

2015



Economic Survey

of Latin America and the Caribbean

Challenges in boosting the investment cycle
to reinvigorate growth



UNITED NATIONS

ECLAC

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Explanatory notes:

- Three dots (...) indicate that data are not available or are not separately reported.
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- The word "dollars" refers to United States dollars, unless otherwise specified.
- A slash (/) between years e.g. 2003/2005 indicates a 12-month period falling between the two years.
- Individual figures and percentages in tables may not always add up to the corresponding total because of rounding.

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Foreword and executive summary

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Foreword

This, the sixty-seventh edition of the *Economic Survey of Latin America and the Caribbean*, which corresponds to the year 2015, consists of three parts. Part I outlines the region's economic performance in 2014 and analyses trends in the first half of 2015, as well as the outlook for the rest of the year. It examines the external and internal factors influencing the economic slowdown and highlights some of the challenges facing macroeconomic policymakers, particularly the need to boost investment as both a central pillar of the economic recovery and as an engine of growth in the medium and long term.

Part II analyses the dynamics of investment in Latin America and the Caribbean, the relationship between investment and the business cycle, the role of public investment, infrastructure gaps and the challenges in financing private investment. The issues considered include the structural weaknesses of investment in the region, its performance relative to other regions and challenges in public policymaking, especially in achieving high rates of well-managed, countercyclical public investment and developing financial markets that support private investment, particularly by small and medium-sized enterprises.

Part III of this publication may be accessed on the web page of the Economic Commission for Latin America and the Caribbean (www.eclac.org). It contains the notes relating to the economic performance of the countries of Latin America and the Caribbean in 2014 and the first half of 2015, together with their respective statistical annexes, which present the main economic indicators of the countries of the region.

The cut-off date for updating the statistical information in this publication was 30 June 2015.

Executive summary

A. Economic situation and outlook for 2015

On the basis of the economic activity of Latin American and Caribbean countries in the first quarter of 2015, the region's annual growth rate is projected to be significantly lower than the 1.1% posted in 2014. Notwithstanding this overall picture of regional deceleration, growth patterns differed greatly between countries and subregions, so that while the region's weighted-average growth rate is expected to be 0.5%, South America is set to contract by 0.4%, but Central America and Mexico are likely to expand by 2.7% and the Caribbean will grow by 1.7%.

These trends originate in a combination of external and domestic factors. On the external front, global economic growth will remain sluggish in 2015, albeit speeding up slightly compared with 2014. Developed countries are projected to see average growth of 2.2%, while emerging economies will continue their slowdown, with expected growth of 4.4%.

This pattern of slower GDP growth coincided with stagnant growth in the volume of world trade, with rates still lower than those that preceded the global financial crisis and which have not topped 5% since 2011. During the first four months of 2015, the year-on-year variation in trade volume averaged just 2%, showing signs of slowing even more sharply than in 2014.

Weaker external demand has been accompanied by a downturn in commodity prices. Specifically, metal and agricultural-product prices began to fall in the first quarter of 2011 and, though the trend has stabilized, these categories posted respective losses of 41% and 29% between the first quarter of 2011 and April 2015. After a period of stagnation and gradual decline since 2011, energy prices (comprising crude oil, natural gas and coal) tumbled 52% in the seven months between July 2014 and January 2015. The crude oil price—the largest component in the energy price index—dropped by almost 60% in that period.

The commodity price trend has been mirrored by the evolution in the terms of trade of the region's countries. Hydrocarbon-exporting countries are likely to experience the greatest deterioration over 2015, followed by countries that export agro-industrial goods and mining products. Central American and Caribbean countries that are net importers of raw materials should improve their terms of trade in 2015. Raw material prices also had an impact on trade balances. The Economic Commission for Latin America and the Caribbean (ECLAC) calculates that, for the region as a whole, falling export prices will cause export earnings to diminish more rapidly than spending on imports owing to lower import prices. Consequently, between 2014 and 2015, these price changes led trade deficits to widen by about 1.2% of GDP. The estimated loss of the group of energy-exporting countries could be around 3.3% of GDP. For the member countries of the Southern Common Market (MERCOSUR), whose exports are dominated by agro-industrial products, trade balance losses would stand at 0.9% of GDP, while exporters of mining products stand to lose 0.5% of GDP. For the Central American countries plus the Dominican Republic and Haiti, the gains derived from lower import prices comfortably outweigh the expected losses due to lower export prices, and would yield a net gain of about 1.6% of GDP for the subregion. Against this backdrop, the current account deficit is forecast to widen slightly, on average, to 3.0% in 2015.

Financial markets are increasingly volatile in an ongoing context of severe economic and geopolitical risks. Following years of abundant liquidity in international financial markets and access to credit at low interest rates, concerns have arisen once again over the date of a possible increase in the benchmark interest rate by the United States Federal Reserve, as well as the timing and size of subsequent increases. It is unclear what impact a hike would have on financial markets. On the one hand, it may become more costly to tap resources in international markets, since liquidity would be less available as major providers such as the European Central Bank and the Bank of Japan would be unable to offset the liquidity squeeze caused by the hike. On the other hand, much will depend on how higher international rates affect the relative attractiveness of investments in non-dollar currencies, along with the impact on financial inflows to emerging markets, their financial asset prices and currencies.

Recent events in Greece surrounding its continued euro membership (or exit) have placed a question mark over the future of the single currency and possible repercussions in financial markets. Despite the above concerns, the region's countries are expected to maintain their access to international financial markets, albeit in a more complex scenario of tighter global liquidity.

In terms of domestic factors, one significant aspect was the slackening of demand, led by falling investment. The contribution of gross capital formation to growth, which had been in gradual decline since 2011, fell even more sharply from the second quarter of 2013. In 2014, gross fixed capital formation contracted by 2.0% for the region. In the first quarter of 2015, investment continued to slide, which had a negative impact of about 0.3 percentage points of GDP on growth in domestic demand. This investment pattern is alarming because of its adverse impacts on the dynamics of the business cycle and on the capacity for medium- and long-term growth.

Since the second quarter of 2013 (and especially in 2014), consumption expenditure also saw significantly slower growth, falling from 3.0% in 2013 to 1.4% in 2014. Specifically, private sector consumption slowed even more sharply, from 2.9% to 1.2% in the same period. This means that despite remaining the most important driver of GDP growth, the contribution of private consumption fell from 1.9 percentage points to 0.8 percentage points in 2014. Public and private consumption were also the main drivers of aggregate demand in the first quarter of 2015, although private consumption continued to falter and its contribution to economic growth once again diminished.

One notable aspect of 2014 and the first quarter of 2015 was that net exports made a positive contribution to GDP growth for the first time since the international crisis of 2009.

The economic slowdown has had little impact on unemployment. At the regional level, the drop in the employment rate in 2014 was not mirrored by a rise in the unemployment rate, which in fact edged down from 6.2% to 6.0%. However, preliminary data for the first half of 2015 indicate that persistently weak job creation is set to push up the region's open unemployment rate from 6.0% to 6.5% on average for the year.

Real wages are continuing to rise modestly in most countries, but sagging job creation is weighing on households' purchasing power, as reflected in lower private consumption growth.

The capacity of the region's countries to accelerate economic growth is contingent on the space available for the adoption of countercyclical policies, especially with a view to stimulating investment, which will be critically important for softening the impacts of the current external shock and preventing severe consequences for economies in the medium and long term.

In 2014 and the first quarter of 2015, the region's countries faced different situations in terms of the amount of fiscal space available. With a few exceptions, the public-debt-to-GDP ratio of Latin American countries generally remained stable at about 30% of GDP, largely thanks to the prevailing low interest rates, although borrowing by State-owned enterprises accelerated in some cases.

Preliminary figures suggest that, on average, revenue growth was outpaced by that of expenditure during the first quarter of 2015. Fiscal revenues are expected to fall in several Latin America countries in 2015 amid declining income from non-renewable natural resources. However, tax revenues are showing signs of a revival thanks to the recent reforms implemented in some countries.

The Caribbean has seen a marked improvement in its fiscal position, although the high level of public debt continues to weigh heavily on growth and investment. Caribbean countries are taking large strides to boost tax revenues, which will help them to close their fiscal gaps.

In terms of monetary policy, in 2014 and the first quarter of 2015, the countries generally adopted a countercyclical approach in an attempt to revitalize economic activity. In the first five months of 2015, the authorities of Colombia, Chile and Mexico kept their benchmark rates unchanged, while Brazil continued to raise rates, with hikes in January, March and April. In Peru, the interest rate was cut by 25 basis points in January 2015 and has remained unchanged since then.

The countries that used monetary aggregates as their main monetary policy instrument experienced quickening growth in the second half of 2014. During the first quarter of 2015, the monetary base in Caribbean economies followed a similar growth trend to that of 2014, while in Central and South American economies the monetary base expanded at a faster rate.

As in 2014, during 2015 the region's currencies tended to weaken against the dollar, a trend which coincided with a recovery in the level of international reserves. However, in the first five months of 2015, the build-up of international reserves slowed, posting an increase of 0.4% between December 2014 and May 2015.

The countercyclical monetary policy stance has been made possible by relatively low inflation rates. Since 2014, inflation patterns have differed in the countries and subregions of Latin America and the Caribbean: they have trended downward in the economies of the Caribbean, Central America and Mexico, and upward in the South American economies. Exchange rates have been an important factor in pushing up inflation.

B. The investment dynamic and future challenges

As stated above, one of the main factors behind the region's economic slowdown is the performance of investment. The falling investment rate and the reduced contribution of gross capital formation to growth are worrying, since they are detrimental not only to the business cycle, but also to the capacity and quality of medium- and long-term growth. For that reason, one of the main challenges for the resumption of vigorous growth is to revitalize the process of gross capital formation. In that context, the thematic chapters in this edition of the *Economic Survey of Latin America and the Caribbean* analyse the dynamics of investment in Latin America and the Caribbean, the relationship between investment and the business cycle, the role of public investment, infrastructure gaps and the challenges in financing private investment.

Chapter II examines the dynamics of the investment process in the region, the linkages between investment and the business cycle and the long-term effects of investment. Historically, gross fixed capital formation in Latin America and the Caribbean has been lower than in other developing regions. However, between 1990 and 2014, the countries of the region narrowed their investment gap with the developed economies and other developing countries, largely through higher private investment, which constitutes about 74% of gross fixed capital formation. Public investment (including that by State-owned enterprises) has strengthened since 2003, recovering from the large declines of the 1980s and 1990s and returning to levels of about 5% of GDP, but this figure is still low by comparison with Asia and Africa, where public investment is about 8% of GDP.

Investment in the region is more volatile than elsewhere in the world, essentially because of the dynamic of the machinery and equipment component, which tends to be associated with productivity. When this component is very volatile, so too are productivity gains, which consequently cannot be sustained over time. This is one reason for the productivity gap between Latin America and the Caribbean and other regions.

Investment volatility reflects specific characteristics of the region's business cycle. As this edition of *Economic Survey of Latin America and the Caribbean* shows, the data suggest that the dynamic of the region's investment cycle has been unfavourable to sustained, inclusive medium- and long-term growth. Analysis of business cycles between 1990 and 2014 shows investment contracting by substantially more and for much longer than GDP during cyclical downturns. Public investment has contracted particularly sharply, and by more on average, than in other regions of the world. Lastly, during cyclical upswings investment growth has not been enough to make up for the large and protracted declines during the downturns.

Investment behaviour not only affects the speed and rate of capital accumulation, but also has a direct bearing on productivity. The causal relationship between capital accumulation and productivity makes the cyclical characteristics of investment an important determinant of long-run growth capacity.

Chapter III, which focuses on public investment, discusses the need to move towards an inclusive fiscal framework to promote public and private investment. Starting from a narrow base, public investment began to rise in the region from 2003. The simple average of public capital spending in 19 Latin American countries (including State-owned enterprises in countries where these have significant presence) jumped from 4.7% to 6.5% of GDP between 2000 and 2014.

One of the lessons that the chapter draws is that to boost growth, fiscal rules should protect capital spending. To address macroeconomic volatility in the region, it is extremely important to design efficient countercyclical schemes

that protect investment. For minimizing adjustment costs and brightening expectations of potential growth and future stability, schemes to complement countercyclical policies by protecting (and stimulating) investments during troughs in the business cycle could be much more effective than fiscal rules based solely on spending or deficit targets.

Fiscal space is typically defined as the resources that are available for a specific purpose without affecting the sustainability of the government's financial position (public debt) or of the economy as a whole (ECLAC, 2014).¹ But that static definition does not take into account the dynamic effects that occur in the investment process: it is perfectly possible to safeguard the fiscal space (or maintain solvency) if public capital spending favours growth and thus generates future tax benefits. In other words, well managed public spending can help generate a virtuous circle of sustainable growth. Public investment can thus broaden the fiscal space, since it stimulates growth and thus secures future tax revenues. For that reason, it is important to put in place fiscal rules that stimulate investment.

One topic currently under discussion, and which is reviewed in this chapter, refers to the use of tax incentives to boost investment. Tax incentives or subsidies seem to have little effect in terms of bringing investment to fruition, but have had an adverse and immediate impact on fiscal space and the provision of public goods. Partly owing to institutional weaknesses and partly for ideological reasons, the overuse of these instruments has caused the fragmentation of tax systems and undermined income tax in particular. These incentives cannot be easily dismantled, since in most cases eliminating tax competition requires concerted action by countries that share similar economic spaces or activities.

Lastly, the chapter examines the experiences of the region in the area of public-private partnerships. One of the main benefits of such partnerships is that they use private resources to finance infrastructure investment without putting pressure on fiscal space. However, the commitments undertaken regarding the private partner, and the explicit or implicit guarantees given in certain contracts, may endanger future fiscal sustainability and the space for future public investments. A fundamental lesson to emerge from the region's experience is that this kind of legal and financial instrument has complemented public investment in some areas when an appropriate regulatory authority is in place; however, most capital spending on public goods remains directly funded by the State.

Chapter IV discusses the infrastructure needs and investment gaps of the region's countries, and underscores the importance of good-quality, reliable, sustainable and resilient infrastructure as a central aspect of sustainable development.

Latin American countries continue to have a severe infrastructure shortfall in all the economic infrastructure sectors analysed, although the situation is not homogeneous across countries or specific sectors. The shortcomings on display are especially striking when the region is compared not only with developed countries, but also with certain developing countries that had a similar infrastructure endowment level to Latin America in the 1980s. Furthermore, when the criterion of infrastructure quality is included in addition to that of availability, the current situation in the Latin American countries looks even more alarming, and the profound need for substantial investment efforts in the sector becomes apparent.

The chapter also shows that there has as yet been no adequate response to the demand for infrastructure investment. The highest investment ratios of the past 30 years were in the 1980s, while in the 1990s there was a sharp contraction in most of the region's countries. Only in the period between 2002 and 2012 was there a small recovery, though infrastructure investment in general and by sector did not reach the levels estimated by ECLAC and other multilateral organizations as necessary to meet the requirements of firms and final consumers.

Against this background, the issue of investment in economic infrastructure in Latin America must be a central concern for sustainable development-oriented public policymaking. Although many of the region's countries have adopted ambitious infrastructure plans, greater efforts are needed in terms not only of the quantity of investment but also of its quality, and thus the quality of the public policies on infrastructure planning and management.

Finally, chapter V looks at the issues surrounding investment financing in Latin America and the Caribbean. Financial inclusion and productive financing constitute two of the region's main challenges in this regard. At present, just 40% of small firms and 70% of large firms have access to funding from the formal financial system. The financial inclusion gaps between larger and smaller firms are partly explained by asymmetries in information and financing costs, and by the characteristics of the financial system in Latin America and the Caribbean.

¹ Economic Commission for Latin America and the Caribbean (ECLAC), *Panorama Fiscal de América Latina y el Caribe 2014: hacia una mayor calidad de las finanzas públicas* (LC/L.3766), Santiago, 2014.

The financial systems of the region's countries are generally shallow, short-termist and essentially reliant on commercial banks. There are few long-term financing instruments. Furthermore, one consequence of the information asymmetries that prevail in the region is credit rationing, especially for small and medium-sized enterprises (SMEs) and innovation activities. These features have resulted in high and segmented costs and low levels of banking coverage.

Another important factor that hinders firms from accessing financing is the still incipient and limited development of the capital market in Latin America and the Caribbean, with low capitalization levels and share trading volumes. Moreover, the number of firms listed on the region's stock exchanges has declined in the past decade, and trading is largely confined to a handful of shares.

When firms' access to financing is limited, their production capacity and the ability to grow and prosper are also constrained, since they are forced to finance their operations solely out of their own funds. The evidence for SMEs is that they use the financial system mostly for deposits and as a medium of payment, and far less for credit products, and this can constrain their capacity for future expansion and growth.

This state of affairs limits investment, innovation, productivity and growth. It also creates a vicious circle that keeps smaller production units in a constant state of vulnerability and low growth, with serious consequences for poverty and social inequality.

In a context of shallow financial markets and underdeveloped capital markets, boosting domestic resource mobilization for productive investment requires a set of economic and financial policies oriented towards developing financial markets and encouraging saving for long-term financing. The capacity and effectiveness of the financial system when it comes to channelling resources into production activities depend on the provision of low-cost intermediation services and the development of financial instruments and institutions that can adapt to different risk profiles, liquidity needs and maturities in the production sector.



Part I

The economic situation in Latin America and the Caribbean in 2014 and 2015

Regional overview

- A. The external context
- B. The external sector
- C. Domestic performance
- D. Macroeconomic policy
- Bibliography

A. The external context

Projections for global economic growth have been revised downward. The world economy was affected during 2014 and the first half of 2015 by a sharp drop in commodity prices, while international financial variables have been somewhat volatile in a context where major risks remain in a number of areas, not just economic and financial, but geopolitical as well. The main features that have been observed in recent times in the international context, and that are naturally affecting the region's economic performance in 2015, will now be described.

1. World economic growth was 2.6% in 2014 and is expected to be slightly higher in 2015, although projections have been revised downward

The world economy grew by 2.6% in 2014, a tenth of a percentage point more than in 2013, so that a slight accelerating trend was maintained. As can be seen in table I.1, growth in the developed countries, while still much lower than in the developing world, has been picking up in recent years. In particular, the developed countries grew by 1.6% in 2014, four tenths of a percentage point more than in 2013. Within this group, particular mention should be made of the United States, whose economy grew by 2.4% in 2014, a faster rate than in earlier years, and the eurozone, where growth of 0.9% followed a contraction of 0.4% in 2013.

Conversely, growth rates in developing countries have been on a downward trend in the last few years, and their 4.4% expansion in 2014 was a decline on the previous year's 4.7%. The position of China within this group is particularly significant, as growth rates there have been declining steadily, and in 2014 the Chinese economy grew by less than 7.5% for the first time since 1990 (see table I.1).

Table I.1
Selected regions and countries: GDP growth, 2008-2015
(Percentages)

	2008-2011	2012	2013	2014	2015 ^a	Revision from January 2015 projection
World	1.9	2.4	2.5	2.6	2.8	-0.3
Developed countries	0.1	1.1	1.2	1.6	2.2	0.1
United States	0.2	2.3	2.2	2.4	2.8	0
Japan	-0.7	1.5	1.6	0	1.2	0
Eurozone	-0.2	-0.8	-0.4	0.9	1.6	0.3
Russian Federation	1.4	3.4	1.3	0.4	-3.0	-3.2
Developing countries	5.6	4.8	4.7	4.4	4.4	-0.4
India	7.3	4.7	6.4	7.2	7.6	1.7
China	9.6	7.7	7.7	7.4	7.0	0
Southern Africa	3.3	3.4	3.2	2.5	2.9	-0.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, *World Economic Situation and Prospects, 2015. Update as of mid-2015*, New York, 2015; *World Economic Situation and Prospects, 2014*, New York, 2014.

^a Projections as of May 2015.

Although the world economy is expected to grow by 2.8% in 2015, slightly faster than in 2014, this is less than was being projected a few months ago. The January 2015 forecast was for world economic growth of 3.1%, three tenths of a percentage point above the current projection. Developing countries (among them those of Latin America and the Caribbean, as will be discussed further on) are part of the reason for this downward revision, as are transition economies like the Russian Federation, since the projection for the developed countries has been revised slightly upward.

The developed countries are expected to grow by 2.2% in 2015, a higher rate than in 2014 and one that is in line with the accelerating trend of previous years.

Within this group, projections for the United States over the whole of 2015 are positive, even though economic growth in the first quarter of the year was negative (a drop of 0.2% on the previous quarter in annualized terms). Activity in the first quarter was affected by climatic factors and by a port strike on the west coast, which negatively affected the dynamism of the economy, but these factors will drop out for the rest of the year.

In the case of Japan, after a year of virtual economic stagnation in 2014, things look more positive for 2015 because of the Bank of Japan's ultra-loose monetary policy, which has contributed to a considerable depreciation of the yen, as will be analysed further on. The drop in the oil price has also had a substantial effect.

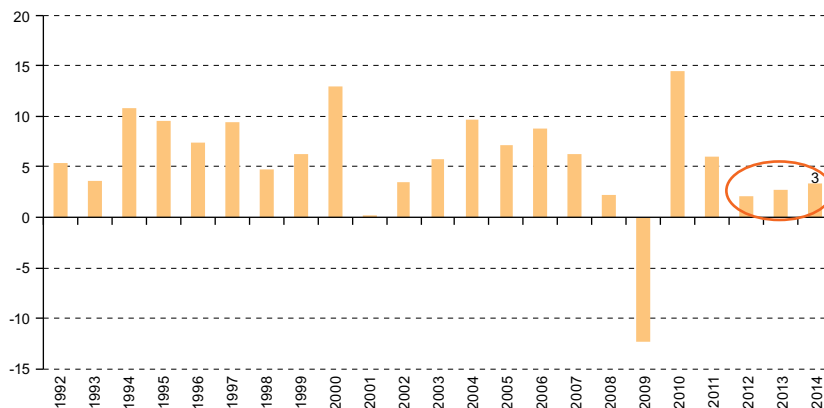
An expansion of 1.6% is forecast for the eurozone in 2015, well above the 0.9% growth of 2014. In line with this projection, that region grew by 1.1% in the first quarter of 2015 over the same quarter the year before. The consolidation of higher growth in the eurozone is basically explained by the effects of a large monetary expansion (see point 4) and consequent depreciation of the euro against the dollar (almost 30% in the period comprising 2014 and the first four months of 2015) in conjunction with falling energy costs, which will be discussed later. Projections remain subject, of course, to the uncertainty surrounding the eurozone in a number of areas, with Greece being the main factor. In addition, there are underlying structural issues that have persisted unresolved in the eurozone since the end of the global financial crisis. For example, the International Monetary Fund (IMF) recently warned that the eurozone needed to unclog the bank lending channel by dealing once and for all with the non-performing loans that remain on banks' balance sheets.

For developing countries, consistent with the slowing trend mentioned at the outset, a growth rate of 4.4% is expected for 2015, the same as in 2014. Within this group, the Chinese economy is expected to grow by 7% in 2015, and annualized growth in the first quarter of this year was exactly in line with that forecast. By contrast, growth in the Indian economy has been speeding up since 2013 and is expected to surpass China's in 2015.

2. World trade remains slack

World trade volume growth rates still languish at levels lower than before the global financial crisis. Indeed, trade growth has not exceeded 5% since 2011 (see figure I.1). This is the longest period of persistently low trade growth since the data series began.

Figure I.1
World: trade volume growth, 1992-2014
(Percentages)

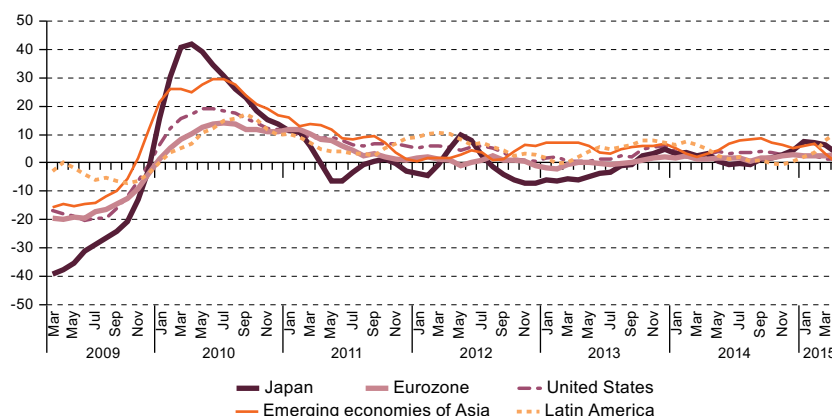


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Netherlands Bureau of Economic Policy Analysis (CPB).

Year-on-year world trade volume growth averaged just 2% in the first four months of 2015, which is indicative of even greater sluggishness than in 2014, when growth averaged 3%. This was due mainly to weakness in the volumes exported from the emerging countries of Asia, and also from Japan and the United States, with dollar appreciation in the latter combining with the west coast dock strike to affect export volumes in early 2015.

At the same time, stronger export volumes have accompanied the eurozone's large currency depreciation, and export volumes from Latin America and the Caribbean have also been rising, as will be discussed in the section on the external sector (see figure I.2).

Figure I.2
Selected countries and regions: seasonally adjusted year-on-year export volume growth, three-month moving average, March 2009-April 2015
(Percentages)

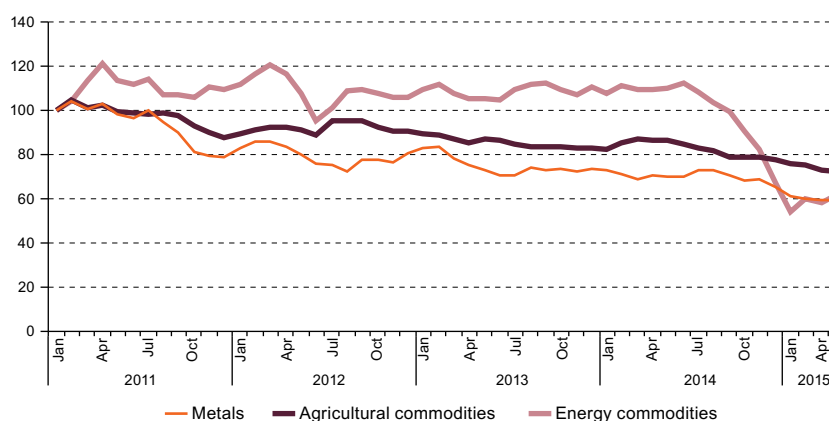


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Netherlands Bureau of Economic Policy Analysis (CPB).

3. Commodity prices have fallen by more than expected

The downward trend in metal and agricultural commodity prices that began in early 2011 continued during 2014 and the early months of 2015 (see figure I.3), with cumulative falls of 39% and 29%, respectively, between January 2011 and May 2015.

Figure I.3
International commodity prices, January 2011-April 2015
(Index: January 2011=100)



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

Prices for energy commodities (a category comprising oil, natural gas and coal), after holding fairly steady and then gradually sinking between early 2011 and the first half of 2014, fell dramatically from July that year. They bottomed out in January 2015 after falling by 52% in just seven months, mainly because of the drop in the price of crude oil (the largest component in the reference index), which was almost 60% over the period.¹

¹ World Bank, "Overview of Commodity Markets" [online] <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,,contentMDK:21574907~menuPK:7859231~pagePK:64165401~piPK:64165026~theSitePK:476883,00.html>. Brent and Dubai crude prices fell by the same amount (57%) between June 2014 and January 2015, while West Texas Intermediate (WTI) fell by 55%.

There are a number of factors behind commodity price falls. As discussed in earlier publications, global demand for these products has dipped, mainly because of slowing growth in the Chinese economy, while worldwide supply has risen as a result of increased investment in natural resource sectors during the price boom of the last decade. Additionally, however, there can be no doubt that there are possible speculative factors behind commodity price movements. In recent years, commodities have become financial assets with price changes driven by shifts in expectations about future market conditions as well as the actual state of the market and the balance of supply and demand. The growing role of commodities as financial assets is manifested, among other things, in the fact that their prices are becoming more closely associated (correlated) with more traditional financial assets such as shares (Pérez-Caldentey, 2015).

In the particular case of the oil price, its dynamic is also accounted for by factors specific to the oil market, given the appearance of the United States as a large-scale producer of crude via the exploitation of unconventional deposits (namely, oil shales) and technologies. United States crude production grew very strongly from late 2011 to the first half of 2014, almost offsetting the declines in production that resulted from the successive geopolitical conflicts affecting traditional sources in North Africa and the Middle East. Thus, a rough balance was maintained in the global crude market during those years and the price held steady, averaging US\$ 110 per barrel.²

From the second half of 2014, the supply of crude went into surplus because increased output in the United States more than offset declines in conflict-stricken oil-producing areas. Possible speculative factors aside, this supply surplus has undeniably been a major cause of the price drop since the second half of 2014.

On the question of what to expect from commodity prices over the second half of 2015, projections from different sources suggest that some kind of floor has been reached and prices will either remain at levels similar to today's or recover some of the ground lost, depending on the commodity. In the case of crude oil, the downward trend actually reversed in February, mainly because of a decline in the number of active wells in the United States. This factor should continue to affect prices until the end of the year, but is not expected to drive them above US\$ 65 or US\$ 70 a barrel, since United States output would be increased if they went higher than this. It has even been hypothesized that the oil price might stabilize at these levels for an extended period. The consequences this could have for the countries are manifold and naturally depend on how much their economies depend on oil exports or imports. Worldwide, though, it has been estimated that the net effect should be positive, insofar as lower oil prices translate into higher global consumption and, ultimately, higher output.³ There are still a number of major risk factors that could drive the price up (including the conflicts in the Middle East, the tension between the Russian Federation and the West and the stronger dollar) or down (a further rise in the crude supply, for example, if sanctions on the Islamic Republic of Iran are lifted).

Where metal prices are concerned, the boost to demand from low energy prices could result in a stable or even upward trend. In the case of agricultural commodity prices, lastly, two opposing forces are at work. First, the weakness of some producer countries' currencies (the Brazilian real, for example) against the dollar has driven up production and exports of some of these commodities (coffee, sugar and soybean, among others, in the case of Brazil), giving a downward bias to prices. However, the El Niño climate phenomenon is creating risk factors in the other direction, as it could result in smaller harvests, although estimates of its intensity this year are divergent.

4. Financial markets will be subject to volatility because of uncertainties on several fronts

During 2014, there were marked trends in the evolution of some of the main reserve currencies and the performance of sovereign bonds and stock market prices. In particular, the exchange rates of the Japanese yen and the euro against the United States dollar were mainly influenced by differences in the respective monetary authorities' policies (see box I.1). Thus, the euro depreciated by almost 30% against the dollar in the period comprising 2014 and the first four months of 2015, while the yen depreciated by 13% in just the eight months from the time its monetary programme was extended, in October 2014, until May 2015 (see figure I.4).

² The price of a barrel of Brent crude.

³ For example, Capital Economics (2015) estimates that global GDP could rise by 1% if the oil price held steady at US\$ 60 a barrel.

Box I.1

Major recent developments in the monetary policy of the United States, Japan and the European Central Bank

In early 2014, improving employment and economic activity indicators in the United States led the Federal Reserve to implement a policy of gradual withdrawal of the monetary stimulus it had introduced under its quantitative easing (QE) programmes. It did this by successively scaling back its monthly asset purchases from a peak of US\$ 85 billion a month to zero in October 2014.

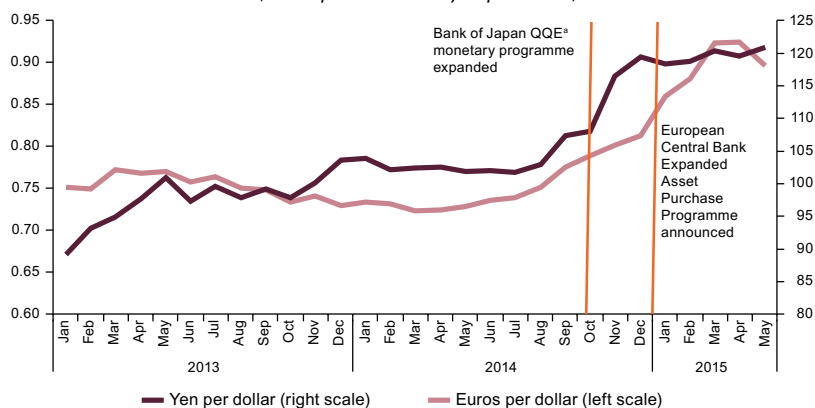
The Bank of Japan launched a massive monetary stimulus in 2013, promising to double the country's monetary base. Later, in October 2014, it extended its quantitative and qualitative easing (QQE) programme to prevent the falling oil price and a subsequent slackening of price rises from undermining inflationary expectations in the country. Lastly, the bank announced in June

2015 that it was maintaining its expansion programme unaltered, and this will probably continue into 2016.

In January 2015, the European Central Bank announced a quantitative easing (QE) programme, the Expanded Asset Purchase Programme, with a view to addressing deflation risks and increasing inflation in the eurozone. The plan consists in an extension of existing securities purchase programmes, taking total purchases of public and private securities by the European Central Bank to 60 billion euros a month. The programme began in March 2015 and will continue until September 2016 and if necessary beyond, until such time as the inflation rate is consistently back up at the target level, which is below but close to 2%.

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

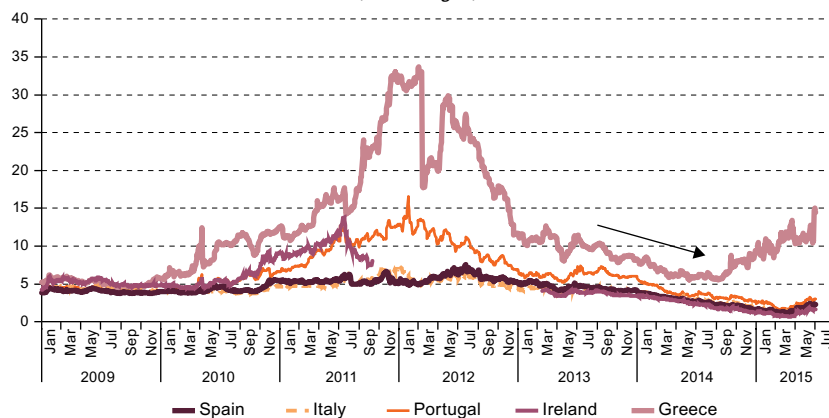
Figure I.4
Nominal euro and yen exchange rates against the United States dollar, January 2013-May 2015
(Euros per dollar and yen per dollar)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bloomberg.
^a Quantitative and qualitative easing.

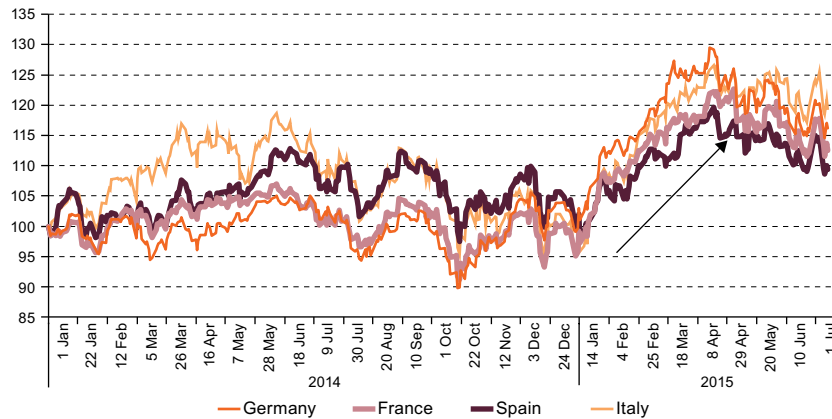
The expansionary monetary policy of the European Central Bank, combined with good news about economic activity, not just in 2014 but in the first quarter of 2015 as well (see point 1), drove down yields on eurozone bonds, including those of the periphery (Greece, Ireland, Italy, Portugal and Spain) and boosted share markets during 2014 and early 2015. However, in the past two months (May and June 2015), market movements have been influenced by the evolving situation in Greece (see figures I.5 and I.6).

Figure I.5
Eurozone (selected countries): 10-year sovereign bond yields, January 2009-June 2015
(Percentages)



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

Figure I.6
Eurozone: selected share market indices, January 2014–June 2015
 (Index: January 2014=100)



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

Lastly, there has been continuing uncertainty about the level of economic growth in China, compounded by the impact of developments on the Shanghai Stock Exchange during the first half of 2015, with a large run-up in share prices having been followed by a sharp drop.

5. United States Federal Reserve interest rates are rapidly approaching “lift-off”, and there could be prolonged financial volatility

Following years of plentiful liquidity in international financial markets and low-interest credit, signs of recovery in the United States economy after the decline in activity in the first quarter of this year have given a fresh immediacy to the question of when the Federal Reserve might raise interest rates. What has been called “lift-off” will be the first interest-rate increase by that institution since 2006, ending a period of near-zero rates that has now lasted six years.

It is unclear what impact higher rates might have on financial markets. One consequence will be an increase in financing costs in international markets owing to a decline in global liquidity. The reason is that, while two major liquidity providers, the European Central Bank and the Bank of Japan, will keep their ultra-loose monetary policy plans in effect until 2016, the increase in global liquidity brought about by these two banks is not expected to offset the constraint resulting from higher rates in the United States (IIF, 2015a).

At the same time, the possible impact depends on the consequences for the relative attractiveness of investments in currencies other than the dollar, and thence for financial flows to emerging markets, the prices of their financial assets and their currencies. In April 2015, IMF mentioned the risk of a possible “super taper tantrum” when the United States Federal Reserve finally starts to lift interest rates. The term “taper tantrum” was coined in mid-2013 for the period of financial turmoil that occurred because markets were taken by surprise when the Federal Reserve announced that it was going to start tapering its asset purchases under the quantitative easing programme earlier than planned and overreacted with large sell-offs of financial assets and currencies, particularly those of emerging countries.

However, there seems to be some consensus among analysts that, in contrast to the run-up to the 2013 “taper tantrum”, markets have now taken in the fact that the Federal Reserve will be raising rates this year—more specifically, it is believed, towards the year’s end. In view of this, it is assumed that uncertainty on this occasion might arise from the possibility that increases could be quicker or larger than expected.⁴

⁴ The consensus is that there will be an initial rate rise in the second half of 2015, followed by four increases of 25 basis points apiece during 2016 (IIF, 2015b).

In any event, given that the Federal Reserve's decision about when and by how much to raise rates depends mainly on the country's economic activity and employment data, it is certainly possible that as new information about the evolution of these variables becomes available, expectations may alter and financial market volatility may be prolonged over time.

It is also a fact that some emerging economies are more vulnerable now than they were at the time of the 2013 taper tantrum because of their dependence on external financing, reflected in larger current account deficits. These economies could thus be more exposed to volatility in current circumstances than they were in 2013.

B. The external sector

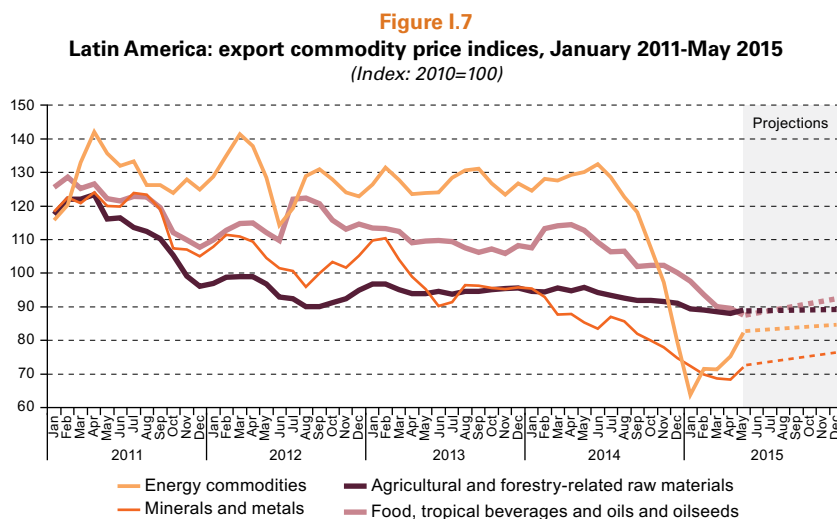
1. International commodity prices fell during 2014 and early 2015, and with them prices for the region's commodity exports

As discussed earlier (see point 3 of section A), the downward trend in metal and agricultural product prices that had begun in the first quarter of 2011 continued during 2014 and the early months of 2015. Prices for energy commodities (a category comprising oil, natural gas and coal) began to drop sharply in July 2014, losing 52% in just seven months up to January 2015. The price of crude oil, the largest component in the energy commodities index, dropped by almost 60% in the period.

These falls in global commodity prices have naturally been reflected in the average prices at which the countries of Latin America and the Caribbean export these products. ECLAC constructs a commodity export price index for the region where the weighting of commodity groups is calculated by their share of its export basket.

Figure I.7 shows the trend that the different components of the index have followed. It can be seen that the region's commodity export prices have dropped substantially, in line with the evolution of these prices in global markets. In the case of the food category, there had been no price recovery by May 2015. In the energy commodities category, conversely, there had been a substantial recovery, with the index having risen by 29% from its lows of January 2015. There had also been a recovery, albeit a very minor one, in metal prices.

As for what might be expected of commodity export prices over the rest of 2015, they will move in line with global commodity prices. As already mentioned, projections from different sources suggest that prices can be expected either to remain at around their current levels or to recover some of the ground lost. This would imply a price recovery between June and December 2015 of 5% for food, tropical beverages and oilseeds, 6% for minerals and metals and 3% for energy commodities (these projections are shown by dotted lines in figure I.7).



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

2. The region's terms of trade deteriorated in 2014 for almost all subregions, but the largest decline is expected in 2015

Logically enough, the impact of these price trends on the terms of trade in the region's countries has been unequal, depending as it does on the share that the products concerned represent in the export and import baskets of each country.⁵

While it is the case, as already mentioned, that most commodity prices seem to have more or less bottomed out and be recovering, the average levels at which they are expected to end 2015 are still well below the averages for 2014 (see table I.2). As an example, a price of US\$ 70 for a barrel of Brent oil at the end of 2015, which is what a number of analysts predict, would still leave the average price for the year more than 30% below that for 2014. Thus, according to ECLAC estimates, the terms of trade at the end of 2015 will have deteriorated considerably in most cases, with the group of countries that mainly export hydrocarbons being the worst affected.

Table I.2
Latin America: annual changes in export commodity prices, 2014 and projections for 2015
(Percentages)

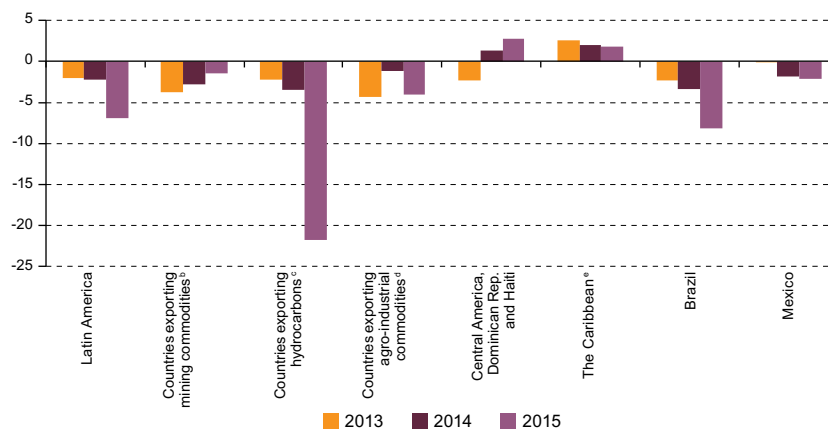
	2014	2015
Agricultural commodities	-2	-13
Food, tropical beverages and oilseeds	-2	-14
Food	-2	-12
Tropical beverages	34	-16
Oilseeds	-9	-17
Agricultural and forestry-related raw materials	-2	-5
Minerals and metals	-14	-13
Energy commodities	-6	-33
Crude oil	-8	-34
Derivatives	-5	-30
Coal	-17	-15
Natural gas	17	-24
Total commodities	-7	-22
Total commodities excluding energy	-8	-13

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and projections by Bloomberg, the Economist Intelligence Unit, World Bank and International Monetary Fund (IMF), *World Economic Outlook*.

Figure I.8 shows how the terms of trade have evolved for different subregions of Latin America and the Caribbean in recent years, and projections for 2015. For Latin America as a whole, 2014 was the third year running in which the terms of trade deteriorated, a trend that began in 2012, while in the Caribbean (excluding Trinidad and Tobago), the terms of trade improved in 2013 and 2014. In 2014, the group of countries whose exports consist mainly of hydrocarbons (the Bolivarian Republic of Venezuela, Colombia, Ecuador, the Plurinational State of Bolivia and Trinidad and Tobago) were the most affected, with their terms of trade falling by 3.5%, followed by countries whose exports consist mainly of minerals and metals and of agro-industrial commodities, whose terms of trade declined by 2.8% and 1.2%, respectively. In the case of Brazil, the terms of trade fell by 3.4%, as a number of products whose prices have fallen considerably are heavily represented in the country's export structure. Its export basket is dominated by metals (one of its main export products is iron, whose price has dropped sharply), food (soybean and, to a lesser extent, sugar and coffee) and energy commodities (although this item has a similar weight in the import mix, so the effect on the terms of trade has not been substantial). In the case of Mexico, while most exports are of manufactured products going to the United States market, the country is a net exporter of energy commodities (mainly crude oil) and was affected in 2014 by the decline in prices for these and for some metals it exports, particularly gold and silver. Lastly, the group comprising the countries of Central America, the Dominican Republic and Haiti benefited from the evolution of commodity prices during 2014, as did the Caribbean countries. These subregions' terms of trade rose by 1.3% and 2.0%, respectively, that year, since they are net importers of food and also (with the exception of Trinidad and Tobago) of energy commodities, and thus benefited from the global decline in prices for these products.

⁵ The terms of trade are defined as the ratio between the export price index and the import price index.

Figure I.8
Latin America and the Caribbean (selected country groupings):
changes in the terms of trade, 2013-2015^a
(Percentages)



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

^a The figures for 2015 are projections.

^b Chile and Peru.

^c Bolivarian Republic of Venezuela, Colombia, Ecuador, Plurinational State of Bolivia and Trinidad and Tobago.

^d Argentina, Paraguay and Uruguay.

^e Excluding Trinidad and Tobago.

3. Latin American goods exports and imports dropped in 2014 and are expected to do so again in 2015

In 2014, Latin America's goods exports and imports fell by 2.9% and 1.0%, respectively, from their 2013 levels by value.

At the country level, exports from Mexico and some Central American countries benefited from the sustained recovery in the United States, the main export destination for several of them. In the countries of South America, with some exceptions, what predominated were instead the effects of faltering European and Chinese demand for goods and lower export prices, so that the value of exports shrank.

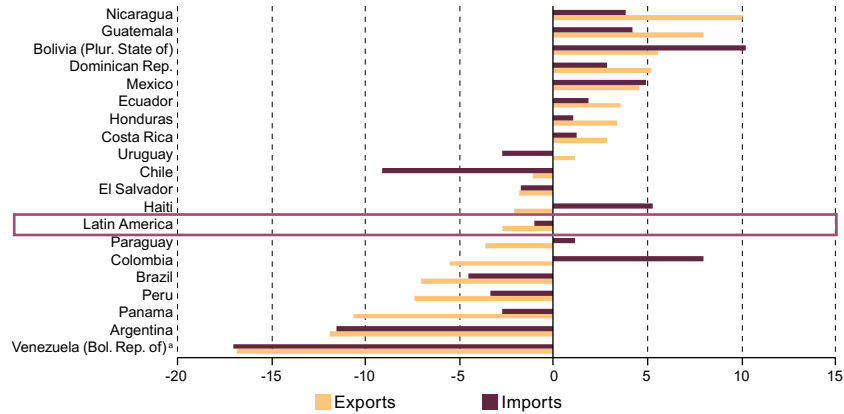
On the import side, a pattern of differentiation between countries was also observed. Those where private sector consumption and investment increased usually saw higher imports too, examples being Colombia, Ecuador, the Plurinational State of Bolivia and a number of economies in Central America. Conversely, in some countries where both consumption and investment fell (Argentina and the Bolivarian Republic of Venezuela) or investment alone did so (Brazil and Chile), goods imports declined too.

Two factors combine to form the background to projections for goods exports in 2015. The first is recovery (albeit with recent downward revisions) in the growth rates of some of the region's main trading partners, which should drive export volumes higher for most of the countries. The second is considerably lower international commodity prices, as already discussed. Thus, the value of goods exports from the region as a whole is projected to fall by almost 7% from the 2014 figure, with a 4% rise in export volumes being outweighed by a price drop of almost 11% (see figure I.10).

Year-on-year falls in the first four months of 2015 were much larger than those being projected for the year as a whole (figure I.11).

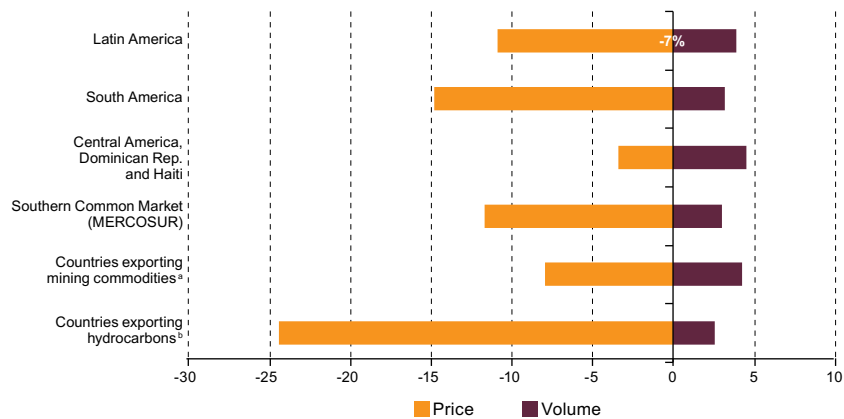
However, these declines were essentially due to lower export prices relative to the same period in 2014, since the volume exported by the region actually grew at a year-on-year rate of 9% in the first four months of 2015 (CPB, 2015). Thus, projections for the full year rely on the assumption that there will be some recovery in commodity prices over the rest of the year.

Figure I.9
Latin America (19 countries): changes on the previous year in goods exports and imports by value, 2014
(Percentages)



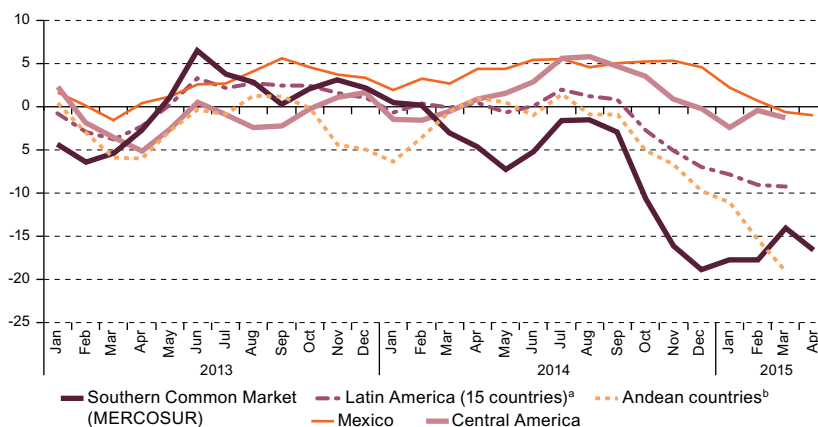
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
^a Estimates.

Figure I.10
Latin America (selected country groupings): projected changes in goods export volumes and prices, 2015
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC).
^a Chile and Peru.
^b Bolivarian Republic of Venezuela, Colombia, Ecuador, Plurinational State of Bolivia and Trinidad and Tobago.

Figure I.11
Latin America (selected country groupings): year-on-year changes in exports by value,
three-month moving averages, January 2013-April 2015
(Percentages)



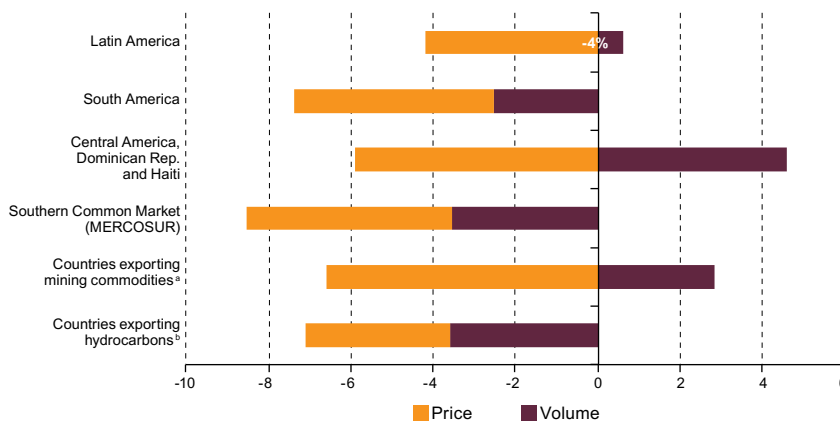
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

^b Chile, Colombia, Ecuador, Peru and the Plurinational State of Bolivia.

As regards goods imports by value, the projected decline of 4.2% in import prices and the small projected increase in import volumes net out to an estimated drop of almost 4% in 2015 relative to 2014, once again with differences between the various country groupings (see figure I.12).

Figure I.12
Latin America (selected country groupings): projected changes
in goods import volumes and prices, 2015
(Percentages)



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

^a Chile and Peru.

^b Bolivarian Republic of Venezuela, Colombia, Ecuador, Plurinational State of Bolivia and Trinidad and Tobago.

4. Movements in external trade prices meant that the trade balance deteriorated by the equivalent of 1% of the region's gross domestic product between 2014 and 2015

Besides the expected percentage changes in countries' and subregions' terms of trade, it is interesting to quantify the monetary losses or gains that can be expected to result from the differing trajectories anticipated for the countries' import and export prices between 2014 and 2015.

To this end, a simple exercise was carried out, consisting in calculating the difference between the trade balance projected for 2015 (arrived at by combining the expected evolution of export and import volumes and prices for the year) and what the trade balance would be if the projections for export and import volumes were correct but prices remained unchanged from a year taken as a basis for comparison (constant prices), in this case 2014. This isolates the result of the 2015 trade balance from effects deriving solely from the evolution of external trade prices between 2014 and 2015.

Accordingly, the projected trade balance for 2015 was first calculated using estimates of export and import volumes and prices expected for the year (equation 1). Next, it was recalculated by applying 2014 prices to the export and import volumes projected for 2015 (equation 2). Lastly, the gains (+) or losses (-) resulting from prices changes were calculated as the difference between the results of equations 1 and 2 (equation 3).

$$(1) TB_{2015} = X_{2015} - M_{2015}$$

$$(2) TB'_{2015} = \frac{X_{2015}}{XPI_{2015}} * XPI_{2014} - \frac{M_{2015}}{MPI_{2015}} * MPI_{2014}$$

$$(3) \text{Gain (+) or loss (-) from change in prices} = TB - TB'$$

where

TB : trade balance

X_i : value of exports in year i

M_i : value of imports in year i

XPI_i : export price index in year i

MPI_i : import price index in year i

The results in current dollars and as percentages of GDP are presented in table I.3. For the region as a whole, the drop in export prices reduces export revenues by more than the drop in import prices reduces import outgoings. The result is a net loss from external trade price changes of some US\$ 68 billion, the equivalent of 1.2% of regional GDP. For the group of countries that are reliant in some degree on energy commodity exports, losses from trade price changes come to over US\$ 39 billion, which represents a very large proportion of the group's GDP (3.3%). For the group of Southern Common Market (MERCOSUR) member countries, where agro-industrial commodities make up a large share of exports, the losses come to 0.9% of GDP, while for mining commodity exporters they come to 0.5% of GDP. Lastly, for the group of countries comprising Central America, the Dominican Republic and Haiti, the gains from lower import prices more than offset the losses expected from lower export prices, giving rise to a net gain equivalent to 1.6% of GDP in the subregion.

Table I.3
Latin America and the Caribbean (selected country groupings): losses or gains from external trade price changes between 2014 and 2015
(Millions of dollars and percentages of GDP)

Country groupings	Losses (-) or gains (+) from import and export price changes	
	TB ₂₀₁₅ - TB' ₂₀₁₅ ^a	
	(millions of dollars)	(percentages of GDP)
Latin America	-67 561	-1.2
Countries exporting hydrocarbons ^b	-39 486	-3.3
Countries exporting mining commodities ^c	-2 188	-0.5
Southern Common Market (MERCOSUR)	-23 104	-0.9
Central America, Dominican Republic and Haiti	4 534	1.6

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

^a Difference between the trade balance projected for 2015 using estimates of export and import volumes and prices for the year (TB₂₀₁₅) and the trade balance calculated by applying 2014 prices to the export and import volumes projected for 2015 (TB'₂₀₁₅).

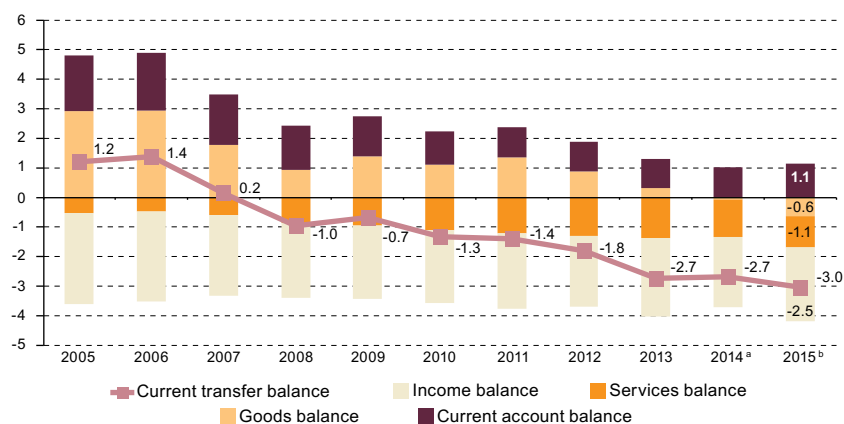
^b The Bolivarian Republic of Venezuela, Colombia, Ecuador, the Plurinational State of Bolivia and Trinidad and Tobago.

^c Chile and Peru.

5. The balance-of-payments current account deficit remained stable in 2014, but is expected to worsen in 2015

In 2014, the balance-of-payments current account of the Latin American countries was in deficit by the equivalent of 2.7% of GDP, the same as in 2013 (see figure I.13). A deficit of 3% of GDP is expected for 2015, representing a deterioration of 0.3 percentage points of GDP, owing to the evolution of the different components of the current account, as analysed below.

Figure I.13
Latin America (19 countries): balance-of-payments current account by component, 2005-2015
(Percentages of GDP)



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

^a The 2014 figures for the Bolivarian Republic of Venezuela are estimates.

^b The 2015 figures are projections.

The goods balance of the Latin American countries turned negative in 2014 as a result of a drop in goods exports (-2.7%) that was greater than the decline in goods imports (-1.0%). Thus, in late 2014 the goods balance registered a small deficit of 0.1% of GDP, as compared to a surplus of 0.3% of GDP the year before. A further deterioration in the goods balance is projected for 2015, yielding a deficit of 0.6% of GDP, since, as mentioned earlier, goods exports are once again expected to fall by more than imports.

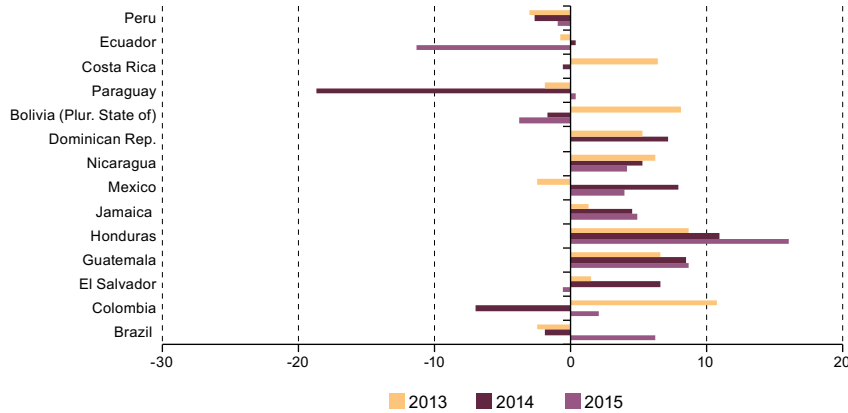
As for the services balance, this was in deficit by 1.3% of GDP in 2014. For 2015, inbound tourism in the region is expected to evolve positively, while a small rise is forecast for the costs of freight, insurance and other services linked to goods imports (whose volume is expected to grow slightly this year, as mentioned earlier). The outcome is projected to be a small improvement in the services balance, with a deficit of 1.1% of GDP in 2015.

The transfer balance held steady as a share of GDP in 2014, registering a surplus of 1%, as in 2013. A slight improvement is expected for 2015, taking the surplus to 1.1% of regional GDP, mainly as a result of the positive evolution projected for migrants' remittances, the main component of the current transfers category. Remittances are a very important source of financing for several countries in the region, including El Salvador, Guatemala, Haiti, Honduras and Nicaragua.⁶ Migrants' remittances rose by an average of about 5% in 2014 and 4% in the first four months of 2015 relative to the same period the year before. The countries where they rose most were Honduras (16%) and Guatemala (9%), both of whose remittances come mainly from the United States (see figure I.14).⁷

⁶ In the last decade, for example, remittances have averaged over 21% of GDP in Haiti, over 18% in Honduras, about 17% in El Salvador, about 11% in Guatemala and 10% in Nicaragua. In countries such as Argentina, Brazil, Chile and Uruguay, conversely, they have represented less than 0.5% of GDP in the last decade.

⁷ In some countries, the period taken is the first three months of 2015. The World Bank (2015) projects a 2.3% rise in remittances in the region over 2015 as a whole relative to their 2014 level.

Figure I.14
Latin America and the Caribbean (selected countries): changes in income
from emigrants' remittances, 2013-2015^a
 (Percentages)



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

^a The 2015 data cover January to May in Guatemala; January to April in Brazil, Colombia, Ecuador, El Salvador, Mexico, Nicaragua and the Plurinational State of Bolivia; January to March in Honduras, Paraguay and Peru; and January in Jamaica.

As figure I.13 shows, the income account has been the most negative category within the current account and the one entailing the greatest net outflows of funds for the region as a whole. The balance of the account improved in 2014 from a deficit of 2.7% of GDP to one of 2.4%. In 2015, an improvement in absolute terms is expected in this account, whose main component is outflows of funds in the form of profit remittances by foreign direct investment (FDI) firms to their parents abroad, but which also includes the external debt interest account, among others. This is because the negative evolution expected for the region's export prices will weaken the earnings of transnational firms operating there, potentially reducing the proportion of firms remitting to their parents. Even so, this category is expected to move from a deficit of 2.4% of GDP in 2014 to one of 2.5% in 2015.

6. The region's access to external financing held up well during 2014

During 2014, the region's access to external financing generally held up well. The region had a surplus on its capital and financial account (that is, it received net capital inflows) amounting to 3.6% of GDP, more than enough to cover the balance-of-payments current account deficit of 2.7% of GDP, so that the international reserves of the region as a whole expanded by the equivalent of more than half a point of GDP (see figure I.15). The share of net FDI in total capital flows declined, since such investment fell by about 16% in absolute terms relative to 2014, while the share of portfolio capital flows increased (ECLAC, 2015a).

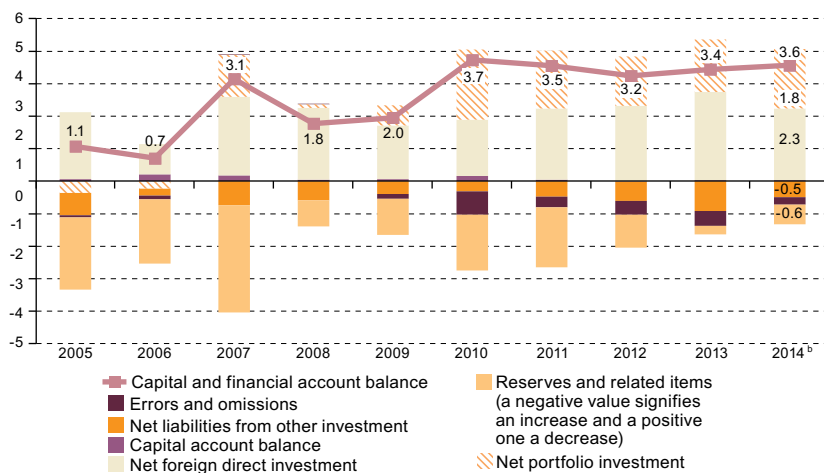
However, the annual figure for 2014 masks substantial differences in the behaviour of the financial account in the first and second halves of the year. Net capital inflows into the region dropped in the second half and their composition changed, with FDI holding steady while portfolio investment flows dropped sharply.

This drop in portfolio investment flows was paralleled by two other developments. The first was a relative rise in the average sovereign risk of the region's countries: spread on external bonds (EMBI Global) in the region, after dropping to 355 basis points in the second quarter, rose again in the third and fourth quarters, averaging 462 basis points in the latter. The second development was a slowdown in the build-up of international reserves in the third quarter, followed by a decline equivalent to about 0.3% of regional GDP in the fourth (see figure I.16).

Sovereign bond spreads widened just slightly in 2014 for almost all the region's countries. The exceptions were the Bolivarian Republic of Venezuela and Ecuador, which depend heavily on hydrocarbon exports and

are thus heavily exposed to the adverse effects of the sudden large drop in the oil price that took place in the second half of the year (see figure I.17). Sovereign risk increased by 353 basis points for Ecuador and 1,316 basis points for the Bolivarian Republic of Venezuela to 883 and 2,457 basis points, respectively, at the end of 2014. In the first five months of 2015, with the exception of the Bolivarian Republic of Venezuela, spreads held steady or, as in Argentina and Ecuador, actually dropped. For the region as a whole, the spread remained basically unchanged in the period.

Figure I.15
Latin America (18 countries) ^a: balance-of-payments capital and financial account by component, 2005-2014
(Percentages of GDP)

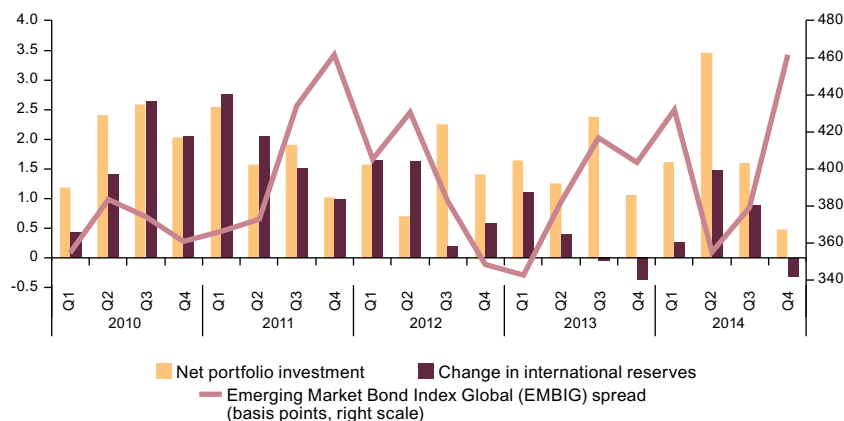


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Does not include Haiti.

^b The 2014 information does not include the last quarter for the Bolivarian Republic of Venezuela, as data for this are not available.

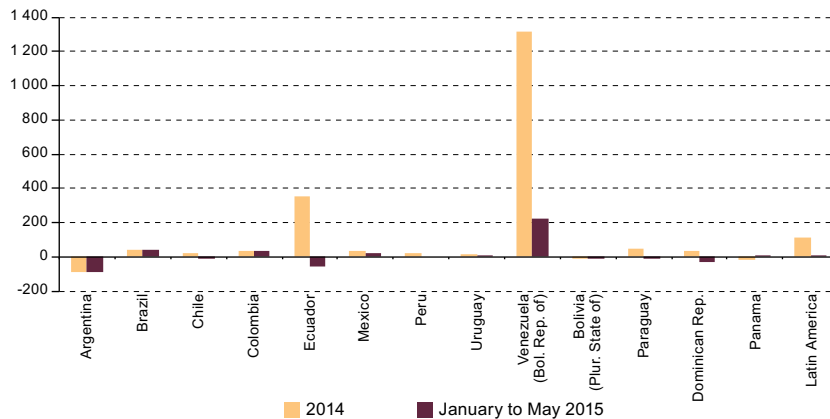
Figure I.16
Latin America (18 countries) ^a: net portfolio capital flows, changes in international reserves and average quarterly sovereign risk according to the Emerging Market Bond Index Global (EMBIG), 2010-2014
(Percentages of GDP and basis points)



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

^a Haiti is not included.

Figure I.17
Latin America (13 countries): changes in sovereign risk according to the Emerging Market Bond Index Global (EMBIG), 2014 and January-May 2015
 (Basis points)



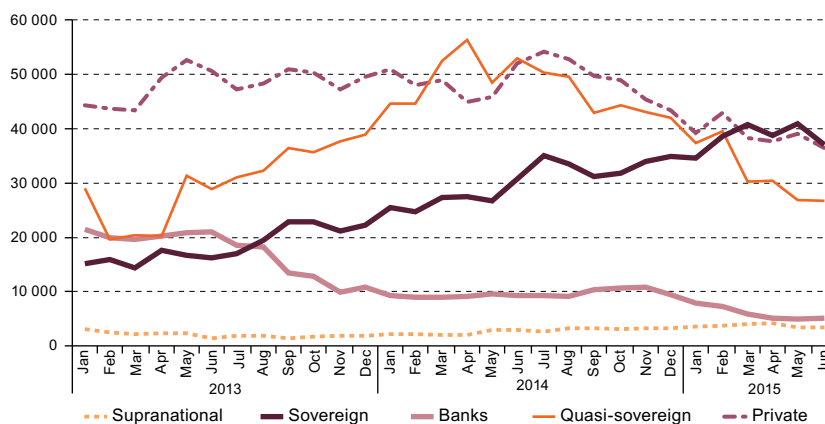
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from JP Morgan.

Bond issuance abroad was a record US\$ 133 billion in 2014. Issuance expanded substantially during the first half of the year, mainly because of the large rise in issues of sovereign and quasi-sovereign bonds, for example by State banks and enterprises. The region’s two largest economies accounted for 74% of total issuance in the first half of 2014: Brazil was the leading issuer, with 42% of the total, followed by Mexico, with 32%. As mentioned in the previous edition of this survey, the largest issuer in the first quarter of 2014 was PETROBRAS, the Brazilian State oil firm, whose total of over US\$ 13 billion represented about 30% of all regional issuance in the period.

In the second half of 2014, however, issuance in external markets, at US\$ 49 billion, was just over half what it had been in the first six months of the year (US\$ 84 billion). Much of this drop was explained by the absence of PETROBRAS, since after its March 2014 issue it did not return to the market until June 2015.

The level of issuance in the first five months of 2015 seems to indicate a continuing downward trend, as the total of US\$ 51.7 billion was 25% below the figure for the same period the previous year. Indeed, cumulative issuance data over 12 months reveal a striking decline in bond issuance in all sectors other than sovereign bonds, issuance of which increased, and supranational bonds, which held steady, albeit at comparatively low levels (see figure I.18).

Figure I.18
Latin America: external bond issuance by institutional sector, 12-month running totals, January 2013-June 2015^a
 (Millions of dollars)



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 June 2015 data run up to the 17th of that month.

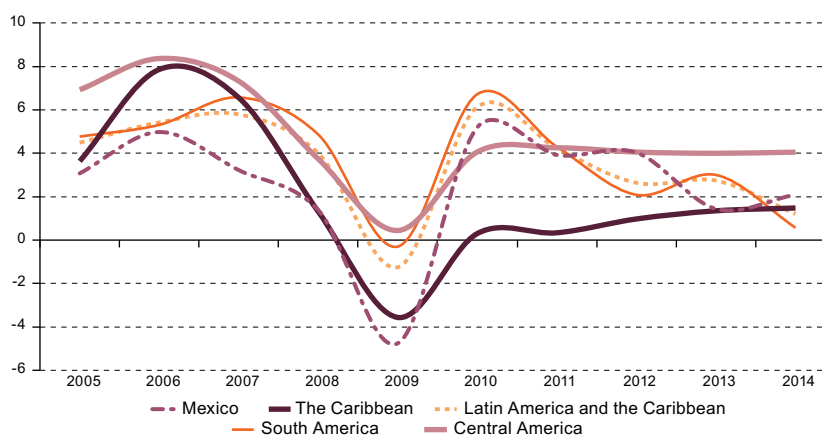
This downward trend in access to external financing could be maintained over the rest of 2015, since, besides the negative effect of the drop in commodity prices on most of the region's economies, external financing will be affected by increased risk aversion and the prospect of lower growth or in some cases even an economic contraction in the region's countries. The United States policy of interest rate increases (which are expected to begin in the second half of the year) is likewise expected to reduce global liquidity by more than expansionary monetary policies in Japan and the European Union increase it. The conjunction of these factors is quite likely to result in capital flows to the region being lower in 2015 than in 2014, although the sketchiness of the information available so far (data for the first quarter of 2015 covering just four countries) means that this trend cannot yet be discerned.⁸

C. Domestic performance

1. The slowdown in the region's economic growth worsened in 2014

Latin America and the Caribbean's GDP grew by 1.1% in 2014, meaning that per capita GDP stagnated. This is the lowest rate of expansion since 2009 and represents a continuation of the economic slowdown the region has been mired in since 2011 (see figure I.19).⁹

Figure I.19
Latin America and the Caribbean: changes in GDP, 2005-2014
(Percentages based on constant 2010 dollars)



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

This slackening in the region's economic activity was caused by low growth in the economies of South America as a group, where it dropped from 3.2% in 2013 to 0.6% in 2014. The economies of Central America (4.1%) and the English- and Dutch-speaking Caribbean (1.2%) maintained their 2013 growth rates, while Mexico's accelerated from 1.4% in 2013 to 2.1% in 2014. At the country level, 2014 GDP growth rates were highest in the Dominican Republic (7.3%), Saint Kitts and Nevis (6.3%), Panama (6.2%) and the Plurinational State of Bolivia (5.4%), while output contracted in the Bolivarian Republic of Venezuela, Saint Lucia and Saint Vincent and the Grenadines.

⁸ At the time this publication went to press, only a few countries had released balance-of-payments data for the first quarter of the year. The information is available for Brazil, Chile, Mexico and Peru, and the evidence to date is that net inflows are not declining but stagnating. In addition, methodological changes implemented by Brazil mean that its 2015 figures are not comparable with those of 2014, making it difficult to draw conclusions for the time being.

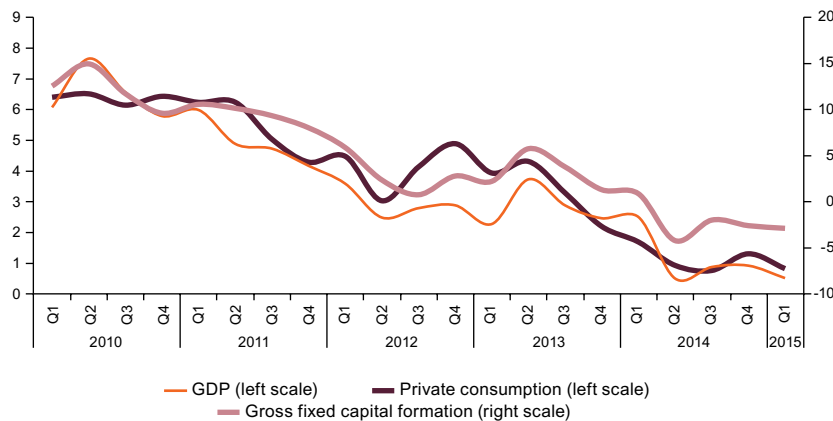
⁹ The average GDP growth rate in Latin America and the Caribbean for the period from 2005 to 2008 (before the crisis) was 4.9%. This compares with 2.9% between 2011 and 2014 (after the crisis).

Although the slowdown extended throughout 2014, it worsened in the second quarter of the year, when year-on-year growth (relative to the same quarter the year before) was 0.5%. This was the first time since 2009 that year-on-year quarterly GDP growth in Latin America and the Caribbean had dropped below 1%. Preliminary figures indicate that the slowdown in economic activity was maintained in the first quarter of 2015, with year-on-year growth in the region (relative to the same quarter in 2014) estimated at 0.5%. This would be the fourth quarter running with a year-on-year GDP growth rate of less than 1%.

2. Lower GDP growth went along with a sharp slowdown in consumption and contracting investment

In line with slower growth in regional GDP, growth in total consumption spending dropped sharply to 1.4% in 2014 from 3.0% in 2013. The slowdown in private sector consumption was most pronounced, with growth declining from 2.9% in 2013 to 1.2% in 2014. The slower rate of expansion in private consumption reflects a lessening of the impetus from the labour market, owing to lower growth in total wages (see figure I.20).

Figure I.20
Latin America and the Caribbean: year-on-year changes in GDP, private consumption and gross fixed capital formation, first quarter of 2010–first quarter of 2015
(Percentages based on constant 2010 dollars)

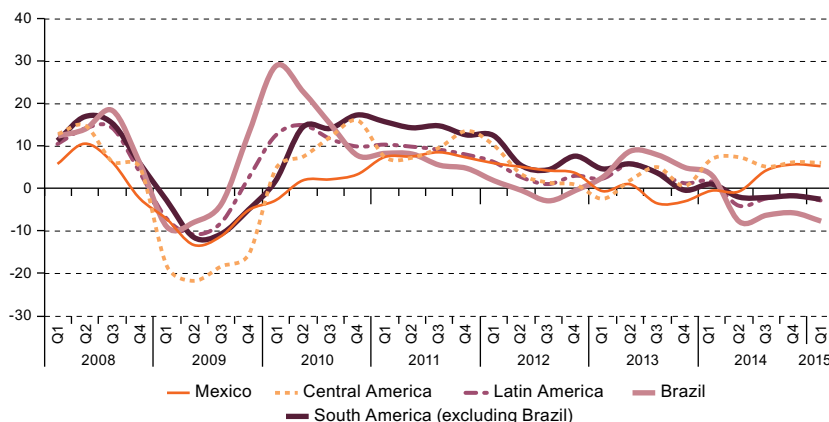


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Gross fixed capital formation, meanwhile, contracted by 2.0% regionwide during 2014, reflecting the adverse performance of this variable in nine of the region's economies. Similarly, it should be noted that the weighted average for investment in the economies of Latin America and the Caribbean contracted at annualized rates of over 2.0% in the last three quarters of 2014.

At the subregional level, gross fixed capital formation became more dynamic in Mexico and Central America during 2014, in contrast to what was seen in the economies of South America, where investment contracted in all four quarters of the year. This marked subregional difference was due, in the case of the South American economies, to the fact that new projects (and plans to expand existing ones) were put on hold in sectors such as hydrocarbons, gas, metals and mining, in response to a potential decline in external demand and a sharp correction in commodity prices in the second half of 2014 (see figure I.21).

Figure I.21
Latin America: changes in gross fixed capital formation on the same quarter the previous year, weighted averages, first quarter of 2008–first quarter of 2015
(Percentages based on constant 2010 dollars)

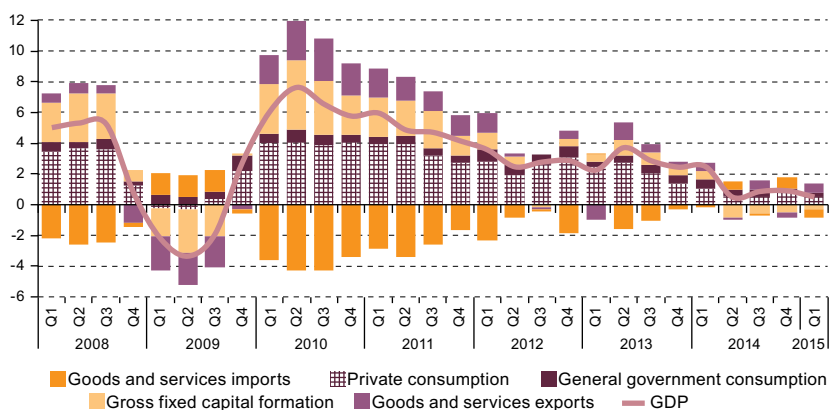


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

3. Consumption remains the main driver of growth, but its share has been declining

The evolution of private consumption, as described above, meant that this continued to decline in importance as a driver of GDP growth, and while it remained the main contributor to economic expansion, its share dropped from 1.9% in 2013 to 0.8% in 2014. Figure I.22 shows how the contribution of private consumption spending to economic growth diminished from the first quarter of 2013. The drop in gross fixed capital formation in 2014, meanwhile, meant that its contribution to growth was negative for the first time since 2009.

Figure I.22
Latin America: changes in GDP and the contribution of aggregate demand components relative to the same quarter the previous year, first quarter of 2008–first quarter of 2015
(Percentages and percentage points based on constant 2010 dollars)



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

In 2014, the fall in imports on the back of weaker aggregate demand meant that net exports made a positive contribution to GDP growth for the first time since the 2009 global crisis despite slowing growth in goods and services exports.

The trend described continued through the first quarter of 2015, with the information available once again revealing a drop in the growth contribution of private consumption and a negative contribution from investment. The contribution of net exports, while still positive, has been declining considerably.

One thing to highlight is that GDP growth slowed across the board in 2014, with mining and quarrying being the only production sector where growth accelerated in the region, rising from 1.5% in 2013 to 2.3% in 2014. By contrast, the manufacturing sector was the worst performer, contracting in at least 11 economies of the region. The result was that manufacturing GDP in Latin America and the Caribbean dropped by 0.5% in 2014.

4. The GDP growth slowdown in the region is expected to continue in 2015

Preliminary figures for the first quarter of 2015 suggest that the slowdown in activity is ongoing, and even that some of the region's larger economies could experience a contraction. The slowdown in private consumption, the reduced dynamism of aggregate external demand, the contraction of gross fixed capital formation in 2014 and the possibility that external financing costs will rise are some of the factors supporting these expectations.

As is traditional in the region, the performance of the different economies will once again be heterogeneous in 2015. The degree and characteristics of specialization in the export mix, trade links, domestic conditions and the scope the authorities have to conduct countercyclical policy will all make a difference. Thus, the economies of South America, with production structures that are heavily weighted towards commodities and with China as a leading export destination, will have low and in some cases even negative growth rates. The economies of the Caribbean, Central America and Mexico, which have stronger trade links to the United States and whose exports are more reliant on manufactures (and which, in the case of the Caribbean and Central America, are net importers of hydrocarbons), will perform better than their counterparts further south.

The ability of the authorities to adopt countercyclical policies and, in particular, to stimulate investment will be vital in the effort to reduce the effects of the external shock and forestall a substantial impact on the medium- and long-term performance of the region's economies.

The GDP of the Latin American and Caribbean economies is expected to grow by 0.5% in 2015. This projection is considerably lower than the one presented in the 2014 *Preliminary Overview* (ECLAC, 2014), but is in line with the continuing revisions to growth in the world economy and the region's main trading partners since then. Similarly, the scale of the drop in demand for some commodities caused forecasts to be revisited, particularly for the South American economies.

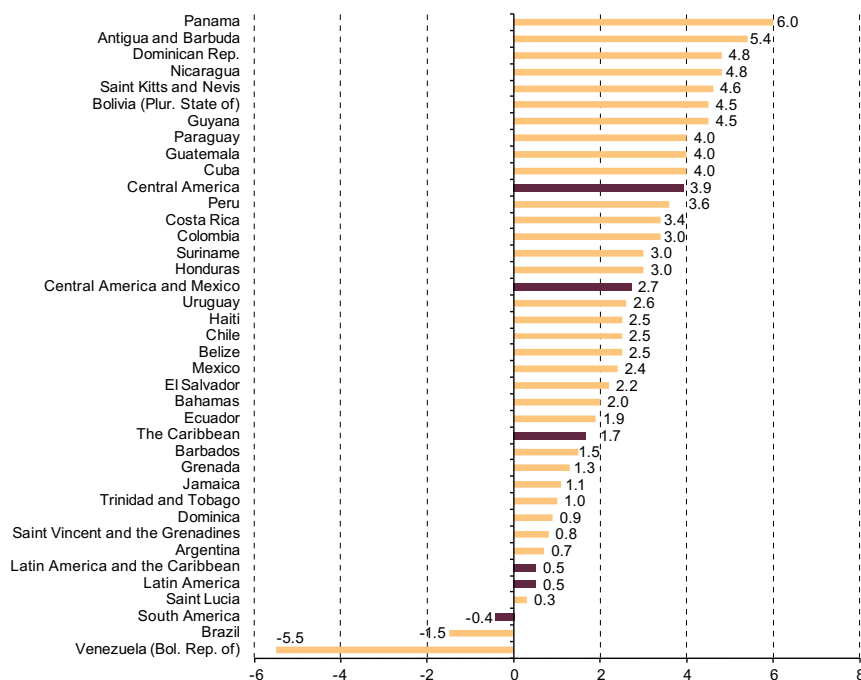
At the subregional level, the English- and Dutch-speaking Caribbean is expected to grow more quickly in 2015, achieving a rate of about 1.7%, its highest since 2008. A similar dynamic is expected for the subregion constituted by Mexico and Central America, whose growth rate ought to pick up slightly to 2.7%. Despite an improved performance by Chile and Peru thanks to recovering domestic demand, South American GDP is expected to contract (by 0.4%) in 2015. This drop in economic activity is expected to be even greater than that experienced by the subregion during the 2009 global crisis (see figure I.23).

5. Inflation in Latin America and the Caribbean increased in 2014, while in the first five months of 2015 it fluctuated around a level just below that of the year's end¹⁰

From 7.6% in 2013, inflation in Latin America and the Caribbean rose by 1.9 percentage points to 9.5% in 2014. These figures change significantly if the Bolivarian Republic of Venezuela is excluded from the regional average, becoming 4.9% in 2013 and 6.3% in 2014, a rise of 1.5 percentage points.

¹⁰ Because no recent information is available on prices in the Bolivarian Republic of Venezuela (the last time a figure was published was in December 2014), the regional calculations shown in this section exclude that country's data.

Figure I.23
Latin America and the Caribbean: projected changes in GDP, 2015
(Percentages based on constant 2010 dollars)



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

Note: Unless otherwise indicated, the data for country groupings are weighted averages.

While low by historical standards in the region, these figures are the highest since the 2009 global financial crisis. When levels at the end of 2014 are compared with those in the first five months of 2015, the cumulative 12-month inflation rate is found to have fallen slightly to about 6.0%.

The region's traditional heterogeneity on many macroeconomic variables can also be seen in the dynamic of inflation, with general patterns emerging from the analysis by subregion. In the economies of the north of the region (Mexico and the countries of Central America and the English- and Dutch-speaking Caribbean), inflation rates were stable or trended downward between 2013 and 2014, while inflation in the South American economies picked up. This subregional divide deepened in the first five months of 2015, and while average cumulative 12-month inflation has been negative in some economies of the Caribbean (Belize, Dominica, Grenada and Saint Vincent and the Grenadines) and Central America (El Salvador), the pace of price rises has quickened in the economies of South America (see table I.4).

Table I.4
Latin America and the Caribbean: 12-month changes in the consumer price index (CPI),
December 2013, December 2014 and May 2015
(Percentages)

	To December 2013	To December 2014	To May 2015
Latin America and the Caribbean ^a	4.9	6.3	6.0
South America ^a	5.4	7.5	7.7
Central America and Mexico	3.9	4.0	2.8
The Caribbean	5.4	4.7	2.8

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

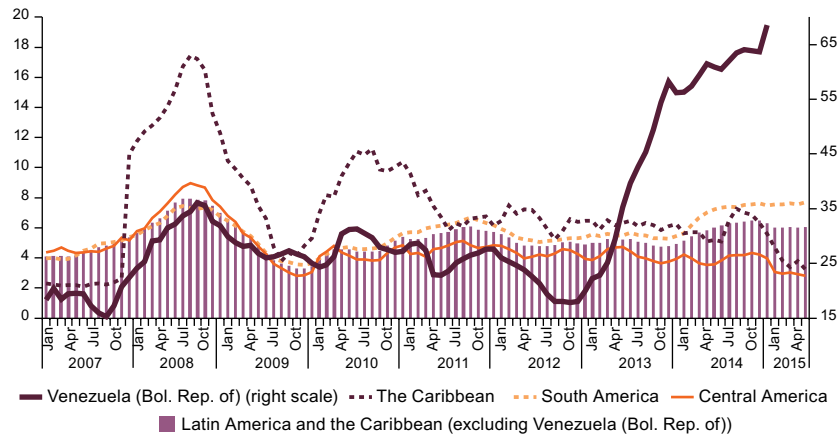
^a Excluding the Bolivarian Republic of Venezuela.

Two economies, Argentina and the Bolivarian Republic of Venezuela, had double-digit inflation in 2014, while prices rose by over 5% in Trinidad and Tobago, Uruguay, Brazil, Haiti, Nicaragua, Jamaica, Honduras, the Plurinational State of Bolivia and Costa Rica (in descending order of inflation rates).

Although annual inflation held steady during 2014 in the economies of the region's north (Mexico and the countries of the Caribbean and Central America), its behaviour varied considerably over the year. Prices fell slightly in the first two quarters before rising again in the third. Inflation eased again in the fourth quarter and resumed the trend of the early months of the year (see figure I.24).

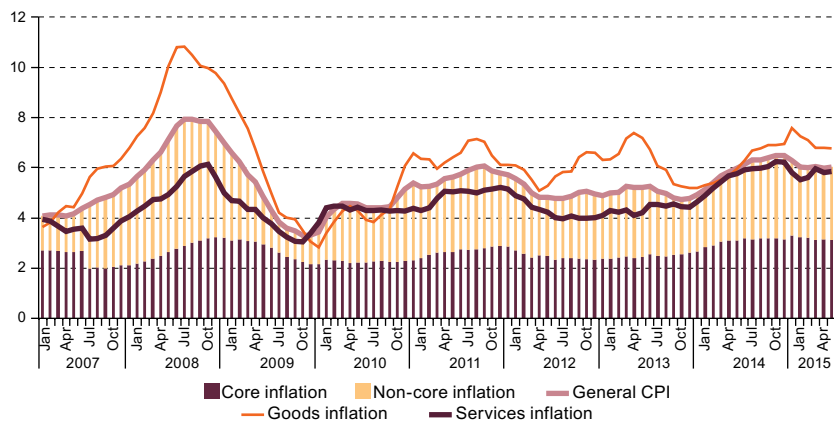
A breakdown of the evolution of prices into core and non-core components (energy and food), shows that core inflation became a weightier determinant of overall inflation, accounting for over 50% of the region's 12-month cumulative inflation rate from July 2013 onward (see figure I.25).

Figure I.24
Latin America and the Caribbean: 12-month changes in the consumer price index (CPI), weighted averages, January 2007-May 2015
(Percentages)



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

Figure I.25
Latin America and the Caribbean: 12-month changes in the consumer price index (CPI) and contributions to inflation, weighted averages, January 2007-May 2015
(Percentages)



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

Figure I.25 also shows that goods prices rose by more than those of services during the second half of 2014, and that this tendency continued in the first five months of 2015, bringing to an end the convergence between the inflation rates of these two categories seen during 2013 and the first quarter of 2014.

Just as the evolution of prices in the region has been very heterogeneous, so a whole variety of factors have contributed to the outcomes seen. In countries with more flexible exchange rates, such as Brazil, Chile, Colombia and Peru, currency depreciation against the dollar and the related transfer effect have contributed to higher inflation. In other countries, such as Argentina and the Bolivarian Republic of Venezuela, rapid expansion of monetary aggregates and fiscal deficits in a context of low growth or recession has also been a factor in sustained price rises.

The path of inflation over the rest of 2015 will be conditioned by different factors, particularly:

- (i) The evolution of commodity prices in international markets, especially energy, as these could rise back up to average levels that, while significantly lower than in 2014, are higher than in the first quarter of 2015. This effect will be preponderant in determining inflation in the economies of the region's north, which have clearly benefited from the drop in oil and food prices, since they are net importers of these and many of their currencies have been quite stable;
- (ii) The slowdown in aggregate domestic demand, particularly in the economies of South America, as this should weaken the recent upward pressure on prices;
- (iii) The exchange-rate volatility prevailing in international financial markets, the greater cost of external financing and the fall-off in FDI resources, which have created a tendency towards currency depreciation in many of the region's economies. This in turn has driven up the local-currency cost of goods purchased abroad, with the end result, via the transfer effect, being higher domestic prices.

Which of these factors predominates will depend on country-specific circumstances, but the presence of one or more of them will undoubtedly influence the actions of policymakers, and particularly of the authorities responsible for monetary and exchange-rate policy, as they seek to stimulate domestic economic activity, particularly investment, in a context of slow-growing aggregate external demand.

6. The unemployment rate fell in 2014 despite low economic growth

The performance of the region's labour market was unusual in 2014, as the unemployment rate fell once again despite very modest economic growth. As was to be expected, the weak demand for labour resulting from this low growth was manifested in a drop in the urban employment rate, which fell from 56.8% in 2013 to 56.5% in 2014.¹¹ However, an even larger fall in the urban participation rate from 60.6% to 60.1% between these two years meant that the region's urban unemployment rate dropped from 6.2% to 6.0%.

The drop in the employment rate was mainly due to weakness in the creation of wage-paying jobs, which expanded by just 0.75%, reflecting an elasticity of wage employment to output of about 0.7. There was a moderately countercyclical 2.3% increase in own-account work, while employment in other occupational categories (domestic service and unpaid family work) contracted. The weakness of the demand for labour was also manifested in a slowdown in the growth of registered wage employment, which represents higher-quality jobs. Although this type of employment is still generally growing at higher rates than wage employment overall as existing informal jobs become formalized, there has been a clear slowdown in almost all the countries for which information is available. In some cases, this higher-quality employment grew by less than overall employment, a reversal of the trend of recent years, when employment quality indicators improved (see table A.25 in the statistical annex).

Looking beyond the drop in the unemployment rate, there are indicators that reveal a degree of stability in the labour market. They include, in particular, stability in the rate of underemployment by hours worked and in average real wages, which generally carried on rising at moderate rates (see tables A.26 and A.27 in the statistical annex).

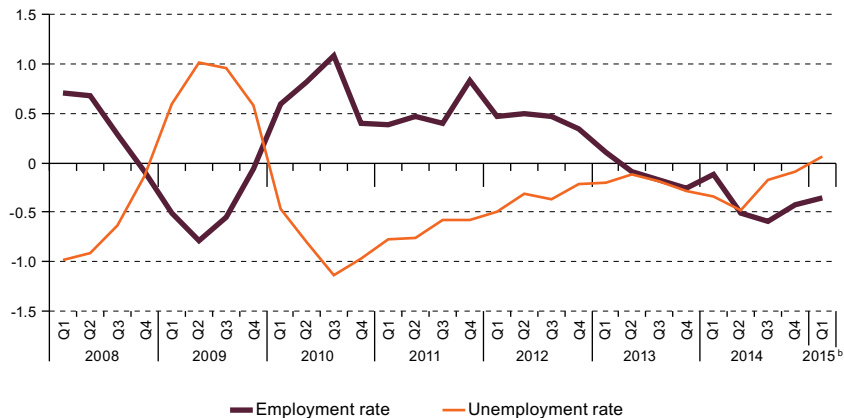
¹¹ Urban employment and participation rates in the region are slightly higher than reported previously (see, for example, ECLAC, 2014), owing to the incorporation of adjustments to the data from Mexico, where the age at which people were counted as part of the working-age population was increased from 14 and over to 15 and over.

A possible explanation for the partly atypical behaviour of the labour market in 2014 is that the impact of low growth that year was offset by greater resilience in many households because of dynamic job creation and rising real wages over the previous period.¹² Whereas many households were forced to send their secondary workforce (young people especially) into the labour market on earlier occasions when low growth negatively affected wages and the demand for labour, there was less pressure this time, perhaps because of the higher employment and income levels attained in earlier years. Accordingly, the usual procyclical drop in the region's labour force participation rate was sharper and informal employment grew by less this time than on similar occasions, with the atypical consequence of a drop in the open unemployment rate.¹³ Lastly, it should be stressed that the patterns which thus shaped the evolution of the main labour market variables in the region chiefly reflected developments in the three largest economies (Brazil, Mexico and Argentina), while the performance of the labour market in the other countries during 2014 was very heterogeneous.

7. Weak job creation in the first quarter of 2015 pushed up the regional unemployment rate slightly

The region's urban employment rate carried on declining on a year-on-year basis in the first quarter of 2015, dropping by 0.4 percentage points as a result of weak labour demand in the limited group of countries for which information is available.¹⁴ In this group of countries, however, the drop was less marked than in the second half of 2014, when it was 0.5 percentage points (see figure I.26).

Figure I.26
Latin America and the Caribbean: ^a year-on-year changes in employment and unemployment rates, first quarter of 2008–first quarter of 2015
(Percentage points)



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

^a Includes 10 countries: Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Ecuador, Jamaica, Mexico, Peru and Uruguay.

^b Preliminary figures.

Something similar can be observed with the region's urban participation rate. While this was 0.6 percentage points lower on average in 2014 than in 2013, in the first quarter of 2015 it dropped by 0.3 percentage points in this group of countries. As a result of this development, the region's urban unemployment rate stopped falling and actually rose very slightly to 6.35%, the result being the first year-on-year increase in the unemployment rate since the fourth quarter of 2009.

As with other indicators, the regional data representing weighted averages of national results mask a great deal of heterogeneity between countries. In fact, the aggregate data are heavily influenced by the marked change in the employment performance of Brazil, where the urban unemployment rate was an average of 0.6 percentage points

¹² See ECLAC/ILO (2015) for a detailed review and interpretation of developments in the regional labour market in 2014.

¹³ Only jobless people actively seeking paid work are counted in the open unemployment figures.

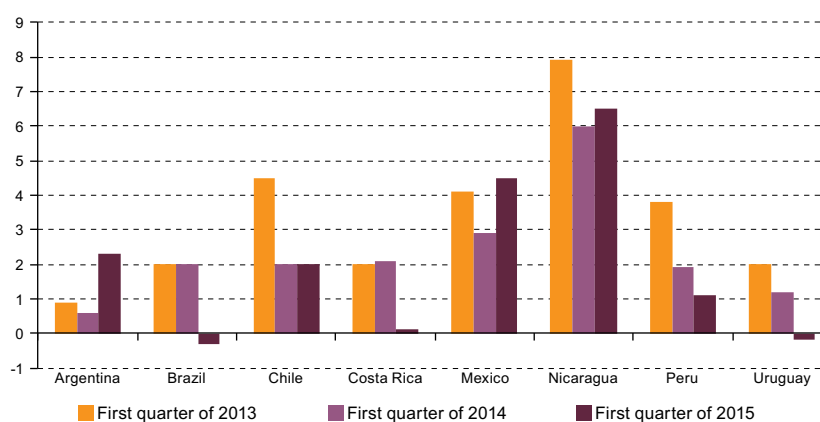
¹⁴ Namely Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Ecuador, Jamaica, Mexico, Peru and Uruguay, these being the countries for which extensive quarterly data series are available.

lower in 2014 than in 2013 but 0.8 percentage points higher in the first quarter of 2015 than in the same period the year before. Besides Brazil, of the countries with employment information available for the first quarter of 2015, the unemployment rate only increased in Costa Rica, Jamaica and Uruguay. In Argentina, Chile, Mexico and Peru, the pattern that had prevailed across the region in 2014 continued, with large falls in the participation rate meaning that the unemployment rate held steady or even declined. In the Bolivarian Republic of Venezuela, Colombia, Ecuador and Paraguay, lastly, the unemployment rate was brought down by the combination of a rising employment rate and a smaller increase or a decline in the participation rate.

As regards job creation by employment category, the patterns observed in 2014 were further entrenched. Reflecting low demand for labour, wage employment expanded by just 0.2% in the first quarter of 2015. At the same time, own-account work (whose dynamic might be taken as a proxy for the informal sector) grew at a rate of 2.9% in the same period. The acceleration that began in 2014, when this type of work is estimated to have expanded by 2.3%, might indicate that weak demand for labour from firms in some countries is beginning to feed through more strongly into the expansion of informal activities. This type of informal job creation (own-account working) would explain the fact, mentioned earlier, that the employment rate fell by less in the first quarter of 2015 than in 2014.

The weakness of the demand for labour is clearly shown by the evolution of registered employment. By comparison with the situation in the first quarter of 2014, there was a striking slowdown in the generation of this type of employment in Brazil, Costa Rica and Uruguay, with the number of registered employees stabilizing or even falling slightly in all three countries. Year-on-year growth in Peru was also lower than in early 2014, while the rate of registered job creation held steady in Chile. Only in Argentina, Mexico and Nicaragua did growth in this type of employment accelerate in the first quarter of 2015, this being due in the latter two countries mainly to programmes promoting formalization, with Nicaragua's being of long standing and Mexico's more recent (see figure I.27).

Figure I.27
Latin America and the Caribbean (selected countries): year-on-year changes
in registered employment, first quarters of 2013, 2014 and 2015
(Percentages)



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

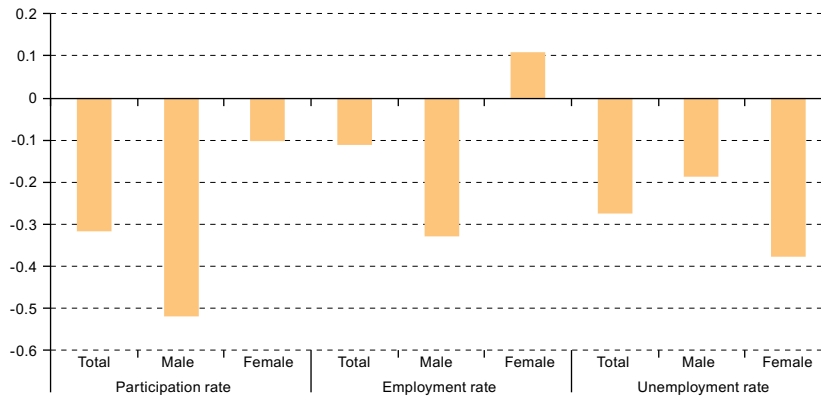
Note: The figures are for jobs involving contributions into some social security system, except in Brazil, where they are for private sector wage earners with employment registration documents (CTPS), and Peru, where they are for wage workers in firms with 10 or more employees.

In most of the countries, however, weak demand for labour has not yet been manifested in major labour-market imbalances. As indicated, the unemployment rate did not rise during the first quarter of 2015 in most of the countries; furthermore, underemployment by hours worked declined in four of the nine countries for which information is available (Argentina, Chile, Mexico and Peru), while it held steady in Uruguay and increased in Brazil, Colombia, Costa Rica and Ecuador.

When a simple average of 12 countries is taken, the performance of the main labour market variables in the first quarter of 2015 was similar to that of the region as a whole (weighted average) in 2014 (but not the first quarter of 2015),

that is to say, the participation rate fell by more than the employment rate, so that unemployment declined slightly. These falls were more marked for men than for women, with the employment rate for the latter actually rising slightly. Consequently, the unemployment rate fell by more for women than for men (see figure I.28).

Figure I.28
Latin America and the Caribbean:^a year-on-year changes in participation, employment and unemployment rates, by sex, first quarter of 2015
(Percentage points)



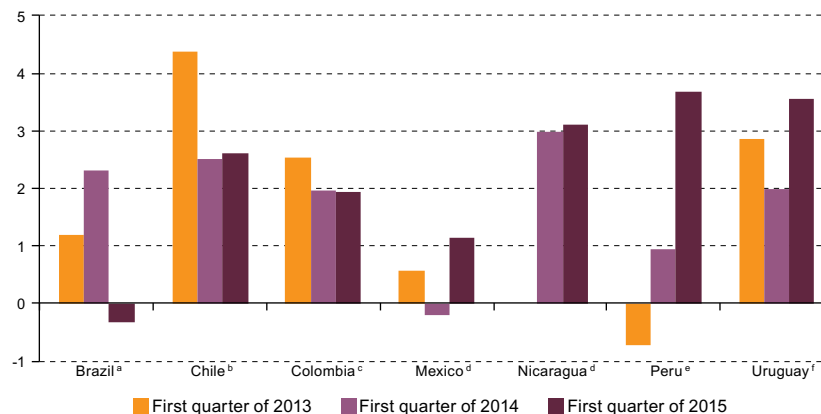
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Simple average for 12 countries (Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Ecuador, Jamaica, Mexico, Paraguay, Peru and Uruguay).

8. Real wages are still growing in most of the countries

Real wages in the formal sector have tended to maintain their growth, with modest year-on-year increases. The main exception is Brazil, where, after nine consecutive years of increases, the average real wage fell back slightly during the first quarter of 2015, against a backdrop of falling output and rising unemployment (see figure I.29).

Figure I.29
Latin America (selected countries): year-on-year changes in real wages for registered jobs, first quarters of 2013, 2014 and 2015
(Percentages)



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

^a Average wage of private sector workers covered by social and employment legislation.

^b Average hourly pay in non-agricultural activities.

^c Average manufacturing wage.

^d Average declared wage of social security contributors.

^e Average wage of employees in metropolitan Lima.

^f Average wage of permanent workers in the public and private sectors.

The predominant pattern of real-term wage increases is due to the fact that low unemployment is usually conducive to increases in nominal pay. This has been contributed to by moderate rises in minimum wages. If the median is taken for 12 countries where nominal minimum wages rose in early 2015, the average real-term increase there was 2.0% in the first quarter relative to the same period the year before.¹⁵ Generally stable inflation helped nominal increases translate into real-term rises.

9. The weakness of economic activity will have a growing impact on the labour market in 2015

The modest economic growth projected for the region as a whole in 2015 will continue to constrain the demand for labour, with wage employment expanding only weakly as a result.¹⁶ This situation is expected to lead to a further decline in the regional employment rate. Something already observed in the early part of the year is that informal-sector employment is growing in a number of countries, if own-account work is taken as a proxy, and this is tending to cushion the fall in the employment rate.

Rising informal-sector employment appears to have been underpinned by the countercyclical behaviour of the labour supply from low-income households, which was unusually weak in 2014 and continued so in a number of countries in early 2015, but is expected to be stronger in 2015 than in 2014 in the region as a whole. The overall labour supply is expected to grow at close to its long-term trend during 2015, with the participation rate being little changed from 2014 as the predominantly procyclical behaviour of the aggregate labour supply is counteracted more strongly than in that year by the essentially countercyclical behaviour of the labour supply from many low-income households. This increased supply of labour, especially from low-income households, is expected to drive informal-sector employment higher.

Preliminary data for the second quarter are already pointing to a worsening in the regional employment situation, and it is estimated that the average regional unemployment rate will rise by 0.5 percentage points in 2015 to 6.5% as a result of a further drop in the employment rate (albeit cushioned by rising informal-sector employment), with little change in the participation rate.

At the same time, the weakness of waged job creation is expected to affect growth in higher-quality employment (registered employment), and this, in conjunction with rising informal-sector employment, is likely to hinder further progress with employment quality. At the same time, unemployment that is fairly low by historical standards and a context of generally stable and moderate inflation should mean that the recent trend of modest real wage increases continues in most of the countries, although rates of pay growth may be curtailed in some cases as the year goes on.

With the number of people in work expanding slowly (and by less than the working-age population) and a countervailing deterioration in the composition of employment and moderate real wage growth, total earnings are expected to expand at modest rates, supporting a weak increase in household consumption.¹⁷

¹⁵ If the year-on-year change in five countries where there was no increase in the minimum wage in early 2015 is included, the median real-term increase in minimum wages in the first quarter was 1.7%.

¹⁶ According to the quarterly surveys of the Manpower agency, firms will be looking to take on fewer staff in 2015 than in 2014. See [online] <http://www.manpowergroup.com/wps/wcm/connect/manpowergroup-en/home/thought-leadership/meos/manpower-employment-outlook-survey>.

¹⁷ The negative impact of this deterioration in the composition of employment on overall earnings growth is twofold. First, there is a negative composition effect, with the proportion of employed people in lower-earnings groups increasing. Second, in situations where the demand for labour is low, supply pressure tends to depress average earnings, specifically in those employment categories that expand as a result of this pressure. Thus, for example, formal private sector employees' real wages dropped by 0.3% in Brazil in the first quarter of 2015, while the real average earnings of own-account workers contracted by 2.4%.

D. Macroeconomic policy

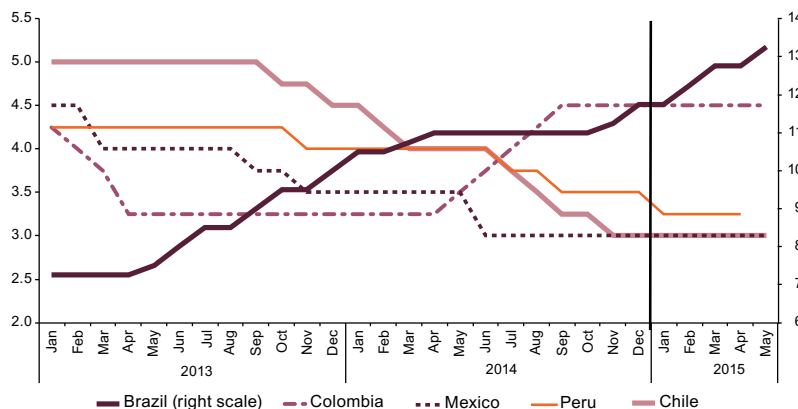
1. Monetary and exchange-rate policy has been used countercyclically to mitigate the effects of a less favourable external environment

Two things shaped monetary and exchange-rate policy in the region in 2014 and early 2015. First, an external environment that was less favourable to capital flows into the region. The gradual withdrawal of extraordinary monetary stimulus (quantitative easing) by the United States Federal Reserve, in particular, and the volatility of international financial markets, which was the result of monetary policy in the developed economies, created expectations that there would be less credit available for emerging economies and that financing might become more expensive. Second, there was a decline in the prices of the commodities exported by the region's countries, especially those of South America. Faced with this situation, policymakers in countries with greater room for manoeuvre in the conduct of monetary and exchange-rate policy increased their efforts to boost economic activity.

Nonetheless, the responses of the authorities to these external shocks were conditioned by domestic factors, most particularly rising prices and the trend of indicators reflecting differences between domestic aggregate demand growth and growth in the production capacity of the economy.

This meant that in economies with inflation targeting schemes where there was leeway to do so, monetary policy rates were cut with a view to reducing lending interest rates and thus stimulating credit. This was done in Chile, Mexico and Peru, where rates were cut by 150, 50 and 50 basis points, respectively, between December 2013 and December 2014. Meanwhile, concern about rising prices led the Brazilian and Colombian authorities to move in a different direction during 2014, raising monetary policy rates by 175 and 125 basis points, respectively, from their levels at the end of 2013 (see figure I.30).

Figure I.30
Latin America (countries with inflation targeting): monetary policy rates, January 2013-May 2015
(Percentages)



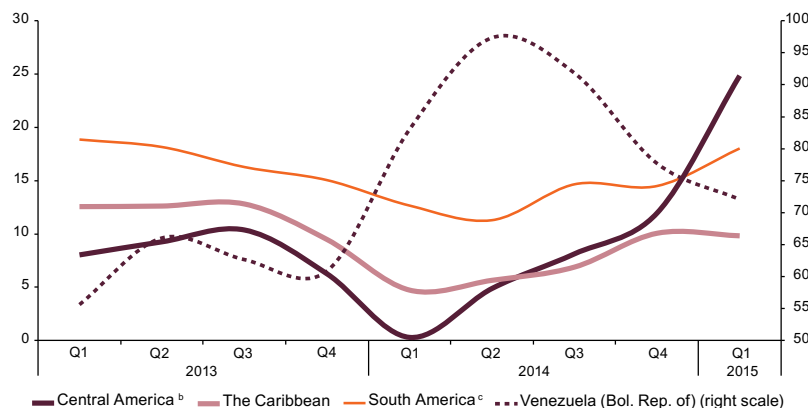
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

In the first five months of 2015, the authorities of Chile, Colombia and Mexico kept interest rates unchanged. Rates in Brazil kept rising, with increases in January, March and April 2015. In Peru, interest rates were cut by 25 basis points in January 2015 but then kept unchanged for the next four months.

Countries using monetary aggregates as their main monetary policy instrument saw growth in these accelerate in the second half of 2014, to judge by the dynamic of the monetary base in the South American countries (other than the Bolivarian Republic of Venezuela) that do not operate inflation targeting schemes and in the countries of Central America and the English- and Dutch-speaking Caribbean. It should be pointed out that while the monetary base in the Bolivarian Republic of Venezuela grew at annualized rates of over 70%, this was a slower rate of expansion than in the recent past. The dynamic of the monetary base in the Caribbean economies in the first quarter of 2015

was similar to that of 2014, while in the economies of South and Central America, especially Panama, growth in the monetary base accelerated (see figure I.31).

Figure I.31
Latin America and the Caribbean: monetary base, first quarter of 2013–first quarter of 2015^a
(Percentages)



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

^a Annualized average quarterly growth rates.

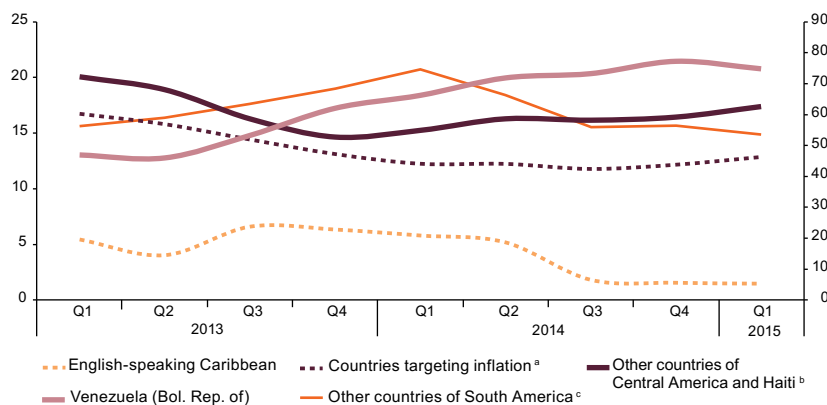
^b Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua and Panama.

^c Argentina, Ecuador, Paraguay, Plurinational State of Bolivia and Uruguay. The Bolivarian Republic of Venezuela is not included.

In 2014, the efforts of the monetary authorities led to a reduction in lending interest rates in economies with inflation targeting (except Brazil) and, to a lesser extent, in the economies of the English- and Dutch-speaking Caribbean and Central America. Despite higher growth in the monetary base, lending rates increased on average in the economies of South America that do not have inflation targets, driven by considerable rises in Argentina and Uruguay.

During 2014 and as much of 2015 as has been observed so far, the actions of the monetary authorities allowed domestic lending to the private sector to grow at rates that, while lower than in 2013, were still generally above 10%. The exception were the economies of the English-speaking Caribbean, where such lending generally grew at rates of below 2%. Consumer credit was one of the most dynamic categories, while growth in lending to the commerce sector accelerated. This is particularly noteworthy given the very marked slowdown in investment in many of the region's economies during 2014 (see figure I.32).

Figure I.32
Latin America and the Caribbean: domestic lending to the private sector, annualized average rates, first quarter of 2013–first quarter of 2015
(Percentages)



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

^a Brazil, Chile, Colombia, Dominican Republic, Guatemala, Mexico and Peru.

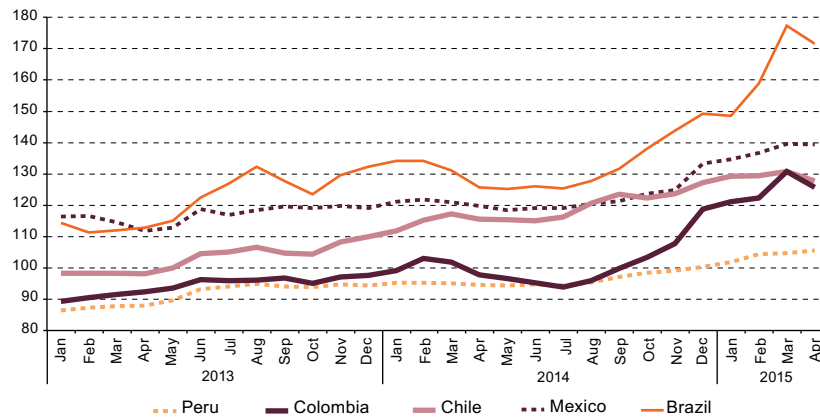
^b Costa Rica, Haiti, Honduras and Nicaragua.

^c Argentina, Paraguay, Plurinational State of Bolivia and Uruguay.

2. The region's currencies tended to weaken against the dollar

The different monetary policy announcements in the developed economies (withdrawal of monetary stimulus by the United States and stimulus programmes in Japan and Europe), the considerable drop in commodity prices, decreased availability of funding on international markets, a lessened appetite for emerging countries' assets, slower growth among the region's countries and lower interest rates as monetary conditions were eased all contributed to the depreciation, on average, of the currencies of 15 countries in the region against the United States dollar. This movement was most pronounced in the countries that are more integrated into international capital markets, as well as in Argentina and the Bolivarian Republic of Venezuela (see figure I.33).

Figure I.33
Latin America (selected countries): nominal exchange rates against the dollar,
January 2013–April 2015
(Index: January 2008=100)



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

This trend continued, and in some cases even accelerated, during the first four months of 2015. In fact, between December 2014 and April 2015 six countries experienced depreciations of over 5%, most notably Brazil (14.9%), Uruguay (9.1%), and Paraguay (7%). Conversely, the depreciation of the Argentine peso (34.7% between December 2013 and December 2014) slowed during 2015 (a cumulative 3.7% between December 2014 and April 2015), in a context of low economic growth.

In the Bolivarian Republic of Venezuela, the government modified the exchange-rate system in 2015, abolishing the Alternative Foreign Currency System (SICAD II) that had been set up in March 2014 and introducing a new exchange-rate mechanism called the Marginal Foreign Currency System (SIMADI). Unlike SICAD and the arrangement involving a fixed exchange rate of 6.3 bolívares to the dollar, SIMADI is a system whereby the price of the dollar is set by the market; in late May 2015, the exchange rate of this system was 200 bolívares to the dollar. The exchange rate of 6.3 bolívares to the dollar was maintained for official imports of food, medicine and inputs.

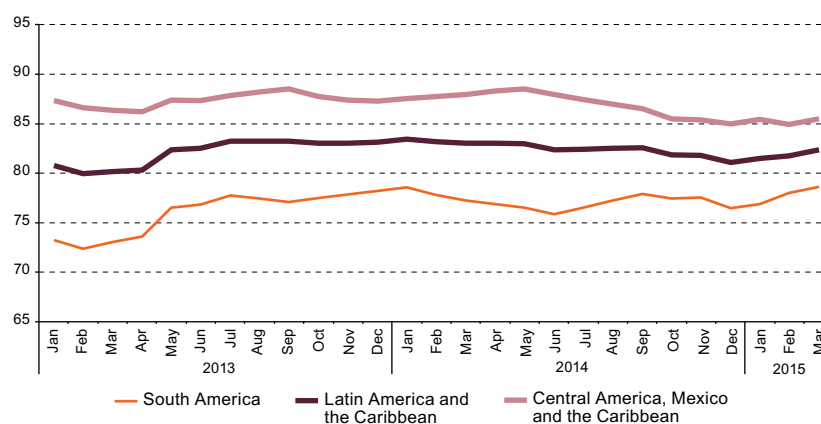
The real effective extraregional exchange rate of 18 countries of Latin America and the Caribbean depreciated by an average of 1% between 2013 and 2014. South America registered an effective depreciation against the rest of the world of 2.3%, while the other subregions (Central America, Mexico and the Caribbean) experienced only small changes in the aggregate (an appreciation of 0.1%), although this evolution masks differences between countries, with depreciations in Costa Rica, the Dominican Republic, Jamaica and Mexico, for example, balancing out appreciations in other countries (see figure I.34).

Where the total effective exchange rate is concerned,¹⁸ note should be taken of developments during 2014 in countries such as Ecuador, the Plurinational State of Bolivia and Trinidad and Tobago, where there was little movement in the exchange rates of the local currencies and inflation exceeded nominal depreciation, even as the countries they

¹⁸ Unlike the effective extraregional exchange rate, where the weighting excludes trade with Latin American and Caribbean countries, the total effective exchange rate includes trade with all the trading partners of each country.

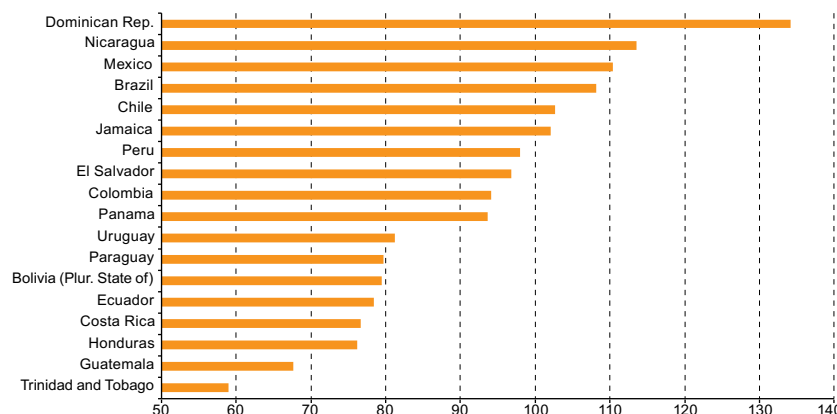
were trading with experienced large depreciations. The overall effective exchange rate appreciated by 6.5% in the Plurinational State of Bolivia, 5.0% in Trinidad and Tobago and 3.2% in Ecuador, a situation that was not reversed in the early months of 2015. Again, according to this indicator, the effective exchange rates of Trinidad and Tobago and Guatemala¹⁹ currently stand at less than 70% of their historical averages, suggesting they have fallen below their long-term levels (see figure I.35), especially in the case of the former.

Figure I.34
Latin America and the Caribbean: effective extraregional exchange rates by subregion,
January 2013–March 2015
(Index: 2005=100)



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

Figure I.35
Latin America (18 countries): overall real effective exchange rates, April 2015
(Index: 1990–2009 average=100)



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

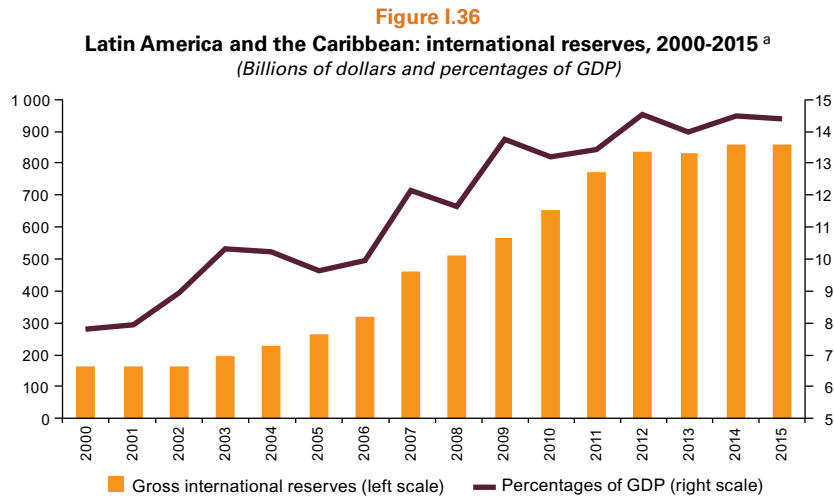
3. Reserves recovered in 2014, but the rate of increase has slowed in 2015

International reserves in Latin America and the Caribbean recovered by 3.3% in 2014, resuming the upward path that was interrupted by the 0.7% contraction of 2013. International reserves increased in 25 of the region's economies, with the largest rises being in Panama (43.9%), Jamaica (36.1%), Belize (19.8%), Paraguay (17.3%), Honduras (14.7%) and Nicaragua (14.6%). Also worth highlighting is the case of Argentina, where reserves increased by 2.8% after contracting for three years. The largest declines were in Haiti (-33.4%), Suriname (-19.7%), Guyana (-14.3%),

¹⁹ Mention is made only of countries with a single exchange rate.

Barbados (-9.4%) and Ecuador (-9.4%). As for the five countries with the highest levels of international reserves, they increased these as a group by 2.9%, with rises in Brazil (1.3%), Colombia (8.5%) and Mexico (8.6%) offsetting declines in Chile (-1.6%) and Peru (-5.1%).

The pace of accumulation slowed in the first five months of 2015, and between December 2014 and May 2015 the region's reserves remained practically unaltered, rising by just 0.4%. The largest increases over the period were in Panama (19.3%), the Bahamas (16.9%), Costa Rica (15.2%) and Jamaica (13.0%), while the largest contractions were in the Bolivarian Republic of Venezuela (-20.2%) and Haiti (-9.9%) (see figure I.36).



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

^a The 2014 figures are ECLAC estimates. The 2015 figures are for April and contain preliminary data.

In view of the exchange-rate dynamic in a number of the region's countries as described above, which has intensified since December 2014, central banks have employed their international reserves to alleviate the strong pressure for currency depreciation. These include the central banks of Brazil, Costa Rica, the Dominican Republic, Mexico, Peru and Trinidad and Tobago, which have been intervening actively in currency markets since early 2015. Thus, the Mexican central bank started injecting dollars into the currency market in December 2014 for the first time in over two years, although the scale of intervention has been small so far, given its stock of reserves and the size of its currency market.

Following years of strong and sustained pressure for appreciation, Colombia scaled back its currency purchase programme in late 2014 and discontinued it in January 2015. The Brazilian authorities, for their part, brought their daily currency swap programme to an end in March 2015, allowing the currency to depreciate to facilitate macroeconomic adjustment. This programme was brought in for the first time in August 2013 to provide liquidity to currency markets and reduce the volatility of the currency. The authorities are no longer offering new currency swaps, though existing contracts continue to be renewed. As of late April 2015, the net short swap position was worth a notional US\$ 114 billion, equivalent to more than a quarter of the country's gross international reserves.

4. The region is still applying macroprudential measures to limit its systemic vulnerabilities

The region's countries are carrying on with their financial-sector reforms and continuing to supplement monetary and exchange-rate policies with macroprudential measures to mitigate systemic risks and adapt their management of international reserves and capital flows to an external context of growing uncertainty and scarcer resources.

General reforms to the regulatory framework of the financial system are taking place in very diverse areas, including, for example, efforts to improve banking-sector regulation (Barbados and Jamaica), greater independence for monetary authorities (Jamaica and Paraguay), the development of corporate bond markets (Brazil), the establishment

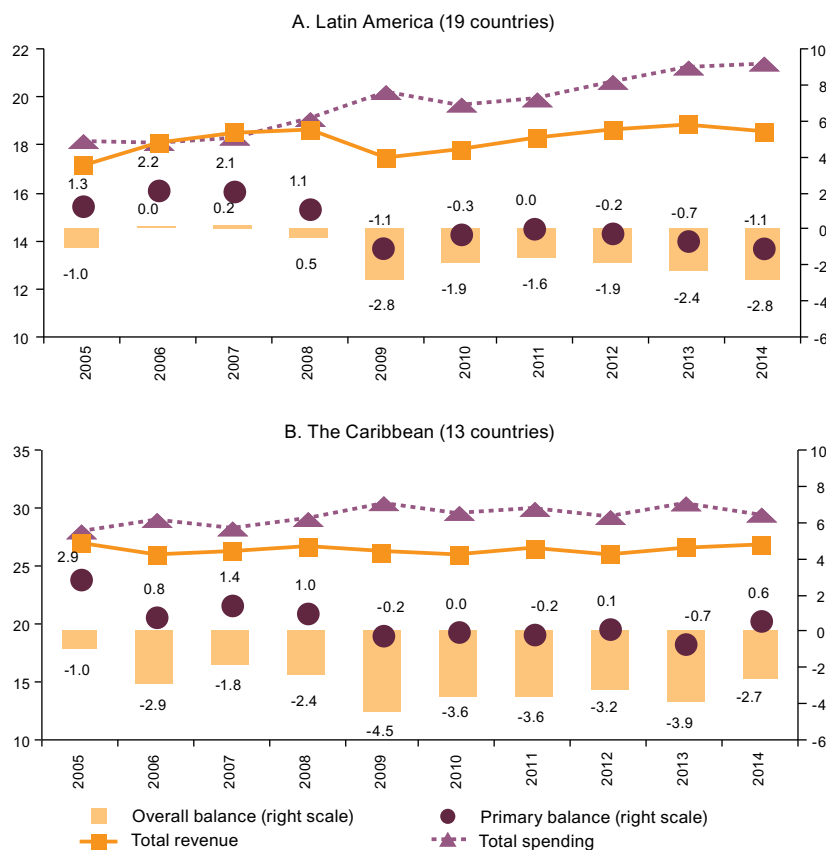
of new rules for derivatives operations (Mexico and Peru), changes to the legal reserve requirement for bank deposits (Brazil, the Dominican Republic and Peru), changes in currency allocation regulations (Argentina and the Bolivarian Republic of Venezuela), the deepening of the ongoing de-dollarization process (Peru and the Plurinational State of Bolivia) and the proposed introduction of new methods of payment (Ecuador).

In a number of the region's economies, furthermore, it has been possible to strengthen the international reserves position thanks to new instruments such as currency swaps between China and Argentina, Chile and Suriname, the possible renewal of the IMF flexible credit line for Colombia and Mexico, and resources secured through multilateral bodies (Honduras and Jamaica).

5. Fiscal deficits increased in 2014, but public debt held steady on average

As noted in the *Preliminary Overview* (ECLAC, 2014), public accounts in Latin America deteriorated slightly on average in 2014. At the central government level, the fiscal outcome was a primary deficit of 1.1% of GDP (simple average), as compared to a deficit of 0.7% in 2013, while the overall balance (including public debt interest payments) moved from a deficit of 2.4% of GDP in 2013 to one of 2.8% in 2014 (see figure I.37). In the Caribbean, the public sector deficit improved significantly in 2014 thanks to a small increase in fiscal revenues and a larger drop in public spending.

Figure I.37
Latin America and the Caribbean: central government fiscal indicators,
simple averages, 2005-2014
(Percentages of GDP)

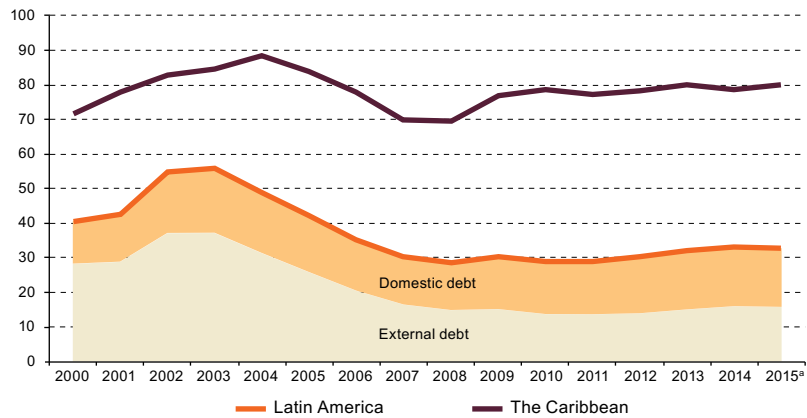


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The fiscal result worsened in 2014 in 13 of 19 countries in Latin America. In Argentina, Brazil, Chile and the Plurinational State of Bolivia, the deterioration exceeded 1% of GDP (see table A.33 in the statistical annex). At the other extreme, the overall balance improved substantially in Honduras because of the reforms approved in late 2013. In the other countries, the shift in the public sector balance was less marked.

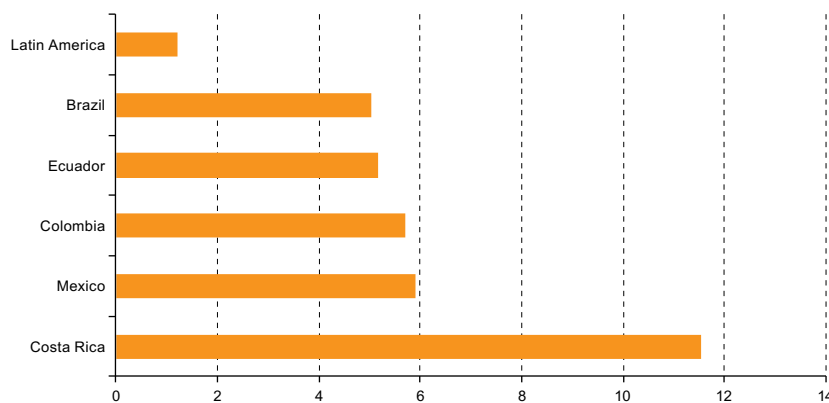
These higher deficits have not led to an increase in the average central government debt burden in Latin America, which was 33% in 2014, essentially because current interest rates are so low (see figure I.38 and table A.37 in the statistical annex). Debt levels continue to differ greatly between countries. The public debt of Brazil is the highest in Latin America; in 2014 it was 59% of GDP, and it has been rising because of an unfortunate combination of high interest rates and low growth that has made it necessary to generate larger primary surpluses to keep this debt load under control. Other countries of South America (Colombia and Uruguay) and some in Central America (Costa Rica, El Salvador, Honduras and Panama) have debt levels somewhat above the average (between 37% and 45% of GDP). At the other extreme, with debt levels of less than 20% of GDP, are Chile, Paraguay and Peru. It is important to note, however, that public debt in the non-financial public sector has increased strongly in some countries over recent years, especially among public sector firms (see figure I.39 and table A.36 in the statistical annex).

Figure I.38
Latin America and the Caribbean: gross central government debt, 2000-2015
(Percentages of GDP)



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

Figure I.39
Latin America (selected countries): changes in gross non-financial public sector debt between 2013 and 2015
(Percentage points of GDP)



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

Both the evolution and the level of public debt in the Caribbean countries are different from those in the Latin American countries. Generally speaking, debt in the Caribbean countries moved upward after the global financial crisis, rising to an average of about 80% of GDP in 2014. If these countries are grouped by economic specialization, distinguishing between those that depend on exports of services (mainly tourism and financial services) and those whose economies are based on raw material exports (mining and oil), it can be seen that the ratio of public debt to GDP is higher in the former than the latter (some 88% of GDP as against 62%, respectively, in 2014). A large portion of public debt in the Caribbean is external, and this is reflected in interest payments, which are in excess of 3% of GDP.

6. In the early months of 2015, a drop in fiscal revenue from commodities was partially offset by relatively stable growth in tax revenue

According to preliminary figures for the first quarter of 2015, the overall result in Latin America worsened slightly (-0.2% of GDP) because spending (0.3%) rose by more than revenue (0.1%) (see table I.5). This result was mainly due to weakening non-tax revenues accompanied by highly variable rates of public spending growth. In the Caribbean, the improvement in the fiscal deficit seen in 2014 continued in the first quarter of 2015, as fiscal revenues rose by 0.3% and spending fell by 0.1%.

Table I.5
Latin America and the Caribbean (24 countries): changes in central government fiscal indicators between the first quarters of 2014 and 2015
(Percentages of annual GDP)

	Revenue			Spending				Overall result
	Total	Tax revenue	Other revenue ^a	Total	Current primary spending	Interest	Capital spending	
Latin America	0.1	0.1	0.0	0.3	0.2	0.1	-0.1	-0.2
Argentina ^b	0.4	0.2	0.2	1.2	0.9	0.2	0.2	-0.8
Bolivia (Plurinational State of) ^c	0.1	-0.1	0.2	0.4	0.5	0.1	-0.2	-0.4
Brazil	-0.3	0.0	-0.3	1.4	0.0	1.5	-0.1	-1.6
Chile	0.2	0.2	0.0	0.5	0.4	0.1	0.1	-0.3
Costa Rica	0.1	0.0	0.1	0.1	0.0	0.1	0.0	0.0
Dominican Republic ^d	0.1	0.1	0.0	-0.2	-0.2	0.0	-0.1	0.3
Ecuador	-0.2	0.4	-0.6	-0.2	0.0	0.1	-0.3	0.0
El Salvador	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Guatemala	-0.1	-0.1	0.0	0.3	0.2	0.0	0.1	-0.4
Honduras	0.4	0.4	0.0	0.1	-0.2	0.0	0.3	0.3
Mexico	0.5	0.8	-0.4	0.4	0.3	0.0	0.1	0.1
Nicaragua	0.1	0.1	0.0	0.6	0.6	0.0	0.0	-0.5
Panama	-0.3	-0.3	-0.1	-1.0	0.2	0.1	-1.2	0.6
Peru	-0.5	-0.4	-0.1	0.1	0.0	0.0	0.1	-0.6
Uruguay ^e	0.2	0.0	0.2	0.4	0.6	-0.1	0.0	-0.3
The Caribbean	0.3	0.4	-0.1	-0.1	0.0	0.0	-0.1	0.4
Antigua and Barbuda	0.6	0.0	0.6	-0.1	-0.2	0.1	-0.1	0.7
Dominica	-1.7	0.0	-1.8	-0.1	-0.1	-0.2	0.1	-1.6
Grenada	0.9	0.6	0.4	0.1	-0.4	0.0	0.4	0.9
Jamaica	-0.4	0.2	-0.6	-0.2	0.3	0.1	-0.5	-0.3
Saint Kitts and Nevis	2.6	0.7	1.9	0.2	-0.3	0.0	0.5	2.4
Saint Vincent and the Grenadines	0.0	0.6	-0.6	-0.3	-0.2	0.0	-0.2	0.3
Saint Lucia	-0.3	0.2	-0.5	-0.9	-0.4	-0.1	-0.5	0.6
Suriname	-0.6	-0.4	-0.2	1.2	1.3	0.0	-0.1	-1.8
Trinidad and Tobago	1.7	1.3	0.3	-0.5	-0.3	0.1	-0.2	2.2

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

^a Social contributions, income from capital and external donations.

^b National non-financial public sector.

^c General government.

^d For the purposes of analysis, the extraordinary donation received by the country in January 2015 is not included.

^e Non-financial public sector.

Figure I.40 shows that growth in Latin American tax revenues during recent quarters was fairly stable (albeit well below that seen after the 2009 global economic crisis), despite slowing output. It should be stressed that there have been substantial rises in a number of countries. There has been a pick-up in the Caribbean, with growth averaging 10% in the first quarter of 2015 in the eight countries for which information is available.

Figure I.40
Latin America and the Caribbean: change in real central government tax revenues, without social security contributions, relative to the same quarter the year before and as moving averages, first quarter of 2008–first quarter of 2015
(Percentages)



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

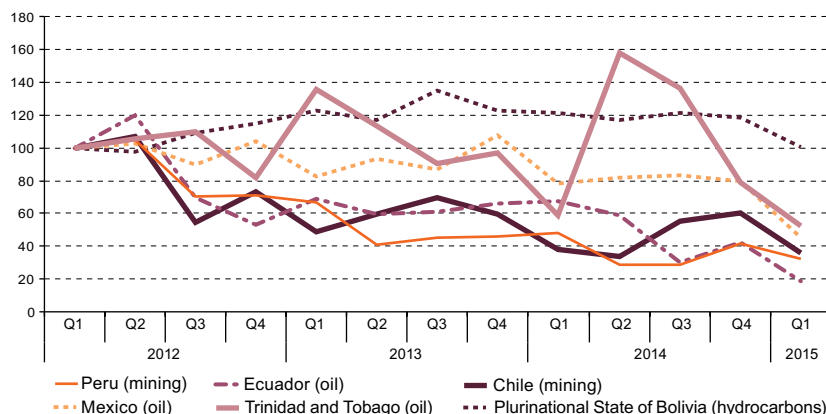
Latin American countries with above-average revenue growth include, in particular, Chile, Costa Rica, the Dominican Republic, El Salvador, Honduras and Mexico, in all of which the rise in public revenues is essentially accounted for by higher tax receipts because of reforms carried out in this area since 2012 (see ECLAC, 2015). In the case of Argentina, the rise in fiscal revenues in the early months of 2015 was driven essentially by the take from the profits tax, fuel taxes and social security-related imposts.

In Brazil, public revenues in the first quarter of 2015 were down by 4.4% in real terms on the same period the year before. One reason was that non-tax revenues dropped by 8.1%, mainly because of a 70.2% decline in dividend income. In Peru, revenue was down by 7.5% on the same quarter the year before, a figure accounted for mainly by the drop in the income tax take, the chief cause of which was the fall in the copper price. The drop in overall revenue in Colombia was also substantial (-9.6%).

Where tax and non-tax fiscal revenue from non-renewable natural resources is concerned, projections for 2015 indicate a considerable decline, which will hit hydrocarbon-producing countries particularly hard because this revenue makes up such a large share of the total (see figure I.41). Revenue was at least 50% lower in the first quarter of 2015 than in the first quarter of 2012 in Chile, Ecuador, Mexico, Peru and Trinidad and Tobago. Nonetheless, lower crude

oil prices could be an opportunity to reduce the fiscal cost of energy subsidies, which would partly offset the drop in fiscal revenues in producer countries (see box I.2).

Figure I.41
Latin America and the Caribbean (selected countries): revenue from non-renewable natural resources, first quarter of 2012–first quarter of 2015^a
(Index: first quarter of 2012=100)



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

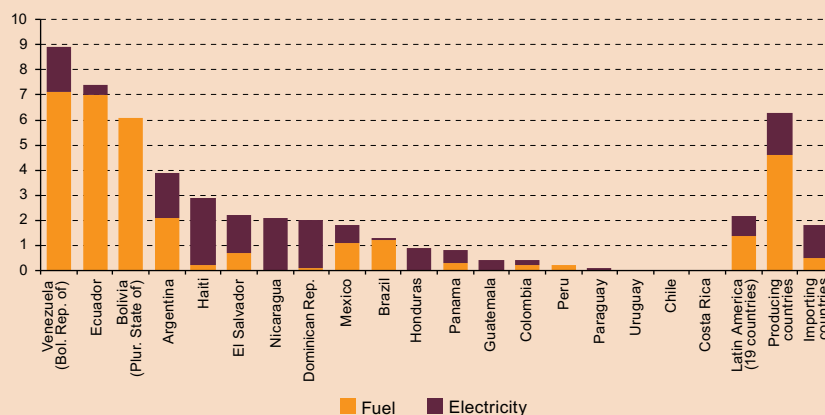
^a Based on local-currency figures expressed in real terms. The data are for the following. Plurinational State of Bolivia: hydrocarbon taxes (general government); Chile: taxes on private mining companies and raw copper (central government); Ecuador: oil revenues (central government); Mexico: oil revenues (public sector); Peru: special mining tax, mining royalties, special mining levy and mining revenue tax; Trinidad and Tobago: oil revenue (central government).

Box I.2 Energy subsidies in Latin America

Subsidies for energy consumption are found in most developing countries, especially those that are producers of hydrocarbons, and Latin America is no exception (IMF, 2015). Fuel subsidies

averaged 1.4% of GDP a year between 2011 and 2013 and electricity subsidies 0.8% (see figure).

Latin America (19 countries): pre-tax energy subsidies, 2011-2013
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), “Energy subsidies in Latin America and the Caribbean: Stocktaking and policy challenges”, *IMF Working Paper*, No. WP/15/30, Washington, D.C., 2015.

The main trends observed are that fuel subsidies tend to be higher in oil-producing countries (Argentina, the Bolivian Republic of Venezuela, Ecuador and the Plurinational State of Bolivia). The Bolivian Republic of Venezuela is the Latin American country that subsidizes petrol and diesel most heavily in absolute terms, followed by Mexico, Ecuador, Argentina, to a lesser extent, and, lastly, Colombia, which has been implementing a policy of reducing subsidies, mainly those going to higher-income strata.

The distribution of electricity subsidies is less concentrated, and lower-income countries such as Haiti, Nicaragua and to a lesser extent Honduras are the ones spending the largest shares of GDP on these. Subsidies of this type are usually created as part of social or industrial policies with the aim of giving particular groups (low-income consumers or producers in strategic sectors) lower-cost access to energy.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), “Energy subsidies in Latin America and the Caribbean: Stocktaking and policy challenges”, *IMF Working Paper*, No. WP/15/30, Washington, D.C., 2015.

7. The economic slowdown and deteriorating public accounts have resulted in more active fiscal policies

Faced with the economic slowdown, falling prices for export commodities, lower revenues and thus higher deficits, some countries of the region have taken fiscal measures to address this reversal of the macroeconomic cycle. Plans and budgets for 2015-2016 have been revised downward, especially when it comes to public investment and, most particularly, public sector enterprises (see table I.6). A number of countries in Latin America have passed or announced measures to adjust public spending, particularly in hydrocarbon-producing countries. By contrast, the Governments of Chile and Peru have announced fiscal stimulus measures, with an emphasis on investment.

It should be noted that many countries have not had to make major changes to the policies outlined in their 2015 budgets, since the public finances have benefited in the last few months from a positive twofold fiscal shock, especially in the Caribbean and Central America, with positive growth rates and lower expenditure on oil.

Table I.6
Latin America (selected countries): fiscal cuts and stimuli announced for 2015

Country	Adjustment	Stimulus	Source
Brazil	Cut of between 1.2% and 1.3% of GDP in discretionary public spending for the consolidated public sector.		Brazilian Ministry of Finance
Chile		Fiscal stimulus of 1% of GDP, with an emphasis on investment. The planned increase in public spending is 9.8%, with capital spending up by 27.5%, bringing it to 4.5% of GDP in 2015.	Chilean Ministry of Finance, Budgetary Affairs Bureau (DIPRES)
Colombia	Deferral of public spending worth 0.73% of GDP. Of this amount, 0.58% of GDP relates to investment spending and 0.15% to operating expenditure.		Colombian Ministry of Finance and Public Credit
Costa Rica	Public spending cut by 1.4% of GDP.		Costa Rican Ministry of Finance
Ecuador	Public spending reduction worth 1.3% of GDP, including a cut in investment spending of 0.77% of GDP and a cut in current spending of 0.53% of GDP.		Ecuadorian Ministry of Finance
Mexico	Reduction of 0.7% of GDP in spending by the federal public sector, including 0.35% of GDP from the PEMEX budget and 0.056% of GDP from the Federal Electricity Commission (CFE) budget. The federal public administration will cut its budget by 0.3% of GDP, including 0.1% of GDP in capital spending. A further public spending cut worth 0.7% of GDP, or 135 billion pesos, has been announced for 2016.		Mexican Ministry of Finance and Public Credit
Peru		Fiscal stimulus of 1.8% of GDP, with emphasis on social spending, which translates into a 12% increase in public sector spending. Some 30% of the budget will be investment spending, the equivalent of 5.7% of GDP in 2015. A raising of the fiscal spending cap between 2016 and 2017, doubling the maximum allowable structural fiscal deficit to 2% of GDP, was approved as a temporary amendment to the fiscal rule.	Peruvian Ministry of Economy and Finance

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

Nonetheless, the figures for the first four months of 2015 give cause for some concern about public spending trends in Latin America. In the first place, there has been a substantial rise in public debt service costs in a number of countries (see table I.5). In Brazil, for example, about 80% of the rise in public spending in the first quarter of 2015 was due to higher interest payments. Debt service has also been growing substantially in Argentina (since 2014) and the Plurinational State of Bolivia (since 2015).

Second, capital spending was cut in several Latin American countries in the first quarter of 2015 after substantial rises in the same period of 2014, with declines in Ecuador and the Plurinational State of Bolivia (both countries where public investment has been very high in recent years) and in Brazil, the Dominican Republic and Panama.

For its part, current primary spending growth has moderated in the last year, particularly in Brazil, Costa Rica, the Dominican Republic and Peru.

8. Despite the current economic context in the region, no major imbalances are expected in the fiscal accounts by the end of 2015

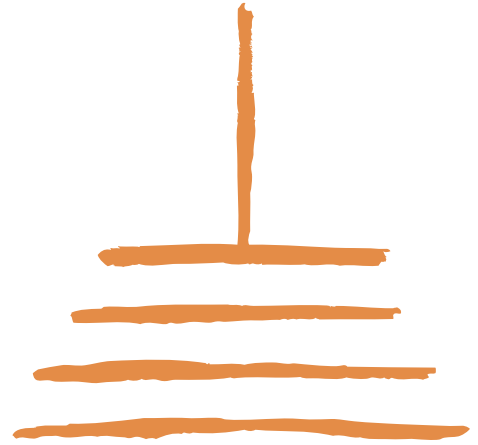
The region's fiscal situation in 2015 reflects the heterogeneity of economic performance in its individual countries. According to preliminary figures, the average fiscal deficit in the countries of Latin America widened in the first quarter. Public debt has held steady as a proportion of GDP, mainly because interest rates are currently low, although a more rapid increase in debt levels among public enterprises in some countries has been detected. There has been a substantial improvement in the Caribbean, but the high level of public debt remains a heavy drag on growth and investment.

Fiscal revenue is expected to fall in several Latin American countries in 2015, owing to the drop in income from non-renewable natural resources. Meanwhile, tax revenues in Latin America are showing signs of recovery in the wake of the reforms implemented by some countries in the last few years. There has been substantial growth in tax revenues in the Caribbean countries, which will help to close their fiscal gaps.

Where public spending is concerned, a number of the region's countries have announced measures to respond to the volatility of the external environment. Accordingly, capital spending has been cut and current spending growth moderated in the early months of the year, trends that are especially visible in hydrocarbon-producing countries. The heterogeneity of the region's macroeconomic performance is also reflected in the fiscal position of the different countries, the fiscal space available to them and the variety of measures adopted.

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Part II

Challenges in boosting the investment cycle to reinvigorate growth

Gross fixed capital formation in Latin America and the Caribbean: stylized facts and long-term growth implications

Introduction

- A. The main stylized facts of gross fixed capital formation in Latin America and the Caribbean and their implications
- B. Stylized facts for the behaviour of GDP and investment over the business cycle
- C. The characteristics of the investment cycle are linked to productivity gaps

D. Conclusion

Bibliography

Annex II.A1

Introduction

Although the countries of Latin America and the Caribbean narrowed their investment gap with the developed economies and other developing countries (except China and India) between 1990 and 2014, gross fixed capital formation remains lower in the region than in other regions of the developing world.

The narrowing of Latin America and the Caribbean's investment gap is largely due to higher private investment, which constitutes about 74% of gross fixed capital formation. Public investment (including that by State enterprises) has strengthened since 2003, recovering from the large declines of the 1980s and 1990s and returning to levels of about 6% of gross domestic product (GDP), but this is still low by comparison with Asia, where public investment is about 8% of GDP.

Investment is usually the most volatile component of aggregate demand, and Latin America and the Caribbean is no exception. However, investment is more volatile in the region than elsewhere in the world, essentially because of the dynamics of the machinery and equipment component, which tends to be associated with productivity. When this component is very volatile, so too are productivity gains, which consequently cannot be sustained over time. This is one reason for the productivity gap between Latin America and the Caribbean and other regions.

Investment volatility reflects specific characteristics of the region's business cycle. The data suggest that the dynamic of the investment cycle has been unfavourable to sustained, inclusive medium- and long-term growth.

Analysis of the dynamics of business cycles in the region over the period from 1990 to 2014 shows investment contracting by substantially more and for much longer than GDP during cyclical downturns. Public investment has contracted particularly sharply, and by more on average than in other regions of the world. During cyclical upturns, investment growth has not been enough to make up for the large and protracted declines during the downturns.

Investment behaviour not only affects the speed and rate of capital accumulation but also has a direct bearing on productivity. As discussed below, the causal relationship between capital accumulation and productivity makes the cyclical characteristics of investment an important determinant of long-run growth capacity.

In what follows, investment behaviour and its dynamics in Latin America and the Caribbean will be analysed in connection with the region's long-term growth potential. The second section presents the stylized facts of investment. The third section focuses on the GDP and investment cycle in Latin America and the Caribbean as compared with other regions. The fourth section analyses the relationship between investment and productivity growth. The conclusion examines the implications of investment characteristics, cycles and productivity effects for the development of a countercyclical framework and the implementation of macroeconomic policy.

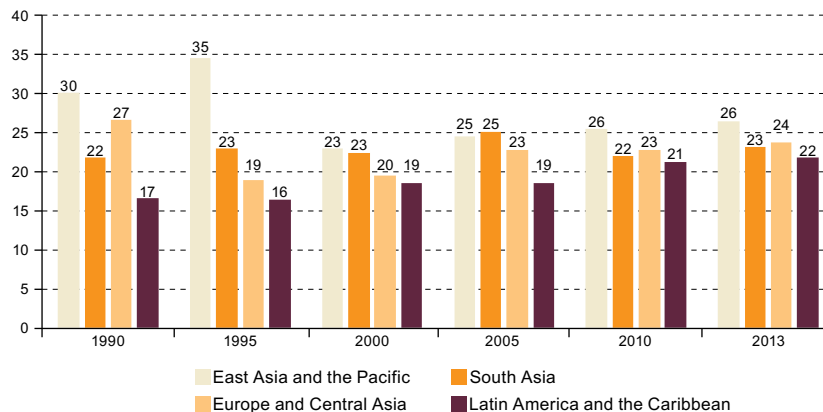
A. The main stylized facts of gross fixed capital formation in Latin America and the Caribbean and their implications

1. Latin America and the Caribbean invests less than other regions but has succeeded in narrowing the investment gap

Traditionally, gross fixed capital formation has tended to be lower in Latin America and the Caribbean than in other regions of the developed and developing world. A comparative analysis of the evolution of gross fixed capital formation over a period of more than two decades (between 1990 and 2013) shows that the region invested 16.7% and 21.9%

of GDP in 1990 and 2013, respectively, while the figures were 30.2% and 26.5% for East Asia and the Pacific, 21.8% and 23.3% for South Asia and 26.7% and 23.7% for Europe and Central Asia in those same years (see figure II.1).¹

Figure II.1
Selected regions: gross fixed capital formation, 1990-2013^a
(Percentages of GDP measured in constant 2005 dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, World Development Indicators, 2015.

^a The estimates exclude China and India.

Nonetheless, Latin America and the Caribbean has been closing its investment gap with other regions and countries, with the exception of certain economies that have grown particularly quickly in the last decade, such as China and India. The data available show that Latin America and the Caribbean's investment gap with East Asia and the Pacific and with Europe and Central Asia fell by about 8 percentage points of GDP between 1990 and 2013, while the gap with South Asia fell by about 4 percentage points (see figure II.1). On the other hand, Latin America and the Caribbean's investment gap with China doubled, while that with India widened by 4 percentage points of GDP.

In line with the regional average, all but a few of the region's countries raised investment in the period considered. The countries with the highest growth included the Plurinational State of Bolivia (whose investment rate rose from 12.2% of GDP to 21.2% of GDP between 1990 and 2014), Colombia (where it rose from 16.8% to 26.3%), Ecuador (from 19.3% to 29.0%), Haiti (from 12.5% to 27.5%), Nicaragua (from 17.4% to 26.4%), Panama (from 6.4% to 29.8%) and Peru (from 13.5% to 24.7%).

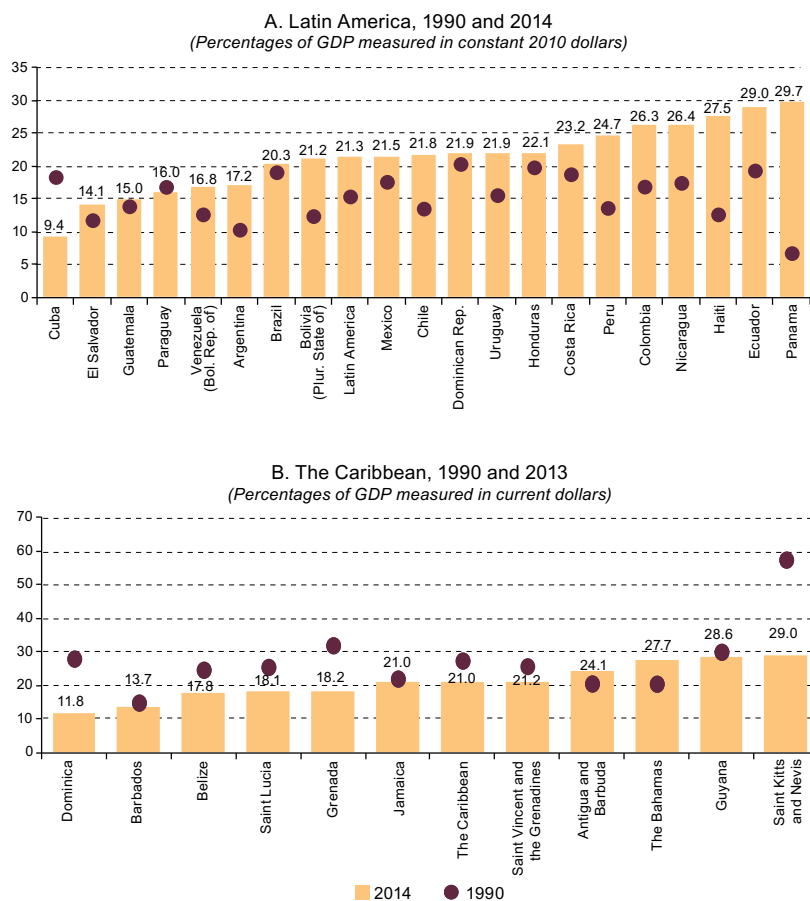
Countries where investment grew less strongly included Mexico and most of Central America (Costa Rica, El Salvador, Guatemala and Honduras). Investment growth in these countries has been hindered by the repercussions from the international financial crisis of 2007-2009.²

Lastly, the group of countries where investment declined included the Bolivarian Republic of Venezuela, Brazil, Cuba (which never recovered from a large drop in investment during the 1990s), Paraguay and some of the Caribbean economies. Indeed, gross fixed capital formation in the Caribbean has fallen off sharply since peaking in 2005. Dominica and Barbados have the lowest levels of investment, with rates of 12% and 15% of GDP in 2013, respectively, while the highest values are found in the Bahamas (27.7%) and Saint Kitts and Nevis (29.0%).

¹ Latin America and the Caribbean has had a higher rate of gross fixed capital formation than the group of high-income countries in the Organization for Economic Cooperation and Development (OECD) since 2010, owing to the effects of the international financial crisis (2007-2009) and the euro crisis (2009-2015) on investment behaviour in some of the countries making up this group.

² A recurring issue for discussion is how the investment rate should be measured, whether at current prices or by taking constant prices in a given reference year. It should be pointed out that capital formation contributes to growth via real investment, measured in relation to real GDP, which reflects the evolution of the physical quantity of capital and output. If the price of an investment good falls, less nominal expenditure is required to achieve the same real investment. The difference is largely due to the decline in the relative price of capital goods, most of which are imported. Sometimes, however, as is the case with most Caribbean countries, this information is not available at constant values.

Figure II.2
Latin America and the Caribbean: gross fixed capital formation by country
(Percentages of GDP measured in constant 2010 dollars)



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

2. The investment gap with other regions of the world has narrowed because of higher growth in private investment

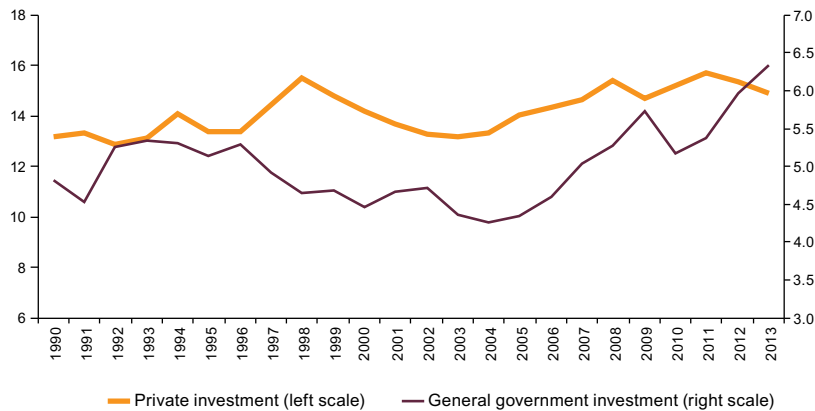
Rising private investment in the region has largely been responsible for the narrowing of its investment gap with most other regions of the world.

Private investment, which averages 74% of the total, rose from 13.2% to 14.9% of GDP between 1990 and 2013. This increase, which began in the early 1990s, was especially remarkable during the boom years from 2003 to 2008. During this time, private investment expanded by almost 4 percentage points of GDP, from 13.3% of GDP in 2003 to 15.4% in 2008 —its highest level in three decades.

Compared with private investment, public investment represents a minor share of the total (averaging 5% of GDP and a quarter of overall gross fixed capital formation between 1990 and 2013).

The small share of public investment is due partly to adjustment policies implemented in the 1990s as a result of the application of the Washington Consensus in Latin America and the Caribbean, which resulted in a large wave of privatizations and emphasis on cutting fiscal spending, with nominal stability becoming the focus of macroeconomic policy. In consequence, investment spending came to be used as an adjustment lever in the effort to attain fiscal balance, and public investment showed a clear downward trend during the 1990s, falling from 5% of GDP in 1993 to 4.4% of GDP in 2003.

Figure II.3
Latin America: public^a and private gross fixed capital formation, simple averages, 1990-2013
(Percentages of GDP measured in current dollars)



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

^a Public investment means that by the general government only and excludes investment by State enterprises, which is categorized as private investment.

Public investment bottomed out in 2003 and began to grow again thanks to the greater fiscal leeway created in a number of countries by the economic boom, before stabilizing at levels of around 6%.

Despite this increase and the countercyclical measures applied in some countries of the region in response to the effects of the international financial crisis, which hit the region hard in 2009, public investment is considerably lower in Latin America and the Caribbean than in other regions of the developing world.

Table II.1 shows the evolution of public investment spending as a proportion of GDP for regions of the developing world and the industrialized countries between 1990 and 2014, using five-year averages. On the one hand, Latin America and the other developing-world regions have a higher rate of public investment than the industrialized countries. On the other, public investment is much lower in Latin America than in regions such as Asia. In the period from 2007 to 2013, public investment as a share of GDP was 5.3% in Latin America and 8% in Asia.

Table II.1
Selected regions and countries: public investment, 1990-2013
(Percentages of GDP)

Region	1990-1994	1995-1999	2000-2004	2005-2006	2007-2014
Developing countries					
Latin America	5.1	1.9	4.5	4.5	5.6
Asia	9.1	8.7	8.1	8.4	...
Industrialized countries					
Eurozone ^a	...	...	...	...	3.1
Eurozone (core countries)	...	3.1	2.9	2.9	3.1
Eurozone (peripheral countries)	...	3.6	3.8	3.6	3.3
United States	4.1	3.7	3.7	3.7	3.8
Canada	5.5	5.8	4.6	3.4	3.3
Japan	2.8	2.3	2.4	2.7	3.4

Source: Benedict Clements, Christopher Faircloth and Marijn Verhoeven, "Public expenditure in Latin America: Trends and key policy issues," *IMF Working Paper*, No. WP/07/21, International Monetary Fund, 2007; European Commission, Annual Macroeconomic Database (AMECO), 2015 [online] http://ec.europa.eu/economy_finance/db_indicators/ameco/index_en.htm; and Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT database.

^a The core eurozone countries are Austria, Belgium, France, Germany and the Netherlands. The peripheral eurozone countries are Greece, Ireland, Italy, Portugal and Spain.

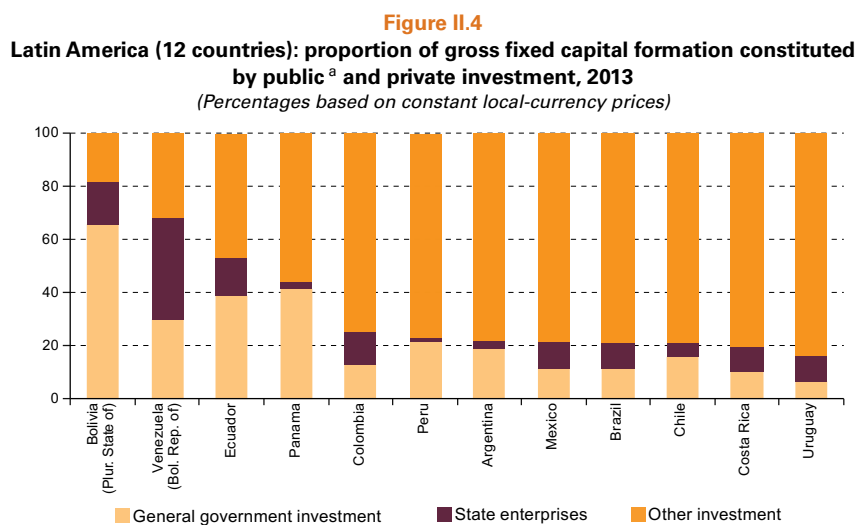
One reflection of this stylized fact, as will be discussed in chapter III, is that the region's infrastructure spending is too low to boost economic, social and environmental development, expand access to services for the most vulnerable and reduce inequality. The data available show that infrastructure spending in Latin America averaged 2.2% of GDP between

1992 and 2011, whereas ECLAC calculates that the region needs average annual spending of some 6.2% of GDP to provide infrastructure investment flows sufficient to meet the needs of firms and end consumers between 2012 and 2020. In other words, if the region carried on investing 2.2% of GDP, there would be an unfunded shortfall of some 4% of GDP.

The regional averages mask differences from country to country. Rates of public investment by the general government have increased most over the last 25 years in the Bolivarian Republic of Venezuela, Ecuador, Panama, Peru and the Plurinational State of Bolivia, where they have risen by at least 3 percentage points of GDP.

Conversely, the countries where general government investment has fallen most were Colombia, Costa Rica and Honduras, with reductions of some 3% of GDP between 1990 and 2013. Other countries that have also cut back public investment, but to a lesser extent, are the Dominican Republic, El Salvador, Guatemala, Mexico and Paraguay.

A more detailed analysis of public investment and its composition by institutional sector shows the heterogeneity of the investment carried out by the general government and State enterprises in the different countries. At one extreme are the Bolivarian Republic of Venezuela, Brazil, Colombia, Costa Rica, Ecuador, Mexico and the Plurinational State of Bolivia, where investment by State enterprises represents over 40% of the total. At the other extreme, State enterprises account for the smallest shares of the total in Argentina, Panama and Peru (13.5%, 6.3% and 6.1%, respectively) (see figure II.4).



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

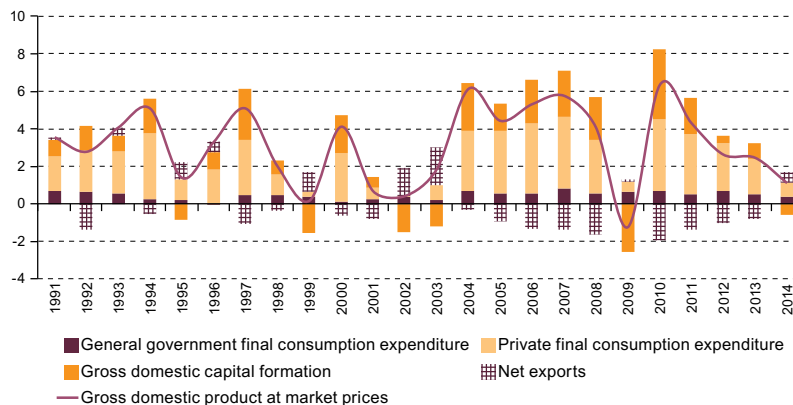
^a Public investment includes State enterprises. For Colombia, State enterprises form part of the decentralized sector, which includes public establishments, industrial and commercial enterprises, mixed public-private firms, and autonomous universities.

The performance of private investment also varies between countries. Among those where this type of investment increased most in 1990-2013 were Colombia, Nicaragua, Panama and Uruguay. In some countries (the Bolivarian Republic of Venezuela, Cuba, Guatemala and the Plurinational State of Bolivia), the private investment rate in 2013 was still well below the average for the other countries. At the other extreme, the share of private investment is very high in Chile, Costa Rica, Colombia, Nicaragua, Peru and Uruguay, where it represents 80% or more of overall investment.

3. Investment volatility in Latin America and the Caribbean is high in itself and in comparison with other regions of the developing world

Investment is traditionally the most volatile component of aggregate demand, and Latin America and the Caribbean is no exception. As shown by figure II.5, which breaks down the GDP growth rate into the different aggregate demand components, whereas changes in both public and private consumption have contributed to GDP growth to a greater or lesser degree over recent decades, contracting investment was responsible for most of the episodes of falling GDP over the period covered. When the investment growth rate has been positive, however, it has usually more than made up for negative contributions from other components, especially net exports. This shows how important investment is as a determinant not only of the economic growth rate, but of its variability (ECLAC, 2012).

Figure II.5
Latin America: GDP variation and contribution of the aggregate demand components to growth, 1991-2014
(Percentages and percentage points, on the basis of constant 2005 dollars)



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

Furthermore, Latin America and the Caribbean has one of the highest levels of volatility (measured by the coefficient of variation of investment as a percentage of GDP) in a group of developing regions that also includes East Asia and the Pacific, Europe and Central Asia, the Middle East and North Africa, and South Asia (see table II.2). More precisely, analysis of the evolution of the coefficient of variation of investment as a percentage of GDP between 1990 and 2013 shows that investment was twice as volatile as GDP in all the periods considered (1990-2000, 2000-2007, 2003-2007, 2008-2009 and 2001-2013).

Table II.2
Selected regions: volatility of gross fixed capital formation relative to GDP, 1990-2013^a
(Percentages)

Region	1990-2000	2000-2007	2003-2007	2008-2009	2001-2013
Latin America and the Caribbean	2.12	2.07	2.07	2.05	2.04
East Asia and the Pacific	2.27	2.09	2.06	2.07	2.09
Europe and Central Asia	1.56	1.81	1.82	1.77	1.78
Middle East and North Africa	0.98	1.02	1.02	1.05	1.05
South Asia	1.44	1.68	1.76	1.95	1.85

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

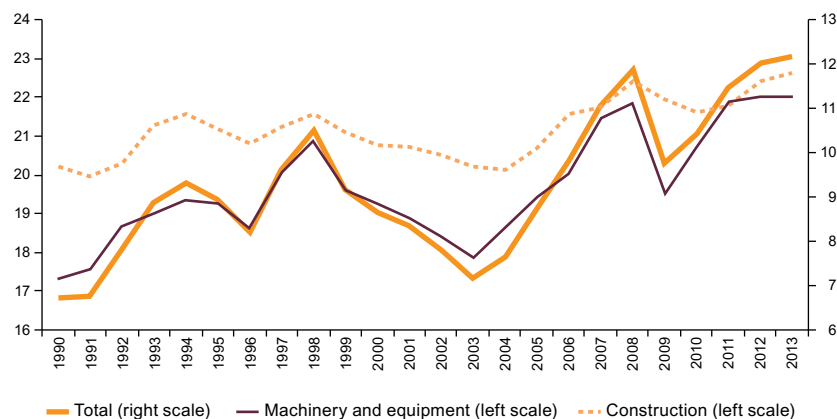
^a Volatility measured by 10-year moving averages of the coefficient of variation.

The volatility of investment over the sampling period from 1990 to 2013, and particularly over the period from 2003 to 2008, when growth was at its highest for three decades, is explained by the evolution of machinery and equipment investment, which is the most dynamic component, the one with the highest technology content, and the one that can contribute most to growth in the economy. Between 1990 and 2008, the size of the machinery and equipment gross capital formation component almost doubled from 6.8% to 12.0% of GDP.

Investment in construction (the other component of gross fixed capital formation) also increased, but much more slowly than machinery and equipment investment. It rose by just over 1 percentage point of GDP (from 9.6% to 11.0%) between 1990 and 2010, while during the region's strongest growth period for three decades it evolved much as in other periods, without any particular dynamism.

The close relationship between the volatility of gross fixed capital formation overall and in its machinery and equipment component is problematic, since that component incorporates the latest technological advances and innovations. This means that newly added machinery and equipment tends to be more productive than the existing stock. Investment in machinery and equipment is also more productive than other types of investment, such as gross fixed capital formation in construction (Bella and Cerisola, 2009).

Figure II.6
Latin America and the Caribbean: gross fixed capital formation overall, in construction and in machinery and equipment, 1990-2013
(Percentages of GDP)

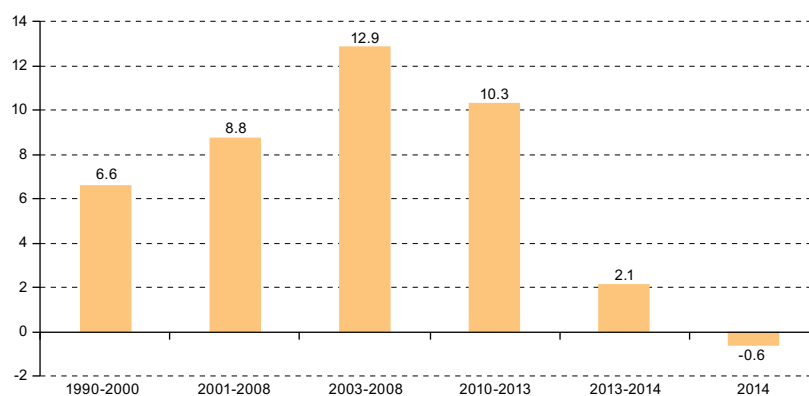


Source: Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT database, 2015.

Just as investment in machinery and equipment is usually associated with higher productivity and thence faster growth, any contraction in this investment component has the opposite effect. In short, the great volatility of this component means that productivity gains likewise fluctuate and cannot be sustained over time, and this is a factor in the productivity gap between Latin America and the Caribbean and other regions of the world.

Investment volatility has translated into disparate growth rates over time, reflecting swings in economic activity. Thus, the data available for Argentina, Brazil, Chile, Colombia, Peru and the Plurinational State of Bolivia for the period from 1990 to 2014 show that on average the investment growth rate for this group of countries peaked at 13.7% between 2003 and 2008, only to decline sharply as the current economic slowdown made itself felt, with averages of 8.0%, -0.2% and -3.2% for 2010-2013, 2013-2014 and 2014, respectively (see figure II.7).

Figure II.7
Latin America (7 countries):^a average annual rate of investment growth in real terms, 1990-2014^b
(Percentages)



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

^a Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Peru and Plurinational State of Bolivia.

^b Based on quarterly figures.

B. Stylized facts for the behaviour of GDP and investment over the business cycle

1. The upturns of the GDP cycle are weaker and shorter in Latin America and the Caribbean than in other regions of the world, while downturns are similar

As can be gathered from the discussion above, the evolution and behaviour of investment are closely linked to the dynamic of GDP. Analysis of the GDP cycle in the region reveals two distinctive characteristics.

First, expansions are usually shorter-lived in the region than elsewhere in the world. The data show that expansion cycles in Latin America and the Caribbean last for an average of 14 quarters (three and a half years).³ With the exception of the Middle East and North Africa, where they average one year, expansions are shorter in Latin America and the Caribbean than in the other regions examined, particularly East Asia and the Pacific, where they average about eight years, or almost five years longer than in Latin America and the Caribbean. Expansions are also longer-lasting in high-income countries at six years, or about two years longer than in Latin America and the Caribbean (see table II.3).

Table II.3
Selected regions: median duration and amplitude of business cycle expansions and contractions, 1990-2014
(Number of quarters and percentages)

	Contractions		Expansions	
	Duration (quarters)	Amplitude (percentages)	Duration (quarters)	Amplitude (percentages)
East Asia and the Pacific	3.3	-10.6	32.5	39.0
Europe and Central Asia	3.8	-11.6	25.0	43.8
Latin America and the Caribbean	3.8	-4.6	13.6	26.3
Middle East and North Africa	7.3	-7.0	3.5	15.6
Sub-Saharan Africa	2.7	-7.1	37.5	40.9
High-income countries	4.0	-4.9	23.0	26.3

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

In keeping with the above findings, Latin America and the Caribbean is also among the regions with the weakest output growth during expansions. Output increases by an average of 26.3% in Latin America and the Caribbean, as compared with 39% (some 48% more) in the benchmark region, East Asia and the Pacific.

By contrast with the findings for expansions, the duration and severity of contractions tend to be much the same in the countries of Latin America and the Caribbean as in other regions. Contractions average less than a year everywhere except the Middle East and North Africa, ranging from 2.7 to 3.8 quarters (8 to 11 months). Contractions in Latin America and the Caribbean, Europe and Central Asia, and East Asia and the Pacific are very similar in duration, lasting for between 3.3 and 3.8 quarters (10 to 11 months).

These findings indicate that contractions are no more severe in Latin America and the Caribbean than in other regions. In fact, it has the shallowest contractions of any developing or developed region, with an average downturn of 4.6%. This is close to the figure for the group of high-income countries (4.9%) and below those for East Asia and the Pacific (10.6%), Europe and Central Asia (11.6%), the Middle East and North Africa (7.0%) and Sub-Saharan Africa (7.1%).

³ The methodology used is described in the annex.

2. The region's investment cycle is more contractionary and less expansionary than its GDP cycle

The investment cycle is highly synchronized with the GDP cycle. Nonetheless, its contractions are larger and its expansions weaker.

The data available show that gross fixed capital formation contracts for longer and by much more than GDP during cyclical downturns. The regionwide data for the period from 1990 to 2014 show investment contracting for almost six (5.8) quarters and GDP for four. In other words, investment downturns are 30% longer on average than GDP downturns.

Furthermore, investment contracts by an average of four times as much as GDP in downturns. Conversely, investment upturns are shorter than GDP upturns, with investment growth outstripping GDP growth by an average of only 60%.

National data show a similar performance, with investment downturns being far longer and sharper relative to GDP than upturns in all the cases considered (see table II.4).

Table II.4
Latin America and the Caribbean (13 countries): median duration and amplitude of expansions and contractions in the investment cycle relative to GDP, first quarter of 1990 to fourth quarter of 2014
(Quarters and percentages)

	Expansions		Contractions	
	Duration (quarters)	Amplitude (percentages)	Duration (quarters)	Amplitude (percentages)
Argentina	0.77	1.81	1.00	3.36
Brazil	0.58	1.43	1.50	4.36
Belize	0.60	1.26	2.07	8.76
Chile	0.56	1.19	1.47	4.73
Costa Rica	0.50	0.90	0.78	4.42
Dominican Republic	1.00	2.08	1.28	6.13
Ecuador	0.29	0.71	1.31	2.48
Jamaica	1.46	4.73	1.27	6.47
Mexico	0.84	1.58	1.13	2.09
Paraguay	0.90	1.86	0.65	3.25
Peru	0.76	1.78	1.23	4.74
Uruguay	0.41	1.28	0.79	1.92
Venezuela (Bolivarian Republic of)	1.11	2.95	1.65	4.07
Median	0.8	1.6	1.3	4.4
Average	0.8	1.8	1.5	4.4

Source: Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT database, 2015.

The specific characteristics of the investment cycle come into particularly strong focus in the case of public investment. As can be seen in table II.5, data for six countries in the region⁴ show public infrastructure investment falling by an average of 36% in the downturns of the business cycle.

Table II.5
Latin America (selected countries): duration and amplitude of expansions and contractions in the public infrastructure investment cycle, 1980-2010^a
(Years and percentages)

	Expansions		Contractions	
	Duration (years)	Amplitude (percentages)	Duration (years)	Amplitude (percentages)
Total	2.7	25.6	2.2	-35.6
Energy	1.9	34.7	2.0	-51.5
Highways and railways	2.1	32.3	1.7	-33.1
Telecommunications	1.8	28.1	1.9	-58.0
Water and sanitation	1.6	24.2	1.7	-23.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC), *Economic Survey of Latin America and the Caribbean, 2012* (LC/G.2546-P), Santiago, 2012.

^a Based on annual figures.

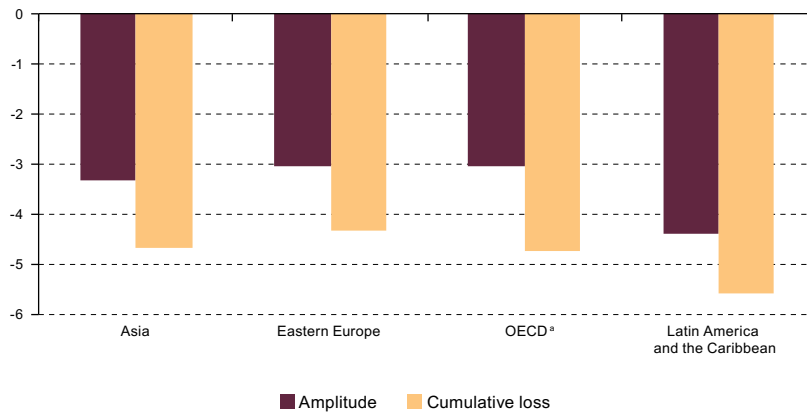
⁴ Argentina, Brazil, Chile, Colombia, Mexico and Peru, which account for 85.5% of the region's GDP.

Declines in public infrastructure investment tend to be larger than any increase during the recovery phase. This means that the loss experienced in the downturn of the cycle is not made up for in the upturn, so that the stock of public infrastructure in the region's countries is run down.

In the sectors analysed, contractions are 40% greater on average than the subsequent expansion. In the energy and telecommunications sectors, the difference between the drop in investment during contractions and the increase during expansions is much greater (a 52% drop and 35% increase in the energy sector, and a 58% drop and 28% increase in the telecommunications sector) (see table II.5).

Investment contracts by more in Latin America and the Caribbean than in other regions of the world. This difference between the region's economies and those of other regions during the downturn of the cycle becomes even more apparent when the cumulative relative effect on investment as a share of GDP is considered. The cumulative contraction of investment (estimated as amplitude multiplied by the number of quarters) is greater in Latin America and the Caribbean than in any of the other regions considered (see figure II.8).

Figure II.8
Selected regions: average amplitude and cumulative loss in business cycle downturns,
first quarter of 1990 to fourth quarter of 2014
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT database, 2015.

^a Organization for Economic Cooperation and Development (OECD).

3. The dynamic of investment in the main crisis episodes, the current slowdown and the latest boom period, 2003-2008

The characteristics of the investment cycle in Latin America and the Caribbean are reaffirmed even more starkly by developments in critical periods such as the Asian, Brazilian and Russian crisis (1997-1999), the international financial crisis and the region's current slowdown, as well as in periods of particularly strong growth.

In line with the findings obtained earlier, table II.6 shows that investment downturns were longer and deeper than GDP downturns in all the episodes considered. Indeed, the data show that investment can contract by up to nine times as much as GDP, as happened in the Asian crisis.

The information presented also reveals that Latin America saw a deeper contraction than other regions of the world during certain crisis periods. Thus, during the Asian crisis, investment contracted by nine times as much as GDP in Latin America, compared with 4.7 times as much in the Asian countries. During the international financial crisis, similarly, investment contracted by more in Latin America than in other regions affected by the crisis, including North America, East Asia and the Pacific, the eurozone, and Europe and Central Asia.

Table II.6
Selected regions and countries: median duration and amplitude of investment downswings
and cumulative loss of investment relative to GDP during selected crises
(Quarters and percentages of GDP)

Crisis	Region/country	Duration (quarters)	Amplitude (percentages)	Cumulative loss (percentages)
Asian crisis	Latin America and the Caribbean ^a	1.5	9.4	25.7
	Asian countries ^b	1.8	4.7	10.9
International financial crisis	Latin America and the Caribbean ^c	1.5	7.3	11.3
	North America	1.1	4.7	5.0
	Asian countries ^b	1.8	1.3	2.1
	Europe other than eurozone	2.2	3.1	12.0
	Europe and Central Asia	2.0	3.4	5.5
	Eurozone	1.6	2.4	3.9

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

^a Includes the Bolivarian Republic of Venezuela, Brazil, Ecuador, Paraguay, Peru and the Plurinational State of Bolivia.

^b Includes Hong Kong Special Administrative Region of China, Malaysia, the Philippines, the Republic of Korea, Singapore and Thailand.

^c Includes Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Costa Rica, Ecuador, El Salvador, Guatemala, Jamaica, Mexico, Nicaragua, Paraguay, Peru and the Plurinational State of Bolivia.

The characteristics of the investment cycle are clearly a significant factor in the region's present economic slowdown. Table II.7 shows that, regardless of their particular features, most Central and South American countries have experienced a recessionary phase in their investment cycle in the past two or three years.

Table II.7
Latin America (11 countries): beginning, end, duration and amplitude relative to GDP
of investment cycle downswings, 2011-2014^a
(Quarters and percentages)

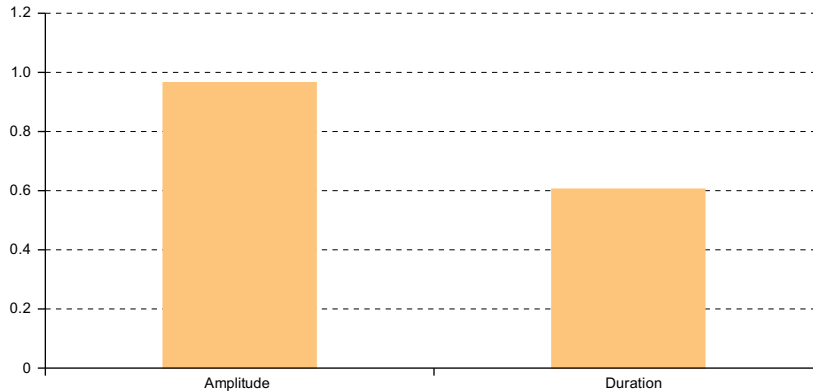
Country	Beginning of downswing	End of downswing	Duration (quarters)	Amplitude (percentages)
Argentina	2011 (Q4)	2012 (Q2)	3	-12.47
	2014 (Q1)	2014 (Q4)	4	-8.1
Bolivia (Plurinational State of)	2012 (Q1)	2012 (Q3)	3	-5.7
Brazil	2012 (Q1)	2012 (Q3)	3	-2.2
	2013 (Q3)	2014 (Q4)	6	-6.2
Chile	2013 (Q1)	2014 (Q4)	8	-6.2
Costa Rica	2014 (Q2)	2014 (Q4)	3	-3.9
Dominican Republic	2012 (Q4)	2013 (Q2)	3	-9.2
Guatemala	2013 (Q4)	2014 (Q4)	5	-7.7
Nicaragua	2013 (Q3)	2013 (Q4)	2	-15.4
Peru	2013 (Q3)	2014 (Q4)	6	-4.2
Uruguay	2014 (Q2)	2014 (Q4)	3	-5.5
Venezuela (Bolivarian Republic of)	2013 (Q1)	2014 (Q3)	7	-29.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT database, 2015.

^a Latest available data are from the fourth quarter of 2014.

Just as the crisis episodes show unequivocally that the investment cycle is more contractionary than the GDP cycle, the most substantial growth episode of the last three decades (2003-2008) shows that the investment expansion cycle is weaker than the GDP expansion cycle. The data on the period from 2003 to 2008 show investment expanding by less than GDP. The information also indicates that the investment expansion was 40% shorter-lived than the GDP expansion.

Figure II.9
Latin America and the Caribbean: median duration and amplitude of the investment expansion cycle relative to GDP, 2003-2008
(Quarters and percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT database, 2015.

C. The characteristics of the investment cycle are linked to productivity gaps

Not only is the investment cycle firmly linked to the GDP cycle, but it is also closely tied to the productivity cycle. An analysis of the concordance of investment and GDP cycles found that on average they coincided 75.8% of the time, while the productivity cycle coincided with the investment cycle 77.3% of the time.

On the one hand, these findings imply that productivity is procyclical, and on the other, that investment dynamics and volatility are reflected in the productivity cycle. Like investment, productivity experiences stronger contractions than GDP. Productivity contractions are 60% deeper than GDP contractions on average, and also 40% longer. Conversely, productivity expansions are shorter and less intense than those of GDP (see table II.9).

Table II.8
Latin America (12 countries): concordance between productivity and investment, productivity and GDP, and GDP and investment, 1990-2012^a
(Percentages)

Country	Concordance of investment and productivity cycles	Concordance of GDP and productivity cycles	Concordance of GDP and investment cycles
Argentina	87.88	87.88	87.88
Bolivia (Plurinational State of)	75.76	75.76	63.64
Brazil	87.88	72.73	72.73
Chile	78.79	81.82	96.97
Costa Rica	69.70	63.64	81.82
Dominican Republic	69.70	75.76	63.64
Ecuador	72.73	54.55	69.70
Guatemala	60.61	54.55	69.70
Mexico	81.82	81.82	93.94
Peru	66.67	90.91	69.70
Uruguay	78.79	87.88	78.79
Venezuela (Bolivarian Republic of)	81.82	72.73	84.85
Median	77.27	75.76	75.76

Source: Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT database, 2015.

^a Annual data.

Table II.9
Latin America (12 countries): median duration and amplitude of the productivity cycle relative to GDP, 1990-2012
(Years and percentages)

	Expansion		Contraction	
	Duration (years)	Amplitude (percentages)	Duration (years)	Amplitude (percentages)
Argentina	0.72	0.49	0.97	0.88
Bolivia (Plurinational State of)	0.36	0.20	0.87	1.09
Brazil	0.41	0.28	1.71	1.89
Chile	0.48	0.30	1.25	1.03
Costa Rica	0.09	0.04	0.75	0.48
Dominican Republic	0.40	0.29	1.50	1.63
Ecuador	0.17	0.13	1.80	2.32
Guatemala	0.25	0.10	2.40	1.86
Mexico	0.97	0.46	2.50	2.15
Peru	0.88	0.69	1.43	1.82
Uruguay	0.50	0.45	0.90	0.96
Venezuela (Bolivarian Republic of)	0.65	0.52	1.42	1.63
Median	0.44	0.29	1.42	1.63

Source: Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT database, 2015.

Investment volatility, which is greater in Latin America and the Caribbean than in other regions of the world, is reflected in the productivity cycle, making it more difficult to sustain productivity gains over time. This in turn has an impact on productivity gaps between Latin America and the Caribbean and other regions.

All available ways of measuring productivity (trends in labour productivity, the capital-to-labour ratio and total factor productivity) reveal the enormous productivity gap between Latin America and the developed countries and the extent to which this gap has widened in recent decades (see ECLAC, 2013).

The data available show that GDP growth per worker has been low and falling, declining from 2.7% a year between 1950 and 1980 to 0.7% a year between 1990 and 2008. Total factor productivity growth (taking the simple average for 11 countries of the region with information available), after averaging 1.56% a year between 1950 and 1980, slowed to 0.08% between 1980 and 2008 (0.80% between 1990 and 2008). National data for the same period show a clear slowdown in total factor productivity in all the cases analysed except the Bolivarian Republic of Venezuela (see table II.10).

Table II.10
Latin America (11 countries): comparative performance of total factor productivity
(Log rates estimated between local peaks)

Country	Total factor productivity	
	1951-1980	1987-2008
Argentina	0.56	1.60
Bolivia (Plurinational State of)	1.05	1.05
Brazil	3.19	0.36
Chile	0.02	-0.06
Colombia	1.36	-0.09
Costa Rica	1.48	0.87
Ecuador	2.05	0.51
Guatemala	1.84	0.21
Mexico	2.06	-0.24
Peru	1.52	0.04
Venezuela (Bolivarian Republic of)	0.02	0.49

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Penn World Table (version 8.0); and J. Ros, *Productividad y crecimiento en América Latina: ¿por qué algunas economías crecen más que otras?* (LC/MEX/L.1145), Mexico City, ECLAC subregional headquarters in Mexico, 2014.

The drop in total factor productivity is endogenous to the waning dynamism of overall economic growth, and most particularly physical capital accumulation (investment). Table II.11 shows three regressions, based on Kaldor's laws, which attest to the endogeneity of labour productivity growth (\dot{q}_L) in relation to the growth of capital accumulation as reflected by growth in industrial and manufacturing GDP ($\dot{GDP}_{industrial}$, $\dot{GDP}_{manufacturing}$) and employment (\dot{e}). Moreover, it shows that labour productivity growth (\dot{q}_L) also depends on the rate of capital accumulation.

According to these estimates, labour productivity across the whole economy is a positive function of growth in industrial production (which positively influences labour productivity growth in the industrial sector and the absorption of labour from non-industrial sectors) and the rate of capital accumulation. The findings show that a 1% increase (decrease) in the industrial and manufacturing GDP growth rates and in the rate of capital accumulation leads to increases (decreases) of 62%, 55% and 57%, respectively, in the productivity growth rate. In turn, labour productivity is a negative function of total employment growth, which, given the absorption of labour in the industrial sector, negatively affects labour productivity in non-industrial sectors by raising the rate of non-industrial employment growth.

Table II.11
Latin America (selected countries): three regressions for labour productivity growth over growth in industrial and manufacturing GDP and employment^a

Independent/ dependent variable	\dot{q}_L	\dot{q}_L	\dot{q}_L
Constant (C)	1.01 (4.12)	1.04 (3.82)	0.28 (0.52)
$\dot{GDP}_{industrial}$	0.62 (13.12)		
$\dot{GDP}_{manufacturing}$		0.55 (11.31)	
Employment (\dot{e})	-0.93 (-9.83)	-0.85 (-8.25)	-0.54 (-3.7)
Rate of capital accumulation (\dot{K})			0.57 (4.75)
R ² (adjusted)	0.75	0.69	0.30
N=62			

Source: J. Ros, *Productividad y crecimiento en América Latina: ¿por qué algunas economías crecen más que otras?* (LC/MEX/L.1145), Mexico City, ECLAC subregional headquarters in Mexico, 2014.

^a t-statistics in brackets. Estimates were prepared for nine of the region's countries (Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Mexico, Peru and the Plurinational State of Bolivia).

As analysed in box II.1, it can be shown that, given certain assumptions relevant to Latin America and the Caribbean, such as the existence of a large tradable goods sector, building up (running down) capital raises (cuts) the productivity growth rate in that sector, generates productivity gains (losses) because of reallocation between formal and informal employment and, lastly, tends to increase (reduce) productivity in the informal sector of the economy (see box II.1).

This analysis suggests that differences between countries in output and productivity growth are associated with different capital accumulation rates, and that the characteristics of the investment cycle are therefore factors in explaining accumulation rates and productivity.

The outlook for capital in Latin America and the Caribbean suggests that it will grow more slowly in the near future than it did formerly: by 4.5%, against the 5.8% that was the average for the last five years. This would mean the investment-to-GDP ratio remaining at levels similar to that of the past 10 years, which would negatively affect productivity growth in the region.

Box II.1**Channels through which capital accumulation feeds through to productivity: a model of a small, open economy with a high level of structural heterogeneity**

Ros (2015) concentrates on analysing small, open economies that have to deal with exogenous terms of trade in the international market and are characterized by great productive and technological heterogeneity in their economic structure. The economy is assumed to have two sectors, a modern, capital-intensive tradable goods sector and a highly labour-intensive non-tradable goods sector with low productivity and a high level of informality. Production conditions and the potential for productivity gains are very different in these two sectors. The non-tradable goods sector is small-scale and informal, with flexible prices, no barriers to entry and non-increasing returns to scale. Increasing returns to scale are very much in evidence in the formal manufacturing sector, on the other hand (with many of the manufactures produced being tradable).

In a model of this kind, a higher capital accumulation rate (faster expansion of the capital stock in the tradable goods sector) tends to raise the growth rate of labour productivity and potentially of total factor productivity too, even in the absence of exogenous technical progress. A higher capital accumulation rate has three effects on labour productivity in the whole economy. The first is a faster rate of productivity growth in the tradable

goods sector, both because this sector becomes more capital-intensive and because of the productivity gains associated with the presence of increasing returns to scale. The second source of productivity gains is the fact that labour productivity tends to be higher in the capital-intensive tradable goods sector than in the informal non-tradable goods sector, where labour is less productive because it is not assisted by capital. Thus, if the accumulation rate is high enough, there will be a higher rate of labour absorption in high-productivity segments of the tradable goods sector, helping to bring down the employment share of low-productivity informal sectors and thus generating productivity gains via the reallocation of labour. The third effect is that a higher capital accumulation rate tends to reduce the employment growth rate in informal non-tradable goods sectors, which are characterized by the absence of increasing returns to scale and the presence of surplus labour, and where the lower the employment growth rate is, the faster productivity will tend to grow. Thus, increasing the accumulation rate in tradable goods sectors by reducing informality in non-tradable goods sectors tends to raise productivity in these sectors.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of J. Ros, "Inversión, productividad y crecimiento. Un análisis de las interrelaciones", Santiago, ECLAC, 2015, unpublished.

In terms of policy, the causal relationship between capital accumulation and productivity is very important, as it further highlights the importance of aggregate demand and macroeconomic cycle composition management rather than supply side policies in accounting for the low long-run growth in GDP and productivity in Latin America.⁵

D. Conclusion

Broadly speaking, Latin America and the Caribbean has succeeded in narrowing its public and private investment gaps, although investment levels are still below the average for other developing regions. Investment has been highly volatile because of the dynamic of the machinery and equipment component, which remains an issue. This component incorporates the latest technological advances and innovation, so its volatility adversely affects the behaviour of productivity and thus the long-term growth evolution of the region's economies.

Investment volatility is closely linked to the characteristics of the investment cycle. Overall, investment downturns have systematically been longer and deeper than GDP downturns, while expansions have been weaker. This partly reflects cycle management that is not conducive to stronger investment or sustained economic growth.

The policies traditionally applied to cope with the vagaries of the business cycle have tended to penalize investment (and particularly public investment) in both upturns and downturns. During upturns, economic policy has been unable to sustain investment growth. During downturns, public investment has been used in a short-termist

⁵ Since the 1970s, and in most of the periods studied (1981-1990, 1991-2000, 2001-2009 and 2001-2011), Latin America and the Caribbean has had one of the lowest per capita GDP growth rates of any developing region. In addition, the growth differential between Latin America and the Caribbean and other regions, such as East Asia and the Pacific, has widened over time. The latest period of expansion, between 2003 and 2008, is no exception. During that time, Latin America and the Caribbean experienced its highest average growth rates for over three decades. The average regional per capita growth rate was 3.7%, higher not only than in the lost decade of the 1980s and the era of free market structural reforms between 1991 and 2000 (1.4%), but also than in the 1970s (3.2%). In comparative terms, though, the performance of Latin America and the Caribbean was by no means exceptional. In fact, the region's growth rate remained substantially lower than those of East Asia and the Pacific (9.3%), Europe and Central Asia (7.4%) and South Asia (6.6%).

fashion as a cyclical adjustment variable, to the detriment of both current investment and the ability to embark upon new investment projects. This, in turn, can result in slowdowns being more protracted and severe, making it harder for macroeconomic equilibria to be re-established.

The observed behaviour of investment over the cycle and the effects on long-run growth pose a number of challenges for macroeconomic development policymaking.

First, macroeconomic policies should not focus exclusively on nominal stability over the cycle but should take account of the effects on long-run growth, on the production structure and on structural heterogeneity. This means that one of the goals of macroeconomic policy must be an enhanced capacity to mitigate and palliate the effects of recessions on the production structure.

Macroeconomic policy also needs to concern itself with the duration and strength of the upswing of the cycle as a key factor in incentivizing investment and expanding the production frontier and long-term outlook. This means formulating countercyclical policies that can reconcile the aggregate demand management required in the different phases of the cycle with efforts to enhance medium- and long-run growth by stimulating and strengthening the production structure of economies.

To this end, it is vital to rethink the countercyclical architecture with a view to managing the business cycle flexibly and shielding public investment against the vagaries of economic activity. A public framework to promote investment is also needed, as discussed in chapter III of *Economic Survey of Latin America and the Caribbean*.

All these elements are essential, not only to reverse losses arising in the downturns of the cycle, but to stimulate and strengthen economies' production structures and capacity so that growth rates can be permanently raised to a level commensurate with the development needs of the countries of Latin America and the Caribbean.

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Annex II.A1

Cycle analysis methodology

The methodology consists in identifying the turning points (peaks and troughs) of the real-term gross domestic product (GDP) series in levels, using quarterly data.

In particular, the turning points (tp) of the series in levels expressed with natural logarithms, $y_{i,t}$, were determined using an algorithm able to identify local peaks and troughs, in windows of five quarters (see Bry and Boschan, 1971). In other words, there is a local peak at t : $tp = 1$ if $y_{i,t} > y_{i,t-k} \forall k = -1, -2, 1, 2$, and a local trough at t : $tp = -1$ if $y_{i,t} < y_{i,t-k} \forall k = -1, -2, 1, 2$ $tp = 0$ otherwise.

The conditions for identifying a tp include the following: there cannot be two consecutive peaks or troughs; the minimum duration of a phase is two quarters from peak to trough and six quarters from peak to peak, and tp are calculated using the computational algorithm for MATLAB developed by Male (2010). The tp are then used to define the dichotomous variable $s_{i,t}$ in order to identify phases of expansion: $s_{i,t} = 1$ if the series $y_{i,t}$ is in an expansionary phase; $s_{i,t} = 0$ if the series $y_{i,t}$ is in a contractionary phase.

Similarly, the variable $c_{i,t}$ is defined for phases of contraction: $c_{i,t} = 1 - s_{i,t}$. To calculate the variable $s_{i,t}$, only complete phases are considered, so that each series starts and ends with either a peak or a trough. This is done because there is no way of knowing the duration or amplitude of a phase that is incomplete.

The tp served in turn to identify GDP expansion and contraction phases. An expansion phase is a period when GDP growth is positive. A contraction phase is a period when GDP growth is negative. Once the expansion and contraction periods had been identified, estimates were produced for the countries, regions and subregions of the duration and amplitude of the economic activity expansion and contraction phases. Duration is a measure of the persistence of the contraction or recession phase, while amplitude is a measure of the change in economic activity during the phases of the cycle.

The average duration (D) of an expansion (or contraction) is defined as the ratio between the total number of quarters of expansion and the total number of peaks:

$$D = \frac{\sum_{t=1}^T s_{i,t}}{\sum_{t=1}^{T-1} (1 - s_{i,t+1}) s_{i,t}}$$

Where $s_{i,t}$ is a dichotomous variable $s_{i,t} = 1$, if the series $y_{i,t}$ is in an expansion phase, and $s_{i,t} = 0$, if the series $y_{i,t}$ is in a contraction phase. The average amplitude (A) of an expansion is the sum of the changes in the variable in every quarter where $s_{i,t} = 1$, divided by the total number of peaks:

$$A = \frac{\sum_{t=1}^T s_{i,t} \Delta y_{i,t}}{\sum_{t=1}^{T-1} (1 - s_{i,t+1}) s_{i,t}}$$

Where $y_{i,t}$ = natural logarithm of GDP.

When y_i is expressed as a logarithm, $\Delta y_{i,t}$ is the percentage change, so A is a percentage. If $y_{i,t}$ is expressed as a proportion of GDP, then A is read in percentage points.

A bridge to the future: boosting investment in the public sphere

Introduction

- A. Starting from a narrow base, public investment has risen almost everywhere in the region
- B. To boost growth, fiscal rules must protect capital spending
- C. Greater regional and international cooperation is needed to avoid tax competition and to protect tax bases
- D. Public-private partnerships may complement State investments in some areas
- E. Concluding remarks: towards an inclusive fiscal framework to promote investment

Bibliography

Introduction

This chapter discusses, from diverse perspectives, the need to move towards an inclusive fiscal framework to promote investment, taking up the proposals put forward by ECLAC in recent documents.

Economic dynamics and fiscal space vary in the countries of the region. Accordingly, section A of this chapter examines trends in public investment spending, which increased in many countries between 2003 and 2013, although the trend is now under threat as fiscal space narrowed during the economic slowdown of 2014 and 2015. In some countries, resources are declining at the very time when fiscal stimulus is most needed to promote growth.

Section B looks at the significance of fiscal policy for achieving development goals. Managed well, public investment spending can create virtuous circles and expand the fiscal space, since it stimulates growth and thus secures future tax revenues. For that reason, it is important to put in place fiscal rules that stimulate investment.

Section C reviews the lessons drawn from recent studies on the use of tax incentives to boost investment. Tax incentives or subsidies seem to have little effect in terms of bringing investment to fruition, but have had an adverse and immediate impact on fiscal space and the provision of public goods. Partly owing to institutional weaknesses and partly for ideological reasons, the overuse of these instruments has caused the fragmentation of tax systems and undermined income tax, in particular. These incentives cannot be easily dismantled, since in most cases eliminating tax competition requires concerted action by countries that share similar economic spaces or activities.

Section D reviews the experiences of the region in the area of public-private partnerships. One of the main benefits of such partnerships is that they use private resources to finance infrastructure investment without putting pressure on fiscal space. However, the commitments undertaken, or the explicit or implicit guarantees given in certain contracts, may endanger future fiscal sustainability. A fundamental lesson to emerge from the region's experience is that this kind of legal and financial instrument has complemented public investment in some areas when an appropriate regulatory authority is in place; however, most capital spending on public goods remains directly funded by the State.

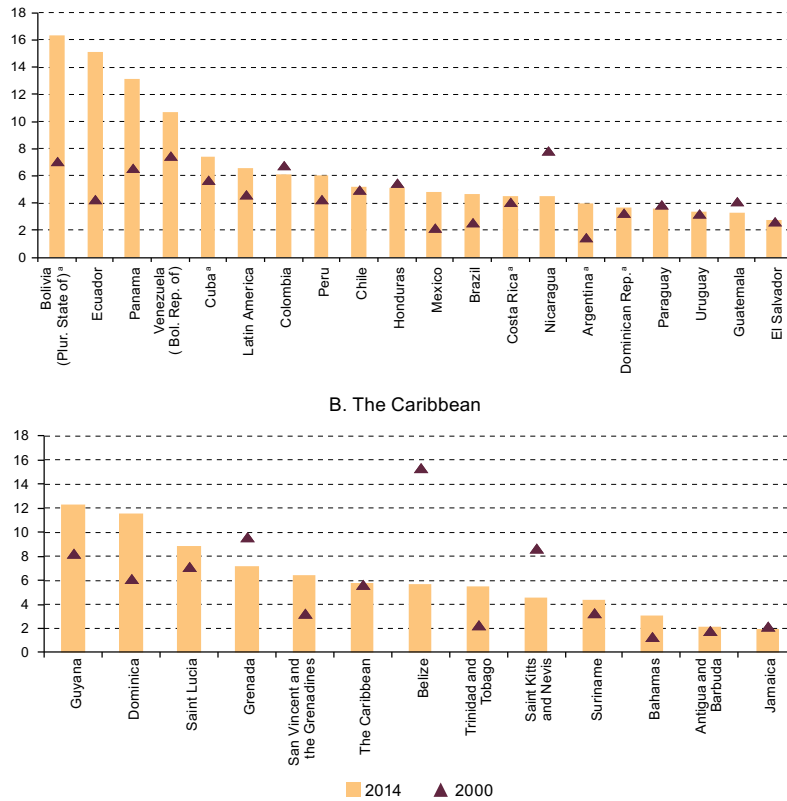
A. Starting from a narrow base, public investment has risen almost everywhere in the region

Until the early 1980s, public investment was strongest in capital formation, and was as high as 10% of GDP in some countries. After the debt crisis, the need to adjust public accounts forced governments to bring down capital spending during the 1990s, as fiscal restraint coincided with the view, then at its zenith, that the State should withdraw from many sectors of the economy.

In addition to the crisis, the privatization of many State-owned enterprises meant that the 1990s were characterized by an unprecedented fall in public investment, to the detriment of well-being and economic growth. For example, infrastructure investment fell from 3.1% to 1.5% of GDP in the 1980s (see ECLAC, 2010) and it remained at around that level until 2008, when several countries responded to that year's crisis by stepping up public investment.

The simple average of public capital spending in 19 Latin American countries (including State-owned enterprises in countries where these have a significant presence) jumped from 4.7% to 6.5% of GDP between 2000 and 2014 (see figure III.1), while the average for 13 Caribbean countries remained at about 5.8% of GDP during the same period. The weak starting point helps explain the relatively strong investment performance over the past 15 years; compared with 2000 levels, it has surged in Argentina, Cuba, Ecuador, Panama, Peru and the Plurinational State of Bolivia. Conversely, capital spending has fallen —sharply in some cases— in a number of countries that had a high public investment ratio in 2000, such as Belize, Grenada, Honduras, Colombia, Nicaragua and Guatemala.

Figure III.1
Latin America and the Caribbean: public investment rates, 2000 and 2014
 (Percentages of GDP)
 A. Latin America



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

Note: In figure III.1A, public investment is defined as capital expenditure net of intergovernmental transfers; in figure III.1B, it is defined as capital expenditure.
^a Figures for 2013.

Examined by country (see figure III.2), public investment clearly experienced a surge starting in 2008 and 2009, which continued until 2013 and 2014. In Latin America, this is a reflection of significant growth in recent investment by State-owned enterprises. In several of the region's countries (notably the Bolivarian Republic of Venezuela, Chile, Ecuador, Mexico and the Plurinational State of Bolivia), State-owned exporters of non-renewable raw materials undoubtedly contributed much of public investment, in keeping with their relative share of tax revenues.

Figure III.2
Latin America and the Caribbean: public investment rates by level of government, 2000-2014
 (Percentages of GDP)
 A. Argentina

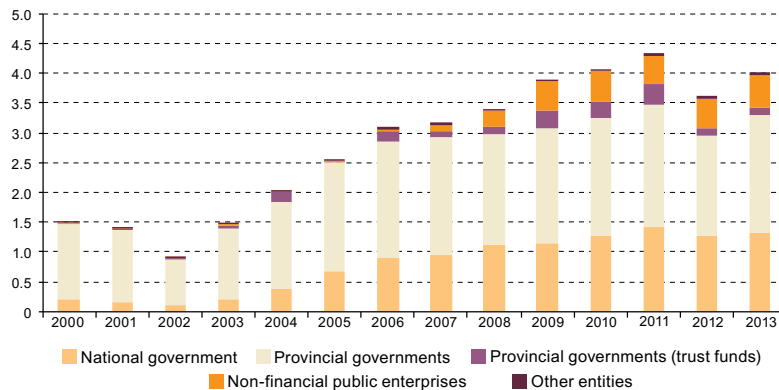


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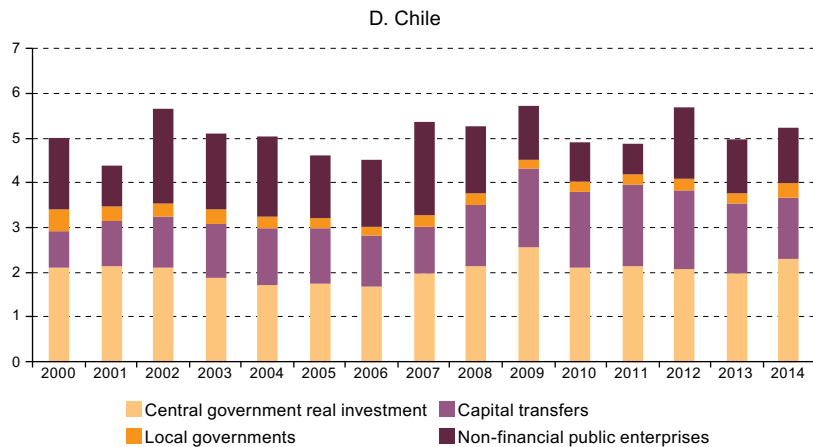
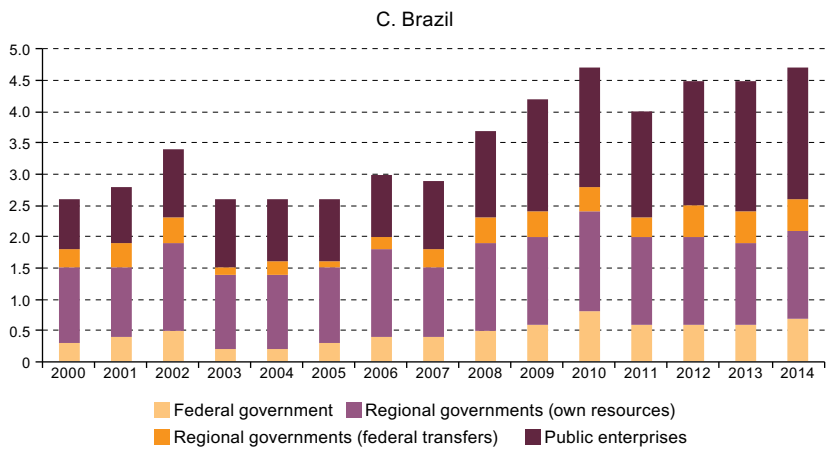
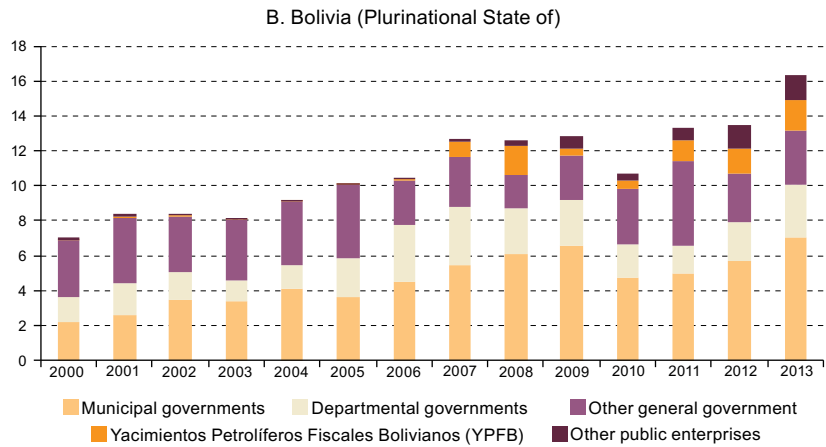


Figure III.2 (continued)

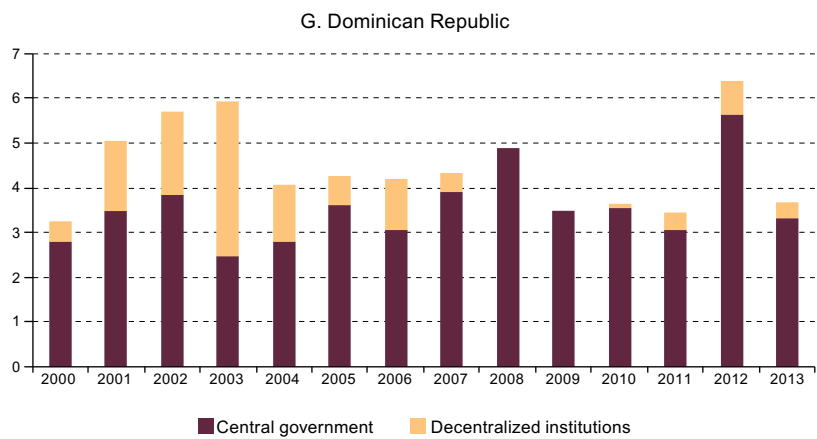
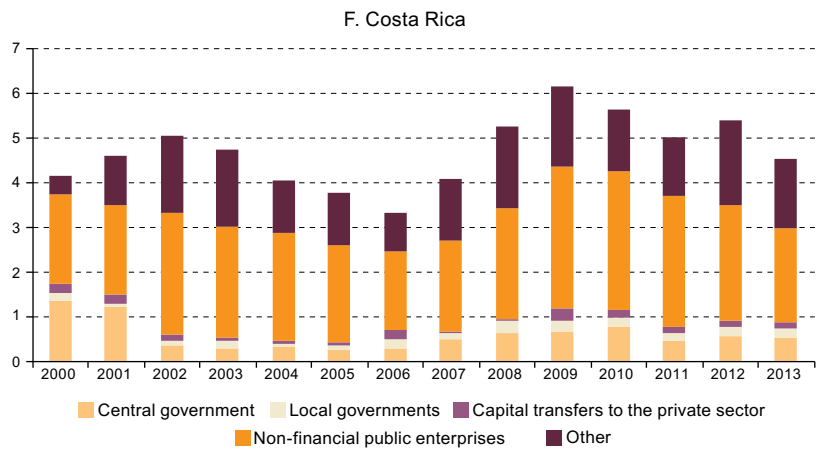
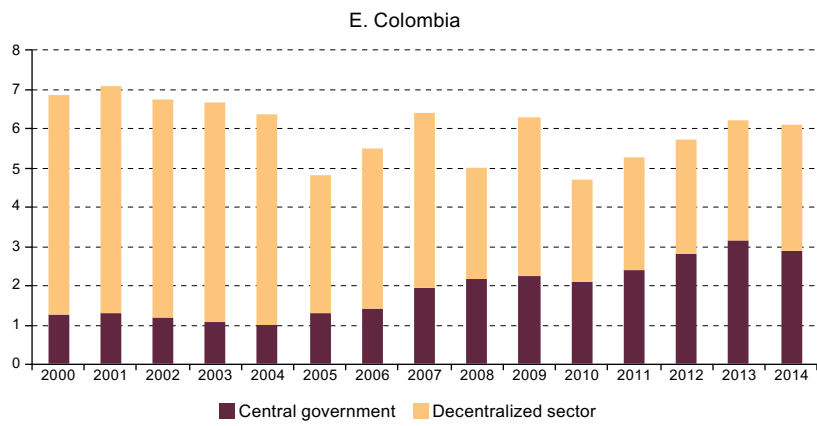


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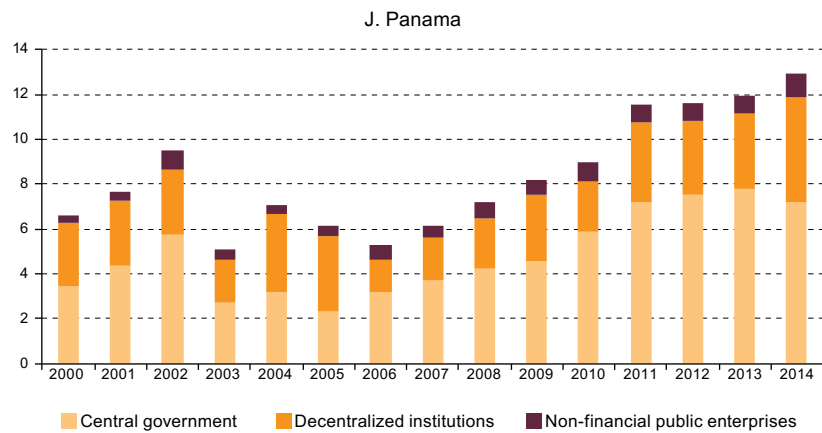
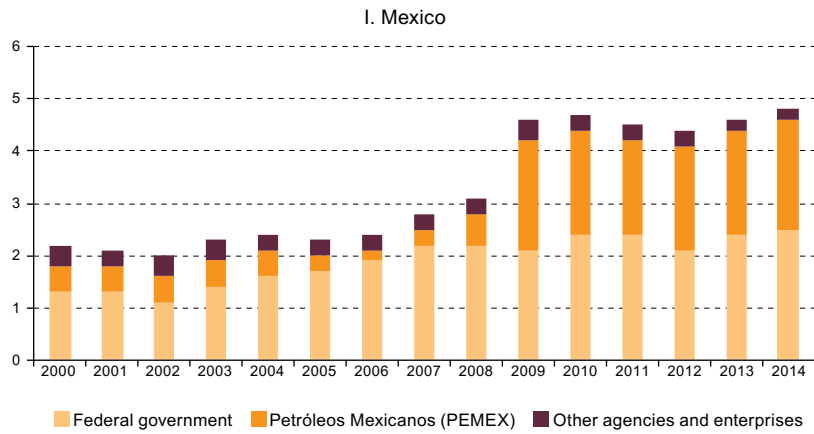
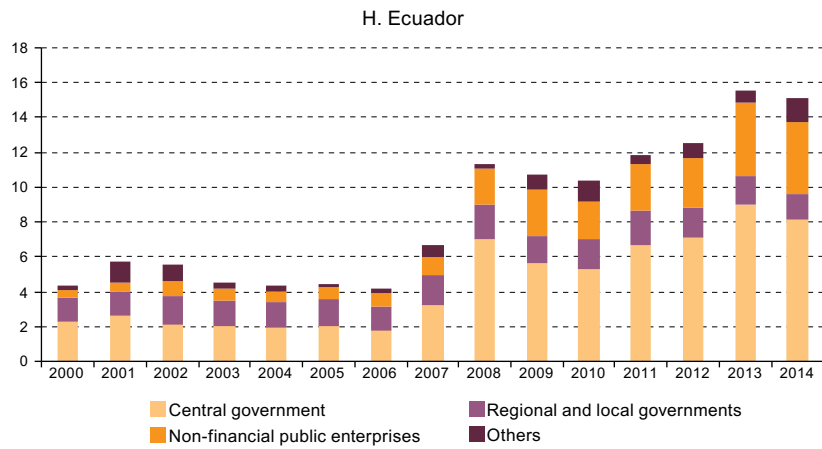
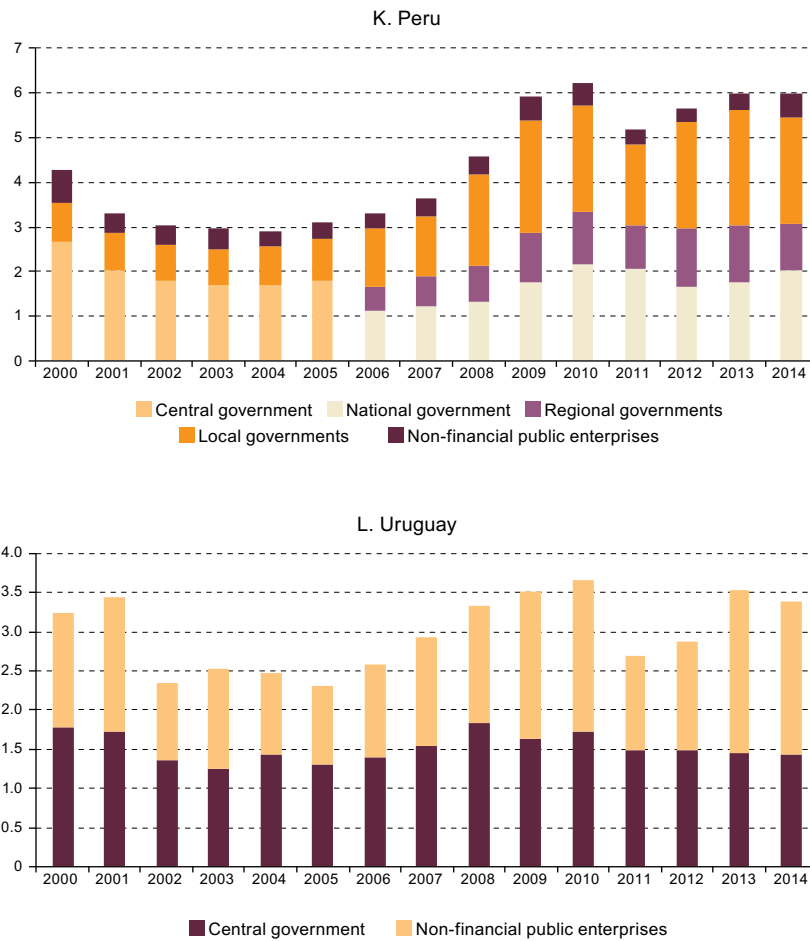


Figure III.2 (concluded)



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

In other countries, the preponderance of State-owned enterprises in investment reflects the fact that traditional infrastructure providers, notably in transportation, telecommunications, energy, and drinking water and sanitation, remain in public hands. This is the case mainly in Costa Rica, Panama, Paraguay and Uruguay. Subnational governments have played a prominent role in investment execution in Argentina, Colombia, Peru and the Plurinational State of Bolivia.

In one group of countries, the level of public investment has sharply increased as a percentage of GDP. In the Plurinational State of Bolivia, capital spending by the non-financial public sector peaked at 16.3% of GDP in 2013, a 9.3-percentage-point increase on the low recorded in 1998. Given that fiscal affairs are highly decentralized in the Plurinational State of Bolivia, most of this investment was executed by municipal (7.1% of GDP) and departmental governments (3.0% of GDP). Since the creation of the direct tax on hydrocarbons in 2005, some of the increase in public investment by these levels of government was funded through transfers of additional resources collected from the tax.

In 2007, the share of public investment executed by State-owned enterprises began to increase —driven by nationalizations and renationalizations— and reached 3.2% of GDP in 2013, with Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) and Empresa Nacional de Electricidad (ENDE) accounting for about 80% of this total. Investment in production and infrastructure posted buoyant growth, while social investment climbed even more sharply, from 1% of GDP in 1990 to over 4% in 2014, chiefly in the health, education, urban development and housing sectors. Domestic resources made a key contribution, financing 85% of the total in 2014. The nationalization of the hydrocarbons industry in 2006 (and the implementation of a new fiscal framework for the sector) created a major source of public investment funding.

In Panama, non-financial public-sector investment stood at 13% of GDP in 2014, compared with 6% in 2000. Most of this investment is implemented by the central government (55% of the total), decentralized institutions (including transport authorities) and non-financial public enterprises, whose investment levels topped 1% of GDP and accounted for 8% of total public investment. During 2014 and 2015, non-financial public-sector investment continued to increase with the launch of the Strategic Government Plan 2015-2019, which envisions investments totalling US\$ 19.5 billion in projects such as the Panama City metro, road network reorganization, the building of a “hospital city”, and the Colón Corridor highway.

In Ecuador, capital spending by the non-financial public sector rose from about 4% of GDP in 2000 to 15.1% of GDP in 2014. The central government was responsible for most fixed capital formation (8.2% of GDP), followed by non-financial public enterprises (4.1% of GDP) and regional and local governments (1.4% of GDP). Under the current fiscal rule, capital spending is funded with non-permanent sources of income, meaning that the sharp rise in investment is due fundamentally to the strong performance of oil revenues. Public investment figures showed large increases in the amounts earmarked for education (up 1.3 percentage points of GDP) and natural resources (1.5 percentage points of GDP).

In Colombia, non-financial public-sector investment stood at 6.1% of GDP in 2014, with the central government accounting for 48% of the total, equivalent to 2.9% of GDP. The decentralized sector (including social security, national and local enterprises and regional governments) was responsible for investment equivalent to 3.2% of GDP, or 52% of total public investment. The public investment rate was healthy throughout the period at about 6% of GDP, reaching a six-year high in 2014 as a result of the central government’s policy of investing in housing and public works. By contrast, the share of investment executed by the decentralized sector shrank somewhat, albeit remaining above 3% of GDP. Large investments were made in 2014 in social inclusion and reconciliation projects (More Families in Action and the National Strategy for Comprehensive Early Childhood Care) along with strategic medium-term infrastructure projects such as the Ruta del Sol highway concession and the infrastructure maintenance and improvement programme; housing-sector projects aimed at providing subsidies for families (100,000 homes) and displaced populations, and the Integrated Mass Transit System, among others.

In Peru, public-sector investment amounted to 6% of GDP in 2014. Subnational governments made a major contribution to this strong performance, reflecting the country’s dynamic decentralization process, which in turn entailed the consolidation of the National System for Public Investment (SNIP) in view of the need to evaluate multiple investment projects in a context of fragmented decision-making.

The central government accounted for 50% of total investment, while investment by local governments (40% of the total) equated to 2.4% of GDP, and that of non-financial public enterprises (including *Petróleos del Perú* (PETROPERÚ)) 0.5% of GDP. An investment rate of 6.3% of GDP is expected for the non-financial public sector at year-end 2015. One interesting initiative in Peru is the Works for Taxes Law (Shack, 2015), whereby companies or private consortiums are allowed to fund and implement public infrastructure projects by reducing their previous year’s income tax by up to 50%. The law represents a management tool for national, regional and local authorities, which aims to encourage private investors to engage with the development process in their local area.

A second group of countries achieved investment rates in the region of 4% to 5% of GDP. In Brazil, ups and downs in public investment are historically related to the country’s development model (Afonso and Wulff, 2015), which generally entailed significant State involvement in the economy, especially through public investments (either direct or channelled into the formation and support of various State-owned enterprises). However, with the Real Plan, anti-inflation policies and the opening of the economy to external markets, the Brazilian economy entered a period of heavy fiscal adjustment, with a consequent reduction in capital spending.

Public investment took on renewed importance in the wake of the 2008-2009 crisis, rising from an annual average of 2.6% of GDP for the period between 2003 and 2008 to 4.3% of GDP between 2009 and 2014. While this growth was partly due to large infrastructure projects, investment was evidently concentrated in Petrobras (89% of the total in 2014). The Growth Acceleration Programme (PAC) funded 20% of public-sector investment, equivalent to 0.8% of GDP, which was not included in the fiscal targets. Moreover, PAC was expanded to include several programmes to encourage investment through public service concessions. For 2015, the cut of about 30% in non-compulsory spending is expected to translate into lower levels of public investment, including in Petrobras.

In Chile, the National Copper Corporation of Chile (CODELCO) continues to account for around a third of total investment. Public-sector investment stood at 5.2% of GDP in 2014; central government investment (about 44% of the total) was equivalent to 2.3% of GDP, while investment by non-financial public enterprises (including CODELCO) amounted to 1.2% of GDP, or 30% of the total.

Capital transfers stood at 1.4% of GDP (26% of the investment budget), and were largely allocated to social housing (0.6% of GDP and 45% of the total) and economic affairs, with transportation accounting for 0.2% of GDP and 16% of capital transfers. During 2014, several programmes were implemented to boost public investment. By 2020, total investment in infrastructure is expected to rise from 2.5% to 3.5% of GDP, through a public-private action plan.

In Mexico, public-sector investment amounted to 4.8% of GDP in 2014. Investment by the federal government represented 52% of the total, equivalent to 2.5% of GDP, while public enterprises were responsible for the remaining 48%, or 2.3% of GDP. *Petróleos Mexicanos* (PEMEX) accounted for more than 90% of total investment by public enterprises, equivalent to 2.1% of GDP.

During 2014, federal government investment grew by 7.5%, the fastest rate of expansion since 2010. Most resources were invested in energy (especially hydrocarbons), communications and transportation. In 2015, public-sector investment is expected to stand at 4.6% of GDP, down 4% on the 2014 figure. The medium-term plan envisages that public-sector investment will be raised to 5.2% of GDP by 2020.

In Argentina, the public investment rate dropped below 1% of GDP in 2002, which undoubtedly signified a net reduction of public capital (see Cetrángolo Gómez Sabañi and Morán, 2015). Since then, a gradual recovery has taken place, with investment now at the levels of the early 1990s. More than 60% of investment is funded by the national government, although it only executes about 30%, while provincial governments implement 60% of total investment. Allocations are mainly financed by domestic resources and national transfers, as well as by trust funds and capital transfers for specific projects (for example, in the housing sector). Non-budgetary investment by national and provincial public enterprises stood at 0.5% of GDP, or 13% of total public investment.

In 2014, public-sector investment in Uruguay was equivalent to 3.4% of GDP. Central government investment amounted to 1.4% of GDP and that of non-financial public enterprises 1.9% of GDP (about 60% of the total). The largest investors among public-sector enterprises, the National Telecommunications Administration (ANTEL) and the Administración Nacional de Usinas y Transmisiones Eléctricas (UTE), have continued to invest at relatively constant rates since 2008, although in 2015 efforts will be made to target spending and seek new sources of funding through public-private partnerships.

Shrinking public investment has weakened gross capital formation in Central America (see Cabrera, 2015). In Costa Rica, El Salvador, Guatemala and Honduras, this is associated with reduced fiscal space after the international financial crisis of 2008, and has contributed to gradually pushing the fiscal deficit above 4% of GDP in these countries, with the exception of Guatemala, which cut spending in general and capital spending in particular. Falling tax revenues have also widened fiscal gaps.

A different situation prevails in Nicaragua and Panama, which have increased public investment. In Nicaragua, gross capital formation has remained constant thanks to road-building and social infrastructure projects. Fiscal deficits have held steady in both countries at about 1.5% of GDP.

Public investment in Costa Rica came to 4.5% of GDP in 2013. As a percentage of GDP, central government investment stood at 0.5%; that of local governments 0.2%; that of public enterprises 2.1%, and that of other public entities, such as decentralized institutions and agencies, 1.5%. Over half of public-sector investment was earmarked for the transportation sector, followed by housing (14%), education (12%) and health (9%). An adjustment in public spending of about 1.4% of GDP is expected for 2015, which should be offset by the resources released for investment projects in education, especially educational infrastructure.

One of the major challenges facing Central American countries is that of designing fiscally affordable sustainable investment promotion strategies. There is a question mark over the use of sector-specific tax exemptions which, though viewed as essential by the sectors concerned, carry significant fiscal costs and compete with resources earmarked for other areas such as education and infrastructure, which are also crucial for promoting growth and development and, of course, for increasing future investment profitability.

This brief but documented review shows that the revival of public investment has formed the centrepiece of countercyclical policies and of the economic recovery after the 2009 crisis, as governments took advantage of fiscal space to cover (at least partially) their infrastructure gaps. However, the economic slowdown and the falling commodity prices of recent years, with the consequent depletion of public resources, undoubtedly threaten the continuity of this process in many countries.

B. To boost growth, fiscal rules must protect capital spending

To address macroeconomic volatility in the region, it is extremely important to design efficient countercyclical schemes that protect investment. For minimizing adjustment costs and boosting expectations of potential growth and future stability, schemes to complement countercyclical policies by protecting (and stimulating) investments during troughs in the business cycle could be much more effective than fiscal rules based solely on spending or deficit targets.

A well structured policy regime that simultaneously defines the limits of fiscal space and the manner of coordinating instruments and resources can multiply the effect of fiscal incentives for investment. Credibility is fundamental where infrastructure projects aim to coordinate several private investments simultaneously: private agents should have the perception that public investment commitments will be fulfilled and not delayed as a result of financial constraints or discretionary decisions.

It has often been said that the end of the commodity supercycle in the region will bring about a structural reduction in growth, and that public accounts need to be adjusted to this new reality. However, this argument has much of the self-fulfilling prophesy about it, since the drop in investment will itself reduce potential output in the medium term.

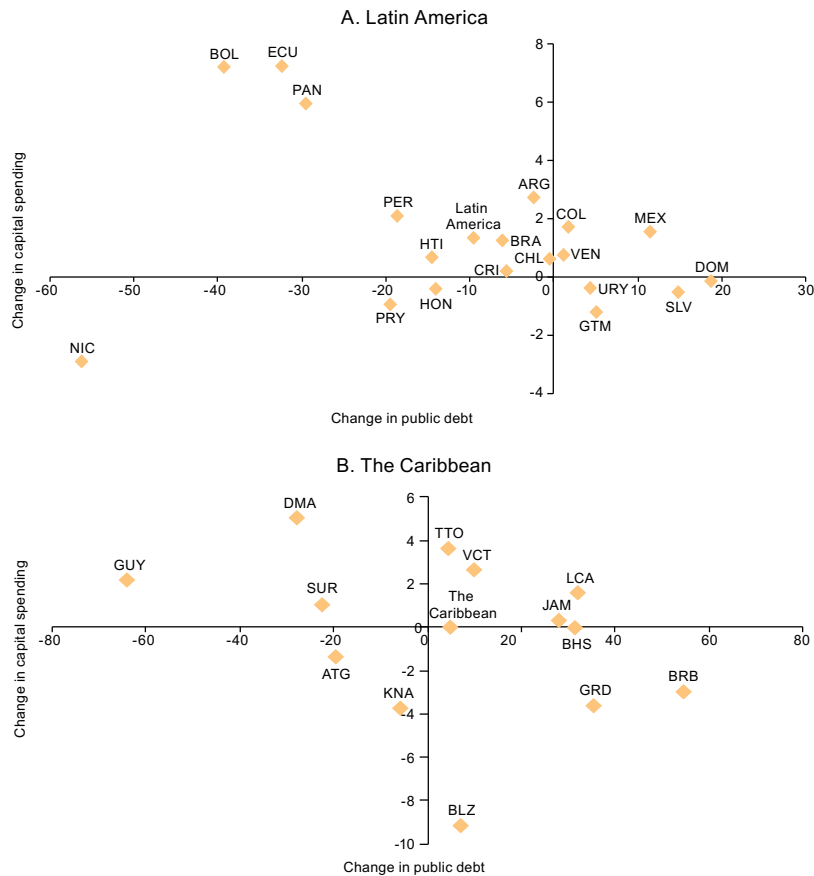
Fiscal space is typically defined as the resources that are available for a specific purpose without affecting the sustainability of the government's financial position (public debt) or of the economy as a whole (ECLAC, 2014). But that static definition does not take into account the dynamic effects that occur in the investment process: it is perfectly possible to safeguard the fiscal space (or maintain solvency) if public capital spending favours growth and thus generates future tax benefits. In other words, well managed public spending can help generate a virtuous circle of sustainable growth.

It is worth assessing whether increased capital spending in some countries was associated with growth in the public-debt-to-GDP ratio. Most Latin American countries (12 of 19) have increased their capital spending since 2000, and of these only three (Bolivarian Republic of Venezuela, Colombia and Mexico) reported an increase in their public-debt-to-GDP ratio (see figure III.3); in addition, these increases were small in magnitude and based on low initial debt levels. Only four countries reported increased public debt that was not accompanied by higher capital spending (the Dominican Republic, El Salvador and Uruguay, where capital spending remained almost constant, and Guatemala, where it fell).

In the Caribbean, capital spending increased in seven countries, of which five also posted higher public-debt-to-GDP ratios (the Bahamas, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, and Trinidad and Tobago). The other countries (Dominica and Suriname) managed to reduce their debt-to-GDP ratio.

This pattern is consistent with the observation that publicly funded investment projects can increase output, both in the short and the long terms, without driving up the debt-to-GDP ratio. This is especially true in periods of idle capacity in the economy, when monetary policy is accommodative, infrastructure needs are clearly identified, and investment efficiency is high (see IMF (2014a) and box III.1 of this chapter). Even when funded from borrowing, the multiplier effects on output mean that increased public investment can reduce the debt-to-GDP ratio in the long run.

Figure III.3
Change in public debt and capital spending, 2000-2001 and 2013-2014 average
 (Percentages of GDP)



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

Box III.1

Public investment, growth and fiscal space

DeLong and Summers (2012) aimed to assess the conditions under which an increase in public investment is self-financing. A short-term expansion in public investment boosts GDP through the fiscal multiplier effect. Depending on the value of that multiplier, and the income elasticity of taxes, the public-debt-to-GDP ratio may fall. In formal terms, an (annual) expansion of public investment as a percentage of GDP (Δi), funded by an increase in national debt, causes a change in the debt-to-GDP ratio (Δd):

$$\Delta d = (1 - \alpha\tau)\Delta i$$

where α is the fiscal multiplier and τ is the marginal tax-and-transfer rate or tax semi-elasticity. DeLong and Summers carried out a meta-evaluation of the fiscal multiplier estimated by Auerbach and Gorodnichenko (2012) for developed countries, which ranges from 0.5 during expansions to 2.5 in recessions (when the economy is performing below its potential).

Some authors argue that these values would be appreciably lower in developing countries;^a however, in the (few) studies that refer to Latin American economies, the fiscal multiplier for public investment hovers at around 2. Taking this value and assuming a marginal tax-and-transfer rate of 0.25, then the public-debt-to-GDP ratio would increase by about 0.5 points.^b In other words, in the first year, investment funded from debt would generate a deficit equivalent to 50% of the initial outlay. The turning point, at which investment would be self-financing in the first year alone, is obtained when the fiscal multiplier and tax semi-elasticity equate to values of 2.5 and 0.4, respectively.

Over time, increased public investment also expands potential output (not only actual output), which generates tax gains. As demonstrated by IMF (2014a), with high fiscal multipliers and public capital elasticity of potential output, an increase in public investment may be self-financing over the medium term. Clearly, then, a beneficial combination of parameters is feasible, and can lift growth potential and lower public debt as a percentage of GDP.

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

^a Intuitively it may be assumed that, in small and open economies, a considerable part of the higher demand would filter through to imports, giving rise to twin deficits and sapping the potential for recovery. However, the multiplier effect depends on the type of stimulus implemented; there is a degree of consensus that the greatest effects are obtained through public investment, since it provides an immediate boost to aggregate demand, has little import content, and favours direct and indirect job creation.

^b See, for example, Sánchez and Galindo (2013) for the case of Peru, and González and Lozano (2012) for Colombia.

The underutilization of installed capacity is self-perpetuating for at least three reasons: weak activity in the present tends to feed expectations of weak activity in future; low investment in the present reduces potential supply in future; and weak activity in the present tends to worsen the financial situation in the future, since price rigidities can make it hard to increase profit margins.

In this context, the natural response to slowing growth is through sustainable demand-boosting policies focused on investments in areas that yield worthwhile social returns—such as social housing, urban renewal, transportation and energy. Promoting such investments during periods of weak private investment is an effective way of mitigating volatility and persistently weak global demand, with its devastating effects on aggregate supply. In the event of hysteresis, or persistent capacity underutilization, a fiscal stimulus in the form of capital goods can more than compensate for the initial outlay, if interest rates are reasonably low.

Of course, multiplier effects depend on financing conditions and, critically, on the gap between the real interest rate paid on government debt and the rate of economic growth. Since 2010, this gap has averaged less than two percentage points in 13 of 19 of the region's countries, which, if maintained, would allow a broadly sustainable public-debt trajectory. Accordingly, governments should take advantage of favourable conditions of access to finance markets. In some countries, the gap is plainly unfavourable; in Brazil the average is 5.8 percentage points (see ECLAC, 2015 for the calculation of these indicators). And since 2009, the gap has also been very large in the Caribbean, averaging above 6 percentage points in Barbados and Jamaica. In conditions of low growth and high interest rates, the inherent dynamics of public debt give rise to a snowball effect, so that narrowing the gap becomes crucial.

In response the slowdown of 2014-2015, the countries of the region whose debt is low (and which therefore have access to cheap credit) have made active use of fiscal policies. Conversely, countries with high levels of public debt, or which face financing difficulties amid deteriorating public accounts, have announced budget cuts. Spending containment measures should take into account the need to protect investment and avoid vicious circles whereby fiscal overadjustments strangle growth and tax revenues, ultimately widening the deficit and increasing the public debt burden.

Governments have traditionally made fiscal adjustments by reducing assets (including public investment and maintenance costs), causing a drop in the net worth of the public sector. In several of the region's countries, fiscal rules helped bring the deficit under control and reduce public debt, although the financial measures adopted were generally little concerned with capital spending.

One option is to adopt the golden rule for the management of public finances (see box III.2). This rule stipulates that governments should fund current spending from current income, and should only borrow to fund capital spending, since it represents future income. Accordingly, the golden rule prescribes that it may be necessary to run a balanced (or in surplus) current account in the medium term, with the possibility of a structural deficit on the capital account.

Box III.2

The golden rule of public investment

In formal terms, the arithmetic of the golden rule is as follows (see Blanchard and Giavazzi, 2004):

$$b = g - t + i + (\delta - \theta)k + (r - n)b$$

where b is the stock of public debt, g is current spending, t current income, i net investment and k the stock of public capital (all expressed as a percentage of GDP and assuming zero inflation). Furthermore, r is the real rate of interest, n the growth rate of GDP, δ the rate of depreciation of capital and θ the gross rate of return on public capital. The novelty of this definition of change in public debt is the inclusion of net income yielded by the stock of public capital. If the overall balance were in equilibrium, we would have:

$$g - t + i + (\delta - \theta)k + rb = 0$$

and the change in debt would depend solely on the GDP growth rate and its initial level:

$$b = -nb$$

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

This equation nicely illustrates the dynamics of public debt: in a recession (when n takes a negative value), debt as a percentage of GDP grows proportionally, despite the supposed fiscal balance. With growth (n is a positive value), the debt-to-GDP ratio converges on zero. But according to Blanchard and Giavazzi (2004), a rule that drives the stock of public debt to zero is a bad rule. Imposing the rule that current spending should be balanced ($g - t + (\delta - \theta)k + rb = 0$) leads to:

$$b - k = -n(b - k)$$

So that:

$$i = k + (n - \delta)k$$

The stock of public debt is therefore backed up by the total stock of public capital. If the stock of public capital, as a proportion of GDP, is constant, then the government may run a deficit equal to nk . Public debt would converge towards the stock of public capital.

The accrual basis of recording adopted in the *Government Finance Statistics Manual 2014* (IMF, 2014b) would lead to the adoption of the golden rule. Under the concept of change in net worth, revenue is that which increases the government's net worth, while expenditure is that which reduces it. Public investment is not considered to be an expenditure, since it increases the government's net worth.

It is therefore possible, under the framework proposed in the *Government Finance Statistics Manual 2014*, to assess whether fiscal adjustments have been accompanied by a reduction in governments' net worth. If fiscal adjustments have been carried out mainly by reducing assets (such as public investment and maintenance costs), then the reduction of government liabilities is not necessarily accompanied by an improvement in net worth and the fiscal position is not strengthened.

Most fiscal consolidation efforts implemented through privatizations and investment cuts do not achieve their ends because they do not improve net worth, but rather reduce the government's assets.

Conversely, if public enterprises do not have quasi-fiscal operations, or if transfers by the central government are duly recorded in the budget, their results should not be included in the deficit and public debt targets, thereby removing artificial constraints on infrastructure investment. More accurately, and as recommended by the *Government Finance Statistics Manual 2014*, fiscal rules should apply to general government and not the non-financial public sector. Recent initiatives in several of the region's countries (Brazil, Chile and Mexico) have excluded the balances and debts of public enterprises from budget discussions and fiscal targets. Of course, this presents no obstacle to monitoring their finances and undertaking broad transparency initiatives in respect of their operations.

Though the concept is clear, the widespread implementation of the golden rule has proven complex, since considerable problems of definition remain, especially with regard to the treatment of capital depreciation. On the other hand, since the public sector does not necessarily receive the full return on its investment, the analogy with the private sector loses consistency. Investments themselves often bring additional current operating expenses, so that accounting separation is by no means a trivial matter.

There are some other, partial alternatives, which offer greater fiscal flexibility, and which aim to incentivize or protect strategic investments. Ultimately, the right combination of rules adapted to the macroeconomic climate and a certain amount of discretionary authority may offer the best recipe for a good balance between current spending and investment, borrowing and the public fiscal balance.

C. Greater regional and international cooperation is needed to avoid tax competition and to protect tax bases

The investment climate is especially crucial for the success of private projects, and is largely determined by the quality of the institutional framework. Weak institutions, low credibility and significant uncertainty may present an insurmountable barrier to investment decisions. In that regard, companies seem to attach much more importance to the investment climate than to possible tax advantages or other benefits (James, 2009).¹ Recognizing this reality opens the way to systemic approaches to investment dynamics. Even if the main objective were to promote private capital spending, public-spending, citizen-security or social programmes, for example, would be preferable to exemptions or incentives.

Investment promotion does not mean the multiplication of tax incentives or subsidies. Taxation, as is well known, stems from the need to fund governments under a social contract whereby economic agents agree to surrender some of their income to provide resources for governance, social spending and the public goods that are needed for countries to function effectively. In that sense, public and private investment are complementary; one cannot replace the other. Attempting to stimulate private investment by reducing public investment is not a viable path towards development.

¹ In the author's words, "low taxes do not compensate for a poor investment climate. Countries should improve their investment climates".

From a political standpoint, the fiscal compact is based on reciprocity between State and citizen, expressed in the willingness of most households to pay more taxes in exchange for better public services in terms of health, education and safety, less corruption and the punishment of tax evasion (ECLAC, 2013). Taxation is therefore inextricably bound up with public spending quality in democratic societies.

A key point in the discussion on taxes, growth and the distribution of disposable income relates to the conceptual design of taxation systems and whether taxes are levied on income or expenditure. Where the focus of taxation is on expenditure, indirect taxes will predominate and savings and investment instruments will be exempted. In Latin America and the Caribbean, more than 60% of tax revenues (not including social security) originate from indirect taxes, with far-reaching consequences for the vertical equity of tax systems.

If the aim is to boost economic growth by strengthening savings and investment, then the guiding principle of tax design should be neutrality. The taking of personal decisions on the basis of fiscal considerations, rather than cost or productivity, can lead to losses in social welfare that will ultimately result in weaker growth. The costs associated with taxation fall into four categories:

- (i) Costs associated with the transfer of income from the private sector to the public sector (income effect).
- (ii) Efficiency costs linked to the distortions generated in the choice of economic agents, owing to changes in the relative prices of goods or factors of production (substitution effect).
- (iii) Administration costs incurred by tax authorities in ensuring that taxes are paid.
- (iv) Compliance costs that taxpayers must incur in order to discharge their obligations.

Since the income effect is inevitable, efficiently designed tax systems must seek to minimize excess burdens and the administrative and compliance losses that they entail. However, absolute tax neutrality is impossible, and even undesirable, when established priorities include revenue sufficiency and distributive justice, for example. Where redistribution is a priority objective, income taxes will take precedence. The tax base has traditionally been taken to be individual income, defined as the change in net worth during a given period of time, plus the value of goods and services consumed during the same period (thus covering the entirety of income). However, in recent decades the architecture of income tax has been gradually dismantled owing to distinctions and special treatments accorded to different types of income, notably those that potentially stimulate savings and private investment.

In Latin America, income tax legislation has been subject to various amendments over the years, which aimed to burden expenditure rather than income, with the intention of exempting savings and investment. For this and other reasons, the region's countries have typically encountered major difficulties in applying a comprehensive personal income tax that applies to all the taxpayer's sources of income in accordance with a structure of progressive marginal rates. In most cases, there is a long list of exemptions and differential treatments depending on the source of income, which interferes with the horizontal and vertical equity of taxation and limits its potential as an instrument for revenue collection and redistribution (Gómez Sabañi and Morán, 2014).

Tax authorities have repeatedly responded to financial crises by multiplying tax incentives and exemptions, in the (often vain) hope of stabilizing aggregate demand and curbing the impact of recessions on employment. However, it is well known that these instruments are supply-side responses to demand problems, and are therefore generally less efficient than monetary measures and the multipliers associated with the stimulus of public spending.

Tax incentives are therefore inefficient from the perspective of managing aggregate demand, and also in terms of their impact on the medium-term investment rate. Tax incentives for investment may be general (as with the reduction of VAT on capital goods, accelerated depreciation, exemptions from import duties for capital goods and the exemption of dividends), sectoral (applied to certain industries or specific activities) or geographical (as in the case of remote areas).

A study by Agostini and Jorratt (2013) on 10 of the region's countries found that general investment incentives were little used except in Ecuador and Chile, while sectoral incentives have been applied intensively in Argentina, the Dominican Republic, Honduras and Nicaragua. Location incentives were provided notably in Argentina, Chile, the Dominican Republic and Peru. At the aggregate level, sectoral investment incentives were applied to the tourism, export and energy sectors (22%, 19% and 15% of the total, respectively). Seven of the 10 countries studied granted incentives for the energy sector (for example, incentives for the development of biofuels, tax credits for the installation of solar photovoltaic systems and income tax exemptions on the sale of energy generated from renewable resources). Six countries provided incentives in the mining and tourism industries.

Tax relief on investment was a prominent feature of the countries studied, and included the exemptions on capital goods import duty and on income taxes for certain business activities or enterprises. Most exemptions applied to income tax (40%), but also to duties (26%) and VAT (23%). Other instruments included tax deferrals (such as accelerated depreciation and early VAT reimbursement on capital goods purchases) and deductions (for example, on a proportion of investments in fixed assets). As table III.1 shows, tax expenditures associated with income tax exceeded 1% of GDP in Brazil, Chile, Costa Rica, Ecuador, Guatemala, Honduras, Mexico and Uruguay. It is, then, important to establish whether the actual benefits in terms of employment and economic activity compensate for the loss of revenue, and the consequent fall in investment in public goods.

Table III.1
Latin America: tax expenditures in selected countries, 2012
(Percentages of GDP)

Tax	Argentina	Brazil	Chile	Colombia	Costa Rica	Ecuador (2011)	Guatemala	Honduras (2011)	Mexico	Peru	Uruguay
VAT	1.17	0.48	0.83	2.51	3.54	2.40	1.96	3.44	1.53	1.32	2.95
Income tax	0.56	1.39	3.62	0.90	1.82	3.11	5.91	1.91	2.23	0.37	2.29
Personal income tax	n.a.	0.70	2.77	0.30	n.a.	0.71	n.a.	0.95	0.84	0.15	0.63
Corporate income tax	n.a.	0.69	0.85	0.60	n.a.	2.40	n.a.	0.96	1.39	0.22	1.66
Social security	0.33	0.91	-	-	-	-	-	-	-	-	-
Excise taxes	0.31	-	-	-	0.14	-	0.02	0.68	1.15	0.07	0.08
Foreign trade	0.12	0.07	-	-	0.07	-	0.15	0.10	-	0.17	-
Other	0.03	0.37	-	-	0.06	-	0.37	0.86	0.08	-	1.08
Total (percentages of GDP)	2.52	3.22	4.45	3.41	5.62	5.50	8.40	6.99	4.99	1.94	6.40
Total (percentages of tax collection)	6.76	8.88	21.36	17.40	26.79	27.18	68.25	39.91	25.45	10.70	24.40

Source: Juan Carlos Gómez Sabaini and Dalmiro Morán, "Tax policy in Latin America: assessment and guidelines for a second generation of reforms," *Macroeconomics of Development series*, No. 133 (LC/L.3632), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), 2014.

Although possibly justified in some specific cases, investment incentives can have a negative impact on the equity and efficiency of tax systems. In terms of efficiency, incentives have created problems of inter-jurisdictional tax competition (leading to a "race to the bottom" at both the national and regional levels) and other distortions in industrial production and location decisions. Consequently, instruments that aim to incentivize private investment—such as schedular taxes, low tax rates on reinvested earnings that do not take account of the size of the business, accelerated depreciation, tax agreements and specific sectoral regimes—in reality often present insurmountable obstacles to the objectives of revenue sufficiency and equity, and further complicate the task of tax administration.

In many of the region's countries, the justification for tax incentives is that they attract foreign direct investment (FDI), which would itself have significant positive externalities for the recipient economies (such as the take-up of new technologies or increased productivity). The question is one of knowing the net impact of these special arrangements, which at first glance might be described as merely a transfer of resources from poor (recipient) countries to rich ones.

Though it is difficult to generalize, the reasons sometimes used to justify tax incentives, such as the potential benefits of FDI for growth and jobs, or the multiplier effects of special economic zones, cease to be valid in a context of globalization and trade and financial liberalization (Alfaro, 2015). In terms of mobilizing financial resources for development, it seems much more efficient to multiply initiatives to reduce tax evasion and avoidance than to subsidize investments that very probably would have materialized anyway, given the static and dynamic comparative advantages of countries and territories.

The question of tax incentives is also being raised in the international discussion on base erosion and profit shifting. One notable project within the United Nations aims to strengthen developing countries' capacity to protect their tax bases by developing methods and practices to deal with tax incentives and the taxation of extractive industries. The countries participating in a number of Latin American and Caribbean forums have requested analytical frameworks and technical assistance to carry out cost-benefit studies and to consider the gradual dismantling of incentive systems. These initiatives show some promise, but they will need to harness a willingness to prevent tax competition among countries with similar economic activities.

As tax boundaries have expanded, so the need to obtain information on taxpayers reaches beyond national borders. This has led to the signing of regional and global agreements to avoid double taxation and to facilitate the exchange of information between countries.

As regards international taxation, in recent years specific regulations have been adopted to deal with transfer pricing, aimed at preventing evasive manoeuvres by transnational corporations. Brazil, Chile and Mexico pioneered this approach in the region by introducing new provisions in 1996 and 1997. Argentina, Colombia and Peru introduced similar instruments to their tax legislation in the late 1990s and early 2000s, and Ecuador, El Salvador, Panama and Uruguay have also followed this route since 2004, with different levels of practical implementation. Even so, the region stands out for its broad range of cases and methodologies in relation to the treatment of transfer pricing in corporate operations between related parties.

In the few years since its formation, the Committee of Experts on International Cooperation in Tax Matters, a subsidiary body of the United Nations, has achieved significant progress in its work to provide a framework for dialogue, aimed at improving and promoting international fiscal cooperation between national tax authorities, multilateral agencies and regional and subregional organizations.

In short, it is apparent from the current global context that international cooperation mechanisms between countries and regional blocs need to be deepened, for which purpose multilateral agencies may afford space for consensus-building efforts.² As a core objective, these efforts should not be limited to bilateral negotiations between countries, but should aim for a viable and gradual process of regional and international tax coordination and harmonization, especially among Latin American and Caribbean countries.

D. Public-private partnerships may complement State investments in some areas

The countries of Latin America, like those of other regions, are increasingly turning to public-private partnerships as a mechanism to increase infrastructure investment and provide public services. As the statistics below demonstrate, this strategy is not new to the region.

Today, public-private partnerships are an important instrument for mobilizing resources and generating new investment, although if not used properly they can put pressure on public finances and create future fiscal obligations. In the region they are applied in various sectors, such as transport, energy, telecommunications and water and sanitation, including in an array of projects such as the construction and operation of ports, bridges, canals, airports, railways and waste management facilities.

Although they have become widespread, public-private partnerships have no universally accepted definition and the significance of the term often varies from one country to the next.³ Any definition of a public-private partnership should include the following elements: (i) it consists in a long-term contract between the public sector and the private sector; (ii) it is intended to provide a public service and associated infrastructure; and (iii) the private sector should take on part of the risk and responsibility for certain tasks.

Legal definitions also vary. In Argentina, public-private partnership contracts are a cooperation instrument between the public and private sectors, designed to establish a binding obligation between the parties so that they may enter into a partnership to carry out public works or other delegable activities, in which risks are shared and operations streamlined.⁴

In Brazil, article 2 of Law No. 11079 sets out that a public-private partnership is a contract that may take the form of a sponsored or administrative concession. Under a sponsored concession, user fees are complemented by

² According to Tanzi (2014), “fiscal termite (the opportunities available to taxpayers with global operations to avoid or evade taxes) are slowly damaging the very foundation of tax systems and contributing to increasing Gini coefficients”.

³ See, for example, OECD (2011), World Bank Institute (2012), Ahmad and others (2014), Manuelito and Jiménez (2013), and WEF (2014).

⁴ See Decree 967/2005.

public-sector payments, while administrative concessions are service contracts in which the public sector is the direct or indirect user (in other words, all payments received by the private partner come from the State). Concessions in which there are no payments by the public sector are not considered public-private partnerships in Brazil. The law prohibits public-private partnership contracts valued at less than 20 million reais, which have a term of less than five years, or whose sole object is to supply labour, to supply and install equipment, or to carry out public works.

In Chile, public-private partnerships may cover the execution, repair, maintenance or operation of public works and services; the use and enjoyment of national assets or State-owned properties destined for the development of agreed service areas, the supply of equipment or the provision of associated services. Concessions have a maximum duration of 50 years.⁵

In Mexico, public-private partnerships are projects carried out under any framework that establishes a long-term contractual relationship between public authorities and the private sector, for the purpose of rendering services to the public sector, wholesale providers, intermediaries or end users, in which the infrastructure utilized is wholly or partly provided by the private sector with a view to increasing social well-being and investment.⁶

1. Potential and risks of public-private partnerships

When used correctly, public-private partnerships can generate a number of benefits. One is that they provide funding for infrastructure investment without exerting pressure on the fiscal space, since they mobilize private financial resources. Moreover, in the event that the contract provides for payment obligations by the public sector, these will be distributed and met in future fiscal periods.

Public-private partnerships also harness the technical know-how of the private sector, since it is able to introduce technology and innovation to provide better, more efficient public services, thus benefiting end users. Delegating tasks and responsibilities to the private partner involves transferring certain risks, the aim being for each partner to take on those risks that they can manage most effectively.

Another potential benefit refers to the fact that private partners may have the capacity to implement larger projects, thereby taking advantage of possible economies of scale and, consequently, increasing profitability.

However, as stated in OECD (2011), the complex nature of public-private partnerships can also compromise fiscal sustainability in areas such as the distribution of risks, costs, contract negotiation, affordability of the service or product, and its budgetary and accounting treatment. In essence, there are two elements of public-private partnerships that can compromise future fiscal sustainability and reduce the potential for new investment: the spending obligations contracted by the government with its private partner, and the explicit or implicit guarantees set forth in the contract.

In the first case, governments may commit to making a series of annual payments in return for the investment by the private partner, and may also undertake to acquire some of the services offered by the private partner. In other words, these commitments imply future fiscal outlays. Guarantees offered by public authorities or agencies in order to reduce the risk assumed by the private sector may also affect government spending in future financial years. For example, these guarantees may relate to fluctuations in the demand for the service provided, or the private partner may seek to reduce financial, exchange-rate or operating risks related to the service.

Since these guarantees take the form of a contingent liability for the State, it is important that they are recorded in a transparent manner and taken into account in projections of fiscal expenditure and public debt. They should also be considered when deciding whether a project should be implemented through public-private partnership or traditional public funding.

The available literature describes some key factors or conditions that should be kept in mind so that public-private partnerships function properly and are useful in financing the infrastructure needed for development. According to Lucioni (2009), these mechanisms are an efficient option when the government can identify the quality of the services it wants, and can translate these into measurable output indicators. Once quality and quantity are established, governments enter into a contract with the private sector which links payments to service delivery. Public-private

⁵ Public Works Concession Law, articles 1 and 25.

⁶ Law on Public-Private Partnerships (2012 and 2014), article 2.

partnerships are well suited to cases where service requirements are not expected to vary substantially over time, offering efficiency gains and better value for money.

Ahmad and others (2014) stress that public-private partnerships are not desirable in all sectors. In particular, they are not particularly suitable for fast-changing sectors such as projects related to information and communications technologies (ICTs) given how rapidly these services, and consumer preferences, can evolve. On the other hand, Manuelito and Jiménez (2013) underline certain conditions under which public-private partnerships can make a real contribution to the provision of public services. Key aspects include the institutional capacity to carry out a selection and award process that prevents the emergence of monopolies, the formulation of projects with comprehensive yet flexible designs so as to prevent opportunist behaviours such as the subsequent extraction of additional public resources by concessionaires, guarantee arrangements that prevent moral hazard, and the capacity to monitor and ensure the coverage and quality of service provision.

Coordination and trust between the public and private sectors are crucial to the success of public-private partnerships. To this end, ECLAC (2010) suggests that the State needs to develop the necessary qualities to be a credible partner of the private sector: professionalism, honesty and technical know-how, combined with fiscal soundness to finance programmes and incentives. The State also has to find ways of interacting strategically with the private sector (broadly defined to include business, academia, workers and non-governmental organizations) to ensure that it is not captured by special interests and that the alliance preserves its character of public good. Third, the State must improve its capacity to manage and coordinate incentive and cooperation programmes with the private sector, implementing them transparently and with continuous performance-based accountability. As for the private sector, it must adopt a medium- and long-term vision, aiming to steadily scale up its activities by means of investment and innovation. It must also be prepared to proactively support the formation of an alliance with the public sector which would be in the nature of a public good.

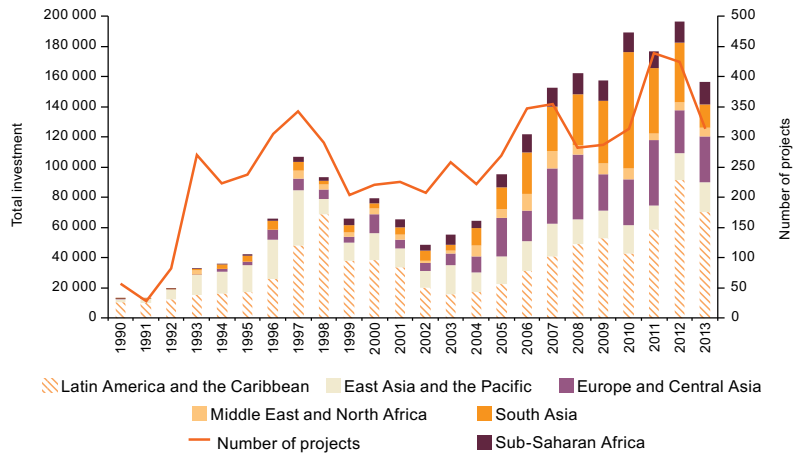
OECD (2011) sets out the following guidance and principles for the efficient use of public-private partnerships: (i) ensure public awareness of the relative costs, benefits and risks of public-private partnerships and conventional procurement; (ii) set up a clear, predictable and well regulated legal framework for public-private partnerships; (iii) ensure that the necessary institutional roles and capacities are present in the public sector when procuring and maintaining a public-private partnership; (iv) the decision to invest should be based on a whole-of-government perspective and be separate from how to finance the project; (v) the project should be affordable and transparently treated in the budget process, considering current and future benefits and costs (regardless of which level of government it applies to); (vi) carefully investigate which investment method yields most value for money; (vii) transfer the risks to those that manage them best (in other words, the party for whom it costs the least to prevent the risk from materializing, or to deal with its fallout); (viii) involve the user in the design and monitoring of public-private partnerships; (ix) maintain value for money during operation, renegotiation or project failure; and (x) ensure competition and integrity in the procurement process.

Lastly, some key success factors of innovative public-private partnerships, based on different case studies in the region, are highlighted in WEF (2014). First, public-private partnerships should have strong acceptance by public and private sectors and other civil society actors who might be involved. It is also essential to take account of the interests of the social group targeted and the capacity of the government at different levels; to identify the appropriate economic incentives for the private sector; to understand the expectations that the parties have of the programme; and to reach a consensus on each party's responsibilities in implementing the project. Another key aspect of a successful partnership is financial sustainability. The foundations of the financial framework must be laid at the inception of the programme, in order to reduce the burden on any single actor and to ensure the continuity of work. A long-term relationship of trust, the implementation of results-based tools, cost-effectiveness analysis, evaluation mechanisms and constant monitoring are also essential to ensure the continuous improvement of public-private partnership projects in Latin America.

2. Private participation in infrastructure projects in Latin American and Caribbean countries

In the past two decades, investment in private participation in infrastructure (PPI) projects has surged in low- and middle-income countries, as evidenced by the respective statistics issued by the World Bank (see figure III.4).⁷ Since the early 1990s, the total number of PPI projects more than tripled from an annual average of 109 in 1990-1993 to 373 projects per year in 2010-2013. Latin America and the Caribbean was no exception to this growth trend, and by 2013 the region accounted for 38% of projects in low- and middle-income countries, totalling US\$ 70 billion in investment commitments, or 45% of the global total; a greater share than any other region.

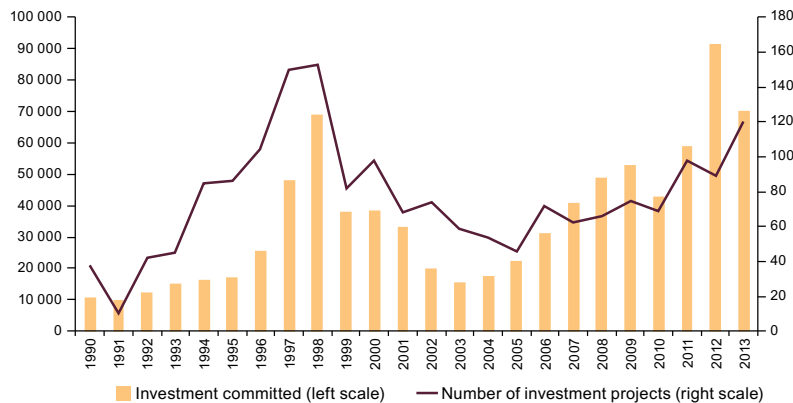
Figure III.4
Investment commitments in private participation in infrastructure projects in low- and middle-income countries, by region, 1990-2013
(Millions of dollars and number of projects)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures by World Bank, Private Participation in Infrastructure Projects Database [online] <http://ppi.worldbank.org/>.

During the 1990s, the Latin American and Caribbean region experienced a boom in PPI projects, both in terms of quantity and investment committed. However, as is analysed below, much of the increase in 1997 and 1998 was due to privatization processes in several of the region's countries. Between 2000 and 2005, the trend in PPI projects went into decline, and only returned to a growth pattern after 2005, albeit with interruptions in certain years (see figure III.5).

Figure III.5
Latin America and the Caribbean: number of private participation in infrastructure projects and investment commitments, 1990-2013
(Millions of dollars and number of projects)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures by World Bank, Private Participation in Infrastructure Projects Database [online] <http://ppi.worldbank.org/>.

⁷ Data from the World Bank database refer to investment amounts committed and do not necessarily coincide with those actually disbursed.

Between 1990 and the first half of 2014, the cumulative number of PPI projects stood at almost 1,900 for the region, with investment commitments worth US\$ 882 billion. The distribution of projects was extremely uneven, since 6 of the 29 countries included in the database accounted for 83% of all projects in that period. Brazil had a 38% share, followed by Mexico (12%), Argentina (11%), Chile (9%), Colombia (8%) and Peru (6%).

Table III.2 shows a calculation of the investment commitments in PPI projects as a percentage of regional GDP. The table clearly shows the significance of privatizations in 1997 and 1998, when payments to governments amounted to 1.2% and 1.6% of GDP, respectively. Investments in physical assets stood at around 1% of GDP in 1990-2013, peaking at 1.5% of GDP between 1998 and 2000. According to the latest available data, total investment commitments in PPI projects reached 1.2% of GDP in 2013, virtually all of which was investment in physical assets.

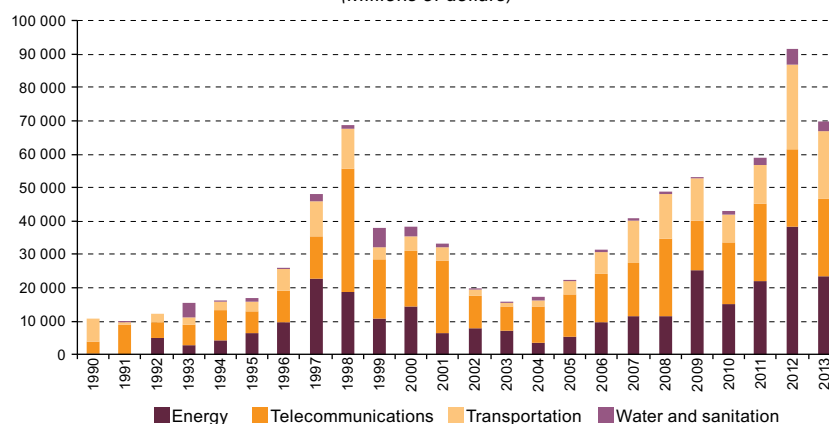
Table III.2
Latin America and the Caribbean: investment commitments to private participation in infrastructure projects, 1990-2013
(Percentages of GDP)

Year	Investments in physical assets	Payments to the government	Total investment commitments	Year	Investments in physical assets	Payments to the government	Total investment commitments
1990	0.6	0.3	0.9	2002	1.0	0.1	1.1
1991	0.2	0.6	0.8	2003	0.8	0.0	0.8
1992	0.4	0.5	0.9	2004	0.7	0.1	0.8
1993	0.8	0.2	1.0	2005	0.8	0.0	0.8
1994	0.6	0.3	0.9	2006	0.9	0.1	1.0
1995	0.8	0.1	0.9	2007	0.9	0.2	1.1
1996	0.8	0.5	1.3	2008	1.0	0.1	1.1
1997	1.0	1.2	2.2	2009	1.2	0.1	1.3
1998	1.5	1.6	3.1	2010	0.8	0.1	0.9
1999	1.5	0.4	1.9	2011	1.0	0.1	1.0
2000	1.5	0.3	1.8	2012	1.3	0.3	1.6
2001	1.4	0.1	1.6	2013	1.2	0.0	1.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures by World Bank, Private Participation in Infrastructure Projects Database [online] <http://ppi.worldbank.org/>.

During recent decades, energy was the sector that posted the fastest growth in PPI investment in Latin American and Caribbean (see figure III.6); investment commitments in the transportation sector have also performed strongly, especially in the past two years.

Figure III.6
Latin America and the Caribbean: investment commitments to private participation in infrastructure projects, by sector, 1990-2013
(Millions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures by World Bank, Private Participation in Infrastructure Projects Database [online] <http://ppi.worldbank.org/>.

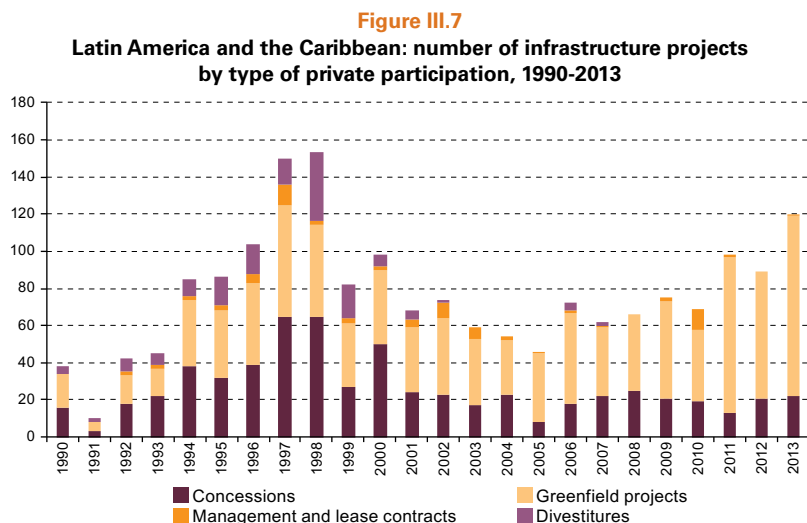
Although investment commitments in telecommunications have grown at a slower rate, the cumulative figures since 1990 show that the sector accounted for 40% of total investment committed, but just 8% of the total number of projects, meaning that average investment in these projects was greater than in other sectors. Over the past 24 years,

one third of total cumulative investment went to the energy sector (which accounted for 48% of the total number of projects in the region), while 23% of investment was earmarked for transportation (30% of projects) and only 4% was allocated to water and sanitation projects (15% of projects).

For data disaggregation purposes, the Private Participation in Infrastructure Database classifies private infrastructure projects in four categories:

- (i) Management and lease contracts: a private entity takes over the management of a State-owned enterprise for a fixed period while ownership and investment decisions remain with the State. There are two subclasses: management contracts (in which the government pays a private operator to manage the facility, while the operational risk remains with the government) and lease contracts (the government leases the assets to a private operator for a fee, and the private operator takes on the operational risk).
- (ii) Concessions (or management and operation contracts with major private capital commitments): a private entity takes over the management of a State-owned enterprise for a given period during which it also assumes significant investment risk. The database classifies concessions according to the following categories: rehabilitate, operate, and transfer (ROT); rehabilitate, lease, and transfer (RLT); and build, rehabilitate, operate and transfer (BROT).
- (iii) Greenfield projects: a private entity or a public-private joint venture builds and operates a new facility for the period specified in the project contract. The database classifies greenfield projects under the following categories: build, lease, and transfer (BLT); build, operate, and transfer (BOT); build, own, and operate (BOO); merchant projects (in which the government provides no revenue guarantees) and rental projects (the government rents an asset from a private sponsor and a private party places, owns and operates a new facility under its own risk during the contract period).
- (iv) Divestitures: a private entity buys an equity stake in a State-owned enterprise through an asset sale, public offering, or mass privatization programme. The database classifies divestitures in two categories: partial and full.

Of the cumulative total of PPI projects in Latin America and the Caribbean between 1990 and 2014, more than half (54%) were greenfield projects, one third were concessions, 8% divestitures and the rest management and lease contracts. Greenfield projects were the type of private participation that grew fastest during the study period (see figure III.7) and are currently the most utilized form of PPI in the region (97 projects in 2013). By contrast, the latest divestitures recorded in the database were from 2007.



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures by World Bank, Private Participation in Infrastructure Projects Database [online] <http://ppi.worldbank.org/>.

Although public-private partnerships that invest in “pure” public goods (education, health and public safety) would provide a real option for reducing the bias against public investment, they represent a negligible proportion

of projects, which illustrates the difficulty of managing this type of initiative. It should thus be emphasized that most public investment remains conventional, even in countries where procurement is open to private finance.

Consolidating the fiscal framework requires that strategic investment plans be strengthened, both to moderate the business cycle and to promote and augment private-sector participation in the creation of public goods.

E. Concluding remarks: towards an inclusive fiscal framework to promote investment

The influence of the State in the accumulation of physical capital goes far beyond its direct action, and it is therefore essential to create the right fiscal framework for investment promotion. This should not be geared towards providing incentives to reduce labour or capital costs or to increase the profits of private enterprises. Investment promotion means, on the one hand, generating the fiscal space needed to finance public goods and building the capacities to manage them and, on the other, creating the conditions for private-sector participation in achieving development goals.

Fiscal frameworks should be conducive to investments that support geographical integration, through the coordination of multiple initiatives aimed at boosting localized activity and thereby avoiding poverty traps. States often tend to prioritize major projects over coordinated inclusive investment activities in sensitive areas such as urbanization, house-building and renovation, drinking water and waste management, and the development of rural communities. Moreover, the practice of carrying out ex ante evaluations for individual projects, which is widespread in the region, tends to obstruct integrated planning.

In certain geographical areas, integrated local investments provide essential support for a number of concerted actions. This type of approach, whose planning architecture is based on inclusive assessments and lines of action, offers the possibility of combining public and private funding. While these localized initiatives involve smaller sums than major national infrastructure projects (since they consist largely of multiple community investments), they are vital for the fulfilment of development goals and may have a significant impact on long-term growth.

Although the most powerful influence on investment dynamics is exerted by macroeconomic policy, it is also exceptionally important to eliminate the organizational and institutional constraints that inhibit “the state of long-term expectation”.⁸ Fiscal frameworks for investment promotion should therefore aim to create an investment-friendly climate through organizational capacity-building and improved institutional arrangements.

In this way, publicly managed investment plans could reverse diminishing investment rates while ensuring long-term competitiveness and productivity gains in strategic areas for structural change and supporting efforts to close infrastructure gaps. Investment plans may combine mutually interactive ventures, mobilizing public and private sources of funding, contributing to jobs and growth with a strategic and territorial perspective, and promoting clean and renewable energies.

⁸ An expression coined by Keynes (1945, chapter 12). The author concludes the chapter with the following affirmation: “I expect to see the State, which is in a position to calculate the marginal efficiency of capital-goods on long views and on the basis of the general social advantage, taking an ever greater responsibility for directly organizing investment”.

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Economic infrastructure in Latin America: a persistent challenge for progress towards sustainable development

Introductionn

A. The availability of economic infrastructure in Latin America

B. Evolution and characteristics of infrastructure investment

C. Towards better public policies for economic infrastructure

Bibliography

Introduction

According to the specialized literature, demand for infrastructure investment correlates in the long run with economic growth and demographic processes (the structure and dynamic of the population). More specifically, economic growth, and particularly per capita income growth, is the variable recognized as the main determinant of infrastructure demand growth. Other factors that may affect the demand for investment include the structure of economic activity, geopolitical factors, security, financing sources and technology. Although it is possible to establish a relationship between infrastructure development and per capita GDP growth or economic and demographic growth, the direction of causality is hard to determine, and a number of studies have suggested that it can work both ways in the short or medium term.¹

There is now a fairly widespread consensus about the importance of high-quality infrastructure and the services it provides as key factors in economic and social growth. Economic infrastructure is usually considered to consist in a country's stock of fixed capital, meaning essentially its productive installations (roads, ports, airports, bridges, reservoirs for power generation, transmission systems, etc.). Thus considered, it is a fundamental element in the production and generation of wealth and in improving people's economic and social welfare. There has recently been a tendency to extend the meaning of the term to encompass the fixed capital employed in developing human capital and in managing natural resources and protecting the environment. With this broader definition, infrastructure becomes a central factor in achieving sustainable development.² In this connection, it is important to highlight the inclusion of the goal of developing quality, reliable, sustainable and resilient infrastructure in the current debate about the sustainable development goals and the post-2015 development agenda (United Nations, 2014).

The analyses carried out by ECLAC have shown that the provision and quality of economic infrastructure, or, more precisely, the clear deficit that Latin America has in this area, is a constraint on the region's growth, development and sustainability. It has been observed that this situation is a result of the public policies on infrastructure availability, conservation and expansion applied in the past four decades (Cipoletta Tomassian, 2011). In particular, ECLAC has highlighted low levels of investment in economic infrastructure by both the public and the private sector, which, at a time of unremitting growth in demand for infrastructure services, results in the continuation or worsening of constraints on access to these services, a phenomena known in the region as the "infrastructure gap" (Perrotti and Sánchez, 2001).

This chapter offers two axes of analysis to the subject, evaluating, first, the current situation with economic infrastructure availability in the region³ and, second, public and private investment made in four infrastructure sectors, with a view to formulating some policy recommendations for the region in its conclusions. It analyses four economic infrastructure sectors: transport, energy, telecommunications, and drinking water and sewage systems.⁴ The infrastructure networks of these sectors play an indispensable role in linking up the economic structure of territories and their markets. They are factors for social inclusion and mechanisms for coupling national economies to the rest of the world as they facilitate cargo and passenger movements, transactions within particular geographical and economic spaces (and between these and the outside) and social cohesion and a sense of belonging among a country's inhabitants.

Although the situation is not homogeneous across countries or specific sectors, certain regional averages make it possible to distinguish overall patterns. Section A shows that Latin America continues to have a severe infrastructure shortfall in all the sectors analysed. The shortcomings on display are especially striking when the region is compared not only with developed countries, but also with certain developing countries that had a similar infrastructure endowment level to Latin America in the 1980s. When the criterion of infrastructure quality is included in addition to that of availability, furthermore, the current situation in the Latin American countries looks even more alarming, and the profound need for substantial investment efforts in the sector becomes apparent.

As is shown in section B, there has as yet been no adequate response to the demand for infrastructure investment. The highest investment ratios of the past 30 years were in the 1980s, while in the 1990s there was a sharp contraction in most of the region's countries. Only in the period between 2002 and 2012 was there a small recovery, and

¹ See, for example, OECD (2006).

² As argued in Lardé, Marconi and Oleas (2014).

³ Owing to a lack of data, the analysis of this chapter is confined to Latin America. Extending the ECLAC research to the countries of the Caribbean will be one of the next steps in this line of study, however.

⁴ In concise terms, infrastructure can be defined as a set of engineering structures and installations with a long service life that provide the basis for services considered necessary for the pursuit of productive, geopolitical, social and personal goals (cited in Rozas, Bonifaz and Guerra-García, 2012).

infrastructure investment in general and by sector did not reach the levels estimated by ECLAC and other multilateral organizations as necessary to meet the requirements of firms and final consumers.

Against this background, as part C argues, the issue of investment in economic infrastructure in Latin America remains a central concern for sustainable development-oriented public policymaking. Although many of the region's countries have adopted ambitious infrastructure plans, greater efforts are needed in terms not only of the quantity of investment but also of its quality, and thus the quality of the public policies on infrastructure planning and management.

A. The availability of economic infrastructure in Latin America

This section offers an overview of the current situation in Latin America with respect to access to economic infrastructure, based on selected indicators for the four sectors considered: transport, energy, water and sanitation, and telecommunications.

Analysis of the latest data available confirms that infrastructure availability in the region is far lower not only than in developed countries but also than in some developing countries that evinced similar infrastructure shortfalls not long ago. Furthermore, modest rates of growth in infrastructure services provision in Latin America suggest that it is unrealistic to expect further-reaching change in this area over the coming years in terms of improved availability and quality, although in some cases more efficient infrastructure usage could make it possible to maintain or improve the productivity of services. However, there are large differences both between countries (as regards infrastructure services coverage) and between sectors (as regards service access growth rates). Thus, while infrastructure supply growth has been fairly modest in recent years in the transport and energy sectors, the region has made greater progress in the telecommunications and water and sanitation sectors.

The following subsections describe the main infrastructure supply trends by sector. The indicators selected, based on the infrastructure stock and accessibility data available from various national and international sources,⁵ are used to compare the region with certain countries and country groupings outside it, including high-income countries of the Organization for Economic Cooperation and Development (OECD), the European Union, the United States and the Republic of Korea, among others, as data availability allows.

1. The transport sector

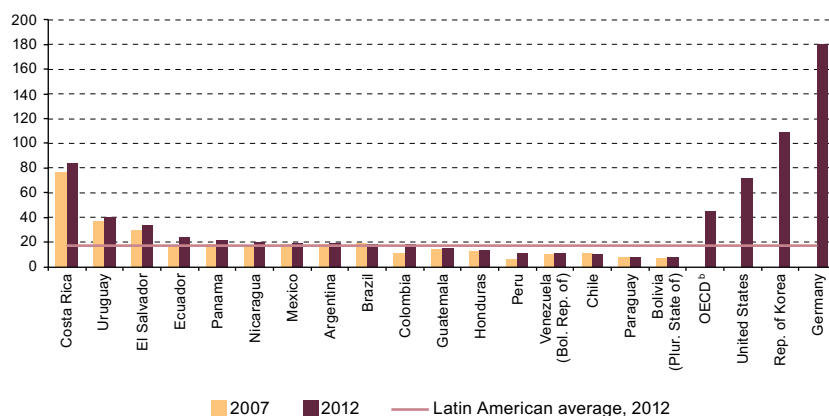
Given that there is no indicator for the stock of transport infrastructure that includes all forms of transport (sea, air, river, road and railway), this section uses the frequently used indicator of the length of the total and paved road network. Although partial, this indicator is vitally important in the region, where road transport is generally predominant, or at least accounts for a substantial share of cargo movements (Wilmsmeier and Guidry, 2013). Also included to supplement this is an evaluation of the railway network, since rail is usually a more sustainable means of transport and one that is currently underexploited in the region.

Analysis of road density relative to territory clearly flags up the continuing dearth of infrastructure. As figure IV.1 shows, with an average density of 17.2 km of road for every 100 km², the region falls well short of the average for high-income OECD countries and the figures for certain OECD member countries in particular. Although there are large differences, all 17 countries of the region included in the chart, with the very striking exception of Costa Rica,

⁵ The choice of indicators has in many cases been determined, and thus limited, by the availability of information. The scarcity of available information also accounts for the differences in the geographical coverage of the analysis. Generally speaking, data availability has meant the largest set of countries being considered in the case of Latin America, including Argentina, Belize, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay. In some cases, however, the analysis may include a smaller number of countries owing to lack of information.

have less developed total road networks than the OECD countries under consideration. Nonetheless, road density relative to territory did grow in all the countries over the period considered (2007-2012), albeit at differing rates.

Figure IV.1
Density of total road networks, 2007 and 2012^a
 (Kilometres per 100 km²)



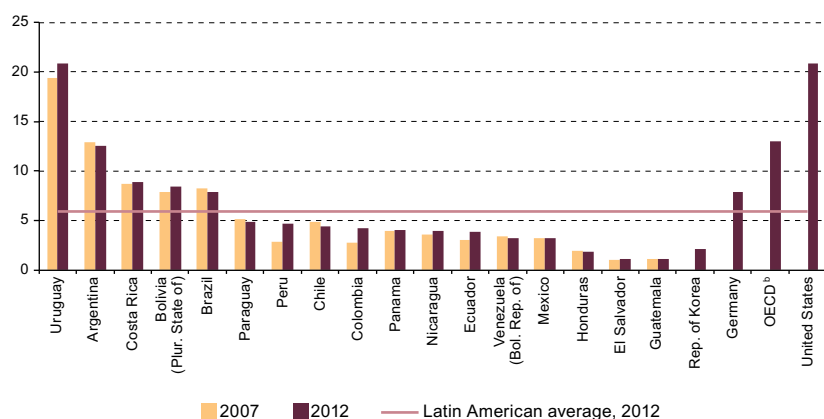
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the countries; Organization for Economic Cooperation and Development (OECD); Food and Agriculture Organization of the United Nations (FAO); World Bank; Ministry of Land, Infrastructure and Transport of the Republic of Korea.

^a The OECD average includes high-income countries only. In the case of OECD and Germany, the 2012 data are actually for 2011. The Latin American average includes only the countries represented in the figure.

^b Organization for Economic Cooperation and Development (OECD).

The situation with the availability of road infrastructure relative to the population is somewhat less alarming, as the average density is 5.9 km per 1,000 inhabitants, with most of the Latin American countries presenting figures similar to those of the countries selected for comparison. However, it is important to note that 8 of the 17 countries studied showed a decline in total road density relative to population between 2007 and 2012, owing to higher population growth (see figure IV.2).

Figure IV.2
Density of total road networks, 2007 and 2012^a
 (Kilometres per 1,000 inhabitants)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the countries; Organization for Economic Cooperation and Development (OECD); Latin American and Caribbean Demographic Centre (CELADE)-Population Division of ECLAC; Food and Agriculture Organization of the United Nations (FAO); World Bank; Ministry of Land, Infrastructure and Transport of the Republic of Korea.

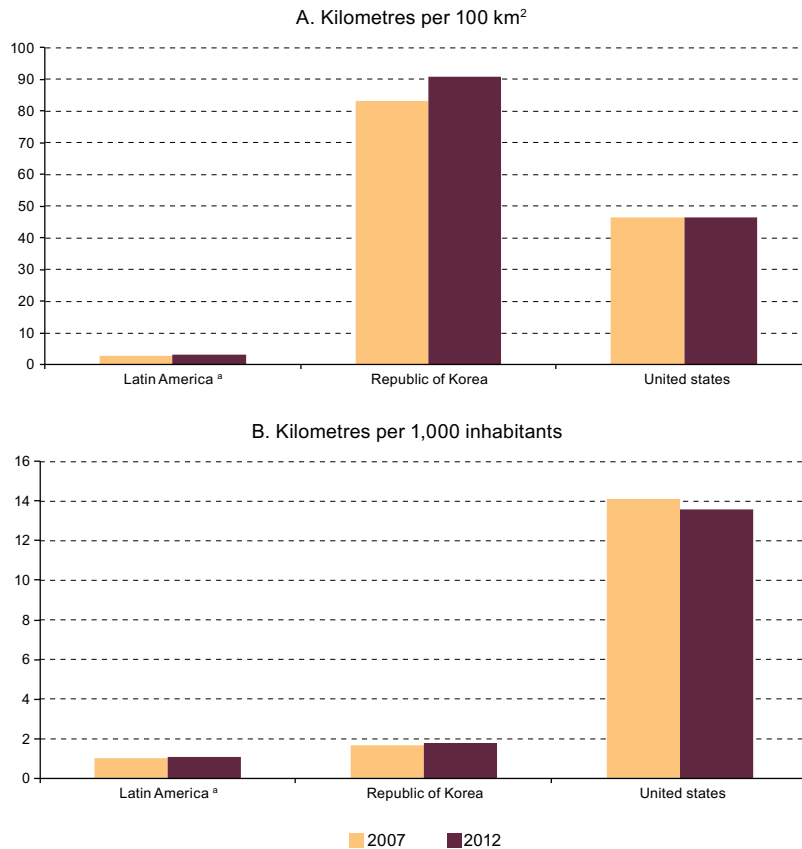
^a The OECD average includes high-income countries only. In the case of OECD and Germany, the 2012 data are actually for 2011. The Latin American average includes only the countries represented in the figure.

^b Organization for Economic Cooperation and Development (OECD).

If the analysis is extended to incorporate the issue of basic infrastructure quality, such as the paved portion of the network, then the infrastructure shortfall becomes much more apparent. In terms of surfaced roads, the region is far less developed than the Republic of Korea or the United States. The shortage of paved road infrastructure

is very marked in the latest year analysed, whether density is measured relative to territory or to population. With 3.2 km of surfaced roads for every 100 km² in 2012, Latin America lags very far behind the United States and the Republic of Korea, with 46.6 km and 90.7 km of surfaced roads per 100 km², respectively. To a lesser degree, the dearth of paved roads relative to population in Latin America is also manifest, especially in comparison with the United States.

Figure IV.3
Density of paved road networks, 2007 and 2012



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the countries; Organization for Economic Cooperation and Development (OECD); Latin American and Caribbean Demographic Centre (CELADE)-Population Division of ECLAC; Food and Agriculture Organization of the United Nations (FAO); World Bank; Ministry of Land, Infrastructure and Transport of the Republic of Korea.

^a The Latin American average includes only the countries represented in figures IV.1 and IV.2.

At the national level, all the countries have a lower paved road network density per 100 km² than the United States or the Republic of Korea. At the same time, paved road network density relative to the population has grown in all of them except the Bolivarian Republic of Venezuela, with particularly strong growth in the Plurinational State of Bolivia and Ecuador, where the average annual increase between 2007 and 2012 was 15.4% and 12.8%, respectively.⁶

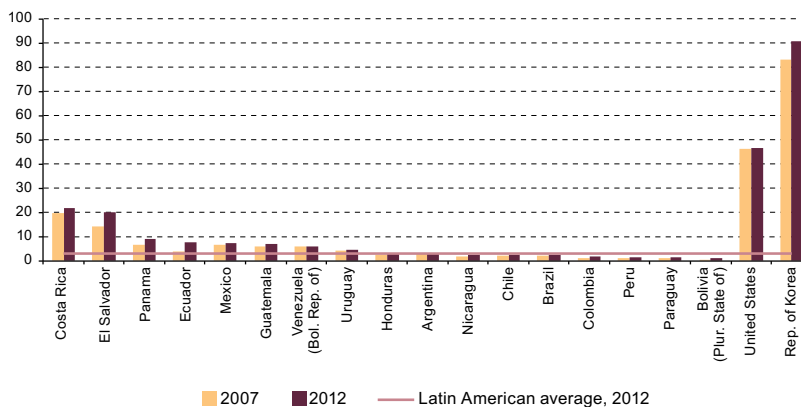
Total and paved networks showed a slight improvement in terms of infrastructure availability and quality during the period from 2007 to 2012, with the length of the paved road network increasing by more than that of the total network (average annual growth of 2.5% and 1.2%, respectively) in the region as a whole.

To complete the analysis, the data for the density of the railway network relative to territory provide an even stronger illustration of the shortage of transport infrastructure by comparison with some countries and regions where rail transportation is heavily used.⁷

⁶ Note should be taken of the limitations of these indicators, which do not fully reflect the geographical distribution of the population.

⁷ It is important to recognize that differences in countries' topography and geographical size play an important role in determining the use or potential use of railway transportation, making the level of usage harder to compare across countries or regions.

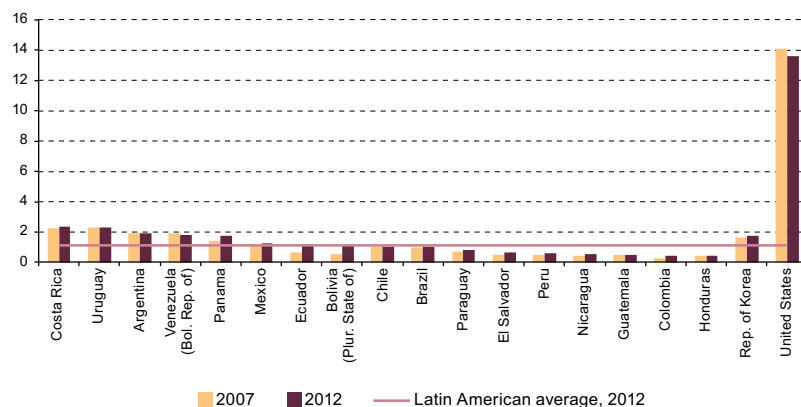
Figure IV.4
Density of paved road networks, 2007 and 2012 ^a
(Kilometres per 100 km²)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the countries; Organization for Economic Cooperation and Development (OECD); Food and Agriculture Organization of the United Nations (FAO); World Bank; Ministry of Land, Infrastructure and Transport of the Republic of Korea.

^a The Latin American average includes only the countries represented in the figure.

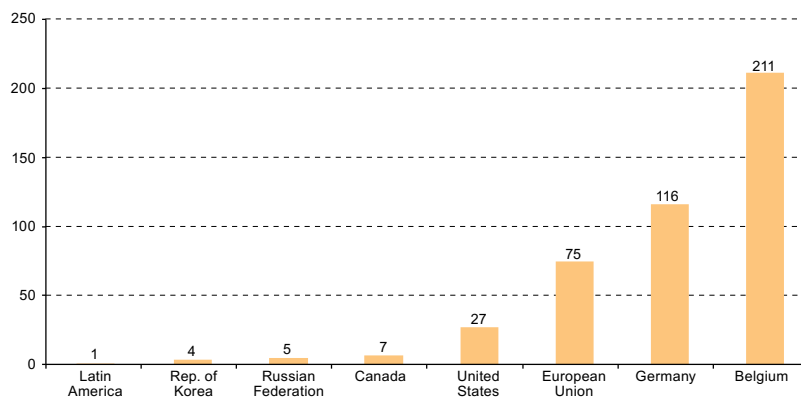
Figure IV.5
Density of paved road networks, 2007 and 2012 ^a
(Kilometres per 1,000 inhabitants)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the countries; Organization for Economic Cooperation and Development (OECD); Food and Agriculture Organization of the United Nations (FAO); World Bank; Ministry of Land, Infrastructure and Transport of the Republic of Korea.

^a The Latin American average includes only the countries represented in the figure.

Figure IV.6
Density of railway networks, 2012 ^a
(Kilometres per 100 km²)

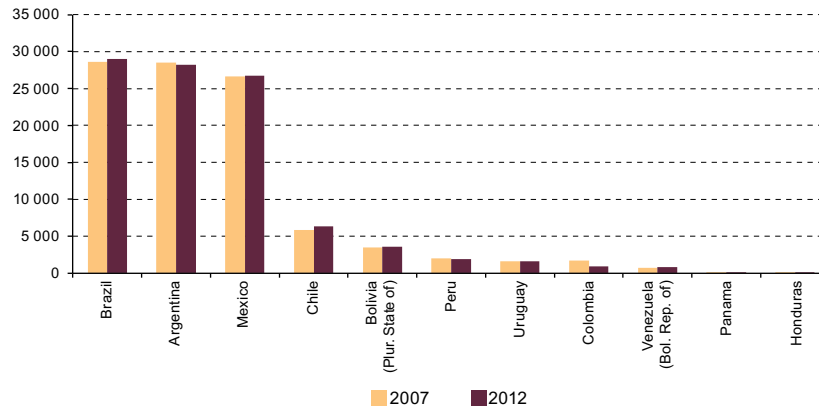


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the countries; Latin American Railways Association (ALAF); Economic Commission for Europe (ECE), 2012 or latest information available; Korea Railroad Corporation.

^a The Latin American average includes only the countries represented in figure IV.7.

When the evolution of railway networks over recent years is observed, it transpires that their overall length in the region did not change between 2007 and 2012, which means that there was a decline in density relative to population, given that the latter grew at an average rate of 1.1% a year over the same period in the 11 countries analysed. There was a large decline in railway track length in Honduras and Colombia between 2007 and 2012, averaging 18.2% and 10.8% a year, respectively. In the Bolivarian Republic of Venezuela, Chile and Panama, however, there were average annual increases of 2.6%, 1.5% and 1.1%, respectively.

Figure IV.7
Density of railway networks, 2007 and 2012
(Kilometres per 100 km²)

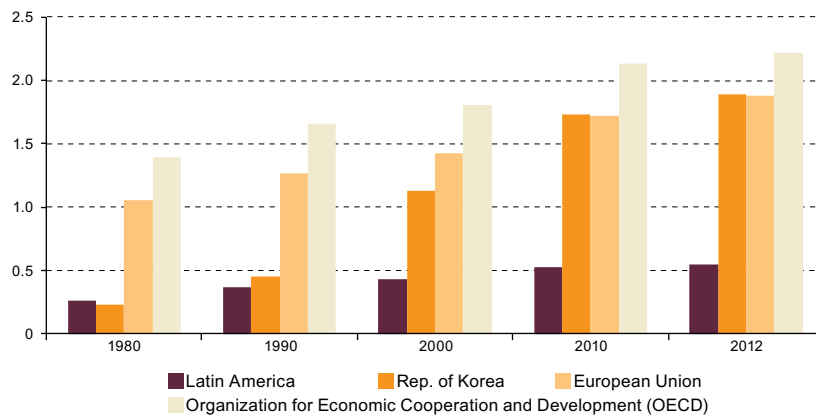


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from official sources and the Latin American Railways Association (ALAF).

2. The energy sector

There is a large gap between Latin America and other countries and regions as regards electricity generating capacity relative to population. Particularly striking is the comparison with the Republic of Korea, which started off in 1980 with almost the same amount of installed capacity per 1,000 inhabitants but ended up after 2000 with a level very similar to that of the European Union and OECD countries.

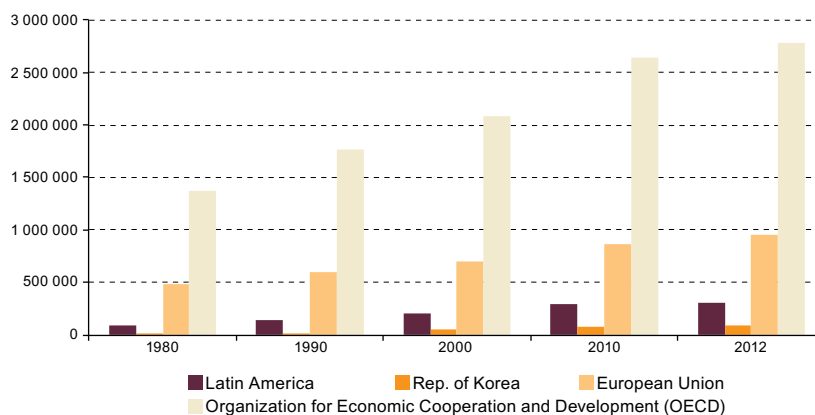
Figure IV.8
Electricity generating capacity, 1980-2012
(Megawatts per 1,000 inhabitants)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the Latin American Energy Organization (OLADE), the United States Energy Information Administration (EIA) and the World Bank.

The data for installed electricity generating capacity indicate that this grew at an average annual rate of 4.1% in the region between 1980 and 2012, rising from 86 GW in 1980 to 310 GW in 2012. Once again, this growth was below the 7.6% recorded in the Republic of Korea in the same period.

Figure IV.9
Electricity generating capacity, 1980-2012
(Megawatts)

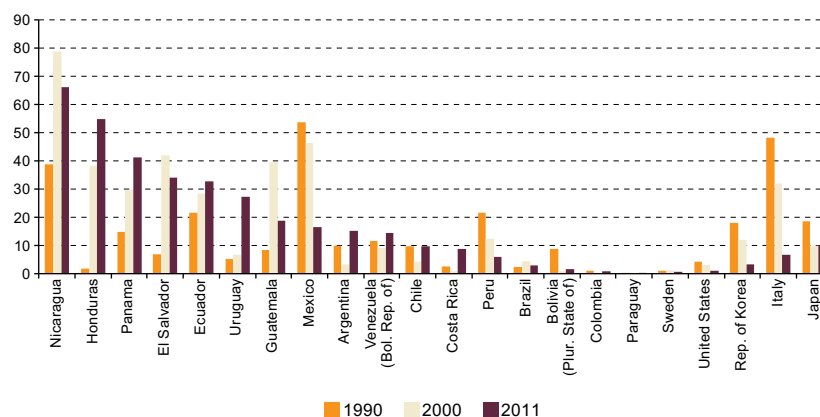


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the Latin American Energy Organization (OLADE), the United States Energy Information Administration (EIA) and the World Bank.

This increase in electricity generating capacity was achieved essentially by expanding thermoelectric capacity (fuel oil, coal and, predominantly, natural gas) and nuclear capacity (from 7.41 TWh in 1980 to 88.7 TWh in 2004). Hydroelectric generation, conversely, grew less dynamically than the overall electricity supply. The share of hydroelectricity fell steadily from 2000, stabilizing at about 9% of the primary energy supply by around 2013. This is because of the reform process and the dynamic of investment in the electricity sector, which has prioritized the development of less capital-intensive thermal power plants to the detriment of hydroelectric plants (Altomonte, 2014; ECLAC/SEGIB, 2006).

Although some countries of the region, such as Brazil, Guatemala, Mexico, Peru and the Plurinational State of Bolivia, reduced their dependence on oil as an electricity generating fuel to less than 20% of the total between 2000 and 2011, many others, far from reducing their dependence, actually increased it. By way of comparison, more developed countries such as Sweden and the United States had reduced this dependence to below 1% by 2011, while the figures for Italy, Japan and the Republic of Korea in 2011 were 3%, 10% and 7%, respectively.

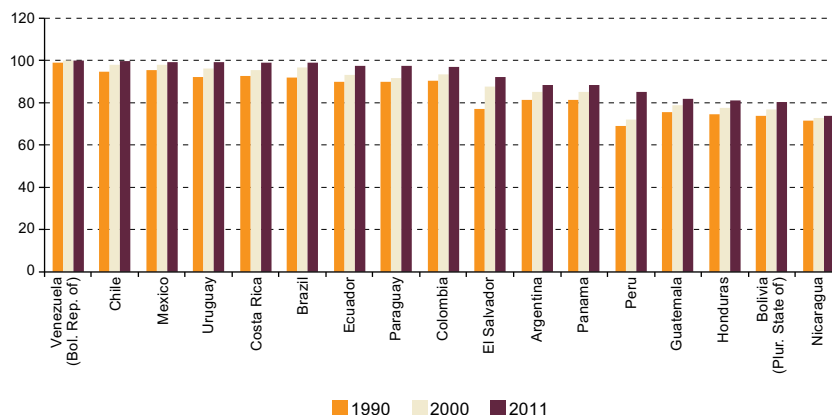
Figure IV.10
Electricity generation from oil and its derivatives, 1990, 2000 and 2011
(Percentages)



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

In addition to this heavy dependence on fossil fuels, there are still sections of the Latin American population (usually in slums and rural areas) that lack access to energy. All the region's countries increased coverage between 1990 and 2010, but only six (the Bolivarian Republic of Venezuela, Brazil, Chile, Costa Rica, Mexico and Uruguay) can be considered to have full coverage, while elsewhere a great deal remains to be done (see figure IV.11).

Figure IV.11
Latin America: population with access to electricity, 1990, 2000 and 2010
(Percentages)



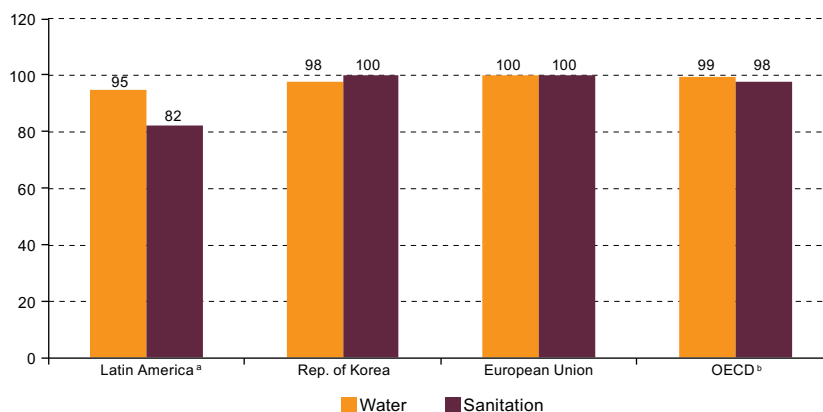
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank data.

3. The drinking water and sanitation sector

Following the general pattern, the availability of drinking water and sanitation infrastructure in Latin America lags behind the European Union, OECD and the Republic of Korea in coverage and access and in service quality. In 2012, the region still trailed the comparison group on both measures, but especially where access to improved sanitation facilities was concerned, with coverage of 82% as compared to 100% in the European Union and the Republic of Korea.

Attention should also be drawn to the qualitative differences in the technological solutions used, since coverage in Latin America is of lower quality. For example, the use of public sources (for water) and latrines (for sanitation) is greater in the region than in the European Union countries, where household connections are the rule.

Figure IV.12
Access to improved drinking water sources and sanitation facilities, 2012
(Percentages of the population with access)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the World Health Organization (WHO)/United Nations Children's Fund (UNICEF) Joint Monitoring Programme for the Water and Sanitation Sector [online] <http://www.wssinfo.org/>.

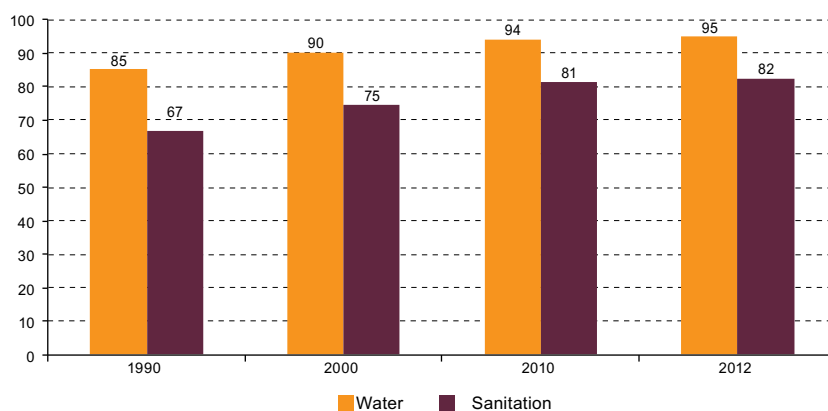
^a Does not include the Bolivarian Republic of Venezuela.

In absolute terms, the coverage of improved water sources was extended to an extra 174 million people between 1990 and 2012, bringing the total up to 505 million. The rest of the population of Latin America, over 27 million people, still depends on non-potable water sources, and some of the 505 million people mentioned also receive non-potable water. In 2012, 439 million people had access to improved sanitation facilities in Latin America, an increase of 180 million since 1990, but that still left 94 million people without access to such sanitation services.

The sector expanded steadily between 1990 and 2012, with average annual growth of 1.9% and 2.4% in the number of people with access to water and sanitation, respectively, while the population of Latin America grew by an average of 1.4% a year. These figures meant that the coverage of improved drinking water and sanitation facilities increased to 95% and 82% of the population, respectively, from the 85% and 67% recorded in 1990. Growth rates have been slowing, however.

The target laid down by the Millennium Development Goals is to halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation, taking 1990 as the base year. Latin America as a region has met the drinking water access target and is close to achieving the target for improved sanitation facilities.

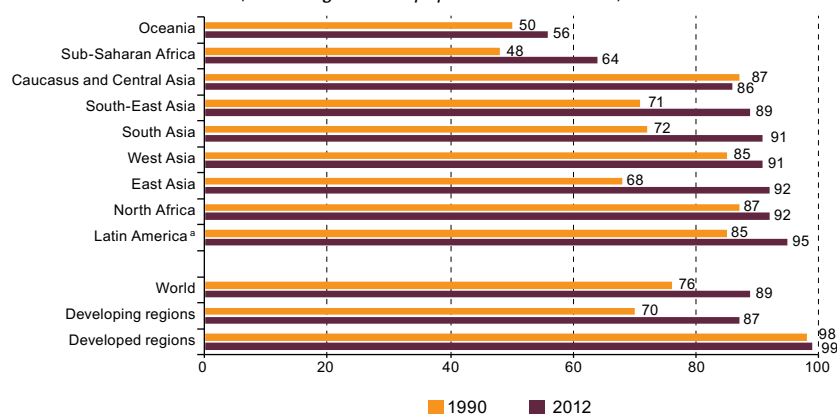
Figure IV.13
Latin America:^a access to improved sanitation facilities and drinking water sources, 1990-2012
(Percentages of the population with access)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the World Health Organization (WHO)/United Nations Children's Fund (UNICEF) Joint Monitoring Programme for the Water and Sanitation Sector [online] <http://www.wssinfo.org/>.
^a Does not include the Bolivarian Republic of Venezuela.

In the case of access to improved water sources, population coverage in Latin America in 2012 was above the world average and that for a number of developing regions. In addition, the region expanded coverage by more than regions that had had similar coverage in 1990, such as North Africa, West Asia, the Caucasus and Central Asia.

Figure IV.14
Access to improved drinking water sources and sanitation facilities, 1990 and 2012
(Percentages of the population with access)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, *The Millennium Development Goals Report 2014*, New York, 2014, and data from the World Health Organization (WHO)/United Nations Children's Fund (UNICEF) Joint Monitoring Programme for the Water and Sanitation Sector [online] <http://www.wssinfo.org/>.

^a Does not include the Bolivarian Republic of Venezuela.

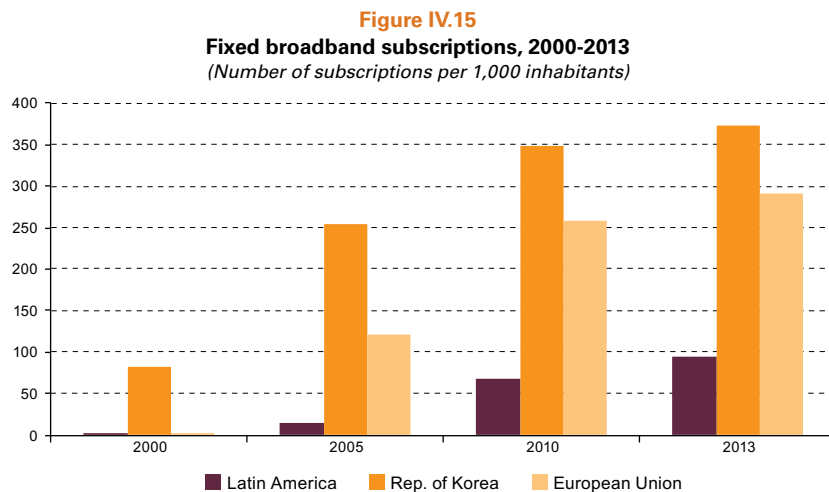
The region's urbanization appears to have a positive effect on the drinking water and sanitation segment, provided it goes together with adequate investment. After over 30 years without major change, the sector saw rapid expansion from the late 1990s. The coverage of water treatment, for example, doubled from 14% to 28% in less than 10 years.

Nonetheless, there is still concern about the quality of water and sanitation services and about the large and persistent differences between urban and rural areas.

4. The telecommunications sector

The behaviour of the telecommunications sector differs depending on the technology analysed. Whereas mobile telephony and fixed broadband Internet expanded during the period from 2000 to 2013, fixed-line telephony held steady.

Fixed broadband Internet access is the part of the sector that grew most in the period analysed. Average annual growth in the number of fixed broadband subscriptions per 1,000 inhabitants between 2005 and 2013 was 25.2%, so that by 2013 there were 94 subscriptions per 1,000 inhabitants, almost double the number of five years before. However, Latin America still evinced a large gap in the latest year available, although a smaller one than at the start of the period analysed. Population coverage is four times as great in the Republic of Korea and three times as great in the European Union.

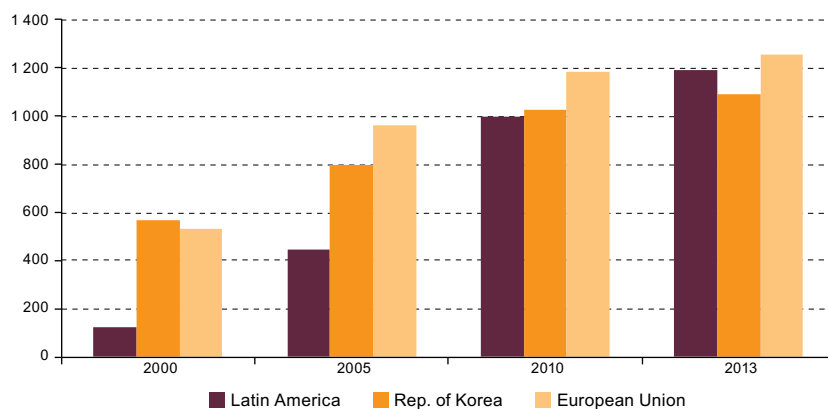


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the International Telecommunication Union (ITU), the Latin American and Caribbean Demographic Centre (CELADE)-Population Division of ECLAC and the World Bank.

Mobile telephony moved broadly in line with Internet access. During the period from 2000 to 2013, it experienced steady growth averaging 18.9% a year. In terms of population density, it had the highest level of penetration of all the telecommunications technologies analysed, with more subscriptions than inhabitants in 2013 (1,190 subscriptions per 1,000 inhabitants). Growth was higher in the region than in the Republic of Korea or the European Union, and in 2013 it attained higher population coverage than the former, while almost catching up with the latter (see figure IV.16).

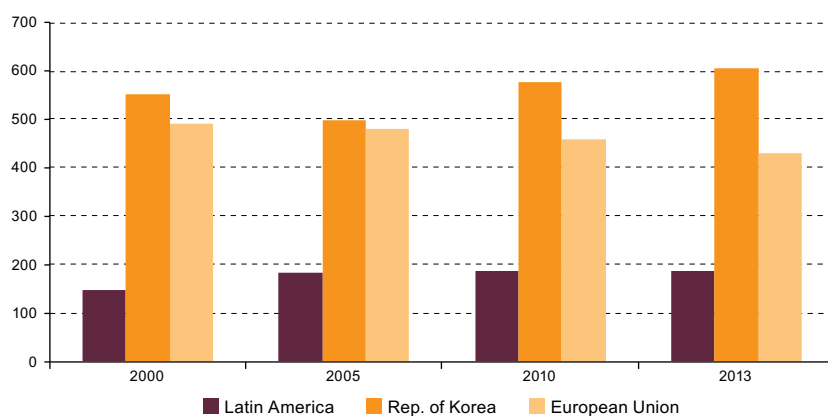
Fixed-line telephony, which is a less recent technology, held steady between 2000 and 2013, with modest average annual growth of 1.8%, just slightly above the 1.3% average annual population growth rate in the period. The infrastructure gap in this area remained in 2013, although it should be put into perspective given the strong development of mobile telephony, which has been taking over from fixed-line telephony. The number of fixed telephone lines in the European Union fell substantially between 2000 and 2013.

Figure IV.16
Mobile telephony subscriptions, 2000-2013
(Number of subscriptions per 1,000 inhabitants)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the International Telecommunication Union (ITU), the Latin American and Caribbean Demographic Centre (CELADE)-Population Division of ECLAC and the World Bank.

Figure IV.17
Fixed telephone lines, 2000-2013
(Number of lines per 1,000 inhabitants)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the International Telecommunication Union (ITU), the Latin American and Caribbean Demographic Centre (CELADE)-Population Division of ECLAC and the World Bank.

5. General trends in infrastructure availability

The supply of economic infrastructure has evolved more favourably in some ways over recent years, allowing the countries to achieve higher coverage in terms of territory and population. As has been shown, however, there is a continuing shortfall in economic infrastructure in the region.

In the transport sector, the region continues to lag considerably in terms of territorial coverage and density per 1,000 inhabitants, particularly if what is measured is not just the availability of infrastructure, but its quality. Population growth meant that a modest increase (in absolute terms) in the total and paved road networks of most countries in the region was not enough to bring about a substantial rise in overall road density relative to population between 2007 and 2012. A still greater cause for concern is the situation in other transport subsectors, such as railway transport, where the infrastructure available has diminished rather than grown in recent years.

Substantial progress has been made in the drinking water and sanitation services sectors, which cover 95% and 82% of the population, respectively, meaning that the targets of the Millennium Development Goals have been met. However, these are aggregate figures, masking differences in coverage between rural and urban areas.

The energy sector expanded more rapidly than the population in terms of installed electricity generating capacity. The region, however, remains heavily dependent on fossil fuels and there are still segments of the population without access to energy in most of the countries.

In the telecommunications sector, lastly, the region has been able to ameliorate the infrastructure shortfall by substantially developing mobile telephony, with mobile phone subscriptions now outnumbering the region's total population. However, territorial coverage, which is important in measuring the quantity of infrastructure available in this sector, was not analysed.

In this context, it is important to reassess the link between the lack of economic infrastructure in Latin America and the performance of public policies in the area of infrastructure investment, together with the contribution of the private sector to the financing of infrastructure works. That is what the next section sets out to do.

B. Evolution and characteristics of infrastructure investment

This section analyses infrastructure investment as a vital aspect of public policy and covers the main trends in private investment in projects initiated under public-private partnership arrangements.⁸ In general, what comes across is the ever-lower level of investment in the sector, especially if account is taken of the ECLAC estimate (Perrotti and Sánchez, 2011) that Latin America needed to spend some 6.2% of GDP a year on average to fund the flows of infrastructure investment (in the areas of transport, energy, telecommunications, and drinking water and sanitation) that it would take to meet the requirements of firms and final consumers during the period from 2012 to 2020.⁹

It is important to spell out a particular challenge, which is the difficulty of measuring public and private infrastructure investment. In Latin America and the Caribbean, the lack of data on how much is invested in infrastructure, the proportions contributed by the public and private sectors, the sums spent on maintenance or repair and the way this spending is distributed between levels of government is a very severe constraint on public policymaking. The absence of clear definitions and common measuring procedures affects data quality, analysis and the international comparability of figures, which can lead to inaccuracies and errors in decision-making. Measurement is further complicated by the growing tendency for public and private investors and operators to combine in the infrastructure sector and by the variety of forms taken on by public-private partnerships. Box IV.1 presents a summary of the efforts undertaken in the region in this area.

Box IV.1

Measuring economic infrastructure investment in Latin America and the Caribbean

Pioneering studies by World Bank economists (Fay and Morrison, 2007; Calderón and Servén, 2010) examined the behaviour of infrastructure investment in Latin America. As part of this work, Calderón and Servén (2010) developed the region's first infrastructure investment database, which covers six countries from 1980 to 2006 and constitutes the longest historical series available at this time.

The subject was taken up by the Natural Resources and Infrastructure Division of ECLAC in the middle of the last decade as part of a theoretical reflection on the problems of development and an infrastructure investment measuring initiative for Latin America and the Caribbean (see, for example, Rozas and Sánchez, 2004; Rozas, 2009; Rozas, Bonifaz and Guerra-García, 2012; Perrotti and Sánchez, 2011).

Different infrastructure investment initiatives have continued this line of research. Since 2012, ECLAC has received support from the Development Bank of Latin America (CAF) in the task of gathering and systematizing information on infrastructure investment in the different countries of Latin America and the Caribbean; to this end, a working programme was agreed and has been extended to a growing number of countries, currently 15 (Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay). In 2014, the Inter-American Development Bank (IDB) joined the initiative, and the shared goal of extending coverage to all the countries in the region was maintained.

⁸ Data on private investment in projects involving a public-private partnership arrangement are based on the World Bank Private Participation in Infrastructure Database and are only an initial approximation, given the considerable limitations of this information source, as set out in Lardé and Sánchez (2014). In view of this, the figures from the World Bank database are subjected to a number of adjustments in accordance with pre-set criteria, such as the treatment of privatizations, mergers and acquisitions (the amounts for which are not deemed to form part of gross fixed capital spending on infrastructure), and adjustments to the amounts of public-private projects.

⁹ This calculation includes investment in maintenance and major repairs and is only an approximation of investment needs rather than a firm recommendation, since it assumes that the historical pattern of investments will be repeated.

Box IV.1 (concluded)

In 2013, ECLAC began a review of the information held in the different countries and of the processing applied to the data gathered up to that time, and identified a number of problems with the measurement of infrastructure spending, including a lack of common definitions for a number of infrastructure measurement terms, non-availability of some public records, entries whose timing did not match the accrual basis and differences in the items treated as capital spending in each country.

To address these difficulties, in 2014 the Natural Resources and Infrastructure Division and the Statistics Division of ECLAC prepared a joint document, now in final preparation, under a working title “Compilation and treatment of data on infrastructure investment on the basis of public finances in Latin America and the Caribbean: glossary and questionnaire”, as a reference and support tool for the collection, processing, validation and dissemination of information on public sector infrastructure spending. Implementation of the recommendations put forward in the document will make it possible to generate quantitative and qualitative information on the amounts, origin and dynamic of the infrastructure component of gross fixed capital formation and on the institutional context in which this investment takes place.

The document is divided into two major parts, a glossary and a questionnaire, closely interrelated, that cover six infrastructure sectors: transport, energy, telecommunications,

water and sanitation, irrigation, and flood defences. Figures from each general government subsector (central government and subnational governments) and non-financial public-sector firms are compiled, with a special focus on the origin of the funds (general budget, transfers, own funds and special funds, among others). A procedure is also supplied; this is still in development and should improve as it is implemented and information is gathered in the countries.

Although the glossary and questionnaire have been designed for the compilation and processing of public-sector investments, they could be adapted for compiling, recording and validating information from the private sector. However, it is believed that this option would require a much greater collection effort than is currently being made, owing to the great amount of time and resources that would be needed to implement it. For the time being, ECLAC, like IDB and CAF, records private investment on the basis of the information incorporated into the World Bank Private Participation in Infrastructure Project Database, excluding sums that do not represent investment.

Similar initiatives being implemented in other regions of the world are the International Transport Forum (ITF), an intergovernmental organization with 54 member countries established in the framework of OECD, and the Africa Infrastructure Knowledge Programme.

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

1. The main trends in economic infrastructure investment

As better-quality data have been constructed and as models and methodological approaches have been improved, controversy and scepticism about the early estimates of the economic and social benefits brought by infrastructure investment have diminished. In Latin America, investment in economic infrastructure fell from over 3.5% of GDP in the 1980s to just over 2% in the 1990s and 2000s. Figure IV.18 shows different aspects of the track record of infrastructure investment in Latin America from 1980 to 2012. In that period, the investment ratio peaked at an average of 3.6% of GDP in the region during the 1980s before declining to 2.2% between 1990 and 2001 and then recovering slightly to 2.3% between 2002 and 2012. Even at its highest in the 1980s, Latin America’s investment ratio was still low compared to those of other economies such as China (8.5%), Japan (5.0%) and India (4.7%), according to data from McKinsey Global Institute (2013) for the period from 1992 to 2011.

Public investment fell from 3.0% of GDP in the 1980s to 1.1% in the 1990s. An upward trend began in 1999, although with periods of decline, so that the average from 2002 to 2012 was 1.3%. Movements in public investment during these three periods reflect factors such as the external debt crisis, when most of the region’s governments stopped using external credit and instead financed investment out of their own resources. This fiscal effort eventually became unsustainable and public investment fell sharply.

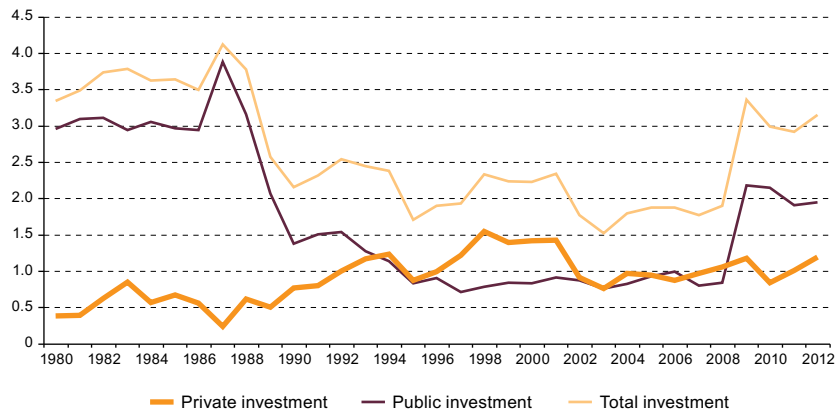
In the 1990s, the proportion of public investment in the financing total declined because of fiscal constraints and debt service, so that the State adopted a more passive role than formerly.

In 2002, the region began to receive large amounts of extraordinary revenues because of the commodity price boom and more favourable terms of trade, leading to a rise in national saving and a major improvement in the fiscal situation. These developments proved fundamental in reducing the region’s external vulnerability and enabling it to mount a countercyclical response in the form of vigorous public investment programmes when the international financial crisis struck in 2008 and 2009. The region had 10 years of steady economic growth, interrupted only in 2009; that same year, having partially recovered, infrastructure investment came very close to the averages of the 1980s.

Private investment was more dynamic in the 1990s, with the investment ratio rising to 1.2% of GDP from the 0.5% that had been the average for the 1980s. This increase did not offset the drop in public investment however, which meant that overall infrastructure investment fell off sharply in the 1990s. The privatization processes begun in the

region's countries in the late 1980s substantially boosted the incorporation of private capital into the infrastructure sector. Likewise, tendering out public works projects made it possible to incorporate private agents into infrastructure financing, construction and services management, particularly from the mid-1990s. Private investment fell off in 2001, since when its performance has been uneven, averaging 1.0% of GDP in the period from 2002 to 2012.¹⁰

Figure IV.18
Latin America: infrastructure investment by sector, 1980-2012^a
 (Percentages of GDP)



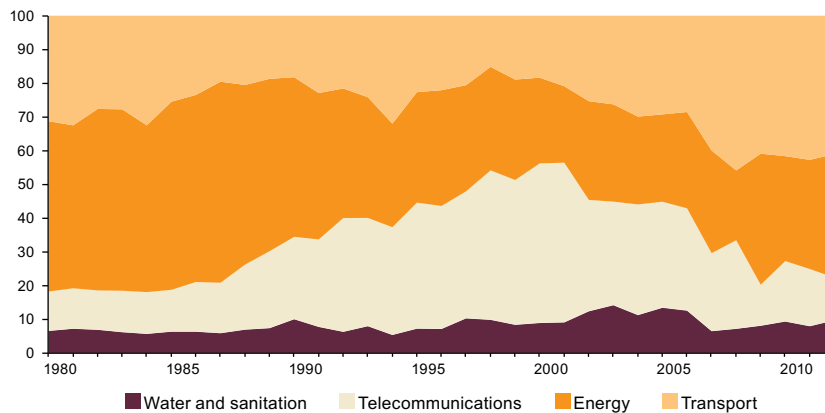
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of national data; César Calderón and Luis Servén, “Infrastructure in Latin America”, *World Bank Policy Research Working Paper*, No. 5317, Washington, D.C., World Bank, 2010; and World Bank, Private Participation in Infrastructure Database [online] <http://ppi.worldbank.org/index.aspx>.

^a Includes investment in transport, energy, telecommunications, and water and sanitation. ECLAC data are preliminary. Solely for illustration purposes and to highlight trends, the data from Calderón and Servén (2010) for the period from 1980 to 2006 and the ECLAC data for the period from 2007 to 2012 are shown as data series, even though there are differences in the way the figures are processed.

2. Sectoral trends in economic infrastructure investment

When infrastructure investment trends in all four sectors are reviewed over a period of 32 years, it transpires that investment funding during the 1980s was allocated, in descending order of importance, to energy, transport, telecommunications, and drinking water and sanitation, while in recent years it has gone mainly into transport (see figure IV.19).

Figure IV.19
Latin America: infrastructure investment by sector, 1980-2012^a
 (Percentages of total infrastructure investment)



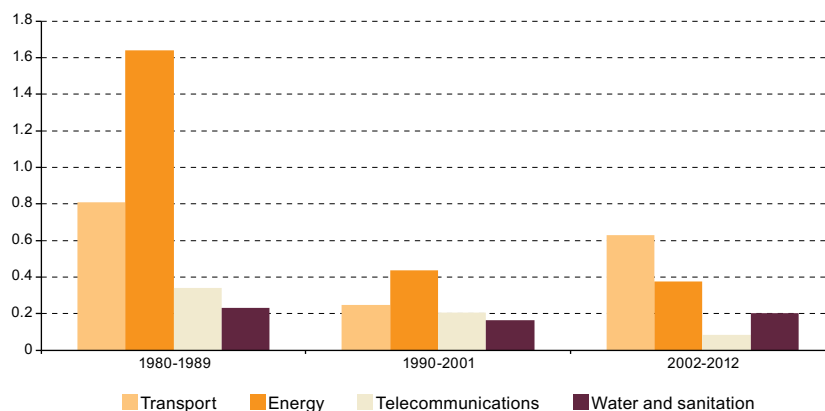
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of national data; César Calderón and Luis Servén, “Infrastructure in Latin America”, *World Bank Policy Research Working Paper*, No. 5317, 2010; and World Bank, Private Participation in Infrastructure Database [online] <http://ppi.worldbank.org/>.

^a ECLAC data are preliminary. Solely for illustration purposes and to highlight trends, the data from Calderón and Servén (2010) for the period from 1980 to 2006 and the ECLAC data for the period from 2007 to 2012 are shown as data series, even though the figures have been processed differently.

¹⁰ See Rozas (2010) and Rozas, Bonifaz and Guerra-García (2012).

Recent studies based on samples of OECD countries indicate that public infrastructure has a positive effect on the productivity of an economy, since, while an increase in public capital investment crowds out private capital at the outset, in the long run the dominant effect is one of complementarity.¹¹ In Latin America, the functions and responsibilities of the public and private sectors have also shifted over time. In conformity with what was observed earlier concerning infrastructure investment, up to the mid-1990s public investment mainly went to the energy sector, followed by transport and telecommunications and, lastly, drinking water and sanitation, whereas since 2003 it has been transport that has received the most, followed by energy, drinking water and sanitation, and telecommunications (see figure IV.20).

Figure IV.20
Latin America: public infrastructure investment by sector, 1980-2012^a
(Percentages of GDP)

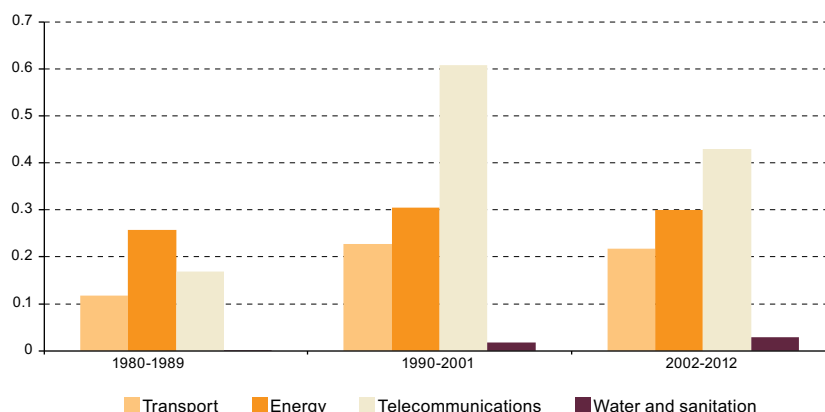


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of national data and César Calderón and Luis Servén, "Infrastructure in Latin America," *World Bank Policy Research Working Paper*, No. 5317, 2010.

^a ECLAC data are preliminary. Solely for illustration purposes and to highlight trends, the data from Calderón and Servén (2010) for the period from 1980 to 2006 and the ECLAC data for the period from 2007 to 2012 are shown as data series, even though the figures have been processed differently.

Since the 1990s, the private sector has made major investments in telecommunications, which had been an area of weakness in the public sector. Private investment in energy and transport has also increased, owing in part to the tendering of public works projects. As for drinking water and sanitation, although this is an area traditionally associated with the State, private-sector participation seems to have grown in importance, at least in some of the region's countries, by way of public-private partnerships (Brazil, Chile, Colombia, Mexico and Peru) (see figure IV.21).

Figure IV.21
Latin America: private infrastructure investment by sector, 1980-2012^a
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of César Calderón and Luis Servén, "Infrastructure in Latin America," *World Bank Policy Research Working Paper*, No. 5317, 2010, and World Bank, Private Participation in Infrastructure Database [online] <http://ppi.worldbank.org/>.

^a ECLAC data are preliminary. Solely for illustration purposes and to highlight trends, the data from Calderón and Servén (2010) for the period from 1980 to 2006 and the ECLAC data for the period from 2007 to 2012 are shown as data series, even though the figures have been processed differently.

¹¹ See OECD (2006) and Aschauer (1989).

In practice, there is a complementary relationship between public and private investment. Each has its own strengths and limitations, and when their respective roles in national infrastructure development plans are being decided upon, consideration should be given at least to the institutional context, the targets and objectives of infrastructure investment policies (investment needs) and the peculiarities of each sector (transport, energy, telecommunications, and drinking water and sanitation services).

This complementarity can be expected to exist not only between public and private investment, but also between one infrastructure activity and another, as has been highlighted in earlier studies on the subject (Calderón and Servén, 2004). It has been empirically confirmed that, with technological progress, the four sectors mentioned are interacting more and more closely with one another and generating all kinds of synergies, throwing up complementarity and substitution effects. For example, telecommunications and transport have been becoming complementary in some road toll charging systems; when transport improves accessibility in remote areas, this is likely to be followed by the creation of new settlements which raise demand for water, energy and telecommunications services; environmental concerns can result in changes in the transport mix, reducing the proportion of cars with diesel engines and replacing them with electrical transportation or bicycles. In practice, the dynamic of one activity can affect the rest, so isolated analyses may yield incomplete results.

3. Looking to the future: national infrastructure investment planning

Given the scale of infrastructure gaps, a brief review of investment plans in Latin American countries such as Brazil, Costa Rica, Mexico and Peru shows that this issue is being given increasing priority and strategic importance by the countries. As a percentage of GDP, planned investment amounts in several sectors are higher than the investments made in earlier periods, as are long-term projections (up to 2018 in Mexico, 2021 in Peru and 2030 in Brazil).

Despite the greater importance now given to infrastructure in national planning, however, the amounts involved remain well below those recommended by ECLAC (Perrotti and Sánchez, 2011) and other international organizations (see table IV.1). It should be noted that, if likely investment by private-sector agents is factored in, the planned investment amounts presented here probably underestimate the total value of projects that are actually going to be implemented.

Table IV.1
Latin America (selected countries): infrastructure investment plans

Country	Amount (millions of dollars)	Investment amount the first year ^a (percentages of GDP)
Brazil, 2014-2017		
Transport	71 000	0.8
Electricity	76 500	0.9
Telecommunications, drinking water and sanitation	74 000	0.8
Total	221 500	2.5
Costa Rica, 2015-2018		
Transport	3 100	1.5
Energy	1 257	0.6
Telecommunications	59	0.0
Water and sanitation	352	0.2
Total	4 768	2.3
Mexico, 2014-2018		
Transport	48 636	0.8
Energy ^b	90 952	1.4
Telecommunications	50 695	0.8
Hydraulics ^c	31 452	0.5
Total	221 735	3.4
Peru, 2012-2021		
Electricity, natural gas and water	32 953	1.6
Transport	41 619	2.0
Total	74 572	3.6

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the development plans of the respective countries: Ministry of Finance, Secretariat of Economic Monitoring (SEAE), "The Federal Logistic Investment Program (PIL)", December 2013 [online] <http://www.law.harvard.edu/programs/about/pifs/symposia/brazil/2013-brazil/seae-presentation--the-federal-logistic-investment-program--pil.pdf>; Government of Costa Rica, *Plan Nacional de Desarrollo 2015-2018 "Alberto Cañas Escalante"*, November 2014 [online] <http://documentos.mideplan.go.cr/alfresco/d/d/workspace/SpacesStore/cd1da1b4-868b-4f6f-bdf8-b2dee0525b76/PND%202015-2018%20Alberto%20Ca%C3%B1as%20Escalante%20WEB.pdf>; Government of Mexico, *Programa Nacional de Infraestructura 2014-2018*, 2014 [online] http://www.pwc.com/es_MX/mx/industrias/archivo/2014-05-analisis-pni-2014-2018-detallada.pdf; Government of Peru, *Plan Bicentenario: El Perú hacia el 2021*, March 2011 [online] https://www.mef.gob.pe/contenidos/acerc_mins/doc_gestion/PlanBicentenarioversionfinal.pdf.

^a Investment amounts are assumed to be distributed evenly over the whole period at constant values (those of the first year).

^b Includes natural gas projects, but does not include projects relating to oil and oil derivatives. Nonetheless, the figure could be an overestimate, since projects with the federal states could include investments of this type.

^c Includes drinking water, sanitation, irrigation and flood defences.

The challenges posed by climate change will further heighten needs in terms of infrastructure investment. While the costs of mitigating climate change differ from country to country, achieving the targets set in this area will require considerable resources and additional funding efforts (see box IV.2).

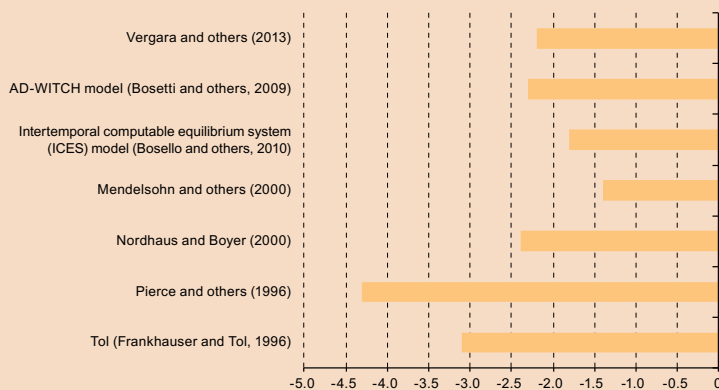
Box IV.2

Preserving a global public good: the economic cost of climate change

Climate change is a global negative externality: certain economic activities generate greenhouse gas emissions, at no economic cost to those responsible, which cause climate change (Stern, 2007). Climate change poses an additional challenge for the economic development of the economies of Latin America and the Caribbean, calling as it does for simultaneous efforts to be made to address the economic, social and environmental costs of its impact and to effect the structural and short-term changes necessary to adapt to new climatic conditions and face up to the economic and social costs associated with greenhouse gas mitigation processes. Although these costs are not necessarily cumulative, reducing the effects of climate change entails

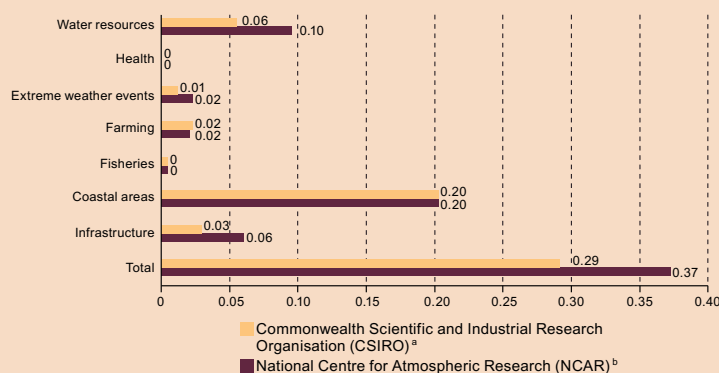
building a new development paradigm. In the event that the region's temperature rises by 2.5°C—above the climate danger threshold, and something that is highly likely to take place shortly after 2050—several tentative preliminary estimates put the economic costs of climate change at between 1.5% and 5.0% of current regional GDP. Although the costs vary between countries, sectors and geographical regions, the main effects will be seen in farming, water availability, biodiversity, forestry and tourism. The economic costs of adaptation measures are also tentatively estimated at between 0.5% and 1.0% of regional GDP, and the costliest such measures will be those linked to infrastructure, coastal zones, farming and extreme weather events (ECLAC, 2014).

Figure 1
Latin America and the Caribbean: costs of climate change in the event of a 2.5°C increase in temperature, according to various sources, second half of the twenty-first century
(Percentages of regional GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of F. Bosello, C. Carraro and E. De Cian, "Market- and policy-driven adaptation," *Smart Solutions to Climate Change: Comparing Costs and Benefits*, Bjørn Lomborg (ed.), Cambridge University Press, 2010.

Figure 2
Latin America and the Caribbean: annual costs of adaptation to climate change
(Billions of 2005 dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of F. Bosello, C. Carraro and E. De Cian, "Market- and policy-driven adaptation," *Smart Solutions to Climate Change: Comparing Costs and Benefits*, Bjørn Lomborg (ed.), Cambridge University Press, 2010; and World Bank, *The Cost to Developing Countries of Adapting to Climate Change. New Methods and Estimates*, Washington, D.C., 2010.

^a Wettest scenario.

^b Driest scenario.

Box IV.2 (concluded)

There is also uncertainty as to estimated costs of mitigation of greenhouse gases, which vary depending on the goals set. The current consensus is that to stabilize climatic conditions so as to avoid a temperature rise of over 2°C by 2050, greenhouse gas emissions will have to be cut from 45.4 gigatons of CO₂-equivalent (GtCO₂-eq) per year to 20 GtCO₂-eq per year (Hepburn and Stern, 2008). Assuming that, as forecast, the current world population of 7 billion will grow to around 9 billion by 2050, annual emissions will have to be reduced from just under 7 tons per capita to 2 tons per capita by 2050. Strong economic growth is also expected, which will lead to greater energy consumption. The economic costs of the transforming production patterns to bring emissions down to about 2 tons per capita by 2050 are estimated at between 0.15% and 1.0% of the current GDP of Latin America and the Caribbean, depending on the specific objectives set (Vergara and others, 2013). The amounts needed vary from country to country, and include the cost of setting up carbon sinks in forests and underground storage sites, transforming agriculture, ensuring energy efficiency, decarbonizing the energy sector and electrifying and modifying means of transport.

The process of changing today's economies will also have positive effects since it will give rise to new sectors of production, new jobs and more sustainable consumption habits, heralding a

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

structural change towards greater environmental sustainability. It will also entail forging a new public-private matrix of public goods and services and formulating a public policy strategy that is unequivocally oriented towards sustainable development. Building new infrastructure, for instance, that paves the way for constituting a clean energy matrix, ensuring sustainable public transport, imposing taxes on the negative externalities of fossil fuels and offering subsidies to encourage the development of renewable energies.

In a global economy, the preservation of global public goods, such as the climate, is crucial. There is a growing awareness of the fact that damage to the climate holds back economic development and may even undermine the foundations of the current cycle of economic growth. Latin America and the Caribbean is faced with a time-based paradox: the challenge of climate change both entails considering scenarios that stretch 50 or 100 years into the future and requires urgent action in respect of, for example, timelines for the construction, utilization and depreciation of infrastructure, since infrastructure that is currently being built will still be in use in 2050. The challenge thus lies in coming up with a development paradigm that is in line with climate preservation and sustainable development objectives and can ensure the safekeeping of economic, social and environmental assets for future generations.

C. Towards better public policies for economic infrastructure

In a sustainable development context, a rigorous infrastructure accounting exercise must set out from the assumption that infrastructure forms part of the capital produced by public and private investment on the basis of domestic saving, external investment and the transformation of natural capital. Another assumption is that consideration will be given not only to the infrastructure used to facilitate production, trade and consumption, and thence economic growth, but also to that which supports the provision of services intended to improve quality of life and facilitate the expansion of human capital, and to that whose purpose is to protect the environment and manage natural resources.¹² The positioning of infrastructure in the sustainable development goals implies a greater responsibility for public policy in efforts to move towards the higher levels of quality investment required to bring about real and equitable improvements in people's quality of life in the region. In this context, the present chapter looks afresh at a number of points in the discussion about the development of economic infrastructure in Latin America.

First, it emphasizes that the shortage of basic infrastructure in the vital economic infrastructure sectors is still one of the main challenges for the region, despite the progress made by individual countries or sectors in recent years. When infrastructure quality criteria are brought in, the gap between the region and developed countries (and some developing countries) becomes even more striking. Although it is not an aspect that has been addressed in much detail in this chapter, the incorporation of sustainability criteria would probably show the situation in a worse light as well. Analysis of the situation in the transport sector, for example, reveals that growth has centred on road infrastructure, neglecting other types that are often more sustainable, such as railway infrastructure.

Second, this chapter confirms that providing and maintaining quality, reliable, sustainable and resilient infrastructure, which is one of the proposed sustainable development goals of the post-2015 development agenda, requires major efforts by governments and the private sector. A review of the current infrastructure investment plans

¹² Noted in Lardé, Marconi and Oleas (2014).

of the Latin American countries suggests that, despite the greater importance now being given to infrastructure in national planning, the amounts set aside for this remain low compared with those recommended as being necessary to meet current and future infrastructure demand.

Third, it demonstrates that public investment has been and still is the key element in infrastructure development. Within the wide spectrum of infrastructure projects, there are cases where the financing will inevitably be public, even if the private sector is involved in implementation and operation. On the other hand, there are areas where the private sector has proved highly capable of providing financing and management expertise, as in the case of infrastructure projects carried out under public-private partnership schemes. It would seem that the public policy challenge in this area is to establish planning and evaluation mechanisms which can guarantee not only that the resources available are channelled into the projects with the highest social returns and fewest externalities, but also that different financing sources and methods are employed as the situation requires, both in the public-private dimension and at the different levels of the public sector.

Lastly, it is essential to emphasize that financing needs, along with the constraints on the resources available to the region's governments, make it indispensable to improve public policies relating to the planning, implementation and management of infrastructure projects. There needs to be an integrated approach based on a comprehensive overview of all infrastructure sectors and their impact on national development, with recognition of the quality required of the services the infrastructure provides and with appropriate coordination of the respective roles and responsibilities of the public and private sectors. In order to anticipate and manage demand for infrastructure in line with the sustainable development goals, it would also seem to be indispensable to incorporate the sustainability approach and criteria into every stage of the institutional cycle for promoting infrastructure development, from initial planning to operation, maintenance and impact assessment.

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Financing investment in Latin America and the Caribbean: the issues and main challenges

Introduction

- A. Stylized facts of company financing
- B. The characteristics of SMEs
- C. The characteristics of the financial system in Latin America
- D. Low levels of domestic saving
- E. The need for an inclusive financial system
- F. Conclusions

Bibliography

Annex V.A1

Introduction

In the Latin American and Caribbean production sector, 40% of small firms and 70% of large ones have access to funding from the formal financial system. The factors explaining the financial inclusion gap between larger and smaller firms include information asymmetries and high financing costs, as well as the characteristics of the financial system in Latin America and the Caribbean.

The financial systems of the region's countries are generally shallow, short-termist and essentially reliant on commercial banks. There are few long-term financing instruments. Furthermore, one consequence of the information asymmetries that prevail in the region is credit rationing, especially for small and medium-sized enterprises (SMEs) and innovation activities. These features have resulted in high and segmented costs and low levels of banking coverage.

Besides the characteristics mentioned, another important factor that hinders firms from accessing financing is the still incipient and limited development of capital markets in Latin America and the Caribbean, with low capitalization levels and share trading volumes. What is more, the number of firms listed on the region's stock exchanges has declined in the past decade, and trading is largely confined to a handful of shares.

These characteristics of the region's economies mean that firms generally tend to finance investment out of their own funds, either because they are shut out from formal financial markets or, when they do have access to these, because they prefer internal to external financing. The data for a set of manufacturing and services firms at the regional, subregional and country level indicate that these finance over 60% of their fixed and working capital investment out of their own funds, and among SMEs the proportion is even higher.

Firms that do have access to financing beyond what they can supply from their own resources tend to prefer commercial bank borrowing to share issuance. The capital market is generally found to be a very minor source of financing for productive investment.

When firms' access to external financing is limited, their production capacity and ability to grow and prosper are also constrained, as they are forced to finance their operations solely out of their own funds. Furthermore, the evidence for SMEs is that they use the financial system mainly for deposits and as a medium of payment, and far less for credit products, and this can constrain their capacity for future expansion and growth.

This state of affairs limits investment, innovation, productivity and growth. It also creates a vicious circle that keeps smaller production units in a constant state of vulnerability and low growth, with serious consequences for poverty and social inequality.

In a context of shallow financial markets and underdeveloped capital markets, boosting domestic resource mobilization for productive investment requires a set of economic and financial policies oriented towards developing financial markets and encouraging saving for long-term financing. The capacity and effectiveness of the financial system when it comes to channelling resources into production activities depend on the provision of low-cost intermediation services and the development of financial instruments and institutions that can adapt to different risk profiles, liquidity needs and maturities in the production sector.

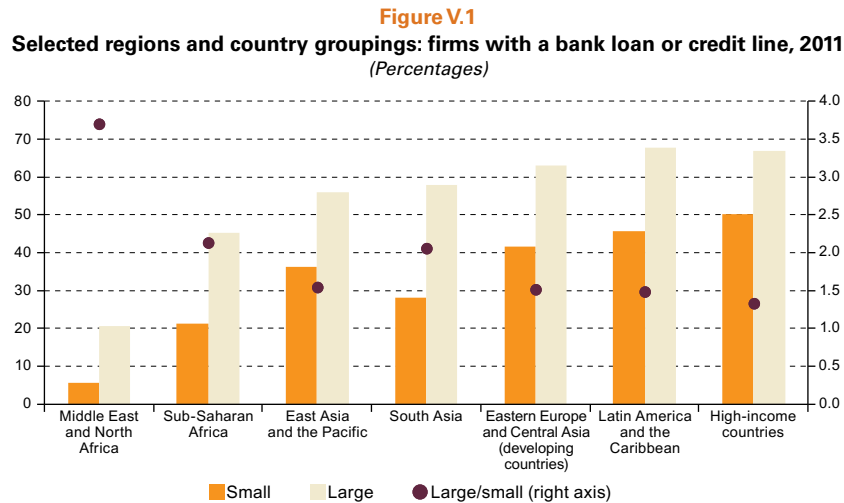
The development of financial systems is a complex process that calls for public and financial policies aimed, among other things, at strengthening economic and legal institutions and economic stability and creating new instruments for administering economic and financial risks.

This chapter examines the issues surrounding investment financing in Latin America and the Caribbean and its subregions and the main challenges involved. It is divided into six sections. Section A analyses the stylized facts of investment financing in the region, presenting the evidence that the great majority of firms finance themselves out of their own resources, a practice that is particularly prevalent among SMEs, and showing that there is a hierarchy of external financing sources. Sections B, C and D centre on the factors limiting access to financing, such as the characteristics of SMEs and the financial sector, low levels of domestic saving and the volatility of external saving. Section E identifies a need to create an inclusive financial system as part of a production policy that can meet economic and social development needs. Lastly, section F presents some closing reflections.

A. Stylized facts of company financing

The way firms finance investment depends, first, on the opportunities and conditions of access to banking and financial markets available to them and, second, on the decision as to whether to use external funds or their own resources.

Where access is concerned, the empirical evidence for Latin America and the Caribbean shows that just over 40% of small firms and 70% of large ones are in a position to obtain credit from formal financial institutions. While low, access levels for both types of firms, large and small, compare favourably with those in other developing regions such as the Middle East and North Africa, East Asia and the Pacific, South Asia, and Eastern Europe and Central Asia, as well as high-income countries (see figure V.1).



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, "World Enterprise Surveys" 2015 [online] <http://data.worldbank.org/data-catalog/enterprise-surveys>.

Even so, the financing access gap between small and large firms is wide, and this constrains smaller firms' production capacity and ability to grow and prosper. One result is a vicious circle that keeps smaller production units in a constant state of vulnerability and low growth, with serious consequences for poverty and social inequality (Vera and Titelman, 2013).

Accordingly, SME access to the financial system should be a central concern for economic policymakers in the countries of Latin America and the Caribbean, both out of considerations of equity and because these firms are an essential part of the region's production and employment fabric. SMEs make up the bulk of all firms and account for 60% of employment and 40% of total output in Latin America and the Caribbean.

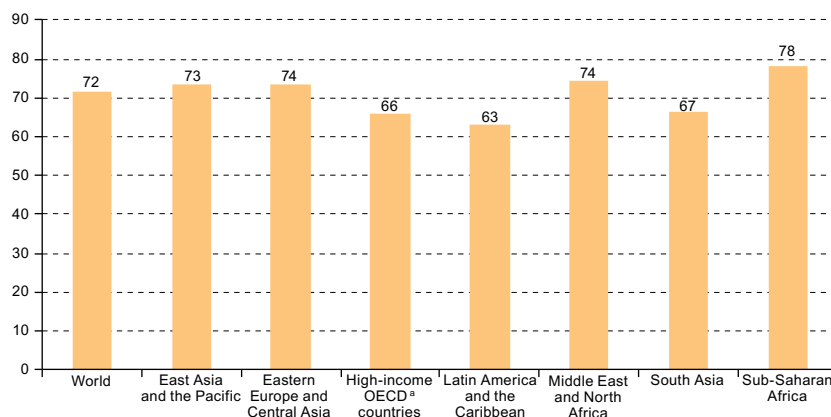
Lack of access to financing is reflected in the fact that firms largely finance investment out of their own funds (retained earnings). This is one of the best-documented facts in the various analyses of investment and its financing that have been carried out for the different regions of the world, and it holds for both working capital and fixed capital.

As figure V.2 shows, the proportion of total investment, including working capital and fixed capital, that firms finance out of their own funds exceeds 60% in all the world's regions, including both industrialized and developing countries. In the case of Latin America and the Caribbean, an average of 63% of all investment is financed in this way.

Analysis at the country level in the region yields similar findings. Indeed, in no case does internal financing account for as little as half the total (see table V.1).

Analysis by firm size (small, medium-sized and large) in the manufacturing and services sectors shows that smaller firms usually tend to make more intensive use of internal financing than larger ones in the region. On average, over 80% of small firms finance themselves out of internal resources, while the average for large firms is 75%.

Figure V.2
Selected regions and country groupings: manufacturing sector investment
financed out of firms' own funds, 2006-2010
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, "World Enterprise Surveys" 2015 [online] <http://data.worldbank.org/data-catalog/enterprise-surveys>.

^a Organization for Economic Cooperation and Development.

Table V.1
Latin America (selected countries): manufacturing and services sector investment
financed out of firms' own funds, by firm size, 2010
(Percentages of total investment)

	Manufacturing			Services		
	Type of firm			Type of firm		
	Small	Medium	Large	Small	Medium	Large
Argentina	81.6	76.7	74.2	85.3	78.3	74.0
Bolivia (Plurinational State of)	73.8	72.2	70.0	80.2	86.5	68.0
Chile	78.9	74.0	77.6	66.5	78.0	69.2
Colombia	69.8	66.2	64.0	73.2	80.5	72.2
Ecuador	69.6	76.5	69.2	76.4	76.2	77.6
El Salvador	80.0	68.5	73.0	79.6	73.8	72.8
Guatemala	80.7	84.9	77.8	92.9	80.0	73.3
Honduras	83.2	63.2	68.9	77.2	80.3	70.8
Mexico	84.5	76.9	82.6	91.7	91.3	86.8
Nicaragua	90.7	86.5	83.7	95.7	92.2	87.5
Panama	100.0	98.3	95.0	85.6	100.0	98.0
Paraguay	88.8	78.4	74.8	84.6	83.3	77.9
Peru	73.5	65.7	57.4	75.4	59.7	73.9
Uruguay	86.6	79.5	79.7	89.8	86.3	85.3
Venezuela (Bolivarian Republic of)	80.0	78.6	72.9	80.0	92.6	63.2
Regional average	81.4	76.4	74.7	82.3	82.6	76.7
South America	78.1	74.2	71.1	79.0	80.1	73.5
Central America	86.9	80.3	79.7	86.2	85.3	80.5

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, "World Enterprise Surveys" 2015 [online] <http://data.worldbank.org/data-catalog/enterprise-surveys>.

This trend holds for both the sectors considered. The subregional analysis shows that, in both sectors, Central America generally presents a larger share of internal financing than South America, the respective averages being 86% and 80% for manufactures and 78% and 72% for services.

The empirical evidence shows a negative correlation between the number of years a firm has been in business and the proportion of internal financing. In other words, the newer firms are, the greater the share of financing drawn from their own funds, and thus the smaller the share of outside financing. This holds for all firms, irrespective of size (see table V.2).

Table V.2
Selected regions:^a correlation coefficient between company age and the share of internal financing, 2002-2013

Year	Large firms	Medium-sized firms	Small firms
2002	-0.21	-0.12	-0.14
2006	-0.46	-0.28	-0.19
2009	-0.34	-0.19	-0.20
2013	-0.20	-0.45	-0.40

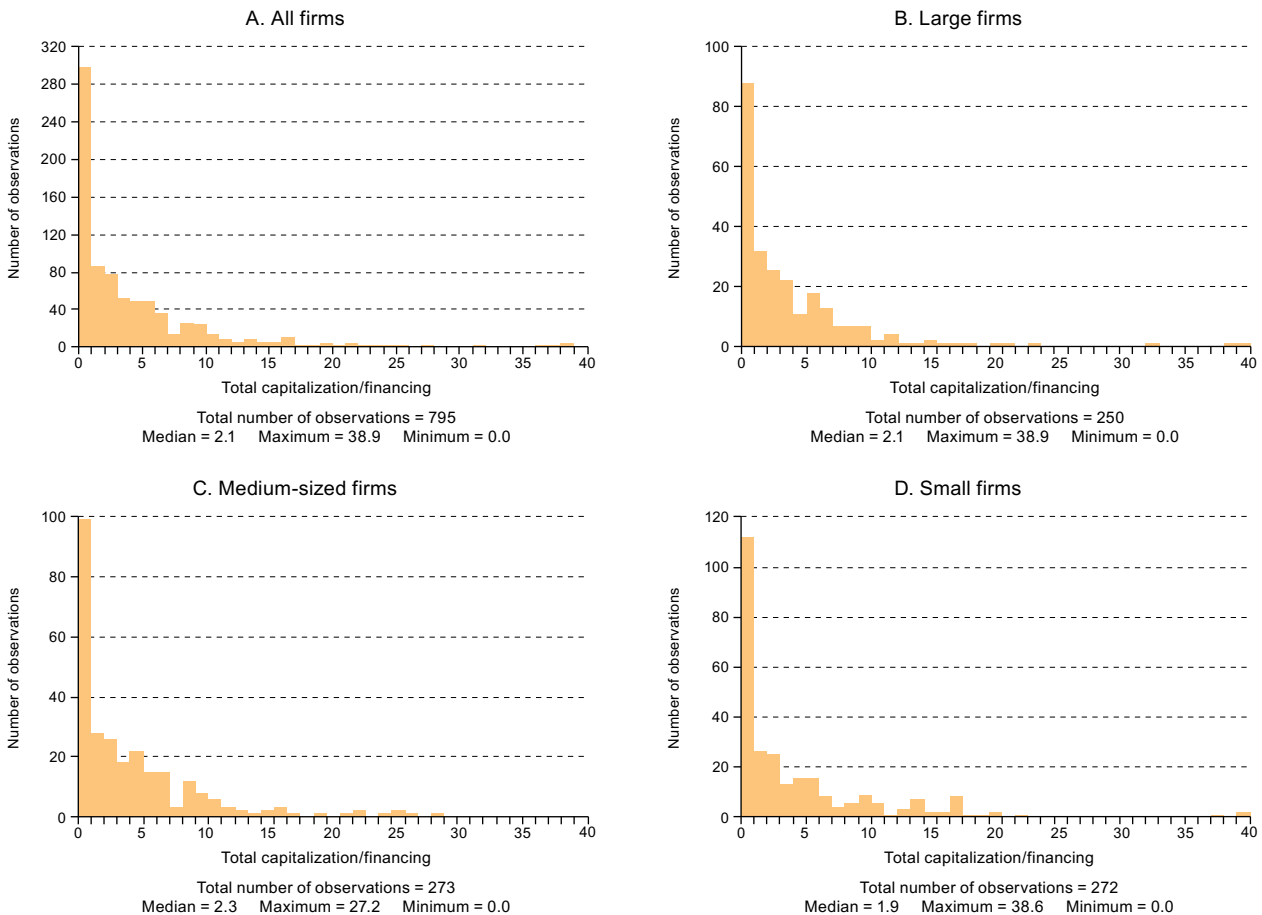
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, “World Enterprise Surveys,” 2015 [online] <http://data.worldbank.org/data-catalog/enterprise-surveys>.

^a East Asia and the Pacific; Eastern Europe and Central Asia; High-income countries of the Organization for Economic Cooperation and Development (OECD); Latin America and the Caribbean; Middle East and North Africa; South Asia; and Sub-Saharan Africa.

In the case of firms that are able to access external financing, analysis by type of origin shows that there is a hierarchy in the financing sources used. Firms usually prefer to finance themselves with debt (commercial credit) rather than opting for other sources such as the capital market (stock market).

Indeed, the stock market seems to be a minor source of external investment financing. This holds true for all sizes of firm and for countries and regions with different levels of income and development. As figure V.3 shows, the portion of external financing raised on the stock market accounts for about 2% of total financing for different types of firms in both the manufacturing and services sectors.

Figure V.3
Selected regions:^a equity financing raised by large, medium-sized and small manufacturing and services firms, 2002-2014
(Percentages of total financing)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, “World Enterprise Surveys,” 2015 [online] <http://data.worldbank.org/data-catalog/enterprise-surveys>.

^a East Asia and the Pacific; Eastern Europe and Central Asia; High-income countries of the Organization for Economic Cooperation and Development (OECD); Latin America and the Caribbean; Middle East and North Africa; South Asia; and Sub-Saharan Africa.

The choice of external financing source depends on the type of investment considered. Financial intermediaries are in all cases the main source of financing for the acquisition of fixed capital. Working capital is financed mainly with credit from suppliers (see annex V.A1).

This hierarchy in the choice of external financing sources can be put down to the fact that company managers have more information about the financial situation of their firms than investors, who can only know them from the outside. According to the pecking order theory, managers tend to issue shares when these are overvalued, but investors, knowing that this incentive exists, discount the price they are willing to pay for them. This discounting procedure creates a potential problem of underinvestment (Leary and Roberts, 2010).

Access difficulties aside, when firms are in a position to raise financing from formal institutions, they use the financial system more as a medium of payment than as an instrument for enterprise and production financing. Data for a set of firms in the manufacturing and services sectors worldwide show that 88% have a current or savings account while just 35.5% have a loan or credit line arranged in the financial system. In Latin America and the Caribbean, 91.5% of all the firms surveyed had a current or savings account and 45.8% a loan or credit line.

Table V.3
Firms with a current or savings account or with a loan or credit line, 2010
(Percentages)

	Firms with a current or savings account	Firms with a loan or credit line
World	88.4	35.5
East Asia and the Pacific	85.8	35.0
Eastern Europe and Central Asia	88.2	36.7
High-income countries of the Organization for Economic Cooperation and Development (OECD)	97.7	52.8
Latin America and the Caribbean	91.5	45.8
Middle East and North Africa	68.9	20.4
South Asia	79.6	34.6
Sub-Saharan Africa	87.3	23.6

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, "World Enterprise Surveys," 2015 [online] <http://data.worldbank.org/data-catalog/enterprise-surveys>.

The levels of access SMEs have to the formal financial system in Latin America and the Caribbean are explained by a range of factors, chief among them the difficulties directly affecting these firms, the characteristics of the region's financial system, low domestic saving rates and the volatility of external saving.

B. The characteristics of SMEs

The difficulties affecting SMEs derive in part from their own characteristics. Their limited access to the financial system is explained by failures in the workings of credit markets, and specifically the inadequacy of the information available to banks for carrying out risk assessments. The amount of funding provided is also influenced by the predominant method of selecting beneficiaries, which depends on the quantity and quality of information and the characteristics of the firms operating in the market.

When information on firms' plans, sales and growth potential is lacking and balance sheets are opaque or non-existent, it is difficult for financial institutions to measure the risk of non-payment or to oversee and monitor debt and credit contracts generally. In the case of bank lending, furthermore, the transaction costs involved in evaluating, processing and monitoring loans are fixed, which means that in proportional terms they fall with loan size, making it costlier for banks to lend to small firms. Because information is inadequate and such loans are considered risky, financial institutions demand collateral and charge higher interest rates.

In addition, SMEs find it enormously difficult to meet the requirements placed on them. For one thing, they are prone to technical errors when they present loan applications to banks. For another, they are severely constrained in their ability to find the collateral amounts demanded by financial institutions, which are far higher than those asked of larger firms.

Table V.4 shows the amount of collateral that has to be put up for a loan, expressed as percentages of loan value, in the case of large and small firms in the manufacturing and services sectors in different developing regions. In comparative terms, more collateral is required from small firms in Latin America and the Caribbean than in any other developing region except South Asia: they are required to put up 34% more collateral than large firms and 27% more than medium-sized ones.

Table V.4
Selected regions: value of collateral needed to obtain a loan, by size of firm applying, 2009-2013
(Percentages of loan amount)

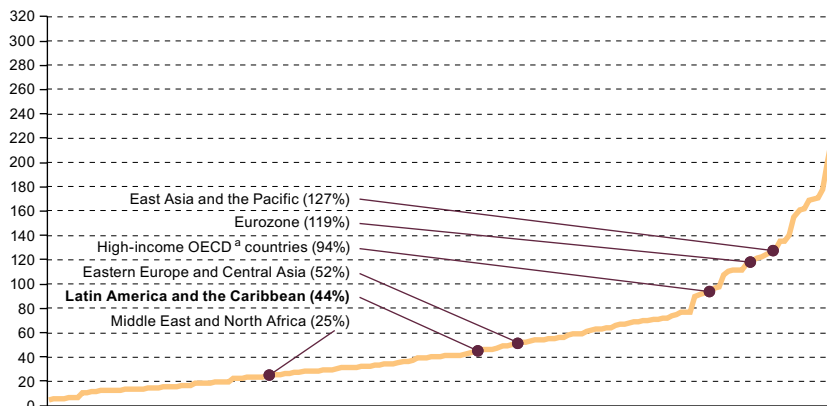
Region	Sector		Type of firm	
	Manufacturing	Services	Large (100 employees or more)	Small (5 to 19 employees)
Latin America and the Caribbean	189.5	207.6	159.4	214.3
East Asia and the Pacific	187.1	209.4	191.0	201.5
Eastern Europe and Central Asia	190.9	193.1	174.7	169.3
South Asia	228.2	225.2	236.6	258.3
Sub-Saharan Africa	181.3	176.1	183.8	164.8

Source: Economic Commission for Latin America and the Caribbean, on the basis of World Bank, "World Enterprise Surveys," 2015 [online] <http://data.worldbank.org/data-catalog/enterprise-surveys>.

C. Characteristics of the financial system in Latin America

A second factor accounting for the lack of access to financing are the characteristics of the financial system, starting with shallow and underdeveloped markets. The ratio between lending to the private sector and GDP in 2013 was 30%, less than in more developed countries such as those of the Organisation for Economic Co-operation and Development (OECD) (94%) and even than in other developing regions such as East Asia and the Pacific (127%) (see figure V.4).

Figure V.4
Selected regions: lending by the banking system to the private sector, 2013
(Percentages of GDP)

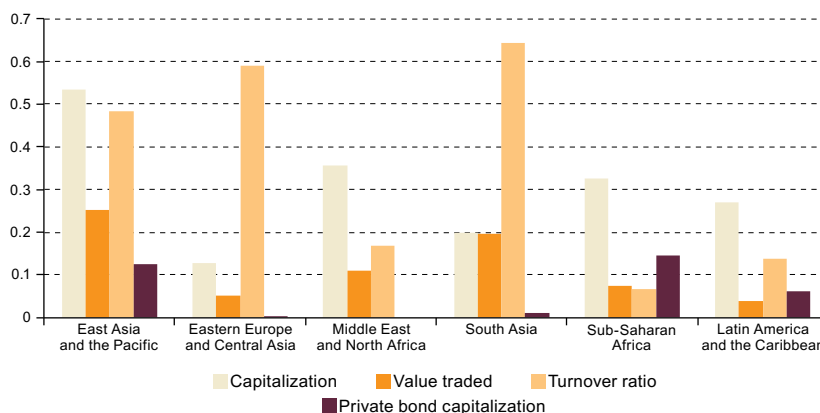


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, "World Enterprise Surveys," 2015 [online] <http://data.worldbank.org/data-catalog/enterprise-surveys>.

^a Organization for Economic Cooperation and Development.

In addition, financial systems are centred on commercial banking and on what are usually short-term instruments. In Latin America, commercial banks account for an average of over 90% of financial system assets. Capital markets have low capitalization levels and little publicly traded stock, with trading largely confined to just a few shares. These indicators place Latin America and the Caribbean below the averages for other regions such as East Asia and the Pacific, Eastern Europe and Central Asia, the Middle East and North Africa, and South Asia (see figure V.5).

Figure V.5
Selected developing regions: capital market indicators, 2009
 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of T. Beck and A. Demirgüç-Kunt, "Financial institutions and markets across countries and over time: data and analysis," *World Bank Policy Research Working Paper*, No. 4943, Washington, D.C., World Bank, May 2009.

These markets are also segmented and have high financing costs. The book value of general expenses as a proportion of total assets in 2007 was over 5% for Latin America, higher than in South Asia, the Middle East and North Africa, and Asia and the Pacific (2.0%, 2.3% and 3.0% respectively).

A similar result is obtained when the ratio of commercial banks' total costs (that is, operating costs) to total revenues is calculated, this being the standard indicator for measuring banking efficiency. Higher values for this indicator reflect lower efficiency and vice versa. Latin America consistently displays the lowest levels of efficiency among all developing regions, including Sub-Saharan Africa (see table V.5).

Table V.5
Selected regions: average commercial bank efficiency, 1998-2011
 (Percentages)

	1998-2000	2000-2005	2005-2011
East Asia and the Pacific	55.5	51.5	47.0
Eastern Europe and Central Asia	59.1	58.2	56.7
Latin America and the Caribbean	67.5	64.4	61.7
Middle East and North Africa	54.3	53.8	46.9
South Asia	63.8	55.5	48.1
Sub-Saharan Africa	51.5	56.3	59.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of T. Beck and A. Demirgüç-Kunt, "Financial institutions and markets across countries and over time: data and analysis," *World Bank Policy Research Working Paper*, No. 4943, Washington, D.C., World Bank, May 2009, and T. Beck and others, "Financial Development and Structure Dataset," Washington, D.C., World Bank, 2015.

Lastly, it should be noted that banking activity does not finance development in the sense of being oriented towards production activities, but rather finances consumption and property purchases.

Bank financing for the production sector in the region's countries is mainly oriented towards large firms. The cost of financing is substantially higher for SMEs than for larger firms. Table V.6 shows that spreads between ordinary and preferential rates can range from 120 basis points (Uruguay) to 1,800 (Brazil).

Thus, a major challenge still facing the countries of Latin America and the Caribbean is to further develop their financial systems, improving their ability, first, to channel savings towards production financing and investment, thereby contributing to higher growth rates in their economies, and, second, to act inclusively and bring financial services to larger segments of the production fabric and households that are currently outside the system.

Table V.6
Latin America (selected countries): spreads between ordinary and preferential rates, 2007-2015
(Percentage points)

Year	Country			
	Brazil ^a	Colombia ^b	Uruguay ^c	Venezuela (Bolivarian Republic of) ^d
2007	12.6	4.1	...	...
2008	11.8	2.6	1.2	6.9
2009	9.9	3.2	3.1	4.3
2010	-	4.2	2.7	...
2011	17.9	4.0	1.8	...
2012	16.3	3.9	2.1	...
2013	13.8	3.6	2.2	...
2014	14.6	2.8	2.6	...
2015	15.2	3.4	3.6	...

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

^a Difference between the average lending rate and the average rate applied to legal persons. The 2009 figure is for January to September.

^b Difference between the ordinary rate and the preferential rate. The 2009 figure is for January to September.

^c Difference between the rate applied to micro- and small enterprises and the rate for large and medium-sized enterprises. The 2007 figure is for June to December and the 2009 figure for January to August.

^d Difference between the non-preferential industry rate and the preferential industry rate. The 2009 figure is for January to September.

A more developed financial system in the region would be one that reflected the great heterogeneity of production structures, in other words that was able to provide instruments or services that matched the differing situations of actors in the production system, opening the way to better resource allocation and greater risk diversification and coverage. A basic prerequisite for this is that there should be sufficient instruments and mechanisms in place to cope with the different saving and financing needs that the various agents may present.

Greater availability of instruments and markets (with the necessary size and liquidity) would give agents a wider range of options for accessing finance. For example, firms operating within developed financial systems have access to a range of financing instruments and mechanisms that match the different financing needs that arise over their life cycle, from specialized financing such as venture capital or private capital in the early stages to equity financing at the most advanced stage of the cycle, with different types of loans or credit and working capital financing, among other things, in between.

Besides the issue of whether different markets and instruments with the required size and liquidity exist, another key aspect of greater financial development is inclusiveness. From this perspective, there is a growing awareness that the ability of financial systems to support sustainable economic and social growth depends on their ability not only to mobilize large quantities of resources and channel them efficiently towards the best investment opportunities, but also to be inclusive, in the sense of providing a wide range of individuals and firms with access to financial services.

In the countries of Latin America and the Caribbean, both the challenge of creating an adequate variety of markets and instruments to meet the financial needs of a multiplicity of agents and the task of bringing a large proportion of individuals and firms into the financial system generally remain unaccomplished.

Nonetheless, the will and ability to innovate to develop financing for the production sector are constrained by the high profit margins the financial sector enjoys in activities related to consumption, housing and, in some cases, the public sector. These high profit margins provide a veritable comfort zone for the financial sector to operate in, discouraging any shift in the orientation of lending towards other activities that are inherently risky, such as SME investment financing.

As table V.7 shows, the profitability of financial institutions (measured as the ratio of net earnings to total assets) was 10.6% in the 1960s, rising to 14% in the 1990s and almost 15% in the six-year period (2000-2006) that preceded the outbreak of the global financial crisis.

In developed countries such as those of the eurozone, the rise in bank profitability came in 2000 to 2006, and especially from 2003, when the euro came into operation. From about 10% in 2001, banking returns rose to over 16% in 2006.

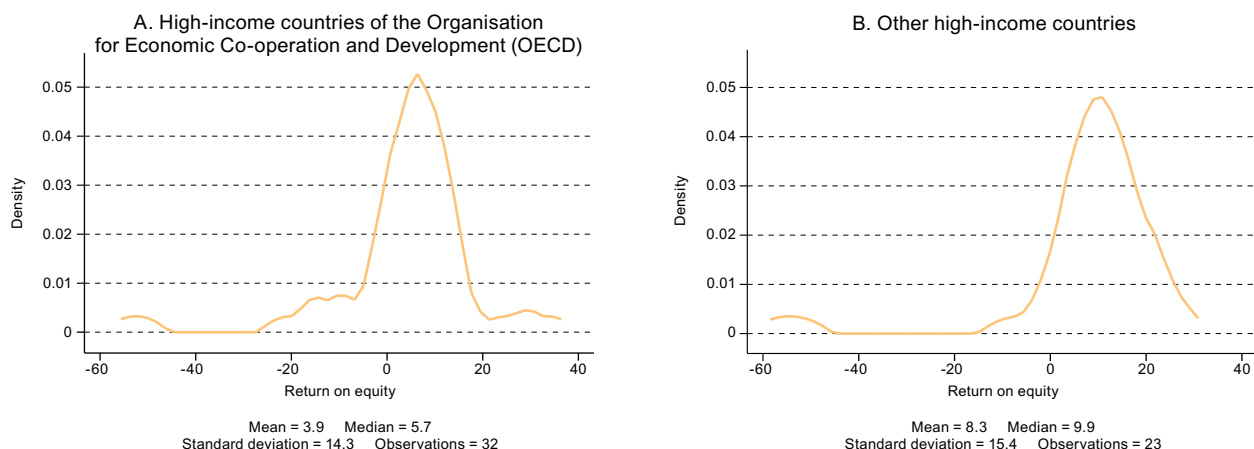
Table V.7
Selected countries and regions: return on assets in the financial sector, 1960-2012
(Percentages)

	1960-1970	1970-1980	1980-1990	1990-2000	2000-2006	2007-2009	2010-2012
Developed countries and regions							
United States							
All banks	10.6	12.0	12.2	14.2	14.8	7.0	7.5
Banks with assets of US\$ 1 billion to US\$ 15 billion	13.2	15.4	14.4	4.8	6.0
Banks with assets of more than US\$ 15 billion	12.7	14.3	15.5	7.3	7.8
Banks with assets of less than US\$ 1 billion	11.1	12.8	12.2	7.2	6.3
Investment banks							
Countries of the Organization for Economic Cooperation and Development (OECD)	6.3	13.0	8.9	9.0
Eurozone	10.3	11.3	7.1	4.5
Spain	11.1	9.6	12.7	3.7
Developing regions							
East Asia and the Pacific	17.2	13.0	14.2	15.5
Eastern Europe and Central Asia	9.6	11.9	12.3	7.2
Latin America and the Caribbean	14.5	14.3	17.4	15.2
Middle East and North Africa	11.8	9.9	13.6	10.5
Sub-Saharan Africa	17.9	19.9	18.9	16.3

Source: Federal Reserve Bank of St. Louis, FRED 2015 [online database] <http://research.stlouisfed.org/fred2/>; World Bank, "World Enterprise Surveys," 2015 [online] <http://data.worldbank.org/data-catalog/enterprise-surveys>; T. Beck and others, "Financial Development and Structure Dataset," Washington, D.C., World Bank, 2015.

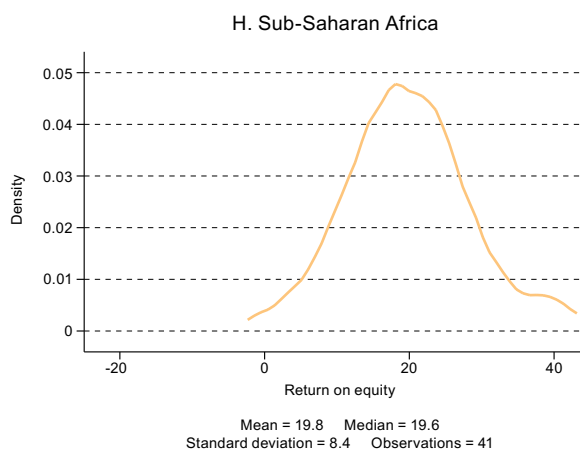
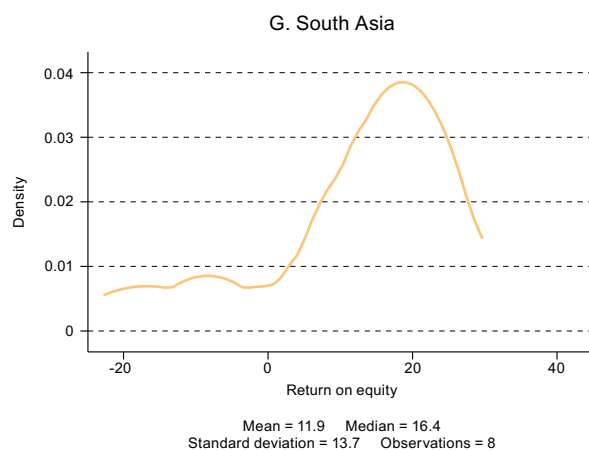
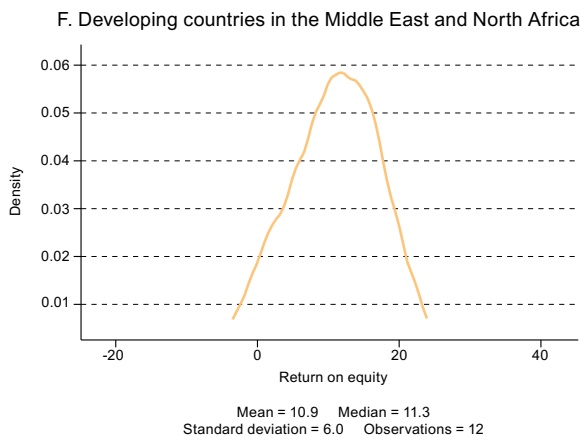
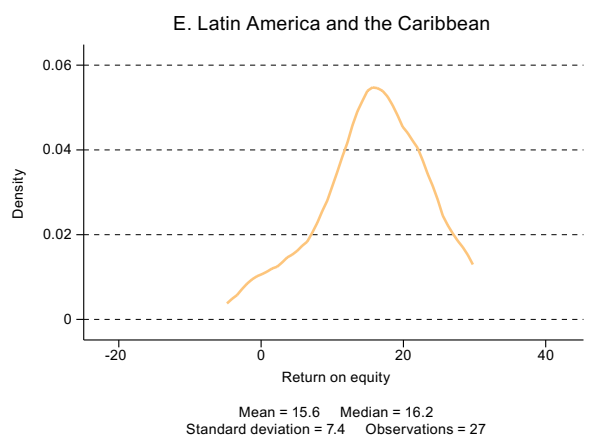
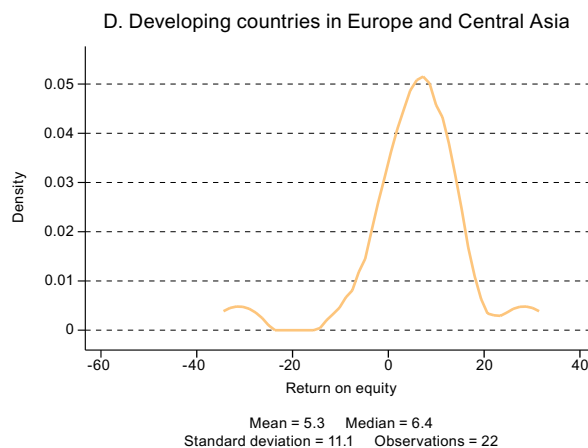
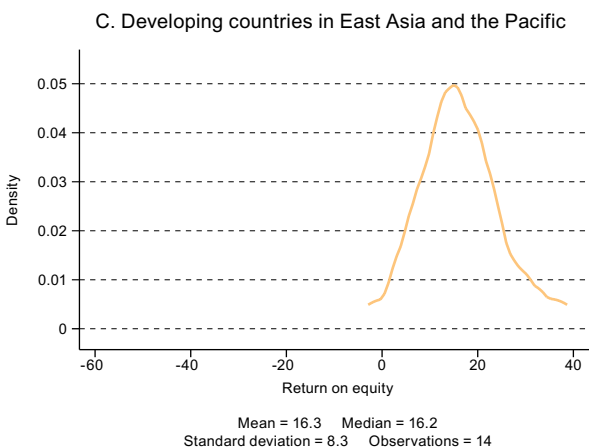
The profitability of the financial system in Latin America and the Caribbean has also increased, and is high by comparison with other regions of the world. This can be seen from the estimates of the kernel function for the return on equity (ROE)¹ for banks in different regions of the world, taking a cross-section of various countries in 2013 on the basis of ROE data from the Global Financial Development Database of the World Bank (see figure V.6 and box V.1). It can be seen that the average return on equity in Latin America and the Caribbean is high at 15.6%, a figure exceeded only in Sub-Saharan Africa (19.8%) and the countries of East Asia and the Pacific (16.3%). The heterogeneity of this indicator in the countries of the region is also low, something expressed in a standard deviation (7.4%) that is lower than in any other region except the Middle East and North Africa (6.0%).

Figure V.6
Selected regions: kernel density curves for commercial banks' return on equity, 2013



¹ The kernel density function has the advantage of smoothing the data distribution for a variable. The narrower the class intervals in a histogram are, the finer the distribution will be, and the wider the intervals are, the flatter and more dispersed it will be. When the former case is taken to an extreme, the rectangles of the interval become points; and since interval width is decided by the amount of data available, the distribution curve will become smoother as the sample size tends to infinity, which is what a kernel density function estimation converges on.

Figure V.6 (concluded)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of T. Beck and A. Demirgüç-Kunt, “Financial institutions and markets across countries and over time: data and analysis,” *World Bank Policy Research Working Paper*, No. 4943, Washington, D.C., World Bank, May 2009; T. Beck and others, “Financial Development and Structure Dataset,” Washington, D.C., World Bank, 2015; and World Bank, Global Financial Development Database [online] <http://data.worldbank.org/data-catalog/global-financial-development>.

Box V.1**Financial system returns**

The profitability of the financial system can be approximated by a simple banking profit identity, also known as the Du Pont de Nemours and Company return on equity (*ROE*) decomposition, stating that by a simple identity the ratio of earnings to equity equals the product of the ratio of earnings to assets and assets to equity. Formally:

$$ROE = \frac{\text{Earnings}}{\text{Equity}} \equiv \left(\frac{\text{Earnings}}{\text{Assets}} \right) * \left(\frac{\text{Assets}}{\text{Equity}} \right) \quad (1)$$

where *ROE* represents the return on equity.

In turn, the ratio of earnings to assets is none other than the return on assets (*ROA*), and the ratio of assets to equity is known as leverage. To summarize, *ROE* is equal to the product of *ROA* and leverage, namely:

$$ROE = ROA * L \quad (2)$$

where *ROA* is the return on assets and *L* is leverage.

Increasing profitability can result from different financial strategies. Larger and more complex financial institutions have a

$$ROA = \left(\frac{NIM}{A} + \frac{NIR}{A} - \frac{NIE}{A} - \frac{PRO}{A} + \frac{INC}{A} - \frac{T}{A} \right) \quad (3), \text{ and}$$

$$ROE = L * ROA \Leftrightarrow L * \left(\frac{NIM}{A} + \frac{NIR}{A} - \frac{NIE}{A} - \frac{PRO}{A} + \frac{INC}{A} - \frac{T}{A} \right) \quad (4)$$

where *A* is the value of the average asset.

From the commercial bank profitability equation (3) it can be seen that profitability can increase (decrease) either because of a

strategy based on high levels of leverage, which tends to exhibit procyclical behaviour. At the same time, they seek to generate greater returns by increasing the rate of return on assets and, more specifically, by way of non-interest earnings.

Between 1993 and 2001, a period that included major crises and economic recessions such as the Mexican crisis of 1995, the Asian crisis of 1998, the Russian crisis of 1999 and the Argentine crisis of 2001, the average leverage in the region's large countries was 9.9. Between 2002 and 2007, an economic boom period when Latin America and the Caribbean averaged its highest per capita GDP growth rate in three decades, the leverage ratio averaged 10.

Smaller banks base their financial strategy essentially on increasing the return on assets (*ROA*), which can be broken down into the net interest margin (*NIM*), non-interest revenues and expenses (*NIR* and *NIE*, respectively), provisions (*PRO*), income from investments in assets and securities (*INC*) and taxes (*T*). Formally:

higher (lower) *ROA* for a given level of leverage, or because of higher (lower) leverage for a given level of *ROA*, or a combination of the two.

Source: Esteban Pérez Caldentey and Daniel Titelman, "The current global financial crisis: What was really 'purely prime'?" 2009 [online] http://www.cepal.org/noticias/paginas/3/35143/Thecurrentglobalcrisis_Whatwasreallyprime.pdf.

D. Low levels of domestic saving

The shortcomings of the financial system are compounded by the fact that domestic saving is low and external saving does not necessarily help to close financial access divides.

The region has historically generated low levels of domestic saving, even at times of high growth. Gross domestic saving in Latin America is about 20% of GDP, which is lower than in other developing regions.

This situation has been partially offset by private sector external saving, traditionally an important source of financing for the region. The main source of external financing is foreign direct investment (FDI), which accounts for over 60% of the total flows received by the region. In 2014, Latin America and the Caribbean received net FDI flows worth US\$ 158 billion (equivalent to 2.8% of regional GDP).

Despite their importance, FDI flows have not helped to increase access to financing for SMEs or narrow the gaps that exist in this respect between larger and smaller firms in Latin America.

The evidence is that external financing is highly concentrated in the region's major economies (Argentina, Brazil, Chile, Colombia, Mexico and Peru receive the bulk of FDI flows). More importantly still, these flows go mainly to the sectors of economic activity where large firms predominate, including extractive industries (mining and oil) and the automotive, electronics and chemical industries. According to the latest estimates, in 2013 the natural resources (hydrocarbons and mining), manufacturing and services sectors received 26%, 36% and 38%, respectively, of all FDI flows (ECLAC, 2015). In the case of services, FDI goes into telecommunications, tourism and financial services, mainly in the form of mergers and acquisitions that are often led by transnational enterprises.

Similarly, some of the instruments whereby external saving is channelled to the region are not conducive to a narrowing of the financing gap. One example is venture capital, funds of which have grown substantially in Latin America and the Caribbean over the last decade and now exceed US\$ 10 billion, up from just US\$ 1 billion in 2001. Even so, these funds in Latin America represent just 1% of the worldwide total.

As in the general case of FDI, venture capital funding is largely confined to the region's major economies (Argentina, Brazil, Chile, Colombia, Mexico and Peru), being very scarce in small countries. In addition, these funds tend to be invested in projects and firms that are already consolidated, with over half going to finance project growth and expansion phases, while only a minor share goes on early stage and project incubation financing.

E. The need for an inclusive financial system

The financial system has a key role to play in boosting savings and channelling them efficiently, in order both to fund investment and technological innovation and to facilitate access to financing for the different production agents, including households, firms and especially SMEs.

Inclusiveness is a prerequisite if financial systems are to serve the needs of sustainable economic and social development. In non-inclusive financial systems, small firms and lower-income individuals are unable to access these services, and this reinforces inequalities, since these agents have to fall back on their own resources. Conversely, an inclusive financial system provides access to formal financial services for those who lack them, thereby helping to reduce poverty and inequality.

In addition to expanding access to finance and banking, which is limited in the region, inclusiveness also means improving and enhancing use of the formal financial system by those already in it.

On this logic, inclusiveness, far from being a social welfare mechanism, is an economic participation policy. The idea is to use the financial system as an instrument for enhancing people's saving and consumption opportunities while at the same time making better use of business talent and investment opportunities. Thus, financial inclusiveness enables the financial system to respond to the various and heterogeneous financing needs of households at the different phases of the life cycle, and of firms at the different stages of the production and technology process.

An inclusive financial system requires private sector efforts supplemented by public sector measures designed, among other things, to strengthen economic and legal institutions and economic stability and to create new instruments for managing economic and financial risk.

In this context, development banks can play an essential role in financing production and promoting financial inclusion.

The traditional functions of development banks include direct support for production sectors, which has usually consisted in identifying, promoting and financing business opportunities, promoting projects that match national development strategies and social needs, and facilitating the development of new technologies in the countries. Outside of their traditional functions, development banks have increasingly supplemented the work of commercial banks in the region by applying financial criteria such as profit maximization. In this role, the focus has been on expanding access to financial services by introducing products or services designed to meet market demand in this area, enlarging the financial network and making the methods used to evaluate individuals' and firms' repayment capacity more flexible.

Further developing these functions will mean pursuing and coordinating public-private cooperation efforts by way of an increase in the density of the financial system.

Two successful examples of public-private cooperation in creating new financial inclusion instruments, particularly for SME financing, are the Supply Chain Programme operated by the Nacional Financiera (NAFIN) development bank in Mexico and the Seed Capital Fund in Costa Rica (see boxes V.2 and V.3).

Box V.2**The Supply Chain Programme in Mexico**

In the early 2000s, Mexico's State-owned Nacional Financiera (NAFIN) development bank decided to focus on providing financing to small and medium-sized enterprises (SMEs). Its strategy was based on the development of mass-appeal, low-cost financial products under the Programme for Private Sector Credits and Guarantees. One of the components of this programme was reverse factoring, which has proved to be a successful way of dealing with the critical problem posed by Mexico's disjointed supply chains.

Large firms and government agencies invite their suppliers (both SMEs and individual entrepreneurs) to form a chain. For each chain, a website is developed and turned into an e-marketplace for the exchange of information, products and services.

Membership in a supply chain opens up access to more attractive financing options. One of the instruments created for this purpose is a technological platform for e-invoicing that enables SMEs in a given supply chain to borrow on accounts receivable by issuing e-invoices in advance of the due date.

The reverse factoring service differs from traditional factoring because it is offered to a select group of SMEs in the supply chains of large companies that are known to be on a financially solid footing. Reverse factoring is offered as an option to participating firms that meet the highest standards in terms of their solidity and low levels of risk, so the factor of credit risk is virtually ruled out. The participants in the NAFIN Supply Chain Programme are top-rated large firms and their suppliers. In addition to providing substantial risk-reduction benefits, the NAFIN reverse factoring window is highly efficient, since all the associated transactions are carried out electronically, which lowers costs and shortens transaction times.

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

NAFIN acts as an intermediary for other financial, banking and non-banking institutions in providing factoring services. It can extend this financing in local currency or in dollars up to a ceiling of 3.26 million investment units (UDI), which are readjusted daily in line with the variation in the consumer price index. The term for these loans ranges from 30 to 120 days; the interest rate is determined on the basis of the interbank equilibrium interest rate (TIIE), and no fees or commissions are charged.

This system helps large companies enhance their supplier development programmes and allows SMEs to build up credit histories that will provide them with access to longer-term financing. The service has now been expanded to take in international supply chains and government procurement from SMEs.

The NAFIN Supply Chain Programme increased its market share from 2% in 2001 to 60% in 2004. By 2007, the programme had channelled 135 billion pesos in credit to over 15,000 firms in more than 300 supply chains. As of 2009, these supply chain initiatives involved nearly 700 large-scale buyers, 36% in the public sector and 64% in the private sector, with around 215,000 SME suppliers participating in the programme (70,000 with a digital record) and 39 financial intermediaries (banks, factoring enterprises and other non-bank intermediaries). That year, an average of 10,000 transactions were carried out each day, ultimately providing approximately 27,000 SMEs with an annual total of around 200 billion pesos in financing. Operations conducted from the service's inception up to 2013 totalled about 24 million, most in the commercial sector, followed by industry and services (41%, 35%, and 14% of the total, respectively).

Box V.3**The Seed Capital Fund in Costa Rica**

In October 2011, the Ministry of Economic Affairs, Industry and Commerce of Costa Rica launched the Seed Capital Fund to support corporate incubators in different production sectors operating in the country that could carry forward the government's SME promotion policy and the entrepreneurship initiatives being advanced by the Ministry. The purpose of this fund is to assist new ventures by providing support for their initial research and development efforts and to cover their start-up operating expenditures until such time as they generate sufficient resources on their own or can attract other investors. At these early stages, the level of risk is generally high and potential growth rates are low, which is why such enterprises find it difficult to gain access to traditional commercial lenders, which tend to channel resources towards more mature, lower-risk activities.

The first seed capital fund was set up through the development banking system. Since then, efforts have been made to create other financial instruments for business start-ups, such as risk capital funds and angel capital funds. Initially, the development banking system provides non-reimbursable grants of up to 13 million colones (approximately US\$ 26,000); the entrepreneur must be able to provide 20% of the total investment. At a later stage, the development banking system can provide up to

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

52 million colones (US\$ 104,000) in loans, which have to be paid back once the business begins to generate cash flow, and in any event within seven years. These funds are disbursed in stages, according to a timetable that is based on the venture's business plan, as the benchmarks included in the loan agreement are reached. Prior to each disbursement, the development banking system makes sure that the previous disbursement has been used for its stated purposes.

In 2013, the Ministry of Economic Affairs, Industry and Commerce and the development banking system selected 13 out of the 41 projects that applied for seed capital grants in the first such exercise. The selection criteria to be met were that the projects or project ideas had to be technically, commercially and financially viable. These 13 projects, which dealt with digital technologies, alternative energy sources, biotechnology and other areas of technology, were granted a total of 860 million colones (US\$ 1.7 million) by the National Development Trust Fund (FINADE). The programme is to hold two competitive rounds for seed capital applications each year to reach out to highly talented entrepreneurs who would otherwise lack access to financing. In the second round (February 2014), applications were accepted for agro-industrial projects to be sited in rural areas of Costa Rica, as well as technology projects.

NAFIN has been the most important instrument available to the Government of Mexico for channelling financing to SMEs. For some years, NAFIN has been operating a factoring (supply chain) scheme for SMEs supplying large firms and the government; using an electronic system in which commercial banks also participate, it has attained a high level of efficiency and effectiveness. The Supply Chain Programme can be rated a success in view of its great dynamism, whether measured by the number of firms incorporated or the sums financed. It also addresses a critical problem in Mexico, that of disjointed supply chains (see box V.2).

In the case of Costa Rica, the Seed Capital Fund (2011) works through the development banking system and provides support for ventures at the stages of conceptualization of production ideas, initial trading and early-stage expansion, when risk is high and growth low. Seed capital serves to supplement traditional commercial bank financing (which tends to go to less risky projects at more advanced stages), and is oriented towards the financing of technology, alternative energy and agro-industrial projects (see box V.3).

F. Conclusions

Levels of financial inclusion in Latin America and the Caribbean are low and unequal. In the production sector, 40% of small firms have access to funding from the formal financial system, while for large firms the figure is about 70%.

These levels, and the financial inclusion gaps between larger and smaller firms, are partly explained by information asymmetries and financing costs, which are higher for SMEs. The characteristics of the financial system in Latin America are also a factor, as it is shallow and underdeveloped, short-termist and lacking in financial instruments.

The difficulties smaller firms in particular have in accessing the formal financial system means that they have to meet a substantial portion of their total financing needs out of their own resources. Firms with access to financing other than their own funds usually prefer commercial bank borrowing to the stock market.

When access to financing from outside the firm is limited, firms' production capacity and ability to grow and prosper are also constrained. In addition, the data show that SMEs use the financial system mainly for deposits and as a medium of payment and far less for borrowing, which greatly limits their potential for future expansion and growth.

Alongside these factors, traditionally low rates of national saving and firms' sectoral orientation and size have also been factors in the low level of access to financing that is a feature of the Latin American and Caribbean countries.

This context results in a vicious circle that keeps smaller production units in a constant state of vulnerability and low growth, with severe consequences for poverty and social inequality.

Given a shallow financial system and underdeveloped capital markets, boosting financing for productive investment requires a range of economic and financial policies designed to develop financial markets and promote saving for long-term financing. This in turn requires financial inclusion to be conceived as an economic participation policy encompassing all efforts and initiatives aimed at opening up access to formal financial services for those who currently lack this and at improving and enhancing the use made of the formal financial system by those who are already part of it.

The capacity and effectiveness of the financial system when it comes to increasing its inclusiveness and channelling resources into production activities depend partly on the provision of low-cost intermediation services and the development of financial instruments and institutions that can adapt to different risk profiles, liquidity needs and maturities in the production sector.

In policy terms, this means generating innovations by introducing new capabilities, skills and routines to improve efficiency, including changes in technology, methodology and forms of intermediation. There is also a need to create new financial products to meet demand from households and firms.

Besides the design of new instruments and mechanisms with public and private sector involvement, financial policies for development need to work to ensure that these innovations connect up better with existing institutions, processes and products.

This requires an effort to coordinate the public and private agendas in terms of development goals and priorities, and means that spaces and mechanisms need to be created so that public policies can attract the efforts of the private sector and channel them towards inclusive development goals by creating an appropriate context and incentives.

Development banks are a vital instrument in this effort, firstly because of their ability, as second-tier banks, to mobilize resources for long-term financing covering different income segments, and secondly because they supplement the commercial activities of private sector banks, extend the availability of and access to financing sources and mechanisms for the production sector, and are able to expand financing instruments in a way that matches the requirements, characteristics and risks of the different production activities.

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Annex V.A1

Table V.A1.1
Selected regions: sources of external financing for fixed investment, 2006-2014
(Percentages of fixed investment financed by each source)

	Type of firm	Banking institutions	Non-bank financial institutions	Commercial credit	Other external sources
Sub-Saharan Africa	Small (less than 20 employees)	43.2	9.5	20.0	27.3
	Medium-sized (20 to 99 employees)	54.0	6.7	18.4	21.0
	Large (100 employees or more)	61.8	5.0	15.2	18.0
East Asia and the Pacific	Small (less than 20 employees)	40.6	11.9	12.9	34.5
	Medium-sized (20 to 99 employees)	54.3	2.2	8.8	34.7
	Large (100 employees or more)	46.1	2.8	16.6	34.5
Eastern Europe and Central Asia	Small (less than 20 employees)	45.1	5.7	16.0	33.3
	Medium-sized (20 to 99 employees)	54.4	6.2	14.8	24.6
	Large (100 employees or more)	59.8	6.5	15.7	18.1
Latin America and the Caribbean	Small (less than 20 employees)	53.5	5.6	27.3	13.6
	Medium-sized (20 to 99 employees)	58.2	4.9	25.1	11.9
	Large (100 employees or more)	65.5	4.6	21.8	8.1
Middle East and North Africa	Small (less than 20 employees)	16.6	5.6	46.3	31.6
	Medium-sized (20 to 99 employees)	43.4	4.9	22.3	28.4
	Large (100 employees or more)	48.1	4.6	15.6	28.9
South Asia	Small (less than 20 employees)	56.7	10.7	5.7	26.9
	Medium-sized (20 to 99 employees)	55.1	10.5	6.4	28.0
	Large (100 employees or more)	63.0	7.8	5.9	23.3

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, "World Enterprise Surveys," 2015 [online] <http://data.worldbank.org/data-catalog/enterprise-surveys>.

Table V.A1.2
Selected regions: sources of external financing for working capital, 2006-2014
(Percentages of working capital financed by each source)

	Type of firm	Banking institutions	Non-bank financial institutions	Commercial credit	Other external sources
Sub-Saharan Africa	Small (less than 20 employees)	27.8	6.8	49.0	16.5
	Medium-sized (20 to 99 employees)	37.2	4.4	49.1	9.3
	Large (100 employees or more)	41.8	4.9	49.0	4.3
East Asia and the Pacific	Small (less than 20 employees)	57.5	4.0	23.6	14.9
	Medium-sized (20 to 99 employees)	65.4	2.3	17.6	14.6
	Large (100 employees or more)	58.3	3.5	30.3	7.9
Eastern Europe and Central Asia	Small (less than 20 employees)	48.7	4.0	36.1	11.1
	Medium-sized (20 to 99 employees)	54.3	3.8	34.8	7.1
	Large (100 employees or more)	61.8	6.2	26.8	5.2
Latin America and the Caribbean	Small (less than 20 employees)	39.8	5.6	48.1	6.5
	Medium-sized (20 to 99 employees)	44.9	4.3	45.6	5.2
	Large (100 employees or more)	51.4	4.0	42.1	2.5
Middle East and North Africa	Small (less than 20 employees)	24.1	3.2	48.9	23.8
	Medium-sized (20 to 99 employees)	40.5	2.6	38.0	18.9
	Large (100 employees or more)	61.1	5.2	26.4	7.3
South Asia	Small (less than 20 employees)	56.8	10.0	22.3	13.3
	Medium-sized (20 to 99 employees)	63.6	6.0	22.9	7.4
	Large (100 employees or more)	69.2	6.6	19.0	5.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, "World Enterprise Surveys," 2015 [online] <http://data.worldbank.org/data-catalog/enterprise-surveys>.



Statistical annex

Table A.1
Latin America and the Caribbean: main economic indicators

	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^a
Annual growth rates									
Gross domestic product ^b	5.4	5.8	3.9	-1.2	6.2	4.7	2.9	2.9	1.1
Latin America ^b	4.1	4.5	2.8	-2.3	5.0	3.6	1.8	1.8	0.1
Consumer prices ^c	5.1	6.5	8.1	4.6	6.5	6.9	5.7	7.6	9.5
Percentages									
Urban open unemployment	8.6	7.9	7.3	8.1	7.3	6.7	6.4	6.2	6.0
Total gross external debt / GDP ^{d,e}	20.8	19.5	17.5	20.6	19.7	19.3	21.5	22.2	24.5
Total gross external debt / exports of goods and services	87.1	85.4	78.2	105.7	100.6	91.9	99.2	103.7	116.3
Millions of dollars									
Balance of payments ^e									
Current account balance	47 078	6 601	-39 126	-29 392	-64 406	-81 715	-107 008	-163 431	-167 659
Exports of goods f.o.b.	697 738	785 646	906 137	704 960	893 325	1 105 395	1 121 120	1 116 348	1 083 027
Imports of goods f.o.b.	605 487	723 079	867 055	653 930	844 665	1 034 475	1 077 755	1 104 135	1 091 421
Services trade balance	-10 881	-17 935	-32 996	-34 670	-50 756	-66 163	-71 803	-78 732	-74 820
Income balance	-98 310	-104 291	-112 594	-103 372	-124 080	-149 861	-140 850	-158 498	-147 782
Net current transfers	64 018	66 259	67 382	57 620	61 770	63 390	62 280	61 776	63 492
Capital and financial balance ^f	16 560	118 332	77 204	76 259	150 314	188 057	163 529	178 844	205 241
Net foreign direct investment	34 250	94 471	102 215	70 987	87 105	127 954	134 856	160 562	137 435
Other capital movements	-17 690	23 861	-25 011	5 272	63 209	60 103	28 673	18 281	67 806
Overall balance	63 853	124 445	38 078	46 867	85 696	105 927	56 808	15 413	37 581
Variation in reserve assets ^g	-51 327	-126 698	-42 099	-50 623	-87 097	-106 314	-57 886	-16 226	-37 313
Other financing	-12 526	2 253	4 021	3 757	1 401	387	1 079	814	-268
Net transfer of resources	-94 276	16 295	-31 369	-23 356	27 635	38 583	23 757	21 159	57 191
International reserves	138 193	145 525	134 590	567 070	655 672	773 910	835 727	830 009	857 400
Percentages of GDP									
Fiscal sector ^h									
Overall balance	0.0	0.2	-0.5	-2.8	-1.9	-1.6	-1.9	-2.4	-2.8
Primary balance	2.2	2.1	1.1	-1.1	-0.3	0.0	-0.2	-0.7	-1.1
Total revenue	18.1	18.5	18.6	17.5	17.8	18.3	18.6	18.9	18.6
Tax revenue	13.9	14.3	14.2	13.6	13.8	14.4	14.8	15.0	15.0
Total expenditure	18.1	18.3	19.1	20.2	19.7	19.9	20.7	21.3	21.4
Capital expenditure	3.3	3.6	4.0	4.1	4.1	4.1	4.3	4.5	4.5
Central-government public debt	35.9	30.6	29.1	30.7	29.0	29.0	30.6	32.0	33.0
Public debt of the non-financial public-sector	38.2	32.9	31.4	33.0	31.7	31.3	32.9	34.4	35.7

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

^a Preliminary figures.

^b Based on official figures expressed in 2010 dollars.

^c 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. Simple averages for 19 countries.

Table A.2
Latin America and the Caribbean: gross domestic product
(Millions of dollars)

	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^a
Latin America and the Caribbean	3 270 804	3 873 174	4 510 529	4 229 855	5 101 683	5 969 320	6 001 746	6 145 219	6 243 353
Latin America	3 218 387	3 814 948	4 444 095	4 173 859	5 042 013	5 904 615	5 935 105	6 075 684	6 172 188
Argentina	264 738	331 865	408 346	380 454	464 757	562 513	609 569	623 932	543 490
Bolivia (Plurinational State of)	11 452	13 120	16 674	17 340	19 650	23 949	27 067	30 601	34 139
Brazil	1 107 787	1 395 967	1 694 613	1 664 561	2 209 399	2 615 190	2 413 469	2 392 094	2 345 894
Chile	154 412	172 869	179 627	171 957	217 538	250 832	265 232	276 674	258 062
Colombia	162 590	207 417	243 983	232 901	287 018	335 415	369 660	380 063	377 740
Costa Rica	22 526	26 322	29 838	29 383	36 298	41 237	45 301	49 237	49 553
Cuba	52 743	58 604	60 806	62 079	64 328	68 990	73 139	77 150	78 810
Dominican Republic	38 040	43 750	47 857	48 005	53 663	58 026	60 441	61 198	63 969
Ecuador	46 802	51 008	61 763	62 520	69 555	79 277	87 623	94 473	100 543
El Salvador	18 551	20 105	21 431	20 661	21 418	23 139	23 814	24 351	25 164
Guatemala	30 231	34 113	39 136	37 734	41 338	47 655	50 388	53 851	58 728
Haiti	4 880	5 971	6 408	6 502	6 708	7 474	7 820	8 387	8 599
Honduras	10 918	12 361	13 882	14 587	15 839	17 731	18 529	18 500	19 565
Mexico	965 281	1 043 124	1 101 275	893 369	1 049 925	1 169 360	1 184 565	1 259 201	1 291 062
Nicaragua	6 786	7 458	8 491	8 381	8 741	9 756	10 460	10 851	11 806
Panama	18 287	21 122	24 884	25 925	28 814	33 271	37 956	42 648	46 515
Paraguay	10 646	13 795	18 503	15 934	20 048	25 100	24 595	28 897	30 985
Peru	88 659	102 202	120 612	120 487	147 070	171 257	192 806	200 643	202 098
Uruguay	19 579	23 411	30 366	31 661	40 285	47 962	51 384	57 525	57 471
Venezuela (Bolivarian Republic of)	183 478	230 364	315 600	329 419	239 620	316 482	381 286	385 409	567 997
The Caribbean	52 417	58 226	66 434	55 997	59 670	64 705	66 641	69 535	71 166
Antigua and Barbuda	1 135	1 289	1 347	1 206	1 136	1 130	1 205	1 201	1 269
Bahamas	7 966	8 319	8 247	7 820	7 910	7 890	8 234	8 432	8 511
Barbados	4 314	4 513	4 542	4 602	4 446	4 358	4 314	4 281	4 351
Belize	1 217	1 291	1 369	1 337	1 397	1 487	1 574	1 624	1 695
Dominica	398	429	469	499	493	508	515	517	538
Grenada	699	759	826	771	771	779	800	836	882
Guyana	1 458	1 740	1 923	2 026	2 259	2 577	2 851	2 990	3 086
Jamaica	11 928	12 796	13 708	12 124	13 234	14 449	14 825	14 270	14 166
Saint Kitts and Nevis	636	684	735	709	692	728	732	774	834
Saint Lucia	1 060	1 143	1 171	1 177	1 244	1 290	1 303	1 336	1 365
Saint Vincent and the Grenadines	611	684	695	675	681	677	694	719	729
Suriname	2 626	2 937	3 533	3 875	4 368	4 423	5 013	5 299	5 681
Trinidad and Tobago	18 369	21 642	27 870	19 175	21 038	24 410	24 581	27 257	28 060

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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^a
Latin America and the Caribbean^b	5.4	5.8	3.9	-1.2	6.2	4.7	2.9	2.9	1.1
Latin America	5.4	5.7	4.0	-1.2	6.3	4.7	2.9	2.9	1.1
Argentina	8.4	8.0	3.1	0.1	9.5	8.4	0.8	2.9	0.5
Bolivia (Plurinational State of)	4.8	4.6	6.1	3.4	4.1	5.2	5.2	6.8	5.4
Brazil	4.0	6.0	5.0	-0.2	7.6	3.9	1.8	2.7	0.1
Chile	4.6	4.6	3.7	-1.0	5.8	5.8	5.5	4.2	1.9
Colombia	6.7	6.9	3.5	1.7	4.0	6.6	4.0	4.9	4.6
Costa Rica	8.8	7.9	2.7	-1.0	5.0	4.5	5.2	3.4	3.5
Cuba	12.1	7.3	4.1	1.4	2.4	2.8	3.0	2.7	1.3
Dominican Republic	10.7	8.5	3.1	0.9	8.3	2.8	2.6	4.8	7.3
Ecuador	4.4	2.2	6.4	0.6	3.5	7.9	5.2	4.6	3.8
El Salvador	3.9	3.8	1.3	-3.1	1.4	2.2	1.9	1.8	2.0
Guatemala	5.4	6.3	3.3	0.5	2.9	4.2	3.0	3.7	4.2
Haiti	2.3	3.3	0.8	3.1	-5.5	5.5	2.9	4.2	2.8
Honduras	6.6	6.2	4.2	-2.4	3.7	3.8	4.1	2.8	3.1
Mexico	5.0	3.2	1.4	-4.7	5.2	3.9	4.0	1.4	2.1
Nicaragua	4.2	5.3	2.9	-2.8	3.2	6.2	5.1	4.5	4.7
Panama	8.5	12.1	9.1	4.0	5.9	10.8	10.2	8.4	6.2
Paraguay	4.8	5.4	6.4	-4.0	13.1	4.3	-1.2	14.2	4.4
Peru	7.5	8.5	9.1	1.0	8.5	6.5	6.0	5.8	2.4
Uruguay	4.1	6.5	7.2	4.2	7.8	5.2	3.3	5.1	3.5
Venezuela (Bolivarian Republic of)	9.9	8.8	5.3	-3.2	-1.5	4.2	5.6	1.3	-4.0
The Caribbean	7.9	6.5	1.3	-3.4	0.2	1.2	1.2	1.3	1.8
Antigua and Barbuda	13.4	9.5	0.1	-12.0	-7.1	-1.8	4.0	-0.1	3.2
Bahamas	2.5	1.4	-2.3	-4.2	1.5	0.6	2.2	0.0	1.0
Barbados	5.7	1.7	0.3	-1.5	0.3	0.8	0.3	-0.1	0.2
Belize	4.6	1.1	3.2	0.7	3.3	2.1	3.8	1.5	3.6
Dominica	4.9	6.1	7.4	-1.1	1.1	-0.1	-1.4	-0.9	2.4
Grenada	-4.0	6.1	0.9	-6.6	-0.5	0.8	-1.2	2.4	3.8
Guyana	5.1	7.0	2.0	3.3	4.4	5.4	4.8	5.2	3.9
Jamaica	2.9	17.1	-0.7	-4.4	-1.5	1.7	-0.6	0.6	0.4
Saint Kitts and Nevis	5.9	2.8	4.1	-5.6	-3.2	1.7	-1.2	3.7	6.3
Saint Lucia	8.3	-0.6	3.5	0.6	-1.0	1.2	-1.6	-0.4	-1.6
Saint Vincent and the Grenadines	7.7	3.3	1.6	-2.1	-3.4	-0.5	1.2	1.8	-0.3
Suriname	11.4	5.1	4.1	3.0	5.2	5.3	3.0	2.9	3.4
Trinidad and Tobago	14.4	4.5	3.4	-4.4	-0.1	0.0	1.4	1.7	0.9

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

^a Preliminary figures.

^b Based on official figures expressed in 2010 dollars.

Table A.4
Latin America and the Caribbean: per capita gross domestic product
(Annual growth rates)

	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^a
Latin America and the Caribbean^b	4.1	4.5	2.8	-2.3	5.0	3.6	1.8	1.8	0.1
Latin America	4.1	4.5	2.8	-2.3	5.1	3.6	1.8	1.8	0.1
Argentina	7.4	7.0	2.2	-0.8	8.5	7.5	-0.1	2.0	-0.4
Bolivia (Plurinational State of)	3.0	2.8	4.4	1.7	2.5	3.6	3.6	5.2	3.9
Brazil	2.9	5.0	4.1	-1.1	6.6	3.0	0.9	1.9	-0.6
Chile	3.5	3.6	2.7	-2.0	4.8	4.9	4.5	3.3	1.1
Colombia	5.1	5.3	2.0	0.2	2.5	5.1	2.6	3.6	3.2
Costa Rica	7.0	6.2	1.2	-2.5	3.5	3.1	3.8	2.1	2.2
Cuba	12.0	7.2	4.1	1.4	2.4	2.8	3.0	2.8	1.3
Dominican Republic	9.1	7.0	1.7	-0.4	6.9	1.5	1.3	3.5	6.1
Ecuador	2.6	0.5	4.6	-1.1	1.8	6.1	3.5	3.0	2.2
El Salvador	3.5	3.4	0.8	-3.6	0.8	1.7	1.3	1.2	1.3
Guatemala	2.8	3.7	0.8	-1.9	0.4	1.7	0.5	1.2	1.8
Haiti	0.9	2.0	-0.4	1.8	-6.7	4.2	1.6	3.0	1.6
Honduras	4.5	4.1	2.2	-4.3	1.7	1.8	2.1	0.8	1.2
Mexico	3.7	1.9	0.1	-5.9	4.0	2.7	2.8	0.3	1.0
Nicaragua	2.8	4.0	1.6	-4.0	1.8	4.8	3.6	3.0	3.2
Panama	6.6	10.1	7.2	2.2	4.1	8.9	8.4	6.6	4.5
Paraguay	2.9	3.5	4.5	-5.6	11.2	2.6	-2.8	12.4	2.7
Peru	6.3	7.4	8.0	0.0	7.3	5.3	4.7	4.5	1.2
Uruguay	3.9	6.3	6.8	3.9	7.5	4.8	3.0	4.7	3.1
Venezuela (Bolivarian Republic of)	8.0	6.9	3.5	-4.8	-3.0	2.6	4.0	-0.1	-5.4
The Caribbean	7.1	5.8	0.6	-4.0	-0.5	0.5	0.5	0.6	1.1
Antigua and Barbuda	12.2	8.3	-1.0	-13.0	-8.1	-2.8	2.9	-1.1	2.2
Bahamas	0.5	-0.5	-4.1	-5.8	-0.2	-1.0	0.7	-1.4	-0.3
Barbados	5.2	1.2	-0.1	-2.0	-0.2	0.3	-0.2	-0.6	-0.3
Belize	1.9	-1.4	0.6	-1.8	0.8	-0.4	1.3	-0.9	1.2
Dominica	4.7	5.9	7.3	-1.3	0.8	-0.4	-1.8	-1.3	1.9
Grenada	-4.3	5.8	0.6	-6.9	-0.9	0.4	-1.5	2.0	3.4
Guyana	4.5	6.3	1.3	2.6	3.7	4.8	4.2	4.7	3.4
Jamaica	2.3	16.6	-1.1	-4.8	-1.9	1.2	-1.1	0.0	-0.1
Saint Kitts and Nevis	4.4	1.5	2.8	-6.7	-4.4	0.5	-2.4	2.6	5.2
Saint Lucia	6.9	-2.0	1.9	-0.8	-2.3	0.2	-2.5	-1.2	-2.3
Saint Vincent and the Grenadines	7.5	3.2	1.5	-2.2	-3.4	-0.5	1.1	1.8	-0.2
Suriname	10.1	4.0	3.1	2.1	4.2	4.3	2.1	2.0	2.5
Trinidad and Tobago	13.8	3.9	2.9	-4.8	-0.5	-0.4	1.0	1.5	0.6

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

^a Preliminary figures.

^b Based on official figures expressed in 2010 dollars.

Table A.5
Latin America and the Caribbean: gross domestic product^a
(Variation from same quarter of preceding year)

	2013				2014				2015
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Argentina	1.3	5.2	3.3	1.7	0.8	0.7	-0.2	0.5	1.1
Belize	0.8	1.8	1.4	2.2	-1.2	9.2	4.8	1.6	7.0
Bolivia (Plurinational State of)	6.7	6.7	6.8	7.0	5.6	4.6	6.0	...	...
Brazil	2.6	3.9	2.4	2.1	2.7	-1.2	-0.6	-0.2	-1.6
Chile	5.4	4.0	4.8	2.8	2.7	2.1	1.0	1.8	2.4
Colombia	2.9	4.6	6.0	6.0	6.5	4.2	4.3	3.5	2.8
Costa Rica	1.4	3.5	5.0	3.9	3.9	3.8	3.4	3.0	2.6
Dominican Republic	0.8	3.8	6.8	7.7	8.1	8.0	6.8	6.6	6.5
Ecuador	3.6	4.1	5.6	5.2	4.3	3.8	3.7	3.5	3.0
El Salvador	1.7	1.8	2.0	1.9	2.3	2.2	1.6	1.7	2.3
Guatemala	3.0	4.7	4.1	3.1	3.4	4.4	4.8	4.4	4.8
Honduras ^b	2.0	3.6	2.9	2.6	3.0	2.8	2.5	4.0	...
Jamaica ^c	-1.2	-0.2	0.4	1.9	1.8	2.0	-1.4	-0.3	0.4
Mexico	1.0	1.8	1.6	1.1	2.0	1.7	2.2	2.6	2.5
Nicaragua	4.7	5.9	4.8	2.9	6.8	4.5	4.1	3.6	...
Panama	7.6	6.4	7.9	11.4	6.0	6.7	6.4	6.2	5.9
Paraguay	16.5	14.8	11.3	14.3	4.1	3.2	4.2	5.8	4.2
Peru	5.1	5.5	4.4	5.2	4.8	1.7	1.8	1.0	1.7
Trinidad and Tobago	2.7	2.8	0.3	2.6	0.2	1.0	2.1	0.1	...
Uruguay	4.7	6.5	3.7	5.5	3.0	3.7	3.5	3.1	4.0
Venezuela (Bolivarian Republic of)	0.8	2.6	1.1	1.0	-4.8	-4.9	-2.3	...	...

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 Variation in the seasonally adjusted series.

^c Gross domestic product measured in basic prices.

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	2014 ^b
Latin America and the Caribbean	17.5	18.3	19.3	20.4	19.3	20.2	21.1	21.2	21.3	20.5
Argentina	15.8	17.2	18.1	18.9	16.1	18.0	19.8	18.3	18.3	17.2
Bahamas	24.2	29.0	27.9	25.8	25.4	24.0	25.3	26.8	25.9	27.3
Belize	20.2	19.6	20.0	24.9	20.1	15.3	14.9	15.7	18.1	...
Bolivia (Plurinational State of)	12.8	13.4	14.4	16.1	16.1	16.6	19.5	18.8	19.9	21.2
Brazil	16.5	16.9	17.8	19.1	18.8	20.6	21.1	20.6	21.3	20.3
Chile	18.7	18.3	19.4	22.4	19.9	21.0	22.8	24.1	23.6	21.8
Colombia	17.8	19.6	21.0	22.3	21.7	21.9	24.4	24.6	24.8	26.3
Costa Rica	18.2	18.6	20.3	22.0	19.7	19.8	20.7	21.2	23.0	23.2
Cuba	7.8	10.0	9.6	9.9	9.1	8.6	8.8	9.1	9.4	...
Dominican Republic	23.1	25.3	26.3	27.1	22.9	25.0	23.4	22.3	21.3	21.9
Ecuador	21.7	21.8	22.1	24.1	23.1	24.6	26.1	27.4	29.0	29.0
El Salvador	15.1	16.3	16.9	15.8	13.2	13.3	14.8	14.3	15.4	14.1
Guatemala	18.2	20.0	19.7	18.0	15.6	14.8	15.2	15.3	15.0	15.0
Haiti	25.2	25.2	25.1	25.6	25.7	25.4	26.4	27.2	27.7	27.5
Honduras	26.2	27.9	32.7	33.3	22.1	21.6	24.3	24.2	23.1	22.1
Mexico	21.0	21.7	22.3	23.1	22.0	21.2	21.9	22.1	21.5	21.5
Nicaragua	22.5	22.0	23.8	23.9	19.4	21.4	24.4	27.7	27.9	26.4
Panama	17.0	18.3	23.0	26.2	23.6	24.6	26.5	27.8	27.4	29.7
Paraguay	13.0	12.9	13.7	15.2	14.7	15.9	16.9	15.8	15.4	16.0
Peru	15.0	16.6	18.7	21.9	20.4	23.2	23.9	25.9	25.8	24.7
Uruguay	15.7	17.2	17.6	19.6	17.7	19.1	19.4	22.3	22.1	21.9
Venezuela (Bolivarian Republic of)	15.7	18.5	21.3	20.7	19.6	18.7	18.7	21.9	20.7	16.8

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

^a Based on official figures expressed in 2010 dollars.

^b Preliminary figures.

Table A.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		
	2012	2013	2014 ^a	2012	2013	2014 ^a	2012	2013	2014 ^a	2012	2013	2014 ^a
Latin America and the Caribbean	1 121 120	1 116 348	1 083 027	146 997	152 301	154 015	1 077 755	1 104 135	1 091 421	218 800	231 033	228 835
Latin America	1 099 392	1 096 199	1 065 746	132 964	139 304	141 912	1 051 087	1 079 657	1 069 600	207 655	220 242	219 267
Argentina	80 246	81 660	71 935	15 211	14 725	13 896	65 088	70 541	62 451	18 262	18 643	16 958
Bolivia (Plurinational State of)	11 254	11 657	12 266	1 006	1 104	1 242	8 578	9 338	10 535	1 348	1 731	2 341
Brazil	242 578	242 034	225 101	39 864	39 127	40 764	223 183	239 748	229 060	80 905	86 229	89 692
Chile	77 791	76 477	75 675	12 387	12 452	10 967	75 458	74 657	67 908	15 131	15 855	14 724
Colombia	61 604	60 281	56 982	6 430	6 859	6 937	56 648	57 101	61 676	12 229	12 788	13 523
Costa Rica	8 833	8 879	9 139	6 106	6 693	6 877	14 294	14 627	14 814	2 084	2 076	2 121
Dominican Republic	8 936	9 424	9 920	6 140	6 449	7 044	17 673	16 801	17 288	2 939	2 761	2 818
Ecuador	24 569	25 686	26 604	1 807	2 029	2 334	24 519	26 178	26 672	3 198	3 524	3 553
El Salvador	4 235	4 334	4 256	1 867	2 087	2 226	9 162	9 629	9 463	1 335	1 470	1 487
Guatemala	10 103	10 183	10 994	2 491	2 570	2 750	15 838	16 359	17 052	2 413	2 651	2 886
Haiti	775	915	954	549	652	701	3 079	3 329	3 483	1 116	1 090	1 075
Honduras	8 359	7 805	8 072	1 056	1 013	1 087	11 371	10 953	11 070	1 647	1 681	1 785
Mexico	371 442	380 729	397 866	16 146	20 116	21 037	371 151	381 638	400 440	30 708	32 128	34 910
Nicaragua	3 491	3 292	3 622	1 244	1 325	1 388	5 938	5 802	6 024	899	1 071	960
Panama	18 857	17 160	15 332	9 302	9 851	10 901	25 272	24 136	23 479	4 606	4 792	4 900
Paraguay	11 654	13 605	13 117	756	849	892	11 083	11 942	12 079	927	1 068	1 114
Peru	47 411	42 861	39 533	4 915	5 814	5 874	41 135	42 248	40 809	7 335	7 615	7 674
Uruguay	9 916	10 256	10 380	3 482	3 381	3 215	12 277	11 608	11 298	2 408	3 240	3 214
Venezuela (Bolivarian Republic of)	97 340	88 962	74 000	2 205	2 208	1 780	59 339	53 023	44 000	18 164	19 830	13 532
The Caribbean	21 728	20 149	17 281	14 032	12 997	12 103	26 668	24 478	21 821	11 145	10 791	9 568
Antigua and Barbuda	63	68	55	484	482	498	492	503	500	210	218	225
Bahamas	984	955	849	2 691	2 671	2 716	3 385	3 166	3 270	1 538	1 628	1 720
Barbados	826	...	...	1 128	...	...	1 688	...	...	486	...	...
Belize	628	608	589	407	448	494	837	876	926	188	208	225
Dominica	39	41	41	122	134	137	183	179	181	67	65	68
Grenada	43	45	46	164	169	192	300	324	299	95	100	98
Guyana	1 415	1 376	0	298	165	0	1 997	1 847	0	526	500	0
Jamaica	1 728	1 580	1 453	2 694	2 666	2 826	5 632	5 462	5 184	2 158	2 048	2 160
Saint Kitts and Nevis	63	57	58	202	253	270	235	252	270	116	128	134
Saint Lucia	212	200	182	391	408	445	566	546	522	185	190	184
Saint Vincent and the Grenadines	48	54	54	143	127	129	314	327	319	87	92	92
Suriname	2 695	2 395	2 149	172	172	203	1 972	2 126	1 966	612	584	782
Trinidad and Tobago	12 983	12 770	11 806	5 137	5 302	4 193	9 065	8 871	8 386	4 876	5 030	3 880

Table A.7 (continued)

	Goods and services balance			Income balance			Current transfers balance			Current account balance		
	2012	2013	2014 ^a	2012	2013	2014 ^a	2012	2013	2014 ^a	2012	2013	2014 ^a
Latin America and the Caribbean	-28 438	-66 708	-83 370	-140 850	-158 498	-147 782	62 280	61 776	63 492	-107 008	-163 431	-167 659
Latin America	-26 385	-64 396	-81 209	-136 446	-155 091	-144 329	59 413	58 928	60 934	-103 418	-160 559	-164 604
Argentina	12 106	7 201	6 423	-12 758	-11 027	-11 402	-518	-871	-89	-1 170	-4 696	-5 069
Bolivia (Plurinational State of)	2 334	1 692	632	-1 629	-1 908	-1 707	1 266	1 270	1 084	1 970	1 054	10
Brazil	-21 647	-44 815	-52 888	-35 448	-39 778	-40 323	2 846	3 366	1 922	-54 249	-81 227	-91 288
Chile	-411	-1 582	4 010	-11 274	-10 730	-8 857	2 060	2 187	1 851	-9 624	-10 125	-2 995
Colombia	-843	-2 749	-11 280	-15 042	-14 175	-12 857	4 579	4 594	4 357	-11 306	-12 330	-19 781
Costa Rica	-1 439	-1 132	-919	-1 272	-1 470	-1 619	310	269	268	-2 401	-2 333	-2 270
Dominican Republic	-5 536	-3 689	-3 143	-2 344	-2 994	-3 209	3 909	4 147	4 326	-3 971	-2 537	-2 026
Ecuador	-1 341	-1 988	-1 287	-1 303	-1 395	-1 579	2 480	2 399	2 264	-164	-984	-602
El Salvador	-4 395	-4 677	-4 468	-861	-997	-1 044	4 021	4 100	4 318	-1 235	-1 574	-1 194
Guatemala	-5 657	-6 257	-6 195	-1 298	-1 207	-1 638	5 645	6 113	6 446	-1 310	-1 351	-1 387
Haiti	-2 872	-2 853	-2 904	55	32	12	2 368	2 283	2 291	-449	-537	-600
Honduras	-3 603	-3 815	-3 695	-1 266	-1 353	-1 322	3 288	3 405	3 572	-1 581	-1 763	-1 444
Mexico	-14 271	-12 922	-16 447	-24 164	-38 767	-32 919	22 559	21 243	22 913	-15 877	-30 446	-26 453
Nicaragua	-2 102	-2 256	-1 973	-321	-313	-308	1 310	1 369	1 443	-1 113	-1 200	-838
Panama	-1 719	-1 918	-2 146	-1 897	-3 064	-3 232	88	63	120	-3 528	-4 920	-5 258
Paraguay	401	1 443	815	-1 661	-1 683	-1 542	759	720	621	-501	479	-105
Peru	3 856	-1 188	-3 077	-12 399	-10 631	-9 328	3 307	3 346	4 374	-5 237	-8 474	-8 031
Uruguay	-1 287	-1 210	-917	-1 519	-1 842	-1 836	115	129	129	-2 691	-2 924	-2 623
Venezuela (Bolivarian Republic of)	22 042	18 317	18 248	-10 048	-11 788	-9 620	-978	-1 202	-1 278	11 016	5 327	7 349
The Caribbean	-2 053	-2 312	-2 161	-4 404	-3 407	-3 452	2 867	2 847	2 558	-3 589	-2 872	-3 055
Antigua and Barbuda	-155	-171	-172	-51	-31	-37	30	26	29	-176	-176	-181
Bahamas	-1 248	-1 168	-1 424	-268	-329	-437	11	3	0	-1 505	-1 494	-1 860
Barbados	-219	-189	-157	-172	-195	-197	-9	-13	-15	-401	-397	-369
Belize	9	-28	-67	-118	-118	-143	76	73	74	-33	-73	-136
Dominica	-90	-68	-70	-18	-20	-19	17	20	21	-91	-68	-68
Grenada	-189	-210	-159	-34	-30	-35	30	18	26	-193	-221	-168
Guyana	-810	-807	0	24	38	0	419	344	0	-367	-426	0
Jamaica	-3 368	-3 263	-3 065	-122	-277	-386	2 111	2 221	2 292	-1 379	-1 320	-1 160
Saint Kitts and Nevis	-87	-71	-75	-24	-23	-23	45	45	45	-66	-48	-54
Saint Lucia	-148	-128	-78	-35	-26	-26	6	5	10	-177	-150	-94
Saint Vincent and the Grenadines	-211	-236	-229	-4	0	0	24	14	13	-191	-223	-216
Suriname	283	-142	-396	-191	-122	-61	73	67	71	164	-198	-386
Trinidad and Tobago	4 180	4 170	3 733	-3 390	-2 276	-2 088	34	25	-8	824	1 920	1 637

Table A.7 (concluded)

	Capital and financial balance ^b			Overall balance			Reserve assets (variation) ^c			Other financing		
	2012	2013	2014 ^a	2012	2013	2014 ^a	2012	2013	2014 ^a	2012	2013	2014 ^a
Latin America and the Caribbean	163 529	178 844	205 241	56 808	15 413	37 581	-57 886	-16 226	-37 313	1 079	814	-268
Latin America	161 569	175 482	199 869	58 151	14 923	35 265	-59 201	-15 705	-35 125	1 050	783	-139
Argentina	-2 135	-7 127	6 229	-3 305	-11 824	1 160	3 305	11 824	-1 160	0	0	0
Bolivia (Plurinational State of)	-258	67	961	1 712	1 122	971	-1 712	-1 122	-971	0	0	0
Brazil	73 148	75 300	102 121	18 900	-5 926	10 833	-18 900	5 926	-10 833	0	0	0
Chile	9 258	10 436	4 052	-367	311	1 057	367	-311	-1 057	0	0	0
Colombia	16 711	19 277	24 217	5 406	6 946	4 437	-5 406	-6 946	-4 437	0	0	0
Costa Rica	4 510	2 794	2 156	2 110	461	-113	-2 110	-461	113	0	0	0
Dominican Republic	3 530	3 877	2 640	-440	1 341	614	548	-1 146	-162	-108	-195	-453
Ecuador	-418	2 830	177	-582	1 846	-424	475	-1 878	411	107	32	13
El Salvador	1 886	1 248	1 161	651	-327	-33	-651	327	33	0	0	0
Guatemala	1 808	2 053	1 459	499	702	73	-499	-702	-73	0	0	0
Haiti	703	178	506	254	-359	-94	-285	-58	479	31	418	-385
Honduras	1 290	2 235	1 904	-291	473	459	283	-485	-459	8	12	-1
Mexico	33 401	48 234	42 781	17 524	17 789	16 329	-17 524	-17 789	-16 329	0	0	0
Nicaragua	1 097	1 295	1 120	-15	96	282	15	-96	-282	0	0	0
Panama	2 570	4 810	5 792	-958	-109	534	-36	-402	-1 217	994	511	682
Paraguay	477	556	1 243	-24	1 036	1 138	25	-1 036	-1 131	0	0	-7
Peru	20 025	11 376	5 843	14 788	2 902	-2 188	-14 806	-2 907	2 178	19	5	10
Uruguay	5 978	5 869	3 983	3 287	2 945	1 360	-3 287	-2 945	-1 360	0	0	0
Venezuela (Bolivarian Republic of)	-12 012	-9 827	-8 477	-996	-4 500	-1 128	996	4 500	1 128	0	0	0
The Caribbean	1 960	3 362	5 372	-1 344	490	2 317	1 315	-522	-2 188	29	31	-129
Antigua and Barbuda	187	218	275	11	42	94	-11	-42	-94	0	0	0
Bahamas	1 430	1 425	1 906	-75	-69	46	75	69	-46	0	0	0
Barbados	89	240	323	-25	-157	-46	25	157	46	0	0	0
Belize	89	190	221	55	117	85	-53	-114	-84	-3	-4	-1
Dominica	97	61	86	6	-6	18	-6	6	-18	0	0	0
Grenada	191	253	191	-2	31	23	2	-31	-23	0	0	0
Guyana	256	475	0	-111	49	0	80	-84	0	31	34	0
Jamaica	555	1 140	1 960	-823	-179	800	823	179	-673	0	0	-128
Saint Kitts and Nevis	90	88	81	24	40	27	-24	-40	-27	0	0	0
Saint Lucia	193	110	161	16	-40	67	-16	40	-67	0	0	0
Saint Vincent and the Grenadines	212	249	239	21	26	23	-21	-26	-23	0	0	0
Suriname	16	47	236	180	-151	-150	-180	151	150	0	0	0
Trinidad and Tobago	-1 446	-1 133	-307	-622	786	1 330	622	-786	-1 330	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 2010=100)

	Exports of goods, f.o.b.								
	Value			Volume			Unit value		
	2012	2013	2014 ^a	2012	2013	2014 ^a	2012	2013	2014 ^a
Latin America	125.5	125.2	121.7	108.2	110.7	113.1	116.0	113.0	107.6
Argentina	117.7	119.8	105.5	96.6	100.0	90.0	121.9	119.7	117.2
Bolivia (Plurinational State of)	175.8	182.1	191.6	140.4	148.0	162.2	125.2	123.1	118.1
Brazil	120.1	119.9	111.5	102.7	106.2	104.3	116.9	112.9	106.9
Chile	109.4	107.5	106.4	105.2	108.8	110.8	104.0	98.8	96.0
Colombia	151.1	147.9	139.8	124.1	131.0	139.0	121.8	112.9	100.6
Costa Rica	92.8	93.3	96.0	90.6	92.4	95.7	102.5	100.9	100.3
Dominican Republic	131.1	138.3	145.6	122.6	135.3	144.0	106.9	102.2	101.1
Ecuador	135.5	141.6	146.7	110.3	115.8	123.1	122.8	122.3	119.1
El Salvador	121.9	124.8	122.5	114.7	118.6	114.3	106.3	105.2	107.2
Guatemala	118.4	119.3	128.8	111.8	117.4	129.3	105.8	101.6	99.6
Haiti	137.5	162.4	169.3	122.1	152.3	155.8	112.6	106.6	108.7
Honduras	133.4	124.6	128.9	123.3	125.9	130.2	108.3	98.9	98.9
Mexico	124.3	127.4	133.1	110.3	113.4	124.0	112.7	112.4	107.4
Nicaragua	144.0	135.7	149.4	127.4	132.0	145.2	113.0	102.8	102.8
Panama	148.8	135.4	121.0	137.1	126.7	113.2	108.5	106.9	106.9
Paraguay	111.3	129.9	125.2	97.4	115.3	112.4	114.2	112.6	111.4
Peru	132.4	119.7	110.4	111.4	106.8	105.8	118.9	112.1	104.4
Uruguay	123.5	127.7	129.2	102.3	106.9	108.6	120.7	119.5	119.0
Venezuela (Bolivarian Republic of)	148.1	135.3	112.6	110.8	103.3	92.7	133.6	130.9	121.4
	Imports of goods, f.o.b.								
	Value			Volume			Unit value		
	2012	2013	2014	2012	2013	2014	2012	2013	2014 ^a
Latin America	127.6	131.0	129.8	115.8	119.3	119.2	110.2	109.9	108.9
Argentina	120.2	130.2	115.3	114.1	117.3	103.7	105.3	111.0	111.2
Bolivia (Plurinational State of)	153.5	167.0	188.4	140.6	153.1	175.3	109.1	109.1	107.5
Brazil	122.8	131.9	126.0	106.7	116.0	113.0	115.1	113.7	111.5
Chile	136.8	135.3	123.1	124.8	126.2	116.7	109.6	107.2	105.5
Colombia	147.5	148.7	160.6	131.2	132.8	147.1	112.4	112.0	109.1
Costa Rica	110.3	112.9	114.3	103.1	107.4	110.5	107.0	105.1	103.5
Dominican Republic	116.2	110.5	113.7	101.9	98.9	104.9	114.0	111.7	108.4
Ecuador	124.8	133.3	135.8	113.5	123.3	128.7	110.0	108.1	105.5
El Salvador	122.2	128.5	126.3	111.1	117.5	117.2	110.0	109.3	107.7
Guatemala	123.7	127.7	133.2	109.4	115.4	123.4	113.0	110.7	107.9
Haiti	102.3	110.6	115.7	78.1	83.6	88.4	131.0	132.3	130.9
Honduras	127.7	123.0	124.3	111.6	110.1	113.6	114.4	111.7	109.4
Mexico	123.0	126.5	132.7	114.6	118.1	123.0	107.3	107.1	107.8
Nicaragua	136.5	133.4	138.5	120.3	119.9	129.7	113.5	111.2	106.8
Panama	146.8	140.2	136.4	132.8	128.1	127.2	110.5	109.4	107.2
Paraguay	115.5	124.5	125.9	104.6	113.6	116.7	110.5	109.6	107.9
Peru	142.8	146.6	141.6	126.2	129.5	127.0	113.2	113.2	111.5
Uruguay	143.5	135.6	132.0	126.8	116.8	118.5	113.1	116.1	111.4
Venezuela (Bolivarian Republic of)	154.0	137.6	114.2	139.9	125.0	105.2	110.1	110.1	108.5

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)

	2013				2014				2015	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Latin America and the Caribbean	254 482	285 992	283 668	281 851	251 585	284 257	281 333	241 572	207 766	...
Latin America	249 695	281 006	277 513	277 408	247 239	279 813	276 060	237 633	206 609	...
Argentina	17 466	23 456	21 718	19 020	15 877	20 943	19 338	15 819	13 395	10 552 ^a
Bolivia (Plurinational State of)	2 982	2 775	3 143	3 080	3 192	3 453	3 473	2 888	2 321	1 571 ^a
Brazil	50 837	63 588	63 226	64 528	49 588	60 943	63 104	51 466	42 775	51 554
Chile	18 563	20 065	18 550	19 299	19 038	19 628	18 061	18 948	17 468	17 057
Colombia	14 135	15 153	14 480	15 056	13 488	14 511	14 931	11 864	9 442	6 572 ^a
Costa Rica	2 857	2 990	2 872	2 884	2 860	3 016	2 813	2 562	2 398	1 675 ^a
Dominican Republic	2 211	2 519	2 378	2 317	2 377	2 552	2 548	2 443	2 263	...
Ecuador	6 194	5 952	6 405	6 297	6 636	6 791	6 530	5 775	4 892	3 298 ^a
El Salvador	1 362	1 460	1 394	1 275	1 289	1 379	1 354	1 251	1 428	922 ^a
Guatemala	2 606	2 662	2 363	2 394	2 676	2 779	2 708	2 670	2 781	1 960 ^a
Haiti	190	243	240	224	201	249	277	...	...	...
Honduras	1 102	1 027	863	895	1 030	1 164	945	929	1 152	...
Mexico	88 228	96 663	96 307	98 829	90 759	101 870	101 120	103 379	90 404	64 294 ^a
Nicaragua	626	636	568	571	687	687	644	617	671	449 ^a
Panama	3 650	3 764	4 389	3 776	2 771	3 707	3 895	3 408	3 015	1 024 ^b
Paraguay	2 233	2 814	2 529	1 857	2 549	2 961	2 305	1 841	2 466	2 061
Peru	10 508	10 121	11 264	10 967	9 780	9 491	10 364	9 898	8 094	4 983 ^a
Uruguay	1 686	2 701	2 621	2 058	1 780	2 909	2 594	1 874	1 643	1 682 ^a
Venezuela (Bolivarian Republic of)	22 260	22 419	22 203	22 080	20 660	20 780	19 057	...	...	...
The Caribbean	4 787	4 986	6 155	4 443	4 346	4 444	5 273	3 939	1 157	...
Antigua and Barbuda	7	19	4	3	5	9	5	5	5	...
Bahamas	194	215	211	192	173	176	...	...	...	...
Barbados	115	117	103	123	122	108	108	136	113	36 ^b
Belize	163	170	147	129	134	167	152	137	148	...
Dominica	8	9	10	11	8	9	10	11	8	...
Grenada	9	13	8	6	10	12	8	7	8	...
Guyana	271	319	392	381	251	278	295	...	...	...
Jamaica	469	385	363	363	388	357	375	331	336	...
Saint Kitts and Nevis	12	14	13	16	14	15	13	15	15	...
Saint Lucia	40	48	38	48	31	47	45	36	35	...
Saint Vincent and the Grenadines	11	11	13	14	12	11	13	12	10	...
Suriname	616	614	609	557	538	541	541	525	479	...
Trinidad and Tobago	2 872	3 053	4 244	2 601	2 659	2 714	3 709	2 724	...	...

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)

		2013				2014				2015	
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Latin America and the Caribbean		263 920	282 969	284 065	281 537	260 463	276 559	284 425	262 935	228 796	...
Latin America		256 978	276 875	277 955	273 891	253 782	270 490	279 228	257 225	227 117	...
Argentina	c.i.f.	15 967	19 809	20 259	17 622	15 721	17 772	17 049	14 781	13 226	9 945 ^a
Bolivia (Plurinational State of)	c.i.f.	2 101	2 123	2 359	2 719	2 397	2 378	2 880	2 896	2 384	1 453 ^a
Brazil	f.o.b.	56 018	61 537	61 792	60 400	55 667	57 378	61 315	54 777	48 332	43 775
Chile	c.i.f.	19 241	20 002	20 257	19 749	17 986	17 792	18 069	18 313	15 749	15 095
Colombia	c.i.f.	14 171	14 660	15 234	15 317	14 760	15 802	16 777	16 690	14 113	4 461 ^b
Costa Rica	c.i.f.	4 391	4 484	4 565	4 574	4 520	4 404	4 240	4 022	3 685	2 562 ^a
Dominican Republic	f.o.b.	3 269	3 350	3 461	3 610	3 181	3 626	3 528	3 504	3 022	...
Ecuador	c.i.f.	6 618	6 976	6 920	6 632	6 478	6 901	7 016	7 345	6 107	3 678 ^a
El Salvador	c.i.f.	2 542	2 866	2 731	2 634	2 615	2 756	2 534	2 608	2 534	1 774 ^a
Guatemala	c.i.f.	4 149	4 589	4 394	4 385	4 380	4 632	4 623	4 641	4 184	2 969 ^a
Haiti	c.i.f.	931	951	780	934	921	934	956	...	...	...
Honduras	c.i.f.	2 213	2 267	2 305	2 367	2 170	2 431	2 388	2 322	2 410	...
Mexico	f.o.b.	89 347	97 561	97 280	97 022	92 064	100 864	102 840	104 209	92 605	65 397 ^a
Nicaragua	c.i.f.	1 287	1 439	1 446	1 452	1 330	1 435	1 450	1 661	1 397	894 ^a
Panama	c.i.f.	3 108	3 299	3 188	3 440	3 169	3 515	3 457	3 573	2 972	871 ^b
Paraguay	c.i.f.	2 965	3 035	3 064	3 077	2 790	2 906	3 271	3 201	2 615	2 483
Peru	f.o.b.	10 229	10 532	11 149	10 337	9 959	10 392	10 546	9 912	9 189	5 875 ^a
Uruguay	c.i.f.	2 649	2 838	3 128	3 028	3 031	2 897	2 787	2 770	2 594	1 509 ^a
Venezuela (Bolivarian Republic of)	c.i.f.	15 782	14 556	13 642	14 591	10 643	11 676	13 501	...	...	...
The Caribbean		6 942	6 094	6 111	7 647	6 681	6 070	5 198	5 710	1 679	...
Antigua and Barbuda	c.i.f.	140	120	119	129	158	124	136	134	126	...
Bahamas	c.i.f.	833	811	829	893	852	898	...	...	...	...
Barbados	c.i.f.	425	425	425	485	423	444	428	445	373	120 ^b
Belize	f.o.b.	200	234	217	225	205	240	240	253	232	...
Dominica	c.i.f.	51	51	48	53	50	56	61	63	53	...
Grenada	c.i.f.	82	88	89	109	83	87	88	82	85	...
Guyana	c.i.f.	451	456	448	492	402	437	464	...	...	...
Jamaica	f.o.b.	1 533	1 272	1 341	1 436	1 271	1 314	1 314	1 285	...	...
Saint Kitts and Nevis	c.i.f.	58	57	60	74	59	63	62	84	71	...
Saint Lucia	c.i.f.	143	154	152	171	150	145	132	166	135	...
Saint Vincent and the Grenadines	c.i.f.	84	98	94	94	80	95	89	98	75	...
Suriname	c.i.f.	519	548	594	513	474	505	505	528	530	...
Trinidad and Tobago	c.i.f.	2 422	1 781	1 695	2 973	2 473	1 662	1 679	2 572	...	...

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 2010=100)

	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^a
Latin America	91.5	94.1	97.2	89.8	100.0	108.0	105.3	102.9	98.8
Argentina	81.0	86.0	96.4	97.2	100.0	111.3	115.8	107.8	105.4
Bolivia (Plurinational State of)	88.7	90.1	91.3	88.4	100.0	111.0	114.8	112.8	109.9
Brazil	83.5	85.2	88.3	86.2	100.0	107.9	101.6	99.3	95.9
Chile	89.8	92.9	80.8	81.7	100.0	100.6	94.9	92.2	91.0
Colombia	82.4	86.4	91.5	86.2	100.0	114.6	108.4	100.9	92.2
Costa Rica	105.7	104.7	100.8	104.1	100.0	96.3	95.8	96.1	97.0
Dominican Republic	97.3	100.5	96.0	103.8	100.0	94.7	93.8	91.5	93.3
Ecuador	91.0	93.5	102.6	90.8	100.0	110.0	111.7	113.1	112.9
El Salvador	104.5	103.5	100.6	103.9	100.0	100.0	96.6	96.2	99.6
Guatemala	96.9	95.1	92.6	100.5	100.0	99.1	93.7	91.8	92.3
Haiti	114.4	111.2	79.9	103.4	100.0	83.0	86.0	80.6	83.1
Honduras	98.8	97.0	91.1	97.3	100.0	108.4	94.6	88.6	90.4
Mexico	102.9	103.8	104.6	92.9	100.0	107.2	105.0	104.9	99.6
Nicaragua	95.4	94.5	90.4	99.1	100.0	99.6	99.6	92.4	96.3
Panama	102.9	101.9	97.3	101.9	100.0	97.8	98.2	97.7	99.7
Paraguay	91.0	95.3	102.3	100.0	100.0	102.4	103.4	102.8	103.3
Peru	89.8	94.0	84.7	82.9	100.0	107.2	105.0	99.0	93.6
Uruguay	87.4	87.4	94.4	100.9	100.0	102.9	106.7	102.9	106.8
Venezuela (Bolivarian Republic of)	85.4	93.6	115.5	84.1	100.0	120.2	121.4	118.9	111.8

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)

	2010	2011	2012	2013	2014				2015	
					Q1	Q2	Q3	Q4	Q1	Q2
Bolivia (Plurinational State of)	939	1 012	1 094	1 182	288	272	291	313	273	...
Brazil	2 189	2 134	1 990	1 944	466	464	476	504	540	...
Colombia	3 996	4 064	3 970	4 071	1 021	949	1 005	1 118	1 034	1 053
Costa Rica ^a	505	487	527	561	142	138	139	140	120	...
Dominican Republic ^a	2 998	3 200	3 158	3 333	1 172	1 179	1 518	1 083	1 215	...
Ecuador	2 591	2 672	2 467	2 450	598	634	624	607	530	...
El Salvador	3 455	3 628	3 894	3 953	989	1 116	1 048	1 064	988	742 ^b
Guatemala	4 127	4 378	4 783	5 105	1 237	1 467	1 445	1 395	1 396	1 023 ^b
Honduras	2 526	2 750	2 842	3 093	736	912	868	921	855	...
Jamaica	1 906	2 025	2 037	2 065	514	540	549	555	528	...
Mexico	21 304	22 803	22 438	21 892	5 459	6 166	5 967	6 052	5 727	4 201 ^b
Nicaragua ^a	823	912	1 014	1 078	277	278	280	301	289	199 ^b
Peru	2 534	2 697	2 788	2 707	633	660	660	687	627	...

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

^a New methodology according to the sixth edition of the Balance of Payments Manual of the International Monetary Fund (IMF).

^b Figures as of May.

Table A.13
Latin America and the Caribbean: net resource transfer^a
(Millions of dollars)

	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^b
Latin America and the Caribbean	-94 276	16 295	-31 369	-23 356	27 635	38 583	23 757	21 159	57 191
Latin America	-89 804	17 960	-28 931	-22 295	30 719	40 041	26 173	21 173	55 401
Argentina	-10 388	-198	-14 317	-15 947	-8 304	-16 239	-14 893	-18 154	-5 173
Bolivia (Plurinational State of)	-175	-43	-154	-1 094	-707	923	-1 888	-1 840	-746
Brazil	-10 553	56 642	-9 401	37 269	56 887	63 791	37 701	35 522	61 798
Chile	-23 481	-29 153	-1 352	-13 265	-15 432	3 358	-2 016	-294	-4 805
Colombia	-2 896	2 776	-669	-2 857	581	-2 042	1 670	5 101	11 360
Costa Rica	2 058	1 929	2 022	-247	1 097	1 192	3 239	1 323	538
Cuba	-618	-960	...	...	...	...	...	...	...
Dominican Republic	-221	665	2 462	1 248	3 167	2 522	1 079	688	-1 022
Ecuador	-3 691	-2 138	-2 246	-2 264	-625	-522	-1 614	1 467	-1 389
El Salvador	375	1 040	1 477	179	-302	79	1 025	251	117
Guatemala	1 096	1 159	809	-902	29	154	511	846	-179
Haiti	573	688	374	373	969	573	788	627	133
Honduras	149	612	1 530	-429	546	521	32	894	582
Mexico	-9 698	2 423	8 201	-1 921	12 579	21 204	9 237	9 468	9 862
Nicaragua	802	1 124	1 316	895	761	993	777	983	812
Panama	-1 198	925	1 562	-713	1 072	2 854	1 667	2 257	3 243
Paraguay	-1 101	-1 046	-915	-767	-1 036	-603	-1 184	-1 127	-305
Peru	-7 681	-165	-288	-6 728	3 531	-5 495	7 644	749	-3 475
Uruguay	-52	710	3 045	929	-1 131	2 320	4 459	4 027	2 147
Venezuela (Bolivarian Republic of)	-23 103	-19 031	-22 386	-16 054	-22 965	-35 543	-22 060	-21 615	-18 098
The Caribbean	-4 472	-1 665	-2 438	-1 061	-3 085	-1 458	-2 416	-14	1 791
Antigua and Barbuda	260	333	292	108	146	88	136	187	238
Bahamas	787	723	903	909	627	992	1 162	1 096	1 469
Barbados	74	235	137	187	120	685	-83	45	126
Belize	-51	-84	38	22	-88	-60	-32	68	77
Dominica	48	66	108	118	72	64	79	42	67
Grenada	203	211	201	160	154	177	157	223	156
Guyana	137	137	235	-51	9	341	311	547	0
Jamaica	798	937	2 120	430	871	1 326	433	864	1 446
Saint Kitts and Nevis	70	89	183	172	142	143	66	65	58
Saint Lucia	268	295	257	125	195	231	158	84	135
Saint Vincent and the Grenadines	106	168	204	189	221	163	208	249	239
Suriname	-211	-181	-96	-68	-720	-389	-175	-75	175
Trinidad and Tobago	-6 962	-4 594	-7 022	-3 362	-4 833	-5 220	-4 835	-3 409	-2 395

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)

	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^b
Latin America and the Caribbean	34 250	94 471	102 215	70 987	87 105	127 954	134 856	160 562	137 435
Latin America	30 961	90 643	96 471	68 038	84 608	124 811	131 631	158 449	135 429
Argentina	3 099	4 969	8 335	3 306	10 368	9 352	14 269	10 204	4 495
Bolivia (Plurinational State of)	278	363	509	420	651	859	1 060	1 750	648
Brazil	-9 380	27 518	24 601	36 033	36 919	67 689	68 093	67 491	66 035
Chile	6 586	8 326	7 453	6 159	6 049	3 057	7 902	8 956	9 950
Colombia	5 558	8 136	8 110	3 789	947	6 228	15 646	8 547	12 155
Costa Rica	1 371	1 634	2 072	1 339	1 441	2 216	1 915	2 474	1 838
Dominican Republic	1 085	1 667	2 870	2 165	1 622	2 277	3 142	1 990	2 209
Ecuador	271	194	1 058	308	166	644	585	731	774
El Salvador	267	1 455	824	366	-226	218	484	176	274
Guatemala	552	720	737	574	782	1 009	1 205	1 262	1 365
Haiti	161	75	30	55	178	119	156	160	99
Honduras	669	926	1 007	505	971	1 012	851	992	1 120
Mexico	15 224	24 064	27 453	8 075	11 033	10 740	-3 519	31 488	17 594
Nicaragua	266	366	608	463	474	930	715	708	756
Panama	2 547	1 899	2 147	1 259	2 407	2 956	3 254	4 373	4 351
Paraguay	114	202	209	95	216	557	738	72	238
Peru	3 467	5 425	6 188	6 020	8 189	7 518	11 840	9 161	7 789
Uruguay	1 495	1 240	2 117	1 512	2 349	2 511	2 539	3 027	2 741
Venezuela (Bolivarian Republic of)	-2 666	1 462	143	-4 405	73	4 919	756	4 888	1 000
The Caribbean	3 289	3 828	5 744	2 948	2 497	3 143	3 225	2 113	2 005
Antigua and Barbuda	359	338	159	81	97	65	133	95	161
Bahamas	706	746	860	664	872	667	526	388	259
Barbados	298	394	470	303	344	750	426	...	...
Belize	108	139	167	108	96	95	193	92	138
Dominica	26	40	57	42	24	14	29	24	33
Grenada	90	157	135	103	60	43	31	113	40
Guyana	102	152	168	164	198	247	278	201	0
Jamaica	797	751	1 361	480	169	144	411	741	701
Saint Kitts and Nevis	110	134	178	131	116	110	108	136	118
Saint Lucia	234	272	161	146	121	81	74	92	73
Saint Vincent and the Grenadines	109	119	159	110	97	86	115	160	138
Suriname	-163	-247	-231	-93	-248	73	128	138	4
Trinidad and Tobago	513	830	2 101	709	549	771	772	-66	339

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)

		2007	2008	2009	2010	2011	2012	2013	2014
Latin America and the Caribbean		736 827	769 325	829 735	990 114	1 112 291	1 225 238	1 282 925	1 404 688
Latin America		723 872	755 883	815 404	973 359	1 094 589	1 207 715	1 264 127	1 385 022
Argentina	Total	125 366	125 859	116 622	130 843	142 492	143 336	141 076	147 853
	Public	71 620	65 388	62 871	70 999	74 558	73 168	71 595	77 689
	Private	53 746	60 471	53 751	59 844	67 934	70 168	69 496	69 767
Bolivia (Plurinational State of)	Total	5 403	5 930	5 801	5 875	6 298	6 711	7 756	8 543
	Public	2 209	2 443	2 601	2 891	3 582	4 282	5 262	5 736
	Private	3 134	3 424	3 092	2 815	2 716	2 430	2 494	2 807
Brazil	Total	193 159	198 492	198 136	256 804	298 204	327 590	312 517	352 684
	Public	85 956	84 160	95 502	82 847	77 300	82 245	122 641	139 051
	Private	107 203	114 331	102 635	152 864	195 763	199 336	189 876	213 633
Chile	Total	53 627	63 534	72 617	84 986	99 306	120 546	132 632	145 666
	Public	11 684	11 530	13 617	17 498	21 091	26 183	24 908	28 622
	Private	41 943	52 003	59 000	67 488	78 216	94 364	107 725	117 044
Colombia	Total	44 553	46 369	53 719	64 723	75 903	78 763	91 923	100 905
	Public	28 819	29 447	37 129	39 546	42 769	46 065	52 102	59 664
	Private	15 734	16 921	16 590	25 177	33 135	32 698	39 821	41 241
Costa Rica	Total	8 444	9 105	8 238	9 135	10 919	14 509	17 654	19 234
	Public	3 768	3 401	3 632	4 381	4 345	7 428	7 418	7 855
	Private	4 676	5 704	4 606	4 754	6 574	7 081	10 237	11 379
Dominican Republic	Public	6 556	7 219	8 215	9 947	11 625	12 872	14 919	16 074
Ecuador	Total	17 445	16 900	13 514	13 914	15 210	15 913	18 801	24 296
	Public	10 605	10 028	7 364	8 622	9 973	10 768	12 921	17 582
	Private	6 839	6 871	6 149	5 292	5 237	5 145	5 880	6 714
El Salvador	Total	9 349	9 994	9 882	9 698	10 670	12 521	13 238	14 177
	Public	5 444	5 837	6 550	6 831	7 142	7 637	7 764	8 673
	Private	3 905	4 157	3 332	2 867	3 528	4 884	5 474	5 504
Guatemala	Total	10 909	11 163	11 248	12 026	14 021	15 339	17 307	19 025
	Public	4 458	4 423	5 391	6 038	6 027	6 823	7 429	7 510
	Private	6 451	6 741	5 857	5 988	7 993	8 516	9 877	11 515
Haiti	Public	1 627	1 921	1 333	354	709	11 730	1 562	1 827
Honduras	Total	3 190	3 499	3 365	3 785	4 208	4 861	6 709	7 180
	Public	2 026	2 358	2 481	2 843	3 218	3 664	5 202	5 564
	Private	1 164	1 141	884	942	990	1 197	1 507	1 616
Mexico	Total	125 494	124 007	160 787	193 950	208 972	223 733	254 747	279 861
	Public	55 355	56 939	96 354	110 428	116 420	125 726	134 436	147 666
	Private	70 139	67 068	64 434	83 522	92 552	98 007	120 311	132 195
Nicaragua	Public	3 385	3 512	3 661	4 068	4 263	4 481	4 724	4 796
Panama	Public	8 276	8 477	10 150	10 439	10 858	10 782	12 231	14 352
Paraguay	Total	2 731	3 124	3 044	3 621	3 864	4 580	5 131	5 324
	Public	2 205	2 204	2 234	2 335	2 291	2 241	2 695	2 697
	Private	526	920	810	1 286	1 573	2 339	2 436	2 627
Peru	Total	33 239	34 997	35 157	43 674	47 977	59 376	60 823	64 512
	Public	21 476	20 230	20 241	22 980	24 275	26 510	24 079	23 935
	Private	11 763	14 767	14 916	20 694	23 702	32 866	36 744	40 577
Uruguay	Total	14 864	15 425	17 969	18 425	18 345	21 122	22 862	24 192
	Public	11 383	11 064	13 117	13 182	14 436	16 658	18 040	19 025
	Private	3 480	4 361	4 853	5 243	3 909	4 464	4 822	5 167
Venezuela (Bolivarian Republic of)	Total	56 256	66 358	81 946	97 092	110 745	118 949	127 515	134 522
	Public	38 681	50 909	67 449	85 304	98 011	105 779	107 656	112 641
	Private	17 575	15 449	14 497	11 788	12 734	13 170	19 859	21 881

Table A.15 (concluded)

		2007	2008	2009	2010	2011	2012	2013	2014
The Caribbean		12 955	13 442	14 331	16 755	17 702	17 523	18 799	19 666
Antigua and Barbuda	Public	481	436	416	432	467	445	525	513
Bahamas	Public	273	384	703	728	799	1 038	1 188	1 555
Barbados	Public	997	989	1 198	1 359	1 382	1 325	1 436	1 491
Belize	Public	973	958	1 017	1 021	1 032	1 029	1 083	1 126
Dominica	Public	241	234	222	232	237	262	273	278
Grenada	Public	469	481	512	528	535	535	562	578
Guyana	Public	718	834	933	1 043	1 206	1 358	1 246	1 184
Jamaica	Public	6 123	6 344	6 594	8 390	8 626	8 256	8 310	8 659
Saint Kitts and Nevis	Public	323	312	325	296	320	317	320	284
Saint Lucia	Public	399	364	373	393	417	435	488	527
Saint Vincent and the Grenadines	Public	219	229	262	313	328	329	354	381
Suriname	Public	298	319	269	334	463	567	737	808
Trinidad and Tobago	Public	1 443	1 557	1 507	1 686	1 891	1 627	2 276	2 284

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)

		2010	2011	2012	2013	2014				2015	
						March	June	September	December	March	June
Latin America	EMBI+	305	410	317	410	404	345	414	491	525	528
Argentina	EMBI+	496	925	991	808	799	724	700	719	629	631
Belize	EMBI Global	617	1 391	2 245	807	724	765	695	819	784	736
Bolivia (Plurinational State of)	EMBI Global	...	...	...	289	246	250	233	277	334	268
Brazil	EMBI+	189	223	142	224	228	208	239	259	322	304
Chile	EMBI Global	115	172	116	148	143	123	137	169	158	158
Colombia	EMBI+	172	195	112	166	165	144	169	196	219	229
Dominican Republic	EMBI Global	322	597	343	349	330	326	351	381	379	351
Ecuador	EMBI Global	913	846	826	530	508	376	484	883	865	824
El Salvador	EMBI Global	302	478	396	389	420	376	383	414	459	443
Jamaica	EMBI Global	427	637	711	641	531	496	443	485	437	350
Mexico	EMBI+	149	187	126	155	156	139	166	182	192	194
Panama	EMBI+	162	201	129	199	189	178	186	189	199	195
Paraguay	EMBI Global	...	...	...	240	204	191	247	291	293	279
Peru	EMBI+	163	216	114	159	163	150	162	181	180	181
Uruguay	EMBI Global	188	213	127	194	192	169	196	208	214	213
Venezuela (Bolivarian Republic of)	EMBI+	1 044	1 197	773	1 093	1 130	926	1 323	2 295	2 804	2 611

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from JPMorgan, Emerging Markets Bond Index Monitor.

Table A.17
Latin America and the Caribbean: risk premia on five-year credit default swaps
(Basis points to end of period)

		2010	2011	2012	2013	2014				2015	
						March	June	September	December	March	June
Argentina		602	922	1 442	1 654	1 876	1 761	2 666	2 987	2 987	5 393
Brazil		111	162	108	194	170	144	176	201	283	260
Chile		84	132	72	80	78	64	78	94	83	87
Colombia		113	156	96	119	108	81	100	141	159	169
Mexico		114	154	98	92	87	68	87	103	126	131
Panama		99	150	98	111	100	81	99	109	141	141
Peru		113	172	97	133	112	84	107	115	134	140
Venezuela (Bolivarian Republic of)		1 016	928	647	1 150	1 261	918	1 575	3 155	4 752	4 444

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)

	2010	2011	2012	2013	2014				2015	
					Q1	Q2	Q3	Q4	Q1	Q2
Total	90 183	91 687	114 241	123 332	44 257	40 078	27 608	21 114	30 587	31 472
Latin America and the Caribbean	88 657	90 272	111 757	121 518	43 479	39 078	26 608	20 579	29 120	31 021
Argentina	3 146	2 449	663	1 025	-	1 200	-	741	1 286	2 000
Bahamas	-	-	-	-	300	-	-	-	-	-
Barbados	390	-	-	-	1 250	-	-	1 250	-	-
Bolivia (Plurinational State of)	-	-	500	500	-	-	-	-	-	-
Brazil	39 305	38 369	50 255	37 262	20 542	13 959	9 160	1 703	-	7 513
Chile	6 750	6 049	9 443	11 540	1 274	1 432	5 341	5 721	1 263	3 884
Colombia	1 912	6 411	7 459	10 012	2 000	3 250	2 950	1 000	3 000	1 900
Costa Rica	-	250	1 250	3 000	-	1 000	-	-	1 000	-
Dominican Republic	1 034	750	750	1 800	-	1 250	250	-	2 500	1 000
Ecuador	-	-	-	-	-	2 000	-	-	750	750
El Salvador	450	654	800	310	-	-	800	-	-	300
Guatemala	-	150	1 400	1 300	800	300	-	-	-	-
Honduras	20	-	-	1 000	-	-	-	-	-	-
Jamaica	1 075	694	1 750	1 800	1 000	-	800	-	925	-
Mexico	26 882	22 276	28 147	41 729	14 713	12 047	3 807	7 025	13 945	11 589
Panama	-	897	1 100	1 350	-	285	1 250	400	1 250	450
Paraguay	-	100	500	500	-	0	1 000	-	-	280
Peru	4 693	2 155	7 240	5 840	1 600	355	1 250	2 739	2 002	1 155
Trinidad and Tobago	-	175	-	550	-	-	-	-	-	-
Uruguay	-	1 693	500	2 000	-	2 000	-	-	1 200	200
Venezuela (Bolivarian Republic of)	3 000	7 200	-	-	-	-	-	-	-	-
Supranational issues	1 526	1 415	2 484	1 814	778	1 000	1 000	535	1 467	451
Central American Bank for Economic Integration (CABEI)	151	-	250	520	201	-	-	304	178	207
Caribbean Development Bank (CDB)	-	175	-	-	-	-	-	-	-	-
Foreign Trade Bank of Latin America (BLADEX)	-	-	400	-	-	-	-	-	-	-
Development Bank of Latin America (CAF)	1 375	1 240	1 834	1 294	577	1 000	1 000	231	1 289	244

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)

	2010	2011	2012	2013	2014				2015	
					March	June	September	December	March	June
Argentina	228	160	185	349	413	511	813	556	702	755
Brazil	207	170	182	154	151	159	162	149	153	159
Chile	251	213	219	188	192	197	201	196	199	198
Colombia	163	133	155	137	145	148	143	122	105	108
Costa Rica	118	121	129	190	197	208	212	211	203	200
Ecuador	126	128	135	148	152	156	161	168	169	173
Jamaica	82	91	88	77	72	68	69	73	80	93
Mexico	217	208	246	240	227	240	253	242	246	253
Peru	487	406	430	328	298	347	338	308	259	273
Trinidad and Tobago	78	95	100	111	110	109	107	108	108	109
Venezuela (Bolivarian Republic of)	320	574	2 312	13 421	12 374	10 362	14 267	18 925	24 977	63 057

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)

	2010	2011	2012	2013	2014				2015	
					March	June	September	December	March	May
Latin America and the Caribbean	655 672	773 910	835 727	830 013	835 223	861 734	865 223	857 400	855 291	844 903
Latin America	639 798	756 967	820 018	813 978	818 610	844 897	848 125	839 319	838 943	828 965
Argentina	52 145	46 376	43 290	30 599	27 007	29 278	27 866	31 443	31 490	33 283
Bolivia (Plurinational State of)	9 730	12 018	13 927	14 430	14 490	14 809	15 272	15 123	14 968	14 648
Brazil	288 575	352 012	373 147	358 808	363 914	373 516	375 513	363 551	362 744	366 647
Chile	27 864	41 979	41 640	41 094	40 970	41 088	40 087	40 447	38 427	38 723
Colombia	28 464	32 303	37 474	43 639	44 302	45 508	47 115	47 328	46 920	47 013
Costa Rica ^a	4 627	4 756	6 857	7 331	6 786	7 494	7 195	7 211	8 342	8 310
Dominican Republic ^a	3 765	4 098	3 559	4 701	3 888	4 950	4 282	4 862	4 963	5 058
Ecuador ^b	2 622	2 958	2 483	4 361	3 976	5 822	6 689	3 949	3 668	4 567
El Salvador	2 882	2 503	3 175	2 745	2 957	2 760	3 192	2 693	2 661	2 959
Guatemala ^a	5 954	6 188	6 694	7 273	7 111	7 096	7 149	7 333	7 770	7 650
Haiti	1 284	1 343	1 337	1 690	1 163	1 202	1 189	1 126	1 014	...
Honduras ^a	2 775	2 880	2 629	3 113	3 126	3 230	3 083	3 570	3 636	3 701 ^c
Mexico	120 587	149 209	167 050	180 200	185 467	192 539	193 332	195 682	197 765	196 455
Nicaragua	1 708	1 793	1 778	1 874	1 884	1 963	2 005	2 147	2 201	2 243 ^c
Panama ^a	2 843	2 514	2 441	2 775	2 096	2 373	3 421	3 994	4 763	4 252 ^c
Paraguay	4 169	4 984	4 994	5 876	6 022	6 377	7 130	6 891	6 672	7 077
Peru	44 150	48 859	64 049	65 710	65 000	64 684	64 498	62 353	61 384	60 479
Uruguay	7 743	10 302	13 605	16 281	16 504	18 603	17 757	17 555	18 584	18 485
Venezuela (Bolivarian Republic of)	27 911	29 892	29 890	21 481	21 948	21 604	21 349	22 061	20 973	17 611
The Caribbean	15 874	16 944	15 709	16 034	16 614	16 837	17 098	18 081	16 348	15 939
Antigua and Barbuda ^d	136	147	161	202	255	272	266	297	...	...
Bahamas	861	892	812	740	947	1 005	792	787	839	943
Barbados	575	587	630	516	524	475	460	467	510	519
Belize	216	242	289	402	421	437	473	482	490	508
Dominica ^d	66	75	92	85	89	98	95	100	...	...
Grenada ^d	103	106	104	135	133	135	155	158	...	...
Guyana	780	798	862	777	709	671	630	666	616	613 ^c
Jamaica	2 979	2 820	1 981	1 818	2 049	2 017	2 715	2 473	2 690	2 795
Saint Kitts and Nevis ^d	156	233	252	291	349	354	345	318	...	...
Saint Lucia ^d	182	192	208	168	188	194	239	235	...	...
Saint Vincent and the Grenadines ^d	111	88	109	133	141	145	144	156	...	...
Suriname	639	941	1 008	779	797	732	665	625	494	515
Trinidad and Tobago	9 070	9 822	9 200	9 987	10 013	10 304	10 119	11 317	10 710	10 659

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)

	2010	2011	2012	2013	2014 ^b				2015 ^b	
					Q1	Q2	Q3	Q4	Q1	Q2 ^c
Latin America and the Caribbean ^d	94.7	89.3	88.3	85.6	83.9	83.7	83.1	82.6	82.1	83.2
Barbados	97.3	93.9	88.8	85.8	80.5	80.6	79.2	77.3	77.6	78.1
Bolivia (Plurinational State of)	91.8	79.7	73.7	75.7	64.7	64.5	63.0	60.7	57.4	58.0
Brazil	81.5	77.7	79.5	68.6	82.8	77.3	77.8	83.6	87.4	91.6
Chile	95.0	93.2	98.0	91.4	99.3	99.0	101.9	101.2	101.7	98.9
Colombia	88.5	83.0	86.3	76.2	82.1	78.0	77.2	85.8	92.7	91.8
Costa Rica	95.9	91.4	91.4	80.2	74.9	77.3	74.2	72.7	70.9	71.2
Dominica	102.1	100.2	98.6	97.8	100.8	101.3	100.5	98.9	98.8	100.2
Dominican Republic	103.4	103.4	105.0	103.3	109.8	110.3	110.2	109.6	109.0	110.1
Ecuador	103.5	101.4	95.0	93.5	90.0	90.2	89.1	86.2	82.4	82.2
El Salvador	99.1	97.5	95.9	96.5	96.7	97.8	96.7	95.7	95.2	95.5
Guatemala	95.3	88.9	93.0	90.4	81.4	81.5	80.4	77.2	75.6	76.3
Honduras	96.1	91.2	85.1	83.4	77.5	78.5	81.0	79.5	78.7	79.4
Jamaica	101.8	93.1	100.6	90.5	91.3	93.8	92.2	89.6	89.8	90.1
Mexico	100.2	102.2	116.7	107.5	106.4	105.6	105.8	108.4	113.6	117.0
Nicaragua	98.6	90.5	92.7	94.4	94.4	94.9	94.1	92.3	90.3	91.4
Panama	102.2	99.6	96.0	97.0	87.6	87.4	87.3	85.7	83.7	83.3
Paraguay	76.3	66.7	74.0	70.0	61.9	60.1	58.3	59.7	57.3	61.5
Peru	100.1	95.8	94.6	90.7	89.2	88.3	88.4	89.1	89.0	90.7
Trinidad and Tobago	92.8	87.6	80.6	74.7	65.5	65.5	63.5	60.3	59.3	59.5
Uruguay	92.9	85.2	81.3	69.5	64.4	66.2	66.7	65.5	62.9	67.0
Venezuela (Bolivarian Republic of)	81.7	65.8	51.1	76.7	...	...	...	...	...	...

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)

			2008	2009	2010	2011	2012	2013	2014 ^a	2014	2015 ^a	
											First quarter	
Latin America and the Caribbean^b	Total		62.2	62.3	62.1	62.2	62.3	62.2	62.2	...	...
	Female		49.6	50.0	49.8	50.1	50.3	50.6	50.6	...	...
	Male		75.0	74.9	74.5	74.7	74.5	74.3	74.2	...	...
Argentina	Urban areas	Total	58.8	59.3	58.9	59.5	59.3	58.9	58.3	58.5	57.7	
		Female	47.2	48.0	47.0	47.4	47.6	47.1	46.9	46.5	46.5	
		Male	72.0	72.1	72.3	72.9	72.2	72.0	70.9	71.8	70.1	
Barbados	Nationwide total	Total	67.6	67.0	66.6	67.6	66.2	66.7	63.8	...	...
		Female	62.5	62.2	62.0	63.0	61.1	61.8	60.4	...	...
		Male	73.3	72.3	71.7	72.7	72.0	72.3	67.7	...	...
Brazil	Six metropolitan areas	Total	57.0	56.7	57.1	57.1	57.3	57.1	56.0	56.2	55.6	
		Female	48.7	48.6	49.0	48.9	49.3	49.3	48.2	48.2	48.0	
		Male	66.5	66.0	66.5	66.5	66.6	66.2	65.2	65.5	64.6	
Chile ^c	Nationwide total	Total	56.0	55.9 |	58.5	59.8	59.5	59.6	59.8	60.1	59.6	
		Female	40.9	41.3 |	45.3	47.3	47.6	47.7	48.4	48.5	47.7	
		Male	71.8	71.0 |	72.1	72.7	71.9	71.8	71.6	72.2	71.9	
Colombia	Nationwide total	Total	58.5	61.3	62.7	63.7	64.5	64.2	64.2	63.2	63.8	
		Female	46.5	49.8	51.8	52.8	54.1	53.9	54.0	52.7	53.3	
		Male	71.1	73.3	74.2	75.1	75.4	74.9	74.9	74.1	74.7	
Costa Rica ^d	Nationwide total	Total	56.7 |	60.4	59.1	60.7	60.1	59.8	59.5	...	...
		Female	41.7 |	44.5	43.5	45.7	45.2	45.2	45.2	...	...
		Male	72.5 |	77.2	75.9	76.8	76.0	75.7	75.0	...	...
Cuba ^e	Nationwide total	Total	74.7	75.4	74.9	76.1	74.2	72.9	71.9	...	...
		Female	60.2	61.0	60.5	60.5	57.4	57.3	56.3	...	...
		Male	87.8	88.4	87.7	90.0	89.5	87.1	86.2	...	...
Dominican Republic	Nationwide total	Total	55.6	53.8	55.0	56.2	56.5	56.1	57.3	...	...
		Female	43.5	40.3	42.4	44.0	45.0	44.5	46.1	...	...
		Male	67.9	67.4	67.8	68.5	68.1	67.9	68.7	...	...
Ecuador ^f	Urban total	Total	67.7	66.3	64.2	62.2	62.8	61.8	62.2	61.5	62.8	
		Female	55.5	54.2	52.3	49.9	50.1	48.9	48.7	47.8	49.5	
		Male	80.9	79.5	77.4	75.9	76.8	76.0	76.9	76.3	77.3	
El Salvador	Nationwide total	Total	62.7	62.8	62.5	62.7	63.2	63.6	63.6	...	...
		Female	47.3	47.6	47.3	47.0	47.9	49.3	49.3	...	...
		Male	81.4	81.0	80.9	81.2	81.4	80.7	80.7	...	...
Honduras	Nationwide total	Total	51.0	53.1	53.6	51.9	50.8	53.7	56.0	...	...
		Female	34.4	35.9	37.4	34.9	33.8	37.2	40.6	...	...
		Male	69.3	72.3	71.0	70.4	69.2	72.1	73.6	...	...
Jamaica	Nationwide total	Total	65.4	63.5	62.4	62.3	61.9	63.0	62.8	62.8	63.4 ^g	
		Female	57.3	55.7	54.8	54.9	54.9	56.2	55.9	55.6	56.5 ^g	
		Male	73.9	71.8	70.4	70.2	69.1	70.0	70.0	70.2	70.4 ^g	
Mexico ^h	Nationwide total	Total	58.7	58.6	58.4	58.6	59.2 |	60.3	59.8	59.8	59.2	
		Female	41.5	42.0	41.6	42.0	43.0 |	43.9	43.1	43.1	42.5	
		Male	78.0	77.1	77.0	76.9	77.1 |	78.5	78.3	78.2	77.6	

Table A.22 (concluded)

			2008	2009	2010	2011	2012	2013	2014 ^a	2014	2015 ^a	
											First quarter	
Nicaragua ^c	Nationwide total	Total	53.3	51.8 ^l	71.4	77.0	76.8	75.8	74.2	...	...
Panama	Nationwide total	Total	63.9	64.1	63.5	61.9	63.4	64.1	64.0	64.3	64.9	
		Female	47.2	48.3	47.5	45.6	48.0	49.2	49.8	50.1	51.2	
		Male	81.5	80.9	80.4	79.2	80.1	79.7	79.4	79.4	79.5	
Paraguay	Nationwide total	Total	61.7	62.9	60.5	60.7	64.3	62.6	61.6	65.9	66.0	
		Female	47.9	49.7	47.3	48.9	53.8	51.9	49.6	56.7	56.5	
		Male	75.8	75.9	73.5	72.8	74.7	73.8	74.1	75.7	76.7	
Peru	Metropolitan Lima	Total	68.1	68.4	70.0	70.0	69.1	68.9	68.4	69.6	68.5	
		Female	58.9	60.1	61.7	61.5	60.7	60.6	60.1	61.1	60.7	
		Male	77.9	77.2	79.0	79.0	78.2	77.9	77.3	78.0	76.7	
Trinidad and Tobago	Nationwide total	Total	63.5	62.7	62.1	61.3	61.8	61.3	61.9	...	...
Uruguay	Nationwide total	Total	62.7	63.4	62.9	64.8	64.0	63.6	64.7	65.0	63.8	
		Female	53.6	54.3	54.0	55.8	55.6	56.4	55.9	56.4	55.6	
		Male	73.3	74.1	73.1	74.7	73.5	73.9	74.3	74.5	72.8	
Venezuela (Bolivarian Republic of)	Nationwide total	Total	64.9	65.1	64.6	64.4	63.9	64.3	65.3	64.3	64.6 ^g	
		Female	50.1	51.0	50.5	50.3	50.1	50.6	52.1	50.0	50.2 ^g	
		Male	79.9	79.7	79.2	78.6	77.8	78.1	78.7	78.8	79.4 ^g	

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 include adjustments for lack of information and changes in methodology.

^c New measurements have been used since 2010; the data are not comparable with the previous series.

^d New measurements have been used since 2009; the data are not comparable with the previous series.

^e The working-age population is measured as follows: for males, 17 to 59 years and for females, 15 to 54 years.

^f The series have been changed owing to a rise in the minimum age for work, from 10 to 15 years.

^g The figures in the last two columns refer to the measurement of January.

^h New measurements have been used since 2013; the data are not comparable with the previous series.

Table A.23
Latin America and the Caribbean: open urban unemployment^a
(Average annual rates)

		2007	2008	2009	2010	2011	2012	2013	2014	2014	2015 ^b	
											First semester	
Latin America and the Caribbean^c		7.9	7.3	8.1	7.3	6.7	6.4	6.2	6.0	...	...
Argentina	Urban areas	8.5	7.9	8.7	7.7	7.2	7.2	7.1	7.3	7.1	7.1 ^d	
Bahamas ^e	Nationwide total	7.9	8.7	14.2	...	15.9	14.4	15.8	15.0	...	...
Barbados ^e	Nationwide total	7.4	8.1	10.0	10.8	11.2	11.6	11.6	12.3	...	...
Belize ^e	Nationwide total	8.5	8.2	13.1	12.5	...	15.3	13.2	11.6	...	...
Bolivia (Plurinational State of)	Departmental capitals ^f	7.7	6.7	7.9	6.1	5.8	...	...	...	...	...
Brazil	Six metropolitan areas	9.3	7.9	8.1	6.7	6.0	5.5	5.4	4.8	4.9	6.1 ^g	
Chile ^h	Nationwide total	7.1	7.8	9.7	8.2	7.1	6.4	5.9	6.4	6.5	6.1 ^d	
Colombia ^e	Thirteen metropolitan areas	11.4	11.5	13.0	12.4	11.5	11.2	10.6	9.9	10.6	10.4 ^g	
Colombia ⁱ	Thirteen metropolitan areas	10.7	11.0	12.4	11.8	10.9	10.6	10.1	9.5	10.1	9.8 ^g	
Costa Rica ^j	Urban total	4.8	4.8	8.5	7.1	7.7	7.8	8.2	8.5	10.0	10.3 ^{d,k}	
Cuba	Nationwide total	1.8	1.6	1.7	2.5	3.2	3.5	3.3	2.7	...	...
Dominican Republic	Nationwide total	5.1	4.7	5.3	5.0	5.8	6.5	7.0	6.4	...	...
Ecuador ^e	Urban total	7.4	6.9	8.5	7.6	6.0	4.9	4.7	5.1	5.6	4.8 ^d	
Ecuador ⁱ	Urban total	5.5	5.4	6.9	6.1	5.0	4.2	4.0	4.3	4.7	4.3 ^d	
El Salvador	Urban total	5.8	5.5	7.1	6.8	6.6	6.2	5.6	...	...	...
Guatemala ^l	Urban total	...	...	...	4.8	3.1	4.0	3.8	4.0	...	...
Honduras	Urban total	4.0	4.1	4.9	6.4	6.8	5.6	6.0	7.5	...	...
Jamaica ^e	Nationwide total	9.8	10.6	11.4	12.4	12.6	13.9	15.2	13.7	13.4	14.2 ^m	
Jamaica ⁱ	Nationwide total	6.0	6.9	7.5	8.0	8.4	9.3	10.3	9.5	9.4	10.3 ^m	
Mexico	Urban areas	4.8	4.9	6.7	6.4	5.9	5.8	5.7	5.8	6.0	5.2 ^g	
Nicaragua ^h	Urban total	5.9	6.1	8.2	7.8	5.9	5.9	5.7	6.8	...	...
Panama ^e	Urban total	7.8	6.5	7.9	7.7	5.4	4.8	4.7	5.4	5.0	6.0 ^d	
Panama ⁱ	Urban total	5.8	5.0	6.3	5.8	3.6	3.6	3.7	4.1	3.7	4.8 ^d	
Paraguay	Asunción and urban areas of the Departamento Central ⁿ	7.2	7.4	8.2	7.2	7.1	8.1	8.1	8.0	9.7	8.0 ^d	
Peru	Urban total	8.4	8.4	8.4	7.9	7.7	6.8	5.9	6.0	6.9	7.0 ^d	
Trinidad and Tobago	Nationwide total	5.6	4.6	5.3	5.9	5.1	5.0	3.6	3.3	...	...
Uruguay	Urban total	9.8	8.3	8.2	7.5	6.6	6.7	6.7	6.9	7.1	7.6 ^o	
Venezuela (Bolivarian Republic of)	Nationwide total	8.4	7.3	7.9	8.7	8.3	8.1	7.8	7.0	9.6	7.9 ^m	

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 May.

^h New measurements have been used since 2010; the data are not comparable with the previous series.

ⁱ Includes an adjustment for workforce figures due to exclusion of hidden unemployment.

^j New measurements have been used since 2009; the data are not comparable with the previous series.

^k The quarterly figures in the last two columns come from another survey that the annual series and are not comparable with those.

^l Owing to methodological changes, as of 2011 the data are not comparable with the previous series.

^m The figures in the last two columns refer to the measurement of January.

ⁿ Up to 2011, urban total.

^o The figures in the last two columns correspond to the average for January to April.

Table A.24
Latin America and the Caribbean: employment rate^a
(Average annual rates)

		2007	2008	2009	2010	2011	2012	2013	2014 ^b	2014 ^b	2015 ^b
		First semester									
Latin America and the Caribbean^c		55.0	55.3	55.1	55.7	56.1	56.6	56.5	56.2	...	...
Argentina	Urban areas	54.5	54.2	54.2	54.4	55.2	55.0	54.7	54.0	54.3	53.6 ^d
Bahamas	Nationwide total	70.2	69.7	63.0	...	60.6	62.1	61.6	62.7	...	...
Barbados	Nationwide total	62.7	62.1	60.3	59.4	60.0	58.5	58.9	56.0	...	...
Bolivia (Plurinational State of)	Departmental capitals ^e	52.7 ^l	...	52.4	53.6	...	...	...	...	...	...
Brazil	Six metropolitan areas	51.6	52.5	52.1	53.2	53.7	54.2	54.0	53.3	53.2	52.3 ^f
Chile ^g	Nationwide total	51.0	51.7	50.5 ^l	53.7	55.5	55.7	56.0	56.0	56.2	55.9 ^d
Colombia	Nationwide total	51.8	51.9	53.9	55.4	56.8	57.9	58.0	58.4	57.2	58.1 ^f
Costa Rica ^h	Nationwide total	54.4	53.9 ^l	55.4	54.8	56.0	55.4	54.7	54.5	...	...
Cuba ⁱ	Nationwide total	72.4	73.6	74.2	73.0	73.6	71.6	70.5	70.0	...	...
Dominican Republic	Nationwide total	47.4	47.7	45.8	47.1	48.0	48.2	47.7	49.0	...	...
Ecuador ^j	Urban total	56.8 ^l	63.1	60.7	59.3	58.5	59.7	58.9	59.0	58.0	59.7 ^d
El Salvador	Nationwide total	58.1	59.0	59.2	58.1	58.6	59.4	59.9	...	...	...
Honduras	Nationwide total	49.2	49.4	51.5	51.5	49.7	48.9	51.6	53.1	...	...
Jamaica ^g	Nationwide total	58.6	58.5	56.3 ^l	54.6	54.4	53.3	53.4	54.2	54.3	54.4 ^k
Mexico ^l	Nationwide total	56.7	56.3	55.4	55.3	55.6	56.3	57.3 ^l	56.9	59.9	56.8 ^f
Nicaragua ^g	Nationwide total	48.6	50.1	47.6 ^l	65.8	71.1	72.3	71.4	69.2	...	...
Panama	Nationwide total	58.7	60.3	59.9	59.4	59.1	60.8	61.5	60.9	61.5	61.5 ^d
Paraguay	Nationwide total	57.4	57.0	57.1	57.1	57.3	61.2	59.4	57.9	...	...
Peru	Urban total	63.0	62.4	62.7	64.5	64.5	64.4	64.8	64.3	64.8	63.6 ^d
Trinidad and Tobago	Nationwide total	59.9	60.6	59.4	58.4	58.2	58.8	59.1	59.9	...	...
Uruguay	Nationwide total	56.7	57.7	58.5	58.4	60.7	59.9	59.5	60.4	60.5	59.3 ^m
Venezuela (Bolivarian Republic of)	Nationwide total	59.4	60.2	60.0	59.0	59.0	58.7	59.3	60.4	57.8	59.5 ^k

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 May.

^g New measurements have been used since 2010; the data are not comparable with the previous series.

^h New measurements have been used since 2009; the data are not comparable with the previous series.

ⁱ The working-age population is measured as follows: for males, 17 to 59 years and for females, 15 to 54 years.

^j New measurements have been used since 2008; the data are not comparable with the previous series.

^k The figures in the last two columns refer to the measurement of January.

^l New measurements have been used since 2013; the data are not comparable with the previous series.

^m The figures in the last two columns correspond to the average for January to April.

Table A.25
Latin America and the Caribbean: registered employment indicators
(Indices 2010=100)

	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^a	2014 ^a 2015 ^a	
										First semester	
Argentina ^b	84.3	91.3	97.4	97.1	100.0	105.0	107.0	108.6	109.4	109.0	111.5 ^c
Brazil ^d	82.5	86.8	92.3	94.2	100.0	105.3	108.6	110.5	112.0	111.6	110.8 ^e
Chile ^b	80.1	86.8	93.1	94.2	100.0	105.7	112.1	115.8	117.9	118.5	120.8 ^f
Costa Rica ^g	83.8	90.9	97.6	97.0	100.0	103.1	106.7	109.0	110.7	110.9	111.7 ^f
El Salvador ^g	93.6	98.4	101.3	98.5	100.0	103.3	105.5	111.0	113.5	...	...
Guatemala ^g	92.7	97.0	96.9	98.3	100.0	104.3	107.1	110.4	111.8	...	...
Jamaica ^h	100.6	102.0	104.0	103.0	100.0	99.4	99.0	100.4	...	...	...
Mexico ^g	93.5	97.4	99.4	96.3	100.0	104.3	109.2	113.0	117.0	116.2	120.4 ^e
Nicaragua ^g	78.6	85.8	92.2	94.2	100.0	108.1	116.6	125.9	132.8	130.7	139.6 ^f
Panama ^{g,i}	73.3	83.6	96.6	98.5	100.0	110.3	117.8	122.5	125.0	123.4	126.5 ^c
Peru ^h	80.9	87.5	94.8	96.0	100.0	105.4	109.6	112.7	114.8	110.8	112.0 ^c
Uruguay ^j	78.3	85.1	91.7	94.4	100.0	104.9	108.9	110.9	111.7	112.1	111.7 ^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 at firms with 10 or more employees.

ⁱ The variations between 2012 and 2013, between 2013 and 2014, and between the first quarter of 2014 and the first quarter of 2015 refer to workers in small, medium-sized and large businesses in manufacturing, commerce and services.

^j Employment positions generating social security contributions.

Table A.26
Latin America: time-related underemployment
(Percentages of employed workers)

		2007	2008	2009	2010	2011	2012	2013	2014 ^a
Argentina ^b	Urban areas	10.4	9.5	11.1	9.8	9.1	9.3	9.2	9.6
Brazil ^c	Six metropolitan areas	3.6	3.1	3.1	2.7	2.3	2.0	1.8	1.5
Chile ^d	Nationwide total	8.0	9.0	10.8 ^l	11.5	11.9	11.5	11.6	11.3
Colombia ^e	Thirteen metropolitan areas	10.0	9.1	9.5	12.0	11.1	11.7	11.9	10.6
Costa Rica ^f	Nationwide total	11.5	10.5 ^l	13.5	11.2	13.4 ^l	11.3	12.5	12.8
Ecuador ^c	Urban total	11.3	11.9	12.6	12.1	9.8	8.2	8.9	9.3
El Salvador ^c	Urban total	5.3	6.3	7.7	7.0	3.4	5.8	5.8	...
Honduras ^g	Urban total	4.3	3.5	4.4	6.7	10.6	10.1	11.6	10.4
Mexico ^h	Nationwide total	7.2	6.8	8.8	8.7	8.6	8.5	8.3	8.1
Panama ^c	Urban total	2.7	2.1	2.1	1.8	1.3	1.9	2.0	1.8
Paraguay ⁱ	Urban total ^j	5.8	6.6	8.2 ^l	7.3	6.3	5.4	5.1	4.9
Peru ^b	Metropolitan Lima	16.5	15.6	15.4	14.5	12.4	12.0	11.6	11.3
Uruguay ^c	Urban total	12.9	10.8	9.2	8.9	7.6	7.4	6.9	6.9

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.

^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. Up to 2009, refers to employed persons who work less than 35 hours per week and wish to work more hours. The series 2004-2005, 2006-2009 and 2010-2012 are not comparable owing to a change in sample in the first case and measurement changes in the last two.

^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 Employed persons who work less than 36 hours per week and wish to work more hours.

^h Employed persons wishing to work more than their current job permits.

ⁱ Employed persons who work less than 30 hours per week and wish to work more hours.

^j As of 2010, the figures relate to Asuncion and urban areas of the Central Department.

Table A.27
Latin America: real average wages^a
(Indices 2005=100)

	2007	2008	2009	2010	2011	2012	2013	2014 ^b	2014	2015 ^b
									First semester	
Bolivia (Plurinational State of) ^c	102.2	94.4	96.5	100.0	98.2	99.3	100.3	100.9 ^d	...	...
Brazil ^e	94.3	96.3	98.5	100.0	101.4	104.9	107.1	108.8	108.5	106.8 ^f
Chile ^g	93.6	93.4	97.9	100.0	102.5	105.8	109.9	111.9	111.6	114.4 ^h
Colombia ⁱ	97.6	96.1	97.3	100.0	100.3	101.3	104.0	104.5	103.7	106.3 ^h
Costa Rica ^j	92.8	90.9	97.9	100.0	105.7	107.1	108.5	110.7	...	...
Cuba	92.7	92.8	97.0	100.0	100.2	100.7	101.2	...	...	...
El Salvador ^k	98.7	95.6	98.9	100.0	97.1	97.3	97.8	98.5	...	...
Guatemala ^j	99.7	97.1	97.2	100.0	100.4	104.4	104.3	106.8	...	...
Mexico ^j	101.7	101.9	100.9	100.0	100.8	101.0	100.9	101.3	101.9	103.1 ^f
Nicaragua ^j	97.2	93.3	98.8	100.0	100.1	100.5	100.7	102.4	102.6	105.0 ^h
Panama ^l	94.7	90.9	93.3	100.0	100.1	103.5	103.8	109.5	...	...
Paraguay	95.7	95.0	99.4	100.0	102.8	103.5	105.7	107.1	...	...
Peru ^m	97.9	100.0	103.1	100.0	108.4	111.0	114.7	117.9	115.2	119.4 ⁿ
Uruguay	87.1	90.2	96.8	100.0	104.0	108.4	111.7	115.4	114.4	118.0 ^f
Venezuela (Bolivarian Republic of)	117.4	112.1	105.6	100.0	103.0	109.1	104.3	...	...	...

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

^a Figures deflated by the official consumer price index of each country.

^b Preliminary figures.

^c Private-sector average wage index.

^d Figures as of June.

^e Private-sector workers covered by social and labour legislation.

^f The figures in the last two columns correspond to the average for January to May.

^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 variations between 2012 and 2013, and between 2013 and 2014, corresponds to workers of small, medium and large enterprises in manufacturing, commerce and services.

^m Wages of dependent workers in the Lima metropolitan area. Up to 2009, private-sector workers in the Lima metropolitan area.

ⁿ The figures in the last two columns refer to the first quarter.

Table A.28
Latin America and the Caribbean: monetary indicators
(Percentage variation with respect to the year-earlier period)

		2010	2011	2012	2013	2014				2015	
						Q1	Q2	Q3	Q4	Q1	Q2 ^a
Latin America and the Caribbean											
Argentina	Monetary base	25.1	37.1	34.9	30.2	20.2	18.1	19.5	20.9	27.2	30.9
	Money (M1)	24.1	32.4	33.3	29.5	26.9	23.2	23.3	30.2	26.4	21.2 ^b
	M2	27.6	36.9	32.4	30.9	23.6	22.2	21.6	24.8	29.6	24.9 ^b
	Foreign-currency deposits	35.9	8.7	-22.6	-6.1	57.6	55.2	50.6	44.7	19.2	23.9 ^b
Bolivia (Plurinational State of)	Monetary base	32.4	11.6	18.2	10.8	0.7	7.3	9.7	20.0	24.9 ^c	...
	Money (M1)	24.1	27.2	18.3	13.5	16.0	15.6	14.6	15.4	13.8 ^c	...
	M2	34.6	34.0	31.3	22.6	20.0	19.0	17.1	19.0	18.7 ^c	...
	Foreign-currency deposits	4.7	-12.8	-5.0	-4.1	-5.4	-3.0	-2.6	-2.5	0.3 ^c	...
Brazil	Monetary base	17.5	11.0	9.4	5.5	7.4	5.6	6.7	8.9	6.3	8.5
	Money (M1)	17.5	6.1	5.9	10.7	8.2	4.2	3.1	3.5	1.7	-0.5
	M2	11.1	21.0	13.4	9.3	13.0	12.3	11.3	10.4	8.7	7.0
Chile	Monetary base	13.8	14.8	13.7	16.3	7.9	5.4	5.9	2.2	10.3	12.0
	Money (M1)	27.7	10.9	9.1	10.1	13.0	11.3	11.5	12.8	14.4	16.2
	M2	5.1	14.7	14.7	9.7	13.5	6.3	6.6	8.7	7.9	11.5
	Foreign-currency deposits	8.5	11.8	8.9	18.7	29.0	32.0	25.5	29.9	28.0	10.9
Colombia	Monetary base	12.4	15.1	9.5	12.5	19.3	18.2	17.0	13.0	11.7	11.9
	Money (M1)	14.7	16.2	6.7	14.3	19.0	16.0	12.9	12.6	9.9	7.7
	M2	6.9	14.8	16.9	17.5	16.4	14.4	11.9	9.9 ^d	...	...
Costa Rica	Monetary base	10.0	11.7	12.1	14.1	13.4	12.9	10.2	10.6	11.4	8.2 ^b
	Money (M1)	9.5	19.2	9.4	11.9	14.9	14.6	12.4	10.2	4.2	9.3 ^b
	M2	2.6	11.1	13.8	13.0	14.3	15.1	14.7	13.7	10.7	14.8 ^b
	Foreign-currency deposits	-1.9	-7.1	-1.2	0.1	7.6	12.9	16.7	14.8	5.9	1.8 ^b
Dominican Republic	Monetary base	6.4	5.8	9.0	3.9	-0.7	-2.5	8.3	8.7	20.9	24.9
	Money (M1)	17.5	4.9	7.3	12.1	13.7	13.9	12.9	14.0	12.0	14.2
	M2	13.5	8.8	12.1	8.0	10.5	11.2	11.0	12.0	10.5	10.9
	Foreign-currency deposits	18.9	17.8	18.4	16.1	18.4	12.3	7.7	8.4	6.6	7.8
Ecuador	Monetary base	24.1	9.9	16.1	23.3	22.0	16.6	15.8	16.0	14.0	18.9 ^b
	Money (M1)	16.1	15.5	14.0	14.8	11.7	12.2	17.0	16.7	15.3	11.8 ^b
	M2	18.6	20.0	17.8	13.4	13.3	13.7	15.7	15.2	12.3	9.0 ^b
El Salvador	Monetary base	0.4	-1.3	1.8	4.8	3.5	2.8	1.3	3.4	-1.4	0.6 ^b
	Money (M1)	19.8	10.4	4.4	2.9	5.1	5.7	3.2	2.1	1.5	5.2
	M2	1.6	-2.1	0.5	1.8	1.2	0.3	0.3	1.2	0.9	3.9
Guatemala	Monetary base	8.0	10.1	5.8	9.2	3.9	5.6	6.5	7.2	11.2	11.9 ^b
	Money (M1)	7.2	9.1	5.8	7.0	3.2	5.2	5.6	6.7	11.1	11.5 ^b
	M2	8.4	10.6	9.4	9.7	7.6	8.1	8.3	8.4	11.2	10.6 ^b
	Foreign-currency deposits	11.6	4.9	3.2	11.2	13.5	8.4	8.9	7.1	5.3	9.0 ^b
Haiti	Monetary base	34.1	18.1	9.2	0.4	-3.1	-6.9	-0.8	6.6	7.3	...
	Money (M1)	26.9	14.4	8.7	11.1	4.9	2.1	9.3	17.2	14.9	...
	M2	17.4	11.5	5.7	9.3	6.0	5.7	8.8	12.5	12.3	...
	Foreign-currency deposits	22.5	18.4	6.9	8.2	6.0	8.3	9.3	10.2	11.6	...
Honduras	Monetary base	-13.8	10.7	11.3	4.0	3.5	8.6	11.1	15.5	22.6	14.2 ^b
	Money (M1)	5.2	17.7	2.1	-5.0	5.4	8.2	7.3	12.8	18.7	17.9 ^b
	M2	4.7	17.2	8.7	3.6	8.1	8.6	9.3	9.7	12.9	10.7 ^b
	Foreign-currency deposits	5.4	7.8	15.3	12.6	6.4	3.4	7.2	12.0	13.8	13.8 ^b
Mexico	Monetary base	9.7	9.5	13.9	6.3	9.4	13.6	15.1	15.8	20.2	20.3
	Money (M1)	11.2	16.2	13.7	7.5	12.5	13.7	13.7	15.6	16.8	16.9
	M2	5.8	12.4	10.7	7.1	10.5	11.9	10.3	11.3	13.6	13.3
	Foreign-currency deposits	0.9	3.0	16.8	13.3	28.3	33.1	25.6	20.2	32.9	34.9
Nicaragua	Monetary base	24.0	20.5	18.3	6.3	12.0	17.4	10.3	12.2	19.3	...
	Money (M1)	21.4	24.8	17.6	8.5	14.7	17.9	17.9	15.5	19.3 ^c	23.1 ^b
	M2	21.4	24.8	17.6	8.5	14.7	17.9	17.9	15.5	19.3	23.1 ^b
	Foreign-currency deposits	25.8	7.8	21.2	13.6	21.0	20.2	22.3	18.1	14.6	13.6 ^b
Panama	Monetary base	7.5	27.1	12.7	16.0	-33.5	-10.4	9.3	26.3	90.4	153.1 ^b
	Money (M1)	19.2	21.5	17.1	6.9	9.9	10.6	13.4	20.9	6.5	-1.2 ^b
	M2	11.3	9.9	10.8	6.3	8.5	9.2	10.2	22.3	8.7	3.9 ^b
Paraguay	Monetary base	5.2	5.0	11.8	5.1	4.3	8.1	9.3	11.5	14.5	12.4
	Money (M1)	28.7	7.8	8.6	15.6	8.0	5.2	12.2	12.9	14.6	16.0
	M2	26.4	14.0	13.7	17.4	11.4	7.9	11.7	11.4	13.2	14.7
	Foreign-currency deposits	16.4	13.5	14.9	15.8	36.1	31.9	24.6	26.1	19.7	16.5

Table A.28 (concluded)

		2010	2011	2012	2013	2014				2015	
						Q1	Q2	Q3	Q4	Q1	Q2 ^a
Peru	Monetary base	24.2	31.3	31.2	21.1	-10.0	-11.4	-7.7	-5.4	-0.2	-1.2
	Money (M1)	28.0	19.9	18.9	14.0	4.0	3.3	3.7	6.9	8.0	6.2
	M2	27.8	18.8	23.6	18.5	-1.6	-0.8	2.1	4.1	6.9	5.1
	Foreign-currency deposits	-0.1	14.1	0.2	16.0	47.7	29.4	7.9	4.7	3.2	12.1
Uruguay	Monetary base	12.9	23.1	21.8	15.3	15.9	6.3	18.9	3.9	7.5	6.7
	Money (M1)	24.6	19.6	18.4	11.7	9.0	6.1	6.3	3.0	7.8	7.0
	M2	25.8	26.0	17.4	12.4	12.0	8.3	7.9	6.6	9.7	8.6
	Foreign-currency deposits	2.3	10.7	19.6	14.8	30.4	27.3	21.0	25.4	21.8	25.7
Venezuela (Bolivarian Republic of)	Monetary base	24.5	27.0	40.8	61.1	83.0	97.4	91.8	77.7	74.3	...
	Money (M1)	27.5	44.8	62.0	66.1	76.8	74.5	67.8	62.7	62.7	...
	M2	18.0	37.6	57.5	65.4	75.8	73.9	67.6	62.7	63.1	...
The Caribbean											
Antigua and Barbuda	Monetary base	0.9	20.1	29.4	13.2	...	...	...	...	...	...
	Money (M1)	-7.3	-6.6	-2.1	3.1	19.6	12.6	6.4	8.0	1.4 ^c	...
	M2	-3.1	-1.1	1.7	2.8	4.3	3.4	2.7	3.4	2.3 ^c	...
	Foreign-currency deposits	-45.2	5.8	-12.8	0.9	29.8	38.1	9.9	4.4	1.9 ^c	...
Bahamas	Monetary base	2.5	26.8	-7.8	2.2	18.3	11.0	12.3	14.2	...	...
	Money (M1)	2.8	6.2	8.6	5.6	3.9	5.4	6.8	17.2	...	...
	M2	2.8	2.3	1.1	-0.6	-1.4	-0.6	0.6	2.0	...	...
	Foreign-currency deposits	0.1	-2.7	11.6	15.8	23.3	11.2	-12.6	-21.4	...	...
Barbados	Monetary base	3.4	7.7	-0.9	10.6	-5.5	-0.2	10.6	19.2	28.3	31.4
	Money (M1)	1.7	-0.5	-20.3	5.5	9.5	11.3	7.2	9.7	6.2	14.1 ^b
	M2	-0.8	0.3	-5.7	3.5	2.6	3.0	-0.1	0.7	-0.3	4.5 ^b
Belize	Monetary base	-1.2	8.2	17.5	19.2	16.4	16.4	18.1	24.0	24.4	21.8 ^b
	Money (M1)	-0.9	9.1	24.0	13.7	10.3	12.6	14.1	18.8	14.2	11.8 ^b
Dominica	Monetary base	9.7	8.5	17.8	-0.0	...	...	...	...	...	...
	Money (M1)	-1.5	-2.1	9.8	2.5	0.9	0.9	-2.5	9.8	6.6 ^c	...
	M2	3.8	3.2	7.0	4.5	4.9	7.7	6.0	7.6	5.9 ^c	...
	Foreign-currency deposits	30.2	38.8	25.4	-6.1	1.6	12.0	12.3	29.5	31.2 ^c	...
Grenada	Monetary base	6.0	7.2	4.7	5.4	...	...	...	...	...	...
	Money (M1)	3.8	-7.3	2.9	5.4	13.9	28.5	29.9	24.5	24.0 ^c	...
	M2	3.4	0.4	1.8	3.0	3.5	6.0	6.1	5.1	4.4 ^c	...
	Foreign-currency deposits	-3.9	-5.5	5.5	-18.8	9.9	9.9	4.1	7.5	0.7 ^c	...
Guyana	Monetary base	17.7	17.4	15.2	6.6	-2.9	0.9	4.2	7.7	12.7	13.2 ^b
	Money (M1)	12.9	21.9	16.1	6.7	6.8	8.8	10.5	14.0	10.8	11.0 ^b
Jamaica	Monetary base	5.5	5.3	6.3	6.3	5.5	5.9	6.3	5.9	8.3	9.0
	Money (M1)	7.0	7.8	4.7	5.9	4.4	2.6	2.6	10.4	15.5	...
	M2	6.1	5.6	3.3	6.4	4.2	1.8	0.1	4.4	7.5	...
	Foreign-currency deposits	-0.9	-4.8	6.8	28.5	12.8	9.1	6.0	9.2	9.1	...
Saint Kitts and Nevis	Monetary base	-3.2	36.1	13.7	22.2	...	...	...	...	...	...
	Money (M1)	16.8	28.6	18.2	12.3	4.5	-2.2	-2.8	7.2	4.7 ^c	...
	M2	9.4	10.7	8.8	6.4	9.5	7.9	3.8	4.6	3.2 ^c	...
	Foreign-currency deposits	-9.0	-1.0	6.4	35.6	45.1	51.4	47.7	42.2	34.6 ^c	...
Saint Lucia	Monetary base	3.6	16.3	4.2	8.0	...	...	...	...	...	...
	Money (M1)	-4.3	4.0	3.2	2.2	3.8	5.6	10.5	8.9	7.9 ^c	...
	M2	0.2	4.9	3.7	3.5	1.4	-3.1	-1.6	-0.6	-0.4 ^c	...
	Foreign-currency deposits	-13.2	16.4	14.0	-10.1	14.5	69.6	55.5	39.2	41.3 ^c	...
Saint Vincent and the Grenadines	Monetary base	11.9	0.8	11.8	26.2	...	...	...	...	...	...
	Money (M1)	-0.5	-3.9	-0.4	9.6	6.8	5.2	3.9	7.1	13.7 ^c	...
	M2	2.2	1.9	1.2	8.6	9.4	8.3	7.3	7.6	8.0 ^c	...
	Foreign-currency deposits	-7.7	30.8	-7.3	29.2	7.4	37.2	1.8	16.4	39.6 ^c	...
Suriname	Monetary base	13.0	3.2	27.0	13.8	-11.0	-6.1	-5.3	-6.1	-10.2	-15.0
	Money (M1)	16.7	5.3	17.0	11.3	1.6	7.3	6.6	6.1	3.4	-8.2 ^b
	M2	18.2	7.0	20.0	17.7	6.9	9.2	9.1	7.2	4.8	-4.6 ^b
	Foreign-currency deposits	7.9	39.1	13.6	10.8	13.8	15.5	10.7	6.4	5.2	5.8 ^b
Trinidad and Tobago	Monetary base	24.7	14.1	15.4	19.5	12.3	11.8	2.1	6.4	-4.4	-6.0 ^b
	Money (M1)	25.5	17.2	15.4	19.2	22.2	26.0	16.4	15.4	6.1	-0.3 ^b
	M2	17.9	8.4	12.0	11.8	12.4	13.9	9.8	10.4	6.6	3.8 ^b
	Foreign-currency deposits	7.9	-4.0	4.7	12.6	-9.3	-4.3	-7.0 ^e	...	...	...

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

^a Figures as of May.

^b Figures as of April.

^c Figures as of February.

^d Figures as of October.

^e Figures as of July.

Table A.29
Latin America and the Caribbean: domestic credit
(Percentage variation with respect to the year-earlier period)

	2010	2011	2012	2013	2014				2015	
					Q1	Q2	Q3	Q4	Q1	Q2 ^a
Latin America										
Argentina	51.3	59.5	33.0	40.8	29.6	25.4	20.4	25.3	31.0	32.3 ^b
Bolivia (Plurinational State of)	13.0	18.8	22.7	21.6	19.2	18.6	17.0	16.9	...	...
Brazil	18.0	17.6	16.8	11.9	7.2	7.9	11.0	12.0	12.3	1.1 ^b
Chile	-0.1	12.1	15.1	9.3	9.7	7.1	6.8	7.6	5.4	...
Colombia	20.6	15.1	14.6	14.1	14.7	13.5	12.8	14.3	...	...
Costa Rica	4.6	12.4	11.7	9.2	18.7	20.6	21.5	20.1	13.0	16.3 ^b
Dominican Republic	7.5	9.5	12.1	12.4	12.5	10.8	9.4	13.9	10.2	15.2 ^b
Ecuador	33.6	31.5	21.5	16.7	20.2	19.4	12.1	15.1	14.5	11.7 ^b
El Salvador	2.2	3.5	9.6	5.5	10.8	12.0	9.2	6.7	6.8	6.2 ^b
Guatemala	5.6	15.2	11.3	12.6	12.8	13.5	11.1	11.2	12.0	11.5 ^b
Haiti	-23.0	-17.1	11.4	70.0	31.9	33.7	28.1	31.2	26.2	...
Honduras	10.0	10.8	18.0	9.6	7.2	8.2	6.2	6.3	9.1	8.8 ^b
Mexico	10.6	11.3	10.7	9.4	9.4	9.9	11.0	10.1	11.6	11.7 ^b
Nicaragua	-3.7	-6.3	22.5	24.8	14.9	12.4	12.1	8.0	10.6	11.3 ^b
Panama	9.5	18.8	18.1	12.9	13.9	14.1	11.5	19.0	5.7	6.1 ^b
Paraguay ^c	36.3	25.5	28.4	20.8	18.5	12.9	6.1	12.8	21.6	22.6
Peru	24.1	12.0	9.5	6.2	9.9	17.2	20.8	22.0	17.7	18.3
Uruguay	3.9	24.7	19.4	16.5	19.8	22.1	14.4	19.9	4.3	-1.1
Venezuela (Bolivarian Republic of) ^d	13.7	36.0	56.1	61.9	66.6	65.4	62.2	66.6	63.7 ^e	...
The Caribbean										
Antigua and Barbuda	0.6	-3.8	-3.0	-4.9	1.3	1.9	-1.5	-3.2	-4.2 ^f	...
Bahamas	3.4	0.8	4.0	1.9	-0.8	-0.1	0.5	0.2	...	...
Barbados	-0.5	-0.9	6.6	8.0	5.7	5.5	0.8	-2.3	-0.8	0.2 ^b
Belize	-0.4	-1.6	0.4	-2.6	-3.4	-3.0	-0.2	3.9	4.0	5.6 ^b
Dominica	12.5	13.7	7.6	7.7	4.4	2.6	-0.5	0.4	3.0 ^f	...
Grenada	3.9	2.6	5.0	-2.1	-8.7	-8.2	-8.9	-10.3	-10.2 ^f	...
Guyana	-0.8	34.5	40.1	26.3	22.7	18.0	9.7	14.3	12.0	3.7 ^b
Jamaica	-3.4	-4.1	11.7	16.0	11.8	16.3	13.3	15.6	6.2	...
Saint Kitts and Nevis	6.3	0.2	-9.0	-20.9	-25.4	-21.2	-15.3	-11.3	-8.7 ^f	...
Saint Lucia	-0.3	2.9	6.6	5.4	0.4	0.2	-4.0	-8.9	-10.4 ^f	...
Saint Vincent and the Grenadines	1.5	-7.2	-1.0	6.4	3.2	4.0	4.8	2.8	3.3 ^f	...
Suriname	21.4	20.8	10.3	23.5	24.4	20.5	21.9	20.9	19.9	20.6 ^b
Trinidad and Tobago	36.6	9.3	7.9	-20.4	-23.4	-30.5	-13.1	-26.2	-32.4	-31.0 ^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.

^e Figures as of January.

^f Figures as of February.

Table A.30
Latin America and the Caribbean: monetary policy rates
(Average rates)

	2010	2011	2012	2013	2014				2015	
					Q1	Q2	Q3	Q4	Q1	Q2
Latin America										
Argentina	12.3	11.8	12.8	14.6	25.8	27.3	26.7	26.9	26.5	26.2 ^a
Bolivia (Plurinational State of)	3.0	4.0	4.0	4.0	4.5	5.3	6.0	4.0	3.3	2.9 ^b
Brazil	9.9	11.8	8.6	8.3	10.6	11.0	11.0	11.3	12.3	13.0 ^b
Chile	1.5	4.8	5.0	4.9	4.3	4.0	3.5	3.1	3.0	3.0 ^b
Colombia	3.2	4.0	5.0	3.4	3.3	3.5	4.3	4.5	4.5	4.5 ^b
Costa Rica	8.1	5.6	5.0	4.5	4.1	5.1	5.3	5.3	4.9	4.1
Dominican Republic	4.2	6.4	5.9	5.2	6.3	6.3	6.3	6.3	6.3	5.5 ^b
Guatemala	4.5	4.9	5.3	5.1	5.0	4.8	4.5	4.3	3.8	3.5 ^b
Haiti	5.0	3.2	3.0	3.0	3.0	5.0	5.0	5.3	8.0	...
Honduras	4.5	4.8	6.6	7.0	7.0	7.0	7.0	7.0	6.8	6.5 ^b
Mexico	4.5	4.5	4.5	4.0	3.5	3.3	3.0	3.0	3.0	3.0 ^b
Paraguay	2.2	7.9	6.0	5.5	6.6	6.8	6.8	6.8	6.8	6.3
Peru	2.1	4.0	4.3	4.2	4.0	4.0	3.7	3.5	3.3	3.3 ^a
Uruguay ^c	6.3	7.5	8.8	9.3	...	...	...	...	...	...
Venezuela (Bolivarian Republic of)	6.3	6.4	6.4	6.2	6.4	6.5	6.4	6.4	6.3 ^d	...
The Caribbean										
Antigua and Barbuda	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5 ^a
Bahamas	5.3	4.8	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5 ^a
Barbados	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	...
Belize	18.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0 ^d	...
Dominica	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5 ^b
Grenada	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	...
Guyana	6.4	5.4	5.4	5.0	5.0	5.0	5.0	5.0	5.0	...
Jamaica	9.0	6.6	6.3	5.8	5.8	5.8	5.8	5.8	5.8 ^e	...
Saint Kitts and Nevis	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	...
Saint Lucia	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	...
Saint Vincent and the Grenadines	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	...
Trinidad and Tobago	4.7	3.2	2.9	2.8	2.8	2.8	2.8	3.1	3.4	3.8 ^a

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

^a Figures as of April.

^b Figures as of May.

^c As of June 2013, stop using the interest rate as an instrument of monetary policy.

^d Figures as of February.

^e Figures as of January.

Table A.31
Latin America and the Caribbean: representative lending rates
(Average rates)

	2010	2011	2012	2013	2014				2015	
					Q1	Q2	Q3	Q4	Q1	Q2
Latin America										
Argentina ^a	15.2	17.7	19.3	21.6	30.9	30.1	28.4	27.8	27.4	27.2 ^b
Bolivia (Plurinational State of) ^c	5.2	6.3	6.7	7.0	6.8	6.6	6.4	6.4	6.5	6.4 ^b
Brazil ^d	42.9	44.9	39.9	38.8	43.3	44.9	44.9	45.4	46.6	48.3 ^b
Chile ^e	11.8	12.4	13.5	13.2	12.1	11.7	10.4	9.0	9.7	10.2
Colombia ^f	9.4	11.2	12.6	11.0	10.8	10.5	11.3	10.9	11.4	11.2 ^b
Costa Rica ^g	19.8	18.1	19.7	17.4	16.4	16.8	16.6	16.7	16.7	16.0 ^b
Dominican Republic ^h	8.3	11.7	12.2	10.7	10.8	10.6	10.2	10.8	11.0	11.2 ^b
Ecuador ⁱ	9.0	8.3	8.2	8.2	8.2	8.0	8.1	8.2	7.5	8.3 ^b
El Salvador ^j	7.6	6.0	5.6	5.7	6.0	5.9	6.1	6.0	6.0	6.1 ^b
Guatemala ^g	13.3	13.4	13.5	13.6	13.8	13.8	13.8	13.7	13.5	13.3 ^b
Haiti ^k	20.7	19.8	19.4	18.9	18.5	19.0	18.3	18.5	19.1 ^l	...
Honduras ^g	18.9	18.6	18.4	20.1	20.5	20.6	20.6	20.7	20.8	20.7 ^m
Mexico ⁿ	5.3	4.9	4.7	4.3	3.9	3.7	3.3	3.3	3.4	3.5 ^b
Nicaragua ^o	13.3	10.8	12.0	15.0	14.6	14.5	13.2	11.8	11.5	12.3 ^b
Panama ^p	7.9	7.3	7.0	7.4	7.6	7.7	7.6	7.4	7.7	7.4 ^m
Paraguay ^q	12.5	16.9	16.6	16.6	17.6	15.8	14.9	14.4	14.3	14.9 ^m
Peru ^r	19.0	18.7	19.2	18.1	15.8	15.7	15.8	15.6	16.1	16.0 ^b
Uruguay ^s	12.0	11.0	12.0	13.3	17.5	18.2	16.3	16.7	17.3	16.6 ^b
Venezuela (Bolivarian Republic of) ^t	18.0	17.4	16.2	15.6	15.9	16.5	17.6	18.9	18.8	19.5 ^b
The Caribbean										
Antigua and Barbuda ^u	10.2	10.1	9.4	9.4	9.7	9.6	9.6	9.5	...	...
Bahamas ^v	11.0	11.0	10.9	11.2	11.1	12.0	12.1	12.1	11.9	12.2 ^m
Barbados ^u	9.5	9.3	8.6	8.5	8.6	8.5	8.5	8.6	8.6	8.5 ^m
Belize ^v	13.9	13.3	12.3	11.5	11.1	10.9	10.8	10.7	10.5	10.4 ^m
Dominica ^u	9.4	8.7	8.9	9.0	8.9	8.9	8.8	8.8	...	...
Grenada ^u	10.3	10.4	9.5	9.1	9.1	9.0	9.2	9.0	...	...
Guyana ^h	15.2	14.7	14.0	12.1	11.2	11.2	11.2	11.0	10.9	10.9 ^m
Jamaica ^w	20.3	18.3	17.8	16.3	15.6	14.8	14.9	15.0	15.0	15.0 ^m
Saint Kitts and Nevis ^u	8.5	9.2	8.5	8.4	8.8	8.9	8.7	8.6	...	...
Saint Lucia ^u	9.5	9.2	8.6	8.4	8.4	8.4	8.4	8.5	...	...
Saint Vincent and the Grenadines ^u	9.0	9.0	9.3	9.2	9.4	9.4	9.4	7.9	...	...
Suriname ^x	11.7	11.8	11.7	12.0	12.2	12.2	12.3	12.4	12.3	12.5 ^m
Trinidad and Tobago ^h	9.2	8.0	7.7	7.5	7.5	7.5	7.5	7.6	7.8	8.1

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 Figures as of May.

^c Nominal local-currency rate for 60-91-day operations.

^d Interest rate on total consumer credit.

^e Non-adjustable 90-360 day operations.

^f Weighted average of consumer, prime, ordinary and treasury lending rates for the working days of the month. Owing to the high turnover of treasury credit, its weighting was set at one fifth of the amount disbursed daily.

^g Weighted average of the system lending rates in local currency.

^h Average of the benchmark 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 Figures as of February.

^m Figures as of April.

ⁿ Weighted average rate of private debt issues of up to 1 year, expressed as a 28-day curve. Includes only stock certificates.

^o Weighted average of short-term lending rates in local currency.

^p Interest rate on one-year trade credit.

^q Commercial lending rate, local currency.

^r Market lending rate, average for transactions conducted in the last 30 business days.

^s Business credit, 30-367 days.

^t Average rate for loan operations for the six major commercial banks.

^u Lending rate, weighted average.

^v Weighted average of lending and overdraft rates.

^w Rate for personal and business loans, residential and other construction loans; weighted average.

^x Average lending rate.

Table A.32
Latin America and the Caribbean: consumer prices
(12-month percentage variation)

	2010	2011	2012	2013	2014				2015	
					March	June	September	December	March	May
Latin America and the Caribbean^a	6.5	6.9	5.7	7.6	8.4	8.9	9.3	9.5	...	...
Latin America and the Caribbean^b	5.4	5.7	4.9	4.9	5.7	6.1	6.4	6.3	6.1	6.0
Latin America										
Argentina	10.9	9.5	10.8	10.9	19.2	21.9	23.8	23.9	16.5	15.3
Bolivia (Plurinational State of)	7.2	6.9	4.5	6.5	6.1	7.3	4.3	5.2	4.8	4.1
Brazil	5.9	6.5	5.8	5.9	6.2	6.5	6.7	6.4	8.1	8.5
Chile	3.0	4.4	1.5	3.0	3.9	4.8	5.1	4.6	4.2	4.0
Colombia	3.2	3.7	2.4	1.9	2.5	2.8	2.9	3.7	4.6	4.4
Costa Rica	5.8	4.7	4.5	3.7	3.3	4.0	5.2	5.1	3.0	1.0
Cuba ^c	1.5	1.3	2.0	0.0	0.6	0.7	1.6	2.1	...	...
Dominican Republic	6.3	7.8	3.9	3.9	3.0	3.7	2.8	1.6	0.6	0.2
Ecuador	3.3	5.4	4.2	2.7	3.1	3.7	4.2	3.7	3.8	4.5
El Salvador	2.1	5.1	0.8	0.8	0.4	1.1	1.7	0.5	-0.8	-0.4
Guatemala	5.4	6.2	3.4	4.4	3.2	3.1	3.5	2.9	2.4	2.6
Haiti	6.2	8.3	7.6	3.4	3.2	4.2	5.3	6.4	6.4	6.6
Honduras	6.5	5.6	5.4	4.9	5.8	6.2	6.1	5.8	3.7	3.5
Mexico	4.4	3.8	3.6	4.0	3.8	3.8	4.2	4.1	3.1	2.9
Nicaragua	9.1	8.6	7.1	5.4	5.1	6.0	6.5	6.4	5.9	5.1
Panama	4.9	6.3	4.6	3.7	3.3	3.4	2.3	1.0	0.0	0.4
Paraguay	7.7	4.9	4.0	3.7	6.1	6.4	4.1	4.2	2.6	3.3
Peru	2.1	4.7	2.6	2.9	3.4	3.5	2.7	3.2	3.0	3.4
Uruguay	6.9	8.6	7.5	8.5	9.7	9.1	8.4	8.3	7.6	8.4
Venezuela (Bolivarian Republic of)	27.2	27.6	20.1	56.2	59.3	60.5	64.0	68.5	...	...
The Caribbean										
Antigua and Barbuda	2.9	4.0	1.8	1.1	0.7	0.8	1.6	1.3	1.4	...
Bahamas	1.4	3.2	0.7	0.8	1.2	1.2	1.3	0.2	1.5	1.6 ^d
Barbados	6.5	9.6	2.4	1.1	1.2	1.9	2.0	2.3	-0.8	...
Belize	0.0	2.6	0.8	1.6	1.4	1.5	0.9	-0.2	-0.9	-0.9
Dominica	2.3	1.3	3.4	-0.4	0.5	1.9	0.9	0.5	-2.5	...
Grenada	4.2	3.5	1.8	-1.2	-1.7	-1.3	0.1	-0.6	-1.0	...
Guyana	4.4	3.3	3.5	0.9	1.0	0.3	0.3	1.2	-1.0	...
Jamaica	11.7	6.0	8.0	9.7	8.3	8.0	9.0	6.2	4.0	3.9
Saint Kitts and Nevis	5.2	2.9	0.0	0.4	0.4	1.1	1.1	1.2	0.0	...
Saint Lucia	4.2	4.8	5.0	-0.7	3.7	2.5	5.5	3.7	-1.0	...
Saint Vincent and the Grenadines	0.9	4.7	1.0	0.0	-0.4	-0.2	0.3	0.1	-1.8	...
Suriname	10.3	15.3	4.4	0.6	3.0	2.1	3.9	3.9	2.7	2.7 ^d
Trinidad and Tobago	13.4	5.3	7.2	5.6	4.5	3.0	7.8	8.5	5.4	5.5

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

^a Weighted average.

^b Weighted average, the Bolivarian Republic of Venezuela is not included.

^c Refers to national-currency markets.

^d Twelve-month variation to April 2015.

Table A.33
Latin America and the Caribbean: fiscal balances
(Percentages of GDP)

	Primary balance				Overall balance			
	2011	2012	2013	2014	2011	2012	2013	2014
Latin America and the Caribbean^a	0.0	-0.1	-0.7	-0.4	-2.3	-2.1	-2.9	-2.7
Latin America^b	0.0	-0.2	-0.7	-1.1	-1.6	-1.9	-2.4	-2.8
Argentina	-0.1	-0.1	-1.4	-2.5	-1.9	-1.9	-2.6	-4.4
Bolivia (Plurinational State of) ^c	-0.2	2.7	2.0	-1.7	-1.1	1.8	1.4	-2.4
Brazil	2.2	1.9	1.5	-0.3	-2.4	-1.8	-2.7	-5.3
Chile	1.8	1.2	0.0	-1.0	1.3	0.6	-0.6	-1.6
Colombia	-0.3	0.1	-0.1	-0.4	-2.8	-2.3	-2.3	-2.4
Costa Rica	-1.9	-2.3	-2.9	-3.1	-4.1	-4.4	-5.4	-5.6
Cuba	...	...	...	...	3.0	6.7	1.9	0.5 ^d
Dominican Republic	-0.1	-2.8	-0.4	-0.1	-2.1	-5.2	-2.7	-2.6
Ecuador	-0.7	-1.0	-4.5	-5.0	-1.6	-2.0	-5.8	-6.4
El Salvador	-0.1	0.5	0.6	0.8	-2.3	-1.7	-1.8	-1.6
Guatemala	-1.3	-0.9	-0.6	-0.4	-2.8	-2.4	-2.1	-1.9
Haiti	1.9	2.0	-1.0	-0.5	1.6	1.7	-1.4	-0.9
Honduras	-3.2	-4.3	-5.8	-2.1	-4.6	-6.0	-7.9	-4.4
Mexico	-1.0	-1.1	-0.8	-1.2	-2.5	-2.6	-2.4	-2.9
Nicaragua ^c	1.5	1.5	1.0	0.6	0.5	0.5	0.1	-0.3
Panama	-1.1	-0.8	-2.0	-2.8	-3.3	-2.7	-4.0	-4.6
Paraguay	1.0	-1.4	-1.4	-0.7	0.7	-1.7	-1.7	-1.1
Peru ^c	2.1	2.4	1.5	0.6	1.0	1.3	0.5	-0.4
Uruguay	1.8	0.4	0.9	-0.1	-0.6	-1.9	-1.5	-2.3
Venezuela (Bolivarian Republic of)	-1.8	-2.2	1.0	-0.2 ^d	-4.0	-4.9	-1.9	-2.5 ^d
The Caribbean^e	-0.2	0.1	-0.7	0.6	-3.6	-3.2	-3.9	-2.7
Antigua and Barbuda	-2.7	1.1	-2.4	-0.6	-5.2	-1.3	-4.5	-3.2
Bahamas ^f	-3.4	-4.2	-1.7	-0.3	-5.7	-6.6	-4.3	-3.3
Barbados ^{g,h}	1.6	-1.4	-4.0	0.4 ^d	-4.4	-8.0	-11.2	-7.2 ^d
Belize ^g	2.0	1.5	0.9	-1.5 ^d	-1.4	-0.4	-1.7	-4.1 ^d
Dominica	-6.5	-7.2	-7.3	-0.3	-8.3	-8.7	-9.3	-2.1
Grenada	-0.7	-2.1	-3.4	-0.4	-3.2	-5.5	-6.6	-4.0
Guyana	-1.6	-3.6	-3.4	-4.3 ^d	-3.1	-4.7	-4.4	-5.3 ^d
Jamaica ^g	3.9	5.5	7.8	7.4	-5.9	-4.2	-0.6	-0.5
Saint Kitts and Nevis	8.9	17.2	17.4	13.3	2.5	11.2	13.5	10.1
Saint Lucia	-1.8	-3.0	-2.9	0.8	-4.6	-6.5	-6.7	-3.1
Saint Vincent and the Grenadines	-0.2	0.3	-3.7	-1.6	-2.7	-2.1	-6.2	-3.9
Suriname	-1.0	-1.8	-4.5	-4.3	-2.0	-2.7	-5.9	-5.1
Trinidad and Tobago ⁱ	-0.7	-0.4	-1.5	-1.1	-2.6	-2.4	-3.3	-2.9

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 on the basis of official budgets.

^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	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Latin America and the Caribbean^a	20.4	...	2.2	...	6.6	...	11.3	...	0.3	...
Latin America^b	19.0	...	3.6	...	5.9	...	9.3	...	0.3	...
Argentina ^c	30.6	32.5	6.9	7.0	8.6	9.4	14.9	15.8	0.2	0.3
Bolivia (Plurinational State of) ^c	23.8	23.7	2.0	2.0	6.6	6.5	14.5	14.2	0.7	0.9
Brazil ^c	33.4	...	8.6	...	9.7	...	14.8	...	0.2	...
Chile	18.2	18.1	1.4	1.4	6.8	6.5	9.8	10.0	0.1	0.2
Colombia	16.5	16.9	2.3	2.5	8.2	8.0	6.0	6.3	0.0	0.0
Costa Rica ^c	23.2	23.1	8.6	8.7	5.5	5.5	8.8	8.7	0.2	0.2
Cuba ^c	37.3	...	4.0	...	11.3	...	20.2	...	1.8	...
Dominican Republic	13.9	14.1	0.1	0.1	5.2	5.1	8.7	8.9	0.0	0.0
Ecuador	19.3	19.1	4.8	4.7	4.3	4.4	10.0	9.9	0.1	0.1
El Salvador	17.1	16.8	1.7	1.8	6.2	6.1	8.8	8.4	0.4	0.4
Guatemala ^c	13.0	12.8	2.0	1.9	4.0	4.1	6.9	6.7	0.1	0.1
Haiti ^d	12.2	12.1	...	...	2.6	2.9	7.8	7.3	1.8	1.9
Honduras	18.1	19.6	3.3	3.3	5.3	5.4	9.5	10.9	0.0	0.0
Mexico	11.4	12.3	1.7	1.7	5.9	5.6	3.6	4.8	0.2	0.2
Nicaragua	20.0	20.4	4.8	4.9	5.5	5.9	9.6	9.5	0.0	0.0
Panama	17.7	16.4	6.3	6.0	6.2	5.3	5.1	5.0	0.1	0.1
Paraguay	13.1	14.7	1.3	1.7	2.5	2.7	9.3	10.1	0.1	0.1
Peru	18.6	18.7	2.0	2.1	7.4	7.7	8.1	8.2	1.0	0.7
Uruguay	27.4	27.3	8.7	9.1	7.2	6.9	11.5	11.4	0.0	0.0
Venezuela (Bolivarian Republic of)	13.9	16.2	1.0	1.0	4.0	5.4	8.9	9.8	0.0	0.0
The Caribbean^{e,f}	21.1	21.7	...	...	7.3	7.4	13.6	14.1	0.2	0.2
Antigua and Barbuda	17.1	16.7	...	...	3.2	2.8	14.0	13.9	0.0	0.0
Bahamas ^g	14.4	14.7	...	...	1.4	1.2	11.3	11.3	1.7	2.2
Barbados ^{h,i}	23.9	30.6	...	...	8.8	9.2	14.9	21.1	0.2	0.3
Belize ^h	23.2	23.1	...	...	7.8	7.6	15.4	15.6	0.0	0.0
Dominica	21.7	21.5	...	...	4.8	4.4	17.0	17.1	0.0	0.0
Grenada	18.6	20.1	...	...	3.6	4.7	15.0	15.4	0.0	0.0
Guyana	20.6	20.1	...	...	8.0	8.3	12.6	11.8	0.0	0.0
Jamaica ^h	24.0	23.6	...	...	9.8	9.7	14.3	13.9	0.0	0.0
Saint Kitts and Nevis	20.2	21.2	...	...	4.6	5.0	15.5	16.2	0.0	0.0
Saint Lucia	22.6	23.2	...	...	6.4	6.2	16.2	17.1	0.0	0.0
Saint Vincent and the Grenadines	21.7	23.7	...	...	5.9	7.2	15.7	16.6	0.0	0.0
Suriname	17.9	15.3	...	...	9.6	7.7	8.3	7.5	0.0	0.0
Trinidad and Tobago ⁱ	28.4	28.4	...	...	21.4	22.6	6.9	5.7	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 October 1 to September 30. 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		Current expenditure		Interest payments on public debt		Capital expenditure		Primary expenditure	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Latin America and the Caribbean^a	22.7	22.2	25.5	24.8	20.3	20.1	2.3	2.4	5.1	4.9
Latin America^b	18.9	18.6	21.3	21.4	16.7	16.9	1.7	1.8	4.5	4.5
Argentina	19.3	21.4	21.9	25.8	19.1	21.5	1.2	1.9	2.8	4.3
Bolivia (Plurinational State of) ^c	36.8	36.5	35.4	38.9	21.9	22.9	0.6	0.7	13.6	16.1
Brazil	22.8	22.1	25.6	27.4	24.0	25.6	4.2	5.0	1.6	1.7
Chile	21.1	20.7	21.7	22.3	18.0	18.5	0.6	0.6	3.7	3.8
Colombia	16.9	16.7	19.2	19.1	16.1	16.1	2.2	2.1	3.1	3.0 ^d
Costa Rica	14.4	13.9	19.8	19.6	18.2	17.8	2.6	2.6	1.6	1.7
Cuba	43.1	30.6	41.1	30.0 ^d	32.6	26.8 ^d	...	...	7.4	3.0
Dominican Republic	14.6	15.1	17.3	17.7	14.0	14.9	2.3	2.5	3.3	2.7
Ecuador	21.6	20.3	27.4	26.6	15.1	14.9	1.2	1.4	12.3	11.7
El Salvador	16.3	15.8	18.1	17.3	15.0	14.6	2.3	2.4	3.0	2.8
Guatemala	11.6	11.5	13.8	13.4	10.8	10.5	1.6	1.4	3.0	2.9
Haiti	13.3	13.2	14.5	13.5	10.8	11.6	0.4	0.4	3.7	1.9
Honduras	17.0	18.7	24.9	23.1	19.8	17.9	2.1	2.3	5.2	5.2
Mexico	16.8	16.9	19.3	19.8	16.1	16.9	1.6	1.6	3.1	2.9
Nicaragua ^c	17.4	17.5	17.3	17.8	13.5	13.8	0.9	0.9	3.8	4.0
Panama	16.2	15.0	20.2	19.6	11.3	11.8	1.9	1.8	8.9	7.8
Paraguay	17.2	17.9	18.9	19.0	16.5	16.6	0.3	0.4	2.3	2.4
Peru ^c	19.2	18.8	18.7	19.3	14.0	14.6	1.1	1.0	4.7	4.7
Uruguay	20.7	19.9	22.2	22.2	20.8	20.8	2.4	2.3	1.4	1.4
Venezuela (Bolivarian Republic of)	25.8	21.1	27.8	23.6 ^d	23.0	19.2 ^d	3.0	2.4 ^d	4.7	4.4 ^d
The Caribbean^e	26.7	26.9	30.5	29.5	24.6	24.3	3.2	3.3	5.7	5.6
Antigua and Barbuda	18.5	18.1	22.9	21.4	21.6	19.7	2.0	2.6	1.3	1.6
Bahamas ^f	17.2	20.7	21.5	24.0	17.9	20.1	2.5	3.0	2.7	3.2
Barbados ^{g,h}	26.9	28.0	37.9	35.1 ^d	35.9	33.0 ^d	7.0	7.5 ^d	1.4	1.8 ^d
Belize	29.0	27.9	30.8	32.1 ^d	23.9	24.5 ^d	2.6	2.7 ^d	6.8	7.5 ^d
Dominica	27.5	28.6	36.8	30.7	25.3	24.3	2.0	1.8	11.5	11.5
Grenada	20.8	25.8	27.3	29.8	20.5	20.4	3.1	3.6	6.8	9.4
Guyana	23.6	22.6	28.0	27.9 ^d	19.9	20.2 ^d	1.0	1.0 ^d	8.2	7.7 ^d
Jamaica ^g	28.5	26.1	29.0	26.6	25.9	25.1	8.4	7.9	3.1	1.5
Saint Kitts and Nevis	47.1	42.0	33.6	31.9	26.8	26.2	3.9	3.2	6.8	5.7
Saint Lucia	24.5	26.1	31.2	29.1	23.5	23.2	3.7	3.9	7.7	5.9
Saint Vincent and the Grenadines	26.9	28.1	33.1	32.0	25.3	26.1	2.5	2.3	7.8	5.8
Suriname	22.6	20.0	27.0	24.3	22.7	19.6	1.3	1.3	4.3	4.8
Trinidad and Tobago ⁱ	33.5	35.6	36.8	38.5	31.0	32.7	1.8	1.6	5.8	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 on the basis of official budgets.

^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.36
Latin America and the Caribbean: non-financial public sector gross public debt
(Percentages of GDP)

	2007	2008	2009	2010	2011	2012	2013	2014
Latin America and the Caribbean^a	47.9	46.8	50.9	50.8	50.0	51.3	53.0	53.2
Latin America^a	32.9	31.4	33.0	31.7	31.3	32.9	34.4	35.7
Argentina	52.9	46.4	43.8	36.3	33.8	34.9	38.8	43.0
Bolivia (Plurinational State of) ^b	40.7	37.2	39.5	38.1	33.7	31.3	30.4	29.5
Brazil ^c	57.2	57.5	60.9	53.6	50.8	56.4	56.7	58.9
Chile	8.7	11.6	12.1	14.7	17.8	19.0	20.5	24.0
Colombia ^d	44.3	43.7	45.1	46.2	42.8	40.5	43.1	46.0
Costa Rica	31.8	29.7	34.0	35.7	37.7	41.8	44.4	48.9
Dominican Republic ^e	17.0	23.2	27.2	27.7	28.7	32.3	37.7	37.0
Ecuador	27.0	22.1	16.3	19.6	18.3	21.2	24.2	30.0
El Salvador	37.0	36.9	45.2	45.1	44.1	47.9	46.3	46.5
Guatemala	21.6	20.1	23.3	24.4	23.9	24.5	24.8	24.5
Haiti ^{e,f}	33.6	42.3	34.3	22.8	23.9	28.0	30.5	32.1
Honduras ^e	17.4	20.1	23.9	29.2	31.5	35.0	42.7	45.0
Mexico ^g	22.4	26.5	34.3	31.7	34.4	33.9	36.8	39.8
Nicaragua	32.9	29.4	34.2	34.8	32.6	32.2	32.2	31.5
Panama	49.6	41.9	45.4	43.0	38.5	37.6	37.3	39.2
Paraguay	19.0	17.3	16.8	14.9	11.5	14.2	15.2	18.6
Peru	29.9	26.9	23.7	23.5	22.1	20.4	19.6	20.1
Uruguay	62.5	48.9	49.4	43.5	43.4	45.7	41.5	42.6
Venezuela (Bolivarian Republic of) ^e	19.2	14.0	18.2	18.4	25.2	27.5	31.1	21.3 ^h
The Caribbean^a	69.8	69.4	76.9	78.6	77.4	78.3	80.1	78.8
Antigua and Barbuda	81.1	81.5	95.7	87.1	86.7	89.4	95.1	95.4
Bahamas ^e	36.9	37.4	44.1	45.7	50.2	54.5	59.1	65.8
Barbados	62.4	67.2	76.0	87.7	93.0	96.2	105.2	108.7
Belize	83.6	79.4	82.2	72.3	70.7	72.8	78.5	77.6
Dominica	81.2	72.0	66.4	73.1	70.7	72.7	75.5	74.1
Grenada	82.9	79.1	90.0	91.8	86.8	88.6	103.3	99.1
Guyana	61.2	62.9	67.0	68.0	66.7	63.6	58.1	50.1
Jamaica	110.9	112.3	126.3	131.7	131.4	133.9	135.5	132.7
Saint Kitts and Nevis	134.6	127.6	142.0	151.4	141.1	129.3	102.1	78.0
Saint Lucia	64.7	61.9	64.0	65.5	66.3	71.0	76.4	78.4
Saint Vincent and the Grenadines	55.5	58.4	64.7	66.7	65.5	67.0	64.9	72.2
Suriname ^e	23.0	27.8	27.7	27.5	26.8	27.1	34.5	33.1
Trinidad and Tobago ^g	28.8	34.5	54.4	53.8	50.1	52.4	52.9	58.6

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

^a Simple averages.

^b Refers to the external debt of the non-financial public-sector and central-government domestic debt.

^c General government.

^d Consolidated non-financial public sector.

^e Central government.

^f Does not include public sector commitments to commercial banks.

^g Public sector.

^h Preliminary figures.

Table A.37
Latin America and the Caribbean: central government gross public debt
(Percentages of GDP)

	2007	2008	2009	2010	2011	2012	2013	2014
Latin America^a	30.6	29.1	30.7	29.0	29.0	30.6	32.0	33.0
Argentina	52.9	46.4	43.8	36.3	33.8	34.9	38.8	43.0
Bolivia (Plurinational State of)	37.2	34.0	36.3	34.6	34.5	29.1	28.4	26.9
Brazil ^b	57.2	57.5	59.7	52.0	50.8	56.4	56.7	58.9
Chile	3.9	5.1	5.8	8.7	11.1	12.0	12.8	15.1
Colombia	33.3	34.1	34.6	33.7	33.4	32.7	35.4	38.7
Costa Rica	27.6	24.8	27.4	28.8	30.3	35.2	36.2	38.8
Dominican Republic	17.0	23.2	27.2	27.7	28.7	32.3	37.7	37.0
Ecuador	25.2	20.6	14.9	17.8	17.3	20.2	23.1	27.8
El Salvador	34.9	34.4	42.6	42.6	41.7	45.7	44.0	44.2
Guatemala	21.4	19.9	22.8	24.0	23.7	24.3	24.6	24.4
Haiti ^c	33.6	42.3	34.3	22.8	23.9	28.0	30.5	32.1
Honduras	17.4	20.1	23.9	29.2	31.5	35.0	42.7	45.0
Mexico	20.6	24.0	27.2	27.2	27.5	28.2	29.8	32.0
Nicaragua	32.3	28.6	32.3	33.3	31.9	31.5	31.5	30.9
Panama	49.0	41.4	41.7	39.7	37.9	37.0	36.8	38.9
Paraguay	15.9	14.3	14.6	14.1	12.1	12.6	13.6	16.6
Peru	25.8	23.1	22.8	20.7	18.4	18.2	17.3	17.9
Uruguay	57.2	44.5	53.3	39.9	38.4	40.2	36.9	37.4
Venezuela (Bolivarian Republic of)	19.2	14.0	18.2	18.4	25.2	27.5	31.1	21.3 ^d

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

^a Simple averages.

^b General government.

^c Does not include public sector commitments to commercial banks.

^d Preliminary figures.

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