2021

Economic Survey
of Latin America and the Caribbean

United Nations

ECLAC

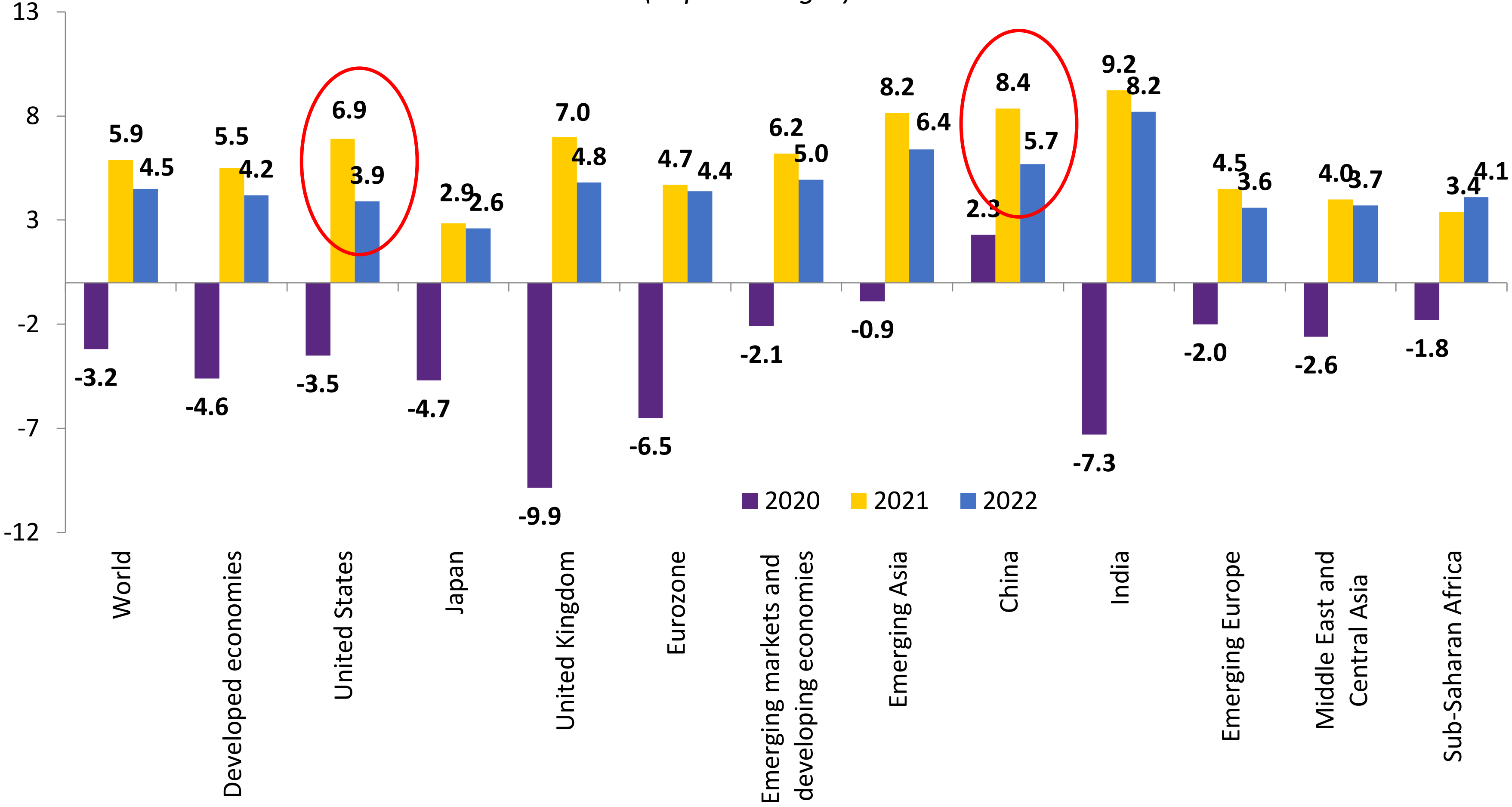
Principal messages

- Growing asymmetries **between countries**: access to vaccines, vaccination levels, wealth, and the ability to mobilize fiscal stimulus and investments to face the crisis and bolster recovery.
- Developing countries are adopting expansionary monetary and fiscal policies and industrial policies to mitigate the effects of the pandemic and to boost investments with environmental sustainability.
- The crisis aggravated the region's **structural problems**: low productivity and investment; high informality, unemployment, inequality and poverty.
- The region will grow **5.9% in 2021**, sustained by transitory effects on aggregate demand and a statistical rebound. For **2022** a growth of **2.9%** is expected.
- The recovery of **employment**, especially of women and young people, will require a comprehensive approach to sectoral, industrial and labour policies.
- The fiscal challenge will be to maintain **emergency monetary transfers** to mitigate the effects of the pandemic.
- Fiscal policy must accelerate **public investment** and encourage, attract and complement (*crowding in*) private investment towards sectors that are intensive in employment and that support environmental sustainability.
- The **sustainability of fiscal policy and ensuring the financial sustainability** of social protection, health, care and education systems will require strengthening tax revenues and reducing evasion.
- Fiscal policy must be **complemented by monetary and financial policies** to sustain growth in the recovery.
- **Multilateral policies** for access to liquidity and debt management are imperative to enable countercyclical fiscal and monetary policies in the region.

The world economy is expected to grow 5.9% in 2021 and 4,5% in 2022 with important differences among countries

Selected regions and countries: GDP growth rates for 2020 and forecasts for 2021-2022

(in percentages)



Asymmetries in access to vaccines:

- Globally, **24.5%** of the population have been completely vaccinated.
  - European Union: **55.6%**
  - USA and Canada: **53%**
  - **Latin America and the Caribbean: 24.8%**
  - South America: **26,8%**
  - Central America and Mexico: **22,4%**
  - The Caribbean: **5,8%**

Asymmetries in policy efforts:

- **EEUU**: new multi-annual packages for around **18% of GDP**: *American Families and Job Plans*.
- **UE**: issuing bonds **(20 billion Euros)** to finance public investment (*Next Generation European Union Fund*).
- **Australia and Canada**: have budgeted new multi-annual packages for around **5% of GDP** in their respective 2021 budgets.
- **Latin America:** new fiscal plans announced between January and June 2021 amount to **2.2% of GDP.**

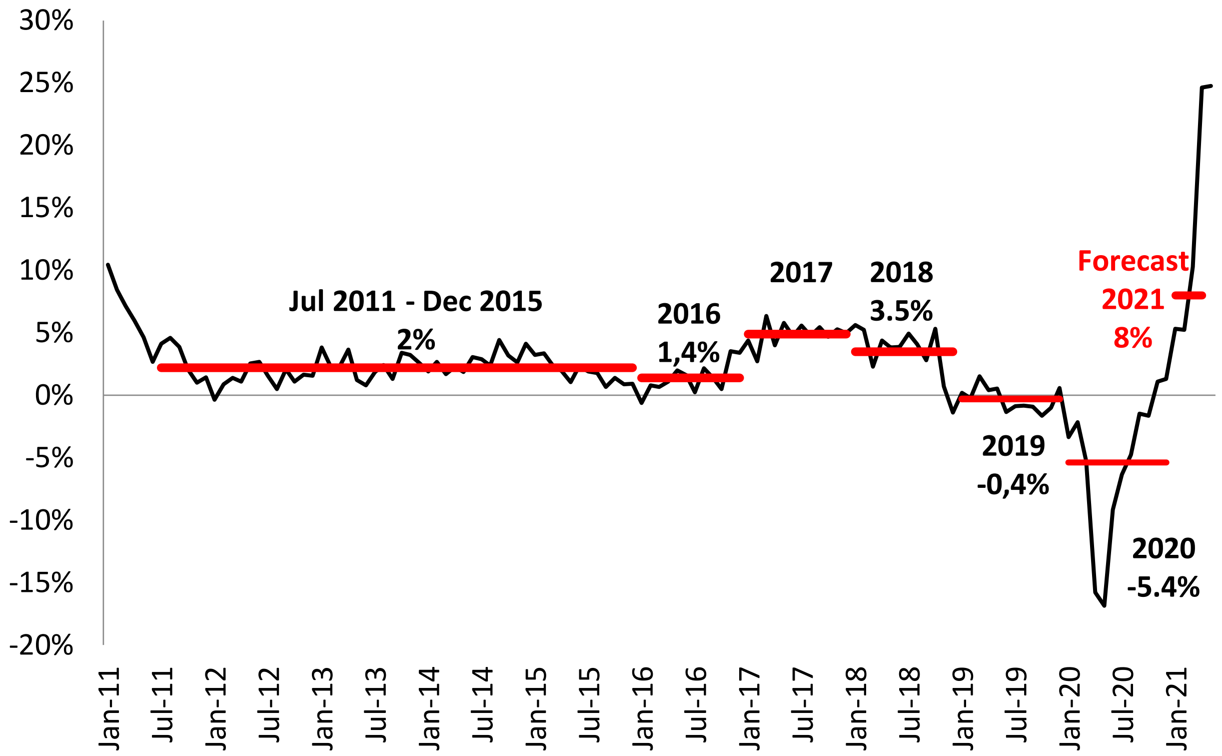
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organization for Economic Cooperation and Development (OECD), *OECD Economic Outlook*, May 2021; International Monetary Fund (IMF), "World Economic Outlook Update", July 2021, World Bank, *Global Economic Prospects*, June 2021; and European Commission, *European Economic Forecast: Summer 2021*, Luxembourg, July 2021.

Note: In India, the fiscal year begins in April and ends in March the following year.

In 2021, the expected recovery of 8% in world trade volume is accompanied by an increase of 38%, on average, in commodity prices

World trade volume: year-on-year rate of change, January 2011 – May 2021

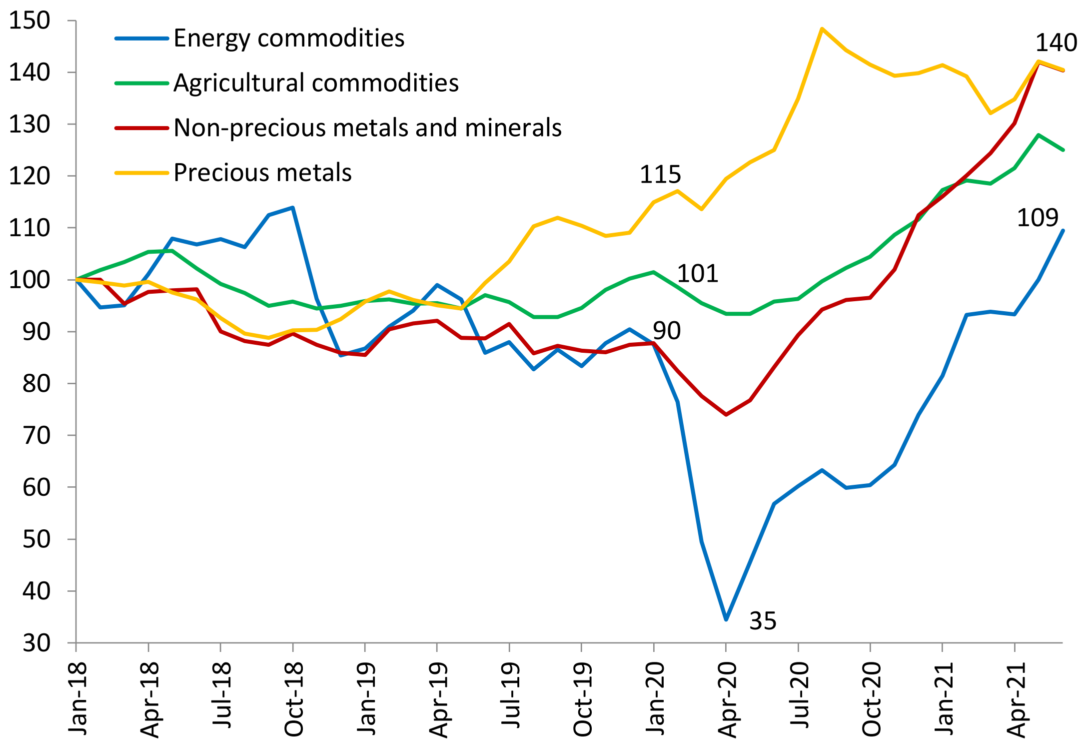
(Percentages, on the basis of a seasonally adjusted index)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Netherlands Bureau for Economic Policy Analysis (CPB), World Trade Monitor

International commodity price indices, January 2018 – June 2021

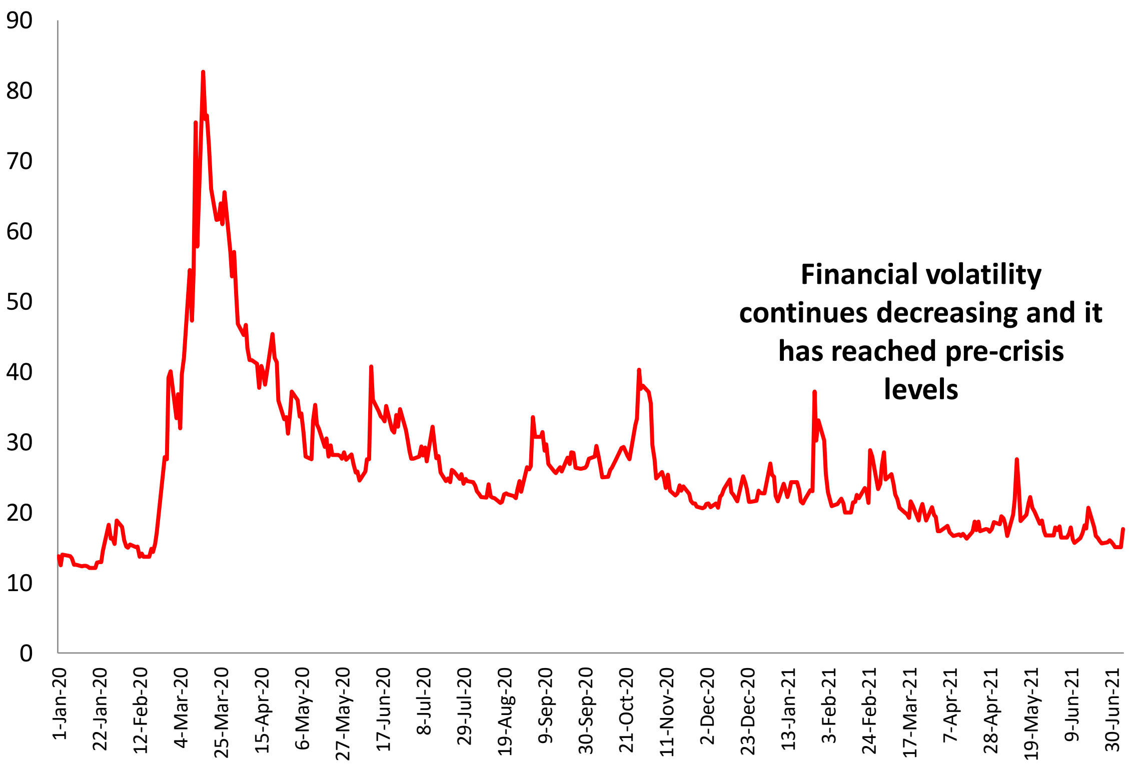
(Baseline January 2018=100)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank (The Pink Sheet)

The expansionary monetary and fiscal policies have benefited financial markets and financial flows towards emerging markets remain positive, but at a lower level than in 2020

VIX index of financial market volatility, January 2020 – July 2021

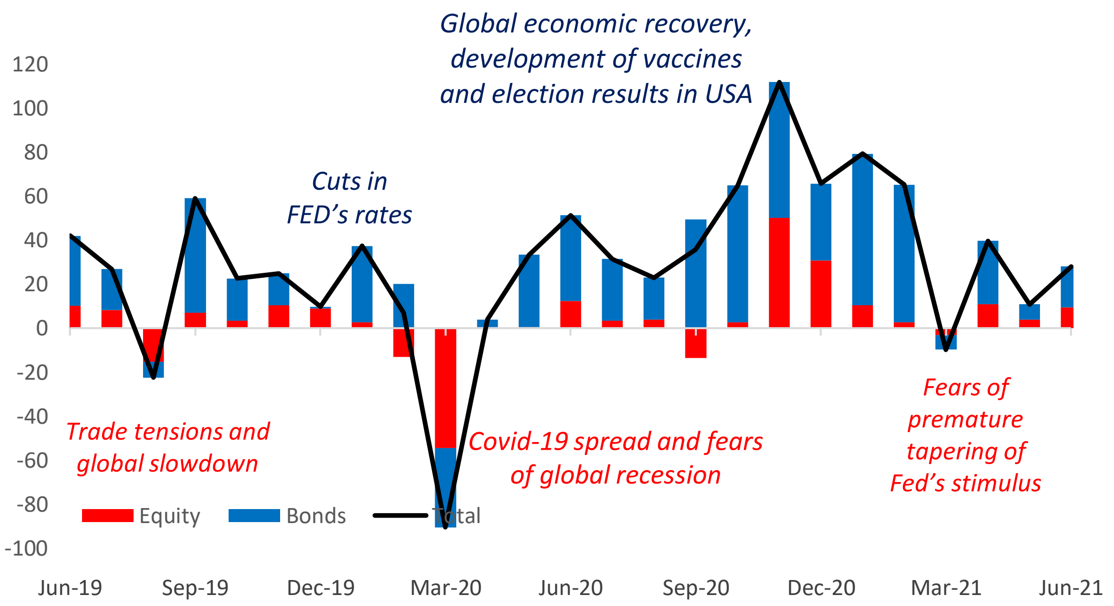


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bloomberg.

Note: The VIX index, compiled by the Chicago Board Options Exchange (CBOE), measures expected volatility over the next 30 days and is derived from the prices of call and put options on the S&P 500 index.

Non-resident portfolio capital flows to emerging markets, June 2019 – June 2021

(*Billions of dollars*)

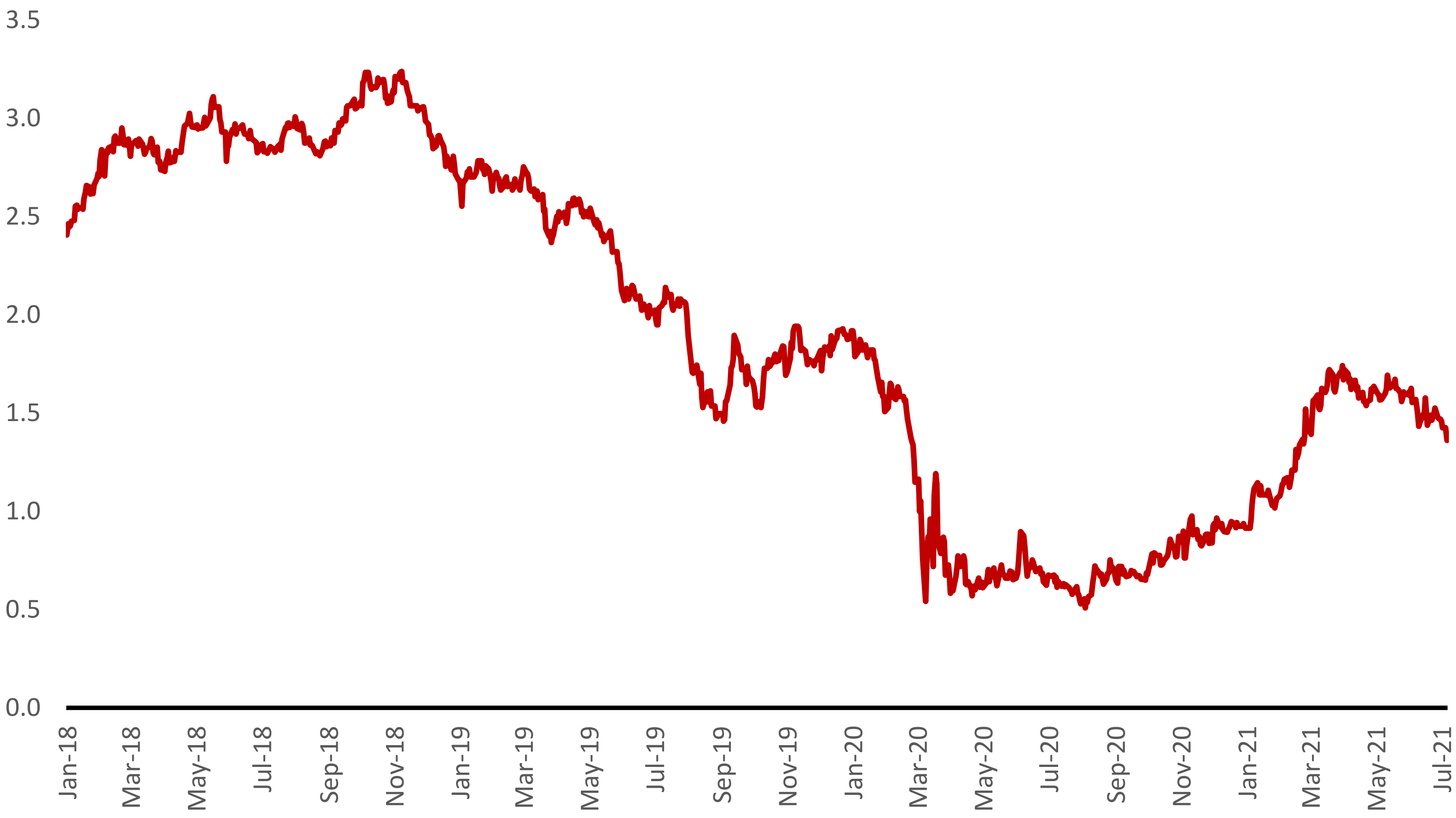


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Institute of International Finance (IIF).

However, expectations of sustained inflation could translate in higher interest rates in developed countries, which could impact flows to emerging economies

United States: 10-year sovereign bond yield, January 2018 to July 2021

(in percentages)



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

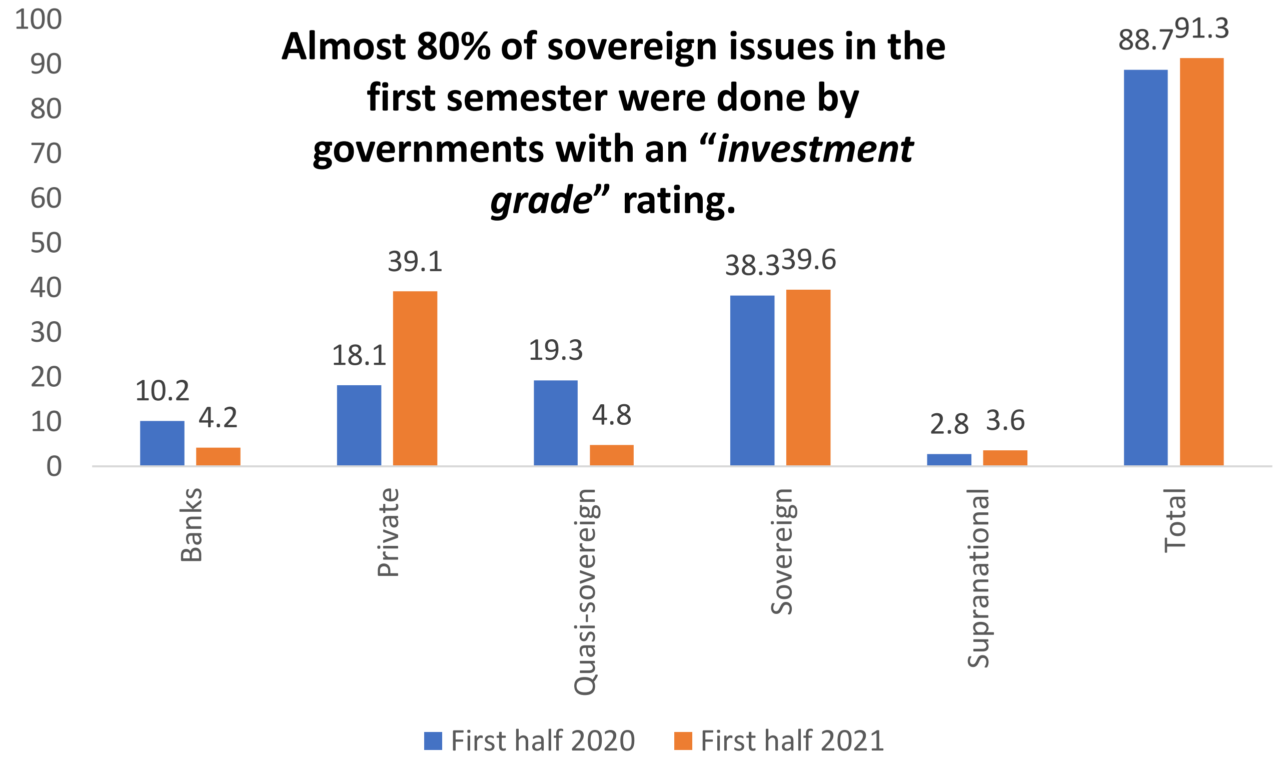
An eventual increase in US interest rates will impact emerging markets:

- Reduces the attractiveness of investments in emerging markets
- Create pressure on exchange rates
- Increase the cost of financing

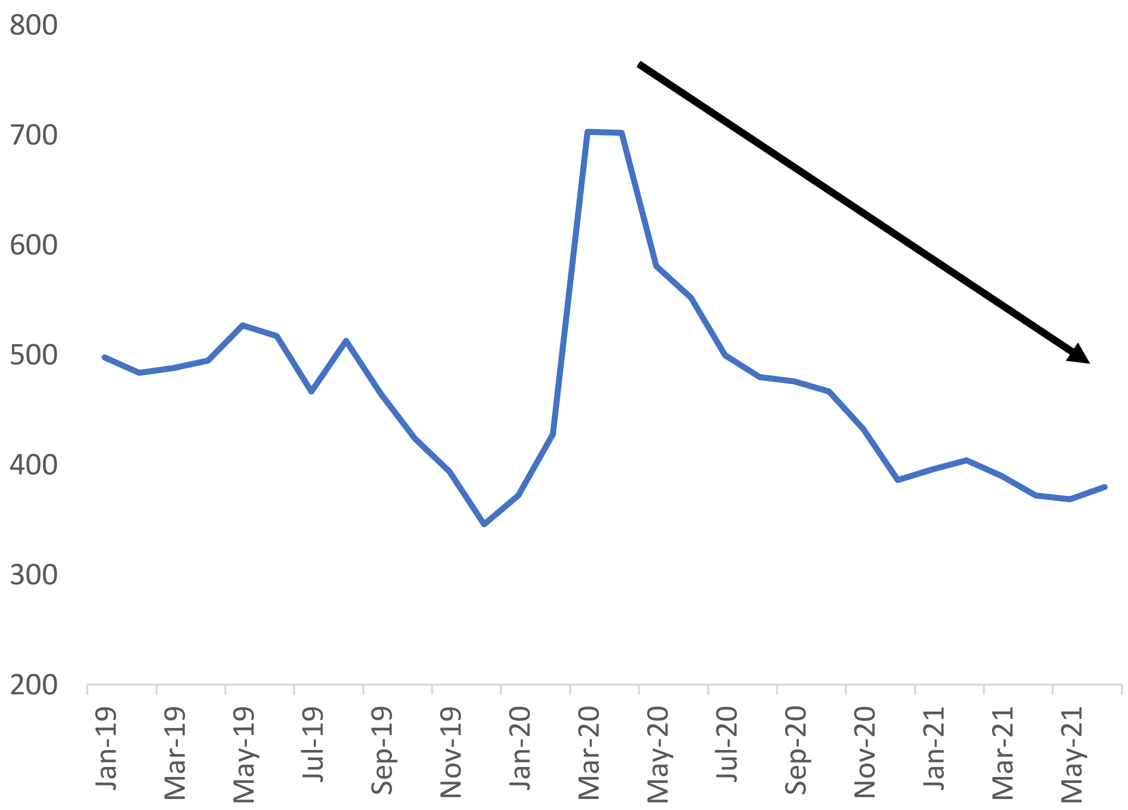
Yields in the US are, however, still low from a historical perspective

The increase in international liquidity and the sustained decrease of sovereign risk have allowed countries in the region to access international financing at favourable conditions, with corporate issues more than doubling in the first half of 2021

Latin America and the Caribbean: Issues of debt in international markets, by sector, first half of 2020 and first half of 2021
(In billions of dollars)



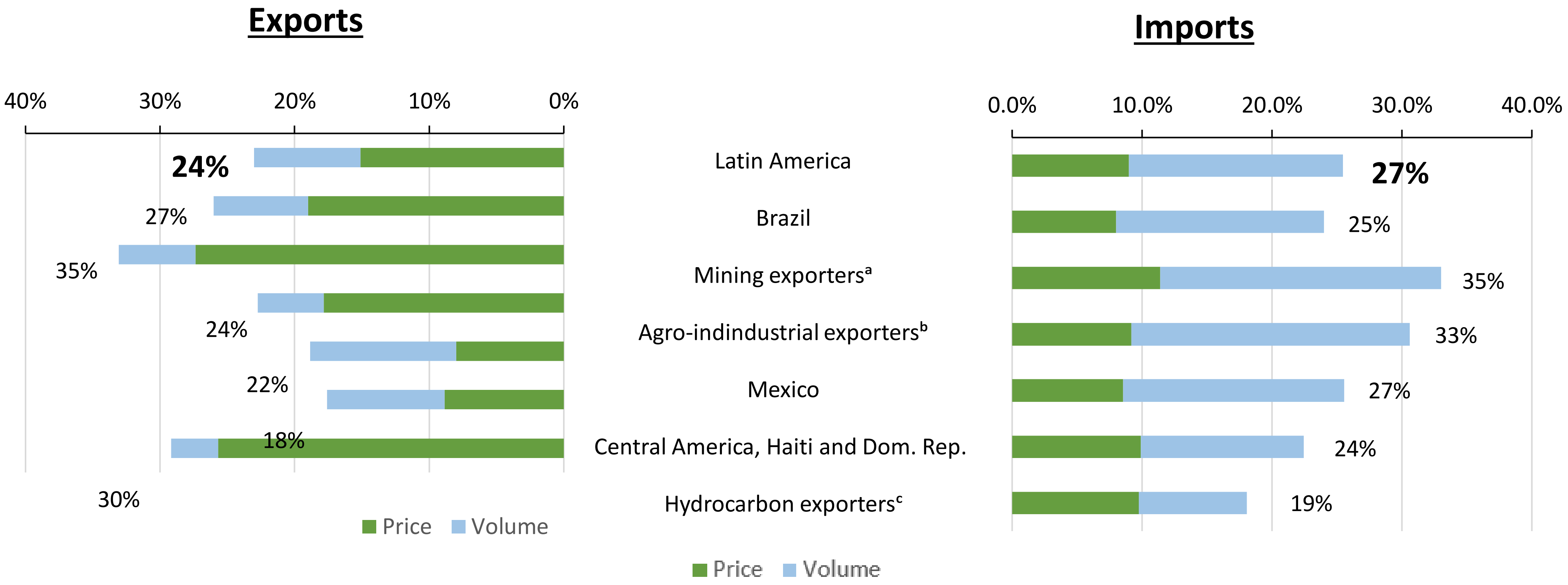
Latin America: Sovereign risk measured by the Emerging Markets Bond Index from J. P. Morgan (EMBI), January 2019 – June 2021
(In basis points)



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

Favourable prices in 2021 will support a rebound in exports (24%) that will be accompanied by a larger increase in imports (27%)

Latin America and the Caribbean (selected countries and groups of countries): projected rate of change in goods exports and imports, by volume and prices, 2021
(In percentages)

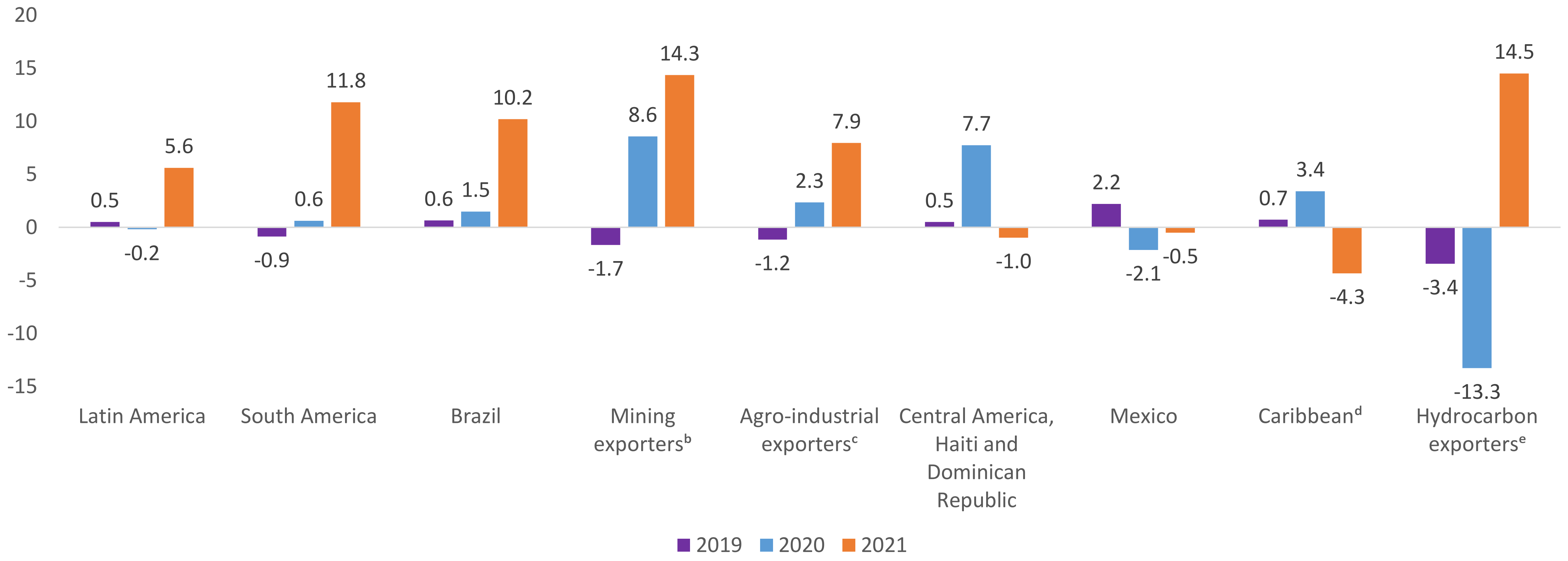


[a] Chile and Peru.
[b] Argentina, Paraguay and Uruguay.
[c] Bolivarian Republic of Venezuela, Colombia, Ecuador, Plurinational State of Bolivia and Trinidad and Tobago.

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

The terms of trade improve on average for Latin America, although Central America and the Caribbean are disadvantaged by higher energy prices

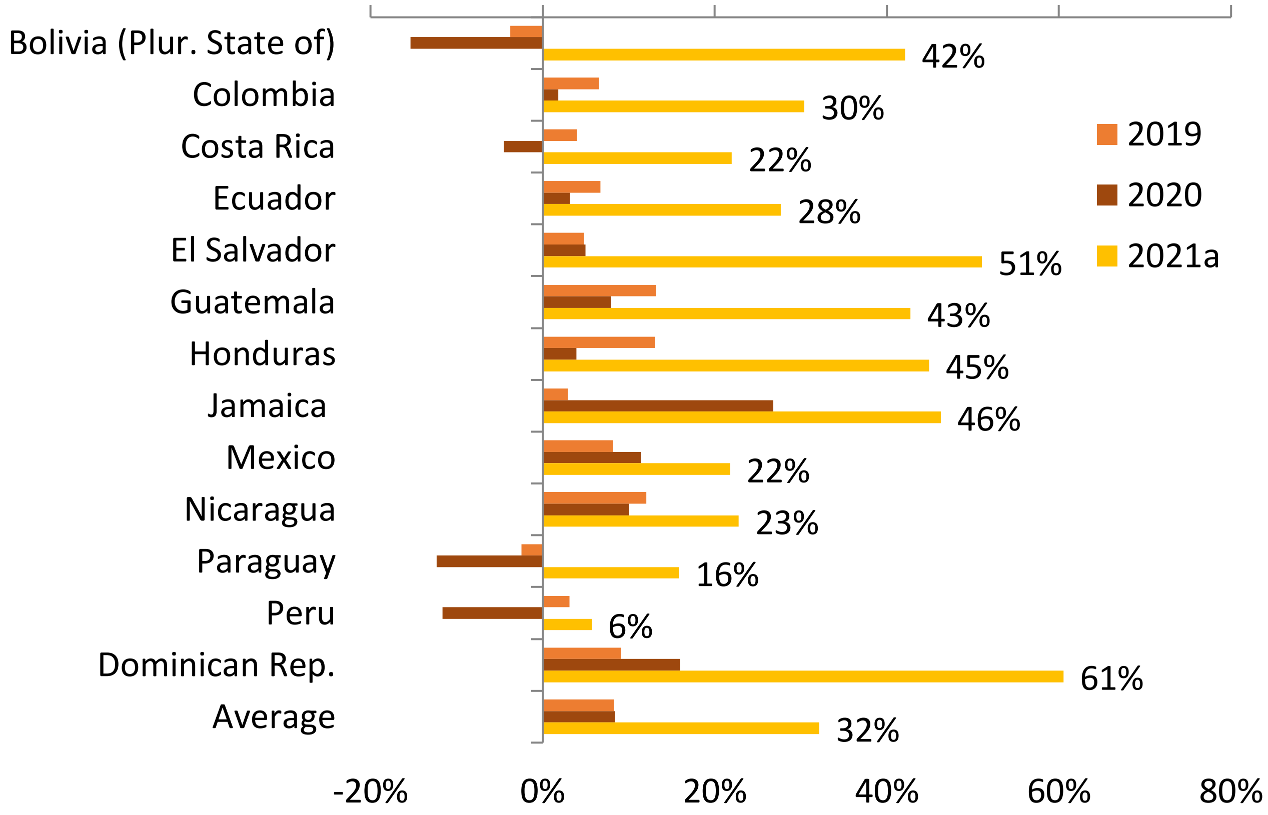
Latin America and the Caribbean (selected countries and groups of countries): rate of change in the terms of trade, 2019–2021[a]
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Projections.[b] Chile and Perú. [c] Argentina, Paraguay, Uruguay. [d] Excludes Trinidad and Tobago. [e] Bol. Rep. of Venezuela, Colombia, Ecuador, Plur. State of Bolivia and Trinidad and Tobago.

Remittances continue to play an important role in economic developments in 2020 and 2021

Latin America and the Caribbean (selected countries): rate of change in migrant remittance revenues, 2019–2021*
(Percentages)



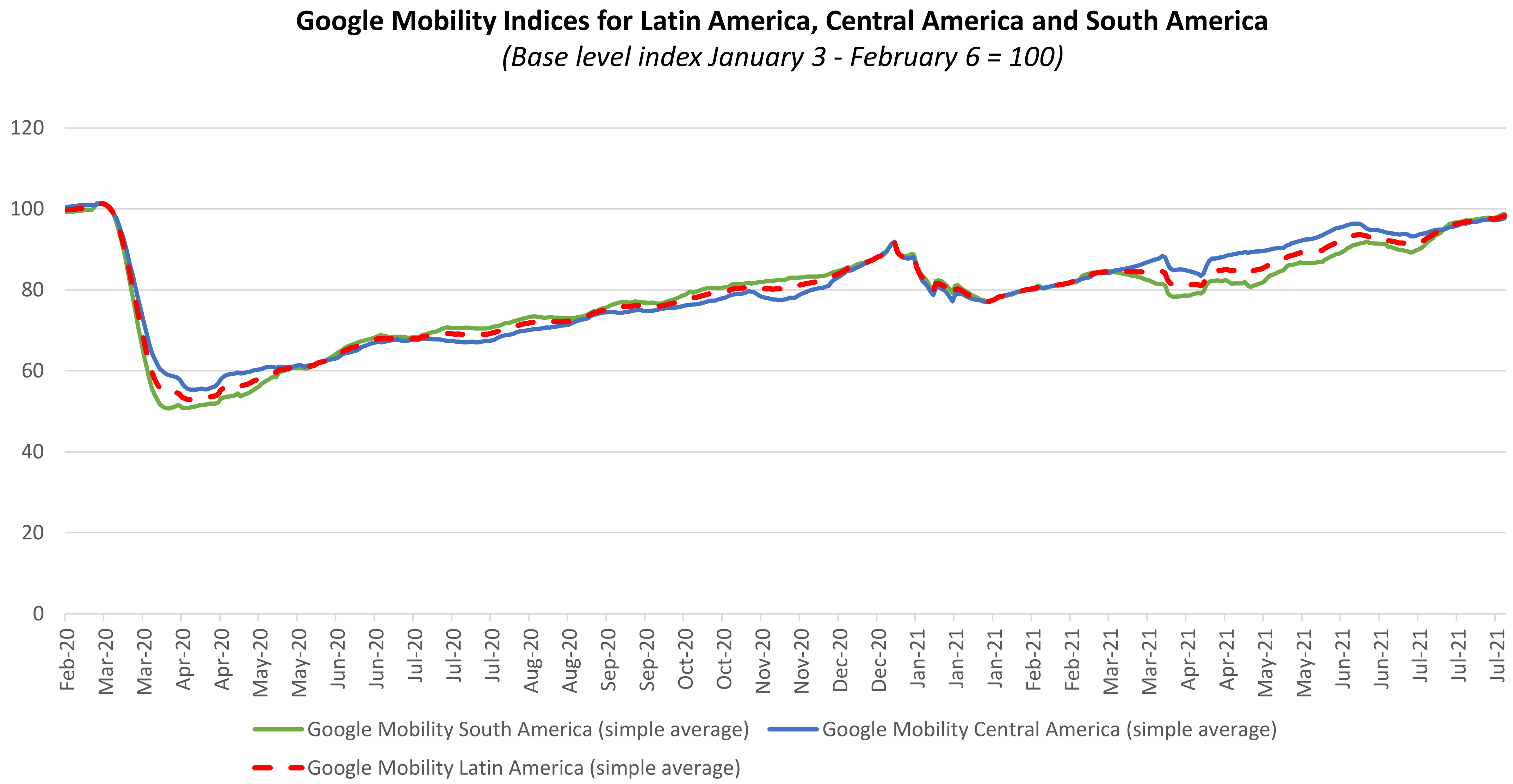
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
* For Guatemala, the 2021 figures cover the period from January to June; for Colombia, the Dominican Republic, El Salvador, Honduras, Mexico and Paraguay, the period from January to May; for Jamaica, Nicaragua and the Plurinational State of Bolivia, the period between January and April; and for Costa Rica, Ecuador and Peru, the period between January and March.

Selected countries of Central America and the Caribbean: remittance flows, 2019 - 2021
(Millions of dollars)

Country	Annual accumulated[1]		Accumulated Jan-Jun[2]
	2019	2020	2021
El Salvador	5,649	5,930	3,658
Guatemala	10,508	11,340	6,966
Haiti	3,328	4,013	1,108
Honduras	5,522	5,737	3,477
Mexico	36,439	40,601	23,618
Nicaragua	1,682	1,851	858
Dominican Republic	7,087	8,219	5,263
Total	**70,215**	**77,692**	**44,949**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures
[1] The figures for Haiti cover the fiscal year (October–September the following year)
[2] Cumulative figures from January to April for Haiti and from January to May for Nicaragua

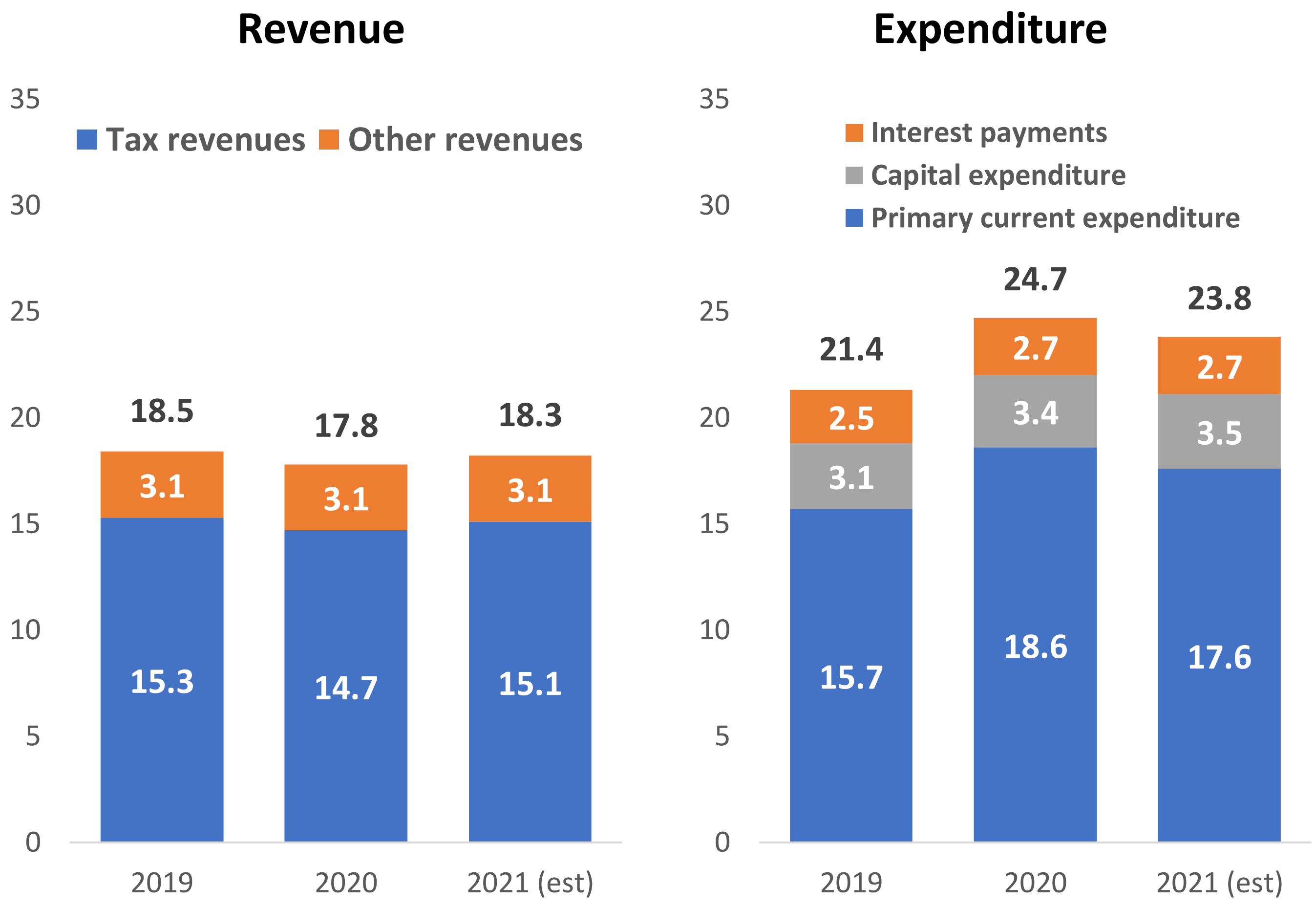
Together with external factors, increased mobility has favored economic growth



Higher public revenues are expected in 2021, with lower spending compared to 2020

Latin America (16 countries): Central government revenues and expenditure, 2019 to 2021[a]
(In percentages of GDP)

- **The reactivation of economic activity is boosting VAT collection.**
- **Higher prices of raw materials have favoured tax revenues in countries from non-renewable natural resources.**

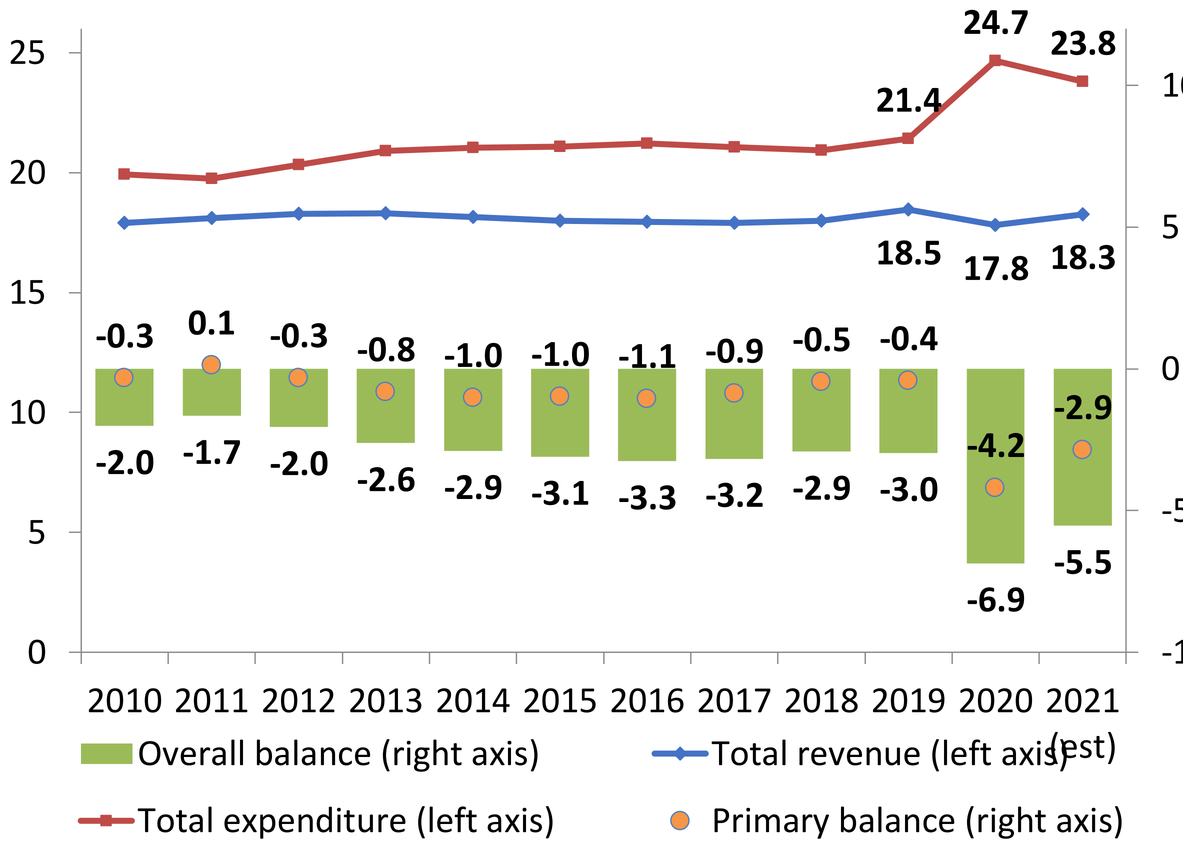


- **In 2021, there is a continuation of fiscal efforts through public spending: to a lesser extent than in 2020 but higher than in 2019.**
- **New fiscal plans announced between January and June 2021 represent 2.2% of GDP.**
- **Interest payments remain stable, but with increasing pressure in some countries.**

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

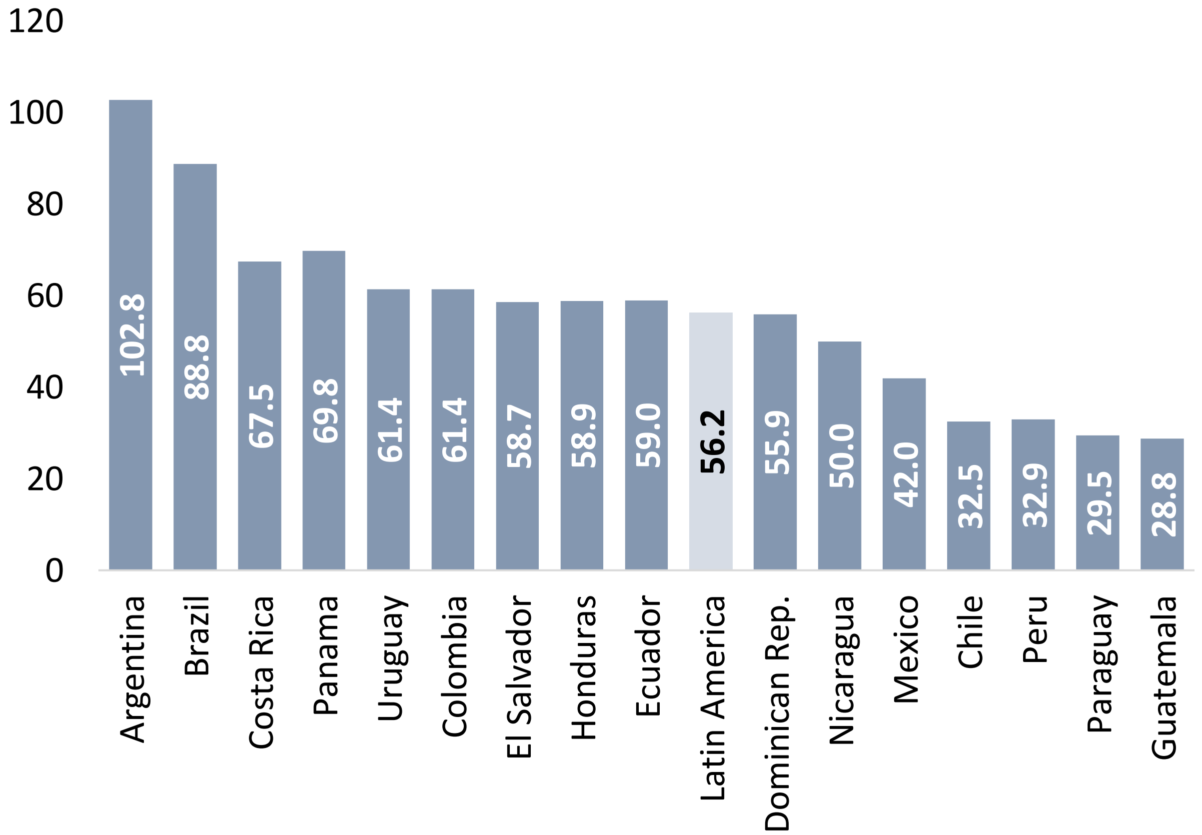
Fiscal balance are projected to improve, while public debt levels remain elevated

Latin America (16 countries): Central government fiscal indicators, 2010-2021[a]
(In percentages of GDP)



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

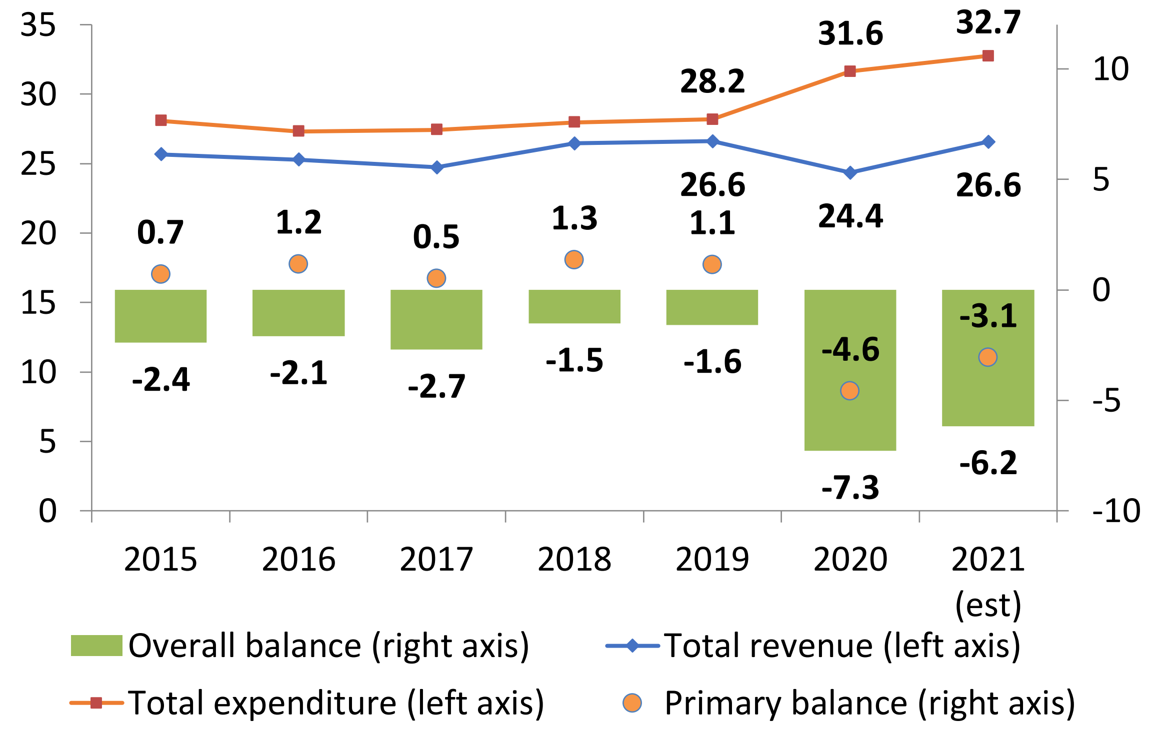
Latin America (16 countries): Central government gross public debt, at December 2020
(In percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures. Data corresponds to March 2021 in Argentina, Chile, Honduras, Nicaragua and Peru.

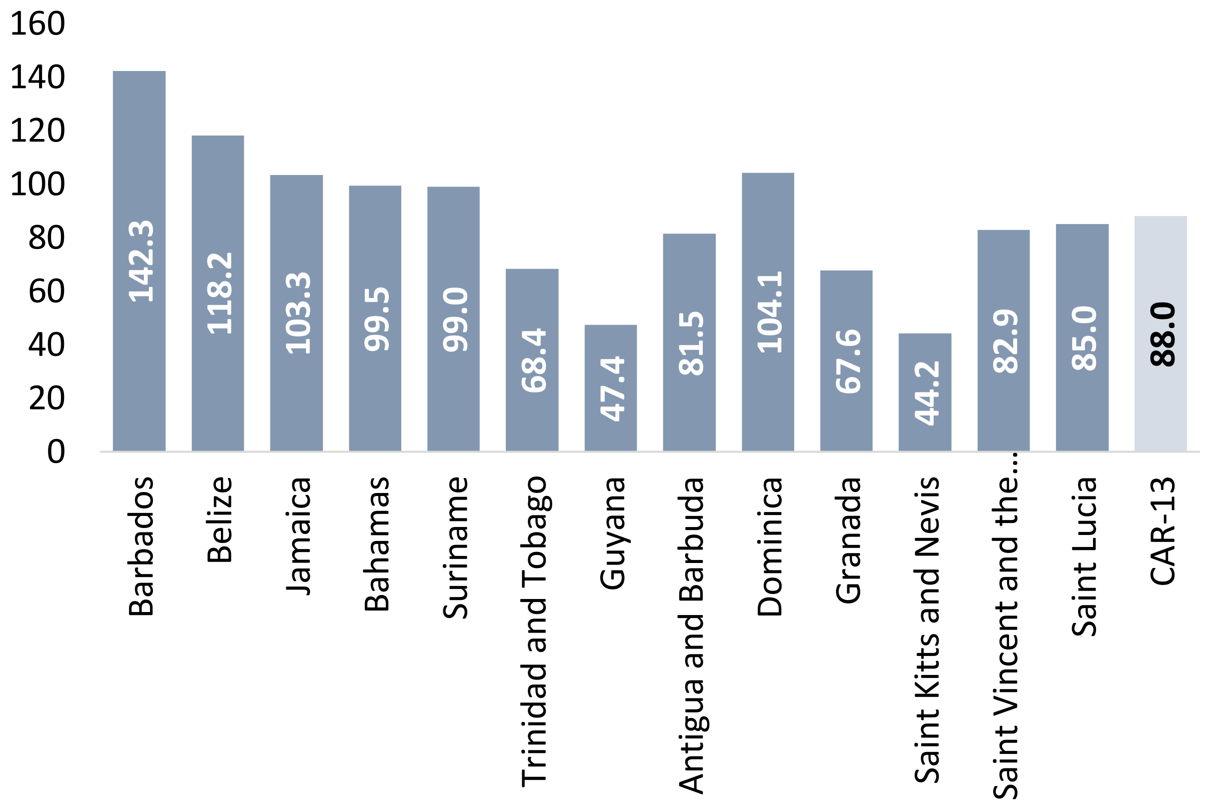
The primary deficit is also projected to decline in the Caribbean, however public debt levels will remain at very elevated levels

The Caribbean (12 countries): Central government fiscal indicators, 2015-2021[a]
(In percentages of GDP)



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

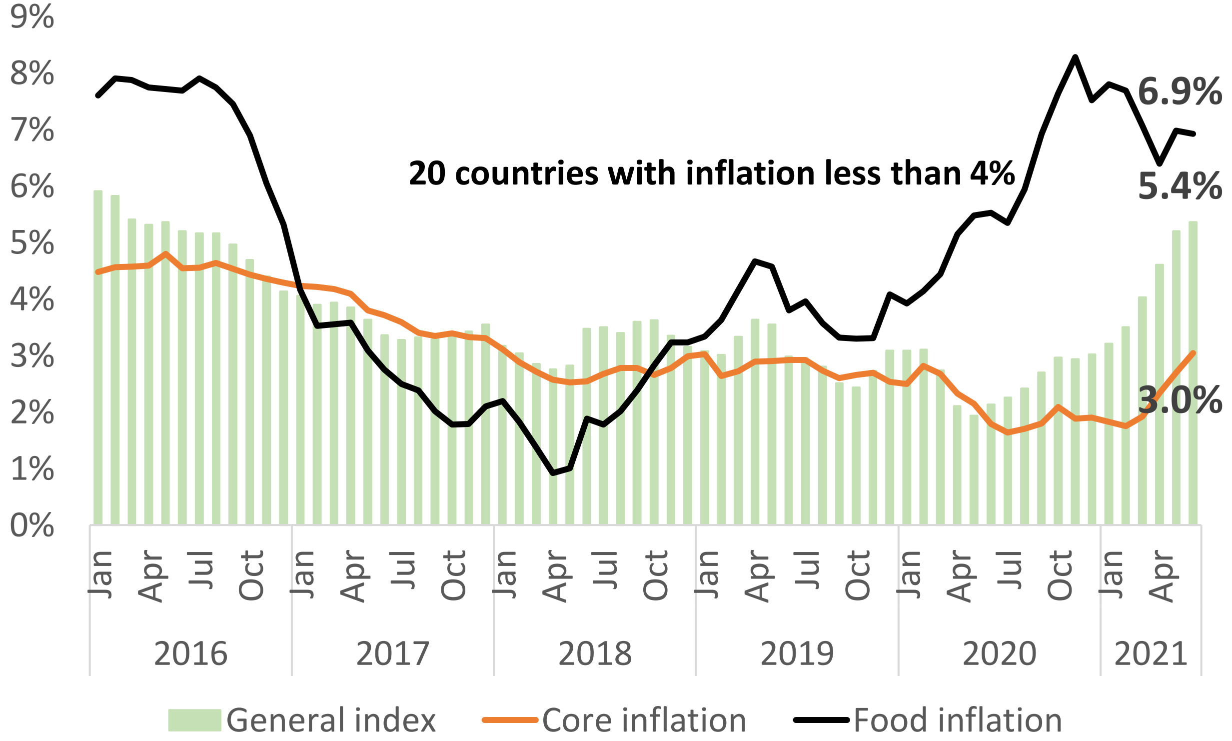
The Caribbean (13 countries): Central government gross public debt, at December 2020
(In percentages of GDP)



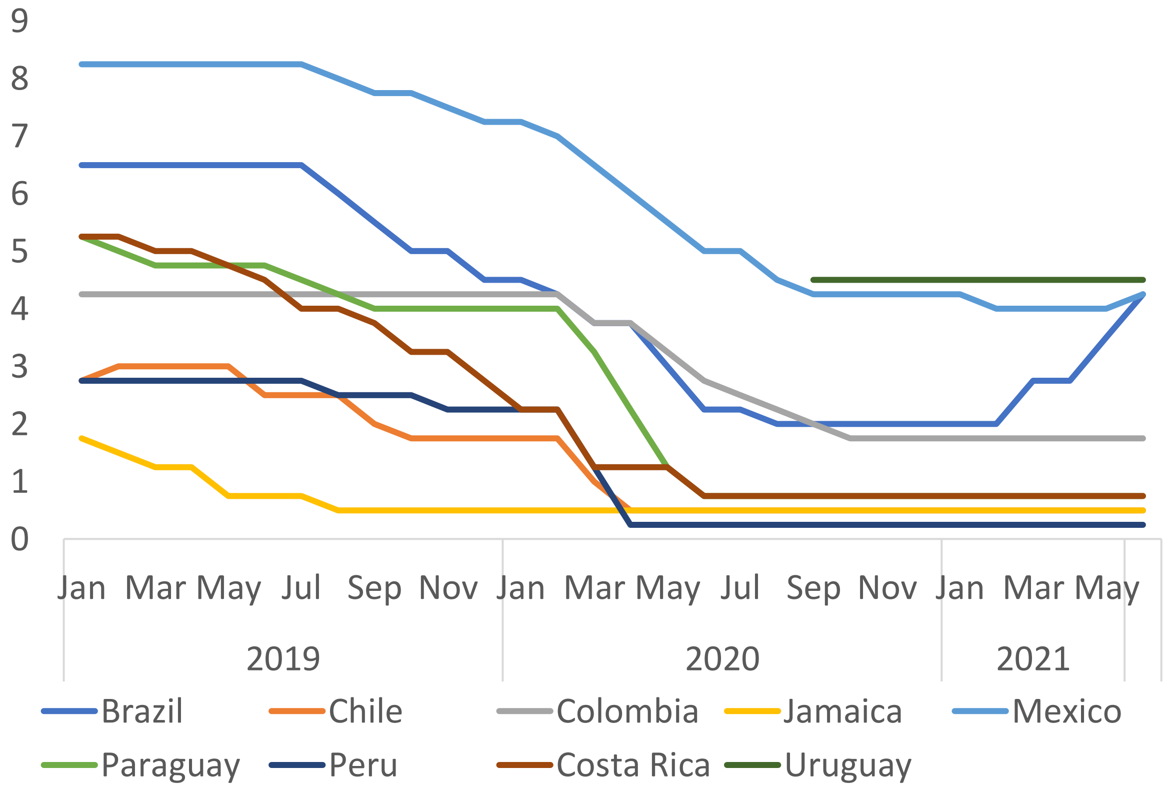
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

In 2021, inflation rates in the region remain low in most countries and central banks maintain their policies to expand liquidity and stimulate credit

Latin America and the Caribbean: year-on-year growth in consumer price index (CPI) by types of inflation, weighted average, January 2017 to June 2021
(In percentages)



Selected countries: Monetary policy rate, January 2019-June 2021
(In percentages)



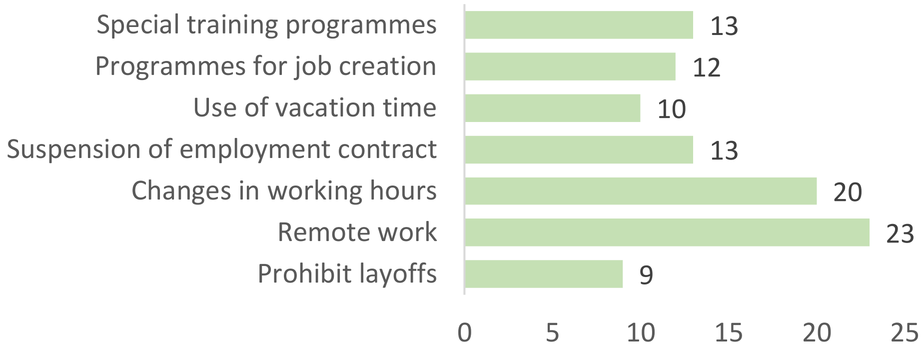
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Policies to stimulate aggregate demand were complemented by other more specific ones, to protect employment and the groups most affected by the crisis

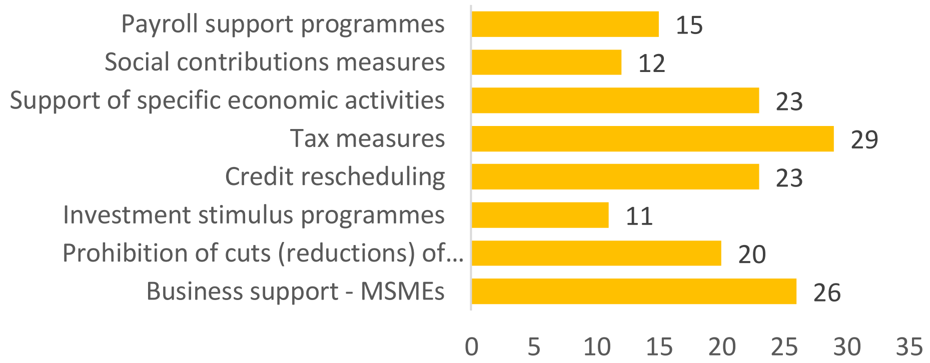
Latin America and the Caribbean: Countries that have adopted social and employment protection measures during the crisis

(Number of countries)

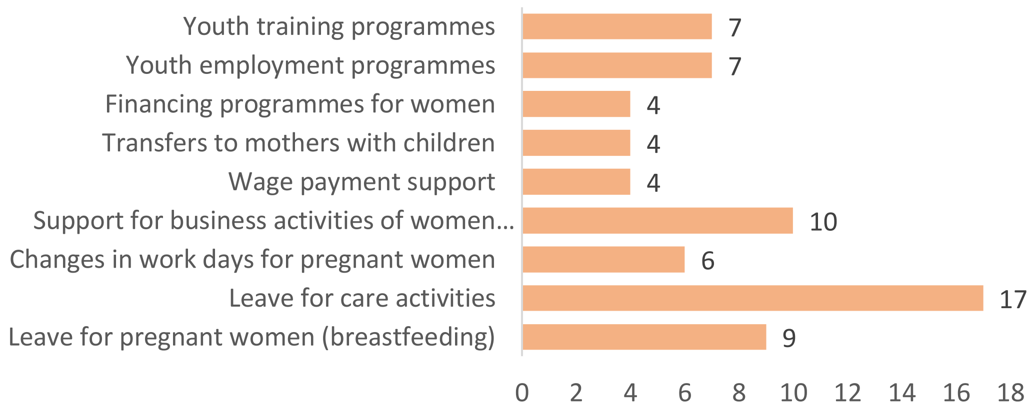
Labour policies to protect employment and special job creation programs



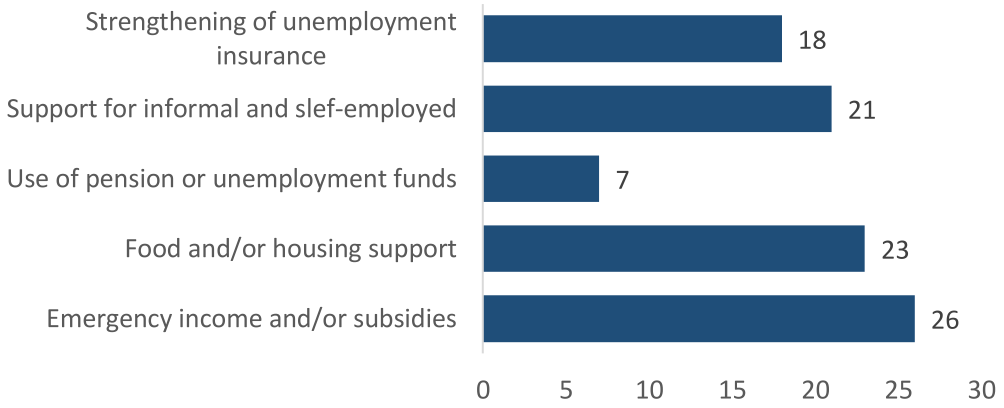
Fiscal and credit policies to support the productive structure



Policies to protect the employment of women and young people, and the care economy



Other social protection policies for households

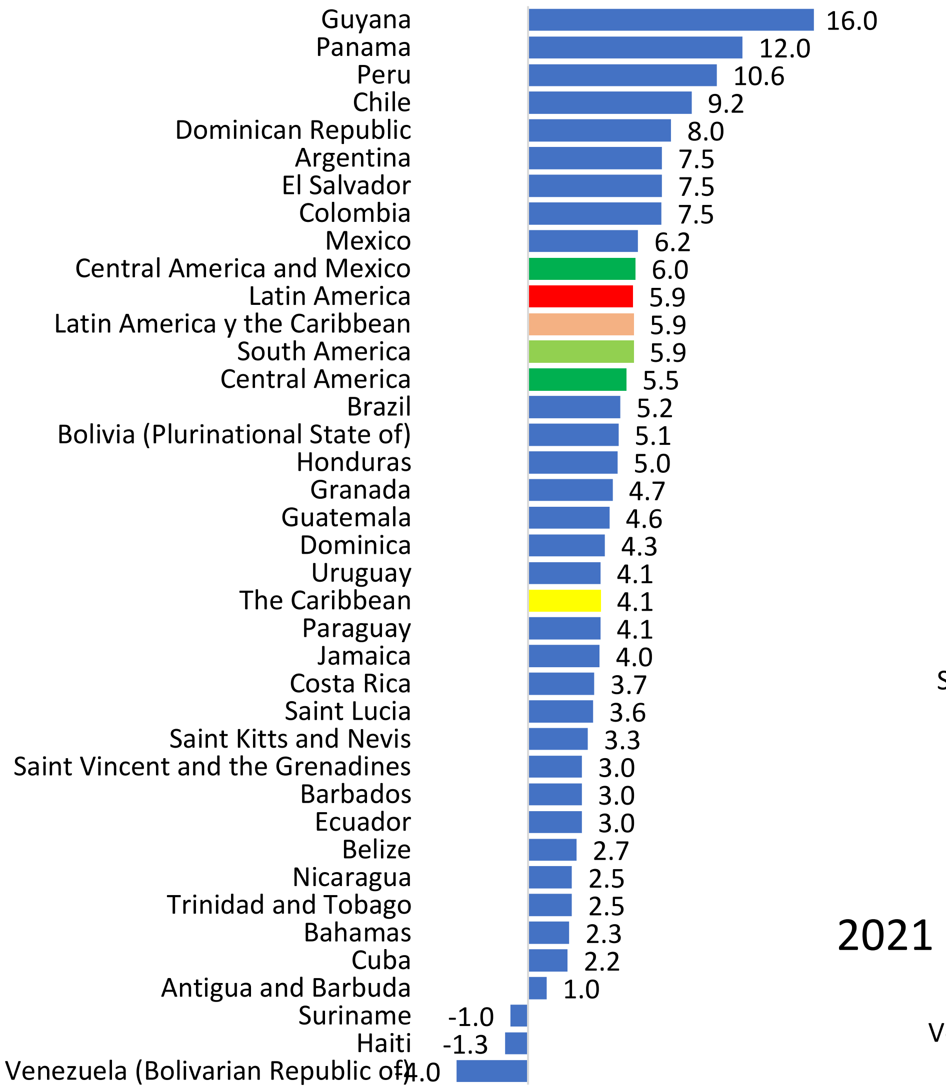


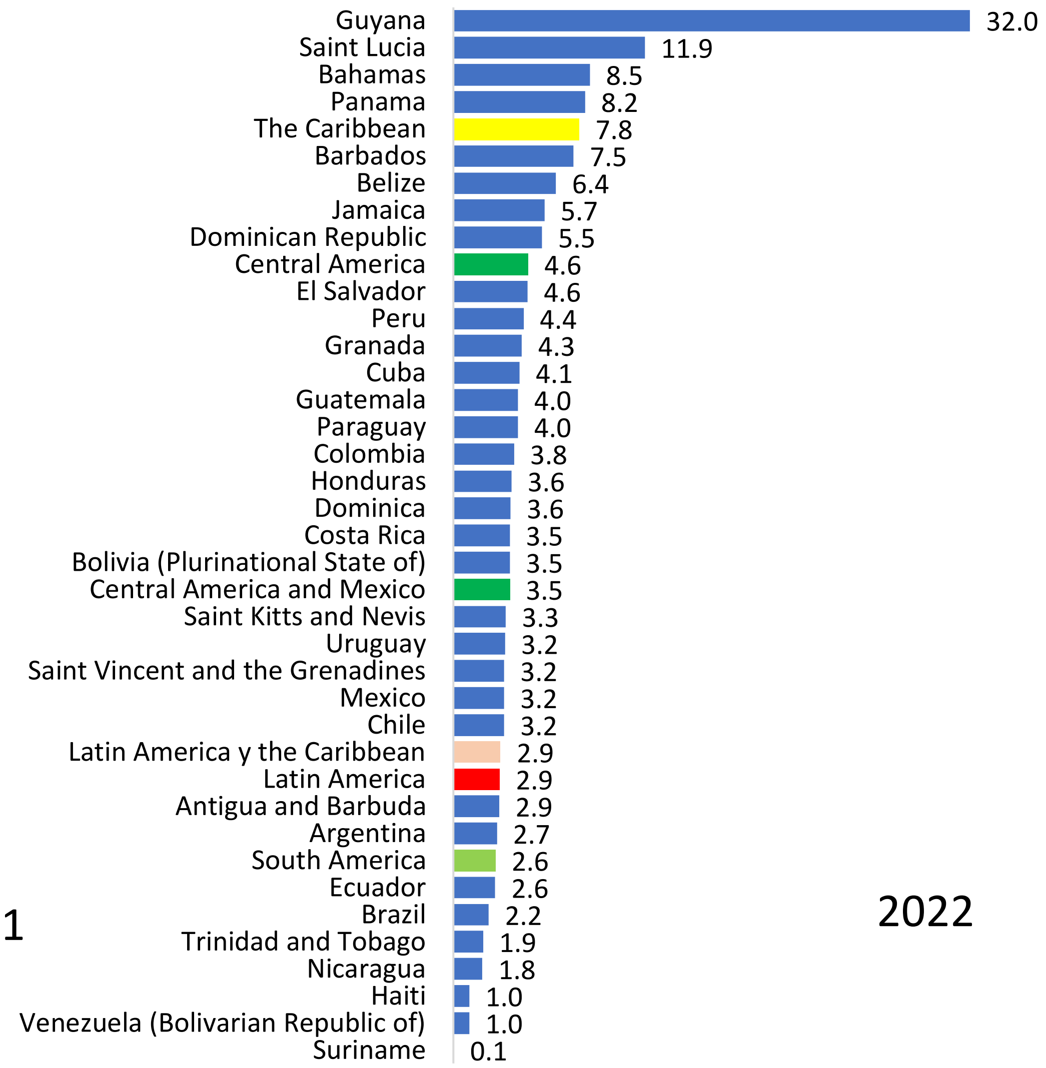
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information and the COVID-19 Observatory in Latin America and the Caribbean ECLAC.

Latin America and the Caribbean will grow by 5.9% in 2021, due in large part to a statistical rebound, and growth of 2.9% is expected for 2022

Latin America and the Caribbean (33 countries): GDP growth forecast for 2021 and 2022

(In percentages)





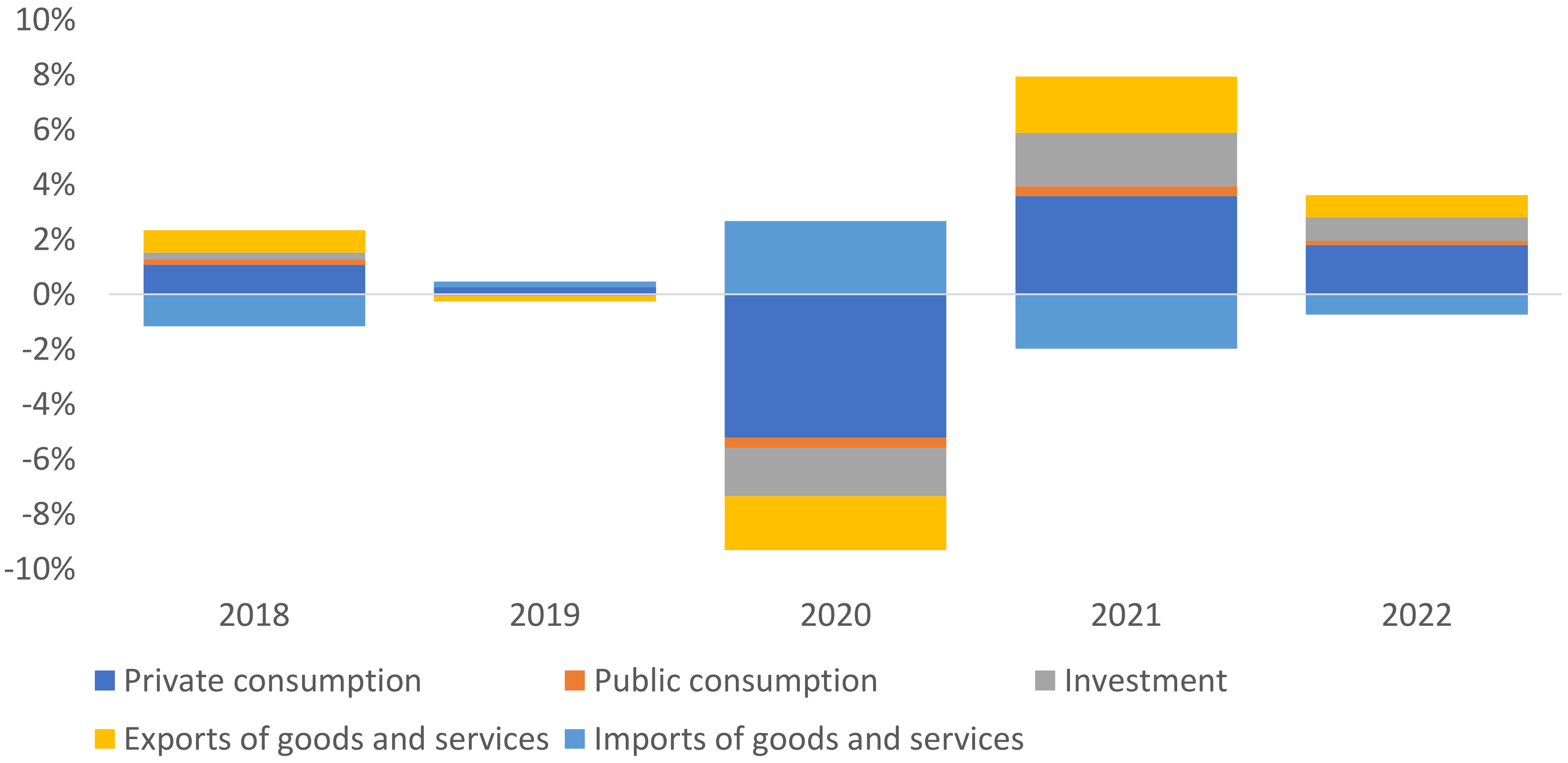
- **In 2021, only 9 countries will return to their 2019 GDP levels.**
- **In 2021 the English or Dutch speaking Caribbean grow less than the other subregions.**
- **In 2022, GDP in 5 additional countries will reach 2019 levels.**

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

In terms of components, growth in 2021 is mainly explained by private consumption and, to a lesser extent, investment and exports

Latin America: rate of GDP growth and contribution of expenditure components to growth, 2018-2022

(In percentages)



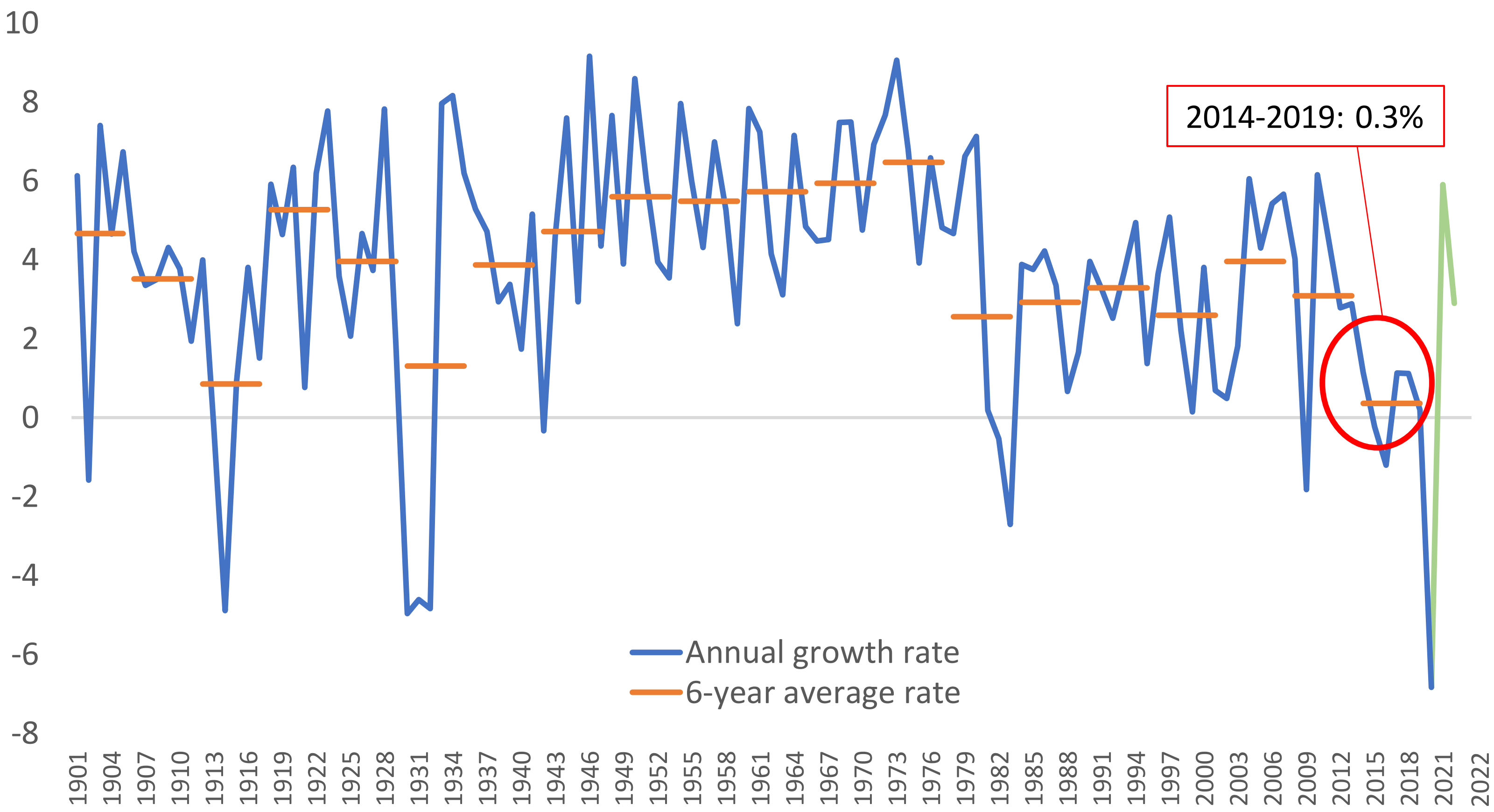
- 60% of the increase in economic activity comes from the impulse of private consumption, mainly as a result of monetary transfers and migrant remittances.
- Investment and exports show limited dynamism. Historical characteristic of economic growth dynamics in the region.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Note: 2021 and 2022 are projections.

Before the crisis, growth in the region was at its lowest rate in more than a century, and beyond 2021, the big challenge is to revert that dynamic

Latin America and the Caribbean: GDP growth rate, 1900-2022

(in percentage)

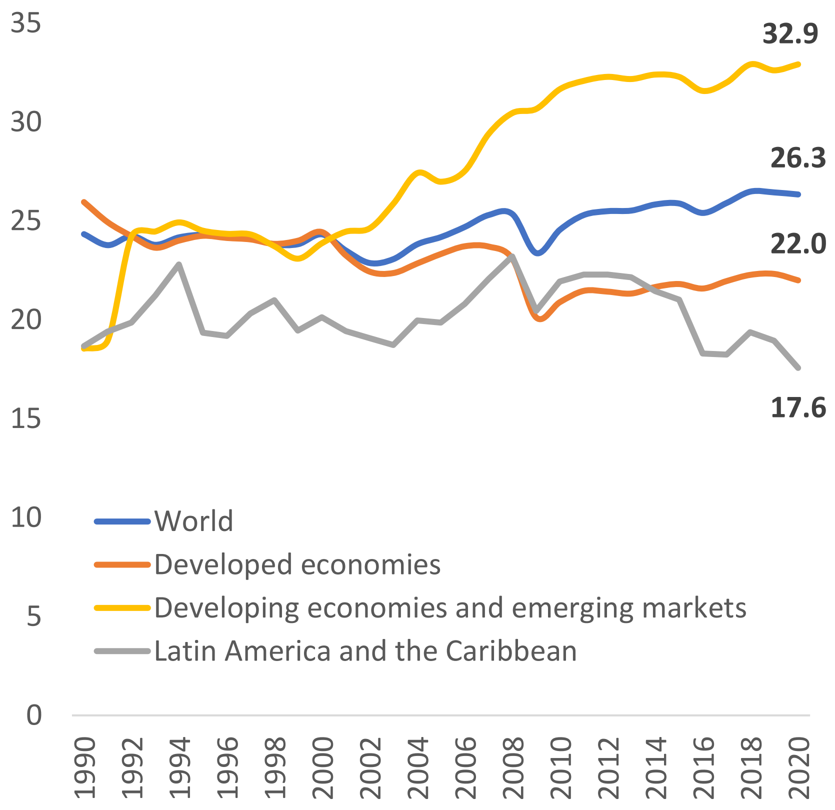


- Before the pandemic, the region was already on a trajectory towards stagnation:
- The region posted growth of just 0.3% on average for the 6 year period between 2014 and 2019, lower than the 6 year average including the First World War (0.9%) and that including the Great Depression (1.3%).
- The structural problems of low investment and productivity, informality, poverty and inequality that limited growth before the pandemic were aggravated by the crisis.

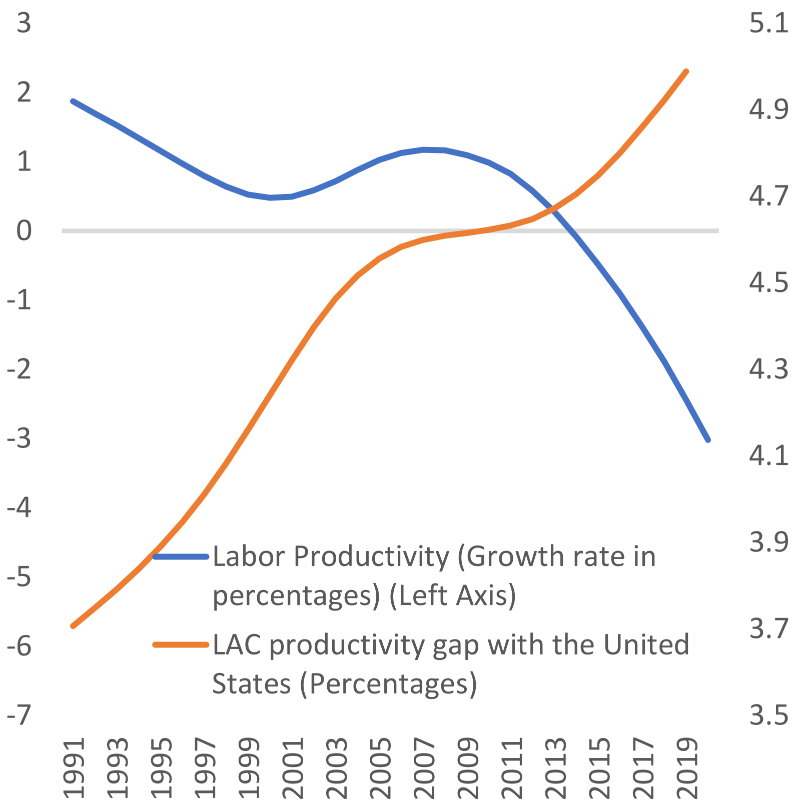
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Maddison Project Database 2020; J. Bolt y J. L. van Zanden, “Maddison style estimates of the evolution of the world economy: a new 2020 update”, *Maddison-Project Working Paper*, Nº WP-15, 2020; and official figures. Includes 20 countries of Latin America, Cuba, Dominican Republic and Haiti.

Investment and productivity are a structural problem in the region and condition the possibility of sustaining a recovery beyond the rebound in growth forecast for 2021

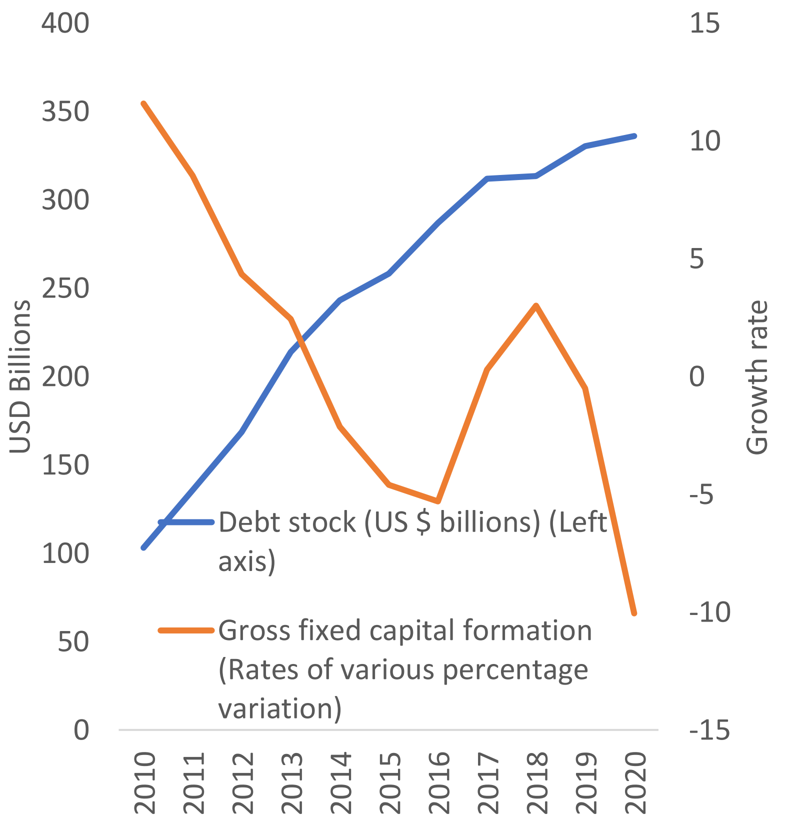
Investment to GDP ratio, 1990 to 2020
(Ratios based on current dollars, in percentages)



Latin America and the Caribbean: growth of labour productivity and labour productivity gap in LAC with respect to the United States, 1991 to 2020
(Percentages)



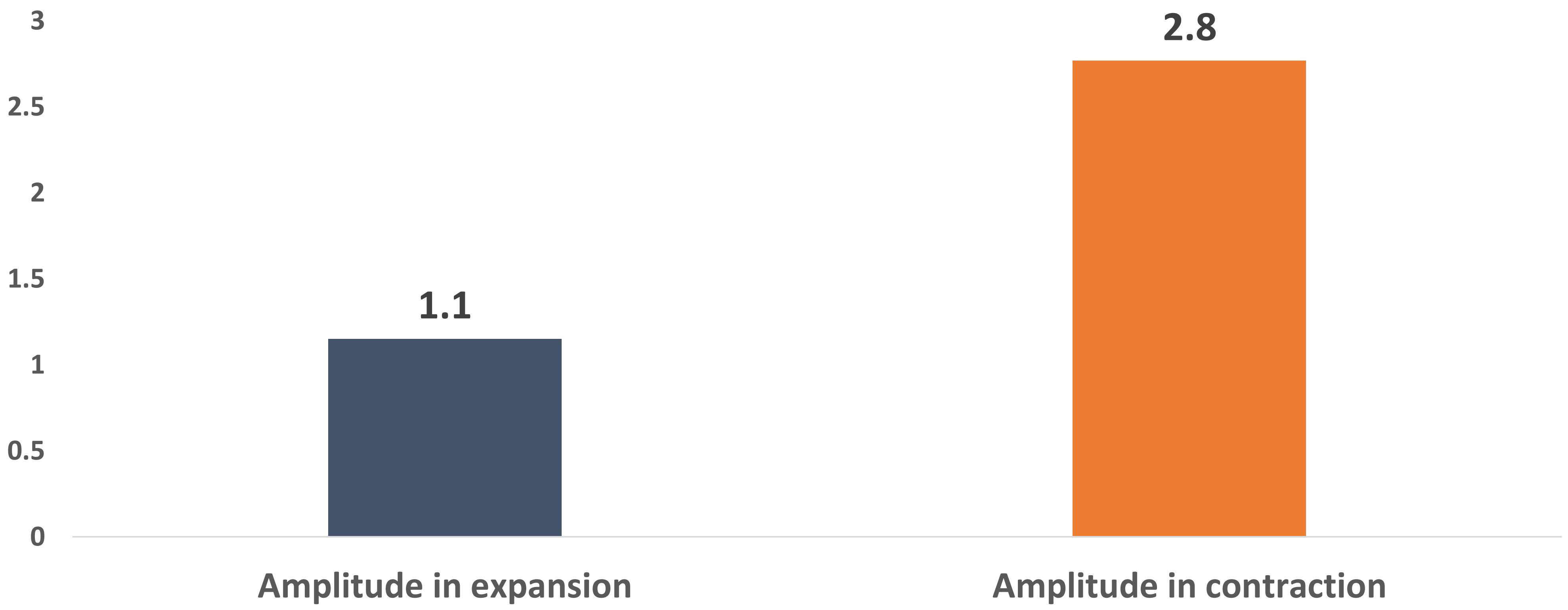
Latin America and the Caribbean: growth of gross fixed capital formation and stock of external bonds of the non-financial corporate sector, 2010 to 2020
(Percentages and billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from World Economic Outlook April 2021 (IMF), BIS and official figures.

Historically, the recovery of investment has been difficult: the region's investment cycle is more contractionary and less expansive than the GDP cycle

Investment falls more than GDP during the contractive phase of the cycle and recovers almost the same as GDP during the expansionary phase of the cycle (2000-2020)



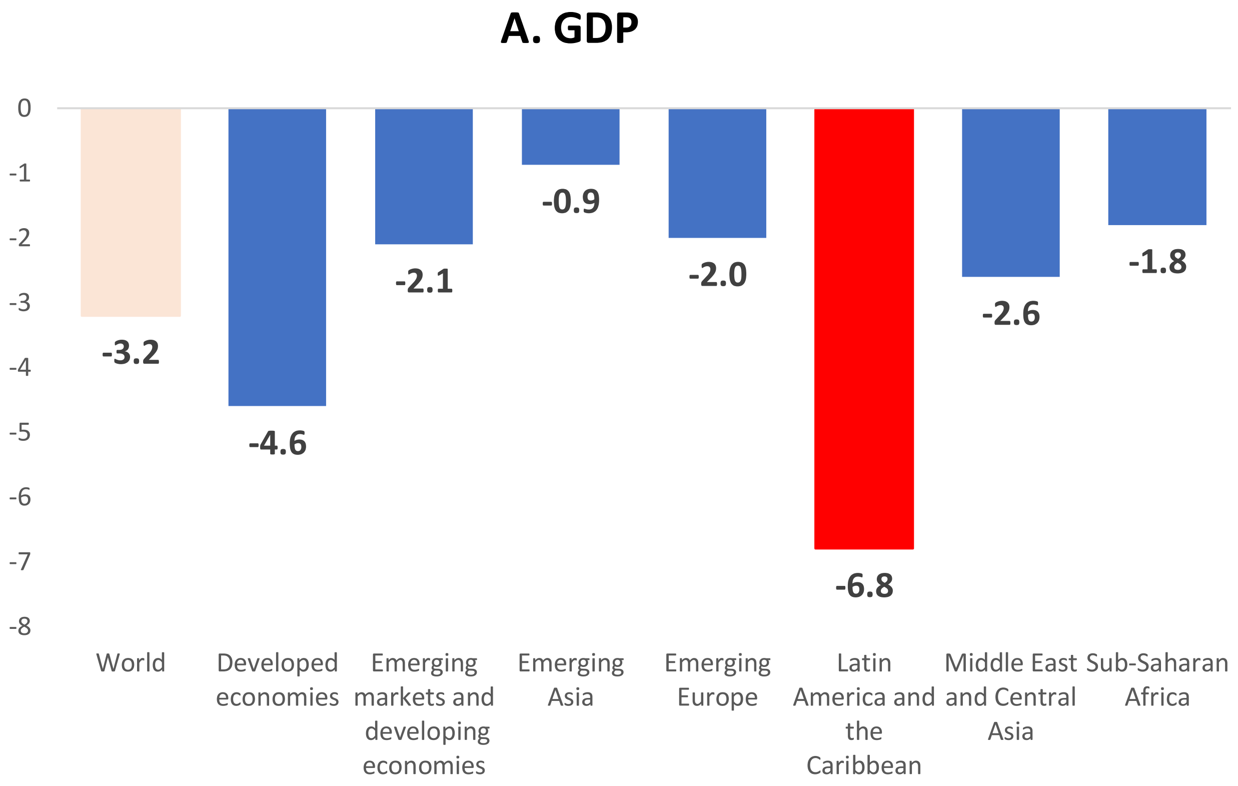
Source: Based on ECLAC (2021).

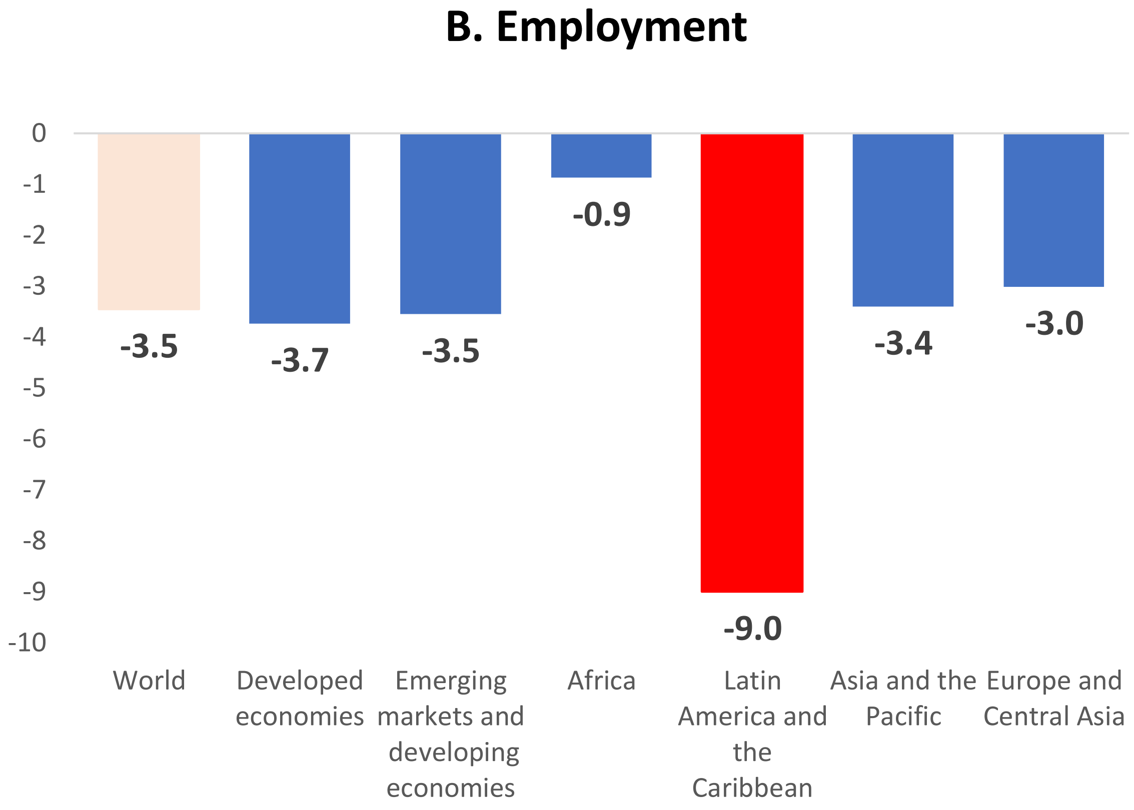
Note: For selected countries in Latin America (Argentina, Bolivia, Brazil, Chile, Costa Rica, Ecuador, Guatemala and Nicaragua).

Latin America and the Caribbean has been the region most affected by the COVID-19 crisis, both in terms of economic activity and employment

World and selected regions: Growth of GDP and the number of employed persons in 2020

(In percentage)

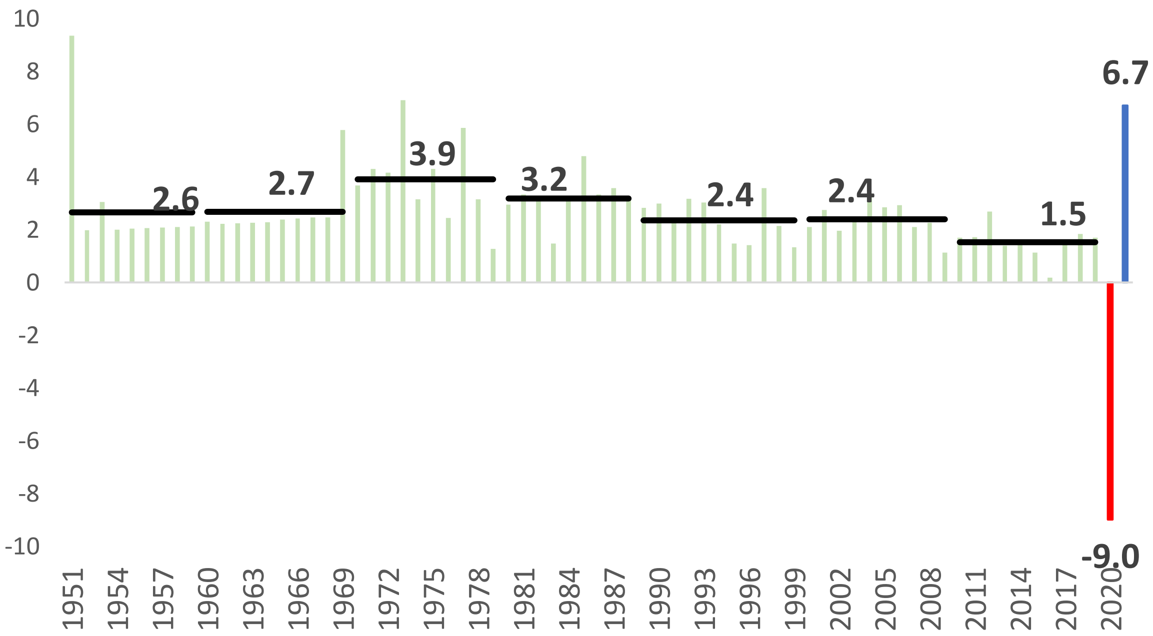




Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of IMF WEO (July 2021), ILO (2021), and official figures.

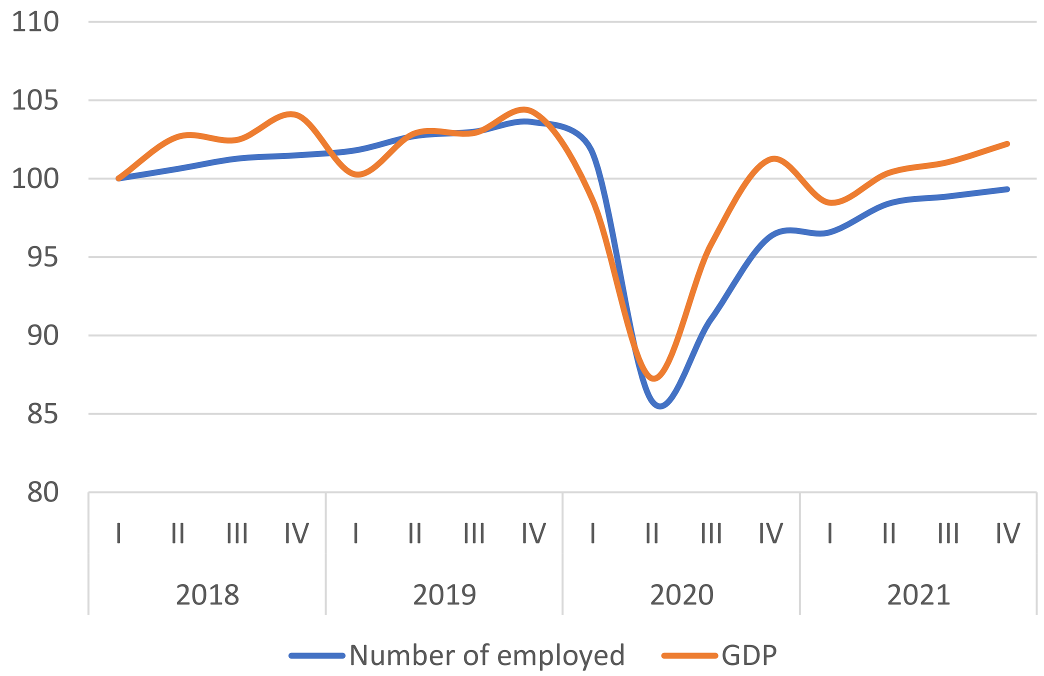
Similar to GDP, before the crisis the region exhibited low employment growth, and the recuperation expected for 2021 will not allow for a return to pre-crisis levels

Latin America and the Caribbean: Growth rates of the number of employed and averages for decades 1951 to 2021
(In percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Penn Table 10.0 and official figures.

Latin America: GDP and number of employed, first quarter 2018 to fourth quarter of 2021
(First quarter 2018 = 100)

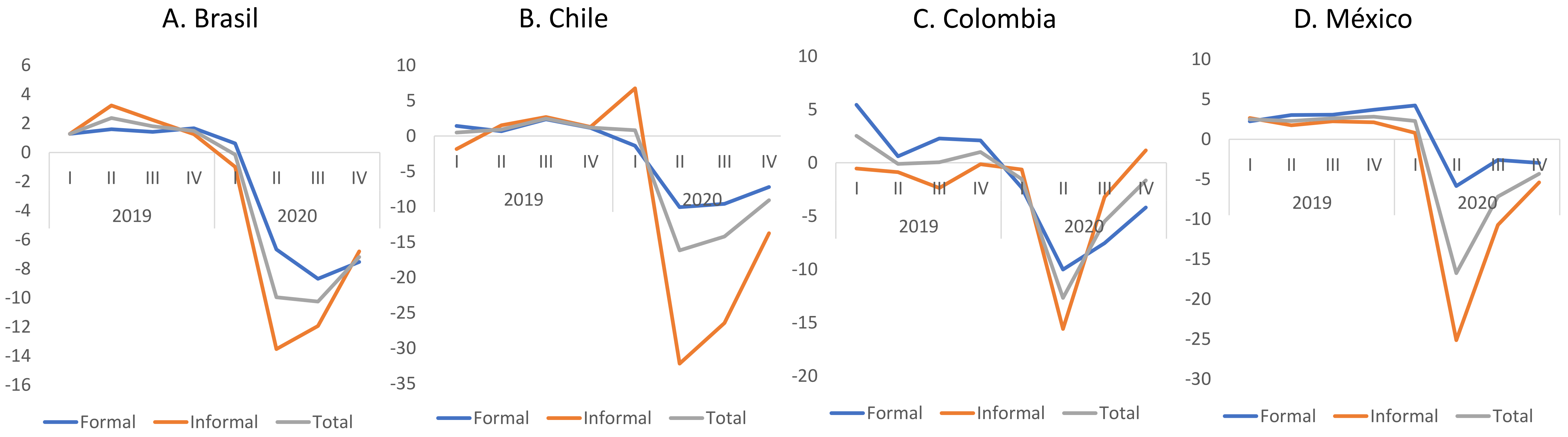


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Unlike previous crises, informal employment did not act as a buffer in the labor market and, on the contrary, fell more than formal employment

Brazil, Chile, Colombia and Mexico: number of employed persons: formal, informal and total, first quarter 2019 to fourth quarter 2020

(In percentages)



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

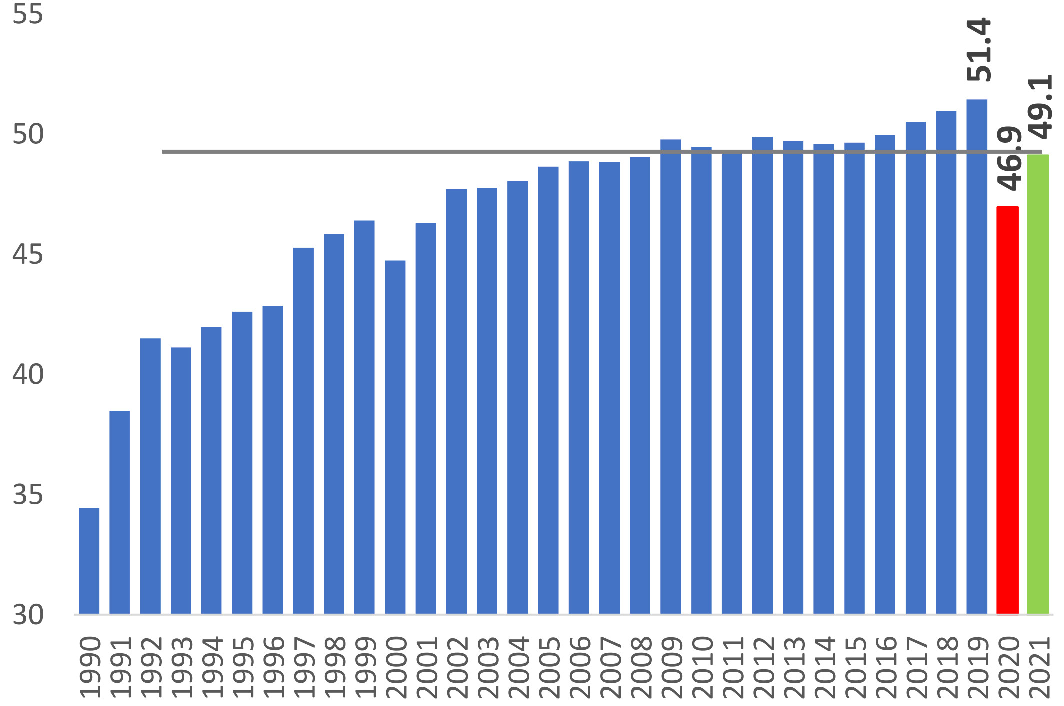
The unemployment rate is projected to increase in 2021 accompanied by a rise in the labour force participation rate

Latin America and the Caribbean: Labour force participation rate and unemployment rate, total and by gender, 2019-2021

	2019	2020	2021
Labour force participation rate (%)	**62.5**	**57.7**	**61.1**
Female	51.4	46.9	49.1
Male	74.7	69.6	73.9
Unemployment rate (%)	**8.0**	**10.5**	**11.0**
Female	9.3	11.9	12.6
Male	6.9	9.3	9.6
Growth in the number of employed (%)	**1.7**	**-9.0**	**6.7**
Female	2.2	-10.2	5.3
Male	1.3	-8.1	7.7

Female labour force participation rate, 1990 to 2021

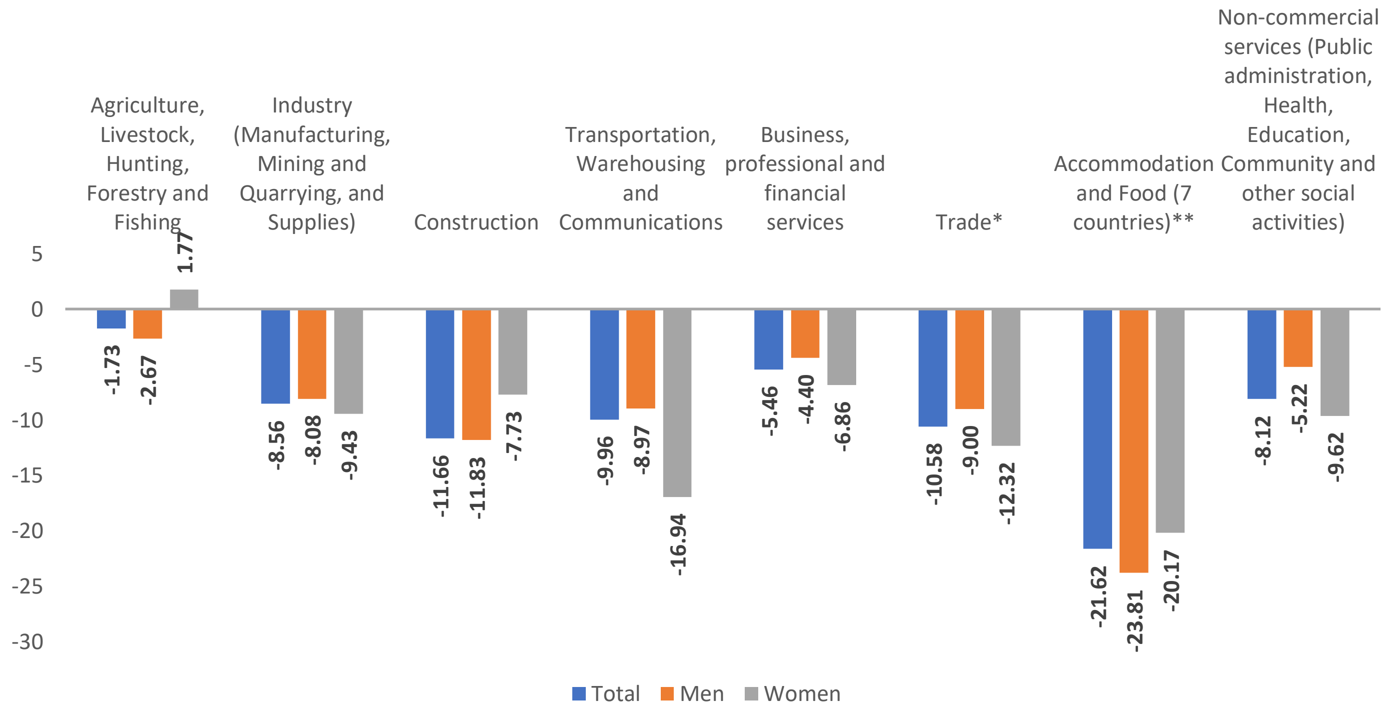
(In percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information.
Note: Data for 2021 correspond to estimates.

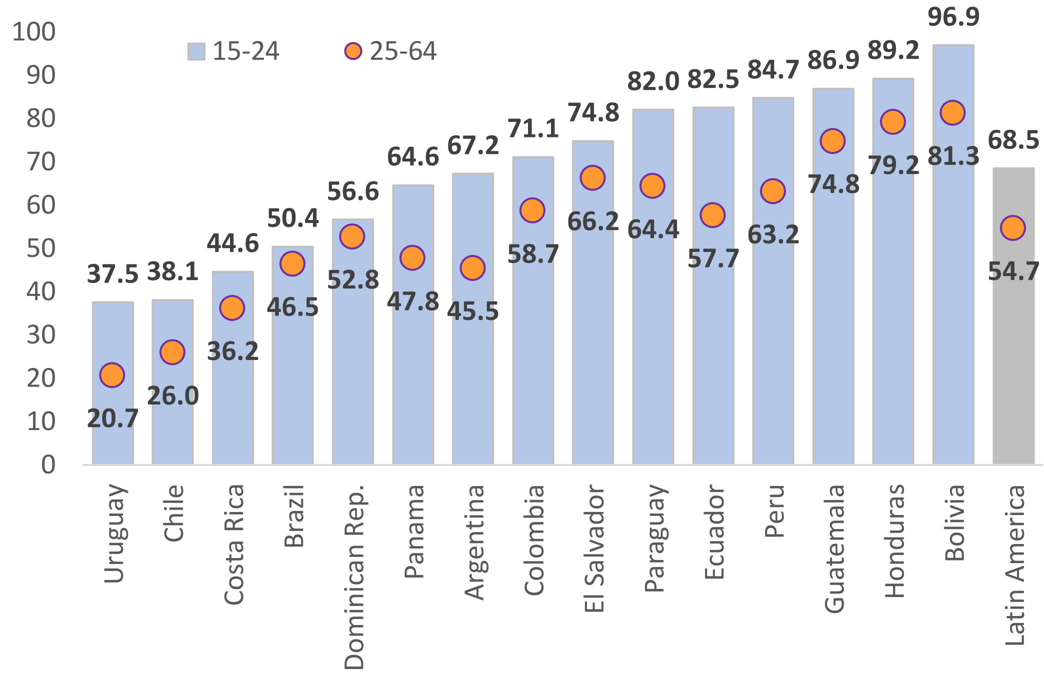
Employment of women and young people is concentrated in the service sector and in the informal economy, areas that have been most affected by the crisis

Latin America (9 countries)[b]: Growth in the number of employed persons by economic sector and gender, 2019-2020
(In percentages)



household surveys.
Note: Data correspond to Argentina, Brazil, Chile, Costa Rica, Dominican Republic, Mexico, Paraguay, Peru, and Uruguay.

Latin America (15 countries): Percentage of informal youth (15-24 years) and adults (25-64 years), by country, 2019
(In percentages)



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

Policy guidance to support a dynamic and transformative recovery

Increase investment with a strategic perspective

ECLAC has identified eight engines for a new style of development that can enhance competitiveness, employment, lower the environmental footprint, and reduce socioeconomic and gender inequalities.

Investment to universalize public services would generate jobs, and significant social and environmental benefits

Benefits and costs of investments to universalize the coverage of drinking water, sanitation and electricity

ITEM	WATER AND SANITATION	ELECTRICITY
Population of Latin America and the Caribbean without access	**166** million people without safely managed **drinking water** **443** million people without safely managed **sanitation**	**19** million people without access to **electricity** **77** million people without access to **fuels and clean technologies for cooking**
Annual cost of non-payment of water, sanitation and electricity bills, quintiles 1 and 2	0.12% of GDP per year	0.29% of GDP per year
Investment required annually until 2030	1.3% of GDP per year	1.3% of GDP per year
Cost-benefit ratio per dollar invested	USD 2.4 in drinking wáter USD 7.3 in sanitation	Not available
New direct jobs	3.6 million jobs per year	0.5 million jobs for year

- Improved public health and environment
- Bolster sustainable water and energy transitions
- Reduce CO2 emissions by roughly 100 MT
- Public-private partnerships
- Incentives for regional energy integration and complementarity
- Regulatory requirements: legal certainty, technological neutrality and effective public regulatory bodies

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

Achieving economic growth that generates quality jobs will require a comprehensive approach to productive, labour and care policies, especially for women and youth

- **Expand programs that promote formal employment, especially for women and youth**
  - Subsidy for hiring.
  - Training programs, with an emphasis on those that promote digital inclusion.
  - Financing programs for women and youth entrepreneurship.
  - Improvements in the coordination mechanisms between the supply and demand of labour.

- **Promote sectoral policies for the reactivation of productive activities seriously affected by the crisis, such as the service sector (commerce and tourism)**
  - Sectors where more than 80% of female employment is concentrated.
  - Especially relevant in economies that depend on tourism and services (Caribbean).

- **Expand and deepen support programs for MSMEs**
  - Extend payroll support programs to new hires.
  - Financing and debt restructuring policies to boost investment.

- **Bolster the care economy**
  - Based on the principle of co-responsibility between men and women, and between the State, the market and families.
  - Adapt regulations for care licenses.
  - Maintain transfers (in cash and goods) for the households most affected by the health crisis.

Fiscal policy and recovery

- Increases in public investment would positively impact growth:
  - Higher fiscal multipliers for public investment than for primary current expenditure.
  - In the lower part of the cycle, the impact of public investment is greater and would attract private investment (crowding-in).
  - Public investment in physical and digital infrastructure to catalyze private investment.

- Reorient tax expenditures to encourage private investment:
  - Tax expenditures reach 3.7% of GDP in Latin America, of which 1.4% of GDP are investment incentives.
  - Incentivize (subsidies) investment in renewable energy, decarbonization, R&D, employment.
  - Strengthen governance in the design and evaluation of incentives to maximize their effectiveness.

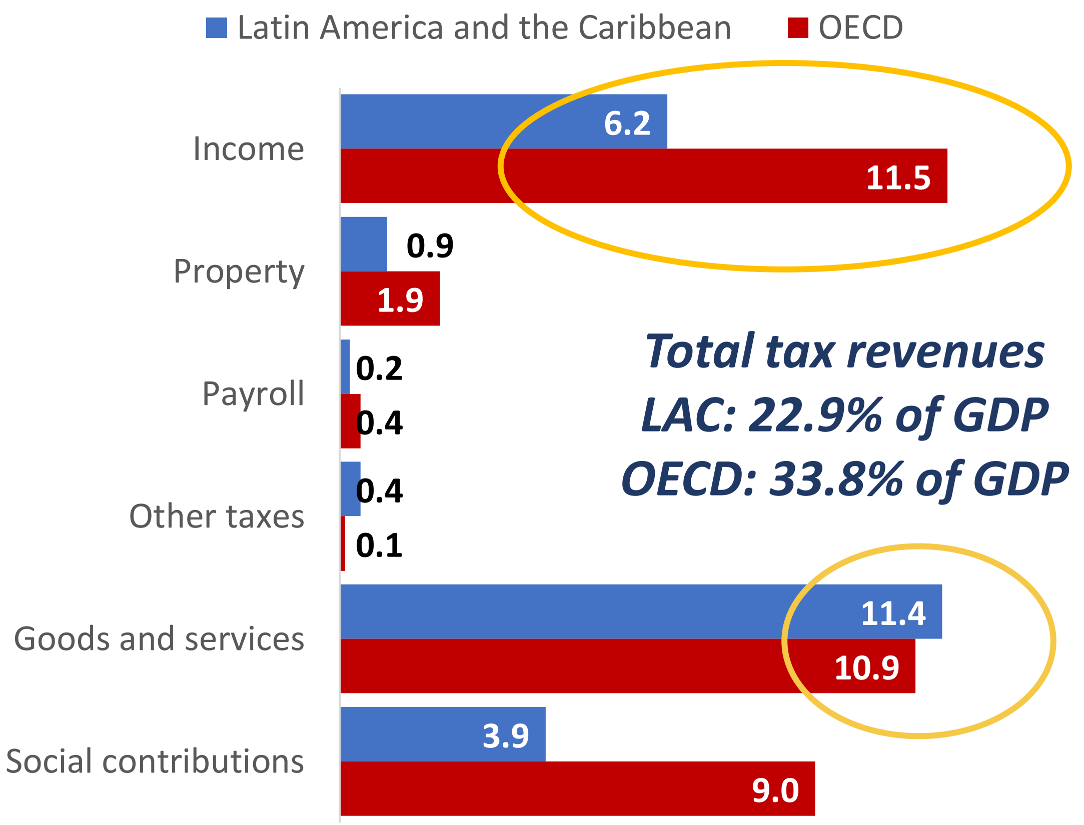
- Maintain emergency social transfers to mitigate the effects of the pandemic and ensure the financial sustainability of social protection systems, health, care and education.
  - In 2021, without continuity of transfers, there would be 15 million more people in extreme poverty.

Strengthening tax collection capacity is crucial to make fiscal policy sustainable

- Eliminate tax evasion: tax noncompliance represented US $ 325,000 million, 6.1% of regional GDP.
- Consolidate income tax for individuals and corporations.
- Extend the scope of taxes on wealth and property.
- Taxes on the digital economy, environmental and related to public health problems.
- Review and progressively update royalties for the exploitation of non-renewable resources.

LATIN AMERICA AND THE CARIBBEAN (26 COUNTRIES) AND OECD: TAX STRUCTURE OF THE GENERAL GOVERNMENT, 2019

(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of *Revenue Statistics in Latin America and the Caribbean 2021*.

The region must influence the design of multilateral tax agreements to increase collection benefits

ESTIMATED ADDITIONAL TAX COLLECTION, ACCORDING TO THE MINIMUM TAX RATE CONSIDERED
(In millions of euros)

	15% (current proposal)	21% (USA proposal)	25% (ICRICT proposal)
Brazil	900	3,400	7,400
Chile	200	800	1,200
Mexico	500	900	1,300

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Barake, Neef, Chouc y Zucman (2021).

- Latin America should promote regional positions on the minimum corporate income tax:
  - ✓ Push for a higher minimum rate.
  - ✓ Expand the universe of multinational companies to which the agreement will apply.
  - ✓ Achieve a more equitable distribution of revenue between developed and developing countries.
- In addition, the region should work to promote multilateral agreements to reduce tax evasion, eliminate the use of tax havens, the transfer of profits and illicit financial flows.

Fiscal policy must be complemented by monetary policy to sustain growth and the recovery process

- Maintain expansionary policies (with conventional and unconventional measures), to stimulate credit and financing of fiscal policies.
  - Although monetary policy rates are at historically low levels, they have started to rise in Brazil, Chile, Mexico, Peru and Uruguay.
- Strengthen the management of reserves and the regulation of capital flows to mitigate macro-financial volatility.
  - In the first half of 2021, the currencies of 12 economies in the region experienced a depreciation, while international reserves have increased in 14 countries, and have decreased in 17.
- Maintain domestic financial stability
  - Preserve the solvency of financial institutions and debtors

Access to international liquidity contributes to the expansion of the fiscal and monetary policy space in the region

- The issuance of Special Drawing Rights (SDRs) equivalent to US $ 650 billion will strengthen the external position of the countries of the region, reduce risk.
- The region received the equivalent of US $ 51 billion from the new SDR issuance.

Latin America and the Caribbean: SDRs and USD received at the regional and subregional level

	SDRs (billions)	USD (billions)	Share of total (%)
Latin America and the Caribbean	36.1	51.5	100.0
South America	23,6	33.6	65.2
Central America	2.3	3.4	6.5
Mexico	8.5	12.1	23.6
The Caribbean	1.7	2.4	4.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of IMF (2021)

The issuance of SDRs should be complemented with reallocation mechanisms and other sources of financing

- Developed countries received US $ 375 billion (58% of the total) and developing countries US $ 275 billion (42% of the total) despite the fact that the former have a lower use of SDRs in relation to developing countries.
- SDRs received by developing countries strengthen reserve availability and financial stability
- Developed countries could channel SDRs that they will not use into multilateral / regional trust funds for the provision of financing for the benefit of developing countries regardless of their income level.
  - The establishment of a trust fund for middle-income countries with SDRs as capital should be considered to finance projects linked to the fulfilment of the SDGs.
- The issuance of SDRs and their reallocation is not a panacea and must be accompanied by other initiatives such as the creation of multilateral funds (FACE) to distribute liquidity from developed countries to developing countries.

Initiatives to improve access to liquidity should be part of a broader reform of the international financial architecture

***Institutional reform** of the multilateral debt architecture with a multilateral restructuring mechanism and a multilateral credit rating agency*

- Middle-income countries represent 75% of the world's population, 62% of people living in poverty, and about 30% of global aggregate demand.
- Middle-income countries account for 96% of the public debt of developing countries excluding China and India.

***Innovative instruments** to increase debt repayment capacity and avoid over-indebtedness*

- Innovative instruments link the reimbursement capacity of countries with their exposure and vulnerability to natural disasters (as is done in the case of hurricane clauses) or to the ups and downs of the business cycle (as in the case of bonds linked to national income)

***Integrate liquidity and debt reduction measures** into a development finance strategy aimed at building a better future.*

- Building a better future may be bolstered by growing interest in social and sustainable bonds issued in emerging market economies.
- Data for the 2016-2020 period show that social bond issues increased from US$ 0 to US$ 17 billion, and sustainable bond issues, from US$ 300 millions to US$ 10.8 billion.

In conclusion

- The crisis exacerbated the problems of low investment and productivity, informality, unemployment, inequality and poverty, making it difficult to achieve a path of sustainable and inclusive growth.
- The growth paradox: a strong rebound in growth in 2021 supported by consumption, and a slowdown in 2022 in a context of deepening structural problems in the region.
- A strategic perspective is required to bolster investment and employment in environmentally sustainable sectors.
- Fiscal policy should accelerate public investment and encourage, attract and complement (*crowding in*) private investment. A priority for the sustainability of fiscal policy is the strengthening of tax revenues and the reduction of evasion.
- Sectoral and labour industrial policies will be required to stimulate job creation.
- Multilateral actions to expand the space for fiscal and monetary policy will be important to support the sustainable recovery of the countries of the region.

2021

Economic Survey
of Latin America and the Caribbean

United Nations

ECLAC

Follow us on:

https://www.cepal.org/en

https://twitter.com/eclac_un

https://www.facebook.com/eclac

https://www.youtube.com/user/ECLACUN

https://www.flickr.com/photos/eclac