Preliminary Overview of the Economies of Latin America and the Caribbean
Contents

• External context

• Macroeconomic trends

• Policy trends

• Prospects
External context
Low GDP growth continued in Latin America and the Caribbean in 2013, at around 2.6%

Growth has been conditioned by three factors:

- Less dynamic external demand, though with signs of a point of inflexion during the second half of 2013
- Increased financial volatility associated with the prospects of a reduction in monetary stimulus in the United States
- Less dynamic regional consumption that has not been compensated by investment or net exports
Global growth declined in 2013, with some improvement in 2014

REAL GDP GROWTH BY SELECTED REGIONS AND COUNTRIES, 2010-2014
(In percentages)

Source: UN/DESA, Link GEO October 2013.
Estimations.
External demand remains subdued, but there are signs of a recovery

**Imports of the European Union**, **the United States and China**

*(Year-on-year change in percentages)*

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

* EU 27: 27 countries, extraregional trade.
In 2013, the monetary and fiscal policies of the USA served to increase international financial volatility.

SELECTED EMERGING COUNTRIES: NOMINAL EXCHANGE RATES AGAINST THE UNITED STATES DOLLAR
(Index of December of 2012=100)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Macroeconomic trends
The trend of slowing growth in the region appears to have halted in 2013, but at a low rate.

LATIN AMERICA AND THE CARIBBEAN: YEAR-ON-YEAR QUARTERLY VARIATIONS OF GROSS DOMESTIC PRODUCT
(Percentages based on dollars at constant 2005 prices)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Consumption continued to be the component of demand that sustained growth (be it low)

**LATIN AMERICA: CHANGE IN GDP AND CONTRIBUTION OF DEMAND**

*Percentages based on dollars at constant 2005 prices*

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

*Projections.*
Modest growth persisted in 2013

**LATIN AMERICA: GDP GROWTH RATES, 2013**

*In percentages*

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paraguay</td>
<td>7.5%</td>
</tr>
<tr>
<td>Panama</td>
<td>6.4%</td>
</tr>
<tr>
<td>Bolivia (Plur. State. of)</td>
<td>5.2%</td>
</tr>
<tr>
<td>Peru</td>
<td>4.6%</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>4.5%</td>
</tr>
<tr>
<td>Uruguay</td>
<td>4.5%</td>
</tr>
<tr>
<td>Argentina</td>
<td>4.2%</td>
</tr>
<tr>
<td>Chile</td>
<td>4.0%</td>
</tr>
<tr>
<td>Colombia</td>
<td>4.0%</td>
</tr>
<tr>
<td>Haiti</td>
<td>3.8%</td>
</tr>
<tr>
<td>Ecuador</td>
<td>3.4%</td>
</tr>
<tr>
<td>Guatemala</td>
<td>3.2%</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>3.0%</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>3.0%</td>
</tr>
<tr>
<td>Cuba</td>
<td>3.0%</td>
</tr>
<tr>
<td>LAC</td>
<td>2.6%</td>
</tr>
<tr>
<td>Honduras</td>
<td>2.6%</td>
</tr>
<tr>
<td>Brazil</td>
<td>2.4%</td>
</tr>
<tr>
<td>El Salvador</td>
<td>1.7%</td>
</tr>
<tr>
<td>Mexico</td>
<td>1.3%</td>
</tr>
<tr>
<td>The Caribbean</td>
<td>1.3%</td>
</tr>
<tr>
<td>Venezuela (Bol. Rep. of)</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

**Source**: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.  
* Projections.
Modest growth persisted in 2013

THE CARIBBEAN: GDP GROWTH RATES, 2013
(In percentages)

-0.7 0.1 1.1 1.3 1.5 1.5 1.6 1.6 1.6 1.6 2.1 3.9 4.8

Barbados  
Dominica -0.5  
Antigua and Barbuda 1.5  
Santa Lucia 1.1  
Jamaica 0.1  
Trinidad and Tobago 1.6  
Belize 1.6  
Bahamas 1.6  
Granada 1.5  
Antigua and Barbuda 1.5  
The Caribbean 1.3  
Suriname 3.9  
St Vincent and the Grenadines 2.1  
St Kitts and Nevis 1.6  
Trinidad and Tobago 1.6  
Guyana 4.8  

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.  
a Projections.
Job creation in the region decelerated

LATIN AMERICA AND THE CARIBBEAN: ECONOMIC GROWTH AND EMPLOYMENT RATE, 2000-2013

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

a Projections.
Growth in real salaries also slowed

LATIN AMERICA (SELECTED COUNTRIES): REAL AVERAGE SALARIES IN THE FORMAL SECTOR, 2011 – FIRST TO THIRD QUARTER OF 2013

(Year-on-year change in percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Commodities prices continued to trend downwards

PRICE INDICES FOR EXPORT COMMODITIES (WEIGHTED BY THE VALUE OF EXPORTS)
(2005=100)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the United Nations Conference on Trade and Development (UNCTAD) and the Netherlands Bureau of Economic Policy Analysis (CPB).
Terms of trade deteriorated generally across the region.

**LATIN AMERICA: ESTIMATED VARIATION IN TERMS OF TRADE, 2011-2013**

(In percentages)

- **Mexico**
- **Brazil**
- **The Caribbean (except T&T)**
- **Exporters of hydrocarbons (BO, CO, EC, VE, TT)**
- **Central America and the Dominican Republic**
- **Exporters of agro-industrial products (AR, PY, UY)**
- **Exporters of minerals and metals (CL, PE)**
- **Latin America and the Caribbean**

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

*a* The figures for 2013 are projections.
Exports: lower prices were compensated (partially) by increased volume

LATIN AMERICA: VARIATION IN EXPORTS BY VOLUME AND PRICE, 2013
(In percentages)

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

Projections.
The deterioration of the trade balance deepened the current account deficit.

**Latin America: Structure of the Current Account, 2006-2013**

*In percentages of GDP*

- **Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
- **Note:** The figures for 2013 are projections.
The investment ratio stagnated but registered increased external financing (saving)

**LATIN AMERICA: FINANCING OF GROSS DOMESTIC INVESTMENT, 2000-2013**

*Percentages based on dollars at constant 2005 prices*

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

*a* The figures for 2013 are projections.
Short-term capital exited the region while FDI and portfolio investment grew.

LATIN AMERICA (17 COUNTRIES): COMPONENTS OF THE FINANCIAL ACCOUNT, 2006-2013

(In percentages of GDP)

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

*The figures for 2013 are projections.*
Portfolio investment: continued access to international financial markets

**LATIN AMERICA: EXTERNAL BOND ISSUES AND COUNTRY RISK**

(Millions of dollars and basis points)

*Source:* Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from JP Morgan and Latin Finance.
Policy trends
Moderately counter cyclical fiscal policies were adopted in response to slow growth...

LATIN AMERICA (19 COUNTRIES): CENTRAL GOVERNMENT FISCAL INDICATORS, 2000-2013
(In percentages of GDP)

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

a Simple averages. Data for 2013 are estimates.
…which led to a certain easing of fiscal targets in the countries of Latin America…

LATIN AMERICA: OVERALL BALANCE AND GROSS PUBLIC DEBT, 2013 $^a$

(In percentages of GDP)

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

$^a$ Data for 2013 are estimates.
…and the Caribbean

THE CARIBBEAN: OVERALL BALANCE AND GROSS PUBLIC DEBT, 2013

(In percentages of GDP)

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

Data for 2013 are estimates.
Public expenditure maintained its upward trend with a modest increase in investment (capital) levels.

LATIN AMERICA AND THE CARIBBEAN: CENTRAL GOVERNMENT EXPENDITURES, 2012-2013
(In percentages of GDP)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures of official budgets and estimations.
The international context generated an increase in exchange rate volatility...

SELECTED COUNTRIES: NOMINAL EXCHANGE RATES AGAINST THE UNITED STATES DOLLAR

(Index of January of 2008=100)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
...as well as fluctuations in the region’s stock markets

SELECTED COUNTRIES: STOCK MARKETS
(Index of January of 2006=100)

Source: Bloomberg.
With the exception of Brazil, lower inflationary pressures have permitted the reduction of monetary policy rates

COUNTRIES WITH INFLATION TARGETS: CHANGES IN MONETARY POLICY RATES BY DATE, 2013

<table>
<thead>
<tr>
<th>Country</th>
<th>Increase</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>April 18</td>
<td></td>
</tr>
<tr>
<td></td>
<td>May 30</td>
<td></td>
</tr>
<tr>
<td></td>
<td>July 11</td>
<td></td>
</tr>
<tr>
<td></td>
<td>August 29</td>
<td></td>
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<tr>
<td></td>
<td>October 10</td>
<td></td>
</tr>
<tr>
<td></td>
<td>November 28</td>
<td></td>
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<tr>
<td>Chile</td>
<td></td>
<td>October 18</td>
</tr>
<tr>
<td></td>
<td></td>
<td>November 20</td>
</tr>
<tr>
<td>Colombia</td>
<td></td>
<td>January 29</td>
</tr>
<tr>
<td></td>
<td></td>
<td>February 25</td>
</tr>
<tr>
<td></td>
<td></td>
<td>March 26</td>
</tr>
<tr>
<td>Guatemala</td>
<td>April 25</td>
<td>October 30</td>
</tr>
<tr>
<td>Mexico</td>
<td></td>
<td>March 8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>September 6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>October 25</td>
</tr>
<tr>
<td>Peru</td>
<td></td>
<td>November 7</td>
</tr>
</tbody>
</table>

Source: Central banks.
The majority of countries using a monetary aggregates approach maintained money growth rates of around 10%.
Inflation trajectories differed across the region depending on the monetary policies adopted

LATIN AMERICA AND THE CARIBBEAN: 12-MONTH INFLATION, JANUARY 2007 TO OCTOBER 2013

(Simple average)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
International reserves ceased to grow as in previous years, while debt remained low.

**GROSS INTERNATIONAL RESERVES AND TOTAL GROSS EXTERNAL DEBT**

(*Millions of dollars and percentages of GDP*)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Prospects
A moderate recovery in growth is projected for 2014

**LATIN AMERICA: GDP GROWTH RATES, 2014**

(*In percentages*)

- Panama: 7.0%
- Bolivia (Plur. State. of): 5.5%
- Peru: 5.5%
- Nicaragua: 5.0%
- Dominican Republic: 5.0%
- Colombia: 4.5%
- Haiti: 4.5%
- Ecuador: 4.5%
- Paraguay: 4.3%
- Chile: 4.0%
- Costa Rica: 4.0%
- Uruguay: 3.5%
- Guatemala: 3.5%
- Mexico: 3.5%
- LAC: 3.2%
- Cuba: 3.0%
- Honduras: 3.0%
- Argentina: 2.6%
- Brazil: 2.6%
- El Salvador: 2.6%
- The Caribbean: 2.1%
- Venezuela (Bol. Rep. of): 1.0%

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

*a* Projections.
A moderate recovery in growth is projected for 2014

THE CARIBBEAN: GDP GROWTH RATES, 2014
(In percentages)

<table>
<thead>
<tr>
<th>Country</th>
<th>2014 Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suriname</td>
<td>4.7</td>
</tr>
<tr>
<td>Guyana</td>
<td>4.6</td>
</tr>
<tr>
<td>St Kitts and Nevis</td>
<td>2.9</td>
</tr>
<tr>
<td>Belize</td>
<td>2.8</td>
</tr>
<tr>
<td>Bahamas</td>
<td>2.5</td>
</tr>
<tr>
<td>Santa Lucia</td>
<td>2.3</td>
</tr>
<tr>
<td>The Caribbean</td>
<td>2.1</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>2.1</td>
</tr>
<tr>
<td>Antigua and Barbuda</td>
<td>1.5</td>
</tr>
<tr>
<td>St Vincent and the Grenadines</td>
<td>1.4</td>
</tr>
<tr>
<td>Granada</td>
<td>1.3</td>
</tr>
<tr>
<td>Jamaica</td>
<td>1.2</td>
</tr>
<tr>
<td>Dominica</td>
<td>1.2</td>
</tr>
<tr>
<td>Barbados</td>
<td>1.0</td>
</tr>
</tbody>
</table>

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

\(^a\) Projections.
## Threats and opportunities

<table>
<thead>
<tr>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External context</strong></td>
</tr>
<tr>
<td>☐ Volatility and an increased cost of external financing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Regional context</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ Limited contribution of consumption to GDP growth:</td>
</tr>
<tr>
<td>▪ Slowdown in wages and credit</td>
</tr>
<tr>
<td>▪ Limited fiscal impulse</td>
</tr>
<tr>
<td>☐ External vulnerability:</td>
</tr>
<tr>
<td>▪ Deterioration of the current account with a growing cost to finance its deficit</td>
</tr>
</tbody>
</table>
# Threats and opportunities

<table>
<thead>
<tr>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External context</strong></td>
</tr>
<tr>
<td>☐ Moderate growth of global trade</td>
</tr>
<tr>
<td><strong>Regional context</strong></td>
</tr>
<tr>
<td>☐ Larger deficit of the current account:</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>▪ results in depreciation that modifies relative prices</td>
</tr>
<tr>
<td>☐ Complementary policies: macro, industrial, SMEs, environmental, social and trade, as well as infrastructure. Opportunity to:</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>▪ Invest more in diversified tradables and exports</td>
</tr>
<tr>
<td>▪ Reduce structural heterogeneity</td>
</tr>
<tr>
<td>☐ Regional integration: trade and complementary specialization</td>
</tr>
</tbody>
</table>
The challenge of fostering growth with equality: social covenants for investment (productivity) with three dimensions

SOCIAL COVENANT DIAGRAM

Institutional framework:
Clear rules, certainty and equal participation of actors

Short-term policies (counter cyclical): nominal and real stability

Long-term policies: investment in the diversification of tradables

Source: Economic Commission for Latin America and the Caribbean (ECLAC).
2013

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