Contents of the presentation

I. The external context: a mixed picture with a heterogeneous impact.

II. Regional economic growth: a worrying weakness of the principal components of demand.

III. Macroeconomic policies: narrowing space for action.

IV. The medium term: challenges facing the region.
I. THE EXTERNAL CONTEXT: A MIXED PICTURE WITH A HETEROGENEOUS IMPACT.
Global growth to increase moderately in 2014

SELECTED REGIONS AND COUNTRIES: GDP GROWTH RATE, 2007-2014
(Percentages)


*a* Projections.
The dynamic of the external demand recovers, but remains below the levels of the greater part of the last decade.

LATIN AMERICA AND THE CARIBBEAN: COMMERCIAL PARTNER’S GDP GROWTH RATE, 2000-2014
(Percentages)


a Projections.
Imports have registered a slight increase in developed countries

YEAR-ON-YEAR VARIATION IN WORLD IMPORT VOLUME BY REGION, THREE-MONTH MOVING AVERAGE, JANUARY 2012 TO APRIL 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).
The performance of commodities prices was mixed early in the year, though generally at lower levels than in the previous year.

LATIN AMERICA: PRICE INDICES FOR EXPORT COMMODITIES AND MANUFACTURED GOODS, THREE-MONTH MOVING AVERAGE, JANUARY 2009 TO MAY 2014 a

(Index 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).

a The export commodity groups are weighted according to their share of Latin America’s export basket.
 Terms of trade deteriorate for the third year in a row


(Percentages)

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

a The figures for 2014 are projections. b Chile and Peru. c Argentina, Paraguay and Uruguay. d Bolivia (Plur. State of), Colombia, Ecuador, Trinidad and Tobago y Venezuela (Bol. Rep. of).
In 2014, with the exception of Central America, imports outpace exports, contributing to a deterioration of the current account balance.

**LATIN AMERICA: VARIATION IN EXPORTS AND IMPORTS BY VOLUME AND PRICES, 2014**

*(Percentages)*

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

*a* Projections.
Remittances from emigrants in the US exhibit vigorous growth

LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): VARIATION IN INFLOWS OF REMITTANCES FROM MIGRANTS ABROAD, 2012-2014a

(Percentages)

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

a The figures for 2014 relate to different periods depending on the countries: El Salvador y Guatemala, January to May; Bolivia (Plur. State of), Colombia, Mexico and Nicaragua January to April; Costa Rica, Honduras and Peru January to March.
Tourist arrivals rebound

LATIN AMERICA AND THE CARIBBEAN: YEAR-ON-YEAR VARIATION IN INTERNATIONAL TOURIST ARRIVALS, 2011-2014<sup>a</sup>

(Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the World Tourism Organization (UNWTO).

<sup>a</sup> The figures for 2014 relate to the first quarter.
The goods balance deteriorates and the current account balance will register a deficit similar to the previous year.

**LATIN AMERICA: STRUCTURE OF THE CURRENT ACCOUNT, 2006-2014**

*(Percentages of GDP)*

![](chart.png)

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

*The figures for 2014 are projections.*
Access to international financial markets remains open, with high levels debt issuance.

**LATIN AMERICA AND THE CARIBBEAN (19 COUNTRIES): EXTERNAL BOND ISSUES ON INTERNATIONAL MARKETS AND RISK ACCORDING TO EMBI+, JANUARY 2007 TO MARCH 2014**

*(Millions of dollars and basis points)*

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 trend of external bond issues for 2014 was estimated using a monthly moving average of the six previous months.
International reserves increase slightly

(Percentages, billions of dollars and percentage of GDP)

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

a The figures for 2014 relate to the period of January to May.
The depreciation of national currencies halted in the second quarter

LATIN AMERICA (SELECTED COUNTRIES): NOMINAL EXCHANGE RATE WITH RESPECT TO THE UNITED STATES DOLLAR, JANUARY 2012 TO MAY 2014

[Index: January 2008 = 100]

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.
The external environment in 2014: a mixed picture

- Global economic growth is somewhat greater than during the past two years – though, much less than during the previous decade.
- This is reflected in a slight increase in imports, especially in developing countries.
- Although the prices of the commodities that the region exports have declined moderately, they remain at high levels.
- The surplus in the goods balance evaporates, while the dynamism of remittances and tourism prevents a greater increase in the deficit of the current account of the balance of payments.
- Access to international financial markets remains open.
- The effect of the external environment will differ by country, depending on their export structure and international integration.
II
REGIONAL ECONOMIC GROWTH: A WORRYING WEAKNESS OF THE PRINCIPAL COMPONENTS OF DEMAND
Private consumption decelerates and investment stagnates, while government consumption and exports drive growth


(Percentages, based on dollars at constant 2005 prices)

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1 2012</th>
<th>Q2 2012</th>
<th>Q3 2012</th>
<th>Q4 2012</th>
<th>Q1 2013</th>
<th>Q2 2013</th>
<th>Q3 2013</th>
<th>Q4 2013</th>
<th>Q1 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>-6.4</td>
<td>-4.2</td>
<td>-2.0</td>
<td>-1.0</td>
<td>-0.4</td>
<td>0.2</td>
<td>2.0</td>
<td>4.0</td>
<td>6.4</td>
</tr>
<tr>
<td>Private consumption</td>
<td>8.0</td>
<td>6.0</td>
<td>4.0</td>
<td>2.0</td>
<td>0.0</td>
<td>-2.0</td>
<td>-4.0</td>
<td>-6.0</td>
<td>-8.0</td>
</tr>
<tr>
<td>General government consumption</td>
<td>4.0</td>
<td>2.0</td>
<td>0.0</td>
<td>-2.0</td>
<td>-4.0</td>
<td>-6.0</td>
<td>-8.0</td>
<td>-10.0</td>
<td>-12.0</td>
</tr>
<tr>
<td>Gross fixed capital formation</td>
<td>2.0</td>
<td>0.0</td>
<td>-2.0</td>
<td>-4.0</td>
<td>-6.0</td>
<td>-8.0</td>
<td>-10.0</td>
<td>-12.0</td>
<td>-14.0</td>
</tr>
<tr>
<td>Goods and services exports</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Goods and services imports</td>
<td>-4.0</td>
<td>-6.0</td>
<td>-8.0</td>
<td>-10.0</td>
<td>-12.0</td>
<td>-14.0</td>
<td>-16.0</td>
<td>-18.0</td>
<td>-20.0</td>
</tr>
</tbody>
</table>

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.
In the recent past, job creation had supported significant increases in private consumption.

This dynamic is weakening.
In 2014, limited job creation is behind the weakness in private consumption.

Even so, the unemployment rate continued to drop due to lower labor market participation.
III

MACROECONOMIC POLICIES: NARROWING SPACE FOR ACTION.
Inflation in the region exhibits different trajectories between sub-regions

LATIN AMERICA AND THE CARIBBEAN: TWELVE-MONTH VARIATION IN THE CONSUMER PRICE INDEX, WEIGHTED AVERAGE, JANUARY 2011 TO MAY 2014 (Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.
Monetary policy faces the dilemma between boosting growth and controlling inflationary pressures

LATIN AMERICA (COUNTRIES WITH INFLATION TARGETS): MONETARY POLICY RATE, JANUARY 2013 TO JULY 2014
(Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.
Credit growth decelerates in the majority of the countries

LATIN AMERICA AND THE CARIBBEAN (GROUPS OF COUNTRIES): ANNUALIZED GROWTH OF DOMESTIC CREDIT TO THE PRIVATE SECTOR, JANUARY 2010 TO MAY 2014
(Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.
Fiscal policy has limited space and faces the dilemma of re-allocating spending

LATIN AMERICA (19 COUNTRIES): FISCAL INDICATORS OF THE CENTRAL GOVERNMENT, 2000 - 2014
(Percentages of GDP)

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

* The figures for 2014 are projections.
In recent years current spending has outpaced capital spending.


*(Percentages of GDP)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Primary current spending</th>
<th>Interest</th>
<th>Capital spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>15.9</td>
<td>2.3</td>
<td>5.0</td>
</tr>
<tr>
<td>2009</td>
<td>17.1</td>
<td>2.6</td>
<td>4.9</td>
</tr>
<tr>
<td>2010</td>
<td>16.7</td>
<td>2.4</td>
<td>4.6</td>
</tr>
<tr>
<td>2011</td>
<td>17.0</td>
<td>2.4</td>
<td>4.7</td>
</tr>
<tr>
<td>2012</td>
<td>17.3</td>
<td>2.4</td>
<td>4.7</td>
</tr>
<tr>
<td>2013</td>
<td>17.8</td>
<td>2.3</td>
<td>5.2</td>
</tr>
<tr>
<td>2014</td>
<td>18.0</td>
<td>2.4</td>
<td>5.2</td>
</tr>
</tbody>
</table>

*Source:* Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.
Economic growth decelerates again: external conditions, low investment, sluggish household consumption and reduced policy space

LATIN AMERICA AND THE CARIBBEAN: GDP GROWTH RATES, 2014

(Percentages)

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

* Projections.
IV
THE MEDIUM TERM: CHALLENGES FACING THE REGION.
Characteristics of the external context in the medium term

- Global economic growth moderately lower than during the previous decade.
- With structures that result in less dynamism in the demand for certain commodities.
- Moderate declines in the prices of some goods, though differing by good and still at levels relatively high in historic terms.
- Reduced liquidity in international financial markets leading to a rise in the cost of external financing compared to the recent period.
The impact will depend on the productive structures and the specific current vulnerabilities (2012/2013)

**Concentration index of exports by products**

- Exporters of agroindustrial products of the South
- Exporters of hydrocarbons
- Exporters of minerals and metals
- Brazil
- Mexico
- The Caribbean
- Central America

**Relative participation of revenues from non renewable natural resources in public revenues**

- Exporters of agroindustrial products of the South
- Exporters of hydrocarbons
- Exporters of minerals and metals
- Brazil
- Mexico
- The Caribbean
- Central America

**Net external financing needs during the last 10 years as % of GDP**

- Exporters of agroindustrial products of the South
- Exporters of hydrocarbons
- Exporters of minerals and metals
- Brazil
- Mexico
- The Caribbean
- Central America

**Past-due loans / Total loan portfolio**

- Exporters of agroindustrial products of the South
- Exporters of hydrocarbons
- Exporters of minerals and metals
- Brazil
- Mexico
- The Caribbean
- Central America

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.
In the last two decades, investment has not been sufficient nor has existing productive capacity been used effectively.

**LATIN AMERICA: DETERMINANTS OF GDP GROWTH, 1990-2013**

*(Percentages)*

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official data.
Despite the contribution of investment to growth, investment has remained at levels significantly below those of other emerging economies.
The contribution of employment issues (access to quality employment) is crucial in achieving development with equality

- In the last decade access to quality employment improved due to strong labour demand and complementary labour policies.

- On the supply side, demographic changes also contributed (lower dependency ratio).

- This resulted in improvements in indicators related to labour participation and the unemployment rate, employment in sectors of high and medium productivity, and employment formality.

- Real salaries grew moderately and with reduced gaps between employed people with differing levels of qualifications.

- Public policies assumed a more redistributive stance and contributed to increasing the incomes of the poorest households.
Many jobs were created in medium- and high-productivity sectors, with a greater demand for medium- and low-skilled workers.

Job creation contributed to the improvements in income distribution and the increases in consumption which were registered in the recent period.
The new external context increases the need to coordinate policies to manage the economic cycle and the designs to promote development in the longer term

- Apply macroeconomic policies that curb vulnerabilities and take advantage of strengths, differentiated for specific situations (fiscal space, stabilizing mechanisms when facing external shocks, financial systems).
- The increase in potential economic growth with greater and better investment facilitates the broadening of space for counter-cyclical policies.
- This increase in investment (public and private) should be focused on infrastructure and diversification of production.
- Increasing total productivity also requires industrial policies and reorientation of resources (structural change towards more productive and inclusive activities) and a better assignment of resources between sectors (investment, technology, labour-force training, development of SMEs, intra-regional integration and industrialization).
In order to advance towards development with equality a reorientation of policies is required

• Current growth rates are insufficient to deal with social challenges.

• In both the economic and social spheres the region has made some advances in the last decade, but the change in the external context poses new challenges.

• As a result, pacts for investment and productivity are required now more than ever. These can be a powerful mechanism to advance towards trajectories of development with equality and environmental sustainability.

• Take into account three dimensions: short-term policies, long-term policies, institutional framework.

• Improve the coordination of policies directed towards promoting investment and productivity.