Repercussions in Latin America and the Caribbean of the war in Ukraine: how should the region face this new crisis?

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Acting Executive Secretary

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The global outlook
Not one crisis, but a succession of crises

GROWTH IN WORLD GDP AND TRADE, 1994–2022
(Five-year moving averages)

RISE OF GLOBALIZATION

GLOBAL FINANCIAL CRISIS

ECONOMIC AND POLITICAL TENSION WITH CHINA

PANDEMIC

WAR IN UKRAINE

Volume of trade
GDP (right scale)
A worse outlook across the board

GDP growth, 2018–2022
(Percentages)


Accelerating inflation

Rates of inflation, year-end 2020 and 2021 and April 2021–April 2022
(Percentages)

United States: 8.3% (Year-end 2021) vs. 7.0% (Year-end 2020)

Eurozone: 7.4% (Year-end 2021) vs. 5.0% (Year-end 2020)

United Kingdom: 9.0% (April 2021–April 2022) vs. 5.4% (Year-end 2021)

Latin America and the Caribbean: 8.1% (April 2021–April 2022) vs. 6.6% (Year-end 2021)
Latin America and the Caribbean
Worse forecasts for growth

2014–2019: a meagre 0.3% per year

Following the rally in 2021, we estimated growth of 1.8% in 2022

0.3 percentage points less than we forecast in January

Source: Economic Commission for Latin America and the Caribbean (ECLAC).
Considerable differences among countries owing to the region’s heterogeneity.
### Effects on international trade: most severe in the Caribbean economies

#### Latin America and the Caribbean: annual rate of change in terms of trade, 2022

<table>
<thead>
<tr>
<th>Region</th>
<th>Annual Rate of Change (Percentages)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydrocarbon exporters</td>
<td>25.3</td>
</tr>
<tr>
<td>Brazil</td>
<td>3.0</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>1.8</td>
</tr>
<tr>
<td>Argentina</td>
<td>1.7</td>
</tr>
<tr>
<td>Mineral exporters</td>
<td>-2.2</td>
</tr>
<tr>
<td>Central America</td>
<td>-2.3</td>
</tr>
<tr>
<td>Mexico</td>
<td>-4.4</td>
</tr>
<tr>
<td>Other exporters of agro-industrial products</td>
<td>-6.9</td>
</tr>
<tr>
<td>The Caribbean (excluding Guyana, Jamaica and Trinidad and Tobago)</td>
<td>-11.6</td>
</tr>
</tbody>
</table>

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the countries of the region.
Two years of price rises: recent acceleration

12-month variation in consumer price indices (CPI), weighted average, January 2019–April 2022
(Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
Despite a fall in the unemployment rate, employment has recovered more slowly than GDP.

In 2022, the rise in the participation rate and slow job creation is expected to lead to a higher unemployment rate.

This trend affects women and their income to a greater degree.
Women’s loss of income hinders their economic autonomy

Participation rates for women have not returned to pre-crisis levels and their unemployment rates are higher than those for men.

Inflation affects women more, as their lower income levels mean they spend a larger proportion of it on day-to-day consumption by the family.

The situation is more severe in single-parent households with women heads, in which they are both breadwinners and caregivers.

**Participation and unemployment rates, weighted averages, by sex, 2015–2021 (Percentages)**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the countries of the region and projections.
Poverty and extreme poverty will rise: almost 8 million more people suffering from food insecurity

**POVERTY, 2018–2022**
*(Percentages)*

- 2018: 29.8%
- 2019: 30.5%
- 2020: 33.0%
- 2021: 32.1%
- 2022: 33.7%

**EXTREME POVERTY, 2018–2022**
*(Percentages)*

- 2018: 10.4%
- 2019: 11.4%
- 2020: 13.1%
- 2021: 13.8%
- 2022: 14.9%

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Household Survey Data Bank (BADEHOG).
Poverty estimates for 2022

Projected variation in poverty, 2021–2022

(Percentage points)

Note: Figures are for the percentage of people living in poverty. Figures for both 2021 and 2022 are ECLAC projections.
People living in poor households suffer more from price rises, owing to their higher relative spending on food and transport.

**Projected inflation for 2022, by income quintiles (Percentages)**

<table>
<thead>
<tr>
<th>Quintile</th>
<th>Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quintile I</td>
<td>8.3</td>
</tr>
<tr>
<td>Quintile II</td>
<td>8.2</td>
</tr>
<tr>
<td>Quintile III</td>
<td>7.9</td>
</tr>
<tr>
<td>Quintile IV</td>
<td>7.7</td>
</tr>
<tr>
<td>Quintile V</td>
<td>7.3</td>
</tr>
</tbody>
</table>

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information on prices and Household Survey Data Bank (BADEHOG).
Food inflation is fuelling food insecurity

Year-on-year rates of variation in the headline consumer price index (CPI) and the index for food and beverages, weighted averages, January 2017–March 2022a

(Percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis ofCEPALSTAT and national official sources.

a Population-weighted average of data from 10 countries that account for 75% of the region’s population: Brazil, Chile, Colombia, Costa Rica, Guatemala, Mexico, Paraguay, Peru, the Plurinational State of Bolivia and Uruguay.
The region imports 78% of its fertiliser consumption.

Source: ECLAC, on the basis of Food and Agriculture Organization of the United Nations (FAO), Corporate Database for Substantive Statistical Data (FAOSTAT), 2019.
Fossil fuels: united the region stands, divided it falls

Balance of trade in fossil fuels, 2017–2019 and 2020
(Percentages of GDP)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations, UN Comtrade Database.

* The groups of 25 countries exclude the figures for Argentina, the Bolivarian Republic of Venezuela, Brazil, Colombia, Ecuador, Mexico, Peru and Trinidad and Tobago.
Insufficient refinery output

Capacity utilization, 2017–2019 and 2020
(Percentages)

Argentina: 71.9, Brazil: 77.2, Colombia: 78.3, Ecuador: 66.6, Mexico: 37.9, Peru: 41.6, Trinidad and Tobago: 9.5, Other countries: 43.5, Latin America and the Caribbean: 50.2

Note: “Other countries” refers to the other countries in the region as classified by BP.
How should the region respond?
Macroeconomic policy

Maintain pro-growth monetary and fiscal policy
Use all available instruments
Fiscal policy is central to development policy
Expand fiscal space: strengthen revenue
Taxation of economic rent from natural resources

Food security

Near term:
Support well-being of the poorest
No restrictions on international trade in food and fertilizers
Maintain or increase food subsidies
Price containment agreements
Reduce or remove tariffs

Medium term:
Agricultural and industrial policies
Support for farming output
More efficient use of fertilizers and use of biofertilizers
Support for fertilizer production

Energy security

Near term:
Mechanisms to stabilize fuel prices
Targeted temporary subsidies for the most vulnerable people and sectors
Regional mechanisms for dialogue and coordination

Medium term:
Progress on renewable sources and energy integration
Latin America and the Caribbean facing a new geopolitical landscape

• The **breakdown of the globalization model** may lead to various regional configurations in which policy decisions will be based on sovereignty objectives in defence, energy, food and key industrial sectors, from the most high-tech sectors to those with widely used inputs like fertilizers.

• Given the **regionalization** of the world economy, Latin America and the Caribbean cannot afford to remain fragmented.

• Increase the role of **regional coordination in crisis responses**: developing and implementing responses that come from the region as a whole or from its integration blocs.

• The current situation represents a new opportunity to energize the regional integration project, with a focus on creating **intraregional production chains to reduce overdependence on suppliers from outside the region.**