

2014



Preliminary Overview of the Economies of Latin America and the Caribbean



UNITED NATIONS

ECLAC

CONTENT

- External context and its impact in the region
- Macroeconomic trends
- Space for policies
- Prospects and challenges





External context and its impact in the region

The external context and its impact in the region

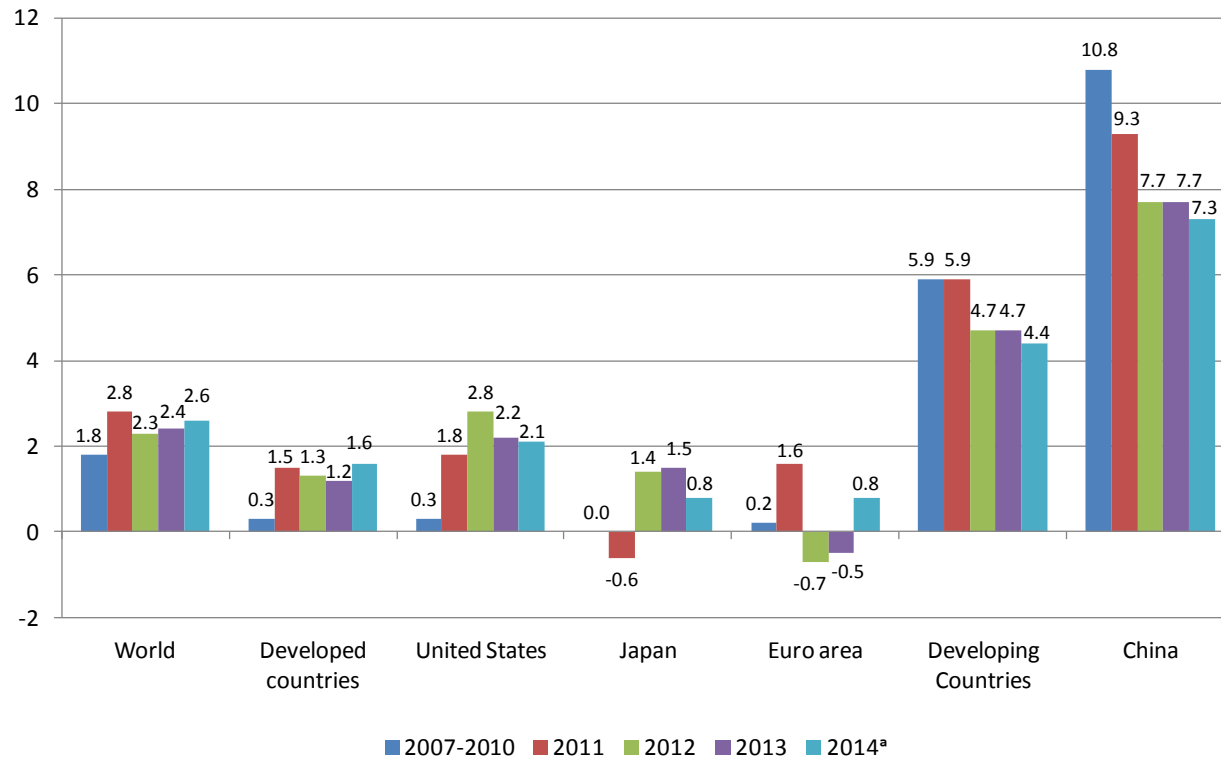
- Slow and heterogeneous recuperation of the global economy:
 - Modest recuperation in the United States of 2.1% *with a greater impact on Mexico, Central America and the Caribbean*
 - Growth in the Eurozone continues to be low at 0.8%, lack of competitiveness, high levels of unemployment *with a negative impact on global trade*
 - Slowing growth in China at 7.3% *with an impact on natural resources exporting countries*
- End of QE in the United States, though liquidity in international financial markets holds steady, reflecting expansionary monetary policies in other developed economies. Changes in the composition of external portfolios have led to *exchange rate volatility*



In 2014, global economic growth registered a slight recovery

Heterogeneous growth in developed countries and deceleration in developing countries in particular in China

ECONOMIC GROWTH BY REGIONS AND SELECTED COUNTRIES, 2007-2010 TO 2014
(In percentages)

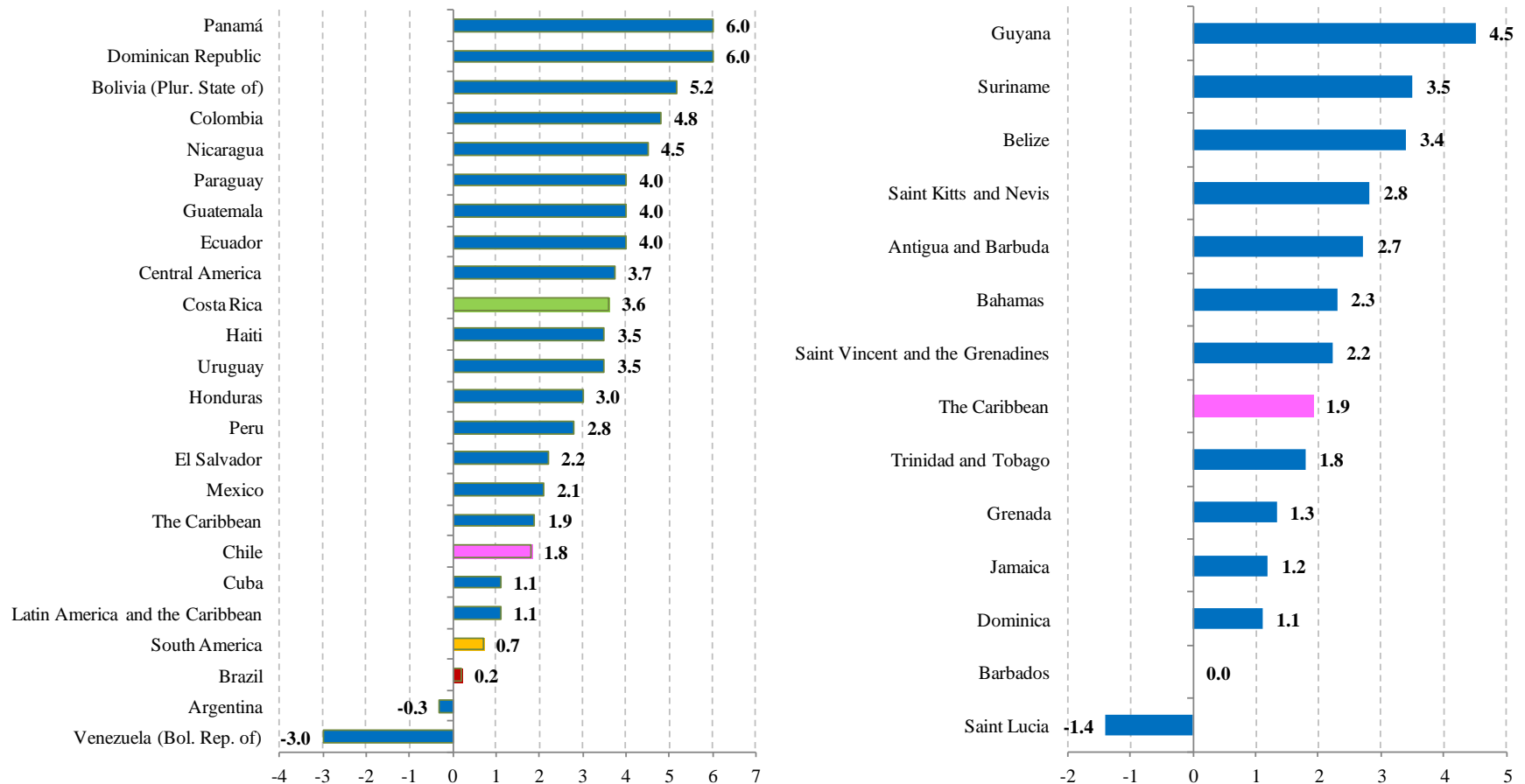


Source: UN DESA. Global Economic Outlook. October 2014.

^a Projections.

Economic growth was heterogeneous during 2014 among countries

LATIN AMERICA AND THE CARIBBEAN: GDP GROWTH RATES, 2014 ^a
(In percentages)



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

^a Estimations.



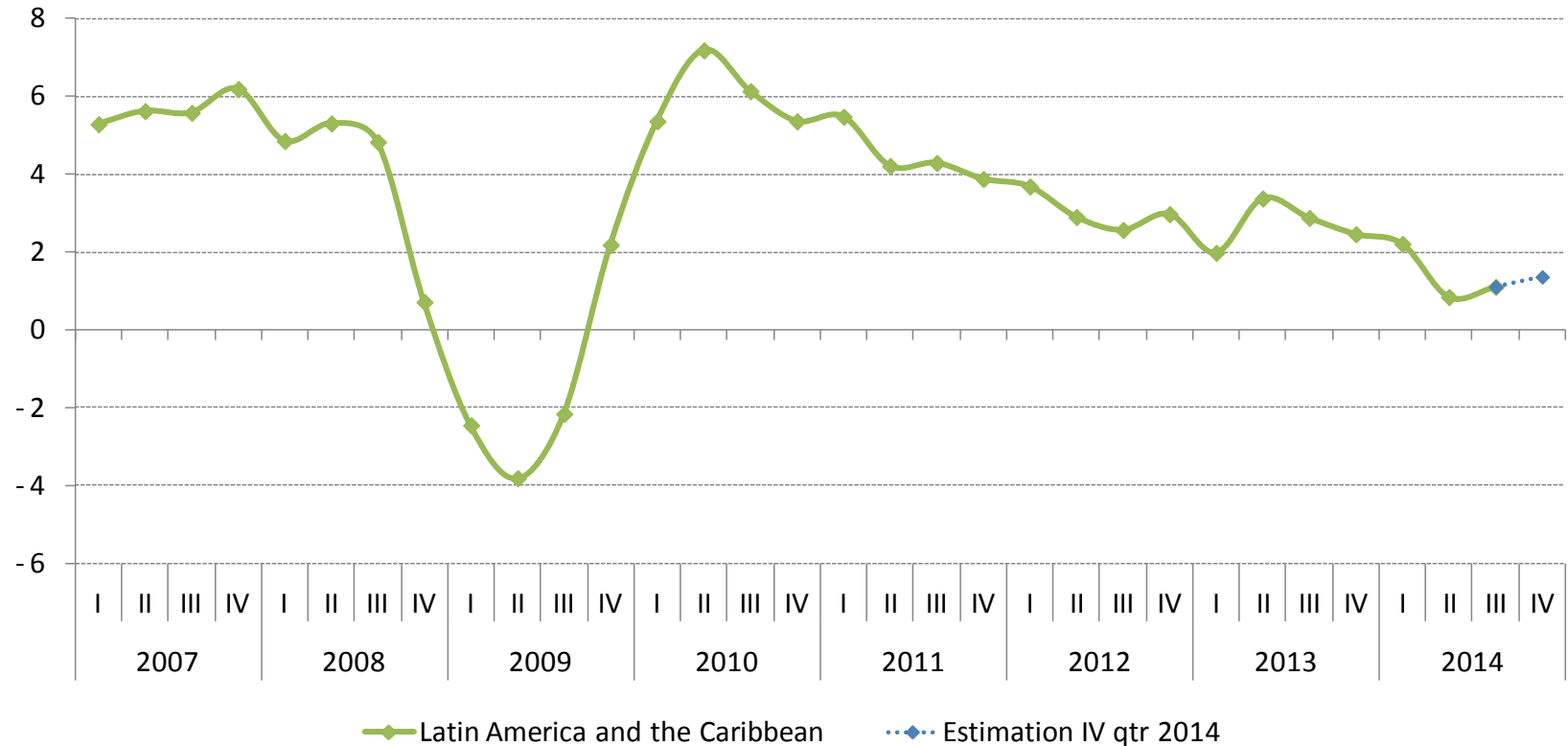
Macroeconomic trends



As of the third and fourth quarter a change in the deceleration trend was observed

LATIN AMERICA AND THE CARIBBEAN: QUARTERLY GROSS DOMESTIC PRODUCT, YEAR-ON-YEAR PERCENTAGE CHANGE, 2007-2014

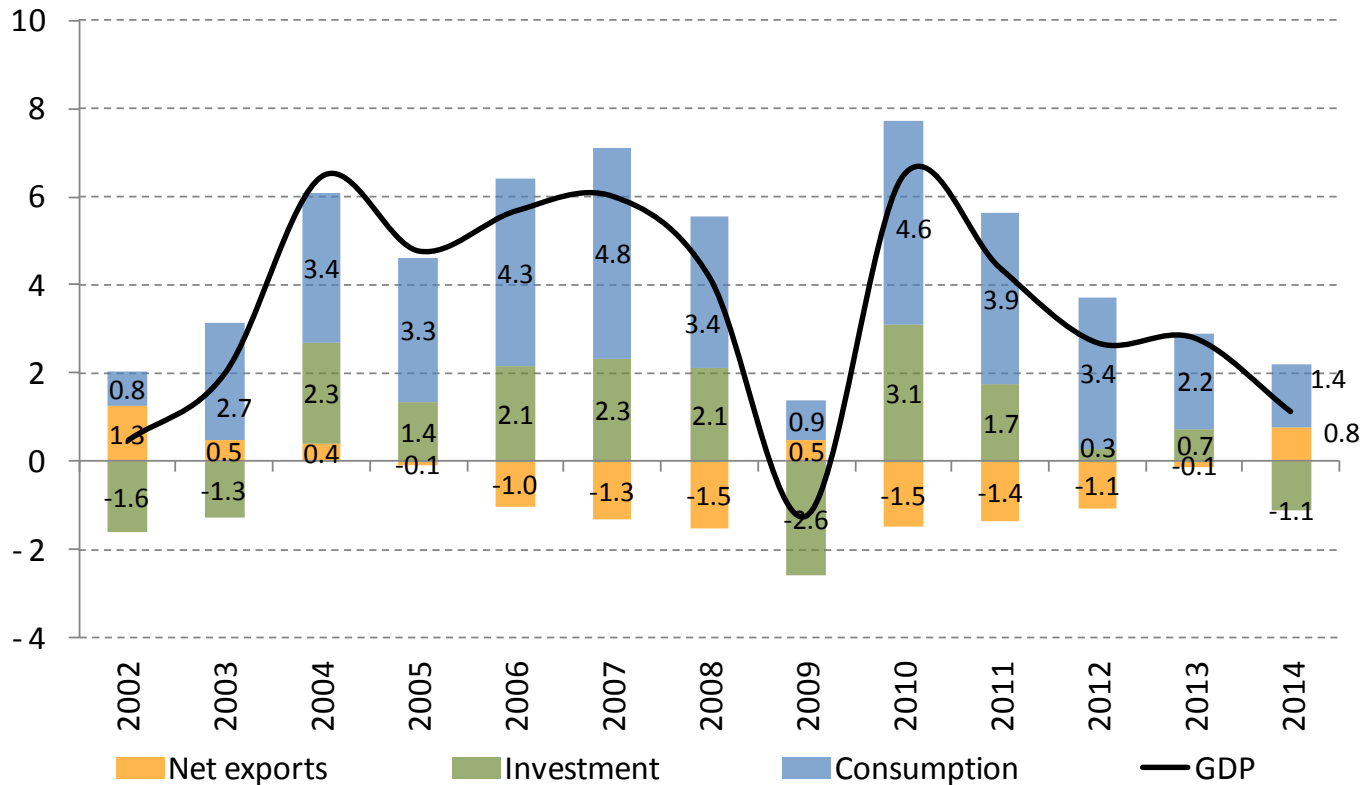
(In percentages based on constant 2010 dollars)



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

The participation of investment in domestic demand has fallen steadily since 2011...

LATIN AMERICA: EVOLUTION OF GDP AND THE CONTRIBUTION OF THE COMPONENTS OF AGREGATE DEMAND, 2002-2014^a
(In percentages based on constant 2010 dollars)



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

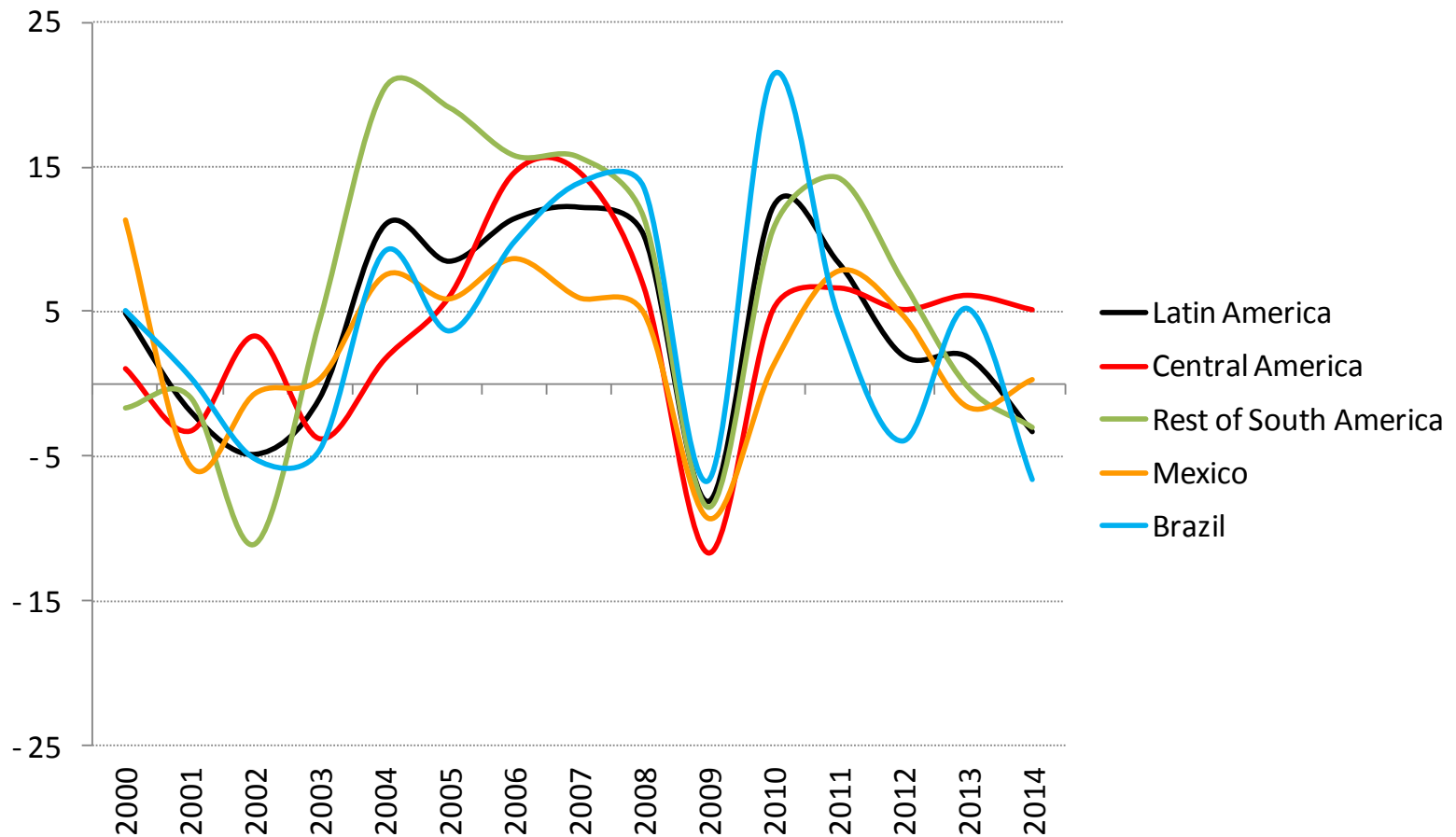
^a Estimations.



...which reflects the fact that investment dynamism has been consistently decelerating and volatile

LATIN AMERICA: GROSS FIXED CAPITAL FORMATION, 2000-2014^a

(In percentages based on national currency at constant prices and constant 2010 dollars)



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

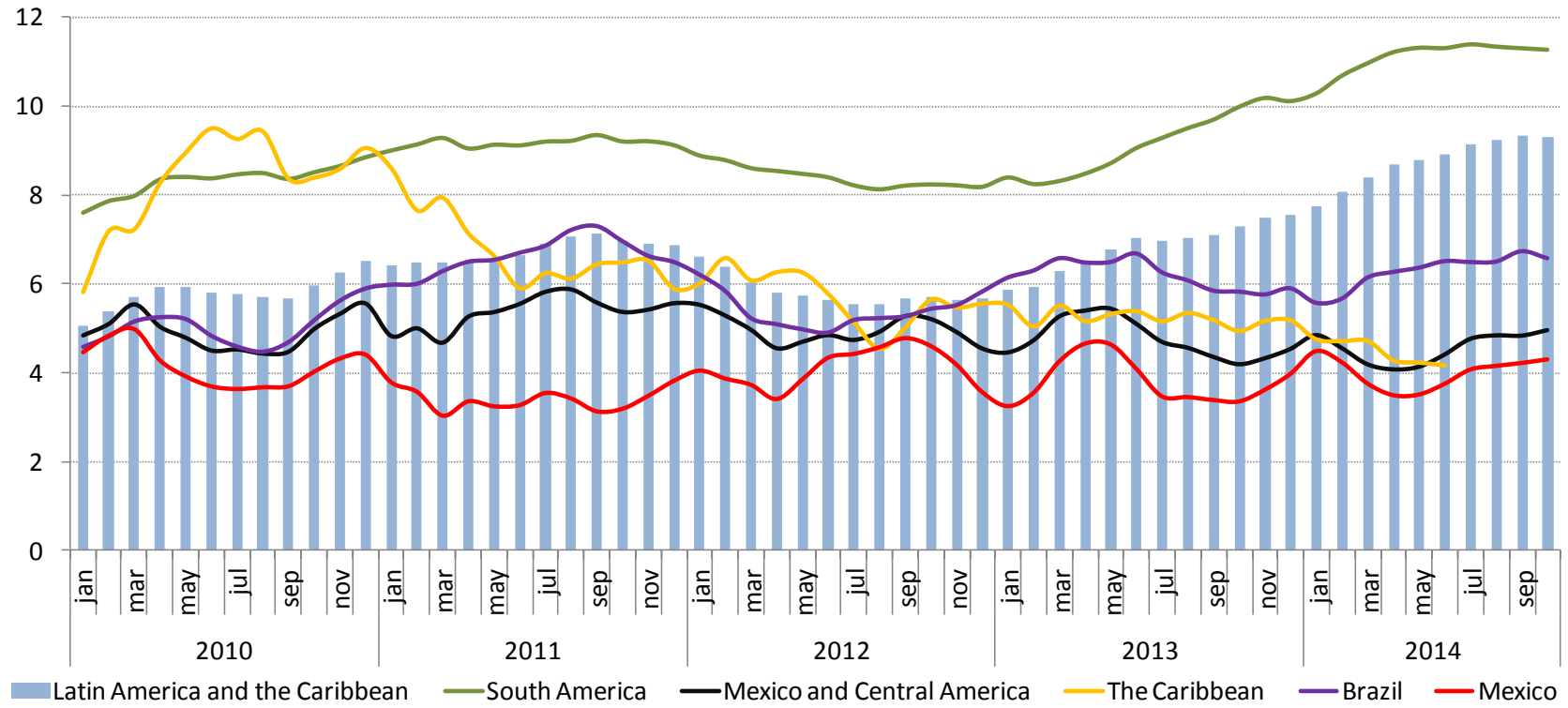
^a Estimations.



The region exhibits differences in inflation trajectories

LATIN AMERICA AND THE CARIBBEAN: 12-MONTH CHANGE IN INFLATION, 2010-2014

(In percentages, weighted average)



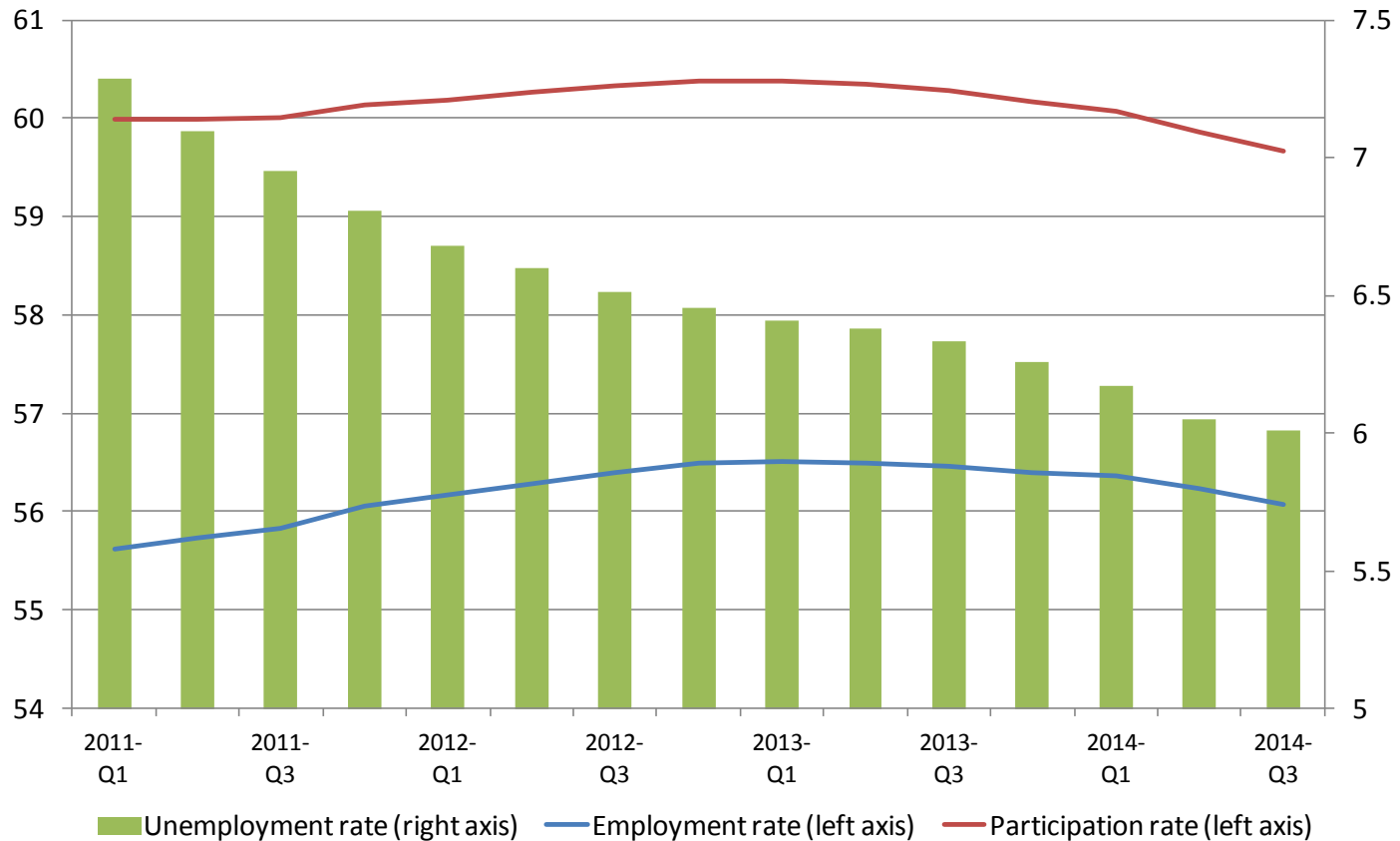
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Estimations.



Despite slowing economic growth unemployment fell slightly...

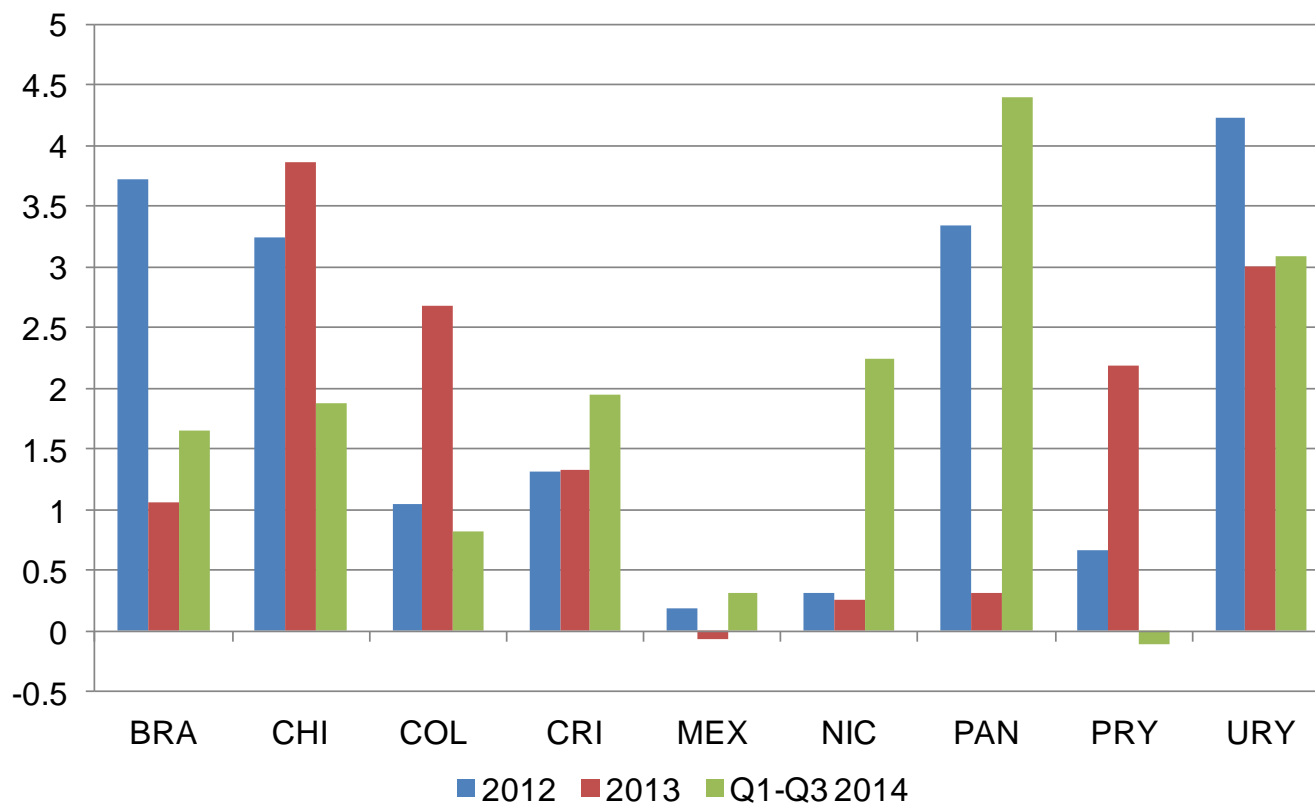
LATIN AMERICA AND THE CARIBBEAN (10 COUNTRIES): PARTICIPATION, EMPLOYMENT AND URBAN UNEMPLOYMENT RATES, 2011-Q1 TO 2014-Q3
(In percentages, 1-year moving average)



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

... and real wages grew moderately

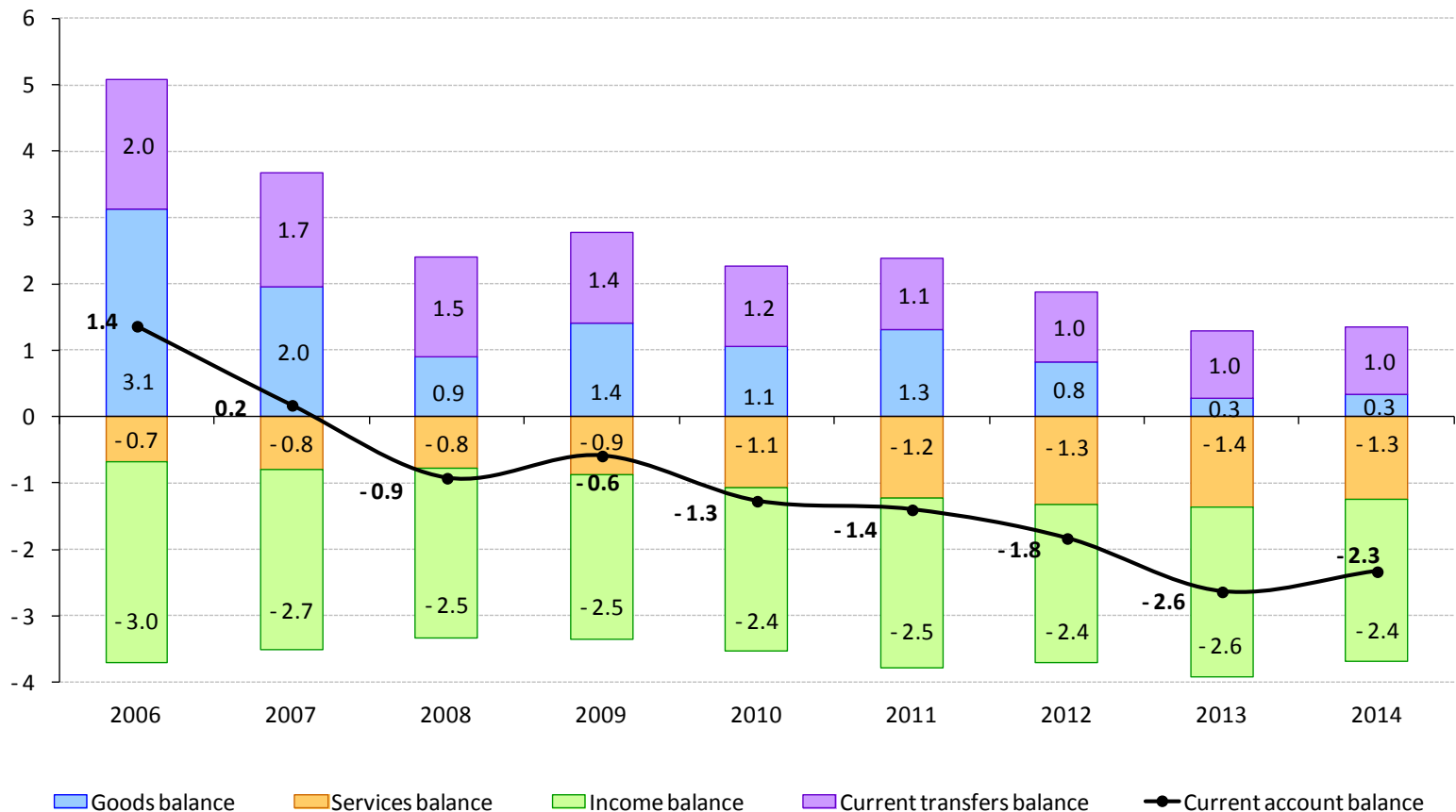
**LATIN AMERICA (SELECTED COUNTRIES): FORMAL SECTOR REAL WAGES, 2012
– FIRST TO THIRD QUARTER OF 2014**
(Year-over percentage change)



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

The current account deficit registered a slight improvement

LATIN AMERICA: CURRENT ACCOUNT STRUCTURE, 2006-2014^a
(In percentages of GDP)



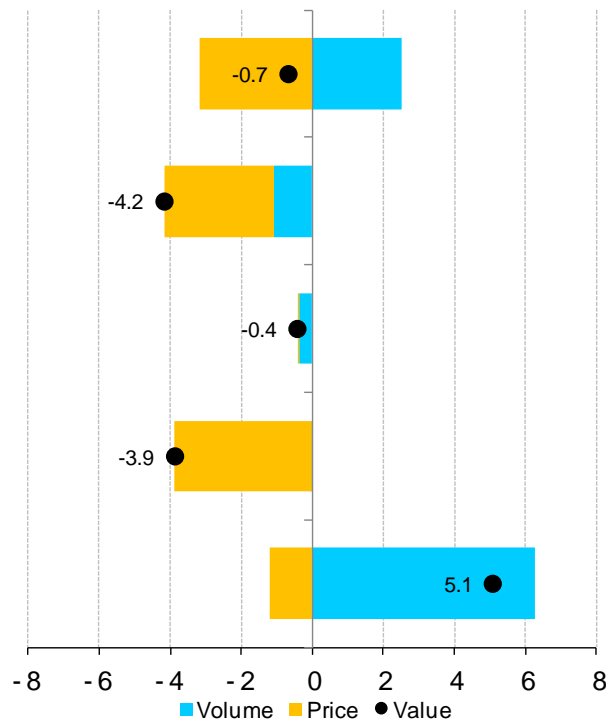
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Projections.

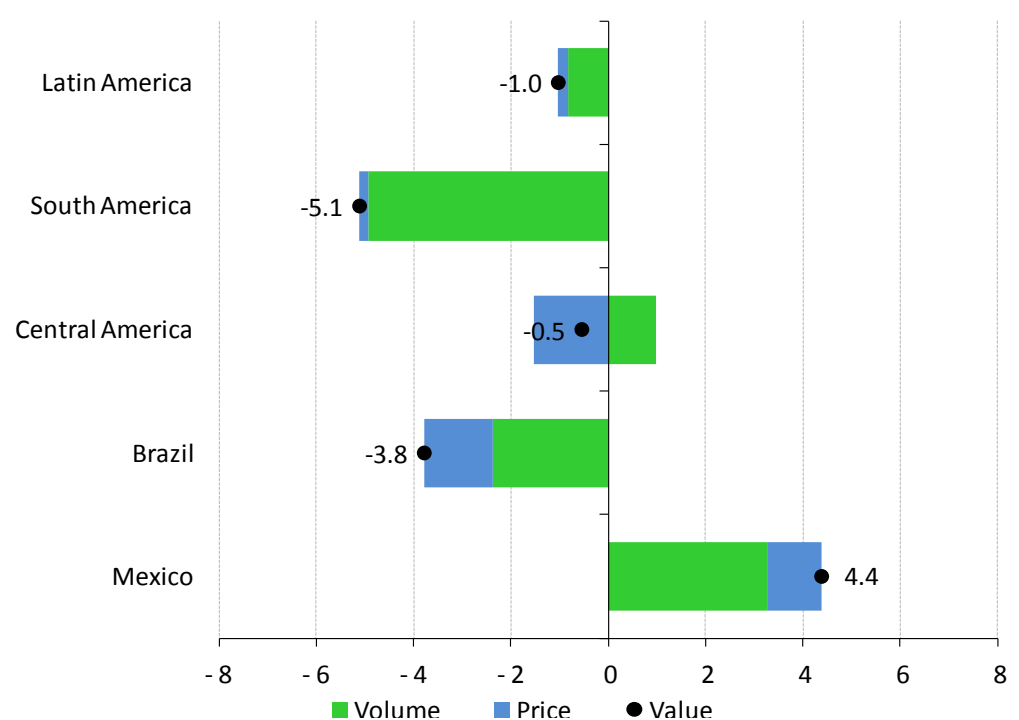
A greater decline in imports on average as compared to exports contributed to stabilizing the current account balance

LATIN AMERICA (COUNTRY GROUPINGS): EXPORTS AND IMPORTS, 2014^a (Annualized percentages)

Exports



Imports



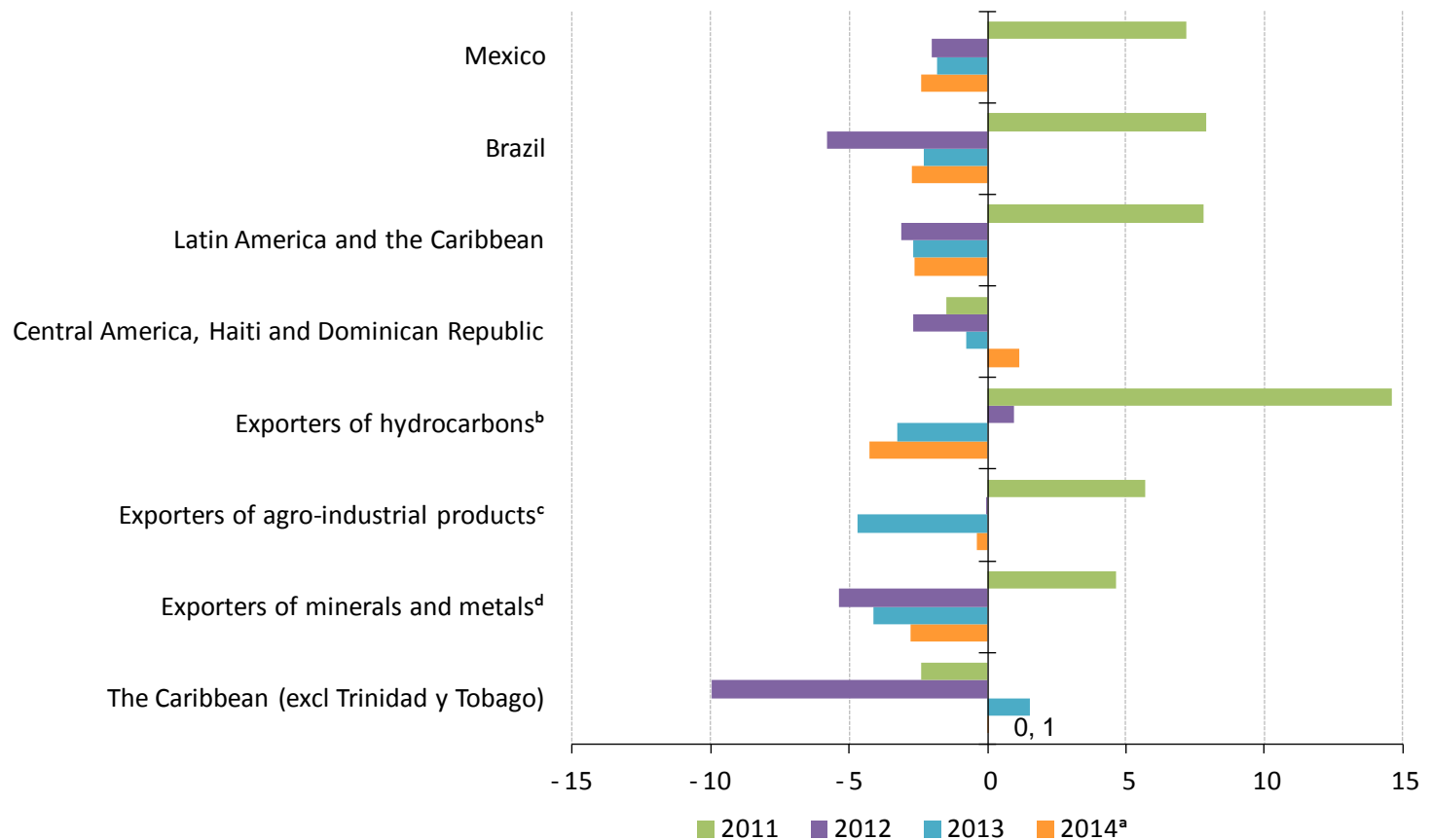
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Projections.



Falling commodities prices led to a decline in the terms of trade for the region on average

LATIN AMERICA: ESTIMATED PERCENTAGE CHANGE IN THE TERMS OF TRADE, 2011-2014^a
(In percentages)



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

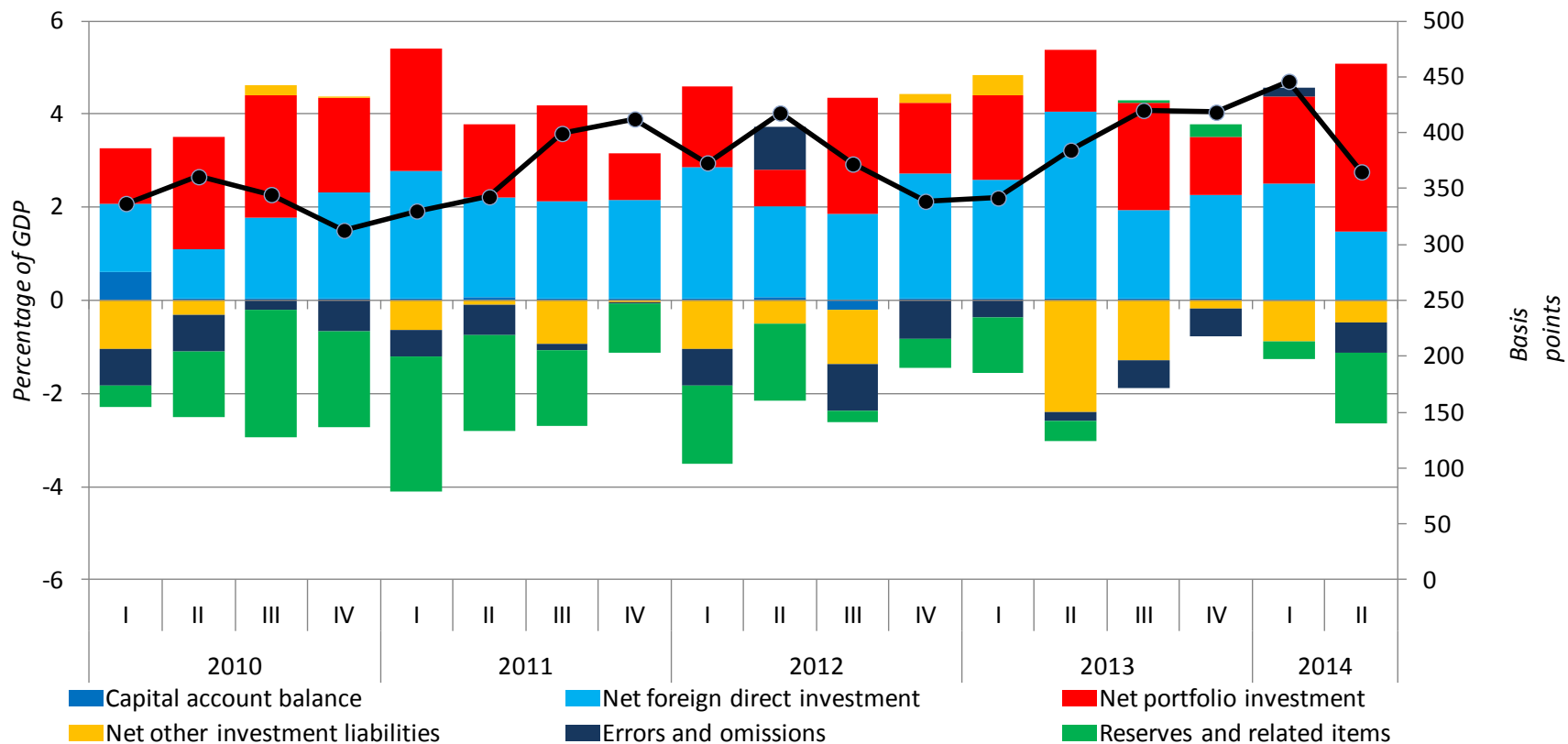
^a Projections. ^b Bolivia (Plur. State of), Colombia, Ecuador, Trinidad and Tobago and Venezuela (Bol. Rep. of). ^c Argentina, Paraguay and Uruguay. ^d Chile and Peru.



Continued access to external financial markets, but a changed composition of inflows increases latent vulnerability

LATIN AMERICA (17 COUNTRIES): FINANCIAL ACCOUNT COMPONENTS AND EMBI+, 2010-2014

(In percentages of GDP and basis points)



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

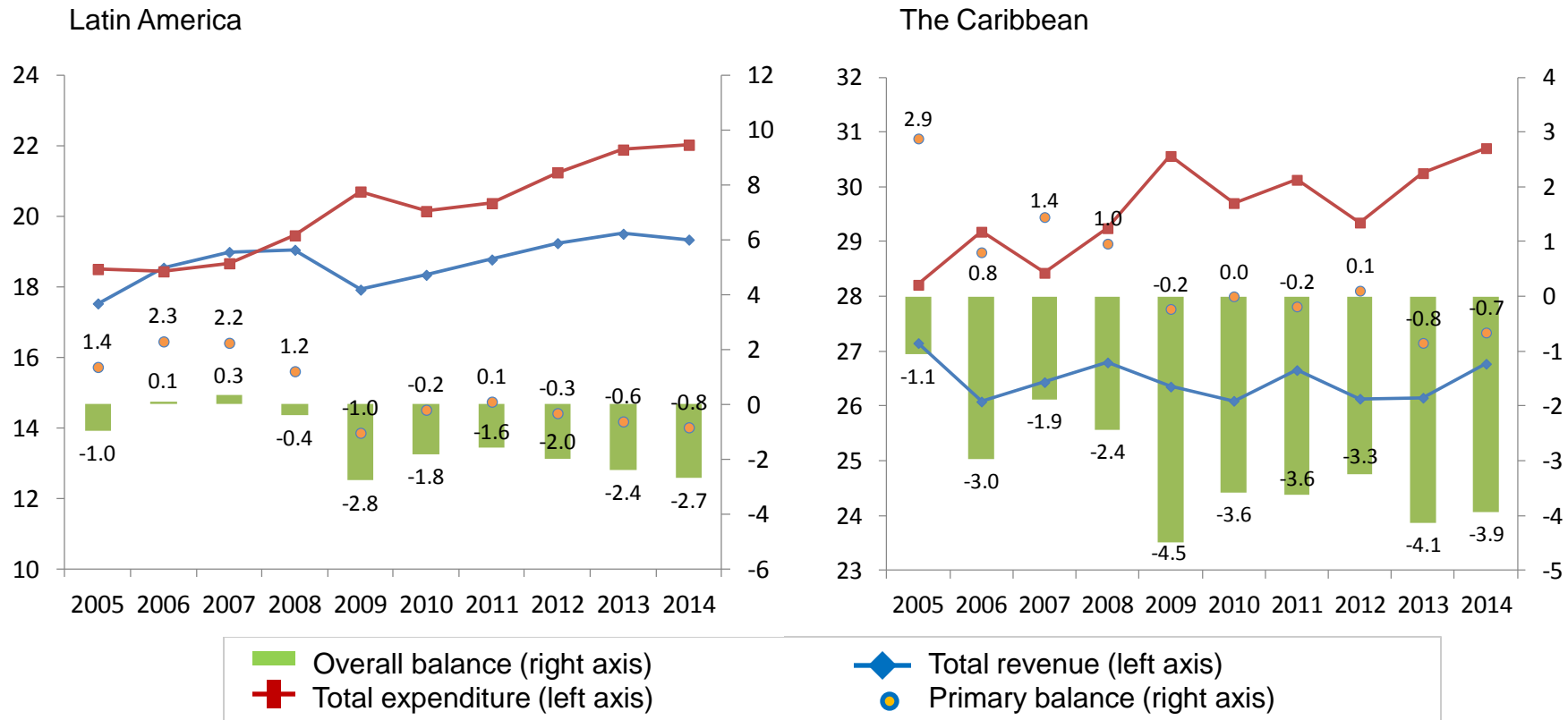


Space for policies



Budget deficits rose slightly on average in Latin America and fell in the Caribbean

**LATIN AMERICA (19 COUNTRIES) AND THE CARIBBEAN (13 COUNTRIES):
CENTRAL GOVERNMENT FISCAL INDICATORS^a, 2005-2014**
(In percentages of GDP)

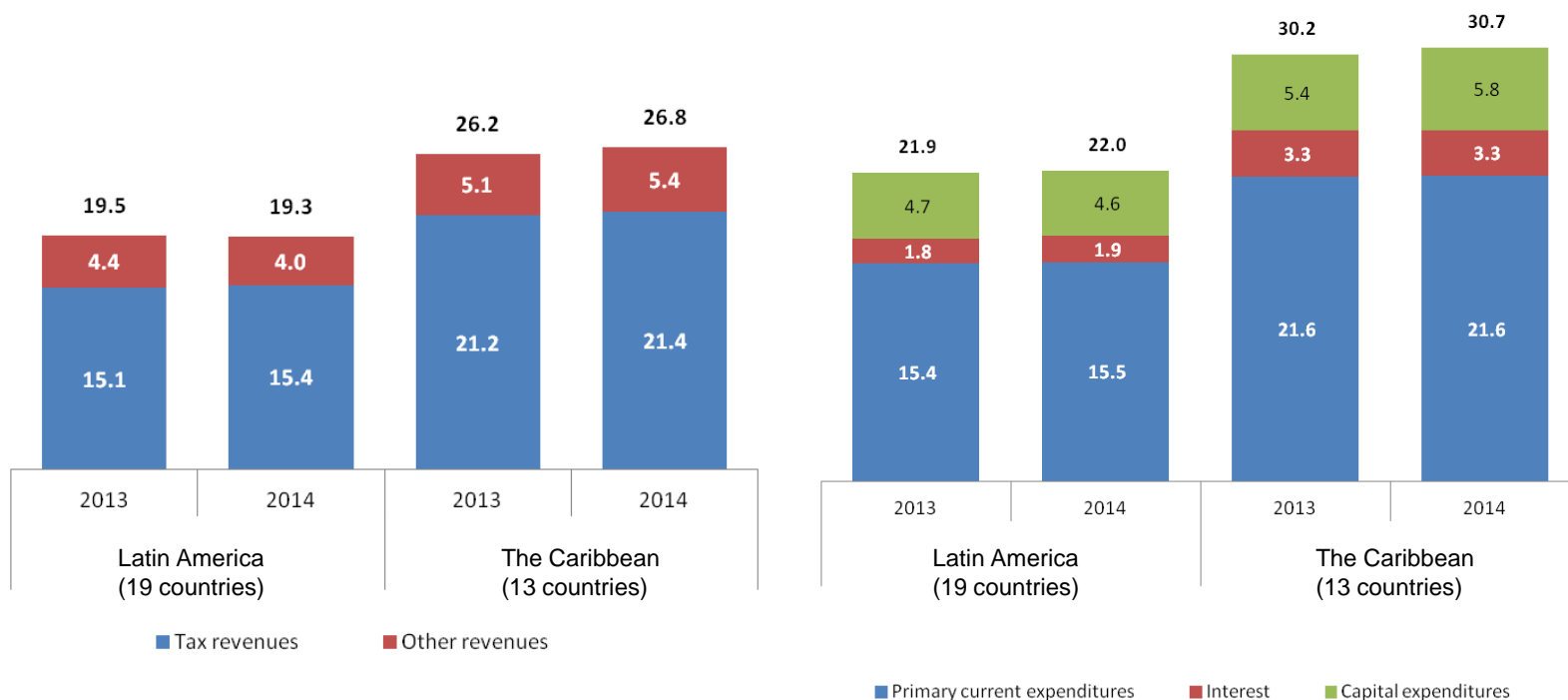


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

^a Simple averages. Data for 2014 are estimates.

The drop in non-tax fiscal revenues was compensated by an increase in tax revenues, and public expenditure remained stable

LATIN AMERICA AND THE CARIBBEAN (SUBREGIONS): CENTRAL GOVERNMENT FISCAL REVENUES AND TOTAL EXPENDITURES, 2013-2014
(In percentages of GDP)



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

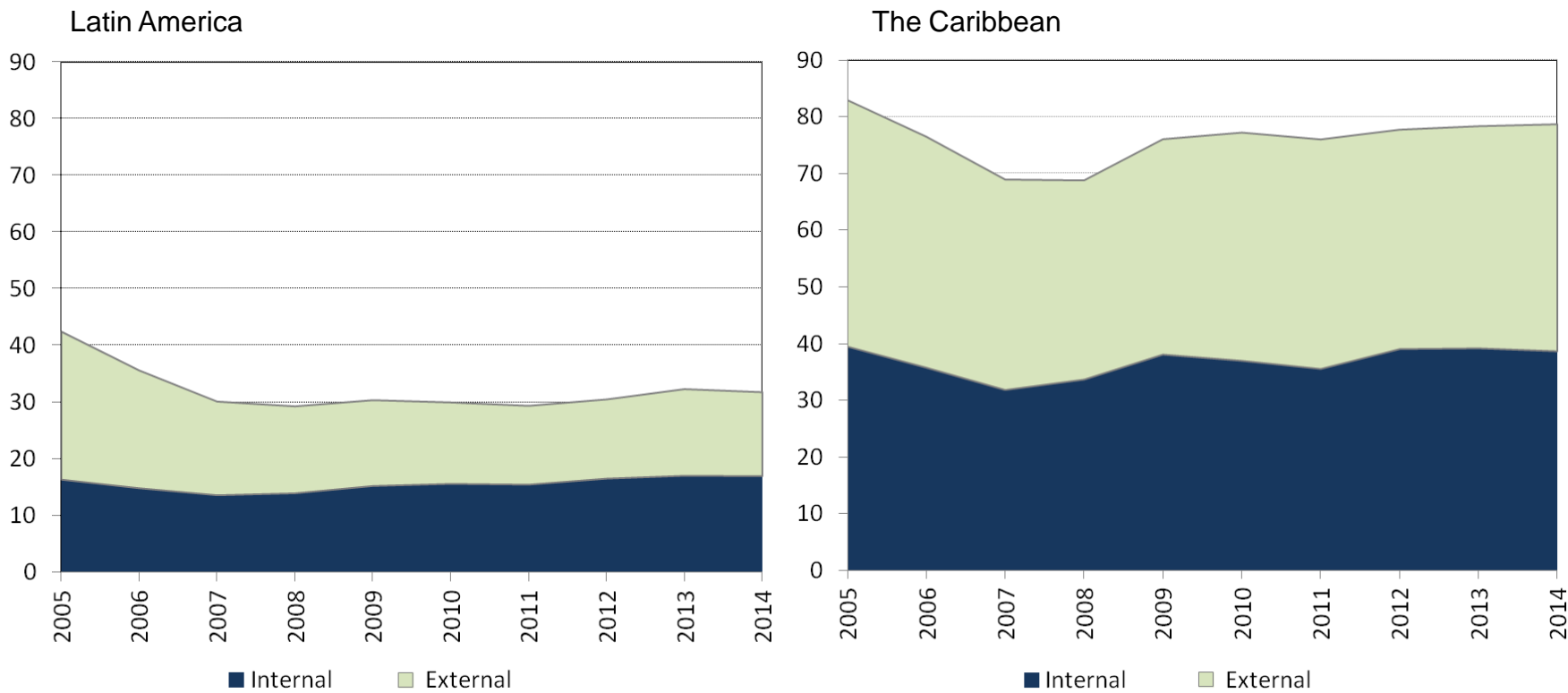
^a The figures for Mexico correspond to the federal public sector.



Public debt levels remain stable, though levels and composition differ among regions

LATIN AMERICA (19 COUNTRIES) AND THE CARIBBEAN (13 COUNTRIES): INTERNAL AND EXTERNAL PUBLIC DEBT, 2005-2014

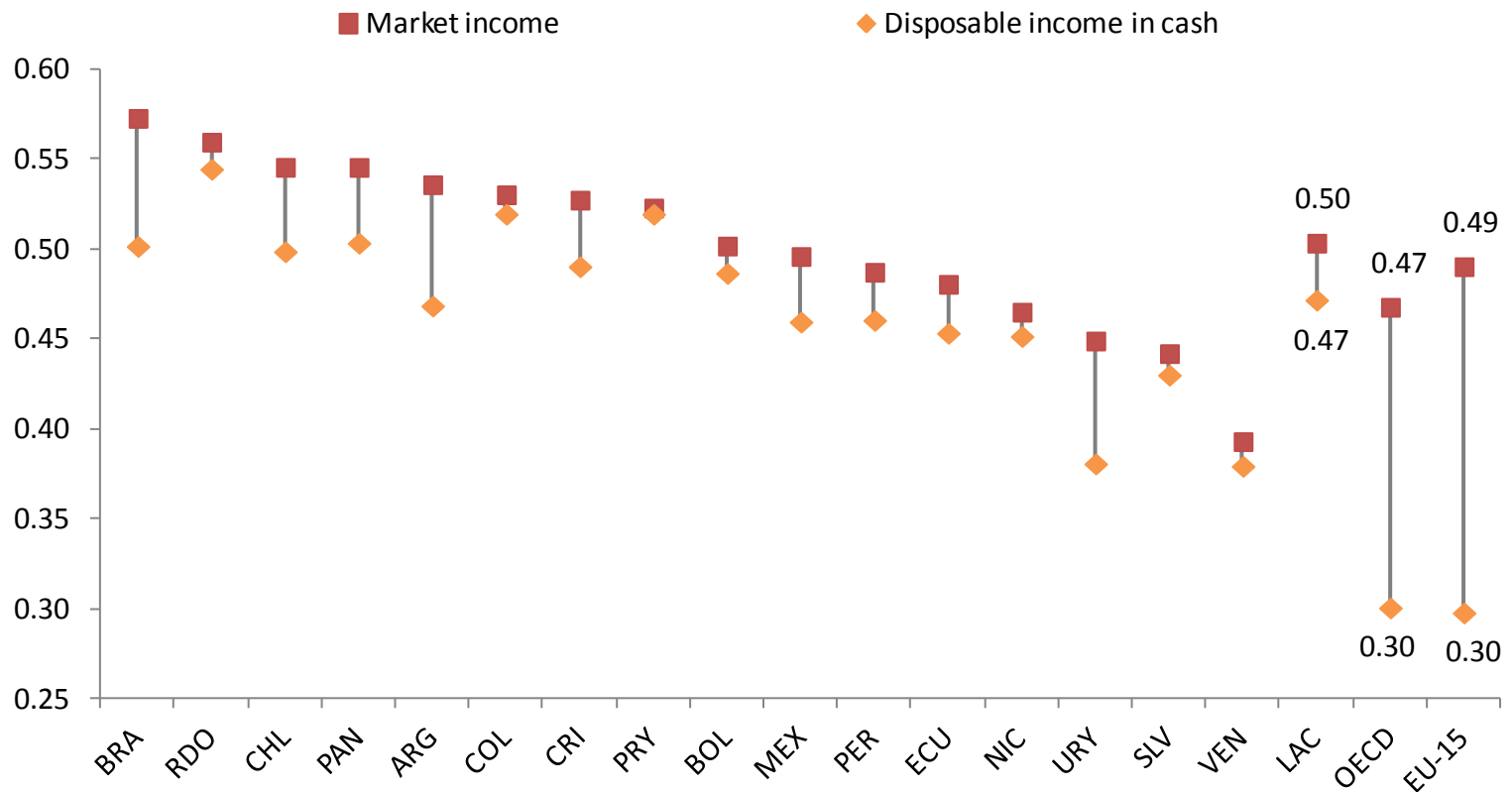
(In percentages of GDP)



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

Fiscal policies play a limited role for improving the income distribution in Latin America

LATIN AMERICA AND OECD: MARKET INCOME AND DISPOSABLE INCOME INEQUALITIES – total population
(Gini indices – Around 2011)



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



Fiscal reforms have been aimed at taxing capital income

- Argentina (2013)
- Chile (2014)
- Colombia (2012)
- Ecuador (2007)
- El Salvador (2009, 2011)
- Guatemala (2009, 2011)
- Honduras (2010, 2011)
- Mexico (2013)
- Nicaragua (2012)
- Panama (2009-2012)
- Paraguay (2012)
- Peru (2007, 2012)
- Dominican Rep. (2012)
- Uruguay (2007, 2012-2013)

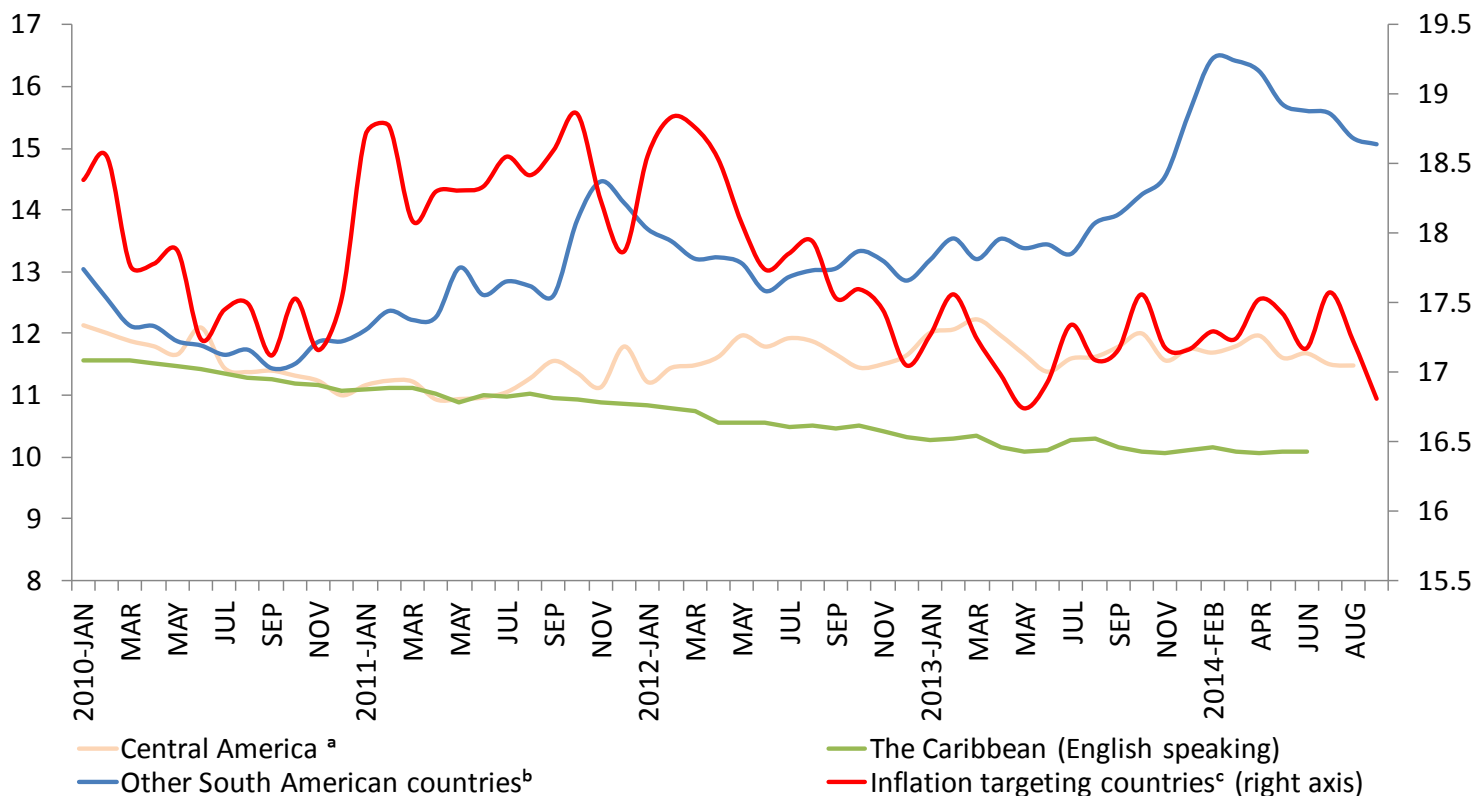
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information.



Monetary policy was generally counter-cyclical, prioritizing growth

Average lending rates decreased

LATIN AMERICA (COUNTRY GROUPINGS): LENDING RATES, 2010-2014
(Annualized percentages)



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

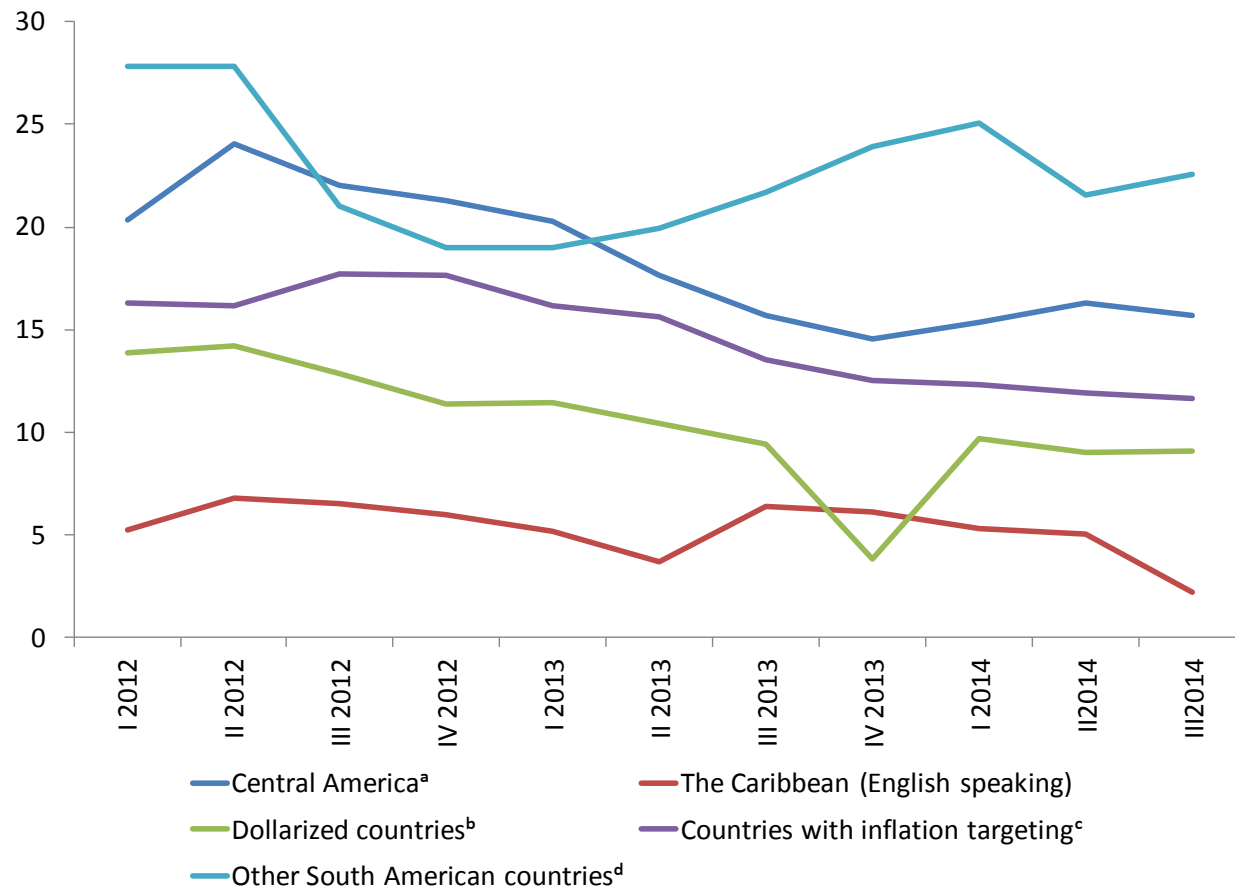
^a Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua and Panama. ^b Argentina, Bolivia, Ecuador, Paraguay and Uruguay. ^c Brazil, Chile, Colombia, Mexico and Peru.



In general domestic credit growth has decelerated

LATIN AMERICA AND THE CARIBBEAN (COUNTRY GROUPINGS): DOMESTIC CREDIT TO THE PRIVATE SECTOR, FIRST QUARTER OF 2012 TO THIRD QUARTER OF 2014

(Year-on-year percentage change)



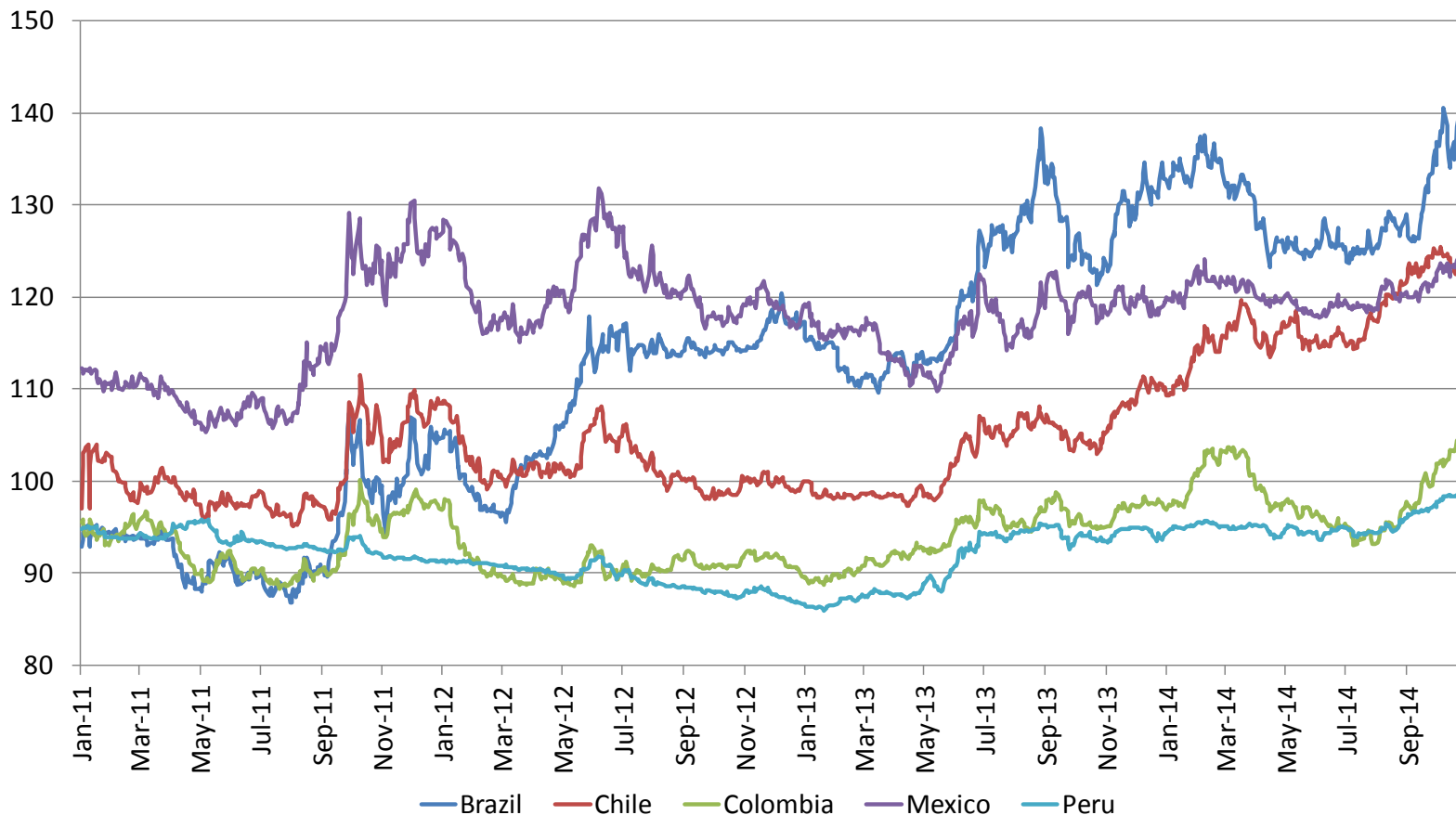
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures. ^a Costa Rica, Dominican Rep., Guatemala, Haiti, Honduras and Nicaragua. ^b Ecuador, El Salvador, y Panama. ^c Brazil, Chile, Colombia, Mexico and Peru. ^d Argentina, Bolivia, Paraguay and Uruguay.



During 2014 the currencies of the region accentuated volatility and registered a nominal depreciation

SELECTED COUNTRIES: NOMINAL EXCHANGE RATES, 2011-2014

(Index of January of 2008=100)

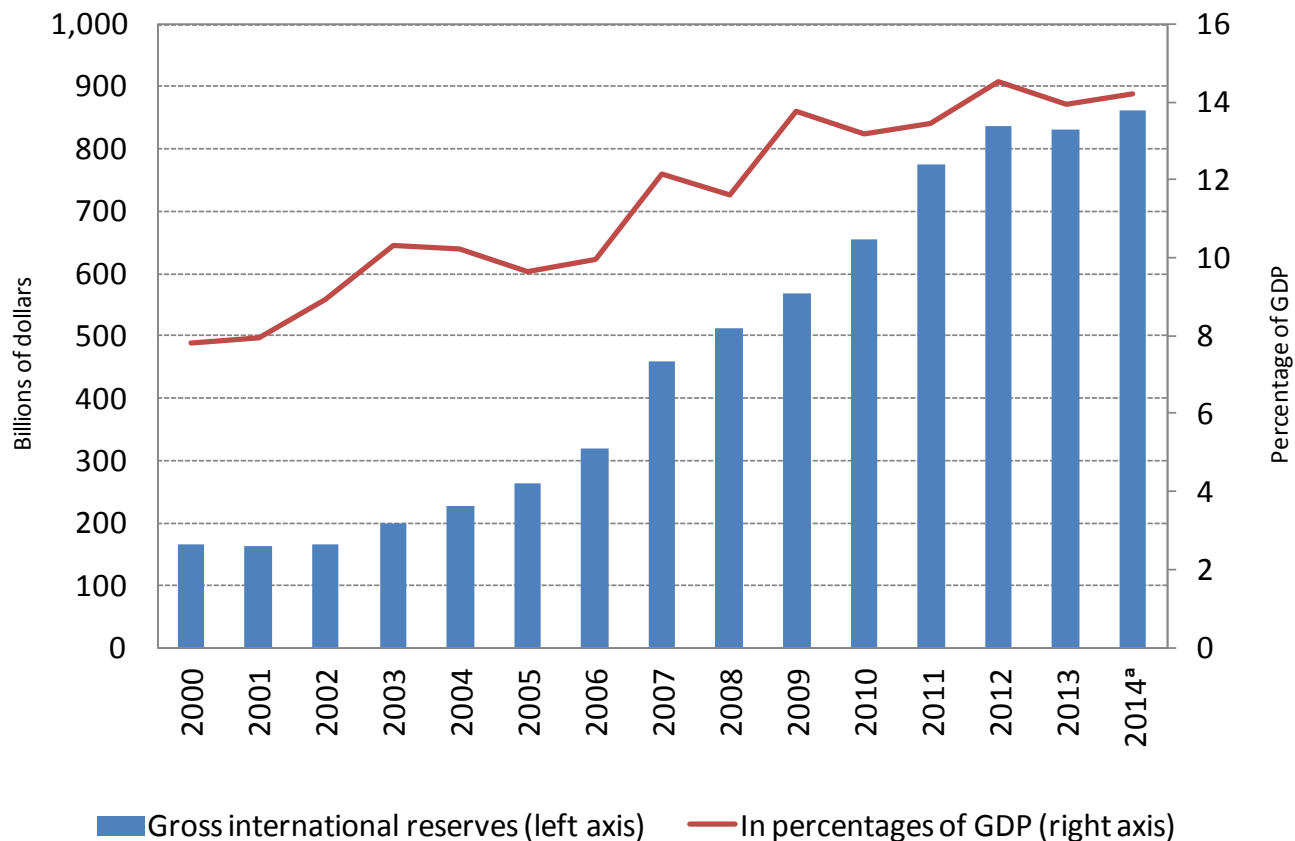


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

Despite being employed to fight exchange rate volatility, international reserves increased slightly

LATIN AMERICA AND THE CARIBBEAN: GROSS INTERNATIONAL RESERVES

(Billions of dollars and percentages of GDP)



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



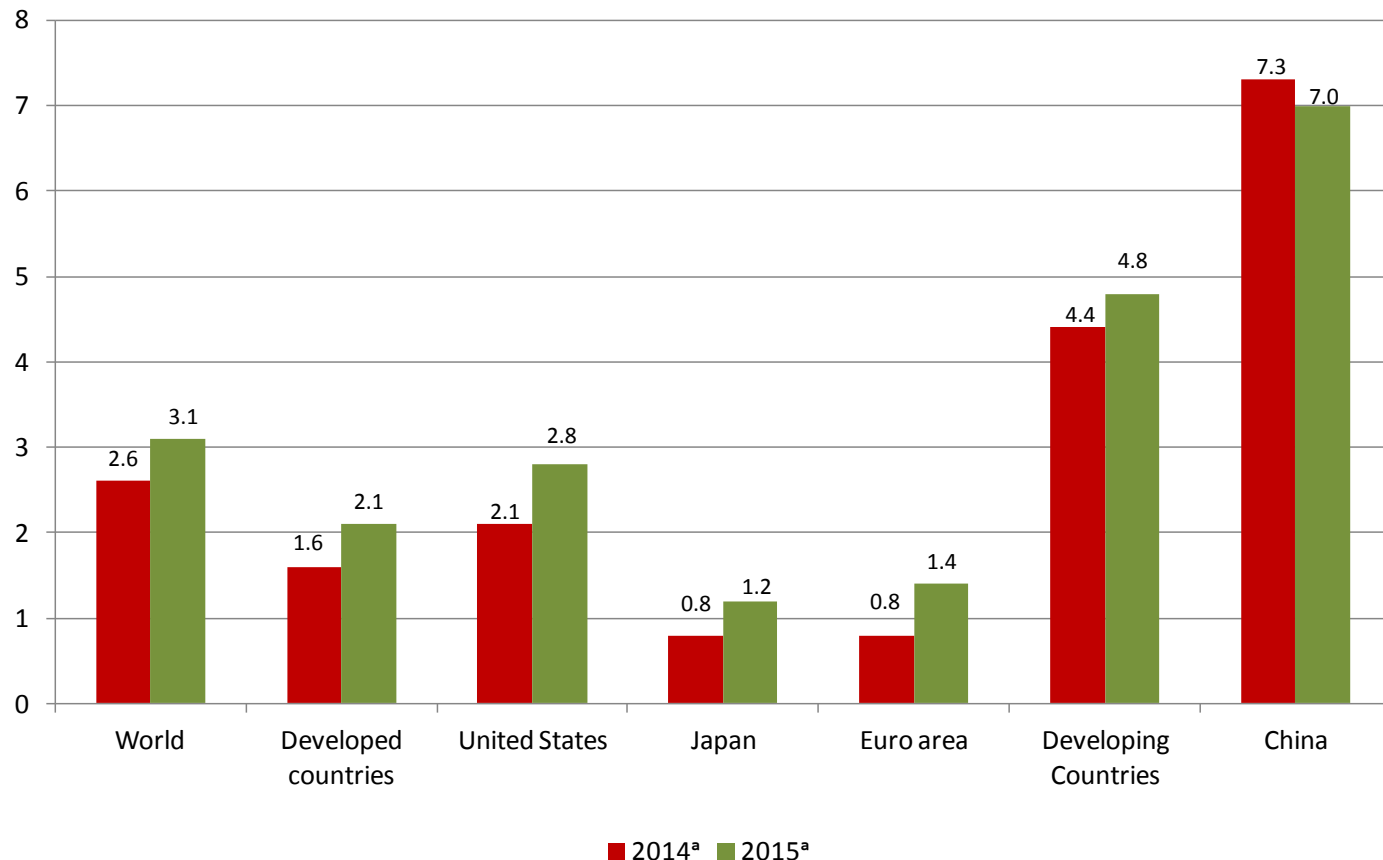
Prospects and challenges



Global growth trends are expected to continue through 2015

ECONOMIC GROWTH BY REGIONS AND SELECTED COUNTRIES, 2014-2015

(In percentages)

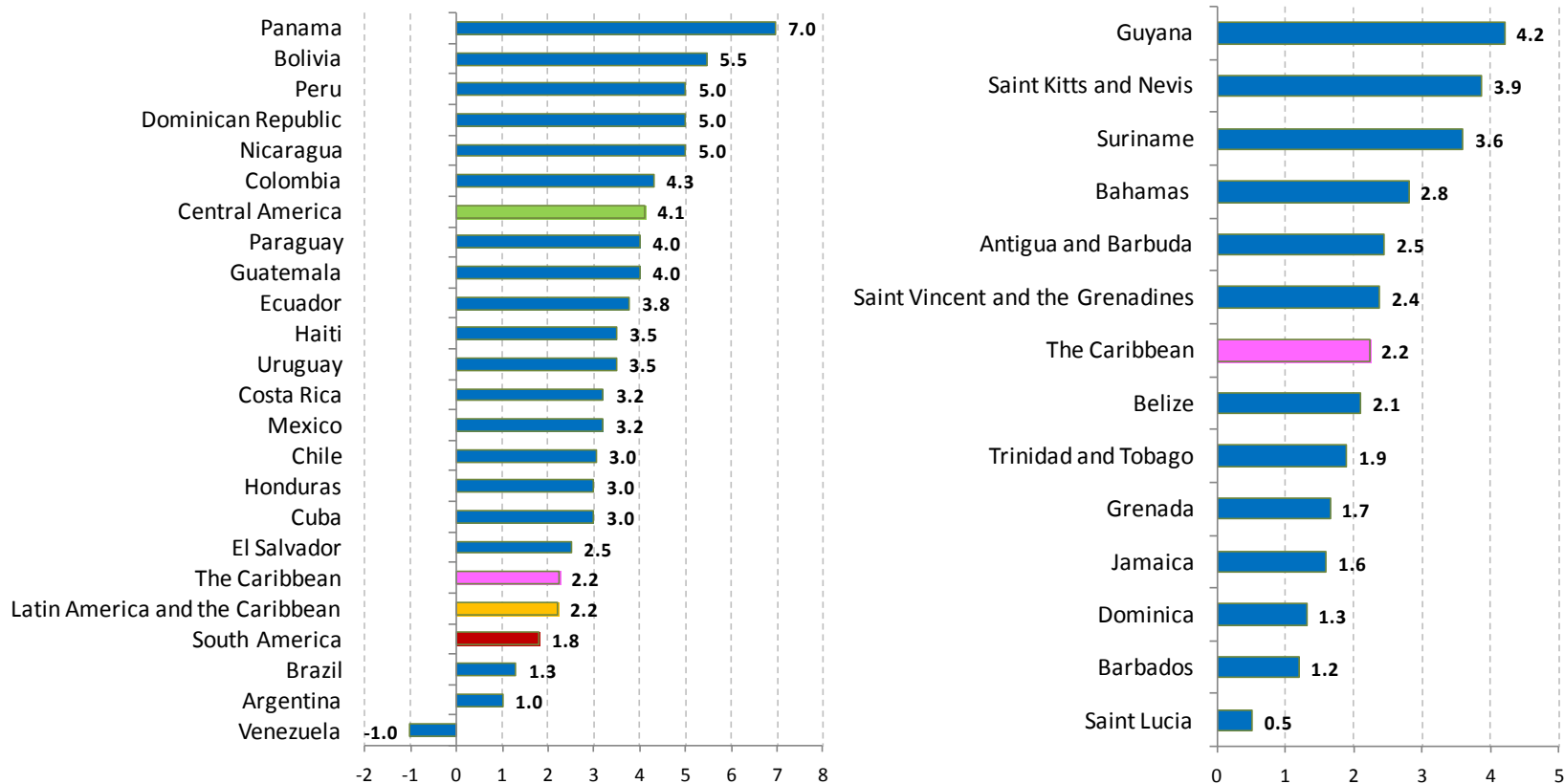


Source: UN DESA. Global Economic Outlook. October 2014.

^a Projections.

A moderate recovery in regional growth is projected for 2015

LATIN AMERICA AND THE CARIBBEAN: GDP GROWTH RATES, 2015^a
(In percentages)



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

^a Projections.



Reverting economic deceleration and invigorating growth in a complex external environment

- Reactivate domestic demand with a focus on investment growth
- Enhance productivity and competitiveness
- Progress in the diversification of the productive structure and of the export basket

This requires:

- Expanding counter-cyclical macroeconomic policies
- Enhancing regional integration



Expanding the counter-cyclical macroeconomic architecture, incorporating the region's investment and infrastructure needs

- Cyclical volatility needs to be smoothed, in terms of both economic growth and investment.
 - The region has improved in the implementation and use of instruments for smoothing the economic cycle, through savings- and stabilization funds as well as monetary and exchange-rate instruments.
 - More progress is required in the design of instruments for smoothing the fluctuations of finance and investment over the different phases of the economic cycle.
 - Macroprudential regulation is an important instrument in this counter-cyclical and investment-friendly architecture, by introducing regulations to avoid excessive consumption growth and to stimulate investment in the productive sector.



Strengthening regional integration as a source of:

- Increased aggregate demand:
 - Trade integration
- Increased productivity and competitiveness:
 - Productive integration and value chains
 - Infrastructure integration
- Increased capacity to withstand external shocks:
 - Regional reserve funds
 - Productive and export financing



2014



Preliminary Overview of the Economies of Latin America and the Caribbean



UNITED NATIONS

ECLAC