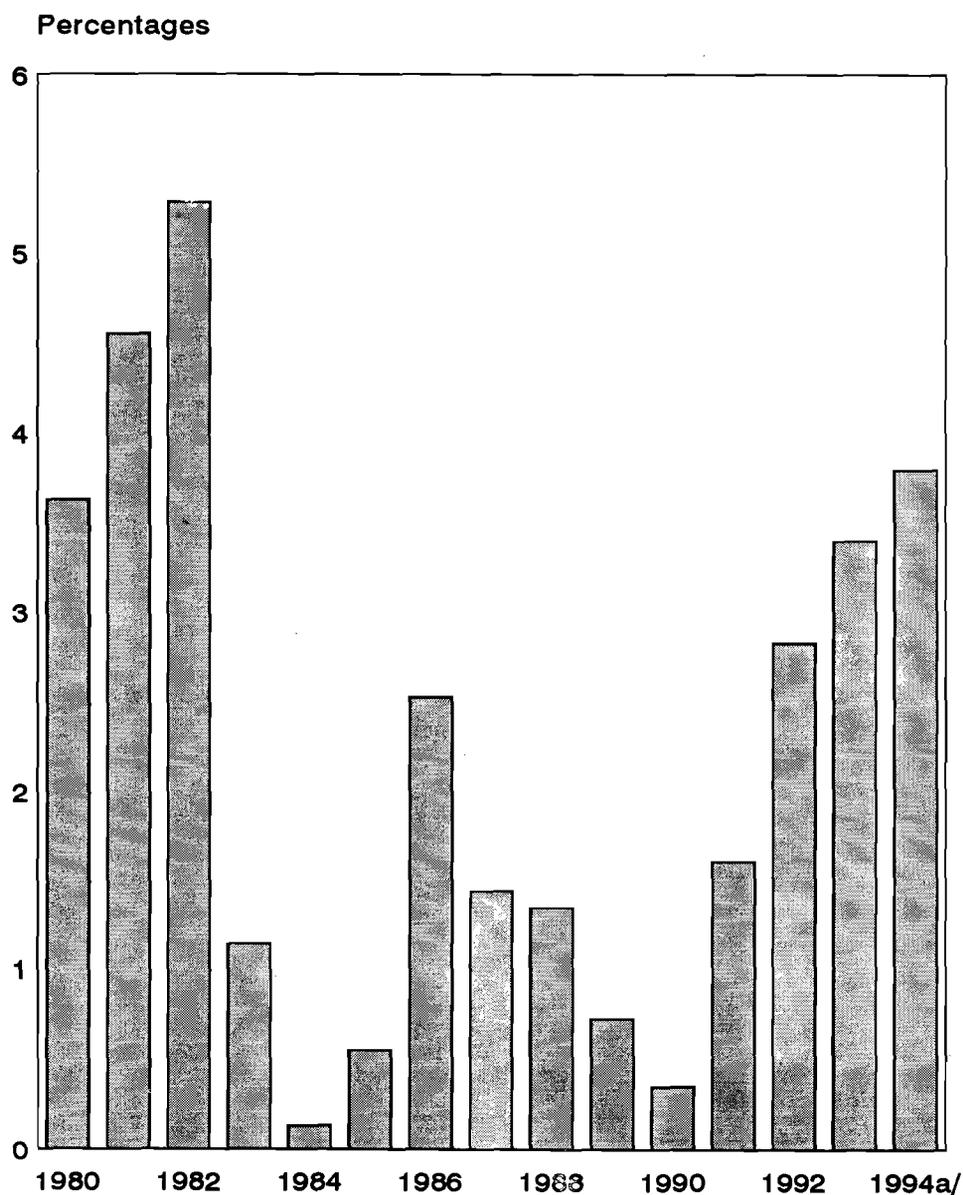


Billions of dollars per annum



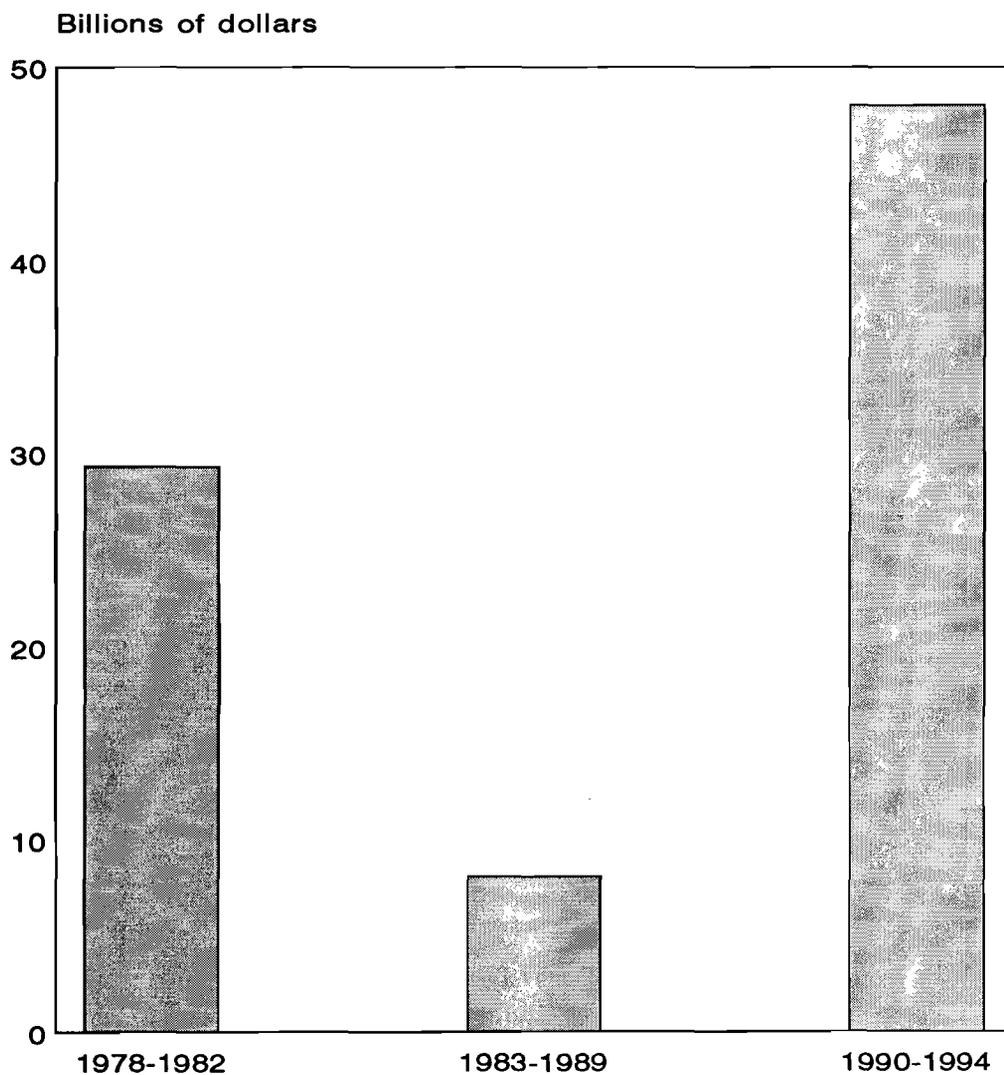
Source: ECLAC, on the basis of official figures.
a/ Preliminary estimates.

Figure 13
LATIN AMERICA AND THE CARIBBEAN:
RATIO BETWEEN THE CURRENT ACCOUNT DEFICIT AND GROSS
DOMESTIC PRODUCT



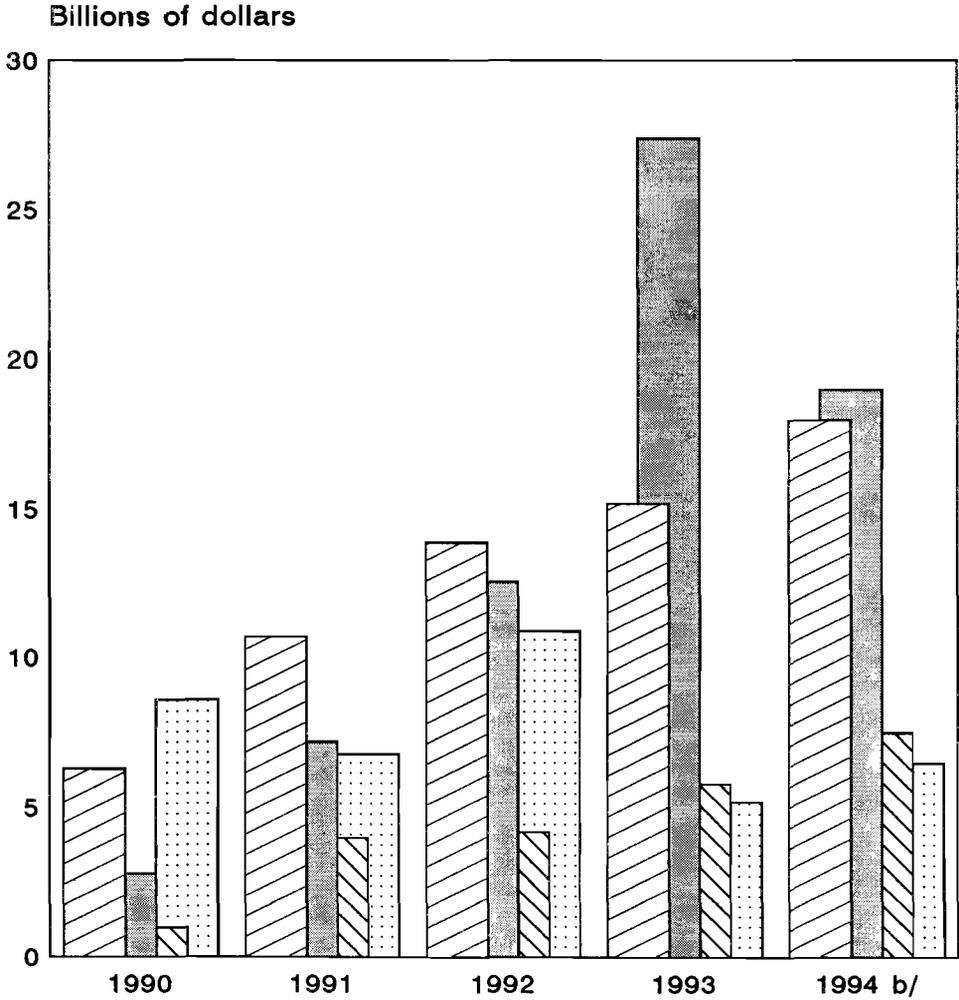
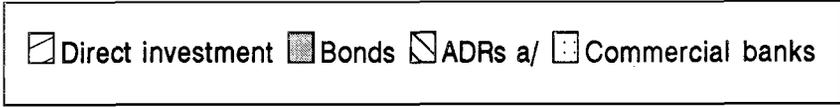
Source: ECLAC, on the basis of official figures.
a/ Preliminary estimates

Figure 14
**LATIN AMERICA AND THE CARIBBEAN:
NET CAPITAL FLOWS**
(Annual average)



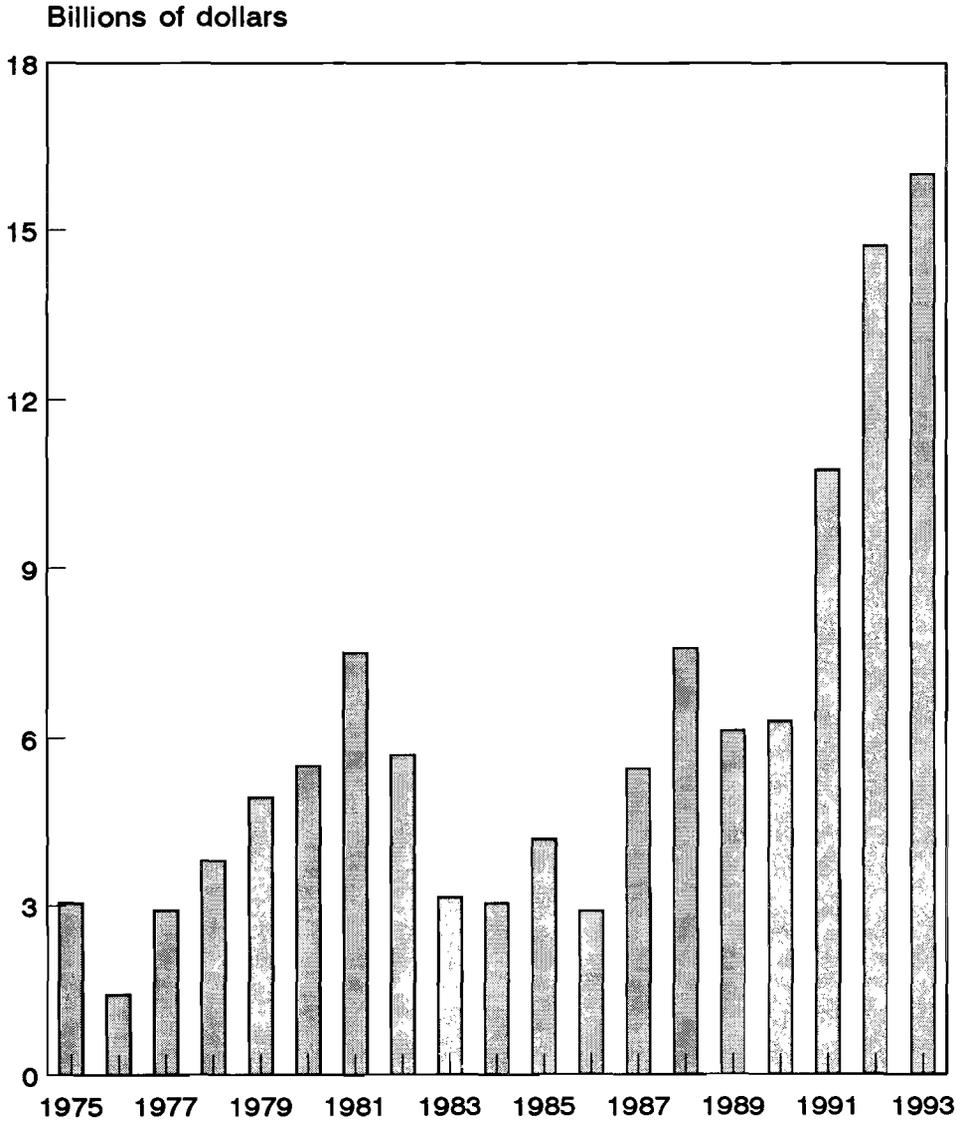
Source: ECLAC, on the basis of official figures.

Figure 15
**LATIN AMERICA AND THE CARIBBEAN:
 SOURCES OF EXTERNAL FINANCING**



Source: ECLAC, on the basis of official figures.
 a/ Primary offerings.
 b/ Estimates.

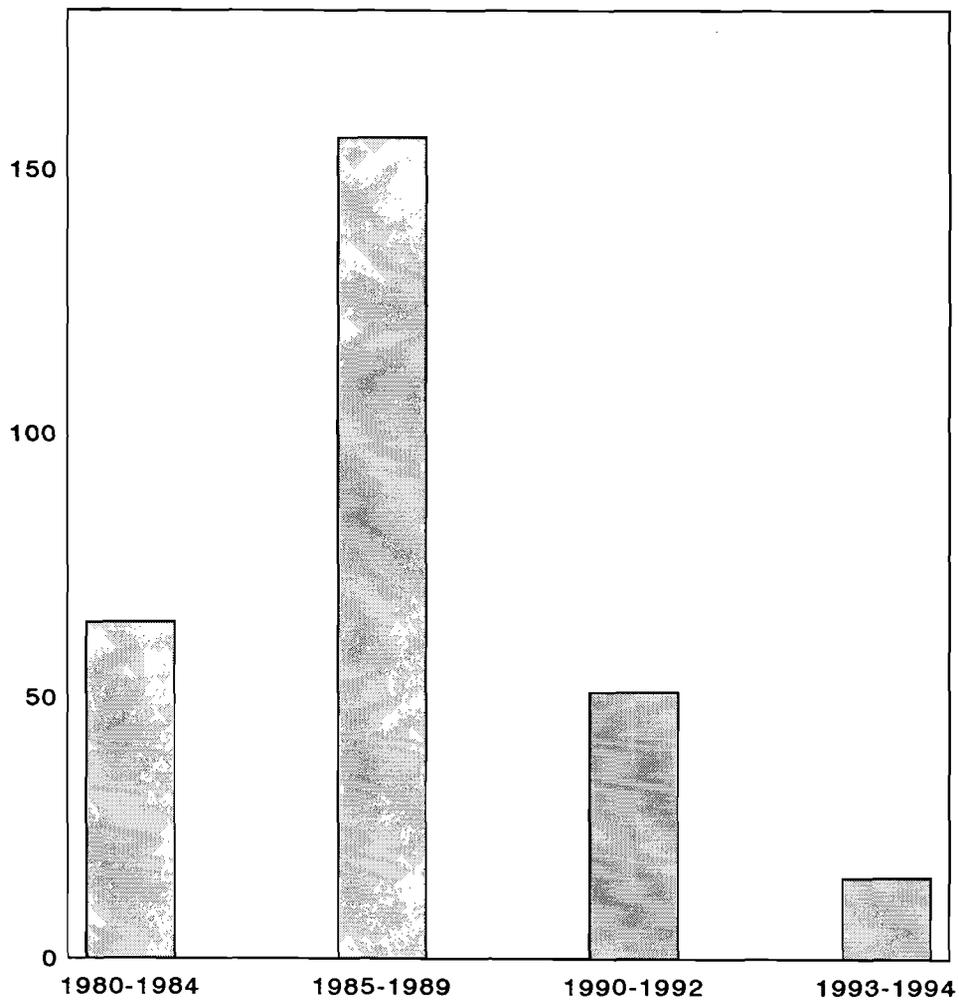
Figure 16
**LATIN AMERICA AND THE CARIBBEAN:
FOREIGN DIRECT INVESTMENT**



Source: ECLAC, on the basis of figures from the International Monetary Fund (IMF).

Figure 17
LATIN AMERICA AND THE CARIBBEAN:
INFLATION a/
(Promedio anual)

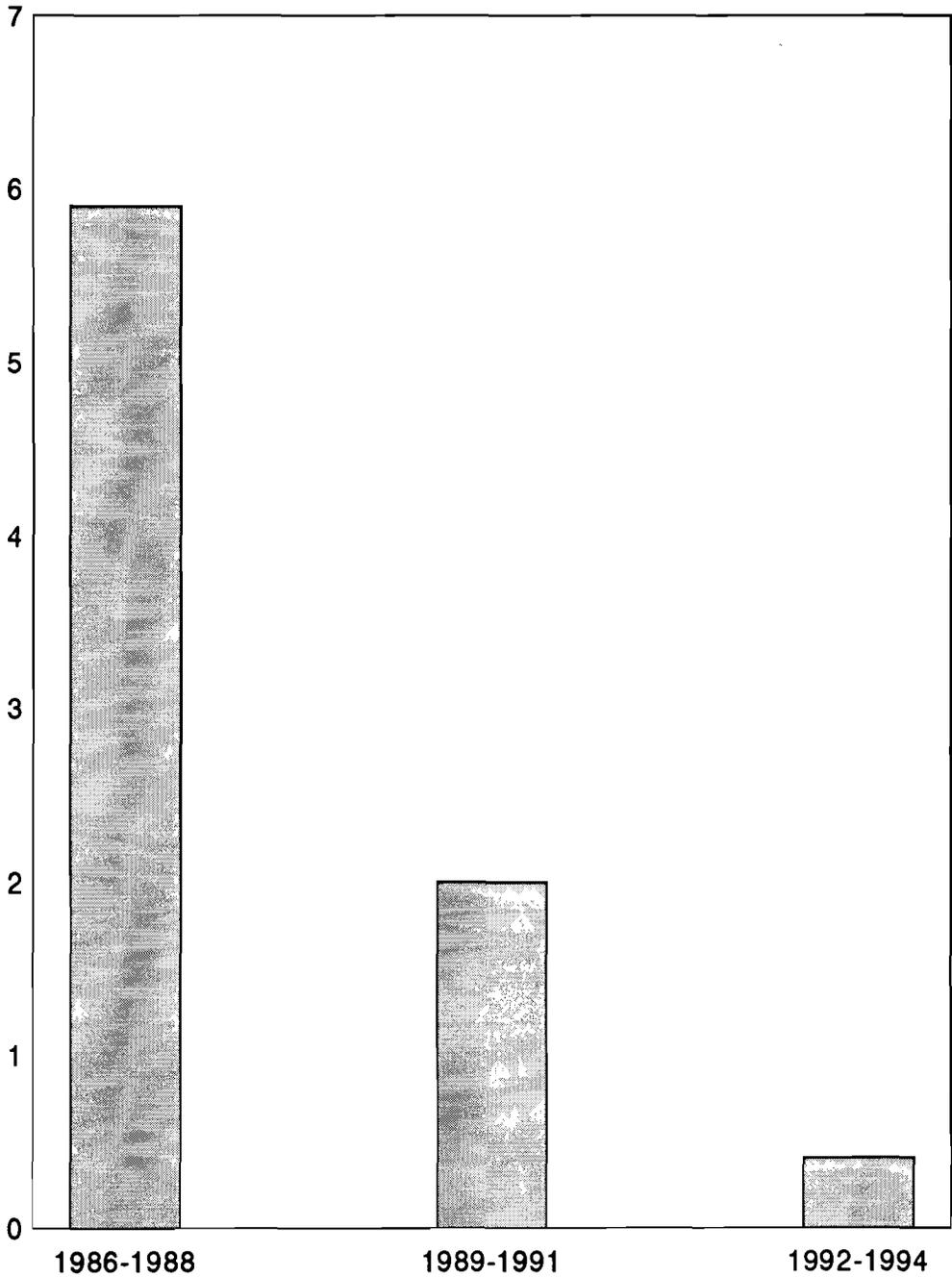
Percentages



Source: ECLAC, on the basis of official figures.
a/ Excluding Brazil, Nicaragua and Peru.

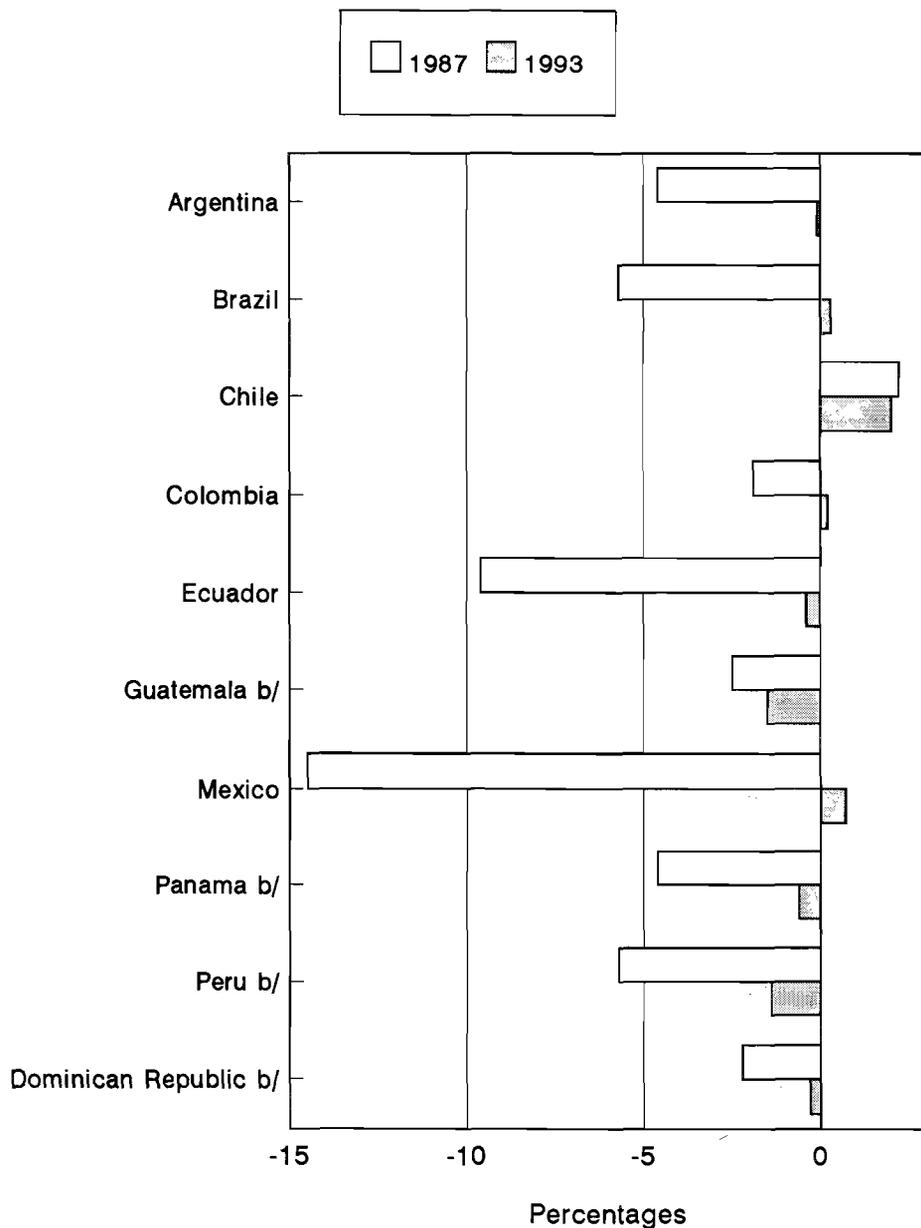
Figure 18
LATIN AMERICA AND THE CARIBBEAN:
CENTRAL GOVERNMENT DEFICIT

Percentages of GDP



Source: International Monetary Fund (IMF).

Figure 19
PUBLIC SECTOR DEFICIT (-) OR SURPLUS (+) a/
(Coefficients in relation to GDP)

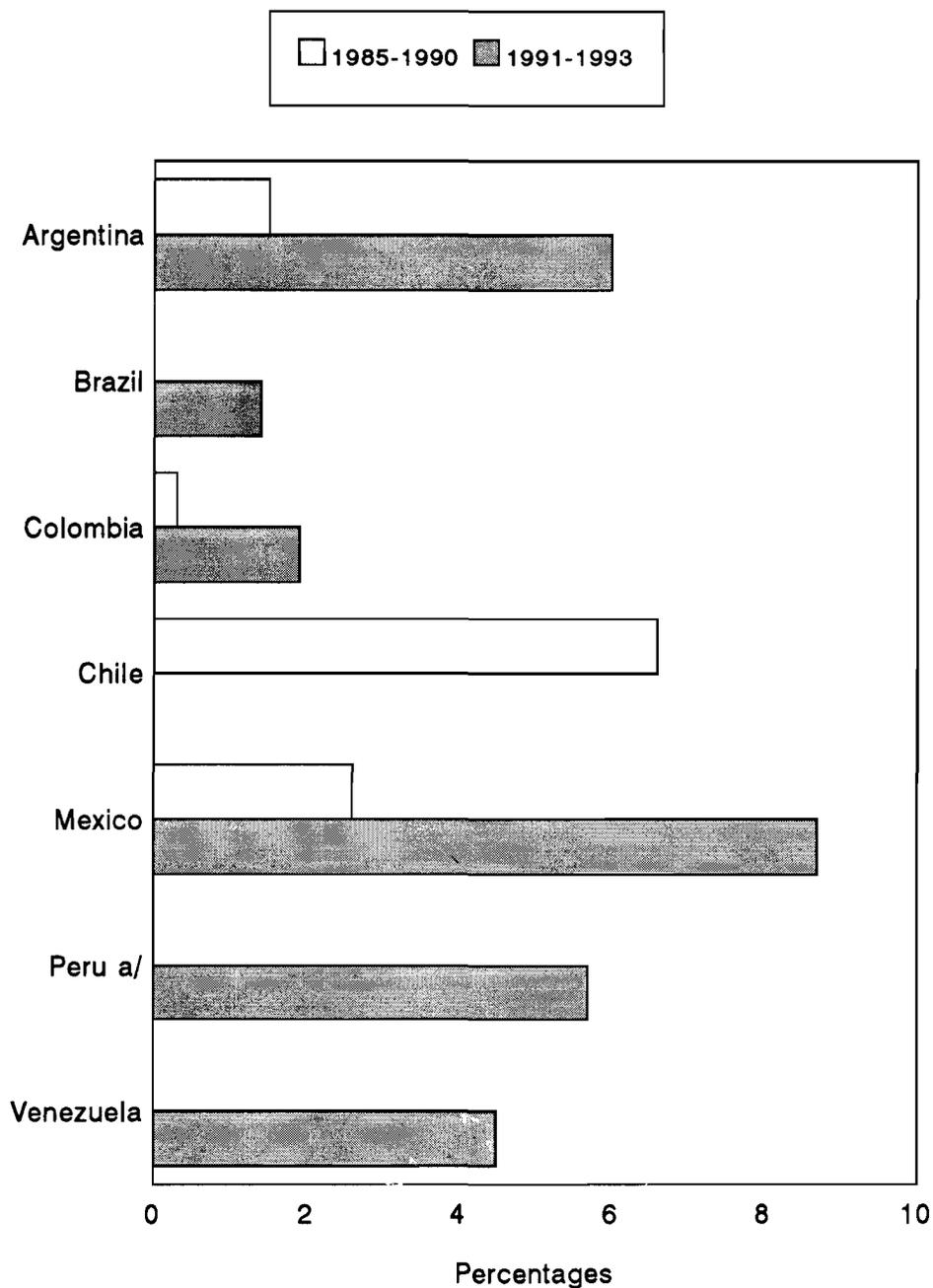


Source: ECLAC, on the basis of official figures.

a/ Non-financial public sector.

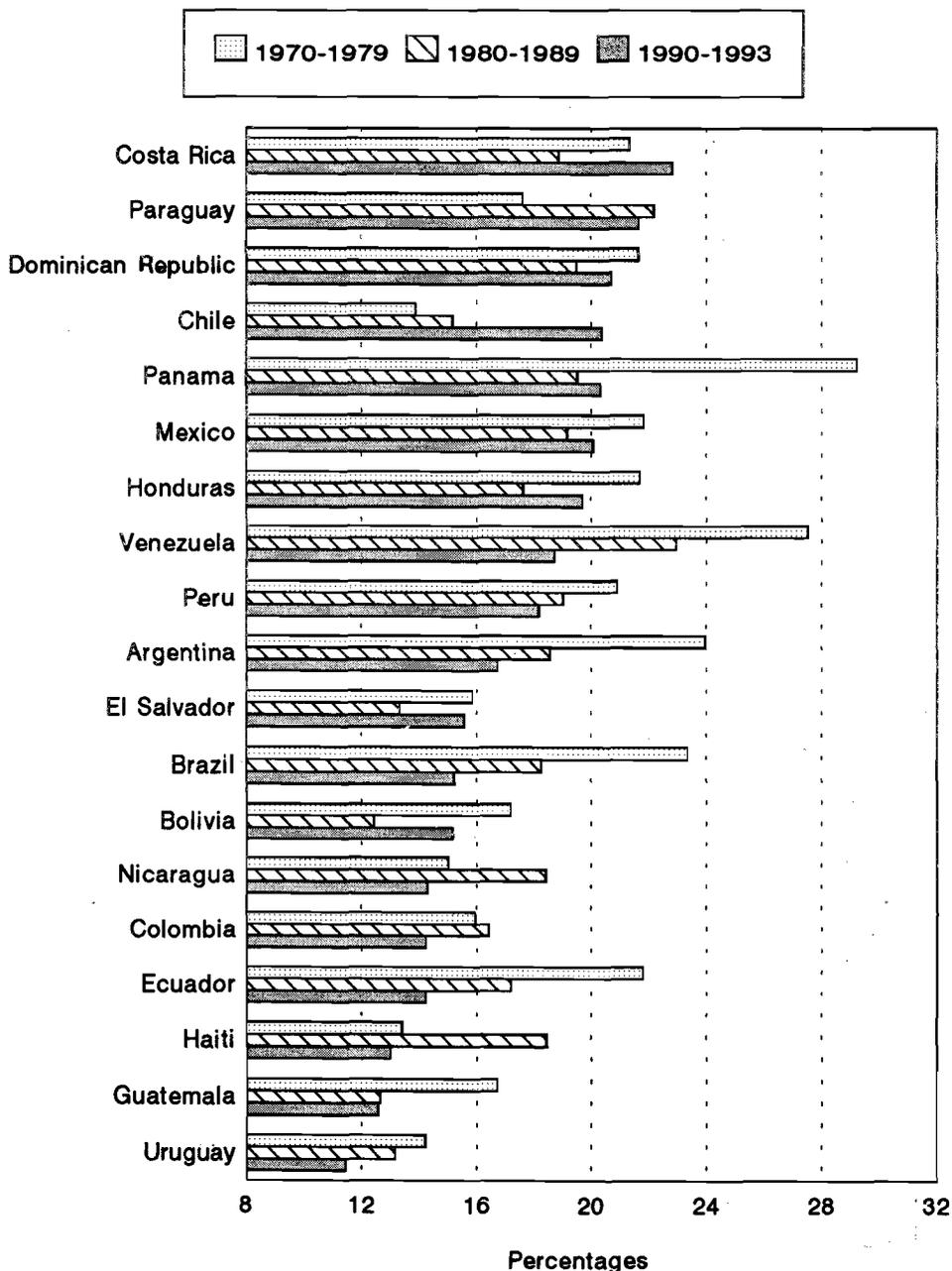
b/ Central Government.

Figure 20
FISCAL REVENUES FROM PRIVATIZATIONS
(Cumulative percentages of GDP)



Source: ECLAC, on the basis of official figures.
a/ Includes first half of 1994.

Figure 21
PATTERNS OF GROSS DOMESTIC INVESTMENT a/
(Coefficients with respect to GDP)

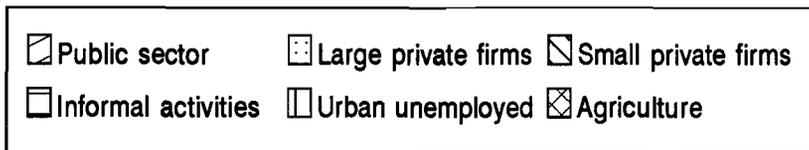


Source: ECLAC, on the basis of official figures.

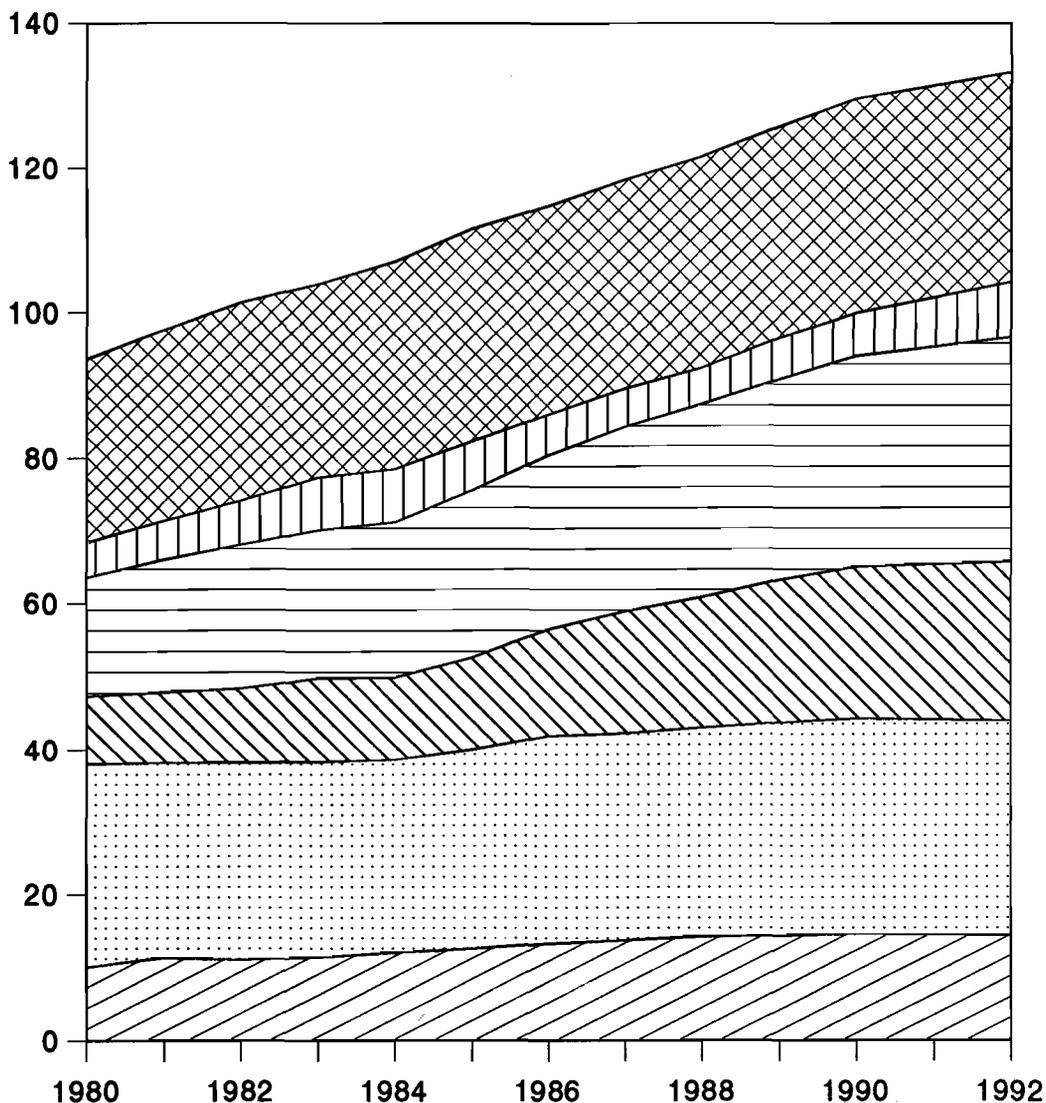
a/ The coefficients were calculated with figures in dollars at 1980 prices.

b/ The countries appear in descending order (largest to smallest coefficient) for the period 1990-1993.

Figure 22
LATIN AMERICA AND THE CARIBBEAN:
DISTRIBUTION OF THE LABOUR FORCE

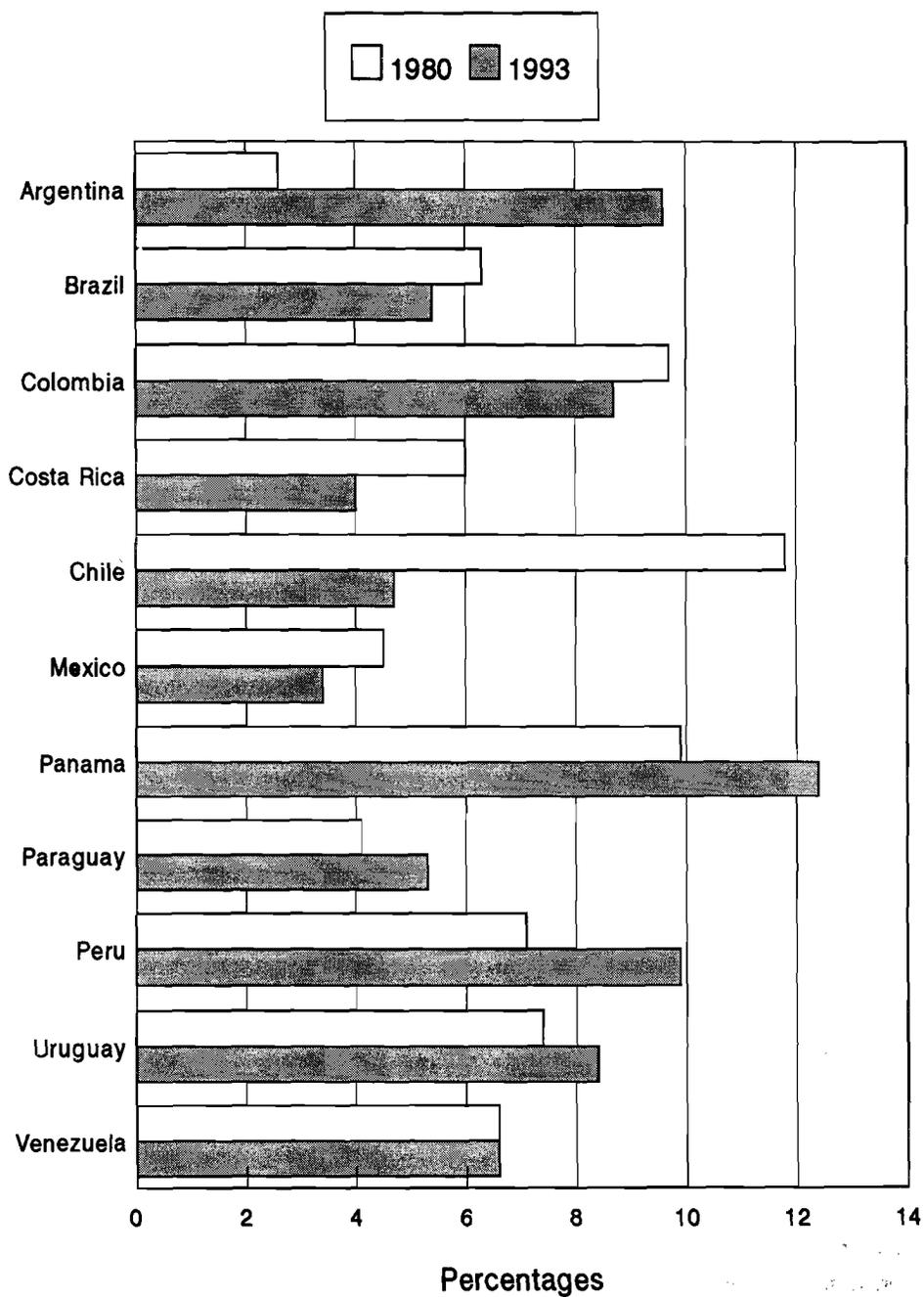


Millions of people



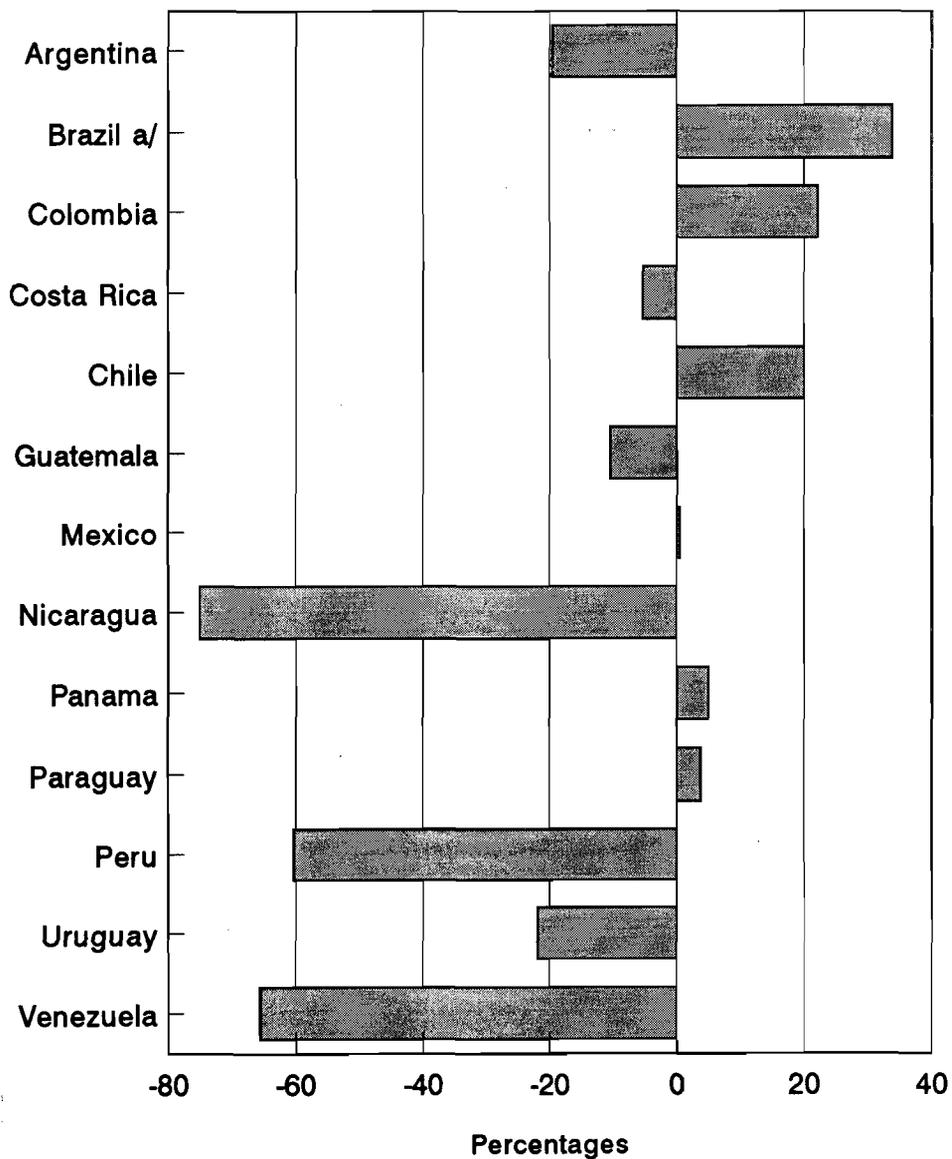
Source: ECLAC, on the basis of estimates supplied by the Regional Employment Programme for Latin America and the Caribbean (PREALC).

Figure 23
URBAN UNEMPLOYMENT RATES
(Annual average)



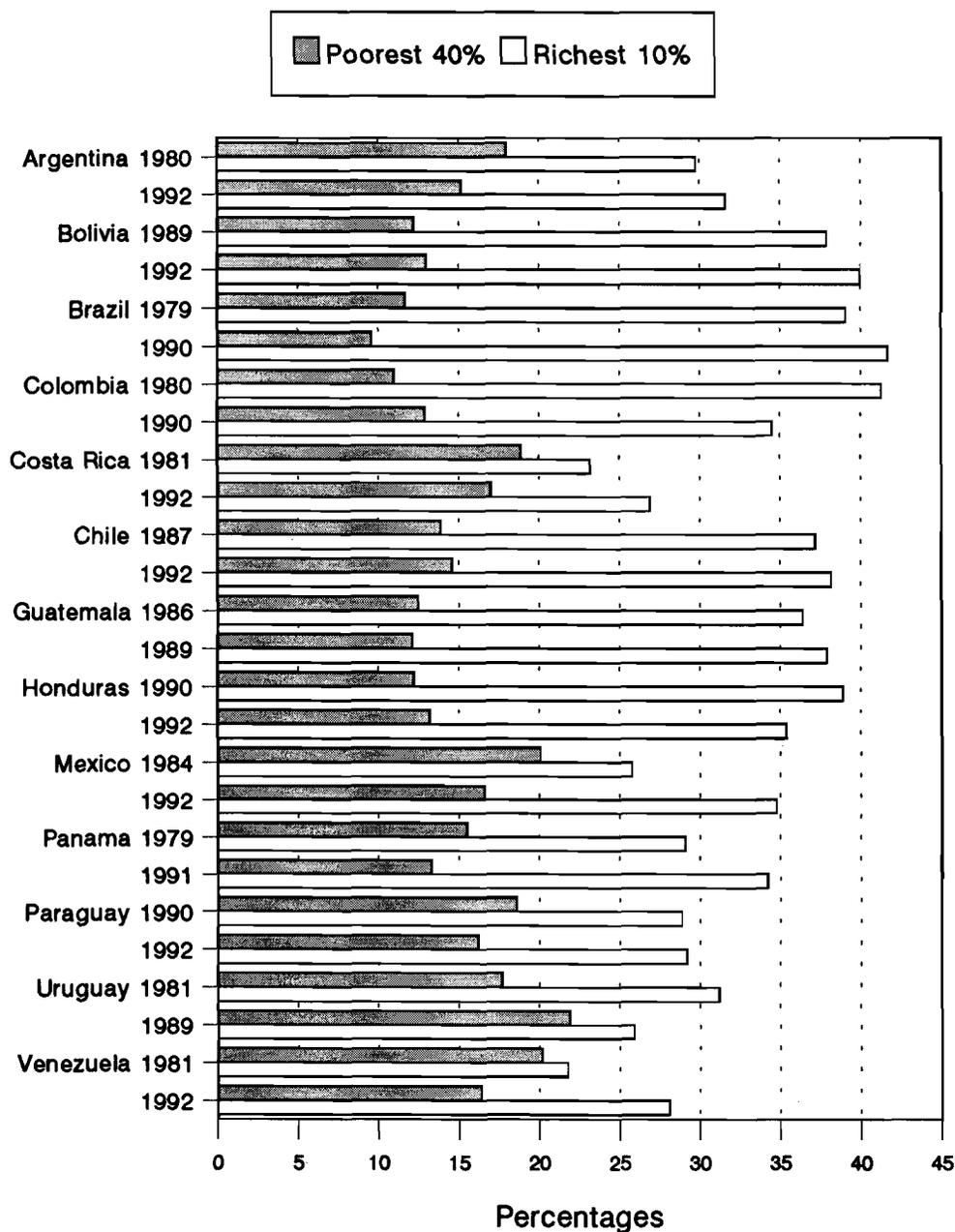
Source: ECLAC, on the basis of official figures.

Figure 24
AVERAGE REAL WAGES AND SALARIES
(Cumulative variation 1980-1993)



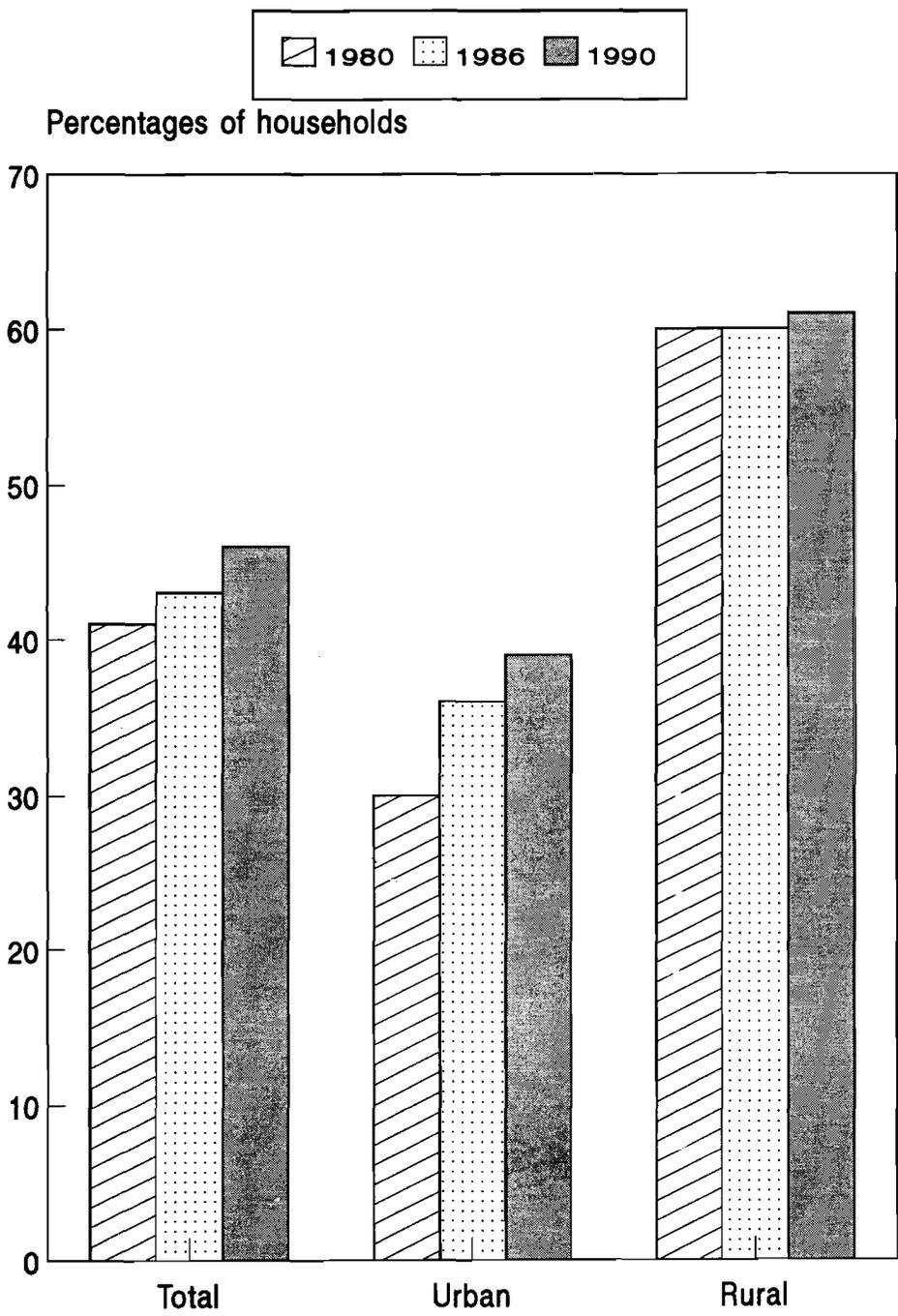
Source: ECLAC, on the basis of official figures.
 a/ Average for Rio de Janeiro and São Paulo.

Figure 25
**CHANGES IN SHARES OF TOTAL INCOME
 URBAN AREAS**



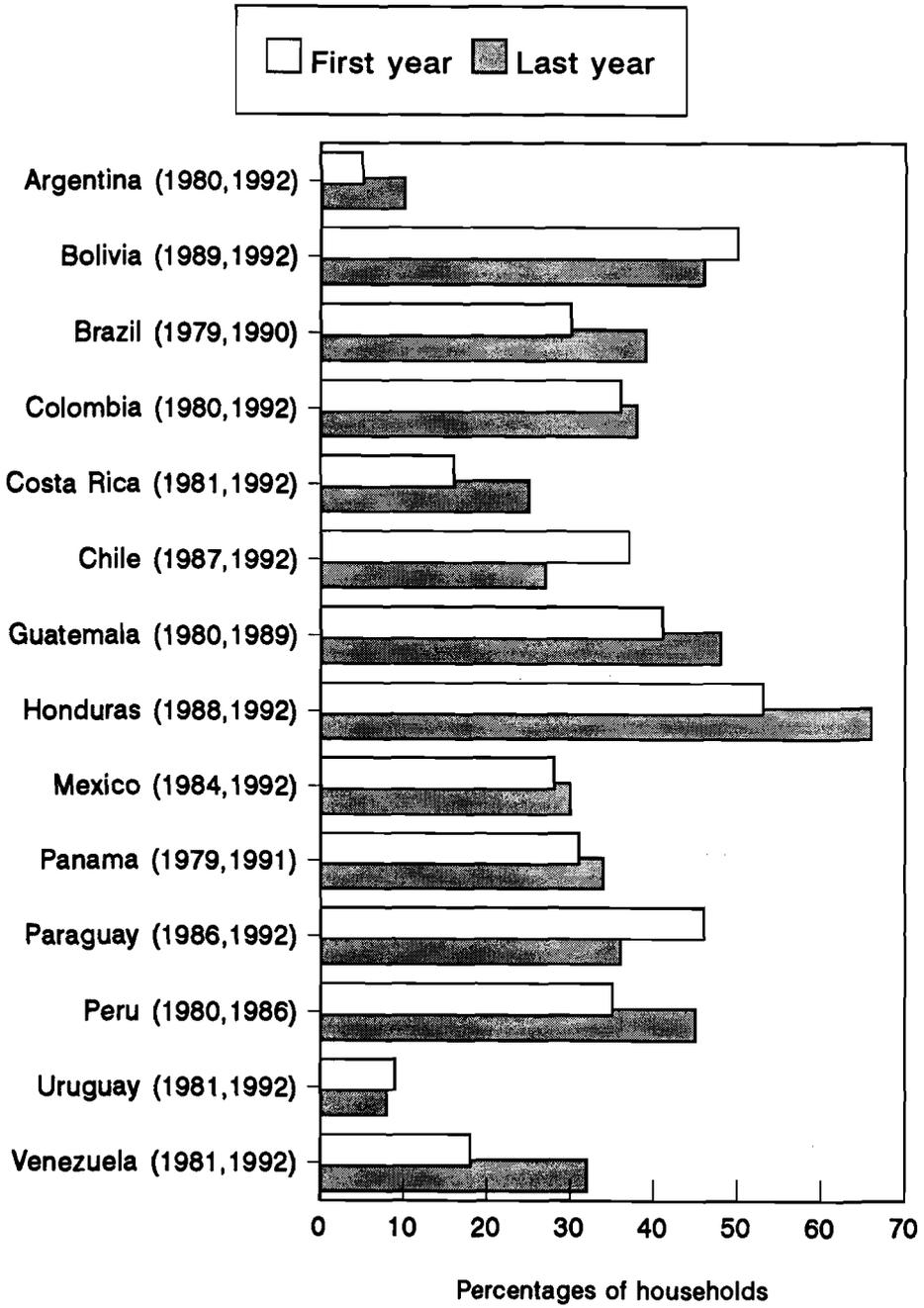
Source: ECLAC, on the basis of special tabulations of data derived from household surveys.

Figure 26
**LATIN AMERICA AND THE CARIBBEAN:
POVERTY LEVELS**



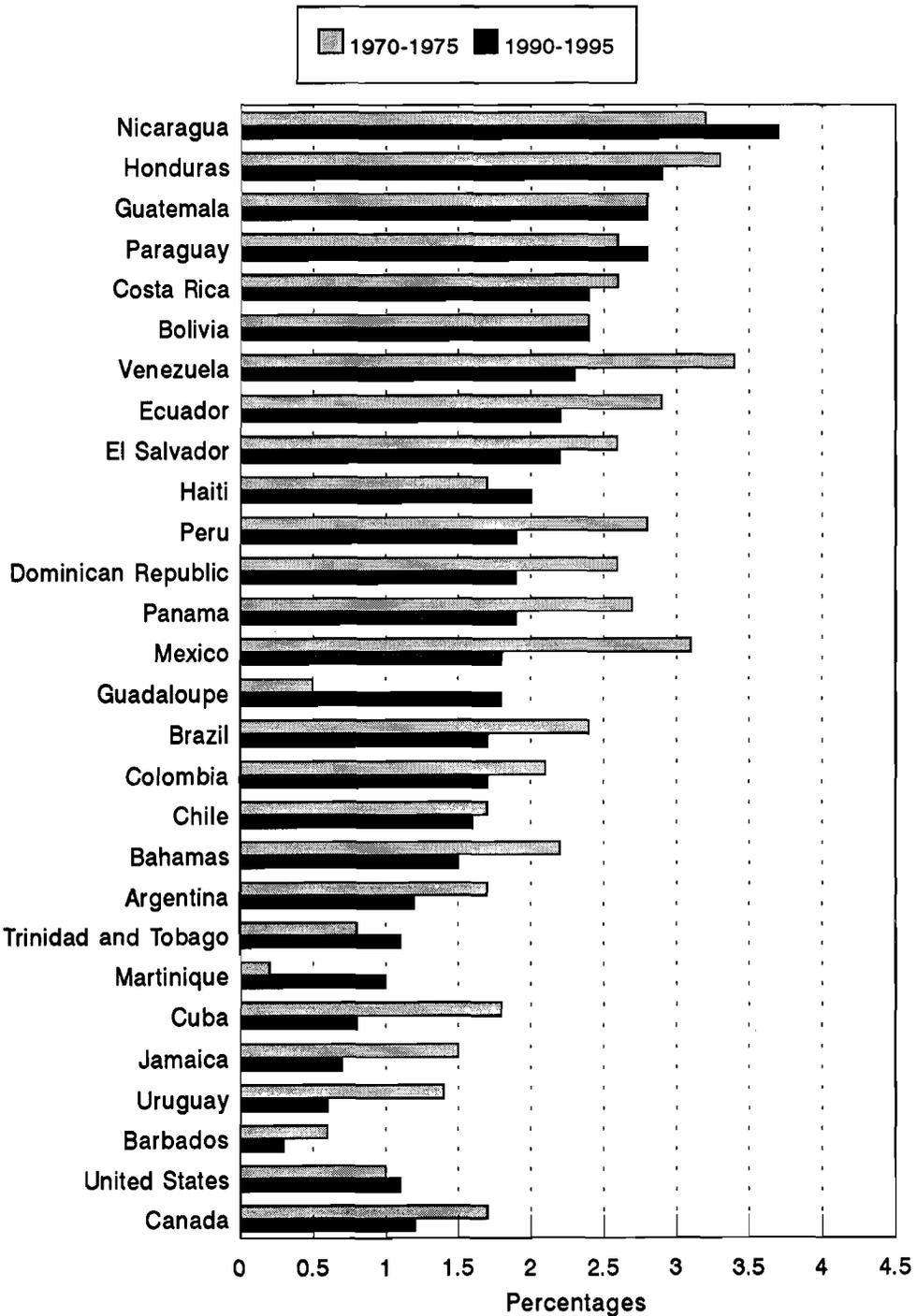
Source: ECLAC.

Figure 27
URBAN POVERTY



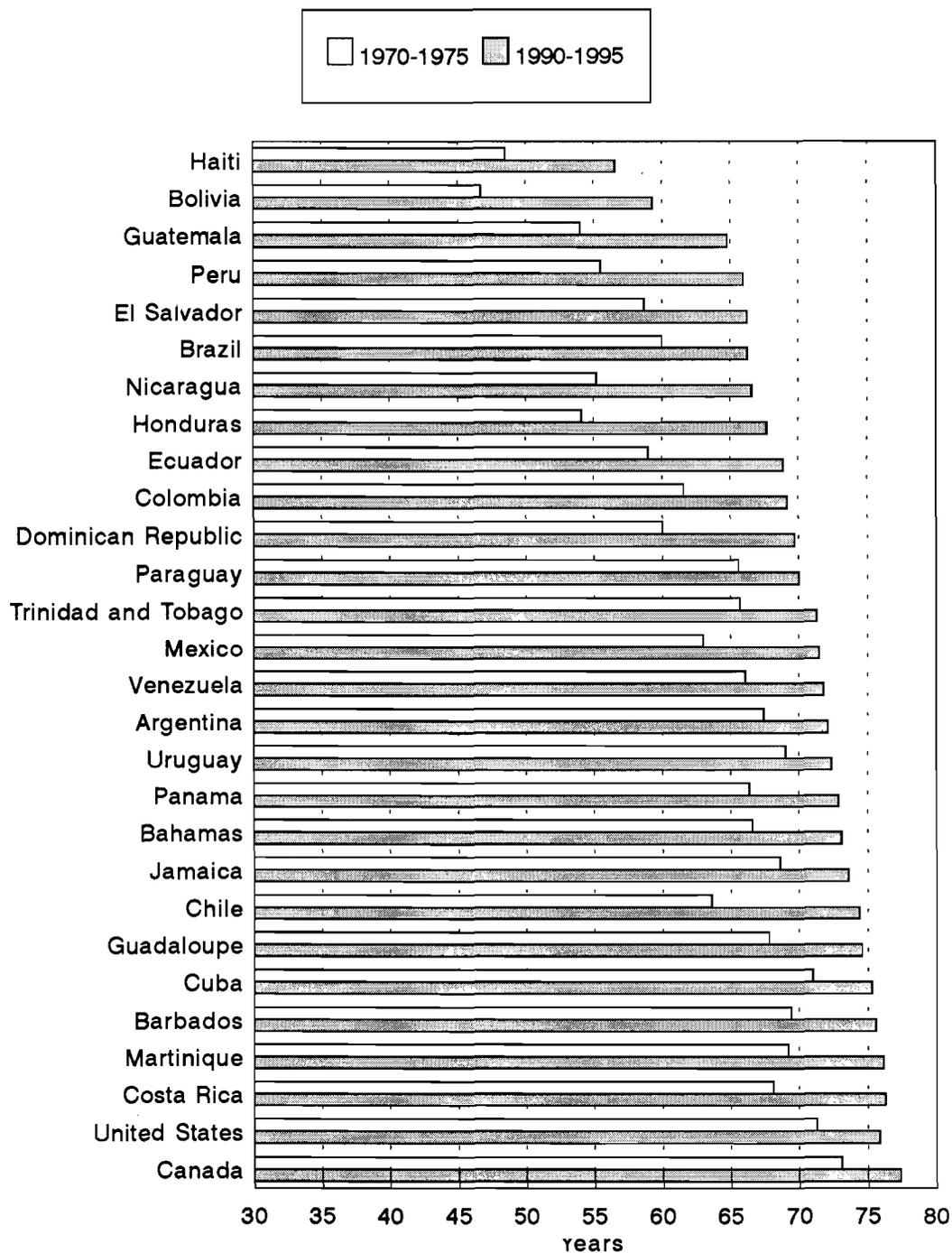
Source: ECLAC.

Figure 28
POPULATION GROWTH
(Average annual rates)



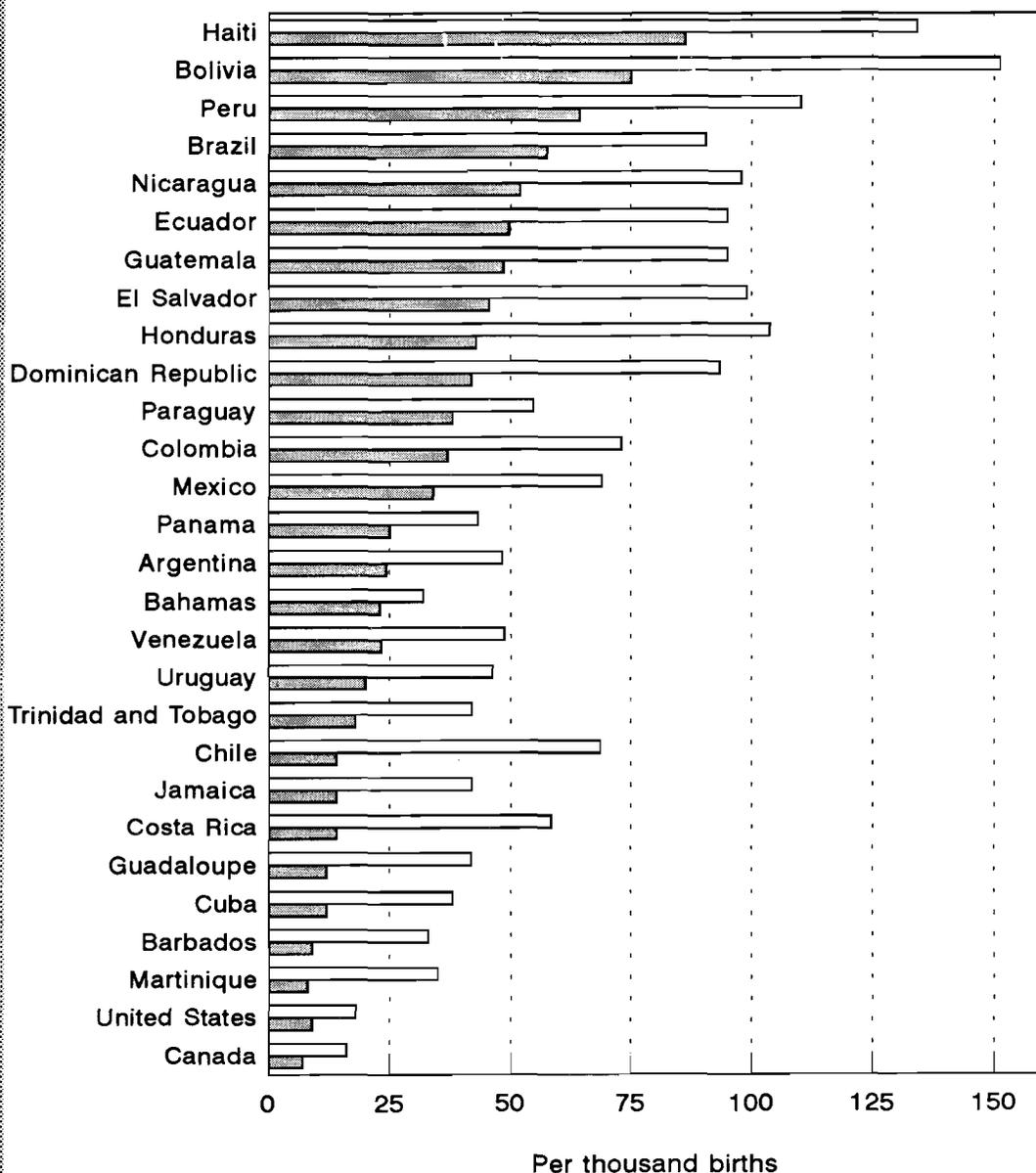
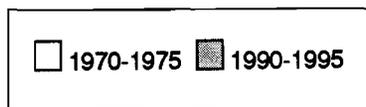
Source: Latin American Demographic Centre (CELADE) and United Nations Population Division.

Figure 29
LIFE EXPECTANCY AT BIRTH



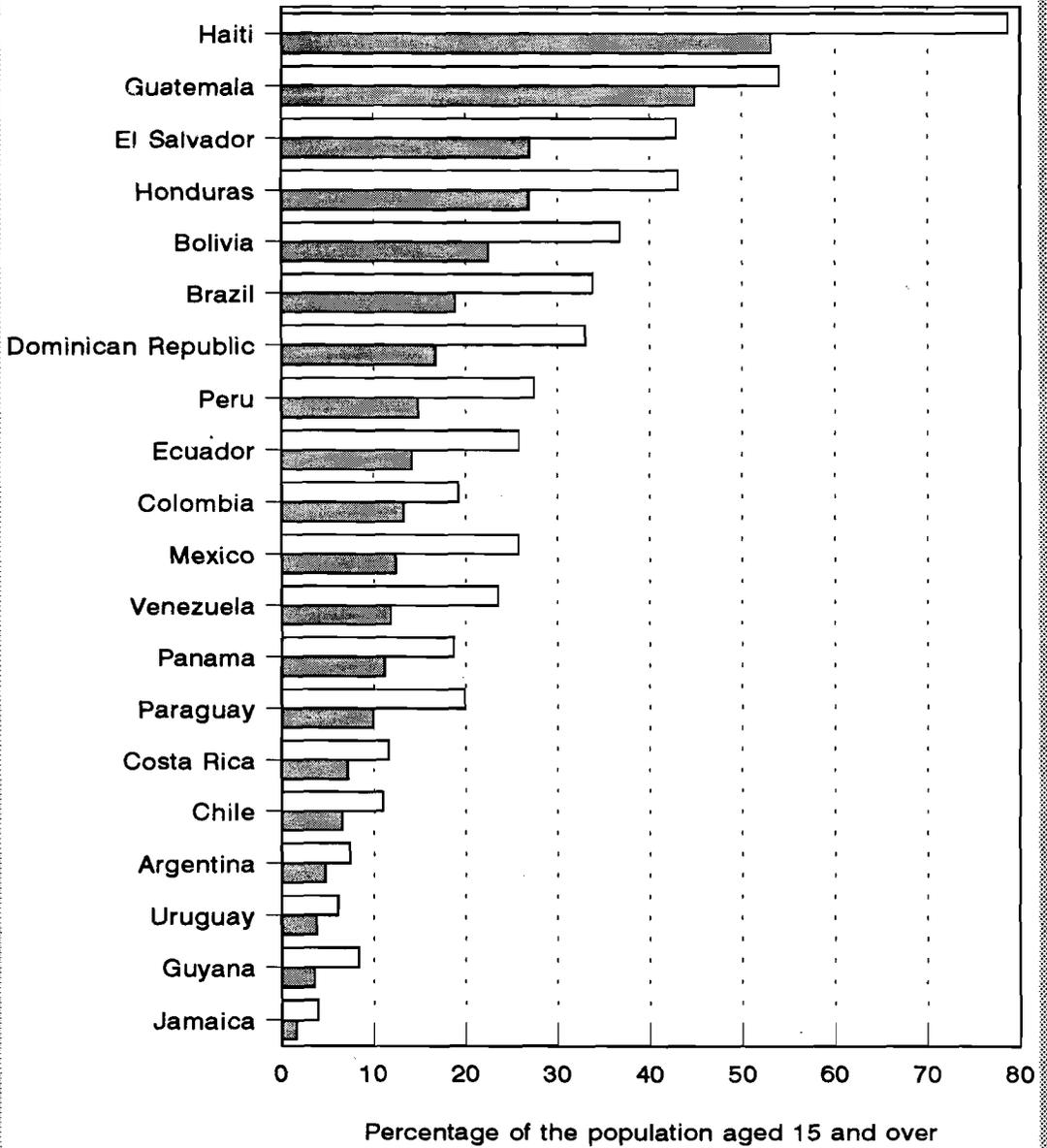
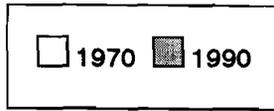
Source: Latin American Demographic Centre (CELADE) and United Nations Population Division.

Figure 30
INFANT MORTALITY
(Average annual rates)



Source: Latin American Demographic Centre (CELADE) and United Nations Population Division.

Figure 31
ILLITERACY



Source: ECLAC.

FIGURES

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