



2022

Economic Survey of Latin America and the Caribbean



UNITED NATIONS

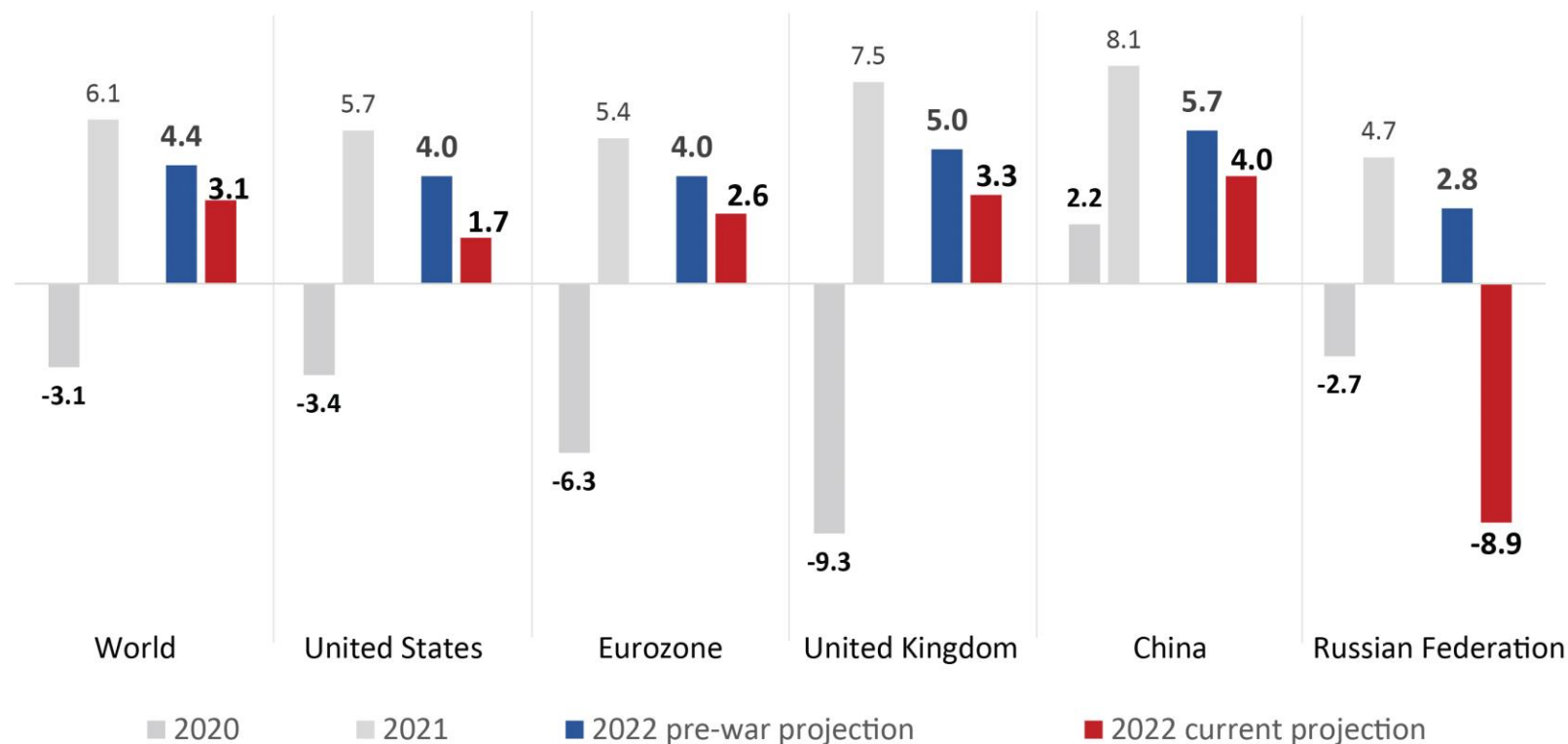
ECLAC

What does the 2022 Economic Survey tell us?

- A sequence of crises has led to weak growth and an acceleration in inflation in the global economy. Weaker growth in GDP and world trade, the appreciation of the dollar and the tightening of global financial conditions have weighed on the countries of the region.
- The region is expected to return to the low growth trend seen prior to the COVID-19 pandemic. Against the backdrop of restrictions, there is need of coordinated macroeconomic policies that support the acceleration of growth, investment and the reduction of poverty and inequality, while tackling inflation.
- Beyond the dynamics of the economic cycle, low growth in investment in the past three decades represents a structural limitation on development. Reactivating investment is central to sustainable and inclusive growth.

In 2022, the war in Ukraine has weighed on world economic growth

SELECTED REGIONS AND COUNTRIES: GDP GROWTH RATE, 2020–2022, PROJECTIONS FOR 2022 BEFORE THE WAR IN UKRAINE
(Percentages)



- Weaker growth of the region's major trading partners (United States, China and the European Union)
- Latin America and the Caribbean faces weaker external demand

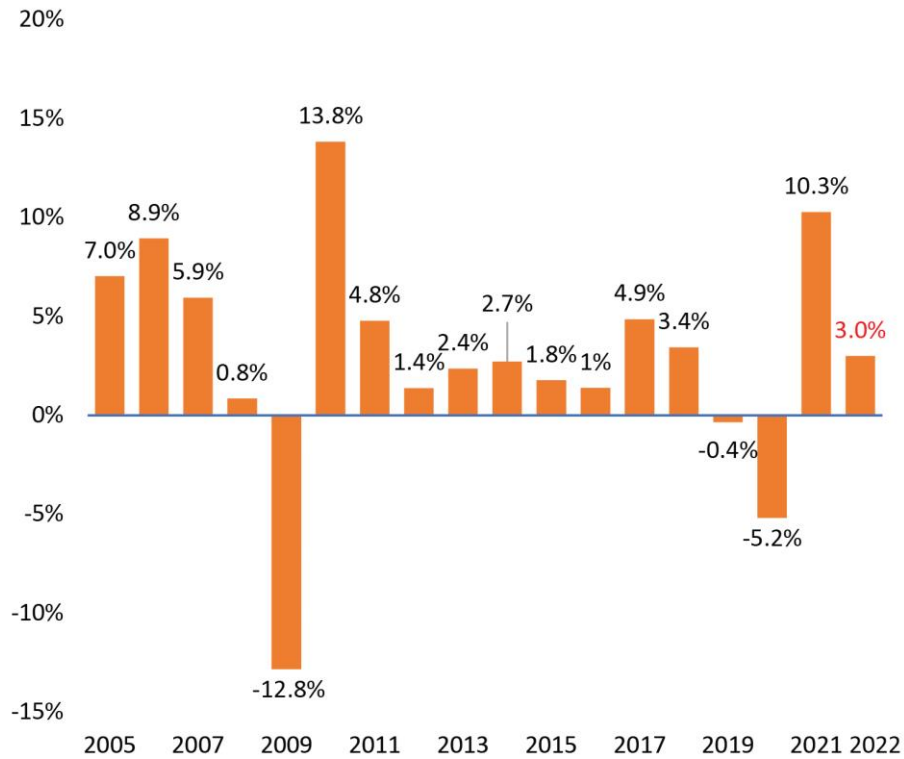
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organisation for Economic Co-operation and Development (OECD), *OECD Economic Outlook*, June 2022; International Monetary Fund (IMF), *World Economic Outlook: War Sets Back the Global Recovery*, April 2022; World Bank, *Global Economic Prospects*, Washington, D.C., June 2022; European Central Bank (ECB), "Macroeconomic projections", June 2022 [online] <https://www.ecb.europa.eu/pub/projections/html/index.es.html>; Capital Economics, Global Economics, 13 June and United States Federal Reserve, "Summary of Economic Projections", 16 June [online] <https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20210616.htm>.

Note: The figures for India are for the fiscal year, which begins in April and ends in March of the following year.

World trade is slowing and commodity prices are rising

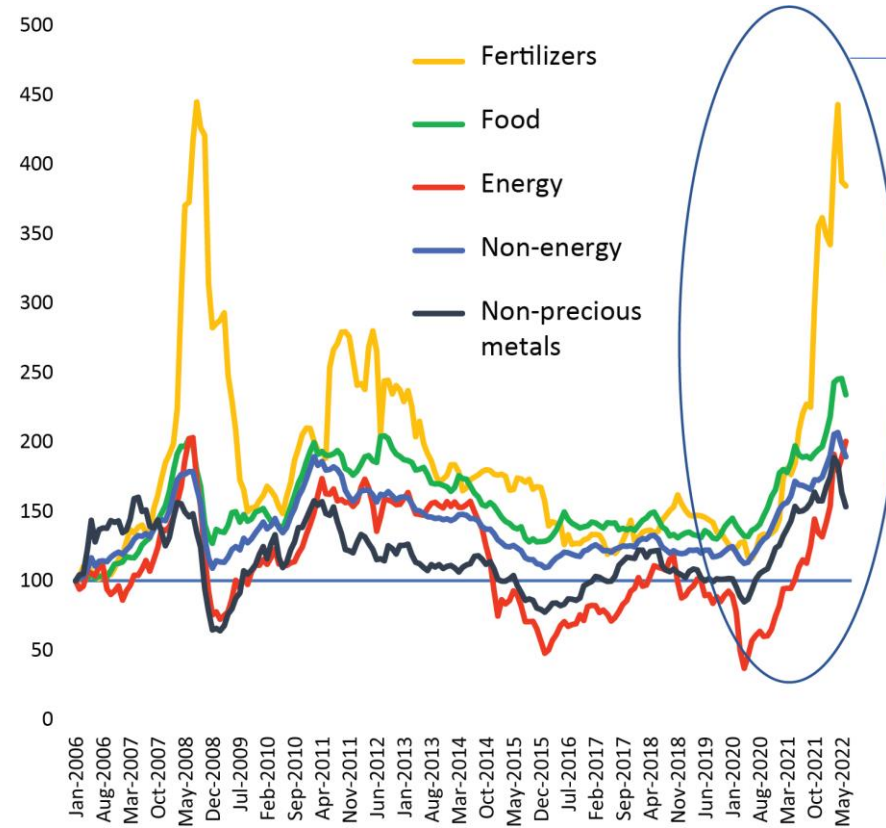
WORLD TRADE VOLUME: YEAR-ON-YEAR CHANGE AND PROJECTION FOR 2022

(Percentages, on the basis of a seasonally adjusted index)



INTERNATIONAL COMMODITY PRICE INDICES

(Baseline January 2006=100)



Negative effect on the region's terms of trade on average (down 7%) albeit with differences among subregions

- Up 17% for hydrocarbon exporters
- Down for Caribbean and Central American countries. Results in South America are mixed.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Netherlands Bureau of Economic Policy Analysis (CPB), World Trade Monitor and Pink Sheet del Banco Mundial.

Inflationary pressure is leading to more restrictive monetary policies in the developed world

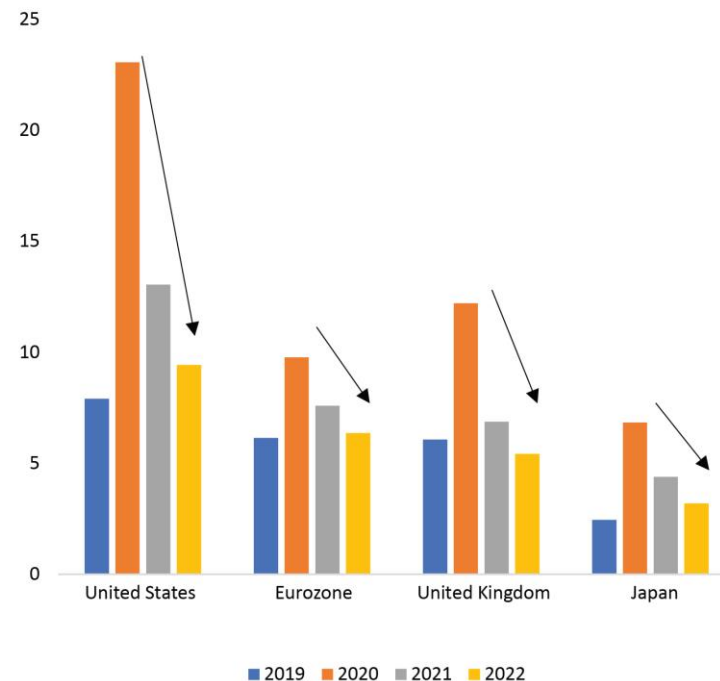
YEAR-ON-YEAR INFLATION

(Latest available data, percentages)

World	7.2
Advanced economies	7.5
United States	8.5
Japan	2.4
United Kingdom	10.1
Eurozone	8.9
Emerging economies	7.1
China	2.5
India	7.0
Russian Federation	15.9

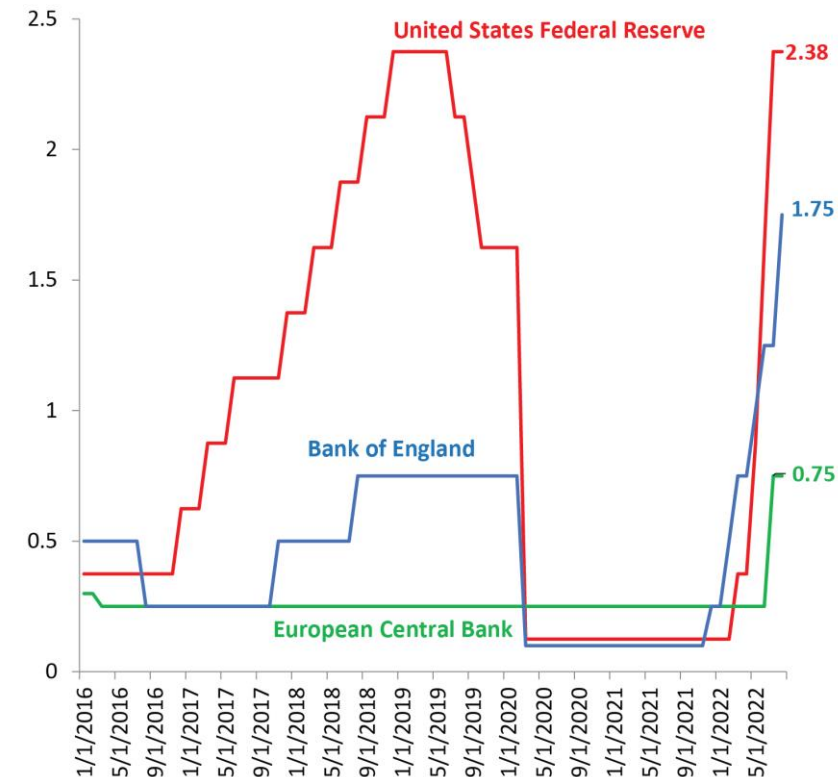
RATE OF GROWTH IN MONEY SUPPLY

(Percentages, annual averages based on monthly data)



MONETARY POLICY RATES

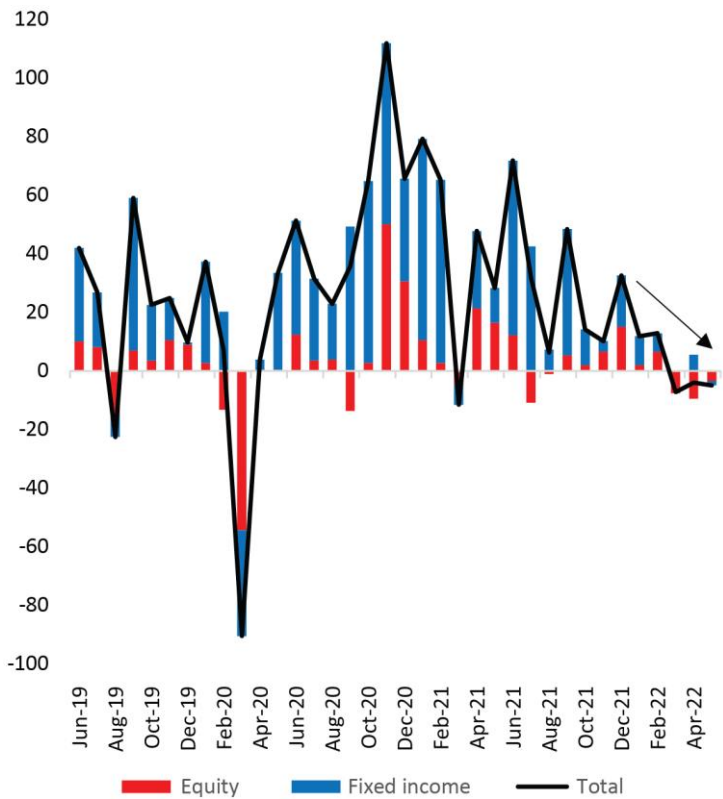
(Percentages)



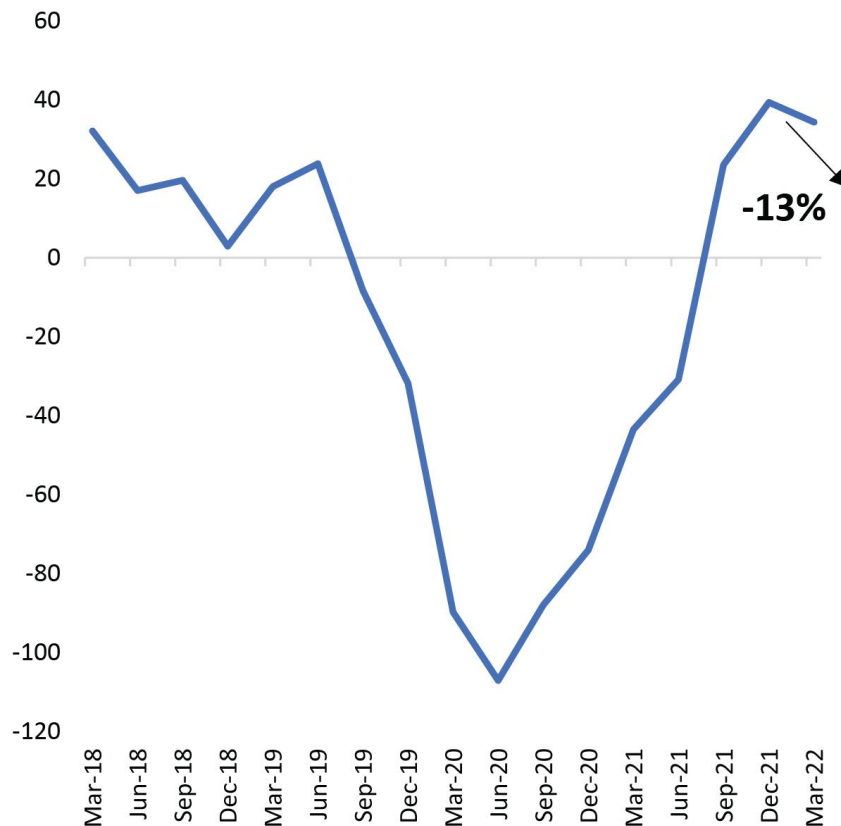
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Capital Economics, FRED and Bloomberg.

Decline in capital flows to emerging markets, including Latin America

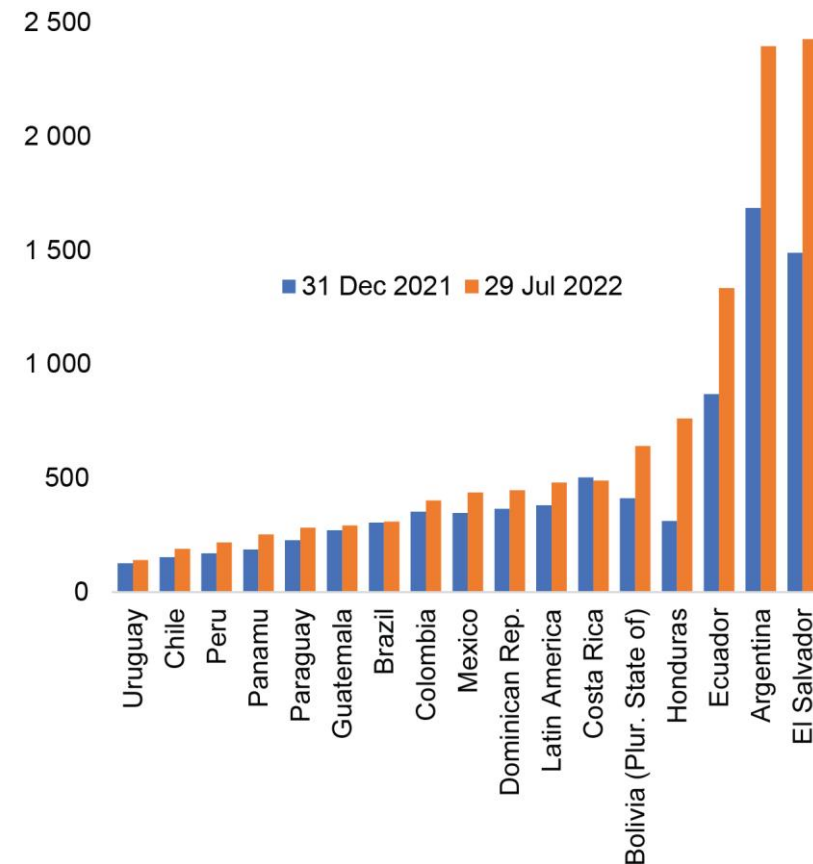
PORTFOLIO CAPITAL FLOWS TO EMERGING MARKETS
(Billions of dollars)



FINANCIAL FLOWS TO LATIN AMERICA
(Billions of dollars)



EMERGING MARKETS BOND INDEX (EMBI)
(Basis points)

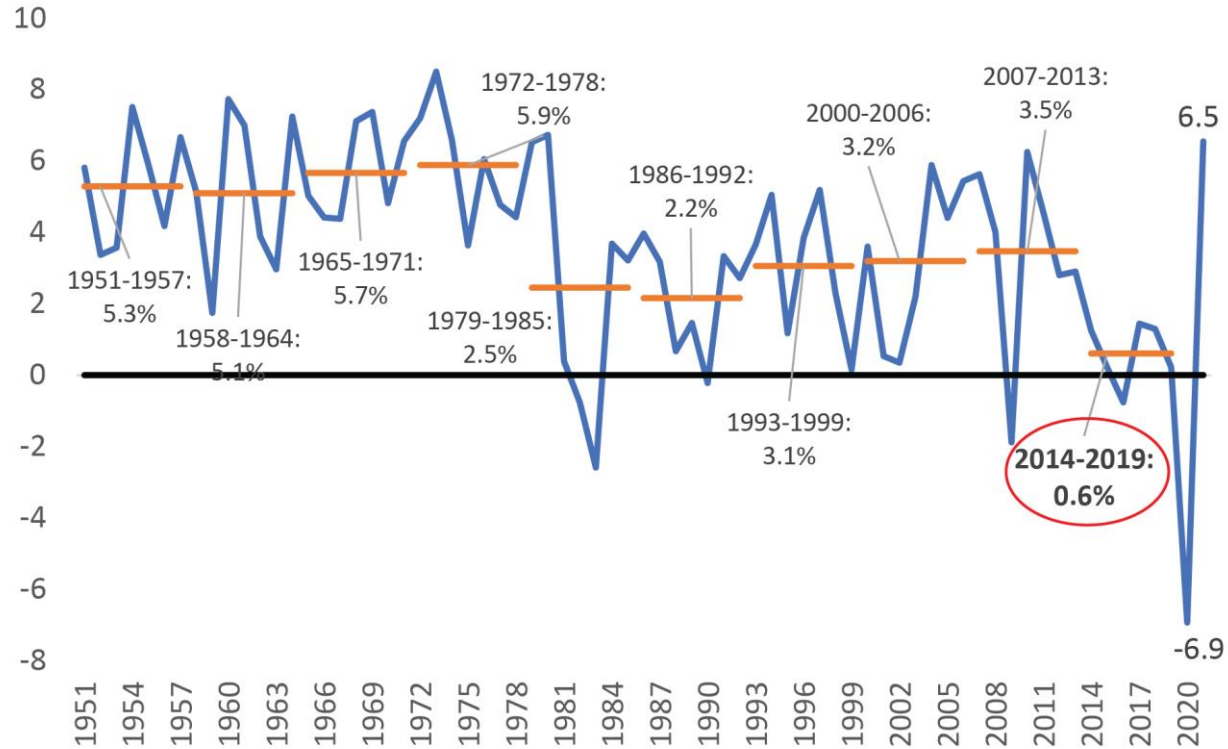


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Institute of International Finance (IIF) and official figures.

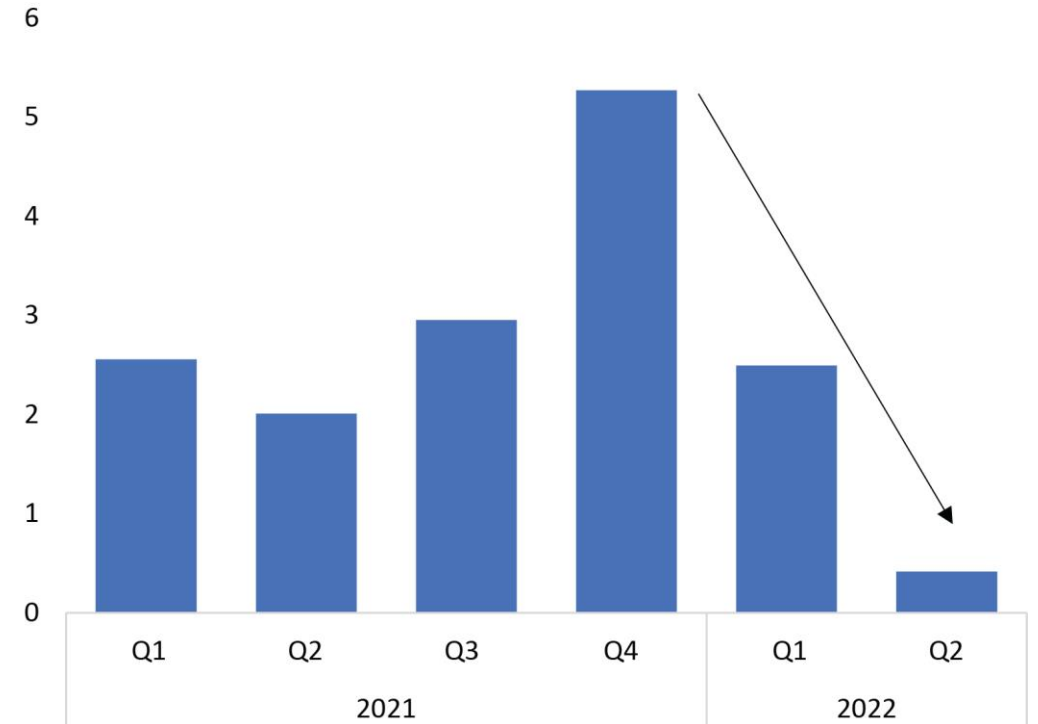
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Invenomica.

Economic activity in the region had stagnated prior to 2020 and returned to weak growth in the first half of 2022

LATIN AMERICA: GDP GROWTH
(Percentages)



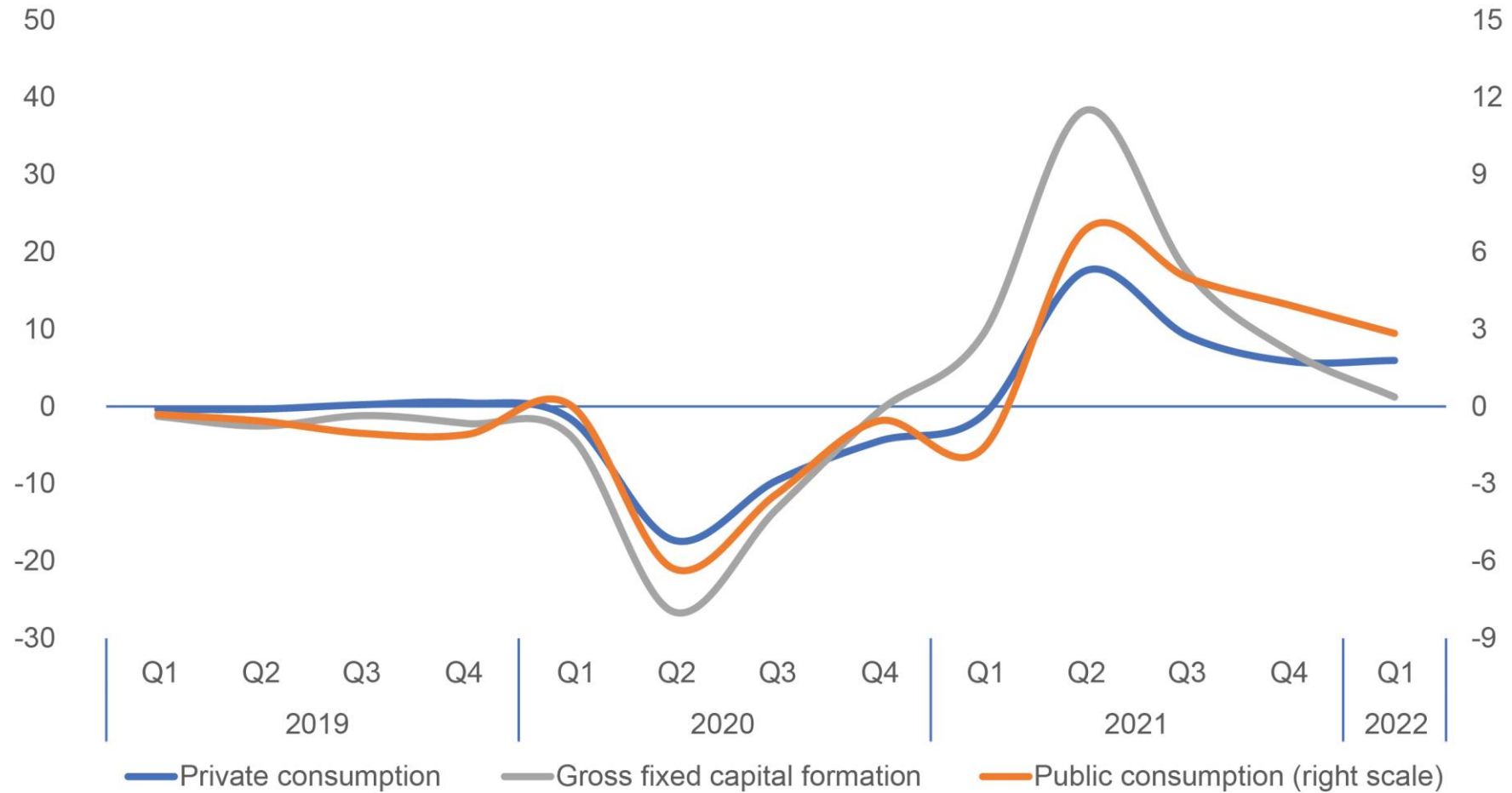
LATIN AMERICA: VARIATION IN FOUR-QUARTER GDP
(Percentages, on the basis of a seasonally adjusted index)



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

Among aggregate demand components, investment has slowed the most

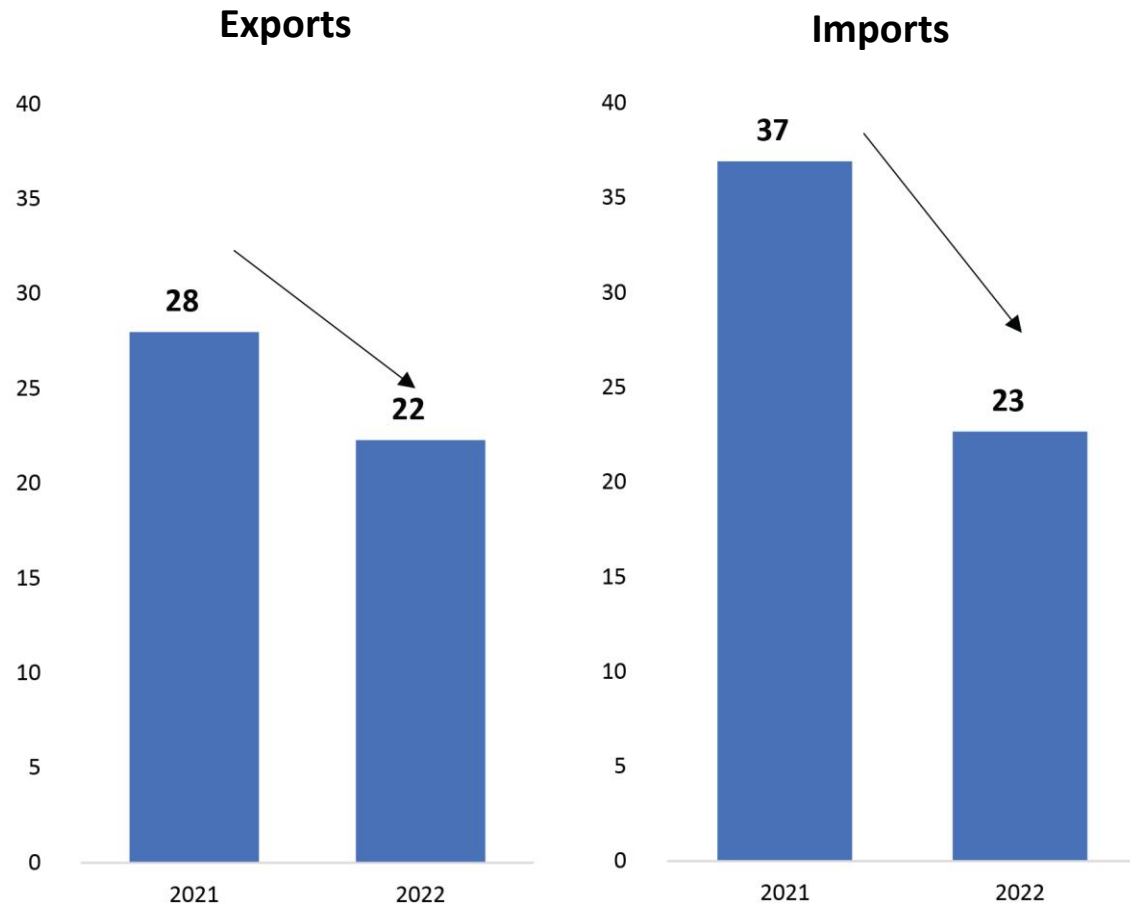
LATIN AMERICA: YEAR-ON-YEAR VARIATION IN PRIVATE CONSUMPTION, PUBLIC CONSUMPTION AND GROSS FIXED CAPITAL FORMATION
(Percentages)



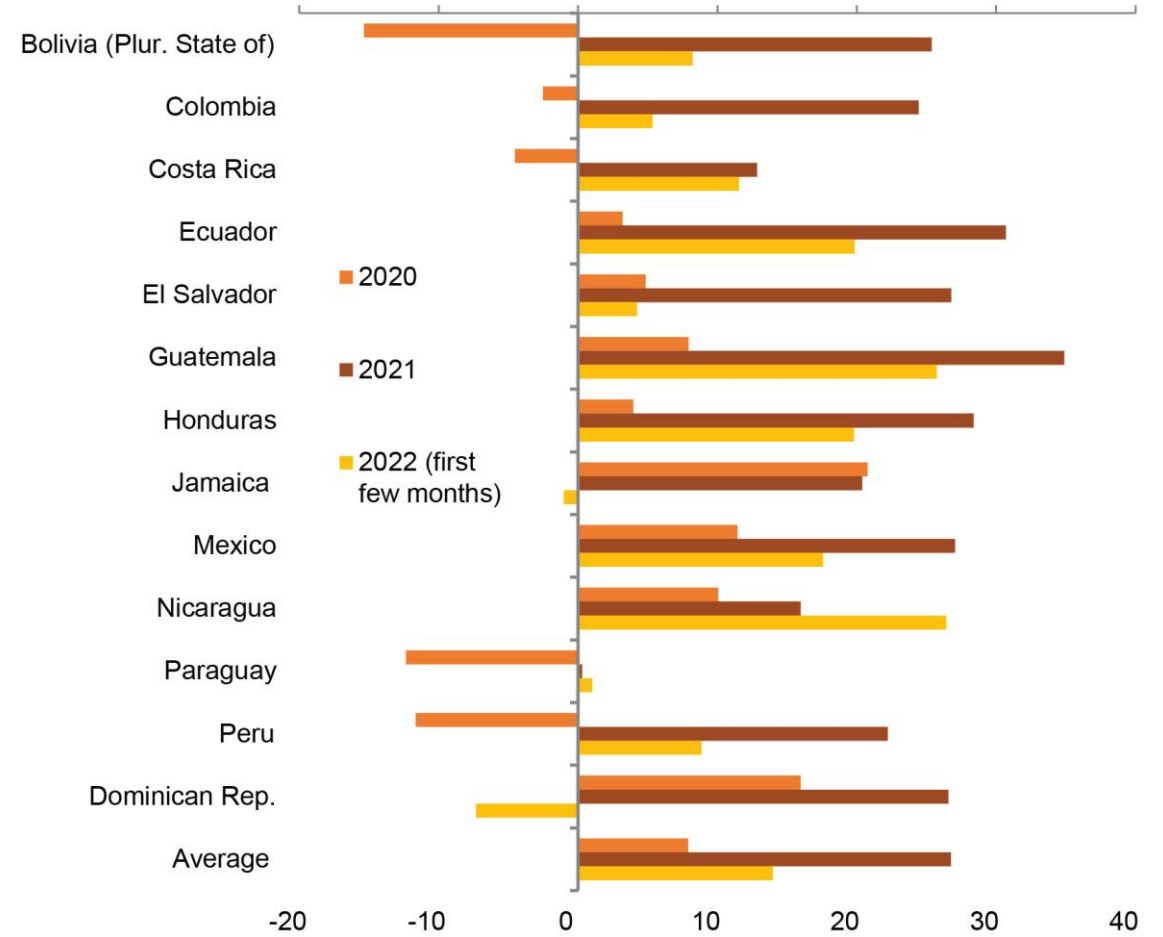
Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Growth in the value of goods exports, imports and remittances is slowing

LATIN AMERICA: VALUE OF GOODS EXPORTS AND IMPORTS IN 2021 AND PROJECTION FOR 2022
(Percentages)



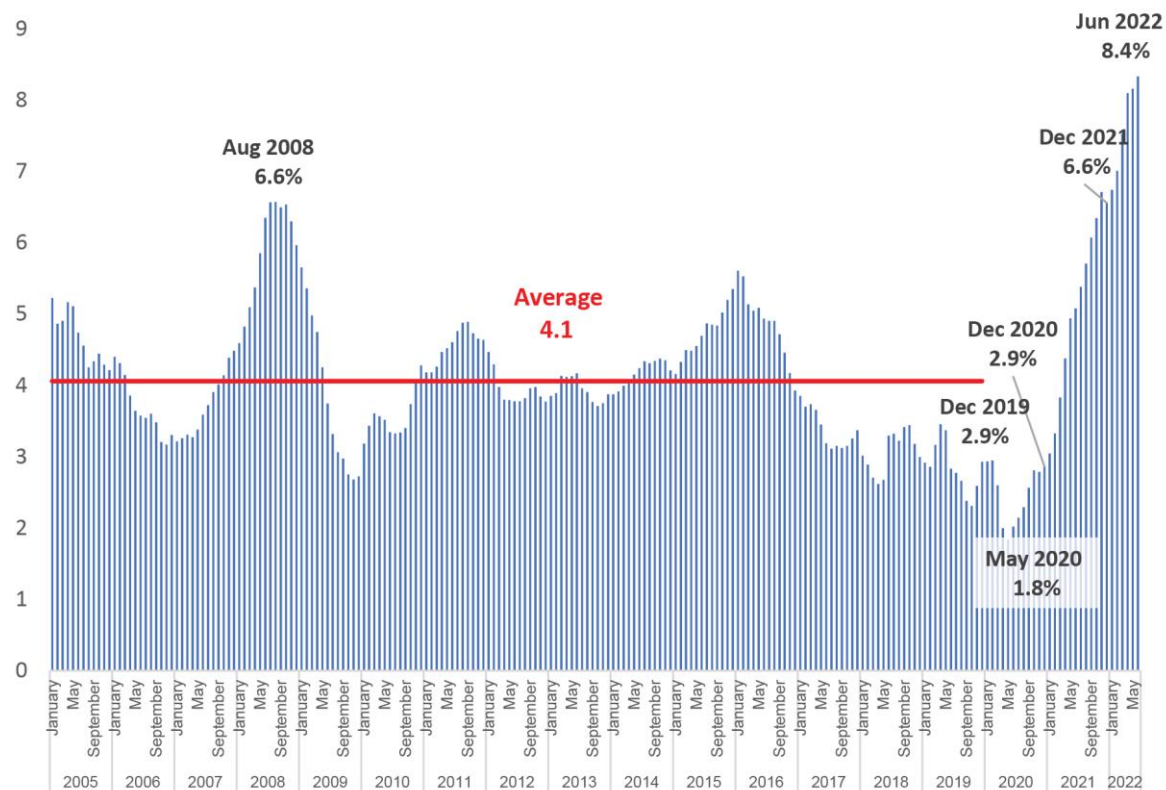
LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): RATE OF VARIATION IN EMIGRANT REMITTANCE FLOWS
(Percentages)



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

Inflation is up, and the most vulnerable households are hardest hit

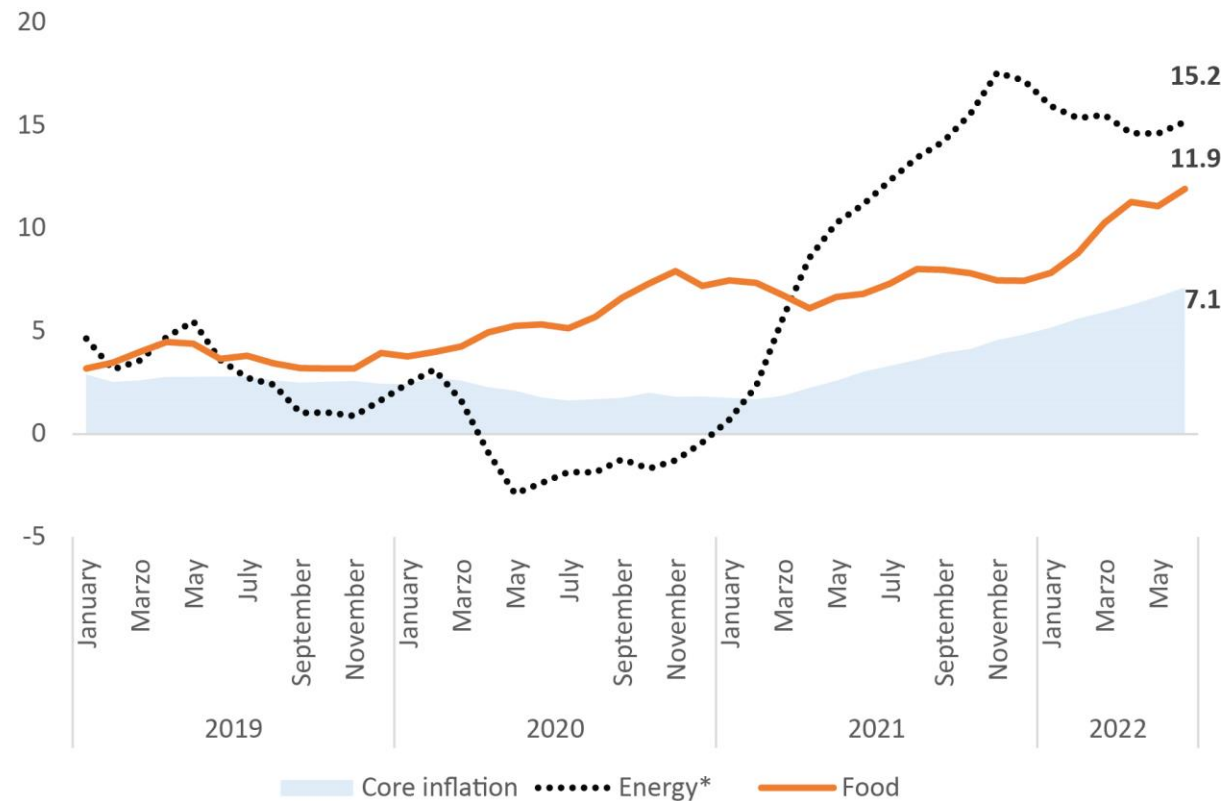
LATIN AMERICA AND THE CARIBBEAN: 12-MONTH RATES OF VARIATION IN THE CONSUMER PRICE INDEX (CPI), JANUARY 2005–JUNE 2022
(Percentages)



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

Note: Does not include averages for economies with chronic inflation (Argentina, the Bolivarian Republic of Venezuela, Cuba, Haiti and Suriname).

LATIN AMERICA AND THE CARIBBEAN: 12-MONTH RATES OF VARIATION IN THE FOOD AND ENERGY COMPONENTS OF THE CONSUMER PRICE INDEX (CPI) AND IN CORE INFLATION, JANUARY 2019–JUNE 2022
(Percentages)



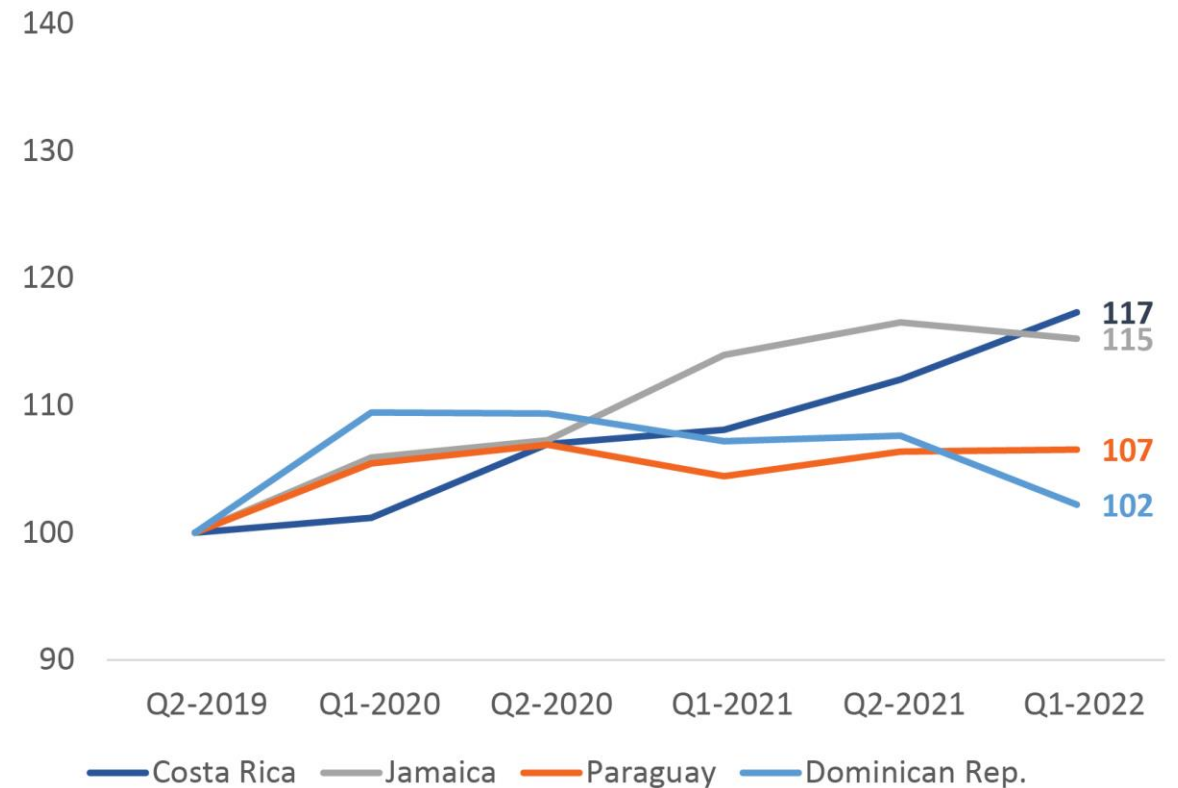
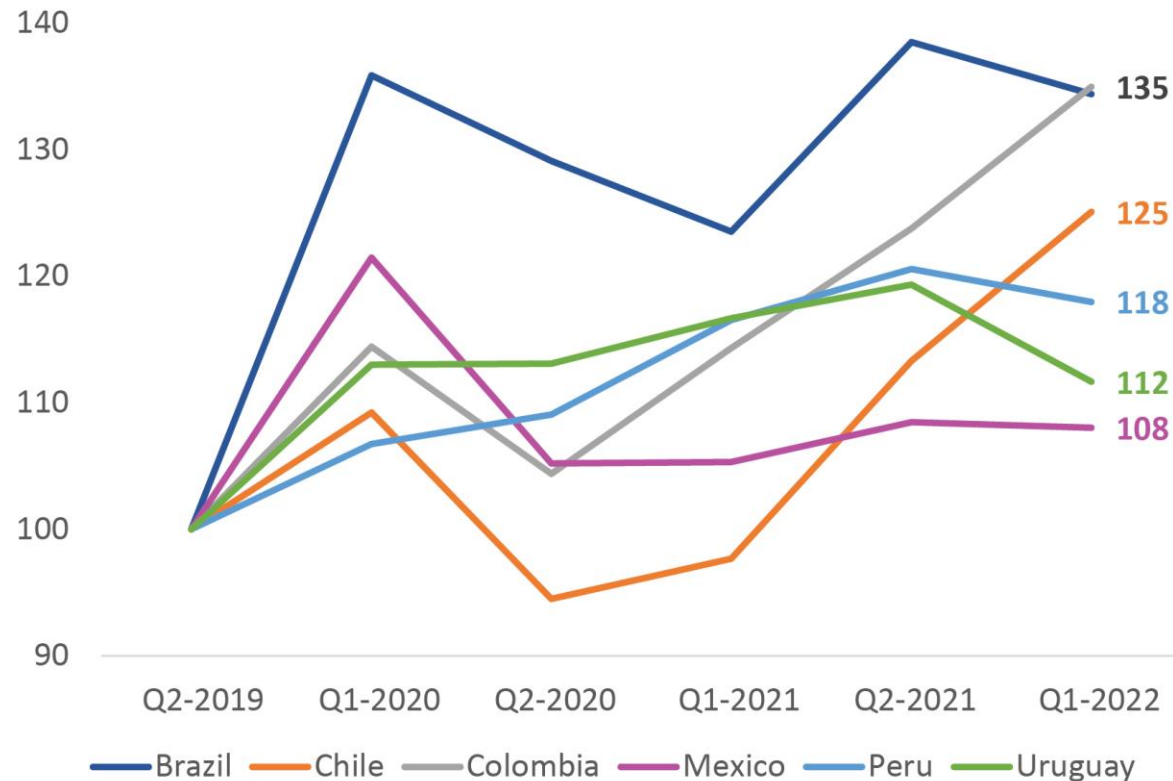
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Note: Does not include averages for economies with chronic inflation (Argentina, the Bolivarian Republic of Venezuela, Cuba, Haiti and Suriname).

* Energy index variation was determined using information from 10 countries: Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Jamaica, Peru and Uruguay.

The depreciation trend in currencies is contributing to rising inflation

LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): NOMINAL EXCHANGE RATE INDEX FOR THE DOLLAR, SECOND HALF OF 2019–MID-YEAR 2022
(Index, second half of 2019 = 100)



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

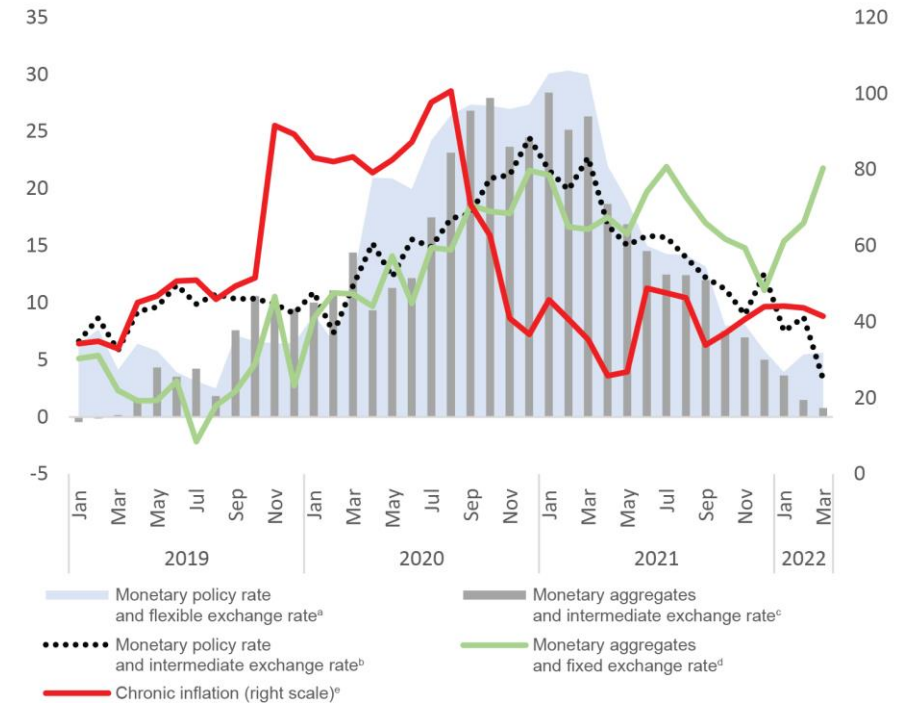
* Appreciation (lower values) / depreciation (higher values) of the indicator.

Central banks raised policy rates and dampened growth in monetary aggregates

LATIN AMERICA AND THE CARIBBEAN (COUNTRIES THAT USE THE INTEREST RATE AS THE MAIN MONETARY POLICY TOOL) – UNITED STATES AND EUROPEAN UNION: VARIATION IN MONETARY POLICY RATES, DECEMBER 2020–JULY 2022
(Percentages and percentage points)

	Monetary policy rate, 31 December 2020 (percentage) (1)	Beginning of the rate rise (2)	Monetary policy rate, July 2022 (percentage) (3)	Variation (percentage points) (4) = (3) – (1)	Inflation rate as of June 2022 (5)
Brazil	2.00	March 2021	13.25	11.25	11.9
Chile	0.50	July 2021	9.75	9.25	12.5
Colombia	1.75	October 2021	9.00	7.25	9.7
Costa Rica	0.75	December 2021	5.50	4.75	10.1
Dominican Republic	3.00	November 2021	7.25	4.25	9.5
Guatemala	1.75	May 2022	2.25	0.50	7.6
Honduras	3.00		3.00	0.00	10.2
Jamaica	0.50	October 2021	5.50	5.00	10.9
Mexico	4.00	June 2021	7.75	3.75	8.0
Paraguay	0.75	August 2021	7.75	7.00	11.5
Peru	0.25	August 2021	6.00	5.75	8.8
Uruguay	4.50	August 2021	9.75	5.25	9.3
United States	0.125	March 2022	2.375	2.25	9.1
European Union	0.25	July 2022	0.75	0.5	8.6

LATIN AMERICA AND THE CARIBBEAN: MONETARY BASE, MEDIAN 12-MONTH RATE OF VARIATION BY COUNTRY GROUPING, JANUARY 2019–MARCH 2022
(Percentages)



Note: The classification of countries by their monetary and exchange-rate framework is based on the method described in IMF, *Annual Report on Exchange Arrangements and Exchange Restrictions 2020*, p. 6.

^a Brazil, Chile, Colombia, Mexico, Peru and Uruguay.

^b Costa Rica, Dominican Republic, Guatemala, Honduras, Jamaica and Paraguay.

^c Guyana, Nicaragua, Plurinational State of Bolivia and Trinidad and Tobago.

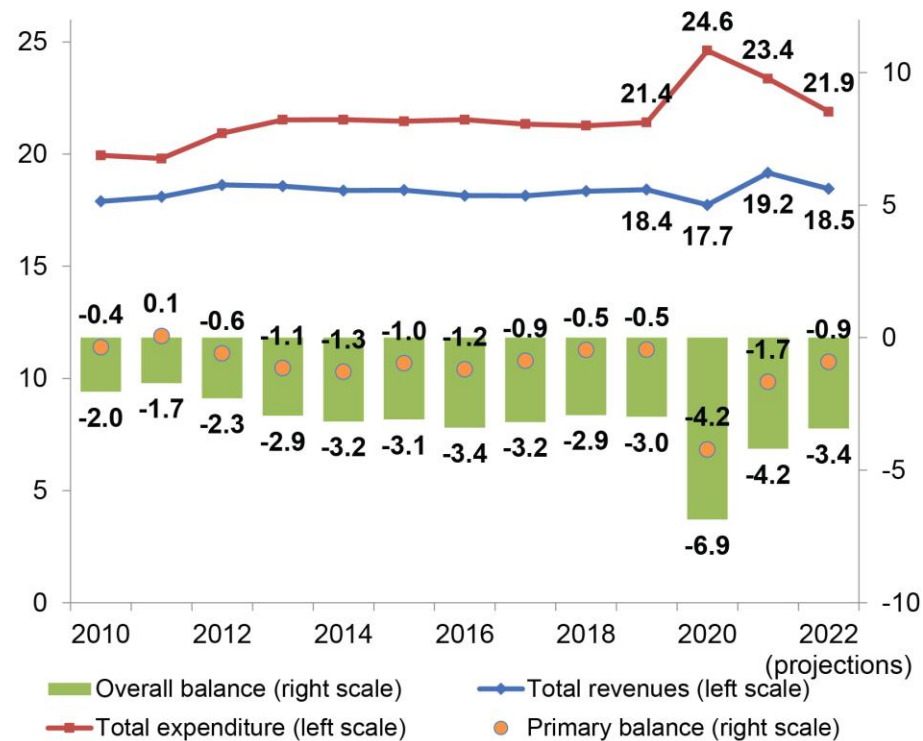
^d Economies with fixed exchange rates: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines. Dollarized economies: Ecuador, El Salvador and Panama.

^e Argentina, Bolivarian Republic of Venezuela, Haiti and Suriname.

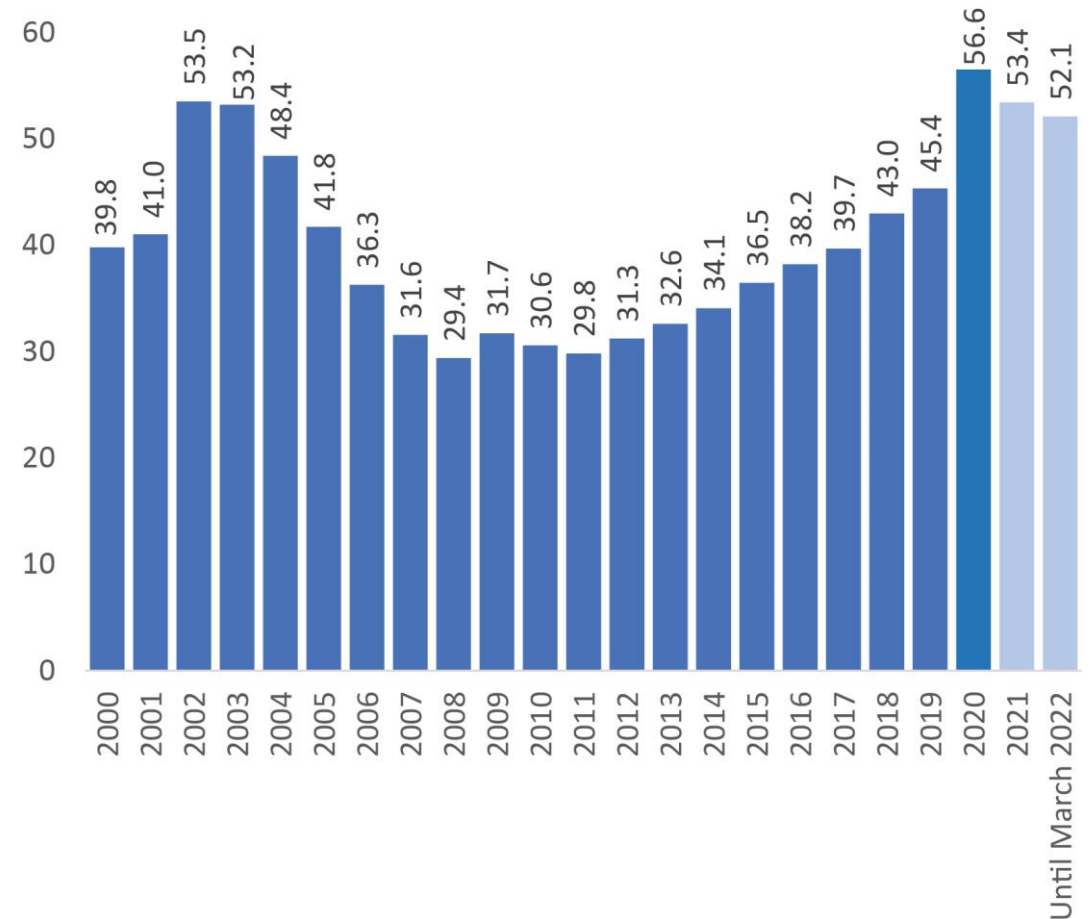
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

On the fiscal front, declines in deficits have continued as debt levels remain high

LATIN AMERICA (16 COUNTRIES): CENTRAL GOVERNMENT FISCAL INDICATORS, 2010–2022
(Percentages of GDP)



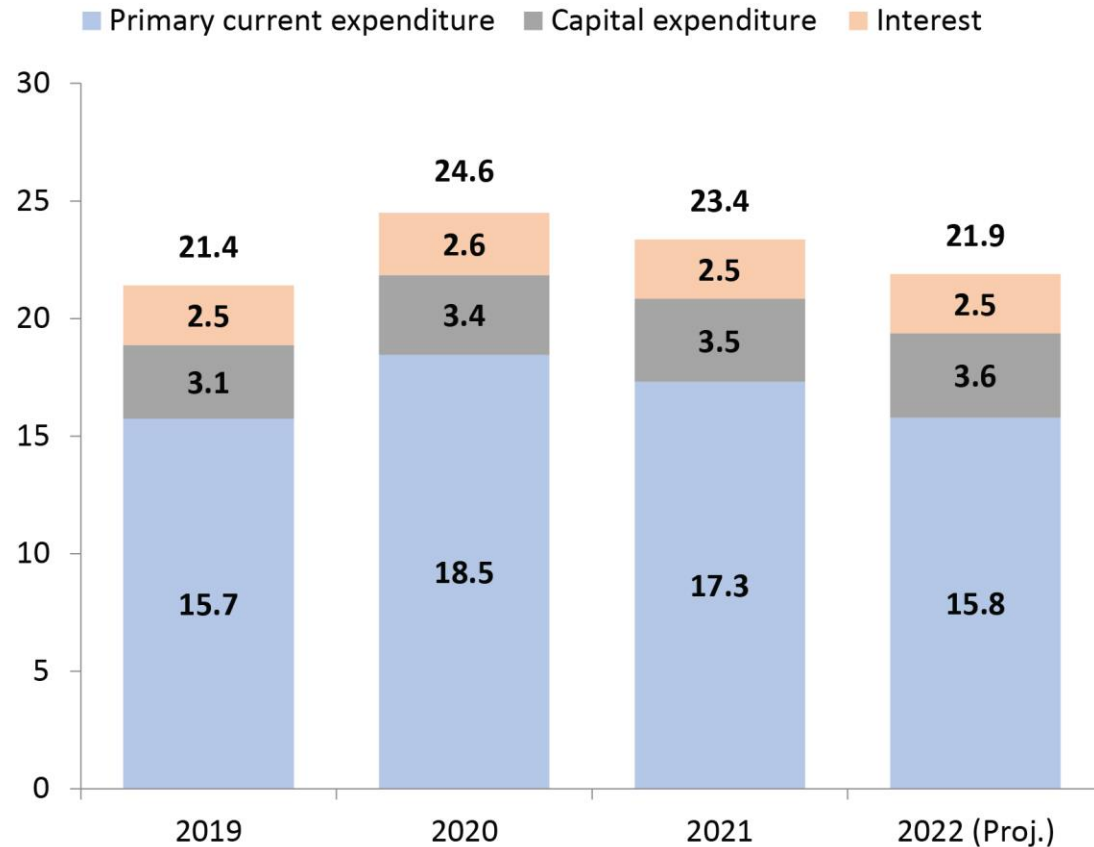
LATIN AMERICA (16 COUNTRIES): CENTRAL GOVERNMENT GROSS PUBLIC DEBT, 2000–MARCH 2022
(Percentages of GDP)



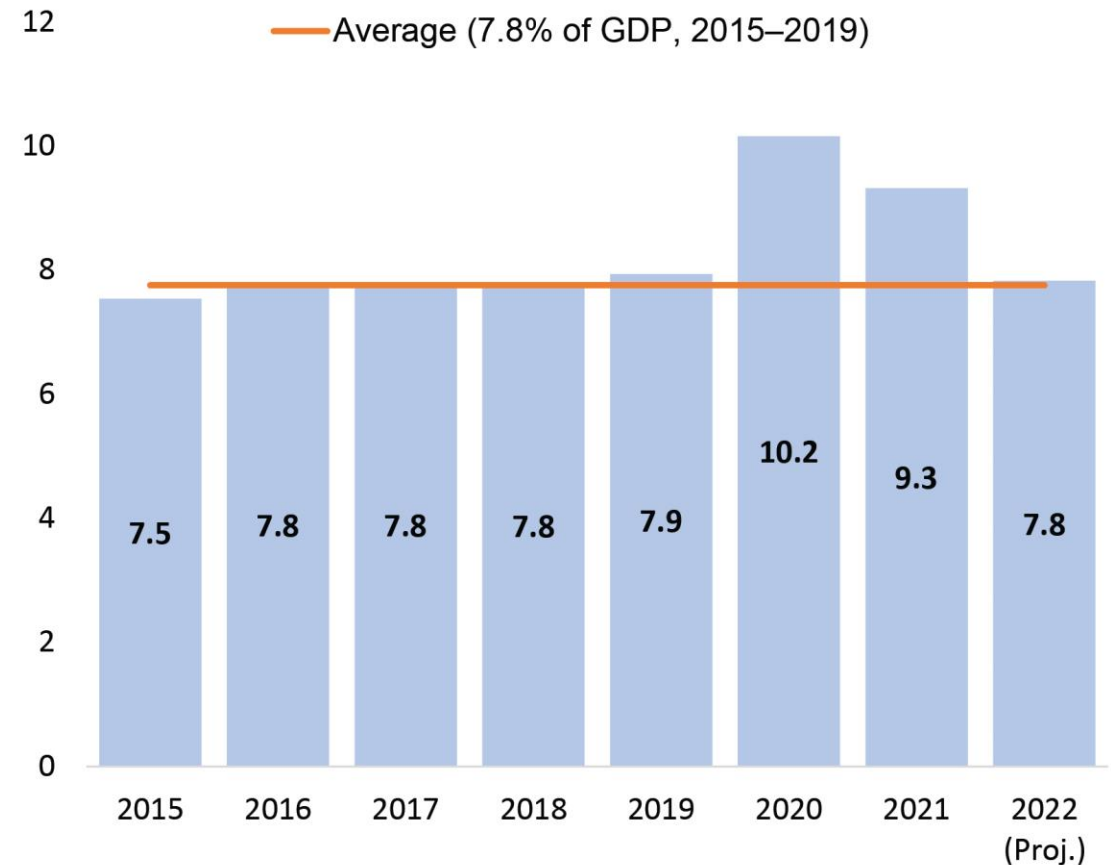
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.

Public spending has continued to fall in 2022

LATIN AMERICA (16 COUNTRIES): TOTAL CENTRAL GOVERNMENT SPENDING, BY COMPONENT, 2019–2022 (PROJECTION)
(Percentages of GDP)



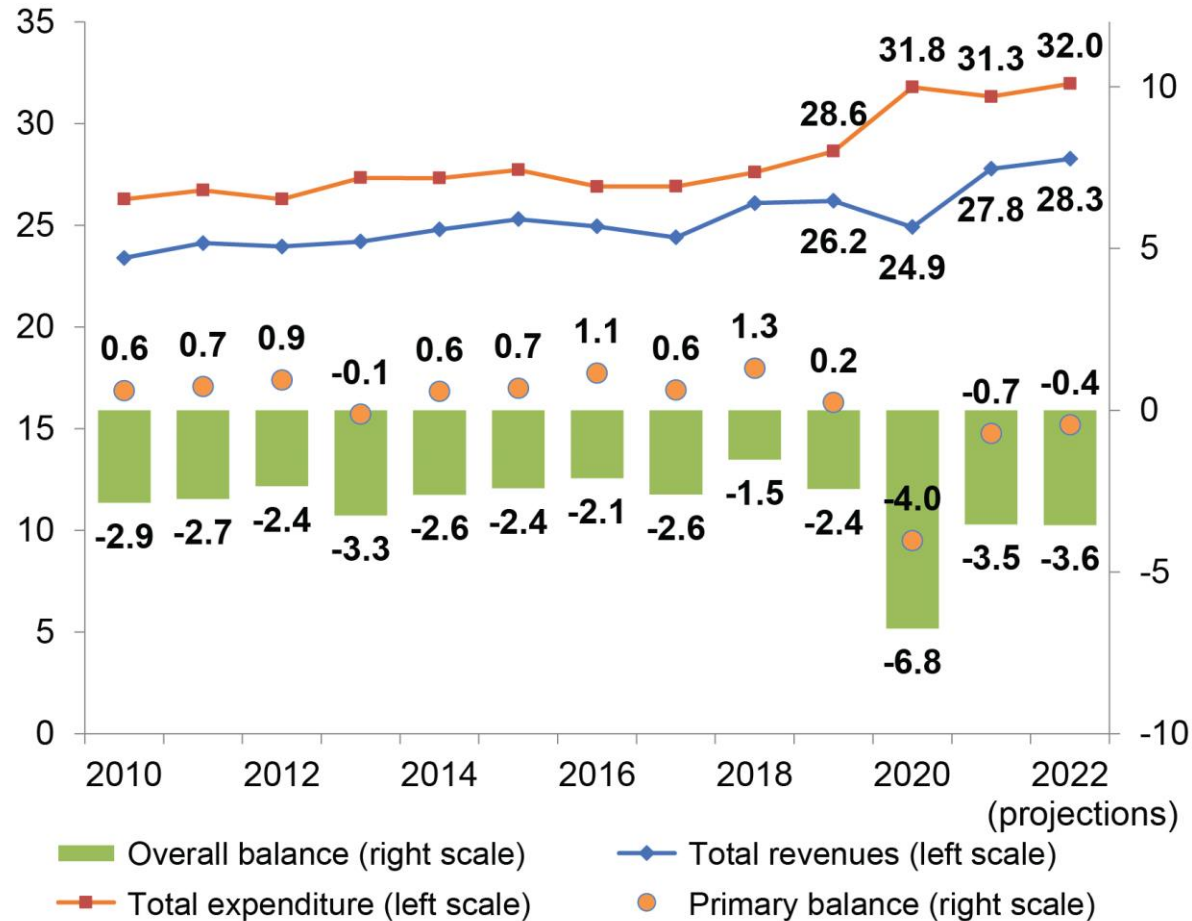
LATIN AMERICA (16 COUNTRIES): TOTAL CENTRAL GOVERNMENT SPENDING, SUBSIDIES AND CURRENT TRANSFERS, 2015–2022 (PROJECTION)
(Percentages of GDP)



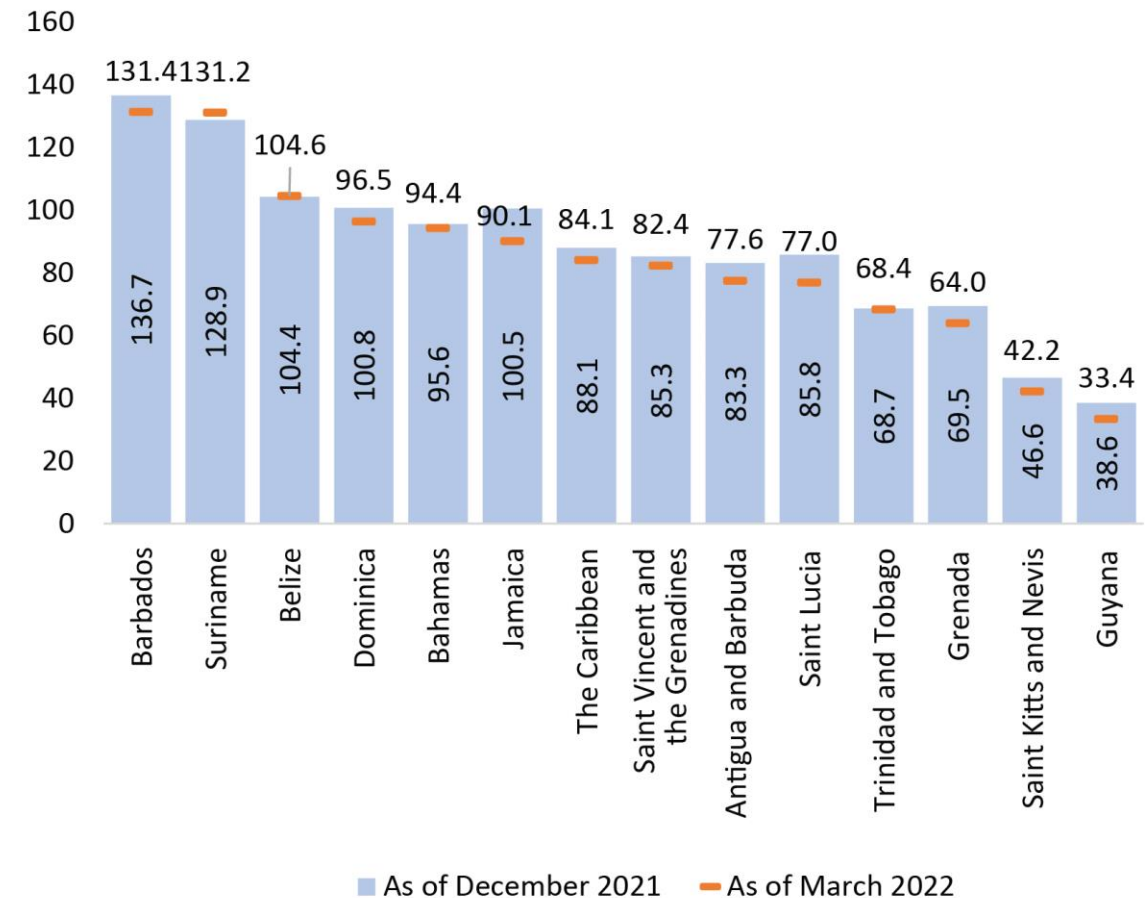
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.
Note: Rounding may lead to discrepancies between individual figures and totals.

High debt levels persist in the Caribbean, exceeding 90% of GDP in 6 countries

THE CARIBBEAN (12 COUNTRIES): CENTRAL GOVERNMENT FISCAL INDICATORS, 2010–2022 (PROJECTED)
(Percentages of GDP)



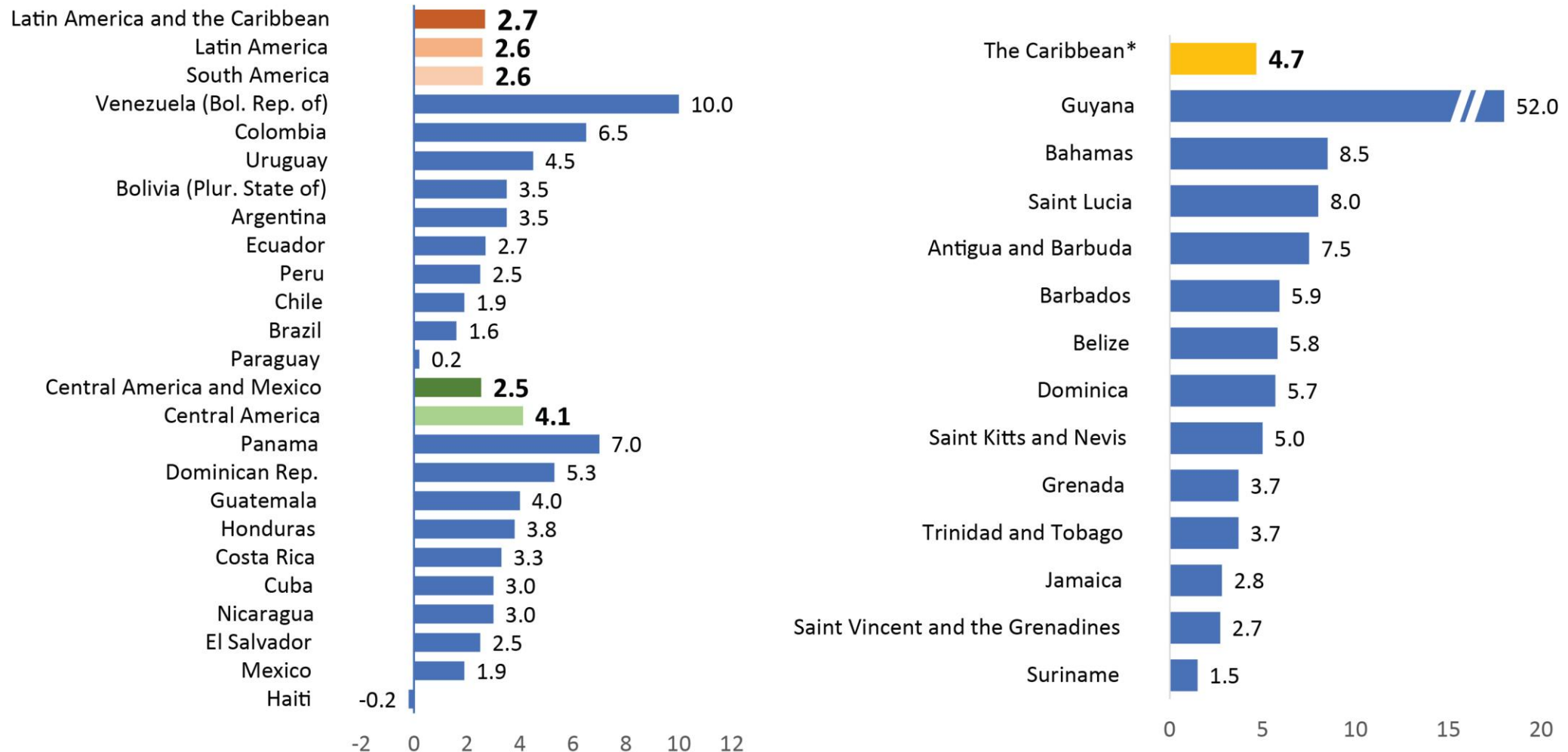
THE CARIBBEAN (13 COUNTRIES): CENTRAL GOVERNMENT GROSS PUBLIC DEBT, DECEMBER 2021 AND MARCH 2022
(Percentages of GDP)



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

The region will grow by 2.7% in 2022 and the slowdown is expected to continue

LATIN AMERICA AND THE CARIBBEAN: PROJECTED GDP GROWTH RATES, 2022
(Percentages)

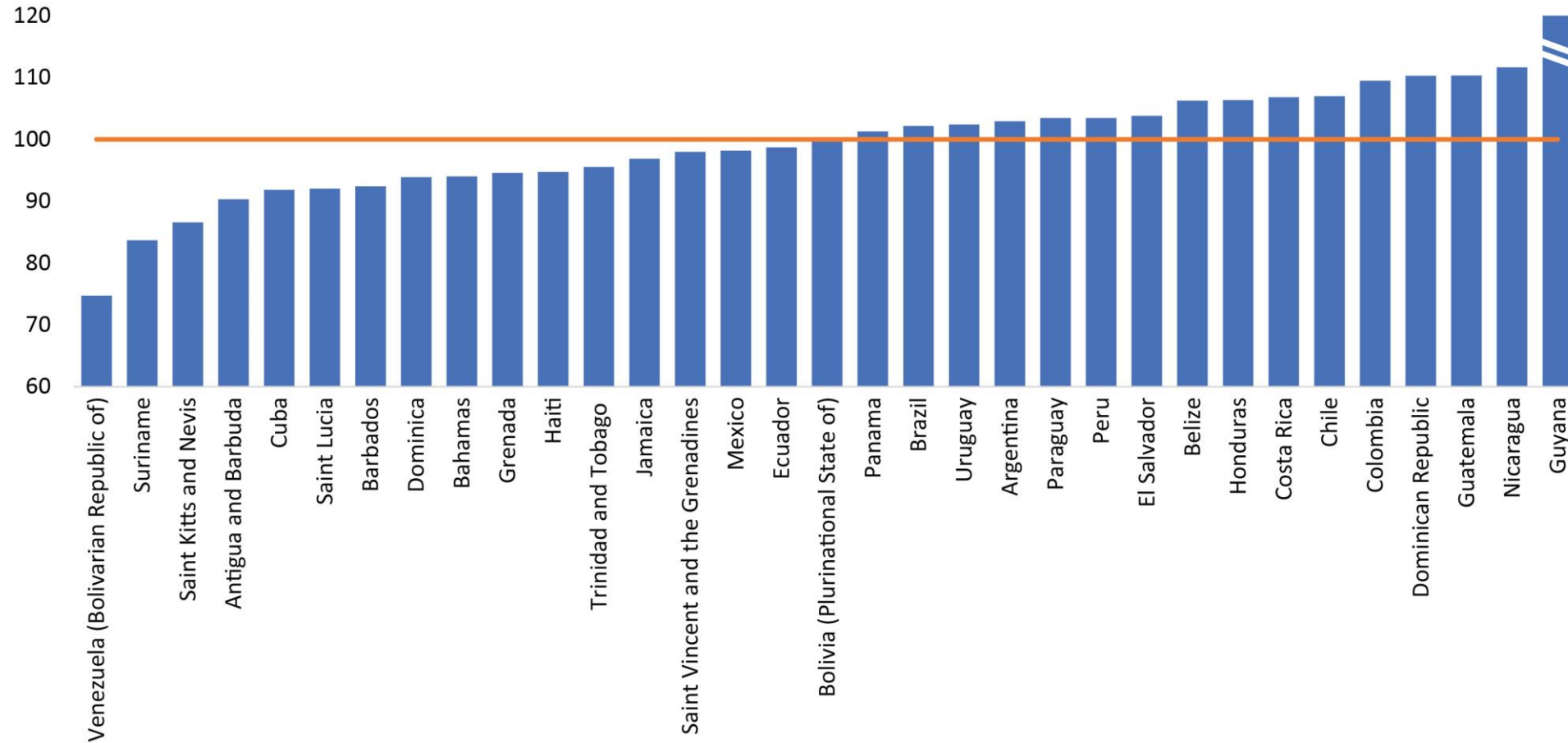


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Nota: Central America includes Cuba, Haiti and the Dominican Republic.

Note: Average for the Caribbean does not include Guyana.

16 of the region's countries are not expected to return to pre-pandemic GDP levels in 2022

LATIN AMERICA AND THE CARIBBEAN: PROJECTED GDP FOR 2022 COMPARED TO PRE-PANDEMIC LEVEL
(Index 2019=100)



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

The slowdown in economic activity is hindering labour market recovery, affecting women to a greater degree

LATIN AMERICA AND THE CARIBBEAN: PARTICIPATION RATE, UNEMPLOYMENT RATE AND CHANGE IN TOTAL EMPLOYED, BY GENDER
(Percentages)

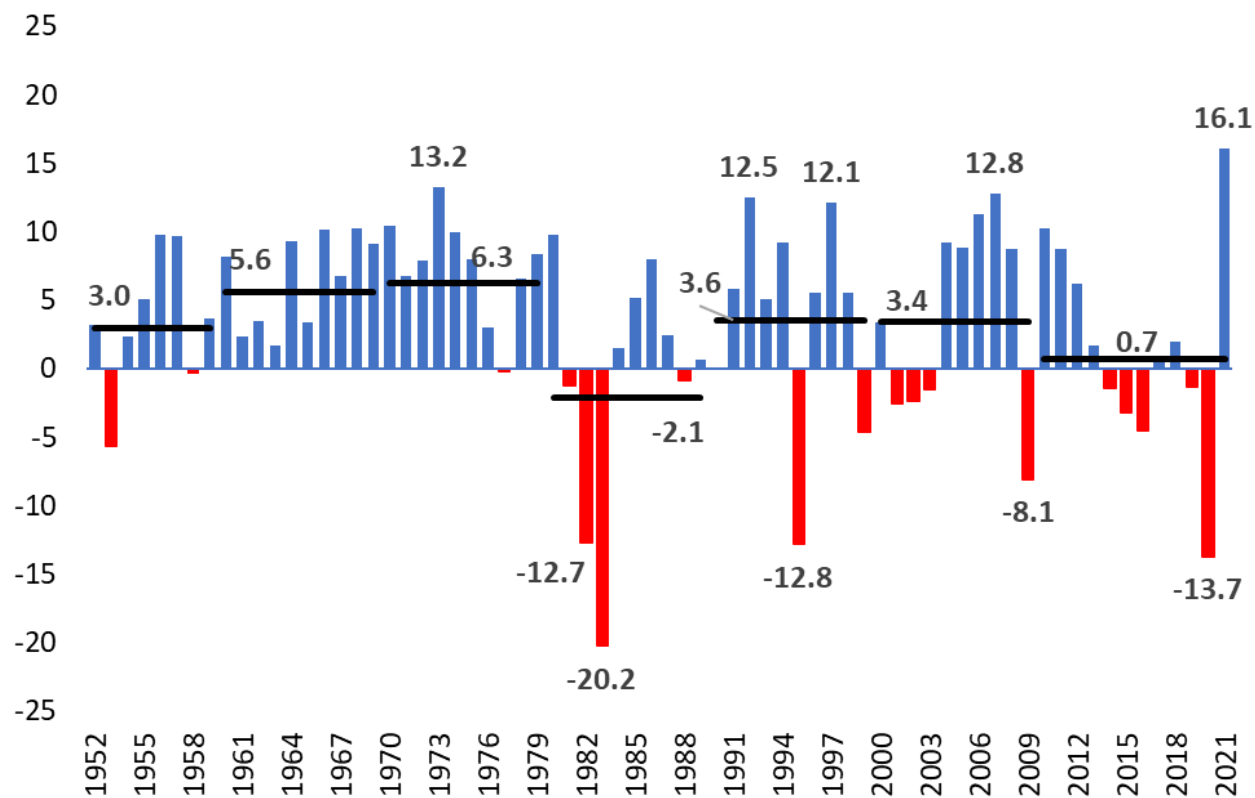
	2019	2020	2021	2022 ^a
Participation rate	63.3	58.9	61.4	62.6
Women	51.8	47.7	50.0	51.1
Men	75.5	70.9	73.5	74.9
Unemployment rate	7.9	10.3	9.3	9.4
Women	9.5	12.1	11.3	11.6
Men	7.9	10.3	9.3	9.4
Variation in number of employed	1.9	-8.2	6.7	3.2

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

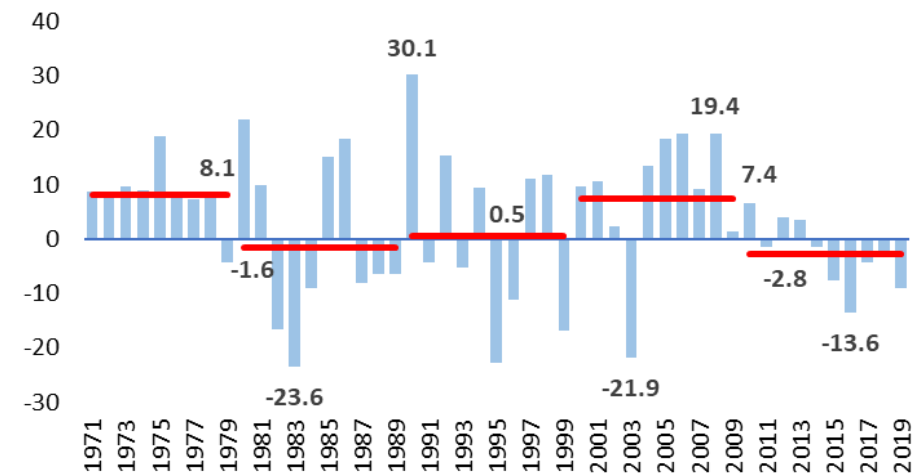
^a Estimates

The trend in investment is a structural problem

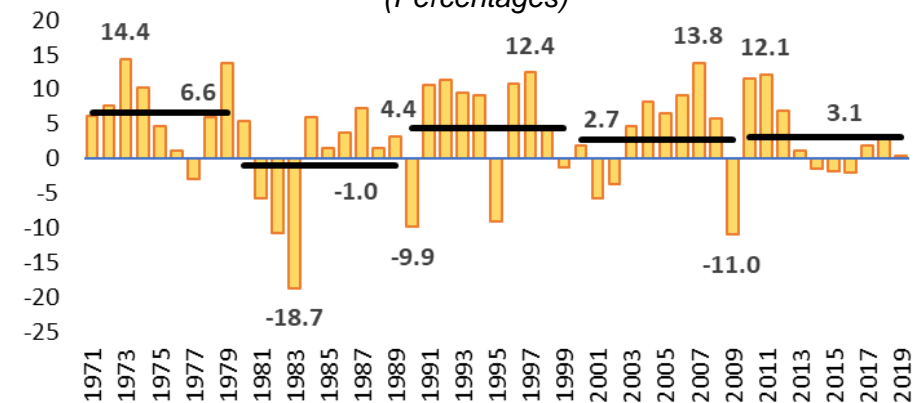
LATIN AMERICA AND THE CARIBBEAN: REAL RATE OF GROWTH OF GROSS FIXED CAPITAL FORMATION, 1951–2021
(Percentages)



LATIN AMERICA AND THE CARIBBEAN: RATE OF GROWTH OF PUBLIC GROSS FIXED CAPITAL FORMATION, 1971–2019
(Percentages)



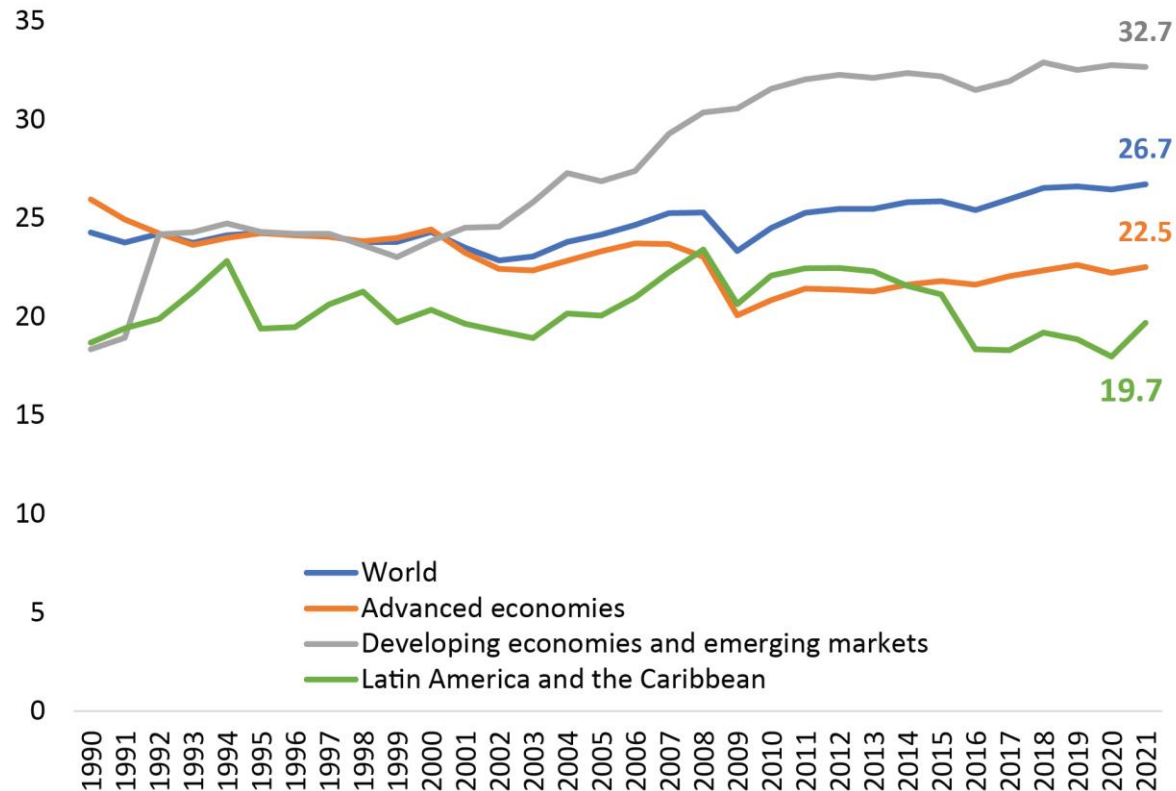
LATIN AMERICA AND THE CARIBBEAN: RATE OF GROWTH OF PRIVATE GROSS FIXED CAPITAL FORMATION, 1971–2019
(Percentages)



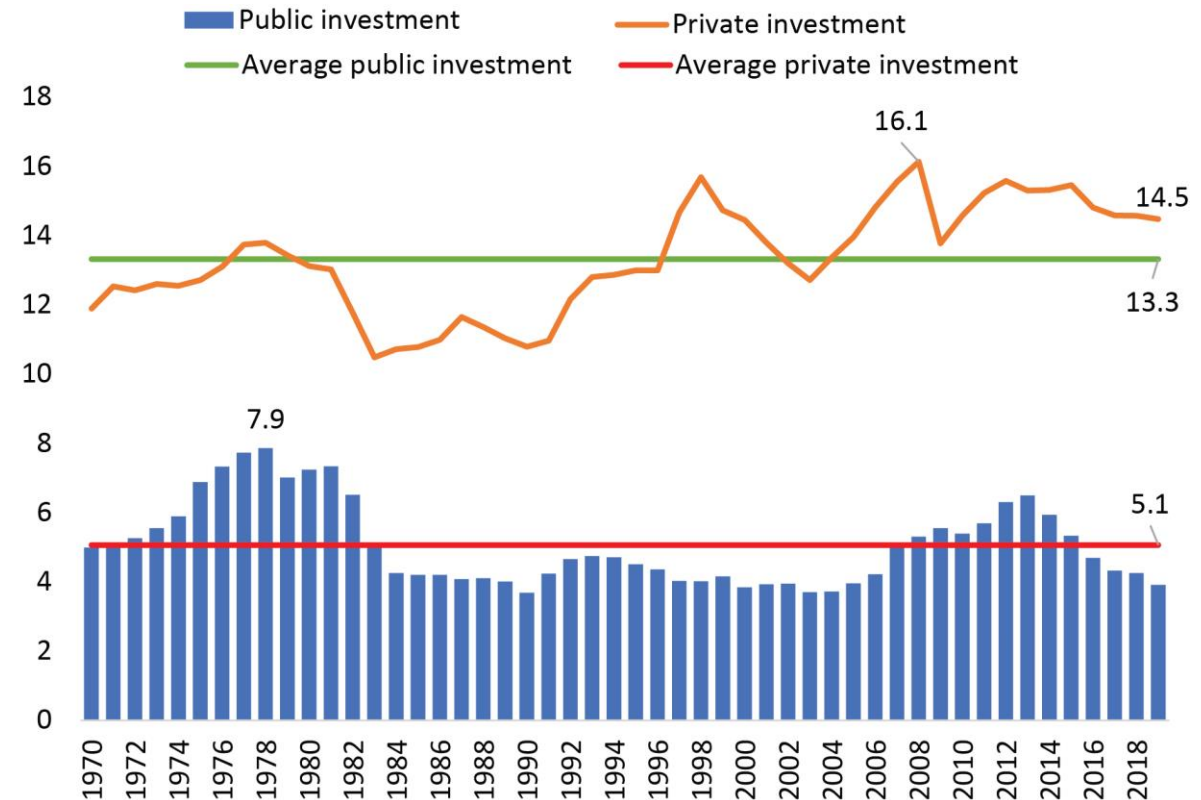
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The region has the lowest investment ratio

WORLD AND SELECTED REGIONS: RATIO OF INVESTMENT TO GDP, 1990–2021
(Ratios on the basis of current dollars, in percentages)



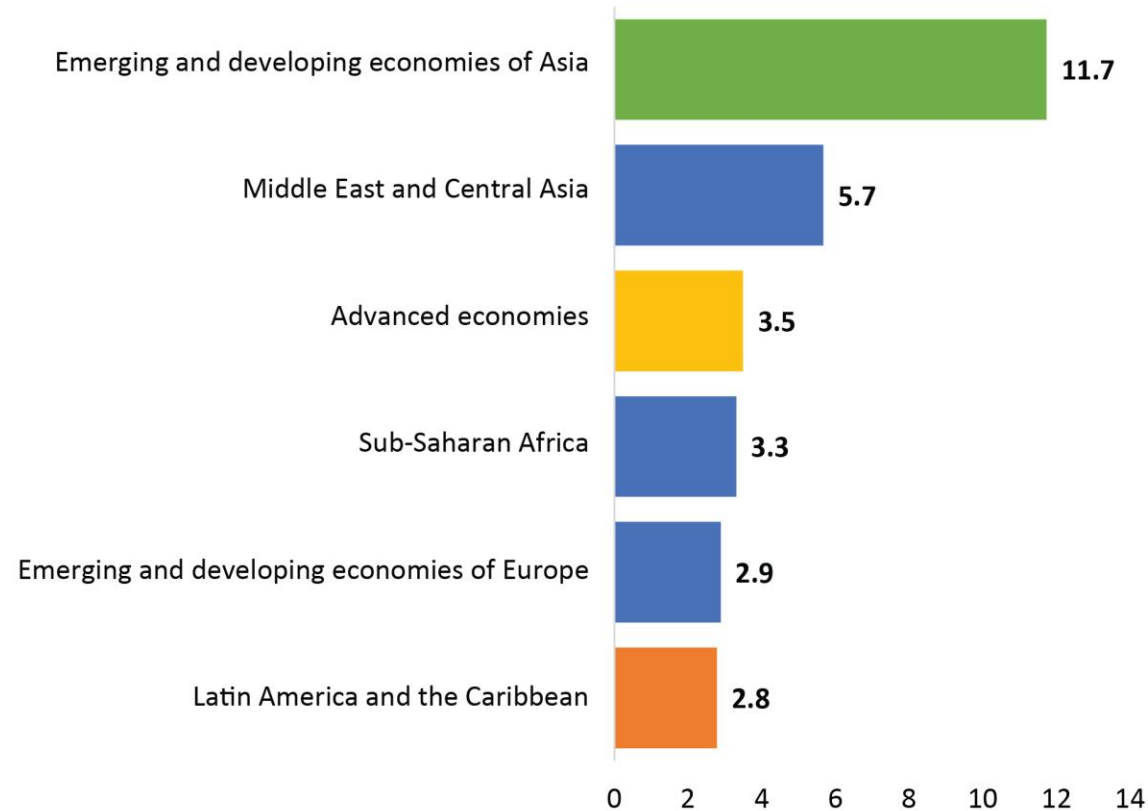
LATIN AMERICA: PUBLIC (RATIO OF PUBLIC GROSS FIXED CAPITAL FORMATION TO GDP) AND PRIVATE (RATIO OF PRIVATE GROSS FIXED CAPITAL FORMATION TO GDP) INVESTMENT EFFORTS, 1970–2019
(Percentages of GDP)



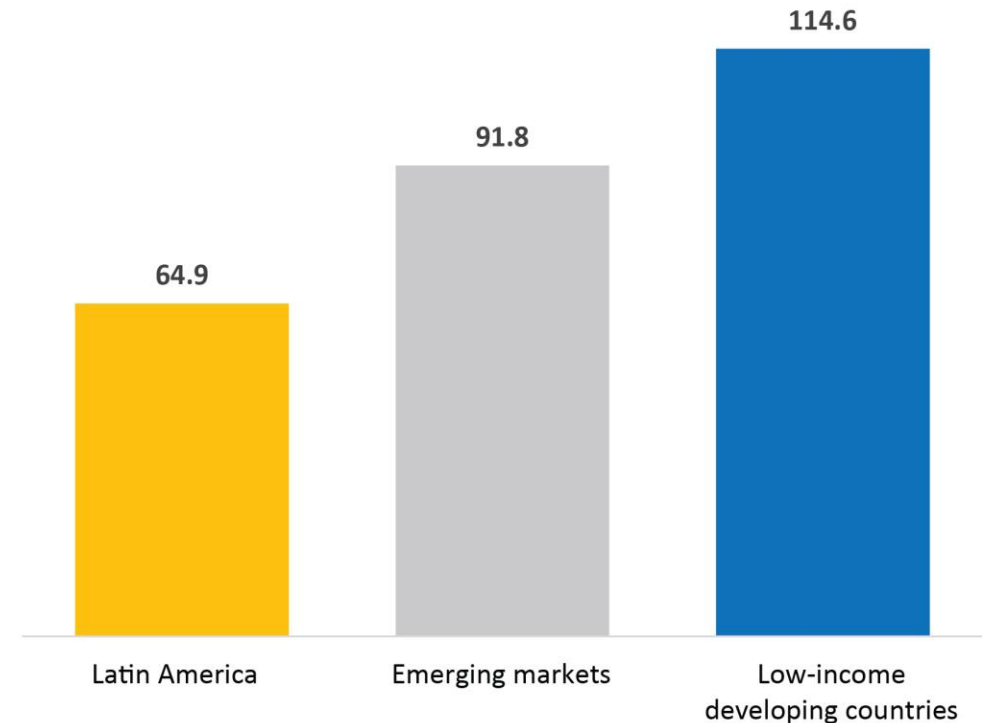
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Investment and public capital stock are low compared to other regions

SELECTED GROUPINGS AND REGIONS: GENERAL GOVERNMENT GROSS FIXED CAPITAL FORMATION, 2019^a
(Percentages of GDP at constant prices)



SELECTED COUNTRY GROUPS: GENERAL GOVERNMENT CAPITAL STOCK, 2015
(Percentages of GDP)



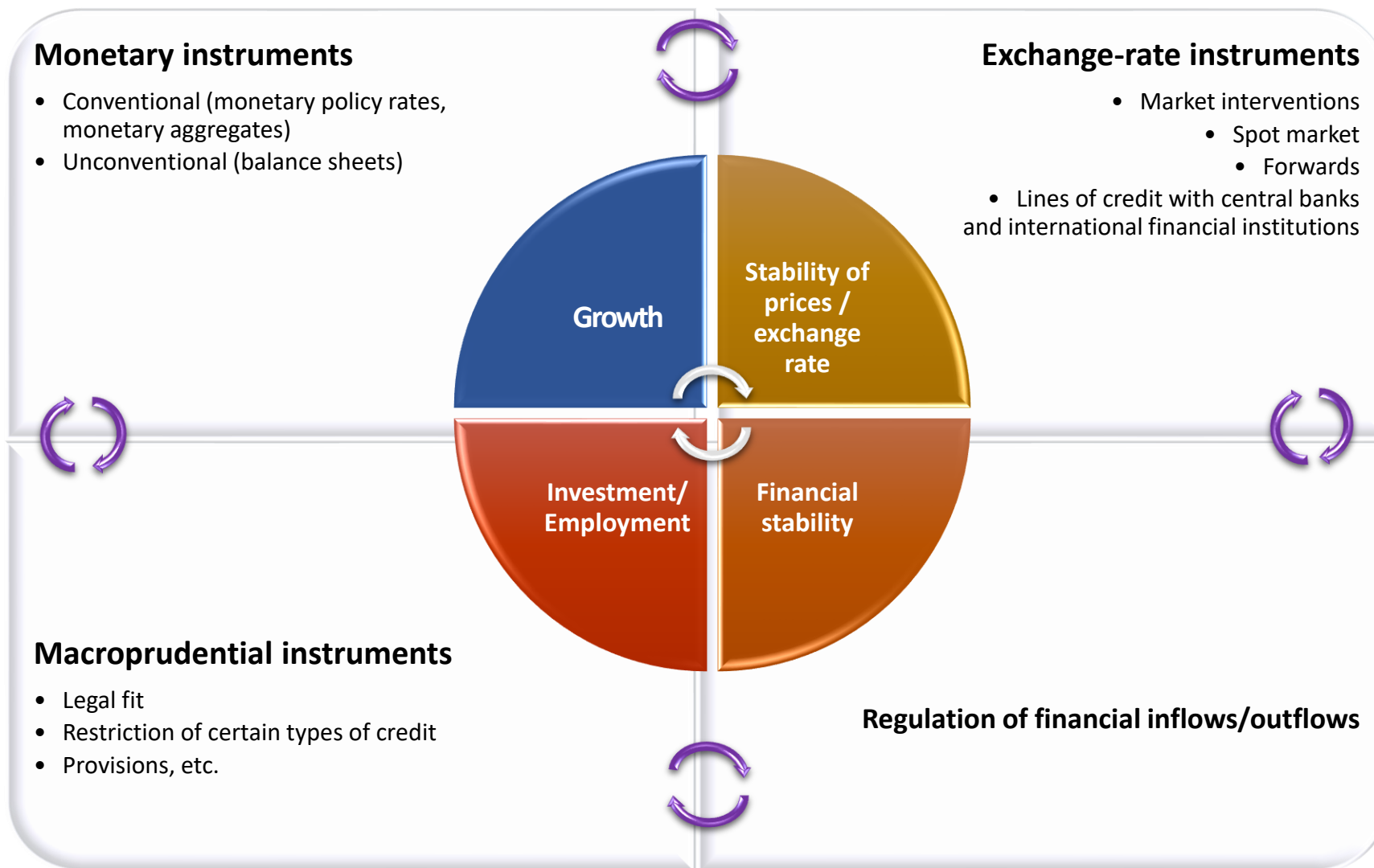
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), "Investment and Capital Stock Dataset".

^a Weighted averages are calculated on the basis of purchasing power parity GDP in international dollars at current prices.

Macroeconomic policy challenges

- In a situation of domestic and external restrictions, the major challenges in terms of macroeconomic policy is to reconcile the trade-offs among different macroeconomic goals:
 - Boosting sustainable growth
 - Easing inflationary pressure
 - Creating quality jobs
 - Reducing poverty and inequality
 - For this reason, it is vital to bolster investment
- This requires greater coordination of fiscal, monetary and exchange-rate policy and good use of the set of tools available to authorities.

In these circumstances, the challenge for monetary authorities is linking and coordinating the available tools with other policies



In fiscal policy, expanded space and sustainable public spending are needed

In the short term:

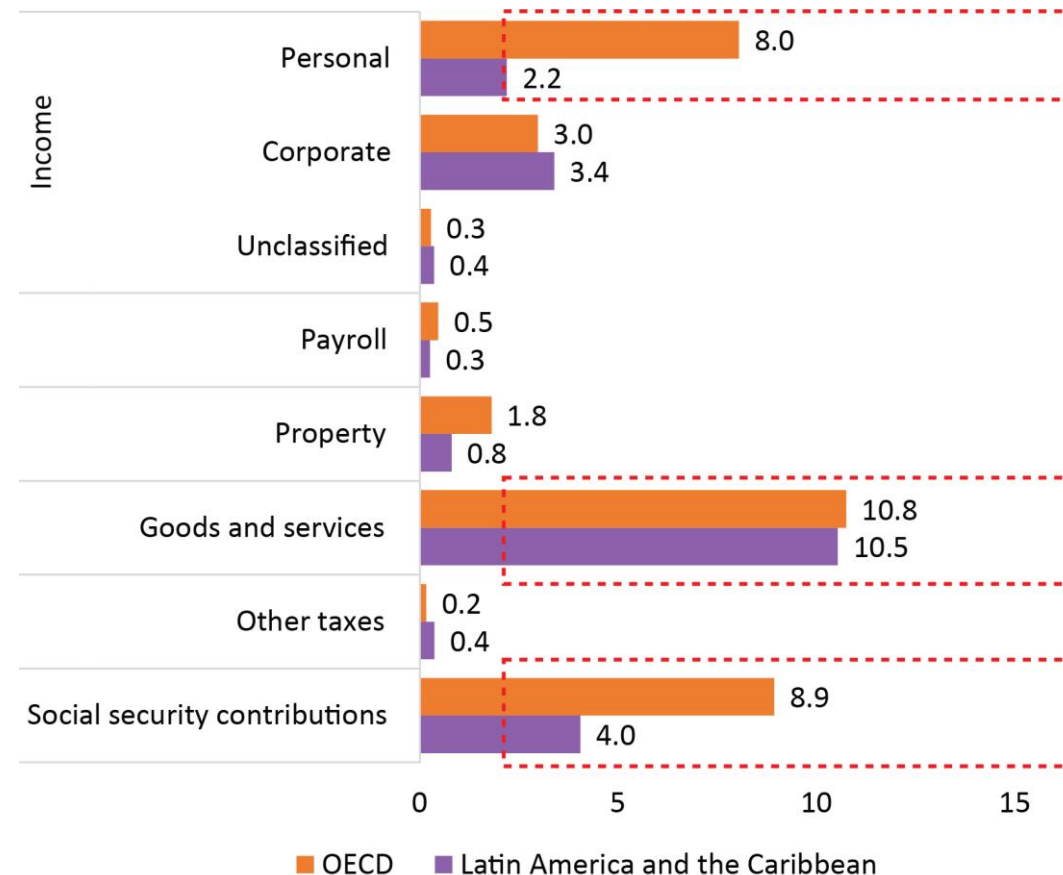
- End tax evasion: unpaid tax amounted to US\$ 325 billion, 6.1% of regional GDP.
- Review tax expenditures: average of 3.7% of GDP or 17% of central government budgeted expenditure.
- Adapt tax regulations to new good practices for taxation of the digital economy (base erosion and profit shifting).

In the medium term:

- Consolidate personal income tax: 2.2% of GDP in Latin America and the Caribbean, 8.0% of GDP in countries of the Organisation for Economic Co-operation and Development (OECD) in 2020.
- Expand the scope of wealth and property taxes.
- Review and update fiscal regimes for exploitation of non-renewable resources.
- Consider environmental taxes and taxes linked to public health problems.

LATIN AMERICA AND THE CARIBBEAN (27 COUNTRIES) AND ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD): GENERAL GOVERNMENT TAX STRUCTURE, 2020

(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from Organisation for Economic Co-operation and Development (OECD) and others, *Revenue Statistics in Latin America and the Caribbean 2022*, Paris, OECD Publishing.

Challenges to increasing investment

- The reinvigoration of public and private investment must not be subordinate to anti-inflationary policies.
- Properly designed tax incentives within appropriate governance frameworks will move private investment towards strategic sectors (crowding-in).
- National public investment systems are important for promoting consistent, efficient and effective public investment.
- Reduce coordination problems that hinder the adoption of new and better technology, to create virtuous circles.
- The green transition and stronger demand for minerals (copper, iron, lithium) that are required by clean technology present a challenge and an opportunity to adapt production methods and technologies.
- Access to long-term financing with favourable terms to respond to climate change and create low-carbon development options.

Key messages

- The region is following a path of low growth, similar to the one seen before the pandemic, in a situation of considerable external and internal restrictions.
- Macroeconomic policy must boost sustainable growth, pursue price stability, create quality jobs and reduce poverty and inequality.
- It is vital to bolster investment, as it links the short and medium term and is crucial to the response to climate change.
- Greater coordination of macroeconomic policies is required and fiscal policy must be made sustainable, making use of available monetary policy instruments to avoid subordinating growth and investment to anti-inflationary policy.
- Macroeconomic efforts must be accompanied by policies on industry, innovation and technological development, trade, social affairs and the care economy.
- Financing for development and mobilization of external resources should support countries' pursuit of sustainable growth and development.

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2022

Economic Survey of Latin America and the Caribbean



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