Uncertainty and Deceleration

- The region is confronted with an external sector with growing uncertainties and complexity
  - Subdued global economic activity and international trade
  - Growing uncertainty, volatility and financial fragility
  - Questioning of the multilateral trading system and an increase in geopolitical tensions

- The economic slowdown observed in the last five years continues
  - Loss of dynamism in the engines of economic growth: no contribution to growth from investment and net exports
  - Overall slowdown: 21 out of the 33 countries in Latin America and the Caribbean (17 out of 20 in Latin America)
Restricted macroeconomic policy space

- Restriction of the structural fiscal space that limits countercyclical policies
- Fiscal consolidation due to insufficient revenues to cover public spending
- Greater indebtedness has not translated into productive investment
- Higher depreciations would limit monetary stimuli to aggregate demand
- The fall in productivity and the export structure (reprimarisation) do not help to face external vulnerability
Synchronization in slowdown of global growth

SELECTED REGIONS AND COUNTRIES: GDP GROWTH RATE 2017, 2018 AND FORECASTS 2019
(Percentages)

Marked weakening of world trade

YEAR-ON-YEAR CHANGE IN THE VOLUME OF WORLD TRADE, JANUARY 2003 TO APRIL 2019
(Based on deseasonalized index, three-month rolling window, in percentages)

SELECTED REGIONS AND COUNTRIES: YEAR-ON-YEAR CHANGE IN THE VOLUME OF WORLD TRADE
(Based on deseasonalized index, in percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on the Netherlands Bureau of Economic Policy Analysis (CPB), World Trade Monitor.
Greater global financial uncertainty…

INDICES OF VOLATILITY IN THE FINANCIAL MARKETS, JANUARY 2017 TO JUNE 2019

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

Note: The VIX index, prepared by the Chicago Stock Exchange (CBOE), measures the expected volatility for the next 30 days and is obtained from the prices of the purchase and sale options of the S&P 500 index. The CBOE also produces the VXEM index, which measures volatility in emerging markets, and Deutsche Börse, together with Goldman Sachs, prepares the V2X index, which measures volatility in the euro area.
…with a rise in the region’s sovereign risk as of the second quarter of 2019

**LATIN AMERICA (13 COUNTRIES): SOVEREIGN RISK ACCORDING TO THE EMERGING MARKET BOND INDEX (EMBIG), JANUARY 2016 TO MAY 2019**

(*Values accumulated in twelve months. Base index January 2016 = 100*)

<table>
<thead>
<tr>
<th>EMBIG index level at:</th>
<th>31-Dec-16</th>
<th>31-Dec-17</th>
<th>31-Dec-18</th>
<th>31-May-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>455</td>
<td>351</td>
<td>817</td>
<td>985</td>
</tr>
<tr>
<td>Bolivia</td>
<td>83</td>
<td>203</td>
<td>378</td>
<td>282</td>
</tr>
<tr>
<td>Brazil</td>
<td>330</td>
<td>232</td>
<td>273</td>
<td>267</td>
</tr>
<tr>
<td>Chile</td>
<td>158</td>
<td>117</td>
<td>166</td>
<td>145</td>
</tr>
<tr>
<td>Colombia</td>
<td>225</td>
<td>173</td>
<td>228</td>
<td>212</td>
</tr>
<tr>
<td>Ecuador</td>
<td>647</td>
<td>459</td>
<td>826</td>
<td>619</td>
</tr>
<tr>
<td>Mexico</td>
<td>296</td>
<td>245</td>
<td>357</td>
<td>329</td>
</tr>
<tr>
<td>Panama</td>
<td>187</td>
<td>119</td>
<td>171</td>
<td>159</td>
</tr>
<tr>
<td>Paraguay</td>
<td>281</td>
<td>200</td>
<td>260</td>
<td>245</td>
</tr>
<tr>
<td>Peru</td>
<td>170</td>
<td>136</td>
<td>168</td>
<td>148</td>
</tr>
<tr>
<td>Dominican Rep.</td>
<td>407</td>
<td>275</td>
<td>371</td>
<td>348</td>
</tr>
<tr>
<td>Uruguay</td>
<td>244</td>
<td>146</td>
<td>207</td>
<td>194</td>
</tr>
<tr>
<td>Venezuela</td>
<td>2168</td>
<td>4854</td>
<td>6845</td>
<td>5578</td>
</tr>
<tr>
<td><strong>Latin America</strong></td>
<td><strong>473</strong></td>
<td><strong>419</strong></td>
<td><strong>568</strong></td>
<td><strong>527</strong></td>
</tr>
</tbody>
</table>

*Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on Bloomberg.*
The trend of declining capital flows towards emerging economies is also observed in the region...

PORTFOLIO FLOWS TO EMERGING MARKETS
(Billions of dollars, monthly average)

LATIN AMERICA (14 COUNTRIES): INDIRECT INDICATOR (PROXY) OF CAPITAL FLOWS TO THE REGION, JANUARY 2016 TO MARCH 2019
(Values accumulated in twelve months. Base index January 2016 = 100)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on information from the Monetary Policy Report of the Central Bank of Chile (June, 2019).
The region continues to have access to international debt markets

AMÉRICA LATINA (13 PAÍSES): EMISIONES DE DEUDA EN LOS MERCADOS INTERNACIONALES, ACUMULADOS DE ENERO A MAYO DE 2018 vs ENERO A MAYO DE 2019

(En millones de dólares)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on figures from the Latin Finance Bonds Database.
Generalized declines in commodity prices are expected...

### ANNUAL VARIATION IN INTERNATIONAL COMMODITY PRICES, 2016 TO 2019

*(In percentages, based on average annual prices, weighted according to the average export basket of Latin America and the Caribbean)*

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural products</td>
<td>4</td>
<td>0</td>
<td>1</td>
<td>-3</td>
</tr>
<tr>
<td>Foods, tropical beverages and oilseeds</td>
<td>6</td>
<td>-1</td>
<td>-2</td>
<td>-4</td>
</tr>
<tr>
<td>Foods</td>
<td>9</td>
<td>0</td>
<td>-3</td>
<td>0</td>
</tr>
<tr>
<td>Tropical beverages</td>
<td>1</td>
<td>-2</td>
<td>-10</td>
<td>-10</td>
</tr>
<tr>
<td>Oils and oilseeds</td>
<td>2</td>
<td>-1</td>
<td>1</td>
<td>-8</td>
</tr>
<tr>
<td>Forestry and agricultural raw materials</td>
<td>-2</td>
<td>5</td>
<td>13</td>
<td>2</td>
</tr>
<tr>
<td>Minerals and metals</td>
<td>-1</td>
<td>23</td>
<td>4</td>
<td>-1</td>
</tr>
<tr>
<td>Energy&lt;sup&gt;b&lt;/sup&gt;</td>
<td>-16</td>
<td>23</td>
<td>26</td>
<td>-10</td>
</tr>
<tr>
<td>Crude oil</td>
<td>-16</td>
<td>23</td>
<td>29</td>
<td>-10</td>
</tr>
<tr>
<td>All commodities</td>
<td>-4</td>
<td>15</td>
<td>10</td>
<td>-5</td>
</tr>
<tr>
<td>All commodities excluding energy products</td>
<td>2</td>
<td>11</td>
<td>3</td>
<td>-2</td>
</tr>
</tbody>
</table>

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on data from the World Bank; International Monetary Fund (IMF); Economist Intelligence Unit; Bloomberg; Energy Information Administration (EIA), "Short-Term Energy Outlook", June 2019; Capital Economics and Central Bank of Chile, Monetary Policy Report, June 2019 for the price of copper.

<sup>a</sup> The figures correspond to projections.

<sup>b</sup> This category includes oil, natural gas and coal.
In the face of subdued trade and a deterioration in the terms of trade, the current account deficit remains around 2.0% of GDP.
POLICY SPACE
Fiscal consolidation continues to reduce deficits as income levels are insufficient to cover expenses.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official figures.
Note: Simple averages. The figures for 2019 correspond to: projections derived from budgets or official estimates for the end of 2019.
In the Caribbean, although fiscal consolidation continues, more revenue is expected with possible increases in spending.

**THE CARIBBEAN (12 COUNTRIES): CENTRAL GOVERNMENT FISCAL INDICATORS, 2010-2019**

(Percentages of GDP)

**THE CARIBBEAN: GROSS PUBLIC DEBT OF THE CENTRAL GOVERNMENT, 2018 AND FIRST QUARTER OF 2019**

(Percentages of GDP)

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

*Note:* Simple averages. Dominica is excluded. The figures for 2019 correspond to: projections derived from budgets or official estimates for the end of 2019.
Although revenue is expected to remain stable, the economic slowdown and lower commodity prices could have a negative impact on government revenue.

**LATIN AMERICA AND THE CARIBBEAN: CENTRAL GOVERNMENT TOTAL REVENUES BY COMPONENT, 2017-2019**

*(Percentages of GDP)*

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Latin America</strong></td>
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<td></td>
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<td></td>
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<tr>
<td>(17 countries)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax revenues</td>
<td>18.1</td>
<td>18.2</td>
<td>18.2</td>
<td>16.8</td>
<td>16.6</td>
<td>16.4</td>
<td>19.4</td>
<td>19.9</td>
<td>20.0</td>
</tr>
<tr>
<td>Other revenues</td>
<td>2.7</td>
<td>2.7</td>
<td>2.6</td>
<td>2.8</td>
<td>2.6</td>
<td>2.4</td>
<td>2.6</td>
<td>2.7</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Central America,</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Dominica,</td>
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<tr>
<td>Mexico</td>
<td>15.4</td>
<td>15.6</td>
<td>15.6</td>
<td>14.1</td>
<td>14.0</td>
<td>14.0</td>
<td>16.8</td>
<td>17.2</td>
<td>17.3</td>
</tr>
<tr>
<td><strong>South America</strong></td>
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<tr>
<td>(8 countries)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Tax revenues</td>
<td>25.8</td>
<td>27.0</td>
<td>27.7</td>
<td>21.0</td>
<td>21.8</td>
<td>22.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other revenues</td>
<td>4.8</td>
<td>5.2</td>
<td>5.6</td>
<td>4.8</td>
<td>5.2</td>
<td>5.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>The Caribbean</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>(12 countries)</td>
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<tr>
<td>Tax revenues</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other revenues</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Note: Simple averages. Dominica is excluded. The figures for 2019 correspond to: projections derived from budgets or official estimates for the end of 2019.
Tax evasion and illicit financial flows represent a significant loss of revenues

**LATIN AMERICA: TAX NON-COMPLIANCE OF INCOME TAX AND VALUE-ADDED TAX, 2017**
*(Percentages of GDP)*

**Estimated tax evasion in 2017:**
6.3% of GDP (US$ 335 billion)

**LATIN AMERICA AND THE CARIBBEAN: ESTIMATES OF GROSS OUTFLOWS FROM GOODS TRADE MISINVOICING, 2000-2015**
*(Billions of US dollars)*

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figure
Note: the estimates of tax evasion are based on national studies on tax non-compliance with income tax and value-added tax. The figures correspond to a weighted average based on GDP at current prices in dollars. The countries included are Argentina, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Panama, Peru and Uruguay for the ISR; and, Argentina, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay for VAT.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on estimates from the methodology developed by ECLAC.
Capital expenditure is reaching historically low levels, while interest payments continue to rise.

LATIN AMERICA (16 COUNTRIES): CENTRAL GOVERNMENT CAPITAL EXPENDITURES, 2000-2019
(Percentages of GDP)

LATIN AMERICA (16 COUNTRIES): CENTRAL GOVERNMENT INTEREST PAYMENTS, 2000-2019
(Percentages of GDP)

Average 2000-2006: 2.9% of GDP

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

Note: Simple averages. The figures for 2019 correspond to: projections derived from budgets or official estimates for the end of 2019.
Monetary authorities continue to make use of the available space to stimulate aggregate demand...

LATIN AMERICA (SELECTED COUNTRIES): MONETARY POLICY RATE IN THE COUNTRIES THAT USE IT AS THE MAIN POLICY INSTRUMENT, JANUARY 2016 TO JUNE 2019
(In percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official figures.
Nonetheless, in the current context, more expansive monetary policies could increase exchange rate volatility and lead to greater depreciations…

LATIN AMERICA AND THE CARIBBEAN (18 COUNTRIES): VOLATILITY OF THE NOMINAL EXCHANGE RATE, AVERAGE OF THE ABSOLUTE VALUE OF DAILY VARIATIONS, 2016 TO 2019a

(SEMESTER VARIATIONS OF THE TYPE OF THE NOMINAL EXCHANGE RATE
I SEMESTER 2017 - I SEMESTER OF 2019a
(Percentages)

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

a June 2019
Monetary policy has been less effective in stimulating higher credit growth in the face of lower growth expectations…

LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRY GROUPS): DOMESTIC CREDIT TO THE PRIVATE SECTOR IN REAL TERMS, AVERAGE OF ANNUALIZED RATES, FIRST QUARTER OF 2013 TO SECOND QUARTER OF 2019

(Percentages)

The Caribbean
Countries with inflation targeting regimes
Countries with monetary aggregate management regimes (excl. Venezuela, Bol. Rep. of)
Venezuela (Bol. Rep. of) (right axis)
Argentina (right axis)

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

a Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Vincente and the Grenadines, Saint Lucia, Suriname and Trinidad y Tobago.

b Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Guatemala, Honduras, Mexico, Paraguay and Peru.

b Boliv (Plur. State of), Ecuador, El Salvador, Haiti, Nicaragua, Panama, Uruguay and Venezuela (Bol. Rep. of)
Rising inflation induced by currency depreciations also reduce policy space to stimulate aggregate demand...

**LATIN AMERICA AND THE CARIBBEAN: VARIATION RATES OF THE CONSUMER PRICE INDEX (CPI) IN 12 MONTHS, WEIGHTED AVERAGE, JANUARY 2015 TO MAY 2019**

*(In percentages)*

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
<th>May-18</th>
<th>May-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America and the Caribbean excl Venezuela (Bol. Rep. of)</td>
<td>5.7</td>
<td>7.0</td>
<td>5.0</td>
</tr>
<tr>
<td>South America excl Venezuela (Bol. Rep. of)</td>
<td>5.3</td>
<td>8.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Central America and Mexico</td>
<td>6.4</td>
<td>4.7</td>
<td>4.7</td>
</tr>
<tr>
<td>The Caribbean</td>
<td>3.7</td>
<td>2.0</td>
<td>2.5</td>
</tr>
</tbody>
</table>

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

---

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official figures.
In addition to less policy space, productivity has exhibited a downward trend in the last years.

LATIN AMERICA: LABOUR PRODUCTIVITY, 2000 TO 2018
(Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official figures.
The export structure remains concentrated in raw materials

**LATIN AMERICA: COMPOSITION OF EXPORTS ACCORDING TO TECHNOLOGICAL INTENSITY, 2018**
*(Percentages)*

<table>
<thead>
<tr>
<th>Region</th>
<th>Primary goods</th>
<th>Low-technology manufacture</th>
<th>Natural resources based manufacture</th>
<th>Medium-technology manufacture</th>
<th>High-technology manufacture</th>
</tr>
</thead>
<tbody>
<tr>
<td>South America</td>
<td>56</td>
<td>23</td>
<td>8</td>
<td>14</td>
<td>2</td>
</tr>
<tr>
<td>The Caribbean</td>
<td>20</td>
<td>12</td>
<td>34</td>
<td>34</td>
<td>8</td>
</tr>
<tr>
<td>Central America</td>
<td>13</td>
<td>18</td>
<td>18</td>
<td>32</td>
<td>10</td>
</tr>
<tr>
<td>Mexico</td>
<td>12</td>
<td>9</td>
<td>9</td>
<td>49</td>
<td>22</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>33</td>
<td>8</td>
<td>17</td>
<td>31</td>
<td>11</td>
</tr>
</tbody>
</table>

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

**Note:** Includes 33 countries in the region. For 16 of them, mirror statistics were used to achieve better data coverage.
ACTIVITY AND PROJECTIONS
Continued slowdown with negative rates for the region and South America in the first quarter of 2019

LATIN AMERICA AND THE CARIBBEAN: GDP GROWTH RATE, 2014 TO 2019
(In percentages, based on constant dollars of 2010)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official figures.
The contribution of private consumption and exports to economic growth continues to be positive but is trending downwards.

**LATIN AMERICA: CONTRIBUTION OF PRIVATE CONSUMPTION, GENERAL GOVERNMENT CONSUMPTION, FIXED INVESTMENT AND EXPORTS TO GDP GROWTH, 2015 TO 2019**

*(Percentages)*

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), based on official figures.
Unemployment rates remain at high levels accompanied by a deterioration in working conditions.

Latin America and the Caribbean: Urban Unemployed Rate and Number, 2013 to 2019
(Percentages)

At the beginning of 2019 there was a deterioration of the quality of employment:

- Self-employment is expanding more than salaried labor
- Increase in informal labour
- Increase in hourly underemployment

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

* Estimate.
GDP growth projections for 2019
(Percentages, constant 2010 dollars)

Source: Economic Commission for Latin America and the Caribbean (ECLAC).
Economic growth in Central America is closely linked to remittances and terms of trade.

**Latin America and the Caribbean (Selected Countries): Weight of Income from Remittances in the Economy, 2018**

(Percentages of GDP)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>El Salvador</td>
<td>20.7</td>
<td>20.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Honduras</td>
<td></td>
<td>15.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jamaica</td>
<td></td>
<td></td>
<td>11.8</td>
<td>11.4</td>
<td></td>
</tr>
<tr>
<td>Guatemala</td>
<td></td>
<td></td>
<td></td>
<td>8.0</td>
<td></td>
</tr>
<tr>
<td>Nicaragua</td>
<td></td>
<td></td>
<td></td>
<td>3.6</td>
<td>2.7</td>
</tr>
<tr>
<td>Dominican Rep.</td>
<td></td>
<td></td>
<td></td>
<td>2.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Ecuador</td>
<td></td>
<td></td>
<td></td>
<td>1.4</td>
<td>1.4</td>
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<tr>
<td>Mexico</td>
<td></td>
<td></td>
<td></td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>Colombia</td>
<td></td>
<td></td>
<td></td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>Peru</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Paraguay</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Costa Rica</td>
<td></td>
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</tr>
</tbody>
</table>

**Latin America (Countries and Selected Country Groups): Variation Rate of Terms of Trade, 2015 to 2019**

(Percentages)

- El Salvador: -15%
- Honduras: -10%
- Nicaragua: -5%
- Guatemala: 0%
- Dominican Rep.: 5%
- Bolivia (Plurinational State of): 10%
- Brazil: -29.2%
- Exporters of minerals and metals: -25%
- Exporters of agro-industrial products: 0%
- Mexico: 5%
- Central America, Dominican Rep. and Haiti: 10%
- Exporters of hydrocarbons: -25%
- The Caribbean: -25%

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

* The figures for 2019 correspond to the period between January and April for Colombia, El Salvador, Guatemala, Honduras and the Dominican Republic; to the period between January and March for Mexico, Nicaragua, Paraguay and Peru and to the period between January and February in the case of Bolivia (Plurinational State of) and Jamaica. For Costa Rica and Ecuador, there were no data available for 2019 at the time of closing this document.
## FISCAL POLICIES

### Four instruments to expand the fiscal space
- Reducing tax evasion and illicit financial flows
- Re-evaluate tax expenditure to align them with productive investment
- Promote the adoption of taxes on the digital economy, environmental and related to public health
- Stimulatory countercyclical policies

### Four public spending and investment policies
- Protect double inclusion (labour and social) from social spending
- Redirect public investment towards the adaptation and use of innovative technologies with natural resources
- Promote public-private agreements for infrastructure and renewable energy
- Re-design tax incentives for industrial policies

### Multilateral regional space to reduce fiscal asymmetries
- Adopt regional and global agreements to reduce tax evasion, avoidance and illicit flows.
- Reduce harmful tax competition
- Revision and convergence of the use of tax incentives for investment
- Reduce global asymmetries and deepen the dialogue with transnational corporations
### MONETARY POLICIES

- Promote economic growth without compromising exchange and price stability
  - Stimulate aggregate demand according to available space.
  - Use monetary policy to promote activities of greater productivity.
  - Strengthen the ability of central banks to address the effects of foreign exchange volatility:
    - Instruments such as credit lines and swaps between central banks
    - Strengthening the regional financial architecture.
    - Adapt regulation to financial flows to higher volatility environments

### PRO INVESTMENT AND PRODUCTIVITY POLICIES

- Orient investment towards knowledge-intensive sectors and more dynamic sectors that drive increased productivity
- Investment stimulus policies must incorporate innovation, learning and quality jobs
- Articulate investments towards sectors with greater environmental sustainability: renewable energy, electromobility, green infrastructure and sectors linked to the circular economy
Beyond the financial situation:
The second part of the Economic Survey is dedicated to analyzing the structural changes of the international financial system from the perspective of the region.
Stylized facts of the international financial context post sub-prime crisis

- Short-term and structural changes in instruments and agents are evident
- The bond market has gained relative importance with respect to the banking system. It generates more than half of the global liquidity
- Levels of concentration, interconnectivity and procyclicality have increased
- The level of global indebtedness registers record levels (320% of GDP) in a context of low growth
Strategic challenges

- Expand and standardize the spectrum of vulnerability indicators, i.e. complementing the indicators of net external financial flows with gross flows
- Distinguish between intra-company loans and other foreign direct investment (FDI) flows
- Move towards a broader and more homogeneous macroprudential regulation that covers both the formal banking sector and all financial agents - including the shadow banking sector - as well as the various instruments