

2013



Preliminary Overview of the Economies
of Latin America and the Caribbean



UNITED NATIONS

ECLAC

Contents

- External context
- Macroeconomic trends
- Policy trends
- Prospects





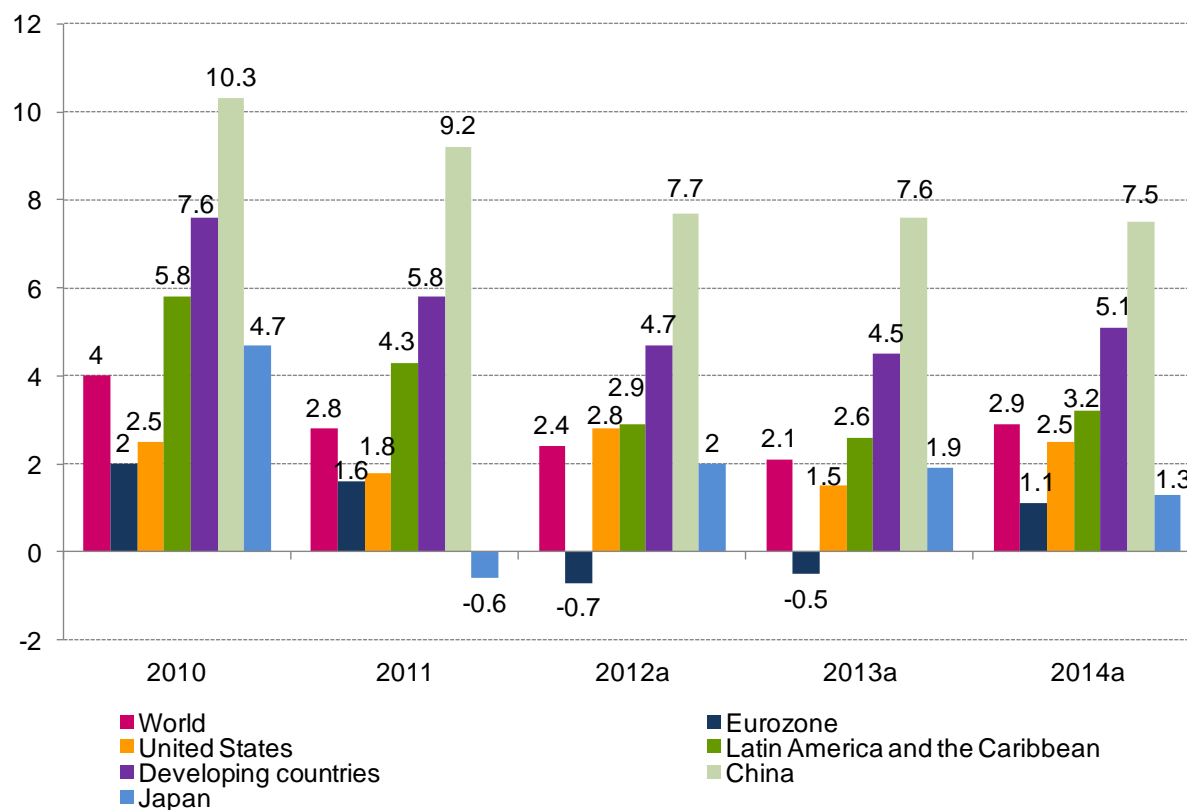
External context

- **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)

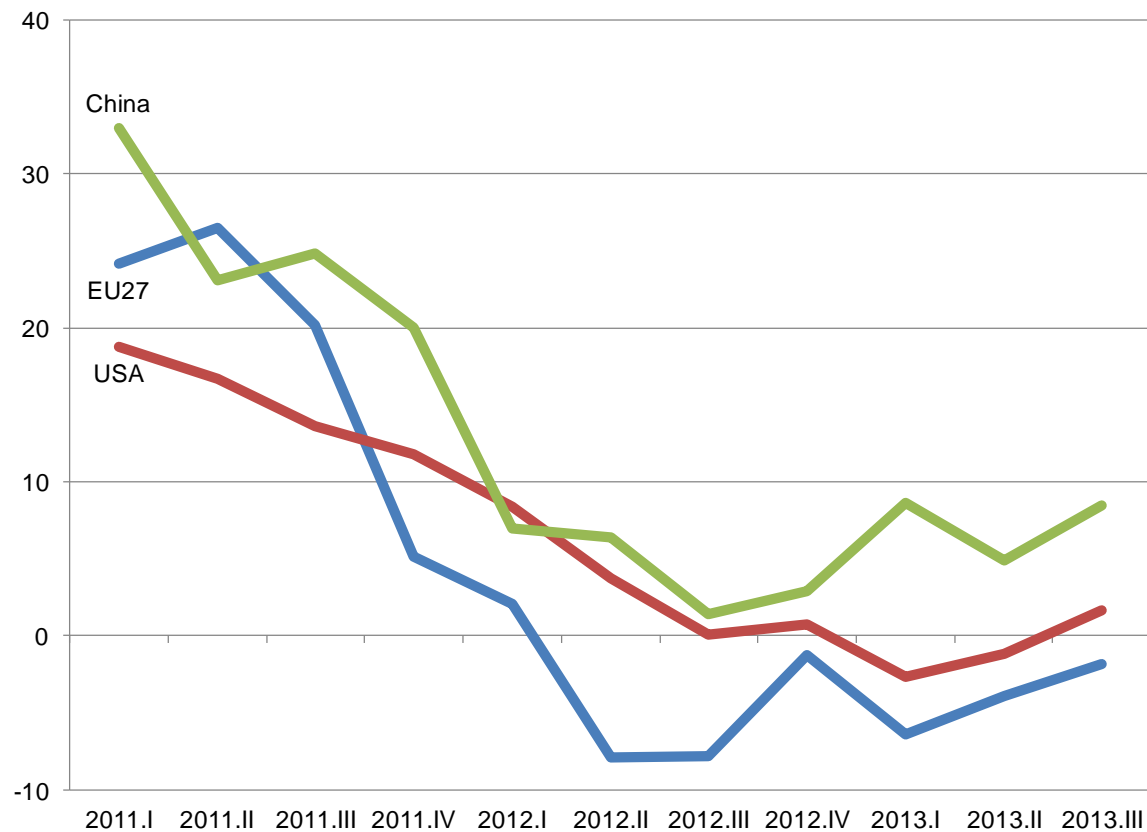


Source: UN/DESA, Link GEO October 2013.
a Estimations.



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)



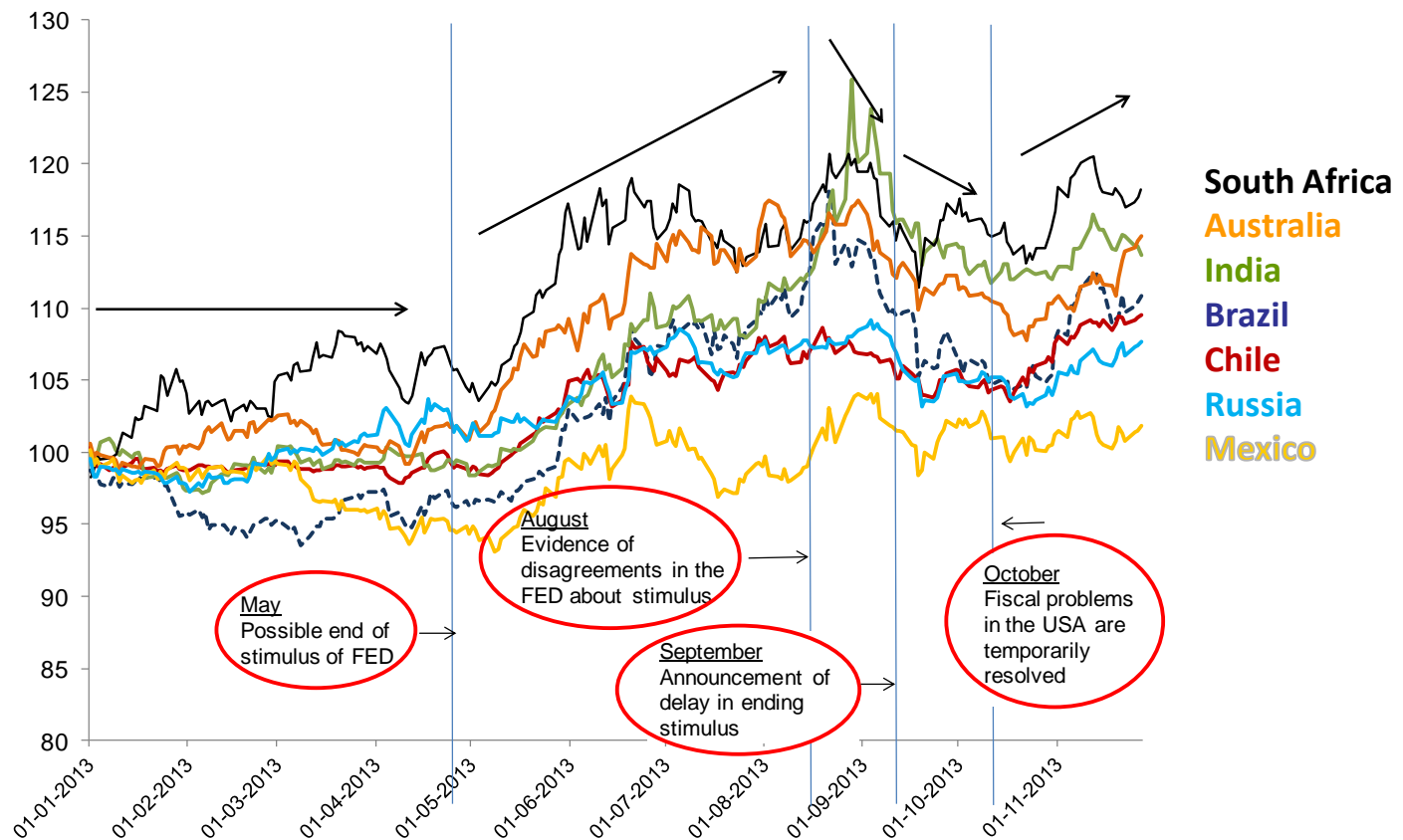
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

* 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)



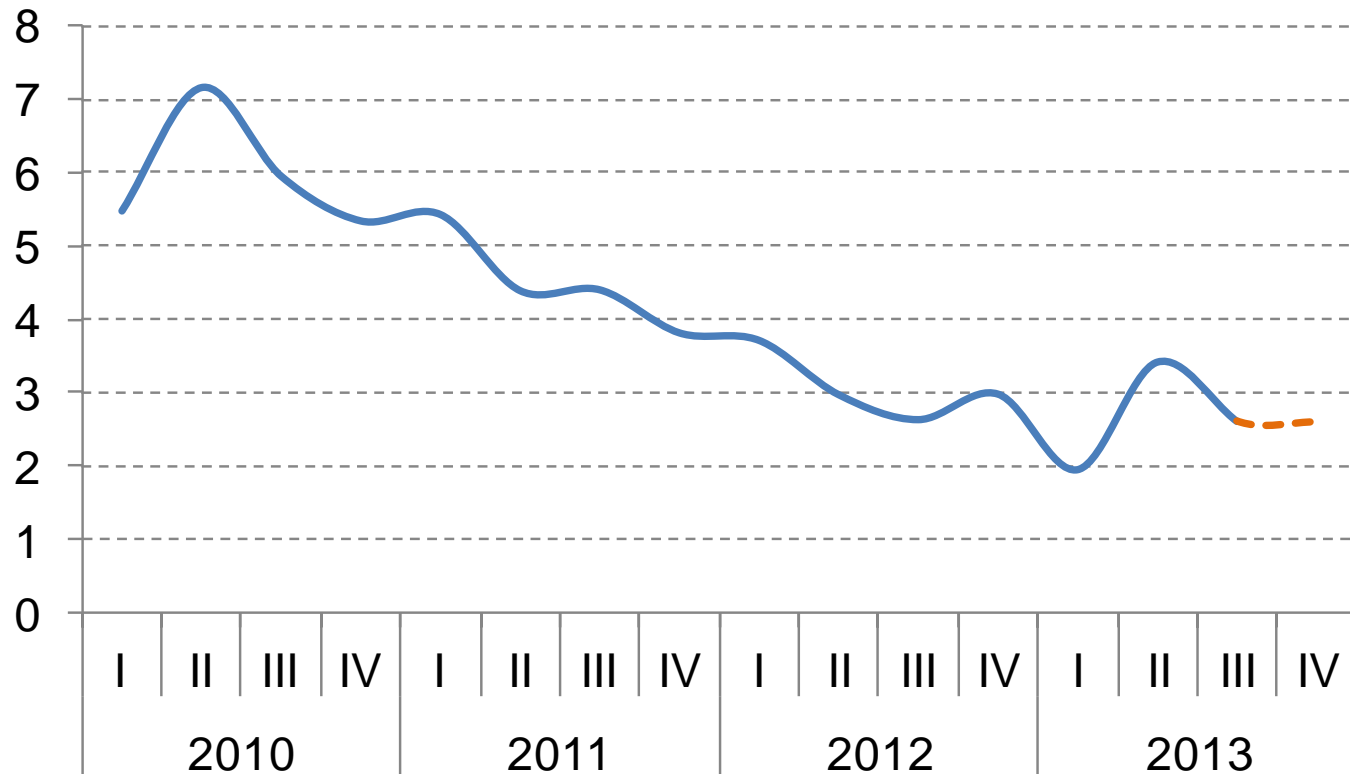
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

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)



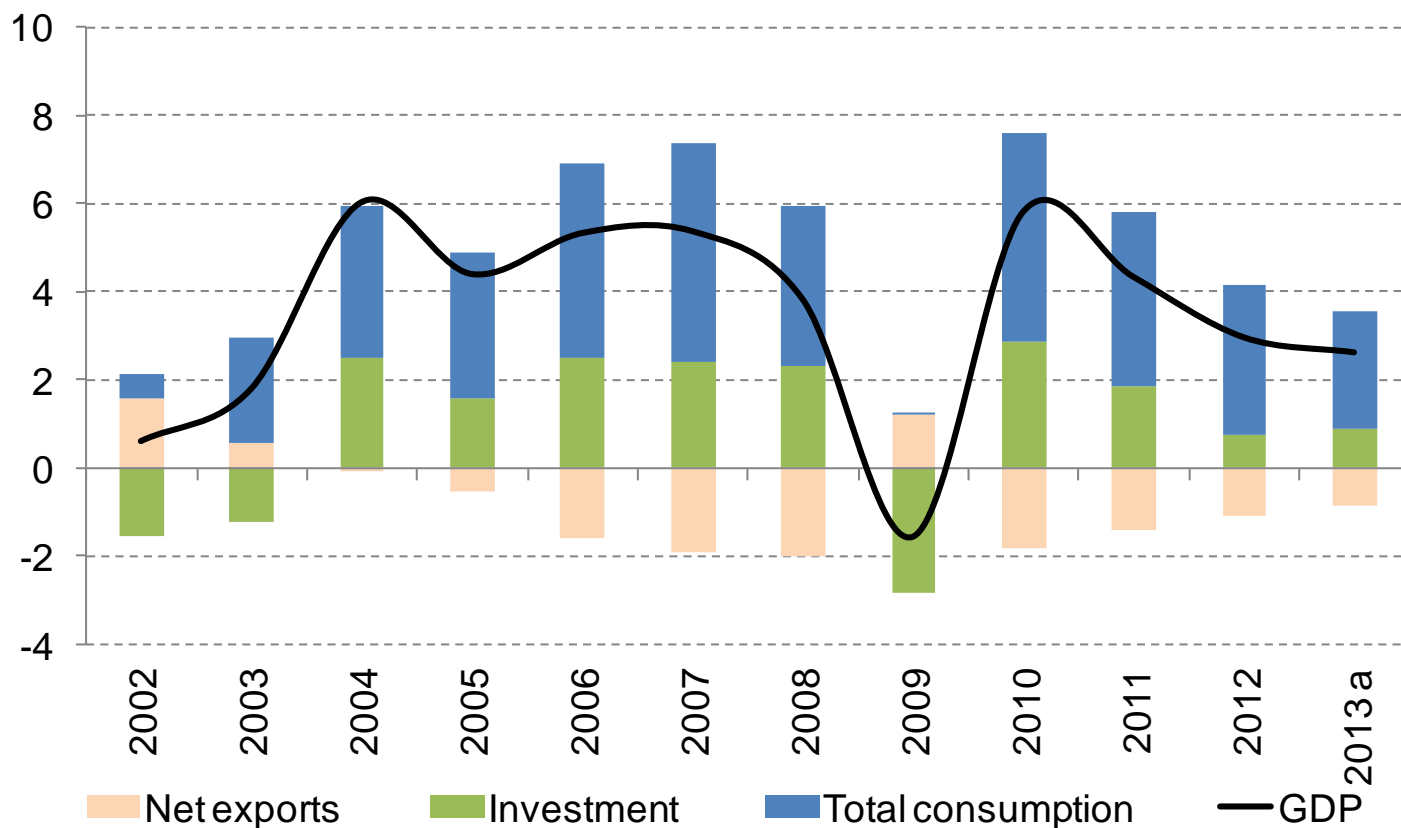
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.



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)



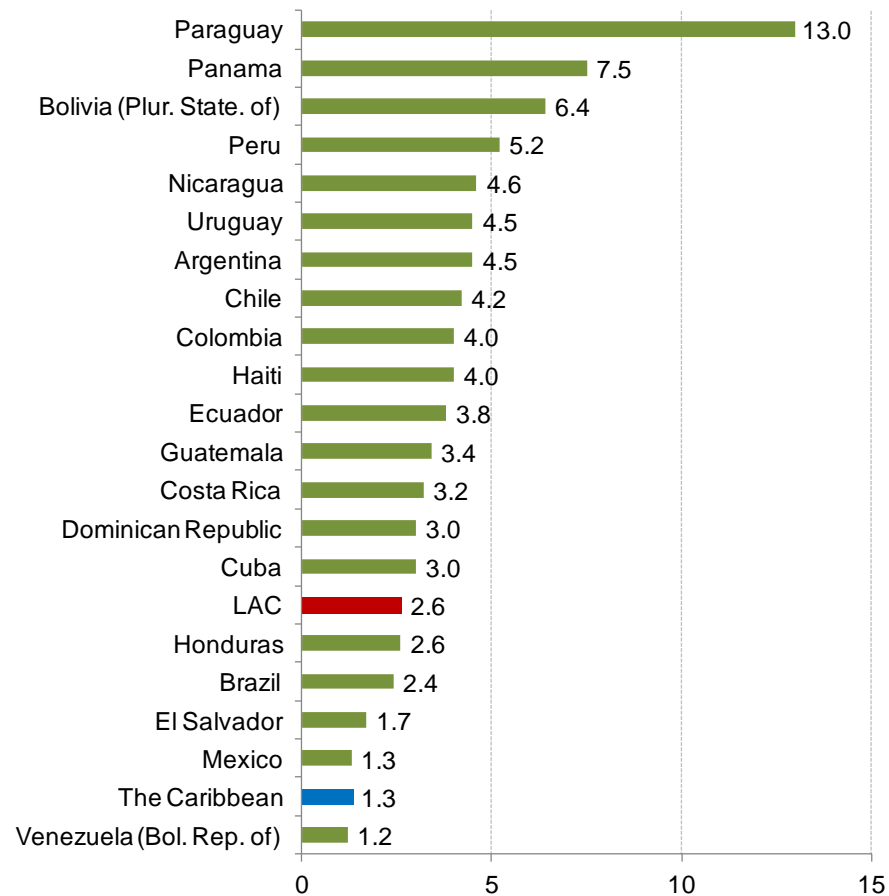
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Projections.



Modest growth persisted in 2013

LATIN AMERICA: GDP GROWTH RATES, 2013 ^a (In percentages)



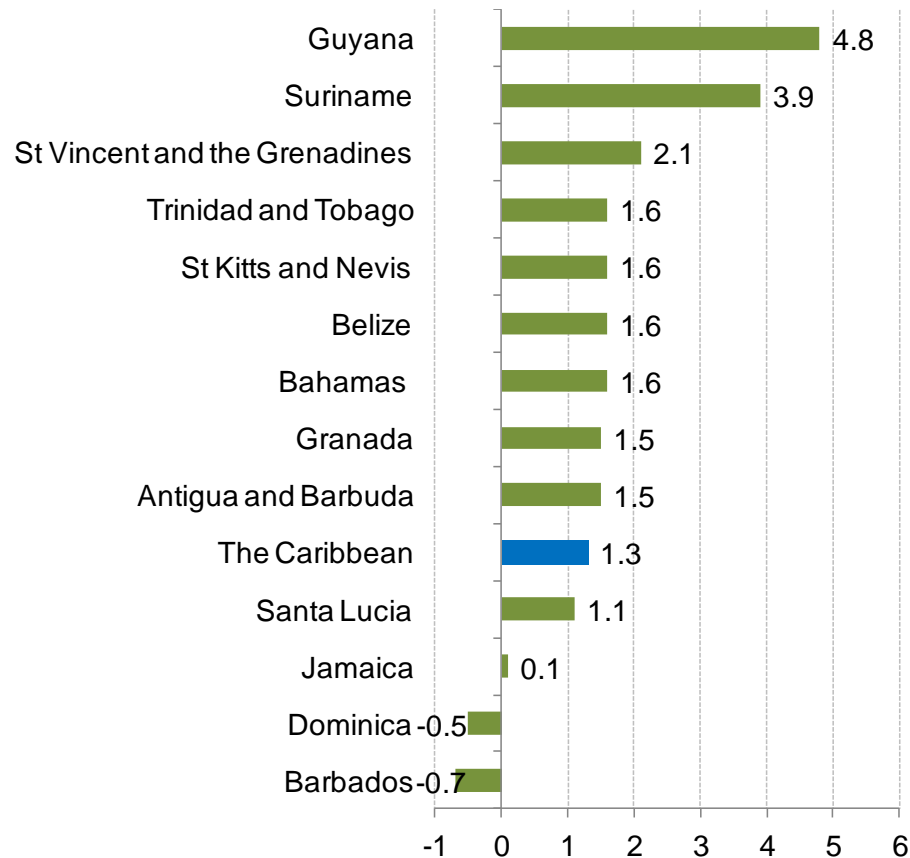
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Projections.



Modest growth persisted in 2013

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



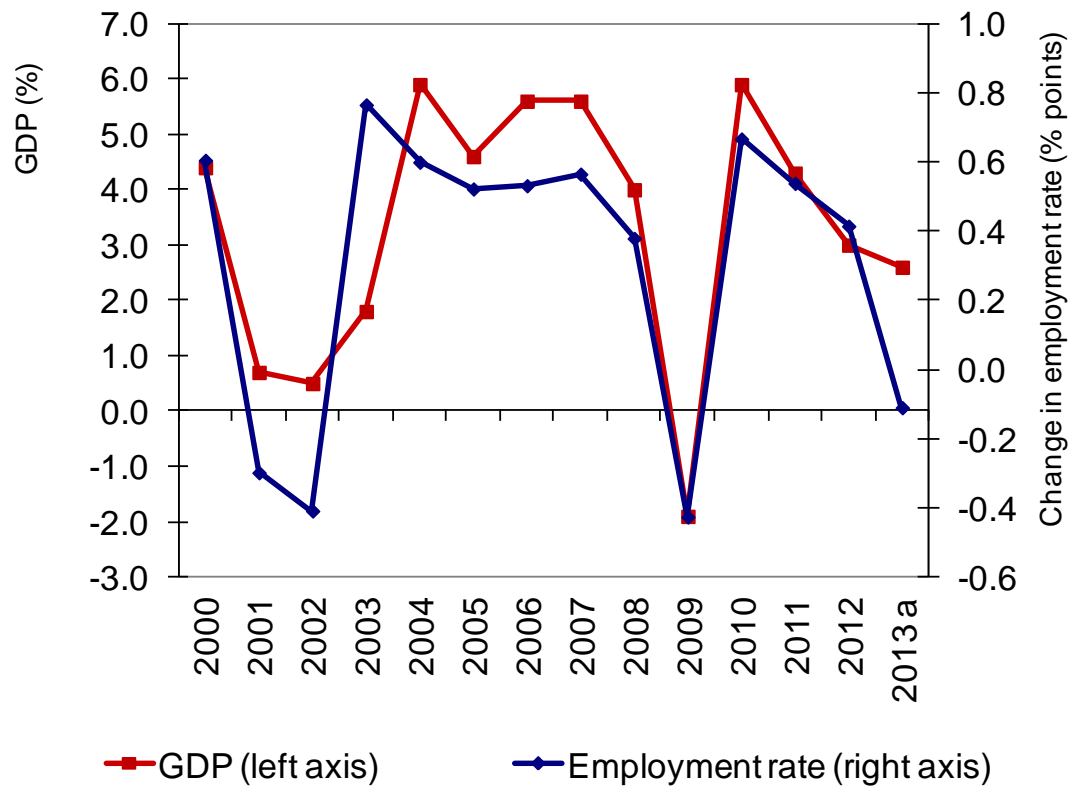
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Projections.



Job creation in the region decelerated

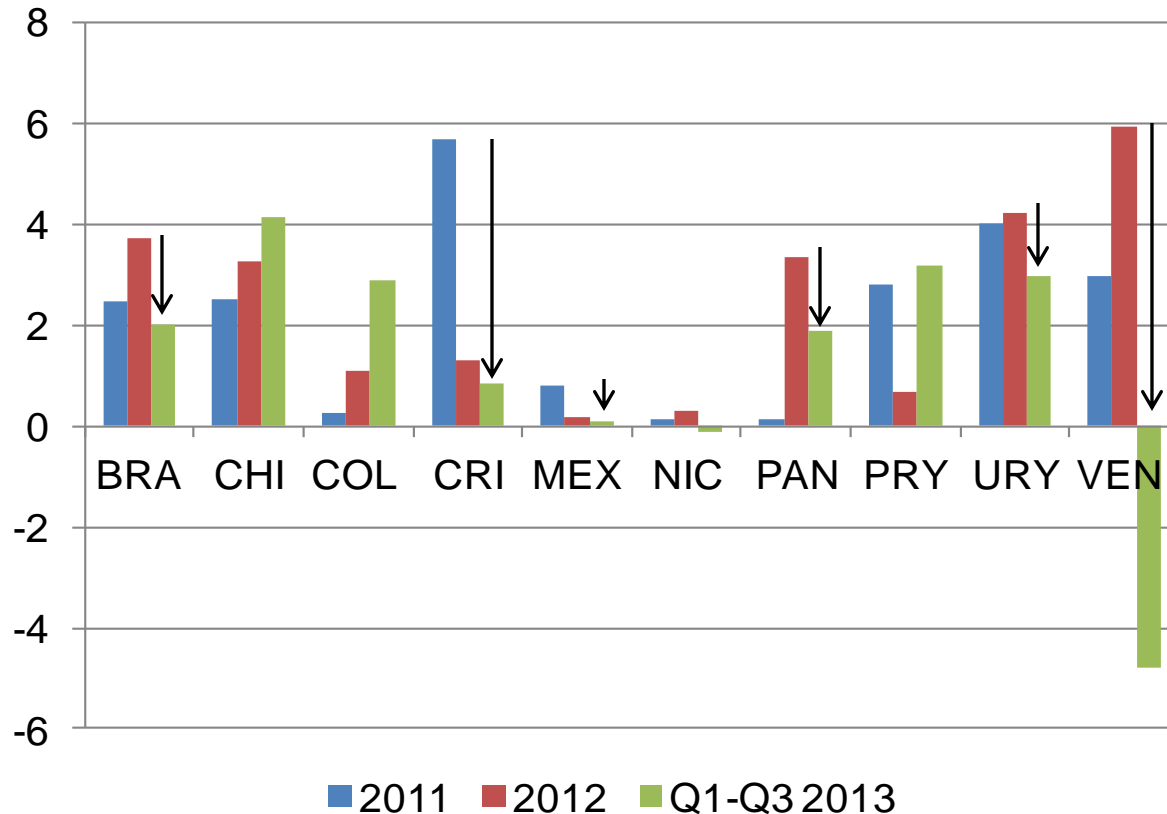
LATIN AMERICA AND THE CARIBBEAN: ECONOMIC GROWTH AND EMPLOYMENT RATE, 2000-2013



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)

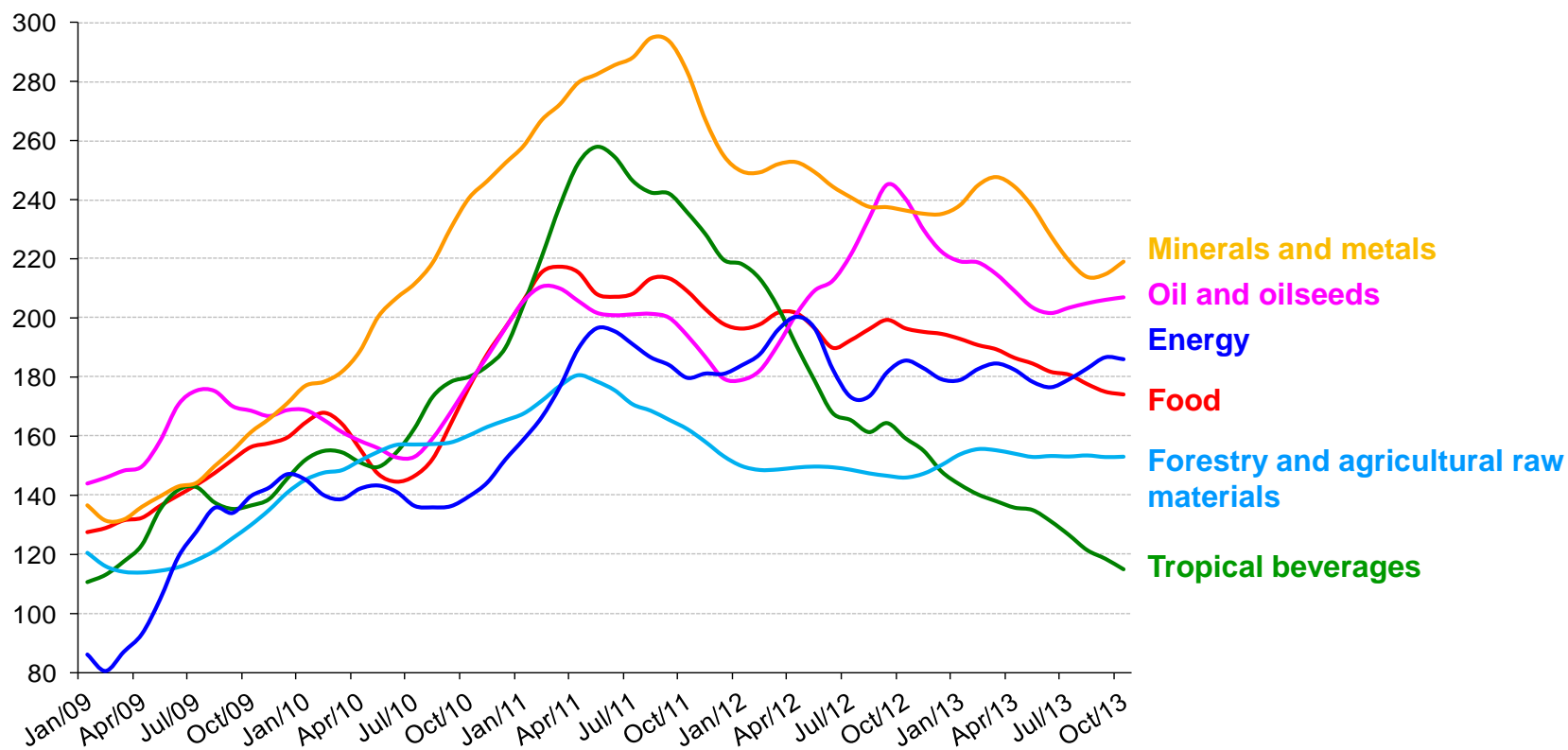


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.



Commodities prices continued to trend downwards

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

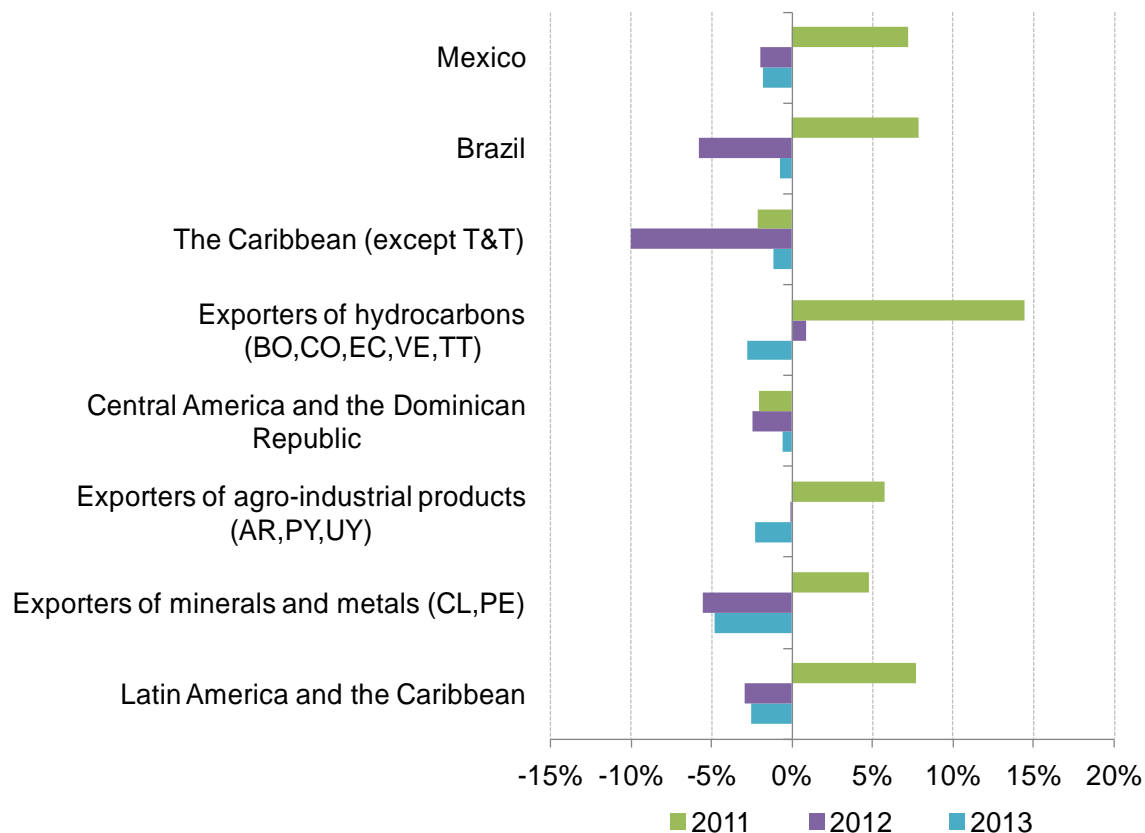


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the United Nations Conference on Trade and Development (UNCTAD) and the Netherlands Bureau of Economic Policy Analysis (CBP).



Terms of trade deteriorated generally across the region

LATIN AMERICA: ESTIMATED VARIATION IN TERMS OF TRADE, 2011-2013^a
(In percentages)



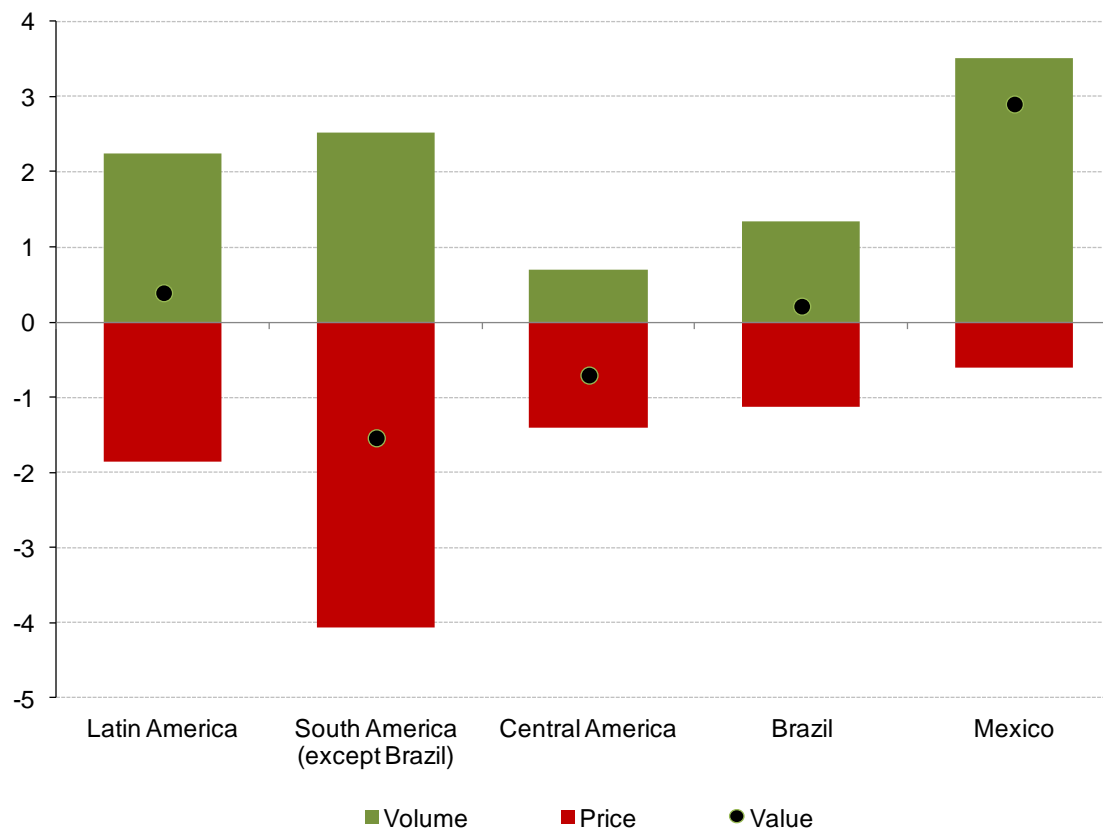
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^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 ^a
(In percentages)

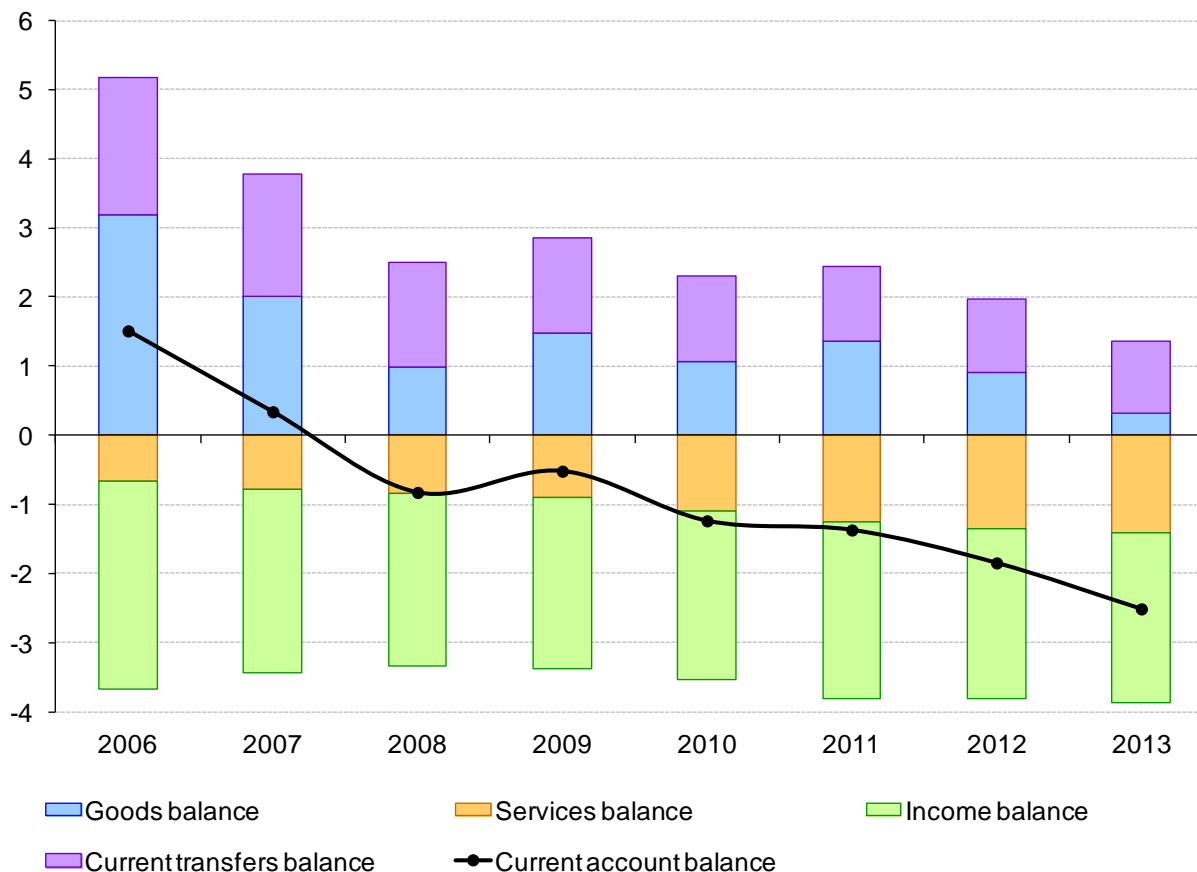


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
^a Projections.



The deterioration of the trade balance deepened the current account deficit

LATIN AMERICA: STRUCTURE OF THE CURRENT ACCOUNT, 2006-2013^a
(In percentages of GDP)



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

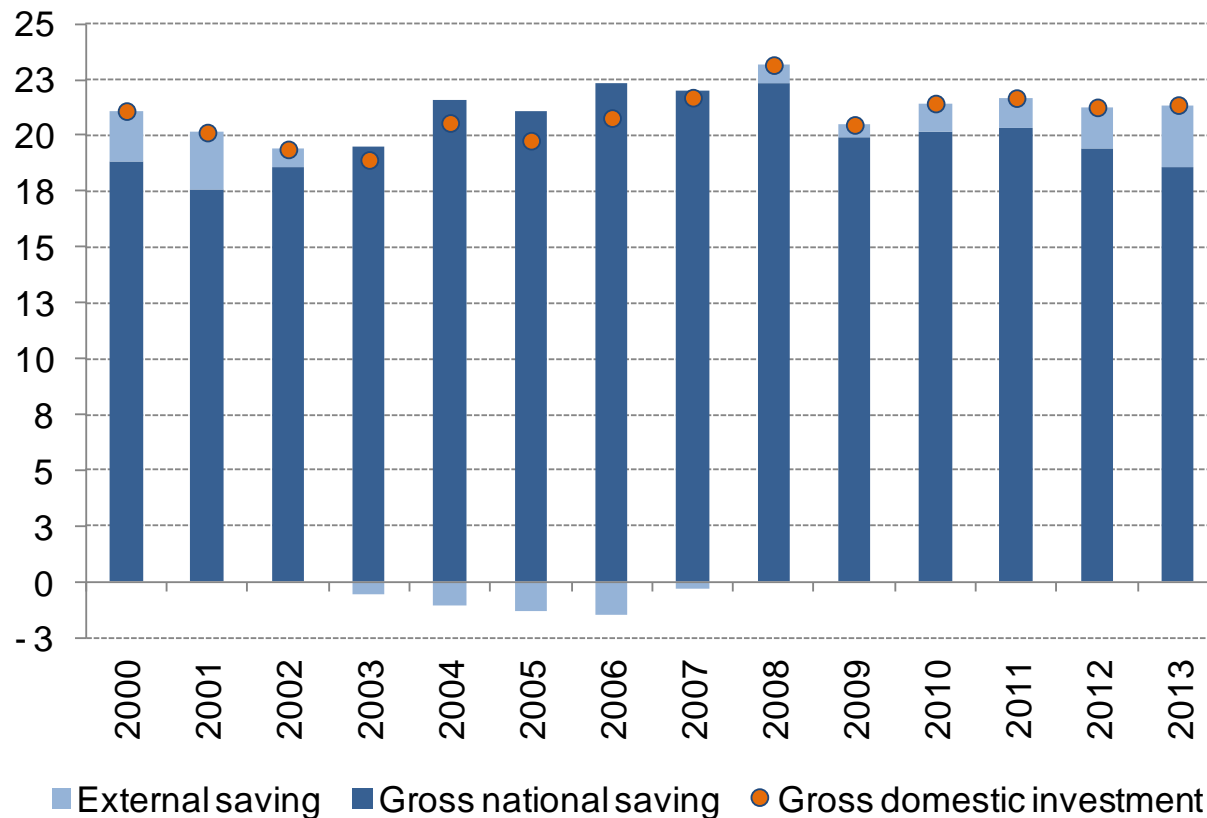
^a The figures for 2013 are projections.



The investment ratio stagnated but registered increased external financing (saving)

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

(Percentages based on dollars at constant 2005 prices)



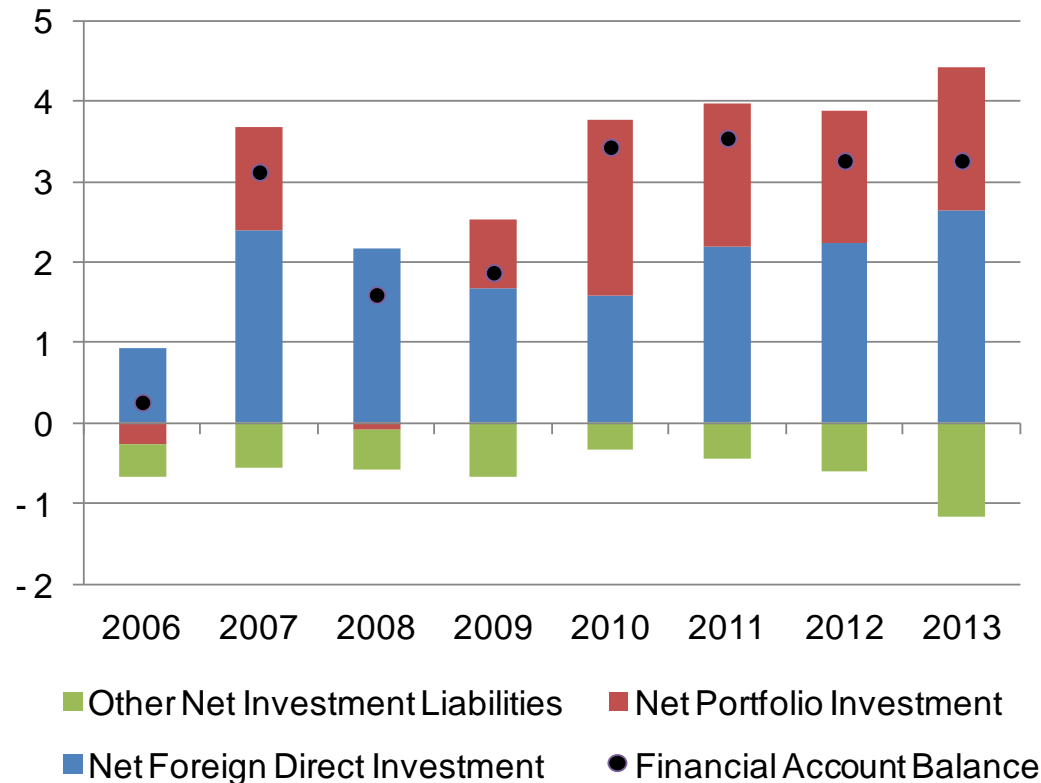
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^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^a
(In percentages of GDP)



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

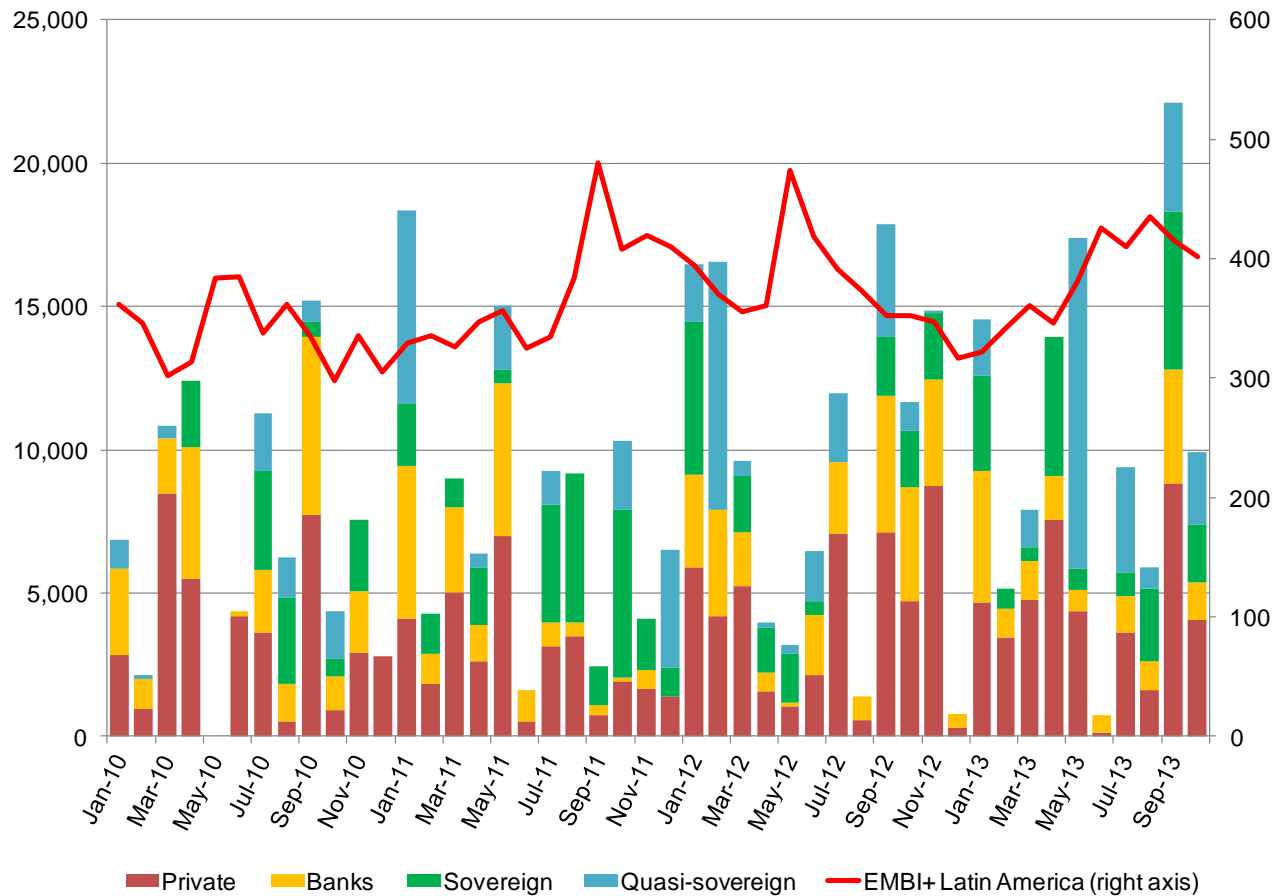
^a The figures for 2013 are projections.



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.

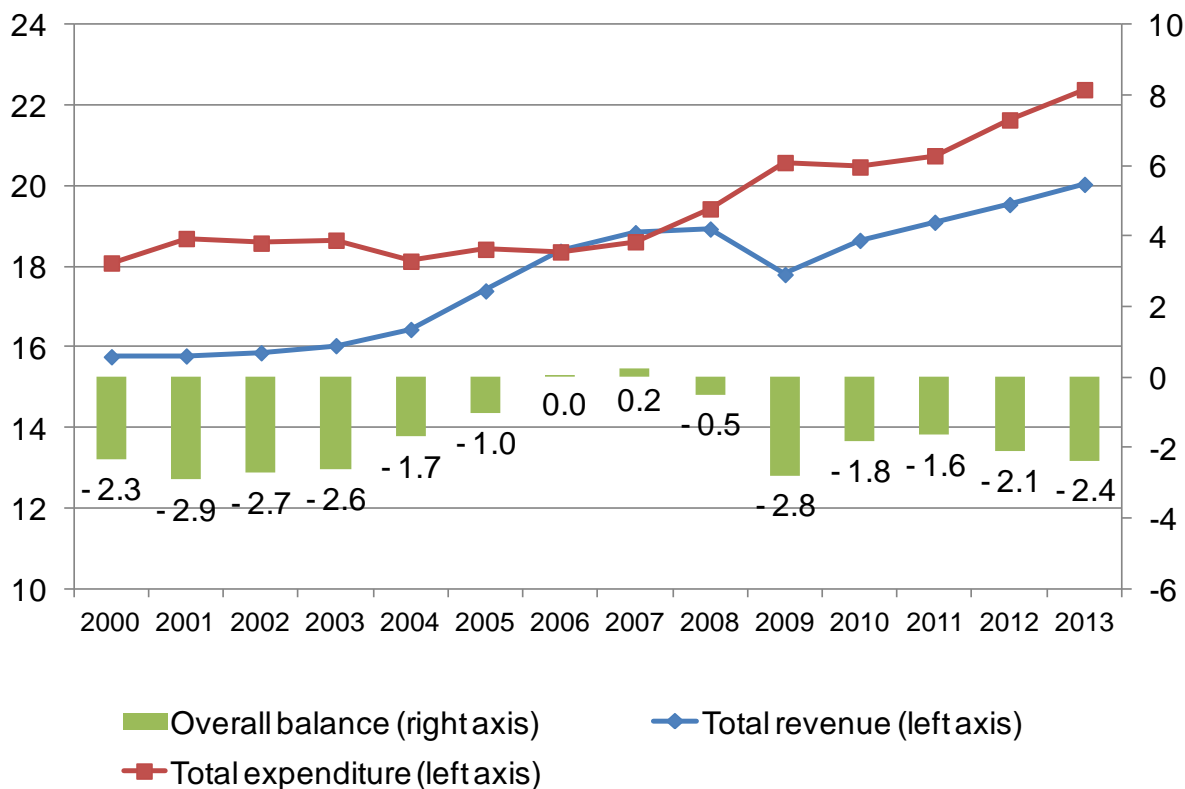




Policy trends

Moderately counter cyclical fiscal policies were adopted in response to slow growth...

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



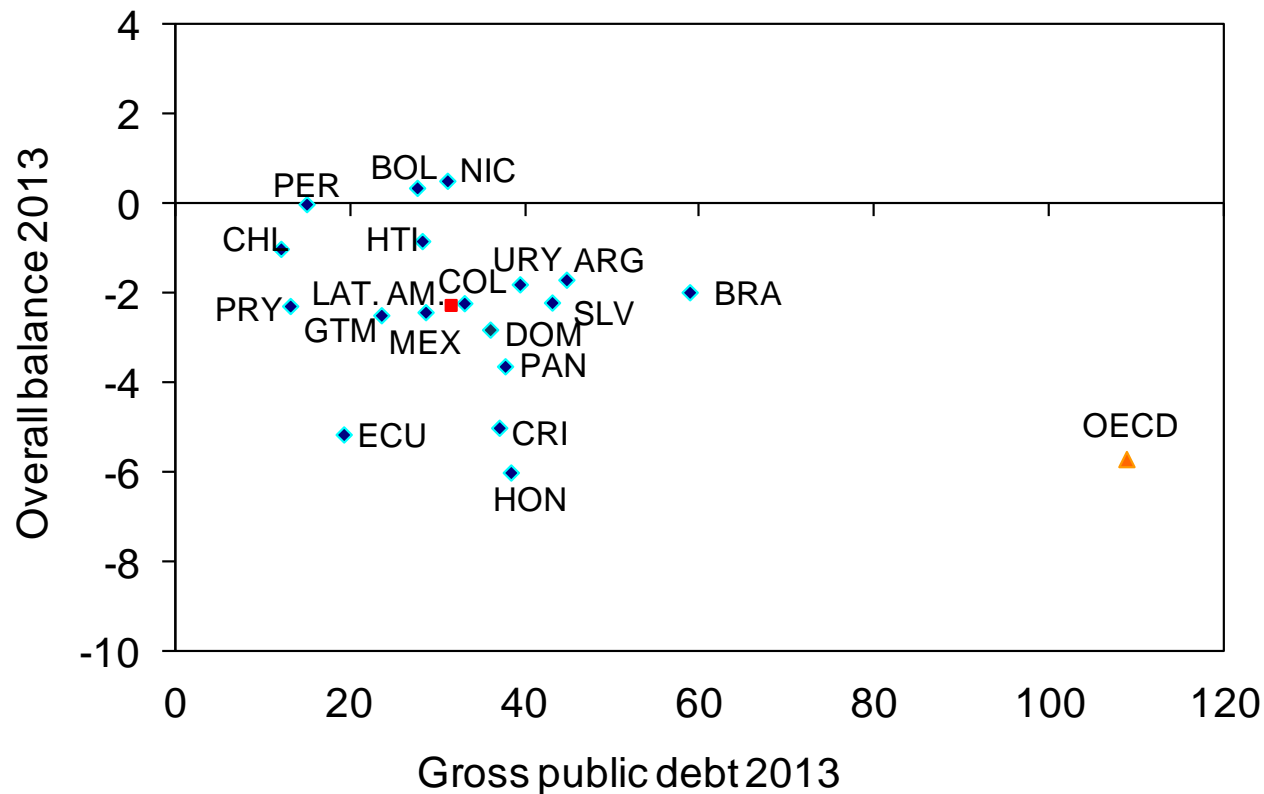
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures of official budgets and estimations.

^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)



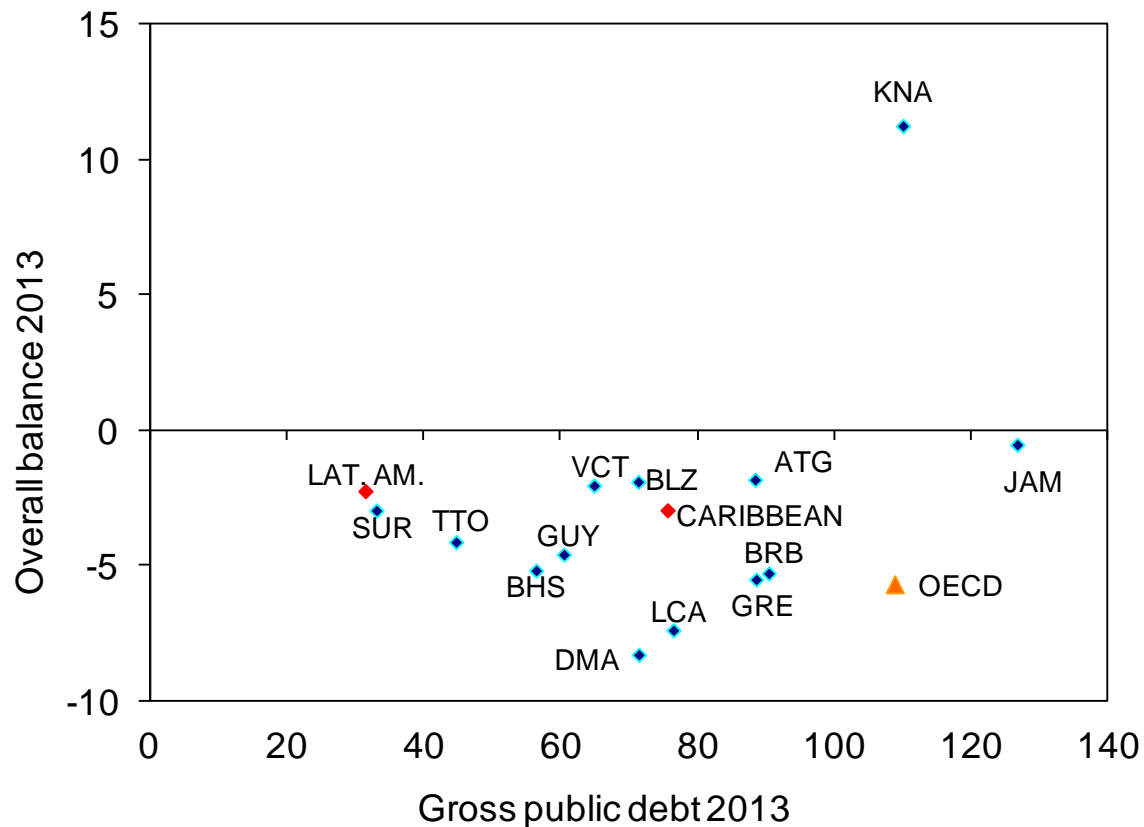
Source: Economic Commission for Latin America and the Caribbean (ECLAC) and OECDstat.

^a Data for 2013 are estimates.



...and the Caribbean

THE CARIBBEAN: OVERALL BALANCE AND GROSS PUBLIC DEBT, 2013 ^a (In percentages of GDP)



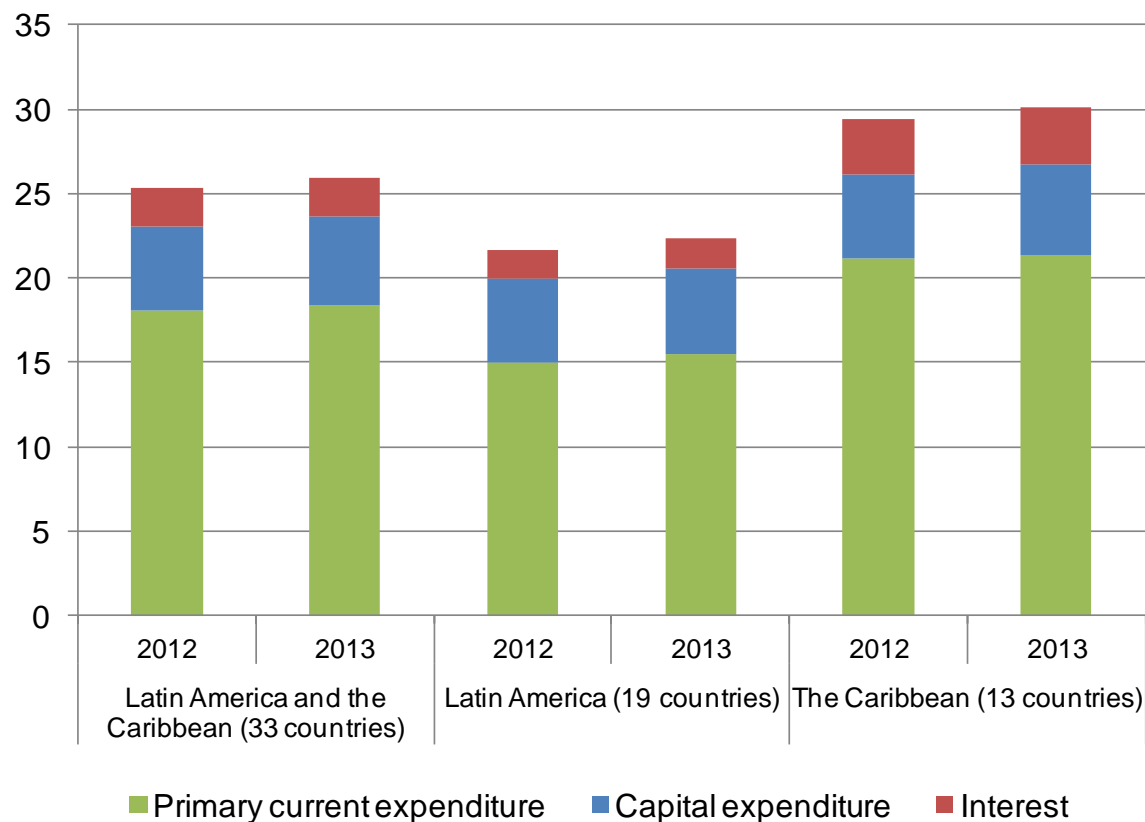
Source: Economic Commission for Latin America and the Caribbean (ECLAC) and OECDstat.
^a Data for 2013 are estimates.



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)

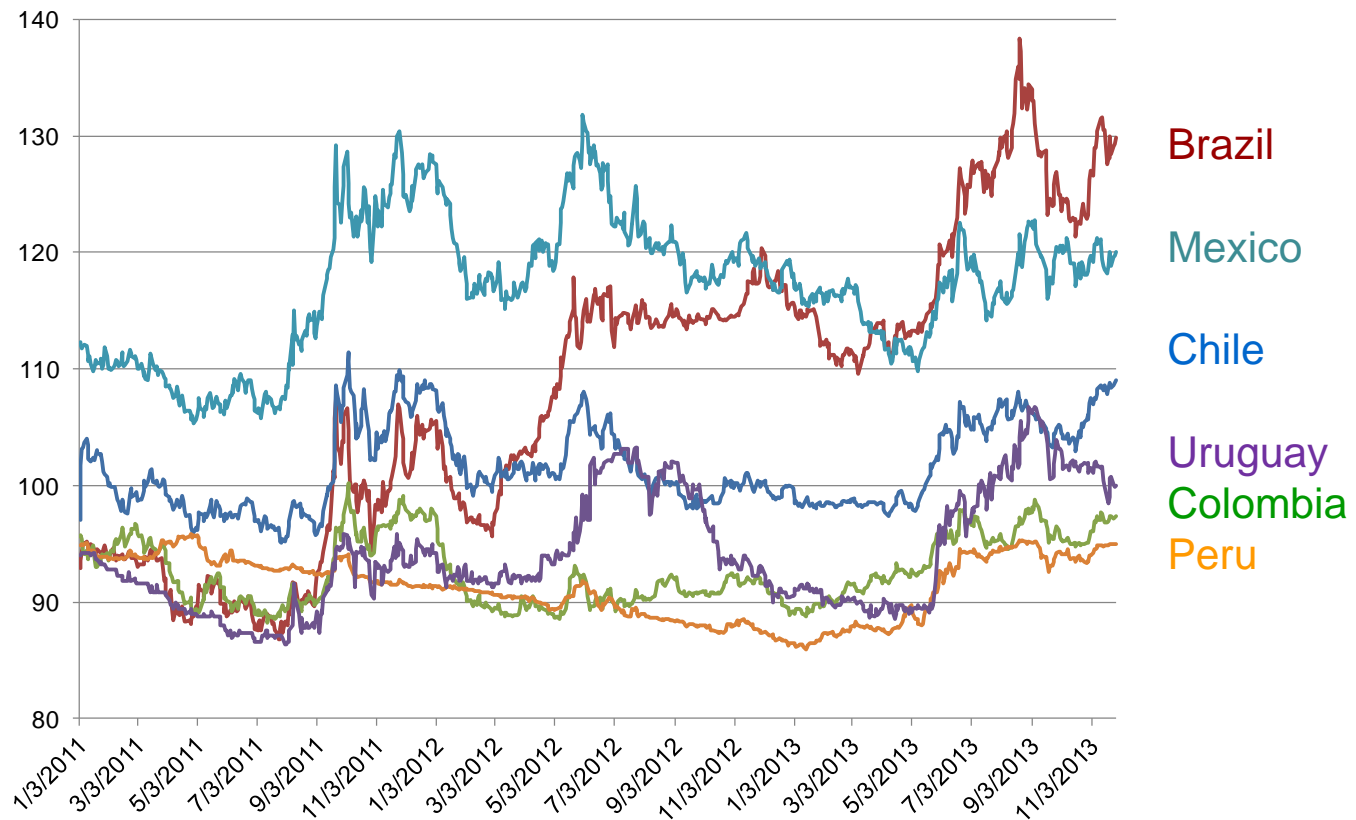


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures of official budgets and estimations.

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)



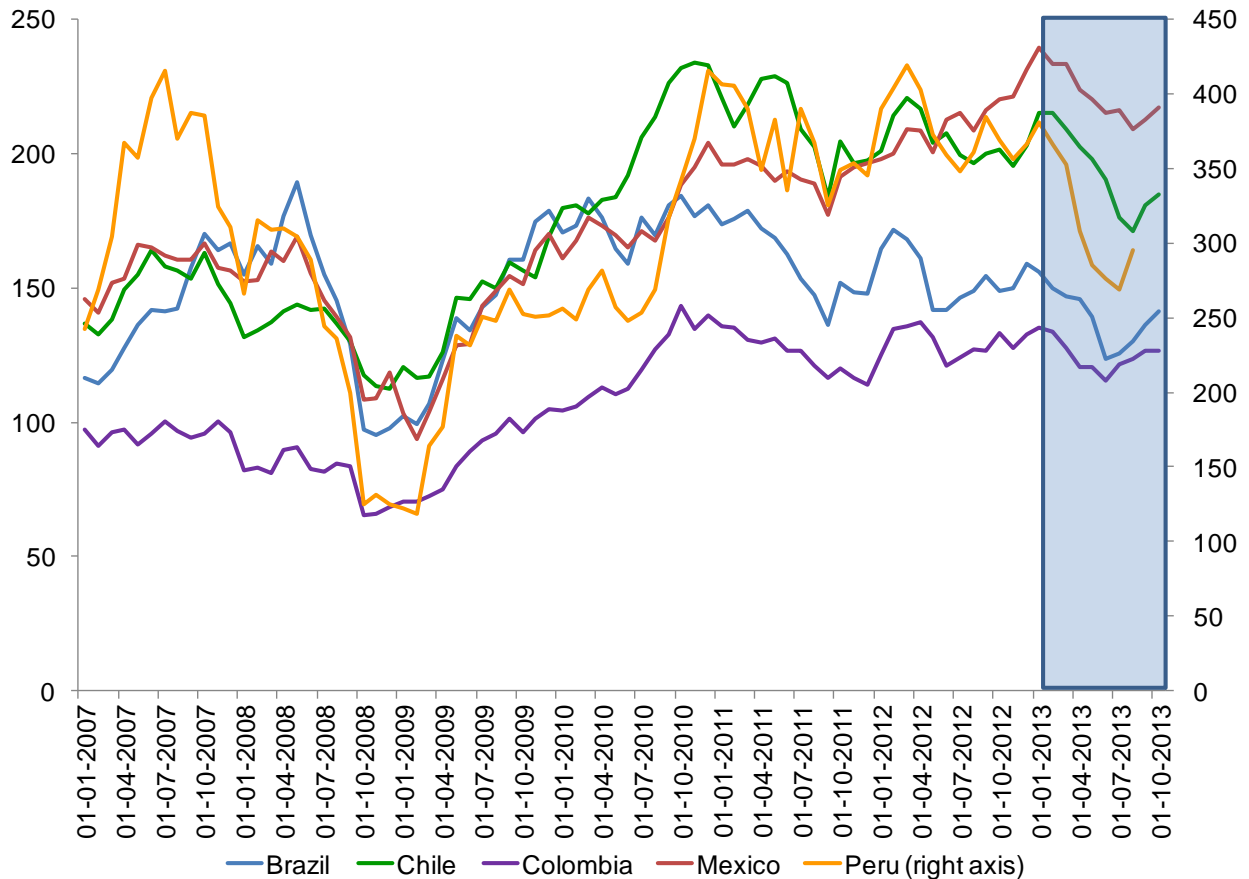
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.



...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

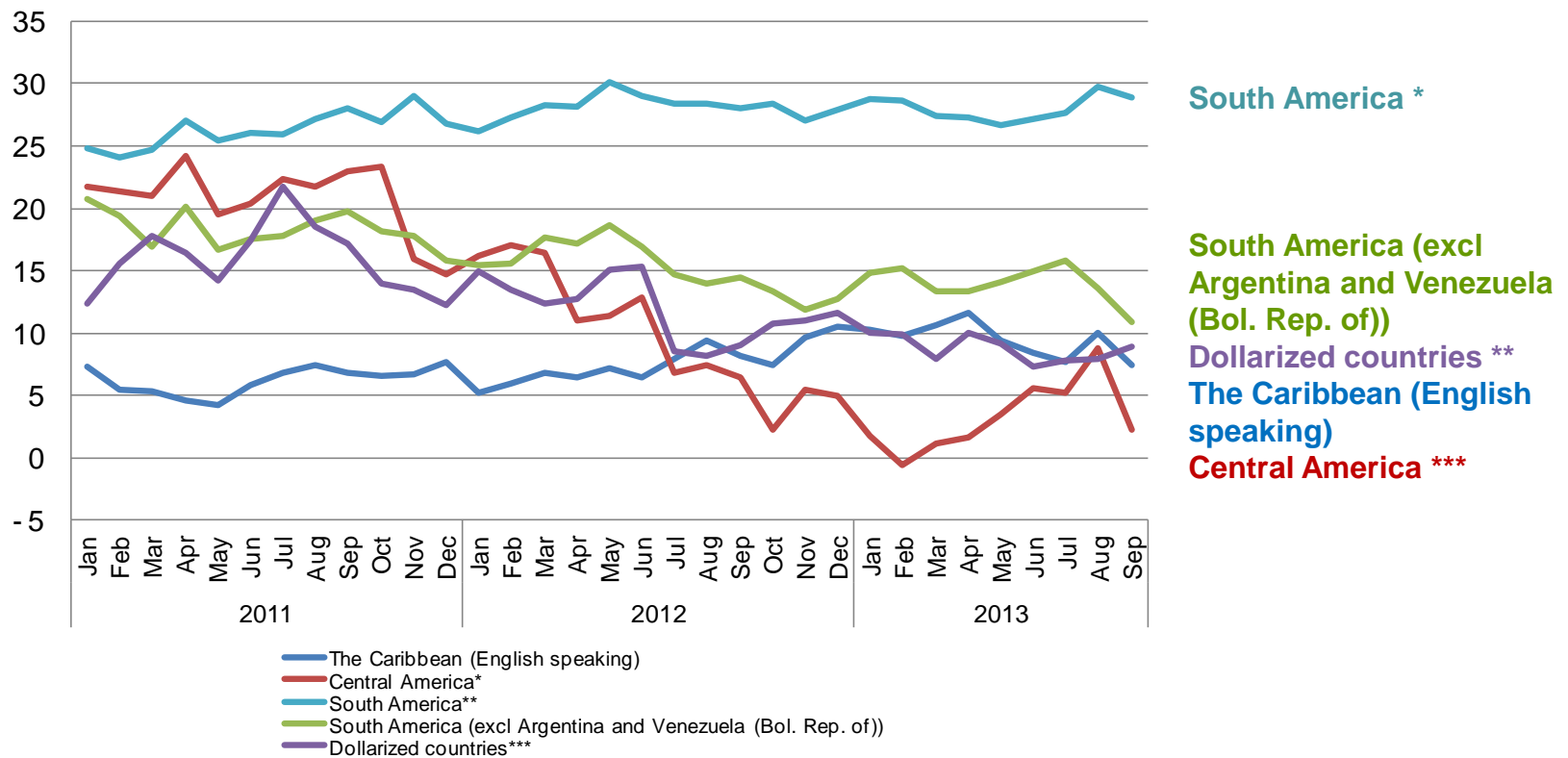
Country	Increase	Decrease
Brazil	April 18 May 30 July 11 August 29 October 10 November 28	
Chile		October 18 November 20
Colombia		January 29 February 25 March 26
Guatemala	April 25	October 30
Mexico		March 8 September 6 October 25
Peru		November 7

Source: Central banks.



The majority of countries using a monetary aggregates approach maintained money growth rates of around 10%

GROWTH OF MONETARY AGGREGATES, ANUALIZED VARIATION OF M1
(In percentages)



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

*Argentina, Bolivia (Plur. State. of), Paraguay, Uruguay and Venezuela (Bol. Rep. of).

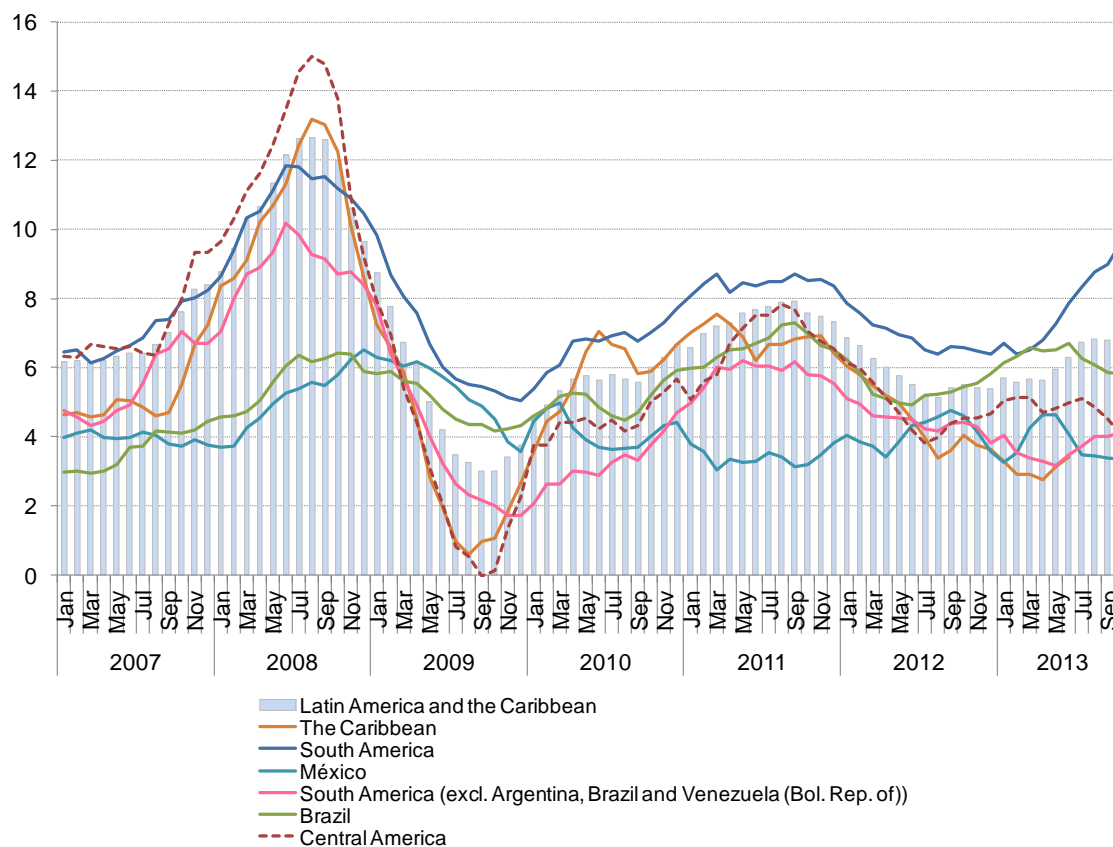
**Ecuador, El Salvador and Panama.

***Costa Rica, Honduras and Nicaragua



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)



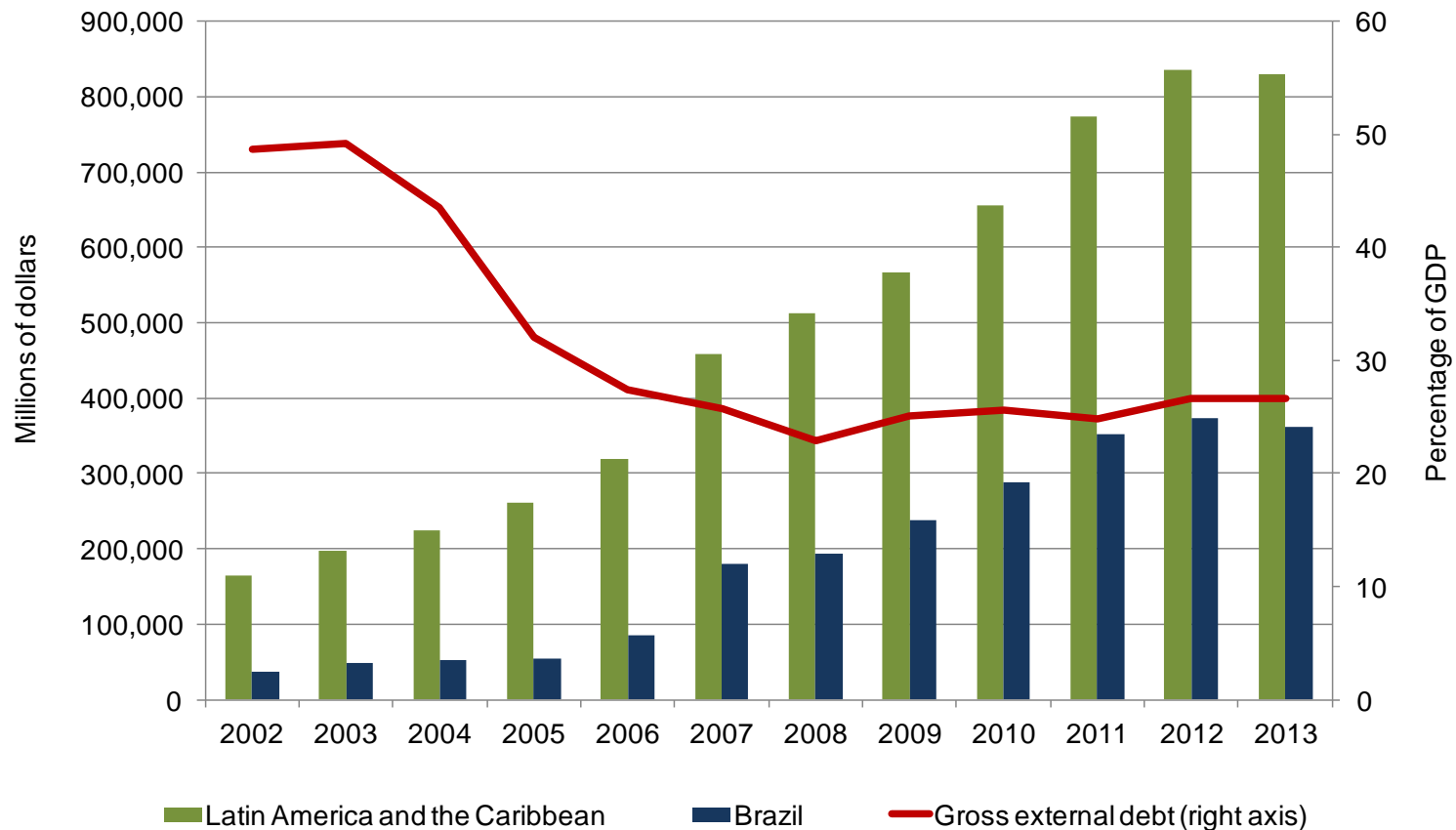
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.



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.

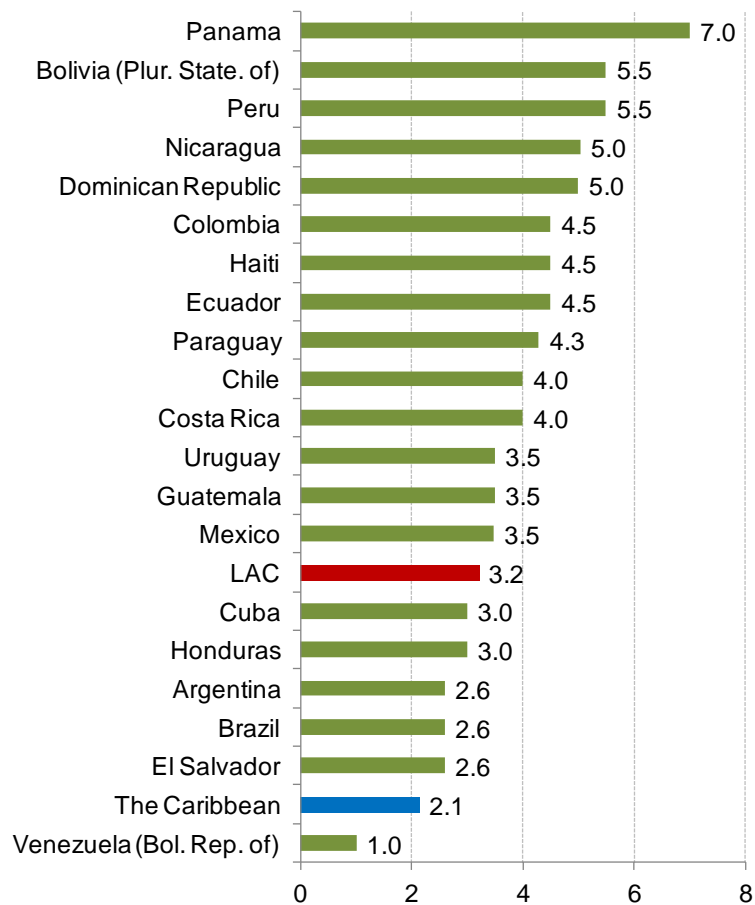




Prospects

A moderate recovery in growth is projected for 2014

LATIN AMERICA: GDP GROWTH RATES, 2014 ^a (In percentages)



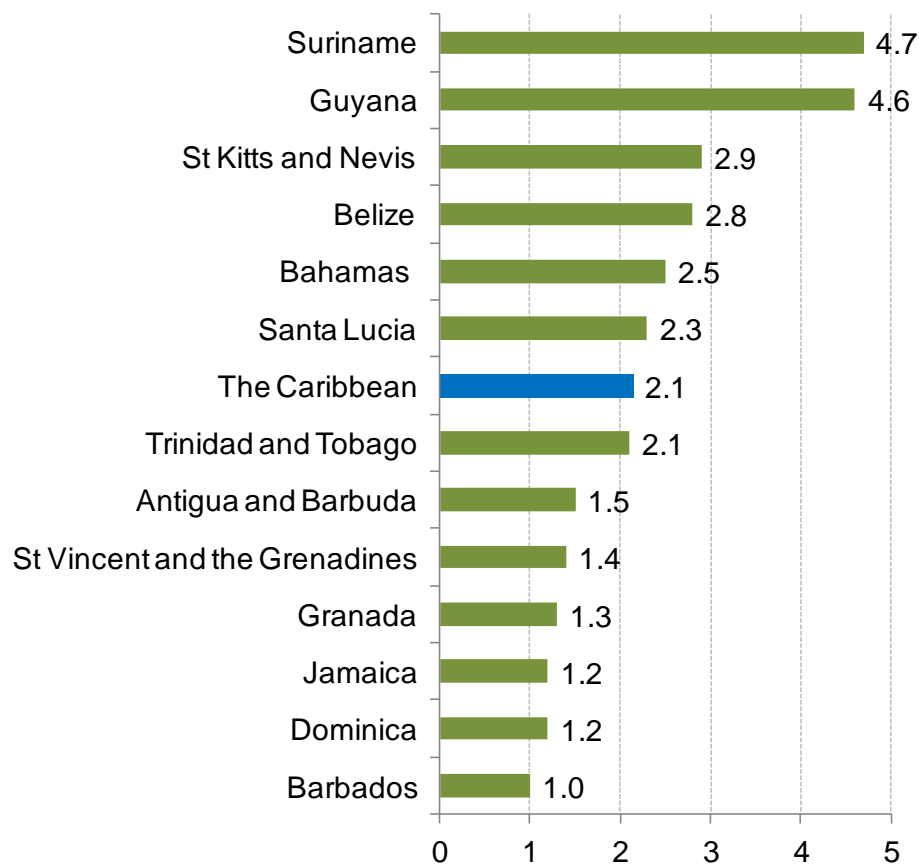
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Projections.



A moderate recovery in growth is projected for 2014

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



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

^a Projections.



Threats and opportunities

Threats

External context

- ❑ Volatility and an increased cost of external financing

Regional context

- ❑ Limited contribution of consumption to GDP growth:
 - Slowdown in wages and credit
 - Limited fiscal impulse
- ❑ External vulnerability:
 - Deterioration of the current account with a growing cost to finance its deficit



Threats and opportunities

Opportunities

External context Moderate growth of global trade

- Regional context
- Larger deficit of the current account:
 - results in depreciation that modifies relative prices
 - Complementary policies: macro, industrial, SMEs, environmental, social and trade, as well as infrastructure. Opportunity to:
 - Invest more in diversified tradables and exports
 - Reduce structural heterogeneity
 - Regional integration: trade and complementary specialization

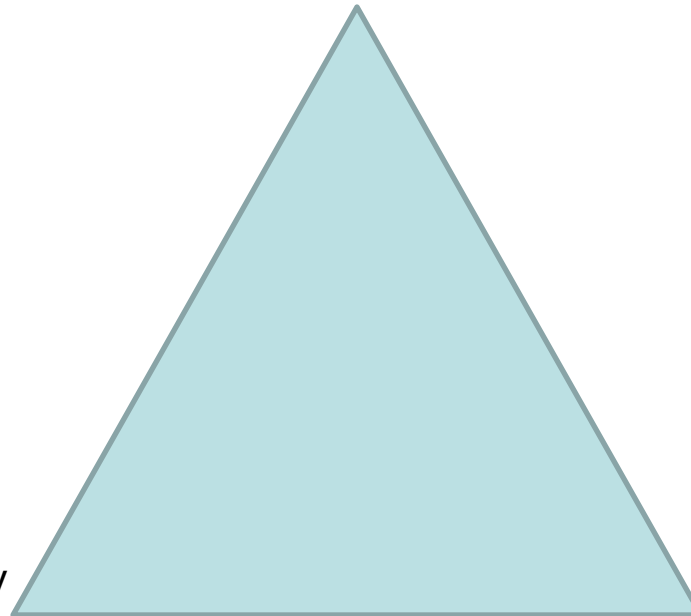


The challenge of fostering growth with equality: social covenants for investment (productivity) with three dimensions

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).



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