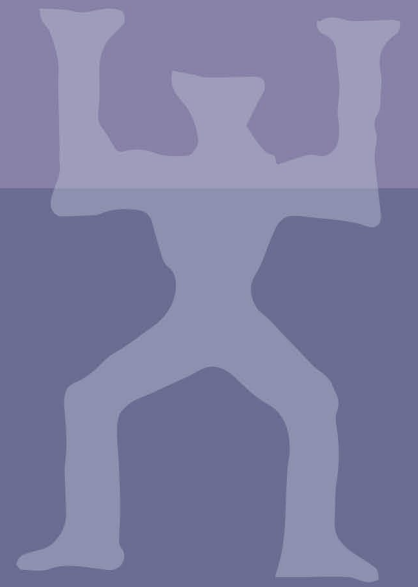
Preliminary Overview of the Economies of Latin America and the Caribbean 2024



UNITED NATIONS

ECLAC

Contents

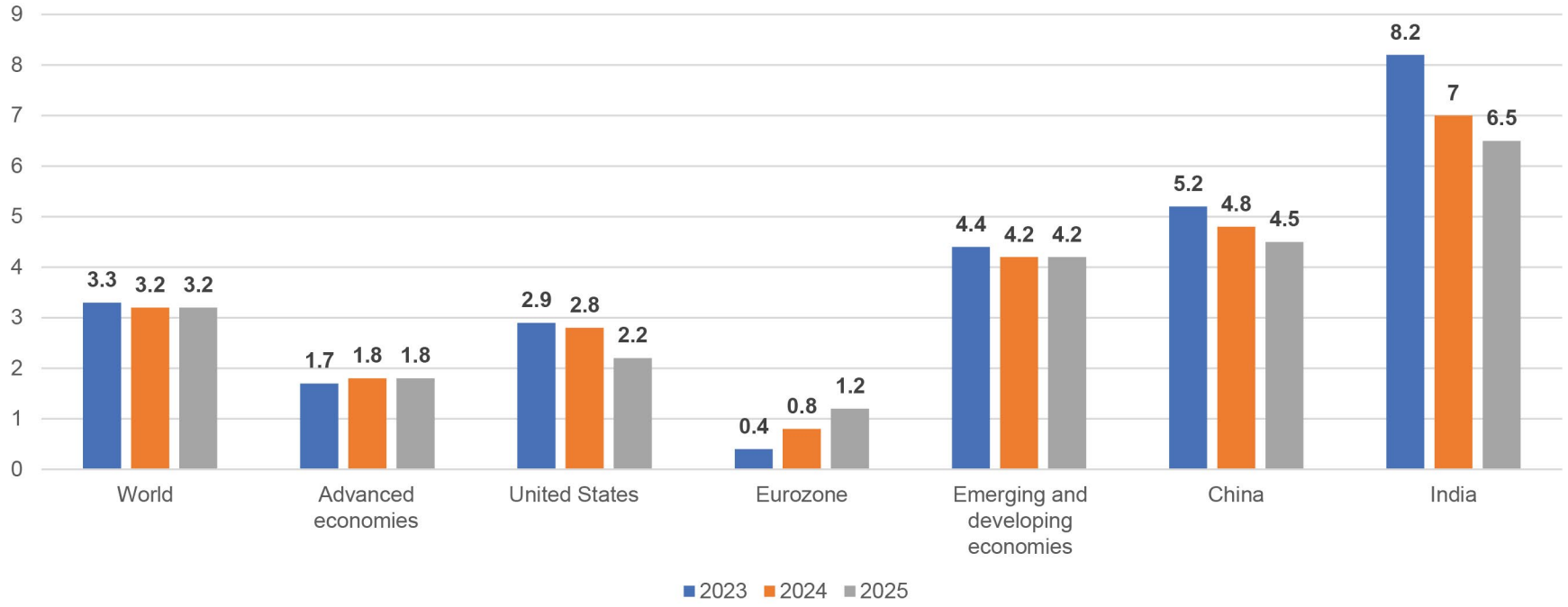
1. The global context

Key messages on the global context

- Soft landing for global growth and low growth among the region's main trading partners
- Convergence of inflation, low interest rates, appreciation of the dollar and still-high financial costs
- Growth in goods and services trade remains subdued
- Growing geopolitical tensions and protectionism

Global growth to continue at around 3.2%, with particularly slow growth in the region's main trading partners

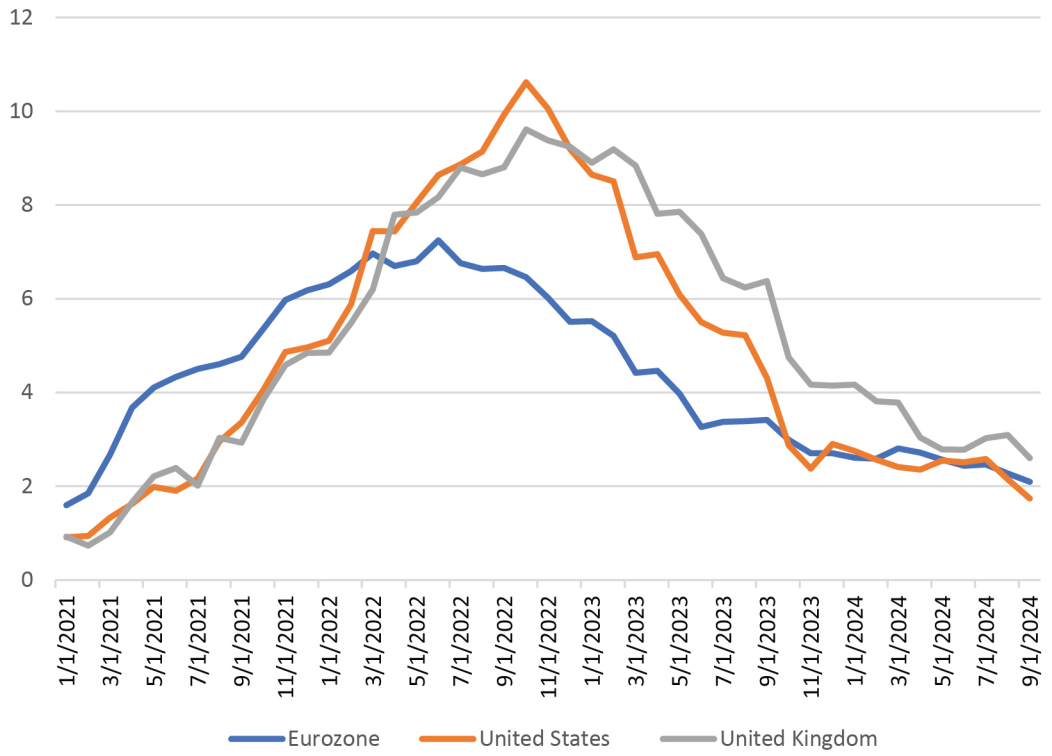
Selected regions and countries: GDP growth, 2023, and projections for 2024 and 2025
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), *World Economic Outlook: Policy Pivot, Rising Threats*, Washington, D.C., October 2024.
Nota: In India, the fiscal year begins in April and ends the following March.

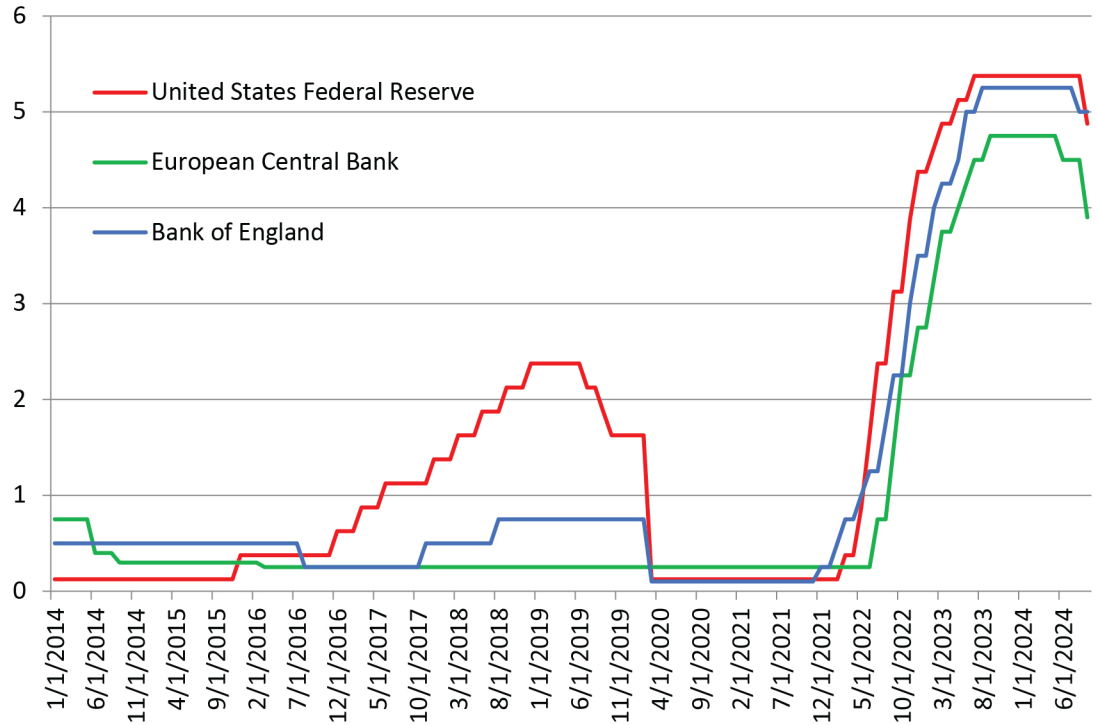
The convergence of inflation has prompted the major central banks to lower interest rates

United States, United Kingdom and eurozone: annualized monthly inflation rate, January 2021–September 2024
(Percentages)



Source: Federal Reserve Bank of St. Louis, "Economic Data", Federal Reserve Economic Data (FRED), 2024 [online] https://fred.stlouisfed.org/.

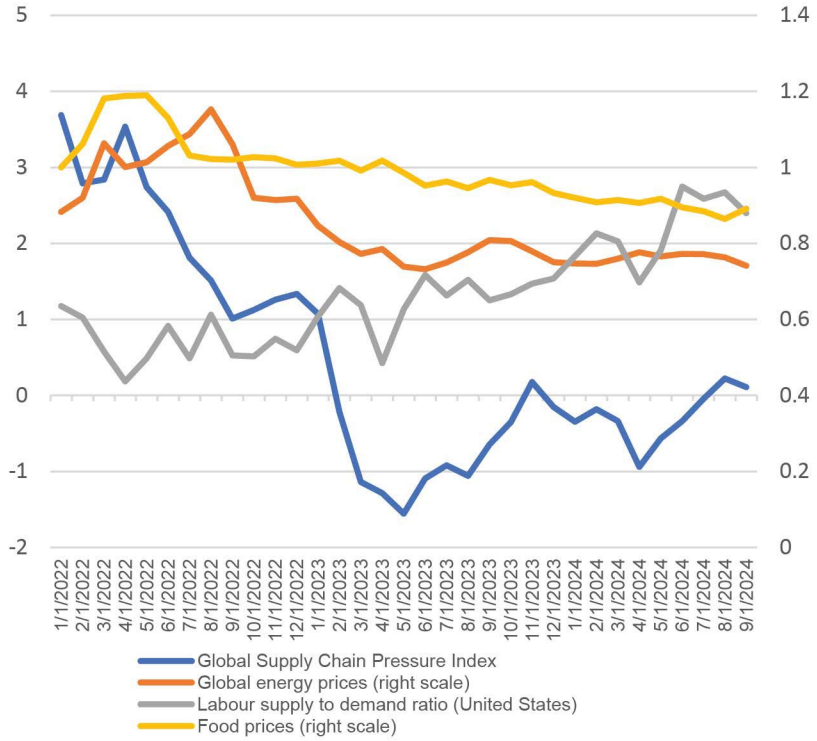
Monetary policy interest rates of major central banks, January 2014–November 2024
(Percentages)



Source: ECLAC, on the basis of Bloomberg, 2024.

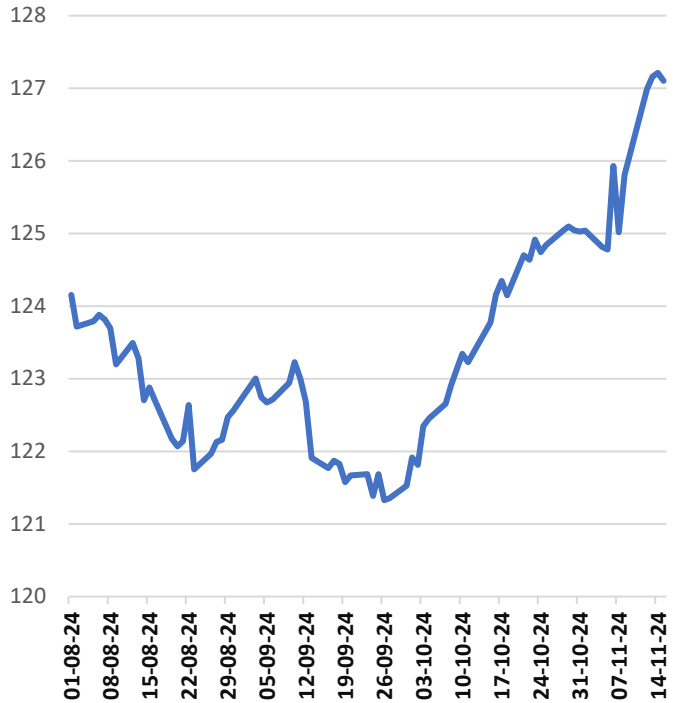
Key trends for the region

Global Supply Chain Pressure Index, global price of energy and ratio of labour supply to demand in the United States, January 2022–September 2024
(Percentages)



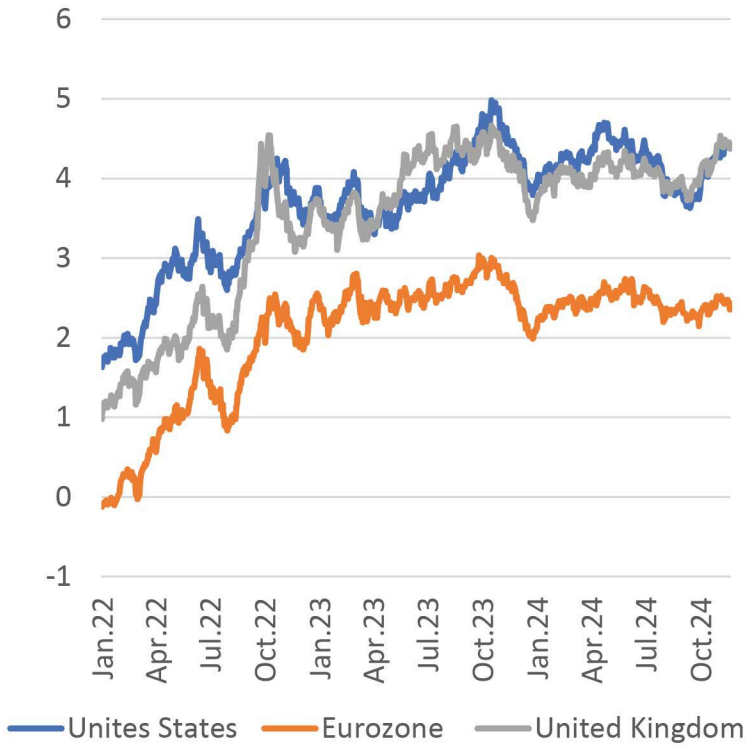
Source: Federal Reserve Bank of St. Louis, "Economic Data", Federal Reserve Economic Data (FRED), 2024 [online] https://fred.stlouisfed.org/; Federal Reserve Bank of New York, "Global Supply Chain Pressure Index(GSCPI)", 2022 [online] https://www.newyorkfed.org/research/policy/gscpi#/overview.

US Dollar Index,
1 August 2024–15 November 2024
(Index: 2006=100, daily data)



Source: Federal Reserve Bank of St. Louis, "Economic Data", Federal Reserve Economic Data (FRED), 2024 [online] https://fred.stlouisfed.org/.
Note: The U.S. Dollar Index is a measure of the United States dollar relative to a basket of foreign currencies.

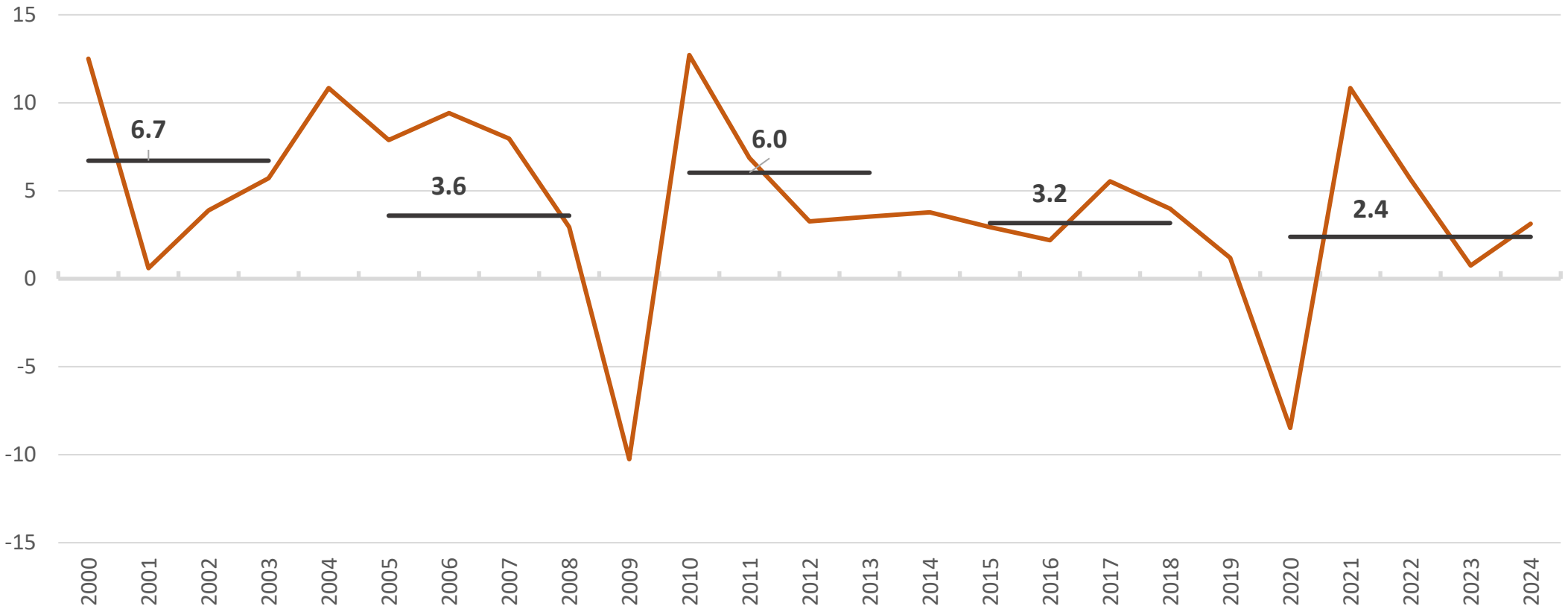
United States, eurozone and United Kingdom: 10-year sovereign bond yields, 2022–November 2024
(Percentages)



Source: Federal Reserve Bank of St. Louis, "Economic Data", Federal Reserve Economic Data (FRED), European Central Bank and Bank of England.

Despite the dynamism in services, global trade remains sluggish

Global trade in goods and services, annual rate of change and average by five-year period, 2000–2024
(Percentages)



Source: ECLAC, on the basis of International Monetary Fund (IMF), *World Economic Outlook: Policy Pivot, Rising Threats*, Washington, D.C., October 2024.

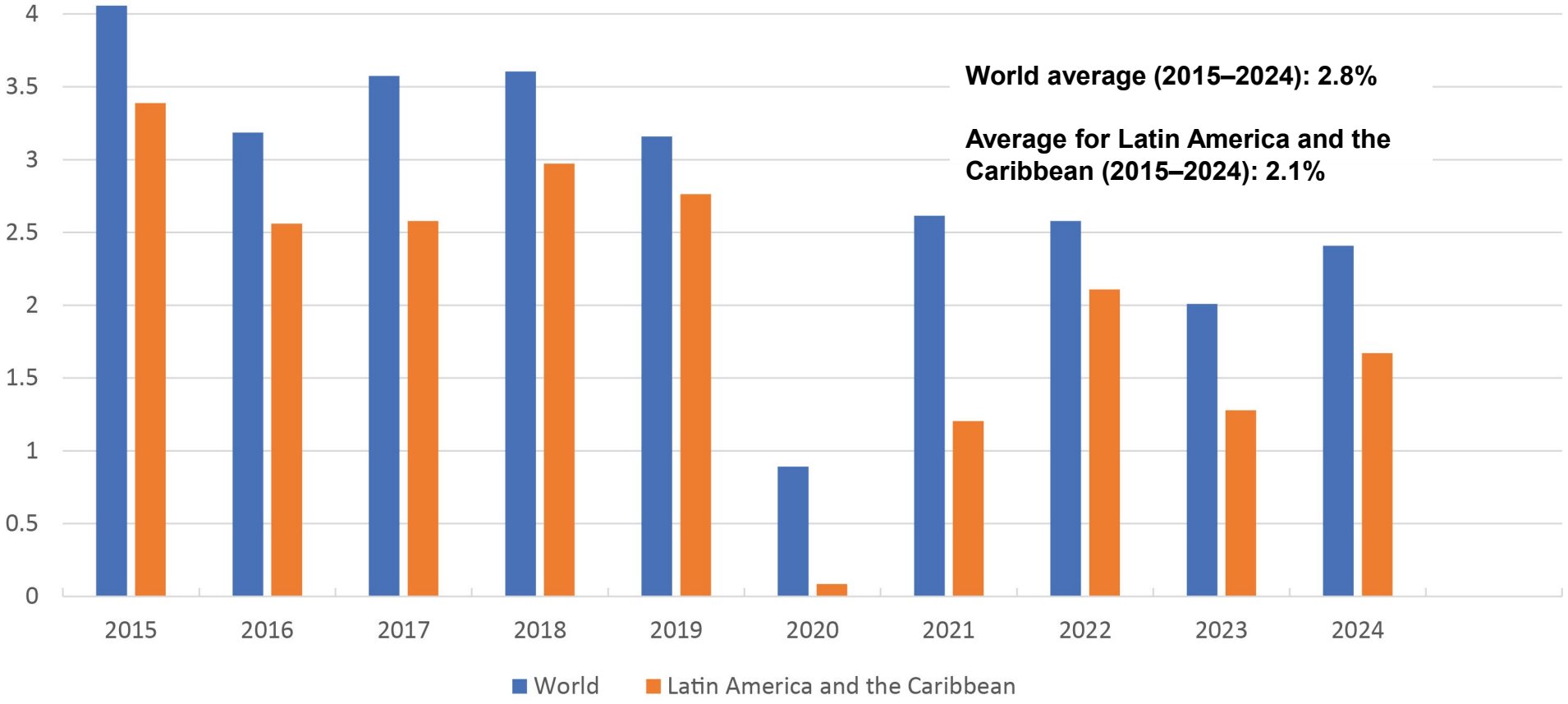
2. Limited room for growth in the region

Key messages on the external sector

- Regional exports outpaced by world exports
- Continued access to international bond markets and costs remain high
- Net resource transfer is negative
  NRT = Gross capital inflows minus gross capital outflows minus dividends minus interest.
- Interest payments continue to rise

The region's exports of goods and services are growing at a lower average rate than global exports

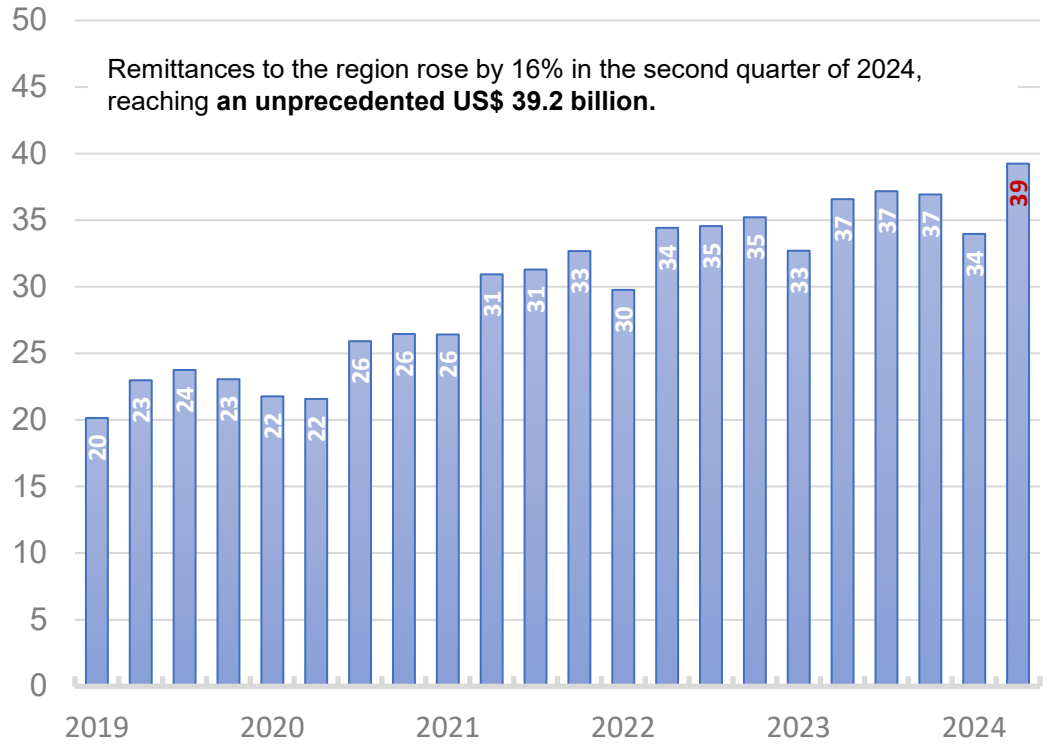
Latin America and the Caribbean: annual variation in exports of goods and services compared with the world, moving average by five-year period, 2015–2024
(*Percentages*)



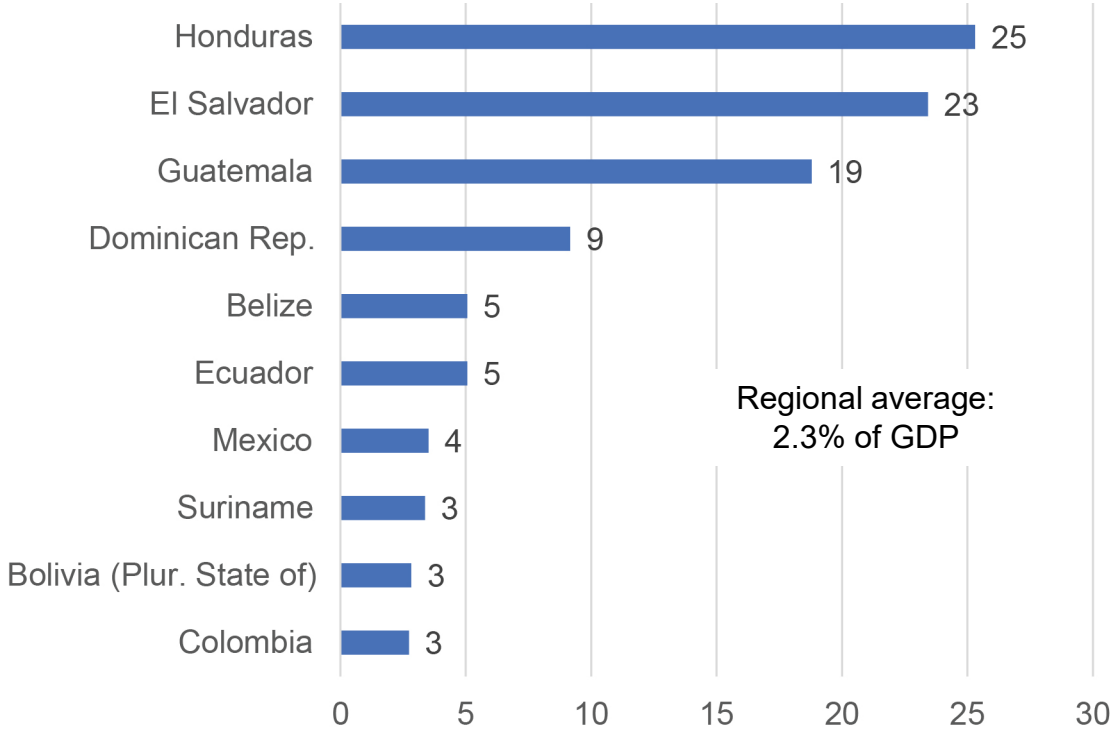
Source: ECLAC, on the basis of its own projections and International Monetary Fund (IMF), *World Economic Outlook: Policy Pivot, Rising Threats*, Washington, D.C., October 2024.

Remittances received by the region continue to grow in 2024

Latin America and the Caribbean:[a] remittance inflows by quarter, 2019–2024
(*Billions of dollars*)



Latin America and the Caribbean (selected economies): Remittances received relative to GDP, first half of 2024
(*Percentages*)



Source: ECLAC, on the basis of official data.
[a] Group comprising 19 countries on the basis of the most recent data available.

Debt issuance on international markets still on the rise and financing costs remain high

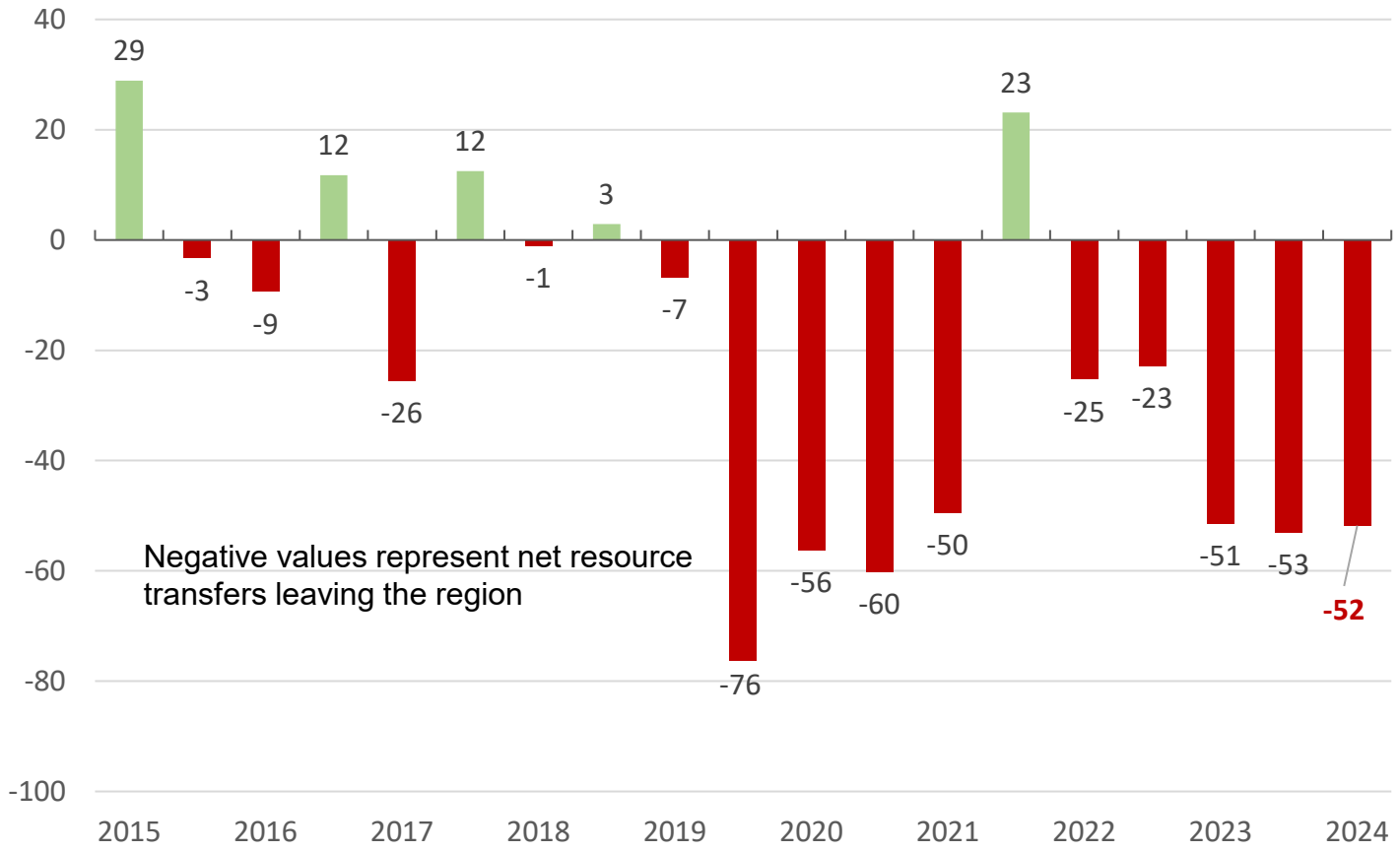
Latin America and the Caribbean: total debt issuance on international markets and average coupon
(*Millions of dollars and percentages*)

	Issuances (millions of dollars)				Average coupon	
	Total	Sovereign	Non-sovereign	Thematic issuances, % of total	All issuances	Thematic
2018	94 458	36 614	57 844	0.1%	5.2%	3.6%
2019	118 576	42 354	76 221	4.6%	5.3%	3.3%
2020	145 286	65 109	80 177	8.4%	4.3%	2.8%
2021	148 699	57 968	90 731	29.5%	3.8%	3.1%
2022	63 789	32 764	31 026	31.5%	5.7%	4.5%
2023	89 148	45 470	43 678	34.9%	7.1%	6.4%
2024*	98 879	44 574	54 304	27.6%	6.5%	6.0%

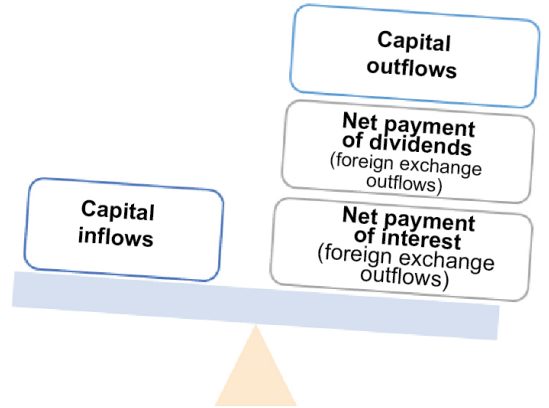
Source: ECLAC, on the basis of official data.
Note: Information up to September 2024.
The main issuers in 2024 are Brazil, Mexico, Chile, Peru, Colombia and Argentina, which together account for 76% of total issuances.

… but net resource transfers abroad are rising nevertheless

Latin America and the Caribbean:[a] net resource transfers, first half of 2015–first half of 2024
(*Billions of dollars*)



Negative net transfers*

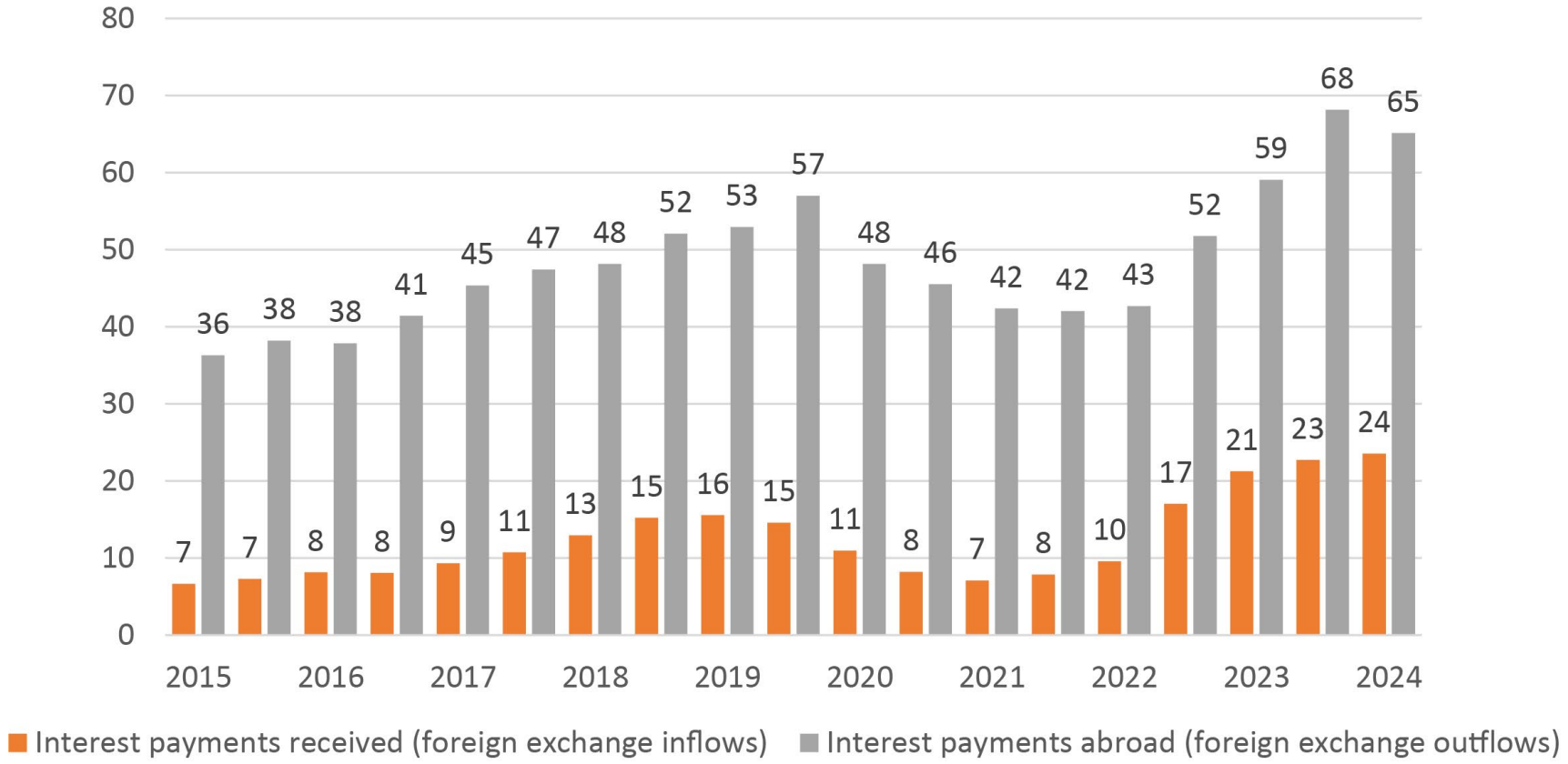


*A negative balance of reinvested earnings on FDI does not correspond to foreign exchange outflows

Source: ECLAC, on the basis of official data.
[a] Refers to 19 countries, on the basis of the most recent data available (updated to 30 November 2024).

Increased interest payments abroad account for the bulk of the region's foreign exchange outflows

Latin America and the Caribbean:[a] interest payments, first half of 2015–first half of 2024
(*Billions of dollars*)



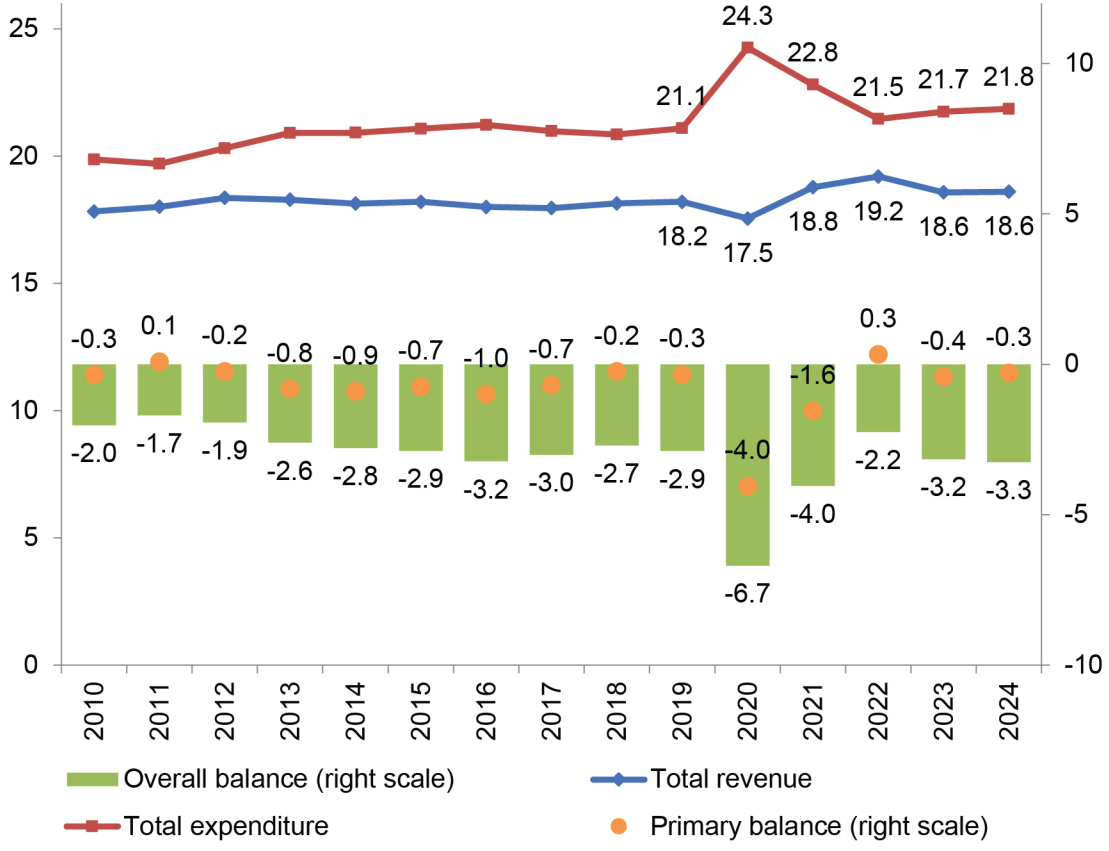
Source: ECLAC, on the basis of official data.
[a] Refers to 19 countries, on the basis of the most recent data available (updated to 30 November 2024).

Key messages on fiscal and monetary policy

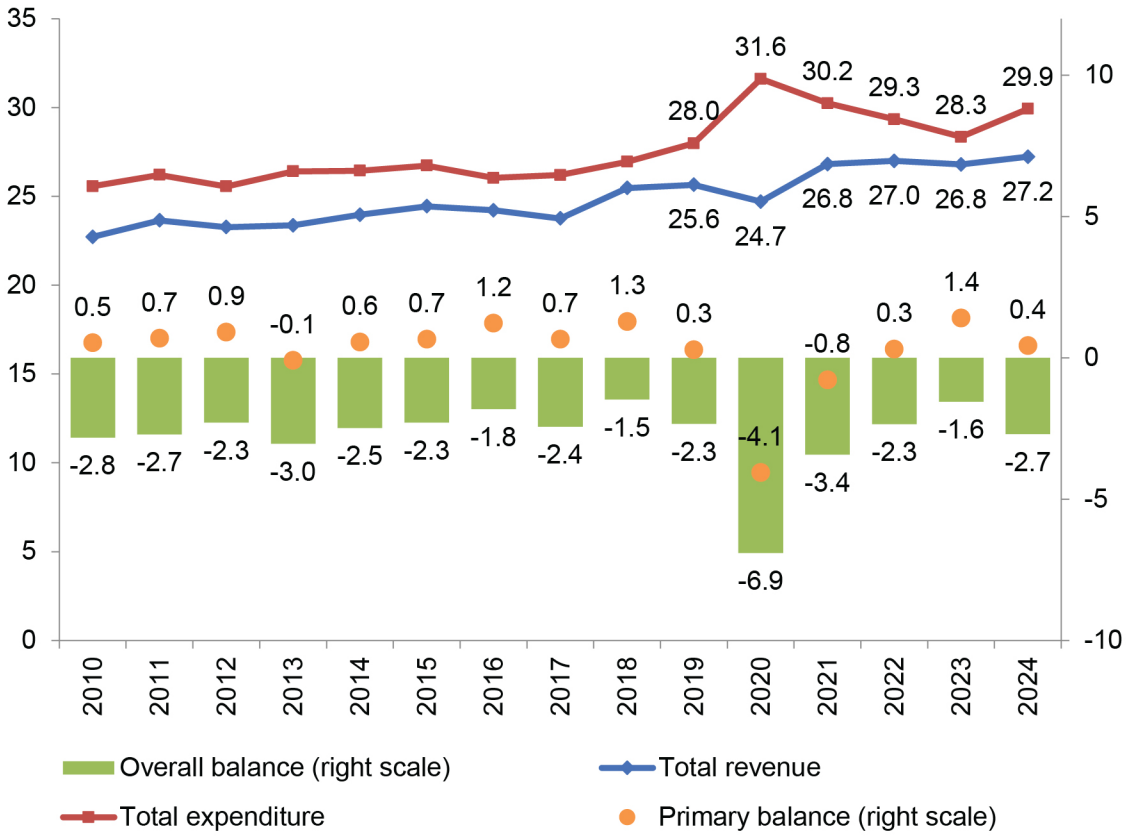
- Fiscal space is limited, and debt levels are high
- Interest payments are squeezing fiscal space
- Tax revenues are low and tax evasion, substantial
- Inflation is converging towards targets, but the last mile is the hardest
- Depreciation is straining efforts to manage monetary policy rates
- Monetary policy rates, though lower, are still above the neutral target in most countries

Fiscal space remains tight in Latin America and the Caribbean

Latin America (16 countries): central government fiscal indicators, 2010–2023 and projections for 2024
(Percentages of GDP)



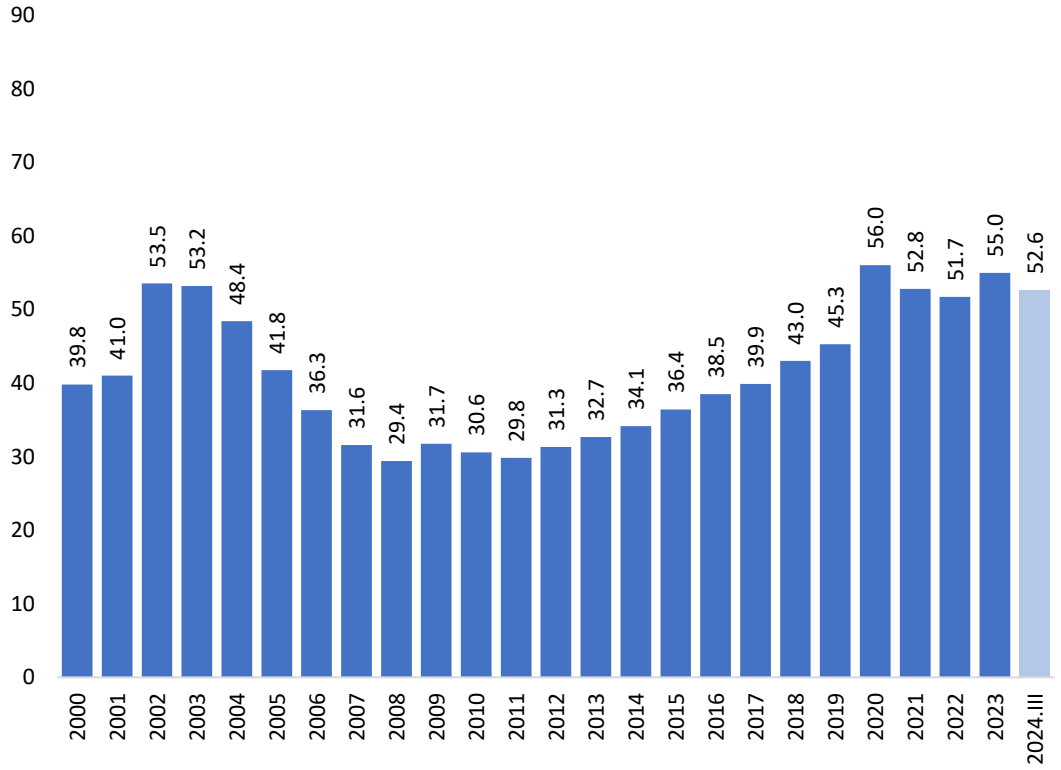
The Caribbean (12 countries): central government fiscal indicators, 2010–2023 and projections for 2024
(Percentages of GDP)



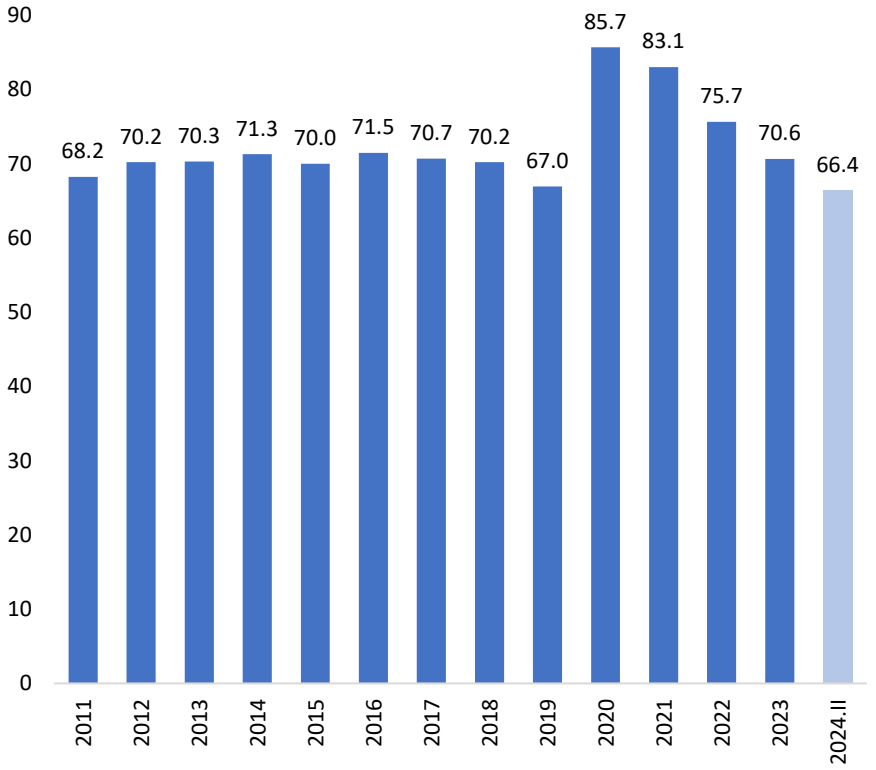
Source: ECLAC, on the basis of official data.

Public debt remains high

Latin America (16 countries): central government public debt, 2000–September 2024
(Percentages of GDP)



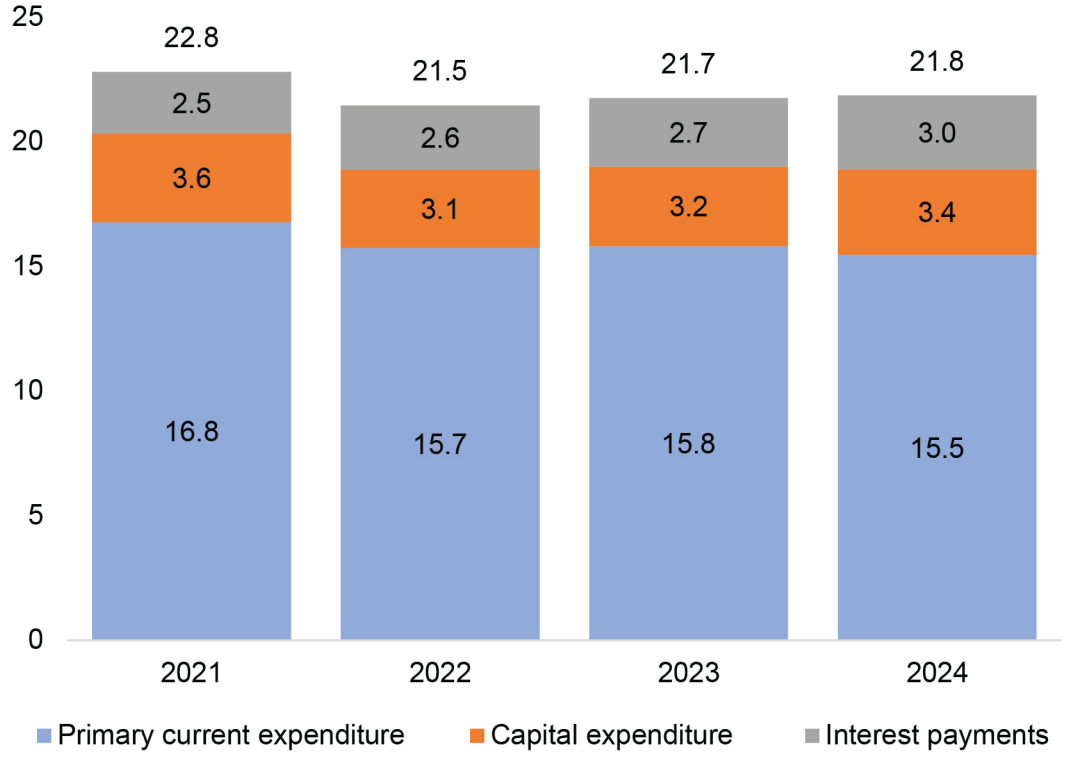
The Caribbean (13 countries): central government public debt, 2011–June 2024
(Percentages of GDP)



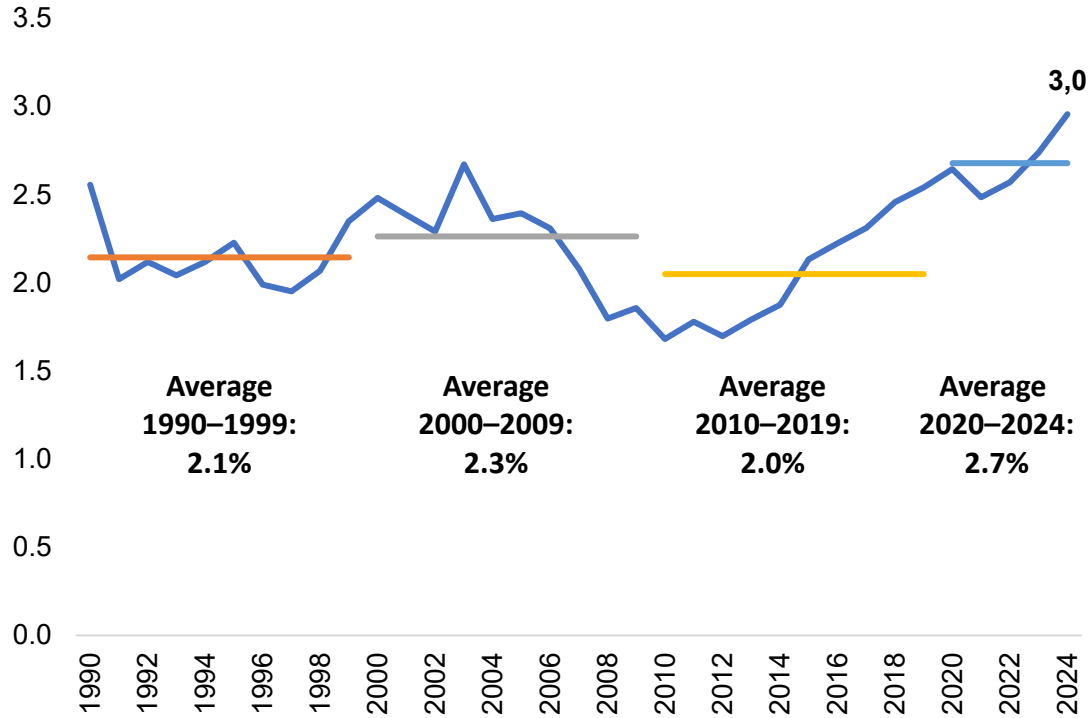
Source: ECLAC, on the basis of official data.

Projected record-high interest payments are likely to constrict policy space

Latin America (16 countries): total central government expenditure, 2021–2023 and projections for 2024
(Percentages of GDP)



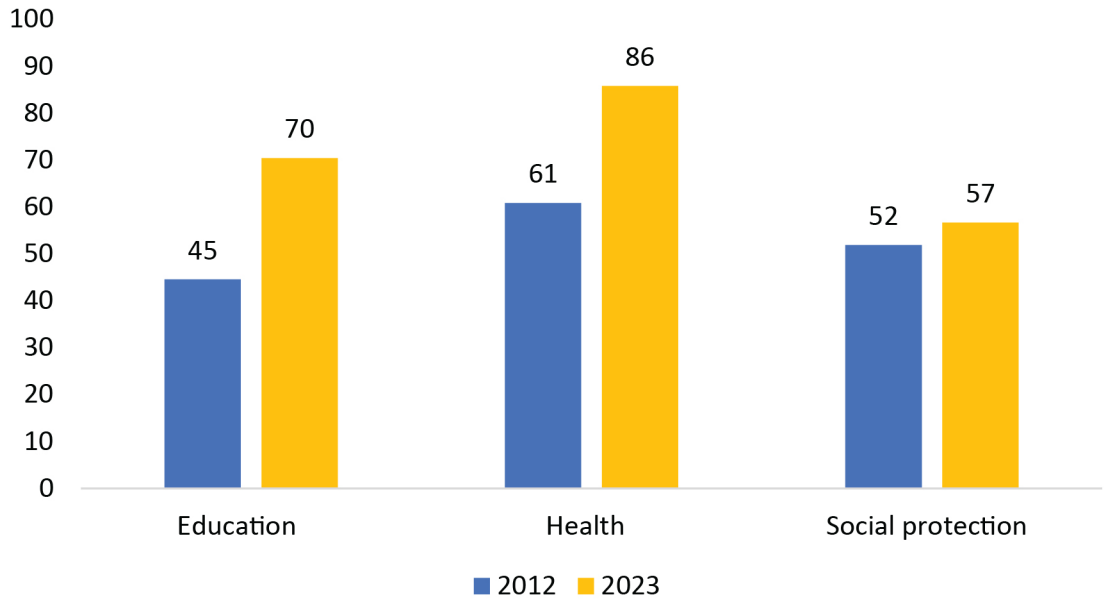
Latin America (16 countries): central government interest payments, 1990–2023 and projections for 2024
(Percentages of GDP)



Source: ECLAC, on the basis of official data.

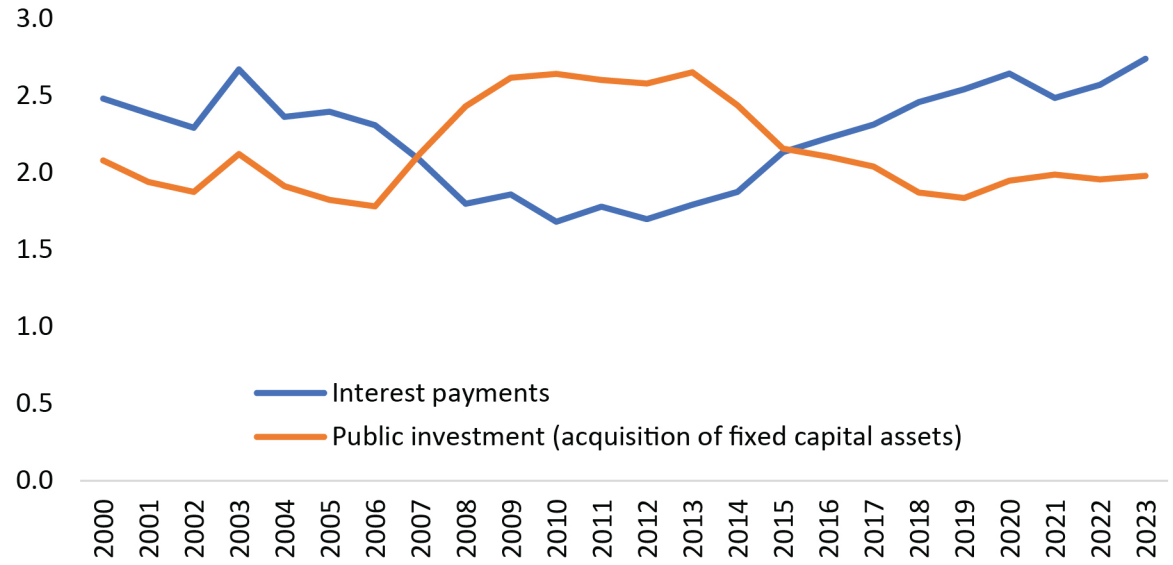
Greater allocation of resources to interest payments is causing development distress

Latin America and the Caribbean (23 countries): central government interest payments as a proportion of spending on education, health and social protection, 2012 and 2023
(Percentages)



Source: ECLAC, on the basis of official data.
Note: Figures represent medians. The data refer to the public sector for Argentina, the non-financial public sector for El Salvador and Mexico, general government for Brazil, Colombia, Costa Rica, Guatemala, Paraguay and Perú.

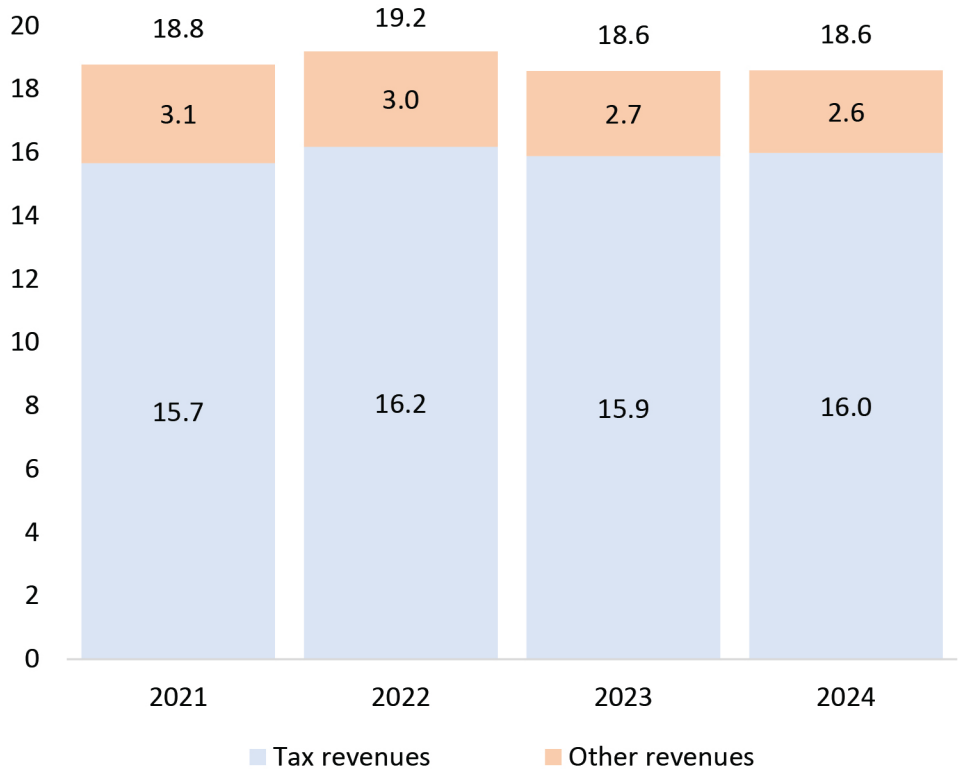
Latin America (16 countries): central government interest payments and public investment, 2000–2023
(Percentages of GDP)



Source: ECLAC, on the basis of official data.

Domestic resource mobilization constrained by weak public revenues and high tax evasion

Latin America (16 countries): total central government revenue, 2021–2023 recorded and 2024 projected
(Percentages of GDP)



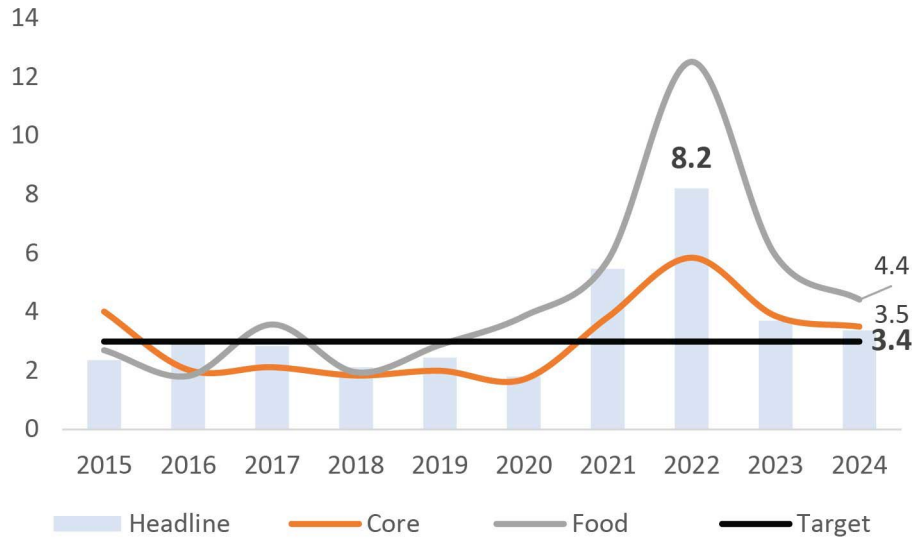
Source: ECLAC, on the basis of official data.

Latin America (17 countries): income tax and value added tax non-compliance, 2023
(Percentages of GDP)

Source: ECLAC, on the basis of official data.
Note: Estimates are based on national studies on income tax and value added tax non-compliance. The figures represent a weighted average based on GDP in dollars at current prices.

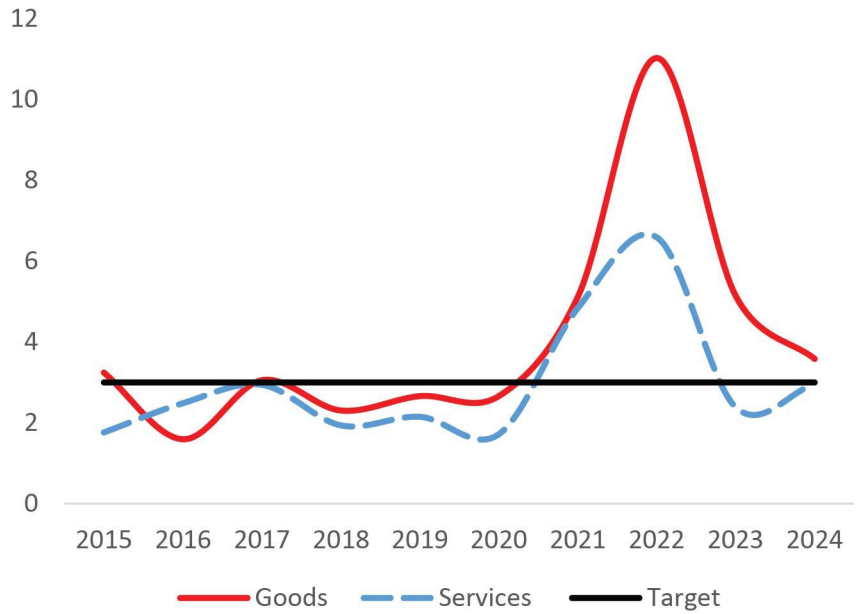
Movement of inflation towards target ranges has slowed in recent months

Latin America and the Caribbean: median rate of change in core components and food of consumer price index in 12 months, 2015–2024
(Percentages)



- Adjustments in prices of basic services increase services inflation

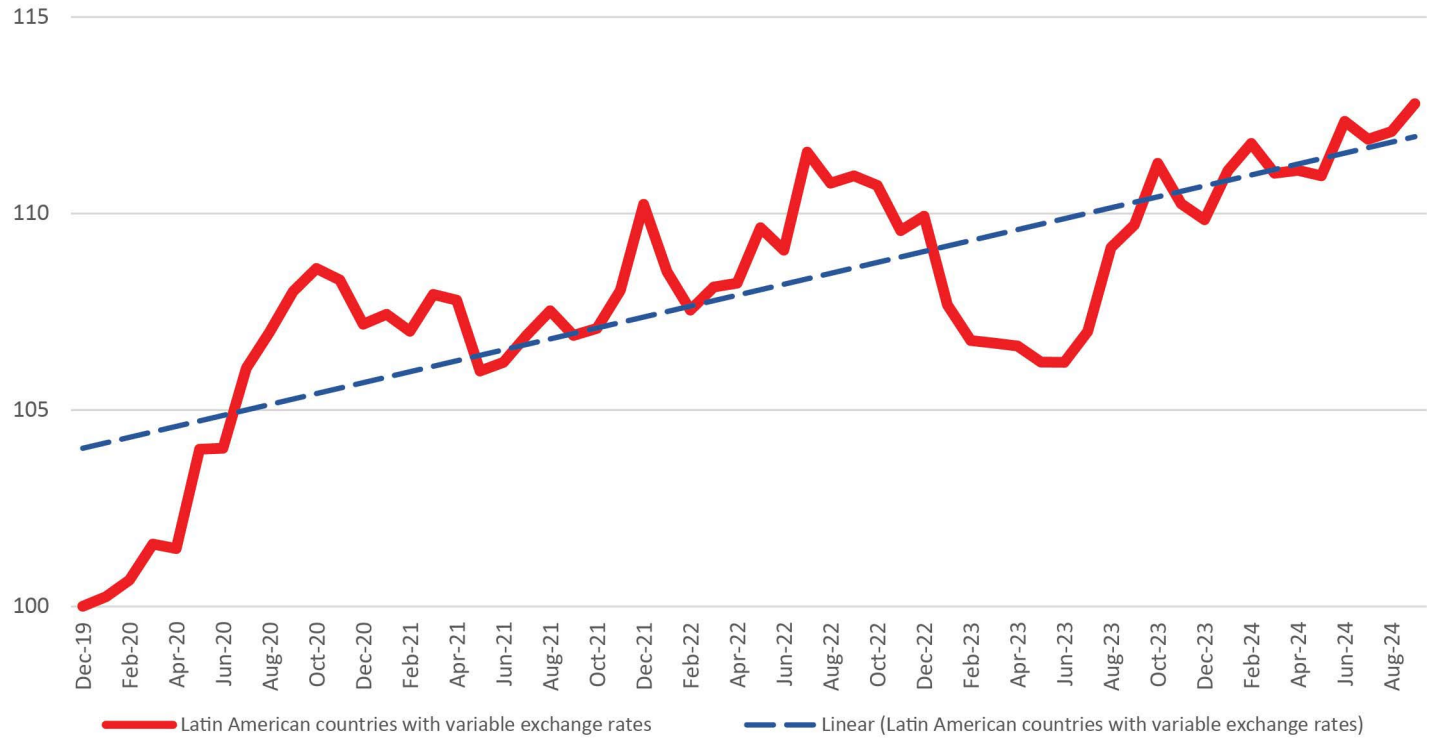
Latin America and the Caribbean: median rate of change in goods and services components of consumer price index in 12 months, 2015–2024
(Percentages)



Source: ECLAC, on the basis of official figures.

Depreciation since end-2023 has prompted caution among monetary authorities

Latin American countries with variable exchange rates: median nominal exchange rate, December 2019–September 2024
(Index: December 2019=100)

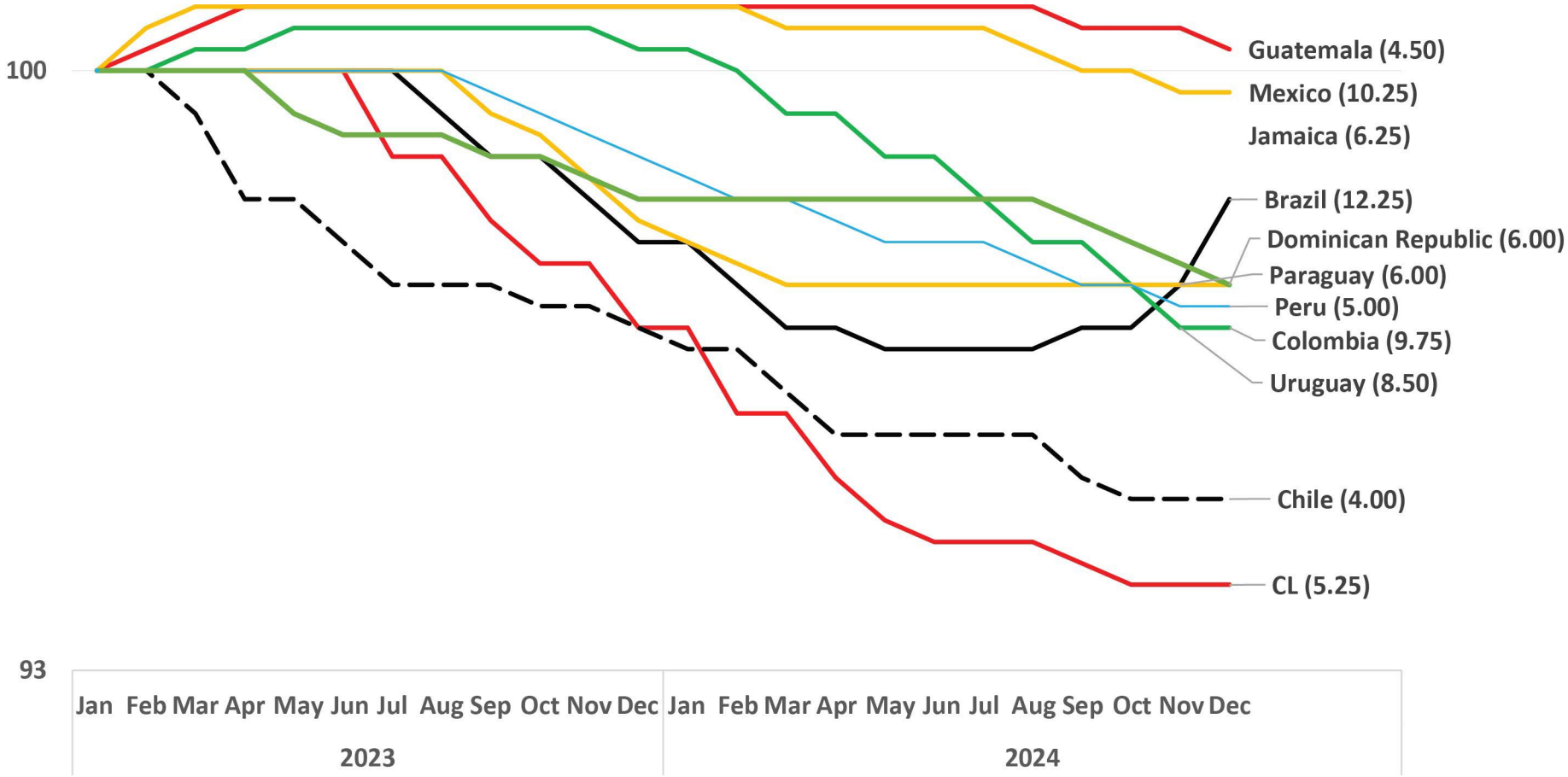


Source: ECLAC, on the basis of official figures.

Weaker inflation and rate cuts in United States result in looser monetary policy in region

Latin America and the Caribbean: monetary policy rate and rate at end of period, January 2023–November 2024

(Index: January 2023=100 basis points, percentages)



Source: ECLAC, on the basis of official figures.

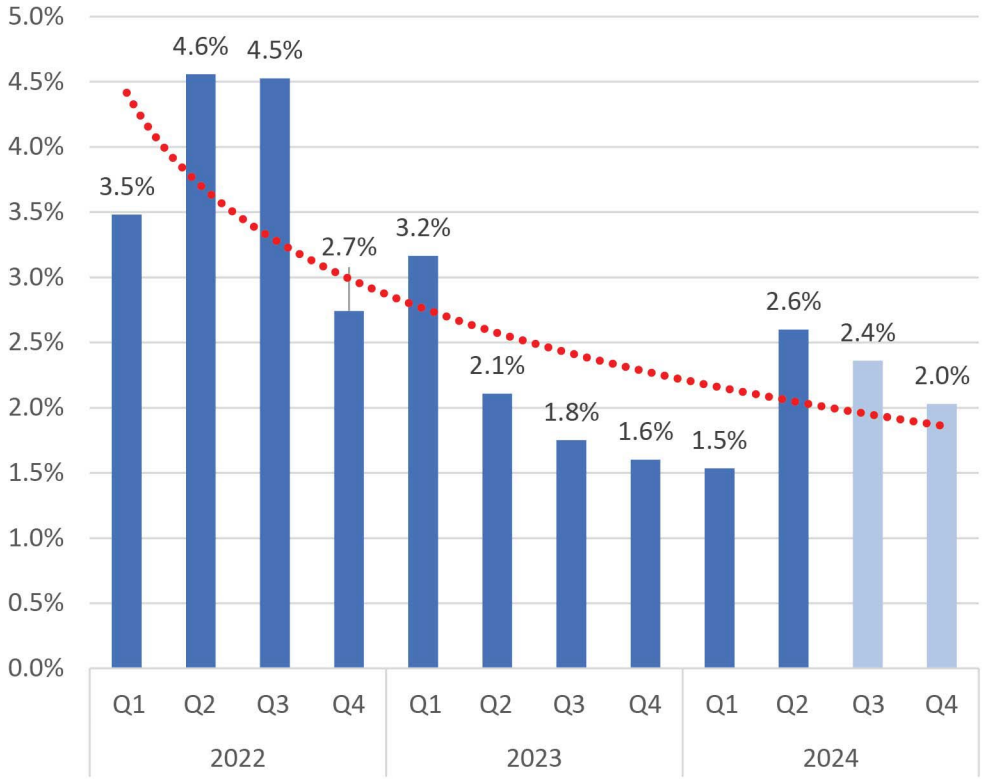
3. Economic activity

Key messages on economic activity

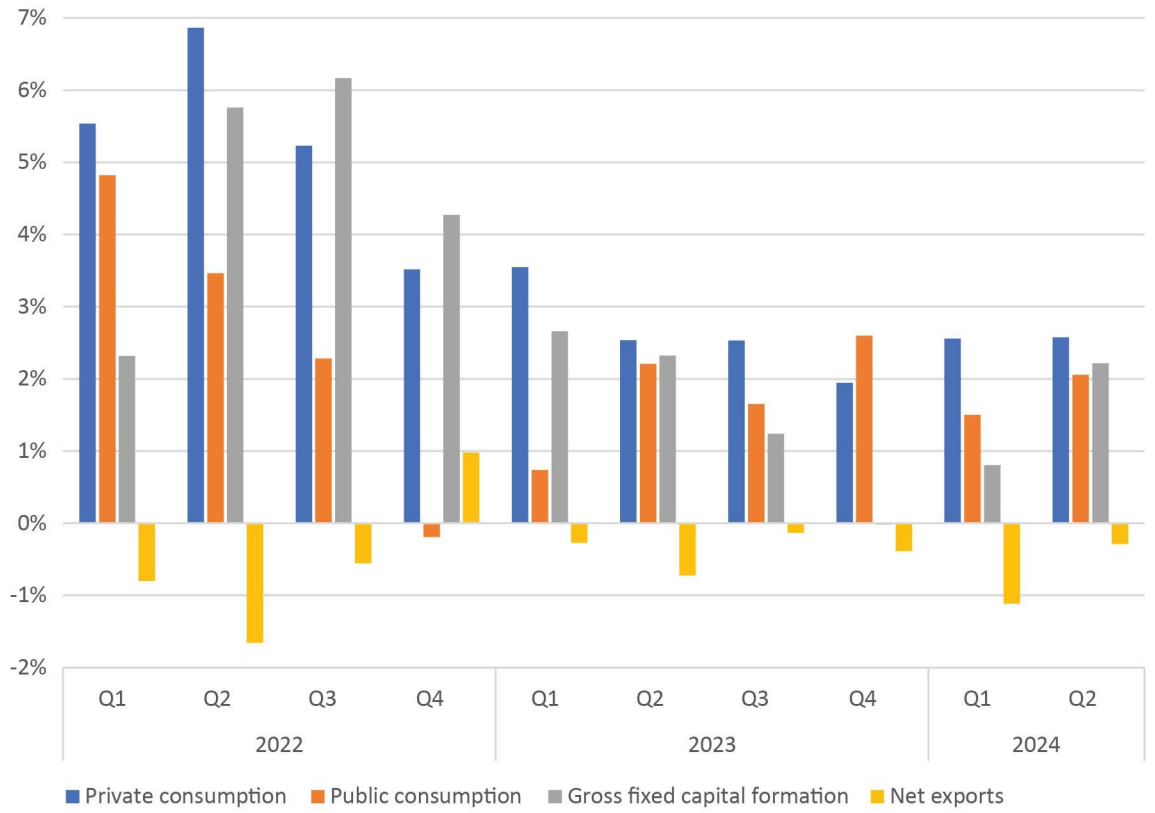
- In the region, capacity for growth remains weak and job creation is still slow
- Economic activity is being driven by consumption, with a weak impact from investment and no impact from net exports
- Growth is expected to remain low in 2024 and 2025
- The region’s contribution to global growth is decreasing while that of other developing regions is increasing

Economic activity remains low and is increasingly dependent on private consumption, less so on investment and net exports

Latin America: annual variation in GDP, first quarter of 2022–fourth quarter of 2024
(Percentages, constant dollars at 2018 prices)



Latin America: annual variation in expenditure components, first quarter of 2022–fourth quarter of 2024
(Percentages, constant dollars at 2018 prices)

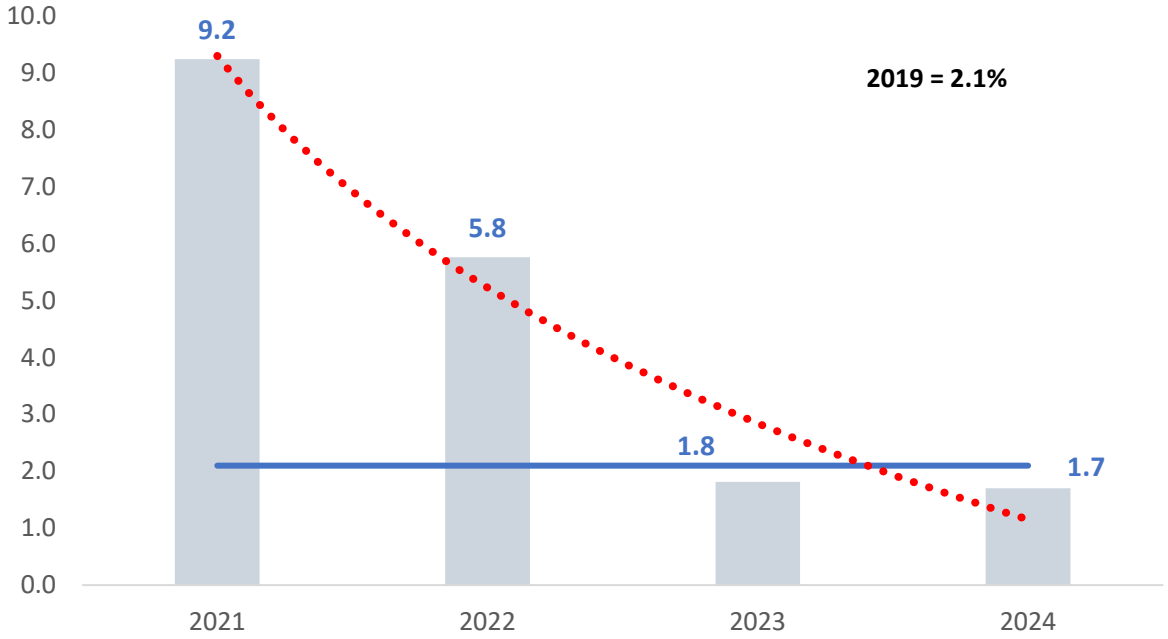


Source: ECLAC, on the basis of official data.

*Q3 and Q4 of 2024 are estimates.

Sluggish job creation, high informality and wide gender gaps persist in the region's labour markets

Latin America and the Caribbean (15 countries):[a] year-on-year variation in number of employed persons, 2021 and 2024
(Percentages)



Latin America and the Caribbean (15 countries):[a] labour market indicators, 2018–2024
(Percentages)

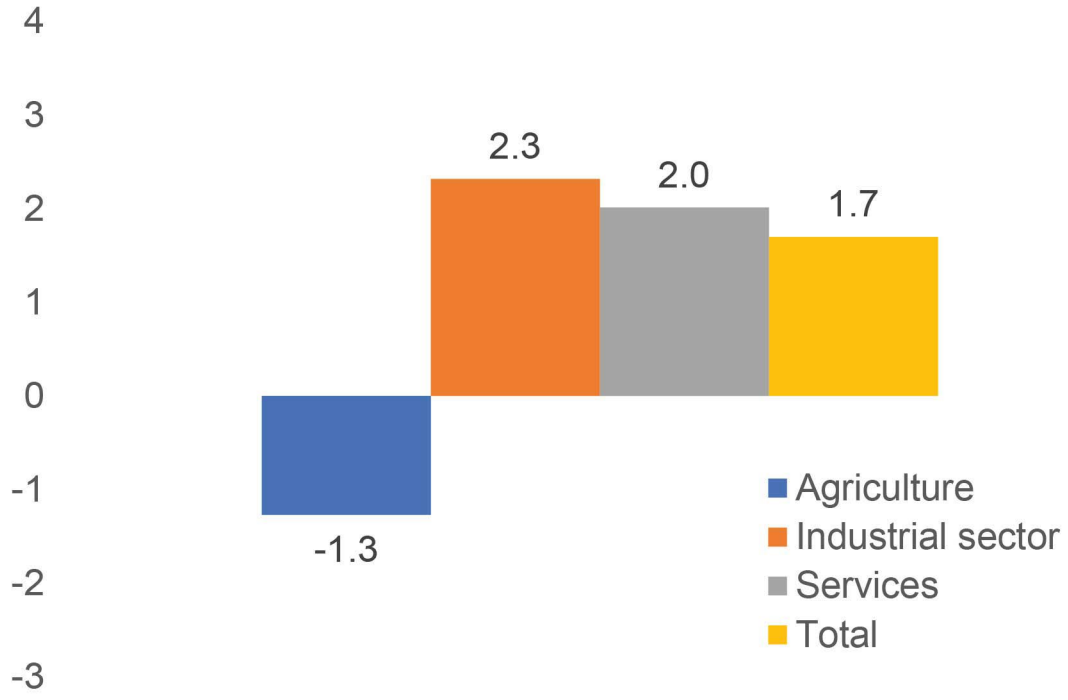
	2018–19 average	2022	2023	2024
Unemployment rate (%)	**8.0**	**6.9**	**6.2**	**6.1**
Men	7.3	6.0	5.5	5.2
Women	10.1	8.8	7.6	7.5
Unemployment gap	**2.8**	**2.8**	**2.1**	**2.3**
Labour informality rate (%)	**48.0**	**47.5**	**47.1**	**46.7**
Labour participation rate	**63.1**	**62.7**	**62.7**	**62.8**
Men	75.0	74.4	74.2	74.3
Women	52.0	51.9	52.0	51.8
Participation gap	**23.0**	**22.5**	**22.2**	**22.5**
Variation in wages (%)				
Median	**1.5**	-0.7	0.0	3.4
Minimum	0.0	-0.1	1.7	1.4

[a] Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Rep., Ecuador, Jamaica, Mexico, Nicaragua, Paraguay, Peru, Plurinational State of Bolivia, Trinidad and Tobago and Uruguay.

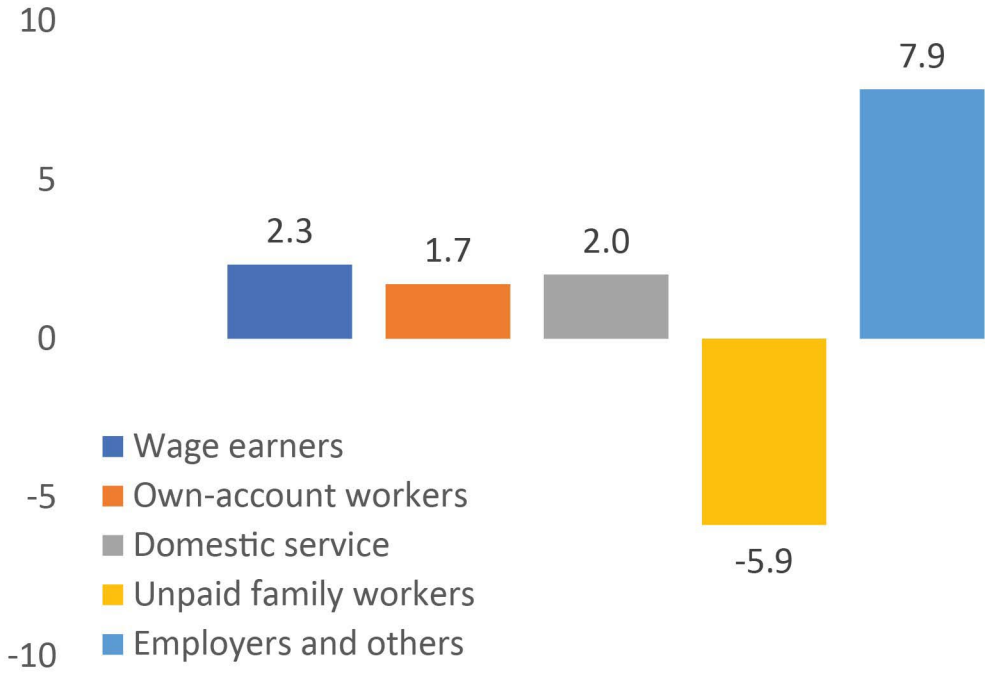
Source: ECLAC, on the basis of official data.

In 2024, however, the fastest growth was seen in industrial sector jobs, and in the wage earners and employers categories

Latin America and the Caribbean (15 countries):[a] year-on-year variation in number of employed persons, by production sector, 2024
(Percentages)



Latin America and the Caribbean(15 countries):[a] year-on-year variation in number of employed persons, by production sector and employment category, 2024
(Percentages)

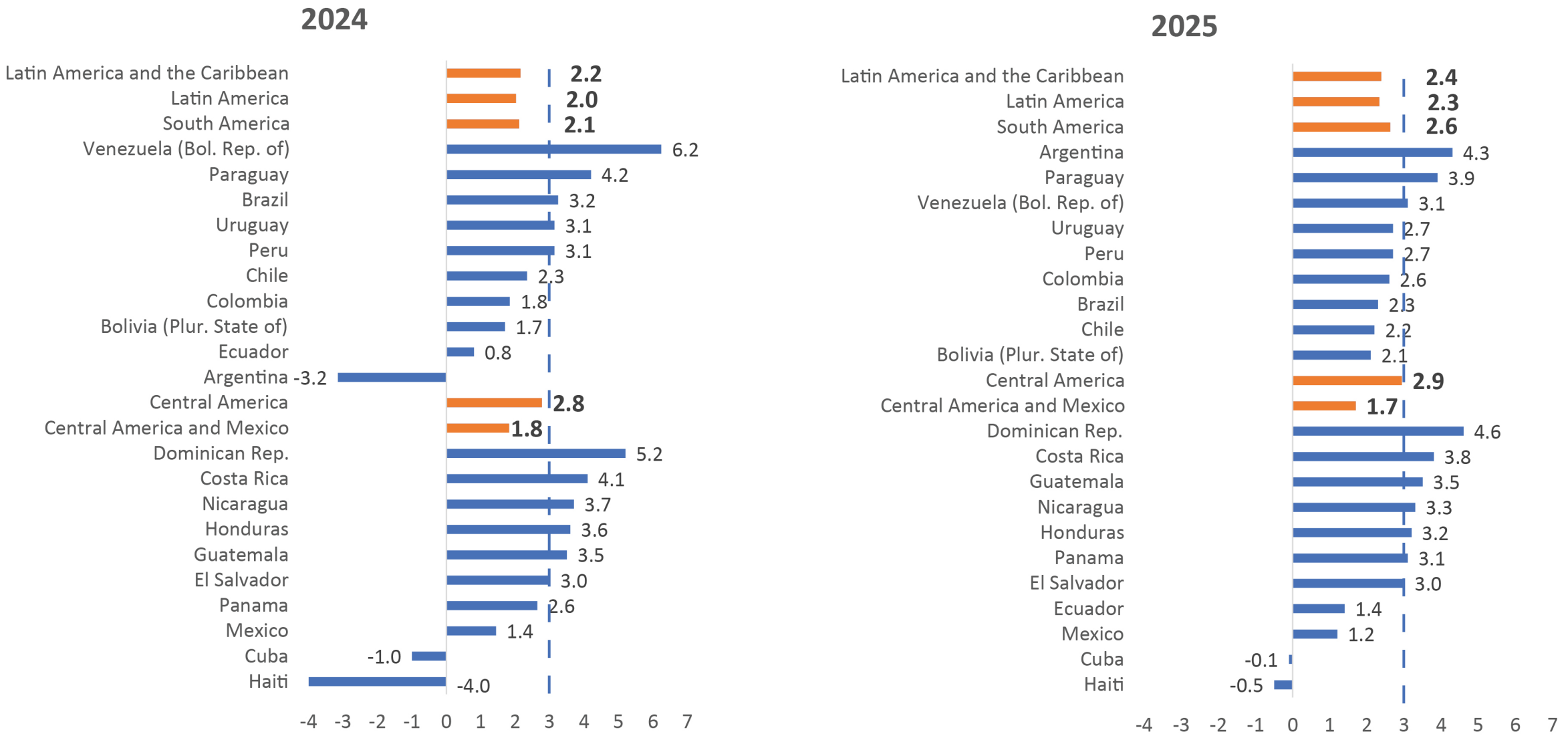


[a] Argentina, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Ecuador, Jamaica, Mexico, Nicaragua, Paraguay, Peru, Dominican Republic, Trinidad and Tobago and Uruguay.

Source: ECLAC, on the basis of official data.

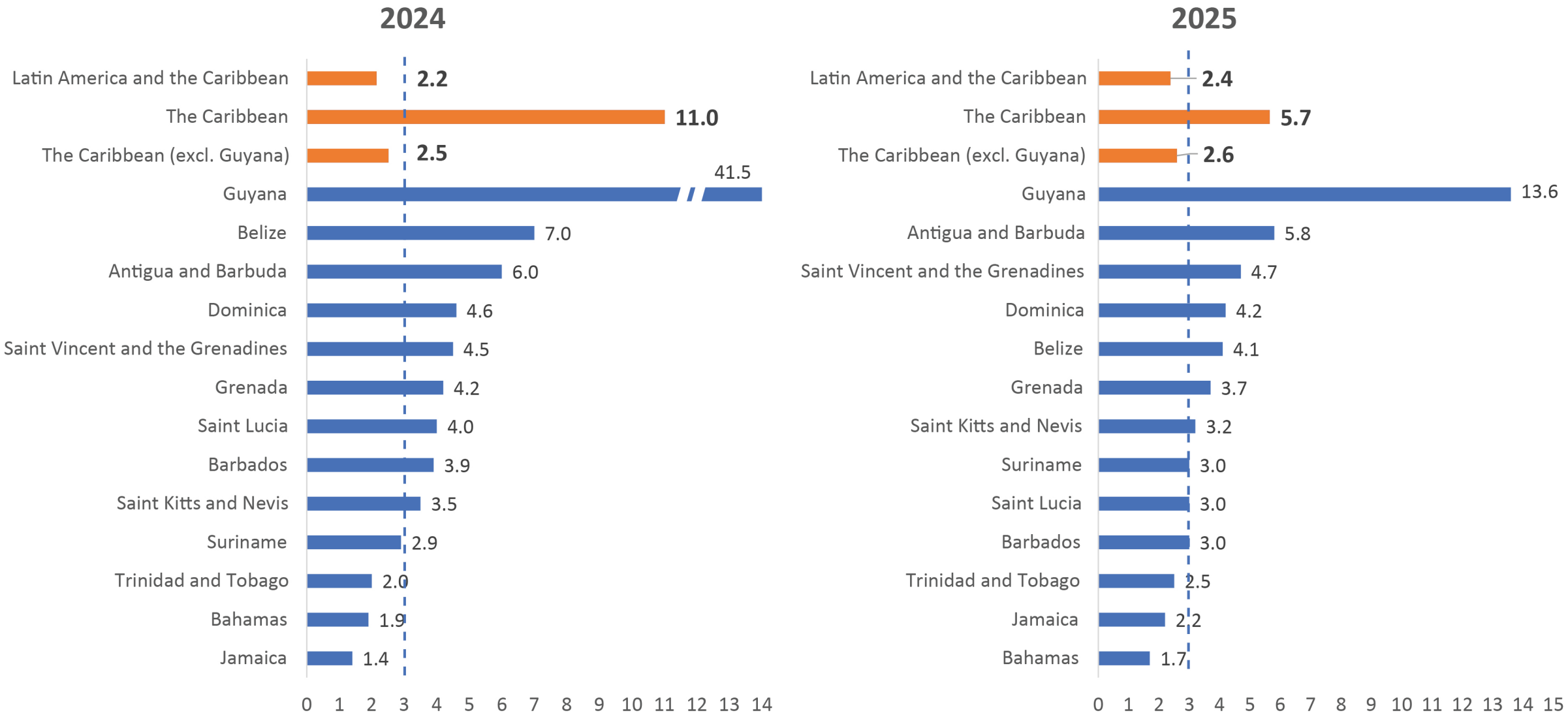
Projections

Latin America and the Caribbean: projected growth of 2.2% for 2024 and 2.4% for 2025



Source: ECLAC, on the basis of official figures and ECLAC projections expressed in national currency and at constant prices.

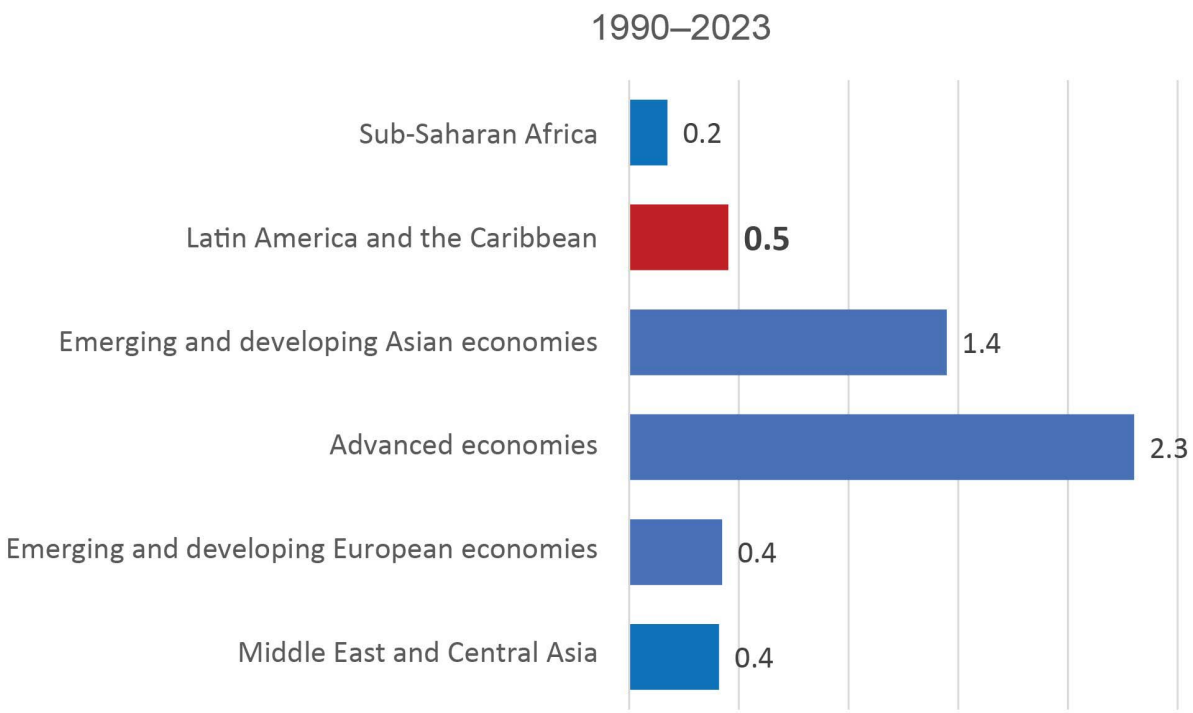
The Caribbean: projected growth of 11% for 2024 and 5.7% for 2025

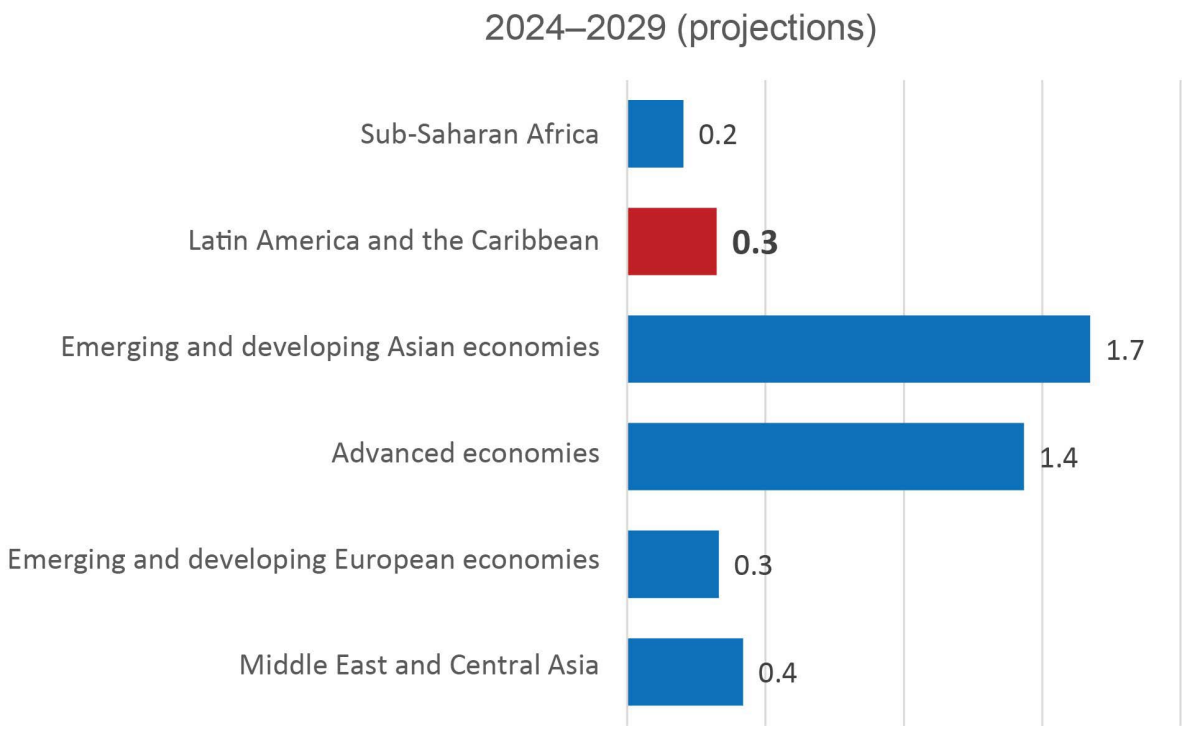


Source: ECLAC, on the basis of official figures and ECLAC projections expressed in national currency and at constant prices.
Nota: América Central incluye a Cuba, Haití y República Dominicana.

Region will contribute less to global growth in medium term

World regions: contribution to annual change in global GDP, by region, average for 1990–2023 and 2024–2029
(Percentages)





Source: ECLAC, on the basis of official figures and projections by ECLAC, International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD) and World Bank.
Note: To ensure consistent aggregation among countries (world and region), calculations are based on GDP in international dollars at purchasing power parity.

Policies to overcome trap of low capacity for growth

Strategies for financial resource mobilization

Strengthening of public finances

- Expand fiscal space by improving tax revenues and progressivity
- Reduce tax evasion and expenditure
- Consolidate personal income tax and broaden scope of wealth and property taxes
- Employ innovative financial instruments (thematic bonds)
- Improve quality of allocation and effectiveness of public spending to prioritize investment and close social gaps

Complementarity of monetary, exchange-rate and prudential policies

- Continue lowering interest rates in line with inflation expectations
- Complement use of short-term interest rate with other policy instruments such as:
  - Exchange-rate market interventions in the event of fluctuations affecting inflation expectations
  - Countercyclical prudential policy to avoid accumulation of risks in financial system

Reform of international financial architecture

- Change governance of international financial institutions, ensuring greater participation of developing countries
- Improve sovereign debt resolution mechanisms (e.g. G20 Common Framework for Debt Treatments)
- Reduce risks (e.g. improve analysis of debt sustainability, contingency clauses)
- Improve development banks' lending capacity (capitalization, efficiency, flexibility)
- Reallocation of special drawing rights

How can this be done?
Strengthen governance and TOPP capabilities of macroeconomic institutions

Capabilities	
Technical	• Strengthen framework for comprehensive public policy management of public and private financial resource mobilization • Improve governance of fiscal sustainability frameworks
Operational	• Develop comprehensive information systems that link use of available financing with policies in key areas of development • Strengthen annual national budget preparation, acquisitions and national public investment systems
Political	• Strengthen mechanisms for coordination and coherence of fiscal, monetary, exchange-rate and prudential policies • Adopt shared regional positions with regard to reform of international financial architecture
Prospective	• Develop alternative future scenarios that anticipate future needs and priorities, for decision-making

Productive development policies for growth, investment, productivity and broader policy space

Elements of the new productive development policy vision:

- **Define wide range of driving sectors, not just industry.**
- **Understand these policies as collaborative multi-factor and multilevel efforts. The design of governance is key.**
- **Combine horizontal and vertical efforts (cluster initiatives as highly effective tools).**
- **Balance between top-down and bottom-up policies.**
- **Adoption of an experimentalist governance approach.**
- **Adoption of an internationalization approach.**

Industry

- Pharmaceutical and life sciences industry
- Medical devices manufacturing industry
- Advanced manufacturing

Services

- Modern or ICT-enabled services exports
- Care society
- Labour-intensive services
- E-government

Big push for sustainability

- Energy transition: renewable energies, green hydrogen and lithium
- Electromobility
- The circular economy
- The bioeconomy: sustainable agriculture, genetic resources and bioindustrialization
- Agriculture for food security
- Sustainable water management
- Sustainable tourism

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