



2019

Economic and Social Perspective of Latin America and the Caribbean

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New York. September 2019



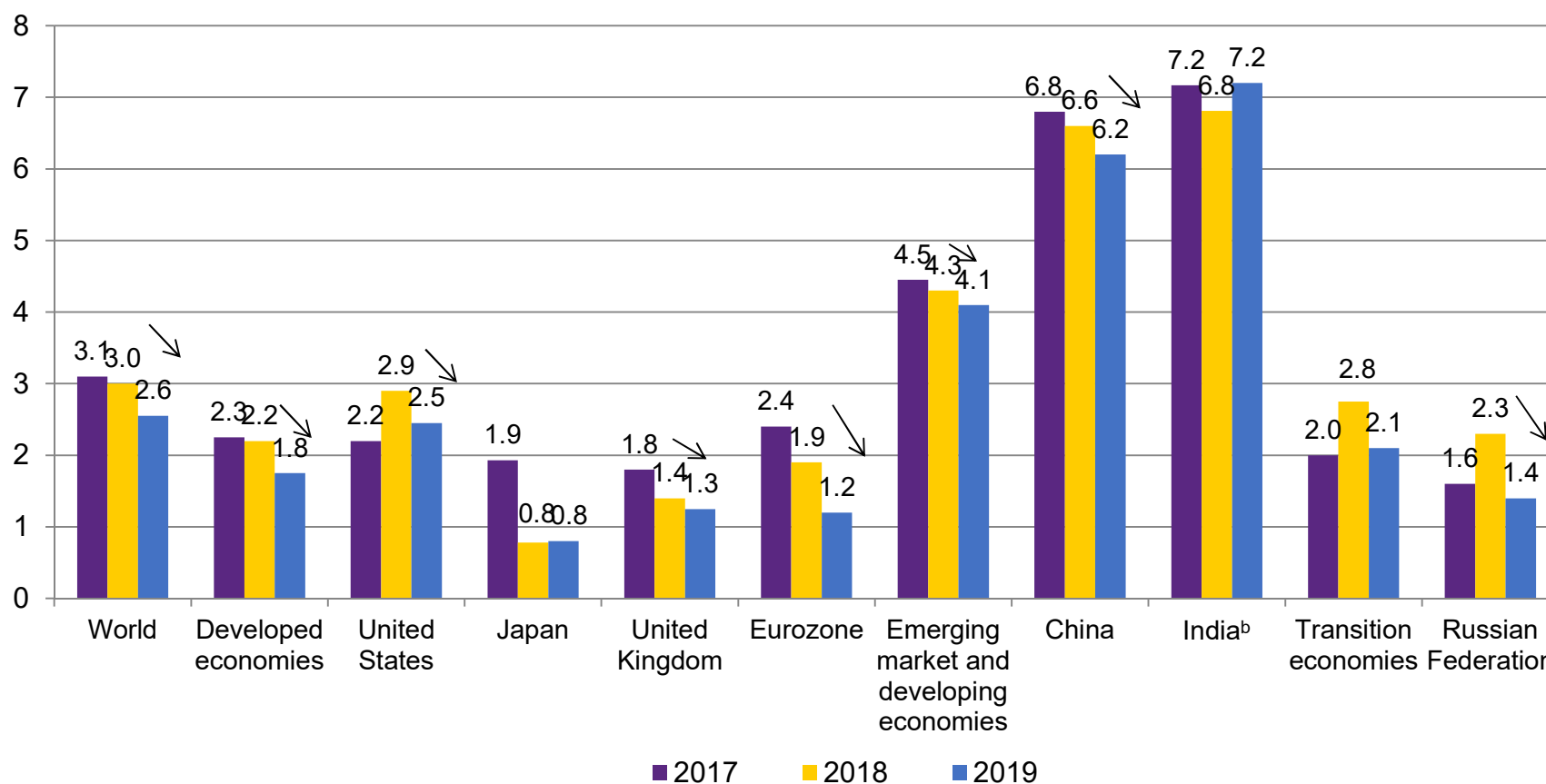
The region is confronted with an international context with growing complexity

■ Uncertainty and Deceleration

- Subdued global economic activity and international trade
- Growing uncertainty, volatility and financial fragility
- Trade conflict and increase in geopolitical tensions

Synchronization in slowdown of global growth

SELECTED REGIONS AND COUNTRIES: GDP GROWTH RATE 2017, 2018 AND FORECASTS 2019
(Percentages)

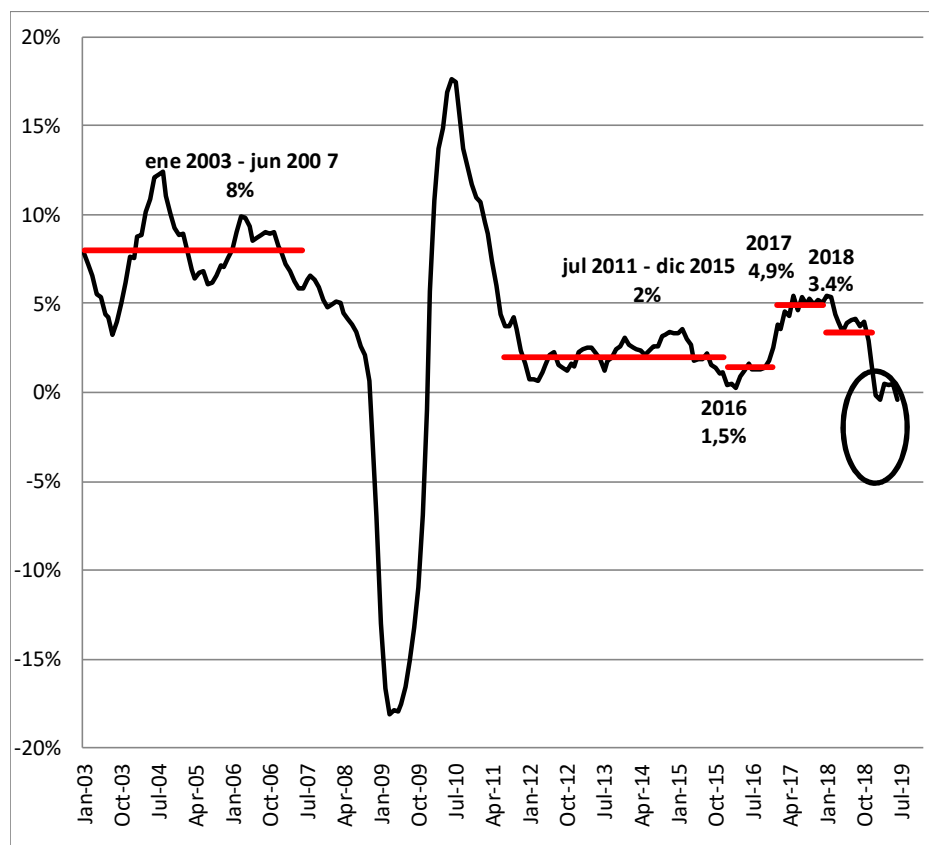


Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on the median of various specialized sources: GEP data (World Bank, June 2019), OECD (Economic Outlook, May 2019), WEO (IMF, April 2019), European Commission (Spring 2019 Forecasts), Capital Economics (accessed June 11, 2019), European Central Bank (Projections as of June 6, 2019), WESP (United Nations, May 2019) and Central Bank of India (accessed June 11, 2019).

Marked weakening of world trade

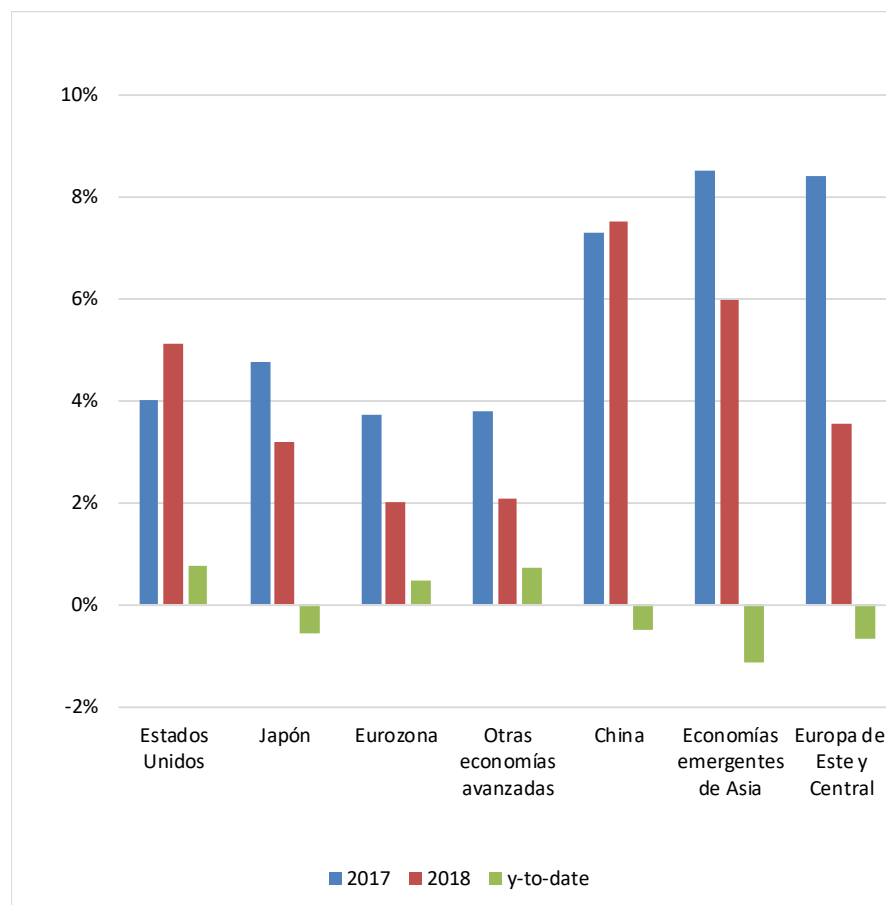
YEAR-ON-YEAR CHANGE IN THE VOLUME OF WORLD TRADE, JANUARY 2003 TO JUNE 2019

(Based on seasonally adjusted index, three-month rolling window, in percentages)



SELECTED REGIONS AND COUNTRIES: YEAR-ON-YEAR CHANGE IN THE VOLUME OF WORLD TRADE

(Based on seasonally adjusted index, in percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on the Netherlands Bureau of Economic Policy Analysis (CPB), World Trade Monitor.

Generalized declines in commodity prices are expected...

ANNUAL VARIATION IN INTERNATIONAL COMMODITY PRICES, 2016 TO 2019^a
(In percentages, based on average annual prices, weighted according to the average export basket of Latin America and the Caribbean)

	2016	2017	2018	2019 ^a
Agricultural products	4	0	1	-3
Foods, tropical beverages and oilseeds	6	-1	-2	-4
Foods	9	0	-3	0
Tropical beverages	1	-2	-10	-10
Oils and oilseeds	2	-1	1	-8
Forestry and agricultural raw materials	-2	5	13	2
Minerals and metals	-1	23	4	-1
Energy^b	-16	23	26	-10
Crude oil	-16	23	29	-10
All commodities	-4	15	10	-5
All commodities excluding energy products	2	11	3	-2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on data from the World Bank; International Monetary Fund (IMF); Economist Intelligence Unit; Bloomberg; Energy Information Administration (EIA), "Short-Term Energy Outlook", June 2019; Capital Economics and Central Bank of Chile, Monetary Policy Report, June 2019 for the price of copper.

^a The figures correspond to projections.

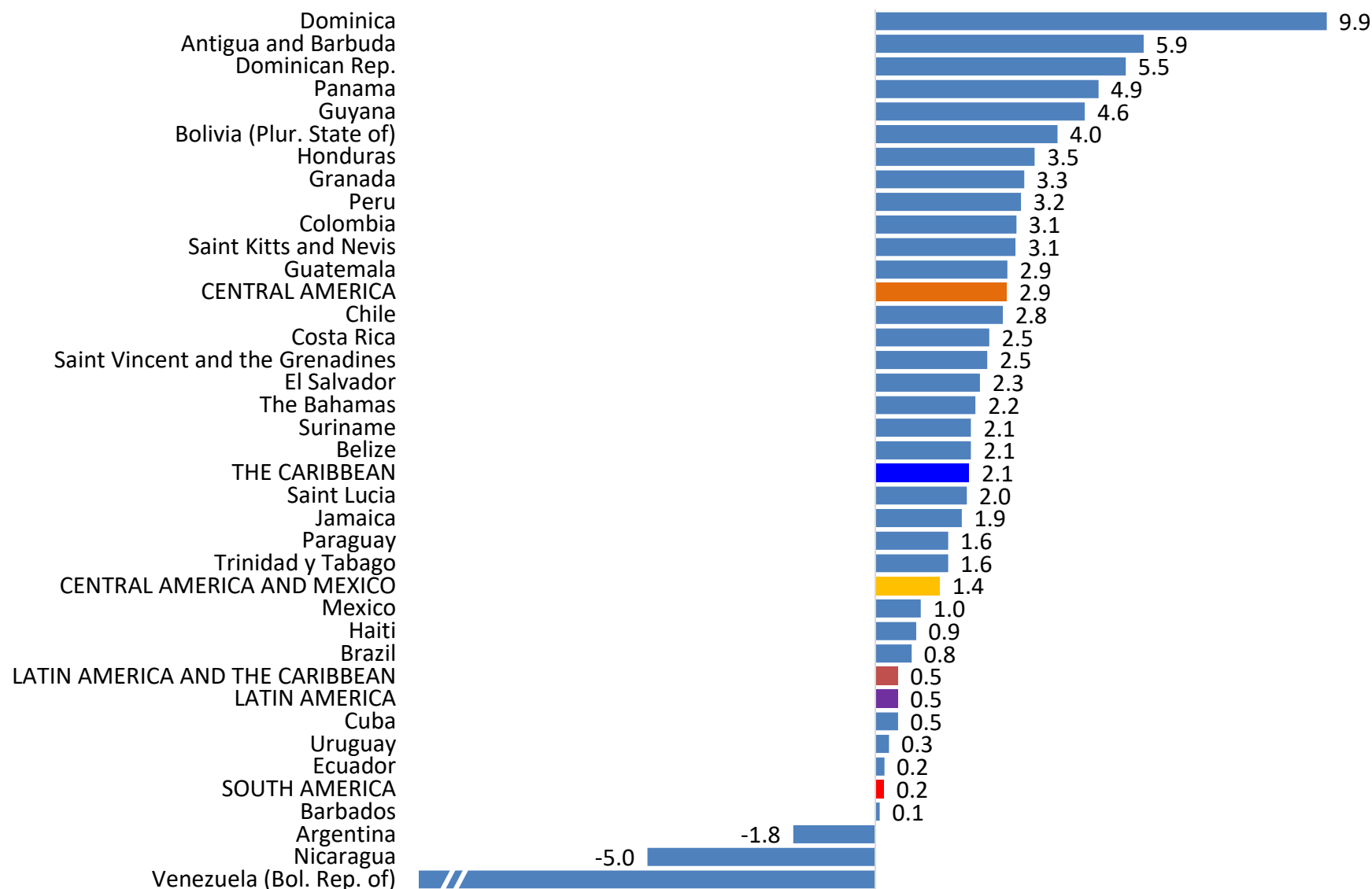
^b This category includes oil, natural gas and coal.

At the regional level

- The economic slowdown observed in the last five years continues
 - Loss of dynamism in the engines of economic growth: no contribution to growth from investment and net exports
 - Overall slowdown in 2019: 21 out of the 33 countries in Latin America and the Caribbean (17 out of 20 in Latin America)

GDP growth projections for 2019

(Percentages, constant 2010 dollars)



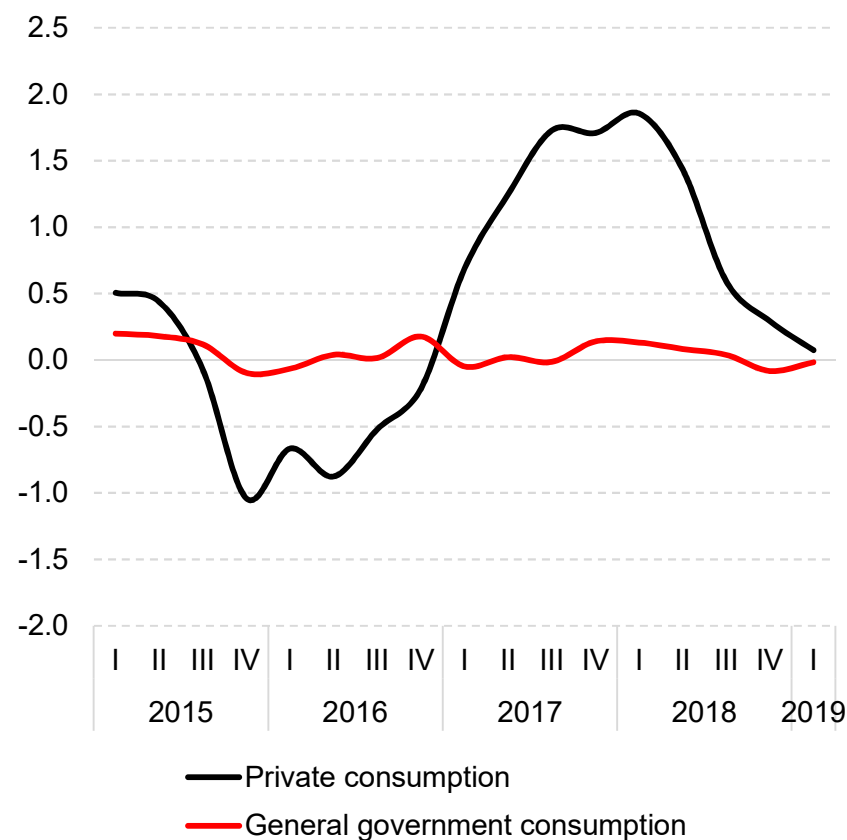
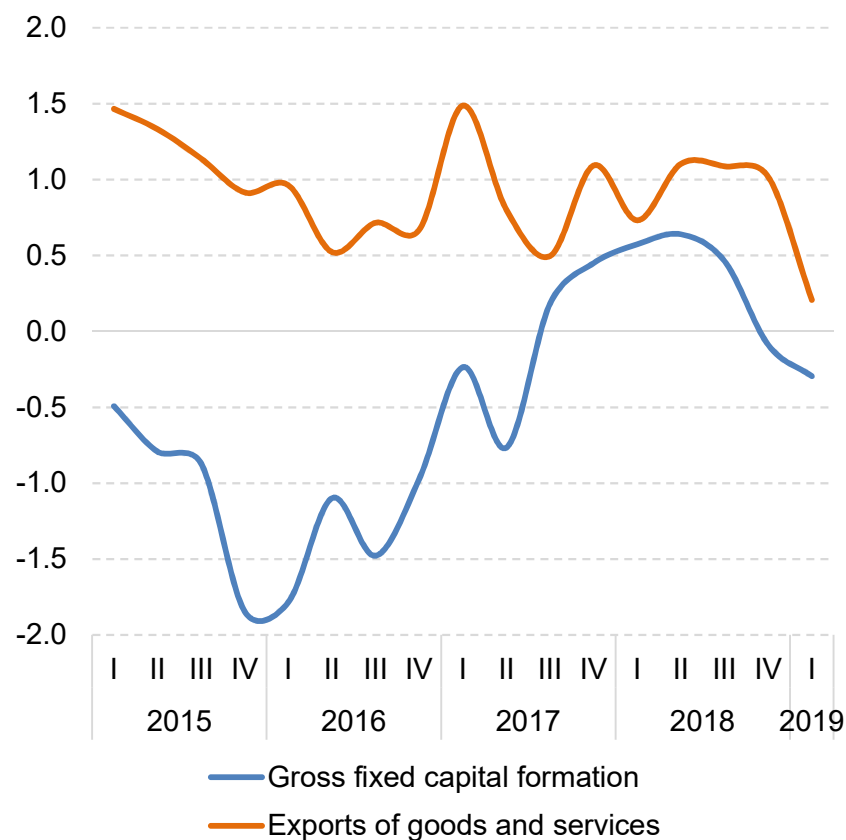
Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Restricted macroeconomic policy space

- Restriction of the structural fiscal space that limits countercyclical policies
- Fiscal consolidation due to insufficient revenues to cover public spending
- Greater indebtedness has not translated into productive investment
- Higher depreciations would limit monetary stimuli to aggregate demand
- The fall in productivity and the export structure (reprimarisation) do not help to face external vulnerability

Investment is no a driver for growth

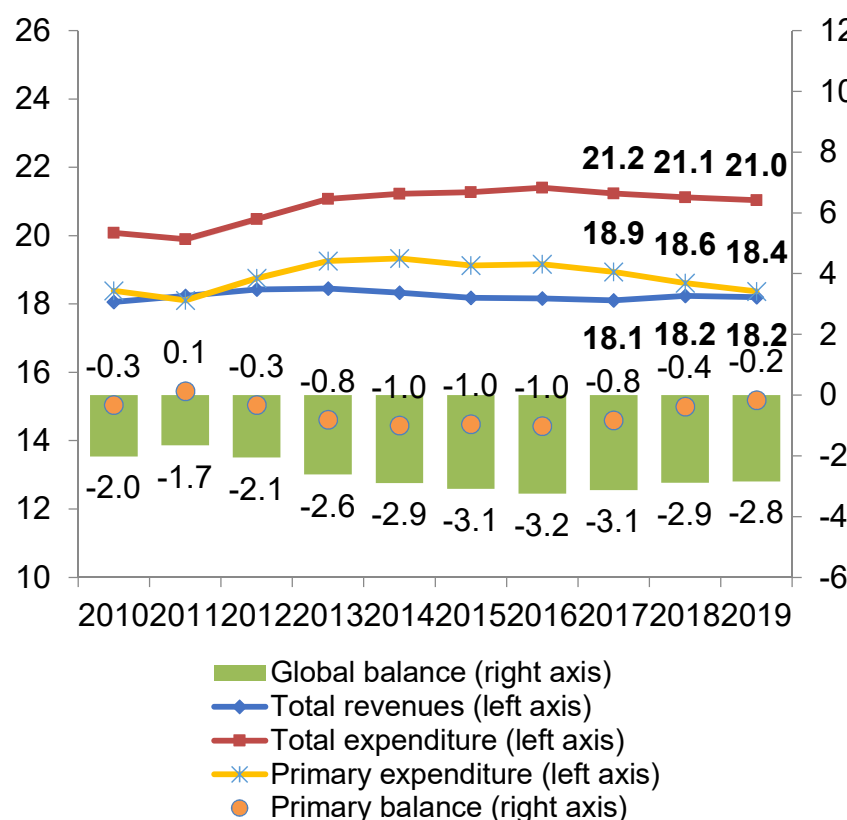
LATIN AMERICA: CONTRIBUTION OF PRIVATE CONSUMPTION, GENERAL GOVERNMENT CONSUMPTION, FIXED INVESTMENT AND EXPORTS TO GDP GROWTH, 2015 TO 2019
(Percentages)



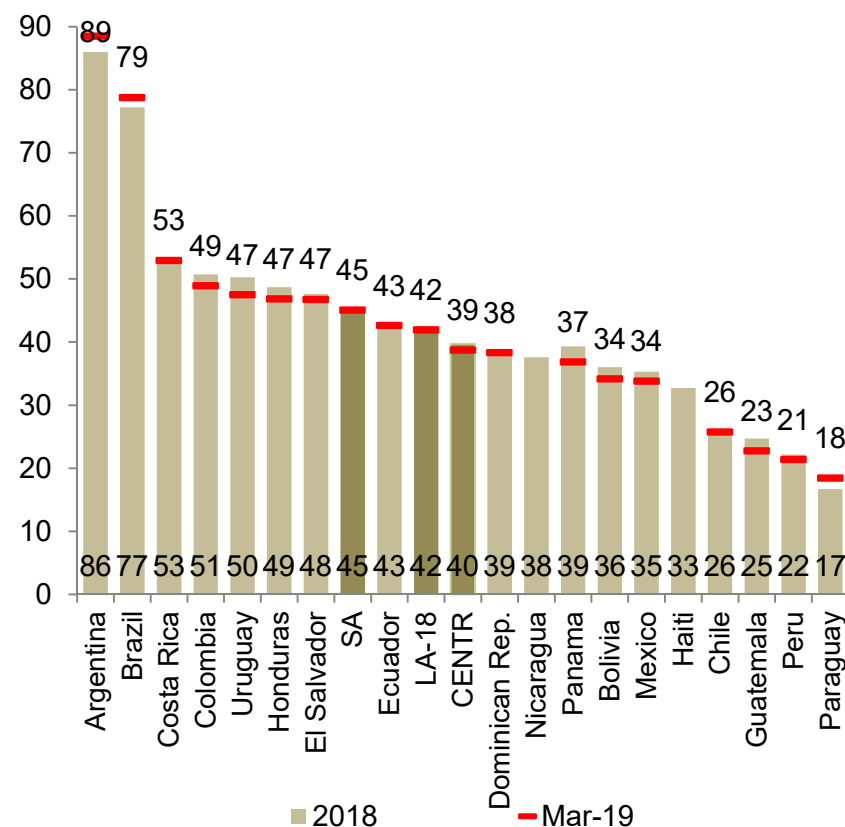
Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official figures.

Fiscal consolidation continues to reduce deficits as income levels are insufficient to cover expenses

- LATIN AMERICA (16 COUNTRIES): CENTRAL GOVERNMENT FISCAL INDICATORS, 2010-2019
 - (Percentages of GDP)



- LATIN AMERICA: GROSS PUBLIC DEBT OF THE CENTRAL GOVERNMENT, 2018 AND FIRST QUARTER OF 2019
 - (Percentages of GDP)

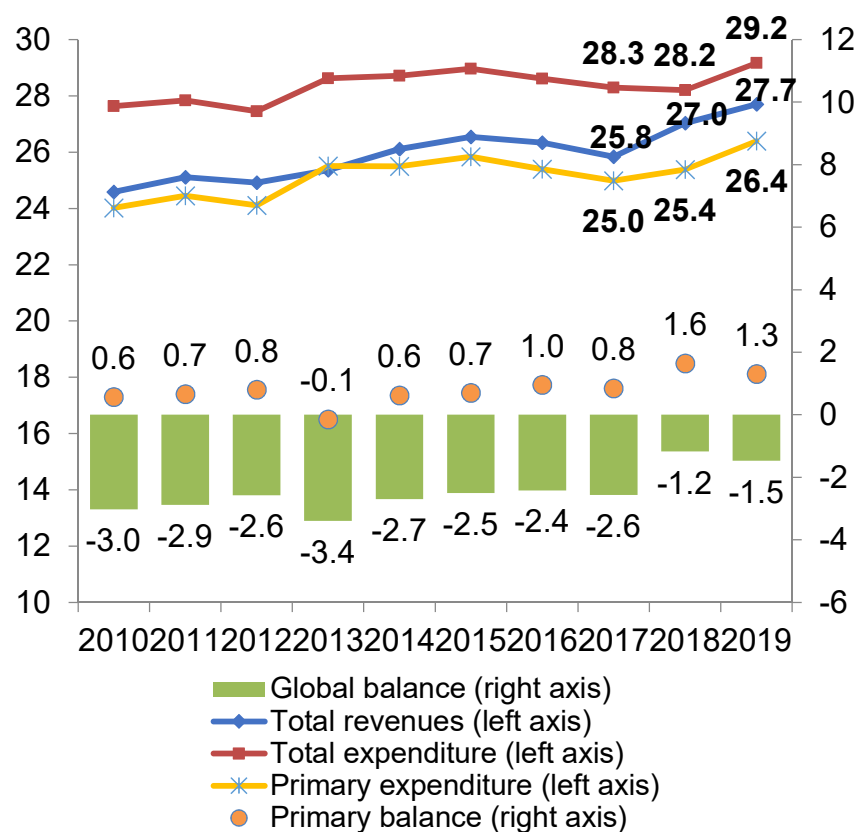


Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official figures.

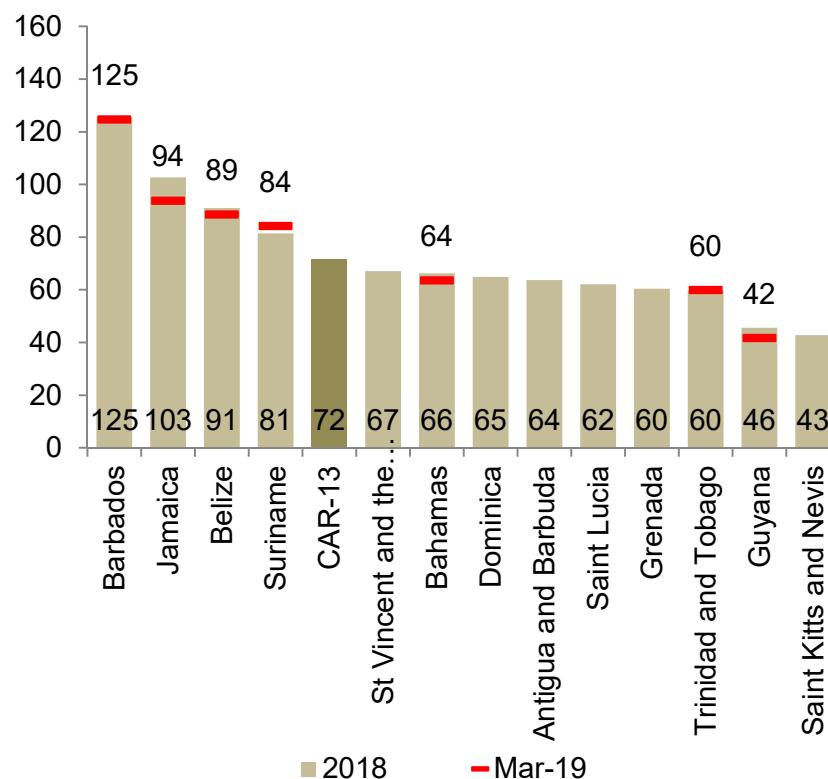
Note: Simple averages. The figures for 2019 correspond to: projections derived from budgets or official estimates for the end of 2019.

In the Caribbean, although fiscal consolidation continues, more revenue is expected with possible increases in spending

- THE CARIBBEAN (12 COUNTRIES): CENTRAL GOVERNMENT FISCAL INDICATORS, 2010-2019
 - (Percentages of GDP)



- THE CARIBBEAN: GROSS PUBLIC DEBT OF THE CENTRAL GOVERNMENT, 2018 AND FIRST QUARTER OF 2019
 - (Percentages of GDP)

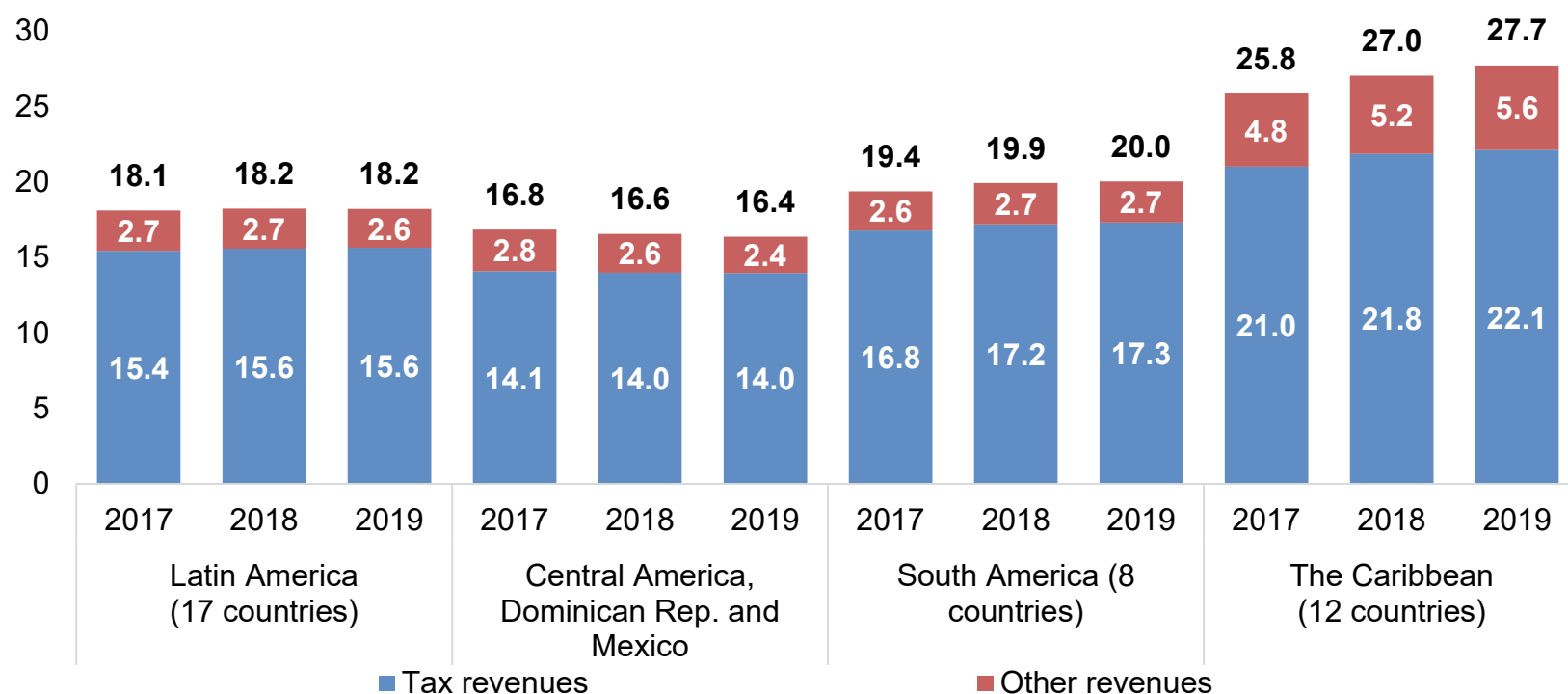


Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official figures.

Note: Simple averages. Dominica is excluded. The figures for 2019 correspond to: projections derived from budgets or official estimates for the end of 2019.

Although revenue is expected to remain stable, the economic slowdown and lower commodity prices could have a negative impact on government revenue

LATIN AMERICA AND THE CARIBBEAN: CENTRAL GOVERNMENT TOTAL REVENUES BY COMPONENT, 2017-2019
(Percentages of GDP)



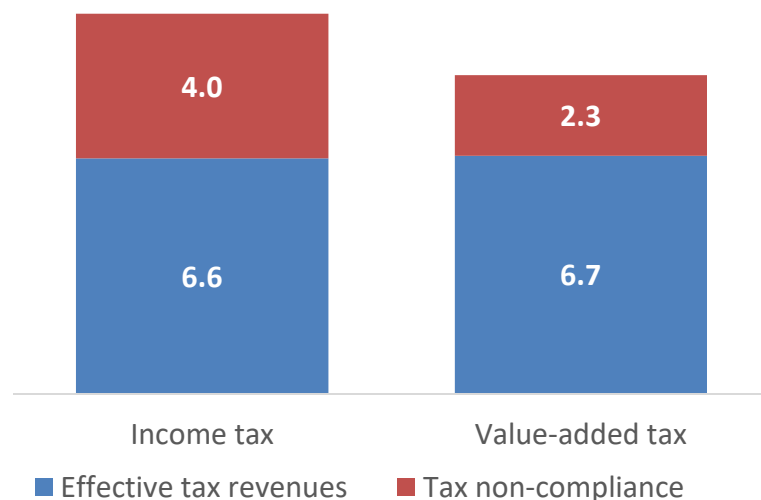
Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official figures.

Note: Simple averages. Dominica is excluded. The figures for 2019 correspond to: projections derived from budgets or official estimates for the end of 2019.

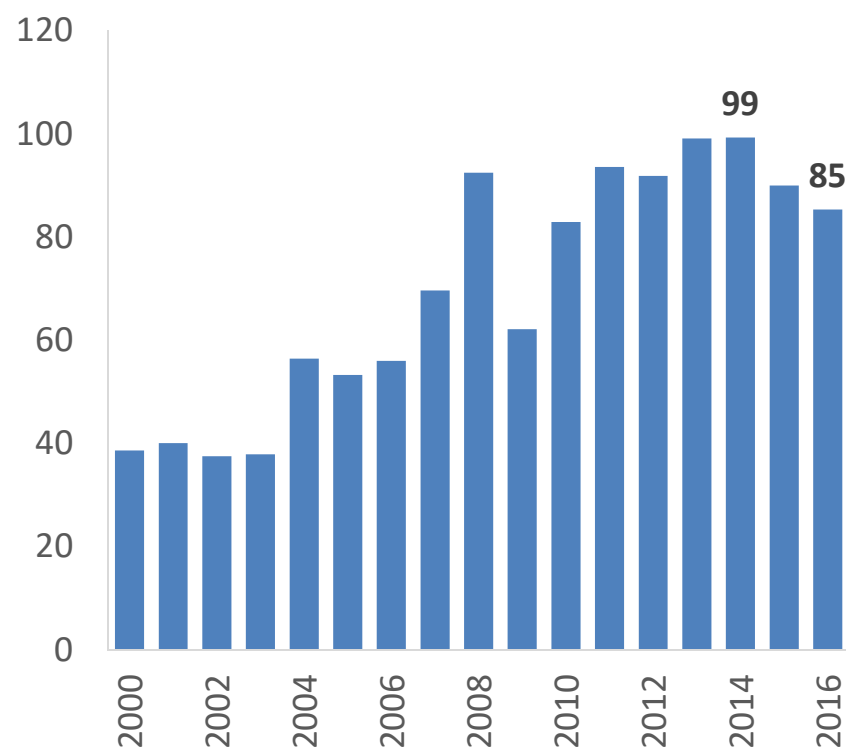
Tax evasion and illicit financial flows represent a significant loss of revenues

LATIN AMERICA: TAX NON-COMPLIANCE OF INCOME TAX AND VALUE-ADDED TAX, 2017
(Percentages of GDP)

**Estimated tax evasion in 2017:
6.3% of GDP (US\$ 335 billion)**



LATIN AMERICA AND THE CARIBBEAN: ESTIMATES OF GROSS OUTFLOWS FROM GOODS TRADE MISINVOICING, 2000-2015
(Billions of US dollars)

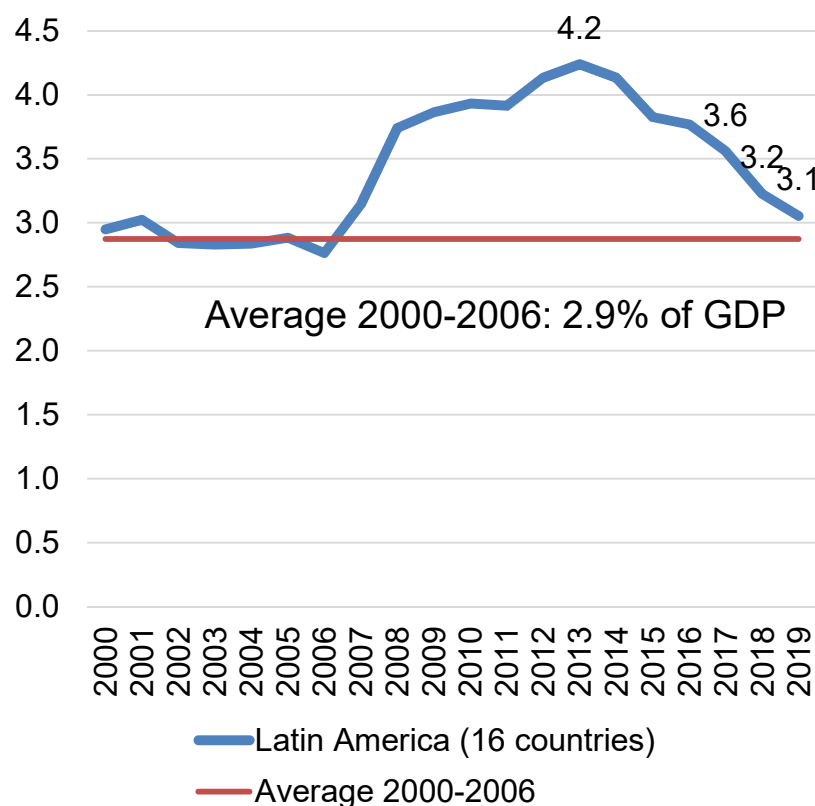


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figure
Note: the estimates of tax evasion are based on national studies on tax non-compliance with income tax : value-added tax. The figures correspond to a weighted average based on GDP at current prices in dollars. The countries included are Argentina, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Panama, Peru and Uruguay for the ISR; and, Argentina, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay for VAT.

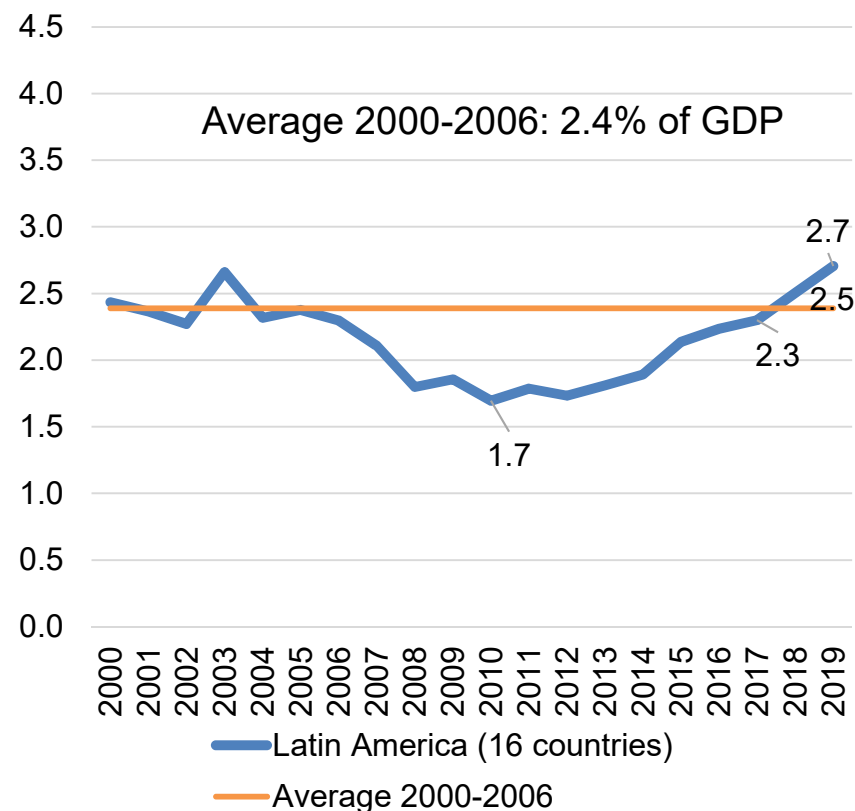
Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on estimates from the methodology developed by ECLAC.

Public capital expenditure is reaching historically low levels, while interest payments continue to rise

- LATIN AMERICA (16 COUNTRIES): CENTRAL GOVERNMENT CAPITAL EXPENDITURES, 2000-2019
 - (Percentages of GDP)



- LATIN AMERICA (16 COUNTRIES): CENTRAL GOVERNMENT INTEREST PAYMENTS, 2000-2019
 - (Percentages of GDP)



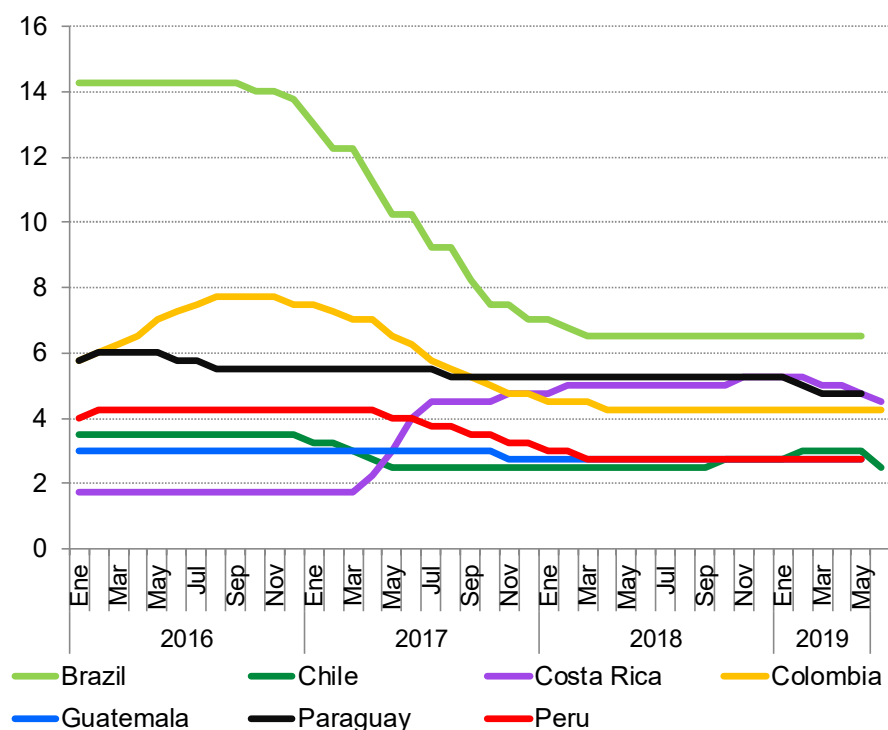
Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official figures.

Note: Simple averages. The figures for 2019 correspond to: projections derived from budgets or official estimates for the end of 2019.

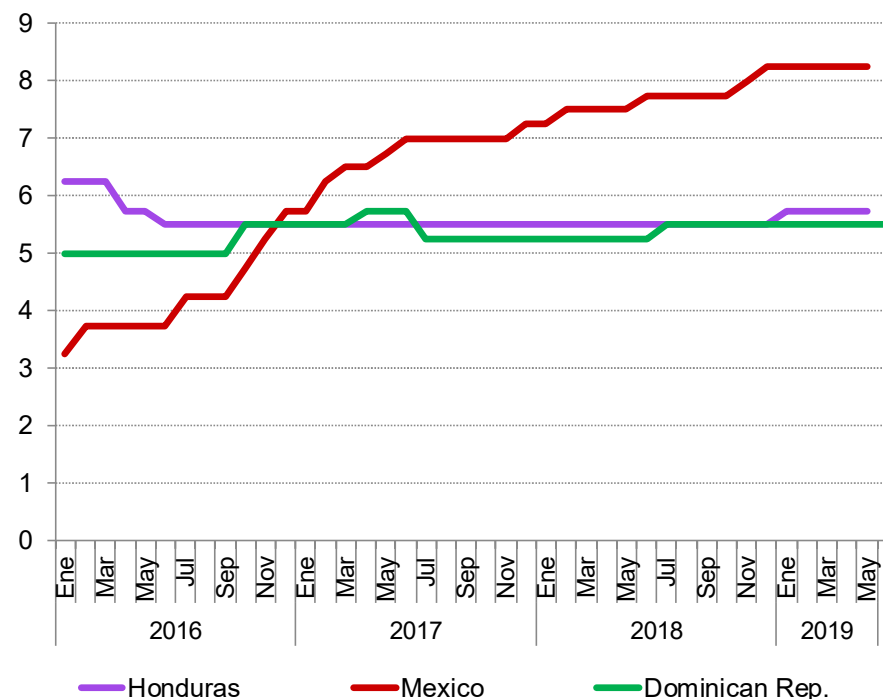
Monetary authorities continue to make use of the available space to stimulate aggregate demand...

LATIN AMERICA (SELECTED COUNTRIES): MONETARY POLICY RATE IN THE COUNTRIES THAT USE IT AS THE MAIN POLICY INSTRUMENT, JANUARY 2016 TO JUNE 2019
(In percentages)

Countries that maintained or reduced their rates



Countries that increased their rates

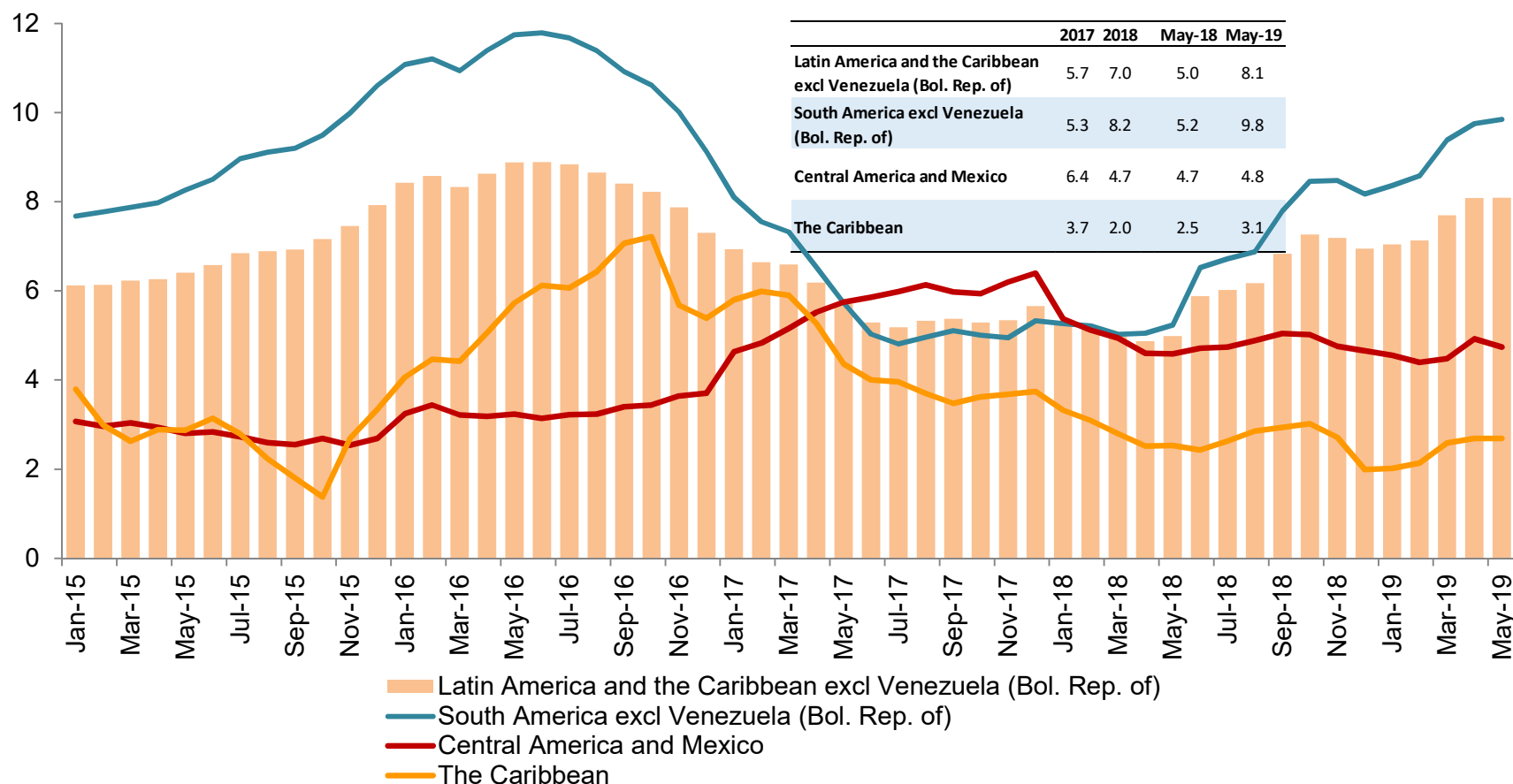


Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official figures.

Rising inflation induced by currency depreciations also reduce policy space to stimulate aggregate demand...

LATIN AMERICA AND THE CARIBBEAN: VARIATION RATES OF THE CONSUMER PRICE INDEX (CPI) IN 12 MONTHS, WEIGHTED AVERAGE, JANUARY 2015 TO MAY 2019

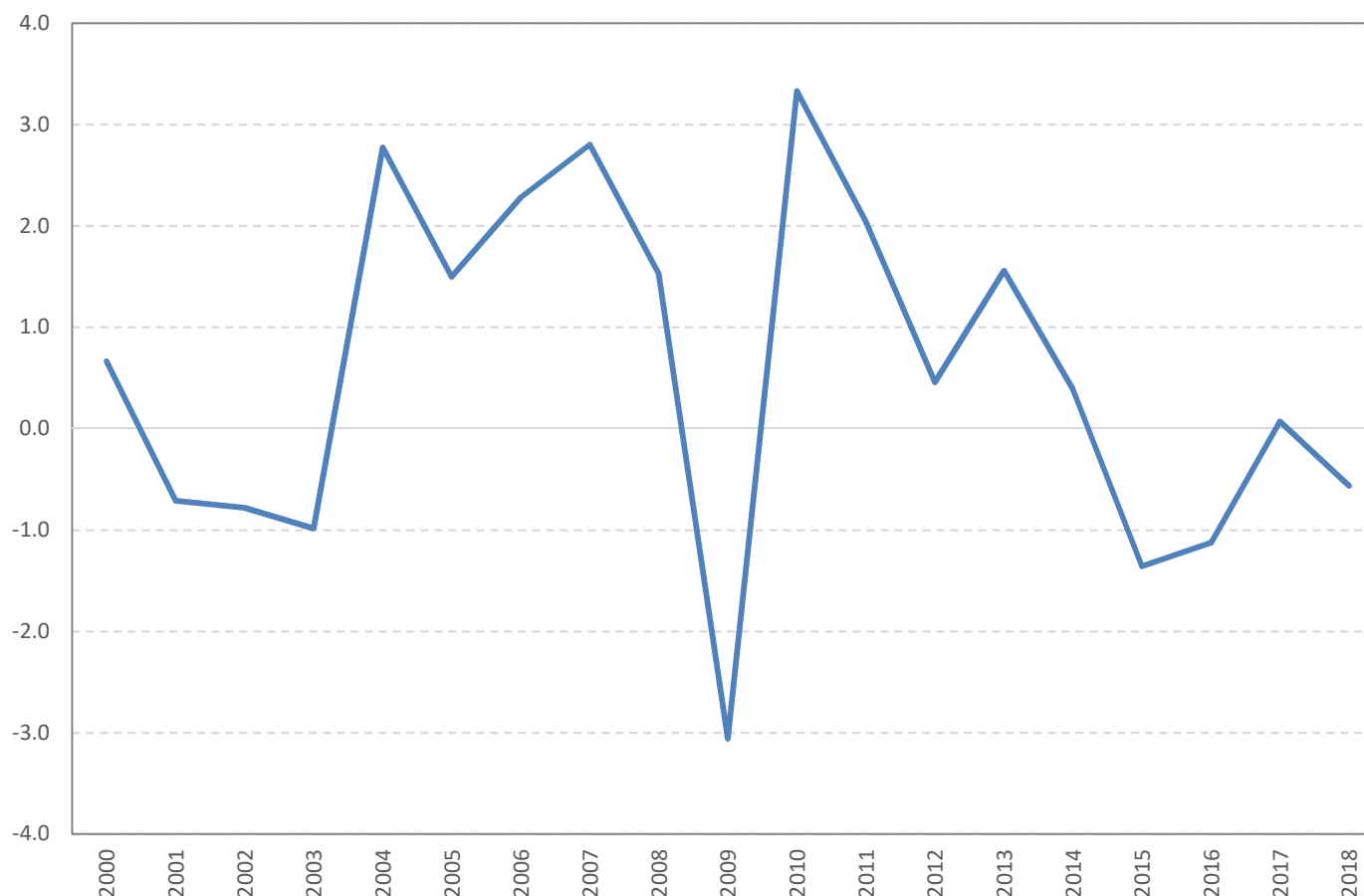
(In percentages)



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

In addition to less policy space, productivity has exhibited a downward trend in the last years

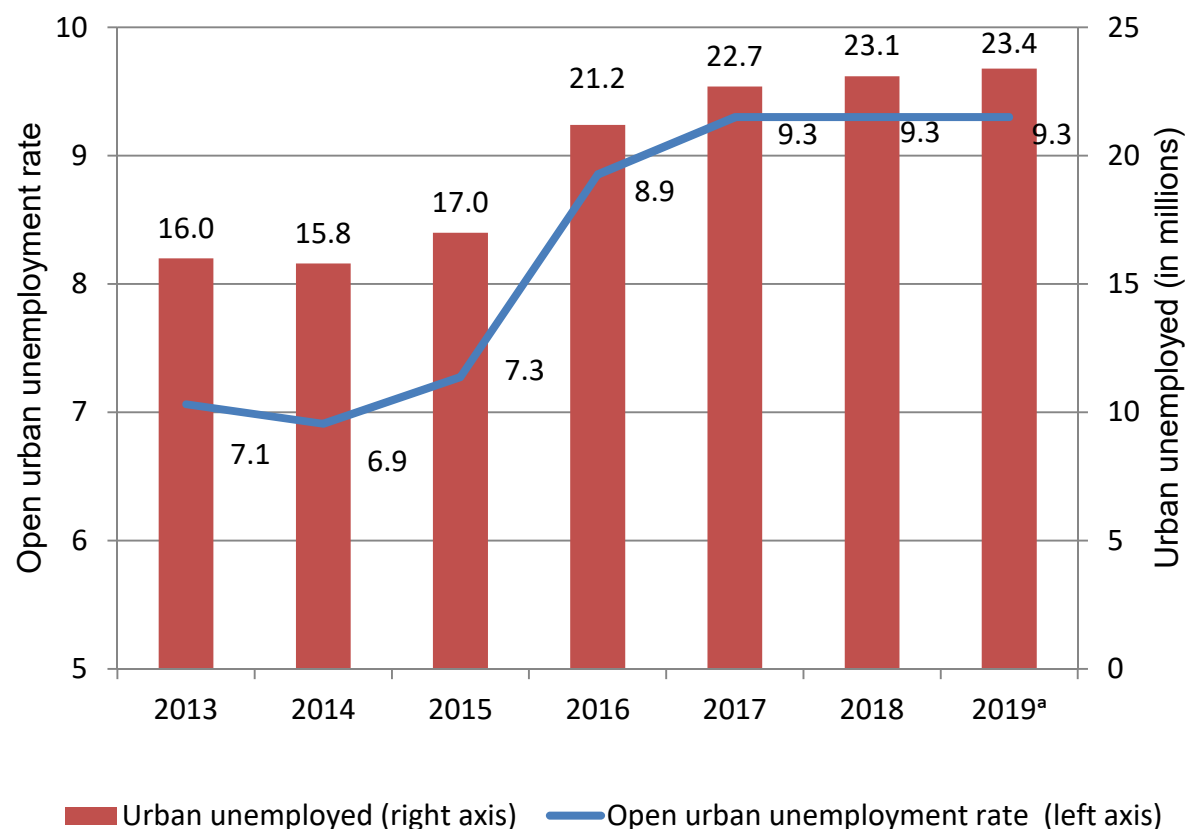
LATIN AMERICA: LABOUR PRODUCTIVITY, 2000 TO 2018
(Percentages)



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

Unemployment rates remain at high levels accompanied by a deterioration in working conditions

LATIN AMERICA AND THE CARIBBEAN: URBAN UNEMPLOYED RATE AND NUMBER, 2013 TO 2019
(Percentages)



At the beginning of 2019 there was a deterioration of the quality of employment:

- Self-employment is expanding more than salaried labor
- Increase in informal labour
- Increase in hourly underemployment

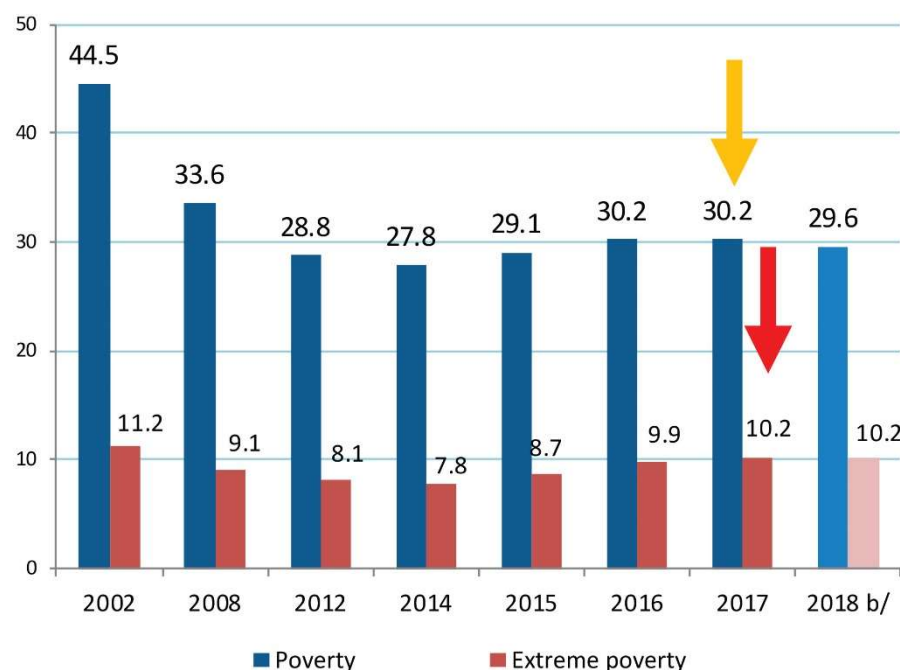
Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official figures.

^a Estimate.

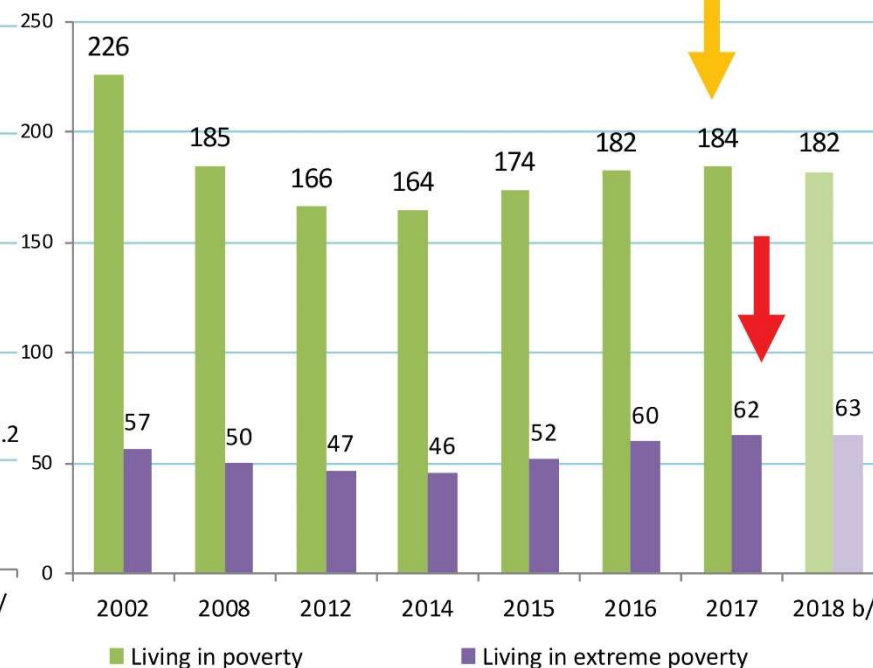
After rising in 2015 and 2016, poverty held steady in 2017 and extreme poverty continued to trend upwards

Poverty is projected to have fallen slightly in 2018, while extreme poverty has remained unchanged

LATIN AMERICA: POVERTY AND EXTREME POVERTY RATES, 2002–2018 ^a
(Percentages)



LATIN AMERICA: POPULATION LIVING IN POVERTY AND EXTREME POVERTY, 2002–2018 ^a
(Millions of persons)



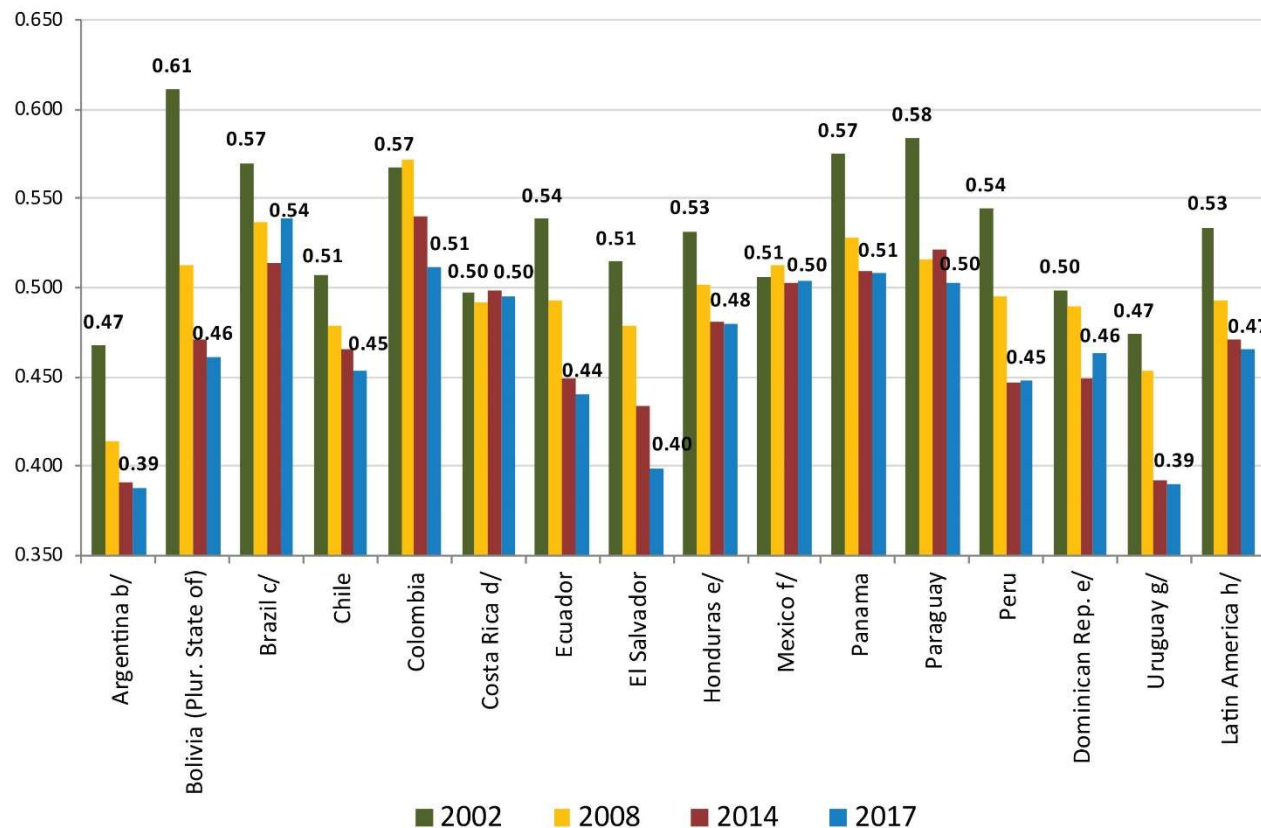
Source: ECLAC, on the basis of Household Survey Data Bank (BADEHOG).

^a Estimate for 18 countries of Latin America and the Caribbean.

^b The figure for 2018 is a projection.

Income distribution inequality fell notably between 2002 and 2017 (from a Gini coefficient of 0.53 to 0.47)

LATIN AMERICA (15 COUNTRIES): GINI COEFFICIENT OF INCOME INEQUALITY, 2002–2017^a



- The reduction in inequality lost momentum between 2014 and 2017
- Colombia, El Salvador and Paraguay posted Gini reductions of over 1% per year
- Bolivia, Chile and Ecuador saw yearly falls of just over 0.5%
- Honduras and the Dominican Republic saw a deterioration in 2016

Source: ECLAC, on the basis of Household Survey Data Bank (BADEHOG).

^a The calculation of the Gini coefficient included zero incomes.

^b Urban total.

^c Figures for 2017 not comparable with those of previous years.

^d Figures from 2010 onward not comparable with those of previous years.

^e Figures for 2017 refer to 2016.

^f Figures for 2016 estimated on the basis of the 2016 statistical model for MCS-ENIGH continuity.

^g Figures for 2002 refer to the urban area.

^h Average based on nearest available year's data for each of the 18 countries.

Preliminary estimates for three countries show that wealth distribution is more unequal than income distribution

CHILE, MEXICO AND URUGUAY: GINI COEFFICIENT OF ADJUSTED PHYSICAL AND FINANCIAL ASSETS
AND OF PER CAPITA CURRENT INCOME, HOUSEHOLDS

Gini	Chile (2017)	Uruguay (2013/2014)	Mexico (2015/2017)
Total assets (physical and financial)	0.72	0.67	0.78 ^a
Current income ^b	0.45	0.39	0.50

- Physical and financial assets are highly concentrated in the upper income strata
- This is not reflected in inequality of current income as measured by household surveys

Source: ECLAC, on the basis of Central Bank of Chile, the Household Financial Survey 2017 of Chile; the National Household Survey 2015 of Mexico; data from the National Banking and Securities Commission (CNB) of Mexico; the database of the Economics Department of the Faculty of Social Sciences at the University of the Republic of Uruguay, the Uruguayan Household Financial Survey, 2013–2014; and Household Survey Data Bank (BADEHOG).

^a Gini coefficient of contracts held by individuals in brokerage firms, 2015–2017.

^b Gini coefficient calculated on the basis of individual per capita income distribution. The data for Mexico refer to 2016.

FISCAL POLICIES

Four instruments to expand the fiscal space

- ✓ Reducing tax evasion and illicit financial flows
- ✓ Re-evaluate tax expenditure to align them with productive investment
- ✓ Promote the adoption of taxes on the digital economy, environmental and related to public health
- ✓ Stimulatory countercyclical policies

Four public spending and investment policies

- ✓ Protect double inclusion (labour and social) from social spending
- ✓ Redirect public investment towards the adaptation and use of innovative technologies with natural resources
- ✓ Promote public-private agreements for infrastructure and renewable energy
- ✓ Re-design tax incentives for industrial policies

Multilateral regional space to reduce fiscal asymmetries

- ✓ Adopt regional and global agreements to reduce tax evasion, avoidance and illicit flows.
- ✓ Reduce harmful tax competition
- ✓ Revision and convergence of the use of tax incentives for investment
- ✓ Reduce global asymmetries and deepen the dialogue with transnational corporations

MONETARY POLICIES

Promote economic growth without compromising exchange and price stability

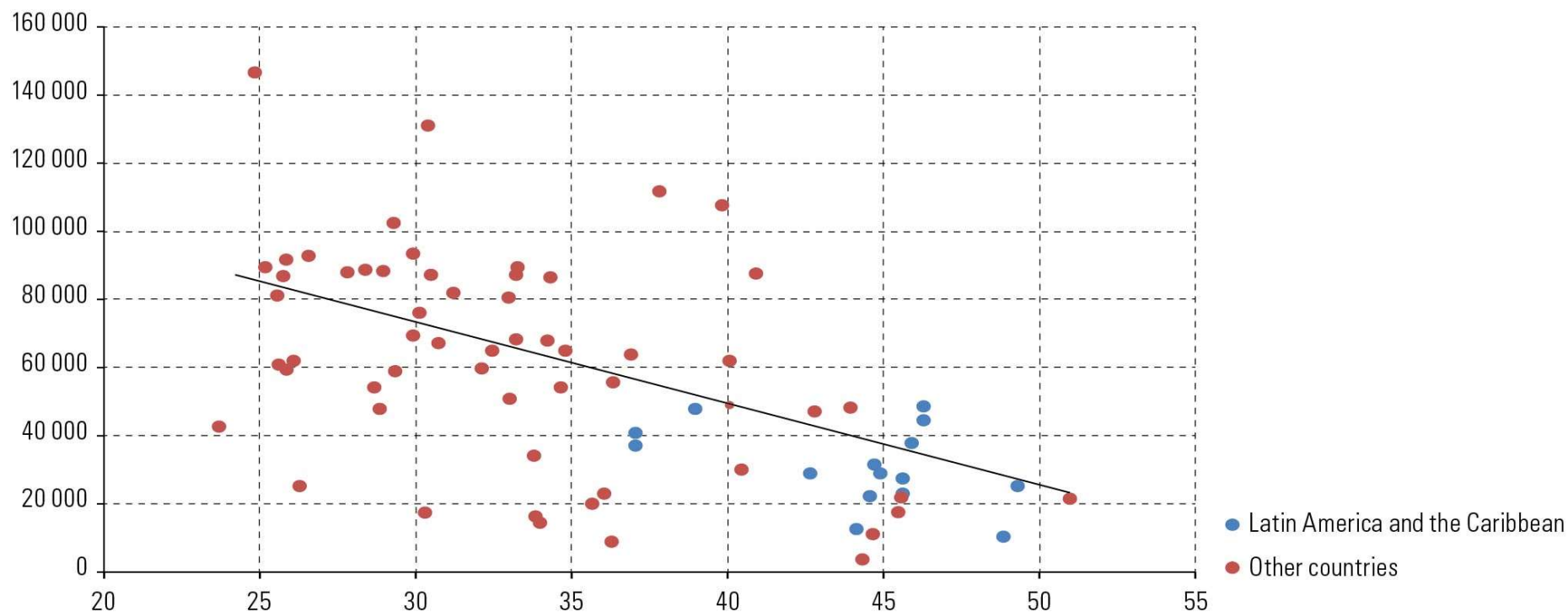
- ✓ **Stimulate aggregate demand according to available space.**
- ✓ **Use monetary policy to promote activities of greater productivity.**
- ✓ **Strengthen the ability of central banks to address the effects of foreign exchange volatility:**
 - ✓ **Instruments such as credit lines and swaps between central banks**
 - ✓ **Strengthening the regional financial architecture.**
 - ✓ **Adapt regulation to financial flows to higher volatility environments**

PRO INVESTMENT AND PRODUCTIVITY POLICIES

- ✓ **Orient investment towards knowledge-intensive sectors and more dynamic sectors that drive increased productivity**
- ✓ **Investment stimulus policies must incorporate innovation, learning and quality jobs**
- ✓ **Articulate investments towards sectors with greater environmental sustainability: renewable energy, electromobility, green infrastructure and sectors linked to the circular economy**

Inverse correlation between productivity and inequality (as opposed to the “big trade-off”)

Productivity and Gini index, 2014
(Purchasing power parity (PPP) 2011 dollars and percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of University of Groningen, Penn World Table [online database] <https://www.rug.nl/ggdc/productivity/pwt/>, and Harvard University, Standardized World Income Inequality Database (SWIID) [online database] <https://dataverse.harvard.edu/dataset.xhtml?persistentId=hdl:1902.1/11992>.

Note: The Gini index is expressed in percentage terms. Productivity is expressed in output per employee in 2011 PPP dollars.



2019

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