



UNITED NATIONS



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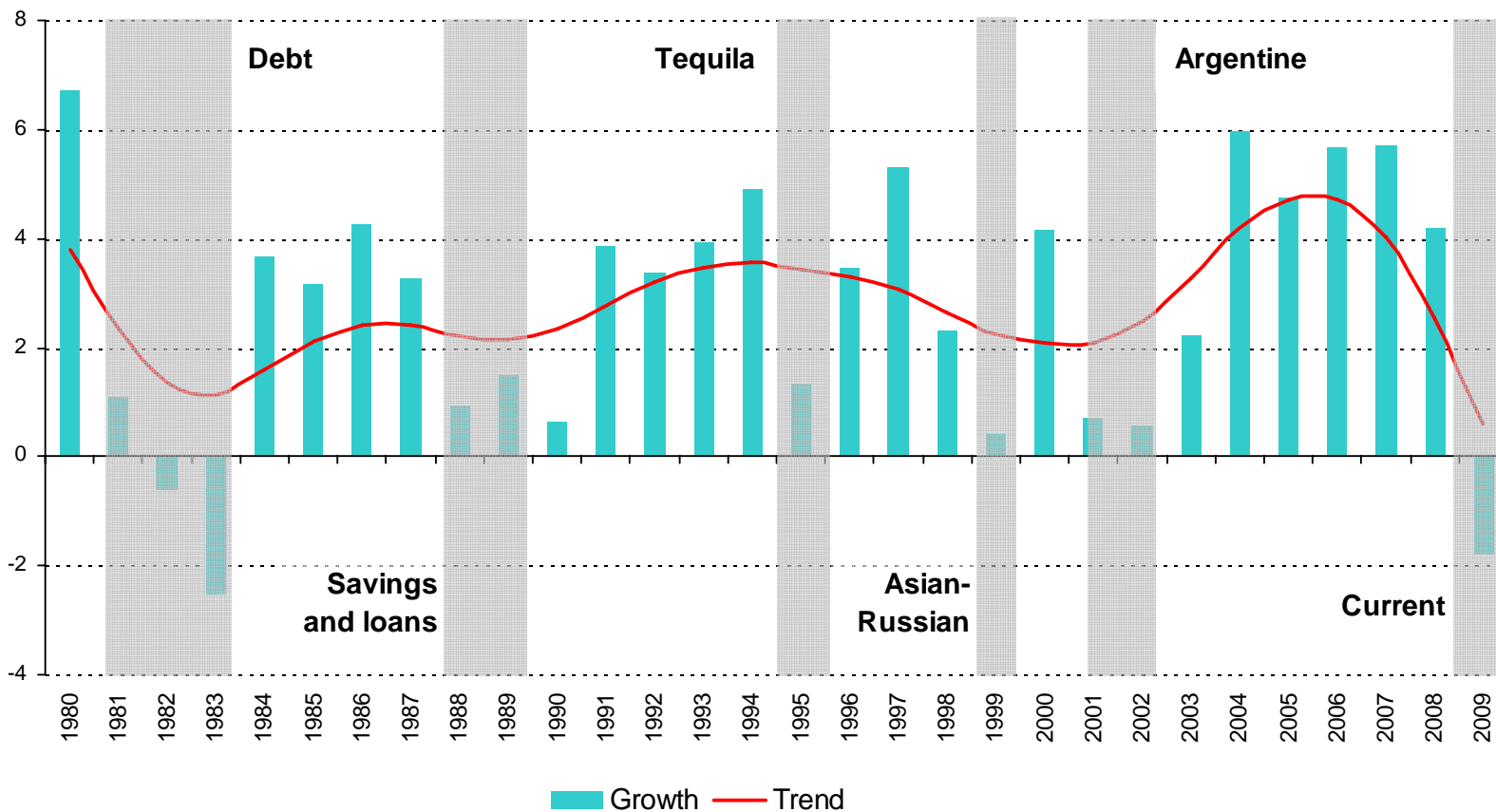


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The magnitude of the global crisis led to a contraction of GDP not seen in the 1980s in the region ...

LATIN AMERICA AND THE CARIBBEAN : GDP GROWTH
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Economic Outlook, IMF, October 2009

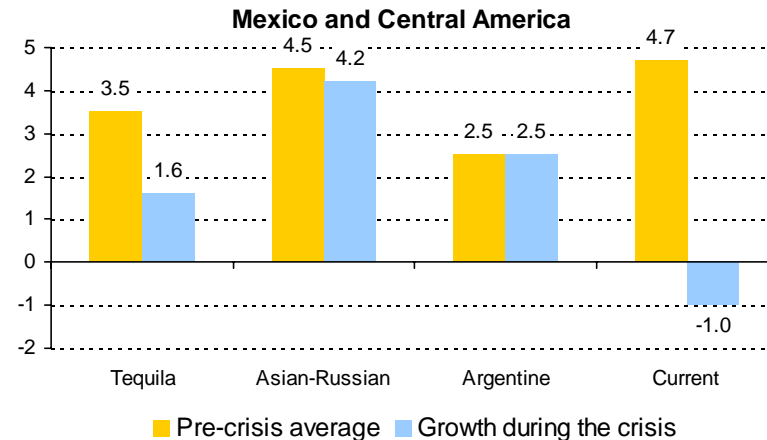
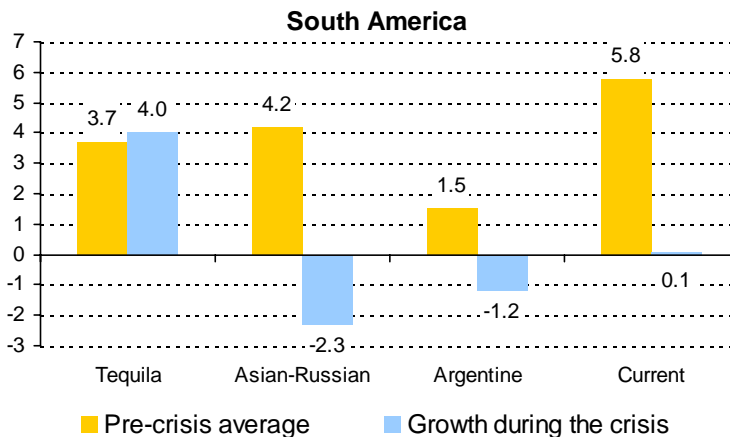
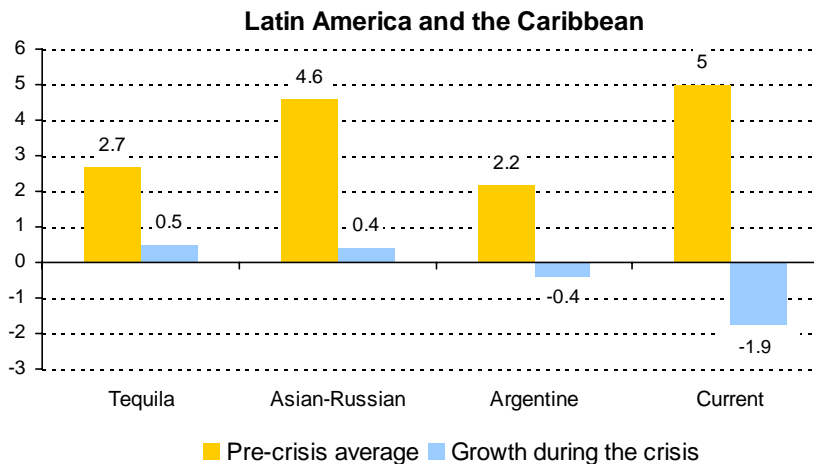
The growth rate fell more steeply than it had in other crises

LATIN AMERICA AND THE CARIBBEAN : GROWTH RATES BEFORE AND DURING CRISIS EPISODES

(Average growth rates before and during the crisis)

Pre-crisis averages correspond to:

- Tequila: 1990-1993
- Asian-Russian: 1996-1997
- Argentine: 2000-2001
- Current: 2003-2007





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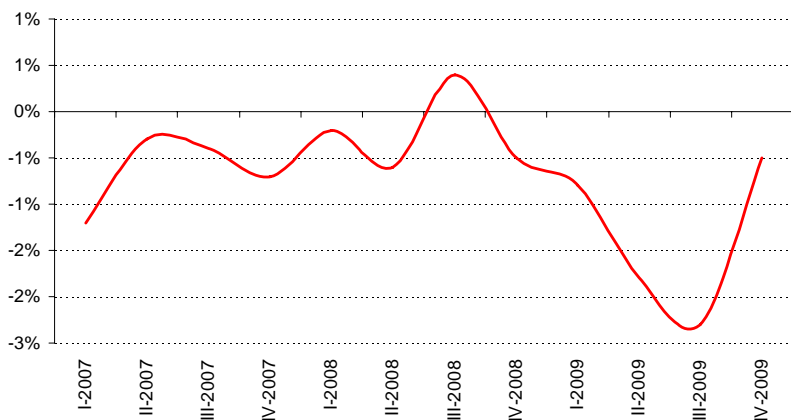
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The effects of financial crises are associated with deteriorating external conditions

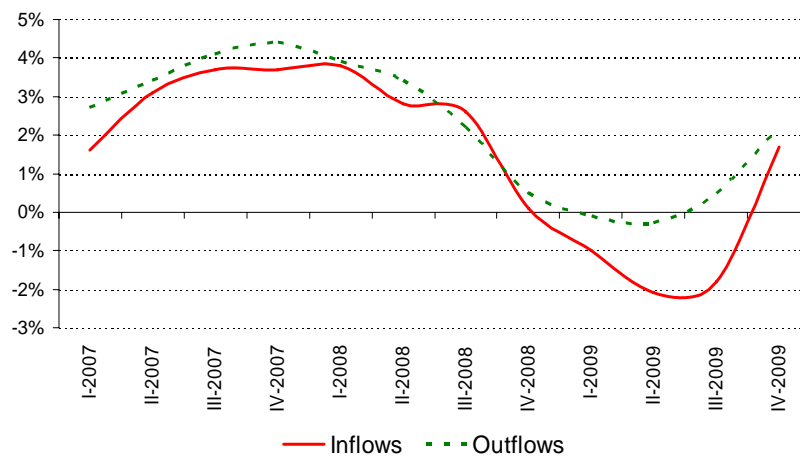
- Tightening of external financing
 - Sudden stops
 - The tightening of external financing has translated into a domestic credit crunch
- Interruption of trade flows
 - Fall in exports

The international crisis shifted the dynamics of financial flows into the region...

Net financial flows
(Percentages of GDP)



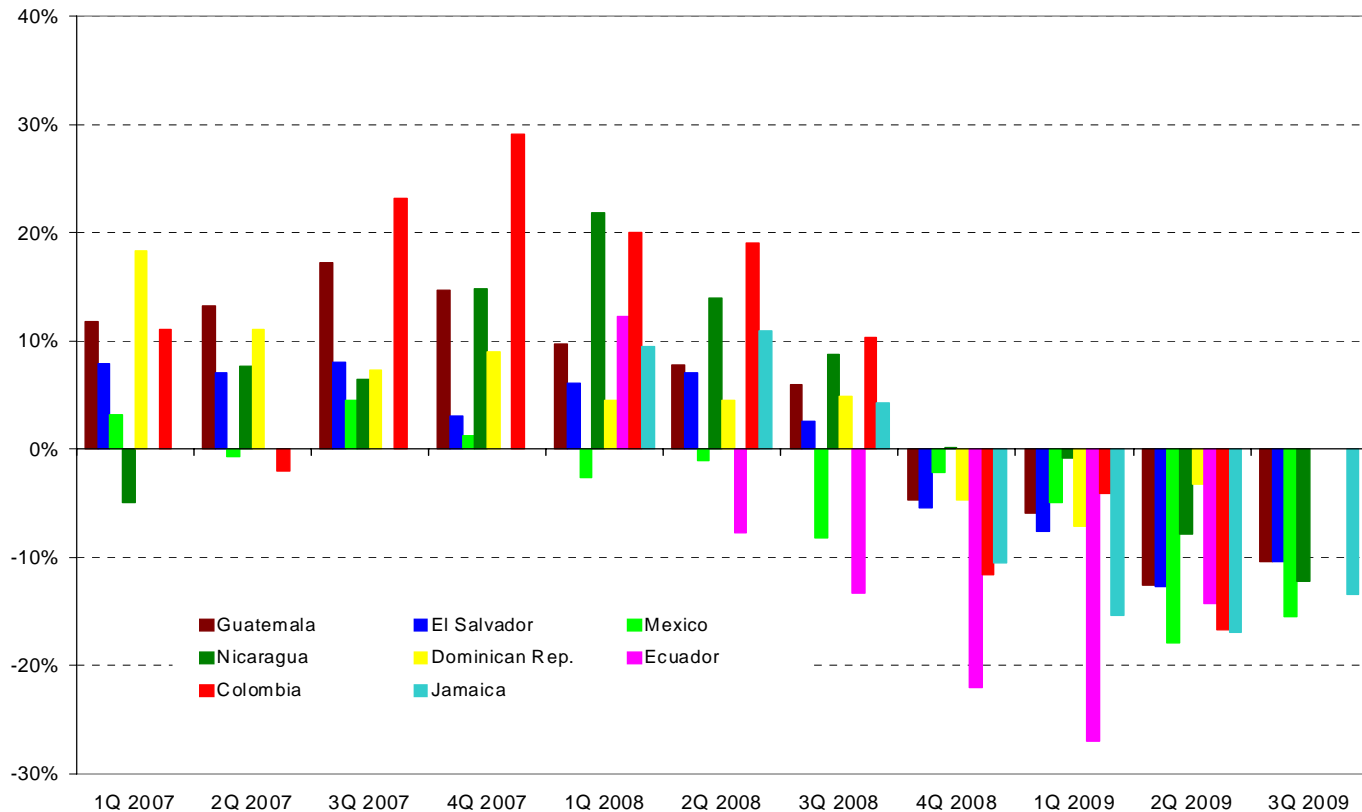
Net financial inflows and outflows
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information.
Note: Simple average, includes Argentina, Brazil, Chile, Colombia, Mexico and Peru. Does not include FDI.

Remittances also decreased...

LATIN AMERICA AND THE CARIBBEAN : REMITTANCES (QUARTERLY DATA)
(Annualized growth rates)



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

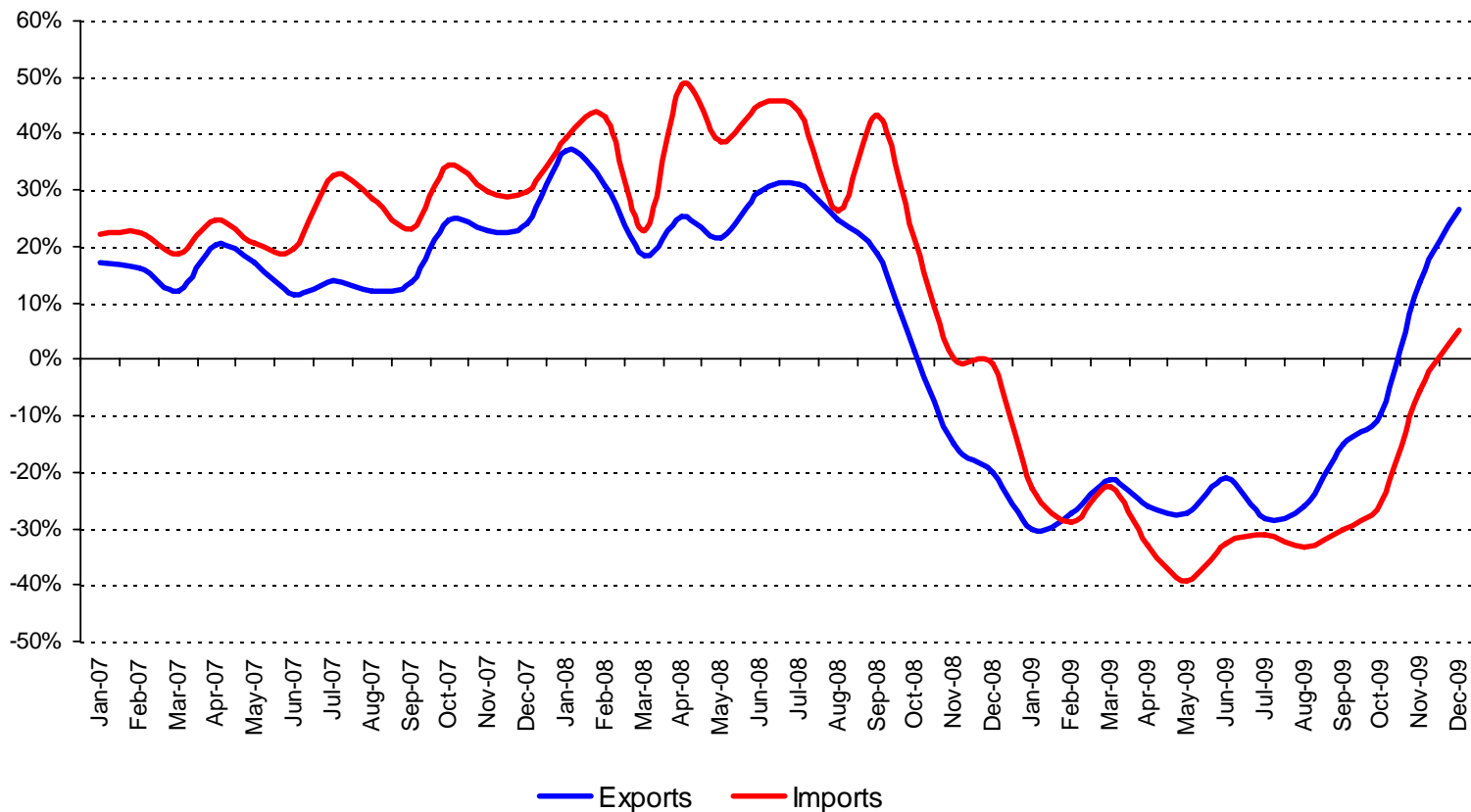


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And the crisis has also damaged the region's trade flows...

LATIN AMERICA AND THE CARIBBEAN (SIX COUNTRIES): EXPORTS AND IMPORTS
(Percentage annual variation in total value)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information.
Note: Simple average; includes Argentina, Brazil, Chile, Colombia, Mexico and Peru.

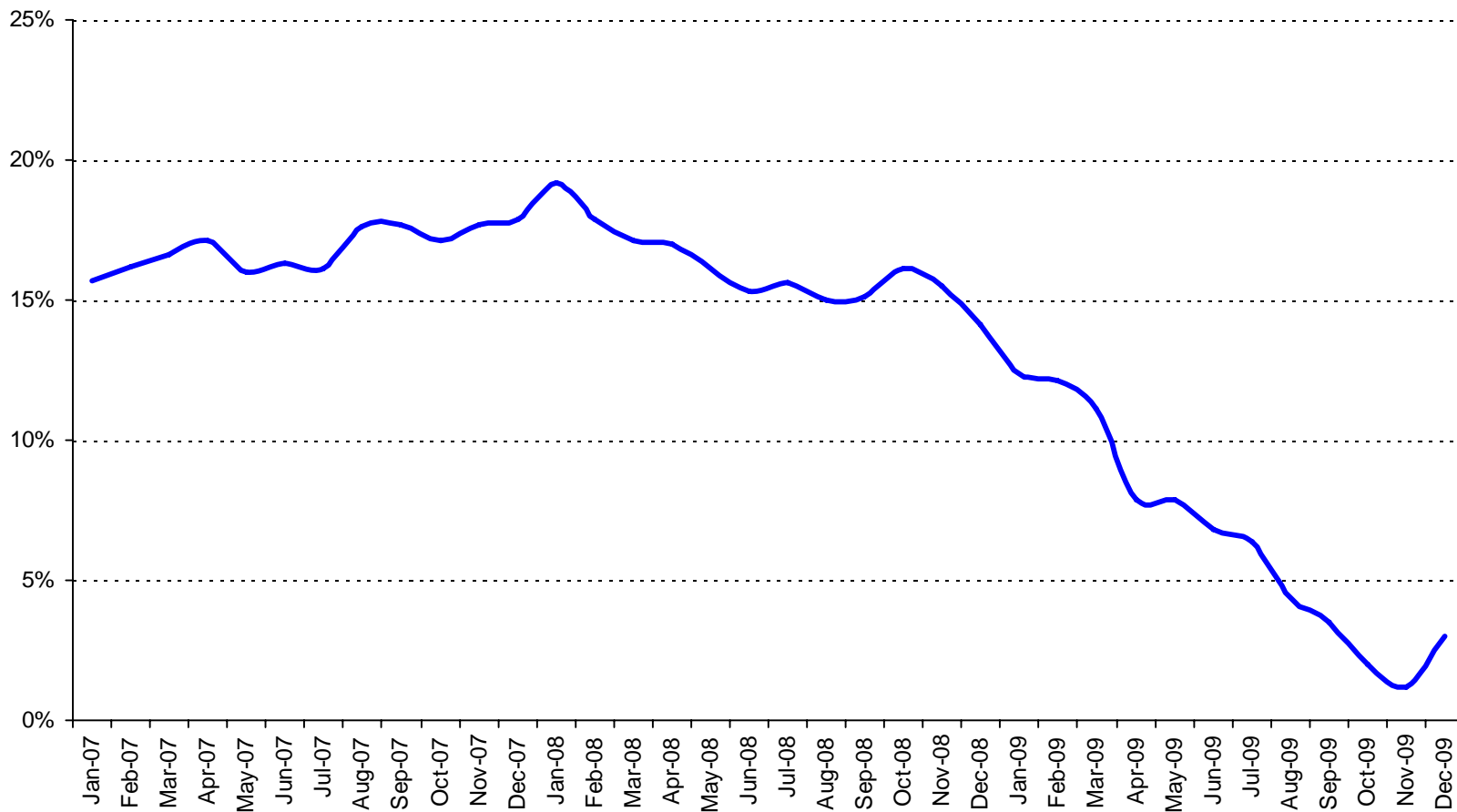


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At the same time, the domestic credit growth slowed heavily in Latin America...

LATIN AMERICA AND THE CARIBBEAN (6 COUNTRIES): CREDIT TO THE PRIVATE SECTOR
(Percentage annual variation, in real terms)

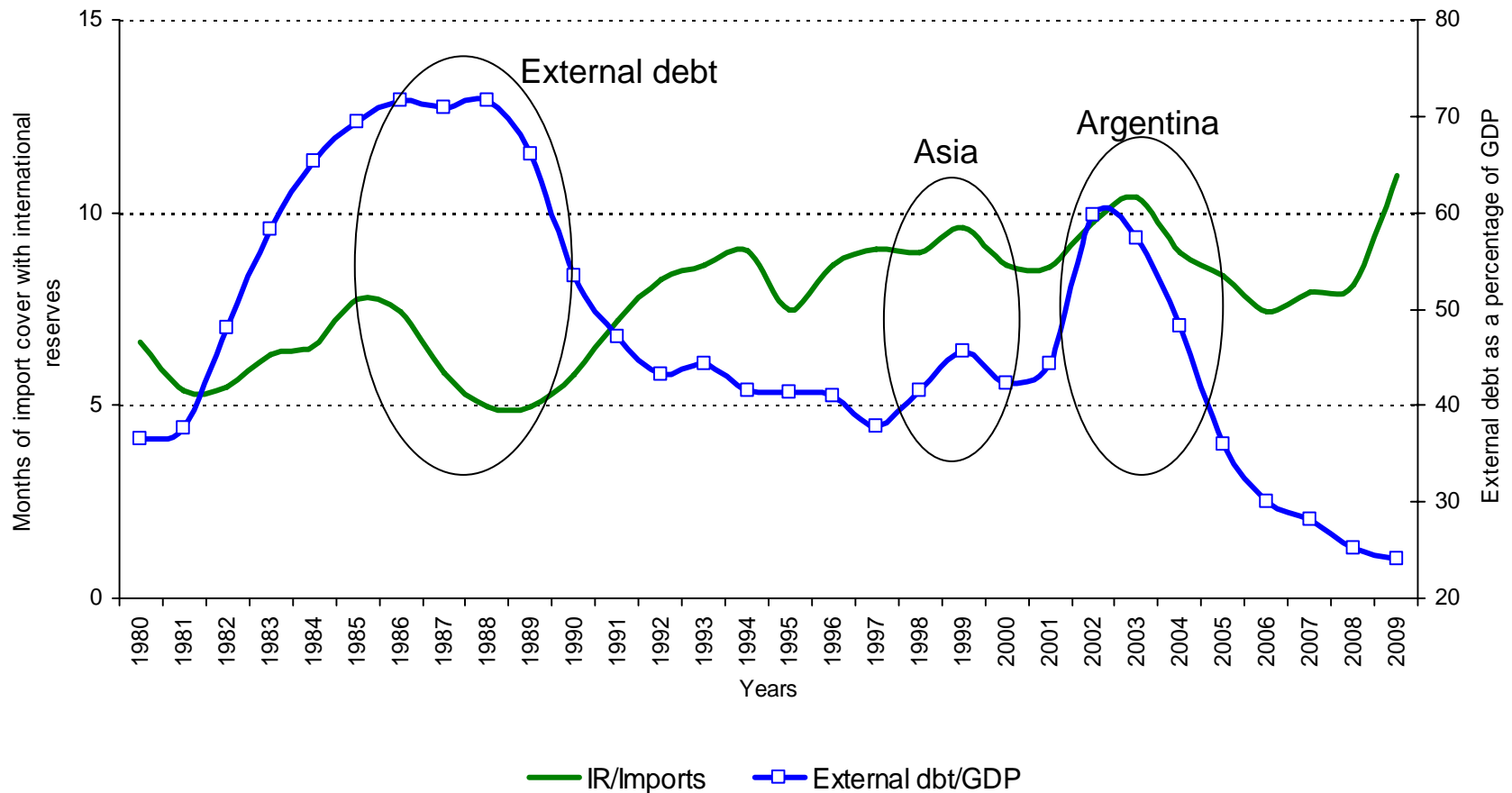


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information.

Note: Simple average; includes Argentina, Brazil, Chile, Colombia, Mexico and Peru.

Despite the difference with respect to other crises, this episode does not seem to have compromised growth in stocks...

LATIN AMERICA AND THE CARIBBEAN (7 COUNTRIES): MONTHS OF IMPORTS COVERED WITH INTERNATIONAL RESERVES AND EXTERNAL DEBT AS A PERCENTAGE OF GDP, 1980-2009



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



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This is partly thanks to macroeconomic achievements prior to the crisis ...

- Macroeconomic performance was exceptional in 2003-2007:
 - Highest per capita growth rates for the past three decades, 3.7%
 - Average rate in the 1970s was 3.1%
 - Macroeconomic stability
 - Non-financial public sector debt fell from 59% of GDP to 33%
 - Large build-up of international reserves
 - Level of reserves more than doubled, from US\$ 189 billion in 2003 to US\$ 433 billion in 2007



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And helped to underpin countercyclical policies in the region...

- Most of the countries announced fiscal stimulus packages
 - These vary from 1% to 6% of GDP
 - Most packages are directed at increasing spending
 - On expanding and maintaining infrastructure
 - On social sectors
 - On support for SMEs
 - On job creation
 - They also include tax policies (tax cuts) to stimulate private spending on consumption and investment
 - Cuts in direct and indirect taxes and increased exemptions
 - Cuts in social security contributions
 - Fuel prices freezes or cuts

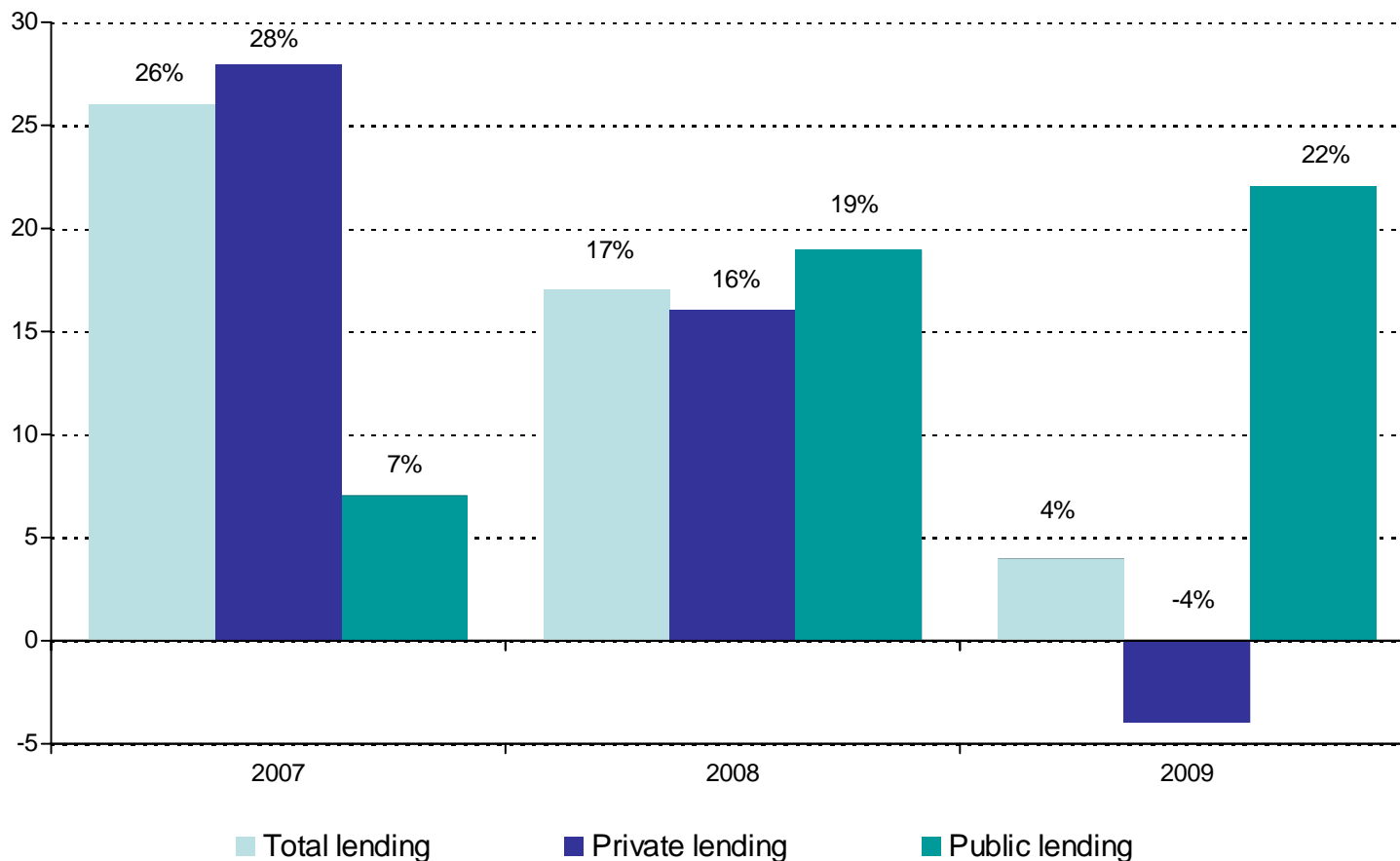


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Lastly, public-sector credit was boosted to compensate for the fall in private lending...

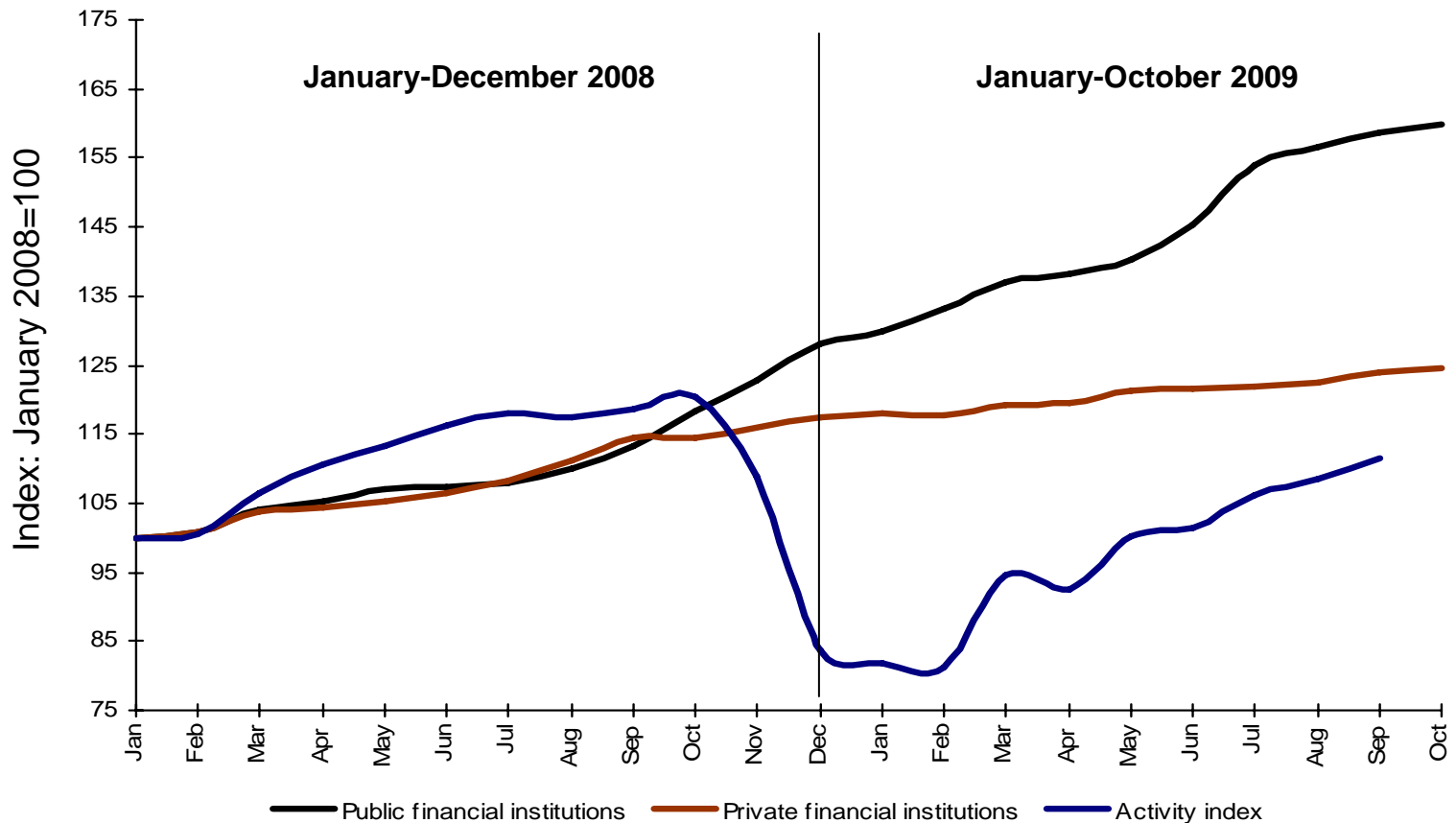
LATIN AMERICA AND THE CARIBBEAN (7 COUNTRIES): GROWTH IN TOTAL LENDING (IN REAL TERMS), 2007-2009



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of IDB (2010).

The countercyclical role of the public financial systems was particularly significant in Brazil...

BRAZIL: INDEX OF CREDIT TO GDP OF PUBLIC AND PRIVATE FINANCIAL INSTITUTIONS AND INDUSTRIAL ACTIVITY INDEX, JANUARY 2008-OCTOBER 2009



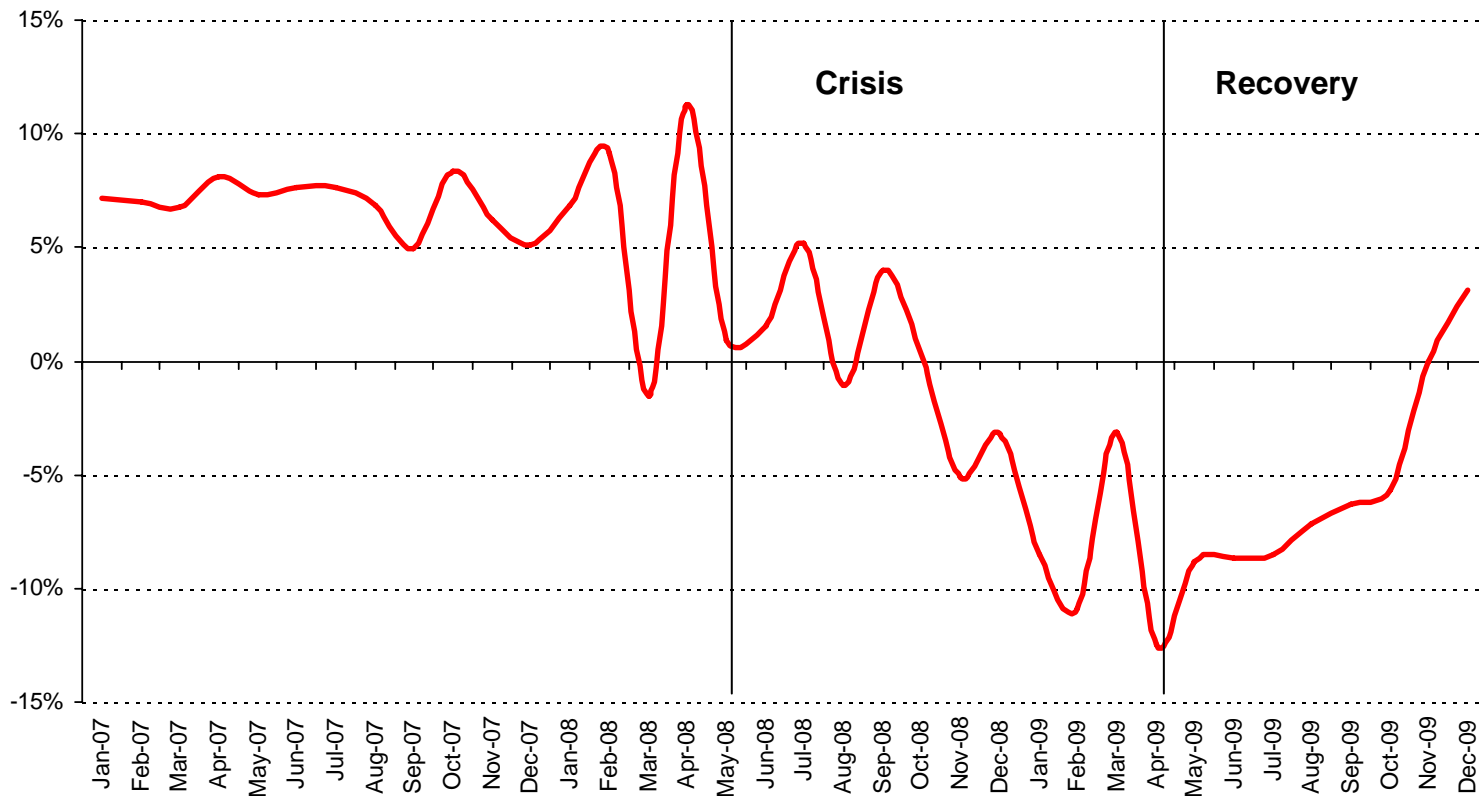


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This paved the way for an upturn in economic activity...

LATIN AMERICA: INDUSTRIAL PRODUCTION
(Percentage annual variation)



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

Note: Simple average, includes Argentina, the Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Mexico and Peru.

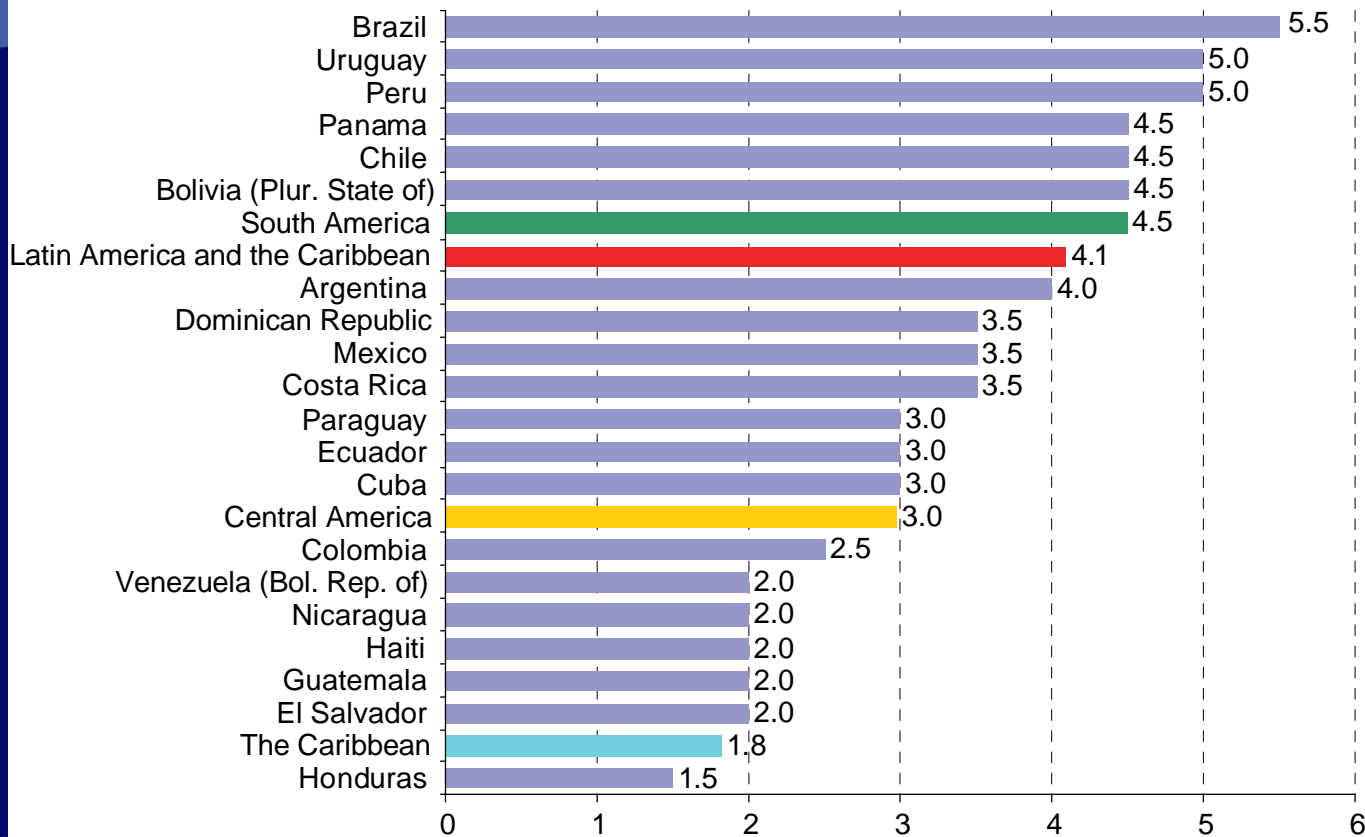


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The recovery will firm up in 2010 with growth estimated at 4.1%

LATIN AMERICA AND THE CARIBBEAN: GROWTH RATES, 2010
(Percentages)



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

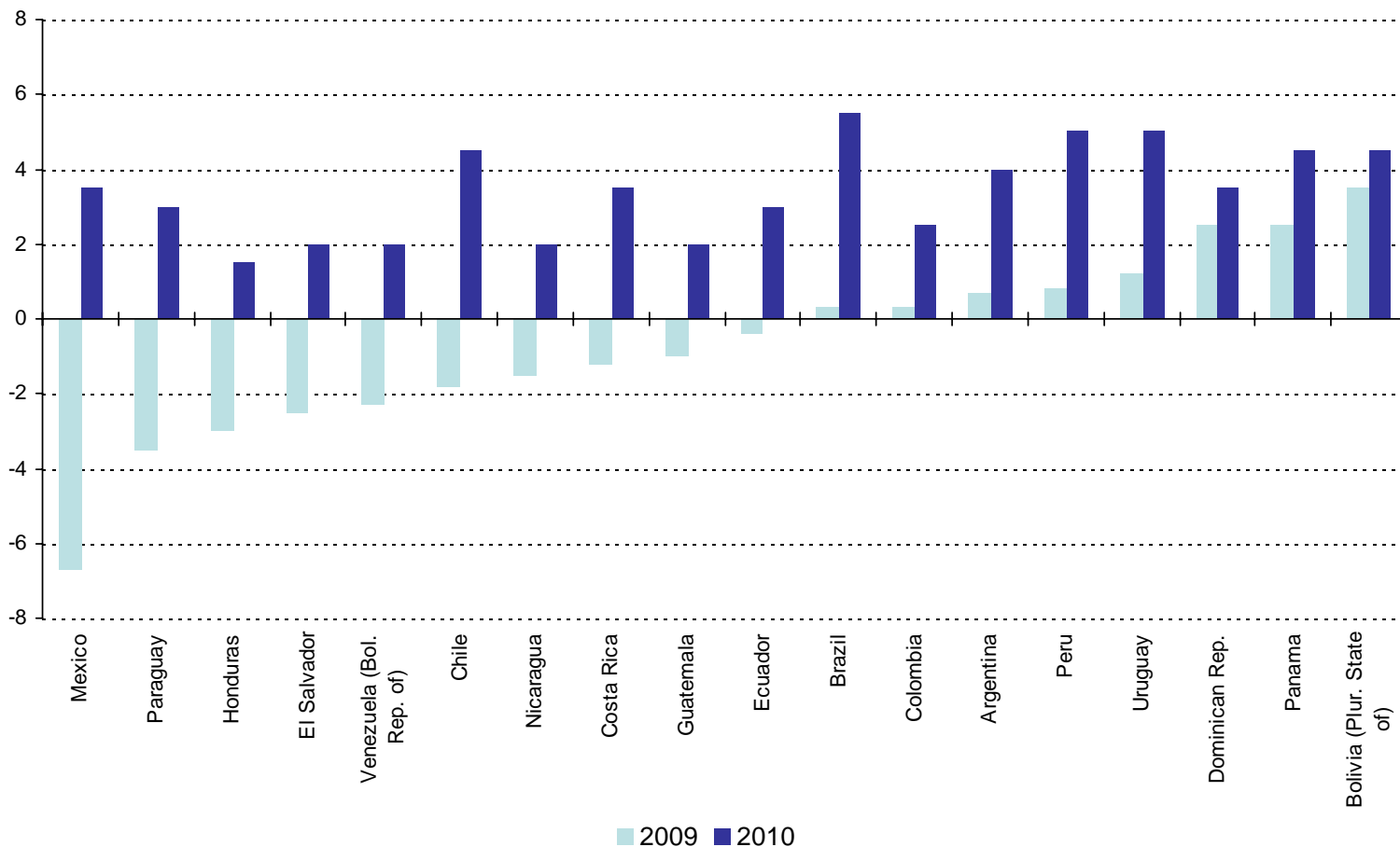


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Widespread recovery in the region...

LATIN AMERICA: GDP GROWTH RATES IN REAL TERMS, 2009 AND 2010
(Percentages)



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



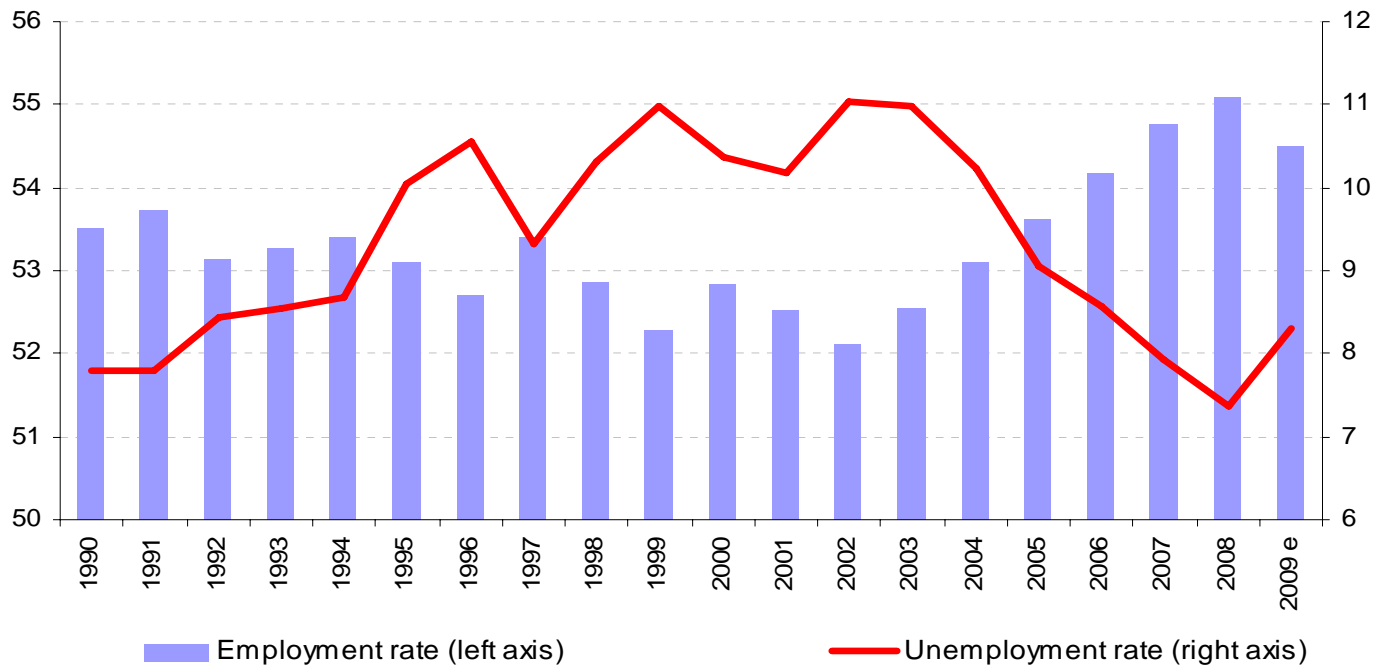
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LABOUR MARKET AND VULNERABILITY TO THE CRISIS

The crisis adversely affected the labour market and reversed some of the gains made in recent years

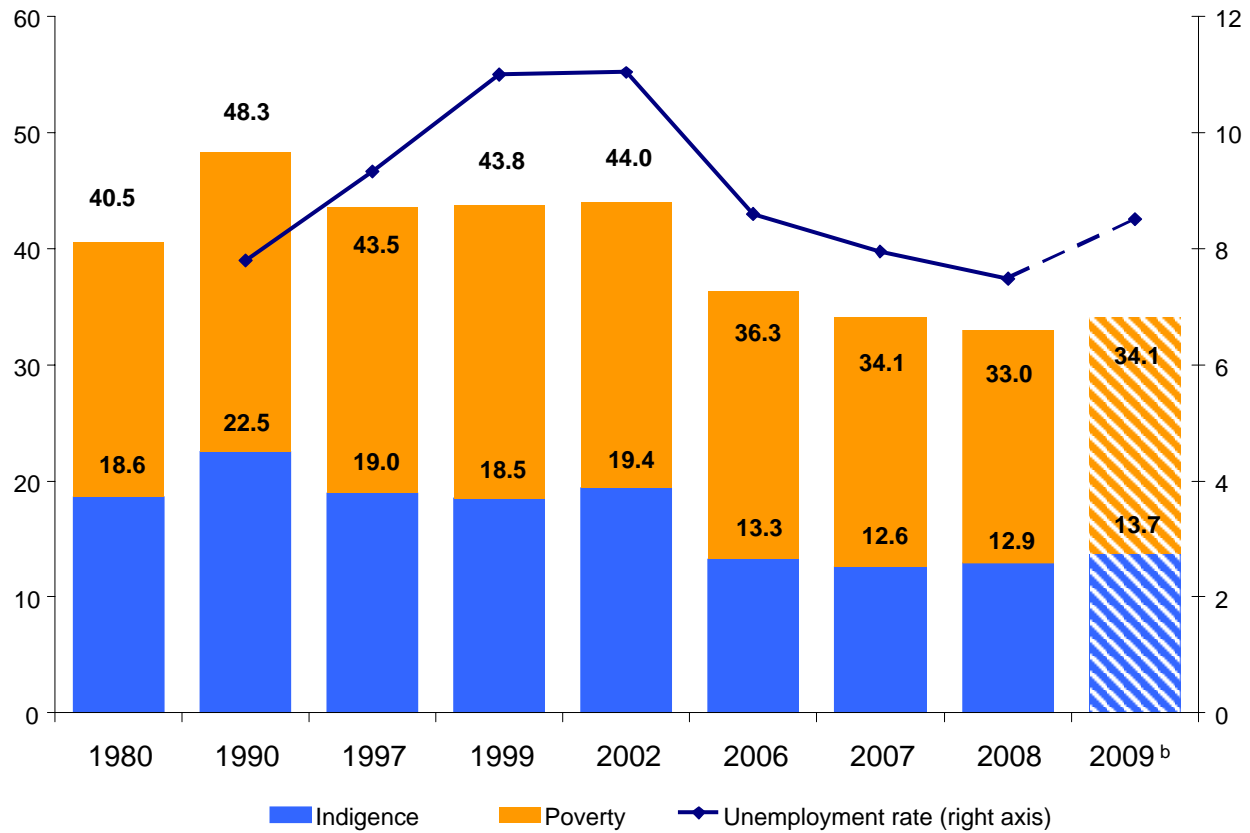
LATIN AMERICA AND THE CARIBBEAN: RATES OF EMPLOYMENT AND UNEMPLOYMENT, 1990-2009
(Percentages)



The fall in the participation rate contained the rise in unemployment, which reached around 8.3% in 2009

The social impacts of the crisis have also been severe, as shown by the rise in unemployment and poverty...

LATIN AMERICA AND THE CARIBBEAN: POVERTY, EXTREME POVERTY AND UNEMPLOYMENT RATE ^a
(Percentages)



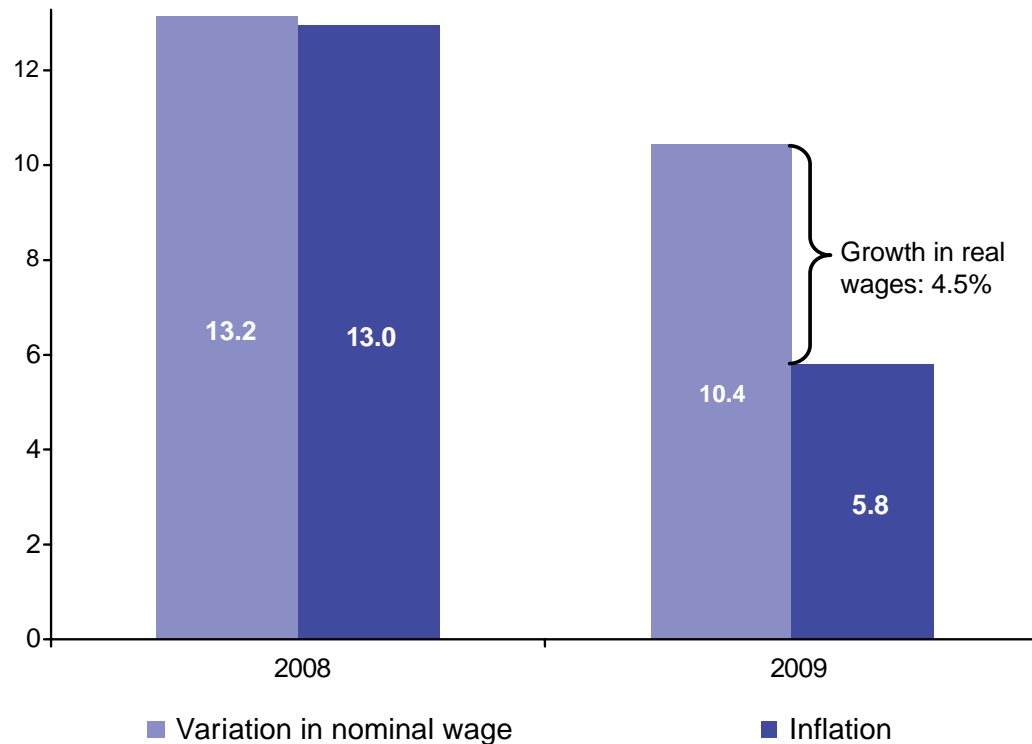
Source: Economic Commission for LAC (ECLAC), on the basis of household surveys.

^a The numbers of poor and indigent are based on estimates for 19 countries of the region, including Haiti.

^b The figures for 2008 and 2009 are estimates.

Slower inflation helped to protect workers' real income

LATIN AMERICA: NOMINAL WAGES, INFLATION AND REAL WAGES ^a (Percentages)



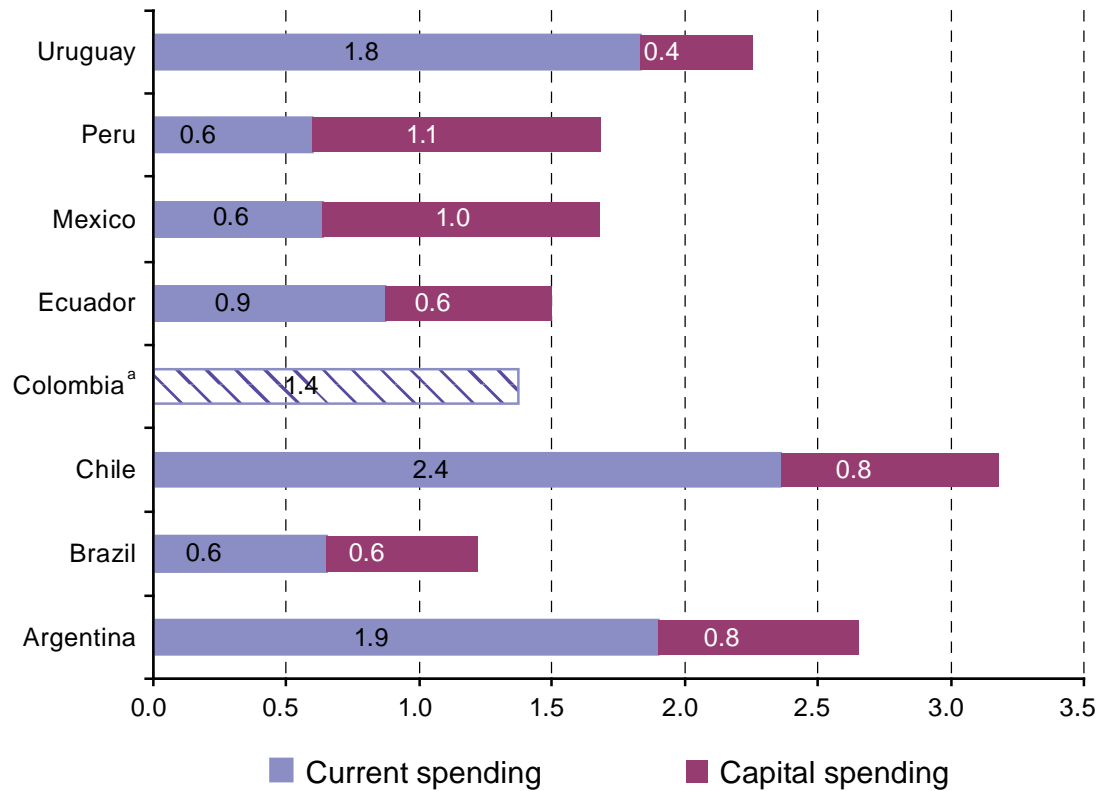
This helped to mitigate the impact on poverty

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

^a Simple average for 10 countries.

Public spending —both current and capital— rose

LATIN AMERICA AND THE CARIBBEAN (SELECTED COUNTRIES): YEAR-ON-YEAR VARIATION IN PUBLIC SPENDING, FIRST NINE MONTHS OF 2009
(Percentages of GDP)



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



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EXPECTATIONS IN VIEW OF THE CRISIS



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It is still uncertain whether the region can look forward to sustained growth in the medium term...

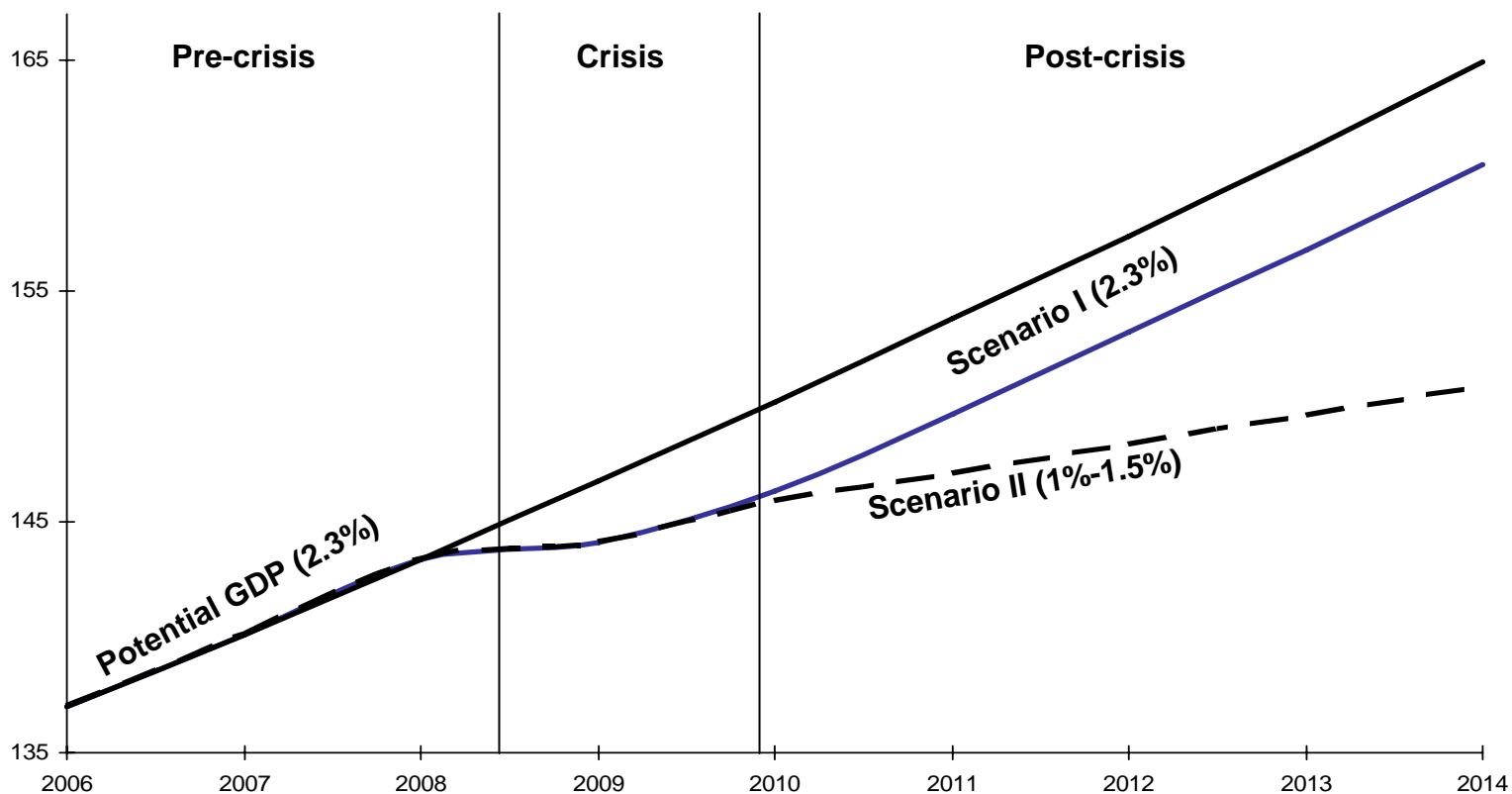
- The effects of this crisis are not limited to temporary factors of the business cycle:
 - The magnitude and systemic nature of the crisis suggest that more structural changes will take place on the global scene
 - There is a growing perception that global dynamics will shift towards a “new normal”, which will have three main features:
 - Lower actual and potential growth rates in developing economies
 - Less expansion in international financial markets
 - Smaller trade flows



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In the developed countries, potential GDP will be lower and will grow more slowly in the medium term...



Source: Economic Commission for Latin America and the Caribbean (ELCAC), on the basis of OECD (2009) and the European Commission (2009).



It will not be easy to recover pre-crisis global growth rates in the medium term...

- Aggregate demand has to be rebalanced between countries. But consensus and clarity on how to achieve this are lacking
 - The developed countries account for much of world consumption
 - United States 34% and OECD 84% of global consumption on average for 2004-2007
 - Emerging economies (Asia-China) have room to increase domestic demand, but face major internal constraints
- Public and private domestic demand need to be rebalanced
 - It will be hard to maintain fiscal stimuli
 - It is not clear how to replace public spending with private spending



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The financial and trade landscape will also be different in the post-crisis world...

- It will take time to remedy dysfunctional financial systems
 - Smaller financial flows to developing regions
 - Domestic bias and financial protectionism
 - Changes in financial regulation
- On the trade front:
 - Prolonged slowdown in import demand from developed economies: slower growth in world trade
 - Greater reliance on protectionist practices
 - Slow pace of recovery in credit and settlements systems
 - Disruption of global production chains
 - Trade will continue to provide opportunities for growth



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The implications of this new context vary widely within Latin America...

- The effects will be greater in economies that have:
 - Strong dependence on developed countries for trade and financial flows, less developed financial systems, limited access to international financial markets and little capacity to substitute external demand with domestic demand
- Countries that export raw materials may benefit depending on:
 - The depth of South-South trade
 - The evolution of demand from emerging economies and commodity export prices



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To achieve sustainable growth in this new context, the region must deal with four major shortfalls

- Productivity and investment
- Education
- Inequality and social protection
- Climate change



This will require...

- Redefinition of the role of the State and of public policies:
 - Macro policies conducive to productive development
 - Investment promotion
 - Knowledge- and innovation-driven increase in competitiveness
 - Stronger social policies and institutions
 - Sustainable use of natural resources and environmental stewardship
- A new political covenant for democratic governance



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THE IMPACT OF THE CRISIS ON POVERTY AND VULNERABILITY



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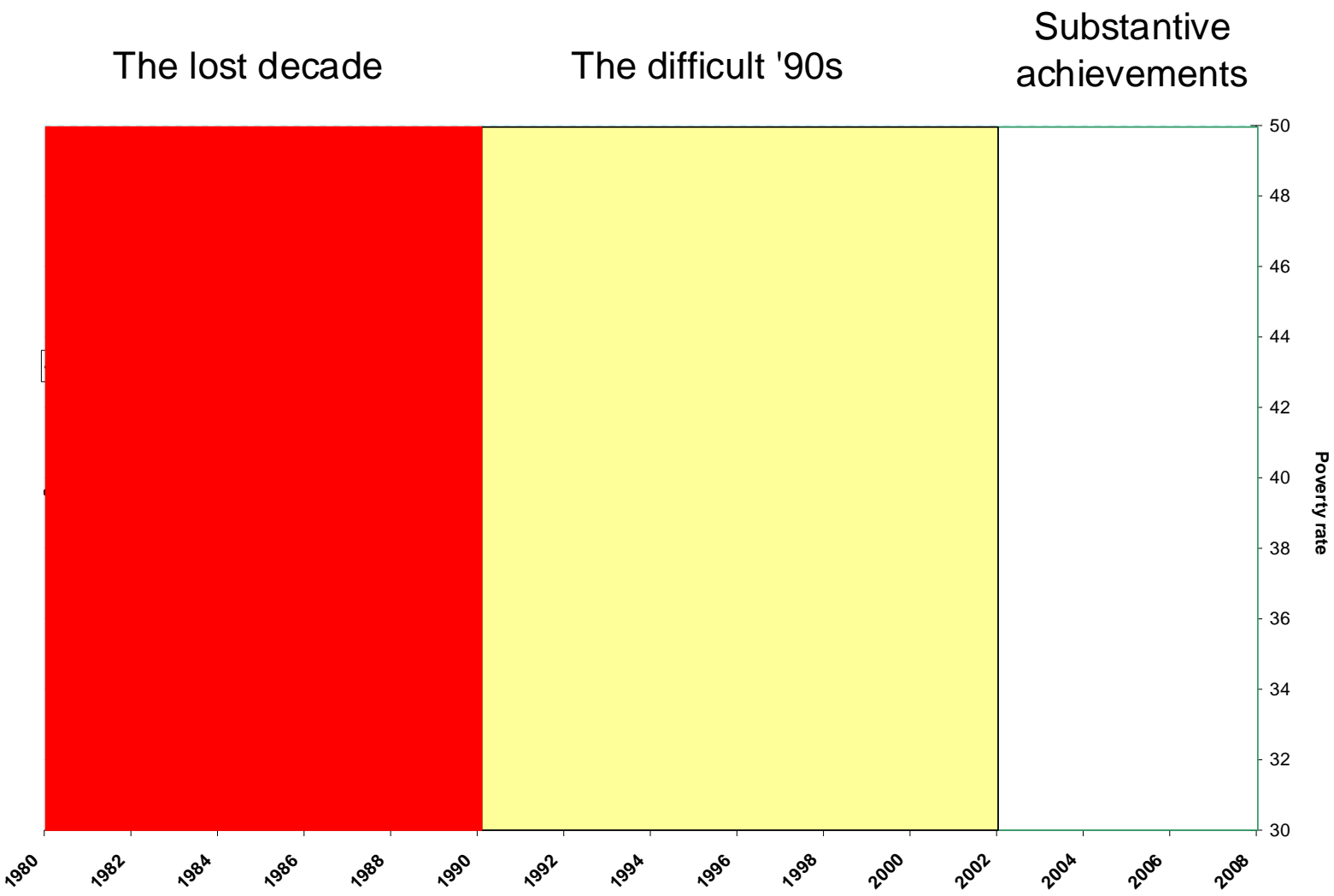


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After the lost decade of the 1980s came the difficult 1990s and the achievements of the new century





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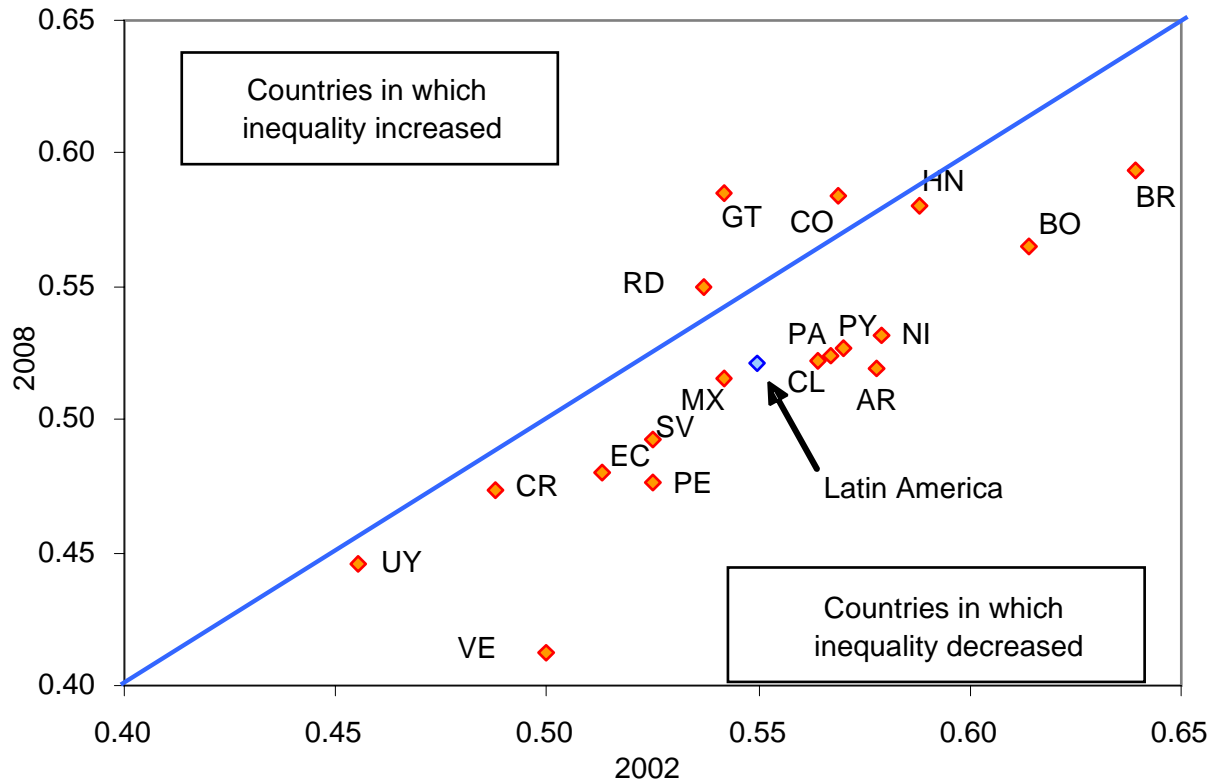
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Four allies contributed to the drop in poverty between 1990 and 2008, to different extents in different periods ...

- Economic growth (the 1990s, with higher employment rates, and starting in 2002, with both higher employment and higher income)
- Distributive improvements (only 2002-2008)
- Strong expansion in social spending (begins rising again in 1990s and consolidates between 2002 and 2008)
- Demographic effect (lower rates of fertility and dependency and smaller average households, more pronounced in the first stage than in the second)

Unlike in the 1990s, between 2002 and 2008 there was a SECOND ALLY: income distribution inequality decreased significantly...

LATIN AMERICA (18 COUNTRIES): GINI INDEX, AROUND 2002 AND 2008

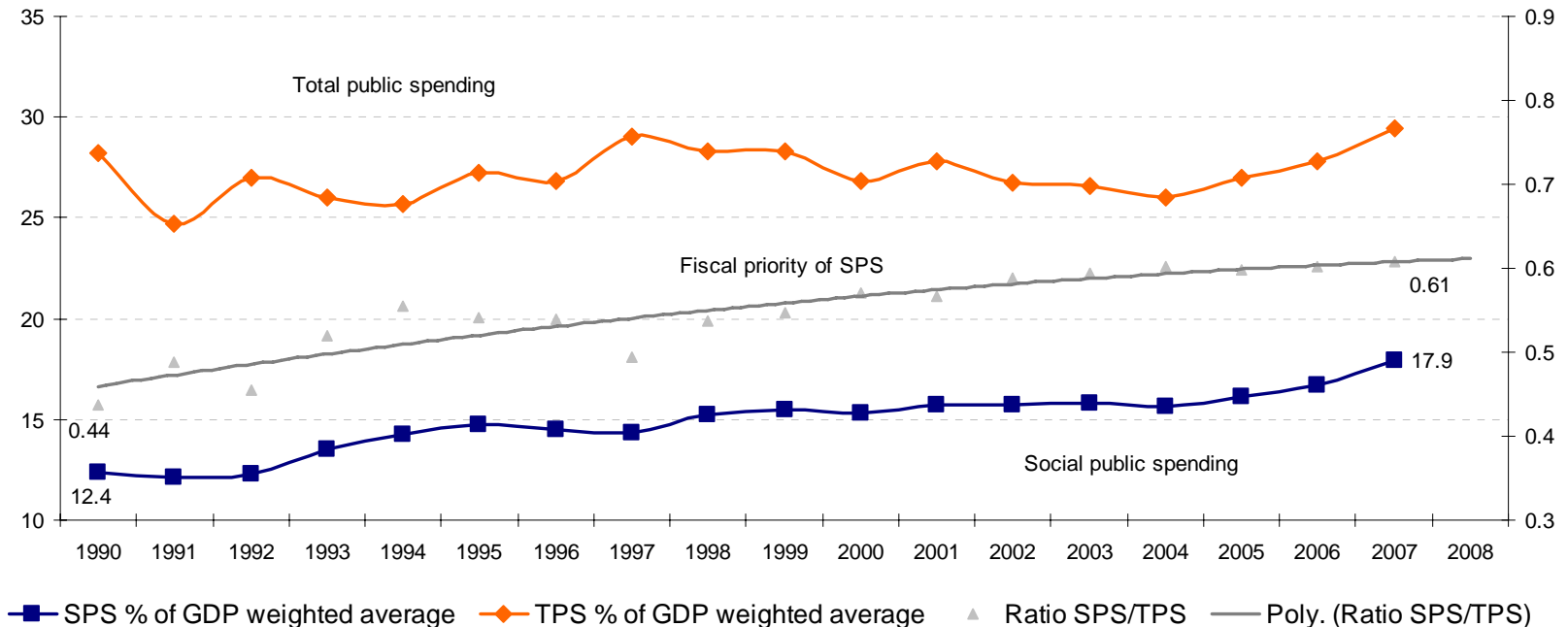


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.

^a Urban areas.

Third ally: as well as GDP growth, social spending gained a higher priority within public spending

LATIN AMERICA (21 COUNTRIES): SOCIAL PUBLIC SPENDING AND TOTAL PUBLIC SPENDING IN RELATION TO GDP
(Percentages)





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Fourth ally: between 1990 and 2010 the dependency rate was still falling sharply

Number of persons of non-working age per 100 persons of working age:

$$(0-14) + (60+) / (15-59)$$

Steep decline:

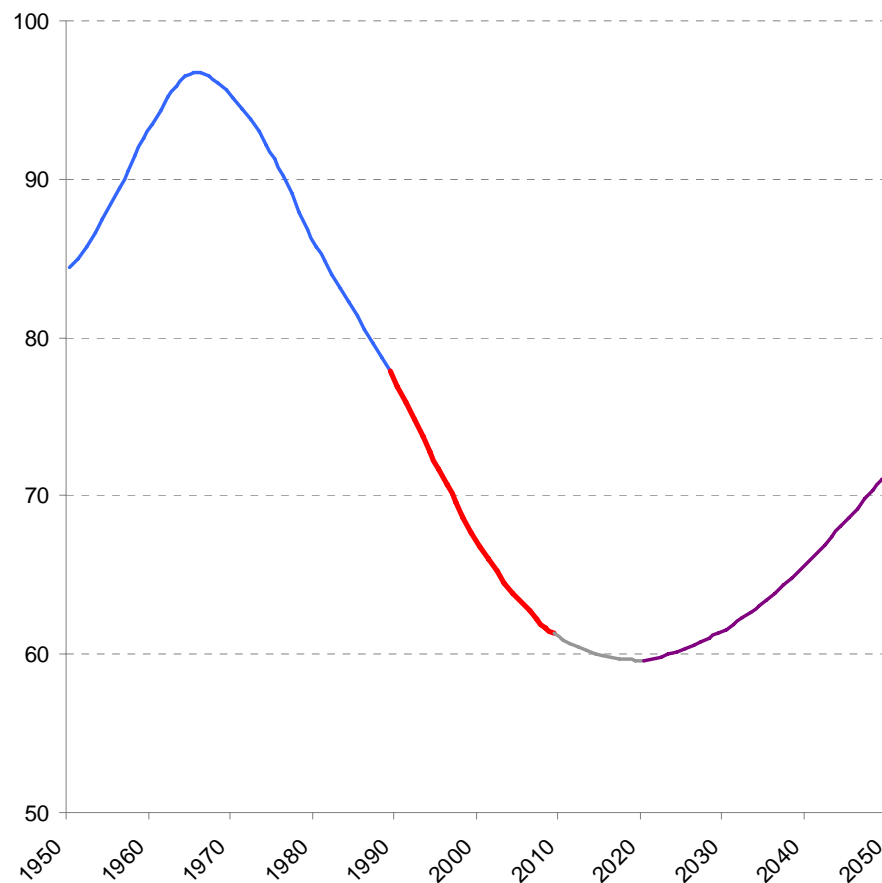
Easy gains from dividend
(1970-2010/2015)

Stabilization at low levels:

Dividend remains, but its effect depends on other factors
(2010/2015-2021)

Beginning of the end of the demographic dividend:

Dependency rate begins to rise
2021-





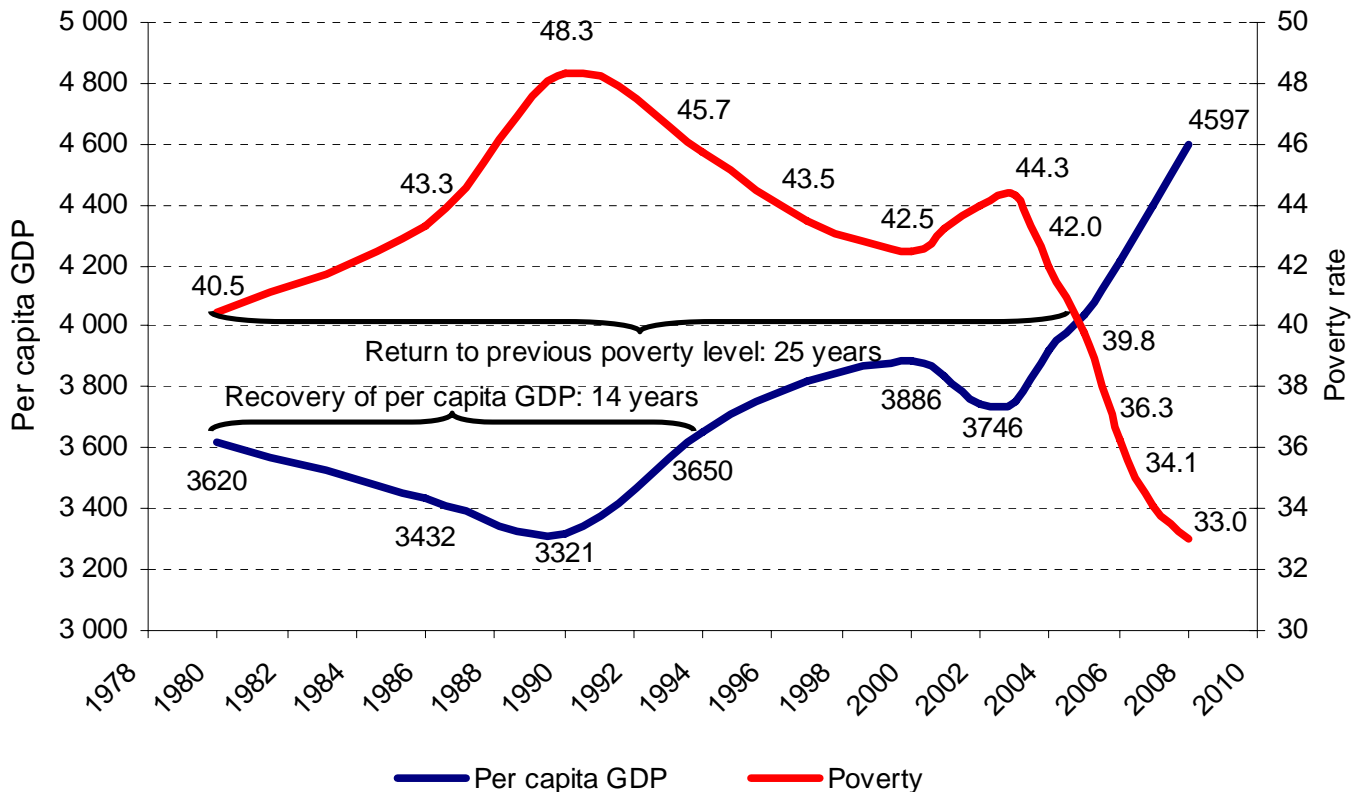
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THE IMPACT OF THE CRISIS ON POVERTY AND VULNERABILITY

The past the region must avoid repeating: social recovery that lags behind economic recovery

LATIN AMERICA AND THE CARIBBEAN (WEIGHTED AVERAGE FOR 19 COUNTRIES): PER CAPITA GDP AND POVERTY RATES, 1980-2008
(In dollars and percentage rate of the population)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys in the respective countries, for poverty data, and official information, for GDP data.



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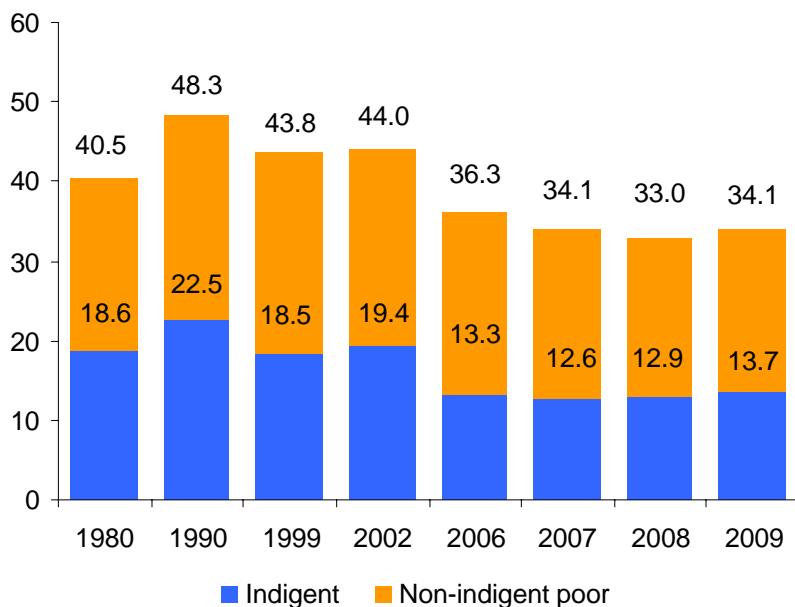
Social outlook 2009

- The global financial crisis will cause regional GDP to fall by around 1.8% in 2009
- For the first time in six years, poverty levels will stop falling and start to rise. The downward trend in extreme poverty has already been reversed by the spike in food prices in 2008
- ECLAC projects that between 2008 and 2009 the proportion of poor people in the region will increase from 33% to 34.1% (by 1.1 percentage points). The indigent population is projected to increase from 12.9% to 13.7% (by 0.8 percentage points)
- In 2009 there will be 9 million more poor and 5 million more indigents than there were in 2008

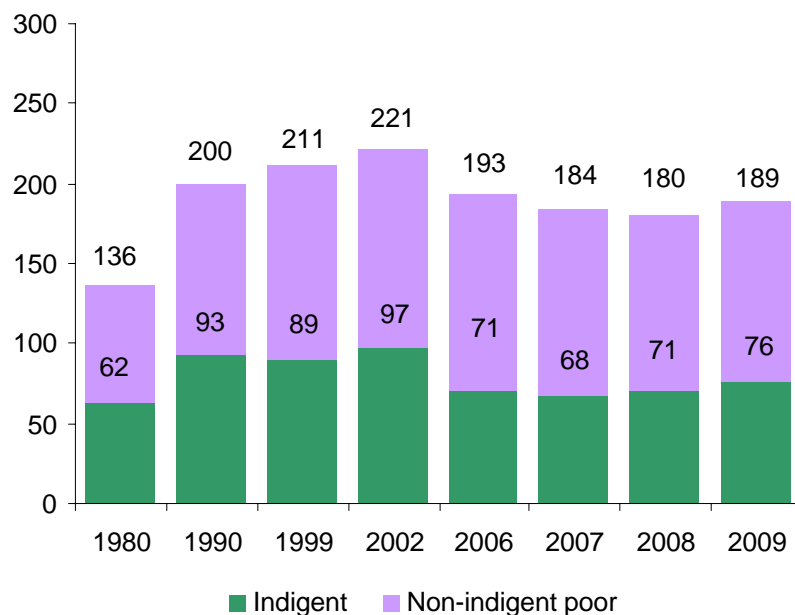
In terms of regional averages, the downturn 2009 will not erase all the gains made previous six years, but it will halt reverse the positive trends

LATIN AMERICA AND THE CARIBBEAN: POVERTY AND EXTREME POVERTY ^a, 1980–2009 (In percentages and millions of people)

Percentage of the population



Millions of persons



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys in the respective countries.

^a Estimates for 19 countries of the region, including Haiti. The figures above the bars represent the percentage and total number of poor (indigent plus non-indigent poor), respectively.



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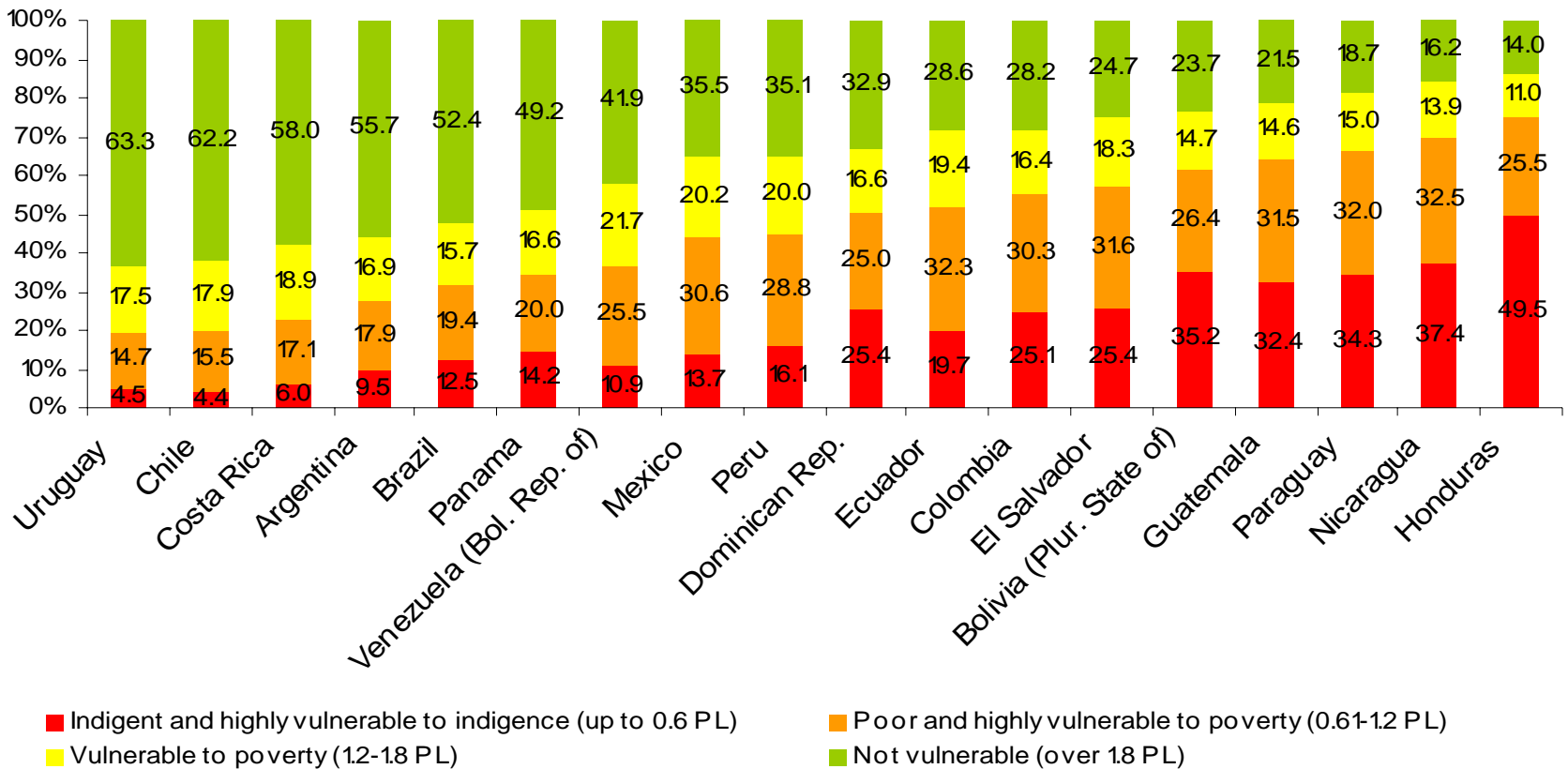
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Why the social impact has been smaller than in previous crises

- Three pieces of good news that set this crisis apart from previous crises:
 - no fiscal collapse of States
 - no inflation or hyperinflation
 - no collapse of financial systems
- Governments and multilateral agencies are able and willing to support countercyclical monetary and fiscal measures. This contrasts sharply with the situation in the 1980s
- The sustained increase in social spending and social protection instruments has helped to mitigate the social effects of the crisis
- All this has helped to sustain higher levels of activity and employment, protect the value of wages and maintain or expand social protection systems

The shifting boundaries of well-being: a large proportion of the population is at risk

LATIN AMERICA (18 COUNTRIES): PROFILE OF INCOME VULNERABILITY BY COUNTRY, 2008
(Percentages)

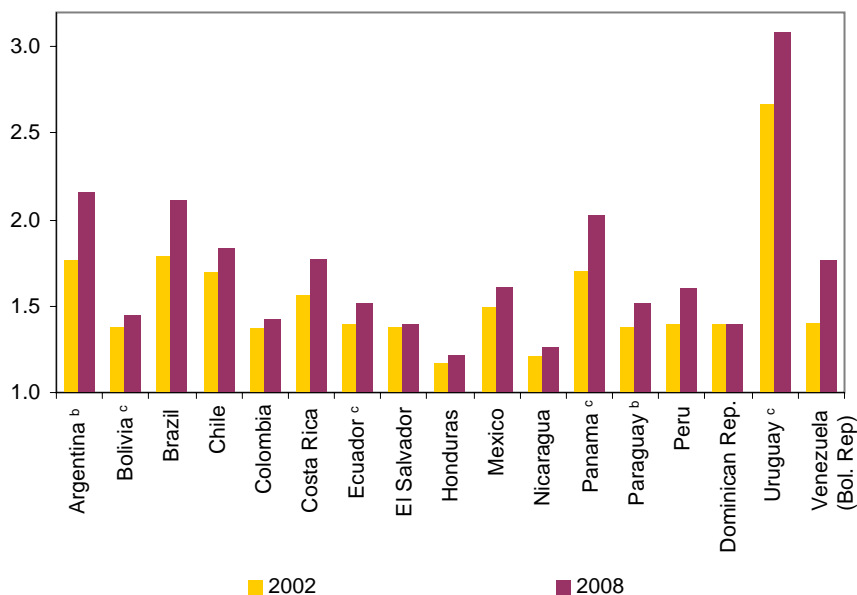


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys in the respective countries.

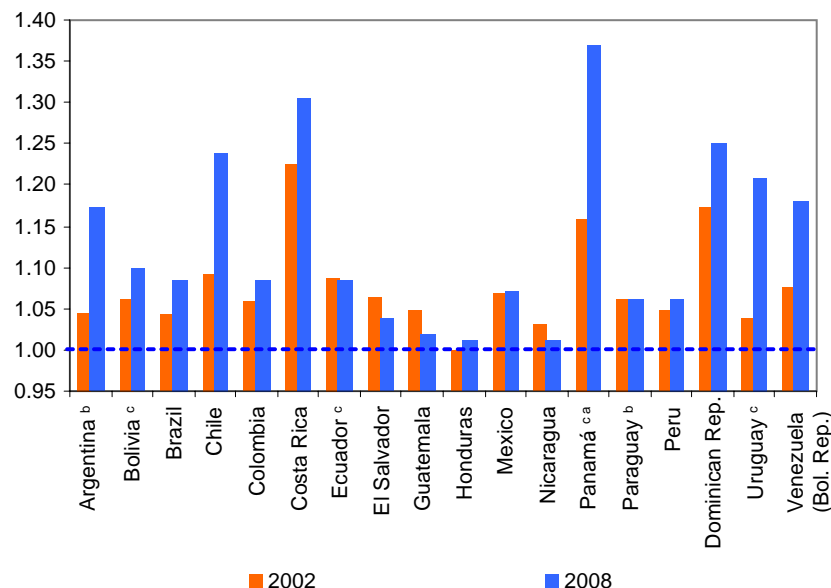
Women and children are still the most vulnerable to poverty. They increased as a proportion of the poor population from 2002 to 2008

LATIN AMERICA (18 COUNTRIES): RATIO BETWEEN THE POVERTY RATE OF WOMEN AND CHILDREN AND THAT OF THE REST OF THE POPULATION, AROUND 2002 AND 2008 ^a

Children between 0 and 14 years of age / Persons aged 14 and older



Women / Men (aged 20 to 59)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of household surveys conducted in the respective countries.

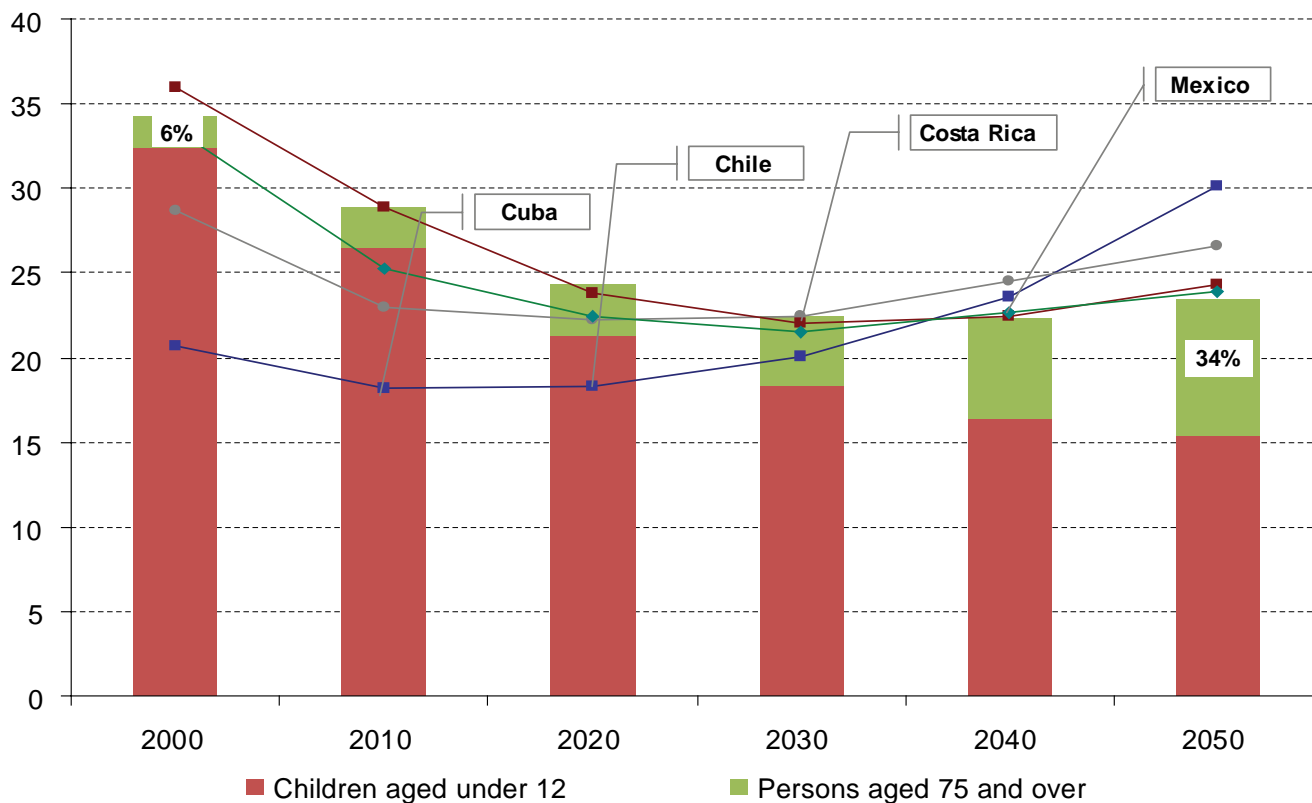
^a Countries, in order of variation in annual poverty rate. The year 2002 corresponds to the most recent survey available between 2000 and 2002, and 2008 represents surveys available between 2004 and 2008.

^b Metropolitan area.

^c Urban area.

New demands will arise as a result of the gradual aging of the care burden

LATIN AMERICA AND 4 SELECTED COUNTRIES: POPULATION IN NEED OF CARE PER 100 POTENTIAL CARERS, BY AGE GROUP, 2000-2050
(Percentages)





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FUTURE SCENARIOS: THE CHALLENGE FOR SOCIAL PROTECTION SYSTEMS



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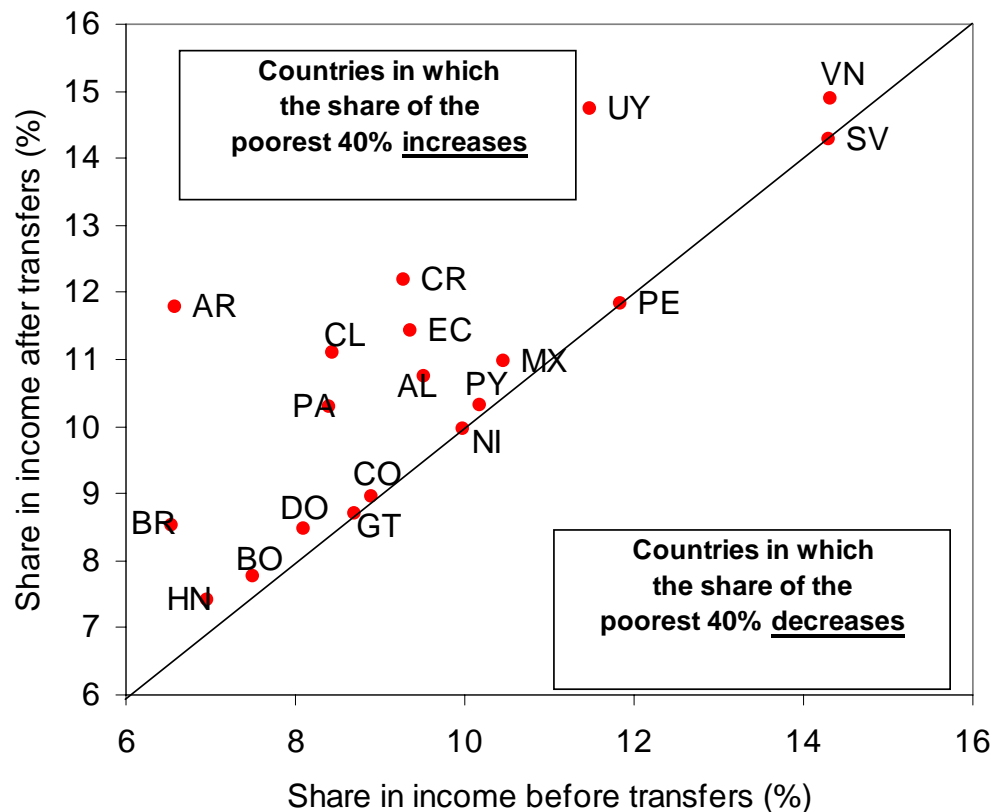
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The new conditions for combating poverty are not merely temporary: a steep road lies ahead

- Negative growth rates in 2009 and modest growth in 2010
- In many countries, between 2010 and 2020 the easy stage of the demographic dividend will be over
- Countries' fiscal capacity means that social spending is unlikely to grow at rates similar to those seen from 1990 to 2008
- Distributive struggles will increase as the pie grows slowly or not at all

Monetary transfers improve income of poorest sectors

LATIN AMERICA (18 COUNTRIES): SHARE OF THE POOREST 40% OF HOUSEHOLDS IN INCOME BEFORE AND AFTER TRANSFERS ^a, AROUND 2008
(Percentages)



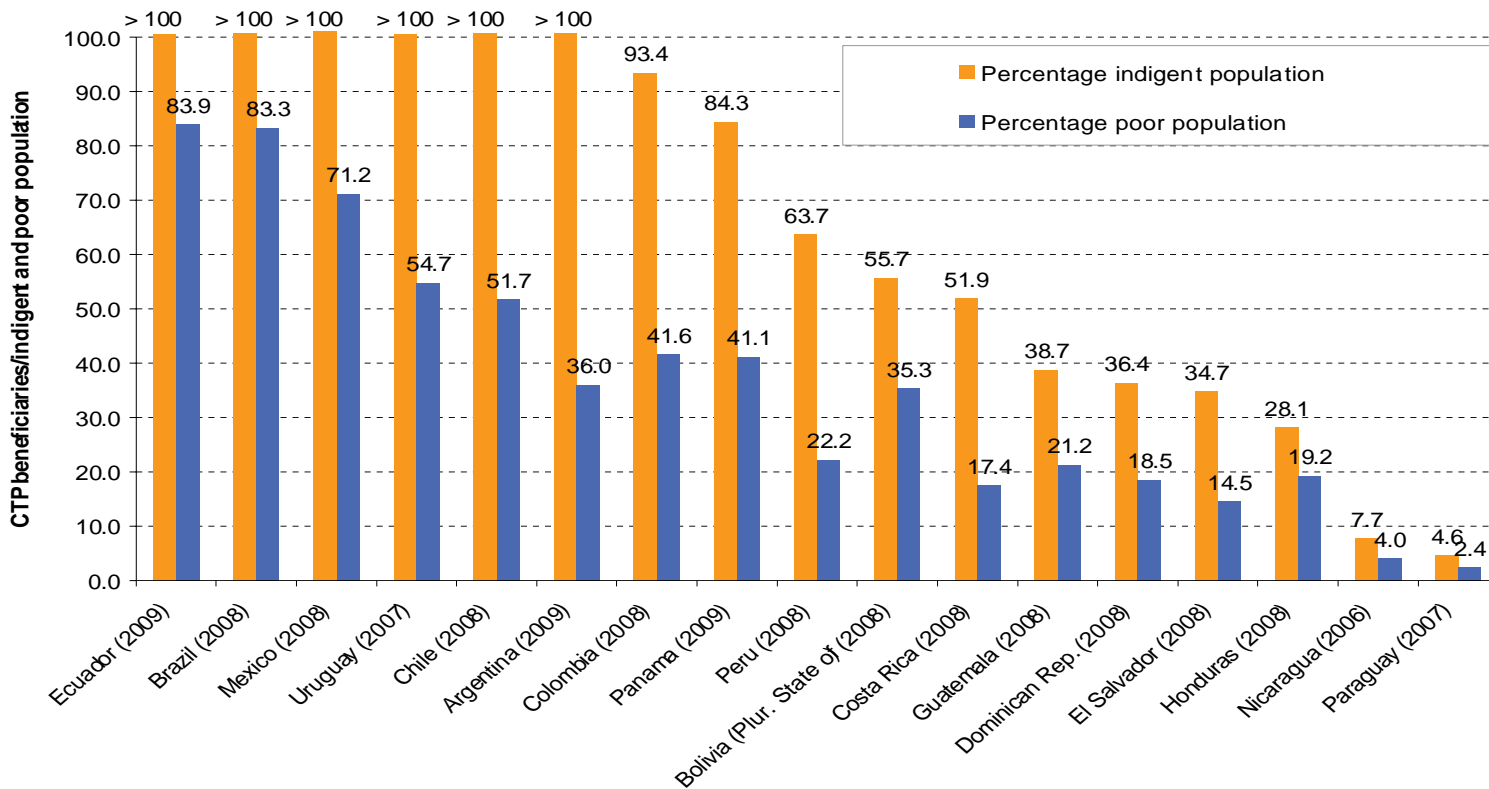
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

^a Income before transfers refers to the per capita income obtained by households through their participation in the labour market (primary income). The households reported as low-income before transfers are not necessarily the same as those reported as low-income after transfers.

Some 190 million people are thought to be living in poverty in 2009, and 101 million of them are benefiting from CTPs. So there is still room for extending programmes and covering more families who are unable to meet their basic needs

LATIN AMERICA (17 COUNTRIES): COVERAGE OF CONDITIONAL TRANSFER PROGRAMMES, 2006/2009 ^a

(Percentages of the poor and indigent population)

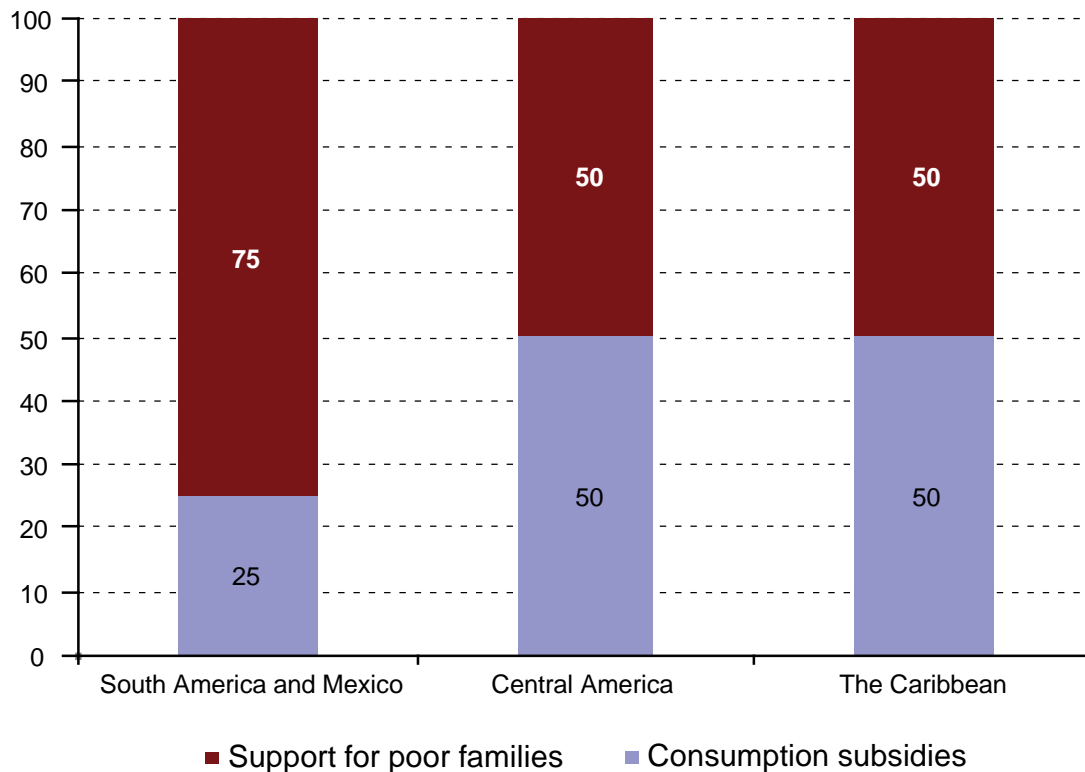


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of special tabulations of data from household surveys conducted in the respective countries.

^a Income before transfers refers to the per capita income obtained by households through their participation in the labour market (primary income). The households reported as low-income before transfers are not necessarily the same as those reported as low-income after transfers.

A broad range of social programmes were announced

LATIN AMERICA AND THE CARIBBEAN: COMPOSITION OF PORTFOLIO OF SOCIAL PROGRAMMES ANNOUNCED AFTER THE OUTBREAK OF THE CRISIS
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), *The reactions of the Governments of the Americas to the international crisis: an overview of policy measures up to 30 September 2009* (LC/L.3025/Rev.5), Santiago, Chile, October 2009.



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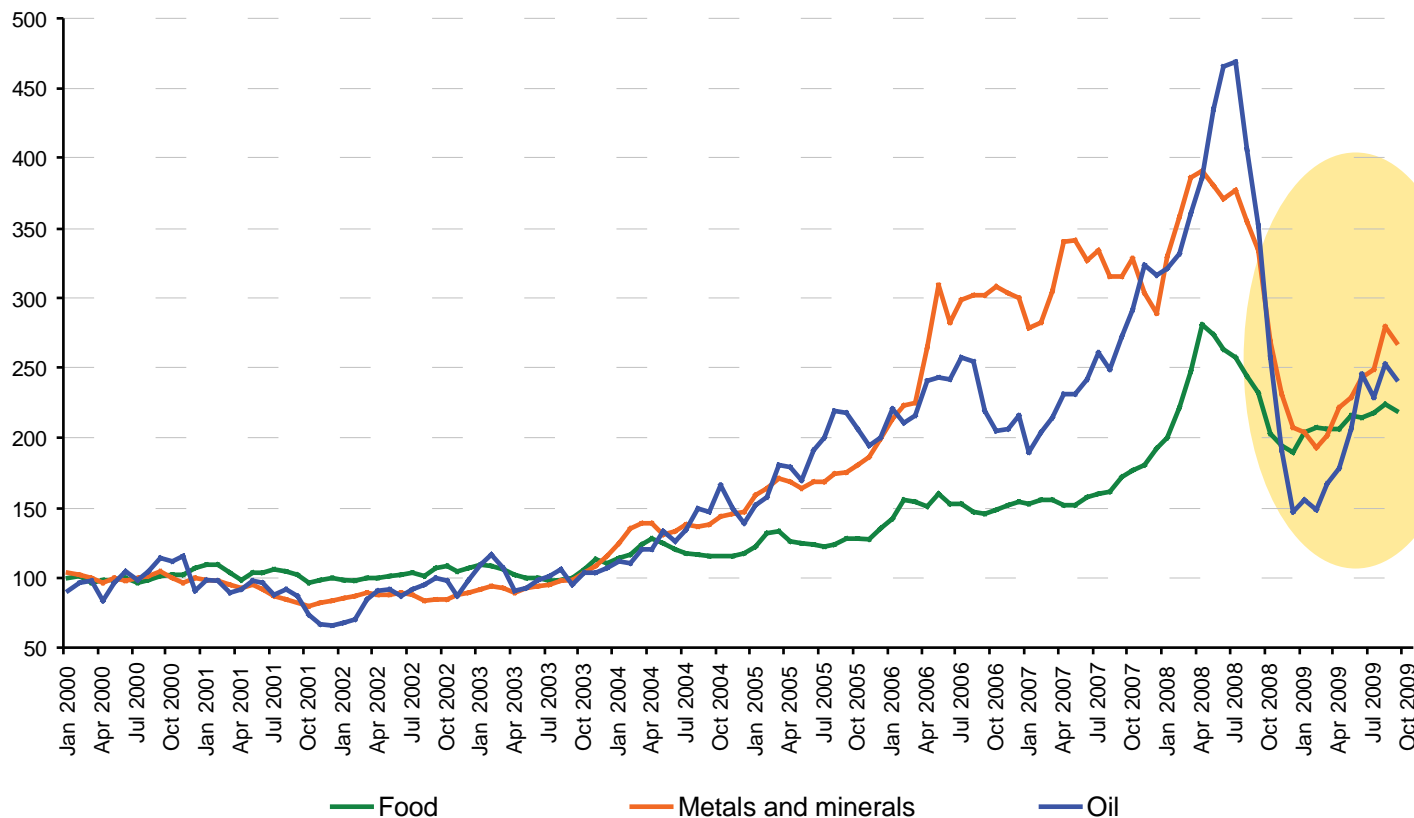
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Measures taken in response to the crisis

Non-contributory cash transfers	Increase of coverage and amounts. Very widely adopted (17 countries)
Changes to social security: strengthening the pillars of solidarity and protection of retirement benefits	Partial use, almost exclusively in countries with more developed systems (5 countries)
Protection of labour income (minimum wage and wage replacement)	Wide use of minimum wage and unemployment insurance where available (8 countries)
Economic stimulus measures (credit and tax exemptions for SMEs, training)	SME measures widely used (12 countries); training to a lesser extent (5 countries)
Investment in and subsidies for housing	Very widely used (12 countries)
Investment in social services infrastructure (education and health)	Very widely used (13 countries)
Food	Widely used (9 countries). Relatively less developed countries prioritize food security
Subsidies on basic necessities	Widely used (18 countries)

As activity levels and world trade begin to pick up, commodity prices are beginning to rise

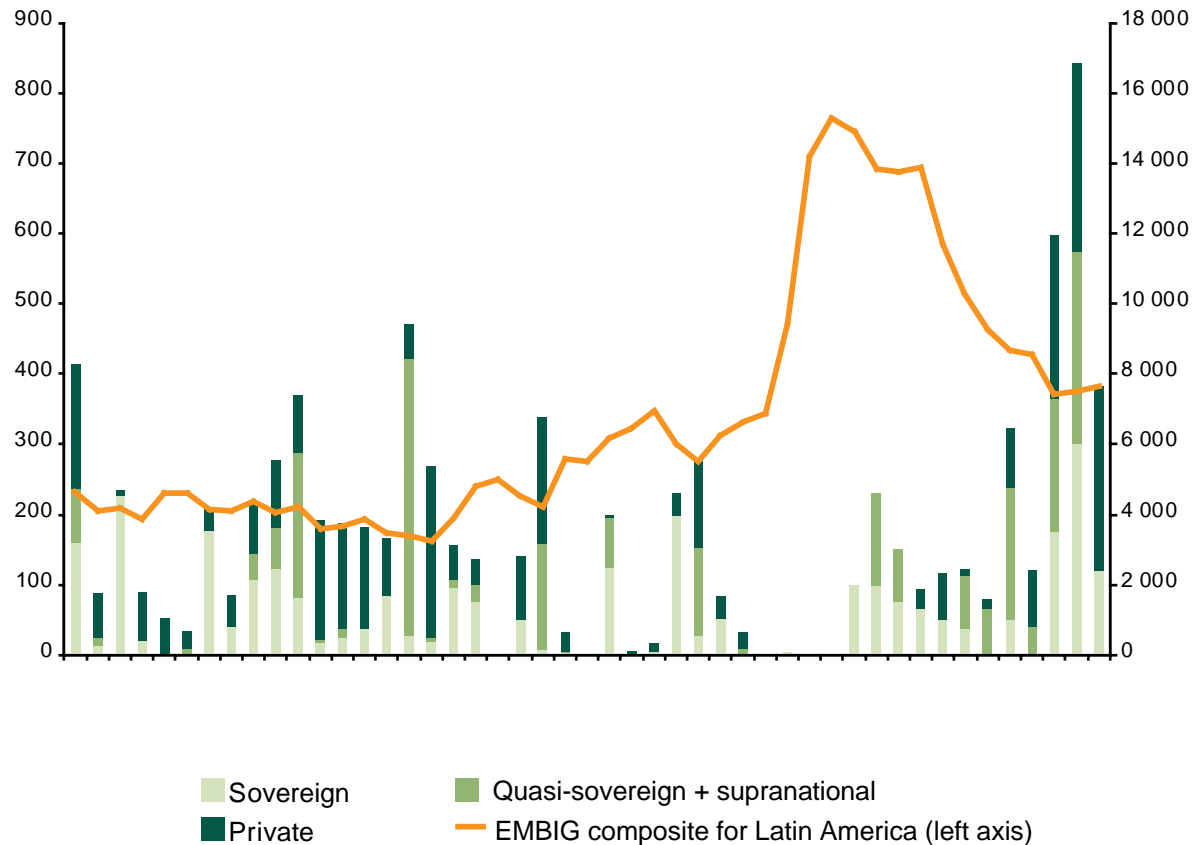
**SELECTED COMMODITY PRICE INDEXES, 2000-2009
(2000=100)**



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from UNCTAD and CPB (Netherlands Bureau for Economic Policy Analysis).

The region is regaining access to international financial markets

LATIN AMERICA AND THE CARIBBEAN: EMBIG AND EXTERNAL BOND ISSUES (Basis points and millions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from J.P.Morgan.

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