



2018

Preliminary Overview of the Economies of Latin America and the Caribbean



ECLAC

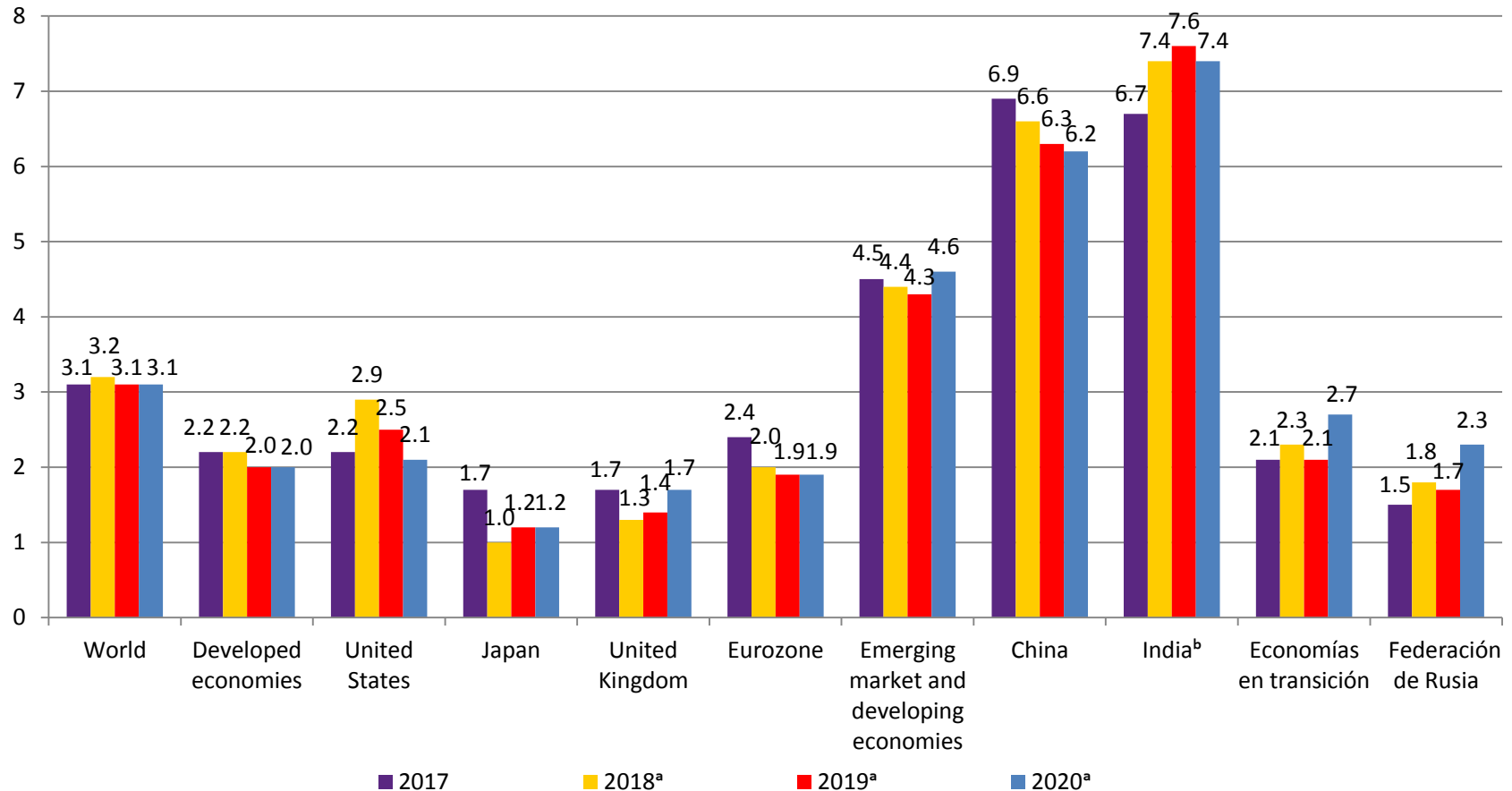


Uncertain global economic environment moderates expectations

- **Moderation in growth expectations for both advanced and emerging economies:**
 - Weakening of fiscal impulse in the USA, increases possibility of adjustment in growth
 - Trade tensions between China-US adds to uncertainty
 - Tensions in Europe: Brexit
- **Greater financial volatility and more restrictive financing conditions:**
 - Normalization of monetary policy (more advanced in the US, ECB adjusts QE)
 - More rate increases are expected in 2019
 - Continued reduction in appetite for risk of investors
 - High levels of public and private indebtedness

Global growth losses synchronicity with a bias to deceleration

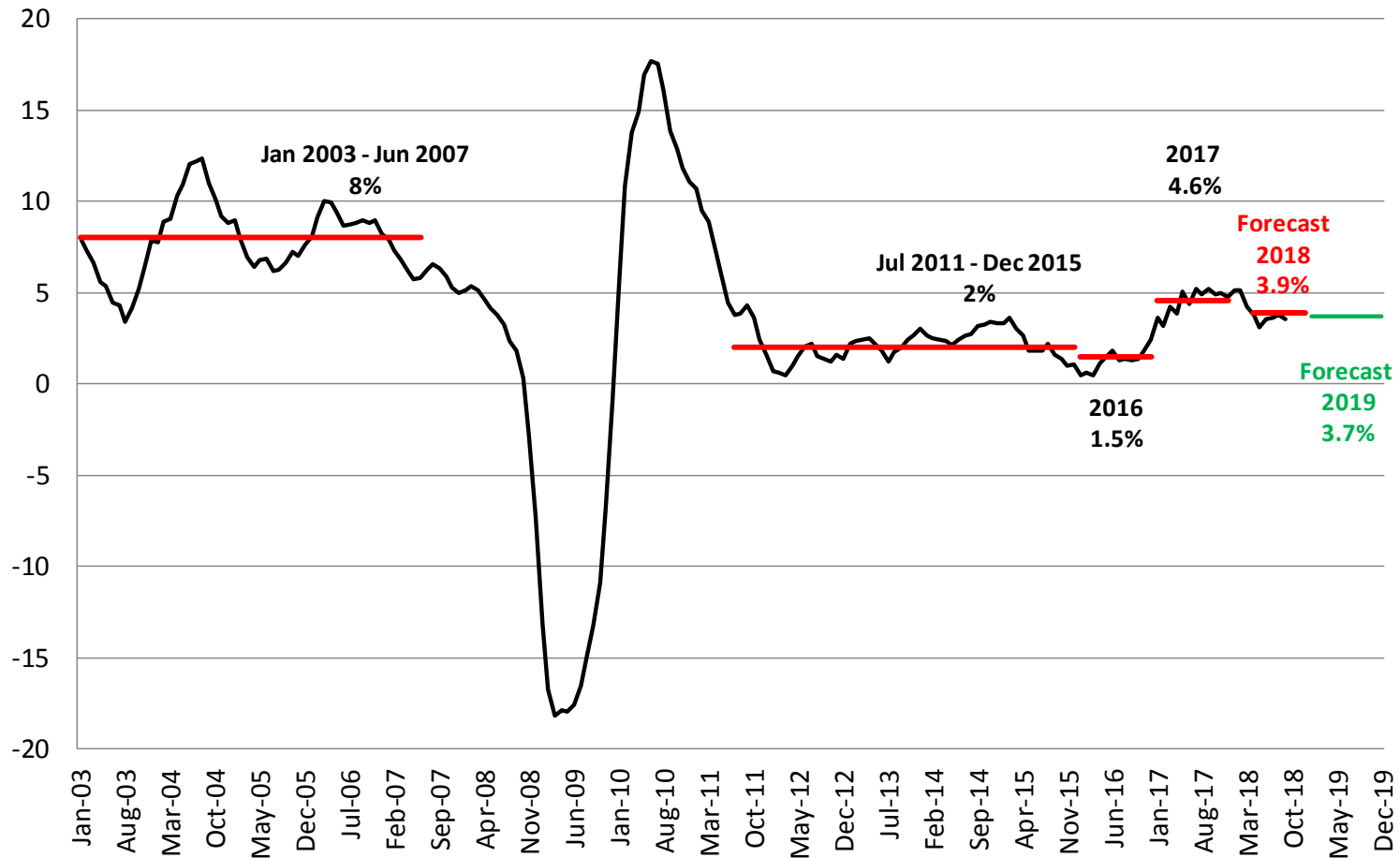
SELECTED REGIONS AND COUNTRIES: GROSS DOMESTIC PRODUCT (GDP) GROWTH, 2017-2020^a
(In percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations, World Economic Situation and Prospects, 2019, New York; Capital Economics (Dec. 2018); European Central Bank (September 2018), OECD Economic Outlook (November 2018), Monetary Policy Report of the Central Bank of Chile (September 2018), European Commission Nov 2018 and WEO of the International Monetary Fund (IMF) (October 9, 2018). ^aThe figures for 2018, 2019 and 2020 are projections.

World trade volume moderates with downside risks

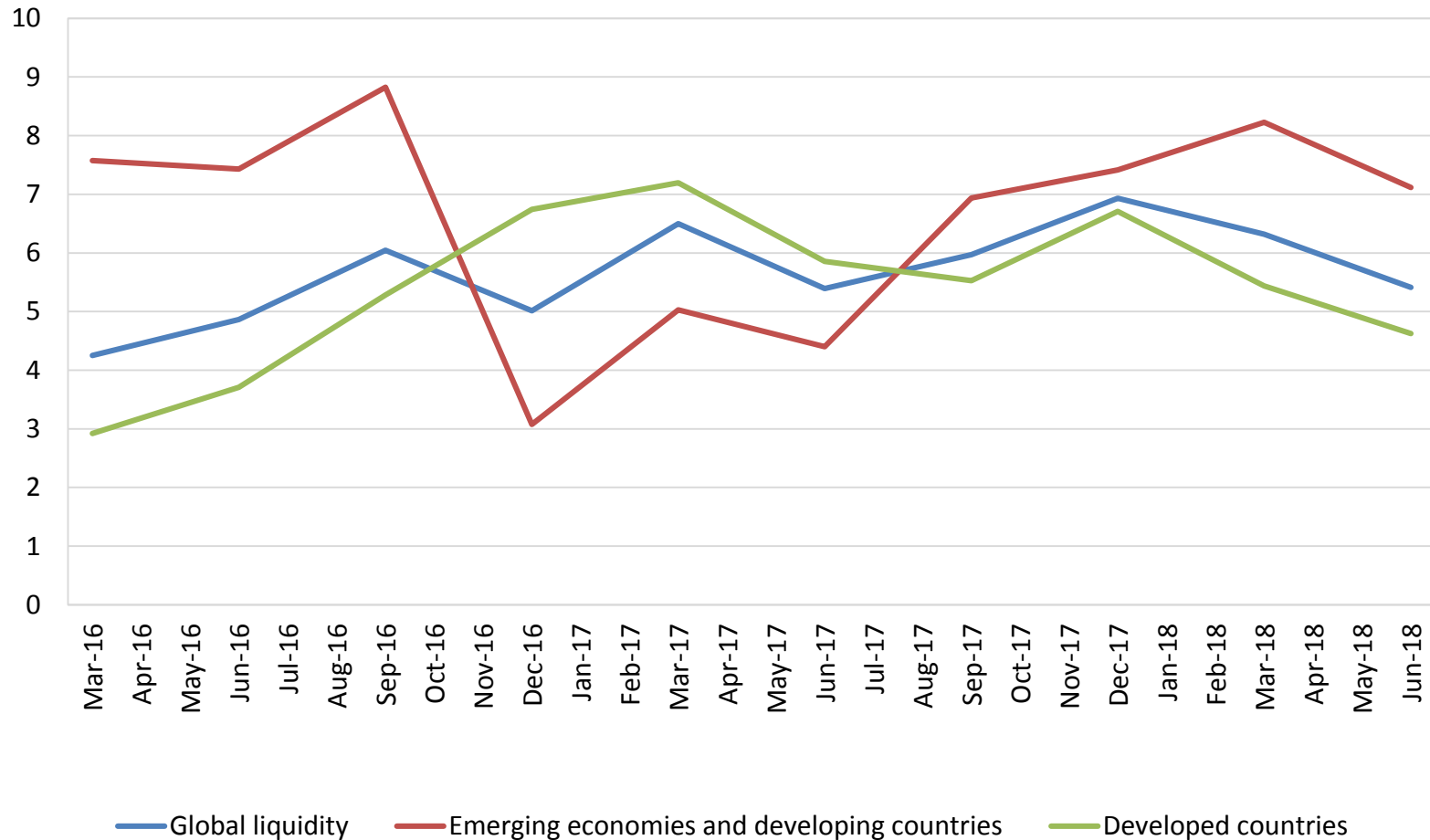
YEAR-ON-YEAR GROWTH RATES OF WORLD TRADE VOLUME, THREE-MONTH ROLLING AVERAGES, 2003 A 2019
(In percentages, based on a seasonally adjusted index)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the Netherlands Bureau of Economic Policy Analysis (CPB), World Trade Monitor, 2018 and the World Trade Organization (WTO), press release of 27 September 2018, for the 2018 and 2019 projections.

... and global liquidity trends lower

EVOLUTION OF THE RATE OF VARIATION OF GLOBAL LIQUIDITY, MARCH 2016 TO JUNE 2018
(Percentages)

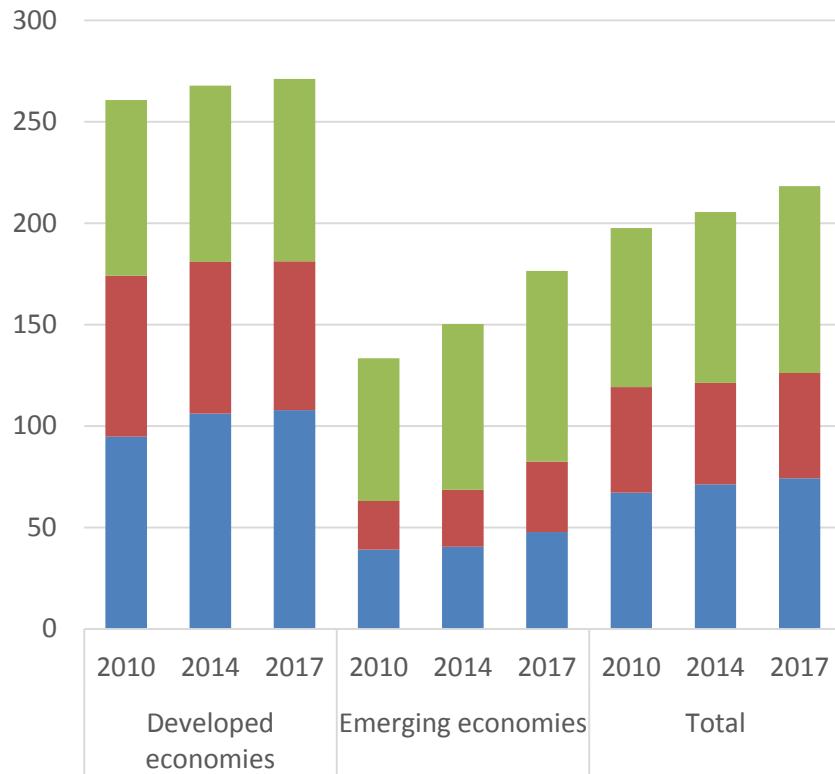


Source: Bank for International Settlements (BIS), (2018).

Note: Liquidity includes the total credit granted by the banks of the United States, Europe and Japan and debt issues in the international markets of the same countries.

With a significant increase in the level of global debt

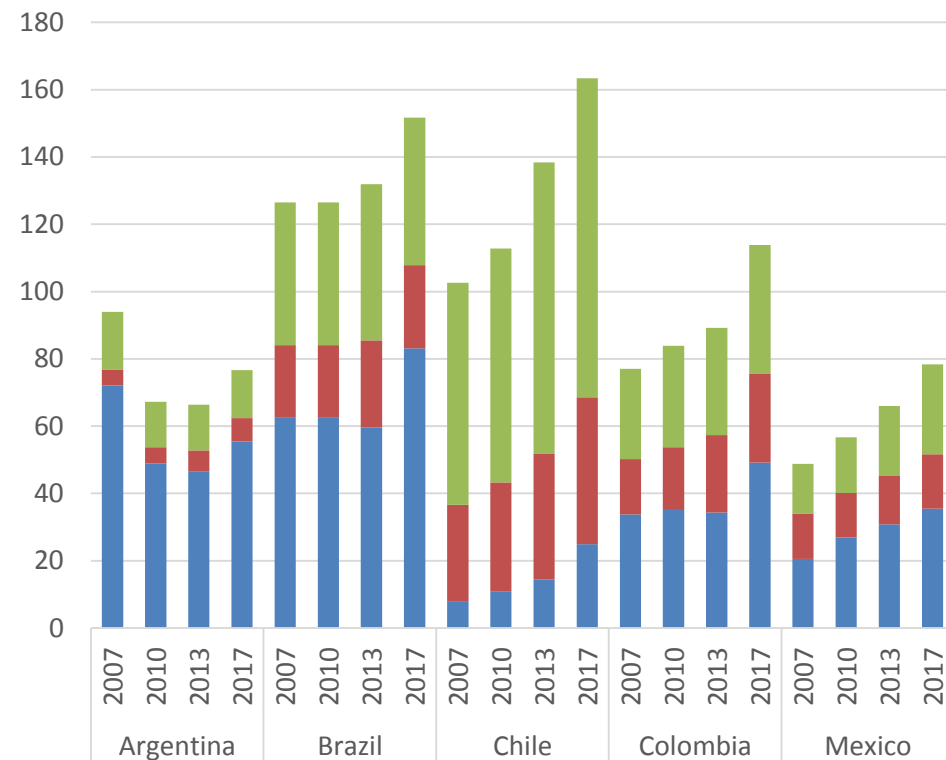
GLOBAL INDEBTEDNESS BY GROUP OF COUNTRIES AND BY SECTOR, 2010, 2014 AND 2017
(In percentages of GDP)



■ Government ■ Households ■ Non-financial corporate sector

Source: BIS database.

INDEBTEDNESS BY LATIN AMERICAN COUNTRIES AND BY SECTOR, 2007, 2010, 2013 AND 2017
(In percentages of GDP)

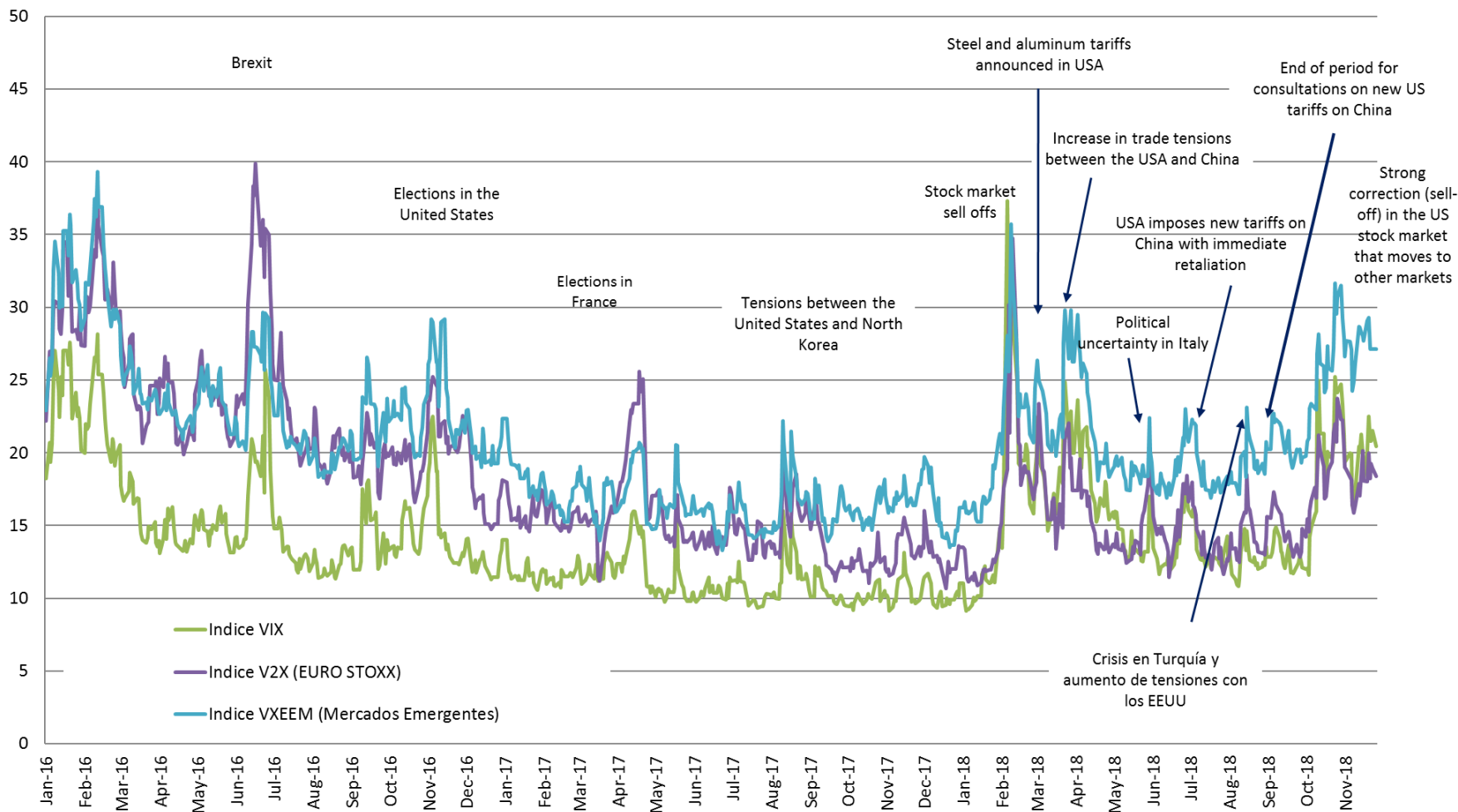


■ Government ■ Households ■ Non-financial corporate sector

Source: BIS database.

Volatility and financial uncertainty increases

IMPLIED STOCK MARKET VOLATILITY, JANUARY 2016 TO NOVEMBER 2018



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

Note: The VIX index, prepared by the Chicago Options Exchange (CBOE), measures the expected volatility for the next 30 days and is obtained from the prices of the purchase and sale options on the S&P 500 index. Based on the same logic, the CBOE also generates the VXEEM index, which measures the volatility in emerging markets and the Deutsche Börse, together with Goldman Sachs, produces the V2X index, which measures the volatility in the euro area.

Increased financial volatility and lower risk appetite reflect falling portfolio capital flows into emerging markets

CAPITAL FLOWS TO EMERGING MARKETS, ACCUMULATED IN THE LAST 12 MONTHS, JANUARY 2016 – OCTOBER 2018^a

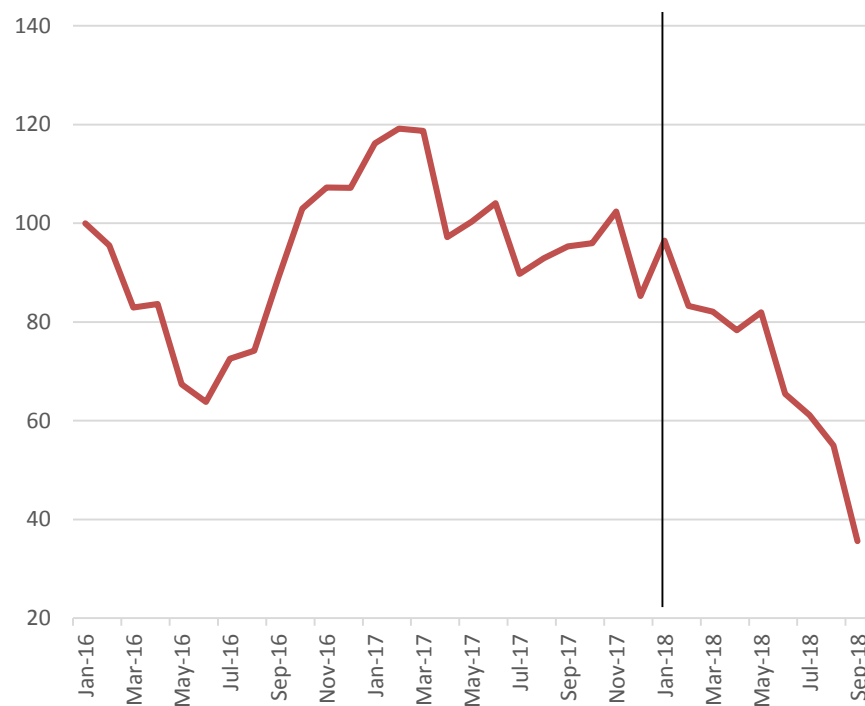
(In billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the Central Bank of Chile (Financial Stability Report, second semester 2018, EPFR data).

CAPITAL FLOWS TO LATIN AMERICA (13 COUNTRIES), ACCUMULATED IN THE LAST 12 MONTHS, JANUARY 2016 - SEPTEMBER 2018

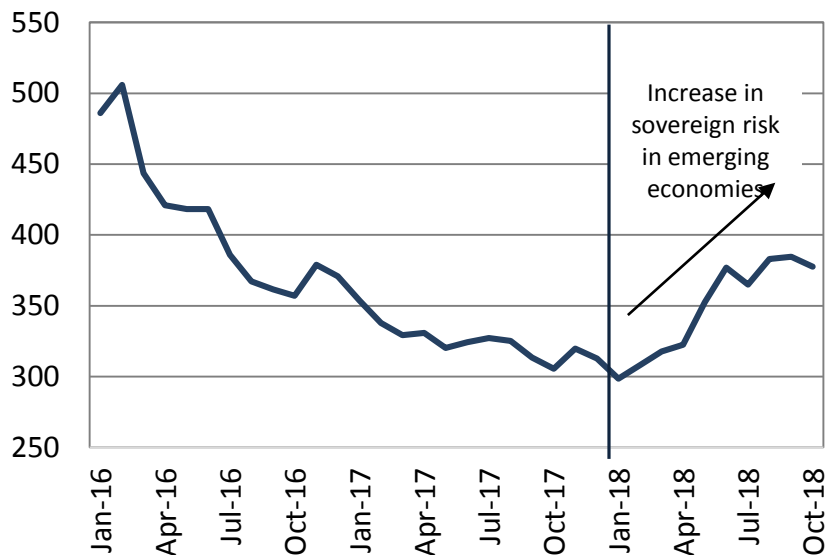
(Proxy indicator of capital flows, base index 2016=100, 12 month rolling averages).



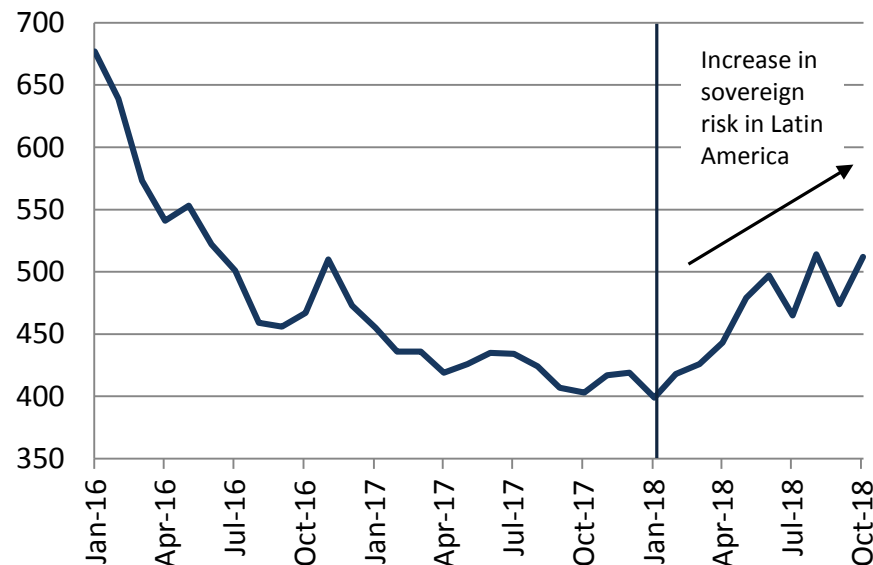
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

...and increasing sovereign risk in emerging markets

EMERGING ECONOMIES: SOVEREIGN RISK ACCORDING TO THE EMERGING MARKET BOND INDEX (EMBIG), JANUARY 2016 - OCTOBER 2018
(Basis points)



LATIN AMERICA (13 COUNTRIES): SOVEREIGN RISK ACCORDING TO THE INDEX OF EMERGING MARKET BONDS (EMBIG), JANUARY 2016 - OCTOBER 2018
(Basis points)

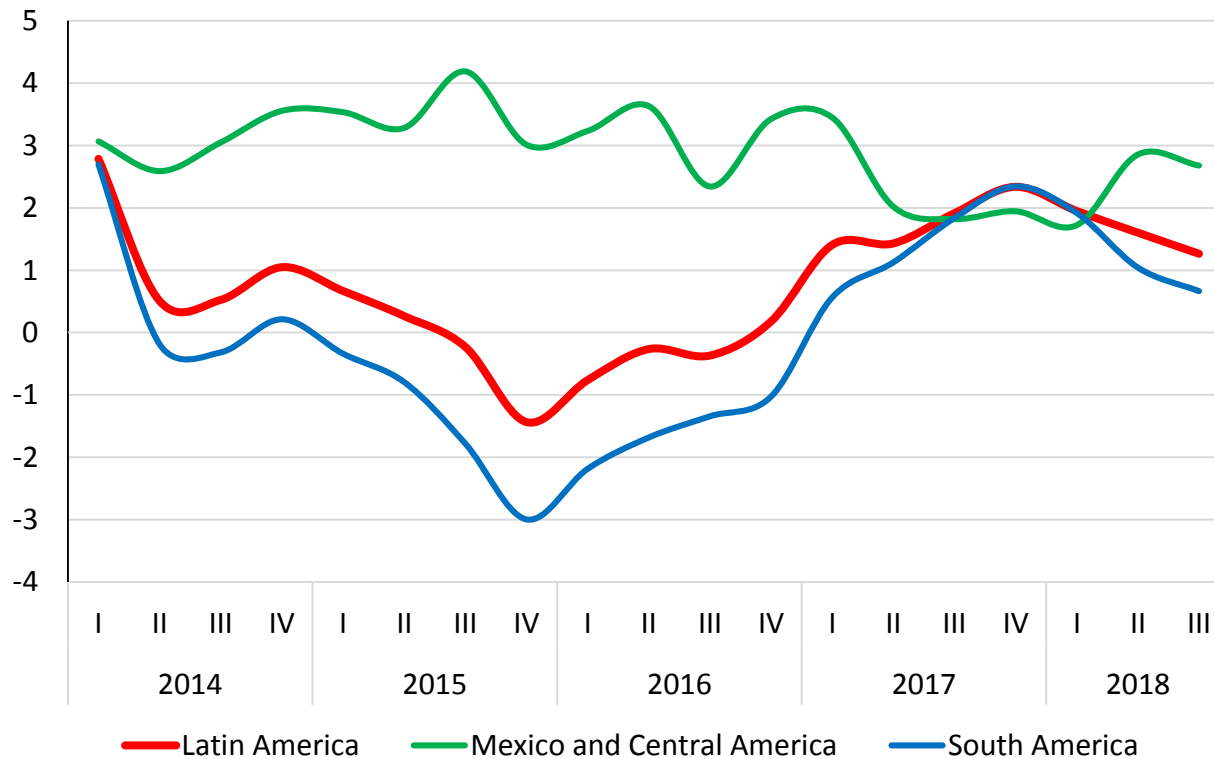


Level of the EMBIG index at:				
	31 Dec. 2015	31 Dec. 2016	31 Dec. 2017	31 Oct. 2018
Argentina	438	455	351	652
Bolivia	250	83	203	275
Brazil	548	330	232	256
Chile	253	158	117	140
Colombia	317	225	173	186
Dominican Rep.	0	407	0	0
Ecuador	1266	647	459	722
Mexico	315	296	245	307
Panama	0	187	0	0
Paraguay	338	281	200	231
Peru	240	170	136	152
Uruguay	280	244	146	185
Venezuela	2807	2168	4854	5803
Latin America	605	473	419	512

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on figures from JP Morgan and information from the Central Reserve Bank of Peru.

Economic growth in Latin America and the Caribbean has slowed, with differences between countries and subregions

LATIN AMERICA: GDP GROWTH RATE, FIRST QUARTER OF 2014 TO THE THIRD QUARTER OF 2018
(Percentages)

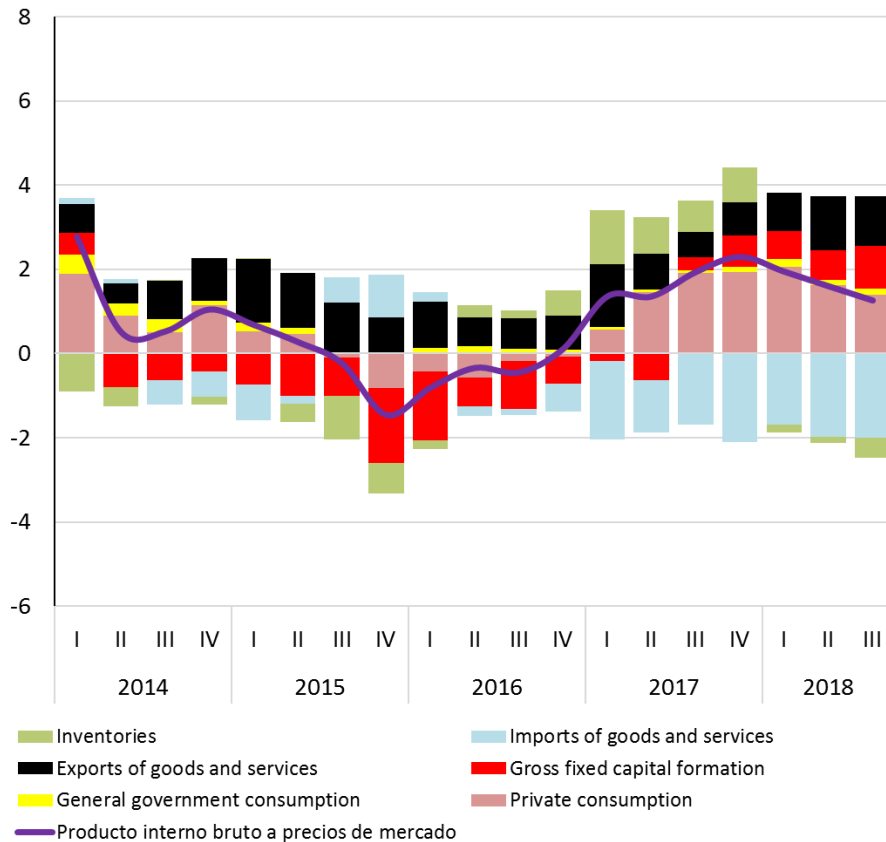


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

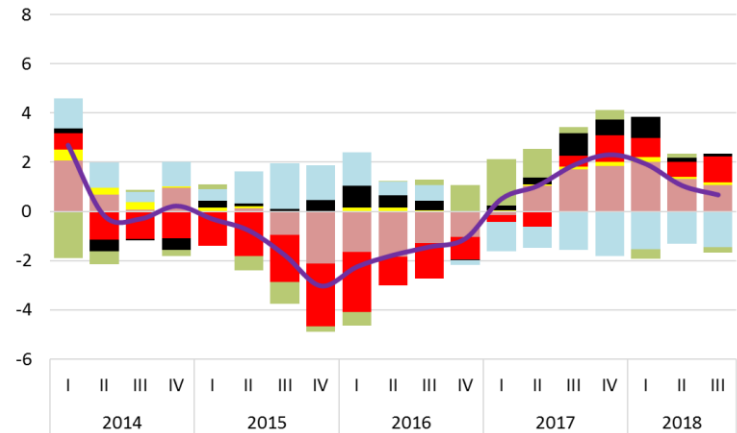
Economic growth in 2018 is driven by private consumption with a slight increase in the recovery of investment and exports

LATIN AMERICA: GDP GROWTH RATES AND CONTRIBUTION BY EXPENDITURE COMPONENTS TO GROWTH, FIRST QUARTER OF 2014 TO THIRD QUARTER OF 2018
(Percentages)

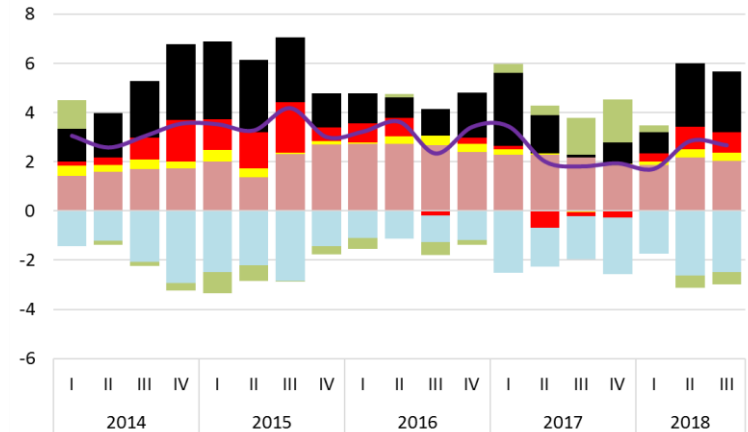
Latin America



South America



Mexico and Central America

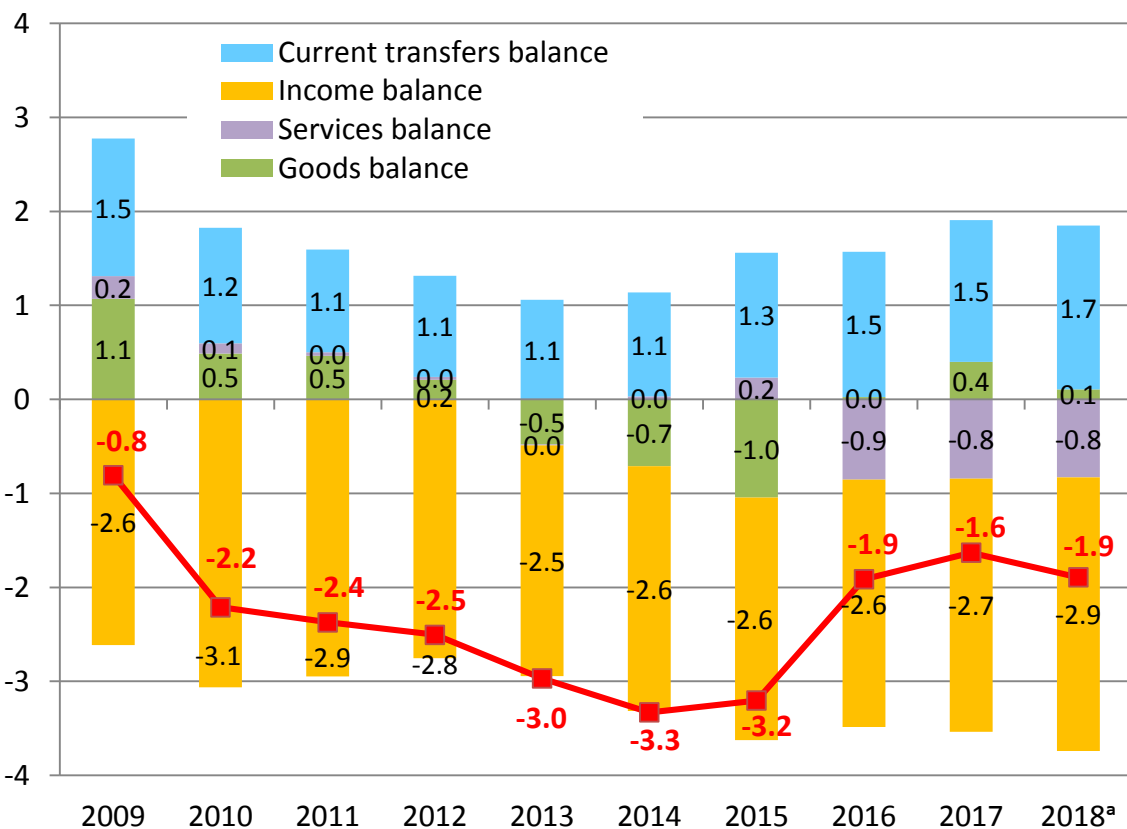


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

The current account deficit slightly widened in 2018

LATIN AMERICA (18 COUNTRIES): BALANCE OF PAYMENTS CURRENT ACCOUNT BY COMPONENT, 2009 TO 2018^a

(Porcentajes del PIB)



^a Values for 2018 correspond to projections.

COMPONENTS OF THE CURRENT ACCOUNT BY SUBREGION

Percentages of GDP

	2016	2017	2018
Mexico and Central America			
Current Account	-2.3	-1.8	-1.9
Goods	-3.7	-3.4	-4.0
Services	0.7	0.6	0.8
Income	-3.0	-2.9	-2.9
Current transfers	3.8	3.9	4.2
South America^a			
Current Account	-1.8	-1.6	-1.9
Goods	1.6	1.9	1.9
Services	-1.5	-1.4	-1.6
Income	-2.5	-2.6	-2.9
Current transfers	0.6	0.5	0.7
The Caribbean			
Current Account	-6.9	-6.4	
Goods	-13.7	-18.7	
Services	6.0	11.6	
Income	-3.3	-4.4	
Current transfers	4.3	5.2	

^a Excludes Venezuela (Bol. Rep. of).

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

Lower commodity prices are expected in 2019

ANNUAL VARIATION IN INTERNATIONAL COMMODITY PRICES, 2016 TO 2019^a
(In percentages)

	2016	2017	2018 ^a	2019 ^a
Agricultural products	4	0	3	-2
Foods, tropical beverages and oilseeds	6	-1	0	1
Foods	10	0	-3	1
Tropical beverages	1	-2	-8	5
Oils and oilseeds	2	-2	8	-1
Forestry and agricultural raw materials	-3	5	12	-14
Minerals and metals	-1	23	5	-5
Energy products	-16	23	25	-13
Crude oil	-16	23	28	-16
All commodities	-4	14	11	-7
All commodities excluding energy products	2	11	4	-4

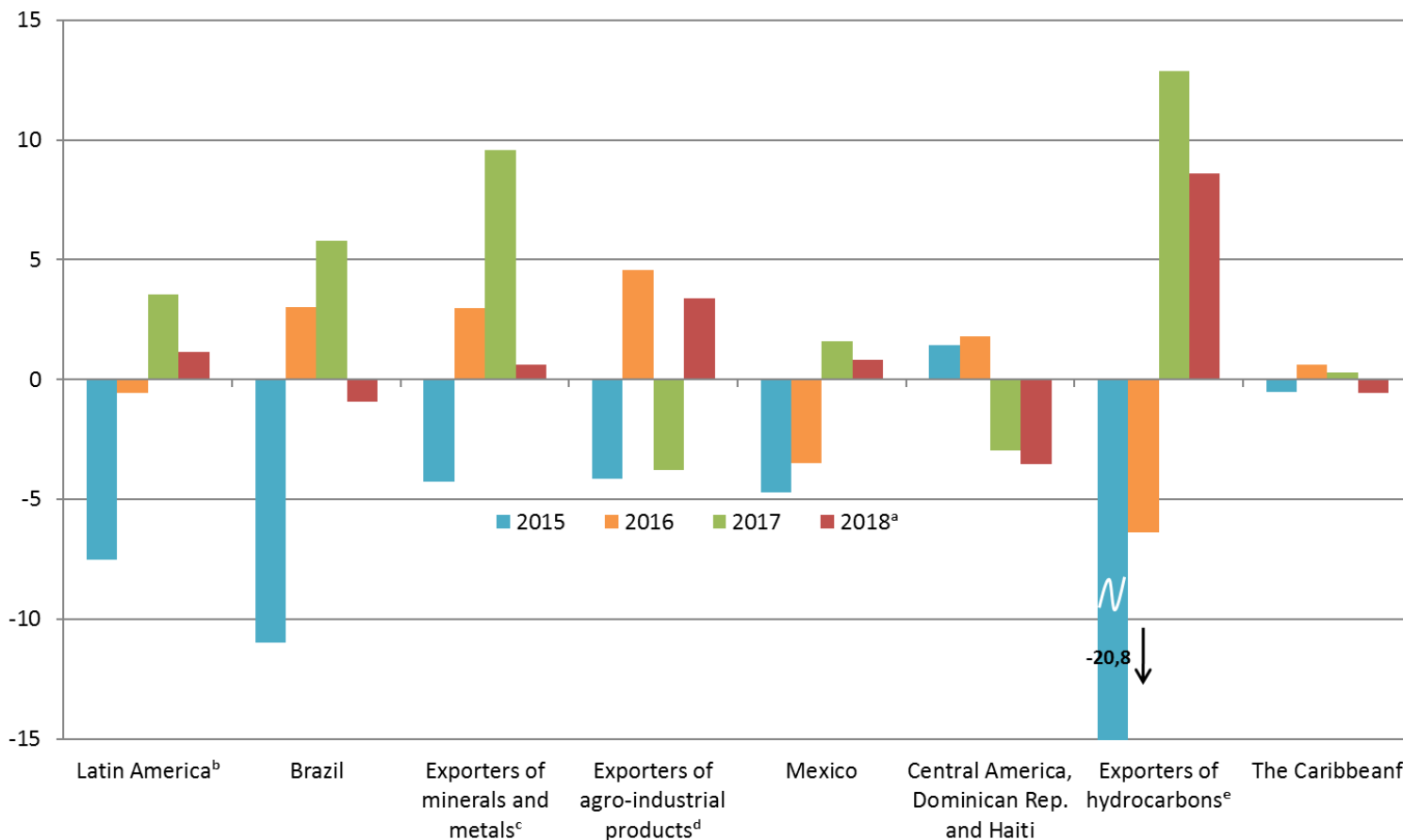
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank data; International Monetary Fund (IMF); Economist Intelligence Unit, Bloomberg and Capital Economics and IPoM of the Central Bank of Chile (September 2018) for the price of copper.

^a Projections.

Note: Energy products include oil, natural gas and coal.

The terms of trade increase again, at lower rates, except Central America and the Caribbean

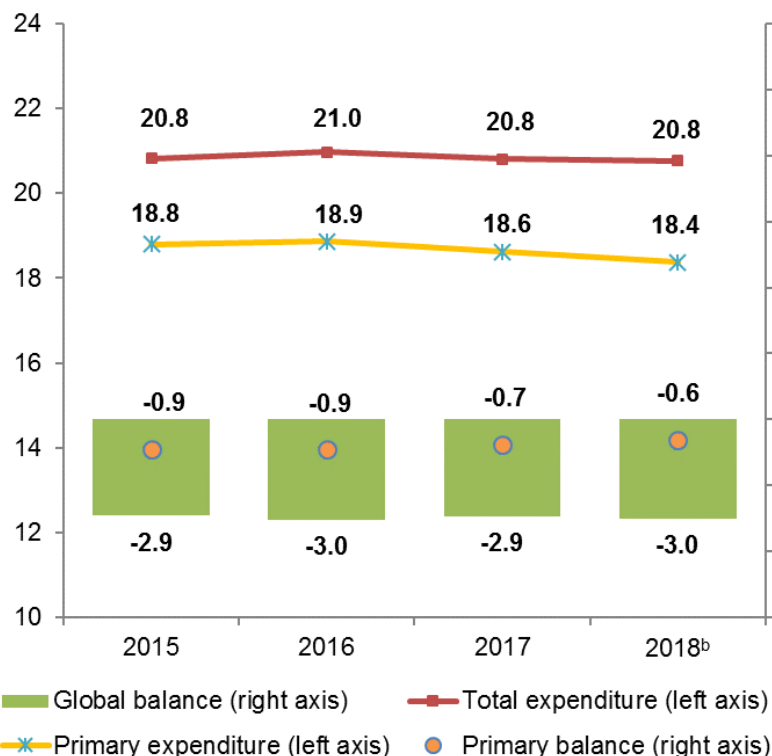
LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES AND COUNTRY GROUPINGS): VARIATION IN THE TERMS OF TRADE, 2015 A 2018^a
(Percentages)



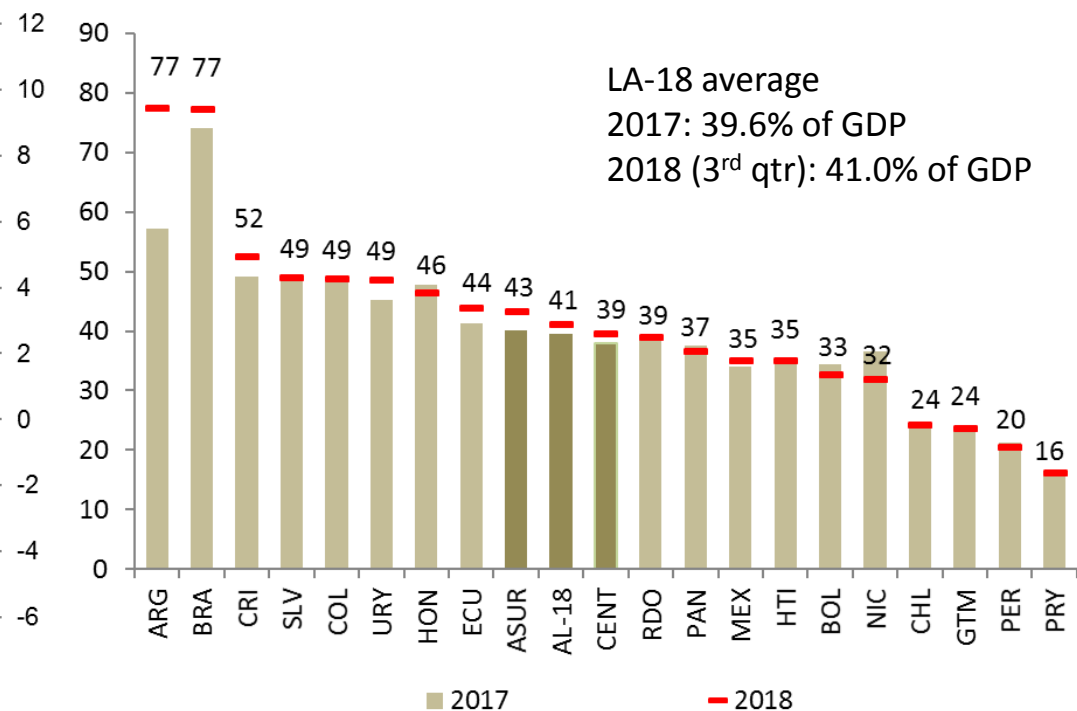
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures. ^a Values for 2018 correspond to projections. ^b Excluded Venezuela (Rep. Bol. de). ^c Chile and Peru. ^d Argentina, Paraguay and Uruguay. ^e Bolivia (Est. Plur. de), Colombia, Ecuador and Trinidad and Tobago. ^f Excluded Trinidad and Tobago.

The fiscal adjustment process led to a reduction in the primary deficit and mixed results among countries with respect to public debt

LATIN AMERICA (17 COUNTRIES): CENTRAL GOVERNMENT FISCAL INDICATORS, 2015 TO 2018^a
(Percentage of GDP)



LATIN AMERICA: GROSS PUBLIC DEBT OF THE CENTRAL GOVERNMENT, 2017 AND THIRD QUARTER OF 2018
(Percentage of GDP)

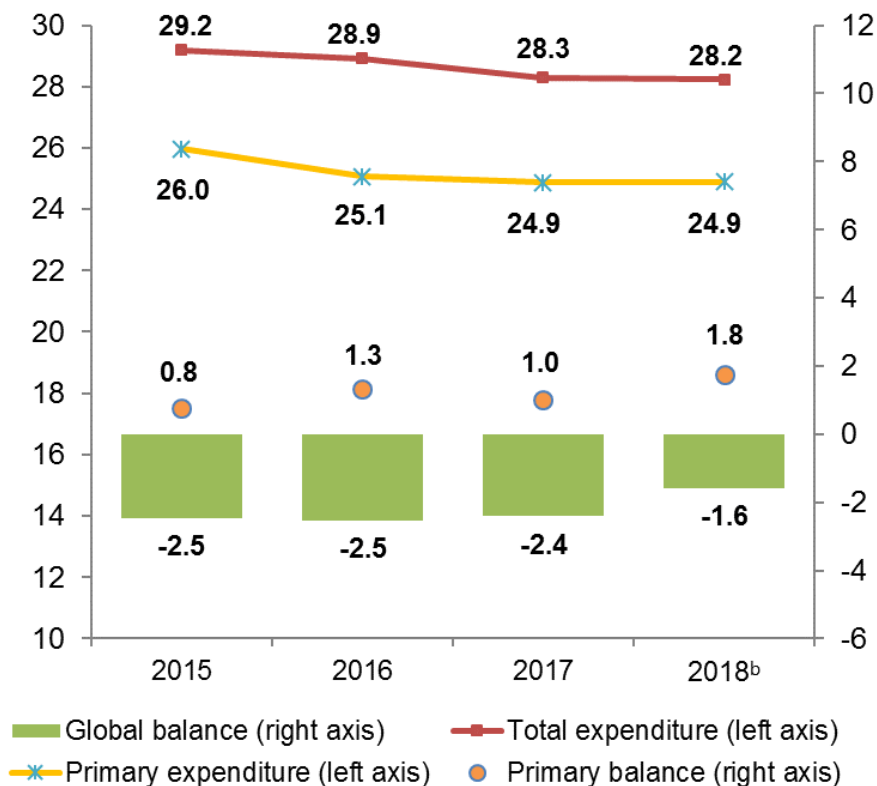


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

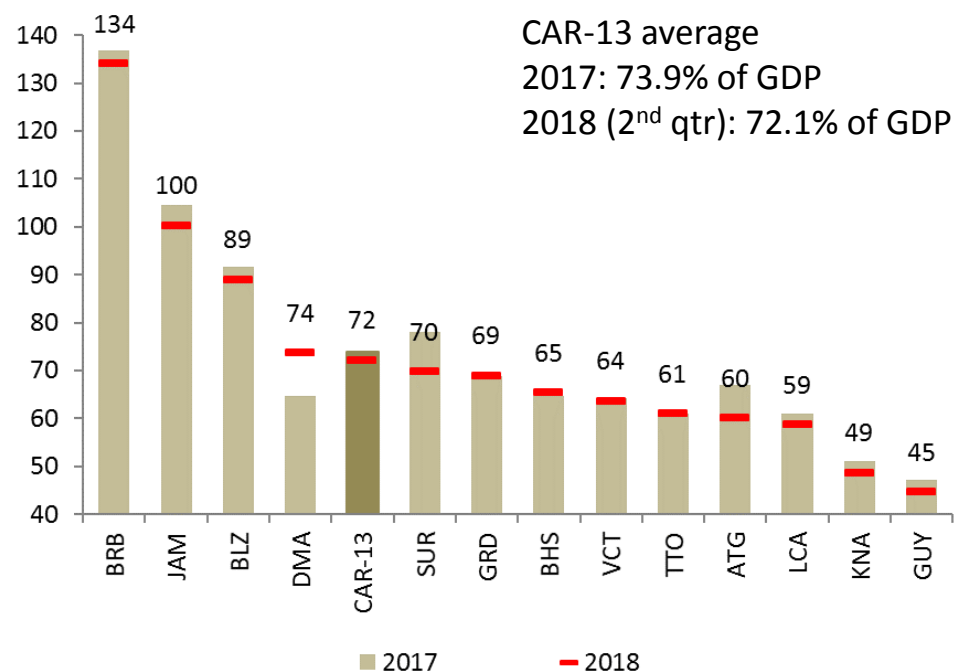
a Simple averages. The figures for fiscal indicators for 2018 correspond to projections derived from the 2019 budgets and official estimates for the end of 2018. The values of Ecuador, Honduras and Nicaragua are estimated on the basis of a moving sum up to the third quarter. In the cases of Mexico and Peru, the figures correspond to the federal public sector and the general government, respectively. The figures for public debt correspond to the third quarter of 2018, with the exception of Argentina, Chile, Colombia, Haiti, Panama and Uruguay, whose values cover up to the second quarter of 2018.

The Caribbean continues its mayor fiscal efforts: higher primary surplus and a downward trend in public debt

THE CARIBBEAN (12 COUNTRIES): CENTRAL GOVERNMENT FISCAL INDICATORS, 2015 TO 2018^a
(Percentage of GDP)



THE CARIBBEAN: GROSS PUBLIC DEBT OF THE CENTRAL GOVERNMENT, 2017 AND SECOND QUARTER OF 2018
(Percentage of GDP)

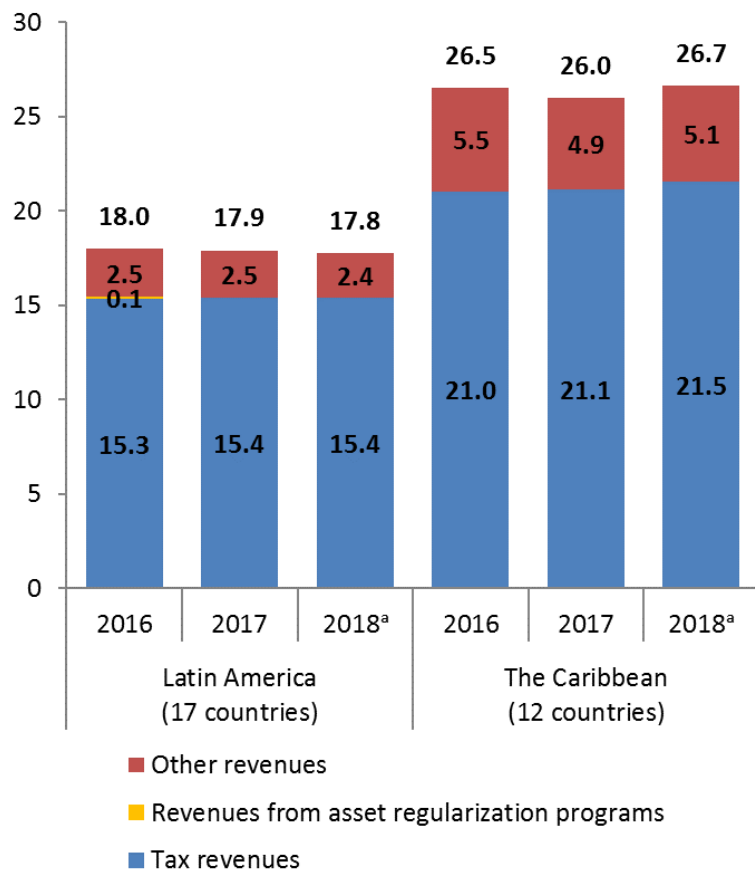


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

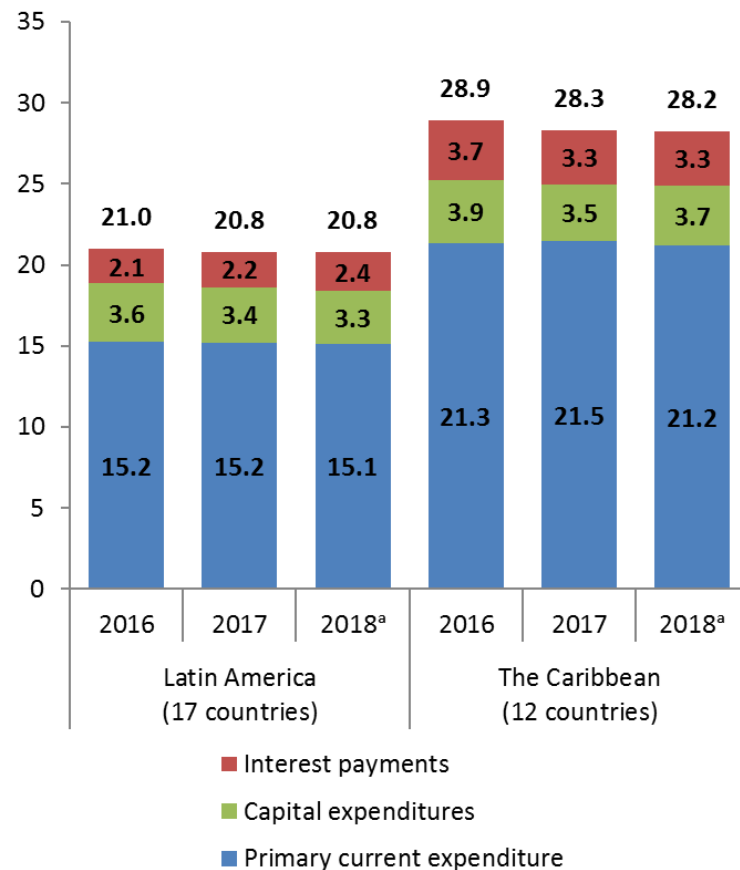
a Simple averages. The figures for fiscal indicators for 2018 correspond to projections derived from the 2019 budgets and official estimates for the end of 2018.

Tax revenues remain stable and spending restraint continues, but with a change in its composition

LATIN AMERICA AND THE CARIBBEAN: DISAGGREGATION OF CENTRAL GOVERNMENT TOTAL REVENUES, 2016-2018^a
(Percentages of GDP)



LATIN AMERICA AND THE CARIBBEAN: DISAGGREGATION OF CENTRAL GOVERNMENT TOTAL EXPENDITURES, 2016-2018^a
(Percentages of GDP)

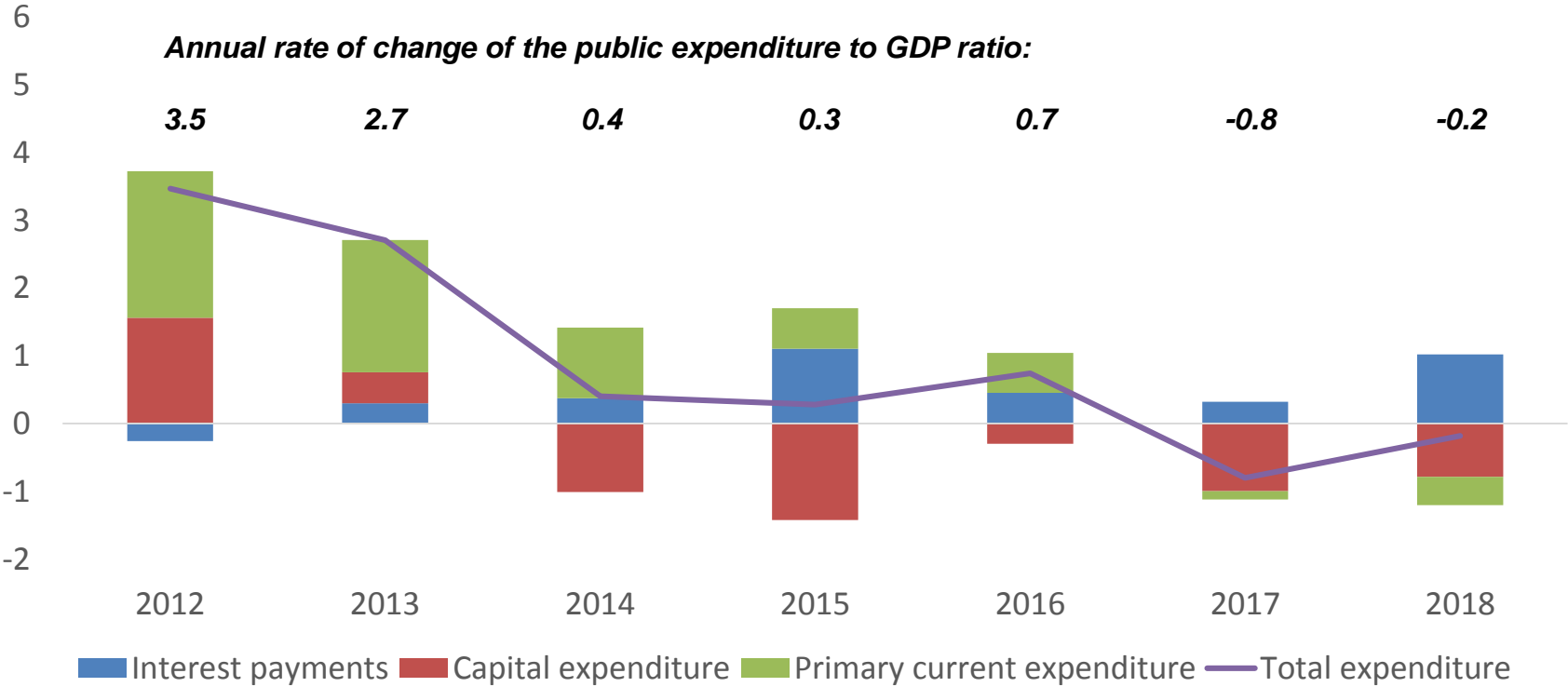


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a Simple averages. The figures for 2018 are projections derived from the 2019 budget figures and government estimates for the close of 2018. In the cases of Peru and Mexico, they correspond to the general government and the federal public sector, respectively.

The recent containment of spending has affected capital spending and since 2017 primary current expenditure

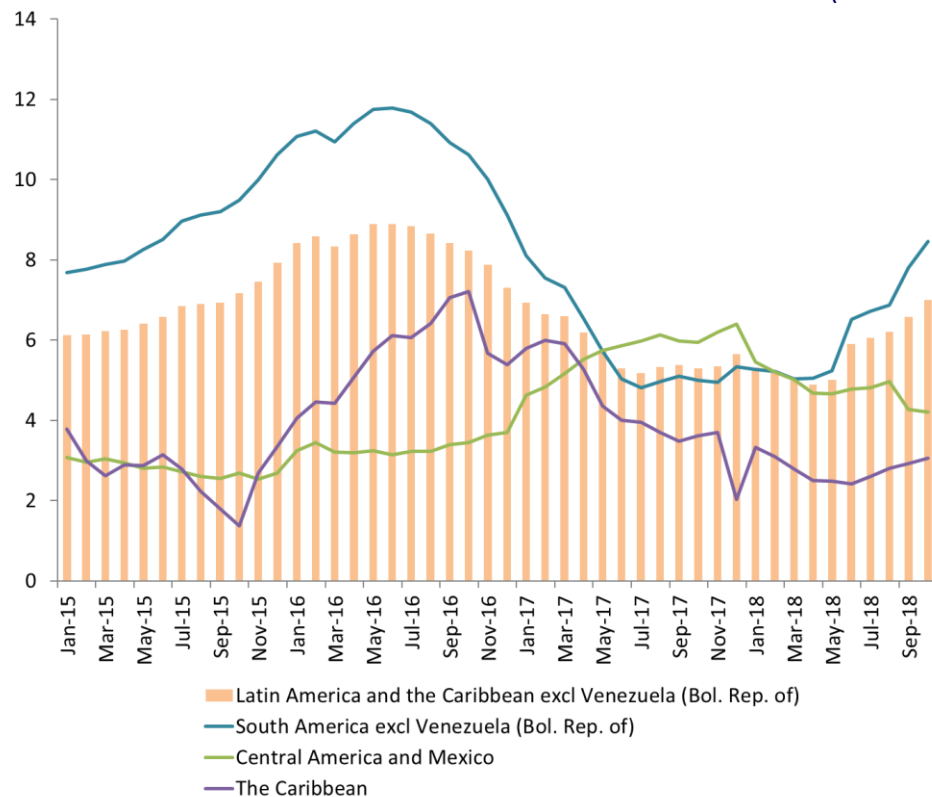
LATIN AMERICA (17 COUNTRIES): CONTRIBUTION OF THE COMPONENTS OF PUBLIC EXPENDITURE TO THE INTER-ANNUAL VARIATION OF THE PUBLIC EXPENDITURE TO GDP RATIO, 2012-2017
(In percentages)



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

Although in the first months of 2018, inflation increased in the economies of South America and the Caribbean, it is still under the target ranges

LATIN AMERICA AND THE CARIBBEAN: RATES OF VARIATION OF THE CONSUMER PRICE INDEX (CPI) IN TWELVE MONTHS, WEIGHTED AVERAGE, JANUARY 2015 TO OCTOBER 2018
(Base 2005 = 100)



**Annual inflation rate
(end of period, percentages)**

	2016	2017	2018 ^a
Latin America and the Caribbean^b	7.3	5.6	7.0 ^c
South America^b	9.1	5.3	8.5 ^c
Central America and Mexico	3.7	6.4	4.2
The Caribbean	5.4	2.0	3.1

^a Values to October.

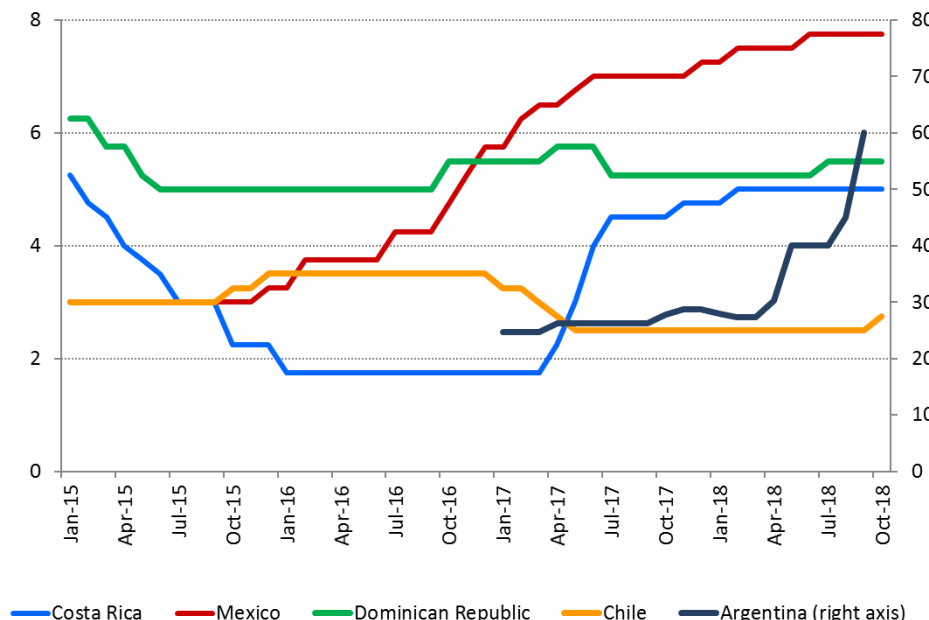
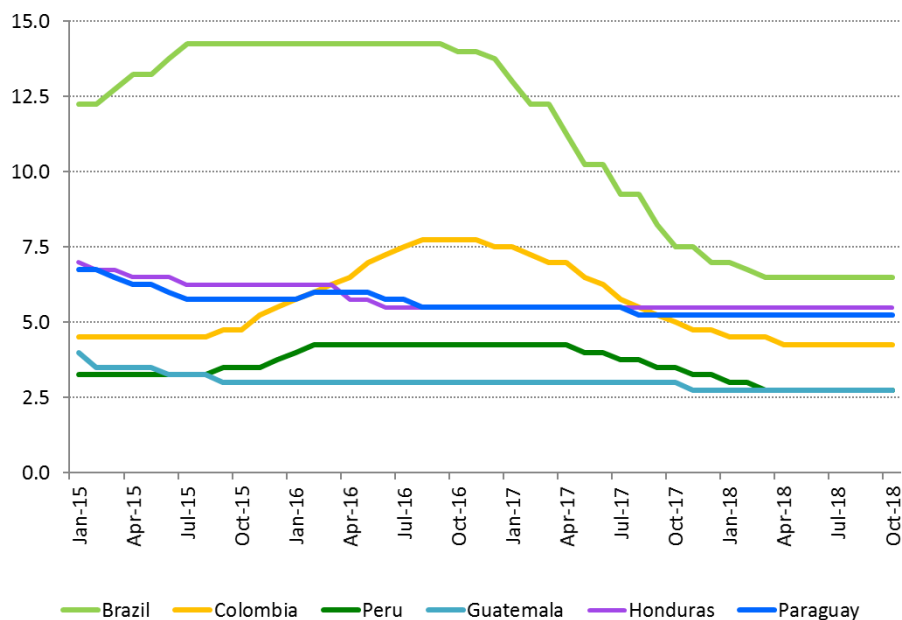
^b Excludes the Bol. Rep. of Venezuela.

^c Excluding Argentina, inflation for Latin America and the Caribbean in 2018 is 3.6% and for South America it is 3.3%.

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

Inflationary pressures and exchange rate volatility have affected the monetary policy space in some countries

LATIN AMERICA (SELECTED COUNTRIES): MONETARY POLICY RATE IN THE COUNTRIES THAT USE IT AS THE MAIN INSTRUMENT, JANUARY 2015 TO OCTOBER 2018
(In percentages)

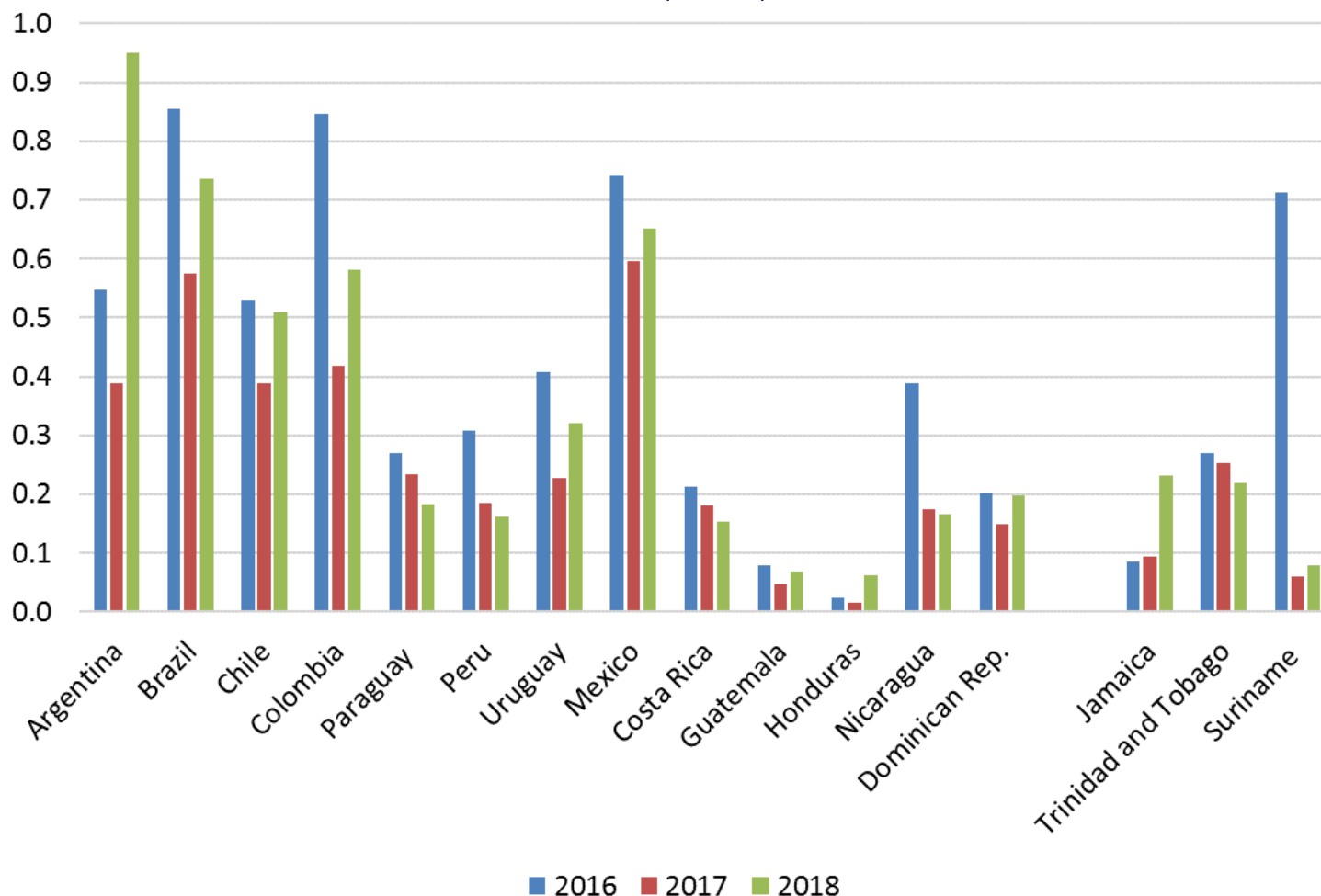


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Exchange rate volatility increased considerably in 2018...

LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): VOLATILITY OF THE NOMINAL EXCHANGE RATE, AVERAGE OF THE ABSOLUTE VALUE OF INTER-DAILY VARIATIONS, 2016 TO 2018

(Per cent)



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

...accompanied by depreciations in 16 currencies of the region

LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): VARIATION OF THE NOMINAL EXCHANGE RATE, INTER-ANNUAL VARIATIONS, 2016 TO 2018^a
(Per cent)

	Argentina	Brazil	Chile	Colombia	Paraguay	Peru	Uruguay	Mexico
2016	22.8	-17.8	-5.4	-5.4	-0.8	-1.7	-2.5	20.0
2017	17.3	1.8	-8.2	-0.5	-2.6	-3.5	-1.5	-5.2
2018	108.6	17.3	9.7	8.3	6.6	4.4	13.1	4.2

	Costa Rica	Guatemala	Honduras	Nicaragua	Dominican Rep.	Jamaica	Trinidad and Tobago	Suriname
2016	3.0	-1.4	5.0	5.0	2.5	7.4	5.0	85.4
2017	3.0	-2.4	0.4	5.0	3.4	-3.3	0.3	0.6
2018	6.6	5.0	3.0	5.3	3.7	1.6	-0.4	0.6

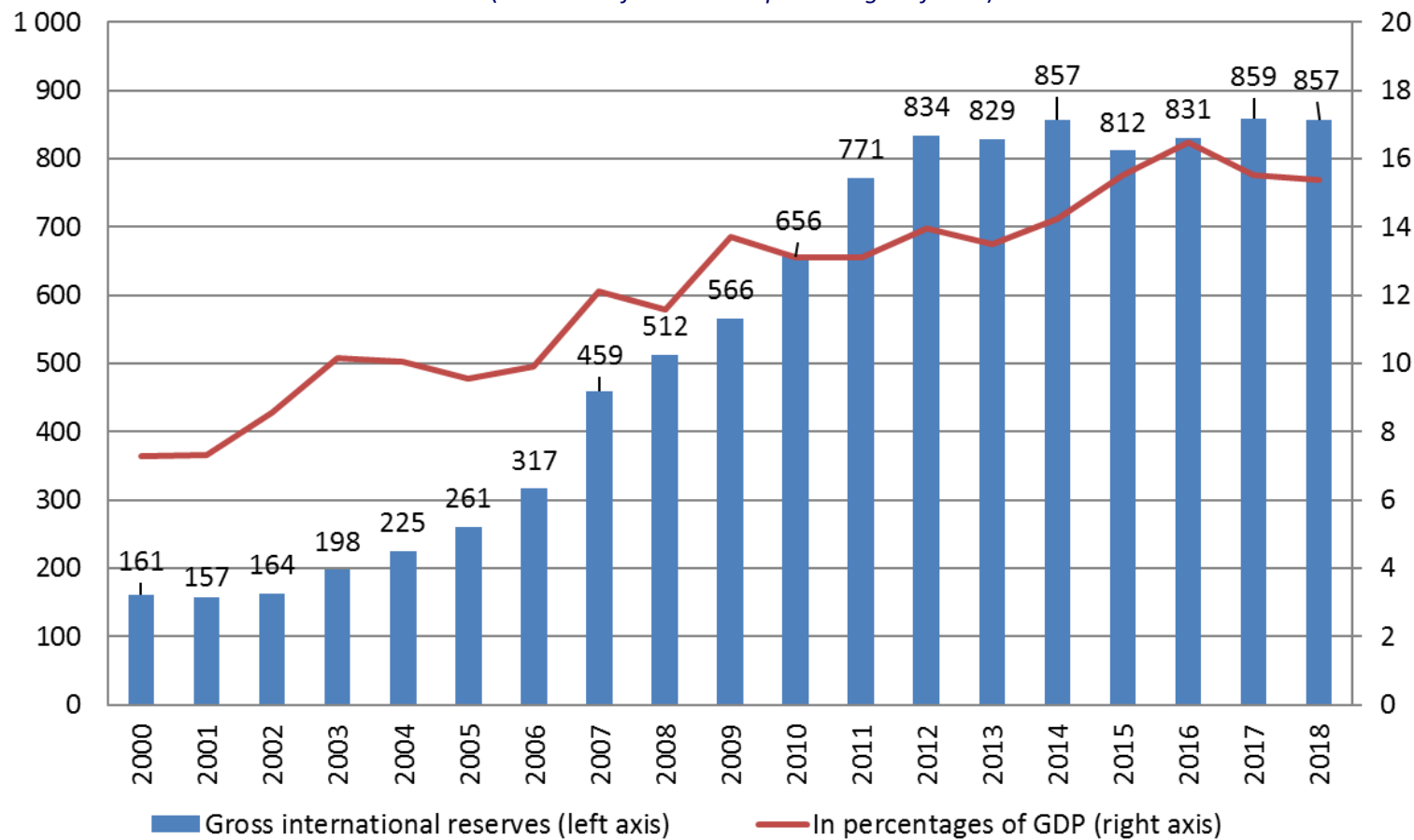
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Values to November.

Note: The negative sign indicates an appreciation of the currency.

International reserves remain stable in nominal terms, but experience a slight reduction in relation to GDP

LATIN AMERICA AND THE CARIBBEAN (SUBREGIONS): EVOLUTION OF INTERNATIONAL RESERVES, 2000 TO 2018^a
(In billions of dollars and percentages of GDP)

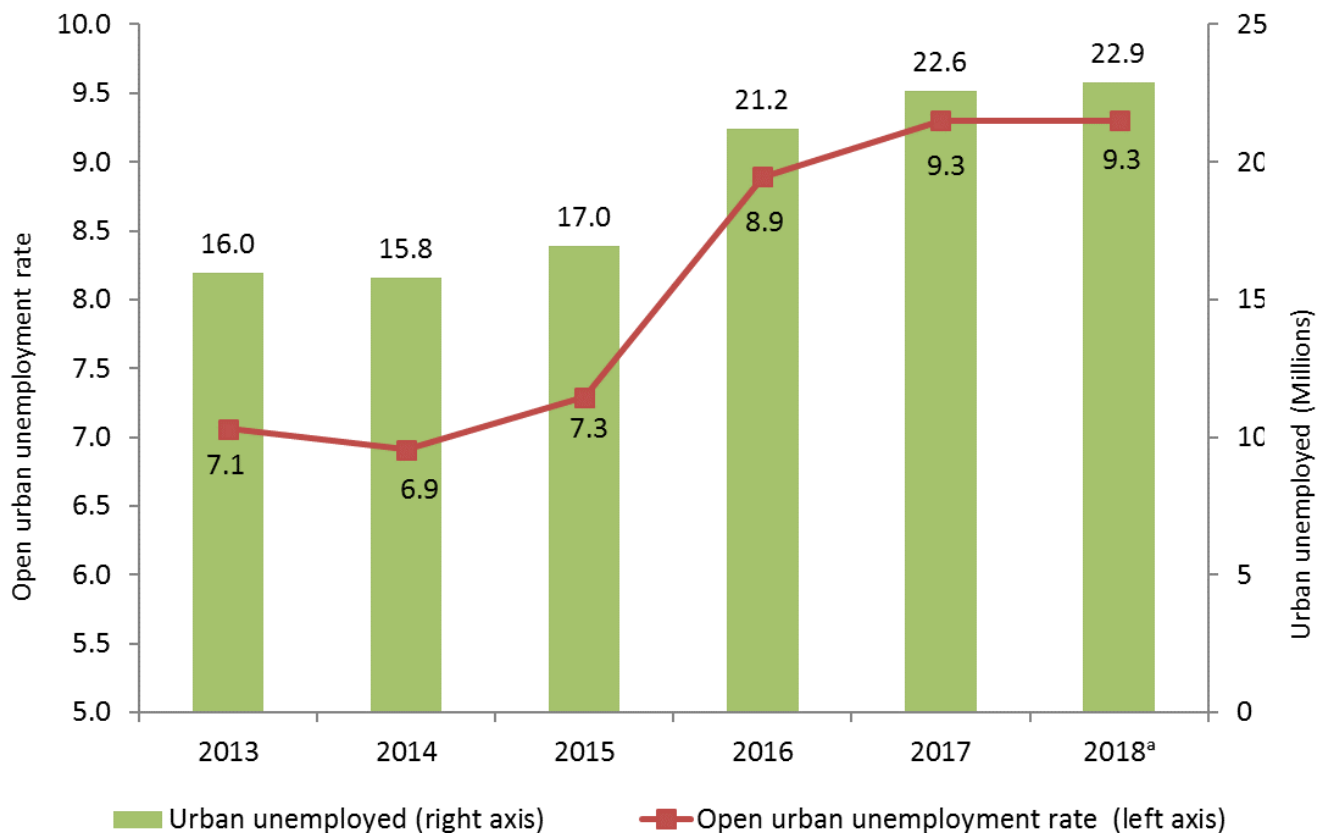


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Values to November.

The rate of urban unemployment stabilized, although the number of unemployed continued to increase

LATIN AMERICA AND THE CARIBBEAN: RATE AND NUMBER OF URBAN UNEMPLOYED, 2013 TO 2018
(Per cent and millions)

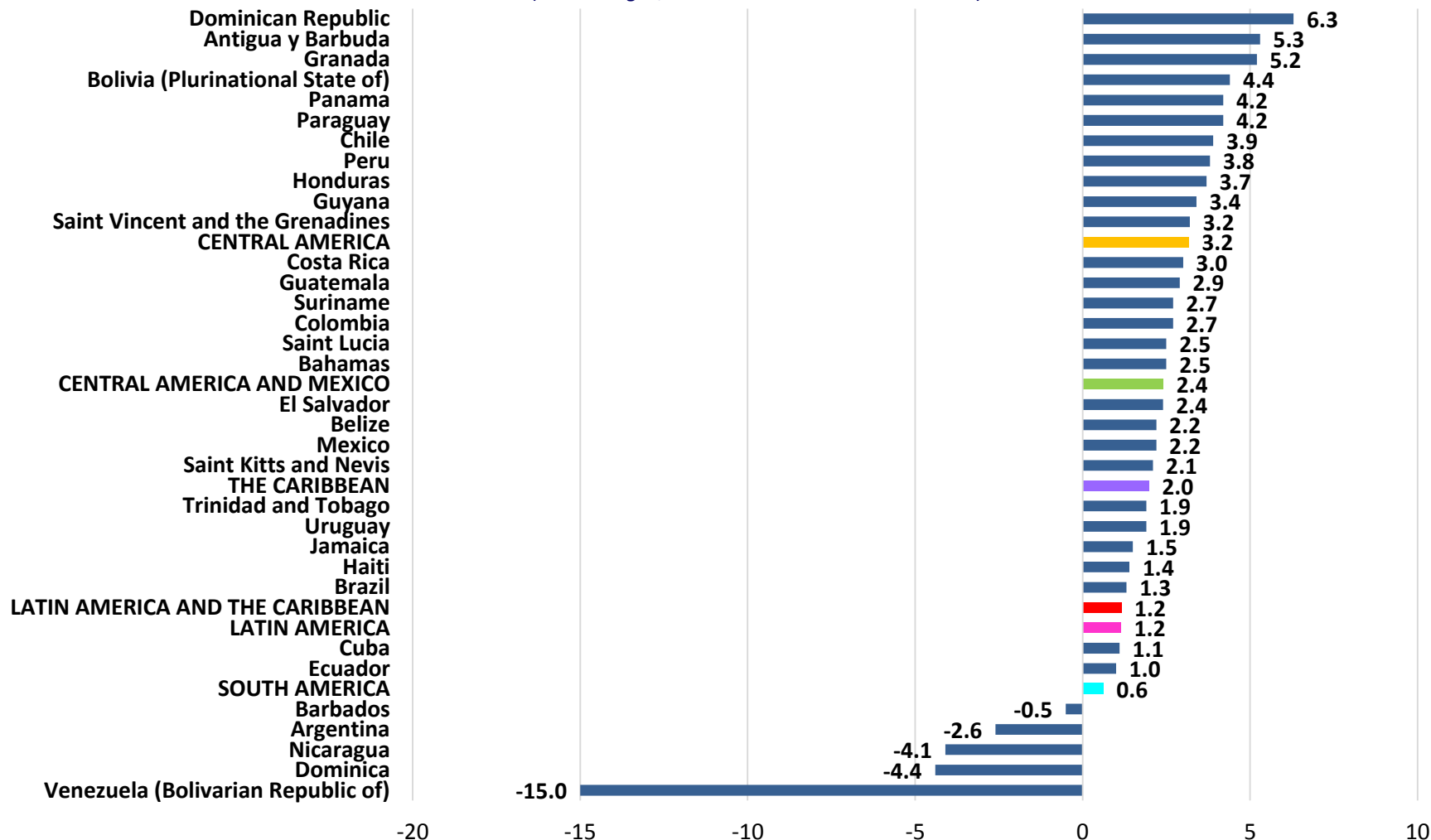


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

In 2018, Latin America and the Caribbean will grow 1.2%, slightly below 2017

LATIN AMERICA AND THE CARIBBEAN: GDP GROWTH RATE, 2018

(Percentages, based on constant 2010 dollars)



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

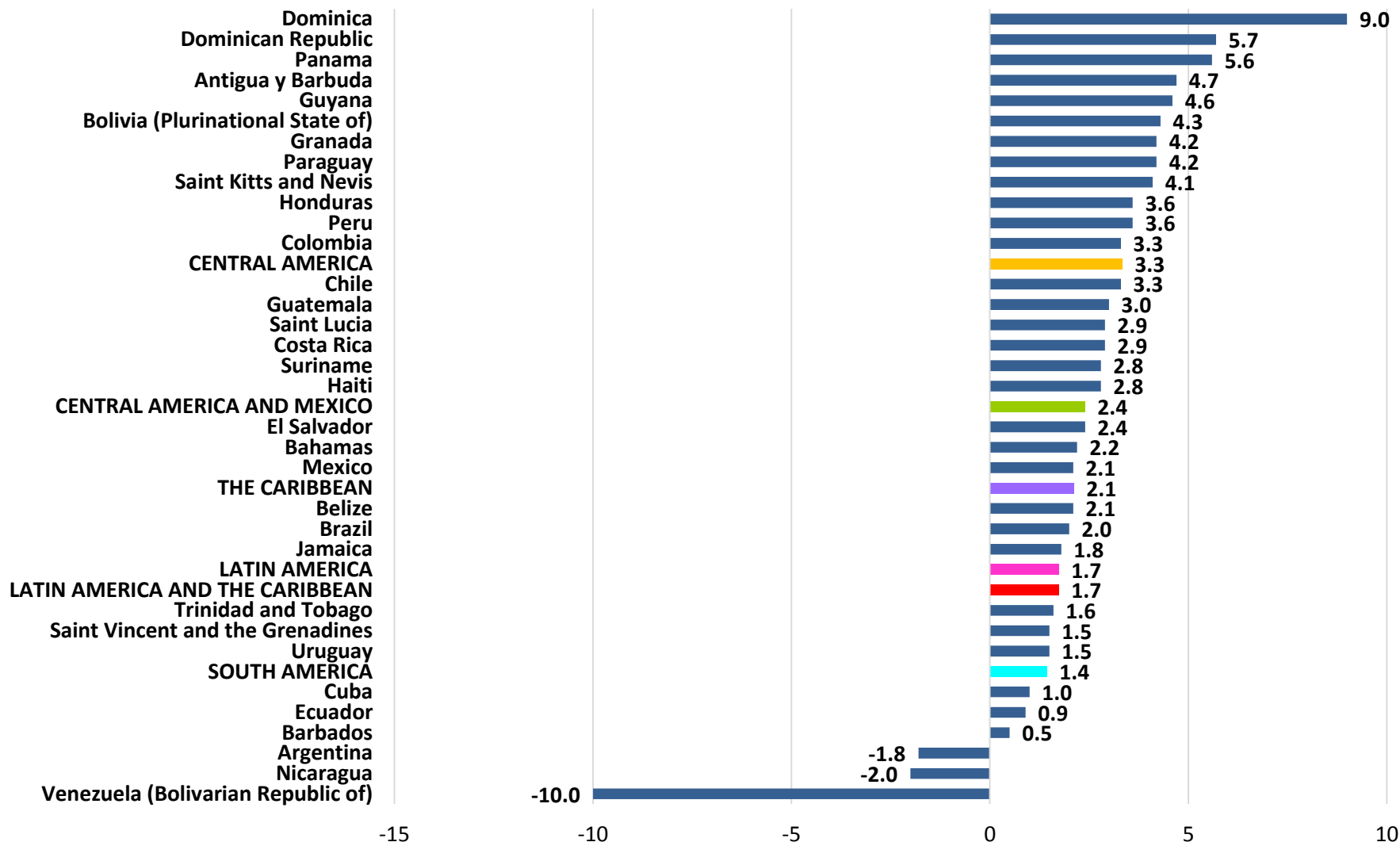
Synthesis

- **Dynamics of the region will be highly influenced by the external context.**
- **Change in the external economic cycle: less dynamic global growth, strong dollar, higher interest rates, greater financial uncertainties.**
- **Commercial tensions continue to affect exports**
- **Fiscal consolidation puts pressure on social spending, public investment and spending on science and technology**

For 2019 growth is expected to reach 1.7%

LATIN AMERICA AND THE CARIBBEAN: GDP GROWTH RATE, 2019

(Percentages, based on constant 2010 dollars)



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

Public policies to strengthen the sources of growth and to face this situation of uncertainty

On the external side:

- Prudential management of the dynamics of indebtedness and to protect the dynamics of the balance of payments

On the fiscal side:

- Reduce elusion and evasion and illicit flows
- Strengthen tax revenues: both direct (personal income tax and wealth) and indirect (green and healthy)
- Protect and reorient public investment to projects with an impact on sustainable development
- Strengthen automatic stabilizers with more progressive tax collection and effective social protection programs in phases of economic cycle deceleration

A strategic view to grow and face external vulnerabilities

- Changing the export structure requires productive transformation and the development of capacities to diversify the modalities of international insertion, adding value and knowledge to its products
- Moving towards modern and sustainable economies must take advantage of the technological revolution as a strategic foundation to guide investment, innovation and production
- Orienting investment and industrial and technological policy around the environmental big push with decarbonization, combining innovative technologies (energy, mobility, communication and bioeconomy) with natural resources
- Reinventing regional integration beyond infrastructure and trade in order to link productive chains, convergence of regulatory policies and intraregional trade
- Uniting national and regional efforts will attract investments in more dynamic sectors



2018

Preliminary Overview of the Economies of Latin America and the Caribbean



UNITED NATIONS

ECLAC



FOR SUSTAINABLE
DEVELOPMENT WITH EQUALITY