

IP

2022

Preliminary Overview of the Economies of Latin America and the Caribbean



UNITED NATIONS

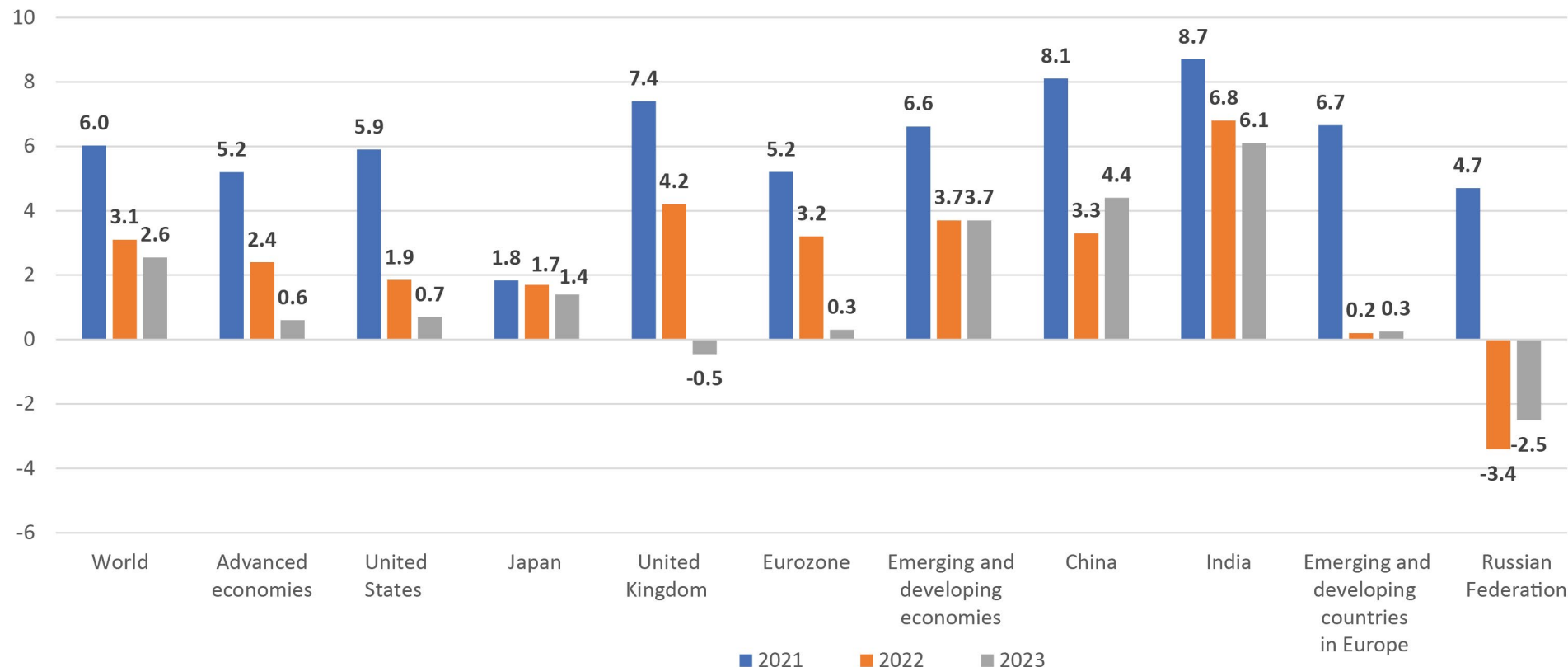
ECLAC

Cascading crises have led to a complex and uncertain global context

- A slowdown in global growth and trade in 2022 and 2023.
- Lower rates of inflation ought to reduce monetary policy rate hikes by major central banks in 2023.
- Heightened financial volatility and risk aversion.
- Smaller capital inflows for emerging economies, including Latin America and the Caribbean.

Reduction in forecasts of global economic growth

**SELECTED REGIONS AND COUNTRIES: GDP GROWTH RATES, 2021
AND PROJECTIONS FOR 2022 AND 2023**
(Percentages)



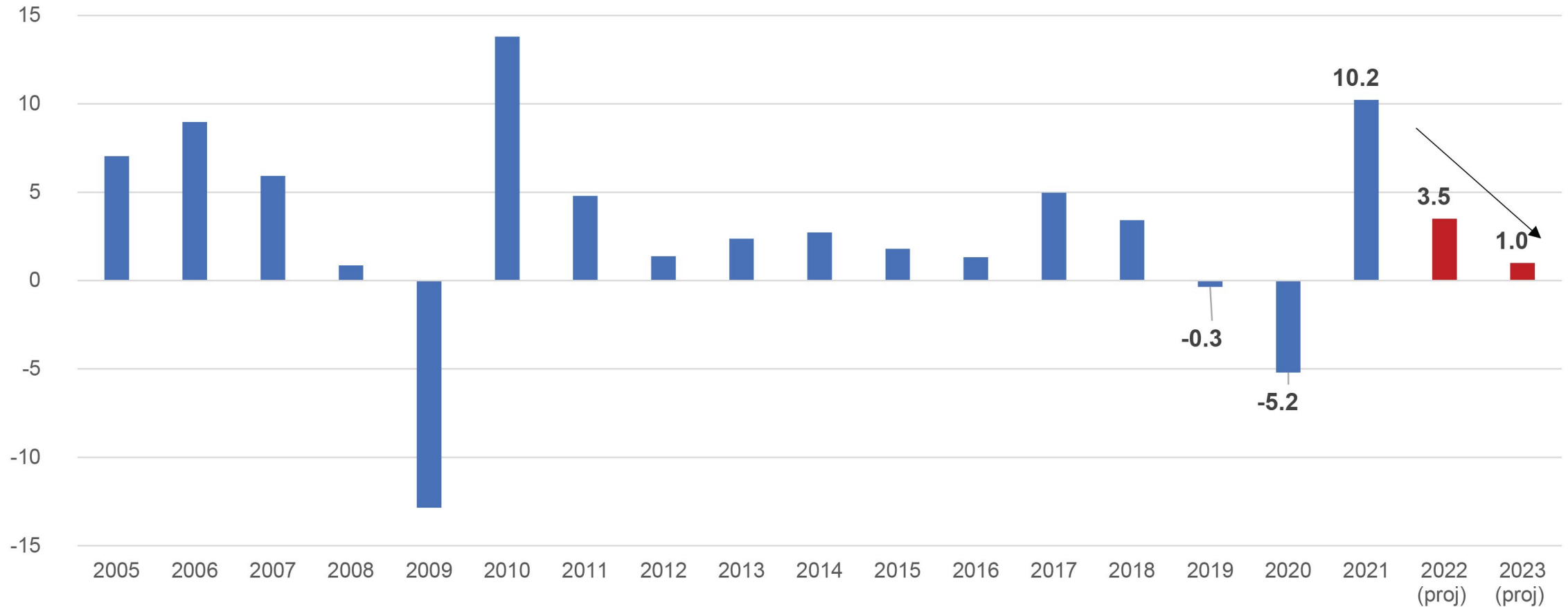
- Slow growth in the region's key trading partners (China, the European Union and the United States)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the International Monetary Fund (IMF), World Economic Outlook, October 2022; European Commission, "European Economic Forecast. Autumn 2022", 11 November 2022; Capital Economics to 16 November 2022, and Federal Reserve Bank of Philadelphia, "Fourth Quarter 2022 Survey of Professional Forecasters", 14 November [online] <https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/spf-q4-2022>.

Note: In the case of India, the fiscal year starts in April and ends in March the following year.

World trade is also slowing

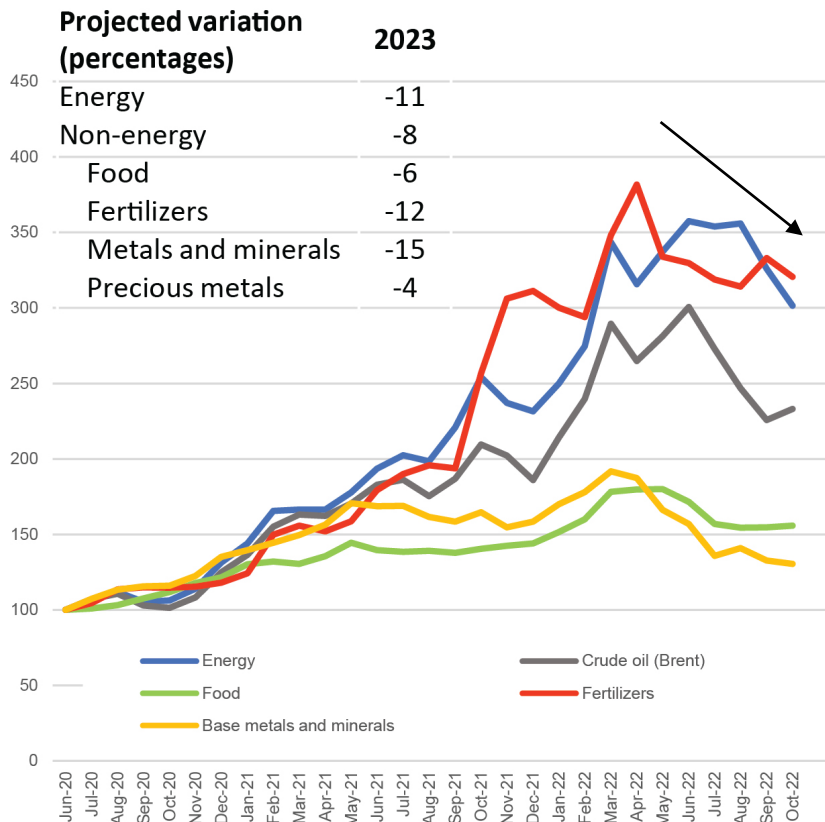
VOLUME OF WORLD TRADE: YEAR-ON-YEAR VARIATION AND PROJECTIONS FOR 2022 AND 2023
(Percentages, on the basis of a seasonally adjusted index)



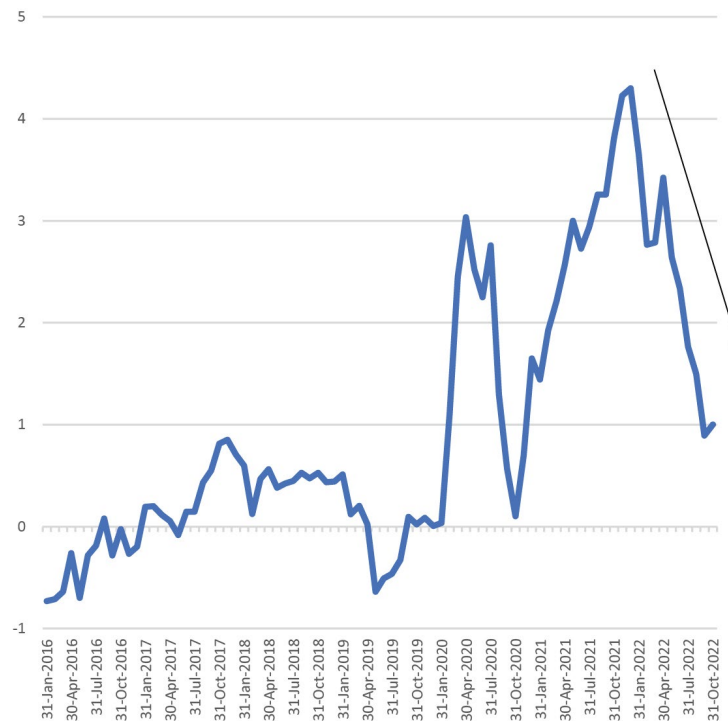
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Netherlands Bureau of Economic Policy Analysis (CPB), World Trade Monitor [online database] <https://www.cpb.nl/en/worldtrademonitor>, and World Trade Organization (WTO), "Trade growth to slow sharply in 2023 as global economy faces strong headwinds", International Trade Statistics, Press/909, 5 October 2022, for 2022 and 2023.

Inflation is expected to slow in 2023, in both advanced and emerging economies, but will remain high

INTERNATIONAL COMMODITY PRICE INDICES
(Index: June 2020=100)



GLOBAL SUPPLY CHAIN PRESSURE INDEX (GSCPI)
(Standard deviations with respect to a historical average since 1997)



SELECTED REGIONS AND COUNTRIES: AVERAGE YEAR-ON-YEAR CONSUMER PRICE INFLATION
(Percentages)

	Average 2010-2019	2022	Projection for 2023
World	3.7	8.8	6.5
Advanced economies	2.0	7.2	4.4
Emerging economies	5.1	9.9	8.1
United States	2.3	8.1	4.2
Eurozone	1.4	8.3	5.7
United Kingdom	2.2	8.9	6.2
Latin America and the Caribbean	3.9	7.3	4.8

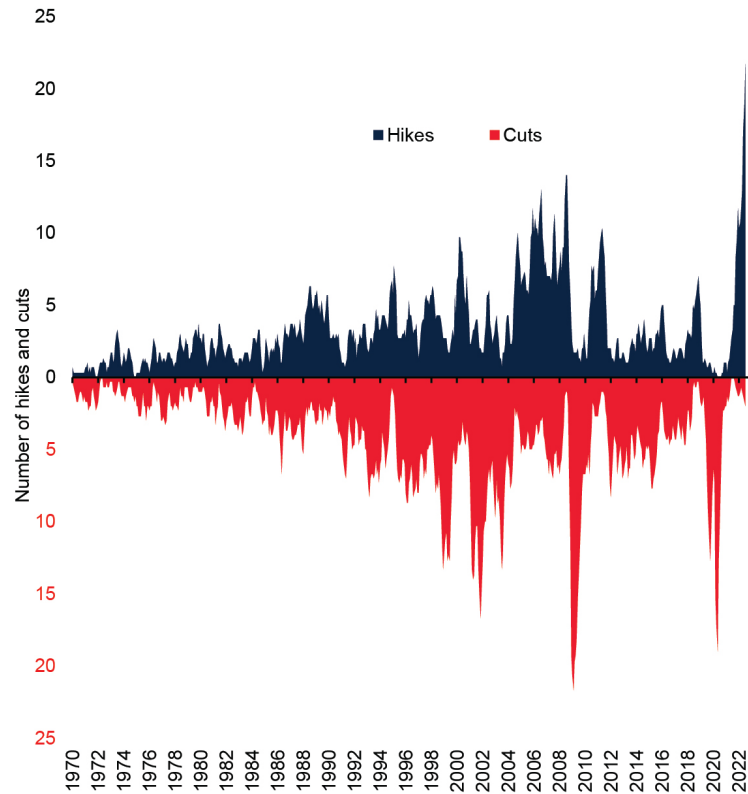
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), World Economic Outlook, October 2022, and data from Bloomberg and Latin American Consensus Forecast.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Netherlands Bureau of Economic Policy Analysis (CPB), World Trade Monitor [online database] <https://www.cpb.nl/en/worldtrademonitor>, and World Bank, "World Bank Commodities Price Data (The Pink Sheet)" [online] <https://www.worldbank.org/en/research/commodity-markets>.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Federal Reserve Bank of New York, "Global Supply Chain Pressure Index", 2022 [online] <https://www.newyorkfed.org/research/gscpi.html>.

Monetary policy rate hikes have behaved in a synchronous manner at the global level, despite not being actively coordinated

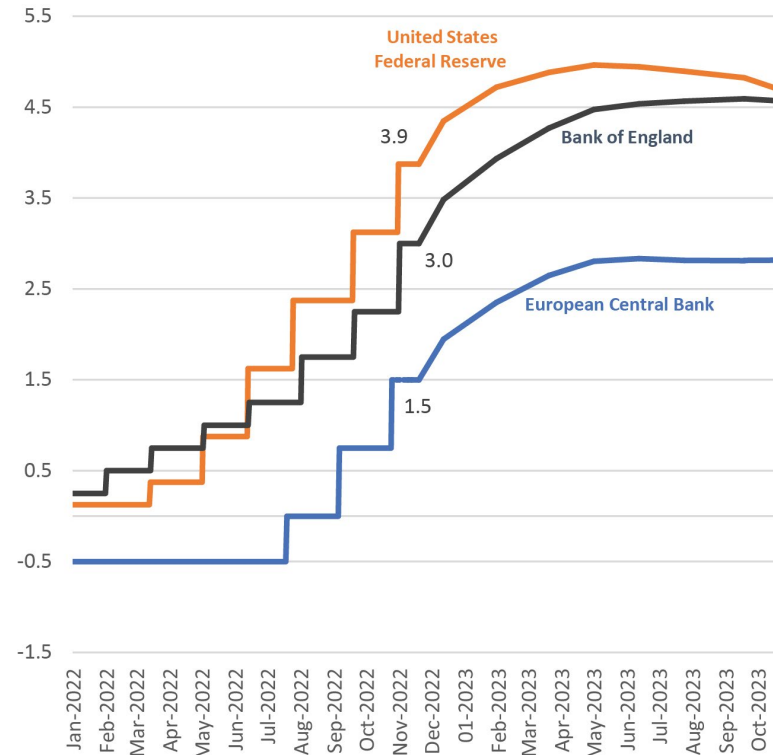
NUMBER OF MONETARY POLICY RATE HIKES AND CUTS GLOBALLY
(Numbers)



Source: J. D. Guénette, M. Kose and N. Sugawara, “Is a global recession imminent?”, *EFI Policy Note*, No. 4, Washington, D.C., World Bank, 2022.

Note: Three-month average of the number of hikes and cuts in official interest rates in the month, for 38 countries, including the eurozone. The last observed figure is for July 2022.

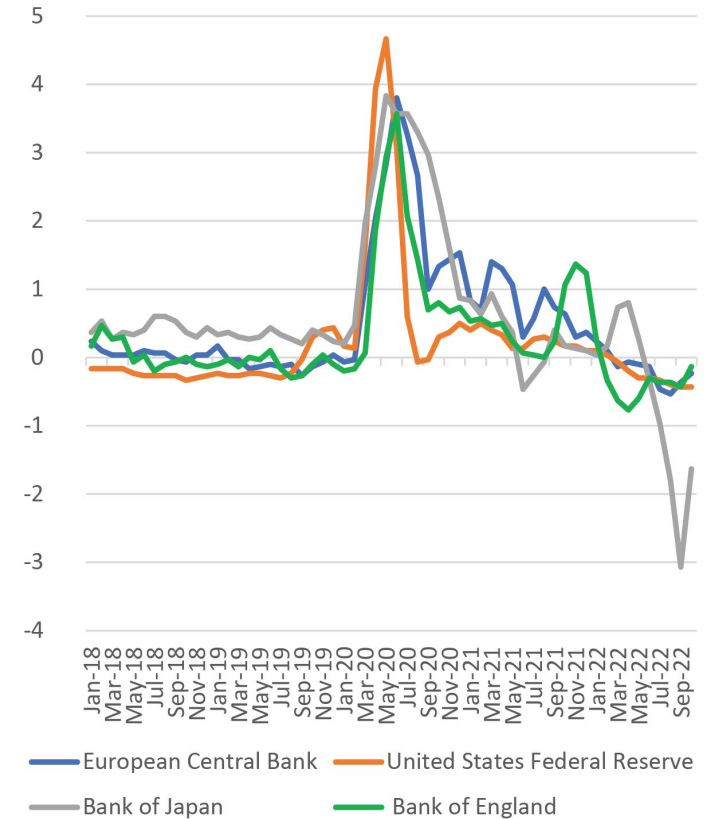
MONETARY POLICY RATES FOR MAJOR CENTRAL BANKS, JANUARY–NOVEMBER 2022 AND MARKET-EXPECTED RATES
(Percentages)



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

Note: The dotted lines represent the market expectations for monetary policy rates, based on the implied rates in overnight indexed swaps (OIS), at 9 December 2022.

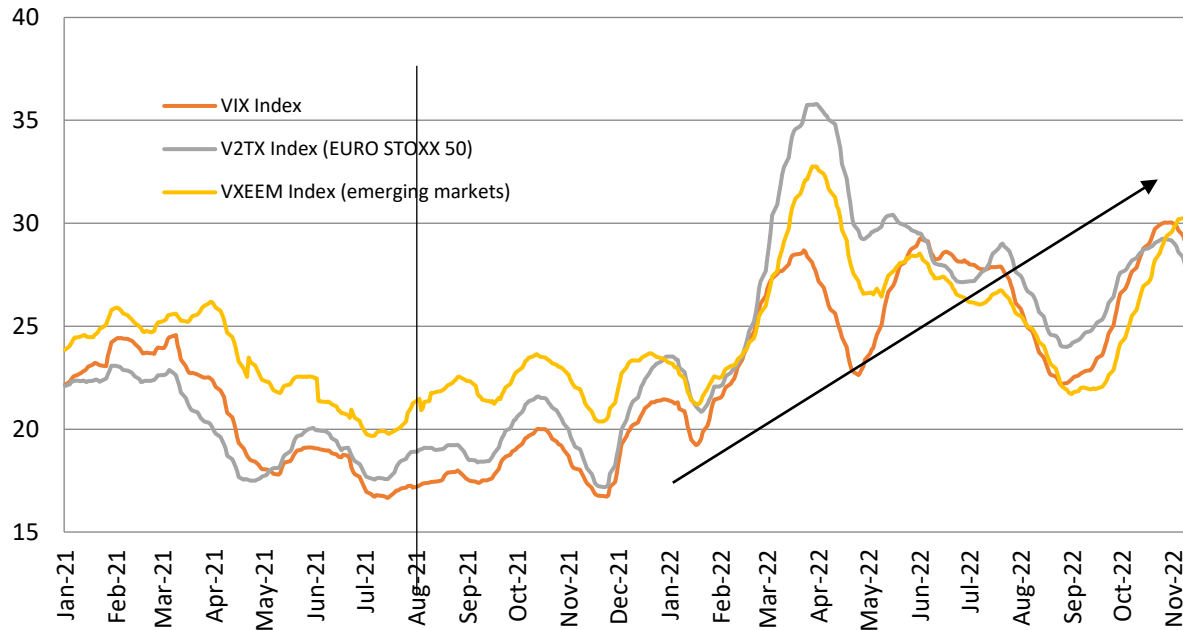
GROWTH IN BALANCE SHEETS OF MAJOR CENTRAL BANKS
(Monthly variation, quarterly moving averages, as percentages of GDP)



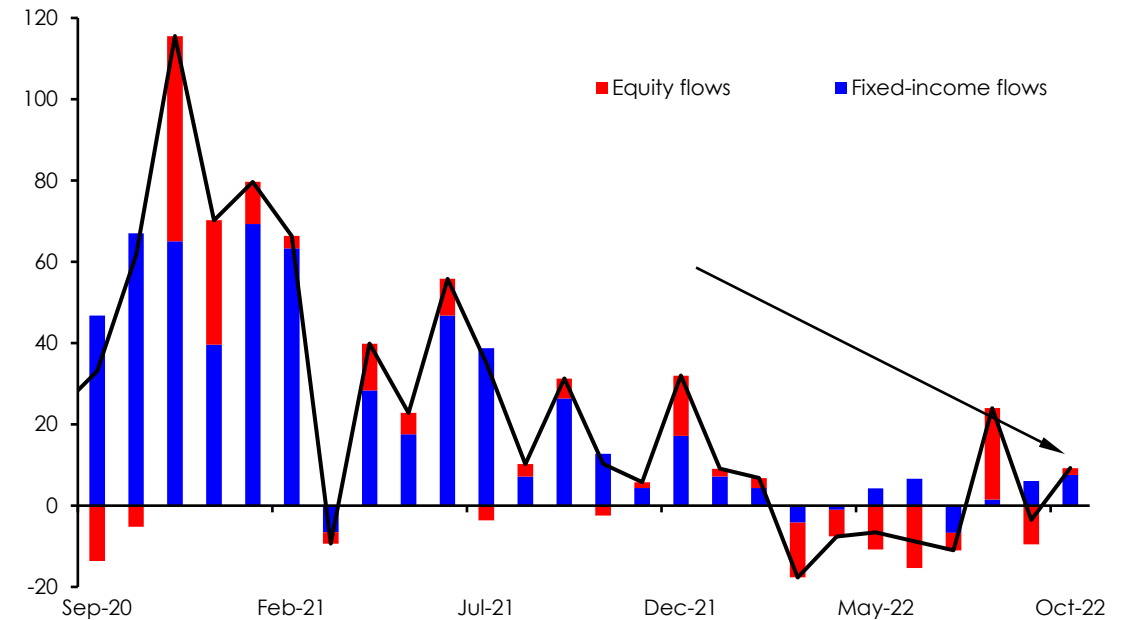
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bloomberg.

Global financial conditions are expected to continue tightening

FINANCIAL MARKET VOLATILITY INDICES
(VIX, V2TX and VXEEM indices, 30-day moving averages)



PORTFOLIO CAPITAL FLOWS TO EMERGING MARKETS, SEPTEMBER 2020–OCTOBER 2022
(Billions of dollars)

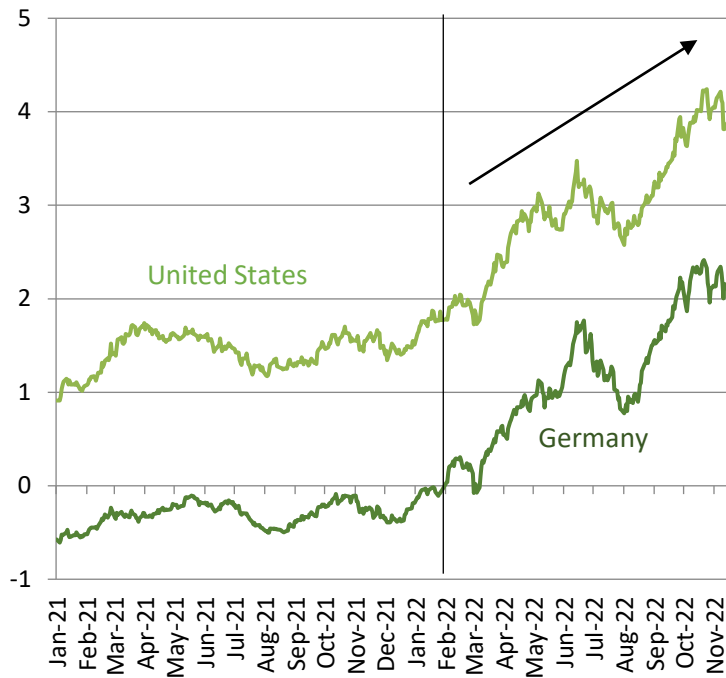


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bloomberg and Institute of International Finance (IIF).

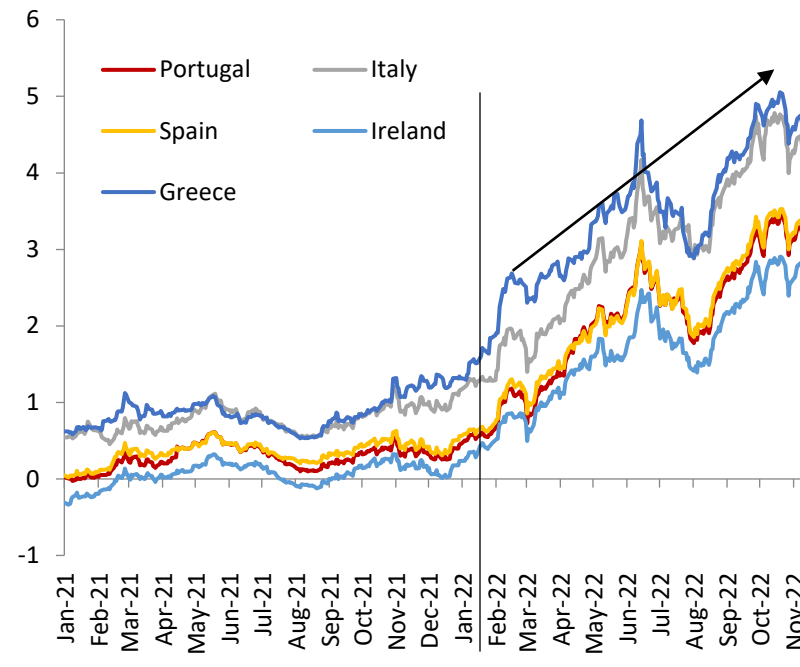
Note: The VIX index is prepared by the Chicago Board of Exchange (CBOE) from S&P 500 index call and put option prices, and measures expected volatility over the next 30 days. Along similar lines, CBOE also produces the VXEEM index, which measures volatility in emerging markets, while Deutsche Börse and Goldman Sachs produce the V2TX index, which measures eurozone volatility. Option prices rise when volatility is higher because investors are willing to pay more for protection. A VIX value above 30 reflects fear among investors.

Financing costs are on the rise

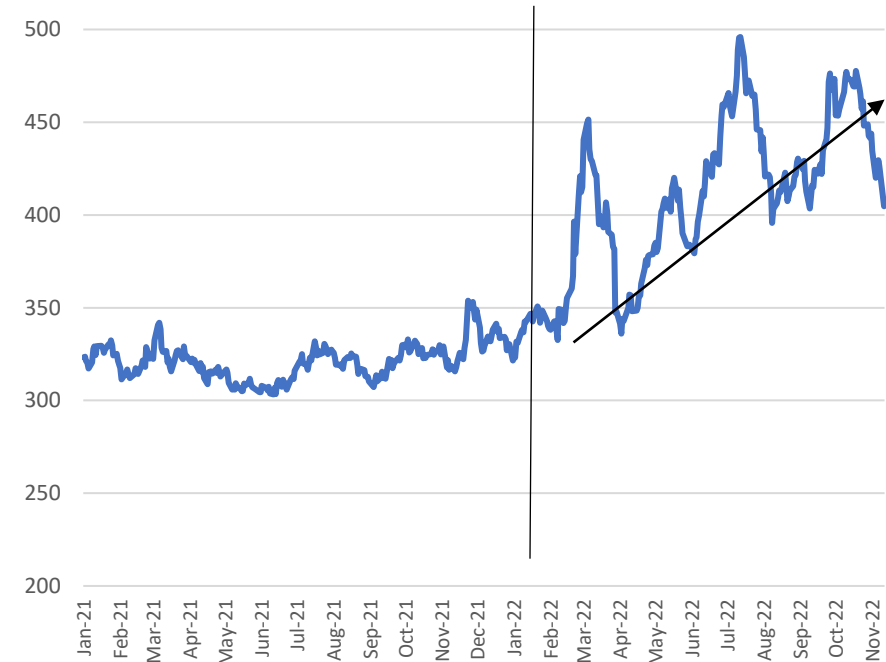
UNITED STATES AND GERMANY: 10-YEAR SOVEREIGN BOND YIELDS, 1 JANUARY 2021–14 NOVEMBER 2022
(Percentages)



IRELAND, ITALY, GREECE, PORTUGAL AND SPAIN: 10-YEAR SOVEREIGN BOND YIELDS, 1 JANUARY 2021–14 NOVEMBER 2022
(Percentages)



J. P. MORGAN EMBI GLOBAL DIVERSIFIED INDEX OF EMERGING MARKET SOVEREIGN RISK, 1 JANUARY 2021–14 NOVEMBER 2022
(Basis points)



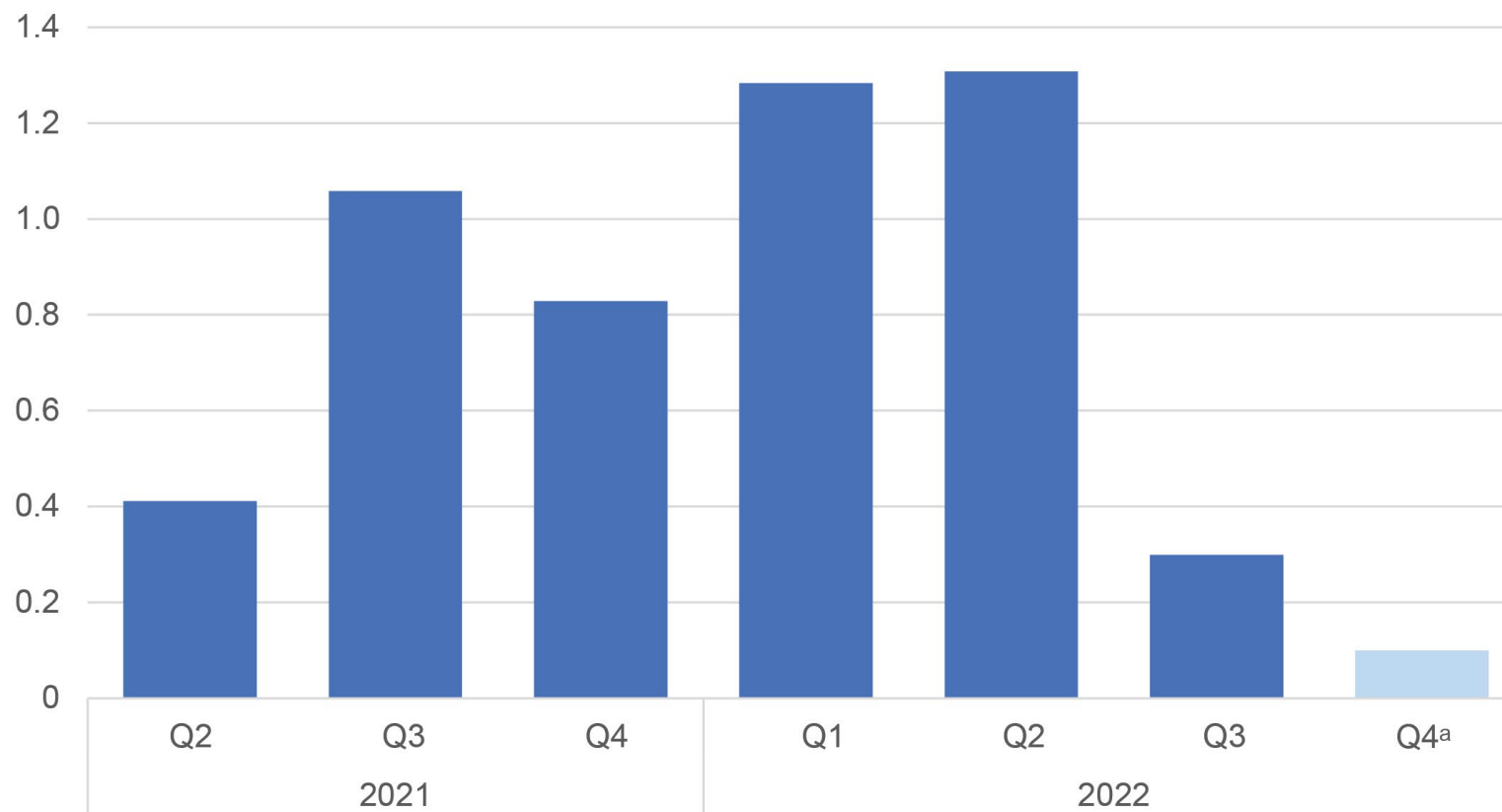
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bloomberg and JP Morgan.

In 2023, slower growth is expected to continue in the region in a complex macroeconomic context

- Lower inflation will tend to moderate any increases in the monetary policy rate.
- International financial volatility will increase the risk of currency depreciation, which could affect inflation trends.
- Fiscal space should be expanded to make higher demand for social spending and public investment sustainable and to avoid premature fiscal adjustments.
- The short-term challenges imposed by macroeconomic constraints must be offset by spurring sustainable growth, creating quality jobs, reducing poverty and inequality, boosting investment and addressing climate change.

Quarterly trends in 2022 reflect a slowdown across the region from the third quarter onward

LATIN AMERICA: QUARTER-ON-QUARTER VARIATION IN SEASONALLY-ADJUSTED GDP,
SECOND QUARTER OF 2021–FOURTH QUARTER OF 2022^a
(Percentages)

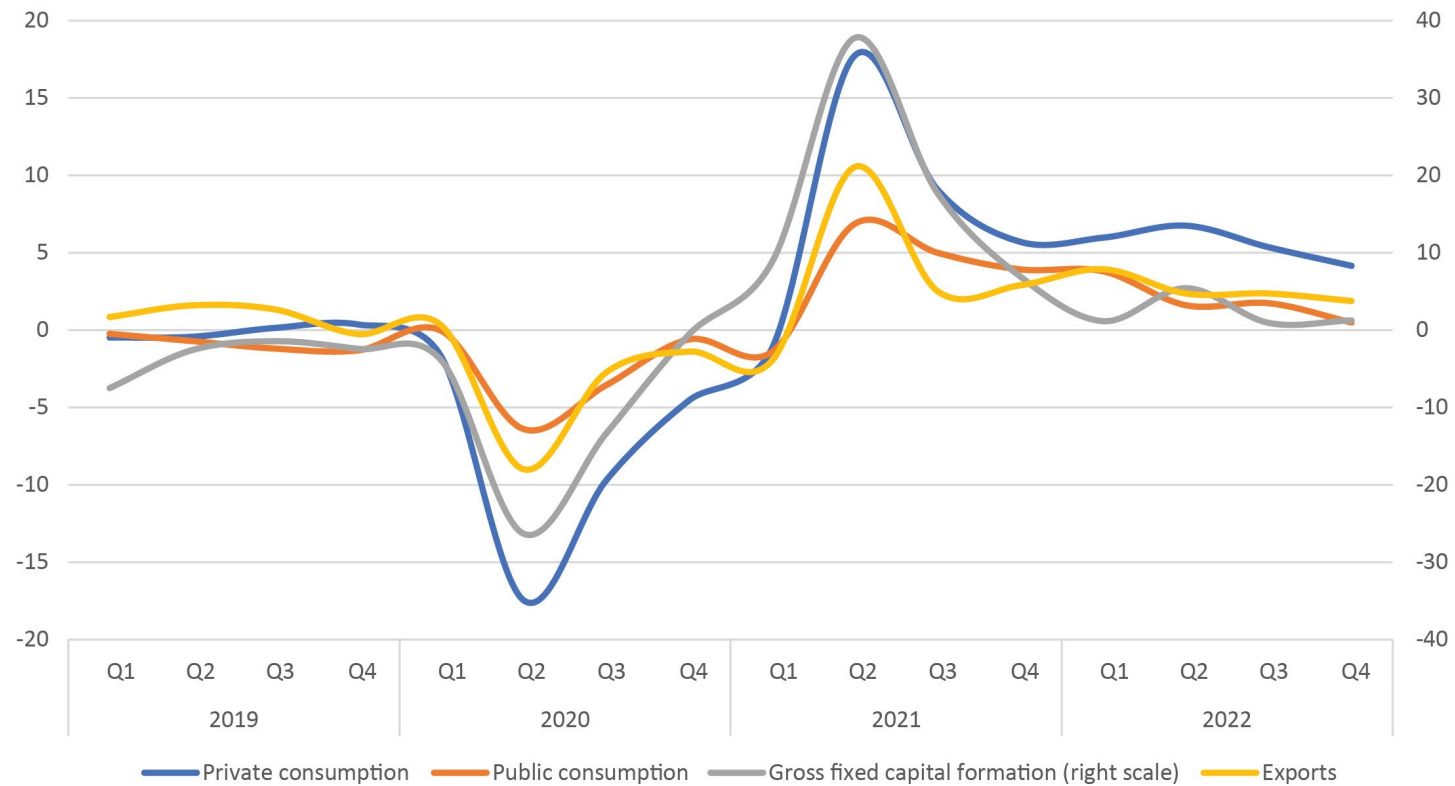


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Estimate.

All components of aggregate demand slowed

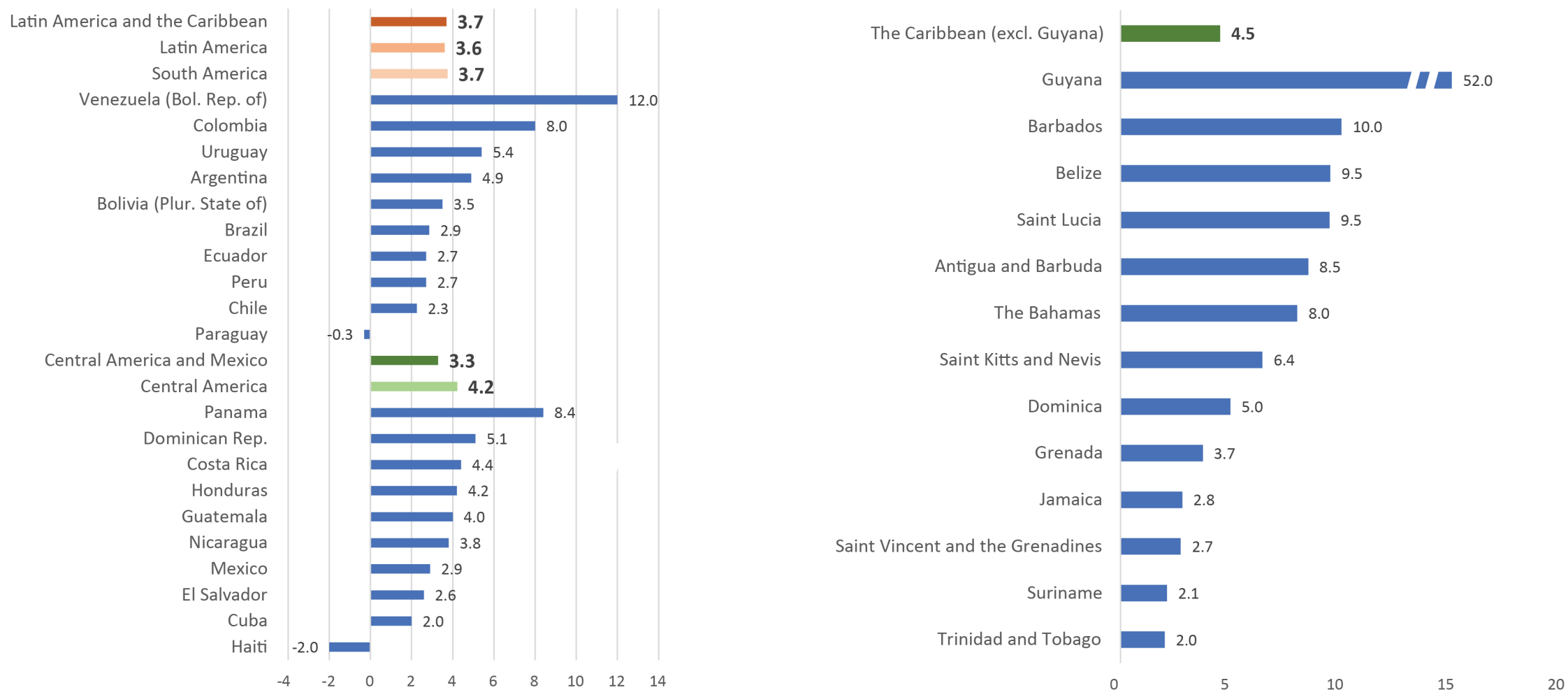
LATIN AMERICA: YEAR-ON-YEAR VARIATION IN PRIVATE CONSUMPTION, PUBLIC CONSUMPTION AND GROSS FIXED CAPITAL FORMATION, FIRST QUARTER OF 2019–FOURTH QUARTER OF 2022
(Percentages)



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

The region will post growth of 3.7% in 2022

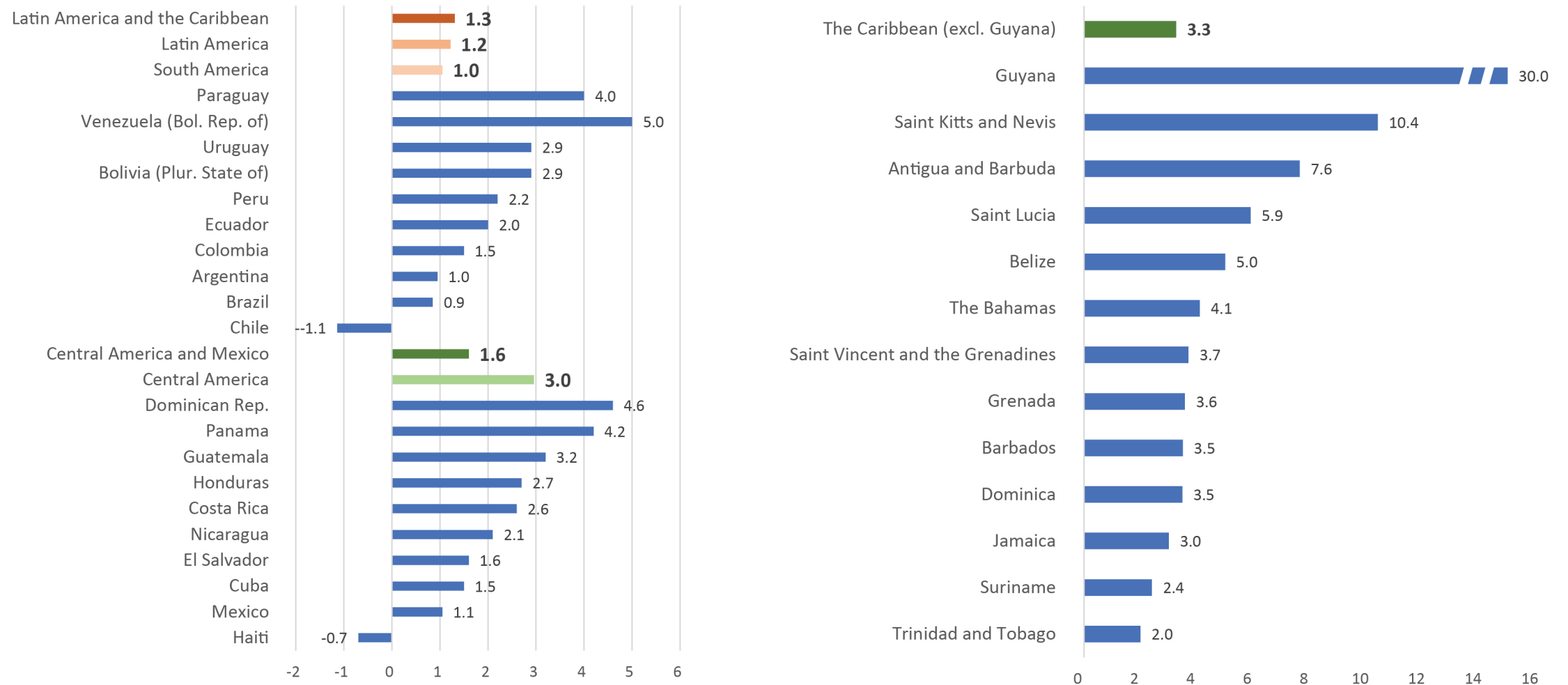
LATIN AMERICA AND THE CARIBBEAN: PROJECTED GDP GROWTH, 2022
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Note: Central America includes Cuba, the Dominican Republic and Haiti.

GDP is expected to grow by 1.3% in 2023, one third of the level seen in 2022

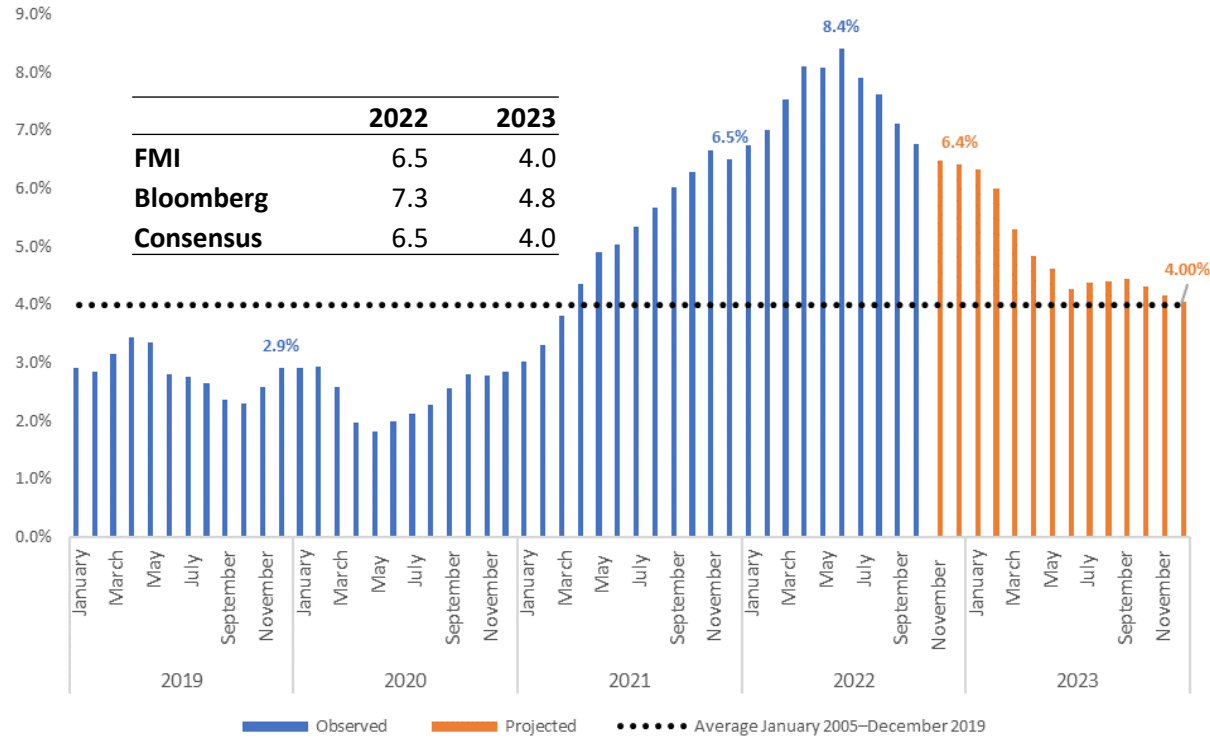
LATIN AMERICA AND THE CARIBBEAN: PROJECTED GDP GROWTH, 2023
(Percentages)



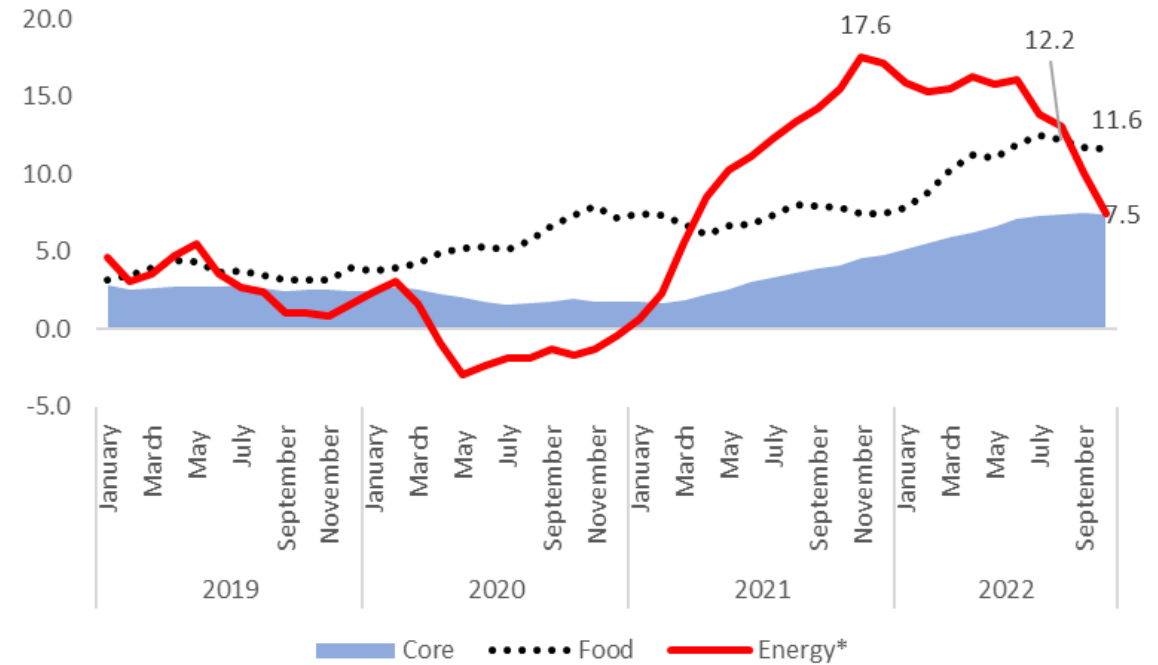
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Note: Central America includes Cuba, the Dominican Republic and Haiti.

Inflation in the region will be lower in 2023, although at still-high levels

LATIN AMERICA AND THE CARIBBEAN: 12-MONTH RATES OF CHANGE IN THE CONSUMER PRICE INDEX (CPI), JANUARY 2019–NOVEMBER 2022, AND PROJECTIONS FOR DECEMBER 2022–DECEMBER 2023
(Percentages)



LATIN AMERICA AND THE CARIBBEAN: 12-MONTH RATES OF CHANGE IN THE FOOD, ENERGY AND CORE COMPONENTS OF THE CONSUMER PRICE INDEX (CPI), JANUARY 2019–OCTOBER 2022
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and projections from Latin American Consensus Forecasts; International Monetary Fund (IMF), World Economic Outlook, October 2022, and Bloomberg.

* Does not include averages from economies with chronic inflation (Argentina, Bolivarian Republic of Venezuela, Cuba, Haiti and Suriname).

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Note: Does not include averages from economies with chronic inflation (Argentina, Bolivarian Republic of Venezuela, Cuba, Haiti and Suriname).

* Energy index rates of change were calculated using data from 10 countries: Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Jamaica, Plurinational State of Bolivia, Peru and Uruguay.

Synchronized but not coordinated monetary policy rate hikes in 2022

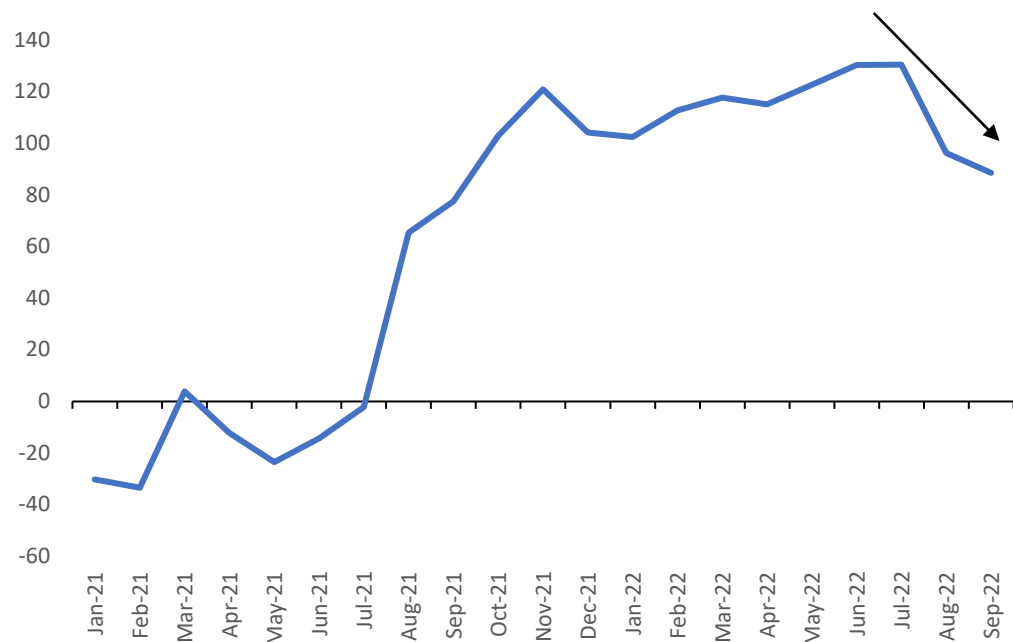
LATIN AMERICA AND THE CARIBBEAN (COUNTRIES THAT USE THE INTEREST RATE AS THE MAIN MONETARY POLICY TOOL): VARIATION IN MONETARY POLICY RATES, DECEMBER 2020–DECEMBER 2022

	Monetary policy rate as of 31 December 2020	First monetary policy rate increase	Latest increase	Rate as of 9 December 2022	Number of rate increases in 2022	Variation compared to December 2021 (percentage points)
Brazil	2.00	March 2021	August 2022	13.75	5	4.50
Chile	0.50	July 2021	October 2022	11.25	7	7.25
Colombia	1.75	October 2021	October 2022	11.00	7	8.00
Costa Rica	0.75	December 2021	October 2022	9.00	7	7.75
Jamaica	0.50	October 2021	November 2022	7.00	7	4.50
Mexico	4.00	June 2021	November 2022	10.00	7	4.50
Paraguay	0.75	August 2021	September 2022	8.50	9	3.25
Peru	0.25	August 2021	December 2022	7.50	12	5.00
Dominican Republic	3.00	November 2021	October 2022	8.50	8	4.00
Uruguay	4.50	August 2021	November 2022	11.25	8	5.50

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

Financial flows to Latin America have slowed over the past few quarters and sovereign risk is trending upward

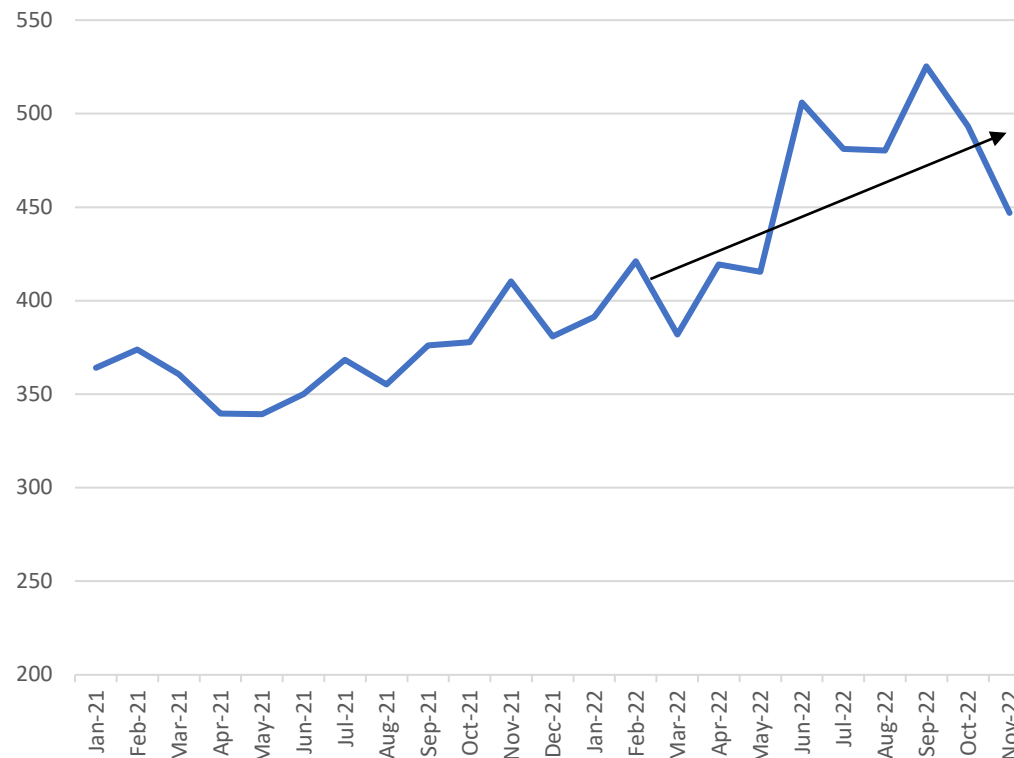
LATIN AMERICA (14 COUNTRIES): INDIRECT INDICATOR FOR NET FINANCIAL FLOWS
(Index: January 2016=100)



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

Note: The countries included are Argentina, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Paraguay, Peru and Uruguay. (See Carvallo and others, 2018, for the methodology used.)

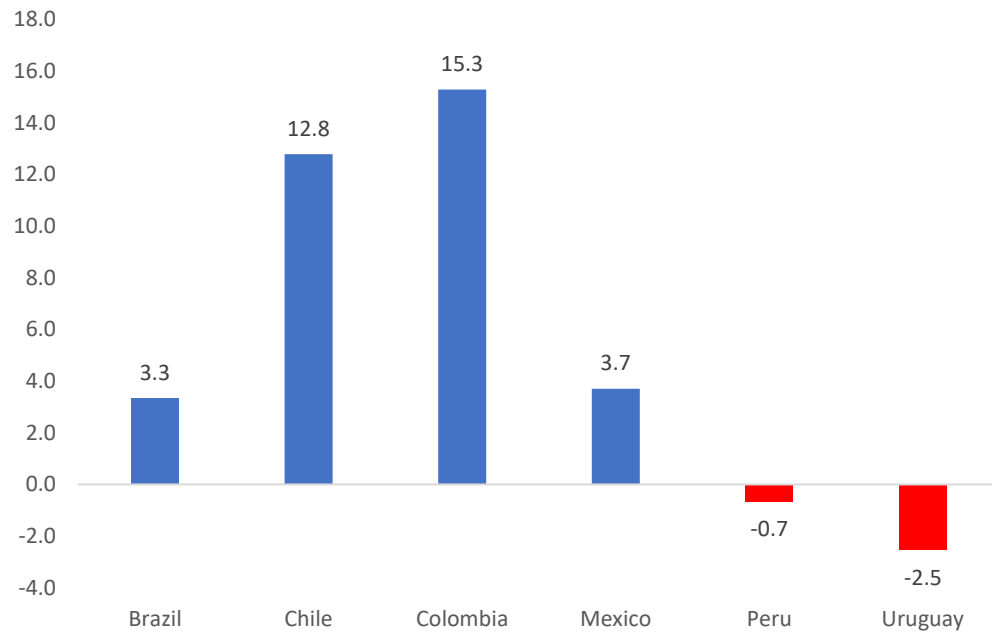
LATIN AMERICA: SOVEREIGN RISK INDEX, AS MEASURED BY THE GLOBAL DIVERSIFIED EMERGING MARKET BOND INDEX (EMBI Global Diversified), JANUARY 2021–NOVEMBER 2022
(Basis points to end of period)



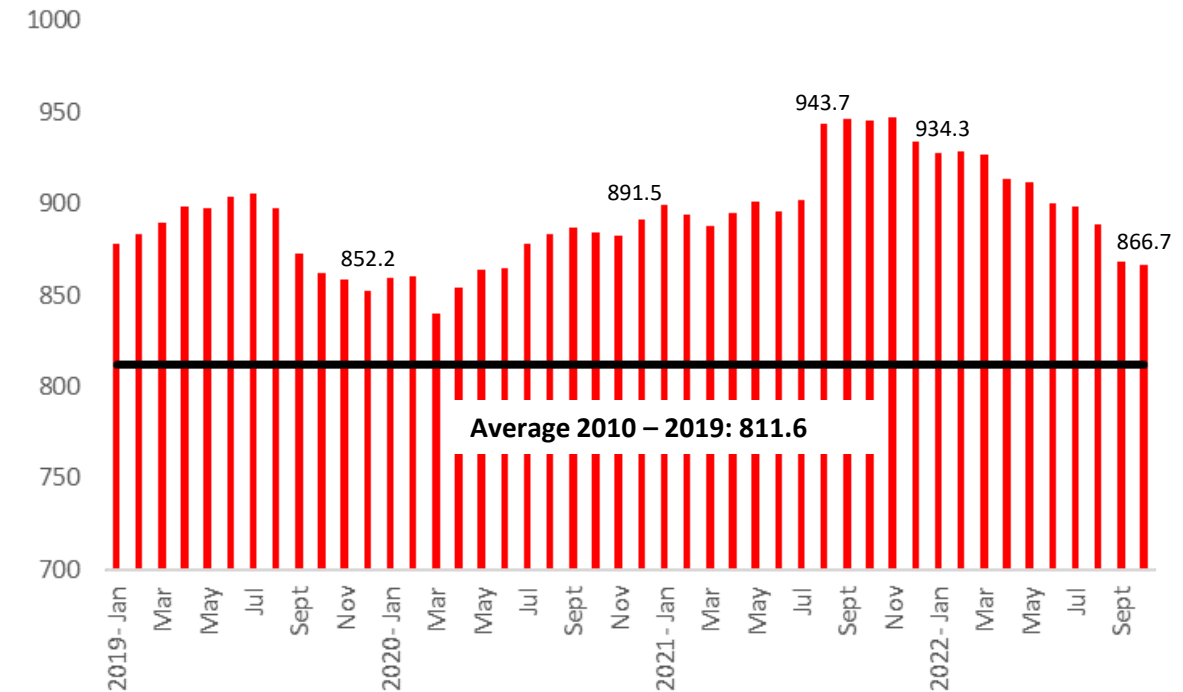
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from JP Morgan and Invenómica [online] www.invenomica.com.ar.

Heightened exchange-rate volatility and currency depreciation have required greater use of international reserves

LATIN AMERICA AND THE CARIBBEAN: VARIATIONS IN THE NOMINAL EXCHANGE RATE AGAINST THE DOLLAR, 2022
(Year-on-year variation in percentages)



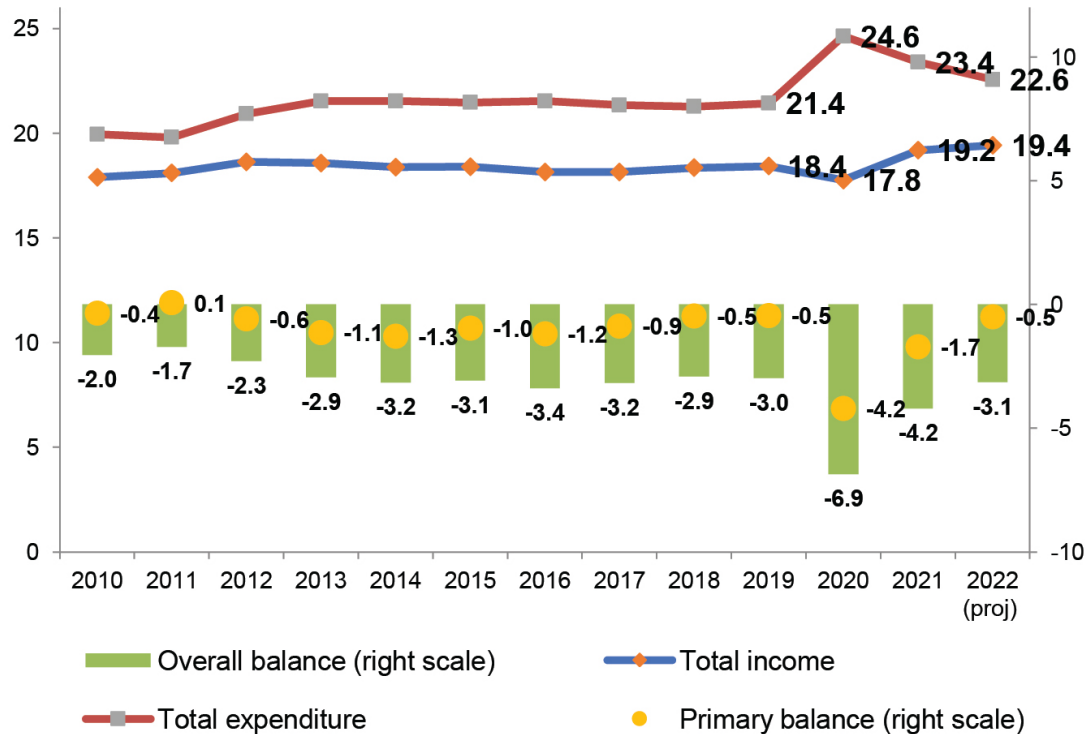
LATIN AMERICA AND THE CARIBBEAN: INTERNATIONAL RESERVES, JANUARY 2019–OCTOBER 2022
(Billions of dollars)



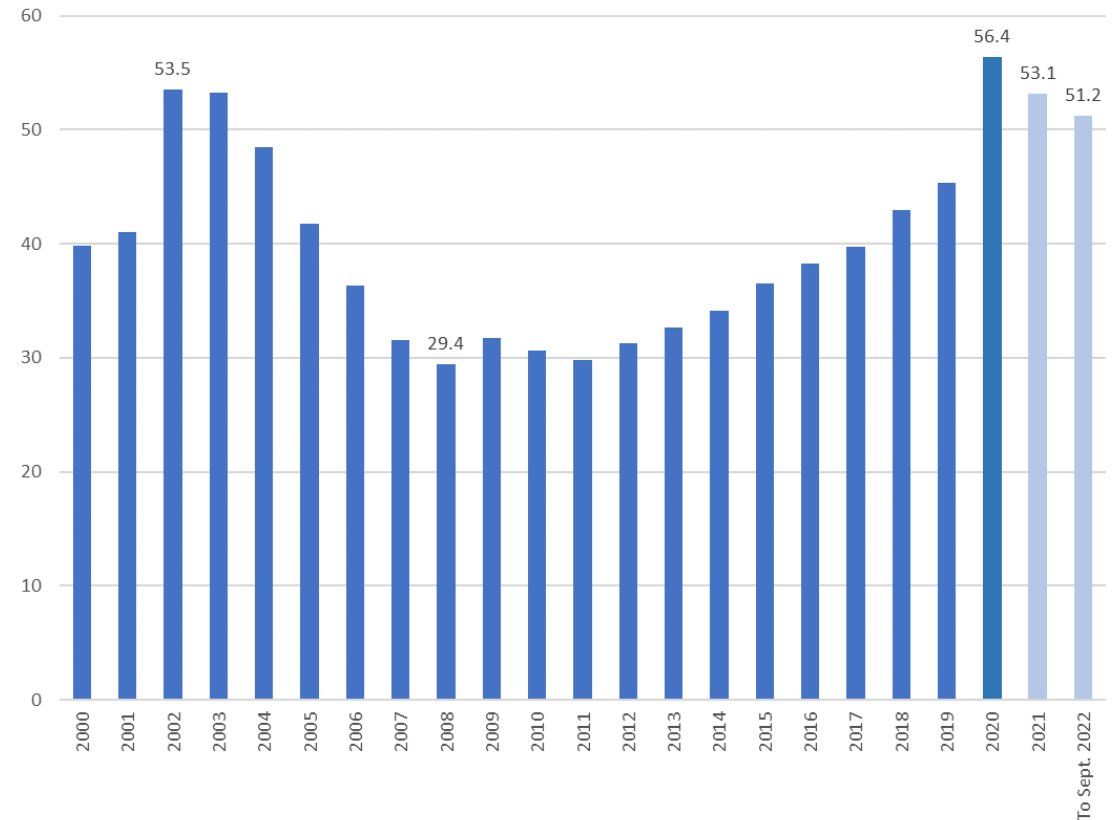
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Note: Positive values denote depreciation; negative values denote appreciation.

In Latin America, fiscal deficits are approaching pre-pandemic levels, but public debt remains high despite having fallen in 2022

LATIN AMERICA (16 COUNTRIES): CENTRAL GOVERNMENT FISCAL INDICATORS, 2010–2021, AND 2022 PROJECTIONS
(Percentages of GDP)



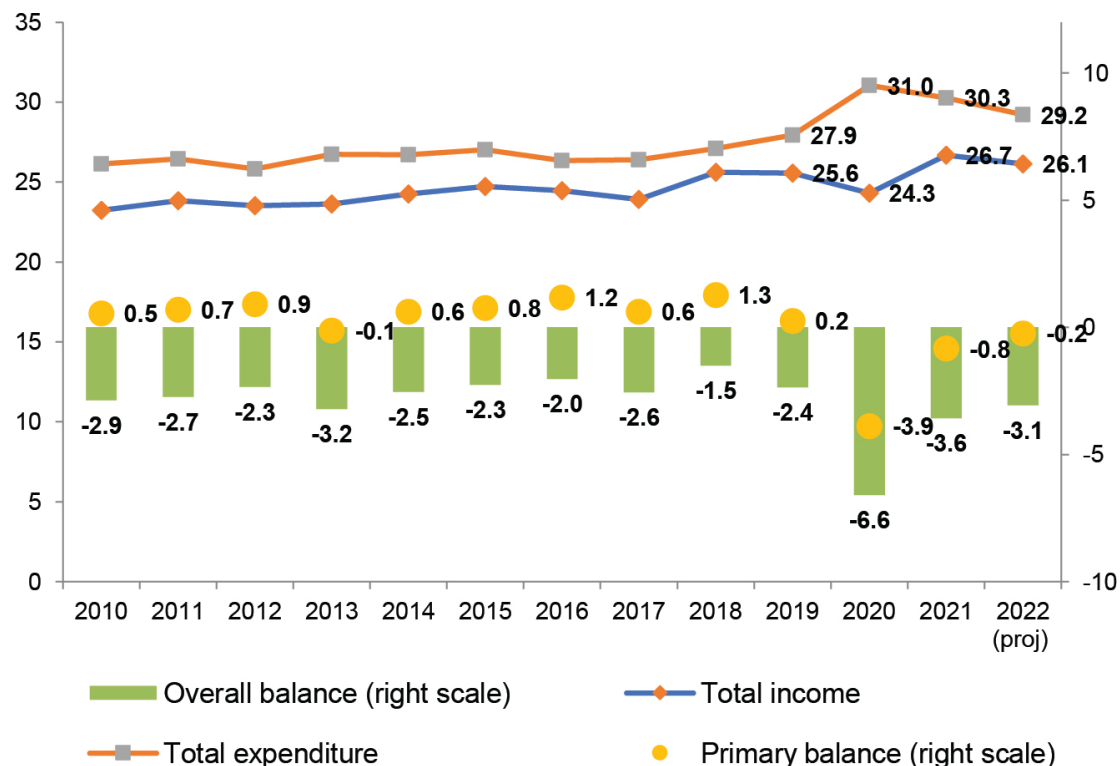
LATIN AMERICA (16 COUNTRIES): CENTRAL GOVERNMENT GROSS PUBLIC DEBT, 2000–SEPTEMBER 2022
(Percentages of GDP)



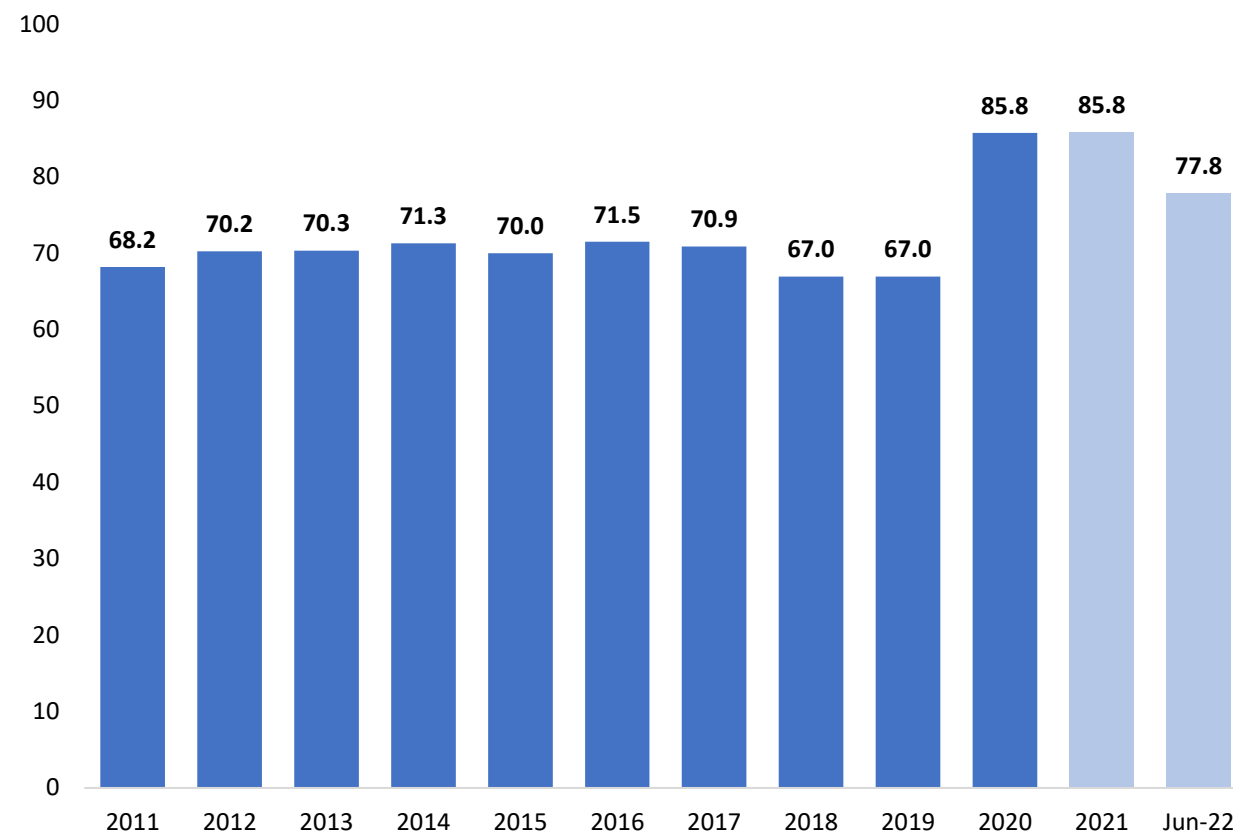
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

In the Caribbean, fiscal deficits are also narrowing and public debt remains high

THE CARIBBEAN (12 COUNTRIES): CENTRAL GOVERNMENT FISCAL INDICATORS, 2010–2021, AND 2022 PROJECTIONS
(Percentages of GDP)



THE CARIBBEAN (13 COUNTRIES): CENTRAL GOVERNMENT GROSS PUBLIC DEBT, 2011–JUNE 2022
(Percentages of GDP)



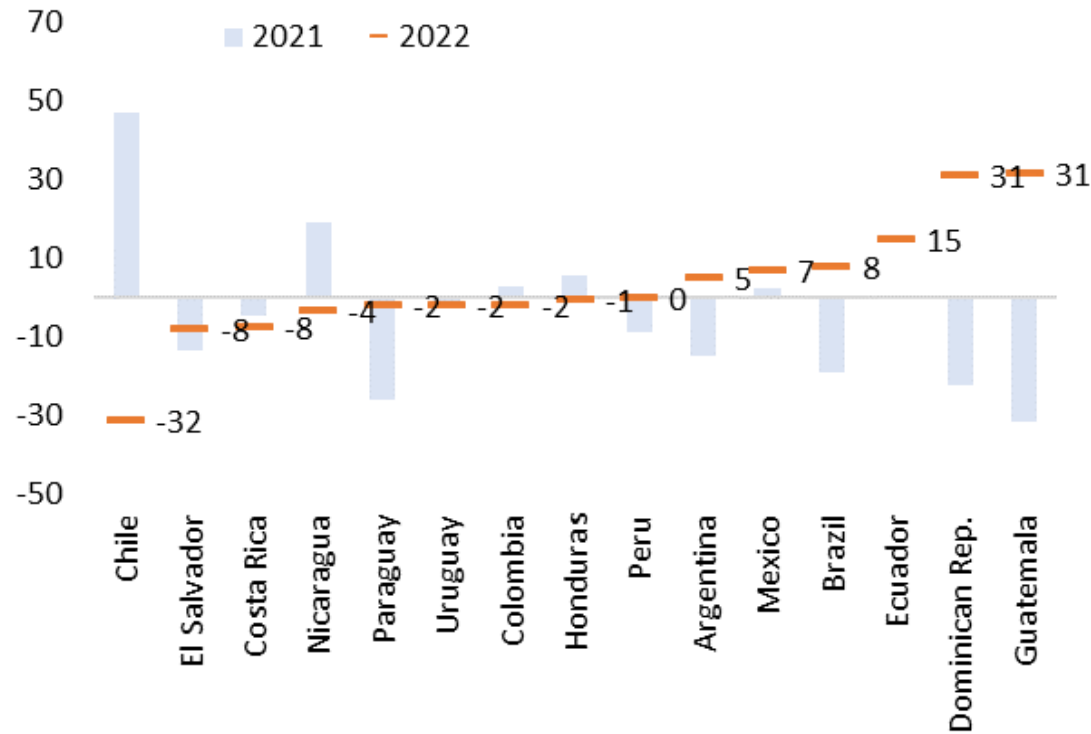
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Subsidy and transfer trends are uneven across countries in 2022, but remain above 2019 levels

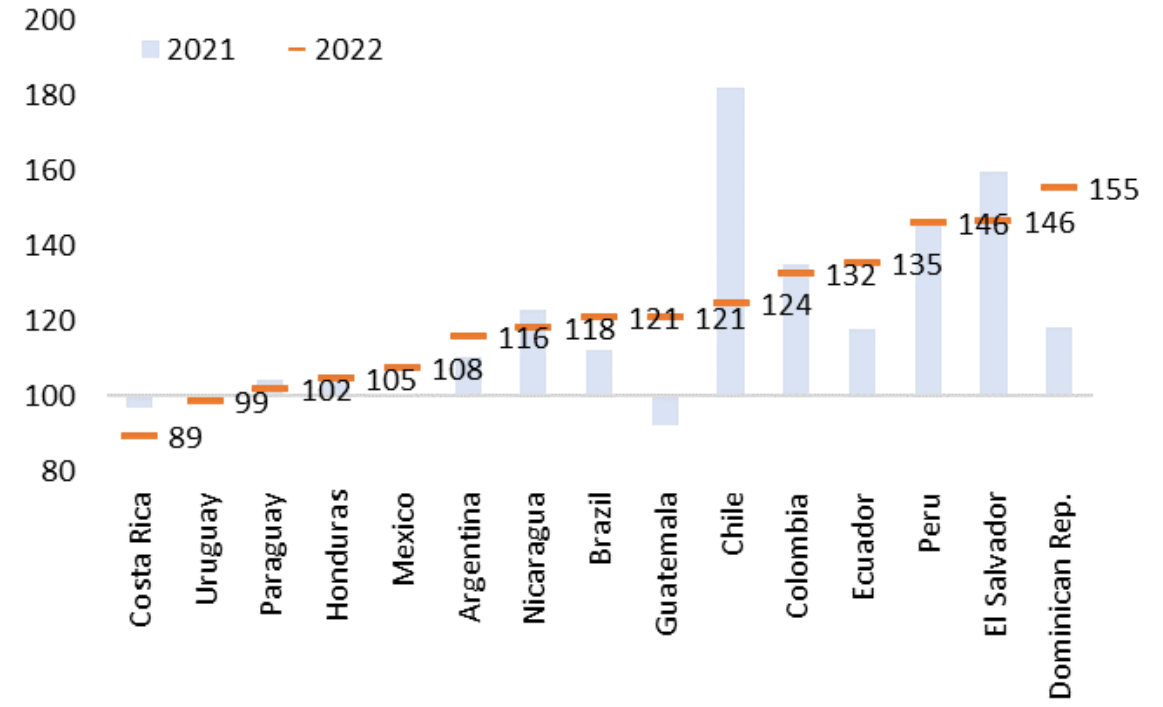
LATIN AMERICA (SELECTED COUNTRIES): EXPENDITURE ON SUBSIDIES AND CURRENT TRANSFERS FROM CENTRAL GOVERNMENT, JANUARY 2021–SEPTEMBER 2022

(Percentages, on the basis of constant prices and index)

Year-on-year variation at constant prices, January–September, 2021 and 2022
(Percentages)



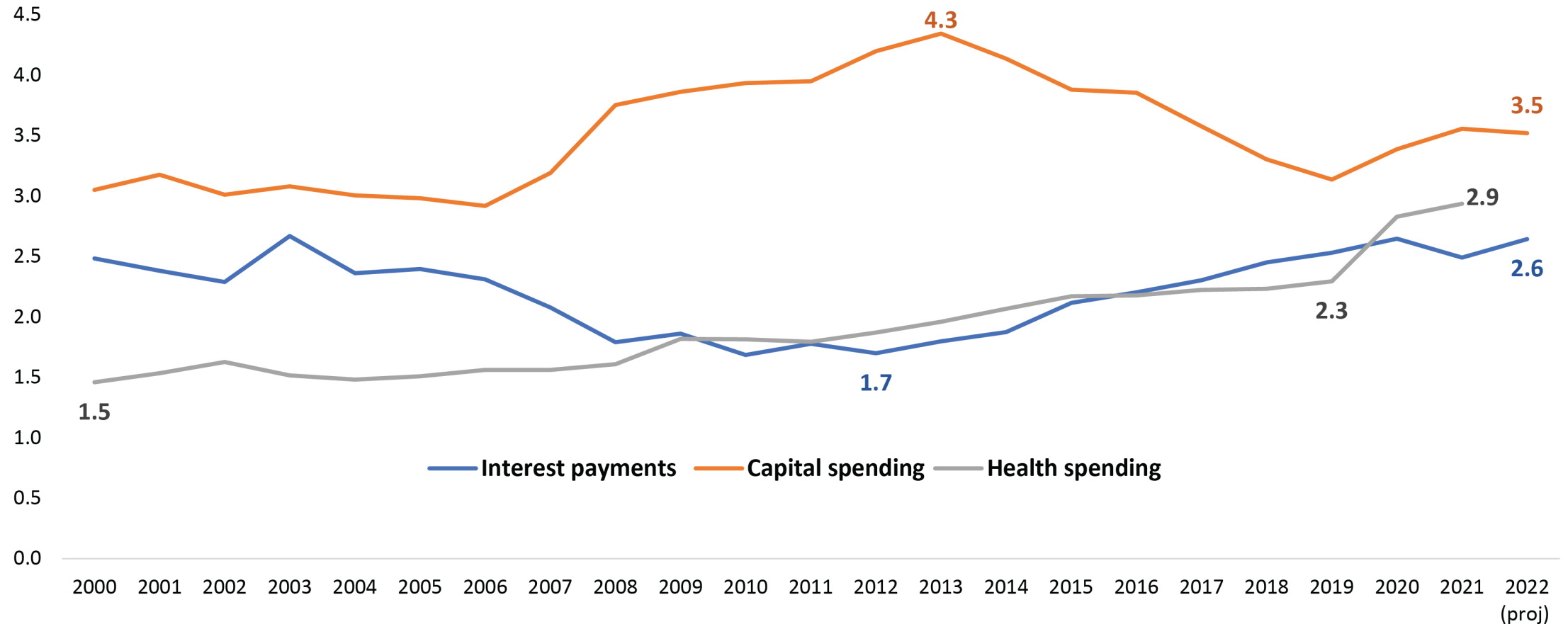
Subsidies and transfers, January–September, 2021 and 2022
(Index: 100=January–September 2019 at constant prices)



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

Higher interest payments are diverting resources away from other public spending priorities

LATIN AMERICA (16 COUNTRIES): CENTRAL GOVERNMENT INTEREST PAYMENTS, CAPITAL SPENDING AND HEALTH SPENDING, 2000–2021, AND PROJECTIONS FOR 2022
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Note: The figures for health spending refer to a sample of 17 countries including the Plurinational State of Bolivia.

Recovery in the region's labour markets remains slow and uneven

LATIN AMERICA AND THE CARIBBEAN (20 COUNTRIES):^a UNEMPLOYMENT RATE AND PARTICIPATION RATES, TOTAL AND BY GENDER, VARIATION IN NUMBER OF EMPLOYED PERSONS, INFORMALITY RATE, 2019–2021, ESTIMATES AND PROJECTIONS FOR 2022 AND 2023

	2019	2020	2021	2022 ^b	2023 ^c
Total unemployment rate	7.9	10.3	9.3	7.3	7.4
Unemployment rate among men	6.8	9.1	7.7	6.1	6.2
Unemployment rate among women	9.5	12.1	11.3	9.0	9.1
Gap between unemployment rates	2.8	3.0	3.6	2.9	2.9
Total participation rate	63.3	59.03	61.4	62.6	63.1
Participation rate among men	75.5	71.0	73.7	74.8	75.3
Participation rate among women	51.8	47.9	47.9	51.0	51.5
Gap between participation rates	23.7	23.1	25.8	23.8	23.7
Growth in the number of employed persons	1.8	-8.1	6.3	5.3	1.9
Informality rate	48.4	46.2	47.9	48.1	48.4
Change in average wage ^d	0.6	-0.6	1.6	-0.7	

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

^a Argentina, the Bahamas, Barbados, Belize, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.

^b Estimates.

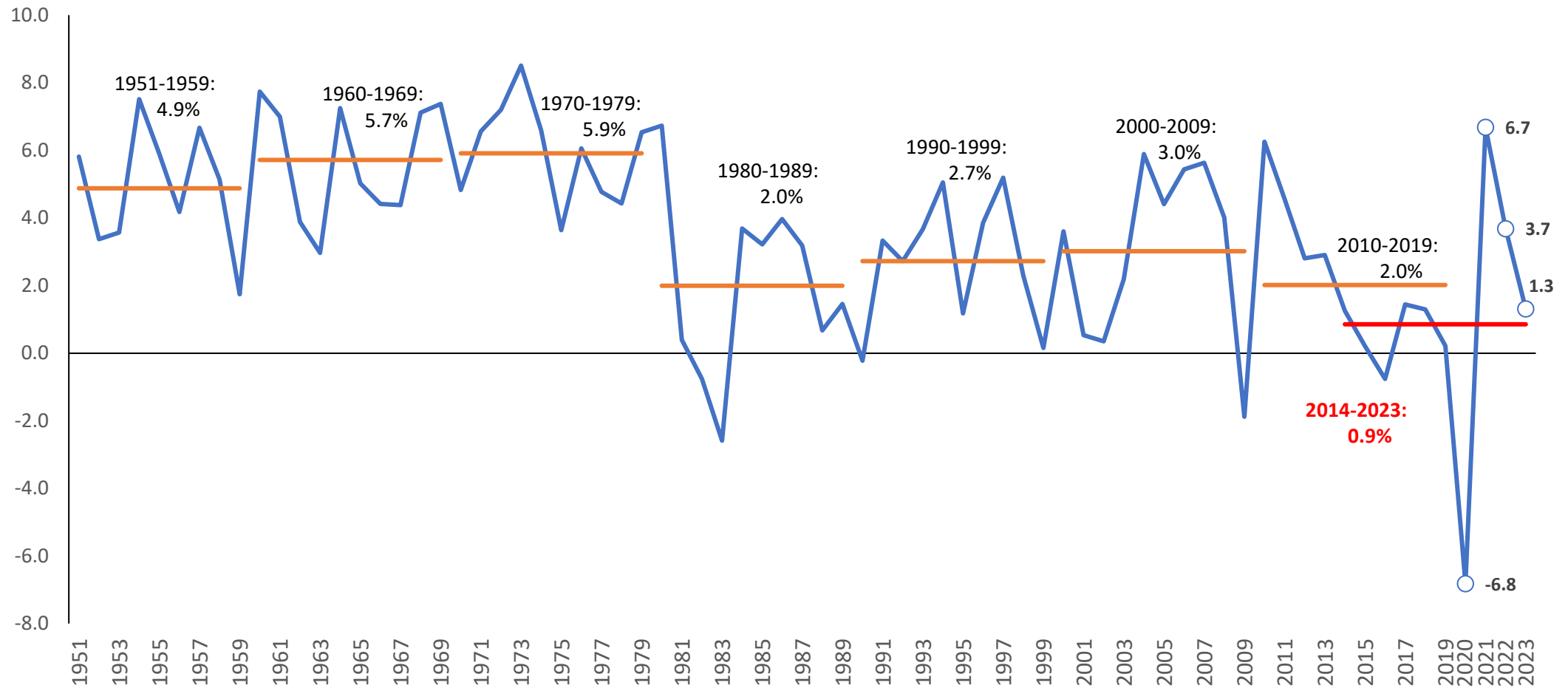
^c Projections.

^d Simple average, first half of 2022.

- The participation rate has still not returned to pre-pandemic levels.
- Job creation has slowed, in line with the general slowdown in activity.
- Gender gaps remain in participation and unemployment rates.
- Informality has increased.
- Real wages have decreased.

In the decade 2014–2023, the region is expected to record even weaker growth than in the last decade during the debt crisis

LATIN AMERICA AND THE CARIBBEAN: GDP GROWTH, 1951–2023
(Percentages)



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

Summing up

- The current juncture poses challenges for macroeconomic management:
 - On the fiscal front, premature adjustments to spending should be avoided and fiscal space should be expanded through the reduction of tax evasion and avoidance, the review of tax expenditure, and reforms that increase tax collection and progressivity.
 - Progress in the efficiency and effectiveness of spending is also central to fiscal policy strengthening.
 - On the monetary and financial fronts, the toolbox must be diversified: in addition to the monetary policy rate, macroprudential and regulatory instruments should be used to help manage demand while minimizing the impact on growth.
 - The international financial architecture must undergo reform that fosters mechanisms to facilitate renegotiation of sovereign debt, mobilize global liquidity and strengthen the role of multilateral and regional financial institutions.
 - Addressing social demands requires the creation of decent jobs, the reduction of informality, inequality and poverty, and progress in climate change mitigation and adaptation.
- To speed up growth, combat inequality and tackle climate change, investment and productivity must be boosted through innovative public policies on production, trade, social issues and the care economy to avoid another lost decade.



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2022

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