

Economic and Social Panorama of Latin America and the Caribbean



UNITED NATIONS



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Executive Secretary

Committee of the Whole of ECLAC
New York, January 2017

Long-term megatrends

- Geopolitical changes and new global roles for China, Europe and the United States
- The fourth industrial revolution: robotics, ICTs, biotechnology and nanotechnology
- The future of work
- Climate change
- Growing inequality
- The demographic transition and migration



The political economy of hyperglobalization

- A fragmented trading system combined with more protectionism and growing uncertainty about mega-agreements
- An international system with few financial regulations and weak multilateral mechanisms, especially in the international tax system, leaving room for tax avoidance and evasion, as well as a high degree of financialization:
 - **Favours stronger actors (businesses and governments) with greater bargaining and market power**
 - **Middle-class crisis /perception of losers who are resentful of globalization's winners**
 - **Future generations have no voice**



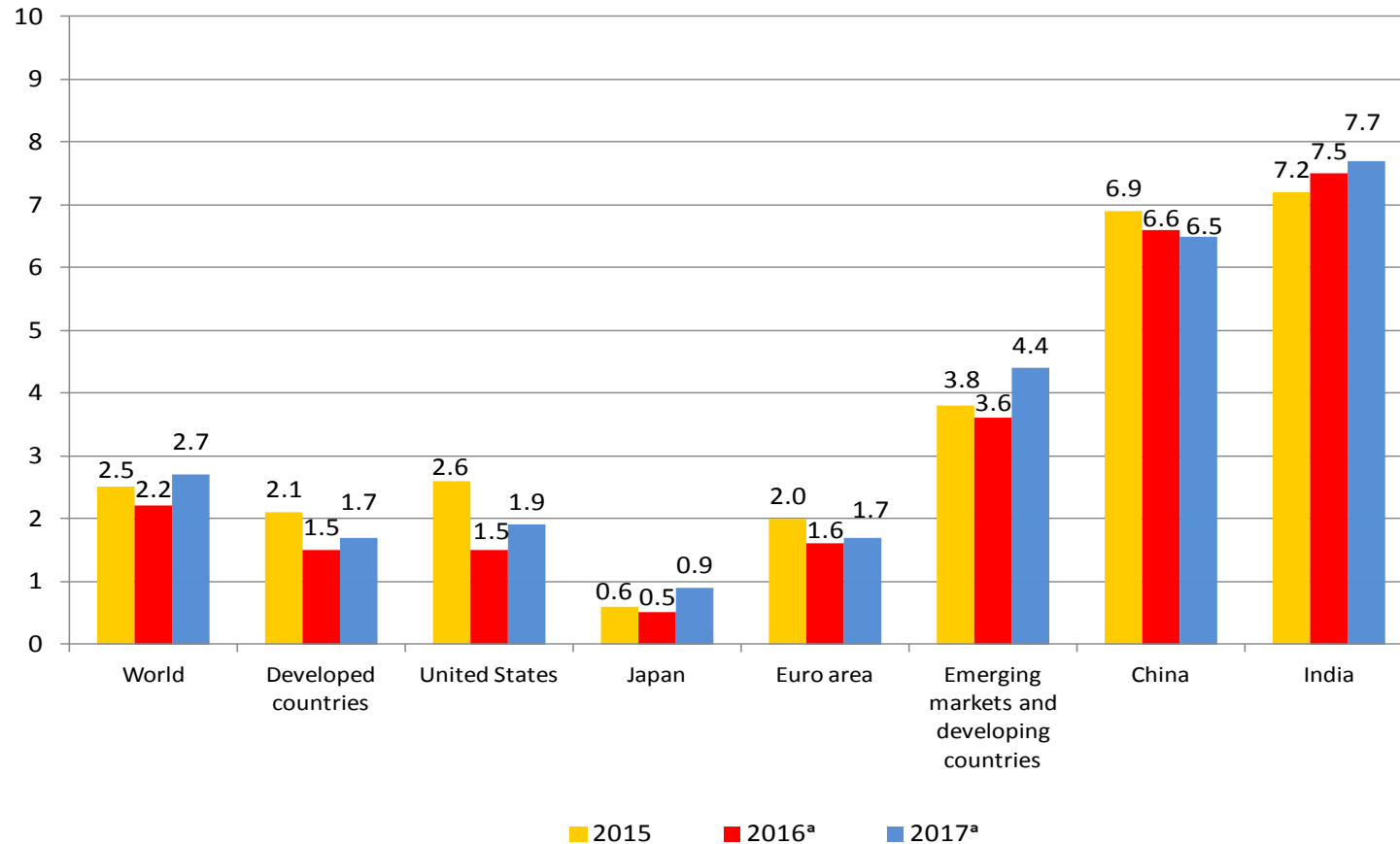
Complex external conditions (2017)

- Global growth recovered slightly (2.7% vs. 2.2% in 2016) and buoyant global trade (growth rates between 1.8% and 3.1% vs. 1.7% in 2016)
- Rising commodity prices
- Uncertainty about the effects of reviews of free trade accords and mega-agreements (TPP, FTAs, Brexit)
- Greater financial volatility: expansionary monetary policy in Europe and Japan and the normalization of interest rates in the United States



Slow global growth

SELECTED REGIONS AND COUNTRIES: GDP GROWTH, 2015-2017^a
(Percentages)



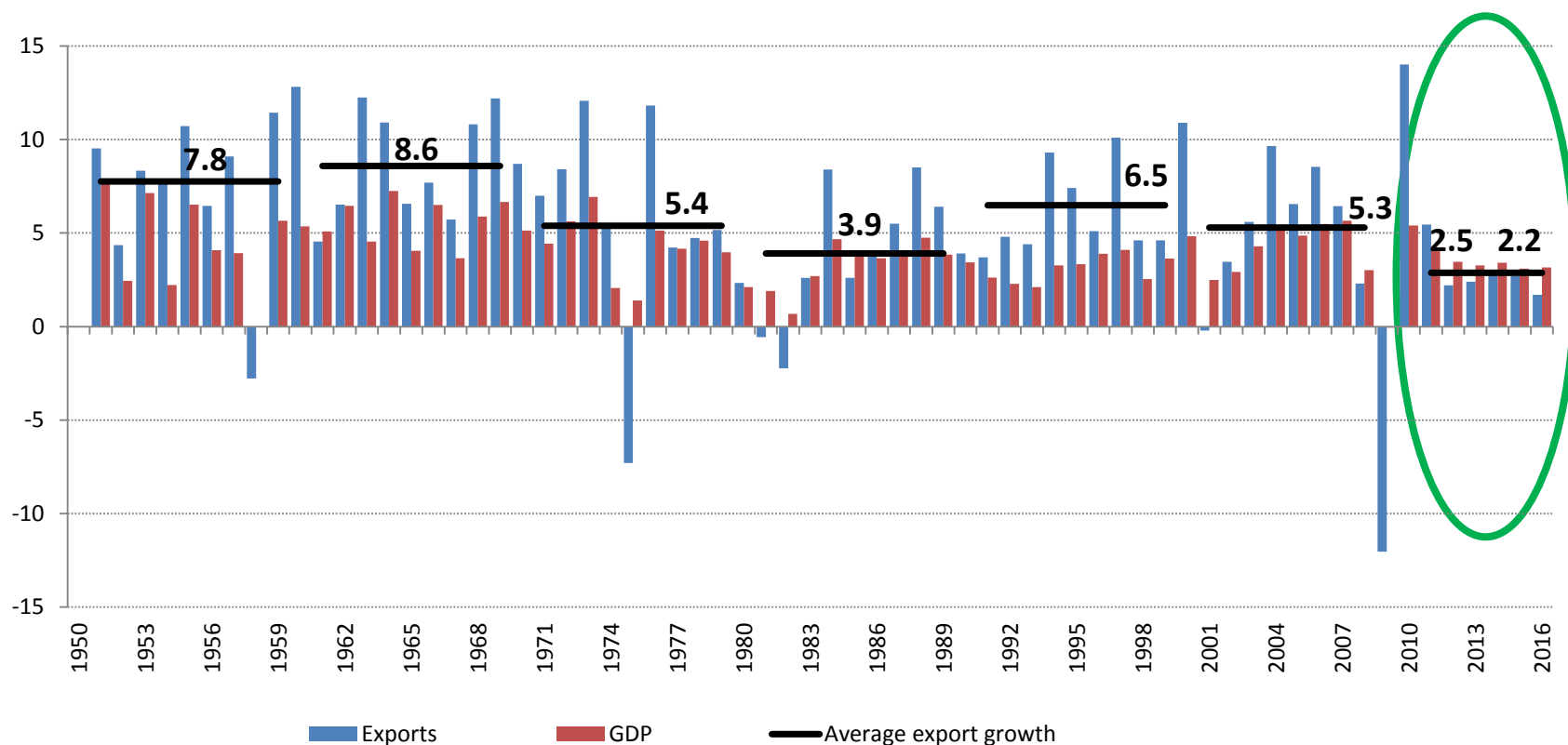
Source: ECLAC, on the basis of United Nations, World Economic Situation and Prospects (WESP) 2015, 2016, 2017 (forthcoming) and WEO (IMF, October 2016).

^a The figures for 2016 and 2017 are estimates and projections, respectively, both from WESP 2017, forthcoming.



Global output and trade have picked up in 2017 but have not returned to pre-crisis levels

VARIATION IN THE VOLUME OF GLOBAL MERCHANDISE EXPORTS AND GDP, 1952-2016^a
(Percentages)



Source: ECLAC, on the basis of World Trade Organization (WTO) and International Monetary Fund (IMF).

^a The figures for 2016 are projections.



Rate of variation in commodity prices

INTERNATIONAL COMMODITY PRICES, 2015, 2016^a AND 2017^b
(Percentages)

	2015	2016 ^a	2017 ^b
Agricultural products	-16	3	2
Foods, tropical beverages and oils	-18	4	2
Foods	-15	8	2
Tropical beverages	-21	-1	5
Oils and oilseeds	-22	0	2
Raw materials	-6	-1	0
Energy	-42	-16	19
Crude oil	-47	-16	20
Minerals and metals	-23	-4	3
Total primary products	-29	-6	8
Total primary products (excl. energy)	-19	-0.2	2

Source: ECLAC, on the basis of Bloomberg, World Bank, International Monetary Fund (IMF) and The Economist Intelligence Unit (EIU).

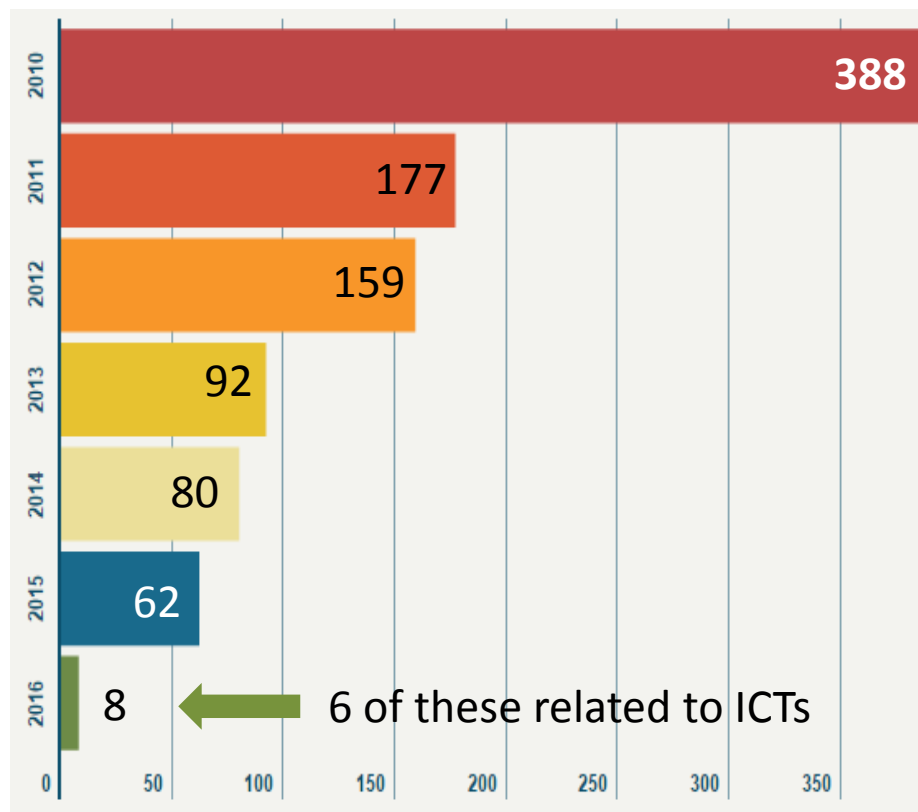
^a Estimates.

^b Projections.



A more integrated —but more unequal— world

WORLD: NUMBER OF MULTIMILLIONAIRES HOLDING THE WEALTH OF THE POOREST 50%, 2010-2016

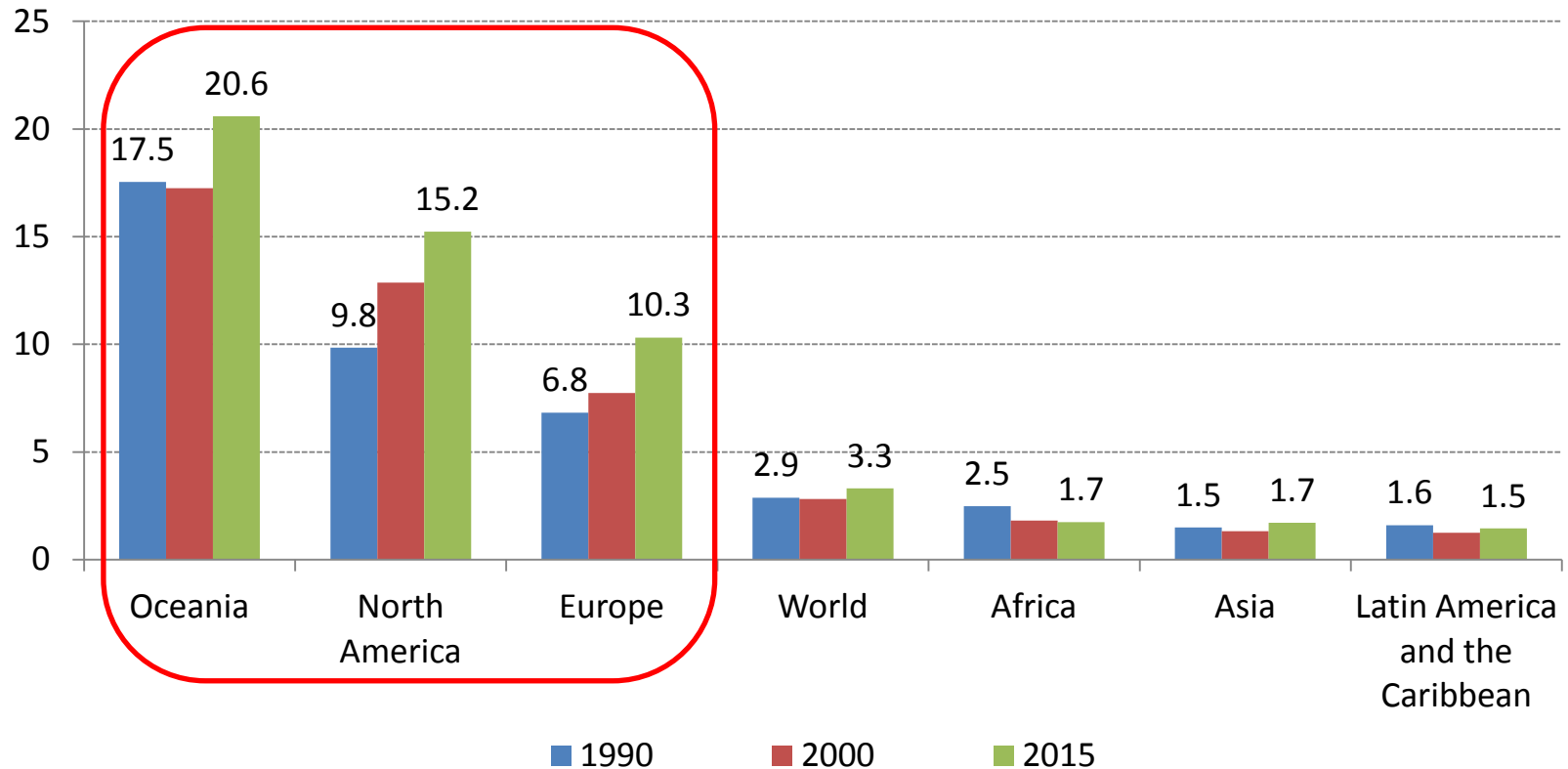


Source: Euronews [online] <http://www.euronews.com/2017/01/16/oxfam-eight-men-own-as-much-wealth-as-poorest-half-of-world-s-population> on the basis of Oxfam, "An Economy for the 1%", 2017 [online] https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bp-economy-for-99-percent-160117-en.pdf



Migration to developed regions is on the rise

INTERNATIONAL MIGRANT STOCK AS A SHARE OF THE TOTAL POPULATION, 1990, 2000 AND 2015
(Percentages)



Source: ECLAC, on the basis of data from United Nations, *Trends in International Migrant Stock: The 2015 Revision* (POP/DB/MIG/Stock/Rev.2015), New York, Department of Economic and Social Affairs (DESA).

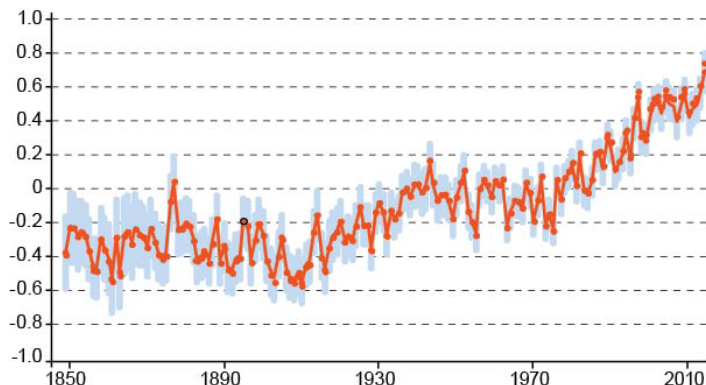


“The greatest market failure the world has ever seen”

ENVIRONMENTAL IMPACT OF THE PREVAILING GROWTH PATTERN

A. Anomalies in the combined land and ocean surface temperatures, 1850-2015

(Degrees Celsius, temperature difference every year with respect to the average for 1961-1990)

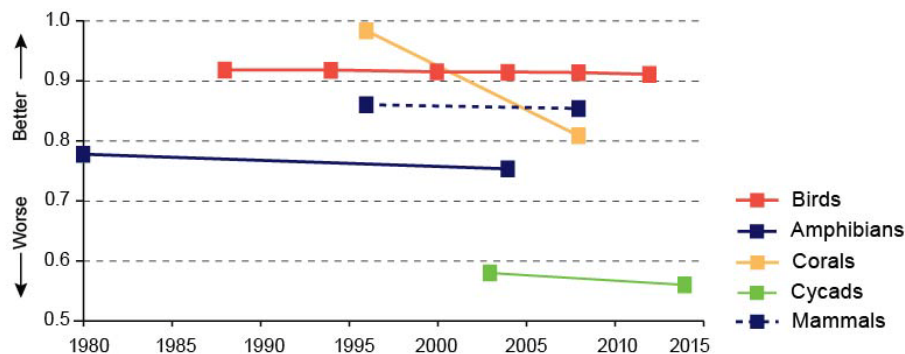


B. Summer Arctic sea ice extent, 1978-2015

(Millions of square kilometres)



C. Index of the Red List of Threatened Species of mammals, birds, amphibians, corals and cycads of the International Union for Conservation of Nature and Natural Resources (IUCN), 1980-2014



Source: ECLAC, on the basis of World Bank, World Development Indicators and International Union for Conservation of Nature (IUCN).



The region's weaknesses

The region is falling behind

- Growing less than more dynamic world regions
- Slowdown in trade
- Little investment in physical assets, human capital or R&D
- Persistent external vulnerability

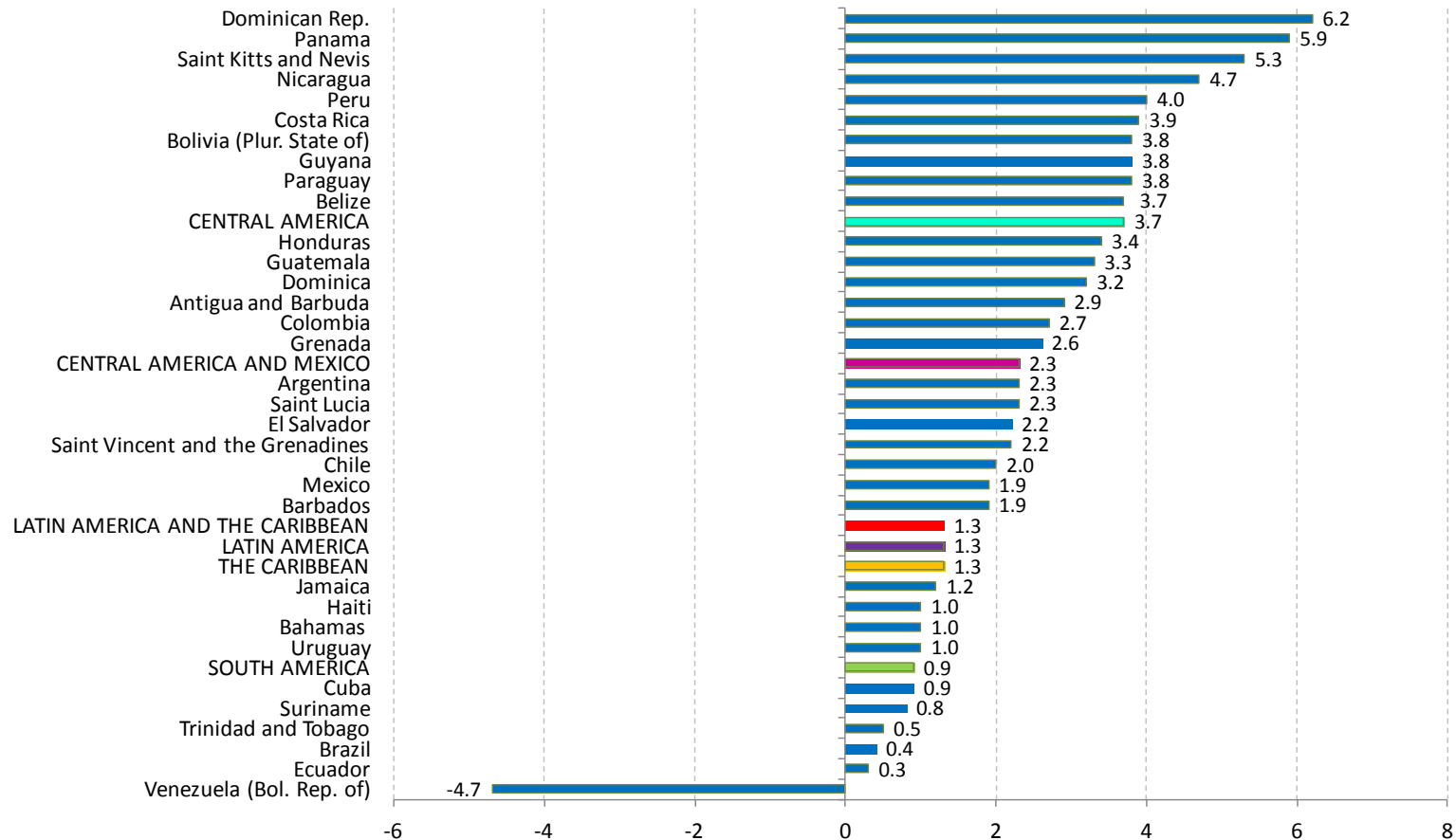
Persistent structural disequilibria

- Undiversified production structure
- Innovation effort and performance lagging behind
- Poverty reduction has stalled and income and wealth concentration are on the rise
- Vulnerability to climate change



A slight recovery in regional growth is projected for 2017

LATIN AMERICA AND THE CARIBBEAN: GDP GROWTH RATES, 2017^a
(Percentages)



Source: ECLAC, on the basis of official figures.

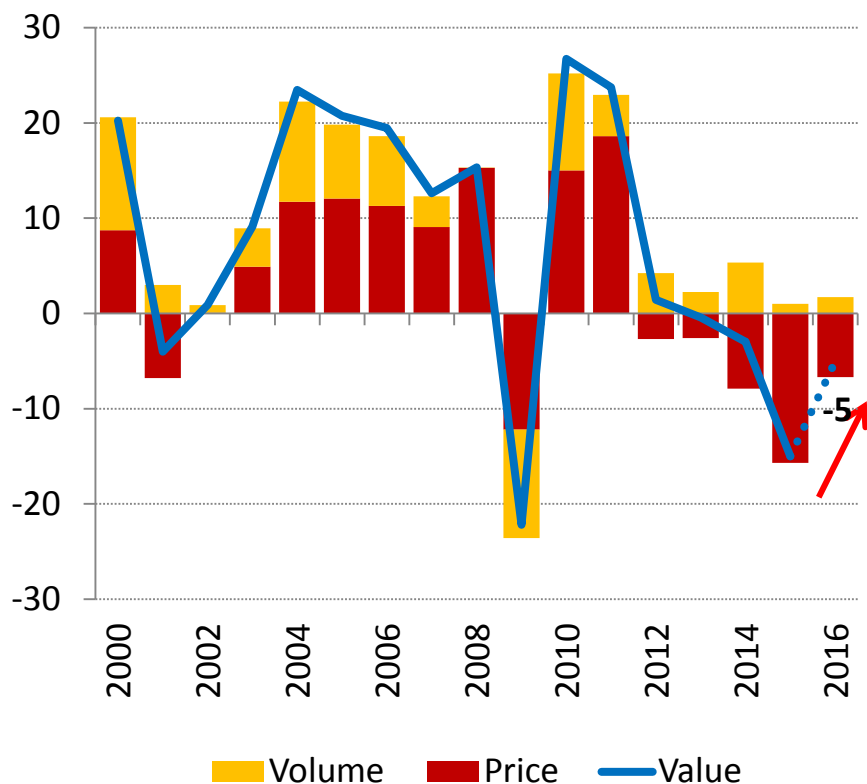
^a Projections.



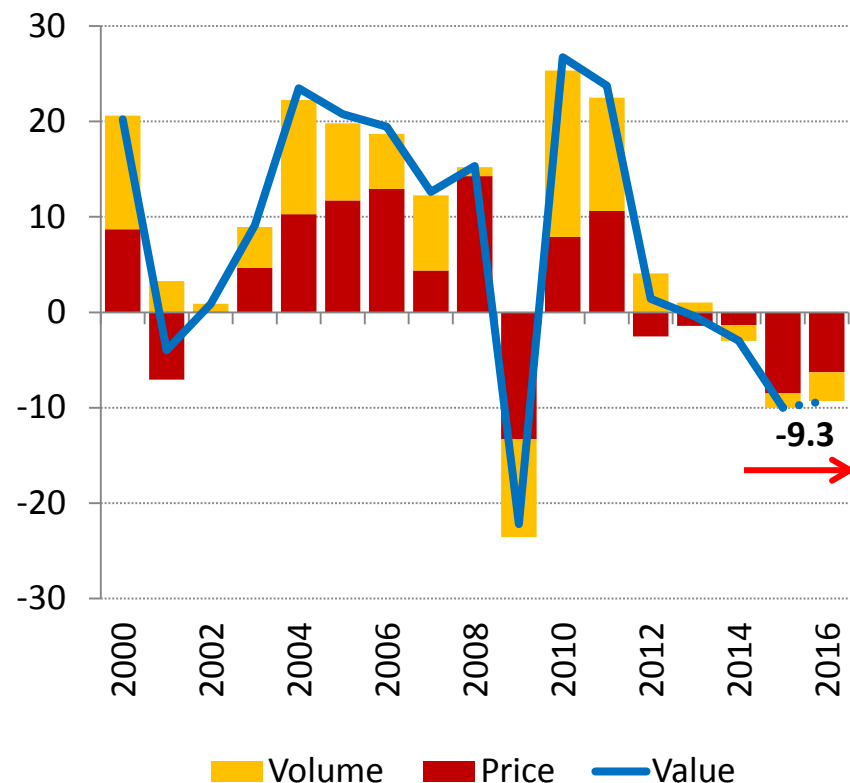
In 2016 the region's exports are projected to fall 5% and its imports 9%, completing four years of contraction

LATIN AMERICA AND THE CARIBBEAN: ANNUAL VARIATION IN MERCHANDISE TRADE, 2000-2016
(Percentages)

(A) Exports



(B) Imports

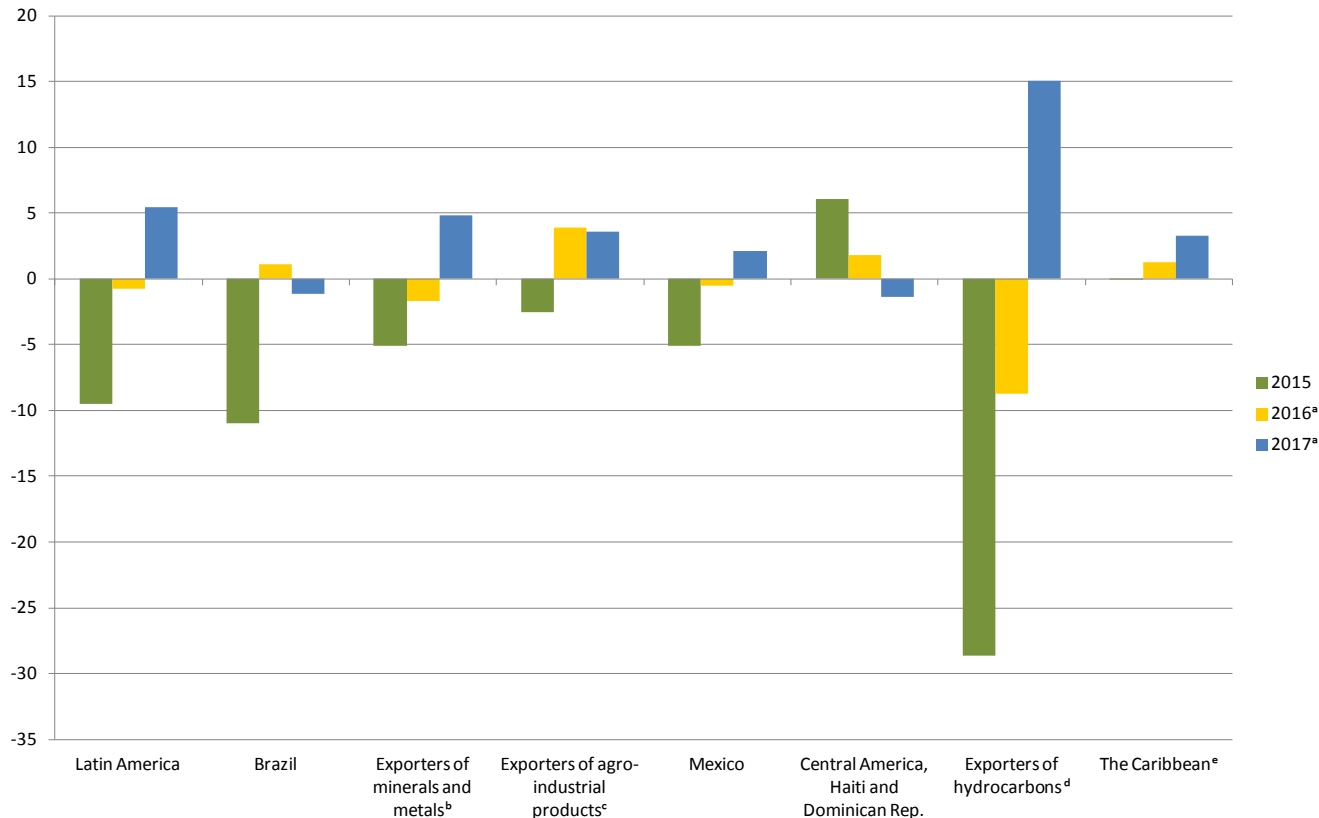


Source: ECLAC, on the basis of official data from the countries.



The terms of trade are expected to improve in 2017 for commodity-exporting countries

**LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES AND GROUPINGS):
VARIATION IN THE TERMS OF TRADE, 2015-2017^a**
(Percentages)



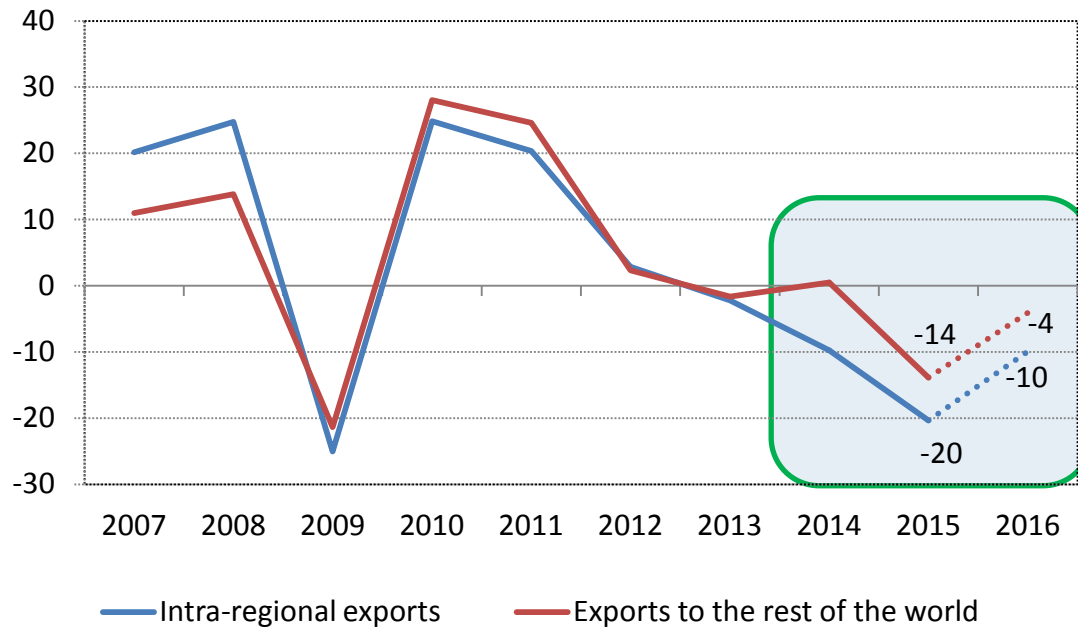
Source: ECLAC, on the basis of official figures.

^a The figures for 2016 and 2017 are estimates and projections, respectively. ^b Chile and Peru. ^c Argentina, Paraguay and Uruguay. ^d Bolivia (Plur. State of), Colombia, Ecuador, Trinidad and Tobago, and Venezuela (Bol. Rep. of). ^e Excluding Trinidad and Tobago.



As in 2014 and 2015, intraregional trade has fallen the most, especially in South America

LATIN AMERICA AND THE CARIBBEAN: ANNUAL VARIATION IN THE VALUE OF GOODS EXPORTS TO THE REGION AND TO THE REST OF THE WORLD, 2007-2016^a
(Percentages)



VARIATION IN THE VALUE OF INTRA-GROUPING GOODS EXPORTS, JANUARY-JUNE 2016 WITH RESPECT TO SAME PERIOD OF 2015
(Percentages)

Grouping	Variation
Andean Community	-19.1%
Pacific Alliance	-12.0%
MERCOSUR	-11.7%
CARICOM	-7.8%
Central American Common Market	-1.3%

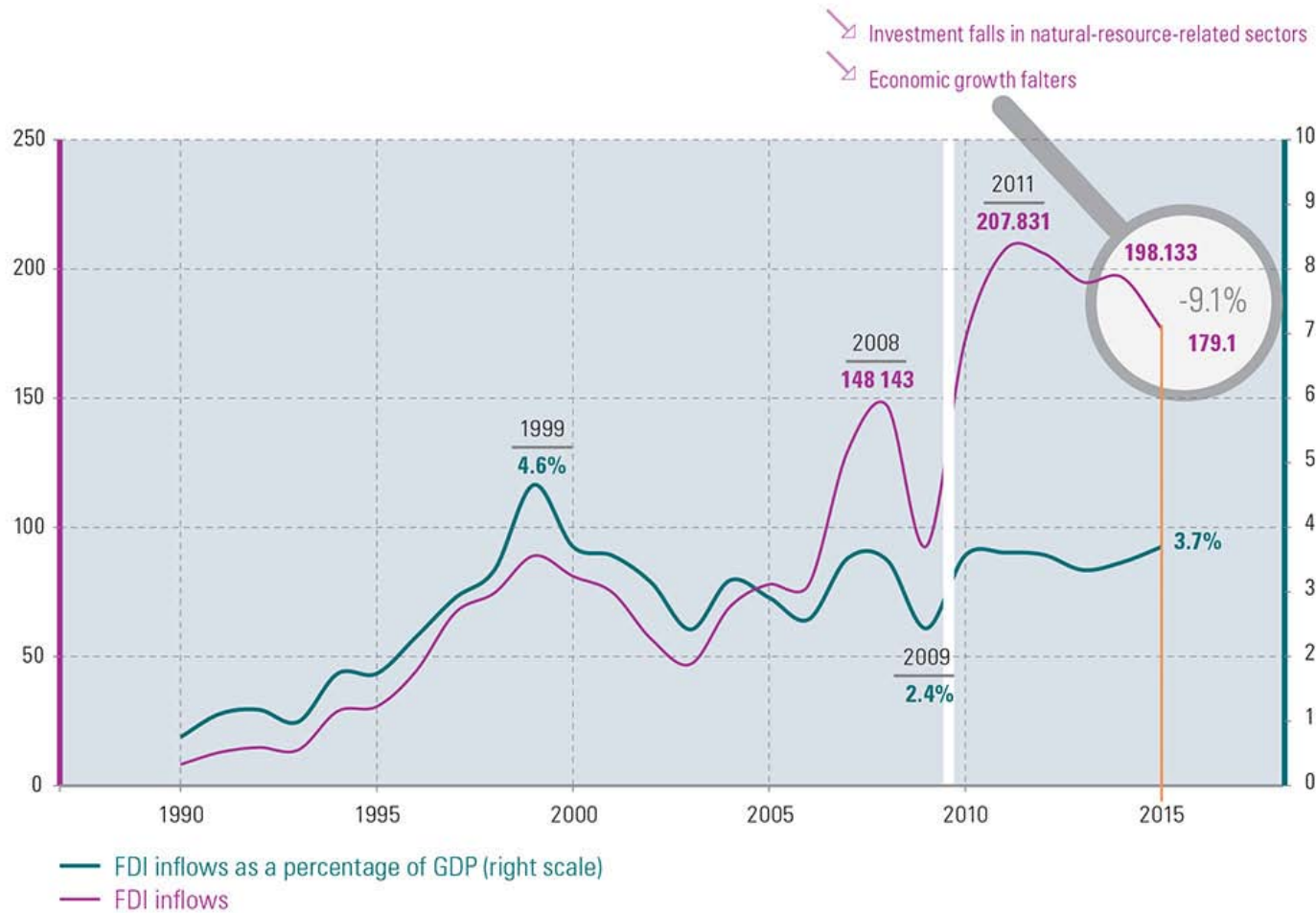
Source: ECLAC, on the basis of official data from the countries.

^a The figures for 2016 are projections.



FDI in the region dropped 9.1% in 2015

LATIN AMERICA AND THE CARIBBEAN: FOREIGN DIRECT INVESTMENT (FDI) INFLOWS, 1990-2015
(Billions of dollars and percentages of GDP)

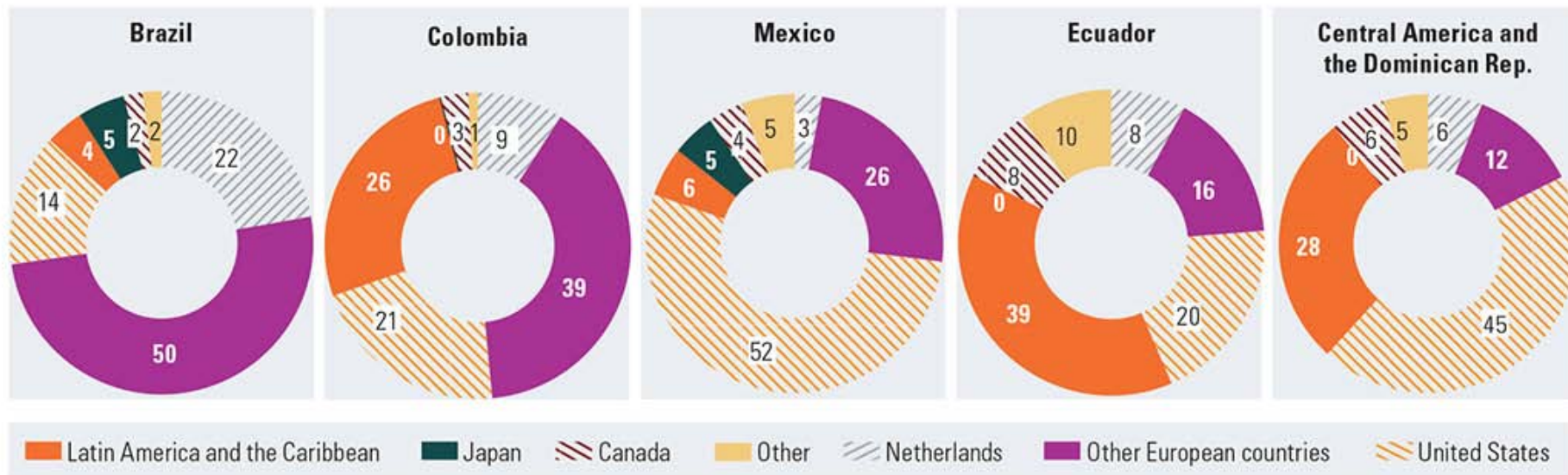


Source: ECLAC, on the basis of official figures at 27 May 2016.



Origin of FDI

LATIN AMERICA (SELECTED SUBREGIONS AND COUNTRIES): ORIGIN OF FDI, 2015
(Percentages)



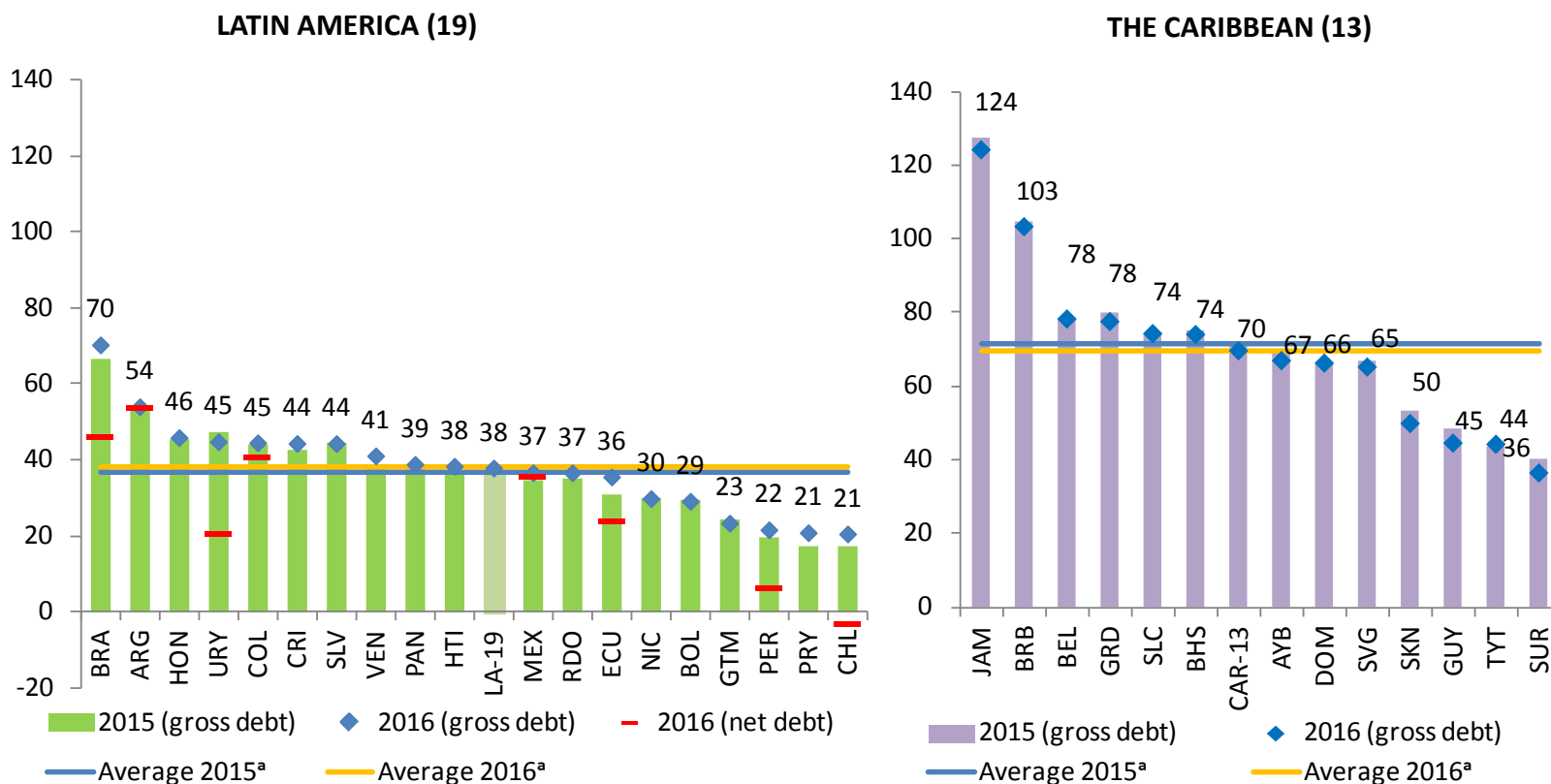
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as of 27 May 2016.

Note: Central America here includes Costa Rica, El Salvador, Guatemala and Honduras. The figures exclude FDI for which the origin cannot be determined, ie, FDI of unknown origin or originating in tax havens. In countries for which data are available, FDI of undetermined origin accounts for 5.9% of inflows.



Public debt dynamics show different degrees of vulnerability

LATIN AMERICA AND THE CARIBBEAN: CENTRAL GOVERNMENT PUBLIC DEBT,^a 2015 AND 2016
(Percentages of GDP)



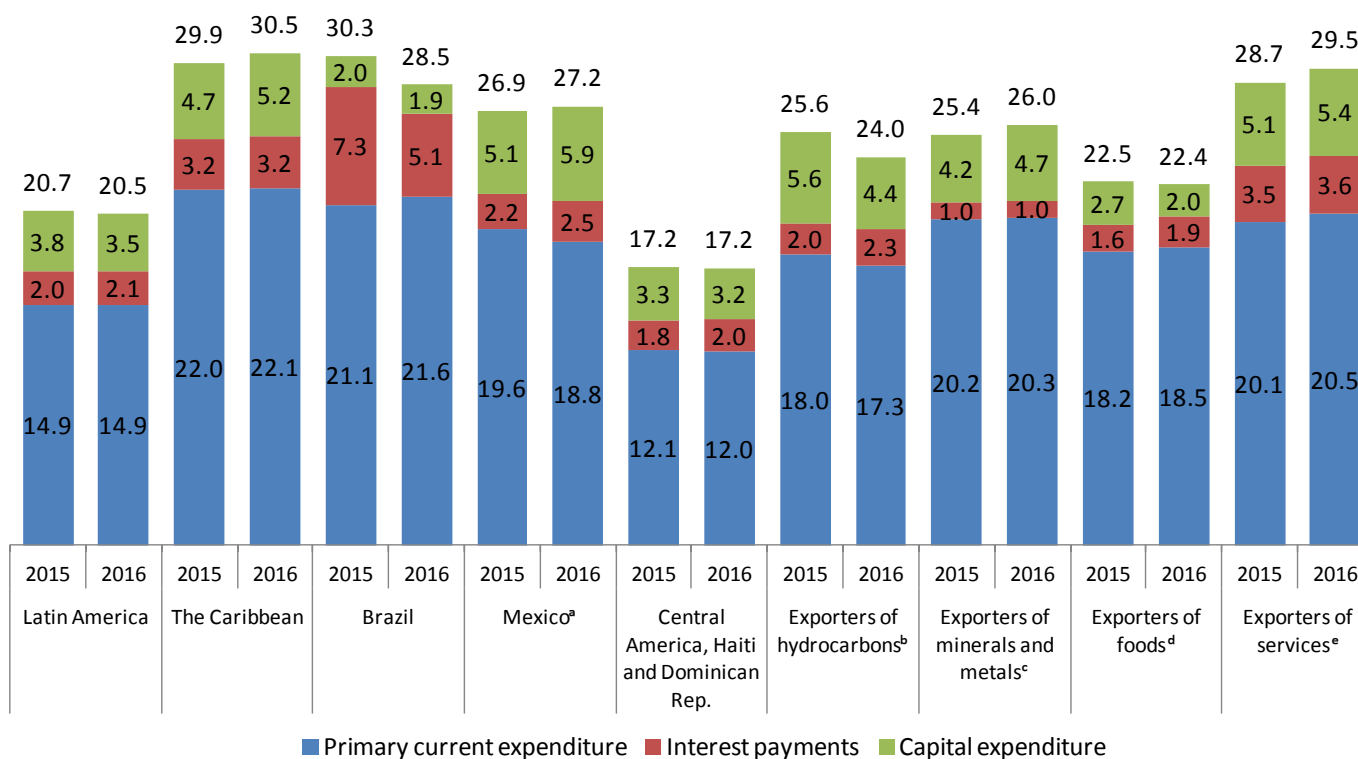
Source: ECLAC, on the basis of official figures.

^a Simple average.



The public spending adjustment has deepened, especially in capital spending

LATIN AMERICA AND THE CARIBBEAN: CENTRAL GOVERNMENT PUBLIC SPENDING, DISAGGREGATED BY SUBREGION AND COUNTRY GROUPING, 2015 AND 2016
(Percentages of GDP)



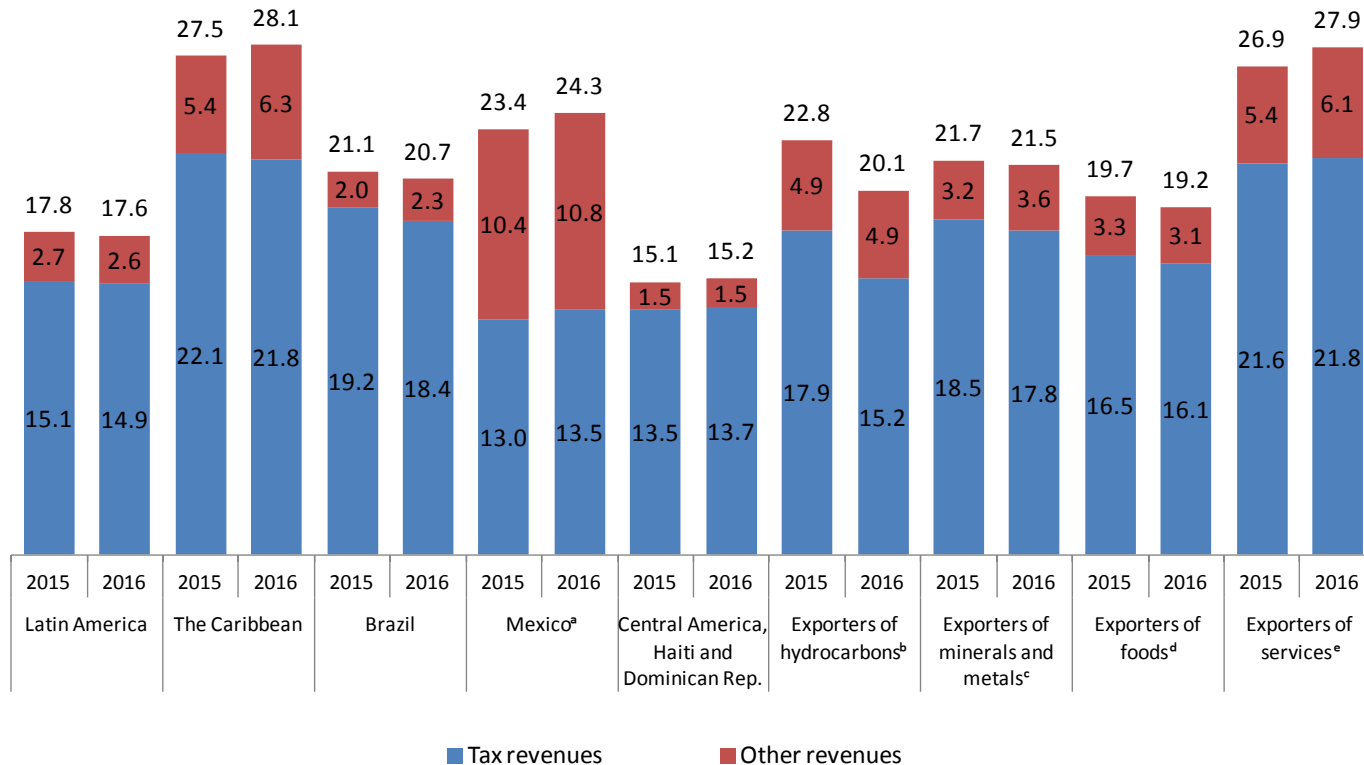
Source: ECLAC, on the basis of official figures.

^a General public sector. ^b Colombia, Ecuador and Trinidad and Tobago. ^c Chile, Guyana, Peru and Suriname. ^d Argentina, Paraguay and Uruguay. ^e Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Jamaica, Panama, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.



Tax pressure fell in the region in 2016 for the first time in seven years

LATIN AMERICA AND THE CARIBBEAN: TOTAL FISCAL REVENUES AND TAX INCOME OF THE CENTRAL GOVERNMENT, BY SUBREGION AND COUNTRY GROUPING, 2015 AND 2016
(Percentages of GDP)



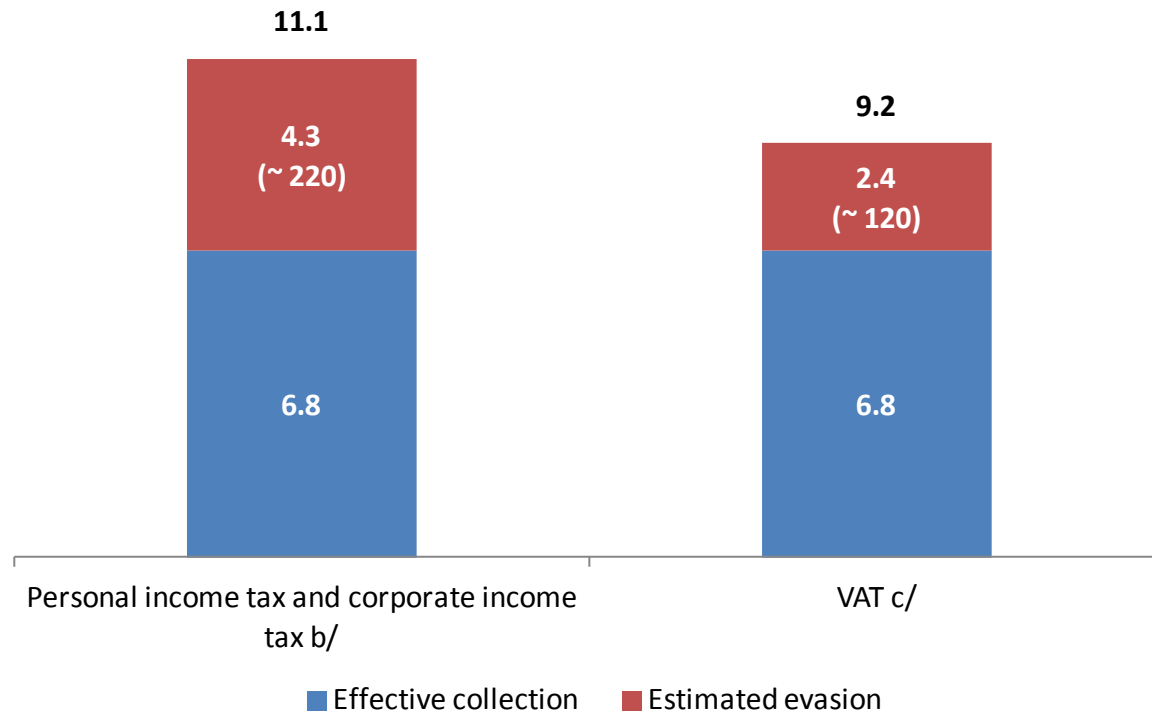
Source: ECLAC, on the basis of official figures.

^a General public sector. ^b Colombia, Ecuador and Trinidad and Tobago. ^c Chile, Guyana, Peru and Suriname. ^d Argentina, Paraguay and Uruguay. ^e Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Jamaica, Panama, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.



Tax evasion amounted to 6.7 points of GDP in 2015

LATIN AMERICA: TAX COLLECTION AND ESTIMATED TAX EVASION, 2015^a
(Percentages of GDP and billions of dollars)



Estimated evasion:
US\$ 340 billion
(6.7% of GDP)

Source: ECLAC, on the basis of official figures.

^a Effective collection and estimated evasion are calculated on the basis of the take for the two taxes expressed in dollars; the sum of this value is presented as a percentage of the GDP of the reporting countries (weighted average). Finally, these percentages are applied to the GDP of Latin America to calculate the regional value in dollars.

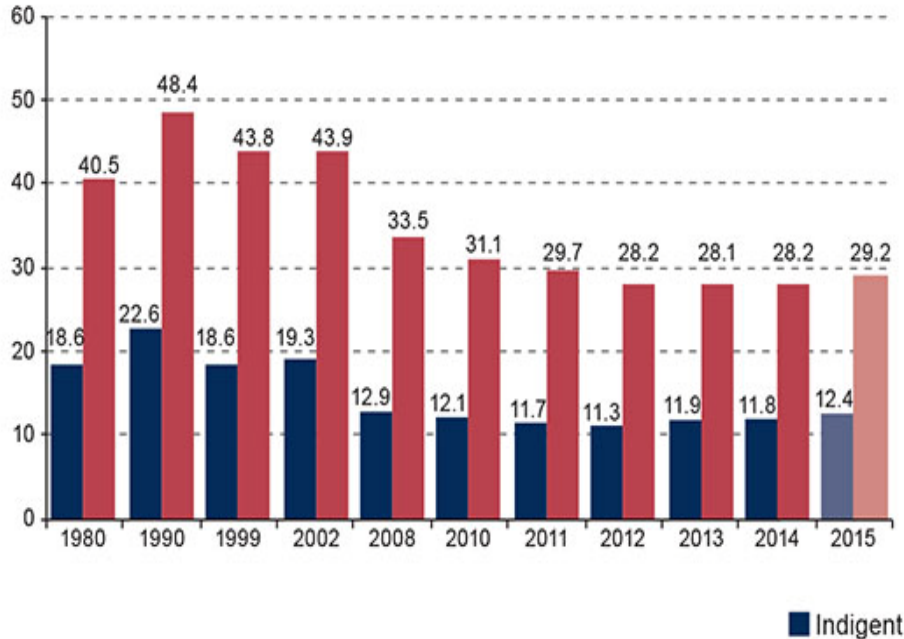
^b Estimate on the basis of data from Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Mexico and Peru.

^c Estimate on the basis of data from Argentina, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Peru and Uruguay.

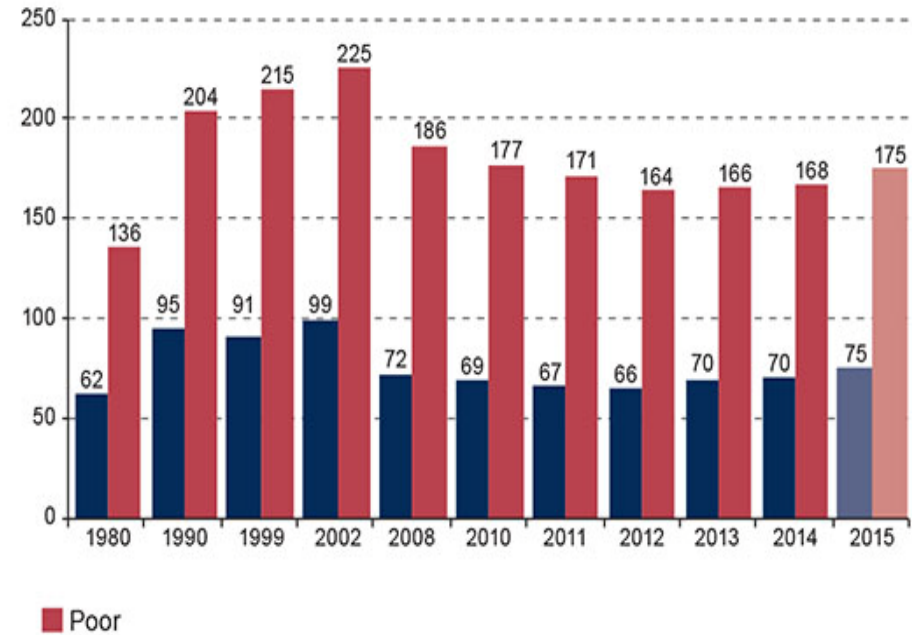


Latin America and the Caribbean: poverty and indigence, 1990-2015

Percentages



Millions of people



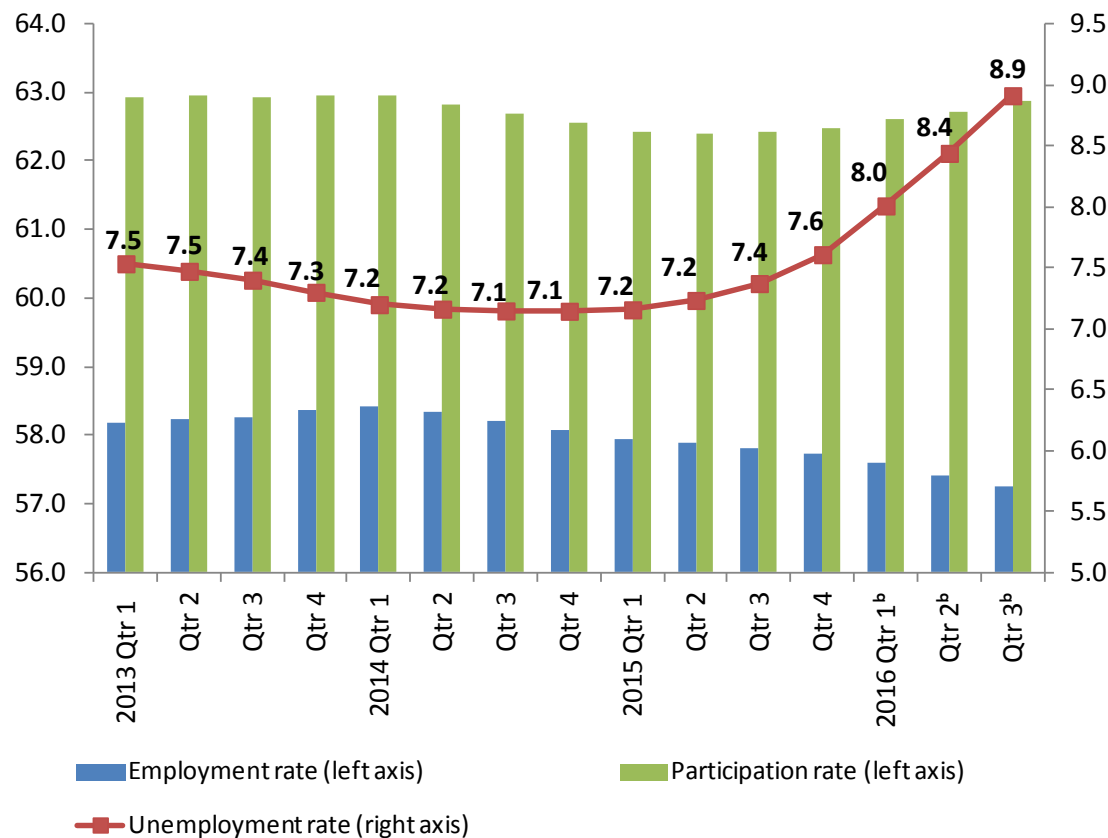
Source: ECLAC, Social Panorama of Latin America, 2015. Briefing paper, Santiago, 2016.



The unemployment rate is rising

LATIN AMERICA AND THE CARIBBEAN (SIMPLE AVERAGE FOR 12 COUNTRIES):^a RATES OF URBAN PARTICIPATION, EMPLOYMENT AND UNEMPLOYMENT, ROLLING YEARS, FIRST QUARTER 2013 – THIRD QUARTER 2016^b

(Percentages)



Source: ECLAC, on the basis of official figures.

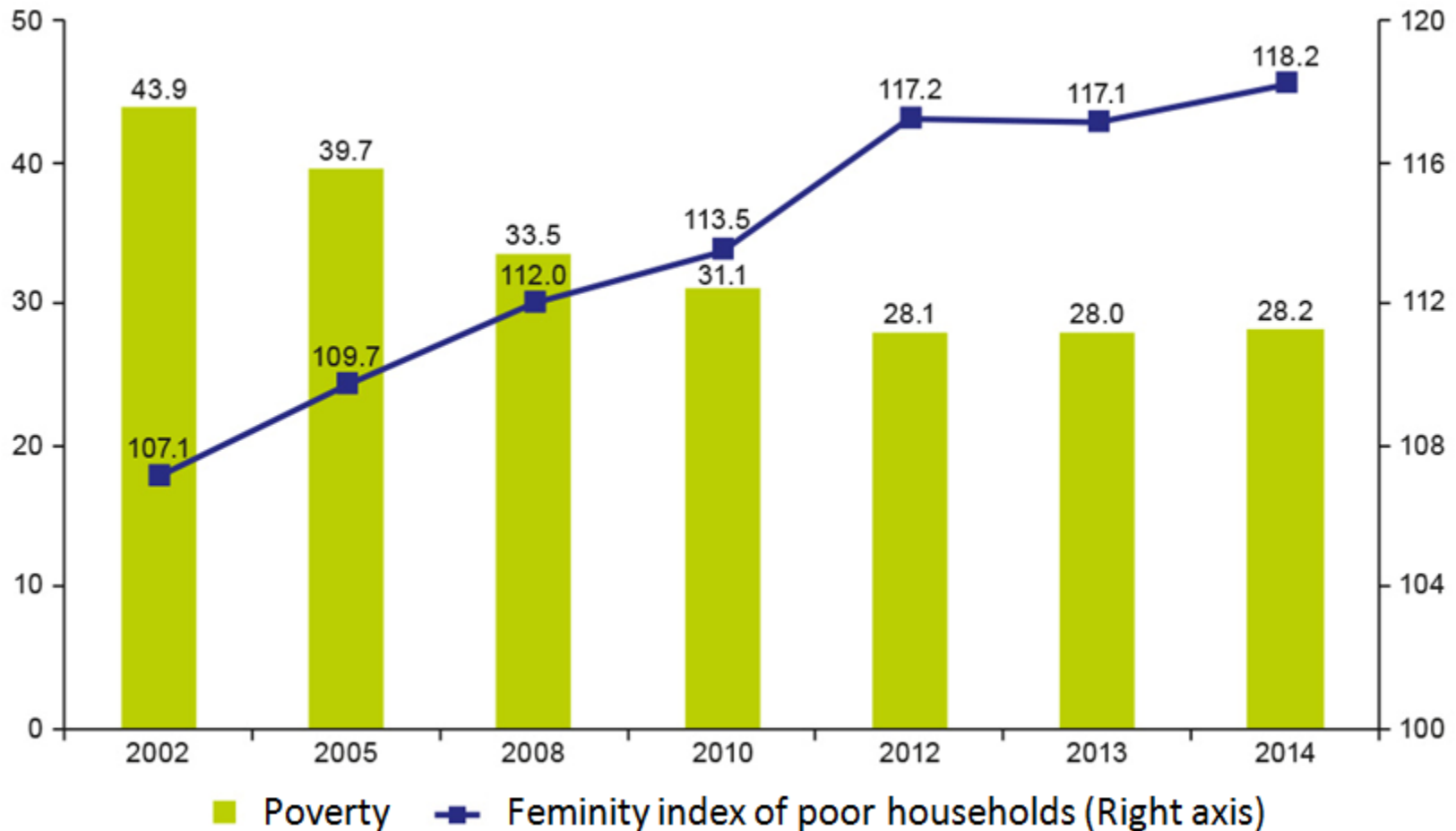
^a Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Jamaica, Mexico, Paraguay, Peru, Uruguay and Venezuela (Bol. Rep. of). Includes estimates for partial data.

^b Preliminary data.



The reduction in poverty levels has not benefited women and men equally

LATIN AMERICA (18 COUNTRIES): INCIDENCE OF POVERTY AND FEMININITY INDEX OF POOR HOUSEHOLDS, 2002-2014
(Percentages and indices)

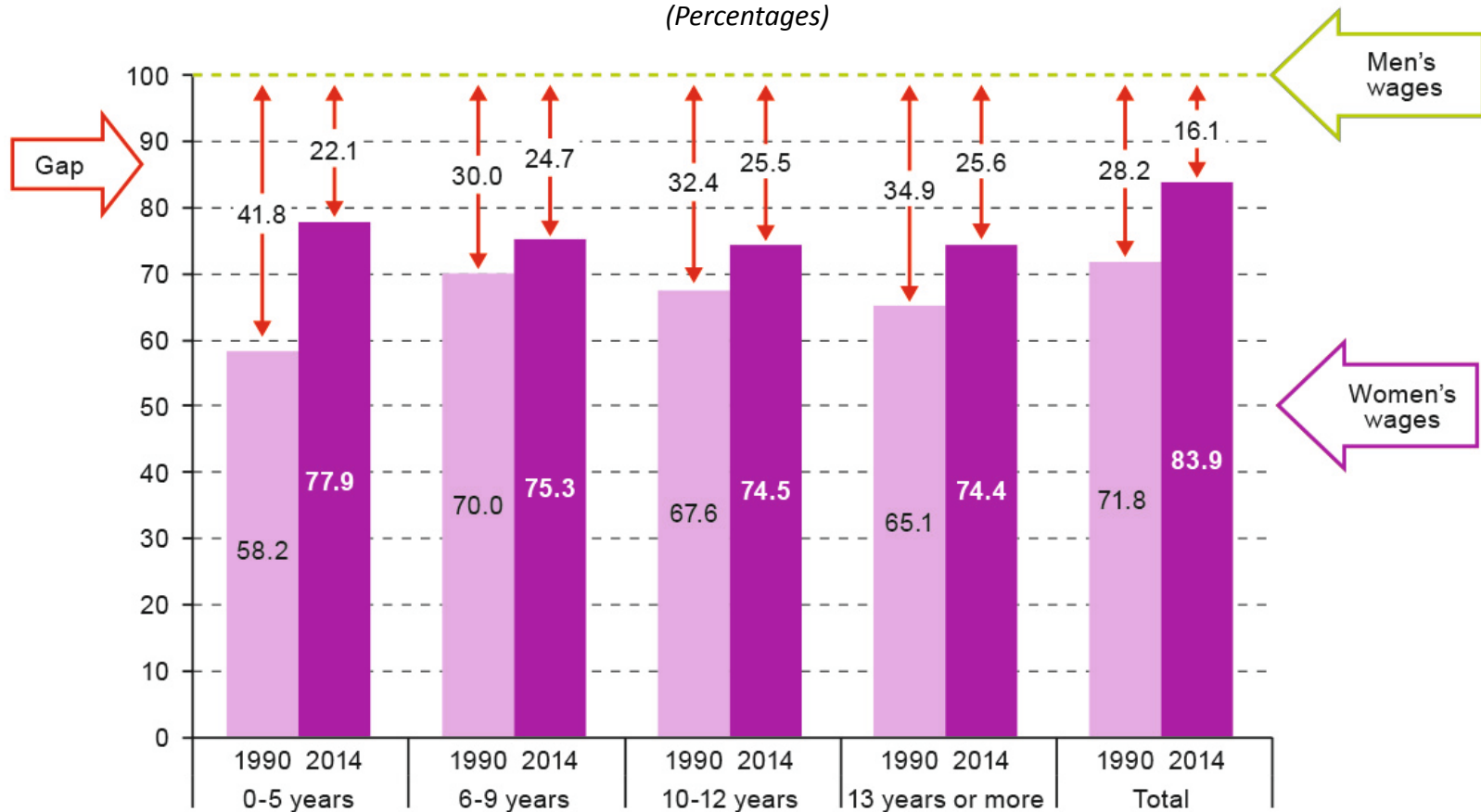


Source: ECLAC, on the basis of special tabulations of data from household surveys conducted in the respective countries.



Women's pay is still only 83.9% of men's, and this gap is greater the more years of education they have

LATIN AMERICA (WEIGHTED AVERAGE OF 18 COUNTRIES): AVERAGE WAGE OF URBAN FEMALE WAGE WORKERS AGED 20 TO 49 YEARS, WORKING 35 HOURS OR MORE PER WEEK, AS A PROPORTION OF THE WAGES OF MEN WITH THE SAME CHARACTERISTICS, BY YEARS OF SCHOOLING, 1990 AND 2014
(Percentages)



Source: ECLAC, on the basis of special tabulations of data from household surveys conducted in the respective countries.



The new global and hemispheric context



Possible scenarios of the new hemispheric context for the production sphere

- **Geopolitical adjustment in international trade and FDI flows**
- **Review of free trade agreements**
- **Fiscal stimulus and increased infrastructure spending:**
 - Impact on prices of metals
 - Fiscal expansion, higher interest rates, a stronger dollar
- **More carbon-intensive production, less support for renewable energies**
 - Increases in hydrocarbon production
- **A drive to reshore industry and technology to the United States:**
 - Lower corporate taxes and incentives for repatriating profits and investment
 - Trade and investment with China and Mexico
 - Import taxes



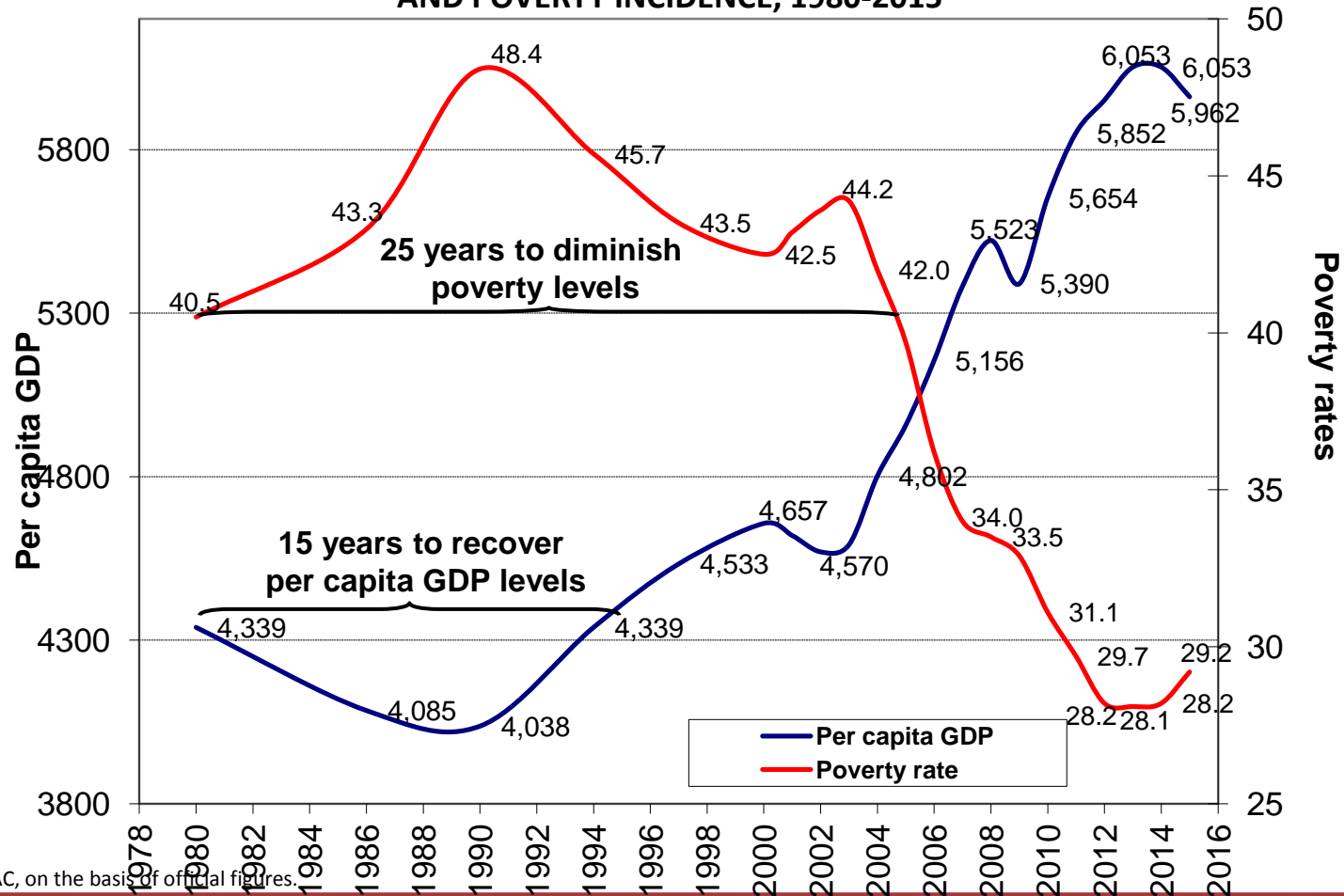
Tasks for the region in the new global and hemispheric context

- **Given the current uncertainty, moving ahead with regional integration is more necessary than ever**
 - Promote convergence between the different subregional integration mechanisms
 - Promote intraregional productive integration based on value chains
 - Move towards a single digital market
 - Implement a regional infrastructure programme
 - Speed up implementation of the trade facilitation agenda
 - Diversify, foster industrialization and innovation, and increase local and regional content in production and exports
- **Participate in global governance based on reciprocity and in coordinated regional actions to reduce tax evasion and avoidance**



Protect advances and avoid setbacks like those of previous crises

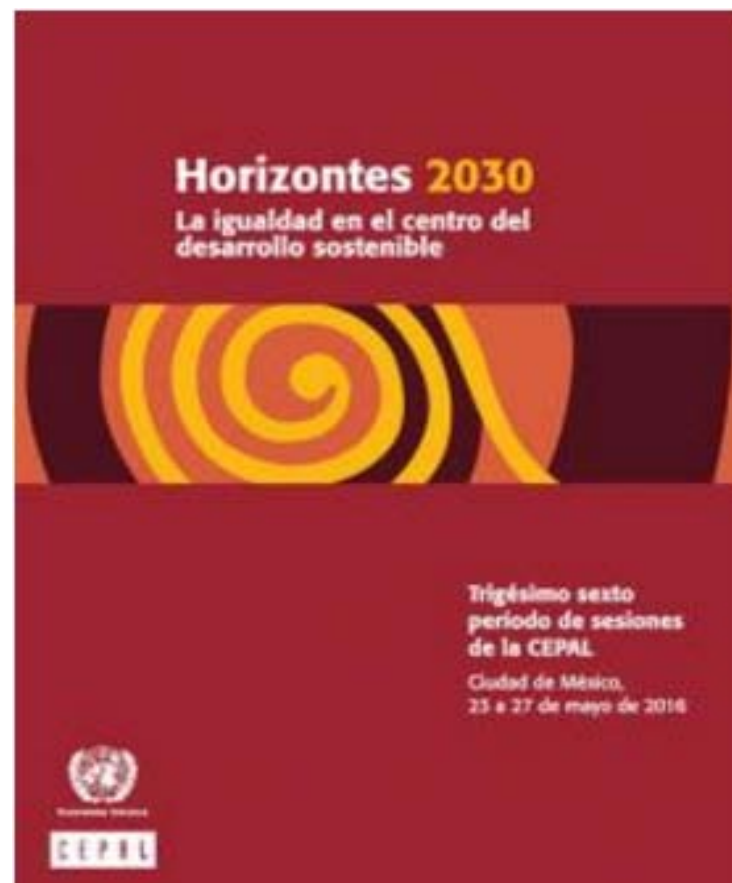
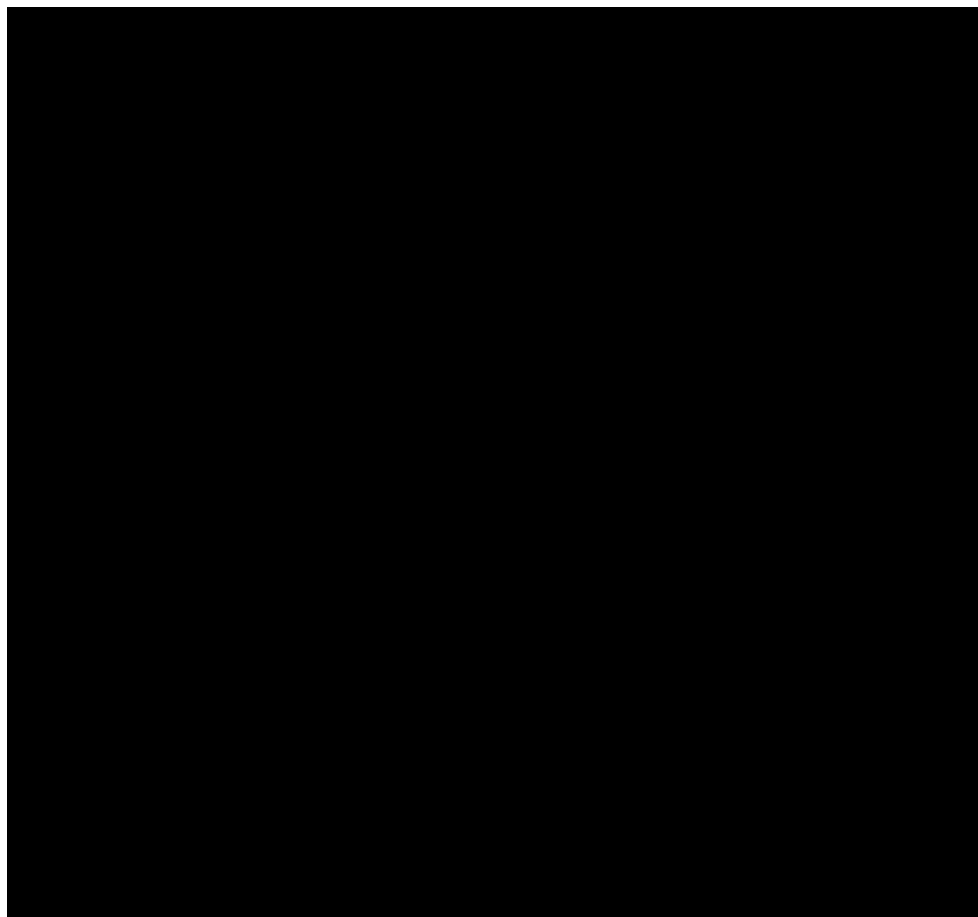
LATIN AMERICA AND THE CARIBBEAN: COMPARISON BETWEEN PER CAPITA GDP AND POVERTY INCIDENCE, 1980-2015



Source: ECLAC, on the basis of official figures.



Horizons 2030: equality at the centre of sustainable development



Horizons 2030

New institutions and public-private partnerships

At the global level

Provision of
global public goods

At the regional level

Consolidating the
regional contribution

At the national level

Environmental big push

**Progressive structural change based on
an environmental big push**

Keynesian efficiency

Expansion of aggregate
demand and active
fiscal policy

**Schumpeterian
efficiency**

Innovation- and learning-
intensive sectors

Environmental efficiency

Economic growth and
well-being with falling
CO₂ emissions



The proposal and the stakes

- This is a bid to achieve a new development pattern
- It is not a technical proposal, but a political undertaking
- It calls for clear leadership and changing the conversation between the State, the market and society
- We need a new set of institutions and partnerships for policymaking at the global, regional, national and local levels

Equality is the goal, progressive structural change is the path, and the art of politics and policymaking is the instrument



Global public goods for low-carbon growth

- Coordinated effort to boost aggregate demand
- Regulation of the international financial system and control of tax evasion
- Multilateral mechanisms for technology transfer
- Internet governance and universal access to the data revolution
- Climate security and implementation of the Paris Agreement



Strengthening regional action and agreements

- Financial safety nets, development banks and payments clearing system
- Fiscal, social and environmental standards to avoid predatory competition
- Digital common market (subregional and regional)
- Regional fund for technology and patents
- Regional value chains in environmental goods and services
- Debt relief for climate change adaptation in Caribbean countries



National policies for endogenous capacity-building

- **Boost growth through countercyclical policies focused on public and private investment**
- **Industrial and technological policies for boosting productivity**
- **Active fiscal policies and the application of smart adjustments:**
 - Reduce evasion and avoidance
 - Protect the level of public spending and its composition, and safeguard social spending and protection
 - Review the structure of subsidies (fuels) and incentives and shift it towards driving investment and essential social spending
- **The challenge of making an environmental leap provides the strategic framework for investment and innovation opportunities**



Six pillars for action and cooperation

1. National, interinstitutional and intersectoral architecture at the highest level
2. Integrating the SDGs into national development plans and budgets, including investment
3. Strengthening statistical capacities
4. Means of implementation: finance, technology, trade, accountability
5. Strengthening the regional architecture: observatories on gender equality, planning and energy
6. Spaces for dialogue between government, firms and citizens



ECLAC and the 2030 Agenda

Global mandates

- 2030 Agenda for Sustainable Development and the SDGs
- Addis Ababa Action Agenda (AAAA)
- Paris Agreement

Support to member countries in

- Strengthening the regional architectures for follow-up and review
- Devising an analytical framework for the means of implementation and policies at regional and subregional levels to achieve the SDGs

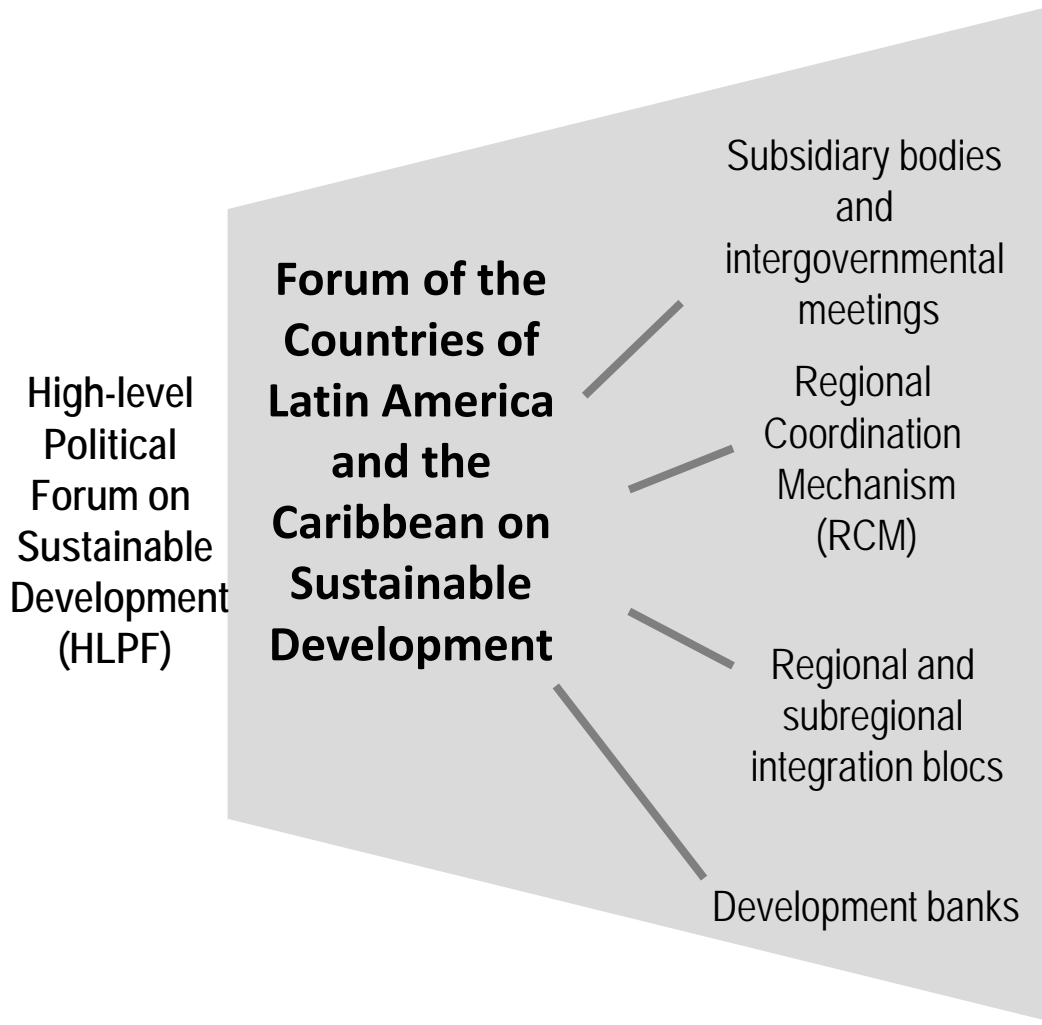
Regional mandates

- Mexico Resolution of ECLAC (2016)
- Resolution of the Regional Council on Planning (2015)
- Declaration and Resolution of the Statistical Conference of the Americas of ECLAC (2015)
- Coordinating the Forum of Latin American and Caribbean Countries on Sustainable Development with the host country
- Promoting the inclusion of SDGs in development plans and supporting a Regional Observatory on planning for SDGs
- Regional capacity-building on data and statistics for the SDGs



Forum of the Countries of LAC on Sustainable Development

Bridge between the global and the national levels to follow up on the implementation of the 2030 Agenda and discuss regional priorities



Forum of the Countries of LAC on Sustainable Development in 2017

- 26-28 April 2017 in Mexico City
- All 33 countries of the Latin American and Caribbean region participate, as well as the multistakeholder forum
- Addresses the specific needs of MICs, SIDs, LLDCs and LDCs
- The Forum's programme will include:
 - Discussion on progress at the national level: peer learning for countries presenting their VNRs
 - Integrating agreements reached by subsidiary bodies of ECLAC
 - Consideration of the contribution of the United Nations system, regional entities, financial institutions, civil society and other relevant stakeholders
 - Review of the annual progress report on the implementation of the 2030 Agenda, commended to ECLAC
 - Thematic discussions from a regional perspective on the SDGs for HLPF-2017: eradicating poverty and promoting prosperity in a changing world





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